



TOSEI
TOSEI CORPORATION



TOSEI
TOSEI CORPORATION
(Incorporated in Japan with limited liability)
(Registration Number: 0104-01-064940)

INTRODUCTORY DOCUMENT DATED 22 MARCH 2013

This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser.

This introductory document (“**Introductory Document**”) is issued by Tosei Corporation (the “**Company**”) in connection with the listing of the ordinary shares of our Company (“**Shares**”) on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) by way of an introduction (“**Introduction**”). This Introductory Document provides information on our Company and our Shares in compliance with the listing requirements of the SGX-ST.

Our Shares are and will continue to be listed and traded on the First Section of the Tokyo Stock Exchange, Inc. (the “**TSE**”). Application has been made to the SGX-ST for permission to list all our issued Shares on the Main Board of the SGX-ST. Such permission for the listing of our Shares will be granted when we have been admitted to the Official List of the SGX-ST. Our Shares will not be tradable immediately upon our listing on the SGX-ST. The quotation and trading of our Shares on the SGX-ST will only commence after future fund-raising by our Company through an offering of Shares, with such Shares to be held through CDP. Please see “Risk Factors – Risks Relating to an Investment in our Shares – The Introduction will not result in an active or liquid market on the SGX-ST for our Shares” and “Risk Factors – Risks Relating to an Investment in our Shares – Investors may face risks from the transfer of Shares for trading between the SGX-ST and the TSE” for more information. When our Shares become tradable on the SGX-ST, they will be quoted

and traded in Singapore Dollars. Our Shares will be traded in board lot sizes of 10 Shares.

We have received a letter of eligibility from the SGX-ST for the listing of our Shares on the Main Board of the SGX-ST. Our Company’s eligibility to list is not an indication of the merits of the Introduction, our Company, our Group (as defined herein) or our Shares.

The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Introductory Document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Introduction, our Company, our Group or our Shares.

Nothing in this Introductory Document constitutes or shall be construed as an offer, or an invitation or a solicitation of an offer by us or on our behalf, to the public to subscribe for or purchase, any of our Shares. No Shares shall be allotted or allocated on the basis of this Introductory Document. This Introductory Document does not constitute a prospectus under Singapore law and has not been lodged with or registered by the Monetary Authority of Singapore (the “**Authority**”). The Authority assumes no responsibility for the contents of the Introductory Document. The Authority has not, in any way, considered the merits of our Shares being listed.

Investing in our Shares involves certain risks. Please carefully read the “Risk Factors” section of this Introductory Document.

Sole Global Coordinator and Manager

Daiwa
Capital Markets

Daiwa Capital Markets Singapore Limited
(Company Registration No. 197200705R)
(Incorporated in Singapore)

Company Profile

We are a company with diversified real estate businesses incorporated in Japan on 2 February 1950 with limited liability as a joint stock company. We are active in the following real estate sectors: revitalisation, development, rental, fund, property management and alternative investment. Our business activities and operations are primarily in Japan.



Business Overview

Revitalisation

- Our Group acquires office buildings, commercial facilities, condominiums and other properties of a certain age profile and whose asset value has declined. We aim to raise the value of such properties by implementing certain measures known as “value-up activities”. We have also implemented a new “Restyling” business model as an arm of our revitalisation business in 2009.

Development

- We develop office, commercial and residential properties with a focus on the 23 wards of Tokyo. We actively study the characteristics of the properties we purchase, including the local area and site characteristics, end use, demand, rent levels and selling prices.

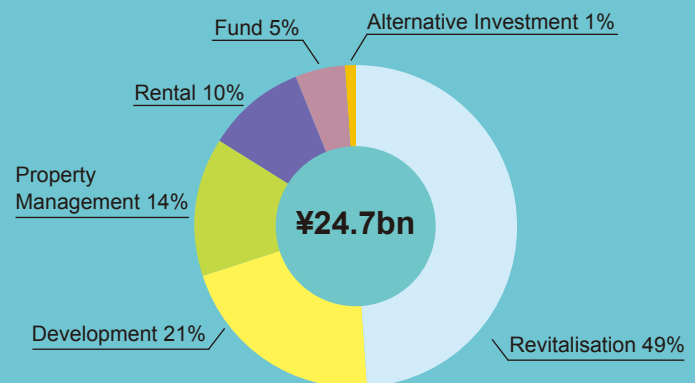
Rental

- We own office buildings, residential and commercial properties primarily in the 23 wards of Tokyo. Our rental properties are office buildings and condominiums typically in inner Tokyo and are all under our direct management. Our rental business consists primarily of leasing out properties that have been acquired and prepared for rental purposes.

Fund

- Our Group’s fund business has two components and is conducted through our Company and our wholly-owned subsidiary, Tosei Asset Advisors. Whilst we structure and manage private real-estate funds as an asset manager, we also provide asset management services and brokerage services to private investors and other fund managers wherein we source for real estate suited to their needs.

Revenue (FY2011)



Property Management

- We offer comprehensive property management services to meet a variety of real estate needs, including administration, facility management, cleaning and security for condominium complexes and office buildings and facilities. We also undertake utilities repair work for exclusive areas in condominium complexes and office buildings, and undertake interior renovation contracting for office properties.

Alternative Investment

- Our wholly-owned subsidiary, Tosei Revival Investment, and its wholly-owned subsidiary, Hestia Capital, invest in non-performing loans collateralised by real estate (including mortgage-backed loans). Additionally, Tosei Revival Investment acquires distressed properties through mergers and acquisitions of distressed companies with real estate assets.

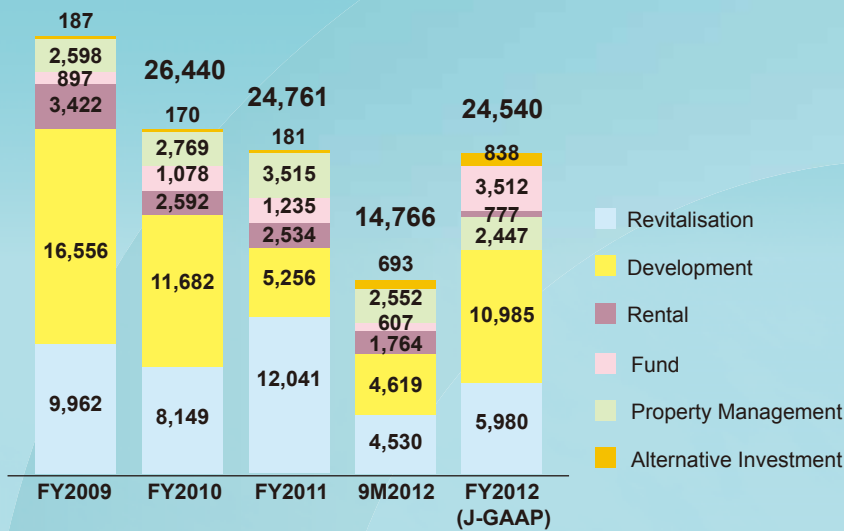
The following section is qualified in its entirety by, and is subject to, the more detailed information contained or referred to elsewhere in this Introductory Document. Meanings of capitalised terms may be found in the sections “Certain Defined Terms and Conventions” and “Definitions”.



Financial Highlights

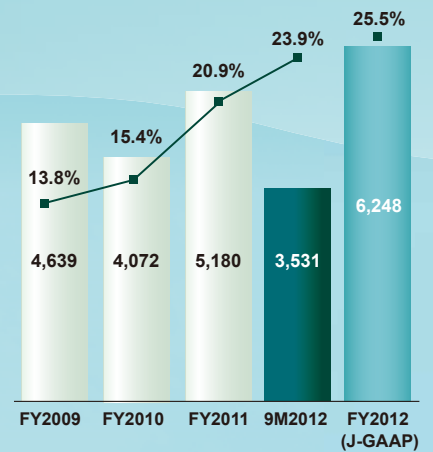
Revenue (¥million)

33,623



Gross Profit and Margin (¥million)

(¥million)



Competitive Strengths

Tokyo-centric business operations

- Advantage of local knowledge of the Greater Tokyo area
- Ability to make investment decisions backed up by investment track record
- Property market with potential
 - Stable rent in Tokyo, compared to other major cities and prefectures in Japan, despite financial crisis
 - Rising demand for purchases of office space within Japan
 - Growing population of Tokyo to drive demand for property
 - Tokyo expected to be the first to recover from effects of financial crisis

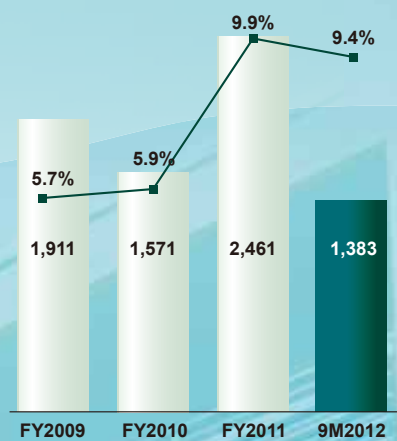
Experienced management team and support staff

- President and CEO, Seiichiro Yamaguchi, COO, Katsuhito Kosuge, and CFO, Noboru Hirano, possess extensive experience in property development and building construction
- Ability to source for suitable sites with potential for development and revitalisation, and to assess whether such sites offer good investment returns or profitable development or revitalisation opportunities
- Flexible business approach, fast judgement and reputation
- Relationship of trust built amongst investors of small and medium sized properties



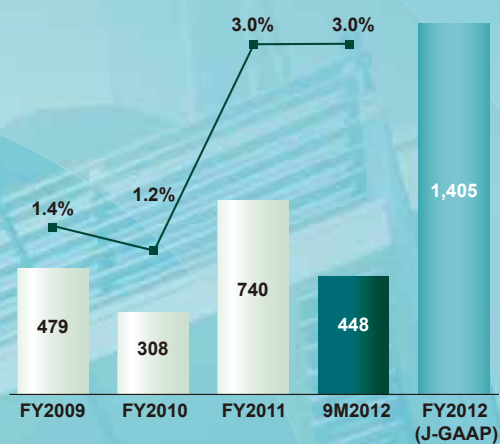
EBITDA and Margin

(¥million)



Net Income and Margin

(¥million)



Diverse business for operational flexibility in varying market conditions

- Six varied businesses enable operational flexibility in varying market conditions
 - Revitalisation, development and alternative investment businesses allow opportunity for high capital gain, while rental, funds and property management businesses provide stable income
 - Ability to ride out financial crisis and reinvest in properties during the crisis
- Diversified exposure to residential, office and commercial sectors

Diversified business to cater to various market needs

- Operational synergies from interlinked core businesses

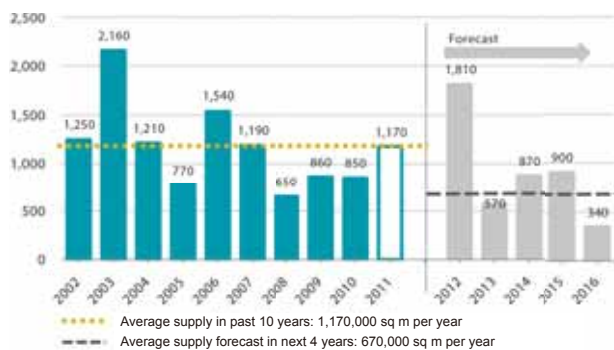
Award-winning properties that focus on the needs of target customers

- Revitalisation and development projects consider the local characteristics and demographic of each area to meet customer needs
- In-house quality control system to develop award-winning and quality properties that cater to a wide consumer segment
- Multiple awards for revitalisation and development projects in recent years, as well as for environmental sustainability and conformability with environmental standards

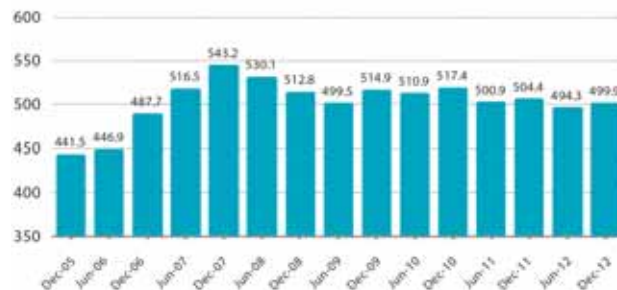


Industry Overview

Large-scale office buildings supply in the 23 wards of Tokyo ('000 sq m)



Average price per sq m of existing condominiums (JPY '000)



A decline in supply of large-scale office buildings and rising net absorption

- The average supply for each of the four years between 2013 to 2016 is expected to decrease to 670,000 sq m per year. In particular, the average supply in 2013 will be 570,000 sq m, which will be the fourth lowest level in the past 25 years. Given that net absorption has shown an increasing trend for the past two years, it is assumed that the office market will improve if this net absorption trend continues in the future.

Tokyo's office market to show gradual improvement in 2013

- Tokyo CBD rents have been on a slower decline, while vacancy rates have shown a shrinking rate of increment.
- In 2012, the surge of supply had a considerable impact on the Tokyo tenant market. Nonetheless, the office market is expected to improve gradually in 2013. The decline in grade A vacancy is expected to stabilise in the second half of 2013 as most of the new supply in 2013 is expected to be concentrated in the first half of the year.
- The yield gap in Tokyo continues to be one of the highest across markets, and it is believed that some foreign investors have begun looking for opportunities in Japan.

Residential market in Tokyo to stay firm in the short run

- There has been a decline in housing constructions, with a modest 2.6% year-on-year increase from 2009 to 2011, which is not expected to lead to an oversupply in housing.
- While average price per sq m of existing condominiums had been trending downward after a peak in December 2007, there are some signs of a bottoming-out.
- The residential market is heavily supported by Japanese domestic demand, which is expected to stay firm as a result of the Yen's appreciation and monetary policies that increase disposable income for housing.

Investment Highlights

- Tokyo - a real estate market that is about to bottom-out
- Focus on small to medium-sized properties
- A combination of capital gain and recurring fee businesses
- Strong information network and variety of exit strategies

Expected Admission to the Official List of the SGX-ST

27 March 2013, 9.00 am

Business Strategy & Future Plans

A key objective of our mid-term management plan is to expand and reinforce our six core businesses. The revitalisation, development and fund businesses have been identified as key growth drivers, and additional emphasis will be placed on these three business segments. We also intend to expand outside Japan.

Revitalisation

- Leverage on opportunities in the market
- Capitalise on our “value-up” know-how and niche product development capabilities
- Expansion of investments in office buildings and condominiums

Development

- Expand development of detached houses and continue development of condominiums

Fund

- Expand the number of asset management contracts by leveraging on our strength as a one-stop real estate service provider

Rental / Property Management / Alternative Investment

- Increase rental income by acquisitions of office buildings/condominiums and increase occupancy rates
- Establish stable base of profits for property management business by actively bidding for contracts involving larger properties
- Source for alternative investment opportunities

Expanding outside of Japan

- Achieve recognition of the Tosei brand outside Japan
- Establish a regional presence in South-East Asia



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GENERAL NOTICE

No person is authorised to give any information or to make any representation not contained in this Introductory Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of our Company or Daiwa Capital Markets Singapore Limited (“**Daiwa Capital Markets**” or “**Sole Global Coordinator and Manager**”). The delivery of this Introductory Document shall not, under any circumstances, imply that the information herein is correct as of any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in the affairs, conditions and prospects of our Company or the Shares since the date hereof. Where such changes occur and are material or required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, our Company will make an announcement of the same to the SGX-ST. Recipients of this Introductory Document and all prospective investors in the Shares should take notice of such announcements and upon release of such announcement shall be deemed to have notice of such changes. No representation, warranty or covenant, express or implied, is made by our Company, the Sole Global Coordinator and Manager or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Introductory Document is, or shall be relied upon as, a promise, representation or covenant by our Company or the Sole Global Coordinator and Manager or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

Recipients of this Introductory Document and all prospective investors in the Shares should not construe the contents of this Introductory Document as legal, business, financial or tax advice. Recipients of this Introductory Document and all prospective investors in the Shares should consult their own professional advisers as to the legal, business, financial, tax and related aspects of holding and owning the Shares.

This Introductory Document has been prepared solely for the purpose of the Introduction and may not be relied upon by any persons for purposes other than the Introduction prior to the Listing Date (as defined herein) or for any purpose whatsoever on or after the Listing Date. Nothing in this Introductory Document constitutes or shall be construed to constitute an offer, invitation or solicitation in any jurisdiction. This Introductory Document does not constitute and shall not be construed to constitute an offer, invitation or solicitation to any person to subscribe for or purchase the Shares. This Introductory Document does not constitute a prospectus under Singapore law and has not been lodged with or registered by the MAS.

The distribution of this Introductory Document may be prohibited or restricted by law in certain jurisdictions. Our Company and the Sole Global Coordinator and Manager require persons into whose possession this Introductory Document comes to inform themselves of and to observe any such prohibition or restriction at their own expense and without liability to our Company and the Sole Global Coordinator and Manager. Persons to whom a copy of this Introductory Document has been issued shall not circulate to any other person, reproduce or otherwise distribute this Introductory Document or any information herein for any purpose whatsoever nor permit or cause the same to occur.

Copies of this Introductory Document may be obtained on request, subject to availability, during office hours, from:

Daiwa Capital Markets Singapore Limited
6 Shenton Way
#26-08 Tower Two
Singapore 068809

A copy of this Introductory Document is also available on the SGX-ST website at <http://www.sgx.com>.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Introductory Document constitute forward-looking statements. Some of these statements can be identified by forward-looking terms such as “aim”, “expect”, “believe” “plan”, “intend”, “estimate”, “anticipate”, “may”, “will” and “could” or similar words or phrases. However, please note that these words are not the exclusive means of identifying forward-looking statements. All statements other than statements of historical facts included in this Introductory Document, including those regarding our financial position and results, business strategies, plans and objectives of management for future operations (including development plans and dividends), are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. The important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others:

- general political, social and economic conditions globally, regionally and in Japan;
- regulatory developments and changes to government policies in our industry;
- changes in the supply and demand of real estate;
- occurrences of catastrophic events, natural disasters and acts of God that affect our business or property; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in “Risk Factors”, “Dividend Policy”, “Management’s Discussion And Analysis Of Financial Condition And Results Of Operations” and “Business”. These forward-looking statements speak only as at the date of this Introductory Document and we do not guarantee that the information contained herein is still current after the date of this Introductory Document.

Although we believe that the assumptions upon which the forward-looking statements are based are reasonable, given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Introductory Document, we advise you not to place undue reliance on those statements. None of us, the Sole Global Coordinator, Issue Manager and Underwriter nor any other person, represents or warrants to you that our actual future results, performance or achievements will be as discussed in those statements.

Our actual future results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. We and the Sole Global Coordinator, Issue Manager and Underwriter disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future.

Forward-looking statements regarding our Company had been announced on the websites of the TSE at <http://www.tse.or.jp/> and our Company at <http://www.toseicorp.co.jp>. Such forward-looking statements include management projections and such management projections are prospective statements and have not been audited nor reviewed by the Independent Auditor or the Japanese Accounting Auditor. These prospective statements may not eventually materialise and they should not be treated as audited or reviewed financial forecasts or estimates. They are not to be deemed in any way as being part of this Introductory Document or incorporated by reference in any way. Investors should exercise care when viewing such forward-looking statements. In the event of doubt, investors should consult their own professional advisers.

ENFORCEMENT OF CIVIL LIABILITIES

We are incorporated in Japan and most of our Directors and Statutory Auditors named in this Introductory Document are residents of Japan. Additionally, most of our assets and the assets of our Directors and Statutory Auditors are located in Japan. As a result, you may not be able to:

- effect service of process of a writ issued in Japan upon us or these persons outside Japan without leave of the Japanese courts; or
- enforce against us judgments obtained in courts outside of Japan, unless it is a final judgment, the foreign court had jurisdiction over the subject matter, the defendant in the proceedings in the foreign court received notice of the proceedings in sufficient time (excluding by public notice) or has appeared before such foreign court to enable it to defend against claims made, the cause of action on which the judgment was based is not repugnant to the due process, natural justice or public policy of Japan and reciprocity exists between the jurisdiction in which the judgment was rendered and Japan in relation to the enforcement of a foreign judgment. Singapore has no reciprocal arrangement with Japan for the enforcement of judgments obtained in the Singapore courts.

Please also see “Risk Factors – Risks Relating to an Investment in our Shares – We are incorporated in Japan and most of our Directors and Statutory Auditors named in this Introductory Document are residents of Japan” for more information.

MARKET AND INDUSTRY INFORMATION

This Introductory Document includes market and industry data and forecasts that have been obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Our Company has commissioned DTZ Debenham Tie Leung K.K. to prepare the Industry Overview. The purpose of the report is to provide an independent overview of Tokyo and the real estate sectors in which we are involved in. Industry publications, surveys and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information. While our Directors have taken reasonable steps to ensure that the information is extracted accurately and in its proper context, our Directors have not independently verified any of the data from third party sources or ascertained the underlying economic assumptions relied upon therein. Consequently, none of our Directors or the Sole Global Coordinator and Manager makes any representation as to the accuracy or completeness of such information, and each of them shall not be held responsible in respect of any such information and shall not be obliged to provide any updates on the same.

PRESENTATION OF FINANCIAL INFORMATION

This Introductory Document contains the audited consolidated financial statements of our Group for the financial years ended 30 November 2009, 2010 and 2011, the audited consolidated financial statements of our Group for the six months ended 31 May 2012 and the unaudited consolidated financial statements of our Group for the three month and nine month periods ended 31 August 2012 together with the related notes thereto, each of which has been prepared in accordance with the International Financial Reporting Standards (“**IFRS**”) (together the “**IFRS Consolidated Financial Statements**”). The aforementioned IFRS Consolidated Financial Statements have been prepared based on the audited consolidated financial statements of the Group for the financial years ended 30 November 2009, 2010 and 2011, the unaudited consolidated financial statements of our Group for the six months ended 31 May 2012 and the unaudited consolidated financial statements of our Group for the three month and nine month periods ended 31 August 2012 respectively which were prepared in accordance with the Japanese Generally Accepted Accounting Principles (“**JGAAP**”).

The preparation of the IFRS Consolidated Financial Statements in conformity with IFRS at times requires our management to make subjective estimates and judgments regarding matters that are inherently uncertain. Such estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and judgments affect reported amounts and disclosures. Our results of operations may differ if prepared under different estimates and judgments.

We will, in accordance with the relevant laws and regulations in Singapore and Japan, prepare all future periodic financial reports which we will release on the SGXNET, and all audited financial statements which we will provide to Tosei CDP Depositors, in accordance with IFRS.

The report of the Japanese Accounting Auditor and the audited consolidated financial statements of our Group for FY2012 (“**FY2012 Accounting Auditor’s Report**”) have been released in Japan and announced on the websites of the TSE at <http://www.tse.org.jp> and our Company at <http://www.toseicorp.co.jp>. The FY2012 Accounting Auditor’s Report has been attached herein at Appendix I – “Translated Japanese Accounting Auditor’s Report on the Consolidated Financial Statements of Tosei Corporation and its Subsidiaries for the Financial Year ended 30 November 2012”. Investors should note that the FY2012 Accounting Auditor’s Report was prepared in accordance with JGAAP and not IFRS. Investors should exercise care and caution when viewing these financial statements. In the event of doubt, investors should consult their own professional advisers as to the differences between JGAAP and IFRS.

CERTAIN DEFINED TERMS AND CONVENTIONS

We maintain our accounts and publish our financial statements in Japanese Yen. This Introductory Document contains conversions of certain amounts into Singapore Dollar at specified rates solely for the convenience of the reader. Unless otherwise indicated, we have made all conversions from Japanese Yen to Singapore Dollar at the rate of S\$1.00 = JPY75.96, which is the Singapore Dollar/Japanese Yen exchange rate as at the Latest Practicable Date. We do not represent that the Japanese Yen or Singapore Dollar amounts referred to herein could have been or could be converted into Singapore Dollar at this rate, at any particular rate or at all. Fluctuations in the exchange rates between the Singapore Dollar and the Japanese Yen will affect cash dividends paid by us, if any, in Singapore Dollar. Please also see “Risk Factors – Risks Relating to an Investment in our Shares — There are exchange rate risks in trading in our Shares and dividends distributed by us may also be affected” for more information.

In this Introductory Document, references to “¥”, “JPY” or “**Japanese Yen**” are to the lawful currency of Japan, references to “S\$”, “**Singapore Dollar**” or “**Singapore Cents**” are to the lawful currency of the Republic of Singapore. All references to dates and times are to Singapore dates and times. Please see “Exchange Rates and Exchange Controls” for more information concerning the exchange rates between Singapore Dollar and Japanese Yen. These translations should not be construed as representations that the relevant currency amounts have been, could have been or could be, converted into the stated currency at that or any other rate.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding, and figures herein have been rounded to the nearest one decimal place, where applicable, figures are rounded to the nearest whole number. Measurements in square metres (“**sq m**”) are converted to sq ft and vice versa based on the conversion rate of 1.0 sq m = 10.7639 sq ft. Measurements in acres are converted to sq ft and vice versa based on the conversion rate of 1.0 acre = 43,560 sq ft.

The information on our websites or any website directly or indirectly linked to such websites, is not incorporated by reference into this Introductory Document and should not be relied on.

In this Introductory Document, unless the context otherwise requires, references to “**we**”, “**us**”, “**our**”, “**ourselves**”, “**our Company**” or “**the Company**” refer to Tosei Corporation; references to “**Group**” and “**Tosei Group**” refer to our Company and our consolidated subsidiaries taken as a whole.

References to our management and Directors are to the management and Directors of our Company; references to “**our Articles of Incorporation**” are to the articles of incorporation of our Company; and references to “**our share capital**” are to the share capital of our Company.

Our customers and suppliers named in this Introductory Document are generally referred to in this Introductory Document by their trade names. Each of our contracts with each of these customers or each of these suppliers are typically with an entity or entities in that customer’s or supplier’s group of companies.

References herein to the “**Singapore Companies Act**” are to the Companies Act, Chapter 50 of Singapore. References herein to the “**Japanese Companies Act**” are to the Companies Act of Japan (*kaisha-hou*) (Act No. 86 of 2005, as amended).

References to the “**Latest Practicable Date**” in this Introductory Document are to 11 February 2013, being the latest practicable date prior to the printing of this Introductory Document.

Any reference to a time of day in this Introductory Document refers to Singapore time unless otherwise stated.

Various names with Japanese characters have been translated into English names. These translations are provided solely for your convenience. The English translations may not have been registered with the relevant Japanese authorities and should not be construed as representations that the English names actually represent the names in Japanese characters.

Any discrepancies in the tables, graphs and charts between the listed amounts and the totals thereof are due to rounding.

Any word defined in the Securities and Futures Act, the Singapore Companies Act, or any statutory modification thereof and used in this Introductory Document shall, where applicable, have the meaning ascribed to it under the Securities and Futures Act, the Singapore Companies Act or any statutory modification thereof, as the case may be.

In this Introductory Document, the definitions and explanation of technical terms found in this section and the section entitled “Definitions” apply throughout where the context so admits.

CORPORATE INFORMATION

Registered Office and Principal Place of Business	4-2-3 Toranomom Minato-ku, Tokyo 105-0001 Japan
Board of Directors	Seiichiro Yamaguchi (President and Chief Executive Officer) Katsuhito Kosuge (Director and Chief Operating Officer) Noboru Hirano (Director and Chief Financial Officer) Goro Kamino (Outside Director) Kenichi Shotoku (Outside Director)
Statutory Auditors (kansayaku)	Yasuhiro Honda (Full-time Outside Statutory Auditor) Yutaka Kitamura (Full-time Outside Statutory Auditor) Tatsuki Nagano (Part-time Outside Statutory Auditor) Osamu Doi (Part-time Outside Statutory Auditor)
Representative Director (daihyo-torishimariyaku)	Seiichiro Yamaguchi
Sole Global Coordinator and Manager	Daiwa Capital Markets Singapore Limited 6 Shenton Way #26-08 Tower Two Singapore 068809
Legal Adviser to the Introduction and to our Company as to Singapore law	Rajah & Tann LLP 9 Battery Road #25-01 Straits Trading Building Singapore 049910
Legal Adviser to our Company as to Japanese law	Mori Hamada & Matsumoto Marunouchi Park Building 6-1, Marunouchi 2-chome Chiyoda-ku, Tokyo 100-8222 Japan
Legal Adviser to the Sole Global Coordinator and Manager	ATMD Bird & Bird LLP 2 Shenton Way #18-01 SGX Centre 1 Singapore 068804
Independent Auditor	Nexia TS Public Accounting Corporation 100 Beach Road #30-00 Shaw Tower Singapore 189702 Director-in-charge: Loh Hui Nee (a member of the Institute of Certified Public Accountants of Singapore)

Japanese Accounting Auditor

Shinsoh Audit Corporation
7-14-13 Nittochi Ginza Building
Ginza, Chuo-ku, Tokyo
104-0061 Japan

Partner-in-charge: Giichi Yanagisawa
(a member of The Japanese Institute of Certified Public Accountants)

Partner-in-charge: Takashi Aikawa
(a member of The Japanese Institute of Certified Public Accountants)

Industry Expert

DTZ Debenham Tie Leung K.K.
9F, 1-3-3 Uchisaiwaicho
Uchisaiwaicho Daibiru Building
Chiyoda-ku, Tokyo
100-0011 Japan

Principal Banker

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
7-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo
100-8388 Japan

Japan Share Registrar

Mitsubishi UFJ Trust and Banking Corporation
4-5 Marunouchi 1-chome
Chiyoda-ku, Tokyo
100-8212 Japan

Singapore Share Transfer Agent

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

DEFINITIONS

In this Introductory Document, the following definitions apply throughout where the context so admits:–

Companies within our Group

Company or Tosei	:	Tosei Corporation
Group or Tosei Group	:	Our Company and our subsidiaries
Green House	:	Green House Limited Company (in liquidation)
Hestia Capital	:	Hestia Capital Limited Company
Metis Capital	:	Metis Capital Co., Ltd.
NAI Tosei	:	NAI Tosei Japan, Inc.
Tosei Asset Advisors or TAA	:	Tosei Asset Advisors, Inc.
Tosei Community Co or TCC	:	Tosei Community Co., Ltd.
Tosei Revival Investment or TRI	:	Tosei Revival Investment Co., Ltd.
Tosei Singapore	:	Tosei Singapore Pte. Ltd.

General

1Q	:	Financial period of the three months ended, or as the case may be, ending 28 or 29 February
2Q	:	Financial period of the three months ended, or as the case may be, ending 31 May
3Q	:	Financial period of the three months ended, or as the case may be, ending 31 August
4Q	:	Financial period of the three months ended, or as the case may be, ending 30 November
9M	:	Financial period of the nine months ended, or as the case may be, ending 31 August
Administrative Division	:	The administrative division of our Company, comprising our (i) finance and accounting department, (ii) administration and human resource department, and (iii) corporate planning department
AGM	:	Annual general meeting of our Shareholders

Anti-Monopoly Act	:	The Anti-Monopoly Act of Japan (Act No. 54 of 1947) and the cabinet orders and ministerial ordinances thereunder or any statutory modification, amendments or re-enactment thereof for the time being in force
Articles of Incorporation	:	The articles of incorporation of our Company, as amended from time to time
AUM	:	Assets under management
Authority or MAS	:	Monetary Authority of Singapore
Board of Statutory Auditors	:	Our Company's board of Statutory Auditors (<i>Kansayaku-kai</i>)
Board or Board of Directors	:	Our Company's board of Directors
Book Entry Act	:	The Book Entry Act of Japan (<i>shasai kabushikitou-no-furikae-ni-kansuru-houritsu</i>) (Act No. 75 of 2001, as amended) and the cabinet orders and ministerial ordinances thereunder or any statutory modification, amendments or re-enactment thereof for the time being in force
Building Lots and Buildings Transaction Business Law	:	The Building Lots and Buildings Transaction Business Law of Japan (<i>takuchi-tatemono-torihikigyohou</i>) (Act No. 176 of 1952, as amended)
Building Standards Act	:	The Building Standards Act of Japan (<i>kenchiku-kijunhou</i>) (Act No. 201 of 1950, as amended)
Business Division	:	The business division of our Company, comprising our (i) asset solutions departments; (ii) asset solutions business promotion department; and (iii) architectural planning department
CDP or Depository	:	The Central Depository (Pte) Limited
CDP Depositor	:	As defined under section 130A of the Singapore Companies Act
CEO	:	Our Chief Executive Officer, who is Seiichiro Yamaguchi (as at the Latest Practicable Date)
CFO	:	Our Chief Financial Officer, who is Noboru Hirano, who is also the senior executive officer in charge of our Company's Administrative Division (as at the Latest Practicable Date)

Controlling Shareholder	:	In relation to a corporation means: (a) a person who has an interest in the voting shares of the corporation and who exercises control over the corporation; or (b) a person who has an interest in not less than 30% of the total votes attached to all voting shares in the corporation, unless he does not exercise control over the corporation.
COO	:	Our Chief Operating Officer, who is Katsuhito Kosuge, who is also the senior executive officer in charge of our Company's Business Division (as at the Latest Practicable Date)
Corporation Tax Act	:	The Corporation Tax Act of Japan (<i>houjinzei-hou</i>) (Act No.34 of 1965, as amended)
CY	:	Calendar year
Daiwa Capital Markets or Sole Global Coordinator and Manager	:	Daiwa Capital Markets Singapore Limited
Depository Agent	:	As defined under section 130A of the Singapore Companies Act
Depository Register	:	As defined under section 130A of the Singapore Companies Act
Designated Real Estate Joint Venture Business Act	:	The Act on Designated Real Estate Joint Venture Business of Japan (<i>fudousan-tokutei-kyoudou-jigyohou</i>) (Act No. 77 of 1994, as amended)
Director(s)	:	Our Company's directors or any one of them
Distributable Amount	:	An amount based on the retained earnings (<i>joyo kin</i>) recorded in our Company's non-consolidated financial statements prepared in accordance with JGAAP (rather than IFRS) with certain adjustments (including the deduction of the book value of any treasury Shares held by our Company)
EDINET	:	Electronic Disclosure for Investors' NETwork
EPS	:	Earnings per Share
ESOP	:	The Tosei Employee Share Ownership Plan

FIEA	:	The Financial Instruments and Exchange Act of Japan (<i>kinyuu-shouhin-torihiki-hou</i>) (Act No. 25 of 1948, as amended) and the cabinet orders and ministerial ordinances thereunder or any statutory modification, amendments or re-enactment thereof for the time being in force
Foreign Exchange Act	:	The Foreign Exchange and Foreign Trade Act of Japan (<i>gaikoku-kawase-oyobi-gaikoku-boueki-hou</i>) (Act No. 228 of 1949, as amended) and the cabinet orders and ministerial ordinances thereunder or any statutory modification, amendments or re-enactment thereof for the time being in force
FY	:	Financial year ended, or as the case may be, ending 30 November
GFA	:	Gross floor area
GST	:	Goods and Services Tax of Singapore
HY	:	Financial period of the six months ended, or as the case may be, ending 31 May
IFRS	:	International Financial Reporting Standards
IFRS Consolidated Financial Statements	:	The audited consolidated financial statements of our Group for the financial years ended 30 November 2009, 2010 and 2011, the audited consolidated financial statements of our Group for the six months ended 31 May 2012 and the unaudited consolidated financial statements of our Group for the three month and nine month periods ended 31 August 2012 together with the related notes thereto, each of which has been prepared in accordance with IFRS
Industry Expert	:	DTZ Debenham Tie Leung K.K.
Introduction	:	The listing by introduction of our Shares on the Main Board of the SGX-ST
Japanese Accounting Auditor	:	Shinsoh Audit Corporation
Japanese Companies Act	:	The Companies Act of Japan (<i>kaisha-hou</i>) (Act No. 86 of 2005, as amended) and the cabinet orders and ministerial ordinances thereunder or any statutory modification, amendments or re-enactment thereof for the time being in force
Japan Income Tax Act	:	The Income Tax Act of Japan (<i>shotokuzei-hou</i>) (Act No. 33 of 1965, as amended)

JASDEC	:	Japan Securities Depository Center, Inc.
JASDEC Record of Depositors (<i>soukabunushi-tsuuchi</i>)	:	A list of names and other details of our Shareholders, issued by JASDEC in accordance with Article 151 of the Book Entry Act
JGAAP	:	Japanese Generally Accepted Accounting Principles
JSDA	:	Japan Securities Dealers Association
Land and Building Lease Law	:	The Land and Building Lease Law of Japan (<i>shakuchi-shakuyahou</i>) (Act No. 90 of 1991, as amended)
Large Volume Holder	:	A person who is required to file a Large Volume Holding Report and as defined in the FIEA
Large Volume Holding Report	:	A report filed by a Large Volume Holder to the relevant local financial bureau through the EDINET system.

The following persons are deemed to possess the voting securities and would be required to make a Large Volume Holding Report where the 5.0% threshold is crossed:

- (i) persons who own voting securities or have contractual rights to own such voting securities whether or not such voting securities/contractual rights are held in their own name or the name of another person or a fictitious name (e.g. a purchaser of the voting securities or a purchaser of a call option for the voting securities);
- (ii) persons who:
 - (a) are authorised by contract or law to exercise, or direct the exercise of, the voting rights pertaining to the voting securities as shareholders of the issuer of such voting securities;
 - (b) are aware of having such authority as described in (ii)(a) above; and
 - (c) have an intention to control the business of such issuer (exclusive of those who fall under item (iii) below); and

(iii) persons who are authorised by a discretionary investment contract or any other contract or law to invest in the voting securities (e.g. (i) a trustee with a discretion to acquire or dispose of voting securities in respect of trust assets, (ii) an asset management company authorised to make investment decisions pursuant to a discretionary investment management contract).

Latest Practicable Date or LPD	:	11 February 2013, being the latest practicable date prior to the printing of this Introductory Document
Law Concerning the Promotion of Control of Housing Quality of Japan	:	Law Concerning the Promotion of Control of Housing Quality of Japan (<i>juutaku-no-hinshitsu-kakuho-no-sokushin-ni-kansuru-houritsu</i>) (Act No. 81 of 1999, as amended)
Listing Date	:	The date our Company is admitted to the Official List of the SGX-ST
Listing Manual	:	The listing manual of the SGX-ST, as amended, supplemented or modified from time to time
Local Taxes Act	:	The Local Taxes Act of Japan (<i>chihouzei-hou</i>) (Act No. 226 of 1950, as amended)
Major Shareholder	:	A shareholder having 10% or more of the outstanding voting rights in a company as defined in Article 163 of the FIEA
Market Day	:	A day on which the SGX-ST is open for trading in securities
Money Lending Business Act	:	The Money Lending Business Act of Japan (<i>kashikingyou-hou</i>) (Act No. 32 of 1983, as amended)
NAI Global	:	New America Network, Inc.
NAV	:	Net asset value
NTA	:	Net tangible assets
Outside Director (<i>shagai-torishimariyaku</i>)	:	Directors who are not, and have never been, directors with executive duties, executive officers, or employees (including a manager) of our Company or any of its subsidiaries, in accordance with Article 2 Item 15 of the Japanese Companies Act

Outside Statutory Auditor (shagai-kansayaku)	:	Statutory Auditors who have never been directors, accounting advisors (or a member of such accounting advisors), executive officers, or employees (including a manager) of our Company or any of its subsidiaries, in accordance with Article 2 Item 16 of the Japanese Companies Act
President	:	The president of our Company, as appointed by our Board of Directors from amongst our Directors
Personal Information Protection Law	:	The Personal Information Protection Law of Japan (<i>kojin-jouhou-no-hogo-ni-kansuru-houritsu</i>) (Law No. 57 of 2003, as amended)
Register of Members (kabunushi-meibou)	:	A list of names and other details of our Shareholders, produced by our Company in accordance with Article 121 of the Japanese Companies Act
SCS Global	:	SCS Global Holdings Pte. Ltd.
SCS Global Consulting	:	SCS Global Consulting K.K.
SCS Global Professionals	:	SCS Global Professionals (S) Pte. Ltd.
Securities Account	:	The securities account maintained by a depositor with CDP, but does not include a securities sub-account
Securities and Futures Act or SFA	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended, supplemented or modified from time to time
SFR	:	The Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore, as amended, supplemented or modified from time to time
SGX-ST or Exchange	:	Singapore Exchange Securities Trading Limited
Shareholders	:	Shareholders whose names appear on (a) the JASDEC Record of Depositors, and (b) the Register of Members kept in Japan
Shares	:	Ordinary shares in the capital of our Company
Singapore Collation Agent	:	An agent appointed by the Company to: <ul style="list-style-type: none"> (a) despatch any notice of Shareholders' meetings, together with the necessary voting instruction form, to Tosei CDP Depositors; and (b) collate voting instructions from Tosei CDP Depositors.

Singapore Companies Act	:	The Companies Act, Chapter 50 of Singapore, as amended, supplemented or modified from time to time
Singapore Share Transfer Agent	:	Boardroom Corporate & Advisory Services Pte. Ltd.
Singapore Take-over and Merger Laws and Regulations	:	Sections 138, 139 and 140 of the Securities and Futures Act and the Singapore Take-over Code
Singapore Take-over Code	:	The Singapore Code on Take-overs and Mergers
Soil Contamination Control Law	:	The Soil Contamination Control Law of Japan (<i>dojou-osen-taisakuhou</i>) (Act No. 53 of 2002, as amended)
Statutory Auditor(s)	:	Our Company's statutory auditors (<i>kansayaku</i>) or any one of them
Statutory Transactions	:	Pursuant to the Japanese Companies Act, a merger, corporate split, share exchange, share transfer, business transfer and business assumption
stock acquisition right	:	Any right which entitles the holder to acquire shares in a stock company by exercising the right against such stock company, as defined in item 21 of Article 2 of the Japanese Companies Act
Subsidiary	:	A company in which shares an amount exceeding 50.0% of its paid-up capital are held directly or indirectly by our Company
substantial shareholder	:	A person who has an interest or interests in one or more voting shares in a company and the total votes attached to that share, or those shares, is not less than 5.0% of the total votes attached to all the voting shares of the company
TDNet	:	Timely Disclosure Network of the TSE
Three Committees	:	Nominating committee, compensation committee and audit committee
Top Ten Direct Shareholders	:	The top 10 Shareholders of our Company as recorded in our Company's Register of Members
Tosei CDP Depositors	:	Depositors holding Shares under a direct account with CDP or a securities sub-account with a Depository Agent (as defined under the Singapore Companies Act)
TSE	:	Tokyo Stock Exchange

- TSE Business Regulations** : The business regulations of the TSE
- TSE Securities Listing Regulations** : The securities listing regulations of the TSE

SUMMARY

OVERVIEW OF OUR GROUP

We are a company with diversified real estate businesses incorporated in Japan on 2 February 1950 with limited liability as a joint stock company (*Kabushiki Kaisha*). Our registered office and principal place of business is 4-2-3 Toranomom Minato-ku, Tokyo 105-0001, Japan and our telephone number and facsimile number is +81 3 3435 2864 and +81 3 3435 2866 respectively. Our Company's website address is <http://www.toseicorp.co.jp>. Information on our website is not incorporated into and does not constitute part of this Introductory Document, and should not be relied on.

OUR BUSINESS

Our business activities and operations are primarily in Japan and we are active in the following real estate sectors:

(a) Revitalisation

Our Group acquires office buildings, commercial facilities, condominiums and other properties of a certain age profile (typically around 20 years old) and whose asset value has declined. We aim to raise the value of such properties by implementing certain measures known as "value-up activities". We have also implemented a new "Restyling" business model as an arm of our revitalisation business in 2009.

(b) Development

We develop office, commercial and residential properties with a focus on the 23 wards of Tokyo. We actively study characteristics of the properties we purchase, including the local area and site characteristics, end use, demand, rent levels and selling prices.

(c) Rental

We own office buildings, residential and commercial properties primarily in the 23 wards of Tokyo. The office buildings and condominiums are typically in inner Tokyo and are all under our direct management. Our rental business consists primarily of leasing out properties that have been acquired and prepared for rental purposes.

(d) Fund

Our Group's fund business has two components and is conducted through our Company and our wholly-owned subsidiary, Tosei Asset Advisors. Whilst we structure and manage private real estate funds as an asset manager, we also provide asset management services and brokerage services to private investors and other fund managers wherein we source for real estate suited to their needs.

(e) Property management

We offer comprehensive property management services to meet a variety of real estate needs, including administration, facility management, cleaning and security for condominium complexes and office buildings and facilities. We also undertake utilities repair work for exclusive areas in condominiums complexes and office buildings, and undertake interior renovation contracting for office properties.

(f) Alternative investment

Our wholly-owned subsidiary, Tosei Revival Investment, and its wholly-owned subsidiary, Hestia Capital, invest in non-performing loans collateralised by real estate (including mortgage-backed loans). Additionally, Tosei Revival Investment acquires properties through mergers and acquisitions of companies with real estate assets.

Please see “Business – Business Overview” for more information.

OUR COMPETITIVE STRENGTHS

Our competitive strengths are as follows:

We centre our business operations in the Tokyo area

Our business is focused on the Tokyo area of Japan and this gives us the advantage of local knowledge of the Greater Tokyo area.

We have an experienced management and support team

Our management team consisting of our President and CEO, Seiichiro Yamaguchi, our COO, Katsuhito Kosuge, and our CFO, Noboru Hirano, has extensive experience in property development and building construction.

Our diverse business gives us the flexibility to operate in varying market conditions

Our six varied businesses enable us to operate flexibly in accordance with varying market conditions.

We are a diversified business and cater to various market needs

Our core businesses are inter-linked and we have achieved substantial operational synergies because of this.

We focus on the needs of our target customers and develop award-winning properties

We undertake all our property development and revitalisation projects after considering the local characteristics and demographic of each area to meet customer needs. We have an in-house quality control system which has allowed us to develop award-winning properties.

Please see “Business – Competitive Strengths” for more information.

OUR BUSINESS STRATEGIES AND FUTURE PLANS

A key objective of our mid-term management plan is to expand and reinforce our six core businesses. The revitalisation, development and fund businesses have been identified as key growth drivers, and additional emphasis will be placed on these three business segments. We also intend to expand outside Japan.

Revitalisation

We aim to seize the opportunities presented to us in this market, and to capitalise on our “value-up” know-how and niche product development capabilities. We have begun expanding our investments in both office buildings and condominiums.

Development

The markets for condominiums and detached houses for sale have shown stable progress in 2011 and 2012. We are making a concerted effort to expand our development of detached houses whilst continuing our development of condominiums. We will also start considering opportunities for the development of office properties.

Fund

We are actively seeking to expand the number of our asset management contracts and will endeavour to obtain new contracts by leveraging on our strength as a one-stop real estate service provider.

Rental/Property Management/Alternative Investment Business

Notwithstanding our emphasis on the three business segments above, we will nevertheless seek to enhance our rental, property management and alternative investment businesses through various measures.

Expanding outside of Japan

We aim to achieve recognition of the Tosei brand outside Japan and plan to establish a regional presence in South-East Asia.

Please see “Business – Prospects, Business Strategies and Future Plans – Business Strategies and Future Plans” for more information.

OUR FINANCIAL INFORMATION

The following table represents a summary of the financial highlights of our Company. The data represented in this table is derived from the section entitled “Selected Consolidated Financial Information” and the financial statements and notes thereto which are included elsewhere in this Introductory Document. You should read those sections and the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Introductory Document for a further explanation of the financial data summarised here.

Selected items on the operating results of our Company:

	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>9M2011</u>	<u>9M2012</u>
	<u>(JPY’000)</u>	<u>(JPY’000)</u>	<u>(JPY’000)</u>	<u>(JPY’000)</u>	<u>(JPY’000)</u>
Revenue	<u>33,622,879</u>	<u>26,439,782</u>	<u>24,760,909</u>	<u>16,210,821</u>	<u>14,765,693</u>
Gross profit	<u>4,639,058</u>	<u>4,072,234</u>	<u>5,180,221</u>	<u>4,214,646</u>	<u>3,530,929</u>
Profit before income tax	<u>929,523</u>	<u>588,285</u>	<u>1,509,510</u>	<u>1,502,667</u>	<u>776,750</u>
Net profit	<u>479,009</u>	<u>307,701</u>	<u>740,267</u>	<u>856,036</u>	<u>448,231</u>

Selected line items of Income Statements in Singapore Dollars

	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>9M2011</u>	<u>9M2012</u>
	<u>(SGD'000)⁽¹⁾</u>	<u>(SGD'000)⁽²⁾</u>	<u>(SGD'000)⁽³⁾</u>	<u>(SGD'000)⁽⁴⁾</u>	<u>(SGD'000)⁽⁵⁾</u>
Revenue	524,047	410,428	388,467	250,167	235,497
Gross profit	72,305	63,214	81,271	65,041	56,315
Profit before income tax	14,488	9,132	23,682	23,189	12,388
Net profit	<u>7,466</u>	<u>4,776</u>	<u>11,614</u>	<u>13,210</u>	<u>7,149</u>

Notes:

- (1) Based on the average daily exchange rate of S\$1.00:JPY64.16.
- (2) Based on the average daily exchange rate of S\$1.00:JPY64.42.
- (3) Based on the average daily exchange rate of S\$1.00:JPY63.74.
- (4) Based on the average daily exchange rate of S\$1.00:JPY64.80.
- (5) Based on the average daily exchange rate of S\$1.00:JPY62.70.

Selected items on the financial position of our Company:

	<u>As at</u> <u>30 November</u> <u>2011</u>	<u>As at</u> <u>30 November</u> <u>2011</u>	<u>As at</u> <u>31 August</u> <u>2012</u>	<u>As at</u> <u>31 August</u> <u>2012</u>
	<u>(JPY'000)</u>	<u>(S\$'000)⁽¹⁾</u>	<u>(JPY'000)</u>	<u>(S\$'000)⁽²⁾</u>
Current assets	43,585,120	719,701	45,835,368	729,514
Non-current assets	17,014,716	280,956	17,069,406	271,676
Current liabilities	8,770,754	144,828	9,124,972	145,233
Non-current liabilities	26,521,131	437,931	28,251,370	449,648
Total equity	<u>25,307,951</u>	<u>417,898</u>	<u>25,528,432</u>	<u>406,309</u>

Notes:

- (1) Based on the closing exchange rate of S\$1.00:JPY60.56.
- (2) Based on the closing exchange rate of S\$1.00:JPY62.83.

SUMMARY OF THE INTRODUCTION

The Company	<p>Tosei Corporation, incorporated in Japan on 2 February 1950 with limited liability as a joint stock company (<i>Kabushiki Kaisha</i>) and listed on the First Section of the TSE.</p>
Listing on the SGX-ST	<p>Application has been made to the SGX-ST for permission to list all our issued Shares on the Main Board of the SGX-ST. Such permission will be granted when we have been admitted to the Official List of the SGX-ST.</p>
Trading on the SGX-ST	<p>Our Shares will not be tradable immediately upon our listing on the SGX-ST. The quotation and trading of our Shares on the SGX-ST will only commence after future fund-raising by our Company through an offering of Shares, with such Shares to be held through CDP. Please see “Risk Factors – Risks Relating to an Investment in our Shares – The Introduction will not result in an active or liquid market on the SGX-ST for our Shares” and “Risk Factors – Risks Relating to an Investment in our Shares – Investors may face risks from the transfer of Shares for trading between the SGX-ST and the TSE” for more information.</p> <p>Our Shares will, upon their listing and quotation on the SGX-ST, be traded on the SGX-ST under the book-entry (scripless) settlement system of CDP. Dealing in and quotation of our Shares will be in Singapore Dollars. The Shares will be traded in board lot sizes of 10 Shares.</p> <p>Our Shares are currently listed and traded on the First Section of the TSE under the code, 8923.</p>
Voting Rights	<p>Registered owners of our Shares will be entitled to full voting rights, as described in “Description of Share Capital”. However, your ability to vote at Shareholders’ meetings will be limited. See “Description of Share Capital – Voting Rights” and “Clearance and Settlement – Voting Instructions”.</p>
Dividends	<p>For a description on our dividend policy, see “Dividend Policy”.</p>
Share Capital	<p>As at the date of this Introductory Document, our authorised capital is 1,500,000 Shares of which 456,840 Shares are issued and outstanding. All our issued Shares are currently listed on the First Section of the TSE. We have only one class of shares.</p>
Risk Factors	<p>Prospective investors should carefully consider certain risks connected with an investment in our Shares, as discussed under “Risk Factors”.</p>

OUR LISTING ON THE SGX-ST

CONDITIONS OF OUR LISTING ON THE SGX-ST

Upon admission to the Official List of the SGX-ST, we will have a dual listing on both the SGX-ST and the TSE, with the TSE being the primary exchange and the SGX-ST being the secondary exchange, on which our Shares may be traded. As the TSE is the primary exchange on which our Shares may be traded, we are subject to and will have to comply with the listing rules of the TSE. The listing rules of the TSE do not have specific requirements equivalent to the listing rules of the SGX-ST in respect of Chapters 9, 10 and 13 of the Listing Manual. Whilst we are not generally subject to the continuing listing requirements of the SGX-ST, the SGX-ST has imposed certain conditions in respect of these continuing listing requirements on our Company.

The SGX-ST has approved our Company's listing on the SGX-ST subject to, *inter alia*, the following conditions:

- (a) our Company maintaining our primary listing on the First Section of the TSE;
- (b) our Company appointing an Outside Director who is either resident in Singapore or who has an international reputation. In this regard, we had in February 2012 appointed Kenichi Shotoku as an Outside Director;
- (c) our Company appointing at least one director as an authorised representative for correspondence with the SGX-ST. In this regard, we had informed the SGX-ST in September 2012, that our CFO, Noboru Hirano will be appointed to this role;
- (d) our Company complying with Chapter 9 of the Listing Manual, subject to the adoption of the following abstention procedure in place of Rule 919 of the Listing Manual:
 - (i) any Interested Person Transaction which must be approved at a shareholders' meeting under the Listing Manual will contain a condition precedent that (a) such transaction is subject to the approval of Shareholders, and (b) will only be implemented by our Company if we have obtained confirmation from our compliance advisor (or a third party advisor) who must be a suitable professional firm ("**Expert**"), that the resolution would have been successfully passed even if the votes cast had excluded votes of Shareholders who are required to abstain in accordance with the Listing Manual;
 - (ii) pursuant to the sub-paragraph (i) above, our Company will convene a Shareholders' meeting to seek Shareholders' approval for the transaction;
 - (iii) Shareholders who are required to abstain from voting in accordance with the Listing Manual may vote and all votes cast, including votes of the Shareholders who are required to abstain from voting, will be counted for purposes of the requirements of the Japanese Companies Act;
 - (iv) pursuant to sub-paragraphs (ii) and (iii) above, the Expert will confirm whether the resolution would have been successfully passed even if the votes cast had excluded votes of the Shareholders who are required to abstain from voting in accordance with the Listing Manual; and
 - (v) our Company will proceed with the relevant transaction only upon confirmation from the Expert that the resolution would have been successfully passed even if the votes cast had excluded votes of the Shareholders who are required to abstain from voting in accordance with the Listing Manual. If the Expert is unable to provide such confirmation, the transaction will not proceed;

- (e) our Company complying with Chapter 10 of the Listing Manual, except in respect of Rule 1015 of the Listing Manual, such that the approval of our Shareholders is not required, if the following conditions are met:
 - (i) the acquisition is one involving the acquisition of assets that are profitable or expected to be profitable;
 - (ii) the acquisition is in our ordinary course of business and limited to acquisition of real estate in Japan;
 - (iii) the acquisition is considered to be a very substantial acquisition under Rule 1015 of the Listing Manual only by virtue of the relative figures calculated on the base set out in Rule 1006(c) of the Listing Manual;
 - (iv) our Company must have a valid general mandate from our Shareholders in respect of such acquisitions. The limit under such a mandate shall be no more than 100% of our Group's latest NTA and will be applied to individual transactions;
 - (v) our Board of Directors must be satisfied that there will be no material change in the risk profile of our Company arising from the acquisition; and
 - (vi) our Company will commission a valuation by an independent property valuer acceptable to the SGX-ST to assist our Board of Directors in their deliberations as to whether the consideration to be paid to the counterparty is fair. The fact that we have obtained such a valuation will be described in press releases of our Company in Japan and announcements on the SGXNET. We will also disclose such valuations provided such disclosure does not breach any confidentiality obligations of our Company vis-à-vis the vendor and/or the appraiser;
- (f) our Company will ensure that the value of each board lot of our Shares on the SGX-ST will be equivalent to at least S\$500 at the time of any future share split;
- (g) our Company releasing all information and documents released on the TSE and EDINET on the SGXNET in English at the same time such documents are released on the TSE and/or EDINET; and
- (h) our Company ensuring that at least half of our Board of Statutory Auditors (or our Board of Directors if we adopt the Three Committees system) will be independent for so long as we are listed on the SGX-ST. Independence will be determined by our Board of Directors in accordance with the guidelines under the Code of Corporate Governance 2012.

UNDERTAKINGS FROM OUR COMPANY

Our Company will, prior to the Listing Date, provide undertakings to the SGX-ST, where required, in respect of (a) to (h) above. In addition, our Company will, prior to the Listing Date, undertake to the SGX-ST to conduct fund-raising through an offering of Shares in Singapore in the future (with such Shares to be held through CDP) within a reasonable time of the Introduction. Such fund-raising can only be conducted no earlier than three months following the Listing Date, in accordance with Rule 237 of the Listing Manual and is expected to be conducted within 15 months from the Listing Date, subject to the receipt of regulatory filings and approvals in Japan and Singapore where required, as well as prevailing market conditions.

OBLIGATIONS UNDER THE SGX-ST LISTING MANUAL AND THE JAPANESE REGULATORY REGIME

Our General Obligation under the Listing Manual

Rule 217 of the Listing Manual provides that a foreign issuer with a secondary listing on the SGX-ST need not comply with the SGX-ST's listing rules, provided that it undertakes to:

- (a) release all information and documents in English to the SGX-ST at the same time as they are released to the home exchange;
- (b) inform the SGX-ST of any issue of additional securities in a class already listed on the SGX-ST and the decision of the home exchange; and
- (c) comply with such other listing rules as may be applied by the SGX-ST from time to time (whether before or after listing).

Continuing Disclosure

Singapore – Rule 703 of the Listing Manual

Chapter 7 of the Listing Manual sets out the continuing obligations of an issuer upon admission to the Official List of the SGX-ST. In particular, Rule 703 provides that an issuer must announce any information known to the issuer concerning it or any of its subsidiaries or associated companies which:

- (a) is necessary to avoid the establishment of a false market in the issuer's securities; or
- (b) would be likely to materially affect the price or value of its securities.

The rule does not apply to information which it would be a breach of law to disclose or to particular information while each of the following conditions applies:

- (a) a reasonable person would not expect the information to be disclosed;
- (b) the information is confidential; and
- (c) one or more of the following applies:
 - (i) the information concerns an incomplete proposal or negotiation;
 - (ii) the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - (iii) the information is generated for the internal management purposes of the entity; or
 - (iv) the information is a trade secret.

Japan – Chapter 4 of the TSE Securities Listing Regulations

Chapter 4 of the TSE Securities Listing Regulations contain certain provisions which, taken as a whole, provides a similar obligation to Rule 703. In particular, Rules 401, 411-2 and Paragraph 1 of Rule 412 of the TSE Listing Regulations state, *inter alia*, that (i) a listed company shall make efforts to strengthen prompt, accurate and fair disclosure of corporate information at all times from the viewpoint of investors with full recognition that timely and appropriate disclosure of corporate

information to investors is the basis of a sound market for financial instruments, (ii) the provisions under the regulations are only minimum requirements and do not excuse the listed company from being responsible for disclosing corporate information in a more timely and appropriate manner, and (iii) the contents of the disclosed information must not contain false statements, lack information deemed to be significant to investors' investment decisions, will not cause misunderstanding and will not lack in appropriateness.

In addition, Rule 402 (in relation to the listed company) and Rule 403 (in relation to the listed company's subsidiaries) of the TSE Securities Listing Regulations sets out a comprehensive list of specific events and matters which obligates timely disclosure. Paragraph 1 of each of Rule 402 and Rule 403 refers to material corporate matters where the listed company or the listed company's subsidiaries has made a decision to carry out (or reverse a previous decision to carry out), including, *inter alia*, a public offering of shares, decreases in amount of stated capital or capital reserves, acquisition of treasury stock, payment of dividends and a merger or demerger. Paragraph 2 of each of Rule 402 and Rule 403 refers to material events which has occurred and which may cause a material effect on the listed company or the listed company's subsidiaries including, *inter alia*, damages from disaster, change in major shareholders or controlling shareholders, lawsuits, petition of bankruptcy proceedings against the listed company and disciplinary action by authorities. This list of matters and events are not exhaustive, and a catch-all provision is also present in each of Rule 402 and Rule 403 which states that important matters relating to operations, business or assets of such listed company or the listed company's subsidiaries which have a remarkable effect on investors' investment decisions will also be subject to disclosure.

There are no equivalent rules under TSE Listing Regulations for Rules 703(2) and (3) of the Listing Manual.

Please refer to Appendix E – "Comparison between Singapore and Japanese Listing Rules and Securities Law" for a comparison between Rule 703 of the Listing Manual and similar provisions under the Japanese regulatory regime.

Interested Person Transactions

Singapore – Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual regulates interested person transactions entered into by companies listed on the SGX-ST with the aim of guarding against the risk that interested persons could influence the issuer, its subsidiaries or associated companies to enter into transactions with interested persons that may adversely affect the interests of the issuer or its shareholders. Chapter 9 provides that for transactions of more than S\$100,000, an issuer is required to, *inter alia*:

- (a) make an immediate announcement of any interested person transaction of a value equal to, or more than, 3% of the group's latest audited NTA;
- (b) make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year if the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the group's latest audited NTA; and
- (c) obtain shareholder approval for any interested person transaction of a value equal to, or more than 5% of the group's latest audited NTA, when aggregated with other transactions entered into with the same interested person during the same financial year.

The provisions of Chapter 9 of the Listing Manual are set out in full in Appendix E – “Comparison between Singapore and Japanese Listing Rules and Securities Laws” of this Introductory Document.

Our Company will be complying with Chapter 9 of the Listing Manual, subject to the adoption of the abstention procedure in place of Rule 919 of the Listing Manual, which we cannot comply with as a matter of compliance with Japanese law since, under the Japanese Companies Act, it is prohibited to restrict or restrain a particular group of shareholders holding the same class of shares as other shareholders from voting on any particular resolution, except when such prohibition is statutorily required under the Japanese Companies Act, and there is no statutory requirement to prohibit or restrict Interested Persons from voting on Interested Person Transactions. Please see “Our Listing on the SGX-ST – Conditions of our Listing on the SGX-ST” above for more information.

Japan – Related Party Transaction Provisions under the FIEA

Under the FIEA and the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements (the Ordinance of the Ministry of Finance No. 28 of 1976, as amended), the notes to financial statements which are disclosed pursuant to the FIEA, must include the details of “material” transactions with related parties (“**Related Party Transactions**”).

The related parties of a Japanese company include:

- (a) the parent companies of the company;
- (b) the unconsolidated subsidiaries¹ of the company;
- (c) corporations, etc. that have the same parent company as the company;
- (d) other related companies (meaning a corporation, etc. which, or the subsidiaries of which, are able to effect material influence on the company’s financial and operating or business decision, through its relationship on capital contribution, personnel affairs, finance, technology or transactions);
- (e) affiliated companies of the company (meaning a corporation, etc. whose financial and operating or business decisions could be materially influenced by the company or a subsidiary of the company through its relationship on capital contribution, personnel affairs, finance, technology or transactions);
- (f) Major Shareholders of the company (meaning a shareholder who holds 10% or more of the voting rights held by all the shareholders in the name of him/herself or another person) and their close relatives (meaning relatives within the second degree of kinship);
- (g) officers of the company and their close relatives;
- (h) officers of the parent companies of the company and their close relatives;
- (i) officers of the material subsidiaries of the company and their close relatives;

¹ Subsidiaries are not consolidated in such cases where (i) the control over such company’s governing body that determines financial, business or operational policies is temporary or (ii) such company is not material to the extent exclusion from the consolidation of such company will not hinder reasonable assessment of financial condition, results of operation and cash flow of the consolidated group.

- (j) a corporation in which the majority of voting rights are held by any one of the persons prescribed in (f) through (i) for his/her own account, and the subsidiaries of such corporation; and
- (k) the corporate pension provider for the employees of the company,

(“**Related Party**” or “**Related Parties**” as the case may be).

The items to be disclosed include:

- (a) in cases where the Related Parties are corporations, etc., the name, address, amount of capital stocks or contributions, content of business and the holding ratio of the voting rights that the company holds in the corporation, etc., or the holding ratio of the voting rights that the corporation, etc. holds in the company;
- (b) in cases where the Related Parties are individuals, the name, the occupation and the holding ratio of the voting rights that the Related Party holds in the company;
- (c) the relationship between the company and the Related Party;
- (d) the details of the transactions;
- (e) transaction amounts for each category of the transactions;
- (f) conditions of the transactions or policy of the determination thereof;
- (g) the balance, as of the end of a fiscal year, of the debts and credits generated by the relevant transactions for each account classification;
- (h) in cases where there has been an amendment to the conditions of the transactions, a note to that effect, details of the amendment and details of the influences on the consolidated financial statements caused by the amendment;
- (i) in cases where receivables owed by the Related Parties are classified as (i) receivables owed by a company that is not yet failed but has a substantial problem with payment or has high possibility thereof (*kashidaore kenen saiken*) or (ii) receivables that are a claim in bankruptcy or receivables owed by a company under rehabilitation, etc. (*kousei saiken tou*), the balance of the provision for possible loan loss as of the end of the relevant fiscal year, provision for doubtful accounts, etc. realised during the relevant fiscal year and bad-debt loss, etc. realised during the relevant fiscal year; and
- (j) in cases where certain reserves are set relating to the transaction between the company and the Related Party, and it is considered appropriate to be included in the notes to financial statements, items equivalent to the items prescribed in (i) above.

The Japanese Companies Act, the FIEA and the TSE Securities Listing Regulations do not have comparable rules which specifically require Related Party Transactions to be subject to shareholders’ approval for a company with a board of directors, regardless of the size of the transactions.

Acquisitions and Realisations

Singapore – Chapter 10 of the Listing Manual

Chapter 10 of the Listing Manual sets out the rules for acquisitions and disposals by issuers and describes how transactions are to be classified based on the size of relative figures computed on the bases set out in Rule 1006 of the Listing Manual (“**Rule 1006 bases**”). Chapter 10 also prescribes the requirements for announcements, circulars and shareholder approval (if required) in relation to such acquisitions and disposals. The transaction categories and requirements are briefly as follows:

- (a) non-discloseable transaction: no announcement required if any of the Rule 1006 bases amounts to 5% or less;
- (b) discloseable transaction: immediate announcement required if any of the Rule 1006 bases exceeds 5% but does not exceed 20%; and
- (c) major transaction: shareholders’ approval required if any of the Rule 1006 bases exceeds 20%; and
- (d) very substantial acquisitions or reverse takeovers: shareholders’ approval required if any of the Rule 1006 bases exceeds 100%, whether or not such transactions are deemed to be in the ordinary course of business of the issuer.

The provisions of Chapter 10 of the Listing Manual are set out in full in Appendix E of this Introductory Document.

Our Company will be complying with Chapter 10 of the Listing Manual except in respect of Rule 1015 of the Listing Manual, where the approval of our Shareholders is not required if certain conditions are met. Such conditions include, *inter alia*, (i) the acquisition being considered to be a very substantial acquisition under Rule 1015 of the Listing Manual only by virtue of the relative figures calculated on the base set out in Rule 1006(c) of the Listing Manual, and (ii) our Company must have a valid general mandate from our Shareholders in respect of such acquisitions. The limit under such a mandate shall be no more than 100% of our Group’s latest NTA. Please see “Our Listing on the SGX-ST – Conditions of our Listing on the SGX-ST” for more information.

Our Company had requested for partial compliance with Rule 1015 of the Listing Manual as we believe that if full compliance with Rule 1015 of the Listing Manual was imposed on us, we could lose opportunities to invest in profitable assets in the competitive and fast-moving Japanese real-estate market, as none of our competitors would have to undertake similar procedures.

Japan – Japanese Companies Act/TSE Securities Listing Regulations

The Japanese Companies Act, the FIEA and the TSE Securities Listing Regulations do not have comparable rules which specifically regulate transactions by issuers, principally acquisitions and realisations, which are the subject of Chapter 10 of the Listing Manual, and such transactions are not subject to shareholders’ approvals.

However, the shareholder protection objectives behind Chapters 9 and 10 are found elsewhere in the Japanese regulatory regime. The Japanese Companies Act requires the directors of a company to act in the best interests of the company and, in this connection, imposes a statutory duty of care on such persons, known as the “duty of care of a good manager” (*zenkan-chu-i-gimu*). As a general interpretation of this statutory duty of care, each director, and the board of directors as a whole, must ensure that all transactions, including transactions covered under Chapters 9 and 10 of the Listing Manual, do not prejudice the company’s interests and, *inter alia*, its

shareholders' interests. Directors who act in violation of this statutory duty of care may become directly liable to our Company and our creditors for damages caused by an intentional or negligent (in the case of creditors, grossly negligent) violation of their duties.

While there is no equivalent requirement under Japanese law to obtain shareholders' approval for transactions falling under Chapter 9 and 10 of the Listing Manual, such transactions may nevertheless be subject to shareholders' approval under the Japanese Companies Act if our Company undertakes a transaction involving certain specific corporate actions such as, *inter alia*:

- (a) amendment of the Articles of Incorporation;
- (b) election and removal of Directors and Statutory Auditors;
- (c) declaration of dividends;
- (d) reduction of stated capital or capital reserves;
- (e) Statutory Transactions;
- (f) share consolidation; or
- (g) conversion into a membership company.

Trading Halt, Suspension and Delisting

Singapore – Chapter 13 of the Listing Manual

Chapter 13 of the Listing Manual sets out the requirements relating to trading halt, voluntary suspension and withdrawal by the issuer from the Official List of the SGX-ST, and the powers of the SGX-ST with regard to trading halt, suspension and delisting of an issuer by the SGX-ST.

Under Rule 1302 of the Listing Manual, the SGX-ST may at any time grant a trading halt to enable the issuer to disclose material information or suspend trading of the listed securities of an issuer at the request of the issuer.

In addition, under Rule 1303 of the Listing Manual, the SGX-ST has the discretion to suspend trading of the listed securities of any issuer in certain circumstances, including, but not limited to:

- (a) where the issuer is unable or unwilling to comply with, or contravenes, a listing rule; and
- (b) where in the SGX-ST's opinion, it is necessary or expedient in the interest of maintaining a fair, orderly and transparent market.

Under Rule 1305 of the Listing Manual, the SGX-ST may delist an issuer if:

- (a) the issuer is unable or unwilling to comply with, or contravenes, a listing rule;
- (b) in the opinion of the SGX-ST, it is necessary or expedient in the interest of maintaining a fair, orderly and transparent market;
- (c) in the opinion of the SGX-ST, it is appropriate to do so; or
- (d) the issuer has no listed securities.

Under Rule 1307 of the Listing Manual, the SGX-ST may agree to an application by an issuer to delist from the SGX-ST if:

- (a) the issuer convenes a general meeting to obtain shareholder approval for the delisting;
- (b) the resolution to delist the issuer has been approved by a majority of at least 75% of the total number of issued shares excluding treasury shares held by the shareholders present and voting, on a poll, either in person or by proxy at the meeting (the issuer's directors and controlling shareholder need not abstain from voting on the resolution); and
- (c) the resolution has not been voted against by 10% or more of the total number of issued shares excluding treasury shares held by the shareholders presenting and voting, on a poll, either in person or by proxy at the meeting.

Under Rule 1309 of the Listing Manual, if an issuer is seeking to delist from the SGX-ST:

- (a) a reasonable exit alternative, which should normally be in cash, should be offered to (i) the issuer's shareholders and (ii) holders of any other classes of listed securities to be delisted; and
- (b) the issuer should normally appoint an independent financial adviser to advise on the exit offer.

We will not be complying with Rules 1307 and 1309 of the Listing Manual. Under the TSE Securities Listing Regulations and Japanese law, we are not required to seek the approval of our Shareholders even if we delist from the TSE. In addition, if we seek to delist or are delisted from the SGX-ST only, we will be unable to make an exit offer only to Tosei CDP Depositors as such an exit offer will render our Company in breach of Article 109 of the Japanese Companies Act since such an exit offer will be considered preferential treatment of the Tosei CDP Depositors and in breach of the principle of shareholders equality.

Tosei CDP Depositors will have the option of transferring their shares held through CDP to a broker in Japan or a JASDEC participant for trading on the TSE. We will make an announcement on SGXNET at the relevant time informing Tosei CDP Depositors on how they can transfer their Shares held through CDP to a broker in Japan or a JASDEC participant for trading on the TSE.

Japan – TSE Securities Listing Regulations

The TSE Securities Listing Regulations do not have comparable rules which allow a completely discretionary trading halt by either the TSE or a listed company. However, under Rule 29 of the TSE Business Regulations, TSE may suspend trading under certain specific circumstances, including where information which caused or may cause a material effect to the investment decision of investors has occurred but such information is unclear in its content, such that the TSE needs to halt trading to investigate the matter and request the relevant listed company to make the appropriate public announcement. If the TSE chooses to suspend trading as a result of this, trading will resume 15 minutes after the announcement of a press release by the listed company.

Chapter 6 of the TSE Securities Listing Regulations contains a set of provisions outlining the criteria and procedures for delisting. Rule 601 (in relation to domestic companies listed on the main market of the TSE) of the TSE Securities Listing Regulations sets out a comprehensive list of specific events and matters which, in general, will result in delisting from the TSE, including, *inter alia*, (i) where the number of shareholders is less than 400 as of the end of a business year and does not reach at least 400 within a year, (ii) where the number of tradable shares is less than 2,000 units as at the end of a business year and the number does not reach at least 2,000 units within a year, (iii) where the market capitalisation of the tradable shares is less than JPY500

million as of the end of a business year and the amount does not reach at least JPY500 million within a year, (iv) where the number of tradable shares is less than 5.0% of the total number of listed shares as of the end of a business year and no scheduled plan of a public offering, secondary offering or distribution is submitted by the company within a specified period, (v) where it is necessary for the company to enter into bankruptcy proceedings, rehabilitation proceedings or reorganisation proceedings on the basis of the relevant provisions of Japanese law, and (vi) where there is a delay of over one month in the submission of a securities report or a quarterly report pursuant to the FIEA. This list of matters and events is not exhaustive, and a catch-all provision is also present in Rule 601 which states that a company will also be delisted where the TSE deems that delisting of the listed shares is appropriate for the public interest or the protection of investors.

An issuer may also apply for its listed stock to be delisted pursuant to Rule 608 of the TSE Securities Listing Regulations.

Under Rule 610 of the TSE Securities Listing Regulations, where a listed stock is likely to be delisted, the TSE may designate such listed stock as a “security under supervision” to alert investors of such a fact.

Whilst the TSE Securities Listing Regulations do not have any provision comparable to Rule 1309 of the Listing Manual, there will, generally, be an exit offer (or similar arrangement) pursuant to the Japanese Companies Act made in the following events whereby a company delists from the TSE as a result of certain corporate actions by or with respect to such a company, including, *inter alia*:

- where there is a management buy-out of our Company;
- where there is a takeover of our Company;
- where our Company dissolves as a result of a merger; or
- where our Company becomes a wholly-owned subsidiary of another company by a share exchange/share transfer.

In the event our Company is the subject of a take-over offer by a third party or a management buy-out (“**Offer**”), we will communicate to the person making the offer (“**Offeror**”) the fact that we are listed on the SGX-ST and that there may be Tosei CDP Depositors who hold Shares through CDP and that the Offeror should extend its offer and despatch the necessary documentation in connection with the Offer (“**Offer Documents**”) in English to the Tosei CDP Depositors. In addition, subject to legal restrictions under Japanese law and to the extent reasonably practicable after discussion and agreement with CDP prior to an Offer, we will provide information in respect of the Offer (including, but not limited to a summary of the Offer and the terms thereof, which will contain information such as (i) the Offeror’s identity, (ii) the Offer timetable, (iii) the Offer consideration, and (iv) procedures for acceptance of the Offer) in English and CDP would assist us in (i) disseminating such information and/or the Offer Documents to Tosei CDP Depositors, and (ii) collating instructions from Tosei CDP Depositors in connection with the Offer. CDP has assumed no liability or responsibility for the completeness, sufficiency, accuracy, reliability or correctness of any statements made, reports contained or opinions expressed in this Introductory Document and will assume no liability or responsibility for the completeness, sufficiency, accuracy, reliability or correctness of any statements made, reports contained or opinions expressed in any Offer Documents or information received by it (or any translation thereof) from the Offeror, our Company or any custodian through whom the Shares of Tosei CDP Depositors are held, which it may despatch, in whole or in part, to Tosei CDP Depositors. However, Tosei CDP Depositors should note that despite our communications to the Offeror that the Offer Documents should be

in English, Offer Documents may not be in English (see “Risk Factors – Risks Relating to an Investment in our Shares – Tosei CDP Depositors will not be considered as Shareholders of our Company” for more information).

If our Company proposes to dissolve as a result of a merger; or where our Company proposes to become a wholly-owned subsidiary of another company by a share exchange/share transfer, the approval of our Shareholders via a special resolution of the shareholders’ meeting is required. Accordingly, our Company will arrange for the provision to Tosei CDP Depositors, in English, of the convocation notice of the Shareholders’ meetings (together with a summary of the above proposals), together with a voting instruction form. Tosei CDP Depositors will, indirectly, be able to vote on such matters to be decided by the Shareholders’ meeting by returning the voting instruction form by the relevant deadline to our Singapore Collation Agent. Our Singapore Collation Agent will, after the collation of valid voting instructions from Tosei CDP Depositors, furnish CDP, as a Shareholder of our Company, such voting instructions on behalf of all Tosei CDP Depositors. If our Singapore Collation Agent receives no voting instructions from Tosei CDP Depositors by the relevant deadline, CDP will not vote at the relevant Shareholders’ meeting.

Please refer to Appendix E – “Comparison between Singapore and Japanese Listing Rules and Securities Law” for more information.

INTRODUCTORY DOCUMENT DISCLOSURE

Information on our Shareholders

Pursuant to Rule 607 of the Listing Manual, we are required to comply with the prospectus disclosure requirements in the SFA. However, we are unable to comply with Section 4 of the SFA in relation to interests in securities. We are consequentially unable to comply with paragraphs 1(d)(ii), 3 and 6 of Part VII and paragraph 19 of Part X of the Fifth Schedule to the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore (“SFR”) for the following reasons:

- (a) the disclosure of shareholdings in Japan is based on the concept of Large Volume Holdings under the FIEA (see “Shareholders and Large Volume Holders – Large Volume Holders” and “Shareholding Reporting Obligations” for more information) as opposed to substantial shareholdings under Division 1 of Part VII of the SFA and there is no similar concept in Japan to that of “interest in securities” under Section 4 of the SFA (see Appendix D – “Comparison of Singapore Corporate Law with Japanese Corporate Law” for more information);
- (b) we are unable to mandate disclosure by Large Volume Holders of our beneficial owners, and we have no statutory power under Japanese law similar to that available under Section 137F of the SFA, which gives a “corporation” within the meaning under Section 130 of the SFA power to require disclosure of beneficial interest in its voting shares, and such information, even if provided voluntarily by Large Volume Holders, would not be verifiable and/or reliable;
- (c) disclosing personal information such as the shareholdings of an individual without prior approval may constitute a breach of the strict privacy laws regime in Japan under the Personal Information Protection Law. An exception to the regime is when such disclosure is statutorily required. In particular, under the Personal Information Protection Law, it is provided that a business operator handling personal information shall not, except in the following cases, provide personal data to a third party without obtaining the prior consent of the person:
 - (i) cases in which the provision of personal data is pursuant to laws and regulations;

- (ii) cases in which the provision of personal data is necessary for the protection of the life, body, or property of an individual and in which it is difficult to obtain the consent of the person;
- (iii) cases in which the provision of personal data is especially necessary for improving public health or promoting the sound growth of children and in which it is difficult to obtain the consent of the person; and
- (iv) cases in which the provision of personal data is necessary for cooperating with a state organ, a local government, or an individual or a business operator entrusted by one in executing the affairs prescribed by laws and regulations and in which obtaining the consent of the person is likely to impede the execution of the affairs.

We have included the following information in this Introductory Document:

- (a) In respect of paragraphs 1(d)(ii) and 3 of Part VII and paragraph 19 of Part X of the SFR
Disclosure based on the concept of “Large Volume Holders” under the FIEA instead of “interest in securities” and “substantial shareholdings” under the SFA

- (b) In respect of paragraph 3 of Part VII of the SFR

Disclosure of:

- (i) the direct shareholdings of our Directors, Statutory Auditors and certain other Shareholders as at 25 February 2013;
- (ii) the Large Volume Holders of our Company based on the information available to us as at 25 February 2013; and
- (iii) the top 10 direct Shareholders of our Company as at 25 February 2013.

- (c) In respect of paragraph 6 of Part VII of the SFR

Disclosure that our Company is not aware of any contractual undertaking provided by any party to observe a moratorium on the transfer or disposal of any Shares in our Company.

The items above in (a), (b) and (c) have been disclosed in “Shareholders and Large Volume Holders”, “Management and Corporate Governance – Family Relationships” and “General and Statutory Information – Miscellaneous”.

RISK FACTORS

Investing in our Company involves inherent risks. Prospective investors should consider, among other things, the risk factors set out herein in the Introductory Document before making an investment decision. The risks described below are not the only ones facing our Company. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations and adversely affect the price of our Shares. If any of the following risks actually occur, our business, financial position and operating results could be materially and adversely affected.

A prospective investor should consider carefully the factors set forth below, and elsewhere in the Introductory Document, and should consult his or her own expert advisors as to the suitability of an investment in our Shares. An investment in our Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment.

*Included in this Introductory Document are various “**forward-looking statements**”, including statements regarding the intent, belief or current expectations of our Company or our management with respect to, among other things, (i) our Company’s target market, (ii) evaluation of our Company’s markets, competition and competitive position, (iii) trends which may be expressed or implied by financial or other information or statements contained herein. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and outcomes to be materially different from any future results, performance and outcomes expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the risk factors described below and elsewhere in this Introductory Document.*

RISKS RELATING TO OUR BUSINESS

We face intense competition in the property industry in Japan.

The property industry in Japan is competitive and may become increasingly so. Each of our properties is located in an area that has other competing residential and commercial properties. Our properties may also compete with residential, office and commercial properties that may be developed in the future. The income from, and market value of, our properties will largely depend on the ability of our properties to compete against other residential, office and commercial properties in Japan in attracting prospective purchasers, and attracting and retaining prospective and current tenants. An increase in the number of competing residential, office and commercial properties, particularly in the areas where our properties are located and a decline in real estate transactions and deterioration of foreign investment may result in lower prices for our revitalised properties and new developments and decreased occupancy and rental rates for our rental properties.

In addition, property management service fees for condominiums and office buildings are continuing their downward trend due to increasing competition with other companies and cost-reduction pressures from customers. Further reductions in property management service fees or a surge in contract cancellations will have an adverse effect on our financial performance.

Further, new competitors may enter the industry resulting in increased competition or saturation. There is no assurance that we can compete successfully against our existing or potential competitors now or in the future.

If any of the above occurs, it may adversely affect our business, financial condition, results of operations and/or our prospects.

We may be affected by the increase in consumption tax in Japan.

The Japanese government has taken steps to increase the consumption tax in Japan from the current 5.0% to 8.0% by April 2014, and further increase this to 10.0% by October 2015. A bill proposing such amendments was passed after approval by both the House of Representatives and the House of Councillors of Japan in June and August 2012 respectively, and was promulgated on 22 August 2012. This increase in consumption tax may reduce the purchasing power of consumers and may erode general market confidence, which may contribute to economic slowdown especially in the real estate market in Japan. The impending increase in consumption tax may affect the purchasing power of potential buyers or tenants of residential, office and commercial properties and dampen the general sentiments of the real estate market and economy in Japan. If any of the above occurs, our business, financial condition, results of operations and/or our prospects may be adversely affected.

We currently conduct all of our operations in, and derive all our revenue from Japan.

We currently derive all our revenue from sales and business operations in Japan and we are susceptible to the general economic conditions in Japan. The real estate industry is sensitive to general economic trends as purchasing power of consumers tends to decline during periods of economic slowdown. Such periods of economic slowdown, or uncertainties regarding future economic prospects of Japan may affect the purchasing power of potential buyers or tenants of residential, office and commercial properties and dampen the general sentiments of the real estate market in Japan, including a reduction in rentals and prices of new developments and may adversely affect our business, financial condition, results of operations and/or our prospects.

We are dependent on obtaining adequate and suitable financing to fund our operations.

In relation to our revitalisation and development projects, the purchase prices of such properties are typically payable by our customers to us on delivery. Large initial capital outlay is usually required during the land and/or building acquisition and construction phases and our gearing ratio (defined as the ratio of total borrowings divided by shareholders' equity) as at 31 December 2012 was 1.09 times. We procure debt financing from financial institutions on a project basis to fund the acquisition of land, buildings and construction costs. Consequently, increases in interest rates typically increase our procurement costs. Lump-sum repayments due to our inability to meet financial covenants, delays in the sales of properties and lower than expected sales revenue have the potential to affect our business, financial condition, results of operations and/or our prospects.

Our Group's ability to arrange adequate financing on terms which are acceptable to us depends on a number of factors that are beyond our control, including general economic and political conditions, the terms on which financial institutions are willing to extend credit to our Group and the availability of other sources of debt or equity financing. If we are unable to secure adequate financing, or any financing at all, including the ability to re-finance our current indebtedness, this may adversely affect our business, financial condition, results of operations and/or our prospects.

We are liable for delays in the completion of projects and any liquidated damages arising from such delays could adversely affect our financial performance.

Our sale and purchase contracts in relation to sale of properties typically include a provision for the payment of pre-determined liquidated damages by us in the event the project is completed after the stipulated date of completion stated in the contract. Delays in the completion of a project could occur from time to time due to factors including but not limited to adverse weather conditions, shortages of labour, equipment and materials, the occurrence of natural disasters, labour disputes, disputes with suppliers and subcontractors, industrial accidents, work stoppages

arising from accidents or mishaps at the worksite or delays in the delivery of building materials by the suppliers. For our revitalisation and development projects, delays in the completion of any project could result in a loss of income or a delay in receipt of proceeds from purchasers.

In the event of any delay in the completion of any project due to factors within our control, we may be liable to pay liquidated damages under such contracts and incur additional overheads that will adversely affect our earnings and erode our profit margin for the project. There is no assurance that there will not be any delays in the existing and future revitalisation and development projects which we undertake, which may result in the payment of liquidated damages and additional overheads. In addition, we only recognise revenue from our revitalisation and development businesses upon delivery of the property. Any delay in the delivery of the property may adversely affect our business, financial condition, results of operations and/or our prospects.

Our business is dependent on our ability to replenish our land bank and identify and acquire properties and potential land sites for revitalisation and development.

To maintain the growth of our revitalisation and development businesses, we are required to constantly identify and acquire properties for revitalisation and land sites for development. As at the Latest Practicable Date, the size of our land bank was 79,052 sq m. Please also refer to “Business – Principal Properties” for more information. We usually replenish and source for new land sites and properties suitable for our businesses by participating in property auctions, direct acquisitions from private property owners or acquisitions through property agents. We compete with other companies in the industry for new land sites and properties suitable for development and revitalisation respectively and there is no assurance that suitable land sites and properties will always be available to us for the purposes of our business at costs acceptable to us, or at all. We may not be able to secure land sites and properties to maintain and expand our business as planned. In such a situation, we may be forced to undertake fewer revitalisation and development projects or undertake such projects with reduced margins. This may adversely affect our business, financial condition, results of operations and/or our prospects.

Our Group faces risks before realising any benefits, if at all, from revitalisation and development projects.

Revitalisation and development projects require substantial capital outlay during the land/building acquisition and construction/renovation phases. Depending on the size of a project, it could take up to 12 months to complete the revitalisation of a property. It takes approximately 12 months to complete the development of a detached housing project and up to 24 months to complete the development of a condominium or office building. Typically, it may take one or more years before positive cash flows may be generated through pre-sales or sale of a revitalised property/completed development. In particular, for our “Restyling” business, the sale of individual units may only occur as long as four to five years following the completion of the “Restyling” process as such properties may have been acquired by us partially or fully tenanted. Please see “Business – Business Overview – Revitalisation – Restyling” for more information.

Consequently, changes in the business environment during the length of the project may affect the revenue and cost of the development, which in turn have a direct impact on the profitability of the project. Factors that may affect the profitability of a project include high financing costs, the failure to complete construction according to original specifications, schedule or budget and poor sales. The sales and value of a revitalisation or development project may be adversely affected by a number of factors, including but not limited to the international, regional and local economic climate, local real estate conditions, perceptions of property buyers in terms of the convenience and attractiveness of the projects, competition from other available properties and changes in market rates for comparable sales. If any of the risks described above materialises, it may adversely affect our business, financial condition, results of operations and/or our prospects.

Market conditions in Japan may be volatile.

We are subject to market conditions in Japan generally. Many social, economic, political and other factors may affect the development of the property market. The Japanese property market may sometimes be volatile and may experience oversupply and property price fluctuations. There is also no assurance that there will not be any over-development in the property sector in the areas where our properties are located and other parts of Japan in the future. Any future over-development in the property sector in the areas where our properties are located and other parts of Japan may result in an oversupply of properties, including residential and commercial properties, and a fall in property prices as well as rental rates, which could adversely affect our business and financial conditions and the results of operations.

In addition, our alternative investment business primarily purchases real estate collateralised loans and sources for mergers and acquisitions of real estate-owning companies. However, the inability to acquire real estate collateralised loans in a shrinking market for non-performing loans, the failure of mergers and acquisitions of real estate-owning companies, or the inability to recover capital invested in acquired loans or companies as planned may adversely affect our business, financial condition, results of operations and/or our prospects.

We may be affected by bad publicity arising from the publication of negative reports or complaints from our customers or investors.

The publication of reports asserting or alleging that our properties in general may be unsafe or of low quality, could have a negative effect on our sales and rentals, regardless of whether such reports are factually accurate or scientifically supported.

In addition, our properties may from time to time, be the subject of complaints from customers alleging that they are of inferior quality or unsafe. While there have been no such material complaints in the past, we cannot guarantee that there will be no such complaints in the future. The adverse publicity arising from such allegations could materially affect our business, regardless of whether these allegations are true or valid or not. The resultant decrease in or loss of sales and rental income of the affected properties therefrom may adversely affect our business, financial condition, results of operations and/or our prospects.

Our fund business, which plays a significant role in the growth and positioning of our Group, earns fees for fund management services. If the performance of the funds we advise does not achieve the performance expected by investors, our reputation as a fund management company and adviser to real estate funds may decline and may adversely affect our business, financial condition, results of operations and/or our prospects.

We are exposed to potential defect liability claims.

Under the Building Lots and Buildings Transaction Business Law, real estate businesses assume statutory liability for latent defects when they sell a property to parties other than real estate businesses, regardless of whether the property is new or re-sale. Under such statutory liability, a buyer can enforce a cancellation of the sale of the property or request damages from the seller. In addition, under the Law Concerning the Promotion of Control of Housing Quality of Japan, real estate businesses are obligated to provide a 10-year statutory warranty on the main structural components of the building for new properties, under which the buyer can request for repairs to the main structural components or enforce a cancellation of the sale of the property, or request damages from the seller. Further, our Group provides customers with an after-sales service warranty (valid for one to 10 years, depending on the item) in line with the Group's after-sales service standards.

Our Architecture Planning Department conducts quality checks on our properties (see “Business – Quality Assurance” for more information). We also work to mitigate business risks by taking measures such as requiring vendors and construction companies to provide an after-sales service warranty equivalent to that which we provide to our customers. However, if for some reason a defect arises in a property supplied by us, and we are unable to impose the defect liability on the vendor, or the vendor or contractor is incapable of fulfilling the warranty, we will have to incur additional expenses to fulfill our obligations to our customers. Under certain circumstances, our contractors may be required to reimburse or indemnify us in the event of delay or building defects. However, there is no assurance that the amount in respect of which we are reimbursed or indemnified by contractors would be sufficient to cover the amount of liquidated damages paid or to be paid to purchasers. Should any such event occur, it may adversely affect our business, financial condition, results of operations and/or our prospects.

In the event defect liability claims are investigated by the relevant authorities and we and/or our properties are found to have caused the harm, we may be fined by the authorities (up to JPY3.0 million), licences issued to us may be revoked, our operations may be suspended under the Buildings Standards Act and our officers may be subject to penal sanctions (including imprisonment). Defect liability lawsuits could also damage our reputation and result in the loss of our competitive edge. If any of the above were to occur, it may adversely affect our business, financial condition, results of operations and/or our prospects.

Property assets are relatively illiquid.

In general, property assets, such as the properties developed or revitalised by our Group and land sites acquired by our Group, are relatively illiquid. The illiquidity of our property assets may limit our ability to convert these assets into cash at short notice or may result in a significant reduction in the price that we might otherwise seek for such assets in the event that we are required to effect an urgent sale. Should such an event occur, it may adversely affect our business, financial condition, results of operations and/or our prospects.

We face risks arising from the use of Japanese standard lease agreements.

In line with the general practice in the Japan property market, the majority of the leases for our residential rental business are standard two-year leases which tenants may terminate upon giving one to two months notice, while the majority of leases for our office rental business are standard two-year leases which tenants may terminate upon giving six months notice. As a result, our properties may experience continuous lease expiries and lease terminations each year. This exposes us to certain risks, including the risk that vacancies following the non-renewal of leases may lead to reduced occupancy rates, which in turn may adversely affect our business, financial condition, results of operations and/or our prospects. Also, in general, leases are statutorily extended automatically on the same terms and conditions upon expiry, other than the lease period, which becomes a non-fixed term lease, unless we obtain the tenants’ consent to change the terms and conditions to terminate such leases. A non-fixed term lease for land may be terminated with one year prior notice by either party while a non-fixed term lease for buildings may be terminated with six months prior notice by us, or three months prior notice by the tenants.

Under the Land and Building Lease Law, which is applicable to most of our leases, we may only unilaterally terminate the leases if such termination can be justified. The existence of “justifiable grounds” will be determined by a Japanese court considering a combination of factors relating to the necessity of the use of the property or the specific characteristics of each lease and its history, on a case-by-case basis. As a result, in the event that the tenant does not agree to an increase in rent or other revisions in the terms and conditions of the lease, we are unable to change the terms and conditions or to terminate the lease unilaterally and the lease will have to continue based on the existing terms and conditions unless we have justifiable grounds for terminating the lease. In the event that the amount of rent becomes unreasonable taking into consideration the

surrounding circumstances, we, or the tenants, may request the Japanese courts to adjust the aforementioned rent. There is no assurance that such adjustments by the Japanese courts will be in line with the market rate for such rentals. Furthermore, this adjustment of rent does not provide a right to terminate the lease. Such an arrangement restricts our ability to amend the terms of our leases or terminate our leases in the event an agreement is not reached. If the above occurs, it may adversely affect our business, financial condition, results of operations and/or our prospects.

There are risks associated with the acquisition of non-performing loans collateralised by real estate in our alternative investment business.

Our alternative investment business (which accounted for 4.7% of our revenue and 3.5% of our gross profit for 9M2012) invests, *inter alia*, in non-performing loans collateralised by real estate (including mortgage-backed loans). There is no assurance that such non-performing loans will perform in the future. We acquire such loans at a discount reflecting their non-performing nature of such loans, and we have recourse against the real estate used as collateral for the loans in the event such loans continue to be non-performing. However, enforcing security against such real estate may require us to expend further costs, including prepayment expenses, legal fees and court filing fees. In order to enforce the security we have over real estate, we need to file a petition with the court to exercise our security. If the petition is granted, the real estate will be sold at an auction, and the proceeds of sale will be appropriated for the satisfaction of security in order of priority. As a holder of security over the real estate in question, we will be entitled to receive such auction proceeds in order of priority of security. There is no assurance that such real estate that we enforce security against will be worth the amount or will be sold for the amount it had been collateralised for. We may also on occasion sell the rights to repayment in respect of non-performing loans to debt collecting companies and there is no assurance that any such sale will not be less than the amount we have paid for such non-performing loans. If any of the above occurs, it may adversely affect our business, financial condition, results of operations and/or our prospects.

In addition, our investigation on the collateral provided in respect of the non-performing loan is to the extent commercially feasible, taking into account timing and any access restrictions to the real estate. There can be no assurance that such investigations would have identified all material defects, breaches of laws and regulations, and other deficiencies for which we have not covered through appropriate representations, warranties or indemnities. If the investigations undertaken did not identify any such circumstance and we have not obtained suitable representations, warranties or indemnities from the vendor of the non-performing loan, it may adversely affect our business, financial condition, results of operations and/or our prospects.

Amenities and transportation infrastructure around our properties may be closed or relocated.

There is no assurance that the amenities, transportation infrastructure and shuttle services located around our properties will not be closed, relocated or terminated in the future. Such closure, relocation or termination may adversely affect the accessibility of our properties which will reduce the demand for our properties and decrease their market value and ability to attract high rental rates. This adverse effect on the demand, market value and the rental rates for our properties may adversely affect our business, financial condition, results of operations and/or our prospects.

Our properties, the underlying land, or parts thereof may be acquired compulsorily by the Japanese government.

The Japanese national and municipal government has the power to compulsorily acquire any land in Japan for public interest pursuant to the provisions of applicable legislation, including the Land Expropriation Law of Japan (*tochi-shuyouhou*) (Act No. 219 of 1951, as amended) and related

regulations. Under the Land Expropriation Law of Japan, the government is able to acquire land in cases where such acquisition is necessary for the conduct of businesses in the public interest, and where it is appropriate and reasonable to use the land in question for such a business. The necessity in such a case is required to be extraordinary and the businesses under which land can be compulsorily acquired for include road building, dams, embankments for the prevention of flooding, canals, railways and other similar projects, and are limited by Article 3 of the Land Expropriation Law of Japan. In the event that any property or the underlying land is compulsorily acquired in Japan, the amount of compensation to be awarded is assessed on the basis prescribed in the relevant laws and regulations. If any of our properties, the underlying land, or parts thereof were acquired compulsorily by the Japanese government, the level of compensation paid to us pursuant to this basis of calculation may be less than the amount which we have invested for such properties. Furthermore, since there is an interval between the determination of the amount of compensation and the payment pursuant to the relevant laws of Japan and the price of the land may change during such interval, the level of compensation paid to us may be insufficient to compensate us for the acquired land as of the date when compensation is paid.

Our properties are subject to Japanese environmental regulations, which may result in us incurring various costs and liabilities.

Our properties are subject to various Japanese environmental laws, including those relating to health and hygiene, air pollution control, water pollution control, waste disposal, noise pollution control, the storage of dangerous goods and especially soil contamination, under which a current land owner may be subject to strict liability for the removal or decontamination of hazardous or toxic substances on or under such property. If any of our buildings were or are in the future built on such contaminated land, we may be liable for substantial unexpected costs and may face court proceedings pursuant to the Soil Contamination Control Law. In addition, under these laws, an owner or operator of real property may be subject to liability, including a fine or imprisonment, for violations of and lack of compliance with certain environmental laws. As such, we may be required to make capital expenditures to comply with these environmental laws. The presence of contamination, hazardous or toxic substances, air pollution, noise pollution or dangerous goods without a valid licence, or the failure to remediate contamination, air pollution, noise pollution or dangerous goods may expose us to liability or materially adversely affect our ability to sell or lease the real property or to borrow using the real property as collateral. If any of these occur, it may adversely affect our business, financial condition, results of operations and/or our prospects.

Prior to our acquisition of any land, we arrange, or ask the vendor to arrange, for an environmental assessment of the land in question to be conducted by an independent engineering firm. These assessments include, at a minimum, an on-site visual inspection of the property, an examination of current and historical uses of the property and the surrounding areas, discussions with persons in charge of property management and a review of historical documents. However, these assessments may not be adequate to identify all potential environmental problems, which may be hidden or otherwise impossible to detect without special expertise and equipment, or at all.

In addition, there are risks inherent in purchasing second-hand properties. Although we survey a building's structure, the use of asbestos, soil quality and other elements prior to our purchase of such second-hand properties, our business operations in relation to a particular development or revitalisation project may be temporarily suspended or prolonged if it is later detected that a building's structural design data is missing or erroneous, a building contains asbestos, or if the results of a soil pollution survey shows that soil improvement is necessary. Such a suspension or delay may adversely affect our business, financial condition, results of operations and/or our prospects.

Renovation work, repair and maintenance or physical damage to our properties may disrupt our operations and collection of rental income or otherwise result in an adverse impact on our financial condition.

The quality and design of our properties directly influence the rental rates of and the demand for space in our properties. Our properties may need to undergo renovation or revitalisation from time to time to retain their attractiveness to tenants and may also require ad hoc maintenance or repairs in respect of faults or problems that may develop or because of new planning laws or regulations. The costs of maintaining our properties and the risk of unforeseen maintenance or repair costs tend to increase over time as our properties age. The business and operations of our properties may suffer disruption as a result of renovation or revitalisation and it may not be possible to collect the full rate of, or, as the case may be, any rental income on the space affected by such renovation or revitalisation works. Such renovation and revitalisation works, coupled with the loss of rental income may adversely affect our business, financial condition, results of operations and/or our prospects.

Physical damage to our properties resulting from earthquakes, fire or other causes may lead to a significant disruption to the business and operations of our properties. Furthermore, tenants generally have the right to terminate their tenancies prematurely in the event that such physical damage (not caused by the tenants' negligence or default) persists for an extended period of time. The foregoing may impose unbudgeted costs on us and may adversely affect our business, financial condition, results of operations and/or our prospects.

Our Group may face legal disputes which may adversely affect our financial position.

We may be involved from time to time in disputes with various parties involved in the projects that we undertake. These parties include contractors, sub-contractors, suppliers, construction companies, purchasers and other partners. These disputes may lead to legal and other proceedings. Please see "General and Statutory Information – Litigation" for further details on the proceedings that we are currently or have been involved in during the 12 months prior to this Introductory Document. There is no assurance that we will be able to successfully defend such claims. We could incur costs, and our time and management resources may be diverted towards defending such claims. If we are required to pay damages, this may adversely affect our business, financial condition, results of operations and/or our prospects.

