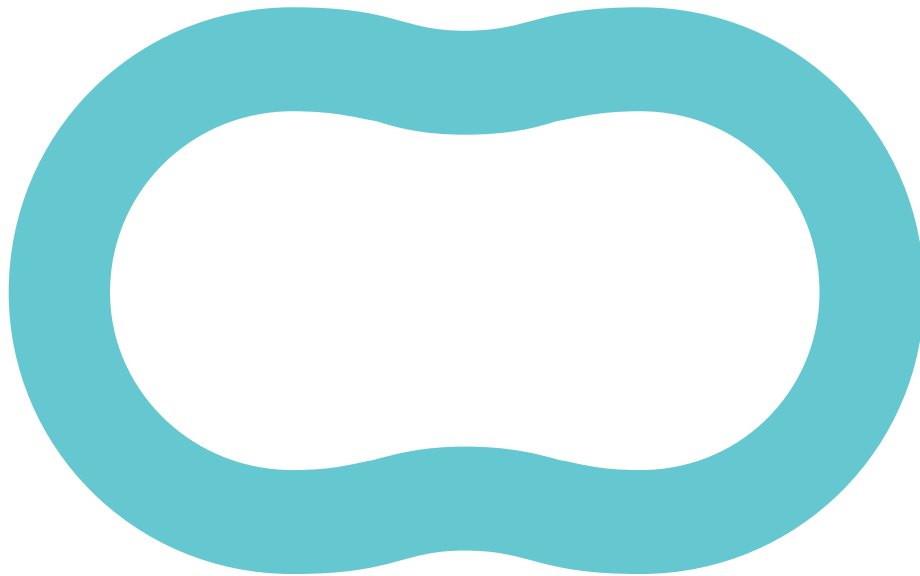


TOSEI GROUP ESG REPORT 2022





CONTENTS

● Message from the Management	4
• Message from the President and CEO	
• Message from the Chairman of Sustainability Committee	
● TOSEI Group's Sustainability	6
• Our Approach to Sustainability	
• ESG Promotion System	
• Mid-term Management Plan "Infinite Potential 2023"	
• Participation in Initiatives	
• Commitment to SDGs	
● Environment	12
• Vision	
• Target and Progress	
• Climate Change	
• Biodiversity	
• Environmental Pollution and Resources	
• Sustainability Finance	
• Environmental Real Estate Certifications	
● Social	50
• Labor Environment	
• Response to Social Needs	
• Social Contribution	
● Governance	76
• Corporate Governance	
• Compliance and Risk Management	
• Disclosure	
● External Evaluations	100

■ Reporting Period
Fiscal year 2022
(From December 1, 2021 to November 30, 2022)

● Message from the Management



The President and CEO
Seiichiro Yamaguchi

The Tosei Group's corporate philosophy is to "create new value and inspiration in all aspects of real estate." In this time of serious environmental and social issues, we recognize that creating a sustainable society through our corporate activities is the "creation of new value" demanded by the world. With climate change becoming a pressing issue globally, companies have a greater responsibility to fulfill in order to realize a low carbon society and a circulating society, and the demand for sustainability management is further increasing.

In this business environment, we established the Tosei Group ESG Policy and ESG Action Guidelines in January 2019, and set up a system to promote them. Since 2020, we are promoting our business activities in recognition of our role in achieving SDGs (the Sustainable Development Goals) set forth by the United Nations.

We aim to grow through the portfolio management of six businesses. In particular, we position as growth drivers the Revitalization Business, which contributes to the utilization of existing resources and the reduction of environmental impact, and the Development Business, which promotes initiatives that contribute to environmental friendliness and comfort, such as energy conservation and the introduction of IoT, and our stable businesses, such as the Leasing, Fund, Management, and Hotel Businesses, will also strive to approach environmental and social issues according to the ESG Policy and the ESG Action Guidelines.

With the spread of COVID-19 since 2020, people's values and lifestyles have become even more diverse. The Tosei Group will continue to strive for ESG management in consideration of sustainability in order to continue to be a company with value to all stakeholders, while responding flexibly to changes in the social environment.

The President and CEO
Seiichiro Yamaguchi

Message from the Chairman of Sustainability Committee



**CFO and Senior Executive Officer
Chairman of Sustainability Committee
Noboru Hirano**

The Tosei Group has formulated a medium-term management plan, "Infinite Potential 2023," which begins in 2021, and has established basic policies for ESG promotion in both its business activities and management infrastructure.

In business activities, Tosei Group aims to expand existing businesses by planning products and providing services with an awareness of environmental issues such as climate change, and social issues such as diversity and disaster prevention. In addition, in our management infrastructure, we will promote sustainability-conscious business management and further enhancement of corporate governance.

In order to smoothly promote the initiatives set forth in these basic policies, the Sustainability Committee will play a central role in monitoring the status of initiatives at relevant departments, including group companies, and will work in close collaboration to steadily achieve the plans.

CFO and Senior Executive Officer
Chairman of Sustainability Committee
Noboru Hirano

● TOSEI Group's Sustainability

✓ [Our Approach to Sustainability](#)

✓ [ESG Promotion System](#)

✓ [Mid-term Management Plan "Infinite Potential 2023"](#)

✓ [Participation in Initiatives](#)

✓ [Commitment to SDGs](#)

Our Approach to Sustainability

In order to contribute to the realization of a sustainable society through our corporate activities, the Tosei Group has established "The Tosei Group ESG Policy" and "The Tosei Group ESG Action Guidelines" and is striving to implement ESG management that takes sustainability into consideration by establishing an ESG promotion system led by the Sustainability Committee.

○ The Tosei Group ESG Policy and The Tosei Group ESG Action Guidelines

○ The Tosei Group ESG Policy

The Tosei Group has a mission of creating new value and inspiration in all aspects of real estate as a global-minded group of seasoned professionals. It regards its commitment to the Environment, Social and Governance as a priority management challenge. It will seriously address the social issues associated with real estate to contribute to society and achieve its own continuous growth.

○ The Tosei Group ESG Action Guidelines

1. Carry out business activities that achieve sound growth

We will respond swiftly and appropriately to changes in business circumstances and continue business activities that will ensure sound growth to meet our social responsibility to all stakeholders. We will make concerted efforts to strengthen our structure for enhancing corporate governance and building an internal control system.

2. Comply with laws and regulations

We will not only comply with laws and regulations relating to the environment, society and corporate governance, but we will also provide internal training aimed at improving knowledge and promoting understanding, and we will carry out activities for increasing outsiders' awareness.

3. Take actions that increase the value of real estate

We will take actions toward resolving a range of issues involved in real estate and increasing its added value with a view to making effective use of real estate and energizing local communities in all our business activities.

4. Carry out business activities with environmental considerations

With the aspiration of building a low-carbon society, we will introduce measures that increase the energy efficiency of real estate owned. We will work to reduce water consumption and waste emissions and implement reduce, reuse and recycle activities in a positive effort towards building a recycling-oriented society.

5. Contribute to tenants, locals and communities through real estate owned

In terms of our aim of practicing actions in accordance with these action guidelines, we will work to collaborate with corporate tenants of real estate owned, business partners such as property management firms and occupants of residential real estate to establish harmony with the local people and communities.

6. Increase customer satisfaction

We will strive to offer products and services based on safety and reassurance and sincerely carry out business activities consistently from customers' standpoints in an effort to increase customer satisfaction.

7. Increase employee satisfaction

We will define personnel as an essential part of our business and continue developing seasoned professionals. We will create a positive corporate culture in which diverse personnel with different backgrounds respect one another and work with a focus on teamwork in an effort to boost employee satisfaction.

8. Disclose ESG information

We will disclose our ESG targets, monitor the state of actions on a regular basis and make their results known to stakeholders on our website and by other means.

Developed: January 2019

ESG Promotion System

The Group has established a Sustainability Committee to deliberate and determine ESG-related policies and activities. The committee is chaired by the director responsible for sustainability (Noboru Hirano, CFO and Senior Executive Officer) appointed by the CEO, and consists of members appointed by the director responsible for sustainability. The contents of the deliberations are regularly reported to the Board of Directors and reflected in the Group's business activities in cooperation with each relevant department.



Mid-term Management Plan “Infinite Potential 2023”

In our three-year medium-term management plan "Infinite Potential 2023" starting from the fiscal year ending November 30, 2021, we have established a basic policy for ESG promotion in both our business activities and management infrastructure in order to strongly promote ESG management. In our business activities, we will strive to expand our existing businesses by planning products and providing services that are conscious of environmental issues such as climate change and social issues such as diversity and disaster prevention, and in our management infrastructure, we will promote sustainability-conscious business management and further enhancement of corporate governance to further increase corporate value and contribute to the realization of a sustainable society.

○ Basic Policies

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

○ Fundamental Policy

○ Growth Strategy

- Expand existing businesses and increase operating profit with a focus on environmental/social issues
- Enhance existing businesses and create new income-generating models through DX

○ Strengthen the Business Base

- Implement a balance sheet strategy with a focus on increasing business scale, Group-held assets and capital efficiency
- Implement Group strategy and organizational strategy with a focus on achieving both governance and efficiency
- Improve operational and administrative efficiency through the promotion of utilization of IT and enhance employee satisfaction conducive to improving productivity
- Promote business, management and ESG with a focus on sustainability

Participation in Initiatives

To solve social issues such as climate change, we participate in the following initiatives that are consistent with the Group's approach.

Supporting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

We have expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and are a member of the TCFD Consortium, an organization of supporting companies in Japan. Based on the TCFD recommendations, we will analyze the risks and opportunities posed by climate change to our business, and strive to further enhance information disclosure.



Commitment to SDGs

We have created links between the UN Sustainable Development Goals (SDGs) and the Tosei Group ESG Policy and Action Guidelines.

In the future, we plan to select material issues for the Group to focus on.



The Tosei Group ESG Action Guidelines		Relationship with SDGs
E	Carry out business activities with environmental considerations	    
S	Take actions that increase the value of real estate	    
	Contribute to tenants, locals and communities through real estate owned	
	Increase customer satisfaction	 
	Increase employee satisfaction	
G	Carry out business activities that achieve sound growth	  
	Comply with laws and regulations	
	Disclose ESG information	

SDGs 17 Goals

- | | | |
|------------------------------------|--|--|
| 1. No Poverty | 9. Industry, Innovation and Infrastructure | 15. Life On Land |
| 2. Zero Hunger | 10. Reduced Inequalities | 16. Peace, Justice and Strong Institutions |
| 3. Good Health and Well-Being | 11. Sustainable Cities and Communities | 17. Partnerships for the Goals |
| 4. Quality Education | 12. Responsible Consumption and Production | |
| 5. Gender Equality | 13. Climate Action | |
| 6. Clean Water and Sanitation | 14. Life Below Water | |
| 7. Affordable and Clean Energy | | |
| 8. Decent Work and Economic Growth | | |

● Environment

○ Vision

▼ [Our Approach and Vision for the Environment](#)

▼ [Environmental Promotion System](#)

Our Approach and Vision for the Environment

The Tosei Group takes seriously its corporate responsibility as a real estate business company in light of recent changes in the global environment and the urgent need to reduce greenhouse gas emissions. In order to strengthen our environmental efforts, we established the "Tosei Group Eco Declaration" and "Eco-Mission" in April 2009, and in March 2022, the "Tosei Group Environmental Policy" was established by a resolution of the Board of Directors.

○ Tosei Group Environmental Policy

The Tosei Group has established the following five items as its environmental policy and endeavor to promote environmental efforts in all of its corporate activities.

1. Promotion of efforts to create a low-carbon society

We will contribute to the formation of a low-carbon society by actively introducing measures that contribute to energy conservation and reducing energy consumption and greenhouse gas emissions.

2. Promotion of efforts to create a circulating society

We will strive to reduce our environmental impact and contribute to the formation of a circulating society by preventing environmental pollution, promoting resource conservation including reduce, reuse, and recycle, and reducing water consumption and waste emissions.

3. Promotion of efforts to coexist in harmony with the environment

We will contribute to the formation of a prosperous and sustainable society by creating urban environments that are in harmony with nature, taking biodiversity into consideration.

4. Compliance with environmental laws and regulations and raising awareness of environmental conservation

In addition to complying with environmental laws and regulations, we will conduct environmental education and awareness-raising activities to enhance the awareness of Group employees regarding environmental conservation.

5. Promotion of Environmental Communication

We will disclose the status of our environmental efforts to society and engage in dialogue with our various stakeholders.

Sustainability Committee

The Group has established the Sustainability Committee to deliberate and decide on ESG-related policies and action plans. The Committee is chaired by the Director responsible for sustainability (Noboru Hirano, CFO and Senior Executive Officer) appointed by the President and CEO, and consists of members appointed by the Director. The contents of the deliberations are regularly reported to the Board of Directors, and are reflected in business activities under the supervision and direction of the directors and in cooperation with the relevant departments. In the environmental area, the committee deliberates, manages progress, and provides instructions on all measures based on our environmental policy, including compliance with environmental laws and regulations, TCFD compliance, promotion of energy conservation at owned properties, and acquisition of third-party evaluations.



We are working to reduce the negative impacts of our assets on the environment through our own PDCA cycle, under the direction and supervision of our Sustainability Committee.

PLAN

- Assessing energy consumption, GHG emissions, water consumption, etc., of owned assets and establishing reduction targets.
- Formulate a plan to promote energy conservation through the installation of LEDs throughout the building.
- Formulate a plan for awareness-raising activities for energy conservation measures in cooperation with tenants.

DO

- Installation of high-efficiency equipment such as LEDs throughout the building.
- Introduction of renewable energy.
- Energy conservation awareness activities through sustainability guides, tenant surveys, etc., and requests for cooperation.

CHECK

- Energy monitoring, measurement of LED installation effectiveness.
- Tenant survey tabulation, PM • BM sharing.

ACTION

- Sustainability Committee discusses effectiveness measurement verification, tenant survey results, etc., and examines improvement measures.
- Reflected in next year's renovation work plan, awareness-raising activity plan, etc.

※ EMS such as ISO14001 is not currently in place

Target and Progress

[▼ Various Targets](#)
[▼ Energy Use Results](#)
[▼ Waste Discharge Results](#)
[▼ GHG\(CO2\) Emissions Results](#)
[▼ Water Use Results](#)
[▼ Environment-related Violations and Fines](#)

Various Targets

	Base year	Subject	Target
GHG(CO2) Emissions	FY2022	Tosei Group Scope 1 and 2	Long-term Target: Net-zero by FY2050 Mid-term Target : 50% reduction from base year by FY2030
	FY2018	Tosei Owned Fixed Assets	Long-term Target: Reduce GHG emissions intensity by 5% by FY2023 Mid-term Target : Reduce GHG emissions intensity by 1% per year
Energy Use	FY2018	Tosei Owned Fixed Assets	Long-term Target: Reduce energy use intensity by 5% by FY2023 Mid-term Target : Reduce energy use intensity by 1% by FY2023
Water Use	FY2018	Tosei Owned Fixed Assets	Long-term Target: Reduce water use intensity by 2.5% by FY2023 Mid-term Target : Reduce water use intensity by 0.5% by FY2023
Waste Emissions	FY2018	Tosei Head Office Building	Long-term Target: Reduce waste emissions intensity by 2.5% by FY2023 Mid-term Target : Reduce waste emissions intensity by 0.5% by FY2023

GHG(CO2) Emissions Results

[Subject] Tosei Group Scope 1 and 2

[Target] Compared to FY2022, 50% reduction by FY2030, net zero by FY2050

		Results FY2022 (Base year)	target FY2030 (target year)	FY2020 Results	FY2021 Results	FY2022 Results
GHG(CO2) Emissions (t-CO2)	Scope1	480 ✓	-	135	197	480 ✓
	Scope2	3,289 ✓	-	1,318	1,696	3,289 ✓
	Scope1+ Scope2 Total	3,769 ✓	1,885	1,453	1,893	3,769 ✓
Reduction rate compared to base year (Scope1+Scope2 Total)		-	-50%	-	-	-
Subject		Tosei Group Scope 1 and 2				

※ The indicators with ✓ mark are guaranteed by an independent third party, Sustainability Accounting Co.,Ltd.
[Click here](#) for the warranty report. *The PDF link on the left is valid when this report is viewed as PDF data.

※ The figures for FY2020 include estimates in some cases.

※ For FY2021 calculation, the Princess Group, which became a consolidated subsidiary in October 2021, is not included.

※ The Group excludes GHGs (Freon gas, etc.) other than CO2 due to their extremely small amounts, and calculates and reports only CO2.

※ The GHG emission factor is based on the "Emission Factor by Electric Power Company" published by Ministry of the Environment and Ministry of Economy, Trade and Industry, and uses the emission factor of the electric power company used by the subject building.

※ As of November 30, 2022

[Subject] Tosei-owned Fixed Assets

[Target] Compared to FY2018, 5 % reduction GHG emissions intensity by FY2023

		FY2018 Results (Base year)	FY2023 target (target year)	FY2020 Results	FY2021 Results	FY2022 Results
GHG(CO2) Emissions	Total amount (t-CO2)	6,366	-	6,394	6,701	8,233
	Emissions intensity (t-CO2 / m ²)	90	86	68	57	59
Reduction rate compared to base year (Emissions intensity)		-	-5%	-24%	-37%	-35%
Subject (Tosei owned fixed assets • m ²)		70,664	-	93,957	117,982	140,002

- ※ The subject property is Tosei-owned fixed assets. This excludes those with an energy monitoring period of less than one year, condominium unit ownership properties, and real estate for sale.
- ※ The Group excludes GHGs (Freon gas, etc.) other than CO2 due to their extremely small amounts, and calculates and reports only CO2.
- ※ The GHG emission factor is based on the "Emission Factor by Electric Power Company" published by Ministry of the Environment and Ministry of Economy, Trade and Industry, and uses the emission factor of the electric power company used by the subject building.
- ※ As of November 30, 2022

Energy Use Results

【Subject】 Tosei-owned Fixed Assets

【Target】 Compared to FY2018, 5% reduction energy use intensity by FY2023

		FY2018 Results (Base year)	FY2023 target (target year)	FY2020 Results	FY2021 Results	FY2022 Results
Energy use	Total amount (1,000GJ)	126	-	132	146	175
	Energy use intensity (GJ/m²)	1.78	1.69	1.41	1.23	1.25
Reduction rate compared to base year (Energy use intensity)		-	-5%	-21%	-31%	-30%
Subject (Tosei owned fixed assets・m²)		70,664	-	93,957	117,982	140,002

※ The subject property is Tosei-owned fixed assets. This excludes those with an energy monitoring period of less than one year, condominium unit ownership properties, and real estate for sale.

※ Occupancy rate is not taken into account in the calculation of floor area intensity.

