Quarterly Securities Report

(The English translation of the “Shihanki-Houkokusho”
for the first quarter of the 68th term)

from December 1, 2016
to February 28, 2017

TOSEI CORPORATION

4-2-3, Toranomon, Minato-ku, Tokyo, Japan

(E04021)

This is an English translation prepared for the convenience of non-resident shareholders by translating the Quarterly Securities Report (Shihanki-Houkokusho) submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on April 10, 2017. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

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Company name (Japanese):	トーセイ株式会社 (*Tosei Kabushiki-Kaisha*)
Company name (English):	Tosei Corporation
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Places where the document to be filed is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

A. Company Information

I. Overview of the Tosei Group

1. Trends in principal management benchmarks

Term	67th term First three months	68th term First three months	67th term
Accounting period	From December 1, 2015 to February 29, 2016	From December 1, 2016 to February 28, 2017	From December 1, 2015 to November 30, 2016
Revenue (¥ thousand)	13,527,209	14,677,393	49,818,113
Profit before tax (¥ thousand)	3,914,810	3,658,783	8,450,048
Profit attributable to owners of the parent (¥ thousand)	2,611,296	2,500,571	5,547,469
Comprehensive income for the period attributable to owners of the parent (¥ thousand)	2,589,830	2,528,738	5,509,307
Total equity (¥ thousand)	38,056,573	42,487,774	41,010,083
Total assets (¥ thousand)	102,869,029	120,715,227	121,276,292
Basic earnings per share (¥)	54.08	51.79	114.89
Diluted earnings per share (¥)	—	—	—
Ratio of equity attributable to owners of the parent to total assets (%)	37.0	35.2	33.8
Net cash from (used in) operating activities (¥ thousand)	(3,450,186)	1,779,446	(7,472,487)
Net cash from (used in) investing activities (¥ thousand)	10,229	61,711	(8,193,818)
Net cash from (used in) financing activities (¥ thousand)	4,876,325	(1,952,393)	18,522,496
Cash and cash equivalents at end of period (¥ thousand)	20,221,983	21,529,928	21,640,866

Notes: 1. Filing company's trends in principal management benchmarks are not disclosed as the Company prepares quarterly consolidated financial statements.
2. Revenue does not include consumption taxes.
3. Diluted earnings per share are not presented because there were no potential shares that have dilutive effects.
4. The above indexes are based on the quarterly consolidated financial statements and consolidated financial statements that were prepared in compliance with the International Financial Reporting Standards (hereinafter "IFRS").

2. Business description

During the three months ended February 28, 2017, there were no significant changes in business activities operated by the Tosei Group (the Company and its subsidiaries and affiliates) from the previous fiscal year.

As for changes in significant subsidiaries and affiliates, CSC (trade name changed from "Crystal Sports Club" as of December 1, 2016) underwent a company split and the Company sold shares of the newly established Crystal Sports Club.

II. Review of operations

1. Business and other risks

There were no business and other risks that newly arose during the three months ended February 28, 2017. In addition, there were no significant changes in “Business and other risks” described in the annual securities report for the previous fiscal year.

2. Important operational contracts, etc.

No important operational contracts, etc. were determined or entered into during the first quarter of the fiscal year under review.

3. Analysis of financial position, operating results and cash flows

Any forward-looking statements included in the following descriptions are based on the best estimates or judgment of the Tosei Group as of February 28, 2017.

(1) Analysis of operating results

During the three months ended February 28, 2017, the Japanese economy remained on a moderate recovery track. There was firm personal consumption supported by an improving employment and income environment in Japan, and signs of recovery in exports against a backdrop of improving overseas economies. Although it is necessary to keep in mind the impact of the uncertainty surrounding overseas economies and volatility in financial and capital markets, the moderate recovery is expected to continue going forward.

In the real estate industry where Tosei Group operates, domestic real estate transactions by listed companies and other such entities from January 2016 to December 2016 decreased 7.4% year on year to ¥4.0131 trillion, against a backdrop of investors’ reluctance to invest due to the decline in the number of properties circulating in the market and the surge in real estate prices. However, transactions are expected to increase going forward as investors’ desire to acquire property remains strong due to a favorable financing environment (according to a survey by a private research institution).

In the Tokyo metropolitan area condominium market, the number of units sold in 2016 fell 11.6% year on year to just over 35,000, falling below 40,000 for the first time in seven years. Although the average sales price decreased 0.5% year on year to ¥54.9 million per unit, the price per m2 for private areas increased 1.8% year on year to ¥793,000 following the impact of persistently high building costs and the surge in land acquisition prices. In projections by a private research institution, the number of units sold in 2017 is forecast to increase 6.2% year on year to 38,000.

In the Tokyo metropolitan area build-for-sale detached house market, housing starts for 2016 rose 6.9% year on year to 60,712. There is strong demand for detached housing, which is relatively inexpensive compared to condominium prices, and housing starts recovered to the 60,000 unit level for the first time in three years (according to the Ministry of Land, Infrastructure, Transport and Tourism data).

