Annual Securities Report

(Pursuant to Article 24, paragraph 1 of the Financial Instruments and Exchange Act)

(The English translation of the
"Yukashoken-Houkokusho" for the 75th term)

from December 1, 2023
to November 30, 2024

TOSEI CORPORATION

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

(E04021)

This is an English translation prepared for the convenience of non-resident shareholders by translating the Annual Securities Report (YUKASHOKEN-HOKOKUSHO) submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on February 27, 2025 pursuant to Article 24, paragraph 1 of the Financial Instruments and Exchange Act. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

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Document to be filed:	Annual Securities Report
Provisions to base upon:	Article 24, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	February 27, 2025
Business year:	75th term (from December 1, 2023 to November 30, 2024)
Company name (Japanese):	トーセイ株式会社 (*Tosei Kabushiki-Kaisha*)
Company name (English):	TOSEI CORPORATION
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Places where the document to be filed is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

A. Company Information

I. Overview of the Tosei Group

1. Trends in principal management benchmarks

(1) Management benchmarks (consolidated)

Term	71st term	72nd term	73rd term	74th term	75th term
Accounting period	Fiscal year ended Nov. 30, 2020	Fiscal year ended Nov. 30, 2021	Fiscal year ended Nov. 30, 2022	Fiscal year ended Nov. 30, 2023	Fiscal year ended Nov. 30, 2024
Revenue (¥ thousand)	63,939,781	61,726,449	70,953,486	79,446,329	82,191,828
Profit before tax (¥ thousand)	5,901,313	10,302,616	12,753,538	15,310,707	17,364,939
Profit attributable to owners of parent (¥ thousand)	3,602,339	6,721,305	8,607,088	10,507,095	11,985,203
Comprehensive income attributable to owners of parent (¥ thousand)	3,064,864	7,134,366	8,784,368	10,542,923	11,466,914
Total equity (¥ thousand)	58,969,524	65,958,740	72,290,677	82,319,282	90,866,736
Total assets (¥ thousand)	161,684,503	195,010,899	210,955,801	245,329,690	276,815,386
Equity attributable to owners of parent per share (¥)	1,250.00	1,380.36	1,529.65	1,695.98	1,867.49
Basic earnings per share (¥)	76.05	142.56	181.66	219.74	247.43
Diluted earnings per share (¥)	75.94	142.37	181.33	219.32	247.23
Ratio of equity attributable to owners of parent to total assets (%)	36.5	33.8	34.3	33.4	32.7
Ratio of earnings on equity attributable to owners of parent (%)	6.1	10.8	12.5	13.6	13.9
Price earnings ratio (PER) (Times)	15.29	6.76	7.72	8.20	9.86
Net cash from (used in) operating activities (¥ thousand)	12,509,792	974,603	(197,084)	5,722,006	(13,045,695)
Net cash from (used in) investing activities (¥ thousand)	(4,054,077)	(15,448,977)	(9,081,101)	(16,102,356)	(5,608,461)
Net cash from (used in) financing activities (¥ thousand)	(3,414,376)	10,994,264	7,477,196	17,805,721	14,329,562
Cash and cash equivalents at end of period (¥ thousand)	37,039,600	33,560,679	31,767,008	39,197,843	34,874,164
Number of employees [Separately, average number of temporary employees] (Person)	509 [141]	638 [175]	663 [193]	727 [216]	809 [231]

Note: The Company has been preparing its consolidated financial statements in accordance with the International Financial Reporting Standard ("IFRS").

(2) Filing company's management benchmarks (non-consolidated)

Term	71st term	72nd term	73rd term	74th term	75th term
Accounting period	Fiscal year ended Nov. 30, 2020	Fiscal year ended Nov. 30, 2021	Fiscal year ended Nov. 30, 2022	Fiscal year ended Nov. 30, 2023	Fiscal year ended Nov. 30, 2024
Net sales (¥ thousand)	51,958,230	47,452,190	43,063,515	46,480,528	45,587,536
Ordinary income (¥ thousand)	3,382,780	9,690,159	10,678,418	10,906,961	14,838,112
Net income (¥ thousand)	2,594,607	7,452,678	8,687,116	8,738,581	11,746,437
Capital stock (¥ thousand)	6,624,890	6,624,890	6,624,890	6,624,890	6,624,890
Total number of shares issued (Shares)	48,683,800	48,683,800	48,683,800	48,683,800	48,683,800
Net assets (¥ thousand)	51,737,131	59,467,346	65,863,314	73,821,936	81,996,567
Total assets (¥ thousand)	148,071,547	171,076,831	189,896,706	217,524,127	244,994,283
Net assets per share (¥)	1,095.59	1,243.27	1,393.00	1,525.81	1,690.96
Dividends per share (¥) [Interim dividends per share] (¥)	19.00 [–]	38.00 [–]	51.00 [–]	66.00 [–]	79.00 [–]
Net income per share (¥)	54.77	158.08	183.35	182.76	242.50
Net income per share (diluted) (¥)	54.70	157.86	183.02	182.41	242.30
Equity ratio (%)	34.9	34.7	34.7	33.9	33.4
Return on equity (ROE) (%)	5.0	13.4	13.9	12.5	15.1
Price earnings ratio (PER) (Times)	21.23	6.09	7.65	9.86	10.06
Dividend payout ratio (%)	34.7	24.0	27.8	36.1	32.6
Number of employees [Separately, average number of temporary employees] (Person)	195 [2]	215 [2]	244 [–]	268 [–]	282 [–]
Total shareholder return(%)	88.8	76.6	113.5	148.4	202.3
(Comparativeindex1: Dividend-included TOPIX(%)	(105.8)	(118.7)	(125.6)	(154.0)	(178.0)
(Comparativeindex2: Dividend-unincluded TOPIX Sector Index (REAL ESTATE))(%)	(88.4)	(90.3)	(103.7)	(113.7)	(122.1)
Highest share prices (¥)	1,572	1,258	1,506	2,040	2,650
Lowest share prices (¥)	782	950	952	1,308	1,757

Note: The highest and lowest prices were those quoted on the Tokyo Stock Exchange (First Section) on or before April 3, 2022, and on the Tokyo Stock Exchange (Prime Market) on or after April 4, 2022.

2. History

Date	Details of change
February 1950	Established as Yukari Kogyo Co., Ltd. with purpose of engaging in restaurant business at location of 514 Oaza Oita, Oita-shi, Oita Prefecture, Japan (Capital: ¥500,000)
April 1952	Moved head office to Kameido, Koto-ku, Tokyo
June 1964	Added real estate trading, brokerage, rental and management businesses to scope of business purpose
May 1968	Moved head office to Sotokanda, Chiyoda-ku, Tokyo
July 1969	Changed trade name to Yukari Co., Ltd.
March 1973	Obtained license of building lots and buildings transaction business (License Number: Governor of Tokyo (1) No. 24043)
March 1983	Changed trade name to Tosei Building Co., Ltd.
April 1986	Moved head office to Iwamoto-cho, Chiyoda-ku, Tokyo
October 1994	Started sales of condominiums of “THE Palms” series
September 1995	Established Kanda Awaji-cho Building Co., Ltd.
March 1996	Changed trade name to Tosei Fudosan Co., Ltd.
April 1996	Launched revitalization business
December 1996	Moved head office to Kanda Awaji-cho, Chiyoda-ku, Tokyo
December 1997	Launched contract work, including repair and restoration, incidental to building management business upon obtaining license of specified construction business (License Number: Governor of Tokyo (Special-9) No. 107905)
July 1999	Started sales of detached houses of “Palms Court” series
February 2001	Launched asset management business upon registering general real estate investment advisory business (Registration Number: Minister of Land, Infrastructure, Transport and Tourism No. 127)
March 2001	Merged with Kabushiki Kaisha. Konmasa Shoten, Nihon Kogyo Jutaku Kabushiki Kaisha. and Hidaka Kogyo Kabushiki Kaisha. by absorption-type merger using LBO (leveraged buyout) technique
April 2001	Registered first-class architectural firm (Registration Number: Governor of Tokyo No. 46219)
November 2001	Span off Building Management Division engaged in building management services and transferred it to Tosei Community Co., Ltd. (currently consolidated subsidiary Tosei Community Co., Ltd., Japanese name of which has changed with English name unchanged)
December 2001	Established Securitization Business Division to realize full-scale entry into real estate securitization business
August 2002	Structured “Argo Fund,” a private placement fund investing in trust beneficiary rights in rental condominiums, as our first real estate investment fund
December 2002	Merged with our subsidiary Kanda Awaji-cho Building Co., Ltd. by absorption-type merger
February 2004	Registered shares as over-the-counter securities at Japan Securities Dealers Association
September 2004	Obtained license of real estate specified joint enterprise (License Number: Governor of Tokyo No. 58)
December 2004	Cancelled registration as over-the-counter securities at Japan Securities Dealers Association and listed shares on Jasdaq Securities Exchange (later delisted shares in January 2008)
March 2005	Established Tosei Revival Investment Co., Ltd. (currently consolidated subsidiary Tosei Logistics Management Co., Ltd.)
April 2005	Made Tosei Community Co., Ltd. (currently consolidated subsidiary Tosei Community Co., Ltd., Japanese name of which has changed with English name unchanged) a consolidated subsidiary by acquiring its shares
September 2005	Established Tosei REIT Advisors, Inc. (currently consolidated subsidiary Tosei Asset Advisors, Inc.)
October 2006	Changed trade name to Tosei Corporation and moved head office to Toranomon, Minato-ku, Tokyo
November 2006	Listed shares on Second Section of Tokyo Stock Exchange
September 2007	Registered type II financial instruments business and investment advisory and agency business (Registration Number: Director-General of Kanto Local Finance Bureau (Kinsho) No. 898)
September 2009	Launched “Restyling business” as a new business model of revitalization business
September 2011	Listed shares on First Section of Tokyo Stock Exchange
January 2012	Established Tosei Singapore Pte. Ltd.
December 2012	Established NAI TOSEI Japan, Inc. (Liquidation completed on August 2016)
March 2013	Listed shares on Main Board of Singapore Exchange
November 2014	Tosei Reit Investment Corporation, which is managed by Tosei Asset Advisors, Inc., a consolidated subsidiary of Tosei Corporation, listed shares on Tokyo Stock Exchange
December 2015	Made Urban Home Corporation (In March 2019, trade name changed to Tosei Urban Home Co., Ltd.) a consolidated subsidiary by acquiring its shares (Liquidation completed in May 2022.)
February 2016	Established Tosei Hotel Management Co., Ltd.
June 2017	Established Tosei Hotel Kanda Co., Ltd. (became a non-surviving company due to the merger with the consolidated subsidiary Tosei Hotel Management Co., Ltd. in April 2020)
December 2017	Commenced the Hotel Business (opened the Tosei Group’s first hotel, Tosei Hotel COCONE Kanda)

Date	Details of change
May 2018	Established Tosei Hotel Ueno Co., Ltd. (became a non-surviving company due to the merger with the consolidated subsidiary Tosei Hotel Management Co., Ltd. in April 2020)
July 2018	Established Tosei Hotel Service Co., Ltd.
April 2020	Commenced the development of logistics facilities as a new asset type in the Development Business (completed construction of T's Logi Hashimoto as the first project)
July 2020	Commenced real estate securitization business utilizing crowdfunding (launched TREC No.1 Setagaya-ku Yoga Apartment Investment Fund as the first project)
April 2021	Moved head office to Shibaura, Minato-ku, Tokyo
September 2021	Made ICOMPANY, Inc. and its four subsidiaries consolidated subsidiaries by acquiring its shares (ICOMPANY, Inc., Princess Holdings Co., Ltd., G.P. Asset Co., Ltd. and Let's Creation Co., Ltd. ceased to exist during the fiscal year ended November 30, 2022 due to an absorption-type merger with consolidated subsidiary Princess Square Co., Ltd as the surviving company)
April 2022	Due to the revision of the market classification of the Tokyo Stock Exchange, the Company moved from the First Section to the Prime Market
June 2023	Established TOSEI-R, Inc.
July 2023	Established Tosei Proptech Co., Ltd.
September 2023	TOSEI-R, Inc. succeeds to a portion of the business from LIXIL REALTY Corporation through an absorption-type company split.
May 2024	Concluded a capital and business alliance agreement with Nagoya Railroad Co., Ltd.
July 2024	Registered money lending business (Tokyo Governor's Registration No. 31987)

3. Business description

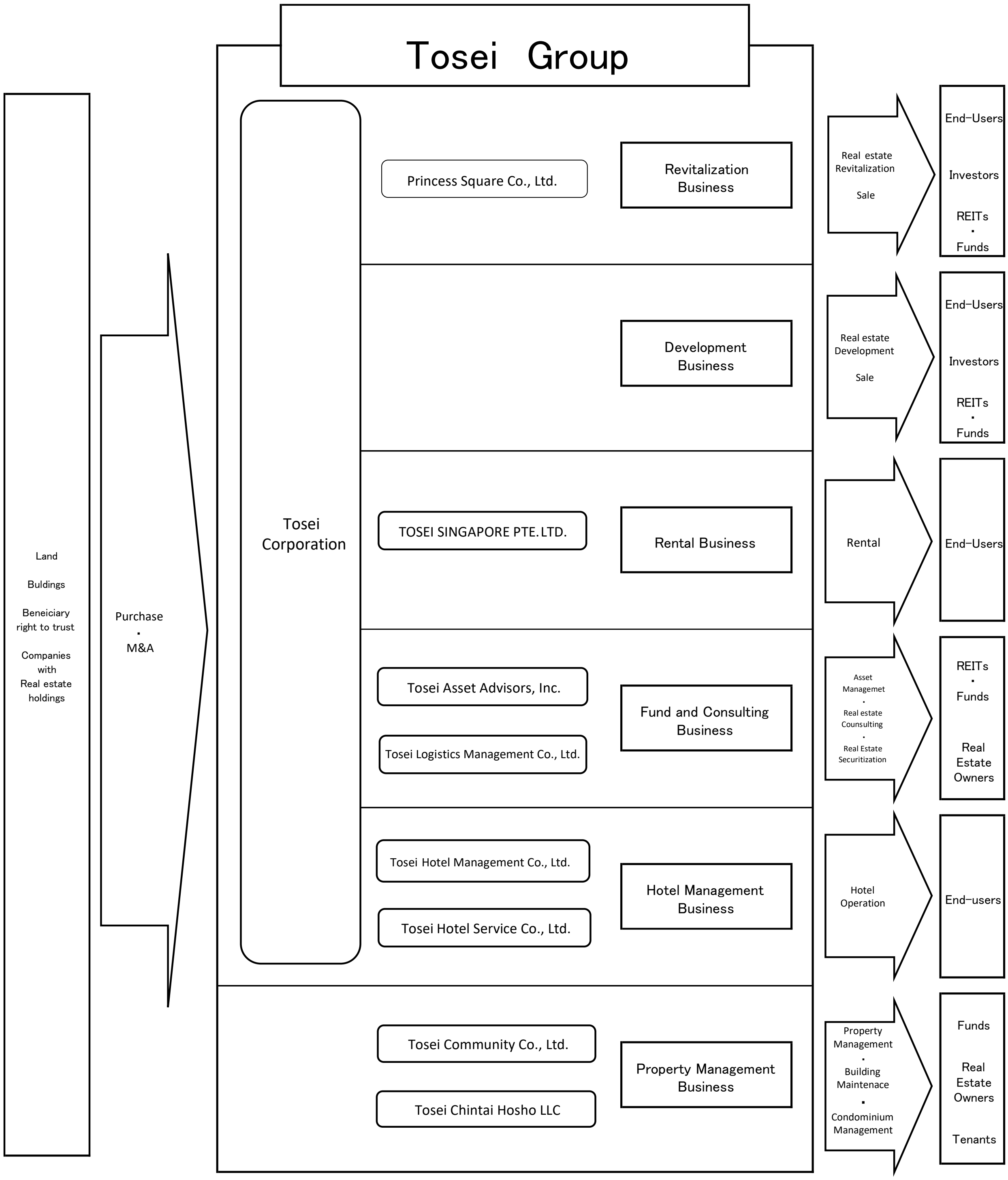
The Tosei Group is composed of Tosei Corporation ("Tosei" or the "Company") and 18 consolidated subsidiaries. Its main businesses are the Revitalization Business, the Development Business, the Rental Business, the Fund and Consulting Business, the Property Management Business and the Hotel Business.

The operations of each business segment and the main subsidiaries and/or affiliates conducting those operations are as follows.

Segment	Operations	Main Companies
Revitalization Business	The Tosei Group acquires, through diverse means (*1), office buildings, commercial facilities, apartments and other properties whose asset value has declined, boosts their value though "value-up plans" (*2) 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. In the "Restyling Business," the Group acquires income-generating condominiums and sells their units to end-users after boosting the value of common and private areas by renovation. The Tosei Group's "value-up" activities go beyond just renewing properties and involve realizing comprehensive regenerations of their values. This put 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. (*1) The Company carries out the acquisition of superior real estate through a broad range of means that include not only buying and selling actual real estate, but also acquisitions through the means of "real estate M&A" where real estate held by companies with real estate holdings and by real estate business operators is acquired through M&A, and through real estate collateralized loans and rights adjustment for substitute performance real estate. (*2) The Tosei Group's "value-up plans" consist of the three primary components of improved designs to refurbish/renovate internal and external elements that have deteriorated or become obsolete, enhanced security functions, etc., to increase the security and functionality of facilities, and incorporating eco-friendly designs and equipment that take the environment into consideration, in addition to improved profitability through conversion projects, vacancy countermeasures, rent increases, etc.	Tosei Corporation, Princess Square Co., Ltd.
Development Business	In the main districts of Tokyo, which form the Tosei Group's core operating area, there is a mixture of needs for office, commercial and residential space and other uses, and these different uses create significant differences between land values. Tosei verifies the characteristics of land it acquires including area, shape, intended purpose, relevant needs, rent, and selling price. Based on this, Tosei carries out development and new construction to maximize the value of the land, and then sells whole buildings or individual units. The Group is able to respond to diverse needs by developing office buildings, commercial buildings (T's BRIGHTIA series) and mixed-use buildings, hotels (TOSEI HOTEL COCONE series), condominiums (the Palms series), detached houses (Palms Court series and Comodo Casa series), wooden apartments (T's Cuore series), as well as logistics facilities (T's Logi series). Once development is complete or tenants have been found, the properties are sold to buyers including investors, real estate funds, and end-users.	Tosei Corporation
Rental Business	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. 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.	Tosei Corporation

Fund and Consulting Business	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. 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.	Tosei Asset Advisors, Inc
Property Management Business	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. With respect to building maintenance, in order to streamline building owners' operations through building maintenance, the management of equipment, etc., the business maintains the asset values of buildings by implementing precise maintenance plans regarding the age-related deterioration of buildings. With respect to property management, the business provides comprehensive property management such as finding the most suitable tenants and proposing medium- to long-term property renewals, with the aim of realizing maximized owner profit. In the management of condominium, this business makes full use of the knowhow it has accumulated over a number of years to provide total support to management associations from their launch to helping them operate smoothly once they are started up.	Tosei Community Co., Ltd.
Hotel Business	Tosei will move forward proactively with the development of the Tosei Hotels COCONE, hotels with its own brand, and with the conversion of used office buildings into hotels in the Tokyo metropolitan area. The Company provides a range of different services, and has developed hotels utilizing the expertise and networks built up over time in areas including the Development Business, Revitalization Business, and Rental Business.	Tosei Hotel Management Co., Ltd.

A schematic diagram of the businesses of the Tosei Group is shown below.



4. Status of subsidiaries and associates

Name	Location	Capital or investment in capital (¥ thousand)	Major lines of business	Holding rate of voting rights (%)	Relationship
Consolidated subsidiaries					
Tosei Community Co., Ltd.	Minato-ku, Tokyo	99,500	Property management business	100.0	Managing the Company's real estate holdings and interlocking directorate
Tosei Asset Advisors, Inc.	Minato-ku, Tokyo	100,000	Fund and consulting business	100.0	Interlocking directorate
Tosei Logistics Management Co., Ltd.	Minato-ku, Tokyo	50,000	Real estate consulting business	100.0	Interlocking directorate
Tosei Hotel Management Co., Ltd.	Minato-ku, Tokyo	100,000	Hotel business	100.0	Interlocking directorate
Tosei Hotel Service Co., Ltd.	Minato-ku, Tokyo	10,000	Hotel business	100.0	
Princess Square Co., Ltd.	Minato-ku, Tokyo	96,000	Revitalization business	100.0	Interlocking directorate
Tosei Proptech Co., Ltd.	Minato-ku, Tokyo	100,000	Consulting business	100.0	Interlocking directorate
TOSEI-R, Inc.	Minato-ku, Tokyo	50,000	Revitalization business	100.0	Interlocking directorate
Tosei Chintai Hosho LLC	Minato-ku, Tokyo	3,000	Property management business	100.0	
Tosei Singapore Pte. Ltd.	Singapore	322,787	Rental Business	100.0	Interlocking directorate
Kishino Corporation	Minato-ku, Tokyo	10,000	Rental Business	100.0	
Masuda Kenzai-ten Co., Ltd.	Minato-ku, Tokyo	60,500	Revitalization business	100.0	Interlocking directorate
Isogo Asset Management Co., Ltd.	Minato-ku, Tokyo	15,000	Revitalization business	100.0	Interlocking directorate
Shibaura Residential Co., Ltd.	Minato-ku, Tokyo	10,000	Revitalization business	100.0	Interlocking directorate
Usui Kigata Kogyo K.K.	Minato-ku, Tokyo	32,000	Revitalization business	100.0	Interlocking directorate
Three other companies					

Notes: 1. Sanki-shoji Co., Ltd. has been excluded from the scope of consolidation as a result of the completion of its liquidation as of December 25, 2023.

2. During the fiscal year under review, the Company acquired equity in the silent partnership of TREC URANUS LLC, and included in its the scope of consolidation.

3. In the case of Princess Square Co., Ltd., the ratio of net sales (excluding inter-company sales among consolidated companies) to consolidated net sales exceeds 10%.

Major profit and loss information, etc.

(1) Net sales	¥12,869,457 thousand
(2) Ordinary income	¥1,626,141 thousand
(3) Net income	¥1,058,099 thousand
(4) Net assets	¥5,019,429 thousand
(5) Total assets	¥20,584,574 thousand

5. Status of employees

(1) Consolidated companies

(As of November 30, 2024)

Segment	Number of employees (Person)	
Revitalization Business	130	[6]
Development Business	77	[–]
Rental Business	24	[–]
Fund and Consulting Business	171	[–]
Property Management Business	178	[135]
Hotel Business	127	[90]
Corporate (common)	102	[–]
Total	809	[231]

Notes: 1. The number of employees indicates the number of working employees, and the average number of temporary employees during this fiscal year is given in brackets separately.

2. The number of employees in the "Corporate (common)" row is the number of those belonging to the administrative department.

3. Compared with November 30, 2023, the number of employees increased by 82 persons. This is mainly reflects an increase in employees hired during the fiscal year as a result of business expansion.

(2) Filing company (Tosei)

(As of November 30, 2024)

Number of employees (Person)	Average age (Year old)	Average years of service (Year)	Average annual salary (¥ thousand)
282	36.6	5.7	9,038

Segment	Number of employees (Person)
Revitalization Business	89
Development Business	77
Rental Business	9
Fund and Consulting Business	4
Hotel Business	1
Corporate (common)	102
Total	282

Notes: 1. The number of employees indicates the number of working employees.

2. The average annual salary includes bonuses and surplus wages.

3. The number of employees in the "Corporate (common)" row is the number of those belonging to the administrative department.

(3) Status of labor union

A labor union has not been formed. The Company maintains stable relations with its employees.

(4) Percentage of female workers in management positions, percentage of male workers taking childcare leave, and wage differentials between male and female workers.

1) Filing company

Fiscal year ended Nov. 30, 2024				
Percentage of female workers in management positions (%) (Note 1)	Percentage of male workers taking childcare leave (%) (Note 2)	Wage differentials between male and female workers (%) (Note 1)		
		All workers	Full-time employees	Part-time employees / fixed-term contract employees, etc.
5.0	71.4	71.2	73.6	41.4

Notes: 1. Calculated in accordance with the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64, 2015).

2. Based on the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76, 1991), the percentage of childcare leave, etc. taken is calculated as per Article 71-4, Item 1 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of Ministry of Labor No. 25, 1991).

2) Consolidated subsidiaries

Information for consolidated subsidiaries is omitted since they are not subject to the publication requirements under the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64, 2015) and the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76, 1991).

II. Review of operations

1. Management policies, management environment, and issues to be addressed, etc.

Forward-looking statements included in this section are based on judgement by the Group's management as of November 30, 2024.

(1) Fundamental management policy

The Tosei Group's mission is to "Create new value and inspiration in all aspects of real estate as a global-minded group of seasoned professionals." The Group aims to contribute to society and increase its corporate value through the promotion of various real estate related businesses, striving to integrate real estate and finance, as well as to constantly remain committed to quality.

(2) Management environment, the Company's medium- to long-term management strategies and issues to be addressed preferentially

1) Management environment

The Tokyo metropolitan area real estate investment market, which is the Group's mainstay market, maintains a favorable investment environment against the backdrop of stable rental market and high liquidity, despite the rising trend in domestic interest rates reflecting the Bank of Japan's shift in monetary policy and the shrinking of the yield gap. Meanwhile, soaring construction costs and extended construction periods due to labor shortages are expected to continue for the time being, and the Company is aware of the ongoing necessity of exercising caution when considering development plans in the Development Business.

2) Company's medium- to long-term management policy, management strategies, and issues to be addressed preferentially

The business environment surrounding the Group has become increasingly uncertain amid revolutionary changes, including the escalation of climate change issues, the emergence of geopolitical risks, the declining birthrate and the aging of society in Japan, 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 over the future, and enhance corporate value by contributing to the realization of a sustainable society, the Company formulated "Tosei Group Long-Term Vision 2032" to clarify "the Company's direction (what the Company envisions to be)" based on the Company's core competencies that are the source of the Group's competitive advantage and to make Group-wide efforts to realize its 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.

The Group, through its six real estate-related businesses, has provided various solutions to realize the potential value of real estate. The Company is also expanding the business domain while mitigating risks by combining multiple businesses with different business attributes and are continuing to improve its real estate investment technique as a portfolio manager capable of handling a wide variety of assets. Furthermore, in the asset management domain, the Company offers world-class services trusted by real estate investors around the world and will work toward growing its business and realizing the Long-Term Vision 2032 by further expanding the Company's core competencies, i.e., the Company's "Real Estate Solution Capabilities," "Portfolio Management Capabilities," and "Global Reach Capabilities".

The Company formulated the new medium-term management plan "Further Evolution 2026" for the initial three years (phase 1) out of the nine-year period in order to realize the Long-Term Vision 2032. By executing various measures under the following main policy and five basic policies, the Company will enhance the competitive edge of the Group and also contribute to the realization of a sustainable society.

Medium-term Management Plan "Further Evolution 2026"

Main Policy	
Aim for further evolution as a unique comprehensive real estate company that can contribute to the realization of a sustainable society	
Basic Policies	
Sustainability	· Expand the provision of solution to environmental / social issues and promote sustainability management · Expand investment for the Group's future growth measures · Establish and penetrate the Tosei brand through non-financial information disclosure
Business	· Evolution and growth of business portfolio · Strengthen real estate solution capabilities by pursuing synergy among the six businesses
Human Resources / Organization	· Maintain a work environment where a diverse range of employees can utilize their individuality and demonstrate their capabilities · Develop human resources with rich experience, knowledge, leadership and have deep understanding of the corporate philosophy
DX	· Differentiation of products and services and promotion of business efficiency through IT and digital utilization
Financial Strategy / Capital Policy	· Strengthen funding capabilities for sustainable growth · Maintain return on capital that exceeds capital costs and continue balance sheet management

Quantitative Plan (Consolidated) *Underlined portions indicate revisions.

The Company has revised the plan as follows, considering the current performance and the outlook for the business environment (announced on January 10, 2025).

	Initial year Year ended November.30, 2024 Results	2nd year Year ended November.30, 2025 Revised plan	3rd year (final year) Year ending November.30, 2026 Revised plan
Consolidated revenue	¥82.1 billion	<u>¥102.0 billion</u>	<u>¥123.0 billion</u>
Consolidated profit before tax	¥17.3 billion	<u>¥18.8 billion</u>	<u>¥20.2 billion</u>
ROE	13.9%	<u>13.5%</u>	<u>13.2%</u>
Stable businesses ratio (operating profit-basis)	50.5%	45% or more	45% or more
Equity ratio	32.7%	Around 35%	Around 35%
Net debt-to-equity ratio	1.45 times	About 1.4 times	About 1.4 times
Dividend payout ratio	31.9%	<u>33.7%</u>	35.0%

Note: In terms of shareholder returns, the Company will aim to gradually raise the dividend payout ratio from 30% to 35% in the next three years, while taking into account share buybacks by comprehensively considering the business environment, stock price trends, and improvement in shareholder value.

The plan will aim for the evolution and growth of the six existing business portfolio by strengthening "Real Estate Solution Capabilities", "Portfolio Management Capabilities", and "Global Reach Capabilities", 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, the Company will aim to 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 its purchasing competitiveness, the Company will promote studies to improve the efficiency of property appraisals and the utilization of M&As.

In stable businesses, the Company will work on the studies of facility specifications in line with tenant demand in the Rental Business and the reinforcement of its 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 the Company's brand through appeal to customers by differentiating the Tosei Hotel

COCONE from other hotels and expand scales in the Hotel Business.

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

To strengthen the Company’s business base that sustains growth, it will focus its 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 its engagement with the employees. Additionally, in terms of finances and capital allocation, the Company will strengthen its funding capabilities to support the expansion of its business scale and the balance of assets held, while maintaining a sound financial structure and aiming to continue its growth investment and improvement of the return of profits with an awareness of capital efficiency.

2. Sustainability Philosophy and Initiatives

To contribute to the realization of a sustainable society through our corporate activities, the Tosei Group has established the “Tosei Group ESG Policy and ESG Action Guidelines” and is striving to implement ESG management with a focus on sustainability by establishing an ESG promotion system led by the Sustainability Committee.

Forward-looking statements included in this section are based on judgement by the Group’s management as of November 30, 2024.

(1) General Sustainability

(Governance)

The Tosei Group has established the Sustainability Committee, which reports directly to the Board of Directors, to promote ESG management with a focus on sustainability. In accordance with the Tosei Group ESG Policy, ESG Action Guidelines, Tosei Group's Materiality, etc., the Sustainability Committee is responsible for formulating policies aimed at improving the Group's overall sustainability, including addressing climate change issues and promoting human capital management, as well as planning annual activities related to sustainability promotion, and monitoring, advising, and guiding the progress of each policy and department’s activities.

The Committee is chaired by the Chief Sustainability Officer (Noboru Hirano, Director and Senior Executive Officer), who is appointed by the President and CEO, and its members are designated by the Chairmen of the committee . In principle, the Committee meets six times a year, and its deliberations, progress of activities, and matters to report are reported monthly to the Board of Directors.

Based on reports from the Committee, the Board of Directors properly monitor and supervise the progress of each policy formulated by the Sustainability Committee and approved by the Board of Directors by, for example, reviewing the policy and giving instructions on making improvements to the promotion structure as needed. The items that determine the evaluation and compensation of full-time directors with ESG jurisdiction include climate change and other ESG promotion targets. The Board of Directors also assumes the highest responsibility for the Group’s comprehensive risk management, including addressing climate change issues, and will put in place the necessary organizational structure, properly supervise it, and issue instructions as needed.

<Sustainability Promotion Structure>

(Strategy)

Under the corporate philosophy to “create new value and inspiration in all aspects of real estate” and recognizing that the “creation of new value,” in other words, creating a sustainable society through our corporate activities is demanded by the world, the Group has established “The Tosei Group ESG Policy” and “The Tosei Group ESG Action Guidelines,” and has identified materiality (material issues) in the promotion of sustainability. In addition, the Group has established the basic policies for sustainability management in the Tosei Group’s Medium-Term Management Plan “Further Evolution 2026,” issued in January 2024. By strengthening the business base and promoting business activities based on these policies and guidelines, the

Group intends to evolve further as a comprehensive real estate company in order to contribute to the realization of a sustainable society.

・The Tosei Group ESG Policy

Our mission is to create new value and inspiration in all aspects of real estate as a global-minded group of seasoned professionals. We regard the commitment to the Environment, Social and Governance as a priority management challenge. We will seriously address the social issues associated with real estate to contribute to society and achieve sustainable growth.

・Materiality (Material Issues) for the Tosei Group

The Tosei Group has long promoted various initiatives related to the environment, society, and governance. In order to further promote ESG management, in the fiscal year ended November 30, 2022, we initiated a study to identify the Group's materiality in promoting sustainability and specified our materiality for the fiscal year ended November 30, 2023. As the demand for companies to address environmental and social issues, including climate change, is certain to increase in the future, we intend to further accelerate our efforts to help solve environmental and social issues geared towards the development of a sustainable society and promote ESG management for sustainable corporate growth by defining important themes that the Group should prioritize.

Materiality (Material Issues) for the Tosei Group

Topic	Materiality	Main initiatives	Metrics and targets	Contribution to SDGs
Coexistence with the environment	Addressing climate change and promoting a recycling-oriented society	・Energy conservation, use of renewable energy ・Disaster prevention and mitigation ・Effective use of resources	[Major KPIs and targets] • Reduction of GHG emissions*1 Long-term target: Net zero by FY2050 Mid-term target: 50% reduction from base year (FY2022) by FY2030	
	Providing eco-friendly manufacturing and services	・Improvement and visualization of environmental performance in both tangible and intangible aspects ・Mitigation of environmental impact in real estate revitalization and development		
Addressing social issues	An environment where diverse human resources can work healthily by harnessing their individuality	・Success of diverse human resources ・Promotion of diverse work styles ・Pursuit of job satisfaction ・Respect for human rights ・Promotion of mental and physical health	[Major KPIs and targets] • Percentage of female managers: 10% or more*2 • Percentage of male employees taking childcare leave, etc.: 90% or more*2 • Wage differentials between men and women (all workers): 70% or more*2	
	Improving quality of products and services with consideration for safety and security	・Customer safety and security ・Safety and security of employees and suppliers		
	Creation, revitalization and activation of local communities	・Regeneration, creation and revitalization of local communities ・Revitalization of the local economy		
Strengthening corporate governance	Governance that promotes healthy corporate growth	・Governance enhancement ・Compliance ・Strengthening risk management	–	

*1 Covers Scope 1 and 2 emissions (based on GHG Protocol) of the Tosei Group.
*2 Only covers Tosei Corporation.

(Risk Management)

The Tosei Group aims to be a corporate group that earns the trust of its stakeholders by putting in place systems for systematically drawing up and verifying countermeasures during normal times to minimize risks that may hinder the promotion of business activities and the maintenance and improvement of corporate value.

The Risk Management and Compliance Committee, which reports directly to the Board of Directors, is responsible for centralized and cross-sectional risk management, including sustainability-related risks. In addition to overseeing and managing the various risks surrounding the Group's business through the implementation of programs related to risk management across the Group or by individual companies, the Committee will take the lead in responding to a crisis if a risk materializes. In addition, the Sustainability Committee, under the supervision of the Board of Directors, is the main entity responsible for "Climate Change Risks and Opportunities," which are of particular importance among the company-wide risks and should be managed based on the framework recommended by the TCFD. The Risk Management and Compliance Committee provides assistance and support for implementing various policy requests put forward by the Sustainability Committee, thereby ensuring the integrated management of company-wide risks.

(2) Climate Change

Recognizing that "climate change is a challenge that will cause dramatic changes in the natural environment and social structure, and will have a significant impact on our management and business," the Tosei Group believes that natural disasters could significantly affect our business activities, strategies and financial plans due to declining real estate values and more stringent government environmental regulations.

In November 2021, we announced our support for the TCFD (Task Force on Climate-related Financial Disclosures) recommendations and joined the TCFD Consortium, an organization of Japanese companies that support the TCFD recommendations, and are disclosing information based on these recommendations.

(Governance)

Please refer to (1) General Sustainability (Governance) above.

(Strategy)

In order to identify the potential impact of future climate change on our Group's business and to reflect this impact in our business strategy, we selected several future climate change scenarios defined by international organizations and identified the risks and opportunities in each global outlook. The details of the scenario analysis are as follows.

Future climate change scenarios mainly referenced

Category	Official announcement institutions/organizations	References
Transition Risks	IEA (International Energy Agency)	・WEO2020; Sustainable Development Scenario (SDS) Net Zero Emissions by 2050 case (NZE2050) ・WEO2023; Net Zero Emissions by 2050 Scenario (NZE2050) ・ETP2017; Beyond 2℃Scenario (B2DS)
Physical Risks	IPCC (Intergovernmental Panel on Climate Change)	・Sixth Assessment Report; SSP1-2.6 SSP5-8.5

Overview of Scenario Analysis

Transition risks/opportunities

Category	Details
Regulation/Policy	Risks ・Carbon taxes and carbon prices will be introduced, increasing operating costs in proportion to GHG emissions ・Tighter GHG emission regulations will make ZEH(M)/ZEB (Net Zero Energy House (Mansion)/Net Zero Energy Building) mandatory for newly built offices, condominiums, and detached houses, increasing development costs ・Tighter GHG emission regulations will require existing buildings to be decarbonized (renovated to ZEB Ready levels), increasing the cost of renovation ・Mandatory energy efficiency labeling will raise awareness of environmental performance and cause the decrease of asset value and rental income of low energy efficiency real estate Opportunities ・The spread of ZEB-enabling technologies is expected to reduce the unit cost of construction, which may mitigate the cost increase associated with ZEB implementation ・The increase of demand for environmental real estate may raise the asset value and rental income of properties that acquired environmental real estate certifications or properties which had environmentally friendly renovation

・Resilience of the Group and the results of the analysis

Results of the scenario analysis indicate that the financial impact from transition risks, especially in the medium- to long-term time frame, may occur as a result of changes in the social transformation associated with the transition to a decarbonized society, specifically through the tightening of various government regulations (introduction of carbon taxes, mandatory ZEH / ZEB levels, mandatory energy efficiency labeling, etc.)

The Group will shift to using electricity generated from renewable energy sources for its head office and own-operated hotels. We will also promote internal resource and energy conservation efforts to reduce the Group’s GHG emissions. Moreover, we will work together and cooperate with suppliers and contractors to reduce GHG emissions during construction as well as to promote ZEH / ZEB in new construction projects, renovate existing buildings to environmentally friendly real estate specifications, acquire environmental real estate certifications, and raise awareness among the tenants. Through such efforts, we aim to reduce GHG emissions throughout the value chain and minimize risks and maximize opportunities.