※ As of November 30, 2022

○ Water Use Results

[Subject] Tosei-owned Fixed Assets

[Target] Compared to FY2018, 2.5 % reduction water use intensity by FY2023

		FY2018 Results (Base year)	FY2023 target (target year)	FY2020 Results	FY2021 Results	FY2022 Results
Water withdrawal	Total amount (m³)	87,889	-	70,436	83,161	144,712
	Fresh surface water (m³)	0	-	0	0	0
	Brackish surface water / sea water (m³)	0	-	0	0	0
	Underground water (m³)	0	-	0	0	0
	Tap water (m³)	87,889	-	70,436	83,161	144,712
	Water withdrawal intensity (m³/m²)	1.35	1.32	0.79	0.74	1.05
Reduction rate compared to base year (Water withdrawal intensity)		-	-2.5%	-41%	-45%	-22%
Wastewater	Total amount (m³)	-	-	67,674	79,859	141,218
	Fresh surface water (m³)	-	-	0	0	0
	Brackish surface water / sea water (m³)	-	-	0	0	0
	Underground water (m³)	-	-	0	0	0
	sewage (m³)	-	-	67,674	79,859	141,218
	Wastewater intensity (m³/m²)	-	-	0.76	0.71	1.03
Subject(Tosei owned fixed assets・m²)		65,304	-	88,597	112,622	137,499

- ※ Our group's main business activities are located in Tokyo and three prefectures (Kanagawa, Chiba, and Saitama) in Japan. According to the Aqueduct survey by the World Resource Institute (WRI), the water-related risk in this area falls into the "Low to Low-Medium" category, and we have confirmed that we do not conduct business activities in areas where water stress is a concern.
- ※ Wastewater discharge has been monitored since FY2021.
- ※ The subject property is Tosei-owned fixed assets. This excludes those with an energy monitoring period of less than one year, condominium unit ownership properties, and real estate for sale.
- ※ Occupancy rate is not taken into account in the calculation of floor area intensity.
- ※ As of November 30, 2022

○ Waste Discharge Results

[Subject] Tosei Head Office Building

[Target] Compared to FY2018, 2.5% reduction waste discharge intensity by FY2023

		FY2018 Results (Base year)	FY2023 target (target year)	FY2020 Results	FY2021 Results	FY2022 Results
Waste Discharge	Total amount (t)	60	-	71	100	126
	Incineration / landfill (t)	22	-	33	49	87
	Recycle (t)	38	-	38	51	39
	Waste Discharge intensity (kg / m ²)	13.27	11.13	15.70	8.37	8.27
Reduction rate compared to base year (Waste Discharge intensity)		-	-2.5%	18%	-37%	-38%
Subject (Tosei head office building • m ²)		4,515	-	4,515	11,986	15,249

- ※ Waste discharge are those of Tosei head office building (Tamachi Tosei Building).
- ※ Occupancy rate is not taken into account in the calculation of floor area intensity.
- ※ As of November 30, 2022

○ Environment-related Violations and Fines

There were no penalties or fines for violations of environment-related laws and regulations (including water-related) or accidents in FY2022.

Climate Change

▼ [The Company's Perceptions of Climate Change Issues](#)

▼ [Governance](#)

▼ [Risk Management](#)

▼ [Disclosure Based on TCFD Recommendations\(PDF\)](#)

▼ [Supporting the Recommendations of the Task Force on Climate-related Financial Disclosures \(TCFD\)](#)

▼ [Strategy](#)

▼ [Metrics and Targets](#)

The Company's Perceptions of Climate Change Issues

Since the Paris Agreement of 2015, climate change has become an urgent global challenge, and the need to address environmental issues has become a common understanding among countries around the world. The current climate system and the scale of the changes observed in the climate are unprecedented in hundreds of thousands of years. The IPCC Sixth Assessment Report, published in 2021, warns that anthropogenic climate change is already affecting many weather and climate extremes in all regions of the world and that unless GHG emissions are significantly reduced over the next few decades, it will cause more severe and frequent natural disasters. The world must hold the increase in global average temperature to below 2°C or even to 1.5°C above the pre-industrial level by the end of the 21st century. Efforts to reduce GHG emissions are being made worldwide, and in Japan, the movement toward the achievement of a decarbonized society has been accelerating since the Japanese government's declaration on Net Zero GHG Emissions by 2050.

Under these circumstances, the Tosei Group recognizes that the climate change will cause dramatic changes in the natural environment and social structure, and that it is an issue that will have a significant impact on our business. We also are aware that natural disasters could reduce the value of real estate and stricter government environmental regulations could significantly affect our business activities, strategies and financial plans. Tosei has established the Tosei Group ESG Policy and Action Guidelines and has also included initiatives to address environmental and social issues in its current medium-term management plan, Infinite Potential 2023. We will continue to strive to implement ESG management that takes sustainability into consideration and contribute to the realization of a sustainable and decarbonized society through our corporate activities.

○ The Tosei Group ESG Policy

The Tosei Group has a mission of creating new value and inspiration in all aspects of real estate as a global-minded group of seasoned professionals. It regards its commitment to the Environment, Social and Governance as a priority management challenge. It will seriously address the social issues associated with real estate to contribute to society and achieve its own continuous growth.

Supporting the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

We have expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and are a member of the TCFD Consortium, an organization of supporters in Japan. Based on the TCFD recommendations, we will analyze the risks and opportunities posed by climate change to our business, and strive to further enhance climate-related information disclosure.



Governance

Organization Framework

Tosei Group has established the Sustainability Committee, which reports directly to the Board of Directors, to promote ESG management practices that take sustainability into account. Based on the Tosei Group ESG Policy and ESG Action Guidelines, the Sustainability Committee formulates policies to improve the Group's overall sustainability, including addressing climate change, formulates annual activity plans for ESG promotion, monitors, provides advice and guidance the progress of each measures and departmental activities.

The Sustainability Committee is chaired by the director responsible for sustainability (Noboru Hirano, CFO and Senior Executive Officer) appointed by the President and CEO, and consists of members appointed by the director. In principle, the committee holds six meeting a year, and its deliberations, activity status, and reported matters are reported monthly to the Board of Directors.

The Sustainability Committee identifies, classifies, analyzes, and evaluates risks and opportunities, and formulates organizational measures and response plans for adaptation and mitigation for climate-related risks in accordance with the Regulations for Risk Management Related to Climate Change. The measures approved by the Board of Directors are linked to business strategies under the leadership of the Sustainability Committee and are directed to the Group companies and their respective business units.

Role of the Board of Directors

The Board of Directors has the highest responsibility for climate change-related risk management, and shall establish the necessary organizational structure, appropriately supervise it, and provide instructions as necessary. In addition, based on reports from the Sustainability Committee, the Board of Directors appropriately monitors and supervises the progress of each measure and program, reviewing the policies and directing improvements to the promotion system as necessary. In addition, ESG promotion targets, including climate change, are set as items for evaluation and reward of full-time directors in charge of ESG.



Strategy

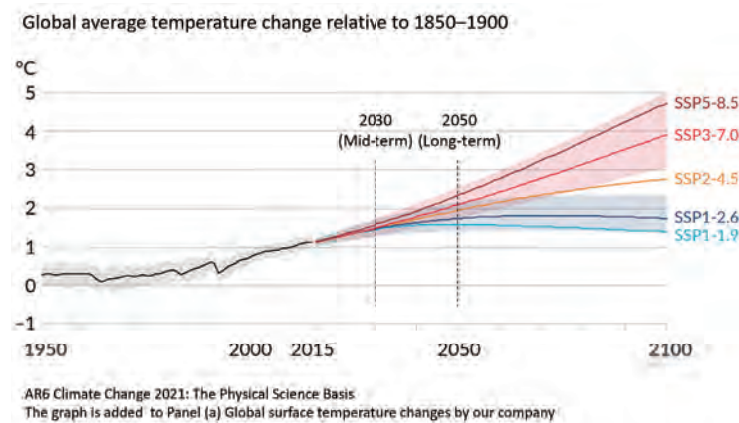
To understand the possible impact of future climate change on our group's business and to reflect such impact into our business strategy, we chose multiple future climate change scenarios defined by international institutions and identified risks and opportunities of the hypothetical world under each scenario. The details of the scenario analysis are as follows.

□ Determining Targets for the Analysis

In this scenario analysis, all our group's businesses are included as the target. Regarding the possible impact on real estate holdings, the analysis covers office buildings, commercial facilities, detached houses, apartment buildings, hotels, and logistics facilities as asset classes that are expected to be strongly affected by climate change, while pre-owned condominiums units, which have a small impact, were excluded from the analysis.

□ Determining Time Frames for the Analysis

In analyzing the scenarios, we used 2030 (medium-term) and 2050 (long-term) as time frames for the scenario analysis, considering the effects of climate change assumed in each scenario parameter will materialize in the medium to long term.



Assumptions Underlying Each Scenario

The TCFD recommendations advise the use of several scenarios, including a 2°C or lower scenario, to examine the resilience of the organization in an uncertain future.

Our group used the following two scenarios for our study and analysis.

(1) 1.5°C–2°C increase scenario (high transition risks, low physical risks)

Under this scenario in which regulations and policies are strengthened for decarbonization, measures to address climate change are taken, and temperature rise is expected to be around 1.5 -2°C in 2100.

Companies are strongly required to respond to climate change, and if they do not, customer outflow and reputation risks will increase, resulting in higher transition risks, while physical risks will be relatively low, as the severity and increase of disasters caused by climate change will be suppressed into a certain extent.

(2) 4°C increase scenario (low transition risks, high physical risks)

Under this scenario in which climate change measures are not adequately addressed and temperatures rise from pre-industrial levels to about 4°C by 2100.

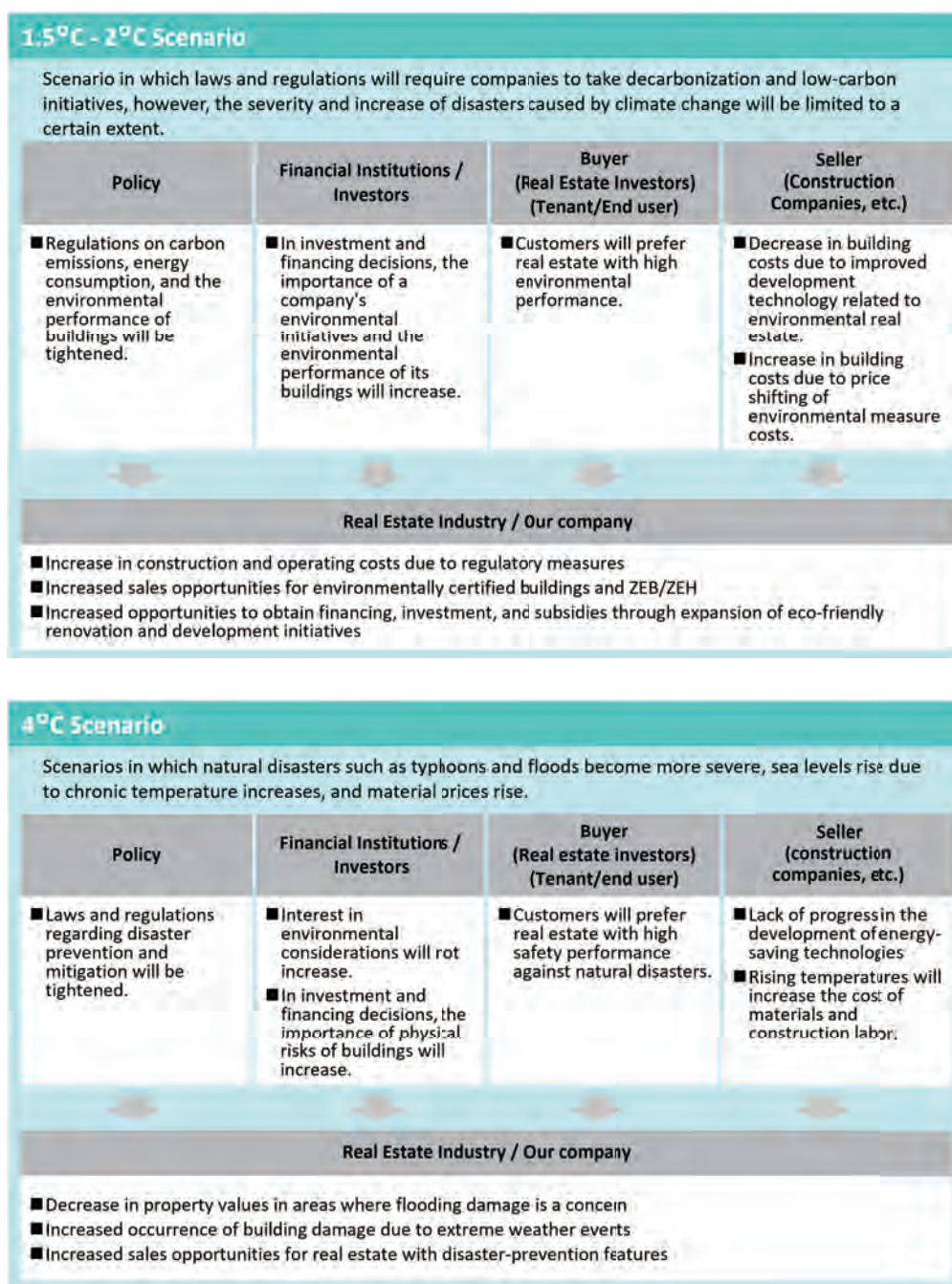
Physical risks are assumed to increase, including more severe natural disasters, sea level rise, and an increase in extreme weather events.

This will increase the competitiveness of products and services with superior BCPs. On the other hand, transition risks will be lower, as government regulations will not be strengthened.

<Mainly Referenced Scenario Parameters>

	Institutions / Organizations	1.5~2°C Scenario	4°C Scenario
Transition Risks	IEA (International Energy Agency)	- WEO2020; Sustainable Development Scenario (SDS) Net Zero Emissions by 2050 case (NZE2050) - ETP2017; Beyond 2°C Scenario (B2DS)	-
Physical Risks	IPCC (Intergovernmental Panel on Climate Change)	IPCC Sixth Assessment Report; IPCC SSP1-2.6	IPCC Sixth Assessment Report; IPCC SSP5-8.5

Future World View of Each Scenario



Identification of Risks/Opportunities Based on Scenario Analysis and Evaluation of Financial Impact

Based on the two climate-related risks and opportunities (Transition risks/opportunities and Physical risks/opportunities) categorized in the TCFD recommendations, we have identified the major risks and opportunities that are expected to have a significant impact on our business for each scenario. For each of the identified risks and opportunities, we evaluated the financial impact using parameters published by international organizations. The degree of impact on the Group was assessed on a four-point scale (major, medium, minor, and minimal) based on the materiality standards of the Tokyo Stock Exchange for timely disclosure, qualitative judgments take into account. Details are as follows.

○ Transition Risks · Opportunities

Category	Item/Contents	Time Frame	Financial Impact	
			1.5-2°C Scenario	4°C Scenario
Regulation /Policy	<u>Introduction of carbon tax</u> Risks - Operating costs will increase in accordance with GHG emissions due to the introduction of a carbon tax and carbon price. - Construction costs will increase affected by rising material prices.	Mid to Long term	Minor	Minimal
	<u>Tighter GHG emission regulations</u> Risks - Tighter regulations will increase construction costs as ZEH(M)/ZEB becomes mandatory for new offices, condominiums, and detached houses. - Tighter regulations will increase renovation costs by requiring existing buildings to be decarbonized (renovation to ZEB Ready levels). Opportunities - The spread of ZEB-enabling technologies is expected to reduce the construction cost, which may mitigate the cost increase due to ZEB-enabling measures. - Actively promoting the decarbonization of buildings will increase the competitiveness of properties.	Mid to Long term	Minor	Minimal
Reputation	<u>Change in behavior of investors and financial institutions</u> Risks - Interest burden will increase due to higher ending rates for companies reluctant to take environmental measures, etc. Opportunities - Active implementation of environmental measures will improve corporate reputation and credibility, leading to increased credit lines and preferential interest rates. - The liquidity of eco-friendly real estate will improve, and sales opportunities will increase.	Mid to Long term	Minor	Minimal

■ Resilience of the Group and the Results of the Analysis

Results of the scenario analysis indicate that the financial impact on the Group from transition risks, especially in the "medium to long term" time frame, will be emerge as a result of changes in the social transformation associated with the transition to a decarbonized society (1.5 °C - 2°C Scenario), specifically through the strengthening of various government regulations (adoption of carbon taxes, mandatory ZEH/ZEB levels, etc.), and changes in the behavior and preferences of investors and financial institutions.

The Group intend to switch using electricity generated from renewable energy sources for its head office and company-operated hotels. We will also promote internal resource and energy conservation efforts to reduce the Group's GHG emissions. moreover, we will aim to minimize risks and maximize opportunities by systematically promoting environmentally friendly product developments, renovating buildings to environmentally friendly real estate specifications, and acquiring environmental real estate certifications.

Physical Risks • Opportunities

Category	Item/Contents	Time Frame	Financial Impact	
			1.5 - 2°C Scenario	4°C Scenario
Acute	<u>Increased severity of extreme weather events</u> Risks - Properties located in areas with high inundation risks due to flooding and storm surge will have lower price appreciation (asset value) due to higher risks premiums for investors. - Repair costs will increase due to flood and storm surge damage. Opportunities - Enhanced BCP measures for buildings will minimize risks and increase the market competitiveness of the properties.	Short to Mid term	Minimal	Minor
Chronic	<u>Sea Level Rise</u> Risks As sea level rises, existing buildings will chronically be inundated.	Mid to Long term	Minimal	Minimal
	<u>Supply Chain Confusion</u> Risks Construction costs will rise due to supply chain disruptions caused by increased extreme weather events and soaring material prices due to oil dependence.			

Resilience of the Group and the Results of the Analysis

Results of the scenario analysis indicate that financial impact from physical risks on the Group, especially in the "medium to long term" time frame, will emerge as a result of intensifying of extreme weather events in society where climate change measures are not sufficiently implemented (4°C scenario). We make investment decisions only after comprehensively considering various factors, including flood risks. Also, regularly checks the risk status of its property portfolio using hazard maps, and takes appropriate business continuity planning (BCP) measures by reviewing the portfolio, purchasing insurance, and implementing countermeasure construction. Through these efforts, we aim to minimize risks while maximizing opportunities.

Strategies and Measures Developed Based on the Results of Scenario Analysis

Considering the aforementioned scenario analysis results, the Group will promote and consider the following measures in its management strategy and financial plan to minimize risks and maximize opportunities.