Due to difficulties faced when obtaining boundary confirmations for land, boundary confirmations have not been obtained from all neighbours in relation to certain of our properties.

Due to the difficulties faced when obtaining boundary confirmations for land, such as the time and cost involved in obtaining such confirmations, some of our land has been, and future land may be, acquired by us without obtaining boundary confirmations from title holders of adjoining land, or without physically inspecting boundaries. As at 31 January 2013, of the 70 properties held by our revitalisation, development and rental businesses, we had not obtained boundary confirmations for eight of these properties. The total book value of these properties as at 31 January 2013 was approximately JPY2.99 billion (S\$39.4 million), or 6.75% of the total book value of our portfolio as at 31 January 2013. Boundary disputes in respect of these properties or future acquisitions without boundary confirmations may cause difficulties in future dispositions of the land or unexpected costs or losses including, but not limited to, the loss of part of the area of the land or liability for damages arising in relation to such land or future acquisitions. If there is an encroachment on land, such encroachment may restrict the use of the land or lead to claims from neighbours and such restrictions or claims may adversely affect sales or rental income of our developments or revitalised properties and cause us to incur additional expense in the removal of

any such encroachment or defending any such claim. If we are required to pay damages or rectify any encroachment in any other way, this may adversely affect our business, financial condition, results of operations and/or our prospects.

We are dependent on our contractors and suppliers.

In the ordinary course of our business, we rely on our contractors to provide various construction services for the completion of a development or revitalisation project. While we adopt a stringent selection process in selecting our contractors and ensuring that their works are acceptable according to our specifications, there is no assurance that the services and products rendered by our contractors will always be satisfactory and compliant with our standards and requirements. Should our contractors fail to rectify any unsatisfactory works and we are unable to find suitable alternative solutions in a timely manner, we may not be able to complete the project within the set budget and time schedule, resulting in cost overruns and project delays. Moreover, should our contractors fail to sustain their operations due to adverse changes in their financial conditions, and we are unable to secure suitable replacements in a timely manner, our projects will be subject to disruption and delay. If any of the above were to occur, it may adversely affect our business, financial condition, results of operations and/or our prospects.

We are dependent on our suppliers for the supply of materials required in the course of our revitalisation and development projects. There is no assurance that we will be able to continue sourcing for these materials and services from our suppliers at prices that are favourable to us. In the event our suppliers terminate the supply of their materials to us, we may not be able to seek alternative sources in a timely manner and/or at reasonable prices, or at all. This will cause a delay in our revitalisation and development projects, thereby affecting the completion of such projects. In addition, we may face an increase in the cost of supply should we switch to new suppliers. Under such circumstances, our profit margin for the project will be reduced or eroded and accordingly, may adversely affect our business, financial condition, results of operations and/or our prospects.

We are subject to fluctuations in the costs of construction, materials and equipment and other construction risks.

The construction costs of our projects fluctuate with the prices of various materials, such as metal, stone, cement, sand, pipes, electric cables, sanitary fittings, window and door fittings, light fittings and other materials. The costs of leasing construction equipment, including excavators, cranes and lifting hoists, may also fluctuate over time due to changing market supply and demand conditions. Whilst these costs are generally incurred by our contractors, we may nevertheless be unable to secure such contracts at costs acceptable to us and the operating costs of our projects will increase. Where we are unable to pass such additional costs to our customers, it may adversely affect our business, financial condition, results of operations and/or our prospects.

We may also be affected by delays in constructions and costs and time overrun whether from variation to original design plans or any other reason, inclement weather conditions, unforeseen engineering, environmental or geological problems, defective materials or building methods, default by contractors and other third party service and goods providers of their obligations, or financial difficulties faced by such persons, disputes with or between counterparties to a construction or construction related contract, work stoppages, strikes, accidents, among others. If any of the above were to occur, it may adversely affect our business, financial condition, results of operations and/or our prospects.

Our properties are subject to accounting adjustments in accordance with the relevant accounting standards.

The financial information in this Introductory Document has been, and any future financial information we release on the SGXNET will be, prepared in accordance with IFRS. Under IFRS, inventories held for sale are stated at the lower of cost plus, where appropriate, a portion of attributable profit, and estimated net realisable value. As a result, unsold properties held in our inventory may be written down on an annual basis if net realisable value is lower than the cost of acquisition plus where appropriate, a portion of attributable profit, and the loss on the difference between the net realisable value and the cost of acquisition after taking into account attributable profit will be reflected in our results. On an annual basis, the net realisable value of our unsold properties may be lowered in accordance with the prevailing market and economic conditions, and any such lowering in adverse market and economic conditions may be significant and will be reflected as a loss in the results of our Group. This may adversely affect our business, financial condition, results of operations and/or our prospects.

We may be required to pay compensation in connection with non-recourse loans obtained by funds that we manage.

Certain real estate funds that we advise may use special purpose companies to obtain borrowings in the form of a non-recourse loan to acquire real estate. In our capacity as asset manager, lenders may request us to provide an indemnification for certain extraordinary events of default either by the borrower or us, and under such indemnification, we may be held to be liable to compensate, *inter alia*, damages incurred by the lender on the grounds of fraud or unlawful acts, environmental pollution or other incidents arising from wilful intent or gross negligence by the borrower or us. In our capacity as asset manager, we manage the real estate held as collateral by such lenders on a day-to-day basis and there is no assurance that the actions of our Company or our employees will not affect the value of the collateral, thereby causing damages to the lender. This potential liability is not a guarantee of the loan repayment obligations of the borrower, but may nonetheless affect our financial performance if we are held liable to compensate the lender due to gross negligence by the borrower on our part, to the extent that damages (which may include things such as costs and expenses incurred by the lender and reputational damage) are incurred by the lender.

We will be affected by changes in government regulations and suspension or revocation or non-renewal of our governmental licences and approvals.

We are subject to various government regulations in Japan. Certain of our businesses are subject to licensing and regulation by a number of governmental authorities which approve, permit and regulate matters including the construction of properties, sale of properties and fund and asset management.

Certain of our businesses are required to be registered with certain authorities while some require approvals, permits or licences from the relevant government authority to operate. Please see “Business – Material Licences, Permits, Registrations and Approvals” and “Overview of Relevant Laws and Regulations in Japan” for more information. Regulations governing our businesses are subject to periodic review and changes. Furthermore, approvals, permits and/or licences are typically renewed periodically and may be revoked or suspended for cause at any time by the relevant government authority. Any unfavourable change in regulations or the failure to receive, renew or retain the relevant approvals, permits and licences for any of our businesses may adversely affect our business, financial condition, results of operations and/or our prospects.

Although we believe our properties are in compliance with current Japanese requirements imposed by administrative laws and local ordinances in all material respects, the enactment of new or additional laws and regulations, including those relating to building standards, handicap

accessibility to our properties and zoning restrictions could force us to incur additional costs and additional time in order to renovate, revitalise or reconstruct our properties to comply with any such regulations, or could prevent us from disposing of our properties or from making improvements to our properties without also incurring costs and the additional time required to make these modifications. In general, properties that have been in compliance with applicable laws and regulations at the time of their completion but no longer comply with such laws and regulations as these laws and regulations have been amended or newly enacted are protected under Japanese grandfathering rules (*kizon futekikaku*) including those stipulated under related regulations to the Building Standards Act, subject to such properties fulfilling certain conditions imposed under the grandfathering rules, for example, the maintenance of the existing building-to-land ratio, floor space, building height and installations of the building.

There is no assurance that the Japanese Government will not impose new regulatory requirements in respect of our businesses. The costs, time and resources spent on compliance may adversely affect our business, financial condition, results of operations and/or our prospects.

There is no assurance that our expansion plans will be successful.

Our track record is based on our operations in Japan. We have commenced the expansion of our operations into South-east Asia, and have incorporated Tosei Singapore as part of that expansion. However, there is no assurance that we will be able to successfully replicate our business model in South-east Asia or such other countries where we may be expanding our operations to in the future. There is also no certainty that we will ultimately be successful in penetrating our target markets and recouping these investments or rendering them profitable. Furthermore, we expect to incur start-up losses for our aforementioned expansion plans and the above may adversely affect our business, financial condition, results of operations and/or our prospects.

We rely on our management team and ability to retain or attract management staff and skilled employees.

The continued success of our Group is dependent to a large extent on our management team, in particular, our President and CEO, Seiichiro Yamaguchi, as well as our senior management staff, each of whom has substantial experience in our industry. Please see “Management and Corporate Governance” for more details on the background and responsibilities of our Directors. The loss of the services of Seiichiro Yamaguchi or that of other key management staff without adequate and timely replacement may adversely affect our businesses and our financial performance. We also believe that our future success will depend upon our ability to attract, retain and motivate our senior management staff. Our inability to do so may adversely affect our business, financial condition, results of operations and/or our prospects.

In addition to our senior management staff, our continued success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified and skilled employees. Any failure to recruit the appropriate personnel and to retain our experienced employees may adversely impact our business operations and expansion plans. In addition, competition for qualified employees would require us to pay higher wages to attract and retain adequate experienced employees. This may adversely affect our business, financial condition, results of operations and/or our prospects.

We are in possession of a substantial amount of confidential personal information.

Across our businesses, we have in our possession the personal information of many customers. The volume of personal information our Group holds is expected to increase along with our proposed future business expansion. In line with the Personal Information Protection Law, we have established internal regulations for managing information assets, provided our employees with appropriate training, strengthened our information management system and taken thorough

measures to manage the personal information in our possession. However, the release or leak of personal information or material corporate information held by the Group to the public due to unforeseen circumstances could cause a loss of trust in the Group and may adversely affect our business, financial condition, results of operations and/or our prospects.

We may require additional funding for our future growth.

We may have to raise capital by issuing equity or debt securities or by borrowing funds from banks or other sources for our business expansion. We cannot assure you that any additional financing we may need will be available on terms favourable to us, or at all. If we are unable obtain additional financing on favourable terms, our future plans and growth may be adversely affected.

An issue of Shares or other securities to raise funds may dilute equity interests of our Shareholders or Tosei CDP Depositors and may, in the case of a rights issue, require additional investments by Shareholders. Further, an issue of Shares below the then prevailing market price will also affect the value of Shares then held by investors. Dilution in Shareholders' or Tosei CDP Depositors' equity may occur even if the issue of Shares is at a premium to the market price.

In addition, any additional debt financing may, apart from increasing interest expense and gearing, have conditions that:

- limit our ability to pay dividends;
- increase our exposure to general adverse economic and industry conditions as a breach of any financial covenants may result in default and require early repayment of our debt financing;
- require us to dedicate a substantial portion of our cash flows from operations to payments on our debt, thereby reducing the availability of our cash flows to fund capital expenditure, working capital and other requirements; and/or
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Our properties may be affected by the discovery of cultural artifacts on the land where our properties are situated.

Under Japanese law, including the Cultural Properties Conservation Law of Japan (*bunkazai-hogohou*) (Act No. 214 of 1950, as amended), should cultural artifacts be discovered on the land where our properties are situated, the relevant authorities are empowered to order a halt on all ongoing development activities in order to analyse and remove the artifacts, or cease the development altogether. This may cause delays and affect the revitalisation and development work undertaken by us. If this was to occur, it may adversely affect our business, financial condition, results of operations and/or our prospects.

RISKS RELATING TO JAPAN

Changes and other events in the operating environment could have a material adverse effect on our business activities, results of operations and financial condition.

As our Group focuses primarily on acquiring and selling and, in some cases, holding real estate properties, the levels of income it generates from properties and income from rental properties held for investment purposes are closely linked to the price of real estate in Japan. Income generated by properties and, therefore, the market value of properties may be significantly affected by adverse economic conditions. Following a long period of recession and deflationary conditions, characterised by high rates of corporate and individual bankruptcies and weak

consumer confidence and spending, the Japanese economy has recently begun to show signs of improvement. However, there can be no assurance that such positive trends in the general economic environment and in the real estate market in Japan will continue. Since 1991, Japan has experienced several short periods of economic growth which have been followed by stagnation or decreases in real gross domestic product. If economic conditions in Japan worsen again, they could have a material adverse effect on the Group's business and cause deterioration in the value of the Group's real estate assets, including income generated from these assets.

Additionally, governments, government ministries and agencies, as well as various financial markets are proceeding with system reforms and amendments to laws concerning stock markets and other markets related to our businesses. Any major changes to fiscal policy, system reforms and legal amendments in the future may adversely affect our business, financial condition, results of operations and/or our prospects.

We may suffer substantial losses in the event of a natural disaster such as an earthquake, terrorist attack or other casualty event in Japan.

All of our assets, as well as our head office, are located in Japan and are concentrated in the Tokyo area. All of our revenue is derived from our operations in Japan. Japan has historically experienced numerous large-scale earthquakes that have resulted in extensive property damage (including the earthquake on 11 March 2011 measuring 9.0 degrees on the Richter scale that occurred in Tohoku district, northeast of Tokyo which, coupled with aftershocks in the days after the earthquake, associated tsunami waves on the east coast of Japan and a nuclear plant crisis in Fukushima in Japan, caused considerable physical and economic damage to Japan). Whilst none of our Group's properties (including our head office) have been affected by earthquakes in the past, any future earthquake or other disaster affecting the Tokyo area could significantly disrupt all of our operations. Additionally, large disasters, outbreaks of disease, terrorist attacks or other mass casualty events affecting our businesses in Japan could disrupt some or all of our operations even in the absence of direct physical damage to our properties or cause a material economic downturn in the affected area or country, which in turn may adversely affect our business, financial condition, results of operations and/or our prospects.

We do not have insurance against any earthquake damages or business interruption. With or without insurance, damage to any of our offices or properties, due to fire, earthquake, typhoon, flood, terrorism, outbreaks such as the H1N1 pandemic, avian flu or other man-made or natural disasters or casualty events may adversely affect our business, financial condition, results of operations and/or our prospects.

Climate change regulation could increase our capital and operating expenses.

The national and various local governments in Japan have adopted (and may adopt further) regulations intended to limit activities they deem to contribute to global warming. For example, in April 2009, the amendment of the Tokyo Metropolitan Ordinance on Environmental Preservation to impose on owners of large properties an obligation to decrease carbon dioxide emissions took effect. Our capital and operating expenses could increase in the future as a result of, for example, the imposition of stricter energy efficiency standards for buildings or the increased cost of environmentally-friendly building materials.

The Japanese real property registration system may not accurately reflect the ownership of the real property-related title or right.

Japan has a system of registering the ownership of real property (which includes land and buildings) as well as certain other real property-related rights, such as security rights over real property and easements, pursuant to which an unregistered owner of real property or an unregistered holder of certain other rights cannot assert its title or such rights against a third party.

However, the real property register does not necessarily reflect the true owner of the real property-related title or right. In practice, parties who plan to enter into a real property transaction usually rely upon the register, as it is generally the best indication of the true owner of the real property-related title or right. However, a party has no recourse to anyone but the seller if, relying on the register, it purchases the property or a related right from a seller and the information contained in the register turns out to be incorrect. The purchaser may claim for damages against the seller pursuant to statutory warranties or contractual warranties, but, in general, cannot acquire the ownership of or title to the real property. Imperfect title to one or more of properties in Japan may adversely affect our business, financial condition, results of operations and/or our prospects.

RISKS RELATING TO AN INVESTMENT IN OUR SHARES

Japanese law may not protect our Tosei CDP Depositors as extensively as that in Singapore and there will be limited regulatory oversight by the SGX-ST over our Company.

Our corporate affairs are governed by our Articles of Incorporation, relevant laws governing corporations incorporated in Japan and the TSE Securities Listing Regulations. Tosei CDP Depositors in Singapore may have more difficulty in protecting their interests than they would as shareholders of a company incorporated in Singapore.

As the listing of our Shares on the SGX-ST is a secondary listing, with a primary listing on the TSE, we are subject to limited regulatory oversight by the SGX-ST. Under the Listing Manual, a foreign issuer having a secondary listing on the SGX-ST, as is our case, need not comply with the SGX-ST's listing rules, provided that it undertakes to:

- release all information and documents in English to the SGX-ST at the same time as they are released to the TSE;
- inform the SGX-ST of any issue of additional securities in a class already listed on the SGX-ST and the decision of the TSE; and
- to comply with such other listing rules as may be applied by the SGX-ST from time to time.

Whilst the SGX-ST has imposed certain conditions on us in connection with the listing of our Shares on the SGX-ST (see "Our Listing on the SGX-ST" for more information), including, *inter alia*, compliance with substantial parts of Chapters 9 and 10 of the Listing Manual, our compliance with such conditions will nonetheless be less than that required of a company incorporated in Singapore and primarily listed on the SGX-ST. For example, whilst we may have to obtain our Shareholders' approval under Chapters 9 and 10 of the Listing Manual for certain transactions, such Shareholders' resolutions will only be advisory in nature and not legally binding. Shareholders' resolutions can only be binding on our Company where such shareholders' approval is required as under the applicable Japanese law, including the Japanese Companies Act and our Articles of Incorporation. However, whilst there is no Japanese legal jurisprudence in this respect and the position remains untested, it is possible that our Directors may be considered to be in breach of their fiduciary duties to our Company if they nonetheless act against a Shareholders' resolution which is advisory in nature and not legally binding. In addition, our Company will be in breach of our undertakings to the SGX-ST in respect of our obligations under Chapters 9 and 10 of the Listing Manual, and the statements in "Our Listing on the SGX-ST – Conditions of our Listing on the SGX-ST" may also be regarded as false and misleading under the SFA, if our Directors (i) do not obtain the approval of our Shareholders when required, or (ii) nonetheless proceed with a transaction which our Shareholders' have voted down, in respect of matters requiring the approval of our Shareholders under Chapters 9 and 10 of the Listing Manual. Furthermore, we are also not subject to the continuing disclosure obligations under Chapter 7 of the Listing Manual but will be subject to the relevant laws and regulations governing listed

corporations in Japan. We are also not required to comply with Chapter 13 of the Listing Manual and accordingly Tosei CDP Depositors will not be entitled to an exit offer under Rule 1309(1) of the Listing Manual in the event of a delisting from the SGX-ST only. The SGX-ST's role in performing any regulatory, disciplinary or enforcement role against us may also be limited.

Tosei CDP Depositors will not be considered as Shareholders of our Company.

Under Japanese law and our Articles of Incorporation, persons holding our Shares in a Securities Account with CDP and whose names appear in the depository register of CDP will not be regarded as our Shareholders as long as CDP is not a system participant of JASDEC. Only Shareholders whose names appear on (a) the JASDEC Record of Depositors, and (b) the Register of Members kept in Japan are entitled to attend meetings of Shareholders and exercise their voting rights under their names with regard to Shares directly owned by them. Accordingly, CDP will be the only holder on record of the Shares held by the Tosei CDP Depositors through CDP and, accordingly, the only person or entity recognised as a Shareholder and legally entitled to vote on any matter to be submitted to the vote of our Shareholders at a general meeting of Shareholders. Tosei CDP Depositors and Depository Agents will not be able to attend, speak or vote at such shareholders' meetings. Please see "Clearance and Settlement – Voting Instructions" for more information.

In the event our Company is the subject of a take-over offer by a third party ("**Offeror**") or a management buy-out ("**Offer**"), the necessary documentation in connection with the Offer ("**Offer Documents**") will be in Japanese. Whilst we will, subject to legal restrictions under Japanese law and to the extent reasonably practicable after discussion and agreement with CDP prior to an Offer, provide information in respect of the Offer (including, but not limited to a summary of the Offer and the terms thereof, which will contain information such as (i) the Offeror's identity, (ii) the Offer timetable, (iii) the Offer consideration, and (iv) procedures for acceptance of the Offer) in English and CDP would assist us in disseminating the information and/or the Offer Documents to Tosei CDP Depositors, investors should note that despite our communications to the Offeror that the Offer Documents should be in English, there is no assurance that Offer Documents will be in English as the Offeror may not translate such Offer Documents. Accordingly, in the event Offer Documents are in Japanese only, Tosei CDP Depositors will have to translate these Offer Documents at their own cost and within the time period available to them to accept any Offer.

We may experience capital market risks and our share price may be volatile.

The performance of the SGX-ST and the TSE are very much dependent on external factors such as the performance of the regional and world bourses and the flows of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions in Singapore and Japan as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on the SGX-ST and the TSE, thus adding risk to the market price of the listed securities.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, among other factors, some of which are beyond our control:

- variations in our results of operations;
- success or failure of our management team in implementing business and growth strategies;
- gain or loss of an important business relationship;
- changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

- changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events;
- changes in market valuations and share prices of companies with similar businesses to our Company that may be listed on the SGX-ST or the TSE;
- additions or departures of key personnel;
- fluctuations in stock market prices and volume; or
- involvement in litigation.

There are exchange rate risks in trading in our Shares and dividends distributed by us may also be affected.

Investors should note that prior to our Company conducting fund-raising through an offering of Shares in Singapore in the future (with such Shares to be held through CDP), there will be no quotation or trading of our Shares on the SGX-ST. Accordingly, prior to such future fund-raising, investors who transfer their Shares to be held through CDP will not be able to trade their Shares on the SGX-ST. However, once our Company conducts fund-raising through an offering of Shares in Singapore in the future (with such Shares to be held through CDP), investors will be able to trade our Shares on both the SGX-ST and the TSE, and investors will be able to freely purchase our Shares on one exchange for sale on another, subject to compliance with applicable laws, rules and regulations. Please see “Clearance and Settlement” for more information. Transactions in our Shares on the TSE are settled in Japanese Yen, while those on the SGX-ST will be settled in Singapore Dollars. As a consequence, if you decide to purchase our Shares on one exchange and sell them subsequently on another exchange, the proceeds which you receive from the sale of your Shares may be affected by fluctuations in the exchange rate between the Singapore Dollar and the Japanese Yen. For instance, should you purchase our Shares on the SGX-ST (to be settled in Singapore Dollar) and sell them on the TSE (to be settled in Japanese Yen), and you decide to convert the proceeds from the sale into Singapore Dollars, you will be subject to the prevailing exchange rate between the Singapore Dollars and the Japanese Yen at the time you convert the proceeds from your sale of Shares into Singapore Dollars. Any fluctuation in exchange rates of this nature may have an impact on the proceeds which you receive from the sale of your Shares.

We will declare and pay dividends in Japanese Yen and CDP will make the necessary arrangements to convert these dividends into Singapore Dollars for onward distribution to Tosei CDP Depositors whose Shares are held through CDP. Any fluctuation in exchange rates of this nature may have an impact on distribution which you receive from the dividends we have declared.

Please see “Exchange Rates and Exchange Controls” for more information.

We may not be able to pay dividends.

Our ability to declare dividends in relation to our Shares will depend on our Group’s future financial performance which, in turn, depends on the successful implementation of our strategies and future plans and on financial, competitive, regulatory, technical and other factors, general economic conditions, and other factors specific to our industry or specific projects, many of which are beyond our control. Further, to the extent that any dividends that we pay are converted into currencies other than Japanese Yen, such dividends may be subject to any foreign exchange controls that may be in effect at the relevant time. Please see “Capitalisation and Indebtedness” and “Exchange Rates and Exchange Controls” for more information.

Future sales of our Shares, and the availability of large amounts of the Shares for sale, could depress the Share price.

The sale of a substantial number of our Shares or securities exchangeable or convertible into our Shares in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of our Shares. The sale of substantial amounts of our Shares in the public market by any of our Shareholders could have a material adverse impact on the price of our Shares.

Japanese laws and regulations contain provisions that could discourage a take-over of our Company.

As our Company is incorporated outside Singapore and does not maintain a primary listing in Singapore, it is not subject to the provisions of the Singapore Take-over Code. A take-over bid (*koukai kaitsume*) in respect of our Company will be regulated by the FIEA. Under the FIEA, if a party intends to purchase shares of companies that are required to submit annual security reports (including listed companies) or that issue specified listed securities, this must be done by way of a take-over bid (as described below) in the following cases (with several exceptions):

- (i) If the purchase is made outside the stock exchange market (excluding the over-the-counter security market) and, after the purchase, the aggregate voting rights held by a purchaser making a take-over bid (the “**take-over bidder**”) and certain related persons of the take-over bidder divided by the total voting rights of the target company (“**Total Voting Ratio**”) exceeds 5.0%. An exception applies if the aggregate number of sellers in the contemplated share purchase and the sellers of shares to the take-over bidder outside the stock exchange market in the 60 days before the day the purchase is made (“**Total Sellers**”) equals ten or less.
- (ii) If the purchase is made outside the stock exchange market (excluding the over-the-counter security market), the number of Total Sellers is 10 or less and the Total Voting Ratio exceeds one-third after the purchase.
- (iii) If the Total Voting Ratio exceeds one-third after the purchase, and the purchase is made by the methods of purchase prescribed by the Prime Minister (including purchasing through certain off-floor trading methods at a stock exchange).
- (iv) If, within three months:
 - over 5.0% of the voting shares are purchased outside the stock exchange market (excluding the over-the-counter security market) or by the methods of purchase prescribed by the Prime Minister mentioned above;
 - a total of over 10.0% of the voting shares are obtained through the purchase (including purchases described in the preceding bullet point) or the issuance of new shares; and
 - the Total Voting Ratio exceeds one-third after the purchase or the issuance.
- (v) If, during the period in which another party’s take-over bid is made, a party, whose Total Voting Ratio before the purchase exceeds one-third, purchases over 5.0% of the voting shares.
- (vi) In other specified cases set out in the relevant cabinet order.

Notwithstanding the foregoing, whether, and to what extent, a foreign shareholder of a Japanese corporation which does not have Japan as its primary jurisdiction would be obliged to follow additional rules, regulations and laws under the jurisdiction of Japan is not definitively stated in regulatory or statutory provisions or guidelines issued by the relevant authorities, nor is it explained by judicial precedents. The relevant Japanese laws and regulations relating to our Shares on the SGX-ST are complex, often ambiguous and may be subject to different interpretations as to their applicability to foreign shareholders of our Company who only trade via the SGX-ST. As these relevant provisions remain vague and their interpretation can involve a degree of uncertainty, foreign shareholders of our Shares may therefore be subject to additional obligations under the rules, regulations and laws of Japan, including the take-over bid provisions described hereunder.

If a purchaser of our Shares breaches any of the provisions regarding the take-over bid as provided by the FIEA, the purchaser might be subject to any of the following:

- (i) a liability to pay civil compensation;
- (ii) an administrative monetary penalty; and/or
- (iii) criminal penalties (which, for the most serious charges, may include 10 years of imprisonment or fines of up to JPY10 million, or both).

Please also see “Description of Share Capital – Take-overs” for more information.

Our Articles of Incorporation include a provision which may discourage a take-over of our Company.

Article 45 of our Articles of Incorporation allows Shareholders in general meeting to adopt, exercise, maintain and abolish defensive takeover measures. Such defensive takeover measures can only be put in place prior to the commencement of a takeover. If such defensive takeover measures are adopted by our Company, it may make our Company an unattractive proposition to potential bidders.

Measures that we can adopt include the issuing and allotting of shares or share options for purposes other than in the ordinary course of business or fund-raising. Pursuant to our Articles of Incorporation, we have adopted defensive takeover measures involving the gratis allotment of share options in 2008, and such measures were renewed in 2009 and 2012 respectively. When deciding on measures relating to the issuance or allotment of shares or share options in connection with a defensive takeover measure, we may put in place all or part of the following:

- (i) certain persons specified in the defensive takeover measures (“**Non-Qualified Persons**”) shall not exercise share options;
- (ii) we may acquire share options only from persons other than the Non-Qualified Persons and deliver our Company’s shares in exchange for such share options; and/or
- (iii) we may acquire share options from Non-Qualified Persons and deliver our shares, new share options, bonds, cash or other consideration in exchange for such share options.

The Introduction will not result in an active or liquid market on the SGX-ST for our Shares.

As at the date hereof, there is no public market for our Shares in Singapore. We have received an eligibility-to-list letter from the SGX-ST to have our Shares listed on the SGX-ST. However, prior to our Company conducting fund-raising through an offering of Shares in the future (“**Future Fundraising**”) (with such Shares to be held through CDP), investors should note that there will be

no quotation or trading of our Shares on the SGX-ST. Investors who, prior to the commencement of trading of our Shares on the SGX-ST, transfer Shares from the TSE to the SGX-ST, should note that they will not be able to trade those Shares on the SGX-ST.

In addition, listing and quotation of our Shares in the future following the Future Fundraising also does not guarantee that a trading market for our Shares on the SGX-ST will develop or, if a market does develop, the liquidity of that market for our Shares. Although we currently intend that our Shares will remain listed on the SGX-ST and the TSE, there is no guarantee of the continued listing of our Shares on the SGX-ST.

Once our Shares are tradable on the SGX-ST following the Future Fundraising, the trading prices of our Shares on the SGX-ST and the TSE may differ significantly due not only to currency fluctuations but also due to differences in market liquidity for the Shares, trading participants and investor bases, exchange trading systems, and other factors outside of our control. There is no guarantee that the trading prices of our Shares on the SGX-ST will be equivalent of the trading prices of our Shares on the TSE.

The trading prices of our Shares could be subject to fluctuations in response to variations in our results of operations, changes in general economic conditions, changes in accounting principles or other developments affecting us, our clients or our competitors, changes in financial estimates by securities analysts, the operating and stock price performance of other companies and other events or factors, many of which are beyond our control. Volatility in the price of our Shares may be caused by factors outside of our control or may be unrelated or disproportionate to our results of operations. It may be difficult to assess our performance against either domestic or international benchmarks.

Tosei CDP Depositors may be diluted as they may not be able to participate in any additional equity fund-raising or rights issue.

We may in the future require additional equity funding after the Introduction and our Shareholders and Tosei CDP Depositors may face dilution of their shareholdings should we issue new Shares to obtain such equity funding. Furthermore, if we were to conduct a rights issue in Japan only, Tosei CDP Depositors will not be entitled to participate in such a rights issue. Compliance with securities laws or other regulatory provisions in Singapore may prevent us from offering such rights to Tosei CDP Depositors without us incurring substantial additional costs (over and above any requirements we must comply with in Japan) involved in the offering of such rights to Tosei CDP Depositors, including having to lodge an offer information statement with the MAS. If that is the case and Shares to be issued pursuant to a rights issue in Japan only were offered to our Shareholders at a discount, Tosei CDP Depositors will face dilution of their beneficial shareholdings. Please see “Description of Share Capital – Issuance of New Shares – Rights Offering” for more information.

Negative publicity may adversely affect our Share price.

Any negative publicity or announcement involving our Group, any of our Directors, Controlling Shareholders or key personnel may adversely affect the market perception of our Company or performance of our Share price, whether or not this is justifiable. Such negative publicity or announcement may include, *inter alia*, involvement in insolvency proceedings and failed attempts in take-overs and joint ventures.

Control by our single large shareholder may limit the ability of Shareholders to influence the outcome of decisions requiring approval of Shareholders.

Our Company has one Shareholder (Seiichiro Yamaguchi) with approximately 30% ownership and who also has influence in our Company through his position as our President and CEO. Mr. Yamaguchi also has a voting arrangement with Zeus Capital Limited, which has approximately 13% ownership (see “Shareholders and Large Volume Holders” for more information). Mr. Yamaguchi will be able to exercise significant influence over all matters requiring the approval of Shareholders, including the election of directors and the approval of significant corporate transactions, the result of which may not be in, or may conflict with, the best interests of Shareholders and Tosei CDP Depositors. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of which may benefit the minority Shareholders.

We are incorporated in Japan and most of our Directors and Statutory Auditors named in this Introductory Document are residents of Japan.

We are incorporated in Japan and are subject to the provisions of the Japanese Companies Act. With the exception of Kenichi Shotoku, all of our Directors and Statutory Auditors named in this Introductory Document are residents of Japan. We are not and our Directors (including Kenichi Shotoku) and Statutory Auditors are not subject to the provisions of the Singapore Companies Act and our duties and those of our Directors and Statutory Auditors under the Japanese Companies Act differ from that of companies incorporated under the Singapore Companies Act.

Additionally, most of our assets and the assets of our Directors and Statutory Auditors are located in Japan. As a result, Tosei CDP Depositors may not be able to effect service of process of a writ issued in Japan upon us or these persons outside Japan without leave of the Japanese Courts. Tosei CDP Depositors may also not be able to enforce against us judgments obtained in courts outside of Japan, unless it is a final judgment, the foreign court had jurisdiction over the subject matter, the defendant in the proceedings in the foreign court received notice of the proceedings in sufficient time (excluding by public notice) or has appeared before such foreign court to enable it to defend against claims made, the cause of action on which the judgment was based is not repugnant to the due process, natural justice or public policy of Japan and reciprocity exists between the jurisdiction in which the judgment was rendered and Japan in relation to the enforcement of a foreign judgment. Singapore has no reciprocal arrangement with Japan for the enforcement of judgments obtained in the Singapore courts.

Although our Shares are currently listed on the First Section of the TSE and will be listed on the SGX-ST, there is no assurance that we will remain listed on either the TSE or the SGX-ST.

There is no assurance of the continued listing of our Shares on either or both of the TSE and the SGX-ST. We may not be able to continue to satisfy the TSE listing requirements as well as other relevant rules, regulations and laws in Singapore or in Japan. Under the TSE Securities Listing Regulations and the Japanese Companies Act, the TSE may remove our Shares from the trading on the TSE. Our eligibility-to-list on the SGX-ST is conditional upon, among other things, the maintenance of our primary listing on the TSE. Thus, in the event that our Shares are removed from trading on the TSE, there is no assurance that our Shares will remain listed on the Official List of the SGX-ST. If our Shares are suspended from quotation on, or removed from trading on the TSE and/or the SGX-ST, Shareholders and Tosei CDP Depositors, as the case may be, will not be able to trade their Shares on the TSE and/or the SGX-ST and there is no assurance that Shareholders and Tosei CDP Depositors will be entitled to compensation or an exit offer, or should they be so entitled, that Shareholders and Tosei CDP Depositors will receive realisation for their investments that they would have been able to obtain through trading their Shares on the TSE or the SGX-ST. If our Shares are removed from the Official List of the SGX-ST and in the event that

there is no exit offer or that Tosei CDP Depositors choose not to accept an exit offer, Tosei CDP Depositors whose Shares are listed on the Official List of the SGX-ST may have to transfer their Shares to the TSE for disposal or trading. Please see “Clearance and Settlement” for information on the transfer of Shares between the SGX-ST and the TSE.

Investors may face risks from the transfer of Shares for trading between the SGX-ST and the TSE.

Investors have the option of transferring their Shares for trading between the TSE and the SGX-ST. However, investors should note that prior to our Company conducting fund-raising through an offering of Shares in Singapore in the future (with such Shares to be held through CDP), there will be no quotation or trading of our Shares on the SGX-ST. Accordingly, prior to such future fund-raising, investors who transfer their Shares to be held through CDP will not be able to trade their Shares on the SGX-ST.

In addition, Tosei CDP Depositors who wish to attend our Shareholders’ meetings in person will have to transfer their Shares in our Company to the TSE and hold such Shares in a securities account opened with a Japanese broker or make appropriate arrangements to hold the Shares directly through a JASDEC participant prior to any record date. There is no assurance that the transfer of Shares for trading on the different exchanges will occur in an orderly and timely fashion. In addition, we will not have control of the transfer of Shares between the TSE and the SGX-ST and there could be disruptions caused to the transfer by a number of factors, including temporary disruptions to trading and technical difficulties. The transfer of shares between the TSE and the SGX-ST may take several days (see “Clearance and Settlement” for more information). During such a period, investors may not be able to trade their Shares. Furthermore, investors may incur additional costs (including transfer fees and stamp duty) in the transferring Shares between the TSE and the SGX-ST.

Tosei CDP Depositors may be subject to additional obligations under the rules, regulations and laws of Japan and there are uncertainties and ambiguities as to what these additional obligations are.

Among other things, the following requirements or regulations may apply to Tosei CDP Depositors:

- takeover regulations and certain trading regulations including insider trading regulations under the FIEA;
- notification requirement prior to the acquisition of shares under the Anti-Monopoly Act;
- filing requirement of large shareholding report and sale-purchase report and short-swing regulation for Major Shareholders under the FIEA;
- certain reporting requirements under the Foreign Exchange Act; and
- certain requirements regarding taxation under the Income Tax Act, the Corporation Tax Act and Local Taxes Act with respect to the Implementation of Tax Treaties.

Please see “Description of Share Capital”, “Shareholding Reporting Obligations” and “Taxation” for more information.

CDP is not required to comply with such filing, tax reporting and/or disclosure of interest obligations as set out above or any other applicable additional obligations on behalf of Tosei CDP Depositors and Tosei CDP Depositors should obtain independent professional advice in order to comply with the filing, tax reporting, disclosure of interest or other obligations under the then applicable Japanese law. However, whether and to what extent, a foreign shareholder of a

Japanese corporation would be obliged to follow additional rules, regulations and laws of Japan are not definitively stated in regulatory or statutory provisions or guidelines issued by the relevant authorities, nor are they resolved by judicial precedents. The relevant laws and regulations relating to the Shares are complex, often ambiguous and may be subject to different interpretations. As the relevant provisions remain vague and their interpretation can involve a degree of uncertainty, Tosei CDP Depositors may therefore be subject to additional obligations under the rules, regulations and laws of Japan.

DIVIDEND POLICY

Statements contained in this “Dividend Policy” section that are not historical facts are forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those which may be forecasted and projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by us, the Sole Global Coordinator and Manager or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Please see “Cautionary Note Regarding Forward-looking Statements” for more information.

In accordance with the Japanese Companies Act and our Articles of Incorporation, through a resolution of our Shareholders in general meeting, we may declare dividends to our Shareholders (as of the record date of 30 November each year) subject to a limit equal to the Distributable Amount (as defined herein) then existing. Our Articles of Incorporation further provide that we may distribute half-yearly interim dividends (subject to a limit equal to the Distributable Amount) to Shareholders by a resolution of our Board of Directors (as of the record date of 31 May each year). As set out in our Articles of Incorporation, the record date to determine dividend entitlement is 30 November for full-year dividends and 31 May for half-yearly interim dividends.

Pursuant to the Japanese Companies Act and the relevant Ordinance of the Ministry of Justice of Japan, our Company’s distributable amount is calculated based on the retained earnings (*joyo kin*) recorded in our Company’s non-consolidated financial statements prepared in accordance with JGAAP (rather than IFRS) with certain adjustments (including the deduction of the book value of any treasury Shares held by our Company) (“**Distributable Amount**”). If dividends are declared by our Company while we do not have a Distributable Amount, our Directors and others responsible for the payment of the dividend are under an obligation to reimburse our Company for the amount paid out as dividend, unless such person proves that he was not negligent in carrying out his duties.

Cash dividends on our Shares, if any, will be paid in Japanese Yen. CDP, as Shareholder, will also receive dividends in Japanese Yen. CDP will make the necessary arrangements to pay Tosei CDP Depositors dividends in Singapore Dollars. As a result, Tosei CDP Depositors may receive their dividends later than Shareholders. The equivalent of any dividends in Singapore Dollars will also be affected by changes in the exchange rate between the Japanese Yen and the Singapore Dollar. Neither our Company nor CDP will be liable for any loss whatsoever arising from the conversion of the dividend entitlement of Tosei CDP Depositors holding their Shares through CDP from Japanese Yen into the Singapore Dollar equivalent.

Other distributions, if any, will be paid to our Shareholders by any means which our Directors consider legal, fair and practicable. Dividends paid by our Company to our Shareholders (other than Shareholders holding 3.0% or greater of our Shares) who are non-resident individuals of Japan or that are non-Japanese corporations without a permanent establishment in Japan were generally subject to a withholding tax in Japan of 7.0% until 31 December 2012. From 1 January 2013 until 31 December 2037, dividends payable to a beneficial owner of shares who is a non-resident individual of Japan or non-Japanese corporation without a permanent establishment in Japan are subject to a Special Measures Tax for Reconstruction and the withholding tax rate will be 7.147%. We are required by Japanese law to withhold such tax prior to payment of dividends. Please see “Taxation” for further details.

There is no assurance that dividends of any amount will be declared or distributed in any year, whether by way of interim or final dividends. In making their recommendations, our Directors will consider, *inter alia*, the factors outlined below as well as any other factors deemed relevant by our Board:

- (a) the level of our cash and retained earnings;
- (b) our actual and projected financial performance;
- (c) our projected levels of capital expenditure and other investment plans; and
- (d) the prevailing and projected market conditions and business environment.

The following table shows the dividends we have declared and paid from FY2009 to FY2012:

Period	Cash Dividend (JPY per share)	Total Dividend (JPY million)
FY2009.....	500	197.92
FY2010.....	500	228.42
FY2011.....	500	228.42
FY2012	600	274.10

You should note that all the foregoing statements (being non-legally binding statements) are merely statements of our present intention and shall not constitute legally binding statements in respect of our Company’s future dividends, which may be subject to modification (including reduction or non-declaration thereof) in the sole and absolute discretion of our Board.

No inference should or can be made from any of the foregoing statements as to our Company’s actual future profitability or our Company’s ability to pay dividends in any of the periods discussed.

MARKET PRICE INFORMATION

Our Company is currently listed on the First Section of the TSE. The following table below shows certain pricing and trading volume information for our Shares on the TSE for the three most recent completed financial years and for each of the last six months prior to the Latest Practicable Date. No inference should or can be made from any of the information below as to our actual share price performance or movement of our Shares. There can be no assurance that the market price of our Shares following the close of the Introduction will attain a price which is higher or lower than the range of prices set forth below or a price which is within such range.

Period	High ⁽¹⁾	Low ⁽¹⁾	Average Daily Trading Volume (Number of Shares) ⁽¹⁾
	(¥)	(¥)	
FY2010	44,700	18,610	2,543
FY2011	43,000	18,020	2,233
FY2012	37,650	18,800	2,760
August 2012	30,700	26,610	1,106
September 2012	27,890	23,580	3,260
October 2012	31,900	26,060	2,659
November 2012	37,650	29,700	6,196
December 2012	54,400	36,800	7,863
January 2013	72,900	49,000	11,366
February 2013	82,500	55,000	8,489

Note:

- (1) Source: Bloomberg L.P.
Bloomberg L.P. has not provided its consent for the inclusion of the exchange rates quoted under this section and is therefore not liable for such information. Our Company has included the above information in its proper form and context in this Introductory Document and has not verified the accuracy of the above information.

Period	High ⁽¹⁾	Low ⁽¹⁾
	(¥)	(¥)
1Q2010	29,700	18,610
2Q2010	44,700	22,240
3Q2010	38,000	26,510
4Q2010	32,950	26,540
1Q2011	43,000	32,100
2Q2011	39,850	23,660
3Q2011	29,000	19,810
4Q2011	23,490	18,020
1Q2012	28,980	18,800
2Q2012	34,500	24,100
3Q2012	33,900	24,070
4Q2012	37,650	23,580
1Q2013	82,500	36,800

Note:

- (1) Source: Bloomberg L.P.
Bloomberg L.P. has not provided its consent for the inclusion of the exchange rates quoted under this section and is therefore not liable for such information. Our Company has included the above information in its proper form and context in this Introductory Document and has not verified the accuracy of the above information.

The closing price of our Shares on the TSE as of the Latest Practicable Date was JPY68,500¹. The closing price of our Shares on the TSE on 21 March 2013, being the last trading day before the date of this Introductory Document was JPY99,500.

There has been no significant trading suspension that has occurred on the TSE from the date of our listing on the TSE to the Latest Practicable Date. Our Shares have been regularly traded on the TSE.

¹ The Latest Practicable Date was a public holiday in Japan. Accordingly, the closing price was that of the last trading day prior to the Latest Practicable Date, being 8 February 2013.

EXCHANGE RATES AND EXCHANGE CONTROLS

EXCHANGE RATES

The following table below shows the high, low, average and period-end exchange rates between Singapore Dollar and Japanese Yen (in JPY per Singapore Dollar) as announced by the Bloomberg L.P.. These exchange rates have been presented for solely for information only. We do not make any representations that the Japanese Yen or Singapore Dollar amounts set forth below and referred to elsewhere in this Introductory Document could have been or could be converted into any of the respective other currencies at the rate indicated or at any other rate or at all.

Japanese Yen per Singapore Dollar⁽¹⁾

	<u>Highest</u>	<u>Lowest</u>
July 2012	63.37	61.80
August 2012	63.65	62.46
September 2012	64.77	62.55
October 2012	65.88	63.24
November 2012	67.78	64.52
December 2012	71.06	67.13
January 2013	74.17	70.47
February 2013 (through to the Latest Practicable Date)	76.11	73.92
	<u>Average</u>	<u>Closing</u>
FY2010	64.33	63.38
FY2011	63.74	60.56
FY2012	63.42	67.59
1Q2012	61.60	64.83
2Q2012	63.72	60.77
3Q2012	62.88	62.83
4Q2012	65.48	67.59
9M2012	62.73	62.83

Note:

(1) Source: Bloomberg L.P.
Bloomberg L.P. has not provided its consent for the inclusion of the exchange rates quoted under this section and is therefore not liable for such information. Our Company has included the above information in its proper form and context in this Introductory Document and has not verified the accuracy of the above information.

On the Latest Practicable Date, the closing rate of the Japanese Yen per Singapore Dollar was JPY75.96.

Fluctuations in the exchange rate between the Singapore Dollar and the Japanese Yen will affect the Japanese Yen equivalent of the Singapore Dollar price of our Shares on the SGX-ST and the Japanese Yen value of the cash dividends paid by us in Singapore Dollar.

EXCHANGE CONTROLS

Japan

The Foreign Exchange Act governs certain matters relating to the issuance of equity-related securities by us and the acquisition and holding of shares of common stock by “**exchange non-residents**” and by “**foreign investors**” as hereinafter defined.

“**Exchange non-residents**” are defined under the Foreign Exchange Act as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Generally branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents, but branches and other offices located within Japan of non-resident corporations are regarded as residents of Japan. “**Foreign investors**” are defined to be (i) individuals not resident in Japan, (ii) corporations which are organised under the laws of foreign countries or whose principal offices are located outside Japan and (iii) corporations of which (a) 50% or more of the shares are held directly or indirectly by (i) and/or (ii) above, (b) a majority of officers consists of non-resident individuals or (c) a majority of the officers having the power of representation consists of non-resident individuals. Under the Foreign Exchange Act, dividends paid on, and the proceeds of sales in Japan of, shares held by exchange non-residents in general may be converted into any foreign currency and repatriated abroad.

Under the Foreign Exchange Act, an acquisition of shares of a Japanese company listed on any Japanese stock exchange or traded on the over-the-counter market in Japan, or the listed shares, by an exchange non-resident from a resident of Japan is generally not subject to a prior filing requirement.

In the case of a foreign investor acquiring listed shares (whether from a resident of Japan or an exchange non-resident, from another foreign investor or from or through a designated securities company) and as a result of such acquisition the number of shares held directly or indirectly by such foreign investor (including shares held by persons who agree to act in concert with such foreign investor in connection with the exercise of shareholders’ rights) would become 10% or more of our total issued shares, such acquisition constitutes a direct inward investment and the foreign investor is required to make a subsequent report on such acquisition to the Minister of Finance and other Ministers having jurisdiction over the business of the subject company, or to the competent ministers by the 15th day of the month following the month containing the date of acquisition. If a foreign investor has failed to make a subsequent report or makes a false subsequent report, the foreign investor shall be punished by imprisonment for not more than 6 months or a fine of not more than ¥500,000. Also, in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company has failed to make a subsequent report or makes a false subsequent report with regard to the business or property of the company, the offender shall be punished by imprisonment for not more than 6 months or by a fine of not more than ¥500,000, and the company is liable to be punished by a fine of not more than ¥500,000. In certain exceptional cases, a prior filing is required and the competent ministers may recommend the modification or abandonment of the proposed acquisition and, if the foreign investor does not accept the recommendation, order its modification or prohibition. If a foreign investor, without the prior filing, has made a share acquisition or prior filing containing a misstatement, the foreign investor shall be punished by imprisonment for not more than three years or by a fine of not more than ¥1 million, or both. Also, in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company, without the prior filing, has made a share acquisition or prior filing containing a misstatement with regard to the business or property of the company, the offender shall be punished by imprisonment for not more than three years or by a fine of not more than ¥1 million, or both, and the company is liable to be punished by a fine of not more than ¥1 million.

Singapore

There are no exchange control restrictions in Singapore.

CAPITALISATION AND INDEBTEDNESS

The following table shows the cash and cash equivalents as well as capitalisation and indebtedness of our Group as at 31 December 2012, based on our unaudited management accounts.

	Unaudited As at 31 December 2012
	Actual
	(JPY'000)
CASH AND CASH EQUIVALENTS	10,619,906
INDEBTEDNESS	
Short-term indebtedness	
– secured ⁽¹⁾ and non-guaranteed	7,125,449
– secured and guaranteed	Nil
– unsecured and non-guaranteed	64,130
– unsecured and guaranteed	Nil
Long-term indebtedness	
– secured ⁽¹⁾ and non-guaranteed	22,586,859
– secured and guaranteed	Nil
– unsecured and non-guaranteed	40,840
– unsecured and guaranteed	Nil
Total Indebtedness	29,817,278
SHAREHOLDERS' EQUITY	27,258,704
TOTAL CAPITALISATION AND INDEBTEDNESS	57,075,982

Note:

(1) These are secured by way of mortgages and charges on our properties and/or projects, as the case may be.

As at 31 December 2012, our cash and cash equivalents amounted to approximately JPY10,619.9 million, of which approximately JPY230.2 million was placed as short term bank deposits.

As at 31 December 2012, our Group had outstanding borrowings of JPY29,817.2 million. While none of the loan agreements we have entered into have conditions directly restricting changes in control of our Company, some of these loan agreements contain conditions which place certain restrictions on our corporate actions and financial performance and this may include: (i) restrictions on our ability to undertake corporate restructurings or business transfers (which may or may not be accompanied by a change of control), and (ii) the requirement to maintain our operating profits and net assets at a certain level. To the best of our Directors' knowledge, we are not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our financial position and results or business operations, or the investments of our Shareholders. We may also, from time to time, seek to re-finance our current indebtedness. Whilst we have never faced difficulties re-financing our indebtedness with our existing providers and new providers, there is no assurance that we will continue to be able to re-finance our indebtedness (see also "Risk Factors – Risks Relating to our Business – We are dependent on obtaining adequate and suitable financing to fund our operations" for more information).

From 31 December 2012 to the date of this Introductory Document, there have been no material changes in our total capitalisation and indebtedness, save for changes in our retained profits and cash and cash equivalents arising from our day-to-day operations in the ordinary course of business.

As at the Latest Practicable Date, we do not have any material capital commitments, operating lease commitments or finance lease commitments.

As at the Latest Practicable Date, we do not have any material contingent liabilities.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present our selected consolidated financial information as at and for FY2009, FY2010, FY2011, 9M2011 and 9M2012. The selected consolidated financial information as at and for FY2009, FY2010, FY2011, 9M2011 and 9M2012 should be read in conjunction with Appendix A – “Independent Auditor’s Report on the Consolidated Financial Statements of Tosei Corporation And Its Subsidiaries for the Financial Years Ended 30 November 2009, 2010 and 2011”, Appendix B – “Independent Auditor’s Report on the Consolidated Financial Statements of Tosei Corporation And Its Subsidiaries For the Six-Month Period Ended 31 May 2012” and Appendix C – “Independent Auditor’s Report on the Unaudited Consolidated Financial Statements of Tosei Corporation And Its Subsidiaries For the Three-Month and Nine-Month Periods Ended 31 August 2012”. Our consolidated financial statements for FY2009, FY2010, FY2011, 9M2011 and 9M2012 have been prepared in accordance with IFRS.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	FY2009	FY2010	FY2011	9M2011	9M2012
	(¥'000)	(¥'000)	(¥'000)	(¥'000)	(¥'000)
Revenue	33,622,879	26,439,782	24,760,909	16,210,821	14,765,693
Cost of revenue	(28,983,821)	(22,367,548)	(19,580,688)	(11,996,175)	(11,234,764)
Gross profit	4,639,058	4,072,234	5,180,221	4,214,646	3,530,929
Other income	75,566	28,792	62,655	25,220	16,858
Other losses – net	(322,286)	(3,503)	(17,155)	–	(21,181)
Expenses					
– Administrative	(2,656,989)	(2,682,504)	(2,937,343)	(2,146,466)	(2,276,710)
– Finance	(805,826)	(826,734)	(778,868)	(590,733)	(473,146)
Profit before income tax	929,523	588,285	1,509,510	1,502,667	776,750
Income tax expense	(450,514)	(280,584)	(769,243)	(646,631)	(328,519)
Net profit	479,009	307,701	740,267	856,036	448,231
Other comprehensive (losses)/income:					
Available-for-sale financial assets					
– Fair value (losses)/gains	(1,183)	1,162	(3,143)	(1,186)	618
Currency translation differences arising from consolidation	–	–	–	–	52
Other comprehensive (losses)/income, net of tax	(1,183)	1,162	(3,143)	(1,186)	670
Total comprehensive income	477,826	308,863	737,124	854,850	448,901
Profit attributable to:					
Equity holders of our Company	479,009	307,701	740,267	856,036	448,231
Total comprehensive income attributable to:					
Equity holders of our Company	477,826	308,863	737,124	854,850	448,901
Earnings per share attributable to equity holders of our Company (¥ per share)					
– Basic and diluted	1,262.82	711.31	1,620.41	1,873.82	981.15

CONSOLIDATED BALANCE SHEETS

	As at 30 November 2011	As at 31 August 2012
	(¥'000)	(¥'000)
ASSETS		
Current assets		
Cash and cash equivalents	8,381,689	6,541,823
Financial assets, at fair value through profit or loss	17,805	17,890
Available-for-sale financial assets	10,000	10,000
Trade and other receivables	1,205,353	2,386,408
Inventories	33,967,938	36,877,367
Other assets	2,335	1,880
	<u>43,585,120</u>	<u>45,835,368</u>
Non-current assets		
Available-for-sale financial assets	369,867	391,160
Trade and other receivables	125,635	172,179
Investment properties	11,378,055	11,714,742
Property, plant and equipment	3,341,262	3,331,802
Intangible assets	66,856	48,519
Other assets	8,380	8,380
Deferred income tax assets	1,724,661	1,402,624
	<u>17,014,716</u>	<u>17,069,406</u>
Total assets	<u>60,599,836</u>	<u>62,904,774</u>
LIABILITIES		
Current liabilities		
Trade and other payables	2,517,703	2,438,105
Current income tax liabilities	81,331	72,003
Borrowings	6,171,720	6,614,864
	<u>8,770,754</u>	<u>9,124,972</u>
Non-current liabilities		
Trade and other payables	1,835,279	2,112,596
Borrowings	23,900,745	25,413,598
Deferred income tax liabilities	280,380	192,711
Retirement benefits obligations	504,727	532,465
	<u>26,521,131</u>	<u>28,251,370</u>
Total liabilities	<u>35,291,885</u>	<u>37,376,342</u>
NET ASSETS	<u>25,307,951</u>	<u>25,528,432</u>
EQUITY		
Capital and reserve attributable to equity holders of our Company		
Share capital	5,454,673	5,454,673
Retained earnings	14,339,149	14,558,960
Other reserves	5,514,129	5,514,799
Total equity	<u>25,307,951</u>	<u>25,528,432</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FY2009	FY2010	FY2011	9M2011	9M2012
	(¥'000)	(¥'000)	(¥'000)	(¥'000)	(¥'000)
Cash flows from operating activities					
Net profit	479,009	307,701	740,267	856,036	448,231
Adjustments for:					
– Income tax expense	450,514	280,584	769,243	646,631	328,519
– Amortisation and depreciation	175,370	156,141	172,284	127,447	133,043
– Impairment loss on membership	–	–	16,977	–	–
– Impairment loss on available-for-sale financial assets	456	–	–	–	–
– Net gain on disposal of available-for- sale financial assets	(308)	(1,184)	–	–	–
– Write off of property, plant and equipment	41,700	4,687	178	–	2,307
– Loss on disposal of investment properties	–	–	–	–	18,874
– Interest income	(14,610)	(9,612)	(2,796)	(2,600)	(1,514)
– Dividend income	(2,832)	(2,814)	(2,861)	(2,217)	(2,217)
– Interest expense	805,826	826,734	778,868	590,733	473,146
– Unrealised currency translation losses . .	–	–	–	–	52
	1,935,125	1,562,237	2,472,160	2,216,030	1,400,441
Change in working capital:					
– Inventories	15,050,168	(1,594,447)	3,594,789	750,119	(3,453,385)
– Trade and other receivables	331,469	109,469	(248,546)	(58,876)	(1,225,236)
– Financial assets, at fair value through profit or loss	92	49	(3,185)	(17,890)	(85)
– Other assets	167	(348)	(662)	(27)	455
– Cash restricted in use over 3 months . .	330,000	(286,136)	286,136	–	–
– Trade and other payables	(903,757)	(678,678)	1,014,322	774,180	202,398
– Retirement benefits obligations	34,402	53,607	41,774	28,735	27,738
Cash generated from/(used in) operations.	16,777,666	(834,247)	7,156,788	3,692,271	(3,047,674)
Interest received	15,039	10,333	2,063	1,875	1,514
Dividend received	2,832	2,814	2,861	2,217	2,217
Income tax paid	(3,185,010)	(46,933)	(27,521)	(36,198)	(104,154)
Net cash provided by/(used in) operating activities	13,610,527	(868,033)	7,134,191	3,660,165	(3,148,097)
Cash flows from investing activities					
Additions to property, plant and equipment	(29,653)	(14,055)	(22,704)	(20,195)	(21,438)
Additions to investment properties	(20,275)	(8,895)	(45,623)	(39,642)	(107,110)
Additions of intangible assets	(1,766)	(3,579)	(37,016)	(34,984)	(4,280)
Purchases of available-for-sale financial assets	(20)	–	(333,350)	(133,350)	(20,000)
Disposal of property, plant and equipment.	3,480	–	–	–	–
Disposal of available-for-sale financial assets	709	4,948	–	–	–
Disposal of investment properties	–	–	–	–	216,967
Net cash used in investing activities . . .	(47,525)	(21,581)	(438,693)	(228,171)	64,139
Cash flows from financing activities					
Proceeds from issuing of ordinary shares	625,843	1,965,814	–	–	–
Proceeds from borrowings	9,230,000	17,099,900	11,474,100	5,942,000	11,806,000
Repayment of borrowings	(21,566,988)	(18,129,820)	(15,661,378)	(8,688,866)	(9,852,537)
Repayment of lease liabilities	(559)	(1,569)	(1,567)	(1,174)	(930)
Interest paid	(833,513)	(820,646)	(774,726)	(635,777)	(480,021)
Dividends paid to equity holders of the Company	(376,840)	(197,920)	(228,420)	(228,420)	(228,420)
Net cash used in financing activities . .	(12,922,057)	(84,241)	(5,191,991)	(3,612,237)	1,244,092
Net increase/(decrease) in cash and cash equivalents	640,945	(973,855)	1,503,507	(180,243)	(1,839,866)
Cash and cash equivalents					
Beginning of financial year/period	7,191,092	7,832,037	6,858,182	6,858,182	8,361,689
End of financial year/period	7,832,037	6,858,182	8,361,689	6,677,939	6,521,823

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise stated, the following discussion has been based on, and should be read in conjunction with Appendix A – “Independent Auditor’s Report on the Consolidated Financial Statements of Tosei Corporation And Its Subsidiaries for the Financial Years Ended 30 November 2009, 2010 and 2011”, Appendix B – “Independent Auditor’s Report on the Consolidated Financial Statements of Tosei Corporation And Its Subsidiaries For the Six-Month Period Ended 31 May 2012” and Appendix C – “Independent Auditor’s Report on the Unaudited Consolidated Financial Statements of Tosei Corporation And Its Subsidiaries For the Three-Month and Nine-Month Periods Ended 31 August 2012”, together with the related notes thereto, all of which are included elsewhere in this Introductory Document. Interim results referred to in this discussion are not indicative of our full year results. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Introductory Document, particularly in “Risk Factors” of this Introductory Document.

Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by our Directors, Statutory Auditors, our Company, our Group and the Sole Global Coordinator and Manager or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. See “Cautionary Note Regarding Forward-looking Statements”.

OVERVIEW

We are a real estate company with diversified businesses as follows:

(a) Revitalisation business

Our Group acquires office buildings, commercial facilities, rental condominiums and other properties of a certain age profile and whose asset value has declined, primarily in the 23 wards of Tokyo.

We focus on quality and detail in order to enhance the value of original and distinctive properties. In addition, we implement redevelopment plans matched to the local characteristics and needs to restore the asset values of these properties. By tailoring our revitalisation of aging properties to fit the local area’s characteristics and needs and profiles of tenants, we increase the value of such properties before we resell them to investors, real estate funds, and individual end-users.

In 2009, we implemented a new “Restyling” business model as an arm of our revitalisation business. We usually sell our revitalised projects to purchasers as a whole building, while we sell the subdivided units in the “Restyling” business. Our “Restyling” business also only targets condominiums, while our revitalisation projects generally include condominiums and office buildings. As part of the “Restyling” process, we also set up property management associations and formulate maintenance and repair guidelines for ongoing maintenance purposes.

(b) Development business

We develop office, commercial and residential properties with a focus on the 23 wards of Tokyo. We develop our commercial properties under our “T’S BRIGHTIA” brand while our residential properties are developed under our “THE Palms” and “Palms Court” brands for condominiums and single-family dwellings respectively.

(c) Rental business

We own office buildings, residential and commercial properties primarily in the 23 wards of Tokyo. Our rental properties are office buildings and condominiums typically in inner Tokyo and are all under our direct management. Our rental business consists primarily leasing out properties that have been treated as investment assets which we intend to retain for the long term for the purpose of leasing. Our expertise in our other business segments, especially revitalisation, “Restyling”, development and property management enables us to offer comprehensive services and maintain or raise property value whilst contributing to a comfortable and convenient living and business environment.

(d) Fund business

Our fund business has two components. Whilst we structure and manage private real-estate funds as an asset manager, we also provide asset management services and brokerage services to private investors and other fund managers wherein we source for real estate suited to their needs. In addition, we also provide asset management services and brokerage services for real estate invested in or owned by our clients. From time to time, we also co-invest with our clients.

(e) Property management business

We offer comprehensive property management services, including administration, facility management, cleaning and security for condominium complexes and office buildings and facilities. We also undertake utilities repair work for exclusive areas in condominium complexes and office buildings, and undertake interior renovation contracting for office properties. In addition, we manage and maintain certain properties sold by our revitalisation and development businesses, properties rented out by our rental business and real estate assets held by funds that use our real estate asset management services.

(f) Alternative investment business

Our alternative investment business invests in non-performing loans collateralised by real estate (including mortgage-backed loans). Additionally, we also acquire properties through mergers and acquisitions of companies with real estate assets.

Our business activities and operations are primarily in Japan and our revenues are denominated principally in JPY.

FACTORS AFFECTING OUR RESULTS OF OPERATION

Our results of operation are affected by many factors, including the following:

- (a) the state of the economy in Japan, as well as the global economy in general. A strong and growing economy will generally lead to growth in the property market;
- (b) changes in government legislation, regulations or policies, budget and expenditure which may directly or indirectly affect the property market in Japan;

- (c) our ability to complete our real estate development projects as scheduled;
- (d) our ability to continually acquire properties and secure customers. The demand for our products and services is mainly influenced by, amongst other factors, property vacancy rates, selling prices or rental rates, the prevailing interest rate environment, quality and timely completion of the developments;
- (e) the timing of project launches and the progress of our real estate development projects;
- (f) the occurrence of natural disasters such as an earthquake, terrorist attack or other casualty event in Japan;
- (g) our ability to compete with our competitors;
- (h) our ability to cope with fluctuations in the sub-contracting costs of construction, material and equipment and other construction work;
- (i) the fluctuation in the prices of the land and properties;
- (j) the sub-contracting and outsourcing costs; and
- (k) the fluctuation in the market valuation of properties.

Please see “Risk Factors” for an in-depth discussion of other factors which may affect our business operations, revenue and financial performance of our business segments described above.

Revenue

The breakdown of our revenue, gross profit and gross margin by business segments for FY2009, FY2010, FY2011, 9M2011 and 9M2012 is set out below:

	FY2009		FY2010		FY2011		9M2011		9M2012	
	¥'000	%	¥'000	%	¥'000	%	¥'000	%	¥'000	%
Revenue										
Revitalisation . . .	9,962,365	29.6	8,149,422	30.8	12,040,887	48.7	9,033,574	55.8	4,529,756	30.7
Development . . .	16,556,368	49.2	11,682,418	44.2	5,256,146	21.2	1,658,736	10.2	4,619,149	31.3
Rental	3,422,431	10.2	2,591,502	9.8	2,533,995	10.2	1,884,746	11.6	1,763,987	11.9
Fund	896,952	2.7	1,077,760	4.1	1,234,805	5.0	1,055,073	6.5	607,378	4.1
Property management . . .	2,597,765	7.7	2,768,513	10.5	3,514,569	14.2	2,442,930	15.1	2,552,117	17.3
Alternative investment.	186,998	0.6	170,167	0.6	180,507	0.7	135,762	0.8	693,306	4.7
Total.	33,622,879	100	26,439,782	100	24,760,909	100	16,210,821	100	14,765,693	100
Gross Profit										
Revitalisation . . .	35,971	0.8	677,439	16.6	1,963,281	37.9	1,516,089	36.0	543,158	15.4
Development . . .	951,556	20.5	132,570	3.3	(45,444)	-0.9	(253,965)	-6.0	688,132	19.5
Rental	2,559,173	55.2	1,820,648	44.7	1,745,121	33.7	1,345,920	31.9	1,176,545	33.3
Fund	818,055	17.6	1,043,558	25.6	1,162,976	22.5	991,830	23.5	571,945	16.2
Property management . . .	356,009	7.7	406,290	10.0	485,252	9.4	354,040	8.4	426,600	12.1
Alternative investment.	(81,706)	-1.8	(8,271)	-0.2	(130,965)	-2.5	260,732	6.2	124,549	3.5
Total.	4,639,058	100.0	4,072,234	100.0	5,180,221	100.0	4,214,646	100.0	3,530,929	100.0

	FY2009	FY2010	FY2011	9M2011	9M2012
	%	%	%	%	%
Gross Margin					
Revitalisation	0.4%	8.3%	16.3%	16.8%	12.0%
Development	5.8%	1.1%	-0.9%	-15.3%	14.9%
Rental	74.8%	70.3%	68.9%	71.4%	66.7%
Fund	91.2%	96.8%	94.2%	94.0%	94.2%
Property management	13.7%	14.7%	13.8%	14.5%	16.7%
Alternative investment	-43.7%	-4.9%	-72.6%	192.1%	18.0%
	13.8%	15.4%	20.9%	26.0%	23.9%

Revenue from the revitalisation business

Revenue from our revitalisation business refers to revenue derived from the sale of the revitalised properties and “Restyling” units. For our “Restyling” business, we source for entire condominium buildings and sell individual units when the renovation/revival process is completed.

Revenue from the development business

Revenue from our development business refers to revenue derived from the sale of office, commercial and residential properties which are developed by us. We also occasionally sell land lots which we have previously obtained for property development when the initial development plan in respect of those land lots change. Condominiums may be sold as whole buildings or by individual units. Entire buildings sold by us are generally used as rental properties. We will consider the characteristics of the area before deciding whether to sell entire buildings or only individual units. If an area has a high number of single individuals, such as students, we will generally sell entire buildings as there would be a demand for rental properties. If the area has a higher concentration of families, we will generally sell individual units as there would be a greater demand for properties for sale.

For revenue from our revitalisation and development businesses, revenue is recognised when the risks and rewards of ownership have been transferred to the buyer, which usually coincides with the delivery of the property to the buyer. We do not recognise revenue on a percentage of completion basis.

Revenue from the rental business

Revenue from our rental business refers to revenue derived from leasing our office buildings, residential and commercial properties. Rental income is recognised on a straight-line basis over the lease term.

Revenue from the fund business

Revenue from our funds business mainly includes asset management fees, acquisition fees, disposition fees, brokerage fees, incentive fees and distribution income and is recognised as and when the services are rendered.

Asset management fees are charged as a percentage of the value of real estate assets under our management on behalf of our clients, who are generally private equity investors and real estate fund managers.

Acquisition fees and disposition fees arise when we help clients execute property acquisitions and disposals, and are charged as a percentage of transaction value.

We receive brokerage fees by providing brokerage services on assets to be acquired/disposed of by funds. Since most of the properties we undertake brokerage services in respect of are designated to be injected into funds, we record the fees under our fund business. Brokerage fees are generally payable as a percentage of the transaction value. There are guidelines as to the maximum amount of brokerage fees (inclusive of the applicable consumption tax) payable in Japan. As at the Latest Practicable Date, the maximum brokerage fees payable (inclusive of the applicable consumption tax) under the applicable public notice is the aggregate of the amount payable for each portion of the transaction value calculated with reference to the table below:

Amount (JPY)	Rate (%)
0 to 2,000,000	5.25
2,000,001 to 4,000,000	4.20
Over 4,000,001	3.15

Incentive fees are received by us when the internal rates of return on managed assets exceed a certain threshold and are charged as a percentage of such amount exceeded.

The breakdown of our revenue from our fund business is set out below:

	FY2009	FY2010	FY2011	9M2011	9M2012
	¥'000	¥'000	¥'000	¥'000	¥'000
Asset management fees	794,524	770,116	522,372	406,028	351,356
Acquisition fees	21,998	11,070	109,196	90,051	14,646
Disposition fees	28,009	24,626	46,025	46,024	37,878
Brokerage fees	23,587	193,034	429,195	411,933	85,133
Other	28,834	78,914	128,017	101,037	118,365
	896,952	1,077,760	1,234,805	1,055,073	607,378

Certain details of funds that had assets managed by us at the end of financial periods under review are set out below:

	As at 30 November 2009	As at 30 November 2010	As at 30 November 2011	As at 31 August 2012
Number of funds	34	40	38	36
Asset under management (JPYMillion)	209,143	264,135	285,904	284,002

Revenue from the property management business

Revenue from our property management business refers to revenue derived from providing property management services, including administration, facility management, cleaning and security, utilities repair, and interior renovation. Fees for administration, facility management, cleaning and security are usually fixed prior to the commencement of the contract, and such rates would differ from contract to contract, depending on the type of properties and extent of services to be provided. In contrast, fees for utilities repair and interior renovation are negotiated on an ad-hoc and case-by-case basis. Revenue is recognised as and when the services are rendered.

Revenue from the alternative investment business

We generally acquire non-performing loans at a discount to face value. Revenue from our alternative investment business refers to the interest and disposal gain (or loss) from such non-performing loans collateralised by real estate (including mortgage-backed loans), rental and disposal gain (or loss) from collateralised real estate which were transferred to us by debtors when debtors are unable to repay us. Revenue is recognised when the right to receive income is established. The difference between (i) the consideration received by our Company for the disposed non-performing loans collateralised by real estate (including mortgage-backed loans) or the collateralised real estate, and (ii) the acquisition cost of the corresponding non-performing loans is recorded as disposal gains or losses, as the case may be. We will lose the right to receive rental income and/or interest income upon disposal of non-performing loans collateralised by real estate (including mortgage-backed loans). We also acquire properties through mergers and acquisitions of distressed companies with real estate assets. In this respect, the difference between (i) the consideration received by the our Company for such real estate assets, and (ii) the acquisition costs of such distressed companies with real estate assets is recorded as disposal gains or losses, as the case may be.

The details and values of alternative investment business portfolio at the end of financial periods under review are set out below:

	As at 30 November 2009	As at 30 November 2010	As at 30 November 2011	As at 31 August 2012
	¥'000	¥'000	¥'000	¥'000
Non-performing loans	121,291	86,467	81,361	6,277
Properties held for sale	2,217,775	2,185,012	1,480,824	712,859
Properties held for rental	–	–	505,047	1,043,821
	<u>2,339,066</u>	<u>2,271,479</u>	<u>2,067,232</u>	<u>1,762,957</u>

Cost of revenue

Our cost of revenue for FY2009, FY2010, FY2011, 9M2011 and 9M2012 is set out below:–

	FY2009		FY2010		FY2011		9M2011		9M2012	
	¥'000	%	¥'000	%	¥'000	%	¥'000	%	¥'000	%
Cost of inventories	23,017,904	79.4	17,037,368	76.2	14,608,545	74.6	8,846,873	73.8	8,212,538	73.1
Property management and maintenance fees	3,112,141	10.7	3,115,047	13.9	3,843,164	19.6	2,653,955	22.1	2,713,193	24.1
Inventory write-down – net	2,738,818	9.5	2,121,339	9.5	1,029,029	5.3	420,219	3.5	233,251	2.1
Others	114,958	0.4	93,794	0.4	99,950	0.5	75,128	0.6	75,782	0.7
Total	<u>28,983,821</u>	<u>100.0</u>	<u>22,367,548</u>	<u>100.0</u>	<u>19,580,688</u>	<u>100.0</u>	<u>11,996,175</u>	<u>100.0</u>	<u>11,234,764</u>	<u>100.0</u>

Our cost of inventories comprises mainly the purchase of land and buildings, construction cost, architectural cost, property selling expenses and other direct costs incurred for properties to be sold. Our cost of inventories for FY2009, FY2010, FY2011, 9M2011 and 9M2012 are set out below:

	FY2009	FY2010	FY2011	9M2011	9M2012
	¥'000	¥'000	¥'000	¥'000	¥'000
Land cost	13,915,492	10,016,026	7,915,246	4,971,329	4,819,257
Building cost	1,591,157	1,827,392	3,485,314	2,534,170	1,275,684
Outsourced construction expenses ⁽¹⁾	6,661,936	4,566,925	1,945,177	603,036	1,134,564
Renovation/refurbishment expenses ⁽²⁾	214,030	271,983	356,204	191,422	421,133
Sales and marketing expenses	635,289	355,042	906,604	546,916	561,900
Total	<u>23,017,904</u>	<u>17,037,368</u>	<u>14,608,545</u>	<u>8,846,873</u>	<u>8,212,538</u>

Our cost of inventories in respect of our revitalisation business and development business for FY2009, FY2010, FY2011, 9M2011 and 9M2012 are set out below:

Revitalisation Business:

	FY2009	FY2010	FY2011	9M2011	9M2012
	¥'000	¥'000	¥'000	¥'000	¥'000
Land cost	6,504,431	4,855,412	5,511,630	4,419,620	2,042,873
Building cost	1,591,157	1,827,392	3,485,314	2,534,170	1,275,684
Renovation/refurbishment expenses ⁽²⁾	187,165	93,743	301,989	147,222	207,630
Sales and marketing expenses	256,114	201,649	618,856	413,821	244,946
Total	<u>8,538,867</u>	<u>6,978,196</u>	<u>9,917,789</u>	<u>7,514,833</u>	<u>3,771,133</u>

Development Business:

	FY2009	FY2010	FY2011	9M2011	9M2012
	¥'000	¥'000	¥'000	¥'000	¥'000
Land cost	7,411,061	5,160,614	2,403,616	551,709	2,351,486
Outsourced construction expenses ⁽¹⁾	6,661,936	4,566,925	1,945,177	603,036	1,134,564
Renovation/refurbishment expenses ⁽²⁾	26,865	178,240	54,215	44,200	137,691
Sales and marketing expenses	379,175	153,393	287,748	133,095	284,850
Total	<u>14,479,037</u>	<u>10,059,172</u>	<u>4,690,756</u>	<u>1,332,040</u>	<u>3,908,591</u>

Notes:

- (1) Includes construction expenses paid to sub-contractors for development costs.
- (2) Mainly comprises building interior and exterior renovation expenses and expenses for the installation of equipment and facilities.

Our cost of inventories is mainly affected by the different types of properties sold in the respective financial years.

Our property management and maintenance fees comprise mainly the costs paid for property management, including repair, mechanical and electrical works.

The inventory write-down relates to the write-down of the carrying amount of real estate to its net realisable value, and the reversal of write-down is due mainly to an upturn in the property market.

Others mainly comprise the depreciation cost of rental properties.

Other income

Other income comprises mainly the forfeiture of deposits received from customers for options to purchase, refunds from cancellation of insurance premiums, interest income and dividend income.

Other losses – net

Other gains/losses comprise mainly forfeiture of deposits paid by us for options to purchase and the impairment loss on a club membership.

Administrative expenses

Administrative expenses comprise mainly employee compensation, tax and dues, commission fees, advertising expense and professional fees.

Employee compensation comprises mainly salaries and bonuses, statutory welfare expense, retirement benefits and other short-term benefits. The statutory welfare expense includes employee pension premiums and medical insurance premiums. Other short-term benefits mainly comprise staff transportation allowance.

Tax and dues comprise mainly non-deductible consumption tax and the portion of business tax recorded under administrative expenses, which are directly attributable to the administration of our Company. The other portion of business tax is recorded under income tax expenses.

Commission fees are fees paid to recruitment agents, agents who recommend potential buyers as well as non-statutory valuation consultants. One of the typical commission fees paid to recruitment agents are for the services of temporary staff provided by the recruitment agents.

Professional fees are paid to professionals, including local auditors, a corporate secretary, tax agents, property valuation consultants and professionals involved in our secondary listing on the SGX-ST.

The breakdown of our administrative expenses is set out below:

	FY2009	FY2010	FY2011	9M2011	9M2012
	¥'000	¥'000	¥'000	¥'000	¥'000
Advertising expenses	85,180	12,377	47,605	16,207	20,799
Allowance for impairment – trade and other receivables – net	7,100	16,843	(1,362)	(2,192)	2,962
Amortisation of intangible assets	34,221	32,919	33,577	25,242	22,617
Bad debts written off	2,069	3,545	1,983	576	–
Commission fee	116,931	137,032	184,392	147,080	114,659
Communication expenses	38,035	35,906	38,311	28,844	29,712
Depreciation of property, plant and equipment	26,190	29,427	37,001	26,724	31,888
Employee compensation	1,847,153	1,888,951	2,045,891	1,528,692	1,617,026
Entertainment expenses	13,171	10,606	30,747	9,171	11,718
Other professional fees	79,865	70,199	103,591	49,161	103,997
Rental expense on operating leases	30,958	23,131	24,677	18,192	17,482
Stationary expenses	48,328	42,222	42,448	31,660	36,181
Tax and dues	206,436	270,395	228,120	170,279	178,711
Transportation expenses	30,678	28,095	37,778	27,954	30,225
Other	90,674	80,856	82,584	68,876	58,733
Total	<u>2,656,989</u>	<u>2,682,504</u>	<u>2,937,343</u>	<u>2,146,466</u>	<u>2,276,710</u>

Finance expenses

Our finance expenses comprise interest incurred on bank borrowings.

Income tax expenses

Income tax expenses comprise corporate income tax, resident tax and the portion of business tax recorded under income tax expenses. The aggregate effective tax rate was 41.0% for FY2009, FY2010, FY2011 and 9M2012.

REVIEW OF RESULTS OF OPERATIONS

FY2009 compared to FY2010

Revenue

(a) Revenue from revitalisation business

Our revenue from our revitalisation business decreased by JPY1,813.0 million, or 18.2%, from JPY9,962.4 million in FY2009 to JPY8,149.4 million in FY2010. The decrease was mainly because we sold 11 revitalised buildings amounting to JPY5,255.2 million in FY2010, compared to 20 revitalised buildings amounting to JPY9,531.5 million in FY2009. We had sold more revitalised buildings in FY2009 during the financial crisis as we had wanted to lower our inventory levels and pay off debt secured with these properties as we had intended

to reduce our exposure to external financing and on-balance sheet risk. We had also purchased less office buildings for the revitalisation business after the financial crisis in 2009. This was partially offset by selling 63 units amounting to JPY2,894.2 million through the “Restyling” business in FY2010, compared to four units amounting to JPY430.9 million in FY2009. The “Restyling” business only started in the second half of FY2009 and was in full operation in FY2010.

(b) Revenue from development business

Our revenue from our development business decreased by approximately JPY4,874.0 million, or 29.4%, from JPY16,556.4 million in FY2009 to JPY11,682.4 million in FY2010. We sold three office buildings amounting to JPY3,724.6 million in FY2010, compared to four office buildings, including a large scale building (Heiwajima Tosei Building), amounting to JPY12,579.4 million in FY2009. None of the buildings sold in FY2010 were on the same scale as the Heiwajima Tosei Building transaction. The decrease in FY2010 was partially offset by the increase in the revenue from condominium buildings, condominium units and land lots. We sold five condominium buildings amounting to JPY7,670.2 million and four land lots amounting to JPY287.7 million in FY2010, compared to three condominium buildings amounting to JPY2,462.7 million and 43 condominium units amounting to JPY1,514.3 million in FY2009.

(c) Revenue from rental business

Our revenue from our rental business decreased by approximately JPY830.9 million, or 24.3%, from JPY3,422.4 million in FY2009 to JPY2,591.5 million in FY2010. The decrease in the revenue from our rental business was due mainly to (i) the decrease in the effective rental rate of approximately 17.1% from FY2009 to FY2010, as a result of generally lower rents, and (ii) the disposition of income generating properties during FY2009 when we were lowering our inventory levels. Effective rental rate is calculated using the following formula:

$$\frac{\text{Rental Income}}{(\text{Size of leased space at the end of the previous financial period} + \text{Size of leased space at the end of the current financial period})/2}$$

The effective annual rental rate was JPY53,727/sq m in FY2009 and JPY44,537/sq m in FY2010.

(d) Revenue from fund business

Our revenue from our fund business increased by approximately JPY180.8 million, or 20.2%, from JPY897.0 million in FY2009 to JPY1,077.8 million in FY2010. The increase in revenue mainly comprised an increase in brokerage fees received in respect of property transactions amounting to JPY169.4 million. The increase in the brokerage fees was due mainly to a few larger scale transactions in FY2010.

(e) Revenue from property management business

Our revenue from our property management business increased by approximately JPY170.7 million, or 6.6%, from JPY2,597.8 million in FY2009 to JPY2,768.5 million in FY2010. The increase in revenue was due mainly to the increase in the number of properties managed by us. The property management fee rates remained stable. Whilst we provide property

management services for some of properties to which we also provide services under our fund business, we also provide property management services for properties which do not have a fund and/or asset management business relationship with us.

(f) Revenue from alternative investment business

Our revenue from our alternative investment business decreased by approximately JPY16.8 million, or 9.0%, from JPY187.0 million in FY2009 to JPY170.2 million in FY2010. The decrease in revenue was due mainly to (i) a decrease in disposal gains in FY2010 as there was a one-off disposal gain of JPY8.0 million from the sale of a non-performing loan in FY2009, and (ii) a decrease in interest income of JPY7.1 million in FY2010 as the non-performing loan mentioned above at (i) had contributed JPY1.8 million in interest income in FY2009 and there was also a further one-off late interest payment of JPY4.6 million made in respect of another non-performing loan in FY2009.

In total, our revenue decreased by approximately JPY7,183.1 million, or 21.4%, from JPY33,622.9 million in FY2009 to JPY26,439.8 million in FY2010.

Gross profit and gross profit margin

Our cost of revenue decreased by JPY6,616.3 million, or 22.8%, from JPY28,983.8 million in FY2009 to JPY22,367.5 million in FY2010. Our gross profit decreased by approximately JPY566.8 million, or 12.2% from JPY4,639.1 million in FY2009 to JPY4,072.2 million in FY2010. The decrease in gross profit was as a result of a greater decrease in revenue as compared to the decrease in the cost of revenue. This was because of the sale of a large development (Heiwajima Tosei Building) in FY2009. In contrast, there was no similar sized disposal in FY2010.

Overall gross profit margin of our Group increased from 13.8% in FY2009 to 15.4% in FY2010, which was due mainly to less inventory write-downs for properties under the revitalisation and alternative investment businesses in FY2010 as the property market recovered in 2010. This was partially offset by more inventory write-downs for properties under the development business due to lower rental rates as we attempted to increase the occupancy rates of our rental properties.

Other income

Other income decreased by approximately JPY46.8 million, or 61.9%, from JPY75.6 million in FY2009 to JPY28.8 million in FY2010, due mainly to a one-off refund of insurance premium (insurance premium paid by us for our employees pursuant to a benefit plan) of approximately JPY37.3 million in FY2009 and a decrease in interest income of approximately JPY5.0 million in FY2010, which was due mainly to a JPY3.6 million reduction in interest income from our deposits with various banks.

Other losses – net

Other losses decreased by JPY318.8 million or 98.9%, from JPY322.3 million in FY2009 to JPY3.5 million in FY2010 due mainly to a one-time payment of a cancellation penalty paid to a supplier for the purchase of a property (and the design/planning costs relating to such property) of JPY280.4 million in FY2009.

The decrease was also due to a decrease in property, plant and equipment written off of JPY37.0 million which was due mainly to a layout change conducted in FY2009. The layout change involved the conversion of one floor of our office building into office space and meeting rooms. Prior to the layout change, the space had previously been used for mock-up rooms in our condominium projects. The conversion of the space had resulted in the write-off of the cost of the mock-up rooms.

Administrative expenses

Administrative expenses marginally increased by approximately JPY25.5 million, or 1.0%, from JPY2,657.0 million in FY2009 to JPY2,682.5 million in FY2010. The increase was due mainly to an increase in tax and dues of JPY64.0 million, an increase in employee compensation of JPY41.8 million and an increase in commission fee of JPY20.1 million, partially offset by a decrease in advertising expenses of JPY72.8 million.

The increase in tax and dues is due to an increase in non-deductible consumption tax which was in line with the increase in the taxable purchase of inventory assets.

The increase in employee compensation was due mainly to salary increments.

The increase in commission fees were due mainly to the increase in the fees paid to recruitment agents for longer contract periods for the same number of contract staff.

The decrease in advertising expenses was mainly because we reduced advertising activities after the financial crisis in 2009.

Finance expenses

Finance expenses marginally increased by JPY20.9 million, or 2.6% from JPY805.8 million in FY2009 to JPY826.7 million in FY2010, due mainly to a higher effective interest rate.

Income tax expenses

Our income tax expenses decreased by JPY169.9 million, or 37.7%, from JPY450.5 million for FY2009 to JPY280.6 million for FY2010, representing a decrease in taxable income.

FY2010 compared to FY2011

Revenue

(a) Revenue from revitalisation business

Our revenue from our revitalisation business increased by approximately JPY3,891.5 million, or 47.8%, from JPY8,149.4 million in FY2010 to JPY12,040.9 million in FY2011. The increase in revenue was mainly because we sold 204 “Restyling” units amounting to JPY6,414.8 million in FY2011, compared to 63 “Restyling” units amounting to JPY2,894.2 million in FY2010. The increase in the number of sold “Restyling” units was due mainly to more “Restyling” units being launched in FY2011. The average price per unit was lower compared to FY2010 as a significant proportion of the revenue from our revitalisation business for FY2011 was attributable to revenue from a large project outside of Tokyo – the Hilltop Yokohama Negishi project in Yokohama. Prices per sq m in Tokyo are generally higher compared to other localities outside of Tokyo. The average sale price per unit for our “Restyling” projects in FY2010 and FY2011 were as follows:

	Location	Average Unit Price (JPY)
FY2010	Tokyo	62,737,001
	Outside Tokyo	27,463,590
FY2011	Tokyo	34,372,073
	Outside Tokyo	28,739,409

The decrease in average sale price per unit in Tokyo from FY2009 to FY2010 was because the average size of the units sold in FY2011 in Tokyo was generally smaller. In FY2010 and FY2011, the average price per sq m in Tokyo for our transactions was generally at least 1.5-2.5 times that of properties outside of Tokyo.

(b) Revenue from development business

Our revenue from our development business decreased by approximately JPY6,426.3 million, or 55.0%, from JPY11,682.4 million in FY2010 to JPY5,256.1 million in FY2011. The decrease in revenue was mainly because we sold one office building amounting to JPY1,932.1 million, 65 condominium units amounting to JPY2,593.6 million and no land lots in FY2011, compared to three office buildings amounting to JPY3,724.6 million, five condominium buildings amounting to JPY7,670.2 million and four land lots amounting to JPY287.7 million in FY2010. This was due to the fact that we had reduced our inventory levels in the early part of FY2009 and did not resume our acquisition activities until September 2009. Accordingly, we did not have any completed condominium buildings ready for sale in FY2011, as opposed to the five condominium buildings sold in FY2010. This was partially offset by the revenue from sale of 12 detached houses amounting to JPY730.4 million in FY2011, while no detached houses were sold in FY2010.

(c) Revenue from rental business

Our revenue from our rental business marginally decreased by approximately JPY57.5 million, or 2.2%, from JPY2,591.5 million in FY2010 to JPY2,534.0 million in FY2011. There were no material changes in our rental property portfolio held as plant property and equipment and effective rental rates in FY2011 compared to FY2010. Nonetheless, it should be noted that sources of our rental income change as we dispose of and acquire properties. Whilst there was little change to our portfolio for rental properties held as plant, property and equipment (classified as rental business assets), there was also rental income generated from properties held under our revitalisation and development segments. An example of such rental income would be from tenants who have not moved out of properties undergoing "Restyling". Such rental income is nonetheless booked as revenue under our rental business. These assets typically change from year to year and two condominium buildings and two office buildings were disposed off at various times in FY2010.

(d) Revenue from fund business

Our revenue from our fund business increased by approximately JPY157.0 million, or 14.6%, from JPY1,077.8 million in FY2010 to JPY1,234.8 million in FY2011. The increase in revenue mainly comprised the increase in brokerage fees and acquisition fees of JPY236.1 million and JPY98.1 million respectively, partially offset by the decrease in asset management fees of JPY247.7 million. The increase in brokerage fees and acquisition fees was due mainly to a few large scale transactions in FY2011. The decrease in asset management fees was due to the decrease in asset management fee rate in line with the conditions in the industry in FY2011.

(e) Revenue from property management business

Our revenue from our property management business increased by approximately JPY746.1 million, or 26.9%, from JPY2,768.5 million in FY2010 to JPY3,514.6 million in FY2011. The increase in revenue was due mainly to one large-scale contract in FY2011. This large-scale contract was entered into with a major electrical retail chain to provide comprehensive property management services. The contract was terminated at the end of January 2012 and was a one-off contract.

(f) Revenue from alternative investment business

Our revenue from our alternative investment business increased by approximately JPY10.3 million, or 6.1%, from JPY170.2 million in FY2010 to JPY180.5 million in FY2011. The increase in revenue was due mainly to the increase in rental income from properties held by our alternative investment business, which was partially offset by the decrease in gains from the repayment of principal sums and interest payments in respect of non-performing loans.

In aggregate, our revenue decreased by JPY1,678.9 million, or 6.3%, from JPY26,439.8 million in FY2010 to JPY24,760.9 million in FY2011.

Gross profit and gross profit margin

Our cost of revenue decreased by JPY2,786.9 million, or 12.5%, from JPY22,367.5 million in FY2010 to JPY19,580.7 million in FY2011. Our gross profit increased by approximately JPY1,108.0 million, or 27.2% from JPY4,072.2 million in FY2010 to JPY5,180.2 million in FY2011. The increase in gross profit was due mainly to the decrease in the inventory write-downs of JPY1,092 million from FY2010.

Overall gross profit margin of our Group increased from 15.4% in FY2010 to 20.9% in FY2011. The increase was due mainly to the increased contribution from the “Restyling” business in FY2011, which has a higher gross margin than our other businesses. The increase in overall gross profit margin was also due to less inventory write-downs for properties under the revitalisation business in FY2011 as a result of the property market recovery in 2011, partially offset by more inventory write-downs for properties under the alternative investment business as a result of the decrease in the prices of land in locations where properties were held by our alternative investment business.

Other income

Other income increased by approximately JPY33.9 million, or 117.6%, from JPY28.8 million in FY2010 to JPY62.7 million in FY2011, due mainly to one-off forfeiture of a deposit received from a customer in respect of an option to purchase a land plot in Yatsuka in FY2011, amounting to JPY34.0 million. This was partially offset by the decrease in the interest income of approximately JPY6.8 million, which was due mainly to the decrease in balance of loans to a non-related party which resulted in a decrease in interest income from this loan of JPY4.8 million. The loan was made to an asset management company who had appointed our Company as a sub-asset manager. The purpose of the loan was to finance the asset management company’s operational funding needs. This loan has been fully repaid.

Other losses – net

Other losses increased by JPY13.6 million or 389.7%, from JPY3.5 million in FY2010 to JPY17.2 million in FY2011, due mainly to impairment loss on the club membership compared to the market value of the membership in FY2011. Our Company owns two country club memberships, which we use for entertaining our clients. As these club memberships are tradable, the impairment was calculated based on asking prices by membership brokers.

Administrative expenses

Administrative expenses increased by approximately JPY254.8 million, or 9.5%, from JPY2,682.5 million in FY2010 to JPY2,937.3 million in FY2011. The increase was due mainly to an increase in employee compensation of JPY156.9 million, an increase in commission fees of JPY47.4 million and an increase in advertising expenses of JPY35.2 million. The increase in commission fees was due to an increase in due diligence costs which we had absorbed in respect of certain properties

which we managed and which were in the process of being put up for sale by a fund. We had absorbed such costs out of goodwill and due to the existing client relationship between the fund (which is a non-related entity) and our Company. The increase in advertising expenses was in line with the market's recovery from the financial crisis. Additionally, the increase in advertising fees in FY2011 was because we started to gradually resume our advertising activities. We had cut-back on advertising activities in FY2010 due to the fallout from the financial crisis.

The increase in employee compensation was due mainly to the increase in bonuses which was in line with higher profit achieved in FY2011.

The increase in commission fees and advertising expenses was mainly because we resumed active marketing activities in FY2011.

Finance expenses

Finance expenses decreased by JPY47.9 million, or 5.8% from JPY826.7 million in FY2010 to JPY778.9 million in FY2011, due mainly to a lower amount of bank borrowings.

Income tax expenses

Our income tax expenses increased by JPY488.7 million, or 174.2%, from JPY280.6 million for FY2010 to JPY769.2 million for FY2011, representing an increase in taxable income. The effective tax rate for FY2010 and FY2011 were 47.7% and 51.0% respectively.

9M2011 compared to 9M2012

Revenue

(a) Revenue from revitalisation business

Our revenue from our revitalisation business decreased by approximately JPY4,503.8 million, or 49.9%, from JPY9,033.6 million in 9M2011 to JPY4,529.8 million in 9M2012. The decrease in revenue was mainly because we sold four revitalised buildings amounting to JPY1,597.4 million in 9M2012, compared to nine revitalised buildings amounting to JPY4,287.7 million in 9M2011, and we sold 80 "Restyling" units amounting to JPY2,932.4 million in 9M2012, compared to 152 "Restyling" units amounting to JPY4,745.9 million in 9M2011. The decrease in sales from both revitalised building and the "Restyling" units was because fewer new revitalisation and "Restyling" projects were launched for sale in 9M2012 since we focused on selling existing revitalised buildings and units in our "Restyling" business. Demand for such properties (especially for the Hilltop Yokohama Negishi project, a large "Restyling" project of our Company in Yokohama-shi, Kanagawa) was also lower in 9M2012, leading to a decrease in sales.

(b) Revenue from development business

Our revenue from our development business increased by approximately JPY2,960.4 million, or 178.5%, from JPY1,658.7 million in 9M2011 to JPY4,619.1 million in 9M2012. The significant increase in revenue was mainly because we sold one office building amounting to JPY1,718.3 million, 48 condominium units amounting to JPY2,034.3 million and one land lot amounting to JPY772.0 million in 9M2012, compared to no sales of office buildings, 28 condominium units amounting to JPY1,028.6 million and no land lots in 9M2011 as few properties were scheduled for completion and sale in 9M2011. The above increase was partially offset by the decrease in revenue from detached houses. We sold three detached houses amounting to JPY94.6 million in 9M2012, compared to ten detached houses amounting to JPY630.2 million in 9M2011.

(c) Revenue from rental business

Our revenue from our rental business decreased by approximately JPY120.8 million, or 6.4%, from JPY1,884.7 million in 9M2011 to JPY1,764.0 million in 9M2012. The decrease was due both to the decrease in the rental rates of some rental properties and the marginal decrease in the leased area. In addition, our “Restyling” business had revitalised certain rental units and sold such units in FY2011 and at the beginning of FY2012. When we acquire properties for “Restyling”, such properties are usually partially tenanted and we will continue to receive rental income in respect of such tenanted units, whilst renovation of the common areas and untenanted units takes place. Accordingly, a reduction in inventory held under our “Restyling” business generally results in a reduction in rental income as tenanted units are renovated and re-sold once a tenant vacates the unit.

(d) Revenue from fund business

Our revenue from our fund business decreased by approximately JPY447.7 million, or 42.4%, from JPY1,055.1 million in 9M2011 to JPY607.4 million in 9M2012. The decrease in revenue mainly comprised the decrease in brokerage fees, acquisition fees and asset management fees of JPY326.8 million, JPY75.4 million and JPY54.7 million respectively. The decrease in brokerage fees and acquisition fees in 9M2012 relative to that in 9M2011 was because we had a few large scale transactions in 9M2011. Asset management fees decreased mainly because a few large scale asset management contracts with higher fee rates expired in the second half of FY2011 and newly acquired asset management contracts were charged lower fee rates due to weaker industry conditions. We did not renew those asset management contracts in the second half of FY2011 due to poor fee payment track records. The decrease in asset management fee rates was also attributable to a decline in rental rates, in line with industry conditions.

(e) Revenue from property management business

Our revenue from our property management business increased by approximately JPY109.2 million, or 4.5%, from JPY2,442.9 million in 9M2011 to JPY2,552.1 million in 9M2012. The increase in revenue was mainly due to our marketing efforts and the number of properties managed by us increased by 36 from 504 to 540 at end of 9M2012.

(f) Revenue from alternative investment business

Our revenue from our alternative investment business increased by approximately JPY557.5 million, or 410.7%, from JPY135.8 million in 9M2011 to JPY693.3 million in 9M2012. The increase in revenue was mainly due to the sale of eight land lots amounting to JPY548.9 million. These eight land lots in the Ebisu area were owned by Green House, a distressed company which we had acquired. In contrast, we had not sold any properties or assets in 9M2011 and revenue was from the collection of rental income from properties held by our alternative investment business as well as repayments and interest from non-performing loans.

In total, our revenue decreased by JPY1,445.1 million, or 8.9%, from JPY16,210.8 million in 9M2011 to JPY14,765.7 million in 9M2012.

Gross profit and gross profit margin

Our cost of revenue decreased by JPY761.4 million, or 6.3%, from JPY11,966.2 million in 9M2011 to JPY11,234.8 million in 9M2012. Our gross profit decreased by approximately JPY683.7 million, or 16.2% from JPY4,214.6 million in 9M2011 to JPY3,530.9 million in 9M2012. The decrease in

gross profit was because we recorded lower revenue from our revitalisation, rental and fund businesses and a greater decrease in revenue as compared to the decrease in the cost of revenue.

Overall gross profit margin of our Group decreased from 26.0% in 9M2011 to 23.9% in 9M2012. The decrease was due mainly to the decrease in profit margin of our revitalisation business and the smaller portion of revenue contribution from our revitalisation business, which was partially offset by the increase in profit margin of our development business and the bigger portion of revenue contribution from our development business.

The changes in profit margins of our revitalisation and development businesses were due mainly to the fluctuation in inventory write-down. For 9M2011, there was an inventory write-down of JPY420.2 million and a large portion of this amount was attributable to a vacant space of an office building held by our development business whose expected rents had declined. For 9M2012, there was an inventory write-down of JPY233.3 million. A large portion of this amount was attributable to a vacant space of an office building held by our revitalisation business whose expected rents had declined. Write-down of the properties in our inventory is booked as a cost of sale. As we write down such assets, cost of sale increases and profitability declines.

Other income

Other income decreased by approximately JPY8.4 million, or 33.2%, from JPY25.2 million in 9M2011 to JPY16.9 million in 9M2012, due mainly to a decrease in the rental income of spaces leased to vendors of vending machines. This was as a result of us selling properties at which such spaces for vending machines were located.

Other losses – net

Other losses were nil and JPY21.2 million in 9M2011 and 9M2012, respectively. Other losses in 9M2012 mainly comprised the loss from the disposal of the Kamon Building.

Administrative expenses

Administrative expenses increased by approximately JPY130.2 million, or 6.1%, from JPY2,146.5 million in 9M2011 to JPY2,276.7 million in 9M2012. The increase was due mainly to the increases in employee compensation of JPY88.3 million and other professional fees of JPY54.8 million, partially offset by decreases in commission fees of JPY32.4 million.

The increase in employee compensation mainly comprised the increases in salaries and bonuses of JPY47.9 million and in other short-term benefits of JPY28.1 million. The increase in salaries and bonuses was due mainly to salary increments and the increase in employee numbers. The increase in other short-term benefits was due mainly to a one-time staff trip to celebrate our successful transfer to the First Section of the TSE.

The increase in other professional fees was due mainly to professional fees in connection with our proposed secondary listing on the SGX-ST.

The decrease in commission fees was due mainly to a decrease in due diligence costs which we had absorbed in respect of certain properties which we managed and which were in the process of being put up for sale by a fund.

Finance expenses

Finance expenses decreased by JPY117.6 million, or 19.9% from JPY590.7 million in 9M2011 to JPY473.1 million in 9M2012, due mainly to the lower outstanding bank borrowings.

Income tax expenses

Our income tax expenses decreased by JPY318.1 million, or 49.2%, from JPY646.6 million for 9M2011 to JPY328.5 million for 9M2012, which was in line with the decrease in profit before income tax.

REVIEW OF FINANCIAL POSITION

Summary

	As at 30 November 2011	As at 31 August 2012	Increase/Decrease	
	¥ million	¥ million	¥ million	(%)
Current assets	43,585	45,835	2,250	5.2
Non-current assets	17,014	17,069	55	0.3
Total assets	<u>60,599</u>	<u>62,904</u>	<u>2,305</u>	3.8
Current liabilities	8,770	9,124	354	4.0
Non-current liabilities	26,521	28,251	1,730	6.5
Total liabilities	<u>35,291</u>	<u>37,376</u>	<u>2,085</u>	5.9

Current assets

Our current assets comprise cash and cash equivalents, financial assets at fair value through profit or loss, available-for-sale financial assets, trade and other receivables, inventories and other assets. Our current assets as at 30 November 2011 and 31 August 2012 amounted to JPY43,585.1 million or 71.9% of our total assets and JPY45,835.4 million or 72.9% of our total assets, respectively.