Physical Risks / Opportunities

Category	Details
Acute	Risks ・Properties located in areas with a high risk of inundation due to flooding will have a lower price valuation (asset value) due to increased risk premiums for investors ・Frequent flood damage increases repair costs Opportunities ・Enhanced BCP measures for buildings minimize risk and increase the market competitiveness of products
Chronic	Risks ・Existing buildings chronically flooded and submerged due to rising sea levels ・Construction costs will increase due to extreme heat which causes a decline in productivity in construction work, which is mainly carried out outdoors ・Supply chain disruptions caused by an increase in extreme weather events, soaring material prices due to oil dependence, and rising transportation costs will increase construction costs

・Resilience of the Group and the results of the analysis

Results of the scenario analysis indicate that financial impact from physical risks, especially in the medium- to long-term time frame, may occur as a result of intensifying extreme weather events in a society where climate change measures are not sufficiently implemented and supply chain confusion.
Upon acquisition, we make investment decisions only after comprehensively considering various factors, including flood risks. Also, we regularly check the risk status of our property portfolio using hazard maps and take appropriate business continuity planning (BCP) measures such as reviewing the portfolio and purchasing insurance. Through these efforts, we aim to minimize risks while maximizing opportunities.
Furthermore, we will work together and cooperate with suppliers and contractors to strengthen the supply chain and improve health and safety, and productivity at construction sites.

(Risk Management)

The processes for managing climate-related risks and opportunities are as follows:

・Process for identifying and assessing climate-related risks and opportunities

The Sustainability Committee, responsible for risk management related to climate change, conducts regular group-wide surveillance once a year and identifies climate-related risks and opportunities based on the results. The identified climate-related risks and opportunities are evaluated on two scales, “likelihood” and “impact” based on multiple assumptions (scenarios) about future climate change defined by international organizations and others. The results of the analyses are reported to the Board of Directors each time they are performed.

・Processes to manage climate-related risks and opportunities

Of the identified risks and opportunities, the Sustainability Committee creates a response plan for each element that the Tosei Group should address in an organized manner, and the Board of Directors approves the plan. The response plan is formulated based on the basic framework of risk management, namely “avoidance,” “acceptance,” “mitigation,” and “transfer.” Under the supervision of the Board of Directors and in accordance with the instructions of the Sustainability Committee, the approved risk response plans are implemented by the respective business operation systems of Tosei and its group companies. The Sustainability Committee also takes the lead in linking the risk response plan to the business strategy by providing instructions to each Group company and their respective business organizations.

・Status of company-wide risk management integration

The Risk Management and Compliance Committee, which is a committee directly under the Board of Directors, is responsible for centralized and cross-sectional risk management of the Tosei Group. The committee is responsible for implementing basic measures for the Group’s risk management, responding to management crises that may occur as risks emerge, and overseeing and managing the various risks surrounding the Group’s businesses. Climate change risks and opportunities, which are of particular importance among the company-wide risks and should be managed following the framework recommended by the TCFD, are managed mainly by the Sustainability Committee under the supervision of the Board of Directors. The Risk Management and Compliance Committee ensures integrated Enterprise Risk Management by assisting and supporting the Sustainability Committee as requested in its implementation of various measures.

(Indicators and Targets)

The Tosei Group has set a target of net zero greenhouse gas emissions in Scope 1 and 2 for FY2050 in order to achieve the global target of under 1.5°C. In addition, as a mid-term reduction target, with FY2022 as the base year, we will pursue the following reductions.

Base year		FY2022 (December, 2021 to November, 2022)
Reduction target (Note)	Scope1	Direct greenhouse gas emissions from fuel combustion, etc. by the company itself
	Scope2	Indirect greenhouse gas emissions from electricity, heat, and steam use
Target year / reduction ratio	Long-term target	Net zero in FY2050
	Mid-term target	50% reduction from base year by FY2030
Scope 1 and 2 results	FY2022 (base year)	3,800 t- CO_2
	FY2023	3,300 t- CO_2

Note: Greenhouse gas emissions from our Group consist of direct emissions from city gas used at our offices and company-operated hotels and gasoline used in company vehicles (Scope 1), and indirect emissions from electricity used at our headquarters, offices, and company-operated hotels and from district heating used at our head office (Scope 2).The results for FY2024 will be posted on the following website after a third-party guarantee is obtained.

https://www.toseicorp.co.jp/english/sustainability/data/

(3) Human capital

Based on our management principle of “continue developing seasoned, true professionals based on people-centered management,” our Group considers the construction of an environment where diverse human resources can work healthily by making the most of their individuality as one of the materiality (material issues) of our human resources strategy. We have, therefore, formulated a policy on human resource development and a policy on the improvement of the internal environment to ensure “the active participation of diverse human resources, the promotion of diverse work styles, the pursuit of job satisfaction, respect for human rights, and the promotion of mental and physical health.”

(Strategy)

(1) Policy on human resource development (Basic Policy on Human Resource Development)

・Human resource development based on the Group's Corporate Philosophy

In light of the importance of human resource strategy for the medium- and long-term improvement of corporate value, we adopt a fundamental approach to fostering human resources who will make an active contribution to the development of the Company based on an understanding of the Group's Corporate Philosophy (Mission, Management Principles, and Action Principles) and management policies, and who will devote themselves to cultivating their own professional awareness, knowledge, and skills.

・Diversity of human resources

The Group values diversity in the hiring, training, and promotion of human resources, and provides equal opportunities for growth and success to those who continue to pursue the Corporate Philosophy, without regard to gender, nationality, or employment history.

(2) Policy on internal environmental improvement (Health & Productivity Management Policy)

Based on our management principle of “continue developing seasoned, true professionals based on people-centered management,” the Tosei Group regards the health and safety of employees as an important management issue, and will establish a workplace environment where employees can work with vitality, while actively implementing measures focused on health maintenance and enhancement.

(Indicators and Targets)

From the perspectives of "utilization of diverse human resources, promotion of diverse working styles, pursuit of job satisfaction, respect for human rights, and promotion of mental and physical well-being," the Group has set measurement indicators (KPIs) based on the materiality (material issues) of its human resource strategy, "continue developing seasoned, true professionals based on people-centered management" as shown in the table below, and measures the "As is-To be" gap to identify medium- to long-term issues, and studies and implements measures related to human capital.

Main Initiatives Categories for Materiality		Indicator	Target	FY2024 actual results
Utilization of diverse human resources	1	Percentage of female managers	10% or more	5.0%
	2	Wage differentials between men and women (all workers)	70% or more	71.2%
Promotion of diverse working styles	3	Percentage of male employees taking childcare leave, etc.	90% or more	71.4%
Pursuit of job satisfaction	4	Job satisfaction	80% or more	64.0%
Promotion of mental and physical well-being	5	Average overtime hours	30 hours or less	23.3 hours
	6	Percentage of employees taking paid leave	65% or more	67.5%
	7	Stress check inspection rate	90% or more	100%
	8	Percentage of employees retiring for personal reasons	Less than 10%	7.9%

Notes: 1. While the Group promotes portfolio management focusing on the real estate business, its consolidated subsidiaries are engaged in different business segments. Accordingly, by determining that it is not reasonable at the moment to promote uniform measures under shared KPIs for the Group, the Group has set metrics and targets that only cover Tosei Corporation.

2. Item 4 is the percentages of respondents who selected the top two items on the "job satisfaction" rating scales (5 levels), in the regularly conducted employee satisfaction survey.

3. Business and other risks

Risks that have the potential to affect the performance, share price and financial position of the Tosei Group include, but are not limited to, the issues discussed below. Forward-looking statements are based on Tosei Group judgments as of November 30, 2023. The Tosei Group maintains a policy of recognizing the potential for risks to occur and working to preclude them or manage them if they arise. Furthermore, the information below is not intended to be an exhaustive list of all risks associated with the businesses of the Tosei Group or investment in the Company's shares.

(1) Trends in economic conditions

The demand for office buildings and commercial facilities owned by the Tosei Group may be affected by economic trends, and willingness of customers buying houses to buy is easily influenced by economic trends and the resulting employment situation as well as by a decline in land prices stemming from a downturn in the real estate market or other cause. Due to these factors, when worsening of domestic and foreign economic conditions results in decreased motivation to invest in real estate, a drop in real estate transactions, a rise in the vacancy rate or a decline in rent, there may be an impact on the Tosei Group's operating results and financial position.

In addition to regular monitoring of economic trends and real estate market conditions, the Tosei Group aims to mitigate these risks through measures including cultivating market judgment adapted to different areas, scales, uses and property characteristics, and strengthening investment decision-making and leasing capabilities.

(2) Disasters, etc.

The occurrence of a natural disaster such as a major earthquake metropolitan area, which may happen in the future, destructive storm or flood, or a human disaster such as war, terrorism or fire, could cause substantial losses in the values of the real estate the Tosei Group invests in, manages, develops and controls, and therefore has the potential to affect the Tosei Group's operating results and financial position.

The Tosei Group is responding to these risks by establishing a business continuity plan (BCP) for each of the major companies in the Group, and carrying out preparations to ensure that vital businesses can be continued or promptly restored in the event of a disaster.

(3) Dependency on interest-bearing debt and interest rate trend

The Tosei Group procures debt financing, primarily from financial institutions, on a project-by-project basis, to fund expenses associated with business activities including acquisition of land and buildings and construction. Consequently, the ratio of interest-bearing debt to total assets is consistently at a certain level. In the future, if interest rates suddenly rise or the lending attitude of financial institutions significantly changes, the deterioration of the financing environment could affect the Tosei Group's operating results and financial position.

In addition, lump-sum repayments due to conflicts with financial covenants on some loans, delays of project sales, and lower-than-expected sales revenues also have the potential to affect the operating results and financial position of the Tosei Group.

In addition to regular monitoring of interest rate fluctuation and the lending posture of financial institutions, the Tosei Group is responding to these risks by striving to obtain stable and economical financing, through measures such as establishing credit lines and fixing interest rates to ensure flexible debt funding.

(4) Legal regulations

1) Legal regulations

In addition to the regulations in the Companies Act and the regulations in the Financial Instruments and Exchange Act that apply to listed companies, the main legal regulations pertaining to the businesses of the Tosei Group are as follows.

If these legal regulations are strengthened in the future, the cost of legal compliance measures could increase.

Main legal regulations
• Building Lots and Buildings Transaction Business Act • National Land Use Planning Act • City Planning Act • Building Standards Act • Construction Business Act • Act on Architects and Building Engineers • Housing Quality Assurance Act • Act on Provision of Financial Services • Real Estate Specified Joint Enterprise Act • Trust Business Act • Act on Investment Trust and Investment Corporations • Act on Securitization of Assets • Real Estate Investment Advisory Business Registration Rules • Act on Assurance of Performance of Specified Housing Defect Warranty • Act on Prevention of Transfer of Criminal Proceeds • Act on Advancement of Proper Condominium Management • Act on Maintenance of Sanitation in Buildings • Security Services Act • Fire and Disaster Management Act • Act on the Rational Use of Energy • Money Lending Business Act • Inns and Hotels Act • Food Sanitation Act

2) Licenses and permits, etc.

The Tosei Group's businesses have obtained the following related licenses and permits in accordance with the laws listed above. As Tosei Group works to observe the current requirements imposed by administrative laws and local ordinances, there has not been any issue that could result in the revocation of licenses or permits. However, the business activities of the Group could profoundly be affected in the event that revocation of licenses or permits occurred or an administrative punishment such as suspension of operating activities for a certain period is imposed due to violation of laws and regulations.

Moreover, if the Tosei Group's business activities are restricted by the strengthening of the above regulations or the introduction of new regulations, the operating results or financial position of the Group could be affected.

The Tosei Group is responding to these risks by sharing and discussing information on changes to relevant laws and regulations and outgoing documents issued by regulatory authorities at forums such as Risk Management and Compliance Committee, and endeavoring to grasp and respond to any issues swiftly. In addition, the Group aims to ensure compliance with laws and regulations through measures such as continuing awareness programs and training related to compliance.

Tosei Corporation

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (14) No. 24043	March 23, 2027	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
Real Estate Investment Advisory Business Registration	Minister of Land, Infrastructure, Transport and Tourism	General–No. 127	February 28, 2026	When the registration has been made through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the registration shall be rescinded. (Article 30 of the Real Estate Investment Advisory Business Registration Rules)
Specified Construction Business License	Governor of Tokyo	Tokyo Governor's License (Special–4) No. 107905	December 9, 2027	When a situation arises so that there is no fulltime officer or employee in the company who has experience of being engaged for five (5) years or more in specified construction business, the permission shall be rescinded. (Article 29 of the Construction Business Act)
First Class Architect's Office License	Governor of Tokyo	(Head office) Tokyo Governor's Registration No. 46219	April 9, 2026	When the registration has been made through wrongful means, or the provisions of causes for disqualification of the first-class registered architect, etc. become applicable, the registration shall be rescinded. (Article 26 of the Act on Architects and Building Engineers)
Money Lending Business Registration	Governor of Tokyo	Tokyo Governor, (1) No. 31987	July 25, 2027	When the registration has been made through wrongful means, or the provisions of causes for disqualification are applicable, the registration shall be rescinded. (Article 24-6-5 of the Money Lending Business Act)
Real Estate Specific Joint Enterprise Permit	Financial services agency Commissioner, Minister of Land, Infrastructure, Transport and Tourism	Financial services agency Commissioner, Minister of Land, Infrastructure, Transport and Tourism No.102	–	When license of the building lots and buildings transaction business has been rescinded, or the provisions of causes for disqualification of officers, etc. become applicable, the authorization shall be rescinded. (Article 36 of the Real Estate Specified Joint Enterprise Act)
Registered Financial Instrument Business (Type 2 Financial Instrument Business, Advisor and Agency)	Financial Services Agency	Kanto Financial Bureau Chief (Financial Instruments) No. 898	–	When the registration has been made through wrongful means, or there is a risk of insolvency in the light of capital or operation or the status of property, the registration shall be rescinded. (Article 52 of the Financial Instruments and Exchange Act)

Tosei Community Co., Ltd.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Minister of Land, Infrastructure, Transport and Tourism	Minister of Land, Infrastructure, Transport and Tourism (1) No. 10644	March 19, 2029	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
Specified Construction Business License	Governor of Tokyo	Tokyo Governor's License (Special–4) No. 119534	March 10, 2028	When a situation arises so that there is no fulltime officer or employee in the company who has experience of being engaged for five (5) years or more in specified construction business, the permission shall be rescinded. (Article 29 of the Construction Business Act)
First Class Architect's Office License	Governor of Tokyo	Tokyo Governor's Registration No. 49526	January 14, 2029	When the registration has been made through wrongful means, or the provisions of causes for disqualification of the first-class registered architect, etc. become applicable, the registration shall be rescinded. (Article 26 of the Act on Architects and Building Engineers)
Condominium Management Business	Minister of Land, Infrastructure, Transport and Tourism	Minister of Land, Infrastructure, Transport and Tourism (5) No. 030488	May 21, 2027	When the registration has been made through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the registration shall be rescinded. (Article 83 of the Act on Advancement of Proper Condominium Management)
Building Environmental Health Comprehensive Management Company	Governor of Tokyo	Tokyo Governor's License (Comprehensive 19) No. 273	October 3, 2025	When the registration has been made through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the registration shall be rescinded. (Article 12-4 of the Act on Maintenance of Sanitation in Buildings)
Security Service License	Tokyo Public Safety Commissioner	Security Service Law Authorization No. 30002591	October 14, 2026	When the recognition has been obtained through wrongful means, or the provisions of causes for disqualification are applicable, the recognition shall be rescinded. (Article 8 of the Security Services Act)
Rental Housing Management Business	Minister of Land, Infrastructure, Transport and Tourism	Minister of Land, Infrastructure, Transport and Tourism (01) No. 000240	July 29, 2026	When the registration was obtained through wrongful means, or the entity falls under conditions for disqualification of rental housing management operators, the registration shall be cancelled (Article 23 of the Act on the Proper Management of Rental Housing)

Tosei Asset Advisors, Inc.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (4) No. 85736	April 7, 2026	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
Real Estate Specific Joint Enterprise Permit	Financial services agency Commissioner, Minister of Land, Infrastructure, Transport and Tourism	Financial services agency Commissioner, Minister of Land, Infrastructure, Transport and Tourism No.70	–	When license of the building lots and buildings transaction business has been rescinded, or the provisions of causes for disqualification of officers, etc. become applicable, the authorization shall be rescinded. (Article 36 of the Real Estate Specified Joint Enterprise Act)
Registered Financial Instrument Business (Investment Management Business, Type 2 Financial Instrument Business, Advisor and Agency)	Financial Services Agency	Kanto Financial Bureau Chief (Financial Instruments) No. 363	–	When the registration has been made through wrongful means, or there is a risk of insolvency in the light of capital or operation or the status of property, the registration shall be rescinded. (Article 52 of the Financial Instruments and Exchange Act)

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
License for discretionary proxy in realty trading	Minister of Land, Infrastructure, Transport and Tourism	Minister of Land, Infrastructure, Transport and Tourism No. 52	–	When the authorization has been obtained through wrongful means, or damages have been caused to another party in the course of business, the authorization shall be rescinded. (Article 67-2 of the Building Lots and Buildings Transaction Business Act)

Tosei Logistics Management Co., Ltd.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (4) No. 88903	February 22, 2028	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)

Tosei Hotel Management Co., Ltd

Tosei Hotel COCONE Kanda

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Director of Chiyoda Public Health Center	Hotel Operating License	–	Cancellation of approvals due to the violation of structure, facility, or health standards

Tosei Hotel COCONE Ueno

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Director of Taito Public Health Center	Hotel Operating License	–	Cancellation of approvals due to the violation of structure, facility, or health standards

Tosei Hotel & Seminar Makuhari

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Director of Narashino Public Health Center	Hotel Operating License	–	Cancellation of approvals due to the violation of structure, facility, or health standards
Restaurant Business License (Restaurant)	Director of Narashino Public Health Center	Restaurant Business License	February 28, 2026	When the business has sold foods or used utensils that are harmful to human health, or has sold foods, used additives or utensils, or practiced false advertising that do not satisfy the conditions necessary for public health, the business shall be prohibited. (Article 60,61 of the Food Sanitation Act)
Coffee Shop Business License (Coffee shop)	Director of Narashino Public Health Center	Coffee Shop Business License	February 28, 2026	When the business has sold foods or used utensils that are harmful to human health, or has sold foods, used additives or utensils, or practiced false advertising that do not satisfy the conditions necessary for public health, the business shall be prohibited. (Article 60,61 of the Food Sanitation Act)

Tosei Hotel COCONE Asakusa Kuramae

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Director of Taito Public Health Center	Hotel Operating License	—	Cancellation of approvals due to the violation of structure, facility, or health standards

Tosei Hotel COCONE Ueno Okachimachi

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Director of Taito Public Health Center	Hotel Operating License	—	Cancellation of approvals due to the violation of structure, facility, or health standards

Tosei Hotel COCONE Asakusa

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Director of Taito Public Health Center	Hotel Operating License	—	Cancellation of approvals due to the violation of structure, facility, or health standards

Tosei Hotel COCONE Kamakura

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Director of Kamakura Health and Welfare Office	Hotel Operating License	—	Cancellation of approvals due to the violation of structure, facility, or health standards
Restaurant Business License	Director of Kamakura Health and Welfare Office	Restaurant Business License	September 27, 2028	When the business has sold foods or used utensils that are harmful to human health, or has sold foods, used additives or utensils, or practiced false advertising that do not satisfy the conditions necessary for public health, the business shall be prohibited. (Article 60,61 of the Food Sanitation Act)

Tosei Hotel COCONE Tsukiji Ginza Premier

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Director of Chuo Public Health Center	Hotel Operating License	—	Cancellation of approvals due to the violation of structure, facility, or health standards
Restaurant Business License	Director of Chuo Public Health Center	Restaurant Business License	August 31, 2029	When the business has sold foods or used utensils that are harmful to human health, or has sold foods, used additives or utensils, or practiced false advertising that do not satisfy the conditions necessary for public health, the business shall be prohibited. (Article 60,61 of the Food Sanitation Act)
Public Bathhouse Business License	Director of Chuo Public Health Center	Public Bathhouse Business License	—	Cancellation of approvals due to the violation of criteria for building and equipment

Princess Square Co., Ltd.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (8) No. 59205	July 20, 2026	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
Rental Housing Management Business	Minister of Land, Infrastructure, Transport and Tourism	Minister of Land, Infrastructure, Transport and Tourism (01) No. 000376	July 30, 2026	When the registration was obtained through wrongful means, or the entity falls under conditions for disqualification of rental housing management operators, the registration shall be cancelled (Article 23 of the Act on the Proper Management of Rental Housing)

TOSEI-R, Inc.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (1) No. 109753	August 25, 2028	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)

Kishino Corporation

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (2) No.99269	June 3, 2026	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)

Isogo Asset Management Co., Ltd.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (1) No.107826	May 20, 2027	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)

Shibaura Residential Co., Ltd.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (1) No.109140	April 7, 2028	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)

(5) Changes in accounting standards and the real estate tax system

Changes regarding accounting standards and the real estate tax system could cause increases in the cost of holding, acquiring and selling assets, and therefore have the potential to affect the operating results and financial position of the Tosei Group.

Regarding changes in accounting standards and changes in the real estate taxation system, the Tosei Group strives to identify the effect of these changes on the Group's performance and financial position at an early stage, by collecting timely information on changes in real estate taxation.

(6) New businesses

The Group is promoting real estate business utilizing crowdfunding, security tokens, and digital matching, which are real estate tech business. Since the performance of these business operations involves various uncertainties, the Tosei Group has established the internal management system, developed human resources, obtained insurance, etc. on the assumption of all possible risks. However, there may be an impact on the Tosei Group's financial position and operating results, depending on the occurrence of risks beyond the assumption or changes in laws and regulations. In addition to measures that anticipate risks as far as possible, such as establishing internal control systems, developing human resources and obtaining insurance, the Tosei Group is responding to these risks through measures such as regular monitoring of the progress of business strategy and changes in the business environment and timely reviews of strategy in accordance with changes in the environment.

(7) Personnel and labor risks

Given the nature of the Group's business, human resources are an extremely important management resource, and it is essential to secure and develop excellent human resources in order to continue and expand our business.

The Group's business, financial position, and operating results may be adversely affected by a high turnover of staff or inadequate retention and development of human resources due to difficulties in securing staff as a result of the declining birthrate and aging population, changes in the labor market, and other factors.

Based on our management principle of "continue developing seasoned, true professionals based on people-centered management," our Group considers the health and safety of employees as an important management issue, and will establish a workplace environment where employees can work with vitality, while actively implementing measures focused on health maintenance and enhancement.

(8) Sustainability

The importance of sustainability-oriented ESG management is growing every year. Any delays or deficiencies resulting from the failure of the Group to respond in an appropriate manner may jeopardize the confidence of the local community, customers, business partners, employees, investors, and the market, and impact the business strategies and operating results of the Group. In the environmental field, as the impacts of climate change are becoming increasingly apparent on a global scale, physical damage associated with climate change and stricter climate-related regulations, and the delay or inadequacy in implementing appropriate mitigation and adaptation measures regarding the transition to a decarbonized/low-carbon society, may impact the Group's financial position and operating results. Additionally, in the social sector, any delays or inadequacies in the development of systems, implementation of plans, disclosure of information, or other actions related to human capital management, including development and promotion of human resources, such as ensuring diversity of human resources, and improvement of the internal environment, could impact the Group's human resource strategy and business performance. This includes the securing of core human resources, which is a valuable source of corporate value creation, and market evaluation of the Group.

As a measure against these risks, the Group has developed and strengthened its sustainability promotion system by establishing the Tosei Group ESG Policy and ESG Action Guidelines, the Tosei Group Human Rights Policy, the Tosei Group Environmental Policy, and the Tosei Group Health Management Policy as well as the Sustainability Committee. At the same time, the Group is striving to mitigate the risks associated with sustainability issues by putting ESG management into practice and promoting initiatives to reduce the burden on the global environment.

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

The following is a summary of the Group's financial position, performance and cash flows (hereinafter, "business performance") and analysis and discussions of the Group's operating results from the viewpoint of management for the fiscal year ended November 30, 2024.

Forward-looking statements are based on Tosei Group judgments as of November 30, 2024.

(1) Analysis and discussions of the Group's operating results from the viewpoint of management

1) Recognition of business environment and business performance

During the fiscal year ended November 30, 2024, the Japanese economy showed a gradual recovery, although personal consumption stalled somewhat in certain sectors. However, the downturn in the global economy brought on by continuing high interest rate levels in Europe and the U.S. and the slowdown of the Chinese economy, among other factors, has been posing downward risks to the domestic economy, and therefore it remains necessary to monitor these trends along with the trends of interest rate hikes by the Bank of Japan, geopolitical risks, the future policy shift in the U.S., and other factors.

In the real estate industry where Tosei Group operates, domestic real estate investments for the nine months from January to September 2024 increased by 40% year on year to ¥3,856.7 billion, with Tokyo continuing to rank first in the world for real estate investments by city. Amid continued relatively low interest-rate environment, investments in domestic real estate rose as the number of large-scale transactions increased in each asset type. Furthermore, despite rising interest rates, there is no evidence of hardening of the lending stance by financial institutions, and together with the restored investment appetite of European and U.S. investors, active investments in domestic real estate are expected to continue (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 October 2024 decreased by 17.7% year on year to 14,953 units while the average price per unit in October 2024 was ¥92.39 million (up 40.7% year on year). The average price per unit remained high reflecting such factors as the decrease in the number of units supplied and the shifting of soaring construction costs onto condominium prices. In the Tokyo metropolitan area pre-owned condominium market, the number of units contracted from January to October 2024 increased to 30,857 units (up 2.4% year on year) and the average price per unit as of October 2024 was ¥48.64 million (up 2.2% year on year). Properties in the Tokyo metropolitan area, which are high in demand by the affluent classes and overseas investors, are driving up the average price per unit, which, in turn, has resulted in a polarization of price trends between the Tokyo metropolitan and suburban areas, where there is greater actual demand. In the Tokyo metropolitan area build-for-sale detached house market, housing starts for the ten months from January to October were 44,452 units (down 9.4% year on year) continuing the declining trend, which began in 2022, and the average price of a newly built unit as of October 2024 was ¥45.40 million (up 1.0% year on year). Amid rising mortgage interest rates, there has been concern for a decline in the purchasing appetite of the end-user market as a whole (according to a survey by a private research institute).

The average costs per tsubo in terms of construction costs for the ten months from January to October 2024 were ¥1,772 thousand per tsubo (1 tsubo = 3.30 square meters) (an increase of 49.8% year on year) for steel reinforced concrete structures and ¥727 thousand per tsubo (an increase of 8.5% year on year) for wooden structures. Although the current prices of steel and timber have fallen slightly, they remain at high levels, and together with soaring personnel costs driven by factors including labor shortages, construction costs continue to rise (according to a survey by the Ministry of Land, Infrastructure, Transport and Tourism).

In the office leasing market of Tokyo's five business wards, as of October 2024, the average vacancy rate was 4.5% (a decrease of 1.6 percentage points year on year) and the average asking rent continued its gradual ascent to ¥20,178 per tsubo (an increase of 2.2% year on year), reflecting the robust demand for offices resulting from office relocations and increases in office space, etc. Meanwhile, it remains necessary to continue monitoring these trends, as a massive supply of office buildings is expected in 2025 (according to a survey by a private research institute).

The Tokyo metropolitan area condominium leasing market has been robust and the average asking rent of apartments as of October 2024 was ¥11,791 per tsubo (an increase of 0.7% year on year). The average occupancy rate of condominiums held by J-REIT in the Tokyo area as of August 31, 2024 was 97.4% (an increase of 0.1 percentage points year on year) (according to a survey by a private research institute).

In the Tokyo metropolitan area's logistics facility leasing market, leasable stock as of October 2024 was 10.69 million tsubo (an increase of 10.9% year on year), and the vacancy rate rose to 8.6% (an increase of 1.5 percentage points year on year). As supply continues to exceed demand, long-term leasing activities mainly for new and relatively new properties are becoming the norm and the vacancy rate is rising. While the asking rent at ¥4,780 per tsubo (an increase of 3.9% year on year) remains firm, weaker rents are seen in oversupply areas, resulting in discrepancies in rent in the Tokyo metropolitan area (according to a survey by a private research institute).

In the real estate fund market, J-REIT assets under management as of October 31, 2024 totaled ¥23.4 trillion (an increase of ¥0.8 trillion year on year) and assets under management in private placement funds totaled

¥38.6 trillion (as of June 30, 2024, an increase of ¥5.2 trillion year on year). Combining the two, the real estate securitization market scale grew to ¥62.0 trillion (according to a survey by a private research institute).

In the Tokyo business hotel market, in the nine months from January to September 2024, the average guest room occupancy rate was 81.8% (an increase of 3.4 percentage points year on year) and the total number of hotel guests in Tokyo encompassing all types of accommodation amounted to 81.50 million (an increase of 15.5% year on year). Strong inbound demand is expected to continue going forward driven by the recovery in the number of Chinese tourists visiting Japan, which had been slow to recover (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 Hotel Business, the Group endeavored to capture inbound demand, while in the Fund and Consulting Business, it strove to increase its balance of assets under management.

As a result, consolidated revenue for the fiscal year under review totaled ¥82,191million (up 3.5% year on year), operating profit was ¥18,488 million (up 13.7%), profit before tax was ¥17,364 million (up 13.4%), and profit attributable to owners of the parent was ¥11,985 million (up 14.1%).

Performance by business segment is shown below.

Revitalization Business

During the fiscal year under review, the segment sold 40 properties it had renovated and 110 pre-owned condominium units, including T's garden Nishi Terao (Yokohama-shi, Kanagawa), Hatchobori Tosei Building Ⅱ (Chuo-ku, Tokyo), LIERRE ICHIGAYA (Shinjuku-ku, Tokyo).

During the fiscal year under review, it also acquired a total of 44 income-generating office buildings, and apartments, nine land lots and 88 pre-owned condominium units.

In addition, the Group reviewed the valuation of its income-generating properties, recording a valuation loss of ¥16 million and reversal of inventories valuation loss of ¥56 million.

As a result, revenue in this segment was ¥37,221 million (down 21.7% year on year) and the segment profit was ¥5,963 million (down 32.8%).

Development Business

During the fiscal year under review, the segment sold T's Logi Ome (Nishitama-gun, Tokyo) which is a logistic facility, T'S BRIGHTIA Jiyugaoka (Meguro-ku, Tokyo) which is a commercial facility, T's Cuore Ukimahunado Ⅰ (Kita-ku, Tokyo), T's Cuore Shiinamachi (Toshima-ku, Tokyo) which is rental apartment and sold 28 detached houses at such properties as THE Palms Court Gakugei Daigaku (Meguro-ku, Tokyo).

During the fiscal year under review, it also acquired four land lots for rental apartment project, 15 land lots for rental wooden apartment project and land lots for 133 detached houses.

In addition, the Group reviewed the valuation of its income-generating properties, recording a reversal of Inventories valuation loss of ¥361 million.

As a result, revenue in this segment was ¥16,659 million (up 129.9% year on year) and the segment profit was ¥4,962 million (up 378.9%).

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 nine from 114 at the end of the previous fiscal year to 123, as the segment acquired 36 properties, and begin offering for rental of nine properties, sold 31 properties, and terminated the leasing of five properties.

As a result, revenue in this segment was ¥8,088 million (up 21.5% year on year) and the segment profit was ¥4,083 million (up 26.4%).

Fund and Consulting Business

During the fiscal year under review, while ¥209,882 million was subtracted due mainly to property dispositions by funds, ¥301,237 million added due to new asset management contracts, from the balance of assets under management (Note) ¥2,352,454 million for the end of the previous fiscal year. The balance of assets under management as of November 30, 2024, was ¥2,443,808 million.

As a result, revenue in this segment was ¥6,819 million (down 7.6% year on year) and the segment profit was ¥3,824 million (down 16.1%).

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 made efforts to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 963 as of November 30, 2024, an increase of 105 from November 30, 2023, with the total comprising 571 office buildings, hotels, logistic facilities and other such properties, and 392 condominiums and apartments.

As a result, revenue in this segment was ¥7,104 million (up 9.8% year on year) and segment profit was ¥1,039 million (up 27.7%).

Hotel Business

During the fiscal year under review, thanks to recovering domestic demand and by capturing inbound demand, guest room occupancy rates and guest room rates improved, and both revenue and segment profit significantly exceeded that of the same period of the previous fiscal year

As a result, revenue in this segment was ¥6,297 million (up 51.4% year on year) and segment profit was ¥2,206 million (up 122.8%).

2) Analysis and Discussion of Operating Results

In the Tokyo metropolitan area real estate market during the fiscal year under review, the low interest-rate environment and the favorable lending stance of the domestic financial institutions continued and both domestic and overseas investors engaged in active real estate transactions. Additionally, while the extra burden of rising interest rates was felt, office rents have bottomed out against the backdrop of increases in office space and relocations entailed by business expansion, etc. Furthermore, the upward pressure on rents has gained momentum due to inflation, and hotel guest room rates have also been rising due to growing inbound demand driven by the weakening yen, resulting in expectations for the rising profitability of real estate.

Amid this operating environment, for the fiscal year under review, the Group reported consolidated revenue of ¥82.1 billion (down 10.8% from the initial plan), operating profit of ¥18.4 billion (up 4.4% from the initial plan), and profit before tax of ¥17.3 billion (up 5.2% from the initial plan). Although revenue decreased compared to the initial plan due to strategically postponing a portion of the sales plan for the fiscal year under review to the following fiscal year and beyond, due to having achieved highly profitable property sales in the Revitalization Business, profits exceeded the initial plan thanks to the upward swing in profit margin in the Revitalization Business as well as the strong performance of the Hotel Business. In the initial year of its medium-term management plan, "Further Evolution 2026," the Group was off to a good start, as both profit before tax and profit for the year reached record highs for the third consecutive year.

As for the operating segments, the Revitalization Business, the Company's mainstay business, leveraged its strengths of providing diverse real estate solutions and achieved property sales with high profit margins for both whole buildings and condominium units. In the Development Business, major logistics facilities and commercial facilities were sold to investors while the Company also expanded its product lineup of wooden structures to combat soaring construction costs and promoted the new construction and sale of high-priced detached houses and rental apartments made from wooden structures.

Furthermore, in the stock and fee businesses, the Company's stable source of income, the Rental Business reported results exceeding the initial plan, as it managed to continue receiving rental income from properties that had become inventories due to the postponement of their sales and also through efforts to raise rent. In the Fund and Consulting Business, despite capturing new management contracts from domestic and overseas investors mostly as planned, the balance of assets under management failed to achieve the initially planned ¥2.5 trillion and remained at ¥2.4 trillion (an increase of ¥91.3 billion from the end of the previous fiscal year), due to the property dispositions by existing trusted funds exceeding the Company's expectations. This resulted in segment profit slightly undershooting the initial plan. In the Property Management Business, the succession of a property management company through the business succession support services led to an increase in the number of buildings under management, which, in turn, contributed to performance exceeding the plan. In the Hotel Business, the Company worked to capture inbound demand mainly through the Tosei Hotel COCONE Tsukiji Ginza Premier, which opened in September 2023 and significantly increased revenue and profits.

As for initiatives to create new income-generating models that combine real estate and DX, the Company established two new funds under Tosei Real Estate Crowd, TREC FUNDING, bringing the total number of funds to eleven and the cumulative total amount under management to ¥3.1 billion, while also issuing a real estate security token, "Tosei Property Fund (Series 3) Ichigaya." In September 2024, the Company commenced the handling of the real estate security token on "START," a proprietary trading system operated by Osaka Digital Exchange Co., Ltd. Furthermore, the Company offers individual investors TRESQ, the real estate digital matching service that uses a state-of-the-art digital platform to efficiently connect buyers with suitable investment property. The Company will continue to promote DX through its businesses while diversifying financing methods and exit strategies, and further diversifying opportunities for investors to invest in real estate.

(2) Status of production, orders received and sales

1) Actual production

As the Tosei Group's principle business activities are revitalization, development, rental, fund and consulting, property management and hotel, it is difficult to define "actual production." Accordingly, the Company does not report actual production.

2) Actual orders received

Although the Group receive orders for production, the Company does not report actual orders received because its amount is immaterial.

3) Actual sales

Consolidated actual sales for each segment in the fiscal year under review are shown below.

Segment	Fiscal year ended November 30, 2024	Comparison with the previous fiscal year (%)
	Amount (¥ thousand)	
Revitalization Business	37,221,768	(21.7)
Development Business	16,659,822	129.9
Rental Business	8,088,698	21.5
Fund and Consulting Business	6,819,917	(7.6)
Property Management Business	7,104,472	9.8
Hotel Business	6,297,148	51.4
Total	82,191,828	3.5

Notes: 1. Transactions between segments were eliminated.
2. The amounts of sales to each major customer and the ratios of the said sales to total sales in the two most recent fiscal years are as follows.

Customer	Fiscal year ended November 30, 2023		Fiscal year ended November 30, 2024	
	Amount (¥ thousand)	Ratio (%)	Amount (¥ thousand)	Ratio (%)
Paraiba LLC	—	—	10,326,440	12.5
Tosei Reit Investment Corporation	1,059,869	1.3	4,795,201	5.8

(3) financial position

The consolidated financial position as of November 30, 2024 was as follows. Total assets increased 12.8% compared with the end of the previous fiscal year to ¥276,815 million, liabilities rose 14.1% to ¥185,948 million, and equity rose 10.4% to ¥90,866 million. The ratio of equity attributable to owners of parent to total assets was 32.7%, compared with 33.4% at the end of the previous fiscal year.

Current assets

As of November 30, 2024, the balance of current assets was ¥190,330 million, an increase of ¥27,499 million compared with the end of the previous fiscal year. This is mainly due to increase in inventories (up ¥28,565 million year on year) because purchases of properties in the Revitalization and Development Businesses, which are the core operations of the Company, exceeded the number of properties the Company recently sold etc.

Non-current assets

As of November 30, 2024, the balance of non-current assets was ¥86,485 million, up ¥3.986 million compared with the end of the previous fiscal year. This is mainly due to increase in Investment properties (up ¥3,140 million year on year) etc.

