

Quarterly Securities Report

(The English translation of the “Shihanki-Houkokusho”
for the third quarter of the 74th term)

from June 1, 2023
to August 31, 2023

TOSEI CORPORATION

4-5-4, Shibaura, Minato-ku, Tokyo, Japan

(E04021)

This is an English translation prepared for the convenience of non-resident shareholders by translating the Quarterly Securities Report (Shihanki-Houkokusho) submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on October 10, 2023. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

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[Quarterly Review Report of Independent Auditors]

[Cover]

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Company name (English):	TOSEI CORPORATION
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Places where the document to be filed is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

A. Company Information

I. Overview of the Tosei Group

1. Trends in principal management benchmarks

Term	73rd term First nine months	74th term First nine months	73rd term
Accounting period	From December 1, 2021 to August 31, 2022	From December 1, 2022 to August 31, 2023	From December 1, 2021 to November 30, 2022
Revenue (¥ thousand) [Third quarter of the current fiscal year]	54,933,123 [11,380,811]	66,710,147 [13,848,781]	70,953,486
Profit before tax (¥ thousand)	10,516,022	13,679,006	12,753,538
Profit attributable to owners of the parent (¥ thousand) [Third quarter of the current fiscal year]	7,175,426 [1,068,172]	9,364,618 [1,200,483]	8,607,088
Comprehensive income attributable to owners of the parent (¥ thousand)	7,537,690	9,627,437	8,784,368
Total equity (¥ thousand)	71,049,562	81,361,176	72,290,677
Total assets (¥ thousand)	205,227,341	230,601,310	210,955,801
Basic earnings per share (¥) [Third quarter of the current fiscal year]	151.28 [22.59]	196.51 [24.85]	181.66
Diluted earnings per share (¥)	151.07	196.12	181.33
Ratio of equity attributable to owners of the parent to total assets (%)	34.6	35.2	34.3
Net cash from (used in) operating activities (¥ thousand)	1,823,434	10,492,350	(197,084)
Net cash from (used in) investing activities (¥ thousand)	(8,476,931)	(4,939,303)	(9,081,101)
Net cash from (used in) financing activities (¥ thousand)	3,944,733	4,553,934	7,477,196
Cash and cash equivalents at end of period (¥ thousand)	30,859,441	41,878,394	31,767,008

- Notes: 1. Filing company's trends in principal management benchmarks are not disclosed as the Company prepares quarterly consolidated financial statements.
2. The above benchmarks are based on the quarterly consolidated financial statements and consolidated financial statements that were prepared in compliance with the International Financial Reporting Standards (hereinafter "IFRS").

2. Business description

During the nine months ended August 31, 2023, there were no significant changes in business activities operated by the Tosei Group (the Company and its subsidiaries and affiliates) from the previous fiscal year.

Changes to major associates include the acquisition of shares of Shibaura Residential Co., Ltd., the establishment of Tachikawa Daikokuya Limited Liability Company, and its inclusion in the scope of consolidation in the three months ended February 28, 2023.

During the six months ended May 31, 2023, the Company acquired shares of Usui Kigata Kogyo K.K. and acquired equity in the silent partnership of TREC MARS LLC. The Company also included Daikokuya LLC, whose shares were acquired by Tachikawa Daikokuya LLC, in its scope of consolidation.

During the nine months ended August 31, 2023, the Company established TOSEI-R, Inc. and TOSEI PROP TECH Co., Ltd., and acquired equity in the silent partnership of TREC JUPITER LLC, and they were included in the scope of consolidation. In addition, Daikokuya LLC concluded an absorption-type merger agreement with Tachikawa Daikokuya LLC being the surviving company, and ceased to exist on June 1, 2023, the effective date of the agreement.

II. Review of operations

1. Business and other risks

There were no business and other risks that newly arose during the nine months ended August 31, 2023. In addition, there were no significant changes in “Business and other risks” described in the annual securities report for the previous fiscal year.

2. Management analysis of financial position, operating results and cash flows

Forward-looking statements included in this section are judged by information available to the Group’s management as of August 31, 2023.

(1) Recognition, analysis and contents for discussions of the Group’s operating results from the viewpoint of management

1) Recognition, analysis and contents for discussion of business environment and business performance

During the nine months ended August 31, 2023, the Japanese economy continued on its path of moderate recovery due partly to the effects of various government policies, as more economic activities went back to normal as a result of the lifting of movement and border restrictions that had been in place during the COVID-19 pandemic. Meanwhile, it remains necessary to continue monitoring the risk of a downturn in the overseas economies due to such factors as the global credit tightening and the slowdown of the Chinese economy, as well as the effects of rising consumer prices.

In the real estate industry where Tosei Group operates, domestic real estate investments for the six months from January to June 2023 increased 52% year on year to ¥2,147.3 billion, with Tokyo continuing to rank second in the world for real estate investments by city. Despite signs of a slowdown in the global real estate investment market reflecting the unpredictability surrounding the financial markets, in Japan, domestic real estate maintains competitive advantage backed by such factors as the low-interest rate environment and the weakening yen, and a continued influx of investment funds into domestic real estate is expected (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium market, the number of newly built units from January to July 2023 decreased by 12.6% year on year to 13,093 units due to a decrease in supply as a result of the continuing high prices of land lots and rising construction costs. The high-priced properties in the center of Tokyo continued to drive up the average price of condominiums with the average price per unit in July 2023 soaring to ¥99.40 million (up 55.8% year on year). Meanwhile, in the Tokyo metropolitan area pre-owned condominium market, the number of units contracted from January to July 2023 was comparable to the same period of the previous fiscal year at 21,301 units (down 0.4% year on year), and the average contract price per unit as of July 2023 was ¥45.63 million (up 4.9% year on year). Additionally, in the build-for-sale detached house market, housing starts for the seven months from January to July 2023 were 34,000 units (down 0.05% year on year) (according to a survey by a private research institute).

The average costs per tsubo in terms of construction costs for the seven months from January to July 2023 were ¥1,154 thousand per tsubo (1 tsubo = 3.30 square meters) (a decrease of 23.8% year on year) for steel reinforced concrete structures and ¥654 thousand per tsubo (an increase of 13.4% year on year) for wooden structures. Construction costs are expected to remain high backed by solid construction demand and the effects of soaring personnel costs, among other factors. In terms of the prices of building materials, while steel prices remain high, the price of timber, which had skyrocketed until the previous fiscal year, continues on its downward trend, as demand levels off (according to a survey by the Ministry of Land, Infrastructure, Transport and Tourism).

In the office leasing market of Tokyo’s five business wards, the average vacancy rate as of July 2023 was 6.5% (an increase of 0.1 percentage points year on year), and the average asking rent was ¥19,819 per tsubo (a decrease of 2.2% year on year). As massive supplies of office buildings are expected in 2023 and 2025, the vacancy rate is once again on the rise and rent continues on its moderate downward trend (according to a survey by a private research institute).

The condominium leasing market remained robust and the average asking rent of apartments in the Tokyo metropolitan area as of July 2023 was ¥11,633 per tsubo (an increase of 5.6% year on year) and the average occupancy rate of condominiums held by J-REIT in the Tokyo area as of April 30, 2023 was 96.9% (an increase of 0.1 percentage points year on year). Rent and occupancy rates continue to rise at a moderate pace, as the population returns to the city center and condominium prices soar (according to a

survey by a private research institute).

