TOSEI CORPORATION

Financial Results for the Three Months Ended February 28, 2011

Tosei Corporation (Ticker Symbol Number: 8923)

Three Months Ended February 28, 2011 - Highlights

We offer our heartfelt prayers to all those who lost their lives in the Tohoku-Pacific Ocean Earthquake, and extend our sincerest condolences to all those affected by the earthquake. We hope for the earliest possible recovery of the affected area.

Corporate

- We achieved an ordinary income of ¥461 million in the first three months, against a full-year forecast of ¥ 1,111 million.
- We newly acquired three properties (with assumed revenues of ¥5.5 billion).
- We revised our forecast for the six months ended May 31, 2011 to reflect the impact of the Tohoku-Pacific Ocean Earthquake (revised revenues downward and ordinary income upward).
  Revenues: ¥11,454 million⇒ ¥ 8,351 million Ordinary income: ¥ 318 million⇒ ¥ 456 million

Revitalization Business

- We sold 36 units under the concept of "Restyling Business".
- We acquired the large-scale property "Renai Higashiterao" (end of February) to sell as family-type condminiums under the Restyling Business concept (127 units in total).

Development Business

- We began sales for THE Palms Tsukishima Luna Garden. Began preview in mid-February. (Favorable response with visits by more than 300 couples)

Fund Business

- Balance of assets under management decreased to ¥205.3 billion* due to the implementation of exit strategies and expiration of asset management contracts , which offset acquisitions of new properties to replace old ones (Newly acquired ¥9.6 billion, Disposed ¥ 68.4 billion)

Finance

- Total assets increased by ¥ 1.2 billion to ¥63.9 billion, reflecting the promotion of purchases. Net equity ratio fell 0.7 percentage points from the end of the preceding year to 38.3% due to the acceleration of purchases, which offset the slight increase in net assets.
- New borrowing for three newly acquired properties (book value of ¥4.2 billion) was all long-term loans, and LTV was79%.
- We were four star eco-rating by Yachiyo Bank in recognition of the management 's commitment to environmental initiatives , and took out a loan with advantageous interest rates (second after eco-loan from Hokuriku Bank)

*Includes the balance of assets that were subject to consulting contracts , etc..

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Overview of Consolidated Results for the Three Months Ended Feb. 28, 2011

¥million

	Three Months ended Feb. 28, 2009		Three Months ended Feb. 28, 2010		Three Months ended Feb. 28, 2011		YoY changes	
		% of revenues		% of revenues		% of revenues		%
Revenues	7,776	100.0	8,010	100.0	4,650	100.0	(3,360)	(41.9)
Cost of revenues	5,720	73.6	5,718	71.4	3,184	68.5	(2,533)	(44.3)
Gross profit	2,055	26.4	2,292	28.6	1,465	31.5	(826)	(36.1)
Selling, general andadministrative	772	9.9	611	7.6	741	16.0	129	21.2
Operating income	1,283	16.5	1,680	21.0	723	15.6	(956)	(56.9)
Ordinary income	1,034	13.3	1,499	18.7	461	9.9	(1,037)	(69.2)
Net Income	643	8.3	876	10.9	273	5.9	(602)	(68.7)
EPS(¥)	1,707.78		2,213.33		599.50		(1,613.83)	(72.9)
ROE(%)	3.1		3.9		1.1		-2.8P	
ROA(%)	0.8		1.4		0.4		-1.0P	
Ordinary income per employe	4		7		2		(5)	(70.2)

