TOSEI CORPORATION

Strategies for Stable and Strong Growth

Annual Review 2007

For the year ended November 30, 2007

Profile

The Tosei Group's mission is to create new value and inspiration in all aspects of real estate as a global-minded group of seasoned professionals.

Under the banners of "finance and real estate" and "quality construction," the Tosei Group works to contribute to society and increase its corporate value by restoring the value of real estate and other assets with a view 10 to 20 years in the future.

Contents

Forward-looking Statements

This annual report contains forward-looking statements regarding the Company's plans, outlook, strategies and results for the future. All forward-looking statements are based on judgments derived from the information available to the Company at the time of publication. Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company's businesses; competitive pressures; related laws and regulations; product development programs; and changes in exchange rates.

Financial Highlights

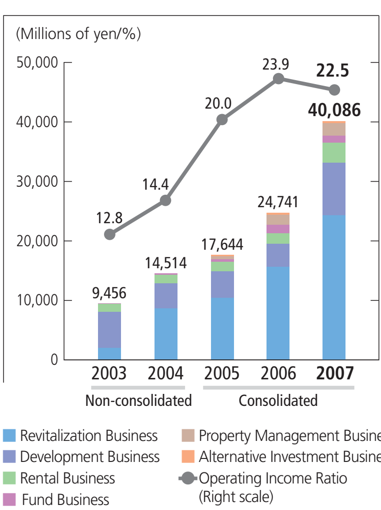
Tosei Corporation and its Consolidated Subsidiaries
Years ended November 30

	Millions of yen		Change (%)	Thousands of U.S. dollars (Note)
	2007	2006	**2007**/2006	**2007**
Operating Results (For the year):				
Revenues	**¥ 40,086**	¥ 24,741	62.0%	**$361,070**
Operating income	**9,007**	5,901	52.6	**81,130**
Net income	**4,558**	2,737	66.5	**41,056**
Per Share Data (In yen and U.S. dollars):				
Net income per share	**¥12,095.04**	¥ 7,412.80	63.2%	**$ 108.94**
Cash dividends	**2,200.00**	1,400.00	57.1	**19.82**
Book value per share	**51,089.15**	40,414.50	26.4	**460.18**
Financial Position (At year-end):				
Total assets	**¥ 86,922**	¥ 60,136	44.5%	**$782,940**
Net assets	**19,252**	15,230	26.4	**173,410**
Number of employees	**194**	134		
Financial Indicators:				
Operating income ratio (%)	**22.5%**	23.9%		
Return on total assets (ROA) (%)	**6.2%**	5.4%		
Return on equity (ROE) (%)	**26.4%**	23.3%		

Note: U.S. dollar amounts have been translated from yen, solely for the convenience of the reader, at the rate prevailing on November 30, 2007 of ¥111.02 to US$1.

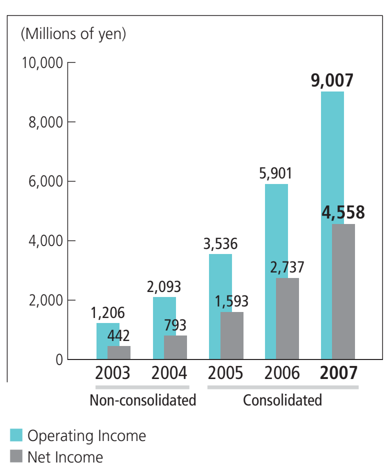
Revenues/Operating Income Ratio

5 consecutive years of growth in revenues and income, 62.0 percent year-on-year increase in revenues in 2007



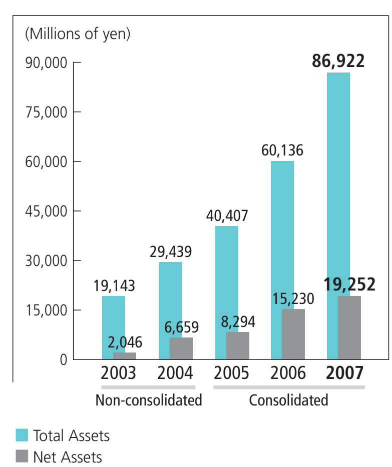
Operating Income/Net Income

52.6 percent increase in operating income, 66.5 percent increase in net income



Total Assets/Net Assets

44.5 percent increase in total assets, 26.4 percent increase in net assets



Note: The Tosei Group began consolidated financial reporting in the fiscal year ended November 30, 2005.

To Our Stakeholders

President and CEO
Seiichiro Yamaguchi

We aim to create new value and inspiration by maintaining our firm foundation as a winning company and achieving further growth.

Overview of Results for the Fiscal Year Ended November 30, 2007

Profits grew substantially, as our performance exceeded projections.

In the real estate industry, publicly disclosed land prices as of August 2007 showed that the nationwide average assessed value of land in Japan increased for the second consecutive year. Land prices in Tokyo, in particular, maintained strong upward momentum, rising an average of 17.1 percent year on year according to a National Tax Agency report. In the market for leased office space in Tokyo's 23 wards, both the vacancy rate and rents were favorable. The average vacancy rate as of November 2007 was 1.8 percent, a 0.8 percentage point decline from December 2006, while the average new tenant lease rate rose 6.0 percent over the same period. On the other hand, in the market for leased residential space in the greater Tokyo area, when indexed to September 2005 levels, rents increased only 0.2 percent year on year compared with a substantial 11.5 percent rise in office rents.

In this environment, the Tosei Group expanded its business activities by making maximum use of the strengths it has built up over many years: quality construction, real estate revitalization and asset management know-how in small to medium-sized properties in Tokyo's 23 wards. Performance exceeded original projections, with our core revitalization and development businesses driving earnings, steady growth of the balance of assets under management in the fund business and solid earnings in the rental and property management businesses. As a result, for the year ended November 30, 2007, the Group achieved substantial increases in revenues and profit. Consolidated revenues were ¥40,086 million, an increase of 62.0 percent year on year, operating income was ¥9,007 million, an increase of 52.6 percent, and net income was ¥4,558 million, an increase of 66.5 percent.

Progress of the Medium-term Management Plan GROWING UP 2008

We exceeded our targets for the year by a wide margin, achieving the final-year profit targets of the medium-term management plan a year in advance. As a result, we have made further upward revisions to targets for the final year ending November 2008.

The Tosei Group is working diligently to meet the targets of its medium-term management plan GROWING UP 2008, which covers the three years to November 2008. Based on the principle that enhancing corporate value requires both earnings growth and improvements in management quality, the plan is designed to strengthen the Group's business base and build a foundation for further growth on the basis of two cornerstones: doubling the scale of business and building the corporate brand.

As a result of the faster pace of our business activities and a strong market, we are well ahead of the original plan in terms of doubling the scale of our business. We achieved our original profit targets for the final year of the plan (the year ending November 2008) one year ahead of schedule, and have revised those targets upward. Taking into account factors such as the current inventory balance, our source of growth, we are now aiming to achieve revenues of ¥56,872 million (a 41.9 percent increase year on year and 140 percent of the original target) and ordinary income of ¥12,090 million (a 52.1 percent increase year on year and 202 percent of the original target).

Initiatives to Build the Corporate Brand

As part of our effort to deepen our relationships of trust with stakeholders, we will build a brand that combines innovation and challenge with security and reliability.

One of the pillars of the medium-term management plan is building the corporate brand. By building a brand that combines innovation and challenge with security and reliability, we will deepen the relationship of trust with our stakeholders, which is a vital condition for continuous growth. Therefore, we rigorously implemented in-house research and training to instill the philosophical framework for the Group that we adopted in October 2006, and worked to enhance corporate governance by focusing on raising awareness of compliance, strengthening risk management and practicing timely disclosure. To secure and train personnel, we increased new hiring and initiated

Targets of the Medium-term Management Plan GROWING UP 2008 (December 2005 - November 2008)

	FY ended Nov. 2005 (Actual)	FY ended Nov. 2006 (Actual)	FY ended Nov. 2007 (Actual)	FY ending Nov. 2008 (Targets)
Revenues	¥17.6 billion	¥28.4 billion ➔¥24.7 billion	— ➔¥40.0 billion	¥40.5 billion **➔¥56.9 billion**
Ordinary income	¥2.9 billion	¥4.0 billion ➔¥5.3 billion	— ➔¥7.9 billion	¥6.0 billion **➔¥12.1 billion**
Net worth ratio	20.5%	— ➔25.3%	— ➔22.1%	30.0% **➔25.2%**
Return on equity (ROE)	19.2%	— ➔23.3%	— ➔26.4%	18.3% **➔30.4%**
Return on total assets (ROA)	3.9%	— ➔5.4%	— ➔6.2%	5.5% **➔7.2%**
Fund asset balance	¥20.2 billion	¥41.3 billion ➔¥41.2 billion	¥85.0 billion ➔¥93.6 billion	¥130.0 billion **➔¥166.1 billion**
Number of employees	107	139 ➔134	157 ➔194	170 **➔250**

Notes: 1. Upper figure: original target; lower figure: actual/new target
2. The targets of GROWING UP 2008 were set on the basis of information gathering and analysis believed to be proper when the plan was established. However, the Group may not be able to gather all necessary information, or may be unable to reach the targets due to changes in the business or various other factors.

programs aimed at raising the level of job satisfaction and employee skills. Further, we promoted rooftop greening to address environmental concerns. Besides mitigating the urban heat island effect, rooftop greening is known to have various benefits such as reducing CO_2 levels, increasing building durability and providing a relaxing environment for tenants. This is one way in which the Tosei Group is contributing to society directly through its business. We have steadily carried out rooftop greening since June 2006, when we announced our policy to do so for all of the properties we own. As of November 30, 2007, we added rooftop greenery to a total of 35 properties.

Initiatives for Further Growth

To ensure further growth in the next fiscal year and beyond, we will continue reinforcing our business base as a winning company.

In addition to achieving our profit targets for the year ending November 2008, maintaining steady growth over the medium to long term is imperative. However, the Group's operating environment is undergoing a major wave of change, and we cannot be complacent.

Until now, the real estate market has expanded and prices have risen across the board, but such uniform growth cannot be expected in the future. While the market should continue expanding with the increasing securitization of real estate, disparities are emerging among properties based on location and use. This trend is likely to become even more pronounced. The real estate industry, which has enjoyed booming conditions overall from the growth of the market itself, is also expected to undergo drastic changes. With the tightening of laws such as the Financial Instruments and Exchange Law and more stringent screening of borrowers of real estate loans, we will likely see a shakeout of industry players according to their corporate governance, investment acumen, development capabilities, technology, marketing power, ability to procure capital, and other factors.

The Tosei Group views the predicted polarization of the market landscape as a business opportunity, because competition will decrease and possibilities for expanding market share will increase. In order to capture these growth opportunities and achieve further growth as a winning company, we will need to take full advantage of the locational superiority of the 23 wards of Tokyo, the Tosei Group's primary market, and our core competence of know-how in small to medium-sized properties. In addition, we will need to reinforce our business base.

Reinforcing the Business Base

**Real Estate Market Trends:
Disparities among Properties Have Emerged**

**Real Estate Industry Trends:
The Shakeout of Industry Players Will Continue**

- **Current inventory balance will provide sufficient earnings in the year ending November 2008.**
- **Create a stable earnings base and aim for further growth as a winning company.**

Promote Development of the Business Base

① Expand earnings by supplementing stable small to medium-sized properties with purchases of highly profitable large-scale properties.

② Manage a portfolio built from a diverse development menu.

③ Secure stable earnings by increasing fee income in the fund, rental and property management businesses.

④ Develop internal frameworks to enhance corporate governance as a superior company.

Under these conditions, given that our current inventory balance will allow us to generate sufficient earnings in the year ending November 2008, we will focus on building the cornerstones of growth for the next fiscal year and beyond by implementing the following four measures to reinforce our business base.

1. Expand Earnings by Focusing on Purchases of Large-Scale Properties
   In addition to steadily increasing profits from small to medium-sized properties that provide stable earnings, we will aim for higher earnings by expanding business in highly profitable medium to large-scale properties of ¥2 billion or more.

2. Manage a Portfolio Built from a Diverse Development Menu
   We will aim to maximize property values and increase earnings by flexibly managing the Group’s portfolio, which consists of diverse properties including office buildings, income-producing condominiums, condominiums for sale to individual end-users and commercial facilities, according to factors such as real estate market and area trends.

3. Secure Stable Earnings by Increasing Fee Income
   In addition to steadily securing fee income in the rental and property management businesses, we will strategically expand funds by speeding up asset growth in the fund business through cooperation with major enterprises such as Mitsubishi Corporation and the Development Bank of Japan, as well as foreign investors. In this way, we will ensure a stable stream of income.

