Quarterly Securities Report

(The English translation of the “Shihanki-Houkokusho”
for the second quarter of the 69th term)

from March 1, 2018
to May 31, 2018

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 July 10, 2018. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

Table of Contents

Cover

[Cover]

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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	68th term First six months	69th term First six months	68th term
Accounting period	From December 1, 2016 to May 31, 2017	From December 1, 2017 to May 31, 2018	From December 1, 2016 to November 30, 2017
Revenue (¥ thousand) [Second quarter of the current fiscal year]	26,360,085 [11,682,692]	32,520,695 [14,210,654]	57,754,328
Profit before tax (¥ thousand)	5,857,432	6,511,917	9,049,467
Profit attributable to owners of the parent (¥ thousand) [Second quarter of the current fiscal year]	3,931,865 [1,431,294]	4,452,334 [1,604,803]	6,155,169
Comprehensive income for the period attributable to owners of the parent (¥ thousand)	3,938,036	4,486,293	6,165,615
Total equity (¥ thousand)	43,908,273	49,635,703	46,158,867
Total assets (¥ thousand)	123,366,099	134,935,647	122,550,281
Basic earnings per share (¥) [Second quarter of the current fiscal year]	81.43 [29.64]	91.97 [33.10]	127.48
Diluted earnings per share (¥)	—	91.75	127.41
Ratio of equity attributable to owners of the parent to total assets (%)	35.6	36.8	37.7
Net cash from (used in) operating activities (¥ thousand)	2,497,784	(400,865)	7,089,159
Net cash from (used in) investing activities (¥ thousand)	535,264	(1,723,156)	(18,800)
Net cash from (used in) financing activities (¥ thousand)	(1,739,810)	4,201,440	(4,962,180)
Cash and cash equivalents at end of period (¥ thousand)	22,934,408	25,827,059	23,750,239

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 for the 68th term First six months is 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 six months ended May 31, 2018, 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.

With respect to changes in principal subsidiaries and affiliates, Masuda Kenzai-ten Co., Ltd. and Sanki-shoji Co., Ltd. were acquired through M&A transaction and Tosei Hotel Ueno Co. was established as a subsidiary. Those three companies have been included in the scope of consolidation.

II. Review of operations

1. Business and other risks

There were no business and other risks that newly arose during the six months ended May 31, 2018. 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 second quarter of the current fiscal year.

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 May 31, 2018.

(1) Analysis of operating results

During the six months ended May 31, 2018, the Japanese economy continued a moderate recovery. This recovery trend is expected to continue mainly in the corporate sector as a result of growing exports and increased capital investment, despite concerns over downturns due to economic policies and rising interest rates in the U.S. and geopolitical risks in the Middle East, North Korea, etc.

In the real estate industry where Tosei Group operates, domestic commercial real estate transactions from January 2018 to March 2018 increased 14% year on year to ¥1.4 trillion. By area, transactions in the Tokyo metropolitan area accounted for approximately 70% of the total, thanks to an increase in office building transactions in the central Tokyo area where occupancy rates remain stable at a high level, resulting in transactions in the Tokyo metropolitan area ranking the first, ahead of London and New York, for the first time in 16 quarters since the period from January 2014 to March 2014. As the low-interest financing environment is forecast to continue going forward, domestic transactions for the full year 2018 are expected to increase 5% to 10% year on year, backed by active transactions by investors (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium market, the number of units sold in the fiscal year ended March 31, 2018 rose for the first time in four years, increasing 1.1% year on year to 36,837. However, the contract rate for the first month, which indicates whether sales are regarded as favorable, fell below the 70% threshold for the second consecutive year to 68.8% due to soaring selling prices. In the Tokyo metropolitan area build-for-sale detached house market, the number of units sold in the fiscal year ended March 31, 2018 remained almost unchanged from the previous fiscal year at 61,215. Demand for detached houses, which are perceived as being more reasonably priced than condominiums, is expected to remain strong (according to survey’s by the Ministry of Land, Infrastructure, Transport and Tourism and private research institute).