Current liabilities

As of November 30, 2024, the balance of current liabilities was ¥34,648 million, up ¥10,294million compared with the end of the previous fiscal year. This is mainly due to increase in interest-bearing liabilities (up ¥7,002 million year on year) etc.

Non-current liabilities

As of November 30, 2024, the balance of non-current liabilities was ¥151,300 million, up ¥12,643 million compared with the end of the previous fiscal year. This is mainly due to increase in interest-bearing liabilities (up ¥12,310 million year on year) etc.

Equity

As of November 30, 2024, equity was ¥90,866 million, an increase of ¥8,547 million compared with the end of the previous fiscal year. This is mainly due to increase in retained earnings, payment of cash dividends.

(4) Cash Flows

Cash and cash equivalents (hereinafter "cash") as of November 30, 2024 totaled ¥34,874 million, a decrease of ¥4,323 million compared with November 30, 2023.

The cash flows for the fiscal year under review and factors contributing to those amounts are as follows:

Cash Flows from Operating Activities

Net cash used in operating activities totaled ¥13,045 million (in comparison with segment net cash provided in Operating activities of ¥5,722 million in the same period of the previous fiscal year). This is attributed to the profit before tax of ¥17,364 million, an increase in inventories of ¥29,310 million and income taxes paid of ¥5,624 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥5,608 million (down 65.2% year on year). This is primarily due to payments of loans receivable of ¥8,840 million, collection of loans receivable of ¥7,804 million, purchase of other financial assets of ¥2,360 million and purchase of investment properties of ¥2,448 million.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥14,329 million (down 19.5% year on year). This mainly reflects ¥42,352 million in the repayments of non-current borrowings and ¥3,192 million in cash dividends paid, despite ¥59,194 million in proceeds from non-current borrowings.

(Reference) Trends in cash flow indicators for the Tosei Group

	Year ended Nov. 30, 2022	Year ended Nov. 30, 2023	Year ended Nov. 30, 2024
Ratio of equity attributable to owners of parent to total assets (%)	34.3	33.4	32.7
Ratio of equity attributable to owners of the parent to market capitalization (%)	31.4	35.5	42.7
Ratio of cash flows to interest-bearing debt (years)	—	25.6	—
Interest coverage ratio (times)	—	3.6	—

Ratio of equity attributable to owners of the parent to total assets:	Equity attributable to owners of parent / Total assets
Ratio of equity attributable to owners of the parent to market capitalization:	Market capitalization / Total assets
Ratio of cash flows to interest-bearing debt:	Interest-bearing debt /Cash flows
Interest coverage ratio:	Cash flows / Interest expenses

Notes: 1. All indicators are calculated using consolidated financial figures.
2. Market capitalization is calculated based on the number of issued shares, excluding treasury shares.
3. The figures for cash flows employ net cash from operating activities.
4. Interest-bearing debt includes all debt recorded in the consolidated statement of financial position on which interest is paid.
5. Interest-bearing debt to cash flows ratio and interest coverage ratio are not presented for the year ended November 30, 2022 and the year ended November 30, 2024 because cash flows from operating activities on the consolidated statements of cash flows was negative.

(5) Material accounting policies and estimates

The financial statements of the Tosei Group are prepared in accordance with IFRS. For significant accounting policies and estimates for the presentation of these consolidated financial statements, please refer to “3. Material accounting policies” and “4. Significant accounting estimates and judgments requiring estimates” in “V. Accounting, 1. Consolidated financial statements, etc., Notes to Consolidated Financial Statements.”

(6) Objective benchmarks used to judge the achievement of management policy, management strategies **and management targets**

The results for the current fiscal year against the planned figures for the previous medium-term management plan "Further Evolution 2026" (December 2023 to November 2026), which ends in the fiscal year ending November 2024, was as follows.
For the analysis of business results for the fiscal year ended November 30, 2024, please refer to "(1) Analysis and discussions of the Group’s operating results from the viewpoint of management"

<Quantitative Plan (Consolidated)> *Underlined portions indicate revisions.

The Company has revised the plan as follows, considering the current performance and the outlook for the business environment (announced on January 10, 2025).

	Initial year Year ended November.30, 2024 Plan	2nd year Year ended November.30, 2025 Revised plan	3rd year (final year) Year ending November.30, 2026 Revised plan
Consolidated revenue	¥92.1 billion	<u>¥102.0 billion</u>	<u>¥123.0 billion</u>
Consolidated profit before tax	¥16.5 billion	<u>¥18.8 billion</u>	<u>¥20.2 billion</u>
ROE	13.0%	<u>13.5%</u>	<u>13.2%</u>
Stable businesses ratio (operating profit-basis)	45% or more	45% or more	45% or more
Equity ratio	Around 35%	Around 35%	Around 35%
Net debt-to-equity ratio	About 1.4 times	About 1.4 times	About 1.4 times
Dividend payout ratio	31.5%	<u>33.7%</u>	35.0%

<Results for the current fiscal year>

	Year ended Nov. 30, 2024
Consolidated revenue	¥82.1 billion
Consolidated profit before tax	¥17.3 billion
ROE	13.9%
Stable businesses ratio (operating profit-basis)	50.5%
Equity ratio	32.7%
Net debt-to-equity ratio	1.45 times
Dividend payout ratio	31.9%

(7) Source of equity and liquidity of funds

Funding demand of the Group’s business activities are mainly related to the purchase of buildings for business use and land. The Group meets these needs through its own funds, borrowings from banks and other methods of procurement that place emphasis on flexibility and long-term stability.

5. Important operational contracts, etc.

The Company concluded a capital and business alliance agreement ("the Agreement," hereafter, with the capital and business alliance based on the agreement hereafter referred to as "the capital and business alliance") with Nagoya Railroad Co., Ltd. (Securities code: 9048; Head Office: Nagoya, Aichi Prefecture; President: Hiroki Takasaki; "Nagoya Railroad" hereafter) on May 24, 2024, following the resolution at a meeting of the Board of Directors held on the same date.

1. Purpose and Reason for the Capital and Business Alliance

The Group's corporate philosophy is "Create new value and inspiration in all aspects of real estate as a global-minded group of seasoned professionals." We aim to contribute to society and enhance the corporate value of the Group by promoting diverse real estate-related businesses with an awareness of the integration of real estate and finance, and constant commitment to ensure craftsmanship.

Through its real estate-related businesses, which consists of six businesses, the Group has provided various solutions to manifest the potential value of real estate. By combining multiple businesses with different business characteristics, we are expanding our business domains while reducing risk, and we continue to improve our real estate investment skills as a portfolio manager capable of handling a variety of assets. In the asset management field, we provide world-class services that are trusted by real estate investors around the world. We are committed to further expanding "our real estate solutions capabilities", "portfolio management capabilities" and "global reach capabilities" as our core competencies, while growing our business and realizing our long-term vision 2032.

The Greater Tokyo area real estate investment market, the Group's main market, maintains a relatively high advantage over major overseas cities due to the yen's depreciation due to the low interest rate environment, the depth of the yield gap, and low geopolitical risk, and is expected to continue to see an inflow of investment funds. On the other hand, in FY 2024, we recognize the need to keep a close watch on real estate investors' willingness to invest, financial institutions' lending attitudes, changes in housing demand, and the prolonged sharp rise in construction costs, as the government's economic measures to end deflation are promoted and the Bank of Japan is expected to move toward normalization of monetary policy by lifting negative interest rates and other measures.

Under these circumstances, we have been looking to form an alliance with a partner company with strong financial credibility and land acquisition capabilities. This not only to pursue our own growth strategy, but also to strengthen our capability to respond to the changes in the environment described above. We recognize that collaborating with such partners in the real estate business represents the best growth strategy, and we have been considering potential business partners.

Meanwhile Nagoya Railroad, our partner in this capital and business alliance, has positioned the period from FY2024 to FY2026 as a "period for building a foundation for growth and strengthening profitability" as described in "The Meitetsu Group’s New Management Vision, The Meitetsu Group’s Vision for 2040, The Meitetsu Group’s Medium- to Long-term Management Strategies, The Meitetsu Group’s Medium-term Management Plan(FY2024-FY2026)", formulated in March 2024. The Nagoya Railroad Group has identified five key themes to achieve sustainable growth and increase corporate value despite accelerating changes in lifestyles due to the COVID-19 pandemic and the ongoing trends of population decline and aging. It is working to further revitalize its operations through the development of areas along railway lines and local areas from the perspectives of "creating attractive areas and cities" and "strengthening earning power and promoting structural reforms." At the same time, to balance growth while maintaining financial soundness, the Nagoya Railroad Group is working to enhance profitability in the real estate sector, a field expected to see growth, by advancing the dualization of its real estate business.

The Company engaged in repeated discussions on the possibility of collaboration in the real estate business with Nagoya Railroad, verifying that it would be possible to create synergies by leveraging the "real estate solution capabilities", "portfolio management capabilities", and "global reach capabilities" that are the source of the Group's corporate value, together with the Nagoya Railroad Group's strengths, such as its customer base and its ability to make solid proposals rooted in the Chubu region. Due to the prospects for maximizing the corporate value of both companies, an agreement was reached to enter into a capital and business alliance.

2. Details of the Capital and Business Alliance

(1) Details of the business alliance

The Company and Nagoya Railroad aim to maximize the corporate value of both companies by synergistically utilizing their respective expertise and strengths cultivated to date and promoting joint projects in the real estate business, which would strengthen the real estate fund business and promote joint projects for real estates in business areas where each party has strengths.

(2) Details of the capital alliance

Regarding the share transfer, the Company’s largest and major shareholder, Seiichiro Yamaguchi agreed to transfer a total of 7,500,100 shares of the Company's common stock which he owns (15.40% of the total number of shares issued and outstanding as of November 30, 2023 (hereafter rounded down to two decimal places); 15.50% of the total number of voting rights as of November 30, 2023) to Nagoya Railroad through off-market negotiated trades. The Company recognized that the share transfer was completed on June 4, 2024.

6. Research and development activities

None

III. Facilities

1. Outline of capital expenditures

In the fiscal year ended November 30, 2024, we made capital expenditures totaling ¥2,676 million. A major portion of this amount was due to acquisition of investment properties of the Rental Business.

During the fiscal year under review, there were no material transactions related to the retirement or sale etc. of facilities.

2. Main facilities

(1) Filing company

(As of November 30, 2024)

Office name (Location)	Segment	Description	Book value (¥ thousand)				Number of employees (Person)
			Buildings and structures	Land (Size m²)	Other	Total	
Head office (Minato-ku, Tokyo)	Supervising administration facilities	Office facilities	4,265,168	3,501,408 (2,472.73)	134,877	7,901,453	264
Machida section (Machida-shi, Tokyo)	Development Business	Office facilities	52,783	190,198 (993.03)	–	242,981	18
Leasing properties (23 properties in Chiyoda-ku, Tokyo, etc.)	Rental Business	Rental buildings, stores, etc.	5,948,620	31,438,291 (24,724.71)	191,759	37,578,671	–
Leasing properties (8 properties in Chiyoda-ku, Tokyo, etc.)	Hotel Business	Hotel facilities	9,646,683	11,700,765 (11,760.11)	207,988	21,555,438	–
Total	–	–	19,913,255	46,830,664 (39,950.58)	534,625	67,278,545	282

(2) Domestic subsidiaries

(As of November 30, 2024)

Company name	Office name (Location)	Segment	Description	Book value (¥ thousand)				Number of employees (Person)
				Buildings and structures	Land (Size m^2)	Other	Total	
Kishino Corporation	Leasing properties (1 property in Toshima-ku, Tokyo, etc.)	Rental Business	Rental building	14,881	2,002,282 (160.76)	—	2,017,163	—
Isogo Asset Manageme nt Co., Ltd.	Leasing properties (1 land lot in Yokohama-shi, Kanagawa)	Rental Business	Land	—	227,418 (991.79)	—	227,418	—
Princess Square Co., Ltd.	Leasing properties (1 property in Adachi-ku, Tokyo, 1 property in Shinjuku-ku, Tokyo, etc.)	Rental Business	Condominium units	31,212	78,783 (151.58)	—	109,995	—
TOSEI-R, Inc.	Leasing properties (1 property in Yokohama-shi, Kanagawa)	Rental Business	Commercial facility	—	777,626 (2,725.17)	—	777,626	—

3. Plans for new installation and retirement of facilities

None

IV. Filing company

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

(1) Total number of shares authorized, etc.

1) Total number of shares authorized

Class	Total number of shares authorized (Share)
Ordinary shares	150,000,000
Total	150,000,000

2) Number of shares issued

Class	Number of shares issued (Share; as of Nov. 30, 2024)	Number of shares issued (Share; as of the date of filing: Feb. 27, 2025)	Name of financial instruments exchange where shares of Tosei are traded or name of authorized financial instruments firms association where Tosei is registered	Details
Ordinary shares	48,683,800	48,683,800	Tokyo Stock Exchange (Prime Market) and Main Board of Singapore Exchange	Share unit number: 100 shares
Total	48,683,800	48,683,800	–	–

(2) Status of stock acquisition rights

1) The detail of the stock option system

Date of resolution	July 5, 2024
Title and number of grantees	The Company's directors: nine persons (including three outside directors) The Company's executive officers: five persons The Company's employees: 414 persons Directors of the Company's subsidiaries: nine persons
Number of stock acquisition rights (Note1)	10,890 (Note 2)
Number of shares delivered upon exercise of stock acquisition rights (shares) (Note1)	Ordinary shares 1,089,000 (Note 2)
Amount to be paid in upon exercise of stock acquisition rights (¥) (Note1)	2,516 (Note 3)
Period during which stock acquisition rights may be exercised (Note1)	From July 6, 2026 to July 5, 2029
Issue price and amount capitalized of shares when issued through the exercise of stock acquisition rights (¥) (Note1)	Issue price: 2,516 Amount capitalized: 1,258
Terms and conditions for exercising stock acquisition rights (Note1)	(Note 4)
Transfer of stock acquisition rights (Note1)	Acquiring stock acquisition rights through transfer shall require approval by resolution of the Company's Board of Directors.
Delivery of stock acquisition rights in line with acts of structural reorganization (Note1)	(Note 5)

Notes: 1. The information is as of the end of fiscal year (November 30, 2024). In addition, there have been no changes to these items as of the end of the month prior to the submission date (January 31, 2025).

2. The class of shares delivered upon exercise of stock acquisition rights shall be ordinary shares of the Company and the number of shares delivered upon exercise of each of the stock acquisition rights (the "Number of Shares Granted") shall be 100 shares. In the event that the Company conducts a share split (including allotment of ordinary shares of the Company without contribution; hereinafter the same for a share split) or a consolidation of shares, of ordinary shares of the Company after the date on which the allotment of stock acquisition rights is conducted (the "Allotment Date"), the Number of Shares Granted shall be adjusted according to the following formula. However, the relevant adjustment shall only be made to the number of shares to be delivered upon exercise of stock acquisition rights that have not yet been exercised as of the relevant point in time. Any fraction less than one (1) share resulting

from this adjustment shall be rounded down.

$$\text{Number of Shares Granted after adjustment} = \text{Number of Shares Granted before adjustment} \times \text{Ratio of share split or consolidation}$$

In the event that the Company conducts a share split, the Number of Shares Granted after adjustment shall apply on and after the following day of the base date of the share split (or on and after the effective date if no base date is set). In the event of a consolidation of shares, the Number of Shares Granted after adjustment shall apply on and after its effective date. However, in the event that a share split is conducted under the condition that a proposal to decrease surplus and increase capital stock or legal capital surplus is approved at a general meeting of shareholders of the Company ("General Meeting of Shareholders"), and a date before the date of conclusion of the General Meeting of Shareholders is set as the base date of the share split, the Number of Shares Granted after adjustment shall apply on and after the following day of the date of conclusion of the General Meeting of Shareholders.

In addition, in the event that, after the Allotment Date, the Company conducts a merger, a company split or a share exchange, and in any event equivalent to these in which it becomes necessary to adjust the Number of Shares Granted, the Company may make the adjustment that the Board of Directors deems necessary.

3. In the event that, after the Allotment Date, the Company conducts the following (1) or (2) regarding its ordinary shares, the Exercise Value shall be adjusted according to the respective formula below (the "Exercise Value Adjustment Formula"). Any fraction less than one (1) yen resulting from this adjustment shall be rounded up.

(1) When the Company conducts a share split or a consolidation of shares:

$$\text{Exercise Value after adjustment} = \text{Exercise Value before adjustment} \times \frac{1}{\text{Ratio of share split or consolidation}}$$

(2) When the Company issues new shares or disposes of its treasury shares for a value less than the market value (excluding the following cases: sale of treasury shares due to "a demand for sale of shares less than one unit by a holder of shares less than one unit" stipulated in Article 194 of the Companies Act, transfer of treasury shares in accordance with Article 5, paragraph 2 of the Supplementary Provisions of the Act for Partial Amendment, etc. of the Commercial Code, etc. (Act No. 79 of 2001), exercise of subscription rights to shares under Article 280-19 of the Commercial Code before the enforcement of the Act Partially Amending the Commercial Code, etc. (Act No. 128 of 2001), conversion of securities that are or may be converted to the ordinary shares of the Company, and exercise of stock acquisition rights that may claim to deliver the ordinary shares of the Company including stock acquisition rights incidental to bonds with stock acquisition rights):

$$\text{Exercise Value after adjustment} = \text{Exercise Value before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares newly issued} \times \text{Amount to be paid in per share}}{\text{Market Value}}}{\text{Number of shares outstanding} + \text{Number of shares newly issued}}$$

i. The "Market Value" used in the Exercise Value Adjustment Formula shall be the average value of the closing price (including a quotation; hereinafter the same) for regular transactions of the ordinary shares of the Company at the Tokyo Stock Exchange (excluding any day on which no closing price is made) for 30 transaction days starting on the 45th transaction day preceding "the date on which the Exercise Value after adjustment shall apply" stipulated in (3) below (the "Application Date"). The "average value" shall be calculated to two decimal places and rounded off to one decimal place.

ii. The "Number of shares outstanding" shall be obtained by subtracting the number of own ordinary shares held by the Company as of the base date, if any, or the day one month before the Application Date in other cases from the total number of the ordinary shares issued as of such date.

iii. In the event that the Company disposes of its treasury shares, the "Number of shares newly issued" shall be deemed to be replaced with the "Number of treasury shares to be disposed of."

(3) The date on which the Exercise Value after adjustment applies is stipulated as follows.

i. If adjusted in accordance with (1) above, the Exercise Value after adjustment shall apply on and after the following day of the base date (or on and after the effective date if no base date is set) in the case of a share split, or on and after the effective date in the case of a consolidation of shares. However, in the event that a share split is conducted under the condition that a proposal to decrease surplus and increase capital stock or legal capital surplus is approved at a General Meeting of Shareholders, and a date before the date of conclusion of the General Meeting of Shareholders is set as the base date of the share split, the Exercise Value after adjustment shall retroactively apply on the following day of such a base date, on and after the following day of the conclusion date of the General Meeting of Shareholders.

Further, in the case set forth in the preceding proviso, the ordinary shares of the Company shall be delivered to a holder of stock acquisition rights who has exercised stock acquisition rights during the period from the following day of the base date of a share split to the date of conclusion of the General Meeting of Shareholders according to the following formula (the number of shares to be delivered upon exercise of such stock acquisition rights is hereinafter referred to as the "Number of Shares Exercised before a share split"). Any fraction less than one (1) share resulting from this adjustment shall be rounded down.

$$\text{Number of Shares} = \frac{(\text{Exercise Value before adjustment} - \text{Exercise Value after adjustment}) \times \text{Number of Shares Exercised before a share split}}{\text{Exercise Value after adjustment}}$$

ii. The Exercise Value after adjustment adjusted in accordance with (2) above shall apply on and after the following day of the payment due date (the last day of the payment period if such a period is set) of issuance or disposal (on and after the following day of the base date if such a date is set).

(4) In addition to the case stipulated in (1) and (2) above, in the event that the Company conducts a merger, a company split or a share exchange after the Allotment Date, and in any event equivalent to these in which it becomes necessary to adjust the Exercise Value, the Company may make the adjustment that the Board of Directors deems necessary.

4. Terms and conditions for exercising stock acquisition rights are as follows:

(1) Terms and conditions for respective segment of persons

i. Directors of the Company

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. Executive Officers and employees of the Company, and directors of subsidiaries of the Company

Holders of stock acquisition rights are required to have either the rank of Director, Audit & Supervisory Board Member, Executive Officer, or employee of the Company or a subsidiary of the Company; provided, however, that this shall not apply to holders of stock acquisition rights who no longer have the rank of Director or Audit & Supervisory Board Member of the Company or a subsidiary of the Company due to retirement at the expiration of the period in office, or who no longer have the rank of Executive Officer or employee of the Company or a subsidiary of the Company due to retirement at mandatory age. In addition, this shall not apply in the event that persons with the rank of Director, Audit & Supervisory Board Member, Executive Officer, or employee of the Company or a subsidiary of the Company lose such a rank based on justifiable grounds.

(2) Terms and conditions for all the holders of stock acquisition rights

i. Inheritance of stock acquisition rights shall not be permitted.

ii. Pledging of stock acquisition rights or any other disposition shall not be permitted.

5. Matters regarding delivery of stock acquisition rights associated with organizational restructuring are as follows:

In the event that the Company conducts a merger (limited to the case where the Company is to be absorbed as a result of the merger), an absorption-type company split or incorporation-type company split (limited to the case where the Company is to be a split company in both company splits), a share exchange or a share transfer (limited to the case where the Company is to be a wholly-owned company in both types of restructuring) (collectively "Organizational Restructuring"), the stock acquisition rights of a company listed in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act (the "Reorganized Company") shall be delivered respectively to a holder of stock acquisition rights who owns the remaining unexercised stock acquisition rights (the "Remaining Stock Acquisition Rights") immediately before the date when Organizational Restructuring takes effect (the date when an absorption-type merger takes effect, the date when a stock company is incorporated through an incorporation-type merger, the date when an absorption-type company split takes effect, the date when a stock company is incorporated through an incorporation-type company split, the date when a share exchange takes effect, or the date when a wholly owning parent company is incorporated through a share transfer; hereinafter the same), provided that such effect by which the stock acquisition rights of the Reorganized Company shall be delivered in accordance with the following items shall be stipulated in an absorption-type merger agreement, an incorporation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement, or a share transfer plan.

(1) Number of stock acquisition rights of the Reorganized Company to be delivered

The number of stock acquisition rights of the Reorganized Company to be delivered shall equal the number of the Remaining Stock Acquisition Rights held by the holders of stock acquisition rights.

(2) Class of shares delivered upon exercise of stock acquisition rights of the Reorganized Company

The class of shares shall be ordinary shares of the Reorganized Company.

(3) Number of shares delivered upon exercise of stock acquisition rights of the Reorganized Company

The number of shares shall be determined in accordance with the preceding "Number of shares," taking into account conditions of the Organizational Restructuring, etc.

(4) Value of property to be contributed upon exercise of stock acquisition rights

The value of property to be contributed upon exercise of each of the stock acquisition rights to be delivered shall be an amount obtained by multiplying the Exercise Value after Organizational Restructuring, which is obtained by adjusting the Exercise Value stipulated in the preceding "Amount to be paid in upon exercise of stock acquisition rights " in consideration of conditions of the Organizational Restructuring, etc., by the number of shares delivered upon exercise of stock acquisition rights of the Reorganized Company, which shall be determined in accordance with (3) above.

(5) Period during which stock acquisition rights may be exercised

The period during which stock acquisition rights may be exercised shall start on either the commencing date of the exercisable period of stock acquisition rights stipulated in the preceding "Period during which stock acquisition rights may be exercised" or the effective date of the Organizational Restructuring, whichever is later, and end on the expiration date of the exercisable period of stock acquisition rights stipulated in the preceding "Period during which stock acquisition rights may be exercised".

(6) Matters regarding amount of increase of capital stock and legal capital surplus through issuing shares upon exercise of stock acquisition rights
Matters regarding capital stock and legal capital surplus to be increased shall be determined in accordance with the matters set forth in the Remaining Stock Acquisition Rights.

(7) Restriction on acquisition of stock acquisition rights by transfer
Any acquisition of stock acquisition rights by transfer shall be subject to the approval of the Board of Directors of the Reorganized Company.

(8) Terms and conditions for exercising stock acquisition rights
Terms and conditions for exercising stock acquisition rights shall be determined in accordance with the preceding "Terms and conditions for exercising stock acquisition rights."

(9) Terms of acquisition of stock acquisition rights
The Company may acquire stock acquisition rights at no charge on the date stipulated separately by the Board of Directors in the event that the any of the following proposals (i) through (v) is approved by a General Meeting of Shareholders (or resolution is made by the Board of Directors or by Executive Officers who are delegated such a decision pursuant to the provisions of Article 416, paragraph 4 of the Companies Act, if the resolution of the General Meeting of Shareholders is not required).
(i) Proposal for approval of a merger agreement under which the Company becomes an absorbed company
(ii) Proposal for approval of a company split agreement or plan under which the Company becomes a split company
(iii) Proposal for approval of a share exchange agreement or share transfer plan under which the Company becomes a wholly-owned company
(iv) Proposal for approval to change the relevant provisions of the Articles of Incorporation of the Company which stipulate that approval by the Company is required for share transfer of all kinds of shares of the Company
(v) Proposal for approval to change the relevant provisions of the Articles of Incorporation of the Company which stipulate that approval by the Company is required for share transfer of the shares underling stock acquisition rights, or that the Company may obtain all of the said shares by the resolution of the General Meeting of Shareholders.

2) Details of rights plan
None

3) Details of other stock acquisition rights, etc.
None

(3) Status of bond certificates with stock acquisition rights with exercise price amendment clause
None

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

Date	Fluctuation in the number of shares issued (Share)	Balance of shares issued (Share)	Fluctuation in share capital (¥ thousand)	Balance of share capital (¥ thousand)	Fluctuation in legal capital surplus (¥ thousand)	Balance of legal capital surplus (¥ thousand)
Dec. 1, 2019 to Nov. 2020 (Note)	88,500	48,683,800	45,046	6,624,890	45,046	6,708,366

Note: The increases were due to the exercise of stock acquisition rights.

(5) Shareholder composition

(As of November 30, 2024)

Category	Shareholder composition (Share unit number: 100 shares)								Shares less than one unit (Share)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Other than Individuals	Individuals			
Number of shareholders (Person)	—	17	18	237	192	54	24,063	24,581	—
Number of shares held (Unit)	—	70,406	11,973	135,781	133,252	169	135,032	486,613	22,500
Holding rate of shares (%)	—	14.47	2.46	27.90	27.38	0.03	27.75	100.00	—

Notes:1.222,798 shares of treasury shares are included 2,227 units in "individuals, etc.", 98 shares in "Shares less than one unit".

2. The number of “Other corporations” includes 4 units in the name of Japan Securities Depository Center, Inc.

(6) Status of major shareholders

(As of November 30, 2024)

Name of shareholder	Address	Number of shares held (Share)	Ownership percentage to the number of issued shares (excluding treasury shares) (%)
Nagoya Railroad Co., Ltd.	1-2-4 Meieki, Nakamura-ku, Nagoya-shi, Aichi, Japan	7,500,100	15.47
Zeus Capital Limited	2-22-26-103 Uehara, Shibuya-ku, Tokyo, Japan	6,000,000	12.38
Seiichiro Yamaguchi	Shibuya-ku, Tokyo, Japan	5,385,400	11.11
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity AIR, 1-8-1 Akasaka, Minato-ku, Tokyo, Japan	4,321,100	8.91
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	1,795,200	3.70
STATE STREET BANK AND TRUST COMPANY 505001 （Standing proxy: Mizuho Bank, Ltd., Settlement &cleaning Services Division）	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (2-15-1 Konan, Minato-ku, Tokyo, Japan）	1,647,257	3.39
Hirotoshi Deguchi	Minato-ku, Tokyo, Japan	1,030,000	2.12
Kiraboshi Capital Tokyo Sparkle Investment Limited Partnership	3-10-43, Minami-aoyama, Minato-ku, Tokyo, Japan	1,000,000	2.06
THE NOMURA TRUST AND BANKING CO.,LTD. AS THE TRUSTEE OF REPURCHASE AGREEMENT MOTHER FUND （Standing proxy: Mizuho Bank, Ltd., Settlement &cleaning Services Division）	2-2-2 OTEMACHI, CHIYODA-KU, TOKYO, JAPAN (6-27-30, Shinjuku, Shinjuku-ku, Tokyo, Japan)	931,100	1.92
SMBC Nikko Securities Inc.	3-3-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	904,647	1.86
Total	–	30,514,804	62.96

Notes: 1. Ownership percentage to the number of issued shares (excluding treasury shares) is rounded down to the second decimal place.

2. The number of shares of treasury shares (222,798 of shares) is not included in the chart above.

3. As notified in the extraordinary report issued on June 4, 2024 (Change in Major Shareholders), Nagoya Railroad Co., Ltd. became a major shareholder of the Company during the fiscal year under review.

4. The change report for the large shareholding report, which was made accessible to the public as of April 2, 2024, states that Grantham, Mayo, Van Otterloo & Co. LLC held the following shares as of March 26, 2024. However, since the Company could not confirm the actual number of shares held by this company as of the end of the fiscal year under review, the company was not included in the status of major shareholders described above.

The content of the change report for the large shareholding report is as follows:

Large volume holder	Grantham, Mayo, Van Otterloo & Co. LLC
Address	53 State Street, Suite3300, Boston, Massachusetts 02109, U.S.A.
Number of share certificates, etc. held (shares)	1,956,000
Holding ratio of share certificates, etc. (%)	4.02

5. The change report for the large shareholding report, which was made accessible to the public as of November 19, 2024, states that Dalton Investments, Inc. held the following shares as of November 12, 2024. However, since the Company could not confirm the actual number of shares held by this company as of the end of the fiscal year under review , the company was not included in the status of major shareholders described above.

The content of the change report for the large shareholding report is as follows:

Large volume holder	Dalton Investments, Inc.
Address	9440 West Sahara Avenue, Suite 215 Las Vegas, Nevada 89117, USA
Number of share certificates, etc. held (shares)	1,812,800
Holding ratio of share certificates, etc. (%)	3.72

(7) Status of voting rights

1) Shares issued

(As of November 30, 2024)

Classification	Number of shares (Share)	Number of voting rights	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares held) Ordinary shares 222,700	–	–
Shares with full voting rights (Other)	Ordinary shares 48,438,600	484,386	–
Shares less than one unit	Ordinary shares 22,500	–	–
Total number of shares issued	48,683,800	–	–
Total number of voting rights	–	484,386	–

Notes 1: The number of “Shares with full voting rights (Other)” includes 400 shares in the name of Japan Securities Depository Center, Inc. “Number of voting rights” includes 4 units of voting rights related to shares with full voting rights in its name.

2: Number of ordinary shares in “Shares less than one unit” includes 98 shares of treasury shares.

2) Treasury shares, etc.

(As of November 30, 2024)

Name of shareholders	Address	Number of shares held under own name (Share)	Number of shares held under the name of others (Share)	Total number of shares held (Share)	Percentage of number of shares held in total number of shares issued (%)
(Treasury shares held) TOSEI CORPORATION	4-5-4, Shibaura, Minato-ku, Tokyo, Japan	222,700	—	222,700	0.45
Total	–	222,700	—	222,700	0.45

2. Acquisition of treasury shares

[Class of shares] Acquisition of common shares in accordance with Article 155, item 7

(1) Acquisition by resolution of the General Meeting of Shareholders

None

(2) Acquisition by resolution of the Board of Directors

None

(3) Items not based on resolutions of the General Meeting of Shareholders or Board of Directors

Category	Number of shares (share)	Value (¥ thousand)
Treasury shares acquired during the fiscal year ended November 30, 2024	133	310
Treasury shares acquired during the period under review	—	—

Note: Number of shares acquired through purchasing shares less than one unit between February 1, 2025 and the submission date of this Annual Securities Report are not included under treasury shares held during the period under review.

(4) Status of disposal and ownership of acquired treasury shares

Category	Fiscal year ended November 30, 2024		Period under review	
	Number of shares (share)	Total processing value (¥ thousand)	Number of shares (share)	Total processing value (¥ thousand)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that were canceled	—	—	—	—
Acquired treasury shares that were transferred in association with a merger, share exchange, Delivery of shares or company split	—	—	—	—
Other (Exercise of stock options)	84,100	84,604	—	—
Treasury shares held	222,798	—	222,798	—

Note: Number of shares acquired through purchasing shares between February 1, 2025 and the submission date of this Annual Securities Report are not included under treasury shares held during the period under review.

3. Dividend policy

Tosei's fundamental earnings distribution policy is to strive to continuously provide stable dividends while comprehensively considering operating results, the future operating environment and progress in its business plan to balance dividends with the need for internal capital resources to generate long-term growth in corporate value by taking highly profitable business opportunities.

It is also a basic policy of Tosei to pay a year-end dividend annually, determined by the General Meeting of Shareholders.

Based on the above policy, Tosei decided to pay an annual dividend of ¥79 per share for the fiscal year under review. As a result, the Company's consolidated dividend payout ratio came to 31.9% for the fiscal year ended November 30, 2024.

Tosei plans to use its internal reserves for future business expansion and to strengthen the management quality.

Tosei's articles of incorporation stipulate that "Tosei may pay interim dividends to shareholders with the record date of May 31 each year, upon a resolution by the Board of Directors."

The dividend for the fiscal year ended November 30, 2024 is as follows:

Resolution date	Total amount of dividends (¥ thousand)	Dividends per share (¥)
Ordinary General Meeting of Shareholders held on Feb. 26, 2025	3,828,419	79

4. Status of corporate governance, etc.

(1) Status of corporate governance

1) Fundamental Approach toward Corporate Governance

Our Group aspires to be a valuable contributor to all kinds of our stakeholders in the society, including the shareholders, the employees, the business partners and others, by promptly and appropriately responding to the changes in the business environment and continuing operational activities which enable the Group to achieve a sound growth. For this purpose, the Group has placed the greatest importance on enhancement of corporate governance, and in particular, "fully cultivating compliance mind", "enhancing risk management" and "conducting timely disclosure" as three key initiatives. Furthermore, the Group is determined to make efforts in a unified manner, from the top management down to each employee of the Group companies, led by the Board of Directors, to develop an internal control system as required by the Companies Act and the Financial Instruments and Exchange Act, as well as to set up a system which is redible to investors, as a financial instruments business operator.

2) Summary of the Corporate Governance System and the reasons for Adopting the Current Corporate Governance System

The Company has set up the Board of Directors and the Audit & Supervisory Board. While appointing from outside its outside directors and all of its Audit & Supervisory Board Members, it has also adopted an executive officer system, for the purpose of operating its businesses with high transparency.

All of the Audit & Supervisory Board Members of the Company have been outside Audit & Supervisory Board Members since the time of listing. The Audit & Supervisory Board Members have always performed audits of the business management of the Company from the viewpoints of ensuring and increasing the Company's corporate value and the common interests of its shareholders. The Company further enhances its supervisory function over its management by inviting outside directors to the Board of Directors. On the management side, the Company has employed the executive officer system so as to achieve optimal distribution of decision-making functions and operational duties, as well as encouraging the delegation of authority in executing the businesses, in an attempt to strengthen its corporate governance.

In addition, the Company has established the Nomination and Compensation Advisory Committee as an optional advisory body of the Board of Directors. And the Corporate Governance Meeting, consisting of Executive directors and full-time audit & supervisory board members, is held monthly.

As stated above, the management of the Company and the current system of monitoring and supervision over the management is adequately functioning, and the Company continues to maintain the system currently in place.

Details of each body related to corporate governance established by the Company are as stated in "3) Other matters related to corporate governance" "(a) Basic explanation of internal company bodies."

Constituent members of each body is as follows (◎: Chair-person ○:member △:Observer).

Post	Name	Board of Directors	Audit & Supervisory Board	Nomination and Compensation Advisory Committee	Corporate Governance meeting
President and CEO	Seiichiro Yamaguchi	◎		○	◎
Director Senior Executive Officer	Noboru Hirao	○		○	○
Director Senior Executive Officer	Hideki Nakanishi	○			○
Director Managing Executive Officer	Shunsuke Yamaguchi	○			○
Director Managing Executive Officer	Hiroyasu Yoneda	○			○
Director Executive officer	Shigehiro Takami	○			○
Outside director	Kenichi Shohtoku	○		◎	
Outside director	Hiroyuki Kobayashi	○		○	
Outside director	Mai Ishiwatari	○		○	
Audit & Supervisory Board Member (full-time)	Hitoshi Yagi	△	◎	○	○
Audit & Supervisory Board Member (full-time)	Toshinori Kuroda	△	○		○
Audit & Supervisory Board Member	Tatsuki Nagano	△	○		
Audit & Supervisory Board Member	Satoshi Ikeda	△	○		

3) Other matters related to corporate governance

(a) Basic explanation of internal company bodies

i) Operation of Board of Directors

The Board of Directors is composed of nine directors, three of whom are outside directors. Based on the regulations of the Board of Directors, regular meetings of the Board of Directors are held every month and extraordinary meetings are held as necessary. As the highest management decision-making body, the Board of Directors makes resolutions on management policy and important matters, and also supervises the execution of duties by directors. In addition, outside directors (independent directors) offer advice and suggestions to help secure adequate and appropriate decision making by the Board of Directors by stating opinions from an objective standpoint and taking other measures.

Status of Board of Directors activities

During the fiscal year under review, the Company held a Board of Directors meeting once a month, and the attendance of individual Directors is as follows.

Name	Number of times held	Attendance
Seiichiro Yamaguchi	22	22
Noboru Hirano	22	22
Hideki Nakanishi	22	22
Masaaki Watanabe (Note 1)	7	7
Shunsuke Yamaguchi	22	22
Hiroyasu Yoneda (Note 2)	15	15
Hitoshi Oshima	22	22
Kenichi Shohtoku	22	22
Hiroyuki Kobayashi	22	21
Masao Yamanaka (Note 1)	7	7
Mai Ishiwatari (Note 2)	15	14

Notes: 1. Masaaki Watanabe and Masao Yamanaka retired from their positions as Directors at the conclusion of the Ordinary General Meeting of Shareholders held on February 27, 2024, and their attendance at the Board of Directors meetings is their attendance at the meetings held before their retirement.

2. Hiroyasu Yoneda and Mai Ishiwatari were appointed as Directors at the Ordinary General Meeting of Shareholders held on February 27, 2024, and their attendance at the Board of Directors meetings is their attendance at the meetings held after their appointment.