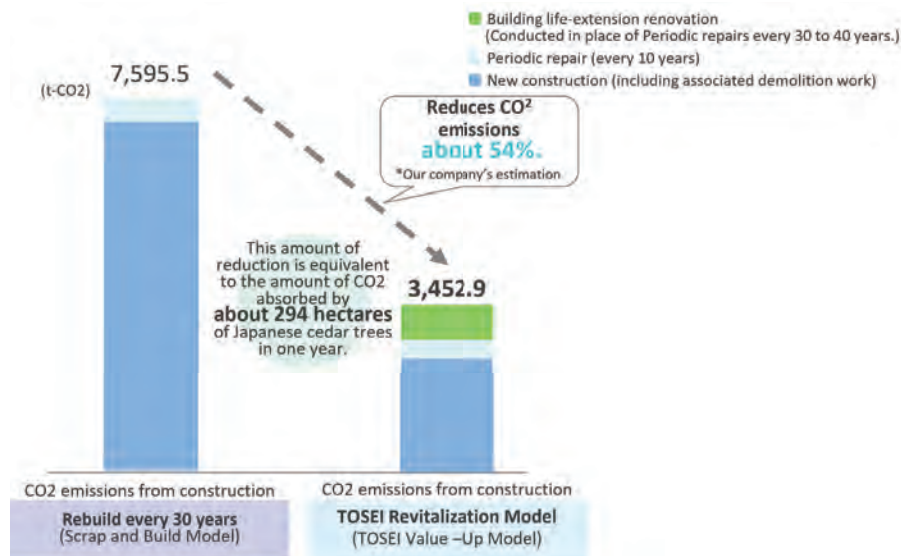
Utilize Renewable Energy

In December 2022, we switched the electricity used at our Tamachi Head Office Building to renewable energy sources* in order to reduce GHG emissions (Scope 1 and 2). We will continue to switch the electricity used at our hotels and other fixed assets to renewable energy sources*.

*Renewable energy includes the use of non-fossil certificates classified as renewable energy.

○ Reduce CO2 Emission through Revitalization Business

Tosei's Revitalization Business is not only attractive as an investment product, but also leads to the utilization and extension of existing resources and is environmentally friendly. This means that, Tosei's model as the utilization of existing used properties can reduce total amount of CO2 generated due to construction by 54% in comparison to the Scrap and Build Model during 100-year term. (According to our estimation)



Assumptions

Assuming that a newly constructed office building (total floor area: 10,000m², steel-framed reinforced concrete structure) will be maintained for 100 years*

TOSEI Value-Up Model

Repair and maintenance work to be carried out every 10 years (8 times in total), and life-extension work to be carried out once every 30 to 40 years (2 times in total).

Lengthening of service life = large-scale repair work for air conditioning, water supply, elevators, water-saving toilets, etc.

Scrap and Build model

Repair work every 10 years (9 times in total), and once every 30-40 years, Demolish the existing building and build a new similar building (2 times in total).

* In order to extend the life of the building frame up to 100 years, it is assumed that the neutralization diagnosis of the building frame and its treatment have been taken. In addition, CO₂ emissions from the work related to neutralization diagnosis and treatment are not considered.

○ Promotion of LED Installation in Used Office Buildings

The Group is promoting the installation of LED lighting in the fixed assets it owns. To date, we have installed LED lighting throughout 7 existing office buildings and 1 existing logistic facility and reduced electricity consumption by an average of approximately 20% to 30%. This is expected to improve tenant satisfaction by reducing electricity consumption and costs, increasing the brightness of the buildings, and eliminating the need for maintenance.



Shinbashi Frontier BL



Shinden Logistics



Toranomon Tosei BL



Yotsuya Tosei BL



Koishikawa Tosei BL



Narimasu Tosei BL

○ Promotion of Acquiring Environmental Real Estate Certification

We are promoting energy-saving renovations, including the installation of LED lighting in buildings. We are also promoting the acquisition of certifications that evaluate the environmental performance and social aspects of real estate and use these certifications to enhance the value of our assets and for leasing.

○ Energy Conservation Efforts in Development Properties

The Group is actively adopting equipment and materials that contribute to greenhouse gas reduction and energy conservation in the properties it develops. We are also working to build houses that meet the ZEH (Net Zero Energy House) standard, and for FY2022, we supplied 17 ZEH houses. We are developing products that incorporate the most advanced housing equipment and systems, including solar power generators, energy- and water-saving equipment, and IoT. We will continue with these efforts to provide houses that combine high energy-saving performance and comfort.

○ Major Environmentally-Conscious Equipment Installations

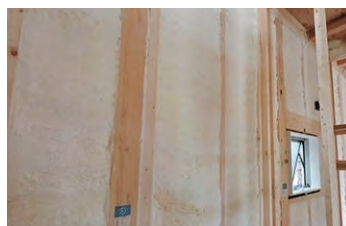
- Energy-saving water heater (Eco-Jozu, ENE-FARM)
- Double-layered glass
- LED lighting, motion sensor lighting
- Highly insulated design (equivalent to heat insulation performance grade 4)
- Highly insulated sashes
- Solar power generation system
- Rainwater utilization equipment (rainwater tank, water-retaining interlocking)
- Water-saving faucets, water-saving toilets
- Recycled materials
- Rooftop greenery, rooftop green/vegetable garden
- Electric car charging facilities
- Car sharing, bicycle rental



Example of ZEH construction



Solar power generation system



High-performance heat-insulating material



Energy Meter

○ Green Leasing

To promote energy conservation in the properties we own, we are working with tenants to conserve energy. We conduct periodic surveys of tenants in our buildings regarding building management and operation systems, facilities, etc., to understand their needs. In addition, we are implementing green leases for operational improvements, mainly for tenants of buildings that have undergone whole-building LED construction, to confirm their willingness to work with owners on various energy-saving activities in terms of building operation. We are also working on economical green leases for some of our properties that return the energy-saving benefits of installing energy-efficient equipment to the owners. Moreover, we are striving to raise energy conservation awareness among tenants and curb energy use of the building by distributing Sustainability Guides, which provide key points for energy conservation activities, and show trends in the usage of building water, light, and heat consumption, and by displaying posters calling for energy and resource conservation.



Energy Conservation Promotion Poster



Sustainability guidebooks

Risk Management

Process for Identifying and Assessing Climate-related Risks and Opportunities

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

1. Transition Risks

Risks associated with the transition to a low-carbon society, which are risks brought about by changes in policies and legal regulations to address climate change, as well as changes in technological development, market trends, market valuations, etc.

(i)Current Regulations (Policy and Legal)	Risks related to policy actions that attempt to constrain actions that contribute to the adverse effects of climate change
(ii)New Regulations (Policy and Legal)	Risks related to policy actions that seek to promote adaptation to climate change
(iii)Technology	Risks related to technology that may change or evolve with climate change among suppliers of materials and services related to each of the Group's businesses
(iv)litigation	Risks related to climate-related litigation claims being brought before courts.
(v)Market	Risks associated with changes in the markets relevant to the business of the Group companies as society transitions to a low-carbon and decarbonized society in relation to climate change.
(vi)Reputation	Risk of changes in the Group' s reputation with customers, investors, various suppliers, communities, governments, and others related to the Group in relation to climate change.

2. Physical Risks

Risk of exposure to acute or chronic damage from climate change and other causes brought about by climate change.

3. Opportunity

(i)Resource Efficiency	Opportunities related to improving resource efficiency in the business activities of our Group.
(ii)Energy Source	opportunities from shifting to low-carbon energy sources to meet the energy needs of our group companies' business activities.
(iii)Products and Services	opportunities arising from low-carbon and climate change adaptive products and services of our group companies.
(iv)Market	opportunities for our Group to enter new markets as we transition to a low-carbon economy.
(v)Resilience	opportunities arising from enhancing various adaptive capacities of our group companies to cope with climate change.

Processes to Manage Climate-related Risks and Opportunities

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

Status of Company-wide Risk Management Integration

The Risk and Compliance Committee, which is a committee directly under the Board of Directors, is responsible for centralized and cross-sectional risk management of the Tosei Group. The committee is responsible for implementing basic measures for the Group's risk management, responding to management crises that may occur as risks emerge, and overseeing and managing the various risks surrounding the Group's businesses.

Climate Change Risks and Opportunities, which are of particular importance among the company-wide risks and should manage following the framework recommended by the TCFD, are led by the Sustainability Committee under the supervision of the Board of Directors. The Risk and Compliance Committee ensure the integrated Enterprise Risk Management by assisting and supporting the Sustainability Committee in its implementation of various measures.

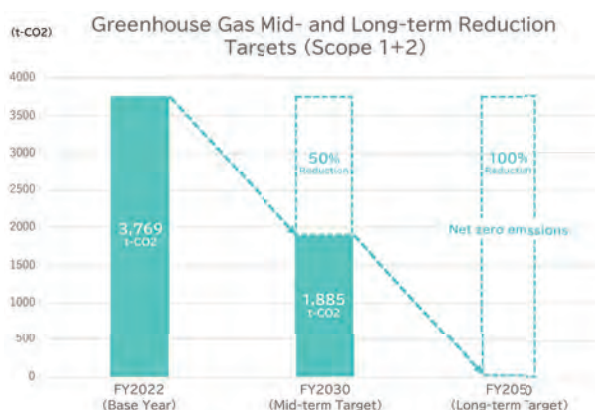
Metrics and Targets

Disclosure Elements of Greenhouse Gas (GHG) Reduction Target

The Tosei Group has set the goal of achieving net-zero greenhouse gas emissions in Scope 1 and 2 in FY2050 to keep the global temperature increase below 1.5°C. In addition, the Company will pursue the following reduction targets over the medium term, with FY2022 as the base year.

Base Year	FY2022 (From December 2021 to November 2022)
Reduction Target*	Scope 1; direct emission of GHGs by business operators themselves, such as from combustion of fuel Scope 2; indirect emission of GHGs associated with the use of electricity, heat, and steam
Target Year / Reduction Ratio	Long-term Target: Net-zero by FY2050 Mid-term Target: 50% reduction from base year by FY2030

* The GHGs emitted by our group consist of GHGs emitted directly from our company through the usage of city gas used at our headquarter, sales offices, and company-operated hotels and gasoline used in company vehicles (Scope1), and GHGs emitted indirectly through the usage of electricity at our headquarter, sales offices, and company-operated hotels and district heat and cooling used at our headquarter office (Scope2).



Greenhouse Gases (GHG) Emissions

	unit	FY2020	FY2021	FY2022 (Base Year)
Scope1 (Direct GHG emissions)	t-Co2	135	197	480 ✓
Scope2 (Indirect emissions associated with energy sources)	t-Co2	1,318	1,696	3,289 ✓
Total (Scope1+2)	t-Co2	1,453	1,893	3,769 ✓

- * The indicators with ✓ mark are guaranteed by an independent third party, Sustainability Accounting Co.,Ltd. [Click here](#) for the warranty report. (The PDF link on the left is valid when this report is viewed as PDF date.)
- * The greenhouse gas emissions shown above are the total emissions from the business activities of all domestic consolidated subsidiaries of the Tosei Group, based on the GHGs Protocol's control criteria.
- * The figures for FY2020 include estimates in some cases.
- * For FY2021 calculation, the Princess Group, which became a consolidated subsidiary in October 2021, is not included.
- * The Group excludes GHGs (Freon gas, etc.) other than CO2 due to their extremely small amounts, and calculates and reports only CO2.
- * The GHG emission factor is based on the "Emission Factor by Electric Power Company" published by Ministry of the Environment and Ministry of Economy, Trade and Industry, and uses the emission factor of the electric power company used by the subject building.
- * As of November 30, 2022

Disclosure Based on TCFD Recommendations (Announced on September 28, 2022)

Based on TCFD recommendations, we disclosed information about Governance, Strategy, Risk Management, Metrics and Targets related to climate change risks and opportunities. We will continue to promote our measures to climate change issues and strive to further enhance climate-related information disclosure.

Biodiversity

✓ [Our Approach to Biodiversity](#)

✓ [Efforts to Protect Urban Greenery](#)

✓ [Efforts to Protect Ecosystems](#)

Our Approach to Biodiversity

In accordance with the Group's environmental policy, we will strive to create urban environments that are in harmony with nature by taking biodiversity into consideration and working to conserve and green the natural environment. We will also actively participate in local volunteer activities to raise employee awareness of biodiversity conservation.

Efforts to Protect Urban Greenery

Efforts through Business

Promotion of Greening

In order to improve the landscape and reduce the environmental impact, we are working on greening existing real estate and development properties. Specifically, we are planting trees on the rooftops and walls of office buildings, grounds of condominiums and detached houses to create green spaces. We are also focusing on rooftop greening, with a total of 3,927 square meters of green space planted so far as of the end of November 2022. We are planning to introduce this system to commercial facilities and hotels under development.



THE PALMS Chofu Manor Garden



THE PALMS Sagamihara Park Brightia



TOSEI HOTEL COCONE Ueno Okachimachi

○ Symbiosis with Plants

T's garden Nishiterao, a rental condominium that we revitalized, has a variety of plantings in the courtyard and other areas of the property, and QR codes are attached to tall trees to know tree species. Residents can interact with the plants in their daily lives and enjoy the seasonal changes.



QR code to know tree species

○ Efforts around the Head Office

○ Green Space around the Head Office

Tamachi Tosei Building is a 30-year-old existing building that has been renovated and occupied by the Tosei Group as its headquarters building from 2021. Over 30% of the more than 1,300 m² of open space is greened, with a diverse mix of tall trees, medium-sized trees, shrubs, and ground cover, allowing residents to enjoy the changes in the seasons. The canal that runs in front of the building is visited by wild birds, creating an environment where one can enjoy the richness of nature even in the heart of the city. The courtyards on the 5th and 13th floors of the head office building are designed to replicate a Japanese garden, with a pond in which carp are kept, and trees in the garden provide perches for wild birds so that one can hear them chirping.



On the rooftop of Toranomom Tosei Building, which was used as the head office building until March 2021, we operated a rooftop vegetable garden in order to mitigate the heat island effect, raise employee awareness of the environment, and revitalize group communication. We grew flowers and vegetables according to the season and held a "harvest festival" to raise the environmental awareness of employees through employee-participatory events.



○ Participation in the "Minato City Adopt-a-Program," a community cleanup activity

Since October 2022, we have been participating in the "Minato City Adopt-a-Program" and engaging in community cleanup activities. The "Minato City Adopt-a-Program" is an agreement between Minato City and organizations that live, work, or study in Minato City to collaborate in the maintenance and management of roads, parks, and other facilities. In principle, once a month, employees of our group pick up trash and remove weeds from the streets and parks around our head office. Through these activities, the Group will contribute to environmental preservation and beautification of the Minato City where the head office building is located.

▼Please see page 70 for activity results

○ Tree-planting Activities

For seven consecutive years from 2009 to 2015, we participated as volunteers in the "Umi-no-Mori (Sea Forest)" tree-planting event organized by the Tokyo Metropolitan Government. "Umi-no-Mori" is an initiative to plant saplings on the inner landfill of the central breakwater in Tokyo Bay, which was reclaimed with garbage and construction soil, and transform it into a beautiful forest to create a venue for the 2021 Tokyo Olympic and Paralympic Games. Umi-no-Mori is expected to serve as a starting point for winds blowing from the ocean to the city center, as well as to absorb CO2, thereby reducing global warming and the heat-island effect. It actually was used as a venue for rowing and canoeing competitions at the Tokyo Olympics and Paralympics.



FY2015 "Umi-no-Mori" tree-planting event

○ The Green Feather Fundraising Activity

The purpose of this fundraising campaign is to support Tokyo's forest maintenance, training of forest volunteers, and forest and environmental education for children. We have been making donations every year since 2007.

Efforts to Protect Ecosystems

○ Volunteer seaside cleanup activities

We have participated in volunteer cleanup activities since 2009. In 2022, 39 employees of our group and their families participated in "Tokyo Satoumi Aid from Nishi-Nagisa," an event to clean up floating garbage in Kasai Marine Park. While Kasai Marine Park is a valuable area in Tokyo where one can experience biodiversity close at hand and was registered under the Ramsar Convention in 2018, it has long been plagued by debris drifting from the Kyu-Edo River and Arakawa River. The event also included a tally of the types and quantities of trash collected to help investigate the causes of the drifted trash. Through this activity, we aim to raise employee awareness of environmental and social issues such as trash reduction and ecosystem conservation.

*Cleanup events are conducted with adequate infection prevention measures in place.



Plastic garbage



Cleaning up



Participants and marine debris collected

○ Efforts in Development Properties

We are working to enhance the planting of trees in our urban development of condominiums and detached houses. In selecting tree species, we have taken steps to ensure that residents can enjoy seasonal changes, and we have taken biodiversity into consideration by including fruit trees. The company also emphasizes harmony with the surrounding natural environment, and at THE Palms Court Hibarigaoka, a detached house, rich plantings form a green network with the adjacent Nishi-Tokyo Ikoi-no-Mori Park, contributing to the preservation of the local ecosystem. In addition, at "THE Palms Yutenji Master Place," a condominium, existing trees have been transplanted to the plaza on the site to create a streetscape that blends in with the surrounding nature without spoiling the greenery of the land.



THE PALMS Yutenji Master Place

Environmental Pollution and Resources

▼ [Approach to Environmental Pollution and Resource Conservation](#)

▼ [Pollution Prevention Efforts](#)

▼ [Waste Reduction Efforts](#)

▼ [Resource Conservation Efforts](#)

Approach to Environmental Pollution and Resource Conservation

In addition to complying with all applicable laws and regulations regarding environmental pollution and taking appropriate measures, the Tosei Group Environmental Policy stipulates that the Group will strive to prevent environmental pollution, promote resource conservation such as reducing, reusing and recycling, and promote efforts to reduce environmental impact and create a material-cycle society.

Pollution Prevention Efforts

Risk Management

When considering the acquisition of land or buildings, a "Real Estate Purchase Check Sheet" is completed and reviewed for all projects as part of the property purchase due diligence flow. We conduct a geo-historical survey of the property to be acquired and, if necessary, a soil contamination survey. In addition, depending on the age and structure of the property, we conduct asbestos inspections and other hazardous material inspections to ensure risk management against contamination.

Soil Contamination Countermeasures

As part of the property purchase due diligence, further contamination investigations are conducted according to the results of the geo-historical survey. If the results confirm contamination by hazardous substances, development activities are conducted after appropriate soil improvement and spread prevention measures are taken by a designated contaminated soil treatment company in accordance with the Soil Contamination Countermeasures Act.

○ Hazardous Materials Treatment

When acquiring an existing property and demolishing or renovating it, we conduct a thorough preliminary confirmation with the demolition or renovation contractor in order to comply with relevant laws and regulations, including asbestos surveys, and take appropriate measures to prevent the dispersal of harmful substances such as asbestos and chlorofluorocarbons. In the event that treatment or management of specially controlled industrial waste becomes necessary at any of our buildings, we will dispose of them appropriately in accordance with laws and regulations. In the development of our buildings, we use building materials that meet JIS and JAS standards for low emission of formaldehyde, a substance that causes sick building syndrome, in an effort to provide safe and secure housing.

		FY2020	FY2021	FY2022
Specially Controlled Industrial Waste	PCB Waste(t)	0.76	0	0

Waste Reduction Efforts

○ Waste Reduction Targets and Results

The following reduction targets have been set for waste reduction. The base year is set for 2018, and the long-term target is set until 2023.

Waste Discharge Reduction Targets	
Long-term target	Reduce waste discharge intensity by 2.5% in five years
Short-term target	Reduce waste discharge intensity by 0.5% in one year
Target Properties	Fixed assets owned by the Company (*)

*Tosei's head office buildings

▼Please see page 20 for performance data.

