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# Summary of Consolidated Financial Statements for the First Three Months of the Fiscal Year Ending November 30, 2010

April 5, 2010

**Tosei Corporation**
Code number: 8923
Representative: Seiichiro Yamaguchi, President and CEO
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Scheduled date of filing of Quarterly Report: April 9, 2010

Stock exchange listings: Tokyo, Second Section
URL:http://www.toseicorp.co.jp/english/
Head office location: Tokyo
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Start of distribution of dividends:－

Note: All amounts are rounded down to the nearest million yen.

## 1. Consolidated Operating Results for the First Three Months of the Fiscal Year Ending November 30, 2010 (Dec. 1, 2009- Feb. 28, 2010)

(1) Revenues and Income (cumulative) (Percentages represent change compared with the previous fiscal year.)

| | Revenues | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | (¥ million) | Change (%) | (¥ million) | Change (%) | (¥ million) | Change (%) | (¥ million) | Change (%) |
| Three months ended Feb. 28, 2010 | 8,010 | 3.0 | 1,680 | 30.9 | 1,499 | 44.9 | 876 | 36.1 |
| Three months ended Feb. 28, 2009 | 7,776 | － | 1,283 | － | 1,034 | － | 643 | － |

| | Earnings per share (¥) | Earnings per share (diluted) (¥) |
|---|---|---|
| Three months ended Feb 28, 2010 | 2,213.33 | － |
| Three months ended Feb 28, 2009 | 1,707.78 | － |

(2) Financial Position

| | Total assets (¥ million) | Net assets (¥ million) | Equity ratio (%) | Book value per share (¥) |
|---|---|---|---|---|
| As of Feb.28, 2010 | 59,724 | 22,932 | 38.4 | 57,865.70 |
| As of Feb.28, 2009 | 62,235 | 22,253 | 35.7 | 56,151.60 |

(Reference) Equity: As of February 28, 2010: ¥22,905 million As of November 30, 2009: ¥22,227 million

## 2. Dividends

| | Dividends per share (¥) | | | | |
|---|---|---|---|---|---|
| (Record Date) | 1Q-end | 2Q-end | 3Q-end | Year-end | Full year |
| Year ended November 30, 2009 | － | 0.00 | － | 500.00 | 500.00 |
| Year ending November 30, 2010 | － | － | － | － | － |
| Year ending November 30, 2010 (projected) | － | 0.00 | － | 500.00 | 500.00 |

(Note) Corrections regarding current dividend forecasts during the period: No

## 3. Projected Results for the Fiscal Year Ending November 30, 2010 (December 1, 2009 – November 30, 2010)

(Percentages represent change compared with the same period of the previous fiscal year)

| | Revenues | | Operating income | | Ordinary income | | Net income | | Earnings per share |
|---|---|---|---|---|---|---|---|---|---|
| | (¥ million) | (%) | (¥ million) | (%) | (¥ million) | (%) | (¥ million) | (%) | (¥ million) |
| Six months ending May 31,2010 | 17,252 | (22.7) | 1,911 | (34.5) | 1,478 | (40.2) | 800 | (38.8) | 2,023.26 |
| Full year | 30,268 | (10.0) | 3,097 | 92.8 | 2,211 | 237.0 | 1,280 | － | 3,234.71 |

(Note) Corrections regarding current consolidated forecast figures during the period: No

**4. Other**

(1) Changes in major subsidiaries during the period (changes in specified subsidiaries due to change in the scope of consolidation) : No

Newly added: - Excluded: -

(2) Application of simplified accounting methods or methods used specifically for the quarterly consolidated financial statements : Yes

(3) Changes in accounting rules, procedures, presentation methods, etc. for the quarterly consolidated financial statements

(a) Changes in consolidated accounting methods : No

(b) Changes other than (a) above : No

(4) Number of shares issued and outstanding (common stock)

| | | | | |
|---|---|---|---|---|
| (a) Number of shares issued and outstanding at end of period (including treasury stock) | As of Feb.28, 2010: | 395,840 shares | As of November 30, 2009: | 395,840 shares |
| (b) Treasury stock at end of period | As of Feb.28, 2010: | −shares | As of November 30, 2009: | −shares |
| (c) Average number of issued shares during the period: | Three months ended Feb.28,2010: | 395,840 shares | Three months ended Feb.28,2009: | 376,840 shares |