In the Tokyo metropolitan area's logistics facility leasing market, leasable stock as of July 2023 was 9.30 million tsubo (an increase of 17.0% year on year) and the vacancy rate rose to 6.0% (an increase of 2.8 percentage points year on year), as a result of a record-breaking supply of new facilities. Additionally, while the asking rent as of July 2023 of ¥4,520 per tsubo (a decrease of 3.4% year on year) indicated the presence of downward pressure due to the increase in vacancies, it has remained high as a result of such factors as the rise in construction costs (according to a survey by a private research institute).

The real estate fund market remains robust, and the market scale continues to expand. J-REIT assets under management in July 2023 totaled ¥22.3 trillion (an increase of ¥0.7 trillion year on year) and assets under management in private placement funds totaled ¥29.7 trillion (as of December 31, 2022, an increase of ¥5.6 trillion year on year). Combining the two, the real estate securitization market scale grew to ¥52.0 trillion (according to a survey by a private research institute).

In the Tokyo business hotel market, in the five months from January to May 2023, the average guest room occupancy rate was 77.2% (an increase of 26.3 percentage points year on year) and the total number of hotel guests in Tokyo encompassing all types of accommodation amounted to 36.99 million (an increase of 86.9% year on year). In addition to the increase in domestic demand associated with economic activities going back to normal, with expanding inbound demand backed by the lifting of border control measures and the weakening yen, a further increase in demand is expected going forward (according to a survey by the Japan Tourism Agency).

Amid this operating environment, in the Fund and Consulting Business, the Group increased its balance of assets under management, while in the Revitalization Business and the Development Business, the Group proceeded with property sales and the acquisition of income-generating properties and various types of land for development as future sources of income.

As a result, consolidated revenue for the nine months ended August 31, 2023 totaled ¥66,710 million (up 21.4% year on year), operating profit was ¥14,449 million (up 29.5%), profit before tax was ¥13,679 million (up 30.1%), and profit attributable to owners of the parent was ¥9,364 million (up 30.5%).

Performance by business segment is shown below.

Revitalization Business

During the nine months ended August 31, 2023, the segment sold 36 properties it had renovated and 90 pre-owned condominium units, including Otsuka Tosei Building II (Toshima-ku, Tokyo), Kashiwa Tosei Building (Kashiwa-shi, Chiba), Stellar Court Higashi-kojiya (Ota-ku, Tokyo).

During the nine months ended August 31, 2023, it also acquired a total of 39 income-generating office buildings, rental apartments, 10 land lots and 68 pre-owned condominium units.

In addition, the Group reviewed the valuation of its income-generating properties, recording a reversal of Inventories valuation loss of ¥348 million.

As a result, revenue in this segment was ¥41,596 million (up 22.7% year on year) and the segment profit was ¥8,156 million (up 24.2%).

Development Business

During the nine months ended August 31, 2023, the segment sold THE PALMS Machida (Machida-shi, Tokyo) which is a rental apartment, T's Cuore Nishi-Ogikubo (Suginami-ku, Tokyo) which is a rental wooden apartment and sold 49 detached houses at such properties as THE Palms Court Tsunashima (Yokohama-shi, Kanagawa) and THE Palms Court Mitaka Veil (Mitaka-shi, Tokyo).

During the nine months ended August 31, 2023, it also acquired six land lots for rental apartment project, three land lots for rental wooden apartment project, a land lot for condominium project and land lots for 190 detached houses.

As a result, revenue in this segment was ¥7,014 million (up 7.5% year on year) and the segment profit was ¥1,242 million (up 22.6% year on year).

Rental Business

During the nine months ended August 31, 2023, the Company focused on leasing out its rental properties.

As of August 31, 2023, the number of rental properties increased by 13 from 91 at the end of the previous fiscal year to 104, as the segment acquired 36 properties, and begin offering for rental of six properties, sold 26 properties, and terminated the leasing of three properties.

As a result, revenue in this segment was ¥4,820 million (up 7.3% year on year) and the segment profit was ¥2,397 million (up 4.9%).

Fund and Consulting Business

During the nine months ended August 31, 2023, while ¥144,390 million was subtracted due mainly to property dispositions by funds, ¥764,596 million added due to new asset management contracts, from the balance of assets under management (Note) ¥1,722,896 million for the end of the previous fiscal year. The balance of assets under management as of August 31, 2023, was ¥2,343,102 million.

As a result, revenue in this segment was ¥5,617 million (up 42.2% year on year) and the segment profit was ¥3,644 million (up 50.9%).

Note: The balance of assets under management includes the balance of assets that were subject to consulting contracts, etc.

Property Management Business

During the nine months ended August 31, 2023, the segment made efforts to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 842 as of August 31, 2023, an increase of 46 from August 31, 2022, with the total comprising 504 office buildings, hotels, logistic facilities and other such properties, and 338 condominiums and apartments.

As a result, revenue in this segment was ¥4,835 million (up 2.2% year on year) and segment profit was ¥675 million (down 16.7%).

Hotel Business

During the nine months ended August 31, 2023, domestic demand recovered as a result of the lifting of movement restrictions and the implementation of nationwide travel subsidies, while inbound demand also showed signs of recovery due to the easing of border control restrictions and border measures. In conjunction, guest room rates and occupancy rates improved to levels comparable to pre-COVID-19 times and both revenue and segment profit exceeded that of the same period of the previous fiscal year.

As a result, revenue in this segment was ¥2,826 million (up 111.2% year on year) and segment profit was ¥565 million (in comparison with segment loss of ¥316 million in the same period of the previous fiscal year).

2) Analysis and contents for discussion of Operating Results

In the domestic real estate investment market, which is the Group's mainstay market, transactions remained solid, thanks to the continuing favorable fund-raising environment as low interest rate policies remained in place. In addition, the number of overseas visitors to Japan is steadily rising due to the lifting of COVID-19-related border control measures and the weakening yen, and accordingly, the hotel market is quickly recovering.

Under such an operating environment, for the nine months ended August 31, 2023, the Group reported consolidated revenue of ¥66.7 billion (up 21.4% year on year), operating profit of ¥14.4 billion (up 29.5% year on year), and profit before tax of ¥13.6 billion (up 30.1% year on year), achieving 78.5% of the full-year forecast based on revenue and 97.7% based on profit before tax.

As for the operating segments, the transaction business drove the Group's overall profit, including the strong sales of whole buildings and condominium units in the Revitalization Business and the Development Business. In the transaction business, we are focusing on purchasing activities which will become future sources of income. Our strengths lie in our ability to leverage our proprietary revitalization expertise to commercialize projects that other companies would find difficult to undertake and to utilize M&As for the bulk acquisition of corporate real estate holdings, and during the period under review, we engaged in purchases that utilized absorption-type company splits.

Additionally, in the Stock and Fee Business, the Company's stable source of income, each business progressed strongly, resulting in initial plans being exceeded in the Fund and Consulting Business that had achieved a balance of assets under management of ¥2.3 trillion and the Hotel Business backed by the ongoing recovery in demand, among others. In the Hotel Business, the Tosei Hotel COCONE Tsukiji Ginza Premier, the first premier hotel in the COCONE series, opened in September, bringing the number of hotels operated by the Group to eight. We are aiming to grow the business as a hotel brand that can accommodate not only business clientele but also a wide range of accommodation demand such as inbound visitors, domestic tourism, and usage as training venues.