As at 30 November 2011, our cash and cash equivalents amounted to JPY8,381.7 million, of which JPY8,341.7 million was cash at bank and on hand and JPY40.0 million was short-term bank deposits. As at 31 August 2012, cash and cash equivalents amounted to JPY6,541.8 million, including cash at bank and on hand of JPY6,351.8 million and short-term bank deposits of JPY190.0 million.

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets which do not have market value but are evaluated on a fair value basis. Our financial assets at fair value through profit or loss, a specified equity investment in a real estate fund (which owns Glen Park Komaba Building) to which we provided asset management services, as at 30 November 2011 and 31 August 2012 amounted to JPY17.8 million and JPY17.9 million, respectively.

Available-for-sale financial assets are financial assets held for long term investment, mainly including unlisted securities such as fixed income securities. Available-for-sale financial assets are presented as current assets if they are intended to be sold within 12 months after the balance sheet date. Certain of these financial assets have maturity periods of one year and accordingly, these are classified as current assets. Our current available-for-sale financial assets amounted to JPY10.0 million as at both 30 November 2011 and 31 August 2012.

As at 30 November 2011, trade and other receivables amounted to JPY1,205.4 million, mainly comprising trade receivables of JPY542.0 million, advance payment for deposits paid to our property and land suppliers of JPY225.8 million and prepayments of JPY257.3 million. As at 31 August 2012, trade and other receivables amounted to JPY2,386.4 million, mainly comprising trade receivables of JPY491.9 million, advance payment of JPY141.5 million and prepayments of JPY271.0 million. The prepayments mainly included the interest and rental expense paid to banks and owners of properties leased by us in advance based on the loan agreements and leasing agreements. Non-performing loans invested in our alternative investment business are recorded and carried as the receivable purchased of trade and other receivables on the balance sheet at their purchase prices without periodical revaluation.

As at 30 November 2011 and 31 August 2012, inventories amounted to JPY33,967.9 million and JPY36,877.4 million, comprising real estate for sale of JPY27,674.0 million and JPY28,048.6 million and real estate for sale in progress of JPY6,294.0 million and JPY8,828.8 million, respectively. The values of inventory are decided by comparing the purchase prices and the net realisable value of such properties. Net realisable value is calculated taking into account the estimated selling price and deducting expenses arising from the sale of the property. The lower of such figures is adopted as the value of the property in our inventory.

Non-current assets

Our non-current assets comprise mainly available-for-sale financial assets, trade and other receivables, investment properties, property, plant and equipment, intangible assets and deferred income tax assets. Our non-current assets as at 30 November 2011 and 31 August 2012 amounted to JPY17,014.7 million or 28.1% of our total assets and JPY17,069.4 million or 27.1% of our total assets, respectively.

Non-current available-for-sale financial assets as at 30 November 2011 and 31 August 2012 amounted to JPY369.9 million and JPY391.2 million, respectively. Available-for-sale financial assets are presented as non-current assets if they are not intended to be sold within 12 months after the balance sheet date. The details of non-current available-for-sale financial assets as at 31 August 2012 are set out below:

	Issuer of Security	Nature of Security	Listing Status	Book Value (JPY)	Maturity Dates
1	The Shoko Chukin Bank, Ltd.	Bank bonds	–	10,000,000	27 September 2014
2	Nippon Building Fund Inc.	REIT	Listed	792,000	–
3	Daiwa J-REIT Open	REIT	Listed	18,570,131	–
4	J Real estate securities investment corporation	REIT	–	38,414	–
5	Jyutaku Sangyo Shinyohosho Co.,Ltd.	Shares	–	1,200,000	–
6	Ginroku SPC	Bonds	–	1	16 March 2017
7	Ginroku SPC	Preferred shares	–	1	–
8	Clover Shiba Koen TMK	Preferred shares	–	2	–
9	Japan Opportunity 1 SPC	Preferred shares	–	133,350,000	–
10	Meriken Park Limited Liability Company	Preferred shares	–	200,000,000	–

	Issuer of Security	Nature of Security	Listing Status	Book Value (JPY)	Maturity Dates
11	Poseidon Capital Limited Company	Shares	–	150,000	–
12	The Kosan Shinkin Bank	Shares	–	5,000,000	–
13	The Sawayaka Shinkin Bank	Shares	–	2,000,000	–
14	The Tokyo Realtor Co-operation	Equity contribution	–	60,000	–
15	Sannomiya Real Estate Sales LLC ¹	Shares	–	20,000,000	–
	Total			391,160,549	

Note:

- (1) As at the date of this Introductory Document, Sannomiya Real Estate Sales LLC has been renamed and converted into NAI Tosei Japan, Inc., a subsidiary of our Company, and is no longer held as an available-for-sale financial asset.

Non-current trade and other receivables as at 30 November 2011 and 31 August 2012 amounted to JPY125.6 million and JPY172.2 million, mainly comprising guarantee deposits paid for properties leased from third parties by us of JPY115.4 million and JPY166.1 million, respectively.

Investment properties as at 30 November 2011 and 31 August 2012 amounted to JPY11,378.1 million and JPY11,714.7 million respectively. Our investment properties are held and leased for long-term rental yields and/or for capital appreciation, and land under operating leases is held for long-term capital appreciation.

Property, plant and equipment amounting to JPY3,341.3 million and JPY3,331.8 million as at 30 November 2011 and 31 August 2012 respectively mainly comprised our headquarters, Toranomom Tosei Building.

Intangible assets, amounting to JPY66.9 million and JPY48.5 million as at 30 November 2011 and 31 August 2012 respectively, were mainly attributable to innovation expenses in customising computer software for our businesses (in particular our accounting system and property databases) and computer software licenses we had purchased.

Other assets, amounting to JPY8.4 million as at both 30 November 2011 and 31 August 2012 respectively, were the non-current portion of the two country club memberships.

Deferred income tax assets amounted to JPY1,724.7 million and JPY1,402.6 million as at 30 November 2011 and 31 August 2012 respectively.

Current liabilities

Our current liabilities comprise trade and other payables, current tax liabilities and borrowings, amounting to JPY8,770.8 million or 24.9% of our total liabilities and JPY9,125.0 million or 24.4% of our total liabilities as at 30 November 2011 and 31 August 2012 respectively.

As at 30 November 2011, current trade and other payables amounted to JPY2,517.7 million, comprising mainly trade payables to construction companies of JPY820.7 million, deposits for purchase of real estate received from customers of JPY545.5 million, other payables for deposits received from our rental customers and for deposits received on behalf of our property management customers of JPY290.7 million and accruals for operating expenses mainly to subcontractors of JPY860.8 million. As at 31 August 2012, current trade and other payables accounted for JPY2,438.1 million, comprising mainly trade payables to construction companies of JPY908.7 million, deposits for purchase of real estate received from customers of JPY782.1 million, other payables for deposits received from our rental customers and for deposits of advance rentals collected on behalf of our property management customers of JPY244.3 million and accruals for operating expenses mainly to subcontractors of JPY503.0 million.

The deposit paid by customers for the purchase of property is typically 10-20% of the purchase price, and is usually held by us until the delivery of such property.

Current income tax liabilities amounted to JPY81.3 million and JPY72.0 million as at 30 November 2011 and 31 August 2012 respectively.

Current borrowings amounting to JPY6,171.7 million and JPY6,614.9 million as at 30 November 2011 and 31 August 2012 respectively mainly comprised the current portion of bank borrowings. The borrowings were used mainly for purchase of land and buildings.

Non-current liabilities

Our non-current liabilities comprise trade and other payables, borrowings, deferred income tax liabilities and retirement benefits obligations, amounting to JPY26,521.1 million or 75.1% of our total liabilities and JPY28,251.4 million or 75.6% of our total liabilities as at 30 November 2011 and 31 August 2012 respectively.

Non-current trade and other payables were mainly lease and guarantee deposits received from our customers, amounting to JPY1,810.6 million and JPY2,087.8 million as at 30 November 2011 and 31 August 2012 respectively. For a typical two-year lease, the deposit received from our rental customers is normally equivalent to one month's rent for residential properties and eight months' rent for office properties. The deposit is refundable immediately once the lease expires.

Non-current borrowings were the non-current portion of bank borrowings amounting to JPY23,900.7 million and JPY25,413.6 million as at 30 November 2011 and 31 August 2012 respectively. The borrowings were used mainly for the purchase of land and buildings.

Retirement benefits obligations amounting to JPY504.7 million and JPY532.5 million as at 30 November 2011 and 31 August 2012 respectively were the amount to be paid to our Directors and employees upon their retirement.

Equity

As at 30 November 2011, our total equity amounted to JPY25,308.0 million, comprising paid-in capital of JPY5,454.7 million, retained earnings of JPY14,339.1 million and other reserves of JPY5,514.1 million. As at 31 August 2012, our total equity amounted to JPY25,528.4 million, comprising paid-in capital of JPY5,454.7 million, retained earnings of JPY14,559.0 million and other reserves of JPY5,514.8 million.

LIQUIDITY AND CAPITAL RESOURCES

Since our establishment, our business growth and operations have been funded by a combination of shareholders' equity, cash generated from operating activities as well as borrowings provided by various financial institutions. Our principal uses of cash have mainly been for the acquisition of land and buildings, working capital requirements, capital expenditures, operating expenses, financial expenses as well as the purchase and upgrading of operation equipments for our business.

As at the Latest Practicable Date, we had cash and cash equivalents of JPY11,838.9 million.

Based on our shareholders' equity of JPY27,258.7 million as at 31 December 2012, our gearing ratio (defined as the ratio of total interest bearing borrowings divided by shareholders' equity) was approximately 1.09 times.

We experienced net cash outflows from operating activities of approximately JPY3,148.1 million for 9M2012 due mainly to the acquisitions of land and buildings during this period. The acquisitions were financed by our cash and bank borrowings. Consideration paid for these acquisitions was recorded as cash outflow from operating activities and the bank borrowings drawn were classified as cash inflows from financing activities, which resulted in a negative cash flow from operating activities for 9M2012.

Our Directors are of opinion that as at the date of this Introductory Document, after taking into account the availability of land and building acquisition financing from financial institutions and our cash and cash equivalents, our Group has sufficient funds for our present operation requirements as well as for future business expansion.

We have been able to service our borrowings on a timely basis.

The following table sets out a summary of our cash flows for FY2009, FY2010, FY2011 and 9M2012:

JPY'000	FY2009	FY2010	FY2011	9M2012
Net cash provided by/(used in) operating activities	13,610,527	(868,033)	7,134,191	(3,148,097)
Net cash (used in)/provided by investing activities	(47,525)	(21,581)	(438,693)	64,139
Net cash (used in)/provided by financing activities	<u>(12,922,057)</u>	<u>(84,241)</u>	<u>(5,191,991)</u>	<u>1,244,092</u>
Net increase/(decrease) in cash and cash equivalents	640,945	(973,855)	1,503,507	(1,839,866)
Cash and cash equivalents at the beginning of financial year/period	<u>7,191,092</u>	<u>7,832,037</u>	<u>6,858,182</u>	<u>8,361,689</u>
Cash and cash equivalents at the end of the financial year/period	<u>7,832,037</u>	<u>6,858,182</u>	<u>8,361,689</u>	<u>6,521,823</u>

Net cash provided by/(used in) operating activities

FY2009

In FY2009, our net cash provided by operating activities was JPY13,610.5 million. This comprised operating cash flow before working capital changes of approximately JPY1,935.1 million and net working capital inflows of JPY14,842.5 million. Net working capital inflows were due mainly to decrease in inventories of JPY15,050.2 million, partially offset by a decrease of trade and other payables of JPY903.8 million. In addition, we received interest income of JPY15.0 million and dividends of JPY2.8 million, and paid income tax of JPY3,185.0 million. The decrease in inventories was as a result of us disposing of properties (and suspending new acquisitions) to pay off debt (which was obtained on a project basis) as we had intended to reduce our exposure to external financing and on-balance sheet risk in an unstable financial environment. The decrease in trade and other payables was due mainly to the decrease in received lease and guarantee deposits of JPY544.8 million which was in line with our property disposal strategy in the unstable financial environment.

FY2010

In FY2010, our net cash used in operating activities was JPY868.0 million. This comprised operating cash flow before working capital changes of approximately JPY1,562.2 million and net working capital outflows of JPY2,396.5 million. Net working capital outflows were due mainly to increases in inventories of JPY1,594.4 million, decrease in trade and other payables of JPY678.7 million and increase in fixed deposits of JPY286.1 million, partially offset by an increase in trade and other receivables of JPY109.5 million. We also received interest income of JPY10.3 million and dividends of JPY2.8 million and paid income tax of JPY46.9 million. The increase in inventories was mainly because we purchased more land and buildings at lower prices after the financial crisis in 2009. The decrease in trade and other payables was due mainly to the decrease in trade payables to sub-contractor for construction work of JPY362.7 million.

FY2011

In FY2011, our net cash provided by operating activities was JPY7,134.2 million. This comprised operating cash flow before working capital changes of approximately JPY2,472.2 million and net working capital inflows of JPY4,684.6 million. Net working capital inflows were due mainly to an decrease in inventories of JPY3,594.8 million and an increase in trade and other payables of JPY1,014.3 million. In addition, we received interest income of JPY2.1 million and dividends of JPY2.9 million, and paid income tax of JPY27.5 million. The decrease in inventories was mainly because we purchased less land and buildings in FY2011 compared to FY2010 when the property market started recovering in 2010. The increase in trade and other payables was due mainly to the increase in trade payables to sub-contractors for construction of JPY478.1 million.

9M2012

In 9M2012, our net cash used in operating activities was JPY3,148.1 million. This comprised operating cash flow before working capital changes of approximately JPY1,400.4 million, which was offset by the net working capital outflows of JPY4,448.1 million. The net working capital outflows were due mainly to increases in inventories of JPY3,453.4 million and in trade and other receivables of JPY1,225.2 million. In addition, we received interest income of JPY1.5 million and dividend income of JPY2.2 million and paid income tax of JPY104.2 million.

Net cash (used in)/provided by investing activities

In FY2009, our net cash used in investing activities of JPY47.5 million mainly comprised additions to investment properties and property, plant and equipment. The increases in investment properties and in property, plant and equipment were due mainly to renovation costs.

In FY2010, our net cash used in investing activities of JPY21.6 million mainly comprised additions to property, plant and equipment.

In FY2011, our net cash used in investing activities of JPY438.7 million mainly comprised the purchase of available-for-sale financial assets for our fund business of JPY333.4 million, additions to property, plant and equipment of JPY22.7 million, additions to investment properties of JPY45.6 million and additions to intangible assets of JPY37.0 million. The purchased available-for-sale financial assets mainly comprised preferred stock.

In 9M2012, our net cash provided by investing activities of JPY64.1 million was due mainly to the disposal of one investment property, Kamon Building, which amounted to JPY217.0 million. This was partially offset by the addition of investment properties of JPY107.1 million.

Net cash (used in)/provided by financing activities

In FY2009, we recorded net cash used in financing activities of JPY12,922.1 million. This was due mainly to repayment of borrowings of JPY21,567.0 million, interest payment of JPY833.5 million and dividends paid to our shareholders of JPY376.8 million, partially offset by proceeds from borrowings of JPY9,230 million and proceeds from issuing of shares of JPY625.8 million.

In FY2010, we recorded net cash used in financing activities of JPY84.2 million. This was due mainly to the repayment of borrowings of JPY18,129.8 million, interest payments of JPY820.6 million and dividends paid to our shareholders of JPY197.9 million, partially offset by proceeds from borrowings of JPY17,099.9 million and proceeds from issuing of shares of JPY1,965.8 million.

In FY2011, we recorded net cash used in financing activities of JPY5,192.0 million. This was due mainly to the repayment of borrowings of JPY15,661.4 million, interest payments of JPY744.7 million and dividends paid to our shareholders of JPY228.4 million, partially offset by proceeds from borrowings of JPY11,474.1 million.

In 9M2012, we recorded net cash provided by financing activities of JPY1,244.1 million. This was due mainly to the net increase of borrowings of JPY1,953.5 million.

CAPITAL EXPENDITURES, DIVESTMENTS AND COMMITMENTS

Capital Expenditures

Our capital expenditures generally comprise repair costs for our investment properties which include the renovation/refurbishment of our headquarters (Toranomom Tosei Building) and the maintenance of our Company's tools, equipment and fixtures. Our capital expenditure is financed mainly by funds generated from shareholders' contributions, operations and bank borrowings. Details of our capital expenditures are set out below:

JPY'000	FY2009	FY2010	FY2011	9M2012	1 September 2012 to Latest Practicable Date
Addition – cost					
Investment properties.	20,275	8,895	45,623	107,110	17,643
Property, plant and equipment.	29,653	14,055	22,704	24,735	12,168
	49,928	22,950	68,327	131,845	29,811
Disposals – cost					
Investment properties.	–	–	–	247,954	–
Property, plant and equipment.	3,480	–	–	–	–
	3,480	–	–	247,954	–
Written-off – cost					
Investment properties.	421	–	–	–	181
Property, plant and equipment.	67,958	19,349	4,086	14,467	7,696
	68,379	19,349	4,086	14,467	7,878

Commitments

We do not have any material capital commitments, operating lease commitments or finance lease commitments as at the Latest Practicable Date.

FOREIGN EXCHANGE MANAGEMENT

Accounting treatment of foreign currencies

We currently operate in Japan. Accordingly, the functional reporting currency for our Company and our subsidiaries is JPY and we maintain our books and records in JPY. Foreign currency monetary assets and liabilities at the balance sheet date, if any, will be translated into the functional currency at the year ended exchange rates. All resultant exchange differences are dealt with through the income statements.

Foreign exchange exposure

All our revenue is generated in Japan and denominated in JPY, and our operating expenses and purchases are mostly denominated in JPY. However, in the consolidated financial statements, currency translation difference arising from net investment in foreign operations, is recognised in other comprehensive income and accumulated in the currency translation reserve.

Our currency translation for 9M2012 recorded in other comprehensive income and the income from currency translation amounted to approximately JPY52,000.

INDUSTRY OVERVIEW

DTZ Debenham Tie Leung K.K. (“Industry Expert”) has been commissioned by our Group to provide this “Industry Overview”. This “Industry Overview” dated 22 February 2013 was prepared by the Industry Expert solely for the purpose of incorporation in this Introductory Document. The Industry Expert has advised that although it has made every reasonable effort to ensure that the information in the following section is accurate, the Industry Expert does not accept any liability (save in respect of liability imposed by any applicable law) for any loss of any nature suffered by any party in consequence of reliance on such information or in any other manner. Investors should also be aware that since the preparation of this section by the Industry Expert, there may have been changes in the economy in Tokyo and in Japan generally, and there may also have been changes in the real estate market and the various sectors therein which could affect the accuracy or completeness of information in this section.

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The purpose of this “Industry Overview” is to provide an independent overview of Tokyo and certain of the real estate sectors in which we are involved in. This “Industry Overview” section contains certain statements that are “forward-looking” and are based on underlying assumptions containing variables that may have been changed since the date of issue. By their nature, forward-looking statements are subject to risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. No forward-looking statements contained herein should be relied upon as predictions of future events. No assurance can be given that the expectations expressed in these forward-looking statements will prove to be correct.

This “Industry Overview” includes market and industry data and forecasts that have been obtained from the Industry Expert’s internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications, surveys and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information. While our Directors have taken reasonable steps to ensure that the information is extracted accurately and in its proper context from a Industry Report dated 22 February 2013 produced by the Industry Expert for our Company, none of our Directors or the Sole Global Coordinator and Manager or their respective officers, agents, employees and advisers have independently verified any of the data from third party sources or ascertained the underlying economic assumptions relied upon therein. Consequently, none of our Directors or the Sole Global Coordinator and Manager or their respective officers, agents, employees and advisers makes any representation as to the accuracy or completeness of such information, and each of them shall not be held responsible in respect of any such information and shall not be obliged to provide any updates on the same.

MACROECONOMIC AND DEMOGRAPHIC OVERVIEW

Macroeconomy

*Overview*¹

Japan's economy remains relatively weak.

Exports and industrial production have decreased, mainly due to the fact that overseas economies remain in a deceleration phase. Business fixed investment has shown some weakness on the whole, although resilience has been observed in nonmanufacturing. In contrast, public investment has continued to increase, and housing investment has generally been picking up. Private consumption has remained resilient and the effects of the decline in car sales due to the ending of some measures to stimulate demand for automobiles have diminished.

With regards to outlook, Japan's economy is expected to level off for the time being and return to a moderate recovery path thereafter as domestic demand remains resilient partly due to the effects of various economic measures and overseas economies gradually emerging from the deceleration phase.

On the price front, the three-month rate of change in domestic corporate goods² prices has been more or less flat. The year-on-year rate of change in consumer prices (all items less fresh food) is currently around 0 percent.

The prices of domestic corporate goods are expected to move slightly upward for the time being, reflecting movements in foreign exchange rates. For the time being, the year-on-year rate of change in consumer prices is expected to turn negative due to the reversal of the previous year's movements in energy-related and durable consumer goods, and thereafter, it is likely to be around 0 percent again.

The weighted average of the overnight call rate has been below the 0.1 percent level, and interest rates on term instruments have been more or less unchanged. In the meantime, compared with December 2012, stock prices have risen, while the value of the yen against the U.S. dollar has fallen. Long-term interest rates have remained at more or less the same level as December 2012.

Financial conditions are accommodative. The overnight call rate has remained at an extremely low level, and firms' funding costs have been hovering at low levels. Meanwhile, the year-on-year rate of change in the money stock has been positive within the range of 2-3 percent.

¹ Source: Extracted and prepared by DTZ based on information from the Bank of Japan

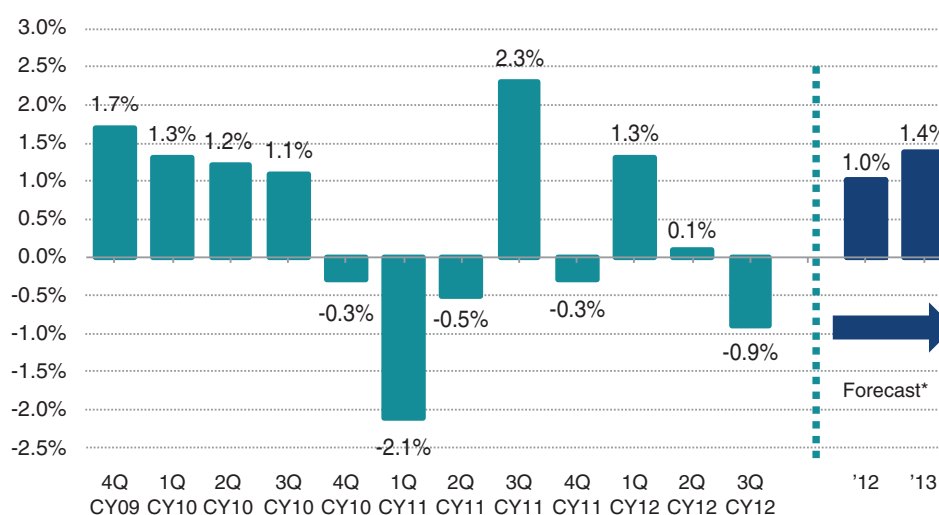
² Goods created by firms at the producer and wholesaler level in Japan

GDP growth

The real GDP growth rate for the 3QCY2012 was negative growth of -0.9% quarter-on-quarter and -3.5% on an annualised basis. This was the first quarter of negative growth since 4QCY2011. The main reason of the negative growth was a sharp drop in export amounts due to a global economic slowdown and regression of consumer spending which makes up approximately 60% of Japan's GDP.¹

According to the economic outlook approved by the Cabinet Office of the Government of Japan in January 2012, the rate of real GDP growth in CY2012 is projected to be 2.2%. The average of the research institutes' forecasts is 1.1% for CY2012 and 1.3% for CY2013.

Real gross domestic product (year-on-year, seasonally adjusted)



Source: Extracted and prepared by DTZ based on the forecast issued by various institutions.

Real GDP growth forecast issued by various institutions

	CY2012	CY2013	Release date
Economic Outlook by the Government	1.0%	2.5%	January 28, 2013
NLI Research Institute	0.9%	1.7%	December 11, 2012
Dai-ichi Life Research Institute	1.1%	1.5%	December 10, 2012
Mitsubishi Research Institute	1.0%	1.5%	December 10, 2012
Mitsubishi UFJ Research and Consulting	0.8%	1.1%	December 11, 2012
Norinchukin Research Institute Co., Ltd.	1.3%	0.7%	December 10, 2012
Mizuho Research Institute	1.0%	1.1%	December 11, 2012
The Japan Research Institute	1.0%	1.3%	December 10, 2012
Japan Center for Economic Research	1.1%	1.3%	December 11, 2012
Daiwa Institute of Research Ltd.	1.0%	1.0%	December 10, 2012
Average	1.0%	1.4%	

Source: Extracted and prepared by DTZ based on each institution's press release

¹ Extracted and prepared by DTZ based on information from the Cabinet Office, Government of Japan.

Major economic indicators

Item	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
1. Diffusion Index (2005=100)							
CI Leading Index	93.1	94.3	96.0	96.3	95.6	95.4	93.9
CI Consistency Index	94.7	94.8	95.8	97.4	97.2	96.2	94.8
2. Economy Watchers' Index	47.0	44.1	45.9	51.8	50.9	47.2	43.8
3. Yen Exchange Rate							
Yen/Dollar	76.94	76.19	81.22	82.79	79.78	78.35	79.77
Yen/Euro	99.59	99.64	108.21	110.47	105.63	96.80	100.97
4. Money Supply (Month-to-month(%))							
M2+CD	3.0	1.1	1.9	4.0	-0.1	-1.7	3.9
5. Consumer Price Index (2005=100)							
General Index	99.4	99.6	99.8	100.3	100.4	100.1	99.6
General Index II ⁽¹⁾	98.6	98.3	98.5	98.8	98.9	98.8	98.6
6. Discount rate(%)	0.30	0.30	0.30	0.30	0.30	0.30	0.30
7. Unsecured Call Money Rate (%)							
Overnight	0.075	0.075	0.081	0.076	0.080	0.095	0.090
8. Long-term Government Bonds (10 years) (%)							
New Issued National Bond Distribution Ratio . . .	0.980	0.965	0.955	0.985	0.885	0.830	0.830
9. Ordinary Deposit (%)							
Average Interest Rates Posted at Financial Institutions	0.024	0.024	0.023	0.023	0.023	0.023	0.023
10. Long-term Prime Rate (%)							
Mizuho Corporate Bank	1.40	1.40	1.40	1.35	1.35	1.30	1.30
11. Short-term Prime Rate (%)							
Mode	1.475	1.475	1.475	1.475	1.475	1.475	1.475
12. Contracted Interest Rate on Loans (Domestic Banks) (%)							
General	1.044	1.036	0.920	1.020	1.075	0.948	0.997
Weighted Average ⁽²⁾	1.017	1.048	0.797	1.040	1.165	0.896	1.001
Rate of Long-term Loan on Deed	1.061	1.027	1.023	1.011	1.021	0.989	0.996
13. TOPIX (End of month)	728.61	755.27	835.96	854.35	804.27	719.49	770.08
14. REIT Index (March 2003=1000)							
REIT Index	834	850	958	990	971	927	957
REIT Index including Dividend	1,269	1,298	1,470	1,526	1,502	1,440	1,497
15. Balance of International Payments (100 million)							
Current Account	2,657	-4,556	12,026	13,074	3,735	3,421	4,221
Capital Account	5,465	-3,138	-11,975	-15,843	-1,462	-9,037	-19,683
16. Family Budget Survey							
Rate of Change in Actual Expenditure of All Households (Month-to-month (%))	0.5	-2.3	2.3	3.4	2.6	4.0	1.6
Rate of Change in Actual Income of Worker Households (year-to-year (%))	0.0	2.4	2.5	4.3	2.7	0.7	3.8
17. Unemployment Rate (%)	4.5	4.6	4.5	4.5	4.6	4.4	4.3
18. Job-to-Applicants Ratio (Times)	0.71	0.73	0.75	0.76	0.79	0.81	0.82
19. Machinery Order Statistics	-2.7	13.4	-11.4	4.1	-4.0	-14.5	7.4
20. Industrial Production Index (2000=100)	95.0	95.9	94.4	95.6	95.4	92.2	92.6

(1) General Index except Food (except alcohol) and Energy.

(2) Weighted Average Interest Rates Posted at Financial Institutions.

Item	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13 ⁽³⁾
1. Diffusion Index (2005=100)							
CI Leading Index	92.9	93.2	91.8	92.5	92.0	93.4	–
CI Consistency Index	93.6	93.2	91.3	90.7	90.2	92.7	–
2. Economy Watchers' Index	44.2	43.6	41.2	39.0	40.0	45.8	49.5
3. Yen Exchange Rate							
Yen/Dollar	78.11	78.37	77.90	79.76	82.45	86.74	91.72
Yen/Euro	96.10	98.55	100.16	103.35	107.05	114.44	124.53
4. Money Supply (Month-to-month(%))							
M2+CD	3.3	3.7	3.0	1.8	1.9	8.7	2.2
5. Consumer Price Index (2005=100)							
General Index	99.3	99.4	99.6	99.6	99.2	99.3	–
General Index II ⁽¹⁾	98.4	98.5	98.5	98.5	98.2	98.0	–
6. Discount rate (%)	0.30	0.30	0.30	0.30	0.30	0.30	0.30
7. Unsecured Call Money Rate (%)							
Overnight	0.090	0.093	0.078	0.089	0.091	0.076	0.082
8. Long-term Government Bonds (10 years)(%) New Issued National Bond Distribution Ratio	0.780	0.795	0.765	0.775	0.700	0.795	0.740
9. Ordinary Deposit (%)							
Average Interest Rates Posted at Financial Institutions	0.022	0.022	0.022	0.022	0.022	0.022	0.022
10. Long-term Prime Rate (%)							
Mizuho Corporate Bank	1.25	1.25	1.25	1.25	1.20	1.20	1.20
11. Short-term Prime Rate (%)							
Mode	1.475	1.475	1.475	1.475	1.475	1.475	1.475
12. Contracted Interest Rate on Loans (Domestic Banks) (%)							
General	1.068	0.954	0.982	1.031	0.929	1.005	–
Weighted Average ⁽²⁾	1.104	0.902	0.944	1.098	0.867	1.085	–
Rate of Long-term Loan on Deed	1.043	0.989	0.999	0.989	0.975	0.966	–
13. TOPIX(End of month)	736.31	731.64	737.42	742.33	781.46	859.80	940.25
14. REIT Index (March 2003=1000)							
REIT Index	945	973	1,021	1,052.81	1,066	1,115	1,239
REIT Index including Dividend	1,482	1,535	1,618	1,672.76	1,700	1,982	1,994
15. Balance of International Payments (100 million)							
Current Account	6,625	4,448	5,137	3,769	-2,224	-2,641	–
Capital Account	-6,766	-10,278	-6,860	-5,920	-3,274	9,134	–
16. Family Budget Survey							
Rate of Change in Actual Expenditure of All Households (Month-to-month (%))	1.7	1.8	-0.9	-0.1	0.2	-0.7	–
Rate of Change in Actual Income of Worker Households (year-to-year (%)).	-2.2	1.8	0.1	0.9	2.1	1.1	–
17. Unemployment Rate (%)	4.3	4.2	4.2	4.2	4.1	4.2	–
18. Job-to-Applicants Ratio (Times) . . .	0.83	0.83	0.81	0.80	0.80	0.82	–
19. Machinery Order Statistics	-2.6	-12.6	9.6	-1.6	5.3	-1.6	–
20. Industrial Production Index (2000=100)	91.7	90.2	86.5	87.9	86.7	88.9	–

(1) General Index except Food (except alcohol) and Energy

(2) Weighted Average Interest Rates Posted at Financial Institutions

(3) Certain information as at January 2013 is not available

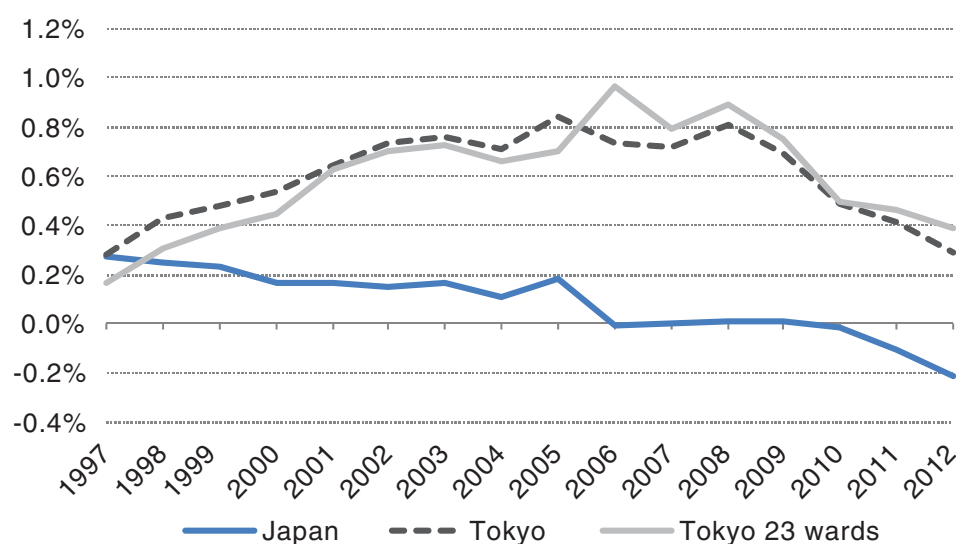
Source: Extracted and prepared by DTZ based on information from various sources including the Japan Cabinet Office (No. 1, 2 and 19), Bank of Japan (No. 3, 4 and 6 to 12), Ministry of Internal Affairs and Communications, Japan (No. 5, 16 and 17), Tokyo Stock Exchange (No.13 and 14), Ministry of Finance, Japan (No.15), Ministry of Health, Labour and Welfare, Japan (No.18) and Ministry of Economy Trade and Industry, Japan (No. 20).

Demographic overview

Population of Japan, Tokyo and the 23 wards of Tokyo

The population of Japan has been falling continuously since 2009. On the contrary, Tokyo's population has continued to grow although the growth rate has been declining. The population is expected to continue to fall in Japan, while Tokyo's population is estimated to expand at least until 2015.

Population trends (year-on-year)



Population ('000s)

	Japan	(y-on-y)	Tokyo	(y-on-y)	23 wards	(y-on-y)
1996	124,914	–	11,542	–	7,817	–
1997	125,257	0.3%	11,575	0.3%	7,830	0.2%
1998	125,568	0.2%	11,625	0.4%	7,854	0.3%
1999	125,860	0.2%	11,680	0.5%	7,885	0.4%
2000	126,071	0.2%	11,743	0.5%	7,920	0.4%
2001	126,285	0.2%	11,819	0.6%	7,969	0.6%
2002	126,479	0.2%	11,906	0.7%	8,026	0.7%
2003	126,688	0.2%	11,996	0.8%	8,084	0.7%
2004	126,824	0.1%	12,082	0.7%	8,138	0.7%
2005	127,059	0.2%	12,184	0.8%	8,195	0.7%
2006	127,055	0.0%	12,273	0.7%	8,274	1.0%
2007	127,053	0.0%	12,362	0.7%	8,340	0.8%
2008	127,066	0.0%	12,462	0.8%	8,414	0.9%
2009	127,076	0.0%	12,548	0.7%	8,477	0.7%
2010	127,058	0.0%	12,610	0.5%	8,519	0.5%
2011	126,923	-0.1%	12,662	0.4%	8,558	0.5%
2012	126,660	-0.2%	12,699	0.3%	8,592	0.4%

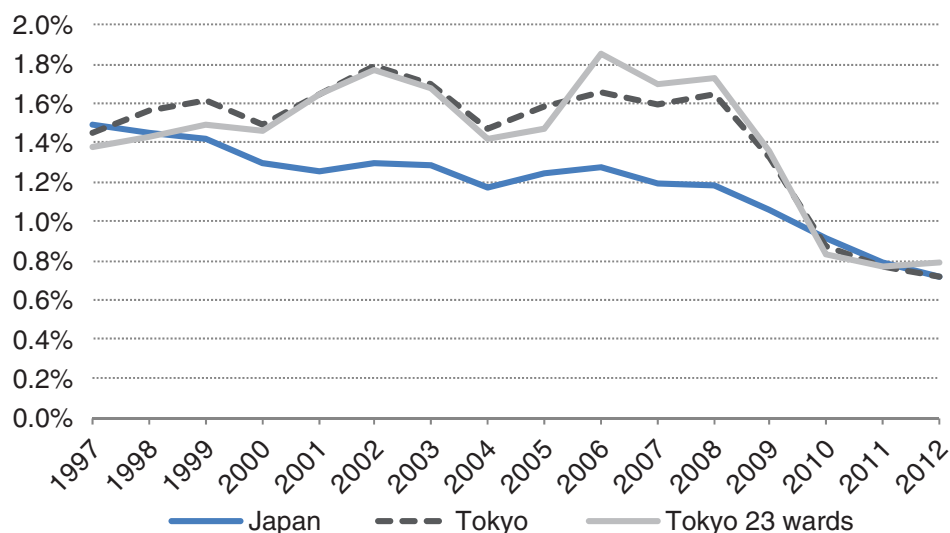
* Population excludes foreigners and is as of 31 March each year

Source: Extracted and prepared by DTZ based on information from the Japanese Ministry of Internal Affairs and Communications

Households in Japan, Tokyo and the 23 wards of Tokyo

Along with population, the number of households has continued to increase in Tokyo although the growth rate has been declining. This was not only due to an increasing population but also a decline in household size. The size of households has been shrinking due to the increase in the number of nuclear families¹.

Change in number of households (year-on-year)



Number of Households (unit: '000s)

	Japan	(y-on-y)	Tokyo	(y-on-y)	23 wards	(y-on-y)
1996	44,831	—	5,092	—	3,597	—
1997	45,498	1.5%	5,166	1.5%	3,646	1.4%
1998	46,157	1.4%	5,246	1.6%	3,698	1.4%
1999	46,812	1.4%	5,331	1.6%	3,753	1.5%
2000	47,420	1.3%	5,411	1.5%	3,808	1.5%
2001	48,015	1.3%	5,500	1.6%	3,871	1.6%
2002	48,638	1.3%	5,598	1.8%	3,939	1.8%
2003	49,261	1.3%	5,693	1.7%	4,005	1.7%
2004	49,838	1.2%	5,777	1.5%	4,062	1.4%
2005	50,456	1.2%	5,868	1.6%	4,122	1.5%
2006	51,102	1.3%	5,965	1.7%	4,198	1.9%
2007	51,713	1.2%	6,060	1.6%	4,269	1.7%
2008	52,325	1.2%	6,160	1.7%	4,343	1.7%
2009	52,878	1.1%	6,242	1.3%	4,402	1.4%
2010	53,363	0.9%	6,296	0.9%	4,439	0.8%
2011	53,783	0.8%	6,345	0.8%	4,473	0.8%
2012	54,171	0.7%	6,390	0.7%	4,508	0.8%

* Population excludes foreigners and is as of 31 March each year

Source: Extracted and prepared by DTZ based on information from the Japanese Ministry of Internal Affairs and Communications

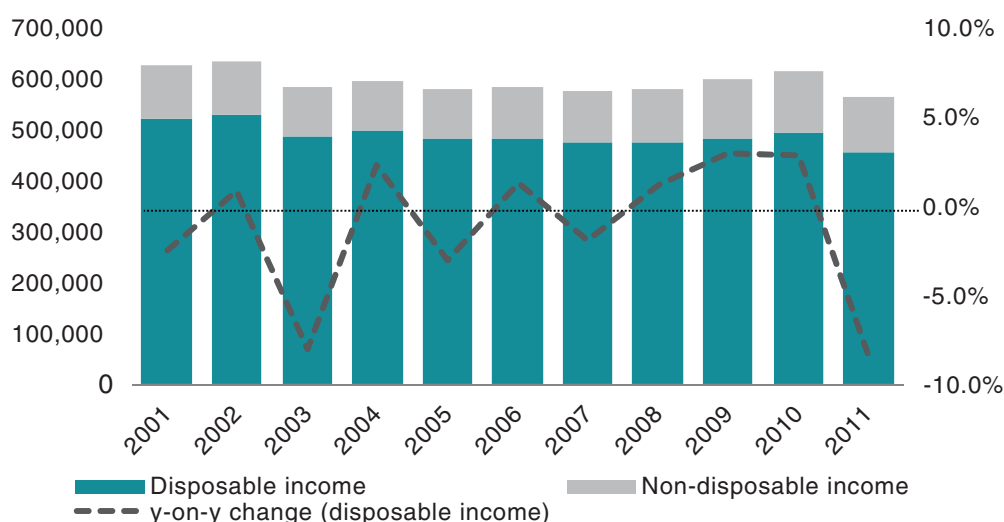
¹ Nuclear family refers to a family group consisting of a pair of adults and their children.

Household income

Average household income for workers in Tokyo has been relatively stable except in some years. In 2011, there was a sharp fall of 8.2% due to the earthquake in March 2011 which affected the Japan's economy for a period of time. Disposable income has typically accounted for approximately 80% of total household income between 2001 and 2011.

As of October 2012, household income had increased by 4.9% year-on-year to JPY529,505, of which disposal income increased by 3.0% year-on-year to JPY430,440 and accounted for approximately 81.3% of total household income.

Worker's household income in Tokyo (JPY/month, year-on-year)



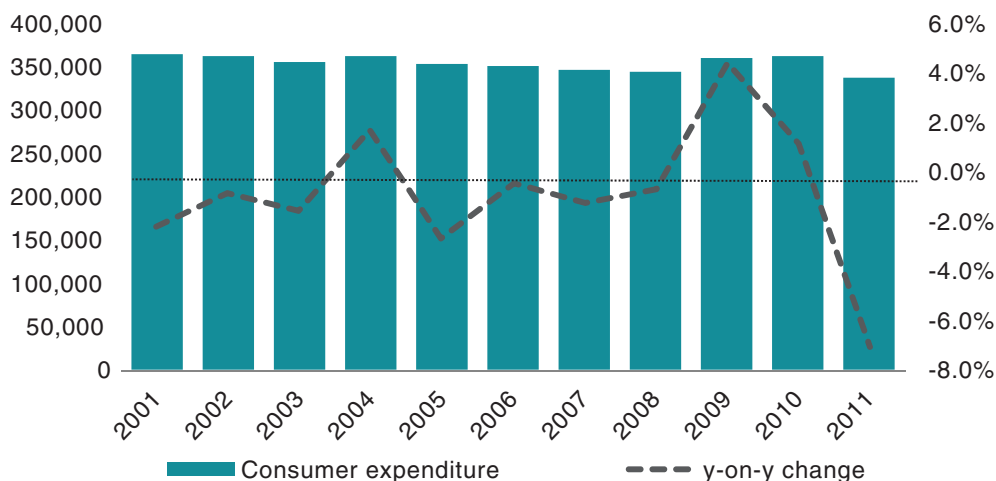
Source: Extracted and prepared by DTZ based on information from the Tokyo Metropolitan Government

Consumer expenditure

On the consumption side, consumer expenditure per household was also relatively stable in the past decade with 2011 again an exception. Consumer expenditure increased in 2009 following a fall in 2008 caused by the global economic crisis in 2008 and 2009. However, consumer expenditure plunged sharply in 2011 due to the earthquake which led to a pull back in consumer activities in the first half of the year.

As of October 2012, consumer expenditure had increased by 3.2% year-on-year to JPY352,841.

Consumer expenditure per household in Tokyo (JPY/month, year-on-year)



Source: Extracted and prepared by DTZ based on information from the Tokyo Metropolitan Government

OFFICE AND RESIDENTIAL (CONDOMINIUM) REAL ESTATE MARKET

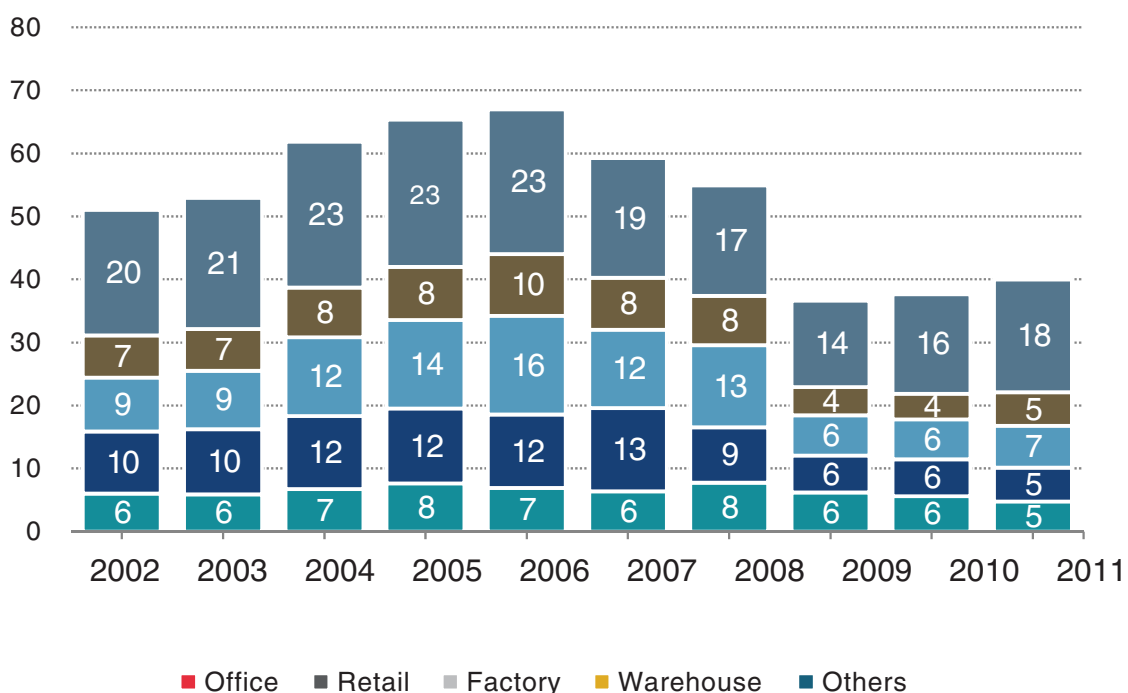
Office market in Tokyo

Overview

The historical trend of commencement of construction is shown below.

The total floor space of new non-residential buildings in 2011 was 39,987,000 sq m, up by 6.2 percent year-on-year for 2 consecutive years. The rate of change compared to the previous year by use is as follows: Office: 14.5% decrease; Retail store: 9.3% decrease; Factory: 4.9% increase; Warehouse: 30.7% increase.

Floor space of buildings which started construction (million sq m)

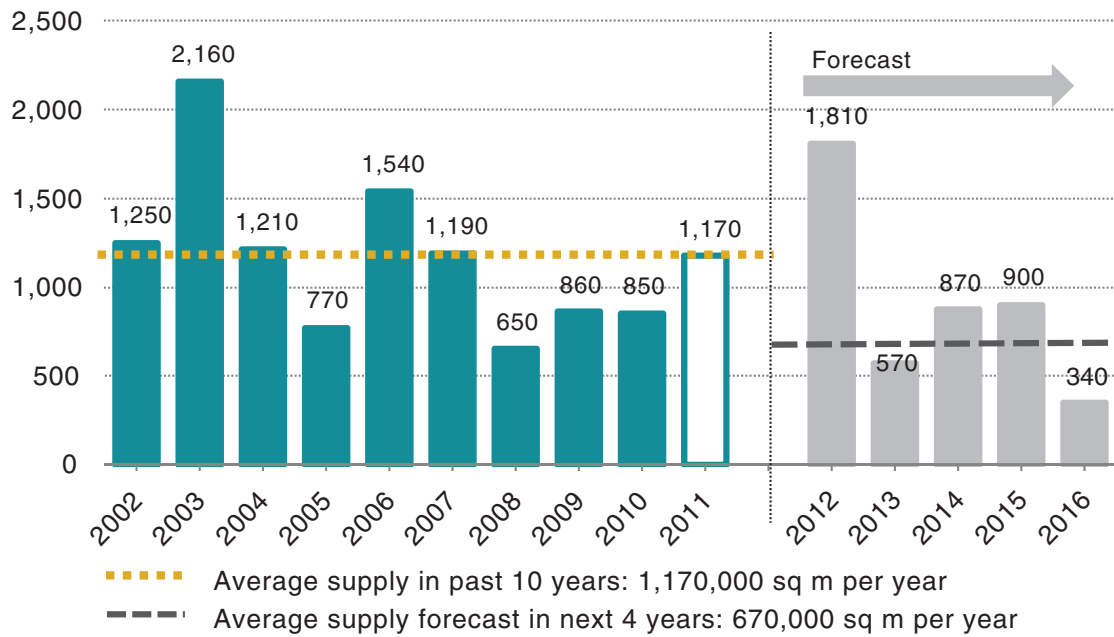


Source: Extracted and prepared by DTZ based on information from the Japanese Ministry of Land, Infrastructure and Tourism

Office historical demand and historical/future supply

The Industry Expert has estimated that the amount of average large-scale office buildings supply in the 23 wards of Tokyo will be 900,000 sq m per year for the upcoming five years (2012 to 2016) and will be lower than the average of the 10 years from 2002 to 2011, which was 1,170,000 sq m per year. On the other hand, the average supply for each of the four years between 2013 to 2016 is expected to decrease to 670,000 sq m per year, especially in 2013 where the average supply will be 570,000 sq m. This figure will be the fourth lowest level in the past 25 years.

Large-scale office buildings supply in the 23 wards of Tokyo ('000s sq m)

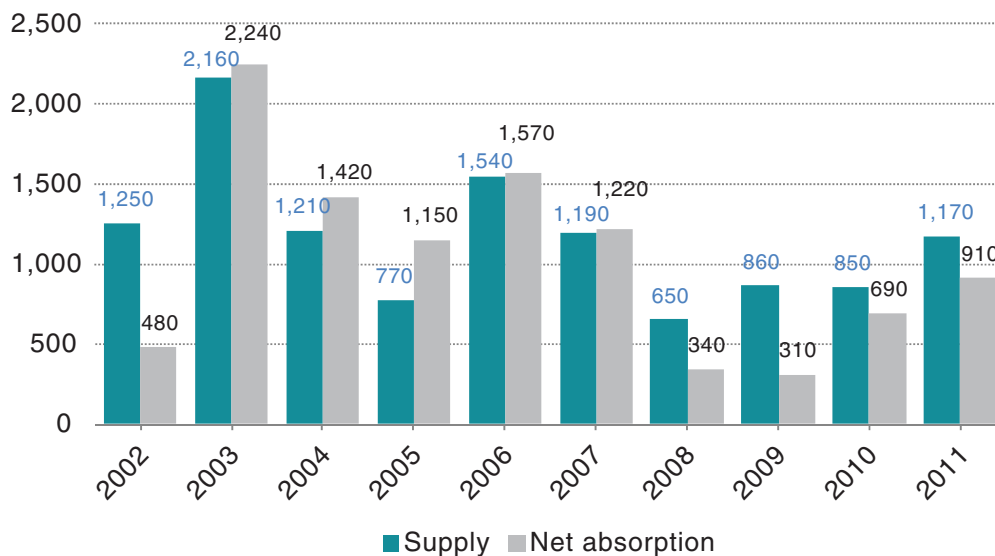


Source: Extracted and prepared by DTZ based on information from Mori Building Co., Ltd.

The Industry Expert has estimated that the number of large-scale office buildings net absorption in the 23 wards of Tokyo in 2011 increased by 32% year-on-year to 910,000 sq m, and it has continued to increase for two consecutive years. It is lower than the supply in 2011, which was 1,170,000 sq m.

However, as mentioned in the section above, the supply of office space is on a downward trend, and it is assumed that the office market will improve if this net absorption trend continues in the future.

Large-scale office buildings net absorption in the 23 wards of Tokyo ('000s sq m)

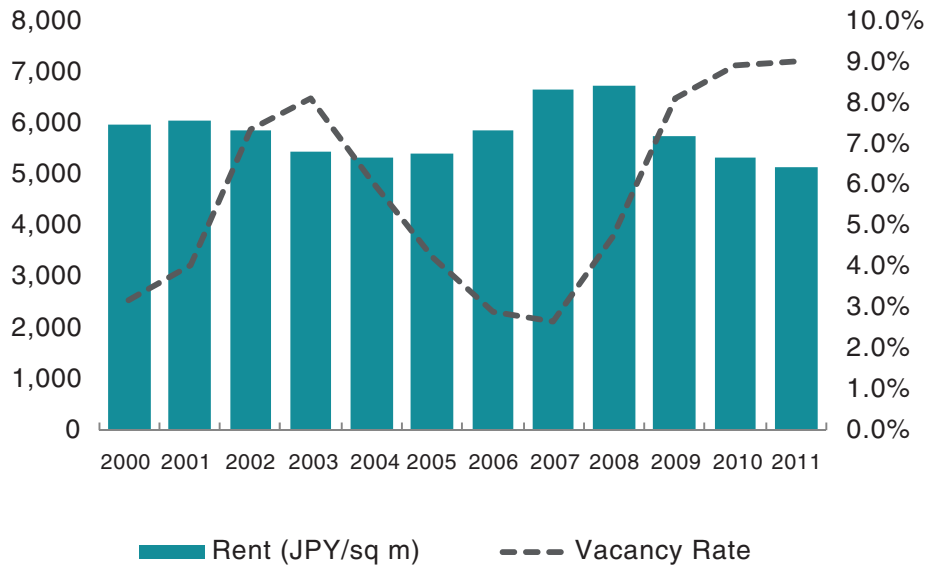


Source: Extracted and prepared by DTZ based on information obtained from Mori Building Co., Ltd.

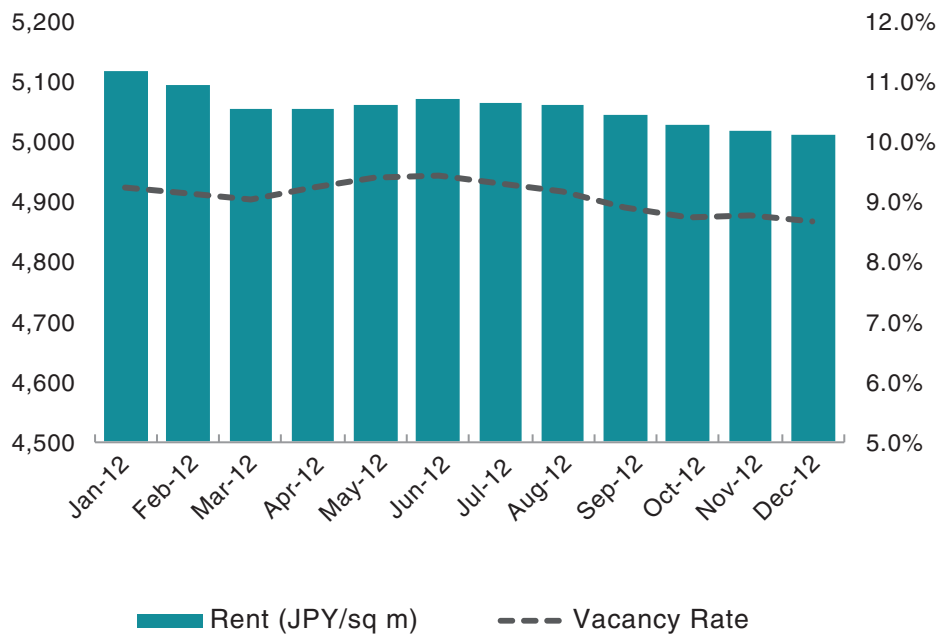
Office rent and vacancy rate

The Industry Expert has estimated that the average asking rent of office space in the Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku and Shibuya-ku (“Tokyo CBD”) increased for four consecutive years from 2004. On the contrary, it decreased for three years from 2008 but the rate of decrement has shrunk. The vacancy rate in Tokyo CBD is on an upward trend since its lowest peak in 2007, but similarly, the rate of increment has shrunk. These trends are shown in the monthly data below:

2000 – 2011: Average monthly asking rent and vacancy rate



January 2012 – December 2012: Average monthly asking rent and vacancy rate



Average Monthly Asking Rent (2000 – 2011)*			Average Monthly Asking Rent (Jan '12 – Dec '12)*		
	Rent* (JPY/sq m)	Vacancy Rate		Rent* (JPY/sq m)	Vacancy Rate
2000	5,976	3.17%	Jan-12	5,118	9.23%
2001	6,049	4.03%	Feb-12	5,096	9.15%
2002	5,841	7.36%	Mar-12	5,057	9.04%
2003	5,431	8.12%	Apr-12	5,055	9.23%
2004	5,317	6.10%	May-12	5,061	9.40%
2005	5,398	4.22%	Jun-12	5,071	9.43%
2006	5,870	2.89%	Jul-12	5,064	9.30%
2007	6,654	2.65%	Aug-12	5,062	9.17%
2008	6,711	4.72%	Sep-12	5,044	8.90%
2009	5,741	8.09%	Oct-12	5,030	8.74%
2010	5,319	8.91%	Nov-12	5,018	8.76%
2011	5,122	9.01%	Dec-12	5,013	8.67%

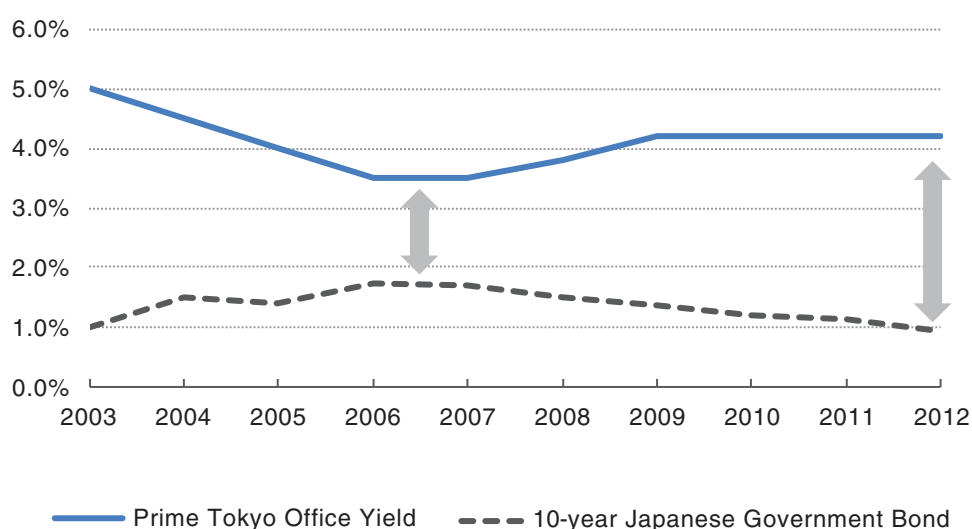
* Average asking rent excluding common area maintenance charges

Source: Extracted and prepared by DTZ based on information obtained from Miki Shoji Co., Ltd.

Tokyo yield gap and international yield gap comparison

The yield gap between Tokyo prime office and 10-year Japanese government bonds are shown below. The yield gap was at its narrowest between 2006 and 2007. It has since continued to widen, reflecting higher real estate yield and lower interest of 10-year Japanese government bonds. The yield gap from 2006 to 2007 was in the range of 1.5% to 2%. However, the yield gap as of October 2012 was at around the same level as the yield gap in 2010, which was about 3%.

Tokyo prime office yield versus 10-year bond rate

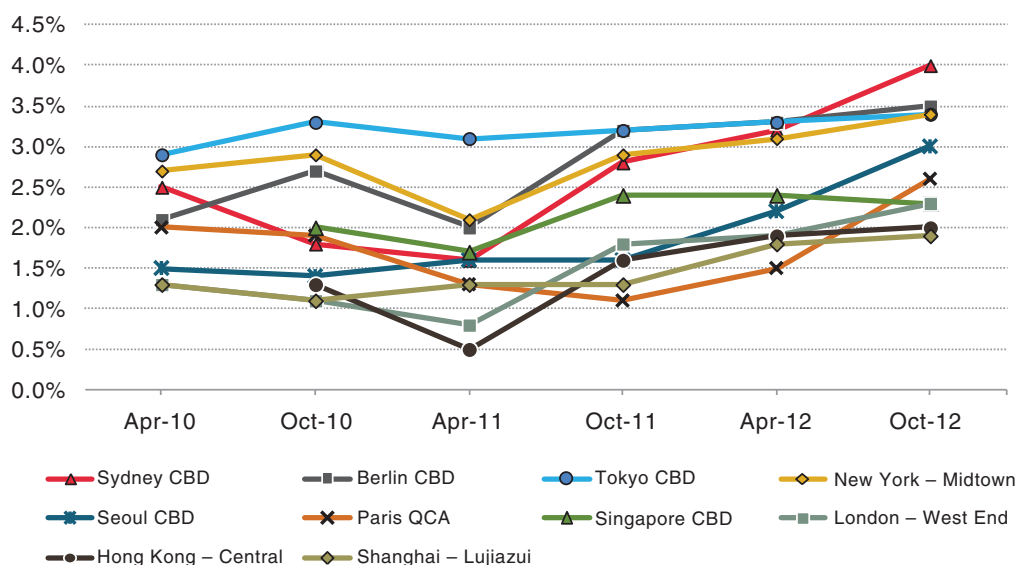


Source: DTZ

The yield gap in Tokyo, which had been the highest of the surveyed markets in the table below since April 2010, was surpassed by Sydney and Berlin, for the first time in October 2012. As yields on government bonds of each country have trended downward, the yield gaps have widened over the last one year.

Following these trends, the Industry Expert believes that some foreign investors have begun looking for opportunities in Japan.

Yield gaps of prime office investment markets



Yield gaps of prime office investment markets

	Apr-10	Oct-10	Apr-11	Oct-11	Apr-12	Oct-12
Sydney CBD	2.5%	1.8%	1.6%	2.8%	3.2%	4.0%
Berlin CBD	2.1%	2.7%	2.0%	3.2%	3.3%	3.5%
Tokyo CBD	2.9%	3.3%	3.1%	3.2%	3.3%	3.4%
New York – Midtown	2.7%	2.9%	2.1%	2.9%	3.1%	3.4%
Seoul CBD	1.5%	1.4%	1.6%	1.6%	2.2%	3.0%
Paris QCA	2.0%	1.9%	1.3%	1.1%	1.5%	2.6%
Singapore CBD		2.0%	1.7%	2.4%	2.4%	2.3%
London – West End	1.3%	1.1%	0.8%	1.8%	1.9%	2.3%
Hong Kong – Central		1.3%	0.5%	1.6%	1.9%	2.0%
Shanghai – Lujiazui	1.3%	1.1%	1.3%	1.3%	1.8%	1.9%

Source: Extracted and prepared by DTZ based on information from Japan Real Estate Institute

Recent major supply

Recent major supplies which may affect the office market in Tokyo are shown below:

Building Name (Location)	Completion Storey	Structure GFA (sq m)	Core developer
Otemachi Financial City North Tower (Otemachi 1-chome, Chiyoda-ku)	Oct-12 30F/B4F	S/SRC 110,000	Mitsubishi Estate Co., Ltd.
Otemachi Financial City South Tower (Otemachi 1-chome, Chiyoda-ku)	Oct-12 34F/B4F	S/SRC 132,500	Mitsubishi Estate Co., Ltd.
Waterras Tower (Kanda-Awajicho 2-chome, Chiyoda-ku)	Planned: Feb-13 41F/B3F	S/SRC 129,222	Yasuda Real Estate Co., Ltd.
Ochanomizu Sola City (Kanda-Surugadai 4-chome, Chiyoda-ku)	Planned: Mar-13 23F/B2F	S/SRC 102,137	Taisei Corporation
Tokyo Squire Garden (Kyobashi 3-chome, Chuo-ku)	Planned: Mar-13 24F/B4F	S/SRC 117,461	Tokyo Tatemono Co., Ltd.

Source: DTZ

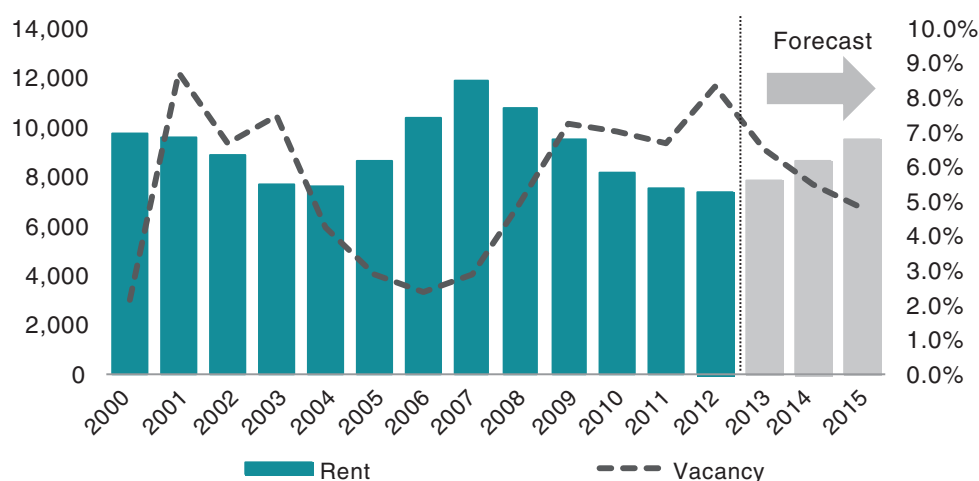
Office market outlook

The impact from the surge of supply in 2012 on the Tokyo tenant market appeared considerable. Although the market had been approaching the cyclical bottom, the turnaround was slow in view of the substantial new supply which took time to be absorbed.

Office demand remained limited. While new buildings completed in 2012 were gradually filled up, existing buildings lost tenants to the new buildings. Offices with inferior specifications and less accessible locations in particular struggled to secure tenants and some landlords had to offer attractive rental rates as incentives to potential tenants. In contrast, some landlords of prime buildings with high occupancy rates asked for higher rents. As such, the leasing market has become more competitive and polarised.

The Industry Expert believes that the office market will improve gradually in 2013. The decline in grade A vacancy is expected to stabilise in the second half of 2013 as most of the new supply in 2013 is expected to be concentrated in the first half of the year. The Industry Expert estimates that the rental increase will be 7% year-on-year in 2013, and accelerate in 2014 after vacancy rates stabilise in the latter half of 2013.

Tokyo grade – A office rent (JPY/sq m, month), vacancy and outlook



Source: DTZ

Residential (condominium) real estate market in Tokyo

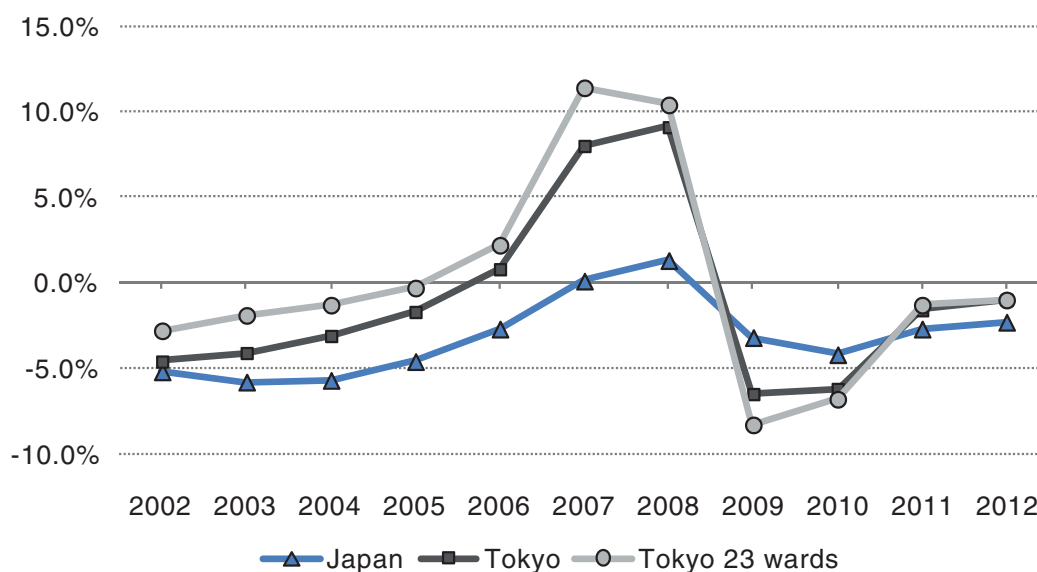
Overview

According to the official listed prices surveyed by the government as at 1 January 2012 reviewed and analysed by the Industry Expert, the average land prices in residential areas showed a year-on-year decline of 2.3% for the whole of Japan, 1.0% for Tokyo and 1.0% for 23 wards of Tokyo, respectively.

Although land prices have declined for four straight years (between 2008 and 2012) after the global economic crisis, the rate of decline of each area has shrunk and has shown signs of improvement.

Although the real estate market was relatively stagnant after the earthquake in March 2011, the Industry Expert believes that there are early signs of recovery, except in disaster-stricken areas. Meanwhile, land prices reflect the future economic capacity due to the Japanese Yen's high appreciation and the European sovereign debt crisis.

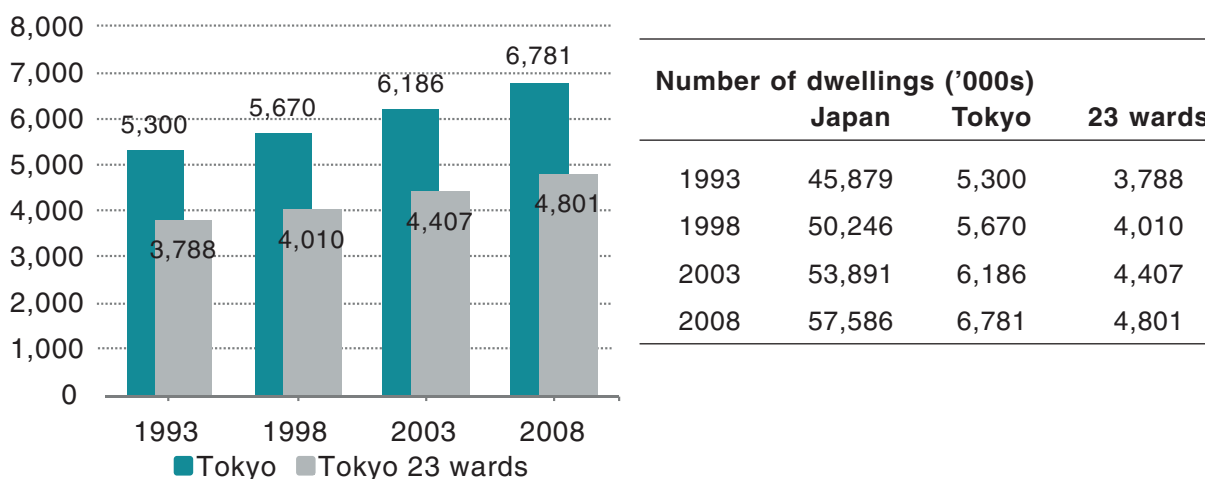
Official listed land price in residential areas (year-on-year)



Source: Extracted and prepared by DTZ based on information from the Japanese Ministry of Land, Infrastructure and Tourism

The Japanese Ministry of Internal Affairs releases the number of dwellings every five years to reveal stock of dwellings, including both houses and condominiums in Japan. According to the data released, the number of dwellings in Tokyo has continued to grow. The growth rates from 2003 to 2008 of Tokyo and the 23 wards of Tokyo were 9.6% and 8.9%, respectively. These figures are higher than that for the whole of Japan, which was 6.9%.

Number of dwellings in Tokyo and the 23 wards of Tokyo ('000s)

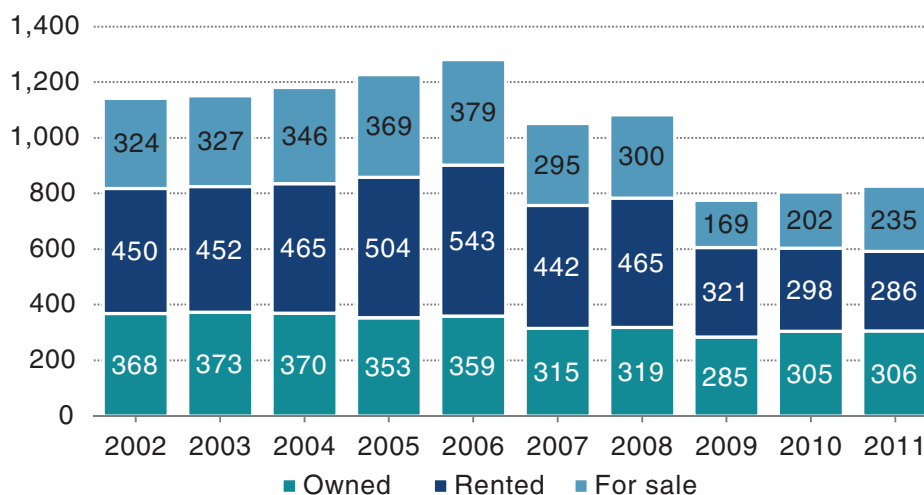


	Number of dwellings ('000s)		
	Japan	Tokyo	23 wards
1993	45,879	5,300	3,788
1998	50,246	5,670	4,010
2003	53,891	6,186	4,407
2008	57,586	6,781	4,801

Source: Extracted and prepared by DTZ based on information from the Japanese Ministry of Internal Affairs and Communications

The historical trend of commencement of construction is shown below. The number of commencement of housing construction in 2011 was 834,117 units, up by 2.6 percent year-on-year for two consecutive years. Owned houses increased by 0.1 percent while rental houses declined by 4.1 percent and houses for sale increased by 16.2 percent.

Number of new housing construction starts ('000s)

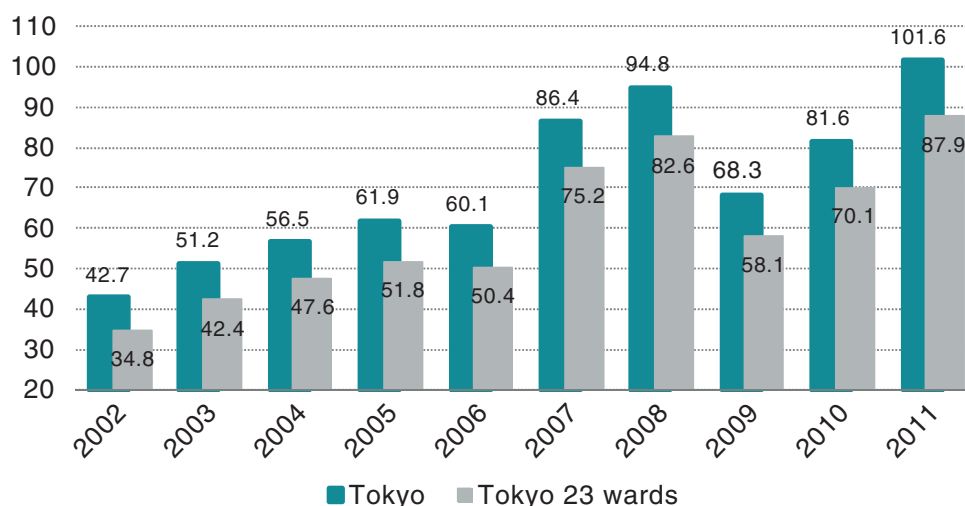


Source: Extracted and prepared by DTZ based on information from the Japanese Ministry of Land, Infrastructure and Tourism

Existing condominium supply and demand

According to an analysis of the information obtained by the Industry Expert from the “Real Estate Circulation Market Trend in Greater Tokyo” published by the Real Estate Information Network for East Japan (“REINS”), existing condominiums in Tokyo registered with REINS increased by 25.4% year-on-year to 87,911 in 2011. This figure was higher than the number in 2008.

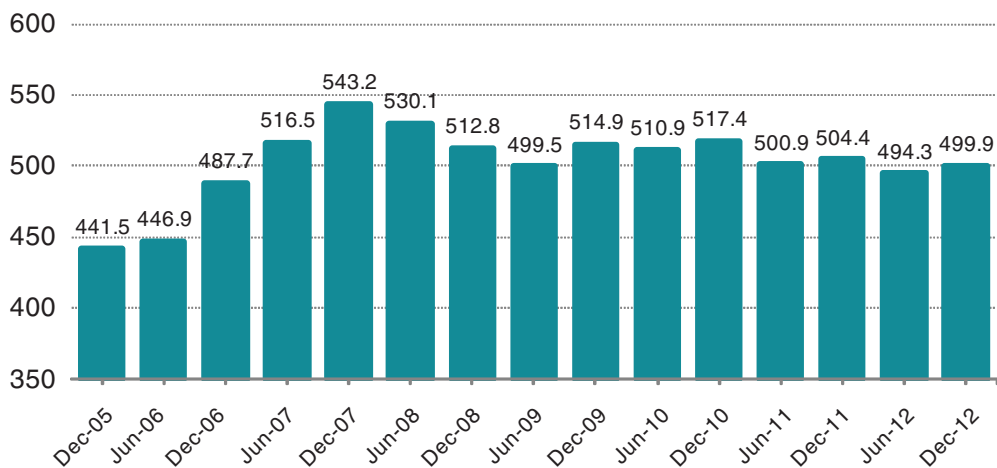
Number of new registered existing condominiums in Tokyo ('000s)



Source: Extracted and prepared by DTZ based on information from the Real Estate Information Network for East Japan

Based on information in the *Monthly Market Watch* released by REINS and extracted and analysed by the Industry Expert, the average price per sq m of existing condominiums in Tokyo in December 2012 increased by 1.1% to JPY499,900 for the half-year period from June 2012. Although the average price per sq m of existing condominiums had been trending downward after a peak in December 2007, there are some signs of a bottoming-out.

Average price per sq m of existing condominiums (JPY'000)



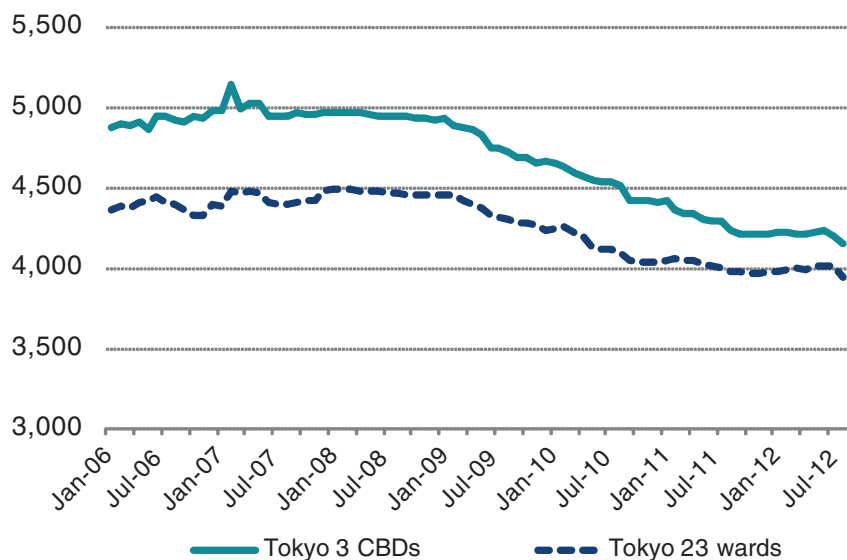
Source: Extracted and prepared by DTZ based on information from the Real Estate Information Network for East Japan

Apartment rent and occupancy rate

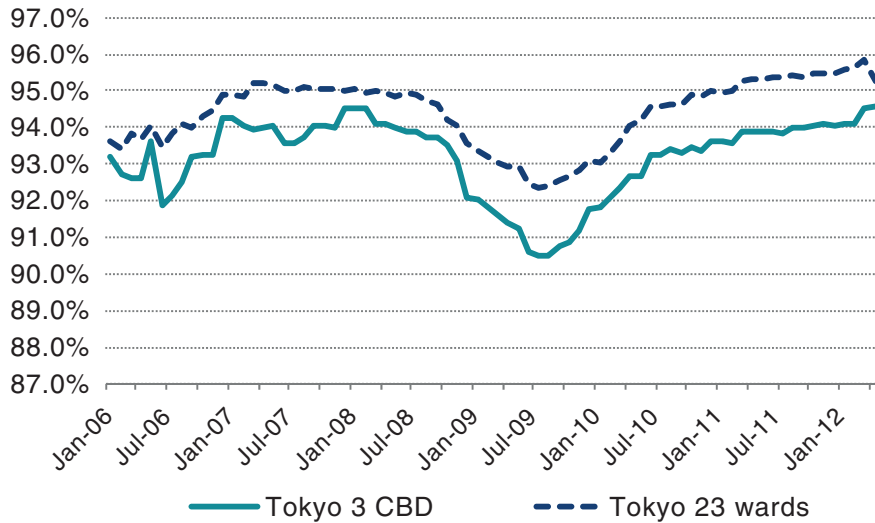
The average rent in Tokyo has declined since its peak in 2008 due to the global financial crisis. As of August 2012, the average rent in the 23 wards of Tokyo decreased by 0.9% year-on-year to JPY3,949 per sq m, while it decreased by 1.9% to JPY4,149 per sq m in Chiyoda-ku, Chuo-ku and Minato-ku (“**Tokyo 3 CBD**”).

In addition, the average occupancy rate has risen since 2009 when it was at its lowest. As of August 2012, the average occupancy rate in the 23 wards of Tokyo increased by 1.0% to 96.1%, while it increased by 1.2% to 94.9% in Tokyo 3 CBD.

Average monthly rent (JPY/sq m)



Average occupancy rate

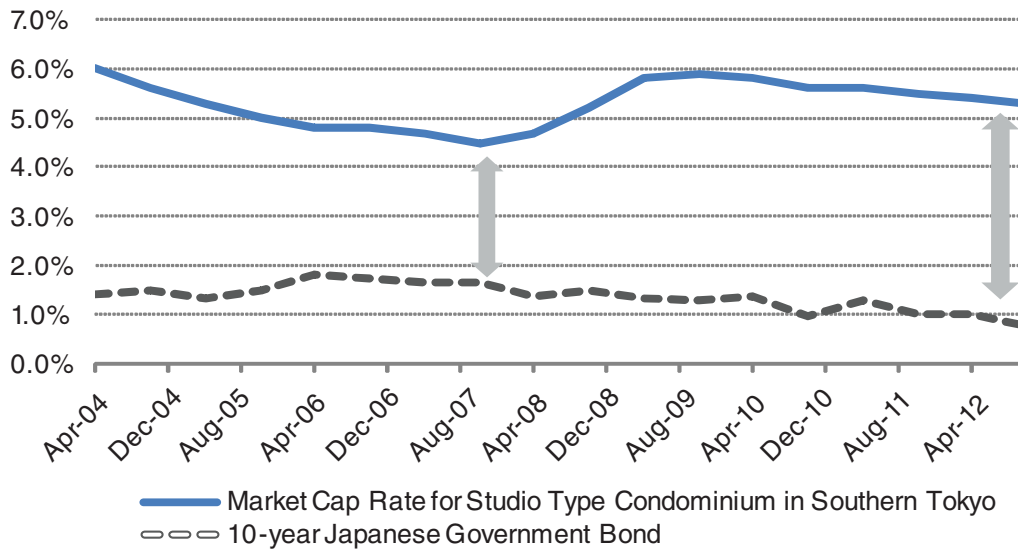


Source: Extracted and prepared by DTZ based on information from The Association for Real Estate Securitization

Yield gap and international capitalisation rate comparison

The yield gap between Japanese government bonds and market capitalisation rates for studio type condominiums in Southern Tokyo are shown below. The yield gap was at its narrowest in 2007, then continued to widen, reflecting higher real estate yields and lower interests of 10-year Japanese government bonds. The yield gap has stayed at around of 4% since 2009.

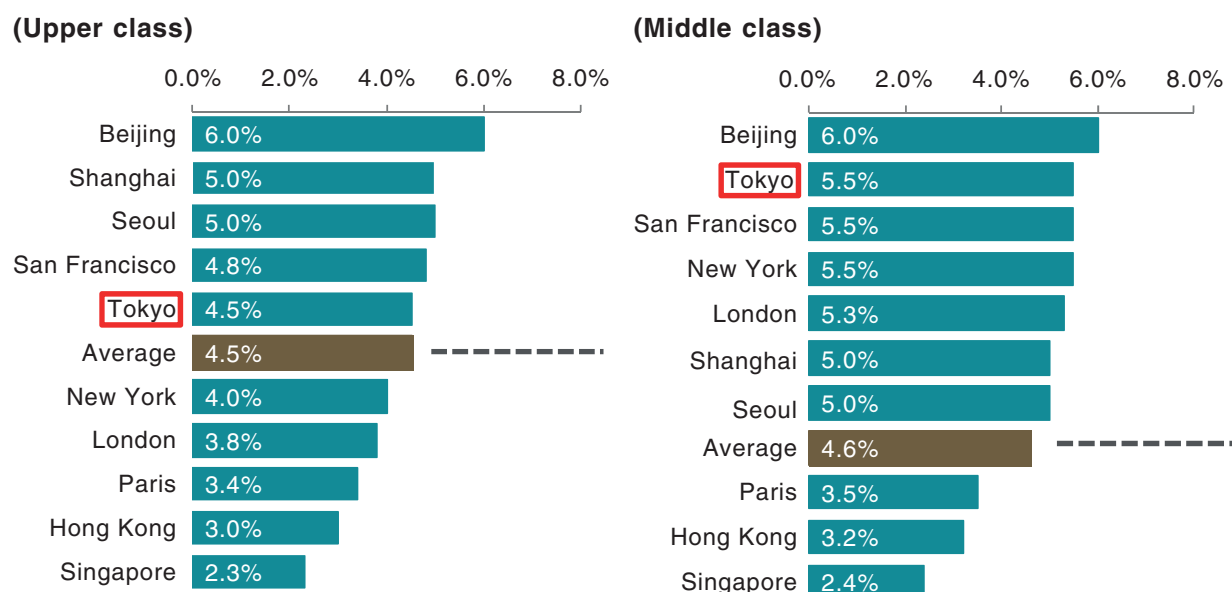
Yield gaps for studio type in Southern Tokyo



Source: DTZ

According to the Industry Expert based on its research, the average capitalisation rates in the world for upper class and middle class residential areas are 4.5% and 4.6%, respectively. On the other hand, those of Tokyo are 4.5% and 5.5%, which rank higher than world average.

Condominium residential area



Source: DTZ based on Japan Association of Real Estate Appraisers

Recent major investment transactions

Recent major transactions which may affect the residential market in Tokyo are shown below:

Building Name (Location)	Transaction Price (JPY M)	Completion GFA (sq m)	Buyer, etc.
Spacia Shinjuku (Shinjuku 1-chome, Shinjuku-ku)	Sep-12 2,525	Feb-03 4,171	Japan Rental Housing Investments Inc.
Prime Maison Ginza East (Tsukiji 1-chome, Chuo-ku)	Sep-12 5,205	Feb-06 8,724	Sekisui House SI Investment Corporation
Belle Face Meguro (Nishi-Gotanda 3-chome, Shinagawa-ku)	Oct-12 3,330	Feb-10 4,643	ORIX JREIT Inc.
Castalia Nakameguro (Aobadai 1-chome, Meguro-ku)	Nov-12 3,800	Jan-08 3,436	Daiwa House Residential Investment Corporation
Apartment Tower Meguro (Shitameguro 2-chome, Meguro-ku)	Nov-12 9,000	Feb-08 18,602	Nippon Accommodation Fund

Source: DTZ

Residential market outlook

As the residential market is heavily supported by Japanese domestic demand, Japan's economic growth is the key to the growth of the market. Japan has faced many challenges in the past few years: a natural disaster in 2011 and also several external problems such as the Japanese Yen's high appreciation caused by the global financial crisis and the European debt crisis. These events have put downward pressure on the Japanese economy. However, in December 2012, the Liberal Democratic Party returned to power in Japan and a new administration led by Shinzo Abe was formed. The weak Japanese Yen began to appreciate and was seen as a positive response by the market, which also saw an improvement in the price indices of the TSE.

In addition, at a monetary policy meeting on 22 January 2013, the Bank of Japan decided to introduce (i) a “price stability target” of 2 percent with respect to the year-on-year rate of change in the consumer price index, and (ii) an “open-ended asset purchasing method” under the Asset Purchase Program. These easy money policies are expected to improve the Japanese economy in the future and the improvement on corporate profits will lead to an increase in wages, thereby increasing the disposable income for housing.

Despite the declining population in Japan, Tokyo itself is still expanding and stable housing demand is expected for the Tokyo residential market. After the earthquake in 2011, the focus is on quality residential properties in safer locations with solid foundations.

It is expected that there will be a surge in demand because of rising consumption tax rates. Given the declining commencement of housing constructions, the new supply is not expected to lead to an oversupply problem.

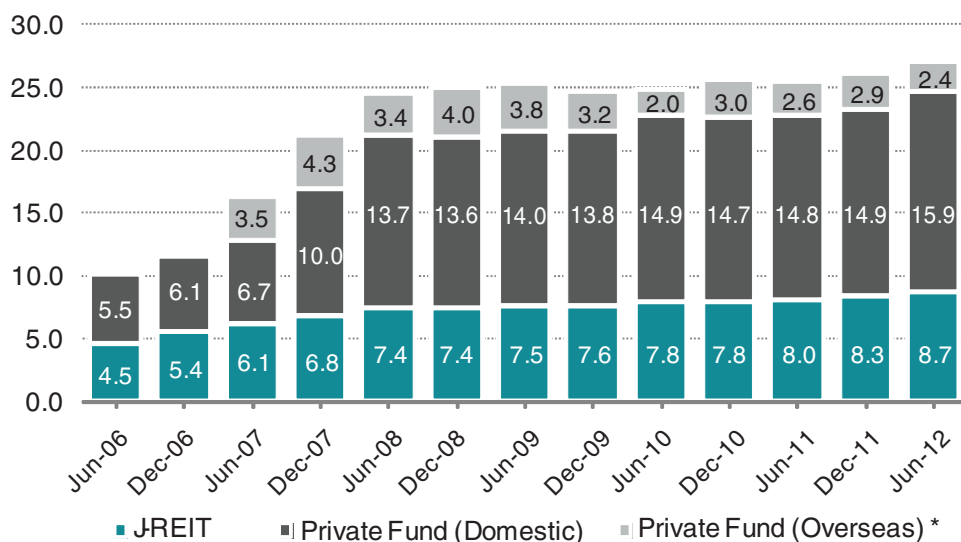
Taking into account all of the above, the Industry Expert believes that the residential market in Tokyo will stay firm.

REAL ESTATE INVESTMENT TRUST (REIT)

Size of the REIT market in Japan

According to Industry Expert based on its research, the aggregate size of the real estate private funds and J-REITs in Japan is approximately JPY27.0 trillion (comprising (i) J-REITs – JPY8.7 trillion, (ii) Japanese private funds – JPY15.9 trillion, and (iii) Overseas private funds – JPY2.4 trillion). The size of the REIT market has remained relatively unchanged since its peak in the first half of 2009, with slight improvements since the second half of 2012.

Market scale of private fund and J-REIT (JPY trillion)



* “Overseas private funds” are funds targeting real estate investments in various countries including Japan.

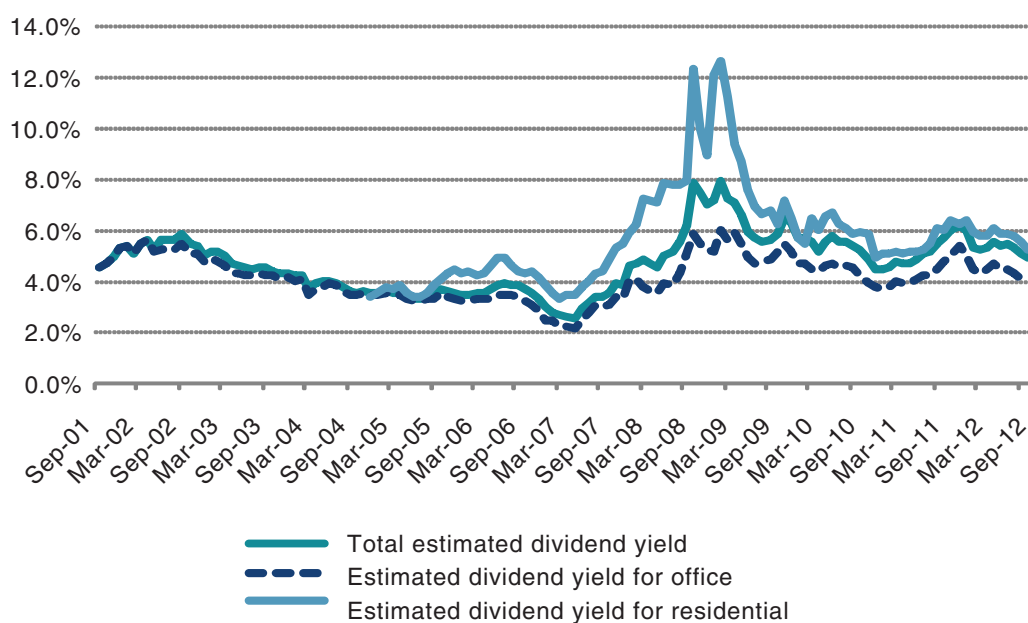
Source: Extracted and prepared by DTZ based on information from Sumitomo Mitsui Trust Research Institute

Market outlook

As the effects of the sub-prime loan crisis became increasingly severe, the expected dividend yield rose between mid-2007 and 2009. However, after 2009, government support programs, including funding assistance for J-REITs and improvement of the investment environment, such as formalisation of procedures for mergers between J-REITs, promoted reorganisation of investment corporations. Consequently, the J-REIT market gradually stabilised and the expected dividend yield dropped. Furthermore, the announcement in October 2010 by The Bank of Japan of plans to acquire investment equity in J-REITs triggered decline in the dividend yields. Although dividend yields had been on a moderately increasing trend since the earthquake, the expected dividend yield has shown a trend of decline at the beginning of 2012.

In the J-REIT market, Kenedix Residential Investment Corporation, which listed in May 2012 was the first J-REIT-listing since October 2007. Activia Properties Inc., Daiwa House REIT Investment Corporation and Global Logistic Properties Investment Corporation were also listed in June 2012, November 2012, and December 2012, respectively. Daiwa House REIT Investment Corporation and Global Logistic Properties Investment Corporation closed on the first day of public trading at a higher price than the public offering price. The J-REIT market is re-emerging following the financial crisis in 2008, with J-REIT listings expected in 2013.

Expected dividend yield of J-REITs



Source: Extracted and prepared by DTZ based on information from STBRI J-REIT Index® (STBRI J-REIT Index® changed its name to SMTRI J-REIT Index (pending its trademark application) in April 2012. STBRI J-REIT Index® is a brand name officially registered by Sumitomo Mitsui Trust Research Institute Co., Ltd. (formerly known as STB Research Institute Co., Ltd.).)

BUSINESS

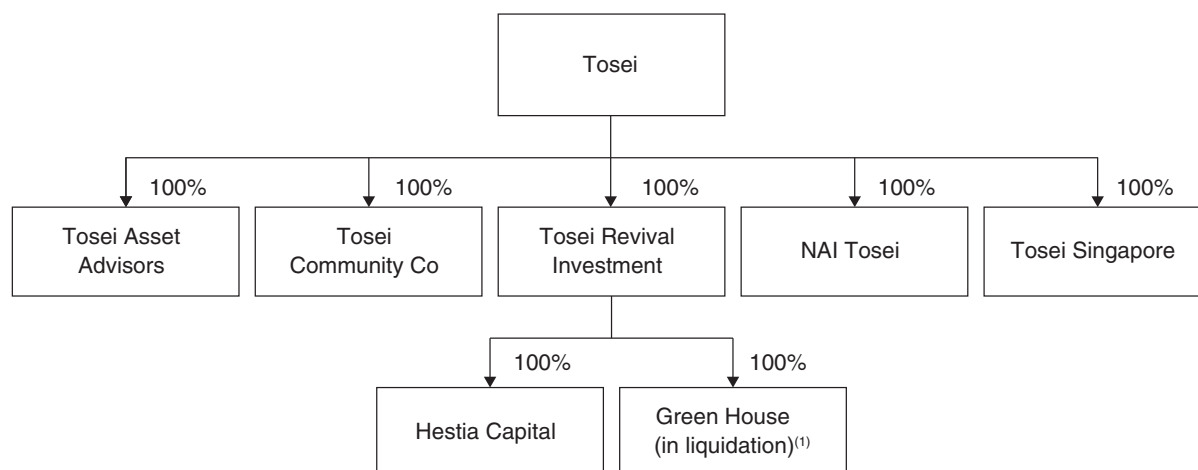
INTRODUCTION

We are a company with diversified real estate businesses. We are active in the following real estate sectors:

- (a) Revitalisation;
- (b) Development;
- (c) Rental;
- (d) Fund;
- (e) Property management; and
- (f) Alternative investment.

Our business activities and operations are primarily in Japan. Our revitalisation, development and rental businesses are conducted through Tosei Corporation. Our directly held and wholly-owned subsidiaries are Tosei Community Co, Tosei Asset Advisors, Tosei Revival Investment and NAI Tosei. Tosei Asset Advisors and NAI Tosei provides fund and asset management services and/or consultancy services relating to real estate while the property management function of the Tosei Group is performed through Tosei Community Co. Our alternative investment business is conducted through Tosei Revival Investment and its wholly-owned subsidiary, Hestia Capital.

Group Structure



Note:

- (1) Green House was a distressed company with real estate assets which we had acquired under our alternative investment business in 2009. Following the completion of sale of all properties held by Green House (see “Business – Principal Properties – Alternative Investment” for more information), Green House would be a company with no material assets. We have accordingly placed Green House in voluntary liquidation.

BUSINESS OVERVIEW

Revitalisation

Our Group acquires office buildings, commercial facilities, condominiums and other properties of a certain age profile (typically about 20 years old) and whose asset value has declined. Our focus is on the 23 wards of Tokyo.

We aim to undertake the revival of such existing properties by:

- commissioning the process of renewal to the exterior and interior through refurbishment and renovation (in contrast to demolishing and rebuilding);
- undertaking technological improvements such as installing and/or upgrading IT infrastructure to create smart buildings; and
- attempting to improve the rental capabilities of properties by actively sourcing for tenants to increase occupancy rates, collecting and settling all outstanding rent due and payable and increasing rental rates generally.

We term these measures mentioned above as “value-up activities”. Together, these measures form a “value-up plan” that we designate for each property undergoing revitalisation. The business process of raising overall value, from the acquisition of the property to the sale of the property after executing our “value-up plan” is what we refer to as “revitalisation”.

We focus on quality and detail in order to enhance the value of original and distinctive properties. In addition, we implement redevelopment plans matched to the local characteristics and needs to restore the asset values of these properties. By tailoring our revitalisation of aging properties to fit the local area’s characteristics and needs and profiles of tenants, we increase the value of such properties before we resell them to investors, real estate funds, and individual end-users.

Unless in exceptional circumstances, we do not, as a policy, acquire any property built under the old quake resistance standards which were changed in 1981.

Restyling

In 2009, we implemented a new “Restyling” business model as an arm of our revitalisation business. Whilst the processes for both our revitalisation and “Restyling” businesses are similar, we usually sell our revitalised projects to purchasers as a whole building. In contrast, as part of our “Restyling” business model, we register the title to individual sub-divided units before selling each sub-divided unit rather than the building as a whole. Our “Restyling” business only targets condominiums, while our revitalisation projects generally include condominiums and office buildings.

Our financial position allows us to purchase whole condominium buildings/compounds rather than individual units. Accordingly, this allows us to renovate common areas as well. We also apply the know-how and expertise we have obtained from our property management business in our “Restyling” business. As part of the “Restyling” process, we also set up property management associations and formulate maintenance and repair guidelines for ongoing maintenance purposes.

Our revitalisation and “Restyling” businesses should be contrasted with our development business (see “Development” below), wherein we acquire land lots and develop office buildings, condominiums and detached houses for sale from the ground up.

Process

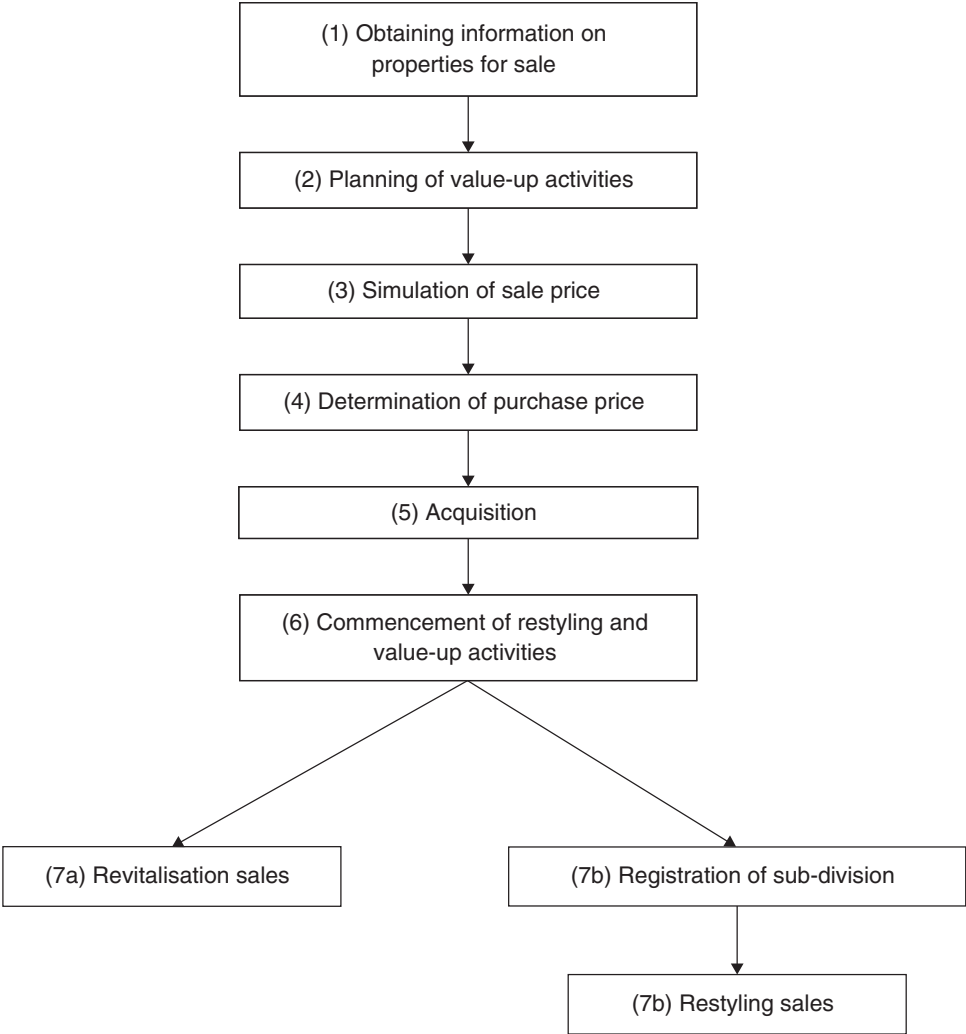
Revitalisation and “Restyling” of a property can take between six to 12 months from the acquisition of the property to the commencement of sales. The sales process for our “Restyling” business can take as long as four to five years depending on whether or not individual units are tenanted at the time of our acquisition. If such units are tenanted, we generally only commence sales of such units after such tenants vacate the units. Please also see “Risk Factors – Risks Relating to our Business – We face risks arising from the use of Japanese standard lease agreements” for more information.