○ Collection and donation of plastic bottle caps through the NPO Ecocap Promotion Association

We collect plastic bottle caps and through a NPO, the Ecocap Promotion Association, convert them into recycled plastic material and donate them to various social contribution activities such as medical assistance, support for people with disabilities, and environmental education for children.

Waste Reduction and Separation

Efforts through Tenant Communication

We conduct periodic surveys of tenants in our properties regarding building management and operation systems, facilities, etc. to understand their needs. In terms of waste reduction, separation, and recycling, we have been taking various measures, such as putting up posters encouraging cooperation in separation and recycling, installing trash cans for separation, and posting information on how to dispose of, separate, and recycle trash at trash disposal sites.



Tenant education poster

Resource Conservation Efforts

Water Resource Conservation

In promoting efforts to conserve water resources, the following reduction targets have been set. The base year is set as 2018, and the long-term target is set until 2023.

Water Use Reduction Targets	
Long-term target	Reduce water use intensity by 2.5% in five years
Short-term target	Reduce water use intensity by 0.5% in one year
Target Properties	Fixed assets owned by the Company

▼Please see page 19 for performance data.

Business Activities in Water Stressed Areas

Our group's main business activities are located in Tokyo and three prefectures (Kanagawa, Chiba, and Saitama) in Japan. According to the Aqueduct survey by the World Resource Institute (WRI), the water-related risk in this area falls into the "Low to Low-Medium" category, and we have confirmed that we do not conduct business activities in areas where water stress is a concern.

Environment-related Violations and Fines

There were no penalties or fines for violations of environment-related laws and regulations (including water-related) or accidents in FY2022.

Efforts through the Real Estate Revitalization Business

In our real estate revitalization business, existing buildings are utilized to enhance their value, which has less impact on the environment and conserves resources compared to rebuilding. In order to make the most of the individuality of a wide variety of existing properties and further enhance their attractiveness, we consider a revitalization menu with "Security," "Design" and "Ecofriendly" as important guidelines, providing optimal value for owners and tenants.

○ Utilization of Idle Company Housing

In recent years, company housing has been increasingly decommissioned and left vacant as companies reassess their assets, contributing to the growing problem of vacant housing in cities. We are working to supply new rental housing to the market while making effective use of the existing buildings by purchasing unused company housing and enhancing the value of the property.

| Example 1: T-Rhythmic SOKA

This property was built as a company dormitory and had been vacant. In addition to soundproofing all of the studio units, a lounge for concerts and a storage room were newly built, and the property was revitalized as a rental apartment for music lovers.



Lounge where concerts can be held

| Example 2: T's garden Kitakashiwa

This large property was once developed as a corporate housing for families, which was transformed into a rental apartment with three new common facilities: a study room, kids' room, and party room, which are as extensive as those in condominiums.



Spacious kids' room

| Example 3: ARDEN Fujigaoka

A former company dormitory was extensively renovated and revitalized as a share house. Existing space was effectively utilized by converting an unneeded shared bathroom into a lounge and renovating the hot water supply room into a shower room.



Lounge as a place for socializing

○ Adoption of New Eco-friendly Materials for Employees' Business Cards

The Group changed the material of business cards used by the Group's employees to LIMEX. This material is eco-friendly because almost no water or trees are used. The Group aims to reduce the amount of paper used and raise environmental awareness among employees by replacing business cards, the use of which reaches 500 pieces per person every year, with those made of eco-friendly materials.



Sustainability Finance

[▼ ESG Loans](#)
[▼ Green Bonds](#)

ESG Loans

When procuring funds from financial institutions for our real estate revitalization and development business, we take advantage of loan programs that banks evaluate "companies with ESG-conscious management." Under Hokuriku Bank's "Eco-Lead Master" environmental assessment loan program, we have received an "S-rank" rating a total of 10 times since 2010, and have received preferential interest rates. In the environmental rank evaluation of the loan system, we were evaluated for our "environmentally friendly business activities" and "ESG-conscious initiatives" being promoted throughout the Group. In addition, in 2021, we received an "A-rank" for "good ESG/SDGs initiatives and information disclosure" under SMBC's "ESG/SDGs evaluation-type loan."

We are also actively engaged in the use of green loans, which are evaluated for borrowing to finance green projects. In 2021, we obtained a "Green 1" in JCR Green Loan Rating from Japan Credit Rating Agency, Ltd. (JCR) for a loan from Aozora Bank for the construction of a logistics facility.

Allocation Property	Lender	Total amount of Loan	Procurement Date	Redemption Date
T's Logi Ome	Aozora Bank	5,800 million yen	July 30, 2021	June 30, 2025
	Use of Proceeds	External Evaluation	Status of Allocation of Proceeds	Environmental Improvement Impact
	Construction funds for development of logistics facilities, etc.	JCR Green1※	Fully allocated	BELS 5 star rating (Acquired in October 2022)

※We received "Green 1" rating, the highest JCR green loan rating, from Japan Credit Rating Agency, Ltd (JCR).

As of November 30, 2022

Green Bonds

Tosei Reit Investment Corporation, which has been actively working on green finance, established a "Green Finance Framework" and issued green bonds in 2021, receiving the highest rating of "Green 1 (F)" from JCR. Through green finance, the corporation aims to further enhance its ESG initiatives and strengthen its fund-raising base by expanding the investor base interested in ESG investment.

Environmental Real Estate Certifications

-  [Acquisition of Environmental Real Estate Certification for Fixed Assets](#)
-  [DBJ Green Building Certification](#)
-  [BELS \(Building-Housing Energy-efficiency Labeling System\)](#)
-  [CASBEE \(Comprehensive Assessment System for Built Environment Efficiency\)](#)

Acquisition of Environmental Real Estate Certification for Fixed Assets

We promote environmental and social considerations in our revitalization and development real estate, and actively acquire environmental real estate certifications such as "BELS (Building Energy Efficiency and Leasing System)", "DBJ Green Building Certification", and "CASBEE (Comprehensive Assessment System for Built Environment Efficiency)" to demonstrate the performance of our real estate to our stakeholders. The progress rate of acquisition of environmental real estate certification for fixed assets is as follows.

	FY2020	FY2021	FY2022
Newly certified properties total floor space(m²)	-	13,872	18,629
Certified properties Cumulative total floor space(m²)	1,546	15,418	34,047
Percentage of certification progress	2%	16%	36%

※ The certification progress rate refers to the percentage of the total floor area of properties that have acquired "BELS (Building Energy Efficiency and Leasing System)" or "DBJ Green Building Certification".

※ The certification progress rate is calculated based on the total floor area excluding properties that cannot be certified due to reasons such as planned sale, condominium ownership, or lack of management authority.

As of November 30, 2022

DBJ Green Building Certification

Property Name	External Appearance	Rank	Year of acquisition	Total floor area
Toranomon Tosei Building		 ★★ (2 Star)	May, 2020	4,515.24m ²
Koishikawa Tosei Building		 ★ (1 Star)	May, 2020	3,863.62m ²
Tamachi Tosei Building		 ★★ (2 Star)	May, 2022	15,722.40m ²

○ What is DBJ Green Building Certification?

DBJ Green Building Certification is a certification system established by the Development Bank of Japan (DBJ) in April 2011 to serve as a bridge between businesses, financial institutions, and investors through the evaluation of environmentally and socially conscious real estate. In addition to the environmental performance of the building, the program supports ESG initiatives for existing buildings through a comprehensive evaluation that includes consideration of the social demands of the various stakeholders surrounding the property.

BELS (Building-Housing Energy-efficiency Labeling System)

Property Name	External Appearance	Rank	Year of acquisition	Total floor area
Awajicho Tosei Building		 ★★★ (3 Star)	May, 2021	1,582.79㎡
Shinden Logistics		 ★★★★★ (4 Star)	December, 2021	6,384.27㎡
Yotsuya Tosei Building		 ★★★ (3 Star)	April, 2022	3,417.27㎡
Toranomon Tosei Building		 ★★ (2 Star)	April, 2022	4,515.24㎡

T's Logi Sano		 ★★★★★ (5 Star)	August, 2022	26,937.68㎡
T's Logi Ome		 ★★★★★ (5 Star)	October, 2022	27,975.48㎡

What is BELS (Building-Housing Energy-efficiency Labeling System)?

BELS (Building-Housing Energy-efficiency Labeling System) is one of the third-party certification systems based on the "Guidelines for Energy Efficiency Labeling of Buildings (Guidelines for Labeling Energy Consumption Performance of Buildings)" established by the Ministry of Land, Infrastructure, Transport and Tourism.

CASBEE (Comprehensive Assessment System for Built Environment Efficiency)

Property Name	External Appearance	Type of Certification	Rank	Year of acquisition	Total floor area
Heiwajima Tosei Building		CASBEE for New Construction	 Rank A	May, 2009	14,449.47m ²
Kamata Tosei Building		CASBEE for New Construction	 Rank A	December, 2009	8,354.58m ²
Toranomon Tosei Building		CASBEE for Real Estate	 Rank A	September, 2015	4,515.24m ²

○ What is CASBEE (Comprehensive Assessment System for Built Environment Efficiency)

CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a system for evaluating the environmental performance of buildings. In addition to aspects of environmental load reduction such as energy saving, resource saving, and recycling performance, it also includes consideration of indoor comfort, landscape, and biodiversity, and is a comprehensive check from a broad perspective.

*The above includes sold properties and properties for which certification has expired.

● Social

○ Labor Environment

✓ [Basic Approach to the Labor Environment](#)

✓ [Safety and Health](#)

✓ [Human Resource Management](#)

✓ [Respect for Human Rights](#)

✓ [Work-life Balance and Diversity](#)

✓ [Social Performance Data](#)

Basic Approach to the Labor Environment

We recognize that the creation of a healthy, safe, and comfortable work environment for all employees is an important factor for sustainable corporate growth, and we promote occupational health and safety activities, including the prevention of occupational accidents, and health promotion initiatives. We respect the human rights of all people who work for our group, do not tolerate any discrimination or harassment, and strive to develop human resources to become professionals with a good heart and build a favorable work environment.

Respect for Human Rights

○ Our Approach to Human Rights

The Tosei Group's approach to respect for human rights, employee ethics and norms, and occupational health and safety is set forth in policies and internal regulations, including the "Tosei Group Human Rights Policy" and the "Tosei Group Ethics Code." These policies, norms, and regulations were established through meetings of the Management Committee and Board of Directors of Tosei Corporation, and are posted on the Company's website and intranet, as well as distributed in the Risk Compliance Guidebook, to ensure that all employees are fully aware of them. In addition, periodic education is provided to all employees to promote correct understanding of these policies.

○ The Tosei Group Human Rights Policy

The Tosei Group respects the fundamental human rights set forth in the International Bill of Human Rights and the Guiding Principles on Business and Human Rights. We support and respect the following items as basic labor rights.

1. Prohibition of discrimination

We prohibit all forms of discrimination based on race, religion, gender, age, sexual orientation, disability, or nationality.

2. Prohibition of harassment

We prohibit all forms of harassment, including sexual harassment and power harassment.

3. Prohibition of child labor

We prohibit all forms of child labor.

4. Prohibition of forced labor

We prohibit all forms of forced labor.

5. Reduction of excessive work

We implement appropriate working hour management to reduce excessive work.

6. Respect for freedom of association and the right to collective bargaining

We respect freedom of association and the right to collective bargaining.

7. Payment of wages above the minimum wage

We comply with the Minimum Wage Law and other labor laws and regulations to pay wages to our employees above the minimum wage.

8. Ensuring health and safety

We strive to prevent occupational accidents and create workplaces where employees can work in good health and safety.

○ The Tosei Group Ethics Code

To fulfill our corporate social responsibility, we will always attach importance to a high standard of ethics and a law-abiding spirit while pursuing our corporate philosophy, and will conduct our business activities in accordance with the following Code.

1.Sustainable economic growth and resolution of social issues

We will strive for sustainable growth and the resolution of social issues by always putting ourselves in our customers' shoes and positioning safety and security at the heart of the products and services we develop and provide, and by forever remaining humble and conducting business activities in good faith.

2.Fair Information Disclosure

We will disclose the necessary corporate information in a fair, timely and appropriate manner in order to obtain proper evaluation and understanding from investors and wider society.

3.Fair and transparent decision-making

We will make decisions based on appropriate and explainable reasoning, in accordance with laws, regulations and internal rules.

4.Thorough compliance with laws and regulations and fair dealings

We will understand both domestic and international laws and regulations and will never engage in any conduct that violates such legislation, or in any fraudulent conduct. We will also engage in fair and free competition and appropriate transactions, and will avoid becoming involved in bribery or other similar giving or receiving of unfair advantage in any way.

5.Comprehensive crisis management

We will not have any relationships with antisocial forces and will conduct thorough and organized crisis management to prepare for a terrorism, cyber-attack, natural disaster or other crisis.

6.Protection of confidential information

We will protect and strictly manage the material information of the Tosei Group, the personal information of customers, the information of business partners, and other confidential information.

7.Respect for human rights and creation of positive work environments

We will respect human rights and will not tolerate any behavior which violates the dignity of individuals including discrimination and harassment. We will also strive to develop human resources and create working environment with mutual trust and decency.

8.Initiatives to address environmental issues

We will contribute to the realization of a sustainable society by implementing initiatives to reduce our environmental impact, recycle resources and address the risk of climate change, based on a strong awareness of the importance of environmental issues.

9.Social Contribution

We will seek harmony with local communities and the global community as a good corporate citizen and actively and continuously promote activities that contribute to society.

10.Commitment of Top Management

The Tosei Group's Top Management recognizes that it falls to them to embody the spirit of this Code and, in the event of a violation of this Code, top management will proactively take charge of resolving the issue, endeavor to identify the cause and prevent a recurrence, demonstrate accountability, including the disclosure of information to markets and society in a timely and appropriate manner, and fairly and strictly punish those involved, including themselves.

○ Addressing Labor Issues

- Prohibition of child labor

We require applicants to be at least 18 years of age to be considered for employment, and we are required to verify the age of applicants when we receive an application for employment.

- Prohibition of forced labor

In hiring, we assume that the applicant has applied for the position, and after one or more employment screenings, we notify the applicant of his/her acceptance. Upon entering the company, working conditions are presented and employment is initiated upon agreement with the applicant.

- Prevention of overwork

We strive to prevent overwork through daily and monthly monitoring of working hours, no-overtime days, and encouraging employees to take paid leave.

- Payment of salary above living wage

Our basic policy is not only to comply with minimum wage regulations, but also to pay wages that exceed them. For FY2022, the average annual salary was 8.04 million yen.(Tosei Corporation)

○ Respect for Human Rights in the Supply Chain

We confirm the status of our suppliers' efforts to respect human rights in the supply chain. We have established a Sustainable Procurement Manual and conduct an ESG questionnaire for suppliers whose annual transaction value exceeds a certain level, to check their efforts to prohibit child labor, forced labor, and harassment, ensure occupational health and safety, comply with laws and regulations, give consideration to the environment, and implement risk management. The Sustainability Committee then reviews the results and discusses whether or not to continue transactions with them.

In FY2022, 3 major clients in the real estate revitalization, development, and leasing businesses were surveyed and reviewed in the Committee.

○ Efforts to Prevent Harassment

In addition to distributing the "Harassment Handbook" to all Group officers and employees to provide specific definitions and examples of harassment, we are working to promote understanding and prevent harassment by distributing educational content to the Risk Compliance Portal on the intranet and providing online courses by outside instructors. In addition, "Personnel, Labor and Management Training" is provided to managers, which includes training on how to respond to incidents of harassment, what they should pay attention to as managers, and how to prepare themselves for harassment prevention.

○ Harassment Consultation Desk and Working Style Consultation Desk

The Group has established dedicated consultation desk (via e-mail or telephone) in the human resources sections of each Group company for the purpose of preventing all forms of harassment and responding promptly and appropriately in the event that harassment does occur. This harassment consultation desk is available to all Group employees regardless of their employment status. In resolving the problem, we will confirm the facts through hearings with the reporter, the subject of the report, as well as cooperating parties, etc., and take appropriate measures to prevent recurrence. If you wish to consult or report anonymously, you may do so through the dedicated anonymous consultation desk. In addition, we ensure that the privacy of the informant is protected and that confidentiality is strictly observed so that the informant will not be disadvantaged when using the harassment consultation desk. If an investigation confirms that harassment has occurred, disciplinary action will be taken against the harasser in accordance with the rules on rewards and punishments. In addition to the harassment consultation desk, the Company also provides a consultation desk regarding working styles and personnel systems.

In addition to the harassment consultation desk, we have also established the "Tosei Hot Line," a whistle-blowing desk for the entire Group, which accepts reports from employees and officers of the Group on any conduct that violates or may violate laws and regulations, for the prevention and early detection of violations of laws and regulations and corruption, including bribery.

Safety and Health

○ Approach to Safety and Health in the Workplace

We recognize that ensuring health and safety in the workplace is an important issue, and we strive to prevent occupational accidents and promote the creation of a healthy and safe work environment in which all employees can maximize their abilities. We have established the "Health Committee" as a risk assessment and promotion system for health and safety, and the committee meets monthly and reports to the Board of Directors.

○ Promotion System

○ Health Committee

Management and Supervisory Body	Board of directors
Person in Charge and Matters of Deliberations	Chairman of the Health Committee: Noboru Hirano, CFO and Senior Executive Officer Representatives from each department participate as committee members, and the meeting is held monthly in the presence of an industrial physician. The Health Committee monitors the overall working environment, including the status of the workplace environment, health checkups received, and overtime hours worked, evaluates risks related to employee health and safety, and provides feedback to employees and takes other actions. Reports are also made to the Board of Directors on a monthly basis.
Office	Personnel department

Health Management

Health Checkup

In addition to the legally mandated annual medical checkup, employees aged 35 and over are eligible for company-subsidized thorough physical examination to detect illnesses at an early stage and further promote their health.

For FY2022, the health checkup uptake rate was 100%.(Tosei Corporation)

Stress Check

The stress check system is implemented once a year for the purpose of primary prevention of mental health problems by helping employees recognize and cope with their own stress and improving the work environment.

For FY2022, the stress check examination rate was 100%.(Tosei Corporation)

Cooperation with Industrial Physician

For employees who work overtime above a certain level, including managers, an interview with an industrial physician is mandatory, a measure that exceeds the legal standard.

Health Promotion Programs

In addition to regular health checkups, we offer health promotion programs that employees can easily participate in on a voluntary basis. In 2022, we held "health seminars" by public health nurses and "relaxation seminars" with yoga instructors.



Relaxation Seminar

Mental healthcare

Questionnaires and training on mental health care are conducted for all employees under the guidance of affiliated industrial physicians. In addition, in cooperation with affiliated hospitals, we have set up a dedicated desk where employees can directly seek health consultation.

