Consolidated Financial Results
for the First Six Months of the Fiscal Year Ending November 30, 2024
<IFRS>

July 5, 2024

Company name: TOSEI CORPORATION Stock listing: TSE / SGX
Securities code number: 8923 / S2D
Representative: Seiichiro Yamaguchi, President and CEO URL: https://www.toseicorp.co.jp/english/
Contact: Noboru Hirano, Director and CFO Phone: +81-3-5439-8807
Submission of Quarterly Securities Report (Shihanki-Houkokusho): July 10, 2024 (scheduled)
Commencement of dividend payments: —
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly 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 Six Months Ended May 31, 2024 (December 1, 2023 – May 31, 2024)

(1) Consolidated Operating Results (cumulative) (Percentages indicate year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit for the period	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Six months ended May 31, 2024	57,618	9.0	14,901	19.1	14,372	19.0	10,062	23.3
Six months ended May 31, 2023	52,861	21.4	12,516	33.8	12,072	34.1	8,163	33.7

	Profit attributable to owners of the parent		Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥)	(¥)
Six months ended May 31, 2024	10,058	23.2	10,087	25.4	207.75	207.51
Six months ended May 31, 2023	8,164	33.7	8,045	29.3	172.35	172.00

(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
	(¥ million)	(¥ million)	(¥ million)	(%)
As of May 31, 2024	254,464	89,438	89,037	35.0
As of November 30, 2023	245,329	82,319	82,046	33.4

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended November 30, 2023	–	0.00	–	66.00	66.00
Fiscal year ending November 30, 2024	–	0.00			
Fiscal year ending November 30, 2024 (Forecast)			–	73.00	73.00

Note: Revision to the most recently released dividend forecasts: No

3. Consolidated Earnings Forecasts for the Fiscal Year Ending November 30, 2024 (December 1, 2023 – November 30, 2024)

(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)	(%)	(¥)
Fiscal year ending November 30, 2024	92,116	15.9	17,702	8.9	16,500	7.8	11,209	6.7	231.72

Note: Revision to the most recently released earnings forecasts: No

*** Notes**

(1) Changes in significant subsidiaries during the period
(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 due to other reasons: No
(c) Changes in accounting estimates: No

(3) Number of issued shares (ordinary shares)

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

As of May 31, 2024	48,683,800 shares
As of November 30, 2023	48,683,800 shares

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

As of May 31, 2024	222,707 shares
As of November 30, 2023	306,765 shares

(c) Average number of outstanding shares during the period (cumulative)

Six months ended May 31, 2024	48,418,423 shares
Six months ended May 31, 2023	47,370,964 shares

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

* Proper use of earnings forecasts and other notes

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. Qualitative Information on Quarterly Consolidated Financial Performance (3) Qualitative Information Regarding Consolidated Earnings Forecasts” on page 5 of the attached materials.

Contents of Attached Materials

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Qualitative Information Regarding Consolidated Operating Results

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

During the six months ended May 31, 2024, the Japanese economy showed a gradual recovery due to the improved employment and income environments and the effects of various government policies, although the recovery of personal consumption seemed to have stalled somewhat. Meanwhile, uncertainty over the future of the Chinese economy and other factors are posing downward risks to the domestic economy, and therefore it remains necessary to monitor these trends along with the unstable global situation, the Bank of Japan’s review of monetary policy, rising prices, etc.

In the real estate industry where Tosei Group operates, domestic real estate investments for the three months from January to March 2024 increased by 45% year on year to ¥1,704.6 billion, with Tokyo ranking first in the world for real estate investments by city (ranked fifth for the full year of 2023). Although currently, we are seeing expectations of higher domestic interest rates ahead, a sudden rise in interest rates is not in the picture and with the continuation of favorable fund-raising environment, the influx of funds into domestic real estate is 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 April 2024 decreased by 12.1% year on year to 5,854 units while the average price per unit in April 2024 was ¥74.12 million (down 4.3% year on year). The average price per unit in the Tokyo metropolitan area continues to remain high due to the shifting of soaring construction costs onto condominium prices. These sales prices are expected to remain high due to the further narrowing down of supply and other factors going forward. In the Tokyo metropolitan area pre-owned condominium market, the number of units contracted from January to April 2024 increased to 13,122 units (up 7.4% year on year) and the average price per unit as of April was ¥46.06 million (down 5.1% year on year). In the build-for-sale detached house market, housing starts for the four months from January to April 2024 were 17,863 units (down 6.3% year on year) (according to a survey by a private research institute).