4. Develop Internal Frameworks to Enhance Corporate Governance as a Superior Company
   We will strengthen our internal infrastructure for a high-level response to the Financial Instruments and Exchange Law, the revised Building Standard Law and other laws. Initiatives will include reinforcing our risk management structure, upgrading structures and systems that instill awareness of compliance, enhancing our framework for timely disclosure and checking capabilities, and conforming to the Financial Instruments and Exchange Law, or J-SOX.

A Group of Seasoned Professionals

We will create new value and inspiration to realize continuous growth.

The Tosei Group will remain committed to implementing its philosophy, “To create new value and inspiration in all aspects of real estate as a global-minded group of seasoned professionals.” At the same time, we will work to achieve continuous growth by further expanding the scale of our business and building the corporate brand.

It is Tosei’s policy to continuously provide stable dividends while setting the amount at a level that takes into account operating results, the future operating environment, progress of the business plan, and balancing dividends with the need for internal capital resources to generate long-term growth in corporate value by taking advantage of highly profitable opportunities. Given the progress of Group operations, we have set the target payout ratio for the year ending November 2008 at 20 percent of consolidated net income, compared with 20 percent of non-consolidated net income in the past fiscal year.

We appreciate your steady support.

February 2008

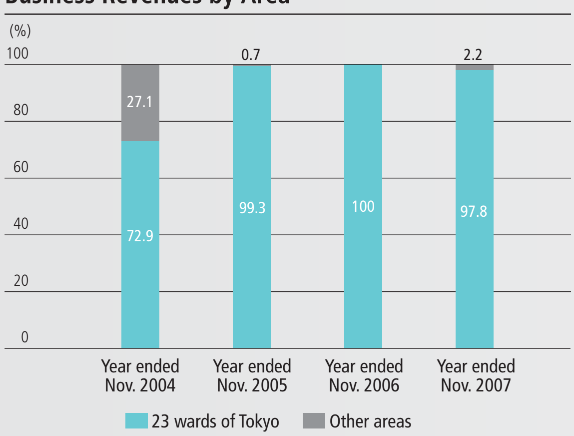
Seiichiro Yamaguchi

Seiichiro Yamaguchi
President and CEO

Stable Growth
from Small to Medium-sized Properties

The Tosei Group intends to expand business operations using its know-how accumulated in the 23 wards of Tokyo to achieve stable growth in the medium to long term.

Revitalization and Development Business Revenues by Area



With over 10 years of experience centered on small to medium-sized properties in the 23 wards of Tokyo, the Tosei Group has accumulated diverse know-how including investment acumen, development and technological capabilities, and selling power. As a company with “value-up” capabilities, Tosei considers this market to be capable of stable growth irrespective of economic conditions because it offers superior locations and has huge potential.

➤ The 23 Wards of Tokyo - An Appealing Market with Growth Potential

The 23 wards of Tokyo have always been a comparatively high-growth market due to the high concentration of both companies and dwellings. The vacancy rate for office buildings within the 23 wards of Tokyo continues to decline. As of September 2007, it was 1.7 percent[1], (a year-on-year decrease of 1.1 percentage points). Moreover, it is much lower than Osaka City's vacancy rate of 5.7 percent (down 0.9 points) and Nagoya City's 6.6 percent (up 0.1 points). Rents have maintained a strong upward trend, with an average new tenant lease rate of ¥13,370 per *tsubo*[2] as of September 2007, up 5.4 percent year on year. The strength of this upward trend is evident when compared with Osaka City's average new tenant lease rate of ¥8,820 per *tsubo* (a 0.1 percent decrease) and Nagoya City's ¥9,600 per *tsubo* (a 0.7 percent increase). With the gradual expansion of Japan's economy, rents are expected to continue rising and with them the locational superiority of the 23 wards of Tokyo.

➤ The Small to Medium-Sized Property Market Is Largely Untapped and Extremely Stable

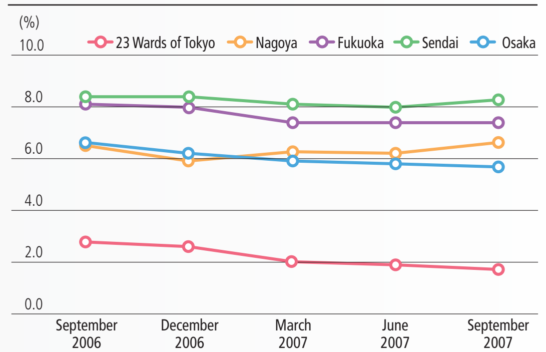
The small to medium-sized property market in the 23 wards of Tokyo is a considerable business opportunity for the Tosei Group. The large demand is unparalleled, with small to medium-sized offices employing fewer than 30 workers constituting 93.7 percent[3] of all offices in the 23 wards of Tokyo, and 53.3 percent[4] of all households living in non-wood construction rental housing earning a mid-range annual income from ¥3 million to ¥10 million. In contrast to large-scale properties, many small to medium-sized buildings do not comply with laws such as the Building Standards Law. For a company with "value-up" capabilities such as Tosei, this represents a huge untapped market of properties that need to be made legally conforming.

Although the market is huge, competition does not readily escalate. Supply is limited because the number of small to medium-sized building construction starts within the 23 wards of Tokyo has not increased significantly since 1994, due in part to the difficulty for large real estate companies to participate. Compared with the large-scale property market where rents rise and fall sharply in response to changing economic conditions, the small to medium-sized property market is stable because rents do not fluctuate greatly.

In such market conditions, The Tosei Group will fully use its many years of accumulated know-how in small to medium-sized properties in the 23 wards of Tokyo to achieve stable growth in the medium to long term.

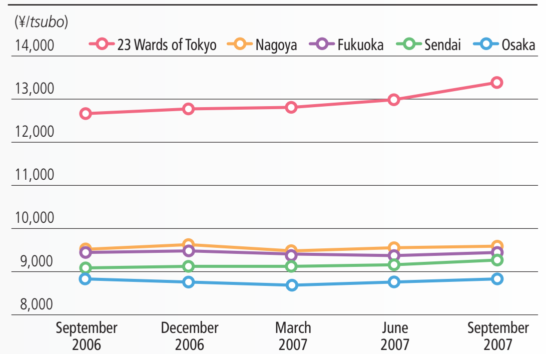
1. Source: K.K. Ikoma Data Service System, *Office Market Report*
2. See note 1 above.
3. Source: Ministry of Internal Affairs and Communications, Statistics Bureau, Establishment and Enterprise Census 2004
4. Source: Ministry of Internal Affairs and Communications, Statistics Bureau, Housing and Land Survey 2003

Vacancy Rate by City



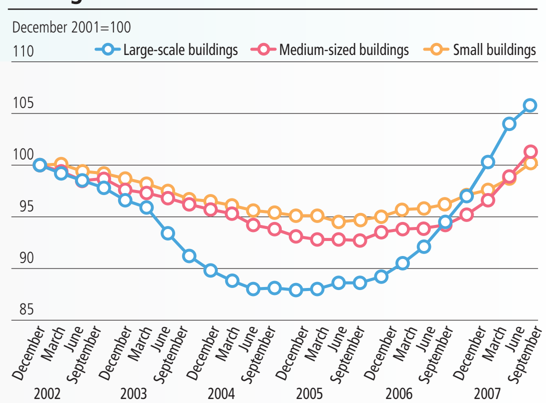
Source: K.K. Ikoma Data Service System, *Office Market Report*

Average New Tenant Lease Rate



Source: K.K. Ikoma Data Service System, *Office Market Report*

Five Inner-city Wards of Tokyo: Average New Tenant Lease Rate Index



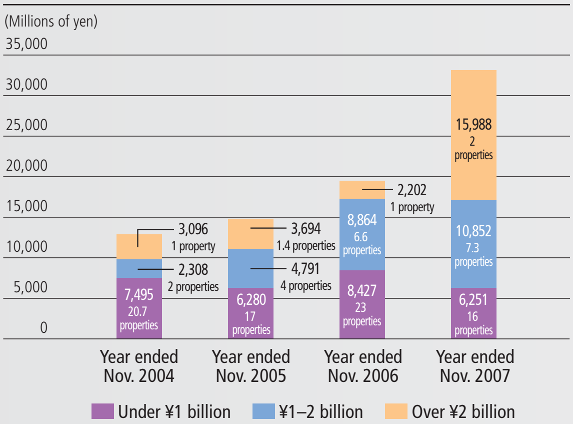
Source: Prepared by Tosei based on materials from Miki Shoji Co., Ltd.

Strong Growth

from Large-Scale Properties

The Tosei Group will achieve further growth by steadily increasing profits from medium to large-scale properties, which provide stable earnings.

Revitalization and Development Business Revenues by Property Scale



As disparities emerge based on individual property characteristics such as location and use, it is important to earmark properties with potential, develop them to maximize their competitive edge and then sell them. In the year ended November 30, 2007, the Tosei Group achieved rapid growth in revenues by securing steady earnings from small to medium-sized properties while expanding business in competitive large-scale properties that are highly liquid and profitable.

Note: To simplify counting of properties in these materials, condominium complexes and single family dwelling subdivisions for individual end-users are treated as single properties. For sales that extend over two accounting periods, the number of properties is divided between the two periods.

➤ The High Profitability of Medium to Large-Scale Properties

The market for small to medium-sized properties is expected to remain firm. Meanwhile, in the market for medium to large-scale properties, which are easily influenced by economic conditions, earning power and liquidity will remain high primarily because of strong performance of large corporations. However, with the emergence of disparities based on individual property characteristics such as location and use, the competitive edge of superior housing stock has risen progressively.

Responding to these conditions, the Tosei Group will achieve high profitability by steadily increasing profits from small to medium-sized properties, which provide stable earnings, while stepping up initiatives in highly competitive and profitable large-scale properties in both the development and the revitalization businesses.

➤ Medium to Large-Scale Property Initiatives

The Tosei Group currently achieves high profitability by applying its strengths to sell competitive properties.

One example is the Ueno Tosei Building. The Group provided construction management and advisory services under contract and acquired the property on completion of construction. By deploying its development and leasing know-how, the Group secured high rents. The scarcity of high-spec buildings in the area resulted in strong demand for this highly functional building with 550m^2 (166.4 *tsubo*) per floor. Contracts were concluded at rents of ¥21,000-26,000 per *tsubo*, or about 30 percent higher than the initial estimate of ¥17,000 per *tsubo*. Main tenants are homebuilders and IT companies and the occupancy rate is 100 percent.

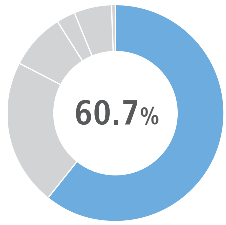
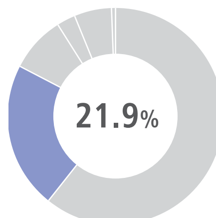
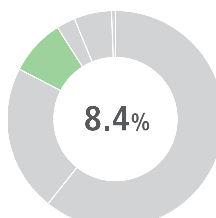
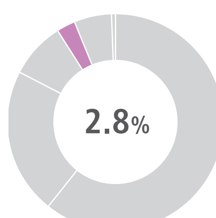
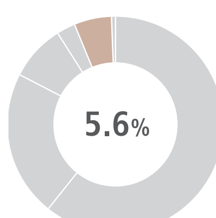
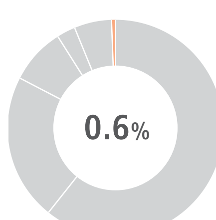
The Group also applied its discerning eye and technological capabilities developed over many years to renew and lease up the Ginza Wall Building, a large building complex located in Ginza 6-chome acquired as part of corporate turnaround assistance. These initiatives raised the average rent for the highly profitable retail floor 80 percent from initial ¥25,000 per *tsubo* at the time of acquisition to ¥45,000 per *tsubo*. The occupancy rate of the building was over 90 percent as of April 2007.

The Group is aiming for strong growth by expanding business in superior medium to large-scale properties such as the Ueno Tosei Building and the Ginza Wall Building.

Ueno Tosei Building (Taito Ward)
Floor space: 7,170m^2
Construction: Steel frame, 10 floors above ground
Details: Ascot INC. hired Tosei as an advisor for developing an office building in Tokyo, including business scheme formulation, basic architectural planning, acquisition of adjacent land, management of design and construction companies, and lease up of the completed building. Construction was completed in May 2007. Tosei acquired the property in June by purchasing the trust beneficiary rights. (Included in a fund managed by Tosei)

Ginza Wall Building (Chuo Ward)
Floor space: 16,949m^2
Construction: 12 floors above ground, 3 floors below
Details: Large-scale renewal including changes to the retail shop section, approach and installation of a new interior stairway, as well as "value-up" activities to make the building legally conforming.