Both our revitalisation and “Restyling” businesses involve similar processes. As a starting point, we obtain information on properties for sale from our internal information network which contains data from numerous external sources. After we have identified a suitable property, we plan value-adding measures (a key feature of our revitalisation business) for that particular property. With information on the amount of value we can add to a property through the revitalisation process, we are able to simulate our potential sale price. Once we have the relevant financial data on hand, we determine a sustainable purchase price for the property we intend to acquire and proceed to negotiate and/or bid for the relevant property on this basis. If we are successful in acquiring the property, we then commence the revitalisation process based on the value-adding plans drawn up earlier. Upon completion of the revitalisation process, we then sell the property. However, with our “Restyling” business model, we sub-divide each property and register title to each individual unit before selling.

Although our focus is on selling the properties, we may lease out properties for both our revitalisation and “Restyling” businesses as and when needed.

The diagrammatic representation of our key processes for our revitalisation and “Restyling” projects is as follows:

Revitalisation and “Restyling”



Notes:

- (1) We usually obtain information on properties from agents/brokers or source for information which may be available as part of a tender process conducted by the local courts/government offices.
- (2) Basic due diligence is undertaken and we estimate the costs involved in the renovation/refurbishment works required.
- (3) The price at which we can sell the property/each unit is simulated based on a number of factors, including the size, location and use of the property, as well as the target consumer of the revitalised property. Research is also conducted in respect of neighbouring properties and the market rate of rentals.
- (4) The maximum purchase price we are willing to pay is fixed by deducting purchase-related expenses (including brokerage, taxes etc.), renovation costs, and sales-related expenses (including brokerage, advertising fees etc.), taking into account the minimum gross profit margin acceptable to our Company.
- (5) Based on the pre-determined maximum purchase price payable by us, negotiations are conducted with vendors and/or their agents and the acquisition is completed if the terms are acceptable to our Company.
- (6) Value-up activities commence, including renovation, refurbishment, and sourcing for tenants. For “Restyling” properties, we will also set up property management associations for the properties.
- (7a) For our revitalisation business, sale of the entire property takes place when buyers are found.
- (7b) For our “Restyling” business, we sub-divide the property into individual condominium units for sale. In contrast to the sale of entire buildings for our revitalisation business, units are sold individually. Units which are unoccupied and which have been renovated are available for sale, while we continue to earn rental income from units which were tenanted when we acquired the property. For such units that were tenanted when we had acquired the entire property, renovation of the interior will take place when the tenant moves out.

Examples of the Revitalisation Process

Kanda Ekimae Building, Chiyoda-ku, Tokyo (2002)



Before revitalisation



After revitalisation

Palms Gotanda, Shinagawa-ku, Tokyo (2005)



Before revitalisation



After revitalisation



Before revitalisation



After revitalisation

Our Company regards our revitalisation business as a growth driver, where we display the integration of our expertise, from development to management. For example, our property management arm of our Company manages some of the properties that we have revitalised and sold.

In addition, we believe that the revitalisation of existing properties without demolishing and rebuilding is more cost-effective and environmentally friendly and in line with global trends. We also believe that we have fewer competitors in the revitalisation market as most of the major property developers in Japan manage and develop new properties or properties they had previously developed, but generally do not undertake renovations and refurbishments in respect of small and medium sized properties which may have been developed by other developers. In particular, for our “Restyling” business, while there are companies which acquire, refurbish and sell individual units, we believe that we have a significant advantage over such companies as we have the ability to acquire entire properties. This allows us to renovate common areas in such properties and correspondingly increases the value of the properties in our “Restyling” business.

In 2009, our revitalisation business was awarded the “Business Innovation Plan” certification by the Tokyo Metropolitan Government for our environmental efforts in planting trees on the rooftops of most of our revitalised properties. In each of 2011 and 2012, our “Restyling” business was singled out and awarded a “Good Design Award” by the Japan Institute of Design Promotion for its business model.

Development

We develop office, commercial and residential properties with a focus on the 23 wards of Tokyo. We believe that we develop competitively priced properties of good quality (on a small to medium scale). We actively studying the characteristics of properties we purchase, including the local area and site characteristics, end use, demand, rent levels and selling prices.

We extensively utilise the capabilities of our in-house Architecture Planning Department for our development arm. Our Architecture Planning Department has been awarded the ISO 9001:2008, and is registered as a First-Class Architect Office¹ by the Governor of the Tokyo Metropolitan Government. Amongst other things, our Architecture Planning Department undertakes architecture planning, quality control, cost control and process control in respect of our development projects. As at the Latest Practicable Date, our Architecture Planning Department has eight members, including five architects. The Architecture Planning Department is headed by Mr. Masahiro Uehara.

As with our revitalisation business, we manage several of the office, commercial and residential properties that we have completed and sold, showcasing the integration and complementary nature of our different businesses.

Buyers of the properties we develop include institutional investors, real estate funds, corporations, individuals and other end-users.

Development Branding

We develop our commercial properties under our “T’S BRIGHTIA” brand while our residential properties are developed under our “THE Palms” and “Palms Court” brands for condominiums and detached houses respectively.

¹ A “First-Class Architect Office” is defined under the Act on Architects and Building Engineers of Japan as one which has a first-class registered architect and which satisfies the pre-requisites for the submission of permit applications.

Funding for our Projects

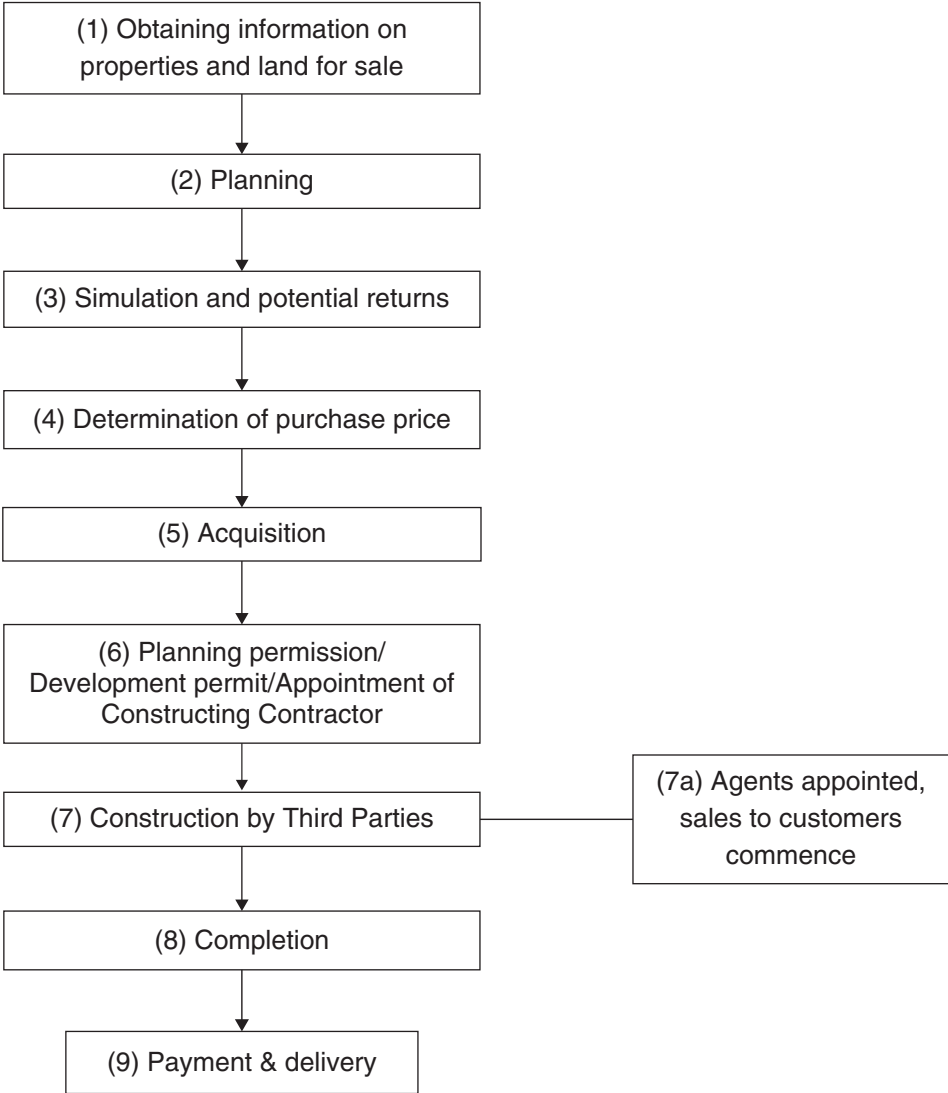
We generally obtain financing from banks to fund both the costs of acquisition and occasionally, for part of the costs incurred for construction. Such financing generally accounts for approximately 20% of the construction cost. The remaining 80% of the construction costs is funded with our Company's own cash. Where a particular financial institution has a policy of funding only acquisition costs, our Company funds all construction costs through our own cash.

Process

Development of condominiums and office buildings usually takes up to 24 months from the acquisition of the property or land to the completion of sales.

As a starting point, we obtain information on land sites or properties for sale from our internal information network (VIPMAP System) which contains and consolidates data from numerous external sources. The VIPMAP System allows us an overview of a particular property and its surrounding area. After we have identified a suitable land site or property, we plan for the type of development project (e.g. office, commercial or residential) we can undertake on a particular land site or property, taking into account local needs, location and permitted land use. Once we have decided on the type of development project, we simulate specifics such as design and architectural specifications and the number of units. With information on the potential cost of a development project, we are able to simulate our potential sale prices based on historical data and other factors. Once we have the relevant financial data on hand, we determine a sustainable purchase price for the land site or property we intend to acquire and develop and proceed to negotiate and/or bid for the relevant land site or property on this basis. If we are successful in acquiring the land site or property, we then commence the procedure for planning and development permission. Once these approvals have been obtained, our main contractors will commence work on the project. At this juncture, we appoint agents who will commence pre-completion sales. Upon completion of the development project, we deliver the completed property to buyers. We rent out our properties which have not been sold as and when necessary.

The diagrammatic representation of our key processes for our development projects is as follows:



Notes:

- (1) We usually obtain information on properties from agents/brokers or source for information which may be available as part of a tender process conducted by the local courts/government offices.
- (2) Basic due-diligence is undertaken and we estimate the costs involved in the development process.
- (3) The price at which we could sell the property/each unit is simulated based on a number of factors, including the size, location and use of the property, as well as the target consumer of the developed property. Research is also conducted in respect of neighbouring properties and the selling prices of such properties.
- (4) The maximum purchase price we are willing to pay is fixed by deducting purchase-related expenses (including brokerage, taxes etc.), development costs, and sales-related expenses (including brokerage, advertising fees etc.), taking into account the minimum gross profit margin acceptable to our Company.
- (5) Based on the pre-determined maximum purchase price payable by us, negotiations are conducted with vendors and/or their agents and the acquisition is completed if the terms are acceptable to our Company.
- (6) Our Architecture Planning Department is usually assisted by an external building design firm in finalising building plans. These external parties also assist in obtaining the relevant planning permissions and development permits. At the same time, a tender process is conducted and the main contractor of the project will be appointed.
- (7) The main contractor undertakes the construction of the development. The process may take up to 24 months, depending on whether the development is of an office building, condominium or detached housing project.
- (7a) Pre-sales to customers will be undertaken concurrently with construction. We generally appoint third party sales agents to market our condominium properties since these involve the sale of properties to a larger number of customers.
- (8) Upon completion of the property by the contractor, the completed property is handed over to our Company and the remainder of the construction costs due to the contractor is paid by our Company.
- (9) The property is delivered to customers. Customers will pay the purchase price (less any deposit) at the time of delivery.

Examples of our Revitalisation and Development Properties

Selected Past Projects

THE Palms Setagaya Sakura



Segment: Development – Residential
Location: Setagaya-ku, Tokyo
No. of Units: 108
Date of Completion: February 2007
Features: Located in a quiet, low-rise residential district, THE Palms Setagaya Sakura was primarily planned as an environmentally-conscious condominium complex. While retaining its uniqueness, the overall structure has been harmonised with its surroundings. We took an ecological approach, incorporating greenery and other features aimed at minimising environmental impact. The complex featured a rooftop garden covering over 350sq m, roadside planting and a bright, lush central garden.

Heiwajima Tosei Building



Segment: Development – Office
Location: Ota-ku, Tokyo
Date of Completion: February 2009
Features: This property received an “A” rating under the Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”) for being environmentally-friendly.

T'S BRIGHTIA Kichijoji



Segment:

Development – Commercial

Location:

Musashino-shi, Tokyo

Date of Completion:

March 2008

Features:

This property is located in a neighbourhood in close proximity to the Kichijoji station on the JR-Chuo Railway Line. The building is characterised by its monotone walls, while the bright tenant space utilises glass walls. This property was sold as an income-generating property as we had tenanted units in the development prior to its sale.

Selected Completed Projects

Hilltop Yokohama Negishi



Segment

Revitalisation

Location:

Yokohama-shi, Kanagawa

No. of Units:

279 (140 units available as at the Latest Practicable Date)

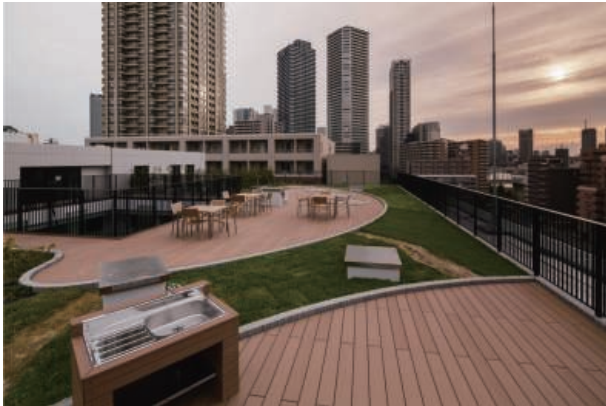
Date of Completion:

October 2010

Features:

One of our larger-scale projects which was designed to add value by raising safety by implementing increased security features, increasing convenience by offering a car-pooling and bicycle rental service as well as aiming to nurture community living by creating new courts/terraces in common areas and setting aside spaces for children.

THE Palms Tsukishima Luna Garden



Segment: Development – Condominium

Location: Chuo-ku, Tokyo

No. of Units: 122 (20 units available as at the Latest Practicable Date)

Date of Completion: September 2012

Features: This environmentally-friendly property adopts bulk electricity purchasing, a solar power generation system and energy-efficient facilities. Rooftop gardens and a full range of services including car-pooling aim to add to the residents' quality of life.

Palms Court Koishikawa 3-chome



Segment: Development – Detached Houses
Location: Bunkyo-ku, Tokyo
No. of Units: 15 (10 units available as at the Latest Practicable Date)
Date of Completion: November 2012
Features: The development is a 10-minute walk from the nearest train station. It is located in a quiet, low-rise residential area of Koishikawa, Bunkyo-ku, popularly known as Bunkyo District. The development is equipped with the latest environmentally-friendly technological and ecological facilities.

Palms Court Setagaya Okamoto



Segment: Development – Detached Houses
Location: Setagaya-ku, Tokyo
No. of Units: 40 (33 units available as at the Latest Practicable Date)
Date of Completion: November 2012
Planned Features: Located in Okamoto, Setagaya-ku, a higher-end residential area in Tokyo, each unit in this property has environmentally-friendly features.

Selected Ongoing Projects

THE Palms Sendagaya



**Artists Impression*

Segment:	Development – Condominium
Location:	Shibuya-ku, Tokyo
No. of Units:	23
Expected Date of Completion:	April 2013
Planned Features:	Certain units in this property have roof-balconies and enjoy a view of the Shinjuku Gyoen National Garden. The property is designed in such a way to accommodate as many corner units as possible.

THE Palms Nishigahara



**Artists Impression*

Segment:	Development – Condominium
Location:	Kita-ku, Tokyo
Expected No. of Units:	40
Expected Date of Completion:	August 2013
Planned Features:	The south-east and south-west sides of the development face an open location which provides for natural light in the dining areas of units. Safety features include each unit being equipped with a storage disaster-kit for use in the event of an emergency.

We have not, in the past, experienced delays in respect of the revitalisation and development projects we have undertaken which has resulted in liquidated damages having to be paid and additional overheads having to be incurred (see also “Risk Factors – Risks Relating to our Business – We are liable for delays in the completion of projects and any liquidated damages arising from such delays could adversely affect our financial performance” for more information).

Rental

We own office buildings, residential and commercial properties primarily in the 23 wards of Tokyo.

Our rental properties are office buildings and condominiums typically in inner Tokyo and are all under our direct management. Our rental business consists primarily of leasing out properties that have been acquired and prepared for rental purposes. Our tenants benefit from our expertise in the revitalisation sector, where they are able to enjoy improvements to the properties in respect of functionality, convenience and design at a reasonable cost as compared to purchasing or renting a unit in a new development.

Our tenants for our office buildings have a variety of profiles, ranging from small-medium enterprises to large listed companies while tenants for our condominium units are primarily individuals.

Our expertise in our other business segments, especially revitalisation, “Restyling”, development and property management enables us to offer comprehensive services and maintain or raise property value whilst contributing to a comfortable and convenient living and business environment. We aim to continue to achieve high occupancy rates by leveraging the talents of our in-house specialists to provide comprehensive management that meets diverse real estate needs.

As at the Latest Practicable Date, the occupancy rate for properties in our rental business was 88.0%.

Fund

Our fund business is conducted through Tosei and our wholly-owned subsidiary, TAA.

Our Group services a wide array of clients and investors, including both private and institutional investors (e.g. financial institutions and foreign-owned funds) that are mainly involved in the real estate market in Tokyo. Our fund business has two components. Whilst we structure and manage private real-estate funds as an asset manager, we also provide asset management services and brokerage services to private investors and other fund managers wherein we source for real estate suited to their needs. In addition, we provide asset management services and brokerage services for real estate invested in or owned by our clients. From time to time, we also co-invest with our clients in the funds that we set up or in funds where we manage the portfolio assets.

We aim to achieve an optimum balance of investments through the selection of profitable investment properties suited to each client’s needs and raising the physical and intangible value of properties purchased by clients through our “value-up” activities.

In sourcing for properties for our clients, we take into account a number of factors before determining whether a property is suitable for injection into a fund. For example, properties which have not yet been refurbished or renovated and which have high vacancy rates may not be suitable for injection into funds. In addition, properties with a value of below JPY1 billion are also usually not acquired by funds. The decision to invest in properties we have sourced ultimately lies with the fund managers of these funds.

Licensing

We are registered under the FIEA as a Type II Financial Instruments Business Operator¹ and an Investment Advisor and Agency Business and TAA is registered under the FIEA as an Investment Management Business, a Type II Financial Instruments Business Operator and an Investment Advisor and Agency Business. With these registrations, TAA provides asset management services to private real estate funds established in Japan. Specifically, TAA conducts investment management of private real estate funds with its registration as an Investment Management Business and provide investment advisory services to equity-holders of funds with its registration as an Investment Advisor and Agency Business. We also act as an intermediary of real estate trust beneficiary rights with our registration as a Type II Financial Instruments Business Operator.

Our registrations under the FIEA are perpetual to the extent they are not revoked. Additionally, under the FIEA, each of Tosei and TAA is required to, *inter alia*, maintain a minimum stated capital of JPY10 million and sufficient human resources with the capability to undertake the activities contemplated under the Type II Financial Instruments Business registration. In addition, TAA is required to maintain both a stated capital and net assets of JPY50 million or more as well as have a board of directors under its Investment Management Business registration.

Assets under Management

As at 31 August 2012, we had assets under management (“**AUM**”) of more than ¥200,000 million. Whilst we believe that we have built up good relationships with various investors because of our services and expertise in real estate asset management, we are striving to expand our asset management business by deepening existing relationships and forging new relationships with global investors.

Revenue from our fund business will include asset management fees, acquisition fees, disposition fees, brokerage fees, incentive fees and distribution income.

Whilst we have been gradually transferring our funds business to TAA, certain of the contracts entered into with our clients remain with Tosei for commercial reasons, including where clients prefer the continuity of the business relationship with Tosei.

Co-investment in Funds

Our current target market for co-investments are funds with real estate assets in the areas in which we operate, specifically funds whose assets include office buildings and condominiums located in the Tokyo area and other major cities. The quantum of our co-investment in a particular fund is decided on a case-by-case basis. Such investment is usually in the form of a minority investment stake. Our management team is responsible for decisions on co-investments. The authority to make such decisions also depends on the quantum of the co-investment:

Quantum of Investment	Co-investment Decision
More than JPY200 million	Board of Directors
More than JPY100 million to JPY200 million	President
More than JPY50 million to JPY100 million	Chief Financial Officer and Chief Operating Officer
JPY50 million or less	Senior or Executive Officers in charge of the project

¹ A Type II Financial Instruments Business Operator is allowed, after being registered as such with the FSA, to conduct what is known as “Type II Financial Instruments Business” under the FIEA, which mainly includes the sale, intermediary or solicitation of securities with relatively low liquidity, such as trust beneficial rights of real estates.

Certain of our asset management contracts are contingent upon our co-investments into such funds. Our co-investments accordingly enable us to expand our fund business by increasing our asset management portfolio. In addition, we are able to participate in large projects through our minority equity investment. Risks and returns in relation to our co-investments are naturally limited to the size of our equity participation in such funds.

NAI Global

On 15 November 2012, we became a member of New America Network, Inc. (“**NAI Global**”). NAI Global is a worldwide network of independent commercial real estate firms based in Princeton, New Jersey, United States of America. As a member of the NAI Global network, we tend to the requests and/or assignments of the clients of NAI Global or clients of entities associated with NAI Global and its network to provide real estate agency, brokerage and consulting services within the Tokyo area and Chiba, Kanagawa and Saitama prefectures.

Our business as a member firm of the NAI Global network commenced on 1 February 2013 and is carried out by our subsidiary, NAI Tosei.

Property Management

We offer comprehensive property management services to meet a variety of real estate needs, including administration, facility management, cleaning and security for condominium complexes and office buildings and facilities. We also undertake utilities repair work for exclusive areas in condominiums complexes and office buildings, and undertake interior renovation contracting for office properties.

We provide comprehensive property management services to over 500 condominium and office buildings in the inner Tokyo area through our wholly-owned subsidiary, TCC. By grasping and analysing trends in the demands of tenants and occupants, we ensure that our services focus on suitability, functionality and efficiency.

In addition, we manage and maintain certain properties sold by our revitalisation and development businesses and properties rented out by our rental business. As our fund business services funds that invest in real estate assets, we also manage and maintain certain of these real estate assets held by funds that use our real estate asset management advisory services.

The typical property management contract is for one year. Except in exceptional circumstances, most of our property management contracts are automatically renewable annually. We obtain such contracts either through a tender process or where we are appointed by the new owners of the properties which we have developed or revitalised.

Alternative Investment

Tosei Corporation’s wholly-owned subsidiary, TRI, and its wholly-owned subsidiary, Hestia Capital, invest in non-performing loans collateralised by real estate (including mortgage-backed loans). As at the Latest Practicable Date, TRI has four directors, one statutory auditor and one employee. Whilst Noboru Hirano, our CFO, is a director of TRI, the day-to-day operations of TRI are managed by Kaname Wakabayashi, the representative director of TRI.

Historically, when TRI carried out its alternative investment business, it would incorporate a special purpose company (“**SPC**”), especially when third parties co-invested in such alternative investments. Such third parties would then invest directly into the SPC. At the end of such an investment (either through a disposal of assets or other divestments), the SPC would be liquidated. Hestia Capital is the only remaining SPC.

TRI purchases the rights to repayment in respect of non-performing loans from banks/licensed financiers and looks to collect payments of the principal and interest of the loan from the debtors, who could be either an individual or a company. On occasion, TRI may acquire the real estate from the debtor in consideration for the outstanding principal and interest due from the debtor. Such debtors will either consent to such transfers or be given notice of the assignment by the assignor of such non-performing loans. As and when TRI decides to revitalise/develop properties for sale, TRI will use our Group's accumulated know-how to revitalise/develop such properties. TRI may on occasion sell the rights to repayment in respect of non-performing loans to debt collecting companies.

Additionally, TRI acquires properties through mergers and acquisitions of distressed companies with real estate assets. Such acquisitions allow our Group to acquire real estate at prices we consider to be more reasonable as compared to the purchase of real estate through auction or tender processes. After acquiring these distressed assets, TRI looks to revitalise such assets before selling or leasing such properties by providing ancillary advisory and real estate asset management services in respect of these properties.

TRI also provides turnaround assistance in the form of financial support and real estate consultancy services to poorly performing businesses by deploying its accumulated know-how in the real estate business to increase the added value of real estate. It is also working to innovate and expand its "turnaround business" by fusing real estate and financing to offer a form of debtor-in-possession ("**DIP**") financing and other assistance. DIP financing is a form of post-bankruptcy financing to a corporation where the pre-bankruptcy management is retained and continues to work on the turnaround of the business. Additionally, TRI may, from time to time, hold mortgages on properties for investment purposes. In respect of such investments, TRI will acquire the loan, as well as the accompanying security interest in the underlying collateralised property.

While TRI makes use of the Group's general know-how, all of its business activities, including revitalisation, asset management and property management are carried out solely by TRI and its subsidiaries.

Funding and Investment Decisions and Monitoring

TRI's investments are funded either through loans from financial institutions or shareholder loans from Tosei.

Investments which require external financing are evaluated by our Board since such financial institutions will generally require us to guarantee loans to TRI. Our monthly management meeting receives reports from each of our subsidiaries, including TRI, at least once a month. Management is updated on the performance of each subsidiary through these monthly reports. Should such monthly reports highlight any risks with regards to the subsidiaries including the performance of the investments, we will then consult with our external advisers with a view to mitigating such risks.

Acquisitions and Boundary Confirmations

In the normal course of our revitalisation, development, rental and alternative investment businesses, we undertake the acquisition of assets. Prior to the completion of any such asset acquisition, we usually obtain boundary confirmations unless these are impractical from a business perspective (e.g. when property is under auction) as the process for boundary confirmations can be lengthy and time consuming. We always undertake a risk assessment of the probability and magnitude of the risks involved in such an acquisition, based on factors such as the history on the land, the current use of the neighbouring land, the characteristics of the neighbouring owners, the degree of uncertainty on the boundary and the amount of land exposed to risk of loss. A business judgment is made, on a case-by-case basis, whether the transaction

should proceed notwithstanding that boundary confirmations have not been obtained in relation to the acquisition. In general, after such an acquisition, we would obtain boundary confirmations before the properties are re-sold.

OUR HISTORY AND DEVELOPMENT

Our Company was established on 2 February 1950 by Junichi Noda and Kikue Tsuruta under the name Yukari Kogyo Co., Ltd as a restaurant business in Oita prefecture. In 1952, we moved our head office to Kameido, Koto Ward, Tokyo to expand our business to the Tokyo area. In June 1964, we initiated our real estate sales, brokerage, rental and property management businesses and this marked our first move into the real estate industry. Our Company's name was changed to Yukari Co., Ltd in 1969.

In 1973, our Company obtained its licence to act as a real estate agent. Following this, our Company was active in both the rental and restaurant businesses. In 1983, our Company's name was changed to Tosei Building Co., Ltd. In the same year, our Company started focusing on its real estate business (especially its rental business) and withdrew from the restaurant business. Our current President and CEO, Seiichiro Yamaguchi, was appointed as a director of our Company in 1990.

In June 1994, Mr. Yamaguchi undertook a management buy-out of our Company and acquired 100% of the issued share capital of our Company. He also assumed the role as our President, a position he continues to hold till today.

The following sets out milestones in our Group's recent history:

October 1994	We commenced our development business and started sales of our first condominium project "THE Palms Kugahara". We also registered our "THE Palms" trademark, which we continue to use till today for the branding of our condominium projects.
March 1996	Our Company changed its name to Tosei Fudosan Co., Ltd.
April 1996	We ventured into the revitalisation sector for the first time with the revitalisation of an existing condominium which we rebranded as "THE Palms Shirokane-dai".
July 1999	We commenced sales of our "Palms Court" brand of detached houses. We continue to use the same branding for our detached houses until today.
August 2002	We set up our first fund – "Argo Fund", a private fund with a trust structure and a portfolio of condominium assets.
February 2004	Our Company registered with JSDA as an over-the-counter traded company.
December 2004	We listed on the JASDAQ Stock Exchange.
March 2005	We incorporated Tosei Revival Investment to expand our business to include alternative investment.

April 2005	We acquired all the shares of TOSEI Community Co. Ltd (now known as Tosei Community Co., Ltd).
September 2005	We incorporated Tosei REIT Advisors Co., Ltd (now known as Tosei Asset Advisors, Inc.) to further expand our fund business.
October 2006	Our Company changed its name to its present name, Tosei Corporation, and moved its operational headquarters to Toranomom, Minato-ku, Tokyo.
November 2006	Listed on the Second Section of the Tokyo Stock Exchange
September 2009	We launched our “Restyling” business with our first project “Renai Kamakura Ueki”.
September 2011	Listed on the First Section of the Tokyo Stock Exchange
January 2012	Incorporated Tosei Singapore Pte. Ltd., our wholly-owned subsidiary in Singapore to kickstart our expansion plans in the South-east Asian region.
November 2012	We joined NAI Global (a worldwide network of independent commercial real estate firms). On 1 February 2013, we commenced the provision of real estate services within the Tokyo area and Chiba, Kanagawa and Saitama prefectures to clients and affiliates of NAI Global through NAI Tosei Japan, Inc.

MAJOR CUSTOMERS

Our main customers are owners, buyers and tenants of properties as well as financial institutions and funds. We do not have a recurring major customer base which accounts for more than 5.0% of our revenue in consecutive years as our revenue is earned from projects and developments which are non-recurrent in nature. We are not materially dependent on any contract with any of our customers.

In FY2009, a Japanese engineering and systems solutions company accounted for 21.4% of our revenue while a special purpose company held by an asset manager accounted for 11.3% of our revenue. These customers each purchased a property from our Group.

In FY2010, a Japanese real estate residential fund accounted for 13.4% of our revenue, while a Japanese real estate company and a real estate financing company accounted for, respectively, 5.2% and 7.8% of our revenue. A games machine manufacturer also accounted for 8.5% of our revenue in FY2010. These customers each purchased a property from our Group.

In FY2011, the real estate arm of a Japanese cement company accounted for 7.8% of our revenue. A private individual accounted for a further 5.2% of our revenue. These customers each purchased a property from our Group.

As at the date of this Introductory Document and to the best of our knowledge, none of our Directors, Statutory Auditors or Controlling Shareholders of our Company have an interest, direct or indirect in any major customers of the Group.

MAJOR SUPPLIERS

Our main suppliers are property owners and construction companies. We do not have a recurring major supplier base of property owners from whom we purchase properties. Property owners are business entities, individuals, funds and real estate firms from whom we purchase land, office buildings and residential properties. We are not materially dependent on any contract with any of our suppliers.

We may enter into recurrent transactions with construction companies to develop and/or revitalise properties that we own. Four construction companies accounted for an aggregate of 52.6%, 10.5% and 5.4% of our purchases in FY2009, FY2010 and FY2011 respectively. Our contracts with construction companies decreased from FY2009 to FY2011 in line with our decision to defer the development of properties.

Two Japanese construction companies (one of which is listed on the TSE) accounted for 7.7% and 9.2% of our purchases in FY2009. Another of our suppliers, a large Japanese construction company and Nikkei 225 component company, accounted for 30.8% and 5.6% of our purchases in FY2009 and FY2010 respectively. A TSE listed Japanese construction firm accounted for 4.8%, 3.2% and 5.4% of our purchases in FY2009, FY2010 and FY2011 respectively.

Generally, our Group's purchases from suppliers are dependent on factors such as the purchase terms, reputation and reliability of the supplier, delivery time and the quality of their products.

We generally do not enter into long-term or exclusive agreements with any of our suppliers.

To the best of our Directors' knowledge, we are not aware of any information or arrangements which would lead to a cessation or termination of our current relationship with any of our major suppliers.

As at the date of this Introductory Document and to the best of our knowledge, none of our Directors, Statutory Auditors or Controlling Shareholders have any interest, direct or indirect, in any of our major suppliers mentioned above.

CREDIT MANAGEMENT POLICY

Credit terms to our customers

For our revitalisation and development businesses, we do not offer our customers credit terms. The purchase price of such properties (whether or not sub-divided units) is usually paid in full upon delivery although some purchasers may place part of the purchase price as a deposit. For our rental business, our tenants pay rental charges in advance. For our fund business, we usually invoice our customers on a quarterly basis based on the terms of our asset management agreements.

Credit terms extended to customers of our property management and alternative investment businesses vary depending on length of the relationship, credit-worthiness of the customers and the size of the contract. Typically, credit terms to customers of our property management business are 30 days.

Our average trade receivables turnover days during the periods under review were as follows:

	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>9M2012</u>
Average trade receivables turnover (days) ⁽¹⁾⁽²⁾	5.1	6.2	7.5	9.7

Notes:

- (1) For FY2009, FY2010 and FY2011, average trade receivables turnover days = (Average trade receivables/revenue) X 365 days. For 9M2012, average trade receivables turnover days = (Average trade receivables/revenue) X 275 days. The calculation of average trade receivables turnover is based on the date bills are issued to our customers.
- (2) Our Company's trade receivables are mostly rent and fund and property related fee receivables and these amounts remained relatively unchanged during the periods under review. On the contrary, our Company's revenue, which also includes revitalisation and development-related revenue, declined from FY2009 to 9M2012. As a result, average trade receivables turnover increased. There have not been any material changes in our Company's collection of receivables during the periods under review.

Our provision for impairment on trade receivables as well as bad debts written off for the periods under review was as follows:

<u>(JPY million)</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>9M2012</u>
Provision for impairment on trade receivables	8.3	21.5	16.7	15.9
Bad debts written off	2.07	3.55	1.98	Nil

The amount of bad debts written off for FY2009, FY2010 and FY2011 were in relation to certain customers which had ceased business. No trade receivables accrue for our revitalisation and development businesses as these payments are made at the time of delivery. Provision for impairment is thus not recorded for these businesses.

To the best of their knowledge, our Directors are not aware of any information or development which may require us to make additional provisions for impairment on trade receivables. Our Directors are of the view that our provision for impairment on trade receivables is adequate. As at 31 December 2012, approximately 95.0% of our trade receivables outstanding as at 31 August 2012 had been collected. Our Directors are of the opinion that the balance of the trade receivables are collectable as there have not been any bad debts associated with any of these customers in the last three financial years. In addition, our Company undertakes credit checks of customers based on their corporate profile and history, financial statements, and other third party reports which are available on the market.

Credit terms from our suppliers

The credit terms granted by our suppliers is usually about 30 days for our rental, property management, funds and alternative investment businesses, depending on our relationship with the suppliers and the size of the transactions.

For our revitalisation business, our suppliers are typically property owners and main contractors. Where the supply involves the delivery of real estate, we generally pay 100% of the purchase price on delivery of the real estate. On occasion, we may pay a 10% deposit in respect of the purchase of such real estate. Where the supply is in relation to refurbishment and renovation of a property, we pay the main contractor the contracted price on the hand-over of the property following the completion of the refurbishment/renovation process, the average length of which is approximately two to three months.

For our development projects, our suppliers are typically also property owners and main contractors. Where the supply involves the delivery of real estate, we pay all of the purchase price on delivery of the real estate. We pay the main contractor of each project in stages. Generally, we pay a portion of the contracted price (10%) at groundbreaking and a further sum upon completion of a pre-determined milestone (10%). The bulk of the construction costs (80%) are paid at final completion and delivery of the development.

Our average trade payables turnover days for during the periods under review were as follows:

	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>9M2012</u>
Average trade payables turnover (days) ⁽¹⁾⁽²⁾	8.7	8.5	10.8	21.2

Notes:

- (1) For FY2009, FY2010 and FY2011, average trade payables turnover days = (Average trade payables/cost of sales) X 365 days. For 9M2012, average trade payables turnover days = (Average trade payables/cost of sales) X 275 days.
- (2) Our Company’s trade payables relate to rents, other fee income and construction costs of our Company’s revitalisation and development businesses, and payments relating to lands were not included. The decline in revitalisation and development had less impact on the balance of trade payables, compared to that of the cost of sales, which included the cost of land. There have not been any material changes in our Company’s payment terms during the periods under review.

MARKETING AND SALES

Our President and CEO, Seiichiro Yamaguchi, heads our sales and marketing team. He is assisted by our COO, Katsuhito Kosuge. Our COO oversees all five asset solutions departments. We have one asset solutions department which specialises in business promotion and one asset solutions department for each of our revitalisation, development, rental and fund businesses which focuses on sales and which is responsible for formulating and planning marketing strategies for that respective business segment. Our marketing strategies are formulated within this framework and are tailored to suit each specific business segment. Whilst we have an in-house marketing team, this in-house marketing team targets external property agents rather than end-customers.

Our marketing activities are generally conducted by reputable external property agents in Japan. These marketing agents are selected on the basis of their experience, extensive client base, proven track records and thorough understanding of the property market in Tokyo. Our external agents are responsible for providing information on and advertising our properties and corresponding with potential purchasers and tenants of our properties. The business promotion arm of our asset solutions departments is responsible for communication with these external agents.

When we are looking to sell whole completed properties, we release information on the properties to agents on a non-exclusive basis. These agents are paid on a commission basis if they find a buyer for the property. For our sub-divided condominiums, we generally appoint an exclusive marketing agent to market sub-divided units in such condominiums. These exclusive marketing agents are generally paid on a commission basis.

On occasion, where we have an established relationship with a particular customer, we may offer properties we believe to be suitable to their needs to such customers directly.

For our property management business, TCC markets our services to property owners and lessors directly.

QUALITY ASSURANCE

We have maintained strict quality control for safety, reliability and aesthetics by setting up our own standard code named "TOSEI-QC-10" for the purposes of internal quality control. This function is performed by our Architecture Planning Department.

The construction aspects of properties developed by us are supervised and inspected by the on-site architect and construction managers and us to ensure that they are safe and reliable. Our focus during the inspection process centres on the internal structure of our properties as these are not visible after a property is completed. We conduct inspections at every quality-control stage. The whole inspection process consists of 10 different inspections (such as structure of the building, interior, equipment and machinery amongst others) with over 80 items verified at each stage. At each stage of the inspection process, we carry out an initial inspection, re-inspection and final inspection of all items to be checked.

Our Architecture Planning Department has been granted ISO 9001:2008 certification for its quality control efforts for planning, design and construction processes as well as its periodical maintenance services.

ISO 9001:2008 specifies requirements for a quality management system where an organisation:

- needs to demonstrate its ability to consistently provide products that meets customer and applicable statutory and regulatory requirements, and
- aims to enhance customer satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

STAFF

As at 31 August 2012, we had 215 full-time employees (excluding Directors and Statutory Auditors and the directors and statutory auditors of our subsidiaries). In addition to our full-time employees, we employ a significant number of contract employees and part-time employees. As at 31 August 2012, we had 167 part-time and contract employees.

We do not experience any significant seasonal fluctuations in our number of full-time, contract and part-time employees.

The number of employees of the Group at the end of each of FY2009, FY2010, FY2011 and 9M2012 are as follows:

Segmented by Job Function	Number of Employees ⁽¹⁾⁽²⁾			
	As at 30 Nov 2009	As at 30 Nov 2010	As at 30 Nov 2011	As at 31 August 2012
Sales and Marketing	117	130	152	140
Design	5	5	5	7
Administrative ⁽³⁾	70	66	64	68
Total Full-time Staff:	192	201	221	215
Part-time Staff ⁽⁴⁾	110	128	162	164
Contract Staff ⁽⁴⁾	4	4	5	3

Notes:

- (1) All of our employees are based in Japan.
- (2) This does not include our Directors and Statutory Auditors, and the directors and statutory auditors of our subsidiaries.
- (3) This includes personnel from our Auditing Department and our Administrative Division and Business Division.
- (4) All of our operational employees are part-time and contract employees. Our part-time and contract operational employees undertake the cleaning, maintenance and repair of our properties. In FY2009, we had two part-time administrative employees. In FY2010 and FY2011, we had three part-time and contract administrative employees and 11 part-time and contract administrative employees respectively.

Collective Agreement with Employees

Under the Labour Standards Act of Japan and other related regulations thereunder, a company can only request its employees to work overtime or on statutory rest days if it enters into a collective agreement with either a trade union whose members consists of a majority of the employees in the company or an employees' representative who represents a majority of the employees in the company.

Our Company has entered into a collective agreement with an employees' representative (representing a majority of our employees) on 22 November 2012. Under Japanese law, by entering into this collective agreement with such employees' representative, the collective agreement is binding on all our employees.

The collective agreement consists of terms primarily in relation to (a) overtime pay, (b) extension of working hours and (c) working on statutory rest days. There are no terms on retrenchment benefits and work stoppage. There have not been any incidences of work stoppages or labour disputes that have affected our operations. Accordingly, we consider our relationship with our employees to be good. We have no other arrangement or agreement with any other labour union.

Pensions and Retirement Plans

There is a provision of retirement benefits in the wage policy of the Group. The retirement benefits are payable when an employee retires or resigns from the Group. Under the wage policies, employees who are punitively dismissed are not eligible for retirement benefits. Retirement benefits differ depending on the reason for resignation, years of service and seniority of the employee.

In December 2010, our Company adopted a defined contribution pension plan (“**DCP**”) whereby contributions to a pension plan are made by our Company in proportion to contributions made by our employees. All employees who are involved in the corporate pension system of our Company are eligible to participate in the DCP. Our employees are responsible for the investment decisions under the DCP and we conduct regular investment education programs to educate our employees on investments. As at 31 August 2012, our Group had set aside a total of ¥209.40 million for pension, retirement or similar benefits of our employees.

Tosei Employee Share Ownership Plan (*Jugyoimochikabukai*)

Our Company has an existing employee share ownership scheme (“**ESOP**”). The rules of the ESOP are set out in the Employee Share Ownership Rules our Company adopted on 1 September 2002.

The purpose of the ESOP is to enable our full-time employees to easily acquire our Shares and to accumulate such Shares by making frequent small contributions. Our Directors and Statutory Auditors are not allowed to participate in the ESOP.

Under the ESOP, only full-time employees of our Company (excluding employees of our subsidiaries) are entitled to participate in the ESOP. The participating employee (“**Participating Employee**”) may contribute a certain portion of his monthly salary and biannual bonus to purchase shares of our Company. Contributions from Participating Employees are made in units of JPY1,000 each. Each Participating Employee is allowed to contribute a maximum of 20 units from his monthly salary and 100 units from his annual bonus. Further, the dividends declared and paid in respect of the Shares held by the Participating Employee will be contributed to the ESOP. All Shares held under the ESOP will be held by the administrative director of the ESOP as nominee of the Participating Employees. The ESOP is organised as a partnership pursuant to Article 667(1) of the Civil Law of Japan.

The Participating Employees may not transfer or pledge the rights to their shares. When the Participating Employee’s number of shares under the ESOP reaches one Share, the employee may, at his/her option, transfer such Share into an account held in his/her own name. In the event that the Participating Employee withdraws from the ESOP, the vested ESOP Shares will be transferred to the securities account of the Participating Employee and the equivalent value in cash for a fractional part of a Share (converted at the then market price) will be paid to the Participating Employee. Alternatively, the Participating Employee may choose to make an extraordinary contribution to the ESOP such that the fractional part of a Share deemed to be held by such Participating Employee becomes one whole Share.

There is no maximum limit for Shares acquired under the ESOP. Participating Employees purchase Shares on a pre-determined date each month. Under the ESOP, the Participating Employee contributes an amount equal to 95.0% of the acquisition cost of the Shares under while our Company contributes the remaining 5.0%. For FY2009, FY2010, FY2011 and 9M2012, the aggregate contribution made by Company to the ESOP was ¥1,383,450.

INSURANCE

As at the Latest Practicable Date, our Group has in place the following insurance policies:

- (a) directors and officers liability insurance;
- (b) general comprehensive liability insurance;
- (c) defect liability insurance;
- (d) tenant accident insurance; and
- (e) fire insurance.

As disclosed in “Risk Factors – Risk Relating to Japan – We may suffer substantial losses in the event of a natural disaster such as an earthquake, terrorist attack or other casualty event in Japan”, we do not carry insurance that covers losses that are due to natural disasters such as earthquakes as the cost of procuring such insurance coverage is prohibitive in Japan. In addition, we are not insured against loss of key personnel and business interruption. Whilst none of our properties have been damaged by any natural disasters in the last three financial years and up to the Latest Practicable Date, if such events were to occur in the future, our business may be materially or adversely affected. Further, significant disruption to our operations, whether as a result of fire or other causes, may still have a material adverse effect on our results of operations or financial condition if our coverage is insufficient to cover losses arising from such causes.

To the best of our knowledge and in light of the prohibitive costs in procuring insurance coverage for losses that are due to natural disasters such as earthquakes, our Directors are of the view that the above insurance policies are adequate for our existing operations.

MATERIAL LICENCES, PERMITS, REGISTRATIONS AND APPROVALS

As at the date of this Introductory Document, our Group has the following material licences, permits, registrations and approvals:

Licence Name/Authority/Number	Licence Holder	Effective Date	Expiry Date
Building Lots and Buildings Transaction Business Licence (Governor of Tokyo Metropolitan Government Licence (11) No. 24043)	Tosei	23 March 2012	23 March 2017
Real Estate Investment Consulting Registration (Minister of Land, Infrastructure, and Transportation Registration Ordinary No. 127)	Tosei	28 February 2011	28 February 2016
Specified Construction Permit (Governor of Tokyo Metropolitan Government Permit (Specified-24) No. 107905)	Tosei	10 December 2012	9 December 2017
First-Class Architect's Office Registration (Governor of Tokyo Metropolitan Government Registration No. 46219)	Tosei	10 April 2011	9 April 2016
Real Estate Specified Joint Enterprise Permit (Governor of Tokyo Metropolitan Government Permit No. 58)	Tosei	8 September 2004	N/A ⁽¹⁾
Financial Instruments Business Registration (Type II Financial Instruments Business; Investment Advisor and Agency Business) (Director General of the Kanto Local Finance Bureau Registration (<i>Kinsho</i>) No. 898)	Tosei	30 September 2007	N/A ⁽¹⁾
Building Lots and Buildings Transaction Business Licence (Governor of Tokyo Metropolitan Government Licence (3) No. 80048)	TCC	29 September 2011	28 September 2016
Ordinary Construction Permit (Governor of Tokyo Metropolitan Government Permit (Ordinary – 25) No. 119534)	TCC	11 March 2013	10 March 2018
Specified Construction Permit (Governor of Tokyo Metropolitan Government Permit (Specified – 25) No. 119534)	TCC	11 March 2013	10 March 2018
First-Class Architect's Office Registration (Governor of Tokyo Metropolitan Government Registration First-Class No. 49526)	TCC	15 January 2009	14 January 2014
Condominium Management Business Registration (Minister of Land, Infrastructure, and Transport Registration (3) No. 030488)	TCC	22 May 2012	21 May 2017

Licence Name/Authority/Number	Licence Holder	Effective Date	Expiry Date
Environmentally Hygienic General Building Management Business Registration (Tokyo Metropolitan Government Registration 19 General No. 273)	TCC	4 October 2007	3 October 2013
Security Services Certification (Tokyo Metropolitan Public Safety Commission No. 30002591)	TCC	15 October 2011	14 October 2016
Building Lots and Buildings Transaction Business Licence (Governor of Tokyo Metropolitan Government Licence (2) No. 85736)	TAA	8 April 2011	7 April 2016
Discretionary Transaction Agency Business Permit (Minister of Land, Infrastructure, and Transport Licence No. 52)	TAA	24 January 2007	N/A ⁽¹⁾
Financial Instruments Business Registration (Type II Financial Instruments Business and Investment Management Business) (Director General of Kanto Local Finance Bureau Registration (Financial Instruments and Exchange) No. 363)	TAA	30 September 2007	N/A ⁽¹⁾
Financial Instruments Business Registration (Investment Advisor and Agency Business) (Director General of Kanto Local Finance Bureau Registration (Financial Instruments and Exchange) No. 363)	TAA	19 May 2008	N/A ⁽¹⁾
Building Lots and Buildings Transaction Business Licence (Governor of Tokyo Metropolitan Government Licence (2) No. 88903)	TRI	23 February 2013	22 February 2018
Money-Lending Business Registration (Governor of Tokyo Metropolitan Government Registration (2) No. 31311)	TRI	16 March 2013	16 March 2016
Building Lots and Buildings Transaction Business Licence (Governor of Tokyo Metropolitan Government Licence (1) No. 94116)	NAI Tosei	14 April 2012	13 April 2017


Note:

- (1) These licences are issued in perpetuity. We are however obliged under applicable laws to report to the authorities and cancel these perpetual permits/registrations in the event the business in question is discontinued. The remaining licences set out in the table above are renewable and we usually make applications one to three months prior to the expiry date of our renewable licences (see also "Risk Factors – Risks Relating to our Business – We will be affected by changes in government regulations and suspension or revocation or non-renewal of our governmental licences and approvals").

As at the Latest Practicable Date, we have all necessary permits and licences required for our business and operations.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, the following trademarks have been registered by and/or applied for by our Group:

Trademark	Application/ Registration Number	Place of Registration	Registered Owner	Class ⁽¹⁾	Application/ Registration Date	Expiry Date
パームス	No. 2000- 120399/ No. 4534159	Japan	Tosei	36	7 November 2000 / 11 January 2002	11 January 2022
パームスコ ート	No. 2000- 120400/ No. 4534160	Japan	Tosei	36	7 November 2000 / 11 January 2002	11 January 2022
THE パー ムス	No. 2001- 000406/ No. 4548518	Japan	Tosei	36	9 January 2001 / 1 March 2002	1 March 2022
	No. 2006- 065143/ No. 5053378	Japan	Tosei	36, 37, 42, 45	12 July 2006 / 8 June 2007	8 June 2017
東誠コミュ ニテイ	No. 2006- 065144/ No. 5032844	Japan	Tosei	36, 37, 39, 42, 45	12 July 2006 / 16 March 2007	16 March 2017
トーセイ・ コミュニテ イ	No. 2006- 078778/ No. 5046404	Japan	Tosei	36, 37, 39, 42, 45	24 August 2006 / 11 May 2007	11 May 2017
東誠	No. 2006- 065141/ No. 5115601	Japan	Tosei	36, 37, 42, 45	12 July 2006 / 29 February 2008	28 February 2018
TOSEI・ト ーセイ	No. 2006- 065142/ No. 5115602	Japan	Tosei	36, 37, 42, 45	12 July 2006 / 29 February 2008	28 February 2018
トーセイ・ リート・ア ドバイザー ズ	No. 2006- 065146/ No. 5115603	Japan	Tosei	35, 36, 42	12 July 2006 / 29 February 2008	28 February 2018
TOSEI	No. 2006- 074314/ No. 5115604	Japan	Tosei	36, 37, 42, 45	9 August 2006 / 29 February 2008	28 February 2018
トーセイ・ リバイバル ・インベス トメント	No. 2006- 078779/ No. 5115605	Japan	Tosei	35, 36, 42	24 August 2006 / 29 February 2008	28 February 2018
T'S BRIGHTIA	No. 2008- 052004/ No. 5224792	Japan	Tosei	36	30 June 2008 / 17 April 2009	17 April 2019

Trademark	Application/ Registration Number	Place of Registration	Registered Owner	Class ⁽¹⁾	Application/ Registration Date	Expiry Date
TOSEI・ト ーセイ	No. 2008- 070087/ No. 5249698	Japan	Tosei	41	26 August 2008 / 17 July 2009	17 July 2019
Vanilland	No. 2008- 070088/ No. 5249699	Japan	Tosei	41	26 August 2008 / 17 July 2009	17 July 2019
Restyling	No. 2009- 096308/ No. 5318802	Japan	Tosei	36	21 December 2009 / 23 April 2010	23 April 2020
トーセイ・ アセット・ アドバイザーズ	No. 2010- 055500/ No. 5370228	Japan	Tosei	35, 36, 45	14 July 2010 / 19 November 2010	19 November 2020
ECOPAL/ エコパル	No. 2010- 067186/ No. 5382318	Japan	Tosei	36	26 August 2010 / 7 January 2011	7 January 2021
	T1206857B	Singapore	N.A.	36	14 May 2012 / Pending registration	N.A.

Note:

- (1) **Class Headings:** Class 35 (Advertising; business management; business administration; office functions); Class 36 (Insurance; financial affairs; monetary affairs; real estate affairs); Class 37 (Building construction; repair; installation services); Class 39 (Transport; packaging and storage of goods; travel arrangement); Class 41 (Education; providing of training; entertainment; sporting and cultural activities); Class 42 (Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software); and Class 45 (Legal services; security services for the protection of property and individuals; personal and social services rendered by others to meet the needs of individuals).

RESEARCH AND DEVELOPMENT

Due to the nature of our business, we do not undertake research and development activities and have not incurred any research and development expenses.

AWARDS

In 2001, our condominium project “THE Palms Kiba-Park” received an award of excellence from the Japan Association of Home Suppliers due to the innovative design of the project including that of the sky garden. Our Heiwajima Tosei Building and Kamata Tosei Building have also received an “A” rating under CASBEE for being environmentally friendly as a result of measures implemented to reduce carbon dioxide emissions, including the usage of natural ventilation systems, energy saving lighting fixtures and roof-top gardens. Please see “Business – Corporate Social Responsibility” for more details.



Heiwajima Tosei Building



Kamata Tosei Building

In each of 2011 and 2012, our “Restyling” business (see “Business – Business Overview – Revitalisation – Restyling”) was awarded a “Good Design Award” for our business concept of restyling buildings by the Japan Institute of Design Promotion.

In April 2012, our “Palms Court Mitaka Adagio” development of detached houses was awarded with a “Good Business Award” by the Housing Construction Industry Association of Japan for good project content, which included (i) environmental features such as planters, (ii) community features such as dedicated community spaces, and (iii) layout features such as the placement of living and dining spaces within each house.



Palms Court Mitaka Adagio

COMPETITION

We operate in a competitive environment and face keen competition from new and existing competitors based in Japan.

We consider the following to be our main competitors:

Revitalisation

Sun Frontier Fudosan Co., Ltd
Raysum Co., Ltd
Star Mica Co., Ltd
Intellex Co., Ltd

Development

Goldcrest Co., Ltd
Takara Leben Co., Ltd
Morimoto Co., Ltd
Hoosiers Corporation

Rental

Yasuda Real Estate Co., Ltd
Hulic Co., Ltd

Fund

Kenedix Inc.
IDERA Capital Management Ltd.
Ichigo Group Holdings Co., Ltd

Property Management

Nihon Housing Co., Ltd
Sanko Estate Co., Ltd
Daiwa Lifenext Co., Ltd
Tokyo Biso K Corporation

Alternative Investment

Secured Capital Investment
Management Co., Ltd
RISA Partners, Inc.
Nissin Servicer Co., Ltd

To the best of our knowledge, none of our Directors, Statutory Auditors or Controlling Shareholders have any interest, direct or indirect, in any of our competitors named above.

To the best of our knowledge, there are no published statistics that can provide an accurate measure of our market share.

COMPETITIVE STRENGTHS

We believe our competitive strengths are as follows:

We centre our business operations in the Tokyo area

Our business is focused on the Tokyo area of Japan and this gives us the advantage of local knowledge of the Greater Tokyo area. We only make investments in properties after stringently verifying the profitability of each property. Our ability to make such judgment calls is backed up by our investment track record. In particular, even during the recent financial crisis, the average rent in Tokyo remained stable compared to other major cities and prefectures in Japan. There has been firm demand in the residential market in Tokyo, and the low vacancy rate of residential properties reflects this trend. There has also been an increase in demand for purchases of office space within Japan. We also expect that the population of Tokyo will grow in the future and that Tokyo will be the first to recover from the effects of the financial crisis once foreign investors return to the property market in Tokyo. We believe that Tokyo is still a market with potential.

We have an experienced management and support team

Our management team, consisting of our President and CEO, Seiichiro Yamaguchi, our COO, Katsuhito Kosuge, and our CFO, Noboru Hirano, has extensive experience in property development and building construction. They each have extensive experience in the property industry and have been instrumental to our business, providing our Group with their invaluable strategic leadership. With their experience, our management team is able to source for suitable sites with potential for development and revitalisation, and to assess whether such sites offer good investment returns or profitable development or revitalisation opportunities.

Our experienced management team and support staff also allows us to conduct the majority of our purchases through negotiations, as opposed to through a tender or auction process. We believe that we pay more competitive purchase prices than some of our competitors because of our flexible business approaches, fast judgment and reputation. In general, properties purchased through negotiations fetch better prices than if the property was purchased through bidding. Most of our small and medium sized properties have been purchased through negotiations instead of bidding. With our track record and reputation, we have built a relationship of trust amongst investors of small and medium sized properties.

In addition, we believe that the heads of our various business divisions have the requisite skill-set and potential to succeed our current management team.

Our diverse business gives us the flexibility to operate in varying market conditions

Our six varied businesses enable us to operate flexibly in accordance with varying market conditions. For example, our revitalisation, development and alternative investment businesses allow opportunity for high capital gain, while our rental, fund and property management businesses provide stable income. The stable income from these latter three business segments of Tosei has contributed highly to the Group's ability to ride out the financial crisis and begin reinvesting in properties even during the crisis. Additionally, we do not limit our business to a specific sector in the real estate market but have exposure to the residential, office and commercial sectors. This diversity in our business allows us to reallocate our resources amongst our different business segments according to the prevailing market conditions. Furthermore, we believe that the business relationships we have developed through our diverse business activities give us a variety of exit options, including selling assets to investors (corporations, funds, individuals, REITs) and/or end-users (corporations and individuals), or, alternatively, keeping them on our books as income generating properties.

We are a diversified business and cater to various market needs

Our core businesses are interlinked and we have achieved substantial operational synergies because of this. For example, in 2011, we set up a fund in conjunction with our "Restyling" business. Our fund business provides asset management services to this fund, while our property management and rental businesses provide management, maintenance and leasing services to the fund. Other divisions within the Group also provide support for the sale and purchase of properties.

We focus on the needs of our target customers and develop award-winning properties

We undertake all our revitalisation and development projects after considering the local characteristics and demographic of each area to meet customer needs. We have an in-house quality control system which allows us to develop award-winning and quality properties that cater to a wide consumer segment. Please see "Business – Quality Assurance" for more information on our quality control system. Our revitalisation and development projects have won multiple awards in recent years. We have also won an award for environmental sustainability and conformability with environmental standards. Please see "Business – Awards" for more information on our award-winning properties.

SEASONALITY

Due to the nature of our business, we are not affected by seasonality.

MATERIAL LITIGATION

Save as disclosed in "General and Statutory Information – Litigation", we are not a party to any litigation or arbitration proceedings during the 12 months immediately preceding the date of this Introductory Document which we believe would, individually or taken as a whole, have a material financial effect on our Group, and as far as we are aware, no such litigation or arbitration proceedings are pending or known to be contemplated.

PRINCIPAL PROPERTIES

As at the Latest Practicable Date, we own the following properties, which we have grouped according to our business segments.

Revitalisation

Name of Project ⁽¹⁾	Location	Total Land Area (sq m)	Planned/ Total GFA (sq m)	Use of Property	Project Status	Encumbrances	Mortgagee
Ogawamachi Tosei Building	Chiyoda-ku, Tokyo	175	1,385	Office	Completed	Mortgage	Japan Finance Corporation
Rose-bay Shinjuku Building	Shinjuku-ku, Tokyo	645	1,849	Office	Completed	Mortgage	Higashi-Nippon Bank, Ltd.
Akihabara Tosei Building ⁽²⁾	Chiyoda-ku, Tokyo	301	2,092	Office	Completed	Pledge	Aozora Bank, Ltd.
Minamiaoyama 7-chome Building	Minato-ku, Tokyo	235	700	Office	Completed	Mortgage	Higashi-Nippon Bank, Ltd.
Ueno Takeuchi Building	Taito-ku, Tokyo	650	3,845	Office	Completed	Mortgage	Sumitomo Mitsui Banking Corporation
Kikumoto Plaza Building	Chigasaki-shi, Kanagawa	1,247	5,360	Office	Completed	Mortgage	The Bank of Yokohama, Ltd
Nissei Building	Chiyoda-ku, Tokyo	191	1,024	Office	Completed	Mortgage	The Tokyo Tomim Bank, Limited
Excel TY Building	Shibuya-ku, Tokyo	334	771	Office	Completion expected in April 2013	Mortgage	Shinsei Bank, Limited
Shinbashi Frontier Building	Minato-ku, Tokyo	430	2,536	Office	Revitalisation has not commenced	Mortgage	The Shoko Chukin Bank, Ltd.

Name of Project ⁽¹⁾	Location	Total Land Area (sq m)	Planned/ Total GFA (sq m)	Use of Property	Project Status	Encumbrances	Mortgagee
Selian City	Higashikurumeshi, Tokyo	897	4,061	Residential	Completed	Mortgage	Kansai Urban Banking Corporation
Clair Minamikasai Condominium	Edogawa-ku, Tokyo	487	1,113	Residential	Completed	Mortgage	The Chiba Kogyo Bank, Ltd.
Dormitory Haramachida	Machida-shi, Tokyo	510	2,239	Residential	Completion expected in February 2013	Mortgage	Yachiyo Bank, Ltd.
Est Life Sakurazaka	Ota-ku, Tokyo	178	292	Residential	Revitalisation has not commenced	Mortgage	The Bank of Fukuoka, Ltd. ⁽³⁾
Land at Shinsuna 1-chome	Koto-ku, Tokyo	166	-	-	- ⁽⁴⁾	Nil	Nil
Land at Kanda Nishikicho 1-chome	Chiyoda-ku, Tokyo	135	-	-	- ⁽⁵⁾	Nil	Nil
Land at Akasaka 8-chome	Minato-ku, Tokyo	325	-	-	- ⁽⁴⁾	Mortgage	Higashi-Nippon Bank, Ltd.

Notes:

- (1) All properties are freehold properties.
- (2) Held by Mitsui Sumitomo Trust and Banking Corporation as trustee of a trust account of which we are the sole beneficiary. The property is managed by TCC.
- (3) This name has been translated for convenience only and the financial institution in question has no official English name.
- (4) This land was acquired by us in a packaged transaction and we currently do not have any intention to develop this piece of land and will look to sell it if we receive an appropriate offer.
- (5) We have entered into a sales and purchase agreement for the sale of this piece of land to a third party. Delivery of the land is scheduled to take place in February 2013.

Revitalisation – “Restyling”

Name of Project⁽¹⁾	Location	Total Land Area (sq m)	Planned/ Total GFA (sq m)	Total No. of Units in Project	No. of Units in our Inventory as at the Latest Practicable Date	Use of Property	Project Status	Encumbrances⁽⁴⁾	Mortgagee
Renai Kamakura Ueki Condominium	Kamakura-shi, Kanagawa	6,916	9,762	83	32	Residential	In progress ⁽²⁾	Mortgage	Aozora Bank, Ltd.
Confor Yotsuya Condominium	Shinjuku-ku, Tokyo	920	2,221	24	6	Residential	In progress ⁽²⁾	Mortgage	Resona Bank Ltd.
Ecology Ochiai Residence I • II Condominium	Shinjuku-ku, Tokyo	2,991	4,424	56	30	Residential	In progress ⁽²⁾	Mortgage	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Maison Saison Ochiai Condominium	Shinjuku-ku, Tokyo	1,555	2,131	18	10	Residential	In progress ⁽²⁾	Mortgage	The Hyakujushi Bank, Ltd.
Clover Roppongi Condominium	Minato-ku, Tokyo	505	2,005	37	9	Residential	In progress ⁽²⁾	Mortgage	The Kosan Shinkin Bank ⁽³⁾
Hilltop Yokohama Negishi Condominium	Yokohama-shi, Kanagawa	17,548	31,181	279	140	Residential	Completed	Mortgage	ORIX Bank Corporation

Name of Project ⁽¹⁾	Location	Total Land Area (sq m)	Planned/ Total GFA (sq m)	Total No. of Units in Project	No. of Units in our Inventory as at the Latest Practicable Date	Use of Property	Project Status	Encumbrances ⁽⁴⁾	Mortgagee
Estage Kaminoge Condominium	Setagaya-ku, Tokyo	1,300	3,664	26	9	Residential	Completed	Mortgage	Resona Bank Ltd.
Isarago Place Condominium	Minato-ku, Tokyo	1,347	1,684	16	8	Residential	Completed	Mortgage	The Chiba Kogyo Bank, Ltd.
Hill Top Yokohama Higashi-Terao Condominium	Yokohama-shi, Kanagawa	8,620	15,730	127	110	Residential	Completed	Mortgage	Mizuho Bank, Ltd.
Glen Park Ikedayama Condominium	Shinagawa-ku, Tokyo	405	1,644	31	9	Residential	Completed	Mortgage	Kansai Urban Banking Corporation
Yoyogiuehara Mansion	Shibuya-ku, Tokyo	688	1,069	6	5	Residential	Completed	Mortgage	The Tokyo Tomim Bank, Limited

Notes:

- (1) All properties are freehold properties.
- (2) Revitalisation of the common areas has been completed in these properties. The revitalisation of individual units will occur as and when the leases of existing tenants expire, and such tenants vacate the units. Please see "Business – Business Overview – Revitalisation – Restyling" for more information.
- (3) This name has been translated for convenience only and the financial institution in question has no official English name.
- (4) A revolving mortgage refers to an encumbrance in respect of loans occurring (up to a pre-defined amount) over a certain period. In contrast, in a normal mortgage, the encumbrance is linked to a predefined loan(s) and released when such loans are repaid.

Development

Condominiums

Name of Project ⁽¹⁾	Location	Total Land Area (sq m)	Planned/Total GFA (sq m)	Planned/Total No. of Units	No. of Units in our Inventory as at the Latest Practicable Date	Project Status ⁽²⁾	Encumbrances	Mortgagee
THE Palms Tsukishima Luna Garden	Chuo-ku, Tokyo	1,512	10,685	122	20	Completed	Revolving Mortgage	Japan Housing Finance Agency
THE Palms Takadanobaba 4-chome	Shinjuku-ku, Tokyo	698	3,097	52	7	Completed	Nil	Nil
THE Palms Sendagaya	Shibuya-ku, Tokyo	581	1,876 ⁽³⁾	23 ⁽³⁾	23	Completion expected in April 2013	Mortgage	Higashi-Nippon Bank, Ltd.
THE Palms Shibuya Tokiwamatsu	Shibuya-ku, Tokyo	442	1,514 ⁽³⁾	21 ⁽³⁾	21	Completion expected in July 2013	Mortgage	Mizuho Bank, Ltd.
THE Palms Nishigahara	Kita-ku, Tokyo	1,193	3,901 ⁽³⁾	40 ⁽³⁾	40	Completion expected in August 2013	Mortgage	ORIX Bank Corporation
Hasune 3-chome Condominium	Itabashi-ku, Tokyo	604	966.49	-	-	Completion expected in May 2014	Mortgage	The Kosan Shinkin Bank ⁽⁴⁾
THE Palms Nihonbashi Kodemmacho	Chuo-ku, Tokyo	300	2,160 ⁽³⁾	33 ⁽³⁾	33	Completion expected in January 2014	Mortgage	The Hokuriku Bank, Ltd.

Notes:

- (1) All properties are freehold properties.
- (2) Completion dates are based on our estimates only and actual completion dates may vary from those indicated above.
- (3) Planned figures.
- (4) This name has been translated for convenience only and the financial institution in question has no official English name.

Detached Houses

Name of Project⁽¹⁾	Location	Total Land Area (sq m)	Planned/ Total GFA (sq m)	No. of Houses	No. of Houses in our Inventory as at the Latest Practicable Date	Project Status⁽³⁾	Encumbrance	Mortgagee
Palms Court Kamagaya	Kamagaya-shi, Chiba	2,044	1,798	19	4	Completed	Nil	Nil
Palms Court Koishikawa	Bunkyo-ku, Tokyo	1,254	1,484	15	10	Completed	Mortgage	Sumitomo Mitsui Banking Corporation
Palms Court Setagaya Okamoto	Setagaya-ku, Tokyo	4,696	3,452	40	33	Completed	Mortgage	Sumitomo Mitsui Trust Bank, Limited
Palms Court Hatsudai	Shibuya-ku, Tokyo	1,106	1,553	16	6	Completed	Mortgage	The Minato Bank, Ltd.
Palms Court Yono Honmachi	Saitama-shi, Saitama	1,314	1,280	13	13	Completed	Mortgage	The Minato Bank, Ltd.
Land for Nakaikigami 1-chome Detached House	Ota-ku, Tokyo	340	-	4	4	Completion expected in October 2013	Mortgage	Fuyo General Lease Co., Ltd.
Land for Sannou 1-chome Detached House ³	Ota-ku, Tokyo	564	-	8	8	Completion expected in June 2014	Mortgage	Mizuho Bank, Ltd.
Land for Motoazabu 3-chome Detached House ⁽³⁾	Minato-ku, Tokyo	594	-	-	-	No development plan	Mortgage	The Bank of Yokohama, Ltd.
Land for Wakagi 3-chome Detached House ⁽³⁾	Itabashi-ku, Tokyo	1,387	-	-	-	No development plan	Mortgage	The Kosan Shinkin Bank ⁽⁴⁾
Land for Higashiyukigaya 1-chome Detached House ⁽³⁾	Ota-ku, Tokyo	467	-	-	-	No development plan	Mortgage	Resona Bank Ltd.

Name of Project ⁽¹⁾	Location	Total Land Area (sq m)	Planned/ Total GFA (sq m)	No. of Houses	No. of Houses in our Inventory as at the Latest Practicable Date	Project Status ⁽³⁾	Encumbrance	Mortgagee
Land for Kamiikedai 3-chome Detached House ⁽³⁾	Ota-ku, Tokyo	380	-	-	-	No development plan	Mortgage	Resona Bank Ltd.
Land for Minamiyukigaya 3-chome Detached House ⁽³⁾	Ota-ku, Tokyo	188	-	-	-	No development plan	Mortgage	AEON Bank, Ltd. ⁽⁴⁾
Land for Naritahigashi 3-chome Detached House ⁽³⁾	Suginami-ku, Tokyo	589	-	-	-	No development plan	Mortgage	The Kosan Shinkin Bank ⁽⁴⁾
Land for Rokkakubashi 5-chome Detached House ⁽³⁾	Yokohama-shi, Kanagawa	1,706	-	-	-	No development plan	Mortgage	AEON Bank, Ltd. ⁽⁴⁾
Land for Akabane Detached House ⁽³⁾	Kita-ku, Tokyo	467	-	-	-	No development plan	Mortgage	AEON Bank, Ltd. ⁽⁴⁾
Land for Higashi-gotanda Detached House ⁽³⁾	Shinagawa-ku, Tokyo	268	-	-	-	No development plan	Mortgage	Higashi-Nippon Bank, Ltd.
Land for Komaoka 1-chome Detached House ⁽³⁾	Yokohama-shi, Kanagawa	6,916	-	-	-	No development plan	Mortgage	The Bank of Yokohama, Ltd.

Notes:

- (1) All properties are freehold properties.
- (2) Completion dates are based on our estimates only and actual completion dates may vary from those indicated above.
- (3) Plans for these sites have yet to be finalised.
- (4) This name has been translated for convenience only and the financial institution in question has no official English name.

Rental

As at the Latest Practicable Date, we had an occupancy rate of 88.0% in respect of the properties which we hold for the purposes of our rental business.

Name of Property ⁽¹⁾	Location	Total Land Area (sq m)	Total GFA (sq m)	Use of Property	Encumbrances	Mortgagee
Toranomon Tosei Building ⁽²⁾	Minato-ku, Tokyo	628	4,213	Office	Revolving Mortgage	The Shoko Chukin Bank, Ltd.
Takanawa Tosei Building	Minato-ku, Tokyo	1,983	4,176	Office	Nil	Nil
Edogawabashi Tosei Building	Shinjuku-ku, Tokyo	189	1,046	Office	Mortgage	Japan Finance Corporation
Awaji-cho Tosei Building	Chiyoda-ku, Tokyo	281	1,546	Office	Revolving Mortgage	Sumitomo Mitsui Trust Bank, Limited
Ginza Premier Building	Chuo-ku, Tokyo	100	549	Office	Revolving Mortgage	The Chiba Bank, Ltd.
Nakano-Asahi Building ⁽³⁾	Nakano-ku, Tokyo	261	975	Office	Nil	Nil
Shinden Warehouse	Adachi-ku, Tokyo	4,138	5,965	Warehouse	Revolving Mortgage	Yachiyo Bank, Ltd.
Takaido Tosei Studio	Suginami-ku, Tokyo	475	1,437	Office	Mortgage	Higashi-Nippon Bank, Ltd.
Nihobashi-Hamacho Building	Chuo-ku, Tokyo	860	4,583	Office	Revolving Mortgage	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Koishikawa Tosei Building	Bunkyo-ku, Tokyo	717	3,275	Office	Revolving Mortgage	The Shoko Chukin Bank, Ltd.
Ralta Building	Ota-ku, Tokyo	592	1,492	Office	Mortgage	Kansai Urban Banking Corporation
Green-star Heights Condominium	Arakawa-ku, Tokyo	453	1,809	Residential	Revolving Mortgage	Mizuho Bank, Ltd.
Nishigaoka Land ⁽⁴⁾	Kita-ku, Tokyo	243	–	Residential	Nil	Nil

Name of Property ⁽¹⁾	Location	Total Land Area (sq m)	Total GFA (sq m)	Use of Property	Encumbrances	Mortgagee
Uehara Diamond Condominium ⁽⁵⁾	Shibuya-ku, Tokyo	78	163 ⁽⁵⁾	Residential	Nil	Nil
Togane Warehouse	Togane-shi, Chiba	1,460	719	Warehouse	Nil	Nil
Plaza Nakayama Building	Funabashi-shi, Chiba	1,960	2,533	Commercial	Mortgage	The Chiba Bank, Ltd.
NN Building ⁽⁶⁾	Arakawa-ku, Tokyo	261	1,867	Office	Mortgage	The Shoko Chukin Bank, Ltd.

Notes:

- (1) All properties are freehold properties, unless otherwise stated. We own the entire property, unless otherwise stated.
- (2) Toranomon Tosei Building is our principal place of business. This is not a material rental property as the significant part of the building is for our own use with only a small portion amounting to 496 sq m (out of a total of 4,214 sq m) used for rental.
- (3) Leasehold property, 50 years commencing 1 April 1985.
- (4) The house situated on the land we own is owned by the tenant and not by our Company. Accordingly, information on the GFA is not available.
- (5) We own only one unit in this condominium, the size of which is 163 sq m.
- (6) Leasehold property, 30 years commencing 29 February 2008.

Alternative Investment

Name of Property/Project ⁽¹⁾	Location	Total Land Area (sq m)	Planned/ Total GFA (sq m)	Use of Property	Encumbrances	Mortgagee
Ebisu Green House Land ⁽²⁾	Shibuya-ku, Tokyo	1,045	–	Land	Mortgage	The Kosan Shinkin Bank ⁽⁴⁾
Ebisu Detached House ^{(2)/(3)}	Shibuya-ku, Tokyo	79	95	Residential	Nil	Nil
Nippori Community Building ^{(2)/(5)}	Arakawa-ku, Tokyo	238	1,587	Office	Revolving Mortgage	Mizuho Bank, Ltd.

Notes:

- (1) All properties are freehold properties, unless otherwise stated.
- (2) The Ebisu Green House Land and the land for the Ebisu Detached House development are both owned by Green House, a company acquired by TRI and in a process of liquidation, and do not relate to any non-performing loans. In the case of Nippori Community Building, TRI initially acquired debt collateralised by this property (a building and a 30-year ground lease) and later acquired the property as in-kind repayment of the debt.
- (3) The land for the Ebisu Detached House development is owned by Green House while the building is owned by TRI.
- (4) This name has been translated for convenience only and the financial institution in question has no official English name.
- (5) Leasehold property, 30 years commencing 30 January 2007.

As at the Latest Practicable Date, we have also leased the following properties from third parties:

Name of Property	Location	Gross Leased Area (sq m)	Lease Period	Use of Property
Ogawamachi Tosei Building II ⁽¹⁾	Chiyoda-ku, Tokyo	154	31 March 2009 – 30 March 2014	Office
Nihonbashi Honkokucho Tosei Building ⁽¹⁾	Chuo-ku, Tokyo	575	11 May 2012 – 10 May 2014	Office
Toranomon 3-chome	Minato-ku, Tokyo	119	1 May 2012 – 30 April 2014	Office and Warehouse

Note:

- (1) We sub-lease areas in these leased properties to third parties.

Save as disclosed in “Risk Factors” and “Overview of Relevant Laws and Regulations in Japan”, there are no regulatory requirements or environmental issues that may materially affect our utilisation of our properties and fixed assets.

ENVIRONMENT, HEALTH AND SAFETY

Environment

Our Group's operations are subject to a variety of environmental laws and regulations that primarily relate to soil contamination of lands on which our buildings are or will be built and which may affect our ability to dispose of the property or borrow using the property as collateral. Please see "Overview of Relevant Laws and Regulations in Japan" for information on the laws affecting our Group's operations.

We have made "creating new value and inspiration in everything involving real estate" our corporate philosophy, and we are actively engaged in initiatives that will lead to reducing the burden placed on the environment.

Our Group's environmental policy is as follows:

- Strengthening the Group's system for promoting environmental activities

In undertaking real estate revitalisation and development, we promote the conservation of natural resources and the conservation of energy and strive to reduce the burden on the environment and strengthen the introduction and management of various energy conservation measures.

- Complying with environmental law and educating our employees on the environment

We are committed to complying stringently with environmental laws, ordinances, and regulations and strive to preserve the environment. We also educate our employees on the environment and carry out activities that promote an understanding of the environment with the aim of improving environmental awareness amongst employees.

Health and Safety

We place significant emphasis on the health and safety of our employees and are required to comply with a range of health and safety laws and regulations including the Industrial Safety and Health Act (*roudou-anzen-eisei-hou*) (Act No. 57 of 1972, as amended). We review our health and safety standards on an ongoing basis. Our employees undergo periodic health check-ups.

CORPORATE SOCIAL RESPONSIBILITY

We are committed to enhancing the well-being of the community and maintaining an environmentally sustainable way of conducting our business. We actively carry out activities to encourage community development and also closely monitor the impact of our activities and properties on the environment.

Our Group's approach to corporate social responsibility is focused on five main areas, namely, human resource, environmental initiatives, fostering good relations with the community, quality assurance and corporate governance.

Human Resource

We aim to attract, hire, develop and retain talented people as employees and are committed to enhancing their career development and fostering a corporate culture that respects and stimulates diversity and encourages individual employees to realise their potential. Attracting talented employees and enhancing the development of our employees is important to us and we set aside resources each year for the education and training of our employees. We provide certain key employees with the opportunity for self-development by offering to send them on external business and management courses. In line with our expansion and globalisation plans, we also conduct English lessons on a weekly basis. All of our employees are invited to attend these English lessons. We also conduct frequent seminars relating to occupational safety, health and mental health.

Environment

In our development business, we are committed to reducing carbon dioxide emissions from our completed properties through the use of environmentally-friendly building materials. Two of our properties, the Heiwajima Tosei Building and the Kamata Tosei Building, have been given an “A” rating under CASBEE. CASBEE is an evaluation system jointly developed by the Japan Green Building Council and the Japan Sustainable Building Consortium with the support of the Ministry of Land, Infrastructure, Transport and Tourism in Japan.

To ease the heat-island phenomenon, we plant trees on almost all of the rooftops of the projects we undertake in our revitalisation business. As at the Latest Practicable Date, the aggregate rooftop greenery area in our properties was approximately 3,500 sq m in 70 properties.

In our revitalisation and “Restyling” businesses, we are committed to being environmentally friendly and sustainable by using building materials such as tile carpets and eco-decks. Tile carpets are considered as environmentally friendly when compared to larger carpets as they can be partially replaced. The eco-decks we use are also made of wood powder and acrylonitrile butadiene styrene resin which are more resistant to different climates and allow for a longer period of use.

We have implemented energy-saving measures in the buildings that we use for our business operations. In our rental properties, we distribute posters and leaflets to our tenants, providing them with information on energy-saving measures.

Community Development

We partake in an annual tree-planting event (*uminomori*) organised by the Tokyo Metropolitan Government. This event is targeted at revitalising the reclaimed area in Tokyo Bay with the eventual aim of creating a forest.

After the recent large earthquake in Japan in 2011, we had also assembled and sent a volunteer team comprising our employees to certain quake-affected areas.

Quality Assurance Initiatives

Please see “Business – Quality Assurance” for more information.

Corporate Governance

Our Group aspires to become one that makes a meaningful contribution to our shareholders, employees, business partners, and other stakeholders by promptly and accurately responding to changes in the management environment and to continually carry out business activities that enable the Group to achieve sound growth. Please see “Management and Corporate Governance” for more information.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

Prospects

Our Directors are of the view that the domestic real estate market in Japan, especially in the Tokyo area, is about to bottom-out, even in light of the 2008 and 2009 financial crisis and the large earthquake in 2011. For office properties, the decrease in rental asking prices has gradually begun to stabilise (see “Industry Overview – Office and Residential (Condominium) Real Estate Market” for more information). The prices of condominium projects and the rates of sales completion of individual units for the Greater Tokyo area are at similar levels to 2011. Japanese Real Estate Investment Trusts (“**J-REITs**”) have also restarted fund-raising and acquisition activities. Our Directors also believe that foreign funds which pulled out of the real estate market in Japan following the financial crisis in 2008 and 2009 are also gearing up for opportunities to resume investment in the Japanese real estate market.

Our Directors believe that the market for condominium and detached housing projects has become more active in recent months. Tokyo’s increasing population is also a contributing factor of the market recovery.

Our Directors believe that since the beginning of 2012, there has been a higher purchase demand for office buildings and due to this increase in demand, we expect that the purchase prices of such office buildings will increase correspondingly. We will pay attention to this development and may put additional emphasis on this business segment.

Our Directors also believe that the commercial property sector may become a growth area and will pay closer attention to opportunities in this sector for our development business.

Our Directors also believe that there will be increased opportunities for us in our revitalisation business because of the Japanese government’s policy of promoting the renewal of older developments. This is in line with the “Strategy for Rebirth of Japan” adopted by the Japanese government on 31 July 2012 to promote the market for existing residential properties and renovation works, including plans to generate real estate investment through the revitalisation of older properties.

Business Strategies and Future Plans

Our corporate philosophy is “To create new value and inspiration in all aspects of real estate as a global-minded group of seasoned professionals”. To achieve this philosophy, our mid-term management plan, dubbed “Next Stage 2014” which commenced in December 2011, sees us strive for the further growth of our Company and our business. A key objective of our mid-term management plan is to expand and reinforce our six core businesses. The revitalisation, development and fund businesses have been identified as key growth drivers, and additional emphasis will be placed on these three business segments. As part of this expansion, our Company has started to undertake larger projects (in excess of JPY1 billion), including the revitalisation of the Meguro Ekimae Tosei Building (which was then sold in December 2012).

Revitalisation

In our revitalisation business, we aim to seize on the opportunities which may be presented to us in this market, and to capitalise on our “value-up” know-how and niche product development capabilities and we have begun expanding our investments in both office buildings and condominiums.

In addition, we believe Japanese society is paying increasing attention to the reusability of vacant and existing properties and environmental sustainability. End-users are also increasingly considering revitalised properties alongside newly built homes. This trend draws focus on one of our core strengths – our revitalisation business and gives us an opportunity to showcase our expertise in this area. In particular, “Restyling” has proved popular amongst end-users and it is an area which we will continue to focus our efforts on.

Based on our internal market research, since the global financial crisis in 2008 and 2009, the demand for residential property has been stable and there has been an increase in the number of transactions for office buildings valued at under JPY1 billion. We expect mid-sized office buildings valued at between JPY1 billion to JPY2 billion to follow suit, in particular, taking into account the recent recommencement of overseas investment and the improving overall market for office buildings. We are accordingly refocusing our efforts from residential and other segments of the office building market to the segment of the office building market of mainly between JPY1 billion to JPY2 billion, and larger properties if the opportunity arises. Nevertheless, we will continue to look for opportunities in the residential segment.

Development

The market for condominiums and detached houses for sale in the Tokyo region have shown stable progress in 2011 and 2012. We are making a concerted effort to expand our development of detached houses whilst continuing our development of condominiums. Development of detached houses requires a shorter development period of six to 12 months as compared to up to 24 months for the development of condominiums. This allows us to lower the market risks, lower our financing costs and improve our cash flow significantly. Our development business, through its diversified product lines of condominiums and detached houses will continue to meet the varied needs of end customers. In addition, given that we believe the demand for offices has been recovering, we may also start looking for opportunities to develop office properties.

In particular, we have identified two areas of Tokyo with potential for acquisition of residential land, namely, in the Ikebukuro and Kichijoji areas. These areas contain middle to high-end detached and condominium housing and are located within Tokyo in close proximity to the major train stations. Accordingly, in July 2012, we set up an office in each of these areas in order to be closer to the local property agents/brokers and to be able to respond to opportunities for acquisition in these areas quickly.

Fund

In relation to our fund business, we believe the period of stagnation of foreign investment from the global financial crisis in 2008 and 2009 is over as we have in 2012 begun to see renewed investment activity in Tokyo from overseas investors. In particular, we believe that our fund business is a stable source of income with a lower risk profile and as such plays a significant role in the growth of the Group because of its off balance-sheet nature, which allows us to participate in larger-scale projects which we may not be able to execute on our own. The fund business also enables us to establish channels of communications with various investors including domestic and foreign institutional investors/pension funds, and these parties may potentially transact with us in the future, whether as vendor or buyer.

Between FY2009 and FY2011, we have seen a steady increase in our AUM and there has been stable AUM for 9M2012 (see “Management’s Discussion And Analysis of Financial Condition and Results of Operations – Factors Affecting our Results of Operation – Revenue – Revenue from fund business” for more information). We believe that we have in recent years reinforced our position in the fund and real estate asset management industry.

There has been a decline in fees from our asset management contracts due to difficult market conditions. Accordingly, to maintain our revenue from this business segment, we are actively seeking to expand the number of our asset management contracts. We will endeavour to obtain new contracts by pro-actively marketing ourselves to lenders (in respect of their existing asset portfolios) and REIT managers (in respect of properties not yet injected into REITs) to engage us as asset managers. We also intend to reach out to securities firms and the pension divisions of trust banks to set up private funds. In addition, we also plan to start investing in minority stakes in funds as we believe such investments may make it easier for us to obtain new asset management contracts. We will further leverage on our strength as a one-stop real estate service provider, which is made possible by the synergies across our various businesses and our track record in the Tokyo area. Furthermore, a strengthening of relationships with foreign investors (including through Tosei Singapore) will also provide us with the foundation for a firm framework to cope with the expected increased volume of acquisitions of properties.

Rental/Property Management/Alternative Investment

Notwithstanding our emphasis on the three business segments above, we will nevertheless seek to enhance our rental, property management and alternative investment businesses.

For our rental business, we intend to increase our rental income by increasing our rental properties through acquisitions of office buildings and condominiums. We also intend to concentrate on increasing occupancy rates and attracting more tenants for our properties through an efficient management and control system of the properties in our portfolio. We believe that rental revenue will increase when the real estate market improves.

For our property management business, we intend to strengthen our management and control systems to increase efficiency. We aim to establish a stable base for profits through a strategy of actively bidding for property management contracts for larger properties.

For our alternative investment business, we will continue to source for investment opportunities.

Expanding outside of Japan

We aim to achieve recognition of the Tosei brand outside of Japan. Our Group has plans to establish a regional presence in South-east Asia, and to this end, we incorporated our Singapore subsidiary, Tosei Singapore, in January 2012. We intend, in the near future, to use our newly established presence in South-east Asia to attract investors in the region to the Japanese real estate market. In the medium term, we may also set up funds and invest in property in South-east Asia. We believe that establishing an operating presence in Singapore can contribute to our existing businesses and provide the foundations for diversifying our business portfolio and we have plans to hire employees for Tosei Singapore, conduct market research and source for investors.

TRENDS AND ORDER BOOK

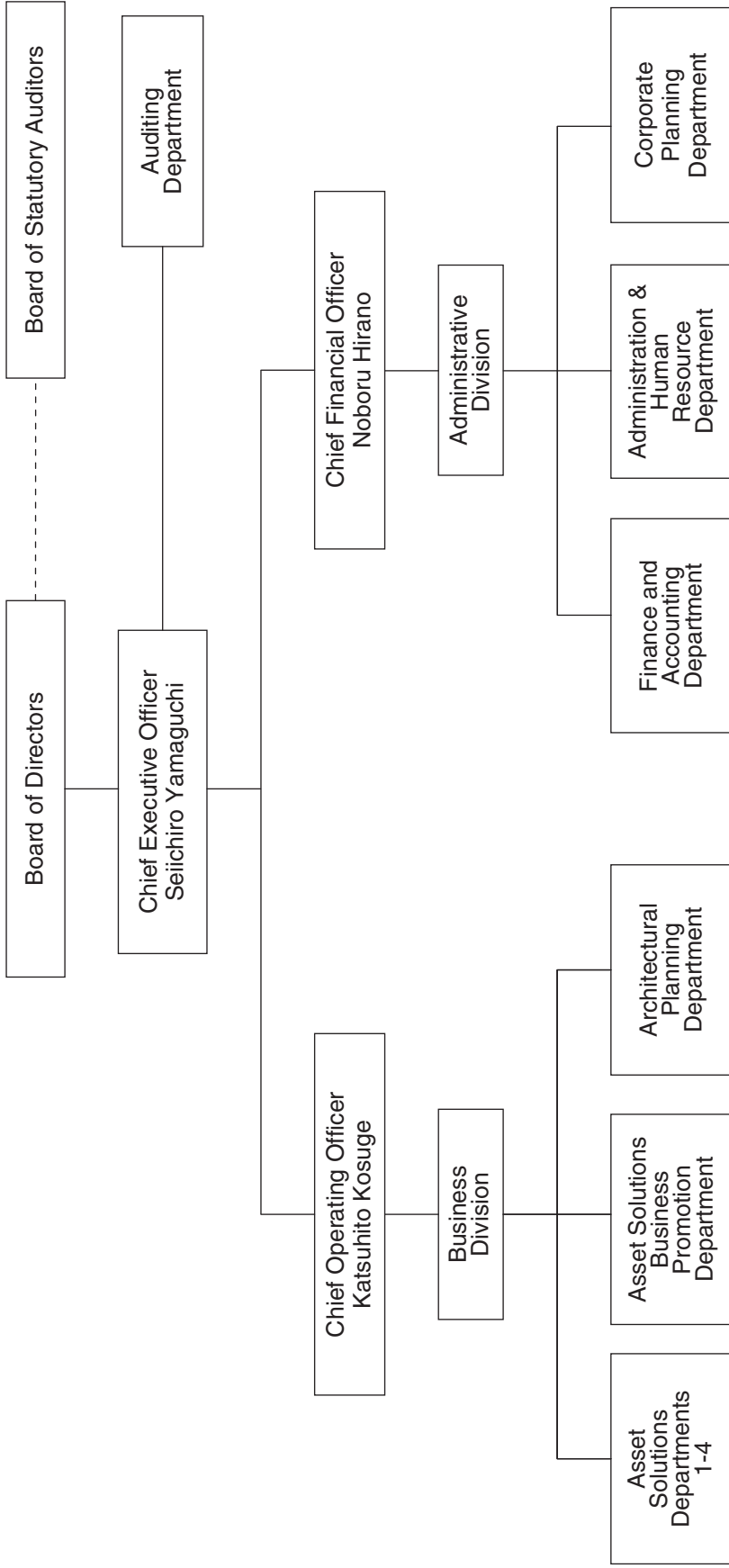
Save as disclosed above, in “Risk Factors”, “Capitalisation and Indebtedness”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Industry Overview”, “Business – Prospects, Business Strategies and Future Plans” and “General and Statutory Information – Litigation” of this Introductory Document and barring any unforeseen circumstances, our Directors believe that there are no other significant recent known trends in production, sales and inventory, and in the costs and selling prices of our products and services, or any other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our revenue, profitability, liquidity and capital resources in the current financial year. They are also not aware of any such trends that would cause the financial information disclosed in this Introductory Document to be not necessarily indicative of our future operating results or financial condition. Please also see “Cautionary Note Regarding Forward-Looking Statements”.

Due to the nature of our business, we do not have an order book.

MANAGEMENT AND CORPORATE GOVERNANCE

MANAGEMENT

The following chart shows our management reporting structure:



BOARD OF DIRECTORS

Our Board of Directors is the primary decision making body of our Company and consists of five Directors, three of whom have executive positions and two are Outside Directors. Shareholders elect our Directors at our general meeting of shareholders, usually based on an elective list of persons recommended by the Board of Directors.

Under our Articles of Incorporation, a Director's term of office expires at the close of our AGM, convened in respect of the financial year ending two years from such Director's appointment. Directors may serve any number of consecutive terms.

At least one representative director is required to be elected by the Board of Directors from amongst our Directors. Our current representative director is Seiichiro Yamaguchi. Our representative director has the authority to do all acts pertaining to the business of our Company on behalf of and in the name of our Company. Our Board of Directors may by resolution of the Board appoint or remove a representative director. A representative director who has been removed from his position will remain as a Director of our Company. As a general rule, there is no requirement for companies to appoint a representative director from amongst its directors. However, if a joint-stock company has a board of directors, the board of directors of such a company must appoint at least one representative director from amongst its directors. Since listed companies on the TSE all require a board of directors, all listed companies on the TSE will have at least one representative director.

Our Directors are entrusted with the responsibility for the overall management of our Company. Further, our key executives, being our CEO, COO and CFO, are all Directors.

We currently have two Outside Directors. Although the role and responsibilities of our Outside Directors are not materially different from Directors under the Japanese Companies Act, in practice, the role and responsibilities of Outside Directors include monitoring management and ensuring that the management runs the company in a way that serves the interests of shareholders rather than their own, and Outside Directors are generally not directly involved in the management or operations of our Company. In addition, under the Japanese Companies Act, a company can enter into agreements with its outside directors to limit their liability towards our Company for damages to a company where a breach of duty has occurred, except in cases of willful misconduct or gross negligence, if the relevant provision is included in the articles of incorporation of such a company. The relevant provision is Article 27(2) of our Articles of Incorporation. Pursuant to this, we have entered into such agreements with each of our Outside Directors, Goro Kamino and Kenichi Shotoku, to limit their respective liabilities towards our Company to the statutory minimum of twice the current annual remuneration received or receivable by each Outside Director as calculated in accordance with the relevant provisions under the Japanese Companies Act. Such limitation of liability will also apply in respect of derivative actions brought against such Outside Directors by Shareholders on behalf of our Company.

Experience of our Directors

As our Company is listed on the TSE, all of our Directors have experience as a director of at least one public listed company in Japan. In addition, Our Outside Director, Goro Kamino is also a director of other public listed companies on the TSE. Prior to joining our Company in February 2012, Kenichi Shotoku had no prior experience as a director of a public listed company. Our Directors have been briefed on the roles and responsibilities of a director of a public listed company in Singapore prior to the listing of our Company on the Main Board of the SGX-ST.

The following table set forth certain information in respect of the current members of our Board as at the date of this Introductory Document:

<u>Name</u>	<u>Age</u>	<u>Address</u>	<u>Position</u>
Seiichiro Yamaguchi	52	c/o 4-2-3 Toranomom Minato-ku, Tokyo 105-0001 Japan	President and CEO
Katsuhito Kosuge	52	c/o 4-2-3 Toranomom Minato-ku, Tokyo 105-0001 Japan	Director and COO
Noboru Hirano	53	c/o 4-2-3 Toranomom Minato-ku, Tokyo 105-0001 Japan	Director and CFO
Goro Kamino	52	c/o 4-2-3 Toranomom Minato-ku, Tokyo 105-0001 Japan	Outside Director
Kenichi Shotoku	42	c/o 10 Anson Road #14-06 International Plaza Singapore 079903	Outside Director

Information on the areas of responsibility, the business and working experience of each of our Directors is set out below:

Seiichiro Yamaguchi is our Company's President and CEO. Mr. Yamaguchi oversees all aspects of our Company's operations, including making major corporate decisions. He is also responsible for the formulation of the overall business and corporate policies and strategy of our Group. Mr. Yamaguchi joined our Company as a part-time director in August 1990 and undertook a management buy-out of our Company in 1994.

In April 1983, Mr. Yamaguchi joined Mitsui Real Estate Sales Co., Ltd. as a fresh graduate in property sales where he worked for approximately three years. Mitsui Real Estate Sales Co., Ltd. is part of the larger Mitsui Fudosan Group that is listed on both the Tokyo and Osaka Stock Exchange. He joined Tosei-Shoji Corporation ("**Tosei-Shoji**") in April 1986 as a director where he was responsible for the overall management of the company. In August 1990, Mr. Yamaguchi was appointed as a director of Tosei. In this role, he began to manage all aspects of our Company's operations. He assumed his current role as President of Tosei in June 1994 and began working in our Company full-time after undertaking the management buy-out. He also continued working at Tosei-Shoji on a part-time basis and resigned in January 1996. From December 1995 to May 2003, Mr. Yamaguchi was also the representative director of Palms Community Management Co., Ltd. (now known as Tosei Community Co), one of our Company's wholly-owned subsidiaries. Mr. Yamaguchi assumed the additional title of CEO of Tosei in 2004.

Mr. Yamaguchi graduated with a Bachelor's degree in Law from Keio University in March 1983.

Katsuhito Kosuge is a Director and the COO of our Company. He is also the senior executive officer in charge of our Company's Business Division. Mr. Kosuge oversees the operational aspects relating to our Company's real estate related businesses, including the acquisition, development and disposal of properties. He has been with Tosei since January 1996.

Mr. Kosuge worked in the Kounan architectural office (Yokohama branch) of Tokyu Construction Corporation ("**Tokyu**") from April 1983 to March 1986, where he was an architectural business administrator. He was involved the administration, labour management and cash management for

the various construction projects undertaken by Tokyu. He joined Tosei-Shoji in April 1986 and was responsible for sale and purchase of properties, before assuming the role as the chief of the president's office, where he worked closely with the president of Tosei-Shoji and reported on the company's financial and accounting matters to him. He resigned from Tosei-Shoji in August 1994. From August 1994 to January 1996, Mr. Kosuge was a director in Nihonbashi Realty Co., Ltd where he was in charge of real estate brokerage.

In January 1996, Mr. Kosuge joined Tosei as a director. From December 2000 to July 2004, he was the managing director of our Company's Business Division. In July 2004, Mr. Kosuge assumed the role as one of two managing executive officers. From September 2005 to December 2007, he was representative director of Tosei Revival Investment, one of our Company's subsidiaries. He began his current role as COO and senior executive officer of Tosei in February 2006. From October 2007 to February 2009, he was also appointed as representative director of Tosei Asset Management, Corp. In April 2008, he was appointed as a director of Tosei Asset Advisors, one of our Company's wholly-owned subsidiaries. Mr. Kosuge assumed the additional responsibilities of senior executive officer of our Company's Business Division in December 2010.

Mr. Kosuge holds a Bachelor's degree in Economics from Keio University where he graduated in March 1983.

Noboru Hirano is a Director and the CFO of our Company. He is also the senior executive officer in charge of our Administrative Division. Mr. Hirano oversees the administrative aspects of our Company, including finance and accounting, human resources and corporate planning. He has been with Tosei since March 2001.

Mr. Hirano accumulated nine years of experience in the accounting and financing fields during his time in the accounting department at Kokubu & Co., Ltd ("**Kokubu**") from April 1982 to March 1991. He was an assistant manager of a unit within the accounting department and mainly undertook accounting related work during his time at Kokubu. Kokubu is a leading Japanese food distribution company with an international presence. He joined Tosei-Shoji in April 1991 as the head of the accounting section where he handled the accounting matters of the company as well as matters related to bank financing. In May 1995, he was appointed as a director of the accounting section of Tosei-Shoji. He resigned from Tosei-Shoji in February 2001.

In March 2001, Mr. Hirano joined Tosei as the general manager of the Finance and Accounting Department. He became the managing director of the Administrative Division in October 2002. In July 2004, Mr. Hirano assumed the role as one of two managing executive officers. In March 2005, he was appointed as a statutory auditor of Tosei Revival Investment, one of our Company's wholly-owned subsidiaries and stayed on in this capacity till December 2007. He was also appointed as statutory auditor for another of our Company's wholly-owned subsidiaries, Tosei Community Co till 26 February 2013 following which he assumed the position of director of Tosei Community Co. In September 2005, he was appointed as the representative director of Tosei REIT Advisors, Inc., (now known as Tosei Asset Advisors, a wholly-owned subsidiary of Tosei) and stayed on in this role till March 2006. He assumed his current role as CFO and senior executive officer of Tosei in February 2006. In December 2007, he assumed the additional responsibilities as senior executive officer of Tosei's Administrative Division and representative director of Tosei Revival Investment. In January 2013, Mr. Hirano relinquished his role as representative director of Tosei Revival Investment, but continued in his capacity as a director.