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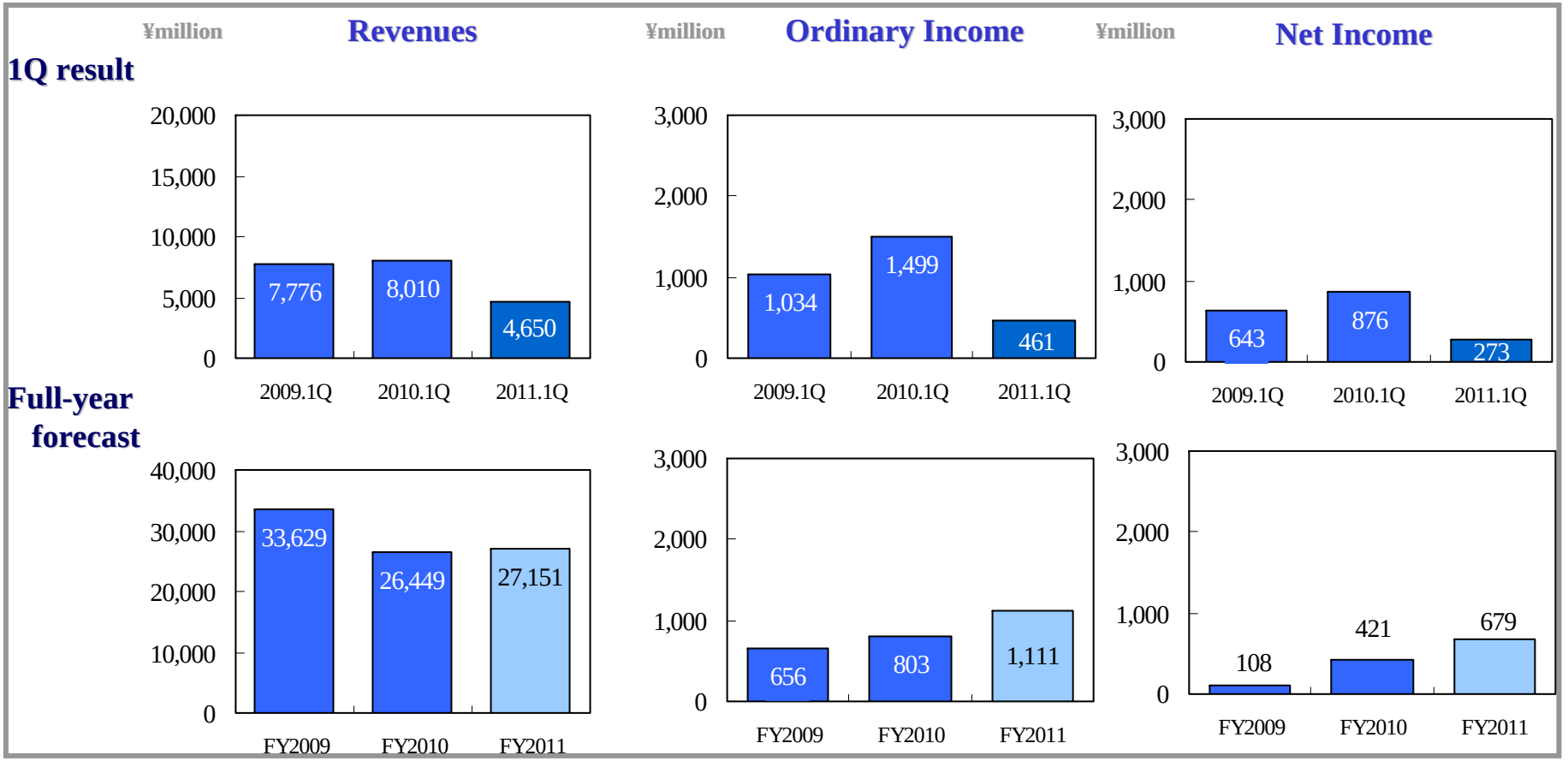
Overview of Consolidated Revenues and Income for the Three Months Ended Feb. 28, 2011

Besides sales of small to medium sized office and residential properties to business corporations and affluent individuals, sales of condo units in Restyling Business were also strong.
Despite slightly lagging revenues, we are making good progress towards our full-year income target.



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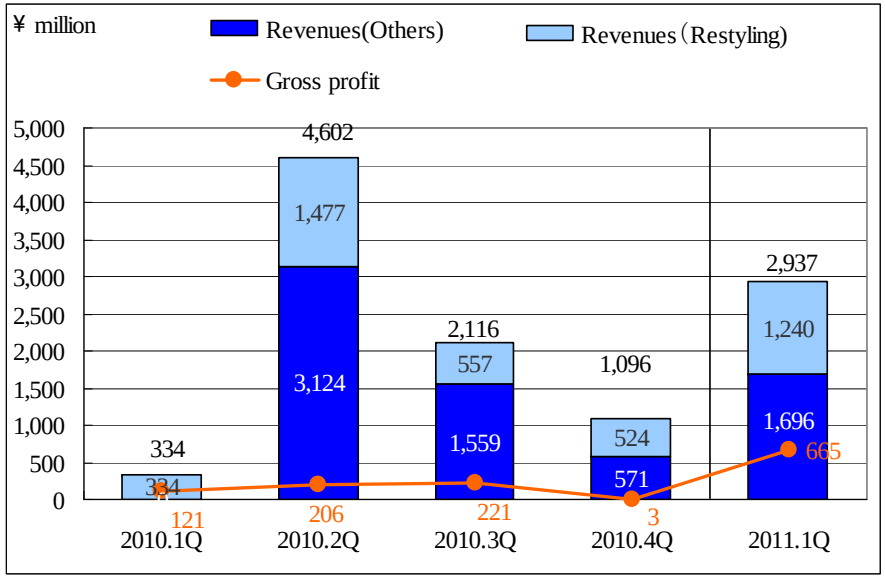
Revitalization Business