In the office leasing market of Tokyo’s five business wards, the vacancy rate as of April 2018 declined 0.74% year on year to 2.65%, and the average asking rent rose for the 52nd consecutive month to ¥19,896 per tsubo (1 tsubo = 3.3m2), an increase of ¥1,122 year on year. The average asking rent is expected to continue to increase gradually going forward against a backdrop of expanding employment and the need for office expansion and relocation in light of continuing favorable corporate earnings, despite concerns over an upsurge in supply of large-scale office buildings in the central Tokyo area (according to a survey by a private research institute).

In the real estate securitization market, the total value of assets under management as of December 31, 2017 grew to ¥16.5 trillion in J-REITs (an increase of ¥1.0 trillion year on year). In addition, the total value of assets under management in major private placement funds expanded to ¥16.0 trillion (an increase of ¥0.4 trillion year on year), and the overall market scale reached ¥32.5 trillion (according to a survey by a private research institute).

Amid this operating environment, in the Revitalization Business, the 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 condominiums and detached houses. In addition, other

than normal acquisition methods, the Group also utilized an acquisition method of M&A, proactively acquiring income-generating properties and land for development as future sources of income.

As a result, consolidated revenue for the six months ended May 31, 2018 totaled ¥32,520 million (up 23.4% year on year), operating profit was ¥6,887 million (up 10.3%), profit before tax was ¥6,511 million (up 11.2%), and profit for the period was ¥4,452 million (up 13.2%).

Performance by business segment is shown below.

Revitalization Business

During the six months ended May 31, 2018, the segment sold 24 properties it had renovated, including Nishidai Tosei Building (Itabashi-ku, Tokyo), Kichichoji Ito Building (Musashino-shi, Tokyo), Kunitachi 219 Building (Kunitachi-shi, Tokyo) and T-Rhythmic SOKA (Soka-shi, Saitama). In addition, the segment sold 15 units in the Restyling Business, including Hilltop Yokohama Negishi (Yokohama-shi, Kanagawa).

During the six months ended May 31, 2018, it also acquired a total of 32 income-generating office buildings and apartments and seven land lots for renovation and sales purposes.

As a result, revenue in this segment was ¥17,585 million (down 2.0% year on year) and the segment profit was ¥4,227 million (down 11.9%).

Development Business

During the six months ended May 31, 2018, the segment focused on the sale of condominium and detached houses. The segment sold 85 units in The Palms Yutenji master's Place (Setagayaku, Tokyo), 43 detached houses including THE Palms Court Kamakura Shiromeguri (Kamakura-shi, Kanagawa), THE Palms Court Kashiwa Hatsuishi (Kashiwa-shi, Chiba) and THE Palms Court Koshigaya Lake Town (Koshigaya-shi, Saitama) and two land lots.

During the six months ended May 31, 2018, it also acquired a land for condominium project, a land lot for hotel project, a land lot for logistics project and land lots for 35 detached housings.

As a result, revenue in this segment was ¥8,613 million (up 301.7% year on year) and the segment profit was ¥1,408 million (in comparison with segment loss of ¥219 million in the same period of the previous fiscal year).

Rental Business

During the six months ended May 31, 2018, while the segment sold 17 buildings of its inventory assets held for leasing purposes, it newly acquired 24 properties including income-generating office buildings and apartments. 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 ¥2,893 million (down 3.2% year on year) and the segment profit was ¥1,246 million (down 4.4%).

Fund and Consulting Business

During the six months ended May 31, 2018, while ¥8,520 million was subtracted from the balance of assets under management (Note), due mainly to property dispositions by funds, ¥91,590 million was added to the balance of Assets under management ¥552,208 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 May 31, 2018, was ¥635,278 million. The acquisition of such large project contracts increased asset management fees and contributed to revenue.

As a result, revenue in this segment was ¥1,324 million (down 19.3% year on year) and the segment profit was ¥707 million (down 22.7%).

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

Property Management Business

During the six months ended May 31, 2018, the segment worked to win new contracts and maintain

existing contracts. Consequently, the total number of properties under management was 667 as of May 31, 2018, an increase of 33 properties from May 31, 2017, with that total comprising 391 office buildings, hotels, schools and other such properties, and 276 condominiums and apartments.

As a result, revenue in this segment was ¥1,938 million (up 18.4% year on year) and segment profit was ¥204 million (up 51.9%).

