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Tosei Corporation

Securities Code: 8923

February 7, 2024

(Start date of electronic provision measures: January 31, 2024)

Dear Shareholders,

Notice of the 74th Ordinary General Meeting of Shareholders

We are pleased to announce the 74th Ordinary General Meeting of Shareholders of Tosei Corporation (the “Company”; this meeting, the “Meeting”), which will be held as described below.

In convening the Meeting, the Company has taken measures to provide the information contained in the Reference Documents for the General Meeting of Shareholders (matters subject to electronic provision measures) in electronic format and has posted such information on the following websites as the “Notice of the 74th Ordinary General Meeting of Shareholders.” Please access either of the following websites to review the information.

The Company’s website:

<https://www.toseicorp.co.jp/english/ir/stock/stockholders/>

Tokyo Stock Exchange website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

(Please access the TSE website, enter “Tosei” in “Issue name (company name)” or the Company’s securities code “8923” in “Code,” and click “Search.” Then, click “Basic information” and select “Documents for public inspection/PR information.” Under “Filed information available for public inspection,” click “Click here for access” under “[Notice of General Shareholders Meeting/Informational Materials for a General Shareholders Meeting].”)

If you are unable to attend the meeting, you may exercise your voting rights in writing or by electromagnetic method (using the Internet, etc.). **Please examine the Reference Documents for the General Meeting of Shareholders and exercise your voting rights no later than 6:00 p.m. on Monday, February 26, 2024 (JST).**

The Company will livestream the Meeting so that more shareholders will be able to view the proceedings of the Meeting from their homes or other places. Please note that while shareholders can comment during the livestreaming by using the chat function, shareholders will not be able to ask any questions pursuant to the Companies Act, exercise their voting rights, or propose a motion in the chat. The Company will also take questions regarding the purpose of the Meeting from shareholders in advance on its dedicated website.

For information on electromagnetic methods for exercising voting rights (via the Internet) as well as cautionary notes regarding the advance registration of questions and the livestreaming, etc., please refer to pages 4-8 of the Japanese version of this document.

Sincerely yours,

Seiichiro Yamaguchi
President and CEO
Tosei Corporation
4-5-4 Shibaura, Minato-ku, Tokyo

Details

1. Date and Time:

Tuesday, February 27, 2024, at 10:00 a.m. (JST) (The reception for attendees begins at 9:00 a.m.)

2. Place:

Jiji Press Hall (2nd Floor, Jiji Press Building)
5-15-8 Ginza, Chuo-ku, Tokyo

3. Purpose of the Meeting

Matters to be reported:

- a. Business Report and Consolidated Financial Statements, as well as the audit reports of the Accounting Auditor and the Audit & Supervisory Board on Consolidated Financial Statements, for the 74th term (from December 1, 2022 to November 30, 2023)
- b. Non-consolidated Financial Statements for the 74th term (from December 1, 2022 to November 30, 2023)

Matters to be resolved:

- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Partial Amendments to the Articles of Incorporation
- Proposal 3:** Election of Nine (9) Directors
- Proposal 4:** Renewal of Countermeasures to Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures)
- Proposal 5:** Determination of Remuneration for Granting Share-based Payment to Directors Excluding Outside Directors
- Proposal 6:** Determination of Remuneration for Granting Share-based Payment to Outside Directors

<Disclosures on the Internet>

- If any changes are made to the matters subject to electronic provision measures, such changes will be posted on the websites shown on page 1.
 - Of the matters subject to electronic provision measures, the following matters are posted on the websites pursuant to laws and regulations and the provisions set forth in Article 16 of the Articles of Incorporation of the Company, and are therefore not included in the documents sent to the shareholders.
 - (i) "Systems to ensure properness of operations" and "Basic policy regarding the control of the Company" in the Business Report
 - (ii) "Notes to Consolidated Financial Statements" in the Consolidated Financial Statements
 - (iii) "Notes to Non-consolidated Financial Statements" in the Non-consolidated Financial Statements
- Note: The Business Report, the Consolidated Financial Statements, and the Non-consolidated Financial Statements, which were audited by the Audit & Supervisory Board Members and the Accounting Auditors in preparing their respective audit reports, include the matters above in addition to the content of the documents sent to the shareholders.

<Request for the shareholders' understanding and cooperation when attending the Meeting in person>

- When you attend the Meeting, you are requested to present the enclosed Voting Form to the receptionist.
- The Company plans to livestream the Meeting. Please be advised that while the Company intends to pay due consideration to the shareholders' privacy and film only the Chairman and the area surrounding the seats of the executives, images of attending shareholders may unavoidably appear on the stream.
- After the closing of the Meeting, the Business Strategy Presentation Meeting will be held (and livestreamed) in the same place.

<Reward for shareholders who exercise their voting rights in writing or by using the Internet, etc.>

- As a small token of our appreciation, the Company will offer a QUO card worth ¥1,000 to selected 500 shareholders who have effectively exercised their voting rights in advance in writing (by post) or by using the Internet, etc., regardless of voting for or against the individual proposals.
 - The prize will be sent to the addresses of the selected shareholders as registered in the shareholder registry and winners will not be otherwise announced.
 - The prize will be sent out between late March and mid-April.

Reference Documents for the General Meeting of Shareholders

Proposal 1: Appropriation of Surplus

The Company proposes the appropriation of surplus as shown below:

Year-end dividend

Taking into account such factors as our operating results for the fiscal year under review and our future business development, the Company proposes the year-end dividend for the 74th term as shown below.

1. Type of dividend property: Money
2. Dividend property allotment and total amount thereof

Dividends per ordinary share of the Company:	¥66
Total amount of dividends:	¥3,192,884,310
3. Effective date of dividends from surplus: February 28, 2024

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for amendments

In order to further clarify the management responsibilities of Directors, and to swiftly respond to changes in the business environment, the term of office of Directors will be changed from two (2) years to one (1) year. The provisions related to the adjustment of the term of office will therefore be deleted.

2. Details of amendments

The details of the amendments are as follows:

(Amendments are underlined.)

Current Articles of Incorporation	Proposed Amendments
Articles 1 – 20 (Omitted)	Articles 1 – 20 (Unchanged)
<p>Article 21 Terms of Office for Directors The terms of office for directors shall continue until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year that ends within <u>two years</u> from the time of their election.</p> <p><u>2. The term of office for a director elected as an additional member of the Board or as a substitute shall continue until the terms of office for the other directors expire.</u></p>	<p>Article 21 Terms of Office for Directors The terms of office for directors shall continue until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year that ends within <u>one year</u> from the time of their election.</p> <p>(Deleted)</p>
Articles 22 – 47 (Omitted)	Articles 22 – 47 (Unchanged)

Proposal 3: Election of Nine (9) Directors

The terms of office of all nine (9) Directors will expire at the conclusion of the Meeting. Accordingly, we propose the election of nine (9) Directors.

The candidates for Directors are as follows:

No.		Name	Current positions and areas of responsibility in the Company	Attendance at the meetings of the Board of Directors held in the fiscal year under review
1	Reappointment	Seiichiro Yamaguchi	President and CEO	22/22 (100% attendance rate)
2	Reappointment	Noboru Hirano	CFO Senior Executive Officer of Administrative Division	22/22 (100% attendance rate)
3	Reappointment	Hideki Nakanishi	Director COO and Senior Executive Officer of Business Division In charge of Asset Solution Department 4 and Asset Solutions Business Promotion Department	22/22 (100% attendance rate)
4	Reappointment	Shunsuke Yamaguchi	Director Managing Executive Officer Deputy Chief of Administrative Division In charge of General Affairs Department and Human Resource Department	22/22 (100% attendance rate)
5	Reappointment	Hitoshi Oshima	Director Executive Officer In charge of Asset Solution Department 1 and Crowd Funding Department	22/22 (100% attendance rate)
6	New appointment	Hiroyasu Yoneda	Managing Executive Officer In charge of Finance Department and M&A • Group Strategy Department	—
7	Reappointment Outside Independent	Kenichi Shohtoku	Outside Director	22/22 (100% attendance rate)
8	Reappointment Outside Independent	Hiroyuki Kobayashi	Outside Director	20/22 (90.9% attendance rate)
9	New appointment Outside Independent	Mai Ishiwatari	—	—

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company (Important concurrent positions outside the Company)	Number of the Company's shares held
1	<p style="text-align: center;"><u>Reappointment</u></p> <p>Seiichiro Yamaguchi (Jan. 5, 1961)</p>	<p>Apr. 1983 Joined Mitsui Real Estate Sales Co., Ltd.</p> <p>Apr. 1986 Joined Tosei-Shoji Corporation</p> <p>Aug. 1990 Director of the Company</p> <p>Jun. 1994 President and Representative Director of the Company (current position)</p> <p>Dec. 1995 Representative Director of Palms Community Management Co. Ltd. (the predecessor of Tosei Community Co., Ltd.)</p> <p>Jul. 2004 President and CEO of the Company (current position)</p>	12,885,500
<p style="text-align: center;">《Reasons for nomination as a candidate for Director》</p> <p>After being appointed as Representative Director of the Company in 1994, Seiichiro Yamaguchi has been leading the Company and the Group and has been committed to expanding its business scale and domains, and thus is essential for the management of the Company. In addition, as Chairman of the Board of Directors, he facilitates the efficient proceedings and actively seeks opinions from Outside Directors and Audit & Supervisory Board Members, playing the most important roles in promoting governance of the Company and the Group. Considering that he will continue to contribute to the Group's sustainable growth and improvement of corporate value, we renominated him as a candidate for Director.</p>			
2	<p style="text-align: center;"><u>Reappointment</u></p> <p>Noboru Hirano (Oct. 17, 1959)</p>	<p>Apr. 1982 Joined Kokubu & Co., Ltd.</p> <p>Apr. 1991 Joined Tosei-Shoji Corporation</p> <p>May 1995 Director of Tosei-Shoji Corporation</p> <p>Mar. 2001 General Manager of Finance and Accounting Department of the Company</p> <p>Oct. 2002 Managing Director of the Company</p> <p>Jul. 2004 Managing Executive Officer of the Company</p> <p>Mar. 2005 Audit & Supervisory Board Member of Tosei Revival Investment Co., Ltd. (the predecessor of Tosei Logistics Management Co., Ltd.)</p> <p>Apr. 2005 Audit & Supervisory Board Member of Tosei Community Co., Ltd.</p> <p>Sep. 2005 Representative Director of Tosei REIT Advisors, Inc. (the predecessor of Tosei Asset Advisors, Inc.)</p> <p>Feb. 2006 CFO and Senior Executive Officer of Administrative Division of the Company</p> <p>Dec. 2007 Representative Director of Tosei Revival Investment Co., Ltd. (the predecessor of Tosei Logistics Management Co., Ltd.)</p> <p>Jan. 2013 Director of Tosei Revival Investment Co., Ltd. (the predecessor of Tosei Logistics Management Co., Ltd.)</p> <p>Feb. 2013 Director of Tosei Community Co., Ltd.</p> <p>Feb. 2016 Director of Tosei Asset Advisors, Inc. (current position)</p> <p>Apr. 2017 CFO, Senior Executive Officer of Administrative Division and in charge of Human Resource Department of the Company</p> <p>Feb. 2020 Representative Director of Tosei Revival Investment Co., Ltd. (the predecessor of Tosei Logistics Management Co., Ltd.) (current position)</p> <p>Mar. 2023 CFO and Senior Executive Officer of Administrative Division of the Company (current position)</p>	54,100
<p style="text-align: center;">《Reasons for nomination as a candidate for Director》</p> <p>After being appointed as Director of the Company in 2002, Noboru Hirano has been supporting Representative Director Seiichiro Yamaguchi in overall management of the Company, and is committed to growth of the Group, while being in charge of overall governance of the internal administrative division and each Group company. Considering that he is indispensable for the Group's sustainable growth and improvement of the management quality in the future, we renominated him as a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company (Important concurrent positions outside the Company)	Number of the Company's shares held
3	<p style="text-align: center;"><u>Reappointment</u></p> <p>Hideki Nakanishi (Jun. 17, 1967)</p>	<p>Apr. 1990 Joined The Yasuda Trust & Banking Co., Ltd. (the predecessor of Mizuho Trust & Banking Co., Ltd.)</p> <p>Jun. 1999 Joined Gold Crest Co., Ltd.</p> <p>Oct. 2001 Joined HUSER Corporation</p> <p>Apr. 2006 Joined the Company</p> <p>Mar. 2013 Executive Officer of the Company</p> <p>Feb. 2016 Director of Tosei Revival Investment Co., Ltd. (the predecessor of Tosei Logistics Management Co., Ltd.)</p> <p>Mar. 2017 Managing Executive Officer of the Company</p> <p>Feb. 2018 Director and Managing Executive Officer of the Company</p> <p>Dec. 2018 Director, Managing Executive Officer, Deputy Chief of Business Division of the Company</p> <p>Mar. 2021 Director, COO and Senior Executive Officer of Business Division and in charge of Asset Solution Department 4 and Asset Solutions Business Promotion Department of the Company (current position)</p>	33,600
<p>《Reasons for nomination as a candidate for Director》</p> <p>After joining the Company in 2006, Hideki Nakanishi has been consistently engaged in the Revitalization Business and the Fund and Consulting Business of the Company. After being appointed as Executive Officer in 2013, he participated in deliberations related not only to assigned businesses but also to overall management as a member of the management meeting. After being appointed as Director in 2018, he has been sincerely working on management issues of the Company and the Group. Considering that he has been supervising the entire Business Division as Senior Executive Officer of Business Division, leading the entire business of the Company, and that he is indispensable for the Group's business expansion and growth in the future, we renominated him as a candidate for Director.</p>			
4	<p style="text-align: center;"><u>Reappointment</u></p> <p>Shunsuke Yamaguchi (Jul. 26, 1964)</p>	<p>Apr. 1988 Joined TOKYU CONSTRUCTION CO., LTD.</p> <p>Dec. 2001 Joined the Company</p> <p>Oct. 2006 Director in charge of Administrative Division of Fusion Partner, Inc.</p> <p>Aug. 2007 Joined the Company</p> <p>Oct. 2007 Director of Tosei Asset Management, Corp.</p> <p>Apr. 2008 Director of Tosei Asset Advisors, Inc.</p> <p>Dec. 2012 Director of NAI Tosei Japan, Inc.</p> <p>Mar. 2013 Executive Officer of the Company</p> <p>Feb. 2018 Audit & Supervisory Board Member of Tosei Asset Advisors, Inc.</p> <p>Feb. 2020 Director and Executive Officer of the Company</p> <p>Feb. 2023 Director of Tosei Hotel Management Co., Ltd. (current position)</p> <p>Mar. 2023 Director, Managing Executive Officer and Deputy Chief of Administrative Division of the Company</p> <p>Dec. 2023 Director, Managing Executive Officer, Deputy Chief of Administrative Division and in charge of General Affairs Department and Human Resource Department of the Company (current position)</p>	16,200
<p>《Reasons for nomination as a candidate for Director》</p> <p>After joining the Company in 2001, Shunsuke Yamaguchi has been consistently engaged in the operations of general affairs, legal affairs, IT and DX, and human resources. In addition, he has been playing effective roles in promoting compliance and strengthening internal control functions of the Company and Group companies as a listed company, a real estate broker, or a financial instruments business operator. Furthermore, as Deputy Chief of Administrative Division, he has been contributing to the enhancement and maintenance of the internal management system of the Company. Considering that he is an essential person for establishing an internal management system to support the Group's expansion and growth, we renominated him as a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company (Important concurrent positions outside the Company)	Number of the Company's shares held
5	<p style="text-align: center;"><u>Reappointment</u></p> <p>Hitoshi Oshima (Nov. 19, 1964)</p>	<p>Apr. 1988 Joined The Sanwa Bank, Ltd. (the predecessor of MUFG Bank, Ltd.)</p> <p>Jun. 2006 Joined J-REP Co. Ltd. (the predecessor of Goodman Japan Limited)</p> <p>Jan. 2009 Joined NATIONAL STUDENTS INFORMATION CENTER CO., LTD.</p> <p>Dec. 2011 Joined the Company</p> <p>Jul. 2012 Director of Tosei Revival Investment Co., Ltd. (the predecessor of Tosei Logistics Management Co., Ltd.)</p> <p>Mar. 2014 Managing Director of Tosei Community Co., Ltd.</p> <p>Dec. 2016 Director of Tosei Community Co., Ltd.</p> <p>Mar. 2017 Executive Officer of the Company</p> <p>Feb. 2020 Director and Executive Officer of the Company</p> <p>Dec. 2020 Director and Executive Officer in charge of Asset Solution Department 1 and Crowd Funding Department of the Company (current position)</p> <p>Sep. 2021 Director of Princess Square Co., Ltd. (current position) Director of Let's Creation Co., Ltd.</p> <p>Jul. 2023 Director of Tosei Proptech Co., Ltd. (current position)</p> <p>Jan. 2024 Director of TOSEI-R, Inc. (current position)</p>	2,700
<p>« Reasons for nomination as a candidate for Director »</p> <p>After joining the Company in 2011, Hitoshi Oshima served as Director of multiple subsidiaries, contributing to improvement of the management quality of those subsidiaries. After being appointed as General Manager of the Asset Solution Division in 2016, he was actively involved in logistics facility projects and real estate M&A projects in the Revitalization Business by leveraging his career. His contribution to the Group's operating results is extremely high. Considering that he is an essential person for business expansion and growth of the Group, we renominated him as a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company (Important concurrent positions outside the Company)	Number of the Company's shares held
6	<p data-bbox="284 712 456 743"><u>New appointment</u></p> <p data-bbox="284 775 456 828">Hiroyasu Yoneda (Aug. 19, 1970)</p>	<p data-bbox="512 264 1203 318">Apr. 1993 Joined Chiba Sogo Co., Ltd. (the predecessor of Sogo & Seibu Co., Ltd.)</p> <p data-bbox="512 327 852 353">Apr. 2001 Joined the Company</p> <p data-bbox="512 362 1166 416">Mar. 2006 Joined AQ INTERACTIVE INC. (the predecessor of Marvelous Inc.)</p> <p data-bbox="512 425 804 452">Jul. 2006 Joined eole inc.</p> <p data-bbox="512 461 1177 515">Aug. 2006 Joined Tosei Revival Investment Co., Ltd. (the predecessor of Tosei Logistics Management Co., Ltd.)</p> <p data-bbox="512 524 1177 577">Oct. 2006 Director of Tosei Revival Investment Co., Ltd. (the predecessor of Tosei Logistics Management Co., Ltd.) (current position)</p> <p data-bbox="512 586 852 613">Apr. 2008 Joined the Company</p> <p data-bbox="512 622 1193 676">Dec. 2017 Representative Director of Masuda Kenzai-ten Co., Ltd. (current position)</p> <p data-bbox="512 685 1114 712">Mar. 2018 Representative Director of Sanki-shoji Co., Ltd.</p> <p data-bbox="512 721 1203 775">Feb. 2019 Director of Tosei Community Co., Ltd. (current position)</p> <p data-bbox="512 784 1203 837">Feb. 2019 Managing Director of Tosei Singapore Pte. Ltd. (current position)</p> <p data-bbox="512 846 986 873">Mar. 2020 Executive Officer of the Company</p> <p data-bbox="512 882 1187 909">Sep. 2021 Director of Princess Square Co., Ltd. (current position)</p> <p data-bbox="512 918 1203 972">Mar. 2022 Representative Director of Isogo Asset Management Co., Ltd. (current position)</p> <p data-bbox="512 981 1203 1034">Jan. 2023 Representative Director of Shibaura Residential Co., Ltd. (current position)</p> <p data-bbox="512 1043 1091 1070">Mar. 2023 Managing Executive Officer of the Company</p> <p data-bbox="512 1079 1155 1133">Mar. 2023 Representative Director of Usui Kigata Kogyo K.K. (current position)</p> <p data-bbox="512 1142 1139 1196">Jun. 2023 Representative Director of TOSEI-R, Inc. (current position)</p> <p data-bbox="512 1205 1155 1258">Jul. 2023 Representative Director of Tosei Proptech Co., Ltd. (current position)</p> <p data-bbox="512 1267 1193 1321">Dec. 2023 Managing Executive Officer and in charge of Finance Department and M&A • Group Strategy Department of the Company (current position)</p>	12,900
<p data-bbox="284 1290 820 1321">《Reasons for nomination as a candidate for Director》</p> <p data-bbox="284 1330 1394 1485">After joining the Company in 2001, Hiroyasu Yoneda has been serving as Director of multiple subsidiaries, contributing to establishment of the internal management system of the subsidiaries. In addition to contributing to business performance through real estate M&A projects and M&A/PMI (Post Merger Integration) of operating companies, he has been playing an effective role in strengthening the compliance and internal control functions of the Group companies. Considering that he is indispensable to the Group's expansion and growth in the future, we nominated him as a new candidate for Director.</p>			

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company (Important concurrent positions outside the Company)	Number of the Company's shares held
7	<div style="border: 1px solid black; padding: 2px; width: fit-content;">Reappointment</div> <div style="border: 1px solid black; padding: 2px; width: fit-content;">Outside</div> <div style="border: 1px solid black; padding: 2px; width: fit-content;">Independent</div> Kenichi Shohtoku (Jan. 20, 1971)	Oct. 1995 Joined Asahi & Co., Ltd. (the predecessor of KPMG AZSA LLC) Sep. 1999 Seconded to Arthur Andersen & Co., Kuala Lumpur Office Sep. 2002 Joined SCS Global Accounting Co., Ltd. (the predecessor of SCS Global Consulting (S) Pte Ltd) Nov. 2003 Representative Director of SCS Global Accounting Co., Ltd. (current position) Sep. 2005 Director of O-RID GLOBAL BPO PTE. LTD. Dec. 2010 Outside Audit & Supervisory Board Member of ROKI TECHNO CO., LTD. Feb. 2012 Director of the Company (current position) Jan. 2013 Outside Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD. (current position)	—
<p>《Reasons for nomination as a candidate for Outside Director and expected roles》</p> <p>As a certified public accountant, Kenichi Shohtoku operates an accounting consulting firm mainly in foreign countries. In order to leverage the advice that he provides based on his expertise for the Company's overseas development, we have been having him serve as Outside Director of the Company since 2012. After being appointed as Outside Director, he has provided invaluable advice on various occasions such as the Board of Directors' meetings of the Company, liaison meetings with the Audit & Supervisory Board Members of the Company, etc. and has worked energetically to enhance the governance system of the Company and the Group as well as to ensure the appropriateness of financial reporting. He has also been serving as a member of the Nominating and Compensation Advisory Committee to participate in deliberations from an objective standpoint and contributing to securing appropriateness and fairness of compensation, etc. for Directors. Considering that he is indispensable for the maintenance and improvement of corporate governance structure for further expanding the Group and enhancing the checking functions in the future while paying attention to ESG issues, we renominated him as a candidate for Outside Director.</p>			

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company (Important concurrent positions outside the Company)	Number of the Company's shares held
8	<p style="text-align: center;"> Reappointment Outside Independent </p> <p>Hiroyuki Kobayashi (Mar. 3, 1965)</p>	<p>Apr. 1987 Joined the Industrial Bank of Japan, Ltd. (the predecessor of Mizuho Bank, Ltd.)</p> <p>Apr. 2002 Seconded to Mizuho Securities Co., Ltd.</p> <p>Apr. 2003 Head of Advisory Department IV of Mizuho Securities Co., Ltd.</p> <p>Jul. 2005 Joined Sophia Corporation</p> <p>Apr. 2006 Vice President and Director of Sophia Corporation</p> <p>Dec. 2006 Joined Mizuho Securities Co., Ltd.</p> <p>Jun. 2008 Deputy Head of Corporate Planning Department of Mizuho Securities Co., Ltd.</p> <p>Dec. 2011 Head of Corporate Communications Department of Mizuho Securities Co., Ltd.</p> <p>Apr. 2014 Senior Corporate Officer attached to Head of Corporate Investment Services & Retail Business Division of Mizuho Securities Co., Ltd.</p> <p>Apr. 2015 Head of Wealth Management Division, Retail & Business Banking Division of Mizuho Securities Co., Ltd.</p> <p>Apr. 2017 President & CEO of Social Capital Management, Inc. (current position)</p> <p>Feb. 2018 Director of the Company (current position)</p> <p>Apr. 2018 Vice President and Director of Precious Square, Inc. (current position)</p> <p>Jun. 2019 Outside Auditor of Tohto Suisan Co., Ltd.</p> <p>Aug. 2019 Director of SEIWA Co., Ltd. (the predecessor of SEIWA HOLDINGS Co., Ltd.)</p> <p>Dec. 2020 Representative Director of WATASU, Inc. (current position)</p> <p>Jun. 2022 Outside Auditor of Taiheiyo Kensetsu Kogyo Co., Ltd. (current position) Outside Auditor of Taiheiyo Remicon Co., Ltd. (current position)</p>	—
<p>《Reasons for nomination as a candidate for Outside Director and expected roles》</p> <p>Hiroyuki Kobayashi was engaged in operations at the Industrial Bank of Japan, Ltd. and M&A advisory services during secondment to a securities company. Currently he has established a consulting firm specializing in business strategies for corporate clients, M&As and organization development, and serves as CEO. With his objective monitoring and proposals based on his abundant experience and expertise, he has been contributing to more active discussion at Board of Directors meetings and improves their effectiveness. He has also been serving as a member of the Nominating and Compensation Advisory Committee to participate in deliberations from an objective standpoint and contributing to securing appropriateness and fairness of compensation, etc. for Directors. Considering that he is indispensable for the maintenance and improvement of corporate governance structure for further expanding the Group and enhancing the checking functions in the future while paying attention to ESG issues, we renominated him as a candidate for Outside Director.</p> <p>《Supplemental Information on Independence》</p> <p>Hiroyuki Kobayashi served as an employee of the Industrial Bank of Japan, Ltd. (a predecessor of Mizuho Bank, Ltd.) until March 2002. However, his independence as Outside Director has been secured, considering that the Company has business transactions* with many other financial institutions as well as the said bank and he is not in the position to be influenced by the bank as it has been more than 20 years since he ceased to be a business executor of the said bank. He satisfies the criteria for an independent director stipulated by the Tokyo Stock Exchange, and the Company notified the said Exchange of the appointment of Hiroyuki Kobayashi as an independent director as stated in Note 2.</p> <p>*Reference: Outstanding loans payable to the said bank as of November 30, 2023 (consolidated basis) accounted for approximately 6.2% of the Company's total assets and approximately 10.6% of its total outstanding loans.</p>			

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9	<div style="border: 1px solid black; padding: 2px; width: fit-content;">New appointment</div> <div style="border: 1px solid black; padding: 2px; width: fit-content;">Outside</div> <div style="border: 1px solid black; padding: 2px; width: fit-content;">Independent</div> Mai Ishiwatari (Jan. 26, 1977)	Apr. 2002 Registered as attorney-at-law (Daini Tokyo Bar Association) Oct. 2002 Masako Atsumi Law Office Jul. 2004 Hideo Yamada Law Office (the predecessor of Yamada Ozaki Law Office) Jun. 2006 Authense Law Office Jan. 2008 Polaris Law Office Jan. 2012 Registered foreign lawyer of Rajah & Tann LLP, Singapore Apr. 2014 Joined cocone corporation (the predecessor of cocone ONE corporation) Oct. 2014 Supervisory Officer of Kenedix Retail REIT Corporation Dec. 2014 Partner lawyer of Shiroyama Tower Law Office (current position) Jan. 2021 Outside Director of Kakao Japan Corp. (the predecessor of Kakao piccoma Corp.) (current position) May 2023 Director of cocone ONE corporation (current position)	—
<p>《Reasons for nomination as a candidate for Outside Director and expected roles》</p> <p>With her work experience at domestic and foreign law offices, Mai Ishiwatari possesses a high level of expertise and global knowledge of corporate legal affairs. In addition, she has experience of serving as a supervisory officer at a REIT investment corporation. Accordingly, we believe that she will be able to provide supervision and proposals that will contribute to legal compliance of the Group's business. Furthermore, she has been involved in corporate management at multiple companies in recent years. We believe that she will be able to contribute to the Group's further growth and enhancement of corporate governance, if we adopt her external viewpoint based on her knowledge and experience to ensure neutrality in management. We therefore nominated her as a new candidate for Outside Director. If she is elected as Director, she will participate in the Nominating and Compensation Advisory Committee from an objective standpoint.</p>			

- (Notes)
1. Each of the candidates for Directors has no special interests in the Company.
 2. Kenichi Shohtoku, Hiroyuki Kobayashi, and Mai Ishiwatari are candidates for Outside Directors. The Company notified the Tokyo Stock Exchange of Kenichi Shohtoku and Hiroyuki Kobayashi as independent directors pursuant to the regulations of the said Exchange, and they will continue to serve as independent directors if they are reelected as Directors. The Company also intends to notify the Tokyo Stock Exchange of Mai Ishiwatari as an independent director pursuant to the regulations of the said Exchange if she is elected as a Director.
 3. Kenichi Shohtoku currently serves as Outside Director of the Company and will have served as such for twelve (12) years as of the conclusion of the Meeting. Hiroyuki Kobayashi currently serves as an Outside Director of the Company and will have served as such for six (6) years as of the conclusion of the Meeting.
 4. Kenichi Shohtoku and Hiroyuki Kobayashi currently serve as Outside Directors of the Company. The Company has concluded a contract for limitation of liability with them pursuant to the provisions of Article 427, paragraph 1 of the Companies Act for the liability for damages provided for in Article 423, paragraph 1 of the same, and limits their liability to the amount provided by relevant laws and regulations. The Company intends to maintain the contract with them if they are reelected as originally proposed. In addition, the Company intends to conclude a similar contract with Mai Ishiwatari if she is elected as a Director.
 5. The Company has concluded a directors and officers liability insurance contract as stipulated in Article 430-3, paragraph 1 of the Companies Act with an insurance company. Directors and officers included as insured in this insurance policy will receive compensation for damages arising from their liability borne from performance of their duties or arising from claims in pursuit of that liability. Other details of said insurance are as stated in the Business Report in the 74th Report (page 51). If the candidates are elected as Directors, they will be insured by said insurance contract. The Company is scheduled to renew said insurance contract with the same contents in March 2024.