Note: Cautionary Remark Regarding Forward-Looking Statements

*The above projections are forward-looking statements based on currently available information, and therefore contain elements of uncertainty. Actual performance may differ from projections due to changes in operating conditions.*

**Qualitative Information and Financial Statements**

**1. Qualitative Information Regarding Consolidated Results**

During the three months ended February 28, 2010 (December 1, 2009 to February 28, 2010) the Japanese economy showed some signs of recovery. The GDP recorded year-on-year positive growth for three consecutive periods due to the introduction of stimulus measures and improvement in foreign economy.

In the real estate industry, a rapidly deteriorated business environment and bankruptcy of real estate companies triggered by a series of financial crises are cooling down. However, the industry remained generally sluggish as investors had cautious attitudes towards new real estate investments.

With respect to the real estate trading market, several investment corporations in the J-REITs market resumed increasing their capital through public offering and property acquisitions using capital raised by public offering. In addition, the market showed signs of change in some business environment with restructuring of investment corporations.

In the market for condominium units for sale in the greater Tokyo area, during January 2009 to December 2009, the number of condo units sold decreased to 36,000 units, down 16.8 percent year on year. However, the closing rate rose to 70.3 percent in January 2010 and remained around 70 percent which provides an indication of peaks and troughs in the market. In 2010, the supply of units is expected to recover up to 43,000 units.

Throughout January to December, 2009, the market for existing condominium units for sale in the greater Tokyo area remained strong and the number of contracts signed was for 31,000 units, up 7.8 percent year on year. This is because there was rising momentum in existing properties followed by the aforementioned decline in the supply of new condo units for sale, through this notion people realize the value of these existing properties.

In the market for securitized real estate, as of December 31, 2009, total assets under management, including the balance of domestic private funds, J-REITs and global funds (Note), were ¥23.8 trillion. There was a slight increase of 0.6 percent year on year but the market remained unchanged throughout the year.

As of January 2010, in the market for leased office space in the 23 wards of Tokyo, as of January 2010, the average rent was down 11.5 percent year on year, to ¥13,580 per *tubo*. The vacancy rates had risen to 6.6 percent, an increase of 3.1 percentage points year on year, reaching the highest level since 2003 when a large number of office buildings were put on the market. It is expected to take some time until the balance between supply and demand recovers since new office supplies are expected in the near future in the 23 wards of Tokyo.

In this operating environment, the Company and its Group worked to pursue initiatives to re-grow by selling inventory assets, promoting the “Restyling Business” which was launched as our new business scheme and the purchasing of new properties.

As a result, consolidated revenues were ¥8,010 million, an increase of 3.0 percent compared with the same period of the previous fiscal year, operating income was ¥1,680 million, an increase of 30.9 percent, ordinary income was ¥1,499 million, an increase of 44.9 percent and net income was ¥876 million, an increase of 36.1 percent.

Note: Global funds are defined as private funds managed by foreign firms that have significant investment both in Japan and in overseas markets.

Segment results were as follows.

**Revitalization Business**

During the three months ended February 28, 2010, the Company sold 12 units in "Renai Kamakura Ueki" (Kamakura City, Kanagawa prefecture) in the Restyling Business. As a result, the segment revenues were ¥334 million, down 93.0percent year on year and the segment operating income came to ¥87 million, a fall of 89.0 percent year on year.

**Development Business**

During the three months ended February 28, 2010, the development business sold three condominiums for rent, including "THE Palms Nihonbashi Yokoyamacho" (Chuo Ward, Tokyo), "THE Palms Kunitachi" (Kunitachi City, Tokyo) and "THE Palms Monzen-nakacho" (Koto Ward, Tokyo). As a result, the segment revenues were ¥ 6,048 million, up 375.1 percent year on year and operating income was ¥1,274 million, an increase of 421.7 percent year on year.