The Board of Directors makes decisions on matters related to the General Meeting of Shareholders, matters related to the execution of the Company's business, matters related to the Company's stock, matters related to finance and financial statements, matters related to officers, etc., matters related to the establishment, revision or abolition of basic policies and establishment of important regulations, matters related to the revision or abolition of important regulations, matters related to the development of systems necessary to ensure the proper execution of duties by Directors, matters related to consolidated management, and matters related to the Sustainability Committee, as well as supervising the execution of duties by Directors.

ii) Nomination and Compensation Advisory Committee

The Company has set up the Nomination and Compensation Advisory Committee as a voluntary advisory body for the Board of Directors for the purpose of ensuring appropriateness and transparency of each resolution of the Board of Directors on the process of selecting candidates proposed in a proposal for appointing directors that is submitted to the General Meeting of Shareholders and on allocation of remuneration, etc. for individual directors. The constituent members of the committee include a representative director (one person), an Executive director (one person) , outside director(s) (independent director(s), one person or more), and a full-time audit & supervisory board member (outside audit & supervisory board member, one person). An outside director who is a committee member will assume the office of the chair of committee. The Board of Directors will develop an appropriate governance system to respond to the mandate of shareholders and investors with full respect for the content of reports made by this committee.

Status of Nomination and Compensation Advisory Committee activities

The Company held five meetings of the Nomination and Compensation Advisory Committee during the fiscal year under review, and the attendance of individual Nomination and Compensation Advisory Committee members was as follows.

Name	Number of times held	Attendance
Kenichi Shohtoku	5	5
Seiichiro Yamaguchi	5	5
Noboru Hirano	5	5
Hiroyuki Kobayashi	5	5
Masao Yamanaka	3	3
Mai Ishiwatari	2	2
Hitoshi Yagi	5	5

Notes: 1. As Masao Yamanaka retired from his position as Director at the conclusion of the Ordinary General Meeting of Shareholders held on February 27, 2024, he also retired from his position as a Nomination and Compensation Advisory Committee member, and his attendance at the Nomination and Compensation Advisory Committee meetings is his attendance at the meetings held before his retirement.

2. Mai Ishiwatari was appointed as a Nomination and Compensation Advisory Committee member at the Ordinary General Meeting of Shareholders held on February 27, 2024, and her attendance at the Nomination and Compensation Advisory Committee meetings is her attendance at the meetings held after her appointment.

Specific matters considered by the Nomination and Compensation Advisory Committee include confirming the propriety and validity of matters related to the nomination of candidates for Directors and executive officers, matters related to the compensation of Directors, and the appointment, dismissal, promotion and advancement of executive officers.

iii) Auditing by Audit & Supervisory Board Members

The Company has adopted the Audit & Supervisory Board Member system and has an Audit & Supervisory Board with two full-time and two part-time Audit & Supervisory Board Members. All of these four persons fall under the definition of outside Audit & Supervisory Board Members as stipulated in Article 2, Item 16 of the Companies Act. Meetings of the Audit & Supervisory Board are held once a month in principle. At these meetings, the four audit & supervisory board members deliberate and resolve on necessary items and work to share information by having the full-time audit & supervisory board members report to the part-time audit & supervisory board members about their auditing activities.

The Audit & Supervisory Board Members also attend (Part-time Audit & Supervisory Board Member attend as observers) the meeting of the Board of Directors, the pre-Board meeting discussion where matters to be resolved at the meeting of the Board of Directors are confirmed in advance, and attend the management meeting (constituted by the Executive Officers appointed by the President and CEO) as observers, which is an advisory body regarding matters to be approved by the President and CEO.

The auditing activities of audit & supervisory board members are performed in accordance with a yearly audit plan. Since such activities are carried out in coordination with the accounting auditor and the Internal Audit Department, an efficient and effective auditing system is in place. Furthermore, the full-time audit & supervisory board members work to gain an understanding of the status of the execution of business by holding regular interviews with each director and those in charge of each division.

These activities by Audit & Supervisory Board Members effectively operate as an auditing function over the Company's business management and have delivered positive effects to the Company.

iv) Executive officer system

The Company employs an executive officer system, under which executive officers appointed by the Board of Directors execute and exert control over the Company's business in accordance with internal regulations, in addition to matters designated by resolution of the Board of Directors.

In addition, the President and CEO holds management meetings twice a month in principle, at which advance consultation is provided for important decisions to be made by the President and CEO, and matters for resolution at the Board of Directors are deliberated in advance.

v) Corporate governance meeting

With the aim of continuous strengthening of corporate governance, the Company holds corporate governance meetings consisting of Executive directors and full-time audit & supervisory board members once a month in principle.

At the meeting, directors and audit & supervisory board members check and deliberate over corporate governance concerns for improving corporate value and items regarding internal control. Where necessary, they receive advice from outside experts such as corporate attorneys and certified public accountants.

vi) Internal auditing

The Internal Audit Department under the direct supervision of the President and CEO perform audits of the entire Group in accordance with a yearly plan. If they discover inadequacies, they demand improvements by providing recommendations for their rectification to the audited division. Audits are performed effectively, with matters for rectification handled through enhanced follow-up work including deliberation with the audited division and the provision of detailed guidance.

vii) Information disclosure

The Company not only prepares documents, etc. in accordance with laws and regulations such as the Companies Act and the Financial Instruments and Exchange Act and discloses information based on the regulations set forth by securities exchanges, but also provides timely and appropriate corporate information to stakeholders including shareholders and investors by such means as investor relations activities and its website. Further, with its shares listed on the Singapore Exchange, the Company concurrently discloses information in accordance with the rules prescribed by the said exchange.

viii) Auditing by accounting auditor

The Company's accounting auditor is Shinsoh Audit Corporation, with which the Company has concluded an auditing agreement in accordance with the Companies Act and the Financial Instruments and Exchange Act. On this basis, Shinsoh Audit Corporation performs audits in accordance with a yearly audit plan. In addition to the full-year audit performed at the end of the fiscal year, reviews are conducted at first quarter-end and second quarter-end.

(b) Status of development of internal control system

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).

i) Basic policies for compliance with laws and regulations

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

ii) Basic policies for storing and managing information

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

iii) Basic policies for management of risk of loss

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

iv) Basic policies for efficient execution of duties by Directors

- Carry out deliberation and decision-making on the important management matters of the Company, in an efficient, timely and appropriate manner.
- Eliminate excessive pursuit of efficiencies in management plans and/or business targets and make balanced decisions considering the soundness of the Company.
- Establish a system to allow appropriate and efficient execution of business in accordance with the rules on delegation of operational authority.

v) Basic policies for properness of the operations of the entire Group

- 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.

- 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.
- Formulate a medium-term management plan, business plans 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.
- 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.
- Enhance the system for ensuring the appropriateness of financial reporting relating to the entire Group.
- Eliminate wrongful acts and/or irregular transactions using the Group.

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

- 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.
- Ensure the independence of the aforementioned members of staff from Directors and obtain prior consent from the Audit & Supervisory Board for personnel affairs matters for the said members of staff such as transfers and performance evaluations.
- 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.
- 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.
- 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.
- Develop a whistle-blowing system across the entire Group and promptly report to Audit & Supervisory Board Members if whistle-blowing occurs.
- 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.
- 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.
- 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 November 30, 2024 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 + Extraordinary	Executive Directors, full-time Audit & Supervisory Board Members, and Executive Officer in charge of administrative department
Corporate Governance meeting	Monthly	Executive Directors and full-time Audit & Supervisory Board Members
Management meeting	Twice a month + Extraordinary	Executive Officers designated by the President and CEO, and Audit & Supervisory Board Members (observers)
Risk Management and Compliance Committee ʻs 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

i) Compliance with laws and regulations, etc.

・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 to help deepen our understanding of laws and regulations relevant to our business and prevent harassment, and had an external specialist offer a training course in a workshop format attended by all officers and employees to cultivate a sense of moral based on the Management Principles and Ethics Code. In addition, we distributed video lectures by 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 and a business law liaison meeting are held every month, during which participants are duly made familiar with trends in amendments to laws and regulations, etc. and notices from ministries with jurisdiction etc., while the results of deliberations by committees are reported to the monthly meetings of the Board of Directors.

・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.

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

At important meetings and committees attended by Executive 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.

・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.

ii) Storing and managing information

・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, and made efforts to reduce the risk of information leaks.

・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 made efforts to strengthen automated information management by, for example, promoting further replacement of paper-based internal request procedures with electronic procedures and adding a user authentication function to all multifunction printers for internal use to prevent inappropriate use.

・Thorough understanding of important information and timely disclosure information, prevention of false descriptions

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.
During the fiscal year under review, we made disclosures regarding the "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" based on requirements from laws and regulations and stock exchanges, and made efforts to enhance disclosure of information related to human capital and sustainability.

iii) Management of risk of loss

・Ensure 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.

・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.

・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 Executive 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.

・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.

iv) Efficient execution of duties by Directors

・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.

・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.

In addition, during the term, variance from the annual plan is checked through the reporting of monthly closing at the monthly management meeting. Furthermore, in the growth strategy meeting held on a half-yearly basis, each department's progress toward the annual plan is checked and is given appropriate instructions and advice from management and related departments, to make it possible to correct the course toward achieving the initial plan.

・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.

v) Properness of operations of entire Group

・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 checked how each company has developed its own whistle-blowing system and focused on ensuring consistency with the group-wide reporting system.

・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 Executive 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.
In addition, we have a communication system in place where employees are required to promptly report any risk materializing or any sign thereof upon identifying it to the chairman of the Risk Management and Compliance Committee, so that such information is communicated smoothly and simultaneously with full-time Audit & Supervisory Board Members of each Group company and full-time Audit & Supervisory Board Members of the Company.

・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 based on separate discussions with each Group company so as to avoid setting goals that are over-ambitious.
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.

・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.

・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.

・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(once a year) attended by Outside Directors and the audit corporation, opinion-exchanging meetings (each, 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.

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

・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.

・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.

・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 Executive 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 Executive 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.

・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.

・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 regularly held, video recording of a lecture on the whistle-blowing system by the Company's Director was widely distributed, in an effort to explain in detail the Company's emphasis on protection of whistle-blowers when a whistle-blowing has been made.

・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.

・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.

・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.

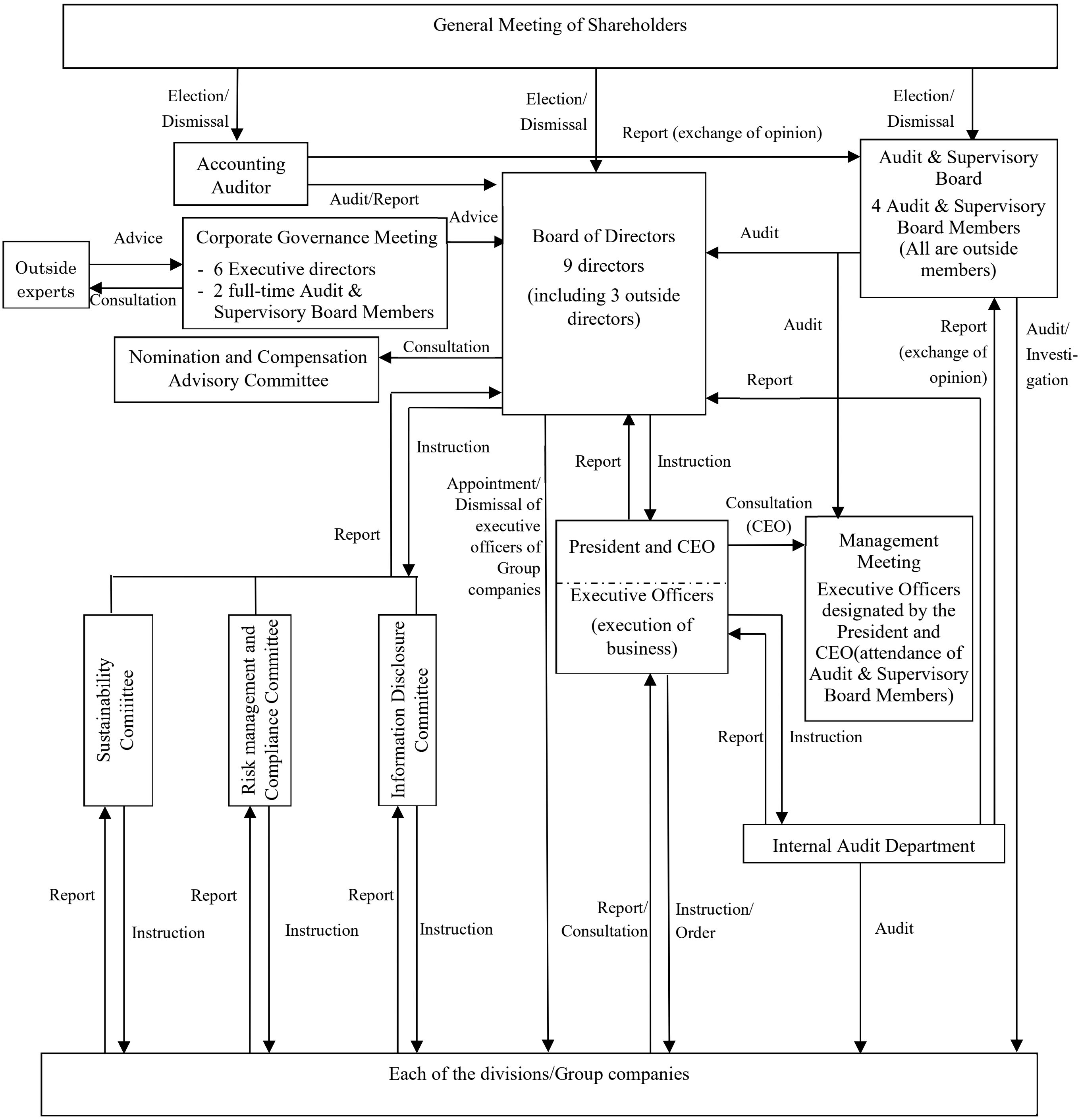
・Cooperation by Directors aiming to enhance audits by Audit & Supervisory Board Members across the entire Group

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 Executive 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 Executive Directors offer cooperation as full-time Audit & Supervisory Board Members require.

(c) Status of development of risk management system

To achieve centralized and cross-sectional risk management and compliance promotion of the Group, the Company established the Risk Compliance Committee. This committee examines the company-wide policy, annual plan and other matters for risk management and compliance and assesses the status of risk management and compliance of each group company.

(d) The following is an outline of the Company's corporate governance and internal management system



4) Basic policy regarding the persons who control decisions on the Company's financial and business policies

The Company has established a basic policy on how to control the decisions on financial and business policies, and the details (items listed in Article 118, item 3 of the Enforcement Regulations of the Companies Act) are as follows.

(a) 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.

(b) Special measures to realize the basic policy

The Group has formulated the medium-term management plan "Further Evolution 2026" (from December 2023 to November 2026) beginning in the fiscal year ended November 30, 2024. This plan is viewed as the first phase in realizing "Tosei Group Long-Term Vision 2032." By executing various measures under the policies of this plan, the Company will enhance the competitive edge of the Tosei Group and also contribute to the realization of a sustainable society.

During the fiscal year under review, aiming for the "evolution and growth of the six existing business portfolios," we continued and strengthened activities leveraging the wide variety of real estate solution capabilities that are the Company's strength, in our mainstay Revitalization Business. As a result, we achieved property sales with high-profit margins for both whole buildings and condominium units. In addition, in the Development Business, we expanded the offering of properties made from wooden structures in response to the hikes in construction costs, while promoting new construction and sales of high-priced detached houses and rental wood-frame apartments. Furthermore, in the Hotel Business, we actively captured inbound demand mainly at Tosei Hotel COCONE Tsukiji Ginza Premier, which opened in September 2023, and achieved a significant increase in both revenue and profit.

As for the initiatives to "create new income-generating models that combine real estate and DX," we established two new funds within the framework of the Tosei Real Estate Crowd (TREC) Funding scheme, achieving a total amount under management of ¥3.1 billion with 11 funds, issued a real estate security token "Tosei Property Fund (Series 3) Ichigaya," and started services in "START," a proprietary trading system operated by Osaka Digital Exchange Co., Ltd., in September 2024. In addition, we offer TRESQ, a real estate digital matching service that efficiently finds investment properties suitable for purchasers by utilizing a cutting-edge digital platform, to individual investors.

To realize Tosei Group Long-Term Vision 2032, we will make efforts 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 medium-term management plan and realization of proper corporate governance.

(c) Overview of measures to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate under the basic policy

The plan is a measure to prevent decisions on the Company's financial and business policies (hereafter "business plan") from being controlled by persons deemed inappropriate under the above basic policy, and its objective is to ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders.

The plan stipulates procedures that must be followed by persons who intend to make a purchase, etc. of share certificates, etc. of the Company ((A) a purchase or other acquisition that would result in the holding ratio of share certificates, etc. (kabuken tou hoyuu wariai) of a holder (hoyuusha) totaling at least 20% of the share certificates, etc. issued by the Company; or (B) a tender offer (koukai kaitsuke) that would result in the party conducting the tender offer's ownership ratio of share certificates, etc. and the ownership ratio of share certificates, etc. of a person having a special relationship totaling at least 20% of the share certificates, etc. issued by the Company; or (C) regardless of whether or not any of the acts provided for in (A) or (B) above is conducted, an act (i) conducted between a person who intends to acquire share certificates, etc. of the Company, or a joint holder (kyoudou hoyuusha) or a person having a special relationship with respect to that person (the "Acquirers of share certificates, etc." in this item (C)) and other shareholders of the Company (including cases where there is more than one shareholder; the same shall apply hereinafter in this item (C)) 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 that establishes a relationship whereby the Acquirers of share certificates, etc. or the other shareholder(s) substantially control(s) the other, or the Acquirers of share certificates, etc. and the other shareholder(s) act jointly or in concert with each other, 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, or purchase or other acquisition of the share certificates, etc. of the Company or any similar act, etc. that falls under any of the acts specified in (i) or (ii) above) independently, jointly or in concert with others (hereinafter referred to as the "acquirer").

In practical terms, the acquirer must provide the Company a statement of undertaking (acquirer's statement) and an acquisition document that includes essential information, etc. before making the acquisition, etc.

Upon receiving these documents, the independent committee, while obtaining independent expert advice, will conduct its consideration of the acquisition terms; collection of information on materials such as the management plans and business plans of the acquirer and the Company's board of directors and comparison thereof; consideration of any alternative plan presented by the Company's board of directors, and the like; and discussion and negotiation with the acquirer. The Company will disclose information in a timely manner.

When (i) the acquisition is not in compliance with the procedures prescribed in the plan or (ii) it threatens to cause obvious harm to the corporate value of the Company, and, in turn, to the common interests of shareholders, (iii) and it is reasonable to implement the gratis allotment of stock acquisition rights, the independent committee will recommend the implementation the gratis allotment of stock acquisition rights to the Company's board of directors. In addition, when a meeting of shareholders is convened to confirm the intent of the Company's shareholders, the Company's board of directors will respond to the shareholders' intent. These stock acquisition rights will be allotted with an exercise condition that does not allow, as a general rule, the acquirer to exercise the rights and an acquisition provision to the effect that the Company may acquire the stock acquisition rights in exchange for shares in the Company from persons other than the acquirer. The Company's board of directors, in exercising its role under the Companies Act, will pass a resolution relating to the implementation or non-implementation of the gratis allotment of stock acquisition rights, respecting the recommendation of the Independent Committee to the maximum extent. In addition, when a meeting of shareholders is convened to confirm the intent of the Company's shareholders, the Company's board of directors will respond to the shareholders' intent. If the procedures for the plan have commenced, the acquirer must not effect an acquisition until and unless the Company's board of directors resolves not to trigger the plan. The effective period of the plan expires at the conclusion of the ordinary general meeting of shareholders for the last fiscal year ending within five years after the conclusion of the 74st Ordinary General Meeting of Shareholders. However, if, before the expiration of the effective period, the Company's board of directors resolves to abolish the plan, the plan will be abolished at that time.

(d) Decisions by the Company's board of directors regarding specific measures and reasons therefor

Company's board of directors deems that the new medium-term management plan and other measures such as the efforts to enhance the corporate value and the strengthening of corporate governance were established as specific measures to continuously and sustainably enhance the corporate value of the Company and, in turn, the common interests of its shareholders, and that these are truly in accordance with the basic policy, not detrimental to the common interests of the Company's shareholders and not for the purpose of maintaining the positions of the Company's corporate officers.

In addition, the Company's board of directors deems that the plan is not detrimental to the common interests of the Company's shareholders, not for the purpose of maintaining the positions of the Company's corporate officers, and in accordance with the basic policy based on the following reasoning: approval from the general meeting of shareholders must be obtained for its renewal; its effective period is stipulated as a maximum of five years and it can be abolished at any time by the resolution of the Company's board of directors; an independent committee, which is composed of members who are independent from the management of the Company, has been established; in the event that the plan's countermeasures are triggered, the Company must obtain a resolution by the independent committee when making a decision for triggering the countermeasures in the plan, and the plan fully satisfies the three principles set out in the Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005, and is in line with the Guidelines for Corporate Takeovers - Enhancing Corporate Value and Securing Shareholders' Interests published by the Ministry of Economy, Trade and Industry on August 31, 2023.

5) Outline of contracts for limitation of liability

Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company has entered into contracts with its outside directors and outside audit & supervisory board members that limits their liability for damages provided for in Article 423, paragraph 1 of the same Act. The maximum amount of liability for damages under the contract will be the amount prescribed by laws and regulations.

6) Indemnity agreement

None

7) 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 gainbenefits or conveniences or when the insured engagein actswhile they were aware that such acts were criminal acts, wrongful acts, fraud orviolations of laws or regulations.

8) Stipulations of Articles of Incorporation regarding number, etc. of directors

(a) Number of directors

The Company stipulates in its Articles of Incorporation that the number of directors of the Company shall be 12 persons or less.

(b) Requirements for resolutions regarding election and dismissals of directors

The Company stipulates in its Articles of Incorporation that resolutions for election of directors shall be decided by a majority of the voting rights of the shareholders present at a meeting where the shareholders holding one third or more of the voting rights of the shareholders who are entitled to exercise their voting rights are present, and shall not be effected by cumulative voting

Regarding resolutions for dismissal of directors, the Company stipulates in its Articles of Incorporation that they shall be decided by two thirds or more of the voting rights of the shareholders present at a meeting where the shareholders holding a majority of the voting rights of the shareholders who are entitled to exercise their voting rights are present.

9) In cases where the Company stipulates that items for resolution at General Meeting of Shareholders may be resolved by Board of Directors, applicable items and reasons for the stipulation

(a) Acquisition of treasury shares

The Company stipulates in its Articles of Incorporation that the Company can acquire its treasury shares by resolution of the Board of Directors as provided for in Article 165, paragraph 2 of the Companies Act. The purpose of this is for the Company to acquire its own shares in market transactions and the like in order to enable the execution of a flexible capital policy in response to changes in the management environment.

(b) Exemption from liability of directors and audit & supervisory board members

The Company stipulates in its Articles of Incorporation that directors and audit & supervisory board members (including those who previously held these positions) may be exempted from liability to the extent provided for in laws and regulations in relation to acts provided for in Article 423, paragraph 1 of the Companies Act by resolution of the Board of Directors, as provided for in Article 426, paragraph 1 of the same Act. The purpose of this is to provide an environment in which directors and audit & supervisory board members can make use of their abilities sufficiently and fulfill the roles expected of them when carrying out their duties.

(c) Payment of interim dividend

The Company stipulates in its Articles of Incorporation that an interim dividend may be paid with a record date of May 31 each year by resolution of the Board of Directors as provided for in Article 454, paragraph 5 of the Companies Act, in order to flexibly distribute profits to shareholders.

10) Requirements for special resolutions of General Meeting of Shareholders

The Company stipulates in its Articles of Incorporation that special resolutions of the General Meeting of Shareholders provided for in Article 309, paragraph 2 of the Companies Act shall be passed by two thirds or more of the voting rights of the shareholders present at the meeting where the shareholders holding one third or more of the voting rights of the shareholders who are entitled to exercise their voting rights are present. The purpose of this is to operate the General Meeting of Shareholders smoothly by easing the quorum required for special resolutions at the General Meeting of Shareholders.

(2) Status of officers

1) List of officers

12 male officers and 1 female officer (Percentage of women in officers: 8%)

Post	Name	Date of birth	Career summary	Term of office	Number of shares held (Share)
President and CEO	Seiichiro Yamaguchi	Jan. 5, 1961	Apr. 1983 Entered Mitsui Real Estate Sales Co., Ltd. (the predecessor of Mitsui Fudosan Realty Co., Ltd.) Apr. 1986 Entered Tosei-Shoji Corporation Aug. 1990 Director of the Company Jun. 1994 President and Representative Director of the Company (current position) Dec. 1995 Representative Director of Palms Community Management Co. Ltd. (the predecessor of Tosei Community Co., Ltd.) Jul. 2004 President and CEO of the Company (current position)	Note 3	5,385,400
CFO and Senior Executive Officer of Administrative Division	Noboru Hirano	Oct. 17, 1959	Apr. 1982 Entered Kokubu & Co., Ltd. Apr. 1991 Entered Tosei-Shoji Corporation May 1995 Director of Tosei-Shoji Corporation Mar. 2001 General Manager of Finance and Accounting Department of the Company Oct. 2002 Managing Director of the Company Jul. 2004 Director and Managing Executive Officer of the Company Mar. 2005 Audit & Supervisory Board Member of Tosei Revival Investment Co. Ltd.(the predecessor Tosei Logistics Management Co., Ltd.) Apr. 2005 Audit & Supervisory Board Member of Tosei Community Co., Ltd. Sep. 2005 Representative Director of Tosei REIT Advisors, Inc. (the predecessor of Tosei Asset Advisors, Inc.) Feb. 2006 CFO and Senior Executive Officer of Administrative Division of the Company (current position) Dec. 2007 Representative Director of Tosei Revival Investment Co. Ltd.(the predecessor of Tosei Logistics Management Co., Ltd.) Jan. 2013 Representative Director of Tosei Logistics Management Co., Ltd. Feb. 2013 Director of Tosei Community Co., Ltd. Feb. 2016 Director of Tosei Asset Advisors, Inc. (current position) Feb. 2020 Representative Director of Tosei Revival Investment Co., Ltd.(the predecessor of Tosei Logistics Management Co., Ltd.)(current position) Feb. 2024 Director of Tosei Hotel Management Co., Ltd. (current position)	Note 3	45,000
Director, COO and Senior Executive Officer of Business Division in charge of Asset Solution Department 2, Asset Solution Department 3, and Asset Solution Department 7	Hideki Nakanishi	Jun. 17, 1967	Apr. 1990 Entered the Yasuda Trust & Banking Co., Ltd. (the predecessor of Mizuho Trust & Banking Co., Ltd.) Apr. 2006 Entered the Company Mar. 2013 Executive Officer of the Company Feb. 2016 Director of Tosei Revival Investment Co. Ltd. (the predecessor of Tosei Logistics Management Co. Ltd.) Mar. 2017 Managing Executive Officer of the Company Feb. 2018 Director and Managing Executive Officer of the Company Dec. 2018 Director and Managing Executive Officer, Deputy Chief of Business Division of the Company Mar. 2021 Director, COO and Senior Executive Officer of Business Division of the Company Dec. 2024 Director, COO and Senior Executive Officer of Business Division in charge of Asset Solution Department 2, Asset Solution Department 3, and Asset Solution Department 7 of the Company (current position)	Note 3	33,600

Post	Name	Date of birth	Career summary		Term of office	Number of shares held (Share)
Director, Managing Executive Officer, Deputy Chief of Administrative Division and in charge of General Affairs Department and Human Resource Department	Shunsuke Yamaguchi	Jul. 26, 1964	Apr. 1988	Entered TOKYU CONSTRUCTION CO., LTD.	Note 3	16,200
			Aug. 2007	Entered the Company		
			Apr. 2008	Director of Tosei Asset Advisors, Inc.		
			Dec. 2012	Director of NAI Tosei Japan, Inc.		
			Mar. 2013	Executive Officer of the Company		
			Feb. 2018	Audit & Supervisory Board Member of Tosei Asset Advisors, Inc.		
			Feb. 2020	Director and Executive Officer of the Company		
			Feb. 2023	Director of Tosei Hotel Management Co., Ltd.		
			Mar. 2023	Director, Managing Executive Officer and Deputy Chief of Administrative Division of the Company		
			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)		
			Feb. 2024	Director of Tosei Community Co., Ltd. (current position)		
				Director of Tosei Logistics Management Co., Ltd. (current position)		
Director, Managing Executive Officer, Deputy Chief of Administrative Division in charge of Finance Department and M&A･Group Strategy Department	Hiroyasu Yoneda	Aug. 19, 1970	Apr. 1993	Joined Chiba Sogo Co., Ltd. (the predecessor of Sogo & Seibu Co., Ltd.)	Note 3	13,900
			Aug. 2006	Joined Tosei Revival Investment Co., Ltd. (the predecessor of Tosei Logistics Management Co., Ltd.)		
			Oct. 2006	Director of Tosei Revival Investment Co., Ltd. (the predecessor of Tosei Logistics Management Co., Ltd.) (current position)		
			Apr. 2008	Joined the Company		
			Dec. 2017	Representative Director of Masuda Kenzai-ten Co., Ltd. (current position)		
			Mar. 2018	Representative Director of Sanki-shoji Co., Ltd.		
			Feb. 2019	Director of Tosei Community Co., Ltd. (current position)		
			Feb. 2019	Managing Director of Tosei Singapore Pte. Ltd. (current position)		
			Mar. 2020	Executive Officer of the Company		
			Sep. 2021	Director of Princess Square Co., Ltd. (current position)		
			Mar. 2022	Representative Director of Isogo Asset Management Co., Ltd. (current position)		
			Jan. 2023	Representative Director of Shibaura Residential Co., Ltd. (current position)		
			Mar. 2023	Managing Executive Officer of the Company		
			Mar. 2023	Representative Director of Usui Kigata Kogyo K.K. (current position)		
			Jun. 2023	Representative Director of TOSEI-R, Inc. (current position)		
			Jul. 2023	Representative Director of Tosei Proptech Co., Ltd.		
			Feb. 2024	Director and Managing Executive Officer of the Company		
			Mar. 2024	Director, Managing Executive Officer, Deputy Chief of Administrative Division, and in charge of Finance Department and M&A・Group Strategy Department of the Company (current position)		
			Jun. 2024	Director of Tosei Proptech Co., Ltd.		
			Nov. 2024	Representative Director of Tosei Proptech Co., Ltd.(current position)		

Post	Name	Date of birth	Career summary	Term of office	Number of shares held (Share)
Director, Executive Officer in charge of Promotion of Business Alliance of Business Department	Shigehiro Takami	Jul. 17, 1968	Apr. 1993 Joined Nagoya Railroad Co., Ltd. Jun. 2001 Seconded to Meitetsu Ikoma Asset Management Co., Ltd. Jul. 2003 Seconded to Ikoma TBM Co., Ltd. Jul. 2005 Building Business Department of Nagoya Railroad Co., Ltd. Jul. 2009 Seconded to Meitetsu Real Estate Development Co. Ltd. (the predecessor of MEITETSU CITY DESIGN CO., LTD.) Jul. 2019 Assistant General Manager of Management Strategy Department (in charge of business projects and hotel strategies) of Nagoya Railroad Co., Ltd. Jul. 2020 Assistant General Manager of Management Strategy Department in charge of business projects of Nagoya Railroad Co., Ltd. Jul. 2021 Assistant General Manager of Development Department and Manager of Development Section of Nagoya Railroad Co., Ltd. Apr. 2022 Executive Officer of MEITETSU CITY DESIGN CO., LTD. and General Manager of Promotion of Community Development Department of Nagoya Railroad Co., Ltd. Apr. 2023 Executive Officer of MEITETSU CITY DESIGN CO., LTD. (current position) Jul. 2024 Corporate Advisor of the Company Feb. 2025 Director, Executive Officer in charge of Promotion of Business Alliance of Business Department of the Company (current position)	Note 3	–
Director	Kenichi Shohtoku	Jan. 20, 1971	Oct. 1995 Entered Asahi & Co., Ltd. (the predecessor of KPMG AZSA LLC) Sep. 1999 Seconded to Arthur Andersen & Co., Kuala Lumpur Office Sep. 2002 Entered SCS Global Accounting Co., Ltd. (the predecessor of SCS Global Consulting (S) Pte Ltd) Nov. 2003 Representative Director of SCS Global Accounting Co., Ltd. (the predecessor of SCS Global Consulting (S) Pte Ltd) (current position) Sep. 2005 Director of O-RID GLOBAL BPO PTE. LTD. Dec. 2010 Outside Auditor of ROKI TECHNO CO., LTD Feb. 2012 Director of the Company (current position) Jan. 2013 Outside Auditor of ROKI GROUP HOLDINGS CO., LTD. (current position)	Note 3	2,000

Post	Name	Date of birth	Career summary	Term of office	Number of shares held (Share)
Director	Hiroyuki Kobayashi	Mar. 3, 1965	Apr. 1987 Entered the Industrial Bank of Japan, Ltd. (the predecessor of Mizuho Bank, Ltd.) Apr. 2002 Seconded to Mizuho Securities Co., Ltd. Apr. 2003 Head of Advisory Department No.4 of Mizuho Securities Co., Ltd. Jul. 2005 Entered Sofia, Inc. Apr. 2006 Vice President and Director of Sofia, Inc. Dec. 2006 Entered Mizuho Securities Co., Ltd. Jun. 2008 Deputy General Manager, General Planning Department of Mizuho Securities Co., Ltd. Dec. 2011 General Manager, Corporate Communications Department of Mizuho Securities Co., Ltd. Apr. 2014 Senior Corporate Officer attached to Retail 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 Executive Vice President of PRECIOUS SQARE .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 Co., Ltd. (the predecessor of Kidventure Co., Ltd) (current position) Jun. 2022 Outside Auditor of Taiheiyo Kensetsu Kogyo Co., Ltd. (current position) Outside Auditor of Taiheiyo Remicon Co., Ltd. (current position)	Note 3	2,000
Director	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) Mar. 2017 Director of cocone corporation (the predecessor of cocone ONE corporation) (current position) Jan. 2021 Outside Director of Kakao Japan Corp. (the predecessor of Kakao piccoma Corp.) (current position) Feb. 2024 Director of the Company (current position) Mar. 2024 Representative Director of Cocone Business Partners corporation (current position)	Note 3	–

Post	Name	Date of birth	Career summary	Term of office	Number of shares held (Share)
Audit & Supervisory Board Member (full-time)	Hitoshi Yagi	Oct. 2, 1958	Apr. 1982 Entered The Nippon Credit Bank, Ltd. (the predecessor of Aozora Bank, Ltd.) Apr. 1999 Head of Real Estate Research Office, Sales Strategy Division II of The Nippon Credit Bank, Ltd. Aug. 2000 Senior Manager of Real Estate Finance Group, Investment Banks Division of The Nippon Credit Bank, Ltd. Aug. 2004 Joint General Manager of Corporate Business Division V of The Nippon Credit Bank, Ltd. Aug. 2009 Joint General Manager of Human Resources Division of The Nippon Credit Bank, Ltd. Oct. 2011 Joint General Manager of Internal Audit Division of The Nippon Credit Bank, Ltd. Feb. 2019 Full-time Audit & Supervisory Board Member of the Company (current position) Feb. 2020 Audit & Supervisory Board Member of Tosei Hotel Management Co., Ltd. (current position) Audit & Supervisory Board Member of Tosei Hotel Service Co., Ltd.	Note 4	–
Audit & Supervisory Board Member (full-time)	Toshinori Kuroda	Jan. 9, 1960	Apr. 1982 Entered The Sanwa Bank, Ltd. (the predecessor of MUFG Bank, Ltd.) May. 1989 Completed MBA at Purdue University in the U.S. Nov. 1991 Assigned to Sanwa Business Credit Corporation (Chicago, IL, U.S.) Aug. 1995 Assigned to Sanwa Bank California (Los Angeles, CA, U.S.) Oct. 2002 Deputy General Manager of Public & Institutional Business Division of UFJ Bank Limited (the predecessor of MUFG Bank, Ltd.) May. 2007 Chief Manager of Internal Audit Office of Internal Audit Division of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (the predecessor of MUFG Bank, Ltd.) May. 2012 Entered Mitsubishi UFJ NICOS Co., Ltd. Oct. 2012 General Manager of Compliance Division of Mitsubishi UFJ NICOS Co., Ltd. Apr. 2017 Chief Auditor of Internal Audit Division of Mitsubishi UFJ NICOS Co., Ltd Feb. 2021 Full-time Audit & Supervisory Board Member of the Company (current position) Feb. 2022 Audit & Supervisory Board Member of Tosei Community Co., Ltd. Feb. 2023 Audit & Supervisory Board Member of Tosei Logistics Management Co., Ltd. Feb. 2024 Audit & Supervisory Board Member of Tosei Community Co., Ltd. (current position)	Note 5	–

Title	Name	Date of birth	Career summary		Term of office	Number of shares held (Share)
Audit & Supervisory Board Member	Tatsuki Nagano	Apr. 16, 1959	Apr. 1983	Entered The Chuo Trust & Banking Co., Ltd. (the predecessor of Sumitomo Mitsui Trust Bank, Limited)	Note 5	–
			Jul. 1995	Financial Planning Chief of Corporate Planning Dept. at headquarters of The Chuo Trust & Banking Co., Ltd. (the predecessor of Sumitomo Mitsui Trust Bank, Limited)		
			Jul. 2000	Management Director of RG Asset Management PTE. LTD.		
			Jul. 2004	Director of Reference Group Holdings Ltd.		
			Aug. 2004	Representative Director of RG Asset Management Co., Ltd.		
			Feb. 2012	Audit & Supervisory Board Member of the Company (current position)		
			Apr. 2013	Director of RG Asset Management Services Limited (BVI)		
			Apr. 2013	Director and Representative Partner of RG Asset Management Services Limited (HK)		
			Jun. 2014	Outside Director of System Location, Co., Ltd.		
			Feb. 2016	Managing Director, Head of the Management Headquarters of All Nippon Asset Management, Co., Ltd.		
			Jun. 2019	Vice President and Representative Director of All Nippon Asset Management, Co., Ltd.		
			Jun. 2021	President and Representative Director of All Nippon Asset Management, Co., Ltd. (current position)		
Audit & Supervisory Board Member	Satoshi Ikeda	Apr. 30, 1965	Apr. 1989	Joined the Industrial Bank of Japan, Ltd. (the predecessor of Mizuho Bank, Ltd.)	Note 5	–
			Apr. 2002	Transferred to Mizuho Bank, Ltd.		
			Sep. 2010	Passed the national bar examination		
			Oct. 2012	Resigned from Mizuho Bank, Ltd.		
			Nov. 2012	The Legal Training and Research Institute of Japan, Supreme Court of Japan (legal apprentice)		
			Dec. 2013	Motosugi Law Office (associate lawyer)		
			Sep. 2014	Established KOWA Law Office (current position)		
			Aug. 2017	Corporate Auditor of KJG Holdings Co., Ltd. (current position)		
			Oct. 2018	Representative Director of Ikeda Business Consulting Co., Ltd.		
			Aug. 2019	Corporate Auditor of KOWA Information Technology Co., Ltd. (current position)		
			Oct. 2019	Director of Ikeda Business Consulting Co., Ltd. (current position)		
			Apr. 2023	Corporate Auditor of Kyouei Information System Co., Ltd. (current position)		
			Nov. 2023	Corporate Auditor of LEMON GASUI, Co., Ltd. (current position)		
			Feb. 2025	Audit & Supervisory Board Member of the Company (current position)		
Total						5,498,100

Notes: 1. Kenichi Shohtoku, Hiroyuki Kobayashi and Mai Ishiwatari are outside directors.
2. Hitoshi Yagi, Toshinori Kuroda, Tatsuki Nagano and Satoshi Ikeda are outside audit & supervisory board members.
3. One-year period from the conclusion of the Ordinary General Meeting of Shareholders held February 26, 2025.
4. Four-year period from the conclusion of the Ordinary General Meeting of Shareholders held February 24, 2023.
5. Four-year period from the conclusion of the Ordinary General Meeting of Shareholders held February 26, 2025.