1Q sales: Sold 4 small to medium sized properties, and 36 units in the Restyling Business.
1Q purchases: Purchased 2 properties (158 units) in the Restyling Business, and one small to medium sized office property.

Revenues and Gross Profit



(¥ million)	FY 2010		FY 2011	
	Three months	Full year	Three months	Full year (forecast)
Revenues	334	8,149	2,937	13,456
Gross profit	121	553	665	1,968
Operating income	87	408	621	1,780

*Gross profit reflects amounts calculated under the LCM and recorded under cost of revenues as follows.
FY ended Nov. 30, 2010,: 2Q:¥333 million, 3Q: ¥ 114 million,4Q: ¥ 163 million

Major properties sold

Meguro Tosei Building
Besides selling a commercial building in front of JR Meguro Station, we also sold rental condos and income generating buildings.

Hilltop Yokohama Negishi

Air Terrace

Ecology Ochiai Residence

Through the Restyling Business, we sold 36 units in 7 properties including Hilltop Yokohama Negishi and Ecology Ochiai Residence.

Major properties purchased (Restyling)

Outside view of Renai Higashiterao Floating Garden (127 units in total)

Glenpark Ikedayama (31 units in total)

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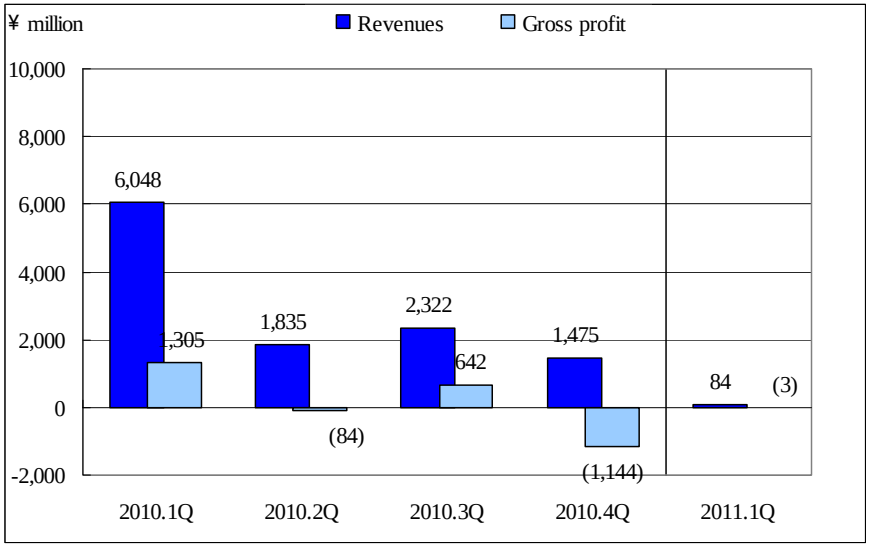
Development Business

1Q sales: Sold 1 detached property.
New Development: Promoted sales for THE Palms Mitaka Series and THE Palms Tsukishima.

Revenues and Gross Profit



(¥ million)	FY 2010		FY 2011	
	Three months	Full year	Three months	Full year (forecast)
Revenues	6,048	11,682	84	6,696
Gross profit	1,305	719	(3)	302
Operating income	1,274	599	(45)	146

* Gross profit reflects amounts calculated under the LCM and recorded under cost of revenues as follows.
FY ended Nov. 30, 2010,: 2Q:¥173 million, 3Q: ¥ 100 million,4Q: ¥ 113 million

■Properties sold

Okuzawa detached house

■Newly developed

Condos for sale

THE Palms Mitaka Leggero

Rooftop vegetable garden

THE Palms Takadanobaba (tentative name)

<Detached houses>

THEPalms Tsukishima Luna Garden. Started preview sessions in February.

