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Consolidated Financial Results for the Fiscal Year Ended November 30, 2021 <IFRS>

January 12, 2022

Company name: Tosei Corporation
Stock listing: TSE / SGX
Securities code number: 8923/S2D
URL: https://www.toseicorp.co.jp/english/
Representative: Seiichiro Yamaguchi, President and CEO
Contact: Noboru Hirano, Director and CFO
Phone: +81-3-5439-8807
Ordinary general shareholders' meeting: February 25, 2022 (scheduled)
Commencement of dividend payments: February 28, 2022 (scheduled)
Submission of Securities Report (Yuka Shoken Hokokusho): February 28, 2022 (scheduled)
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

Note: All amounts are rounded down to the nearest million yen.

1. Consolidated Financial Results for the Fiscal Year Ended November 30, 2021 (December 1, 2020 – November 30, 2021)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit for the year	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Year ended Nov. 30, 2021	61,726	(3.5)	10,965	70.6	10,302	74.6	6,723	86.6
Year ended Nov. 30, 2020	63,939	5.3	6,427	(49.4)	5,901	(51.2)	3,602	(57.4)

	Profit attributable to owners of the parent		Total comprehensive income for the year		Basic earnings per share	Diluted earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥)	(¥)
Year ended Nov. 30, 2021	6,721	86.6	7,136	132.9	142.56	142.37
Year ended Nov. 30, 2020	3,602	(57.4)	3,064	(64.7)	76.05	75.94

	Ratio of profit to equity attributable to owners of the parent	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	(%)	(%)	(%)
Year ended Nov. 30, 2021	10.8	5.8	17.8
Year ended Nov. 30, 2020	6.1	3.6	10.1

(Reference) Equity method investment gain or loss Year ended Nov. 30, 2021: ¥－million Year ended Nov.30, 2020: ¥－million

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity per share attributable to owners of the parent
	(¥ million)	(¥ million)	(¥ million)	(%)	(¥)
As of Nov. 30, 2021	195,010	65,958	65,958	33.8	1,380.36
As of Nov. 30, 2020	161,684	58,969	58,969	36.5	1,250.00

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Year ended Nov. 30, 2021	974	(15,448)	10,994	33,560
Year ended Nov. 30, 2020	12,509	(4,054)	(3,414)	37,039

2. Dividends

	Annual dividends per share					Total dividends per share (Total)	Devident payout ratio (Consolidated)	Ratio of dividend to equity attributable to owners of the parent (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	(%)	(%)
Year ended Nov. 30, 2020	—	0.00	—	19.00	19.00	896	25.0	1.5
Year ended Nov. 30, 2021	—	0.00	—	38.00	38.00	1,815	26.7	2.9
Year ending Nov. 30, 2022(Forecast)	—	0.00	—	47.00	47.00		28.2	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending November 30, 2022 (December 1, 2021 – November 30, 2022)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of the parent		Basic earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Year ending Nov. 30, 2022	80,000	29.6	12,762	16.4	12,000	16.5	7,954	18.3	166.47

*** Notes**

(1) Changes in significant subsidiaries during the year (changes in specified subsidiaries resulting in changes in the scope of consolidation): No
Newly added: — Excluded: —

(2) Changes in accounting policies and changes in accounting estimates
(a) Changes in accounting policies required by IFRS: No
(b) Changes in accounting policies other than (a) above: No
(c) Changes in accounting estimates: No

(3) Number of issued shares (ordinary shares)

(a) Number of issued shares at the end of the year (including treasury shares)

As of Nov. 30, 2021	48,683,800 shares
As of Nov. 30, 2020	48,683,800 shares

(b) Number of treasury shares at the end of the year

As of Nov. 30, 2021	900,022 shares
As of Nov. 30, 2020	1,508,353 shares

(c) Average number of outstanding shares during the year

Year ended Nov. 30, 2021	47,145,722 shares
Year ended Nov. 30, 2020	47,370,103 shares

(Reference) Summary of Non-Consolidated Results

1. Non-consolidated Financial Results for the Fiscal Year Ended November 30, 2021 (December 1, 2020 – November 30, 2021)

(1) Non-consolidated Operating Results (Percentages indicate year-on-year changes.)

	Revenue		Operating income		Ordinary income		Net income	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Year ended Nov. 30, 2021	47,452	(8.7)	7,574	165.5	9,690	186.5	7,452	187.2
Year ended Nov. 30, 2020	51,958	6.3	2,853	(70.4)	3,382	(65.4)	2,594	(64.3)

	Net income per share	Net income per share (diluted)
	(¥)	(¥)
Year ended Nov. 30, 2021	158.08	157.86
Year ended Nov. 30, 2020	54.77	54.70

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	(¥ million)	(¥ million)	(%)	(¥)
As of Nov. 30, 2021	171,076	59,467	34.7	1,243.27
As of Nov. 30, 2020	148,071	51,737	34.9	1,095.59

(Reference) Equity As of November 30, 2021: ¥59,408million As of November 30, 2020: ¥51,685million

2. Non-consolidated Earnings Forecasts for the Fiscal Year Ending November 30, 2022 (December 1, 2021 – November 30, 2022)

(Percentages indicate year-on-year changes.)

