Quarterly Securities Report

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

from December 1, 2017
to February 28, 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 April 10, 2018. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

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Company name (Japanese):	トーセイ株式会社 (*Tosei Kabushiki-Kaisha*)
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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 three months	69th term First three months	68th term
Accounting period	From December 1, 2016 to February 28, 2017	From December 1, 2017 to February 28, 2018	From December 1, 2016 to November 30, 2017
Revenue (¥ thousand)	14,677,393	18,310,040	57,754,328
Profit before tax (¥ thousand)	3,658,783	4,150,290	9,049,467
Profit attributable to owners of the parent (¥ thousand)	2,500,571	2,847,530	6,155,169
Comprehensive income for the period attributable to owners of the parent (¥ thousand)	2,528,738	2,875,292	6,165,615
Total equity (¥ thousand)	42,487,774	47,980,486	46,158,867
Total assets (¥ thousand)	120,715,227	124,675,580	122,550,281
Basic earnings per share (¥)	51.79	58.92	127.48
Diluted earnings per share (¥)	—	58.75	127.41
Ratio of equity attributable to owners of the parent to total assets (%)	35.2	38.5	37.7
Net cash from (used in) operating activities (¥ thousand)	1,779,446	4,485,532	7,089,159
Net cash from (used in) investing activities (¥ thousand)	61,711	(1,483,704)	(18,800)
Net cash from (used in) financing activities (¥ thousand)	(1,952,393)	(1,852,521)	(4,962,180)
Cash and cash equivalents at end of period (¥ thousand)	21,529,928	24,898,923	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 three 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 three months ended February 28, 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. was acquired through M&A transaction and 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 three months ended February 28, 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 first quarter of the fiscal year under review.

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

Any forward-looking statements included in the following descriptions are based on the best estimates or judgment of the Tosei Group as of February 28, 2018.

(1) Analysis of operating results

During the three months ended February 28, 2018, the Japanese economy continued to recover. A moderate recovery is expected to continue going forward, backed by stable personal consumption, expansion of favorable corporate earnings, and increasing exports, despite concerns over downside risks of financial policy trends in Europe and the U.S., and geopolitical risks in Asia.

In the real estate industry where Tosei Group operates, domestic real estate transactions by listed companies and other such entities for the full year 2017 rose 14.4% year on year to ¥4.5775 trillion. While sales with the aim of locking in profits increased due to rising real estate prices, transactions were active owing to the demand for property acquisition from investors preferring stable rent income despite low investment returns. The high demand for real estate investment from investors is likely to continue for some time, with the prospect that monetary easing policies are to be sustained by the Bank of Japan (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium market, the number of units sold in the full year 2017 increased 0.4% year on year to 35,898. Under the effects of rising construction costs and high land prices, the average selling price soared to ¥59.08 million, an increase of 7.6% year on year, only second to the ¥61.23 million recorded in 1990. The sluggish sales of some suburban properties resulted in the average contract rate for the first month at 68.1% (a decrease of 0.7 percentage points year on year), slightly below the 70% threshold from which market conditions are viewed as favorable. However, about 38,000 units (an increase of 5.9% year on year) are expected to be sold in the full year 2018, due to the solid sales of properties in the central Tokyo area and near stations, as well as the anticipated recovery of suburban unit sales as a result of the rush in demand caused by the increase in consumption taxes scheduled to take effect in October 2019 (according to a survey by a private research institute).

In the Tokyo metropolitan area build-for-sale detached house market, due to the soaring sales prices of newly built condominiums, a part of end-user demand flowed into the undervalued detached house market. As a result, housing starts in the full year 2017 rose 2.2% year on year to 62,028 units (according to a survey by the Ministry of Land, Infrastructure, Transport and Tourism).