(2) Analysis of Financial Positions

As of August 31, 2023, total assets were ¥230,601 million, an increase of ¥19,645 million compared with November 30, 2022, while total liabilities were ¥149,240 million, an increase of ¥10,575 million.

Increase in total assets were due to an increase in Cash and cash equivalents and inventories despite a decrease in Trade and other receivables. Increase in total liabilities were due to an increase in trade and other payables and interest-bearing liabilities.

Total equity increased by ¥9,070 million to ¥81,361 million, mainly due to an increase in retained earnings, payment of cash dividends.

(3) Analysis of Cash Flows

Cash and cash equivalents (hereinafter “cash”) as of August 31, 2023 totaled ¥41,878 million, up ¥10,111 million compared with November 30, 2022.

The cash flows for the nine months ended August 31, 2023 and factors contributing to those amounts are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥10,492 million (up 475.4% year on year). This is mainly due to profit before tax of ¥13,679 million, a decrease in Trade and other receivables of ¥5,122 million and income taxes paid of ¥4,574 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥4,939 million (down 41.7% year on year). This is primarily due to payments for acquisition of subsidiaries of ¥2,453 million etc.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥4,553 million (up 15.4% year on year). This mainly reflects ¥37,823 million in proceeds from non-current borrowings, despite ¥29,497 million in the repayments of non-current borrowings and ¥2,408 million in cash dividends paid.

(4) Operational and financial issues to be addressed

During the nine months ended August 31, 2023, there was no significant change in issues to be addressed by the Tosei Group.

The Group has set the basic policy regarding the persons who control the decision-making on the financial and business policies of the Company, but there have been no material changes during the cumulative quarter after the date of submission of the securities report in the previous fiscal year.

(5) Research and development activities

No item to report.

3. Important operational contracts, etc.

Tosei Corporation resolved that a meeting of its Board of Directors held on June 26, 2023, to conclude a basic agreement with LIXIL REALTY Corporation. under which TOSEI-R, Inc., a subsidiary to be newly established by the Company, will succeed to assets, liabilities, contracts and other rights and obligations related to the LIXIL REALTY Corporation's Asset Securitization Business in an absorption-type company split. And the company concluded the agreement on the same date.

Details are as described in “IV. Accounting 1. Condensed Quarterly Consolidated Financial Statements (5) Notes on Condensed Quarterly Consolidated Financial Statements 12. Significant subsequent events.”

III. Filing company

1. Information on the Company (Tosei)'s shares, etc.

(1) Total number of authorized shares, etc.

1) Total number of authorized shares

Class	Total number of authorized shares
Ordinary shares	150,000,000
Total	150,000,000

2) Number of shares issued

Class	Number of issued shares (Shares: as of August 31, 2023)	Number of issued shares (Shares: as of the date of filing: October 10, 2023)	Name of financial instruments exchange where the stock of Tosei is traded or the name of authorized financial instruments firms association where Tosei is registered	Details
Ordinary shares	48,683,800	48,683,800	Tokyo Stock Exchange (Prime Market), Singapore Exchange (Mainboard)	Share unit number: 100
Total	48,683,800	48,683,800	—	—

(2) Status of stock acquisition rights

1) The detail of the stock option system

No item to report.

2) Details of other stock acquisition rights, etc.

No item to report.

(3) Exercise of bond certificates with stock acquisition rights with exercise price amendment clause

No item to report.

(4) Trends in total number of issued shares, share capital, etc.

Date	Fluctuation in the number of issued shares (Shares)	Balance of issued shares (Shares)	Fluctuation in share capital (¥ thousand)	Balance of share capital (¥ thousand)	Fluctuation in capital reserves (¥ thousand)	Balance of capital reserves (¥ thousand)
From June 1, 2023 to August 31, 2023	—	48,683,800	—	6,624,890	—	6,708,366

(5) Status of major shareholders

There is no item to report due to the reporting period being a third quarter of a fiscal year.

(6) Status of voting rights

The following status of voting rights is prepared based on the shareholder registry as of May 31, 2023, which is the latest record date, as the information as of August 31, 2023 is not yet available.

1) Issued shares

(As of August 31, 2023)

Classification	Number of shares (Shares)	Number of voting rights	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares held) Ordinary shares 393,400	–	–
Shares with full voting rights (Other)	Ordinary shares 48,276,000	482,766	–
Shares less than one unit	Ordinary shares 13,800	–	–
Total number of issued shares	48,683,800	–	–
Voting rights owned by all shareholders	–	482,766	–

- Note: 1. The number of “Shares with full voting rights (Other)” includes 400 shares in the name of Japan Securities Depository Center, Inc. “Number of voting rights” includes 4 units of voting rights related to shares with full voting rights in its name.
2. Number of ordinary shares in “Shares less than one unit” includes 22 shares of treasury shares.

2) Treasury shares, etc.

(As of August 31, 2023)

Name of shareholder	Address	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of number of shares held in the total number of issued shares (%)
(Treasury shares held) TOSEI CORPORATION	4-5-4, Shibaura, Minato-ku, Tokyo, Japan	393,400	–	393,400	0.80
Total	–	393,400	–	393,400	0.80

Note: The number of shares decreased by 45,000 shares due to the exercise of stock acquisition rights. As a result, the number of treasury shares as of August 31, 2023 stands at 348,422 shares.

2. Status of Officers

There was change in Officers during the nine months ended August 31, 2023 after the filing date of annual securities report for the previous fiscal year is as follows.

New Post	Old Post	Name	Date of Change
CFO and Senior Executive Officer of Administrative Division	CFO and Senior Executive Officer of Administrative Division in charge of Human Resource Department	Noboru Hirano	March 1, 2023
Director, Managing Executive Officer, Deputy Chief of Administrative Division in charge of General Affairs Department and Human Resource Department	Director, Executive Officer in charge of Finance Department and General Affairs Department	Shunsuke Yamaguchi	March 1, 2023

IV. Accounting

1. Preparation policy of the condensed quarterly consolidated financial statements

The condensed quarterly consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” under the provision of Article 93 of the “Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007).