<Reference> Skills matrix of Directors (plan after conclusion of the Meeting)

Name	Gender	Internal/ Outside	Specialty, knowledge, and experience								Nominating and Compensation Advisory Committee	Sustainabi- lity Committee
			Corporate manage- ment	Real estate business	Finance/ Accounting	Global business	ESG	IT/DX	Human Resource /Labor	Compliance/ Risk manage- ment		
Seiichiro Yamaguchi	Male	Internal	●	●	●		●			●	○	
Noboru Hirano	Male	Internal	●		●		●		●	●	○	○ (Chair- person)
Hideki Nakanishi	Male	Internal		●			●					○
Shunsuke Yamaguchi	Male	Internal						●	●	●		○
Hitoshi Oshima	Male	Internal		●				●				
Hiroyasu Yoneda	Male	Internal	●		●							
Kenichi Shohtoku	Male	Outside (Independent)	●		●	●					○ (Chair- person)	
Hiroyuki Kobayashi	Male	Outside (Independent)	●		●		●		●		○	(Observer)
Mai Ishiwatari	Female	Outside (Independent)	●			●		●		●	○	

Proposal 4: Renewal of Countermeasures to Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures)

The Company renewed a plan for countermeasures to large-scale acquisitions of the shares in the Company (the "Former Renewed Plan") by a resolution of the Board of Directors on January 25, 2021 and obtained shareholder approval at the ordinary general meeting of shareholders of the Company held on February 25, 2021. The effective period of the Former Renewed Plan expires at the conclusion of this Meeting.

Since the Company renewed the Former Renewed Plan, it has been examining whether to maintain or renew the plan in light of changes in social and economic conditions, to secure and enhance its corporate value and the common interests of the shareholders. Prior to the expiration of the Former Renewed Plan, the Company determined at the Board of Directors meeting held on January 25, 2024 to, subject to approval by the shareholders at the Meeting, formally revise some places to update the Former Renewed Plan and introduce a new plan (the introduction is to be referred to as the "Renewal," and the renewed plan is to be referred to as the "Plan") as a measure to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate (Article 118, Item 3(b) of the Enforcement Regulations of the Companies Act) under the basic policy regarding the persons who control decisions on the Company's financial and business policies (as provided in Article 118, Item 3 of the Enforcement Regulations of the Companies Act; the "Basic Policy").

The Company, therefore, requests that the shareholders approve the renewal of the Plan in accordance with Article 47, Paragraph 1 of the Articles of Incorporation of the Company.

Changes from the Former Renewed Plan in the Renewal process taking into account the recent case laws and trends in practice on takeover defense measures are as follows:

- Revision of the definitions of "Acquisitions" and "Acquirers" (revision to III.-2.-2.2-(a))
- Involvement of the Independent Committee in determining "Non-Qualified Parties" (as specified in III.-2.-2.4-(g)) and respect for the determination
- Amendments related to the above changes and other grammatical and typographical amendments

In addition, although the Company Group have submitted proposals to the shareholders regarding the countermeasures to large-scale acquisitions at the Annual General Meeting of Shareholders every three years, including the Former Renewed Plan, the Company Group will obtain approval from the shareholders to extend this period to every five years in this Renewal. As mentioned in "Tosei Group Long-Term Vision 2032" disclosed earlier, this is an indication of the Company Group's intention to keep a stable management system which is indispensable for the Company Group to fully demonstrate its core competencies for the Company Group's growth from a long-term perspective and to further ensure the realization of the vision. Furthermore, this is a proposal considering that by shortening the term of office for the directors from the current two years to one year through a separately submitted amendment proposal of the Articles of Incorporation, it will enable the shareholders to make a more timely and appropriate decision regarding management responsibilities of each business year, thereby making it easier to reflect their opinion on the management system.

1. Reason for Proposal

(1) Basic Policy Regarding the Persons Who Control Decisions on the Company's Financial and Business Policies

The Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who fully understand the details of the Company's financial and business affairs and the source of the Company's corporate value and who will make it possible to continually and persistently ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders.

The Company believes that ultimately its shareholders as a whole must make the decision on any proposed acquisition that would involve a change of control of the Company. Also, the Company

will not reject a large-scale acquisition of the shares in the Company if it will contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

Nonetheless, there are some forms of large-scale acquisition of shares that benefit neither the corporate value of the target company nor the common interests of its shareholders including those with a purpose that would obviously harm the corporate value of the target company and the common interests of its shareholders, those with the potential to substantially coerce shareholders into selling their shares; those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the details of the large-scale acquisition, or for the target company's board of directors to make an alternative proposal and those that require the target company to discuss or negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer.

It is particularly necessary and essential for the persons who make decisions on the Company's financial and business policies to (i) maintain the system under which the Company group covers with its comprehensive capability various business fields and peripheral fields that allow the "integration of real estate and finance," which leads to maximization of the potential of the Company group, (ii) maintain employees who support those businesses with knowledge and experience specializing in real estate and finance, etc., (iii) maintain the Company's trust in the real estate industry that has been built up over a long period of time based on the establishment of the ability and information networks supporting various value creation technologies, and (iv) master knowhow that enables comprehensive business. Unless the acquirer of a proposed large-scale acquisition of the shares in the Company understands the source of the corporate value of the Company as well as the details of financial and business affairs of the Company and would ensure and enhance these elements over the medium-to-long term, the corporate value of the Company and, in turn, the common interests of its shareholders would be harmed.

The Company believes that persons who would make a large-scale acquisition of the shares in the Company in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate as persons that control decisions on the Company's financial and business policies. The Company believes that it is necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking necessary and reasonable countermeasures against a large-scale acquisition by such persons.

(2) Purpose of the Plan

The Plan is in line with the Basic Policy set out above in section 1. (1) 'Basic Policy Regarding the Persons Who Control Decisions on the Company's Financial and Business Policies' for the purpose of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders.

As set out in the Basic Policy, the Board of Directors believes that persons who would propose a large-scale acquisition of the shares in the Company in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate to become persons who control decisions on the Company's financial and business policies. The purpose of the Plan is to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate, to deter large-scale acquisitions that are detrimental to the corporate value of the Company and the common interests of its shareholders, and on the occasion that the Company receives a large-scale acquisition proposal from an acquirer, to enable the Board of Directors to present an alternative proposal to the shareholders or ensure necessary time and information for the shareholders to decide whether or not to accept the large-scale acquisition, and to enable the Board of Directors to negotiate for the benefit of the shareholders.

The Company believes that it is necessary that the Company's takeover defense measures must be based on and in accordance with the reasonable decision of the shareholders, and therefore requests the shareholders for an approval of the Plan.

2. Details of Proposal

(1) Plan Outline

The Plan sets out procedures necessary to achieve the purpose stated in section 1. (2) above, including requirements for acquirers to provide information in advance in the case that the acquirer intends to make an acquisition of 20% or more of the Company's share certificates¹ or other equity securities. In addition, an acquirer, etc. must not effect an acquisition until and unless the Board of Directors resolves not to trigger the Plan if the procedures for the Plan has commenced. (See section 2. (2) 'Procedures for Triggering the Plan' below for details.)

In cases such as where an acquirer does not follow the procedures set out in the Plan, or a large-scale acquisition of shares and other equity securities in the Company could harm the corporate value of the Company and, in turn, the common interests of its shareholders (see section 2. (3) 'Requirements for the Gratis Allotment of Stock Acquisition Rights' below for the details of the requirements), the Company will allot stock acquisition rights with (a) an exercise condition that does not allow the acquirer, etc. to exercise the rights (except where any exception event occurs) and (b) an acquisition provision to the effect that the Company may acquire the stock acquisition rights in exchange for shares and other equity securities in the Company from persons other than the acquirer, etc. (the outline of the stock acquisition rights to be allotted is set out below in section 2. (4) 'Outline of the Gratis Allotment of Stock Acquisition Rights'; the relevant stock acquisition rights are hereinafter referred to as the "Stock Acquisition Rights"), by means of a gratis allotment of stock acquisition rights (*shinkabu yoyakuken mushou wariate*) to all shareholders, except the Company, at that time.

If a gratis allotment of Stock Acquisition Rights were to take place in accordance with the Plan and all shareholders other than the acquirer, etc. received the Company's shares as a result of those shareholders exercising or the Company acquiring the Stock Acquisition Rights, the ratio of voting rights in the Company held by the acquirer, etc. may be diluted by up to a maximum of 50%.

For matters such as the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights or the acquisition of Stock Acquisition Rights, the Company will obtain an objective determination from the independent committee, which is composed of members who are independent from the management of the Company such as outside directors subject to the rules of the independent committee in order to eliminate arbitrary decisions by directors. In addition, the Board of Directors may, if prescribed in the Plan, convene a meeting of shareholders and confirm the intent of the Company's shareholders regarding the implementation of the gratis allotment of the Stock Acquisition Rights.

Transparency with respect to the course of those procedures will be ensured by timely information disclosure to all of the Company's shareholders.

(2) Procedures for Triggering the Plan

(a) Targeted Acquisitions

The Plan will be applied in cases where any purchase or other acquisition of share certificates, etc. of the Company that falls under any of (I) to (III) below or any similar action (including a proposal for such action) (except for such action as the Board of Directors separately determines not to be subject to the Plan; the "Acquisition") takes place.

(I) A purchase or other acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariiai*)² of a holder (*hoyuusha*)³ totaling at least 20% of the share certificates, etc. (*kabuken tou*)⁴ issued by the Company; or

(II) A tender offer (*koukai kaitsuke*)⁵ that would result in the party conducting the tender offer's ownership ratio of share certificates, etc. (*kabuken tou shoyuu wariiai*)⁶ and the ownership ratio of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*)⁷ totaling at least 20% of the share certificates, etc. (*kabuken tou*)⁸ issued by the Company.

(III) Regardless of whether or not any of the acts provided for in items (I) and (II) above is

conducted, an act (i) conducted between (a) a person who intends to acquire share certificates, etc. of the Company, or a joint holder (*kyoudou hoyuusha*)⁹ or a person having a special relationship with respect to that person (the “Acquirers of share certificates, etc.” in this item (III)) and (b) one or more other shareholders of the Company and that constitutes an agreement or other act as a result of which the other shareholder(s) become(s) a joint holder of the Acquirers of share certificates, etc. or any act that establishes a relationship¹⁰ whereby the Acquirers of share certificates, etc. or the other shareholder(s) substantially control(s) the other or they act jointly or in concert with each other¹¹, and (ii) that would result in the total holding ratio of share certificates, etc. issued by the Company of that Acquirers of share certificates, etc. and the other shareholder(s) accounting for 20% or more.

The party intending to make the Acquisitions alone or jointly or in concert with other parties (the “Acquirers”) shall follow the procedures prescribed in the Plan, and the Acquirers must not effect the Acquisitions until and unless the Company’s board of directors resolves not to implement the gratis allotment of Share Options.

(b) Submission of Acquirer’s Statement

The Company will request the Acquirer to submit to the Company in the form separately prescribed by the Company a document that includes an undertaking that the Acquirer will comply with the procedures set out in the Plan (signed by or affixed with the name and seal of the representative of the Acquirer) and a qualification certificate of the person who signed or affixed its name and seal to that document (collectively, “Acquirer’s Statement”) before commencing or effecting the Acquisition. The Acquirer’s Statement must include the name, address or location of headquarters, location of offices, governing law for establishment, name of the representative, contact information in Japan for the Acquirer and the outline of the intended Acquisition. The Acquirer’s Statement and the Acquisition Document set out in (c) below must be written in Japanese.

(c) Request to the Acquirer for the Provision of Information

The Company will provide the Acquirer the format for the Acquisition Document (defined below), including a list of information that the Acquirer should provide to the Company, no later than 10 business days after receiving the Acquirer’s Statement. The Acquirer must provide the Board of Directors with the document in the form provided by the Company (the “Acquisition Document”), which includes the information described in each item of the list below (“Essential Information”).

If the Board of Directors receives the Acquisition Document, it will promptly send it to the Independent Committee (standards for appointing members, requirements for resolutions, resolution matters, and other matters concerning the Independent Committee are as described in Note 9¹² and business backgrounds and other matters regarding members of the Independent Committee at the time of the Renewal areas described in Note 10¹³). If the Board of Directors and the Independent Committee determine that the Acquisition Document does not contain sufficient Essential Information, it may set a reply period and request that the Acquirer additionally provide information. In such case, the Acquirer should additionally provide such information within the relevant time limit.

The Company defines 60 days from the day following the day when the Company's Board of Directors first provides the Acquirer with the format for the Acquisition Document as the maximum period when the Company's Board of Directors and the Independent Committee request the Acquirer to provide information and the Acquirer replies to the request ("Period for Providing Information"). Even if sufficient Essential Information is not provided, the Independent Committee Consideration Period (which will be described in (d) (ii) below) starts immediately when the maximum Period for Providing Information ends. The consideration shall be based on the information that has been provided up to that point of time. (If the Acquirer requests an extension of the period for a reasonable ground, the Company’s board of directors and The Independent Committee may extend the period as necessary.)

(i) Details (including name, capital structure, financial position, operation results, status of

compliance with laws or ordinances, terms of previous transactions by the Acquirer similar to the Acquisition and effects on the corporate value of the target companies as a result of the transactions) of the Acquirer and its group (including Joint Holders, persons having a special relationship, members (in the case of a fund) and persons having a special relationship with a person in relation to whom the Acquirer is the controlled corporation¹⁴⁾¹⁵⁾.

- (ii) The purpose, method and specific terms of the Acquisition (including the amount and type of consideration, the timeframe, the scheme of any related transactions, the legality of the Acquisition method, terms and conditions and the probability of the Acquisition).
 - (iii) The amount and basis for the calculation of the purchase price of the Acquisition (including assumptions and the like).
 - (iv) Financial support for the Acquisition (including the names of providers of funds (including all indirect providers of funds), financing methods and the terms of any related transactions and the like).
 - (v) Details of communications regarding the Acquisition with a third party (if any).
 - (vi) Post-Acquisition management policy, administrative organization, business plan, capital, dividend and asset management policies for the Company and the Company group.
 - (vii) Post-Acquisition policies for the Company's shareholders (other than the Acquirer), employees, business partners, customers, and any other parties such as stakeholders in the Company.
 - (viii) Specific measures to prevent conflicts of interests between the Acquirer and other shareholders in the Company.
 - (ix) Any other information that the Independent Committee reasonably considers necessary.
- (d) Consideration of Acquisition Terms, Negotiation with the Acquirer, and Consideration of an Alternative Proposal

(i) Request to the Board of Directors for the Provision of Information

If the Acquirer submits the Acquisition Document and any additional information that the Independent Committee requests (if any), the Independent Committee may set a reply period (up to sixty days as a general rule) taking into account the necessary time for the Board of Directors to collect information and consider corporate valuation and other matters (including consideration by third-party experts as necessary) and request that the Board of Directors present an opinion (including an opinion to refrain from giving such opinion; hereinafter the same) on the Acquirer's Acquisition terms, materials supporting such opinion, an alternative proposal (if any), and any other information that the Independent Committee considers necessary.

(ii) Independent Committee Consideration

The Independent Committee will conduct its consideration of the Acquisition terms, collection of information on the materials such as the management plans and business plans of the Acquirer and the Board of Directors and comparison thereof, and consideration of any alternative plan presented by the Board of Directors, and the like for a period of time that does not, as a general rule, exceed sixty days after the date on which the Independent Committee receives the information or the end of the information provision period, whichever comes earlier. (including the information additionally requested) from the Acquirer and (if the Independent Committee requests the Board of Directors to provide information as set out in (i) above) the Board of Directors (the period for information collection and consideration by the Independent Committee is hereinafter referred to as the "Independent Committee Consideration Period"). Further, if it is necessary in order to improve the terms of the Acquisition from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Independent Committee will directly or indirectly discuss and negotiate with the Acquirer.

In order to ensure that the Independent Committee's decision contributes to the Company's corporate value and, in turn, the common interests of its shareholders, the Independent Committee may, at the cost of the Company, obtain advice from independent third parties (including financial advisers, attorneys, certified public accountants, tax accountants, consultants or any other experts). If the Independent Committee directly or indirectly requests the Acquirer to provide materials for consideration or any other information, or to discuss and negotiate with the Independent Committee, the Acquirer must promptly respond to such request.

(e) Recommendation by the Independent Committee

The Independent Committee will make recommendations to the Board of Directors as follows based on the abovementioned procedures.

(i) Recommendation for the Triggering of the Plan

If the Independent Committee determines that the Acquisition falls under any of the trigger events set out below in (3), 'Requirements for the Gratis Allotment of Stock Acquisition Rights' (collectively "Trigger Event") arises with respect to the Acquisition, the Independent Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights to the Board of Directors except in any specific case where further disclosure of information by the Acquirer or discussion or negotiation with the Acquirer is necessary. If it is concerned that an Acquisition may fall under the Trigger Event (2) set out below in section 2. (3), 'Requirements for the Gratis Allotment of Stock Acquisition Rights,' the Independent Committee may recommend implementation of the gratis allotment of Stock Acquisition Rights subject to confirming the shareholders' intent in advance.

Notwithstanding the foregoing paragraph, even after the Independent Committee has already made a recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if the Independent Committee determines that either of the events in (A) or (B) below applies, it may make a new recommendation that (i) on or before the second business day prior to the ex-rights date with respect to the gratis allotment of Stock Acquisition Rights, the Company should suspend the gratis allotment of Stock Acquisition Rights, or (ii) from the effective date of the gratis allotment of Stock Acquisition Rights and until the day immediately prior to the commencement date of the exercise period of the Stock Acquisition Rights, the Company should acquire the Stock Acquisition Rights for no consideration.

(A) The Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after the recommendation.

(B) There is no longer any Trigger Event due to a change or the like in the facts or other matters on which the recommendation decision was made.

(ii) Recommendation for the Non-Triggering of the Plan

If the Independent Committee determines the Acquisition does not fall under either Trigger Event, the Independent Committee will recommend the non-implementation of the gratis allotment of Stock Acquisition Rights to the Board of Directors, regardless of whether the Independent Committee Consideration Period has ended.

Notwithstanding the foregoing paragraph, even after the Independent Committee has already made one recommendation for the non-implementation of the gratis allotment of Stock Acquisition Rights, if there is a change in the facts or other matters on which the recommendation decision was made and a Trigger Event arises, the Independent Committee may make a new recommendation that the Company should implement the gratis allotment of Stock Acquisition Rights.

(iii) Extension of the Independent Committee Consideration Period

If the Independent Committee does not reach a recommendation for either the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights during the initial Independent Committee Consideration Period, the Independent Committee may, to the

reasonable extent that it is considered necessary for actions such as consideration of the terms of the Acquirer's Acquisition, consideration of an alternative proposal and discussion and negotiation with the Acquirer, extend the Independent Committee Consideration Period (in principle up to 30 days in total).

If the Independent Committee Consideration Period is extended because of the above resolution, the Independent Committee will continue to collect information, deliberate and perform similar activities, and use its best efforts to make a recommendation for the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights within the extended period.

(f) Resolutions by the Board of Directors

If any recommendation of the Independent Committee described above is made, the Board of Directors, in exercising its role under the Companies Act, will pass a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights respecting that recommendation to the maximum extent. If a meeting of shareholders is convened in accordance with (g) below, the Board of Directors will pass a resolution in accordance with the resolution at the meeting of shareholders.

(g) Convocation of the Shareholders Meeting

Upon the implementation of the gratis allotment of the Stock Acquisition Rights pursuant to the Plan, the Board of Directors may convene a meeting of shareholders (the "Shareholders Meeting") and confirm the intent of the Company's shareholders regarding the implementation of the gratis allotment of the Stock Acquisition Rights, if (i) the Independent Committee recommends implementation of the gratis allotment of Stock Acquisition Rights subject to confirming the shareholders' intent in advance in accordance with (e)(i) above, or (ii) the applicability of Trigger Event (2) becomes an issue in respect of the Acquisition and the Board of Directors determines it appropriate to confirm the shareholders' intent taking into consideration the time required to convene the Shareholders Meeting or other matters pursuant to the duty of care of a director.

(h) Information Disclosure

When operating the Plan, the Company will disclose, in a timely manner, information on matters that the Board of Directors considers appropriate including the progress of each procedure set out in the Plan (including the fact that the Acquirer's Statement and Acquisition Document have been submitted and the Independent Committee Consideration Period has commenced, and the fact that the Independent Committee Consideration Period has been extended, as well as the extended period and the reason for the extension), or an outline of recommendations made by the Independent Committee, an outline of resolutions by the Board of Directors and an outline of resolutions at the Shareholders Meeting, in accordance with the applicable laws and ordinances or the regulations of the financial instruments exchange.

(3) Requirements for the Gratis Allotment of Stock Acquisition Rights

The requirements to trigger the Plan to implement a gratis allotment of Stock Acquisition Rights are as follows. As described above in (e) of (2), 'Procedures for Triggering the Plan,' the Board of Directors will make a determination as to whether any of the following requirements applies to an Acquisition for which the recommendation by the Independent Committee has been obtained.

Trigger Event (1)

The Acquisition is not in compliance with the procedures prescribed in the Plan (including cases that time and information reasonably necessary to consider the details of the Acquisition is not offered) and it is reasonable to implement the gratis allotment of Stock Acquisition Rights.

Trigger Event (2)

The Acquisition falls under any of the items below and it is reasonable to implement the gratis allotment of Stock Acquisition Rights.

- (a) An Acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through any of the following actions.
 - (i) A buyout of share certificates, etc. to require such share certificates, etc. to be compulsorily purchased by the Company or the Company's affiliates at a high price.
 - (ii) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets.
 - (iii) Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company.
 - (iv) Temporary control of the Company's management to bring about the disposal of high-value assets that have no current relevance to the Company's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.
 - (b) Certain Acquisitions that threaten to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers, in which no offer is made to acquire all shares in the initial acquisition, and acquisition terms for the second stage are set that are unfavorable or unclear).
 - (c) Acquisitions to which the terms (including the amount and type of consideration, timeframe, legality of the Acquisition method, probability of the Acquisition being effected, and post-Acquisition management policies or business plans and policies dealing with the Company's other shareholders, employees, customers, business partners and any other stakeholders in the Company) are inadequate or inappropriate in light of the Company's intrinsic value.
 - (d) Acquisitions that materially threaten to oppose the corporate value of the Company and, in turn, the common interests of shareholders, by destroying relationships with the Company's employees, customers, business partners and the like and the brand strength or the corporate culture of the Company, which are indispensable to the generation of the Company's corporate value.
 - (e) An Acquisition to be effected by an Acquirer who is extremely inappropriate to acquire the control of the Company in terms of public order and morals in cases such as where a person related to an anti-social force is included in the management of or the major shareholders in the Acquirer.
- (4) Outline of the Gratis Allotment of Stock Acquisition Rights

The following is an outline of the gratis allotment of Stock Acquisition Rights scheduled to be implemented under the Plan.

(a) Number of Stock Acquisition Rights

The Company will implement a gratis allotment of Stock Acquisition Rights in the same number as the most recent total number of issued and outstanding shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the "Allotment Date") that is separately determined in a resolution by the Board of Directors or general meeting of shareholders relating to the gratis allotment of Stock Acquisition Rights (the "Gratis Allotment Resolution").

(b) Shareholders Eligible for Allotment

The Company will allot the Stock Acquisition Rights to shareholders, other than the Company, who are recorded in the Company's last register of shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for each share in the Company held.

(c) Effective Date of Gratis Allotment of Stock Acquisition Rights

The effective date of the gratis allotment of Stock Acquisition Rights will be separately determined

in the Gratis Allotment Resolution.

(d) Number of Shares to be Acquired upon Exercise of the Stock Acquisition Rights

The number of shares in the Company¹⁶ to be acquired upon exercise of each Stock Acquisition Right (the “Applicable Number of Shares”) will, in principle, be one share.

(e) Amount to be Contributed upon Exercise of Stock Acquisition Rights

Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share in the Company to be contributed upon exercise of the Stock Acquisition Rights will be an amount separately determined in the Gratis Allotment Resolution within the range of a minimum of one yen and a maximum of the amount equivalent to one-half of the fair market value of one share in the Company. “Fair market value” means an amount equivalent to the average closing price (including quotations) for regular transactions of the common stock of the Company on the Tokyo Securities Exchange on each day during the three-month period prior to the Gratis Allotment Resolution (excluding the days on which trades are not made), with any fraction of a yen after such calculation to be rounded up to the nearest whole yen.

(f) Exercise Period of the Stock Acquisition Rights

The commencement date will be a date separately determined in the Gratis Allotment Resolution (this commencement date of the exercise period is referred to as the “Exercise Period Commencement Date”), and the period will, in principle, be a period from one month to six months long as separately determined in the Gratis Allotment Resolution.

(g) Conditions for Exercise of Stock Acquisition Rights

As a general rule, the following parties may not exercise the Share Options (the parties falling under (I) through (V) below are collectively referred to as “Non-Qualified Parties”¹⁷):

- (I) Acquirers;
- (II) Joint Holders of Acquirers;
- (III) Persons having a Special Relationship with Acquirers;
- (IV) Any transferee of, or successor to, the Stock Acquisition Rights of any party falling under (I) through (III) without the approval of the Company’s board of directors (including their joint holders or special associated persons); or
- (V) Any Affiliated Party¹⁸ of any party falling under (I) through (IV).

Please note that the Company’s board of directors will hear the opinion of the Independent Committee and respect the recommendation of the Independent Committee to the maximum extent when making a determination regarding whether a person is a Non-Qualified Party.¹⁹

Further, nonresidents of Japan who are required to follow certain procedures under applicable foreign laws and ordinances to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights (provided, however, that the Stock Acquisition Rights held by nonresidents will be subject to acquisition by the Company in exchange for shares in the Company subject to compliance with applicable laws and ordinances as set out in (ii) of paragraph (i) below, ‘Acquisition of the Stock Acquisition Rights by the Company’). In addition, anyone who fails to submit a written undertaking, in the form prescribed by the Company and containing representations and warranties regarding matters such as the fact that he or she satisfies the exercise conditions of the Stock Acquisition Rights, indemnity clauses and other covenants, may not exercise the Stock Acquisition Rights.

(h) Assignment of Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights by assignment requires the approval of the Board of Directors.

(i) Acquisition of Stock Acquisition Rights by the Company

- (i) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Board of Directors deems that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day that falls on a date separately determined by the

Board of Directors, acquire all of the Stock Acquisition Rights for no consideration.

- (ii) On a day that falls on a date separately determined by the Board of Directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the day immediately prior to such date separately determined by the Board of Directors, that are held by parties other than Non-Qualified Parties and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for each Stock Acquisition Right.

Further, if, on or after the date upon which the acquisition takes place, the Board of Directors recognizes the existence of any party holding Stock Acquisition Rights other than Non-Qualified Parties²⁰, the Company may, on a day falling on a date determined by the Board of Directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that party that have not been exercised by or on the day immediately prior to such date determined by the Board of Directors (if any) and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter.