The office leasing market of Tokyo’s five business wards has been performing favorably. The vacancy rate as of January 2018 declined by 0.6 percentage points from 3.7% year on year to 3.1%, and the average asking rent was ¥19,338 per tsubo (1 tsubo = 3.3m2), a 4.1% increase year on year, and increased for the 49th consecutive month. An upsurge in supply of large-scale office buildings can be anticipated in 2018, and the vacancy rate is expected to deteriorate, but corporate interest in expanding offices and their need for relocation and integration are expected to remain strong. As a result, the average asking rent in the second half of 2018 is expected to remain in an uptrend (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 was ¥16.5 trillion in J-REITs (an increase of ¥1.0 trillion year on year). In an environment where real estate prices remain persistently high, property acquisitions continue to progress despite at a gradual pace, and the market scale expanded to ¥32 trillion, including ¥15.8 trillion of value under management in private placement funds (as of June 30, 2017) (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 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 three months ended February 28, 2018 totaled ¥18,310 million (up 24.7% year on year), operating profit was ¥4,341 million (up 13.4%), profit before tax was ¥4,150 million (up 13.4%), and profit for the period was ¥2,847 million (up 13.9%).

Performance by business segment is shown below.

Revitalization Business

During the three months ended February 28, 2018, the segment sold 13 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 4 units in the Restyling Business from Hilltop Yokohama Negishi (Yokohama-shi, Kanagawa).

During the three months ended February 28, 2018, it also acquired a total of 17 income-generating office buildings and apartments and three land lots for renovation and sales purposes.

As a result, revenue in this segment was ¥14,425 million (up 31.9% year on year) and the segment profit was ¥3,793 million (up 11.0%).

Development Business

During the three months ended February 28, 2018, the segment focused on the sale of detached houses, for which there was firm demand. The segment sold 17 detached houses including THE Palms Court Kashiwa Hatsuishi (Kashiwa-shi, Chiba) , THE Palms Court Kamakura Shiromeguri (Kamakura-shi, Kanagawa), THE Palms Court Mitaka Shimorenjyaku (Mita-shi, Tokyo).

During the three months ended February 28, 2018, it also acquired one land lot for condominium project and land lot for 20 detached houses.

As a result, revenue in this segment was ¥766million (down 20.9% year on year) and the segment loss was ¥145 million (in comparison with segment loss of ¥173 million in the same period of the previous fiscal year).

Rental Business

During the three months ended February 28, 2018, while the segment sold 7 buildings of its inventory assets held for leasing purposes, it newly acquired 16 apartment. In addition, the segment made efforts to lease vacancies out following acquisitions and also focused on leasing activities for its existing non-current assets and inventory assets.

As a result, revenue in this segment was ¥1,396 million (down 5.1% year on year) and the segment profit was ¥630 million (down 4.6%).

Fund and Consulting Business

During the three months ended February 28, 2018, while ¥3,250 million was subtracted from the balance of assets under management (Note), due mainly to property dispositions by funds, ¥72,279 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 February 28, 2018, was ¥621,237 million. The acquisition of such large project contracts increased asset management fees and contributed to revenue.

As a result, revenue in this segment was ¥674 million (up 43.7% year on year) and the segment profit was ¥377 million (up 136.5%).

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

Property Management Business

During the three months ended February 28, 2018, the segment made efforts to win new contracts and

maintain existing contracts. Consequently, the total number of properties under management was 660 as of February 28, 2018, an increase of 61 from February 29, 2017, with the total comprising 390 office buildings, hotels, schools and other such properties, and 270 condominiums and apartments.

As a result, revenue in this segment was ¥974 million (up 17.7% year on year) and segment profit was ¥108 million (up 43.0%).

Other

During the three months ended February 28, 2018, revenue in this segment was ¥72 million (there was no segment revenue in the same period of the previous fiscal year) and the segment profit was ¥6 million (in comparison with segment profit of ¥0 million in the same period of the previous fiscal year).

(2) Analysis of financial position

As of February 28, 2018, total assets were ¥124,675 million, an increase of ¥2,125 million compared with November 30, 2017, while total liabilities were ¥76,695 million, an increase of ¥303 million. This was primarily due to an increase in inventories, an increase in trade and other payables.

Total equity increased by ¥1,821 million to ¥47,980 million, mainly due to an increase in retained earnings and payment of cash dividends.