Other

For the six months ended May 31, 2018, revenue in this segment was ¥166 million (there was no revenue in this segment in the same period of the previous fiscal year) and the segment profit was ¥53 million (in comparison with segment profit of ¥1 million in the same period of the previous fiscal year).

(2) Analysis of financial position

As of May 31, 2018, total assets were ¥134,935 million, an increase of ¥12,385 million compared with November 30, 2017, while total liabilities were ¥85,299 million, an increase of ¥8,908 million.

Increase in total assets were primarily due to increase in inventories. Increase in liabilities were due to increase in current income tax liabilities and a borrowings from financial institutions.

Total equity increased by ¥3,476 million to ¥49,635 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 May 31, 2018 totaled ¥25,827 million, increased by ¥2,076 million compared with November 30, 2017.

The cash flows for the six months ended May 31, 2018 and factors contributing to those amounts are as follows:

Cash Flows from Operating Activities

Net cash used in operating activities totaled ¥400 million (¥2,497 million provided by the same period of the previous fiscal year). This is mainly due to profit before tax of ¥6,511 million, as well as an increase in inventories of ¥7,344 million, which was a result of property acquisitions in the Revitalization Business and Development Business, and income taxes paid of ¥1,037 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥1,723 million (¥535 million provided by the same period of the previous fiscal year). This is primarily due to purchase of investments in subsidiaries resulting in change in scope of consolidation of ¥1,471 million.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥4,201 million (¥1,739 million used in the same period of the previous fiscal year). This mainly reflects ¥17,407 million in the repayments of non-current borrowings and ¥1,205 million in cash dividends paid, despite ¥22,280 million in proceeds from non-current borrowings.

(4) Operational and financial issues to be addressed

During the six months ended May 31, 2018, 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 group covers with its comprehensive capability the five business fields and peripheral 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 those businesses with knowledge and experience specializing in real estate and finance, etc., (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

The Company group newly formulated a medium-term management plan called "Seamless Growth 2020" (the targeted period of the plan is three years from December 2017 to November 2020), kicking off in the fiscal year ending November 30, 2018. The major policy of the plan is "to continue growth as a Group to build a firm position as an original comprehensive real estate company," under which we aim to establish new income-generating business, while targeting further growth of the five existing businesses and increases in their operating profit. In addition, we will endeavor to increase profits from the Rental, Fund and Consulting and Property Management Businesses, which are positioned as the stable businesses, to enable a structural balance between profits from the Revitalization and Development Businesses so as to reinforce our resilience to changes in the business environment. On the financial front, we will enhance funding capabilities, through methods such as the extension of borrowing periods to maintain a sound financial structure as the infrastructure that supports the expansion of business scale, while aiming at effective investments. In addition, as the composition of the Company group's trade diversifies in line with the expanding business scale, we will further enhance the quality of internal control, namely, compliance, risk management, and disclosure, to establish an optimum corporate governance structure.

Furthermore, we recognize that human resources that are the most important assets of the Company, and to leverage these assets, we will drive ahead with the development of next-generation executives, all officers and employees and the fostering of human resources for the improvement of productivity, while increasing the satisfaction of employees of the entire Group. At the same time, we will strive to establish a corporate brand befitting the firm position as a group of original comprehensive real estate companies and reinforce the attractiveness of our product brand that will be trusted by the market.

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 68th 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 establishedas 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 issued shares

Class	Number of issued shares (Shares: as of May 31, 2018)	Number of issued shares (Shares: as of the date of filing: July 10, 2018)	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	48,525,000	48,534,800	Tokyo Stock Exchange (First Section), Singapore Exchange (Mainboard)	Share unit number: 100
Total	48,525,000	48,534,800	–	–

Note: Shares issued through the exercise of stock acquisition rights between July 1, 2018 and the submission date of this Quarterly Securities Report are not included under "Number of shares issued."

(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 March 1, 2018 to May 31, 2018	55,500	48,525,000	28,249	6,544,061	28,249	6,627,537

Notes: The increase in the number outstanding common shares is due to the exercise of stock options.

