Consolidated Financial Results for the First Three Months of the Year Ending November 30, 2013 <IFRS>

April 5, 2013

Company name: Tosei Corporation
Stock listing: Tokyo Stock Exchange, First Section
Securities code number: 8923
URL: http://www.toseicorp.co.jp/english/
Representative: Seiichiro Yamaguchi, President and CEO
Contact: Noboru Hirano, Director and CFO
Phone: +81-3-3435-2864
Scheduled date of submission of quarterly securities report: April 10, 2013
Scheduled date of commencement of dividend payments: —
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: No

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

1. Consolidated Financial Results for the Three Months Ended February 28, 2013 (December 1, 2012 – February 28, 2013)

(1) Consolidated Operating Results (cumulative) (Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit for the period	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Three months ended Feb. 28, 2013	15,501	208.4	1,615	119.3	1,407	147.3	866	216.2
Three months ended Feb. 29, 2012	5,026	–	736	–	569	–	273	–

	Profit for the period attributable to owners of the parent		Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥)	(¥)
Three months ended Feb. 28, 2013	866	216.2	871	216.1	1,896.35	–
Three months ended Feb. 29, 2012	273	–	275	–	599.76	–

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
	(¥ million)	(¥ million)	(¥ million)	(%)
As of Feb. 28, 2013	58,580	27,139	27,139	46.3
As of Nov. 30, 2012	65,363	26,543	26,543	40.6

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Year ended Nov. 30, 2012	–	0.00	–	600.00	600.00
Year ending Nov. 30, 2013	–				
Year ending Nov. 30, 2013 (Forecast)		0.00	–	700.00	700.00

Note: Revision to the most recently released dividend forecasts: No

3. Consolidated Earnings Forecasts for the Year Ending November 30, 2013 (December 1, 2012 – November 30, 2013)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit for the period attributable to owners of the parent		Basic earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Six months ending May 31, 2013	24,542	141.9	2,289	218.3	1,914	379.4	1,158	421.9	2,535.83
Year ending Nov. 30, 2013	37,013	53.0	3,284	15.0	2,635	18.8	1,597	9.0	3,497.69

Note: Revision to the most recently released earning forecasts: Yes

*** Notes**

(1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in changes in the scope of consolidation): No
Newly added: – ; Excluded: –

(2) Changes in accounting policies and changes in accounting estimates
(a) Changes in accounting policies required by IFRS: No
(b) Changes in accounting policies other than (a) above: No
(c) Changes in accounting estimates: No

(3) Number of issued shares (ordinary shares)

(a) Number of issued shares at the end of the period (including treasury shares)

As of Feb. 28, 2013	456,840 shares
As of Nov. 30, 2012	456,840 shares

(b) Number of treasury shares at the end of the period

As of Feb. 28, 2013	–
As of Nov. 30, 2012	–

(c) Average number of outstanding shares during the period (cumulative)

Three months ended Feb. 28, 2013	456,840 shares
Three months ended Feb. 29, 2012	456,840 shares

* Information regarding implementation of quarterly review procedures

This quarterly financial results report is exempt from quarterly review procedures pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the review procedures for quarterly consolidated financial statements pursuant to the Financial Instruments and Exchange Act have not been completed.

* Proper use of earnings forecasts and other notes

The forward-looking statements, including outlook of future performance, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual performance and other results may differ substantially from these statements due to various factors. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance (3) Qualitative Information Regarding Consolidated Earnings Forecasts" on page 4 of the attached materials.

○ Contents of Attached Materials

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Qualitative Information Regarding Consolidated Operating Results

During the three months ended February 28, 2013 (December 1, 2012 to February 28, 2013), the Japanese economy showed some signs of improvement, such as the recovery trend of stock prices, following good response to the new government's economic stimulus package and monetary and other measures. However, it is still necessary to closely watch the situation due to a risk of a further slowdown in overseas economies resulting from the European sovereign debt crisis, etc.

In the real estate sector, where the Tosei Group operates, the number of condominium units supplied in the greater Tokyo area increased by 2.5% from the previous year to 45,602 units in fiscal 2012. The closing rate for condominium sales contracts from fiscal 2010 to fiscal 2012 essentially remained above the 70% level, which is viewed as a key indicator of favorable conditions in the condominium market, but the closing rate for January 2013 fell below the indicator to 69.2% (market research company data).

In the market for leased office buildings in Tokyo's five business wards, the vacancy rate for January 2013 saw a sustained improvement in the two months from December 2012, falling to 8.56% (down 0.67% year-on-year) due to an increase in relocations, etc. The average asking rent for the same five wards continued to decline, but the range of drop became smaller supported by a demand for newly-built buildings, etc., amounting to ¥16,554/tsubo (1 tsubo=3.3m^2) (down 2.16% year-on-year) in January 2013 (market research company data).