(3) Analysis of cash flows

Cash and cash equivalents (hereinafter “cash”) as of February 28, 2018 totaled ¥24,898 million, up ¥1,148 million compared with November 30, 2017.
The cash flows for the three months ended February 28, 2018 and factors contributing to those amounts are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥4,485 million (up 152.1% year on year). This is mainly due to profit before tax of ¥4,150 million and income taxes paid of ¥1,019 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥1,483 million (in comparison with segment Net cash provided by investing activities of ¥61 million in 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 ¥1,335 million.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥1,852 million (down 5.1% year on year)This mainly reflects ¥9,815 million in the repayments of non-current borrowings and ¥1,157 million in cash dividends paid, despite ¥9,032 million in proceeds from non-current borrowings.

(4) Operational and financial issues to be addressed

During the three months ended February 28, 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 shares issued

Class	Number of issued shares (Shares: as of February 28, 2018)	Number of issued shares (Shares: as of the date of filing: April 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	48,469,500	48,472,500	Tokyo Stock Exchange (First Section), Singapore Exchange (Mainboard)	Share unit number: 100
Total	48,469,500	48,472,500	–	–

Note: Shares issued through the exercise of stock acquisition rights between April 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 December 1, 2017 to February 28, 2018	185,500	48,469,500	94,419	6,515,812	94,419	6,599,287

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

(6) Status of major shareholders

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

(7) Status of voting rights

The following status of voting rights is prepared based on the shareholder registry as of November 30, 2017, which is the latest record date, as the information as of February 28, 2018 is not yet available.

a. Issued shares

(As of February 28, 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 48,281,700	482,817	Tosei's standard class of shares with no rights limitations
Shares less than one unit	Ordinary shares 2,300	–	–
Total number of issued shares	48,284,000	–	–
Voting rights owned by all shareholders	–	482,817	–

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

b. Treasury shares, etc.

(As of February 28, 2018)

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

Note: As of February 28, 2018, the company own 46 treasury shares due to purchase of fractional unit shares.

2. Status of Officers

There was no change in Officers during the three months ended February 28, 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 first quarter of the fiscal year ending November 30, 2018 (from December 1, 2017 to February 28, 2018) and for the first three months of the fiscal year ending November 30, 2018 (from December 1, 2017 to February 28, 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 February 28, 2018
Assets			
Current assets			
Cash and cash equivalents	8	23,750,239	24,898,923
Trade and other receivables	8	2,148,608	2,529,217
Inventories		59,718,614	60,159,672
Other current assets		26,376	28,312
Total current assets		85,643,839	87,616,125
Non-current assets			
Property, plant and equipment		5,305,652	5,292,502
Investment properties		28,359,547	28,367,347
Intangible assets		83,544	77,943
Available-for-sale financial assets	8	1,751,463	1,798,778
Trade and other receivables	8	859,731	911,348
Deferred tax assets		517,587	582,620
Other non-current assets		28,914	28,914
Total non-current assets		36,906,441	37,059,454
Total assets		122,550,281	124,675,580
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	8	4,278,612	4,311,991
Borrowings	8	6,449,040	8,105,066
Current income tax liabilities		732,961	1,070,794
Provisions		484,671	168,603
Total current liabilities		11,945,287	13,656,454
Non-current liabilities			
Trade and other payables	8	3,280,020	3,569,262
Borrowings	8	60,674,335	58,377,341
Retirement benefits obligations		472,574	431,186
Provisions		19,197	6,704
Deferred tax liabilities		—	654,144
Total non-current liabilities		64,446,127	63,038,639
Total Liabilities		76,391,414	76,695,094
Equity			
Share capital		6,421,392	6,515,812
Capital reserves		6,464,240	6,523,308
Retained earnings		33,209,210	34,849,640
Treasury shares		—	(61)
Other components of equity		64,024	91,786
Total equity attributable to owners of parent		46,158,867	47,980,486
Total equity		46,158,867	47,980,486
Total liabilities and equity		122,550,281	124,675,580

(2) Condensed Consolidated Statement of Comprehensive Income

(¥ thousand)