(6) Status of major shareholders

(As of May 31, 2018)

Name of shareholder	Address	Number of shares held (Share)	Percentage of number of shares held in the total number of shares issued (%)
Seiichiro Yamaguchi	Shibuya-ku, Tokyo, Japan	12,885,500	26.55
Zeus Capital Limited	2-22-26-103 Uehara, Shibuya-ku, Tokyo, Japan	6,000,000	12.36
KBL EPB S.A 107704 (Standing proxy: Mizuho Bank, Ltd., Settlement &cleaning Services Division)	43, Boulevard Royal, L-2955 Luxembourg (2-15-1 Konan, Minato-ku, Tokyo, Japan)	4,642,000	9.56
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	2,161,600	4.45
Government of NORWAY (Standing proxy: Citibank, N.A., Tokyo Branch)	Bankplassen 2, 0107 Oslo 1 Oslo 0107 NO (6-27-30 Shinjuku, Shinjuku-ku, Tokyo, Japan)	1,907,700	3.93
State Street Bank and Trust Company 505001 (Standing proxy: Mizuho Bank, Ltd., Settlement &cleaning Services Division)	P.O.BOX 351 Boston Massachusetts 02101 U.S.A (2-15-1 Konan, Minato-ku, Tokyo, Japan)	1,281,344	2.64
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	1,225,400	2.52
HSBC-FUND SERVICES, HBAP CLTS UCITS A/C – IRELAND (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	1 QUEEN'S ROAD, CENTRAL, HONG KONG (3-11-1, Nihonbashi,Chuo-ku, Tokyo, Japan)	703,800	1.45
JPMC GOLDMAN SACHS TRUST JASDEC LENDING ACCOUNT (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	GOLDMAN SACHS AND CO, 180 MAIDEN LANE, 37/90TH FLOOR, NEW YORK, NY10038 U.S.A. (Settlement Department, 2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan)	662,200	1.36
DFA INTL Small CAP Value Portfolio (Standing proxy: Citibank, N.A., Tokyo Branch)	Palisades West 6300,Bee Cave Road Building One Austin TX 78746 US (6-27-30 Shinjuku, Shinjuku-ku, Tokyo, Japan)	580,900	1.19
Total	–	32,050,444	66.04

Notes: 1.Percentage of number of shares held in the total number of shares issued is rounded down to the second decimal place.

2.The change report for the large shareholding report, which was made accessible to the public as of March 19, 2018, states that SPARX Asset Management Co., Ltd. held the following shares as of March 15, 2018. However, since the Company could not confirm the actual number of shares held by this company as of May 31 2018 , the company was not included in the status of major shareholders described above.

The content of the change report for the large shareholding report is as follows:

Large volume holder	SPARX Asset Management Co., Ltd.
Address	Shinagawa Season Terrace, Konan 1-2-70, Minato Ward, Tokyo
Number of share certificates, etc. held (Share)	3,145,900
Holding ratio of share certificates, etc. (%)	6.50

3.The change report for the large shareholding report, which was made accessible to the public as of May 24, 2018, states that SAMARANG UCITS held the following shares as of May 17, 2018. However, since the Company could not confirm the actual number of shares held by this company as of May 31 2018 , the company was not included in the status of major shareholders described above.

The content of the change report for the large shareholding report is as follows:

Large volume holder	SAMARANG UCITS
Address	11a Avenue Monterey L-2163 Luxembourg
Number of share certificates, etc. held (Share)	4,642,000
Holding ratio of share certificates, etc. (%)	9.58

(7) Status of voting rights

a. Issued shares

(As of May 31, 2018)

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 48,521,800	485,218	Tosei's standard class of shares with no rights limitations
Shares less than one unit	Ordinary shares 3,200	–	–
Total number of issued shares	48,525,000	–	–
Voting rights owned by all shareholders	–	485,218	–

Note 1: 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 four units of voting rights related to shares with full voting rights in its name.

2: Number of ordinary shares in "Shares less than one unit" includes 46 shares of treasury stock.

b. Treasury shares, etc.