In the real estate securitization market, the number of newly-setup funds and assets under management increased due to continued favorable conditions for funding as well as boosted investment property transactions, while many asset management companies sold some of the properties owned by existing funds. As a result, the balance of assets under management for private placement funds as of the end of December 2012 totaled ¥26.5 trillion, a decline of ¥0.3 trillion compared with the end of June 2012 (market research company data).

In this operating environment, the Tosei Group successfully proceeded with the sale of whole office and apartment buildings including Meguro Ekimae Tosei Building in the Revitalization Business, and promoted the sale of detached houses, condominiums and other products for end users as well as Kamata Tosei Building in the Development Business. The Group has also proactively acquired income-generating properties and land lots for development, which will be sources of income.

As a result, for the first three months ended February 28, 2013, consolidated revenue totaled ¥15,501 million (an increase of 208.4% compared with the same period of the previous fiscal year), operating profit was ¥1,615 million (an increase of 119.3%), profit before tax was ¥1,407 million (an increase of 147.3%), and profit for the period was ¥866 million (an increase of 216.2%).

Segment results were as follows. As from the period under review, the name of "Fund Business" was changed to the "Fund and Consulting Business." This amendment was made to only the name of the business segment, and there were no changes in the segmentation.

Revitalization Business

During the three months ended February 28, 2013, the Company sold 8 properties it had refurbished, including Meguro Ekimae Tosei Building (Shinagawa Ward, Tokyo), Lanai Heritage Harajuku (Shibuya Ward, Tokyo), Kanda Urban Building (Chiyoda Ward, Tokyo). In addition, the Company sold 16 units under its Restyling Business such as Hilltop Yokohama Negishi (Yokohama City, Kanagawa Prefecture), Hilltop Yokohama Higashi Terao (Yokohama City, Kanagawa Prefecture), and Estage Kaminoge (Setagaya Ward, Tokyo). As a result, revenue in this segment became ¥7,107 million, an increase of 240.1% compared with the same period last year, and the segment profit was ¥1,330 million, an increase of 257.9%.

Development Business

During the three months ended February 28, 2013, the Company sold Kamata Tosei Building (Ota Ward, Tokyo) as well as a total of 29 detached houses such as properties at Palms Court Koishikawa (Bunkyo Ward, Tokyo) and Palms Court Kamagaya (Kamagaya City, Chiba), and five newly built condominium units in THE Palms Tsukishima Luna Garden (Chuo Ward, Tokyo) and THE Palms Takadanobaba (Shinjuku Ward, Tokyo). As a result, revenue in this segment came to ¥6,570 million (up 491.7% year-on-year), and segment profit came to ¥112 million (down 61.0% year-on-year).

Rental Business

During the three months ended February 28, 2013, the Company focused on leasing activities for its non-current assets and inventories and worked to sustain a certain level of occupancy rate. As a result, revenue in this segment was ¥531 million, a decrease of 6.0% compared with the same period last year, and the segment profit was ¥271 million, a decrease of 10.8%.

Fund and Consulting Business

During the three months ended February 28, 2013, in addition to total asset management fees recorded steadily, brokerage fees and other income related to large-scale transactions were booked. As a result, revenue in this segment was ¥410 million (up 160.7% year-on-year), while segment profit was ¥180 million (up 2,024.8% year-on-year).

As of February 28, 2013, the balance of assets under management (Note) totaled ¥288,439 million.

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

Property Management Business

During the three months ended February 28, 2013, regarding the sector for office buildings, parking lots and schools, the number of properties managed by the Company was 313 properties, same as that of last year; while the number of condominiums and rental apartments, increased by 6 to 215 properties, which brought up the overall total to 528, an increase of 6 compared with the same period last year.

As a result, revenue in this segment was ¥789 million, a decrease of 21.1% compared with the same period last year, and the segment profit was ¥42 million, an increase of 17.5%.

Alternative Investment Business

During the three months ended February 28, 2013, 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 revenue from sale of properties and loans receivable, as well as rental income from properties acquired through like-kind exchanges. Consequently, revenue in this segment came to ¥90 million, a decrease of 10.7% compared with the same period last year, and the segment profit was ¥22 million, an increase of 38.7%.

(2) Qualitative Information Regarding Consolidated Financial Position

1) Financial Position

As of February 28, 2013, total assets decreased by ¥6,782 million to ¥58,580 million compared with November 30, 2012, while total liabilities decreased by ¥7,378 million to ¥31,440 million.

Primary factors include a decrease in inventories resulting from sales of properties exceeding purchases in the Revitalization Business and the Development Business, and a decline in borrowings from financial institutions.

Total equity increased by ¥596 million to ¥27,139 million compared with November 30, 2012. Primary factors include an increase in retained earnings and dividend payments.

2) Cash Flows

Cash and cash equivalents (hereinafter “cash”) as of February 28, 2013 increased by ¥1,513 million from November 30, 2012 to ¥10,923 million due to a decrease in inventories led by steady sales of properties in the Revitalization Business and the Development Business and a consequent decline in borrowings from financial institutions.