**Rental Business**

During the three months ended February 28, 2010, vacancy rates rose due to office downsizing and relocations prompted by the prolonged recession. Additionally, the total number of properties the Company owns decreased because sales of properties in the revitalization business and the development business exceeded the number of properties the company recently purchased. As a result, the segment revenues were ¥671 million, down 24.2 percent year on year and operating income was ¥369 million, down 23.2 percent year on year.

**Fund Business**

During the three months ended February 28, 2010, the Company earned asset management fees steadily and also earned brokers' commissions. As a result, the segment revenues were ¥305 million, an increase of 59.9 percent year on year, operating income was ¥150 million, an increase of 324.7 percent year on year.
As of February 28, 2010, the balance of assets under management totaled ¥200,081 million.

**Property Management Business**

During the three months ended February 28, 2010, the Company made efforts to conclude new contracts and managed 306 properties as of January 31, 2010, including office buildings, parking lots and schools, while the office building management business saw contract cancellations due to changes in building ownership. Meanwhile, in the condominium management business, the number of properties managed by the Company increased to 175 as of January 31, 2010, due to an increase in new contracts for condominiums for sale or rent that are sold by other companies. As a result, the number of managed properties increased to 481, up 11 properties year on year. However, the segment saw a decline in contracts for repairing work and the segment revenues were ¥606 million, down 1.5 percent year on year and operating income was ¥27 million, down 63.7 percent year on year.

**Alternative Investment Business**

During the three months ended February 28, 2010, this segment focused on the collection of debt and the leasing of properties which the Company acquired through like-kind exchanges. As a result, the segment earned interest income and revenues from the sale of receivables, as well as rental income from real estate acquired through like-kind exchanges. Consequently, segment revenues came to ¥43 million, a fall of 27.0 percent year on year and operating income was ¥15 million, a fall of 60.2 percent year on year.

## 2. Qualitative Information Regarding Consolidated Financial Position

(1) Balance Sheet as of February 28, 2010

Total assets as of February 28, 2010 were ¥59,724 million, a decrease of ¥2,510 million from the end of the previous fiscal year. Primary factors include a decrease in inventory as a result of property sales from the revitalization and development businesses.

Total liabilities decreased ¥3,189 million to ¥36,791 million. Primary factors included a decrease in borrowings from financial institutions due to progress in the sale of properties.

Net assets increased ¥678 million to ¥22,932 million. Primary factors included an increase in retained earnings and payments of dividends.

(2) Cash Flows for the Three Months ended February 28, 2010

Cash and cash equivalents as of February 28, 2010 totaled ¥7,432 million, a decrease of ¥457 million from the end of the previous fiscal year. Primary factors included income before taxes of ¥1,500 million, a decrease in inventories resulting from steady progress of property sales in the revitalization and development businesses, and repayment of loans from financial institutions in conjunction with the sale of properties.

## 3. Qualitative Information Regarding the Consolidated Performance Forecasts

For the most part, business performance for the three months ended February 28, 2010,went according to plan, therefore the performance forecasts for the six months ending May 31, 2010, and the fiscal year ending November 30, 2010, remain the same as announced on January 12, 2010.

The projections are forward-looking statements based on currently available information, and therefore contain elements of uncertainty. Actual performance may differ from projections due to changes in operating conditions.

## 4. Other

(1) Changes in major subsidiaries during the period (changes in specified subsidiaries due to change in the scope of consolidation): No

(2) Application of simplified accounting methods or methods specifically for the quarterly consolidated financial statements

(a) Valuation of inventory

Inventory write-down is based on the estimated net sale of inventories upon which profit margins have declined significantly.

(b) Method of calculating corporate taxes, deferred tax assets and deferred tax liabilities

The calculation of corporate income taxes is limited to significant taxable or tax-exempt items. Judgments regarding the recoverability of deferred tax assets have been made based on methods using

performance projections and tax planning that has been applied in the previous fiscal year because The Group has confirmed that there have been no significant changes in the business environment or temporary differences since the end of the previous fiscal year.