- (j) Delivery of Stock Acquisition Rights in Case of Merger (*gappei*), Absorption-type Demerger (*kyushu bunkatsu*), Incorporation-type Demerger (*shinsetsu bunkatsu*), Share Exchange (*kabushiki koukan*), and Share Transfer (*kabushiki iten*)

These matters will be separately determined in the Gratis Allotment Resolution.

- (k) Issuance of Certificates Representing the Stock Acquisition Rights

Certificates representing the Stock Acquisition Rights will not be issued.

- (l) Other

In addition to the above, the details of the Stock Acquisition Rights will be separately determined in the Gratis Allotment Resolution.

- (5) Effective Period, and Abolition, Revision or Amendment of the Plan

The effective period of the Plan (the “Effective Period”) will be the period until the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within three years after the conclusion of the Meeting.

However, if, before the expiration of the Effective Period, the Board of Directors resolves to abolish the Plan, the Plan will be abolished at that time.

Further, the Board of Directors may revise or amend the Plan even during the Effective Period of the Plan in cases where any law, ordinance, or regulations or rules of a financial instruments exchange or the like concerning the Plan is established, amended or abolished and it is appropriate to reflect such establishment, amendment or abolition, cases where it is appropriate to revise the wording for reasons such as typographical errors and omissions, or cases where the revision or amendment does not cause any disadvantage to the Company’s shareholders subject to the approval of the Independent Committee.

If the Plan is abolished, revised, amended or the like, the Company will promptly disclose facts including the fact that such abolition, revision or amendment has taken place, and (in the event of a revision or amendment) the details of the revision, amendment and any other matters.

- (6) Revision Due to Amendment to Laws and Ordinances

The provisions of laws and ordinances referred to under the Plan are subject to the prevailing provisions as of January 25, 2024. If it becomes necessary after such date to revise the terms and conditions or definitions of terms set out in the paragraphs above due to the establishment, amendment or abolishment of laws and ordinances, the terms and conditions or definitions of terms set out in the paragraphs above will be read accordingly as required to a reasonable extent, taking into consideration the purposes of such establishment, amendment or abolishment.

End

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- ¹ The Company is no longer a company issuing share certificates since the electronic share certificate system came into effect; however, we use the term “share certificate” in the Plan in accordance with the provisions of the Financial Instruments and Exchange Act from the perspective that using descriptions in the Plan that are in accordance with the provisions of the Financial Instruments and Exchange Act will contribute to clarity and objectivity.
- ² Defined in Article 27-23.4 of the Financial Instruments and Exchange Act. The same is applied throughout this document.
- ³ Including persons described as a holder under Article 27-23.3 of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the Board of Directors). The same is applied throughout this document.
- ⁴ Defined in Article 27-23.1 of the Financial Instruments and Exchange Act. The same is applied throughout this document unless otherwise provided for.
- ⁵ Defined in Article 27-2.6 of the Financial Instruments and Exchange Act. The same is applied throughout this document.
- ⁶ Defined in Article 27-2.8 of the Financial Instruments and Exchange Act. The same is applied throughout this document.
- ⁷ Defined in Article 27-2.7 of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the Board of Directors); provided, however, that persons provided for in Article 3.2 of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons described in Article 27-2.7(i) of the Financial Instruments and Exchange Act. The same is applied throughout this document.
- ⁸ Defined in Article 27-2.1 of the Financial Instruments and Exchange Act.
- ⁹ Defined in Article 27-23.5 of the Financial Instruments and Exchange Act, including persons deemed as a Joint Holder under Article 27-23.6 of the Financial Instruments and Exchange Act (including persons who are deemed a Joint Holder by the Company’s board of directors). The same is applied throughout this document.
- ¹⁰ Determination as to whether or not a “relationship whereby the acquirer of share certificates, etc. or the other shareholder(s) substantially control(s) the other or they act jointly or in concert with each other” has been established between them will be made based on certain factors such as the current or past capital relationship (including a relationship of joint control), business alliance relationship, business or contractual relationship, relationship of interlocking directorate, financing relationship, and credit granting relationship, and currently or in the past having a beneficial interest in the Company’s share certificates, etc. through derivatives, stock lending, and other transactions, and direct or indirect effects on the Company caused by that acquirer of share certificates, etc. and the other shareholder(s).
- ¹¹ Whether or not an act specified in item (III) of the main text has been conducted or not will be reasonably determined by the Company’s board of directors. Please note that the Company’s board of directors may request the Company’s shareholders to provide necessary information to the extent that is required for making a judgment regarding whether or not the relevant act satisfies the requirements prescribed in (III) of the main text.
- ¹² The outline of the rules of the Independent Committee is set out as follows:
- The Independent Committee will be established by resolution of the Board of Directors.
 - There will be no less than three members in the Independent Committee, and the Board of Directors shall elect the members from (i) outside directors of the Company, (ii) outside audit & supervisory board members of the Company, or (iii) other outside experts, in each case someone who is independent from the management that executes the business of the Company. However, such experts must be experienced corporate managers, former government employees, parties with knowledge of the investment banking industry, parties with knowledge of the Company’s business, lawyers, certified public accountants, researchers whose research focuses on the Companies Act or the like, or parties of similar qualifications, and must have executed with the Company an agreement separately specified by the Board of Directors that contains a provision obligating the experts to exercise their duty of care to the Company or a similar provision.
 - Unless otherwise determined by a resolution of the Board of Directors, the term of office of members of the Independent Committee will be until the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within three years after the Meeting. However, the term of office of any member of the Independent Committee who is an outside director or outside audit & supervisory board members of the Company will end at the same time when they cease to be an outside director or outside audit & supervisory board member (except in the case of their re-appointment).
The term of office of a member of the Independent Committee who is elected as a substitute for a member of the Independent Committee who retires before the expiration of the term will be until the expiration of the term of office of the retiring member of the Independent Committee.
 - The Independent Committee will make decisions or take any other measures as prescribed regarding the matters listed below.
 - (a) The implementation or non-implementation of the gratis allotment of Stock Acquisition Rights.
 - (b) The cancellation of the gratis allotment of Stock Acquisition Rights or the gratis acquisition of Stock Acquisition Rights.
 - (c) Any other matters that are for determination by the Board of Directors in respect to which it has consulted the Independent Committee.
 - As a general rule, resolutions of meetings of the Independent Committee shall pass with a majority when all of the members of the Independent Committee are in attendance (including attendance via video conference or telephone conference). However, in unavoidable circumstances a resolution may pass with a majority of voting rights when a majority of the members of the Independent Committee are in attendance.

¹³ The following three persons will be the members of the Independent Committee upon the Renewal.:

Kenichi Shohtoku,:

- Oct. 1995 Joined Asahi & Co., Ltd. (the predecessor of KPMG AZSA LLC)
- Sep. 1999 Seconded to Arthur Andersen & Co., Kuala Lumpur Office
- Sep. 2002 Joined SCS Global Accounting Co., Ltd. (the predecessor of SCS Global Consulting (S) Pte Ltd)
- Nov. 2003 Representative Director of SCS Global Accounting Co., Ltd. (current position)
- Sep. 2005 Director of O-RID GLOBAL BPO PTE. LTD.
- Dec. 2010 Outside Audit & Supervisory Board Member of ROKI TECHNO CO., LTD.
- Feb. 2012 Director of the Company (current position)
- Jan. 2013 Outside Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD. (current position)

*Mr. Kenichi Shohtoku is an outside director as set out in Article 2, Item 15 of the Companies Act.

Mr. Shohtoku does not have any special interest in the Company and there is no business relationship between Mr. Shohtoku and the Company.

Hiroyuki Kobayashi:

- Apr. 1987 Joined the Industrial Bank of Japan, Ltd. (the predecessor of Mizuho Bank, Ltd.)
- Apr. 2000 Seconded to Mizuho Securities Co., Ltd.
- Apr. 2003 Head of Advisory Department IV of Mizuho Securities Co., Ltd.
- Jul. 2005 Joined Sophia Corporation
- Apr. 2006 Vice President and Director of Sophia Corporation
- Dec. 2006 Joined Mizuho Securities Co., Ltd.
- Jun. 2008 Deputy Head of Corporate Planning Department of Mizuho Securities Co., Ltd.
- Dec. 2011 Head of Corporate Communications Department of Mizuho Securities Co., Ltd.
- Apr. 2014 Senior Corporate Officer attached to Head of Corporate Investment Services & Retail Business Division of Mizuho Securities Co., Ltd.
- Apr. 2015 Head of Wealth Management Division, Retail & Business Banking Division of Mizuho Securities Co., Ltd.
- Apr. 2017 President & CEO of Social Capital Management, Inc. (current position)
- Feb. 2018 Director of the Company (current position)
- Apr. 2018 Vice President and Director of Precious Square, Inc. (current position)
- Jun. 2019 Outside Auditor of Tohto Suisan Co., Ltd.
- Aug. 2019 Director of SEIWA Co., Ltd. (the predecessor of SEIWA HOLDINGS Co., Ltd.)
- Dec. 2020 Representative Director of WATASU, Inc. (current position)
- Jun. 2022 Outside Auditor of Taiheiyo Kensetsu Kogyo Co., Ltd. (current position)
Outside Auditor of Taiheiyo Remicon Co., Ltd. (current position)

*Mr. Hiroyuki Kobayashi is an outside director as set out in Article 2, Item 15 of the Companies Act.

Mr. Kobayashi does not have any special interest in the Company and there is no business relationship between Mr. Kobayashi and the Company.

Mai Ishiwatari:

- Apr. 2002 Registered as attorney-at-law (Daini Tokyo Bar Association)
- Oct. 2002 Masako Atsumi Law Office
- Jul. 2004 Hideo Yamada Law Office (the predecessor of Yamada Ozaki Law Office)
- Jun. 2006 Authense Law Office
- Jan. 2008 Polaris Law Office
- Jan. 2012 Registered foreign lawyer of Rajah & Tann LLP, Singapore
- Apr. 2014 Joined cocone corporation (the predecessor of cocone ONE corporation)
- Oct. 2014 Supervisory Officer of Kenedix Retail REIT Corporation
- Dec. 2014 Partner lawyer of Shiroyama Tower Law Office (current position)
- Jan. 2021 Outside Director of Kakao Japan Corp. (the predecessor of Kakao piccoma Corp.) (current position)
- May 2023 Director of cocone ONE corporation (current position)

*Ms. Mai Ishiwatari is candidate for outside director as defined in Article 2, Paragraph 3, Item 7, of the Companies Act Enforcement Regulations, and if she is elected as a director at the 74th Ordinary General Meeting of Shareholders, she will be appointed as a committee member.

Ms. Ishiwatari does not have any special interest in the Company and there is no business relationship between Ms. Ishiwatari and the Company.

¹⁴ Defined in Article 9.5 of the Order of the Enforcement of the Financial Instruments and Exchange Act.

¹⁵ If an Acquirer is a fund, information relating to the matters described in (i) about each partner and other constituent members is required.

¹⁶ Even if the Company becomes a company issuing class shares (Article 2, Item 13 of the Companies Act) in the future, both (i) the shares in the Company to be delivered upon exercise of Stock Acquisition Rights and (ii) the shares to be delivered in exchange for acquisition of Stock Acquisition Rights are the same class of shares of common stock that have been issued at the time of the Meeting.

¹⁷ Specifically, the Company intends to set out that an “exceptional event” means when (x) the Acquirer cancels or revokes the Acquisition, or promises that it will not conduct any subsequent Acquisition, after the Gratis Allotment Resolution and the Acquirer or other Non-Qualified Parties dispose of their shares in the Company through a securities firm appointed and authorized by the Company to do so and (y) the Acquirer’s shareholding ratio determined by the Company’s board of

directors (when calculating the shareholding ratio, Non-Qualified Parties other than the Acquirer and its Joint Holders are deemed to be the Acquirer's Joint Holders, and Stock Acquisition Rights held by Non-Qualified Parties, the conditions of which have not been satisfied, are excluded) (the "Non-Qualified Parties Shareholding Ratio") falls below the lower of (i) the Non-Qualified Parties' Shareholding Ratio before the Acquisition, or (ii) 20%, the Acquirer or other Non-Qualified Parties making the disposal may exercise Stock Acquisition Rights to the extent that the number of shares to be issued or delivered upon exercise of the Stock Acquisition Rights is up to the number of shares disposed of and to the extent of the ratio under either (i) or (ii) above. Detailed conditions and procedures for exercise of Stock Acquisition Rights by Non-Qualified Parties will be determined separately by the Company's board of directors.

¹⁸ An "Affiliated Party" of a given party means a person who substantially controls, is controlled by, or is under common control with such given party (including any party who is deemed to fall under the above by the Board of Directors), or a party deemed by the Board of Directors to act in concert with such given party. "Control" means to "control the determination of the financial and business policies" (as defined in Article 3.3 of the Enforcement Regulations of the Companies Act) of other corporations or entities.

¹⁹ However, a party that the Company's board of directors recognizes as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company's corporate value or the common interests of shareholders or a certain other party that the Company's board of directors separately determines in the Gratis Allotment Resolution is not a Non-Qualified Party.

²⁰ For example, the case of a person who initially had a Special Relationship with a Specified Large Purchaser but cancels the relationship with the Specified Large Purchaser after the triggering of the Plan and thereby is no longer a Non-Qualified Party.

Proposal 5: Determination of Remuneration for Granting Share-based Payment to Directors Excluding Outside Directors

The amount of remuneration, etc. for Directors of the Company is set at (i) no more than ¥500 million (or no more than ¥80 million for Outside Directors) per year (excluding employee salaries for Directors concurrently serving as employees), as approved at the 70th Ordinary General Meeting of Shareholders held on February 26, 2020. Separate from this remuneration amount, (ii) the amount of remuneration as stock options is set at no more than ¥100 million per year (or no more than ¥10 million for Outside Directors), as approved at the 69th Ordinary General Meeting of Shareholders held on February 27, 2019.

For the purpose of clarifying the linkage between remuneration for Directors excluding Outside Directors (hereinafter the “Eligible Directors”) and the Company’s performance and share value, as well as providing incentives for Eligible Directors to contribute to the sustainable enhancement of the Company’s corporate value and promoting further sharing of value between Eligible Directors and the Company’s shareholders, this proposal seeks an approval for the introduction of a new performance-linked share-based payment plan with transfer restriction (hereinafter the “Plan”), separately from the remuneration amounts above ((i) and (ii)), for Eligible Directors.

At present, the number of Directors who are eligible for the Plan is six (6). If Proposal 3 is approved and resolved as originally proposed, the number of Eligible Directors will remain at six (6).

1. Overview of the Plan

Under the Plan, the Company’s Board of Directors will determine performance targets for Eligible Directors in advance for each business year of the Company (hereinafter the “Evaluation Period”). The Plan is a performance-linked share-based payment plan using performance share units, under which the Company’s ordinary shares are granted by the number calculated in accordance with the degree of achievement of the performance targets and other factors. The Plan will place certain restrictions on transfer of the Company’s ordinary shares to be granted. The Company’s Board of Directors will set performance indicators, namely profit indicators and other indicators that reflect the Company’s management policies, and the initial performance indicator will be consolidated profit before tax.

The Company’s ordinary shares will be granted in either of the following methods, based on a resolution of the Board of Directors of the Company: (a) Eligible Directors will be awarded the Company’s ordinary shares issued or disposed of without being required to pay cash or make contributions in kind as Directors’ remuneration, etc. or (b) Eligible Directors will be awarded monetary remuneration claims and tender all such monetary remuneration claims as a contribution in kind to have the Company’s ordinary shares issued thereto or disposed of therefor. If method (b) is applied, the amount to be paid per share will be determined at a Board of Directors’ meeting based on the closing price of the Company’s ordinary shares on the Tokyo Stock Exchange on the business day immediately preceding the date of each Board of Directors’ resolution (or the closing price of the trading day immediately preceding that if no trading was conducted on that date), to the extent not especially favorable to Eligible Directors.

Since the Plan delivers the Company’s ordinary shares in accordance with the degree of achievement of the performance targets and other factors during the Evaluation Period, whether the Company’s ordinary shares will be delivered to Eligible Directors, and the number of shares to be delivered will not be determined at the time when the Plan is introduced.

2. Maximum amount and maximum number of shares to be granted to Eligible Directors

The total number of the Company’s ordinary shares to be issued or disposed of to Eligible Directors under the Plan will be no more than 100,000 per year and the total amount of the remuneration will be no more than ¥200 million per year, separately from the remuneration amounts above ((i) and (ii)), as an amount considered to be appropriate in light of the aforementioned purpose. However, if the total number of shares issued of the Company increases/decreases due to share consolidation or share split (including gratis allotment of shares), the aforementioned maximum number of shares to be granted will be adjusted in accordance with the percentage of such increase or decrease.

The specific timing of payment and allocation to individual Eligible Directors will be determined at a Board of Directors' meeting.

3. Conditions for delivery of shares

Under the Plan, the Company's ordinary shares will be delivered to Eligible Directors (including Directors who are newly appointed and become eligible for the Plan after the start of the Evaluation Period) upon completion of the Evaluation Period, if the conditions outlined as follows are met.

- (1) Certain acts of misconduct as determined by the Board of Directors of the Company have not occurred.
- (2) Other conditions that are determined by the Board of Directors of the Company as necessary to achieve the purpose of the performance-linked share-based payment plan with transfer restriction have been met.

In the event that, after the start of the Evaluation Period and prior to the delivery of shares, (a) an Eligible Director retires or resigns from his or her position as Director or other position determined by the Board of Directors of the Company due to death or other reasons deemed justifiable by the Board of Directors of the Company, or (b) a merger agreement under which the Company becomes the disappearing company, a share exchange agreement or a share transfer plan under which the Company becomes a wholly owned subsidiary, or any other matter related to reorganization, etc. is approved at a General Meeting of Shareholders of the Company (or a Board of Directors' meeting of the Company in cases where approval at a General Meeting of Shareholders of the Company is not required with respect to such reorganization, etc.), or (c) the Board of Directors of the Company recognizes a justifiable reason, the Company may, as necessary, pay an amount of money reasonably determined by the Board of Directors of the Company, at a time reasonably determined by the Board of Directors of the Company, in lieu of the Company's ordinary shares.

4. Overview of transfer restriction, etc.

In delivering the Company's ordinary shares, the Company will enter into a share allotment agreement with transfer restriction (hereinafter the "Allotment Agreement") that includes the following details with Eligible Directors (however, the Company may omit the conclusion of the Allotment Agreement by entering into an agreement that includes the following details in advance with Eligible Directors at the time of commencement of adopting the Plan).

- (1) Eligible Directors may not transfer, create a collateral interest in, or otherwise dispose of the Company's ordinary shares allotted under the Allotment Agreement (hereinafter the "Allotted Shares") during the period from the date of delivery of the Allotted Shares to the date of their retirement or resignation from the position as Directors of the Company or other position determined by the Board of Directors of the Company (hereinafter the "Transfer Restriction Period") (such restriction is hereinafter referred to as the "Transfer Restriction").
- (2) The Company shall lift the Transfer Restriction on all of the Allotted Shares upon the expiration of the Transfer Restriction Period.
- (3) The Company shall automatically acquire the Allotted Shares without contribution in the event that, during the Transfer Restriction Period, an Eligible Director violates laws and regulations, internal rules, or the Allotment Agreement, or falls under any other grounds determined by the Board of Directors of the Company as a cause for which it is appropriate to acquire the Allotted Shares without contribution.
- (4) Notwithstanding the provision of (1) above, in the case that a merger agreement under which the Company becomes the disappearing company, a share exchange agreement or a share transfer plan under which the Company becomes a wholly owned subsidiary, or any other matter related to reorganization, etc. is approved at a General Meeting of Shareholders of the Company (or a Board of Directors' meeting of the Company in cases where approval at a General Meeting of Shareholders of the Company is not required with respect to such reorganization, etc.) during the Transfer Restriction Period, the Company shall lift the Transfer Restriction on all of the Allotted Shares prior to the effective date of such reorganization, etc.

5. Reasons why payment of the remuneration based on this proposal is appropriate

The purpose of the Plan is to clarify the linkage between remuneration for Eligible Directors and the Company's performance and share value, as well as to provide incentives for Eligible Directors to contribute to the sustainable enhancement of the Company's corporate value and promote further sharing of value between Eligible Directors and the Company's shareholders. In addition, the total number of shares to be granted to Eligible Directors under the Plan accounts for about 0.20% of the total number of shares issued of the Company (as of November 30, 2023) in each Evaluation Period, and the dilution ratio is negligible.

Furthermore, the Company has set the policy for determining the details of the remuneration, etc., for individual Directors at the Board of Directors' meeting held on February 26, 2020, after a deliberation of the Nominating and Compensation Advisory Committee. The summary of the policy is stated in the Business Report (pages 47-48). If this proposal is approved, the policy will be amended for consistency with the content of this proposal and to grant the share-based payment as a performance-linked remuneration to Eligible Directors. Accordingly, the content of this proposal is necessary and appropriate for the purpose.

Therefore, the Company determines that payment of the remuneration based on this proposal is appropriate.

Proposal 6: Determination of Remuneration for Granting Share-based Payment to Outside Directors

As described in Proposal 5, the amount of remuneration, etc. for Outside Directors of the Company is set at (i) no more than ¥80 million per year as approved at the 70th Ordinary General Meeting of Shareholders held on February 26, 2020. In addition, separate from this remuneration amount, (ii) the amount of remuneration as stock options is set at no more than ¥10 million per year, as approved at the 69th Ordinary General Meeting of Shareholders held on February 27, 2019.

For the purpose of providing incentives for Outside Directors to contribute to the sustainable enhancement of the Company's corporate value and promoting further sharing of value between Outside Directors and the Company's shareholders, this proposal seeks an approval to the introduction of a new share-based payment plan (hereinafter the "Plan"), separately from the remuneration amounts above ((i) and (ii)), for Outside Directors.

1. Overview of the Plan

The Plan is a share-based payment plan under which the Company's ordinary shares are granted to Outside Directors on condition that they have served as Outside Directors of the Company without a break throughout each business year of the Company (hereinafter the "Covered Period"). The Plan will place certain restrictions on transfer of the Company's ordinary shares to be granted. However, if the performance requirements determined in advance by the Board of Directors of the Company are not achieved, the Company's ordinary shares shall not be granted for the applicable Covered Period.

The Company's ordinary shares will be granted in either of the following methods, based on a resolution of the Board of Directors of the Company: (a) Outside Directors will be awarded the Company's ordinary shares issued or disposed of without being required to pay cash or make contributions in kind as Directors' remuneration, etc. or (b) Outside Directors will be awarded monetary remuneration claims and tender all such monetary remuneration claims as a contribution in kind to have the Company's ordinary shares issued thereto or disposed of therefor. If method (b) is applied, the amount to be paid per share will be determined at a Board of Directors' meeting based on the closing price of the Company's ordinary shares on the Tokyo Stock Exchange on the business day immediately preceding the date of each Board of Directors' resolution (or the closing price of the trading day immediately preceding that if no trading was conducted on that date), to the extent not especially favorable to Outside Directors.

At present, the number of Outside Directors is three (3). If Proposal 3 is approved and resolved as originally proposed, the number of Outside Directors will remain at three (3).

2. Maximum amount and maximum number of shares to be granted to Outside Directors

The total number of the Company's ordinary shares to be issued or disposed of to Outside Directors under the Plan will be no more than 10,000 per year and the total amount of the remuneration will be no more than ¥20 million per year, separately from the remuneration amounts above ((i) and (ii)), as an amount considered to be appropriate in light of the aforementioned purpose. However, if the total number of shares issued of the Company increases/decreases due to share consolidation or share split (including gratis allotment of shares), the aforementioned maximum number of shares to be granted will be adjusted in accordance with the percentage of such increase or decrease.

The specific timing of payment and allocation to individual Outside Directors will be determined at a Board of Directors' meeting.

3. Conditions for delivery of shares

Under the Plan, the Company's ordinary shares will be delivered to Outside Directors (including Outside Directors who are newly appointed after the start of the Covered Period) upon completion of the Covered Period, if the conditions outlined as follows are met.

- (1) Certain acts of misconduct as determined by the Board of Directors of the Company have not occurred.

- (2) Outside Directors have served as Outside Directors of the Company without a break throughout the Covered Period and achieved the performance requirements determined by the Board of Directors of the Company.
- (3) Other conditions that are determined by the Board of Directors of the Company as necessary to achieve the purpose of the Plan have been met.

In the event that, after the start of the Covered Period and prior to the delivery of shares, (a) an Outside Director resigns from his or her position as Outside Director due to death or other reasons deemed justifiable by the Board of Directors of the Company, or (b) a merger agreement under which the Company becomes the disappearing company, a share exchange agreement or a share transfer plan under which the Company becomes a wholly owned subsidiary, or any other matter related to reorganization, etc. is approved at a General Meeting of Shareholders of the Company (or a Board of Directors' meeting of the Company in cases where approval at a General Meeting of Shareholders of the Company is not required with respect to such reorganization, etc.), or (c) the Board of Directors of the Company recognizes a justifiable reason, the Company may, as necessary, pay an amount of money reasonably determined by the Board of Directors of the Company, at a time reasonably determined by the Board of Directors of the Company, in lieu of the Company's ordinary shares.

4. Overview of transfer restriction, etc.

In delivering the Company's ordinary shares, the Company will enter into a share allotment agreement with transfer restriction (hereinafter the "Allotment Agreement") that includes the following details with Outside Directors (however, the Company may omit the conclusion of the Allotment Agreement by entering into an agreement that includes the following details in advance with Outside Directors at the time of commencement of adopting the Plan).

- (1) Outside Directors may not transfer, create a collateral interest in, or otherwise dispose of the Company's ordinary shares allotted under the Allotment Agreement (hereinafter the "Allotted Shares") during the period from the date of delivery of the Allotted Shares to the date of their resignation from the position as Outside Directors of the Company (hereinafter the "Transfer Restriction Period") (such restriction is hereinafter referred to as the "Transfer Restriction").
- (2) The Company shall lift the Transfer Restriction on all of the Allotted Shares upon the expiration of the Transfer Restriction Period.
- (3) The Company shall automatically acquire the Allotted Shares without contribution in the event that, during the Transfer Restriction Period, an Outside Director violates laws and regulations, internal rules, or the Allotment Agreement, or falls under any other grounds determined by the Board of Directors of the Company as a cause for which it is appropriate to acquire the Allotted Shares without contribution.
- (4) Notwithstanding the provision of (1) above, in the case that a merger agreement under which the Company becomes the disappearing company, a share exchange agreement or a share transfer plan under which the Company becomes a wholly owned subsidiary, or any other matter related to reorganization, etc. is approved at a General Meeting of Shareholders of the Company (or a Board of Directors' meeting of the Company in cases where approval at a General Meeting of Shareholders of the Company is not required with respect to such reorganization, etc.) during the Transfer Restriction Period, the Company shall lift the Transfer Restriction on all of the Allotted Shares prior to the effective date of such reorganization, etc.

5. Reasons why payment of the remuneration based on this proposal is appropriate

The purpose of the Plan is to provide incentives for Outside Directors to contribute to the sustainable enhancement of the Company's corporate value and promote further sharing of value between Outside Directors and the Company's shareholders. In addition, the total number of shares to be granted to Outside Directors under the Plan accounts for about 0.02% of the total number of shares issued of the Company (as of November 30, 2023) in each Covered Period, and the dilution ratio is negligible.

Furthermore, the Company has set the policy for determining the details of the remuneration, etc.,

for individual Directors at the Board of Directors' meeting held on February 26, 2020, after a deliberation of the Nominating and Compensation Advisory Committee. The summary of the policy is stated in the Business Report (pages 47-48). If this proposal is approved, the policy will be amended for consistency with the content of this proposal and to grant the share-based payment to Outside Directors. Accordingly, the content of this proposal is necessary and appropriate for the purpose.

Therefore, the Company determines that payment of the remuneration based on this proposal is appropriate.

End

(Attachment)

Business Report

(From December 1, 2022 to November 30, 2023)

1. Matters regarding current status of the Group

(1) Business developments and results

During the fiscal year ended November 30, 2023, the Japanese economy was in a moderate recovery trend due to further progress in the normalization of social and economic activities, coupled with the improved employment and income environment and the effects of various government policies. Meanwhile, it remains necessary to closely monitor trends as there are risks of a downturn in the economy due to factors such as the global credit tightening, concerns over the future of the Chinese economy, and rising geopolitical risks.