	Notes	Three months ended February 28, 2017	Three months ended February 28, 2018
Revenue	5	14,677,393	18,310,040
Cost of revenue		9,187,899	12,119,236
Gross profit		5,489,493	6,190,803
Selling, general and administrative expenses		1,791,178	1,877,793
Other income		147,287	93,983
Other expenses		17,581	65,572
Operating profit	5	3,828,021	4,341,420
Finance income		32,853	40,191
Finance costs		202,091	231,322
Profit before tax		3,658,783	4,150,290
Income tax expense		1,158,212	1,302,759
Profit for the period		2,500,571	2,847,530
Other comprehensive income			
Items that may be transferred to net profit or loss			
Exchange differences on translation of foreign operations		286	(6,006)
Net change in fair values of available-for-sale financial assets		16,225	32,864
Net change in fair values of cash flow hedges		11,655	903
Subtotal		28,166	27,762
Other comprehensive income for the period, net of tax		28,166	27,762
Total comprehensive income for the period		2,528,738	2,875,292
Profit attributable to:			
Owners of the parent		2,500,571	2,847,530
Total comprehensive income attributable to:			
Owners of the parent		2,528,738	2,875,292
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)	7	51.79	58.92
Diluted earnings per share (yen)	7	–	58.75

(3) Condensed Consolidated Statement of Changes in Equity

Three months ended February 28, 2017 (December 1, 2016 – February 28, 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		—	—	2,500,571	—	—	2,500,571	2,500,571
Other comprehensive income		—	—	—	—	28,166	28,166	28,166
Total comprehensive income for the period		—	—	2,500,571	—	28,166	2,528,738	2,528,738
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		—	11,200	—	—	—	11,200	11,200
Balance at February 28, 2017		6,421,392	6,430,024	29,558,628	—	77,729	42,487,774	42,487,774

Three months ended February 28, 2018 (December 1, 2017 – February 28, 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		—	—	2,847,530	—	—	2,847,530	2,847,530
Other comprehensive income		—	—	—	—	27,762	27,762	27,762
Total comprehensive income for the period		—	—	2,847,530	—	27,762	2,875,292	2,875,292
Amount of transactions with owners								
Issuance of new shares		94,419	54,132	—	—	—	148,551	148,551
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 February 28, 2018		6,515,812	6,523,308	34,849,640	(61)	91,786	47,980,486	47,980,486

(4) Condensed Consolidated Statement of Cash Flows

(¥ thousand)

	Notes	Three months ended February 28, 2017	Three months ended February 28, 2018
Cash flows from operating activities			
Profit before tax		3,658,783	4,150,290
Depreciation expense		94,280	147,371
Increase (decrease) in provisions and retirement benefits obligations		(267,470)	(358,663)
Interest and dividend income		(32,853)	(40,191)
Interest expenses		202,091	231,322
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		89,352	10,361
Decrease (increase) in inventories		609,676	1,632,647
Increase (decrease) in trade and other payables		(345,820)	(205,424)
Other, net		17,645	(102,982)
Subtotal		3,902,180	5,465,339
Interest and dividend income received		32,852	39,477
Income taxes paid		(2,155,586)	(1,019,283)
Net cash from (used in) operating activities		1,779,446	4,485,532
Cash flows from investing activities			
Proceeds from withdrawal of time deposits		95,000	—
Purchase of property, plant and equipment		(1,424)	(12,025)
Purchase of investment properties		(162,150)	(134,642)
Purchase of intangible assets		(285)	(1,940)
Collection of available-for-sale financial assets		7,153	—
Proceeds from sales of available-for-sale financial assets		84,071	—
Collection of loans receivable		18	19
Purchase of investments in subsidiaries resulting in change in scope of consolidation		—	(1,335,115)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation		39,328	—
Net cash from (used in) investing activities		61,711	(1,483,704)
Cash flows from financing activities			
Net increase (decrease) in current borrowings		35,200	143,000
Proceeds from non-current borrowings		7,981,000	9,032,500
Repayments of non-current borrowings		(8,742,029)	(9,815,555)
Proceeds from issuance of new shares		—	148,371
Cash dividends paid		(1,009,932)	(1,157,717)
Interest expenses paid		(215,718)	(202,145)
Other, net		(913)	(975)
Net cash from (used in) financing activities		(1,952,393)	(1,852,521)
Net increase (decrease) in cash and cash equivalents		(111,235)	1,149,306
Cash and cash equivalents at beginning of period		21,640,866	23,750,239
Effect of exchange rate change on cash and cash equivalents		297	(622)
Cash and cash equivalents at end of period		21,529,928	24,898,923