The respective cash flow positions and the factors thereof for the three months ended February 28, 2013 are as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥7,529 million (net cash used in operating activities totaled ¥2,806 million in the same period of the previous year). This is mainly attributed to the recording of ¥1,407 million in quarterly profit before tax and a decrease of ¥6,974 million in inventories resulting from sales of properties in the Revitalization Business and the Development Business.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥14 million (down 81.4% year-on-year). This is primarily due to expenditure on acquisition of investment properties of ¥12 million.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥6,012 million (net cash provided by financing activities in the same period of the previous year was ¥1,493 million). This mainly reflected ¥8,911 million in repayment of long-term borrowings and ¥248 million in dividend payments, despite proceeds from long-term borrowings of ¥3,661 million.

(3) Qualitative Information Regarding Consolidated Earnings Forecasts

The business results during the three months ended February 28, 2013 remained stable as originally planned. Associated with voluntary adoption of IFRS, there have been revision on the consolidated earnings forecasts for the six months ending May 31, 2013 and the full-year ending November 30, 2013, which have been announced on January 10, 2013.
For further detail, please see the announcement "Notice Regarding Performance Forecast Revision" disclosed on April 5, 2013.

The projections are forward-looking statements, including forecasts of future performance, contained in these materials are based on information available to the Company as of the date of announcement of these materials and on certain assumptions deemed to be reasonable by the Company. Actual performance and other results may differ from forecasts due to various factors.

2. Matters Related to Summary Information (Other Information)

(1) Changes in Major Subsidiaries during the Period

Not applicable.

(2) Changes in Accounting Policies and Changes in Accounting Estimates

Not applicable.

3. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

(¥ thousand)

	Notes	As of Nov. 30, 2012	As of Feb. 28, 2013
Assets			
Current assets			
Cash and cash equivalents		9,410,622	10,923,810
Available-for-sale financial assets		10,000	10,000
Trade and other receivables		1,884,308	1,032,271
Inventories		37,417,375	30,467,305
Other assets		22,426	22,332
Total current assets		48,744,733	42,455,719
Non-current assets			
Property, plant and equipment		3,331,447	3,322,815
Investment properties		11,695,720	11,680,625
Intangible assets		43,091	37,543
Available-for-sale financial assets		410,061	394,223
Trade and other receivables		160,170	177,530
Deferred tax assets		973,844	508,166
Other assets		4,014	4,014
Total non-current assets		16,618,350	16,124,919
Total assets		65,363,083	58,580,638
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables		3,314,472	1,923,771
Borrowings		7,742,443	9,706,132
Current income tax liabilities		72,921	174,233
Provisions		154,143	113,017
Total current liabilities		11,283,980	11,917,154
Non-current liabilities			
Trade and other payables		2,136,256	1,765,115
Borrowings		24,659,337	17,083,080
Retirement benefits obligations		541,647	547,455
Provisions		24,842	24,876
Deferred tax liabilities		173,126	102,969
Total non-current liabilities		27,535,211	19,523,496
Total Liabilities		38,819,191	31,440,651
Equity			
Share capital		5,454,673	5,454,673
Capital reserves		5,516,499	5,516,499
Retained earnings		15,576,014	16,167,256
Other components of equity		(3,295)	1,557
Total equity		26,543,892	27,139,986
Total liabilities and equity		65,363,083	58,580,638

(2) Condensed Consolidated Statement of Comprehensive Income

(¥ thousand)

	Notes	Three months ended Feb. 29, 2012 (Dec. 1, 2011 – Feb. 29, 2012)	Three months ended Feb. 28, 2013 (Dec. 1, 2012 – Feb. 28, 2013)
Revenue	5	5,026,134	15,501,359
Cost of revenue		3,541,268	13,036,059
Gross profit		1,484,866	2,465,299
Selling, general and administrative expenses		750,480	853,246
Other income		4,925	4,860
Other expenses		2,638	1,245
Operating profit	5	736,673	1,615,667
Finance income		1,312	1,416
Finance costs		168,759	209,616
Profit before tax		569,226	1,407,466
Income tax expense		295,230	541,139
Profit for the period		273,996	866,327
Other comprehensive income			
Exchange differences on translation of foreign operations		1,592	2,148
Net change in fair values of available-for-sale financial assets		–	2,776
Net change in fair values of cash flow hedges		–	(72)
Other comprehensive income for the period, net of tax		1,592	4,852
Total comprehensive income for the period		275,589	871,180
Profit attributable to:			
Owners of the parent		273,996	866,327
Total comprehensive income attributable to:			
Owners of the parent		275,589	871,180
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)	7	599.76	1,896.35
Diluted earnings per share (yen)	7	–	–

(3) Condensed Consolidated Statement of Changes in Equity

Three months ended Feb. 29, 2012 (Dec. 1, 2011 – Feb. 29, 2012)

(¥ thousand)