	Revenue		Ordinary income		Net income		Net income per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Year ending Nov. 30, 2022	53,132	12.0	9,830	1.5	7,978	7.1	166.97

* These Financial Results are not subject to audit procedures by a certified public accountant or an audit corporation.

* Proper use of earnings forecasts and other notes

(1) The forward-looking statements, including outlook of future performance, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual performance and other results may differ substantially from these statements due to various factors. For the assumptions on which the earnings forecasts are based and cautions concerning the use thereof, please refer to “1.Operating results and Financial Position (5) Future outlook” on page 6 of the attached materials.

(2) A financial results meeting will be held on January 12, 2022 for institutional investors and analysts. The presentation materials distributed at the meeting will be available on our website immediately after the financial results disclosure.

Contents of Attached Material

1. **Operating Results and Financial Position ……..……2**

(1) Operating Results……..……2
(2) Analysis and Discussion of Operating Results……..……4
(3) Financial Positions.…….…… 5
(4) Cash Flows ……..... 5
(5) Future Outlook……..... 6
(6) Fundamental Earnings Distribution Policy and Dividends for 2021 and 2022…….…….....9

2. **Basic Concept Regarding Selection of Accounting Standards……..9**

3. **Consolidated Financial Statements and notes…….……..... 10**

(1) Consolidated Statement of Financial Position ……10
(2) Consolidated Statement of Comprehensive Income ……11
(3) Consolidated Statement of Changes in Equity ……..…….....12
(4) Consolidated Statement of Cash Flows ……..……13
(5) Notes on Consolidated Financial Statements ……..……14
(Notes on Going Concern Assumption) ……... 14
(Changes in presentation) ……... 14
(Additional Information) …….. 14
(Segment Information) ……... 14
(Earnings per Share) ……15
(Significant Subsequent Events) …….. 16

1. Operating Results and Financial Position

(1) Operating Results

During the fiscal year ended November 30, 2021, the Japanese economy remained on a weak recovery trend, despite the harsh conditions caused by COVID-19 being gradually mitigated. While expectations are high going forward for the effects of the huge economic stimulus package of the Kishida administration which came into office last year, it remains necessary to monitor such factors as the global trends of raw material prices of various resources as well as movements in global financial markets.

In the real estate industry where Tosei Group operates, domestic real estate investments from January to September 2021 decreased 9% year on year to ¥3.1 trillion. Although investments decreased due to the shortage of properties supplied on the market, investments in office buildings including the large-scale buildings of Tokyo's five business wards were on a recovery trend, reflecting the continuing proactive investment stance of the investors. While Tokyo fell to fourth place in the world ranking by city for the nine months from January to September 2021 (ranked first in the same period of the previous fiscal year), the real estate investment market is forecasted to remain active (according to a survey by a private research institute).

The Tokyo metropolitan area condominium market has recovered to the levels of 2019 and the number of newly built units from January to October 2021 increased 26.1% year on year to 21,535 units. Behind this increase is the rebound from the substantial decline under the state of emergency introduced last year. The average contract rate for the first month has also remained at around the 70% threshold from which market conditions are viewed as favorable, thereby indicating a robust market. In addition, in the pre-owned condominium market, the number of units contracted from January to October 2021 increased 13.0% year on year to 33,515. However, in the build-for-sale detached house market, in the absence of a substantial sales decline in 2020 as seen in the condominium market, housing starts for the nine months from January to September 2021 numbered 41,000 units (up 1.8% year on year), remaining largely unchanged from the same period of the previous fiscal year (according to a survey by a private research institute).

Regarding construction costs for the ten months from January to October 2021, average costs per tsubo for reinforced concrete structure were ¥963 thousand per tsubo (1 tsubo = 3.30 square meters) (an increase of 6.0% year on year), and average costs per tsubo for wooden structure were ¥569 thousand (unchanged from the same period of the previous fiscal year). Currently, the prices of steel materials and timber are experiencing an upsurge due to the recovery of the global economy including growing demand in the U.S. and China, which has also begun to affect construction costs in certain areas (according to a survey by the Ministry of Land, Infrastructure, Transportation and Tourism).

In the office leasing market of Tokyo's five business wards, the average vacancy rate as of October 2021 was 6.4% (an increase of 2.5 percentage points year on year), against the backdrop of tenants cutting back on office space as a result of a slowdown in expansion of office space and the spread of teleworking lifestyle in certain areas. The average asking rent was ¥20,804 per tsubo (a decrease of ¥1,630 year on year), demonstrating a downturn in the office leasing market in the Tokyo metropolitan area, and it remains necessary to monitor future trends in supply and demand. Meanwhile, the condominium leasing market remained robust and the average asking rent of condominiums in the Tokyo metropolitan area as of October 2021 was ¥10,935 per tsubo (an increase of 4.6% year on year) and the average occupancy rate at condominiums held by J-REIT in the Tokyo Area as of August 31, 2021 was 96.6% (a decrease 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 in October 2021 amounted to 7.23 million tsubo (an increase of 14.4% year on year). The vacancy rate was 1.7%. Although this was a slight increase from the level of 1.3% observed in July 2021, rent continues to gradually increase and supply and demand remain tight. Leasing demand is expected to remain firm for the time being, despite an easing in the extraordinary demand stemming from the COVID-19 pandemic (according to a survey by a private research institute).