Mr. Hirano graduated with a Bachelor's degree in Business and Commerce from Keio University March 1982.

Goro Kamino has been an Outside Director of our Company since 2007.

In April 1983, Mr. Kamino began his career at Mitsui Trust and Banking Co., Ltd. (“**Mitsui Trust**”) (now known as Sumitomo Mitsui Trust Bank, Limited) as a sales and marketing representative. During his time with Mitsui Trust, he was involved in sales and marketing in various divisions in the central branch of Mitsui Trust. He was eventually transferred to Mitsui Trust’s New York branch in August 1987. Sumitomo Mitsui Trust Bank, Limited is one of Japan’s major trust banks and is part of the Sumitomo Mitsui Trust Holdings Inc., which is listed on the Tokyo, Osaka and Nagoya Stock Exchanges. Mr. Kamino then joined Chubu Gas Co., Ltd in August 1990 as the group manager of their planning department and worked there until he joined Gastec Service Inc. in May 1995 and was appointed the head of their corporate planning department.

Mr. Kamino currently holds several other directorships. Most notably, he sits on the board of Japan Post Holdings Co., Ltd., Sala House Co., Ltd., Musashi Seimitsu Industry Co., Ltd and Toyohashi Cable Network Inc. Japan Post Holdings Co., Ltd. is the largest provider of postal services in Japan. Sala House Co., Ltd. is engaged in the housing property development business and listed on the Tokyo Stock Exchange. Musashi Seimitsu Industry Co., Ltd manufactures and sells transportation equipment and is also listed on the First Section of the Tokyo Stock Exchange. He is also the president and representative director of Gastec Service Inc., Sala Corporation and Chubu Gas Co., Ltd.

Mr. Kamino is concurrently also the administration officer of the Chubu Association of Corporate Executives and the vice-president of The Toyohashi Chamber of Commerce and Industry. He is also the administrative director of both the Toyohashi Youth Orchestra and the NPO Honokuni Forestry Association and the administration officer of the Chubu Economic Federation.

Mr. Kamino graduated from Keio University in March 1983 with a Bachelor’s degree in Business and Commerce.

Kenichi Shotoku has been an Outside Director of our Company since February 2012.

From October 1995 to September 1999, Mr. Shotoku worked for Asahi & Co., Ltd., a member firm of Arthur Andersen & Co. (now known as KPMG AZSA LLC) in Tokyo where he was involved in statutory and voluntary audits, and other consulting works.

From September 1999 to November 2001, Mr. Shotoku was seconded by Asahi & Co. to Arthur Andersen in Kuala Lumpur as a manager and assisted Japanese corporations in auditing, taxation, labour, and legal government compliance.

In September 2002, Mr. Shotoku co-founded SCS Global Consulting. Pursuant to a restructuring, SCS Global Consulting was acquired by SCS Global, of which Mr. Shotoku is currently the Group Managing Director. SCS Global provides consulting and compliance services such as audit, tax, accounting, corporate finance and various business consulting services in Asia.

Mr. Shotoku was an Outside Director of O-RID Co. Ltd. from September 2005 to October 2012 and has been a Statutory Auditor of Roki Techno Co., Ltd. since December 2010. Roki Techno Co., Ltd has offices in Japan, Singapore and the United States of America.

Mr. Shotoku is a Certified Public Accountant in the United States of America, Japan and Singapore.

Mr. Shotoku graduated with a Bachelor’s degree in Economics from the Keio University in March 1993.

Other Principal Directorships of our Directors

The list of present and past directorships held by our Directors in the last five years preceding the date of this Introductory Document, excluding those held in our Company, is set out in Appendix H – “List of Past and Present Principal Directorships – Directors”.

Our Outside Directors, namely Goro Kamino and Kenichi Shotoku, do not sit on the board of directors of any of our principal subsidiaries.

STATUTORY AUDITORS

Shareholders elect our Statutory Auditors at our general meeting of shareholders, usually based on a list of persons recommended by the Board of Directors and approved by the incumbent Board of Statutory Auditors. As a company with a Board of Statutory Auditors, our company must appoint more than one full-time Statutory Auditor from its Board of Statutory Auditors under the Japanese Companies Act.

Under our Articles of Incorporation, a Statutory Auditor’s term of office expires at the close of our AGM, convened in respect of the financial year ending four years from such Statutory Auditor’s appointment. Statutory Auditors may serve any number of consecutive terms.

The following table presents certain information concerning the Statutory Auditors of our Company as at the date of this Introductory Document:

Name	Age	Address	Position
Yasuhiro Honda	72	c/o 4-2-3 Toranomom Minato-ku, Tokyo 105-0001 Japan	Full-time Statutory Auditor
Yutaka Kitamura.	63	c/o 4-2-3 Toranomom Minato-ku, Tokyo 105-0001 Japan	Full-time Statutory Auditor
Tatsuki Nagano	53	c/o 4-2-3 Toranomom Minato-ku, Tokyo 105-0001 Japan	Part-time Statutory Auditor
Osamu Doi.	49	c/o 4-2-3 Toranomom Minato-ku, Tokyo 105-0001 Japan	Part-time Statutory Auditor

Yasuhiro Honda has been a full-time Statutory Auditor of our Company since April 2003.

He began his career at Taisei Corporation (“**Taisei**”), a company in the construction industry, in April 1963. Prior to 1991, Mr. Honda held various positions, including as general manager of the business administration department of Taisei. In June 1991, he was appointed as the general manager of the machinery and material department of Taisei where he was in charge of planning and management. He became the managing director of Taisei Tourist Agency Ltd., a travel agency, in June 1995 and left this position in June 2001.

He has been a member of the Japan Corporate Auditors Association since 2003.

Mr. Honda graduated with a Bachelor’s degree in Economics from Kwansei Gakuin University in 1963.

Yutaka Kitamura was appointed as a Statutory Auditor of our Company at our AGM on 26 February 2013 and is a full-time Statutory Auditor.

Mr. Kitamura began his career at Yasuda Trust And Banking Company, Limited (now known as Mizuho Trust & Banking Co., Ltd.) (“**Yasuda**”) in April 1972 where he worked in internal administration and domestic lending operations at the Ikebukuro and Bakuro-cho branches of Yasuda. From May 1980 to May 1981, he was sent by Yasuda to study at the Ibero-American Institute, Universidad Iberoamericana in Mexico. From November 1986 to May 1990, Mr. Kitamura served as representative and chief representative of Yasuda in Melbourne, where he was involved in providing assistance on loan business for local entities and public institutes. From May 1996 to September 1998, Mr. Kitamura served as the general manager of the Singapore branch of Yasuda, presiding over the bank’s loan business for ASEAN and India as well as over fund and securities trading operations.

In October 1998, Mr. Kitamura became the joint general manager of a credit division of Yasuda, and subsequently became the manager of the pension sales division in April 1999 where he presided over the sales of pension products. He was appointed as branch chief and division manager of Niigata pension sales in October 1999, where he presided over, *inter alia*, the sale of pension products in Niigata prefecture. From June 2003 to October 2004, Mr. Kitamura served as division manager of Osaka pension sales, where he presided over the sale of pension products for seven prefectures.

From March 2005 to March 2010, Mr. Kitamura assumed the role of a full-time statutory auditor at Nippon Carbon Co., Ltd., a carbon product manufacturer listed on the First Section of the TSE.

Mr. Kitamura joined J-COACH Corporation (“**J-COACH**”) in May 2010 and served as a full-time adviser for two months. From June 2010 to May 2012, Mr. Kitamura served as full-time statutory auditor of J-COACH, where he was involved in the preparation and introduction of a new audit system. Mr. Kitamura was appointed as a statutory auditor of our wholly-owned subsidiary, Tosei Community Co, on 26 February 2013.

Mr. Kitamura is a Certified Internal Auditor in Japan and holds Certification in Control Self-Assessment from the Institute of Internal Auditors. He is also a member of The Institute of Internal Auditors, Japan and the Japan Corporate Auditors Association.

Mr. Kitamura graduated with a Bachelor’s degree in Economics from Gakushuin University in 1972.

Tatsuki Nagano has been a part-time Statutory Auditor of our Company since February 2012.

Mr. Nagano began his career at The Chuo Trust & Banking Co., Ltd. (“**Chuo Trust**”) (now known as Sumitomo Mitsui Trust and Banking Company Limited) in April 1983 as an assistant manager of a local branch. Between July 1995 and June 2000, Mr. Nagano assumed the position of senior manager, chief of financial planning section of the Corporate Planning Department of Chuo Trust.

In July 2000, Mr. Nagano was appointed as the managing director (overseeing the marketing functions) of RG Asset Management Co., Ltd., an asset management company. He is also the president of the board of directors of RG Asset Management K.K., an investment advisory and consulting firm. Mr. Nagano remains in both of these positions.

Mr. Nagano also currently holds a controlling interest and is a director of Reference Group Holdings Ltd. Both RG Asset Management Co., Ltd and RG Asset Management K.K. are wholly-owned subsidiaries of Reference Group Holdings Ltd.

Mr. Nagano graduated with a Bachelor's degree in Commerce from Keio University in 1983. He also holds a Masters in Business Administration in Finance from the Columbia Business School, Columbia University.

Osamu Doi was appointed as a Statutory Auditor of our Company at our AGM on 26 February 2013 and is a part-time Statutory Auditor.

Mr. Doi began his career at Nikko Securities Co. (now known as SMBC Nikko Securities Inc.) ("**Nikko Securities**") in April 1987. He was seconded to Nikko Europe Plc. in London in July 1993, where he worked in the European equity and Europe control divisions. Between February 1998 and March 2002, Mr. Doi worked at a personnel division department of Nikko Securities, where he was involved in the revision of pay structure, human resources systems and labour management.

From April 2002 to September 2004, Mr. Doi was involved in the securitisation of financial assets at Fintech Global Incorporated ("**Fintech**"), an investment banking business. In October 2004, he was appointed senior vice president of the structured finance division of Fintech. He was involved in the securitisation of real estate development from October 2004 to September 2005, and was subsequently involved in overall structured finance and equity and mezzanine financing from October 2005 to September 2006. From October 2006 to March 2007, Mr. Doi was the deputy head of investment banking of Fintech. He was subsequently appointed the head of the investment department of Fintech in April 2007. Mr. Doi retired from his full-time job in July 2007.

Mr. Doi graduated with a Bachelor of Laws degree from Keio University in 1987.

Other Principal Directorships of our Statutory Auditors

The list of present and past directorships held by our Statutory Auditors in the last five years preceding the date of this Introductory Document, excluding those held in our Company, is set out in Appendix H – "List of Past and Present Principal Directorships – Statutory Auditors".

CORPORATE GOVERNANCE

In accordance with Articles 327 and 328 of the Japanese Companies Act, we are required to adopt either (a) statutory auditors and a board of statutory auditors; or (b) three committees, being a nominating committee, a compensation committee and an audit committee ("**Three Committees**") with a majority of each committee comprising outside directors. Similarly, Rule 437 of the TSE Securities Listing Regulations provides that a domestic company listed on the TSE (as applicable) must set up either a board of statutory auditors or Three Committees.

The Japanese Companies Act requires at least three statutory auditors to form a board of statutory auditors. Our Articles of Incorporation have stipulated a limit of no more than four statutory auditors. Under the Japanese Companies Act, statutory auditors cannot be current directors or employees of a company or its subsidiary. There are no professional qualification requirements for a statutory auditor.

Consistent with the majority of listed companies in Japan, we have adopted a board of statutory auditors.

Under this regime, the primary decision making body of our Company is our Board of Directors, which is monitored by the Statutory Auditors, each of whom independently monitors the executive actions of our Directors in the proper execution of their duties.

Role of our Board of Directors

The role of our Board of Directors includes, *inter alia*, nominating candidates as directors of our Company for approval by our Shareholders in general meeting. Our Board of Directors also proposes the aggregate amounts of remuneration of our Directors for approval by our Shareholders in general meeting. Our Board of Directors also reviews and determines the terms of remuneration packages, bonuses and other compensation payable to each of our Directors, within the aggregate amount approved by our Shareholders.

Role of our Statutory Auditors

The four members of our Board of Statutory Auditors are all proficient in financial affairs, and are all Outside Statutory Auditors. Of the four Statutory Auditors, two are full-time Statutory Auditors and two are part-time Statutory Auditors. Statutory Auditors are appointed by our Shareholders and are not salaried employees of our Company. Notwithstanding this, full-time Statutory Auditors of our Company cannot engage in any other full-time employment.

The Board of Statutory Auditors coordinates the audits performed by each Statutory Auditor, the auditing department and our Japanese Accounting Auditor in an effort to maintain an appropriate standard of corporate governance. Shinsoh Audit Corporation is presently our appointed Japanese Accounting Auditor, pursuant to the approval of our Shareholders. Our Japanese Accounting Auditor assists the Statutory Auditors in reviewing the financial and accounting arrangements activities conducted by our Board of Directors.

The constitution and operation of our Board of Statutory Auditors are set out in our Articles of Incorporation and Japanese Companies Act while the roles and responsibilities of our Board of Statutory Auditors are set out in the Japanese Companies Act. Each of the Statutory Auditors and the Board of Statutory Auditors as a whole are only accountable to our Shareholders. The Statutory Auditors will each prepare an annual Statutory Auditors Report, based on which a Board of Statutory Auditors Report is prepared. The Board of Statutory Auditors Report is attached to the convocation notice to our Shareholders in respect of our AGM.

The Board of Statutory Auditors are responsible for auditing the executive actions of our Directors, including ensuring the continuance of a sound corporate governance system, and it has a broad authority to oversee our Company's audit functions, including:

- independently reviewing corporate documentation and financial statements;
- sharing information with, co-ordinating with and interviewing the Japanese Accounting Auditor; and
- dealing with any issues arising from our Company's audit.

In order to fulfill such responsibilities, the Statutory Auditors are given various powers, such as the right to:

- request Directors and employees of our Auditing Department or other relevant persons to report to them regarding our Company's business;
- investigate our Company's business and assets (Article 381 of the Japanese Companies Act); and
- demand that Directors cease certain acts which are outside the scope or the purpose of our Company or in violation of laws and regulations or the Articles where such an act is likely to cause substantial detriment to our Company (Article 385 of the Japanese Companies Act).

Further, pursuant to Article 390 of the Japanese Companies Act, the Board of Statutory Auditors has the power to request our Statutory Auditors to provide it with reports on the status of their execution of duties. A Statutory Auditor can also request that any Director suspend or cease his action if such action is not in compliance with applicable law or our Articles of Incorporation and may seriously harm us. If our Directors ignore such a request, the Statutory Auditor may go to court for enforcement of such a request.

The Statutory Auditors have an obligation to attend meetings of the Board of Directors and to state their opinions if they find it necessary. Such meetings of the Board of Directors take place at least once a month and are also attended by the Outside Directors. Whilst Statutory Auditors are unable to vote on resolutions of the Board of Directors, they attend such meetings of the Board of Directors to provide their views. In addition, they attend other meetings, including monthly management meetings (with our executive and senior officers, including our CEO, COO and CFO), monthly meetings of the Board of Statutory Auditors and corporate governance meetings. The Board of Statutory Auditors also review key decisions of the Board of Directors and observe the proper execution of any duties by Directors. The Statutory Auditors must also:

- exchange opinions with the Representative Director, Directors and other members of senior management;
- formulate and develop audit policies and plans;
- monitor transactions between our Company and our Directors;
- monitor transactions whereby there is a potential conflict of interest;
- review business reports;
- review and audit financial statements;
- review procedures for deciding remuneration and bonuses for Directors, Statutory Auditors and employees;
- review and agree to the remuneration of our Japanese Accounting Auditor;
- co-ordinate with our Auditing Department and Japanese Accounting Auditor;
- review the system of internal controls established by the Board of Directors; and
- prepare audit reports and submit these to the Board of Statutory Auditors in accordance with the Japanese Companies Act.

Since we do not have an audit committee, our Board of Statutory Auditors, in addition to the duties above, will perform the functions required of an audit committee under Chapter 9 of the Listing Manual.

To enhance management transparency and corporate governance, our Company recognises that one of the most crucial management issues is to build, maintain and improve upon an organisational structure capable of responding quickly to changes in the business environment, as well as a shareholder-oriented and fair management system.

In addition to the Board of Directors and the Board of Statutory Auditors, we have certain non-statutory committees or departments which we have put in place, namely the Auditing Department, Compliance Committee, Disclosure Committee and the Risk Management Committee.

Our Company also holds a monthly corporate governance meeting attended by our Directors with executive positions and the full-time Statutory Auditors. At such corporate governance meetings, the attendees discuss, *inter alia*, the internal controls of our Company.

Auditing Department

Our Company has established an Auditing Department, independent from our Business Division and Administrative Division. Our Auditing Department's independence allows it to comprehensively and objectively evaluate, *inter alia*, the appropriateness of our Company's internal management structure. In addition, our Auditing Department implements, manages and monitors a system of internal controls necessary to ensure that the execution of the duties by our Directors complies with laws and regulations and our Articles of Incorporation, as well as other systems such as quality controls or information security controls.

Our Auditing Department, which at the Latest Practicable Date consists of four members, works in conjunction with the Statutory Auditors as well as the Japanese Accounting Auditor in the audit of our Group and its subsidiaries. The audit reports and recommendations prepared by the Auditing Department are approved by the President and such reports are submitted to the Board of Statutory Auditors on a regular basis.

From time to time, our Auditing Department also engages external professionals to conduct business and risk audits.

Compliance Committee

Our Company has established a Compliance Committee to ensure that our Group complies with applicable laws and regulations in our business activities. In addition, the Compliance Committee monitors our business practices and policies to ensure that they are in line with our social responsibility, as well as social ethics and norms. The Compliance Committee is chaired by our CFO and comprises officers in charge of compliance matters (or someone of a similar responsibility and standing) from each subsidiary and the heads of all of our divisions.

Our Compliance Committee also assists in promulgating annual compliance plans and facilitates the conduct of compliance training for our employees.

Disclosure Committee

Our Company has established a Disclosure Committee to ensure and manage the timely, appropriate and continuous disclosure of information concerning our Company and our Group as well as to ensure compliance with the applicable laws and regulations to which we are subject. The Disclosure Committee is chaired by our CFO and comprises all senior officers of our Company.

The Disclosure Committee garners and shares information of our Group and discusses what to disclose and whether information is considered as material which requires disclosure under the FIEA and/or the TSE Securities Listing Regulations. If information is considered to be material following discussions amongst the committee, it will immediately report the same to the Board of Directors. Disclosure is decided by the CEO or director in charge of disclosure if necessity of disclosure is apparent and urgent. The Board of Directors takes ultimate responsibility for any disclosure made.

The Disclosure Committee also assists in the monitoring and operation of an internal information reporting system to ensure that necessary disclosures are made. Our Disclosure Committee reports to our Board of Directors on a monthly basis.

Risk Management Committee

Our Company has established a Risk Management Committee to manage risks that may impede the execution of our business operations. The Risk Management Committee is chaired by the senior officer in charge of our finance and accounting department and comprises officers in charge of risk management (or someone of a similar responsibility and standing) from each of our subsidiaries and the heads of all of our divisions.

The Risk Management Committee was established to identify, properly evaluate and manage risks for the entire Group, including our Company. In the event of any potential or actual issue arising that would have a major impact on our Company's business operations, the Risk Management Committee will consider and implement measures and counter-measures to prevent such occurrences or reoccurrences. In addition, our Risk Management Committee promulgates annual risk management plans and facilitates the conduct of risk management training for our employees.

As at the Latest Practicable Date, the members of our Compliance Committee, Disclosure Committee and Risk Management Committee are as follows:

Name	Position	Department	Compliance Committee	Disclosure Committee	Risk Management Committee
Noboru Hirano	CFO	–	Chairman	Chairman	✓
Katsuhito Kosuge	COO	–	✓	✓	✓
Tadahiro Adachi	Head	Auditing Department	✓	X	✓
Nobuto Fujiwara	Head	Corporate Planning Department	✓	X	✓
Shunsuke Yamaguchi	Head	Administration & HR Department	✓	X	✓
Ichiro Kawabata	Head and senior officer	Finance & Accounting Department	✓	✓	Chairman
Hideki Nakanishi	Head	Asset Solutions 1 Department	✓	X	✓
Hidekazu Egoshi	Head	Asset Solutions 2 Department	✓	X	✓
Masaaki Watanabe	Head and senior officer	Asset Solutions 3 Department	✓	✓	✓
Kenji Komiyama	Head	Asset Solutions 4 Department	✓	X	✓

Name	Position	Department	Compliance Committee	Disclosure Committee	Risk Management Committee
Tetsuji Komiyama	Head	Asset Solutions Business Promotion Department	√	X	√
Masahiro Uehara	Head and senior officer	Architecture Planning Department	√	√	√
Junji Murata	Chief Compliance Officer	TAA	√	X	√
Hiroyasu Yoneda	Director in charge of Compliance & Risk Management	TRI	√	X	√
Katsuei Ito	Director in charge of Compliance & Risk Management	TCC	√	X	√
Total members			15	5	15

OPINION OF THE BOARD AND THE BOARD OF STATUTORY AUDITORS PURSUANT TO RULE 610(5) OF THE LISTING MANUAL

As set out in the preceding section, our Company does not have an audit committee and instead has a Board of Statutory Auditors. The Board of Directors, with the concurrence of the Board of Statutory Auditors, is of the opinion that our Company has adequate internal controls to address financial, operational and compliance risks based on our Company having in place an Auditing Department to carry out a continuous review of the internal controls of our Company.

OPINION OF THE BOARD OF STATUTORY AUDITORS IN RELATION TO THE CFO

The Board of Statutory Auditors has evaluated Noboru Hirano's on-the-job performance for the past 11 years in our Company. In this regard, it has noted that Mr. Hirano has accumulated approximately 30 years of accounting experience in his career and he has been with the Group for more than 11 years. Since joining the Group in 2001, Mr. Hirano has been instrumental in our Company's growth and its successful listing on the TSE. He has demonstrated his knowledge and experience in accounting, financial reporting, the business of the Group and the industry the Group operates in. Based on the factors as aforesaid and through their dealings with Mr. Hirano to date, the Board of Statutory Auditors believes that Mr. Hirano has the appropriate knowledge, experience, character and integrity to act as the CFO of the Group.

Nothing has come to the attention of the Board of the Statutory Auditors to cause them to believe that Noboru Hirano does not have the competence, character and integrity expected of a chief financial officer of a listed company in Japan.

COMPENSATION

The compensation paid by our Company and our subsidiaries to each of our Directors and each of our Statutory Auditors for services rendered by them in all capacities to our Company and our subsidiaries for FY2010 and FY2011 and expected to be payable by our Company and our subsidiaries to each of these Directors and Statutory Auditors for services rendered by them in all capacities to our Company and our related corporations for FY2012, in remuneration bands⁽¹⁾, are as follows:

Name	FY2011 ⁽²⁾	FY2012 ⁽²⁾	FY2013 (estimated) ⁽³⁾
Directors			
Seiichiro Yamaguchi	D	D	D
Katsuhito Kosuge	B	B	B
Noboru Hirano	B	B	B
Goro Kamino	A	A	A
Kenichi Shotoku ⁽⁴⁾	n/a	A	A
Statutory Auditors			
Yasuhiro Honda	A	A	A
Yutaka Kitamura	n/a	n/a	A ⁽⁵⁾
Tatsuki Nagano ⁽⁴⁾	n/a	A	A
Osamu Doi	n/a	n/a	A ⁽⁵⁾

Notes:

- (1) Remuneration bands:
 Band A means between S\$1 and S\$250,000.
 Band B means between S\$250,001 and S\$500,000.
 Band C means between S\$500,001 and S\$750,000.
 Band D means between S\$750,001 and S\$1,000,000.
- (2) Remuneration bands for FY2011 and FY2012 are based on the average exchange rate for FY2011 and FY2012, respectively, while the remuneration band for FY2013 was calculated based on the exchange rate as at the Latest Practicable Date.
- (3) The estimated amount of remuneration excludes any bonus or profit-sharing plan or any other profit-linked agreement or arrangement payable for the financial year ended 30 November 2013 as such bonuses are discretionary in nature.
- (4) Kenichi Shotoku and Tatsuki Nagano joined our Company in FY2012.
- (5) Yutaka Kitamura and Osamu Doi were appointed at our AGM on 26 February 2013 as new Statutory Auditors of our Company. Their estimated remuneration is based on the annualised remuneration they are expected to receive from 26 February 2013 to 30 November 2013.

Past compensation figures include benefits-in-kind and any deferred compensation accrued for the financial year in question and payable at a later date. The estimated amount of compensation payable in the current financial year excludes any bonus or profit-sharing plan or any other profit-linked agreement or arrangement as such bonuses are discretionary in nature and are determined by our Board at the end of each financial year, taking into account our Company's performance for that financial year. The maximum aggregate compensation package of our Directors and Statutory Auditors is subject to the approval at a general meeting of our

Shareholders. This maximum aggregate compensation package figure approved by our Shareholders includes any discretionary bonuses approved by our Board to be paid to our Directors and Statutory Auditors.

Save as disclosed in this Introductory Document, we do not have in place any formal bonus or profit-sharing plan or any other profit-linked agreement or arrangement with any of our employees and bonus is expected to be paid on a discretionary basis.

OFFICERS RETIREMENT BONUS SCHEME

Directors and Statutory Auditors (each an “**Officer**”) of our Company are entitled to certain bonuses upon retirement. An Officer of our Company may be paid a retirement bonus when he retires from our Company, subject to the approval of our Shareholders in general meeting. Under our Company’s Officer’s Retirement Bonus Regulations (“**ORB Regulations**”), retirement is deemed to occur in the following circumstances:

- (a) resignation;
- (b) expiration of the term of office;
- (c) dismissal; or
- (d) death.

Our Board will calculate the amount of retirement bonus payable to Officers in accordance with our ORB Regulations. Where the retirement bonus is payable to a Statutory Auditor of our Company, the opinion of our Board of Statutory Auditors will be sought. Such retirement bonus will be paid after the approval of our general Shareholders’ meeting. As at 31 August 2012, our Group has set aside a total of ¥323.06 million for the Officers Retirement Bonus Scheme.

Calculation of Retirement Bonus

The retirement bonus will be calculated by multiplying (i) the monthly compensation of the Officer at the time of retirement, (ii) the number of years the position is held for and (iii) the multiplier for that position. This will be done in respect of each position held by the Officer in our Company (“**Calculated Bonus**”).

The multipliers for each position held by an Officer of our Company are set out in Table 1 below while the multipliers for Directors who concurrently serve in an executive position are set out in Table 2 below. For the avoidance of doubt, the multipliers in Table 1 and Table 2 below are not cumulative, and only Table 2 will be applicable in respect of Directors who serve concurrently in an executive position.

Table 1: Multipliers for Officers

Position	Multiplier
President and Director	3.0
Vice-President and Director	2.0
Senior Managing Director	1.5
Managing Director	1.2
Director	1.0
Director (part-time)	0.8

Position	Multiplier
Statutory Auditor (full-time)	1.0
Statutory Auditor (part-time)	0.8

Table 2: Multipliers for Directors Concurrently Serving in an Executive Position

Position	Multiplier
President and Executive Officer	3.0
Vice President and Executive Officer	2.0
Senior Managing Executive Officer	1.5
Managing Executive Officer	1.2
Executive Officer	1.0

If the amount of monthly compensation at the time of retirement of the Officer is significantly less than that of the immediately preceding year, our Board may review such Officer's retirement bonus. However, such alternative figure that may be suggested by our Board will still be subject to the approval of our Shareholders.

Increased or Reduced Retirement Bonus

Where our Board considers that an Officer has had remarkable achievements (i) while in his position at our Company, (ii) during the founding of our Company, or (iii) for any other reason, our Board may recommend an increased retirement bonus for such Officer. Such increased retirement bonus shall not exceed 30.0% of the Calculated Bonus.

In addition, our Board may also recommend that an Officer's Calculated Bonus be reduced if he has caused significant detriment to our Company or if our Company's performance at the time of retirement of such Officer is poor.

Death of an Officer

Where the retirement bonus is payable as a result of the death of an Officer of our Company, the retirement bonus will be paid to the legal heir of that Officer or such other person with the authority to receive such bonus, unless the Officer had given our Company prior notification in writing as to the person who should be entitled to such retirement bonus.

FAMILY RELATIONSHIPS

There are no family relationships between any of our Directors, Statutory Auditors, Large Volume Holders and Controlling Shareholders. All of our key executives are Directors and there are no employees upon whose work we are dependent.

ARRANGEMENT OR UNDERSTANDING

None of our Directors or Statutory Auditors have any arrangement or understanding with any of our Shareholders, customers or suppliers or other persons, pursuant to which he or she was appointed as our Director or Statutory Auditor, as the case may be.

TERMS OF OFFICE

Under our Company's Articles of Incorporation, a Director's term of office expires at the close of our AGM, convened in respect of the financial year ending two years from such Director's appointment. Directors may serve any number of consecutive terms. Directors will be eligible for re-election upon the expiry of their two-year term by a resolution of Shareholders in general meeting. All of our Directors were appointed/re-appointed with effect from 24 February 2012. With respect to the appointment of Outside Directors, Shareholders will need to be provided with additional information in the supplementary materials to the convocation notice with respect to the election of Outside Directors, including (i) the reason for nominating such a person as an Outside Director, (ii) information on the past experience of the candidate in the monitoring of management and (iii) information on any potential limitation of liability agreements to be entered into or renewed with our Company.

Under our Company's Articles of Incorporation, a Statutory Auditor's term of office expires at the close of our AGM, convened in respect of the financial year ending four years from such Statutory Auditor's appointment. Statutory Auditors will be eligible for re-election upon the expiry of their four-year term by a resolution of Shareholders in general meeting. The term of office for a substitute statutory auditor elected in place of a statutory auditor who has resigned before his/her term of office has expired will be the same as that of the statutory auditor who has resigned. All of our Statutory Auditors were appointed/re-appointed with effect from 26 February 2013.

Following our listing on the SGX-ST, we will make announcements on the SGXNET and TDNet on any appointment or cessation of service of a Director or Statutory Auditor.

SERVICE AGREEMENTS

There is no existing or proposed service contract entered or to be entered into by our Directors with our Company or any of our subsidiaries which provide for benefits upon termination of employment. However, please see "Management and Corporate Governance – Officers Retirement Bonus Scheme" for retirement bonuses payable to our Directors and Statutory Auditors.

SHAREHOLDERS AND LARGE VOLUME HOLDERS

DIRECT SHAREHOLDERS⁽¹⁾

As at the date of this Introductory Document, our Company only has one class of issued shares. Our Company has 456,840 issued Shares, all of which are fully paid-up in cash and which are listed on the TSE. The following table sets forth the direct shareholdings of our Directors, Statutory Auditors and certain other Shareholders⁽²⁾ based on information available to us as at 25 February 2013.

Name	Direct Shareholdings as at 25 February 2013	
	No. of Shares	%
Directors		
Seiichiro Yamaguchi ⁽³⁾⁽⁴⁾	138,855	30.39 ⁽⁴⁾
Katsuhito Kosuge	2,000	0.44
Noboru Hirano	1,580	0.35
Goro Kamino	—	—
Kenichi Shotoku	—	—
Statutory Auditors		
Yasuhiro Honda	—	—
Yutaka Kitamura	—	—
Tatsuki Nagano	—	—
Osamu Doi	—	—
Certain Other Shareholders⁽³⁾		
Zeus Capital Limited ⁽²⁾	60,000	13.13 ⁽²⁾
Other Shareholders		
Total	254,405	55.69
	456,840	100

Notes:

- (1) Direct Shareholders are persons recorded in the JASDEC Record of Depositors and our Register of Members. Please refer to "Description of Share Capital" and "Shareholding Reporting Obligations" for further information. Information on the shareholdings of our Directors, Statutory Auditors and Certain Other Shareholders is the same as at the Latest Practicable Date and remains accurate as at the date of this Introductory Document.
- (2) We have considered Zeus Capital Limited to fall under the category of "Certain Other Shareholders" solely because of the ability of our President and CEO to exercise the voting rights of Zeus Capital Limited in our Company.
- (3) Seiichiro Yamaguchi is the President and CEO of our Company.
- (4) Seiichiro Yamaguchi is also the representative director of Zeus Capital Limited, which owns 60,000 shares (approximately 13.13%) in our Company. He is entitled to exercise the voting rights of Zeus Capital Limited in Tosei without prior shareholder approval from the shareholders of Zeus Capital Limited. Under the FIEA, any person holding more than 5% of the issued shares shall be disclosed as a "Large Volume Holder" to the local finance bureau branch. This disclosure is made to the local finance bureau branch by such Large Volume Holders in their personal capacity. In his disclosure to the relevant local finance bureau branch, Seiichiro Yamaguchi and Zeus Capital Limited are considered "Joint Holders" of their shares in Tosei as they have an agreement to exercise their voting rights in tandem with one another.

TOP TEN DIRECT SHAREHOLDERS¹

The following table sets forth the direct shareholdings of our Top Ten Direct Shareholders based on information available to us as at 25 February 2013.

Name	Direct Shareholdings as at 25 February 2013	No. of Shares	%
Top Ten Direct Shareholders⁽¹⁾⁽²⁾			
Seiichiro Yamaguchi ⁽³⁾⁽⁴⁾		138,855	30.39 ⁽²⁾
Zeus Capital Limited ⁽³⁾		60,000	13.13 ⁽²⁾
Japan Trustee Services Bank, Ltd (Trust Account)		52,855	11.56
The Master Trust Bank of Japan, Ltd (Trust Account)		28,481	6.23
The Chase Manhattan Bank, N.A London Secs Lending Omnibus Account		10,297	2.25
State Street Bank and Trust Company 505104		7,739	1.69
Barclays Capital Securities Limited A/C Cayman Clients		6,428	1.40
Trust & Custody Services Bank, Ltd. (Security investment trust account)		5,696	1.24
Trust & Custody Services Bank, Ltd. (Pension fund under management for specified money trust account)		3,277	0.71
SBI Securities Co., Ltd.		3,100	0.67

Notes:

- (1) This information is extracted from the JASDEC Record of Depositors and our Register of Members.
- (2) Under the TSE Securities Listing Regulations, a listed Company must make timely disclosure in the event of a change in a Major Shareholder or a change in top shareholder amongst the Major Shareholders. A listed Company must also timely disclose in the event of a change in its parent company, controlling shareholder or similar (each as defined under the TSE Securities Listing Regulations). Such disclosure will be made on SGXNET concurrently.
- (3) Seiichiro Yamaguchi is also the representative director of Zeus Capital Limited, which owns 60,000 shares (approximately 13.13%) in our Company. He is entitled to exercise the voting rights of Zeus Capital Limited in our Company without prior shareholder approval from the shareholders of Zeus Capital Limited. Under the FIEA, any person holding more than 5% of the issued shares shall be disclosed as a "Large Volume Holder" to the local finance bureau branch. This disclosure is made to the local finance bureau branch by such Large Volume Holders in their personal capacity. In his disclosure to the relevant local finance bureau branch, Seiichiro Yamaguchi and Zeus Capital Limited are considered "Joint Holders" of their shares in Tosei as they have an agreement to exercise their voting rights in tandem with one another.
- (4) Seiichiro Yamaguchi is the President and CEO of our Company.

LARGE VOLUME HOLDERS

The following persons have filed Large Volume Holding Reports via EDINET and the following table sets forth the information available on EDINET as at 25 February 2013:

Name	Large Volume Holdings as at 25 February 2013	
	No. of Shares	%
Large Volume Holders⁽¹⁾		
Seiichiro Yamaguchi ⁽²⁾⁽³⁾	138,855	30.39
Zeus Capital Limited ⁽³⁾⁽⁴⁾	60,000	13.13
JPMorgan Asset Management (Japan) Limited ⁽⁵⁾	38,747	8.48
JF Asset Management Limited ⁽⁵⁾	4,479	0.98

Notes:

- (1) No Large Volume Holding Reports were filed via EDINET between the Latest Practicable Date and 21 March 2013, being one day prior to the date of this Introductory Document. Please refer to "Shareholding Reporting Obligations – Large Volume Holding Reporting" for more information on Large Volume Holding Reports.
- (2) Seiichiro Yamaguchi is the President and CEO of our Company.
- (3) Seiichiro Yamaguchi is also the representative director of Zeus Capital Limited, which owns 60,000 shares (approximately 13.13%) in our Company. He is entitled to exercise the voting rights of Zeus Capital Limited in our Company without prior shareholder approval from the shareholders of Zeus Capital Limited. Under the FIEA, any person holding more than 5% of the issued shares shall be disclosed as a "Large Volume Holder" to the local finance bureau branch. This disclosure is made to the local finance bureau branch by such Large Volume Holders in their personal capacity. In his disclosure to the relevant local finance bureau branch, Seiichiro Yamaguchi and Zeus Capital Limited are considered "Joint Holders" of their shares in Tosei as they have an agreement to exercise their voting rights in tandem with one another.
- (4) Zeus Capital Limited exercised share options of our Company and acquired Shares in March 2004.
- (5) JPMorgan Asset Management (Japan) Limited and JF Asset Management Limited are not direct shareholders of our Company. JPMorgan Asset Management (Japan) Limited and JF Asset Management Limited submitted a joint Large Volume Holding Report to EDINET on 7 February 2013. JF Asset Management Limited is part of the JPMorgan Asset Management group.

SIGNIFICANT CHANGES IN SHAREHOLDINGS OF DIRECTORS, STATUTORY AUDITORS AND CERTAIN OTHER SHAREHOLDERS⁽¹⁾

Name	Changes in % Shareholding on 14 October 2009		Changes in % Shareholding on 15 October 2009		Changes in % Shareholding on 15 April 2010		Changes in % Shareholding on 19 April 2010		Changes in % Shareholding on 6 May 2010	
	Before	After	Before	After	Before	After	Before	After	Before	After
Seiichiro Yamaguchi ⁽⁷⁾	36.84%	35.77%	35.77%	35.08%	35.08%	34.38%	34.38%	32.08%	32.08%	30.39%
Katsuhito Kosuge ⁽⁷⁾	0.53%	0.52%	0.52%	0.51%	0.51%	0.50%	0.50%	0.46%	0.46%	0.44%
Noboru Hirano ⁽⁷⁾	0.41%	0.41%	0.41%	0.40%	0.40%	0.39%	0.39%	0.37%	0.37%	0.35%
Zeus Capital Limited ⁽⁷⁾	15.92%	15.46%	15.46%	15.16%	15.16%	14.86%	14.86%	13.86%	13.86%	13.13%

Notes:

- (1) We have considered Zeus Capital Limited to fall under the category of "Certain Other Shareholders" solely because of the ability of our President and CEO to exercise the voting rights of Zeus Capital Limited in Tosei.
- (2) On 14 October 2009, 11,300 new Shares were issued in the capital of our Company, bringing the total issued share capital from 376,840 to 388,140.
- (3) On 15 October 2009, 7,700 new Shares were issued in the capital of our Company, bringing the total issued share capital from 388,140 to 395,840.
- (4) On 15 April 2010, 8,000 new Shares were issued in the capital of our Company, bringing the total issued share capital from 395,840 to 403,840.
- (5) On 19 April 2010, 29,000 new Shares were issued in the capital of our Company, bringing the total issued share capital from 403,840 to 432,840.
- (6) On 6 May 2010, 24,000 new Shares were issued in the capital of our Company, bringing the total issued share capital from 432,840 to 456,840.
- (7) The number of Shares held by these Shareholders of our Company did not change as a result of the new shares issued in the capital of our Company.

SIGNIFICANT CHANGES IN HOLDINGS OF LARGE VOLUME HOLDERS (EXCEPT DIRECTORS, STATUTORY AUDITORS AND CERTAIN OTHER SHAREHOLDERS⁽¹⁾) (BASED ON THE INFORMATION AVAILABLE TO OUR COMPANY ON EDINET⁽²⁾ IN THE 3 YEARS PRIOR TO 25 FEBRUARY 2013)

Name of (Joint) Large Volume Holder(s)	Date of Filing of Large Volume Holding Report (or amendment)	Before	After	Reason for the Change
Merrill Lynch Japan Securities Co., Ltd ⁽³⁾	22 April 2010 ⁽⁴⁾	13.93%	11.81%	Exercise of stock acquisition rights and off-market disposal of Shares ⁽⁵⁾
Merrill Lynch International		–	1.18%	Off-market acquisition and borrowing of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated		–	0.00% ⁽⁶⁾	Borrowing of Shares
Merrill Lynch Japan Securities Co., Ltd	22 April 2010 ⁽⁴⁾	11.81%	5.72%	Exercise of stock acquisition rights and off-market disposal of Shares ⁽⁵⁾
Merrill Lynch International		1.18%	0.97%	Off-market acquisition and both on-market and off-market disposal of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated		0.00% ⁽⁶⁾	0.00% ⁽⁶⁾	Off-market acquisition and disposal of Shares
Merrill Lynch Japan Securities Co., Ltd	21 May 2010 ⁽⁴⁾	5.72%	0.00%	Unknown – cannot be verified from disclosure in the Large Volume Holding Report filed
Merrill Lynch International		0.97%	0.31%	Unknown – cannot be verified from disclosure in the Large Volume Holding Report filed
Merrill Lynch, Pierce, Fenner & Smith Incorporated		0.00% ⁽⁶⁾	0.00% ⁽⁶⁾	Unknown – cannot be verified from disclosure in the Large Volume Holding Report filed
Bridge Capital Investments Pte Ltd	21 May 2010	–	7.24%	Unknown – cannot be verified from disclosure in the Large Volume Holding Report filed

Name of (Joint) Large Volume Holder(s)	Date of Filing of Large Volume Holding Report (or amendment)	Before	After	Reason for the Change
Bridge Capital Investments Pte Ltd	22 December 2010	7.24%	4.47%	Unknown – cannot be verified from disclosure in the Large Volume Holding Report filed
Invesco Asset Management (Japan) Limited	11 January 2011	–	5.08%	Unknown – cannot be verified from disclosure in the Large Volume Holding Report filed
Fund Equities Retirement College	12 July 2011 ⁽⁴⁾	–	5.02%	Market acquisition of shares
LLC Management, Investment TIAA-CREF				
Fund Equities Retirement College	28 September 2011 ⁽⁴⁾	5.02%	4.02%	Market disposal of shares
LLC Management, Investment TIAA-CREF				
SPARX Asset Management Co., Ltd	19 December 2011	–	5.07%	Unknown – cannot be verified from disclosure in the Large Volume Holding Report filed
Invesco Asset Management (Japan) Limited	7 February 2012	5.08%	5.52%	Unknown – cannot be verified from disclosure in the Large Volume Holding Report filed
Invesco Asset Management (Japan) Limited	7 February 2012	5.52%	3.81%	Unknown – cannot be verified from disclosure in the Large Volume Holding Report filed
SPARX Asset Management Co., Ltd	17 May 2012	5.07%	5.16%	Unknown – cannot be verified from disclosure in the Large Volume Holding Report filed
JPMorgan Asset Management (Japan) Limited	9 January 2013	–	6.07%	Unknown – cannot be verified from disclosure in the Large Volume Holding Report filed

Name of (Joint) Large Volume Holder(s)	Date of Filing of Large Volume Holding Report (or amendment)	Before	After	Reason for the Change
SPARX Asset Management Co., Ltd	15 January 2013	5.16%	4.11%	Unknown – cannot be verified from disclosure in the Large Volume Holding Report filed
JPMorgan Asset Management (Japan) Limited	21 January 2013	6.07%	7.72%	Unknown – cannot be verified from disclosure in the Large Volume Holding Report filed
JPMorgan Asset Management (Japan) Limited	7 February 2013 ⁽⁴⁾	7.72%	8.48%	Unknown – cannot be verified from disclosure in the Large Volume Holding Report filed
JF Asset Management Limited		–	0.98%	

Notes:

- (1) We have considered Zeus Capital Limited to fall under the category of “Certain Other Shareholders” solely because of the ability of our President and CEO to exercise the voting rights of Zeus Capital Limited in Tosei.
- (2) All of the above data has been obtained from disclosure made on EDINET by our Large Volume Holders. EDINET disclosure is not proof of accuracy and correctness and our Company has no way of verifying the information disclosed by our Large Volume Holders on EDINET. In addition, certain Large Volume Holding Reports do not contain disclosure on the reason for the change in Large Volume Holdings.
- (3) Merrill Lynch Japan Securities Co., Ltd was allotted stock acquisition rights in our Company on 16 September 2009 as part of an equity financing scheme pursuant to a resolution of our Board of Directors on 1 September 2009.
- (4) Large Volume Holding Report was filed by Joint Holders.
- (5) Sale of the shares issued pursuant to the exercise of stock acquisition rights by Merrill Lynch Japan Securities Co., Ltd, immediately following the issue of such shares.
- (6) Figure has been rounded to two decimal places.

To the best of our knowledge, and except as disclosed above, there are no trust arrangements among our Directors, Statutory Auditors or Large Volume Holders, or with any other third party as at the date of this Introductory Document.

To the best of our knowledge, there are no employees holding 5.0% or more of our Shares.

There are no Shares in our Company that are held by or on behalf of our Company or by our subsidiaries.

To the best of our knowledge, there are no arrangements the operation of which may, at a subsequent date, result in a change in control of our Company.

To the best of our knowledge and save as disclosed above, our Company is not directly or indirectly owned or controlled by another corporation, any government or other natural or legal person whether severally or jointly.

The Shares held by our Directors and Large Volume Holders described above do not have any interests or carry any different voting rights from the Shares of our Company held by the public.

Our Company is not aware of any contractual undertaking provided by any party to observe a moratorium on the transfer or disposal of any Shares in our Company.

INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST

INTERESTED PERSON TRANSACTIONS

In general, transactions between (i) our Company or our Subsidiaries, and (ii) any of our interested persons (namely, our Directors, Statutory Auditors or Controlling Shareholders or the associates of such Directors, Statutory Auditors or Controlling Shareholders) would constitute interested person transactions.

Certain terms such as “associate”, “control”, “controlling shareholder”, “entity at risk” and “interested person” used in this section have the meanings as provided in the Listing Manual and in the SFR, unless the context specifically requires the application of the definitions in one or the other as the case may be.

The following represents transactions undertaken by us with our interested persons and their respective associates within the last three financial years ended 30 November 2009, 2010 and 2011 and for the period from 1 December 2011 up to the Latest Practicable Date.

Save as disclosed below, our Group does not have any other material transactions with any of its interested persons within the last three financial years ended 30 November 2009, 2010 and 2011 and for the period from 1 December 2011 up to the Latest Practicable Date. These transactions are not subject to Rules 905 and 906 (to the extent applicable to us) of the Listing Manual to the extent that there are no subsequent changes to the terms of the relevant agreements. For information on our continuing obligations in relation to Chapter 9 of the Listing Manual, please see “Our Listing on the SGX-ST – Conditions of our Listing on the SGX-ST” for more information.

PAST INTERESTED PERSON TRANSACTIONS

Details of the past transactions between our Group and interested persons for the past three financial years ended 30 November 2009, 2010 and 2011 and for the period from 1 December 2011 up to the Latest Practicable Date are as follows:

(a) Brokerage Agreement between our Company and our President

On 28 June 2010, our President appointed our Company as his sales agent for the sale of a detached house in Shibuya-ku, Tokyo. We concluded the sale of the detached house on behalf of our President in April 2012. Under the brokerage agreement, our Company received a brokerage fee of ¥9,513,000 (S\$125,237) (including tax), the maximum payable under a fee schedule prescribed and issued by public notification under the Building Lots and Buildings Transaction Business Law. The brokerage agreement was entered into in the ordinary course of business and was carried out on an arm’s length basis.

(b) Residential Repair Agreements between TCC and our President

- (i) On 6 April 2010, TCC entered into a residential repair agreement with our President (for the period commencing 26 April 2010 and ending on 31 May 2010) for services to be provided in respect of a detached house in Shibuya-ku, Tokyo. Under the residential repair agreement, TCC undertook certain repair, waterproofing and disposal works and was paid a total consideration of ¥2,100,000 (S\$27,646) (including tax). The residential repair agreement was entered into in the ordinary course of business and was carried out on an arm’s length basis.
- (ii) On 26 March 2012, TCC entered into a residential repair agreement with our President (for the period commencing 1 December 2011 and ending on 31 March 2012) for

services to be provided in respect of a detached house in Shibuya-ku, Tokyo. Under the residential repair agreement, TCC undertook certain repair works and leakage inspection and was paid a total consideration of ¥651,000 (S\$8,570) (including tax). The residential repair agreement was entered into in the ordinary course of business and was carried out on an arm's length basis.

(c) Brokerage Agreement between our Company and our President

On 6 July 2012, our President and certain members of his family appointed our Company as his sales agent for the sale of a residential and commercial building in Toshima-ku, Tokyo. We concluded the sale of the residential and commercial building on behalf of our President in July 2012. Under the brokerage agreement, our Company received a brokerage fee of ¥6,309,450 (S\$83,063) (including tax), the maximum payable under a fee schedule prescribed by the public notification, issued under the Building Lots and Buildings Transaction Business Law, by the then Ministry of Construction (now the Ministry of Land, Infrastructure, Transport and Tourism), as amended. The brokerage agreement was entered into in the ordinary course of business and was carried out on an arm's length basis.

PRESENT AND ON-GOING INTERESTED PERSON TRANSACTIONS

Details of the present and on-going transactions between our Group and interested persons for the past three financial years ended 30 November 2009, 2010 and 2011 and for the period from 1 December 2011 up to the Latest Practicable Date are as follows:

(a) Consultancy Agreements between our Company and SCS Global Consulting

On 1 April 2011, our Company entered into a consultancy agreement with SCS Global Consulting for a duration of 12 months until 31 March 2012. A supplemental consultancy agreement for the same duration was entered into between the parties on 1 August 2011. The consultancy agreement and the supplemental consultancy agreement were terminated by our Company on 29 February 2012. On the same day, we entered into a new consultancy agreement with SCS Global Consulting for the period from 1 March 2012 to 31 August 2012, which has been automatically renewed until 28 February 2013 under the same terms and conditions. SCS Global Consulting is an interested person by virtue of it being an associate of our Outside Director, Kenichi Shotoku, who is the group managing director and controlling shareholder of SCS Global. SCS Global Consulting is a subsidiary of SCS Global.

Under the agreements above, SCS Global Consulting had provided and provides, amongst others, advisory and translation services for our Company's business expansion in Asia. The consultancy agreement provides for a monthly fee of ¥300,000 (S\$3,949) in respect of advisory and consultancy services in relation to our Company's expansion plans and an additional hourly rate of between ¥14,000 (S\$184) to ¥17,000 (S\$224) for coordination with Nexia TS on the preparation of our Company's financial statements in IFRS, and translation where necessary. In FY2011, the total amount of fees paid by our Company to SCS Global Consulting was ¥5,154,702 (S\$67,861). In FY2012, the total amount of fees paid by our Company to SCS Global Consulting was ¥6,067,000 (S\$79,871). From 1 December 2012 to the Latest Practicable Date, the total amount of fees paid by our Company to SCS Global Consulting was ¥1,107,900 (S\$14,585).

The consultancy agreement was entered into on an arm's length basis and on normal commercial terms, taking into account the prevailing market rate for similar services.

(b) Arrangement between our Group and SCS Global Professionals

Our Group has an ongoing arrangement with SCS Global Professionals for the period commencing 10 January 2012 and scheduled to end on 31 March 2013, subject to automatic renewal.

SCS Global Professionals had assisted us in the incorporation of Tosei Singapore at the cost of S\$3,200.

Under the ongoing arrangement, SCS Global Professionals provides Tosei Singapore, *inter alia*, with the following services:

Service	Fee
Preparation of corporate income tax returns	S\$2,500/year
Preparation of individual income tax returns	S\$700/year/person
Company Secretary from January 2012 to December 2012	S\$1,600/year (exclusive of fees for capital increase subsequent to the first time, share transfer, dividend, change of company name amounting to S\$500, S\$500, S\$500 and S\$900 respectively)
Usage of registered office from April 2012 to March 2013	S\$1,200/year
Provision of a registered director from April 2012 to March 2013	S\$3,000/year
Review of bookkeeping	S\$250/hour
Correspondence with audit firm	S\$250/hour
Other advisory services relating to accounting and tax	S\$250/hour

For FY2012, the total amount of fees paid by our Group to SCS Global Professionals was S\$9,000 (including the one-off fee of S\$3,200 for the incorporation of Tosei Singapore). No fees were paid by our Group to SCS Global Professionals from 1 December 2012 to the Latest Practicable Date.

The above arrangements were entered into on an arm's length basis and on normal commercial terms, taking into account the prevailing market rate for similar services.

FUTURE INTERESTED PERSON TRANSACTIONS

We are subject to certain requirements of Chapter 9 of the Listing Manual on an ongoing basis. Please refer to “Our Listing on the SGX-ST – Conditions of our Listing on the SGX-ST” for more information.

In addition, under the FIEA and the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements (the Ordinance of the Ministry of Finance No. 28 of 1976), the notes to financial statements which are disclosed pursuant to the FIEA, must include the details of “material” transactions with related parties (“**Related Party Transactions**”).

POTENTIAL CONFLICTS OF INTEREST

Our Directors, Controlling Shareholders or any of their associates may from time to time undertake investments in property and/or real estate in their personal capacity. Given the nature of our business, such investments in personal capacity of the aforementioned persons may constitute a conflict of interest.

All such acquisitions and disposals of investment properties by our Directors will have to be approved by our Board of Directors.

Our President and our COO, in their personal capacity, currently own a number of investment properties, the acquisition of which has been approved by our Board of Directors. Future acquisitions and subsequent disposals will also have to be approved by our Board of Directors.

Furthermore, one of our Outside Directors, Goro Kamino, is a director and minority shareholder of Sala House Co., Ltd, which undertakes real estate business, specifically the development of residential property, in Chubu, Aichi prefecture. Whilst our Company and Sala House Co., Ltd currently operate in different geographic locations, there may be a conflict of interest in the future should we operate in the same area.

The Japanese Companies Act also provides that disclosure to the Board of Directors of the company must be made by a director of any transaction which may result in a conflict of interest between the director and the company. Under the Japanese Companies Act, a director must disclose the material facts on the relevant transactions at a board of directors’ meeting and obtain the approval of the board of directors if (i) he intends to carry out, for himself or for a third party, any transaction in the line of the business of the company; (ii) if he intends to carry out any transaction with the company for himself or for a third party; or (iii) if the company intends to guarantee his debts or otherwise carry out any transaction with a person other than the director in question that results in a conflict of interests between the company and such director. The director in question is required to abstain from deliberation and voting at the relevant board of directors meeting on the subject matter in which he is interested.

Our Company has complied with and will continue to comply with this procedure as required under the Japanese Companies Act.

As at the date of this Introductory Document, to the best of our knowledge and save as set out above, none of our Directors, Statutory Auditors or any of their Associates have an interest in any entity carrying on the same business or dealing in similar products as our Group.

DESCRIPTION OF SHARE CAPITAL

Our Company was converted from a non-public company into a public company in February 2004 and listed on the JSDA Over-the-Counter Trading Securities Market, before being listed on the JASDAQ Stock Exchange (now the JASDAQ Section of the Osaka Stock Exchange) in December 2004. We subsequently listed our shares on the Second Section of the TSE in November 2006 and delisted from the JASDAQ Stock Exchange in January 2008, before applying for and receiving approval to list on the First Section of the TSE in September 2011. Our corporate affairs are governed by our Articles of Incorporation and the Japanese Companies Act. The following is a summary of the material provisions of our Articles of Incorporation insofar as they relate to the material terms of our share capital. The Japanese Companies Act differs from laws applicable to Singapore companies and their shareholders. A comparison of certain aspects of the Japanese Companies Act applicable to us and the Singapore Companies Act applicable to Singapore companies is set forth at Appendix D – “Comparison of Singapore Corporate Law with Japanese Corporate Law”. The summary below does not purport to be complete and is qualified in its entirety by reference to our Articles of Incorporation and the applicable provisions of the Japanese Companies Act.

OUR SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company as at the date of this Introductory Document:

Authorised Share Capital

Our Company does not have an authorised capital amount as the concept of shares with par value was abolished when the Japanese Commercial Code was amended in 2001. Under our Articles of Incorporation, the total number of Shares authorised to be issued by our Company is 1,500,000.

Shares issued and to be issued

As at the date of this Introductory Document, the total paid-up capital of our Company is ¥5,454,673,500 comprising 456,840 issued and paid-up Shares. All issued Shares are in registered form and are recorded in our Register of Members. No Shares are held by, or on behalf of, us or our subsidiaries.

TRANSFER OF SHARES

There are no specific provisions in our Articles of Incorporation relating to transfers of Shares. Shares issued by our Company are freely transferable. A transfer of Shares in our Company will only become effective through a book-entry transfer in accordance with the Book Entry Act.

LIMITATION ON FOREIGN OWNERSHIP OF SHARES

There are no specific provisions in our Articles of Incorporation relating to limitation on foreign ownership of Shares. Save as disclosed in “Exchange Rates and Exchange Controls – Exchange Controls – Japan”, there are no legal or regulatory restrictions on foreign investment or foreign ownership of our Shares.

SUBSTANTIAL SHAREHOLDING REPORTING OBLIGATIONS – SINGAPORE

We are not a “corporation” as defined in Section 130 of the SFA. Accordingly, our Company and Tosei CDP Depositors will not be subject to the provisions of Division 1 of Part VII of the SFA regulating substantial shareholding reporting obligations.

LARGE VOLUME HOLDINGS AND DISCLOSURE NOTIFICATIONS – JAPAN

Whilst Tosei CDP Depositors are not considered Shareholders of our Company, Tosei Depositors should note that they may be considered Large Volume Holders of our Company. The concept of Large Volume Holdings is a Japanese legal concept and differs in certain respects from the concept of “interest in securities” under Section 4 of the SFA. Please see “Shareholding Reporting Obligations – Large Volume Holding Reporting” and Appendix D – “Comparison of Singapore Corporate Law with Japanese Corporate Law” for more information.

DIVIDENDS

In accordance with the Japanese Companies Act and our Articles of Incorporation, through a resolution of our Shareholders in general meeting, we may declare dividends to our Shareholders subject to a limit equal to the Distributable Amount then existing. As set out in our Articles of Incorporation, the record date to determine dividend entitlement is 30 November for full-year dividends and 31 May for half-yearly interim dividends.

Where dividends are declared and paid by our Company in cash, our Articles of Incorporation provide that such dividend obligations will expire after three years from the initial date of payment. Once the period of three years has lapsed and such dividends remain unclaimed, our obligation to pay the dividend ceases and the Shareholder who has not claimed such dividend will have no recourse to the same.

If a company paid dividends while it did not have a Distributable Amount, the company’s directors and others responsible for the payment are under an obligation to reimburse the company the amount paid out, unless the person liable proves that he was not negligent in carrying out his duties.

GENERAL MEETINGS OF THE SHAREHOLDERS

In accordance with our Articles of Incorporation and the Japanese Companies Act, we are required to convene our AGM in Tokyo within three months after the end of our financial year.

Our AGM shall be convened in February of each year by a resolution of our Board of Directors in accordance with our Articles of Incorporation. The record date for determining the eligibility of Shareholders to attend and vote (if necessary) at our AGM is 30 November each year.

As stipulated under our Articles of Incorporation, in general, our Company’s president and director shall convene the shareholders’ meeting and act as the Chairperson at that meeting. Our Company must send notices of all shareholders’ meetings to all registered shareholders no later than 14 days prior to the meeting.

In general, a Shareholders’ resolution must be passed by a majority of the votes of the Shareholders at the general meeting where Shareholders holding a majority of the votes of Shareholders (and entitled to exercise such votes) are present. However, certain prescribed matters under applicable Japanese laws, require resolutions to be passed by a majority of two-thirds or more of the votes of the Shareholders at the general meeting where Shareholders holding one-third or more of the votes of Shareholders (and entitled to exercise such votes) are present.

VOTING RIGHTS

There are no specific provisions in our Articles of Incorporation relating to voting rights other than permitting the exercise of voting rights by a proxy. Under our Articles of Incorporation, a proxy must be someone who is a Shareholder. Each Shareholder may only appoint one proxy to attend

a shareholders' meeting on his/her behalf. Shareholders have, as a rule, one vote per share according to the Japanese Companies Act. For the avoidance of doubt, Tosei CDP Depositors cannot be proxies, unless they also hold Shares directly and their names appear on (a) the JASDEC Record of Depositors, and (b) the Register of Members kept in Japan.

The method of voting at a general meeting of shareholders is not restricted under the Japanese Companies Act, and the chairperson generally may decide the voting method, which may include a vote by a show of hands, a standing or a poll, unless a resolution to adopt another voting method is made at the shareholders' meeting.

Shareholders (excluding (i) a shareholder who is prescribed as an entity in a relationship that may allow the company to have substantial control of such entity through the holding of one quarter or more of the votes of all shareholders of such entity or other reasons, (ii) the company itself in respect of treasury stock, (iii) a shareholder who has less than one share, (iv) a class shareholder whose class shares do not carry voting rights and (v) a shareholder whose shares are to be repurchased pursuant to Paragraph 3 of Article 140, Paragraph 4 of Article 160 and Paragraph 2 of Article 175 of the Japanese Companies Act) have one vote per share under the Japanese Companies Act and our Articles of Incorporation.

Under Japanese law and our Articles of Incorporation, persons holding our Shares in a Securities Account with CDP and whose names appear in the depository register of CDP will not be regarded as our Shareholders as long as CDP is not a system participant of JASDEC. Only Shareholders whose names appear on (a) the JASDEC Record of Depositors, and (b) the Register of Members kept in Japan are entitled to attend meetings of Shareholders and exercise their voting rights under their names with regard to Shares directly owned by them. As such, CDP will be the only holder on record of the Shares held by the Tosei CDP Depositors through CDP and, accordingly, the only person or entity recognised as a Shareholder and legally entitled to vote on any matter to be submitted to the vote of our Shareholders at a general meeting of Shareholders. Tosei CDP Depositors will not be able to attend such shareholders' meeting in their own names. Please see "Clearance and Settlement – Voting Instructions" for more information.

PRE-EMPTIVE RIGHTS

There are no specific provisions in our Articles of Incorporation relating to pre-emptive rights. If an offering is made granting pre-emptive rights to each existing shareholder, a statement to the effect that shareholders are entitled to the pre-emptive rights and the due date of application for subscription must be decided by the resolution of the board of directors under the Japanese Companies Act. Our Company must notify each shareholder of (i) the terms of offering, (ii) the number of shares to be allotted to the shareholder, and (iii) the due date of application for subscription, two weeks or more prior to the due date of application for subscription. None of our Shareholders currently have any pre-emptive rights in relation to our Shares.

ISSUANCE OF NEW SHARES

An issue of new shares can, in general, take place by way of (i) a public offering, (ii) a pro-rata offering of rights to receive allotment to current shareholders, (iii) a third-party allotment, or (iv) a combination of these three methods. As a listed public company, we may, under the Japanese Companies Act, issue new shares by a resolution of our Board of Directors, unless the Shares are to be issued at a "particularly favourable price" in which case a special resolution of a general meeting of our Shareholders would be required and our Directors will have to explain the necessity for issuing new Shares at such a particularly favourable price at this general meeting of Shareholders (except for an issue by way of a pro-rata offering of rights to receive allotment to current Shareholders, whereby such rule on "particularly favourable price" is not applicable). There is no limit to the number of Shares which may be issued, as long as this number is within the total number of Shares authorised to be issued, as set out in our Articles of Incorporation and

remaining unissued. The matters to be determined by a resolution of the Board of Directors (or general meeting of Shareholders, if applicable) would include, *inter alia*, the number of Shares to be issued, the issue price, the payment date or payment period, and the increase to our stated capital and capital reserves from such issuance. Any Shareholder or person who intends to subscribe for newly issued Shares must contribute the issue price on the payment date or within the payment period specified, otherwise such part of the issue where contribution was not performed in time would be automatically considered void.

In addition to the Japanese Companies Act, disclosure obligations under the FIEA and the TSE Securities Listing Regulations will need to be strictly observed, including the filing of the relevant securities registration statement, preparation of a prospectus (if applicable) and publication of a press release with the required information. Further, the TSE Securities Listing Regulations stipulate certain restrictions with regard to issuance by way of third-party allotment, whereby (i) in the case where the dilution ratio (defined as the percentage of voting rights resultant from such allotment as compared against current voting rights before allotment) is 25% or more or if there is a change in the controlling shareholder¹ due to such allotment, either an opinion on the necessity and appropriateness of the allotment from someone who is independent from management, such as a third-party independent committee, or confirmation from the shareholders approving the allotment, such as a resolution of the general meeting of shareholders, would be required by the TSE for the allotment, and (ii) in the case where the dilution ratio is 300% or more, the allotment would, in principle, be a delisting event.

Rights Offerings

In the event of a rights offering by our Company in Japan, our Company (in its absolute discretion) may, to the extent compliant with Japanese law and where reasonably practicable to do so under Japanese securities market practice, make arrangements for the share options allotted to CDP to be sold as soon as reasonably practicable after dealings in such share options commence. The net proceeds from such sale, after deduction of all expenses therefrom, will be pooled and thereafter paid to CDP for distribution by CDP among Tosei CDP Depositors in proportion to the respective number of Shares standing to the credit of their respective account at CDP as at the record date for the determination of allotment of such share options in a rights offering by our Company.

Where such share options are sold, they will be sold at such price or prices as our Company may, in its absolute discretion, decide, and no CDP Depositor shall have any claim whatsoever against our Company or CDP in respect of such sale or proceeds thereof, the share options or the Shares represented by such share options. Shareholders of our Company should note that the special arrangements described above would apply only to allotments to CDP. However, our Company reserves the right to make similar arrangements for share options which would otherwise have been allotted to certain other Shareholders as soon as practicable after dealings in the share options commence, where the holders of such share options are restricted or prohibited by the laws of the jurisdiction in which they are located or resident from participating in the Japanese rights offering.

PREFERRED SHARES

Under the Japanese Companies Act, a company can issue two or more classes of shares. Such shares may have differing terms. For example, preferred shares may have differences with respect to the right to dividends, voting rights, transfers, put/call options, the company's right to acquire all shares from shareholders and veto rights. The terms and number of shares in each

¹ A "controlling shareholder" in this context refers to a "controlling shareholder" as defined in Rule 2 Item (42)-2 of the TSE Securities Listing Regulations. In this context, a "controlling shareholder" means a parent company or an entity specified by the TSE Enforcement Rules for Securities Listing Regulations as an entity which directly or indirectly holds a majority of the voting rights of a listed company.

class that are authorised to be issued must be set out in a company's articles of incorporation and must be recorded at the commercial registry. Further, the total number of authorised shares in such class of shares cannot be exceeded. However, under the Japanese Companies Act, any variation or abrogation of the rights attached to any class of shares in issue in a company that will or is likely to cause detriment to that class of shareholders shall not take effect unless a special resolution of that class of shareholders is passed at a meeting constituted by that class of shareholders. As at the date of this Introductory Document, our Company's Articles of Incorporation do not provide for another class of shares and we do not have any preference shares in issue.

LIQUIDATION RIGHTS

There are no specific provisions in our Articles of Incorporation concerning liquidation.

Once a company is dissolved, it will proceed into liquidation. Liquidation is a procedure for the company to wind up its affairs and eventually cease to be a corporate entity. During this process, liquidators will act as representatives of the company, replacing such representatives who were the company's representative directors before the dissolution.

If a liquidating company intends to distribute its residual assets, it must prescribe (i) the kind of residual assets, and (ii) the matters regarding the allotment of residual assets to shareholders, by a decision of the liquidators (or, for a company with a board of liquidators, by resolution of such board of liquidators). In addition, if the residual assets to be distributed consist of property other than monies, shareholders shall have the right to demand for the distribution of monies (in place of such property). In such cases, the liquidating company must prescribe, in addition to the above items, (i) the period during which the right to demand distribution of monies can be exercised, and (ii) if there is an arrangement that no residual assets shall be allotted to shareholders who hold less than certain number of shares, a statement to that effect and such certain number, by a decision of its liquidators (or, for a company with a board of liquidators, by resolution of such board of liquidators).

ACQUISITION BY US OF OUR SHARES

In accordance with our Articles of Incorporation, the Japanese Companies Act and the FIEA, our Company may repurchase our Shares by a resolution of the general meeting of our Shareholders. In certain cases, our Company may do so by way of a resolution of the Board of Directors according to the Articles of Incorporation.

Shares can be purchased from Shareholders with their consent (i) from the market, (ii) via the take-over bid procedure as provided by the FIEA, (iii) from all Shareholders, or (iv) from a specific Shareholder.

With respect to cases (i) and (ii) above, companies with a board of directors may, by the decision of the board of directors if the articles of incorporation allow, repurchase shares from the market or via the take-over bid procedure as provided by the FIEA. If the shares are repurchased from all shareholders (case (iii) above), an ordinary resolution of a shareholders' meeting is sufficient (listed companies however may not use this method of repurchase according to the FIEA and are required to conduct the take-over bid procedure). If the purchase is from a specific shareholder (case (iv) above), a special resolution of a shareholders' meeting is required. In case (iv) above, the name of this shareholder needs to be disclosed and approved at a general shareholders' meeting. Other shareholders are entitled to ask the company to include them as a seller, with certain exceptions. Whilst the Japanese Companies Act does not place a limit on the aggregate number of shares we may repurchase, the maximum amount for carrying out the share repurchase is restricted to the Distributable Amount.

Shares acquired by us may be held by us as treasury stock for any period or may be cancelled by a resolution of the Board of Directors. We may also transfer the shares held by us to any person, subject to a resolution of the Board of Directors, and subject also to other requirements similar to those applicable to the issuance of new shares. We may also utilise our treasury stock (i) for the purpose of transfer to any person upon exercise of stock acquisition rights or (ii) for the purpose of acquiring another company by way of merger, share exchange, or corporate split through exchange of treasury stock for shares or assets of the acquired company.

TAKE-OVERS

As our Company is incorporated outside Singapore and does not maintain a primary listing in Singapore, we are not subject to the provisions of the Singapore Code on Take-overs and Mergers. However, our Company is subject to take-over provisions under Japanese law.

Compulsory Take-over Bid

A take-over bid (*koukai kaitsuke*) is regulated by the FIEA. Under the FIEA, if a party intends to purchase shares of companies that are required to submit annual securities reports (including listed companies and over-the-counter companies) or that issue specified listed securities, this must be done by way of a take-over bid (as described below) in the following cases (with several exceptions):

- (i) if the purchase is made outside the stock exchange market (excluding the over-the-counter security market) and, after the purchase, the aggregate voting rights held by a purchaser making a take-over bid (the “**take-over bidder**”) and the certain related persons of the take-over bidder divided by the total voting rights of the target company (“**Total Voting Ratio**”) exceeds 5.0%. An exception applies if the aggregate number of sellers in the contemplated share purchase and the sellers of shares to the take-over bidder outside the stock exchange market (“**Total Sellers**”) equals ten or less in the 60 days before the day the purchase is made;
- (ii) if the purchase is made outside the stock exchange market (excluding the over-the-counter security market), the number of Total Sellers is 10 or less and the Total Voting Ratio exceeds one-third after the purchase;
- (iii) if the Total Voting Ratio exceeds one-third after the purchase, and the purchase is made by the methods of purchase prescribed by the Prime Minister (including purchasing through certain off-floor trading methods at a stock exchange);
- (iv) if, within three months:
 - over 5.0% of the voting shares are purchased outside the stock exchange market (excluding the over-the-counter security market) or by the methods of purchase prescribed by the Prime Minister mentioned above;
 - a total of over 10.0% of the voting shares are obtained through the purchase (including purchases described in the preceding bullet point) or the issuance of new shares; and
 - the Total Voting Ratio exceeds one-third after the purchase or the issuance;
- (v) if, during the period in which another party’s take-over bid is made, a party, whose Total Voting Ratio before the purchase exceeds one-third, purchases over 5.0% of the voting shares; or
- (vi) in other specified cases set out in the relevant cabinet order.

Notwithstanding the foregoing, whether, and to what extent, a foreign shareholder of a Japanese corporation which does not have Japan as its primary jurisdiction would be obliged to follow additional rules, regulations and laws under the jurisdiction of Japan is not definitively stated in regulatory or statutory provisions or guidelines issued by the relevant authorities, nor is it explained by judicial precedents. The relevant Japanese laws and regulations relating to our Shares on the SGX-ST are complex, often ambiguous and may be subject to different interpretations as to their applicability to foreign shareholders of our Company who only trade via the SGX-ST. As these relevant provisions remain vague and their interpretation can involve a degree of uncertainty, foreign shareholders of our Shares may therefore be subject to additional obligations under the rules, regulations and laws of Japan, including the take-over bid provisions described hereunder.

Procedures for Take-over Bid

The take-over bidder commences the take-over bid procedures by first providing public notice of the commencement of the take-over bid (*koukai kaitsuke kaishi koukoku*) and then filing the take-over bid registration statement (*koukai kaitsuke todokedesho*). The take-over bid registration statement sets forth, *inter alia*, each of the following: (i) the purpose of the acquisition, (ii) a description of negotiations related to the take-over bid, (iii) the floor offer price, (iv) an agreement with the target company and its directors, if any, (v) information about the take-over bidder and the target company and (vi) any other information which would have a material effect on a shareholder's decision.

The take-over bidder solicits tenders from shareholders by delivering the take-over bid explanation statement (*koukai kaitsuke setsumeisho*) to them. On the other hand, the target company is required to publicly announce its position on the take-over bid by filing the position statement report (*iken hyoumei houkokusho*) within 10 business days from the public notice for commencement of the take-over bid. When the target company puts questions to the take-over bidder in such position statement report, the take-over bidder must file the report for responding to the questions (*tai shitsumon kaitou houkokusho*) within five business days from the receipt of the position statement report. The take-over bidder makes a public announcement of the results of the take-over bid on the day following the end of the offering period, files the take-over bid report (*koukai kaitsuke houkokusho*) and notifies the shareholders who tendered their shares for the take-over bid of such results. Finally, the take-over bid is completed by exchanging the shares and the consideration on the settlement date.

Regulations of Terms of Take-over bid

(i) Offer price

As a general rule, the terms and conditions of a take-over bid (including the offer price) must be uniform for all shareholders (in the case of the offer price, uniform for all shareholders of the same class of shares) of the target company. Other than this general rule, no price restrictions are imposed under the FIEA. In particular, there is no requirement to offer a premium over the market price (a discounted take-over bid is also possible).

(ii) Offering period

An offering period must not be less than 20 business days or more than 60 business days. Within this range, the take-over bidder may extend the initial offering period but may not shorten the initial offering period. The target company may request to extend the offering period if the initial period is less than 30 business days, and if it does so, the offering period will automatically become 30 business days.

(iii) Cap and floor on the number of Shares

The take-over bidder may put a cap and/or a floor on the number of shares to be purchased in a take-over bid. If the number of shares tendered exceeds the cap, a pro-rata purchase from the tendered shareholders is required. However, if the Total Voting Ratio of the take-over bidder including related parties becomes two-thirds or more after the completion of the take-over bid, the take-over bidder may not set a cap and must purchase all the shares tendered.

(iv) Withdrawal of take-over bid

The take-over bidder is generally prohibited from withdrawing a take-over bid. However, if the take-over bidder stipulates in the public notice for commencement of the take-over bid and the take-over bid registration statement that it may withdraw the take-over bid if any material changes occur to the business or property of the target company or its subsidiary, or any other circumstances occur that would materially impede the achievement of the purpose of the take-over bid, it may withdraw the take-over bid when such matters actually occur.

(v) Change in terms of a take-over bid

Generally, the take-over bidder may only change the terms and conditions of a take-over bid when such changes are not unfavourable to shareholders of the target company. Reducing an offer price, increasing a floor on the number of shares to be purchased, lowering a cap on the number of shares to be purchased and shortening an offer period are all deemed to be changes that are unfavourable to shareholders and are therefore generally prohibited. However, for example, if the take-over bidder stipulates in the public notice for commencement of the take-over bid and the take-over bid registration statement that it may reduce the offer price when the target company conducts a share split or issues shares or stock acquisition rights to the existing shareholders for no value, it may reduce the offer price when such matters actually occur.

(vi) Prohibition of purchase outside a take-over bid

Generally, certain parties, including the take-over bidder, certain related persons of the take-over bidder and the securities company handling procedural matters for the take-over bid may not purchase shares of the target company outside the take-over bid during the offering period. However, for example, they may purchase the shares if the agreement for such purchase has already been disclosed in the public notice for commencement of the take-over bid and the take-over bid registration statement or if such purchase is made by the exercise of stock acquisition rights.

If a person (including Shareholders and Tosei CDP Depositors) has failed to submit a take-over bid registration statement, such person shall be punished by imprisonment for not more than five years or by a fine of not more than ¥5 million, or both, and in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company has failed to submit a take-over bid registration statement, the offender shall be punished by imprisonment for not more than five years or by a fine of not more than ¥5 million, or both, and the company is liable to be punished by a fine of not more than ¥500 million. Also, if a person (including Shareholders and Tosei CDP Depositors) submits a take-over bid registration statement containing a misstatement, the person shall be punished by imprisonment for not more than 10 years or by a fine of not more than ¥10 million, or both, and in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company submits a take-over bid registration statement containing a misstatement with regard to the business

or property of the company, the offender shall be punished by imprisonment for not more than 10 years or by a fine of not more than ¥10 million, or both, and the company is liable to be punished by a fine of not more than ¥700 million.

In addition, they will be liable to pay to the Japanese National Treasury an administrative monetary penalty equivalent to 25.0% of the total purchase price of acquired shares outside a take-over bid (in the case of failure to submit a take-over bid registration statement or to publicise a take-over bid announcement), or 25.0% of the value of acquired shares through a take-over bid based on the market value of such shares at the end of the day which is one business day prior to the announcement of a take-over bid (in the case of misstatement in a take-over bid registration statement or in a take-over bid announcement).

(vii) Tosei CDP Depositors

In the event that a take-over bid (“**Offer**”) is made by a person (“**Offeror**”) for our Shares, each of our Shareholders (as defined in the Japanese Companies Act and the Book Entry Act) will be entitled to exercise their rights as Shareholders in respect of the take-over bid under the FIEA. We will communicate to the Offeror the fact that we are listed on the SGX-ST and that there may be Tosei CDP Depositors who hold Shares through CDP and that the Offeror should extend its offer and despatch the necessary documentation in connection with the Offer (“**Offer Documents**”) in English to the Tosei CDP Depositors. In addition, subject to legal restrictions under Japanese law and to the extent reasonably practicable after discussion and agreement with CDP prior to an Offer, we will provide information in respect of the Offer (including, but not limited to a summary of the Offer and the terms thereof, which will contain information such as (i) the Offeror’s identity, (ii) the Offer timetable, (iii) the Offer consideration, and (iv) procedures for acceptance of the Offer) in English and CDP would assist us in (i) disseminating such information and/or the Offer Documents to Tosei CDP Depositors, and (ii) collating instructions from Tosei CDP Depositors in connection with the Offer. However, Tosei CDP Depositors should note that despite our communications to the Offeror that the Offer Documents should be in English, Offer Documents may not be in English (see “Risk Factors – Risks Relating to an Investment in our Shares – Tosei CDP Depositors will not be considered as Shareholders of our Company” for more information).

TRADING SUSPENSION

The TSE may suspend trading of shares as prescribed by the TSE in the following circumstances:

- where information on the shares or issuer that may have a significant effect on investors’ investment decisions is revealed and details of such information are not clear and/or the TSE deems it necessary to make details aware to the public;
- where the TSE deems that the state of trading in the shares is abnormal or that this is likely or where the TSE deems that continuing trading is not appropriate from the viewpoint of the management of trading;
- where a malfunction occurs to the trading system, or where the TSE deems that continuing trading is difficult due to a failure of the facilities of the TSE pertaining to trading of the shares, and other cases; and
- where the TSE deems it necessary to make it aware to the public that it may cancel a trade.

Investors should note that prior to our Company conducting fund-raising through an offering of Shares in Singapore in the future (with such Shares to be held through CDP), there will be no quotation or trading of our Shares on the SGX-ST. Accordingly, prior to such future fund-raising, investors who transfer their Shares to be held through CDP will not be able to trade their Shares

on the SGX-ST. However, once our Shares are quoted and traded on the SGX-ST, as soon as practicable after we are aware that a suspension in trading of our Shares on the TSE has occurred, we will request for a trading suspension on the SGX-ST. As soon as practicable after we are aware that the suspension in trading of our Shares on the TSE has been lifted, we will request for a resumption of trading on the SGX-ST.

DELISTING FROM THE SGX-ST

If we are delisted from the SGX-ST only, we will be unable to make an exit offer to Tosei CDP Depositors. Instead, we will make an announcement on SGXNET at the relevant time informing Tosei CDP Depositors on how they can transfer their Shares held through CDP to a broker in Japan or a JASDEC participant for trading on the TSE.

SHAREHOLDING REPORTING OBLIGATIONS

Whether, and to what extent, a foreign shareholder of a Japanese corporation which does not have Japan as its primary jurisdiction would be obliged to follow additional rules, regulations and laws under the jurisdiction of Japan is not definitively stated in regulatory or statutory provisions or guidelines issued by the relevant authorities, nor is it explained by judicial precedents. The relevant Japanese laws and regulations relating to our Shares on the SGX-ST are complex, often ambiguous and may be subject to different interpretations as to their applicability to foreign shareholders of our Company who only trade via the SGX-ST. As these relevant provisions remain vague and their interpretation can involve a degree of uncertainty, foreign shareholders of our Shares may therefore be subject to additional obligations under the rules, regulations and laws of Japan, including the shareholding reporting obligations described hereunder.

SHAREHOLDERS AND LARGE VOLUME HOLDERS

Investors should note that the concept of Shareholders and Large Volume Holders are different concepts under Japanese law. “Direct Shareholders” and “Shareholders” refer to persons whose names appear on (a) the JASDEC Record of Depositors, and (b) the Register of Members kept in Japan.

In contrast, Large Volume Holders of our Company would be persons who are “in possession” of more than 5.0% in aggregate of the voting securities of our Company. Such Large Volume Holders are required to file large volume holding reports via EDINET. Please see “Large Volume Holding Reporting” below for more information.

Investors should also note that the concept of “interest in securities” under Section 4 of the SFA is different in certain respects from the concept of Large Volume Holders under the FIEA. Please see Appendix D – “Comparison of Singapore Corporate Law with Japanese Corporate Law” for more information. Investors should also note that we are not a “corporation” as defined in Section 130 of the SFA. Accordingly, our Company and Tosei CDP Depositors will not be subject to the provisions of Division 1 of Part VII of the SFA regulating substantial shareholding reporting obligations.

LARGE VOLUME HOLDING REPORTING

Persons who acquire title, or a call option, to equity securities including shares, stock acquisition rights (“**SARs**”), bonds with SARs and similar securities issued or to be issued by a listed company (equity securities) representing more than 5.0% in aggregate (whether traded on the TSE or the SGX-ST) of the outstanding voting rights (“**Large Volume Holders**”), are required to submit a large volume holding report (“**Large Volume Holding Report**”) in the form provided by the Cabinet Office Ordinance concerning Disclosure of Status of Large Volume Holding of Share Certificates (Ordinance of the Ministry of Finance No. 36 of 1990, as amended), to the director-general of the local finance bureau, and a copy thereof to the issuer of such equity securities and stock exchanges on which such shares are listed, within five business days from the date on which such person has come to be a Large Volume Holder, pursuant to Article 27-23 of the FIEA. The Large Volume Holding Report submitted by such Large Volume Holder must include (a) the identity of the Large Volume Holder and its joint holders (together, “**Disclosing Parties**”); (b) the purpose for acquiring such equity securities; (c) the number and ratio of equity securities held by the Disclosing Parties; (d) details of the transactions (if any) regarding equity securities by the Disclosing Parties within a 60 day period; (e) material contracts (if any) regarding equity securities; and (f) details of the funds used by the Disclosing Parties to acquire such equity securities.

Large Volume Holder

The Large Volume Holding Report referred to above has to be filed by those who are “in possession” (*hoyuu*) of voting securities, which includes, but is not limited to, “owners” (*shoyuu-sha*) of such voting securities. Under Article 27-23 of the FIEA and related provisions, the following persons are deemed to possess the voting securities and would be required to make a Large Volume Holding Report where the 5.0% threshold is crossed:

- (i) persons who own voting securities or have contractual rights to own such voting securities whether or not such voting securities/contractual rights are held in their own name or the name of another person or a fictitious name (e.g. a purchaser of the voting securities or a purchaser of a call option for the voting securities¹);
- (ii) persons who:
 - (a) are authorised by contract or law to exercise, or direct the exercise of, the voting rights pertaining to the voting securities as shareholders of the issuer of such voting securities;
 - (b) are aware of having such authority as described in (ii)(a) above; and
 - (c) have an intention to control the business of such issuer (exclusive of those who fall under item (iii) below);² and
- (iii) persons who are authorised by a discretionary investment contract or any other contract or law to invest in the voting securities³ (e.g. (i) a trustee with a discretion to acquire or dispose of voting securities in respect of trust assets, (ii) an asset management company authorised to make investment decisions pursuant to a discretionary investment management contract).

Changes in Large Volume Holding

If a material change in any of the matters disclosed in a Large Volume Holding Report occurs or holdings of equity securities increase or decrease by 1.0% or more, the Large Volume Holder must submit an amendment to the Large Volume Holding Report within five business days of such change to the director-general of the local finance bureau, and a copy thereof to the issuer of such equity securities and the stock exchanges in Japan on which such shares are listed and which has been licensed pursuant to the FIEA.

EDINET Submission of Large Volume Holding Report

Under the FIEA, submission of the Large Volume Holding Report or any amendment thereto must be made electronically via EDINET. Such submission will require an account with EDINET, which can be applied for regardless of whether the applicant has or may have an obligation to submit the Large Volume Holding Report or other reports pursuant to the FIEA. An application for an account with EDINET will typically take around one week to process, and longer if the necessary supporting documents for application require correction due to comments from the authorities. It is therefore prudent for an investor to begin preparation for applying for an account with EDINET at least one month in advance if there is a possibility that such an investor expects that he may be required to submit reports via EDINET in the future. In addition, applicants who are non-residents of Japan, including corporations and entities organised under laws other than

¹ Article 27-23, Paragraph 3 of the FIEA and Article 14-6 of the FIEA Enforcement Ordinance

² Article 27-23, Paragraph 3, Item 1 of the FIEA and Article 3-3 of the Large Shareholding Disclosure Ordinance

³ Article 27-23, Paragraph 3, Item 2 of the FIEA

Japanese laws, will require an attorney-in-fact who has an address in Japan to make such application for an EDINET account on their behalf. Further, it is necessary to state a contact person with an address in Japan for the purpose of the submission of a Large Volume Holding Report or any amendment thereto and therefore it is common for an attorney-in-fact to be appointed by a non-resident of Japan for such submission.

If a person has failed to submit a Large Volume Holding Report or amendment thereto or submits such report or amendment containing a misstatement of material matters, that person is liable to be punished by imprisonment for not more than five years or issued a fine of not more than ¥5 million, or both, and in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company has failed to submit a Large Volume Holding Report or amendment thereto or submits such report or amendment containing a misstatement of material matters, the offender shall be punished by imprisonment for not more than five years or by a fine of not more than ¥5 million, or both, and the company is liable to be punished by a fine of not more than ¥500 million. In addition, they will be liable to pay to the Japanese National Treasury an administrative monetary penalty equivalent to 1/100,000 of the total market value of the shares on the next business day after the due date to submit such report or the date on which they have submitted such report.

SALE PURCHASE REPORT AND SHORT SWING REGULATION

Under the FIEA, each shareholder of a company having 10.0% or more of outstanding voting rights (“**Major Shareholder**”), is subject to the following requirements and obligations:

Sale-purchase Report (Article 163)

If a Major Shareholder sells or purchases (including derivative transactions with physical settlement or cash settlement) shares of a company, he/she is obliged to file a Sale-purchase Report setting forth details of such sale or purchase with the Financial Services Agency of Japan (“**FSA**”) by the 15th day of the month immediately following such sale or purchase. If a Major Shareholder (which may include a Tosei CDP Depositor) fails to submit a report or submits a report containing a misstatement, the Major Shareholder shall be punished by imprisonment for not more than six months or by a fine of not more than ¥500,000, or both. Also, in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company has failed to submit a Sale-purchase Report or amendment thereto or submits such report or amendment containing a misstatement of material matters, the offender shall be punished by imprisonment for not more than five years or by a fine of not more than ¥5 million, or both, and the company is liable to be punished by a fine of not more than ¥500 million.

Short-swing Regulation (Article 164)

If a Major Shareholder earns profits from either (i) purchase of the shares and sale of the shares conducted (including derivative transactions with physical settlement or cash settlement) within a six-month period, or (ii) sale of the shares and purchase of the shares conducted within a six-month period, the company is entitled to make a claim for the profits from such purchase and sale or sale and purchase (“**Profits**”), as the case may be, against the Major Shareholder. Moreover, if the company does not make a claim for the Profits within 60 days after receipt of demand by a shareholder of the company, the shareholder may make a claim for the Profits against the Major Shareholder, as the case may be, on behalf of the company. If the FSA considers that a Major Shareholder earned the Profits based on the Sale-purchase Report, the FSA will deliver the portion of the Sale-purchase Report, relevant to the Profits (“**Profit-related Document**”), to the Major Shareholder, and if he/she does not raise any objections on the basis of lack of sale or purchase as described in the Profit-related Document within 20 days, it will deliver the Profit-related Document to the company. The FSA will publicise the Profit-related Document 20 days after the delivery to the company.

Short-selling Regulation (Article 165)

A Major Shareholder is prohibited from short-selling of the shares beyond the amount of the shares owned by such Major Shareholder.

ANTI-MONOPOLY ACT

Under the Anti-Monopoly Act, a corporation (provided certain criteria is satisfied, e.g. domestic turnover) is required to submit a prior notification to the Japan Fair Trade Commission for share acquisitions of 20% and 50% on the basis of voting rights held by “the corporate group” as a whole – comprising the ultimate parent company of the acquiring corporation and its subsidiaries. The minimum JPY threshold of the acquiring company is ¥20 billion on the basis of the total domestic turnover of the corporate group and that of the acquired company and its subsidiaries being ¥5 billion. If a person has failed to submit a prior notification or submits a prior notification containing a misstatement, the person shall be punished by a fine of not more than ¥2 million. Also, if a person made a share acquisition before 30 days have passed from the date of acceptance of a prior notification, the person shall be punished by a fine of not more than ¥2 million. In the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company has failed to submit a prior notification or submits a prior notification containing a misstatement with regard to the business or property of the company, the offender shall be punished by a fine of not more than ¥2 million, and the company is liable to be punished by a fine of not more than ¥2 million. Also, if the representative person of the company such as a director, or an agent, employee, or other worker of the company made a share acquisition with regard to the business or property of the company before 30 days have passed from the date of acceptance of a prior notification, the offender shall be punished by a fine of not more than ¥2 million, and the company is liable to be punished by a fine of not more than ¥2 million.

OVERVIEW OF RELEVANT LAWS AND REGULATIONS IN JAPAN

Our Group's businesses are subject to various Japanese laws and regulations. The major laws and regulations applicable to the Group's businesses are summarised below.

BUILDING LOTS AND BUILDINGS TRANSACTION BUSINESS LAW

Sale, purchase and exchange, and brokerage of sale, purchase, exchange and lease of building lots and buildings are, if conducted as business activities, subject to the Building Lots and Buildings Transaction Business Law. This law requires an operator of such business to obtain a licence from the prefectural governor where the offices are located (if the operator has offices in only one prefecture) or from the Minister of Land, Infrastructure, Transport and Tourism (if the operator has offices in two or more prefectures), and to conduct such business in a prescribed manner. This law also requires the operator to employ and allocate to each office a certain number of qualified and registered real estate business specialists. The Minister or the prefectural governor may revoke such a licence or suspend it for a period of up to one year in certain circumstances prescribed by this law, for instance, if the operator violates laws and regulations or otherwise conducts its business in a substantially inappropriate manner. Under this law, there is a restriction on excluding or reducing statutory warranty obligations under the Japanese Civil Code beyond the general statutory requirement in the case where the counterparty to the sale-purchase transaction is not a real estate business operator, i.e., a normal consumer, with the notable exception that restricting the effective warranty period to two years or more from the point of delivery (as opposed to the date on which the purchaser becomes aware of the existence of the latent defect) will be considered acceptable.

CONSTRUCTION BUSINESS LAW

The Construction Business Law (*kensetsugyou-hou*) (Act No. 100 of 1949, as amended) requires a contractor to obtain and maintain a governmental licence from the prefectural governor where the offices are located (if the operator has offices in only one prefecture) or from the Minister of Land, Infrastructure, Transport and Tourism (if the operator has offices in two or more prefectures), and comply with certain prescribed standards. The Minister or the prefectural governor may revoke the licence or suspend it for a period of up to one year in certain circumstances prescribed under this law, for instance, if the contractor violates laws and regulations or otherwise conducts its business in bad faith or in a substantially inappropriate manner.

BUILDING STANDARDS ACT

Construction, repair and remodeling of large-scale buildings are subject to the Building Standards Act. Under this law, any entity that constructs, substantially repairs or remodels, whether by itself or through a third party contractor, any building that is larger than a certain scale, or any entity that constructs any building that is located in certain designated areas must obtain a certificate of prior confirmation for the planned construction, repair or remodeling as well as a certificate of completion thereof from an inspector appointed by local authorities. Such certificates confirm that the building, repair or remodeling conforms to the standards prescribed by this law and relevant regulations. Local authorities may order the suspension of construction or the demolition, reconstruction, remodeling or repair of the building, or may prohibit or limit the use of the building, if the building does not conform to the relevant building standards. Such standards include those relating to the use, height and structure of buildings, the building-to-land area ratio, and fire prevention, security and sanitation requirements.

In the event that potential non-compliance with the Building Standards Act is identified as a concern at any time, the relevant administrative agency normally will take preliminary actions to assess the building in question. If non-compliance is found and not cured upon informal

discussion, the agency may issue a written notice setting forth the desired actions to be undertaken to effect cure on the part of the owner of the building. If the non-compliance is still not cured, the relevant administrative agency may then issue a corrective order, requiring the owner of the building to take corrective action. Corrective orders may include, among others, an order of demolition, reconstruction, removal of affected parts, or restriction of use, of the noncompliant building. The timing of issuance of corrective orders and their content, as well as the decision as to whether such corrective orders should be issued in the first place, are entrusted to the professional and technical discretion of the relevant administrative agency. Therefore, even if the construction of the building is determined to be illegal in any respect, such illegality will not necessarily result in immediate issuance of a corrective order. In addition, generally speaking, the administrative agency is required to adopt the method of rectifying the illegality that will be the least burdensome for the party to whom the order is issued. Accordingly, if the removal of illegal components of a construction project is found to be relatively easy, a more onerous order, such as one for demolition of the building, can be expected not to be issued, and if issued may be found an abuse of the discretion allowed to the administrative agency and held void by a competent court of law.

CITY PLANNING ACT

All construction in Japan is also regulated by the City Planning Act (*toshi-keikakuhou*) (Act No. 100 of 1968, as amended). The main objective of the City Planning Act is to ensure balanced land development and promote public welfare. Under the City Planning Act, developers must obtain permission from the prefectural governor (or the mayor, if the construction is planned in a designated city) prior to beginning any development action (as defined in the City Planning Act) on land that has been designated as a city planning area or a quasi-city planning area by the prefecture in which such land is situated (or the Minister of Land, Infrastructure, Transport and Tourism if such land is spread over two or more prefectures). The permitted use of buildings that are constructed in each use zone is designated pursuant to the Building Standards Act.

LAW CONCERNING THE PROMOTION OF CONTROL OF HOUSING QUALITY

The Law Concerning the Promotion of Control of Housing Quality of Japan provides standards for the indication of, and a framework for the evaluation of, the quality of housing. The Minister of Land, Infrastructure, Transport and Tourism is responsible for prescribing the relevant standards under this law. The institution designated by the Minister to evaluate the quality of housing conducts such evaluation, upon application by the seller or any other person, and issues an evaluation report. The seller is deemed to undertake to sell the housing with the level of quality indicated in the evaluation report if a copy of the report is attached to the sales contract or is delivered to the purchaser. When a seller sells new housing within one year of completion of construction, this law requires the seller to repair the house and/or indemnify any loss of the purchaser for a period of ten years after the sale of the house if there is any latent defect regarding the main structural components of the housing.

LAW CONCERNING PROMOTION OF ADEQUATE MANAGEMENT OF CONDOMINIUMS

The property management business of condominiums which is entrusted by condominium associations is subject to the Law Concerning Promotion of Adequate Management of Condominiums (*manshon-no-kanri-no-tekiseika-no-suishin-ni-kansuru-houritsu*) (Act No. 149 of 2000, as amended), under which registration is required to conduct such property management business. This law also requires the operator to employ and allocate to each office a certain number of qualified and registered condominium managers. The registration may be revoked or suspended for up to one year under certain circumstances prescribed under the law, for instance, if the operator violates applicable laws or regulations or conducts its property management business in a substantially inappropriate manner.

SOIL CONTAMINATION CONTROL LAW

Under the Soil Contamination Control Law, if a governor in a prefecture finds that the level of pollution in a given area exceeds the standards prescribed by the Ministry of the Environment due to hazardous or toxic substances, the governor must designate the area as a polluted area. If the local governor determines that land located in the designated area is polluted to such an extent that it has caused or may cause harm to human health, the governor may order the current owner of such land to remove or decontaminate hazardous or toxic substances on or under the land, whether or not the current owner knew of, or was responsible for, the presence of such hazardous or toxic substances. If the pollution is attributable to any other person, the owner of the land may demand reimbursement from such other person for the cost of removal and decontamination. This law subjects the current owner of real estate to strict liability with respect to the removal or decontamination of hazardous or toxic substances on, or under, such real estate, whether or not the current owner knew of, or was responsible for, the presence of such hazardous or toxic substances.

DESIGNATED REAL ESTATE JOINT VENTURE BUSINESS ACT

The Designated Real Estate Joint Venture Business Act governs the joint venture business in connection with sale, purchase, exchange or lease of building lots and buildings (collectively the “**Real Estate Transaction**”) in which revenues and profits from the Real Estate Transaction are distributed to members of such joint venture. An operator of such joint venture must obtain a governmental licence from the prefectural governor where the offices are located (if the operator has offices in only one prefecture) or from the Minister of Land, Infrastructure, Transport and Tourism (if the operator has offices in two or more prefectures) in advance and conduct the joint venture business in compliance with the standards stipulated by this law. The governor or the Minister may revoke such licence or suspend it for a period of up to one year in certain circumstances prescribed by this law, for instance, if the contractor violates laws and regulations or otherwise conducts its business in a substantially inappropriate manner. The Designated Real Estate Joint Venture Business Act does not apply to investments in real estate trust beneficial interests or investments through a *tokutei mokuteki kaisha*, a special purpose company incorporated under the Asset Securitization Law of Japan (*shisan-no-ryudouka-ni-kansuru-houritsu*) (Act No. 105 of 1998, as amended). Under current market practice, transactions are usually structured so that the Designated Real Estate Joint Venture Business Act will not apply.

CONSUMER CONTRACT LAW

The Consumer Contract Law of Japan (*shouhisha-keiyakuhou*) (Act No. 61 of 2000, as amended) is applicable to consumer contract executed by and between consumers and business entities. This law sets forth certain circumstances under which consumers may deny the validity of such contracts in consideration of the disparity between consumers and business entities in information and bargaining power.

FINANCIAL INSTRUMENTS AND EXCHANGE ACT

The FIEA governs various matters related to securities business and operators of such business. Under the FIEA, registration is required to conduct management businesses on securities, advisory business on securities investment and the dealing and brokerage of securities. The definition of “securities” for the purpose of the FIEA includes, among other things, investment in a silent partnership (*tokumei kumiai*), and real estate trust beneficiary interests which substantially involve management of real estate investment funds in Japan. The investment adviser and the securities broker/dealer so registered must conduct its business in compliance with the FIEA. The Commissioner of the Financial Services Agency (“**FSA**”) has the authority to investigate the investment manager, the investment adviser and the securities broker/dealer. Employees of our Group operate under our registration as a Type II Financial Instruments Business, an Investment

Management Business and an Investment Advisor and Agency Business. Individual employees do not need to be registered under the FIEA so long as they are operating under the name of and on behalf of the holder of the requisite registration.

Also, a special purpose company, which invests funds raised through a silent partnership or other similar arrangement in real estate trust beneficial interests is required to qualify as a discretionary investment manager under the FIEA unless certain exemptions are applicable (which includes, among others, (1) the silent partnership whose silent partners include at least one Qualified Institutional Investor (“QII”) and less than 50 non-QII investors, and do not include any disqualifying investor as defined in the FIEA and regulations thereunder, and (2) the silent partnership investment decisions of which are entrusted with a third party qualified as a discretionary investment manager under FIEA). The special purpose company operating the silent partnership under the exemption must file a notification of the fund operation business conducted under the exemption with the FSA. If any violation of the applicable laws or regulations is discovered, various types of administrative sanctions, including revocation of the registration and suspension of business may be imposed. Our Group currently does not operate any silent partnerships.

LAW CONCERNING SALES OF FINANCIAL PRODUCTS

In order to protect investors of financial products, the Law Concerning Sales of Financial Products of Japan (*kinyushouhin-no-hanbaitou-ni-kansuruhouritsu*) (Act No. 101 of 2000, as amended) requires financial service providers to provide adequate explanations to customers, make such financial service providers liable for any losses incurred by customers due to a breach of such duty, and also prescribes certain actions to be taken by such financial service providers in order to ensure that solicitations by financial service providers of offers of financial products are fair.

MONEY LENDING BUSINESS ACT

The mere making of a loan in Japan will not trigger any licensing requirements. However, a lender who repeatedly makes loans to residents of Japan or an investor who repeatedly makes loan arrangements for residents of Japan or acquiring loans to residents of Japan may be found to be engaging in the business of money-lending and, thus, would be required to register as a money-lending business operator under the Money Lending Business Act.