	Notes	Share capital	Capital reserves	Retained earnings	Other components of equity	Total equity
Balance at Dec. 1, 2011		5,454,673	5,516,499	14,339,150	(2,369)	25,307,953
Profit for the period		–	–	273,996	–	273,996
Other comprehensive income		–	–	–	1,592	1,592
Total comprehensive income for the period		–	–	273,996	1,592	275,589
Dividends from surplus	6	–	–	(228,420)	–	(228,420)
Balance at Feb. 29, 2012		5,454,673	5,516,499	14,384,726	(776)	25,355,122

Three months ended Feb. 28, 2013 (Dec. 1, 2012 – Feb. 28, 2013)

(¥ thousand)

	Notes	Share capital	Capital reserves	Retained earnings	Other components of equity	Total equity
Balance at Dec. 1, 2012		5,454,673	5,516,499	15,576,014	(3,295)	26,543,892
Profit for the period		–	–	866,327	–	866,327
Other comprehensive income		–	–	–	4,852	4,852
Total comprehensive income for the period		–	–	866,327	4,852	871,180
Dividends from surplus	6	–	–	(274,104)	–	(274,104)
Retained earnings from newly consolidated subsidiaries		–	–	(981)	–	(981)
Balance at Feb. 28, 2013		5,454,673	5,516,499	16,167,256	1,557	27,139,986

(4) Condensed Consolidated Statement of Cash Flows

(¥ thousand)

	Notes	Three months ended Feb. 29, 2012 (Dec. 1, 2011 – Feb. 29, 2012)	Three months ended Feb. 28, 2013 (Dec. 1, 2012 – Feb. 28, 2013)
Cash flows from operating activities			
Profit before tax		569,226	1,407,466
Depreciation expense		42,966	42,988
Increase (decrease) in provisions and retirement benefits obligations		(65,143)	(36,153)
Interest and dividends income		(1,312)	(1,416)
Interest expenses		168,759	209,616
Loss on retirement of property, plant and equipment		2,195	–
Decrease (increase) in trade and other receivables		(112,914)	757,450
Decrease (increase) in inventories		(2,626,163)	6,974,074
Increase (decrease) in trade and other payables		(730,393)	(1,786,529)
Other, net		1,457	280
Subtotal		(2,751,322)	7,567,778
Interest and dividends income received		1,319	1,388
Income taxes paid		(56,154)	(39,624)
Net cash from (used in) operating activities		(2,806,157)	7,529,542
Cash flows from investing activities			
Purchase of property, plant and equipment		(6,282)	(1,142)
Purchase of investment properties		(73,118)	(12,570)
Collection of loans receivable		202	–
Other, net		(70)	(988)
Net cash from (used in) investing activities		(79,268)	(14,702)
Cash flows from financing activities			
Net increase (decrease) in current borrowings		577,000	(361,400)
Proceeds from long-term borrowings		3,928,000	3,661,000
Repayments of non-current borrowings		(2,590,421)	(8,911,725)
Cash dividends paid		(200,504)	(248,206)
Interest expenses paid		(219,761)	(152,091)
Other, net		(391)	(442)
Net cash from (used in) financing activities		1,493,920	(6,012,865)
Net increase (decrease) in cash and cash equivalents		(1,391,505)	1,501,974
Cash and cash equivalents at beginning of period		8,361,689	9,410,622
Effect of exchange rate change on cash and cash equivalents		615	2,176
Increase in cash and cash equivalents from newly consolidated subsidiaries		–	9,036
Cash and cash equivalents at end of period		6,970,798	10,923,810

(5) Notes on Going Concern Assumption

No items to report.

(6) Notes to Condensed Quarterly Consolidated Financial Statements

a. Reporting entity

TOSEI CORPORATION (Hereinafter, the "Company") is a stock company located in Japan whose stock is listed on the First Section of Tokyo Stock Exchange and the Mainboard of Singapore Exchange. The Company's condensed quarterly consolidated financial statements for the three months ended February 28, 2013 have been prepared in respect of the Company and its subsidiaries (hereinafter collectively, the "Group"). The Group engages in the following six business operations: Revitalization Business, Development Business, Rental Business, Fund and Consulting Business, Property Management Business and Alternative Investment Business. The operations of each business segment are presented in Note "e. Segment Information."

b. Basis of preparation

(1) Compliance with IFRS

Since the Company qualifies as a "specified company" as provided in Article 1-2, paragraph 1, item 1 (a) to (c) and (d) (2) of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976), 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).

(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

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.

c. Significant accounting policies

The accounting policies applied to this condensed quarterly consolidated financial statements are consistent throughout all the periods presented in the condensed quarterly consolidated financial statements.

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities of which the Company governs the financial and operating policies directly or indirectly so that the Group will obtain benefits from their activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when it is lost.

Intra-Group balances of payables and receivables and transactions as well as unrealized gains or losses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

2) Business combinations

The Group has applied the acquisition method to account for business combinations. The considerations transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, liabilities incurred, and the equity interests issued by the Group. The considerations transferred also include the fair value of assets or liabilities arising from contingent consideration arrangements. Acquisition-related costs are recognized as expenses when incurred. The identifiable assets acquired, the liabilities and contingent liabilities assumed in a business combination are

initially measured at their fair values at the acquisition date.