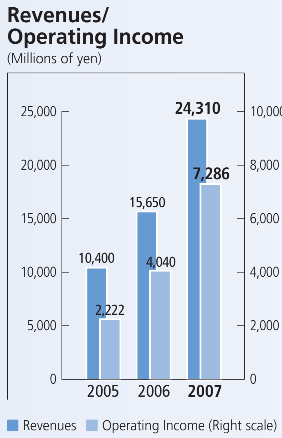
Review of Operations

Business Segment	Percentage of Revenues	Description of Activities
Revitalization Business		The development business acquires office buildings, commercial facilities, rental condominiums and other properties whose asset value has declined, increases their value through "value-up plans" that best match local characteristics and user needs, and resells them as revitalized real estate to investors, real-estate funds and individual end-users.
Development Business		The development business studies factors relating to properties it purchases including local area and site characteristics, use, demand, rent levels and selling prices to maximize their value through development and new construction before selling them as single properties or subdividing them for individual sales to end-users. The segment handles a lineup of projects including office buildings, commercial and mixed-use facilities, condominiums (THE Palms Series) and detached housing (THE Premium Court Series).
Rental Business		The Tosei Group owns office buildings, condominium complexes and other properties primarily in the 23 wards of Tokyo, which it rents to end-users. As a landlord, the Tosei Group can quickly gather accurate information on tenant needs, which contributes to further enhancing "value-up plans" to reflect those needs.
Fund Business		For real estate funds structured with investor participation, the Tosei Group locates, surveys and provides other services for properties that match investor needs. It also provides funds with advice on the purchase, ownership and disposal of properties. Acquisition fees and asset management fees are the main sources of revenues for this segment.
Property Management Business		The property management business conducts comprehensive property management to meet a variety of real estate needs, including administration, facility management, cleaning and security for condominium complexes and office buildings and facilities, specialized building and utilities repair work for units in condominium complexes and office buildings, and office interior renovation contracting.
Alternative Investment Business		The alternative investment business invests in non-performing loans (NPLs) collateralized by real estate, recovers loans or acquires mortgaged properties through like-kind exchanges by negotiating with the owners or debtors. It also uses mergers, acquisitions and other means to acquire properties of companies including those with real estate holdings or associated with real estate.

Note: Excludes intersegment revenues.

Securing steady earnings from small to medium-sized properties while accelerating growth through highly profitable medium to large-scale properties.

Ueno Tosei Building (Taito Ward)



Results for the Fiscal Year Ended November 30, 2007

The development business temporarily acquires real estate whose asset value has declined, increases its value through "value-up plans" that best match local characteristics and user needs, and resells those properties to investors, real-estate funds and individual end-users. It is the Tosei Group's core business, accounting for more than 60 percent of revenues. The Group's "value-up plans" do not end with renewal. Tosei works to comprehensively restore property value by focusing on providing property owners with satisfaction and end-users with pride in addition to improving convenience and functionality.

In the year ending November 2007, the real estate trading market remained brisk due to rising land prices and solid corporate performance. While the number of transactions announced by listed enterprises decreased due to such factors as intensifying competition in real estate acquisition and lower yields resulting from higher real estate prices, the total value of sales increased year on year due to a large number of high-value property purchases in major city centers for redevelopment and office building reconstruction (source: private-sector survey).

In this environment, the Tosei Group increased revenues and operating income by selling highly profitable medium to large-scale properties while securing steady earnings for small to medium-sized properties. Among the 22 properties sold, office buildings and vacant buildings yielded particularly high margins, partly as a result of demand for head office locations and other owner uses amid tight supply.

Current Initiatives

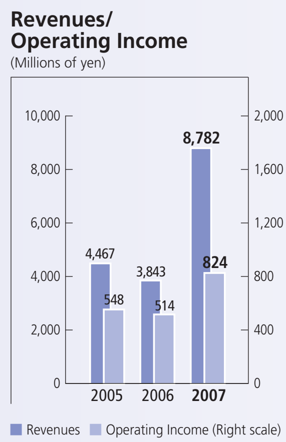
Tosei will continue to secure steady earnings from small to medium-sized properties while accelerating growth through highly profitable medium to large-scale properties. In addition to selling the large-scale Ginza Wall Building, acquired as part of corporate turnaround assistance and included in a fund it manages, the Tosei Group will pursue acquisition of commercial buildings near train stations in the 23 wards of Tokyo. The revitalization business will continue working to increase the value of real estate from the point of view of the end-user by creating unique, distinctive restored properties with even higher quality.

Left: Nihonbashihamacho Ichida Building (Chuo Ward)
Right: Naruse MS Center Building (Machida City)

Development Business

Pursuing further growth by developing medium to large-scale properties, income-producing condominiums and condominiums for individual sale to end-users, followed by commercial and mixed-use facility projects near train stations.

Heiwajima 4-chome Office Building Project (Ota Ward)



Results for the Fiscal Year Ended November 30, 2007

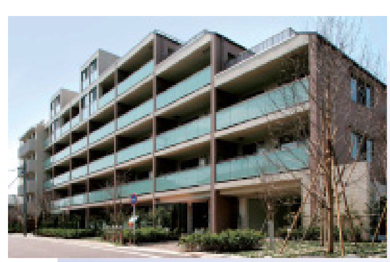
This business develops "THE Palms Series" condominiums, "Palms Court Series" single-family dwellings, rental condominium complexes, office buildings and commercial facilities with the aim of maximizing the value of properties primarily in the 23 wards of Tokyo, where solid growth is expected. In addition to having a first-class architect's office in house, Tosei Corporation provides customers with maximum value and inspiration by enforcing a commitment to quality construction with the Palms Quality Check (PQC) System, the Company's own original quality standard.

In the year ended November 2007, the supply of condominium units for sale in the greater Tokyo area was approximately 60,000 units, the lowest in 14 years (source: private-sector survey). This was likely because consumers held back due to the increase in selling prices caused by increases in land and construction costs. Although land prices and office rents rose, Tosei expects the office building development market to remain firm due to strong demand.

Because of favorable market conditions, the Company concentrated on lease-up activities and made plans to sell newly constructed office buildings in the year ended November 2007 or later. As a result, all revenues were from residential development. Sales to end-users included all 108 units of newly listed THE Palms Setagaya Sakura as well as THE Palms Honkomagome and THE Palms Yoga. Sales to investors included the sale of 30 units at THE Palms Denenchofu.

Current Initiatives

Main projects for the year ending November 2008 include the Kanda Tosei Building, which was completed in May 2007, and the Kanda Okawamachi Building II and the Higashi-ikebukuro 5-chome Building projects. The Heiwajima 4-chome Office Building Project, generated by synergy between the development and fund businesses, is also moving ahead. This project comprises a recently built, highly profitable office building that Tosei is preparing for purchase as an income producing property by a fund it manages, and a run-down warehouse the Company will purchase and develop directly. Collaboration between Tosei's development and fund businesses enabled a purchase on better terms than other companies can achieve. Properties scheduled for sale to individual end-users include THE Palms Ota Chuo and THE Palms Takenotsuka. Those slated for sale to investors include THE Palms Gakugeidaigaku and THE Palms Shinkoiwa. Like the revitalization business, the development business will also expand business in commercial facilities by developing commercial and mixed-use facilities near train stations. Construction of the Kichijoji Commercial Building, which features four floors above ground and one below, was completed in February and a tenant contract was concluded with major apparel maker Eddie Bauer. Other development projects in progress include the Kokuritsufukugo Building Project, the Daizawa 5-chome Commercial Building Project and the Tokiwadai Commercial Building Project.



Left: THE Palms Setagaya Sakura (Setagaya Ward)
Right: Kichijoji Commercial Building (Mitaka City)

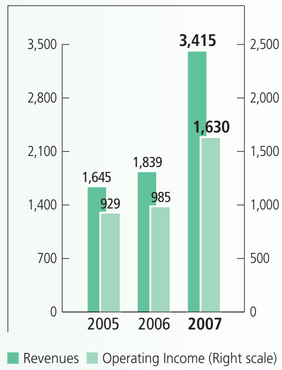
Note: Project names are subject to change upon completion.

Rental Business

Aiming to proactively expand stable earnings sources while giving due consideration to the balance of fixed and current assets.

Toranomon Tosei Building,
(Minato Ward)

Revenues/ Operating Income
(Millions of yen)



Note: Revenues for the fiscal years ended November 30, 2007 and 2006 include ¥40 million and ¥3 million, respectively, from intersegment transactions.

Results for the Fiscal Year Ended November 30, 2007

This business rents its office buildings, condominiums and other holdings to end-users. It purchases highly profitable properties with a discerning eye and uses its half-century of experience to maintain higher occupancy rates than neighboring properties and provide a stable stream of earnings from rental revenues.

The average vacancy rate continued to drop in the market for leased office space in the 23 wards of Tokyo. As of November 2007 it was 1.8 percent, a 0.8 percentage point decline from December 2006. The average new tenant lease rate also continues to rise.

In this environment, the Tosei Group increased its rental property holdings to 67 (10 more than in the previous fiscal year) and achieved stable rental earnings from revenues due to high occupancy rates. Current asset properties increased by 8 to 44 from the previous fiscal year due to steady purchases of properties for sale. Fixed asset properties increased by 2 to 23 because two properties were reclassified from current assets to stabilize operations.

Takaido Tosei Studio
(Suginami Ward)

Current Initiatives

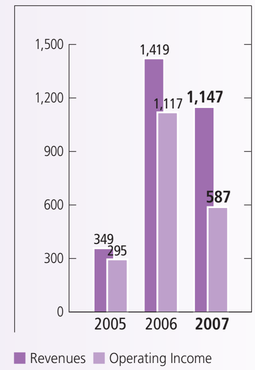
Tosei is aiming to proactively expand its base of stable earnings sources by steadily increasing its property holdings while giving due consideration to the balance of fixed and current assets.

Fund Business

Increasing the balance of fund assets under management by increasing individual fund asset balances and structuring new funds.

Fujimi East-West (Chiyoda Ward)

Revenues/ Operating Income
(Millions of yen)



Note: Revenues for the fiscal year ended November 30, 2007 and 2006 include ¥28 million and ¥14 million, respectively, from intersegment transactions.

Results for the Fiscal Year Ended November 30, 2007

The fund business structures real estate funds with investor capital and locates and surveys properties that match investor needs. It also provides funds with advice on the purchase, ownership and disposal of properties. Tosei restores the physical and intangible value of properties purchased by funds and receives acquisition, asset management, disposition and incentive fee revenues for managing their assets.

The balance of assets under management grew substantially due to steady purchases of properties by funds for which Tosei provides asset management services. As of November 30, 2007, the asset balance totaled ¥93,691 million, an increase of 127.1 percent, or ¥52,440 million, from the end of the previous fiscal year.

Current Initiatives

The fund business is aiming to increase the balance of fund assets under management to ¥166,151 million for the year ending November 2008 by increasing individual fund balances and expanding initiatives with major enterprises. Efforts will include expanding a fund that specializes in centrally located income-producing properties by collaborating with Mitsubishi Corporation and the Development Bank of Japan in addition to overseas investment banks already involved. This fund had an asset balance of approximately ¥21.0 billion as of December 31, 2007.

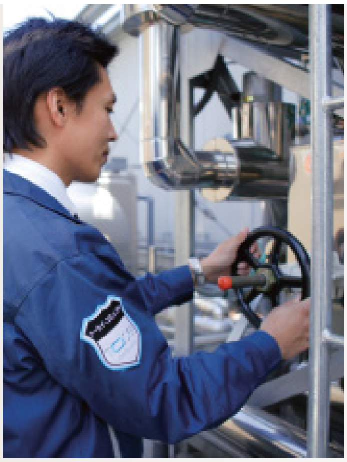
■ Upward Revision of Targeted Balance of Fund Assets under Management

	FY ended Nov. 30, 2006 (Actual)	FY ended Nov. 30, 2007 (Actual)	FY ending Nov. 30, 2008 (Target)
Initial plan	41,300	85,000	130,000
Actual results/ Revised plan	41,251	93,691	166,151

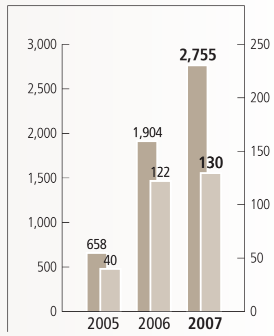
(Non-consolidated, Millions of yen)

Property Management Business

Strengthening the service provision framework and product quality to establish a stable earnings base.



Revenues/ Operating Income
(Millions of yen)



Revenues Operating Income (Right scale)

Notes: Revenues for the fiscal years ended November 30, 2007 and 2006 include ¥517 million and ¥233 million, respectively, from intersegment transactions.