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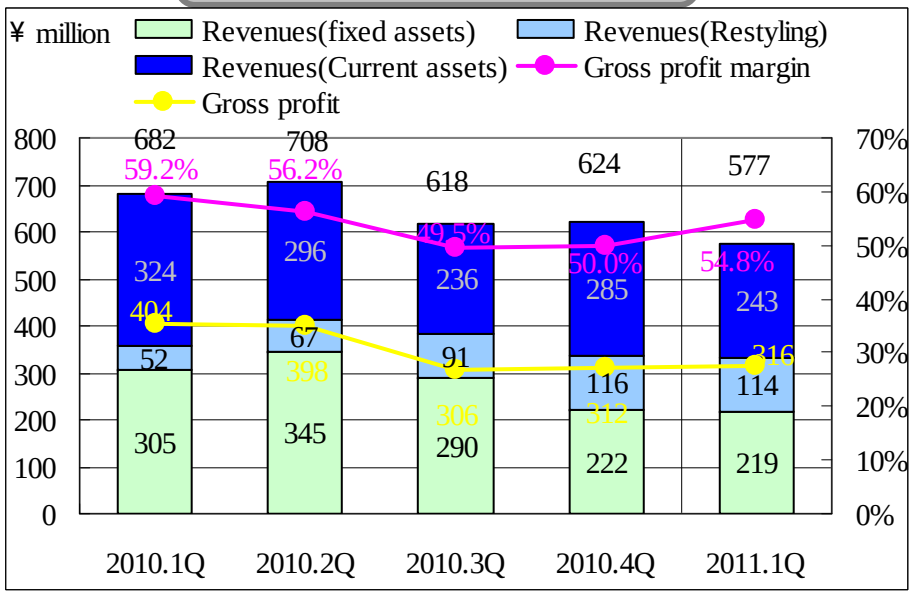
Rental Business

Rental income from current assets decreased with progress in sales of our inventory. Meanwhile, the profit margin improved as we maintained and raised occupancy rates and continued to reshuffle our portfolio.

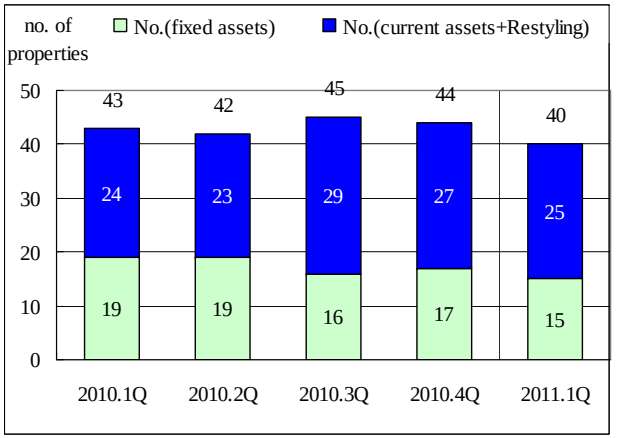
Revenues and Gross Profit Margin



(¥ million)	FY 2010		FY 2011	
	Three months	Full year	Three months	Full year (forecast)
Revenues	682	2,634	577	2,499
Gross profit	404	1,422	316	1,313
Operating income	369	1,295	280	1,173

*Revenues include internal transactions.

Number of buildings



Rental income from Restyling properties remained stable, offsetting the decrease in rental income due to sales of inventory.

Breakdown of rental properties held
- **26 office buildings & commercial facilities**
- **11 condominiums**
- **3 other rental properties**

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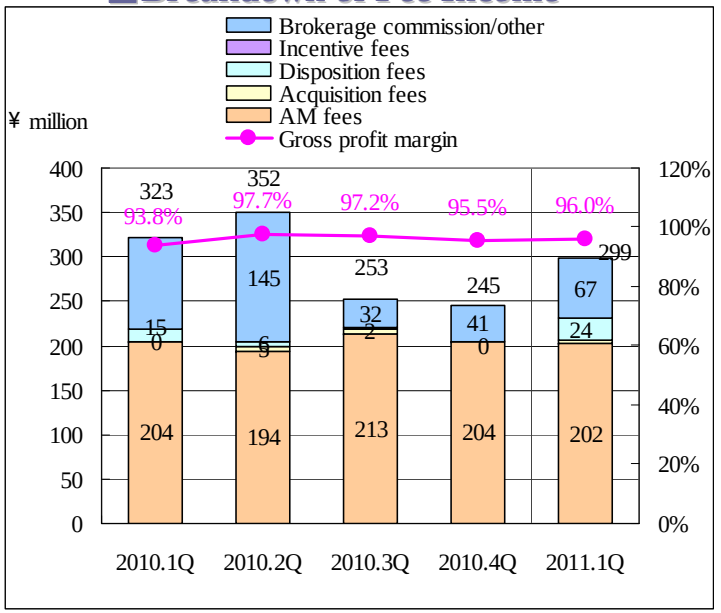
Fund Business