TRI engages in alternative property investment business and primarily purchases real estate collateralised loans, and is thus registered as a money-lending business operator and is required to comply with the Money Lending Business Act. Under the applicable laws and the registration requirements, TRI is required to employ at least one qualified money-lending business specialist on a full-time basis for each office, maintain net assets of at least JPY50,000,000, and have at least one full-time officer, such as a director, who has been engaged in money-lending business for three years or more (who may act concurrently as the money-lending business specialist mentioned above). TRI has a stated capital of JPY50,000,000 as of the Latest Practicable Date and one of the current directors of TRI, Hitoshi Ohshima, fulfills the requirements of being (i) a qualified money-lending business specialist and (ii) a full-time officer engaged in the money-lending business for three years or more. As a registered money-lending business operator, TRI will also be required to comply with an extensive list of continuing obligations, including, (i) yearly reports to the authorities regarding its money-lending business activities, (ii) establishment of internal rules on the handling of personal information obtained in the course of such business and other matters relating to such a business and (iii) prohibition from lending over statutory maximum amounts based on the income of the borrower.

THE LAND SYSTEM

The Civil Code of Japan governs real property rights. Japanese law recognises a number of interests in land. In particular, Japanese law allows for separate ownership (*Shoyuiken*) of a piece of land and the building thereon. The Chijou-ken (Superficies) is an in rem interest in land that permits the holder to use the surface of another person's land to build structures, underground installations, or plant trees. In general, the Chinshaku-ken (Leasehold) is a contractual interest that permits the holder to use the leased asset in return for payment of rent. A leasehold interest that qualifies for mandatory statutory protection under the Land and Building Lease Law, however, gains legal rights that are similar to in rem interests. The Chieki-ken (Easement) is an in rem interest that permits the holder of the land to use another person's land for the benefit of the holder, such as a right to access the land.

REAL ESTATE REGISTRATION SYSTEM

There is a real estate registration system in Japan under which ownership of real estate as well as certain other real estate-related rights, such as the right to use real estate or security rights over real estate is registered. An owner of an unregistered real estate property or a holder of other unregistered rights cannot assert its title or rights against a third party except for the immediate party to which titles or rights are succeeded or granted from. The real estate register is publicly available for inspection.

The real estate register, however, is not conclusive evidence and does not necessarily reflect the true holder of the title or right. In practice, parties who plan to enter into a real estate transaction usually rely upon the register, as it is generally the best indication of the true owner of the real estate-related title or right. However, a party has no recourse to anyone but the seller if, relying on the register, it purchases real estate or a related right from a seller and the information contained in the register turns out to be incorrect. The purchaser may seek indemnification from the seller pursuant to statutory warranties or contractual warranties, but in general cannot acquire the ownership of or title to the real estate.

LIABILITIES OF THE OWNER OF REAL ESTATE PROPERTIES

Under the Civil Code of Japan, if any damage has been caused to another person by reason of any defect in the construction or maintenance of a structure on land, the person in possession of the structure is liable in tort to compensate the injured person for damages it suffers; provided, however, that if the person in possession has exercised due care in order to prevent the occurrence of such damage, the owner of the structure will be liable in tort for such damage instead.

It is customary to obtain third-party liability insurance over real property. However, in certain circumstances, insurance may not be available, or even if obtained, the insurance may not cover a liability in relation to the property due to the terms and conditions of the policy.

A purchaser of real estate may in some instances seek indemnification from the seller pursuant to statutory or contract-based warranties for liability to a third party that was caused by a defect in the property existing at the time of the sale. However, these warranties are sometimes limited or excluded from coverage of such third-party liabilities, or even if covered, may prove insufficient if the seller lacks funds to compensate the purchaser for its incurred losses.

Under the Japanese Civil Code, unless contractually excluded, a seller of real estate property owes statutory warranty obligations to a purchaser for any latent defect in the real estate property. Statutory warranties are generally effective for one year from the date on which the purchaser becomes aware of the existence of the latent defect and can be enforced during this period by a cancellation of the underlying sale or by requesting damages from the seller. In principle, these

statutory warranty obligations may be contractually excluded or substantially reduced in the sale and purchase agreement under which the real property is purchased. However, real estate business operators under the Building Lots and Buildings Transaction Business Law, such as our Company, are restricted from excluding or reducing such statutory warranty obligations beyond the general statutory requirement in the case where the counterparty to the sale-purchase transaction is not a real estate business operator, i.e., a normal consumer, with the notable exception that restricting the effective warranty period to two years or more from the point of delivery (as opposed to the date on which the purchaser becomes aware of the existence of the latent defect) will be considered acceptable. In line with such regulation, our warranty for latent defects in real estate property, from which the purchaser can enforce a cancellation of the sale or request damages from us, is for two years from the point of delivery.

Further, under the Law Concerning the Promotion of Control of Housing Quality, when a seller (including a real estate business operator) sells new housing within one year of completion of construction, if there is any latent defect regarding the main structural components of the housing, the seller is statutorily obliged to repair the house or indemnify any loss of the purchaser or the purchaser can enforce a cancellation of the sale, for a period of ten years after the sale of the house and any exclusion or restriction unfavourable to the purchaser is deemed void.

Our Group is in compliance in all material respects with the applicable regulations. To date, there has been no material breach of any of the above regulations by our Group.

TAXATION

The following discussion is limited to a general description of certain tax consequences in the jurisdictions described below with respect to the ownership of the Shares. It does not purport to be comprehensive nor exhaustive and is not intended to be and does not constitute legal or tax advice. This summary is based on current tax laws in Japan and Singapore and is subject to changes in such laws, or in the interpretation thereof. Such changes may be retrospective. While the comments are considered to be a correct interpretation of existing laws in force as at the Latest Practicable Date, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur.

The discussion below is not intended to constitute a complete analysis of all the tax consequences relating to the acquisition, ownership and disposal of the Shares by any person. Each prospective investor in the Shares should therefore consult its own tax advisers concerning the tax consequences of an investment in the Shares.

JAPANESE TAXATION

The statements made herein regarding Japanese taxation are based on the laws in force as at the date of this Introductory Document and are subject to any changes in law occurring after such date, which changes could be made on a retrospective basis. The following summary does not purport to be a comprehensive description of all of the Japanese tax considerations that may be relevant to a decision to purchase, own or dispose of the Shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of Shares are advised to consult their own tax advisers concerning the overall tax consequences of their decision to purchase, own and dispose of the Shares.

A non-resident shareholder is generally subject to a Japanese withholding tax on cash dividends. Split-up of shares and allotment of shares without consideration, in general, are not subject to Japanese withholding tax since they are characterised merely as an increase in the number of shares (as opposed to an increase in the value of the shares) from a Japanese tax perspective.

In the absence of any applicable treaty or agreement reducing the maximum rate of withholding tax, the standard rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to non-resident shareholders (inclusive of individuals and entities) is generally 20.0%. However, with respect to dividends paid on shares issued by a Japanese corporation to non-resident shareholders, except for any individual shareholder who holds 3.0% or more of the shares issued by the relevant Japanese corporation, the aforementioned standard 20.0% withholding tax rate is reduced to 7.0%, and such reduced rate is expected to be effective until 31 December 2013.

Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced. For Japanese tax purposes, a treaty rate generally supersedes the tax rate under domestic tax law. However, due to the so-called “preservation doctrine” under the respective tax treaties, and/or due to the Act on Special Measurement for the Income Tax Act, Corporation Tax Act and Local Taxes Act with respect to the Implementation of Tax Treaties (*sozei-jouyaku-no-jisshi-ni-tomonau-shotokuzeihou, houjinzeihou-oyobi-chihouzeihou-no-tokureitou-ni-kansuru-houritsu*) (Act No. 46 of 1969, as amended), if the tax rate under domestic tax law is lower than the treaty rate (which is currently the case with respect to the respective tax treaties), the domestic tax rate applies. An “Agreement between the Government of the Republic of Singapore and the Government of Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income” (“**Treaty**”) became effective on 1 January 1996 and was revised on 14 July 2010.

Under the Treaty, dividends paid by our Company to our Shareholders (other than Shareholders holding 3.0% or greater of our Shares) who are non-resident individuals of Japan or that are non-Japanese corporations without a permanent establishment in Japan were generally subject to a withholding tax in Japan of 7.0% until 31 December 2012. This tax rate was further qualified by the Special Measures Tax for Reconstruction, which introduced, amongst other measures, a surplus tax of 2.1% on current income tax rates. This surplus tax took effect on 1 January 2013 and will be effective till 31 December 2037. As a result of this surplus tax, for the period between 1 January 2013 and 31 December 2037, dividends payable to a beneficial owner of shares who is a Singapore resident will be subject to a withholding tax rate of 7.147% (being 102.1% of 7.0%). If the beneficial owner is a company that has directly or indirectly owned, for the six-month period ending on the date on which entitlement to the dividend is determined, at least 25.0% of the outstanding voting shares of the Japanese company that is paying the dividends, the tax rate will be reduced to 5.0%. As a general rule, a beneficial owner who is entitled to a reduced rate of Japanese withholding tax on payments of dividends is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax on Dividends (together with other required forms and documents) in advance, through the withholding agent to the relevant tax authority before the payment of dividends. A beneficial owner who does not submit an application in advance will be entitled to claim a refund of withholding taxes withheld in excess of the rate under an applicable tax treaty, from the relevant Japanese tax authority by complying with certain subsequent filing procedures. A standing proxy for the beneficial owner may provide the application. The Treaty applies to a non-resident shareholder who is a resident of Singapore.

Gains derived from the sale outside Japan of Shares of our Company by a non-resident Shareholder are in general not subject to Japanese income or corporation taxes, except for any Shareholder who substantially holds (i) 25.0% or more of the shares issued by the relevant Japanese corporation at any time during the taxable year of the sale or during two preceding years and (ii) transfers of 5.0% or more of the outstanding Shares within one taxable year. Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Shares as a legatee, heir or donee even though neither the individual nor the deceased nor the donor is a resident of Japan.

SINGAPORE TAXATION

The discussion is limited to a general description of income tax, stamp duty and goods and services tax consequences in Singapore with respect to the purchase, holding or disposal of shares by Singapore investors, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase, hold and dispose of the shares. Prospective investors should consult their tax advisers regarding Singapore tax and other tax consequences of purchasing, holding and disposing of the shares. It is emphasised that neither our Company, our directors nor any other persons involved in the Introduction accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the shares.

Singapore Income Tax

(i) Individual Taxpayers

An individual is regarded as a tax resident in Singapore in a year of assessment (“YA”) if, in the preceding calendar year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he resides in Singapore except for such temporary absences therefrom as may be reasonable and not inconsistent with a claim by such person to be resident in Singapore.

Individual taxpayers who are Singapore tax residents are subject to Singapore income tax on income accruing in or derived from Singapore, unless the income is specifically exempt from tax in Singapore. All foreign-sourced income received or deemed received (except for income received through a partnership in Singapore) in Singapore on or after 1 January 2004 by a Singapore tax resident individual is generally exempted from Singapore income tax.

A Singapore tax resident individual is subject to tax at progressive rates, ranging from 0% to 20.0%.

Non-resident individuals are also subject to Singapore income tax on income accruing in or derived from Singapore, unless the income is specifically exempt from tax in Singapore. Non-resident individuals are not taxed on foreign-sourced income received in Singapore.

Non-resident individuals receiving Singapore employment income are taxed at a flat rate of 15.0% or resident rates whichever gives rise to a higher tax payable. Any other Singapore-sourced income (e.g. directors' fees, consultancy fee, etc.) is taxed at a flat rate of 20.0%.

(ii) Corporate Taxpayers

A company is tax resident in Singapore if the control and management of its business is exercised in Singapore.

Corporate taxpayers are subject to Singapore income tax on income accruing in or derived from Singapore or received in Singapore from outside Singapore, unless the income is specifically exempt from tax in Singapore. One of these exemptions is with regard to foreign-sourced dividends, branch profits and service income received in Singapore by Singapore tax resident companies on or after 1 June 2003, subject to conditions.

The prevailing corporate tax rate with effect from the YA2010 is 17.0% of chargeable income after allowing for full or partial tax exemption (where applicable).

The full tax exemption scheme introduced in the YA2005 and further enhanced in the YA2008 is meant for newly incorporated entities. Under this scheme, a tax exemption on the first S\$100,000 and a further 50% exemption on the next S\$200,000 of the normal chargeable income (excluding Singapore franked dividends) are available to Singapore resident start-ups for each of the first 3 consecutive YAs upon incorporation, subject to conditions.

Companies which do not qualify for the above full tax exemption scheme can claim for partial tax exemption on their normal chargeable income (excluding Singapore franked dividends) of up to S\$300,000 – 75.0% of the first S\$10,000 and 50.0% of the next S\$290,000 (i.e. maximum partial tax exemption claimable = S\$152,500). Unlike the full tax exemption scheme, there are no conditions attached for partial tax exemption.

(iii) Dividend Distributions

Dividends payable by our Company on our Shares will be declared in Japanese Yen and paid to Tosei CDP Depositors in Singapore dollars.

As our Company is incorporated in Japan and the control and management of the business is exercised outside of Singapore, our Company is not a tax resident of Singapore. Dividends paid by our Company would be considered as income sourced outside Singapore. To the extent that these foreign sourced dividends are received by an individual in Singapore, they will generally be exempt from Singapore tax.

Dividends paid by our Company, if received by a Singapore tax resident company may be exempt from Singapore income tax if the following conditions are satisfied:

- The highest corporate tax rate (headline tax rate) of Japan from which the dividend income is received is at least 15.0% at the time the foreign dividend income is received in Singapore;
- The dividend income had been subjected to tax in Japan from which they were received; and
- The Singapore Comptroller is satisfied that the tax exemption would be beneficial to the Singapore tax resident recipient.

In practice, dividends received in Singapore by non-resident companies should not be subject to tax in Singapore if the recipient company is not operating in or from Singapore.

The ability of a Singapore taxpayer to receive a foreign tax credit for Japanese withholding tax will depend upon the precise circumstances. No such credit will be available where the dividend is itself exempt from tax in Singapore.

(iv) Gains on Disposal of Shares

Singapore does not impose tax on capital gains. There are no specific laws or regulations which deal with the characterisation of capital gains. Hence, gains arising from the disposal of shares are not taxable in Singapore unless the Inland Revenue Authority of Singapore regards the seller as carrying on a trade of buying and selling shares, in which case, the profits on disposal will be construed to be of an income nature and taxable.

Based on the IRAS e-Tax Guide on “Income Tax: Certainty of Non-taxation of Companies’ Gains on Disposal of Equity Investments” dated 30 May 2012, the gains derived from the disposal of ordinary shares in an investee company (whether incorporated in Singapore or elsewhere, and whether listed or not listed) during the period 1 June 2012 to 31 May 2017 (both dates inclusive) are not taxable if immediately prior to the date of the share disposal, the divesting company had held at least 20% of the ordinary shares in the investee company for a continuous period of at least 24 months. This rule does not apply to a divesting company whose gains or profits from the disposal of shares are included as part of its income based on the provisions of Section 26 of the Income Tax Act, Chapter 134 of Singapore, or to the disposal of shares in an unlisted investee company that is in the business of trading or holding Singapore immovable properties (other than the business of property development). Section 13Z of the Income Tax Act, Chapter 134 of Singapore provides for this.

Stamp Duty

There is no stamp duty payable on the subscription, allotment or holding of shares.

Stamp duty is payable on the instrument of transfer of shares at the rate of S\$0.20 for every S\$100.00 or any part thereof, computed on the consideration paid or market value of the shares, whichever is higher. The purchaser is liable for stamp duty unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. If the instrument of transfer is executed outside Singapore, stamp duty is payable if such instrument is subsequently received in Singapore.

The above stamp duty is not applicable to scripless transfer of shares through the CDP system.

Goods and Services Tax (“GST”)

Sale of shares by a GST-registered investor belonging in Singapore to another person belonging in Singapore is an exempt supply for GST purposes.

Where the shares are sold by a GST-registered investor in the course of business to a person belonging outside Singapore, and that person is outside Singapore when the sale is executed, the sale would generally be regarded as a taxable supply subject to GST at zero rate if certain conditions are satisfied. Any GST incurred by a GST-registered investor in the making of this supply in the course of or furtherance of a business carried on by him is recoverable from the Comptroller of GST.

Services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor’s purchase, sale or holding of the shares will be subject to GST at the prevailing rate of 7.0%. Similar services rendered to an investor belonging outside Singapore is generally subject to GST at zero rate, provided that the investor is outside Singapore when the services are performed and the services provided do not benefit any Singapore persons.

CLEARANCE AND SETTLEMENT

A letter of eligibility has been obtained from the SGX-ST for the listing of our Shares. Upon admission to the Official List of the SGX-ST, we will be listed on both the SGX-ST and the TSE, with the TSE being the primary exchange and the SGX-ST being the secondary exchange. Our Shares are quoted in Japanese Yen on the TSE, and will be quoted in Singapore Dollars on the SGX-ST. For the purpose of trading on the SGX-ST, a board lot for our Shares will comprise 10 Shares.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its account-holders and facilitates the clearance and settlement of securities transactions between account-holders through electronic book-entry changes in the Securities Accounts maintained by such account-holders with CDP.

TRADING, SETTLEMENT AND REGISTRATION OF SHARES

Following our listing on the SGX-ST, our Shares will still be traded only on the TSE. The quotation and trading of our Shares on the SGX-ST will only commence after future fund-raising by our Company through an offering of Shares, with such Shares to be held through CDP. Investors who, prior to the commencement of trading of our Shares on the SGX-ST, transfer Shares from the TSE to the SGX-ST, should note that they will not be able to trade those Shares on the SGX-ST. The principal register of our Shareholders will be maintained in Japan. There will not be a branch register in Singapore.

The transfers of our Shares between the SGX-ST and the TSE will be carried out on a scripless basis. The procedure for the transfer of our Shares between the TSE and the SGX-ST and for the deposition and withdrawal of our shares in the CDP system to facilitate trading on the TSE and the SGX-ST are set out in the following paragraphs.

CLEARANCE AND SETTLEMENT ON THE SGX-ST

Upon listing and quotation on the SGX-ST, Shares that are traded on the SGX-ST will be cleared and settled under the book-entry settlement system of the CDP, and all dealings in and transactions of the Shares through the SGX-ST will be effected in accordance with the terms and conditions for the operation of securities accounts with the CDP and the terms and conditions for CDP to act as depository for foreign securities, as amended from time to time.

Under Japanese law and our Articles of Incorporation, persons holding our Shares in a Securities Account with CDP and whose names appear in the depository register of CDP will not be regarded as our Shareholders. CDP, as the registered holder of our Shares, will be regarded as a Shareholder of our Company. The Shares that are traded on the SGX-ST will be scripless shares held by CDP's custodian in Japan, for and on behalf of persons who maintain, either directly or through a Depository Agent, securities accounts with CDP.

For the avoidance of doubt, CDP or its nominees, as bare trustees, will not be regarded as having an interest in our Shares in respect of the Shares registered in their respective names. All Shares deposited with CDP, for purposes of determining our foreign shareholding levels, will be regarded as being held by non-Japanese entities.

All Japanese listed companies, including our Company, are unable to issue physical certificates with respect to the listed shares and all transfers of listed shares of Japanese listed companies must be made through the JASDEC book-entry settlement system. Accordingly, persons holding

our Shares in a Securities Account with CDP will not be able to withdraw the number of Shares they own from either the JASDEC or CDP book-entry settlement system in the form of physical share certificates.

Transactions in our Shares under the CDP book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's Securities Account being credited with the number of Shares acquired and no transfer stamp duty is currently payable for the transfer of Shares that are settled on a book-entry basis.

CLEARING FEES

A clearing fee for the trading of Shares on the SGX-ST is payable at the rate of 0.04% of the transaction value, subject to a maximum of S\$600 per transaction. The clearing fee, instruments of transfer deposit fees and share withdrawal fee may be subject to GST at the prevailing rate (currently 7.0%).

Dealings in our Shares will be carried out in Singapore Dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date. CDP holds securities on behalf of Depositors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with any Depository Agent. A Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

DEALING OF SHARES ON THE SGX-ST

Dealing of Shares on the SGX-ST should be conducted with member companies of the SGX-ST by Tosei CDP Depositors who hold direct securities accounts with CDP or a sub-account with a Depository Agent.

Dealings in, and transactions of, Shares on the SGX-ST will be due for settlement on the third Market Day following the date of transaction (T+3 or the "**Settlement Date**"). Shareholders should ensure that there are sufficient Shares in their direct securities account with CDP or their sub-account with a Depository Agent on the Settlement Date. Settlement of dealings through the CDP direct securities account or sub-account with a Depository Agent shall be made in accordance with CDP's "Terms and Conditions for Operation of Securities Accounts with CDP", and the "Terms and Conditions for CDP to Act as Depository for Foreign Securities", as amended from time to time.

MECHANISM FOR TRANSMISSION OF SHARES FROM CDP FOR TRADING ON THE TSE

Please note that in all cases of transmissions referred to in this section, there should not be any change or difference, or purported change or difference, in the beneficial owner of the Shares before and after transmission.

Please note that the transmission process and/or fees payable are subject to change. For further information or copies of the relevant transmission forms, please contact CDP (or your Depository Agent, as the case may be). For the avoidance of doubt, all fees and taxes (including stamp duties) incurred during the transmission process shall be borne by the relevant Tosei CDP Depositor.

Transfer of Shares for trading on the TSE will only be carried out on a scripless basis. A Tosei CDP Depositor whose Shares are held through CDP and wishes to trade his Shares on the TSE must first arrange to transfer his Shares into his securities account opened with a Japanese broker or make other arrangements to hold and trade the Shares through a JASDEC participant. The following sets out the procedures for effecting such transfer of Shares:

- (a) the Tosei CDP Depositor must contact his Singapore broker or CDP in the following manner:
 - (i) where the Tosei CDP Depositor holds a direct securities account with CDP, the Shareholder shall complete a “Request for Transfer of Securities out of CDP’s Account Form” as prescribed by CDP and submit the completed form together with the relevant supporting documents and fees to CDP directly or via his Singapore broker; or
 - (ii) where the Tosei CDP Depositor holds a securities sub-account with a Singapore broker, the Singapore broker shall complete and deliver the “Request for Transfer of Securities out of CDP’s Account Form” and supporting documents to CDP; and
- (b) the Tosei CDP Depositor shall contact his broker in Japan or the relevant JASDEC participant to instruct that party to receive the Shares from CDP’s account with its Japanese custodian in JASDEC.

Barring unforeseen circumstances, the transfer of Shares from CDP into the Tosei CDP Depositors’ securities account opened with his Japanese broker would normally be completed within several days from the time CDP and the Japanese broker receive such transfer request.

MECHANISM FOR TRANSMISSION OF SHARES TO CDP FOR TRADING ON THE SGX-ST¹

Please note that in all cases of transmissions referred to in this section, there should not be any change or difference, or purported change or difference, in the beneficial owner of the Shares before and after transmission.

Please note that the transmission process and/or fees payable are subject to change. For further information or copies of the relevant transmission forms, please contact your broker or the relevant JASDEC participant. For the avoidance of doubt, all fees and taxes (including stamp duties) incurred during the transmission process shall be borne by the relevant Shareholder.

Transfer of Shares for trading on the SGX-ST will only be carried out on a scripless basis. A Shareholder whose Shares are not held through CDP and wishes to trade his Shares on the SGX-ST (when tradable) must first arrange to transfer his Shares into his Singapore securities account with CDP. Such Singapore securities account can be held by the Shareholder either directly with CDP or indirectly through a Depository Agent.

The following sets out the procedures for effecting such transfer of Shares:

- (a) the Shareholder shall contact his Japanese broker or the JASDEC participant through which the Shareholder holds the Shares in JASDEC in order to instruct that party to arrange for the transfer of his Shares to CDP’s account with its Japanese custodian in JASDEC; and

¹ The quotation and trading of our Shares on the SGX-ST will only commence after future fund-raising by our Company through an offering of Shares, with such Shares to be held through CDP.

- (b) the Shareholder shall contact CDP or his Singapore broker in the following manner:
 - (i) where the Shareholder holds a direct securities account with CDP, the Shareholder shall complete a “Request for Transfer of Securities into CDP’s Account Form” as prescribed by CDP, and submit the completed form with the relevant payment to CDP directly or via his Singapore broker; or
 - (ii) where the Shareholder holds a securities sub-account with a Singapore broker, the Singapore broker shall complete and deliver the “Request for Transfer of Securities into CDP’s Account Form” to CDP.

Barring unforeseen circumstances, CDP will normally credit the Shareholder’s Singapore securities account within several days from the time CDP and the Japanese broker receive such transfer request. If a Shareholder decides to transfer his Shares into CDP for trading on the SGX-ST, his name may no longer appear on (a) the JASDEC Record of Depositors, or (b) the Register of Members kept in Japan and he will be considered a Tosei CDP Depositor instead of a Shareholder in respect of his Shares held through CDP.

Shareholders and Tosei CDP Depositors, as the case may be, are advised to ensure that transmissions of Shares to and from CDP are completed before they trade in our Shares.

VOTING INSTRUCTIONS

Under Japanese law and our Articles of Incorporation, persons holding our Shares in a Securities Account with CDP and whose names appear in the depository register of CDP will not be regarded as our Shareholders as long as CDP is not a system participant of JASDEC. Only Shareholders whose names appear on (a) the JASDEC Record of Depositors, and (b) the Register of Members kept in Japan are entitled to attend meetings of Shareholders and exercise their voting rights under their names with regard to Shares directly owned by them. Accordingly, CDP will be the only holder on record of the Shares held by the Tosei CDP Depositors through CDP and, accordingly, the only person or entity recognised as a Shareholder and legally entitled to vote on any matter to be submitted to the vote of our Shareholders at a general meeting of Shareholders. Tosei CDP Depositors will not be able to attend such Shareholders’ meeting in their own names.

Nonetheless, we will mail to Tosei CDP Depositors, in English, any notice of Shareholders’ meetings, together with a voting instruction form. Tosei CDP Depositors will, indirectly, be able to vote on such matters to be decided by the Shareholders’ meeting by returning the voting instruction form by the relevant deadline to our Singapore Collation Agent. Our Singapore Collation Agent will, after the collation of valid voting instructions from Tosei CDP Depositors, furnish CDP, as a Shareholder of our Company, such voting instructions on behalf of all Tosei CDP Depositors. If our Singapore Collation Agent receives no voting instructions from Tosei CDP Depositors by the relevant deadline, CDP will not vote at the relevant Shareholders’ meeting.

Tosei CDP Depositors who wish to attend Shareholders’ meetings and exercise their voting rights under their names with regard to Shares beneficially owned by them will be required to transfer their Shares out of the CDP system and have the Shares transferred into a securities account opened with a Japanese broker or make other appropriate arrangements to hold the Shares directly through a JASDEC participant prior to the record date for the relevant Shareholders’ meeting.

LEGAL MATTERS

Certain legal matters in connection with this Introduction will be passed upon for us by Rajah & Tann LLP with respect to matters of Singapore law and Mori Hamada & Matsumoto with respect to matters of Japanese law. Certain legal matters in connection with this Introduction will be passed upon for the Sole Global Coordinator and Manager by ATMD Bird & Bird LLP with respect to Singapore law.

Each of Rajah & Tann LLP, Mori Hamada & Matsumoto and ATMD Bird & Bird LLP does not make, or purport to make, any statement in this Introductory Document and is not aware of any statement in this Introductory Document which purports to be based on a statement made by it, and it makes no representation, express or implied, regarding, and takes no responsibility for, any statement in or omission from this Introductory Document.

GENERAL AND STATUTORY INFORMATION

STATUTORY MATTERS

- (1) As at the date of this Introductory Document, none of our Directors and Statutory Auditors have:
- (a) at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two years from the date he ceased to be a partner;
 - (b) at any time during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding-up or dissolution of that entity, or where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
 - (c) any unsatisfied judgments against him;
 - (d) ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
 - (e) ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;
 - (f) at any time during the last 10 years, had judgment entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
 - (g) ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
 - (h) ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
 - (i) ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;

- (j) ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:
- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
 - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
 - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
 - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,
- in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or
- (k) ever been the subject of any current or past investigation or disciplinary proceedings, or has ever been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

LITIGATION

- (2) In December 2010, TCC had entered into service agreements for the (i) provision, and (ii) receipt, of emergency building maintenance services. In March 2012, in spite of TCC fulfilling its payment obligations to the party supplying services (“**Provider**”), the party receiving services (“**Recipient**”) had defaulted on its monthly service fee payments to TCC. As a result of negotiations with the Recipient, TCC, the Recipient and the Provider had entered into a tripartite termination agreement (“**Termination Agreement**”) retrospectively terminating each service agreement as at 31 January 2012. Under the Termination Agreement, the Provider would have to refund service fees paid by TCC to it in respect of periods after 31 January 2012, which amounted to JPY80,115,000 (S\$1.05 million) (“**Outstanding Amount**”). The Recipient would have no further obligations in respect of fees owing to TCC for periods owing after 31 January 2012, on the condition that the Provider had refunded the Outstanding Amount. TCC has thus far received a sum of JPY2,465,000 (S\$32,333) from the Provider.

On 31 October 2012, TCC commenced separate civil suits against:

- (i) the Provider for JPY77,650,000 (S\$1.02 million) (being the Outstanding Amount less the JPY2,465,000 paid) and late payment interest of 6% per annum commencing from 17 October 2012; and
- (ii) the Recipient for JPY81,535,000 (S\$1.07 million) (being the aggregate amount of unpaid service fees owed to TCC) and late payment interest of 6% per annum commencing from 1 March 2012.

Our Company had already made provision for all of the Outstanding Amount in FY2012.

WORKING CAPITAL

- (3) Our Directors believe that, after taking into account the present banking facilities and cash flows from our operations and barring any unforeseen circumstances beyond our control, we will have sufficient working capital available for our present requirements. For a further description of our working capital, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources”.

OUR SUBSIDIARIES

- (4) The following is a list of our subsidiaries:

Name	Date and Country of Incorporation	Principal Place of Business	Principal Activities	Representative Director	Effective Ownership Interest/ Voting Rights
Tosei Asset Advisors	28 September 2005 Japan	Japan	Asset Management	Ryohei Yasuda	100%
Tosei Community Co	21 December 1995 Japan	Japan	Property Management	Tsugio Uchida	100%
Tosei Revival Investment	11 March 2005 Japan	Japan	Alternative Investment	Kaname Wakabayashi	100%
Tosei Singapore	10 January 2012 Singapore	Singapore	Real Estate Management ⁽²⁾	Nil	100%
Hestia Capital	17 August 2005 Japan	Japan	Alternative Investment	Nil	100%
NAI Tosei ⁽¹⁾	20 January 2012 Japan	Japan	Real Estate Agency and Consultancy	Tetsuji Komiyama	100%
Green House (in liquidation)	12 April 1967 Japan	Japan	Currently in voluntary liquidation	Nil	100%

Notes:

- (1) NAI Tosei Japan, Inc was incorporated as Sannomiya Real Estate Sales LLC and was an unconsolidated subsidiary (accounted for as a “financial asset available for sale”) of our Company up until 30 November 2012 as it was immaterial in terms of its effect on our Group’s financial performance and operations. It was renamed, converted into a joint stock company and consolidated into the financial statements of our Company with effect from 1 December 2012.
- (2) This is the intended activity of the subsidiary. As at the Latest Practicable Date, operations have not commenced.

CHANGES IN ISSUED SHARE CAPITAL

- (5) Save as disclosed below, there were no changes in the issued and paid-up share capital of our Company and our subsidiaries within the three years preceding the Latest Practicable Date:

Tosei Corporation

Date	Number of shares issued	Price per share	Purpose	Resulting paid-in capital ⁽¹⁾⁽²⁾
15 April 2010	8,000	¥31,500	Exercise of stock acquisition rights by Merrill Lynch Japan Securities Company	¥4,580,555,500
19 April 2010	29,000	¥31,815	Exercise of stock acquisition rights by Merrill Lynch Japan Securities Company	¥5,048,209,500
6 May 2010	24,000	¥33,435	Exercise of stock acquisition rights by Merrill Lynch Japan Securities Company	¥5,454,673,500

Notes:

- (1) Japan has no concept of par value of shares. Under the Japanese Companies Act, at least 50% of the the amount contributed as consideration for the securities must be accounted for as the paid-in capital (*shihonkin*) of a company. The remainder of the contributed amount not accounted for as the paid-in capital will be applied towards a company's capital reserve.
- (2) Increase in paid-in capital includes not only contribution from consideration paid directly for share (equal to the price per share), but also contribution from consideration paid for share options (equal to the price per share option divided by number of shares issued upon exercise of such share option).

NAI Tosei Japan, Inc.

Date	Number of shares issued	Price per share	Purpose	Resulting issued share capital
1 December 2012	400	¥50,000	Conversion into a Kabushiki Kaisha	¥20,000,000

Tosei Singapore Pte. Ltd.

Date	Number of shares issued	Price per share	Purpose	Resulting issued share capital
10 January 2012	1	S\$1.00	Incorporation	S\$1.00
26 January 2012	299,999	S\$1.00	Allotment to Tosei Corporation	S\$300,000.00

Metis Capital, previously a wholly-owned subsidiary of our Group, was acquired and absorbed by our wholly-owned subsidiary, Tosei Revival Investment, on 31 May 2012.

MATERIAL CONTRACTS

- (6) We have not entered into any material contracts, being contracts entered into outside the ordinary course of business, during the two years preceding the date of this Introductory Document.

MISCELLANEOUS

- (7) As at the date of this Introductory Document, no person has been, or is entitled to be, given an option to subscribe for or purchase any securities of our Company and our subsidiaries.
- (8) There was no public take-over offer by a third party in respect of our Shares or by our Company in respect of the shares of another corporation or the units of a business trust between 1 December 2011 and the Latest Practicable Date.
- (9) We did not employ any expert on a contingent basis or who has a material interest, whether direct or indirect, in our Shares or the shares of our subsidiaries, or has a material economic interest, whether direct or indirect, in our Company including an interest in the success of the Introduction.
- (10) Save as disclosed in this Introductory Document, the business or profitability of our Group is not materially dependent on any patent or licence, industrial, commercial or financial contract (including a contract with a customer or supplier) or new manufacturing process.
- (11) Save as disclosed in this Introductory Document, our Directors are not aware of any event which has occurred since 31 August 2012 which may have a material effect on the financial information provided in Appendix C – “Independent Auditor’s Report On The Unaudited Consolidated Financial Statements Of Tosei Corporation And Its Subsidiaries For The Three-Month and Nine-Month Periods Ended 31 August 2012”.

RESPONSIBILITY STATEMENT BY OUR DIRECTORS

- (12) Our Directors collectively and individually accept full responsibility for the accuracy of the information given in this Introductory Document and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Introductory Document constitutes full and true disclosure of all material facts about the Introduction, our Company and its subsidiaries, and our Directors are not aware of any facts the omission of which would make any statement in this Introductory Document misleading. Where information in the Introductory Document has been extracted from published or otherwise publicly available

sources or obtained from a named source, the sole responsibility of our Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Introductory Document in its proper form and context.

CONSENTS

(13) Nexia TS Public Accounting Corporation, named as the Independent Auditor, has given and has not withdrawn its written consent to the issue of this Introductory Document with the inclusion of the following:

- (a) its name;
- (b) the Independent Auditor's Report On The Consolidated Financial Statements Of Tosei Corporation And Its Subsidiaries For The Financial Years Ended 30 November 2009, 2010 and 2011 set out in Appendix A to this Introductory Document;
- (c) the Independent Auditor's Report On The Consolidated Financial Statements Of Tosei Corporation And Its Subsidiaries For The Six-Month Period Ended 31 May 2012 set out in Appendix B to this Introductory Document; and
- (d) the Independent Auditor's Report On The Unaudited Consolidated Financial Statements Of Tosei Corporation And Its Subsidiaries For The Three-Month and Nine-Month Periods Ended 31 August 2012 set out in Appendix C to this Introductory Document,

in the form and context in which they are included and appear in this Introductory Document, and to act in such capacity in relation to this Introductory Document.

(14) Shinsoh Audit Corporation, named as the Japanese Accounting Auditor, has given and has not withdrawn its written consent to the issue of this Introductory Document with the inclusion of the following:

- (a) its name; and
- (b) the Translated Japanese Accounting Auditor's Report On The Consolidated Financial Statements Of Tosei Corporation And Its Subsidiaries For The Financial Year Ended 30 November 2012 set out in Appendix I to this Introductory Document;

in the form and context in which they are included and appear in this Introductory Document, and to act in such capacity in relation to this Introductory Document.

(15) DTZ Debenham Tie Leung K.K., named as the Industry Expert, has given and has not withdrawn its written consent to the issue of this Introductory Document with the inclusion of the following:

- (a) its name; and
- (b) the section entitled "Industry Overview" set out in this Introductory Document,

in the form and context in which they are included and appear in this Introductory Document, and to act in such capacity in relation to this Introductory Document.

(16) Daiwa Capital Markets, the Sole Global Coordinator and Manager, has given, and has not withdrawn, its written consent to the issue of this Introductory Document with the inclusion herein of, and all references to, its name in the form and context in which they appear in this Introductory Document, and to act in such capacity in relation to this Introductory Document.

OTHER RELATIONSHIPS

(17) Daiwa Capital Markets and certain of its affiliates may have performed, or will perform investment banking and/or advisory, escrow or other banking-related services for us and our affiliates from time to time for which they received customary fees and expenses. In addition, Daiwa Capital Markets and its affiliates may, from time to time, trade in our securities, engage in transactions with, and perform services for us and our affiliates in the ordinary course of their business.

DOCUMENTS AVAILABLE FOR INSPECTION

(18) Copies of the following documents may be inspected in Japan at our registered office at 4-2-3 Toranomom, Minato-ku, Tokyo, 105-0001 Japan, or in Singapore at 9 Battery Road, #15-01, Singapore 049910 during normal business hours for a period of six months from the date of this Introductory Document:

- (a) our Articles of Incorporation;
- (b) the industry report prepared by the Industry Expert;
- (c) the letters of consent referred to in this Introductory Document;
- (d) IFRS Consolidated Financial Statements;
- (e) the audited consolidated financial statements of our Group for the financial years ended 30 November 2009, 2010 and 2011, the unaudited consolidated financial statements of our Group for the six months ended 31 May 2012 and the unaudited consolidated financial statements of our Group for the three month and nine month periods ended 31 August 2012, together with the related notes thereto, each of which has been prepared in accordance with JGAAP; and
- (f) our translated annual securities report for the period from 1 December 2011 to 30 November 2012.

**INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL
STATEMENTS OF TOSEI CORPORATION AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEARS ENDED 30 NOVEMBER 2009, 2010 AND 2011**

INDEPENDENT AUDITOR'S REPORT

22 February 2013

The Board of Directors
Tosei Corporation
Toranomom Tosei Building
4-2-3 Toranomom
Minato-ku, Tokyo,
Japan

Dear Sirs

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Tosei Corporation (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets of the Group as at 30 November 2009, 2010 and 2011, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the financial years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group as at 30 November 2009, 2010 and 2011, and the results, changes in equity and cash flows of the Group for each of the financial years ended on 30 November 2009, 2010 and 2011.

Other Matters

This report has been prepared for inclusion in the Introductory Document of the Company in connection with the proposed secondary listing of the Company's shares on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").



Nexia TS Public Accounting Corporation
Public Accountants and Certified Public Accountants
Singapore

Director-in-charge: Loh Hui Nee

Tosei Corporation and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the Financial Years ended 30 November 2009, 2010 and 2011

	Note	← Financial years ended 30 November →		
		2009	2010	2011
		¥'000	¥'000	¥'000
Revenue	5	33,622,879	26,439,782	24,760,909
Cost of revenue		(28,983,821)	(22,367,548)	(19,580,688)
Gross profit		4,639,058	4,072,234	5,180,221
Other income	8	75,566	28,792	62,655
Other losses – net	9	(322,286)	(3,503)	(17,155)
Expenses				
– Administrative		(2,656,989)	(2,682,504)	(2,937,343)
– Finance	10	(805,826)	(826,734)	(778,868)
Profit before income tax		929,523	588,285	1,509,510
Income tax expense	11(a)	(450,514)	(280,584)	(769,243)
Net profit		479,009	307,701	740,267
Other comprehensive (losses)/ income:				
Available-for-sale financial assets				
– Fair value (losses)/gains	11(b)	(1,183)	1,162	(3,143)
Other comprehensive (losses)/income, net of tax		(1,183)	1,162	(3,143)
Total comprehensive income		477,826	308,863	737,124
Profit attributable to:				
Equity holders of the Company		479,009	307,701	740,267
Total comprehensive income attributable to:				
Equity holders of the Company		477,826	308,863	737,124
Earnings per share attributable to equity holders of the Company (¥ per share)				
– Basic and diluted	12	1,262.82	711.31	1,620.41

The accompanying notes form an integral part of these financial statements.

Tosei Corporation and Its Subsidiaries
Consolidated Balance Sheets
As at 30 November 2009, 2010 and 2011

	Note	2009	2010	2011
		¥'000	¥'000	¥'000
ASSETS				
Current assets				
Cash and cash equivalents	13	7,852,037	7,164,318	8,381,689
Financial assets, at fair value through profit or loss	14	14,669	14,620	17,805
Available-for-sale financial assets	15	10,000	10,000	10,000
Trade and other receivables	16	1,033,430	975,404	1,205,353
Inventories	17	37,981,749	37,835,218	33,967,938
Other assets	22	1,325	1,673	2,335
		<u>46,893,210</u>	<u>46,001,233</u>	<u>43,585,120</u>
Non-current assets				
Available-for-sale financial assets	15	43,639	41,845	369,867
Trade and other receivables	18	162,405	111,874	125,635
Investment properties	19	9,483,341	11,161,447	11,378,055
Property, plant and equipment	20	3,398,024	3,355,937	3,341,262
Intangible assets	21	92,757	63,417	66,856
Other assets	22	25,357	25,357	8,380
Deferred income tax assets	27	2,716,302	2,449,313	1,724,661
		<u>15,921,825</u>	<u>17,209,190</u>	<u>17,014,716</u>
Total assets		<u>62,815,035</u>	<u>63,210,423</u>	<u>60,599,836</u>
LIABILITIES				
Current liabilities				
Trade and other payables	23	1,873,916	1,453,173	2,517,703
Current income tax liabilities		55,164	39,092	81,331
Borrowings	24	16,186,371	10,825,128	6,171,720
		<u>18,115,451</u>	<u>12,317,393</u>	<u>8,770,754</u>
Non-current liabilities				
Trade and other payables	23	2,137,128	1,886,914	1,835,279
Borrowings	24	19,106,428	23,436,182	23,900,745
Deferred income tax liabilities	27	324,192	307,734	280,380
Retirement benefits obligations	26	409,346	462,953	504,727
		<u>21,977,094</u>	<u>26,093,783</u>	<u>26,521,131</u>
Total liabilities		<u>40,092,545</u>	<u>38,411,176</u>	<u>35,291,885</u>
NET ASSETS		<u>22,722,490</u>	<u>24,799,247</u>	<u>25,307,951</u>
EQUITY				
Capital and reserve attributable to equity holders of the Company				
Share capital	28	4,452,807	5,454,673	5,454,673
Retained earnings	29	13,717,521	13,827,302	14,339,149
Other reserves	30	4,552,162	5,517,272	5,514,129
Total equity		<u>22,722,490</u>	<u>24,799,247</u>	<u>25,307,951</u>

The accompanying notes form an integral part of these financial statements.

Tosei Corporation and Its Subsidiaries
Consolidated Statements of Changes in Equity
For the Financial Years ended 2009, 2010 and 2011

	← Attributable to equity holders of the Company →				
	Share capital	Capital reserve	Accumulated other		Total equity
			comprehensive income/(losses)	Retained earnings	
	¥'000	¥'000	¥'000	¥'000	¥'000
2009					
Beginning of financial year	4,148,020	4,231,495	794	13,615,352	21,995,661
Issuance of ordinary shares (Notes 28 and 30)	304,787	321,056	—	—	625,843
Dividend relating to 2008 paid (Note 31)	—	—	—	(376,840)	(376,840)
Total comprehensive (losses)/ income for the financial year	—	—	(1,183)	479,009	477,826
End of financial year	<u>4,452,807</u>	<u>4,552,551</u>	<u>(389)</u>	<u>13,717,521</u>	<u>22,722,490</u>
2010					
Beginning of financial year	4,452,807	4,552,551	(389)	13,717,521	22,722,490
Issuance of ordinary shares (Notes 28 and 30)	1,001,866	963,948	—	—	1,965,814
Dividend relating to 2009 paid (Note 31)	—	—	—	(197,920)	(197,920)
Total comprehensive income for the financial year	—	—	1,162	307,701	308,863
End of financial year	<u>5,454,673</u>	<u>5,516,499</u>	<u>773</u>	<u>13,827,302</u>	<u>24,799,247</u>
2011					
Beginning of financial year	5,454,673	5,516,499	773	13,827,302	24,799,247
Dividend relating to 2010 paid (Note 31)	—	—	—	(228,420)	(228,420)
Total comprehensive (losses)/ income for the financial year	—	—	(3,143)	740,267	737,124
End of financial year	<u>5,454,673</u>	<u>5,516,499</u>	<u>(2,370)</u>	<u>14,339,149</u>	<u>25,307,951</u>

The accompanying notes form an integral part of these financial statements.

Tosei Corporation and Its Subsidiaries
Consolidated Statement of Cash Flows
For the Financial Years ended 30 November 2009, 2010 and 2011

	Note	2009	2010	2011
		¥'000	¥'000	¥'000
Cash flows from operating activities				
Net profit		479,009	307,701	740,267
Adjustments for:				
– Income tax expense		450,514	280,584	769,243
– Amortisation and depreciation		175,370	156,141	172,284
– Impairment loss on membership	9	–	–	16,977
– Impairment loss on available-for-sale financial assets	9	456	–	–
– Net gain on disposal of available-for-sale financial assets	9	(308)	(1,184)	–
– Write off of property, plant and equipment	9	41,700	4,687	178
– Interest income	8	(14,610)	(9,612)	(2,796)
– Dividend income	8	(2,832)	(2,814)	(2,861)
– Interest expense	10	805,826	826,734	778,868
		1,935,125	1,562,237	2,472,160
Change in working capital:				
– Inventories		15,050,168	(1,594,447)	3,594,789
– Trade and other receivables		331,469	109,469	(248,546)
– Financial assets, at fair value through profit or loss		92	49	(3,185)
– Other assets		167	(348)	(662)
– Cash restricted in use over 3 months		330,000	(286,136)	286,136
– Trade and other payables		(903,757)	(678,678)	1,014,322
– Retirement benefits obligations		34,402	53,607	41,774
Cash generated from/(used in) operations		16,777,666	(834,247)	7,156,788
Interest received		15,039	10,333	2,063
Dividend received		2,832	2,814	2,861
Income tax paid		(3,185,010)	(46,933)	(27,521)
Net cash provided by/(used in) operating activities		13,610,527	(868,033)	7,134,191
Cash flows from investing activities				
Additions to property, plant and equipment	20	(29,653)	(14,055)	(22,704)
Additions to investment properties	19	(20,275)	(8,895)	(45,623)
Additions of intangible assets	21	(1,766)	(3,579)	(37,016)
Purchases of available-for-sale financial assets	15	(20)	–	(333,350)
Disposal of property, plant and equipment		3,480	–	–
Disposal of available-for-sale financial assets		709	4,948	–
Net cash used in investing activities		(47,525)	(21,581)	(438,693)
Cash flows from financing activities				
Proceeds from issuing of ordinary shares		625,843	1,965,814	–
Proceeds from borrowings		9,230,000	17,099,900	11,474,100
Repayment of borrowings		(21,566,988)	(18,129,820)	(15,661,378)
Repayment of lease liabilities		(559)	(1,569)	(1,567)
Interest paid		(833,513)	(820,646)	(774,726)
Dividends paid to equity holders of the Company	31	(376,840)	(197,920)	(228,420)
Net cash used in financing activities		(12,922,057)	(84,241)	(5,191,991)
Net increase/(decrease) in cash and cash equivalents		640,945	(973,855)	1,503,507
Cash and cash equivalents				
Beginning of financial year		7,191,092	7,832,037	6,858,182
End of financial year	13	7,832,037	6,858,182	8,361,689

The accompanying notes form an integral part of these financial statements.

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the Financial Years ended 30 November 2009, 2010 and 2011

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

1. General information

1.1 Introduction

The consolidated financial statements of Tosei Corporation (the “Company”) and its subsidiaries (collectively, the “Group”) have been prepared for the purpose of inclusion in filings associated with a proposed secondary listing of the Company’s shares on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

These consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Tosei Corporation on 22 February 2013.

1.2 Corporate information

Tosei Corporation is listed on the Tokyo Stock Exchange, First Section and incorporated and domiciled in Japan. The address of its registered office is Toranomon Tosei Building, 4-2-3 Toranomon, Minato-ku, Tokyo.

The principal activities of the Company are those of real estate revitalisation, development and rental property management, investment in real estate funds, financial products and assets, as well as advisory and asset management services.

The Group comprises the Company and the following subsidiaries:

<u>Name of companies</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Equity Holding</u>		
			<u>2009</u>	<u>2010</u>	<u>2011</u>
			%	%	%
<u>Significant subsidiaries held by the Company</u>					
Tosei Community Co., Ltd.	Property management	Japan	100	100	100
Tosei Revival Investment Co., Ltd.	Alternative investment	Japan	100	100	100
Tosei Asset Advisors, Inc.	Fund	Japan	100	100	100
Tosei Asset Management Co., Ltd.	Fund	Japan	100	–	–

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the Financial Years ended 30 November 2009, 2010 and 2011

1. General information (continued)

1.2 Corporate information (continued)

<u>Name of companies</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Equity Holding</u>		
			<u>2009</u>	<u>2010</u>	<u>2011</u>
			%	%	%
<u>Significant subsidiaries held by Tosei Revival Investment Co., Ltd</u>					
Hestia Capital Limited Company	Alternative investment	Japan	100	100	100
Metis Capital Co., Ltd.	Alternative investment	Japan	100	100	100
Green House Limited Company	Alternative investment	Japan	100	100	100
Hestia General Incorporated Foundation	Alternative investment	Japan	100	–	–
Atlas Capital Consolidated Company	Alternative investment	Japan	100	–	–

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation

These consolidated financial statements of the Group have been prepared for the purpose of inclusion in filings associated with a proposed secondary listing of the Company's shares on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST").

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued and effective for annual periods beginning on or after 1 December 2008. IFRS 1 (revised) *First-time adoption of International Financial Reporting Standards*, has been applied in preparing these financial statements. These consolidated financial statements are the first Group financial statements to be prepared in accordance with IFRS.

The policies set out below have been consistently applied to all the years presented, except where the Group has applied certain accounting policies and exemptions upon transitions to IFRS. The exemptions applied by the Group and the effects of transition to IFRS are presented in Note 4. As the exemptions applied by the Group are permitted by IFRS 1 (revised) *First-time adoption of International Financial Reporting Standards*, the comparative figures presented in these consolidated financial statements have been prepared in accordance with IFRS.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

For the local statutory reporting purposes, consolidated financial statements of the Group have been prepared in accordance with Japanese Generally Accepted Accounting Principles (“JGAAP”). JGAAP differs in certain respects from IFRS. Reconciliations and descriptions of the effects of the transition from JGAAP to IFRS on the Group’s equity and net income are presented in Note 4.

These financial statements have been prepared under historical cost convention, as modified by the fair value adjustment of available-for-sale financial assets through equity, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

Standards, amendments and interpretation to existing standards that are not yet effective and have not yet been early adopted by the Group.

The following standards and amendments to existing standards which are relevant to the Group have been published and are mandatory for the Group’s accounting periods beginning on or after 1 December 2011 or later periods, but the Group has not adopted them earlier:

- (a) *Standards and amendments to existing standards and interpretations effective on or after 1 January 2011 relevant to the Group*

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IAS* 1	‘Presentation of financial statement’ (amendment relating to the statement of changes in equity and the disclosures of other comprehensive income)	1 January 2011
IFRS 1	‘Limited exemptions from comparative IFRS 7, Disclosures for first-time adopters’	1 January 2011
IFRS 7	‘Financial instruments: Disclosures (amendments to the credit risk disclosures)’	1 January 2011

* International Accounting Standard

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) *Standards and amendments to existing standards and interpretations effective on or after 1 January 2011 relevant to the Group* (continued)

- **IAS 1, ‘Presentation of financial statements’**

The amendment clarifies which items should be included in the statement of changes in equity. The amendment also clarifies that, for each component of equity, the analysis of other comprehensive income by item may be presented either in the statement of changes in equity or disclosed within the notes. In addition, the amount of dividend recognised as distributions to owners during the period and the related amount per share are now disclosed either in the statement of changes in equity or in the notes and can no longer be presented in the income statement. The Group presents the amount per share in Note 12.

- **IFRS 1, “First-time adoption of International Financial Reporting Standards”**

IFRS 1 clarifies the limited exceptions from comparative IFRS 7 and necessary disclosures for first-time adopters. Adoption of IFRS 1 did not have a significant impact on the financial statements of the Group.

- **IFRS 7, ‘Financial instruments: Disclosures’**

The amendments of IFRS 7 emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with the financial instruments. Adoption of this amendment did not have a significant impact on the financial statements of the Group.

(b) *New standards, amendments and interpretations to existing standards effective on or after 1 January 2011, but not relevant to the Group*

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IAS 24	‘Related party disclosures’	1 January 2011
IAS 32	‘Classification of right issues’	1 February 2010
IFRIC** 14	‘Pre-payment of a minimum funding requirement’	1 January 2011
IFRIC 19	‘Extinguishing financial liabilities with equity instruments’	1 July 2010

** International Financial Reporting Standards Interpretations Committee

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the Financial Years ended 30 November 2009, 2010 and 2011

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) *New standards, amendments and interpretations to existing standards effective on or after 1 January 2011, but not relevant to the Group* (continued)

• **'Improvements to IFRS'** (issued in May 2010)

The improvements project contains numerous amendments to IFRS that the International Accounting Standards Board ("IASB") considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. No material changes to accounting policies arose as a result of these amendments.

(c) *New standards, amendments and interpretations issued, but not yet effective*

The following new and amended standards and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods and are expected to be relevant to the Group:

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IAS 1	Presentation to items of other comprehensive income	1 July 2012
IAS 12	Deferred tax: recovery of underlying assets	1 January 2012
IAS 19	Amendments to IAS 19, 'Employee benefits'	1 January 2013
IFRS 7	Disclosure: transfer of financial assets	1 July 2011
IFRS 9	Financial instruments: Classification and measurement	1 January 2013
	Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosure	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
	Amendments for investment entities	1 January 2014
IFRS 12	Disclosure of interests in other entities	1 January 2013
	Amendments for investment entities	1 January 2014
IFRS 13	Fair value measurement	1 January 2013

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) *New standards, amendments and interpretations issued, but not yet effective*
(continued)

- **Amendment to IAS 1, 'Presentation of items of other comprehensive income'**

In June 2011, the IASB issued 'Presentation of items of other comprehensive income' (amendments to IAS 1). The amendments improved the consistency and clarity of the presentation of items of other comprehensive income ('OCI'). The amendments also highlighted the importance that the Board places on presenting profit or loss and OCI together and with equal prominence. The amendments issued in June 2011 retain the requirement to present profit and loss and OCI together, but focus on improving how items of OCI are presented. The main change resulting from the amendments was a requirement for entities to group items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments did not address which items are presented in OCI. The Group is yet to assess the full impact of the IAS 1 amendments and intends to adopt the amendments to IAS 1 no later than the accounting period beginning on or after 1 July 2012.

- **Amendment to IAS 12, 'Deferred tax – recovery of underlying assets'**

The IASB has amended IAS 12, 'Income taxes' to introduce an exception to the existing principles for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. IAS 12 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The IASB believes that entities holding investment properties that are measured at fair value sometimes find it difficult or subjective to estimate how much of the carrying amount will be recovered through rental income and how much will be recovered through sale. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on the investment property measured at fair value. The IASB has added the rebuttable presumption that the carrying amount of an investment property measured at fair value is entirely recovered through sale. The Group estimates that, due to this change, which will be applied for accounting period beginning on or after 1 January 2012, there would not be any significant impact to Group's financial results as all the investment properties were carried at cost.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) *New standards, amendments and interpretations issued, but not yet effective*
(continued)

- **Amendment to IAS 19, ‘Employee benefits’**

The amendments to IAS 19 ‘Employee benefits’, will provide investors and other users of financial statements with a much clearer picture of a company’s current and future obligations resulting from the provision of defined benefit plans, and how these obligations will effect a company’s financial position, financial performance and cash flows. The Group does not expect the standard to have a major impact on the financial statements and disclosure required.

- **Amendment to IFRS 7, ‘Disclosure: Transfer of financial assets’**

The amendments to IFRS 7 result from proposals that were set out in the exposure draft ‘Derecognition’ published in March 2009. The amendments will promote transparency in the reporting of transfer transactions and improve users’ understanding of the risk exposures relating to transfer of financial assets and the effect of those risks on an entity’s financial position, particularly those involving securitisation of financial assets. Entities are required to apply the amendments for accounting period beginning on or after 1 July 2011. In the first year of application, an entity need not provide comparative information for the disclosures required. The Group does not expect the standard to have a major impact on the disclosure required.

- **IFRS 9, ‘Financial instruments’ – classification and measurement**

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The standard also results in one important method replacing the numerous impairment methods in IAS 39 that arise from the different classification categories. The Group is yet to assess IFRS 9’s full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) *New standards, amendments and interpretations issued, but not yet effective*
(continued)

- **IFRS 9, 'Financial instruments' – classification and measurement**
(continued)

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for accounting periods on or after 1 January 2013, but Amendments to IFRS 9 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on the classification and measurement of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

- **IFRS 10, 'Consolidated financial statements'**

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- **IFRS 12, 'Disclosure of interests in other entities'**

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period on or after 1 January 2013.

- **IFRS 13, 'Fair value measurement'**

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 12 no later than the accounting period on or after 1 January 2013.

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the Financial Years ended 30 November 2009, 2010 and 2011

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) *New standards, amendments and interpretations issued, but not yet effective*
(continued)

The IASB and IFRIC have published the following standards and interpretations, which were not yet effective. The standards, amendments and interpretations are not expected to be relevant to the Group's operations:

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IAS 27	Separate financial statements	1 January 2013
	Amendments for investment entities	1 January 2014
IAS 28	Investments in associates and joint venture	1 January 2013
IAS 32	Amendments relating to the offsetting of assets and liabilities	1 January 2014
IFRS 1	Amendments for government loan with a below-market rate of interests when transitioning to IFRSs	1 January 2013
	Amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)	1 January 2013
IFRS 7	Amendments related to the offsetting of assets and liabilities	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRIC 20	Shipping costs in the production phase of a surface mine	1 January 2013

(d) *Early adoption of standards*

The Group did not early adopt any new or amended standards or interpretations in financial year 2011.

2. Summary of significant accounting policies (continued)

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Properties for sale*

The Group recognises income on property when the risks and rewards of ownership have been transferred to the buyer. Depending on the selling conditions associated with each property, revenue is generally not recognised if the Group provides various guarantees and other financial support to the buyers ("continuing involvement"). Such continuing involvement by the Group would then require revenue to be deferred until the Group's continuing involvement ceases. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of unit sold.

(b) *Rental income*

Rental income from operating lease (net of any incentives given to the lessee) is recognised on a straight-line basis over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

(c) *Financial advisory and management fee*

Financial advisory and management fee is recognised as and when services are rendered.

(d) *Interest income*

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

(e) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(f) *Other income*

Other income is recognised at the point of entitlement of income.

2. Summary of significant accounting policies (continued)

2.3 Group accounting

(a) *Subsidiaries*

(i) Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

2. Summary of significant accounting policies (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries* (continued)

(ii) Acquisitions (continued)

The excess of the (i) consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as bargain purchase.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.4 Property, plant and equipment

(a) *Measurement*

(i) Land and buildings

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at cost less accumulated impairment losses. Buildings are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(a) *Measurement* (continued)

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Note 2.7 on borrowing costs).

(b) *Depreciation*

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method. If the depreciation based on the reducing balance method has better reflects the pattern in which the asset’s future economic benefits are expected to be consumed, this method is applied. The depreciable amounts of other items of property, plant and equipment over their estimated useful lives are allocated as follows:

	<u>Useful lives</u>
Buildings and structures	3–50 years
Tools, equipment and fixtures	3–20 years

The residual values, and estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets still in use are retained in the financial statements.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other (losses)/gains – net".

2.5 Intangible assets

(a) *Acquired licenses*

Licences acquired are initially recognised at cost. Acquired licenses with an indefinite useful life are subjected to impairment assessment by comparing its recoverable amount with its carrying amount on an annual basis and whenever there is an indication that the intangible asset may be impaired. The useful life of acquired licenses is reviewed and assessed at the end of each balance sheet date.

(b) *Acquired computer software licenses*

Acquired computer software licences are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure including employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three to five years.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Club memberships

Club memberships are stated at cost less impairment loss.

2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under constructions.

2. Summary of significant accounting policies (continued)

2.7 Borrowing costs (continued)

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development or assets under construction. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

2.8 Investment properties

- (a) Investment properties include those portions of commercial and residential buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases that is held for long-term capital appreciation or for a currently indeterminate use.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment loss. Depreciation of investment properties is calculated using the straight-line method. If the depreciation based on the reducing balance method has better reflects the pattern in which the asset's future economic benefits are expected to be consumed, this method is applied. The allocated depreciable amounts of the investment properties over the estimated useful lives ranges between 3 to 50 years. Freehold land included in the investment properties is not depreciated.

The residual values, and estimated useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss within "Other (losses)/gains – net".

2. Summary of significant accounting policies (continued)

2.8 Investment properties (continued)

(b) *Transfer*

Transfers to, or from, investment properties are made when there is a change in use, evidenced by:

- (i) commencement of development with a view to sell, for a transfer from investment properties to inventories; and
- (ii) commencement of an operating lease to another party, for a transfer from inventories to investment properties.

2.9 Impairment of non-financial assets

(a) *Intangible assets*
Property, plant and equipment
Investment properties

Intangible assets, property, plant and equipment and investment properties are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs. If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

2. Summary of significant accounting policies (continued)

2.10 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at the date of inception. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Assets in this category are presented as current assets if they are expected to be realised within 12 months after the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date or over its normal operating cycle which are presented as non-current assets. Loans and receivables are presented as “trade and other receivables” (Notes 16 and 18) and “cash and cash equivalents” (Note 13) on the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the other comprehensive income relating to that asset is reclassified to profit or loss.

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) *Subsequent measurement*

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account for which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

(e) *Impairment* (continued)

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.10(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial assets are impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

(f) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2. Summary of significant accounting policies (continued)

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within a year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current market prices; the appropriate quoted market prices for financial liabilities are the current market prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. When appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.15 Leases

(a) When the Group is the lessee:

The Group leases office equipment under finance leases and operating leases from non-related parties.

(i) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

2. Summary of significant accounting policies (continued)

2.15 Leases (continued)

(a) *When the Group is the lessee:* (continued)

(i) Lessee – Finance leases (continued)

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) *When the Group is the lessor:*

The Group leases investment properties under operating lease to non-related parties.

(i) Lessor – Operating leases

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2. Summary of significant accounting policies (continued)

2.16 Inventories

Inventories consist of real estate for sale and real estate for sale in-progress. They are stated at the lower of cost plus, where appropriate, a portion of attributable profit, and estimated net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of inventories comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss.

2. Summary of significant accounting policies (continued)

2.18 Provisions for other liabilities and charges

Provision for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans which the Group pays fixed contributions into separate entities such as the Pension Scheme on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Post employment benefit obligations*

Post employment benefit obligations are defined benefit plans which define the amount of benefit where employee will receive on retirement according to laws depending on age and years of service.

The liability recognised in the balance sheets in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses as at end of the previous reporting year are recognised on a straight-line basis within the period of the remaining average service lives of the participating employees.

(c) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2. Summary of significant accounting policies (continued)

2.19 Employee compensation (continued)

(d) *Other employee benefits*

The other employee benefits includes employee share ownership plan and contributions to the plan are recognised in profit or loss when incurred. The details of the plan are described in Note 26(b).

2.20 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The financial statements are presented in Japanese Yen, which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation difference arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is classified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gain or losses that relate to borrowings are presented in the income statement within “Finance costs”. All other foreign exchange gains or losses impacting profit or loss are presented in the income statement within “Other (losses)/gains – net”

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2. Summary of significant accounting policies (continued)

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

2.22 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

2.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are recognised against the share capital account.

2.24 Dividends to company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

(a) *Uncertain tax positions*

The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") at each tax jurisdiction. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax provisions in the financial period in which such determination is made. The carrying amounts of the Group's provision for taxation as at 30 November 2009, 2010 and 2011 were ¥55,164,000, ¥39,092,000 and ¥81,331,000 respectively. The carrying amounts of the Group's deferred tax liabilities as at 30 November 2009, 2010 and 2011 were ¥324,192,000, ¥307,734,000 and ¥280,380,000 respectively.

3. Critical accounting estimates, assumptions and judgements (continued)

3.1 Critical accounting estimates and assumptions (continued)

(b) *Impairment of loans and receivables*

Management reviews its loans and receivables for objective evidence of impairment at least on a quarterly basis. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. As at 30 November 2009, 2010 and 2011, management has made adequate provision for impairment of trade and other receivables of ¥13,341,000, ¥29,176,000 and ¥18,181,000 respectively. The carrying value of trade and other receivables at the end of the reporting years were ¥1,195,835,000, ¥1,087,278,000 and ¥1,330,988,000 respectively.

If the net present value of estimated cash flows increase/decrease by 10% from management's estimates for all loans and receivables, the Group's allowance for impairment will decrease/increase by ¥119,584,000, ¥108,728,000 and ¥133,099,000 as at 30 November 2009, 2010 and 2011 respectively.

(c) *Employee benefits*

The present value of the pension obligations depends on a number of factors that we determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. The key line items affected will be "Employee compensation" and "Retirement benefits obligation" as disclosed in Note 7 and Note 26 respectively.

3. Critical accounting estimates, assumptions and judgements (continued)

3.2 Critical judgements in applying the entity's accounting policies

(a) *Deferred income tax assets*

The Group recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised.

As at 30 November 2009, 2010 and 2011, deferred tax assets of certain group entities amounting to ¥2,716,302,000, ¥2,449,313,000 and ¥1,724,661,000 respectively were recognised based on the anticipated future use of tax losses carried forward by those entities. In the event that the tax authority regards the group entities as not satisfying the current tax legislation and disallowed the carry forward of the tax losses, the deferred tax asset will have to be written off as income tax expense.

4. Transition to IFRS

4.1 Basis of transition

The Group's financial statements for the financial year ended 30 November 2009 are the first annual financial statements prepared in accordance with IFRS. The Group prepared its opening IFRS balance sheet at 1 December 2008, the date of transition to IFRS.

The Group's IFRS accounting policies presented in Note 2 have been applied in preparing the financial statements for the financial year ended 30 November 2009 and the opening balance sheet.

4.2 First-time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application. The Group has applied all the mandatory and certain optional exemptions. The exemptions adopted by the Group are set as below:

- (a) The Group has elected not to comply with IFRS 3 'Business Combinations' retrospectively to business combinations that occurred before the date of transition (1 December 2008).
- (b) The Group has elected to use facts and circumstances existing at the date of transition to determine whether an arrangement contains a lease.
- (c) The Group has no cumulative actuarial gains and losses for its defined benefit plans at the date of transition. After the date of transition, the Group recognises these differences in profit and loss over the period of the remaining average service lives.
- (d) The Group applied IAS 23 "Borrowing costs" relating to qualifying assets for transactions that occurred on and after the date of transition (1 December 2008).

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4. Transition to IFRS (continued)

4.3 Reconciliation of balance sheet

The total effect of the IFRS adoption for the balance sheet is further analysed as follows:

	Note	1 December 2008 (Date of transition)			30 November 2011 (end of last period presented under previous GAAP)				
		Previous GAAP	Reclassification	Adjustment	Opening IFRS balance sheet	Previous GAAP	Reclassification	Adjustment	
		¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	
Assets								Assets	
Current assets								Current assets	
Cash and deposits	a	7,704,299	—	(163,207)	7,541,092	8,326,305	55,384	8,381,689	Cash and cash equivalents
Short-term investment securities		—	14,761	—	14,761	—	17,805	17,805	Financial assets, at fair value through profit or loss
Real estate for sale	b	30,060,521	(30,142,675)	82,154	20,000	10,000	—	10,000	Available-for-sale financial assets
Real estate for sale in-progress	b	23,379,723	(23,365,169)	(14,554)	—	27,360,973	(27,673,982)	313,009	
Notes and accounts receivable	a, c	407,937	53,507,844	—	53,507,844	—	(6,293,956)	(80,379)	
Purchased receivables		151,375	(503,175)	95,238	—	399,856	33,967,938	—	Inventories
Allowance for doubtful accounts		(9,617)	(151,375)	—	—	81,361	(547,011)	147,155	
Other	a, d	375,153	9,617	132,880	—	(5,697)	(81,361)	—	
			(508,033)	—	—	391,300	(582,678)	191,378	
Supplies	a	2,888	1,152,966	—	1,152,966	—	1,205,353	—	Trade and other receivables
			(1,492)	(1,396)	—	3,254	(2,335)	(919)	
Deferred tax assets	b, g	2,959,572	1,492	(18,307)	1,492	—	2,335	—	Other assets
			(2,941,265)	—	—	966,545	(832,274)	(134,271)	
Total current assets		65,051,851	(2,926,504)	112,808	62,238,155	43,908,232	(814,469)	491,357	Total current assets

Tosei Corporation and Its Subsidiaries
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4. Transition to IFRS (continued)

4.3 Reconciliation of balance sheet (continued)

	Note	1 December 2008 (Date of transition)				30 November 2011 (end of last period presented under previous GAAP)			
		Previous GAAP	Reclassification	Adjustment	Opening IFRS balance sheet	Previous GAAP	Reclassification	Adjustment	IFRS
		¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000
Assets									
Non-current assets									
Investment in securities		42,295	(42,295)	—	—	380,612	(380,612)	—	—
Contributions		8,940	(8,940)	—	—	7,060	(7,060)	—	—
Long-term loan receivable		—	36,474	—	36,474	—	369,867	—	369,867
Allowance for doubtful accounts		2,335	(2,335)	—	—	10,325	(10,325)	—	—
Other	e	(2,974)	2,974	—	—	(14,332)	12,484	1,848	—
	a, e	365,966	(366,546)	580	—	129,659	(127,794)	(1,865)	—
Property, plant and equipment	a, b	12,542,077	(9,075,231)	(238)	3,466,608	14,599,553	(11,378,055)	119,764	3,341,262
Intangible assets	a	126,409	—	(1,197)	125,212	67,705	—	(849)	66,856
Other		25,357	(25,357)	—	—	8,380	(8,380)	—	—
Deferred tax assets	b, e, g, h	147,237	2,941,265	26,070	3,114,572	870,404	832,274	21,983	1,724,661
Total non-current assets		13,257,642	2,926,504	25,215	16,209,361	16,059,366	814,469	140,881	17,014,716
Total assets		78,309,493	—	138,023	78,447,516	59,967,598	—	632,238	60,599,836

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Notes to the Consolidated Financial Statements
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4. Transition to IFRS (continued)

4.3 Reconciliation of balance sheet (continued)

	← 1 December 2008		← 30 November 2011		← (end of last period presented under previous GAAP)				
	(Date of transition)		(end of last period presented under previous GAAP)		(end of last period presented under previous GAAP)				
	Previous GAAP	Reclassification	Adjustment	Opening IFRS balance sheet	Previous GAAP	Reclassification	Adjustment	IFRS	
Note	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	
Liabilities									
Current liabilities									
Notes and accounts payable	a	641,836	(668,863)	27,027	-	806,396	(820,709)	14,313	-
Advanced received	a	330,700	(330,700)	-	-	545,967	(545,488)	(479)	-
Provision for bonuses	a	109,327	(114,177)	4,850	-	150,520	(155,840)	5,320	-
Other	a, g	1,271,328	(1,137,918)	(133,410)	-	915,287	(995,666)	80,379	-
		-	2,251,658	-	2,251,658	-	2,517,703	-	2,517,703
Income tax payable	a	3,118,478	-	5,897	3,124,375	79,271	-	2,060	81,331
Short-term borrowings		1,029,000	(1,029,000)	-	-	-	-	-	-
Long-term borrowings due within a year		24,466,398	(24,466,398)	-	-	6,170,937	(6,170,937)	-	-
Current portion									
- Corporate bond		274,000	(274,000)	-	-	-	-	-	-
- Finance lease obligation		-	-	-	-	783	(783)	-	-
Deferred tax liabilities	b, c, d	306,279	(374,830)	68,551	-	122,053	6,171,720	134,250	6,171,720
		-	-	-	-	-	(256,303)	-	-
Total current liabilities		31,547,346	(374,830)	(27,085)	31,145,431	8,791,214	(256,303)	235,843	8,770,754

Tosei Corporation and Its Subsidiaries
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4. Transition to IFRS (continued)

4.3 Reconciliation of balance sheet (continued)

	Note	1 December 2008 (Date of transition)			30 November 2011 (end of last period presented under previous GAAP)			Liabilities Non-current liabilities	
		Previous GAAP	Reclassification	Adjustment	Opening IFRS balance sheet	Previous GAAP	Reclassification		Adjustment
		¥'000	¥'000	¥'000	¥'000	¥'000	¥'000		¥'000
Liabilities									
Non-current liabilities									
Lease and guarantee deposits received	a	2,681,970	(2,681,970)	-	-	1,810,439	(1,810,569)	130	-
Asset retirement obligations		-	-	-	-	24,710	(24,710)	-	-
Other payables		-	2,681,970	-	2,681,970	-	1,835,279	-	1,835,279
Long-term borrowings	a	21,861,948	-	(1,000)	21,860,948	23,904,245	-	(3,500)	23,900,745
Deferred tax liabilities	i	13,732	374,830	-	388,562	15,200	256,303	8,877	280,380
Provision for retirement benefits	a, h	64,549	(128,270)	63,721	-	133,154	(191,871)	58,717	-
Provision for directors' retirement benefits	a	246,387	(246,674)	287	-	312,587	(312,856)	269	-
Negative goodwill	f	-	374,944	-	374,944	-	504,727	-	504,727
		6,314	-	(6,314)	-	-	-	-	-
Total non-current liabilities		24,874,900	374,830	56,694	25,306,424	26,200,335	256,303	64,493	26,521,131
Total liabilities		56,422,246	-	29,609	56,451,855	34,991,549	-	300,336	35,291,885
Net assets		21,887,247	-	108,414	21,995,661	24,976,049	-	331,902	25,307,951

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4. Transition to IFRS (continued)

4.3 Reconciliation of balance sheet (continued)

	← 1 December 2008		←		←		←		←		←		
	(Date of transition)		←		←		←		←		←		
	Previous GAAP	Reclassification	Adjustment	Opening IFRS balance sheet	Previous GAAP	Reclassification	Adjustment	IFRS	Previous GAAP	Reclassification	Adjustment	IFRS	Equity
Note	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	Share capital
Share capital				4,148,020	5,454,673								5,454,673
Retained earnings				13,506,938	13,985,597								14,339,149
Capital reserves	i	(4,231,495)	108,414	13,615,352	5,538,149	(5,516,499)				353,552	(21,650)		Retained earnings
Accumulated other comprehensive income/(loss)					(2,370)								
				4,232,289		2,370							
Total equity			108,414	21,995,661	24,976,049					331,902			Total equity
													25,307,951

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For the Financial Years ended 30 November 2009, 2010 and 2011

4. Transition to IFRS (continued)

4.4 Reconciliation of equity

	Note	1 December 2008 (date of transition)	30 November 2011 (end of last period presented under previous GAAP)
		¥'000	¥'000
Total equity under previous GAAP		21,887,247	24,976,049
Capital reserve	i	–	(21,650)
Current year's profit		–	(11,713)
Retained profits brought forward . . .		108,414	365,265
Total adjustment to equity		108,414	331,902
Total equity under IFRS		21,995,661	25,307,951

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4. Transition to IFRS (continued)

4.5 Reconciliation of total comprehensive income

Total comprehensive income for the financial year ended 30 November 2011 can be reconciled to the amounts reported under previous GAAP as follows:

	Note	Year ended 30 November 2011			
		(end of last period presented under previous GAAP)		IFRS	
		Previous GAAP	Reclassification	Adjustments	IFRS
	¥'000	¥'000	¥'000	¥'000	
Revenue	a, c, e	24,759,291	–	1,618	24,760,909
Cost of revenue	a, b, g, h	(19,290,132)	–	(290,556)	(19,580,688)
Gross profit		5,469,159	–	(288,938)	5,180,221
Interest income		2,797	(2,797)	–	–
Dividend income		2,861	(2,861)	–	–
Miscellaneous income	a, e	64,760	(56,997)	(7,763)	–
Loss on valuation of membership		–	62,655	–	62,655
Asset retirement obligations		(16,977)	(178)	–	(17,155)
Amortisation of negative goodwill	f	(19,932)	19,932	–	–
Miscellaneous expenses		1,490	–	(1,490)	–
Administrative expenses	a, e, g, h, i	(799)	799	–	–
Interest expense	a, b, d	(3,080,126)	(20,553)	163,336	(2,937,343)
Profit before income tax		(885,646)	–	106,778	(778,868)
Current income tax	a	1,537,587	–	(28,077)	1,509,510
Deferred income tax	b, c, d, e, g, h, i	(65,899)	69,760	(3,861)	–
Profit for the year		(719,708)	699,483	20,225	–
Other comprehensive losses, net of tax:			(769,243)		(769,243)
– Fair value losses		751,980	–	(11,713)	740,267
Total comprehensive income for the year		(3,143)	–	–	(3,143)
		748,837	–	(11,713)	737,124

4. Transition to IFRS (continued)

4.6 Notes to the reconciliations

(a) Difference in fiscal year end of an entity within the Group

One of the subsidiaries, Tosei Community Co., Ltd has a different fiscal year end from the Company and other entities within the Group. Under previous GAAP, adjustment is only made for those material transactions. In applying IAS 27 *Consolidated and Separate Financial Statements*, management has decided to prepare additional financial statements as at the same date as the financial statements of the Company. Differences have been adjusted and accounted in the respective accounts as reflected in the reconciliation in this note. The net effect on retained earnings at the date of transition amounted to ¥8,679,000.

(b) Inventories

Under previous GAAP, the Group charged depreciation to its inventories and capitalised advertising expenses pertaining to development of inventories until its completion. In applying IAS 2 *Inventories*, depreciation and advertising expenses which were previously recognised have been adjusted. In addition, there is no capitalisation of other borrowings costs pertaining to the development of qualifying assets under the previous GAAP which is inconsistent with IAS 23 *Borrowing Costs*.

Management had considered and quantified the timing difference on the adjustments passed into inventories and its related accounts, by adjusting the deferred tax assets and deferred tax liabilities accordingly. The net effect at the date of transition is an increase in the net carrying amount of inventories – real estate for sale by ¥82,154,000, decrease in inventories – real estate for sale in-progress by ¥14,554,000 with a corresponding increase in retained earnings by ¥42,007,000 (net of deferred tax implications of ¥25,593,000).

(c) Rental income

Under previous GAAP, free-rent period has not been considered during the recognition of rental income. In applying IAS 17 *Leases*, rental incentives such as free rent period should be considered as an integral part of the consideration received from the leased assets. Rental income (including rental incentives) should be recognised on a straight-line basis over the lease term. The net effect at the date of transition is an increase in trade receivables by ¥44,717,000 with a corresponding increase in retained earnings by ¥26,498,000 (net of deferred tax implications of ¥18,219,000).

4. Transition to IFRS (continued)

4.6 Notes to the reconciliations (continued)

(d) Recognition of borrowing costs

Under previous GAAP, borrowing costs in relation to total interest for the tenure of the borrowings have been fully recognised to profit or loss upon the utilisation of borrowings. In applying IAS 23 *Borrowings Costs*, borrowings costs is to be recognised to profit or loss in the period in which they are incurred. The Group has reversed the previously recognised interest expenses and accounted them as prepayments and amortised it over the tenure of the borrowings. The net effect at the date of transition is an increase in prepayment by ¥123,499,000 with a corresponding increase in retained earnings by ¥73,167,000 (net of deferred tax implications of ¥50,332,000).

(e) Derecognition of fund revenue

Under previous GAAP, fund revenue with a low likelihood of recoverability has been recognised and allowance for impairment on the receivables has been provided concurrently. In applying IAS 18 *Revenue*, the Group has derecognised fund revenue for which the flow of economic benefits to the Group is not probable. The allowance for impairment has also been adjusted accordingly. Except for the reclassification, there is no impact to the consolidated financial statements prepared.

(f) Gain on bargain purchase

Under previous GAAP, the Group recognised gain from a bargain purchase in the balance sheet as at 30 November 2008 and amortised it over 5 years. In applying IFRS 3 *Business Combinations*, bargain purchases should be recognised immediately to profit or loss. The net effect at the date of transition is a decrease in negative goodwill with a corresponding increase in retained earnings by ¥6,314,000 respectively.

(g) Employee leave entitlement

Under previous GAAP, the Group is not required to account for any short-term employee benefits expected to be paid in exchange of the service rendered by the respective employees to the Group. In applying IAS 19 *Employee Benefits*, the Group has recognised the expected cost of short-term employee benefits in the form of paid absences. The net effect at the date of transition is an increase in accruals for employee leave entitlement by ¥18,204,000 with a corresponding decrease in retained earnings by ¥10,918,000 (net of deferred tax implications of ¥7,286,000).

4. Transition to IFRS (continued)

4.6 Notes to the reconciliations (continued)

(h) Retirement benefits obligation

Under previous GAAP, the Group recognised retirement benefits obligations using the 'convenient approach'. In applying IAS 19 *Employee Benefits*, an external independent actuary had been engaged to make a reliable estimation on the fair value of the amount of benefit that employees have earned in return for their services in the current and prior periods using the actuarial technique. The net effect at the date of transition is an increase in retirement benefits obligations by ¥63,404,000 with a corresponding decrease in retained earnings by ¥37,334,000 (net of deferred tax implications of ¥26,069,000).

(i) Capital reserves and capitalisation of shares issuance expenses

Under previous GAAP, the Company recognise share acquisition rights of shareholders separately as part of capital reserves, whilst transaction costs related to the issuance of new shares in the financial years ended 30 November 2009 and 2010 have been recognised in profits or loss. In applying IAS 32 *Financial Instruments: Presentation*, transaction costs directly attributable to the issuance of new ordinary shares of the Company have been accounted for as deduction from the proceeds in equity. Accordingly, IFRS adjustments have been passed accordingly to the respective financial years.

(j) Reclassifications

Certain presentation differences between previous GAAP and IFRS on balance sheet and profit or loss items have been reclassified accordingly. These reclassifications do not have any impact on net profit before tax or total comprehensive income.

4.7 Reconciliations of consolidated statements of cash flows

There were no material differences between previous GAAP and IFRS in terms of total operating, investing and financing cash flows. However, there were reclassifications made to individual line items within operating, investing and financing cash flows due to the adjustments and reclassifications made to the consolidated balance sheet and consolidated statement of total comprehensive income as detailed in Notes 4.3 and 4.5 above.

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5. Revenue

	2009	2010	2011
	¥'000	¥'000	¥'000
Revitalisation business	9,962,365	8,149,422	12,040,887
Development business	16,556,368	11,682,418	5,256,146
Rental business	3,422,431	2,591,502	2,533,995
Fund business	896,952	1,077,760	1,234,805
Property management business	2,597,765	2,768,513	3,514,569
Alternative investment business	186,998	170,167	180,507
	<u>33,622,879</u>	<u>26,439,782</u>	<u>24,760,909</u>

6. Expenses by nature

	2009	2010	2011
	¥'000	¥'000	¥'000
Advertising	85,180	12,377	47,605
Allowance for impairment – trade and other receivables – net (Note 33(b)(ii))	7,100	16,843	(1,362)
Amortisation of intangible assets (Note 21)	34,221	32,919	33,577
Bad debts written off	2,069	3,545	1,983
Commission fee	116,931	137,032	184,392
Communication	38,035	35,906	38,311
Cost of inventories (Note 17)	23,017,904	17,037,368	14,608,545
Depreciation of investment properties (Note 19)	92,763	83,460	101,706
Depreciation of property, plant and equipment (Note 20)	48,386	39,762	37,001
Employee compensation (Note 7)	1,847,153	1,888,951	2,045,891
Entertainment	13,171	10,606	30,747
Inventory write-down – net (Note 17)	2,738,818	2,121,339	1,029,029
Other professional fees	79,865	70,199	103,591
Rental expense on operating leases	30,958	23,131	24,677
Stationery	48,328	42,222	42,448
Property management and maintenance fees	3,112,141	3,115,047	3,843,164
Tax and dues	206,436	270,395	228,120
Transportation	30,678	28,095	37,778
Other	90,673	80,855	80,828
	<u>31,640,810</u>	<u>25,050,052</u>	<u>22,518,031</u>

Property management and maintenance fees mainly consist of utilities charges, repair and maintenance expenses and other incidental expenses.

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7. Employee compensation

	2009	2010	2011
	¥'000	¥'000	¥'000
Salaries and bonuses	1,462,924	1,505,010	1,672,093
Statutory welfare expense	159,572	154,563	209,824
Retirement benefits	92,083	94,965	78,050
Other short-term benefits	132,574	134,413	85,924
	<u>1,847,153</u>	<u>1,888,951</u>	<u>2,045,891</u>

8. Other income

	2009	2010	2011
	¥'000	¥'000	¥'000
Interest income	14,610	9,612	2,796
Dividend income	2,832	2,814	2,861
Forfeiture of deposit received from option to purchase	2,000	–	34,035
Refund from cancellation of insurance premium	37,298	–	–
Miscellaneous	18,826	16,366	22,963
	<u>75,566</u>	<u>28,792</u>	<u>62,655</u>

Miscellaneous income mainly consists of income received from rental of spaces to vendors of vending machines and others.

9. Other losses – net

	2009	2010	2011
	¥'000	¥'000	¥'000
Forfeiture of deposit paid for an option to purchase	(280,438)	–	–
Gains on disposal of available-for-sale financial assets – net	308	1,184	–
Impairment loss on available-for-sale financial assets (Note 15)	(456)	–	–
Impairment loss on membership (Note 22) . .	–	–	(16,977)
Property, plant and equipment written off (Note 20)	(41,700)	(4,687)	(178)
	<u>(322,286)</u>	<u>(3,503)</u>	<u>(17,155)</u>

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10. Finance expenses

	2009	2010	2011
	¥'000	¥'000	¥'000
Interest expense – bank borrowings	805,826	826,734	778,868

11. Income taxes

(a) Income tax expense

	2009	2010	2011
	¥'000	¥'000	¥'000
Tax expense attributable to profit is made up of:			
Profit from current financial year:			
– Current income tax – Japan	56,154	30,861	69,760
Deferred income tax (Note 27).	334,717	249,723	699,483
	390,871	280,584	769,243
Under provision in prior financial years:			
– Current income tax – Japan	59,643	–	–
	450,514	280,584	769,243

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Japan standard rate of income tax as follows:

	2009	2010	2011
	¥'000	¥'000	¥'000
Profit before income tax.	929,523	588,285	1,509,510
Tax calculated at domestic tax rates applicable to profit	381,104	241,196	618,900
Effects of:			
– Expenses not deductible for tax purposes	13,381	–	138,662
– Income not subject to tax	–	(4,194)	–
– Deferred tax assets not recognised/ (utilised)	7,993	35,945	(558)
– Change in tax rate	(21,158)	–	–
– Other.	9,551	7,637	12,239
Tax charge	390,871	280,584	769,243

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11. Income taxes (continued)

(b) The tax (charge)/credit relating to each component of other comprehensive (losses)/income is as follows:

	← 2009 →	← 2010 →	← 2011 →
	Tax	Tax	Tax
	Before tax	Before tax	Before tax
	(charge)/ credit	(charge)/ credit	(charge)/ credit
	¥'000	¥'000	¥'000
	After tax	After tax	After tax
	¥'000	¥'000	¥'000
Fair value (losses)/gains on available-for-sale financial assets	(1,998)	(808)	2,185
	815	1,970	(5,328)
	(1,183)	1,162	(3,143)
	¥'000	¥'000	¥'000

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12. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial years ended 30 November 2009, 2010 and 2011.

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net profit attributable to the equity holders of the Company (¥'000)	479,009	307,701	740,267
Weighted average number of ordinary shares outstanding for basic earnings per share	379,317	432,579	456,840
Basic earnings per share (¥ per share)	<u>1,262.82</u>	<u>711.31</u>	<u>1,620.41</u>

(b) Diluted earnings per share

There were no diluted earnings per share for the financial years ended 30 November 2009, 2010 and 2011 as there were no potential dilutive ordinary shares.

13. Cash and cash equivalents

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	<u>¥'000</u>	<u>¥'000</u>	<u>¥'000</u>
Cash at bank and on hand	7,732,037	6,808,182	8,341,689
Short-term bank deposits	120,000	356,136	40,000
	<u>7,852,037</u>	<u>7,164,318</u>	<u>8,381,689</u>

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents comprise the following:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	<u>¥'000</u>	<u>¥'000</u>	<u>¥'000</u>
Cash and bank balances (as above)	7,852,037	7,164,318	8,381,689
Less: Deposits more than 3 months	(20,000)	(306,136)	(20,000)
Cash and cash equivalents per consolidated statement of cash flows	<u>7,832,037</u>	<u>6,858,182</u>	<u>8,361,689</u>

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14. Financial assets, at fair value through profit or loss

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	<u>¥'000</u>	<u>¥'000</u>	<u>¥'000</u>
<i>At fair value on initial recognition</i>			
Unlisted equity securities – Japan	14,669	14,620	17,805

The fair value losses – net for the financial years ended 30 November 2009, 2010 and 2011 amounting to ¥91,000, ¥49,000 and ¥1,466,000 respectively have been included as part of “Total cost of revenue and administrative expenses – Other”.

15. Available-for-sale financial assets

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	<u>¥'000</u>	<u>¥'000</u>	<u>¥'000</u>
Beginning of financial year	56,474	53,639	51,845
Additions	20	–	333,350
Fair value (losses)/gains recognised in other comprehensive income (Note 30(b)(ii))	(1,998)	1,970	(5,328)
Impairment loss (Note 9)	(456)	–	–
Disposals	(401)	(3,764)	–
End of financial year	53,639	51,845	379,867
Less: Current portion	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>
Non-current portion	<u>43,639</u>	<u>41,845</u>	<u>369,867</u>

Available-for-sale financial assets are analysed as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	<u>¥'000</u>	<u>¥'000</u>	<u>¥'000</u>
Listed securities – Japan	23,291	23,396	18,068
Unlisted securities – Japan	30,348	28,449	361,799
Total	<u>53,639</u>	<u>51,845</u>	<u>379,867</u>

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16. Trade and other receivables – current

	2009	2010	2011
	¥'000	¥'000	¥'000
Trade receivables – non-related parties.	432,865	467,546	547,011
Less: Allowance for impairment (Note 33(b)(ii))	(3,912)	(8,861)	(5,056)
Trade receivables – net	428,953	458,685	541,955
Loan to non-related parties	157,600	62,829	11,133
Less: Non-current portion (Note 18)	(8,770)	(13,031)	(10,325)
	148,830	49,798	808
Advance payments.	70,682	5,669	225,752
Prepayments	162,567	208,002	257,326
Receivables purchased	121,291	86,467	81,361
Other receivables.	103,180	174,356	98,792
Less: Allowance for impairment (Note 33(b)(ii))	(2,073)	(7,573)	(641)
	<u>1,033,430</u>	<u>975,404</u>	<u>1,205,353</u>

17. Inventories

	2009	2010	2011
	¥'000	¥'000	¥'000
Real estate for sale	25,365,375	27,548,419	27,673,983
Real estate for sale in-progress.	12,616,374	10,286,799	6,293,955
	<u>37,981,749</u>	<u>37,835,218</u>	<u>33,967,938</u>

The cost of inventories recognised as an expense and included as part of “Total cost of revenue – Cost of inventories” for the respective financial years of 2009, 2010 and 2011 amounting to ¥23,017,904,000, ¥17,037,368,000 and ¥14,608,545,000 respectively.

Inventories of ¥37,290,992,000, ¥37,349,387,000 and ¥33,785,368,000 of the Group have been pledged as security for borrowings at the end of the respective financial years of 2009, 2010 and 2011 (Note 24(a)).

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17. Inventories (continued)

The cost of inventories recognised as expense in respect of write-down and the reversal of such write-down are as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Inventory write-down ⁽¹⁾	(3,138,299)	(2,323,404)	(1,050,313)
Reversal of write-down ⁽²⁾	399,481	202,065	21,284
Inventory write-down – net (Note 6)	<u>(2,738,818)</u>	<u>(2,121,339)</u>	<u>(1,029,029)</u>

(1) This relates to write-down of the carrying amount of real estate to its net realisable value.

(2) The reversal is mainly due to an upturn of property market situation.

Details of major real estate for sale of the Group are disclosed under summary of major properties (Note 37).

18. Trade and other receivables – non-current

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Trade receivables – non-related parties.	4,374	12,664	11,626
Less: Allowance for impairment (Note 33(b)(ii))	(4,374)	(12,664)	(11,626)
Trade receivables – net	–	–	–
Other receivables			
– Loan to non-related parties (Note 16)	8,770	13,031	10,325
Less: Allowance for impairment (Note 33(b)(ii))	(2,982)	(78)	(858)
– Guarantee deposits	155,183	97,628	115,368
– Other	1,434	1,293	800
	<u>162,405</u>	<u>111,874</u>	<u>125,635</u>

The fair value of non-current trade and other receivables are computed based on cash flows discounted at market borrowing rates. The market borrowing rates used and the fair values are as follows:–

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Market borrowing rates	2.30 – 3.02%	2.20 – 3.02%	2.10 – 3.02%
Loan to non-related parties (¥'000)	<u>5,695</u>	<u>12,783</u>	<u>10,182</u>

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19. Investment properties

	2009	2010	2011
	¥'000	¥'000	¥'000
<i>Cost</i>			
Beginning of financial year	9,861,163	10,274,274	11,925,105
Additions	20,275	8,895	45,623
Written off.	(421)	–	–
Transfer from inventories	2,092,195	4,808,059	507,958
Transfer to inventories	(1,698,938)	(3,166,123)	(239,394)
End of financial year	<u>10,274,274</u>	<u>11,925,105</u>	<u>12,239,292</u>
<i>Accumulated depreciation</i>			
Beginning of financial year	785,932	790,933	763,658
Depreciation charge (Note 6)	92,763	83,460	101,706
Written off.	(421)	–	–
Transfer from inventories	14,418	71,010	–
Transfer to inventories	(101,759)	(181,745)	(4,127)
End of financial year	<u>790,933</u>	<u>763,658</u>	<u>861,237</u>
Net book value			
End of financial year	<u><u>9,483,341</u></u>	<u><u>11,161,447</u></u>	<u><u>11,378,055</u></u>

- (a) Investment properties are leased to non-related parties under operating leases (Note 32(b)).
- (b) Certain investment properties are mortgaged to secure bank loans (Note 24(a)).
- (c) The land and buildings of the Group were valued by internal valuers mainly using discounted cash flow method. Below are the fair values of investment properties owned by the Group:

	2009	2010	2011
	¥'000	¥'000	¥'000
Investment properties	<u><u>13,201,087</u></u>	<u><u>12,939,987</u></u>	<u><u>12,046,214</u></u>

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19. Investment properties (continued)

(d) The following amounts are recognised in profit and loss:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Rental income			
– Investment properties that generated rental income	1,273,905	1,123,346	888,640
Direct operating expenses arising from:			
– Investment properties that generated rental income	<u>(395,666)</u>	<u>(315,102)</u>	<u>(336,855)</u>

(e) Details of major investment properties of the Group are disclosed under summary of major properties (Note 37).

20. Property, plant and equipment

	<u>Buildings and structures</u>	<u>Land</u>	<u>Tools, equipment and fixtures</u>	<u>Total</u>
	¥'000	¥'000	¥'000	¥'000
2009				
<i>Cost</i>				
Beginning of financial year	1,259,563	2,219,719	94,345	3,573,627
Additions	11,043	–	18,610	29,653
Disposals	–	–	(3,480)	(3,480)
Written off	(40,792)	–	(27,166)	(67,958)
Reclassified to inventories	(5,480)	–	–	(5,480)
End of financial year	<u>1,224,334</u>	<u>2,219,719</u>	<u>82,309</u>	<u>3,526,362</u>
<i>Accumulated depreciation</i>				
Beginning of financial year	65,161	–	41,858	107,019
Depreciation charge (Note 6)	28,041	–	20,345	48,386
Written off	(12,102)	–	(14,156)	(26,258)
Reclassified to inventories	(809)	–	–	(809)
End of financial year	<u>80,291</u>	<u>–</u>	<u>48,047</u>	<u>128,338</u>
Net book value				
<i>End of financial year</i>	<u><u>1,144,043</u></u>	<u><u>2,219,719</u></u>	<u><u>34,262</u></u>	<u><u>3,398,024</u></u>

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20. Property, plant and equipment (continued)

	Buildings and structures	Land	Tools, equipment and fixtures	Total
	¥'000	¥'000	¥'000	¥'000
2010				
<i>Cost</i>				
Beginning of financial year	1,224,334	2,219,719	82,309	3,526,362
Additions	3,460	–	10,595	14,055
Written off	(8,713)	–	(10,636)	(19,349)
Reclassified to inventories	(17,068)	–	–	(17,068)
End of financial year	<u>1,202,013</u>	<u>2,219,719</u>	<u>82,268</u>	<u>3,504,000</u>
<i>Accumulated depreciation</i>				
Beginning of financial year	80,291	–	48,047	128,338
Depreciation charge (Note 6)	24,621	–	15,141	39,762
Written off	(4,180)	–	(10,482)	(14,662)
Reclassified to inventories	(5,375)	–	–	(5,375)
End of financial year	<u>95,357</u>	<u>–</u>	<u>52,706</u>	<u>148,063</u>
Net book value				
End of financial year	<u>1,106,656</u>	<u>2,219,719</u>	<u>29,562</u>	<u>3,355,937</u>
2011				
<i>Cost</i>				
Beginning of financial year	1,202,013	2,219,719	82,268	3,504,000
Additions	8,362	–	14,342	22,704
Written off	(307)	–	(3,779)	(4,086)
Reclassified to inventories	–	–	(619)	(619)
End of financial year	<u>1,210,068</u>	<u>2,219,719</u>	<u>92,212</u>	<u>3,521,999</u>
<i>Accumulated depreciation</i>				
Beginning of financial year	95,357	–	52,706	148,063
Depreciation charge (Note 6)	24,325	–	12,676	37,001
Written off	(306)	–	(3,602)	(3,908)
Reclassified to inventories	–	–	(419)	(419)
End of financial year	<u>119,376</u>	<u>–</u>	<u>61,361</u>	<u>180,737</u>
Net book value				
End of financial year	<u>1,090,692</u>	<u>2,219,719</u>	<u>30,851</u>	<u>3,341,262</u>

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20. Property, plant and equipment (continued)

- (a) The carrying amounts of plant and equipment held under finance leases are ¥3,732,000, ¥2,239,000 and ¥746,000 respectively at the end of respective financial years of 2009, 2010 and 2011.
- (b) Bank borrowings are secured on property, plant and equipment of the Group with carrying amounts of ¥3,335,048,000, ¥3,313,750,000 and ¥3,292,453,000 at the end of respective financial years of 2009, 2010 and 2011 (Note 24(a)).
- (c) Details of major owner-occupied building of the Group are disclosed under summary of major properties (Note 37).

21. Intangible assets

	2009	2010	2011
	¥'000	¥'000	¥'000
<u>Composition:</u>			
Licenses – telephone rights (Note 21(a))	1,889	1,889	1,889
Computer software licenses (Note 21(b))	90,868	61,528	64,967
	<u>92,757</u>	<u>63,417</u>	<u>66,856</u>
(a) Licenses – Telephone rights	2009	2010	2011
	¥'000	¥'000	¥'000
<i>Cost</i>			
Beginning and end of financial year	1,889	1,889	1,889
(b) Computer software licenses	2009	2010	2011
	¥'000	¥'000	¥'000
<i>Cost</i>			
Beginning of financial year	170,382	172,148	144,819
Additions	1,766	3,579	37,016
Written off	–	(30,908)	(11,033)
End of financial year	<u>172,148</u>	<u>144,819</u>	<u>170,802</u>
<i>Accumulated amortisation</i>			
Beginning of financial year	47,059	81,280	83,291
Amortisation charge (Note 6)	34,221	32,919	33,577
Written off	–	(30,908)	(11,033)
End of financial year	<u>81,280</u>	<u>83,291</u>	<u>105,835</u>
Net book value			
End of financial year	<u>90,868</u>	<u>61,528</u>	<u>64,967</u>

The amortisation expense is included in “Expenses – Administrative” in the consolidated statements of comprehensive income.