2. Audit attestation

The condensed quarterly consolidated financial statements for the third quarter of the fiscal year ending November 30, 2023 (from June 1, 2023 to August 31, 2023) and for the first nine months of the fiscal year ending November 30, 2023 (from December 1, 2022 to August 31, 2023) were reviewed by Shinsoh Audit Corporation pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

(¥ thousand)

	Notes	As of November 30, 2022	As of August 31, 2023
Assets			
Current assets			
Cash and cash equivalents	10	31,767,008	41,878,394
Trade and other receivables	10	10,038,132	5,215,557
Inventories	6	95,303,762	107,653,800
Other current assets		22,640	28,704
Total current assets		137,131,544	154,776,457
Non-current assets			
Property, plant and equipment		22,963,356	24,277,528
Investment properties		39,864,258	40,160,167
Goodwill		1,401,740	1,401,740
Intangible assets		205,354	158,791
Trade and other receivables	10	1,457,809	1,191,421
Other financial assets	10	7,219,963	8,081,609
Deferred tax assets		698,518	525,582
Other non-current assets		13,254	28,010
Total non-current assets		73,824,257	75,824,853
Total assets		210,955,801	230,601,310
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	10	5,681,615	7,792,719
Interest-bearing liabilities	10	13,739,325	16,959,716
Current income tax liabilities		1,935,664	2,333,985
Provisions		1,079,970	596,624
Total current liabilities		22,436,575	27,683,045
Non-current liabilities			
Trade and other payables	10	3,612,629	3,748,212
Interest-bearing liabilities	10	111,108,220	115,845,339
Retirement benefits obligations		704,268	744,777
Provisions		15,449	84,918
Deferred tax liabilities		787,980	1,133,841
Total non-current liabilities		116,228,549	121,557,089
Total Liabilities		138,665,124	149,240,134
Equity			
Share capital		6,624,890	6,624,890
Capital reserves		6,775,532	7,204,266
Retained earnings		60,029,994	66,984,370
Treasury shares		(1,533,670)	(380,782)
Other components of equity		393,929	656,747
Total equity attributable to owners of the parent		72,290,677	81,089,493
Non-controlling interests		—	271,683
Total equity		72,290,677	81,361,176
Total liabilities and equity		210,955,801	230,601,310

(2) Condensed Quarterly Consolidated Statement of Comprehensive Income
Nine months ended August 31, 2023

(¥ thousand)

	Notes	Nine months ended August 31, 2022	Nine months ended August 31, 2023
Revenue	5,7	54,933,123	66,710,147
Cost of revenue		35,567,135	42,197,580
Gross profit		19,365,988	24,512,567
Selling, general and administrative expenses		8,553,861	10,201,051
Other income		349,233	216,896
Other expenses		5,415	78,770
Operating profit	5	11,155,944	14,449,641
Finance income		190,762	197,851
Finance costs		830,684	968,486
Profit before tax		10,516,022	13,679,006
Income tax expense		3,340,595	4,314,203
Profit for the period		7,175,426	9,364,802
Other comprehensive income			
Other comprehensive income items that will not be reclassified to profit or loss			
Net change in financial assets measured at fair values through other comprehensive income		319,371	273,418
Remeasurements of defined benefit pension plans		(8,544)	—
Subtotal		310,826	273,418
Other comprehensive income items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		36,076	14,490
Net change in fair values of cash flow hedges		15,361	(25,090)
Subtotal		51,437	(10,600)
Other comprehensive income for the period, net of tax		362,264	262,818
Total comprehensive income for the period		7,537,690	9,627,620
Profit attributable to:			
Owners of the parent		7,175,426	9,364,618
Non-controlling interests		—	183
Profit for the period		7,175,426	9,364,802
Total comprehensive income attributable to:			
Owners of the parent		7,537,690	9,627,437
Non-controlling interests		—	183
Total comprehensive income for the period		7,537,690	9,627,620
Earnings per share attributable to owners of the parent			
Basic earnings per share (¥)	9	151.28	196.51
Diluted earnings per share (¥)	9	151.07	196.12

Third quarter ended August 31, 2023

(¥ thousand)

	Notes	Third quarter ended August 31, 2022	Third quarter ended August 31, 2023
Revenue	5	11,380,811	13,848,781
Cost of revenue		6,732,048	8,267,205
Gross profit		4,648,763	5,581,575
Selling, general and administrative expenses		2,874,577	3,635,816
Other income		23,998	50,118
Other expenses		123	62,426
Operating profit	5	1,798,061	1,933,450
Finance income		2,033	7,162
Finance costs		284,805	334,551
Profit before tax		1,515,290	1,606,061
Income tax expense		447,117	404,355
Profit for the period		1,068,172	1,201,706
Other comprehensive income			
Other comprehensive income items that will not be reclassified to profit or loss			
Net change in financial assets measured at fair values through other comprehensive income		230,176	367,227
Subtotal		230,176	367,227
Other comprehensive income items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		12,632	9,648
Net change in fair values of cash flow hedges		4,073	3,529
Subtotal		16,705	13,177
Other comprehensive income for the period, net of tax		246,882	380,405
Total comprehensive income for the period		1,315,055	1,582,111
Profit attributable to:			
Owners of the parent		1,068,172	1,200,483
Non-controlling interests		—	1,222
Profit for the period		1,068,172	1,201,706
Total comprehensive income attributable to:			
Owners of the parent		1,315,055	1,580,888
Non-controlling interests		—	1,222
Total comprehensive income for the period		1,315,055	1,582,111
Earnings per share attributable to owners of the parent			
Basic earnings per share (¥)	9	22.59	24.85
Diluted earnings per share (¥)	9	22.54	24.80

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Nine months ended August 31, 2022 (December 1, 2021 – August 31, 2022)

(¥ thousand)

Notes	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the parent	Total equity
Balance at December 1, 2021	6,624,890	6,790,172	53,250,370	(911,662)	204,969	65,958,740	65,958,740
Profit for the period			7,175,426			7,175,426	7,175,426
Other comprehensive income					362,264	362,264	362,264
Total comprehensive income for the period	—	—	7,175,426	—	362,264	7,537,690	7,537,690
Amount of transactions with owners							
Purchase of treasury shares		(1,730)		(731,388)		(733,118)	(733,118)
Disposal of treasury shares		(3,347)		105,380		102,032	102,032
Dividends of surplus 8			(1,815,783)			(1,815,783)	(1,815,783)
Transfer from other components of equity to retained earnings			(8,544)		8,544	—	—
Balance at August 31, 2022	6,624,890	6,785,094	58,601,468	(1,537,669)	575,778	71,049,562	71,049,562

Nine months ended August 31, 2023 (December 1, 2022 – August 31, 2023)

(¥ thousand)

Notes	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at December 1, 2022	6,624,890	6,775,532	60,029,994	(1,533,670)	393,929	72,290,677	—	72,290,677
Profit for the period			9,364,618			9,364,618	183	9,364,802
Other comprehensive income					262,818	262,818		262,818
Total comprehensive income for the period	—	—	9,364,618	—	262,818	9,627,437	183	9,627,620
Amount of transactions with owners								
Purchase of treasury shares		(2,619)		(113,831)		(116,451)		(116,451)
Disposal of treasury shares		431,354		1,266,720		1,698,074		1,698,074
Dividends of surplus 8			(2,410,243)			(2,410,243)		(2,410,243)
Change from newly consolidated subsidiary						—	271,500	271,500
Balance at August 31, 2023	6,624,890	7,204,266	66,984,370	(380,782)	656,747	81,089,493	271,683	81,361,176

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(¥ thousand)