Factors for an increase in AUM: +¥9.6 billion（Acquisition of replacement contracts）
Factors for a decrease in AUM: ▲¥68.4 billion（Implementation of exit strategies, expiration of asset management contracts）
Revenue-wise, disposition and brokerage fees on the sale of properties increased.

■Balance of Assets Under Management

*The purple portions indicates the balance of assets which were subject to consulting contracts etc.

■Breakdown of Fee Income



(¥ million)	FY 2010		FY 2011	
	Three months	Full year	Three months	Full year (forecast)
Revenues	323	1,175	299	851
Gross profit	303	1,128	287	774
Operating income	150	500	121	29

*Revenues include internal transactions.

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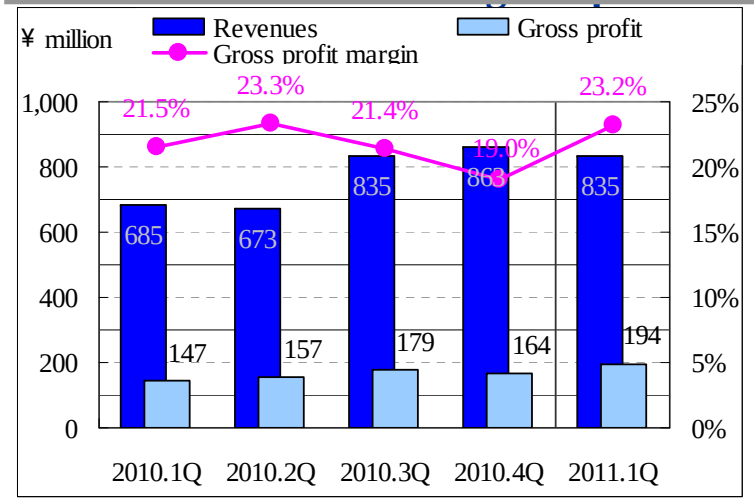
Property Management Business and Alternative Investment Business

Property Management Business

Won new management business and consequently reported year on year gains in in both revenues and gross profit..



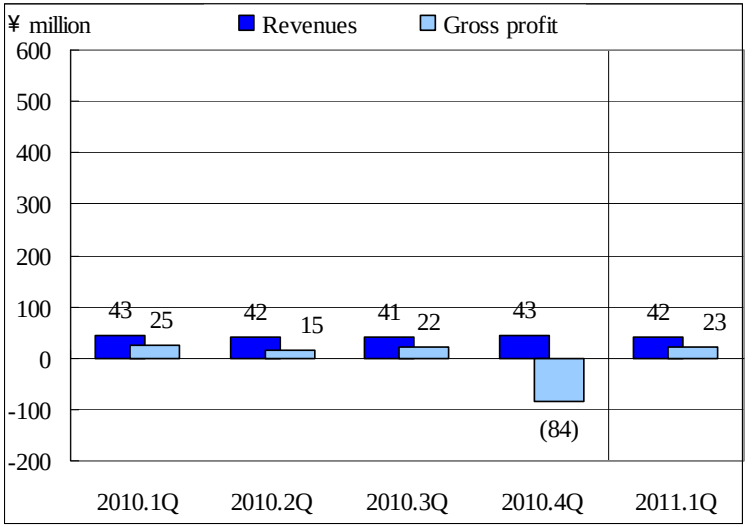
(¥ million)	FY 2010		FY 2011	
	Three months	Full year	Three months	Full year (forecast)
Revenues	685	3,057	835	3,225
Gross profit	147	649	194	735
Operating income	27	120	23	75

*Revenues include internal transactions.

No. of Properties	10.1Q	10.2Q	10.3Q	10.4Q	11.1Q
Buildings	306	305	314	312	315
Condominiums	175	178	181	199	191
Total	481	483	495	511	506

Alternative Investment Business

Focused on collection of debt and leasing of properties.



