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## Summary of Consolidated Financial Statements for the First Three Months of the Fiscal Year Ending November 30, 2012 (Japanese Accounting Standards)

April 5, 2012

Tosei Corporation  
Code number: 8923

Stock exchange listings: Tokyo, First Section  
URL: <http://www.toseicorp.co.jp/english/>

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Scheduled date of filing of quarterly report:

April 9, 2012

Start of distribution of dividends:

-

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: No

No

### 1. Consolidated Operating Results for the First Three Months of the Fiscal Year Ending November 30, 2012

(December 1, 2011 – February 29, 2012)

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

#### (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. 29, 2012	5,023	8.0	743	2.7	526	14.0	233	(14.7)
Three months ended Feb. 28, 2011	4,650	(41.9)	723	(56.9)	461	(69.2)	273	(68.7)

(Note) Comprehensive income: The First Three Months of the FY Ending November 30, 2012: ¥235 million (- 14.4%)

The First Three Months of the FY Ended November 30, 2011: ¥274 million (-%)

	Earnings per share	Earnings per share (diluted)
	(¥)	(¥)
Three months ended Feb. 29, 2012	511.44	—
Three months ended Feb. 28, 2011	599.50	—

#### (2) Financial Position

	Total assets	Net assets	Equity ratio
	(¥ million)	(¥ million)	(%)
As of Feb. 29, 2012	61,120	24,982	40.9
As of Nov. 30, 2011	59,967	24,976	41.6

(Reference) Equity: As of February 29, 2012: ¥24,982 million As of November 30, 2011: ¥24,976 million

#### 2. Dividends

(Record Date)	Dividends per share (¥)				
	1Q-end	2Q-end	3Q-end	Year-end	Full year
	(¥)	(¥)	(¥)	(¥)	(¥)
Year ended Nov. 30, 2011	—	0.00	—	500.00	500.00
Year ending Nov. 30, 2012	—	—	—	—	—
Year ending Nov. 30, 2012 (projected)	—	0.00	—	500.00	500.00

(Note) Corrections regarding the latest dividend forecast: No

#### 3. Projected Results for the Fiscal Year Ending November 30, 2012 (December 1, 2011 - November 30, 2012)

(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)	(%)	(¥)
Six months ending May 31, 2012	9,719	(9.2)	759	(31.6)	311	(52.1)	116	(69.5)	254.44
Full year	29,063	17.4	3,079	28.9	2,226	41.4	1,278	70.1	2,799.12

(Note) Corrections regarding the latest consolidated forecast figures: No

#### 4. Other

- (1) Changes in major subsidiaries during the period: No  
 (Changes in specified subsidiaries involving change of scope of consolidation)  
 Newly added: - Excluded: -
- (2) Application of special accounting methods to quarterly financial statements : No
- (3) Changes in accounting policies, accounting estimates, and retrospective restatements
- (a) Changes in accounting policies associated with revision of accounting standards: No
  - (b) Changes in accounting policies other than (a) above: No
  - (c) Changes in accounting estimates: No
  - (d) Retrospective restatements: 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.29, 2012	456,840 shares	As of Nov. 30, 2011	456,840 shares
(b) Treasury stock at end of period	As of Feb.29, 2012	—	As of Nov. 30, 2011	—
(c) Average number of issued shares during the period:	Three months ended Feb. 29, 2012	456,840 shares	Three months ended Feb. 28, 2011	456,840 shares

(\* Information regarding the implementation of quarterly review procedures)

The current quarterly financial statements are exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, we have not completed the review process for these consolidated statements.

(\* Proper use of the earnings forecasts and other notes)

Forecasts of future performance in this report are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ significantly from these forecasts due to a number of factors. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance (3) Qualitative Information Regarding the Consolidated Performance Forecasts” on page 5 of the attached documents for cautionary notes concerning assumptions for earnings forecasts and use of earnings forecasts.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Qualitative Information Regarding Consolidated Results

During the three months ended December 1, 2011 (December 1, 2011 to February 29, 2012), the Japanese economy showed some signs of gradual recovery from the challenging situations caused by the Great East Japan Earthquake, as a result of the implemented political measures and the pickup in personal spending. However, it still remains uncertain due to the downturn in world economy and employment conditions.