	Notes	Nine months ended August 31, 2022	Nine months ended August 31, 2023
Cash flows from operating activities			
Profit before tax		10,516,022	13,679,006
Depreciation expense		1,180,538	1,222,647
Increase (decrease) in provisions and retirement benefits obligations		(332,505)	(440,714)
Interest and dividend income		(190,762)	(197,851)
Interest expenses		830,684	968,486
Decrease (increase) in trade and other receivables		(578,508)	5,122,941
Decrease (increase) in inventories		(4,728,096)	(7,781,687)
Increase (decrease) in trade and other payables		175,495	2,063,073
Other, net		(251,287)	(106,497)
Subtotal		6,621,580	14,529,404
Interest and dividend income received		301,138	384,523
Income taxes paid		(5,099,283)	(4,574,665)
Income taxes refund		—	153,087
Net cash from (used in) operating activities		1,823,434	10,492,350
Cash flows from investing activities			
Purchase of property, plant and equipment		(63,107)	(251,605)
Purchase of investment properties		(3,095,073)	(509,597)
Purchase of intangible assets		(65,022)	(32,261)
Payments of loans receivable		(434,300)	(1,219,000)
Collection of loans receivable		4,733	6,189
Purchase of other financial assets		(2,910,715)	(487,635)
Collection of other financial assets		363,622	6,385
Payments for acquisition of subsidiaries		(2,308,474)	(2,453,851)
Other, net		31,406	2,072
Net cash from (used in) investing activities		(8,476,931)	(4,939,303)
Cash flows from financing activities			
Net increase (decrease) in current borrowings		1,516,150	(1,786,703)
Proceeds from non-current borrowings		30,115,348	37,823,515
Repayments of non-current borrowings		(23,908,744)	(29,497,324)
Redemption of bonds		(55,678)	(30,678)
Repayments of lease obligations		(318,453)	(331,506)
Capital contribution from non-controlling interests		—	271,500
Cash dividends paid		(1,814,234)	(2,408,348)
Purchase of treasury shares		(731,388)	(113,831)
Proceeds from disposal of treasury shares		102,410	1,698,960
Interest expenses paid		(960,676)	(1,071,647)
Net cash from (used in) financing activities		3,944,733	4,553,934
Net increase (decrease) in cash and cash equivalents		(2,708,762)	10,106,982
Cash and cash equivalents at beginning of period		33,560,679	31,767,008
Effect of exchange rate change on cash and cash equivalents		7,524	4,403
Cash and cash equivalents at end of period		30,859,441	41,878,394

(5) Notes on Condensed Quarterly Consolidated Financial Statements

1. Reporting entity

Tosei Corporation (hereinafter, the “Company”) is a share company located in Japan whose shares are listed on the Prime Market of the Tokyo Stock Exchange and the Mainboard of Singapore Exchange. The Company’s condensed quarterly consolidated financial statements for the third quarter (June 1, 2023 to August 31, 2023) and first nine months (December 1, 2022 to August 31, 2023) have been prepared in respect of the Company and its consolidated subsidiaries (hereinafter collectively, the “Group”). The Group engages in the following six business operations: Revitalization Business, Development Business, Rental Business, Fund and Consulting Business, Property Management Business and Hotel Business. The operations of each business segment are presented in “5. Segment information” in the notes.

2. Basis of preparation

(1) Compliance with IFRS

Since the Company qualifies as a “Designated International Financial Reporting Standards specified company” as provided in Article 1-2 of the “Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007), its condensed quarterly consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” under the provision of Article 93 of the “Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007).

These condensed quarterly consolidated financial statements were approved by Seichiro Yamaguchi, the Company’s President and CEO, and Noboru Hirano, Director and CFO, on October 6, 2023.

(2) Basis of measurement

The condensed quarterly consolidated financial statements have been prepared on the historical cost basis except for assets and liabilities measured at fair value.

(3) Presentation currency and unit amount

The condensed quarterly consolidated financial statements in this report are presented in Japanese yen, the Company’s functional currency. All financial information presented in Japanese yen is rounded down to the nearest thousand yen.

3. Significant accounting policies

Significant accounting policies that the Group applies in condensed quarterly consolidated financial statements are the same as the accounting policies used in the consolidated financial statements for the previous fiscal year.

4. Significant accounting estimates and judgments requiring estimates

The preparation of the condensed quarterly consolidated financial statements in compliance with IFRS requires the management of the Group to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenue and expenses. However, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates are changed and in future periods in which the change will affect.

Effect of the Spread of COVID-19 on accounting estimates

In determining accounting estimates regarding the valuation of inventory assets, impairment accounting for non-current assets, the recoverability of deferred tax assets, and other items, the Group has assumed that the spread of COVID-19 will exert a degree of impact on future income.

The Group considers that real estate markets other than commercial facilities are already recovering as of August 31, 2023. It predicts that the impact of COVID-19 on commercial facilities will persist for the time being, and that it will gradually recover toward November 30, 2023.

5. Segment information

The Group's reportable segments are components of the Group about which separate financial information is available that the Board of Directors regularly conducts deliberations to determine the allocation of management resources and to assess the performance.

The Group draws up comprehensive strategies for each of the following six business segments and conducts business activities accordingly; "Revitalization Business", "Development Business", "Rental Business", "Fund and Consulting Business", "Property Management Business" and "Hotel Business". In the Revitalization Business, the Group acquires the properties whose asset values have declined, renovates, and resells them. In the Development Business, the Group sells condominium units and detached houses to individual customers as well as apartment and office buildings to investors. In the Rental Business, the Group rents office buildings and apartments. The Fund and Consulting Business mainly provides asset management services for the properties placed in real estate funds. The Property Management Business provides comprehensive property management services. The Hotel Business provides mainly hotel operating services.

The Group's revenue and profit/loss by reportable segment are as follows:

Nine months ended August 31, 2022

(December 1, 2021 – August 31, 2022)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue to external customers	33,897,185	6,524,440	4,490,810	3,949,920	4,732,203	1,338,563	—	54,933,123
Intersegment revenue	—	—	112,757	9,642	1,024,955	6,017	(1,153,372)	—
Total	33,897,185	6,524,440	4,603,568	3,959,563	5,757,158	1,344,580	(1,153,372)	54,933,123
Segment profit or loss	6,569,951	1,013,589	2,286,109	2,415,634	811,386	(316,374)	(1,624,352)	11,155,944
Finance income/costs, net								(639,922)
Profit before tax								10,516,022

Nine months ended August 31, 2023

(December 1, 2022 – August 31, 2023)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue to external customers	41,596,412	7,014,138	4,820,307	5,617,798	4,835,064	2,826,425	—	66,710,147
Intersegment revenue	—	—	133,418	6,493	888,683	15,527	(1,044,122)	—
Total	41,596,412	7,014,138	4,953,725	5,624,291	5,723,748	2,841,952	(1,044,122)	66,710,147
Segment profit	8,156,667	1,242,958	2,397,996	3,644,755	675,940	565,562	(2,234,239)	14,449,641
Finance income/costs, net								(770,635)
Profit before tax								13,679,006

Third quarter ended August 31, 2022

(June 1, 2022 – August 31, 2022)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue to external customers	4,945,269	1,468,122	1,605,868	1,239,977	1,604,562	517,010	—	11,380,811
Intersegment revenue	—	—	39,159	1,571	327,976	3,404	(372,111)	—
Total	4,945,269	1,468,122	1,645,028	1,241,548	1,932,539	520,414	(372,111)	11,380,811
Segment profit or loss	501,951	216,480	839,408	654,451	265,731	(57,311)	(622,648)	1,798,061
Finance income/costs, net								(282,771)
Profit before tax								1,515,290