In the real estate industry where Tosei Group operates, domestic real estate investments for the nine months from January to September 2023 increased by 40% year on year to ¥2,748.3 billion, with Tokyo ranking fourth in the world for real estate investments by city (ranked 16th for the full year of 2022). Despite the continuing real estate price adjustments and stagnant market conditions prevailing due to rising interest rates around the world, Japan has maintained its competitive advantage due to its relatively favorable fund-raising environment and the weakening yen, among other factors, resulting in investment demand for domestic real estate remaining firm (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 November 2023 decreased 12.2% year on year to 20,911 units, while the average price per unit in November 2023 was ¥82.50 million (up 36.7% year on year). As the supply of high-priced properties continued to drive up the average price, coupled with soaring land and construction costs and supply-side control, condominium prices are expected to remain high. In the Tokyo metropolitan area pre-owned condominium market, the number of units contracted from January to October 2023 slightly exceeded the levels of the same period of the previous fiscal year at 30,146 units (up 1.2% year on year), and the average contract price per unit as of October 2023 was ¥47.65 million (up 8.4% year on year). Additionally, in the build-for-sale detached house market, housing starts for the 10 months from January to October 2023 were 49,042 units (down 0.8% year on year) (according to a survey by a private research institute).

The average costs per tsubo in terms of construction costs for the 10 months from January to October 2023 were ¥1,183 thousand per tsubo (1 tsubo = 3.30 square meters) (a decrease of 17.6% year on year) for steel reinforced concrete structures and ¥669 thousand per tsubo (an increase of 15.5% year on year) for wooden structures. While the prices of building materials in terms of both steel prices and the price of timber have been on a moderate downward trend compared to their peak, there are concerns that construction costs will continue to rise going forward due to the effects of rising prices and soaring personnel costs, among other factors (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 October 2023 was 6.1% (a decrease of 0.3 percentage points year on year). Although the massive supply of new office buildings in 2023 is being filled up thanks to more workers returning to the office, the average asking rent continues on its gradual downward trend at ¥19,741 per tsubo (a decrease of 1.9% year on year). Furthermore, we will need to continue to closely monitor the supply and demand trends, as another massive supply of new buildings is expected in 2025 (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 October 2023 was ¥11,705 per tsubo (an increase of 7.6% year on year) and the average occupancy rate of condominiums held by J-REIT in the Tokyo area as of August 31, 2023 was 97.5% (an increase of 0.6 percentage points year on year). Rent and occupancy rates remain firm due to factors such as an increase in the influx of people into the city

center as well as an increasing preference for rental apartments associated with the rise in condominium prices (according to a survey by a private research institute).

In the Tokyo metropolitan area's logistics facility leasing market, leasable stock as of October 2023 was 9.50 million tsubo (an increase of 15.8% year on year) and the vacancy rate rose to 6.4% (an increase of 2.4 percentage points year on year), as supply continued to exceed demand and the trend of rising vacancy rates continued. Additionally, the asking rent as of October 2023 was ¥4,600 per tsubo (a decrease of 2.1% year on year) and there have been changes in asking rate trends depending on the characteristics of the property and the area in which it is located (according to a survey by a private research institute).

The market scale of the real estate fund market continues to expand. J-REIT assets under management in October 2023 totaled ¥22.5 trillion (an increase of ¥0.8 trillion year on year) and assets under management in private placement funds totaled ¥33.4 trillion (as of June 30, 2023, an increase of ¥6.9 trillion year on year). Combining the two, the real estate securitization market scale grew to ¥55.9 trillion (according to a survey by a private research institute).

In the Tokyo business hotel market, in the nine months from January to September 2023, the average guest room occupancy rate was 78.4% (53.9% in the same period of the previous fiscal year) and the total number of hotel guests in Tokyo encompassing all types of accommodation amounted to 70.54 million (an increase of 82.0% year on year). With a robust recovery in inbound demand, demand is expected to increase more than pre-COVID-19 levels going forward (according to a survey by the Japan Tourism Agency).

Amid this operating environment, 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. In the Fund and Consulting Business, the Group increased its balance of assets under management, while in the Hotel Business, it made efforts to recover business performance.

As a result, consolidated revenue for the fiscal year under review totaled ¥79,446 million (up 12.0% year on year), operating profit was ¥16,254 million (up 20.3%), profit before tax was ¥15,310 million (up 20.1%), and profit attributable to owners of the parent was ¥10,507 million (up 22.1%).

Performance by business segment is shown below.

Revitalization Business

During the fiscal year under review, the segment sold 45 properties which had been renovated, and 106 pre-owned condominium units, including Otsuka Tosei Building II (Toshima-ku, Tokyo), Kashiwa Tosei Building (Kashiwa-shi, Chiba), and Stellar Court Higashi-kojiya (Ota-ku, Tokyo).

During the fiscal year under review, it also acquired a total of 53 income-generating office buildings and apartments, 26 land lots and 198 pre-owned condominium units.

In addition, the Group reviewed the valuation of its income-generating properties, recording a valuation loss of ¥42 million and a reversal of inventories valuation loss of ¥408 million.

As a result, revenue in this segment was ¥47,535 million (up 26.8% year on year) and the segment profit was ¥8,877 million (up 45.5%).

Development Business

During the fiscal year under review, 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 52 detached houses at such properties as THE Palms Court Tsunashima (Yokohama-shi, Kanagawa) and THE Palms Court Mitaka Veil (Mitaka-shi, Tokyo).

During the fiscal year under review, it also acquired six land lots for apartment project, six land lots for rental wooden apartment projects, two land lots for condominium projects and land lots for 220 detached houses.

In addition, the Group reviewed the valuation of its income-generating properties, recording a valuation loss of ¥28 million and a reversal of inventories valuation loss of ¥33 million.

As a result, revenue in this segment was ¥7,246 million (down 47.5% year on year) and the segment profit was ¥1,036 million (down 65.0%).

Rental Business

During the fiscal year under review, the Company focused on leasing out its rental properties.

As of November 30, 2023, the number of rental properties increased by 23 from 91 at the end of the previous fiscal year to 114, as the segment acquired 50 properties, and began offering for rental of nine properties, sold 31 properties, and terminated the leasing of five properties.

As a result, revenue in this segment was ¥6,656 million (up 9.4% year on year) and the segment profit was ¥3,232 million (up 6.3%).

Fund and Consulting Business

During the fiscal year under review, while ¥200,859 million was subtracted from the balance of assets under management mainly due to property dispositions by funds, ¥830,417 million was added to the balance of assets under management (Note) of ¥1,722,896 million for the end of the previous fiscal year, due to new asset management contracts. The balance of assets under management as of November 30, 2023, was ¥2,352,454 million.

As a result, revenue in this segment was ¥7,377 million (up 35.5% year on year) and the segment profit was ¥4,555 million (up 41.6%).

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

Property Management Business

During the fiscal year under review, the segment worked to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 858 as of November 30, 2023, an increase of 65 from November 30, 2022 with that total comprising 511 office buildings, hotel, logistics facilities and other such properties, and 347 condominiums and apartments.

As a result, revenue in this segment was ¥6,470 million (up 3.9% year on year) and segment profit was ¥813 million (down 7.4%).

Hotel Business

During the fiscal year under review, domestic demand recovered as a result of the lifting of movement restrictions and the implementation of nationwide travel subsidies, while inbound tourism 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 those in the same period of the previous fiscal year.

As a result, revenue in this segment was ¥4,158 million (up 115.8% year on year) and segment profit was ¥990 million (in comparison with segment loss of ¥315 million in the previous fiscal year).

Business segment	Revenue
Revitalization Business	¥47,535 million
Development Business	¥7,246 million
Rental Business	¥6,656 million
Fund and Consulting Business	¥7,377 million
Property Management Business	¥6,470 million
Hotel Business	¥4,158 million
Total	¥79,446 million

(2) Status of capital investments

Capital investments for the Group executed during the fiscal year under review totaled ¥1,250 million.

(3) Status of financing

The Group raised funds of ¥59,501 million by means of non-current borrowings during the fiscal year under review.

(4) Issues to be addressed

The Tokyo metropolitan area real estate investment market maintains a relatively high advantage over major overseas cities due to the yen's depreciation as a result of the low interest-rate environment, the depth of the yield gap, and low geopolitical risks, and is expected to see a continuing inflow of investment funds. Meanwhile, given that the government's economic policies seeking to put an end to deflation will be promoted and the moves toward the normalization of monetary policy including the lifting of negative interest rates by the Bank of Japan are expected, we are aware of the need to closely monitor such factors as real estate investors' appetite for investment, the attitudes of financial institutions toward lending, changes in housing demand, and prolonged hikes in construction costs. In addition, uncertainty is heightening amid revolutionary changes, including the escalation of climate change issues, the emergence of geopolitical risks, the declining birthrate and the aging of society, the acceleration of behavioral changes triggered by the COVID-19 pandemic, and rapid advances in digital technology.

In order to adapt to such changes in the business environment, ensure the Group's continued growth into the future, and enhance corporate value by contributing to the realization of a sustainable society, we have formulated "Tosei Group Long-Term Vision 2032" to clarify "our direction (what we envision ourselves to be)" based on our core competencies that are the source of our Group's competitive advantage and to make Group-wide efforts to realize our vision.

<Tosei Group Long-term Vision 2032>

We will contribute to the realization of a sustainable society as a unique real estate portfolio manager with diverse solution capabilities.

We will work toward realizing our business growth and Long-term Vision 2032 by further expanding Tosei's core competencies, i.e., our "real estate solution capabilities," "portfolio management capabilities," and "global reach."

For the initial three years (first phase) of the nine years to realize this long-term vision, we have formulated the new medium-term management plan "Further Evolution 2026" (from December 2023 to November 2026). Under this plan, we will enhance the competitive edge of the Group and also contribute to the realization of a sustainable society by executing various measures based on the five basic policies under the following main policy.

<Medium-term Management Plan “Further Evolution 2026”>

(Main Policy)

“Aim for further evolution as a unique comprehensive real estate company capable of contributing to the realization of a sustainable society”

(Basic Policies)

Sustainability	• Provide more solutions for environmental and social issues and promote sustainability management
	• Enlarge investments in measures to ensure the Group’s future growth
	• Establish and penetrate the Tosei brand through the disclosure of non-financial information
Business	• Achieve the evolution and growth of business portfolios
	• Strengthen real estate solution capabilities through the pursuit of synergy between the six businesses
Human Resources and Organization	• Develop an environment that allows diverse employees to leverage their individuality and demonstrate their capabilities
	• Nurture human resources equipped with a wealth of experience, knowledge, and strong leadership, as well as a deep knowledge of corporate philosophy
DX	• Promote the differentiation of products and services and the improvement of operational efficiency through IT and digital utilization
Financial and Capital Policies	• Strengthen funding capabilities to enable sustained growth
	• Maintain return on capital that exceeds capital costs and continue balance sheet management

(Quantitative Plan)

	1st year (Year ending November 30, 2024)	2nd year (Year ending November 30, 2025)	3rd year (Year ending November 30, 2026)
Consolidated revenue	¥92.1 billion	¥117.8 billion	¥123.2 billion
Consolidated profit before tax	¥16.5 billion	¥17.7 billion	¥19.0 billion
ROE	13.0%	12.7%	12.5%
Stable businesses ratio (operating profit-basis)	45% or more		
Equity ratio	About 35%		
Net debt-to-equity ratio	About 1.4 times		
Dividend payout ratio*	31.5%	33.0%	35.0%

* In terms of shareholder returns, we will aim to gradually raise the dividend payout ratio from 30% to 35% in the next three years, while considering the repurchase of our own shares by comprehensively assessing the business environment, trends of share prices, improvement of shareholders’ value, etc.

The plan will aim for the evolution and growth of the six existing business portfolios by strengthening “real estate solution capabilities,” “portfolio management capabilities,” and “global reach,” which are the sources of the Group’s corporate value, and expanding the service domains of each business and maximizing synergies within the Group.

In the Revitalization Business and the Development Business, we will establish and penetrate the Tosei brand through differentiation by providing environmentally-friendly products conscious of sustainability, encouraging the utilization of existing real estate stock, and expanding the scope of products handled, among others. Additionally, to enhance our purchasing competitiveness, we will promote studies to improve the efficiency of property appraisals and the utilization of M&A methodologies.

In stable businesses, we will work on the studies of facility specifications in line with tenant demand in the Rental Business and the reinforcement of our service functions and the improved efficiency of back-office operations in the Fund and Consulting Business and the Property Management Business, and make efforts to penetrate our brand and expand scales through appeal to customers by differentiating the Tosei Hotel COCONE from other hotels in the Hotel Business.

Furthermore, in the DX field, we will promote the improvement of business process efficiency, while also providing real estate investment opportunities to a new customer base through real estate crowd funding, a real estate tech business that combines real estate, finance, and DX, issuing security tokens, and digital matching in sales of condominium units, in order to diversify the exit strategies for properties revitalized and developed by Tosei.

To strengthen our business base that sustains growth, we will focus our efforts on the building of a personnel system, organizational structure, and work environment that allows for human resources development and enables diverse employees to leverage their individuality and maximize their capabilities and deepen our engagement with our employees. Additionally, in terms of finances and capital allocation, we will strengthen our funding capabilities to support the expansion of our business scale and the balance of assets held, while maintaining a sound financial structure and aiming to continue our growth investment and improvement of return of profits with an awareness of capital efficiency.

(5) Status of operating results and assets**a. Trends in operating results and assets of the Group**

	71st term (Year ended November 30, 2020)	72nd term (Year ended November 30, 2021)	73rd term (Year ended November 30, 2022)	74th term (Year under review) (Year ended November 30, 2023)
Revenue (Thousands of yen)	63,939,781	61,726,449	70,953,486	79,446,329
Profit before tax (Thousands of yen)	5,901,313	10,302,616	12,753,538	15,310,707
Profit attributable to owners of the parent (Thousands of yen)	3,602,339	6,721,305	8,607,088	10,507,095
Basic earnings per share (Yen)	76.05	142.56	181.66	219.74
Total assets (Thousands of yen)	161,684,503	195,010,899	210,955,801	245,329,690
Total equity (Thousands of yen)	58,969,524	65,958,740	72,290,677	82,319,282

(Note) The above table has been made under International Financial Reporting Standards (IFRS).

b. Trends in operating results and assets of the Company

	71st term (Year ended November 30, 2020)	72nd term (Year ended November 30, 2021)	73rd term (Year ended November 30, 2022)	74th term (Year under review) (Year ended November 30, 2023)
Net sales (Thousands of yen)	51,958,230	47,452,190	43,063,515	46,480,528
Ordinary income (Thousands of yen)	3,382,780	9,690,159	10,678,418	10,906,961
Net income (Thousands of yen)	2,594,607	7,452,678	8,687,116	8,738,581
Net income per share (Yen)	54.77	158.08	183.35	182.76
Total assets (Thousands of yen)	148,071,547	171,076,831	189,896,706	217,524,127
Net assets (Thousands of yen)	51,737,131	59,467,346	65,863,314	73,821,936

(Note) The above table has been made under Japanese GAAP.

(6) Status of significant subsidiaries

Name of company	Capital or investments in capital	Equity ownership [Indirect equity ownership]	Major lines of business
Tosei Community Co., Ltd.	¥99,500 thousand	100.0%	Property management business
Tosei Asset Advisors, Inc.	¥100,000 thousand	100.0	Fund and consulting business
Tosei Logistics Management Co., Ltd.	¥50,000 thousand	100.0	Real estate consulting business
Tosei Hotel Management Co., Ltd.	¥100,000 thousand	100.0	Hotel business
Tosei Hotel Service Co., Ltd.	¥10,000 thousand	100.0	Hotel business
Princess Square Co., Ltd.	¥96,000 thousand	100.0	Revitalization business
Tosei Proptech Co., Ltd.	¥100,000 thousand	100.0	Fund and consulting business
TOSEI-R, Inc.	¥50,000 thousand	100.0	Revitalization business
Tosei Chintai Hosho LLC	¥3,000 thousand	100.0	Property management business
Tosei Singapore Pte. Ltd.	S\$4,000,000	100.0	Rental business
Kishino Corporation	¥10,000 thousand	100.0	Rental business
Masuda Kenzai-ten Co., Ltd.	¥60,500 thousand	100.0	Revitalization business
Sanki-shoji Co., Ltd.	¥30,000 thousand	100.0	Revitalization business
Isogo Asset Management Co., Ltd.	¥15,000 thousand	100.0	Revitalization business
Shibaura Residential Co., Ltd.	¥10,000 thousand	100.0	Revitalization business
Usui Kigata Kogyo K.K.	¥32,000 thousand	100.0	Revitalization business

- (Notes)
- On July 14, 2023, the Company established Tosei Proptech Co., Ltd.
 - On June 29, 2023, the Company established TOSEI-R, Inc.
 - Effective on September 1, 2023, TOSEI-R, Inc. succeeded the rights and obligations related to Property Transaction Business, Property Rental Business, and Property Management Business of LIXIL REALTY Corporation in an absorption-type company split.
 - On January 31, 2023, the Company acquired all of the shares in Shibaura Residential Co., Ltd. (trade name at the acquisition: Meiko Co., Ltd.), and accordingly, has included it in the scope of consolidation.
 - On March 31, 2023, the Company acquired all of the shares in Usui Kigata Kogyo K.K. and, accordingly, has included it in the scope of consolidation.
 - Sanki-shoji Co., Ltd. completed liquidation on December 25, 2023.

(7) Major lines of business (As of November 30, 2023)

Segment	Operations
Revitalization Business	<p>The Tosei Group acquires office buildings, commercial facilities, apartments and other properties whose asset value has declined through buying and selling real estate and M&A of companies with real estate holdings, boosts their value through “value-up plans” (“improved designs,” “enhanced security functions, etc.,” “increased eco-friendliness,” and “improved profitability”) judged to best match the characteristics of the properties’ areas and tenant requirements, and sells them as revitalized real estate to buyers including investors, real estate funds and individual business entities that acquire real estate for private use.</p> <p>The Tosei Group’s “value-up” activities go beyond just renewing properties and involve realizing comprehensive regenerations of their values. This puts a focus on not only improving the convenience and functionality of properties but also providing satisfaction to owners and giving end users a sense of pride.</p>
Development Business	<p>In the main districts of Tokyo, there is a mixture of needs for offices, commercial facilities, residences, logistics facilities, hotels and others, and the Tosei Group verifies the characteristics of land it acquires including area, shape, intended purpose, relevant needs, rent, and selling price. Based on this, the Tosei Group carries out development and new construction to maximize the value of the land.</p> <p>The Group is able to respond to diverse needs by developing office buildings, commercial buildings (T’s BRIGHTIA series) and mixed-use buildings, hotels, condominiums (the Palms series), as well as detached houses (Palms Court series and Comodo Casa series). Once development is complete or tenants have been found, the properties are sold to buyers including investors, real estate funds, and end-users.</p>
Rental Business	<p>The Tosei Group has expanded the scope of its business primarily in the main districts of Tokyo by acquiring office buildings, condominiums, stores and parking lots, and renting them out to end-users and others.</p> <p>As a landlord, the Tosei Group is capable of swiftly gathering accurate information on tenant needs to further enhance “value-up plans” by reflecting these needs.</p>
Fund and Consulting Business	<p>The Tosei Group conducts business as a type II financial instruments business as well as an investment advisory and agency business and an investment management business as provided for in the Financial Instruments and Exchange Act.</p> <p>Specifically, in addition to providing Tosei Reit Investment Corporation’s asset management services, the Tosei Group also provides services such as selling and brokering trust beneficiary rights, and management of income-generating properties as asset management services for real estate funds. Also, the Tosei Group provides consulting services and real estate brokerage related to corporate real estate held by business entities.</p>
Property Management Business	<p>This business carries out building and equipment management, and security (building maintenance) for office buildings, apartments, hotels, commercial facilities, and educational facilities; owner proxy services, tenant management, tenant solicitation, and building management (property management); and management services for condominiums.</p>
Hotel Business	<p>The Tosei Group is engaged in planning and operation of its TOSEI HOTEL COCONE brand as well as hotel development and conversion of used office buildings into hotels.</p>

(8) Major business offices (As of November 30, 2023)

Name	Business office and its location
Tosei Corporation (the Company)	Head office: Minato-ku, Tokyo
Tosei Community Co., Ltd.	Head office: Minato-ku, Tokyo
Tosei Asset Advisors, Inc.	Head office: Minato-ku, Tokyo
Tosei Logistics Management Co., Ltd.	Head office: Minato-ku, Tokyo
Tosei Hotel Management Co., Ltd.	Head office: Minato-ku, Tokyo
Tosei Hotel Service Co., Ltd.	Head office: Minato-ku, Tokyo
Princess Square Co., Ltd.	Head office: Minato-ku, Tokyo
Tosei Proptech Co., Ltd.	Head office: Minato-ku, Tokyo
TOSEI-R, Inc.	Head office: Minato-ku, Tokyo
Tosei Chintai Hoshō LLC	Head office: Minato-ku, Tokyo
Tosei Singapore Pte. Ltd.	Head office: Singapore
Kishino Corporation	Head office: Minato-ku, Tokyo
Masuda Kenzai-ten Co., Ltd.	Head office: Minato-ku, Tokyo
Sanki-shoji Co., Ltd.	Head office: Minato-ku, Tokyo
Isogo Asset Management Co., Ltd.	Head office: Minato-ku, Tokyo
Shibaura Residential Co., Ltd.	Head office: Minato-ku, Tokyo
Usui Kigata Kogyo K.K.	Head office: Minato-ku, Tokyo

- (Notes)
- On July 14, 2023, the Company established Tosei Proptech Co., Ltd.
 - On June 29, 2023, the Company established TOSEI-R, Inc.
 - Effective on September 1, 2023, TOSEI-R, Inc. succeeded the rights and obligations related to Property Transaction Business, Property Rental Business, and Property Management Business of LIXIL REALTY Corporation in an absorption-type company split.
 - On January 31, 2023, the Company acquired all of the shares in Shibaura Residential Co., Ltd. (trade name at the acquisition: Meiko Co., Ltd.) and, accordingly, has included it in the scope of consolidation.
 - On March 31, 2023, the Company acquired all of the shares in Usui Kigata Kogyo K.K. and, accordingly, has included it in the scope of consolidation.
 - Sanki-shoji Co., Ltd. completed liquidation on December 25, 2023.

(9) Status of employees (As of November 30, 2023)**a. Status of employees of the Group**

Segment	Number of employees	Year-on-year change
Revitalization Business	131	20
Development Business	61	3
Rental Business	27	8
Fund and Consulting Business	154	5
Property Management Business	159	3
Hotel Business	97	25
Group-wide (common)	98	—
Total	727	64

(Note) The number of employees indicates the number of employees currently on duty and the yearly average number of part-time and temporary employees was 216.

b. Status of employees of the Company

Number of employees	Year-on-year change	Average age	Average years of service
268	24	36.6 years old	5.6 years

(Note) The number of employees indicates the number of employees currently on duty.

(10) Major lenders (As of November 30, 2023)

Lender	Loan balance
MUFG Bank, Ltd.	¥16,118 million
Mizuho Bank, Ltd.	¥15,218 million
Sumitomo Mitsui Banking Corporation	¥14,818 million
Kiraboshi Bank, Ltd.	¥12,637 million
Resona Bank, Limited.	¥10,184 million

(11) Other important matters regarding the current status of the Group

Not applicable.

2. Matters regarding the shares of the Company

- (1) Total number of shares authorized 150,000,000 shares
 (2) Total number of shares issued 48,683,800 shares (incl. 306,765 treasury shares)
 (3) Number of shareholders 24,146
 (4) Major shareholders (Top 10)

Name of shareholder	Number of shares held	Holding ratio
Seiichiro Yamaguchi	12,885,500 shares	26.63%
Zeus Capital Limited	6,000,000 shares	12.40%
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,203,000 shares	8.68%
SSBTC CLIENT OMNIBUS ACCOUNT	1,757,902 shares	3.63%
Custody Bank of Japan, Ltd. (Trust Account)	1,457,200 shares	3.01%
Hirotochi Deguchi	1,030,000 shares	2.12%
Kiraboshi Capital Tokyo Sparkle Investment Limited Partnership	1,000,000 shares	2.06%
HOST-PLUS PTY LIMITED-HOSTPLUS POOLED SUPERANNUATION TRUST HOSKING PARTNERS LLP	804,000 shares	1.66%
STATE STREET BANK AND TRUST COMPANY 505004	742,800 shares	1.53%
SMBC Nikko Securities Inc.	639,700 shares	1.32%

(Note) The holding ratio has been calculated by deducting the treasury shares (306,765 shares) and rounding it down to the second decimal place.

- (5) Status of shares delivered to officers as consideration for execution of duties during the fiscal year
 Not applicable.

(6) Other important matters regarding shares

- a. At the Board of Directors' meeting held on July 5, 2022, the Company resolved to repurchase its own shares pursuant to Article 156 of the Companies Act which is applicable in lieu of Article 165, Paragraph 3 of this act and repurchased the shares as follows.
- | | |
|--|--|
| Class and number of shares repurchased | 382,900 ordinary shares |
| Total value of shares repurchased | ¥499,908,200 |
| Period for repurchase | From July 6, 2022 to December 31, 2022 |
| Method of repurchase | Discretionary investment by a securities company |
- b. At the Board of Directors' meeting held on April 25, 2023, the Company resolved the disposal of its treasury shares through a third-party allotment and disposed of the shares as follows.
- | | |
|---|---|
| Class and total number of shares disposed | 1,000,000 ordinary shares |
| Total value of shares disposed | ¥1,538,000,000 |
| Purpose of disposal | To establish a long-lasting and stable collaborative relationships with Tokyo Kiraboshi Financial Group, Inc. |
| Date of disposal | May 12, 2023 |

3. Matters regarding stock acquisition rights, etc. of the Company

(1) Status of stock acquisition rights delivered to and held by officers as consideration for the execution of duties (As of November 30, 2023)

Stock acquisition rights by resolution of the Board of Directors held on April 25, 2019 (Sixth Series of Stock Acquisition Rights)

- Number of stock acquisition rights
895 units
- Class and number of shares delivered upon exercise of stock acquisition rights
89,500 ordinary shares (100 shares per stock acquisition right)
- Amount to be paid in for stock acquisition rights
¥11,400 per stock acquisition right (¥114 per share)
- Value of property to be contributed upon exercise of stock acquisition rights
¥100,600 per stock acquisition right (¥1,006 per share)
- Period during which stock acquisition rights may be exercised
From May 1, 2021 to April 25, 2024
- Terms and conditions for exercising stock acquisition rights
 - i. Holders of stock acquisition rights are required to have the rank of Director of the Company at the time of exercising the stock acquisition rights; provided, however, that this shall not apply to holders of stock acquisition rights who no longer have the rank of Director due to retirement at the expiration of the period in office or due to resignation at the request of the Company.
 - ii. Inheritance of stock acquisition rights shall not be permitted.
 - iii. Pledging of stock acquisition rights or any other disposition shall not be permitted.
- Status of stock acquisition rights held by officers of the Company

	Number of stock acquisition rights	Class and number of shares delivered upon exercise of stock acquisition rights	Number of holders
Directors (excluding Outside Directors)	241 units	24,100 ordinary shares	2
Outside Directors	40 units	4,000 ordinary shares	2

(Note) The number of stock acquisition rights stated in “Directors (excluding Outside Directors)” above includes stock acquisition rights that were delivered as portions for employees before assuming office as Director.

(2) Status of stock acquisition rights delivered to employees as consideration for execution of duties during the fiscal year

Not applicable.

(3) Other important matters regarding stock acquisition rights, etc.

Not applicable.