Results for the Fiscal Year Ended November 30, 2007

Wholly owned subsidiary Tosei Community Co., Ltd. provides comprehensive property management services, including security and contracting for renovation and repair and tenant leasing, for condominiums, office buildings and other properties.

In the property management market, office building management grew 4.6 percent year-on-year to ¥3.9 trillion as of March 2007 (source: private-sector survey) due to an increase in construction demand centered on redevelopment projects in the 23 wards of Tokyo driven by the domestic economic recovery. Amid intensifying competition, however, differentiation is progressing through corporate efforts in areas such as providing efficient operations and services, developing technical capabilities, diversifying into related areas and strengthening property management capabilities.

In this environment, the Tosei Group worked to improve management quality and establish a strict internal control framework while increasing the number of properties managed and acquiring large-scale properties. These efforts increased the number of properties managed by 19 from the previous fiscal year to 438. This includes 300 office buildings and 138 residential properties, increases of nine and 10, respectively.

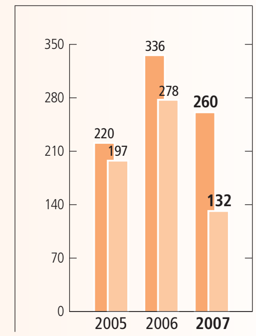
Current Initiatives

Reforms to establish a new management system, as per the medium-term management plan, will include creating a framework for handling a large supply volume and improving the quality of services to increase customer satisfaction.

Alternative Investment Business

Aiming to accelerate business growth by commercializing existing projects and acquiring new ones.

Revenues/ Operating Income
(Millions of yen)



Revenues Operating Income

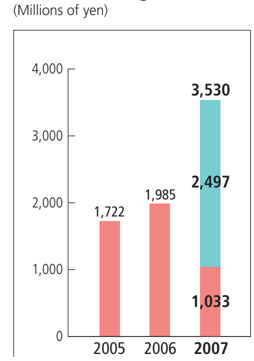
Results for the Fiscal Year Ended November 30, 2007

Handled by wholly owned subsidiary Tosei Revival Investment Co., Ltd., the alternative investment business invests in NPLs collateralized by real estate and recovers loans or acquires mortgaged properties through like-kind exchanges by negotiating with the property owners or debtors. It also acquires properties of companies including those with real estate holdings or associated with real estate through mergers, acquisitions (M&A) and other means.

Competition has intensified for profitable high-value-added products due to solid progress in the disposal of NPLs, with major financial institutions having largely disposed of theirs. In addition, the market is expanding due to an increase in large-scale transactions caused by active industry reorganization.

In this environment, the alternative investment business focused on proactively commercializing existing projects and acquiring new ones. Through M&As, the business acquired two companies for their real estate, three loans, and two properties through like-kind exchanges for debt the Company had already acquired.

Balance of NPLs Acquired and Balance of Real Estate Holdings
(Millions of yen)



NPLs Real Estate Holdings

Current Initiatives

The Tosei Group will fully leverage its capacity to restore real estate value in order to diversify its alternative investment initiatives. Measures to accelerate business growth will include broadening the range of M&A projects considered to include new fields of business such as regional projects, turnarounds and unlisted companies, while focusing on real estate companies. In acquiring NPLs collateralized by real estate, the Group is considering expanding the lineup of property types to include properties such as hotels and warehouses.

Corporate Social Responsibility (CSR)

The Tosei Group's mission is to create new value and inspiration in all aspects of real estate as a global-minded group of seasoned professionals. Based on this, it actively works to fulfill its corporate social responsibilities with a fundamental awareness that the most important duty is to contribute to society directly through the operations of each Group company.

Rooftop Greening Initiative

The Tosei Group is fundamentally aware that its most important duty is to contribute to society directly through the operations of each Group company. Accordingly, it intends to implement practical measures for each project and property as part of its CSR efforts.

As a first step, in June 2006 the Group announced its policy to conduct rooftop greening as a general rule for all properties it constructs, revitalizes or holds. Rooftop greening helps lessen the heat island effect, reduce CO_2 and improve building durability. Furthermore, its significant psychological benefits for occupants include improved scenery and a relaxing effect. Actual data from temperature sensors installed on the Takanawa Tosei Building, where rooftop greening has been completed, confirmed that it was effective in lessening the rise in building temperature. The Company's rooftop greening initiatives and this accompanying experimental data have received attention, with coverage by over ten media organizations, including television. The number of Tosei properties with rooftop greening was 35 as of November 30, 2007. Tosei's general policy is to continue rooftop greening in the future for all the properties it handles, whether buildings are newly constructed or existing.

Takanawa Tosei Building, Minato Ward

Aside from rooftop greening, the Company has implemented plans including aerial gardens and sky gardens for new condominium and other developments. At THE Palms Setagaya Sakura, an environment-conscious condominium complex completed in February 2007, Tosei proactively planted foliage throughout the site and along roadways to maintain the ecosystem and reduce energy loss. The property is also equipped with emergency toilets and a storeroom containing an electrical generator, food and drinking water as response measures in the event of natural disasters. In addition, the Company's construction plans for a large-scale office building development in Heiwajima, Ota Ward are devoted to being kind to people and nature, including extending foliage to the adjacent Heiwanomori Park, a double roof that will reduce roof heat load, and rooftop greening.

Under its slogan of "Putting Heart into the City," the Tosei Group will work to evoke the appeal of urban centers with the aim of building new ones that respect the human spirit and the environment.

Intellectual Property Strategy

➤ The Palms Quality Check (PQC) System

To ensure uncompromising quality control and provide customers with peace of mind, Tosei established the PQC System, an original quality standard based on the ISO quality manual. From design to construction, properties developed by the Company undergo strict checks by the supervisor and construction foreman based on PQC standard specifications. For example, in the construction phase Tosei implements a double-check system consisting of step-by-step inspections by supervisors using a 14-point checklist followed by confirmation of their reports by the Company. The PQC System is ISO9001-certified and undergoes semi-annual checks by the Japan Quality Assurance Organization.

Enhancing Corporate Governance

(As of November 30, 2007)

Fundamental Position on Corporate Governance

The Tosei Group considers it an important management issue to earn the trust of its shareholders, investors, employees, customers, business partners and all other stakeholders by responding promptly and accurately to changes in the operating environment and maintaining sound business activities that achieve growth. Accordingly, its fundamental position on corporate governance is to enhance awareness of corporate governance, focus quickly on identifying and formulating preventative measures for a variety of operating risks, proactively and appropriately disclose information beyond legal requirements, promote enhancement of internal oversight and highly transparent management, and build and operate the necessary organizational framework and associated systems to facilitate these activities.

Corporate Governance Measures

Board of Directors

Consisting of five directors, including one outside director, the Board of Directors of Tosei is the topmost management decision-making body. In accordance with Board of Directors regulations, it convenes once a month and on an as-needed basis to decide management policies and other important matters, and supervises the execution of directors' duties. One outside director was appointed at the 57th General Shareholders' Meeting on February 27, 2007.

Corporate Auditors

Tosei has adopted a corporate auditor system. The Board of Auditors, consisting of two full-time and two part-time corporate auditors, meets once a month, as a general rule. All corporate auditors are from outside the Company to ensure highly objective and effective auditing.

Executive Officer System

Tosei has introduced an executive officer system under which seven executive officers appointed by the Board of Directors execute and oversee business tasks in accordance with Board decisions and internal regulations. The President convenes a Management Meeting twice a month, as a general rule, to obtain advice in advance of making important decisions.

Corporate Governance Meeting

The Corporate Governance Meeting convenes twice a month, as a general rule, to ensure ongoing enhancement of corporate governance. Attended by the full-time directors and full-time corporate auditors, it serves as a venue for identifying and discussing important matters related to governance and internal control that affect corporate value. When necessary, advice is also sought from outside professionals such as lawyers and certified public accountants.

As subsidiary organizations of the Corporate Governance Meeting, Tosei has established a Compliance Committee, which is focused on fostering Group awareness of compliance, and a Risk Management Committee, which studies countermeasures for risks throughout the Group. Each committee discusses and considers how to resolve matters of concern reported by its members, not only in terms of legal compliance, but from the perspective of corporate ethics and social contribution as well.

Internal Audits

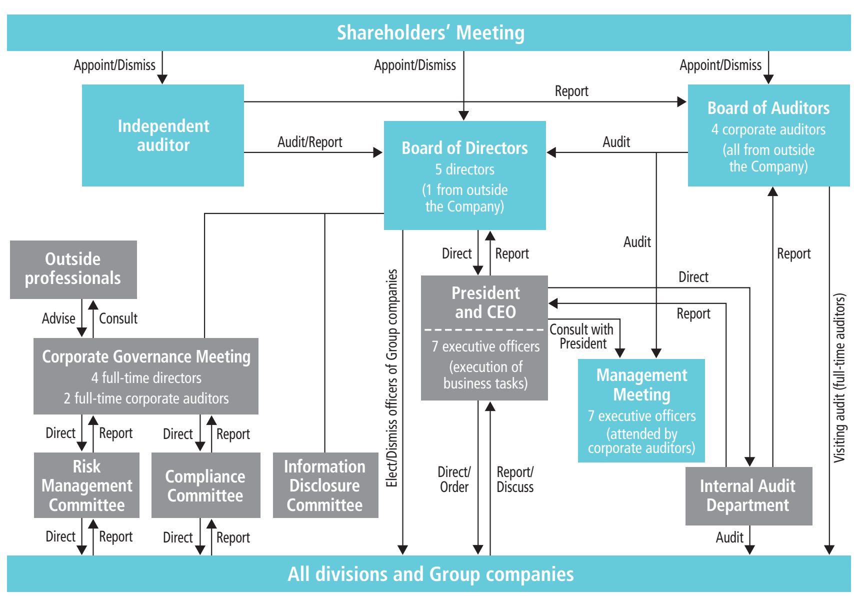
The Internal Audit Department, under the direct supervision of the President, conducts Group-wide audits based on fiscal year plans, and makes recommendations for improvement to divisions where inadequacies have been found. It implements highly effective audits by enhancing follow-up, such as discussing matters requiring corrections with concerned divisions and giving specific guidance.

Information Disclosure

In addition to preparing documents required pursuant to the Company Law, the Financial Instruments and Exchange Law and other laws and releasing information pursuant to stock exchange regulations, Tosei Corporation discloses corporate information to shareholders, investors and other stakeholders in a timely and appropriate manner through IR activities, its website and other media.

Accounting Audits

Pursuant to the Company Law and the Financial Instruments and Exchange Law, the independent auditing firm Ernst & Young ShinNihon conducts audits of Tosei's accounts under contract in accordance with an annual audit plan. In addition to audits at the end of the fiscal year and the interim period, Ernst & Young ShinNihon performs reviews at the end of the first and third quarters.



Management Team

President and CEO
Seiichiro Yamaguchi

Director and COO
Executive Officer of Asset Solution Department 1, Asset Solution Department 2 and Asset Solution Department 4
Katsuhito Kosuge

Director and CFO
Noboru Hirano

Director and Deputy CFO
Executive Officer of Corporate Planning Department; Executive Officer and Manager of General Administration Department
Syunichiro Naito

Independent Director
Goro Kamino

Corporate Auditors
Yasuhiro Honda (full-time)
Kimio Harada (full-time)
Shigeru Yamagishi (part-time)
Eiji Sakamoto (part-time)

Deputy COO
Executive Officer of Asset Solution Department 3 and Architect Planning Department
Minoru Inazuka

Deputy COO
Executive Officer and Manager of Asset Solution Promotion Department
Ryohei Yasuda

Deputy COO
Executive Officer and Manager of Finance and Accounting Department
Ichiro Kawabata

(As of December 1, 2007)

Seated from left: Noboru Hirano, Seiichiro Yamaguchi, Katsuhito Kosuge
Standing from left: Goro Kamino, Ryohei Yasuda, Syunichiro Naito, Minoru Inazuka, Ichiro Kawabata

Risk Management

The Risk Management Committee was set up as a subsidiary organization of the Corporate Governance Meeting to oversee risk management in the Tosei Group. The Risk Management Committee specifies departments responsible for each risk category, manages risks for the entire Group exhaustively and comprehensively, and has enacted Risk Management Standards that clarify the risk management structure. The Risk Management Committee also oversees the status of implementation of risk management measures, and reports the results regularly to the Corporate Governance Meeting. In addition, the Internal Audit Department audits the risk management status of each responsible department, and reports the audit results to the President and the Board of Auditors.

In the event that a risk materializes, a crisis management headquarters will be quickly set up to limit the extent of damage by conducting timely and accurate information gathering and prompt disclosure. The crisis management headquarters also consults with corporate lawyers and other outside advisors in order to quickly implement appropriate responses.