(5) Notes to Condensed Quarterly Consolidated Financial Statements

1. Reporting entity

Tosei Corporation (hereinafter, the "Company") is a share company located in Japan whose shares are listed on the First Section of the Tokyo Stock Exchange and the Mainboard of Singapore Exchange. The Company's condensed quarterly consolidated financial statements for the three months ended February 28, 2018 have been prepared in respect of the Company and its consolidated subsidiaries (hereinafter collectively, the "Group"). The Group engages in the following five business operations: Revitalization Business, Development Business, Rental Business, Fund and Consulting Business and Property Management Business. The operations of each business segment are presented in "5. Segment information" in the notes.

2. Basis of preparation

(1) Compliance with IFRS

Since the Company qualifies as a "Designated International Financial Reporting Standards specified company" as provided in Article 1-2 of the "Ordinance on Terminology, Forms and Preparation Methods of 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 April 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 amount

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

3. Significant accounting policies

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

4. Significant accounting estimates and judgments requiring estimates

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

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

5. Segment information

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

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

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

Three months ended February 28, 2017

(December 1, 2016 – February 28, 2017)

(¥ thousand)

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

Three months ended February 28, 2018

(December 1, 2017 – February 28, 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	14,425,414	766,192	1,396,841	674,070	974,951	72,570	—	18,310,040
Intersegment revenue	—	—	38,015	13,089	255,711	—	(306,817)	—
Total	14,425,414	766,192	1,434,857	687,159	1,230,663	72,570	(306,817)	18,310,040
Segment profit or loss	3,793,912	(145,430)	630,458	377,635	108,427	6,408	(429,990)	4,341,420
Finance income/costs, net								(191,130)
Profit before tax								4,150,290

6. Dividends

Dividends paid in the three months ended February 28, 2017 and February 28, 2018 are as follows:

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

Three months ended February 28, 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

	Three months ended February 28, 2017	Three months ended February 28, 2018
Profit attributable to owners of the parent (¥ thousand)	2,500,571	2,847,530
Net income used to figure diluted net income per share (¥ thousand)	—	2,847,530
Weighted average number of outstanding ordinary shares (shares)	48,284,000	48,328,491
The number of increased ordinary shares used to figure diluted earnings per share (shares)	—	138,124
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	—	48,466,615
Basic earnings per share (¥)	51.79	58.92
Diluted net income per share (¥)	—	58.75

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 first quarter ended February 28, 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 February 28, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	23,750,239	23,750,239	24,898,923	24,898,923
Available-for-sale financial assets	1,751,463	1,751,463	1,798,778	1,798,778
Trade and other receivables	3,008,339	3,008,339	3,440,565	3,440,565
Trade and other payables	7,558,632	7,558,632	7,881,254	7,881,254
Borrowings	67,123,376	67,133,900	66,482,407	66,493,268

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

	As of February 28, 2018			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,323,691	—	475,087	1,798,778
Financial liabilities measured at fair value with the change in fair value recognized through other comprehensive income (derivative)	—	12,436	—	12,436

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

(¥ thousand)

	Three months ended February 28, 2018
Balance at beginning of period	475,145
Acquisition	—
Comprehensive income	
Profit (loss)	(58)
Disposal	—
Balance at end of period	475,087

9. Business combinations

In the three months ended February 28, 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

April 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 first quarter (December 1, 2017 to February 28, 2018) and the first three-month period (December 1, 2017 to February 28, 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. Such a review is substantially less in scope than an audit conducted in conformity with auditing standards generally accepted in Japan.

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

Auditor's Conclusion

In our quarterly review, we have concluded that the condensed quarterly consolidated financial statements referred to above are in conformity with International Accounting Standard 34 "Interim Financial Reporting", and nothing has come to our attention that causes us to believe that they do not fairly present, in all material respects, the financial positions of the Company and its consolidated subsidiaries as of February 28, 2018, and the consolidated results of their operations and their cash flows for the three-month period then ended.

Interest

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

End

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

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

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