In the office leasing market of Tokyo’s five business wards, there is strong office expansion and relocation demand backed by an improvement in corporate earnings, and the vacancy rate remains below 4% while there is an ongoing trend of gradually increasing rents. The vacancy rate in January 2017 declined 0.27 percentage points year on year to 3.74%, and the average asking rent was ¥18,582 per tsubo (1 tsubo = 3.3m2), a 4.5% increase of ¥792 year on year (according to a survey by a private research institution).

In the real estate securitization market, even amidst a trend of declining real estate transactions in Japan, properties were proactively acquired through J-REITs and J-REIT acquisitions in 2016 increased 10.8% year on year to ¥1.7692 trillion, the third-highest level ever. As of January 31, 2017, the total value of assets under management in the J-REIT market (acquisition cost base) increased 11.2% year on year to ¥15.5683 trillion, and the J-REIT market is continuing to expand (according to a survey by a private research institution).

Amid this operating environment, in the Revitalization Business, the Tosei Group made steady progress in selling assets such as income-generating office buildings and apartments, while in the Development Business, the Group pushed ahead with sales of detached houses. In addition, we proactively acquired income-generating properties and land for development as future sources of income.

As a result, consolidated revenue for the three months ended February 28, 2017 totaled ¥14,677 million (up 8.5% year on year), operating profit was ¥3,828 million (down 7.3%), profit before tax was ¥3,658 million (down 6.5%), and profit for the period was ¥2,500 million (down 4.2%).

Performance by business segment is shown below.

Revitalization Business

During the three months ended February 28, 2017, the segment sold 25 properties it had renovated, including Onoecho 6-chome Building (Yokohama-shi, Kanagawa), Kishino Building (Toshimaku-ku, Tokyo), NOUER Nakamachidai (Yokohama-shi, Kanagawa) and Demeure Sagamihara (Sagamihara-shi, Kanagawa). In addition, the segment sold 11 units in the Restyling Business, including Hilltop Yokohama Negishi (Yokohama-shi, Kanagawa), Hilltop Yokohama Higashi Terao (Yokohama-shi, Kanagawa) and Renai Kamakura Ueki (Kamakura-shi, Kanagawa).

During the three months ended February 28, 2017, it also acquired a total of four income-generating office buildings and apartments and one land lot for renovation and sales purposes.

As a result, revenue in this segment was ¥10,939 million (up 363.4% year on year) and the segment profit was ¥3,417 million (up 1,775.3%).

Development Business

During the three months ended February 28, 2017, the segment focused on the sale of detached houses, for which there was firm demand. The segment sold 24 detached houses at such properties as THE Palms Court Kashiwa Hatsuishi (Kashiwa-shi, Chiba), THE Palms Court Koshigaya Lake Town (Koshigaya-shi, Saitama), THE Palms Court Machida Turukawa (Machida-shi, Tokyo).

During the three months ended February 28, 2017, it also acquired one land lot for hotel project, one land lot for condominium project and land lot for 11 detached houses.

As a result, revenue in this segment was ¥969million (down 88.9% year on year) and the segment loss was ¥173 million (in comparison with segment profit of ¥3,580 million in the same period of the previous fiscal year).

During the three months ended February 28, 2017, all the segment revenue came from detached houses sale. On the other hand, in the same period of the previous fiscal year the segment sold two commercial facilities. For this reason, the segment revenue and profit decreased.

Rental Business

During the three months ended February 28, 2017, while the segment sold 14 buildings of its inventory assets held for leasing purposes, it newly acquired one apartment. In addition, the segment made efforts to lease vacancies out following acquisitions and also focused on leasing activities for its existing non-current assets and inventory assets.

As a result, revenue in this segment was ¥1,471 million (up 33.7% year on year) and the segment profit was ¥660 million (up 43.1%).

Fund and Consulting Business

During the three months ended February 28, 2017, while ¥11,061 million was subtracted from the balance of assets under management (Note), due mainly to property dispositions by funds, ¥29,465 million was added to the balance of Assets under management ¥448,186 for the end of the previous fiscal year, due mainly to new asset management contracts of large projects the segment obtained. The balance of assets under management as of February 28, 2017, was ¥466,589 million. The acquisition of such large project contracts increased asset management fees and contributed to revenue.

As a result, revenue in this segment was ¥468 million (down 16.7% year on year) and the segment profit was ¥159 million (down 24.0%).

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

Property Management Business

. During the three months ended February 28, 2017, the number of properties under management increased as a result of efforts to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 599 as of February 28, 2017, an increase of 18 from February 29, 2016, with the total comprising 378 office buildings, hotels, schools and other such properties, and 221 condominiums and apartments.

As a result, revenue in this segment was ¥828 million (up 29.0% year on year) and segment profit was ¥75 million (up 170.6%).