In the real estate industry where Tosei Group operates, the number of condo units supplied in the greater Tokyo area in 2011 remained the same as the previous year, which was 44 thousand though there was an impact of the earthquake on the market. The contract rate during the months from January 2010 to January 2012 has been above 70%, which is considered favorable. In the market for leased office building in the five business wards of Tokyo, the vacancy rate has been high since October 2011, and it became 9.2% in January 2012. One of the factors for the January's rise is believed to be an enlarged vacant area associated with an increase in supply volume of large-sized buildings. Consequently, the average asking rent has consistently remained at low levels, showing that the situations are still challenging. In the market for securitized real estate as of the end of December 2011, the balance of assets for private placement funds under management increased by ¥0.4 trillion from the end of June 2011 to ¥17.8 trillion. This reflects that the fundraising environment is improving and there is a pickup in appetite of equity investors.

In this operating environment, Tosei Group has been promoting sale of inventory assets and purchase of residential properties that are in firm demand. The sale of new condominiums which we developed has also been progressing well, and they will be delivered to customers within the second-half of the current fiscal year. In January 2012, Tosei Group has established its first overseas subsidiary in Singapore, in an effort to strengthen the relationship with foreign investors and expand its fund business.

As a result, for the first three months ended February 29, 2012, consolidated revenue totaled ¥5,023 million (an increase of 8.0% compared with the same period of the previous fiscal year), operating income was ¥743 million (an increase of 2.7%), ordinary income was ¥526 million (an increase of 14.0%), and net income was ¥233 million (a decrease of 14.7%).

The primary factor for the decrease in net income is the effects on the differed tax asset caused by the changes in corporate tax rates which was accompanied by the revision of taxation system. (For details, please refer to "2. Matters Concerning Other Information, (4) Additional Information, Effects of Changes in Corporate Tax Rates".)

Segment results were as follows.

#### **Revitalization Business**

During the three months ended February 29, 2012, the Company sold a total of 28 units through the Restyling business. The properties sold include Hilltop Yokohama Negishi (Yokohama City, Kanagawa Prefecture), Renai Higashi Terao (Yokohama City, Kanagawa Prefecture), Estage Kaminoge (Setagaya Ward, Tokyo). In addition, the Company sold 2 buildings it had revitalized including Uchikanda Kitahara Building (Chiyoda Ward, Tokyo).

As a result, segment revenues became ¥2,089 million, a decrease of 28.8% compared with the same period last year, and the segment operating income was ¥386 million, a decrease of 37.7%.

#### **Development Business**

During the three months ended February 29, 2012, the development business sold the land in Hiro 5-Chome (Shibuya Ward, Tokyo), 7 newly-built condominiums including THE Palms Mitaka Leggero (Mitaka City, Tokyo), and 1 detached houses in Palms Court Yokohama Negishi (Yokohama City, Kanagawa Prefecture).

As a result, segment revenues came to ¥ 1,110 million, an increase of 1,218.9% compared with the same period last year, and the segment operating income came to ¥314 million. (The segment operating loss of the same period last year was ¥ 45 million.)

### **Rental Business**

During the three months ended February 29, 2012, the Company worked to sustain the occupancy rate amid the challenging market condition of rental office buildings where vacancy rates are rising.

As a result, segment revenues were ¥564 million, a decrease of 0.2% compared with the same period last year, and the segment operating income was ¥271 million, a decrease of 3.1%.

### **Fund Business**

During the three months ended February 29, 2012, the Company earned asset management fees steadily in response to the increased balance of assets under management.

As a result, the segment revenues were ¥157 million, a decrease of 46.3% compared with the same period last year, and the segment operating income was ¥9 million, a decrease of 92.3%.

As of Feb. 29, 2012, the balance of assets under management\* totaled ¥289,165 million.

\*Note: The balance of assets under management includes the balance of assets which were subject to consulting contracts and etc.

### **Property Management Business**

During the three months ended February 29, 2012, regarding the sector for office buildings, parking lots and schools, the number of properties the Company managed decreased by 2 to 313 properties as of Jan. 31, 2012, while the number of condominiums and rental apartments, increased by 18 to 209 properties, which brings the overall total to 522, an increase of 16 compared with the same period last year.

As a result, the segment revenues were ¥1,001 million, an increase of 37.8% compared with the same period last year, and the segment operating income was ¥39 million, an increase of 65.0%.

### **Alternative Investment Business**

During the three months ended February 29, 2012, this segment focused on the sale of properties acquired through M&A, 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 properties and receivables, as well as rental income from real estate acquired through like-kind exchanges.

Consequently, segment revenues came to ¥99 million, an increase of 132.6% compared with the same period last year, and the segment operating income was ¥12 million, an increase of 9.9%.

## **(2) Qualitative Information Regarding Consolidated Financial Position**

Total assets as of February 29, 2012 were ¥61,120 million, an increase of ¥1,153 million from the end of the previous fiscal year. Primary factors include an increase in inventory as a result of property purchase in the revitalization and development businesses.