(As of May 31, 2018)

Name of shareholders	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 shares issued (%)
–	–	–	–	–	–
Total	–	–	–	–	–

2. Status of officers

There was no change in Officers during the six months ended May 31, 2018 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 second quarter of the fiscal year ending November 30, 2018 (from March 1, 2018 to May 31, 2018) and for the first six months of the fiscal year ending November 30, 2018 (from December 1, 2017 to May 31, 2018) 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, 2017	As of May 31, 2018
Assets			
Current assets			
Cash and cash equivalents	8	23,750,239	25,827,059
Trade and other receivables	8	2,148,608	2,388,261
Inventories		59,718,614	69,442,984
Other current assets		26,376	30,581
Total current assets		85,643,839	97,688,886
Non-current assets			
Property, plant and equipment		5,305,652	5,280,773
Investment properties		28,359,547	28,326,674
Intangible assets		83,544	88,183
Available-for-sale financial assets	8	1,751,463	1,806,903
Trade and other receivables	8	859,731	1,032,917
Deferred tax assets		517,587	682,394
Other non-current assets		28,914	28,914
Total non-current assets		36,906,441	37,246,761
Total assets		122,550,281	134,935,647
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	8	4,278,612	5,371,807
Borrowings	8	6,449,040	6,239,630
Current income tax liabilities		732,961	1,958,702
Provisions		484,671	288,137
Total current liabilities		11,945,287	13,858,279
Non-current liabilities			
Trade and other payables	8	3,280,020	3,739,389
Borrowings	8	60,674,335	66,596,689
Retirement benefits obligations		472,574	447,518
Provisions		19,197	6,742
Deferred tax liabilities		—	651,325
Total non-current liabilities		64,446,127	71,441,665
Total Liabilities		76,391,414	85,299,944
Equity			
Share capital		6,421,392	6,544,061
Capital reserves		6,464,240	6,539,274
Retained earnings		33,209,210	36,454,444
Treasury shares		—	(61)
Other components of equity		64,024	97,983
Total equity attributable to owners of parent		46,158,867	49,635,703
Total equity		46,158,867	49,635,703
Total liabilities and equity		122,550,281	134,935,647

(2) Condensed Consolidated Statement of Comprehensive Income

Six months ended May 31, 2018

(¥ thousand)

	Notes	Six months ended May 31, 2017	Six months ended May 31, 2018
Revenue	5	26,360,085	32,520,695
Cost of revenue		16,858,573	21,749,086
Gross profit		9,501,511	10,771,608
Selling, general and administrative expenses		3,402,246	3,922,865
Other income		160,145	123,511
Other expenses		17,604	85,236
Operating profit	5	6,241,805	6,887,017
Finance income		32,956	40,815
Finance costs		417,329	415,915
Profit before tax		5,857,432	6,511,917
Income tax expense		1,925,566	2,059,583
Profit for the period		3,931,865	4,452,334
Other comprehensive income			
Items that may be transferred to net profit or loss			
Exchange differences on translation of foreign operations		302	(5,583)
Net change in fair values of available-for-sale financial assets		(6,026)	37,820
Net change in fair values of cash flow hedges		11,895	1,723
Subtotal		6,171	33,959
Other comprehensive income for the period, net of tax		6,171	33,959
Total comprehensive income for the period		3,938,036	4,486,293
Profit attributable to:			
Owners of the parent		3,931,865	4,452,334
Total comprehensive income attributable to:			
Owners of the parent		3,938,036	4,486,293
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)	7	81.43	91.97
Diluted earnings per share (yen)	7	—	91.75

Second quarter ended May 31, 2018

(¥ thousand)

	Notes	Second quarter ended May 31, 2017	Second quarter ended May 31, 2018
Revenue	5	11,682,692	14,210,654
Cost of revenue		7,670,673	9,629,849
Gross profit		4,012,018	4,580,805
Selling, general and administrative expenses		1,611,068	2,045,072
Other income		12,858	29,528
Other expenses		23	19,664
Operating profit	5	2,413,784	2,545,596
Finance income		102	623
Finance costs		215,237	184,593
Profit before tax		2,198,648	2,361,627
Income tax expense		767,354	756,823
Profit for the period		1,431,294	1,604,803
Other comprehensive income			
Items that may be transferred to net profit or loss			
Exchange differences on translation of foreign operations		15	422
Net change in fair values of available-for-sale financial assets		(22,251)	4,955
Net change in fair values of cash flow hedges		240	819
Subtotal		(21,995)	6,197
Other comprehensive income for the period, net of tax		(21,995)	6,197
Total comprehensive income for the period		1,409,298	1,611,000
Profit attributable to:			
Owners of the parent		1,431,294	1,604,803
Total comprehensive income attributable to:			
Owners of the parent		1,409,298	1,611,000
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)	7	29.64	33.10
Diluted earnings per share (yen)	7	—	33.03