In the real estate fund market, the market scale continues to expand. J-REIT assets under management in October 2021 totaled ¥21.2 trillion (an increase of ¥1.1 trillion year on year) and assets under management in private placement funds totaled ¥23.4 trillion (as of June 2021, an increase of ¥2.3 trillion year on year). Combining the two, the real estate securitization market scale grew to ¥44.6 trillion (according to a survey by a private research institute).

In the Tokyo business hotel market, the average guest room occupancy rate in the nine months from January to September 2021 was 38.2% (83.6% in the same period of the fiscal year ended November 30,

2019, prior to the COVID-19 pandemic). The total number of hotel guests in Tokyo encompassing all types of accommodation in the nine months from January to September 2021 amounted to 24.34 million (58.32 million overnight stays in the same period of the fiscal year ended November 30, 2019). As the COVID-19 situation in Japan has been gradually brought under control, including the lifting of the state of emergency in October 2021, expectations are high for an influx of inbound visitors and other signs of recovery of the hotel market (according to a survey by the Japan Tourism Agency).

Amid this operating environment, in the Revitalization Business, the Group made steady progress in selling assets such as income-generating office buildings and apartments, while in the Development Business, the Group pushed ahead with sales of detached houses and logistics facilities. In addition, the Group also proceeded with the acquisition of income-generating properties and various types of land for development as future sources of income.

As a result, consolidated revenue for the fiscal year under review totaled ¥61,726million (down 3.5% year on year), operating profit was ¥10,965 million (up 70.6%), profit before tax was ¥10,302 million (up 74.6%), and profit attributable to owners of the parent was ¥6,721 million (up 86.6%).

Performance by business segment is shown below.

Revitalization Business

During the fiscal year under review,the segment sold 46 properties which had been renovated, including Kannai Tosei Building III (Yokohama-shi, Kanagawa), T's garden Kiyose (Kiyose-shi, Tokyo), Ichikawashimamura Building (Ichikawa-shi, Chiba). In addition, the segment sold four unit in the Restyling Business from Isarakoplace Residence (Minato-ku, Tokyo), Rune Kamakura Ueki Residence (Kamakura-shi, Kanagawa).

In addition, ICOMPANY, Inc. and its four subsidiaries (hereinafter collectively the "Princess Group"), which were included in the scope of consolidation from the fiscal year under review, sold 19 pre-owned condominium units.

During the fiscal year under review, it also acquired a total of 31 income-generating office buildings and apartments for renovation and sales purposes and two land lots. Furthermore, in conjunction with the consolidation of the Princess Group, as of November 30, 2021, inventories increased, including a total of 25 income-generating office buildings and apartments and 127 pre-owned condominium units

In addition, the Group reviewed the valuation of its income-generating properties, recording a reversal of inventories valuation loss of ¥1,408 million.

As a result, revenue in this segment was ¥33,587 million (up 7.8% year on year) and the segment profit was ¥7,203 million (up 28.7%).

(Note)From the fiscal year ending November 30, 2022, the Company has changed the name of its "Real Estate Securitization Business" (in Japanese. In English, the segment has been known as the "Revitalization Business" and will remain the same) to the "Revitalization Business." In the Revitalization Business, the Company acquires properties whose asset value has declined, considers various "value-up plans" including improving the design, convenience and security, and introducing environment-friendly features that reflect local characteristics and tenant needs, boosts their value with the most suitable value-up plan and sells them as revitalized real estate to various investors. These revitalization projects contribute to the long-term use of buildings and promote the reduction of the environmental burden.

Development Business

During the fiscal year under review, the segment sold a newly built logistic facility, T's Logi Hasuda (Hasuda-shi, Saitama) and a newly built commercial facility, THE Palms Sagamihara Park Brightia (Store section) (Sagamihara-shi, Kanagawa). In addition, the segment focused on the sale of detached houses, for which there was firm demand. The segment sold 84 detached houses at such properties as THE Palms Court Kamakura Shiromeguri (Kamakura-shi, Kanagawa) and THE Palms Court Hibarigaoka (Nishitokyo-shi, Tokyo).

During the fiscal year under review, three land lots for apartment project, one land lot for commercial facility project, three land lots for income-generating office buildings, acquired two land lots for logistic facility and land lots for 67 detached houses.

In addition, the Group reviewed the valuation of its income-generating properties, recording a valuation

loss of ¥156 million and reversal of inventories valuation loss of ¥283 million.

As a result, revenue in this segment was ¥11,962 million (down 26.0% year on year) and the segment profit was ¥1,060 million (in comparison with segment loss of ¥3,743 million in the same period of the previous fiscal year).

Rental Business

During the fiscal year under review, while the segment sold 24 properties of its inventory assets held for leasing purposes, it newly acquired 40 properties including income-generating office buildings and apartments. In addition, the segment made efforts to lease vacancies out following acquisitions and also focused on leasing activities for its existing non-current assets and inventory assets.

As a result, revenue in this segment was ¥5,466 million (down 5.9% year on year) and the segment profit was ¥2,700 million (up 16.4%).

Fund and Consulting Business

During the fiscal year under review, while ¥121,111 million was subtracted due mainly to property dispositions by funds, ¥418,571 million was added due to new lage asset management contracts from the balance of assets under management (Note) ¥1,123,406 million for the end of the previous fiscal year. The balance of assets under management as of November 30, 2021, was ¥1,420,867 million.