Other

For the three months ended February28, 2017, there were no revenue in this segment (in comparison with segment revenue of ¥136 million in the same period of the previous fiscal year) and the segment profit was ¥0 (in comparison with segment loss of ¥1 million in the same period of the previous fiscal year).

(2) Analysis of financial position

As of February 28, 2017, total assets were ¥120,715 million, a decrease of ¥561 million compared with November 30, 2016, while total liabilities were ¥78,227 million, a decrease of ¥2,038 million.

This was primarily due to a decrease in inventories resulting from sale of properties exceeding purchase of properties in the Revitalization Business and Development Business, a decrease in borrowings from financial institutions accompanying such property acquisitions and decreases in accrued income tax.

Total equity increased by ¥1,477 million to ¥42,487 million, mainly due to an increase in retained earnings and payment of cash dividends.

(3) Analysis of cash flows

Cash and cash equivalents (hereinafter “cash”) as of February 28, 2017 totaled ¥21,529 million, down ¥110 million compared with November 30, 2016.

The cash flows for the three months ended February 28, 2017 and factors contributing to those amounts are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥1,779 million (net cash used in operating activities totaled ¥3,450 million in the same period of the previous fiscal year). This is mainly due to profit before tax of ¥3,658 million and income taxes paid of ¥2,155 million.

Cash Flows from Investing Activities

Net cash provided by investing activities totaled ¥61 million (up 503.3% year on year). This is primarily due to proceeds from withdrawal of time deposits ¥95 million.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥1,952 million (net cash provided by financing activities totaled ¥4,876 million in the same period of the previous fiscal year)This mainly reflects ¥8,742 million in the repayments of non-current borrowings and ¥1,009 million in cash dividends paid, despite ¥7,981 million in proceeds from non-current borrowings.

(4) Operational and financial issues to be addressed

During the three months ended February 28, 2017, there was no significant change in issues to be addressed by the Tosei Group.

The Company has set the basic policy regarding the persons who control the decision-making on the financial and business policies of the Company. The contents of basic policy (matters set forth in Article 118, item 3 of the Ordinance for Enforcement of the Companies Act) are as follows:

a. Contents of basic policy

The Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who fully understand the details of the Company's financial and business affairs and the source of the Company's corporate value and who will make it possible to continually and persistently ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders.

The Company believes that ultimately its shareholders as a whole must make the decision on any proposed acquisition that would involve a change of control of the Company. Also, the Company will not reject a large-scale acquisition of the shares in the Company if it will contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

Nonetheless, there are some forms of large-scale acquisition of shares that benefit neither the corporate value of the target company nor the common interests of its shareholders including those with a purpose that would obviously harm the corporate value of the target company and the common interests of its shareholders, those with the potential to substantially coerce shareholders into selling their shares; those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the details of the large-scale acquisition, or for the target company's board of directors to make an alternative proposal and those that require the target company to discuss or negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer.

It is particularly necessary and essential for the persons who make decisions on the Company's financial and business policies to (i) maintain the system under which the Company internally covers the five business fields that allow the "integration of real estate and finance," which leads to maximization of the potential of the Company group, (ii) maintain employees who support that system with knowledge and experience specializing in real estate and finance, (iii) maintain the Company's trust in the real estate industry that has been built up over a long period of time based on the establishment of the ability and information networks supporting various value creation technologies, and (iv) master knowhow that enables comprehensive business. Unless the acquirer of a proposed large-scale acquisition of the shares in the Company understands the source of the corporate value of the Company as well as the details of financial and business affairs of the Company and would ensure and enhance these elements over the medium-to-long term, the corporate value of the Company and, in turn, the common interests of its shareholders would be harmed.

The Company believes that persons who would make a large-scale acquisition of the shares in the Company in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate as persons that control decisions on the Company's financial and business policies. The Company believes that it is necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking necessary and reasonable countermeasures against a large-scale acquisition by such persons.

b. Overview of special measures to realize the basic policy

Under the medium-term management plan called "Advancing Together 2017" (the targeted period of the plan is three years from December 2014 to November 2017), the Company group aims to further strengthen the business infrastructure by expanding and developing of the existing five business areas

and considering its advance to peripheral areas of business, to build optimum corporate governance for expansion of the Company group and increase of the employees which are entailed in expansion of the business, and to establish efficient organization management structure. Further, the Company group will emphasize the cultivation of the most valuable asset of the Company group, i.e. the human resources to increase satisfaction of the employees of the Company group. As the Basic Policy in the medium-term management plan for the further growth of the Company group, the Company group is determined to establish the original and distinctive "Tosei brand" by providing products ensuring high customer satisfaction and high-quality services. Based on these policies, the Company group is dedicated to redefine existing ideas with the spirit of challenge and advance as the risk-taking group of companies, to aim "creation of new values and sensation as the truly globally-minded and promising professionals".