(3) Condensed Consolidated Statement of Changes in Equity

Six months ended May 31, 2017 (December. 1, 2016 – May 31, 2017)

(¥ thousand)

	Notes	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Total equity
Balance at December 1, 2016		6,421,392	6,418,823	28,120,304	—	49,562	41,010,083	41,010,083
Profit for the period		—	—	3,931,865	—	—	3,931,865	3,931,865
Other comprehensive income		—	—	—	—	6,171	6,171	6,171
Total comprehensive income for the period		—	—	3,931,865	—	6,171	3,938,036	3,938,036
Amount of transactions with owners								
Issuance of new shares		—	—	—	—	—	—	—
Purchase of treasury shares		—	—	—	—	—	—	—
Dividends of surplus	6	—	—	(1,062,248)	—	—	(1,062,248)	(1,062,248)
Share-based payment		—	22,400	—	—	—	22,400	22,400
Balance at May 31, 2017		6,421,392	6,441,224	30,989,922	—	55,733	43,908,273	43,908,273

Six months ended May 31, 2018 (December. 1, 2017 – May 31, 2018)

(¥ thousand)

	Notes	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Total equity
Balance at December 1, 2017		6,421,392	6,464,240	33,209,210	—	64,024	46,158,867	46,158,867
Profit for the period		—	—	4,452,334	—	—	4,452,334	4,452,334
Other comprehensive income		—	—	—	—	33,959	33,959	33,959
Total comprehensive income for the period		—	—	4,452,334	—	33,959	4,486,293	4,486,293
Amount of transactions with owners								
Issuance of new shares		122,669	70,099	—	—	—	192,768	192,768
Purchase of treasury shares		—	—	—	(61)	—	(61)	(61)
Dividends of surplus	6	—	—	(1,207,100)	—	—	(1,207,100)	(1,207,100)
Share-based payment		—	4,935	—	—	—	4,935	4,935
Balance at May 31, 2018		6,544,061	6,539,274	36,454,444	(61)	97,983	49,635,703	49,635,703

(4) Condensed Consolidated Statement of Cash Flows

(¥ thousand)

	Notes	Six months ended May 31, 2017	Six months ended May 31, 2018
Cash flows from operating activities			
Profit before tax		5,857,432	6,511,917
Depreciation expense		190,000	292,035
Increase (decrease) in provisions and retirement benefits obligations		(141,242)	(223,006)
Interest and dividend income		(32,956)	(40,815)
Interest expenses		417,329	415,915
Loss (gain) on sales of stocks of subsidiaries and affiliates		(123,505)	—
Loss on retirement of property, plant and equipment		—	608
Decrease (increase) in trade and other receivables		(93,616)	68,276
Decrease (increase) in inventories		(1,182,723)	(7,344,536)
Increase (decrease) in trade and other payables		(317,261)	996,483
Other, net		47,270	(80,806)
Subtotal		4,620,726	596,073
Interest and dividend income received		32,955	40,811
Income taxes paid		(2,155,898)	(1,037,751)
Net cash from (used in) operating activities		2,497,784	(400,865)
Cash flows from investing activities			
Proceeds from withdrawal of time deposits		95,000	—
Purchase of property, plant and equipment		(6,350)	(29,447)
Purchase of investment properties		(193,111)	(205,711)
Purchase of intangible assets		(4,565)	(19,868)
Purchase of available-for-sale financial assets		—	(150)
Collection of available-for-sale financial assets		7,183	—
Proceeds from sales of available-for-sale financial assets		84,071	—
Payments of loans receivable		(1,085,000)	—
Collection of loans receivable		1,675,037	38
Purchase of investments in subsidiaries resulting in change in scope of consolidation		(76,328)	(1,471,733)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation		39,328	—
Other, net		—	3,715
Net cash from (used in) investing activities		535,264	(1,723,156)
Cash flows from financing activities			
Net increase (decrease) in current borrowings		(686,800)	841,000
Proceeds from non-current borrowings		14,505,600	22,280,950
Repayments of non-current borrowings		(14,053,546)	(17,407,178)
Proceeds from issuance of new shares			192,431
Cash dividends paid		(1,060,905)	(1,205,363)
Interest expenses paid		(442,398)	(498,509)
Other, net		(1,760)	(1,888)
Net cash from (used in) financing activities		(1,739,810)	4,201,440
Net increase (decrease) in cash and cash equivalents		1,293,238	2,077,418
Cash and cash equivalents at beginning of period		21,640,866	23,750,239
Effect of exchange rate change on cash and cash equivalents		303	(598)
Cash and cash equivalents at end of period		22,934,408	25,827,059