2) Status of Outside Directors

The Company has three outside directors and four outside audit & supervisory board members.

With regard to the nomination of Outside Directors, the Company elects persons who can oversee the management from an independent and objective standpoint and be expected to provide constructive advice and recommendations to Directors concurrently serving as Executive Officers. In nominating Outside Audit & Supervisory Board Members, the Company elects persons who can be deemed to audit the operation of the Board of Directors and execution of duties of Directors from an independent standpoint, and who are expected to provide constructive advice and recommendations for the increase of corporate value with their knowledge.

Standards for independence 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 sales (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 or Independent outside Audit & Supervisory Board Member.

Outside Director Kenichi Shohtoku has contributed to strengthening the governance system of the Company and the Group by providing valuable advice on various occasions including the Board of Directors meetings and liaison meetings with the Audit & Supervisory Board Members of the Company since assuming office of Outside Director of the Company in February 2012, while leading SCS Global Consulting (S) Pte Ltd as a representative director. In addition, with respect to the overseas activities, etc. of the Company, the Company benefits from his suggestions based on the expertise cultivated through his abundant overseas experiences mainly in consulting as a certified public accountant. In view of the growth of the Group in terms of management over the medium- to long-term, including overseas expansion, the Company deems that his reappointment will contribute to the interests of the Group, and in turn, common interests of its shareholders. He holds 2,000 shares of the Company. He has no other personal relationship, capital relationship, or significant business relationship with the Company, and no other interests in the Company.

Outside Director Hiroyuki Kobayashi has abundant experience at a bank and a securities company which is extremely valuable in ensuring the effectiveness of its Board of Directors, as the Company operates the financial instruments business. In addition, as the Company is promoting a group expansion strategy, it may expect objective monitoring and proposals can be expected from him as Outside Director from the aspect of group governance drawing on his expertise in organization development and M&As. In light of the mid- to long-term growth of the management of the Group, we determined that electing him would contribute to the interests of the Group and, turn, the common interests of its shareholders. He holds 2,000 shares of the Company. He has no other personal relationship, capital relationship, or significant business relationship with the Company, and no other interests in the Company.

Outside Director, Mai Ishiwatari, possesses a high level of expertise and global knowledge of corporate legal affairs from her work experience at domestic and foreign law offices. Furthermore, she has been involved in corporate management as a director at multiple companies. Given that the Company is pursuing a group expansion strategy, she can be expected to deliver objective oversight and recommendations from the perspective of group governance as an Outside Director, and in light of the medium- to long-term growth of the Company's group management, we believe that she will contribute to the common interests of the Group and ultimately, our shareholders.

Full-time outside audit & supervisory board member Hitoshi Yagi has abundant experience and specialist knowledge acquired at audit divisions of major financial institutions as such, the Company believes that he can fulfill his responsibilities of securing adequacy and appropriateness in the Company's management.

Full-time outside audit & supervisory board member Toshinori Kuroda has abundant experience including overseas assignment primarily at a major financial institution as well as specialist knowledge, the Company believes that he can perform a role in ensuring the adequacy and appropriateness of the Company's management.

Outside audit & supervisory board member Tatsuki Nagano has experience at major financial institutions and continues to be involved in corporate management, the Company believes that he can utilize his extensive experience and a high level of expert insight to perform a role in ensuring the adequacy and appropriateness of the Company's management.

Outside audit & supervisory board member Satoshi Ikeda has experience at a major financial institution and is currently active as a lawyer, the Company believes that he can utilize his extensive experience and a high level of expert insight to perform a role in ensuring the adequacy and appropriateness of the Company's management.

3) Audits and supervision by Outside Directors and Outside Audit & Supervisory Board Members, coordination between internal audits, audits by Audit & Supervisory Board Members and accounting audits, and their relationship with the Internal Control Division

Through attendance at important meetings such as the Board of Directors' meetings, Outside Directors and Outside Audit & Supervisory Board Members receive, directly and indirectly, reports concerning internal audits, audits by Audit & Supervisory Board Members, accounting audits, and internal control. They enhance the effectiveness of supervision and audits by exchanging information as appropriate and expressing opinions as necessary.

(3) Status of audit

1) Status of Auditing by audit & supervisory board members

The Company employs an audit & supervisory board member system with two full-time audit & supervisory board members and two part-time audit & supervisory board members. All of these four persons are outside audit & supervisory board members. Meetings of the Audit & Supervisory Board are held once a month in principle. At these meetings, the four audit & supervisory board members deliberate on necessary items and work to share information by having the full-time audit & supervisory board members report to the part-time audit & supervisory board members about their auditing activities.

The Audit & Supervisory Board Members also attend the meeting of the Board of Directors, the pre-Board meeting discussion (Part-time Audit & Supervisory Board Member attend as observers) where matters to be resolved at the meeting of the Board of Directors are confirmed in advance, and attend the management meeting (constituted by the Executive Officers appointed by the President and CEO) as observers, which is an advisory body regarding matters to be approved by the President and CEO.

(a)Number of Meetings of the Audit & Supervisory Board and attendance of each audit members

The Audit & Supervisory Board met 16 times during the fiscal year, and attendance status of each Audit members are as follows. The average time required for each meeting of the Board of Corporate Auditors is approximately one hour, and the total number of proposals per year is 71.（14 matters to be resolved, 7 matters to be deliberated, 42 matters to be reported, and 8 other matters）

Post	Name	Number of times held	Attendance	Attendance rate	Note
Audit & Supervisory Board Member (full-time)	Hitoshi Yagi	16	16	100%	Chairman of the Audit & Supervisory Board
Audit & Supervisory Board Member (full-time)	Toshinori Kuroda	16	16	100%	
Audit & Supervisory Board Member (part-time)	Tatsuki Nagano	16	15	94%	
Audit & Supervisory Board Member (part-time)	Osamu Doi	16	16	100%	

(b) Main matters considered by the Audit & Supervisory Board

The main matters considered by the Audit & Supervisory Board included

・Decisions on the yearly audit policy, audit plan, auditing method, and the division of duties among the Audit & Supervisory Board Members

・Evaluation and consent to the reappointment of the accounting auditor

・Briefings on the yearly audit plan from the audit corporation

・Consent to audit fees for the audit corporation

・Consent to personnel evaluations for staff assisting in audit work

・Sharing of information (including the status of whistle-blowing) based on monthly activity reports by full-time Audit & Supervisory Board Members

・The deliberation of Key Audit Matters (KAM)

Additionally, in response to the ever-expanding and diversifying nature of our business, priority audit matters for the fiscal year under review are further establishment of Group internal control system and support for the establishment of an auditing system by Audit & Supervisory Board Members at each Group company.

(c) Audit activities by full-time Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Members engaged in audit activities in accordance with the yearly audit plan by attending the board of directors and management meetings, audits during the period, accounting audits, audits of internal controls related to financial control, year-end audits, etc. We carry out conduct business audits throughout the year , etc., and we have built an efficient and effective audit system in collaboration with the Accounting Auditor and the Internal Audit Department.

Full-time Audit & Supervisory Board Members engage in activities including the following:

・Inspect important documents

・Hold regular meetings with the president, directors, executive officers, and department heads

・Hold regular meetings for exchanging opinions with Outside Directors

・Hold regular interviews with the Representative Directors and Presidents of major Group companies

・Hold regular liaison meetings with the Audit & Supervisory Board Members of Group companies

・Attending the Corporate governance meeting (for the purpose of strengthening corporate governance in the Group)

・Attending the Risk Management and Compliance Committee’s meeting (to realize centralized and cross-cutting risk management and compliance promotion of the Group)

Through the above activities, full-time Audit & Supervisory Board Members work to fully understand the status of business execution, engage in frank exchanges of opinions as Outside Audit & Supervisory Board Members, serve concurrently as part-time Audit & Supervisory Board Members of major Group companies, and coordinate with the Directors, Audit & Supervisory Board Members, and other officers of subsidiaries to understand the status of the Group companies.

In addition, similarly to the full-time Audit & Supervisory Board Members, part-time Audit & Supervisory Board Members audit management policies by attending Board of Directors’ meetings and by attending Management meetings as observers, conduct mid-term audits, accounting audits, audits on internal controls related to financial control, term-end audits, etc., and when necessary, attend various meetings attended by full-time Audit & Supervisory Board Members and express candid opinions as outside Audit & Supervisory Board Members based on their expertise.

2) Status of The Internal Audit Department

The Internal Audit Department, an independent organization under the direct control of the President and CEO, is made up of eight members including the general manager, and audits the overall business activities of the entire group from the viewpoints of legality and validity, etc., based on the annual audit plan. Audit results are reported to the President and CEO, and then notified to the departments, etc. being audited. For items identified in audits, the Department conducts highly effective audits by recommending corrective actions to the audited departments, etc., and following up on the status of correction. In addition, the Department has a system of giving semi-annual reports to the Board of Directors and periodic reports to Audit & Supervisory Board Member and the Audit & Supervisory Board.

3) Coordination between Audit & Supervisory Board Members and accounting auditor

In the course of their auditing activities in accordance with the yearly audit plan, the Audit & Supervisory Board Members regularly exchange opinions with the accounting auditor quarterly, the deliberation of Key Audit Matters (KAM), as well as receive reports on the results of audits by the accounting auditor. In addition, the accounting auditor coordinates closely with Audit & Supervisory Board Members by such means as observing their audits as appropriate, and holding biannual opinion-exchanging meetings concerning threefold auditing with the accounting auditor, attendance at the meetings for exchanging opinions between Outside Directors and the Accounting Auditor, etc, and the General Manager of the Internal Audit Department.

4) Coordination between Audit & Supervisory Board Members and the Internal Audit Department

The Audit & Supervisory Board Members hold a regular exchange of opinions session with the Internal Audit Department once every two months, and the full-time Audit & Supervisory Board Members receive reports from the General Manager of the Internal Audit Department every time internal auditing work is conducted and exchange opinions.

In addition, the all members of the Internal Audit Department also serve as assistant employees of the Audit & Supervisory Board Members, and assist the Audit & Supervisory Board Members by appropriately dividing roles. They also attend interviews conducted by full-time Audit & Supervisory Board Members with the accounting auditor and heads of divisions, etc. as assistants to the Audit & Supervisory Board Members.

5) Accounting audits

(a) Name of audit corporation

Shinsoh Audit Corporation

(b) Years of continuous auditing

16 years

(c) Names of certified public accountants who executed audit

Designated and Engagement Partner Takashi Aikawa
Designated and Engagement Partner Hiroshi Matsubara

(d) Breakdown of assistants in auditing operations

Certified public accountants: 8 persons
Other: 3 persons

(e) Audit certificate examination system

Shinsoh Audit Corporation, the accounting auditor of the Company, conducts audits related to audit plans and audit opinion formation for all audit operations. The audit plan and the audit work related to the formation of audit opinions are conducted by the staff in charge of audit (review partner) other than the business execution staff related to the audit work. The audit is conducted for all audit operations from audit planning to audit opinion formation. The staff in charge of auditing is in charge of the operation of auditing related to auditing work for audit planning and audit opinion formation.

(f) Method and reasons for selecting the audit corporation

The Audit & Supervisory Board selects an audit corporation in accordance with the selection criteria established by the Audit & Supervisory Board (Selection Criteria for Candidates for Accounting Auditor). The selection is based on consideration of the appropriateness of factors such as the specific audit plan and audit fees proposed by the audit corporation, and confirmation of any conflicts with Article 340, paragraph 1 of the Companies Act, after evaluation of the audit corporation's independence and reliability, and whether the auditing system meets to the Company's criteria in terms of audit quality standards and the scale and characteristics of the Company's business.

(g) Evaluation of the audit corporation by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board evaluates the audit corporation each fiscal year, in accordance with the Evaluation Criteria for the Accounting Auditor established by the Audit & Supervisory Board. The evaluation is based on hearings conducted into the opinions of relevant departments in the Tosei Group, as well as reports received as appropriate from the accounting auditor on quality control systems, independence, the audit plan, overviews of audit results and other matters.

6) Audit fees

(a) Audit fees paid to certified public accountants, etc.

Classification	Fiscal year ended Nov. 30, 2023		Fiscal year ended Nov. 30, 2024	
	Fees for audit attestation services (¥ thousand)	Fees for audit attestation services (¥ thousand)	Fees for audit attestation services (¥ thousand)	Fees for non-audit services (¥ thousand)
Filing company	45,000	–	47,000	—
Consolidated subsidiaries	16,800	–	18,000	—
Total	61,800	–	65,000	—

(b) Fees to Shinsoh Audit Corporation, which belongs to the same network as the Company's accounting auditor (excluding (a))

None

(c) Other important fees of Audit

None

(d) Policy for determining audit fees

The Company decides on the audit fees paid to certified public accountants, etc. upon comprehensive consideration of factors including the audit quality based on the Company's size and the nature of its business activities, and the number of audit days based on the audit plan, after discussion with the certified public accountants, etc., and subject to the consent of the Audit & Supervisory Board.

(e) Reasons for consent by the Audit & Supervisory Board to fees for the accounting auditor

The Audit & Supervisory Board consents to fees for the accounting auditor after confirmation and consideration of matters including the content of the audit plan developed by the accounting auditor, status of the accounting auditor's performance of duties, historical trends in audit fees, and the basis used to calculate estimates of audit fees etc., based on the Practical Guidelines for Coordination with Accounting Auditors published by the Japan Audit & Supervisory Board Members Association (a Public Interest Incorporated Association).

(4) Remuneration, etc. of officers

1) The policy on determining the amount of remuneration for officers or the method of calculation

(a) Authority to determine policies concerning the amount, composition, and amount of remuneration for directors

The maximum total amount of Directors' remuneration is set at (1) fixed remuneration, performance evaluation remuneration and Directors' bonuses of up to ¥500 million per year (including up to ¥80 million for Outside Directors, but not including salaries for employees) as determined at the 70th Ordinary General Meeting of Shareholders held on February 26, 2020, and, separately, (2) stock option compensation of up to ¥100 million per year (including up to ¥10 million for Outside Directors) as determined at the 69th Ordinary General Meeting of Shareholders held on February 27, 2019. In addition to (1) and (2) above, (3) at the 74th Ordinary General Meeting of Shareholders held on February 27, 2024, the amount of share-based compensation is set at no more than 100,000 shares of the Company's common stock to be allotted as share-based compensation to Executive Directors, with a total annual amount of no more than ¥200 million, and no more than 10,000 shares of the Company's common stock to be allotted as share-based compensation to Outside Directors, with a total annual amount of no more than ¥20 million. In addition, the Articles of Incorporation stipulate that the number of Directors shall be no more than 12.
Remuneration for Executive Directors consists of monetary remuneration, comprising a "fixed salary" which is scaled according to duties, "performance evaluation remuneration" which is based on the achievement of individual goals such as the performance of each Executive Director, and "Directors' bonuses" which are linked to consolidated profit before tax; "share-based compensation" and "stock options" which are aimed to increase the desire and motivation to contribute to the medium- to long-term enhancement of corporate value.

Due to the emphasis on their supervisory function from a standpoint independent of the execution of business, Outside Directors' remuneration is composed of a "fixed salary", "share-based compensation" of fixed amount, and "stock options" only. No "performance evaluation remuneration" or "Directors' bonuses" are paid to Outside Directors.
The Representative Director drafts proposals for each Director's remuneration, which are discussed by the Nomination and Compensation Advisory Committee, before being decided by resolution of the Board of Directors.

"Fixed salary"
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 salary scaling guidelines, based on Directors' duties and posts held by Directors concurrently serving as Executive Officers. Remuneration for each individual Director is discussed by the Nomination and Compensation Advisory Committee, before being decided by the Board of Directors.

"Performance-linked remuneration"
The "performance evaluation remuneration" for Executive Directors is based on their individual achievement of single-year performance targets. A "standard evaluation remuneration amount" equal to 33% of the fixed salary is paid monthly together with the fixed salary, and where there is an adjustment based on the achievement of performance targets (of between +55% and -50% of the standard evaluation remuneration), this will be paid as a lump sum together with Directors' bonuses after the conclusion of the Ordinary General Meeting of Shareholders held during the fiscal year.
Remuneration for each Director is discussed by the Nominating and Compensation Advisory Committee, evaluating the level of contribution to the governance practices and the pursuit of sustainability of the Company as well as 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.

"Directors' bonuses"
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 for Executive Directors.
Directors' bonuses are determined based on the pre-determined level of consolidated pretax profit, plus an additional amount if the consolidated pretax profit target for a single fiscal year is achieved, and are paid after the close of the Ordinary General Meeting of Shareholders for the relevant fiscal year.
The amounts paid are calculated based on the table below.

a) Linkage with performance (¥ thousand)

Profit before tax (consolidated)	President and CEO	Director Senior Executive Officer GradeⅢ	Director Senior Executive Officer GradeⅡ	Director Senior Executive Officer GradeⅠ	Director Managing Executive Officer GradeⅡ	Director Managing Executive Officer GradeⅠ	Director Executive officer GradeⅡ	Director Executive officer GradeⅠ	Director Executive officer in charge of Special Mission
3.0billion or more	1,705	841	781	733	669	621	589	571	19
4.0billion or more	3,411	1,683	1,563	1,467	1,339	1,243	1,179	1,143	19
5.0billion or more	5,116	2,524	2,344	2,200	2,009	1,865	1,768	1,714	19
6.0billion or more	6,822	3,366	3,126	2,934	2,679	2,487	2,358	2,286	19
10.0billion or more	8,527	4,207	3,907	3,667	3,349	3,109	2,947	2,857	39
12.0billion or more	10,233	5,049	4,689	4,401	4,019	3,731	3,537	3,429	78
13.0billion or more	11,085	5,469	5,079	4,767	4,354	4,042	3,831	3,714	97
14.0billion or more	11,938	5,890	5,470	5,134	4,689	4,353	4,126	4,000	117
15.0billion or more	12,791	6,311	5,861	5,501	5,024	4,664	4,421	4,286	136
16.0billion or more	13,644	6,732	6,252	5,868	5,359	4,975	4,716	4,572	156
17.0billion or more	14,496	7,152	6,642	6,234	5,694	5,286	5,010	4,857	175
18.0billion or more	15,349	7,573	7,033	6,601	6,029	5,597	5,305	5,143	195
19.0billion or more	16,202	7,994	7,424	6,968	6,364	5,908	5,600	5,429	214
20.0billion or more	17,055	8,415	7,815	7,335	6,699	6,219	5,895	5,715	234

b) Achievement of budget

Achievement of budget	1,023	504	468	440	401	373	353	342	156

c) Maximum amount of remuneration

a)+b)	18,078	8,919	8,283	7,775	7,100	6,592	6,248	6,057	390

"Share-based compensation"

In order to further clarify the linkage between remuneration for Directors and the Company's business performance and share value, and to continuously improve the Company's corporate value, share-based compensation for Executive Directors is granted in the form of a number of ordinary shares of the Company after the close of the Ordinary General Meeting of Shareholders for the relevant fiscal year, corresponding to an amount determined according to the level of consolidated pre-tax profit for a single year predetermined by the Board of Directors after discussion at the Nomination and Compensation Advisory Committee, plus an additional amount if the consolidated pretax profit target for a single fiscal year is achieved.

In order to continuously improve the Company's corporate value, share-based remuneration for Outside Directors is granted in the form of the Company's ordinary shares after the close of the Ordinary General Meeting of Shareholders for the relevant fiscal year, subject to the achievement of the amount of consolidated pre-tax profit for a single fiscal year predetermined by the Board of Directors after discussion at the Nomination and Compensation Advisory Committee.

The ordinary shares granted to full-time Directors and Outside Directors are all subject to certain restrictions on transfer.

The amounts paid to Executive Directors are calculated based on the table below.

a) Linkage with performance (¥ thousand)

Profit before tax (consolidated)	President and CEO	Director Senior Executive Officer GradeⅢ	Director Senior Executive Officer GradeⅡ	Director Senior Executive Officer GradeⅠ	Director Managing Executive Officer GradeⅡ	Director Managing Executive Officer GradeⅠ	Director Executive officer GradeⅡ	Director Executive officer GradeⅠ	Director Executive officer in charge of Special Mission
3.0billion or more	2,046	1,009	937	880	803	746	707	685	19
4.0billion or more	4,093	2,019	1,875	1,760	1,607	1,492	1,414	1,371	19
5.0billion or more	6,139	3,029	2,813	2,640	2,411	2,238	2,122	2,057	19
6.0billion or more	8,186	4,039	3,751	3,520	3,215	2,985	2,829	2,743	19
10.0billion or more	10,233	5,049	4,689	4,401	4,019	3,731	3,537	3,429	39
12.0billion or more	12,279	6,058	5,626	5,281	4,823	4,477	4,244	4,114	78
13.0billion or more	13,302	6,563	6,095	5,721	5,225	4,850	4,598	4,457	97
14.0billion or more	14,326	7,068	6,564	6,161	5,627	5,223	4,951	4,800	117
15.0billion or more	15,349	7,573	7,033	6,601	6,029	5,597	5,305	5,143	136
16.0billion or more	16,372	8,078	7,502	7,041	6,431	5,970	5,659	5,486	156
17.0billion or more	17,396	8,583	7,971	7,481	6,832	6,343	6,012	5,829	175
18.0billion or more	18,419	9,088	8,440	7,921	7,234	6,716	6,366	6,172	195
19.0billion or more	19,442	9,593	8,909	8,361	7,636	7,089	6,720	6,515	214
20.0billion or more	20,466	10,098	9,378	8,802	8,038	7,462	7,074	6,858	234

b) Achievement of budget

Achievement of budget	1,227	605	562	528	482	447	424	411	175

c) Maximum amount of remuneration

a)+b)	21,693	10,703	9,940	9,330	8,520	7,909	7,498	7,269	409

(Consolidated profit before tax targets and results in recent fiscal years)

Profit before tax (consolidated)	73rd term Fiscal year ended Nov. 30, 2022	74th term Fiscal year ended Nov. 30, 2023	75th term Fiscal year ended Nov. 30, 2024
Targets	¥12.0 billion	¥14.0 billion	¥16.5 billion
Results	¥12.7 billion	¥15.3 billion	¥17.3 billion

The ratio of fixed salary to performance-linked remuneration (comprising performance evaluation remuneration and Directors' bonuses) is kept at around 60:40. The ratio for the fiscal year under review (the 75th term) is 52:48.

"Stock options"
In order to pursue corporate management with a focus on enhancing corporate value over the medium- to long-term, the President and Representative Director draft proposals for the number of stock options to be granted to each Director, based on the Director's duties as well as posts held concurrently by the Director as Executive Officer, by in principle considering achievement of the targets for the term of the medium-term management plan. These proposals are examined by the Nomination and Compensation Advisory Committee, before being decided by the Board of Directors.
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.

"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. At the Company, the Board of Directors determines the content of remuneration, etc. for individual Directors, and does not delegate this determination toa Director or other third parties.

(b) Authority to determine policies concerning the amount, composition, and amount of remuneration for Audit & Supervisory Board Members

Maximum total amount of Audit & Supervisory Board Members' remuneration is set at ¥60 million per year as determined at the 54th Ordinary General Meeting of Shareholders held on February 28, 2004.
And the number of Audit & Supervisory Board Members is stipulated in the Articles of Incorporation to be no more than 6.
Audit & Supervisory Board Members, considering their role, are remunerated with a fixed salary only.
Remuneration for each Audit & Supervisory Board Member is decided through discussion of the Audit & Supervisory Board, within the limits of the maximum total amount.

2) Total amount of remuneration, etc. by position, total amount by type of remuneration, etc., and number of recipients at the Company

<table>
<tr><th rowspan="3">Position</th><th rowspan="3">Total amount of remuneration, etc. (¥ thousand)</th><th colspan="5">Total amount by type of remuneration, etc. (¥ thousand)</th><th rowspan="3">Number of recipients (Person)</th></tr>
<tr><th rowspan="2">Basic remuneration</th><th colspan="3">Performance-linked remuneration</th><th>Non-monetary remuneration, etc.</th></tr>
<tr><th>performance evaluation remuneration</th><th>Bonus</th><th>Share-based compensation</th><th>Stock Options</th></tr>
<tr><td>Directors (excluding outside directors)</td><td>302,496</td><td>155,214</td><td>51,738</td><td>48,066</td><td>42,155</td><td>5,321</td><td>7</td></tr>
<tr><td>Audit & supervisory board members (excluding outside audit & supervisory board members)</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Outside officers</td><td>55,735</td><td>54,666</td><td>—</td><td>—</td><td>738</td><td>330</td><td>8</td></tr>
</table>

3) Total amount of consolidated remuneration, etc. by each officer of the Company

<table>
<tr><th rowspan="2">Name</th><th rowspan="2">Total amount of consolidated remuneration (¥ thousand)</th><th rowspan="2">Position</th><th rowspan="2">Company Classification</th><th colspan="5">Total amount by type of remuneration, etc. (¥ thousand)</th></tr>
<tr><th>Basic remuneration</th><th>performance evaluation remuneration</th><th>Bonus</th><th>Share-based compensation</th><th>Stock Options</th></tr>
<tr><td>Seiichiro Yamaguchi</td><td>100,645</td><td>Director</td><td>Filing company</td><td>51,165</td><td>17,055</td><td>17,255</td><td>13,928</td><td>1,240</td></tr>
</table>

(Note) The information is presented only for officers for whom the total amount of remuneration, etc. is ¥100 million or more.

4) Significant items among employee salaries paid to officers concurrently serving as employees

None

5) Activities of the Board of Directors and the Nomination and Compensation Advisory Committee of the submitting company in the process of determining the remuneration of directors for the current fiscal year

Date	Meeting name	Discussion / Resolution
Feb. 20 2024	the Nomination and Compensation Advisory Committee	· Amended the guidelines on fixed remuneration, performance evaluation remuneration, and Directors' bonuses and established the share-based compensation guidelines for Executive Directors · Amended the fixed remuneration guidelines and established the share-based compensation guidelines for Outside Directors · Monthly fixed salary for nine (9) Directors for the 12 months from March 2024 to February 2025
Feb. 27 2024	the Board of Directors	· Continued application of the guidelines on fixed remuneration and performance evaluation remuneration, amended the Directors' bonuses guidelines, and established the share-based compensation guidelines for Executive Directors, as well as established the share-based compensation guidelines for Outside Directors · Remuneration distribution for directors · Concluded an agreement with Directors to allot shares as share-based compensation
Dec. 20 2024	the Nomination and Compensation Advisory Committee	· Performance evaluation for each of the Executive Directors for the 75th term (the fiscal year ended November 30, 2024) · Payment of Directors' bonuses for the 75th term (the fiscal year ended November 30, 2024)
Dec. 25 2024	the Board of Directors	· Performance evaluation for each of the Executive Directors for the 75th term (the fiscal year ended November 30, 2024) · Payment of Directors' bonuses to Executive Directors for the 75th term (the fiscal year ended November 30, 2024)

(5) Status of stocks held

1) Criteria and concept on stocks for investment

The Company classifies investment shares as follows.

(a) Investment shares held for pure investment purposes

Shares that are held purely for the purposes of gaining from changes in share prices and receiving dividends

(b) Investment shares held for purposes other than pure investment

(i) Strategic shareholdings

Shares of other listed companies held strategically, in order to maintain and strengthen business relationships within the Tosei Group

(ii) Shares other than those in (a) above

2) Stocks for investment held for any purposes other than pure investment purpose

(a) Shareholding policy, methods used to validate shareholding rationale, and validation of the appropriateness of each shareholding by the Board of Directors

The Company may hold investment shares for purposes other than pure investment where it determines that this is useful for the business of the Tosei Group, after validating the medium- to long-term economic rationale, including the balance of risk and return.

In addition, where some or all of these shares are strategic shareholdings, the Board of Directors examines the details of the shareholding each fiscal year, including the appropriateness of the holding purpose and whether the benefits and risks of the shareholding are commensurate with the cost of capital, validates the appropriateness of the shareholding, and discloses the results of this validation. The Company has no strategic shareholdings as of the end of the fiscal year under review.

(b) Number of stocks and total of the amounts recorded in the balance sheet

	Number of stocks	Total of the amounts recorded in the balance sheet (¥ thousand)
Unlisted stocks	1	1,200
Stocks other than unlisted stocks	—	—

(Stocks of which the number increased during the current fiscal year)

None

(Stocks of which the number decreased during the current fiscal year)

None

(c) Information regarding the number of stocks, amounts recorded in the balance sheet, etc., by each stock for "Specific stocks for investment" and "Stocks subject to deemed holding"

None

3) Stocks for investment held solely for investment purpose

Category	Fiscal year ended Nov. 30, 2024		Fiscal year ended Nov. 30, 2023	
	Number of stocks	Total of the amounts recorded in the balance sheet (¥ thousand)	Number of stocks	Total of the amounts recorded in the balance sheet (¥ thousand)
Unlisted stocks	—	—	—	—
Stocks other than unlisted stocks	1	86,031	1	86,268

Category	Fiscal year ended Nov. 30, 2024		
	Total amount of dividends received (¥ thousand)	Total amount of sales gain or loss (¥ thousand)	Total amount of gain or loss on valuation (¥ thousand)
Unlisted stocks	—	—	—
Stocks other than unlisted stocks	790	—	—

4) Changes in the purpose of holding investment shares from net investment to non-net investment during the current fiscal year

None

5) Changes in the purpose of holding investment shares from non-net investment purposes to net investment purposes during the current fiscal year

None

V. Accounting

1. Preparation policy of the consolidated and non-consolidated financial statements

(1) Tosei prepares consolidated financial statements in accordance with the International Financial Reporting Standard (IFRS), an international accounting standard designated in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) Tosei prepares non-consolidated financial statements in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance No. 59 of 1963. Hereinafter referred to as the “Ordinance on Financial Statements, etc.”).
The Company falls under the category of companies allowed to file specified financial statements and prepares financial statements pursuant to Article 127 of the Ordinance on Financial Statements, etc.

2. Audit attestation

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the fiscal year ended November 30, 2024(from December 1, 2023 to November 30, 2024) and the non-consolidated financial statements for the fiscal year ended November 30, 2024 (from December 1, 2023 to November 30, 2024) were audited by Shinsoh Audit Corporation.

3. Special efforts made to ensure the properness of consolidated financial statements, etc. and establishment of a system that enables appropriate preparation of consolidated financial statements, etc. under IFRS

Tosei is carrying out the special efforts in order to ensure the properness of consolidated financial statements, etc.

(1) For the purpose of both ensuring that Tosei has an appropriate grasp of the contents of Accounting Standards and related regulations, and establishing a system by which it is possible to ensure appropriateness of consolidated financial statements, etc., Tosei became a member of the Financial Accounting Standards Foundation, and is kept informed of changes in Accounting Standards and other events. In addition, Tosei participates in seminars and other events hosted by the foundation.

(2) In applying IFRS, Tosei receives press releases and standards published by the International Accounting Standards Board as needed to keep itself informed of latest standards. In addition, for accounting procedures in accordance with IFRS, it strives to make the Group conduct uniform accounting treatments by making accounting policies in accordance with IFRS well known to group companies.

1. Consolidated financial statements, etc.

(1) Consolidated financial statements

1) Consolidated statements of financial position

(¥ thousand)

	Notes	As of Nov. 30, 2023	As of Nov. 30, 2024
Assets			
Current assets			
Cash and cash equivalents	7	39,197,843	34,874,164
Trade and other receivables	9	5,348,785	8,606,489
Inventories	10	118,252,139	146,817,328
Other current assets	11	32,256	32,307
Total current assets		162,831,025	190,330,290
Non-current assets			
Property, plant and equipment	12	33,018,001	32,094,169
Investment properties	13	37,805,499	40,945,876
Goodwill	14	1,401,740	1,401,740
Intangible assets	14	138,914	117,737
Trade and other receivables	9	1,440,172	1,595,084
Other financial assets	8	7,826,991	9,034,356
Deferred tax assets	15	839,334	1,268,119
Other non-current assets	11	28,010	28,010
Total non-current assets		82,498,665	86,485,095
Total assets		245,329,690	276,815,386
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	16	6,107,625	8,610,460
Interest-bearing liabilities	17	13,783,385	20,786,314
Current income tax liabilities	15	3,269,414	3,723,178
Provisions	18	1,193,060	1,528,380
Total current liabilities		24,353,486	34,648,333
Non-current liabilities			
Trade and other payables	16	4,207,480	4,762,512
Interest-bearing liabilities	17	132,804,369	145,114,493
Retirement benefits obligations	19	761,387	791,045
Provisions	18	85,122	85,948
Deferred tax liabilities	15	798,561	546,316
Total non-current liabilities		138,656,921	151,300,315
Total Liabilities		163,010,408	185,948,649
Equity			
Share capital	20	6,624,890	6,624,890
Capital reserves	20	7,200,518	7,288,479
Retained earnings		68,139,668	76,914,414
Treasury shares	20	(335,327)	(243,716)
Other components of equity	20	416,935	(83,780)
Total equity attributable to owners of parent		82,046,685	90,500,287
Non-controlling interests		272,596	366,448
Total equity		82,319,282	90,866,736
Total liabilities and equity		245,329,690	276,815,386

2) Consolidated statements of comprehensive income

(¥ thousand)

	Notes	Year ended Nov. 30, 2023 (Dec. 1, 2022 – Nov. 30, 2023)	Year ended Nov. 30, 2024 (Dec. 1, 2023 – Nov. 30, 2024)
Revenue	22	79,446,329	82,191,828
Cost of revenue	23	49,161,218	46,995,418
Gross profit		30,285,111	35,196,410
Selling, general and administrative expenses	24, 25	14,247,230	16,182,236
Other income	26	264,795	133,298
Other expenses	27	48,097	658,892
Operating profit		16,254,578	18,488,579
Finance income	28	403,929	620,957
Finance costs	28	1,347,800	1,744,597
Profit before tax		15,310,707	17,364,939
Income tax expense	15	4,802,515	5,364,723
Profit for the year		10,508,192	12,000,215
Other comprehensive income			
Other comprehensive income Items that will not be reclassified to profit or loss			
Net change in financial assets measured at fair values through other comprehensive income	29	30,950	(517,852)
Remeasurements of defined benefit pension plans	29	12,822	(17,573)
Subtotal of Other comprehensive income Items that will not be reclassified to profit or loss		43,772	(535,426)
Other comprehensive income Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign Operations	29	17,901	3,788
Net change in fair values of cash flow hedges	29	(25,845)	13,349
Subtotal of other comprehensive income Items that may be reclassified to profit or loss		(7,944)	17,137
Other comprehensive income for the year, net after tax		35,827	(518,289)
Total comprehensive income for the year		10,544,020	11,481,926
Profit attributable to:			
Owners of the parent		10,507,095	11,985,203
Non-controlling interests		1,096	15,012
Profit for the year		10,508,192	12,000,215
Total comprehensive income attributable to:			
Owners of the parent		10,542,923	11,466,914
Non-controlling interests		1,096	15,012
Total comprehensive income for the year		10,544,020	11,481,926
Earnings per share attributable to owners of the parent			
Basic earnings per share (¥)	30	219.74	247.43
Diluted earnings per share (¥)	30	219.32	247.23

3) Consolidated statements of changes in equity

Year ended November 30, 2023 (Dec. 1, 2022 – Nov. 30, 2023)

(¥ thousand)

	Notes	Share Capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at Dec. 1, 2022		6,624,890	6,775,532	60,029,994	(1,533,670)	393,929	72,290,677	—	72,290,677
Profit for the 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	20		(2,619)		(113,913)		(116,533)		(116,533)
Disposal of treasury shares	20		427,605		1,312,256		1,739,862		1,739,862
Dividends from surplus	21			(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)	—		—
Balance at Nov. 30, 2023		6,624,890	7,200,518	68,139,668	(335,327)	416,935	82,046,685	272,596	82,319,282

Year ended November 30, 2024 (Dec. 1, 2023 – Nov. 30, 2024)

(¥ thousand)

	Notes	Share Capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at Dec. 1, 2023		6,624,890	7,200,518	68,139,668	(335,327)	416,935	82,046,685	272,596	82,319,282
Profit for the year				11,985,203			11,985,203	15,012	12,000,215
Other comprehensive income						(518,289)	(518,289)		(518,289)
Total comprehensive income for the year		—	—	11,985,203	—	(518,289)	11,466,914	15,012	11,481,926
Amount of transactions with owners									
Purchase of treasury shares	20				(310)		(310)		(310)
Disposal of treasury shares	20		(5,844)		91,921		86,076		86,076
Dividends from surplus	21			(3,192,884)			(3,192,884)		(3,192,884)
Dividends to non-controlling interests							—	(9,763)	(9,763)
Change from newly consolidated subsidiary							—	126,500	126,500
Changes in ownership interest in subsidiaries							—	(37,897)	(37,897)
Transfer from other components of equity to retained earnings				(17,573)		17,573	—		—
Share-based payment transactions	35		93,806				93,806		93,806
Balance at Nov. 30, 2024		6,624,890	7,288,479	76,914,414	(243,716)	(83,780)	90,500,287	366,448	90,866,736

4) Consolidated statements of cash flows

(¥ thousand)

	Notes	Year ended Nov. 30, 2023 (Dec. 1, 2022 – Nov. 30, 2023)	Year ended Nov. 30, 2024 (Dec. 1, 2023 – Nov. 30, 2024)
Cash flows from operating activities			
Profit before tax		15,310,707	17,364,939
Depreciation expense		1,593,621	1,596,465
Increase (decrease) in provisions and retirement benefits obligations		184,274	413,572
Interest and dividends income		(403,929)	(620,957)
Interest expenses		1,347,800	1,744,597
Decrease (increase) in trade and other receivables		5,065,872	(2,351,043)
Decrease (increase) in inventories		(14,496,604)	(29,310,228)
Increase (decrease) in trade and other payables		1,321,595	2,884,921
Other, net		(107,269)	28,553
Subtotal		9,816,068	(8,249,180)
Interest and dividends income received		392,357	563,052
Income taxes paid		(4,639,734)	(5,624,292)
Income taxes refund		153,315	264,725
Net cash from (used in) operating activities		5,722,006	(13,045,695)
Cash flows from investing activities			
Purchase of property, plant and equipment		(407,928)	(194,350)
Purchase of investment properties		(802,991)	(2,448,566)
Purchase of intangible assets		(39,951)	(33,772)
Payments of loans receivable		(1,219,000)	(8,840,031)
Collection of loans receivable		7,950	7,804,276
Purchase of other financial assets		(570,078)	(2,360,523)
Collection of other financial assets		8,481	402,384
Payments for acquisition of subsidiaries		(2,938,680)	(46,190)
Payments for acquisition of businesses		(10,128,240)	–
Proceeds from acquisition of businesses		–	101,584
Other, net		(11,919)	6,726
Net cash from (used in) investing activities		(16,102,356)	(5,608,461)
Cash flows from financing activities			
Net increase (decrease) in current borrowings	36	(1,504,103)	2,976,360
Proceeds from non-current borrowings	36	59,501,354	59,194,525
Repayments of non-current borrowings	36	(37,621,499)	(42,352,044)
Redemption of bonds	36	(36,356)	(21,356)
Repayments of lease obligations	36	(431,500)	(564,137)
Repayments to non-controlling interests		–	(37,897)
Capital contribution from non-controlling interests		271,500	126,500
Cash dividends paid		(2,408,911)	(3,192,502)
Dividends paid to non-controlling interests		–	(9,763)
Purchase of treasury shares		(113,913)	(310)
Proceeds from disposal of treasury shares		1,740,910	84,604
Interest expenses paid		(1,591,758)	(1,874,416)
Net cash from (used in) financing activities		17,805,721	14,329,562
Net increase (decrease) in cash and cash equivalents		7,425,371	(4,324,594)
Cash and cash equivalents at beginning of year		31,767,008	39,197,843
Effect of exchange rate change on cash and cash equivalents		5,463	914
Cash and cash equivalents at end of year	7	39,197,843	34,874,164

[Notes to Consolidated Financial Statements]

1. Reporting entity

   TOSEI CORPORATION (hereinafter, the “Company”) is a share company located in Japan whose shares are listed on the Prime Market of the Tokyo Stock Exchange and the Mainboard of Singapore Exchange. The Company and its consolidated subsidiaries (hereinafter collectively, the “Group”) engage in the following six business operations: Revitalization Business, Development Business, Rental Business, Fund and Consulting Business, Property Management Business and Hotel Business. The operations of each business segment are presented in “6. Segment information” in the notes.

