Tosei Corporation

Script of FY2021 2Q Financial Results Presentation held on July 5, 2021 (including Q&A session)

Event Summary

[Company Name]	Tosei Corporation	
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[Event Type]	Earnings Announcement	
[Event Name]	FY2021 2Q Financial Results Presentation	
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[Time]	15:30 – 16:31 (Total: 61 minutes, Presentation: 43 minutes, Q&A: 18 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Seiichiro Yamaguchi	President and CEO
	Noboru Hirano	Director, CFO
[Analyst Names]*	Jiro Kojima	Daiwa Securities Co., Ltd.
	Koki Ozawa	SBI Securities Co.,Ltd.

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

Presentation

Moderator: Thank you for joining us today despite your busy schedules. We will now begin the FY2021 2Q financial results presentation of Tosei Corporation.

Please note the following before we begin. Today's presentation will be streamed online and held in teleconference format at the same time. Therefore, this may cause some lapses in the audio of either the online streaming or teleconference.

Next, today's agenda will include the Company's explanation of the materials, a 5-minute interval, and then a Q&A session.

The materials are available to you via online streaming. In addition to today's presentation material, you can also reference the financial results revisions and financial results report, which we announced today, in the lower right corner of the screen. If you are participating via phone, please refer to the materials available on our website.

Next, I would like to introduce today's attendees: Seiichiro Yamaguchi, President and CEO; and Noboru Hirano, Director and CFO.

We will now start from page 3 of the presentation material, with an overview of the results for the first half of the fiscal year ending November 2021, given by Director Hirano.

Revision of FY2021 Forecast

- In Revitalization Business, the profit margin was substantially higher than projected at the beginning of the fiscal year, and Profit Before Tax reached the year-end target half a year ahead of schedule. (the first half profit was driven by the sale of several ¥2.0B scale large properties).
- Revised the full-year earnings forecasts as below, mainly due to the revision of the timing of the planned sales of some properties in the Revitalization Business to next fiscal year and beyond. In the second half, the Company will focus on property acquisition, revitalization and leasing of acquired properties to increase their value.
- Maintain the level of dividend payout ratio before revision, increase the dividend per share to ¥38 (up ¥9).

FY2021 Consolidated Full-year Forecast

(¥million)	Initial Forecast (A) Announced on 12 Jan. 2021	New Forecast (B) Announced on 5 Jul. 2021	Increase/Decrease Amount (B-A)	Percentage Change	Reference: Previous Year Result (FY2020)
Revenue	69,535	61,657	(7,878)	(11.3%)	63,939
Operating Profit	8,707	11,036	+2,329	+26.8%	6,427
Profit Before Tax	8,001	10,376	+2,375	+29.7%	5,901
Profit for the Year	5,218	6,848	+1,630	+31.2%	3,602
Basic Earnings Per Share (EPS)	¥110.61	¥146.21	+¥35.60	+32.2%	¥76.05
Dividend	¥29	¥38	+¥9	+31.0%	¥19
Payout Ratio (Total Return Ratio)	26.2%	26.0%*1 (33.3%)	-	-	25.0% (38.8%)
ROE*2	8.5%	11.0%	-	-	6.1%

*1 Payout ratio for FY2021 is calculated based on the number of shares as of May 31, 2021.
*2 ROE= Profit for the year/period attributable to owners of the parent ÷((Total equity capital at preceding year end + Total equity capital at current year end)÷2)

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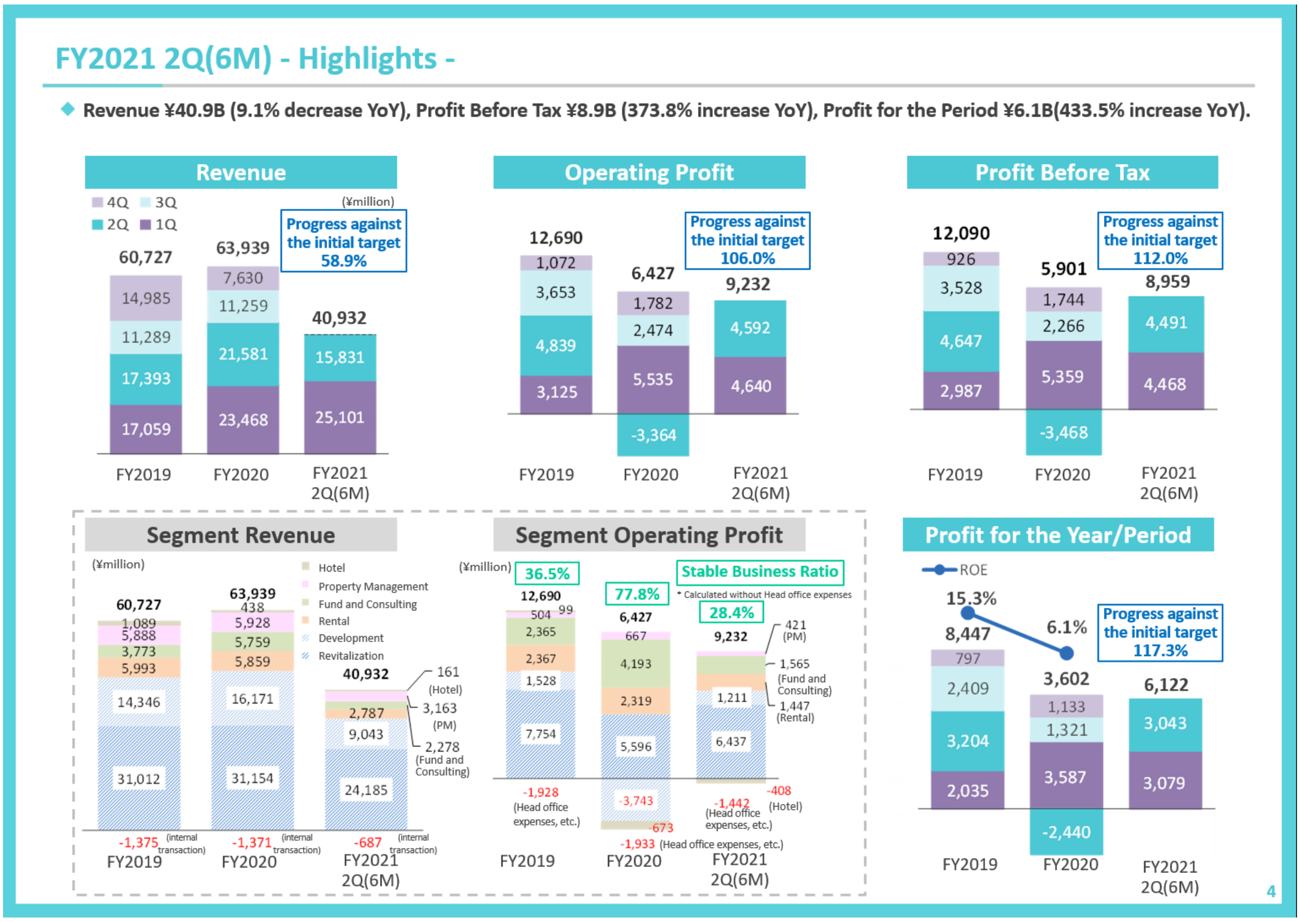
Hirano: This is Hirano, Director of Tosei Corporation. I would like to explain the results highlights for the first half of FY2021.

First, as shown on page 3, in addition to disclosing our financial results for the half-year period ended at the end of May 2021, we also announced revisions to our full-year financial forecast.

On page 3, we provide a summary of the revisions to our financial forecast. The details will be explained later by President Yamaguchi, so I will start with an explanation of page 4.



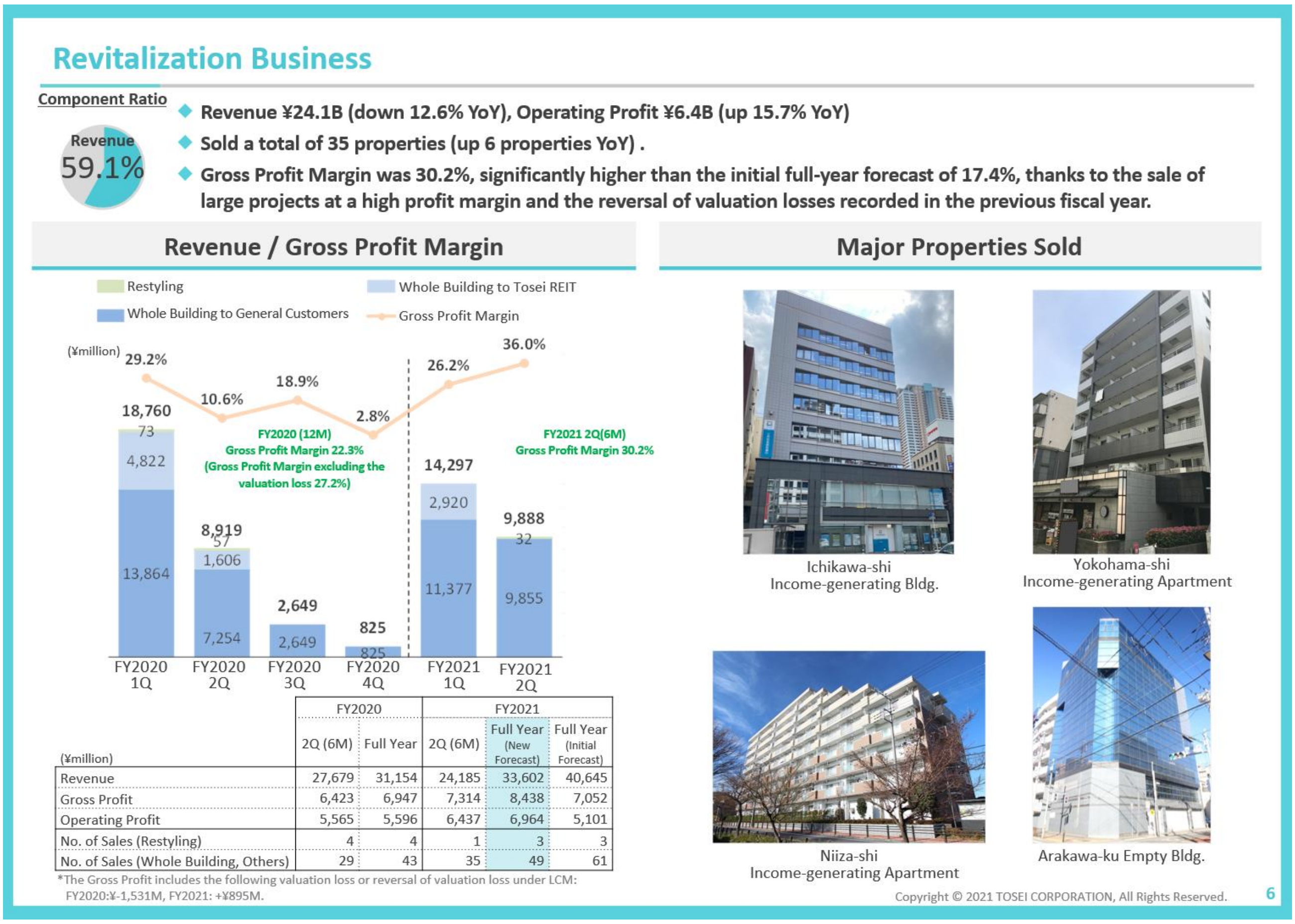
This is page 4. This page gives the highlights of the overall financial results.

First, in the upper left, we show the results for revenue. Overall, revenue was JPY40.9 billion, down 9.1% YoY, profit before tax was JPY8.9 billion, up 4.7 times YoY.

The progress on revenue reflects 59% of the initial full-year plan. Meanwhile, the progress on profit before tax represents 112% of the initial full-year plan.

In the bottom left, we give an overall image of revenue by segment.

As indicated by diagonal lines, our real estate sales business, including revitalization and development, has achieved over 60% of the initial plan. On the other hand, the other businesses, including rental, fund, and property management, which we refer to as stable businesses, have generally achieved 50% of the initial plan.



(¥million)	FY2020 2Q (6M)	FY2020 Full Year	FY2021 2Q (6M)	FY2021 Full Year (New Forecast)	FY2021 Full Year (Initial Forecast)
Revenue	27,679	31,154	24,185	33,602	40,645
Gross Profit	6,423	6,947	7,314	8,438	7,052
Operating Profit	5,565	5,596	6,437	6,964	5,101
No. of Sales (Restyling)	4	4	1	3	3
No. of Sales (Whole Building, Others)	29	43	35	49	61

*The Gross Profit includes the following valuation loss or reversal of valuation loss under LCM: FY2020:¥-1,531M, FY2021: +¥895M.

Next, let’s skip page 5 and go to page 6.

In the first segment, the revitalization business, we sold 35 single-building properties in the first half. Note that in the same period last year, we sold 29 properties, meaning that the number of sales increased from the previous year.

Revenue was JPY24.1 billion, down approximately 12% YoY on an amount basis. On the other hand, operating profit was JPY6.4 billion, up 15.7% YoY. Revenue has achieved roughly 60% of the full-year initial plan, while operating profit represents 126% of the initial plan.

Meanwhile, the profit margin is shown with a line graph in the graph on the left.

Below the line graph, we describe in green how the profit margin was 22.3% over the full year last year. However, this included recognition of valuation loss due to the adoption of lower-of-cost-or-market method starting from the end of 2Q last year. Excluding this impact, the profit margin averaged 27.2% last year. Meanwhile, the profit margin averaged 30.2% in the first half of this year.

As shown in the lower left outside the column, out of the valuation loss due to the adoption of lower-of-cost-or-market method recognized at the end of 2Q in the previous fiscal year, there has been a reversal of the lower-of-cost-or-market method as a result of re-reviewing some of the sales prices. The income from reversal amounted to JPY895 million. The gross profit margin in the first half when excluding this amount was 26.5%, roughly in line with last year’s level excluding the impact from the lower-of-cost-or-market method.

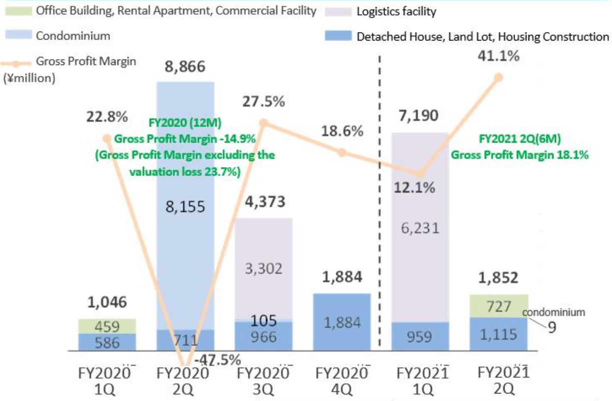
Development Business

Component Ratio

Revenue 22.1%

- **Revenue ¥9.0B (down 8.8% YoY), Operating Profit ¥1.2B (FY2020 -¥4.7B).**
- **Sold “T’s Logi Hasuda”, logistic facility developed by the company in 1Q and “THE Palms Sagamihara Park Brightia” commercial facility section in 2Q.**
- **Steady growth in sales of detached houses, with 39 units sold (up 8 units YoY).**

Revenue / Gross Profit Margin



(¥million)	FY2020 2Q (6M)	FY2020 Full Year	FY2021 2Q (6M)	FY2021 Full Year (New Forecast)	FY2021 Full Year (Initial Forecast)
Revenue	9,913	16,171	9,043	12,061	12,696
Gross Profit	-3,970	-2,417	1,635	2,241	2,062
Operating Profit	-4,720	-3,743	1,211	1,245	874
No. of Sales (Detached House, etc.)	31	86	39	94	109
No. of Sales (Condominiums)	240	243	-	-	-
No. of Sales (Whole Buildings)	1	2	2	2	2

*The Gross Profit includes the following valuation loss or reversal of valuation loss under LCM: FY2020:-¥6,252M, FY2021 :+¥255M

Major Properties Sold

T’s Logi Hasuda (Logistics Facility, 2 stories, Total Floor 12,682.59m²)

THE Palms Sagamihara Park Brightia (commercial facility section)

THE Palms Court Kamiigusa (Detached House)

Comodo Casa Asaoku-hosoyama 8-chome (Detached Houses sold by Tosei Urban Home Corporation)

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Next, I will explain the development business on page 7.