As a result, revenue in this segment was ¥4,934 million (down 13.1% year on year) and the segment profit was ¥3,137 million (down 25.2%).

The lower year-on-year revenue and profit results are primarily attributable to the segment having posted brokerage fee income pertaining to transactions involving large projects in the previous fiscal year.

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

Property Management Business

During the fiscal year under review, the segment worked to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 758 as of November 30, 2021, an increase of 63 from November 30, 2020 with that total comprising 470 office buildings, hotel, logistics facilities and other such properties, and 288 condominiums and apartments.

As a result, revenue in this segment was ¥5,219 million (up 11.3% year on year) and segment profit was ¥672 million (up 0.8%).

Hotel Business

During the fiscal year under review, the Group opened TOSEI HOTEL COCONE Asakusa in July 2021 and TOSEI HOTEL COCONE Kamakura in October 2021. Despite endeavors including the improvement of occupancy rates at existing hotels, conditions remained harsh due to the renewed spread of COVID-19, with the temporary closure of some hotels.

As a result, revenue in this segment was ¥555 million (up 27.1% year on year) and segment loss was ¥838 million (in comparison with segment loss of ¥673 million in the same period of the previous fiscal year).

(2) Analysis and Discussion of Operating Results

During the fiscal year under review, the Group's businesses performed favorably, with the exception of the Hotel Business which continued to be adversely impacted by the COVID-19 pandemic. The Revitalization Business captured the robust demand from investors for real estate and the upward swing in its profit margin drove the Group's overall profits, while the increase in asset management fees, reflecting the growth in the Fund and Consulting Business' balance of assets under management, which reached ¥1.4 trillion, also contributed to profits. In the Revitalization Business, the sale of certain properties scheduled for sale has been postponed to the next fiscal year, which resulted in the revenue of ¥61.7 billion (down 11.2% from the initial plan). Nevertheless, thanks to an improvement in profit margin, profit before tax totaled ¥10.3 billion (up 28.8%), substantially exceeding the initial plan. Thus, the Group marked a promising start for the initial year of the medium-term management plan "Infinite Potential 2023."

As part of measures to "expand existing businesses" upheld in the medium-term management plan, the Group pushed forward with the acquisition and consolidation of the Princess Group, which is engaged in the purchase and resale after renovation of pre-owned condominium units, as means to acquire large-scale

prime real estate in an effort to increase its rental income and to expand the business domains of the Revitalization Business.

In addition, as part of measures to "create new income-generating models" under the mid-term management plan, the Group promoted measures to build a diverse real estate fund scheme and to fuse the Revitalization Business/Real Estate Fund Business with digital transformation (DX), in order to reinforce its competitive edge. In the previous fiscal year, the Tosei Real Estate Crowd (TREC) Funding scheme was launched and during the current fiscal year, security tokens backed by domestic real estate were listed on ADDX*, Singapore's digital securities platform. While these efforts are only baby steps, they are expected to promote the Company's DX, as well as contribute to the diversification and globalization of investment opportunities in Japanese real estate, and accordingly, the Company intends to continue to promote these initiatives going forward as means to enhance its corporate value.

*ADDX: A security token platform licensed by the Monetary Authority of Singapore.

(3) Financial Positions

As of November 30, 2021, total assets were ¥195,010 million, a increase of ¥33,326 million compared with November 30, 2020, while total liabilities were ¥129,052 million, a increase of ¥26,337 million.

This is mainly due to, a increase in inventories (up ¥19,793 million year on year) and a increase Investment properties (up ¥12,824 million year on year) despite an decrease in cash and cash equivalents (down ¥3,478 million year on year) . Increase in liabilities were primarily due to a increase in interest-bearing liabilities (up 23,967 million year on year)and a increase in Current income tax liabilities (up ¥1,699 million year on year).

Total equity increased by ¥6,989 million to ¥65,958 million, mainly due to an increase in retained earnings, payment of cash dividends, purchase of treasury shares and Disposal of treasury shares.

(4) Cash Flows

Cash and cash equivalents (hereinafter "cash") as of November 30, 2021 totaled ¥33,560 million, an decrease of ¥3,478 million compared with November 30, 2020.

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 provided by operating activities totaled ¥974 million (down 92.2% year on year). This is mainly attributed to the profit before tax of ¥10,302 million, a increase in inventories of ¥7,118 million and income taxes paid of ¥2,532 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥15,448 million (up 281.1% year on year). This is mainly due to purchase of investment properties of ¥12,251 million and payments for acquisition of subsidiaries of ¥1,610 million.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥10,994 million (¥3,414 million used in the same period of the previous fiscal year). This mainly reflects ¥49,831 million in the proceeds from non-current borrowings , ¥37,419 million in repayments of non-current borrowings and ¥896 million in cash dividends paid.

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

	Year ended Nov. 30, 2019	Year ended Nov. 30, 2020	Year ended Nov. 30, 2021
Ratio of equity attributable to owners of the parent to total assets (%)	36.0	36.5	33.8
Ratio of equity attributable to owners of the parent to market capitalization (%)	39.1	33.9	23.6
Ratio of cash flows to interest-bearing debt (years)	―	7.3	118.0
Interest coverage ratio (times)	―	12.9	0.8

Ratio of equity attributable to owners of the parent to total assets: Equity attributable to owners of the 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 figure for cash flows employs cash flows from operating activities.
(4) Interest-bearing debt includes all liabilities recorded on 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, 2019 because cash flows from operating activities on the consolidated statements of cash flows was negative.