(3) Changes in accounting rules, procedures, presentation methods, etc. for the quarterly consolidated financial statements: No

**Quarterly Consolidated Financial Statements**

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

| | As of Feb.28, 2010 | As of Nov.30, 2009 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 7,452,979 | 7,890,310 |
| Notes and accounts receivable | 388,821 | 360,411 |
| Marketable securities | 10,000 | 10,000 |
| Real estate for sale | 24,784,005 | 25,033,177 |
| Real estate for sale in progress | 11,004,344 | 12,329,921 |
| Purchased receivables | 92,593 | 121,291 |
| Other | 1,333,294 | 1,778,410 |
| Allowance for doubtful accounts | (6,016) | (5,985) |
| Total current assets | 45,060,022 | 47,517,537 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures | 4,685,261 | 4,685,261 |
| Accumulated depreciation | (866,552) | (838,615) |
| Buildings and structures (net) | 3,818,708 | 3,846,646 |
| Land | 8,926,449 | 8,925,649 |
| Other | 120,850 | 119,957 |
| Accumulated depreciation | (83,512) | (79,935) |
| Other (net) | 37,338 | 40,022 |
| Total tangible fixed assets | 12,782,496 | 12,812,318 |
| Intangible fixed assets | | |
| Other | 85,360 | 93,957 |
| Total intangible fixed assets | 85,360 | 93,957 |
| Investments and other assets | 1,796,281 | 1,811,297 |
| Total fixed assets | 14,664,139 | 14,717,573 |
| Total assets | 59,724,161 | 62,235,110 |

| | As of Feb.28, 2010 | As of Nov.30, 2009 |
|---|---|---|
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable | 229,554 | 718,535 |
| Short-term borrowings | 1,700,000 | 70,000 |
| Long-term debt due within one year | 14,917,343 | 16,114,804 |
| Income tax payable | 16,213 | 53,201 |
| Accrued bonuses to employees | 71,521 | 90,706 |
| Other | 1,386,104 | 1,317,437 |
| Total current liabilities | 18,320,736 | 18,364,684 |
| Long-term liabilities | | |
| Long-term debt | 16,018,563 | 19,107,576 |
| Accrued severance costs | 90,530 | 79,577 |
| Accrued retirement benefits to officers | 279,764 | 272,739 |
| Negative goodwill | 2,915 | 3,595 |
| Other | 2,079,436 | 2,153,228 |
| Total long-term liabilities | 18,471,210 | 21,616,718 |
| Total liabilities | 36,791,947 | 39,981,402 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Common stock | 4,452,807 | 4,452,807 |
| Additional paid-in capital | 4,536,283 | 4,536,283 |
| Retained earnings | 13,916,552 | 13,238,348 |
| Total shareholders' equity | 22,905,642 | 22,227,438 |
| Valuation, foreign currency and other adjustments | | |
| Unrealized loss on securities | (85) | (388) |
| Total valuation, foreign currency and other adjustments | (85) | (388) |
| Stock acquisition rights | 26,657 | 26,657 |
| Total net assets | 22,932,214 | 22,253,707 |
| Total liabilities and net assets | 59,724,161 | 62,235,110 |

(2) Quarterly Consolidated Statements of Operations( For the Three Months Period)

(Thousands of yen)