The Company group has previously appointed multiple outside directors (two members), invited all Audit & Supervisory Board Members (four members) from outside the company, and has notified all of the above six outside directors and Audit & Supervisory Board Members as "independent directors and/or Audit & Supervisory Board Members" in accordance with the "Principles of Corporate Governance for Listed Companies" of the Tokyo Stock Exchange. Also, the Company group has reinforced the business execution function by the introduction of the executive officer system, and the establishment of the corporate governance board, and will continue to endeavor to further strengthen corporate governance. Specifically, the Company group will focus on putting into practice actions based on a high-level awareness of compliance through raising awareness from the level of "role model" to that of "ideal" in accordance with the Compliance Principles of the Company, thorough implementation of risk management by correctly understanding and analyzing risks involved in corporate activities, continuous performance of accountability to various stakeholders including investors by promptly publicly disclosing correct corporate information under the spirit of fair disclosure, and other efforts for strengthening corporate governance.

c. Overview of measures to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate according to the basic policy

The plan is a measure to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate under the above basic policy, and its objective is to ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders.

The plan stipulates procedures that must be followed in any cases of purchase, etc. of share certificates, etc. of the Company ((i) a purchase or other acquisition that would result in the holding ratio of share certificates, etc. *(kabuken tou hoyuu wariai)*of a holder *(hoyuusha)* totaling at least 20% of the share certificates, etc. issued by the company; or (ii)a tender offer *(koukai kaitsuke)* that would result in the party conducting the tender offer's ownership ratio of share certificates, etc. and the ownership ratio of share certificates, etc. of a person having a special relationship totaling at least 20% of the share certificates, etc. issued by the Company; or (iii) any similar action to (i) or (ii) above)

In practical terms, the acquirer must provide the Company a statement of undertaking (acquirer's statement) and an acquisition document that includes essential information, etc. before making the acquisition, etc.

Upon receiving these documents, the independent committee, while obtaining independent expert advice, will conduct its consideration of the acquisition terms; collection of information on materials such as the management plans and business plans of the acquirer and the Company's board of directors and comparison thereof; consideration of any alternative plan presented by the Company's board of directors, and the like; and discussion and negotiation with the acquirer. The Company will disclose information in a timely manner.

When (i) the acquisition is not in compliance with the procedures prescribed in the plan or (ii) it threatens to cause obvious harm to the corporate value of the Company, and, in turn, to the common interests of shareholders, (iii) and it is reasonable to implement the gratis allotment of stock acquisition rights, the independent committee will recommend the implementation the gratis allotment of stock acquisition rights to the Company's board of directors. In addition, when a meeting of shareholders is convened to confirm the intent of the Company's shareholders, the Company's board of directors will respond to the shareholders' intent. These stock acquisition rights will be allotted with an exercise condition that does not allow, as a general rule, the acquirer to exercise the rights and an acquisition provision to the effect that the Company may acquire the stock acquisition rights in exchange for shares in the Company from persons other than the acquirer. The Company's board of directors, in exercising its role under the Companies Act, will pass a resolution relating to the implementation or non-

implementation of the gratis allotment of stock acquisition rights, respecting the recommendation of the Independent Committee to the maximum extent. In addition, when a meeting of shareholders is convened to confirm the intent of the Company's shareholders, the Company's board of directors will respond to the shareholders' intent. If the procedures for the plan have commenced, the acquirer must not effect an acquisition until and unless the Company's board of directors resolves not to trigger the plan. The effective period of the plan expires at the conclusion of the ordinary general meeting of shareholders for the last fiscal year ending within three years after the conclusion of the 65th Ordinary General Meeting of Shareholders. However, if, before the expiration of the effective period, the Company's board of directors resolves to abolish the plan, the plan will be abolished at that time.

d. Decisions by the Company's board of directors regarding specific measures and reasons therefor

Company's board of directors deems that the new medium-term management plan and other measures such as the efforts to enhance the corporate value and the strengthening of corporate governance were established as specific measures to continuously and sustainably enhance the corporate value of the Company and, in turn, the common interests of its shareholders, and that these are truly in accordance with the basic policy, not detrimental to the common interests of the Company's shareholders and not for the purpose of maintaining the positions of the Company's corporate officers.

In addition, the Company's board of directors deems that the plan is not detrimental to the common interests of the Company's shareholders, not for the purpose of maintaining the positions of the Company's corporate officers, and in accordance with the basic policy based on the following reasoning: approval from the general meeting of shareholders must be obtained for its renewal; its effective period is stipulated as a maximum of three years and it can be abolished at any time by the resolution of the Company's board of directors; an independent committee, which is composed of members who are independent from the management of the Company, has been established; in the event that the plan's countermeasures are triggered, the Company must obtain a resolution by the independent committee when making a decision for triggering the countermeasures in the plan, and the plan fully satisfies the three principles set out in the Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

(5) Research and development activities

No item to report.