Third quarter ended August 31, 2023

(June 1, 2023 – August 31, 2023)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue to external customers	7,579,394	617,200	1,655,521	1,432,616	1,558,677	1,005,371	—	13,848,781
Intersegment revenue	—	—	44,872	603	311,778	5,712	(362,966)	—
Total	7,579,394	617,200	1,700,393	1,433,219	1,870,456	1,011,083	(362,966)	13,848,781
Segment profit or loss	991,619	(53,127)	872,662	666,448	157,655	89,951	(791,759)	1,933,450
Finance income/costs, net								(327,388)
Profit before tax								1,606,061

6. Inventories

The amount of loss on valuation of inventory and the amount of reversal of valuation loss recognized as expenses are as follows:

(¥ thousand)

	Nine months ended August 31, 2022	Nine months ended August 31, 2023
The amount of loss on valuation	6,377	3,297
The amount of reversal of valuation loss	746,452	382,077

7. Sales Revenue

Composition of revenue recognized from contracts with customers are as follows:

The Group draws up comprehensive strategies for each of the following six business segments and conducts business activities accordingly; “Revitalization Business”, “Development Business”, “Rental Business”, “Fund and Consulting Business”, “Property Management Business” and “Hotel Business”.

The relationship between the sales revenue of each reportable segment and the sales revenue classified according to type is shown below.

Nine months ended August 31, 2022

(December 1, 2021 – August 31, 2022)

	(¥ thousand)						
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	33,897,185	6,516,263	—	—	—	—	40,413,448
Revenue from services	—	8,177	454,614	3,948,427	4,732,203	1,257,117	10,400,540
Revenue recognized from other sources	—	—	4,036,195	1,493	—	81,445	4,119,134
Revenue to external customers	33,897,185	6,524,440	4,490,810	3,949,920	4,732,203	1,338,563	54,933,123

Note: Revenue recognized from other sources is revenue recognized under IFRS 16 Leases and IFRS 9 Financial Instruments.

Nine months ended August 31, 2023

(December 1, 2022 – August 31, 2023)

	(¥ thousand)						
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	41,596,412	7,012,575	—	—	—	—	48,608,988
Revenue from services	—	1,563	403,320	5,613,396	4,835,064	2,736,631	13,589,976
Revenue recognized from other sources	—	—	4,416,986	4,401	—	89,794	4,511,182
Revenue to external customers	41,596,412	7,014,138	4,820,307	5,617,798	4,835,064	2,826,425	66,710,147

Note: Revenue recognized from other sources is revenue recognized under IFRS 16 Leases and IFRS 9 Financial Instruments.

8. Dividends

Dividends paid in the nine months ended August 31, 2022 and August 31, 2023 are as follows:

Nine months ended August 31, 2022				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 25, 2022	38	1,815,783	November 30, 2021	February 28, 2022

Nine months ended August 31, 2023				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 24, 2023	51	2,410,243	November 30, 2022	February 27, 2023

9. Earnings per Share

	Nine months ended August 31, 2022	Nine months ended August 31, 2023
Profit attributable to owners of the parent (¥ thousand)	7,175,426	9,364,618
Net income used to figure diluted net income per share (¥ thousand)	7,175,426	9,364,618
Weighted average number of outstanding ordinary shares (shares)	47,431,318	47,654,038
The number of increased ordinary shares used to figure diluted earnings per share (shares)	64,904	95,254
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	47,496,222	47,749,292
Basic earnings per share (¥)	151.28	196.51
Diluted net income per share (¥)	151.07	196.12

	Third quarter ended August 31, 2022	Third quarter ended August 31, 2023
Profit attributable to owners of the parent (¥ thousand)	1,068,172	1,200,483
Net income used to figure diluted net income per share (¥ thousand)	1,068,172	1,200,483
Weighted average number of outstanding ordinary shares (shares)	47,277,728	48,308,503
The number of increased ordinary shares used to figure diluted earnings per share (shares)	110,780	89,753
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	47,388,508	48,398,256
Basic earnings per share (¥)	22.59	24.85
Diluted net income per share (¥)	22.54	24.80

Notes: Basic earnings per share is calculated by quarterly profit attributable to owners of the parent, by the weighted average number of outstanding ordinary shares during the reporting period.

10. Financial instruments

i) Fair values and book values

Fair values of financial assets and liabilities and their book values presented in the condensed quarterly consolidated statement of financial position are as follows:

(¥ thousand)

	As of November 30, 2022		As of August 31, 2023	
	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets measured at amortized cost				
Cash and cash equivalents	31,767,008	31,767,008	41,878,394	41,878,394
Trade and other receivables	8,977,304	8,977,304	3,909,406	3,909,406
Financial assets measured at fair value through other comprehensive income				
Other financial assets	7,219,963	7,219,963	8,081,609	8,081,609
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables	7,428,561	7,428,561	9,842,216	9,842,216
Interest-bearing liabilities	124,847,546	124,832,181	132,805,055	132,793,483

Method for measuring fair value of financial instruments

Cash and cash equivalents, trade and other receivables, trade and other payables, and current interest-bearing liabilities

The book values of these financial instruments that are settled in a short period of time approximate the fair values.

However, the fair values of interest rate swaps are based on market values presented by financial institutions.

Other financial assets

The fair values of listed securities are measured based on quoted market prices. For financial assets for which there is no active market and unlisted securities, the Group estimates fair values using certain valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially at the same price, and the discounted cash flow method.

Non-current interest-bearing liabilities

The fair values of non-current interest-bearing liabilities with floating interest rate approximate the book values, as interest rates reflect market interest rates in short-term intervals. The fair values of those with fixed interest rate are measured based on the present value of the total amount of principal and interest discounted by the interest rate that would be charged for a new similar borrowing.

Fair value hierarchy of non-current interest-bearing liabilities is classified as Level 2.

ii) Fair value hierarchy

The following shows the analysis of financial instruments measured at fair value after the initial recognition. Fair values of financial instruments are classified into level 1 to level 3.

Level 1: Fair values measured at a price quoted in an active market

Level 2: Fair values calculated directly or indirectly using an observable price except for level 1

Level 3: Fair values calculated through valuation techniques, including inputs that are not based on observable market data

Transfers between the different levels of the fair value hierarchy are recognized on the date on which the event or the changes in circumstances causing the transfer occurred.

(¥ thousand)

	As of November 30, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair values through other comprehensive income	7,054,562	40,317	125,083	7,219,963
Financial assets measured at fair value through other comprehensive income (derivative)	—	63,749	—	63,749
Financial liabilities measured at fair value through other comprehensive income (derivative)	—	3,580	—	3,580

(¥ thousand)

	As of August 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair values through other comprehensive income	7,854,846	—	226,762	8,081,609
Financial assets measured at fair value through other comprehensive income (derivative)	—	27,835	—	27,835
Financial liabilities measured at fair value through other comprehensive income (derivative)	—	3,846	—	3,846

Reconciliation of financial assets classified in level 3 at the beginning of the period with those at the end of the period is as follows:

(¥ thousand)

	Nine months ended August 31, 2022	Nine months ended August 31, 2023
Balance at beginning of period	447,918	125,083
Acquisition	32,961	65,858
Profit or loss		
Net Profit (loss)	(53)	—
Other comprehensive income	164	834
Disposal	(364,320)	(5,331)
Transfer	—	40,317
Balance at end of period	116,670	226,762

Notes1: Profit or loss included in other comprehensive income is included in “Net change in financial assets measured at fair values through other comprehensive income” in the Condensed Quarterly Consolidated Statement of Comprehensive Income.