(¥ million)	FY 2010		FY 2011	
	Three months	Full year	Three months	Full year (forecast)
Revenues	43	170	42	749
Gross profit	25	(20)	23	100
Operating income	15	(57)	11	62

* Revenues include internal transactions.

- **Gross profit reflects amounts calculated under the LCM and recorded under cost of revenues as follows.**
  FY ended Nov. 30, 2010,: 2Q：¥7 million, 4Q：¥ 108 million

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Analysis of SG&A Expenses

(¥million,%)

	Three Months ended Feb. 28, 2009	% of revenues	Three Months ended Feb. 28, 2010	% of revenues	Three Months ended Feb. 28, 2011	% of revenues	YoY changes	%
Revenues	7,776	100.0	8,010	100.0	4,650	100.0	(3,360)	(41.9)
Cost of sales	5,720	73.6	5,718	71.4	3,184	68.5	(2,533)	(44.3)
Gross profit	2,055	26.4	2,292	28.6	1,465	31.5	(826)	(36.1)
Selling, general and administrative expenses	772	9.9	611	7.6	741	16.0	129	21.2
Operating income	1,283	16.5	1,680	21.0	723	15.6	(956)	(56.9)
Non-operating income	10	0.1	9	0.1	6	0.1	(2)	(30.6)
Non-operating expenses	258	3.3	190	2.4	268	5.8	78	41.2
Ordinary income	1,034	13.3	1,499	18.7	461	9.9	(1,037)	(69.2)
Net Income	643	8.3	876	10.9	273	5.9	(602)	(68.7)
EPS(¥)	1,707.8		2,213.3		599.5		(1,613.83)	(72.9)
ROE(%)	3.1		3.9		1.1		-2.8P	
ROA(%)	0.8		1.4		0.4		-1.0P	
Ordinary income per head	4		7		2		(5)	(70.2)

Main Factors for Changes in SG&A Expenses

Labor expenses **+¥57 million (+12.6%)**

- Mainly due to rise in salaries and allowances as a result of increase in personnel.
  (198 employees as of end of Feb. 2010 ⇒211 employees as of end of Feb. 2011)

Taxes and duties **+¥54 million (+124.7%)**

- Increase in non-deductible consumption tax largely attributable to purchases of large-scale properties.

Increase in Interest Expenses

Attributable to expansion of interest-bearing debt associated with purchases of inventory assets, and the payment of upfront fees in connection with the acquisition of large-scale properties.

- Average balance of interest-bearing debt **+¥1 billion (¥33.9 billion→¥34.9 billion : +2.9%)**
- Increase in interest expenses **+¥79 million (+ 42.0% YoY)**

(or, excluding upfront fees,+8.1%).

*Average balance represents the average balance of interest-bearing debt at the end of FY2010 and 1Q 2011.

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Balance Sheet Summary (Consolidated) I — Assets —

(¥million)

	as of Nov. 30, 2010	Decrease	Increase	as of Feb. 28, 2011
Total assets	62,682	1,272		63,955
Cash and deposits	7,127	*1 (1,218)		5,908
Inventories (Real estate)	37,476	*2 2,941	*2 5,081	39,617
Fixed assets	14,398	32	538	14,905
Other assets	3,679	(155)		3,523

Change in cash & deposits(*1)

- There was virtually no change in cash & deposits as a result of sales and purchases of inventory assets, but scheduled repayments, dividend payments and other factors caused cash & deposits to decrease by ¥1.2 billion from the end of FY2010 to ¥ 5.9 billion.

Change in inventories(*2)

- Increased by ¥2.1 billion from the end of FY2010 to ¥ 39.6 billion because purchases exceeded sales.