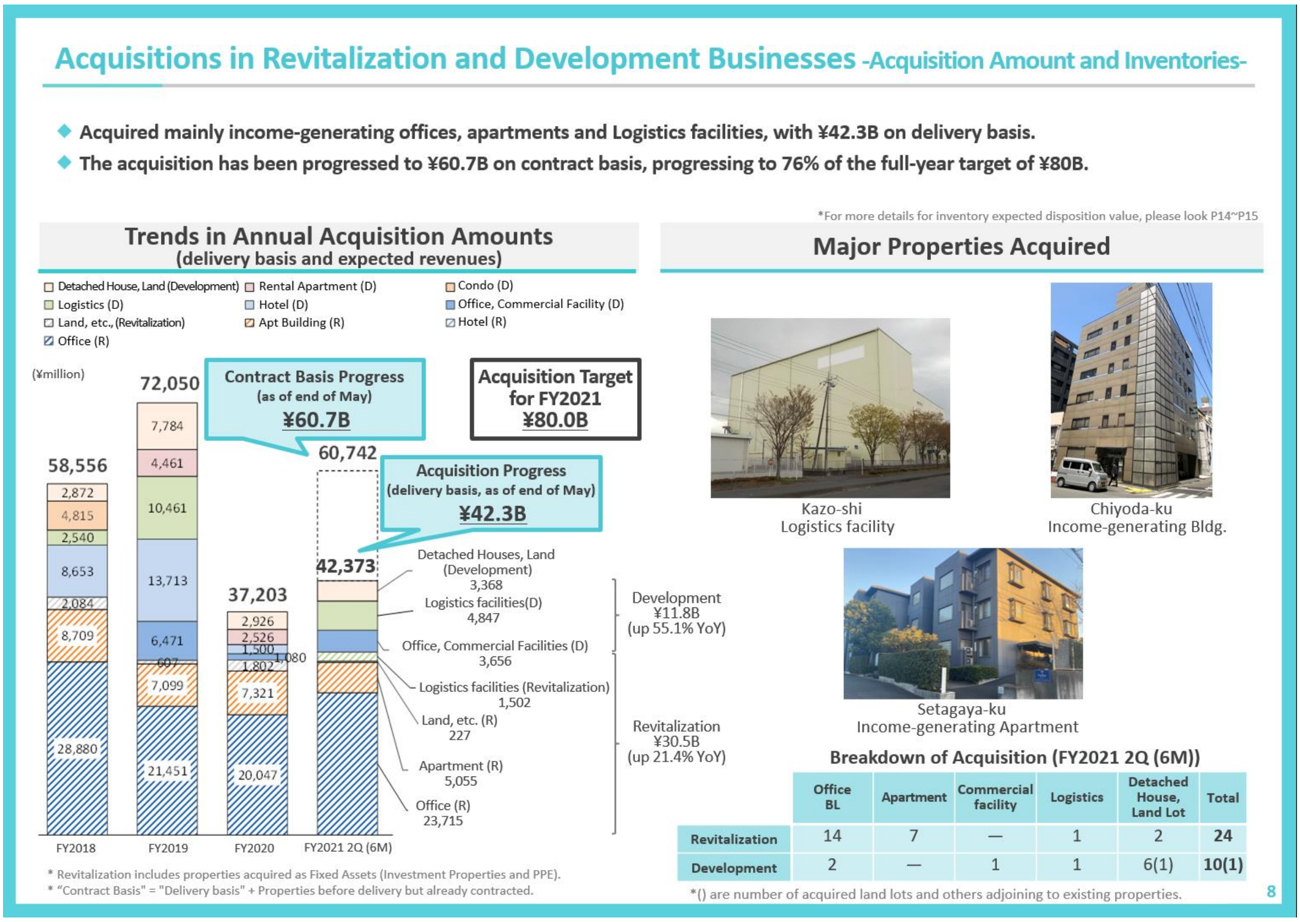
Revenue in the first half totaled JPY9 billion. This includes the sale of T’s Logi Hasuda, which is shown in the photo, a commercial store, which is a commercial store developed in Sagamihara as shown in the photo in the upper right, and 39 detached houses. Revenue was down 8.8% YoY. Operating profit in the first half was JPY1.2 billion, up sharply from the same period last year.

Solid progress was made towards the initial full-year plan, with revenue reaching 71% of the full-year plan and operating profit exceeding the plan with a 138% progress rate.

The gross margin, as described in green on top of the bar graph, was negative 14% in the previous fiscal year over the full year due to the impact of valuation loss due to the adoption of lower-of-cost-or-market method. But, when excluding the impact of the lower-of-cost-or-market method, the gross margin was 23.7%.

In the current fiscal year up to 2Q, the gross margin was 18.1%. As shown next to the bar graph, the gross margin was 12.1% and 41.1% in 1Q and 2Q, respectively. The gross margin was 12.1% in 1Q, due to a slight downward pressure on the margin because of the sale of a low-margin logistics property in 1Q.

On the other hand, the gross margin of detached houses was 19.3% in the first half, compared to 19.6% over the full year last year, maintaining roughly the same level.



	Office BL	Apartment	Commercial facility	Logistics	Detached House, Land Lot	Total
Revitalization	14	7	—	1	2	24
Development	2	—	1	1	6(1)	10(1)

Next, I will move on to page 8. This page shows the status of purchases in the revitalization and development businesses.

Our annual purchase plan premised on the expected revenue is JPY80 billion. As of the end of May, there have been 34 projects in terms of the number of properties. We have indicated the numbers by type in the bottom right. There have been 24 projects in revitalization and 10 projects in development, for a total of 34 projects amounting to purchases of JPY42.3 billion on a delivery basis.

The amount for the first half this year, JPY42.3 billion, exceeds the amounts logged prior to the COVID-19 pandemic, as shown in the bar graphs on the left side, the half-year purchases totaling JPY36 billion 2 fiscal years ago and JPY32 billion in the previous fiscal year.

In particular, the properties purchased in the first half of this year have gone smoothly in terms of apartment buildings and offices in Revitalization. We have already made purchases amounting to roughly the same amount for the full year last year.

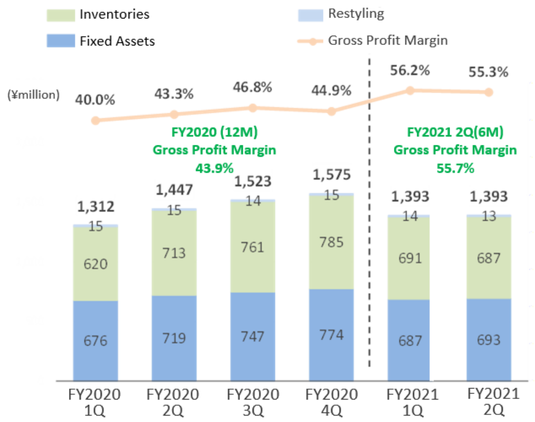
On the other hand, we have also been able to achieve our purchasing plan in development, including logistics facilities, office development, and commercial store development.

Rental Business

Component Ratio: Revenue 6.8%

- Revenue ¥2.7B (up 1.0% YoY), Operating Profit ¥1.4B (up 39.3% YoY).
- Although there was asset replacement due to acquisition and sales, secured stable revenue by working on improvement of the occupancy rate of newly acquired buildings.
- Acquired a large size building, "Hatchobori Tosei Building (Shinkawa, Chuo-ku) , expected to contribute to earnings from next fiscal year.

Revenue / Gross Profit Margin

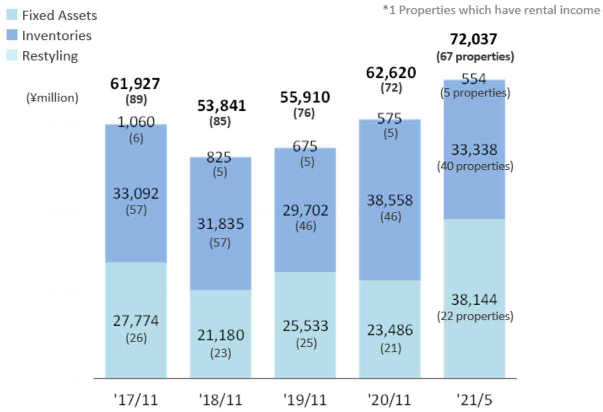


(¥million)	FY2020 2Q (6M)	FY2020 Full Year	FY2021 2Q (6M)	FY2021 Full Year (New Forecast)	FY2021 Full Year (Initial Forecast)
Revenue	2,760	5,859	2,787	5,461	5,889
Gross Profit	1,152	2,572	1,553	2,862	2,966
Operating Profit	1,038	2,319	1,447	2,619	2,727

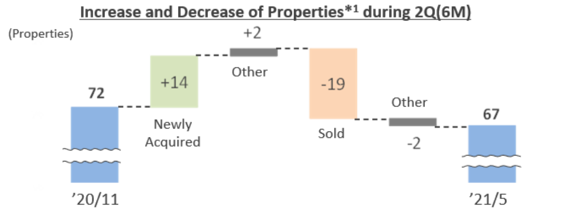
*The revenue includes internal transactions.

Breakdown of Properties[*1] (Total Book Value base)

*1 Properties which have rental income



Increase and Decrease of Properties*1 during 2Q(6M)



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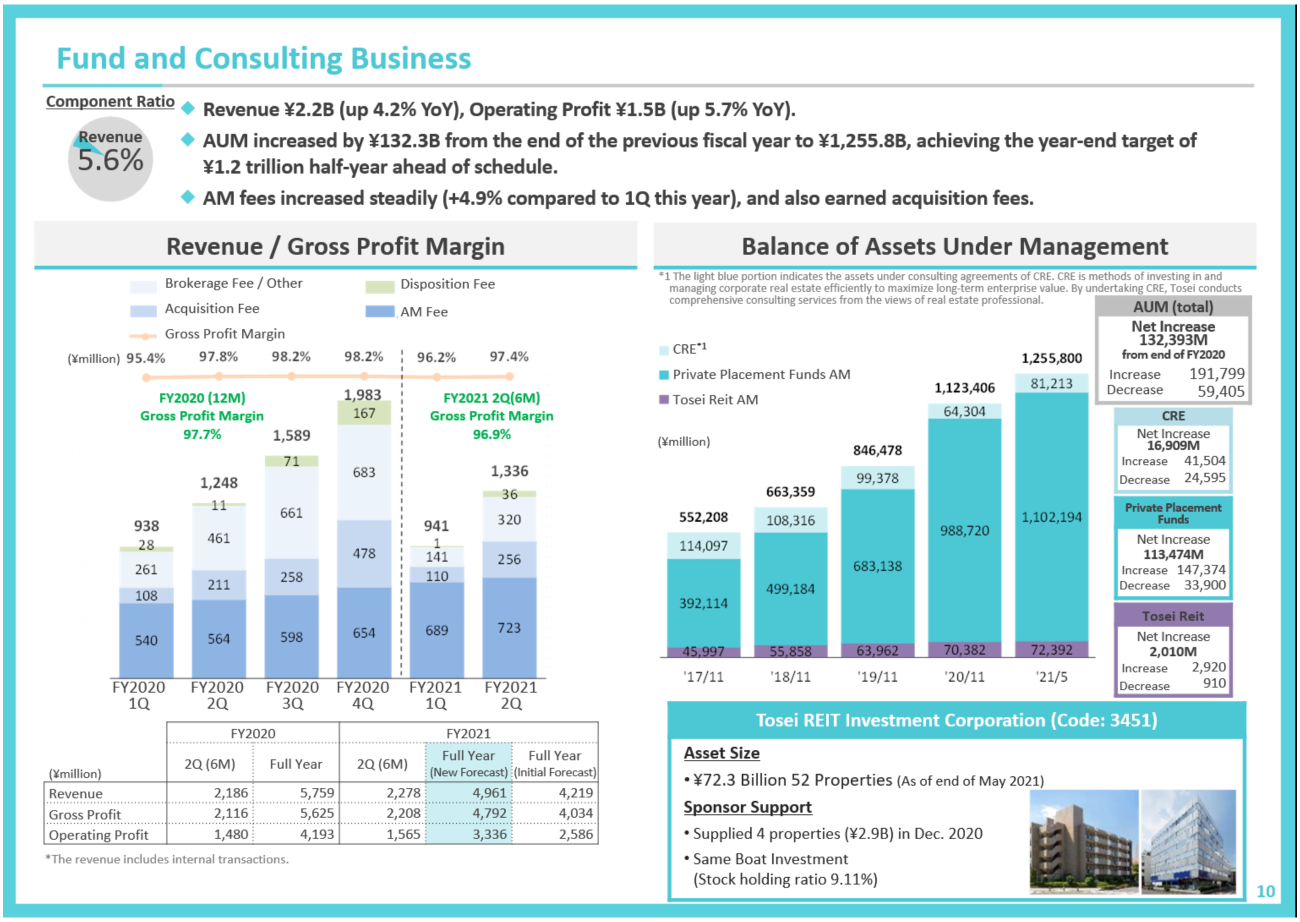
Next, please see page 9 for the rental business.

Revenue was JPY2.7 billion, up 1% YoY, roughly on par with the first half in the previous fiscal year. Operating profit was JPY1.4 billion, up 39% YoY.

Revenue reflects 47% of the full-year plan, while operating profit represents 53% of the full-year plan. On a profit basis, we have already achieved half of the full-year amount.

The gross margin, which is written in green on the left, was 43.9% over the full year last year, but has risen to 55.7% in the first half this year.

We have about 2 subleases, which ended at the end of last year. Furthermore, the gross margin of properties purchased in the current fiscal year includes some with high margins. As a result, the gross margin is roughly 10 percentage points higher than last year.



(¥million)	FY2020 2Q (6M)	FY2020 Full Year	FY2021 2Q (6M)	FY2021 Full Year (New Forecast)	FY2021 Full Year (Initial Forecast)
Revenue	2,186	5,759	2,278	4,961	4,219
Gross Profit	2,116	5,625	2,208	4,792	4,034
Operating Profit	1,480	4,193	1,565	3,336	2,586

Next, please see page 10 for the fund and consulting business.

First, the AUM trend is shown on the right side. As of the end of May, AUM totaled JPY1,255.8 billion. We set the target at JPY1,200 billion by the end of the current fiscal year, so we have already achieved the full-year target roughly 6 months in advance.

The breakdown of the increase and decrease in AUM is shown on the right side. The net increase from the end of the previous fiscal year was JPY132.3 billion. This breaks down into an increase of JPY190 billion and a decrease of roughly JPY60 billion, for a net increase of JPY130 billion.

The details of the increase show that there continued to be a large increase in the management of funds for overseas investors. New funds have been created with investments from Europe, the US, and Asian countries.

Please see the bar graph on the left for revenue. In the first half, revenue was JPY2.2 billion, up 4.2% YoY. Operating profit was JPY1.5 billion, up 5.7% YoY. Both revenue and profit represent over 50% of the full-year plan.

Also, as shown in the color-coded bar graphs, the parts in dark blue indicate AM fees. In the first half of the previous fiscal year, AM fees accounted for 50% of revenue in 1Q and 2Q. However, in the first half of this year, AM fees have accounted for 62% of total revenue, meaning that a larger portion of revenue is coming from a stable revenue stream. As a result, revenue has exceeded the previous year's level.