The average costs per tsubo in terms of construction costs for the four months from January to April 2024 were ¥1,759 thousand per tsubo (1 tsubo = 3.30 square meters) (an increase of 53.7% year on year) for steel reinforced concrete structures and ¥710 thousand per tsubo (an increase of 14.5% year on year) for wooden structures. As for the current prices of building materials, cement and steel prices remain high while the price of timber remains flat. However, construction costs have been generally rising due to the effects of rising prices and soaring personnel costs among other factors (according to a survey by the Ministry of Land, Infrastructure, Transport and Tourism).

In the office leasing market of Tokyo’s five business wards, the average vacancy rate as of April 2024 indicates a moderate recovery at 5.4% (a decrease of 0.7 percentage points year on year), reflecting the rush to fill up the mainly new and relatively new office buildings. In addition, the average asking rent as of April 2024 was ¥19,825 per tsubo (a decrease of 0.4% year on year), remaining mostly at levels comparable to the previous year. Although a massive supply of office buildings is forecasted for 2025, the supply of new office buildings in 2024 is expected to be limited (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium leasing market, the average asking rent of apartments as of April 2024 was ¥12,079 per tsubo (an increase of 4.6% year on year) and the average occupancy rate of condominiums held by J-REIT in the Tokyo area, as of February 29, 2024, was 97.5% (an increase of 0.3% year on year). The preference for rental apartments continues against the backdrop of rising condominium prices and concerns for a rise in mortgage interest rates, and both the rent and occupancy rates remain firm (according to a survey by a private research institute).

In the Tokyo metropolitan area’s logistics facility leasing market, leasable stock as of April 2024 was 10.15 million tsubo (an increase of 13.5% year on year), the vacancy rate rose to 7.4% (an increase of 1.9 percentage points year on year), and the asking rent was ¥4,860 per tsubo (an increase of 5.7% year on year). While the vacancy rate continues to rise in conjunction with the growing supply of new facilities, the asking rent is also rising due to the effects of soaring construction costs. The supply of new facilities is expected to fall after peaking out in 2024, and a decline in the vacancy rate is expected going forward (according to a survey by a private research institute).

In the real estate fund market, J-REIT assets under management in April 2024 totaled ¥23.1 trillion (an increase of ¥0.9 trillion year on year) and assets under management in private placement funds totaled ¥35.0 trillion (as of December 31, 2023, an increase of ¥5.3 trillion year on year). Combining the two, the real estate securitization market scale grew to ¥58.1 trillion (according to a survey by a private research institute).

In the Tokyo business hotel market, in the three months from January to March 2024, the average guest room occupancy rate was 80.9% (an increase of 6.5 percentage points year on year) and the total number of hotel guests in Tokyo encompassing all types of accommodation amounted to 26.29 million (an increase of 25.0% year on year). Inbound guests made up roughly half of the total number of hotel guests and fueled by the weakening yen, inbound demand is expected to expand even further in the future (according to a survey by the Japan Tourism Agency).

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

As a result, consolidated revenue for the six months ended May 31, 2024 totaled ¥57,618 million (up 9.0% year on year), operating profit was ¥14,901 million (up 19.1%), profit before tax was ¥14,372 million (up 19.0%), and profit attributable to owners of the parent was ¥10,058 million (up 23.2%).

Performance by business segment is shown below.

Revitalization Business

During the six months ended May 31, 2024, the segment sold 28 properties it had renovated and 65 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 six months ended May 31, 2024, it also acquired a total of 29 income-generating office buildings, rental apartments, nine land lots and 61 pre-owned condominium units.

In addition, the Group reviewed the valuation of its income-generating properties, recording a reversal of Inventories valuation loss of ¥12 million.

As a result, revenue in this segment was ¥29,399 million (down 13.6% year on year) and the segment profit was ¥5,597 million (down 21.9%).