The Tosei Group plans to compile practical manuals and other materials in each department responsible for managing risks that arise in the course of business. In the event that individual response measures are considered for risks affecting the entire Tosei Group, a cross-divisional committee will be set up and committee members selected to consider the measures. This committee has already studied and compiled a manual for measures to prevent personal information leaks.

Compliance

The Tosei Group understands that enhancing compliance is a top priority essential for the Group's sustained growth and has therefore established the Compliance Committee as a subsidiary organization of the Corporate Governance Meeting to fulfill this task. The Compliance Committee sets Group Compliance Rules, and works to keep all directors and employees informed of them. In addition, this committee distributes the Compliance Guidebook, which provides concrete guidelines for individual conduct, and holds training and information meetings for all employees. In addition, the committee studies measures for raising compliance awareness and conducts compliance training on an ongoing basis.

Under the internal reporting system, internal and external hotlines are set up to enable officers and employees of the Group to quickly report any suspected violations of laws or regulations that they discover. The Tosei Group is working to keep all employees informed about the key points of the system to ensure the prompt discovery and resolution of problems.

Anti-Takeover Measures

The Tosei Group, with the approval of the 58th General Shareholders' Meeting on February 26, 2008, has adopted defensive measures against takeovers. These measures provide mechanisms for deterring attempts to purchase large amounts of Tosei's stock that would be harmful to the Company's corporate value and thus contrary to the collective interests of shareholders. The measures will deter such takeover attempts through means such as ensuring that shareholders have sufficient information and time necessary to make a proper judgment, and affording the opportunity to negotiate with the purchaser. In this way, the anti-takeover measures are intended to secure and improve the Company's corporate value and collective shareholder interests.

Management's Discussion and Analysis of Operations and Finances

Income and Expenses

➤ Revenues

As the year ended November 30, 2007 began, the Japanese economy was projected to expand gradually, supported by continued growth in capital spending backed by solid corporate earnings. However, the effects of the U.S. subprime crisis, high raw materials prices and regulatory tightening warranted caution. In the real estate industry, where the Tosei Group operates, economic expansion caused the nationwide average assessed land value to increase for the second consecutive year, according to publicly disclosed land prices as of August 2007. In particular, residential, commercial and industrial land prices in Tokyo rose an average of 17.1 percent year on year (source: National Tax Agency report).

Given this environment, during the year ended November 30, 2007, the Tosei Group focused its collective efforts on steadily implementing the medium-term management plan GROWING UP 2008 (covering the three years ending November 2008). The objectives of this plan are to increase corporate value by doubling the scale of business and building the corporate brand. As a result of these efforts, revenues increased 62.0 percent compared with the previous fiscal year to ¥40,086 million.

➤ Cost of Revenues, Selling, General and Administrative (SG&A) Expenses and Operating Income

As a result of the increase in revenues, cost of revenues increased 68.6 percent compared with the previous fiscal year to ¥27,968 million. Gross profit rose 48.5 percent to ¥12,118 million, due in part to higher selling prices in a strong overall real estate market and the Group's emphasis on improving profit margins. However, selling, general and administrative (SG&A) expenses increased 37.9 percent to ¥3,111 million. Factors included aggressive expansion of the workforce that increased personnel expenses ¥499 million, as well as advertising in newspapers, magazines and elsewhere to build the corporate brand that increased advertising expenses ¥97 million.

As a result, operating income increased 52.6 percent to ¥9,007 million, and the operating income ratio decreased 1.4 percentage points to 22.5 percent.

➤ Segment Information

Revitalization Business

During the fiscal year, the revitalization business sold a total of 22 properties, including the Ueno Tosei Building, the Sendagaya Building and the Tonegi Building. As a result, segment revenues increased 55.3 percent compared with the previous fiscal year to ¥24,310 million, and segment operating income increased 80.3 percent to ¥7,286 million.

Development Business

The development business sold a total of 151 condominium units at THE Palms Setagaya Sakura, THE Palms Honkomagome, THE Palms Yoga and THE Palms Denenchofu. As a result, segment revenues increased 128.5 percent compared with the previous fiscal year to ¥8,782 million, and segment operating income increased 60.3 percent to ¥824 million.

Rental Business

Rental business revenues increased 85.7 percent compared with the previous fiscal year to ¥3,415 million, and segment operating income increased 65.5 percent to ¥1,630 million due to an increase in rental revenues resulting from steady purchases of real estate for sale and continuing high occupancy rates at rental properties Tosei holds in its portfolio.

Fund Business

Segment revenues decreased 19.2 percent compared with the previous fiscal year to ¥1,147 million, and operating income decreased 47.4 percent to ¥587 million. The balance of assets under management as of November 30, 2007 increased to ¥93,691 million from ¥41,251 million a year earlier due to steady purchases of properties by funds for which Tosei provides asset management services. However, revenues and income decreased because of such factors as the absence of the non-recurring brokerage fees recorded in the previous fiscal year. Asset management fees increased as a result of growth in assets under management.

Segment Revenues and Operating Income

(Millions of yen)

	2007		2006	
	Revenues	Operating Income	Revenues	Operating Income
Revitalization Business	24,310	7,286	15,650	4,040
Development Business	8,782	824	3,843	514
Rental Business	3,415	1,630	1,839	985
Fund Business	1,147	587	1,419	1,117
Property Management Business	2,755	130	1,904	122
Alternative Investment Business	260	132	336	278
Eliminations or Corporate	(583)	(1,582)	(250)	(1,155)
Total	40,086	9,007	24,741	5,901

Note: Figures for segment revenues include intersegment transactions and total allocated operating expenses have not been deducted from operating income figures.

Property Management Business

Segment revenues increased 44.7 percent compared with the previous fiscal year to ¥2,755 million, segment operating income increased 6.6 percent to ¥130 million and the number of managed properties increased by 19 to 438. In the office building management business, while changes in building ownership resulted in contract cancellations, efforts to conclude new contracts increased the number of properties under management by 9 to 300, including office buildings and parking lots. In the condominium management business, the number of managed properties increased by 10 to 138, including a complex that another company built for resale to end-users and new contracts to manage rental condominiums.

Alternative Investment Business

The Tosei Group operated aggressively in this business. It acquired projects that maximized its capacity to restore the value of real estate, and recovered loans. Proactive initiatives in the real estate M&A market included the acquisition of two companies holding real estate but lacking successors. The Group also generated revenues by recovering loans and interest through corporate turnaround assistance. However, segment revenues decreased 22.6 percent compared with the previous fiscal year to ¥260 million, and segment operating income decreased 52.5 percent to ¥132 million.

➤ Other Income (Expenses) and Income Before Income Taxes

Other expenses, net totaled ¥1,046 million, the major component of which was interest expense totaling ¥1,100 million. Other income included interest and dividend income totaling ¥15 million and a ¥14 million refund of consumption tax.

As a result of the above, plus factors including a gain on sale of investments in securities of ¥11 million, income before income taxes increased 50.3 percent compared with the previous fiscal year to ¥7,961 million. The ratio of income before income taxes to revenues was 19.9 percent. Income before income taxes per employee was ¥41 million as of November 30, 2007.

➤ Net Income

As a result of the above, net income for the year ended November 30, 2007 increased 66.5 percent compared with the previous fiscal year to ¥4,558 million. Net income per share was ¥12,095.04, compared with ¥7,412.80 for the previous fiscal year.

Shareholder Returns Policy

Stable dividends are a key management priority for Tosei Corporation. The Company's fundamental policy is to comprehensively consider operating results, the future operating environment and progress in its business plan in balancing distributions of earnings and the need for internal capital resources to generate long-term growth in corporate value by taking advantage of highly profitable business opportunities. The target payout ratio for the medium-term management plan, which concludes with the year ending November 30, 2008, is 20 percent of non-consolidated net income. Accordingly, cash dividends per share for the fiscal year ended November 30, 2007 totaled ¥2,200, up from ¥1,400 per share for the previous fiscal year.

For the year ending November 30, 2008 and beyond, Tosei has decided to set a target consolidated payout ratio of 20 percent in consideration of the Group's progress and projects cash dividends per share of ¥3,500 for the year ending November 30, 2008.

Liquidity and Financial Position

The Tosei Group aims to secure sufficient capital for its business activities, maintain liquidity and achieve a sound financial position. In particular, the Group must use interest-bearing debt aggressively but stably because the revitalization, development and alternative investment businesses require large amounts of capital for real estate, loans collateralized by real estate and other purchases. Moreover, the Group works to meet its capital requirements through means including increasing the proportion of fixed-rate debt and loan commitment agreements.

➤ Cash Flow

Cash Flow Summary (Millions of yen)

	Fiscal Year ended November 30, 2007	Fiscal Year ended November 30, 2006
Cash flow from operating activities	(19,543)	(10,857)
Cash flow from investing activities	(2,066)	472
Cash flow from financing activities	20,312	14,339
Net (decrease) increase in cash and cash equivalents	(1,297)	3,954

Cash Flow from Operating Activities

Net cash used in operating activities was ¥19,543 million, compared with ¥10,857 million in the previous fiscal year. While income before income taxes totaled ¥7,961 million, increase in inventories from the acquisition of new properties by the revitalization and development businesses used cash totaling ¥26,759 million.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥2,066 million. In the previous fiscal year, investing activities provided net cash of ¥472 million. Primary factors included a ¥1,001 million increase in guarantee deposits in the revitalization business and the acquisition of equity in a newly consolidated subsidiary in the alternative investment business. Tosei did not generate free cash flow during the year ended November 30, 2007 and funded operating and investing requirements largely through external borrowing.

Cash Flow from Financing Activities

Net cash provided by financing activities was ¥20,312 million, compared with ¥14,339 million in the previous fiscal year, primarily because of a net increase in borrowings to fund purchases in the revitalization and development businesses. Repayments of long-term debt used cash totaling ¥26,927 million, while proceeds from long-term debt totaled ¥45,121 million.

As a result of the above, cash and cash equivalents as of November 30, 2007 were ¥5,182 million, a net decrease of ¥1,303 million from the beginning of the fiscal year.

➤ Financial Position

Assets

Total assets as of November 30, 2007 increased 44.5 percent from a year earlier to ¥86,922 million, and return on average total assets (ROA) increased 0.8 percentage points to 6.2 percent.

Current assets increased 39.4 percent compared with the end of the previous fiscal year to ¥71,631 million. The principal component of current assets was ¥62,905 million in inventories, an increase of 57.1 percent, with ¥35,831 million in real estate for sale, an increase of 72.4 percent, and ¥27,074 million in real estate for sale in progress, an increase of 40.5 percent.

The total of property and equipment and investments and other assets increased 74.7 percent from the end of the previous fiscal year to ¥15,291 million, due to a change in business policy resulting in the addition of the Toranomon Tosei Building and the Takaido Tosei Studio, previously classified as real estate for sale. Buildings and structures therefore increased 89.2 percent to ¥4,028 million.

Liabilities

Current liabilities totaled ¥50,621 million, an increase of 171.7 percent compared with the end of the previous fiscal year. Factors included an increase of 223.2 percent in long-term debt due within one year to ¥41,937 million, and an increase of 298.5 percent in short-term borrowings to ¥3,626 million.

Total long-term liabilities decreased 35.1 percent to ¥17,049 million, due to a 43.2 percent decrease in long-term debt to ¥13,830 million.

Total interest-bearing debt increased 54.9 percent to ¥59,691 million.

Net Assets

Total net assets as of November 30, 2007 increased 26.4 percent compared with a year earlier to ¥19,252 million, mainly because of a ¥4,031 million increase in retained earnings due to favorable results for the year.

The net worth ratio was 22.1 percent, a decrease of 3.2 percentage points from the end of the previous fiscal year, and return on equity (ROE) was 26.4 percent, an increase of 3.1 percentage points.

Risk Information (As of January 11, 2008)

Risks that have the potential to affect the performance, stock price and financial position of the Tosei Group include, but are not limited to, the issues discussed below. For further details, please refer to the Summary of Consolidated Financial Statements for the Fiscal Year Ended November 30, 2007.

1. Business Environment

(a) Revitalization Business and Development Business

(i) Effects of Real Estate Market Conditions

The Tosei Group's core revitalization and development businesses purchase properties on their own account, and typically take six months to two years until they sell the properties after increasing their value or developing them. During that time, changes in the general economy, such as trends in land prices, interest rates and fiscal policy, may occur, and any resulting deterioration of conditions in the real estate market could have an impact on the Tosei Group's operating results and financial position.

(ii) Changes in Business Results due to Timing of Property Transfer

These two businesses book property sales amounts as revenues, and therefore the amount per transaction is large. In addition, because the two businesses book revenues upon transfer of the property, any delay in transferring the property could affect the Tosei Group's operating results and financial position.