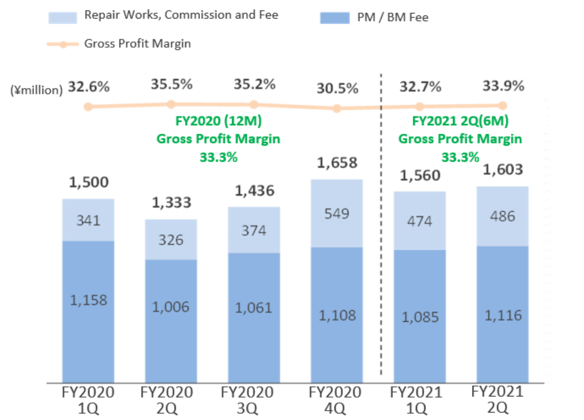
Property Management Business

Component Ratio

Revenue 7.7%

- **Revenue ¥3.1B (up 11.7% YoY), Operating Profit ¥421M (up 18.9% YoY).**
- **The number of properties under management increased to 701 properties (up 6 properties compared to the end of previous fiscal year), revenues from PM and BM under management remained stable.**

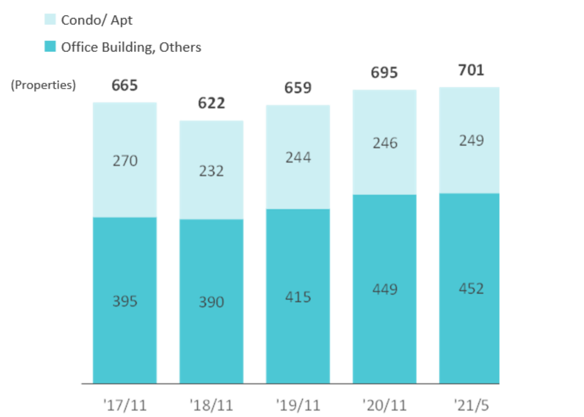
Revenue / Gross Profit Margin



(¥million)	FY2020 2Q (6M)	FY2020 Full Year	FY2021 2Q (6M)	FY2021 Full Year (New Forecast)	FY2021 Full Year (Initial Forecast)
Revenue	2,833	5,928	3,163	6,445	6,337
Gross Profit	962	1,973	1,055	2,113	2,040
Operating Profit	354	667	421	713	581

*The revenue includes internal transactions

The Number of Properties Under Management



Example of Properties Under Management

Office Condominium Commercial Facility Hotel Logistic Facility

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Next, please see page 11 for the property management business.

We position this business as a stable business. As indicated in the bar graph on the left, revenue has trended roughly flat. Revenue exceeded the same period last year, while operating profit also surpassed the same period last year. Profit margins have been kept at a steady level.

Revenue shrunk from 1Q to 2Q last year, but this was a one-time decline caused by factors such as the closure of a hotel we had been entrusted with. This is still impacting us, and revenue shown in dark blue hasn't recovered yet. On the other hand, revenue and profit have increased thanks to earning fee income such as from spot construction.

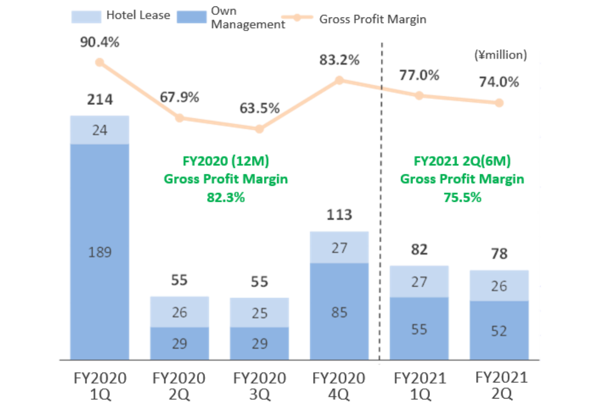
Hotel Business

Component Ratio

Revenue 0.4%

- **Revenue ¥161M (down 40.2% YoY), Gross Profit -¥408M (FY2020 -¥458B).**
- **Hotel market has not recovered, and full-year forecasts have been revised downward.**
- **"Tosei Hotel COCONE Asakusa" opened in July 2021, and "Tosei Hotel COCONE Kamakura" is scheduled to open in October 2021.**

Revenue / Gross Profit Margin



(¥million)	FY2020				FY2021				
	2Q (6M)			Full Year	2Q (6M)			Full Year (Initial Forecast)	Full Year (New Forecast)
	Own Management (A)	Hotel Lease (B)	Total (A)+(B)	Total	Own Management (A)	Hotel Lease (B)	Total (A)+(B)	Total	Total
Revenue	219	51	270	438	107	54	161	548	1,178
Gross Profit	213	18	231	361	99	22	121	458	1,066
Hotel's GOP	59	–	59	-27	-76	–	-76	-137	190
Operating Profit	-477	18	-458	-673	-428	20	-408	-854	-477

* The revenue includes internal transactions.

Hotels Held by Tosei

	Name	No. of Rooms	Own Management (Operating Income)	Operated by third party (Rental Income)
1	Tosei Hotel COCONE Kanda	111	Temporally closed from Jan. to Apr. 2021	-
2	Tosei Hotel COCONE Ueno	126	Temporally closed from Jan. to Apr. 2021	-
3	Tosei Hotel & Seminar Makuhari	137	Open	-
4	Tosei Hotel COCONE Asakusa-Kuramae	133	Temporally closed from Jan. to Apr. 2021	-
5	Tosei Hotel COCONE Ueno-Okachimachi	171	Temporally closed from Jan. to Apr. 2021	-
6	Tosei Hotel COCONE Asakusa	80	Open From Jul. 2021	-
7	Tosei Hotel COCONE Kamakura	73	Scheduled to open on Oct. 2021	-
8	Tosei Hotel & Seminar Chiba-minato Ekimae*	198	Scheduled to open after 2023	-
9	Tosei Hotel COCONE Tsukiji*	225	Scheduled to open after 2023	-
10	Tama-shi Income-generating Hotel	138	-	Open
	Total	**1,392**	**9 Hotels**	**1 Hotel**

*They are plans at this stage so name, number of rooms and opening date are subject to change in the future.

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Please see page 12 for the hotel business.

We have listed all the hotels we own on the right. We manage 5 properties, starting with Kanda at the top to Ueno Okachimachi on the fifth row. As described in the table, we operated the Makuhari Hotel and Seminar over the full period for 6 months, but the other hotels were closed from January to April.

Quarterly revenue is shown in the bar graph on the left. Only 1 month's worth of revenue is recorded in real terms for both 1Q and 2Q. The conditions continue to be severe for this business.

Summary of Balance Sheet (Consolidated) - Assets -

- Total asset ¥170.9B (up 5.7% from the end of previous fiscal year).
- Cash and Cash Equivalents ¥35.0B (decreased ¥2.0B), Inventories (Properties) ¥63.5B (decreased ¥1.8B).
- Investment properties/PPE increased by ¥11.9 B from the end of the previous fiscal year, mainly due to acquisition of investment real estate of ¥12.0 B.

(¥million)	'20/11	Decrease	Increase	'21/2	Decrease	Increase	'21/5		Six Months Total Decrease	Six Months Total Increase
Total Assets	161,684	-3,680		158,003	+12,919		170,923		9,239	
Cash and Cash Equivalents	37,039	-1,590		35,449	-419		35,030		-2,009	
Inventories (Properties)	65,416	-8,436		56,980	+6,558		63,538	A	-1,878	
		-16,848	+8,411		-7,402	+13,960			-24,250	+22,372
Investment Properties/PPE	50,482	+5,404		55,886	+6,540		62,427	B	+11,944	
		-702	+6,106		-370	+6,911			-1,073	+13,018
Other Assets	8,745	+941		9,686	+240		9,927		1,182	

A : Change in Inventories (Properties)

Inventories (properties) decreased ¥1.8B from the end of the previous fiscal year. The decrease was attributed sales of properties ¥24.2B which exceeded properties purchase and construction cost, etc. ¥22.3B.

	(¥million)	1Q		2Q		2Q (6M)	
Increase Factor	Purchase of properties		+4,338		+11,618		+15,956
	Construction Cost/ Value-added, etc.,		+3,718		+2,342		+6,060
	Transfer from Investment Properties/PPE		+355				+355
Decrease Factor	Sales of properties	-16,848		-7,400		-24,248	
	Transfer to Investment Properties/PPE						
	Valuation loss, Others			-2		-2	
Total		**-16,848**	**+8,411**	**-7,402**	**+13,960**	**-24,250**	**+22,372**

B : Change in Investment Properties/PPE

Investment Properties/PPE increased ¥11.9B from the end of the previous fiscal year. The increase was attributed to purchased of new properties ¥12.0B.

	(¥million)	1Q		2Q		2Q (6M)	
Increase Factor	Purchase of properties		+5,958		+6,079		+12,037
	Value-added, purchase of other financial assets		+148		+832		+980
Decrease Factor	Transfer to Inventories	-355				-355	
	Depreciation Expense, etc.	-347		-370		-718	
Total		**-702**	**+6,106**	**-370**	**+6,911**	**-1,073**	**+13,018**

13

I have given an overview of the 6 segments. Next, I will go over the balance sheet on page 13.

Net assets amounted to JPY170.9 billion as of the end of May, which represents an increase of JPY9.2 billion from the end of the previous fiscal year.

This breaks down into a JPY1.8 billion decrease in inventories of real estate for sales from the end of the previous fiscal year, at JPY63.5 billion as of the end of the first half of the current fiscal year.

The details of new purchases, construction, and additions through value-up are described in column A in the bottom left. Inventories increased by JPY22 billion mainly from new acquisitions and construction costs, while there was a decrease in book value of JPY24 billion, due to sales. On net, inventories decreased by JPY1.8 billion.

On the other hand, investment properties and fixed assets increased by JPY11.9 billion from the end of the previous fiscal year. The increase was mainly from an increase in the book value of a large office building that we newly acquired in Hattyobori.

Summary of Balance Sheet (Consolidated) - Liabilities/Equity -

◆ **Maintained financial soundness by keeping an equity ratio of 37.7% and Net D/E Ratio 0.93.**

(¥million)

	'20/11	Decrease / Increase	'21/2	Decrease / Increase	'21/5		Six Months Total (Decrease / Increase)
Total Liabilities/Equity	161,684	-3,680	158,003	-12,919	170,923		9,239
Total Liabilities	102,714	-6,233	96,481	+9,857	106,338		3,623
Borrowings	90,987	-4,614 -16,442 / +11,828	86,373	+8,553 -13,156 / +21,710	94,926	A	+3,939 -29,599 / +33,538
Current Borrowings	11,794	-539 -2,274 / +1,734	11,254	+954 -3,250 / +4,204	12,209		414 -5,524 / +5,939
Non-current Borrowings	79,192	-4,074 -14,168 / +10,094	75,118	+7,599 -9,906 / +17,505	82,717		+3,525 -24,074 / +27,599
Other Liabilities	11,727	-1,619	10,108	+1,303	11,411		-315
Equity	58,969	+2,552	61,522	+3,062	64,585	B	+5,615
Equity Ratio (%)	36.5	+2.4	38.9	-1.1	37.7	C	+1.2
Net D/E Ratio (times)	0.91	-0.09	0.83	+0.10	0.93		+0.01

* Equity Ratio and Net D/E Ratio are calculated base on "Total equity attributable to owners of parent".

A: Change in Borrowings

The debt balance increased by ¥3.9B from the end of the previous fiscal year. The increase was attributed to new/additional borrowing, which exceeded the repayments upon disposition and Contractual repayment.

		(¥million)	1Q		2Q		2Q (6M)	
Current Borrowings	Increase Factor	New Borrowing upon Acquisition		+878		+2,853		+3,731
		Additional borrowing (construction fee, etc.)		+118		+24		+142
		Non-current borrowings transferred to Current borrowings		+671		+1,281		+1,953
		Lease Liabilities		+66		+46		+112
	Decrease Factor	Repayment upon Disposition	-1,148		-1,464		-2,613	
		Contractual repayment	-738		-825		-1,563	
		Other (Refinance, etc.)	-326		-899		-1,225	
		Lease Liabilities	-60		-60		-121	
Non-Current Borrowings	Increase Factor	New Borrowing upon Acquisition		+7,963		+12,035		+19,999
		Additional borrowing (construction fee, etc.)		+525		+633		+1,158
		Other Repayments (Refinance, etc.)		+1,518		+4,827		+6,345
		Lease Liabilities		+87		+9		+97
	Decrease Factor	Repayments upon Disposition	-12,187		-4,914		-17,102	
		Contractual repayment	-53		-65		-119	
		Other Repayments (Refinance, Scheduled Payment, etc.)	-1,192		-3,600		-4,792	
		Non-current borrowings transferred to Current borrowings	-671		-1,281		-1,953	
		Lease Liabilities	-63		-44		-107	
		Total	**-16,442**	**+11,828**	**-13,156**	**+21,710**	**-29,599**	**+33,538**

B: Change in Equity

- Total equity increased ¥5.6B from the end of the previous year. The increase was attributed to ¥6.1B of retained earnings, ¥630M increase of valuation difference on available-for-sale securities, ¥896M of the payment of cash dividends and ¥373M purchase of treasury shares, etc.

C: Financial Soundness

- Equity ratio is 37.7% (up 1.2 points from the end of the previous year).
- Net D/E ratio is 0.93 times (up 0.01 points from the end of the previous year).

14

Next, please see page 14. This page shows the details of the liabilities and equity on the balance sheet.

First, liabilities increased by JPY3.6 billion from the end of the previous fiscal year. The increase consists of a rise in borrowings by JPY3.9 billion from the end of the previous fiscal year, consisting of an increase of JPY25 billion in new borrowings mainly due to new purchases and construction costs. Meanwhile, borrowings were reduced by JPY21.1 billion, mainly from repayments due to sales or fixed-term repayments. On net, borrowings increased by JPY3.9 billion.

Total equity amounted to JPY64.5 billion, an increase of JPY5.6 billion from the end of the previous fiscal year. The details are described in column B on the right. The accumulation of profit and valuation gains on investments securities led to an increase of JPY6.7 billion in total. On the other hand, we paid dividends and repurchased treasury shares as part of our shareholder returns, resulting in a decrease in equity by JPY1.2 billion in total. On net, equity increased by JPY5.6 billion.

As a result, the equity ratio as of the end of May was 37.7%, a 1.2 percentage point increase from the end of the previous fiscal year.

Inventories

◆ **Balance of inventories ¥63.5B, total expected disposition value ¥102.6B (Tosei's estimation).**

(¥million)

Total Book Value as of End of May 2021	63,538M	(Total 97 properties)	Total Expected Disposition Value	102,618M

Breakdown

Property Type	Book Value: Revitalization	Book Value: Development	Total Book Value	Book Value on Completion	Expected Disposition Value: Revitalization	Expected Disposition Value: Development	Total Expected Disposition Value
Office, Commercial Facility	28,254 (36)	4,892 (7)	33,146	Additional Cost (Construction, Value-add Cost) 24,089	34,366	8,779	43,145
Condo/Apt Building	9,964 (22)	3,816 (5)	13,780		12,841	11,458	24,300
Hotel	-	7,204 (4)	7,204		-	16,531	16,531
Logistics Facility	1,144 (1)	921 (1)	2,065		1,502	4,847	6,350
Detached House	-	6,420 (16)	6,420		-	11,197	11,197
Other	920 (5)	-	920		1,092	-	1,092
Total	40,283 (64)	23,255 (33)	63,538	87,628	49,803	52,815	102,618

Expected Gross Profit	14,990
Expected Gross Profit Rate	14.6%

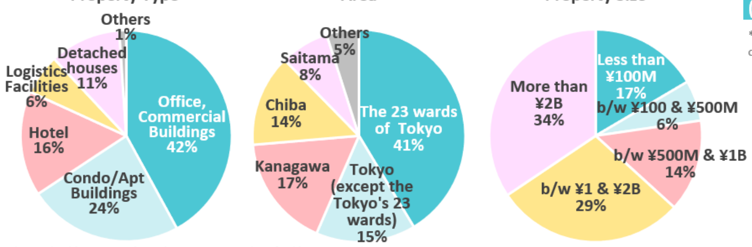
* ( ) are the number of properties
* The expected disposition values above are based on Tosei's estimate based on the information available as of the end of May 2021. Actual results may differ significantly due to a variety of factors.
* The condominium buildings and detached houses are counted as each project being one property.

