

Please note that this document is a translation of the official announcement that was released on July 5, 2012. The translation is prepared and provided for the purpose of the readers' convenience only. All readers are strongly recommended to refer to the original Japanese version of the news release for complete and accurate information.

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

July 5, 2012

Tosei Corporation
Code number: 8923

Representative: Seiichiro Yamaguchi, President and CEO

Contact: Noboru Hirano, Director and CFO

Scheduled date of filing of quarterly report:

Start of distribution of dividends:

Preparation of supplementary materials for quarterly financial results:

Holding of quarterly financial results meeting:

Stock exchange listings: Tokyo, First Section

URL: <http://www.toseicorp.co.jp/english/>

Phone: +81-3-3435-2864

July 10, 2012

-

Yes

Yes (for institutional investors and analysts)

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

(December 1, 2011 – May 31, 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 (%)
Six months ended May 31, 2012	10,151	(5.1)	922	(16.9)	537	(17.3)	286	(25.0)
Six months ended May 31, 2011	10,701	(33.6)	1,110	(45.3)	650	(60.4)	381	(59.8)

(Note) Comprehensive income: The First Six Months of the FY Ending November 30, 2012: ¥285 million (-25.0%)
The First Six Months of the FY Ended November 30, 2011: ¥381 million (-%)

	Earnings per share	Earnings per share (diluted)
	(¥)	(¥)
Six months ended May 31, 2012	626.14	—
Six months ended May 31, 2011	834.39	—

(2) Financial Position

	Total assets	Net assets	Equity ratio
	(¥ million)	(¥ million)	(%)
As of May 31, 2012	59,696	25,033	41.9
As of Nov. 30, 2011	59,967	24,976	41.6

(Reference) Equity: As of May 31, 2012: ¥25,033 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	—	0.00	—	500.00	500.00
Year ending Nov. 30, 2012 (projected)	—	—	—	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)	(%)	(¥)
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: Yes
 (b) Changes in accounting policies other than (a) above: No
 (c) Changes in accounting estimates: No
 (d) Retrospective restatements: No

Note: For details, please refer to “2. Matters Concerning Other Information (3) Changes in accounting policy, accounting estimates, and retrospective restatements” on page 6 of the attached documents.

(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 May 31, 2012	456,840 shares	As of Nov. 30, 2011	456,840 shares
(b) Treasury stock at end of period	As of May 31, 2012	—	As of Nov. 30, 2011	—
(c) Average number of issued shares during the period:	Six months ended May 31, 2012	456,840 shares	Six months ended May 31, 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 6 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 first six months ended May 31, 2012 (December 1, 2011 to May 31, 2012), the Japanese economy experienced an upward trend backed by demand for post-disaster reconstruction, yet it still remains uncertain due to the fluctuations in the financial and capital markets caused by the fallout from the European sovereign debt crisis and the downturn in world economy.

In the real estate industry where Tosei Group operates, the contracted rate of condos in the greater Tokyo area had been topping the boom-or-bust threshold of 70% during the period from January 2010 to April 2012.

In the market for leased office building in the five business wards of Tokyo, the average vacancy rate hovered at a high 9% range that it became 9.23% at the end of April, 2012. Consequently, the average asking rent in the area continued to decline caused by the challenging situation where tenants are difficult to be lured, and it showed a year-on-year decrease by ¥708 to ¥16,711 at the end of April, 2012.

In the market for securitized real estate, the AUM balance for private placement funds recorded as of the end of December, 2011 increased by ¥0.4 trillion to ¥17.8 trillion from the end of June, 2011. This was mainly due to the improvement in the financing environment as well as growing appetites of equity investors.

In this business environment, Tosei Group has sold its self-developed office building Nihonbashi Hongokucho Tosei Building as well as other properties under its Restyling business. The Mitaka Symphony, Tosei's product line of residential properties consisting of two self-developed condos and detached houses were all sold out by the end of the first six months ended May 31, 2012. Tosei has also accelerated its purchase of properties primarily centering on the quality office buildings and lands for high-demanded housing development. Further, sale of self-developed condos has been progressing well and they will be transferred to purchasers within the second-half of the current fiscal year.

As a result, for the first six months ended May 31, 2012, consolidated revenues totaled ¥10,151 million (a decrease of 5.1% compared with the same period of the previous fiscal year), operating income was ¥922 million (a decrease of 16.9%), ordinary income was ¥537 million (a decrease of 17.3%), and net income was ¥286 million (a decrease of 25.0%).

Segment results were as follows.