Development Business

During the six months ended May 31, 2024, 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 and sold 11 detached houses at such property as THE Palms Court Gakugei University (Meguro-ku, Tokyo).

During the six months ended May 31, 2024, it also acquired three land lots for rental apartment project, nine land lots for rental wooden apartment project, and land lots for 70 detached houses.

In addition, the Group reviewed the valuation of its income-generating properties, recording a reversal of Inventories valuation loss of ¥269 million.

As a result, revenue in this segment was ¥14,334 million (up 124.1% year on year) and the segment profit was ¥5,123 million (up 295.3% year on year).

Rental Business

During the six months ended May 31, 2024, the Company focused on leasing out its rental properties.

As of May 31, 2024, the number of rental properties increased by nine from 114 at the end of the previous fiscal year to 123, as the segment acquired 27 properties, and begin offering for rental of six properties, sold 22 properties, and terminated the leasing of two properties.

As a result, revenue in this segment was ¥3,699 million (up 16.9% year on year) and the segment profit was ¥1,791 million (up 17.5%).

Fund and Consulting Business

While ¥122,327 million was subtracted due mainly to property dispositions by funds, ¥147,681 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

May 31, 2024, was ¥2,377,808 million.

As a result, revenue in this segment was ¥3,644 million (down 12.9% year on year) and the segment profit was ¥2,305 million (down 22.6%).

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

Property Management Business

During the six months ended May 31, 2024, the segment made efforts to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 963 as of May 31, 2024, an increase of 122 from May 31, 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 ¥3,529 million (up 7.7% year on year) and segment profit was ¥637 million (up 23.0%).

Hotel Business

During the six months ended May 31, 2024, as domestic economic activities went back to normal and inbound demand continued to recover, the segment made efforts to improve the occupancy rates and the guest room rates of all eight hotels including the Tosei Hotel COCONE Tsukiji Ginza Premier (Chuo-ku, Tokyo), which opened in September 2023.

As a result, revenue in this segment was ¥3,011 million (up 65.4% year on year) and segment profit was ¥1,046 million (up 120.0% year on year).

2) Analysis and contents for discussion of Operating Results

In the domestic real estate investment market, which is the Group’s mainstay market, transactions remained robust thanks to the continuing influx of investment funds against the backdrop of extremely accommodative financial conditions, despite expectations of higher domestic interest rates ahead.

Under such an operating environment, for the six months ended May 31, 2024, the Group reported consolidated revenue of ¥57.6 billion (up 9.0% year on year), operating profit of ¥14.9 billion (up 19.1% year on year), and profit before tax of ¥14.3 billion (up 19.0% year on year). Significant progress was made against the full-year forecast, achieving 62.5% based on revenue and 87.1% based on profit before tax, reflecting strong property sales including the large-scale development property sold in the first quarter.

As for the operating segments, the Revitalization Business saw brisk sales of whole buildings such as T’s garden Nishi-terao, Hatchobori Tosei Building II, and LIERRE ICHIGAYA, as well as pre-owned, high-rise condominium units in central Tokyo. In the Development Business, the Company, according to its sales plan, sold the major logistics facility T’s Logi Ome and the commercial facility T’s BRIGHTIA Jiyugaoka in the first quarter, while in the second quarter, it focused on the sales of detached houses and land lots for detached houses. In purchasing activities, the acquisition of property through business succession support services, a competitive advantage of the Company, made a major contribution, as acquisitions reached ¥44.6 billion against the ¥100.0 billion planned for the current fiscal year (on an expected disposition value basis). As countermeasures against the recent sharp rise in construction costs, the Company will raise the ratio of revitalization projects, which pose a smaller burden in terms of construction costs, while at the same time in the Development Business, it will carry out research on apartments made from wooden structures, whose construction costs have been rising at a more moderate rate than reinforced concrete structures and continue its acquisitions by selecting projects that focus on profitability.