4. Matters regarding officers of the Company

(1) Names, etc. of Directors and Audit & Supervisory Board Members (As of November 30, 2023)

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company
President and CEO	Seiichiro Yamaguchi	President and CEO
Director	Noboru Hirano	CFO and Senior Executive Officer of Administrative Division Representative Director of Tosei Logistics Management Co., Ltd. Director of Tosei Asset Advisors, Inc.
Director	Hideki Nakanishi	Senior Executive Officer of Business Division In charge of Asset Solution Department 4 and Asset Solutions Business Promotion Department
Director	Masaaki Watanabe	Managing Executive Officer and Deputy Chief of Business Division In charge of Asset Solution Department 5 Director of Tosei Community Co., Ltd.
Director	Shunsuke Yamaguchi	Managing Executive Officer and Deputy Chief of Administrative Division In charge of General Affairs Department and Human Resource Department Director of Tosei Hotel Management Co., Ltd.
Director	Hitoshi Oshima	Executive Officer In charge of Asset Solution Department 1 and Crowd Funding Department Director of Princess Square Co., Ltd.
Director	Kenichi Shohtoku	Representative Director of SCS Global Consulting (S) Pte Ltd. Outside Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD.
Director	Hiroyuki Kobayashi	CEO of Social Capital Management, Inc. Vice President and Director of Precious Square, Inc. Representative Director of WATASU Company Limited. Outside Auditor of Taiheiyō Kensetsu Kogyō Co., Ltd. Outside Auditor of Taiheiyō Remicon Co., Ltd.
Director	Masao Yamanaka	Partner lawyer of RENAISS Law Office Outside Auditor of Chiyoda Co., Ltd. Outside Auditor of System Location Co., Ltd.
Audit & Supervisory Board Member (full-time)	Hitoshi Yagi	Audit & Supervisory Board Member of Tosei Hotel Management Co., Ltd.
Audit & Supervisory Board Member (full-time)	Toshinori Kuroda	Audit & Supervisory Board Member of Tosei Logistics Management Co., Ltd.
Audit & Supervisory Board Member	Tatsuki Nagano	President and Representative Director of All Nippon Asset Management, Co., Ltd.
Audit & Supervisory Board Member	Osamu Doi	

- (Notes)
1. Directors Kenichi Shohtoku, Hiroyuki Kobayashi, and Masao Yamanaka are Outside Directors.
 2. All the Audit & Supervisory Board Members above are Outside Audit & Supervisory Board Members.
 3. The Company notified the Tokyo Stock Exchange of Directors Kenichi Shohtoku, Hiroyuki Kobayashi, and Masao Yamanaka and all members of the Audit & Supervisory Board as independent directors/auditors pursuant to the regulations of the said Exchange.

(2) Remuneration, etc. for Directors and Audit & Supervisory Board Members

a. Matters regarding the policy for determining the content of remuneration, etc. for individual Directors

1) Determination method of the determination policy

The policy for determining the content of remuneration, etc., for individual Directors is deliberated by the Nominating and Compensation Advisory Committee, before being decided by the resolution of the Board of Directors.

2) Overview of the content of the determination policy

i) Composition

With regard to remuneration for Directors, the maximum total amount of monetary remuneration and the maximum total amount of remuneration as stock options are determined by resolutions of the General Meeting of Shareholders. Remuneration for full-time Directors consists of “fixed remuneration” based on the ratio depending on the position set in accordance with job responsibilities, “performance evaluation-based remuneration” in accordance with each full-time Director’s achievement level of targets of business performance, etc., monetary remuneration as “Directors’ bonuses” linked to consolidated profit before tax, and “stock options” with the aim of further incentivizing Directors to contribute to the medium- to long-term improvement in corporate value.

The ratio of fixed remuneration to performance-linked remuneration is kept at around 60:40 and for the 74th term, the ratio was 53:47.

Remuneration for Outside Directors consists of “fixed remuneration” and “stock options.”

ii) Policy for determining individual amounts of fixed remuneration (monetary remuneration)

On the basis of comparisons with the results of surveys of Directors’ remuneration at listed companies, conducted by external specialist agencies, and surveys of the levels of Directors’ remuneration at the Company’s competitors, conducted by the Company, as well as comparison with the highest amounts of remuneration paid to employees of the Company, the Company has established fixed remuneration scaling guidelines, based on positions of Directors, and posts of concurrently serving Executive Officers. Remuneration for each Director is discussed by the Nominating and Compensation Advisory Committee, before being decided by the Board of Directors.

iii) Matters regarding performance-linked remuneration (performance evaluation-based remuneration and bonus)

- Performance evaluation-based remuneration

The performance evaluation-based remuneration for full-time Directors is based on their individual achievement of single-year performance targets. A standard evaluation remuneration amount equal to 33% of the fixed remuneration is paid monthly together with the fixed remuneration by resolution of the Board of Directors, and when there is an adjustment based on the achievement of performance targets (of between +55% and -50% of the standard evaluation remuneration), this is added to and paid together with Directors’ bonuses or deducted from Directors’ bonuses after the conclusion of the Ordinary General Meeting of Shareholders held during the fiscal year.

- Directors’ bonuses

Directors’ bonuses, which are linked to single-year consolidated profit before tax, are calculated by multiplying the fixed remuneration per annum by a coefficient, a sum of a predetermined coefficient based on the level of profit before tax, and an extra coefficient when the single-year target profit before tax has been achieved. This is paid as a lump sum after the conclusion of the Ordinary General Meeting of Shareholders held during the fiscal year. As directors of a listed company, engaged in consolidated management, the Company’s Directors are charged with the important tasks of maintaining and increasing the

level of consolidated profit before tax and achieving the consolidated profit before tax targets each fiscal year. For these reasons, consolidated profit before tax is used to index Directors' bonuses. Remuneration for each Director is discussed by the Nominating and Compensation Advisory Committee, evaluates the level of contribution to the governance of the Company and the Group as a whole, achievement of the department in charge, and maintenance/improvement of consolidated management indicators (ROE, stock price, etc.), before being decided by the Board of Directors. The trends in consolidated profit before tax, including that of the fiscal year under review, are as stated in 1 - (5) - a. "Trends in operating results and assets of the Group."

iv) Content of stock options (non-monetary remuneration)

In order to practice corporate management with a focus on enhancing corporate value over the medium- to long-term, the President and Representative Director drafts proposals for the number of stock options to be granted to each Director, based on positions of Directors, and posts of concurrently serving Executive Officers, for each medium-term management plan. These proposals are deliberated by the Nominating and Compensation Advisory Committee, before being decided for each Director by the Board of Directors. In addition, a fixed number of stock options are granted to Outside Directors, considering the importance of their management monitoring and supervisory function aimed at enhancing corporate value. The content of these stock options and the status of granting stock options are as stated in 3 - (1) "Status of stock acquisition rights delivered to and held by officers as consideration for their execution of duties."

3) Reasons why the Board of Directors determined that the content of remuneration, etc., for individual Directors for the fiscal year under review is in line with the determination policy

The Nominating and Compensation Advisory Committee had conducted a multi-faceted examination of the content of the amount of remuneration for individual Directors for the fiscal year under review, including from the viewpoint of consistency with the determination policy. The Board of Directors basically respected the results of the Committee's deliberations and judged that it was in line with the determination policy.

As explained in 2) above, at the Company, the Board of Directors determines the content of remuneration, etc. for individual Directors, and does not delegate this determination to a Director or other third parties.

b. Matters regarding the resolution of the General Meeting of Shareholders on the remuneration, etc. of Directors and Audit & Supervisory Board Members

The maximum total amount of Directors' monetary remuneration is set at ¥500 million (including a maximum of ¥80 million of Outside Directors' remuneration; excluding employee salaries) per year as determined at the 70th Ordinary General Meeting of Shareholders held on February 26, 2020. At the conclusion of this Ordinary General Meeting of Shareholders, the number of Directors was nine (including three Outside Directors). In addition, separate from this monetary remuneration amount, Directors' remuneration as stock options within the range of ¥100 million per year (including ¥10 million or less for Outside Directors) was approved at the 69th Ordinary General Meeting of Shareholders held on February 27, 2019. At the conclusion of this Ordinary General Meeting of Shareholders, the number of Directors was seven (including two Outside Directors).

The maximum total amount of monetary remuneration for Audit & Supervisory Board Members is set at ¥60 million per year as determined at the 54th Ordinary General Meeting of Shareholders held on February 28, 2004. At the conclusion of this Ordinary General Meeting of Shareholders, the number of Audit & Supervisory Board Members was two.

c. Total amount of remuneration, etc. for the fiscal year under review

Category	Total amount of remuneration, etc. (thousand yen)	Total amount of remuneration, etc. by type (thousand yen)				Number of eligible Directors
		Fixed remuneration	Performance-linked remuneration		Non-monetary remuneration, etc.	
			Performance evaluation-based remuneration	Directors' bonuses	Stock options	
Directors (of which Outside Directors)	312,964 (21,000)	176,353 (21,000)	51,784 (-)	84,826 (-)	- (-)	9 (3)
Audit & Supervisory Board Members (of which Outside Audit & Supervisory Board Members)	33,960 (33,960)	33,960 (33,960)	- (-)	- (-)	- (-)	4 (4)

(3) Matters regarding outside officers

a. Status of important concurrent positions in other corporations, etc. and relationships between the Company and such other corporations, etc.

- Director Kenichi Shohtoku serves concurrently as Representative Director of SCS Global Consulting (S) Pte Ltd., as well as Outside Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD. There are no special relationships between the Company and each of the above companies.
- Director Hiroyuki Kobayashi serves concurrently as President and CEO of Social Capital Management, Inc., serving as Vice President and Director of Precious Square, Inc., Representative Director of WATASU Company Limited, Outside Auditor of Taiheiyo Kensetsu Kogyo Co., Ltd., and Outside Auditor of Taiheiyo Remicon Co., Ltd. There are no special relationships between the Company and each of the above companies.
- Director Masao Yamanaka serves concurrently as a partner lawyer of RENAISS Law Office, as well as serving as Outside Auditor of Chiyoda Co., Ltd., and Outside Auditor of System Location Co., Ltd. There are no special relationships between the Company and each of the above companies.
- Audit & Supervisory Board Member Tatsuki Nagano serves concurrently as President and Representative Director of All Nippon Asset Management, Co., Ltd. There are no special relationships between the Company and the above company.

b. Main activities during the fiscal year under review

Position and name	Attendance	Comments and other activities and duties performed with respect to the expected role
Kenichi Shohtoku, Director	Meetings of the Board of Directors: 22/22	He offered advice and proposals to help secure adequate and appropriate decision making by the Board of Directors, mainly by such means as stating opinions from his objective standpoint as an accounting expert based on his wide-ranging experience and expertise as a certified public accountant, including overseas service. He also served as the Chairperson of the Nominating and Compensation Advisory Committee, expressed opinions on the appropriateness of Directors' remuneration, and contributed to ensuring its fairness.

Position and name	Attendance	Comments and other activities and duties performed with respect to the expected role
Hiroyuki Kobayashi, Director	Meetings of the Board of Directors: 20/22	He offered advice and proposals to help secure adequate and appropriate decision making by the Board of Directors, mainly by such means as stating opinions from his external objective perspective based on his abundant experience and specialist knowledge gained from his service at major financial institutions and in corporate management. He also attended the Nominating and Compensation Advisory Committee, expressed opinions on the appropriateness of Directors' remuneration, and contributed to ensuring its fairness.
Masao Yamanaka, Director	Meetings of the Board of Directors: 19/22	He offered advice and proposals to help secure adequate and appropriate decision making by the Board of Directors, mainly by such means as stating opinions from his objective standpoint as a legal expert based on his wide-ranging experience and a high level of expertise on corporate legal affairs as a lawyer. He also attended the Nominating and Compensation Advisory Committee, expressed opinions on the appropriateness of Directors' remuneration, and contributed to ensuring its fairness.

Position and name	Attendance	Comments and other activities
Hitoshi Yagi, Audit & Supervisory Board Member	Meetings of the Board of Directors: 22/22 Meetings of the Audit & Supervisory Board: 16/16	He made necessary comments as appropriate mainly from the standpoint of risk management at meetings of the Audit & Supervisory Board and Board of Directors based on the abundant experience and specialist knowledge that he gained at audit divisions of major financial institutions.
Toshinori Kuroda, Audit & Supervisory Board Member	Meetings of the Board of Directors: 22/22 Meetings of the Audit & Supervisory Board: 16/16	He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors based on his abundant experience including his overseas postings at a major financial institution and high level of insight as a holder of such qualifications as Certified Internal Auditor (CIA).
Tatsuki Nagano, Audit & Supervisory Board Member	Meetings of the Board of Directors: 21/22 Meetings of the Audit & Supervisory Board: 16/16	He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors based on his abundant experience and specialist knowledge gained from his service at major financial institutions and in corporate management.
Osamu Doi, Audit & Supervisory Board Member	Meetings of the Board of Directors: 21/22 Meetings of the Audit & Supervisory Board: 16/16	He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors on the basis of his abundant experience at major securities companies and at companies that conduct investment banking activities as well as his specialist knowledge.

<Reference> Independence standards for Outside Directors

Standards for independence for Outside Directors provided by the Company are as follows:

- (i) He/she has not been an officer/employee of the Group in the past 10 years;
- (ii) He/she is not or was not an employee of any business partner whose value of transaction with the Group accounts for 2% or more of the Company's consolidated revenue (except for a former employee with respect to whom three years or more have passed since he/she ceased to belong to such business partner);
- (iii) He/she is not a major shareholder of the Company (holding 10% or more of the total voting rights) or a person who executes its business;
- (iv) He/she is not a person with respect to whom the Group holds 10% or more of the total voting rights or a person who executes its business;
- (v) He/she is not an attorney, accountant, etc. who receives remuneration of ¥10 million or more per annum from the Group other than remuneration for officers; and
- (vi) There are otherwise no circumstances with respect to him/her that may cause doubt as to the independence in executing duties as Independent Outside Director.

(4) Outline of content of limited liability agreement

The Company has concluded contracts for limitation of liability with Outside Directors and Outside Audit & Supervisory Board Members pursuant to the provisions of Article 427, paragraph 1 of the Companies Act for the liability for damages provided for in Article 423, paragraph 1 of the same, and limits their liability to the amount provided by relevant laws and regulations.

(5) Outline of the directors and officers liability insurance agreement

The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, paragraph 1 of the Companies Act with an insurance company, with the Directors, Audit & Supervisory Board Members and Executive Officers of the Company, and the Directors and Audit & Supervisory Board Members of the subsidiaries as the insured. The insurance premiums are fully borne by the Company. The insurance covers any damages that may result from the insured being liable for the performance of their duties or being subject to a claim for the pursuit of such liability. The said insurance agreement is renewed each year.

However, to ensure the appropriateness of the performance of duties by the insured, there are certain exclusions of liability, such as the non-payment of compensation for losses when the insured unlawfully gain benefits or conveniences or when the insured engage in acts while they were aware that such acts were criminal acts, wrongful acts, fraud or violations of laws or regulations.

5. Status of Accounting Auditor

(1) Name Shinsoh Audit Corporation

(2) Amount of remuneration, etc.

Category	Amount paid
Amount of remuneration, etc. to be paid during the fiscal year under review	¥45,000 thousand
Total amount of money and other economic benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	¥61,800 thousand

- (Notes)
1. Because amounts of audit fees and others for audits under the Companies Act and for audits under the Financial Instruments and Exchange Act are not clearly segmented in an auditing agreement between the Company and the Accounting Auditor, and cannot be distinguished practically, the total amount of these fees and others is shown in the amount of remuneration, etc. for the fiscal year under review.
 2. Pursuant to Article 399, paragraph 1 of the Companies Act, the Audit & Supervisory Board gives its consent on the amount of remuneration, etc. to be paid for the Accounting Auditor based on the assessment of the audit plans prepared by the Accounting Auditor, the status of its execution of duties, the trend of audit fees, and the basis for estimating remuneration, etc. in accordance with the "Practical

Guidelines on Coordination with Accounting Auditors” issued by Japan Audit & Supervisory Board Members Association, a Public Interest Incorporated Association.

(3) Policy for determining dismissal or non-reappointment of Accounting Auditor

If any of the matters set forth in items of Article 340, paragraph 1 of the Companies Act is deemed to apply to the Accounting Auditor, the Audit & Supervisory Board shall dismiss the Accounting Auditor based on the agreement of all Audit & Supervisory Board Members. If this occurs, an Audit & Supervisory Board Member appointed by the Audit & Supervisory Board shall report the dismissal of the Accounting Auditor and provide the reasons for the dismissal at the first General Meeting of Shareholders convened after the said dismissal.

In addition, if something interferes with the Accounting Auditor’s execution of duties or if otherwise judged necessary, the Audit & Supervisory Board determines a proposal for the dismissal or non-reappointment of the Accounting Auditor to be resolved at the General Meeting of Shareholders, and based on the determination, the Board of Directors submits such proposal as a matter for resolution at the General Meeting of Shareholders.

6. Systems to ensure properness of operations

Regarding systems to ensure that directors’ execution of their duties is in compliance with laws and regulations and the Articles of Incorporation and other systems necessary to ensure the properness of a company’s operations (internal control system), the Company has established the following basic policies.

(1) Basic policies for compliance with laws and regulations

- a. Ensure awareness among all officers and employees regarding compliance with laws and regulations.
- b. Strengthen the checking function for breaches of laws and regulations.
- c. Promptly react to any breach of laws and regulations, and make timely and appropriate information disclosure concerning such breaches.
- d. Eliminate any association with anti-social forces.

(2) Basic policies for storing and managing information

- a. Ensure awareness among all officers and employees regarding the importance of storing and managing information.
- b. Enhance the measures for preventing the leakage of material information.
- c. Ensure thorough familiarity with material information and information requiring timely disclosure and prevention of misstatements or material omissions.

(3) Basic policies for management of risk of loss

- a. Ensure thorough understanding, analysis and assessment of risks that may hinder the continuation of the Company’s corporate activities.
- b. Enhance monitoring of risk management.
- c. Establish a proper internal reporting system for any occurrences and/or signs that contingencies may occur.
- d. Promptly react to any occurrence of contingencies and/or accidents, and make timely and appropriate disclosure of information regarding such occurrences.

(4) Basic policies for efficient execution of duties by Directors

- a. Carry out deliberation and decision-making on the important management matters of the Company, in an efficient, timely and appropriate manner.
- b. Eliminate excessive pursuit of efficiencies in management plans and/or business targets and

make balanced decisions considering the soundness of the Company.

- c. Establish a system to allow appropriate and efficient execution of business in accordance with the rules on delegation of operational authority.

(5) Basic policies for properness of the operations of the entire Group

- a. Strive for a full penetration of the understanding of the Company's corporate philosophy and awareness for the compliance among the officers and the employees of each of the Group companies and ensure that each of the Group companies complies with laws and regulations.
- b. Strive for full awareness, analysis and evaluation of risks that impede the sustenance and continuation of the businesses of each of the Group companies, prepare for contingencies, and establish a system to compel prompt reporting if contingencies occur.
- c. Formulate a medium-term management plan, business plan for single fiscal year and budgets for the same relating to the entire Group, periodically check the progress of these plans, and compel timely reporting on newly occurring problems and appropriately handle such problems.
- d. For matters that are important and those for which timely disclosure is required at each of the Group companies, and other matters relating to execution of duties by officers and employees at each of the Group companies, establish a system to compel prompt reporting from each of the Group companies to the Company.
- e. Enhance the system for ensuring the appropriateness of financial reporting relating to the entire Group.
- f. Eliminate wrongful acts and/or irregular transactions using the Group.

(6) Basic policies for systems to ensure effective audits by Audit & Supervisory Board Members

- a. Designate members of staff to assist Audit & Supervisory Board Members in their duties, and have them carry out assistance duties under the command of the Audit & Supervisory Board Members.
- b. Ensure the independence of the aforementioned members of staff from Directors and obtain concurrence from the Audit & Supervisory Board for personnel matters for the said members of staff such as transfers and performance evaluations.
- c. In addition to deliberations on proposals and reports on important matters at the Board of Directors, have Audit & Supervisory Board Members attend important meetings for business execution, and carry out periodic interviews with Directors and important employees. Furthermore, ensure prompt reporting to Audit & Supervisory Board Members from all officers and employees who have identified any material loss and signs of the same or any breach of regulations or misconduct, and prompt reporting to the same in response to demands from Audit & Supervisory Board Members.
- d. Establish a system to compel prompt reporting to Audit & Supervisory Board Members from all officers and employees at each of the Group companies who have identified any material loss caused by management at each of the Group companies and signs of the same or any breach of laws and regulations or misconduct, or from officers and employees of the Company who have received reports from such persons, and strive for its full implementation, and also compel prompt reporting if reporting is demanded by Audit & Supervisory Board Members.
- e. Ensure full notification of policy not to mete out disadvantageous treatment for the reason of a report described in the preceding two paragraphs made by officers and employees of the Company and each of the Group companies to Audit & Supervisory Board Members.
- f. Develop a whistle-blowing system across the entire Group and promptly report to Audit & Supervisory Board Members if whistle-blowing occurs.
- g. When Audit & Supervisory Board Members request advance payments, etc. of expenses, promptly handle the said expenses or debt obligations, except in cases where they are deemed unnecessary for the execution of duties.

- h. Directors are to make efforts to understand and support audits by Audit & Supervisory Board Members and proactively work to improve issues raised by Audit & Supervisory Board Members.
- i. In order to accomplish adequate audits of the entire Group performed by Audit & Supervisory Board Members, Directors are to cooperate with Audit & Supervisory Board Members as necessary.

Under the basic policies above, in a continuous effort to develop the internal control system, the Company establishes plans for implementation and operation of the internal control system annually taking into consideration of revisions of relevant laws and regulations, changes in the business environment of the Group, expansion of the businesses, etc.

The internal control system of the Group implemented and operated as of the end of the fiscal year (November 30, 2023) is as follows.

*Major meetings cited in the text

Meeting name	Frequency of meeting	Attendees
Board of Directors' meeting	Monthly + Extraordinary	Directors and Audit & Supervisory Board Members
Pre-Board meeting discussion	Monthly + As necessary	Full-time Directors, full-time Audit & Supervisory Board Members, and Executive Officer in charge of administrative department
Corporate governance meeting	Monthly	Full-time Directors and full-time Audit & Supervisory Board Member
Management meeting	Twice a month + Extraordinary	Executive Officers, and Audit & Supervisory Board Members (observers)
Risk Management and Compliance Committee's meeting	Monthly	Executive Officers (excluding President and CEO), heads of each department, officers responsible for risk management and compliance at each Group company, and full-time Audit & Supervisory Board Members (observers)
Information Disclosure Committee's meeting	Monthly + Extraordinary	Officers responsible for information disclosure, Senior Executive Officers, and Executive Officers designated by chairman of the Committee

(1) Compliance with laws and regulations, etc.

- a. Ensure awareness regarding compliance with laws and regulations

At the beginning of each fiscal year the Risk Management and Compliance Program is drawn up, and trainings in the relevant laws and regulations, measures to cultivate awareness of legal issues have been implemented, in addition to which a compliance and corporate philosophy questionnaire is circulated every fiscal year to all officers and employees of the Group in order to identify issues and consider responses to such issues, and reflect them to each measure for the next fiscal year's Program.

During the fiscal year under review, we had legal advisors offer a training course focusing on cases of violation of laws and regulations deeply relevant to the Group's business. We also held a training course to help prevent harassment. In addition, we distributed video lectures by a full-time Directors on the Group's philosophy and the whistle-blowing system

to focus on promoting legitimate and appropriate business activity.

In addition, the Risk Management and Compliance Committee's meeting (attended by all heads of each department) and a business law liaison meeting (attended by all heads of the operational divisions) are held every month, during which participants are duly made familiar with amendments to laws and regulations, etc. and notices from ministries with jurisdiction etc., while the results of deliberations by the Committee are reported to the monthly meetings of the Board of Directors.

b. Strengthen the checking function for breaches of laws and regulations

As well as the monitoring and supervising system by three Outside Directors and four Audit & Supervisory Board Members (all Outside Audit & Supervisory Board Members) at the Board of Directors' meeting, periodic meetings are held to exchange opinions between Audit & Supervisory Board Members and Outside Directors, and between Audit & Supervisory Board Members and legal advisors, so as to check for any signs of breaches of laws and regulations by the Directors responsible for executing business.

Moreover, full-time Audit & Supervisory Board Members conduct business audits on the Company's businesses and investigation of subsidiaries, while the Internal Audit Department conducts internal audits on the Company and the Group companies and self-inspections at the departmental level are implemented. Meanwhile, the Company continues to operate the whistle-blowing system providing three points of contact, internal, external and through Audit & Supervisory Board Members, and to conduct training sessions to promote an understanding of the system including protection of whistle-blowers.

c. Promptly react to any breach of laws and regulations, and make information disclosure

At important meetings and committees attended by full-time Directors, including those of the Board of Directors, checks are made for signs, or actual occurrences, of breaches of laws and regulations, instructions are given regarding responses, and status reports are made. Also, the Company has established a system to establish a crisis management office headed by the President and CEO and disclose information in a timely and appropriate manner based on the Crisis PR Manual in the event that material breaches and/or incidents occur.

d. Eliminate any association with anti-social forces

The Company thoroughly conducts screening of counterparties prior to the inception of transactions. For continued transactions, as well, we conduct a periodic screening to confirm whether the Company should or should not continue transactions. In addition, the Company carries out trainings on action against anti-social forces for all officers and employees of the Group in order to raise their awareness of the importance of elimination of transactions with anti-social forces.

(2) Storing and managing information

a. Ensure awareness regarding the importance of storing and managing information

Every fiscal year we implement training for the information asset management, including personal information (this includes training for the prevention of insider trading) for all employees of the Company, and by doing so, we have continued to educate and inculcate rules for the handling of important information. In addition, through the trainings, we make employees well aware of measures to be taken by the Company, etc. in the event of infringement of the rules, and make efforts to enhance awareness of information management.

During the fiscal year under review, the Group continued conducting mock drills related to targeted e-mail attacks and vulnerability assessments of our internal network by an external third party to reduce the risk of information leaks and information isolation triggered by network crimes with increasing complexity and sophistication.

b. Enhance the initiatives for preventing the leakage of important information

With regard to the state of compliance with rules for the handling of information assets (printed and electronic information), in addition to self-inspections implemented at all departments and audits conducted by the Internal Audit Department, we have strengthened the penalties for breaches and continued targeted guidance for those who infringe the rules.

During the fiscal year under review, we conducted a self-inspection on employees' use of social networking services (SNS) with a focus on risks of information leakage caused by the use of SNS and the like, in order to raise employee awareness.

- c. Ensure thorough familiarity with material information and information for timely disclosure and prevention of misstatements

The Information Disclosure Committee meets on a monthly and a temporary basis to understand which information is subject to timely disclosure, and to confirm information disclosure methods, etc. In addition, any changes in the rules regarding timely disclosure in connection with amendments of listing rules, etc. are reviewed on a monthly basis by the Committee and reported to the monthly meetings of the Board of Directors.

(3) Management of risk of loss

- a. Ensure thorough understanding, analysis and assessment of risks

In accordance with the Risk Management and Compliance Program formulated at the beginning of each fiscal year, we implement a survey to identify about 30 significant risks that have material impacts on the Group's business (once a year). In addition, with regard to the external environment, we conduct interviews with major business partners on specified themes in order to monitor real estate market conditions and transaction conditions, and conduct stress tests (twice a year), taking account of the financing status of financial institutions. The results are reported at the Board of Directors' meetings.

We have also instructed each Group company to formulate plans for managing risks and promoting compliance in light of each company's business operations, focusing on ensuring that the parent company organization appropriately supports these plans.

- b. Enhance monitoring of risk management

At monthly Risk Management and Compliance Committee's meeting, the states of our responses to emerging risks are checked, information gathering efforts on latent risks are continued, and the details are reported at the Board of Directors' meeting held each month, in addition to which the outcomes of the responses are monitored by the Internal Audit Department.

- c. Establish a proper internal reporting system for any occurrences and/or signs that contingencies may occur

All employees are encouraged, at morning briefings, training sessions and meetings, to report promptly to the heads of each department, and the heads of each department are kept informed of their duty to report to full-time Directors and Audit & Supervisory Board Members.

In addition, the results of internal audits conducted by the Internal Audit Department are periodically reported to the Board of Directors, in order to share issues identified through audits and utilize them for improvement of operation quality.

- d. Promptly react to any occurrence of contingencies and disclose information

In case of occurrence of a contingency, a natural disaster, etc., a crisis management office directed by the President and CEO as the head will be established to collect information, confirm facts and circumstance, develop and implement countermeasures, and properly disclose information in a timely manner. In addition, mock drills on contingencies such as large-scale earthquake and fire are held periodically at each location, to prepare ourselves to be able to act calmly and appropriately in the event of any contingency.

(4) Efficient execution of duties by Directors

- a. Carry out deliberation and decision-making on the important management matters, in an efficient, timely and appropriate manner

In order to further enrich and to make more efficient the deliberations of the Board of Directors (held on a regular and a temporary basis), we have implemented management meetings and pre-Board meeting discussions to confer beforehand on matters to be resolved by the Board of Directors.

- b. Eliminate excessive pursuit of efficiencies in the management plans, etc. and pursue the balance with the soundness

Annual business plans and budgets are prepared toward the achievement of the three-year medium-term management plan.

When drawing up the business plans and budgets for each fiscal year, we analyze the economic environment in Japan and overseas and the operating environment in the real estate market, conduct separate discussions with each department and Group company without setting goals that are over-ambitious, and make our final decisions as consolidated budgets at the Board of Directors' meeting.