2. Basis of preparation

(1) Compliance with IFRS

Since the Company qualifies as a “Designated International Financial Reporting Standards specified company” as provided in Article 1-2 of the “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976), its consolidated financial statements have been prepared in accordance with IFRS under the provision of Article 93 of the said ordinance.

These consolidated financial statements were approved by Seiichiro Yamaguchi, the Company’s President and CEO, and Noboru Hirano, Director and CFO, on February 19, 2025.

(2) Basis of measurement

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

(3) Presentation currency and unit

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

3. Material accounting policies

   The material accounting policies applied to these consolidated financial statements are consistent throughout all the periods presented therein.

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities that the Group controls. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when it is lost.

Intra-Group balances of payables and receivables and intra-Group transactions, as well as unrealized gains or losses arising from intra-Group transactions, are offset in preparing the consolidated financial statements.

2) Business combinations

The Group has applied the acquisition method to account for business combinations. The considerations transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, liabilities incurred, and the equity interests issued by the Group. The considerations transferred also include the fair value of assets or liabilities arising from contingent consideration arrangements. Acquisition-related costs are recognized as expenses when incurred. The identifiable assets acquired, the liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. If the considerations transferred are greater than the fair value of identifiable assets acquired and liabilities assumed, then goodwill will be measured, if lower, negative goodwill will be measured. The measured goodwill or negative goodwill is promptly recognized in profit or loss.

(2) Foreign currency translation

1) 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.

2) Overseas operations

Assets and liabilities of overseas 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 overseas operations are recognized in other comprehensive income. On the disposal of the interest in an overseas 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.

(3) Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition that are readily convertible to cash and subject to an insignificant risk of changes in value.

(4) Financial instruments

1) 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.

(ｉ) 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.

(ⅱ) 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. Financial instruments are initially recognized at the fair value plus directly attributable transaction costs, and subsequently measured at the fair value.

(ⅲ) 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.

(ⅳ) Derivatives and hedge

The Group uses derivatives (interest rate swaps) to hedge interest rate risk. In addition, Derivatives and hedging are described in "(17) Derivatives and hedging".

2) 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.

(5) 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.

(6) Property, plant and equipment

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

Property, plant and equipment are stated at the book value 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 have been located, and borrowing costs directly attributable to the acquisition, construction or production of qualifying assets.

Subsequent expenditures on property, plant and equipment that have already been recognized are included in the book value 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 expenditure 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.

(7) Goodwill and Intangible assets

1) Goodwill

The amounts of initial recognition and measurement of goodwill arising from business combinations are shown in “(1) Basis of consolidation 2) Business combinations.”
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.

2) 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.

(8) 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.

Right-of-use assets are included in “Property, plant and equipment” and “Investment properties” in the consolidated statement of financial position. The lease liabilities are included in “Interest-bearing liabilities” in the consolidated statement of financial position.

(9) 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 stated at the book value 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 fixtures	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.

(10) 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.

(11) Trade and other payables

Trade and other payables are obligations to pay for goods or services provided to the Group in the ordinary course of business and others. Trade and other payables are classified as current liabilities when such payables are due within one year or within the normal operating cycle, and otherwise, presented as non-current liabilities.

Trade and other payables are initially recognized at fair value and subsequently at amortized cost calculated using the effective interest method.

(12) Interest-bearing liabilities

Interest-bearing liabilities consist of borrowings, corporate bonds and lease liabilities. Interest-bearing liabilities are initially recognized at fair value and subsequently recognized at amortized cost. Difference between net proceeds net of transaction costs and the repayment amount is recognized in profit or loss over the borrowing period using the effective interest method.

Interest-bearing liabilities are recorded as current liabilities unless the Group has unconditional rights to reschedule the repayment for at least 12 months after the reporting date.

(13) Provisions

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

(14) Employment benefits

1) 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.

2) 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.

3) 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.

(15) Revenue

1) 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 "Revitalization Business," "Development Business," "Rental Business," "Fund and Consulting Business," "Property Management Business" and "Hotel Business." Revenue from these businesses is reported according to the contracts with customers, and information on the performance obligations of each business, method of determining transaction prices, and the timing of recognition of revenue are shown in "Notes to Consolidated Financial Statements 22. Sales Revenue."

2) Operating lease of rental properties

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

3) Interest income

Interest income is recognized using the effective interest method.

4) Dividend income

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

(16) Borrowing costs

The Group adds borrowing costs directly attributable to acquisition, construction or production of assets that require a reasonable period of time before intended use or sale becomes possible, or qualifying assets, to the cost of these assets until the intended use or sale of the assets effectively becomes possible.

Borrowing costs other than those described above are recognized in profit or loss in the period during which these costs are incurred using the effective interest method.

(17) Derivatives and hedges

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.

(18) Income tax expense

Income tax expense is comprised of current taxes and deferred taxes and recognized in profit or loss, except for the taxes which arise from business combinations or are recognized either directly in equity or in other comprehensive income.

Current taxes are computed by adding adjustments of the amount of expected tax payment or expected refund up to the previous fiscal year to the estimated amount of expected tax payment or expected refund on taxable profits or losses in the current year which are multiplied by tax rates that are enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are recognized for temporary differences between accounting book value of assets and liabilities and amounts of them for tax purpose. For differences associated with initial recognition of assets or liabilities in transactions that have no effect on any profit and loss for both accounting and tax purposes, except for business combinations, deferred tax assets and liabilities are not recognized. However, this provision does not apply to transactions where an equal amount of deductible temporary differences and taxable temporary differences arise at the time of the transaction.

Deferred tax assets and liabilities are measured using the tax rate that is expected to be applied when the temporary differences will reverse under the law which is in effect or substantially in effect at the reporting date. Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and they are related to income taxes levied by the same taxation authority on the same taxable entity.

Deferred tax assets are recognized only for the carry-forward of unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is highly probable that taxable profit will be available against which they can be utilized in the future. Deferred tax assets are reviewed at each reporting date, and reduced by the amount that is highly unlikely to be utilized.

(19) Earnings per share

The Group discloses basic and diluted earnings per share (attributable to owners of the parent) related to ordinary shares. Basic earnings per share are calculated by dividing profit for the year attributable to owners of the parent, by the weighted average number of ordinary shares issued during the reporting period that is adjusted by the number of treasury shares.

(20) Segment information

Operating segments are components of the Group that engage in business activities from which the Group may earn revenues and incur expenses. These are components for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors of the Company to make decisions about resources to be allocated to the segments and assess their performances.

Reportable segments are determined on the basis of the operating segments.

Segment information includes items that are directly attributable to the segments and items that are allocated to the segments on a reasonable basis.

(21) Share-based compensation

The Company employs a stock option system, a performance-linked share-based compensation system with transfer restriction, and a post-delivery type share-based compensation system with transfer restriction as equity-settled share-based compensation systems.

Stock options, which are estimated at fair value as of the grant date, are recognized as expenses in the consolidated statements of comprehensive income over the vesting period with the number of stock options that are expected to be eventually vested taken into account, and the same amount is recognized as an increase in equity in the consolidated statement of financial position.

The share-based compensation systems with transfer restriction, which are estimated at fair value as of the grant date, are recognized as expenses in the consolidated statements of comprehensive income over the vesting period and the same amount is recognized as an increase in equity in the consolidated statement of financial position.

4. Significant accounting estimates and judgments requiring estimates

The preparation of the consolidated financial statements in compliance with IFRS requires the management of the Group to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses. However, actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimates are changed and in future periods in which the change affects.

The management's judgments and estimates that have a significant impact on amounts in the consolidated financial statements are as follows:

- Measurement of inventories (Note 10)
- Impairment of non-financial assets (Notes 12, 13 and 14)
- Estimates of useful life and residual value of property, plant and equipment, investment properties and intangible assets (Notes 12, 13 and 14)
- Recoverability of deferred tax assets (Note 15)
- Accounting treatment for and valuation of provisions (Note 18)
- Employee benefits (Note 19)
- Measurement of the fair value of financial instruments (Note 31)
- Leases (Note 32)
- Share-based compensation (Note 35)
- Measurement of the fair value of assets acquired or liabilities assumed arising from contingencies in business combinations (Note 37)

5. New standards not yet applied

Among new or revised standards and interpretations issued by the date of approval of the consolidated financial statements, the following is the main standard which has not been early adopted by the Tosei Group.

The impact of the adoption of the new IFRS on the Tosei Group is under consideration.

Standards	Name of Standards	Mandatory effective date (Fiscal year beginning on or after)	Application date of the Group	Overview of new and revised standards
IAS1	Presentation of Financial Statements	January 1, 2024	Fiscal year ending November 30, 2025	Clarification of requirements for classification of liabilities as current or noncurrent liabilities and requirements of disclosure of information on non-current liabilities with covenants
IFRS16	Leases	January 1, 2024	Fiscal year ending November 30, 2025	Clarification of subsequent measurement requirements for sale and leaseback transactions
IFRS18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending November 30, 2028	Requirements for presentation and disclosure in financial statements to provide more transparent and comparable information about financial performance

6. Segment information

(1) Summary of reportable segments

The Group's reportable segments are components of the Group about which separate financial information is available that the Board of Directors regularly conducts deliberations to determine the allocation of management resources and to assess the performance. The Group draws up comprehensive strategies for each of the following six business segments and conducts business activities accordingly; "Revitalization Business", "Development Business", "Rental Business", "Fund and Consulting Business", "Property Management Business" and "Hotel Business". In the Revitalization Business, the Group acquires the properties whose asset values have declined, renovates, and resells them. In the Development Business, the Group sells condominium units and detached houses to individual customers as well as apartment and office buildings to investors. In the Rental Business, the Group leases office buildings and apartments. The Fund and Consulting Business mainly provides asset management services for the properties placed in real estate funds. The Property Management Business provides comprehensive property management services. The Hotel Business provides mainly hotel operating services.

(2) Method for calculating revenue, profit or loss and other items by reportable segment

The methods of accounting applied in the reported operating segments are consistent with the accounting policies adopted by the Group.

The reportable segment profit is calculated on an operating profit basis. Intersegment revenue or transfers are based on actual market prices.

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

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

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
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
Intersegment revenue	—	—	161,216	6,493	1,325,457	21,833	(1,515,000)	—
Total	47,535,447	7,246,876	6,817,865	7,384,405	7,796,065	4,180,669	(1,515,000)	79,446,329
Segment profit	8,877,495	1,036,225	3,232,111	4,555,887	813,945	990,518	(3,251,604)	16,254,578
Finance income/costs, net								(943,871)
Profit before tax								15,310,707
Other items								
Depreciation expense	124,416	91,586	592,637	55,217	59,425	457,827	212,512	1,593,621

Notes: 1. The details of adjustment are as follows:

(1) Adjustment of segment profit of ¥(3,251,604) thousand includes eliminations of intersegment transactions of ¥(4,913) thousand and corporate expenses that are not allocated to any particular reportable segment of ¥(3,246,691) thousand. Corporate expenses mainly consist of selling, general and administrative expenses of the parent that are not attributable to any particular reportable segment.

(2) Adjustment of depreciation of ¥212,512 thousand consists of corporate expenses that are not attributable to any particular reportable segment.

2. Segment profit or loss is adjusted to operating profit in the consolidated statements of comprehensive income.

Fiscal year ended November 30, 2024
(December 1, 2023 – November 30, 2024)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue from external customers	37,221,768	16,659,822	8,088,698	6,819,917	7,104,472	6,297,148	―	82,191,828
Intersegment revenue	―	―	112,277	43,222	1,542,744	31,858	(1,730,103)	―
Total	37,221,768	16,659,822	8,200,976	6,863,139	8,647,217	6,329,007	(1,730,103)	82,191,828
Segment profit	5,963,384	4,962,592	4,083,875	3,824,371	1,039,267	2,206,644	(3,591,557)	18,488,579
Finance income/costs, net								(1,123,639)
Profit before tax								17,364,939
Other items								
Depreciation expense	97,503	44,599	493,803	44,000	128,473	596,645	191,438	1,596,465

Notes: 1. The details of adjustment are as follows:
(1) Adjustment of segment profit of ¥(3,591,557) thousand includes eliminations of intersegment transactions of ¥17,124 thousand and corporate expenses that are not allocated to any particular reportable segment of ¥(3,608,681) thousand. Corporate expenses mainly consist of selling, general and administrative expenses of the parent that are not attributable to any particular reportable segment.
(2) Adjustment of depreciation of ¥191,438 thousand consists of corporate expenses that are not attributable to any particular reportable segment.
2. Segment profit or loss is adjusted to operating profit in the consolidated statements of comprehensive income.

(3) Income from principal products and services

This information is omitted since similar information is disclosed in “(2) Method for calculating revenue, profit or loss and other items by reportable segment.”

(4) Information by geographical area

This information is omitted since the amount of non-current assets located in Japan and revenue from external customers in Japan account for large portions of non-current assets and total revenue, respectively.

(5) Information on major customers

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

(¥ thousand)

Name	Net sales	Related segment
Tosei Reit Investment Corporation	1,059,869	Fund and Consulting Business, Property Management Business

Fiscal year ended November 30, 2024
(December 1, 2023 – November 30, 2024)

(¥ thousand)

Name	Net sales	Related segment
Paraiba LLC	10,326,440	Development Business
Tosei Reit Investment Corporation	4,795,201	Revitalization Business, Fund and Consulting Business, Property Management Business,

7. Cash and cash equivalents

Components of cash and cash equivalents are as follows:

(¥ thousand)

	As of November 30,2023	As of November 30,2024
Cash and deposits	39,197,843	34,874,164
Total	39,197,843	34,874,164

8. Other financial assets

Components of other financial assets are as follows:

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Shares	87,468	87,231
Investment trust beneficiary certificate	7,417,809	8,308,124
Other	321,713	639,001
Total	7,826,991	9,034,356
Non-current assets	7,826,991	9,034,356

9. Trade and other receivables

Components of trade and other receivables are as follows:

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Accounts receivable	2,362,757	2,892,027
Short-term loans receivable	7,005	1,042,281
Other accounts receivable	968,234	2,259,190
Prepaid expenses	494,849	523,103
Current advances to suppliers	457,283	419,328
Long-term loans receivable	33,831	34,310
Deposits and guarantee money	1,061,351	1,175,307
Claims provable in bankruptcy, claims provable in rehabilitation and other	5,588	6,247
Other	1,405,674	1,863,096
Allowance for credit losses	(7,619)	(13,319)
Total	6,788,957	10,201,573
Current assets	5,348,785	8,606,489
Non-current assets	1,440,172	1,595,084

The amount net of allowance for credit losses is presented in the consolidated statement of financial position.

10. Inventories

Components of inventories (related to the Revitalization Business and the Development Business) are as follows:

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Real estate for sale	100,659,348	126,621,838
Real estate for sale in process	17,592,790	20,195,490
Total	118,252,139	146,817,328
Inventories scheduled to be sold after 12 months	80,003,702	100,352,711

Inventories recognized as expenses in the previous fiscal year and the fiscal year under review were ¥41,454,599 thousand and ¥38,474,431 thousand, respectively.

Inventories recorded at net realizable value net of selling expenses at the end of the previous fiscal year and the fiscal year under review were ¥3,954,752 thousand and ¥1,338,002 thousand, respectively.

Of the Group's inventory balance, ¥98,710,148 thousand and ¥136,890,463 thousand were pledged as collateral on borrowings and corporate bonds as of November 30, 2023 and 2024, respectively.

The above figures include real estate for sale and real estate for sale in process to be sold after 12 months after respective fiscal years. However, since these properties are held within the normal operating cycle, they are included in inventories.

Borrowing costs capitalized in the previous fiscal year and the fiscal year under review were ¥149,471 thousand and ¥139,744 thousand, respectively.

Information on the nature of significant accounting estimates for identified items

(1) 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.

(2) 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 rental expenses and discount rate 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 greatly 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.

(3) 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.

Components of expenses for inventories recognized as loss on valuation are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Loss on valuation	(71,458)	(16,755)
Reversal of loss on valuation	442,487	417,505

11. Other assets

Components of other assets are as follows:

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Raw materials	3,279	3,169
Supplies	28,977	29,138
Membership	28,010	28,010
Total	60,267	60,318

Current assets	32,256	32,307
Non-current assets	28,010	28,010

12. Property, plant and equipment

(1) List of increase and Decrease

Changes in acquisition cost, accumulated depreciation and accumulated impairment loss of property, plant and equipment are as follows:

(¥ thousand)

	Buildings and structures	Land	Other	Total
Acquisition cost				
Balance as of December 1, 2022	13,800,609	10,315,298	1,872,390	25,988,297
Acquisition	268,161	—	2,013,912	2,282,074
Sales or disposal	(34,208)	—	(153,861)	(188,070)
Transfer	3,697,680	5,109,076	(222,300)	8,584,455
Balance as of November 30, 2023	17,732,242	15,424,374	3,510,141	36,666,757
Acquisition	42,939	—	131,436	174,375
Sales or disposal	(630)	(106)	(71,251)	(71,988)
Transfer	—	—	2,761	2,761
Balance as of November 30, 2024	17,774,551	15,424,267	3,573,087	36,771,906
Accumulated depreciation and impairment loss				
Balance as of December 1, 2022	2,319,511	—	705,429	3,024,940
Depreciation expense	610,920	—	331,145	942,066
Sales or disposal	(5,905)	—	(41,416)	(47,322)
Transfer	(65,317)	—	(205,610)	(270,928)
Balance as of November 30, 2023	2,859,207	—	789,547	3,648,755
Depreciation expense	740,110	—	352,380	1,092,490
Sales or disposal	(89)	—	(66,181)	(66,270)
Transfer	—	—	2,761	2,761
Balance as of November 30, 2024	3,599,228	—	1,078,508	4,677,736
Book value				
As of December 1, 2022	11,481,098	10,315,298	1,166,960	22,963,356
As of November 30, 2023	14,873,034	15,424,374	2,720,593	33,018,001
As of November 30, 2024	14,175,323	15,424,267	2,494,578	32,094,169

The book value of Right-of-use assets as of November 30, 2023 and 2024 were ¥2,146,774 thousand and ¥2,030,914 thousand.

Transfers in the previous fiscal year under review are transfers from inventories, and include construction in progress of ¥(6,885) thousand.

Of the balance of the Group's property, plant and equipment as of November 30, 2023 and 2024, ¥29,873,832 thousand and ¥29,200,287 thousand were pledged as collateral on borrowings, respectively.

Depreciation expense is recorded in "Cost of revenue" and "Selling, general and administrative expenses" in the consolidated statement of comprehensive income.

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

1) Calculation method

The Group assesses whether there is any indication that an asset or asset group may be impaired, and if any such indication exists, estimates the recoverable amount of the cash-generating unit. Recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of a cash-generating unit is less than its carrying amount, the carrying amount is reduced to its recoverable amount, and the amount of reduction is recognized as an impairment loss.

2) Key assumptions

In calculating future cash flows for hotels, assumptions such as occupancy rates and average room rates are determined by comprehensively taking into account market trends, past performance, and other factors. The discount rate used to calculate the value in use is determined based on similar transactions, interest rate trends, etc. The fair value after deducting the costs of disposal is set at an amount considered appropriate based on comparable transactions in the surrounding area, real estate appraisals, published land prices, and other data. The recoverable amount is measured by the greater of value in use based on estimated future cash flows and a discount rate, or fair value less costs of disposal.

In calculating future cash flows for properties other than hotels, 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 used to calculate the value in use is determined based on similar transactions, interest rate trends, etc. The fair value after deducting the costs of disposal is set at an amount considered appropriate based on comparable transactions in the surrounding area, real estate appraisals, published land prices, and other data.

3) Effect on the consolidated financial statements for the fiscal year ending November 30, 2025

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 fair value less costs of disposal or value in use.

(3) Impairment losses on property, plant and equipment

None

13. Investment properties

(1) Changes in acquisition cost, accumulated depreciation and accumulated impairment loss of investment properties are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Acquisition cost		
Balance at beginning of period	43,126,194	40,958,751
Acquisition	789,155	2,460,350
Transfer	(2,956,597)	1,122,622
Balance at end of period	40,958,751	44,541,724
Accumulated depreciation and impairment loss		
Balance at beginning of period	3,261,935	3,153,252
Depreciation expense	553,315	442,595
Transfer	(661,998)	—
Balance at end of period	3,153,252	3,595,848
Book value at end of period	37,805,499	40,945,876

Depreciation expense is recorded in “Cost of revenue” in the consolidated statement of comprehensive income.
The transfers in the previous fiscal years were to inventories. In addition, the transfers in the fiscal years were from inventories.
Of the balance of the Group’s investment properties as of November 30, 2023 and 2024, ¥29,931,784 thousand and ¥35,164,858 thousand were pledged as collateral on borrowings, respectively.

(2) Fair value

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Fair value	70,251,919	78,452,351
Rent income from investment properties	2,651,395	3,119,307
Direct expenses incidental to rent income	1,327,420	1,389,752

Fair value of investment properties was internally calculated in accordance with the Real Estate Appraisal Standards.
Fair value hierarchy of investment properties is classified as Level 3 because it including inputs that are not based on observable.

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

1) Calculation method

The Group assesses whether there is any indication that an asset or asset group may be impaired, and if any such indication exists, estimates the recoverable amount of the cash-generating unit. Recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of a cash-generating unit is less than its carrying amount, the carrying amount is reduced to its recoverable amount, and the amount of reduction is recognized as an impairment loss.

2) Key assumptions

In calculating future cash flows, assumptions such as occupancy rates and average room rates are determined by comprehensively taking into account market trends, past performance, and other factors. The discount rate used to calculate the value in use is determined based on similar transactions, interest rate trends, etc. The fair value after deducting the costs of disposal is set at an amount considered appropriate based on comparable transactions in the surrounding area, real estate appraisals, published land prices, and other data.

3) Effect on the consolidated financial statements for the fiscal year ending November 30, 2025

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 fair value less costs of disposal or value in use.

（4） Impairment loss of investment properties

None

14. Goodwill and Intangible assets

Changes in acquisition cost, accumulated amortization and accumulated impairment loss of goodwill and intangible assets are as follows:

(¥ thousand)

	Goodwill	Software	Software in progress	Other	Total
Acquisition cost					
Balance as of December 1, 2022	1,401,740	303,749	1,750	32,889	1,740,129
Acquisition	—	39,876	—	—	39,876
Sales or disposal	—	—	—	—	—
Transfer	—	(5,661)	(1,750)	—	(7,411)
Balance as of November 30, 2023	1,401,740	337,963	—	32,889	1,772,593
Acquisition	—	40,202	—	—	40,202
Sales or disposal	—	(4,510)	—	(31,000)	(35,510)
Transfer	—	—	—	—	—
Balance as of November 30, 2024	1,401,740	373,656	—	1,889	1,777,286
Accumulated amortization and accumulated impairment loss					
Balance as of December 1, 2022	—	123,537	—	9,496	133,033
Amortization expense	—	84,221	—	19,836	104,057
Sales or disposal	—	—	—	—	—
Transfer	—	(5,152)	—	—	(5,152)
Balance as of November 30, 2023	—	202,606	—	29,332	231,938
Amortization expense	—	59,711	—	1,668	61,379
Sales or disposal	—	(4,510)	—	(31,000)	(35,510)
Transfer	—	—	—	—	—
Balance as of November 30, 2024	—	257,807	—	—	257,807
Book value					
As of December 1, 2022	1,401,740	180,211	1,750	23,393	1,607,095
As of November 30, 2023	1,401,740	135,357	—	3,557	1,540,655
As of November 30, 2024	1,401,740	115,848	—	1,889	1,519,478

Amortization expense of intangible assets is recorded in “Selling, general and administrative expenses” in the consolidated statement of comprehensive income.

15. Deferred taxes and income tax expense

(1) Deferred taxes

Main components of deferred tax assets and liabilities are as follows:

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

(¥ thousand)

	As of December 1, 2022	Recognized through profit or loss	Recognized in other comprehensive income	Others	As of November 30, 2023
Deferred tax assets					
Accrued enterprise taxes	218,730	54,551	－	(263)	273,018
Loss on valuation of inventories	－	164,583	－	－	164,583
Unrealized gain from substitute performance	147,998	－	－	－	147,998
Provision for bonuses	317,472	46,883	－	－	364,355
Liability for retirement benefits to employees	210,878	23,060	(6,839)	－	227,099
Liability for retirement benefits to key management personnel	4,081	5,019	－	－	9,100
Carry-forward of unused tax losses	46,911	14,167	－	－	61,078
Others	181,579	47,437	11,376	(10,529)	229,864
Total	1,127,651	355,703	4,536	(10,793)	1,477,098
Deferred tax liabilities					
Valuation difference on other financial assets	(132,877)	－	(13,840)	－	(146,717)
Reserve for tax purpose reduction entry of non-current assets	(679,277)	－	－	－	(679,277)
Revaluation of fair value arising from assets and liabilities of subsidiaries	(315,813)	310,524	－	(597,077)	(602,366)
Profit on valuation of inventories	(69,624)	69,624	－	－	－
Others	(19,519)	11,557	－	－	(7,962)
Total	(1,217,113)	391,706	(13,840)	(597,077)	(1,436,324)
Deferred tax assets (liabilities), net	(89,462)	747,409	(9,303)	(607,870)	40,773

Fiscal year ended November 30, 2024 (December 1, 2023 – November 30, 2024)

(¥ thousand)

	As of December 1, 2023	Recognized through profit or loss	Recognized in other comprehensive income	Others	As of November 30, 2024
Deferred tax assets					
Accrued enterprise taxes	273,018	(32,189)	—	—	240,828
Loss on valuation of inventories	164,583	2,850	—	—	167,433
Unrealized gain from substitute performance	147,998	—	—	—	147,998
Provision for bonuses	364,355	85,308	—	—	449,663
Liability for retirement benefits to employees	227,099	(1,577)	8,179	—	233,701
Liability for retirement benefits to key management personnel	9,100	(2,898)	—	—	6,201
Long-term accounts payable-other for directors	—	92,680	—	—	92,680
Valuation difference on other financial assets	—	—	79,854	—	79,854
Carry-forward of unused tax losses	61,078	(9,157)	—	—	51,920
Others	229,864	333,249	(6,180)	—	556,933
Total	1,477,098	468,265	81,853	—	2,027,216
Deferred tax liabilities					
Valuation difference on other financial assets	(146,717)	—	146,717	—	—
Reserve for tax purpose reduction entry of non-current assets	(679,277)	—	—	—	(679,277)
Revaluation of fair value arising from assets and liabilities of subsidiaries	(602,366)	(11,375)	—	—	(613,742)
Others	(7,962)	(4,431)	—	—	(12,393)
Total	(1,436,324)	(15,807)	146,717	—	(1,305,413)
Deferred tax assets (liabilities), net	40,773	452,458	228,571	—	721,803

In recognizing deferred tax assets, the Group takes into account the possibility that deductible temporary differences or carry-forward of unused tax losses can be utilized for taxable income. In assessing the recoverability of deferred tax assets, the Group considers scheduled reversal of deferred tax liabilities, expected future taxable income and tax planning.

As a result of the assessment of recoverability of deferred tax assets as stated above, the Group has not recognized deferred tax assets for some of deductible temporary differences and carry-forward of unused tax losses. The amounts of deductible temporary differences and deferred tax assets (after tax effected) have not been recognized are as follows:

(¥ thousand)

	As of November 30, 2023	As of November 30,2024
Deductible temporary differences	108,110	39,302
Carry-forward of unused tax losses	609,927	461,237
Total	718,038	500,539

The expiry dates of carry-forward of unused tax losses for which deferred tax assets have not been recognized are as follows:

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
First year	26,567	–
Second year	16,928	–
Third year	34,429	–
Fourth year	6,862	–
Fifth year or after	525,139	461,237
Total	609,927	461,237

For taxable temporary differences associated with investments in subsidiaries, as the Company may control their reversal and there is high possibility that the temporary differences will not be reversed within a foreseeable period, deferred tax liabilities are not recognized. Such taxable temporary differences were ¥12,954,651 thousand and ¥14,396,624 thousand as of November 30, 2023 and 2024, respectively.

(2) Income tax expense

In the previous fiscal year and the fiscal year under review, major income taxes imposed on the Company were corporate tax, inhabitant tax and office tax, and the resulting statutory effective tax rate was 30.62%, respectively. However, overseas subsidiaries are subject to corporate tax and other taxes applicable in their location.

Components of current and deferred tax expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Current tax expense		
Current tax expense on profit for the year	5,526,538	5,815,013
Total current tax expense	5,526,538	5,815,013
Deferred tax expense		
Origination and reversal of temporary differences	(724,023)	(450,289)
Total deferred tax expense	(724,023)	(450,289)
Income tax expense	4,802,515	5,364,723

Current tax expense includes tax losses used to reduce tax expense for which tax effects were not recognized previously, or benefits arising from temporary differences in past years. The resulting decreases in current tax expense in the previous fiscal year and the fiscal year under review are immaterial.

Deferred tax expense includes tax losses for which tax effects were not recognized previously, or benefits arising from temporary differences in past years. The resulting decreases in current tax expense in the previous fiscal year and the fiscal year under review are immaterial.

Reconciliation between income tax expense calculated at the statutory effective tax rate and income tax expense recognized in the consolidated statement of comprehensive income is as follows. The statutory effective tax rate of 30.62% in the previous fiscal year and the fiscal year under review, respectively, were applied.

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Profit before tax	15,310,707	17,364,939
Income tax expense based on the statutory effective tax rate	4,688,138	5,317,144
Adjustments		
Expenses (profits) not deductible permanently	70,170	21,741
Changes in temporary differences, etc. for which deferred tax assets were not recognized	(216,778)	(277,966)
Differences in tax rates of subsidiary companies	355,738	331,965
Tax credits	(82,288)	(72,213)
Others	(12,464)	44,051
Income tax expense	4,802,515	5,364,723

16. Trade and other payables

Components of trade and other payables are as follows:

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Trade notes and accounts payable	1,394,846	1,881,737
Other accounts payable	1,276,682	1,468,221
Advances received	1,591,619	2,732,028
Guarantee deposits	3,901,743	4,459,833
Others	2,150,213	2,831,152
Total	10,315,105	13,372,972

Current liabilities	6,107,625	8,610,460
Non-current liabilities	4,207,480	4,762,512

17. Interest-bearing debt

Components of Interest-bearing debt are as follows:

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024	Average interest rate (%)	Repayment due
Current liabilities				
Current borrowings	1,864,600	4,840,960	1.64	—
Current portion of non-current borrowings	11,547,536	15,517,807	1.45	—
Current portion of non-current corporate bonds	21,356	11,356	0.59	—
Lease obligations	349,893	416,191	0.98	—
Total	13,783,385	20,786,314		
Non-current liabilities				
Non-current borrowings	130,404,621	143,276,831	1.29	2025～2057
Corporate bonds	254,830	243,474	0.59	2025～2047
Lease obligations	2,144,918	1,594,187	0.98	2025～2040
Total	132,804,369	145,114,493		

Notes: 1. The average interest rate is a weighted-average coupon rate on the balance at the end of the fiscal year under review.

2. Borrowings and corporate bonds at the end of the previous fiscal year and the fiscal year under review include secured debts of ¥142,642,456 thousand and ¥160,085,006 thousand, respectively. Some of inventories, Property, plant and equipment and investment properties have been pledged as collateral.

3. A summary of the terms and conditions of the issuance of bonds is as follows.

(¥ thousand)

Name	Issue date	As of November 30, 2023	As of November 30, 2024	Interest date (%)	Collateral	Maturity date
Princess Square Co., Ltd.						
12th series unsecured bonds with early redemption clause	March 31, 2017	266,186	254,830	0.59	Yes	March 29, 2047
4th series unsecured bonds	December 6, 2018	10,000	—	—	—	—

18. Provisions

Components and changes of provisions are as follows:

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

(¥ thousand)

	Provision for bonuses	Provision for bonuses for directors (and other officers)	Accrued compensated absences payable	Asset retirement obligations	Provision for loss on rental business	Total
Balance as of December 1, 2022	986,624	—	74,710	15,449	18,634	1,095,419
Increase during the fiscal year	1,106,974	—	75,067	106,015	—	1,288,057
Decrease during the fiscal year (specific purposes)	(986,624)	—	(74,176)	(36,900)	(7,616)	(1,105,316)
Decrease during the fiscal year (reversal)	—	—	(534)	—	—	(534)
Discounted interest costs	—	—	—	557	—	557
Balance as of November 30, 2023	1,106,974	—	75,067	85,122	11,018	1,278,183

Fiscal year ended November 30, 2024 (December 1, 2023 – November 30, 2024)

(¥ thousand)

	Provision for bonuses	Provision for bonuses for directors (and other officers)	Accrued compensated absences payable	Asset retirement obligations	Provision for loss on rental business	Total
Balance as of December 1, 2023	1,106,974	—	75,067	85,122	11,018	1,278,183
Increase during the fiscal year	1,370,940	51,670	93,475	—	1,274	1,517,361
Decrease during the fiscal year (specific purposes)	(1,106,974)	—	(73,066)	—	—	(1,180,041)
Decrease during the fiscal year (reversal)	—	—	(2,000)	—	—	(2,000)
Discounted interest costs	—	—		825	—	825
Balance as of November 30, 2024	1,370,940	51,670	93,475	85,948	12,293	1,614,329

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Current liabilities	1,193,060	1,528,380
Non-current liabilities	85,122	85,948

As asset retirement obligations, the disposal costs of some investment properties held by the Company, which contain asbestos or polychlorinated biphenyl (PCB) that must be treated in special ways specified by laws and regulations when they are dismantled or removed, are recognized.
These costs are expected to be paid principally after one year or more passed. However, the timing is affected by future business plans and other factors.
Other provisions are expected to be expensed principally in the following fiscal year.

19. Employee benefits

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Liability for retirement benefits to employees	730,078	773,117
Liability for retirement benefits to key management personnel	31,309	17,928
Total	761,387	791,045

(1) Retirement benefits for employees

To cover payments of retirement benefits for employees, the Group has adopted defined benefit plans and defined contribution plans. The amount of benefits is determined based on salary level at the time of retirement, period of service and other factors. Defined benefit plans are exposed to actuarial risks.

1) Defined benefit plans

Components of Liability for retirement benefits to employees

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Defined benefit obligations (with no plan assets)	730,078	773,117
Defined benefit obligations in the consolidated statement of financial position	730,078	773,117

The components of retirement benefit costs recognized in profit or loss are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Current service costs	117,217	106,425
Interest costs	5,008	8,094
Total retirement benefit costs (Note)	122,226	114,520

Note: Retirement benefit costs are recorded in “Selling, general and administrative expenses.”

Changes in the present value of defined benefit plan obligations are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Balance at beginning of period	670,650	730,078
Current service costs	117,217	106,425
Interest costs	5,008	8,094
Benefits paid	(44,922)	(78,272)
Actuarial gains and losses arising from changes in financial assumptions	(19,661)	6,790
Increase due to business combination	1,786	—
Balance at end of period	730,078	773,117

The weighted average term for the Group’s defined benefit obligations in the previous fiscal year and the fiscal year under review is 9.0 years and 8.2 years, respectively.