Meanwhile, in the Stock and Fee Business, the Company’s stable source of income, each business progressed strongly, and in the Hotel Business in particular, performance was firm and exceeded the initial plan, thanks to the increase in inbound demand. Additionally, in the Fund and Consulting Business, the balance of assets under management increased by ¥25.3 billion from the end of the previous fiscal year to ¥2.3 trillion. As real estate prices remained high, the funds with management contracts actively engaged in the acquisition and disposal of properties, earning incentive fees, etc., which in turn resulted in strong performance. While the Bank of Japan is expected to make additional interest rate hikes, the appeal of Japanese real estate, including its stable revenue, the yield gap, and expectations for higher rent is set to continue into the future, and the Company will make efforts to bolster its organization to enhance its capabilities to further capture management contracts

On May 24, 2024, the Company concluded a capital and business alliance agreement with Nagoya Railroad Co., Ltd. (“Nagoya Railroad”). The Company will aim to maximize the corporate value of both groups by synergistically utilizing Nagoya Railroad’s stable financial base and its presence and expertise in the Nagoya area, and the Group’s core competencies of “real estate solution capabilities,” “portfolio management capabilities” and “global reach capabilities.” In specific terms, the Company will promote joint projects in the private placement fund formation and the real estate tech businesses in the Nagoya area and the Tokyo metropolitan area, wherein the strengths of each party lie, thereby strengthening the real estate fund business of the two companies. In addition, by promoting joint projects in the real estate business in the Nagoya area and the Tokyo metropolitan area, the Company will aim to acquire more prime projects and expand the Company’s presence in these areas.

(2) Qualitative Information Regarding Consolidated Financial Positions

1) Analysis of Financial Positions

As of May 31, 2024, total assets were ¥254,464 million, an increase of ¥9,134 million compared with November 30, 2023, while total liabilities were ¥165,026 million, an increase of ¥2,016 million.

Increase in total assets were due to an increase in trade and other receivables, inventories, and other financial assets . Increase in total liabilities were due to an increase in trade and other payables and interest-bearing liabilities.

Total equity increased by ¥7,118 million to ¥89,438 million, mainly due to an increase in retained earnings, payment of cash dividends.

2) Analysis of Cash Flows

Cash and cash equivalents (hereinafter “cash”) as of May 31, 2024 totaled ¥39,731 million, up ¥533 million compared with November 30, 2023.

The cash flows for the six months ended May 31, 2024 and factors contributing to those amounts are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥6,035 million (down 58.4% year on year). This is mainly attributed to the profit before tax of ¥14,372 million, a increase in inventories of ¥5,694 million, and income taxes paid of ¥3,190 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥2,332 million (down 45.8% year on year). This is primarily due to payments of loans receivable of ¥7,795 million and collection of loans receivable of ¥7,412 million etc.

Cash Flows from Financing Activities

Net cash used by financing activities totaled ¥3,172 million (in comparison with segment net cash provided in financing activities of ¥2,083 million in the same period of the previous fiscal year). This mainly reflects ¥30,298 million in the repayments of non-current borrowings and ¥3,190 million in cash dividends paid, despite ¥30,737 million in proceeds from non-current borrowings.

(3) Qualitative Information Regarding Consolidated Earnings Forecasts

The business results during the six months ended May 31, 2024 basically remained stable as planned and there is no change on the full-year consolidated earnings forecasts, announced on January 12, 2024.

The forward-looking statements contained in these materials, including forecasts of the future performance, are based on the information available to the Company as of the date of announcement and on certain assumptions deemed to be reasonable by the Company. Actual performance and other results may differ from these forecasts due to various factors.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

No item to report.

(2) Changes in Accounting Policies and Changes in Accounting Estimates

No item to report.

3. Condensed Quarterly Consolidated Financial Statements and notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(¥ thousand)