III. Filing company

1. Information on the Company (Tosei)'s shares, etc.

(1) Total number of authorized shares, etc.

a. Total number of authorized shares

Class	Total number of authorized shares
Ordinary shares	150,000,000
Total	150,000,000

b. Number of shares issued

Class	Number of issued shares (Shares: as of February 28, 2017)	Number of issued shares (Shares: as of the date of filing: April 10, 2017)	Name of financial instruments exchange where the stock of Tosei is traded or the name of authorized financial instruments firms association where Tosei is registered	Details
Ordinary shares	48,284,000	48,284,000	Tokyo Stock Exchange (First Section), Singapore Exchange (Mainboard)	Share unit number: 100
Total	48,284,000	48,284,000	–	–

(2) Status of stock acquisition rights

No item to report.

(3) Exercise of bond certificates with stock acquisition rights with exercise price amendment clause

No item to report.

(4) Details of rights plan

No item to report.

(5) Trends in total number of issued shares, share capital, etc.

Date	Fluctuation in the number of issued shares (Shares)	Balance of issued shares (Shares)	Fluctuation in share capital (¥ thousand)	Balance of share capital (¥ thousand)	Fluctuation in capital reserves (¥ thousand)	Balance of capital reserves (¥ thousand)
From December 1, 2016 to February 28, 2017	–	48,284,000	–	6,421,392	–	6,504,868

(6) Status of major shareholders

There is no item to report due to the reporting period being a first quarter of a fiscal year.

(7) Status of voting rights

The following status of voting rights is prepared based on the shareholder registry as of November 30, 2016, which is the latest record date, as the information as of February 28, 2017 is not yet available.

a. Issued shares

(As of February 28, 2017)

Classification	Number of shares (Shares)	Number of voting rights	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	–	–	–
Shares with full voting rights (Other)	Ordinary shares 48,282,200	482,822	Tosei's standard class of shares with no rights limitations
Shares less than one unit	Ordinary shares 1,800	–	–
Total number of issued shares	48,284,000	–	–
Voting rights owned by all shareholders	–	482,822	–

Note: The number of "Shares with full voting rights (Other)" includes 400 shares in the name of Japan Securities Depository Center, Inc. "Number of voting rights" includes 4 units of voting rights related to shares with full voting rights in its name.

b. Treasury shares, etc.

(As of February 28, 2017)

Name of shareholder	Address	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of number of shares held in the total number of issued shares (%)
–	–	–	–	–	–
Total	–	–	–	–	–

2. Status of Officers

There was no change in Officers during the three months ended February 28, 2017 after the filing date of annual securities report for the previous fiscal year.

IV. Accounting

1. Preparation policy of the condensed quarterly consolidated financial statements

The condensed quarterly consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” under the provision of Article 93 of the “Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007).

2. Audit attestation

The condensed quarterly consolidated financial statements for the first quarter of the fiscal year ending November 30, 2017 (from December 1, 2016 to February 28, 2017) and for the first three months of the fiscal year ending November 30, 2017 (from December 1, 2016 to February 28, 2017) were reviewed by Shinsoh Audit Corporation pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

(¥ thousand)

	Notes	As of November 30, 2016	As of February 28, 2017
Assets			
Current assets			
Cash and cash equivalents	8	21,640,866	21,529,928
Trade and other receivables	8	3,531,880	3,969,805
Inventories		67,298,309	66,707,794
Other current assets		121,444	27,108
Total current assets		92,592,501	92,234,637
Non-current assets			
Property, plant and equipment		3,595,898	3,560,522
Investment properties		21,728,740	21,819,727
Intangible assets		96,612	89,309
Available-for-sale financial assets	8	1,441,167	1,371,074
Trade and other receivables	8	1,235,065	1,178,750
Deferred tax assets		557,392	432,290
Other non-current assets		28,914	28,914
Total non-current assets		28,683,790	28,480,589
Total assets		121,276,292	120,715,227
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	8	2,955,289	3,572,046
Borrowings	8	9,387,249	6,207,196
Current income tax liabilities		1,859,183	718,950
Provisions		450,030	158,178
Total current liabilities		14,651,752	10,656,372
Non-current liabilities			
Trade and other payables	8	4,349,965	3,924,817
Borrowings	8	60,772,064	63,204,074
Retirement benefits obligations		413,376	423,102
Provisions		79,049	19,086
Total non-current liabilities		65,614,455	67,571,080
Total Liabilities		80,266,208	78,227,452
Equity			
Share capital		6,421,392	6,421,392
Capital reserves		6,418,823	6,430,024
Retained earnings		28,120,304	29,558,628
Other components of equity		49,562	77,729
Total equity		41,010,083	42,487,774
Total liabilities and equity		121,276,292	120,715,227

(2) Condensed Consolidated Statement of Comprehensive Income

(¥ thousand)