(iii) Construction Delays and Increased Construction Costs due to Natural Disasters, Etc.

The Tosei Group makes efforts to draw up a rational yearly budget using the buildup method based on concrete purchasing and sales plans. However, construction delays and the accompanying increase in construction/renovation costs due to natural disasters or other unforeseen events have the potential to affect the Tosei Group's operating results and financial position.

(b) Rental Business

In the rental business, a source of stable revenue for the Tosei Group, changes in general economic conditions, interest rates, the emergence of competing properties, or other events resulting in declines in rental fees or large amounts of vacancies have the potential to affect the Tosei Group's operating results and financial position.

(c) Fund Business

(i) Management Performance of Funds

Even though real estate funds are strictly investment products predicated on the responsibility of investors, and Tosei makes no warranty and accepts no liability regarding performance, in the event that rental conditions or other aspects of the real estate properties do not achieve the performance that investors expect, Tosei's reputation as an asset management company may decline, which could have an impact on the Tosei Group's operating results and financial position.

(ii) Changes in Investor Trends due to Fiscal Policy, Etc.

Real estate funds are one means of investment, and the Tosei Group's operating results and financial position could be affected if investors withdraw from or refrain from investing in real estate funds due to changes in fiscal policies or the global economy.

(d) Property Management Business

(i) Decline of Management Commission Costs

Currently, management commission costs for condominiums and office buildings are continuing their downward trend due to increasing competition with other companies and cost-reduction pressure from customers. The Tosei Group is making efforts to raise efficiency and cut costs, but further reductions in unit prices or a surge in contract cancellations have the potential to affect the Tosei Group's operating results and financial position.

(ii) Workplace Accidents, Etc.

The Tosei Group has obtained ISO 9001 certification for its business execution and provision of services. Although the Group is striving to enhance its business quality and services, unavoidable accidents, defects in construction or facilities, problems with services, or other incidents of a scale that could impact society have the potential to affect the Tosei Group's operating results and financial position.

(e) Alternative Investment Business

The Tosei Group's operating results and financial position may be affected if the Group is unable to acquire loans collateralized by real estate in a shrinking market for non-performing loans, execute mergers with or acquisitions companies that own real estate, or recover existing investments in loans or corporate equity.

2. Reliance on Interest-bearing Debt and Interest Rates

The Tosei Group procures debt financing, primarily from financial institutions, to fund expenses associated with business activities including acquisition of land and buildings and construction. Consequently, the ratio of interest-bearing debt to total assets is consistently at a set level. Increases in interest rates typically increase fund procurement costs, and therefore have the potential to affect the Tosei Group's operating results and financial position.

In procuring funds, unexpected changes in the operating environment and other factors that might impede access to funding could delay projects or render them untenable, which could affect the operating results and financial position of the Tosei Group. Moreover, delays in selling projects or lower-than-anticipated selling prices have the potential to affect the Tosei Group's cash flow.

3. Accounting Standards and Tax System

(i) Changes in Accounting Standards and the Real Estate Tax System

Changes regarding accounting standards and the real estate tax system could cause increases in the cost of holding, acquiring and selling assets, and therefore have the potential to affect the operating results and financial position of the Tosei Group. In particular, as a result of the "Application Guidelines for Fixed Asset Impairment Accounting," announced by the Accounting Standards Board of Japan on October 31, 2003, asset impairment accounting is applied for fiscal years beginning on or after April 1, 2005. Consequently, there is a possibility that the Tosei Group could incur asset impairment losses.

(ii) Scope of Consolidation of Real Estate Funds

Consolidation or non-consolidation of real estate funds in which Tosei conducts asset management is determined individually on the basis of the extent of Tosei's control over and influence on the investment partnership. Changes in interpretation of consolidation that affect accounting auditors' opinions and cause a change in the scope of consolidation of the Tosei Group have the potential to affect the operating results and financial position of the Tosei Group.

4. Defect Liability and After-sale Service

The Tosei Group provides customers with an after-sale service warranty (valid for 1-10 years, depending on the item) according to the Group's "After-Sale Service Standards." However, if for some reason a defect arises in a property supplied by the Tosei Group, and the Group is unable to impose the defect liability on the vendor, or the vendor or contractor is incapable of fulfilling the warranty, the Tosei Group would incur additional expenses, which have the potential to affect the operating results and financial position of the Tosei Group.

5. Human Resources

The inability of the Tosei Group to secure or train the personnel that it requires, or the departure of management currently in office, has the potential to affect the operating results and financial position of the Tosei Group.

6. Medium-term Management Plan

The medium-term management plan includes fixed numerical targets, and the Group regularly checks progress while working to reach these targets, which were set on the basis of information gathering and analysis believed to be proper when the plan was established. However, the Group may not be able to gather all necessary information, or may be unable to reach the targets due to changes in the business environment or various other factors.

7. Revisions to the Building Standards Law

Under the Revised Building Standards Law, which came into effect on June 6, 2007, new buildings now require examinations by designated institutions to confirm that they conform to specified structural calculations. The longer period prior to the start of construction, the increase in costs and other factors caused by these examinations could affect the Group's business results and financial position.

8. Other

When purchasing a pre-owned property, the Tosei Group surveys the building's structure, use of asbestos, soil pollution and other elements. However, business execution may be temporarily suspended or prolonged if buildings are demolished because their structural design data has not been saved or they contain asbestos, or due to soil improvement or other measures. Such suspension of business has the potential to affect the operating results and financial position of the Tosei Group.

Consolidated Balance Sheets

Tosei Corporation and Consolidated Subsidiaries
As of November 30, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2007**	2006	**2007**
Current assets:			
Cash (Note 3)	**¥ 5,182**	¥ 6,644	**$ 46,676**
Notes and accounts receivable	**352**	266	**3,171**
Marketable securities	**10**	10	**90**
Real estate for sale (Notes 2(c), 3)	**35,831**	20,778	**322,744**
Real estate for sale in progress (Notes 2(c), 3)	**27,074**	19,263	**243,866**
Purchased receivables (Note 3)	**1,033**	1,985	**9,304**
Supplies	**2**	1	**18**
Deferred tax assets (Note 7)	**572**	213	**5,152**
Other	**1,582**	2,236	**14,250**
Less: allowance for doubtful accounts	**(7)**	(12)	**(63)**
Total current assets	**71,631**	51,384	**645,208**
Property and equipment (Note 2(c)):			
Buildings and structures (Note 3)	**4,028**	2,129	**36,282**
Tools and furniture	**73**	56	**658**
Land	**9,393**	5,906	**84,606**
Other	**6**	—	**54**
Total property and equipment	**13,500**	8,091	**121,600**
Investments and other assets:			
Investments in securities	**93**	262	**838**
Loans receivable	**2**	3	**18**
Deferred tax assets (Note 7)	**273**	82	**2,459**
Goodwill	**67**	—	**603**
Software	**88**	61	**793**
Telephone rights	**2**	2	**18**
Other	**1,266**	251	**11,403**
Less: allowance for doubtful accounts	**(0)**	(0)	**(0)**
Total investments and other assets	**1,791**	661	**16,132**
Total assets	**¥86,922**	¥60,136	**$782,940**

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2007	2006	Thousands of U.S. dollars (Note 1) 2007
Current liabilities:			
Notes and accounts payable	**¥ 689**	¥ 1,181	**$ 6,206**
Short-term borrowings (Note 3)	**3,626**	910	**32,661**
Bonds due within one year (Note 3)	**24**	24	**216**
Long-term debt due within one year (Note 3)	**41,937**	12,975	**377,743**
Income taxes payable	**2,743**	1,985	**24,707**
Advance received	**113**	625	**1,018**
Accrued bonuses to employees	**52**	10	**468**
Accrued bonuses to officers	**—**	20	**—**
Other	**1,437**	901	**12,944**
Total current liabilities	**50,621**	18,632	**455,963**
Long-term liabilities:			
Bonds (Note 3)	**274**	298	**2,468**
Long-term debt (Note 3)	**13,830**	24,340	**124,572**
Deferred tax liabilities (Note 7)	**23**	23	**207**
Accrued severance costs	**42**	35	**378**
Accrued retirement benefits to officers	**221**	191	**1,991**
Consolidation adjustment	**—**	4	**—**
Negative goodwill	**9**	—	**81**
Other	**2,650**	1,384	**23,870**
Total long-term liabilities	**17,049**	26,275	**153,567**
Total liabilities	**67,670**	44,906	**609,530**
Net Assets:			
Shareholders' equity (Note 6):			
Common stock:			
Authorized: 1,500,000 shares			
Issued: 376,840 shares in 2007 and 376,838 shares in 2006	**4,148**	4,148	**37,363**
Additional paid-in capital	**4,231**	4,232	**38,110**
Retained earnings	**10,872**	6,841	**97,928**
Total shareholders' equity	**19,251**	15,221	**173,401**
Valuation, foreign currency and other adjustments:			
Unrealized gain on securities	**1**	9	**9**
Total valuation, foreign currency and other adjustments	**1**	9	**9**
Total net assets	**19,252**	15,230	**173,410**
Total liabilities and net assets	**¥86,922**	¥60,136	**$782,940**

Consolidated Statements of Operations

Tosei Corporation and Consolidated Subsidiaries
Years ended November 30, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
Revenues	**¥40,086**	¥24,741	**$361,070**
Cost of revenues	**27,968**	16,584	**251,918**
Gross profit	**12,118**	8,157	**109,152**
Selling, general and administrative expenses	**3,111**	2,256	**28,022**
Operating income	**9,007**	5,901	**81,130**
Other income (expenses):			
Interest and dividend income	**15**	1	**135**
Refund of earnest money at cancellation	**—**	100	**—**
Gain on adjustment of debts	**10**	—	**90**
Refund of consumption tax	**14**	—	**126**
Interest expense	**(1,100)**	(595)	**(9,908)**
Share transfer expense	**(0)**	(34)	**(0)**
Commissions paid	**—**	(36)	**—**
Refund at contract cancellation	**5**	—	**45**
Gain on sale of investment securities	**11**	2	**99**
Loss on retirement of fixed assets	**(2)**	(25)	**(18)**
Loss on sale of equity investments	**(4)**	—	**(36)**
Other, net	**5**	(17)	**45**
	(1,046)	(604)	**(9,422)**
Income before income taxes	**7,961**	5,297	**71,708**
Income taxes (Note 7):			
Current	**3,947**	2,657	**35,552**
Deferred	**(544)**	(97)	**(4,900)**
	3,403	2,560	**30,652**
Net income	**¥ 4,558**	¥ 2,737	**$ 41,056**
	Yen		U.S. dollars (Note 1)
Per share of common stock:			
Net income: Basic	**¥12,095.04**	¥7,412.80	**$108.94**
Diluted	**12,095.02**	7,405.87	**108.94**
Cash dividends applicable to the year	**2,200.00**	1,400.00	**19.82**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Tosei Corporation and Consolidated Subsidiaries
Years ended November 30, 2007 and 2006

	Millions of yen						
	Shareholders' equity				Valuation, foreign currency and other adjustments		
	Common stock	Additional paid-in capital	Retained earnings	Total shareholders' equity	Unrealized gain on securities	Total valuation, foreign currency and other adjustments	Total net assets
Balance at November 30, 2006	¥4,148	¥4,231	¥ 6,841	¥15,221	¥ 9	¥ 9	¥15,230
Issuance of new shares.....................	**0**	**0**		**0**			**0**
Dividends from retained earnings ...			**(528)**	**(528)**			**(528)**
Increase due to decrease in consolidated subsidiaries..............			**0**	**0**			**0**
Net income			**4,558**	**4,558**			**4,558**
Change in items other than shareholders' equity during the year (net)..........					**(8)**	**(8)**	**(8)**
Balance at November 30, 2007	**¥4,148**	**¥4,231**	**¥10,872**	**¥19,251**	**¥ 1**	**¥ 1**	**¥19,252**

	Thousands of U.S. dollars (Note 1)						
	Shareholders' equity				Valuation, foreign currency and other adjustments		
	Common stock	Additional paid-in capital	Retained earnings	Total shareholders' equity	Unrealized gain on securities	Total valuation, foreign currency and other adjustments	Total net assets
Balance at November 30, 2006	$37,363	$38,110	$61,619	$137,101	$ 81	$ 81	$137,182
Issuance of new shares.....................	**0**	**0**		**0**			**0**
Dividends from retained earnings ...			**(4,756)**	**(4,756)**			**(4,756)**
Increase due to decrease in consolidated subsidiaries..............			**0**	**0**			**0**
Net income			**41,056**	**41,056**			**41,056**
Change in items other than shareholders' equity during the year (net)..........					**(72)**	**(72)**	**(72)**
Balance at November 30, 2007	**$37,363**	**$38,110**	**$97,928**	**$173,401**	**$ 9**	**$ 9**	**$173,410**