(2) Foreign currencies

1) Foreign currency transactions

Foreign currency transactions are translated into the functional currencies of each entity in the Group using the exchange rates at the date of the transactions. Assets and liabilities denominated in foreign currencies to be remeasured at the end of each reporting period are retranslated into the functional currencies using the exchange rates at that date. Non-monetary assets and liabilities measured at fair value in foreign currencies are retranslated into the functional currencies using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement of such transactions, and exchange differences arising on translating foreign currency-denominated monetary assets and liabilities using the exchange rates at the end of the reporting period, are recognized in profit or loss. However, when a gain or loss on a non-monetary item is recognized in other comprehensive income, the foregoing exchange differences are also recognized in other comprehensive income.

2) Foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the reporting date. Income and expenses are translated into Japanese yen using the average exchange rate for the period. However, if such an average exchange rate is not considered as a reasonable approximation of the cumulative effect of the exchange rates at the transaction dates, the exchange rates at the transaction dates are used.

Exchange differences arising on translating financial statements of foreign operations are recognized in other comprehensive income. On the disposal of the interest in a foreign operation involving loss of control or significant influence, the cumulative amount of the exchange differences in connection with the foreign operation is recognized in profit or loss in the period during which the interest is disposed of.

(3) Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition that are readily convertible to cash and subject to an insignificant risk of changes in value.

(4) Financial instruments

The Group classifies investments in financial assets in two categories: loans and receivables, and available-for-sale financial assets. This classification is made according to the nature of assets and for what purpose the assets were acquired. The classification of investments is determined on initial recognition, and whether the classification is appropriate is reassessed at each reporting date.

1) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified in this category are recorded as current assets, except for those with maturities of greater than 12 months after the reporting date or exceeding the normal operating cycle. Loans and receivables are included in “operating receivables and other receivables” in the condensed quarterly consolidated statements of financial position.

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified in other categories. Available-for-sale financial assets are recorded as non-current assets unless the management has an intention to dispose of the investment within 12 months from the reporting date. Available-for-sale financial assets are initially recognized at the fair value plus directly attributable transaction costs, and subsequently measured at the fair value.

Purchase and sale of a financial asset are recognized at the transaction date, or the date on which the Group commits itself to purchase or sell the asset. A financial asset is derecognized when the rights to receive cash flows from the asset are extinguished or transferred, and the Group has substantially transferred all the risks and rewards incidental to ownership of the asset. After initial recognition, available-for-sale financial assets are recognized at fair value. Loans and receivables are

recognized at amortized cost using the effective interest method. Financial assets or financial asset groups are assessed on a quarterly basis whether there is any objective evidence that the asset or asset group is impaired. When there is objective evidence, impairment losses are recognized. Unrealized gains or losses attributable to changes in the fair value of available-for-sale financial assets are recognized in changes in the fair value of available-for-sale financial assets. When available-for-sale financial assets are sold or disposed of, cumulative changes in the fair value of available-for-sale financial assets are recognized in profit or loss.

The fair value of listed securities is measured at quoted market prices. For financial assets for which there is no active market and unlisted securities, the Group calculates fair value using certain valuation techniques, in particular, which include recent cases of arm's length transactions, references to prices of other financial instruments that are substantially equivalent, the discounted cash flow method, and others.

The Group assesses financial assets or financial asset groups at each reporting date whether there is any objective evidence that the asset or asset group is impaired. When there is objective evidence, impairment losses are recognized.

For equity instruments classified as available-for-sale financial assets, the possibility that the cost of investment is not recoverable and whether there is a significant or long-term decrease of fair value, which are included in information on significant changes that have adverse effects arising in the business environment where an issuer runs its business, are also taken into account in assessing whether there is any objective evidence for impairment. When there is objective evidence for available-for-sale financial assets, losses, which are measured as the difference between the acquisition cost and the fair value at the reporting date less impairment losses of the financial assets that were previously recognized in profit or loss, are transferred to profit or loss.

(5) Inventories

Inventories are assessed at cost or, if lower, at net realizable value. Net realizable value is calculated by deducting costs to sell from the estimated selling price.

The cost of inventories is comprised of purchase prices, development expenses, borrowing costs and separately identified expenditure including other related expenditure.

Borrowing costs for borrowings for developed real estate are capitalized as part of cost of the developed real estate over the period up to the end of the development, based on the specific identification method.

(6) Property, plant and equipment

The Group applies the cost model in measurement of property, plant and equipment.

Property, plant and equipment are measured at the carrying amount, which is calculated as cost less any accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes cost directly incidental to the acquisition of assets, and costs of dismantling and removing the assets and restoring the site on which they are located, and borrowing costs directly attributable to acquisition, construction or production of qualifying assets.

Subsequent expenditures on property, plant and equipment that have already been recognized are included in the carrying amount of the assets only if it is highly probable to generate future economic benefits related to the items for the Group and the expenditures can be measured reliably. Costs of the day-to-day servicing of property, plant and expenditure are recognized in profit or loss when incurred.