(5) Future Outlook

In the Tokyo metropolitan area real estate investment market, which is the Group's mainstay market, real estate investors both in Japan and abroad continue to demonstrate their robust investment stance amid the protracted worldwide low-interest-rate environment, leading to robust transactions. While rising vacancy rates and falling rents in the office leasing market are becoming pronounced due to the progress of teleworking among others, real estate transaction prices remain high, reflecting the shortages in property supply in the investment market. In particular, income-generating apartments, which have been the preferred targets by investors for their stable profitability, have witnessed a further decline in the investors' expected yield from real estate. Although active transactions are expected going forward, we are aware that the real estate market will need to be watched for the possibility of entering an adjustment phase caused by further deterioration of the office market, changes in the lending attitude of financial institutions, and changes in the financial policies of European and U.S. financial institutions looking ahead to a post-COVID world.

Although the spread of COVID-19 infections in Japan seems to be waning for the time being, globally, there has been a resurgence and the pandemic, which initially was expected to end in about two years, is still not allowing for any predictions as to when it will be contained. The Company expects the domestic real estate market including hotels and commercial facilities, which continue to be adversely impacted by COVID-19 to fully recover only in and after the fiscal year ending November 2023.

Under such a business environment, as for the business forecast for the fiscal year ending November 30, 2022, the Group expects consolidated revenue of ¥80,000 million (up 29.6% year on year), operating profit of ¥12,762 million (up 16.4%), profit before tax of ¥12,000 million (up 16.5%), and profit attributable to owners of the parent for the year of ¥7,954 million (up 18.3%). Tosei will continue to expand its purchasing activities for future growth while ensuring sufficient liquidity on hand and financial soundness, and strive to expand all its businesses through the improvement of various services including its real estate revitalization services.

The Group has formulated and has been promoting its three-year medium-term management plan in an effort to enhance corporate value. The medium-term management plan, "Infinite Potential 2023," which kicked off in the fiscal year ended November 30, 2021, covering the period from December 2020 to November 2023, upholds the main policy to "Pursue the Group's infinite growth potential in all aspects of real estate and aim for a new stage as a comprehensive real estate company." Under the plan, the Group is expanding existing businesses for the further growth of the Group and enhancing existing businesses through the promotion of DX, while making efforts to put ESG management into practice. Due to the uncertainty surrounding the impact of COVID-19 pandemic, the plans for consolidated revenue and profits for the second year onwards were not disclosed when the medium-term management plan was initially

formulated. However, as the plan has been revised in light of the current outlook of the business environment and the performance trends for the initial year, Tosei announces the quantitative plan as follows.

Medium-term Management Plan "Infinite Potential 2023" (from December 2020 to November 2023)

<Main Policy>

"Pursue the Group's infinite growth potential in all aspects of real estate and aim for a new stage as a comprehensive real estate company."

<Basic Policies>

Basic policy 1. Expand existing businesses and increase operating profit with a focus on environmental/ social issues

Basic policy 2. Enhance existing businesses and create new income-generating models through DX

Basic policy 3. Implement a balance sheet strategy with a focus on increasing business scale, Group-held assets and capital efficiency

Basic policy 4. Implement Group strategy and organizational strategy with a focus on achieving both governance and efficiency

Basic policy 5. Improve operational and administrative efficiency through the promotion of utilization of IT and enhance employee satisfaction conducive to improving productivity

Basic policy 6. Promote business, management and ESG with a focus on sustainability

<Quantitative Plan>

Growth potential: Consolidated revenue for the final fiscal year of the plan: ¥100 billion
Consolidated profit before tax for the final fiscal year of the plan: ¥14 billion

Capital efficiency: ROE of 12% or more in the final fiscal year of the plan

Stability: Stable businesses ratio (operating profit-basis) around 50%

Financial soundness: Equity ratio of around 35%
Net debt-to-equity ratio: about 1.3 times

Shareholder returns: Aim to gradually raise payout ratio from 25% to 30% over three years
Consider repurchase of own shares with a focus on capital efficiency

*Underlined sections indicate additions and revisions.

<Quantitative Plan of the Medium-term Management Plan "Infinite Potential 2023" (Consolidated)>

*Underlined sections indicate additions and revisions.