	As of November 30, 2023	As of May 31, 2024
Assets		
Current assets		
Cash and cash equivalents	39,197,843	39,731,046
Trade and other receivables	5,348,785	7,243,677
Inventories	118,252,139	124,020,444
Other current assets	32,256	32,331
Total current assets	162,831,025	171,027,500
Non-current assets		
Property, plant and equipment	33,018,001	32,580,427
Investment properties	37,805,499	37,610,286
Goodwill	1,401,740	1,401,740
Intangible assets	138,914	130,590
Trade and other receivables	1,440,172	1,289,689
Other financial assets	7,826,991	9,710,805
Deferred tax assets	839,334	685,448
Other non-current assets	28,010	28,010
Total non-current assets	82,498,665	83,437,000
Total assets	245,329,690	254,464,500
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	6,107,625	6,874,247
Interest-bearing liabilities	13,783,385	15,612,785
Current income tax liabilities	3,269,414	4,518,617
Provisions	1,193,060	697,237
Total current liabilities	24,353,486	27,702,888
Non-current liabilities		
Trade and other payables	4,207,480	4,258,422
Interest-bearing liabilities	132,804,369	131,650,736
Retirement benefits obligations	761,387	753,437
Provisions	85,122	85,535
Deferred tax liabilities	798,561	575,433
Total non-current liabilities	138,656,921	137,323,565
Total Liabilities	163,010,408	165,026,454
Equity		
Share capital	6,624,890	6,624,890
Capital reserves	7,200,518	7,208,944
Retained earnings	68,139,668	74,986,657
Treasury shares	(335,327)	(243,507)
Other components of equity	416,935	460,773
Total equity attributable to owners of parent	82,046,685	89,037,758
Non-controlling interests	272,596	400,288
Total equity	82,319,282	89,438,046
Total liabilities and equity	245,329,690	254,464,500

(2) Condensed Quarterly Consolidated Statement of Comprehensive Income

(¥ thousand)

	Six months ended May 31, 2023	Six months ended May 31, 2024
Revenue	52,861,365	57,618,442
Cost of revenue	33,930,374	34,715,695
Gross profit	18,930,991	22,902,747
Selling, general and administrative expenses	6,565,234	7,508,305
Other income	166,777	71,331
Other expenses	16,343	564,190
Operating profit	12,516,190	14,901,583
Finance income	190,689	289,299
Finance costs	633,935	818,134
Profit before tax	12,072,944	14,372,747
Income tax expense	3,909,848	4,309,763
Profit for the period	8,163,096	10,062,984
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	(93,809)	19,241
Remeasurements of defined benefit pension plans	—	(18,872)
Subtotal	(93,809)	368
Other comprehensive income items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	4,842	10,711
Net change in fair values of cash flow hedges	(28,619)	13,885
Subtotal	(23,777)	24,597
Other comprehensive income for the period, net of tax	(117,587)	24,965
Total comprehensive income for the period	8,045,509	10,087,950
Profit attributable to:		
Owners of parent	8,164,135	10,058,745
Non-controlling interests	(1,039)	4,239
Profit for the period	8,163,096	10,062,984
Total comprehensive income attributable to:		
Owners of parent	8,046,548	10,083,710
Non-controlling interests	(1,039)	4,239
Total comprehensive income for the period	8,045,509	10,087,950
Earnings per share attributable to owners of the parent		
Basic earnings per share (¥)	172.35	207.75
Diluted earnings per share (¥)	172.00	207.51

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Six months ended May 31, 2023 (December 1, 2022 – May 31, 2023)

(¥ 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 December 1, 2022	6,624,890	6,775,532	60,029,994	(1,533,670)	393,929	72,290,677	—	72,290,677
Profit for the period			8,164,135			8,164,135	(1,039)	8,163,096
Other comprehensive income					(117,587)	(117,587)		(117,587)
Total comprehensive income for the period	—	—	8,164,135	—	(117,587)	8,046,548	(1,039)	8,045,509
Amount of transactions with owners								
Purchase of treasury shares		(2,619)		(113,831)		(116,451)		(116,451)
Disposal of treasury shares		435,332		1,217,580		1,652,912		1,652,912
Dividends of surplus			(2,410,243)			(2,410,243)		(2,410,243)
Change from newly consolidated subsidiary						—	116,500	116,500
Balance at May 31, 2023	6,624,890	7,208,244	65,783,886	(429,922)	276,342	79,463,442	115,460	79,578,903

Six months ended May 31, 2024 (December 1, 2023 – May 31, 2024)