	Notes	Three months ended February 29, 2016	Three months ended February 28, 2017
Revenue	5	13,527,209	14,677,393
Cost of revenue		7,346,946	9,187,899
Gross profit		6,180,262	5,489,493
Selling, general and administrative expenses		2,137,822	1,791,178
Other income		130,191	147,287
Other expenses		45,130	17,581
Operating profit	5	4,127,501	3,828,021
Finance income		30,491	32,853
Finance costs		243,181	202,091
Profit before tax		3,914,810	3,658,783
Income tax expense		1,303,514	1,158,212
Profit for the period		2,611,296	2,500,571
Other comprehensive income			
Items that may be transferred to net profit or loss			
Exchange differences on translation of foreign operations		(19,602)	286
Net change in fair values of available-for-sale financial assets		(606)	16,225
Net change in fair values of cash flow hedges		(1,257)	11,655
Subtotal		(21,466)	28,166
Other comprehensive income for the period, net of tax		(21,466)	28,166
Total comprehensive income for the period		2,589,830	2,528,738
Profit attributable to:			
Owners of the parent		2,611,296	2,500,571
Total comprehensive income attributable to:			
Owners of the parent		2,589,830	2,528,738
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)	7	54.08	51.79
Diluted earnings per share (yen)	7	–	–

(3) Condensed Consolidated Statement of Changes in Equity

Three months ended February 29, 2016 (December 1, 2015 – February 29, 2016)

(¥ thousand)

	Notes	Share capital	Capital reserves	Retained earnings	Other components of equity	Total equity
Balance at December 1, 2015		6,421,392	6,373,881	23,327,875	105,228	36,228,378
Profit for the period		—	—	2,611,296	—	2,611,296
Other comprehensive income		—	—	—	(21,466)	(21,466)
Total comprehensive income for the period		—	—	2,611,296	(21,466)	2,589,830
Dividends of surplus	6	—	—	(772,544)	—	(772,544)
Share-based payment		—	10,908	—	—	10,908
Balance at February 29, 2016		6,421,392	6,384,789	25,166,628	83,762	38,056,573

Three months ended February 28, 2017 (December 1, 2016 – February 28, 2017)

(¥ thousand)

	Notes	Share capital	Capital reserves	Retained earnings	Other components of equity	Total equity
Balance at December 1, 2016		6,421,392	6,418,823	28,120,304	49,562	41,010,083
Profit for the period		—	—	2,500,571	—	2,500,571
Other comprehensive income		—	—	—	28,166	28,166
Total comprehensive income for the period		—	—	2,500,571	28,166	2,528,738
Dividends of surplus	6	—	—	(1,062,248)	—	(1,062,248)
Share-based payment		—	11,200	—	—	11,200
Balance at February 28, 2017		6,421,392	6,430,024	29,558,628	77,729	42,487,774

(4) Condensed Consolidated Statement of Cash Flows

(¥ thousand)

	Notes	Three months ended February 29, 2016	Three months ended February 28, 2017
Cash flows from operating activities			
Profit before tax		3,914,810	3,658,783
Depreciation expense		75,469	94,280
Increase (decrease) in provisions and retirement benefits obligations		(191,893)	(267,470)
Interest and dividend income		(30,491)	(32,853)
Interest expenses		243,181	202,091
Gain on sales of stocks of subsidiaries and affiliates		—	(123,505)
Loss on retirement of property, plant and equipment		4,308	—
Decrease (increase) in trade and other receivables		923,839	89,352
Decrease (increase) in inventories		(7,785,042)	609,676
Increase (decrease) in trade and other payables		590,861	(345,820)
Other, net		(55,792)	17,645
Subtotal		(2,310,747)	3,902,180
Interest and dividend income received		30,490	32,852
Income taxes paid		(1,169,929)	(2,155,586)
Net cash from (used in) operating activities		(3,450,186)	1,779,446
Cash flows from investing activities			
Proceeds from withdrawal of time deposits		—	95,000
Purchase of property, plant and equipment		(9,301)	(1,424)
Purchase of investment properties		(8,846)	(162,150)
Purchase of intangible assets		(2,740)	(285)
Purchase of available-for-sale financial assets		(70)	—
Collection of available-for-sale financial assets		—	7,153
Proceeds from sales of available-for-sale financial assets		—	84,071
Collection of loans receivable		18	18
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation		31,150	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation		—	39,328
Other, net		18	—
Net cash from (used in) investing activities		10,229	61,711
Cash flows from financing activities			
Net increase (decrease) in current borrowings		283,700	35,200
Proceeds from non-current borrowings		11,383,000	7,981,000
Repayments of non-current borrowings		(5,769,397)	(8,742,029)
Cash dividends paid		(772,816)	(1,009,932)
Interest expenses paid		(246,458)	(215,718)
Other, net		(1,701)	(913)
Net cash from (used in) financing activities		4,876,325	(1,952,393)
Net increase (decrease) in cash and cash equivalents		1,436,367	(111,235)
Cash and cash equivalents at beginning of period		18,791,081	21,640,866
Effect of exchange rate change on cash and cash equivalents		(5,465)	297
Cash and cash equivalents at end of period		20,221,983	21,529,928