Reference

Gross Profit Rate (Past Record*)	19.9%

*Average of past three years (FY2018 – FY2020) gross profit rate of Revitalization and Development Businesses.

Expected Disposition Values Base



*Detached houses and condominiums are classified by one unit's price.

 15

Next, please see page 15 for the status of inventories that we possess.

As of the end of May, we possessed 97 properties in our inventories, amounting to JPY63.5 billion in book value. As of the end of the previous fiscal year, the book value was JPY65.4 billion (100 properties), so there has been a reduction of 3 properties and a decline in book value by JPY1.8 billion.

On the other hand, our estimated future revenue, as shown in the upper right, is JPY102.6 billion. Our estimate as of the end of the previous fiscal year was JPY100.8 billion, meaning that our estimated revenue has increased by roughly JPY1.7 billion.

The details by type are as described here, so I will omit an explanation. But if you look at the right side around the middle, our expected gross profit is JPY14,990 million for a gross profit margin of 14.6%.

A little below that, the past results show that the gross margin was 19.9%, which is the average over the last 3 years. Excluding the previous fiscal year, which was affected by COVID-19, the average gross margin for 2 fiscal years ago and the fiscal year before that was 25%. Compared to this level, our current estimate of 14.6% is extremely conservative.

Fixed Assets (Investment Properties and PPE) - Breakdown -

◆ **Book value is ¥61.1B and unrealized gains is ¥29.7B (Tosei's estimation).**

(¥million)

Total Book Value as of end of May 2021	61,125M (30 properties)	Fair Value	90,855M

Breakdown of Investment Properties and PPE

Property Type	Book Value(A)	No. of Properties	Fair Value(B)		Unrealized Gains (B)-(A)	
Office, Commercial Building*1	48,660	24	77,821		29,161	
Condo/Apt Building	-	-	-		-	
Hotel	11,549	5	11,571		22	
Logistics Facility	915	1	1,461		546	
Total	61,125	30	90,855	Total	29,729	A
				Income Tax*2	-9,810	B
				Unrealized Gains (After Tax)	19,919	C (A+B)

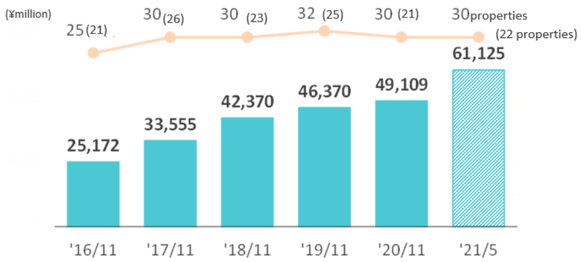
*1 Includes one property which is partially is a hotel
*2 Calculated by corporation tax rate 33%
* Fair values in above is based on the real estate appraisal by Tosei
* The PPE book value does not include the book value of right-of-use (lease) assets, tools, furniture and fixtures, etc. (¥1,301M).

Total Equity including unrealized gains (after tax) in above

	As of end of May 2021	Per Share
Total Equity【A】	64,465M	¥1,376.67
Unrealized Gains (after tax)【B】	19,919M	¥425.38
Total (【A】+【B】)	84,384M	¥1,802.05

*Total Equity represents the total equity attributable to owners of the parent company.

Changes in Investment Properties and PPE (Book Value)



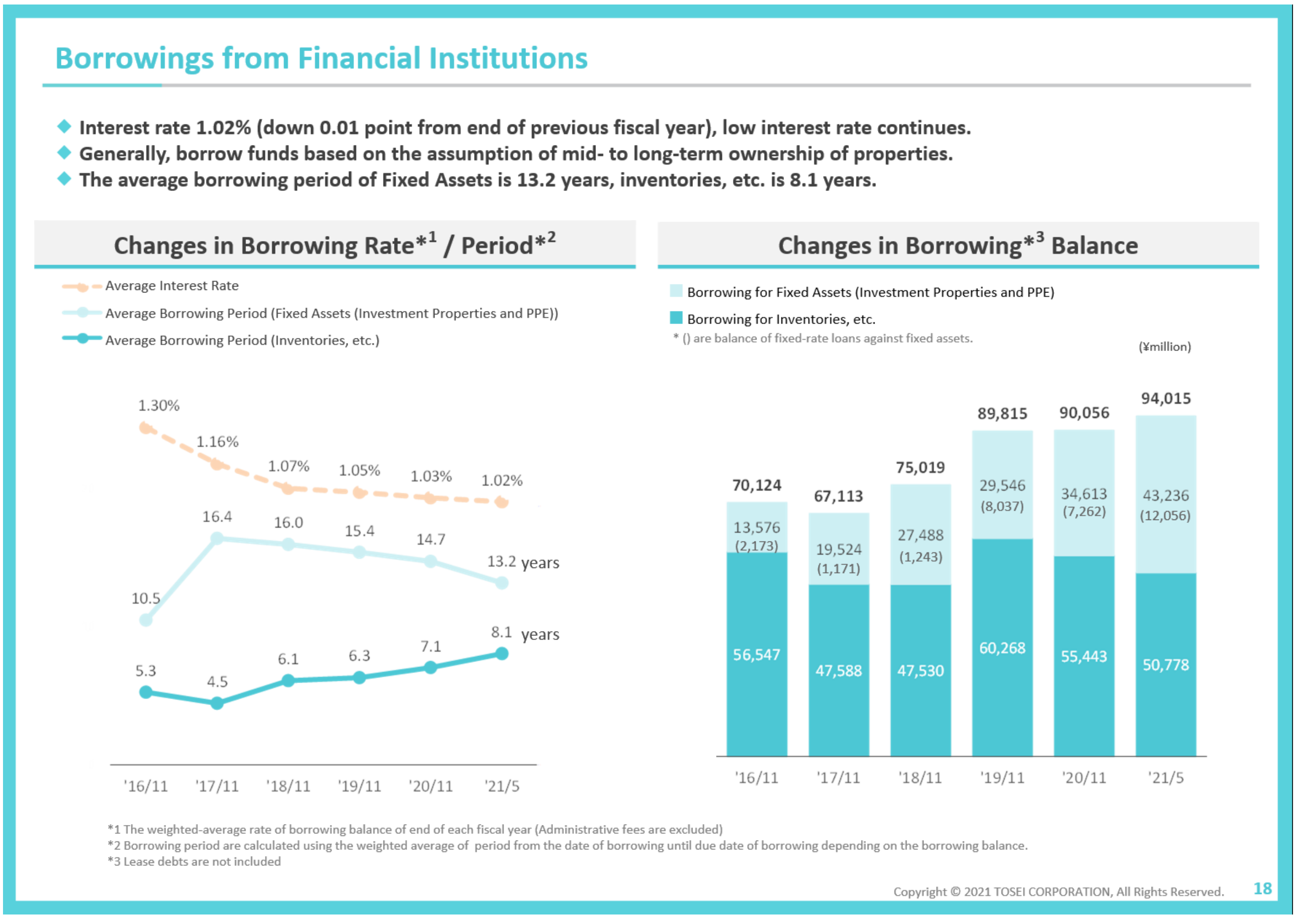
*( ) are the number of properties which have rental income

 17

Next, I will skip page 16 and go to page 17. Here I will explain the status of fixed assets and investment properties.

The book value as of the end of May was JPY61.1 billion with a total of 30 properties. The number of properties was the same at the end of the previous fiscal year at 30, but the book value was JPY49.1 billion. The new acquisition of properties such as in Hattyobori, which I explained earlier, has led to an increase in the book value compared to the end of the previous fiscal year.

Based on our estimate, the fair value of these properties is JPY90.8 billion. As indicated inside red brackets, we estimate the unrealized gain to be JPY29.7 billion. If these gains were to be realized, and we were to reduce the corporate tax, the unrealized gain after tax would be JPY19.9 billion. If we divide this amount by the number of shares outstanding, we estimate that there is a per-share unrealized gain of JPY425.



Finally, I will go over the status of borrowings on page 18.

As shown on the left, the interest rate has decreased slightly from the end of the previous fiscal year.

On the other hand, as color-coded in the trend for the balance of borrowings on the right, the balance of borrowing for fixed assets and investment properties are shown with a different color from the balance of borrowing for inventories. The balance of borrowing for fixed assets, which is shown in light blue, increased to JPY43.2 billion as of the end of the first half of the current fiscal year, from JPY34.6 billion at the end of the previous fiscal year.

Below that, we have indicated the balance of fixed interest rate borrowings out of total borrowings in parentheses. As of the end of the first half of the current fiscal year, we had fixed interest rates of JPY12 billion. Out of the total fixed assets of JPY43 billion, fixed interest rates account for 28%.

The details of the numbers are shown on page 19 onward, but I will omit the explanation. That's all.

Moderator: Next, President Yamaguchi will explain the business development during the second half of FY2021, starting from page 22 of the material.

Revision of FY2021 Forecast (Repost)

- In Revitalization Business, the profit margin was substantially higher than projected at the beginning of the fiscal year, and Profit Before Tax reached the year-end target half a year ahead of schedule. (the first half profit was driven by the sale of several ¥2.0B scale large properties).
- Revised the full-year earnings forecasts as below, mainly due to the revision of the timing of the planned sales of some properties in the Revitalization Business to next fiscal year and beyond. In the second half, the Company will focus on property acquisition, revitalization and leasing of acquired properties to increase their value.
- Maintain the level of dividend payout ratio before revision, increase the dividend per share to ¥38 (up ¥9).

FY2021 Consolidated Full-year Forecast

(¥million)	Initial Forecast (A) Announced on 12 Jan. 2021	New Forecast (B) Announced on 5 Jul. 2021	Increase/Decrease Amount (B-A)	Percentage Change	Reference: Previous Year Result (FY2020)
Revenue	69,535	61,657	(7,878)	(11.3%)	63,939
Operating Profit	8,707	11,036	+2,329	+26.8%	6,427
Profit Before Tax	8,001	10,376	+2,375	+29.7%	5,901
Profit for the Year	5,218	6,848	+1,630	+31.2%	3,602
Basic Earnings Per Share (EPS)	¥110.61	¥146.21	+¥35.60	+32.2%	¥76.05
Dividend	¥29	¥38	+¥9	+31.0%	¥19
Payout Ratio (Total Return Ratio)	26.2%	26.0%*1 (33.3%)	-	-	25.0% (38.8%)
ROE*2	8.5%	11.0%	-	-	6.1%

*1 Payout ratio for FY2021 is calculated based on the number of shares as of May 31, 2021.
*2 ROE= Profit for the year/period attributable to owners of the parent ÷((Total equity capital at preceding year end + Total equity capital at current year end)÷2)

 23

Yamaguchi: Hello, everyone. This is Yamaguchi, President of Tosei Corporation.

From page 22 onward, I would like to explain mainly about our business development plans in the second half of FY2021.

Please turn to page 23. First, we have made revisions to the full-year financial results forecast for FY2021. Please see the box at the bottom.

We revised down our revenue forecast from JPY69.5 billion initially to JPY61.6 billion. However, we raised our profit before tax forecast from JPY8 billion to JPY10.3 billion, and our profit for the year forecast from JPY5.2 billion to JPY6.8 billion.

As a result, we also plan to increase dividends from JPY29 per share to JPY38 per share. We have also raised our ROE target from 8.5% to 11%. We expect to maintain a dividend payout ratio of 26%, and in addition to that, we have implemented share buybacks. As such, we have announced that the total return ratio will exceed 33%.

To give you the key points, just as Hirano explained earlier, we have received high evaluations from investors and customers in our revitalization and development businesses. We have been able to sell properties at prices that are higher than the original projections. In the fund business, we have provided opportunities to investors in Japan and abroad. The expansion of our reach to a broad scope of investors has resulted in increased profit.

While we expect profit to increase, we forecast a decline in revenue of roughly JPY7.8 billion, which reflects our positive stance. We aspire to achieve sustainable and continuous profit growth over the medium to long term. Therefore, we reviewed our sales plan of profitable properties and delayed their sales to the next fiscal year onward.

Forecast for FY2021 and Plan for the Second Half

(¥ million)	FY2020	%	FY2020 (A) Initial Forecast	%	FY2021 (B) New Forecast	%	YoY Change (B) – (A)	%	FY2021 1H (6M)	%	FY2021 2H (6M)	
Revenue	63,939	100.0%	69,535	100.0%	61,657	100.0%	-7,878	-11.3%	40,932	100.0%	20,724	100.0%
Revitalization	31,154	48.7%	40,645	58.5%	33,602	54.5%	-7,043	-17.3%	24,185	59.1%	9,416	45.4%
Development	16,171	25.3%	12,696	18.3%	12,061	19.6%	-634	-5.0%	9,043	22.1%	3,017	14.6%
Rental	5,859	9.2%	5,889	8.5%	5,461	8.9%	-427	-7.3%	2,787	6.8%	2,674	12.9%
Fund and Consulting	5,759	9.0%	4,219	6.1%	4,961	8.0%	741	17.6%	2,278	5.6%	2,682	12.9%
Property Management	5,928	9.3%	6,337	9.1%	6,445	10.5%	108	1.7%	3,163	7.7%	3,281	15.8%
Hotel	438	0.7%	1,178	1.7%	548	0.9%	-630	-53.5%	161	0.4%	387	1.9%
Internal Transactions	-1,371	-	-1,431	-	-1,423	-	8	-0.6%	-687	-	-736	-
Gross profit	14,799	23.1%	18,880	27.2%	20,614	33.4%	1,733	9.2%	13,789	33.7%	6,824	32.9%
Revitalization	6,947	22.3%	7,052	17.4%	8,438	25.1%	1,386	19.7%	7,314	30.2%	1,123	11.9%
Development	-2,417	-14.9%	2,062	16.2%	2,241	18.6%	178	8.7%	1,635	18.1%	605	20.1%
Rental	2,572	43.9%	2,966	50.4%	2,862	52.4%	-104	-3.5%	1,553	55.7%	1,309	48.9%
Fund and Consulting	5,625	97.7%	4,034	95.6%	4,792	96.6%	758	18.8%	2,208	96.9%	2,583	96.3%
Property Management	1,973	33.3%	2,040	32.2%	2,113	32.8%	73	3.6%	1,055	33.3%	1,058	32.3%
Hotel	361	82.3%	1,066	90.5%	458	83.5%	-608	-57.1%	121	75.5%	336	86.8%
Internal Transactions	-262	-	-342	-	-291	-	50	-14.7%	-100	-	-191	-
Selling, general and administrative expenses, etc.	8,401	13.1%	10,115	14.5%	9,373	15.2%	-742	-7.3%	4,603	11.2%	4,769	23.0%
Expenses related to property marketing activities	1,273	2.0%	1,697	2.4%	1,056	1.7%	-641	-37.8%	674	1.6%	382	1.8%
Selling, general and administrative expenses (net of expenses related to property marketing activities)	7,128	11.1%	8,417	12.1%	8,316	13.5%	-100	-1.2%	3,929	9.6%	4,387	21.2%
Other Income	116	0.2%	2	0.0%	129	0.2%	126	4312.6%	114	0.3%	14	0.1%
Other Expenses	86	0.1%	60	0.1%	333	0.5%	272	450.3%	67	0.2%	265	1.3%
Operating profit	6,427	10.1%	8,707	12.5%	11,036	17.9%	2,329	26.8%	9,232	22.6%	1,804	8.7%
Revitalization	5,596	18.0%	5,101	12.6%	6,964	20.7%	1,862	36.5%	6,437	26.6%	527	5.6%
Development	-3,743	-23.1%	874	6.9%	1,245	10.3%	370	42.3%	1,211	13.4%	33	1.1%
Rental	2,319	39.6%	2,727	46.3%	2,619	48.0%	-107	-3.9%	1,447	51.9%	1,172	43.9%
Fund and Consulting	4,193	72.8%	2,586	61.3%	3,336	67.3%	750	29.0%	1,565	68.7%	1,771	66.0%
Property Management	667	11.3%	581	9.2%	713	11.1%	132	22.8%	421	13.3%	291	8.9%
Hotel	-673	-153.5%	-477	-40.5%	-854	-155.7%	-376	78.7%	-408	-252.9%	-446	-115.2%
Corporate expenses, etc.	-1,933	-	-2,686	-	-2,988	-	-302	11.2%	-1,442	-	-1,546	-
Finance income/costs(net)	-526	-	-705	-	-660	-	45	-6.5%	-273	-	-386	-
Profit before tax	5,901	9.2%	8,001	11.5%	10,376	16.8%	2,375	29.7%	8,959	21.9%	1,417	6.8%
Income tax expenses	2,298	-	2,783	-	3,528	-	744	26.8%	2,836	-	691	-
Profit for the year	3,602	5.6%	5,218	7.5%	6,848	11.1%	1,630	31.2%	6,122	15.0%	725	3.5%
(Owners of the parent)	3,602	-	5,218	-	6,486	-	1,628	-	6,122	-	725	-
(Non-controlling interests)	-	-	-	-	2	-	2	-	2	-	-	-

*The orange portion shows gross profit margin and operating profit margin.