Measures to Prevent the COVID-19 Infection

In response to the spread of the COVID-19 infection, we implemented measures to ensure the health and safety of employees, their families, business partners, and others, such as requiring the wearing of masks, installing disinfectants, ventilating office and meeting rooms, encouraging hand sanitization, and installing acrylic panels. In addition, working from home is encouraged, and a teleworking environment has been prepared by distributing mobile terminals, utilizing the cloud, building PCs with external connectivity, and establishing various other infrastructure.

Occupational Safety and Health

Employee Safety and Health

We recognize the importance of a healthy, safe, and comfortable work environment for all employees in order to achieve sustainable corporate growth, and we are promoting occupational health and safety activities, including the prevention of occupational accidents, and the promotion of employee health. In the event of an occupational accident, the Human Resources Department, which is the main management department, will promptly confirm the situation and, in cooperation with the department where the incident occurred, report to and consult with various meetings and related organizations in an effort to contain the situation and take appropriate measures. In addition, we promptly formulate and implement countermeasures, ensure that all employees of the Group are fully aware of these measures, and continuously follow up to prevent recurrence.

For FY2022, the number of violations of labor standards and the number of occupational accidents were 0.(Tosei Corporation)

○ Safety and Health in the Supply Chain

■ Questionnaire ESG

We confirm the status of our suppliers' efforts to respect human rights in the supply chain. We have established a Sustainable Procurement Manual and conduct an ESG questionnaire for suppliers whose annual transaction value exceeds a certain level, to check their efforts to prohibit child labor, forced labor, and harassment, ensure occupational health and safety, comply with laws and regulations, give consideration to the environment, and implement risk management. The Sustainability Committee then reviews the results and discusses whether or not to continue transactions with them.

In FY2022, 3 major clients in the real estate revitalization, development, and leasing businesses were surveyed and reviewed in the Committee.

■ Approach to Real Estate Portfolio Management

In managing our real estate portfolio, we focus not only on our Group's employees, but also on selected subcontractors, with an emphasis on employee health and safety, compliance, and other sustainability considerations. Our group holds "Operations Quality Improvement Conventions," in which lectures are given on topics such as safety management and compliance in operations to improve the quality of operations, and to build a strong cooperative system with partner companies. The convention was organized by Tosei Community Co., Ltd., a property management business, and was attended by the company's major clients, and is part of the Tosei Group's supply chain engagement in its real estate portfolio.



Convention

○ Percentage of Offices with OHSAS 18001 Certification

Currently, we have no offices with OHSAS 18001 certification.

Working Hours Management

Compliance with labor-related laws

To reduce long working hours and comply with the 36 Agreements, we comply with the Labor Standards Law, the Industrial Safety and Health Law, and other domestic laws and regulations, and strive to properly manage working hours and the working environment.

Prevention of overwork

- We manage employee working hours on a daily basis through our attendance management system, and notify employees and their supervisors whose overtime hours exceed a certain threshold.
- We are promoting initiatives to reduce overtime and excessive work, such as the introduction of "No Overtime Days."
- We report the results of monthly monitoring of employee overtime and use of paid leave to the Health Committee, and after sharing information, we are working to reduce overtime and promote the use of paid leave.
We provide an occupational physician consultation to employees whose overtime hours exceed a certain standard.

For FY2022, the average overtime hours was 24.5 hours per month.(Tosei Corporation)

Encouraging Employees to Take Paid Leave

To create an atmosphere that encourages employees to take paid leave, we have introduced "anniversary leave," which allows employees to take a day of paid leave once a year on an anniversary date they voluntarily set, and "planned annual leave (1 day)," which allows employees to take a summer vacation for a longer period of time.

For FY2022, the paid leave utilization rate was 68.3%.(Tosei Corporation)

Various Leave Systems

To support changes in life due to life stages such as childbirth, childcare, and nursing care, we have established various systems including maternity leave, childcare leave, and nursing care leave.

For FY2022, the maternity leave utilization rate is 100%, the female childcare leave utilization rate is 100%, and the male childcare leave utilization rate is 40%.(Tosei Corporation)

Flexible Working Systems

Short-time Work · Staggered Commute

Employees who care for children in the third grade of elementary school or younger and those who care for family members in need of nursing care* may shorten their working hours by 30-minute increments up to a maximum of two hours per day. In addition to this, employees who care for children in the third grade of elementary school or younger are allowed to stagger their work hours by 30-minute increments, up to a maximum of one hour before or after the start and end of the workday.

*The coverage is three years from the start date of use per family member in need of care for.

For FY2022, the number of employees using shortened working hours was 6.(Tosei Corporation)

○ Working From Home

As a measure to prevent the spread of the COVID-19, we are promoting the use of cloud services and web meetings to encourage working from home.

○ In-house Club Activities

We provide subsidies for in-house club activities to stimulate communication among employees. So far, a total of 11 cultural and athletic clubs have been established, providing valuable opportunities for communication with employees in departments and group companies with which they have little contact in their daily work.

○ Family Days

We hold family days once a year to give children a better understanding of their parents' job and workplace. In 2019, a total of 20 families or 62 family members attended the family day and enjoyed activities such as swapping business cards, a stamp rally around the offices, and making models of homes. The day also served as a social occasion for employees and their family members to get to know each other.

*Canceled from 2020 to 2022 because of the pandemic of COVID-19.



Business card exchange experience with executives

○ Employee Satisfaction Survey

We implement employee satisfaction surveys to gain an understanding of employees' attitudes toward their work and the workplace environment, which is reflected in various personnel policies.

In the survey for the fiscal year ended November 30, 2021, 59.6% of employees selected the top 2 items out of 5 in the "Job Satisfaction" question.(Tosei Corporation)

*Not implemented in FY2022.

○ LGBTs Initiatives

Tosei Group prohibits any discrimination related to sexual orientation in our human rights policy. In addition, we have established a contact point (anonymous or otherwise) for consultation in the unlikely event of discrimination or harassment related to sexual orientation, etc., and have built a system to deal with the situation promptly.

■ Initiatives for Condominium Sales

Princess Square Co.,Ltd. is promoting various initiatives to support LGBTs people in finding and purchasing housing, including holding seminars for employees with outside lecturers and sponsoring the "Tokyo Rainbow Pride" since 2018. In addition, the company has received the highest "Gold" rating for three consecutive years since 2020 in the "PRIDE Index," which evaluates a company's commitment to LGBTs people.

○ Approach to Human Resource Development

○ Human Resource Development Based on the Group's Corporate Philosophy

In order to realize the Tosei Group's goal of "becoming a group of seasoned professionals who create new value and inspiration in all aspects of real estate," our human resource development goal is to create an organization in which each and every employee can strive to improve their knowledge and skills, and maximize their motivation and abilities. We value diversity in the hiring, development, and promotion of human resources, and provide equal opportunities for growth and success to those who continue to pursue our corporate philosophy, regardless of gender, nationality, or employment history.

○ Human Resource Development Policy

The Group positions human resource development as a total system that includes the creation of training opportunities for employees, as well as promotion, transfer, and evaluation, and focuses on "training from various perspectives," "on-the-job training," "support for self-development," and "cooperation with various personnel systems."

- Training from various perspectives

In the rank-based training, employees acquire the skills and abilities to perform their jobs in a systematic, intensive, and experiential manner. Job-specific training provides systematic, intensive, and experiential learning of the value-added competencies defined for each organization and job category. Training common to all employees (training in essential knowledge and skills that all employees must acquire) includes various compliance training programs, English language training, and IT literacy training.

- On-the-job training (OJT)

It is a systematic training program for employees to provide each other with necessary information, knowledge, skills, and experience that are closely related to their work. Through this process of mutual development, we aim to improve the leadership and instructional skills of not only those who receive instruction but also those who promote OJT.

- Support for Self-Development

In order to support the self-development of each employee to develop his or her own abilities, we have established a system of congratulatory payments for the acquisition of various qualifications, and support for attendance at courses sponsored by educational and training institutions designated by the company.

- Cooperation with Various Personnel Systems

In order to promote the growth and vitalization of each employee and the organization, we make much account of opportunities for communication with each individual, such as providing regular feedback on the results of personnel evaluations, regular reports on OJT, and opportunities to meet with managers and the Human Resources Department to discuss career development and job rotations.

Major Training

Training Title	target group	Training Objectives	Training Contents
Induction training for new employees	New graduates and new members who join mid-way	To understand the matters to be complied with as an employee of our group, business outline, system operation rules, etc.	- Description of the Group's operations - Basics of organization, risk compliance, and IT systems - Basic knowledge of the use of installed IT systems, etc.
Compliance Training	All employees	Foster a culture and raise awareness of compliance and acquire latest knowledge.	- Harassment Prevention - Whistle-blowing system - Ethics Code (including promotion of fair trade) - Compliance trends, etc.
Management Training	Managers	To deepen understanding of health care, personnel and labor management, which are important for department and unit operations.	- Mental health issues - Periodic Health Checkups and Health Management - Working hour management - Harassment - Trends in human resources and labor issues, etc.
Skills Training	All employees	To improve the individual skills and knowledge of employees.	Participants voluntarily select from a wide range of training programs offered by external organizations, including business skills, sales techniques, thinking methods, management, tool creation skills, etc.
Information Asset Management Training	All employees	Raise awareness of information leak prevention and establish internal rules regarding information asset management and insider trading.	- Definition of Information Assets - Rules to prevent information leakage - Management of personal and inside information - Basic knowledge and importance of insider trading prevention, etc.
ESG Training	All employees	To acquire knowledge on ESG and establish sustainability awareness in the course of business	- Tosei Group's ESG promotion system and disaster prevention-related efforts - Corporate Governance - Climate change issues, environmental real estate certification, etc.
Lecture on the acquisition of the "Real Estate Notary" qualification	Prospective employees and new graduates	Obtain the "Real Estate Notary" qualification, which is related to the business.	Invite outside lecturers to conduct training to obtain the "Real Estate Notary" qualification, which is related to the business.

○ Support for Getting Qualifications

In order to support the self-development of employees and to promote the acquisition of qualifications necessary for the licensing of operations related to the Company and the Group, and to contribute to the promotion of human resource development of the Company, the Company has a system to provide congratulatory money for the acquisition of such qualifications.

For FY2022, the number of newly qualified employees was 28.(Tosei Corporation)

Social Performance Data

○ Employees Data

			FY2018	FY2019	FY2020	FY2021	FY2022
Number of Employees		Male/ Female	294/137	314/143	345/164	411/227	430/233
		Total	431	457	509	638	663
Percentage of Employees(%)		Male/ Female	68/32	69/31	68/32	64/36	65/35
Employees by Age Group	20s	Male/ Female	50/32	56/30	70/47	84/64	96/64
		Total	82	86	117	148	160
	30s	Male/ Female	89/50	103/54	98/50	125/81	115/92
		Total	139	157	148	206	207
	40s	Male/ Female	110/42	101/41	111/50	124/66	119/61
		Total	152	142	161	190	180
	50s	Male/ Female	40/11	53/13	58/15	67/13	84/13
		Total	51	66	73	80	97
	60s and over	Male/ Female	5/2	4/2	8/2	11/3	16/3
		Total	7	6	10	14	19
Number of Managers		Male/ Female	101/6	104/5	101/8	124/13	136/14
		Total	107	109	109	137	150
Percentage of Managers(%)		Male/ Female	95/5	95/5	92/8	90/10	91/9
Number of Female Directors			0	0	0	2	1

Coverage : Tosei Group as a whole (Tosei Corporation, Tosei Asset Advisors, Inc., Tosei Community Co., Ltd., Tosei Logistics Management Co., Ltd., Tosei Hotel Management Co., Ltd., Tosei Hotel Service Co., Ltd., Princess Square Co., Ltd.)

○ Employment Data

			FY2018	FY2019	FY2020	FY2021	FY2022
Number of new graduate hires		Male/ Female	7/5	7/3	7/3	10/3	10/5
		Total	12	10	10	13	15
Number of mid-career hires		Male/ Female	21/3	19/3	13/7	15/11	30/13
		Total	24	22	20	26	43
Number of non-regular hires		Male/ Female	2/7	2/8	3/16	2/7	0/6
		Total	9	10	19	9	6
Percentage of employees with disabilities (%)			0.36	0.35	1.64	1.33	1.63
Average number of years of service		Male/ Female	4.9/6.7	5.3/7.0	5.4/6.4	5.0/6.5	5.2/5.6
		Whole	5.5	5.8	5.7	5.4	5.5
Gender Wage Gap *1*2*3	All Employee		-	-	-	-	69.0
	Regular Employee *4	Whole	-	-	-	-	68.5
		Management / General	-	-	-	-	82.5/ 82.0
	Fixed-term Employee *5		-	-	-	-	86.2
Number of employees who left for personal reasons			15	18	20	14	24
Turnover rate for personal reasons (%)			7.6	8.2	9.1	6.8	9.3

Coverage : Tosei Corporation

*1 Percentage of women in average annual wages, with men as 100

*2 Target Periods : FY2022 (from December 1, 2021 to November 30, 2022)

*3 Wages : Includes fixed salary, remuneration for overtime, bonuses, etc., and excludes retirement allowance, commuting allowance, etc.

*4 Regular Employee : Excluding seconded employees.

*5 Fixed-term Employee : Excluding temporary employees.

○ Leaves and Diverse Work Styles Data

		FY2018	FY2019	FY2020	FY2021	FY2022
Overtime working hours (average per employee)		32:01	29:03	25:55	26:29	24:45
Percentage of paid leave used (%)		44.4	65.1	60.3	65.4	68.3
Number of employees who used childcare leave	Male/ Female	0/3	0/3	0/3	1/3	4/4
	Total	3	3	3	4	8
Acquisition rate of childcare leave (%)	Male/ Female	0/100	0/100	0/100	7/100	40/100
Percentage of employees who returned to work after childcare leave (%)	Male/ Female	0/100	0/100	0/100	100/100	100/100
Number of employees who used maternity leave		3	3	3	3	1
Acquisition rate of maternity leave (%)		100	100	100	100	100
Number of employees who used nursing care leave	Male/ Female	0	0	0	0	0
	Total	0	0	0	0	0
Acquisition rate of nursing care leave (%)		0	0	0	0	0
Number of employees working short-time	Male/ Female	0/3	0/6	0/4	0/6	0/6
	Total	3	6	4	6	6

Coverage : Tosei Corporation

○ Employee Health and Safety Data

	FY2018	FY2019	FY2020	FY2021	FY2022
Number of violations of labor standards	1	0	0	2	0
Absentee rate (%)	0.20	0.15	0.04	0.10	0.33
Percentage of employees who had health checkups (%)	100	100	100	100	100
Percentage of employees who had stress check (%)	100	100	100	100	100
Number of occupational accidents	0	0	0	1	0
Number of fatal disasters	0	0	0	0	0
Lost time injury frequency rate(%)	0	0	0	0	0
Injury rate (%)	0	0	0	0.5	0
Lost day incident rate (%)	0	0	0	0	0
Lost-time injury frequency rate (%)	0	0	0	0	0
Number of employees trained in health and safety	-	-	-	48	66

Coverage : Tosei Corporation

○ Human Resource Management Data

	FY2018	FY2019	FY2020	FY2021	FY2022
Number of employees who newly acquired qualifications*1	14	13	14	19	28
Number of students hosted for internships*2	26	145	72	30	90
Total annual company-wide training hours	-	-	-	5,403.5	15,743.2
Annual training hours per employee	-	-	-	25.1	64.5
Annual training days per employee	-	-	-	3.14	8.07
Total annual training expenses for the entire company (Thousands of yen)	-	-	-	4,367	6,400

Coverage : Tosei Corporation

*1 Number of employees who acquired encouraged qualifications

*2 Includes seminar-type 1-day internship

○ Response to Social Needs

✓ [Approach to Responding to Social Needs](#)

✓ [Management of Product Quality](#)

✓ [Providing Value Through Products and Services](#)

Approach to Responding to Social Needs

The Group's ESG policy states that it will contribute to tenants, regions, and communities through owned real estate, etc., and the Group strives to engage in dialogue and collaboration with all stakeholders, aiming to coexist in harmony with regions and communities. We will strive to provide value that is supported by all stakeholders by responding to social needs through our business, including product quality control, reduction of environmental impact, energy conservation, enhancement of disaster prevention and crime prevention functions, and revitalization of local communities.

Management of Product Quality

○ Approach to Quality Control

Our group provides products and services related to all types of real estate, including office buildings, condominiums, detached houses, commercial facilities, logistics facilities, and hotels, and we are closely involved in the lives of our customers. We are committed to enhancing customer satisfaction by providing products and services that are rooted in safety and security and ensuring quality, always from the customer's perspective.

○ ISO9001

Tosei's Architecture Planning Department has acquired ISO 9001 certification for the planning, design, construction management, and after-sales service (regular inspections) of condominiums, office buildings, commercial buildings, and detached houses, and conducts strict quality control in accordance with ISO 9001. Tosei Community Co., Ltd., a subsidiary of Tosei Corporation, is also an ISO 9001-certified entity that undertakes the planning and provision of general management operations for condominiums, office buildings and rental condominiums.



(Updated May, 2022)

○ Meetings for examining quality improvements

In conjunction with the construction or renovation of new or existing office buildings and condominiums, among other properties, Tosei conducts detailed checks on specifications and indepth meetings with the attendance of three parties - the Company, design and construction management companies, and construction companies. It seeks to strengthen collaboration among concerned parties to provide better products while preventing the occurrence of issues.

Tosei manages all processes related to the construction and maintenance of new or existing office buildings or condominiums through three parties - the Company, design and construction management companies, and construction companies - based on Tosei's unique quality control standards, TOSEI-QC-10. Tosei strives to provide customers with safe and reliable products by conducting inspections and particularly rechecking those items that customers cannot oversee.



Providing Value Through Products and Services

Through Our Revitalization Business

In the revitalization business, we create new value by revitalizing various assets ranging from condominiums to office buildings, hotels, and logistics.

■Renovation of company housing x Concept housing for music lovers

"T-Rhythmic SOKA" was a vacant company housing, which we acquired and renovated into a rental apartment with improved sound insulation performance. Of the 52 apartments, 24 studio apartments were soundproofed, and the floor used as a cafeteria was converted into a party room, creating a space where residents can gather to hold events and deepen exchanges while relaxing freely with each other.



Party room renovated from cafeteria

■Hotel Revitalization x Contribution to Local Communities

"Tosei Hotel & Seminar Makuhari" was a 27-year-old, aging accommodation and training facility that was comprehensively revitalized in terms of both hardware and software through our real estate M&A of the entire management company. The number of accommodation rooms was increased from 79 to 137, and each room was newly equipped with toilet, washbasin, and other water facilities to enhance its superiority as an accommodation facility. In addition, based on the revitalization concept of "a hotel, a seminar house, and a space that contributes to the local community," a lounge open to the local community was created by utilizing the existing space. The lounge invites seasonal events and also serves as a venue for local traditional performing arts. Restaurants in the hotel offer "local production for local consumption" menus using local ingredients, so the hotel contributes to the creation of liveliness and local revitalization through the operation of its facilities.



Restaurant renovated from cafeteria

Aiming to contribute to the SDGs by creating housing

In our housing development business, we are creating houses with the aim of contributing to the SDGs.