(¥ 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 December 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 period			10,058,745			10,058,745	4,239	10,062,984
Other comprehensive income					24,965	24,965		24,965
Total comprehensive income for the period	—	—	10,058,745	—	24,965	10,083,710	4,239	10,087,950
Amount of transactions with owners								
Purchase of treasury shares				(101)		(101)		(101)
Disposal of treasury shares		(5,690)		91,921		86,230		86,230
Dividends of surplus			(3,192,884)			(3,192,884)		(3,192,884)
Dividends to non-controlling interests						—	(3,048)	(3,048)
Change from newly consolidated subsidiary						—	126,500	126,500
Transfer from other components of equity to retained earnings			(18,872)		18,872	—		—
Share-based payment transactions		14,117				14,117		14,117
Balance at May 31, 2024	6,624,890	7,208,944	74,986,657	(243,507)	460,773	89,037,758	400,288	89,438,046

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(¥ thousand)

	Six months ended May 31, 2023	Six months ended May 31, 2024
Cash flows from operating activities		
Profit before tax	12,072,944	14,372,747
Depreciation expense	803,803	788,831
Increase (decrease) in provisions and retirement benefits obligations	(455,580)	(503,010)
Interest and dividend income	(190,689)	(289,299)
Interest expenses	633,935	818,134
Decrease (increase) in trade and other receivables	5,159,110	(1,098,256)
Decrease (increase) in inventories	(1,344,980)	(5,694,136)
Increase (decrease) in trade and other payables	405,697	345,173
Other, net	(109,042)	(20,840)
Subtotal	16,975,198	8,719,344
Interest and dividend income received	190,794	244,222
Income taxes paid	(2,817,483)	(3,190,168)
Income taxes refund	149,647	262,299
Net cash from (used in) operating activities	14,498,157	6,035,697
Cash flows from investing activities		
Purchase of property, plant and equipment	(61,082)	(92,268)
Purchase of investment properties	(496,638)	(37,910)
Purchase of intangible assets	(17,576)	(21,335)
Payments of loans receivable	(1,219,000)	(7,795,621)
Collection of loans receivable	4,174	7,412,149
Purchase of other financial assets	(68,714)	(2,032,501)
Collection of other financial assets	5,255	172,701
Payments for acquisition of subsidiaries	(2,453,851)	(46,190)
Proceeds from acquisition of businesses	—	101,584
Other, net	2,072	6,726
Net cash from (used in) investing activities	(4,305,359)	(2,332,664)
Cash flows from financing activities		
Net increase (decrease) in current borrowings	(2,084,653)	594,900
Proceeds from non-current borrowings	29,869,725	30,737,542
Repayments of non-current borrowings	(23,988,379)	(30,298,677)
Redemption of bonds	(20,678)	(15,678)
Repayments of lease obligations	(218,749)	(373,128)
Capital contribution from non-controlling interests	116,500	126,500
Cash dividends paid	(2,407,851)	(3,190,381)
Dividends paid to non-controlling interests	—	(3,048)
Purchase of treasury shares	(113,831)	(101)
Proceeds from disposal of treasury shares	1,653,690	84,604
Interest expenses paid	(722,198)	(835,455)
Net cash from (used in) financing activities	2,083,571	(3,172,923)
Net increase (decrease) in cash and cash equivalents	12,276,369	530,110
Cash and cash equivalents at beginning of period	31,767,008	39,197,843
Effect of exchange rate change on cash and cash equivalents	1,455	3,093
Cash and cash equivalents at end of period	44,044,834	39,731,046

(5) Notes on Going Concern Assumption

No item to report.

(6) Notes on Condensed Quarterly Consolidated Financial Statements

1. Segment Information

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

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

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

Six months ended May 31, 2023

(December 1, 2022 – May 31, 2023)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue to external customers	34,017,017	6,396,938	3,164,786	4,185,181	3,276,386	1,821,054	—	52,861,365
Intersegment revenue	—	—	88,545	5,890	576,904	9,815	(681,156)	—
Total	34,017,017	6,396,938	3,253,331	4,191,071	3,853,291	1,830,869	(681,156)	52,861,365
Segment profit	7,165,048	1,296,086	1,525,334	2,978,306	518,285	475,610	(1,442,480)	12,516,190
Finance income/costs, net								(443,246)
Profit before tax								12,072,944