(5) Notes to Condensed Quarterly Consolidated Financial Statements

1. Reporting entity

Tosei Corporation (hereinafter, the "Company") is a share company located in Japan whose shares are listed on the First Section of the Tokyo Stock Exchange and the Mainboard of Singapore Exchange. The Company's condensed quarterly consolidated financial statements for the three months ended February 28, 2017 have been prepared in respect of the Company and its consolidated subsidiaries (hereinafter collectively, the "Group"). The Group engages in the following five business operations: Revitalization Business, Development Business, Rental Business, Fund and Consulting Business and Property Management Business. The operations of each business segment are presented in "5. Segment information" in the notes.

2. Basis of preparation

(1) Compliance with IFRS

Since the Company qualifies as a "Designated International Financial Reporting Standards specified company" as provided in Article 1-2 of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976), its condensed quarterly consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" under the provision of Article 93 of the "Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements" (Cabinet Office Ordinance No. 64 of 2007).

These condensed quarterly consolidated financial statements were approved by Seiichiro Yamaguchi, the Company's President and CEO, and Noboru Hirano, Director and CFO, on April 7, 2017.

(2) Basis of measurement

The condensed quarterly consolidated financial statements have been prepared on the historical cost basis except for assets and liabilities measured at fair value.

(3) Presentation currency and unit amount

The condensed quarterly consolidated financial statements in this report are presented in Japanese yen, the Company's functional currency. All financial information presented in Japanese yen is rounded down to the nearest thousand yen.

3. Significant accounting policies

Significant accounting policies that the Group applies in condensed quarterly consolidated financial statements are the same as the accounting policies used in the consolidated financial statements for the previous fiscal year.

4. Significant accounting estimates and judgments requiring estimates

The preparation of the condensed quarterly consolidated financial statements in compliance with IFRS requires the management of the Group to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenue and expenses. However, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates are changed and in future periods in which the change will affect.

5. Segment information

The Group's reportable segments are components of the Group about which separate financial information is available that the Board of Directors regularly conducts deliberations to determine the allocation of management resources and to assess the performance. The Group draws up comprehensive strategies for each of the following five business segments and conducts business activities accordingly; "Revitalization Business", "Development Business", "Rental Business", "Fund and Consulting

Business", and "Property Management Business". In the Revitalization Business, the Group acquires the properties whose asset values have declined, renovates, and resells them. In the Development Business, the Group sells condominium units and detached houses to individual customers as well as apartment and office buildings to investors. In the Rental Business, the Group rents office buildings and apartments. The Fund and Consulting Business mainly provides asset management services for the properties placed in real estate funds. The Property Management Business provides comprehensive property management services.

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

Three months ended February 29, 2016

(December 1, 2015 – February 29, 2016)

(¥ thousand)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	2,360,680	8,724,124	1,100,950	563,055	642,109	136,287	–	13,527,209
Intersegment revenue	–	–	10,302	3,000	213,971	–	(227,273)	–
Total	2,360,680	8,724,124	1,111,253	566,055	856,081	136,287	(227,273)	13,527,209
Segment profit or loss	182,239	3,580,469	461,773	210,019	28,018	(1,246)	(333,773)	4,127,501
Finance income/costs, net								(212,690)
Profit before tax								3,914,810

Three months ended February 28, 2017

(December 1, 2016 – February 28, 2017)

(¥ thousand)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	10,939,298	969,058	1,471,596	468,943	828,497	–	–	14,677,393
Intersegment revenue	–	–	10,780	16,118	286,813	–	(313,712)	–
Total	10,939,298	969,058	1,482,376	485,061	1,115,311	–	(313,712)	14,677,393
Segment profit or loss	3,417,519	(173,472)	660,837	159,698	75,813	555	(312,931)	3,828,021
Finance income/costs, net								(169,237)
Profit before tax								3,658,783

6. Dividends

Dividends paid in the three months ended February 29, 2016 and February 28, 2017 are as follows:

Three months ended February 29, 2016				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 25, 2016	16	772,544	November 30, 2015	February 26, 2016

Three months ended February 28, 2017				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 24, 2017	22	1,062,248	November 30, 2016	February 27, 2017

7. Earnings per share

	Three months ended February 29, 2016	Three months ended February 28, 2017
Profit attributable to owners of the parent (¥ thousand)	2,611,296	2,500,571
Weighted average number of outstanding ordinary shares (shares)	48,284,000	48,284,000
Basic earnings per share (¥)	54.08	51.79

Notes: 1. Basic earnings per share is calculated by dividing profit attributable to owners of the parent, by the weighted average number of ordinary shares outstanding during the reporting period.