| | Three months ended Feb.28, 2010 (Dec.1, 2009-Feb.28, 2010) | Three months ended Feb.28, 2009 (Dec.1, 2008-Feb.28, 2009) |
|---|---|---|
| Revenues | 8,010,281 | 7,776,336 |
| Cost of revenues | 5,718,012 | 5,720,935 |
| Gross profit | 2,292,268 | 2,055,400 |
| Selling, general and administrative expenses | 611,944 | 772,149 |
| Operating income | 1,680,324 | 1,283,251 |
| Non-operating income | | |
| Interest income | 3,258 | 5,338 |
| Dividend income | 645 | 647 |
| Amortization of negative goodwill | 679 | 679 |
| Other | 4,871 | 3,683 |
| Total non-operating income | 9,455 | 10,349 |
| Non-operating expenses | | |
| Interest expenses | 188,473 | 257,157 |
| Interest on bonds | — | 1,251 |
| Other | 1,784 | 502 |
| Total non-operating expenses | 190,258 | 258,911 |
| Ordinary income | 1,499,521 | 1,034,689 |
| Extraordinary gains | | |
| Gain on sale of investment securities | 1,184 | — |
| Total extraordinary gains | 1,184 | — |
| Extraordinary losses | | |
| Write-down of investment securities | — | 456 |
| Total extraordinary losses | — | 456 |
| Income before income taxes | 1,500,706 | 1,034,233 |
| Current income taxes | 2,105 | 9,540 |
| Additional income tax for previous periods | — | (29,206) |
| Deferred income taxes | 622,476 | 410,338 |
| Total income taxes | 624,582 | 390,672 |
| Net income | 876,124 | 643,560 |

(3)Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

| | Three months ended Feb.28, 2010 (Dec.1, 2009-Feb.28, 2010) | Three months ended Feb.28, 2009 (Dec.1, 2008-Feb.28, 2009) |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes | 1,500,706 | 1,034,233 |
| Depreciation | 87,967 | 106,539 |
| Increase(decrease) in allowances | 3,008 | (8,443) |
| Interest and dividend income | (3,904) | (5,986) |
| Interest expenses | 188,473 | 258,409 |
| Loss on write-down of investment securities | — | 456 |
| Decrease(increase) in notes and accounts receivable | (31,097) | (62,646) |
| Decrease(increase)in inventories | 1,526,972 | 3,343,051 |
| Increase(decrease) in notes and accounts payable | (488,981) | (65,216) |
| Increase (decrease) in accrued consumption tax | 26,674 | (145,336) |
| Increase(decrease) in deposits and guarantee money received | (73,470) | (7,581) |
| Other | (176,951) | (220,154) |
| Subtotal | 2,559,398 | 4,227,323 |
| Receipts of interest and dividends | 6,030 | 6,416 |
| Payments of interest | (163,996) | (254,493) |
| Payments of income taxes | (42,158) | (640,771) |
| Net cash provided by (used in)operating activities | 2,359,274 | 3,338,474 |
| Cash flows from investing activities | | |
| Decrease(increase) in time deposits | (20,000) | (200,000) |
| Purchases of tangible fixed assets | (1,570) | (17,691) |
| Purchases of intangible fixed assets | — | (987) |
| Proceeds from sales of investment securities | 3,050 | — |
| Payments of loan receivables | — | (100,160) |
| Other | 17,816 | 5,385 |
| Net cash provided by (used in) investing activities | (703) | (313,452) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 1,630,000 | 353,000 |
| Proceeds from long-term debt | 1,510,000 | 1,029,000 |
| Repayments of long-term debt | (5,796,475) | (5,910,948) |
| Redemption of bonds | — | (12,000) |
| Cash dividends paid | (159,034) | (292,601) |
| Other | (391) | — |
| Net cash used provided by(used in) financing activities | (2,815,901) | (4,833,549) |
| Net increase(decrease) in cash and cash equivalents | (457,330) | (1,808,528) |
| Cash and cash equivalents at beginning of the period | 7,890,310 | 7,354,299 |
| Cash and cash equivalents at end of the period | 7,432,979 | 5,545,771 |

(4) Notes on Going-Concern Assumption

None

(5) Segment Information

(a) Business Segment Information

Three months ended Feb.28, 2010 (December 1, 2009 to February 28, 2010)

(Thousands of yen, rounded down to the nearest thousand)

| | Revitalization Business | Development Business | Rental Business | Fund Business | Property Management Business | Alternative Investment Business | Total | Elimination or Corporate | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | | | |
| (1) Outside Customers | 334,490 | 6,048,965 | 671,194 | 305,156 | 606,866 | 43,606 | 8,010,281 | — | 8,010,281 |
| (2) Inter-segment and transfers | — | — | 11,401 | 18,503 | 78,771 | — | 108,676 | (108,676) | — |
| Total | 334,490 | 6,048,965 | 682,596 | 323,659 | 685,638 | 43,606 | 8,118,957 | (108,676) | 8,010,281 |
| Operating Income (loss) | 87,306 | 1,274,285 | 369,582 | 150,281 | 27,598 | 15,527 | 1,924,582 | (244,257) | 1,680,324 |