During the fiscal year under review, we formulated a long-term management plan based on mega trend predictions in various relevant areas, aiming to have more specific vision for a longer term with a focus on sustainability of the Group. In formulating the plan, Outside Directors and full-time Audit & Supervisory Board Members exchanged their opinions to formulate a plan that is based on multi-faceted perspectives.

- c. Establish a system to allow appropriate and efficient execution of business

We have been implementing organizational changes and other modifications in order to execute business appropriately and efficiently. This is in response to changes in the content of the businesses, the increase in the number of employees associated with the expansion of business including new businesses, and the increase in the number of Group companies, etc.

In addition, we decided upon an organizational reform at the end of the fiscal year under review, aiming at further improvement of operational efficiency for the next fiscal year.

(5) Properness of operations of entire Group

- a. Ensure compliance with laws and regulations by officers and employees of each Group company

Through various trainings, etc. conducted by the Company and each Group company, we are striving for a full penetration of the understanding of the Group's philosophy and improvement of compliance awareness. In addition, we share information on compliance through implementation of the Risk Management and Compliance Program, established by the Company and each Group company, and attendance of responsible personnel of each Group company to meetings of the Company's Risk Management and Compliance Committee. Furthermore, the Company's in-house booklets about compliance with laws and regulations, called the Compliance Mind, are distributed to the Group companies to keep them informed of the importance of compliance. Also, we conduct the compliance and corporate philosophy questionnaire every fiscal year for all officers and employees in the Group, identify issues of each Group company, and consider responses to such issues.

During the fiscal year under review, we newly created a Group-wide common portal site, in order to standardize information-sharing regarding risk management and compliance among the Group companies. The portal site is utilized for promotion of provision of various information, penetration of Group-wide common rules, and standardization of compliance awareness.

- b. Ensure thorough understanding, analysis and assessment of operational risks related to each Group company, and responses to contingencies

Regarding the management of each Group company and significant risks (about 30 items) related to their business, risk evaluations are conducted each fiscal year. At the same time, the Company's full-time Directors, Executive Officers in the Administrative Division, etc. are concurrently appointed as Director or Audit & Supervisory Board Member for each Group company with the remit of monitoring and supervising each Group company's responses to risks. Every month, each Group company reports management conditions and their responses to risks at the meeting of the Board of Directors or pre-Board meeting discussions of the Company, and the Risk Management and Compliance Committee's meeting. Moreover, the response of these Group companies and the results thereof are continuously audited or monitored by the Company's Internal Audit Department, which may also conduct checks using external agencies as necessary, and then we have the Internal Audit Department report the results at the Board of Directors' meeting.

- c. Formulate a medium-term management plan, annual business plans and budgets relating to the entire Group, manage the progress of these plans, and respond to new issues appropriately

Annual business plans and budgets are prepared for each Group company, aimed toward the achievement of the Group's three-year medium-term management plan. When drawing up these plans and budgets, we analyze the economic environment in Japan and overseas as well as the environment for the business of each Group company, then make final decisions as consolidated budgets at the Board of Directors' meeting of the Company following separate discussions with each Group company so as to avoid setting goals that are over-ambitious.

As discussed above, we formulated a long-term vision during the fiscal year under review. In formulating the vision, both senior and junior employees from each Group company participated and put their efforts on formulation of a plan looking at long-term business deployment of each company.

The progress of the annual business plans and budgets is reported by representative directors of each Group company at the Board of Directors' meeting or the pre-Board meeting discussions of the Company on a monthly basis, and also, responses to new issues are deliberated and areas to be focused during the next half-year period are specified at the growth strategy meeting held with each Group company on a half-yearly basis.

- d. Establish a system for prompt reporting of significant matters of each Group company to the Company

With regard to important matters in the management and latent risks of each Group company, reports are made each month at meetings of the pre-Board meeting discussion and the Risk Management and Compliance Committee of the Company. Any contingencies, if occurred, are immediately reported to the chairman of the Risk Management and Compliance Committee of the Company, and a contingency management meeting composed of members including officers of the Company and each Group company is established to deliberate and implement countermeasures as a Group and to disclose information in a timely and appropriate manner.

- e. Enhance the system for ensuring the appropriateness of the financial reporting relating to the entire Group

In order to ensure the appropriateness of the financial reporting and the expeditious consolidated financial closing, the Corporate Management Department of the Company holds a meeting with the accounting department of each Group company for every quarterly closing to share information and provide instructions.

Furthermore, annual plans for internal control (J-SOX) are prepared to ensure the appropriateness of the financial reporting, and the Internal Audit Department of the Company conducts assessments and the audit corporation conducts audits.

In addition, the Company strengthens the system to ensure the appropriateness of financial

reporting for the entire Group by leveraging a shared service in which the Company undertakes the accounting operations of some of the Group companies.

- f. Eliminate wrongful acts and/or irregular transactions using the Group

Wrongful acts and/or irregular transactions are monitored by Directors and Audit & Supervisory Board Members of the Company through management reports of each Group company at the pre-Board meeting discussions each month, opinion-exchanging meetings (twice a year) attended by Outside Directors and the audit corporation, opinion-exchanging meetings (twice a year) attended by full-time Audit & Supervisory Board Members of the Company with representative directors of major Group companies, and the investigation of subsidiaries by full-time Audit & Supervisory Board Members (once a year). Also, internal rules have been established requiring any significant transactions by a Group company with the Company or other Group companies to be reported in advance to the Board of Directors of the Company.

(6) System to ensure effective auditing by Audit & Supervisory Board Members

- a. Designate members of staff to assist Audit & Supervisory Board Members in their duties

The Internal Audit Department has been assigned as the department in charge, and the personnel of the Internal Audit Department provide assistant duties under the command of Audit & Supervisory Board Members and carry out administrative duties for the Audit & Supervisory Board.

- b. Ensure the independence of the aforementioned members of staff from Directors

Evaluations, rewards and punishments, and transfers of personnel of the Internal Audit Department are carried out after the concurrence from the Audit & Supervisory Board is obtained in advance.

- c. Ensure prompt reporting to Audit & Supervisory Board Members from all officers and employees who have identified occurrence or signs of any material losses, any breach of laws and regulations or misconduct, and prompt responses to the inquiry from Audit & Supervisory Board Members

Reports are made in a timely and appropriate manner at corporate governance meetings, comprising full-time Directors and full-time Audit & Supervisory Board Members (held monthly), as well as in the interviews held by full-time Audit & Supervisory Board Members with the President and CEO (bimonthly) and with other full-time Directors and the heads of each department (regularly).

In addition, opinion-exchanging meetings concerning threefold auditing are held regularly (once a half year), between the Company's full-time Audit & Supervisory Board Members, the Internal Audit Department, and the audit corporation.

Regarding the whistle-blowing system, besides informing the employees of the Company that full-time Audit & Supervisory Board Members of the Company will act as regular contact points, reports made to the internal contact point (the chairman of the Risk Management and Compliance Committee) or to the external contact point (an external agency) will all be promptly reported to full-time Audit & Supervisory Board Members. Therefore, the system is designed so that reported facts are swiftly transmitted to full-time Audit & Supervisory Board Members.

- d. Ensure prompt reporting to Audit & Supervisory Board Members from all officers and employees of each Group companies who have identified occurrence and signs of any material losses attributable to the management of each Group company, any breach of laws and regulations or misconduct, and prompt responses to the inquiry from Audit & Supervisory Board Members

At the pre-Board meeting discussions of the Company, where each Group company makes the monthly management reporting, and at interviews by full-time Audit & Supervisory Board Members of the Company with representative directors of each Group company held

on a regular basis, each Group company is required to report occurrence and signs of any material losses and significant risks associated with management of the Group company. In addition, all officers and employees of the Group are continuously informed at morning briefings and training sessions that those who identify any breach of laws and regulations or misconduct have a duty to report Audit & Supervisory Board Members of the Company promptly.

- e. Ensure full notification of prohibition of disadvantageous treatments for the reason of a report by officers and employees of the Company and the Group companies to Audit & Supervisory Board Members

Regulations of the Company explicitly state that those who report Audit & Supervisory Board Members or whistle-blowers are protected from any disadvantageous treatments. Such policy is continuously informed at training sessions, etc., and is also stated in the explanation of systems on the Company's intranet and in leaflets, etc. distributed to employees.

In the compliance training sessions held during the fiscal year under review, video recording of a lecture by the Company's Director was widely distributed, in an effort to get across to its employees the Company's emphasis on protection of whistle-blowers when a whistle-blowing has been made and importance of prevention of harassment, in particular.

- f. Develop a whistle-blowing system across the entire Group and promptly report to Audit & Supervisory Board Members if whistle-blowing occurs

The Company continues to operate a whistle-blowing system that provides three contact points, internal, external, and through Audit & Supervisory Board Members of the Company. Reports to the internal and external contact points, if any, are promptly reported to Audit & Supervisory Board Members, and when no whistle-blowing has occurred, this fact is reported on a monthly basis.

In addition, all officers and employees of the Group are provided with a leaflet on which the contact points of the whistle-blowing system are listed, and are continuously informed of the system through various training sessions relating to compliance, morning briefings, and the publication of notice, etc.

- g. Provision of expenses associated with execution of duties of Audit & Supervisory Board Members

Expenses required for audit activities by and the studies of Audit & Supervisory Board Members are appropriated in the budget, and expenditures are reimbursed in a timely manner. Also, any unbudgeted expenditures required for audit activities are properly handled.

- h. Directors' understanding of and support for the audits by Audit & Supervisory Board Members and proactive improvement of the issues raised by Audit & Supervisory Board Members

At the Board of Directors' meeting held subsequently to the Ordinary General Meeting of Shareholders, the Directors receive explanations of Audit & Supervisory Board Members' annual audit plans and make efforts to understand such plans and cooperate in their implementation. Also, Directors receive reports on audit activities by full-time Audit & Supervisory Board Members on a monthly basis, and report at the Board of Directors' meeting once every three months the status of their responses to the issues raised by Audit & Supervisory Board Members through meetings, etc.

- i. Cooperation by Directors aiming to enhance audits by Audit & Supervisory Board Members across the entire Group

At the Board of Directors' meetings, the pre-Board meeting discussions, management meetings, and the Risk Management and Compliance Committee's meetings, Directors report the management conditions of the entire Group, risk information, etc. to Audit &

Supervisory Board Members and share information. Furthermore, the periodic interviews by full-time Audit & Supervisory Board Members with full-time Directors including the President and CEO, heads of each department, and representative directors of major Group companies, as well as the liaison meetings of Audit & Supervisory Board Members of the Group companies (on a half-yearly basis) are held where full-time Directors offer cooperation as full-time Audit & Supervisory Board Members require.

7. Basic policy regarding the control of the Company

(1) Details of the basic policy

The Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who fully understand the details of the Company's financial and business affairs and the source of the Company's corporate value and who will make it possible to continually and persistently ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders.

The Company believes that ultimately its shareholders as a whole must make the decision on any proposed acquisition that would involve a change of control of the Company. Also, the Company will not reject a large-scale acquisition of the shares in the Company if it will contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

Nonetheless, there are some forms of large-scale acquisition of shares that benefit neither the corporate value of the target company nor the common interests of its shareholders including those with a purpose that would obviously harm the corporate value of the target company and the common interests of its shareholders, those with the potential to substantially coerce shareholders into selling their shares; those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the details of the large-scale acquisition, or for the target company's board of directors to make an alternative proposal and those that require the target company to discuss or negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer.

It is particularly necessary and essential for the persons who make decisions on the Company's financial and business policies to (i) maintain the system under which the Company group covers with its comprehensive capability the diverse business fields and peripheral fields that allow the "integration of real estate and finance," which leads to maximization of the potential of the Company group, (ii) maintain employees who support those businesses with knowledge and experience specializing in real estate and finance, etc., (iii) maintain the Company's trust in the real estate industry that has been built up over a long period of time based on the establishment of the ability and information networks supporting various value creation technologies, and (iv) master knowhow that enables comprehensive business. Unless the acquirer of a proposed large-scale acquisition of the shares in the Company understands the source of the corporate value of the Company as well as the details of financial and business affairs of the Company and would ensure and enhance these elements over the medium-to-long term, the corporate value of the Company and, in turn, the common interests of its shareholders would be harmed.

The Company believes that persons who would make a large-scale acquisition of the shares in the Company in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate as persons that control decisions on the Company's financial and business policies. The Company believes that it is necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking necessary and reasonable countermeasures against a large-scale acquisition by such persons.

(2) Measures to realize the basic policy

a. Special measures to realize the basic policy

The Group established its three-year medium-term management plan aiming to further increase the Group's corporate value and is pushing ahead with business accordingly.

Under the medium-term management plan “Infinite Potential 2023” (from December 2020 to November 2023) formulated in 2020, which upheld the main policy of “Pursue the Group’s infinite growth potential in all aspects of real estate and aim for a new stage as a comprehensive real estate company,” we pursued such initiatives as the expansion of existing businesses with a focus on environmental and social issues as well as the enhancement of existing businesses through the promotion of DX while putting sustainability management into practice.

During the fiscal year under review, which was the final fiscal year of the plan, we enhanced our competitive edge in real estate transactions, focusing on promotion of real estate acquisition utilizing M&A methodologies and real estate solutions with a focus on environmental and social issues, as initiatives under the basic policy “Expand existing businesses and increase operating profit with a focus on environmental/social issues.” Additionally, in the Stock and Fee Business, the Company’s stable source of income, we responded to the recovery in accommodation demand and expanded the scale of our business by opening the Tosei Hotel COCONE Tsukiji Ginza Premier in the Hotel Business. In the Property Management Business and the Fund and Consulting Business, we concentrated our efforts on improving service quality and expanding the assets under management.

With regard to the promotion of DX, the Group accelerated its initiatives to create new income-generating models that combine real estate and DX, such as issuance of security tokens backed by domestic real estate, increasing newly originated funds as part of its real estate crowd funding scheme, and launching “TRESQ,” the digital matching business for real estate investment instruments, among other initiatives. Additionally, we consolidated these three businesses as the real estate tech arm of the Group and launched the new company Tosei Proptech Co., Ltd. to allow for strategic and innovative business development untethered by conventional businesses.

In promoting ESG management, to further sophisticate our efforts, we identified the materiality (material issues) of the Group in the promotion of sustainability, promoted human resources and organizational strategies, and improved and expanded the disclosure of non-financial information.

As a result of these efforts, we achieved record profits (profit before tax of ¥15.3 billion) as well as an ROE of 13.6%, exceeding the ROE of 12%, which had been targeted in the final fiscal year. In addition, we achieved nearly all of the targets for the final fiscal year, with the stable businesses ratio (operating profit-basis) of 49.2% (target: 42% or more), equity ratio of 33.4% (target: about 35%), and net debt-to-equity ratio of 1.31 times (target: about 1.3 times), realizing sustainable growth in terms of stability and financial soundness, as well.

We have formulated the new medium-term management plan “Further Evolution 2026” (from December 2023 to November 2026) beginning in the fiscal year ending November 30, 2024. The summary of the new plan is stated in “1. Matters regarding current status of the Group (4) Issues to be addressed” of the Business Report. We aim to ensure and enhance the common interests of shareholders by improving the Group’s corporate value through steady achievement of the targets set in the new medium-term management plan and realization of proper corporate governance.

- b. Measures to prevent decisions on the Company’s financial and business policies from being controlled by persons deemed inappropriate under the basic policy

The Company renewed the “Plan for countermeasures to large-scale acquisitions of the shares in the Company (takeover defense plan)” with the approval at the 71st Ordinary General Meeting of Shareholders held on February 25, 2021 (the renewed takeover defense plan is to be referred to as the “Plan”).

1) Purpose of the Plan

The purpose of the Plan is, on the occasion that a proposal of large-scale acquisition of the shares in the Company is made, to ensure necessary and sufficient time and information for

the shareholders to make appropriate decisions and to ensure opportunities to negotiate with the acquirer and the like, and thereby to deter takeovers that are against the corporate value of the Company and the common interests of its shareholders, and to ensure and enhance the corporate value of the Company and the common interests of its shareholders.

2) Targeted acquisitions

The Plan will be applied in cases of (i) a purchase or other acquisition that would result in the holding ratio of share certificates, etc. of a holder totaling at least 20% of the share certificates, etc. issued by the Company; or (ii) a tender offer that would result in the ownership ratio of share certificates, etc. of the party making the tender offer and the ownership ratio of share certificates, etc. of a person having a special relationship with the party totaling at least 20% of the share certificates, etc. issued by the Company, or any similar action, or a proposal for such action (except for those approved by the Board of Directors; such an action or proposal is to be referred to as the “Acquisition” and the party attempting the Acquisition is to be referred to as the “Acquirer”).

3) Submission of Acquirer’s Statement

The Company will request the Acquirer to submit to the Company in the form separately prescribed by the Company a document that includes an undertaking that the Acquirer will comply with the procedures set out in the Plan (signed by or affixed with the name and seal of the representative of the Acquirer) and a qualification certificate of the person who signed or affixed its name and seal to that document (collectively, “Acquirer’s Statement”) before commencing or effecting the Acquisition. The Acquirer’s Statement must include the name, address or location of headquarters, location of offices, governing law for establishment, name of the representative, contact information in Japan for the Acquirer and the outline of the intended Acquisition.

4) Request to the Acquirer for the provision of information

The Company will provide the Acquirer the format for the Acquisition Document no later than 10 business days after receiving the Acquirer’s Statement. The Acquirer must provide the Board of Directors with the document in the form provided by the Company, which includes the information described in each item of the list below.

The Company defines 60 days from the day following the day when the Company’s Board of Directors first provides the Acquirer with the format for the Acquisition Document as the maximum period when the Company’s Board of Directors and the Independent Committee request the Acquirer to provide information and the Acquirer replies to the request (“Period for Providing Information”). Even if sufficient Essential Information is not provided, the Independent Committee Consideration Period (to be described later in 5)) starts immediately when the maximum Period for Providing Information ends. The consideration shall be based on the information that has been provided up to that point of time. (If the Acquirer requests an extension of the period for a reasonable ground, the Company’s Board of Directors and the Independent Committee may extend the period as necessary.)

- i) Details (including name, capital structure, financial position, operation results, status of compliance with laws or ordinances, terms of previous transactions by the Acquirer similar to the Acquisition and effects on the corporate value of the target companies as a result of the transactions) of the Acquirer and its group (including Joint Holders, persons having a special relationship, members (in the case of a fund) and persons having a special relationship with a person in relation to whom the Acquirer is the controlled corporation)
- ii) The purpose, method and specific terms of the Acquisition (including the amount and type of consideration, the timeframe, the scheme of any related transactions, the legality of the Acquisition method, terms and conditions and the probability of the Acquisition)
- iii) The amount and basis for the calculation of the purchase price of the Acquisition (including assumptions and the like)

- iv) Financial support for the Acquisition (including the names of providers of funds (including all indirect providers of funds), financing methods and the terms of any related transactions and the like)
- v) Details of communications regarding the Acquisition with a third party (if any)
- vi) Post-Acquisition management policy, administrative organization, business plan, capital, dividend and asset management policies for the Company and the Company group
- vii) Post-Acquisition policies for the Company's shareholders (other than the Acquirer), employees, business partners, customers, and any other parties such as stakeholders in the Company
- viii) Specific measures to prevent conflicts of interests between the Acquirer and other shareholders in the Company
- ix) Any other information that the Independent Committee reasonably considers necessary

5) Independent Committee Consideration

The Independent Committee will conduct its consideration of the Acquisition terms, collection of information on the materials such as the management plans and business plans of the Acquirer and the Board of Directors and comparison thereof, and consideration of any alternative plan presented by the Board of Directors, and the like for a period of time that does not, as a general rule, exceed 60 days after the date on which the Independent Committee receives the information (including the information additionally requested) from the Acquirer and (if the Independent Committee requests the Board of Directors to provide information) the Board of Directors or the date on which the Period for Providing Information ends, whichever is earlier. (The time required for such collection and consideration of information by the Independent Committee is referred to as the Independent Committee Consideration Period.) Further, if it is necessary in order to improve the terms of the Acquisition from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Independent Committee will directly or indirectly discuss and negotiate with the Acquirer.

If the Independent Committee determines that the Acquisition by the Acquirer falls under any of the requirements described in 9) below, the Independent Committee will recommend the implementation of the gratis allotment of stock acquisition rights to the Board of Directors except in any specific case where further disclosure of information by the Acquirer or discussion or negotiation with the Acquirer is necessary.

6) Resolutions by the Board of Directors

The Board of Directors will pass a resolution relating to the implementation or non-implementation of a gratis allotment of stock acquisition rights respecting the recommendation of the Independent Committee described above to the maximum extent. If a meeting of shareholders is convened in accordance with 7) below, the Board of Directors will pass a resolution in accordance with the resolution at the meeting of shareholders.

7) Convocation of the Shareholders Meeting

Upon the implementation of the gratis allotment of the stock acquisition rights pursuant to the Plan, the Board of Directors may convene a meeting of shareholders (the "Shareholders Meeting") and confirm the intent of the Company's shareholders regarding the implementation of the gratis allotment of the stock acquisition rights, if (i) the Independent Committee recommends implementation of the gratis allotment of stock acquisition rights subject to confirming the shareholders' intent in advance, or (ii) the applicability of Trigger Event (2) becomes an issue in respect of the Acquisition and the Board of Directors determines it appropriate to confirm the shareholders' intent taking into consideration the time required to convene the Shareholders Meeting or other matters pursuant to the duty of care of a director.

8) Information disclosure

The Company will disclose, in a timely manner, information on matters that the Board of Directors considers appropriate including the progress of each procedure set out in the Plan, an outline of recommendations made by the Independent Committee, an outline of resolutions by the Board of Directors and an outline of resolutions at the Shareholders Meeting.

9) Requirements for the gratis allotment of stock acquisition rights

The requirements to trigger the Plan to implement a gratis allotment of stock acquisition rights are as follows. The Board of Directors will make a determination as to whether any of the following requirements applies to an Acquisition for which the recommendation by the Independent Committee has been obtained.

Trigger Event (1)

The Acquisition is not in compliance with the procedures prescribed in the Plan (including cases that time and information reasonably necessary to consider the details of the Acquisition is not offered) and it is reasonable to implement the gratis allotment of stock acquisition rights.

Trigger Event (2)

The Acquisition falls under any of the items below and it is reasonable to implement the gratis allotment of stock acquisition rights.

- i) An Acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through any of the following actions
 - A buyout of share certificates, etc. to require such share certificates, etc. to be compulsorily purchased by the Company or the Company's affiliates at a high price
 - Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets
 - Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company
 - Temporary control of the Company's management to bring about the disposal of high-value assets that have no current relevance to the Company's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends
- ii) Certain Acquisitions that threaten to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers, in which no offer is made to acquire all shares in the initial acquisition, and acquisition terms for the second stage are set that are unfavorable or unclear)
- iii) Acquisitions to which the terms (including the amount and type of consideration, timeframe, legality of the Acquisition method, probability of the Acquisition being effected, and post-Acquisition management policies or business plans and policies dealing with the Company's other shareholders, employees, customers, business partners and any other stakeholders in the Company) are inadequate or inappropriate in light of the Company's intrinsic value
- iv) Acquisitions that materially threaten to oppose the corporate value of the Company and, in turn, the common interests of shareholders, by destroying relationships with the Company's employees, customers, business partners and the like and the brand strength or the corporate culture of the Company, which are indispensable to the generation of the Company's corporate value

- v) An Acquisition to be effected by an Acquirer who is extremely inappropriate to acquire the control of the Company in terms of public order and morals in cases such as where a person related to an anti-social force is included in the management of or the major shareholders in the Acquirer

10) Outline of the stock acquisition rights

The stock acquisition rights which will be allotted gratis in accordance with the Plan can be exercised by paying the amount determined by the Board of Directors within the range between the lower limit of one yen and the upper limit of 50% of the market price of one share of the stock of the Company. As a general rule, one ordinary share can be acquired by the exercise. Further, a term of exercise that an exercise of rights by non-qualified parties including the Acquirer is not permitted and a term of acquisition that the Company can acquire one stock acquisition right in exchange for one share of the stock of the Company as a general rule from parties other than non-qualified parties are attached.

11) Effective period of the Plan

The effective period of the Plan expires at the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within three years after the conclusion of the 71st Ordinary General Meeting of Shareholders. However, if, before the expiration of the Effective Period, the Board of Directors resolves to abolish the Plan, the Plan will be abolished at that time.

12) Impact on shareholders

Even after introducing the Plan, assuming gratis allotment of stock acquisition rights has not been implemented, there is no direct or specific impact on shareholders. If the gratis allotment of stock acquisition rights has been implemented in accordance with the Plan, and the shareholders do not follow the procedures for exercising stock acquisition rights, the value of shares held may be diluted (However, if the Company acquires stock acquisition rights in exchange for shares in the Company, no dilution of share value will take place.).

(3) Decisions and reasoning by the Board of Directors regarding above specific measures

The medium-term management plan and various measures such as the enhancement of corporate government of the Company are developed as specific measures to continuously and sustainably improve the corporate value of the Company and the common interests of its shareholders, and are consistent with the Company's basic policy.

The Plan is a mechanism to ensure and enhance the corporate value of the Company and the common interests of its shareholders and thus is consistent with the basic policy. In particular, fairness and objectivity are ensured under the Plan because: the Plan satisfies the three principles set out in the Guidelines Regarding Takeover Defense (the Ministry of Economy, Trade and Industry, etc.); approval of the General Meeting of Shareholders has been obtained regarding the renewal of the Plan, the effective period is to be a maximum of approximately three years and the Plan may be abolished at any time by a resolution by the Board of Directors; the Independent Committee composed of highly independent members including Outside Directors has been established and the Plan must never be triggered without a decision of the Independent Committee; reasonable and objective requirements regarding the triggering are established; the Independent Committee may at the cost of the Company obtain advice from independent third party specialists; the Board of Directors shall, under certain circumstances, confirm the intent of the shareholders at the Shareholders Meeting regarding the need to trigger the Plan; and the Plan is not a takeover defense measure in which even if a majority of the members of the Board of Directors are replaced, the triggering of the measure cannot be stopped (dead-hand type), or a takeover defense measure in which it takes long time to replace a majority of the members of the Board of Directors due to a staggered board of directors system (slow-hand type). Accordingly, the purpose of the Plan is not to maintain the position of the Company's Directors and Audit & Supervisory Board Members, but to contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

<To shareholders>

The Plan will remain effective through the conclusion of the 74th Ordinary General Meeting of Shareholders of the Company to be held on February 27, 2024. Before the expiration of the effective period, it was resolved at the Board of Directors' meeting held on January 25, 2024 to renew the plan with partial amendment, subject to approval of the shareholders at the 74th Ordinary General Meeting of Shareholders. For details, please refer to pages 14 to 26 of the Notice of the 74th Ordinary General Meeting of Shareholders.