Total liabilities increased by ¥146 million to ¥36,137 million. Primary factors included an increase in borrowings from financial institutions resulted from property purchase.

Net assets increased by ¥6 million to ¥24,982 million. Primary factors included an increase in retained earnings and payments of dividends.

## **(3) Qualitative Information Regarding the Consolidated Performance Forecasts**

The business result during the three months ended February 29, 2012 basically remained stable as planned. There has not been any revision on the performance forecasts for the first six months of the fiscal year ending May 31, 2012 and the full-year ending November 30, 2012, which have been announced on January 10, 2012.

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

## 2. Matters Concerning Other Information

(1) Changes in Major Subsidiaries During the Period:

No

(2) Application of Special Accounting Methods to Quarterly Financial Statements:

No

(3) Changes in Accounting Policy, Accounting Estimates, and Retrospective Restatements:

No

(4) Additional Information:

(Application of Accounting Standard for Accounting Changes and Error Corrections)

The Company adopted “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No.24, December 4, 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No.24, December 4, 2009) as from the beginning of the first three months of the fiscal year.

(Effects of Changes in Corporate Tax Rates)

The effective tax rate which is used to compute differed tax asset and differed tax liability will be 38.01% for the period from December 1, 2012 to November 30, 2015. The rate to be applied for the consolidated fiscal years as from December 1, 2015 will be 35.64%. This is because a modified tax rate will be adopted from the consolidated fiscal year starting on April 1, 2012 in response to the promulgation of “Act to Partially Amend Income Tax Act for Development of Taxation System Responding to Changes of Social and Economic Structures” (Act No. 114 of 2011) and “Act on Special Measures Concerning Finance Resources Required for Reconstruction From the Great East Japan Earthquake” (Act No. 117 of 2011), which went into effect on December 2, 2011.

As a result, the differed tax asset in current assets decreased by ¥15,038 thousand, the differed tax asset in fixed assets decreased by ¥66,771 thousand, the differed tax liability in long-term liabilities decreased by ¥2,700 thousand, the valuation difference on available-for-sale securities increased by ¥115 thousand, and the income taxes-deferred increased by ¥78,992 thousand.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

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

	As of Feb. 29, 2012	As of Nov. 30, 2011
<b>ASSETS</b>		
Current assets		
Cash and deposits	6,935,414	8,326,305
Notes and accounts receivable	470,350	399,856
Marketable securities	10,000	10,000
Real estate for sale	28,803,986	27,360,973
Real estate for sale in progress	7,596,834	6,374,335
Purchased receivables	78,017	81,361
Other	1,161,734	1,361,100
Allowance for doubtful accounts	(6,515)	(5,697)
Total current assets	45,049,822	43,908,234
Fixed assets		
Tangible fixed assets		
Buildings and structures	5,345,807	5,337,567
Accumulated depreciation	(976,879)	(947,482)
Buildings and structures (net)	4,368,928	4,390,084
Land	10,235,996	10,175,285
Other	126,785	127,756
Accumulated depreciation	(90,374)	(93,573)
Other (net)	36,411	34,183
Total tangible fixed assets	14,641,336	14,599,553
Intangible fixed assets		
Other	60,231	67,705
Total intangible fixed assets	60,231	67,705
Investments and other assets	1,369,391	1,392,110
Total fixed assets	16,070,960	16,059,369
Total assets	61,120,782	59,967,603
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	353,373	806,396
Short-term debt	577,000	—
Long-term debt due within one year	6,616,693	6,170,937
Income taxes payable	19,048	79,271
Accrued bonuses to employees	79,892	150,520
Other	1,347,959	1,584,090
Total current liabilities	8,993,968	8,791,215
Long-term liabilities		
Long-term debt	24,796,067	23,904,245
Accrued severance costs	136,439	133,154
Accrued retirement benefits to officers	311,106	312,586
Other	1,900,329	1,850,349
Total long-term liabilities	27,143,943	26,200,336
Total liabilities	36,137,911	34,991,552

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

	As of Feb. 29, 2012	As of Nov. 30, 2011
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	5,454,673	5,454,673
Additional paid-in capital	5,538,149	5,538,149
Retained earnings	13,990,824	13,985,597
Total shareholders' equity	<u>24,983,647</u>	<u>24,978,420</u>
Accumulated amount of other comprehensive income		
Unrealized gain (loss) on securities	(1,391)	(2,369)
Foreign currency translation adjustment	615	—
Accumulated total of other comprehensive income	<u>(776)</u>	<u>(2,369)</u>
Total net assets	<u>24,982,871</u>	<u>24,976,051</u>
Total liabilities and net assets	<u>61,120,782</u>	<u>59,967,603</u>