(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 Tokyo Stock Exchange and the Mainboard of Singapore Exchange. The Company's condensed quarterly consolidated financial statements for the second quarter (March 1, 2018 to May 31, 2018) and first six months (December 1, 2017 to May 31, 2018) of the current fiscal year have been prepared in respect of the Company and its 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 Quarterly Consolidated Financial Statements" (Cabinet Office Ordinance No. 64 of 2007), 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 July 6, 2018.

(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

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:

Six months ended May 31, 2017

(December 1, 2016 – May 31, 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	17,948,700	2,144,539	2,988,488	1,641,411	1,636,945	–	–	26,360,085
Intersegment revenue	–	–	21,561	20,073	575,341	–	(616,976)	–
Total	17,948,700	2,144,539	3,010,050	1,661,485	2,212,286	–	(616,976)	26,360,085
Segment profit or loss	4,800,250	(219,278)	1,303,083	915,032	134,610	1,030	(692,923)	6,241,805
Finance income/costs, net								(384,373)
Profit before tax								5,857,432

Six months ended May 31, 2018

(December 1, 2017 – May 31, 2018)

(¥ thousand)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	17,585,038	8,613,547	2,893,007	1,324,657	1,938,389	166,054	–	32,520,695
Intersegment revenue	–	–	21,929	21,543	536,650	500	(580,623)	–
Total	17,585,038	8,613,547	2,914,937	1,346,200	2,475,040	166,554	(580,623)	32,520,695
Segment profit	4,227,735	1,408,139	1,246,315	707,671	204,446	53,269	(960,560)	6,887,017
Finance income/costs, net								(375,100)
Profit before tax								6,511,917

Second quarter ended May 31, 2017
(March 1, 2017 – May 31, 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	7,009,402	1,175,481	1,516,891	1,172,468	808,447	–	–	11,682,692
Intersegment revenue	–	–	10,781	3,955	288,527	–	(303,264)	–
Total	7,009,402	1,175,481	1,527,673	1,176,424	1,096,975	–	(303,264)	11,682,692
Segment profit or loss	1,382,730	(45,806)	642,246	755,333	58,796	475	(379,992)	2,413,784
Finance income/costs, net								(215,135)
Profit before tax								2,198,648

Second quarter ended May 31, 2018
(March 1, 2018 – May 31, 2018)

(¥ thousand)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	3,159,624	7,847,355	1,496,166	650,586	963,438	93,484	–	14,210,654
Intersegment revenue	–	–	(16,086)	8,453	280,938	500	(273,806)	–
Total	3,159,624	7,847,355	1,480,080	659,040	1,244,377	93,984	(273,806)	14,210,654
Segment profit	433,823	1,553,570	615,856	330,035	96,018	46,861	(530,569)	2,545,596
Finance income/costs, net								(183,969)
Profit before tax								2,361,627

6. Dividends

Dividends paid in the six months ended May 31, 2017 and May 31, 2018 are as follows:

Six months ended May 31, 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

Six months ended May 31, 2018				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 27, 2018	25	1,207,100	November 30, 2017	February 28, 2018