Plan for Second Half

Trading Business

Revitalization Business
- Carefully choose properties to acquire and focus on revitalizing properties.
- Utilize real estate M&A for acquisition.
- Maximize properties' value by utilizing our value-up and lease-up skills.
- In the second half, schedule to sale low profit rate properties including properties for Tosei Reit via bridge schemes.

Development Business
- In the second half, only plan to sale detached houses.
- Promote early commercialization (lease-up) of properties already developed.
- Promote product development which response to environmental and social issues.

Stable Business

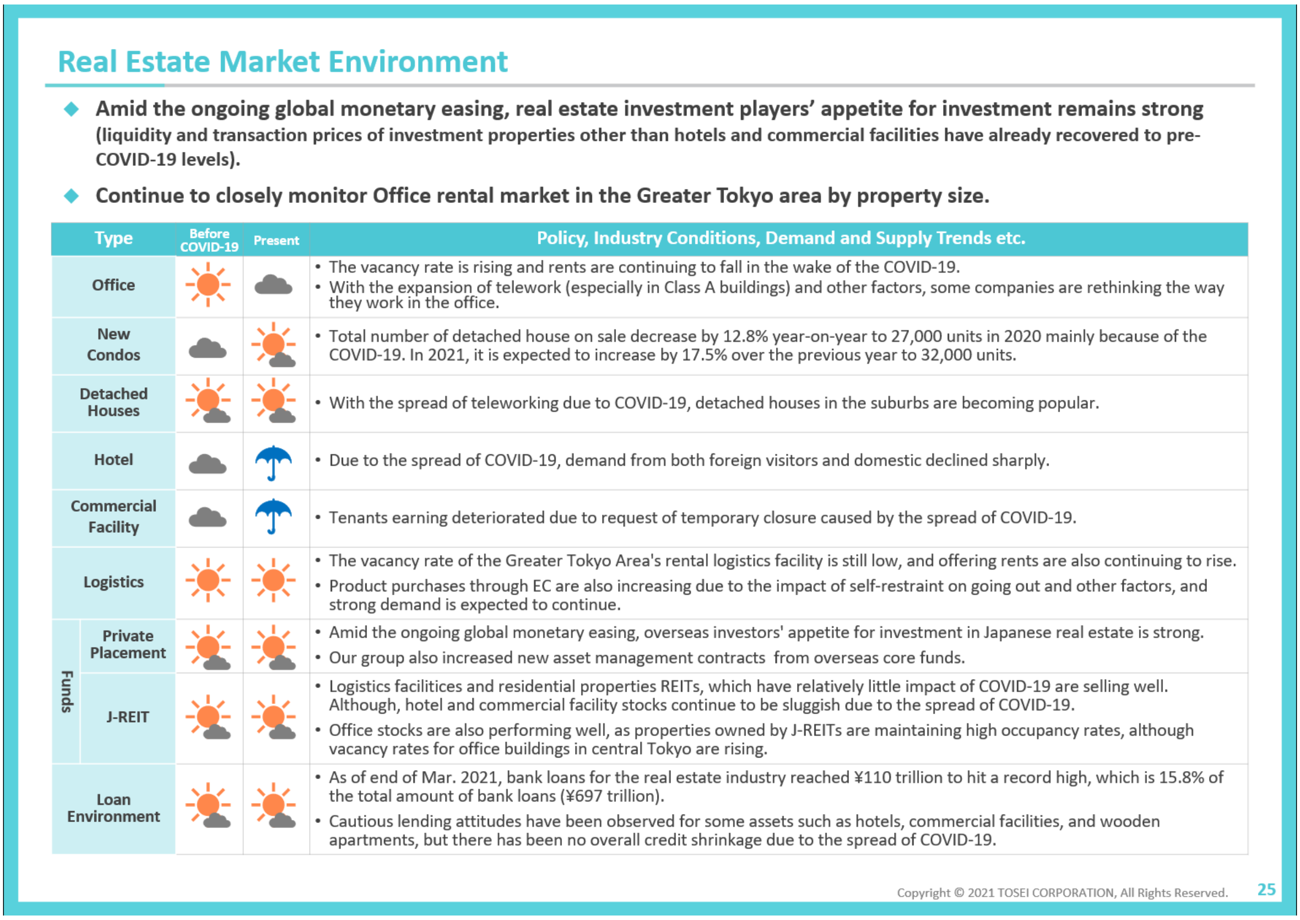
Rental Business
- Increase the number of Fixed Assets.
- Lease-up/improve occupancy of properties acquired with low occupancy.
- In the second half, the profit margin will decrease due to upfront advertising expenses related to leasing.

Fund and Consulting Business
- Strengthen organization and functions to expand AUM.
- Expand customer base of crowdfunding business.

Hotel Business
- 1 new hotel opened (Asakusa), and 1 hotel is scheduled to open (Kamakura).

24

On page 24, we provide a table that shows the breakdown of revenue and profit forecast by segment with regard to the revisions I just stated. Please refer to these numbers as needed.



Real Estate Market Environment

- **Amid the ongoing global monetary easing, real estate investment players' appetite for investment remains strong (liquidity and transaction prices of investment properties other than hotels and commercial facilities have already recovered to pre-COVID-19 levels).**
- **Continue to closely monitor Office rental market in the Greater Tokyo area by property size.**

Type		Before COVID-19	Present	Policy, Industry Conditions, Demand and Supply Trends etc.
Office				• The vacancy rate is rising and rents are continuing to fall in the wake of the COVID-19. • With the expansion of telework (especially in Class A buildings) and other factors, some companies are rethinking the way they work in the office.
New Condos				• Total number of detached house on sale decrease by 12.8% year-on-year to 27,000 units in 2020 mainly because of the COVID-19. In 2021, it is expected to increase by 17.5% over the previous year to 32,000 units.
Detached Houses				• With the spread of teleworking due to COVID-19, detached houses in the suburbs are becoming popular.
Hotel				• Due to the spread of COVID-19, demand from both foreign visitors and domestic declined sharply.
Commercial Facility				• Tenants earning deteriorated due to request of temporary closure caused by the spread of COVID-19.
Logistics				• The vacancy rate of the Greater Tokyo Area's rental logistics facility is still low, and offering rents are also continuing to rise. • Product purchases through EC are also increasing due to the impact of self-restraint on going out and other factors, and strong demand is expected to continue.
Funds	Private Placement			• Amid the ongoing global monetary easing, overseas investors' appetite for investment in Japanese real estate is strong. • Our group also increased new asset management contracts from overseas core funds.
	J-REIT			• Logistics facilitices and residential properties REITs, which have relatively little impact of COVID-19 are selling well. Although, hotel and commercial facility stocks continue to be sluggish due to the spread of COVID-19. • Office stocks are also performing well, as properties owned by J-REITs are maintaining high occupancy rates, although vacancy rates for office buildings in central Tokyo are rising.
Loan Environment				• As of end of Mar. 2021, bank loans for the real estate industry reached ¥110 trillion to hit a record high, which is 15.8% of the total amount of bank loans (¥697 trillion). • Cautious lending attitudes have been observed for some assets such as hotels, commercial facilities, and wooden apartments, but there has been no overall credit shrinkage due to the spread of COVID-19.

 25

Please turn to page 25. We have included a summary of the current real estate market.

Broadly speaking, aggressive investments have continued from the investment market, institutional investors, and other customers in Japan and abroad on the back of global monetary easing. In this context, lenders such as banks' lending attitude have also continued to be positive, fueling an ongoing expansion of the investment market.

In addition, the non-investment end-user market has also continued to be steady, including condominiums and detached houses, due to supply adjustments due to the COVID-19 pandemic last year.

We show on the bottom our weather forecast for the market by each type. Here, I will only explain the key points.

First, our weather forecast for offices, shown on the top, is a change from sunny before the pandemic to cloudy. This is because of the increase in vacancy rates for office rentals due to the deterioration of the economy. And the vacancy rate increased from just 1.5% to 5% at present. We also must pay close attention to the increase in the vacancy rate caused by the further adoption of remote work under the pandemic.

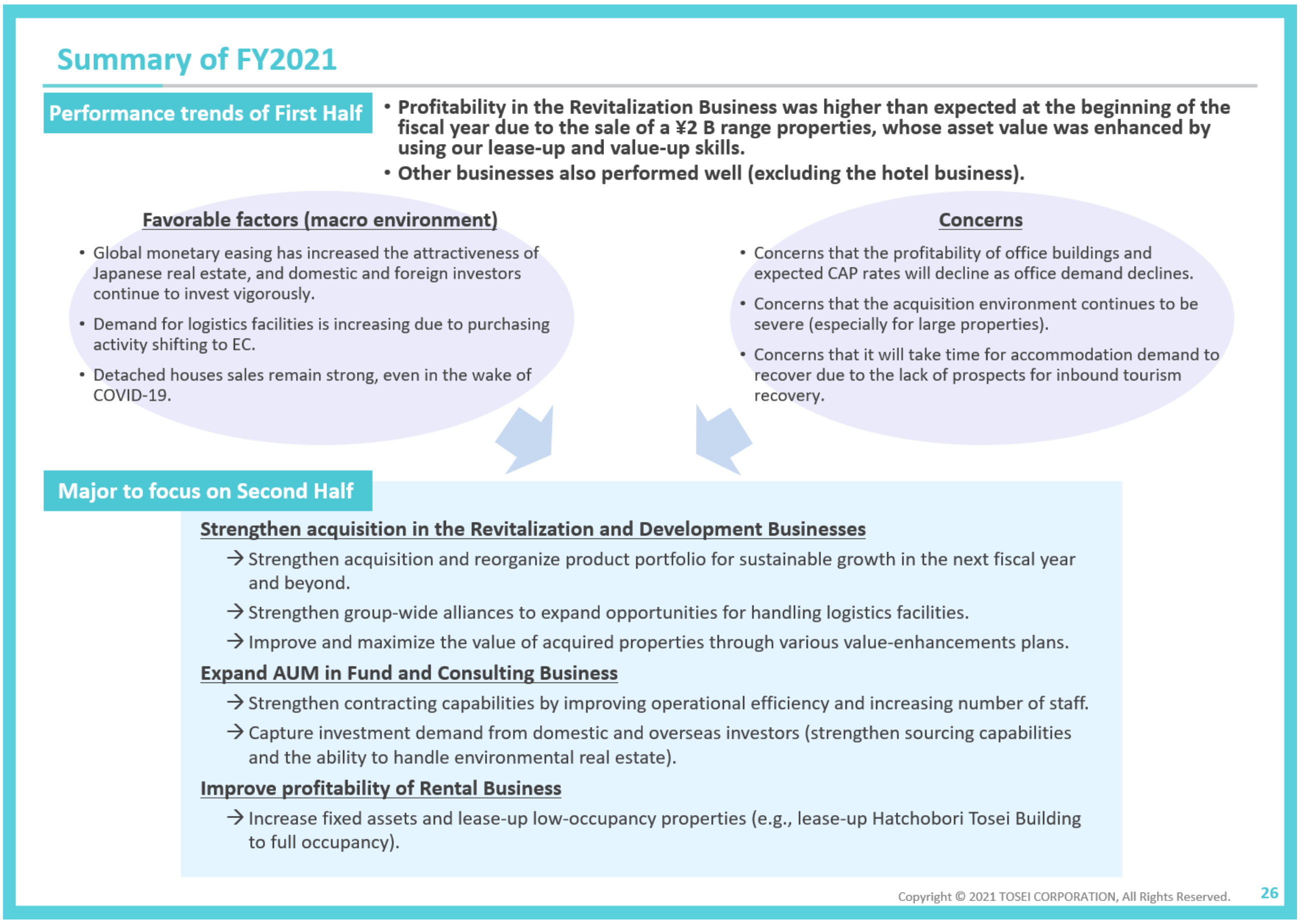
As I stated earlier, the conditions for condominiums and detached houses are extremely solid.

Also, in the middle, we have indicated our weather forecast for hotels and commercial facilities with rainy marks. As you already know, the situation continues to be very harsh due to the pandemic.

As for logistics facilities, our weather forecast was sunny before the pandemic and also sunny at present, supported by the expansion of e-commerce. There is still considerable room for growth of e-commerce in

Japan, which only accounts for 6.8% of the total market, and we expect the growth rate to be high. Logistics of consumer goods remain steady, and the vacancy rate of logistics facilities continues to be low at 2%.

In the fund market, private placement funds and J-REITs have both been strong. As a result of the impact of monetary easing, which I explained earlier, assets under management have been growing. Both private placement funds and J-REITs total JPY20 trillion, respectively, for a sizable market size exceeding JPY40 trillion in total.



Please turn to page 26. The following is a summary of our policy for the second half under this economic or market environment.