	Millions of yen						
	Shareholders' equity				Valuation, foreign currency and other adjustments		
	Common stock	Additional paid-in capital	Retained earnings	Total shareholders' equity	Unrealized gain on securities	Total valuation, foreign currency and other adjustments	Total net assets
Balance at November 30, 2005	¥1,966	¥2,050	¥4,270	¥ 8,286	¥8	¥8	¥ 8,294
Issuance of new shares.....................	2,182	2,182		4,364			4,364
Dividends from retained earnings ...			(155)	(155)			(155)
Bonuses to officers from retained earnings..........................			(11)	(11)			(11)
Net income			2,737	2,737			2,737
Change in items other than shareholders' equity during the year (net)..........					1	1	1
Balance at November 30, 2006	¥4,148	¥4,232	¥6,841	¥15,221	¥9	¥9	¥15,230

Consolidated Statements of Cash Flow

Tosei Corporation and Consolidated Subsidiaries
Years ended November 30, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
Cash flow from operating activities:			
Income before income taxes	**¥ 7,961**	¥ 5,297	**$ 71,708**
Depreciation	**445**	207	**4,008**
Amortization of consolidation adjustment	**—**	(1)	**—**
Amortization of goodwill	**4**	—	**36**
Amortization of negative goodwill	**(3)**	—	**(27)**
Increase in allowances	**76**	71	**685**
Interest and dividend income	**(15)**	(1)	**(135)**
Interest expenses	**1,100**	595	**9,908**
Tokumei Kumiai (private equity) investments	**(9)**	(87)	**(81)**
Increase in notes and accounts receivable	**(83)**	(119)	**(747)**
Decrease (increase) in purchased receivables	**881**	(262)	**7,936**
Increase in inventories	**(26,759)**	(14,981)	**(241,029)**
Decrease (increase) in advance payment	**1,213**	(475)	**10,926**
(Decrease) increase in notes and accounts payable	**(493)**	810	**(4,440)**
Increase (decrease) in advance received	**(512)**	241	**(4,612)**
Increase in deposits received	**1,248**	217	**11,241**
Other	**(388)**	(18)	**(3,495)**
Sub-total	**(15,334)**	(8,506)	**(138,118)**
Receipts of interest and dividends	**39**	23	**351**
Payments of interest	**(1,052)**	(618)	**(9,476)**
Payments of income taxes	**(3,196)**	(1,756)	**(28,788)**
Net cash used in operating activities	**(19,543)**	(10,857)	**(176,031)**
Cash flow from investing activities:			
Decrease (increase) in time deposits	**160**	(19)	**1,441**
Purchases of property and equipment	**(149)**	(90)	**(1,342)**
Purchases of intangible assets	**(40)**	(39)	**(360)**
Investments in securities	**(51)**	(6)	**(459)**
Sales of investments in securities	**21**	5	**189**
Collection of investments in securities	**161**	712	**1,450**
Acquisition of equity in newly consolidated subsidiary	**(500)**	—	**(4,504)**
Payment of loan receivables	**(650)**	—	**(5,855)**
Purchases of investments	**(1)**	(5)	**(9)**
Increase in guarantee deposits	**(1,001)**	—	**(9,016)**
Other	**(16)**	(86)	**(144)**
Net cash provided by (used in) investing activities	**(2,066)**	472	**(18,609)**
Cash flow from financing activities:			
Net increase in short-term borrowings	**2,667**	(3,480)	**24,023**
Proceeds from long-term debt	**45,121**	25,482	**406,422**
Repayments of long-term debt	**(26,927)**	(11,645)	**(242,542)**
Redemption of bonds	**(24)**	(194)	**(216)**
Proceeds from new stock issue	**0**	4,330	**0**
Cash dividends paid	**(525)**	(153)	**(4,729)**
Net cash provided by financing activities	**20,312**	14,339	**182,958**
Net (decrease) increase in cash and cash equivalents	**(1,297)**	3,954	**(11,683)**
Cash and cash equivalents at beginning of the year	**6,485**	2,531	**58,413**
Decrease in cash and cash equivalents of subsidiaries removed from consolidation	**(6)**	—	**(54)**
Cash and cash equivalents at end of year	**¥ 5,182**	¥ 6,485	**$ 46,676**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Tosei Corporation and Consolidated Subsidiaries
Years ended November 30, 2007 and 2006

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Tosei Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥111.02 to $1, the approximate rate of exchange at November 30, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation

The consolidated financial statements as of November 30, 2007 include the accounts of the Company and its 16 (13 in 2006) significant subsidiaries (together, the "Companies").

The Company has no unconsolidated subsidiaries and no affiliated companies in which investments are accounted for by the equity method.

All assets and liabilities of subsidiaries are marked to fair value at the time of acquisition of control. Consolidation adjustment, a difference between investment and equity of subsidiary, is amortized on a straight-line basis over 5 years.

b. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash and cash equivalents at the end of the year in the consolidated statements of cash flows for the year ended November 30, 2007 and 2006 are reconciled with cash in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Cash	**¥5,182**	¥6,644	**$46,676**
Time deposits with maturities of more than three months	**—**	(159)	**—**
Cash and cash equivalents	**¥5,182**	¥6,485	**$46,676**

c. Inventories

Real estate for sale, real estate for sale in progress and purchased receivables are stated at cost determined by the specific identification method.

Supplies are stated at cost determined by the last purchase method.

Rental property owned as real estate for sale (buildings: ¥540 million (US$4,864 thousand); land: ¥1,103 million (US$9,935 thousand)) has been transferred to property and equipment, and rental property owned as property and equipment (buildings: ¥128 million (US$1,153 thousand); land: ¥103 million (US$928 thousand)) has been transferred to real estate for sale, due to a change in the Company's business policy.

d. Marketable and Investment Securities

Available-for-sale securities with market quotations are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets. Cost at the time of sale is determined by the moving-average method.

Available-for-sale securities without market quotations are stated at cost determined by the moving-average method.

e. Property, Plant and Equipment

Property and equipment are stated at cost.

Depreciation of property and equipment of the Companies is computed by the declining-balance method at rates based on the estimated useful lives of the assets. However, buildings purchased on or after April 1, 1998 are depreciated by the straight-line method.

f. Retirement Benefit Plans

The Companies have an unfunded retirement benefit plan for employees. Accrued severance costs are stated at the amount which would be required if all employees voluntarily terminated their employment at the balance sheet date.

Accrued retirement benefits to officers (directors and corporate auditors) are stated at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

g. Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions.

h. Income Taxes

The Companies apply an inter-period allocation of income taxes based on the asset and liability method. Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes.

i. Appropriations of Retained Earnings

Appropriations of retained earnings at each year end are reflected in the financial statements for the following year upon shareholders' approval.

j. Impairment of Property and Equipment

Effective from the fiscal year ended November 30, 2006, the Company applies Accounting Standards for Impairment of Fixed Assets. This change has no effect on the Company's profit and loss.

k. Accounting Standards for Presentation of Net Assets on the Balance Sheets

Effective from the fiscal year ended November 30, 2006, the Company applies Accounting Standards for Presentation of Net Assets on the Balance Sheet and Application Guidelines for Accounting Standards for Presentation of Net Assets on the Balance Sheet issued by the Accounting Standards Board of Japan on December 9, 2005.

Following the revision of the rules for consolidated financial statements, the consolidated balance sheets of the Company for the years ended November 30, 2006 and 2007 are prepared in accordance with those revised rules.

3. Short-term Borrowings and Long-term Debt

Short-term borrowings, amounting to ¥3,626 million (US$32,661 thousand) as of November 30, 2007, were loans from banks with an average interest rate of 1.89% per year.

Bonds as of November 30, 2007 and 2006 consisted of the following:

				Millions of yen		Thousands of U.S. dollars
	Issued	**Due**	**Interest (%)**	**2007**	2006	**2007**
Unsecured bonds	3/31/04	3/31/09	0.75	**¥250**	¥250	**$2,252**
Unsecured bonds	6/10/04	6/10/09	0.79	**48**	72	**432**
				298	322	**2,684**
Less: current portion of bonds				**(24)**	(24)	**(216)**
Total				**¥274**	¥298	**$2,468**

Annual maturities of bonds as of November 30, 2007 within five years were as follows:

Years ending November 30	Millions of yen	Thousands of U.S. dollars
2008	¥ 24	$ 216
2009	274	2,468
2010	—	—

Long-term debt, amounting to ¥55,767 million (US$502,315 thousand) as of November 30, 2007, consisted of loans from banks with an average interest rate of 2.09% per year. Annual maturities of bonds as of November 30, 2007 (except for current portion of ¥41,937 million (US$377,743 thousand)) within five years were as follows:

Years ending November 30	Millions of yen	Thousands of U.S. dollars
2009	¥6,871	$61,890
2010	2,946	26,536
2011	596	5,368
2012	535	4,819

The book values of assets pledged as collateral for debt as of November 30, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash	¥ —	¥ 20	$ —
Real estate for sale	33,741	18,946	303,918
Real estate for sale in progress	24,438	16,575	220,123
Purchased receivables	591	1,985	5,323
Other	—	900	—
Buildings and structures	3,840	1,902	34,588
Land	9,151	5,265	82,427
Total	¥71,761	¥45,593	$646,379

Debt related to the above pledged assets as of November 30, 2007 and 2006 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Short-term borrowings	¥ 3,204	¥ 910	$ 28,860
Long-term debt due within one year	41,937	12,975	377,742
Long-term debt	13,830	24,340	124,572
Total	¥58,971	¥38,225	$531,174

4. Contingent Liabilities

As of November 30, 2007 the Company was contingently liable for guarantees on six customers' housing loans from Arca Corporation, amounting to ¥13 million (US$117 thousand).

5. Loan Commitment Agreements

The Company enters into loan commitment agreements with banks to procure funds efficiently when purchasing properties. The unexecuted balance of borrowings based on these agreements as of November 30, 2007 was as follows:

	Millions of yen	Thousands of U.S. dollars
Total loan commitments	¥8,750	$78,815
Less amount currently executed	—	—
Unexecuted balance	¥8,750	$78,815

6. Shareholders' Equity

The Japanese Commercial Code (the "Code") requires at least 50% of the issue price of new shares to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

A stock option plan for directors and employees of the Company was resolved by the shareholders' meeting held on April 25, 2003. Details of the stock options are as follows:

Type of share:	Common stock
Number of shares:	Equal to or less than 11,100 shares in total
Grant price:	¥8,500 per share
Effective period:	June 1, 2005 to May 31, 2008

Two stock option plans, for (1) four directors of the Company, 72 employees of the Company and two directors of subsidiaries of the Company and (2) nine employees of the Company, respectively, were resolved by the shareholders' meeting held on February 27, 2007. Details of the stock options are as follows:

	Stock Option Plan (1)	Stock Option Plan (2)
Type of share:	Common stock	Common stock
Number of shares:	Equal to or less than 3,690 shares in total	Equal to or less than 460 shares in total
Grant price:	¥164,685	¥143,564
Effective period:	March 1, 2008 to February 28, 2011	May 1, 2008 to February 28, 2011

7. Income Taxes

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended November 30, 2007 and 2006.