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22. Other assets

	2009	2010	2011
	¥'000	¥'000	¥'000
Club memberships at cost	25,357	25,357	25,357
Less: Allowance for impairment (Note 9)	–	–	(16,977)
	<u>25,357</u>	<u>25,357</u>	<u>8,380</u>
Other	1,325	1,673	2,335
	<u>26,682</u>	<u>27,030</u>	<u>10,715</u>
Presented in balance sheets as:			
Other assets, current	1,325	1,673	2,335
Other assets, non-current	25,357	25,357	8,380
	<u>26,682</u>	<u>27,030</u>	<u>10,715</u>

23. Trade and other payables

	2009	2010	2011
	¥'000	¥'000	¥'000
<i>Current</i>			
Trade payables to non-related parties	705,301	342,582	820,709
Deposits for purchase of real estate	273,574	285,596	545,488
Deferred revenue	1,201	800	–
Other payable to non-related parties	276,108	301,910	290,718
Accruals for operating expenses	617,732	522,285	860,788
	<u>1,873,916</u>	<u>1,453,173</u>	<u>2,517,703</u>
<i>Non-current</i>			
Lease and guarantee deposits received	2,137,128	1,886,914	1,810,569
Assets retirement obligations	–	–	24,710
	<u>2,137,128</u>	<u>1,886,914</u>	<u>1,835,279</u>

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24. Borrowings

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
<i>Current</i>			
Bank borrowings	16,184,804	10,823,561	6,170,937
Finance lease liabilities (Note 25)	1,567	1,567	783
	<u>16,186,371</u>	<u>10,825,128</u>	<u>6,171,720</u>
<i>Non-Current</i>			
Bank borrowings	19,104,076	23,435,399	23,900,745
Finance lease liabilities (Note 25)	2,352	783	–
	<u>19,106,428</u>	<u>23,436,182</u>	<u>23,900,745</u>
Total borrowings	<u>35,292,799</u>	<u>34,261,310</u>	<u>30,072,465</u>

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet dates are follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Within 1 year	16,186,371	10,825,128	6,171,720
1–5 years	14,715,181	17,759,851	17,413,280
Over 5 years	4,391,247	5,676,331	6,487,465
	<u>35,292,799</u>	<u>34,261,310</u>	<u>30,072,465</u>

(a) *Security granted*

At the end of financial years 2009, 2010 and 2011, total borrowings included secured liabilities of ¥34,968,201,000, ¥34,008,239,000 and ¥29,821,722,000 respectively. Bank borrowings of the Group are secured over certain inventories (Note 17), investment properties (Note 19) and certain land and buildings (Note 20). Finance lease liabilities of the Group are effectively secured over the leased plant and equipment (Note 20), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the financial lease liabilities.

(b) *Fair value of non-current borrowings*

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Bank borrowings	19,093,573	23,427,988	23,885,818
Finance lease liabilities	2,152	725	–
	<u>19,095,725</u>	<u>23,428,713</u>	<u>23,885,818</u>

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24. Borrowings (continued)

(b) *Fair value of non-current borrowings* (continued)

The fair values above are determined from the cash flow analyses, discounted at the market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	%	%	%
Bank borrowings	2.27	2.19	2.06
Finance lease liabilities	2.20	2.20	–

25. Finance lease liabilities

The Group leases certain plant and equipment from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Minimum lease payments due:			
– Not later than one year	1,711	1,675	825
– Between one and five years	2,500	825	–
	<u>4,211</u>	<u>2,500</u>	<u>825</u>
Less: Future finance charges	(292)	(150)	(42)
Present value of finance lease liabilities	<u>3,919</u>	<u>2,350</u>	<u>783</u>

The present values of finance lease liabilities are analysed as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Not later than one year (Note 24)	1,567	1,567	783
Between one and five years (Note 24)	2,352	783	–
	<u>3,919</u>	<u>2,350</u>	<u>783</u>

The carrying amounts of finance lease liabilities approximate their fair values.

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26. Employee benefits

(a) Retirement benefits obligations

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Obligations recognised in the balance sheet for:			
Retirement benefits plans (Note 26(a)(i))	136,338	161,431	191,871
Directors' retirement benefits plans (Note 26(a)(ii))	<u>273,008</u>	<u>301,522</u>	<u>312,856</u>
	<u>409,346</u>	<u>462,953</u>	<u>504,727</u>

(i) *Retirement benefits plans*

The Group adopts the retirement lump-sum grants policy based on their pension plan. In addition, some of the entities in the Group adopt the Employees' Pension Fund and Defined Contribution Plan.

Defined benefit plans

The amounts included in the consolidated balance sheets arising from the Group's obligation in respect of its defined benefit plans are as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Obligations under defined benefit plans	137,825	167,330	193,104
Net actuarial losses not recognised	<u>(1,487)</u>	<u>(5,899)</u>	<u>(1,233)</u>
Liabilities recognised in the balance sheet	<u>136,338</u>	<u>161,431</u>	<u>191,871</u>

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26. Employee benefits (continued)

(a) Retirement benefits obligations (continued)

(i) *Retirement benefits plans* (continued)

Defined benefit plans (continued)

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Beginning of financial year	127,954	137,825	167,330
Current service cost	30,333	28,138	29,745
Interest cost	2,990	2,990	3,447
Benefits paid	(24,939)	(6,332)	(3,992)
Actuarial losses/(gains)	1,487	4,709	(3,426)
End of financial year	<u>137,825</u>	<u>167,330</u>	<u>193,104</u>

The principal actuarial assumptions used were as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	%	%	%
Discount rate	2.23	2.11	1.68
Future salary increases	<u>3.04</u>	<u>2.96</u>	<u>2.41</u>

Multi-employer plans

During the financial years 2009 and 2010, the Company and some of its subsidiaries have joined “Japan Residence Construction Industry Pension Fund” under multi-employer plans. During the financial year of 2011, only one of its subsidiaries joined the multi-employer plans.

Below are the amounts contributed to the fund by the Group:–

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Contribution to the fund	<u>33,263</u>	<u>34,977</u>	<u>9,886</u>

The contribution to the fund is included as part of “Employee compensation – retirement benefits” (Note 7).

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26. Employee benefits (continued)

(a) Retirement benefits obligations (continued)

(i) *Retirement benefits plans* (continued)

Defined contribution plans

During the financial year 2011, the Company and some of its subsidiaries have participated under a voluntary joint defined contribution plan.

Below are the amounts contributed to the fund by the Group:–

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Contribution to the fund	–	–	5,994

The contribution to the fund is included as part of “Employee compensation – retirement benefits” (Note 7).

(ii) *Director’s retirement benefits plans*

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Beginning of financial year	246,675	273,008	301,522
Provision made	28,063	28,514	25,837
Benefits paid	(1,730)	–	(14,503)
End of financial year	<u>273,008</u>	<u>301,522</u>	<u>312,856</u>
Provision made is included in profit or loss:			
– Employee compensation – Retirement benefits	<u>28,063</u>	<u>28,514</u>	<u>25,837</u>

26. Employee benefits (continued)

(b) Employee share ownership plan (“ESOP”)

The Company implemented the Tosei Employee Share Ownership Scheme (“ESOP”) and adopted the rules of the ESOP as set out in the Employee Share Ownership Rules of the Company on 1 September 2002.

The purpose of the ESOP is to enable full-time employees of the Company to acquire and accumulated shares of the Company by making small contributions on a regular basis.

Under the ESOP, only full-time employees (“Participating Employee”) of the Company (excluding the directors of the Company and the employees of the subsidiaries) are entitled to participate in the ESOP. The Participating Employee will contribute a certain portion of his monthly salary and biannual bonus to purchase shares of the Company. Contributions from Participating Employees are made in units of ¥1,000 each. Each Participating Employee is allowed to contribute a maximum of 20 units from his monthly salary and 100 units from his annual bonus. Further, the dividends declared and paid in respect of the shares held by the Participating Employee will be contributed to the ESOP. All Participating Employee will nominate an administrative director to administer and hold on behalf all the shares under ESOP.

The Participating Employees may not transfer or pledge the rights to their shares. When the Participating Employee’s number of shares under the ESOP reaches 1 share, the employee may, at his option, transfer such share into an account held in his own name. In the event that the Participating Employee withdraws from the ESOP, the vested ESOP shares will be transferred to the securities account of the Participating Employee and the equivalent value in cash for a fractional part of the share (converted at the then market price) will be paid to the Participating Employee. The Participating Employee may choose to make an extraordinary contribution to the ESOP such that the fractional part of the share is deemed to be one whole share.

There is no maximum limit for shares acquired under the ESOP. The Company contributes an amount that is equal to 5.0% of the aggregate contribution of the Participating Employees to the ESOP. Amounts contributed and paid by the Company under the ESOP for the financial years ended 30 November 2009, 2010 and 2011 amounting to ¥442,000, ¥328,000 and ¥336,000 respectively have been included as part of “Employee compensation – Other short-term benefits”.

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27. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts are shown on the balance sheet as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Deferred income tax assets			
– to be recovered within one year	1,154,630	525,728	785,330
– to be recovered after one year	1,561,672	1,923,585	939,331
	<u>2,716,302</u>	<u>2,449,313</u>	<u>1,724,661</u>
Deferred income tax liabilities			
– to be settled within one year	(305,287)	(283,935)	(256,303)
– to be settled after one year	(18,905)	(23,799)	(24,077)
	<u>(324,192)</u>	<u>(307,734)</u>	<u>(280,380)</u>

Movement in deferred income tax account is as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Beginning of financial year	2,726,012	2,392,110	2,141,579
Charged to			
– profit or loss (Note 11(a))	(334,717)	(249,723)	(699,483)
– equity (Note 11(b))	815	(808)	2,185
End of financial year	<u>2,392,110</u>	<u>2,141,579</u>	<u>1,444,281</u>

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27. Deferred income taxes (continued)

The movement in deferred income tax assets and liabilities is as follows:

	As at 1 December 2008	Recognised in profit or loss	Recognised in other comprehensive income	As at 30 November 2009
	¥'000	¥'000	¥'000	¥'000
<u>Temporary differences:</u>				
Enterprise tax payable	243,559	(240,805)	–	2,754
Inventory write down – net	2,475,786	(2,563,809)	–	(88,023)
Unrealised profits on inventories	186,995	(6,867)	–	180,128
Provision for retirement benefits	52,486	3,408	–	55,894
Provision for directors' retirement benefits	99,786	10,962	–	110,748
Impairment losses	71,206	(705)	–	70,501
Other	209,889	2,453	–	212,342
Deferred tax assets not recognised	(444,321)	(7,993)	–	(452,314)
Subtotal	<u>2,895,386</u>	<u>(2,803,356)</u>	<u>–</u>	<u>92,030</u>
Revaluation of fair value derived from subsidiaries' assets and liabilities	(320,011)	66,572	–	(253,439)
Available-for-sale financial assets	(546)	–	815	269
Other	(68,551)	(2,471)	–	(71,022)
Subtotal	<u>(389,108)</u>	<u>64,101</u>	<u>815</u>	<u>(324,192)</u>
Tax losses carried forward	219,734	2,404,538	–	2,624,272
Net balance	<u><u>2,726,012</u></u>	<u><u>(334,717)</u></u>	<u><u>815</u></u>	<u><u>2,392,110</u></u>

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
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27. Deferred income taxes (continued)

The movement in deferred income tax assets and liabilities is as follows:

	As at 1 December 2009	Recognised in profit or loss	Recognised in other comprehensive income	As at 30 November 2010
	¥'000	¥'000	¥'000	¥'000
<u>Temporary differences:</u>				
Enterprise tax payable	2,754	(2,541)	–	213
Inventory write down – net	(88,023)	69,706	–	(18,317)
Unrealised profits on inventories	180,128	858	–	180,986
Provision for retirement benefits	55,894	10,408	–	66,302
Provision for directors' retirement benefits	110,748	10,933	–	121,681
Impairment losses	70,501	(1,163)	–	69,338
Other	212,342	21,217	–	233,559
Deferred tax assets not recognised	(452,314)	(35,945)	–	(488,259)
Subtotal	<u>92,030</u>	<u>73,473</u>	<u>–</u>	<u>165,503</u>
Revaluation of fair value derived from subsidiaries' assets and liabilities	(253,439)	40,792	–	(212,647)
Available-for-sale financial assets	269	–	(808)	(539)
Other	(71,022)	(23,526)	–	(94,548)
Subtotal	<u>(324,192)</u>	<u>17,266</u>	<u>(808)</u>	<u>(307,734)</u>
Tax losses carried forward	<u>2,624,272</u>	<u>(340,462)</u>	<u>–</u>	<u>2,283,810</u>
Net balance	<u><u>2,392,110</u></u>	<u><u>(249,723)</u></u>	<u><u>(808)</u></u>	<u><u>2,141,579</u></u>

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27. Deferred income taxes (continued)

The movement in deferred income tax assets and liabilities is as follows:

	As at 1 December 2010	Recognised in profit or loss	Recognised in other comprehensive income	As at 30 November 2011
	¥'000	¥'000	¥'000	¥'000
<u>Temporary differences:</u>				
Enterprise tax payable	213	4,292	–	4,505
Inventory write down – net	(18,317)	74,342	–	56,025
Unrealised profits on inventories	180,986	(1,283)	–	179,703
Provision for retirement benefits	66,302	12,625	–	78,927
Provision for directors' retirement benefits	121,681	3,578	–	125,259
Impairment losses	69,338	(1,088)	–	68,250
Other	233,559	(80,977)	–	152,582
Deferred tax assets not recognised	(488,259)	558	–	(487,701)
Subtotal	<u>165,503</u>	<u>12,047</u>	<u>–</u>	<u>177,550</u>
Revaluation of fair value derived from subsidiaries' assets and liabilities	(212,647)	77,204	–	(135,443)
Available-for-sale financial assets	(539)	–	2,185	1,646
Other	(94,548)	(52,035)	–	(146,583)
Subtotal	<u>(307,734)</u>	<u>25,169</u>	<u>2,185</u>	<u>(280,380)</u>
Tax losses carried forward	<u>2,283,810</u>	<u>(736,699)</u>	<u>–</u>	<u>1,547,111</u>
Net balance	<u><u>2,141,579</u></u>	<u><u>(699,483)</u></u>	<u><u>2,185</u></u>	<u><u>1,444,281</u></u>

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27. Deferred income taxes (continued)

Tax losses carried forward and deductible temporary differences for which deferred tax assets have not been recognised are as follows:

	As at 1 December 2008	As at 30 November 2009	As at 30 November 2010	As at 30 November 2011
	¥'000	¥'000	¥'000	¥'000
Tax losses carried forward	219,734	215,100	234,224	199,314
Deductible temporary differences	224,587	237,214	254,035	288,387
Total	<u>444,321</u>	<u>452,314</u>	<u>488,259</u>	<u>487,701</u>

Deferred income tax assets are recognised for tax losses and other deductible temporary differences carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses and other deductible temporary differences stated above at the financial years ended 30 November 2009, 2010 and 2011 which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. The tax losses and other deductible temporary differences have an expiry period of 9 years from the year of assessment.

28. Share capital

	No. of ordinary shares	Share capital
		¥'000
2009		
Beginning of financial year	376,840	4,148,020
Shares issued for working capital	19,000	304,787
End of financial year	<u>395,840</u>	<u>4,452,807</u>
2010		
Beginning of financial year	395,840	4,452,807
Shares issued for working capital	61,000	1,001,866
End of financial year	<u>456,840</u>	<u>5,454,673</u>
2011		
Beginning and end of financial year	<u>456,840</u>	<u>5,454,673</u>

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28. Share capital (continued)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. The amounts of ordinary shares contributed by shareholders since the date of incorporation and at the respective dates of share issuance are recorded as follows:

- (a) Amount not exceeding half of the total contribution by shareholders is not recorded as share capital; and
- (b) Amount not recorded as share capital under the preceding paragraph is recorded as capital reserve (Note 30).

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

The newly issued shares rank *pari passu* in all respects with the previously issued shares.

29. Retained earnings

Retained earnings of the Group are distributable.

30. Other reserves

	2009	2010	2011
	¥'000	¥'000	¥'000
(a) <u>Composition:</u>			
Capital reserve	4,552,551	5,516,499	5,516,499
Accumulated other comprehensive income – fair value reserve	(389)	773	(2,370)
End of financial year	<u>4,552,162</u>	<u>5,517,272</u>	<u>5,514,129</u>
(b) <u>Movements:</u>			
(i) <i>Capital reserve</i>			
Beginning of financial year	4,231,495	4,552,551	5,516,499
Shares issued	321,056	963,948	–
End of financial year	<u>4,552,551</u>	<u>5,516,499</u>	<u>5,516,499</u>
Capital reserve is distributable.			
(ii) <i>Accumulated other comprehensive income – fair value reserve</i>			
Beginning of financial year	794	(389)	773
Available-for-sale financial assets			
– Fair value (losses)/gains	(1,998)	1,970	(5,328)
– Tax on fair value changes	815	(808)	2,185
	<u>(1,183)</u>	<u>1,162</u>	<u>(3,143)</u>
End of financial year	<u>(389)</u>	<u>773</u>	<u>(2,370)</u>

Accumulated other comprehensive income – fair value reserve is non-distributable.

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31. Dividends

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
<i>Ordinary dividends paid</i>			
Final dividend paid in respect of the previous financial year of ¥500 (2010: ¥500 and 2009: ¥1,000) per ordinary share	376,840	197,920	228,420

At the Annual General Meeting on 24 February 2012, a final dividend of ¥500 per ordinary share amounting to a total of ¥228,420,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 30 November 2012.

32. Commitments

(a) Operating lease commitments – where the Group is a lessee

The Group leases office equipment from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet dates but not recognised as liabilities, are as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Not later than one year	2,153	2,153	1,974
Between one and five years.	4,127	1,974	–
	<u>6,280</u>	<u>4,127</u>	<u>1,974</u>

(b) Operating lease commitments – where the Group is a lessor

The Group lease out office space, apartments, and condominiums to non-related parties under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increase to the lease payments or contingent rents computed based on their sales achieved during the lease period.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Not later than one year	457,812	262,436	469,042
Between one and five years.	373,469	334,152	998,895
More than five years	57,440	85,207	525,498
	<u>888,721</u>	<u>681,795</u>	<u>1,993,435</u>

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33. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group do not use financial instruments such as currency forwards, interest rate swaps and foreign currency borrowings to hedge certain financial risk exposure.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits.

Financial risk management is carried out by the finance department in accordance with the policies set by the Board of Directors. The finance personnel identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The finance personnel measures actual exposures against the limits set and prepares periodic reports for review by the Chief Financial Officer. Regular reports are also submitted to the Board of Directors.

(a) *Market risk*

(i) *Currency risk*

Foreign currency risk arises from transactions denominated in currencies other than the functional currency of the Company. The Group's business operations are not exposed to significant foreign currency risks as it has no significant transactions denominated in foreign currencies.

(ii) *Price risk*

The Group is exposed to equity securities price risk arising from the investments held by the Group which are classified on the consolidated balance sheet either as financial assets, at fair value through profit or loss or available-for-sale financial assets. These securities consist of those listed and unlisted equity investments in Japan. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

If prices for equity securities had changed by 10% (2010: 10% and 2009: 10%) with all other variables including tax rate being held constant, the effects on profit after tax and other comprehensive income would have been:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Profit after tax			
– increased by	865	862	1,051
– decreased by	(865)	(862)	(1,051)
Other comprehensive income			
– increased by	3,165	3,059	22,412
– decreased by	(3,165)	(3,059)	(22,412)

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33. Financial risk management (continued)

(a) *Market risk* (continued)

(iii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group does not have any significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from borrowings at floating interest rate. The Group manages its interest rate risk by keeping bank loans to the minimum required to sustain the operations of the Group.

(b) *Credit risk*

Credit risk refers to the risk that counterparty will default as its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are cash and cash equivalents and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group does not hold any collateral, the maximum exposure to credit for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The credit risk for trade receivables based on the information provided to key management is as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
<u>By types of customers</u>			
Non-related parties			
– Current	428,953	458,685	541,955

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly current account balances with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

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33. Financial risk management (continued)

(b) *Credit risk* (continued)

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Past due up to 3 months	422,609	453,258	535,630
Past due 3 to 6 months	3,152	3,455	4,526
Past due over 6 months	3,192	1,972	1,799
	<u>428,953</u>	<u>458,685</u>	<u>541,955</u>

The carrying amount of trade and other receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
<i>Trade receivables – current</i>			
Gross amount	3,912	8,861	5,056
Less: Allowance for impairment . .	(3,912)	(8,861)	(5,056)
	<u>–</u>	<u>–</u>	<u>–</u>
Beginning of financial year	6,404	3,912	8,861
Allowance made (Note 6)	713	7,615	–
Reversal of allowance made (Note 6)	–	(2,646)	–
Allowance utilised	(3,205)	(20)	(3,805)
End of financial year	<u>3,912</u>	<u>8,861</u>	<u>5,056</u>

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the Financial Years ended 30 November 2009, 2010 and 2011

33. Financial risk management (continued)

(b) *Credit risk* (continued)

(ii) Financial assets that are past due and/or impaired (continued)

	2009	2010	2011
	¥'000	¥'000	¥'000
<i>Trade receivables – non-current</i>			
Gross amount.	4,374	12,664	11,626
Less: Allowance for impairment . .	(4,374)	(12,664)	(11,626)
	–	–	–
Beginning of financial year.	2,960	4,374	12,664
Allowance made (Note 6).	3,419	9,278	–
Allowance utilised.	(2,005)	(988)	(1,038)
End of financial year	4,374	12,664	11,626
<i>Other receivables – current</i>			
Gross amount.	2,073	7,573	641
Less: Allowance for impairment . .	(2,073)	(7,573)	(641)
	–	–	–
Beginning of financial year.	3,213	2,073	7,573
Allowance made (Note 6).	–	5,500	–
Reversal of allowance made (Note 6)	–	–	(2,142)
Allowance utilised.	(1,140)	–	(4,790)
End of financial year	2,073	7,573	641
<i>Other receivables – non-current</i>			
Gross amount.	2,982	78	858
Less: Allowance for impairment . .	(2,982)	(78)	(858)
	–	–	–
Beginning of financial year.	14	2,982	78
Allowance made (Note 6).	2,968	–	780
Reversal of allowance made (Note 6)	–	(2,904)	–
Allowance utilised.	–	–	–
End of financial year	2,982	78	858

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the Financial Years ended 30 November 2009, 2010 and 2011

33. Financial risk management (continued)

(c) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities (Note 24). At the balance sheet date, assets held by the Group for managing liquidity risk included cash and short-term deposits as disclosed in Note 13.

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Over 5 years
	¥'000	¥'000	¥'000
At 30 November 2009			
Trade and other payables	1,873,916	1,263,742	873,386
Borrowings	16,186,371	15,487,294	4,787,685
	<u>18,060,287</u>	<u>16,751,036</u>	<u>5,661,071</u>
At 30 November 2010			
Trade and other payables	1,453,173	993,035	893,879
Borrowings	10,825,128	18,833,757	6,146,532
	<u>12,278,301</u>	<u>19,826,792</u>	<u>7,040,411</u>
At 30 November 2011			
Trade and other payables	2,517,703	945,095	890,184
Borrowings	6,171,720	18,406,719	6,997,496
	<u>8,689,423</u>	<u>19,351,814</u>	<u>7,887,680</u>

(d) *Capital risk*

The Group's objectives when managing capital are to safeguard the Group's ability to continue to operate as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares or obtain new borrowings.

Management monitors capital based on equity ratio which the Group's strategies were unchanged from 2009, and the Board of Directors monitors the Group's equity ratio on periodic basis.

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the Financial Years ended 30 November 2009, 2010 and 2011

33. Financial risk management (continued)

(d) *Capital risk* (continued)

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Total equity	22,722,490	24,799,247	25,307,951
Total assets	62,815,035	63,210,423	60,599,836
Equity ratio	<u>36.17%</u>	<u>39.23%</u>	<u>41.76%</u>

The Group is in compliance with all externally imposed capital requirements for the financial years ended 30 November 2009, 2010 and 2011.

(e) *Fair value measurement*

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy.

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 there are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	¥'000	¥'000	¥'000	¥'000
2009				
Financial assets at fair value through profit or loss	–	14,669	–	14,669
Available-for-sale financial assets . .	23,291	30,348	–	53,639
Total assets	<u>23,291</u>	<u>45,017</u>	<u>–</u>	<u>68,308</u>
2010				
Financial assets at fair value through profit or loss	–	14,620	–	14,620
Available-for-sale financial assets . .	23,396	28,449	–	51,845
Total assets	<u>23,396</u>	<u>43,069</u>	<u>–</u>	<u>66,465</u>

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the Financial Years ended 30 November 2009, 2010 and 2011

33. Financial risk management (continued)

(e) *Fair value measurement* (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	¥'000	¥'000	¥'000	¥'000
2011				
Financial assets at fair value through profit or loss	–	17,805	–	17,805
Available-for-sale financial assets . .	<u>18,068</u>	<u>361,799</u>	<u>–</u>	<u>379,867</u>
Total assets	<u>18,068</u>	<u>379,604</u>	<u>–</u>	<u>397,672</u>

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current market price. These instruments are included in Level 1.

The fair value of financial instruments that is not traded in an active market (e.g. over-the-counter derivatives) is determined by using the value-in-use method. The Group uses a variety of methods and makes assumptions that are based on market conditions existing as at 30 November 2009, 2010 and 2011 respectively. These instruments are included in Level 2. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, financial instruments would be included in Level 3.

The carrying value less impairment provision of trade and other receivables, and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosures purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximate their carrying amount.

34. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between parties:

(a) Sales and purchases of goods and services

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Sales of goods and/or services to			
– Director	<u>–</u>	<u>2,100</u>	<u>–</u>

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the Financial Years ended 30 November 2009, 2010 and 2011

34. Related party transactions (continued)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	¥'000	¥'000	¥'000
Salaries and bonuses	114,503	110,837	123,995
Statutory welfare expenses	4,767	4,820	4,238
Retirement benefits	23,271	23,242	20,565
	<u>142,541</u>	<u>138,899</u>	<u>148,798</u>

35. Segment information

The primary reportable segment is by business segment. As the Group operates only in Japan, no geographical segment information is shown.

The Group's reportable segments are separate financial information available and evaluated regularly by the Board of Directors to determine distribution of management resources and assess performance. The Board of Directors draws up comprehensive domestic strategies for each segment and the Group conducts business activities accordingly. Consequently, the Group is made up of different segments, as determined by the Board of Directors, and has six reportable segments as follows:

- Revitalisation business – the Group increases the value of properties whose asset value has declined and resells them;
- Development business – the Group sells condominium units and detached houses in lots to private customers and sells rental apartments and office buildings to investors;
- Rental business – the Group rents office buildings and condominiums to non-related parties and earns rental income;
- Fund business – the Group provides fund asset management services;
- Property management business – the Group provides comprehensive property management services; and
- Alternative investment business – the Group acquires real estate collateralised loans, collects debt, and sells properties acquired as payment in kind.

No separate segmental liabilities by segment business are presented as management is of the opinion that it is impracticable to separate liabilities for each business segment. Additionally, the measurement of total liabilities for each reportable segment is not used by the Board of Directors when making operating decisions about allocating resources to the business segment and assessing its performance.

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the Financial Years ended 30 November 2009, 2010 and 2011

35. Segment information (continued)

The segment information provided to the management for the reportable segments are as follows:

	Revitalisation business	Development business	Rental business	Fund business	Property management business	Alternative investment business	Corporate	Total
	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000
2009								
Revenue								
External revenue	9,962,365	16,556,368	3,422,431	896,952	2,597,765	186,998	–	33,622,879
Inter-segment revenue	–	–	45,301	40,239	428,319	441,277	(955,136)	–
Total	9,962,365	16,556,368	3,467,732	937,191	3,026,084	628,275	(955,136)	33,622,879
Interest and dividend income	–	–	–	183	674	288	16,297	17,442
Amortisation and depreciation	–	–	(115,786)	(2,249)	(12,267)	(244)	(44,824)	(175,370)
Finance expenses	(337,106)	(216,072)	(164,461)	–	(4,343)	(72,983)	(10,861)	(805,826)
Other	(10,084,065)	(16,028,326)	(1,229,289)	(627,230)	(2,792,225)	(761,709)	(206,758)	(31,729,602)
(Loss)/profit before tax	(458,806)	311,970	1,958,196	307,895	217,923	(206,373)	(1,201,282)	929,523
Segment/total assets	14,887,892	21,189,768	13,032,389	457,323	985,732	3,060,633	9,201,298	62,815,035
Segment assets includes:								
Additions to								
– Investment properties	–	–	20,275	–	–	–	–	20,275
– Property, plant and equipment	–	–	–	–	–	–	29,653	29,653
– Intangible assets	–	–	–	–	–	–	1,766	1,766

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the Financial Years ended 30 November 2009, 2010 and 2011

35. Segment information (continued)

<u>2010</u>	Revitalisation business	Development business	Rental business	Fund business	Property management business	Alternative investment business	Corporate	Total
	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000
Revenue								
External revenue	8,149,422	11,682,418	2,591,502	1,077,760	2,768,513	170,167	-	26,439,782
Inter-segment revenue	-	-	47,080	50,967	322,237	-	(420,284)	-
Total	8,149,422	11,682,418	2,638,582	1,128,727	3,090,750	170,167	(420,284)	26,439,782
Interest and dividend income	-	-	-	89	207	266	11,864	12,426
Amortisation and depreciation	-	-	(94,832)	(2,040)	(16,301)	(167)	(42,801)	(156,141)
Finance expenses	(311,786)	(291,445)	(131,561)	-	(4,667)	(69,043)	(18,232)	(826,734)
Other	(7,621,318)	(11,667,208)	(1,048,871)	(668,456)	(2,951,476)	(233,138)	(690,581)	(24,881,048)
Profit/(loss) before tax	216,318	(276,235)	1,363,318	458,320	118,513	(131,915)	(1,160,034)	588,285
Segment/total assets	23,082,397	12,788,756	14,661,428	399,536	971,531	2,811,671	8,495,104	63,210,423
Segment assets includes: Additions to								
- Investment properties	-	-	8,895	-	-	-	-	8,895
- Property, plant and equipment	-	-	-	-	-	-	14,055	14,055
- Intangible assets	-	-	-	-	-	-	3,579	3,579

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the Financial Years ended 30 November 2009, 2010 and 2011

35. Segment information (continued)

	2011	Revitalisation business	Development business	Rental business	Fund business	Property management business	Alternative investment business	Corporate	Total
	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000
Revenue									
External revenue	12,040,887	5,256,146	2,533,995	1,234,805	3,514,569	180,507	-	-	24,760,909
Inter-segment revenue	-	-	48,120	18,018	485,731	-	-	(551,869)	-
Total	12,040,887	5,256,146	2,582,115	1,252,823	4,000,300	180,507	(551,869)	(551,869)	24,760,909
Interest and dividend income	-	-	-	50	112	100	5,395	-	5,657
Amortisation and depreciation	-	-	(101,233)	(2,281)	(24,291)	(5,947)	(38,532)	-	(172,284)
Finance expenses	(377,134)	(176,673)	(137,545)	-	(5,004)	(68,023)	(14,489)	-	(778,868)
Other	(10,314,958)	(5,445,732)	(1,058,446)	(731,762)	(3,855,151)	(363,683)	(536,172)	-	(22,305,904)
Profit/(loss) before tax	1,348,795	(366,259)	1,284,891	518,830	115,966	(257,046)	(1,135,667)	(1,135,667)	1,509,510
Segment/total assets	19,412,404	13,600,894	13,802,515	815,668	1,733,741	2,445,028	8,789,586	8,789,586	60,599,836
Segment assets includes: Additions to									
- Investment properties	-	-	45,623	-	-	-	-	-	45,623
- Property, plant and equipment	-	-	-	-	-	-	22,704	-	22,704
- Intangible assets	-	-	-	-	-	-	37,016	-	37,016

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the Financial Years ended 30 November 2009, 2010 and 2011

36. Events occurring after balance sheet date

Subsequent to the financial year ended 30 November 2011, the Company has incorporated two subsidiaries, namely:

- (i) Tosei Singapore Pte Ltd, a company incorporated and domiciled in Singapore with a paid up capital of ¥18,747,000. Its intended principal activities are those of real estate management; and
- (ii) Sannomiya Real Estate Sales LLC, a company incorporated and domiciled in Japan with a paid up capital of ¥20,000,000. Its intended principal activities are of those of real estate agency and consultancy. With effect from 1 December 2012, Sannomiya Real Estate Sales LLC is known as NAI Tosei Japan, Inc..

37. Summary of major properties

Below are summary of the major properties owned by the Group:

<u>Location</u>	<u>Description</u>	<u>Tenure</u>	<u>Gross floor area (sq m)</u>	<u>Group's effective interest in the property</u>
<i>Real estate for sale</i>				
Kamata Tosei Building	Steel/8-storey	48 years	7,825	100%
<i>Investment properties</i>				
Koishikawa Tosei Building	Steel/10-storey, a ground-floor	48 years	3,276	100%
Nihonbashi-Hamacho Building	Steel reinforced concrete/9-storey	28 years	4,583	100%
<i>Property, plant and equipment</i>				
Toranomon Tosei Building	Steel/9-storey	45 years	4,214	100%

STATEMENT BY DIRECTORS

In the opinion of the directors,

- (i) the consolidated financial statements set out on pages A-3 to A-81 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 30 November 2009, 2010 and 2011, and of the results of the business, changes in equity and cash flows of the Group for the financial years then ended; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

Seiichiro Yamaguchi
Director

Noboru Hirano
Director

22 February 2013

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF TOSEI CORPORATION AND ITS SUBSIDIARIES FOR THE SIX-MONTH PERIOD ENDED 31 MAY 2012

INDEPENDENT AUDITOR'S REPORT

22 February 2013

The Board of Directors
Tosei Corporation
Toranomom Tosei Building
4-2-3 Toranomom
Minato-ku, Tokyo

Dear Sirs

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Tosei Corporation (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets of the Group as at 31 May 2012, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the six-month period ended 31 May 2012 then ended, and a summary of significant accounting policies and other explanatory notes.

The comparative figures for the corresponding six-month period ended 31 May 2011 were extracted from the unaudited management financial information and we have not carried out an audit or review of these financial information. The unaudited consolidated financial information for the corresponding six-month period ended 31 May 2011 is the responsibility of the management.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal

INDEPENDENT AUDITOR'S REPORT (continued)

controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group as at 31 May 2012 and the results, changes in equity and cash flows of the Group for six-month period ended on 31 May 2012.

Other Matters

This report has been prepared for inclusion in the Introductory Document of the Company in connection with the proposed secondary listing of the Company's shares on the Main Board of the Singapore Exchange Trading Securities Limited ("SGX-ST").



Nexia TS Public Accounting Corporation
Public Accountants and Certified Public Accountants
Singapore

Director-in-charge: Loh Hui Nee

Tosei Corporation and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the six-month period ended 31 May 2012

	Note	Six-month period ended 31 May	
		2011	2012
		¥'000 (unaudited)	¥'000 (audited)
Revenue	4	10,656,349	10,147,521
Cost of revenue		(7,845,078)	(7,905,844)
Gross profit		2,811,271	2,241,677
Other income	7	16,630	10,855
Other losses – net	8	–	(2,307)
Expenses			
– Administrative		(1,468,116)	(1,528,687)
– Finance	9	(402,766)	(322,259)
Profit before income tax		957,019	399,279
Income tax expense	10(a)	(413,382)	(177,295)
Net profit		543,637	221,984
Other comprehensive (losses)/income:			
Available-for-sale financial assets			
– Fair value (losses)/gains	10(b)	(41)	271
Currency translation differences arising from consolidation		–	(369)
Other comprehensive (losses)/income, net of tax		(41)	(98)
Total comprehensive income		543,596	221,886
Profit attributable to:			
Equity holders of the Company		543,637	221,984
Total comprehensive income attributable to:			
Equity holders of the Company		543,596	221,886
Earnings per share attributable to equity holders of the Company (¥ per share)			
– Basic and diluted	11	1,189.99	485.91

The accompanying notes form an integral part of these financial statements.

Tosei Corporation and Its Subsidiaries
Balance Sheet
As at 31 May 2012

	Note	30 November 2011	31 May 2012
		¥'000 (audited)	¥'000 (audited)
ASSETS			
Current assets			
Cash and cash equivalents	12	8,381,689	6,975,514
Financial assets, at fair value through profit or loss . . .	13	17,805	18,013
Available-for-sale financial assets	14	10,000	10,000
Trade and other receivables	15	1,205,353	1,278,017
Inventories	16	33,967,938	35,019,006
Other assets	21	2,335	3,052
		43,585,120	43,303,602
Non-current assets			
Available-for-sale financial assets	14	369,867	390,622
Trade and other receivables	17	125,635	166,618
Investment properties	18	11,378,055	11,429,099
Property, plant and equipment	19	3,341,262	3,338,292
Intangible assets	20	66,856	56,153
Other assets	21	8,380	8,380
Deferred income tax assets	26	1,724,661	1,548,778
		17,014,716	16,937,942
Total assets		60,599,836	60,241,544
LIABILITIES			
Current liabilities			
Trade and other payables	22	2,517,703	2,058,139
Current income tax liabilities		81,331	69,792
Borrowings	23	6,171,720	6,626,132
		8,770,754	8,754,063
Non-current liabilities			
Trade and other payables	22	1,835,279	1,948,206
Borrowings	23	23,900,745	23,484,503
Deferred income tax liabilities	26	280,380	232,036
Retirement benefits obligations	25	504,727	521,319
		26,521,131	26,186,064
Total liabilities		35,291,885	34,940,127
NET ASSETS		25,307,951	25,301,417
EQUITY			
Capital and reserve attributable to equity holders of the Company			
Share capital	27	5,454,673	5,454,673
Retained earnings	28	14,339,149	14,332,713
Other reserves	29	5,514,129	5,514,031
Total equity		25,307,951	25,301,417

The accompanying notes form an integral part of these financial statements.

Tosei Corporation and Its Subsidiaries
Consolidated Statements of Changes in Equity
For the six-month period ended 31 May 2012

	← Attributable to equity holders of the Company →					
	Share capital	Capital reserve	Fair value reserve	Currency translation reserve	Retained earnings	Total equity
	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000
(unaudited)						
Balance at 1 December 2010	5,454,673	5,516,499	773	-	13,827,302	24,799,247
Dividend relating to 2010 paid (Note 30)	-	-	-	-	(228,420)	(228,420)
Total comprehensive (losses)/income for the financial period.....	-	-	(41)	-	543,637	543,596
Balance at 31 May 2011	<u>5,454,673</u>	<u>5,516,499</u>	<u>732</u>	<u>-</u>	<u>14,142,519</u>	<u>25,114,423</u>
(audited)						
Balance at 1 December 2011	5,454,673	5,516,499	(2,370)	-	14,339,149	25,307,951
Dividend relating to 2011 paid (Note 30)	-	-	-	-	(228,420)	(228,420)
Total comprehensive income/(losses) for the financial period.....	-	-	271	(369)	221,984	221,886
Balance at 31 May 2012	<u>5,454,673</u>	<u>5,516,499</u>	<u>(2,099)</u>	<u>(369)</u>	<u>14,332,713</u>	<u>25,301,417</u>

The accompanying notes form an integral part of these financial statements.

Tosei Corporation and Its Subsidiaries
Consolidated Statement of Cash Flows
For the six-month period ended 31 May 2012

	Note	Six-month period ended 31 May	
		2011	2012
		¥'000 (unaudited)	¥'000 (audited)
Cash flows from operating activities			
Net profit		543,637	221,984
Adjustments for:			
– Income tax expense		413,382	177,295
– Amortisation and depreciation		83,294	87,510
– Write off of property, plant and equipment.	8	–	2,307
– Interest income	7	(1,928)	(871)
– Dividend income.	7	(1,272)	(1,272)
– Interest expense	9	402,766	322,259
– Unrealised currency translation losses		–	(369)
		<u>1,439,879</u>	<u>808,843</u>
Change in working capital:			
– Inventories.		(640,115)	(1,051,068)
– Trade and other receivables		(112,628)	(115,377)
– Financial assets, at fair value through profit or loss		(19,975)	(208)
– Other assets		(574)	(717)
– Trade and other payables		518,117	(338,432)
– Retirement benefits obligations		13,938	16,592
		<u>1,198,642</u>	<u>(680,367)</u>
Interest received		1,281	871
Dividend received		1,272	1,272
Income tax paid		(20,019)	(61,779)
		<u>1,181,176</u>	<u>(740,003)</u>
Net cash provided by/(used in) operating activities			
Cash flows from investing activities			
Additions to property, plant and equipment		(4,420)	(20,427)
Additions to investment properties		(35,800)	(102,481)
Additions of intangible assets.		(31,570)	(4,280)
Purchase of available-for-sale financial assets		(133,350)	(20,000)
		<u>(205,140)</u>	<u>(147,188)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings		5,395,000	6,874,000
Repayment of borrowings.		(6,008,373)	(6,835,047)
Repayment of finance lease obligations.		(783)	(783)
Interest paid		(416,959)	(328,734)
Dividends paid to equity holders of the Company	30	(228,420)	(228,420)
		<u>(1,259,535)</u>	<u>(518,984)</u>
Net cash used in financing activities			
Net decrease in cash and cash equivalents			
		<u>(283,499)</u>	<u>(1,406,175)</u>
Cash and cash equivalents			
Beginning of financial period		<u>6,858,182</u>	<u>8,361,689</u>
End of financial period		<u><u>6,574,683</u></u>	<u><u>6,955,514</u></u>

The accompanying notes form an integral part of these financial statements.

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the six-month period ended 31 May 2012

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

1. General information

1.1 Introduction

The consolidated financial statements of Tosei Corporation (the “Company”) and its subsidiaries (collectively, the “Group”) have been prepared for the purpose of inclusion in filings associated with a proposed secondary listing of the Company’s shares on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

These consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Tosei Corporation on 22 February 2013.

1.2 Corporate information

Tosei Corporation is listed on the Tokyo Stock Exchange, First Section and incorporated and domiciled in Japan. The address of its registered office is Toranomon Tosei Building, 4-2-3 Toranomom, Minato-ku, Tokyo.

The principal activities of the Company are those of real estate revitalisation, development and rental property management, investment in real estate funds, financial products and assets, as well as advisory and asset management services.

The Group comprises the Company and the following subsidiaries:

Name of companies	Principal activities	Country of business/ incorporation	Equity Holding	
			2011	2012
			%	%
<u>Significant subsidiaries held by the Company</u>				
Tosei Community Co., Ltd.	Property management	Japan	100	100
Tosei Revival Investment Co., Ltd.	Alternative investment	Japan	100	100
Tosei Asset Advisor, Inc.	Fund	Japan	100	100
Tosei Singapore Pte. Ltd. ⁽¹⁾	Real estate management ⁽³⁾	Singapore	–	100
NAI Tosei Japan, Inc. ⁽²⁾	Real estate agency and consultancy ⁽³⁾	Japan	–	100

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the six-month period ended 31 May 2012

1. General information (continued)

1.2 Corporate information (continued)

<u>Name of companies</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Equity Holding</u>	
			<u>2011</u>	<u>2012</u>
			%	%
<u>Significant subsidiaries held by Tosei Revival Investment Co., Ltd.</u>				
Hestia Capital Limited Company	Alternative investment	Japan	100	100
Metis Capital Co., Ltd. ⁽⁴⁾	Alternative investment	Japan	100	–
Green House Limited Company	Alternative investment	Japan	100	100

(1) Newly incorporated in 10 January 2012.

(2) Newly incorporated in 20 January 2012 and not consolidated as its impact to the Group's financial statements is insignificant. This subsidiary was previously known as Sannomiya Real Estate Sales LLC.

(3) This is the intended activity of the subsidiary and operations have not commenced since the date of incorporation.

(4) Metis Capital Co., Ltd. merged with Tosei Revival Investment Co., Ltd. on 31 May 2012.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation

These consolidated financial statements of the Group have been prepared for the purpose of inclusion in filings associated with a proposed secondary listing of the Company's shares on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

2. Summary of significant accounting policies (continued)

2.2 Revenue recognition (continued)

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Properties for sale*

The Group recognises income on property when the risks and rewards of ownership have been transferred to the buyer. Depending on the selling conditions associated with each property, revenue is generally not recognised if the Group provides various guarantees and other financial support to the buyers ("continuing involvement"). Such continuing involvement by the Group would then require revenue to be deferred until the Group's continuing involvement ceases. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of unit sold.

(b) *Rental income*

Rental income from operating lease (net of any incentives given to the lessee) is recognised on a straight-line basis over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

(c) *Financial advisory and management fee*

Financial advisory and management fee is recognised as and when services are rendered.

(d) *Interest income*

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

(e) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(f) *Other income*

Other income is recognised at the point of entitlement of income.

2. Summary of significant accounting policies (continued)

2.3 Group accounting

(a) *Subsidiaries*

(i) Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

2. Summary of significant accounting policies (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries (continued)*

(ii) Acquisitions (continued)

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as bargain purchase.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

(b) *Transactions with non-controlling interests.*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.4 Property, plant and equipment

(a) *Measurement*

(i) Land and buildings

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at cost less accumulated impairment losses. Buildings are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(a) *Measurement (continued)*

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Note 2.7 on borrowing costs).

(b) *Depreciation*

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method. If the depreciation based on the reducing balance method has better reflects the pattern in which the asset's future economic benefits are expected to be consumed, this method is applied. The depreciable amounts of other items of property, plant and equipment over their estimated useful lives are allocated as follows:

	<u>Useful lives</u>
Buildings and structures	3–50 years
Tools, equipment and fixtures	3–20 years

The residual values, and estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets still in use are retained in the financial statements.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other (losses)/gains – net".

2.5 Intangible assets

(a) *Acquired licenses*

Licences acquired are initially recognised at cost. Acquired licenses with an indefinite useful life are subjected to impairment assessment by comparing its recoverable amount with its carrying amount on an annual basis and whenever there is an indication that the intangible asset may be impaired. The useful life of acquired licenses is reviewed and assessed at the end of each balance sheet date.

(b) *Acquired computer software licenses*

Acquired computer software licences are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure including employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three to five years.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Club memberships

Club memberships are stated at cost less impairment loss.

2. Summary of significant accounting policies (continued)

2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under constructions.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development or assets under construction. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

2.8 Investment properties

- (a) Investment properties include those portions of commercial and residential buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases that is held for long-term capital appreciation or for a currently indeterminate use.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment loss. Depreciation of investment properties is calculated using the straight-line method. If the depreciation based on the reducing balance method has better reflects the pattern in which the asset's future economic benefits are expected to be consumed, this method is applied. The allocated depreciable amounts of the investment properties over the estimated useful lives range between 3 to 50 years. Freehold land included in the investment properties is not depreciated.

The residual values, and estimated useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss within "Other (losses)/gains – net".

2. Summary of significant accounting policies (continued)

2.8 Investment properties (continued)

(b) *Transfer*

Transfers to, or from, investment properties are made when there is a change in use, evidenced by:

- (i) commencement of development with a view to sell, for a transfer from investment properties to development properties; and
- (ii) commencement of an operating lease to another party, for a transfer from development properties to investment properties.

2.9 Impairment of non-financial assets

(a) *Intangible assets*
Property, plant and equipment
Investment properties

Intangible assets, property, plant and equipment and investment properties are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs. If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

2. Summary of significant accounting policies (continued)

2.10 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at the date of inception. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Assets in this category are presented as current assets if they are expected to be realised within 12 months after the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date or over its normal operating cycle which are presented as non-current assets. Loans and receivables are presented as “trade and other receivables” (Notes 15 and 17) and “cash and cash equivalents” (Note 12) on the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the other comprehensive income relating to that asset is reclassified to profit or loss.

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) *Subsequent measurement*

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account for which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

(e) *Impairment* (continued)

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.10(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial assets are impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

(f) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2. Summary of significant accounting policies (continued)

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within a year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. When appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.15 Leases

(a) When the Group is the lessee:

The Group leases office equipment under finance leases and operating leases from non-related parties.

(i) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

2. Summary of significant accounting policies (continued)

2.15 Leases (continued)

(a) *When the Group is the lessee:* (continued)

(i) Lessee – Finance leases (continued)

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) *When the Group is the lessor:*

The Group leases investment properties under operating lease to non-related parties.

(i) Lessor – Operating leases

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2. Summary of significant accounting policies (continued)

2.16 Inventories

Inventories consist of real estate for sale and real estate for sale in-progress. They are stated at the lower of cost plus, where appropriate, a portion of attributable profit, and estimated net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of inventories comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss.

2. Summary of significant accounting policies (continued)

2.18 Provisions for other liabilities and charges

Provision for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans which the Group pays fixed contributions into separate entities such as the Pension Scheme on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Post employment benefit obligations*

Post employment benefit obligations are defined benefit plans which define the amount of benefit where employee will receive on retirement according to laws depending on age and years of service.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses as at end of the previous reporting year are recognised on a straight-line basis within the period of the remaining average service lives of the participating employees.

(c) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2. Summary of significant accounting policies (continued)

2.19 Employee compensation (continued)

(d) *Other employee benefits*

The other employee benefits includes employee share ownership plan and contributions to the plan are recognised in profit or loss when incurred. The details of the plan are described in Note 25(b).

2.20 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The financial statements are presented in Japanese Yen, which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation difference arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is classified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gain or losses that relate to borrowings are presented in the income statement within “Finance costs”. All other foreign exchange gains or losses impacting profit or loss are presented in the income statement within “Other (losses)/gains – net”.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2. Summary of significant accounting policies (continued)

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

2.22 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

2.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are recognised against the share capital account.

2.24 Dividends to company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

(a) *Uncertain tax positions*

The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") at each tax jurisdiction. The Group recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax provisions in the financial period in which such determination is made. The carrying amounts of the Group's provision for taxation as at 30 November 2011 and 31 May 2012 were ¥81,331,000 and ¥69,792,000 respectively. The carrying amounts of the Group's deferred tax liabilities as at 30 November 2011 and 31 May 2012 were ¥280,380,000 and ¥232,036,000 respectively.

3. Critical accounting estimates, assumptions and judgements (continued)

3.1 Critical accounting estimates and assumptions (continued)

(b) *Impairment of loans and receivables*

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. As at 30 November 2011 and 31 May 2012, management has made adequate provision for impairment of trade and other receivables of ¥18,181,000 and ¥16,325,000 respectively. The carrying value of trade and other receivables as at 30 November 2011 and 31 May 2012 were ¥1,330,988,000 and ¥1,444,635,000 respectively.

If the net present value of estimated cash flows increase/decrease by 10% from management's estimates for all loans and receivables, the Group's allowance for impairment will decrease/increase by ¥133,099,000 and ¥144,464,000 as at 30 November 2011 and 31 May 2012 respectively.

(c) *Employee benefit*

The present value of the pension obligations depends on a number of factors that we determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. The key line items affected will be "Employee compensation" and "Retirement benefits obligation" as disclosed in Note 6 and Note 25 respectively.

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3. Critical accounting estimates, assumptions and judgements (continued)

3.2 Critical judgements in applying the entity's accounting policies

(a) *Deferred income tax assets*

The Group recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised.

As at 31 November 2011 and 31 May 2012, deferred tax assets of certain group entities amounting to ¥1,724,661,000 and ¥1,548,778,000 respectively were recognised based on the anticipated future use of tax losses carried forward by those entities. In the event that the tax authority regards the group entities as not satisfying the current tax legislation and disallowed the carry forward of the tax losses, the deferred tax assets will have to be written off as income tax expense.

4. Revenue

	Six-month period ended 31 May	
	2011	2012
	¥'000	¥'000
	(unaudited)	(audited)
Revitalisation business	6,489,457	3,354,963
Development business	388,223	3,016,296
Rental business	1,256,900	1,142,288
Fund business.	874,755	387,446
Property management business	1,554,965	1,780,738
Alternative investment business	92,049	465,790
	10,656,349	10,147,521
	10,656,349	10,147,521

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5. Expenses by nature

	Six-month period ended 31 May	
	2011	2012
	¥'000	¥'000
	(unaudited)	(audited)
Advertising	10,252	14,720
Reversal of allowance for impairment – trade and other receivables – net	(4,075)	(1,183)
Amortisation of intangible assets	16,735	14,983
Bad debts written off	576	–
Commission fee	109,234	74,081
Communication	19,419	20,210
Cost of inventories (Note 16)	5,690,695	5,755,344
Depreciation of investment properties	48,930	51,437
Depreciation of property, plant and equipment	17,629	21,090
Employee compensation (Note 6)	1,028,000	1,091,771
Entertainment	5,768	8,533
Inventory write-down – net (Note 16)	420,219	233,251
Other professional fees	31,984	78,398
Property management and maintenance fees	1,683,986	1,867,198
Rental expense on operating leases	12,055	11,996
Stationery	21,906	26,097
Tax and dues	130,361	105,848
Transportation	18,151	18,943
Other	51,369	41,814
Total cost of revenue and administrative expenses . .	9,313,194	9,434,531

Property management and maintenance fees mainly consist of utilities charges, repair and maintenance expenses and other incidental expenses.

6. Employee compensation

	Six-month period ended 31 May	
	2011	2012
	¥'000	¥'000
	(unaudited)	(audited)
Salaries and bonuses	844,477	869,607
Statutory welfare expenses	101,301	108,932
Retirement benefits	39,958	43,291
Other short-term benefits	42,264	69,941
	1,028,000	1,091,771

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7. Other income

	Six-month period ended 31 May	
	2011	2012
	¥'000	¥'000
	(unaudited)	(audited)
Interest income	1,928	871
Dividend income	1,272	1,272
Miscellaneous	13,430	8,712
	16,630	10,855
	16,630	10,855

Miscellaneous income mainly consists of income received from rental of spaces to vendors of vending machines and others.

8. Other losses – net

	Six-month period ended 31 May	
	2011	2012
	¥'000	¥'000
	(unaudited)	(audited)
Property, plant and equipment written off	–	2,307
	–	2,307
	–	2,307

9. Finance expenses

	Six-month period ended 31 May	
	2011	2012
	¥'000	¥'000
	(unaudited)	(audited)
Interest expense – bank borrowings	402,766	322,259
	402,766	322,259
	402,766	322,259

10. Income taxes

(a) Income tax expense

	Six-month period ended 31 May	
	2011	2012
	¥'000	¥'000
	(unaudited)	(audited)
Tax expense attributable to profit is made up of:		
Profit from current financial year		
– Current income tax – Japan	26,497	50,241
Deferred income tax	386,885	127,054
	413,382	177,295
	413,382	177,295

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10. Income taxes (continued)

(a) Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Japan standard rate of income tax as follows:

	Six-month period ended 31 May	
	2011	2012
	¥'000	¥'000
	(unaudited)	(audited)
Profit before income tax	957,019	399,279
Tax calculated at domestic tax rates applicable to profit	392,377	163,704
Effects of:		
– Expenses not deductible for tax purposes . .	1,850	3,911
– Deferred tax assets not recognised/ (utilised)	16,989	(72,622)
– Change in tax rate	–	84,346
– Other	2,166	(2,044)
Tax charge	413,382	177,295

(b) The tax (charge)/credit relating to each component of other comprehensive (losses)/income is as follows:

	Six-month period ended 31 May					
	2011			2012		
	(unaudited)			(audited)		
	Tax					
	Before	(charge)/	After	Before	(charge)/	After
	tax	credit	tax	tax	credit	tax
	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000
Fair value (losses)/gains on available-for-sale financial assets	(69)	28	(41)	755	(484)	271

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11. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial periods ended 31 May 2011 and 2012 respectively.

	31 May 2011	31 May 2012
	(unaudited)	(audited)
Net profit attributable to the equity holders of the Company (¥'000)	543,637	221,984
Weighted average number of ordinary shares outstanding for basic earnings per share.	456,840	456,840
Basic earnings per share (¥ per share)	1,189.99	485.91

(b) Diluted earnings per share

There were no diluted earnings per share for the financial periods ended 31 May 2011 and 2012 as there were no potential dilutive ordinary shares.

12. Cash and cash equivalents

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Cash at bank and on hand.	8,341,689	6,785,514
Short-term bank deposits.	40,000	190,000
	<u>8,381,689</u>	<u>6,975,514</u>

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Cash and bank balances (as above)	8,381,689	6,975,514
Less: Deposits more than 3 months	(20,000)	(20,000)
Cash and cash equivalents per consolidated statement of cash flows	<u>8,361,689</u>	<u>6,955,514</u>

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13. Financial assets, at fair value through profit or loss

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
<i>At fair value on initial recognition</i>		
Unlisted equity securities – Japan	17,805	18,013

The fair value losses – net for the six-month period ended 31 May 2011 and 2012 amounting to ¥25,000 and ¥1,792,000 respectively have been included as part of “Total cost of revenue and administrative expenses – Other”.

14. Available-for-sale financial assets

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Beginning of financial year/period	51,845	379,867
Additions	333,350	20,000
Fair value (losses)/gains recognised in other comprehensive income (Note 29(b)(ii))	(5,328)	755
End of financial year/period	379,867	400,622
Less: Current portion	(10,000)	(10,000)
Non-current portion	369,867	390,622

Available-for-sale financial assets are analysed as follows:

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Listed securities – Japan	18,068	18,824
Unlisted securities – Japan	361,799	381,798
Total	379,867	400,622

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15. Trade and other receivables

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Trade receivables – non-related parties	547,011	484,349
Less: Allowance for impairment (Note 32(b)(ii)).	(5,056)	(3,807)
Trade receivables – net	541,955	480,542
Loan to non-related parties	11,133	10,784
Less: Non-current portion (Note 17)	(10,325)	(9,966)
	808	818
Advance payments	225,752	78,776
Prepayments	257,326	256,913
Receivables purchased	81,361	78,744
Other receivables	98,792	383,237
Less: Allowance for impairment (Note 32(b)(ii)).	(641)	(1,013)
	<u>1,205,353</u>	<u>1,278,017</u>

16. Inventories

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Real estate for sale	27,673,983	26,179,678
Real estate for sale in-progress	6,293,955	8,839,328
	<u>33,967,938</u>	<u>35,019,006</u>

The cost of inventories recognised as an expense and included in “Total cost of revenue – Cost of inventories” for the six-month periods ended 31 May 2011 and 2012 amounted to ¥5,690,695,000 and ¥5,755,344,000 respectively.

Inventories of ¥33,785,368,000 and ¥34,945,232,000 of the Group have been pledged as security for borrowings of the Group at the end of the respective financial year/period ended 30 November 2011 and 31 May 2012 (Note 23(a)).

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16. Inventories (continued)

The cost of inventories recognised as expense in respect of write-down and the reversal of such write-down are as follows:

	For the six-month period ended 31 May	
	2011	2012
	¥'000	¥'000
	(audited)	(audited)
Inventory write-down ⁽¹⁾	(716,640)	(238,235)
Reversal of write-down ⁽²⁾	296,421	4,984
Inventory write-down – net	<u>(420,219)</u>	<u>(233,251)</u>

(1) This relates to write-down of the carrying amount of real estate to its net realisable value.

(2) The reversal is mainly due to an upturn of property market situation.

Details of major real estate for sale of the Group are disclosed under summary of major properties (Note 35).

17. Trade and other receivables – non-current

	30 November 2011	31 May 2012
	¥'000	¥'000
	(audited)	(audited)
Trade receivables – non-related parties	11,626	12,004
Less: Allowance for impairment (Note 32(b)(ii))	(11,626)	(11,434)
Trade receivables – net	–	570
Other receivables		
– Loan to non-related parties (Note 15)	10,325	9,966
Less: Allowance for impairment (Note 32(b)(ii))	(858)	(71)
– Guarantee deposits	115,368	154,619
– Other	800	1,534
	<u>125,635</u>	<u>166,618</u>

The fair value of non-current trade and other receivables are computed based on cash flows discounted at market borrowing rates. The market borrowing rates used and the fair values are as follows:

	30 November 2011	31 May 2012
	(audited)	(audited)
Market borrowing rates	2.10 – 3.02%	2.00 – 3.02%
Loan to non-related parties (¥'000)	<u>10,182</u>	<u>9,836</u>

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18. Investment properties

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
<i>Cost</i>		
Beginning of financial year/period	11,925,105	12,239,292
Additions	45,623	102,481
Transfer from inventories	507,958	–
Transfer to inventories	(239,394)	–
End of financial year/period	<u>12,239,292</u>	<u>12,341,773</u>
<i>Accumulated depreciation</i>		
Beginning of financial year/period	763,658	861,237
Depreciation charge	101,706	51,437
Transfer to inventories	(4,127)	–
End of financial year/period	<u>861,237</u>	<u>912,674</u>
Net book value		
End of financial year/period	<u><u>11,378,055</u></u>	<u><u>11,429,099</u></u>

- (a) Investment properties are leased to non-related parties under operating leases (Note 31(b)).
- (b) Certain investment properties are mortgaged to secure bank loans (Note 23(a)).
- (c) The land and buildings of the Group were valued by internal valuers mainly using discounted cash flow method. Below are the fair values of investment properties owned by the Group:

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Investment properties	<u><u>12,046,214</u></u>	<u><u>12,214,983</u></u>

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18. Investment properties (continued)

(d) The following amounts are recognised in profit and loss:

	Six-month period ended 31 May	
	2011	2012
	¥'000	¥'000
	(unaudited)	(audited)
Rental income		
– Investment properties that generated rental income	425,535	392,696
Direct operating expenses arising from:		
– Investment properties that generated rental income	(140,865)	(150,892)
	<u>425,535</u>	<u>392,696</u>

(e) Details of major investment properties of the Group are disclosed under summary of major properties (Note 35).

19. Property, plant and equipment

	Building and structures	Land	Tools, equipment and fixtures	Total
	¥'000	¥'000	¥'000	¥'000
30 November 2011				
(audited)				
<i>Cost</i>				
Beginning of financial year	1,202,013	2,219,719	82,268	3,504,000
Additions	8,362	–	14,342	22,704
Written off	(307)	–	(3,779)	(4,086)
Reclassified to inventories	–	–	(619)	(619)
End of financial year	<u>1,210,068</u>	<u>2,219,719</u>	<u>92,212</u>	<u>3,521,999</u>
<i>Accumulated depreciation</i>				
Beginning of financial year	95,357	–	52,706	148,063
Depreciation charge	24,325	–	12,676	37,001
Written off	(306)	–	(3,602)	(3,908)
Reclassified to inventories	–	–	(419)	(419)
End of financial year	<u>119,376</u>	<u>–</u>	<u>61,361</u>	<u>180,737</u>
Net book value				
End of financial year	<u>1,090,692</u>	<u>2,219,719</u>	<u>30,851</u>	<u>3,341,262</u>

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19. Property, plant and equipment (continued)

	Building and structures	Land	Tools, equipment and fixtures	Total
	<u>¥'000</u>	<u>¥'000</u>	<u>¥'000</u>	<u>¥'000</u>
31 May 2012				
(audited)				
<i>Cost</i>				
Beginning of financial period	1,210,068	2,219,719	92,212	3,521,999
Additions	977	–	19,450	20,427
Written off.	(4,254)	–	(10,213)	(14,467)
End of financial period	<u>1,206,791</u>	<u>2,219,719</u>	<u>101,449</u>	<u>3,527,959</u>
<i>Accumulated depreciation</i>				
Beginning of financial period	119,376	–	61,361	180,737
Depreciation charge	13,022	–	8,068	21,090
Written off.	(2,486)	–	(9,674)	(12,160)
End of financial period	<u>129,912</u>	<u>–</u>	<u>59,755</u>	<u>189,667</u>
Net book value				
End of financial period	<u>1,076,879</u>	<u>2,219,719</u>	<u>41,694</u>	<u>3,338,292</u>

- (a) The carrying amounts of plant and equipment held under finance leases are ¥746,000 and ¥Nil at the respective financial year/period ended 30 November 2011 and 31 May 2012.
- (b) Bank borrowings are secured on property, plant and equipment of the Group with carrying amounts of ¥3,292,453,000 and ¥3,281,169,000 at the respective financial year/period ended 30 November 2011 and 31 May 2012 (Note 23(a)).
- (c) Details of major owner-occupied building of the Group is disclosed under summary of major properties (Note 35).

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20. Intangible assets

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
<i>Composition:</i>		
Licenses – telephone rights (Note 20(a))	1,889	1,889
Computer software licenses (Note 20(b))	64,967	54,264
	66,856	56,153
(a) Licenses – Telephone rights	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
<i>Cost</i>		
Beginning and end of financial year/period	1,889	1,889
(b) Computer software licenses	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
<i>Cost</i>		
Beginning of financial year/period	144,819	170,802
Additions	37,016	4,280
Written off.	(11,033)	–
End of financial year/period	170,802	175,082
<i>Accumulated amortisation</i>		
Beginning of financial year/period	83,291	105,835
Amortisation charge	33,577	14,983
Written off.	(11,033)	–
End of financial year/period	105,835	120,818
Net book value		
End of financial year/period	64,967	54,264

The amortisation expense is included in “Expenses – Administrative” in the consolidated statement of comprehensive income.

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21. Other assets

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
<i>Club memberships – Cost</i>		
Beginning and end of financial year/period	25,357	25,357
<i>Accumulated impairment loss</i>		
Beginning and end of financial year/period	(16,977)	(16,977)
Net book value		
End of financial year/period	8,380	8,380
Other	2,335	3,052
	<u>10,715</u>	<u>11,432</u>
Presented in balance sheets as:		
Other assets, current	2,335	3,052
Other assets, non-current	8,380	8,380
	<u>10,715</u>	<u>11,432</u>

22. Trade and other payables

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
<i>Current</i>		
Trade payables to non-related parties	820,709	361,761
Deposits for purchase of real estate	545,488	801,194
Other payable to non-related parties	290,718	257,532
Accruals for operating expenses	860,788	637,652
	<u>2,517,703</u>	<u>2,058,139</u>
<i>Non-current</i>		
Lease and guarantee deposits received	1,810,569	1,923,430
Assets retirement obligations	24,710	24,776
	<u>1,835,279</u>	<u>1,948,206</u>

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23. Borrowings

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
<i>Current</i>		
Bank borrowings	6,170,937	6,626,132
Finance lease liabilities (Note 24)	783	–
	<u>6,171,720</u>	<u>6,626,132</u>
<i>Non-Current</i>		
Bank borrowings	<u>23,900,745</u>	<u>23,484,503</u>
Total borrowings	<u><u>30,072,465</u></u>	<u><u>30,110,635</u></u>

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Within 1 year	6,171,720	6,626,132
1–5 years	17,413,280	17,650,733
Over 5 years	<u>6,487,465</u>	<u>5,833,770</u>
	<u><u>30,072,465</u></u>	<u><u>30,110,635</u></u>

(a) *Security granted*

Total borrowings included secured liabilities of ¥29,821,722,000 and ¥29,912,455,000 at the respective financial year/period ended 30 November 2011 and 31 May 2012. Bank borrowings of the Group are secured over certain inventories (Note 16), investment properties (Note 18) and certain land and buildings (Note 19). Finance lease liabilities of the Group are effectively secured over the leased plant and equipment (Note 19), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the financial lease liabilities.

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23. Borrowings (continued)

(b) *Fair value of non-current borrowings*

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Bank borrowings	23,885,818	23,467,481

The fair values above are determined from the cash flow analyses, discounted at the market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	30 November 2011	31 May 2012
	% (audited)	% (audited)
Bank borrowings	2.06	2.02

24. Finance lease liabilities

The Group leases certain plant and equipment from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Minimum lease payments due:		
– Not later than one year	825	–
Less: Future finance charges	(42)	–
Present value of finance lease liabilities	783	–

The present values of finance lease liabilities are analysed as follows:

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Not later than one year (Note 23)	783	–

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25. Employee benefits

(a) Retirement benefits obligations

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Obligations recognised in the balance sheet for:		
Retirement benefits plans (Note 25(a)(i))	191,871	203,962
Directors' retirement benefits plans (Note 25(a)(ii))	312,856	317,357
	<u>504,727</u>	<u>521,319</u>

(i) *Retirement benefits plans*

The Group adopts the retirement lump-sum grants policy based on their pension plan. In addition, some of the entities in the Group adopt the Employees' Pension Fund and Defined Contribution Plan.

Defined benefit plans

The amounts included in the consolidated balance sheets arising from the Group's obligation in respect of its defined benefit plans are as follows:

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Obligations under defined benefit plans	193,104	204,641
Net actuarial losses not recognised	(1,233)	(679)
Liabilities recognised in the balance sheet	<u>191,871</u>	<u>203,962</u>

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Beginning of financial year/period	167,330	193,104
Current service cost	29,745	17,294
Interest cost	3,447	1,953
Benefits paid	(3,992)	(10,034)
Actuarial (gains)/losses	(3,426)	2,324
End of financial year/period	<u>193,104</u>	<u>204,641</u>

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25. Employee benefits (continued)

(a) Retirement benefits obligations (continued)

(i) *Retirement benefits plans* (continued)

Defined benefit plans (continued)

The principal actuarial assumptions used were as follows:

	30 November 2011	31 May 2012
	%	%
	(audited)	(audited)
Discount rate	1.68	1.68
Future salary increases	2.41	2.41

Multi-employer plans

During the financial year 2011 and six-month period ended 31 May 2012, one of the Company's subsidiaries joined the "Japan Residence Construction Industry Pension Fund" under multi-employer plans.

Below are the amounts contributed to the fund by the Group:-

	30 November 2011	31 May 2012
	¥'000	¥'000
	(audited)	(audited)
Contribution to the fund	9,886	4,866

The contribution to the fund is included as part of "Employee compensation – retirement benefits" (Note 6).

Defined contribution plans

During the financial year 2011 and six-month period ended 31 May 2012, the Company and some of its subsidiaries have participated under a voluntary joint defined contribution plan.

Below are the amounts contributed to the fund by the Group:-

	30 November 2011	31 May 2012
	¥'000	¥'000
	(audited)	(audited)
Contribution to the fund	5,994	3,391

The contribution to the fund is included as part of "Employee compensation – retirement benefits" (Note 6).

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25. Employee benefits (continued)

(a) Retirement benefits obligations (continued)

(ii) *Director's retirement benefits plans*

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Beginning of financial year/period	301,522	312,855
Provision made	25,837	12,324
Benefits paid	(14,503)	(7,822)
End of financial year/period	<u>312,856</u>	<u>317,357</u>
Provision made is included in profit or loss:		
– Employee compensation – Retirement benefits	<u>25,837</u>	<u>12,324</u>

(b) Employee share ownership plan (“ESOP”)

The Company implemented the Tosei Employee Share Ownership Scheme (“ESOP”) and adopted the rules of the ESOP as set out in the Employee Share Ownership Rules of the Company on 1 September 2002.

The purpose of the ESOP is to enable full-time employees of the Company to acquire and accumulated shares of the Company by making small contributions on a regular basis.

Under the ESOP, only full-time employees (“Participating Employee”) of the Company (excluding the directors of the Company and the employees of the subsidiaries) are entitled to participate in the ESOP. The Participating Employee will contribute a certain portion of his monthly salary and biannual bonus to purchase shares of the Company. Contributions from Participating Employees are made in units of ¥1,000 each. Each Participating Employee is allowed to contribute a maximum of 20 units from his monthly salary and 100 units from his annual bonus. Further, the dividends declared and paid in respect of the shares held by the Participating Employee will be contributed to the ESOP. All Participating Employee will nominate an administrative director to administer and hold on behalf all the shares under ESOP.

The Participating Employees may not transfer or pledge the rights to their shares. When the Participating Employee’s number of shares under the ESOP reaches 1 share, the employee may, at his option, transfer such share into an account held in his own name. In the event that the Participating Employee withdraws from the ESOP, the vested ESOP shares will be transferred to the securities account of the Participating Employee and the equivalent value in cash for a fractional part of the share (converted at the then market price) will be paid to the Participating Employee. The Participating Employee may choose to make an extraordinary contribution to the ESOP such that the fractional part of the share is deemed to be one whole share.

Tosei Corporation and Its Subsidiaries
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25. Employee benefits (continued)

(b) Employee share ownership plan (“ESOP”) (continued)

There is no maximum limit for shares acquired under the ESOP. The Company contributes an amount that is equal to 5.0% of the aggregate contribution of the Participating Employees to the ESOP. Amounts contributed and paid by the Company under the ESOP for the six-month periods ended 31 May 2011 and 2012 amounting to ¥163,000 and ¥169,000 respectively have been included as part of “Employee compensation – Other short-term benefits”.

26. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts are shown in the balance sheet as follows:

	30 November 2011	31 May 2012
	¥’000	¥’000
	(audited)	(audited)
Deferred income tax assets		
– to be recovered within one year	785,330	757,916
– to be recovered after one year	939,331	790,862
	<u>1,724,661</u>	<u>1,548,778</u>
	30 November 2011	31 May 2012
	¥’000	¥’000
	(audited)	(audited)
Deferred income tax liabilities		
– to be settled within one year	(256,303)	(202,976)
– to be settled after one year	(24,077)	(29,060)
	<u>(280,380)</u>	<u>(232,036)</u>

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26. Deferred income taxes (continued)

Movement in deferred income tax account is as follows:

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Beginning of financial year/period	2,141,579	1,444,281
Charged to		
– profit or loss	(699,483)	(127,054)
– equity (Note 29(b)(ii))	2,185	(484)
End of financial year/period	<u>1,444,281</u>	<u>1,316,743</u>

The movement in deferred income tax assets and liabilities is as follows:

	As at 1 December 2010	Recognised in profit or loss	Recognised in other comprehensive income	As at 30 November 2011
	¥'000	¥'000	¥'000	¥'000
(audited)				
<u>Temporary differences:</u>				
Enterprise tax payable	213	4,292	–	4,505
Inventory write down – net	(18,317)	74,342	–	56,025
Unrealised profits on inventories	180,986	(1,283)	–	179,703
Provision for retirement benefits	66,302	12,625	–	78,927
Provision for directors' retirement benefits	121,681	3,578	–	125,259
Impairment losses	69,338	(1,088)	–	68,250
Other	233,559	(80,977)	–	152,582
Deferred tax assets not recognised	(488,259)	558	–	(487,701)
Subtotal	<u>165,503</u>	<u>12,047</u>	<u>–</u>	<u>177,550</u>
Revaluation of fair value derived from subsidiaries' assets and liabilities	(212,647)	77,204	–	(135,443)
Available-for-sale financial assets	(539)	–	2,185	1,646
Other	(94,548)	(52,035)	–	(146,583)
Subtotal	<u>(307,734)</u>	<u>25,169</u>	<u>2,185</u>	<u>(280,380)</u>
Tax losses carried forward	2,283,810	(736,699)	–	1,547,111
Net balance	<u>2,141,579</u>	<u>(699,483)</u>	<u>2,185</u>	<u>1,444,281</u>

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26. Deferred income taxes (continued)

The movement in deferred income tax assets and liabilities is as follows:

	As at 1 December 2011	Recognised in profit or loss	Recognised in other comprehensive income	As at 31 May 2012
	¥'000	¥'000	¥'000	¥'000
(audited)				
Temporary differences:				
Enterprise tax payable	4,505	(1,130)	–	3,375
Inventory write down – net.	56,025	82,765	–	138,790
Unrealised profits on inventories	179,703	(25,535)	–	154,168
Provision for retirement benefits.	78,927	(2,570)	–	76,357
Provision for directors' retirement benefits	125,259	(12,258)	–	113,001
Impairment losses	68,250	(9,364)	–	58,886
Other	152,582	(8,326)	–	144,256
Deferred tax assets not recognised	(487,701)	72,622	–	(415,079)
Subtotal	177,550	96,204	–	273,754
Revaluation of fair value derived from subsidiaries' assets and liabilities.	(135,443)	48,169	–	(87,274)
Available-for-sale financial assets.	1,646	–	(484)	1,162
Other	(146,583)	659	–	(145,924)
Subtotal	(280,380)	48,828	(484)	(232,036)
Tax losses carried forward	1,547,111	(272,086)	–	1,275,025
Net balance	1,444,281	(127,054)	(484)	1,316,743

Tax losses carried forward and deductible temporary differences for which deferred tax assets have not been recognised are as follows:

	As at 1 December 2010	As at 30 November 2011	As at 31 May 2012
	¥'000	¥'000	¥'000
	(audited)	(audited)	(audited)
Tax losses carried forward	234,224	199,314	155,851
Deductible temporary differences.	254,035	288,387	259,228
Total	488,259	487,701	415,079

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26. Deferred income taxes (continued)

Deferred income tax assets are recognised for tax losses and other deductible temporary differences carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses and other deductible temporary differences stated above for the financial year ended 30 November 2011 and six-month period ended 31 May 2012 which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. The tax losses and other deductible temporary differences have an expiry period of 9 years from the year of assessment.

27. Share capital

	No. of ordinary shares	Share capital
		¥'000
30 November 2011		
(audited)		
Beginning and end of financial year.	<u>456,840</u>	<u>5,454,673</u>
31 May 2012		
(audited)		
Beginning and end of financial period	<u>456,840</u>	<u>5,454,673</u>

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. The amounts of ordinary shares contributed by shareholders since the date of incorporation and at the respective dates of share issuance are recorded as follows:

- (a) Amount not exceeding half of the total contribution by shareholders is not recorded as share capital; and
- (b) Amount not recorded as share capital under the preceding paragraph is recorded as capital reserve (Note 29).

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

Any newly issued shares rank pari passu in all respects with previously issued shares.

28. Retained earnings

Retained earnings of the Group are distributable.

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29. Other reserves

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
(a) Composition:		
Capital reserve	5,516,499	5,516,499
Accumulated other comprehensive income		
– fair value reserve	(2,370)	(2,099)
– currency translation reserve	–	(369)
	<u>5,514,129</u>	<u>5,514,031</u>
(b) Movements:		
(i) Capital reserve		
Beginning and end of financial year/period . .	<u>5,516,499</u>	<u>5,516,499</u>
Capital reserve is distributable.		
(ii) Accumulated other comprehensive income – fair value reserve		
Beginning of financial year/period	773	(2,370)
Available-for-sale financial assets		
– Fair value (losses)/gains (Note 14)	(5,328)	755
– Tax on fair value changes (Note 26)	2,185	(484)
	<u>(3,143)</u>	<u>271</u>
End of financial year/period	<u>(2,370)</u>	<u>(2,099)</u>
Accumulated other comprehensive income – fair value reserve is non-distributable.		
(iii) Accumulated other comprehensive income – currency translation reserve		
Beginning of financial year/period	–	–
Net currency translation differences of financial statements of a foreign subsidiary . .	–	(369)
End of financial year/period	<u>–</u>	<u>(369)</u>
Accumulated other comprehensive income – currency translation reserve is non-distributable.		

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30. Dividends

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
<i>Ordinary dividends paid</i>		
Final dividend paid in respect of the previous financial year of ¥500 (2011: ¥500) per ordinary share	228,420	228,420

31. Commitments

(a) Operating lease commitments – where the Group is a lessee

The Group leases office equipment from non-related parties under non-cancellable operating lease agreement. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet dates but not recognised as liabilities, are as follows:

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Not later than one year	1,974	–
Between one and five years.	–	–
	<u>1,974</u>	<u>–</u>

(b) Operating lease commitments – where the Group is a lessor

The Group lease out commercial and residential buildings to non-related parties under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increase to the lease payments or contingent rents computed based on their sales achieved during the lease period.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Not later than one year	469,042	528,676
Between one and five years.	998,895	1,041,490
More than five years	525,498	581,377
	<u>1,993,435</u>	<u>2,151,543</u>

32. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group do not use financial instruments such as currency forwards, interest rate swaps and foreign currency borrowings to hedge certain financial risk exposure.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits.

Financial risk management is carried out by the finance department in accordance with the policies set by the Board of Directors. The finance personnel identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The finance personnel measures actual exposures against the limits set and prepares periodic reports for review by the Chief Financial Officer. Regular reports are also submitted to the Board of Directors.

(a) *Market risk*

(i) *Currency risk*

Foreign currency risk arises from transactions denominated in currencies other than the functional currency of the Company. The Group's business operations are not exposed to significant foreign currency risks as it has no significant transactions denominated in foreign currencies.

(ii) *Price risk*

The Group is exposed to equity securities price risk arising from the investments held by the Group which are classified on the consolidated balance sheet either as financial assets, at fair value through profit or loss or available-for-sale financial assets. These securities consist of those listed and unlisted equity investments in Japan. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

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32. Financial risk management (continued)

(a) *Market risk* (continued)

(ii) Price risk (continued)

If prices for equity securities had changed by 10% (2011: 10%) with all other variables including tax rate being held constant, the effects on profit or loss and other comprehensive income would have been:

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Profit after tax		
– increased by	1,051	1,062
– decreased by	(1,051)	(1,062)
Other comprehensive income		
– increased by	22,412	23,636
– decreased by	(22,412)	(23,636)

(iii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group does not have any significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from borrowings at floating interest rate. The Group manages its interest rate by keeping bank loans to the minimum required to sustain the operations of the Group.

(b) *Credit risk*

Credit risk refers to the risk that counterparty will default as its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are cash and cash equivalents and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group does not hold any collateral, the maximum exposure to credit for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

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32. Financial risk management (continued)

(b) *Credit risk* (continued)

The credit risk for trade receivables based on the information provided to key management is as follows:

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
<u>By types of customers</u>		
Non-related parties		
– Current	541,955	480,542
– Non-current	–	570

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly current account balances with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Past due up to 3 months	535,630	472,210
Past due 3 to 6 months	4,526	7,152
Past due over 6 months	1,799	1,750
	541,955	481,112

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32. Financial risk management (continued)

(b) *Credit risk* (continued)

(ii) *Financial assets that are past due and/or impaired* (continued)

The carrying amount of trade and other receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
<i>Trade receivables – current</i>		
Gross amount.	5,056	3,807
Less: Allowance for impairment.	(5,056)	(3,807)
	–	–
Beginning of financial year/period	8,861	5,056
Reversal of allowance made	–	(1,127)
Allowance utilised.	(3,805)	(122)
End of financial year/period	5,056	3,807
<i>Trade receivables – non-current</i>		
Gross amount.	11,626	11,434
Less: Allowance for impairment.	(11,626)	(11,434)
	–	–
Beginning of financial year/period	12,664	11,626
Reversal of allowance made	–	(192)
Allowance utilised.	(1,038)	–
End of financial year/period	11,626	11,434
<i>Other receivables – current</i>		
Gross amount.	641	1,013
Less: Allowance for impairment.	(641)	(1,013)
	–	–
Beginning of financial year/period	7,573	641
Allowance made.	–	372
Reversal of allowance made	(2,142)	–
Allowance utilised.	(4,790)	–
End of financial year/period	641	1,013
<i>Other receivables – non-current</i>		
Gross amount.	858	71
Less: Allowance for impairment.	(858)	(71)
	–	–
Beginning of financial year/period	78	858
Allowance made.	780	–
Reversal of allowance made	–	(236)
Allowance utilised.	–	(551)
End of financial year/period	858	71

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32. Financial risk management (continued)

(c) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities (Note 23). At the balance sheet date, assets held by the Group for managing liquidity risk included cash and short-term deposits as disclosed in Note 12.

The table below analyses non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Over 5 years
	¥'000	¥'000	¥'000
At 30 November 2011			
(audited)			
Trade and other payables	2,517,703	945,095	890,184
Borrowings	6,171,720	18,406,719	6,997,496
	<u>8,689,423</u>	<u>19,351,814</u>	<u>7,887,680</u>
At 31 May 2012			
(audited)			
Trade and other payables	2,058,139	999,289	948,917
Borrowings	6,626,132	18,677,888	5,176,502
	<u>8,684,271</u>	<u>19,677,177</u>	<u>6,125,419</u>

(d) *Capital risk*

The Group's objectives when managing capital are to safeguard the Group's ability to continue to operate as a going concern entity and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares or obtain new borrowings.

Management monitors capital based on equity ratio which the Group's strategies were unchanged from 2009 and the Board of Directors monitors the Group's equity ratio on periodic basis.

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32. Financial risk management (continued)

(d) *Capital risk* (continued)

	30 November 2011	31 May 2012
	¥'000 (audited)	¥'000 (audited)
Total equity	25,307,951	25,301,417
Total assets	60,599,836	60,241,544
Equity ratio	41.76%	42.00%

The Group is in compliance with all externally imposed capital requirements for the financial year ended 30 November 2011 and the financial period ended 31 May 2012.

(e) *Fair value measurement*

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy.

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 there are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3	Total
	¥'000	¥'000	¥'000	¥'000
30 November 2011				
(audited)				
Financial assets at fair value through profit or loss	–	17,805	–	17,805
Available-for-sale financial assets . .	18,068	361,799	–	379,867
Total assets	18,068	379,604	–	397,672
31 May 2012				
(audited)				
Financial assets at fair value through profit or loss	–	18,013	–	18,013
Available-for-sale financial assets . .	18,824	381,798	–	400,622
Total assets	18,824	399,811	–	418,635

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the six-month period ended 31 May 2012

32. Financial risk management (continued)

(e) *Fair value measurement* (continued)

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that is not traded in an active market (e.g. over-the-counter derivatives) is determined by using the value-in-use method. The Group uses a variety of methods and makes assumptions that are based on market conditions existing as at 30 November 2011 and 31 May 2012 respectively. These instruments are included in Level 2. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, financial instruments would be included in Level 3.

The carrying value less impairment provision of trade and other receivables, and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosures purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximate their carrying amount.

33. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the followings transactions took place between the Group and related parties at terms agreed between parties:

(a) Sales and purchases of goods and services

	Six-month period ended 31 May	
	2011	2012
	¥'000	¥'000
	(audited)	(audited)
Sales of goods and/or services to		
– Director	–	10,164
Professional fees paid to related party	–	4,116

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the six-month period ended 31 May 2012

33. Related party transactions (continued)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Six-month period ended 31 May	
	2011	2012
	¥'000	¥'000
	(audited)	(audited)
Salaries and bonuses	60,495	63,600
Statutory welfare expenses	2,222	2,026
Retirement benefits	10,455	10,216
	73,172	75,842
	73,172	75,842

34. Segment information

The primary reportable segment is by business segment. As the Group operates predominantly in Japan, no geographical segment information is shown.

The Group's reportable segments are separate financial information available and evaluated regularly by the Board of Directors to determine distribution of management resources and assess performance. The Board of Directors draws up comprehensive domestic strategies for each segment and the Group conducts business activities accordingly. Consequently, the Group is made up of different segments, as determined by the Board of Directors, and has six reportable segments as follows:

- Revitalisation business – the Group increases the value of properties whose asset value has declined and resells them;
- Development business – the Group sells condominium units and detached houses in lots to private customers and sells rental apartments and office buildings to investors;
- Rental business – the Group rents office buildings and condominiums to non-related parties and earns rental income;
- Fund business – the Group provides fund asset management services;
- Property management business – the Group provides comprehensive property management services; and
- Alternative investment business – the Group acquires real estate collateralised loans, collects debt, and sells properties acquired as payment in kind.

No separate segmental liabilities by segment business are presented as management is of the opinion that it is impracticable to separate liabilities for each business segment. Additionally, the measurement of total liabilities for each reportable segment is not used by the Board of Directors when making operating decisions about allocating resources to the business segment and assessing its performance.

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the six-month period ended 31 May 2012

34. Segment information (continued)

The segment information provided to the management for the reportable segments are as follows:

	Revitalisation business	Development business	Rental business	Fund business	Property management business	Alternative investment business	Corporate	Total
	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000
For the six-month period ended 31 May 2011								
<i>(unaudited)</i>								
Revenue								
External revenue.....	6,489,457	388,223	1,256,900	874,755	1,554,965	92,049	–	10,656,349
Inter-segment revenue	–	–	24,220	10,927	199,789	–	(234,936)	–
Total.....	6,489,457	388,223	1,281,120	885,682	1,754,754	92,049	(234,936)	10,656,349
Interest and dividend income.....	–	–	–	19	63	31	3,087	3,200
Amortisation and depreciation ...	–	–	(49,379)	(1,606)	(11,200)	(1,957)	(19,152)	(83,294)
Finance expense.....	(204,893)	(78,280)	(73,298)	–	(2,594)	(35,895)	(7,806)	(402,766)
Other	(5,461,186)	(997,877)	(480,246)	(395,912)	(1,705,618)	111,556	(287,187)	(9,216,470)
Profit/(loss) before tax	823,378	(687,934)	678,197	488,183	35,405	165,784	(545,994)	957,019
30 November 2011								
<i>(audited)</i>								
Segment/total assets	19,412,404	13,600,894	13,802,515	815,668	1,733,741	2,445,028	8,789,586	60,599,836
Segment assets includes:								
Additions to								
– Investment properties.....	–	–	45,623	–	–	–	–	45,623
– Property, plant and equipment .	–	–	–	–	–	–	22,704	22,704
– Intangible assets	–	–	–	–	–	–	37,016	37,016

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the six-month period ended 31 May 2012

34. Segment information (continued)

	Revitalisation business	Development business	Rental business	Fund business	Property management business	Alternative investment business	Corporate	Total
	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000
<u>For the six-month period ended 31 May 2012</u>								
<i>(audited)</i>								
Revenue								
External revenue	3,354,963	3,016,296	1,142,288	387,446	1,780,738	465,790	–	10,147,521
Inter-segment revenue	–	274,003	26,276	11,825	158,351	2,270	(472,725)	–
Total	3,354,963	3,290,299	1,168,564	399,271	1,939,089	468,060	(472,725)	10,147,521
Interest and dividend income	–	–	–	34	53	25	2,031	2,143
Amortisation and depreciation	–	–	(50,052)	(2,074)	(10,682)	(3,684)	(21,018)	(87,510)
Finance expense	(149,253)	(53,162)	(82,432)	–	(2,251)	(32,007)	(3,154)	(322,259)
Other	(3,130,319)	(3,035,995)	(506,192)	(315,825)	(1,846,217)	(419,160)	(86,908)	(9,340,616)
Profit/(loss) before tax	75,391	201,142	529,888	81,406	79,992	13,234	(581,774)	399,279
<u>31 May 2012</u>								
<i>(audited)</i>								
Segment/total assets	20,156,425	14,017,267	13,897,486	880,516	1,623,308	2,282,464	7,384,078	60,241,544
Segment assets includes:								
Additions to								
– Investment properties	–	–	102,481	–	–	–	–	102,481
– Property, plant and equipment	–	–	–	–	–	–	20,427	20,427
– Intangible assets	–	–	–	–	–	–	4,280	4,280

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the six-month period ended 31 May 2012

35. Summary of major properties

Below are summary of the major properties owned by the Group:

Location	Description	Tenure	Gross floor area (sq m)	Group's effective interest in the property
<i>Real estate for sale</i>				
Kamata Tosei Building	Steel/8-storey	48 years	7,825	100%
<i>Investment properties</i>				
Koishikawa Tosei Building	Steel/10-storey, a ground-floor	48 years	3,276	100%
Nihonbashi-Hamacho Building	Steel reinforced concrete/9-storey	28 years	4,583	100%
<i>Property, plant and equipment</i>				
Toranomon Tosei Building	Steel/9-storey	45 years	4,214	100%

36. New or revised accounting standards and interpretations

- (i) Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are expected to be relevant for the Group's accounting periods beginning on or after January 2012 or later periods and which the Group has not early adopted:

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IAS* 1	Presentation to items of other comprehensive income	1 July 2012
IAS 12	Deferred tax: recovery of underlying assets	1 January 2012
IAS 19	Amendments to IAS 19, 'Employee benefits'	1 January 2013
IFRS 7	Disclosure: transfer of financial assets	1 July 2011
IFRS 9	Financial instruments: Classification and measurement	1 January 2013
	Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosure	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
	Amendments for investment entities	1 January 2014
IFRS 12	Disclosure of interests in other entities	1 January 2013
	Amendments for investment entities	1 January 2014
IFRS 13	Fair value measurement	1 January 2013

Tosei Corporation and Its Subsidiaries
Notes to the Consolidated Financial Statements
For the six-month period ended 31 May 2012

36. New or revised accounting standards and interpretations (continued)

- (ii) Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are not expected to be relevant for the Group's accounting periods beginning on or after January 2012 or later periods and which the Group has not early adopted:

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IAS 27	Separate financial statements	1 January 2013
	Amendments for investment entities	1 January 2014
IAS 28	Investments in associates and joint venture	1 January 2013
IAS 32	Amendments relating to the offsetting of assets and liabilities	1 January 2014
IFRS 1	Amendments for government loan with a below-market rate of interests when transitioning to IFRSs	1 January 2013
	Amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)	1 January 2013
IFRS 7	Amendments related to the offsetting of assets and liabilities	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRIC** 20	Shipping costs in the production phase of a surface mine	1 January 2013

* : International Accounting Standard

** : International Financial Reporting Standards Interpretations Committee

STATEMENT BY DIRECTORS

In the opinion of the directors,

- (i) the consolidated financial statements as set out on pages B-3 to B-61 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 31 May 2012, and of the results of the business, changes in equity and cash flows of the Group for the six-month period then ended; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

Seiichiro Yamaguchi
Director

Noboru Hirano
Director

22 February 2013

**INDEPENDENT AUDITOR'S REPORT ON THE UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS OF TOSEI CORPORATION AND
ITS SUBSIDIARIES FOR THE THREE-MONTH AND NINE-MONTH PERIODS
ENDED 31 AUGUST 2012**

INDEPENDENT AUDITOR'S REVIEW REPORT

22 February 2013

The Board of Directors
Tosei Corporation
Toranomom Tosei Building
4-2-3 Toranomom
Minato-ku, Tokyo

Dear Sirs

Introduction

We have reviewed the accompanying unaudited consolidated financial statements of Tosei Corporation (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheet of the Group as at 31 August 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the three-month and nine-month periods ended 31 August 2012, and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of these unaudited interim financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on these unaudited interim financial information based on our review.

The comparative figures for the corresponding three-month and nine-month periods ended 31 August 2011 were extracted from the unaudited management financial information and we have not carried out a review of those financial information. The unaudited consolidated financial information for the corresponding three-month and nine-month periods ended 31 August 2011 is the responsibility of the management.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT AUDITOR'S REVIEW REPORT (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited financial information does not present fairly, in all material respects, the financial position of the Group as at 31 August 2012, and of its financial performance, consolidated statement of changes in equity and consolidated statement of cash flows for the three-month and nine-month periods then ended in accordance with International Financial Reporting Standards.

Other Matters

This report has been prepared for inclusion in the Introductory Document of the Company in connection with the proposed secondary listing of the Company's shares on the Main Board of the Singapore Exchange Trading Securities Limited ("SGX-ST").



Nexia TS Public Accounting Corporation
Public Accountants and Certified Public Accountants
Singapore

Director-in-charge: Loh Hui Nee

Tosei Corporation and Its Subsidiaries
Unaudited Consolidated Statements of Comprehensive Income
For the three-month and nine-month periods ended 31 August 2012

	Note	Three-month period ended 31 August (unaudited)		Nine-month period ended 31 August (unaudited)	
		2011	2012	2011	2012
		¥'000	¥'000	¥'000	¥'000
Revenue	4	5,554,472	4,618,172	16,210,821	14,765,693
Cost of revenue		(4,151,097)	(3,328,921)	(11,996,175)	(11,234,764)
Gross profit		1,403,375	1,289,251	4,214,646	3,530,929
Other income	7	8,590	6,003	25,220	16,858
Other losses – net.	8	–	(18,874)	–	(21,181)
Expenses					
– Administrative		(678,350)	(748,022)	(2,146,466)	(2,276,710)
– Finance	9	(187,967)	(150,887)	(590,733)	(473,146)
Profit before income tax.		545,648	377,471	1,502,667	776,750
Income tax expense	10(a)	(233,249)	(151,224)	(646,631)	(328,519)
Net profit.		312,399	226,247	856,036	448,231
Other comprehensive (losses) /income:					
Available-for-sale financial assets					
– Fair value (losses)/gains	10(b)	(1,145)	347	(1,186)	618
Currency translation differences arising from consolidation		–	421	–	52
Other comprehensive (losses)/income, net of tax		(1,145)	768	(1,186)	670
Total comprehensive income		311,254	227,015	854,850	448,901
Profit attributable to:					
Equity holders of the Company.		312,399	226,247	856,036	448,231
Total comprehensive income attributable to:					
Equity holders of the Company.		311,254	227,015	854,850	448,901
Earnings per share attributable to equity holders of the Company (¥ per share)					
– Basic and diluted	11	683.83	495.24	1,873.82	981.15

The accompanying notes form an integral part of these financial statements.

Tosei Corporation and Its Subsidiaries
Balance Sheet
As at 31 August 2012

	Note	30 November 2011	31 August 2012
		¥'000 (audited)	¥'000 (unaudited)
ASSETS			
Current assets			
Cash and cash equivalents	12	8,381,689	6,541,823
Financial assets, at fair value through profit or loss	13	17,805	17,890
Available-for-sale financial assets	14	10,000	10,000
Trade and other receivables	15	1,205,353	2,386,408
Inventories	16	33,967,938	36,877,367
Other assets	21	2,335	1,880
		<u>43,585,120</u>	<u>45,835,368</u>
Non-current assets			
Available-for-sale financial assets	14	369,867	391,160
Trade and other receivables	17	125,635	172,179
Investment properties	18	11,378,055	11,714,742
Property, plant and equipment	19	3,341,262	3,331,802
Intangible assets	20	66,856	48,519
Other assets	21	8,380	8,380
Deferred income tax assets	26	1,724,661	1,402,624
		<u>17,014,716</u>	<u>17,069,406</u>
Total assets		<u>60,599,836</u>	<u>62,904,774</u>
LIABILITIES			
Current liabilities			
Trade and other payables	22	2,517,703	2,438,105
Current income tax liabilities		81,331	72,003
Borrowings	23	6,171,720	6,614,864
		<u>8,770,754</u>	<u>9,124,972</u>
Non-current liabilities			
Trade and other payables	22	1,835,279	2,112,596
Borrowings	23	23,900,745	25,413,598
Deferred income tax liabilities	26	280,380	192,711
Retirement benefits obligations	25	504,727	532,465
		<u>26,521,131</u>	<u>28,251,370</u>
Total liabilities		<u>35,291,885</u>	<u>37,376,342</u>
NET ASSETS		<u>25,307,951</u>	<u>25,528,432</u>
EQUITY			
Capital and reserve attributable to equity holders of the Company			
Share capital	27	5,454,673	5,454,673
Retained earnings	28	14,339,149	14,558,960
Other reserves	29	5,514,129	5,514,799
Total equity		<u>25,307,951</u>	<u>25,528,432</u>

The accompanying notes form an integral part of these financial statements.

Tosei Corporation and Its Subsidiaries
Unaudited Consolidated Statements of Changes in Equity
For the three-month and nine-month periods ended 31 August 2012

	← Attributable to equity holders of the Company → (unaudited)					
	Share capital	Capital reserve	Fair value reserve	Currency translation reserve	Retained earnings	Total equity
	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000
Balance at 1 June 2011	5,454,673	5,516,499	732	-	14,142,519	25,114,423
Total comprehensive (losses)/income for the financial period	-	-	(1,145)	-	312,399	311,254
Balance at 31 August 2011	5,454,673	5,516,499	(413)	-	14,454,918	25,425,677
Balance at 1 June 2012	5,454,673	5,516,499	(2,099)	(369)	14,332,713	25,301,417
Total comprehensive income for the financial period	-	-	347	421	226,247	227,015
Balance at 31 August 2012	5,454,673	5,516,499	(1,752)	52	14,558,960	25,528,432
Balance at 1 December 2010	5,454,673	5,516,499	773	-	13,827,302	24,799,247
Dividend relating to 2010 paid (Note 30)	-	-	-	-	(228,420)	(228,420)
Total comprehensive (losses)/income for the financial period	-	-	(1,186)	-	856,036	854,850
Balance at 31 August 2011	5,454,673	5,516,499	(413)	-	14,454,918	25,425,677
Balance at 1 December 2011	5,454,673	5,516,499	(2,370)	-	14,339,149	25,307,951
Dividend relating to 2011 paid (Note 30)	-	-	-	-	(228,420)	(228,420)
Total comprehensive income for the financial period	-	-	618	52	448,231	448,901
Balance at 31 August 2012	5,454,673	5,516,499	(1,752)	52	14,558,960	25,528,432

The accompanying notes form an integral part of these financial statements.

Tosei Corporation and Its Subsidiaries
Unaudited Consolidated Statement of Cash Flows
For the three-month and nine-month periods ended 31 August 2012

	Note	Three-month period ended 31 August (unaudited)		Nine-month period ended 31 August (unaudited)	
		2011	2012	2011	2012
		¥'000	¥'000	¥'000	¥'000
Cash flows from operating activities					
Net profit		312,399	226,247	856,036	448,231
Adjustments for:					
– Income tax expense		233,249	151,224	646,631	328,519
– Amortisation and depreciation		44,153	45,533	127,447	133,043
– Write off of property, plant and equipment	8	–	–	–	2,307
– Loss on disposal of investment properties	8	–	18,874	–	18,874
– Interest income	7	(672)	(643)	(2,600)	(1,514)
– Dividend income	7	(945)	(945)	(2,217)	(2,217)
– Interest expense	9	187,966	150,886	590,733	473,146
– Unrealised currency translation losses		–	421	–	52
		776,150	591,597	2,216,030	1,400,441
Change in working capital:					
– Inventories		1,390,164	(2,402,317)	750,119	(3,453,385)
– Trade and other receivables		53,752	(1,109,859)	(58,876)	(1,225,236)
– Financial assets, at fair value through profit or loss		2,085	123	(17,890)	(85)
– Other assets		547	1,172	(27)	455
– Trade and other payables		256,063	544,830	774,180	202,398
– Retirement benefits obligations		14,797	11,146	28,735	27,738
Cash generated from/(used in) operations		2,493,558	(2,367,308)	3,692,271	(3,047,674)
Interest received		593	643	1,875	1,514
Dividend received		945	945	2,217	2,217
Income tax paid		(16,181)	(42,375)	(36,198)	(104,154)
Net cash provided by/(used in) operating activities		2,478,915	(2,408,095)	3,660,165	(3,148,097)
Cash flows from investing activities					
Additions to property, plant and equipment		(15,701)	(1,011)	(20,195)	(21,438)
Additions to investment properties		(3,842)	(4,629)	(39,642)	(107,110)
Additions of intangible assets		(3,415)	–	(34,984)	(4,280)
Purchase of available-for-sale financial assets		–	–	(133,350)	(20,000)
Disposal of investment properties		–	216,967	–	216,967
Net cash (used in)/provided by investing activities		(22,958)	211,327	(228,171)	64,139
Cash flows from financing activities					
Proceeds from borrowings		547,000	4,932,000	5,942,000	11,806,000
Repayment of borrowings		(2,680,493)	(3,017,490)	(8,688,866)	(9,852,537)
Repayment of finance lease obligations		(391)	(147)	(1,174)	(930)
Interest paid		(218,817)	(151,286)	(635,777)	(480,021)
Dividends paid to equity holders of the Company	30	–	–	(228,420)	(228,420)
Net cash (used in)/provided by financing activities		(2,352,701)	1,763,077	(3,612,237)	1,244,092
Net increase/(decrease) in cash and cash equivalents		103,256	(433,691)	(180,243)	(1,839,866)
Cash and cash equivalents					
Beginning of financial period		6,574,683	6,955,514	6,858,182	8,361,689
End of financial period		6,677,939	6,521,823	6,677,939	6,521,823

The accompanying notes form an integral part of these financial statements.