	Initial year Year ended November 2021 (Announced on January 12, 2021)	2nd year Year ending November 2022 (Announced on January 12, 2022)	3rd year (final year) Year ending November 2023 (Announced on January 12, 2022)
Consolidated revenue	¥69.5 billion	¥80 billion	¥100 billion
Consolidated profit before tax	¥8 billion	¥12 billion	¥14 billion
ROE in the final fiscal year	-	-	12% or more
Stable businesses ratio (operating profit-basis)	47.5%	43.5%	Around 50%
Equity ratio	35.7%	33.3%	Around 35%
Net debt-to-equity ratio	1.01 times	1.35 times	About 1.3 times
Dividend payout ratio	26.2%	28.2%	Around 30%

< Results for the current fiscal year>

	Year ended November 2021
Consolidated revenue	¥61.7 billion
Consolidated profit before tax	¥10.3 billion
ROE	10.8%
Stable businesses ratio (operating profit-basis)	40.7%
Equity ratio	33.8%
Net debt-to-equity ratio	1.23 times
Dividend payout ratio	26.7%

In this plan, the Group sets out “pursue the Group's infinite growth potential” as the main policy, and will strive for further growth, business transformation through the use of digital technology, contribution to SDGs through business and promotion of ESG management to improve corporate value. Specifically, the Group aims to promote initiatives Group-wide by incorporating efforts on environmental/social issues in the individual measures of each business. The Revitalization Business aims to extend the service life of buildings by renovating existing real estate, as well as differentiate and improve profitability of products by creating added value through upgrades focusing on comfort and safety. The Development Business will incorporate elements such as eco-friendliness and crime prevention/disaster preparedness in product planning with aiming to increase the brand value of each product through product planning that will be supported by customers. Both the Revitalization Business and the Development Business will leverage IT to promote sales activities, strengthen decision-making capabilities in investments and Group-wide cooperation to reinforce the structure toward expanding business scale. In the Stock and Fee Business, the stable source of income, the Group will aim to expand business scale and improve profitability through initiatives such as providing high-quality services and enhancing customer satisfaction with a focus on ESG as well as reviews of operational processes by leveraging IT in each of the Rental Business, Fund and Consulting Business, Property Management Business and Hotel Business. Recognizing that the fusion of DX and real estate presents a new business opportunity, the Group will expand assets under management in the crowd funding business, commercialize an investment scheme using security tokens, and other projects as initiatives to create new income-generating models.

On the financial front, the Group will work on effective investments while strengthening funding capabilities and maintaining a sound financial structure to support the expansion in business scale and asset balance. In addition, as a Group organizational strategy in line with the business which is both expanding in scale and diversifying in nature, the Group will streamline and reconstruct the organization, further enhance the quality of internal control, and maintain an optimal corporate governance structure to extend Group-wide cooperation and comprehensive capabilities. Furthermore, to fully activate human resources, which are the Group’s most important assets, the Group will promote human resources development aiming for the growth of all officers and employees and productivity enhancement while improving employee satisfaction Group-wide.

(6) Fundamental Earnings Distribution Policy and Dividends for 2021 and 2022

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 advantage of highly profitable business opportunities.

For the fiscal year ended November 30, 2021 and the fiscal year ending November 30, 2022, Tosei plans to pay cash dividends per share of ¥38 and ¥47 respectively.

2. Basic Concept Regarding Selection of Accounting Standards

Tosei Group has adopted IFRS.

The Group expects that adoption of IFRS will bring numerous benefits in facilitating its overseas expansion going forward, such that include improving its creditworthiness abroad enhancing flexibility in fund raising by global offering, etc., and improved convenience of financial information for overseas investors and others.

Meanwhile, another benefit is that the adoption of IFRS enables Tosei Corporation to submit IFRS-based financial statements, as is, for matters involving both the Tokyo Stock Exchange and the Singapore Exchange where the Company maintains multiple listings.

3. Consolidated Financial Statements and notes

(1) Consolidated Statement of Financial Position

(¥ thousand)

	As of Nov. 30, 2020	As of Nov. 30, 2021
Assets		
Current assets		
Cash and cash equivalents	37,039,600	33,560,679
Trade and other receivables	3,192,248	4,021,040
Inventories	65,416,925	85,210,849
Other current assets	15,298	46,903
Total current assets	105,664,073	122,839,472
Non-current assets		
Property, plant and equipment	23,495,129	23,860,236
Investment properties	26,987,387	39,812,070
Goodwill	—	1,530,369
Intangible assets	209,663	191,758
Trade and other receivables	779,470	1,509,310
Other financial assets	3,972,309	4,511,800
Deferred tax assets	572,454	742,628
Other non-current assets	4,014	13,254
Total non-current assets	56,020,429	72,171,427
Total assets	161,684,503	195,010,899
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	5,466,127	4,976,342
Interest-bearing liabilities	11,794,730	11,432,641
Current income tax liabilities	925,671	2,625,593
Provisions	600,264	788,366
Total current liabilities	18,786,795	19,822,944
Non-current liabilities		
Trade and other payables	3,649,593	4,373,252
Interest-bearing liabilities	79,192,778	103,521,924
Retirement benefits obligations	546,421	646,515
Provisions	7,129	15,284
Deffered Tax Liabilties	532,260	672,238
Total non-current liabilities	83,928,183	109,229,215
Total Liabilities	102,714,978	129,052,159
Equity		
Share capital	6,624,890	6,624,890
Capital reserves	6,627,004	6,790,172
Retained earnings	47,442,372	53,250,370
Treasury shares	(1,500,055)	(911,662)
Other components of equity	(224,688)	204,969
Total equity attributable to owners of parent	58,969,524	65,958,740
Total equity	58,969,524	65,958,740
Total liabilities and equity	161,684,503	195,010,899

(2) Consolidated Statement of Comprehensive Income

(¥ thousand)