■SDGs to be addressed by the entire block

"THE Palms Court Hibarigaoka" aims to contribute to the 6 SDGs targets not only for individual households but also for the entire block, based on the 4 themes of "green conservation," "energy conservation and waste reduction," "water saving and water resource conservation," and "crime and disaster prevention."



Rainwater tank



Light agreements



Plantings of four seasons



Exterior tile

Creation of comfortable residences

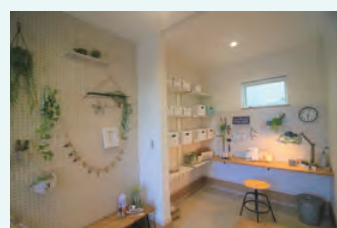
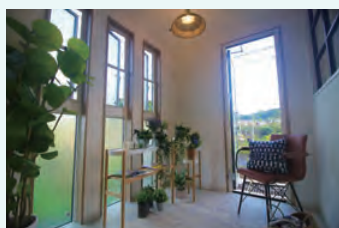
The project team, which was formed to respond to diversifying lifestyles, plans and proposes "comfortable houses for all family members" with meticulous thinking from the perspective of real life. The floor plans proposed by the project have been adopted in some of the properties.

■THE Palms Court Kamakura Shiromeguri

We planned houses where all family members can easily participate in housework with an eye on the moving line, and houses to enjoy hobbies with a large shoe-in closet with a counter for DIY.

■THE Palms Court Hibarigaoka

We planned houses where women can feel special, equipping a walk-in closet with a dresser directly connected to the master bedroom and atmospheric indirect lighting in the living room.



○ Creation of Community Space in Condominiums

■Urban Development that Fosters Community

The detached houses block "THE Palms Court Kashiwa Hatsuishi" has a "cul-de-sac," a turnaround plaza that cars cannot get through, not only to foster interaction among residents but also to bring into safety. In the condominiums, we actively adopt community spaces that can be freely used for any purpose, such as "study room," "guest room," "party room," and "moms and kids lounge" to create a comfortable environment for residents with various lifestyles.



THE Palms Court Kashiwa Hatsuishi

■Urban Development Open to the Local Community

In front of the entrance of the condominium "THE Palms Sagamihara Park Brightia," a park has been set up to provide a place for residents and local residents to get close to nature and relax. Three "kamado benches" that can be used as kamado in the event of a disaster and some solar-powered streetlights have been installed as efforts to prevent disasters.



THE Palms Sagamihara Park Brightia

○ Barrier-Free Houses

THE Palms Court series of condominiums for sale includes barrier-free "Withstyle" homes for the elderly. These homes, Tosei applies a unique design code consisting of 10 items based on the concept of a permanent residence, to create house designs suitable for any situation in a long life. Features include the installation of a closet that can be converted into an elevator at low cost should an elevator become necessary in the future and wheelchair-accessible designs.



THE Palms Court Hashimoto
(sold in 2016)

○ Through Our Rental and Property Management Business

○ Efforts to Improve Convenience and Comfort

We are also promoting efforts to improve convenience and comfort in our residential and office rental and management businesses. In our rental housing, we are creating community spaces and renovating the design of aging common areas, while in our rental offices, we are working to attract shared bicycles and food trucks.



Food truck

■T's garden Kitakashiwa

We revitalized an idle company housing consisting of three buildings and upgraded it into a rental apartment for families. Targeting families raising children, we created three community spaces: a "kids' room" where parents and children can play together without worrying about their surroundings, a "party room" where friends and relatives can gather and enjoy cooking classes or birthday events, and a "study room" where residents can have time alone to study or read books. We provide comfortable living spaces for various occasions.



kids' room

Resilience

We are working to strengthen resilience in asset management and property management in the real estate fund business to ensure the safety and security of our tenants through prompt recovery in the event of a disaster. In addition to the "Earthquake Countermeasures Manual" established by Tosei, the REIT Division and Private Fund Division of Tosei Asset Advisors have established their own BCP (Business Continuity Plan), information disclosure manual in the event of an earthquake, and reporting manual in the event of an emergency, to ensure an appropriate response system in an emergency.



Environmental Efforts

Tosei Hotel COCONE and Tosei Hotel & Seminar Makuhari offer an eco-friendly cleaning plan for guests staying for consecutive nights.

Contribution to Local Communities

Regional revitalization, community building

Some hotels are collaborating with local tourism operators to contribute to local revitalization. "COCONE Kamakura" offers a plan that includes "Noriorikun," a ticket for unlimited one-day rides on the Enoden train, and "COCONE Asakusa Kuramae" offers a plan that includes kimono rental and dressing. "Tosei Hotel & Seminar Makuhari" is also actively involved in activities that contribute to the local community. The restaurant uses local ingredients in its menu for local production for local consumption, and the lobby on the first floor is open to the public and seasonal social events are held for local residents to participate. In addition, the hotel provides opportunities for guests to casually participate in social contribution activities by introducing donation-type vending machines.



Social Contribution

✓ [Approach to Social Contribution](#)

✓ [Contributions to Society](#)

✓ [Donation Activities](#)

Approach to Social Contribution

The Group's ESG policy states that it will contribute to tenants, regions, and communities through owned real estate, etc., and the Group strives to engage in dialogue and collaboration with all stakeholders, aiming to coexist in harmony with regions and communities. Through our group's business activities, we will strive to solve social issues and add value related to real estate, contribute to the creation of local employment, economic vitality, and sustainable development of the area, as well as promote comprehensive and continuous social contribution activities in harmony with local and international communities as a good corporate citizen.

In our social contribution and donation activities, we will focus on the priority areas of "coexistence with local communities," "natural environment conservation," and "social welfare." Based on our corporate philosophy of "creating new value and inspiration in all aspects of real estate," we will engage in activities that contribute to the revitalization and community building of the regions where our properties are located, the preservation of the natural environment, and the enhancement of welfare, mainly in our business area, the Tokyo metropolitan area. In the event of a natural disaster, we aim to contribute broadly to society by providing assistance to people in difficult circumstances.

Contributions to Society

Environmental Preservation and Beautification

Participation in the "Tokyo Satoumi Aid from West Nagisa" event to clean up floating garbage

We have participated in volunteer cleanup activities since 2009. In 2022, 39 employees of our group and their families participated in "Tokyo Satoumi Aid from Nishi-Nagisa," an event to clean up floating garbage in Kasai Marine Park. The type and amount of trash collected was counted to help in the investigation of the cause of the floating garbage. Through this activity, we aim to raise awareness of the social issues such as trash reduction and marine resource conservation.

*Cleanup events are conducted with adequate infection prevention measures in place.



Plastic waste



Cleaning in progress



Participants and collected debris

FY2022 Activity Results

Date of Activity	Number of Participants	Garbage Collected
October 22 (Saturday)	39 persons	300ℓ
Total	39 persons	300ℓ

○ Participation in the "Minato City Adopt-a-Program," a community cleanup activity

Since October 2022, we have been participating in the "Minato City Adopt-a-Program" and engaging in community cleanup activities. The "Minato City Adopt-a-Program" is an agreement between Minato City and organizations that live, work, or study in Minato City to collaborate in the maintenance and management of roads, parks, and other facilities. In principle, once a month, employees of our group pick up trash and remove weeds from the streets and parks around our head office. Through these activities, the Group will contribute to environmental preservation and beautification of the Minato City where the head office building is located.



FY2022 Activity Results

Date of Activity	Number of Participants	Garbage Collected
October 21 (Thursday)	9 persons	30.0ℓ
November 17 (Thursday)	9 persons	31.9ℓ
Total	18 persons	61.9ℓ

Local Revitalization and Community Building

Tosei Hotel & Seminar Makuhari provides a place for families and local residents to communicate with each other through live performances by professional musicians to make music accessible to local residents in line with Narashino City's concept of "a city of sports and music," as well as workshops by clay sculptors. In addition to the use of local ingredients in restaurant menus for local production for local consumption, the hotel provides opportunities for local residents and hotel guests to casually participate in social contribution activities by introducing donation-type vending machines.



"Art na Haruyasumi" (Spring Vacation of Art)



"Art na Christmas" (Christmas of Art)

FY2022 Event Track Record

	Date of the Event	Number of Participants
"Art na Natsuyasumi" (Summer Vacation of Art)	August 14, 2022 (Sunday)	10 groups / 33 persons
"Art na Haruyasumi" (Spring Vacation of Art)	March 19, 2022 (Saturday)	11 groups / 37 persons
"Art na Christmas" (Christmas of Art)	December 12, 2021 (Sunday)	19 groups / 59 persons

Support for Children's Homes

Since 2021, we have been providing volunteer support to Ayumi Gakuen, a children's home in Hanyu City, Saitama Prefecture. In 2022, we supported the school's summer vacation trip, helped organize the school festival and Mochi-tsuki event. Although the scope of our activities is limited due to the COVID-19 disaster, we will continue to consider and implement support activities.

*Events at the facility are carried out with adequate infection prevention measures in place.



Great East Japan Earthquake Reconstruction Memorial Park Cenotaph



Kayaking Experience

Realization of a normalized society, regional revitalization

On October 22, 2022, we sponsored "Sports of Heart 2022," a sports and culture festival that everyone can enjoy, in Tokyo. The "Sport of Heart" is a project launched in 2012 by Paralympians in cooperation with organizations, companies, and ministries to realize a normalized society that transcends the boundaries of disability, health, nationality, and gender. The event was connected to the concurrent Oita venue, where the Normalize Ekiden relay race was broadcast live in Oita, as well as sports experiences, art workshops, and a Normalize fashion show.



Disaster Support

In 2011, immediately after the earthquake, the Tosei Group began support activities by volunteers and inviting experts and making donations. One year after the earthquake, we began support activities in cooperation with a NPO, the "Association for the Support of Children's Homes," based in Higashimatsushima City, Miyagi Prefecture, that conducts volunteer activities.

Main Activities



Ground maintenance



Rust removal and painting of
nursery playground equipment



Booth operation at the
opening event of the town

We collected donations from our group employees and other voluntary members and donated 28 taiko drums to Naruse Mirai Junior High School, which had just opened in Higashimatsushima City. In this city, taiko performances have long been popular at elementary and junior high schools, but many were lost due to tsunami damage. The school and community members were very delighted that the donated taiko drums enabled them to perform at the school festival.



Donated Japanese drums

Donation Activities

Donation through the NPO Japan Platform

In 2022, we donated 1 million yen through a NPO, Japan Platform, for the purpose of providing humanitarian assistance to the people of Ukraine.

Donation to Children's Home

In 2022, we donated two recorders and two refrigerators to the children's home Ayumi Gakuen. They said they were very pleased to see that the children are now able to live more comfortably and enjoyably. We will continue to listen to the needs of the home and consider supports that are really needed.

Donation through the NPO Association for Support of Children's Homes

Since the Great East Japan Earthquake in 2011, we have donated 1 million yen annually to the Association for the Support of Children's Homes, an NPO that supports children living in children's homes. In addition to supporting children's homes, the donation is also used to support the areas affected by the disaster.

Collection and donation of plastic bottle caps through the NPO Ecocap Promotion Association

We collect plastic bottle caps and through a NPO, the Ecocap Promotion Association, convert them into recycled plastic material and donate them to various social contribution activities such as medical assistance, support for people with disabilities, and environmental education for children.

The Green Feather Fundraising Activity

The activity aims to provide support for a range of programs, such as the maintenance of forests, development of forestry volunteers and provision of forestry and environmental education for children.

	FY2020	FY2021	FY2022
Total amount of donations and contributions	2,000,000 yen	1,448,000 yen	2,519,864 yen

Recipient	Purposes
Association for the Support of Children's Homes (NPO)	Support for disaster-affected areas and children's homes(2011~2022)
The Japanese Red Cross Society	Support for victims of the Western Japan heavy rainfall disaster, Typhoons Faxai and Hagibis(2019)
Higashimatsushima City Naruse Mirai Junior High School	Donation of Japanese drums(2018)
Tokyo Coronavirus Medical Support Fund	Support for medical institutions in dealing with COVID-19(2020)
Ayumi Gakuen (children's home)	▪ Donation of two TVs and an air conditioner(2021) ▪ Donation of two recorders and two refrigerators(2022)
Japan Platform (NPO)	Humanitarian Assistance to Ukraine(2022)

● Governance

🔗 Corporate Governance

▼ [Fundamental Approach toward Corporate Governance](#)

▼ [Corporate Governance System](#)

▼ [Independent Officers' Remuneration](#)

▼ [Corporate Governance Report](#)

▼ [The Reasons for Election of Independent Officers](#)

▼ [Internal Control System](#)

Fundamental Approach toward Corporate Governance



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

Three Important Items in Corporate Governance

Compliance

We place compliance at the top of our agenda and raise awareness of it from top management to all employees of the Group companies.

Risk Management

Assuming every possible risk, we prepare and practice emergency responses under normal conditions with a special focus on eliminating relationships with anti-social forces.

Information Disclosure

We practice disclosure and communication appropriately and on a timely basis to all stakeholders including shareholders.

Basic Policy on Corporate Governance

> [Basic Policy on Corporate Governance \(PDF : 178KB\)](#) 

*The PDF link on the left is valid when this report is viewed as PDF data.

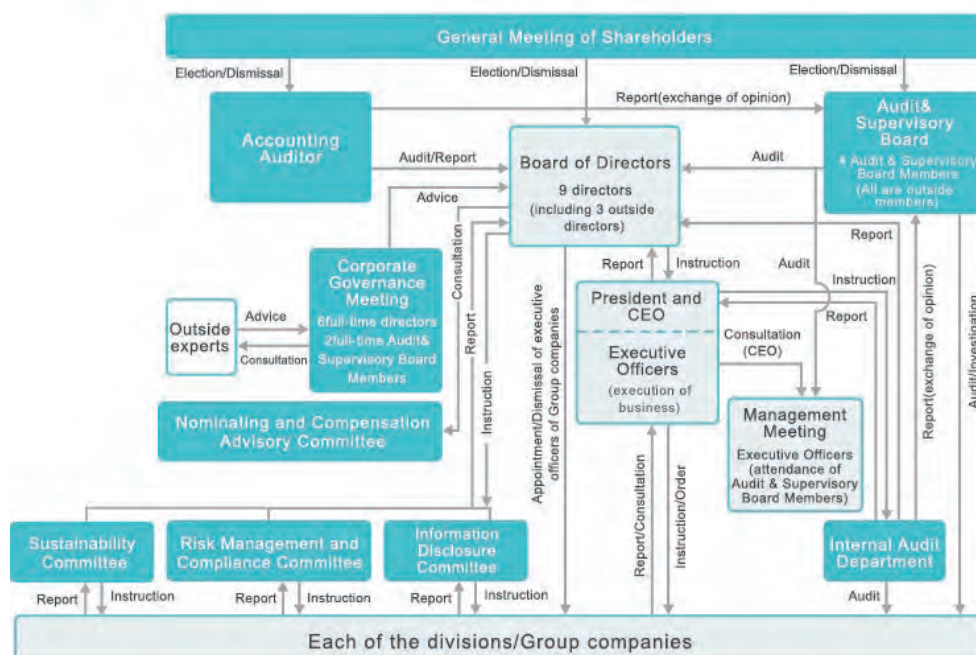
Corporate Governance Report

> [Corporate Governance Report \(PDF:708KB\)](#)

*The PDF link on the left is valid when this report is viewed as PDF data.

Corporate Governance System

 Corporate Governance System



○ Reasons for Adopting the Current Corporate Governance System

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

○ Board of Directors

The Board of Directors is constituted by nine directors, three of whom are outside directors. As the highest management decision-making body, the Board of Directors makes resolutions on management policies and material issues and also supervises the execution of duties by the directors. In addition, the outside directors (the independent directors), by sharing their opinions from their objective standpoint, provide advices and suggestions to ensure the adequateness and appropriateness of the decisions made by the Board of Directors.

○ Nominating and Compensation Advisory Committee

The Company established the Nominating and Compensation Advisory Committee voluntarily as a consultative body to the Board of Directors to ensure appropriateness and transparency in such matters as the process of selecting candidates in connection with director election proposals submitted to the general meeting of shareholders and resolutions of the Board of Directors relating to allocation of remuneration, etc. to individual directors. The constituent members of the committee include a outside director(s) (independent director(s), one person or more), a full-time audit & supervisory board member (outside audit supervisory board member, one person), representative director (one person), and a full-time director (one person). The outside director who is a member of the committee is the chairperson of the committee.

To monitor the legality of each decision-making process, the Company's Basic Policy on Corporate Governance stipulates that the committee shall include an independent outside Audit & Supervisory Board Member and that independent outside directors and independent outside Audit & Supervisory Board Members shall be a majority of the committee. To ensure the independence and objectivity of the committee, four of the six committee members are independent officers, and the chairperson is an independent outside director.

○ Executive Officer System

The Company has adopted the executive officer system in order to more clearly segregate the monitoring/supervision of the Company's business management, which is the duty and responsibility of the directors, from the execution of the business and currently ten executive officers hold this post. All of the Company's executive officers are appointed by the Board of Directors to adhere to its internal rules and regulations in executing and controlling the business operations of the Company. In addition, the Management Committee, which comprises all executive officers, discusses matters to be resolved by the Board of Directors in advance and provides advice on important decisions to be made by the CEO in advance.

○ Corporate Governance Meeting

With the aim of continuously strengthening its corporate governance, the Company holds the Corporate Governance Meetings constituted by six full-time directors and two full-time Audit & Supervisory Board Members monthly. At the meetings, the directors and the Audit & Supervisory Board Members review and discuss the corporate governance concerns and the internal control matters in an effort to increase the corporate value of the Company, and where necessary, they receive advices from the outside experts such as corporate attorneys and/or certified public accountants.

○ Audit & Supervisory Board

The Company has adopted the Audit & Supervisory Board Member system and has the Audit & Supervisory Board with two full-time and two part-time Audit & Supervisory Board Members, all of whom are outside Audit & Supervisory Board Members. They audit the operation of the Board of Directors and execution of duties of Directors from an independent and objective standpoint, and provide constructive advice and recommendations for the increase of corporate value with their knowledge.

○ Cooperation between Audit & Supervisory Board Members and Internal Audit Department (The Threefold Auditing Structure)

Audits by corporate auditors	The auditing activities by the Audit & Supervisory Board Members are performed in accordance with an annual audit plan. By cooperating with the accounting auditors as well as with the Internal Auditing Department, the Company has developed an efficient and viable auditing system. The full-time Audit & Supervisory Board Members regularly meet with each of the directors and officers in charge of each department, so as to fully understand the status of the business execution and regularly exchange opinions with the outside directors.
Internal audits	The Internal Audit Department under the direct supervision of the President and CEO performs audits for the entire Group in accordance with their annual auditing plan. In the event any inadequacy is discovered, recommendations for corrective actions are made to the audited departments. The audit has been quite effective as the Internal Audit Department discusses with the audited departments as to the issues in need of corrective actions and follows up with specific guidance.
Audits by the accounting auditor (Shinsoh Audit Corporation)	The audit of the Company's accounts is performed based on the annual audit plan. In addition to the full-year audit performed at the end of the fiscal years, Company's Audit Company (Shinsoh Audit Corporation) conducts reviews at each quarter end. The periodic replacement and re-engagement of the accounting auditor in accordance with the rules and regulations of the audit corporation under the Certified Public Accountants Act are operated as follows; ▪ The Engagement Partner may not be involved in the company's auditing operations for more than seven accounting periods. ▪ The Engagement Partner may not be involved in the company's auditing operations for two accounting periods after being replaced.