<Consolidated Financial Statements>

Consolidated Statement of Financial Position

(As of November 30, 2023)

(¥ thousand)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	162,831,025	Current liabilities	24,353,486
Cash and cash equivalents	39,197,843	Trade and other payables	6,107,625
Trade and other receivables	5,348,785	Interest-bearing liabilities	13,783,385
Inventories	118,252,139	Current income tax liabilities	3,269,414
Other current assets	32,256	Provisions	1,193,060
Non-current assets	82,498,665	Non-current liabilities	138,656,921
Property, plant and equipment	33,018,001	Trade and other payables	4,207,480
Investment properties	37,805,499	Interest-bearing liabilities	132,804,369
Goodwill	1,401,740	Retirement benefits obligations	761,387
Intangible assets	138,914	Provisions	85,122
Trade and other receivables	1,440,172	Deferred tax liabilities	798,561
Other financial assets	7,826,991	Total liabilities	163,010,408
Deferred tax assets	839,334	Equity	
Other non-current assets	28,010	Equity attributable to owners of the parent	82,046,685
		Share capital	6,624,890
		Capital reserves	7,200,518
		Retained earnings	68,139,668
		Treasury shares	(335,327)
		Other components of equity	416,935
		Non-controlling interests	272,596
		Total equity	82,319,282
Total assets	245,329,690	Total liabilities and equity	245,329,690

Consolidated Statement of Comprehensive Income

(From December 1, 2022 to November 30, 2023)

	(¥ thousand)
Item	Amount
Revenue	79,446,329
Cost of revenue	49,161,218
Gross profit	30,285,111
Selling, general and administrative expenses	14,247,230
Other income	264,795
Other expenses	48,097
Operating profit	16,254,578
Finance income	403,929
Finance costs	1,347,800
Profit before tax	15,310,707
Income tax expense	4,802,515
Profit for the year	10,508,192
Other comprehensive income	
Items that will not be reclassified to net profit or loss	
Net change in financial assets measured at fair values through other comprehensive income	30,950
Remeasurements of defined benefit pension plans	12,822
Total items that will not be reclassified to net profit or loss	43,772
Items that may be reclassified to net profit or loss	
Exchange differences on translation of foreign operations	17,901
Net change in fair values of cash flow hedges	(25,845)
Total items that may be reclassified to net profit or loss	(7,944)
Other comprehensive income for the year, net of tax	35,827
Total comprehensive income for the year	10,544,020
Profit attributable to:	
Owners of the parent	10,507,095
Non-controlling interests	1,096
Profit for the year	10,508,192
Total comprehensive income attributable to:	
Owners of the parent	10,542,923
Non-controlling interests	1,096
Total comprehensive income for the year	10,544,020

Consolidated Statement of Changes in Equity

(From December 1, 2022 to November 30, 2023)

(¥ thousand)

	Equity attributable to owners of the parent					Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity			
Balance as of December 1, 2022	6,624,890	6,775,532	60,029,994	(1,533,670)	393,929	72,290,677	–	72,290,677
Comprehensive income for the year								
Profit for the year			10,507,095			10,507,095	1,096	10,508,192
Other comprehensive income					35,827	35,827		35,827
Total comprehensive income for the year	–	–	10,507,095	–	35,827	10,542,923	1,096	10,544,020
Amount of transactions with owners								
Purchase of treasury shares		(2,619)		(113,913)		(116,533)		(116,533)
Disposal of treasury shares		427,605		1,312,256		1,739,862		1,739,862
Dividends from surplus			(2,410,243)			(2,410,243)		(2,410,243)
Change from newly consolidated subsidiary							271,500	271,500
Transfer from other components of equity to retained earnings			12,822		(12,822)	–		–
Total amount of transactions with owners	–	424,985	(2,397,421)	1,198,342	(12,822)	(786,914)	271,500	(515,414)
Balance as of November 30, 2023	6,624,890	7,200,518	68,139,668	(335,327)	416,935	82,046,685	272,596	82,319,282

Notes to Consolidated Financial Statements

1. Significant matters in preparing consolidated financial statements

(1) Basis of preparation of consolidated financial statements

Pursuant to the provisions of Article 120, paragraph 1 of the Regulations on Corporate Accounting, consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRS). In accordance with the provision of the latter part of the same paragraph, some disclosure items required under IFRS are omitted in the consolidated financial statements.

(2) Scope of consolidation

1) Number and names of consolidated subsidiaries

- Number of consolidated subsidiaries: 18
- Names of major consolidated subsidiaries: Tosei Community Co., Ltd.
Tosei Asset Advisors, Inc.
Tosei Logistics Management Co., Ltd.
Tosei Hotel Management Co., Ltd.
Tosei Hotel Service Co., Ltd.
Princess Square Co., Ltd.
Tosei Proptech Co., Ltd..
TOSEI-R, Inc.
Tosei Chintai Hosho LLC
Tosei Singapore Pte. Ltd.
Kishino Corporation
Masuda Kenzai-ten Co., Ltd.
Sanki-shoji Co., Ltd.
Isogo Asset Management Co., Ltd.
Shibaura Residential Co., Ltd.
Usui Kigata Kogyo K.K.

2) Change in scope of consolidation

During the fiscal year under review, the Company acquired shares in Shibaura Residential Co., Ltd. and Usui Kigata Kogyo K.K., and accordingly, has included them in the scope of consolidation.

In addition, the Company acquired equity in the silent partnership of TREC MARS LLC and TREC JUPITAR LLC, and accordingly, has included them in the scope of consolidation.

Furthermore, the Company established TOSEI-R, Inc. and Tosei Proptech Co., Ltd., and accordingly, has included them in the scope of consolidation.

(3) Application of equity method

There are no subsidiaries and affiliates to be accounted for by the equity method.

(4) Accounting policies

1) Financial instruments

(i) Valuation basis and methods for financial assets

The Group classifies investments in financial assets in three categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss. This classification is made according to the nature of assets and for what purpose the assets were acquired. The classification of investments is determined on initial recognition, and whether the classification is appropriate is reassessed at each reporting date.

(A) Classification of financial assets

(a) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost, if both of the following conditions are met:

- The asset is held based on a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(b) Financial assets measured at fair value through other comprehensive income (debt financial assets)

Financial assets are classified as financial assets measured at fair value through other comprehensive income, if both of the following conditions are met:

- The asset is held based on a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After the initial recognition, the assets are measured at fair value and subsequent changes are recognized in other comprehensive income. As of the end of the fiscal year under review, no financial assets measured at fair value through other comprehensive income (debt financial assets) were held by the Group.

(c) Financial assets measured at fair value through other comprehensive income (equity financial assets)

Equity financial assets are classified as financial assets measured at fair value through other comprehensive income, with the exception of some assets.

Of the financial assets measured at fair value through other comprehensive income (equity financial assets) held by the Group, the fair value of listed securities is measured at quoted market prices. For financial assets for which there is no active market and unlisted securities, the Group calculates fair value using certain valuation techniques, in particular, which include recent cases of arm's length transactions, references to prices of other financial instruments that are substantially equivalent, the discounted cash flow method, and others.

(d) Financial assets measured at fair value through profit or loss

Financial assets other than financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

(B) Recognition and subsequent measurement

Purchase and sale of a financial asset are recognized at the transaction date, which is the date on which the Group commits itself to purchase or sell the asset. A financial asset is derecognized when the rights to receive cash flows from the asset are extinguished or transferred, and the Group has substantially transferred all the risks and economic value incidental to ownership of the asset. A financial asset is initially recognized at the fair value plus directly attributable transaction costs, and subsequently measured at the fair value.

(C) Impairment

The Group assesses financial assets or financial asset groups on a quarterly basis on whether there is any objective evidence that the asset or asset group is impaired. When there is

objective evidence, impairment losses are recognized. Of financial assets measured at amortized cost, objective evidences for impairment of trade and other receivables are debtors' financial difficulties, possibility of bankruptcy, or impossibility or significant delays of payments. Book values of such assets are written down using allowance based on the amount of impairment loss calculated as the difference between the present value of estimated future cash flows discounted at the initial effective interest rate and the book value. If the asset becomes unrecoverable, the amount of impairment loss is directly reduced from the book value of the financial asset.

Reversal of an amount previously amortized is recognized in the profit or loss item in which impairment loss is accounted for. If such amount can be objectively measured because the amount of impairment loss has decreased resulting from an increase in the present value of estimated future cash flows discounted at the initial effective interest rate, the amount of decrease in the allowance is recognized in profit or loss in subsequent accounting periods. The book value of assets previously impaired are increased within the scope of amount not exceeding the amortized cost that are assumed in case of non-impairment.

For equity financial assets, the possibility that the cost of investment is not recoverable and whether there is a significant or long-term decrease of fair value, which are included in information on significant changes that have adverse effects arising in the business environment where an issuer runs its business, are also taken into account in assessing whether there is any objective evidence for impairment. When there is objective evidence of impairment for equity financial assets, accumulated other comprehensive income are immediately transferred to retained earnings.

(ii) Valuation basis and methods for financial liabilities

The Group recognizes a financial liability at the transaction date on which the Group becomes a party to the contract of the financial instrument.

The Group derecognizes a financial liability when it is extinguished, that is, when the contractual obligation is either discharged, cancelled, or expires.

Furthermore, the Group initially recognizes a financial liability at fair value and subsequently measures at amortized cost based on the effective interest method.

2) Valuation basis and methods for inventories

Inventories are assessed at cost or, if lower, at net realizable value. Net realizable value is calculated by deducting costs to sell from the estimated selling price.

The cost of inventories is comprised of purchase prices, development expenses, borrowing costs and separately identified expenditure including other related expenditure.

Borrowing costs for borrowings for developed real estate are capitalized as part of cost of the developed real estate over the period up to the end of the development, based on the specific identification method.

3) Depreciation method for significant depreciable assets

(i) Property, plant and equipment

The Group applies the cost model in measurement of property, plant and equipment.

Property, plant and equipment are measured at the carrying amount, which is calculated as cost less any accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes cost directly incidental to the acquisition of assets, and costs of dismantling and removing the assets and restoring the site on which they are located, and borrowing costs directly attributable to acquisition, construction or production of qualifying assets.

Subsequent expenditures on property, plant and equipment that have already been recognized are included in the carrying amount of the assets only if it is highly probable to generate future economic benefits related to the items for the Group and the expenditures can be measured

reliably. Costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss when incurred.

Depreciation of assets except for land and construction in progress is principally computed under the straight-line method over the following estimated useful lives. The declining balance method is applied, if depreciation based on the declining balance method better reflects the pattern in which the future economic benefits embodied in the asset are expected to be consumed by the entity.

Buildings and structures	3 to 50 years
Tools, furniture and fixtures	3 to 20 years

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each year, and changed if necessary.

(ii) Investment properties

Investment properties are properties held to earn rentals or for capital gain or both, and do not include properties for sale in the ordinary course of business or used for administrative purposes.

The Group applies the cost model in measurement of investment properties.

Investment properties are initially recognized at cost, and subsequently presented at the carrying amount, which is calculated as cost less any accumulated depreciation and accumulated impairment losses. Depreciation of investment properties is principally computed under the straight-line method over the following estimated useful lives. The declining balance method is applied, if depreciation based on the declining balance method better reflects the pattern in which the future economic benefits embodied in the asset are expected to be consumed by the entity.

Buildings and structures	3 to 50 years
Tools, fixtures and fittings	3 to 10 years

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each year, and changed if necessary.

(iii) Goodwill and intangible assets

(A) Goodwill

Goodwill is presented at the carrying amount, which is calculated as cost less any accumulated impairment losses. Goodwill is not amortized, and is tested for impairment at the end of each year or whenever there is an indication of impairment. Impairment losses on goodwill are recognized in the consolidated statement of comprehensive income and are not subsequently reversed.

(B) Intangible assets

The Group applies the cost model in measurement of intangible assets. An intangible asset is carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. The estimated useful lives and amortization methods are reviewed in each fiscal year, and if there are any changes made, those changes are applied prospectively as a change in accounting estimate.

The estimated useful lives of major asset items are as follows:

- Software 5 years

Subsequent expenditures on intangible assets that have already been recognized are included in the carrying amount of the assets only if it is highly probable to generate future economic benefits related to the items for the Group and the expenditures can be measured reliably. Other expenditures are recognized in profit or loss when incurred.

Acquired software is initially recognized at cost including purchase consideration (net of discounts and rebates) and expenditures directly attributable to the preparation for the asset for the intended use.

Intangible assets with indefinite useful lives are not amortized, and are tested for impairment at the end of each year or whenever there is an indication of impairment.

(iv) Leases

The Group assesses whether a contract is or contains a lease at inception of a contract. A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. When the Group assesses that a contract is or contains a lease, at the commencement of the lease, the Group recognizes right-of-use assets and lease liabilities.

Lease liabilities are measured at the present value of the total accrued lease payments. Right-of-use assets are measured at acquisition costs that are calculated using the amount of the initial measurement of the lease liabilities, adjusted by any initial direct costs incurred by the lessee, such as lease payments made at or before the commencement date.

Subsequent to the initial recognition, the right-of-use assets are depreciated using the straight-line method over their estimated useful life or lease term, whichever is shorter. The lease payments are apportioned between the finance costs and the reduction in the lease liabilities based on the effective interest method. The finance costs are recognized in the consolidated statement of comprehensive income.

Provided, however, for lease payments for short-term leases within 12 months and leases of low-value assets, right-of-use assets and lease liabilities are not recognized, and the lease payments are recognized as an expense over the lease term on a straight-line basis.

4) Impairment of non-financial assets

The Group assesses whether there is any indication of impairment on a quarterly basis for the carrying amount of non-financial assets except inventories and deferred tax assets. If any such indication exists, the Group estimates the recoverable amount of the asset or each cash-generating unit to which the asset belongs for impairment testing. Goodwill and intangible assets with indefinite useful lives are tested for impairment at the same time annually, or whenever there is an indication of impairment, by estimating the recoverable amount of the asset.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of its fair value less costs to sell and its value in use. When the recoverable amount of an asset or cash-generating unit falls below the carrying amount, the carrying amount of the asset or cash-generating unit is reduced to the recoverable amount.

The difference between the carrying amount and the recoverable amount is recognized in profit or loss as an impairment loss.

Impairment losses related to goodwill are not reversed.

With regard to other assets other than goodwill for which an impairment loss has been recognized in prior years, the Group assesses whether there is any indication that the loss has decreased or been extinguished. If any such indication exists, the Group estimates the recoverable amount of the asset or cash-generating unit.

If the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the carrying amount that would have been determined had no impairment loss been recognized, net of necessary depreciation and amortization, and is recognized as profit or loss.

5) Recognition of significant provisions

Provisions are recognized when there are present legal or constructive obligations as a result of past events; it is probable that outflows of economic benefits will be required to settle the obligations; and reliable estimates can be made of the amount of obligations.

6) Employment benefits

(i) Defined benefit pension plans

Liabilities associated with defined benefit pension plans are calculated by discounting the estimated amount of future benefits obtained in return for services that employees rendered in prior years or the fiscal year under review to the present value. The yield of gilt-edged corporate bonds of which the maturity largely matches that of the Group's debts is used as the discount rate. These liabilities are calculated by actuaries using the projected unit credit method. Remeasurement amounts arising from defined benefit pension plans are recognized as other comprehensive income and the amounts are transferred to retained earnings.

(ii) Defined contribution pension plans

Defined contribution pension plans are post-employment benefit plans in which an employer pays fixed contributions to a separate entity and will have no obligation to pay further contributions. Contributions associated with defined-contribution pension plans are recognized in profit or loss in the period during which employees render services.

(iii) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are recognized as profit or loss when the related service is rendered.

Bonus accrual and paid absences are recognized as liabilities, when the Group has present legal or constructive obligations to pay, and when a reliable estimate of the amount of obligations can be made.

7) Revenue

(i) Revenue from contracts with customers

The Group recognizes revenue from contracts with customers based on the following five-step approach, except for interest and dividend income, etc. under IFRS 9 *Financial Instruments* and rental income, etc. under IFRS 16 *Leases*.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group's major businesses are the Revitalization Business, the Development Business, the Rental Business, the Fund and Consulting Business, the Property Management Business and the Hotel Business. Revenue generated from these businesses is recorded in accordance with contracts with customers. Information related to performance obligations, the method of determining transaction price, and the timing of revenue recognition in each business are outlined below.

(Revitalization Business)

This business acquires office buildings, commercial facilities, apartments and other properties whose asset value has declined, boosts their value through "value-up plans" judged to best match the characteristics of the properties' areas and tenant requirements, and sells them as revitalized real estate to buyers including investors, real estate funds and individual business entities that acquire real estate for private use. With regard to sale of properties, the Group is obliged to transfer a property to a customer based on a property sale and purchase contract with the customer, etc. Such performance obligation is satisfied at a point in time when the property

is transferred, and revenue is recognized at the time of property transfer. The transaction price is determined based on the property sale and purchase contract, etc. A portion of the selling price is received as a deposit at the time the contract is concluded, and the remaining amount is received at the time the property is transferred.

(Development Business)

In this business, the Group verifies the characteristics of land it acquires including area, shape, intended purpose, relevant needs, rent, and selling price. Based on this, the Group carries out development and new construction to maximize the value of the land, and sells whole buildings or individual units. The performance obligations of the business and the timing of fulfillment thereof, the method of determining transaction price, the timing of revenue recognition, etc. are the same as those of the Revitalization Business.

(Rental Business)

In this business, the Group rents its own office buildings, condominiums, stores and parking lots to end-users and others primarily in the main districts of Tokyo. With regard to leasehold properties, the Group is obliged to make available electricity, gas, water, and other services based on a lease contract with a customer. The performance obligation is satisfied over a certain period of time during which the service is provided. Based on the measured amount of electricity, gas, water, and other services used by the customer, the Group recognizes as revenue the amount obtained by multiplying the measured amount of usage by the billing unit price. The Group receives payment for the previous month's usage at the end of the month.

(Fund and Consulting Business)

The Group provides asset management services for real estate funds, including the acquisition and disposal of trust beneficiary rights, etc., and management thereof during the holding period.

Based on an asset management contract, the Group is obligated to provide services related to the acquisition and disposal of trust beneficiary rights, etc., and management thereof during the holding period.

The obligation to provide services related to the acquisition and disposal of trust beneficiary rights, etc. is satisfied at a point in time when the services are completed, and revenue is recognized upon completion of services. The transaction price is determined based on the relevant contract and payment is received at the time of acquisition or disposal.

On the other hand, the performance obligation for management services during the holding period is satisfied over a certain period of time during which the services are provided. Revenue in each fee calculation period is recognized in the amount obtained by multiplying the book value of trust beneficiary rights, etc. by a certain interest rate for the period. The transaction price is determined based on the relevant contract and payments are received on a quarterly basis.

(Property Management Business)

This business includes equipment management, cleaning, and security for real estate properties, tenant management, and tenant solicitation.

Based on a property management contract, the Group is obligated to provide services such as equipment management and cleaning. This performance obligation is satisfied over a certain period of time. Property management reports are obtained by a specified date each month, and the amount based on the contract is recognized as revenue. The transaction price is determined based on the contract and payment for the month is received at the end of the following month.

(Hotel Business)

The Group is engaged in planning, operation, etc. of its own hotels mainly in the Tokyo metropolitan area.

The Group is obligated to provide hotel accommodation services based on accommodation terms and conditions. The performance obligation is satisfied at a point in time when the service is completed, and revenue is recognized upon completion of service. The transaction price is

determined based on the accommodation terms and conditions, hotel rates in the neighboring area, and other factors, and payment is received at the time of departure of the guest or upon requested by the hotel.

With regard to performance obligations to be satisfied over a certain period of time in the Rental Business, the Fund and Consulting Business, and the Property Management Business, revenue is recognized using the output method according to the stage of provision of services or when provision of services is finished, and the point at which a performance obligation is satisfied is determined in accordance with the content of a contract with a customer.

(ii) Operating lease of rental properties

Revenue associated with operating lease is recognized on a straight-line basis over the lease period.

(iii) Interest income

Interest income is recognized using the effective interest method.

(iv) Dividend income

Dividend income is recognized when the right to receive dividend is vested.

8) Significant hedge accounting method

Derivatives are initially recognized at fair value on the day when the derivative contract is entered into, and subsequently remeasured at fair value at each reporting date.

The Group has concluded interest rate swap contracts in order to hedge changes in future cash flows associated with floating-rate borrowings. At the inception of the hedge, concluded derivatives are designated as cash flow hedge and documented.

The Group also assesses whether a derivative used in the hedge transaction is highly effective in offsetting fair value of the hedged item or changes in cash flows, at the inception of the hedge or on an ongoing basis.

Changes in fair value of derivative transactions that are designated as cash flow hedge and qualify for cash flow hedge are recognized in equity through other comprehensive income. Of changes in fair value of derivative transactions, ineffective portion is immediately recognized in profit or loss.

9) Foreign currency translation methods

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currencies of each entity in the Group using the exchange rates at the date of the transactions. Assets and liabilities denominated in foreign currencies to be remeasured at the end of each reporting period are retranslated into the functional currencies using the exchange rates at that date. Non-monetary assets and liabilities measured at fair value in foreign currencies are retranslated into the functional currencies using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement of such transactions, and exchange differences arising on translating foreign currency-denominated monetary assets and liabilities using the exchange rates at the end of the reporting period, are recognized in profit or loss. However, when a gain or loss on a non-monetary item is recognized in other comprehensive income, the foregoing exchange differences are also recognized in other comprehensive income.

(ii) Foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the reporting date. Income and expenses are translated into Japanese yen using the average exchange rate for the period. However, if such an average exchange rate is not considered as a reasonable approximation of the cumulative effect of the exchange rates at the transaction dates, the exchange rates at the transaction dates are used.

Exchange differences arising on translating financial statements of foreign operations are

recognized in other comprehensive income. On the disposal of the interest in a foreign operation involving loss of control or significant influence, the cumulative amount of the exchange differences in connection with the foreign operation is recognized in profit or loss in the period during which the interest is disposed of.

(5) Notes on accounting estimates

Valuation of inventories

1) Amount recorded in the consolidated financial statements for the fiscal year under review

Real estate for sale	¥100,659,348 thousand
Real estate for sale in process	¥17,592,790 thousand
Loss on valuation of inventories (reversal of loss)	¥(371,028) thousand

2) Information on the nature of significant accounting estimates for identified items

(i) Calculation method

Real estate for sale and real estate for sale in progress are assessed at the lower of cost or net realizable value. Net realizable value is calculated for each individual property by deducting costs to sell from the estimated selling price. If the net realizable value is less than the cost, the cost is reduced to the net realizable value and the difference is recognized as a loss on valuation of inventories in the cost of revenue. In addition, when it is evident that the net realizable value has recovered due to changes in economic conditions and other factors, the loss on valuation of inventories is reversed accordingly, up to the acquisition cost.

(ii) Key assumptions

In calculating the net realizable value of properties for investors, assumptions such as rent, vacancy rate, and rental expenses are determined by comprehensively taking into account market trends, transaction cases of similar properties, past performance, and other factors. The discount rate is determined based on similar transactions, interest rate trends, etc. In addition, real estate appraisals are obtained as necessary.

For build-for-sale detached houses, assumptions are determined based on the most recent sales results, market trends, and other factors.

In making accounting estimates, the Group estimates selling prices of real estate for sale and real estate for sale in progress as well as development costs, such as value-up activities and construction costs, which are the basis for calculating their net realizable value, for each individual property. In the course of long-term real estate development and sales activities, these components of estimates have been affected by fluctuations in the economic environment and interest rates, competitive conditions in the real estate market, external factors in real estate development, and other factors.

(iii) Effect on the consolidated financial statements for the fiscal year ending November 30, 2024

Key assumptions are determined based on the best estimates available at the time of preparation of the consolidated financial statements. However, in the event of unexpected events such as deterioration in the economic environment and any subsequent changes in key assumptions, such changes may have a significant impact on the calculation of net realizable value.

2. Notes to consolidated statement of financial position

(1) Assets pledged as security

	(¥ thousand)
Details of pledged assets and the amounts	
Inventories	98,710,148
Property, plant and equipment	29,873,832
Investment properties	29,931,784
<hr/> Total	<hr/> 158,515,766
Amount of securitized obligation	
Interest-bearing liabilities	142,642,456
<hr/> Total	<hr/> 142,642,456

(2) Allowance for credit losses deducted directly from assets ¥7,619 thousand

(3) Accumulated depreciation on assets

	(¥ thousand)
Property, plant and equipment	3,648,755
Investment properties	3,153,252

(4) Change in holding purpose of assets

The following asset transfers were made due to changes in holding purpose of assets.

From inventory to property, plant and equipment	¥8,865,188 thousand
From inventory to investment properties	¥227,418 thousand
From investment properties to inventories	¥2,522,017 thousand

3. Notes to consolidated statement of changes in equity

(1) Class and total number of shares issued

(shares)				
Class of shares	Number of shares at beginning of the fiscal year under review	Increase	Decrease	Number of shares at end of the fiscal year under review
Ordinary shares	48,683,800	–	–	48,683,800

(2) Class and total number of treasury shares

(shares)				
Class of shares	Number of shares at beginning of the fiscal year under review	Increase	Decrease	Number of shares at end of the fiscal year under review
Ordinary shares	1,424,122	84,343	1,201,700	306,765

(Notes) 1. The increase in the number of treasury shares is mainly due to the acquisition pursuant to the Articles of Incorporation of the Company in accordance with the provision of Article 165, paragraph 2, of the Companies Act.

2. The decrease in the number of treasury shares is mainly due to the disposal through third-party allotment and the exercising of stock options.

(3) Dividends from surplus

1) Cash dividends paid, etc.

Matters regarding dividends based on the resolution of the 73rd Ordinary General Meeting of Shareholders held on February 24, 2023

• Total dividends	¥2,410,243 thousand
• Dividends per share	¥51
• Record date	November 30, 2022
• Effective date	February 27, 2023

- 2) Dividends whose record date is in the fiscal year under review and effective date is after the end of the fiscal year under review

A proposal will be submitted as follows at the 74th Ordinary General Meeting of Shareholders to be held on February 27, 2024.

• Total dividends	¥3,192,884 thousand
• Dividends per share	¥66
• Dividend resources	Retained earnings
• Record date	November 30, 2023
• Effective date	February 28, 2024

- (4) Number of shares delivered upon exercise of stock acquisition rights as of the fiscal year-end
132,600 ordinary shares (96,000 shares) of the Company

(Note) The number of treasury share acquisition rights is stated in parentheses.

4. Notes on financial instruments

- (1) Status of financial instruments

The Group procures necessary funds for purchasing properties that are products for sale mainly in the Revitalization Business and the Development Business through bank loans. Funds are invested in highly secure financial assets (such as deposits). The Group hedges interest rate fluctuation risk on some of borrowings by using interest rate swap transactions. The Group uses derivative transactions not for speculative purposes, but for hedging risks of fluctuations in interest rates on borrowings.

Trade and other receivables are exposed to credit risks of customers. With respect to these risks, the due dates and outstanding balances are managed for each business partner. Past due receivables are periodically reported to the management meeting and individually monitored and responded to.

Other financial assets are exposed to market fluctuation risk. For this risk, the market values are periodically monitored and reported to the management meeting.

With respect to trade and other payables, the majority of them are due within a year.

Corporate bonds and borrowings are to finance the purchase of properties that are products for sale mainly in the Revitalization Business and the Development Business. Most of them are with floating interest rates and are exposed to interest rate fluctuation risk. For this risk, the Group periodically makes a list of interest rates for each financial institution and monitors the fluctuations of interest rates.

For some of borrowings, the Group uses derivative transactions (interest rate swaps) in order to hedge the interest rate fluctuation risk and fix interest expenses. The effectiveness of hedges is assessed based on fluctuations in interest rates and others of hedged items and hedging instruments by comparing cumulative changes in fair value of hedged items and hedging instruments.

Corporate bonds and borrowings, which are extended by financial institutions, are exposed to the liquidity risks stemming from changes in attitudes of such financial institutions toward transactions with the Group. For these risks, the Group appropriately monitors information on fund demand of the Group and cash flow situation, strengthens relations with financial institutions with which we do business, and also makes efforts to diversify financing methods.

(2) Fair values of financial instruments

The carrying amounts in consolidated statement of financial position and the fair values, and differences thereof as of November 30, 2023 are shown below.

(¥ thousand)

	Carrying amount in consolidated statement of financial position	Fair value	Differences
Financial assets			
Financial assets measured at amortized cost			
(1) Cash and cash equivalents	39,197,843	39,197,843	—
(2) Trade and other receivables	4,500,897	4,500,897	—
Financial assets measured at fair value through other comprehensive income			
(3) Other financial assets	7,826,991	7,826,991	—
Financial liabilities			
Financial liabilities measured at amortized cost			
(4) Trade and other payables	7,811,400	7,811,400	—
(5) Interest-bearing liabilities	146,587,755	146,556,583	(31,172)

Method for measuring fair value of financial instruments

1) 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.

2) 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 determines fair values using certain valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, and the discounted cash flow method.

3) Non-current interest-bearing liabilities

The fair values of non-current interest-bearing liabilities with floating interest rates approximate the book values, as interest rates reflect market interest rates in short-term intervals. The fair values of those with fixed interest rates 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.

(3) 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, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair values through other comprehensive income	7,504,077	—	322,913	7,826,991
Financial assets measured at fair values through other comprehensive income (derivative) (Note)	—	26,004	—	26,004
Financial liabilities measured at fair values through other comprehensive income (derivative) (Note)	—	(3,057)	—	(3,057)

(Note) These are interest rate swap contracts hedging changes in future cash flows associated with floating-rate borrowings. The estimated period of cash flows arising in association with designated cash flow hedges and the period in which they are expected to have impact on profit or loss is three years or less after the end of the fiscal year under review.

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)

	Fiscal year ended November 30, 2023
Balance at beginning of period	125,083
Acquisition	163,058
Profit or loss	
Other comprehensive income (Note 1)	1,714
Disposal	(7,260)
Transfer (Note 2)	40,317
Balance at end of period	322,913

(Notes) 1. Gains or losses recognized in other comprehensive income are shown in “Net changes in financial assets measured at fair values through other comprehensive income” in the consolidated statement of comprehensive income.
2. Certain financial instruments were reclassified from Level 2 due to difficulty in obtaining observable inputs.