Depreciation of assets except for land and construction in progress is principally computed under the straight-line method over the following estimated useful life. The diminishing balance method is applied, if depreciation based on the diminishing balance method better reflects the pattern in which the future economic benefits embodied in the asset are expected to be consumed by the entity.

Buildings and structures	3 to 50 years
Tools, furniture and fixtures	3 to 20 years

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each quarter, and changed if necessary.

(7) Intangible assets

The Group applies the cost model in measurement of intangible assets. An intangible asset is carried at cost less any accumulated amortization and any accumulated impairment losses.

Subsequent expenditures on intangible assets that have already been recognized are included in the carrying amount of the assets only if it is highly probable to generate future economic benefits related to the items for the Group and the expenditures can be measured reliably. Other expenditures are recognized in profit or loss when incurred.

1) Software

Acquired software is initially recognized at cost including purchase consideration (net of discounts and rebates) and expenditures directly attributable to the preparation for the asset for the intended use.

After the acquisition, software is amortized under the straight-line method over its estimated useful life of three to five years. The estimated useful life and amortization method are reviewed in each fiscal year, and changed if necessary.

(8) Leases

1) Lessee

Leases are classified as finance leases when all the risks and rewards incidental to ownership of an asset in a lease arrangement are substantially transferred to the lessee. All leases other than finance leases are classified as operating leases.

The Group's assets under finance leases are tools, furniture and fixtures and are capitalized at amounts equal to the fair value of leased property at the inception of the lease or, if lower, at the present value of the minimum lease payments. Leased assets are depreciated on a straight-line basis over the estimated useful life or, if shorter, the lease term. Lease obligations are recognized as liability in the condensed quarterly consolidated statements of financial position.

Operating lease payments are recognized in profit or loss on a straight-line basis over the lease term.

Contingent rents expense is recognized in profit or loss for the period during which it is incurred.

2) Lessor

Leases of investment properties are classified as operating leases when all the risks and rewards incidental to ownership of an asset in a lease arrangement are substantially held by the Group. Lease income from operating leases (net of incentives provided to the lessee) is recognized in profit or loss on a straight-line basis.

Initial direct costs incurred to the Group at the inception of operating leases are added to the carrying amount of the leased assets, and are recognized in profit or loss on the same basis as lease income over the lease term.

Contingent rents income is recognized in profit or loss for the period during which it is incurred..

(9) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both, and do not include properties for sale in the ordinary course of business or used for administrative purposes.

The Group applies the cost model in measurement of investment properties.

Investment properties are initially recognized at cost, and subsequently presented at the carrying amount, which is calculated as cost less any accumulated depreciation and accumulated impairment losses. Depreciation of investment properties is principally computed under the straight-line method over the following estimated useful lives. The diminishing balance method is applied, if depreciation based on the diminishing balance method better reflects the pattern in which the future economic benefits embodied in the asset are expected to be consumed by the entity.

Buildings and structures	3 to 50 years
Tools, fixtures and fittings	3 to 20 years

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each quarter, and changed if necessary.

(10) Impairment of non-financial assets

The Group assesses whether there is any indication of impairment on a quarterly basis for the carrying amounts of non-financial assets except inventories and deferred tax assets. If any such indication exists, the recoverable amount of the asset or each cash-generating unit (CGU) to which the asset belongs is

estimated.

The recoverable amount is the higher of its fair value less costs to sell and its value in use. When the recoverable amount of the asset (or CGU) falls below the carrying amount, the carrying amount of the asset (or CGU) is reduced to the recoverable amount.

Difference between the carrying amount and the recoverable amount is recognized as impairment losses in profit or loss.

When impairment losses are reversed after recognition, the carrying amount of the asset (or CGU) is increased to the revised estimated recoverable amount. However, the reversal of the impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU).

The reversal of impairment losses is immediately recognized through profit or loss.

(11) Operating payables and other payables

Operating payables and other payables are obligations to pay for goods or services provided to the Group in the ordinary course of business and others. Operating payables and other payables are classified as current liabilities when such payables are due within one year or within the normal operating cycle, and otherwise, presented as non-current liabilities.

Operating payables and other payables are initially recognized at fair value and subsequently at amortized cost calculated using the effective interest method.

(12) Borrowings

Borrowings consist of borrowings and lease obligations. Borrowings are initially recognized at fair value and subsequently recognized at amortized cost. Difference between net proceeds net of transaction costs and the repayment amount is recognized in profit or loss over the borrowing period using the effective interest method.

Borrowings are recorded as current liabilities unless the Group has unconditional rights to reschedule the repayment for at least 12 months after the reporting date.

(13) Provisions

Provisions are recognized when there are present legal or constructive obligations as a result of past events; it is probable that outflows of economic benefits will be required to settle the obligations; and reliable estimates can be made of the amount of obligations.