2: Certain financial instruments were reclassified from Level 2 due to the difficulty in obtaining observable inputs.

iii) Evaluation Process

The fair values of financial instruments of Level 3 are measured in accordance with related internal policies. In measuring of fair values, the most appropriate method and input to reflect the characteristics and risk of financial instruments, are employed.

11. Business combinations

Nine months ended August 31, 2022 (December 1, 2021 – August 31, 2022)

(Finalization of the provisional accounting for a business combination)

In the fiscal year ended November 30, 2021, the Company applied a provisional accounting treatment to the business combination with ICOMPANY, Inc. and its four subsidiaries, which was conducted in September 2021. In the three months ended February 28, 2022, however, the Company finalized the provisional accounting treatment. By reflecting updated information obtained as a result of the finalization of the provisional accounting treatment, the Company reviewed and restated the initial allocation of acquisition costs as follows.

Fair value of consideration for the acquisition, assets acquired, and liabilities assumed at the acquisition date

(¥ thousand)

	Provisional	Retroactively restated	Finalized
Fair value of consideration for the acquisition	5,674,243		5,674,243
Current assets			
Cash and cash equivalents	1,951,066		1,951,066
Inventories	12,946,858		12,946,858
Other	339,834	118,340	458,174
Non-current assets			
Property, plant and equipment	568,772		568,772
Other	344,454	10,287	354,741
Current liabilities			
Interest-bearing liabilities	2,775,205		2,775,205
Other	895,093		895,093
Non-current liabilities			
Interest-bearing liabilities	7,962,143		7,962,143
Other	374,668		374,668
Fair value of assets acquired and liabilities assumed (net)	4,143,874	128,628	4,272,502
Goodwill	1,530,369	(128,628)	1,401,740

As the allocation of the consideration for the acquisition was completed, the Company restated the balance as of November 30, 2021 in the Consolidated Statement of Financial Position of the previous fiscal year.

(Business combination by acquisition)

(1) Name of the acquired company and its fields of business

Name of the acquired company Isogo Asset Management Co., Ltd.

Fields of business Real estate rental, brokerage, management, and trading

(2) Date of acquisition March 18, 2022

(3) Ratio of acquired capital equity with voting rights

100%

(4) Reason for conducting business combination

The share acquisition was conducted as part of the Group's purchasing methods to strengthen the Group's purchasing activities, a source of future income, given that the acquired company holds income-generating properties and is engaged in the rental business.

(5) Method for gaining control of the acquired company

Acquisition of shares with cash as consideration.

(6) Fair value of consideration for the acquisition, assets acquired, and liabilities assumed at the acquisition date

(¥ thousand)

	Amount
Fair value of consideration for the acquisition	2,390,978
Current assets	
Cash and cash equivalents	164,377
Inventories	938,290
Other	190,823
Non-current assets	
Long-term loans receivable	1,414,000
Other	25,390
Current liabilities	
Other	29,278
Non-current liabilities	
Other	149,183
Fair value of assets acquired and liabilities assumed (net)	2,554,418
Gain on bargain purchase	163,439

Note: Gain on bargain purchase of ¥163,439 thousand was reported under “Other income” in the Condensed Quarterly Consolidated Statement of Comprehensive Income, as the fair value of the net assets acquired exceeded the fair value of the consideration for the acquisition.

(7) Acquisition-related costs

The Company reported ¥20,471 thousand in outsourcing expenses, etc., related to the acquisition of shares under selling, general and administration expenses in the consolidated statements of comprehensive income as acquisition-related costs associated with the business combination.

(8) Cash flows from the acquisition

(¥ thousand)

	Amount
Cash and cash equivalents paid for the acquisition	(2,275,978)
Cash and cash equivalents held by the acquiree at the time of acquisition	164,377
Payment for the acquisition of subsidiaries	(2,111,601)

(9) Impact on business performance

Information on profit/loss and proforma information after the acquisition date of this business combination is not included, as their impact on the Condensed Quarterly Consolidated Financial Statements is negligible.

Nine months ended August 31, 2023 (December 1, 2022 – August 31, 2023)

(Business combination by acquisition)

(1) Name of the acquired company and its fields of business

Name of the acquired company Shibaura Residential Co., Ltd.

Fields of business Real estate rental, brokerage, management, and trading

(2) Date of acquisition January 31, 2023

(3) Ratio of acquired capital equity with voting rights

100%

(4) Reason for conducting business combination

The share acquisition was conducted as part of the Group's purchasing methods to strengthen the Group's purchasing activities, a source of future income, given that the acquired company holds income-generating properties and is engaged in the rental business.

(5) Method for gaining control of the acquired company

Acquisition of shares with cash as consideration.

(6) Fair value of consideration for the acquisition, assets acquired, and liabilities assumed at the acquisition date

	(¥ thousand)
	Amount
Fair value of consideration for the acquisition	1,786,861
Current assets	
Cash and cash equivalents	158,606
Inventories	2,436,866
Other	17,766
Non-current assets	
Other	15,701
Current liabilities	
Other	56,599
Non-current liabilities	
Interest-bearing liabilities	484,806
Other	202,554
Fair value of assets acquired and liabilities assumed (net)	1,884,979
Gain on bargain purchase	98,117

Note: Gain on bargain purchase of ¥98,117 thousand was reported under "Other income" in the Condensed Quarterly Consolidated Statement of Comprehensive Income, as the fair value of the net assets acquired exceeded the fair value of the consideration for the acquisition.

(7) Acquisition-related costs

The Company reported ¥82,856 thousand in outsourcing expenses, etc., related to the acquisition of shares under selling, general and administration expenses in the consolidated statements of comprehensive income as acquisition-related costs associated with the business combination.

(8) Cash flows from the acquisition

(¥ thousand)

	Amount
Cash and cash equivalents paid for the acquisition	(1,740,000)
Cash and cash equivalents held by the acquiree at the time of acquisition	158,606
Payment for the acquisition of subsidiaries	(1,581,393)

(9) Impact on business performance

Information on profit/loss and proforma information after the acquisition date of this business combination is not included, as their impact on the Condensed Quarterly Consolidated Financial Statements is negligible.

12. Significant subsequent events

(Absorption-type company split by a consolidated subsidiary)

Tosei Corporation resolved that a meeting of its Board of Directors held on June 26, 2023, to conclude a basic agreement with LIXIL REALTY Corporation. under which TOSEI-R, Inc., a subsidiary to be newly established by the Company, will succeed to assets, liabilities, contracts and other rights and obligations related to the LIXIL REALTY Corporation's Asset Securitization Business in an absorption-type company split. And the company concluded the agreement on the same date.

Although the provisions of IFRS 3 have been applied, detailed information on the accounting treatment is not provided for the reason that the accounting treatment for the business combination has not been completed at this time.

1. Outline of the business combination

(1) Name of the company to be established by the absorption-type company split

TOSEI-R, Inc.