(¥ million)			
Factors for Increases	New purchases		+4,230
	Construction costs		+821
	others		+29
Factors for decreases	Property sales	(2,356)	
	LCM method	(44)	
	Properties shifted from inventories to fixed assets	(540)	
Total		(2,941)	+5,081

Newly purchased:
Restyling : 2 properties

Small and medium sized office: 1 property

Properties sold
Small and medium sized office : 4 properties
Restyling : 36 units (7 properties)
Subdivided detached house: 1 property

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Balance Sheet Summary (Consolidated) II －Liabilities and Net Assets－

(¥million)

	as of Nov. 30, 2010	Decrease	Increase	as of Feb. 28, 2011
Liabilities and Net assets	62,682	1,272		63,955
Interest-bearing debt	34,262	*1 6,065	*1 7,409	35,606
Interest-bearing debt(short-	10,823	*1 2,749	*1 2,687	10,761
Interest-bearing debt(long-term)	23,438	3,316	4,722	24,844
Other liabilities	3,964	(117)		3,847
Net assets	24,455	46		24,501
Equity ratio(%)	39.0	(0.7) *2		38.3

Increase (decrease) in interest-bearing debt(*1)

New borrowings and other borrowings exceeded repayment by property sales and other repayments, and interest -bearing debt increased by ¥1.3 billion from the end of FY2010.
New borrowings were all long-term loans.

			（¥ million）	
Short-term	Factors for increase	Long term→within one year		+2,687
		Other borrowings		
	Factors for decrease	Repayment by property sales	(930)	
		Other repayments	(1,051)	
		Debt extension	(769)	
Long-term	Factors for increase	New borrowings		+3,504
		Other borrowings		+450
		Debt extension		+769
	Factors for decrease	Repayment by property sales	(571)	
		Other repayments）	(59)	
		Long term→within one year	(2,687)	
	Total		(6,065)	+7,409

Decrease in Equity Ratio(*2)

・Equity ratio fell slightly by 0.7P to 38.3% due to retained earnings of ¥270 million and dividend payments of ¥220 million.

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Inventories (Consolidated)

(¥million)

Book value of inventories as of February 28, 2011	39,617

Assumed Revenues	54,595

Breakdown of Inventory Balance

By property type	Inventory				Assumed revenues		Total assumed revenues
	Revitalization (including alternative	Number of Properties	Development	Number of Properties	Revitalization (including alternative	Development	
Office buildings	9,425	13	9,253	3	11,564	9,571	21,136
Condominiums	15,996	15	3,466	4	20,444	11,069	31,514
Detached housings	-	-	347	1	-	620	620
Others	1,126	5	-	-	1,323	-	1,323
Total	26,549	※1 33	13,068	※1 8	33,333	21,262	54,595

Notes:

Assumed revenues above are based on Tosei's estimates using information available as of February 28, 2011. Actual amounts are subject to various factors and may vary significantly from the estimates.

* Inventories above represent carrying value as of February 28, 2011 and may increase due to factors including expenses to add value or construction expenses.

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Summary of Cash Flow Statements (Consolidated)

(¥million)

	Three months ended Feb. 28, 2009	Three months ended Feb. 28, 2010 (A)	Three months ended Feb. 28, 2011 (B)	YoY change (B)-(A)
Net Cash provided by (used in) operating activities	3,338	2,359	*1 (2,318)	(4,677)
Income before income taxes	1,034	1,500	441	(1,058)
Depreciation	106	87	84	(3)
Net increase (decrease) in assets and liabilities	3,024	1,024	(2,848)	(3,872)
Others	(827)	(253)	3	257
Net Cash provided by (used in) investing activities	(313)	0	(45)	(44)
Net (decrease) increase in fixed assets	(18)	(1)	(55)	(54)
Net increase in investment securities	0	3	0	(3)
Others	(294)	(2)	10	12
Net cash (used in) provided by financing activities	(4,833)	(2,815)	*2 1,144	3,960
Net increase(decrease) in debt	(4,540)	(2,656)	1,343	4,000
Proceeds from issued stock	0	0	0	0
Cash dividend paid	(292)	(159)	(198)	(39)
Net (decrease) increase in cash and cash equivalents	(1,808)	(457)	(1,218)	(761)
ash and cash equivalents at beginning of the year	7,354	7,890	6,821	(1,069)
Increase (decrease) in cash and cash equivalents of subsidiaries removed from consolidation	0	0	0	0
Cash and cash equivalents at end of the period	5,545	7,432	5,602	(1,831)

Cash Flows from Operating Activities *1

Net cash used in operating activities during the first three months totalled ¥2.3 billion. Primary factors included income before income taxes of ¥ 0.4 billion and a net decrease in inventories of ¥ 2.8 billion.

Cash Flows from Financing Activities*2

Net cash provided by financing activities during the first three months totalled ¥1.1 billion. Primary factors included a ¥1.3 billion increase in borrowings due to the promotion of purchases and dividend payments of ¥0.2 billion.