7. Earnings per share

	Six months ended May 31, 2017	Six months ended May 31, 2018
Profit attributable to owners of the parent (¥ thousand)	3,931,865	4,452,334
Net income used to figure diluted net income per share (¥ thousand)	—	4,452,334
Weighted average number of outstanding ordinary shares (shares)	48,284,000	48,409,489
The number of increased ordinary shares used to figure diluted earnings per share (shares)	—	117,265
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	—	48,526,754
Basic earnings per share (¥)	81.43	91.97
Diluted net income per share (¥)	—	91.75

	Second quarter ended May 31, 2017	Second quarter ended May 31, 2018
Profit attributable to owners of the parent (¥ thousand)	1,431,294	1,604,803
Net income used to figure diluted net income per share (¥ thousand)	—	1,604,803
Weighted average number of outstanding ordinary shares (shares)	48,284,000	48,488,725
The number of increased ordinary shares used to figure diluted earnings per share (shares)	—	96,707
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	—	48,585,432
Basic earnings per share (¥)	29.64	33.10
Diluted net income per share (¥)	—	33.03

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

2. Diluted earnings for consolidated results for the six months ended May 31, 2017 per share is 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, 2017		As of May 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	23,750,239	23,750,239	25,827,059	25,827,059
Available-for-sale financial assets	1,751,463	1,751,463	1,806,903	1,806,903
Trade and other receivables	3,008,339	3,008,339	3,421,178	3,421,178
Trade and other payables	7,558,632	7,558,632	9,111,197	9,111,197
Borrowings	67,123,376	67,133,900	72,836,320	72,847,005

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, 2017			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,276,317	—	475,145	1,751,463
Financial liabilities measured at fair value with the change in fair value recognized through other comprehensive income (derivative)	—	13,770	—	13,770

(¥ thousand)

	As of May 31, 2018			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,330,836	—	476,067	1,806,903
Financial liabilities measured at fair value with the change in fair value recognized through other comprehensive income (derivative)	—	11,225	—	11,225

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)

	Six months ended May 31, 2018
Balance at beginning of period	475,145
Acquisition	60
Comprehensive income	
Profit (loss)	861
Disposal	—
Balance at end of period	476,067

9. Business combinations

In the six months ended May 31, 2018, the Group engaged in the following business combinations.

(Acquisition of Masuda Kenzai-ten Co., Ltd)

On December 26, 2017, the Company acquired 100% of the shares in Masuda Kenzai-ten Co., Ltd, company owning income-generating properties mainly in Toda-shi, Saitama and Fuchu-shi Tokyo, and engaging in the rental business.

The Group is stepping up its activities to acquire future sources of income. This M&A activity was performed as part of the acquisition methods therefor.

The fair values of consideration paid, assets acquired and liabilities assumed as of the acquisition date were as follows:

	Amount (Thousands of yen)
Fair value of consideration paid (Note)	2,017,155
Fair values of assets acquired and liabilities assumed	
Current assets	2,737,726
[Of which, cash and cash equivalents]	[682,039]
Non-current assets	15,251
Current liabilities	(181,895)
Non-current liabilities	(484,252)
Net assets	2,086,829
Gain on negative goodwill	(69,674)
Total	2,017,155

Note: Consideration paid was in cash.

As stated above, gain on negative goodwill ¥69,674 thousand is attributable to the net asset (subtracting "the fair values of liabilities assumed" from "fair values of assets acquired") exceeded "the fair value of consideration paid". It is recorded as "other income" in the Condensed Consolidated Statement of Comprehensive Income.

The fair values of assets acquired and liabilities assumed were calculated by taking into overall consideration financial and asset conditions examined through third-party due diligence.

Acquisition costs related to these business combinations, of ¥60,720 thousand, were recorded as "other expenses." in Condensed Consolidated Statement of Comprehensive Income.

Profit and loss information and pro forma profit and loss information for these business combinations after the acquisition date are not stated, as its amount of impact on the condensed quarterly consolidated financial statements is immaterial.

10. 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

July 6, 2018

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 second quarter (March 1, 2018 to May 31, 2018) and the six-month period (December 1, 2017 to May 31, 2018) of the fiscal year from December 1, 2017 to November 30, 2018.

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. A quarterly 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 May 31, 2018, their operating results for the second quarter and the six month ended May 31, 2018, and their cash flows for the six months ended the same date.

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.