	Year ended Nov. 30, 2020 (Dec. 1, 2019 – Nov. 30, 2020)	Year ended Nov. 30, 2021 (Dec. 1, 2020 – Nov. 30, 2021)
Revenue	63,939,781	61,726,449
Cost of revenue	49,140,392	41,024,914
Gross profit	14,799,389	20,701,534
Selling, general and administrative expenses	8,401,897	9,778,616
Other income	116,612	177,190
Other expenses	86,349	134,496
Operating profit	6,427,755	10,965,612
Finance income	268,037	249,562
Finance costs	794,479	912,557
Profit before tax	5,901,313	10,302,616
Income tax expense	2,298,973	3,578,917
Profit for the year	3,602,339	6,723,698
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	(518,325)	405,964
Remeasurements of defined benefit pension plans	(758)	(18,615)
Subtotal of Other comprehensive income Items that will not be reclassified to profit or loss	(519,083)	387,348
Other comprehensive income Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(6,818)	13,827
Net change in fair values of cash flow hedges	(11,573)	11,884
Subtotal of other comprehensive income Items that may be reclassified to profit or loss	(18,391)	25,712
Other comprehensive income for the year, net after tax	(537,474)	413,061
Total comprehensive income for the year	3,064,864	7,136,760
Profit attributable to:		
Owners of the parent	3,602,339	6,721,305
Non-controlling interests	—	2,393
Profit for the year	3,602,339	6,723,698
Total comprehensive income attributable to:		
Owners of the parent	3,064,864	7,134,366
Non-controlling interests	—	2,393
Total comprehensive income for the year	3,064,864	7,136,760
Earnings per share attributable to owners of the parent		
Basic earnings per share (¥)	76.05	142.56
Diluted earnings per share (¥)	75.94	142.37

(3) Consolidated Statement of Changes in Equity

Year ended November 30, 2020 (Dec. 1, 2019 – Nov. 30, 2020)

(¥ thousand)

	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Total equity
Balance at Dec. 1, 2019	6,579,844	6,575,240	45,839,423	(1,000,037)	312,028	58,306,499	58,306,499
Profit for the year			3,602,339			3,602,339	3,602,339
Other comprehensive income					(537,474)	(537,474)	(537,474)
Total comprehensive income for the year	—	—	3,602,339	—	(537,474)	3,064,864	3,064,864
Amount of transactions with owners							
Issuance of new shares	45,046	25,441				70,487	70,487
Purchase of treasury shares		(7,232)		(500,018)		(507,250)	(507,250)
Dividends from surplus			(1,998,632)			(1,998,632)	(1,998,632)
Share-based payment		33,556				33,556	33,556
Transfer from other components of equity to retained earnings			(758)		758	—	—
Balance at Nov. 30, 2020	6,624,890	6,627,004	47,442,372	(1,500,055)	(224,688)	58,969,524	58,969,524

Year ended November 30, 2021 (Dec. 1, 2020 – Nov. 30, 2021)

(¥ thousand)

	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, 2020	6,624,890	6,627,004	47,442,372	(1,500,055)	(224,688)	58,969,524	—	58,969,524
Profit for the year			6,721,305			6,721,305	2,393	6,723,698
Other comprehensive income					413,061	413,061		413,061
Total comprehensive income for the year	—	—	6,721,305	—	413,061	7,134,366	2,393	7,136,760
Amount of transactions with owners								
Purchase of treasury shares		(5,295)		(500,049)		(505,345)		(505,345)
Disposal of treasury shares		156,273		1,088,443		1,244,717		1,244,717
Dividends from surplus			(896,333)			(896,333)		(896,333)
Dividends to non-controlling interests						—	(2,771)	(2,771)
Change from newly consolidated subsidiary						—	117,600	117,600
Change in scope of consolidation			(378)			(378)	(117,221)	(117,600)
Share-based payment		12,189				12,189		12,189
Transfer from other components of equity to retained earnings			(16,596)		16,596	—		—
Balance at Nov. 30, 2021	6,624,890	6,790,172	53,250,370	(911,662)	204,969	65,958,740	—	65,958,740

(4) Consolidated Statement of Cash Flows

(¥ thousand)