(14) Employment benefits

1) Defined benefit pension plans

Liabilities associated with defined benefit pension plans are calculated by discounting the estimated amount of future benefits obtained in return for services that employees rendered in prior years or the current year to the present value. Unrecognized past service costs are deducted from this calculation.

The yield of gilt-edged corporate bonds of which the maturity largely matches that of the Group's debts is used as the discount rate.

These liabilities are calculated by actuaries using the projected unit credit method.

When pension plans are revised, increases or decreases in benefits related to past services rendered by employees are recognized in profit or loss on a straight-line basis over the average period until the amount of the benefits is determined. For benefits that are immediately determined, the costs are immediately recognized in profit or loss.

All the actuarial differences arising from defined benefit pension plans are recognized in profit or loss on a straight-line basis in the average remaining service period.

2) Defined-contribution pension plans

Defined-contribution pension plans are post-employment benefit plans in which an employer pays fixed contributions to a separate entity and will have no obligation to pay further contributions. Contributions associated with defined-contribution pension plans are recognized in profit or loss in the period during which employees render services.

3) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are recognized as profit or loss when the related service is rendered.

Bonus accrual and paid absences are recognized as liabilities, when the Group has present legal or constructive obligations to pay, and when a reliable estimate of the amount of obligations can be made.

(15) Revenue

Revenue is recorded at the fair value of the consideration received for the sale of properties and services or receivables net of discounts, rebates and consumption taxes, etc., less internal sales. Revenue is recognized as follows:

1) Sale of properties

Revenue from the sale of properties is recognized when the significant risks and rewards incidental to ownership of the assets for sale have been transferred to the buyer; the Group retains neither continuing involvement nor effective control over the assets; it is probable that the economic benefits associated with the transaction will flow to the Group; and the amounts of the cost and revenue incurred in respect of the transaction can be measured reliably.

2) Operating lease of rental properties

Revenue associated with operating lease is recognized on a straight-line basis over the lease period.

3) Rendering of services

Revenue from the rendering of services is recognized by reference to the stage of provision of services or when provision of services is finished.

4) Interest income

Interest income is recognized using the effective interest method.

5) Dividend income

Dividend income is recognized when the right to receive dividend payment is vested.

(16) Borrowing costs

The Group adds borrowing costs directly attributable to acquisition, construction or production of assets that require a reasonable period of time before intended use or sale becomes possible, or qualifying assets, to the cost of these assets until the intended use or sale of the assets effectively becomes possible.

Borrowing costs other than those described above are recognized in profit or loss in the period during which these costs are incurred using the effective interest method.

(17) Derivatives and hedges

Derivatives are initially recognized at fair value on the day when the derivative contract is entered into, and subsequently remeasured at fair value at each reporting date.

The Group has concluded interest rate swap contracts in order to hedge changes in future cash flows associated with floating-rate borrowings. At the inception of the hedge, concluded derivatives are designated as cash flow hedge and documented.

The Group also assesses whether a derivative used in the hedge transaction is highly effective in offsetting fair value of the hedged item or changes in cash flows, at the inception of the hedge or on an ongoing basis.

Changes in fair value of derivative transactions that are designated as cash flow hedge and qualify for cash flow hedge are recognized in equity through other comprehensive income. Of changes in fair value of derivative transactions, ineffective portion is immediately recognized in profit or loss.

(18) Income taxes

Income taxes are comprised of current taxes and deferred taxes and recognized in profit or loss, except for the taxes which arise from business combinations or are recognized either directly in equity or in other comprehensive income.

Current taxes are computed by adding adjustments of the amount of expected tax payment or expected refund up to the previous year to the estimated amount of expected tax payment or expected

refund on taxable profits or losses in the current year which are multiplied by tax rates that are enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are recognized for temporary differences between accounting carrying amounts of assets and liabilities and amounts of them for tax purpose. For differences associated with initial recognition of assets or liabilities in transactions that have no effect on any profit and loss for both accounting and tax purposes, except for business combinations, deferred tax assets and liabilities are not recognized. Deferred tax assets and liabilities are measured using the tax rate that is expected to be applied when the temporary differences will reverse under the law which is in effect or substantially in effect at the reporting date. Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and they are related to income taxes levied by the same taxation authority on the same taxable entity.

Deferred tax assets are recognized only for the carryforward of unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is highly probable that taxable profit will be available against which they can be utilized in the future. Deferred tax assets are reviewed at each reporting date, and reduced by the amount that is highly unlikely to be utilized.

(19) Earnings per share

The Group discloses basic and diluted earnings per share (attributable to owners of the parent) related to ordinary shares. Basic earnings per share is calculated by dividing profit for the period attributable to owners of the parent, by the weighted average number of ordinary shares issued during the reporting period that is adjusted by the number of treasury shares.

(20) Segment information

Operating segments are components of the Group that engage in business activities from which the Group may earn revenues and incur expenses. ,These are components for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors of the Company to make decisions about resources to be allocated to the segments and assess their performances.

Reportable segments are determined on the basis of the operating segments.