○ Attendance at Meetings of the Board of Directors, Nominating and Compensation Advisory Committee, and Audit & Supervisory Board (FY2022)

Name	Position	Board of Directors Meetings (Attendance /Number of meetings)	Nominating and Compensation Advisory Committee (Attendance /Number of meetings)	Audit & Supervisory Board (Attendance /Number of meetings)
Seiichiro Yamaguchi	President and CEO	24／24	2/2	-
Noboru Hirano	CFO and Senior Executive Officer of Administrative Division (in charge of Human Resource Department)	24／24	2/2	-
Hideki Nakanishi	Director, COO and Senior Executive Officer of Business Division (in charge of Asset Solution Department 4 and Asset Solutions Business Promotion Department)	24／24	-	-
Masaaki Watanabe	Director, Managing Executive Officer, Deputy Chief of Business Division (in charge of Asset Solution Department 5)	23／24	-	-
Shunsuke Yamaguchi	Director, Executive Officer (in charge of Finance Department and General Affairs Department)	24／24	-	-
Hitoshi Oshima	Director, Executive Officer (in charge of Asset Solution Department 1 and Crowd Funding Department)	24／24	-	-

Kenichi Shohtoku	Outside Director	23/24	2/2	-
Hiroyuki Kobayashi	Outside Director	23/24	2/2	-
Masao Yamanaka	Outside Director	23/24	2/2	-
Hitoshi Yagi	Outside Audit & Supervisory Board Members (full-time)	24/24	2/2	16/16
Toshinori Kuroda	Outside Audit & Supervisory Board Members (full-time)	24/24	-	16/16
Tatsuki Nagano	Outside Audit & Supervisory Board Members	21/24	-	13/16
Osamu Doi	Outside Audit & Supervisory Board Members	24/24	-	16/16

The Reasons for Election of Independent Officers

○ Basic Policy for Appointment of Directors

When nominating candidates for the Board of Directors, those who execute the business are nominated who have the necessary knowledge as Directors and are familiar with the Group's finances, business, and other aspects of the Group. For Outside Directors, are nominated persons who can be expected to supervise management from an independent and objective standpoint and provide constructive advice and suggestions to Directors concurrently serving as Executive Officers. At present, there is no female Director in office, but the Group considers that a diverse membership in terms of gender, internationality, professional experience, and age will contribute to the medium- to long-term growth of the Group, and if suitable candidates are found in the future, the Company will intend to appoint them.

○ Skill Matrix for the Board of Directors

Name	Internal/ Out side	Specialty, knowledge, and experience								Nominating and Compensation Advisory Committee	Sustainability Committee
		Corporate manage- ment	Real estate business	Finance/ Accounting	Global business	ESG	IT/DX	Human Resource/ Labor	Compliance/ Risk manage- ment		
Seiichiro Yamaguchi	Internal	●	●	●		●			●	○	
Noboru Hirano	Internal	●		●		●		●		○	○ (Chairperson)
Hideki Nakanishi	Internal		●			●					○
Masaaki Watanabe	Internal		●			●					○
Shunsuke Yamaguchi	Internal						●		●		
Hitoshi Oshima	Internal		●				●				
Kenichi Shohtoku	Outside (Indepen- dent)	●		●	●					○ (Chair- person)	
Hiroyuki Kobayashi	Outside (Indepen- dent)	●		●		●		●		○	Observer
Masao Yamanaka	Outside (Indepen- dent)			●					●	○	

○ Status of Outside Directors

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

○ The Reasons for Election of Independent Officer

| Outside Directors

Name	Reason for the election
Kenichi Shohtoku	Director Kenichi Shohtoku, a certified public accountant, he has an extensive experience and knowledge including those relating to overseas business. He has provided invaluable advice on various occasions such as the Board of Directors' meetings of the Company, liaison meetings with the Audit & Supervisory Board Members of the Company, etc. and has worked energetically to enhance the governance system of the Company and the Group as well as to ensure the appropriateness of financial reporting. Considering that he is indispensable for the maintenance and improvement of corporate governance structure for further expanding the Group and enhancing the checking functions in the future while paying attention to ESG issues.
Hiroyuki Kobayashi	Director Hiroyuki Kobayashi, has extensive experience and expert knowledge, accumulated mainly at major financial institutions. With his objective monitoring and proposals based on his abundant experience and expertise, he has been contributing to more active discussion at Board of Directors meetings and improves their effectiveness. Considering that he is indispensable for the maintenance and improvement of corporate governance structure for further expanding the Group and enhancing the checking functions in the future while paying attention to ESG issues.
Masao Yamanaka	Director Masao Yamanaka has provided legal advice to a number of companies and has extensive experience as a lawyer and a wealth of expertise in corporate law. Furthermore, serving as outside auditor of multiple listed companies, he possesses considerable expertise in governance of listed companies, and he is a notably effective person for supervising governance of the Group, as we aim for expansion of the Group. Considering that he is indispensable for the maintenance and improvement of corporate governance structure for further expanding the Group and enhancing the checking functions in the future while paying attention to ESG issues.

Outside Audit & Supervisory Board Members

Name	Reason for the election
Hitoshi Yagi	Full-time Outside Corporate Auditor Hitoshi Yagi has extensive experience in the auditing divisions of major financial institutions and professional insight based on his qualifications as a Certified Internal Auditor (CIA) and a Certified Information Systems Auditor (CISA), and the Company believes that he can perform his role to ensure the appropriateness and appropriateness of the Company's management.
Toshinori Kuroda	Full-time Outside Audit Supervisory Board Member Toshinori Kuroda has abundant experience including overseas assignment primarily at a major financial institution as well as specialist knowledge and the Company believes that he can perform a role in ensuring the adequacy and appropriateness of the Company's management.
Tatsuki Nagano	Outside Audit Supervisory Board Member Tatsuki Nagano has experience at major financial institutions and continues to be involved in corporate management and the Company believes that he can utilize his extensive experience and a high level of expert insight to perform a role in ensuring the adequacy and appropriateness of the Company's management.
Osamu Doi	The Company believes that Osamu Doi can perform a role in ensuring the adequacy and appropriateness of the Company's management based on his abundant experience at major security companies and at companies that conduct investment banking activities as well as his specialist knowledge.

Independent Officers' Remuneration

Outline of the Remuneration System for Directors and Policy for Determining Remuneration

Remuneration for full-time Directors consists of monetary remuneration, comprising a “fixed salary” which is scaled according to duties, “performance evaluation remuneration” which is based on the achievement of individual goals such as the performance of each full-time Director, and “Directors’ bonuses” which are linked to consolidated profit before tax, and “stock options” which are aimed to increase the desire and motivation to contribute to the medium- to long-term enhancement of corporate value.

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

| Fixed salary

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

| Performance-linked remuneration (performance evaluation remuneration and Bonus)

The "performance evaluation remuneration" for full-time Directors is based on their individual achievement of single-year performance targets. A "standard evaluation remuneration amount" equal to 33% of the fixed salary is paid monthly together with the fixed salary, and where there is an adjustment based on the achievement of performance targets (of between +55% and -50% of the standard evaluation remuneration), this is added to and paid together with Directors' bonuses or deducted from Directors' bonuses after the conclusion of the Ordinary General Meeting of Shareholders held during the fiscal year. "Directors' bonuses," which are linked to single-year consolidated profit before tax, are calculated by multiplying the fixed salary per annum by a factor, which is the sum of a predetermined factor based on the level of profit before tax, and an extra factor where the single-year target profit before tax has been achieved. This is paid as a lump sum after the conclusion of the Ordinary General Meeting of Shareholders held during the fiscal year.

*The performance targets for full-time Directors include governance practices, ESG promotion, contribution to business performance, management of departments in charge, and individual missions as evaluation items.

| Stock options

In order to practice corporate management with a focus on enhancing corporate value over the medium- to long-term, the President and Representative Director drafts proposals for the number of stock options to be granted to each Director, based on the Director's duties as well as posts held concurrently by the Director as Executive Officer, for each medium-term management plan. These proposals are examined by the Nomination and Compensation Advisory Committee, before being decided by the Board of Directors. A fixed number of stock options are granted to Outside Directors, considering the importance of their management monitoring and supervisory function aimed at enhancing corporate value.

○ Auditor's Remuneration

Audit & Supervisory Board Members, considering their role, are remunerated with a fixed salary only. Remuneration for each Audit & Supervisory Board Member is decided through discussion of the Audit & Supervisory Board, within the limits of the maximum total amount.

○ Amount of Remuneration for Executive Officers (FY2022)

Position	Total amount of remuneration, etc. (¥ thousand)	Total amount by type of remuneration, etc. (¥ thousand)				Number of recipients (Person)
		Basic remuneration	performance evaluation remuneration	Bonus	Stock Option	
Directors (outside directors)	291,248 (20,850)	171,789 (20,850)	50,313 (—)	69,146 (—)	— (—)	9 (3)
Audit & supervisory board members (outside audit & supervisory board members)	33,060 (33,060)	33,060 (33,060)	— (—)	— (—)	— (—)	4 (4)

Internal Control System

The Company has established a Basic Policies of Internal Control Systems by resolution of the Board of Directors, and under this basic policies, in a continuous effort to develop the internal control system, the Company establishes plans for implementation and operation of the internal control system annually taking into consideration of revisions of relevant laws and regulations, changes in the business environment of the Group, expansion of the businesses, etc. Also, in ensuring the adequacy of financial reporting, an internal control system structure (so-called J-SOX with reference to the COSO-ERM framework (COSO Enterprise Risk Management - integrated framework)) that complies with the Financial Instruments and Exchange Act has been established and is in operation.

Compliance and Risk Management

▼ [Compliance and Risk Management Promotion System](#)

▼ [Risk Management](#)

▼ [Compliance](#)

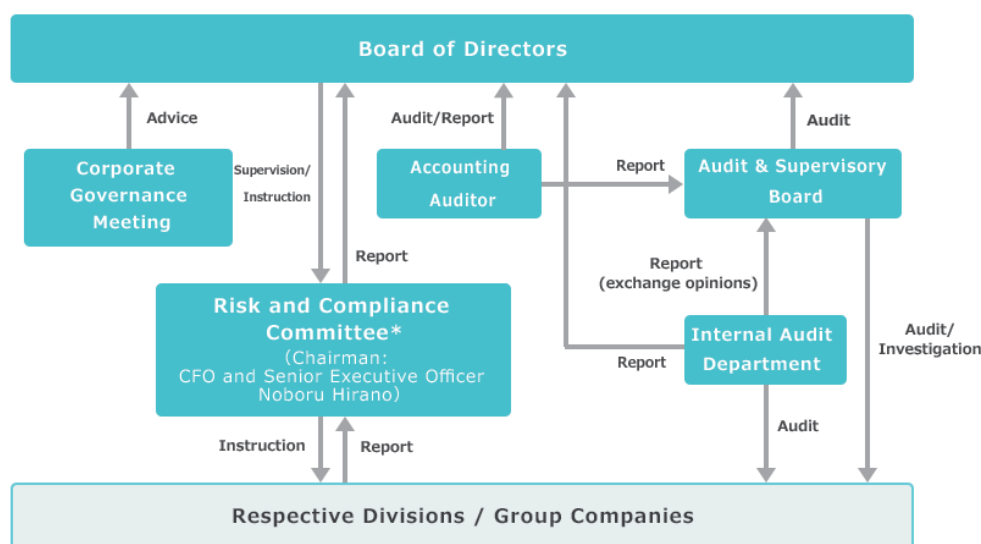
▼ [Education and Training](#)

Compliance and Risk Management Promotion System

Compliance and Risk Management System

The Group has established the Risk and Compliance Committee to promote integrated and cross-sectional risk management and compliance across the Group. The committee identifies, analyzes, and evaluates the risks of the entire Group, gather information about specific risks and to discuss measures to address them, and facilitates compliance promotion. The committee is chaired by CFO and Senior Executive Officer who oversees all administrative divisions except the Internal Audit Department. As a subordinate body of the Committee, the Business Law Liaison Committee, attended by all heads of the operational divisions, are held every month, during which participants are duly made familiar with amendments to laws and regulations. In case of occurrence of a contingency, a natural disaster, etc., a crisis management office directed by the President and CEO as the head will be established to collect information, confirm facts and circumstance, develop and implement countermeasures, and properly disclose information in a timely manner. The Board of Directors receives monthly reports on the results of deliberations and progress of the Risk Compliance Committee, and appropriately supervises the operation and compliance Risk Management System of these committees.

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



○ Risk Management and Compliance Committee

Tosei has established the Risk and Compliance Committee, which consists of the Executive Officers, heads of each department, officers responsible for risk management and compliance at each Group company, and full-time Audit & Supervisory Board Members, as a body to examine risk and compliance in Tosei Group in a centralized and cross-sectional manner. The committee deliberates on the recognition, analysis and evaluation of risks of each Group company, information gathering and discussion of countermeasures for individual events, and promotion of compliance. According to the "Risk Management and Compliance Program" formulated each fiscal year, we are strengthening our compliance awareness, implementing the PDCA cycle for risk management, and strengthening monitoring.

○ Compliance and Risk Management Promotion System

○ Risk Management and Compliance Program

In order to promote compliance and accurately manage the various risks surrounding our business, the Group formulate and implement a group-wide Risk Management and Compliance Program every fiscal year. This program is approved by the Board of Directors after evaluating the effectiveness and functionality of the risk management process and through discussions by the Risk Management and Compliance Committee. In addition to the Program, Tosei and its Group companies formulate and implement individual programs that take into account the business environment and organizational structure of each company, and regularly report their progress to the Risk and Compliance Committee.

| Risk Management and Compliance Program

- (1) Identify, analyze and evaluate risks
- (2) Formulate and implement measures to address identified risks
- (3) Monitoring the effectiveness and functionality of countermeasures
- (4) Management cycle plan to inform the employees of measures to handle risks
- (5) Measures and training plans to enhance compliance awareness
- (6) Plans for education, training, seminars, and other activities for risk management and promotion of compliance

○ Risk Management and Compliance Guidebook

The Group Risk and Compliance Guidebook is distributed to all Tosei Group officers and employees as a specific guide to ensure that they correctly understand risk and compliance and conduct business with awareness of compliance. The Guidebook explains the Tosei Group Ethics Code, specific points to note regarding compliance with laws and regulations, and the internal reporting system, and will be revised as necessary. In addition, the Company strives to enhance employees' awareness of compliance by informing them through training and other programs conducted every year.



Risk Management

The Group aims to earn trust from stakeholders by drawing up plans and implementing measures even during normal times to address risks that might prevent it from conducting business activities and maintaining and improving corporate value, and by developing a system for minimizing losses.

○ Business Risks Management

In accordance with the Risk Management and Compliance Program formulated at the beginning of each fiscal year; 1. implement a survey to identify about 30 significant risks that have material impacts on the Group's business, 2. conduct stress tests (twice a year), taking account of real estate market conditions, transaction conditions, and the financing status of financial institutions. The results are reported at the Board of Directors' meetings. In addition, at monthly Risk Management and Compliance Committee's meeting, the states of our responses to emerging risks are checked, information gathering efforts on latent risks are continued, and the details are reported at the Board of Directors' meeting held each month, in addition to which the outcomes of the responses are monitored by the Internal Audit Department. We have also instructed each Group company to formulate plans for managing risks and promoting compliance in light of each company's business operations, focusing on ensuring that the parent company organization appropriately supports these plans.

<Major business risks recognized by the Group and supervised by the Board of Directors>

- Economic conditions
- Calamity and natural disasters
- Dependency on interest-bearing debt dependence and interest rates
- COVID-19
- ESG (environmental, social and governance risks, climate change risks, etc.)

○ Action in the Event of a Crisis or Disaster

The Company recognizes situations that are potentially damaging to its corporate value, such as large-scale natural disasters and incidents, accidents, and events that impact generally on customers, residents, and wider society, as management crises and, if such an event were to occur, it would set up a Crisis Management Office headed by the CEO, and would take action to control the situation in collaboration with the Risk Management and Compliance Committee members and relevant departments. We have also established a Crisis PR Manual to speed up and facilitate corporate communication activities in the event of a crisis and are working to raise awareness about dealing with crises properly. In addition, we have established a Disaster Response Manual that details the steps from gaining a basic understanding of the disaster to making an initial response in the event of earthquake, fire, or other disaster, right down to conducting evacuation and relief activities, and also conduct a range of drills including evacuation drills, AED practice drills, and in-house fire-fighting team fire drills.



AED practice drills

○ Action to Ensure Business Continuity

The Company has formulated a Business Continuity Plan (BCP) to ensure that, in the event of a natural disaster, incident, accident or other event that forced the Company to suspend its core business operations or that made business activities under the normal organizational/personnel structure difficult, the Group would be able to swiftly implement measures to continue business or resume business quickly.

○ Information Asset Management

Recognizing that information asset is one of our most important management resources, we have set out provisions for developing and maintaining information management environments in order to properly protect and efficiently utilize information in the Basic Policy on Information Asset Management, and we have established Information Asset Management Regulations and Personal information Protection Rules. In addition, every fiscal year we implement training for the information asset management, including personal information, and for the prevention of insider trading for all employees of the Company, and by doing so, we have continued to educate and inculcate rules for the handling of important information. In addition, to reduce the risk of information leakage and information isolation due to targeted attack e-mails, etc., we conduct mock drills and network vulnerability assessments by external third-party organizations. Regarding to the state of compliance with rules for the handling of information assets (printed and electronic information), in addition to self-inspections implemented at all departments and audits conducted by the Internal Audit Department, we have strengthened the penalties for breaches and continued targeted guidance for those who infringe the rules. In the FY2022, the Group appropriately complied with the amended Act on the Protection of Personal Information and implemented training for employees, etc. to help improve IT literacy with the aim of strengthening information management system (total 22 courses, 30 hours of training). In addition, we conducted mock drills related to targeted e-mail attacks and vulnerability assessments of our internal network by an external third party to reduce the risk of information leaks and information isolation triggered by fast-growing network crimes. Furthermore, we reviewed contracts with external subcontractors related to maintenance and other operations of the IT environment at each of the Group companies to enhance information management systems including that of the Company. Also, an electronic contract (signature) system was introduced for some contracts to prevent the leakage of documents and other materials, including material information, outside the Group.

Compliance

The Group considers compliance to be one of its most important management issues and has established The Tosei Group Ethics Code and The Tosei Group ESG Action Guidelines to be followed by all directors and employees of the Group. We are working to strengthen our compliance by ensuring that all employees are fully aware of the code and guidelines.