Major assumptions used in actuarial calculation are as follows:

(%)

	As of November 30, 2023	As of November 30, 2024
Discount rate	1.13	1.26
Rate of salary increase	3.53	3.15

The effects of a change in the discount rate on defined benefit obligations are as follows. This analysis assumes that change factors other than the discount rate are constant.

Negative values represent a decline in defined benefit obligations, while positive values represent an increase in those obligations.

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
0.5% increase in the discount rate	(27,894)	(27,531)
0.5% decrease in the discount rate	29,891	29,340

2) Defined contribution plans

The amount of the entire Group's contributions is as follows:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Contributions	62,081	70,345

(2) Retirement benefits to key management personnel

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Balance at beginning of period	33,617	31,309
Provision for the benefits	4,844	10,587
Payment of the benefits	(7,153)	(23,968)
Balance at end of period	31,309	17,928

The above provisions are recorded at the amount the Group companies would be required to pay based on their internal regulations if all eligible such personnel retired at the end of the period.

It is deemed difficult to make actuarial estimates and discount liability for retirement benefits to key management personnel highly reliably since the number of key management personnel subject to the Group's retirement benefits is small and their age distribution is biased.

The Group believes the foregoing amount that would be required to pay at the end of the period is the best estimate of liability for retirement benefits to key management personnel.

20. Equity and other components of equity

(1) Share capital and capital reserves

	Total number of shares authorized (shares)	Total number of shares issued (shares)	Share capital (¥ thousand)	Capital reserves (¥ thousand)
Balance as of December 1, 2022	150,000,000	48,683,800	6,624,890	6,775,532
Change	—	—	—	424,985
Balance as of November 30, 2023	150,000,000	48,683,800	6,624,890	7,200,518
Change	—	—	—	87,961
Balance as of November 30, 2024	150,000,000	48,683,800	6,624,890	7,288,479

Notes: 1. Shares issued by the Company are ordinary shares without par value.

2. Issued shares are fully paid up.

3. Capital reserves are mainly consisted of legal capital surplus.

4. The increase in capital reserves previous consolidated fiscal year is mainly due to the disposal of treasury shares through a third-party allotment.

The increase in capital reserves during the current fiscal year is mainly due to the share-based compensation systems with transfer restriction.

(2) Treasury shares

	Number of shares (shares)	Treasury shares (¥ thousand)
Balance as of December 1, 2022	1,424,122	(1,533,670)
Change	(1,117,357)	1,198,342
Balance as of November 30, 2023	306,765	(335,327)
Change	(83,967)	91,610
Balance as of November 30, 2024	222,798	(243,716)

Notes: 1. The decrease during the previous fiscal year is due to the disposal of treasury shares through a third-party allotment and the disposal of treasury shares through a exercise of stock options.
2. The decrease during the current fiscal year is due to the disposal of treasury shares through a exercise of stock options.

(3) Capital reserves

Capital reserves are composed of legal capital surplus and other capital surplus. The Companies Act mandates that at least half of paid-in capital be appropriated as share capital and the rest be appropriated as legal capital surplus.

(4) Retained earnings

Retained earnings are composed of legal retained earnings and other retained earnings. The Companies Act requires that ten percent of retained earnings appropriated for dividends be retained until the total amount of earned reserves included in legal capital surplus and legal retained earnings reach a quarter of the nominal value of share capital.

(5) Other components of equity

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

(¥ thousand)

	Exchange differences on translation of foreign operations	Net change in financial assets measured at fair values through other comprehensive income	Net change in fair values of cash flow hedges	Remeasurements of defined benefit pension plans	Total
Balance as of December 1, 2022	48,156	303,885	41,887	―	393,929
Other comprehensive income	17,901	30,950	(25,845)	12,822	35,827
Transfer from Other components of equity to Retained earnings	―	―	―	(12,822)	(12,822)
Balance as of November 30, 2023	66,057	334,835	16,041	―	416,935

Fiscal year ended November 30, 2024 (December. 1, 2023 – November 30, 2024)

(¥ thousand)

	Exchange differences on translation of foreign operations	Net change in financial assets measured at fair values through other comprehensive income	Net change in fair values of cash flow hedges	Remeasurements of defined benefit pension plans	Total
Balance as of December 1, 2023	66,057	334,835	16,041	―	416,935
Other comprehensive income	3,788	(517,852)	13,349	(17,573)	(518,289)
Transfer from Other components of equity to Retained earnings	―	―	―	17,573	17,573
Balance as of November 30, 2024	69,845	(183,017)	29,390	―	(83,780)

1) Exchange differences on translation of foreign operations

These are exchange differences that arise when foreign operations' financial statements prepared in foreign currencies are consolidated.

2) Net change in financial assets measured at fair values through other comprehensive income

This is unrealized gains and losses of financial assets measured at fair values through other comprehensive income.

3) Net change in fair values of cash flow hedges

This is the portion considered effective of changes in fair values of derivative transactions that are designated as cash flow hedge.

4) Remeasurements of defined benefit pension plans

This is the remeasurement amounts arising difference from defined benefit pension plans.

21. Dividends

(1) Dividends paid

Fiscal year ended November 30, 2023 (December 1, 2022 – November 30, 2023)				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 24, 2023	51	2,410,243	Nov. 30, 2022	Feb. 27, 2023

Fiscal year ended November 30, 2024 (December 1, 2023 – November 30, 2024)				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 27, 2024	66	3,192,884	Nov. 30, 2023	Feb. 28, 2024

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

Fiscal year ended November 30, 2024 (December 1, 2023 – November 30, 2024)				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 26, 2025	79	3,828,419	Nov. 30, 2024	Feb. 27, 2025

22. Sales Revenue

(1) Components of revenue are as follows:

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 classified according to type is shown below.

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

(¥ thousand)

	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
Total	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.

(Fiscal year ended November 30, 2024 (December. 1, 2023 – November 30, 2024)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	37,221,768	16,659,657	—	—	—	—	53,881,426
Revenue from services	—	165	566,089	6,759,697	7,104,472	6,237,197	20,667,622
Revenue recognized from other sources	—	—	7,522,609	60,219	—	59,950	7,642,780
Total	37,221,768	16,659,822	8,088,698	6,819,917	7,104,472	6,297,148	82,191,828

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

(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.

(2) Performance obligations

The usual timing, etc. of the Tosei Group's fulfillment of performance obligations is as stated in above "(1)".

(3) Contract balance

(¥ thousand)

	As of Dec. 1, 2022	As of Nov. 30, 2023	As of Nov. 30, 2024
Receivables arising from contracts with customers	1,831,472	2,362,757	2,892,027
Contractual liabilities	1,187,749	1,591,619	2,732,028

Notes1: Receivables arising from contracts with customers are included in "trade and other receivables" on the consolidated statements of financial position, while contractual liabilities are included in "trade and other payables".

2: Contract liabilities are mainly related to advances received from customers. Of the income recognized in the previous fiscal year, ¥1,170,587 thousand was included in the balance of contract liabilities as of December 1, 2022. And of the income recognized in the fiscal year under review, ¥1,581,465 thousand was included in the balance of contract liabilities as of December 1, 2023.

(4) 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.

(5) Contract costs

The Tosei Group has recognized no assets from the costs incurred in gaining or fulfilling contracts with customers.

23. Cost of revenue

Components of cost of revenue are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Cost of inventories sold	41,825,627	38,875,181
Depreciation expense	968,055	1,001,506
Gain or loss on valuation of inventories	(371,028)	(400,749)
Outsourcing costs and others	6,738,563	7,519,480
Total	49,161,218	46,995,418

24. Selling, general and administrative expenses

Components of selling, general and administrative expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Employee benefits expense	7,294,146	8,416,446
Sales expenses (Revitalization)	917,240	983,784
Sales expenses (Development)	340,909	355,323
Advertising expenses	322,149	394,518
Compensations	197,261	204,092
Commission fee	2,053,131	2,534,377
Taxes and dues	757,227	953,700
Transportation expenses	85,185	93,986
Communication expenses	91,695	110,021
Stationery expenses	41,782	42,755
Depreciation and amortization expense	625,566	594,958
Provision of allowance for credit losses	4,206	5,866
Other	1,516,727	1,492,405
Total	14,247,230	16,182,236

25. Personnel cost

Components of personnel cost are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Salaries, bonuses and allowances	5,908,819	6,763,981
Retirement benefit costs	187,600	194,476
Legal welfare expenses	809,926	942,120
Expenses for the share-based compensation	–	93,806
Other short-term employee benefits	387,800	422,061
Total	7,294,146	8,416,446

26. Other income

Components of other income are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Gain on sales of non-current assets	1,964	1,846
Gain on bargain purchase	109,419	–
Miscellaneous income	153,411	131,452
Total	264,795	133,298

27. Other expenses

Components of other expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Loss on retirement of inventories	–	555,972
Miscellaneous losses	48,097	102,920
Total	48,097	658,892

28. Finance income/costs

Components of finance income/costs are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Interest income		
Financial assets measured at amortized cost	8,697	110,880
Dividends income		
Financial assets measured at fair value through other comprehensive income	395,231	510,077
Total finance income	403,929	620,957
Interest expenses (Note)		
Financial liabilities measured at amortized cost	1,347,800	1,744,597
Total finance costs	1,347,800	1,744,597

Note: Commission expense incurred from financial liabilities not measured by fair values that were charged to profit and loss in the fiscal years ended November 30, 2023 and 2024 were ¥89,729 thousand and ¥134,439 thousand, respectively.

29. Other comprehensive income

For each item of comprehensive income, the amount arising during the period and reclassification adjustments to profit and loss and tax effect amount, which are included in "Other comprehensive income" in each fiscal year, are as follows:

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

(¥ thousand)

	Amount arising during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to net profit or loss					
Net change in financial assets measured at fair values through other comprehensive income	44,609	–	44,609	(13,659)	30,950
Remeasurements of defined benefit pension plans	19,661	–	19,661	(6,839)	12,822
Total items that will not be reclassified to net profit or loss	64,271	–	64,271	(20,499)	43,772
Items that may be reclassified to net profit or loss					
Exchange differences on translation of foreign operations	17,901	–	17,901	–	17,901
Net change in fair values of cash flow hedges	(37,222)	–	(37,222)	11,376	(25,845)
Total items that may be reclassified to net profit or loss	(19,321)	–	(19,321)	11,376	(7,944)
Total	44,950	–	44,950	(9,122)	35,827

Fiscal year ended November 30, 2024 (December 1, 2023 – November 30, 2024)

(¥ thousand)

	Amount arising during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to net profit or loss					
Net change in financial assets measured at fair values through other comprehensive income	(746,400)	–	(746,400)	228,547	(517,852)
Remeasurements of defined benefit pension plans	(25,752)	–	(25,752)	8,179	(17,573)
Total items that will not be reclassified to net profit or loss	(772,153)	–	(772,153)	236,727	(535,426)
Items that may be reclassified to net profit or loss					
Exchange differences on translation of foreign operations	3,788	–	3,788	–	3,788
Net change in fair values of cash flow hedges	19,530	–	19,530	(6,180)	13,349
Total items that may be reclassified to net profit or loss	23,318	–	23,318	(6,180)	17,137
Total	(748,835)	–	(748,835)	230,546	(518,289)

30. Earnings per share

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Profit attributable to owners of the parent (¥ thousand)	10,507,095	11,985,203
Net income used to figure diluted net income per share (¥ thousand)	10,507,095	11,985,203
Weighted average number of outstanding ordinary shares (shares)	47,815,490	48,438,098
The number of increased ordinary shares used to figure diluted earnings per share (shares)		
Subscription rights to shares relating to stock options (shares)	91,733	22,870
Common stock relating to PSU (shares)	—	17,554
Common stock relating to RSU (shares)	—	302
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	47,907,223	48,478,824
Basic earnings per share (¥)	219.74	247.43
Diluted net income per share (¥)	219.32	247.23

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

31. Financial instruments

(1) Capital control

The Group recognizes that it is necessary to secure sufficient fund-raising capacity in order to make flexible investments for achieving sustainable growth. To this end, the Group strives to ensure financial soundness and flexibility for future investments in businesses and establish a capital structure with balanced return on investment.

The Group is careful about the balance between cash and cash equivalents, interest-bearing debts and equity.

As of the end of each fiscal year, balances of cash and cash equivalents, interest-bearing debts and total equity are as follows:

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Cash and cash equivalents	39,197,843	34,874,164
Interest-bearing debt	146,587,755	165,900,807
Equity	82,319,282	90,866,736

Some of the Company's bank loan contracts include financial covenants with requirements such as the maintenance of a certain level of equity. The Group carries out monitoring to maintain the level required under the said covenants.

(2) Risk management

The Group is exposed to financial risks (exchange risk, interest rate risk, credit risk, liquidity risk and price risks) in the course of operating activities. In order to mitigate these financial risks, the Group conducts risk management. For risks that fundamentally cannot be prevented from arising from the cause (risk aversion) or avoided, the Group tries to reduce such risks. In addition, as its policy, the Group does not carry out trading of derivatives and shares, etc. for speculation purposes.

(3) Exchange risks

Exchange risks arise from transactions denominated in currencies other than the Group's functional currency. Because there is no significant foreign currency transaction in the Group's operating activities, the Group is not exposed to significant exchange risks.

Furthermore, though other comprehensive income fluctuates due to currency transaction of financial statements of the Group's foreign operations, it believes that the impact on the Group is not significant.

(4) Interest rate risks

Interest risks principally arise from borrowings with floating interest rate from financial institutions. For management of these risks, periodically makes a list of interests on borrowings for each financial institution and monitors the fluctuations of interests on borrowings.

Interest rate sensitivity analysis

For borrowings with floating interest rate held by the Group as of the end of each fiscal year, the impact of a 1.0% increase in the interest rate on profit before tax in the consolidated statement of comprehensive income is as follows:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Impact on profit before tax	(1,205,397)	(1,441,242)

(5) Credit risks

Financial assets included in 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 individually monitored and responded to.

The maximum exposure to credit risks of financial assets is the book value of financial assets after impairment presented in the consolidated financial statement.

Fiscal year ended November 30, 2023

Quantitative and qualitative information on the amount of expected credit losses

1) Age analysis of financial assets

The age analysis of trade and other receivables at the end of the consolidated fiscal year is as follows.

(¥ thousand)

	Financial assets for which the allowance for credit losses is calculated at an amount equal to 12 months of expected credit losses	Expected credit losses over the entire period		Total
		Financial assets for which the allowance for credit losses is always measured at an amount equal to expected credit losses over the entire period	Credit-impaired financial assets	
Within due date	4,459,948	—	—	4,459,948
Within 3 months' past due	39,643	—	—	39,643
Over 3 months and within 1 years' past due	2,913	215	—	3,128
Over 1 years' past due	101	105	5,588	5,795
Total	4,502,607	320	5,588	4,508,516

2) Changes in allowance for credit losses

The Group individually reviews financial position, credit status and collection of receivables and other factors of major business partners to establish allowance for credit losses. And if a financial asset is impaired, the Group records allowance for credit losses for the impairment rather than directly decreasing the book value of the financial asset. Changes in allowance for credit losses are as follows:

	Financial assets for which the allowance for credit losses is calculated at an amount equal to 12 months of expected credit losses	Expected credit losses over the entire period		Total
		Financial assets for which the allowance for credit losses is always measured at an amount equal to expected credit losses over the entire period	Credit-impaired financial assets	
Balance at December 1, 2022	1,008	678	2,994	4,681
New occurrence or collection during the fiscal year	594	(108)	3,732	4,218
Decrease due to reverse	(108)	―	―	(108)
Decrease due to intended use	―	―	(1,172)	(1,172)
Transferred to credit-impaired financial assets	―	(33)	33	―
Balance at November 30, 2023	1,493	537	5,588	7,619

Fiscal year ended November 30, 2024

Quantitative and qualitative information on the amount of expected credit losses

1) Age analysis of financial assets

The age analysis of trade and other receivables at the end of the consolidated fiscal year is as follows.

(¥ thousand)

	Financial assets for which the allowance for credit losses is calculated at an amount equal to 12 months of expected credit losses	Expected credit losses over the entire period		Total
		Financial assets for which the allowance for credit losses is always measured at an amount equal to expected credit losses over the entire period	Credit-impaired financial assets	
Within due date	7,386,452	―	―	7,386,452
Within 3 months' past due	65,266	―	―	65,266
Over 3 months and within 1 years' past due	12,870	622	―	13,493
Over 1 years' past due	1,680	57	6,247	7,986
Total	7,466,270	680	6,247	7,473,199

2) Changes in allowance for credit losses

The Group individually reviews financial position, credit status and collection of receivables and other factors of major business partners to establish allowance for credit losses. And if a financial asset is impaired, the Group records allowance for credit losses for the impairment rather than directly decreasing the book value of the financial asset. Changes in allowance for credit losses are as follows:

	Financial assets for which the allowance for credit losses is calculated at an amount equal to 12 months of expected credit losses	Expected credit losses over the entire period		Total
		Financial assets for which the allowance for credit losses is always measured at an amount equal to expected credit losses over the entire period	Credit-impaired financial assets	
Balance at December 1, 2023	1,493	537	5,588	7,619
New occurrence or collection during the fiscal year	723	4,897	728	6,348
Decrease due to reverse	(482)	—	—	(482)
Decrease due to intended use	—	—	(166)	(166)
Transferred to credit-impaired financial assets	—	(97)	97	—
Balance at November 30, 2024	1,734	5,337	6,247	13,319

(6) Liquidity risks

Since the Group raises funds through borrowings from financial institutions, it is exposed to liquidity risks of failure to make payments on due dates because of deterioration in the financing environment, etc.

The Company periodically grasps and aggregates information on the situations of liquidity on hand and interest-bearing debts, etc. and reports such information to the management meeting.

The balances of financial liabilities by due date are as follows:

(¥ thousand)

	Within 1 year	Over 1 year within 5 years	Over 5 years	Total
As of November 30, 2023				
Non-derivative financial liabilities				
Trade and other payables	3,606,977	4,045,649	158,772	7,811,400
Interest-bearing debt	13,783,385	96,565,875	36,238,494	146,587,755
Derivative financial liabilities				
Trade and other payables	—	3,057	—	3,057
As of November 30, 2024				
Non-derivative financial liabilities				
Trade and other payables	8,610,460	4,618,851	143,660	13,372,972
Interest-bearing debt	20,786,314	106,457,246	38,657,246	165,900,807
Derivative financial liabilities				
Trade and other payables	—	—	—	—

(7) Price risks

The Group is exposed to price risks of financial instruments arising from investments classified as other financial assets. These financial instruments are primarily listed securities and investments in privately placed funds. To manage the price risks arising from the said financial instruments, the Company periodically reports holding amounts of listed securities and investments in privately placed funds to the management meeting.

If the prices of the listed securities were to fluctuate by 10% as of November 30, 2023 and 2024, assuming all other variable factors including tax rates to be fixed, the impact of the fluctuation on total comprehensive income for the year and equity would be ¥520,632 thousand and ¥582,386 thousand, respectively.

(8) Investments in equity instruments measured at fair value through other comprehensive income

The Group designates investments in equity instruments, held for reasons such as accumulating business expertise and collecting information, as equity instruments measured at fair value through other comprehensive income, based on their holding purpose.

1) Fair value by major issuers

The fair value of investments in equity instruments measured at fair value through other comprehensive income by major issuers is as follows:

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Tosei Reit Investment Corporation	7,417,809	8,308,124
Others	409,181	726,232
Total	7,826,991	9,034,356

2) Dividends income

The following is a breakdown of the dividends received during the fiscal year under review that are related to investments held as of the last day of the fiscal year and investments derecognized during the fiscal year:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Related to investments held as of the end of the fiscal year	395,231	510,077
Investments derecognized during the fiscal year	0	–
Total	395,231	510,077

3) Equity financial instruments measured at fair value through other comprehensive income derecognised during the period

The Group has disposed of certain financial assets measured at fair value through other comprehensive income through sale and has derecognized them, by reviewing business relationships etc. The fair value of the securities sold during the period at the time of the sale, and the total gain or loss on the sale are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Fair value	7,260	403,606
Accumulated gain or loss	–	–

(9) Fair value measurement

1) Fair values and book value

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

(¥ thousand)

	As of November 30, 2023		As of November 30, 2024	
	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets measured at amortized cost				
Cash and cash equivalents	39,197,843	39,197,843	34,874,164	34,874,164
Trade and other receivables	4,500,897	4,500,897	7,459,879	7,459,879
Financial assets measured at fair value through other comprehensive income				
Other financial assets	7,826,991	7,826,991	9,034,356	9,034,356
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables	7,811,400	7,811,400	9,430,202	9,430,202
Interest-bearing liabilities	146,587,755	146,556,583	165,900,807	165,793,899

Method for measuring fair value of financial instruments

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

The book values of these financial instruments that are settled in a short period of time approximate the fair values. However, the fair values of interest rate swaps are based on market values presented by financial institutions.

Other financial assets

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

Non-current interest-bearing liabilities

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

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

2) 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 value with the change in fair value recognized through other comprehensive income	7,504,077	—	322,913	7,826,991
Financial assets measured at fair value through other comprehensive income (derivative) (Note)	—	26,004	—	26,004
Financial liabilities measured at fair value through other comprehensive income (derivative) (Note)	—	3,057	—	3,057

Note: These are interest rate swap contracts concluded in order to hedge 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 four years or less after the end of the fiscal year under review.

(¥ thousand)

	As of November 30, 2024			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value with the change in fair value recognized through other comprehensive income	8,394,155	—	640,201	9,034,356
Financial assets measured at fair value through other comprehensive income (derivative) (Note)	—	42,476	—	42,476

Note: These are interest rate swap contracts concluded in order to hedge 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	Fiscal year ended November 30, 2024
Balance at beginning of period	125,083	322,913
Acquisition	163,058	715,310
Comprehensive income		
Net Profit (loss)	—	—
Other comprehensive income (Note1)	1,714	5,584
Disposal	(7,260)	(403,606)
Transfer(Note2)	40,317	—
Balance at end of period	322,913	640,201

Notes1: Gains or losses recognized in other comprehensive income are shown in "Net changes in financial assets measured through other comprehensive income" in the consolidated statement of comprehensive income.

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

3) Evaluation Process

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

32. Leases

(1) Lessee

The Group rents buildings and structures.

1) Increase or decrease regarding Right-of-use assets

Increase or decrease regarding Right-of-use assets is as follows.

(¥ thousand)

	buildings and structures	Others	Total
Balance at December 1, 2022	701,461	423,397	1,124,859
Increase of Right- of-use assets	1,737,731	67,161	1,804,892
Depreciation	(337,783)	(13,587)	(351,370)
Others	(122,271)	—	(122,271)
Balance at November 30, 2023	1,979,137	476,971	2,456,109
Increase of Right- of-use assets	10,098	70,974	81,072
Depreciation	(292,112)	(50,284)	(342,397)
Others	(8,262)	—	(8,262)
Balance at November 30, 2024	1,688,860	497,661	2,186,522

2) Interest cost, lease costs due to short-term lease exceptions and lease costs due to small asset exceptions

The Group did not recognize Right-of-use assets and lease liabilities for short-term leases with a lease term of 12 months or less and leases with a small amount of underlying assets, and recognizes lease payments as expenses over the lease term using the straight-line method.
Interest costs, lease costs due to short-term lease exceptions and lease costs due to small asset exceptions are as follows.

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Interest costs	17,376	18,617
Lease costs due to short-term lease exceptions	61,716	58,973
Lease costs due to small asset exceptions	40,182	45,681

3) Sub-lease Income

Sub-lease income for the fiscal year ended November 30, 2023 and 2024 were ¥289,599 thousand and ¥218,243 thousand.

4) Cash outflow of leasing

Cash outflow of leasing for the fiscal year ended November 30, 2023 and 2024 were ¥533,399 thousand and ¥668,792 thousand.

5) Maturity analysis of lease liabilities

Maturity analysis of lease liabilities are as follows.

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Due within 1 year	349,893	416,191
Due over 1 year through 5 years	1,072,855	655,671
Over 5 years	1,072,062	938,516
Total	2,494,811	2,010,379

(2) Lessor

The Group lends buildings and structures, land.

1) Income relating to operating leases

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Lease payments receivable	6,197,896	7,554,449
Variable lease payments receivable	39,911	28,039

2) Maturity analysis

Maturity analysis of operating leases are as follows.

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Due within 1 year	1,130,695	1,535,405
Due over 1 year through 2 years	902,082	1,145,233
Due over 2 years through 3 years	643,012	326,506
Due over 3 years through 4 years	212,815	225,357
Due over 4 years through 5 years	177,729	85,112
Over 5 years	180,938	220,116
Total	3,247,273	3,537,731

3) Book value of the underlying assets subject to an operating lease

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Inventories	79,394,971	97,252,385
Property, plant and equipment		
Buildings and structures	227,499	216,699
Land	231,737	236,125
Investment properties	37,478,435	39,737,249

33. Related parties

(1) Transactions with related parties

The Group conducts transactions with key management personnel as follows:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Trade and other receivables	44	—
Trade and other payables	334,323	321,680
Revenue	2,666	4,995
Selling, general and administrative expenses	6,679	17,957
Total	343,714	344,634

Transactions with related parties are conducted on the same terms as ordinary business transactions.

At the Ordinary General Meeting of Shareholders held on February 25, 2015, the Company resolved to make final payments of retirement benefits to retiring officers upon abolition of its Retirement Benefits Plan for Officers. The full amount of the Company's "Provision for directors' retirement benefits" has been reversed and an unpaid portion in final payments has been presented as included in "Trade and other payables" in non-current liabilities. The unpaid portion presented as included in "Trade and other payables" for the previous fiscal year and the fiscal year under review is ¥302,679 thousand and ¥302,679 thousand, respectively.

(2) Compensation for principal key management personnel

Compensation for principal key management personnel is as follows:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Short-term employee benefits	619,299	566,646
Retirement benefits	4,844	15,176
Total	624,143	581,823

34. Structured entities

The Company and certain consolidated subsidiaries are involved with structured entities whose purpose is to invest in real estate, through investments, asset management service, etc., and these structured entities are not consolidated.

The balance of assets under our management for the unconsolidated structured entities in the fiscal year ended November 30, 2023 and the fiscal year ended November 30, 2024 is ¥2,352,454,110 thousand and ¥2,443,808 thousand, respectively, while fees received from these entities in the fiscal year ended November 30, 2023 and the fiscal year ended November 30, 2024 are ¥6,318,553 thousand and ¥5,676,193 thousand, respectively.

These structured entities procure funds principally via real estate non-recourse loans.

The book value of assets recognized in the consolidated statement of financial position in association with the involvement with the unconsolidated structured entities are as follows. These book values are the maximum exposure.

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Trade and other receivables	1,007,545	1,002,401
Other financial assets	214,032	299,489
Total	1,221,577	1,301,891

The maximum exposure is the maximum amount of losses that may arise due to a decline in the value of assets held by the structured entities, and does not represent the amount of losses that are expected from the involvement with these entities.

35. Share-based compensation

The Group employs a stock option system, a performance-linked share-based compensation system with transfer restriction, and a post-delivery type share-based compensation system with transfer restriction. The overview of the stock option system is presented in "IV. Filing company, 1. Information on the Company (Tosei)'s shares, etc.," and the overview of the performance-linked share-based compensation system with transfer restriction and the post-delivery type share-based compensation system with transfer restriction is presented in "IV. Filing company, 4. Status of corporate governance, etc., (4) Remuneration, etc. of officers."

(1) Stock option system

1) Overview of the system

The Company employs a stock option system and grants stock options to the Company's directors, executive officers and employees as well as to directors of its consolidated subsidiaries. This system is designed to further increase motivation and morale for improving the Group's business performance and corporate value.
The period during which stock options may be exercised is a period specified in the allotment agreement of stock acquisition rights. Stock options that are not exercised in the period are forfeited. Holders of stock acquisition rights are required to have either the rank of Director, Audit & Supervisory Board Member, Executive Officer, or employee of the Company, however, if the grantee retires or resigns from the Company by the vesting date, his or her options are also forfeited, except in cases allowed in the stock acquisition rights allotment agreement such as resignation due to the expiration of the grantee's term of office.
The stock option system of the Company is accounted for as equity-settled share-based compensation.

The Group's stock option system that exists in the fiscal year under review is as follows:

	Number of stock options granted (shares)	Grant date	Period during which stock options may be exercised	Exercise price (¥)
Seventh Series of Stock Acquisition Rights	1,089,000	July 30, 2024	July 6, 2026 to July 5, 2029	2,516

2) Total number of exercisable shares and weighted average exercise price of stock options

Sixth Series of Stock Acquisition Rights

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Exercise price (¥)	1,006	1,006
Unexercised, outstanding stock options at the beginning of the year (shares)	430,300	228,600
Granted during the year (shares)	—	—
Forfeited during the year (shares)	—	—
Exercised during the year (shares)	201,700	84,100
Expired during the year (shares)	—	144,500
Unexercised, outstanding stock options at the end of the year (shares)	228,600	—
Exercisable, outstanding stock options at the end of the year (shares)	228,600	—

Notes: 1. The weighted average price of stock options exercised during the last fiscal and the current fiscal year under review as of the date on which stock options were exercised is ¥1,508 and ¥2,054.
2. 96,000 shares of treasury stock acquisition rights held by the Company are included in the unexercised, outstanding stock options and the exercisable, outstanding stock options as of the end of the last fiscal year.
3. The weighted average remaining contractual term for unexercised stock options was 0.4 years for the last fiscal year.

Seventh Series of Stock Acquisition Rights

	Fiscal year ended November 30, 2024
Exercise price (¥)	2,516
Unexercised, outstanding stock options at the beginning of the year (shares)	—
Granted during the year (shares)	1,089,000
Forfeited during the year (shares)	—
Exercised during the year (shares)	—
Expired during the year (shares)	—
Unexercised, outstanding stock options at the end of the year (shares)	1,089,000
Exercisable, outstanding stock options at the end of the year (shares)	—

Notes: 1. 21,000 shares of treasury stock acquisition rights held by the Company are included in the unexercised, outstanding stock options as of the end of the current fiscal year.
2. The weighted average remaining contractual term for unexercised stock options was 3.0 years for the current fiscal year under review.

3) Fair value measurement for stock options

The fair value of equity-settled share-based compensation is evaluated using the Black-Scholes model. Assumptions used to measure the fair value are as follows:

	Seventh Series of Stock Acquisition Rights
Fair value on the grant date (¥)	314
Share price on the grant date (¥)	2,516
Exercise price (¥)	2,516
Expected volatility (Note1)	23.27%
Expected remaining period (Note2)	3.44years
Expected dividend (Note3)	73(¥) / shares
Risk-free interest rate (Note4)	0.459%

Notes: 1. The fair value was calculated based on the actual share prices during the period from December 2020 to June 2024.
2. Since it is difficult to make a reasonable estimate due to insufficient data accumulation, the expected life was estimated on the assumption that these rights are exercised at the midpoint of the period during which the rights may be exercised.
3. Based on dividends with the record date of November 30, 2024.
4. This rate is a government bond yield corresponding to the expected life.

(2) Performance-linked share-based compensation system with transfer restriction

1) Overview of the system

In order to further clarify the linkage between remuneration for Directors and the Company's business performance and share value, and to continuously improve the Company's corporate value, share-based compensation for Executive Directors is granted in the form of a number of ordinary shares of the Company after the close of the Ordinary General Meeting of Shareholders for the relevant fiscal year, calculated according to the achievement of the level set according to the amount of consolidated pre-tax profit for a single fiscal year predetermined by the Board of Directors after discussion at the Nomination and Compensation Advisory Committee.

The ordinary shares granted to Executive Directors are all subject to certain restrictions on transfer.

The Performance-linked share-based compensation system with transfer restriction of the Company is accounted for as equity-settled share-based compensation.

2) Shares under the performance-linked share-based compensation system with transfer restriction that exist in the fiscal year under review

	Fiscal year ended November 30, 2024
	Standard number of shares delivered (shares)
Balance at beginning of period	—
Granted	17,284
Increased and others	—
Delivered and paid	—
Decreased and others	—
Balance at end of period	17,284
Exercisable, outstanding stock options at the end of the year (shares)	—
Weighted average fair value (¥)	2,439

Note: The fair value for the system is calculated based on the market value of the Company's shares as of the business day immediately preceding the date of the resolution of the Company's Board of Directors as of the start of the target period of the system, and is not adjusted for expected dividends.

(3) Post-delivery type share-based compensation system with transfer restriction

1) Overview of the system

In order to continuously improve the Company's corporate value, share-based compensation for Outside Directors is granted in the form of a number of ordinary shares of the Company after the close of the Ordinary General Meeting of Shareholders for the relevant fiscal year, subject to the achievement of the amount of consolidated pre-tax profit for a single fiscal year predetermined by the Board of Directors after discussion at the Nomination and Compensation Advisory Committee.
The ordinary shares granted to Outside Directors are all subject to certain restrictions on transfer.
The Post-delivery type share-based compensation system with transfer restriction of the Company is accounted for as equity-settled share-based compensation.

2) Shares under the post-delivery type share-based compensation system with transfer restriction that exist in the fiscal year under review

	Fiscal year ended November 30, 2024
	Standard number of shares delivered (shares)
Balance at beginning of period	—
Granted	302
Increased and others	—
Delivered and paid	—
Decreased and others	—
Balance at end of period	302
Exercisable, outstanding stock options at the end of the year (shares)	—
Weighted average fair value (¥)	2,439

Note: The fair value for the system is calculated based on the market value of the Company's shares as of the business day immediately preceding the date of the resolution of the Company's Board of Directors as of the start of the target period of the system, and is not adjusted for expected dividends.

(4) Expenses for the share-based compensation

(¥ thousand)

	Fiscal year ended November 30, 2024 (¥)
Selling, general and administrative expenses	93,806

36. Cash flow information

The status of financial cash flows resulting from financing activities as follows:

(¥ thousand)

	Borrowings	Corporate bonds	Lease liabilities	Total
Balance at December 1, 2022	123,423,648	312,542	1,111,355	124,847,546
Changes with cash flow	20,375,751	(36,356)	(431,500)	19,907,894
Changes without cash flow				
Changes by business combinations	17,357	—	206,357	223,714
Others	—	—	1,608,599	1,608,599
Balance at November 30, 2023	143,816,757	276,186	2,494,811	146,587,755
Changes with cash flow	19,818,841	(21,356)	(564,137)	19,233,347
Changes without cash flow	—	—	79,704	79,704
Balance at November 30, 2024	163,635,598	254,830	2,010,379	165,900,807

37. Business combinations

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

(Business combination by acquisition)

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

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

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

(2) Date of acquisition January 31, 2023

(3) Ratio of acquired capital equity with voting rights

100%

(4) Reason for conducting business combination

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

(5) Method for gaining control of the acquired company

Acquisition of shares with cash as consideration.

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

(¥ thousand)

	Amount
Fair value of consideration for the acquisition	1,786,190
Current assets	
Cash and cash equivalents	158,606
Inventories	2,436,866
Others	17,766
Non-current assets	
Others	15,701
Current liabilities	
Others	56,599
Non-current liabilities	
Interest-bearing liabilities	484,806
Others	202,554
Fair value of assets acquired and liabilities assumed (net)	1,884,979
Gain on bargain purchase	98,789

Notes1: Gain on bargain purchase of ¥98,789 thousand was reported under "Other income" in the Condensed Quarterly Consolidated Statement of Comprehensive Income, as the fair value of the net assets acquired exceeded the fair value of the consideration for the acquisition.

Notes2: As a result of reflecting the updated information obtained as a result of the finalization of the provisional accounting treatment, there was a change in the gain on negative goodwill for the nine months ended August 31, 2023.

(7) Acquisition-related costs

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

(8) Cash flows from the acquisition

(¥ thousand)

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

(9) Impact on business performance

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

(Absorption-type company split by a consolidated subsidiary)

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

TOSEI-R, Inc.

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

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

(3) Effective date

September 1, 2023

(4) Purpose of the absorption-type company split

Through implementation of the absorption-type company split in which the Group will succeed to LIXIL REALTY Corporation's Asset Securitization Business, the Group aimed to strengthen human resources in the Revitalization Business and also to acquire, as part of the purchase, 6 income- generating properties, 3 sections of income-generating commercial building with compartmentalized ownership, 1 section of income-generating building with compartmentalized ownership and 109 condominium units.

(5) Method of obtaining control of the split company

An absorption-type company split in which TOSEI-R, Inc. will be the successor company and LIXIL REALTY Corporation will be the splitting company.

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

(¥ thousand)

	Amount
Fair value of consideration for the acquisition	10,082,240
Current assets	
Inventories	10,278,615
Others	18,884
Non-current assets	
Others	2,140
Current liabilities	
Others	54,737
Non-current liabilities	
Others	162,663
Fair value of assets acquired and liabilities assumed (net)	10,082,240

(7) Acquisition-related costs

The Company reported ¥6,000 thousand in outsourcing expenses, etc., under selling, general and administration expenses in the consolidated statements of comprehensive income as acquisition-related costs associated with the business combination.

(8) Cash flows for acquisition of businesses

(¥ thousand)

	Amount
Cash and cash equivalents from business acquisition	(10,128,240)
Cash and cash equivalents held by the split company at the time of transfer	—
Payment for the acquisition of subsidiaries	(10,128,240)

(9) Impact on business performance

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

Fiscal year ended November 30, 2024 (December 1, 2023 – November 30, 2024)
None

38. Contingencies
None

39. Subsequent events
None

40. Significant subsidiaries
The Company's significant subsidiaries are as described in "I. Overview of the Tosei Group, 4. Status of subsidiaries and associates."

(2) Others

Quarterly data of the fiscal year ended November 30, 2024

(Cumulative period)	First quarter (Three months ended Feb. 29, 2024)	Second quarter (Six months ended May 31, 2024)	Third quarter (Nine months ended Aug. 31, 2024)	Fiscal year ended November 30, 2024
Revenue (¥ thousand)	34,868,582	57,618,442	69,419,485	82,191,828
Profit before tax (¥ thousand)	9,191,963	14,372,747	16,090,805	17,364,939
Profit for the period (year) attributable to owners of parent (¥ thousand)	6,435,471	10,058,745	11,234,156	11,985,203
Basic earnings per share (¥)	132.98	207.75	231.96	247.43

(Each quarter)	First quarter (Dec. 1, 2023– Feb. 29, 2024)	Second quarter (Mar. 1, 2024 – May 31, 2024)	Third quarter (Jun. 1, 2024 – Aug. 31, 2024)	Fourth quarter (Sep. 1, 2024 – Nov. 30, 2024)
Basic earnings per share (¥)	132.98	74.79	24.25	15.50

Note: The quarterly report for the third quarter was not submitted. The figures for the third quarter are based on the quarterly information prepared in accordance with the regulations set forth in the Financial Instruments Exchange, and interim review was not conducted.