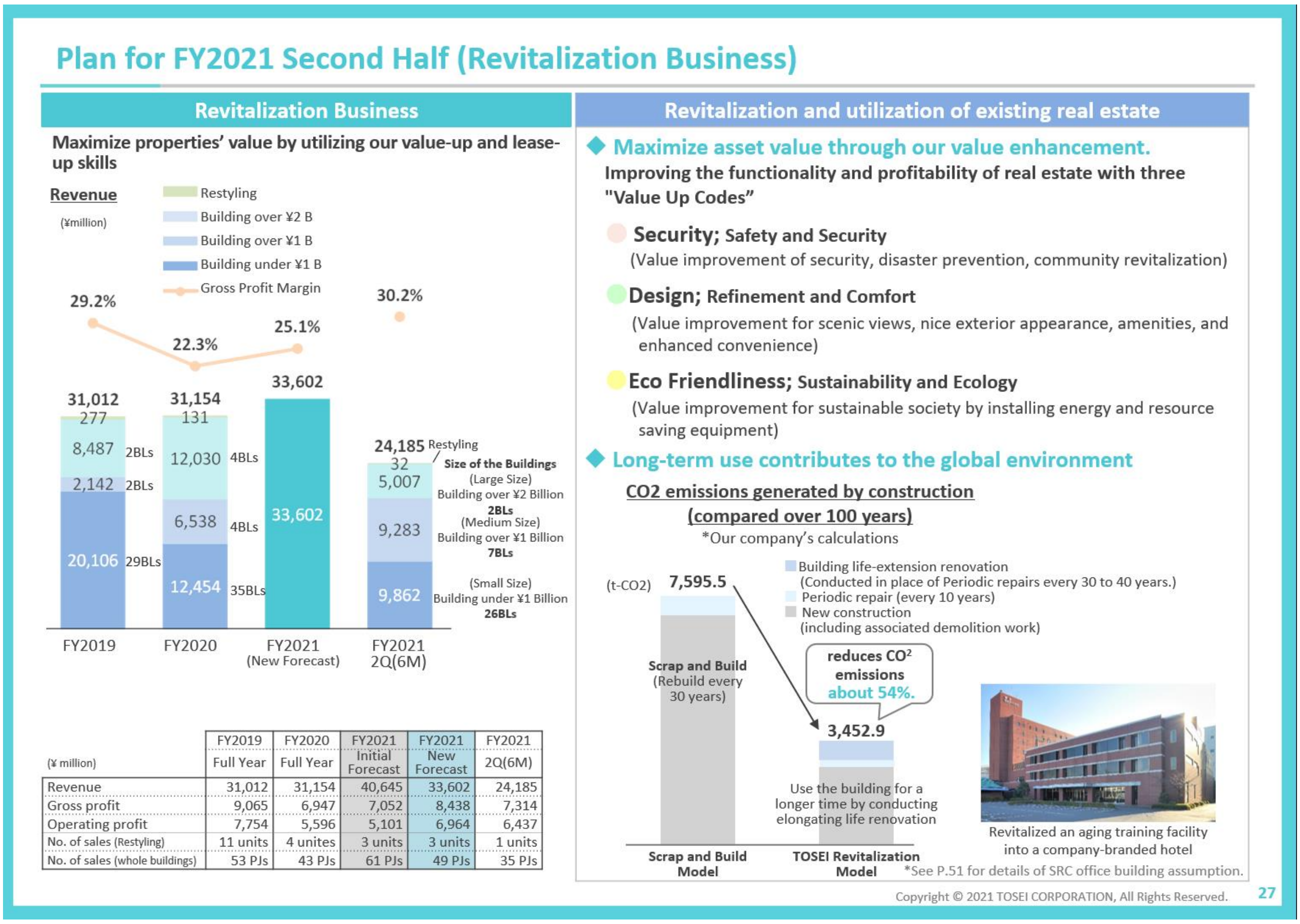
Please see our priority measures in the second half on the bottom, against the backdrop of solid evaluations in Revitalization, and growth in AUM in fund and consulting business.

In the second half, as indicated by the rectangular bullet point on the top, we will strengthen and expand our purchases in the revitalization and development businesses. It goes without saying that purchases are the seed for our next growth; therefore, we intend to expand purchases under the steady market.

Second, we aim to expand AUM in the fund and consulting business. As Hirano and I have stated repeatedly, Tosei Group serves as a provider of opportunities to investors, institutional investors, and individual investors in Japan and abroad. One of our measures for the second half is to strengthen our fund and consulting business' capability even further.

Third, we aim to improve profit in the rental business. By further increasing the stable businesses ratio and the stable profit ratio, we aim to expand the rental business. In addition, we intend to raise the leasing of vacant properties and lift the utilization ratio.

Based on this major policy, I would like to explain about each business from the next page onward.



(¥ million)	FY2019 Full Year	FY2020 Full Year	FY2021 Initial Forecast	FY2021 New Forecast	FY2021 2Q(6M)
Revenue	31,012	31,154	40,645	33,602	24,185
Gross profit	9,065	6,947	7,052	8,438	7,314
Operating profit	7,754	5,596	5,101	6,964	6,437
No. of sales (Restyling)	11 units	4 unites	3 units	3 units	1 units
No. of sales (whole buildings)	53 PJs	43 PJs	61 PJs	49 PJs	35 PJs

On page 27, we describe our plan for the revitalization business.

As shown in the bar graph on the left, revenue was JPY24.1 billion in 2Q.Next, please see the box on the bottom left.

We revised down our initial revenue forecast from JPY40.6 billion to JPY33.6 billion. However, we raised our operating profit forecast in revitalization from JPY5.1 billion initially to JPY6.9 billion, an increase in profit of roughly JPY1.8 billion.

As I have stated, the business is performing very robustly. We are re-examining our sales plan for the next fiscal year and decided to postpone sales of 12 properties to next fiscal year onward. In this fiscal year we will strive to further improve these properties' value by using our lease-up and value-up skills.

As shown in the column on the right of the page, I will give a quick review of our value-up strategy. As shown on the top, we are promoting 3 value-up activities, including security, design, and eco-friendliness. We are revitalizing real estate through 3 activities.

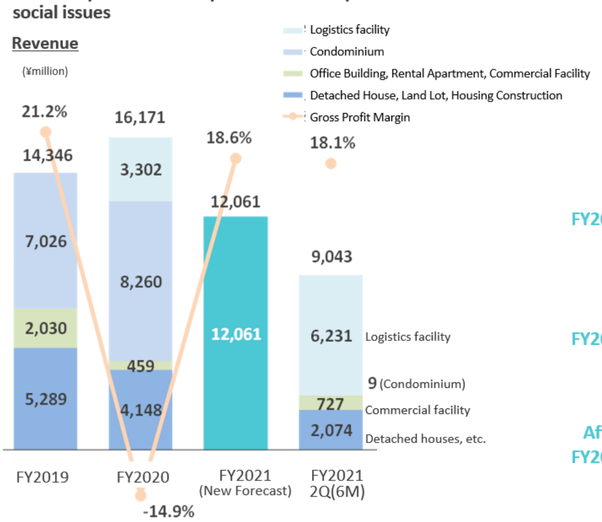
In particular, as shown on the bottom, our revitalization business, the revitalization itself, is significantly contributing to CO2 reductions. This is evidence that the business contributes to eco-friendliness and the global environment. If you look at the bar graph on the left, properties have generally been rebuilt twice every century in the past.

The amount of CO2 emissions due to rebuilding these properties is roughly 7,595 tons. Through our activities to revitalize properties and utilize them for longer periods of time, we can keep the emissions amount to 3,452 tons. Thus, the key point of the revitalization business that is contributes to a 54% reduction in CO2 emissions. By extending the asset life to 100 years, we can reduce CO2 emissions at the same time. We believe it is our mission to promote a highly eco-friendly business.

Plan for FY2021 Second Half (Development Business)

Development Business

Promote product development which response to environmental and social issues



(¥million)	FY2019 Full Year	FY2020 Full Year	FY2021 Initial Forecast	FY2021 New Forecast	FY2021 2Q (6M)
Revenue	14,346	16,171	12,696	12,061	9,043
Gross Profit	3,042	-2,417	2,062	2,241	1,635
Operating Profit	1,528	-3,743	874	1,245	1,211
No. of Sales (Detached House, etc.)	106	86	109	94	39
No. of Sales (Condominiums)	163	243	-	-	-
No. of Sales (Whole Buildings)	2	2	2	2	2

*PJ names may subject to change
*Detached houses development projects are not included

Development Project Schedule (Holding / Scheduled to be completed)

Type	No.	Expected Disposition Value (¥million)
Commercial Facility, Office	7	8,779
Condominium	1	11,458
Rental Apartment	4	
Hotel	4	16,531
Logistics Facility	1	4,847
Detached Houses	16PJ	11,197
Total 17 Properties + Detached Houses		52,815

Period	Type	Project
FY2021	Commercial Facility	T'S BRIGHTIA Minami Aoyama II
	Hotel	Tosei Hotel Cocone Asakusa
	Hotel	Tosei Hotel Cocone Kamakura
	Commercial Facility	Kichijoji 2-chome Commercial Facility Project
FY2022	Commercial Facility	Setagaya-ku Oyamadai Commercial Facility Project
	Rental Apartment	Machida-shi Haramachida 5-chome Rental Apartment Project
	Rental Apartment	Kashiwa-shi Rental Apartment Project
	Commercial Facility	Meguro-ku Jiyugaoka Commercial Facility Project (Midorigaoka)
After FY2023	Condominium	Toda-shi Condominium Project
	Hotel	Tosei Hotel & Seminar Chibaminato Ekimae
	Rental Apartment	Chiba-shi Rental Apartment Project
	Commercial Facility	Meguro-ku Jiyugaoka 2-chome Commercial Facility Project
	Hotel	Tosei Hotel Cocone Tsukiji
	Rental Apartment	Nishichofu Rental Apartment Project
	Office	Sumida-ku Kotobashi 2cho-me Office Project
	Office	Chiyoda-ku Fujimi 1cho-me Office Project
	Logistics facility	Sano-shi Iseyamacho Logistics Facility Project

Constructed and holding / Under construction or in planning stage

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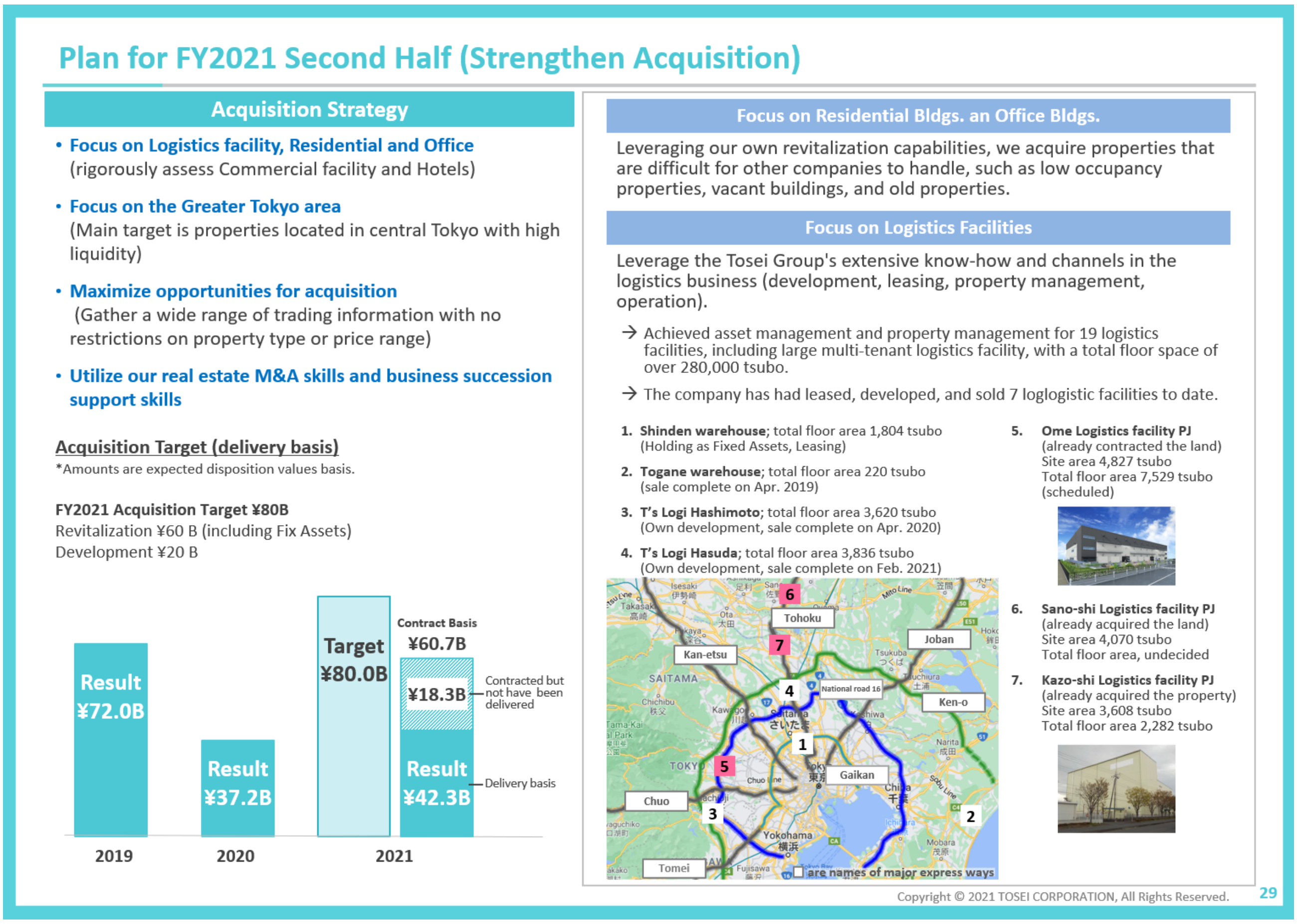
Next is our plan for the development business.

Please see the box on the bottom. We revised down the revenue forecast slightly from JPY12.6 billion initially to JPY12 billion. However, we revised up the operating profit forecast from JPY874 million initially to over JPY1,240 million, an increase of roughly JPY400 million.

However, if you look at the column on the bottom for number of sales of detached houses, we have announced a reduction in the number of houses to be delivered by 15 units, from 109 to 94.

You may wonder why we have made such an announcement given the steady housing market. But this is due to the impact of the surge in lumber prices unfolding at present. We are not receiving enough supply of housing construction materials due to shortages, particularly in the US, Europe, and China, along with shortages of shipping containers. The self-sufficiency ratio is still in the 30% range, meaning that we cannot start constructing houses unless we receive imported materials. As a result, there has been a slight decline in the number of delivered houses.

In the column on the right, we describe our development plan pipeline by fiscal year. To explain only the upper box, we are currently developing 17 properties ranging from commercial facilities to detached houses, along with a pipeline of detached houses worth roughly JPY52.8 billion.



Please see page 29. This is our acquisition policy for the second half.

As I have stated repeatedly, purchases are the seeds of future growth. As indicated in the upper left, the asset classes we are currently focused on include logistics, residential, and office, where we are investing aggressively, while we plan on investing in commercial facilities and hotels based on rigorous assessments in light of the COVID-19 pandemic.

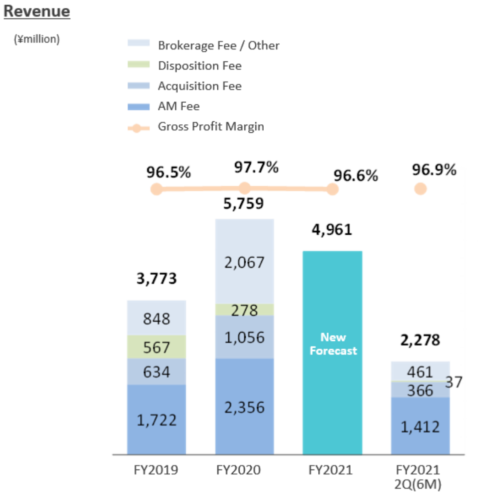
If you look at the bar growth in the bottom left, out of the target amount of JPY80 billion, we have already completed JPY60.7 billion in purchases on a contract basis as of the second quarter, as I explained earlier. The second half has only gotten off to a start. We hope to push forward with the aim of reaching this goal or purchasing more than the goal.