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

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

	Three months ended Feb. 29, 2012 (Dec. 1, 2011-Feb. 29, 2012)	Three months ended Feb. 28, 2011 (Dec. 1, 2010-Feb. 28, 2011)
Revenues	5,023,693	4,650,230
Cost of revenues	3,533,339	3,184,615
Gross profit	1,490,354	1,465,614
Selling, general and administrative expenses	746,897	741,886
Operating income	743,456	723,728
Non-operating income		
Interest income	684	1,297
Dividend income	628	628
Amortization of negative goodwill	—	372
Other	4,925	4,262
Total non-operating income	6,238	6,561
Non-operating expenses		
Interest expense	222,897	267,741
Other	442	900
Total non-operating expense	223,339	268,642
Ordinary income	526,355	461,647
Extraordinary loss		
Loss on retirement of fixed assets	2,195	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	19,932
Total extraordinary losses	2,195	19,932
Income before income taxes	524,159	441,714
Current income taxes	8,965	8,021
Deferred income taxes	281,547	159,819
Total income taxes	290,513	167,841
Income before minority interests	233,646	273,873
Net income	233,646	273,873

Consolidated Statements of Comprehensive Income

(For the Three Months Period)

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

	Three months ended Feb. 29, 2012 (Dec. 1, 2011-Feb. 29, 2012)	Three months ended Feb. 28, 2011 (Dec. 1, 2010-Feb. 28, 2011)
Income before minority interests	233,646	273,873
Other comprehensive income		
Valuation difference on available-for-sale securities	977	825
Foreign currency translation adjustment	615	—
Total of other comprehensive income	1,592	825
Comprehensive income	235,239	274,698
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	235,239	274,698

### (3) Notes on Going-Concern Assumption

None

### (4) Segment Information

(Business Segment Information)

Three months ended February 29, 2012 (December 1, 2011 to February 29, 2012)

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

	Reportable segments							Adjustment (Note 1)	Income According to Quarterly Consolidated Statements of Operations (Note 2)
	Revitalization Business	Development Business	Rental Business	Fund Business	Property Management Business	Alternative Investment Business	Total		
Revenues									
Outside Customers	2,089,852	1,110,486	564,596	157,454	1,001,353	99,950	5,023,693	—	5,023,693
Intersegment and Transfers	—	274,003	12,957	2,227	67,841	—	357,030	(357,030)	—
Total	2,089,852	1,384,490	577,554	159,682	1,069,194	99,950	5,380,724	(357,030)	5,023,693
Segment Operating Income	386,871	314,102	271,489	9,401	39,293	12,951	1,034,109	(290,652)	743,456

Note 1. The downward adjustment of segment operating income by -¥290,652 thousand includes the elimination of intersegment transactions of -¥15,532 thousand and general expenses that cannot be allocated to any particular reportable segment of -¥275,119 thousand. General expenses mainly consist of SG&A expenses of the parent company that are not attributable to any particular reportable segment.

2. Segment operating income is adjusted with income according to the Quarterly Consolidated Statements of Operations.

Three months ended February 28, 2011 (December 1, 2010 to February 28, 2011)

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

	Reportable segments							Adjustment (Note 1)	Income According to Quarterly Consolidated Statements of Operations (Note 2)
	Revitalization Business	Development Business	Rental Business	Fund Business	Property Management Business	Alternative Investment Business	Total		
Revenues									
Outside Customers	2,937,203	84,200	565,689	293,403	726,768	42,965	4,650,230	—	4,650,230
Intersegment and Transfers	—	—	12,067	6,162	108,385	—	126,615	(126,615)	—
Total	2,937,203	84,200	577,756	299,566	835,153	42,965	4,776,845	(126,615)	4,650,230
Segment Operating Income (Loss)	621,202	(45,819)	280,104	121,963	23,812	11,786	1,013,049	(289,320)	723,728

Note 1. The downward adjustment of segment operating income (loss) by -¥289,320 thousand includes the elimination of intersegment transactions of -¥4,304 thousand and general expenses that cannot be allocated to any particular reportable segment of -¥285,015 thousand. General expenses mainly consist of SG&A expenses of the parent company that are not attributable to any particular reportable segment.

2. Segment operating income (loss) is adjusted with income according to the Quarterly Consolidated Statements of Operations.

(5) Significant Changes in Shareholders' Equity

None