Six months ended May 31, 2024

(December 1, 2023 – May 31, 2024)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue to external customers	29,399,460	14,334,142	3,699,086	3,644,554	3,529,404	3,011,793	—	57,618,442
Intersegment revenue	—	—	55,519	28,999	728,891	15,111	(828,521)	—
Total	29,399,460	14,334,142	3,754,606	3,673,553	4,258,296	3,026,904	(828,521)	57,618,442
Segment profit	5,597,143	5,123,449	1,791,688	2,305,930	637,604	1,046,223	(1,600,455)	14,901,583
Finance income/costs, net								(528,835)
Profit before tax								14,372,747

2. Dividends

Dividends paid in the six months ended May 31, 2023 and May 31, 2024 are as follows:

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

Six months ended May 31, 2024				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 27, 2024	66	3,192,884	November 30, 2023	February 28, 2024

3. Earnings per Share

	Six months ended May 31, 2023	Six months ended May 31, 2024
Profit attributable to owners of parent (¥ thousand)	8,164,135	10,058,745
Net income used to figure diluted net income per share (¥ thousand)	8,164,135	10,058,745
Weighted average number of outstanding ordinary shares (shares)	47,370,964	48,418,423
The number of increased ordinary shares used to figure diluted earnings per share (shares)		
Subscription rights to shares relating to stock options (shares)	96,331	45,739
Common stock relating to PSU (shares)	—	9,982
Common stock relating to RSU (shares)	—	223
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	47,467,295	48,474,367
Basic earnings per share (¥)	172.35	207.75
Diluted net income per share (¥)	172.00	207.51

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.

(7) Notes on Significant Subsequent Events

(Changes in the major shareholders, the major shareholder who is the largest shareholder, and other affiliated companies relating to the conclusion of the capital and business alliance agreement)

The Company concluded a capital and business alliance agreement with Nagoya Railroad Co., Ltd. on May 24, 2024, following the resolution at a meeting of the Board of Directors held on the same date. In connection with this agreement, a transfer contract was concluded between Nagoya Railroad Co., Ltd. and Seiichiro Yamaguchi to transfer a total of 7,500,100 shares of common stock of the Company owned by Seiichiro Yamaguchi, the largest and major shareholder of the Company, to Nagoya Railroad Co. Ltd. through an off-market negotiated trades as of May 24, 2024, and the share transfer was completed on June 4, 2024. The share transfer constitutes a secondary offering of shares. Further, on the same date, there were changes to the Company's major shareholder, largest and major shareholder, and other affiliated companies.

(1) Overview of the major shareholders, the major shareholder who is the largest shareholder, and other affiliated companies relating to this change

(1) Name	Nagoya Railroad Co., Ltd.	
(2) Address	1-2-4 Meieki, Nakamura-ku, Nagoya-shi, Aichi	
(3) Title and name of representative	President Hiroki Takasaki	
(4) Business activities	Transportation, goods transport, real estate, leisure services, distribution, aviation-related services, and other businesses	
(5) Capital	¥101,158 million	
(6) Date of establishment	June 13, 1921	
(7) Major shareholders and shareholding ratios (Ratios of the number of shares held to the number of shares issued excluding treasury shares) (as of September 30, 2023)	The Master Trust Bank of Japan, Ltd. (Trust Account) Custody Bank of Japan, Ltd. (Trust account) Nippon Life Insurance Company	13.62% 4.27% 2.57%
(8) Relationship between the parties	Capital relationship	Not applicable.
	Personal relationship	Not applicable.
	Business relationship	Not applicable.
	Applicability to related parties	Not applicable.

Note: Information other than those on the (7) Major shareholders and shareholding ratios is based on information as of May 24, 2024.

(2) Number of voting rights held by the subject major shareholder and the ratio to the total voting rights held by all shareholders before and after the change

	Number of voting rights held	Ratio to the total voting rights held by all shareholders
Before change (As of April 30, 2024)	-	-
After change	75,001 rights	15.50%

Note: The ratio to the number of voting rights of all shareholders after the change is calculated using 48,360,000 shares (483,600 voting rights), which is the number of shares after deducting the number of shares without voting rights described below from the total number of issued shares as of November 30, 2023 of 48,683,800 shares, as the denominator, and rounded down to the second decimal place.
Treasury shares: 306,700 shares Shares less than one unit: 17,100 shares (as of November 30, 2023)

(3) Date of the change
June 4, 2024

(Issuance of stock acquisition rights as stock options)

At the meeting of the Board of Directors held on July 5, 2024, in accordance with Article 236, 238 and 240 of the Companies Act, the Company resolved to issue stock acquisition rights as stock options to Directors, Executive Officers and employees of the Company (including persons who are seconded to the Company's subsidiaries; hereinafter the same), and directors of the Company's subsidiaries as follows.