Major components of deferred tax assets as of November 30, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets (current):			
Unpaid enterprise taxes	¥ 194	¥133	$ 1,747
Excess depreciation	154	49	1,387
Unrealized gain on like-kind exchange	181	—	1,630
Other	54	33	486
Valuation allowance	(11)	(2)	(99)
	572	213	5,152
Deferred tax assets (non-current):			
Excess accrued severance costs	17	14	153
Excess accrued retirement benefits to officers	89	78	802
Loss on impairment of shares of subsidiaries	171	—	1,540
Loss carried forward of consolidated subsidiaries	173	54	1,558
Other	8	4	72
Valuation allowance	(184)	(62)	(1,657)
	274	88	2,468
Total deferred tax assets	846	301	7,620
Deferred tax liabilities (non-current):			
Valuation difference on assets and liabilities of subsidiaries	(23)	(23)	(207)
Unrealized gain on securities	(1)	(6)	(9)
Total deferred tax liabilities	(24)	(29)	(216)
Net deferred tax assets	¥ 822	¥272	$ 7,404

Deferred taxes are represented in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Current assets	¥572	¥213	$5,152
Non-current assets	273	82	2,459
Non-current liabilities	(23)	(23)	(207)
Total	¥822	¥272	$7,404

Reconciliation between the normal effective statutory tax rate for the years ended November 30, 2007 and 2006 and the actual effective tax rate reflected in the accompanying consolidated statement of income was as follows:

	2007	2006
Normal effective statutory tax rate	40.7%	40.7%
Expenses not deductible for income tax purposes	0.1	0.2
Tax on undistributed income	3.0	6.4
Other - net	(1.1)	1.0
Actual effective tax rate	42.7%	48.3%

8. Segment Information

Information about industry segments of the Companies for the years ended November 30, 2007 and 2006 is as follows:

	Millions of yen								
2007	Revitalization Business	Development Business	Rental Business	Fund Business	Property Management Business	Alternative Investment Business	Total	Eliminations or corporate	Consolidated
Sales and operating income:									
Revenue from operations:									
Outside customers	¥24,310	¥ 8,782	¥3,375	¥1,119	¥2,238	¥ 260	¥40,086	¥ —	¥40,086
Intersegment	—	—	40	28	517	—	583	(583)	—
Total revenues	24,310	8,782	3,415	1,147	2,755	260	40,669	(583)	40,086
Operating expenses	17,024	7,958	1,785	560	2,625	129	30,081	998	31,079
Operating income	¥ 7,286	¥ 824	¥1,630	¥ 587	¥ 130	¥ 132	¥10,589	¥(1,582)	¥ 9,007
Assets, depreciation and capital expenditures:									
Assets	¥41,753	¥20,276	¥14,435	¥ 476	¥ 749	¥3,914	¥81,604	¥ 5,319	¥86,922
Depreciation	—	—	395	4	—	7	405	40	445
Capital expenditures	—	—	96	8	20	1	125	25	151

2007	Revitalization Business	Development Business	Rental Business	Fund Business	Property Management Business	Alternative Investment Business	Total	Eliminations or corporate	Consolidated
	Thousands of U.S. dollars								
Sales and operating income:									
Revenue from operations:									
Outside customers	**$218,970**	**$ 79,103**	**$30,400**	**$10,079**	**$20,158**	**$ 2,342**	**$361,070**	**$ —**	**$361,070**
Intersegment	**—**	**—**	**360**	**252**	**4,657**	**—**	**5,251**	**(5,251)**	**—**
Total revenues	**218,970**	**79,103**	**30,760**	**10,331**	**24,815**	**2,342**	**366,321**	**(5,251)**	**361,070**
Operating expenses	**153,342**	**71,681**	**16,078**	**5,044**	**23,644**	**1,162**	**270,951**	**8,989**	**279,940**
Operating income	**$ 65,628**	**$ 7,422**	**$14,682**	**$ 5,287**	**$ 1,171**	**$ 1,189**	**$ 95,379**	**$(14,249)**	**$ 81,130**
Assets, depreciation and capital expenditures:									
Assets	**$376,085**	**$182,634**	**$130,022**	**$ 4,288**	**$ 6,746**	**$35,255**	**$735,039**	**$47,910**	**$782,940**
Depreciation	**—**	**—**	**3,558**	**36**	**—**	**63**	**3,648**	**360**	**4,008**
Capital expenditures	**—**	**—**	**865**	**72**	**180**	**9**	**1,126**	**225**	**1,360**

2006	Revitalization Business	Development Business	Rental Business	Fund Business	Property Management Business	Alternative Investment Business	Total	Eliminations or corporate	Consolidated
	Millions of yen								
Sales and operating income:									
Revenue from operations:									
Outside customers	¥15,650	¥ 3,843	¥1,836	¥1,405	¥1,671	¥ 336	¥24,741	¥ —	¥24,741
Intersegment	—	—	3	14	233	—	250	(250)	—
Total revenues	15,650	3,843	1,839	1,419	1,904	336	24,991	(250)	24,741
Operating expenses	11,610	3,329	854	302	1,782	58	17,935	905	18,840
Operating income	¥ 4,040	¥ 514	¥ 985	¥1,117	¥ 122	¥ 278	¥ 7,056	¥(1,155)	¥ 5,901
Assets, depreciation and capital expenditures:									
Assets	¥24,202	¥17,600	¥8,655	¥ 532	¥ 658	¥2,839	¥54,485	¥ 5,651	¥60,136
Depreciation	—	—	168	1	—	0	169	39	207
Capital expenditures	—	—	122	3	21	3	149	18	167

9. Subsequent Event

Resolution of Shareholders' Meeting

At the general shareholders' meeting held on February 26, 2008, the Company's shareholders approved the following appropriation of retained earnings for the year ended November 30, 2007.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥2,200 ($19.82) per share	¥829	$7,467

Corporate Data

(As of November 30, 2007)

Company name	Tosei Corporation
President and CEO	Seiichiro Yamaguchi
Date of establishment	February 2, 1950
Address	Toranomon Tosei Building, 4-2-3 Toranomon, Minato-ku, Tokyo
Capital	¥4,148,020,000
Employees	132 (Non-consolidated) 194 (Consolidated)
Fields of business	Revitalization; Development; Rental; Property management; Funds; Alternative investment
Licenses, permits and registrations	Specified Construction Business License, Real Estate Specific Joint Enterprise Permit, Real Estate Business License, First-class Architect's Office License, General Real Estate Investment Advisory Business Registration, Registered Type 2 Financial Instrument Business (Investment Advisor for Marketable Securities, Seller of Beneficiary Rights to Trusts)
Consolidated subsidiaries	Tosei Community Co., Ltd. Tosei Revival Investment Co., Ltd. Tosei REIT Advisors, Inc. Tosei Asset Management Corp. (and 12 others)

Management Team (As of December 1, 2007)

President and CEO
Seiichiro Yamaguchi

Director and COO
Executive Officer of Asset Solution Department 1,
Asset Solution Department 2 and Asset Solution Department 4
Katsuhito Kosuge

Director and CFO
Noboru Hirano

Director and Deputy CFO
Executive Officer of Corporate Planning Department;
Executive Officer and Manager of General Administration Department
Syunichiro Naito

Independent Director
Goro Kamino

Corporate Auditors
Yasuhiro Honda (full-time)
Kimio Harada (full-time)
Shigeru Yamagishi (part-time)
Eiji Sakamoto (part-time)

Deputy COO
Executive Officer of Asset Solution Department 3 and
Architect Planning Department
Minoru Inazuka

Deputy COO
Executive Officer and Manager of Asset Solution Promotion Department
Ryohei Yasuda

Deputy COO
Executive Officer and Manager of Finance and Accounting Department
Ichiro Kawabata

History

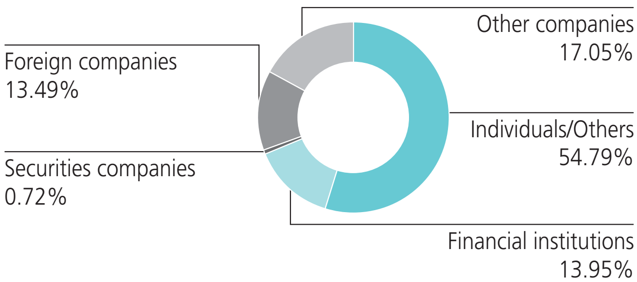
1950	February	Established as Yukari Kogyo Co., Ltd. (Head Office: Oita City, Oita Prefecture)
1952	April	Moved Head Office to Kameido, Koto Ward, Tokyo
1964	June	Initiated real estate sales, brokerage, rental and property management businesses
1968	May	Moved Head Office to Soto-Kanda, Chiyoda Ward, Tokyo
1969	July	Company name changed to Yukari Co., Ltd.
1983	March	Company name changed to Tosei Building Co., Ltd.
1994	June	Seiichiro Yamaguchi appointed as President and CEO
	October	Initiated residential condominium development (THE Palms Series)
1995	September	Kanda Awaji-cho Building Co., Ltd. established
1996	March	Company name changed to Tosei Fudosan Co., Ltd.
	December	Moved Head Office to Kanda, Awaji-cho, Chiyoda Ward, Tokyo
1997	December	Initiated construction contractor operations, including repair and renovation, as part of the property management business
1999	July	Initiated single-family dwelling home development with Palms Court Series
2001	February	Initiated asset management business
	March	Acquired and merged three companies through leveraged buyouts
	April	Acquired First-class Architect's Office License (License No. Tokyo Governor's Registration (46219))
	November	Building Management Division spun off to Tosei Community Co., Ltd.
	December	Formed Securitization Division aiming to enter real estate securitization business
2002	August	Structured first private real estate investment trust fund, the Argo Fund, targeting rental condominiums (commencement of real estate securitization business)
	December	Acquired and merged Kanda Awaji-cho Building Co., Ltd.
2004	February	Listed on the JSDA Over-the-Counter Trading Securities Market
	December	Listed on JASDAQ following closure of the JSDA Over-the-Counter Trading Securities Market
2005	March	Established the subsidiary Tosei Revival Investment Co., Ltd. to conduct corporate and business turnarounds
	April	Made Tosei Community Co., Ltd. a consolidated subsidiary
	September	Established the subsidiary Tosei REIT Advisors, Inc.
2006	October	Company name changed to Tosei Corporation; moved Head Office to Toranomon, Minato Ward, Tokyo
	November	Listed on Second Section of Tokyo Stock Exchange
2007	October	Established the subsidiary Tosei Asset Management Corp.

Investor Information

(As of November 30, 2007)

Authorized number of shares	1,500,000
Issued number of shares	376,840
Number of shareholders	6,871

Shareholder composition

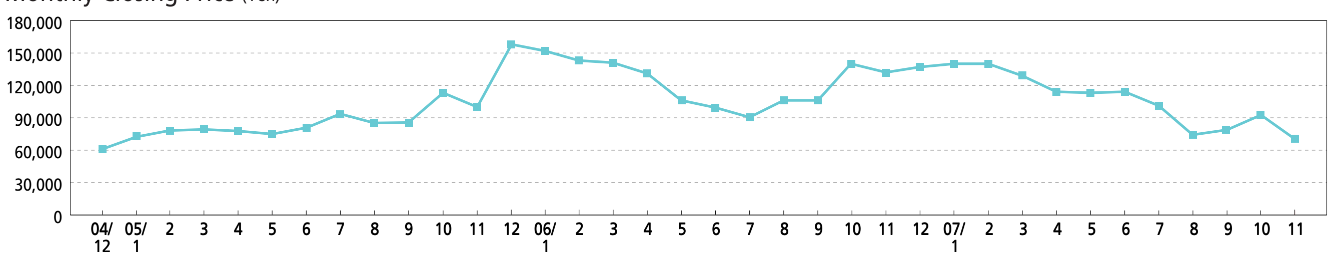


Ticker code	8923
Stock listing	Tokyo Stock Exchange, Second Section JASDAQ Securities Exchange (Delisted in January 2008)
Closing of accounts	November
General shareholders' meeting	Every February

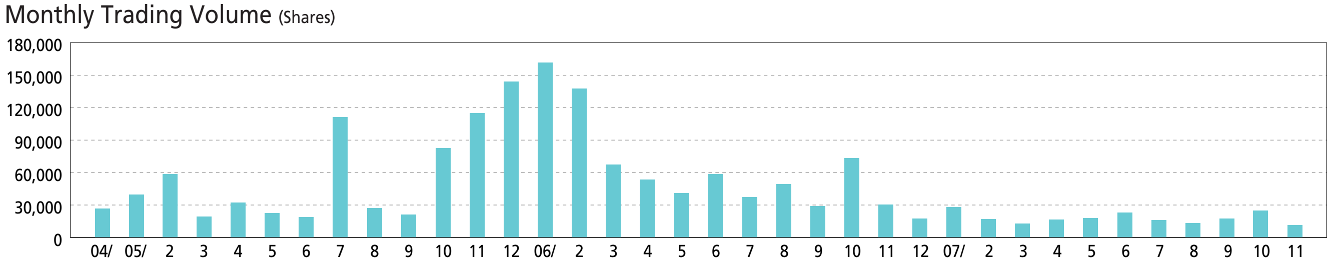
Major Shareholders

Shareholders	Number of shares held	Shareholding ratio (%)
Seiichiro Yamaguchi	138,855	36.84
Zeus Capital Limited	60,000	15.92
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,923	8.20
The Bank of New York, Treaty JASDEC Account	8,916	2.36
Morgan Stanley and Company International plc	8,212	2.17
Nomura Trust and Banking Co., Ltd. (Trust Account)	5,657	1.50
BNP Paribas Securities Service Luxembourg Jasdec Securities	5,100	1.35
Morgan Stanley and Company Inc.	4,974	1.31
Japan Trustee Service Bank, Ltd. (Trust Account)	4,845	1.28
Bank of New York GCM Client Accounts EISG	4,593	1.21

Monthly Closing Price (Yen)



Monthly Trading Volume (Shares)



Note: Monthly trading volume for November 2006 is the total for both JASDAQ and the Tokyo Stock Exchange following listing on the Second Section of the Tokyo Stock exchange on November 22, 2006.

TOSEI

http://www.toseicorp.co.jp/english/

TOSEI CORPORATION

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