○ The Tosei Group Ethics Code

The Group has established the Tosei Group Ethics Code, matters to be complied with when employees carry out operational activities, and keeps them informed of and complied with the ethics code through distributing the Tosei Group Risk and Compliance Guidebook and training, etc. In addition, we conduct a questionnaire survey to all directors and employees of the Group annually to assess the degree of penetration of compliance and the Group Philosophy and to regularly check its effectiveness, and revise the Code of Conduct and training programs.

The Tosei Group Ethics Code

To fulfill our corporate social responsibility, we will always attach importance to a high standard of ethics and a law-abiding spirit while pursuing our corporate philosophy, and will conduct our business activities in accordance with the following Code.

1. Sustainable economic growth and resolution of social issues

We will strive for sustainable growth and the resolution of social issues by always putting ourselves in our customers' shoes and positioning safety and security at the heart of the products and services we develop and provide, and by forever remaining humble and conducting business activities in good faith.

2. Fair Information Disclosure

We will disclose the necessary corporate information in a fair, timely and appropriate manner in order to obtain proper evaluation and understanding from investors and wider society.

3. Fair and transparent decision-making

We will make decisions based on appropriate and explainable reasoning, in accordance with laws, regulations and internal rules.

4. Thorough compliance with laws and regulations and fair dealings

We will understand both domestic and international laws and regulations and will never engage in any conduct that violates such legislation, or in any fraudulent conduct. We will also engage in fair and free competition and appropriate transactions, and will avoid becoming involved in bribery or other similar giving or receiving of unfair advantage in any way.

5. Comprehensive crisis management

We will not have any relationships with antisocial forces and will conduct thorough and organized crisis management to prepare for a terrorism, cyber-attack, natural disaster or other crisis.

6. Protection of confidential information

We will protect and strictly manage the material information of the Tosei Group, the personal information of customers, the information of business partners, and other confidential information.

7. Respect for human rights and creation of positive work environments

We will respect human rights and will not tolerate any behavior which violates the dignity of individuals including discrimination and harassment. We will also strive to develop human resources and create working environment with mutual trust and decency.

8. Initiatives to address environmental issues

We will contribute to the realization of a sustainable society by implementing initiatives to reduce our environmental impact, recycle resources and address the risk of climate change, based on a strong awareness of the importance of environmental issues.

9. Social Contribution

We will seek harmony with local communities and the global community as a good corporate citizen and actively and continuously promote activities that contribute to society.

10. Commitment of Top Management

The Tosei Group's Top Management recognizes that it falls to them to embody the spirit of this Code and, in the event of a violation of this Code, top management will proactively take charge of resolving the issue, endeavor to identify the cause and prevent a recurrence, demonstrate accountability, including the disclosure of information to markets and society in a timely and appropriate manner, and fairly and strictly punish those involved, including themselves.

○ Enhanced Compliance

- To ensure awareness regarding compliance with laws and regulations, at the beginning of each fiscal year the Risk Management and Compliance Program is drawn up, and training in the relevant laws and regulations, measures to cultivate awareness of legal issues have been implemented. In addition, Risk Management and Compliance Committee's Meeting and Business Law Liaison Meeting are held every month, during which participants are duly made familiar with amendments to laws and regulations, etc., and notices from ministries with jurisdiction, etc. Furthermore, a compliance and corporate philosophy questionnaire is circulated every fiscal year to all officers and employees of the Group in order to identify issues and consider responses to such issues, and reflect them to each measure for the next fiscal year's Program.
- In order to strengthen the screening function for violations of laws and regulations, the Company confirms signs and occurrences of violations of laws and regulations, gives instructions on how to respond to such violations, and reports the status of such violations at the Board of Directors meetings and other important meetings and committees attended by full-time directors. In addition to monitoring and supervision by three outside directors and four corporate auditors (all of whom are outside corporate auditors) at meetings of the Board of Directors, meetings are held regularly to exchange opinions between corporate auditors and outside directors and between corporate auditors and legal counsel to confirm signs of legal violations by directors who execute operations. Moreover, full-time Audit & Supervisory Board Members conduct business audits on the Company's businesses and investigation of subsidiaries, while the Internal Audit Department conducts internal audits on the Company and the Group companies and self-inspections at the departmental level are implemented. Meanwhile, the Company continues to operate the whistle-blowing system providing three points of contact, internal, external and through Audit & Supervisory Board Members, and to conduct training sessions to promote an understanding of the system including protection of whistle-blowers.

○ Fair Business Practices

The Tosei Group promotes sound business activities under the Tosei Code of Ethics, which states ensures compliance with laws and regulations and fair business practices.

(Excerpt from the Tosei Group Ethics Code)

4. Thorough compliance with laws and regulations and fair dealings

We will understand both domestic and international laws and regulations and will never engage in any conduct that violates such legislation, or in any fraudulent conduct. We will also engage in fair and free competition and appropriate transactions, and will avoid becoming involved in bribery or other similar giving or receiving of unfair advantage in any way.

The Tosei Group Risk Compliance Guidebook clearly outlines our commitment to fair business practices and compliance with laws and regulations from a global perspective. In addition to compliance with the Anti-Monopoly Act, the Subcontract Act, the Building Lots and Buildings Transaction Business Act, the Financial Instruments and Exchange Act, and other laws, the guidebook specifically outlines actions that impede fair, transparent, and free competition, and strives to foster compliance awareness.

○ Response to Anti-social Forces

The Company always treats any association with anti-social forces as a critical matter and takes countermeasures to refuse any transaction with such. In the event any dispute arises between the Company and anti-social forces, we will stand firmly against them. We formulated a manual for acting against anti-social forces, and the Tosei Group Risk Compliance Guidebook is distributed to employees and is thoroughly communicated through training programs. In addition, we are striving to eliminate any relationship with antisocial forces by conducting thorough investigations of business partners in our daily operations.



Training for response to anti-social forces

○ Prevent Bribery and Corruption

The Group Ethics Code prohibits bribery or other similar giving or receiving of unfair advantage in any way. All types of activities which lead to corruption such as money laundering and illegal political contributions and donations are prohibited, such as entertaining, gift-giving, and the giving and receiving of cash or a cash equivalent to customers or business partners for the purpose of offering undue or improper advantage or enjoying preferential treatment.

■ Anti-Corruption Initiatives

- The Group endeavors to raise awareness about all the types of activities that lead to corruption, such as bribery and money laundering, by detailing in the Tosei Group Risk Management and Compliance Guidebook examples of illegal activities and specific action to be taken as part of business activities, including procedures for verifying compliance of beginning of the transaction with laws and regulations and for reporting detected breaches, and by distributing this guidebook to officers and all employees and providing training.
- For business affairs judged to involve high potential risks of corruption (specified business affairs/specified transaction in building lots and buildings transaction business, financial instruments business and real estate specified joint enterprise pursuant to the Act on Prevention of Transfer of Criminal Proceeds), the Group has developed a management system for verification at the time of transaction and suspicious transaction reports. For transactions that are considered particularly high-risk, we regularly review risk assessments based on the contents of the Risk Assessment Report on Transfer of Criminal Proceeds published annually by the National Public Safety Commission and our past reports of suspicious transactions, and the general manager approves the execution of transactions after conducting rigorous confirmation at the time of transaction. Further, whilst the Group has little involvement in public projects, its internal regulations prohibit entertaining and gift-giving in relation to public officials in light of the risk of bribery. Additionally, receiving excessive gifts or entertainment from business partners and contractors is prohibited, and any officer or employee found to have engaged in such corrupt practices shall be subject to disciplinary action or other punishment in accordance with internal regulations.
- The Group asks business partners (contractors) with which annual transactions exceed a certain amount to complete a questionnaire to verify compliance with laws and regulations including bribery and corruption, and determines whether or not to continue transactions based on verification results.
- The Risk and Compliance Committee monitors any signs of breaches of laws and regulations or misconduct including anti-corruption, and promptly takes corrective measures and recurrence prevention measures when fact-finding investigations reveal a breach or potential breach. The Board of Directors receives monthly reports from the Risk Compliance Committee and appropriately supervises these implementation and operation of the system.

Penalty charges, surcharges and settlements related to corruption

The Group has not been in violation of any laws or regulations or incurred any fines or penalties related to corruption or bribery. In addition, no employees have been punished or dismissed by the rules and regulations or codes related to corrupt prevention.

(FY2022: 0 violations of laws and regulations, 0 fines, etc., 0 punishments or dismissals)

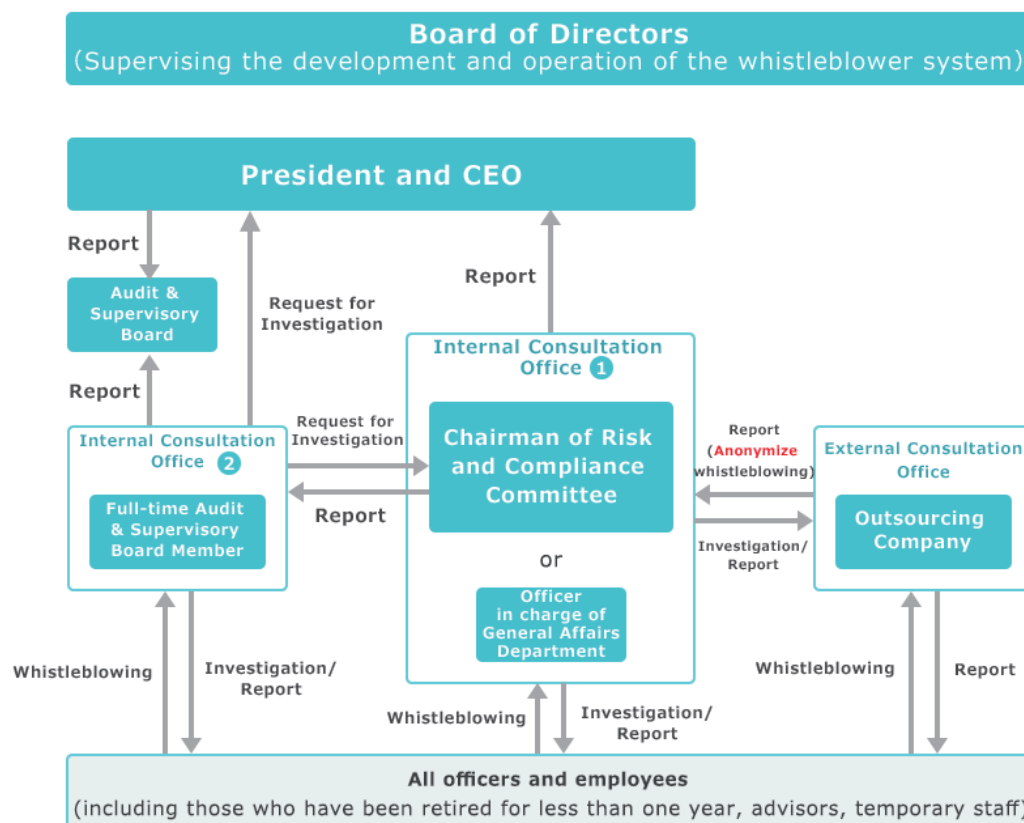
Political Donation

The Company does not provide illegal donations or political contribution. When providing support for the activities of political organizations, we conducted appropriately in accordance with the Political Funds Control Law, laws and regulations. The amount of political donations for FY2022 was 760,000 yen.

Provisions for Fines and Settlements Related to ESG (Environmental, Social and Governance) Issues

As of November 30, 2022, there were no material provisions for fines or settlements related to ESG issues that arose from matters prior to FY2021 and are likely to arise in the future.

Whistleblowing System (Tosei Hot Line)



| Outline of Whistleblowing System

The Group established the "Tosei Hot Line" as a whistleblowing hot line, which Group officers and employees (including those who have been retired for less than one year, advisors, temporary staff) can use to report any identified breaches of the Ethics Code or identified breaches or potential breaches of laws and regulations including corrupt practices.

Whistleblowing reports are treated in confidence. There is also the option of using an external hot line to make reports anonymously. Whistleblowers are protected under the Whistleblower Protection Act and the Risk and Compliance Regulations, to ensure that they do not suffer any detriment as a result of making a whistleblowing report. When investigating the facts, the Group uses external experts, such as legal advisors and certified public accountants, where necessary, and promptly takes corrective measures and recurrence prevention measures in the event of discovery of a breach or potential breach. The Group follows up by verifying whether the corrective measures and recurrence prevention measures worked effectively and by making sure that whistleblowers did not suffer any detriment. The Board of Directors appropriately supervises the maintenance and operation of the whistle-blowing system by receiving regular reports from the Risk and Compliance Committee on the operation of the whistle-blowing system.

In FY2022, the Company revised relevant internal regulations, etc., to appropriately comply with the amended Whistleblower Protection Act (enforced in June 2022), and further ensured that officers and employees are well aware of the importance of protecting whistle-blowers.

Moreover, separate from the whistleblowing hot line, the Group has established a Harassment and Work-Style Consultation Hotline in the personnel organizations of each Group company for the purpose of preventing harassment and speeding up its detection, and dealing with inquiries about work-style reform and personnel systems.

| Response to Compliance Violations

In case an investigation of the facts reveals a violation or potential violation of laws and regulations, we will take disciplinary action against the violator, other appropriate measures, corrective actions, and measures to prevent recurrence, as well as reporting the matter to relevant administrative agencies and taking legal action as necessary.

【Number of violations】

In FY2022, 4 whistleblowing cases were reported and 0 cases were found to be noncompliance.

Education and Training

In FY2022, the Group conducted various types of training based on the Risk Management and Compliance Program approved by the Board of Directors. More specifically, harnessing the merits of group training and online training respectively, the Group provided Antisocial Forces Response Training aimed at eliminating ties with antisocial forces, Financial Instruments and Exchange Act Training for employees engaged in financial instruments business, ESG Training to increase knowledge about ESG, and Harassment Training aimed at eliminating harassment. In addition, we had legal advisors offer a training course regarding relevant laws and regulations amended during the current fiscal year, including the Whistleblower Protection Act and the Act on the Protection of Personal Information. We have been promoting legitimate and appropriate business activity and raising awareness of compliance with laws and regulations by distributing videos of lectures by full-time directors on the Group's philosophy.

The Group also continuously sought to increase understanding of the Ethics Code and the Whistleblowing Hot Line and to promote understanding of relevant business acts and insider trading rules and prohibited activities that directly lead to breaches such as harassment and bribery through activities to further foster employees' compliance awareness, such as morning meeting addresses by officers, the display of compliance slogans in offices, and the posting of simple videos on the internal website.



Risk management and compliance portal website

Disclosure

Initiatives for Shareholders and Investors

Timely and Appropriate Disclosure

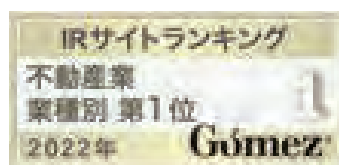
In addition to information disclosed under the Companies Act, the Financial Instruments and Exchange Act, among other laws and regulations, and rules of stock exchanges, the Tosei Group provides corporate information in a timely and appropriate manner to stakeholders, such as shareholders, investors, and business partners, through IR activities and the website.

External Evaluation of Disclosure

As a result of the listing of our shares on the Singapore Exchange, we now simultaneously disclose information in English and Japanese. We endeavor to convey how our earning results briefing went to those who were unable to attend by posting the video of our earning results briefing and the corresponding presentation materials on our website and we try to enhance the information we disclose. We also release corporate information for a wide range of stakeholders, including ESG information, and share and shareholder information. In evaluations by third-party organizations that award listed companies for their IR activities, we were rated highly for the availability and ease-of-use of our IR information. In 2022, we were selected for the first time as a company of excellence in the "Gomez ESG Site Ranking," which evaluates ESG sites in particular.



2022 IR・ESG Site Ranking Awards



Holding of Financial Results Presentations and Briefings for Individual Investors

We hold earning results briefings by top management twice a year (in the second quarter and at the end of the fiscal year), mainly for institutional investors and analysts.

We also hold individual meetings with institutional investors and briefings for individual investors to ensure two-way communication, and actively conduct IR activities by visiting overseas institutional investors in Europe and Singapore. Through these efforts, we are striving to gain a better understanding of our company from our stakeholders.



Briefings for individual investors
(Online)

● External Evaluations

✓ [ESG Assessment](#)

✓ [Health and Safety](#)

✓ [Disclosure and Website](#)

✓ [Environmental Real Estate Certification](#)

✓ [Management Infrastructure](#)

ESG Assessment

GRESB Real Estate Assessment

This global real estate company benchmarking system, which was established in 2009 by a group of major European pension funds that led the Principles for Responsible Investment (PRI), evaluates the ESG considerations of companies and funds that own and manage real estate. We have participated in the assessment since 2019, and in 2022, we obtained a "2 Star" and "Green Star" rating under the GRESB Ratings.



Environmental Real Estate Certification

▼Please see page 44 for a list of environmental real estate certifications obtained

BELS (Building-Housing Energy-efficiency Labeling System)

BELS is a certification system in which a third-party evaluation organization assesses the energy-saving performance of buildings and evaluates them at five levels based on guidelines established by the Ministry of Land, Infrastructure, Transport and Tourism. BELS is an abbreviation for Building-housing Energy-efficiency Labeling System. We have acquired certification for six of our properties, including Awajicho Tosei Building.



DBJ Green Building Certification

DBJ Green Building Certification is a comprehensive evaluation by DBJ that includes not only the environmental performance of a building, but also consideration of social demands from various stakeholders, such as crime prevention, disaster prevention, convenience, and comfortability. We have acquired certification for three of our properties, including Toranomom Tosei Building, our former headquarters.



Health and Safety

Outstanding Health and Productivity Management Organization 2023

This system recognizes small, medium and large enterprises and other organizations that practice health management with particular excellence, based on efforts to respond to local health issues, and to improve health promoted by Nippon Kenko Kaigi. In recognition of our commitment to health management, we have been certified "Outstanding Health and Productivity Management Organization 2023 in the large enterprise category."



Management Infrastructure

DX Certification

Based on the DX Certification System established by the Ministry of Economy, Trade and Industry, we obtained certification as a "DX Certified Operator" as of October 1, 2021.

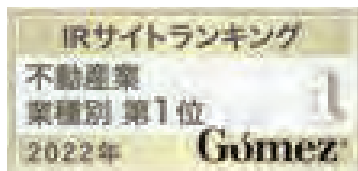


Disclosure and Website

IR Site Ranking

In an external evaluation that commends investor information of listed companies, we received a high evaluation in FY2022 for the quality of information and usability of our website. In 2022, we were selected for the first time as a company of excellence in the "Gomez ESG Site Ranking," which evaluates ESG sites in particular.

2022 IR・ESG Site Ranking Awards



GRESB Public Disclosure Assessment

In the GRESB disclosure evaluation, which measures the level of ESG information disclosure, we received a "Level A" rating, the highest level in 2022, for our ESG information disclosure efforts.



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