1. Reason for issuing stock acquisition rights as stock options
   Stock acquisition rights shall be issued as stock options for the purpose of further incentivizing people to work for improving the performance and enhancing the corporate value of the Tosei Group.

2. Outline of issuance of stock acquisition rights

   (1) Name of stock acquisition rights
   Tosei Corporation Seventh Series of Stock Acquisition Rights

   (2) Total number of stock acquisition rights to be issued
   11,095 units
   The total number above is the expected number of stock acquisition rights to be allotted. In the event that the total number of stock acquisition rights to be allotted decreases due to fewer people applying for subscription than expected, etc., the number shall equal the total number of stock acquisition rights to be allotted.

   (3) Persons to whom stock acquisition rights are allotted and number of such persons, and number of stock acquisition rights to be allotted

Directors of the Company:	Nine persons (of whom three are Outside Directors),
	1,025 units (of which 60 are allotted to Outsider Directors)
Executive Officers of the Company:	Five persons, 480 units
Employees of the Company:	423 persons, 9,020 units
Directors of the Company's subsidiaries:	10 persons, 570 units

   (4) Terms, including class and number, of shares delivered upon exercise of stock acquisition rights
   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 as stipulated in (9) below (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 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 become retroactively applicable on the day following the said record date, which procedure may be 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.

(5) 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 shall be an amount equal to the value to be paid for one share to be delivered upon exercise of stock acquisition rights ("Exercise Value") multiplied by the Number of Shares Granted.
The Exercise Value is either the amount obtained by multiplying the average value of the closing price for regular transactions of the ordinary shares of the Company at the Tokyo Stock Exchange on each day (excluding any day on which no trade is made) during the month prior to the month containing the Allotment Date by 1.05 (any resulting fraction less than one yen shall be rounded up) or the closing price on the Allotment Date (or the closing price of the nearest preceding day if no trade is made on the day), whichever is higher.

(6) Calculation method of the amount to be paid in for stock acquisition rights

1) Directors of the Company
The amount to be paid in for each of the stock acquisition rights shall be an amount stipulated by the Board of Directors based on the amount calculated by the Black-Scholes model on the Allotment Date. The amount shall be the fair value of stock acquisition rights. Pursuant to the provisions of Article 246, paragraph 2 of the Companies Act, the payment obligation shall offset remuneration receivable from the Company owned by Directors.

2) Executive Officers and employees of the Company, and directors of subsidiaries of the Company
Payment of money in exchange for stock acquisition rights shall not be required. Stock acquisition rights are fairly issued and granted as the consideration for execution of duties and do not fall under issuance with advantageous terms and conditions.

(7) Period during which stock acquisition rights may be exercised
From July 6, 2026 to July 5, 2029

(8) Terms and conditions for exercising stock acquisition rights

1) Terms and conditions for respective segment of persons

(a) 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.

(b) 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

(a) Inheritance of stock acquisition rights shall not be permitted.

(b) Pledging of stock acquisition rights or any other disposition shall not be permitted.

(9) Allotment Date of stock acquisition rights

July 30, 2024

(10) Matters regarding capital stock and legal capital surplus to be increased by issuing shares upon exercise of stock acquisition rights

1) The amount of increase of capital stock through issuing shares upon exercise of stock acquisition rights shall be half of the upper limit of capital stock, etc. stipulated in Article 17, paragraph 1 of the Ordinance on Accounting of Companies. Any fraction less than one yen resulting from this calculation shall be rounded up.

2) The amount of increase of legal capital surplus through issuing shares upon exercise of stock acquisition rights shall be an amount obtained by subtracting the amount of capital stock to be increased stipulated in 1) above from the upper limit of capital stock, etc. described in 1) above.