Segment information includes items that are directly attributable to the segments and items that are allocated to the segments on a reasonable basis.

d. 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, income and expenses. However, actual results may differ from these estimates.

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

e. Segment information

(1) Summary of reportable segments

The Group's reportable segments are components of the Company for which separate financial information is available that are evaluated regularly by the Board of Directors to determine allocation of management resources and assess performance. The Group's head office draws up comprehensive strategies for each business, and the Group conducts business activities accordingly. Consequently, the Group is made up of segments based on business, as determined by the head office, and has six reportable segments: "Revitalization Business," "Development Business," "Rental Business," "Fund and Consulting Business," "Property Management Business" and "Alternative Investment Business." In the "Revitalization Business," the Group increases the value of properties whose asset value has declined and resells them. In the "Development Business," the Group sells condominium units and detached houses in lots to individual customers, and rental apartments and office buildings to investors. In the "Rental Business," the Group rents office buildings and condominiums. The "Fund and Consulting Business" mainly provides REIT fund asset management services. The "Property Management

Business" provides comprehensive property management services. In the "Alternative Investment Business," the Group acquires real estate collateralized claims and sells properties acquired by collecting receivables and accepting substitute performances.

As from the period under review, the name of "Fund Business" was changed to the "Fund and Consulting Business." This amendment was made to only the name of the business segment, and there were no changes in the segmentation.

(2) Method for calculating revenue, profit or loss and other items by reportable segment

Accounting policies of reported business segments are consistent with those disclosed in "c. Significant accounting policies" in (6) Notes to Condensed Quarterly Consolidated Financial Statements.

The reported segment profit is calculated on an operating profit basis. Intersegment revenue or transfers are based on actual market prices.

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

Three months ended February 29, 2012

(December 1, 2011 – February 29, 2012)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Alternative Investment Business	Adjustment	Total
Revenue								
Outside customers	2,089,852	1,110,486	565,508	157,454	1,001,283	101,549	–	5,026,134
Intersegment revenue	–	274,003	12,957	2,227	67,841	–	(357,030)	–
Total	2,089,852	1,384,490	578,465	159,682	1,069,125	101,549	(357,030)	5,026,134
Segment profit	371,872	288,686	304,429	8,506	35,890	16,071	(288,782)	736,673
Finance income/costs, net								(167,446)
Profit before tax								569,226

Three months ended February 28, 2013

(December 1, 2012 – February 28, 2013)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Alternative Investment Business	Adjustment	Total
Revenue								
Outside customers	7,107,704	6,570,716	531,845	410,540	789,857	90,696	–	15,501,359
Intersegment revenue	–	–	13,737	1,290	77,872	–	(92,899)	–
Total	7,107,704	6,570,716	545,582	411,830	867,729	90,696	(92,899)	15,501,359
Segment profit	1,330,858	112,522	271,403	180,741	42,184	22,298	(344,341)	1,615,667
Finance income/costs, net								(208,200)
Profit before tax								1,407,466

f. Dividends

Dividends paid in the three months ended Feb. 29, 2012 and Feb. 28, 2013 are as follows:

Three months ended Feb. 29, 2012 (Dec. 1, 2011 – Feb. 29, 2012)				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 24, 2012	500	228,420	Nov. 30, 2011	Feb. 27, 2012

Three months ended Feb. 28, 2013 (Dec. 1, 2012 – Feb. 28, 2013)				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 26, 2013	600	274,104	Nov. 30, 2012	Feb. 27, 2013

g. Earnings per share

	Three months ended Feb. 29, 2012 (Dec. 1, 2011 – Feb. 29, 2012)	Three months ended Feb. 28, 2013 (Dec. 1, 2012 – Feb. 28, 2013)
Profit for the period attributable to owners of the parent (¥ thousand)	273,996	866,327
Weighted average number of ordinary shares outstanding (shares)	456,840	456,840
Basic earnings per share (¥)	599.76	1,896.35

Notes: 1. Basic earnings per share is calculated by dividing profit for the period attributable to owners of the parent, by the weighted average number of ordinary shares outstanding during the reporting period.
2. Information on diluted earnings per share is omitted due to an absence of potential shares.

(7) Notes on Significant Subsequent Events

Cancellation of the issuance of new shares

At a meeting of the Board of Directors of the Company held on March 13, 2013, the Company decided to cancel the issuance of new shares, which was decided by resolution at a meeting of the Board of Directors held on February 22, 2013.

(Reference)

Concerning the Group's first-time adoption of IFRS

The Group has prepared an introductory document for listing Tosei's stock on the Singapore Exchange, and the consolidated financial statements contained in the document was prepared in compliance with IFRS.

As the date of transition to IFRS for the Group was December 1, 2008, this voluntary adoption of IFRS to our domestic financial report for the first three months of the fiscal year ending November 30, 2013 does not fall under the definition of "First-time adoption of IFRS." Therefore, "Consolidated statement of financial position at the beginning of the previous fiscal year" and "Reconciliations in association with the transition from Japan GAAP to IFRS" required upon the first-time adoption of IFRS are not prepared.