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Overview of Segment Results (Consolidated)
1. Revenues and Cost of Revenues

Reference

(¥million, %)

Revenues	Three Months ended Feb. 28, 2009	% of revenues	Three Months ended Feb. 28, 2010	% of revenues	Three Months ended Feb. 28, 2011	% of revenues	YoY change	%
Total	7,776	100.0	8,010	100.0	4,650	100.0	(3,360)	(41.9)
Revitalization business	4,751	61.1	334	4.2	2,937	63.2	2,602	778.1
Development business	1,273	16.4	6,048	75.5	84	1.8	(5,964)	(98.6)
Rental business	895	11.5	682	8.5	577	12.4	(104)	(15.4)
Fund business	190	2.5	323	4.0	299	6.4	(24)	(7.4)
Property management business	751	9.7	685	8.6	835	18.0	149	21.8
Alternative investment business	501	6.4	43	0.5	42	0.9	0	(1.5)
Internal transactions	(587)	-	(108)	-	(126)	-	(17)	-

Cost of revenues	Three Months ended Feb. 28, 2009	% of revenues	Three Months ended Feb. 28, 2010	% of revenues	Three Months ended Feb. 28, 2011	% of revenues	YoY change	%
Total	5,720	73.6	5,718	71.4	3,184	68.5	(2,533)	(44.3)
Revitalization business	3,917	82.4	212	63.6	2,271	77.4	2,059	967.5
Development business	983	77.2	4,743	78.4	87	104.5	(4,655)	(98.1)
Rental business	365	40.8	277	40.7	261	45.2	(16)	(6.0)
Fund business	7	3.9	20	6.3	12	4.1	(8)	(39.4)
Property management business	556	74.1	538	78.5	640	76.7	102	19.0
Alternative investment business	448	89.5	17	41.0	19	44.7	1	7.4
Internal transactions	(557)	-	(93)	-	(109)	-	(15)	-

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Overview of Segment Results (Consolidated)
2. Gross Profit and Operating Income

Reference

(¥million, %)

Gross profit	Three Months ended Feb. 28, 2009	% of revenues	Three Months ended Feb. 28, 2010	% of revenues	Three Months ended Feb. 28, 2011	% of revenues	YoY change	%
Total	**2,055**	**26.4**	**2,292**	**28.6**	**1,465**	**31.5**	**(826)**	**(36.1)**
Revitalization business	**834**	**17.6**	**121**	**36.4**	**665**	**22.6**	**543**	**446.8**
Development business	**290**	**22.8**	**1,305**	**21.6**	**(3)**	**(4.5)**	**(1,308)**	**(100.3)**
Rental business	**530**	**59.2**	**404**	**59.3**	**316**	**54.8**	**(88)**	**(21.8)**
Fund business	**183**	**96.1**	**303**	**93.7**	**287**	**95.9**	**(16)**	**(5.3)**
Property management business	**194**	**25.9**	**147**	**21.5**	**194**	**23.3**	**46**	**31.9**
Alternative investment business	**52**	**10.5**	**25**	**59.0**	**23**	**55.3**	**(1)**	**(7.6)**
Internal transactions	(30)	-	(15)	-	(17)	-	(2)	-

Operating income	Three Months ended Feb. 28, 2009	% of revenues	Three Months ended Feb. 28, 2010	% of revenues	Three Months ended Feb. 28, 2011	% of revenues	YoY change	%
Total	**1,283**	**16.5**	**1,680**	**21.0**	**723**	**15.6**	**(956)**	**(56.9)**
Revitalization business	**794**	**16.7**	**87**	**26.1**	**621**	**21.1**	**533**	**611.5**
Development business	**244**	**19.2**	**1,274**	**21.1**	**(45)**	**(54.4)**	**(1,320)**	**(103.6)**
Rental business	**481**	**53.7**	**369**	**54.1**	**280**	**48.5**	**(89)**	**(24.2)**
Fund business	**35**	**18.5**	**150**	**46.4**	**121**	**40.7**	**(28)**	**(18.8)**
Property management business	**76**	**10.1**	**27**	**4.0**	**23**	**2.9**	**(3)**	**(13.7)**
Alternative investment business	**39**	**7.8**	**15**	**35.6**	**11**	**27.4**	**(3)**	**(24.1)**
Corporate and eliminations	(386)	-	(244)	-	(289)	-	(45)	-

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