	Year ended Nov. 30, 2020 (Dec. 1, 2019 – Nov. 30, 2020)	Year ended Nov. 30, 2021 (Dec. 1, 2020 – Nov. 30, 2021)
Cash flows from operating activities		
Profit before tax	5,901,313	10,302,616
Depreciation expense	1,216,143	1,492,087
Increase (decrease) in provisions and retirement benefits obligations	(50,935)	222,214
Interest and dividends income	(268,037)	(251,805)
Interest expenses	794,479	912,557
Loss on retirement of non-current assets	7,587	1,841
Decrease (increase) in trade and other receivables	868,417	(1,516,068)
Decrease (increase) in inventories	8,154,542	(7,118,262)
Increase (decrease) in trade and other payables	(1,195,944)	(1,157,713)
Other, net	17,423	6,985
Subtotal	15,444,989	2,894,452
Interest and dividends income received	204,067	256,073
Income taxes paid	(3,139,264)	(2,532,796)
Income taxes refund	—	356,873
Net cash from (used in) operating activities	12,509,792	974,603
Cash flows from investing activities		
Purchase of property, plant and equipment	(161,265)	(974,097)
Purchase of investment properties	(3,377,878)	(12,251,192)
Purchase of intangible assets	(157,791)	(39,893)
Payments of loans receivable	—	(610,695)
Collection of loans receivable	109,857	4,027
Purchase of other financial assets	(972,660)	(102,673)
Collection of other financial assets	505,046	157,049
Payments for acquisition of subsidiaries	—	(1,610,227)
Other, net	614	(21,275)
Net cash from (used in) investing activities	(4,054,077)	(15,448,977)
Cash flows from financing activities		
Net increase (decrease) in current borrowings	(1,796,000)	1,358,000
Proceeds from non-current borrowings	33,963,165	49,831,946
Repayments of non-current borrowings	(31,925,799)	(37,419,887)
Repayments of lease obligations	(255,438)	(254,241)
Proceeds from issuance of new shares	70,232	—
Repayments to non-controlling shareholders	—	(117,600)
Capital contribution from non-controlling interests	—	117,600
Cash dividends paid	(1,997,202)	(896,367)
Dividends paid to non-controlling interests	—	(2,771)
Purchase of treasury shares	(500,018)	(500,049)
Proceeds from disposal of treasury shares	—	44,767
Interest expenses paid	(973,315)	(1,167,130)
Net cash from (used in) financing activities	(3,414,376)	10,994,264
Net increase (decrease) in cash and cash equivalents	5,041,339	(3,480,109)
Cash and cash equivalents at beginning of year	31,998,929	37,039,600
Effect of exchange rate change on cash and cash equivalents	(668)	1,220
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(31)
Cash and cash equivalents at end of year	37,039,600	33,560,679

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

No item to report.

(Changes in presentation)

In the previous consolidated fiscal year, the total amount of loans and lease liabilities was presented as "borrowings" in "current liabilities" and "non-current liabilities. However, in the current consolidated fiscal year, due to the new consolidation of the Company, corporate bonds were added, and the account title was changed to "Interest-bearing debt" in order to present the information more in line with the actual situation.

(Additional Information)

Effect of the Spread of COVID-19 on Accounting Estimates

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

The Group considers that real estate markets other than hotels and commercial facilities are already recovering as of November 30, 2021. It predicts that the impact of COVID-19 on hotels and commercial facilities will persist for the time being, and that it will be next fiscal year or later before a recovery takes place.

In view of this situation, during the twelve months ended November 30, 2021, the Group has altered some assumptions, etc. underlying accounting estimates concerning items such as the valuation of some inventory assets and non-current assets.

(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 reported 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:

Year ended November 30, 2020
(Dec.1, 2019 – Nov 30, 2020)

(¥ 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	31,154,223	16,171,200	5,810,503	5,676,067	4,690,599	437,186	—	63,939,781
Intersegment revenue	—	—	48,775	82,945	1,237,956	1,480	(1,371,157)	—
Total	31,154,223	16,171,200	5,859,279	5,759,012	5,928,555	438,666	(1,371,157)	63,939,781
Segment profit or loss	5,596,952	(3,743,396)	2,319,539	4,193,437	667,650	(673,151)	(1,933,276)	6,427,755
Finance income/costs, net								(526,442)
Profit before tax								5,901,313

Year ended November 30, 2021
(Dec.1, 2020 – Nov 30, 2021)

(¥ 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	33,587,081	11,962,680	5,466,444	4,934,862	5,219,864	555,515	—	61,726,449
Intersegment revenue	—	—	101,437	21,777	1,393,493	311	(1,517,019)	—
Total	33,587,081	11,962,680	5,567,882	4,956,639	6,613,357	555,827	(1,517,019)	61,726,449
Segment profit or loss	7,203,842	1,060,672	2,700,008	3,137,608	672,722	(838,825)	(2,970,416)	10,965,612
Finance income/costs, net								(662,995)
Profit before tax								10,302,616

(Earnings per Share)

	Year ended November 30, 2020 (Dec. 1, 2019 – Nov. 30, 2020)	Year ended November 30, 2021 (Dec. 1, 2020 – Nov. 30, 2021)
Profit attributable to owners of the parent (¥ thousand)	3,602,339	6,721,305
Net income used to figure diluted net income per share (¥ thousand)	3,602,339	6,721,305
Weighted average number of outstanding ordinary shares (shares)	47,370,103	47,145,721
The number of increased ordinary shares used to figure diluted earnings per share (shares)	64,809	64,770
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	47,434,912	47,210,491
Basic earnings per share (¥)	76.05	142.56
Diluted net income per share (¥)	75.94	142.37

(Significant Subsequent Events)

Repurchase of the treasury shares

The Company resolved to repurchase its own shares pursuant to Article 156 of the Companies Act which is applicable in lieu of Article 165, Paragraph 3 of this act, at the board of directors' meeting held on January 12, 2022.

1. Reason for repurchase of the treasury shares

Stock will be repurchased to raise the level of shareholder return and improve capital efficiency, enabling the Company to flexibly execute capital policies that responds to changes in the business environment.

2. Details of repurchase

(1) Class of shares to be repurchased	Common share of Tosei Corporation
(2) Total number of shares to be repurchased	Up to 700,000 shares (1.5% of issued shares (excluding treasury shares))
(3) Total value of shares to be repurchased	Up to 500 million yen
(4) Period for repurchase	From January 13, 2022 to July 31, 2022
(5) Method of repurchase	Discretionary investment by a securities company