(2) Name of the party involved and details of the succeeded business

Name of the party involved	LIXIL REALTY Corporation.
Contents of the business to be succeeded to	Real Estate Transaction Business, Real Estate Rental Business, Property Management Business

(3) Purpose of the absorption-type company split

The Tosei Group positions the Tokyo metropolitan area as a major investment area and operates a wide range of business as a comprehensive real estate company with six business segments: Revitalization Business, Development Business, Fund and Consulting Business, Rental Business, Property Management Business, and Hotel Business. In the Revitalization Business, which is one of its core businesses, the Group acquires properties whose asset value has declined, improves their environmental performance, convenience and design based on "value-up plans" to increase their asset value and then resells these renovated properties to a wide range of clients including REITs, general corporations and end users. Through implementation of the absorption-type company split in which the Group will succeed to LIXIL REALTY Corporation's Asset Securitization Business, the Group aims to strengthen human resources in the Revitalization Business and also to acquire, as part of the purchase, 6 income-generating properties, 3 sections of income-generating commercial building with compartmentalized ownership, 1 section of income-generating building with compartmentalized ownership and 109 condominium units.

(4) Effective date

September 1, 2023

(5) Items of assets and liabilities to be succeeded to and their book values

The successor company will succeed to the assets, liabilities, contracts and other rights and obligations related to the business being succeeded to, within the scope provided for in the absorption-type company split agreement. The assets and liabilities to be succeeded are ¥11,329 million and ¥230 million, respectively.

(6) Amount of consideration and the breakdown thereof

As consideration for the absorption-type company split, TOSEI-R, Inc. is scheduled to pay cash to LIXIL REALTY Corporation. The actual amount is not disclosed in accordance with a non-disclosure agreement.

2. Other

No item to report.

B. Information on Guarantee Companies, etc. of Filing Company

No items to report.

(Translation)

Quarterly Review Report of Independent Auditors

October 10, 2023

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Chuo-ku, Tokyo

Designated and Engagement Partner,
Certified Public Accountant:

Takashi Aikawa

Designated and Engagement Partner,
Certified Public Accountant:

Hiroshi Matsubara

Auditor's Conclusion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the condensed quarterly consolidated financial statements of Tosei Corporation included in the "Accounting" section, namely, the condensed quarterly consolidated statements of financial position, comprehensive income, changes in equity, and cash flows, as well as their notes, for the third quarter (June 1, 2023 to August 31, 2023) and the first nine-month period (December 1, 2022 to August 31, 2023) of the fiscal year from December 1, 2022 to November 30, 2023.

In our quarterly review, we have concluded that the condensed quarterly consolidated financial statements referred to above are in conformity with International Accounting Standard 34 "Interim Financial Reporting," under the provision of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements of Japan, and nothing has come to our attention that causes us to believe that they do not fairly present, in all material respects, the financial positions of the Company and its consolidated subsidiaries as of August 31, 2023, and the consolidated results of their operations and their cash flows for the nine-month period then ended.

Basis for Auditor's Conclusion

We conducted a quarterly review in conformity with quarterly review standards generally accepted in Japan. Our responsibility under the quarterly review standards is described in "Auditor's Responsibility in the Quarterly Review of the Condensed Quarterly Consolidated Financial Statements." In accordance with the professional ethics regulations in Japan, we are independent of the Company and its consolidated subsidiaries and fulfill our other ethical responsibilities as an auditor. We believe that we have obtained the evidence to provide a basis for our conclusion.

Matter for Emphasis

As stated in Significant Subsequent Events, TOSEI-R, Inc., a subsidiary to be newly established by the Company, will succeed to the rights and obligations related to the LIXIL REALTY Corporation's Asset Securitization Business in an absorption-type company split, effective September 1, 2023. These matters shall not affect the opinion of the Independent Auditor.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Condensed Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these condensed quarterly

consolidated financial statements in conformity with International Accounting Standard 34 “Interim Financial Reporting.” This includes the design, implementation, and maintenance of internal control as management determines is necessary to enable the preparation and fair presentation of condensed quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed quarterly consolidated financial statements, management evaluates whether it is appropriate to prepare the condensed quarterly consolidated financial statements based on a going concern assumption, and is responsible for disclosing any matters as a going concern that require disclosure pursuant to Paragraph 4 of International Accounting Standard 1 “Presentation of Financial Statements.”

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of duties by Directors in designing, implementing and maintaining a financial reporting process.

Auditor’s Responsibility in the Quarterly Review of the Condensed Quarterly Consolidated Financial Statements

Our responsibility is to express a conclusion from an independent perspective on these condensed quarterly consolidated financial statements based on our quarterly review as independent auditor.

We will make professional judgments throughout the quarterly review process in conformity with the quarterly review standards generally accepted in Japan, and carry out the following with professional skepticism.

- Make inquiries, primarily of management and persons responsible for financial and accounting matters, and apply analytical procedures and other quarterly review procedures. Such a review is substantially less in scope than an audit conducted in conformity with auditing standards generally accepted in Japan.
- If material uncertainties related to events or conditions that may cast significant doubt upon going concern assumption are recognized, conclude whether nothing comes to attention that causes us to believe that the documents are not fairly presented based on the evidence obtained in the condensed quarterly consolidated financial statements in conformity with Paragraph 4 of International Accounting Standard 1 “Presentation of Financial Statements.” In addition, if material uncertainties regarding going concern assumption are recognized, the quarterly review report shall refer to the notes to the condensed quarterly consolidated financial statements, or, if material uncertainties stated in the notes to the condensed quarterly consolidated financial statements are inadequate, we are required to express qualified or adverse conclusions on the condensed quarterly consolidated financial statements. The auditor’s conclusions are based on evidence obtained by the quarterly review reporting date, but future events and circumstances may prevent the Company from continuing as a going concern.
- Evaluate whether nothing comes to attention that causes us to believe that the presentation and notes to the condensed quarterly consolidated financial statements do not comply with International Accounting Standard 34 “Interim Financial Reporting,” or that the presentation, composition and contents of the condensed quarterly consolidated financial statements including related notes as well as the transactions and accounting events underlying the condensed quarterly consolidated financial statements are not fairly presented.
- Obtain evidence regarding financial information of the Company and its consolidated subsidiaries to express a conclusion on the condensed quarterly consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the quarterly review of the condensed quarterly consolidated financial statements, and is solely responsible for its conclusion.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope and timing of the planned quarterly review and material findings in the quarterly review.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board that it has complied with Japan’s professional ethics regulations regarding independence as well as on matters

that are reasonably considered to affect the independence of the auditor, and the content of safeguards, if any, taken in order to eliminate or mitigate disincentives.

Interest

Our firm and the engagement partners do not have any interest in the Company and its consolidated subsidiaries for which disclosure is required under the provisions of the Certified Public Accountants Act

End

*1.The original copy of the Quarterly Review Report in above, is in the custody of the Company (filing company of the quarterly securities report) as attachments to the financial statements.

2.XBRL data is excluded from the scope of the quarterly review.

Note:

The English version of the financial statements consists of an English translation of the reviewed Japanese financial statements. The actual text of the English translation of the financial statements was not covered by our review. Consequently, for the auditors' review report of the English financial statements, the Japanese original is the official text, and the English version is a translation of that text. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.