Plan for FY2021 Second Half (Stable Businesses)

Fund and Consulting Business

Strengthen organization and functions to expand AUM

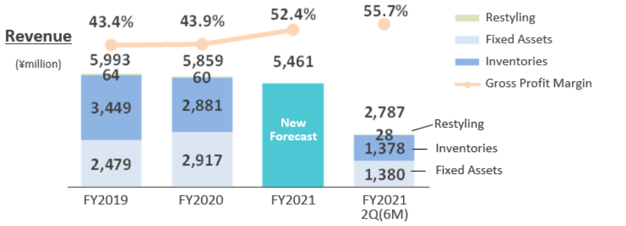
*See P.32-34 for more details of business strategy



(¥million)	FY2019 Full Year	FY2020 Full Year	FY2021 Initial Forecast	FY2021 New Forecast	FY2021 2Q (6M)
Revenue	3,773	5,759	4,219	4,961	2,278
Gross profit	3,641	5,625	4,034	4,792	2,208
Operating profit	2,365	4,193	2,586	3,336	1,565

Rental Business

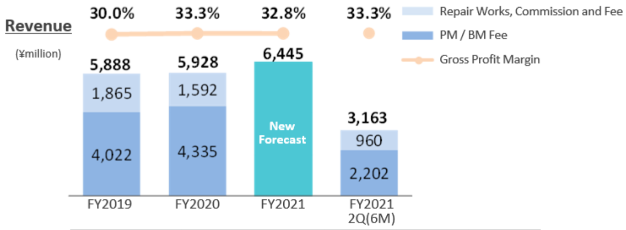
Lease-up the properties acquired with low occupancy



(¥million)	FY2019 Full Year	FY2020 Full Year	FY2021 Initial Forecast	FY2021 New Forecast	FY2021 2Q (6M)
Revenue	5,993	5,859	5,889	5,461	2,787
Gross profit	2,601	2,572	2,966	2,862	1,553
Operating profit	2,367	2,319	2,727	2,619	1,447

Property Management Business

Acquire new contracts by expanding the types of properties we handle



(¥million)	FY2019 Full Year	FY2020 Full Year	FY2021 Initial Forecast	FY2021 New Forecast	FY2021 2Q (6M)
Revenue	5,888	5,928	6,337	6,445	3,163
Gross profit	1,768	1,973	2,040	2,113	1,055
Operating profit	504	667	581	713	421

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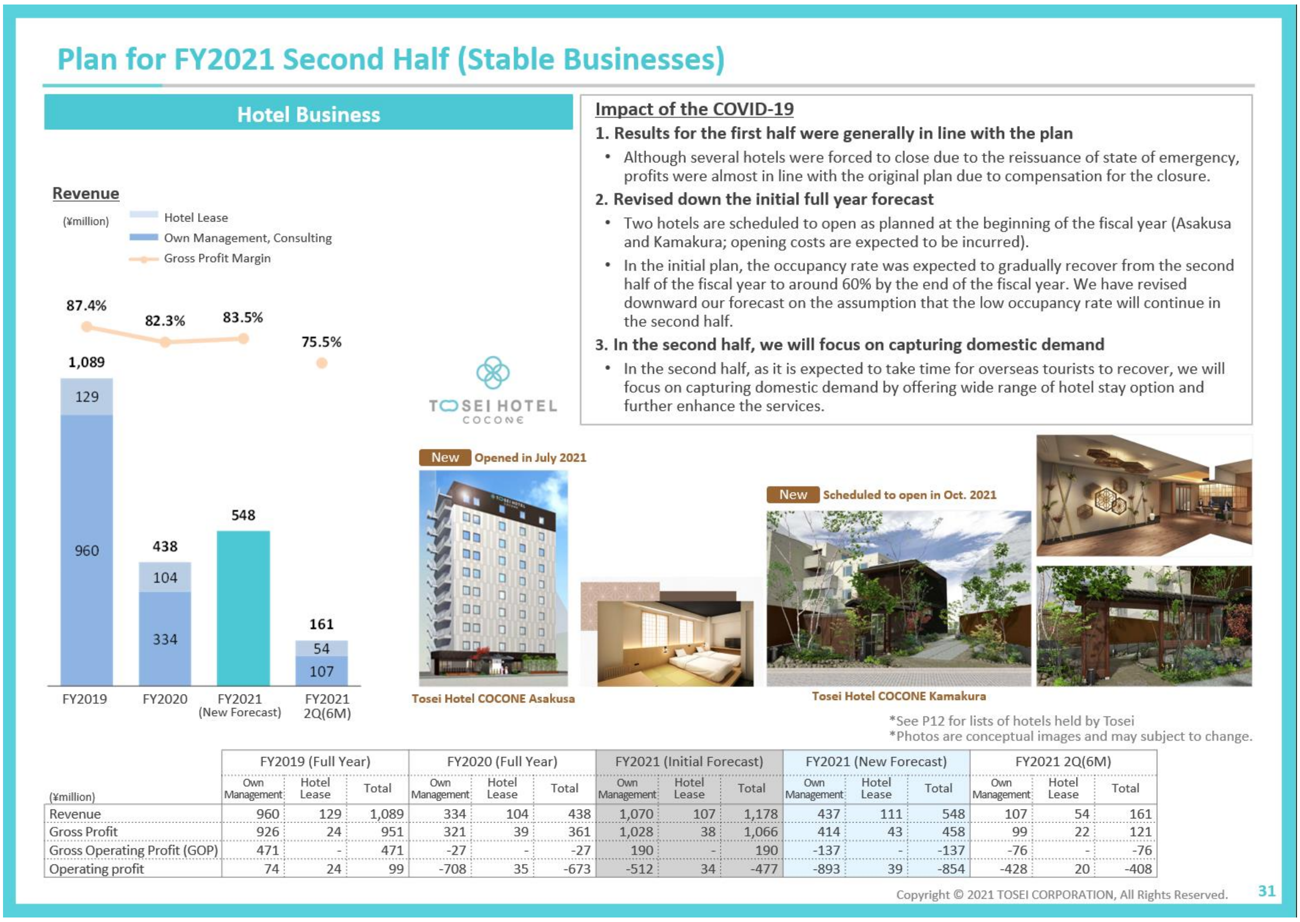
Please see page 30. This slide includes an explanation of our stable businesses.

By stable businesses, we mean businesses in which we receive stable fees, or the so-called fee-based business, where we are not dependent on real estate transactions. There are 3 such businesses.

First, on the left is the fund and consulting business. Please see the box in the bottom left. We raised our revenue forecast from JPY4.2 billion to JPY4.9 billion, and our operating profit forecast from JPY2.5 billion to JPY3.3 billion, a roughly JPY750 million increase in our profit forecast. I will explain the details once again on a later page.

On the upper right is the rental business. Please see the box. We revised down our revenue forecast slightly from JPY5.8 billion to JPY5.4 billion. We also revised down our operating profit forecast by around JPY0.1 billion, from JPY2.7 billion to JPY2.6 billion. Although we have revised down the operating profit estimate by about JPY0.1 billion, the projection does not include rent from properties acquired during the second half. Thus, if progress is made in purchases during the second half, we think there would be an upside to rental income.

Below that is the property management business. Please see the box. We revised up our revenue forecast from JPY6.3 billion initially to JPY6.4 billion, and our operating profit forecast from JPY581 million to JPY713 million, indicating steady progress.



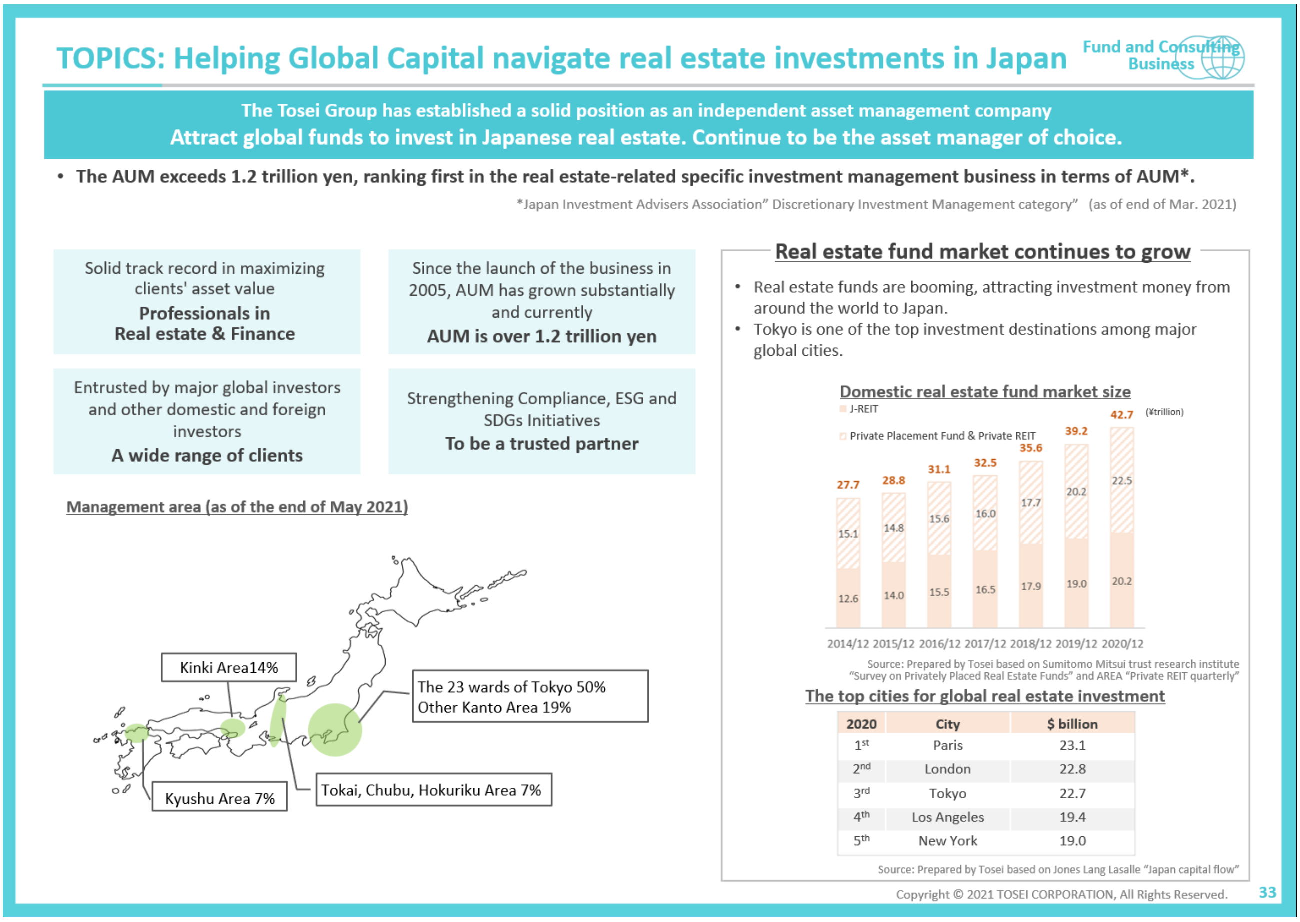
(¥million)	FY2019 (Full Year)			FY2020 (Full Year)			FY2021 (Initial Forecast)			FY2021 (New Forecast)			FY2021 2Q(6M)		
	Own Management	Hotel Lease	Total	Own Management	Hotel Lease	Total	Own Management	Hotel Lease	Total	Own Management	Hotel Lease	Total	Own Management	Hotel Lease	Total
Revenue	960	129	1,089	334	104	438	1,070	107	1,178	437	111	548	107	54	161
Gross Profit	926	24	951	321	39	361	1,028	38	1,066	414	43	458	99	22	121
Gross Operating Profit (GOP)	471	-	471	-27	-	-27	190	-	190	-137	-	-137	-76	-	-76
Operating profit	74	24	99	-708	35	-673	-512	34	-477	-893	39	-854	-428	20	-408

Please see page 31. This is an overview of the hotel business, the business in which we are struggling the most out of all businesses during the current fiscal year.

Please see the box in the bottom left. We lowered our revenue forecast from JPY1,178 million initially to JPY548 million. We also revised down our operating loss forecast from JPY477 million to JPY854 million.

In the original projection, we assumed the proliferation of vaccinations in the second half and the effects of the Olympic Games on a modest uptick in occupancy rates. However, we have revised our outlook to continued headwinds during the current fiscal year and have, therefore, revised down our profit forecast.

From page 32 onward, we have once again included an explanation of our fund and consulting business, which is one of the driving forces of the Company alongside the revitalization business.



Please turn to page 33.

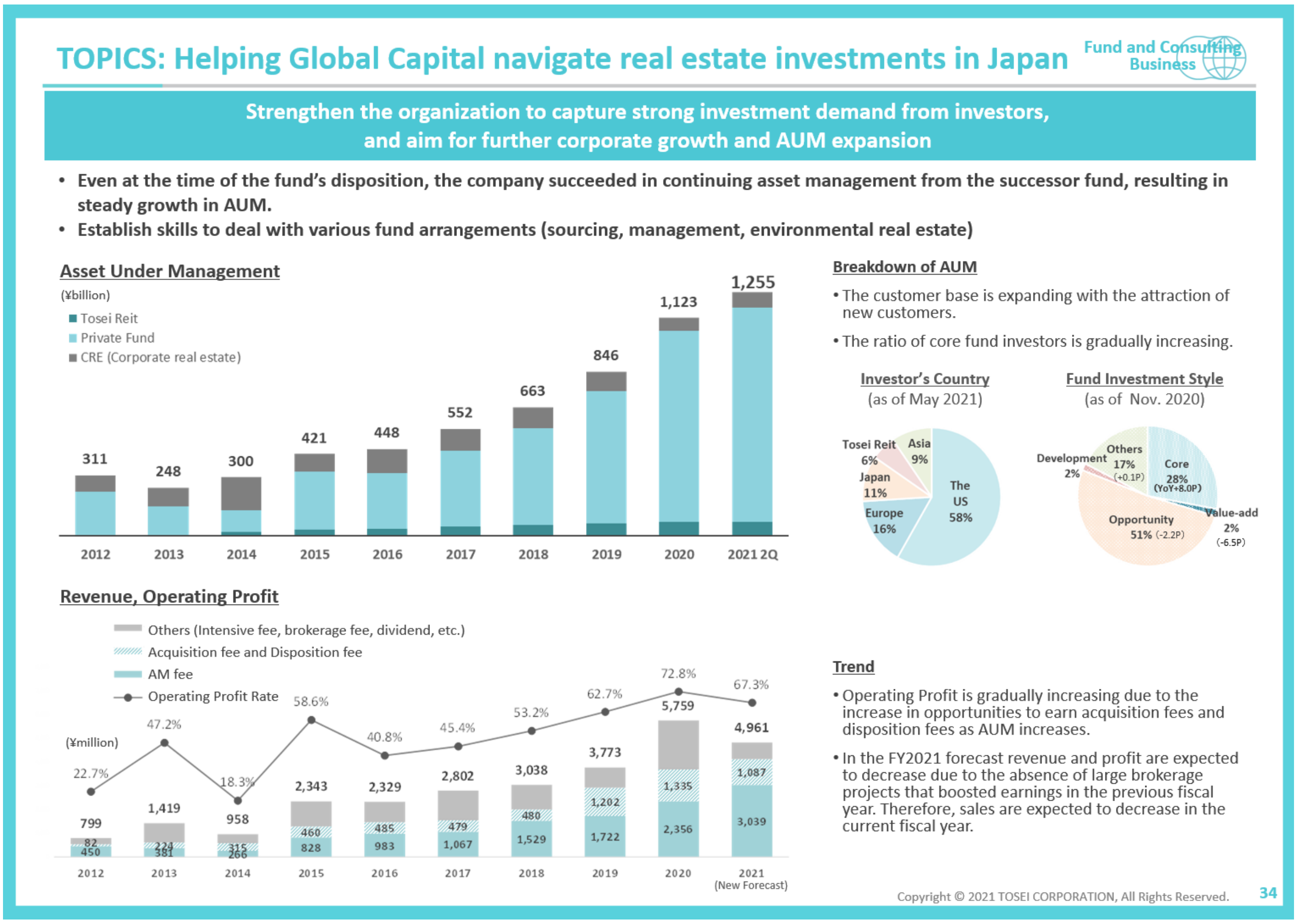
First of all, why is Tosei group able to manage a huge real estate fund with JPY1.2 trillion in AUM? As written on the left, we are a group of real estate professionals capable of handling all types of real estate. This has been seen as a highly attractive feature to investors in Japan and abroad.

In addition, we are not only professionals in real estate but also in finance. We use all kinds of financial structures to promote the fusion of real estate and finance. By doing so, we can provide opportunities to domestic and foreign investors. Under such circumstances, our fund business has exceeded JPY1.2 trillion in AUM in the first half.

In recent times, within the fund business, we have particularly been working on the formation of a fund that promotes ESG and the SDGs, as written in the bottom right blue box.

As written on the graph in the bottom right, the macro environment is also robust, with the AUM of private placement funds exceeding JPY22 trillion and REITs surpassing JPY20 trillion, for a total AUM of over JPY42 trillion in real estate funds as a whole.