(4) 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 nature, characteristics, and risk of financial instruments are employed.

5. Notes on investment properties

(1) Status of investment properties

The Company and certain consolidated subsidiaries own rental office buildings mainly in Tokyo to earn rental revenue.

(2) Fair value of investment properties

The following table shows the carrying amount in the consolidated statement of financial position and the fair value of investment properties as of the end of the fiscal year under review.

	Carrying amount in consolidated statement of financial position			Fair value at end of the fiscal year
	Balance at beginning of the fiscal year	Increase/decrease during the fiscal year	Balance at end of the fiscal year	
Investment properties	39,864,258	(2,058,759)	37,805,499	70,251,919

(¥ thousand)

- (Notes)
1. The carrying amount in consolidated statement of financial position shown above indicates cost less any accumulated depreciation and accumulated impairment losses.
 2. For the increase/decrease during the fiscal year, main increases were new acquisition (¥792,855 thousand), and a main decrease was transfer to inventories (¥2,522,017 thousand) due to the change in business policy.
 3. The fair value as of November 30, 2023 was internally calculated in accordance with the Real Estate Appraisal Standards.

6. Recognition of revenue

(1) Disaggregation of revenue recognized from contracts with customers

The Group engages in six major businesses consisting of the Revitalization Business, the Development Business, the Rental Business, the Fund and Consulting Business, the Property Management Business, and the Hotel Business. Revenue generated from these businesses is recorded in accordance with contracts with customers, and the promised amount of consideration does not contain significant financing components.

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

Fiscal year ended November 30, 2023 (December 1, 2022 – November 30, 2023)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	47,535,447	7,245,313	—	—	—	—	54,780,760
Revenue from services	—	1,563	539,698	7,369,743	6,470,608	4,037,977	18,419,591
Revenue recognized from other sources	—	—	6,116,950	8,169	—	120,857	6,245,977
Revenue from external customers	47,535,447	7,246,876	6,656,649	7,377,912	6,470,608	4,158,835	79,446,329

- (Note) Revenue recognized from other sources is revenue recognized under IFRS 16 *Leases* and IFRS 9 *Financial Instruments*.

(2) Useful information in understanding revenue

This information is as stated in “1. Significant matters in preparing consolidated financial statements, (4) Accounting policies, 7) Revenue.”

(3) Useful information in understanding the amount of revenue for the fiscal year under review and subsequent fiscal years

1) Contract balance

	(¥ thousand)	
	As of December 1, 2022	As of November 30, 2023
Receivables arising from contracts with customers	1,831,472	2,362,757
Contract liabilities	1,187,749	1,591,619

- (Notes) 1. Receivables arising from contracts with customers are included in “trade and other receivables” on the consolidated statement of financial position, while contract liabilities are included in “trade and other payables.”
2. Contract liabilities are mainly related to advances received from customers. Said advances mainly consist of deposits received from customers at the time the contract is concluded in the sale of real estate, and rents of the following months received from customers in the rental of real estate properties. Of the income recognized in the fiscal year under review, ¥1,170,587 thousand was included in the balance of contract liabilities as of December 1, 2022.

2) Amount of the transaction price allocated to remaining performance obligations

The Group has no significant transactions where the expected duration of any individual contract exceeds one year and accordingly, description on information related to remaining performance obligations is omitted by applying the practical expedient. In addition, there is no significant amount of the consideration that arises from contracts with customers that is not included in the transaction price.

7. Per share information

(1) Equity attributable to owners of the parent per share	¥1,695.98
(2) Basic earnings per share	¥219.74

8. Significant subsequent events

Not applicable.

9. Other

All amounts in this report are rounded down to the nearest thousand yen, unless otherwise noted.

<Non-consolidated Financial Statements>

Non-Consolidated Balance Sheet

(As of November 30, 2023)

(¥ thousand)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	120,037,357	Current liabilities	14,042,970
Cash and deposits	25,212,066	Accounts payable-trade	884,049
Accounts receivable-trade	725,981	Short-term loans payable	94,200
Real estate for sale	72,375,817	Current portion of long-term loans payable	9,426,993
Real estate for sale in process	17,363,701	Lease obligations	6,333
Supplies	11,984	Accounts payable-other	914,656
Short-term loans receivable from subsidiaries and affiliates	2,305,000	Accrued expenses	121,356
Accounts receivable-other	594,967	Income taxes payable	1,238,723
Advance payments-trade	201,947	Accrued consumption taxes	52,477
Prepaid expenses	361,943	Advances received	570,873
Other	884,935	Unearned revenue	2,312
Allowance for credit losses	(988)	Deposits received	294,901
Non-current assets	97,486,769	Provision for bonuses	425,075
Property, plant and equipment	65,553,304	Provision for loss on rental business	11,018
Buildings	20,499,804	Non-current liabilities	129,659,220
Structures	149,480	Long-term loans payable	125,202,286
Machinery and equipment	30,728	Guarantee deposits	3,313,828
Vehicles	5,314	Lease obligations	7,334
Tools, furniture and fixtures	120,086	Asset retirement obligations	7,624
Land	44,735,708	Provision for retirement benefits	524,832
Lease assets	12,181	Long-term accounts payable-other for directors	302,679
Intangible assets	56,666	Long-term unearned revenue	14,644
Software	54,777	Deferred tax liabilities	285,989
Telephone subscription right	1,889	Total liabilities	143,702,190
Investments and other assets	31,876,798	Net assets	
Investment securities	7,615,447	Shareholders' equity	73,462,345
Stocks of subsidiaries and affiliates	12,105,737	Capital stock	6,624,890
Investments in capital	7,931	Capital surplus	7,337,620
Long-term loans receivable	21,973	Legal capital surplus	6,708,366
Long-term loans receivable from subsidiaries and affiliates	10,700,320	Other capital surplus	629,254
Long-term prepaid expenses	306,150	Retained earnings	59,835,162
Derivative assets	26,004	Legal retained earnings	7,250
Long-term accounts receivable-other	122,002	Other retained earnings	59,827,912
Claims provable in bankruptcy, claims provable in rehabilitation and other	67	General reserve	15,000
Lease and guarantee deposits	955,593	Reserve for tax purpose reduction entry of non-current assets	1,539,134
Other	15,770	Retained earnings brought forward	58,273,777
Allowance for credit losses	(199)	Treasury shares	(335,327)
Total assets	217,524,127	Valuation and translation adjustments	351,913
		Valuation difference on available-for-sale securities	333,872
		Deferred gains (losses) on hedges	18,041
		Stock acquisition rights	7,677
		Total net assets	73,821,936
		Total liabilities and net assets	217,524,127

Non-Consolidated Statement of Operations

(From December 1, 2022 to November 30, 2023)

	(¥ thousand)	
Item	Amount	
Net sales		46,480,528
Cost of sales		32,749,799
Gross profit		13,730,728
Selling, general and administrative expenses		5,976,249
Operating income		7,754,479
Non-operating income		
Interest income	67,858	
Dividends income	4,189,286	
Foreign exchange gains	10,247	
Miscellaneous income	90,739	4,358,132
Non-operating expenses		
Interest expenses	1,181,315	
Share issuance cost	1,510	
Bad debts expenses	15,788	
Miscellaneous loss	7,035	1,205,649
Ordinary income		10,906,961
Income before income taxes		10,906,961
Income taxes-current	2,452,754	
Income taxes-deferred	(284,373)	2,168,380
Net income		8,738,581

Non-Consolidated Statement of Changes in Net Assets

(From December 1, 2022 to November 30, 2023)

(¥ thousand)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surpluses		Other retained earnings			Total retained earnings
						General reserve	Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward	
Balance at the beginning of the year	6,624,890	6,708,366	177,606	6,885,972	7,250	15,000	1,539,134	51,945,440	53,506,824
Changes of items during the year									
Dividends from surplus								(2,410,243)	(2,410,243)
Net income								8,738,581	8,738,581
Purchase of treasury shares									
Disposal of treasury shares			451,647	451,647					
Net changes of items other than shareholders' equity									
Total changes of items during the year	-	-	451,647	451,647	-	-	-	6,328,337	6,328,337
Balance at the end of the year	6,624,890	6,708,366	629,254	7,337,620	7,250	15,000	1,539,134	58,273,777	59,835,162

	Shareholders' equity		Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments		
Balance at the beginning of the year	(1,533,670)	65,484,017	304,396	44,229	348,625	30,670	65,863,314
Changes of items during the year							
Dividends from surplus		(2,410,243)					(2,410,243)
Net income		8,738,581					8,738,581
Purchase of treasury shares	(113,913)	(113,913)					(113,913)
Disposal of treasury shares	1,312,256	1,763,904				(22,993)	1,740,910
Net changes of items other than shareholders' equity			29,475	(26,187)	3,288		3,288
Total changes of items during the year	1,198,342	7,978,328	29,475	(26,187)	3,288	(22,993)	7,958,622
Balance at the end of the year	(335,327)	73,462,345	333,872	18,041	351,913	7,677	73,821,936

Notes to Non-consolidated Financial Statements

1. Notes on significant accounting policies

(1) Valuation basis and methods for assets

1) Valuation basis and methods for securities

Stocks of subsidiaries	Stated at cost determined by the moving-average method
Available-for-sale securities	
• Securities other than shares, etc. that do not have a market value	Stated at fair value (unrealized gains and losses, net of applicable taxes, are reported in a separate component of net assets, and costs of securities sold are determined by the moving-average method).
• Shares, etc. that do not have a market value	Stated at cost determined by the moving-average method

2) Valuation basis and method for derivatives

Derivatives	Stated at fair value
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3) Valuation basis and methods for inventories

The cost method (the carrying amounts in the non-consolidated balance sheet are written down due to a decline in profitability of assets) is used as the valuation basis.

• Real estate for sale	Specific identification method
• Real estate for sale in process	Specific identification method
• Supplies	Last purchase price method

(2) Depreciation methods for non-current assets

1) Property, plant and equipment (excluding lease assets)	The straight-line method is applied. For certain assets, the declining balance method is applied.
2) Intangible assets (excluding lease assets)	
• Internal use software	Amortized by the straight-line method over the estimated useful life.
3) Lease assets	Lease assets are depreciated by the straight-line method over the lease term with no residual value.

(3) Recognition of allowances

1) Allowance for credit losses	To cover losses from bad debts, allowance for credit losses is provided in the amount expected to be uncollectible based on historical experience of bad debts for general receivables and individual collectability for specific receivables such as doubtful receivables.
2) Provision for bonuses	To cover bonus payments to employees, provision for bonuses is provided in the amount for the fiscal year based on the estimated amount of payment.
3) Provision for retirement benefits	To cover retirement benefits to employees, the amount that would be required to pay if all eligible employees retired at the fiscal year-end is provided based on the estimated amount of retirement benefit obligations as of the fiscal

year-end. In calculating retirement benefit obligations, the portion of expected benefits attributed to the periods up to the fiscal year-end is determined using the benefit formula basis.

Actuarial differences are amortized on a straight-line basis over a period equal to or less than the average remaining service period of eligible employees at the time of occurrence.

4) Provision for loss on rental business

To cover losses from subleasing contracts, etc., the amount of total rental expenses with payment obligations, etc., minus total expected rental revenues, etc., arising from subleasing is recorded.

(4) Recognition of income and expenses

The details of the main performance obligations in the major businesses related to revenue from contracts with the Company's customers and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

(Revitalization Business)

This business acquires office buildings, commercial facilities, apartments and other properties whose asset value has declined, boosts their value through "value-up plans" judged to best match the characteristics of the properties' areas and tenant requirements, and sells them as revitalized real estate to buyers including investors, real estate funds and individual business entities that acquire real estate for private use. With regard to sale of properties, the Group is obliged to transfer a property to a customer based on a property sale and purchase contract with the customer, etc. Such performance obligation is satisfied at a point in time when the property is transferred, and revenue is recognized at the time of property transfer. The transaction price is determined based on the property sale and purchase contract, etc. A portion of the selling price is received as a deposit at the time the contract is concluded, and the remaining amount is received at the time the property is transferred.

(Development Business)

In this business, the Group verifies the characteristics of land it acquires including area, shape, intended purpose, relevant needs, rent, and selling price. Based on this, the Group carries out development and new construction to maximize the value of the land, and sells whole buildings or individual units. The performance obligations of the business and the timing of fulfillment thereof, the method of determining transaction price, the timing of revenue recognition, etc. are the same as those of the Revitalization Business.

(Rental Business)

In this business, the Group rents its own office buildings, condominiums, stores and parking lots to end-users and others primarily in the main districts of Tokyo. With regard to leasehold properties, the Group is obliged to make available electricity, gas, water, and other services based on a lease contract with a customer. The performance obligation is satisfied over a certain period of time during which the service is provided. Based on the measured amount of electricity, gas, water, and other services used by the customer, the Group recognizes as revenue the amount obtained by multiplying the measured amount of usage by the billing unit price. The Group receives payment for the previous month's usage at the end of the month.

(5) Other significant matters for preparing financial statements

- | | |
|---|--|
| 1) Translation of assets and liabilities denominated in foreign currencies into Japanese currency | Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing at the balance sheet date, and differences arising from such translation are recognized in the non-consolidated statement of operations. |
| 2) Accounting for hedges | Deferral hedge accounting is applied. |

2. Notes on accounting estimates

Valuation of inventories

1) Amount recorded in the financial statements for the fiscal year under review

Real estate for sale	¥72,375,817 thousand
Real estate for sale in process	¥17,363,701 thousand
Loss on valuation of inventories (reversal of loss)	¥(151,691) thousand

2) Information on the nature of significant accounting estimates for identified items

(i) Calculation method

Real estate for sale and real estate for sale in progress are assessed at the lower of cost or net selling value. Net selling value is calculated for each individual property by deducting costs to sell from the estimated selling price. If the net selling value is less than the cost, the cost is reduced to the net selling value and the difference is recognized as a loss on valuation of inventories in the cost of sales. In addition, when it is evident that the net selling value has recovered due to changes in economic conditions and other factors, the loss on valuation of inventories is reversed accordingly, up to the acquisition cost.

(ii) Key assumptions

In calculating the net selling value of properties for investors, assumptions such as rent, vacancy rate, and rental expenses are determined by comprehensively taking into account market trends, transaction cases of similar properties, past performance, and other factors. The discount rate is determined based on similar transactions, interest rate trends, etc. In addition, real estate appraisals are obtained as necessary.

For build-for-sale detached houses, assumptions are determined based on the most recent sales results, market trends, and other factors.

In making accounting estimates, the Company estimates selling prices of real estate for sale and real estate for sale in progress as well as development costs, such as value-up activities and construction costs, which are the basis for calculating their net selling value, for each individual property. In the course of long-term real estate development and sales activities, these components of estimates have been affected by fluctuations in the economic environment and interest rates, competitive conditions in the real estate market, external factors in real estate development, and other factors.

(iii) Effect on the financial statements for the fiscal year ending November 30, 2024

Key assumptions are determined based on the best estimates available at the time of preparation of the financial statements. However, in the event of unexpected events such as deterioration in the economic environment and any subsequent changes in key assumptions, such changes may have a significant impact on the calculation of net selling value.

3. Notes to non-consolidated balance sheet

(1) Assets and liabilities accounted for as financial transactions

Assets and liabilities accounted for as financial transactions pursuant to the “Practical Guidelines on Accounting by Transferors for Securitization of Real Estate Using Special Purpose Companies” (Accounting System Committee Report No. 15 of the Japanese Institute of Certified Public Accountants) are as follows:

Real estate for sale	¥274,060 thousand
Long-term loans payable	¥278,655 thousand

(2) Assets pledged as security

	(¥ thousand)
Details of pledged assets and the amounts	
Real estate for sale	70,681,866
Real estate for sale in process	16,533,897
Buildings	19,647,567
Land	40,264,883
<hr/> Total	<hr/> 147,128,214
Amounts of securitized obligation	
Current portion of long-term loans payable	9,426,993
Long-term loans payable	122,627,199
<hr/> Total	<hr/> 132,054,192

(3) Accumulated depreciation on property, plant and equipment ¥(5,609,147) thousand

(4) Contingent liabilities

The Company guarantees the borrowings of the following associated companies from financial institutions as follows:

Tosei Logistics Management Co., Ltd.	¥215,120 thousand
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(5) Monetary receivables from and payables to subsidiaries and affiliates

	(¥ thousand)
1) Short-term monetary receivables	32,590
2) Long-term monetary receivables	122,002
3) Short-term monetary payables	176,671
4) Long-term monetary payables	65,144

(6) Change in holding purpose of assets

The following asset transfers were made due to changes in holding purpose of assets.

From real estate for sale to property, plant and equipment	¥8,865,188 thousand
From property, plant and equipment to real estate for sale	¥2,548,038 thousand

4. Notes to non-consolidated statement of operations

(1) Volume of transactions with subsidiaries and affiliates

	(¥ thousand)
1) Sales	1,685,402
2) Purchase amount	1,044,278
3) Other business turnover	191,442
4) Transaction volume other than business turnover	3,929,435

- (2) The inventory balance at the end of the fiscal year is presented after book values were written down due to a decline in profitability of assets and the following loss on valuation of inventories (reversal of loss) are included in cost of sales.

¥(151,691) thousand

5. Notes to non-consolidated statement of changes in net assets

Class and total number of treasury shares

				(shares)
Class of shares	Number of shares at beginning of the fiscal year under review	Increase	Decrease	Number of shares at end of the fiscal year under review
Ordinary shares	1,424,122	84,343	1,201,700	306,765

(Notes) 1. The increase in the number of treasury shares is mainly due to the acquisition pursuant to the Articles of Incorporation of the Company in accordance with the provision of Article 165, paragraph 2, of the Companies Act.

2. The decrease in the number of treasury shares is mainly due to the disposal through third-party allotment and the exercising of stock options.

6. Notes on tax effect accounting

Significant components of deferred tax assets and liabilities

	(¥ thousand)
Deferred tax assets	
Accrued enterprise taxes, currently not deductible	87,113
Provision for bonuses	130,158
Loss on valuation of inventories	146,357
Provision for retirement benefits	123,346
Long-term accounts payable-other for directors	92,680
Dividends income as withdrawal of investments	1,522,392
Other	81,078
Subtotal	<u>2,183,126</u>
Valuation reserves	<u>(1,634,525)</u>
Total deferred tax assets	548,601
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(147,350)
Reserve for tax purpose reduction entry of non-current assets	(679,277)
Deferred gains (losses) on hedges	(7,962)
Total deferred tax liabilities	<u>(834,590)</u>
Net deferred tax liabilities	<u>(285,989)</u>

7. Notes on transactions with related parties

Subsidiaries and affiliates

Attribute	Name	Percentage of voting rights (%)	Business relationship	Transaction	Transaction amount (¥ thousand)	Account title	Balance at the end of the fiscal year (¥ thousand)
Subsidiary	Tosei Community Co., Ltd.	100% direct ownership	Concurrent positions held by officers	Receipt of dividends (Note 1)	154,000	—	—
	Tosei Asset Advisors, Inc.	100% direct ownership	Concurrent positions held by officers	Receipt of dividends (Note 1)	1,993,000	—	—
	Tosei Logistics Management Co., Ltd.	100% direct ownership	Concurrent positions held by officers	Receipt of dividends (Note 1)	167,000	—	—
	Princess Square Co., Ltd.	100% direct ownership	Concurrent positions held by officers	Receipt of dividends (Note 1)	432,400	—	—
	Kishino Corporation	100% direct ownership	Concurrent positions held by officers	Receipt of dividends (Note 1)	110,000	—	—
	Masuda Kenzai-ten Co., Ltd.	100% direct ownership	—	Receipt of dividends (Note 1)	937,698	—	—
	Isogo Asset Management Co., Ltd.	100% direct ownership	—	Repayment of investments (Note 2)	1,694,000	—	—
	Tosei Hotel Management Co., Ltd.	100% direct ownership	Concurrent positions held by officers	Lending of funds (Note 3)	435,000	Short-term loans receivable from subsidiaries and affiliates	2,275,000
						Long-term loans receivable from subsidiaries and affiliates	85,320
TOSEI-R, Inc.	100% direct ownership	—	Lending of funds (Note 3)	10,290,000	Short-term loans receivable from subsidiaries and affiliates	10,290,000	

- (Notes) 1. Receipt of dividends is reasonably determined in consideration of performance trends.
2. Investments in the subsidiary were repaid.
3. Interest on lending of funds is reasonably determined in consideration of market interest rates.

8. Per share information

- (1) Net assets per share ¥1,525.81
(2) Net income per share ¥182.76

9. Recognition of revenue

Useful information in understanding revenue from contracts with customers is stated in “1. Notes on significant accounting policies (4) Recognition of income and expenses” in the Notes to Non-consolidated Financial Statements.

10. Significant subsequent events

Not applicable.

11. Other

All amounts in this report are rounded down to the nearest thousand yen, unless otherwise noted.

Accounting Audit Report on Consolidated Financial Statements

Independent Auditors' Audit Report

January 17, 2024

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

Opinion

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the notes to the consolidated financial statements, of Tosei Corporation for the fiscal year from December 1, 2022 to November 30, 2023.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Tosei Corporation and consolidated subsidiaries for the period covered by these consolidated financial statements in accordance with the accounting standards which have omitted some disclosure items required under International Financial Reporting Standards (IFRS), as set forth in the provisions of the latter part of Article 120, paragraph 1 of the Regulations on Corporate Accounting.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in *Auditor's Responsibility for the Audit of the Consolidated Financial Statements*. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Information

The other information comprises the information included in the business report and the supplementary schedules. Management is responsible for the preparation and the disclosure of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the provisions of the accounting standards which have omitted some disclosure items required under IFRS as set forth in the provisions of the latter part of Article 120, paragraph 1 of the Regulations on Corporate Accounting, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with the provisions of the accounting standards which have omitted some disclosure items required under IFRS as set forth in the provisions of the latter part of Article 120, paragraph 1 of the Regulations on Corporate Accounting.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the

premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with the provisions of the accounting standards which have omitted some disclosure items required under IFRS as set forth in the provisions of the latter part of Article 120, paragraph 1 of the Regulations on Corporate Accounting, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Note: The English version of the consolidated financial statements consists of an English translation of the audited Japanese consolidated financial statements and is not covered by our audit. Consequently, the auditor's report attached to the English consolidated financial statements is a translation of the Japanese original.

Accounting Audit Report on Non-consolidated Financial Statements

Independent Auditors' Audit Report

January 17, 2024

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

Opinion

Pursuant to Article 436, paragraph 2, item 1 of the Companies Act, we have audited the non-consolidated financial statements, namely, the balance sheet, the related statements of operations and changes in net assets, the notes to the non-consolidated financial statements, and the supplementary schedules of Tosei Corporation for the 74th term from December 1, 2022 to November 30, 2023.

In our opinion, the non-consolidated financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations for the period covered by these non-consolidated financial statements and the supplementary schedules in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in *Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules*. We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Information

The other information comprises the information included in the business report and the supplementary schedules. Management is responsible for the preparation and the disclosure of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the reporting process of the other information.

Our opinion on the financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules

in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Note: The English version of the non-consolidated financial statements consists of an English translation of the audited Japanese non-consolidated financial statements and is not covered by our audit. Consequently, the auditor's report attached to the English non-consolidated financial statements is a translation of the Japanese original.

Audit Report by Audit & Supervisory Board

Audit Report

With respect to the Directors' performance of their duties during the 74th term (from December 1, 2022 to November 30, 2023), the Audit & Supervisory Board has prepared this audit report after deliberations based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby report as follows:

1. Method and Contents of Audit by Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board has established the audit policies, audit plan, etc. and received a report from each Audit & Supervisory Board Member regarding the status of implementation of their audits and results thereof. In addition, the Audit & Supervisory Board has received reports from the directors, etc. and the accounting auditor regarding the status of performance of their duties, and requested explanations as necessary.
- (2) In conformity with the Audit & Supervisory Board Member Auditing Regulations established by the Audit & Supervisory Board, and in accordance with the audit policies and audit plan, etc., each Audit & Supervisory Board Member endeavored to facilitate a mutual understanding with the Directors, the Internal Auditing Department and other employees, etc., endeavored to collect information and maintain and improve the audit environment, and conducted the audit by the following methods.
 - i) Each Audit & Supervisory Board Member has attended the meetings of the Board of Directors, management meetings and other important meetings, received reports on the status of performance of duties from the Directors and employees, etc. and requested explanations as necessary, examined important approval/decision documents, and inspected the status of the corporate affairs and assets at each department in the head office. With respect to the subsidiaries, each Audit & Supervisory Board Member endeavored to facilitate a mutual understanding and exchanged information with the Directors and Audit & Supervisory Board Members, etc. of each subsidiary and received from subsidiaries reports on their respective business as necessary.
 - ii) Also, each Audit & Supervisory Board Member regularly received reports from the Directors and employees, etc. requested explanations as necessary, and expressed an opinion on the status of establishment and operation regarding (i) the contents of the Board of Directors' resolutions regarding the improvement and maintenance of the systems to ensure that directors' execution of their duties is in compliance with laws and regulations and the Articles of Incorporation of the Company as is described in the business report as well as other systems that are set forth in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as systems necessary for ensuring the properness of operations of a stock company (*kabushiki kaisha*) and consolidated subsidiaries, and (ii) the systems (internal control systems) improved and maintained based on such resolutions.
 - iii) The contents of the basic policies set forth in Article 118, item 3-(a) of the Ordinance for Enforcement of the Companies Act and measures set forth in item 3-(b) of said article, as described in the business report, were also considered in light of the status, etc. of deliberations by the Board of Directors and other bodies.
 - iv) Each Audit & Supervisory Board Member monitored and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from the Accounting Auditor on the status of its performance of duties, and requested explanations as necessary. Each Audit & Supervisory Board Member was notified by the Accounting Auditor

that it had established a “system to ensure that the performance of duties was properly conducted” (the matters listed in the items of Article 131 of the Regulations on Corporate Accounting) in accordance with the “Quality Control Standards for Audits” (Business Accounting Council), and requested explanations as necessary.

Based on the above-described methods, each Audit & Supervisory Board Member examined the business report and the supplementary schedules, the non-consolidated financial statements (balance sheet, statement of operations, statement of changes in net assets, and the notes to the non-consolidated financial statements), and the supplementary schedules, as well as the consolidated financial statements (the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the notes to the consolidated financial statements, which were prepared with some disclosure items required under IFRS omitted pursuant to the provisions of the latter part of Article 120, paragraph 1 of the Regulations on Corporate Accounting), for the fiscal year under review.

2. Results of Audit

(1) Results of Audit of Business Report, etc.

- i) We acknowledge that the business report and the supplementary schedules fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.
- ii) We acknowledge that no dishonest act or material fact constituting a breach of any law or regulation or the Articles of Incorporation of the Company was found with respect to the Directors’ performance of their duties.
- iii) We acknowledge that the Board of Directors’ resolutions with respect to the internal control systems are appropriate. We did not find any matter to be indicated with respect to the contents of the business report and the Directors’ performance of their duties concerning the internal control systems.
- iv) We did not find any matter to be indicated with respect to the basic policies, described in the business report, regarding those who control decisions on the Company’s financial and business policies. Measures, described in the business report, set forth in Article 118, item 3-(b) of the Ordinance for Enforcement of the Companies Act of Japan are in line with the basic policies, do not impair the common interests of the Company’s shareholders, and are not directed to the purpose of maintaining the status of the Company’s officers.

(2) Results of Audit of Non-consolidated Financial Statements and the Supplementary Schedules

We acknowledge that the methods and results of audit performed by the Accounting Auditor, Shinsoh Audit Corporation, are appropriate.

(3) Results of Audit of Consolidated Financial Statements

We acknowledge that the methods and results of audit performed by the Accounting Auditor, Shinsoh Audit Corporation, are appropriate.

January 19, 2024

Audit & Supervisory Board of Tosei Corporation

Audit & Supervisory Board Member (full-time)
(Outside Audit & Supervisory Board Member):

Hitoshi Yagi (Seal)

Audit & Supervisory Board Member (full-time)
(Outside Audit & Supervisory Board Member):

Toshinori Kuroda (Seal)

Audit & Supervisory Board Member
(Outside Audit & Supervisory Board Member):

Tatsuki Nagano (Seal)

Audit & Supervisory Board Member
(Outside Audit & Supervisory Board Member):

Osamu Doi (Seal)

Note: The English version of the consolidated and non-consolidated financial statements consists of an English translation of the audited Japanese consolidated and non-consolidated financial statements and is not covered by our audit. Consequently, the auditor's report attached to the English consolidated and non-consolidated financial statements is a translation of the Japanese original.