Revitalization Business

During the six months ended May 31, 2012, the Company sold a total of 49 units under its Restyling business, including Hilltop Yokohama Negishi (Yokohama City, Kanagawa Prefecture), Renai Higashi Terao (Yokohama City, Kanagawa Prefecture), and Estage Kaminoge (Setagaya Ward, Tokyo). In addition, the Company sold 3 buildings it had revitalized such as Uchikanda Kitahara Building (Chiyoda Ward, Tokyo).

As a result, segment revenues became ¥3,354 million, a decrease of 48.3% compared with the same period last year, and the segment operating income was ¥361 million, a decrease of 67.0%.

Development Business

During the six months ended May 31, 2012, the Development business sold Nihonbashi Hongokucho Tosei Building (Chuo Ward, Tokyo), the land in Hiro 5-Chome (Shibuya Ward, Tokyo), 10 newly-built condominiums including THE Palms Mitaka Leggero and THE Palms Mitaka Vivace (Mitaka City, Tokyo), as well as 3 detached houses in Palms Court Yokohama Negishi (Yokohama City, Kanagawa Prefecture).

As a result, segment revenues came to ¥ 3,016 million, an increase of 676.9% compared with the same period last year, and the segment operating income came to ¥388million. (The segment operating loss of the same period last year was ¥ 596 million.)

Rental Business

During the six months ended May 31, 2012, the Company worked to sustain a certain level of occupancy rate amid the challenging market condition of rental office buildings where vacancy rates are rising.

As a result, segment revenues were ¥1,148 million, a decrease of 6.1% compared with the same period last year, and the segment operating income was ¥553 million, a decrease of 12.2%.

Fund Business

During the six months ended May 31, 2012, the income from asset management fees decreased in response to a decline in the balance of assets under management. This is due to the amount of property sales, a portion of decrease, surpassed that of newly-acquired contracts, a portion of increase.

As a result, the segment revenues were ¥387 million, a decrease of 59.5% compared with the same period last year, and the segment operating income was ¥84 million, a decrease of 84.2%. The primary factor for the substantial year-on-year decrease is that the brokerage fees concerning the sale of large-scaled properties had been recorded in the same period last year.

As of May 31, 2012, the balance of assets under management* totaled ¥277,053 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 six months ended May 31, 2012, regarding the sector for office buildings, parking lots and schools, the number of properties the Company managed increased by 9 to 312 properties as of April 30, 2012, while the number of condominiums and rental apartments, increased by 12 to 207 properties, which brings the overall total to 519, an increase of 21 compared with the same period last year.

As a result, the segment revenues were ¥1,780 million, an increase of 14.5% compared with the same period last year, and the segment operating income was ¥85 million, an increase of 106.0%.

Alternative Investment Business

During the six months ended May 31, 2012, the segment focused on the sale of properties acquired through M&A, collection of debt, and leasing of the properties which the Company acquired through like-kind exchanges. As a result, the segment earned interest income and revenues from sale of properties and loan receivables, as well as rental income from properties acquired through like-kind exchanges.

Consequently, segment revenues came to ¥462 million, an increase of 416.3% compared with the same period last year, and the segment operating income was ¥31 million (The segment operating loss of the same period last year was ¥10 million.)

(2) Qualitative Information Regarding Consolidated Financial Position

Total assets as of May 31, 2012 were ¥59,696 million, a decrease of ¥271 million from the end of the previous fiscal year. The primary factor is a decrease in cash on hand resulted from the fact that the amount of property purchase under the Revitalization and Development business surpassed that of sale. Total liabilities also decreased by ¥328 million to ¥34,662 million, contributed by a decrease in notes and accounts payable.

Net assets increased by ¥57 million to ¥25,033 million, primarily in response to an increase in retained earnings.

Cash Flow for the First Six Months Ended May 31, 2012

Cash and cash equivalents as of May 31, 2012 totaled ¥6,900 million, a decrease of ¥1,406 million from the end of the previous fiscal year, as the result of recording ¥535 million of income before income taxes and an increase in inventory accompanied by progressed purchase of properties in the Revitalization and Development businesses.

Cash Flows from Operating Activities

Net cash used in operating activities totaled ¥1,028 million, as the result of recording ¥535 million of income before income taxes, an increase of ¥1,280 million in inventory, which was resulted from the fact that the purchase of properties exceeded the sale of properties in the Revitalization and Development businesses, as well as ¥56 million of income tax payment (Net cash provided by operating activities in the

same period of the previous fiscal year was ¥760 million).

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥188 million, a decrease of 7.2% compared with the same period in the previous fiscal year. This is primarily due to an increase in investment in tangible fixed assets totaling ¥122 million.

Cash Flows from Financing Activities

Net cash used by financing activities totaled ¥189 million, a decrease of 77.5% compared with the same period in the previous fiscal year. This is mainly because there were a repayment of long-term loans payable totaling ¥6,835 million and ¥227 million of cash dividends paid, despite of the proceeds from long-term loans payable totaling ¥6,297 million.