2. Diluted earnings per share are not presented because there were no potential shares that have dilutive effects.

8. Financial instruments

i) Fair values and carrying amounts

Fair values of financial assets and liabilities and their carrying amounts presented in the condensed consolidated statement of financial position are as follows:

(¥ thousand)

	As of November 30, 2016		As of February 28, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	21,640,866	21,640,866	21,529,928	21,529,928
Available-for-sale financial assets	1,441,167	1,441,167	1,371,074	1,371,074
Trade and other receivables	4,766,946	4,766,946	5,148,555	5,148,555
Trade and other payables	7,305,255	7,305,255	7,496,863	7,496,863
Borrowings	70,159,313	70,207,138	69,411,270	69,457,685

Method for measuring fair value of financial instruments

Cash and cash equivalents, trade and other receivables, trade and other payables, and current borrowings

The book values of these financial instruments that are settled in a short period of time approximate the fair values.

However, the fair values of interest rate swaps are based on market values presented by financial institutions.

Available-for-sale financial assets

The fair values of listed securities are measured based on quoted market prices. For financial assets for which there is no active market and unlisted securities, the Group estimates fair values using certain valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially at the same price, and the discounted cash flow method. Securities that do not have a quoted market price in an active market and of which the fair value cannot be reliably estimated are measured based on the acquisition cost.

Non-current borrowings

The fair values of non-current borrowings with floating interest rate approximate the book values, as interest rates reflect market interest rates in short-term intervals. The fair values of those with fixed interest rate are measured based on the present value of the total amount of principal and interest discounted by the interest rate that would be charged for a new similar borrowing.

ii) Fair value hierarchy

The following shows the analysis of financial instruments measured at fair value after the initial recognition. Fair values of financial instruments are classified into level 1 to level 3.

Level 1: Fair values measured at a price quoted in an active market
Level 2: Fair values calculated directly or indirectly using an observable price except for level 1
Level 3: Fair values calculated through valuation techniques, including inputs that are not based on observable market data

(¥ thousand)

	As of November 30, 2016			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,363,106	38	78,021	1,441,167
Financial liabilities measured at fair value with the change in fair value recognized through other comprehensive income (derivative)	—	36,115	—	36,115

(¥ thousand)

	As of February 28, 2017			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,300,227	—	70,846	1,371,074
Financial liabilities measured at fair value with the change in fair value recognized through other comprehensive income (derivative)	—	18,449	—	18,449

Reconciliation of financial assets classified in level 3 at the beginning of the period with those at the end of the period is as follows:

(¥ thousand)

	Three months ended February 28, 2017
Balance at beginning of period	78,021
Acquisition	—
Comprehensive income	
Profit (loss)	(42)
Disposal	(7,132)
Balance at end of period	70,846

9. Significant subsequent events

No item to report.

2. Other

No item to report.

B. Information on Guarantee Companies, etc. of Filing Company

No items to report.

(Translation)

Quarterly Review Report of Independent Auditors

April 7, 2017

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Atushi Iijima (Seal)

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the condensed quarterly consolidated financial statements of Tosei Corporation included in the "Accounting" section, namely, the condensed consolidated statements of financial position, comprehensive income, changes in equity, and cash flows, as well as their notes, for the first quarter (December 1, 2016 to February 28, 2017) and the first three-month period (December 1, 2016 to February 28, 2017) of the fiscal year from December 1, 2016 to November 30, 2017.

Management's Responsibility for the Condensed Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these condensed quarterly consolidated financial statements in conformity with International Accounting Standard 34 "Interim Financial Reporting" under the provision of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements of Japan; this includes the design, implementation, and maintenance of internal control as management determines is necessary to enable the preparation and fair presentation of condensed quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion from an independent perspective on these condensed quarterly consolidated financial statements based on our quarterly review as independent auditor. We conducted our review in conformity with quarterly review standards generally accepted in Japan.

A quarterly review consists principally of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical procedures and other quarterly review procedures. Such a review is substantially less in scope than an audit conducted in conformity with auditing standards generally accepted in Japan.

We believe that we have obtained the evidence to provide a basis for our conclusion.

Auditor's Conclusion

In our quarterly review, we have concluded that the condensed quarterly consolidated financial statements referred to above are in conformity with International Accounting Standard 34 "Interim Financial Reporting", and nothing has come to our attention that causes us to believe that they do not fairly present, in all material respects, the financial positions of the Company and its consolidated subsidiaries as of February 28, 2017, and the consolidated results of their operations and their cash flows for the three-month period then ended.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

End

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*1. The above is a digitization of the text contained in the original copy of the Quarterly Review Report, which is in the custody of the Company (filing company of the quarterly securities report) as attachments to the financial statements.

2. XBRL data is excluded from the scope of the quarterly review.

Note:
The English version of the financial statements consists of an English translation of the reviewed Japanese financial statements. The actual text of the English translation of the financial statements was not covered by our review. Consequently, for the auditors' review report of the English financial statements, the Japanese original is the official text, and the English version is a translation of that text.