Three months ended Feb.28, 2009 (December 1, 2008 to February 28, 2009)

(Thousands of yen, rounded down to the nearest thousand)

| | Revitalization Business | Development Business | Rental Business | Fund Business | Property Management Business | Alternative Investment Business | Total | Elimination or Corporate | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | | | |
| (1) Outside Customers | 4,751,478 | 1,273,197 | 885,006 | 190,885 | 616,009 | 59,758 | 7,776,336 | — | 7,776,336 |
| (2) Inter-segment and transfers | — | — | 10,979 | — | 135,361 | 441,278 | 587,619 | (587,619) | — |
| Total | 4,751,478 | 1,273,197 | 895,985 | 190,885 | 751,370 | 501,037 | 8,363,956 | (587,619) | 7,776,336 |
| Operating Income (loss) | 794,025 | 244,278 | 481,392 | 35,387 | 76,035 | 39,039 | 1,670,159 | (386,907) | 1,283,251 |

Notes: 1.Businesses are based on the classifications used by internal management.

2. Principal Business in Each Segment

| Segment | Principal Business |
|---|---|
| Revitalization Business | The Tosei Group acquires office buildings, commercial facilities, rental condominiums and other properties whose asset value has declined, increases their value through “value-up plans” that best match local characteristics and tenant needs, and resells them to investors, real estate funds, and individual end-users as revitalized real estate. |
| Development Business | In the 23 wards of Tokyo, the Tosei Group’s primary operating area, the Group studies factors relating to properties it purchases including local area and site characteristics, use, demand, rent levels and selling prices to maximize their value through development and new construction before selling them to investors, real estate funds, end-users and other customers. |
| Rental Business | The Tosei Group owns office buildings, residential and commercial properties, and parking lots primarily in the 23 wards of Tokyo, which it rents to end-users. By gathering information on tenants’ needs, it enhances “value-up plans” in the revitalization business and improves asset management capabilities in the fund business. |
| Fund Business | In the fund business, the Tosei Group conducts business as a Type 2 financial instrument business operator, as well as an advisor and agency, as defined by the Financial Instruments and Exchange Law. For real estate funds that are structured by investor participation, the Group finds properties that match investor needs and then conducts surveys. The Group also provides advice on the purchase, ownership and disposal of properties and management services. |
| Property Management Business | The Tosei Group provides comprehensive property management to meet a variety of real estate needs, including administration, facility management, cleaning and security for condominium complexes and office buildings and facilities, specialized building and utilities repair work for units in condominium complexes and office buildings, and office interior renovation contracting. |
| Alternative Investment Business | The Tosei Group invests in the real-estate collateralized loans and collects debt or acquires mortgaged properties as payment in kind. It also acquires properties through M&As of companies with real estate holdings and other companies associated with real estate and applies the Group’s know-how to increase the value of acquired properties before selling them. |

(b) Geographic segment information

Three months ended Feb. 28, 2010 (December 1, 2009 to Feb. 28, 2010)

Geographical segment information is omitted because the Tosei Group does not have any consolidated subsidiaries or offices in countries or regions other than Japan.

Three months ended Feb. 28, 2009 (December 1, 2008 to Feb. 28, 2009)
Geographical segment information is omitted because the Tosei Group does not have any consolidated subsidiaries or offices in countries or regions other than Japan.

(c) Overseas sales
Three months ended Feb. 28, 2010 (December 1, 2009 to Feb. 28, 2010)
Overseas sales information is omitted because the Tosei Group has no overseas sales.

Three months ended Feb. 28, 2009 (December 1, 2008 to Feb. 28, 2009)
Overseas sales information is omitted because the Tosei Group has no overseas sales.

(6) Significant Changes in Shareholders' Equity
None