(3) Qualitative Information Regarding the Consolidated Performance Forecasts

The business result during the six months ended May 31, 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:

(Changes in Accounting Policy Difficult to be differentiated from Changes in Accounting Estimates)

In response to the revision of the Corporation Tax Act, the Company and its subsidiaries adopted the depreciation method, which is based on the revised Act, to be applied to the assets acquired on and after April 1, 2012. The change has been put into effect as from the current quarter of the fiscal year ending November 30, 2012.

The impact on the profits and losses of the first six months of the current fiscal year is minor.

(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 Corporation Tax Rates)

Following the promulgation on December 2, 2011 of the “Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011), corporation tax rate used to measure differed tax assets and liabilities for the period from December 1, 2012 to November 30, 2015 will be 38.01%. The rate to be applied for the consolidated fiscal years beginning on or after December 1, 2015 will be 35.64%.

As a result, the differed tax asset in current assets decreased by ¥14,792 thousand, the differed tax asset in fixed assets decreased by ¥66,927 thousand, the differed tax liability in long-term liabilities decreased by ¥2,700 thousand, the valuation difference on available-for-sale securities increased by ¥174 thousand, and the income taxes-deferred increased by ¥78,844 thousand.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

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

	As of May 31, 2012	As of Nov. 30, 2011
ASSETS		
Current assets		
Cash and deposits	6,920,130	8,326,305
Notes and accounts receivable	340,721	399,856
Marketable securities	10,000	10,000
Real estate for sale	25,987,260	27,360,973
Real estate for sale in progress	8,957,975	6,374,335
Purchased receivables	78,744	81,361
Other	1,304,566	1,361,100
Allowance for doubtful accounts	(4,820)	(5,697)
Total current assets	43,594,578	43,908,234
Fixed assets		
Tangible fixed assets		
Buildings and structures	5,375,792	5,337,567
Accumulated depreciation	(1,008,971)	(947,482)
Buildings and structures (net)	4,366,821	4,390,084
Land	10,235,996	10,175,285
Other	137,568	127,756
Accumulated depreciation	(92,760)	(93,573)
Other (net)	44,808	34,183
Total tangible fixed assets	14,647,626	14,599,553
Intangible fixed assets		
Other	57,002	67,705
Total intangible fixed assets	57,002	67,705
Investments and other assets	1,397,298	1,392,110
Total fixed assets	16,101,927	16,059,369
Total assets	59,696,505	59,967,603
LIABILITIES		
Current liabilities		
Notes and accounts payable	378,262	806,396
Short-term debt	577,000	—
Long-term debt due within one year	6,049,132	6,170,937
Income taxes payable	67,731	79,271
Accrued bonuses to employees	153,733	150,520
Other	1,524,344	1,584,090
Total current liabilities	8,750,204	8,791,215
Long-term liabilities		
Long-term debt	23,488,003	23,904,245
Accrued severance costs	139,368	133,154
Accrued retirement benefits to officers	317,088	312,586
Other	1,968,260	1,850,349
Total long-term liabilities	25,912,721	26,200,336
Total liabilities	34,662,926	34,991,552

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

	As of May 31, 2012	As of Nov. 30, 2011
NET ASSETS		
Shareholders' equity		
Common stock	5,454,673	5,454,673
Additional paid-in capital	5,538,149	5,538,149
Retained earnings	14,043,223	13,985,597
Total shareholders' equity	<u>25,036,046</u>	<u>24,978,420</u>
Accumulated amount of other comprehensive income		
Unrealized gain (loss) on securities	(2,097)	(2,369)
Foreign currency translation adjustment	(369)	—
Accumulated total of other comprehensive income	<u>(2,466)</u>	<u>(2,369)</u>
Total net assets	<u>25,033,579</u>	<u>24,976,051</u>
Total liabilities and net assets	<u>59,696,505</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 Six Months Period)

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

	Six months ended May 31, 2012 (Dec. 1, 2011-May 31, 2012)	Six months ended May 31, 2011 (Dec. 1, 2010-May 31, 2011)
Revenues	10,151,048	10,701,594
Cost of revenues	7,709,427	8,065,179
Gross profit	2,441,621	2,636,414
Selling, general and administrative expenses	1,518,872	1,526,196
Operating income	922,748	1,110,218
Non-operating income		
Interest income	871	1,927
Dividend income	1,272	1,272
Amortization of negative goodwill	—	745
Other	9,894	13,430
Total non-operating income	12,038	17,376
Non-operating expenses		
Interest expense	393,408	476,506
Other	3,585	959
Total non-operating expense	396,993	477,466
Ordinary income	537,793	650,128
Extraordinary loss		
Loss on retirement of fixed assets	2,377	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	19,932
Total extraordinary losses	2,377	19,932
Income before income taxes	535,416	630,195
Current income taxes	50,241	26,496
Deferred income taxes	199,128	222,516
Total income taxes	249,370	249,012
Income before minority interests	286,046	381,182
Net income	286,046	381,182

