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[Translation]

June 26, 2023

To Whom It May Concern

Tosei Corporation
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Notice Regarding Establishment of Subsidiary and Business Succession through Absorption-type Company Split

Tosei Corporation (the "Company") hereby announces that a meeting of its Board of Directors held on June 26, 2023 resolved to conclude a basic agreement with LIXIL REALTY Corporation ("LIXIL REALTY") under which TOSEI-R, Inc., a subsidiary to be newly established by the Company, will succeed to assets, liabilities, contracts and other rights and obligations related to the LIXIL REALTY's Asset Securitization Business in an absorption-type company split.

1. Purpose of the absorption-type company split

The Tosei Group positions the Tokyo metropolitan area as a major investment area and operates a wide range of business as a comprehensive real estate company with six business segments: Revitalization Business, Development Business, Fund and Consulting Business, Rental Business, Property Management Business, and Hotel Business. In the Revitalization Business, which is one of its core businesses, the Group acquires properties whose asset value has declined, improves their environmental performance, convenience and design based on "value-up plans" to increase their asset value and then resells these renovated properties to a wide range of clients including REITs, general corporations and end users. Through implementation of the absorption-type company split in which the Group will succeed to LIXIL REALTY's Asset Securitization Business, the Group aims to strengthen human resources in the Revitalization Business and also to acquire, as part of the purchase, 6 income-generating properties, 3 sections of income-generating commercial building with sectional ownership, 1 section of income-generating building with sectional ownership and 109 condominium units.

2. Main points of the absorption-type company split

(1) Schedule of the company split

Date of conclusion of the basic agreement	June 26, 2023
Date of incorporation of the successor company	July 3, 2023 (planned)
Date of conclusion of the absorption-type split agreement	July 12, 2023 (planned)
Date of resolution by the General Meeting of Shareholders	July 25, 2023 (planned)
Effective date	September 1, 2023 (planned)

(2) Form of the company split

This will be the absorption-type company split in which TOSEI-R, Inc. will be the successor company and LIXIL REALTY will be the splitting company.

(3) Allocation relating to the company split

TOSEI-R, Inc. will deliver cash to LIXIL REALTY as consideration for the absorption-type company split. The actual amount is not disclosed in accordance with a non-disclosure agreement.

(4) Treatment of stock acquisition rights and bonds with stock acquisition rights in the company split

Not applicable.

(5) Increase or decrease in capital as a result of the company split

There will be no change in the Company's capital as a result of the absorption-type company split.

(6) Rights and obligations to be succeeded to by the successor company

The successor company will succeed to the assets, liabilities, contracts and other rights and obligations related to the business being succeeded to, within the scope provided for in the absorption-type company split agreement.

(7) Prospects for fulfilment of obligations

The Company foresees no problems with the certainty of the fulfilment of its obligations on and after the effective date of the absorption-type company split.

3. Basis for the contents of the allotment pertaining to the absorption-type company split

The cash to be delivered by the successor company in the absorption-type split has been agreed through consultation between the parties as a fair and reasonable price.

4. Overview of the companies in the reorganization

		Splitting company	Successor company (Subsidiary to be newly established)
(1)	Name	LIXIL REALTY Corporation	TOSEI-R, Inc.
(2)	Location	Sumitomo Fudosan Ueno Bldg.8 2F, 6-9-3 Higashiueno, Taito-ku, Tokyo	Tamachi Tosei Bldg., 4-5-4 Shibaura, Minato-ku, Tokyo
(3)	Title and name of representative	Sumito Tajima, President	Hiroyasu Yoneda, Representative Director
(4)	Business description	Real Estate Business, Property Management Business, Construction and Renovation Business, Franchise Supporting Business	Real Estate Transaction Business, Rental Business, Property Management Business
(5)	Share capital	160 million yen	50 million yen (planned)
(6)	Date of incorporation	September 1, 1993	July 3, 2023 (planned)
(7)	Number of shares issued	8,000 shares	1,000 shares (planned)
(8)	Fiscal years	March	November (planned)
(9)	Major shareholders and shareholding ratios	LIXIL Living Solution Corporation 100%	Tosei Corporation 100%
(10)	Relationship between the companies		
	Capital relationship	Not applicable	
	Personal relationship	Not applicable	
	Business relationship	Not applicable, There is, however, a business relationship in real estate transaction between Tosei Corporation and LIXIL REALTY.	
	Applicability to related parties	Not applicable	

(11) Financial position and operating results of the immediately preceding fiscal year (¥ million)			
	LIXIL REALTY, Corp.		
	FY ended March 2021	FY ended March 2022	FY ended March 2023
Net assets	5,958	6,378	6,677
Total assets	18,050	17,836	18,947
Net assets per share	744,783.71 yen	797,252.92 yen	834,562.76 yen
Net sales	9,072	7,788	6,500
Operating profit	392	617	480
Ordinary profit	337	980	450
Profit	(157)	420	298
Profit per share	(19,624.43) yen	52,469.21 yen	37,309.85 yen

(Note) The successor company has no finalized last fiscal year because the successor company will be established in July 2023.

5. Contents of the business being succeeded

(1) Contents of the business of the division being succeeded

Asset Securitization Business

(2) Operating results of the division being succeeded

Net sales in the FY ended March 2023: 1,212 million yen *Net sales for the business being succeeded only

(3) Items of assets and liabilities being succeeded and their book values

The assets of the business being succeeded consist mainly of income-generating apartments and condominium units. The liabilities to be transferred are insignificant.

(¥ million)

Assets		Liabilities	
Total	11,329	Total	230

6. Outline of accounting principles

The absorption-type company split is expected to fall under the category of "acquisition" in the Accounting Standard for Business Combinations. The allocation of the acquisition cost associated with this treatment and the amount of goodwill are currently being examined.

7. Status after the absorption-type company split

The trade name, head office location, name of the representative person, contents of business and fiscal year of the successor company will be as stated in 4. Overview of the companies in the reorganization above and there are currently no changes planned after the absorption-type company split. The amount of net assets and the amount of total assets are to be determined.

8. Future prospect

The impact of the absorption-type company split on the Company's consolidated financial results for the fiscal year ending November 2023 is expected to be minor. The Company will promptly disclose any matters which require disclosure in the future.

End