The fact that we have captured JPY1.2 trillion out of the total of private placement funds of JPY20 trillion underscores how we have established a considerable presence in the market.



Please see page 34.

For the breakdown of the real estate fund that we manage, please see the pie chart on the right side of this page.

First, as indicated in the pie chart on the left, we manage a global fund, with the AUM composition breaking down as 58% US, 16% Europe, 11% Japan, and 9% Asia.

Also, as shown in the pie chart on the right, the core fund in light blue accounts for 28%, while the opportunity fund accounts for 51%. Until about 5 to 6 years ago, the opportunity fund accounted for over 80% of the total fund, showing how the market is shifting to core-type investments.

That's all for the overview of the fund and consulting business.

Please see page 35. Here, we describe the next topics in the medium-term period, during which we aim to promote digital transformation.

Against this backdrop, as shown on the left, we aim to streamline the assessment of real estate prices by using T-MAP and strengthen our decision-making capabilities in making investment decisions. We get thousands of real estate information every month, which we will turn into a database and map out so that we can instantaneously know the approximate price of properties in the area and the approximate cap rate. By establishing T-MAP as a system, we are further improving the system that is expected to make our investment decisions accurate.

Furthermore, as shown on the right, we are working on the commercialization of real estate investment schemes using security tokens. This is also something that we have already announced. In Singapore, security tokens, which are tokens backed by real estate, have been listed on the public market. This is a digital token market called ADDX. We have already launched demonstration experiments of a security token backed by blockchain as we work toward its public listing.

Also, as shown on the bottom, we operate a real estate crowdfunding business. We have already formed 2 crowdfunding funds. The number 2 fund has been redeemed early on, as described here, meaning that we have sold the fund's assets at a good price. We have been able to distribute to investors an annualized dividend of 8.61% on a finalized basis.

We will work hard to raise AUM in this crowdfunding business as well.

Shareholder Returns Policy

Trends in Dividends

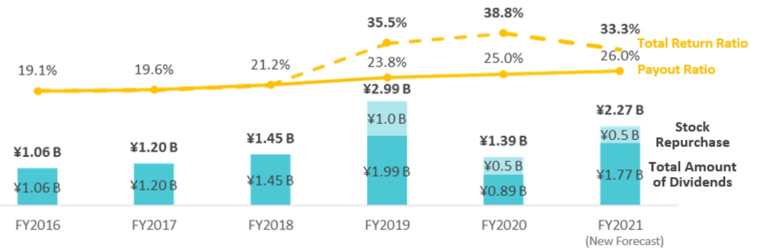
- Aiming to increase dividends through stable dividends supported by sustainable profit growth
- The current mid-term management plan aims to raise the dividend payout ratio in stages (25% to 30%).
- For the year ending Nov. 2021, the company expects a payout of ¥38 an ¥9 increase from the initial forecast due to revision of FY2021 forecast.

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021 (Initial Forecast)	FY2021 (New Forecast)
Earnings Per Share (EPS)	¥114.89	¥127.48	¥141.36	¥176.40	¥76.05	¥110.61	¥146.21
Annual Dividends Per Share	¥22	¥25	¥30	¥42	¥19	¥29	¥38
Payout Ratio	19.1%	19.6%	21.2%	23.8%	25.0%	26.2%	26.0%
ROE	14.4%	14.1%	14.0%	15.3%	6.1%	8.5%	11.0%
Share Buyback	-	-	-	¥1B	¥500M	-	¥500M
Total Return Ratio (Including share buyback)	-	-	-	35.5%	38.8%	-	33.3%

Repurchase of the Company's Shares

- **Announced to repurchase the Company's Shares up to ¥500M.** (announced on Jan. 25, 2021)

- **Reason for the repurchase**
  Stock is repurchased to raise the level of shareholder returns and improve capital efficiency.
- **Total number of shares to be repurchase**
  Up to 700,000 shares
  (1.5% of issued shares (excluding treasury shares))
- **Total value of shares to be repurchased**
  Up to ¥500M
- **Period for the repurchase (Acquiring)**
  From February 1, 2021 to July 31, 2021



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On page 37, I will once again explain our dividends.

As we have stated, we have upwardly revised our profit forecast. As such, we forecast an increase in per-share dividend from JPY29 to JPY38. We expect to maintain a dividend payout ratio of 26%. As I stated, we have implemented share buybacks, so in consideration of this, the total return ratio exceeds 33%.

Shareholder Returns Policy

Current Share Price

Market Capitalization (As of Jun. 30, 2021)	Profit for the Year (Forecast) (As of Jul. 5, 2021)	Net Book Value (As of end of May 2021)	Unrealized Gain (After Tax) (As of end of May 2021)	Net Asset Value* (As of end of May 2021)
¥50.2 billion	¥6.8 billion	¥64.4 billion	¥19.9 billion	¥84.3 billion
Stock Price (A)	**Earnings per Share (B)**	**Book Value per Share (C)**	**Unrealized Gain per Share**	**Net Asset Value per Share* (D)**
¥1,073.00	¥146.21	¥1,376.67	¥425.38	¥1,802.05
	PER (A) ÷(B)	**PBR (A) ÷(C)**		**Price/NAV Ratio* (A) ÷ (D)**
	7.34 times	0.78times		0.63 times

* Net Asset Value = Net Asset Value + Unrealized gains (after tax)
* Fair value of Fixed Assets (Investment Properties and PPE) are calculated by the Company based "Real Estate Appraisal Standards".
* Corporate tax is calculated at 33%
* Net income and net assets are those attributable to owners of the parent company.

Business Efficiency Indicators

ROE (Result of FY2020)	ROE (Forecast of FY2021)	ROA (Result of FY2020)	ROIC (Result of FY2020)
6.1 %	11.0 %	3.6 %	2.6 %
	Cost of Shareholder's Equity (Data from Refinitiv as of Jun. 2021)		**WACC (Data from Refinitiv as of Jun. 2021)**
	9.2 %		3.6 %

Finally, I would like to share our views on Tosei Corporation's market capitalization.

As of June 30, the market capitalization of the Company was JPY50.2 billion. Today, it has increased to slightly above JPY55 billion. What we would like you to see is the column in the middle that shows our net assets, which already total JPY64.4 billion.

If we add the after-tax unrealized gain of JPY19.9 billion in fixed assets, which Hirano explained earlier, the total net asset value, which is shown on the very right, would be JPY84.3 billion. We consider this to be the base value of the Company.

If we take this base value and divide it by the number of outstanding shares, we can calculate the per-share base value of the Company, which amounts to JPY1,802. But that compares with the share price on the market of around JPY1,100. So, we would like to continue our IR activities diligently to spread awareness of the Company's base value and our growth story.

This concludes our presentation. Thank you very much.

Question & Answer

Moderator: We will now have 5 minutes until 4:18 PM to accept your questions, and then we will resume the meeting to answer your questions after 5 minutes.

Sorry to keep you waiting. Let's now begin the Q&A session. We will be accepting your questions as long as time permits, but please note that we may not be able to answer your questions due to time constraints.

Currently, we have received 2 questions by phone, so we would like to answer them first.

First up is Mr. Ozawa of SBI Securities. Please go ahead.

Ozawa: This is Ozawa of SBI Securities. I have 2 questions.

First, regarding the upward revision to the financial results forecast, the explanation on page 3 of the material shows that there is a property worth around JPY2 billion contributing to the overshoot. Could you explain about this property a little more?

Are there any particular buyers looking for properties in this JPY2 billion range? Please share any additional information.

My second question is about page 8 of the material, where you explain the progress on purchases. The amount of purchases reached JPY60.7 billion, showing that they are proceeding smoothly, with particularly solid progress in purchases of offices this time. Please give us a little more information about the factors behind this.

As reported by Miki Shoji and others, the vacancy is generally on the rise. So, does it mean that sellers of offices have become somewhat bearish? On the flip side, as a buyer of those properties, what kind of opportunities do you see in those offices? Based on the explanation you gave us in the past, do you think that, for example, you see enough promise in these properties by steadily leasing out the vacancies in small lots after major relocations? Please give us some follow-up information on the reasons why you have been able to buy offices, including your strategies.

Yamaguchi: Thank you for your questions. Regarding your first question about the steady progress in sales of mid-to-large-sized properties, particularly those worth over JPY2 billion, in the revitalization business—this is as described; it doesn't mean at all that, for instance, sales of investment properties worth below JPY1 billion or JPY500 million performed poorly in the first half. Actually, these type of properties were popular among individual investors and HNW customers.

Furthermore, unlike other investors looking for lower-priced properties, the buyers looking for properties worth over JPY2 billion are mainly funds, and this is a highly aggressive market. When we put a property on sale, we have multiple investors raising their hands. In that sense, it is one of the key topics right now, so we have described this topic in the PowerPoint presentation.

I think the accurate way to describe it would be that the JPY2 billion market, which targets funds and other professional investors, and the JPY1 billion or less and JPY500 million or less markets, which target individual investors, were both steady.

Next, I will answer your second question regarding the steady progress made in office purchases. Can you show page 15?

On the right, we show our estimated revenue from inventories amounting to JPY102.6 billion, of which offices account for JPY43 billion. The portfolio is slightly larger than residential properties. There are currently properties in which owners are struggling to lease out spaces. We purchase such properties that are completely vacant or have high vacancy rates. After that, we take careful steps to increase their value by leasing out those spaces to turn them into more valuable properties.

Even though we generalize this as the office market, there are, in fact, 2 polar opposite markets within it. First, there is what is typically referred to as the leasing market. This market has been facing some headwinds due to a modest decline in rent caused by the further adoption of remote work. On the other hand, there is the office market itself, which has very few properties on sale right now. These properties are liquidity are extremely high, partly due to investors discerning their future potential to generate stable revenue.

There are many investors in this market. Unlike the concerns in the rent market, my on-the-ground impression is that there is an increase rather than a decrease in investors in the office market. There is a difference emerging in the actual rent market versus the investment market. That is why we have slightly increased our portfolio weighting of office properties.

Ozawa: I understand. Thank you.

Moderator: Thank you for your questions. Next up will be Mr. Kojima of Daiwa Securities. Please go ahead.

Kojima: This is Kojima of Daiwa Securities. I have 2 questions.

First, you have made considerable progress toward your annual purchasing plan of JPY80 billion. Is there a reason why you haven't raised this purchasing target higher than JPY80 billion? Is it due to being conservative, or are there factors causing uncertainty?

Second, in the fund and consulting business, you now have AUM of JPY1.2 trillion, demonstrating that you have a very high share of the private placement market. How much room for upside do you see to AUM beyond JPY1.2 trillion, and what kind of policy do you have to expand AUM further? Also, please give us your views on any synergies between the fund business and revitalization business.

Yamaguchi: Thank you for your questions. First, regarding your question why we haven't raised the purchasing target, even though we have already achieved JPY60 billion of the JPY80 billion target as of the first half—this is, of course, not because we have purchased properties at a high price in the first half. We have purchased them at a level on par with 2019. At Tosei Corporation, we review our purchasing guidelines and cap rate guidelines every year. Based on purchases at a level on par with 2019, we made steady progress in the first half and reached JPY60 billion.

Some may wonder about the soundness of our exit plan, given that we are buying at 2019-level prices. However, we have made sales in the first half with high evaluations in the revitalization business. So, we are making these purchases with confidence that the current price levels are fine.

Although we haven't taken the step to upwardly revise the purchasing target from JPY80 billion, if possible, we want to achieve JPY80 billion at a minimum by the end of the fiscal year. And we will carry out our purchasing activities with an eye toward exceeding JPY80 billion if possible.

Regarding your second question about our policy in the fund business—certainly, there has been a considerable increase in separate management accounts. We operate multiple types of funds, including an office fund, residential fund, and logistics fund. As for how much we can increase AUM in each type of fund, we would like to make an official announcement of our targets when announcing our plan for the next fiscal year at the time of the year-end earnings announcement, along with the announcement of our plan for the final year of the medium-term plan.

Our aim is to increase AUM by at least JPY200 billion to JPY300 billion during the current fiscal year. At this pace, we expect an increase in AUM of over JPY200 billion in a year. We are carrying out meticulous teambuilding, including teambuilding based on rules to prevent conflicts of interest, by asset class and investor for each fund. Based on such measures, we think there is still room for expansion.

Needless to say, in terms of synergy with the revitalization business, we have already disclosed our policy to prioritize Tosei REIT for REITable properties. But there are also numerous properties that Tosei REIT cannot purchase, so we think there will be synergies between the fund and the revitalization businesses in the future, including fund bridging.

Kojima: Thank you.

Moderator: Thank you for your questions. Next, we would like to introduce a question we have received via text. The question is from Mr. Taima of Frontier Management, Inc. There are 2 questions.

The first question is as follows: "I believe there are aspects that should be praised about the Company's solid and stable business overview and performance. As we move forward, there are possibilities that the loose monetary policy will be slightly tightened in the post-corona period. Do you have any thoughts on looking at the real estate market trends cautiously? I'm paying particular attention to trends related to the office market."

The second question is as follows: "Private railway companies have generally set out to strengthen their real estate businesses. Is there a possibility of forming alliances with such players in the future? For example, is there a possibility of collaborating or tying up with them through a JV or the fund business?"

Yamaguchi: As for the first question, there have been discussions about reducing monetary easing or tapering. Naturally, such moves would have an impact on markets, so they must be watched carefully.

However, as things stand now, a rapid unwinding of monetary easing in Japan is hard to imagine for now. Furthermore, the real estate allocation of lenders is generally within 15%, so there are no signs of a bubble. Thus, we think the current conditions will likely last for some time.

Tokyo is a particularly attractive area in the eyes of global investors. Over the last few years, we have seen one of the largest amounts of investment inflows into Tokyo, within the top 5 in history. The stability of the economy in the Tokyo zone, the stability of rent, and the liquidity of real estate—these are factors that will not change dramatically unless there is a significant unwinding of monetary easing. We believe that the current situation of the market will last some time. But, as you point out, we will continue to monitor the tapering of monetary easing.

In particular, we are witnessing a polarization of the office market right now. In A-class buildings reductions resulting from the broader adoption of remote work have been seen, but not in special A-class buildings, such as in Marunouchi or Otemachi, and small-to-mid-sized buildings, which is our strength.

In particular, at small-to-mid-sized buildings, which are mainly occupied by SMBs, we haven't seen a rapid shift to remote work, due to reasons such as the IT cost required in digital transformation, personnel costs, or resource issues. Although we manage over 100 properties, including small-to-mid-sized offices, we have only seen 1 or 2 instances of cancellations due to the adoption of remote work.

On the other hand, when looking at companies larger than a certain size, they are currently considering new ways of working at the office over the medium to long term. Indeed, there are some that are considering shifting to remote or satellite work. As a result, the vacancy rate has been pushed up from 1.5% previously to 5% at some offices.

These are trends that we intend to watch carefully as we manage our assets—including whether the proliferation of vaccines would cause a reversal of the remote work ratio in the post-corona period; or, conversely, whether there will be a higher ratio of new office styles against a backdrop of a higher remote work ratio over the medium to long term, as commonly stated.

Regarding your second question about alliances with railway companies that have set out plans to strengthen their real estate business—of course, we will look into proposing businesses aimed at building alliances with railway companies if we have the chance.

This is something we have already disclosed, but there is an example of a US fund that we manage has purchased a hotel from a railway-related company. Therefore, there are cases where we may be able to help railway companies through our fund business.

Furthermore, in the past, we have had various discussions with railway companies, such as regarding an alliance with an Osaka-based railway company, which sought to expand into Tokyo, in terms of their Tokyo operations. We believe there is a possibility that progress would be made in such alliances, taking the strengthening of real estate businesses by railway companies as an opportunity.

Moderator: We have received other questions as well, but we are coming close to the time to end, so we would like to conclude the FY2021 2Q financial results presentation.

Thank you for joining us today despite your busy schedules.

[END]

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