Quarterly Consolidated Statements of Comprehensive Income

(For the Six Months Period)

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

	Six months ended May 31, 2012 (Dec. 1, 2011-May 31, 2012)	Six months ended May 31, 2011 (Dec. 1, 2010-May 31, 2011)
Income before minority interests	286,046	381,182
Other comprehensive income		
Valuation difference on available-for-sale securities	271	(41)
Foreign currency translation adjustment	(369)	—
Total of other comprehensive income	(97)	(41)
Comprehensive income	285,948	381,141

(3) Quarterly Consolidated Statements of Cash Flows

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

	Six months ended May 31, 2012 (Dec. 1, 2011-May 31, 2012)	Six months ended May 31, 2011 (Dec. 1, 2010-May 31, 2011)
Cash from operating activities		
Income before income taxes	535,416	630,195
Depreciation	157,130	172,180
Increase (decrease) in allowances	12,074	124,989
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	19,932
Interest and dividend income	(2,144)	(3,199)
Interest expenses	393,408	476,506
Decrease (increase) in notes and accounts receivable	58,752	(49,216)
Decrease (increase) in inventories	(1,280,292)	(485,777)
Increase (decrease) in notes and accounts payable	(428,133)	(43,179)
Increase (decrease) in accrued consumption taxes	(183,501)	63,264
Increase (decrease) in lease and guarantee deposits received	112,860	48,583
Other	44,976	307,384
Subtotal	(579,451)	1,261,663
Receipts of interest and dividends	6,889	2,546
Payments of interest	(399,883)	(490,699)
Payment of income taxes	(56,164)	(13,313)
Net cash provided by (used in) operating activities	(1,028,610)	760,196
Cash flows from investing activities		
Purchases of tangible fixed assets	(122,879)	(34,835)
Purchase of intangible assets	(4,280)	(31,570)
Purchase of investment securities	(22,000)	(153,350)
Other	(38,970)	17,003
Net cash provided by (used in) investing activities	(188,129)	(202,752)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	577,000	—
Proceeds from long-term debt	6,297,000	5,395,000
Repayments of long-term debt	(6,835,046)	(6,008,372)
Cash dividends paid	(227,235)	(226,785)
Other	(783)	(783)
Net cash provided by (used in) financing activities	(189,065)	(840,941)
Effect of exchange rate change on cash and cash equivalents	(369)	—
Net increase (decrease) in cash and cash equivalents	(1,406,174)	(283,497)
Cash and cash equivalents at beginning of year	8,306,305	6,821,288
Cash and cash equivalents at end of year	6,900,130	6,537,791

(4) Notes on Going-Concern Assumption

None

(5) Segment Information

(Business Segment Information)

Six months ended May 31, 2012 (December 1, 2011 to May 31, 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	3,354,962	3,016,295	1,148,976	387,446	1,780,955	462,412	10,151,048	—	10,151,048
Intersegment and Transfers	—	274,003	26,276	11,824	158,351	2,269	472,725	(472,725)	—
Total	3,354,962	3,290,299	1,175,252	399,271	1,939,306	464,682	10,623,774	(472,725)	10,151,048
Segment Operating Income	361,316	388,302	553,531	84,478	85,679	31,593	1,504,902	(582,153)	922,748

Note 1. The downward adjustment of segment operating income by ¥582,153 thousand includes the elimination of intersegment transactions of ¥17,782 thousand and general expenses that cannot be allocated to any particular reportable segment of ¥564,370 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.

Six months ended May 31, 2011 (December 1, 2010 to May 31, 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	6,489,456	388,222	1,223,825	955,756	1,554,762	89,571	10,701,594	—	10,701,594
Intersegment and Transfers	—	—	24,221	10,925	199,788	—	234,936	(234,936)	—
Total	6,489,456	388,222	1,248,047	966,681	1,754,551	89,571	10,936,531	(234,936)	10,701,594
Segment Operating Income (Loss)	1,094,513	(596,267)	630,390	534,000	41,593	(10,750)	1,693,480	(583,261)	1,110,218

Note 1. The downward adjustment of segment operating income (loss) by ¥583,261 thousand includes the elimination of intersegment transactions of ¥5,745 thousand and general expenses that cannot be allocated to any particular reportable segment of ¥577,516 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.

(6) Significant Changes in Shareholders' Equity

None