2. Non-consolidated financial statements, etc.

(1) Non-consolidated financial statements

1) Non-consolidated balance sheets

(¥ thousand)

		As of November 30, 2023		As of November 30, 2024
Assets				
Current assets				
Cash and deposits		25,212,066		20,753,937
Accounts receivable-trade		725,981		1,653,583
Real estate for sale	*1, 2	72,375,817	*1, 2	100,673,475
Real estate for sale in process	*2	17,363,701	*2	20,069,416
Supplies		11,984		18,168
Short-term loans receivable from subsidiaries and affiliates		2,305,000		399,320
Accounts receivable-other	*3	594,967	*3	1,760,474
Advance payments-trade		201,947		346,248
Prepaid expenses		361,943		384,051
Other	*3	884,935	*3	2,390,926
Allowance for credit losses		(988)		(5,869)
Total current assets		120,037,357		148,443,733
Non-current assets				
Property, plant and equipment				
Buildings	*2	20,499,804	*2	19,842,867
Structures		149,480		136,751
Machinery and equipment		30,728		50,385
Vehicles		5,314		13,080
Tools, furniture and fixtures		120,086		97,148
Land	*2	44,735,708	*2	46,868,512
Lease assets		12,181		41,672
Total property, plant and equipment		65,553,304		67,050,418
Intangible assets				
Software		54,777		27,175
Telephone subscription right		1,889		1,889
Total intangible assets		56,666		29,064
Investments and other assets				
Investment securities		7,615,447		8,610,046
Stocks of subsidiaries and affiliates		12,105,737		10,231,339
Investments in capital		7,931		4,231
Long-term loans receivable		21,973		25,677
Long-term loans receivable from subsidiaries and affiliates		10,700,320		8,652,192
Long-term prepaid expenses		306,150		289,623
Derivative assets		26,004		40,476
Long-term accounts receivable-other	*3	122,002	*3	125,812
Claims provable in bankruptcy, claims provable in rehabilitation and other		67		463
Lease and guarantee deposits		955,593		1,068,492
Deferred tax assets		—		407,557
Other		15,770		15,770
Allowance for credit losses		(199)		(617)
Total investments and other assets		31,876,798		29,471,066
Total non-current assets		97,486,769		96,550,549
Total assets		217,524,127		244,994,283

(¥ thousand)

		As of November 30, 2023		As of November 30, 2024
Liabilities				
Current liabilities				
Accounts payable-trade	*3	884,049	*3	1,230,104
Short-term loans payable		94,200	*2	2,134,560
Current portion of long-term loans payable	*2, 5	9,426,993	*2, 5	10,886,748
Lease obligations		6,333		12,665
Accounts payable-other	*3	914,656	*3	1,012,753
Accrued expenses		121,356		155,232
Income taxes payable		1,238,723		2,272,919
Accrued consumption taxes		52,477		338,686
Advances received		570,873		1,634,992
Unearned revenue		2,312		2,312
Deposits received		294,901		427,371
Provision for bonuses		425,075		587,936
Provision for bonuses for directors (and other officers)		—		47,081
Provision for share awards for directors (and other officers)		—		42,894
Provision for loss on rental business		11,018		12,293
Total current liabilities		14,042,970		20,798,553
Non-current liabilities				
Long-term loans payable	*1, 2, 5	125,202,286	*1, 2, 5	137,343,566
Guarantee deposits	*3	3,313,828	*3	3,932,392
Lease obligations		7,334		33,443
Asset retirement obligations		7,624		7,797
Provision for retirement benefits		524,832		566,950
Long-term accounts payable-other for directors		302,679		302,679
Long-term unearned revenue		14,644		12,332
Deferred tax liabilities		285,989		—
Total non-current liabilities		129,659,220		142,199,162
Total liabilities		143,702,190		162,997,715

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Net assets		
Shareholders’ equity		
Capital stock	6,624,890	6,624,890
Capital surplus		
Legal capital surplus	6,708,366	6,708,366
Other capital surplus	629,254	631,524
Total capital surplus	7,337,620	7,339,891
Retained earnings		
Legal retained earnings	7,250	7,250
Other retained earnings		
Reserve for tax purpose reduction entry of non-current assets	1,539,134	1,539,134
General reserve	15,000	15,000
Retained earnings brought forward	58,273,777	66,827,331
Total other retained earnings	59,827,912	68,381,465
Total retained earnings	59,835,162	68,388,715
Treasury shares	(335,327)	(243,716)
Total shareholders’ equity	73,462,345	82,109,780
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	333,872	(192,206)
Deferred gains (losses) on hedges	18,041	28,082
Total valuation and translation adjustments	351,913	(164,124)
Stock acquisition rights	7,677	50,911
Total net assets	73,821,936	81,996,567
Total liabilities and net assets	217,524,127	244,994,283

2) Non-consolidated statements of operations

(¥ thousand)

		Fiscal year ended November 30, 2023		Fiscal year ended November 30, 2024
Net sales	*1	46,480,528	*1	45,587,536
Cost of sales	*1	32,749,799	*1	28,520,911
Gross profit		13,730,728		17,066,624
Selling, general and administrative expenses	*1,2	5,976,249	*1,2	6,707,809
Operating income		7,754,479		10,358,814
Non-operating income				
Interest income	*1	67,858	*1	181,366
Dividends income	*1	4,189,286	*1	5,752,489
Foreign exchange gains		10,247		2,204
Miscellaneous income	*1	90,739	*1	127,079
Total non-operating income		4,358,132		6,063,140
Non-operating expenses				
Interest expenses		1,181,315		1,552,318
Share issuance cost		1,510		631
Bad debts expenses		15,788		―
Miscellaneous loss		7,035		30,892
Total non-operating expenses		1,205,649		1,583,842
Ordinary income		10,906,961		14,838,112
Extraordinary income				
Gain on exchange from dividends in kind		―		422
Total extraordinary income		―		422
Extraordinary losses				
Loss on sales of non-current assets		―		114
Loss on retirement of inventories		―		559,936
Total extraordinary losses		―		560,051
Income before income taxes		10,906,961		14,278,483
Income taxes-current		2,452,754		2,997,845
Income taxes-deferred		(284,373)		(465,799)
Total income taxes		2,168,380		2,532,045
Net income		8,738,581		11,746,437

Detailed schedule of cost of sales

Schedule of the cost in the Revitalization Business

		Fiscal year ended November 30, 2023		Fiscal year ended November 30, 2024	
Accounts	Notes	Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
I. Land		15,733,370	64.7	9,352,076	67.4
II. Acquisition and improvement cost of buildings		8,720,920	35.9	4,549,465	32.8
III. Book values written down following a decline in the revenue		(146,648)	(0.6)	(21,597)	(0.2)
Total		24,307,642	100.0	13,879,945	100.0

Note: The cost is calculated based on specific-order cost system.

Schedule of the cost in the Development Business

		Fiscal year ended November 30, 2023		Fiscal year ended November 30, 2024	
Accounts	Notes	Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
I. Land costs		2,274,505	46.8	4,970,152	47.5
II. Construction costs		2,594,870	53.3	5,850,022	55.9
III. Book values written down following a decline in the revenue		(5,043)	(0.1)	(361,224)	(3.4)
Total		4,864,333	100.0	10,458,950	100.0

Note: The cost is calculated based on specific-order cost system.

Schedule of the cost in the Rental Business

		Fiscal year ended November 30, 2023		Fiscal year ended November 30, 2024	
Accounts	Notes	Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
I. Outsourcing costs		727,116	24.7	926,541	27.8
II. Miscellaneous expenses		2,215,860	75.3	2,404,691	72.2
[Of which taxes and dues]		[492,340]		[558,677]	
[Of which depreciation and amortization]		[358,717]		[316,530]	
[Of which water and power]		[537,345]		[558,561]	
Total		2,942,976	100.0	3,331,233	100.0

Schedule of the cost in the Fund and Consulting Business

		Fiscal year ended November 30, 2023		Fiscal year ended November 30, 2024	
Accounts	Notes	Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
Miscellaneous expenses		2,356	100.0	7,759	100.0
Total		2,356	100.0	7,759	100.0

Schedule of the cost in the Hotel Business

		Fiscal year ended November 30, 2023		Fiscal year ended November 30, 2024	
Accounts	Notes	Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
I. Outsourcing costs		44,817	7.1	62,624	7.4
II. Miscellaneous expenses		587,672	92.9	780,398	92.6
[Of which taxes and dues]		[130,906]		[145,643]	
[Of which depreciation and amortization]		[351,516]		[491,398]	
[Of which water and power]		[85,714]		[115,018]	
Total		632,489	100.0	843,023	100.0

3)Non-consolidated statements of changes in net assets

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

(¥ thousand)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at the beginning of the year	6,624,890	6,708,366	177,606	6,885,972	7,250	1,539,134	15,000	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	1,539,134	15,000	58,273,777	59,835,162

	Shareholders' equity		Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Treasury shares	Total share-holders' 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

Fiscal year ended November 30, 2024
(December 1, 2023 – November 30, 2024)

(¥ thousand)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at the beginning of the year	6,624,890	6,708,366	629,254	7,337,620	7,250	1,539,134	15,000	58,273,777	59,835,162
Changes of items during the year									
Dividends from surplus								(3,192,884)	(3,192,884)
Net income								11,746,437	11,746,437
Purchase of treasury shares									
Disposal of treasury shares			2,270	2,270					
Net changes of items other than shareholders' equity									
Total changes of items during the year	—	—	2,270	2,270	—	—	—	8,553,553	8,553,553
Balance at the end of the year	6,624,890	6,708,366	631,524	7,339,891	7,250	1,539,134	15,000	66,827,331	68,388,715

	Shareholders' equity		Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Treasury shares	Total share-holders' 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	(335,327)	73,462,345	333,872	18,041	351,913	7,677	73,821,936
Changes of items during the year							
Dividends from surplus		(3,192,884)					(3,192,884)
Net income		11,746,437					11,746,437
Purchase of treasury shares	(310)	(310)					(310)
Disposal of treasury shares	91,921	94,192				(9,587)	84,604
Net changes of items other than shareholders' equity			(526,079)	10,040	(516,038)	52,821	(463,216)
Total changes of items during the year	91,610	8,647,434	(526,079)	10,040	(516,038)	43,234	8,174,630
Balance at the end of the year	(243,716)	82,109,780	(192,206)	28,082	(164,124)	50,911	81,996,567

[Notes to Non-consolidated Financial Statements]

Significant accounting policies

1. Valuation basis and methods for assets

(1) Valuation basis and methods for securities

1) Stocks of subsidiaries	Stated at cost determined by the moving-average method
2) Other securities	
• With market value	Stated at fair value based on market value and others as of the balance sheet date (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).
• Without market value	Stated at cost determined by the moving-average method

(2) Valuation basis and method for Derivatives

Derivatives	Stated at fair value

(3) Valuation basis and methods for inventories (related to the Revitalization Business and the Development Business)

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

1) Real estate for sale and real estate for sale in process
Specific identification method
2) 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 bonuses for directors (and other officers)	To cover bonus payments to officers, provision for bonuses is provided in the amount for the fiscal year based on the estimated amount of payment.
(4) Provision for share awards for directors (and other officers)	To cover awarding of the Company's shares to officers, provision for share awards is provided based on the estimated amount of share award obligations as of the fiscal year-end.
(5) 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.
(6) 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) Method for hedge accounting	1) Method for hedge accounting Based on the deferred hedge accounting. 2) Hedging instrument and hedged item - Hedging instrument: interest rate swaps - Hedged item: interest on borrowings 3) Hedging policy To mitigate risks of fluctuations in interest rates on borrowings and improve the financial account balance, the Company hedges interest volatility risks within the scope of the hedged items. 4) Method for assessing hedge effectiveness The Company compares cumulative changes in the market price or cumulative changes in cash flows of the hedged item with cumulative changes in the market price or cumulative changes in cash flows of the hedging instrument semi-annually, and assesses hedge effectiveness based on the amount of these changes of both and other factors.

(Significant accounting estimates)

Valuation of inventories (related to the Revitalization Business and the Development Business)

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

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Real estate for sale	72,375,817	100,673,475
Real estate for sale in process	17,363,701	20,069,416
Loss on valuation of inventories (reversal of loss)	(151,691)	(382,821)

(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.

Notes to non-consolidated balance sheets

*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 Standards Board of Japan's Transferred Guidance No. 10) are as follows:

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Real estate for sale	274,060	233,480
Long-term loans payable	278,655	236,616

*2. Pledged assets and secured debts are as follows:

Pledged assets

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Real estate for sale	70,681,866	93,915,500
Real estate for sale in process	16,533,897	17,661,577
Buildings	19,647,567	19,018,989
Land	40,264,883	42,323,431
Total	147,128,214	172,919,498

Debts secured by security interests

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Short-term loans payable	—	1,244,000
Current portion of long-term loans payable	9,426,993	10,746,748
Long-term loans payable	122,627,199	134,467,681
Total	132,054,192	146,458,429

*3. Monetary receivables from and payables to subsidiaries and affiliates

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Short-term monetary receivables	32,590	1,373,556
Long-term monetary receivables	122,002	125,812
Short-term monetary payables	176,671	200,844
Long-term monetary payables	65,144	300,782

4. Contingent liabilities

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

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Tosei Logistics Management Co., Ltd.	215,120	190,160

*5. Financial covenants

As of November 30, 2023

(1) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥6,970,000 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・ In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2020, and total equity as of the end of the previous fiscal year.

・ In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

・ In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.

Reference value = Total interest-bearing debt ÷ Total equity

* Total interest-bearing debt = Corporate bonds + Loans payable + Trade and other payables

(2) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥2,569,244 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・ In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2022, and total equity as of the end of the previous fiscal year.

・ In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

・ In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.

Reference value = Total interest-bearing debt ÷ Total equity

* Total interest-bearing debt = Corporate bonds + Loans payable + Trade and other payables

(3) Of the Company's loans payable, loan contract with Sumitomo Mitsui Banking Corporation (outstanding balance: ¥5,741,040 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2016, and total equity as of the end of the previous fiscal year.

・In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to operating profit shall be used as operating profit in the formula above.

(4) Of the Company's loans payable, loan contract with Risona Bank (outstanding balance: ¥6,500,000 thousand) includes financial covenants. If the Company violates all items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2020, and total equity as of the end of the previous fiscal year.

・In the consolidated statement of comprehensive income, profit before tax must not be less than ¥0 for two consecutive periods.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described

in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

・The GOP of the project must be kept more higher which of the project for each period from November 30, 2024 to the final principal repayment date of each year, above the annual repayment amount of this contract.

(5) Of the Company's loans payable, loan contract with The Norinchukin Bank (outstanding balance: ¥3,585,200 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2020, and total equity as of the end of the previous fiscal year.

・ In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

As of November 30, 2024

(1) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥6,370,000 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・ In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2020, and total equity as of the end of the previous fiscal year.

・ In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

・ In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.

Reference value = Total interest-bearing debt ÷ Total equity

* Total interest-bearing debt = Corporate bonds + Loans payable + Trade and other payables

(2) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥2,482,892 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・ In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2022, and total equity as of the end of the previous fiscal year.

・ In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

・ In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.

Reference value = Total interest-bearing debt ÷ Total equity

* Total interest-bearing debt = Corporate bonds + Loans payable + Trade and other payables

(3) Of the Company's loans payable, loan contract with Sumitomo Mitsui Banking Corporation (outstanding balance: ¥5,438,880 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2016, and total equity as of the end of the previous fiscal year.

・In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to operating profit shall be used as operating profit in the formula above.

(4) Of the Company's loans payable, loan contract with Risona Bank (outstanding balance: ¥6,305,561 thousand) includes financial covenants. If the Company violates all items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2020, and total equity as of the end of the previous fiscal year.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is included in the consolidated statement of comprehensive income, to net income shall be used as net income to calculate total equity in the formula above.

・In the consolidated statement of comprehensive income, profit before tax must not be less than ¥0 for two consecutive periods.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

・The GOP of the project must be kept more higher which of the project for each period from November 30, 2024 to the final principal repayment date of each year, above the annual repayment amount of this contract.

(5) Of the Company's loans payable, loan contract with The Norinchukin Bank (outstanding balance: ¥2,743,500 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2020, and total equity as of the end of the previous fiscal year.

・ In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

Notes to non-consolidated statements of operations

*1. The following shows the item that includes transactions with associated companies.

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Net Sales	1,685,402	2,686,075
Purchase amount	1,044,278	1,266,079
Other business turnover	191,442	147,126
Transaction volume other than business turnover	3,929,435	5,516,574

*2. The approximate ratio to selling expenses is 20.1% in the fiscal year ended November 30, 2023 and 18.6% in the fiscal year ended November 30, 2024, while the approximate ratio to general and administrative expenses is 79.9% in the fiscal year ended November 30, 2023 and 81.4% in the fiscal year ended November 30, 2024. Main components of selling, general and administrative expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2023	Fiscal year ended November 30, 2024
Sales expenses (Revitalization)	620,180	529,922
Sales expenses (Development)	313,066	361,769
Salaries and allowances	1,523,783	1,748,182
Provision for bonuses	425,075	587,936
Retirement benefit expenses	80,505	108,529
Provision of allowance for credit losses	203	5,366
Taxes and dues	631,519	779,392
Depreciation	325,059	295,165

Securities

As of November 30, 2023

As shares in subsidiaries (book value in the balance sheet: ¥12,105,737thousand) have no quoted market prices, they are omitted.

As of November 30, 2024

As shares in subsidiaries (book value in the balance sheet: ¥10,231,339thousand) have no quoted market prices, they are omitted.

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

(¥ thousand)

	As of November 30, 2023	As of November 30, 2024
Deferred tax assets		
Accrued enterprise taxes	87,113	108,832
Provision for bonuses	130,158	180,026
Loss on valuation of inventories	146,357	146,357
Provision for retirement benefits	123,346	135,076
Long-term accounts payable-other for directors	92,680	92,680
Dividends income as withdrawal of investments	1,522,392	2,059,911
Valuation difference on other securities	—	84,828
Others	81,078	351,428
Subtotal	2,183,126	3,159,140
Valuation reserves	(1,634,525)	(2,059,911)
Total deferred tax assets	548,601	1,099,228
Deferred tax liabilities		
Valuation difference on other securities	(147,350)	—
Reserve for tax purpose reduction entry of non-current assets	(679,277)	(679,277)
Deferred gains (losses) on hedges	(7,962)	(12,393)
Total deferred tax liabilities	(834,590)	(691,671)
Net deferred tax assets and liabilities	(285,989)	407,557

2. The account for the difference between the statutory effective tax rate and the effective tax rate after adoption of tax-effect accounting

	As of November 30, 2023	As of November 30, 2024
Statutory effective tax rate	30.62%	30.62%
(Adjustments)		
Expenses not deductible permanently such as entertainment expenses	0.43	1.31
Profits not deductible permanently such as dividends income	(15.70)	(16.30)
Taking over loss carryforward due to liquidation of a subsidiary	—	(0.51)
Tax credits under the tax credit system for promoting income growth	(0.51)	(0.46)
Change in valuation reserves	5.05	2.98
Others	(0.01)	(0.09)
Effective tax rates after adoption of tax effect accounting	19.88	17.73

Revenue recognition

Information that provides a basis for understanding revenues from contracts with customers is presented in "Significant accounting policies, 4. Recognition of income and expenses" in the Notes to Non-consolidated Financial Statements.

Important subsequent events

None

4) Supplementary statements

[Detailed schedule of property, plant and equipment and others]

(¥ thousand)

Cate-gory	Type of assets	Balance as of Dec. 1, 2023	Increase in the fiscal year ended Nov. 30, 2024	Decrease in the fiscal year ended Nov. 30, 2024	Depreciation during the fiscal year ended Nov. 30, 2024	Balance as of Nov. 30, 2024	Accumulated depreciation or amortization as of Nov. 30, 2024
Property, plant and equipment	Buildings	20,499,804	345,726	1,650	1,001,012	19,842,867	6,339,399
	Structures	149,480	—	—	12,729	136,751	50,953
	Machinery and equipment	30,728	26,800	—	7,143	50,385	55,277
	Vehicles	5,314	16,234	4,429	4,038	13,080	3,431
	Tools, furniture and fixtures	120,086	12,669	—	35,606	97,148	189,243
	Land	44,735,708	2,134,485	1,681	—	46,868,512	—
	Lease assets	12,181	39,874	—	10,382	41,672	19,716
	Total	65,553,304	2,575,788	7,761	1,070,912	67,050,418	6,658,022
Intangible assets	Software	54,777	4,580	—	32,181	27,175	—
	Telephone subscription right	1,889	—	—	—	1,889	—
	Total	56,666	4,580	—	32,181	29,064	—

Notes1: In the increase in the fiscal year ended Nov. 30, 2024, principal events are as follows:

Land:	Acquisition of new properties (1 properties)	¥ 2,134,485 thousand
Buildings:	Acquisition of new properties (1 properties)	¥ 240,900 thousand

[Detailed schedule of allowances]

(¥ thousand)

Category	Balance as of Dec. 1, 2023	Increase in the fiscal year ended Nov. 30, 2024	Decrease in the fiscal year ended Nov. 30, 2024	Balance as of Nov. 30, 2024
Allowance for doubtful accounts	1,187	5,390	91	6,487
Provision for bonuses	425,075	587,936	425,075	587,936
Provision for bonuses for directors (and other officers)	—	47,081	—	47,081
Provision for share awards for directors (and other officers)	—	42,894	—	42,894
Provision for loss on rental business	11,018	1,274	—	12,293

(2) Principal assets and liabilities

This information is omitted since the consolidated financial statements have been prepared.

(3) Others

No item to report.

VI. Outline of filing company’s business concerning shares

<table>
<tr><td>Business year</td><td>From December 1 to November 30</td></tr>
<tr><td>Ordinary General Meeting of Shareholders</td><td>February</td></tr>
<tr><td>Record date</td><td>November 30</td></tr>
<tr><td>Record dates for dividends from surplus</td><td>May 31
November 30</td></tr>
<tr><td>Share unit number</td><td>100 shares</td></tr>
<tr><td>Purchase of shares less than one unit:

Office for handling business

Shareholder registry administrator

Forwarding office

Handling charge for purchase</td><td>

1-4-5, Marunouchi, Chiyoda-ku, Tokyo
Corporate Agency Department, Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku, Tokyo
Mitsubishi UFJ Trust and Banking Corporation

–

No charge</td></tr>
<tr><td>Method of public notice</td><td>Electronic public notice will be made.
URL for public notice:
https://www.toseicorp.co.jp/ir/publicly/index.html
However, if it is impossible to publish public notices electronically because of an accident or other unavoidable circumstances, the public notices shall be made by publication in the Nihon Keizai Shimbun.</td></tr>
<tr><td>Special benefits for shareholders</td><td>Status of Shareholders eligible for the program
(1) Shareholders eligible for the program
Shareholders eligible for the program are those holding at least one trading unit (100 shares) of the Company’s shares as of the record date November 30 of each fiscal year.
(2) Details of the shareholder benefits
<table>
<tr><td rowspan="2">Continuous holding period*1</td><td colspan="2">Details of benefits</td></tr>
<tr><td>The Company’s original QUO CARD*2</td><td>Hotel discount coupon*3</td></tr>
<tr><td>Less than 1 year</td><td>—</td><td rowspan="4">¥3,000 yen</td></tr>
<tr><td>1 year to less than 2 years</td><td>¥1,000 yen</td></tr>
<tr><td>2 years to less than 5 years</td><td>¥2,000 yen</td></tr>
<tr><td>5 years or more</td><td>¥3,000 yen</td></tr>
</table>
*1 Continuous holding period refers to the consecutive listing or recording of the holding of at least one trading unit (100 shares) of the Company’s shares under an identical shareholder number on the shareholder registry as at the end of November and at the end of May of each year (“1 year or more” refers to a listing or recording of three consecutive times, “2 years or more” refers to a listing or recording of five consecutive times, and “5 years or more” refers to a listing or recording of 11 consecutive times). If the shareholder number changes due to inheritance or the removal from the shareholder registry, the holding period will be calculated starting from the immediately following record date.
*2 The Company’s original QUO CARD will be presented once a year.</td></tr>
</table>

	*3 For information on the facilities where the hotel discount coupons can be used and the details of the terms and conditions, please visit the Company's website (https://www.toseicorp.co.jp/ir/investor/incentive/ in Japanese). *4 Shareholders of shares listed on the Singapore Exchange market shall receive once a year a gift certificate that can be used in Singapore (Capital Voucher) in an amount equivalent to QUO CARDS presented above according to the continuous holding period, as well as hotel discount coupons described above. (3) Delivery period The benefits are scheduled to be dispatched in late February of each year.

Notes: 1. Pursuant to the provisions of the Company's Articles of Incorporation, the Company's shareholders may not exercise any right, in relation to their holding shares less than one unit, other than the rights set forth in each of the following items:

(1) Rights set forth in each item of Article 189, paragraph 2 of the Companies Act

(2) A right to claim that is set forth in the provisions of Article 166, paragraph 1 of the Companies Act

(3) A right to receive allocation of shares and stock acquisition rights for subscription according to the number of shares held by shareholders

2. Due to the enforcement of the Act for Partial Revision of the Act on Transfer of Bonds, etc. for Achieving Rationalization of Settlements for Transactions of Shares, etc. and Other Acts (June 9, 2004, Act No. 88), treatment of shares including purchase and sale of shares less than one unit shall be conducted via securities brokers and other account management institutions in principle. However, shares recorded in special accounts are directly dealt with by Mitsubishi UFJ Trust and Banking Corporation, which is the account management institution of special accounts.

VII. Reference information on filing company

1. Information on filing company's parent company

Tosei does not have a parent company as described by the provisions of Article 24-7, paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

From the beginning of this fiscal year until the filing date of this Annual Securities Report, Tosei has filed the following documents.

(1) Annual Securities Report and Appendices, and Confirmation Letter

74th term; from December 1, 2022 to November 30, 2023, filed to Director-General of Kanto Local Finance Bureau on February 28, 2024.

(2) Internal Control Report and Appendices

Filed to Director-General of Kanto Local Finance Bureau on February 28, 2024.

(3) Quarterly Securities Reports and Confirmation Letter

First quarter of the 75th term; from December 1, 2023 to February 29, 2024, filed to Director-General of Kanto Local Finance Bureau on April 10, 2024.
Second quarter of the 75th term; from March 1, 2024 to May 31, 2024, filed to Director-General of Kanto Local Finance Bureau on July 10, 2024.

(4) Extraordinary Reports

Filed to Director-General of Kanto Local Finance Bureau on February 28, 2024.

Extraordinary Report based on Article 19, paragraph 2, item 9-2 (Results of Exercise of Voting Rights) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Filed to Director-General of Kanto Local Finance Bureau on June 4, 2024.

Extraordinary Report based on Article 19, paragraph 2, item 4 (Change in Major Shareholder) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Filed to Director-General of Kanto Local Finance Bureau on July 5, 2024.

Extraordinary Report based on Article 19, paragraph 2, item 2-2 (Issuance of Stock Acquisition Rights) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Filed to Director-General of Kanto Local Finance Bureau on February 27, 2025.

Extraordinary Report based on Article 19, paragraph 2, item 9-2 (Results of Exercise of Voting Rights) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

(5) Securities Registration Statement (Reference method) and Appendices

Filed to Director-General of Kanto Local Finance Bureau on July 30,2024.

Amendment Report for the Extraordinary Report filed on June 5, 2024.

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

No items to report

Independent Auditors' Audit Report and Internal Control Audit Report

February 19, 2025

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

[Audit of Financial Statements]

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Accounting Section, namely, the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the consolidated financial statements of Tosei Corporation for the fiscal year from December 1, 2023 to November 30, 2024.
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tosei Corporation and consolidated subsidiaries as of November 30, 2024, and the consolidated results of their operations and their cash flows for the year then ended in conformity with the International Financial Reporting Standards, pursuant to the provisions of Article 93 of the Ordinance.

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.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.

Assessment of real estate held for sale and real estate for sale in process related to the Revitalization Business and the Development Business	
Why it was determined to be a key audit matter	How the matter was addressed in the audit
In the consolidated statements of financial position of Tosei Corporation for the fiscal year under review, inventories related to the Revitalization Business and the Development Business of ¥146,817,328 thousand have been recorded. It consists of real estate held for sale of ¥126,621,838 thousand and real estate for sale in process of ¥20,195,490 thousand, accounting for 53% of total assets. Real estate held for sale and real estate for sale in process ("real estate held for sale, etc.") are assessed by recording a loss on valuation when net realizable value falls below the acquisition cost, and the loss on valuation is reversed up to the acquisition cost when net realizable value is clearly recovering, as described in "(5) Inventories" of "3. Material accounting policies," "4. Significant accounting estimates and judgments requiring estimates," and "10. Inventories" in the Notes to Consolidated Financial Statements. Estimates of rental expenses and discount rate and development expenses including improvement and construction costs, which form the basis for calculating the net realizable value of real estate held for sale, etc., are made for each individual property. However, they are greatly affected by the economic environment, interest rate fluctuations, competition in the real estate market, external factors in real estate development, and other factors in the course of real estate development and sales activities over a long period of time. As a result, estimates are subject to a great deal of uncertainty and are highly dependent on the management's subjective judgment. Accordingly, we determined that the assessment of real estate held for sale, etc. related to the Revitalization Business and the Development Business is a key audit matter, as it has a significant impact on the consolidated financial statements and the estimates require management's judgment.	We principally performed the following audit procedures to examine the rationale of the assessment of real estate held for sale, etc. related to the Revitalization Business and the Development Business. (1) We assessed the effectiveness of the status of development and operation of internal control related to the assessment of real estate held for sale, etc. (2) We performed the following procedures for the estimates of net realizable value of individual real estate held for sale, etc. - We assessed the adequacy and consistency of the method of calculating net realizable value. - We compared net realizable value with the Acquisition cost or book value for the property that is being assessed based on the business plan. - We compared the net realizable value assessed at the previous year-end with the actual sales value for real estate held for sale, etc. sold during the fiscal year under review. - We asked the management about their methods and basis for estimating rents and guest room occupancy rate, a key assumption in the assessment of real estate held for sale, etc., confirmed that such factors have been reflected in the assessment of real estate held for sale, etc., and assessed the rationale of the estimates and the degree of uncertainty. - We assessed the rationale of the discount rate estimate set by the Company for the calculation of net realizable value, by examining the consistency with the historical trend analysis, information published by external agencies, and the results of hearings. (3) For real estate held for sale, etc. in the Development Business, we assessed the feasibility of the development plans by questioning management and reviewing development and sales plan documents. (4) We visited the sites of some of the real estate held for sale, etc. to confirm the current status of the property and its surrounding environment, etc. and assessed the rationale of the estimates.

Other information

The other information comprises the information included in the Annual Securities Report other than the consolidated and non-consolidated financial statements and the audited reports thereon. 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 International Financial Reporting Standards, 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 International Financial Reporting Standards.
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 latter part of Article 120, paragraph 1 of the Regulation on Corporate Accounting which allows companies to prepare consolidated financial statements with the omission of some disclosure items required under International Financial Reporting Standards, 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 measures that are in place to eliminate obstacles or any safeguards that are applied to reduce obstacles to an acceptable level.
The auditor shall determine, from the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, which of the matters were of most significance in the audit of the consolidated financial statements of the current period and therefore are the key audit matters. The auditor shall describe each

key audit matter in the auditor's report unless law or regulation precludes public disclosure about the matter; or in extremely rare circumstances, the auditor determines that the matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

[Audit of Internal Control over Financial Reporting]

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Tosei Corporation as of November 30, 2023.
In our opinion, the Management's Report referred to above, which represents that the internal control over financial reporting as at November 30, 2023 of Tosei Corporation is effective, present fairly, in all material respects, the result of management's assessment on internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for the Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and Audit & Supervisory Members for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.
Corporate auditors and Audit & Supervisory Members are responsible for overseeing and examining the design and operation of internal control over financial reporting.
Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.
As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.

- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.

- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and Audit & Supervisory Board regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.
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 measures that are in place to eliminate obstacles or any safeguards that are applied to reduce obstacles to an acceptable level.

Fee-related Information

The amounts of fees for audit attestation services for the Company and its subsidiaries and fees for non-audit services paid to us and those who belong to the same network as ours under review are stated in IV. Filing company, 4. Status of corporate governance, etc., (3) Status of audit.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

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*1. The original copy of the Annual Securities Report in above, is in the custody of the Company (filing company of the Annual securities report) as attachments to the financial statements.
*2. XBRL data is excluded from the scope of the audit.

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

Independent Auditors' Audit Report

February 19, 2025

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 the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the financial statements included in the Accounting Section, namely, the balance sheets and the related statements of operations and changes in net assets, the significant accounting policies, the other related notes and supplementary schedules of Tosei Corporation for the 75th fiscal year from December 1, 2023 to November 30, 2024.
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tosei Corporation as of November 30, 2024, and its financial performance for the year then ended 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.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.

Assessment of real estate held for sale and real estate for sale in process related to the Revitalization Business and the Development Business
Tosei Corporation is engaged in the Revitalization Business and the Development Business. The non-consolidated balance sheets for the fiscal year under review records ¥100,673,475 thousand in real estate held for sale and ¥20,069,416 thousand in real estate for sale in process related to the Revitalization Business and the Development Business, accounting for 49% of total assets. Real estate held for sale and real estate for sale in process are assessed by recording a loss on valuation when net sales value falls below the Acquisition cost, and the loss on valuation is reversed up to the acquisition cost when net realizable value is clearly recovering, as described in "(Significant accounting estimates) valuation of Inventories (related to the Revitalization Business and the Development Business)" in the Notes to Non-consolidated Financial Statements. With regard to the matters mentioned above, details of the key audit matter, why it was determined to be a key audit matter, and how the matter was addressed in the audit have been omitted as they are identical to the key audit matter (Assessment of real estate held for sale and real estate for sale in process related to the Revitalization Business and the Development Business) described in the audit report of the consolidated financial statements.

Other information

The other information comprises the information included in the Annual Securities Report other than the consolidated and non-consolidated financial statements and the audited reports thereon. 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 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, 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 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 measures that are in place to eliminate obstacles or any safeguards that are applied to reduce obstacles to an acceptable level.

The auditor shall determine, from the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, which of the matters were of most significance in the audit of the financial statements of the current period and therefore are the key audit matters. The auditor shall describe each key audit matter in the auditor's report unless law or regulation precludes public disclosure about the matter; or in extremely rare circumstances, the auditor determines that the matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fee-related information is stated in the audit report of the consolidated financial statements.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

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*1. The original copy of the Annual Securities Report in above, is in the custody of the Company (filing company of the Annual securities report) as attachments to the financial statements.
2. XBRL data is excluded from the scope of the audit.

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

[Cover]

Document to be filed:	Management's Report on Internal Control
Provisions to base upon:	Article 24-4-4, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	February 27, 2025
Company name (Japanese):	トーセイ株式会社 (*Tosei Kabushiki-Kaisha*)
Company name (English):	TOSEI CORPORATION
Title and name of representative:	Seiichiro Yamaguchi, President and CEO
Title and name of Chief Financial Officer	Noboru Hirano, Director and CFO
Location of head office:	4-5-4, Shibaura, Minato-ku, Tokyo, Japan
Places where the document to be filed is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

1. Basic Framework of Internal Control Over Financial Reporting

Seiichiro Yamaguchi, President and CEO of TOSEI CORPORATION (the "Company") and Noboru Hirano, CFO Senior Executive Officer of the Company, having the responsibility to design and operate internal control over financial reporting of the Company and its consolidated subsidiaries (hereinafter collectively, the "Group"), designs and operates such internal control of the Company in accordance with the basic framework set forth in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

Note that internal control aims at achieving its objectives to a reasonable extent given that all individual components of internal control are integrated, and function as a whole. Thus, internal control over financial reporting may not be able to completely prevent or detect misstatement in financial reporting.

2. Scope of Assessment, Assessment Date and Assessment Procedure

Assessment of internal control over financial reporting was performed as of November 30, 2024(i.e., the last day of this fiscal year) in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In this assessment, the management first assessed company-level control which would have a material impact on the reliability of overall financial reporting on a consolidated basis, and based on such result, the management then selected the business processes to be assessed. In the process-level control assessment, the management assessed the effectiveness of internal control by analyzing the business processes in scope, identifying key controls that would have a material impact on the reliability of the financial reporting, and assessing the design and operation of such key controls.

Management determined the scope of assessment of internal control over financial reporting, by selecting the Company, consolidated subsidiaries and companies accounted for by the equity method based on their materiality of impacts on the reliability of financial reporting. The materiality of the impacts on the reliability of financial reporting was determined in consideration of both quantitative and qualitative aspects, and the management reasonably determined the scope of assessment of process-level control based on the result of the company-level control assessment, which included the Company and its 5 significant consolidated subsidiaries. As for the 13 consolidated subsidiaries other than the above are not included in the scope of evaluation of company-wide internal control, as they are considered insignificant in terms of monetary and qualitative importance.

For the purpose of determining the scope of process-level control assessment, 2 business location was selected as "Significant Business Locations", which comprises the Company and its consolidated subsidiaries selected in descending order based on their fiscal year's consolidated net sales (after elimination) and contributed approximately two-thirds of the Company's consolidated net sales in the aggregate. Note that the management confirmed that the scope of internal control assessment was sufficient based on fiscal year's consolidated net sales. In such Significant Business Locations, all business processes related to the accounts that are closely associated with the Company's business objectives, such as sales, accounts receivable, and inventory were included in the scope of assessment. Furthermore, regardless of the Significant Business Locations, certain business processes related to significant accounts involving estimates and management's judgment and business processes on businesses or operations in which transactions involving significant risks are conducted were added to the scope of assessment as "business processes with material impacts on financial reporting." In addition, considering impacts on financial reporting, the process for expense payment is included in the scope of assessment as a business process related to businesses of certain subsidiaries.

3. Assessment Result

Based on the above mentioned assessment results, the management concluded that the internal control over financial reporting of the Group at the end of this fiscal year was effective.

4. Supplementary Information

None

5. Special Affairs

None