Tosei Corporation and Its Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
For the three-month and nine-month periods ended 31 August 2012

These notes form an integral part of and should be read in conjunction with the accompanying unaudited consolidated financial statements.

1. General information

1.1 Introduction

The unaudited consolidated financial statements of Tosei Corporation (the “Company”) and its subsidiaries (collectively, the “Group”) have been prepared for inclusion in filings associated with a proposed secondary listing of the Company’s shares on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

These unaudited consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Tosei Corporation on 22 February 2013.

1.2 Corporate information

Tosei Corporation is listed on the Tokyo Stock Exchange, First Section and incorporated and domiciled in Japan. The address of its registered office is Toranomom Tosei Building, 4-2-3 Toranomom, Minato-ku, Tokyo.

The principal activities of the Company are those of real estate revitalisation, development and rental property management, investment in real estate funds, financial products and assets, as well as advisory and asset management services.

The Group comprises the Company and the following subsidiaries:

<u>Name of companies</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Equity Holding</u>	
			<u>2011</u>	<u>2012</u>
			%	%
<u>Significant subsidiaries held by the Company</u>				
Tosei Community Co., Ltd.	Property management	Japan	100	100
Tosei Revival Investment Co., Ltd.	Alternative investment	Japan	100	100
Tosei Asset Advisor, Inc.	Fund	Japan	100	100
Tosei Singapore Pte. Ltd. ⁽¹⁾	Real estate management ⁽³⁾	Singapore	–	100
NAI Tosei Japan, Inc. ⁽²⁾	Real estate agency and consultancy ⁽³⁾	Japan	–	100

Tosei Corporation and Its Subsidiaries
Notes to the Unaudited Consolidated Financial Statements
For the three-month and nine-month periods ended 31 August 2012

1. General information (continued)

1.2 Corporate information (continued)

<u>Name of companies</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Equity Holding</u>	
			<u>2011</u>	<u>2012</u>
			%	%
<u>Significant subsidiaries held by Tosei Revival Investment Co., Ltd.</u>				
Hestia Capital Limited Company	Alternative investment	Japan	100	100
Metis Capital Co., Ltd. ⁽⁴⁾	Alternative investment	Japan	100	–
Green House Limited Company	Alternative investment	Japan	100	100

(1) Newly incorporated in 10 January 2012.

(2) Newly incorporated in 20 January 2012 and not consolidated as its impact to the Group's financial statements is insignificant. This subsidiary was previously known as Sannomiya Real Estate Sales LLC.

(3) This is the intended activity of the subsidiary and operations have not commenced since the date of incorporation.

(4) Metis Capital Co., Ltd. merged with Tosei Revival Investment on 31 May 2012.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these unaudited consolidated financial statements are set out below.

2.1 Basis of preparation

These unaudited consolidated financial statements of the Group have been prepared for the purpose of inclusion in filings associated with a proposed secondary listing of the Company's shares on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

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2. Summary of significant accounting policies (continued)

2.2 Revenue recognition (continued)

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Properties for sale*

The Group recognises income on property when the risks and rewards of ownership have been transferred to the buyer. Depending on the selling conditions associated with each property, revenue is generally not recognised if the Group provides various guarantees and other financial support to the buyers ("continuing involvement"). Such continuing involvement by the Group would then require revenue to be deferred until the Group's continuing involvement ceases. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of unit sold.

(b) *Rental income*

Rental income from operating lease (net of any incentives given to the lessee) is recognised on a straight-line basis over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

(c) *Financial advisory and management fee*

Financial advisory and management fee is recognised as and when services are rendered.

(d) *Interest income*

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

(e) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(f) *Other income*

Other income is recognised at the point of entitlement of income.

2. Summary of significant accounting policies (continued)

2.3 Group accounting

(a) *Subsidiaries*

(i) Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the unaudited consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

2. Summary of significant accounting policies (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries* (continued)

(ii) Acquisitions (continued)

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as bargain purchase.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

(b) *Transactions with non-controlling interests.*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.4 Property, plant and equipment

(a) *Measurement*

(i) Land and buildings

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at cost less accumulated impairment losses. Buildings are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(a) *Measurement (continued)*

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Note 2.7 on borrowing costs).

(b) *Depreciation*

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method. If the depreciation based on the reducing balance method has better reflects the pattern in which the asset’s future economic benefits are expected to be consumed, this method is applied. The depreciable amounts of other items of property, plant and equipment over their estimated useful lives are allocated as follows:

	<u>Useful lives</u>
Buildings and structures	3 – 50 years
Tools, equipment and fixtures	3 – 20 years

The residual values, and estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets still in use are retained in the financial statements.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other (losses)/gains – net".

2.5 Intangible assets

(a) *Acquired licenses*

Licences acquired are initially recognised at cost. Acquired licenses with an indefinite useful life are subjected to impairment assessment by comparing its recoverable amount with its carrying amount on an annual basis and whenever there is an indication that the intangible asset may be impaired. The useful life of acquired licenses is reviewed and assessed at the end of each balance sheet date.

(b) *Acquired computer software licenses*

Acquired computer software licences are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure including employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three to five years.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Club memberships

Club memberships are stated at cost less impairment loss.

2. Summary of significant accounting policies (continued)

2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under constructions.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development or assets under construction. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

2.8 Investment properties

- (a) Investment properties include those portions of commercial and residential buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases that is held for long-term capital appreciation or for a currently indeterminate use.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment loss. Depreciation of investment properties is calculated using the straight-line method. If the depreciation based on the reducing balance method has better reflects the pattern in which the asset's future economic benefits are expected to be consumed, this method is applied. The allocated depreciable amounts of the investment properties over the estimated useful lives range between 3 to 50 years. Freehold land included in the investment properties is not depreciated.

The residual values, and estimated useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss within "Other (losses)/gains – net".

2. Summary of significant accounting policies (continued)

2.8 Investment properties (continued)

(b) *Transfer*

Transfers to, or from, investment properties are made when there is a change in use, evidenced by:

- (i) commencement of development with a view to sell, for a transfer from investment properties to development properties; and
- (ii) commencement of an operating lease to another party, for a transfer from development properties to investment properties.

2.9 Impairment of non-financial assets

(a) *Intangible assets*
Property, plant and equipment
Investment properties

Intangible assets, property, plant and equipment and investment properties are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs. If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

2. Summary of significant accounting policies (continued)

2.10 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at the date of inception. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Assets in this category are presented as current assets if they are expected to be realised within 12 months after the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date or over its normal operating cycle which are presented as non-current assets. Loans and receivables are presented as “trade and other receivables” (Notes 15 and 17) and “cash and cash equivalents” (Note 12) on the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

(b) *Recognition and derecognition* (continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the other comprehensive income relating to that asset is reclassified to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) *Subsequent measurement*

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account for which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

(e) *Impairment* (continued)

(i) Loans and receivables (continued)

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.10(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial assets are impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

(f) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

2. Summary of significant accounting policies (continued)

2.11 Financial guarantees (continued)

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within a year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. When appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2. Summary of significant accounting policies (continued)

2.15 Leases

(a) *When the Group is the lessee:*

The Group leases office equipment under finance leases and operating leases from non-related parties.

(i) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) *When the Group is the lessor:*

The Group leases investment properties under operating lease to non-related parties.

(i) Lessor – Operating leases

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

2. Summary of significant accounting policies (continued)

2.15 Leases (continued)

(b) *When the Group is the lessor:* (continued)

(i) Lessor – Operating leases (continued)

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.16 Inventories

Inventories consist of real estate for sale and real estate for sale in-progress. They are stated at the lower of cost plus, where appropriate, a portion of attributable profit, and estimated net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of inventories comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

2. Summary of significant accounting policies (continued)

2.17 Income taxes (continued)

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss.

2.18 Provisions for other liabilities and charges

Provision for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans which the Group pays fixed contributions into separate entities such as the Pension Scheme on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Post employment benefit obligations*

Post employment benefit obligations are defined benefit plans which define the amount of benefit where employee will receive on retirement according to laws depending on age and years of service.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using

2. Summary of significant accounting policies (continued)

2.19 Employee compensation (continued)

(b) *Post employment benefit obligations* (continued)

interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses as at end of the previous reporting year are recognised on a straight-line basis within the period of the remaining average service lives of the participating employees.

(c) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(d) *Other employee benefits*

The other employee benefits includes employee share ownership plan and contributions to the plan are recognised in profit or loss when incurred. The details of the plan are described in Note 25(b).

2.20 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The financial statements are presented in Japanese Yen, which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation difference arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

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2. Summary of significant accounting policies (continued)

2.20 Currency translation (continued)

(b) *Transactions and balances* (continued)

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is classified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gain or losses that relate to borrowings are presented in the income statement within "Finance costs". All other foreign exchange gains or losses impacting profit or loss are presented in the income statement within "Other (losses)/gains – net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

2.22 Cash and cash equivalents

For the purpose of presentation in the unaudited consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

2.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are recognised against the share capital account.

2.24 Dividends to company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

(a) *Uncertain tax positions*

The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses (“uncertain tax positions”) at each tax jurisdiction. The Group recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax provisions in the financial period in which such determination is made. The carrying amounts of the Group’s provision for taxation as at 30 November 2011 and 31 August 2012 were ¥81,331,000 and ¥72,003,000 respectively. The carrying amounts of the Group’s deferred tax liabilities as at 30 November 2011 and 31 August 2012 were ¥280,380,000 and ¥192,711,000 respectively.

(b) *Impairment of loans and receivables*

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. As at 30 November 2011 and 31 August 2012, management has made adequate provision for impairment of trade and other receivables of ¥18,181,000 and ¥20,394,000 respectively. The carrying value of trade and other receivables as at 30 November 2011 and 31 August 2012 were ¥1,330,988,000 and ¥2,558,587,000 respectively.

If the net present value of estimated cash flows increase/decrease by 10% from management’s estimates for all loans and receivables, the Group’s allowance for impairment will decrease/increase by ¥133,099,000 and ¥255,859,000 as at 30 November 2011 and 31 August 2012 respectively.

3. Critical accounting estimates, assumptions and judgements (continued)

3.1 Critical accounting estimates and assumptions (continued)

(c) *Employee benefit*

The present value of the pension obligations depends on a number of factors that we determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. The key line items affected will be "Employee compensation" and "Retirement benefits obligation" as disclosed in Note 6 and Note 25 respectively.

3.2 Critical judgements in applying the entity's accounting policies

(a) *Deferred income tax assets*

The Group recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised.

As at 30 November 2011 and 31 August 2012, deferred tax assets of certain group entities amounting to ¥1,724,661,000 and ¥1,402,624,000 respectively were recognised based on the anticipated future use of tax losses carried forward by those entities. In the event that the tax authority regards the group entities as not satisfying the current tax legislation and disallowed the carry forward of the tax losses, the deferred tax assets will have to be written off as income tax expense.

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4. Revenue

	Three-month period ended 31 August (unaudited)		Nine-month period ended 31 August (unaudited)	
	2011	2012	2011	2012
	¥'000	¥'000	¥'000	¥'000
Revitalisation business	2,544,117	1,174,793	9,033,574	4,529,756
Development business	1,270,513	1,602,853	1,658,736	4,619,149
Rental business	627,846	621,699	1,884,746	1,763,987
Fund business	180,318	219,932	1,055,073	607,378
Property management business . . .	887,965	771,379	2,442,930	2,552,117
Alternative investment business . . .	43,713	227,516	135,762	693,306
	<u>5,554,472</u>	<u>4,618,172</u>	<u>16,210,821</u>	<u>14,765,693</u>

5. Expenses by nature

	Three-month period ended 31 August (unaudited)		Nine-month period ended 31 August (unaudited)	
	2011	2012	2011	2012
	¥'000	¥'000	¥'000	¥'000
Advertising	5,955	6,079	16,207	20,799
Allowance for impairment – trade and other receivables – net	1,883	4,145	(2,192)	2,962
Amortisation of intangible assets . .	8,507	7,634	25,242	22,617
Bad debts written off	–	–	576	–
Commission fee	37,846	40,578	147,080	114,659
Communication	9,425	9,502	28,844	29,712
Cost of inventories (Note 16)	3,156,178	2,457,194	8,846,873	8,212,538
Depreciation of investment properties	26,551	27,101	75,481	78,538
Depreciation of property, plant and equipment	9,095	10,798	26,724	31,888
Employee compensation (Note 6) .	500,692	525,255	1,528,692	1,617,026
Entertainment	3,403	3,185	9,171	11,718
Inventory write-down – net (Note 16)	–	–	420,219	233,251

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5. Expenses by nature (continued)

	Three-month period ended 31 August (unaudited)		Nine-month period ended 31 August (unaudited)	
	2011	2012	2011	2012
	¥'000	¥'000	¥'000	¥'000
Other professional fees	17,177	25,599	49,161	103,997
Property management and maintenance fees	969,969	845,995	2,653,955	2,713,193
Rental expense on operating leases	6,137	5,486	18,192	17,482
Stationery	9,754	10,084	31,660	36,181
Tax and dues	39,918	72,863	170,279	178,711
Transportation	9,803	11,282	27,954	30,225
Other	17,154	14,163	68,523	55,977
Total cost of revenue and administrative expenses	<u>4,829,447</u>	<u>4,076,943</u>	<u>14,142,641</u>	<u>13,511,474</u>

Property management and maintenance fees mainly consist of utilities charges, repair and maintenance expenses and other incidental expenses.

6. Employee compensation

	Three-month period ended 31 August (unaudited)		Nine-month period ended 31 August (unaudited)	
	2011	2012	2011	2012
	¥'000	¥'000	¥'000	¥'000
Salaries and bonuses	406,875	429,670	1,251,352	1,299,277
Statutory welfare expenses	53,715	54,317	155,016	163,249
Retirement benefits	19,394	20,088	59,352	63,379
Other short-term benefits	20,708	21,180	62,972	91,121
	<u>500,692</u>	<u>525,255</u>	<u>1,528,692</u>	<u>1,617,026</u>

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7. Other income

	Three-month period ended 31 August (unaudited)		Nine-month period ended 31 August (unaudited)	
	2011	2012	2011	2012
	¥'000	¥'000	¥'000	¥'000
Interest income	672	643	2,600	1,514
Dividend income	945	945	2,217	2,217
Miscellaneous	6,973	4,415	20,403	13,127
	<u>8,590</u>	<u>6,003</u>	<u>25,220</u>	<u>16,858</u>

Miscellaneous income mainly consists of income received from rental of spaces to vendors of vending machines and others.

8. Other losses – net

	Three-month period ended 31 August (unaudited)		Nine-month period ended 31 August (unaudited)	
	2011	2012	2011	2012
	¥'000	¥'000	¥'000	¥'000
Property, plant and equipment written off	–	–	–	2,307
Loss on disposal of investment properties	–	18,874	–	18,874
	<u>–</u>	<u>18,874</u>	<u>–</u>	<u>21,181</u>

9. Finance expenses

	Three-month period ended 31 August (unaudited)		Nine-month period ended 31 August (unaudited)	
	2011	2012	2011	2012
	¥'000	¥'000	¥'000	¥'000
Interest expense – bank borrowings	187,967	150,887	590,733	473,146
	<u>187,967</u>	<u>150,887</u>	<u>590,733</u>	<u>473,146</u>

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10. Income taxes

(a) Income tax expenses

	Three-month period ended 31 August (unaudited)		Nine-month period ended 31 August (unaudited)	
	2011	2012	2011	2012
	¥'000	¥'000	¥'000	¥'000
Tax expense attributable to profit is made up of:				
Profit from current financial year				
– Current income tax –				
Japan	14,952	44,586	41,448	94,826
Deferred income tax.	218,297	106,638	605,183	233,693
	<u>233,249</u>	<u>151,224</u>	<u>646,631</u>	<u>328,519</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Japan standard rate of income tax as follows:

	Three-month period ended 31 August (unaudited)		Nine-month period ended 31 August (unaudited)	
	2011	2012	2011	2012
	¥'000	¥'000	¥'000	¥'000
Profit before income tax.	545,648	377,471	1,502,667	776,750
Tax calculated at domestic tax rates applicable to profit.	223,716	154,763	616,093	318,467
Effects of:				
– Expenses not deductible for tax purposes	1,234	1,051	3,084	4,962
– Deferred tax assets not recognised/(utilised)	5,553	(10,779)	22,542	(83,401)
– Change in tax rate	–	(3,360)	–	80,986
– Other	2,746	9,549	4,912	7,505
Tax charge	<u>233,249</u>	<u>151,224</u>	<u>646,631</u>	<u>328,519</u>

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10. Income taxes (continued)

- (b) The tax (charge)/credit relating to each component of other comprehensive (losses)/income is as follows:

	Three-month period ended 31 August 2011 (unaudited)			Three-month period ended 31 August 2012 (unaudited)		
	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000
Fair value (losses)/gains on available-for-sale financial assets . . .	(1,945)	800	(1,145)	538	(191)	347

	Nine-month period ended 31 August 2011 (unaudited)			Nine-month period ended 31 August 2012 (unaudited)		
	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000
Fair value (losses)/gains on available-for-sale financial assets . . .	(2,014)	828	(1,186)	1,293	(675)	618

11. Earnings per share

- (a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the three-month and nine-month periods ended 31 August 2011 and 2012 respectively.

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11. Earnings per share (continued)

(a) Basic earnings per share (continued)

	Three-month period ended 31 August (unaudited)		Nine-month period ended 31 August (unaudited)	
	2011	2012	2011	2012
Net profit attributable to the equity holders of the Company (¥'000)	312,399	226,247	856,036	448,231
Weighted average number of ordinary shares outstanding for basic earnings per share	456,840	456,840	456,840	456,840
Basic earnings per share (¥ per share)	683.83	495.24	1,873.82	981.15

(b) Diluted earnings per share

There were no diluted earnings per share for the three-month and nine-month periods ended 31 August 2011 and 2012 as there were no potential dilutive ordinary shares.

12. Cash and cash equivalents

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Cash at bank and on hand	8,341,689	6,351,823
Short-term bank deposits	40,000	190,000
	<u>8,381,689</u>	<u>6,541,823</u>

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Cash and bank balances (as above)	8,381,689	6,541,823
Less: Deposits more than 3 months	(20,000)	(20,000)
Cash and cash equivalents per consolidated statement of cash flows	<u>8,361,689</u>	<u>6,521,823</u>

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13. Financial assets, at fair value through profit or loss

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
<i>At fair value on initial recognition</i>		
Unlisted equity securities – Japan	17,805	17,890

The fair value losses – net for the three-month and nine-month periods ended 31 August 2011 and 2012 amounting to ¥2,084,000, ¥122,000, ¥2,109,000 and ¥1,914,000 respectively have been included as part of “Total cost of revenue and administrative expenses – Other”.

14. Available-for-sale financial assets

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Beginning of financial year/period	51,845	379,867
Additions	333,350	20,000
Fair value (losses)/gains recognised in other comprehensive income (Note 29(b)(ii))	(5,328)	1,293
End of financial year/period	379,867	401,160
Less: Current portion	(10,000)	(10,000)
Non-current portion	369,867	391,160

Available-for-sale financial assets are analysed as follows:

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Listed securities – Japan	18,068	19,362
Unlisted securities – Japan	361,799	381,798
Total	379,867	401,160

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15. Trade and other receivables

	30 November 2011	31 August 2012
	¥'000	¥'000
	(audited)	(unaudited)
Trade receivables – non-related parties	547,011	495,201
Less: Allowance for impairment (Note 32(b)(ii)).	(5,056)	(3,303)
Trade receivables – net	541,955	491,898
Loan to non-related parties	11,133	3,678
Less: Non-current portion (Note 17)	(10,325)	(3,387)
	808	291
Advance payments	225,752	141,546
Prepayments	257,326	271,028
Receivables purchased	81,361	6,277
Other receivables	98,792	1,479,815
Less: Allowance for impairment (Note 32(b)(ii)).	(641)	(4,447)
	<u>1,205,353</u>	<u>2,386,408</u>

16. Inventories

	30 November 2011	31 August 2012
	¥'000	¥'000
	(audited)	(unaudited)
Real estate for sale	27,673,983	28,048,559
Real estate for sale in-progress	6,293,955	8,828,808
	<u>33,967,938</u>	<u>36,877,367</u>

The cost of inventories recognised as an expense and included in “Total cost of revenue – Cost of inventories” for the three-month and nine-month periods ended 31 August 2011 and 2012 amounted to ¥3,156,178,000, ¥2,457,194,000, ¥8,846,873,000, and ¥8,212,538,000 respectively.

Inventories of ¥33,785,368,000 and ¥36,800,411,000 of the Group have been pledged as security for borrowings of the Group at the end of the respective financial year/period ended 30 November 2011 and 31 August 2012 (Note 23(a)).

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16. Inventories (continued)

The cost of inventories recognised as expense in respect of write-down and the reversal of such write-down are as follows:

	Three-month period ended 31 August (unaudited)		Nine-month period ended 31 August (unaudited)	
	2011	2012	2011	2012
	¥'000	¥'000	¥'000	¥'000
Inventory write-down ⁽¹⁾	–	–	(716,640)	(238,235)
Reversal of write-down ⁽²⁾	–	–	296,421	4,984
Inventory write-down – net	–	–	(420,219)	(233,251)

(1) This relates to write-down of the carrying amount of real estate to its net realisable value.

(2) The reversal is mainly due to an upturn of property market situation.

Details of major real estate for sale of the Group are disclosed under summary of major properties (Note 35).

17. Trade and other receivables – non-current

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Trade receivables – non-related parties	11,626	14,088
Less: Allowance for impairment (Note 32(b)(ii))	(11,626)	(12,626)
Trade receivables – net	–	1,462
Other receivables		
– Loan to non-related parties (Note 15)	10,325	3,387
Less: Allowance for impairment (Note 32(b)(ii))	(858)	(17)
– Guarantee deposits	115,368	166,094
– Other	800	1,253
	125,635	172,179

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17. Trade and other receivables – non-current (continued)

The fair value of non-current trade and other receivables are computed based on cash flows discounted at market borrowing rates. The market borrowing rates used and the fair values are as follows:

	30 November 2011	31 August 2012
	(audited)	(unaudited)
Market borrowing rates	2.10 – 3.02%	2.00 – 3.02%
Loan to non-related parties (¥'000)	10,182	3,386

18. Investment properties

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
<i>Cost</i>		
Beginning of financial year/period	11,925,105	12,239,292
Additions	45,623	107,110
Disposal	–	(247,954)
Transfer from inventories	507,958	586,491
Transfer to inventories	(239,394)	–
End of financial year/period	12,239,292	12,684,939
<i>Accumulated depreciation</i>		
Beginning of financial year/period	763,658	861,237
Depreciation charge	101,706	78,538
Disposal	–	(12,113)
Transfer from inventories	–	42,535
Transfer to inventories	(4,127)	–
End of financial year/period	861,237	970,197
Net book value		
End of financial year/period	11,378,055	11,714,742

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18. Investment properties (continued)

- (a) Included within transfer from inventories is land use rights amounting to ¥Nil and ¥346,164,000 as at the respective financial year/period ended 30 November 2011 and 31 August 2012. The land use rights are long-term leasehold interests in the usage of land which were acquired together with a commercial building situated on that plot of land. Both land use rights and the building are acquired from a third party in 2008. The land use rights are only transferable with the attached building and are amortised based on the remaining useful lives of 31 years as at 31 August 2012.
- (b) Investment properties are leased to non-related parties under operating leases (Note 31(b)).
- (c) Certain investment properties are mortgaged to secure bank loans (Note 23(a)).
- (d) The land and buildings of the Group were valued by internal valuers mainly using discounted cash flow method. Below are the fair values of investment properties owned by the Group:

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Investment properties	12,046,214	12,549,304

- (e) The following amounts are recognised in profit and loss:

	Three-month period ended 31 August (unaudited)		Nine-month period ended 31 August (unaudited)	
	2011	2012	2011	2012
	¥'000	¥'000	¥'000	¥'000
Rental income				
– Investment properties that generated rental income . .	215,190	221,191	640,725	613,887
Direct operating expenses arising from:				
– Investment properties that generated rental income . .	<u>(77,882)</u>	<u>(80,242)</u>	<u>(218,747)</u>	<u>(231,134)</u>

- (f) Details of major investment properties of the Group are disclosed under summary of major properties (Note 35).

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19. Property, plant and equipment

	Building and structures	Land	Tools, equipment and fixtures	Total
	¥'000	¥'000	¥'000	¥'000
30 November 2011				
(audited)				
<i>Cost</i>				
Beginning of financial year	1,202,013	2,219,719	82,268	3,504,000
Additions	8,362	–	14,342	22,704
Written off	(307)	–	(3,779)	(4,086)
Reclassified to inventories	–	–	(619)	(619)
End of financial year	<u>1,210,068</u>	<u>2,219,719</u>	<u>92,212</u>	<u>3,521,999</u>
<i>Accumulated depreciation</i>				
Beginning of financial year	95,357	–	52,706	148,063
Depreciation charge	24,325	–	12,676	37,001
Written off	(306)	–	(3,602)	(3,908)
Reclassified to inventories	–	–	(419)	(419)
End of financial year	<u>119,376</u>	<u>–</u>	<u>61,361</u>	<u>180,737</u>
Net book value				
End of financial year	<u>1,090,692</u>	<u>2,219,719</u>	<u>30,851</u>	<u>3,341,262</u>
31 August 2012				
(unaudited)				
<i>Cost</i>				
Beginning of financial period	1,210,068	2,219,719	92,212	3,521,999
Additions	1,837	–	22,898	24,735
Written off	(4,254)	–	(10,213)	(14,467)
End of financial period	<u>1,207,651</u>	<u>2,219,179</u>	<u>104,897</u>	<u>3,532,267</u>
<i>Accumulated depreciation</i>				
Beginning of financial period	119,376	–	61,361	180,737
Depreciation charge	19,169	–	12,719	31,888
Written off	(2,486)	–	(9,674)	(12,160)
End of financial period	<u>136,059</u>	<u>–</u>	<u>64,406</u>	<u>200,465</u>
Net book value				
End of financial period	<u>1,071,592</u>	<u>2,219,719</u>	<u>40,491</u>	<u>3,331,802</u>

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19. Property, plant and equipment (continued)

- (a) Included within additions in the consolidated financial statements are tools, equipment and fixtures acquired under finance lease amounting to ¥Nil and ¥3,297,000 at the respective financial year/period ended 30 November 2011 and 31 August 2012.

The carrying amounts of plant and equipment held under finance leases are ¥746,000 and ¥3,160,000 at the respective financial year/period ended 30 November 2011 and 31 August 2012.

- (b) Bank borrowings are secured on property, plant and equipment of the Group with carrying amounts of ¥3,292,453,000 and ¥3,275,845,000 at the respective balance sheet dates (Note 23(a)).
- (c) Details of major owner-occupied building of the Group is disclosed under summary of major properties (Note 35).

20. Intangible assets

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
<u>Composition:</u>		
Licenses – telephone rights (Note 20(a))	1,889	1,889
Computer software licenses (Note 20(b))	64,967	46,630
	66,856	48,519
	66,856	48,519

(a) Licenses – Telephone rights

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
<i>Cost</i>		
Beginning and end of financial year/period	1,889	1,889
	1,889	1,889
	1,889	1,889

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20. Intangible assets (continued)

(b) Computer software licenses

	30 November 2011	31 August 2012
	¥'000	¥'000
	(audited)	(unaudited)
<i>Cost</i>		
Beginning of financial year/period	144,819	170,802
Additions	37,016	4,280
Written off.	(11,033)	–
End of financial year/period	<u>170,802</u>	<u>175,082</u>
<i>Accumulated amortisation</i>		
Beginning of financial year/period	83,291	105,835
Amortisation charge	33,577	22,617
Written off.	(11,033)	–
End of financial year/period	<u>105,835</u>	<u>128,452</u>
Net book value		
End of financial year/period	<u><u>64,967</u></u>	<u><u>46,630</u></u>

The amortisation expense is included in “Expenses – Administrative” in the unaudited consolidated statement of comprehensive income.

21. Other assets

	30 November 2011	31 August 2012
	¥'000	¥'000
	(audited)	(unaudited)
<i>Club memberships at cost</i>		
Beginning and end of financial year/period	25,357	25,357
<i>Accumulated impairment loss</i>		
Beginning and end of financial year/period	(16,977)	(16,977)
Net book value		
End of financial year/period	<u>8,380</u>	<u>8,380</u>
Other	<u>2,335</u>	<u>1,880</u>
	<u><u>10,715</u></u>	<u><u>10,260</u></u>

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21. Other assets (continued)

	30 November 2011	31 August 2012
	¥'000	¥'000
	(audited)	(unaudited)
Presented in balance sheets as:		
Other assets, current	2,335	1,880
Other assets, non-current	8,380	8,380
	<u>10,715</u>	<u>10,260</u>

22. Trade and other payables

	30 November 2011	31 August 2012
	¥'000	¥'000
	(audited)	(unaudited)
<i>Current</i>		
Trade payables to non-related parties	820,709	908,747
Deposits for purchase of real estate	545,488	782,053
Other payable to non-related parties	290,718	244,310
Accruals for operating expenses	860,788	502,995
	<u>2,517,703</u>	<u>2,438,105</u>
<i>Non-current</i>		
Lease and guarantee deposits received	1,810,569	2,087,787
Assets retirement obligations	24,710	24,809
	<u>1,835,279</u>	<u>2,112,596</u>

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23. Borrowings

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
<i>Current</i>		
Bank borrowings	6,170,937	6,613,972
Finance lease liabilities (Note 24)	783	892
	<u>6,171,720</u>	<u>6,614,864</u>
<i>Non-Current</i>		
Bank borrowings	23,900,745	25,411,173
Finance lease liabilities (Note 24)	–	2,425
	<u>23,900,745</u>	<u>25,413,598</u>
Total borrowings	<u><u>30,072,465</u></u>	<u><u>32,028,462</u></u>

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Within 1 year	6,171,720	6,614,837
1 – 5 years	17,413,280	19,442,545
Over 5 years	6,487,465	5,971,080
	<u><u>30,072,465</u></u>	<u><u>32,028,462</u></u>

(a) *Security granted*

Total borrowings included secured liabilities of ¥29,821,722,000 and ¥31,849,354,000 at the respective balance sheet dates. Bank borrowings of the Group are secured over certain inventories (Note 16), investment properties (Note 18) and certain land and buildings (Note 19). Finance lease liabilities of the Group are effectively secured over the leased plant and equipment (Note 19), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the financial lease liabilities.

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23. Borrowings (continued)

(b) *Fair value of non-current borrowings*

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Bank borrowings	23,885,818	25,395,671
Finance lease liabilities	–	2,426

The fair values above are determined from the cash flow analyses, discounted at the market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	30 November 2011	31 August 2012
	% (audited)	% (unaudited)
Bank borrowings	2.06	2.02
Finance lease liabilities	–	2.20

24. Finance lease liabilities

The Group leases certain plant and equipment from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Minimum lease payments due:		
– Not later than one year	825	903
– Between one and five years	–	2,558
	825	3,461
Less: Future finance charges	(42)	(144)
Present value of finance lease liabilities	783	3,317

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24. Finance lease liabilities (continued)

The present values of finance lease liabilities are analysed as follows:

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Not later than one year (Note 23)	783	892
Between one and five years (Note 23)	–	2,425
Present value of finance lease liabilities	<u>783</u>	<u>3,317</u>

The carrying amounts of finance lease liabilities approximate their fair values.

25. Employee benefits

(a) Retirement benefits obligations

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Obligations recognised in the balance sheet for:		
Retirement benefits plans (Note 25(a)(i)).	191,871	209,405
Directors' retirement benefits plans (Note 25(a)(ii))	312,856	323,060
	<u>504,727</u>	<u>532,465</u>

(i) *Retirement benefits plans*

The Group adopts the retirement lump-sum grants policy based on their pension plan. In addition, some of the entities in the Group adopt the Employees' Pension Fund and Defined Contribution Plan.

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25. Employee benefits (continued)

(a) Retirement benefits obligations (continued)

(i) *Retirement benefits plans* (continued)

Defined benefit plans

The amounts included in the consolidated balance sheets arising from the Group's obligation in respect of its defined benefit plans are as follows:

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Obligations under defined benefit plans	193,104	210,085
Net actuarial losses not recognised	(1,233)	(680)
Liabilities recognised in the balance sheet	<u>191,871</u>	<u>209,405</u>

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Beginning of financial year/period	167,330	193,104
Current service cost	29,745	25,941
Interest cost	3,447	2,929
Benefits paid	(3,992)	(12,895)
Actuarial (gains)/losses	(3,426)	1,006
End of financial year/period	<u>193,104</u>	<u>210,085</u>

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25. Employee benefits (continued)

(a) Retirement benefits obligations (continued)

(i) *Retirement benefits plans* (continued)

The principal actuarial assumptions used were as follows:

	30 November 2011	31 August 2012
	%	%
	(audited)	(unaudited)
Discount rate	1.68	1.68
Future salary increases	2.41	2.41

Multi-employer plans

At the respective balance sheet dates, one of the Company's subsidiaries joined the "Japan Residence Construction Industry Pension Fund" under multi-employer plans.

Below are the amounts contributed to the fund by the Group:-

	30 November 2011	31 August 2012
	¥'000	¥'000
	(audited)	(unaudited)
Contribution to the fund	9,886	7,140

The contribution to the fund is included as part of "Employee compensation – retirement benefits" (Note 6).

Defined contribution plans

At the respective balance sheet dates, the Company and some of its subsidiaries have participated under a voluntary joint defined contribution plan.

Below are the amounts contributed to the fund by the Group:-

	30 November 2011	31 August 2012
	¥'000	¥'000
	(audited)	(unaudited)
Contribution to the fund	5,994	5,096

The contribution to the fund is included as part of "Employee compensation – retirement benefits" (Note 6).

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25. Employee benefits (continued)

(a) Retirement benefits obligations (continued)

(ii) *Director's retirement benefits plans*

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Beginning of financial year/period	301,522	312,856
Provision made	25,837	18,026
Benefits paid	(14,503)	(7,822)
End of financial year/period	<u>312,856</u>	<u>323,060</u>
Provision made is included in profit or loss:		
– Employee compensation – Retirement benefits	<u>25,837</u>	<u>18,026</u>

(b) Employee share ownership plan (“ESOP”)

The Company implemented the Tosei Employee Share Ownership Scheme (“ESOP”) and adopted the rules of the ESOP as set out in the Employee Share Ownership Rules of the Company on 1 September 2002.

The purpose of the ESOP is to enable full-time employees of the Company to acquire and accumulated shares of the Company by making small contributions on a regular basis.

Under the ESOP, only full-time employees (“Participating Employee”) of the Company (excluding the directors of the Company and the employees of the subsidiaries) are entitled to participate in the ESOP. The Participating Employee will contribute a certain portion of his monthly salary and biannual bonus to purchase shares of the Company. Contributions from Participating Employees are made in units of ¥1,000 each. Each Participating Employee is allowed to contribute a maximum of 20 units from his monthly salary and 100 units from his annual bonus. Further, the dividends declared and paid in respect of the shares held by the Participating Employee will be contributed to the ESOP. All Participating Employee will nominate an administrative director to administer and hold on behalf all the shares under ESOP.

The Participating Employees may not transfer or pledge the rights to their shares. When the Participating Employee’s number of shares under the ESOP reaches 1 share, the employee may, at his option, transfer such share into an account held in his own name. In the event that the Participating Employee withdraws from the ESOP, the vested ESOP shares will be transferred to the securities account of the Participating Employee and the equivalent value in cash for a fractional part of the share (converted

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25. Employee benefits (continued)

(b) Employee share ownership plan (“ESOP”) (continued)

at the then market price) will be paid to the Participating Employee. The Participating Employee may choose to make an extraordinary contribution to the ESOP such that the fractional part of the share is deemed to be one whole share.

There is no maximum limit for shares acquired under the ESOP. The Company contributes an amount that is equal to 5.0% of the aggregate contribution of the Participating Employees to the ESOP. Amounts contributed and paid by the Company under the ESOP for the three-month and nine-month periods ended 31 August 2011 and 2012 amounted to ¥109,000, ¥108,000, ¥272,000 and ¥277,000 respectively have been included as part of “Employee compensation – Other short-term benefits”.

26. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts are shown in the balance sheet as follows:

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Deferred income tax assets		
– to be recovered within one year	785,330	619,920
– to be recovered after one year	939,331	782,704
	<u>1,724,661</u>	<u>1,402,624</u>
Deferred income tax liabilities		
– to be settled within one year	(256,303)	(183,834)
– to be settled after one year	(24,077)	(8,877)
	<u>(280,380)</u>	<u>(192,711)</u>

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26. Deferred income taxes (continued)

Movement in deferred income tax account is as follows:

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Beginning of financial year/period	2,141,579	1,444,281
Charged to		
– profit or loss	(699,483)	(233,693)
– equity (Note 29(b)(ii))	2,185	(675)
End of financial year/period	<u>1,444,281</u>	<u>1,209,913</u>

The movement in deferred income tax assets and liabilities is as follows:

	As at 1 December 2010	Recognised in profit or loss	Recognised in other comprehensive income	As at 30 November 2011
	¥'000	¥'000	¥'000	¥'000
(audited)				
<u>Temporary differences:</u>				
Enterprise tax payable	213	4,292	–	4,505
Inventory write down – net	(18,317)	74,342	–	56,025
Unrealised profits on inventories	180,986	(1,283)	–	179,703
Provision for retirement benefits	66,302	12,625	–	78,927
Provision for directors' retirement benefits	121,681	3,578	–	125,259
Impairment losses	69,338	(1,088)	–	68,250
Other	233,559	(80,977)	–	152,582
Deferred tax assets not recognised	(488,259)	558	–	(487,701)
Subtotal	<u>165,503</u>	<u>12,047</u>	<u>–</u>	<u>177,550</u>

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26. Deferred income taxes (continued)

	As at 1 December 2010	Recognised in profit or loss	Recognised in other comprehensive income	As at 30 November 2011
	¥'000	¥'000	¥'000	¥'000
(audited)				
<u>Temporary differences:</u>				
<u>(continued)</u>				
Revaluation of fair value derived from subsidiaries' assets and liabilities	(212,647)	77,204	–	(135,443)
Available-for-sale financial assets	(539)	–	2,185	1,646
Other	(94,548)	(52,035)	–	(146,583)
Subtotal	<u>(307,734)</u>	<u>25,169</u>	<u>2,185</u>	<u>(280,380)</u>
Tax losses carried forward	2,283,810	(736,699)	–	1,547,111
Net balance	<u>2,141,579</u>	<u>(699,483)</u>	<u>2,185</u>	<u>1,444,281</u>

The movement in deferred income tax assets and liabilities is as follows:

	As at 1 December 2011	Recognised in profit or loss	Recognised in other comprehensive income	As at 31 August 2012
	¥'000	¥'000	¥'000	¥'000
(unaudited)				
<u>Temporary differences:</u>				
Enterprise tax payable	4,505	(2,287)	–	2,218
Inventory write down – net.	56,025	53,721	–	109,746
Unrealised profits on inventories	179,703	(22,344)	–	157,359
Provision for retirement benefits	78,927	(612)	–	78,315
Provision for directors' retirement benefits	125,259	(10,233)	–	115,026
Impairment losses	68,250	(9,583)	–	58,667
Other	152,582	(41,675)	–	110,907
Deferred tax assets not recognised	(487,701)	83,400	–	(404,301)
Subtotal	<u>177,550</u>	<u>50,387</u>	<u>–</u>	<u>227,937</u>

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26. Deferred income taxes (continued)

	As at 1 December 2011	Recognised in profit or loss	Recognised in other comprehensive income	As at 31 August 2012
	¥'000	¥'000	¥'000	¥'000
(unaudited)				
<u>Temporary differences:</u>				
<u>(continued)</u>				
Revaluation of fair value derived from subsidiaries' assets and liabilities	(135,443)	89,190	–	(46,253)
Available-for-sale financial assets	1,646	–	(675)	971
Other	(146,583)	(4,952)	–	(151,535)
Subtotal	(280,380)	84,238	(675)	(196,817)
Tax losses carried forward .	1,547,111	(368,318)	–	1,178,793
Net balance	<u>1,444,281</u>	<u>(233,693)</u>	<u>(675)</u>	<u>1,209,913</u>

Tax losses carried forward and deductible temporary differences for which deferred tax assets have not been recognised are as follows:

	30 November 2011	31 August 2012
	¥'000	¥'000
	(audited)	(unaudited)
Tax losses carried forward	199,314	139,185
Deductible temporary differences	288,387	265,115
Total	<u>487,701</u>	<u>404,300</u>

Deferred income tax assets are recognised for tax losses and other deductible temporary differences carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses and other deductible temporary differences stated above for as at the respective balance sheet dates which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. The tax losses and other deductible temporary differences have an expiry period of 9 years from the year of assessment.

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27. Share capital

	No. of ordinary shares	Share capital
		¥'000
30 November 2011		
(audited)		
Beginning and end of financial year.	456,840	5,454,673
31 August 2012		
(unaudited)		
Beginning and end of financial period	456,840	5,454,673

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. The amounts of ordinary shares contributed by shareholders since the date of incorporation and at the respective dates of share issuance are recorded as follows:

- (a) Amount not exceeding half of the total contribution by shareholders is not recorded as share capital; and
- (b) Amount not recorded as share capital under the preceding paragraph is recorded as capital reserve (Note 29).

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

Any newly issued shares rank pari passu in all respects with previously issued shares.

28. Retained earnings

Retained earnings of the Group are distributable.

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29. Other reserves

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
(a) <u>Composition:</u>		
Capital reserve	5,516,499	5,516,499
Accumulated other comprehensive income		
– fair value reserve	(2,370)	(1,752)
– currency translation reserve	–	52
	5,514,129	5,514,799
(b) <u>Movements:</u>		
(i) <i>Capital reserve</i>		
Beginning and end of financial year/period . .	5,516,499	5,516,499
Capital reserve is distributable.		
(ii) <i>Accumulated other comprehensive income – fair value reserve</i>		
Beginning of financial year/period	773	(2,370)
Available-for-sale financial assets		
– Fair value (losses)/gains (Note 14)	(5,328)	1,293
– Tax on fair value changes (Note 26)	2,185	(675)
	(3,143)	618
End of financial year/period	(2,370)	(1,752)
Accumulated other comprehensive income – fair value reserve is non-distributable.		
(iii) <i>Accumulated other comprehensive income – currency translation reserve</i>		
Beginning of financial year/period	–	–
Net currency translation differences of financial statements of a foreign subsidiary . .	–	52
End of financial year/period	–	52
Accumulated other comprehensive income – currency translation reserve is non-distributable.		

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30. Dividends

	30 November 2011	31 August 2012
	¥'000	¥'000
	(audited)	(unaudited)
<i>Ordinary dividends paid</i>		
Final dividend paid in respect of the previous financial year of ¥500 (2011: ¥500) per ordinary share	228,420	228,420

A final dividend of ¥600 per ordinary share amounting to a total of ¥274,104,000 will be recommended on the coming Annual General Meeting. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 30 November 2013.

31. Commitments

(a) Operating lease commitments – where the Group is a lessee

The Group leases office equipment from non-related parties under non-cancellable operating lease agreement. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet dates but not recognised as liabilities, are as follows:

	30 November 2011	31 August 2012
	¥'000	¥'000
	(audited)	(unaudited)
Not later than one year	1,974	–
Between one and five years.	–	–
	<u>1,974</u>	<u>–</u>

(b) Operating lease commitments – where the Group is a lessor

The Group lease out office space, apartments, and condominiums to non-related parties under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increase to the lease payments or contingent rents computed based on their sales achieved during the lease period.

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31. Commitments (continued)

(b) Operating lease commitments – where the Group is a lessor (continued)

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	30 November 2011	31 August 2012
	¥'000	¥'000
	(audited)	(unaudited)
Not later than one year	469,042	606,259
Between one and five years.	998,895	1,131,757
More than five years	525,498	429,382
	<u>1,993,435</u>	<u>2,167,398</u>

32. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group do not use financial instruments such as currency forwards, interest rate swaps and foreign currency borrowings to hedge certain financial risk exposure.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits.

Financial risk management is carried out by the finance department in accordance with the policies set by the Board of Directors. The finance personnel identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The finance personnel measures actual exposures against the limits set and prepares periodic reports for review by the Chief Financial Officer. Regular reports are also submitted to the Board of Directors.

(a) *Market risk*

(i) *Currency risk*

Foreign currency risk arises from transactions denominated in currencies other than the functional currency of the Company. The Group's business operations are not exposed to significant foreign currency risks as it has no significant transactions denominated in foreign currencies.

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32. Financial risk management (continued)

(a) *Market risk* (continued)

(ii) Price risk

The Group is exposed to equity securities price risk arising from the investments held by the Group which are classified on the consolidated balance sheet either as financial assets, at fair value through profit or loss or available-for-sale financial assets. These securities consist of those listed and unlisted equity investments in Japan. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

If prices for equity securities had changed by 10% (2011: 10%) with all other variables including tax rate being held constant, the effects on profit or loss and other comprehensive income would have been:

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Profit after tax		
– increased by	1,051	1,056
– decreased by	(1,051)	(1,056)
Other comprehensive income		
– increased by	22,412	23,668
– decreased by	(22,412)	(23,668)

(iii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group does not have any significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from borrowings at floating interest rate. The Group manages its interest rate by keeping bank loans to the minimum required to sustain the operations of the Group.

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32. Financial risk management (continued)

(b) *Credit risk*

Credit risk refers to the risk that counterparty will default as its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are cash and cash equivalents and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group does not hold any collateral, the maximum exposure to credit for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The credit risk for trade receivables based on the information provided to key management is as follows:

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
<u>By types of customers</u>		
Non-related parties		
– Current	541,955	491,898
– Non-current	–	1,462

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly current account balances with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

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32. Financial risk management (continued)

(b) *Credit risk* (continued)

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Past due up to 3 months	535,630	490,137
Past due 3 to 6 months	4,526	2,479
Past due over 6 months	1,799	744
	<u>541,955</u>	<u>493,360</u>

The carrying amount of trade and other receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
<i>Trade receivables – current</i>		
Gross amount	5,056	3,303
Less: Allowance for impairment	(5,056)	(3,303)
	<u>–</u>	<u>–</u>
Beginning of financial year/period	8,861	5,056
Reversal of allowance made	–	(1,631)
Allowance utilised	(3,805)	(122)
End of financial year/period	<u>5,056</u>	<u>3,303</u>

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32. Financial risk management (continued)

(b) *Credit risk* (continued)

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
<i>Trade receivables – non-current</i>		
Gross amount.	11,626	12,626
Less: Allowance for impairment.	(11,626)	(12,626)
	<u>–</u>	<u>–</u>
Beginning of financial year/period	12,664	11,626
Allowance made.	–	1,003
Allowance utilised.	(1,038)	(3)
End of financial year/period	<u>11,626</u>	<u>12,626</u>
<i>Other receivables – current</i>		
Gross amount.	641	4,447
Less: Allowance for impairment.	(641)	(4,447)
	<u>–</u>	<u>–</u>
Beginning of financial year/period	7,573	641
Allowance made.	–	3,880
Reversal of allowance made	(2,142)	–
Allowance utilised.	(4,790)	(74)
End of financial year/period	<u>641</u>	<u>4,447</u>

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32. Financial risk management (continued)

(b) *Credit risk* (continued)

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
<i>Other receivables – non-current</i>		
Gross amount	858	17
Less: Allowance for impairment	(858)	(17)
	<u>–</u>	<u>–</u>
Beginning of financial year/period	78	858
Allowance made	780	–
Reversal of allowance made	–	(290)
Allowance utilised	–	(551)
End of financial year/period	<u>858</u>	<u>17</u>

(c) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities (Note 23). At the balance sheet date, assets held by the Group for managing liquidity risk included cash and short-term deposits as disclosed in Note 12.

The table below analyses non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Over 5 years
	¥'000	¥'000	¥'000
At 30 November 2011			
(audited)			
Trade and other payables	2,517,703	945,095	890,184
Borrowings	6,171,720	18,406,719	6,997,496
	<u>8,689,423</u>	<u>19,351,814</u>	<u>7,887,680</u>
At 31 August 2012			
(unaudited)			
Trade and other payables	2,438,105	983,113	1,129,483
Borrowings	6,614,864	20,426,616	5,318,274
	<u>9,052,969</u>	<u>21,409,729</u>	<u>6,447,757</u>

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Notes to the Unaudited Consolidated Financial Statements
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32. Financial risk management (continued)

(d) *Capital risk*

The Group's objectives when managing capital are to safeguard the Group's ability to continue to operate as a going concern entity and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares or obtain new borrowings.

Management monitors capital based on equity ratio which the Group's strategies were unchanged from 2009, and the Board of Directors monitors the Group's equity ratio on periodic basis.

	30 November 2011	31 August 2012
	¥'000 (audited)	¥'000 (unaudited)
Total equity	25,307,951	25,528,432
Total assets	60,599,836	62,904,774
Equity ratio	<u>41.76%</u>	<u>40.58%</u>

The Group is in compliance with all externally imposed capital requirements for the financial year/period ended 30 November 2011 and 31 August 2012.

(e) *Fair value measurement*

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy.

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 there are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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32. Financial risk management (continued)

(e) *Fair value measurement* (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	¥'000	¥'000	¥'000	¥'000
30 November 2011				
(audited)				
Financial assets at fair value				
through profit or loss	–	17,805	–	17,805
Available-for-sale financial assets . .	18,068	361,799	–	379,867
Total assets	<u>18,068</u>	<u>379,604</u>	<u>–</u>	<u>397,672</u>
31 August 2012				
(unaudited)				
Financial assets at fair value				
through profit or loss	–	17,890	–	17,890
Available-for-sale financial assets . .	19,362	381,798	–	401,160
Total assets	<u>19,362</u>	<u>399,688</u>	<u>–</u>	<u>419,050</u>

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that is not traded in an active market (e.g. over-the-counter derivatives) is determined by using the value-in-use method. The Group uses a variety of methods and makes assumptions that are based on market conditions existing as at 30 November 2011 and 31 August 2012 respectively. These instruments are included in Level 2. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, financial instruments would be included in Level 3.

The carrying value less impairment provision of trade and other receivables, and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosures purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates their carrying amount.

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33. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the followings transactions took place between the Group and related parties at terms agreed between parties:

(a) Sales and purchases of goods and services

	Three-month period ended 31 August (unaudited)		Nine-month period ended 31 August (unaudited)	
	2011	2012	2011	2012
	¥'000	¥'000	¥'000	¥'000
Sales of goods and/or services to				
– Director	–	6,309	–	16,473
Professional fees paid to related party	–	1,393	–	5,509

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Three-month period ended 31 August (unaudited)		Nine-month period ended 31 August (unaudited)	
	2011	2012	2011	2012
	¥'000	¥'000	¥'000	¥'000
Salaries and bonuses	31,200	32,400	91,695	96,000
Statutory welfare expenses .	1,003	1,013	3,225	3,039
Retirement benefits	5,055	5,135	15,510	15,351
	<u>37,258</u>	<u>38,548</u>	<u>110,430</u>	<u>114,390</u>

34. Segment information

The primary reportable segment is by business segment. As the Group operates predominantly in Japan, no geographical segment information is shown.

The Group's reportable segments are separate financial information available and evaluated regularly by the Board of Directors to determine distribution of management resources and assess performance. The Board of Directors draws up comprehensive domestic strategies for each segment and the Group conducts business activities accordingly. Consequently, the Group is made up of different segments, as determined by the Board of Directors, and has six reportable segments as follows:

- Revitalisation business – the Group increases the value of properties whose asset value has declined and resells them;
- Development business – the Group sells condominium units and detached houses in lots to private customers and sells rental apartments and office buildings to investors;
- Rental business – the Group rents office buildings and condominiums to non-related parties and earns rental income;
- Fund business – the Group provides fund asset management services;
- Property management business – the Group provides comprehensive property management services; and
- Alternative investment business – the Group acquires real estate collateralised loans, collects debt, and sells properties acquired as payment in kind.

No separate segmental liabilities by segment business are presented as management is of the opinion that it is impracticable to separate liabilities for each business segment. Additionally, the measurement of total liabilities for each reportable segment is not used by the Board of Directors when making operating decisions about allocating resources to the business segment and assessing its performance.

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34. Segment information (continued)

The segment information provided to the management for the reportable segments are as follows:

	Revitalisation business	Development business	Rental business	Fund business	Property management business	Alternative investment business	Corporate	Total
	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000
<u>For the three-month period ended 31 August 2011</u>								
<i>(unaudited)</i>								
Revenue								
External revenue	2,544,117	1,270,513	627,846	180,318	887,965	43,713	-	5,554,472
Inter-segment revenue	-	-	11,794	4,166	186,697	-	(202,657)	-
Total	2,544,117	1,270,513	639,640	184,484	1,074,662	43,713	(202,657)	5,554,472
Interest and dividend income	-	-	-	30	6	67	1,514	1,617
Amortisation and depreciation	-	-	(25,748)	(1,110)	(7,310)	(1,980)	(8,005)	(44,153)
Finance expense	(72,278)	(29,866)	(64,890)	-	(1,255)	(16,218)	(3,460)	(187,967)
Other	(2,220,171)	(1,021,589)	(260,067)	(171,651)	(1,023,781)	(25,935)	(55,127)	(4,778,321)
Profit/(loss) before tax	251,668	219,058	288,935	11,753	42,322	(353)	(267,735)	545,648

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34. Segment information (continued)

For the nine-month period ended 31 August 2011

(unaudited)

Revenue	Revitalisation business	Development business	Rental business	Fund business	Property management business	Alternative investment business	Corporate	Total
	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000
External revenue	9,033,574	1,658,736	1,884,746	1,055,073	2,442,930	135,762	-	16,210,821
Inter-segment revenue	-	-	36,016	15,092	386,486	-	(437,594)	-
Total	9,033,574	1,658,736	1,920,762	1,070,165	2,829,416	135,762	(437,594)	16,210,821
Interest and dividend income	-	-	-	49	69	99	4,600	4,817
Amortisation and depreciation	-	-	(75,127)	(2,717)	(18,507)	(3,936)	(27,160)	(127,447)
Finance expense	(277,170)	(108,146)	(138,189)	-	(3,849)	(52,113)	(11,266)	(590,733)
Other	(7,681,357)	(2,019,467)	(740,313)	(567,563)	(2,730,203)	85,621	(341,509)	(13,994,791)
Profit/(loss) before tax	1,075,047	(468,877)	967,133	499,934	76,926	165,433	(812,929)	1,502,667

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34. Segment information (continued)

30 November 2011

(audited)

	Revitalisation business	Development business	Rental business	Fund business	Property management business	Alternative investment business	Corporate	Total
	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000
Segment/total assets	19,412,404	13,600,894	13,802,515	815,668	1,733,741	2,445,028	8,789,586	60,599,836
Segment assets includes:								
Additions to								
– Investment properties	–	–	45,623	–	–	–	–	45,623
– Property, plant and equipment	–	–	–	–	–	–	22,704	22,704
– Intangible assets	–	–	–	–	–	–	37,016	37,016

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34. Segment information (continued)

For the three-month period ended 31 August 2012

(unaudited)

Revenue	Revitalisation business	Development business	Rental business	Fund business	Property management business	Alternative investment business	Corporate	Total
	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000
External revenue	1,174,793	1,602,853	621,699	219,932	771,379	227,516	-	4,618,172
Inter-segment revenue	-	-	13,007	9,065	80,014	-	(102,086)	-
Total	1,174,793	1,602,853	634,706	228,997	851,393	227,516	(102,086)	4,618,172
Interest and dividend income	-	-	-	36	6	56	1,490	1,588
Amortisation and depreciation	-	-	(18,760)	(1,164)	(5,411)	(2,470)	(17,728)	(45,533)
Finance expense	(77,938)	(20,711)	(36,096)	-	(1,005)	(8,136)	(7,001)	(150,887)
Other	(1,124,582)	(1,308,006)	(278,415)	(150,743)	(827,719)	(200,833)	(155,571)	(4,045,869)
(Loss)/profit before tax	(27,727)	274,136	301,435	77,126	17,264	16,133	(280,896)	377,471

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34. Segment information (continued)

For the nine-month period ended 31 August 2012

(unaudited)

Revenue	Revitalisation business	Development business	Rental business	Fund business	Property management business	Alternative investment business	Corporate	Total
	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000
External revenue	4,529,756	4,619,149	1,763,987	607,378	2,552,117	693,306	-	14,765,693
Inter-segment revenue	-	274,003	39,283	20,889	238,365	2,268	(574,808)	-
Total	4,529,756	4,893,152	1,803,270	628,267	2,790,482	695,574	(574,808)	14,765,693
Interest and dividend income	-	-	-	70	58	80	3,523	3,731
Amortisation and depreciation	-	-	(68,812)	(3,238)	(16,093)	(6,154)	(38,746)	(133,043)
Finance expense	(227,189)	(73,873)	(118,529)	-	(3,256)	(40,143)	(10,156)	(473,146)
Other	(4,254,901)	(4,344,001)	(784,607)	(466,569)	(2,673,936)	(619,993)	(242,478)	(13,386,485)
Profit/(loss) before tax	47,666	475,278	831,322	158,530	97,255	29,364	(862,665)	776,750

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34. Segment information (continued)

	¥'000	Revitalisation business	Development business	Rental business	Fund business	Property management business	Alternative investment business	Corporate	Total
	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000	¥'000
31 August 2012									
(unaudited)									
Segment/total assets	22,524,269	15,611,078	13,884,812	880,721	1,474,941	1,815,168	6,713,785	62,904,774	
Segment assets includes:									
Additions to									
– Investment properties	–	–	107,110	–	–	–	–	107,110	
– Property, plant and equipment	–	–	–	–	–	–	24,735	24,735	
– Intangible assets	–	–	–	–	–	–	4,280	4,280	

Tosei Corporation and Its Subsidiaries
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35. Summary of major properties

Below are summary of the major properties owned by the Group:

Location	Description	Tenure	Gross floor area (sq m)	Group's effective interest in the property
<i>Real estate for sale</i>				
Kamata Tosei Building	Steel/8-storey	48 years	7,825	100%
<i>Investment properties</i>				
Koishikawa Tosei Building	Steel/10-storey, a ground-floor	48 years	3,276	100%
Nihonbashi-Hamacho Building	Steel reinforced concrete/9-storey	28 years	4,583	100%
<i>Property, plant and equipment</i>				
Toranomon Tosei Building	Steel/9-storey	45 years	4,214	100%

36. New or revised accounting standards and interpretations

- (i) Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are expected to be relevant for the Group's accounting periods beginning on or after January 2012 or later periods and which the Group has not early adopted:

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IAS* 1	Presentation to items of other comprehensive income	1 July 2012
IAS 12	Deferred tax: recovery of underlying assets	1 January 2012
IAS 19	Amendments to IAS 19, 'Employee benefits'	1 January 2013
IFRS 7	Disclosure: transfer of financial assets	1 July 2011
IFRS 9	Financial instruments: Classification and measurement	1 January 2013
	Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosure	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
	Amendments for investment entities	1 January 2014
IFRS 12	Disclosure of interests in other entities	1 January 2013
	Amendments for investment entities	1 January 2014
IFRS 13	Fair value measurement	1 January 2013

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36. New or revised accounting standards and interpretations (continued)

- (ii) Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are not expected to be relevant for the Group's accounting periods beginning on or after January 2012 or later periods and which the Group has not early adopted:

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IAS 27	Separate financial statements	1 January 2013
	Amendments for investment entities	1 January 2014
IAS 28	Investments in associates and joint venture	1 January 2013
IAS 32	Amendments relating to the offsetting of assets and liabilities	1 January 2014
IFRS 1	Amendments for government loan with a below-market rate of interests when transitioning to IFRSs	1 January 2013
	Amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)	1 January 2013
IFRS 7	Amendments related to the offsetting of assets and liabilities	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRIC** 20	Shipping costs in the production phase of a surface mine	1 January 2013

* : International Accounting Standard

** : International Financial Reporting Standards Interpretations Committee

STATEMENT BY DIRECTORS

In the opinion of the directors,

- (i) the unaudited consolidated financial statements as set out on pages C-3 to C-72 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 31 August 2012, and of the results of the business, changes in equity and cash flows of the Group for the three-month and nine-month periods then ended; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

Seiichiro Yamaguchi
Director

Noboru Hirano
Director

22 February 2013

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**COMPARISON OF SINGAPORE CORPORATE LAW
WITH JAPANESE CORPORATE LAW**

No.	Singapore Corporate Law	Japanese Corporate Law
Power of Directors to Allot and Issue Shares		
1.	<p><u>Section 161: Approval of company required for issue of shares by directors</u></p> <p>The power to issue shares in a company is usually vested with the directors of that company subject to any restrictions in the articles of association of that company. However, notwithstanding anything to the contrary in the memorandum or articles of association of a company, prior approval of the company at a general meeting is required to authorise the directors to exercise any power of the company to issue shares, or the share issue is void under the Singapore Companies Act. Such approval need not be specific but may be general and, once given, will only continue in force until the conclusion of the next annual general meeting or the expiration of the period within which the next annual general meeting is required by law to be held, whichever is the earlier, provided that such approval has not been previously revoked or varied by the company in a general meeting.</p>	<p>(Note: Unless otherwise stated, all articles below refer to those of the Japanese Companies Act)</p> <p><u>Article 201(1): Special Provisions on Determination of Subscription Requirements for Public Company</u></p> <p>A Public Company (a company whose articles of incorporation do not require, as a feature of all or part of its shares, the approval of the company for the acquisition of such shares by transfer) may issue shares by a resolution of the company's board of directors, if the number of shares to be issued is within the limit of the total number of shares issuable as set out in the articles of incorporation, unless the shares are issued at a "particularly favourable price". There is no specific definition of "particularly favourable price" provided in the Japanese Companies Act. It is generally understood that "particularly favourable price" means an amount to be paid for the issuance of shares which is below the price calculated by a method considered as reasonable.</p> <p><u>Article 37: Provision for total number of authorized shares</u> <u>Article 113(3): Amendment of total number of authorized shares</u> <u>Article 466: Changes in articles of incorporation</u> <u>Article 309(2): Special resolution of shareholders meeting</u></p> <p>In order to issue shares exceeding the total number of issuable shares specified in the articles of incorporation, a company needs to increase the total number of issuable shares by amending the relevant provision(s) of its articles of incorporation by a special resolution of a shareholders' meeting. In such case, the total number of issuable shares after such amendment may not exceed four times the total number of issued shares at the time when such amendment to the articles of incorporation becomes effective.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
		<p><u>Article 201(1): Special provision for Public Company except for particularly favourable price</u> <u>Article 199(3)(2): particularly favourable price</u> <u>Article 309(2): Special resolution of shareholders meeting</u></p> <p>If the shares are to be issued at a “particularly favourable price” to subscribers, shareholders’ approval by a special resolution of a shareholders’ meeting is required and the reason for the necessity of such favourable issuance must be explained by the directors at such shareholders’ meeting.</p>
Power of Directors to Dispose of the Company’s or its Subsidiaries’ Assets		
2.	<p><u>Section 157A: Powers of directors</u></p> <p>The Singapore Companies Act provides that the business of a company is to be managed by or under the direction of the directors. The directors may exercise all the powers of a company except any power that the Singapore Companies Act or the memorandum and articles of association of the company require the company to exercise in a general meeting.</p> <p><u>Section 160: Approval of company required for disposal by directors of company’s undertaking or property</u></p> <p>Under the Singapore Companies Act, prior approval of the company at a general meeting is required before the directors can carry into effect any proposals for disposing of the whole or substantially the whole of the company’s undertaking or property, notwithstanding anything in a company’s memorandum or articles of association.</p>	<p><u>Article 349(1)(4): Representatives of the company</u> <u>Article 362(2): Authority of board of directors</u> <u>Article 348(1): Execution of operations</u></p> <p>The Japanese Companies Act provides that the business of a company is to be operated by or managed by or under the direction of the directors in accordance with the decision of the board of directors of the company, if any. The representative director(s) and authorized director(s) may exercise all the powers with respect to the business of the company except any power for the exercise of which the Japanese Companies Act or the articles of incorporation of the company require a resolution of shareholders’ meeting.</p> <p><u>Article 467: Approval of assignment of business</u> <u>Article 309(2): Special resolution of shareholders meeting</u> <u>Article 362(4): Approval of board of directors required for disposal of important assets</u></p> <p>Under the Japanese Companies Act, when the entire or a significant part of business of the company is being transferred, shareholders’ approval by a special resolution at a shareholders’ meeting of the company is required. For the acceptance of assignment of the entire business of another company, the approval by a special resolution of a shareholders’ meeting is required. On the other hand, for the assignment of an insignificant part of the business or properties, rights and/or obligations of the company, only a resolution of the board of directors is required.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
Loans to Directors		
3.	<p data-bbox="280 253 683 286"><u>Section 162: Loans to directors</u></p> <p data-bbox="280 320 798 604">A company (other than an exempt private company) is prohibited from making a loan to a director of the company or a director of a related company (and to the spouse or natural, step or adopted children of any such director), and from giving a guarantee or providing any security in connection with such a loan, except in the following circumstances.</p> <p data-bbox="280 638 798 922">(i) (subject to, <i>inter alia</i>, the approval of the company in a general meeting) the provision of funds to such a director to meet expenditure incurred or to be incurred for the purposes of the company or for the purpose of enabling him properly to perform his duties as an officer of the company;</p> <p data-bbox="280 956 798 1303">(ii) (subject to, <i>inter alia</i>, the approval of the company in a general meeting) a loan to a director in full time employment of the company or a related company for the purpose of purchasing or otherwise acquiring a home occupied or to be occupied by that director; however, not more than one such loan may be outstanding from the director at any one time;</p> <p data-bbox="280 1337 798 1561">(iii) any loan to a director in full time employment of the company or a related company pursuant to an employee loan scheme approved in a general meeting, provided the loan is in accordance with that scheme; and</p> <p data-bbox="280 1594 798 1942">(iv) a loan made in the ordinary course of business by a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the Authority.</p>	<p data-bbox="826 253 1388 320"><u>Article 356(1): Restrictions on conflicting interest transactions</u></p> <p data-bbox="826 320 1388 409"><u>Article 365: Restrictions on conflicting interest transactions for companies with board of directors</u></p> <p data-bbox="826 409 1388 477"><u>Article 369(2): Restrictions on resolution of board of directors meeting</u></p> <p data-bbox="826 510 1388 1370">There are no provisions that prohibit the making of a loan by a company to a director of such company under the Japanese Companies Act. Such a transaction is subject to the regulations with respect to any transaction with conflicts of interest between the company and its director (“Conflict Transaction”), specifically, those governing transactions between them, as mentioned below. Where a director intends to carry out any Conflict Transaction (including loans) with the company for himself/herself or for a third party, such director shall disclose material facts on the relevant transaction to, and obtain approval for, such transaction from the board of directors (or, for a company without a board of directors, from the shareholders’ meeting). A director who intends to carry out (or have carried out) such a Conflict Transaction may not participate in the discussion, nor vote for such approval at a meeting of the board of directors. Further, a director who has engaged in such Conflict Transactions shall report the material facts with respect to such Conflict Transaction to the board of directors without delay after such transaction.</p> <p data-bbox="826 1404 1388 1494">Conflict Transactions can be categorized as “direct conflict transactions” and “indirect conflict transactions” as follows:</p> <p data-bbox="826 1527 1388 1684">(1) A transaction to be executed between the company and the director where the director is acting on behalf of himself or herself or a third party is known as a “direct conflict transaction”; and</p> <p data-bbox="826 1718 1388 1942">(2) A transaction that the company intends to execute directly with a person other than the director but involving a conflict of interests between the company and such director is known as an “indirect conflict transaction” (e.g. the guarantee of a director’s debts by the company).</p>

No.	Singapore Corporate Law	Japanese Corporate Law
	<p>For these purposes, a related company of a company means its holding company, its subsidiary and a subsidiary of its holding company.</p> <p><u>Section 163: Prohibition of loans to persons connected with directors of lending company</u></p> <p>A company (the “first mentioned company”) (other than an exempt private company) is also prohibited from making loans to connected persons or entering into any guarantee or providing any security in connection with a loan made to connected persons by a third-party. Connected persons of the first mentioned company include companies in which the director(s) of the first mentioned company, individually or collectively, have an interest in 20.0% or more (as determined in accordance with the Singapore Companies Act). This prohibition does not apply to:</p> <p>(i) anything done by a company where the other company is its subsidiary, holding company or a subsidiary of its holding company; or</p> <p>(ii) a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, to anything done in the ordinary course of that business if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the Authority.</p>	
Giving of Financial Assistance to Purchase the Issuer’s or its Holding Company’s Shares		
4.	<p><u>Section 76: Company financing dealing in its shares, etc</u></p> <p>Generally, a company is prohibited from giving financial assistance to any person directly or indirectly for the purpose of, or in connection with, the acquisition of that company’s shares or shares in its holding company.</p>	<p><u>Article 155</u></p> <p>Under the Japanese Companies Act, a company is not specifically prohibited from giving financial assistance to any person for his/her purchase of the company’s shares. However, the Japanese Companies Act prohibits a company from directly or indirectly acquiring its own shares in any</p>

No.	Singapore Corporate Law	Japanese Corporate Law
	<p>Financial assistance includes the making of a loan, the giving of a guarantee, the provision of security, and the release of a debt or obligation. Certain transactions are specifically provided by the Singapore Companies Act not to be prohibited. These include the payment of a dividend in good faith and in the ordinary course of commercial dealing, the payment by a company pursuant to a reduction of capital in accordance with the Singapore Companies Act, the giving by a company in good faith and in the ordinary course of commercial dealing of any representation, warranty or indemnity in relation to an offer to the public of, or an invitation to the public to subscribe for or purchase shares or units of shares in the company, and the entering into by the company, in good faith and in the ordinary course of commercial dealing, of an agreement with a subscriber for shares in the company permitting the subscriber to make payments for the shares by instalments.</p> <p>The Singapore Companies Act further provides that a company can give financial assistance in certain circumstances, including but not limited to: (i) where the amount of financial assistance does not exceed 10.0% of the aggregate of the total paid-up capital and reserves of the company as disclosed in the most recent financial statements of the company and the company receives fair value in connection with the financial assistance; and (ii) where the financial assistance is approved unanimously by the shareholders of the company, if certain conditions and procedures under the Singapore Companies Act are complied with. Where the company is a subsidiary of a listed corporation or a subsidiary whose ultimate holding company is incorporated in Singapore, the listed corporation or the ultimate holding company, as the case may be, is also required to pass a special resolution to approve the giving of the financial assistance.</p>	<p>name other than for the company's account, unless the company is expressly permitted to do so (a) by a resolution of its shareholders at a meeting of the shareholders of the company in case of the acquisition based on the agreement with its shareholders, or (b) by a provision in its articles of incorporation allowing acquisitions from the market or through a public tender offer procedure, within the limits of distributable profits of the company, or (c) through other procedures pursuant to the relevant provisions of the Japanese Companies Act for specific cases. Therefore, if any financial assistance given by a company to any person for the purpose of his/her acquisition of the company's shares is regarded as an indirect acquisition of the shares by the company, there is a possibility that such financial assistance falls into violation of the above prohibition.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
Disclosure of Interest in Contracts with the Issuer		
5.	<p data-bbox="277 253 798 315"><u>Section 156: Disclosure of interests in transactions, property, officers, etc</u></p> <p data-bbox="277 349 798 792">The Singapore Companies Act provides that, where a director of a company is directly or indirectly interested in a transaction or proposed transaction with that company, such a director must, as soon as practicable after the relevant facts have come to his knowledge, declare the nature of his interest at a meeting of directors of the company. For these purposes, an interest of a member of a director’s family (this includes his spouse, natural, step or adopted children) is treated as an interest of that director.</p> <p data-bbox="277 831 798 1234">The Singapore Companies Act also provides that every director of a company who holds any office or possesses any property whereby whether directly or indirectly duties or interests might be created in conflict with his duties or interests as director shall declare at a meeting of the directors of the company the fact and the nature, character and extent of the conflict. For this purpose, an interest of a member of a director’s family shall be treated as an interest of the director.</p>	<p data-bbox="823 253 1382 315"><u>Article 356(1): Restrictions on conflicting interest transactions</u></p> <p data-bbox="823 320 1382 412"><u>Article 365: Restrictions on conflicting interest transactions with companies with board of directors</u></p> <p data-bbox="823 416 1382 479"><u>Article 435(3): Disclosure of conflict transaction in the Financial Statements</u></p> <p data-bbox="823 512 1382 1267">The Japanese Companies Act provides that (a) where a director intends to carry out, for himself/herself or for a third party, any transactions in the line of business of the company, or (b)(i) where a director intends to carry out any transactions with the company for himself/herself or for a third party or (ii) where the company intends to carry out any transactions with a third party that results in a conflict of interests between the company and such director (“Conflict Transactions”), such director shall disclose the material facts of the relevant transactions to, and obtain approval from the board of directors (or, for a company without a board of directors, from the shareholders’ meeting). In such cases, such director may not participate in the discussion, nor vote for such approval at the board of directors. A director who has engaged in any of the transactions mentioned above shall report the material facts of such transaction to the board of directors without delay after such transaction.</p> <p data-bbox="823 1305 1382 1554">A company shall prepare financial statements and business reports for each business year as well as supplementary schedules thereof pursuant to the applicable ordinances. In the supplementary schedules, the details of Conflict Transactions executed in the manner mentioned above shall be included.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
Remuneration		
6.	<p><u>Section 169: Provision and improvement of director's emoluments</u></p> <p>The Singapore Companies Act provides that a company shall not provide emoluments or improve emoluments for a director in respect of his office unless the provision has been approved by a resolution that is not related to other matters, and any resolution passed in breach of this provision is void.</p> <p>For these purposes, the term "emoluments" in relation to a director includes fees and percentages, expenses allowance in so far as those sums are charged to income tax in Singapore, contributions paid under a pension scheme, and any benefits received otherwise than in cash in respect of his services as a director.</p>	<p><u>Article 361</u></p> <p>The Japanese Companies Act provides that the amount or calculation method of remuneration of directors shall be fixed by a shareholders' resolution at a shareholders' meeting or provided for in the articles of incorporation.</p> <p>The term "remuneration" means any financial benefits received by a director from a company as a consideration for the execution of his duties as director, such as salary, bonuses, retirement benefits and stock options.</p> <p>In practice, the total or maximum amount of all directors' remuneration is determined by an ordinary resolution of a shareholders' meeting and the detailed allotment or distribution of such amount to each individual director is decided by a resolution of the board of directors.</p>
Appointment, Qualification, Retirement, Resignation, Removal of Directors		
7.	<p><u>Number, Qualification and Appointment of Directors</u></p> <p><u>Section 145: Directors</u></p> <p>Under the Singapore Companies Act, every company must have at least one director who is ordinarily resident in Singapore. Where the company has only one member, that sole director may also be the sole member of the company.</p> <p>No person other than a natural person who has attained the age of 18 years and who is otherwise of full legal capacity can be a director of a company.</p>	<p><u>Number, Qualification and Appointment of Directors</u></p> <p><u>Article 326</u> <u>Article 331(4)</u></p> <p>Under the Japanese Companies Act, a company must have at least one director. A company with a board of directors must have at least three directors and at least one representative director shall be elected from amongst them by the board of directors.</p> <p>Note: Although Japanese Corporate Law does not have any provision that requires at least one representative director living in Japan, under the practice of the Japanese commercial registration, there must be at least one representative director (if the corporations do not have the representative director, at least one director) resident in Japan for the following reason. For the registration of a stock company, a certificate of seal registration of the representative director(s) shall be attached to the relevant application document. Under the common practice in Japan, being a resident in Japan is a prerequisite to obtain a certificate of seal registration (which is conducted by the local governments pursuant to their own local codes). Therefore, at least one of the representative directors shall necessarily be a resident in Japan.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
	<p><u>Section 147: Qualification of director</u></p> <p>Every director, who is by the articles of association required to hold a specified share qualification and who is not already qualified, must obtain his qualification within two months after his appointment or such shorter period as is fixed by the articles of association.</p> <p><u>Section 153: Age limit for directors</u></p> <p>In the case of a Public Company, the appointment of directors at a general meeting must generally be voted on individually. In addition, no person of or over the age of 70 years shall be appointed as a director of a Public Company or of a subsidiary of a Public Company, unless he has been appointed, re-appointed or authorised to continue in office as a director by an ordinary resolution passed at an annual general meeting of the company until the next general meeting of the company.</p> <p>Subject to the provisions of the Singapore Companies Act, the articles of association of a company may also empower the board of directors to appoint any directors to fill a casual vacancy or an additional director.</p> <p>Audit Committee</p> <p><u>Section 201B: Audit committees</u></p> <p>Under the Section 201B of the Singapore Companies Act, every company that is incorporated in Singapore and listed, is required to have an audit committee.</p> <p>Such an audit committee shall be appointed by the directors from among their number and shall be composed of three or more members of whom a majority shall not be:</p> <p>(i) executive directors of the company or any related corporation;</p>	<p><u>Article 331(1)</u></p> <p>No person other than a natural person of full legal capacity or qualified by the Japanese Companies Act can act as a director of a company.</p> <p><u>Article 331(2)</u></p> <p>A Public Company shall not impose any shareholding qualification on the directors of such company in the articles of incorporation.</p> <p><u>Article 911(3)</u></p> <p>The names of the directors and name(s) and address(es) of representative director(s) of a company are registered in corporate registry which is available to the public.</p> <p><u>Article 329(1)(2)</u> <u>Article 341</u></p> <p>Directors shall be elected by the majority (in cases where a higher proportion is provided for in the articles of incorporation, such proportion or more) of the votes of the shareholders present at the meeting where the shareholders holding the majority of the votes (in cases where a proportion of one third or more is provided for in the articles of incorporation, such proportion or more) of the shareholders entitled to exercise their votes are present.</p> <p>A director to fill a vacancy shall be elected by a shareholders' meeting in the same way as electing a director as per above.</p> <p>There are no restrictions under the Japanese Companies Act in relation to the maximum age of a director of a Public Company or of a subsidiary of a Public Company.</p> <p>Audit Committee</p> <p>There are no similar rules under the Japanese Companies Act which require a company to have an audit committee appointed by the directors. Under the Japanese Companies Act, a statutory auditor may be appointed by the majority (in cases where a higher proportion is provided for in the articles of incorporation, such proportion or more) of the votes of the shareholders present at the meeting where the shareholders holding the majority of the votes (in cases where a proportion of one third or more is provided for in the articles of incorporation, such proportion or more) of the shareholders entitled to exercise their votes are present.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
	<p>(ii) a spouse, parent, brother, sister, son or adopted son or daughter or adopted daughter of an executive director of the company or of any related corporation; or</p> <p>(iii) any person having a relationship which, in the opinion of the board of directors, would interfere with the exercise of independent judgment in carrying out the functions of an audit committee.</p>	
8.	<p><u>Disqualification of Directors</u></p> <p><u>Section 148: Restriction on undischarged bankrupt being director or manager</u></p> <p>Under the Singapore Companies Act, a person may not act as a director of any corporation if he is an undischarged bankrupt unless he has the leave of the Singapore courts or the written permission of the Official Assignee appointed under the Bankruptcy Act, Chapter 20 of Singapore, to do so.</p> <p><u>Section 149: Disqualification of unfit directors of insolvent companies</u></p> <p>A person may be disqualified from acting as a director of a company by the Singapore courts for a period not exceeding five years if (a) he is or has been a director of a company which has at any time gone into liquidation (whether while he was a director or within three years of his ceasing to be a director) and was insolvent at that time and (b) his conduct makes him unfit to be a director of a company.</p> <p><u>Section 149A: Disqualification of directors of companies wound up on grounds of national security or interest</u></p> <p>A person may, subject to certain exceptions, also be disqualified from acting as a director by the Singapore courts for a period of three years if he is a director of a company which is ordered to be wound up by the Singapore courts on the ground that it is being used for purposes against national security or interest.</p>	<p><u>Disqualification of Directors</u></p> <p>There are no similar rules under the Japanese Companies Act which prohibit an undischarged bankrupt from acting as a director of any corporation.</p> <p>There are no similar rules under the Japanese Companies Act which disqualifies a person from acting as a director of a company if he is or has been a director of a company which has at any time gone into liquidation (whether while he was a director or within three years of his ceasing to be a director) and was insolvent at that time and his conduct makes him unfit to be a director of a company.</p> <p>There are no similar rules under the Japanese Companies Act which disqualifies a person from acting as a director of a company if he is a director of a company which is ordered to be wound up by the Japan courts on the ground that it is being used for purposes against national security or interest.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
	<p><u>Section 154: Disqualification to act as director on conviction of certain offences</u></p> <p>A person could also be disqualified from acting as a director of a company on other grounds, such as conviction of any offence (whether in Singapore or elsewhere) involving fraud or dishonesty which is punishable with imprisonment for three months or more, or because of persistent default in relation to delivery of documents to the Registrar of Companies appointed under the Singapore Companies Act.</p>	<p><u>Article 331(1):</u></p> <p>The following persons may not act as a director:</p> <p>(a) a person who has been sentenced to a penalty for having:</p> <p>(i) violated the provisions of the Japanese Companies Act (such as provisions relating to aggravated breach of trust, sharing profits in connection with the exercise of shareholders' rights); or</p> <p>(ii) committed a certain crime under, <i>inter alia</i>, the Financial Instruments and Exchange Act (such as misstatement in annual securities report), the Civil Rehabilitation Act (such as fraud in rehabilitation), the Corporate Reorganization Act and the Bankruptcy Act, for whom two years have not elapsed since the day on which the execution of the sentence was completed or the sentence no longer applied; or</p> <p>(b) a person who has violated any laws and regulations (other than those mentioned above) and was sentenced to imprisonment or a more severe penalty and who has not completed the execution of the sentence or to whom the sentence still applies (excluding persons for whom the execution of the sentence is suspended).</p>
9.	<p><u>Resignation of Directors</u></p> <p><u>Section 145(5)</u></p> <p>Under the Singapore Companies Act, a director of a company cannot resign or vacate his office unless there is remaining in the company at least one director who is ordinarily resident in Singapore, and any purported resignation or vacation of office in breach of this provision is deemed to be invalid.</p>	<p><u>Resignation of Directors</u></p> <p><u>Article 330:</u> <u>(Article 651(1) of the Civil Code)</u> <u>Article 346(1)(2):</u></p> <p>A director may resign from his office at any time. The notice of resignation is not required to be in writing but is usually submitted in writing. However, where there are no directors in office, or where there is a vacancy which results in less than three directors as prescribed under the Japanese Companies Act or the minimum number of directors as stipulated in the company's articles of incorporation, a director who retired from office due to expiration of his/her term of office or who has resigned shall</p>

No.	Singapore Corporate Law	Japanese Corporate Law
	<p>Subject to the provisions of the Singapore Companies Act, the articles of association of a company may provide that a director's resignation is effective by giving written notice of the company, unless the director's contract or the articles of association otherwise provide.</p>	<p>continue to have the rights and obligations of a director until a newly elected director assumes his/her office. In that case, if the court finds it necessary, it may, in response to a petition by interested persons, elect a person who is to temporarily perform the duties of a director.</p>
10.	<p><u>Removal of Directors</u></p> <p><u>Section 152</u></p> <p>A director of a Public Company may be removed before the expiration of his period of office by an ordinary resolution (which requires special notice to be given in accordance with the provisions of the Singapore Companies Act) of the shareholders, notwithstanding anything in the memorandum or articles of association of that company or in any agreement between that company and the director, but where any director so removed was appointed to represent the interests of any particular class of shareholders or debenture holders, the resolution to remove him shall not take effect until his successor has been appointed.</p> <p>Subject to the provisions of the Singapore Companies Act, the articles of association of a company may prescribe the manner in which a director may be removed from office before the expiration of his term of office.</p>	<p><u>Removal of Directors</u></p> <p><u>Article 339(1)</u> <u>Article 341</u></p> <p>Resolutions for the removal of directors before the expiration of his period of office shall be made by the majority (in cases where a higher proportion is provided for in the articles of incorporation, such proportion or more) of the votes of the shareholders present at the meeting where the shareholders holding the majority of the votes (in cases where a proportion of one third or more is provided for in the articles of incorporation, such proportion or more) of the shareholders entitled to exercise their votes are present.</p> <p><u>Article 303(2)</u> <u>Article 854(1)</u></p> <p>Under the Japanese Companies Act, a shareholders' resolution is generally required for any removal of a director and a proposal for the removal of a director is usually submitted to the shareholders meeting by the board of directors. Shareholders holding one percent or more of the voting rights of a company or 300 or more voting rights of a company for the preceding six months or more may demand that the board include the removal of a director in as a proposed resolution of a shareholders meeting, provided that such demand is made eight weeks prior to the shareholders' meeting. Where a director commits a wrongful act or is in violation of Japanese laws and regulations or the company's articles of incorporation in relation to the execution of his/her duties as a director, and the resolution proposing to remove such director is rejected at the shareholders' meeting, shareholders (excluding the shareholders who are unable to exercise his/her voting right on the resolution to remove the director and the shareholders who are the directors of the company subjected to the said lawsuit below)</p>

No.	Singapore Corporate Law	Japanese Corporate Law
		<p>holding three percent or more voting rights of the company for the preceding six months or more or shareholders (excluding treasury shares and the shareholders who are directors of the company subjected to the said lawsuit below) holding three percent or more shares of the all issued shares of the company for the preceding six months or more may bring a lawsuit for the removal of the director within thirty days from the day of the shareholders meeting.</p>
Mergers and Similar Arrangements		
11.	<p><u>Section 212: Approval of compromise or arrangement by Court</u></p> <p>The Singapore Companies Act provides that the Singapore courts have the authority, in connection with a scheme for the reconstruction of any company or companies or the amalgamation of any two or more companies and that under the scheme the whole or any part of the undertaking or the property of any company concerned in the scheme (the transferor company) is to be transferred to another company (the transferee company), to order the transfer to the transferee company of the whole or any part of the undertaking and of the property or liabilities of the transferor company. Such power only exists in relation to companies incorporated in Singapore.</p> <p><u>Section 215A to J</u></p> <p>The Singapore Companies Act further provides for a voluntary amalgamation process without the need for a court order. Under this voluntary amalgamation process, two or more companies may amalgamate and continue as one company, which may be one of the amalgamating companies or a new company, in accordance with the procedures set out in the Singapore Companies Act. As part of these procedures, the board of directors of each of the amalgamating company must make a solvency statement in relation to both the amalgamating company and the amalgamated company.</p>	<p><u>Article 783(1)</u> <u>Article 795(1)</u></p> <p>The Japanese Companies Act provides that two (or more) companies may conduct certain types of reorganisation, such as an absorption-type merger and a consolidation-type merger, with a special resolution by shareholders' meeting of each of the companies and in accordance with other procedures set out in the Japanese Companies Act. Such reorganisation is voluntary and no authority is given to the courts to order such reorganisation.</p> <p><u>Article 785(1): Repurchase of shares for dissenting shareholders of an absorbed company</u> <u>Article 797(1): Repurchase of shares for dissenting shareholders of a surviving company</u> <u>Article 789(2): Creditor protection procedure for an absorbed company</u> <u>Article 799(2): Creditor protection procedure for a surviving company</u></p> <p>Under the Japanese Companies Act, the following procedures, amongst others, will be necessary for such reorganisations:</p> <ul style="list-style-type: none"> - Resolution of a board of directors; - Special resolution of shareholders' meeting; - Procedures for protecting the creditors (public notices and individual notices for known creditors); and - Procedures for appraisal rights exercisable by dissenting shareholders (notices or public notices).

No.	Singapore Corporate Law	Japanese Corporate Law
		<p data-bbox="826 210 1382 300"> <u>Article 796(3): Simple merger (<i>kan-i</i>)</u> <u>Article 784(1): Summary merger (<i>ryakushiki</i>)</u> <u>Article 796(1): Summary merger (<i>ryakushiki</i>)</u> </p> <p data-bbox="826 336 1382 649"> In certain cases where the proposed reorganisation is expected to have a small impact on shareholders of the company, the resolution of a shareholders' meeting is not required. Further, a reorganisation between companies where one company has 90% control over the other company ("the controlled company") may be conducted without a shareholders' meeting of the controlled company. </p> <p data-bbox="826 685 1382 775"> The definition of "small impact" for each of the above-mentioned provisions is as follows: </p> <p data-bbox="826 810 999 842"> <u>Article 796(3)</u> </p> <p data-bbox="826 878 1382 1066"> The amount set forth in item (i) does not exceed one-fifth (or, in cases where a lesser proportion is prescribed in the articles of incorporation of the surviving stock company, etc., such proportion) of the amount set forth in item (ii): </p> <p data-bbox="826 1102 1382 1160"> (i) the total amount of the amounts listed (a) through (c): </p> <p data-bbox="890 1196 1382 1733"> (a) the amount obtained by multiplying the number of shares of the surviving stock company, etc. to be delivered to shareholders of the stock company absorbed in absorption-type merger or the wholly owned subsidiary company in share exchange, to partners of the membership company absorbed in absorption-type merger or to the splitting company in absorption-type company split (hereinafter referred to as "Shareholders, etc. of the Absorbed Company, etc." in this item) by the amount of net assets per share; </p> <p data-bbox="890 1769 1382 1957"> (b) the total amount of the book value of bonds, share options or bonds with share options of the surviving stock company, etc. to be delivered to Shareholders, etc. of the Absorbed Company, etc.; and </p>

No.	Singapore Corporate Law	Japanese Corporate Law
		<p>(c) the total amount of the book value of property other than shares, etc. of the surviving stock company, etc. to be delivered to Shareholders, etc. of the Absorbed Company, etc.; and</p> <p>(ii) the amount calculated by the method specified by the applicable ordinances as the total assets of the surviving stock company, etc.</p> <p><u>Article 784(1) proviso</u></p> <p>The exception above regarding summary merger under Article 784(1) is not applicable if all or part of the value of the merger, etc. in the absorption-type merger or share exchange is shares with a restriction on transfer, etc., and the absorbed stock company, etc. is a Public Company as well as a company with no provision on issuing class shares.</p> <p><u>Article 796(1) proviso</u></p> <p>The exception above regarding summary merger under Article 796(1) is not applicable if all or part of the monies, etc. to be delivered to shareholders of the stock company absorbed in absorption-type merger or the wholly owned subsidiary company in share exchange, to partners of the membership company absorbed in absorption-type merger or to the splitting company in absorption-type company split are shares with a restriction on transfer, etc. of the surviving stock company, etc., and the surviving stock company, etc. is not a Public Company.</p>
Appraisal Rights		
12.	The Singapore Companies Act does not provide for appraisal rights to the shareholders of a company in connection with a merger.	Dissenting shareholders who oppose the proposed merger at the shareholders' meeting have the right to demand that their shares be purchased by the company at a fair price in accordance with the procedures set out in the Japanese Companies Act.

No.	Singapore Corporate Law	Japanese Corporate Law
Shareholders' Suits and Protection of Minority Shareholders		
13.	<p><u>Section 216: Personal remedies in cases of oppression or injustice</u></p> <p>A member or a holder of a debenture of a company may apply to the Singapore courts for an order under Section 216 of the Singapore Companies Act to remedy situations where:</p> <p>(i) a company's affairs are being conducted or the powers of the company's directors are being exercised in a manner oppressive to, or in disregard of the interests of one or more of the members, shareholders or holders of debentures of the company, including the applicant; or</p> <p>(ii) a company has done an act, or threatens to do an act, or the members or holders of debentures have passed some resolution, or propose to pass some resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of the company's members or holders of debentures, including the applicant.</p> <p>Singapore courts have wide discretion as to the relief they may grant under such application, including, <i>inter alia</i>, directing or prohibiting any act or cancelling or varying any transaction or resolution, providing that the company be wound up, or authorising civil proceedings to be brought in the name of or on behalf of the company by such person or persons and on such terms as the court directs.</p> <p><u>Section 216A: Derivative or representative actions</u></p> <p>In addition, a member of a company who is seeking relief for damage done to the company may bring a common law derivative action in certain circumstances against the persons who have done wrong to the company. Further, section 216A of the Singapore Companies Act prescribes a procedure to bring a statutory derivative action. The statutory procedure is available to, <i>inter alia</i>, (i) a member of a company not listed on the SGX-ST, and (ii) any other person who, in the discretion of the court, is a proper person to make an application under Section 216A of the Singapore Companies Act.</p>	<p><u>Article 360(1)</u></p> <p>In cases where a director engages, or is likely to engage, in an act outside the scope of the purpose of the company, or other acts in violation of the laws and regulations of Japan or the articles of incorporation of the company, and if such act is likely to cause substantial detriment (or, in the case where such company has a statutory auditor, if such act is likely to cause irreparable damage) to the company, shareholders holding shares consecutively for the preceding six months or more (or, in cases where a shorter period is prescribed in the articles of incorporation, such period or more) may apply to the courts to have such director cease such act.</p> <p>Creditors of a company do not have similar rights in such situations.</p> <p><u>Article 847: Derivative Suits</u></p> <p>Any shareholder of a Public Company who has held shares continuously for at least six preceding months can make a written request to the company, addressed to the statutory auditor, to commence an action against a director who has done wrong to the company and caused damage to it. If the company fails to commence the action within 60 days of the date of the shareholder's request, the shareholder may commence the action against the director on behalf of the company (a derivative action).</p>

No.	Singapore Corporate Law	Japanese Corporate Law
		There are no provisions under the Japanese Companies Act which allow shareholders of a company to bring an action on behalf of the company against third parties who have done wrong to the company.
Shareholders' Action by Written Consent		
14.	<p><u>Section 184A: Passing of resolution by written means</u></p> <p>Notwithstanding any other provision of the Singapore Companies Act, a private company may pass any resolution by written means (save for any resolution to dispense with the holding of annual general meetings or any resolution which special notice is required) in accordance with the provisions of the Singapore Companies Act. There is no corresponding provision in the Singapore Companies Act which applies to a Public Company.</p>	<p><u>Article 319(1): Omission of Resolution of Shareholders' meeting</u> <u>Article 370: Omission of Resolution of Board of directors' meeting</u></p> <p>Any company may pass any resolution of shareholders' meeting and the board of directors' meeting by written means in accordance with the provisions of the Japanese Companies Act.</p>
Shareholders' Proposals		
15.	<p><u>Section 183: Circulation of members resolution</u></p> <p>Under the Singapore Companies Act, (a) any number of members representing not less than 5.0% of the total voting rights of all the members having at the date of requisition a right to vote at a meeting to which the requisition relates or (b) not less than 100 members holding shares on which there has been paid up an average sum, per member, of not less than S\$500, may requisition the company to give to members notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting, and circulate to members any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.</p>	<p><u>Article 318(4): Right to request for inspection and copying</u> <u>Article 297(1): Right to request for convening of a shareholders' meeting</u> <u>Article 303(1): Right to propose agenda</u> <u>Article 305(1): Right to request for inclusion of proposal in notice of convening the shareholders' meeting</u> <u>Article 306(1)(2): Right to petition the court to appoint an inspector for the procedures of a shareholders' meeting</u></p> <p>Any shareholder and creditor of the company has the right to inspect or ask for a copy of the minutes of a shareholders' meeting. Also, the following rights are given to shareholders:</p> <ul style="list-style-type: none"> - Shareholders holding three per cent or more of the voting rights in a company continuously for preceding six months or more have the right to require shareholders' meetings to be convened by showing the matters which shall be the purpose of the shareholders' meeting (limited to the matters on which such shareholders may exercise their votes);

No.	Singapore Corporate Law	Japanese Corporate Law
	<p><u>Section 176: Conveying of extraordinary general meeting on requisition</u></p> <p>Members holding not less than 10.0% of the paid up capital of a company, or in the case of a company not having a share capital, of members representing not less than 10% of the total voting rights of all members having a right to vote at general meetings, may requisition for an extraordinary general meeting in accordance with the provisions of the Singapore Companies Act. The directors must convene the meeting to be held as soon as practicable, but in any case not later than two months, after the receipt by the company of the requisition.</p> <p><u>Section 177: Calling of Meeting</u></p> <p>Two or more members holding not less than 10.0% of the company issued share capital may also call a meeting of the company in accordance with the provisions of the Singapore Companies Act.</p>	<ul style="list-style-type: none"> - Shareholders holding one per cent or more of the voting rights of a company, or 300 or more voting rights of a company continuously for preceding six months or more are entitled to ask eight weeks prior to the meeting date, that the board of directors place specific items on the agenda for a shareholders' meeting, and are entitled to request that the company list a summary of their proposals on the company's convocation notice; - Shareholders holding one per cent or more of the voting rights are entitled to apply to the court before a shareholders' meeting to appoint an inspector who shall be retained to investigate the convocation procedures and method of resolution relating to such shareholders' meeting.
Winding Up and Dissolution		
16.	<p><u>Winding Up</u></p> <p>The winding up of a company may be done in the following ways:</p> <ul style="list-style-type: none"> (i) members' voluntary winding up; (ii) creditors' voluntary winding up; (iii) court compulsory winding up; and (iv) an order made pursuant to Section 216 of the Singapore Companies Act for the winding up of the company. <p>The type of winding up depends, <i>inter alia</i>, on whether the company is solvent.</p>	<p><u>Article 475</u></p> <p>A company must go into liquidation in the following cases:</p> <ul style="list-style-type: none"> (i) where the company is dissolved by, <i>inter alia</i>, shareholders' voluntary winding up (except where the company is dissolved via being the absorbed company in an absorption-type merger or where the bankruptcy proceedings have commenced and have not been completed); (ii) where a judgement allowing a claim seeking invalidation of the incorporation of the company becomes final and binding; or (iii) where a judgement allowing a claim seeking invalidation of a share transfer becomes final and binding. <p><u>Article 824(1): Right to petition the court to order the dissolution of the company</u></p> <p>There are no provisions for the equivalent to creditors' voluntary winding up provided in the Singapore Companies Act under the Japanese Companies Act. If creditors wish to dissolve the company, creditors must file for bankruptcy of the company.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
		<p data-bbox="826 210 1394 304"><u>Article 15 of the Bankruptcy Act of Japan: Grounds for Commencement of Bankruptcy Proceedings</u></p> <p data-bbox="826 338 1394 495">(1) When a debtor is unable to pay debts, the court, upon petition, shall commence bankruptcy proceedings by an order pursuant to the provision of Article 30(1).</p> <p data-bbox="826 528 1394 622"><u>Article 18 of the Bankruptcy Act of Japan: Petition for Commencement of Bankruptcy Proceedings</u></p> <p data-bbox="826 656 1394 750">(1) A creditor or debtor may file a petition for commencement of bankruptcy proceedings.</p> <p data-bbox="826 784 1394 1008">(2) A creditor, when filing a petition for commencement of bankruptcy proceedings, provide prima facie proof showing of the existence of the claim held thereby and the fact constituting the grounds for the commencement of bankruptcy proceedings.</p> <p data-bbox="826 1041 1394 1135"><u>Article 20 of the Bankruptcy Act of Japan: Method of Filing Petition for Commencement of Bankruptcy Proceedings</u></p> <p data-bbox="826 1169 1394 1326">(1) A petition for commencement of bankruptcy proceedings shall be filed by means of a document stating the matters specified by the Rules of the Supreme Court.</p> <p data-bbox="826 1359 1394 1453"><u>Article 30 of the Bankruptcy Act of Japan: Order of Commencement of Bankruptcy Proceedings</u></p> <p data-bbox="826 1487 1394 1733">(1) Where a petition for commencement of bankruptcy proceedings is filed, the court, when it finds a fact constituting the grounds for the commencement of bankruptcy proceedings, shall make an order of commencement of bankruptcy proceedings, except in any of the cases listed in the following items:</p> <p data-bbox="890 1767 1394 1834">(i) Where expenses for bankruptcy proceedings are not prepaid.</p> <p data-bbox="890 1868 1394 2024">(ii) Where the petition for commencement of bankruptcy proceedings is filed for an unjustifiable purpose or it is not filed in good faith.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
	<p><u>Dissolution</u></p> <p>A company may be dissolved:</p> <ul style="list-style-type: none"> (i) through the process of liquidation pursuant to the winding up of the company; (ii) in a merger or amalgamation of two companies where the court may order the dissolution of one after its assets and liabilities have been transferred to the other; or (iii) when it is struck off the register by the Registrar of Companies on the ground that it is a defunct company. 	<p><u>Article 471: Dissolution</u></p> <p>A company may be dissolved on the following grounds:</p> <ul style="list-style-type: none"> (i) The expiration of the duration provided for in its articles of incorporation; (ii) The grounds for dissolution provided for in its articles of incorporation; (iii) A resolution of a shareholders' meeting; (iv) A merger (limited to cases where such company ceases to exist as a result of the merger); (v) A ruling to commence bankruptcy procedures; or (vi) Judgment ordering the dissolution of the company pursuant to the relevant provisions of the Japanese Companies Act.
Variation of Rights of Shares		
17.	<p><u>Section 74: Rights of holders of classes of share</u></p> <p>Under the Singapore Companies Act, if a provision is made in the memorandum or articles of association of a company for authorising the variation or abrogation of the rights attached to any class of shares in the company and in pursuance of that provision such rights are at any time varied or abrogated, the holders of not less in aggregate than 5.0% of the issued shares of that class may apply to the Singapore courts to have the variation or abrogation cancelled in accordance with the Singapore Companies Act.</p> <p>The court may, if satisfied that the variation or abrogation would unfairly prejudice the shareholders of the class represented by the applicant, disallow the variation or abrogation, and shall if not so satisfied, confirm it.</p>	<p><u>Article 108: Types of shares</u> <u>Article 201: Special Provisions on Determination of Subscription Requirements for Public Company</u> <u>Article 322: Class shareholders' meeting</u></p> <p>A company can issue different classes of shares by a resolution of the board of directors of the Public Company, if the company's articles of incorporation provide for the issuance of such shares and the total number of issuable shares in such class of shares is not exceeded. However, under the Japanese Companies Act, any variation or abrogation of the rights attached to any class of shares in a company that will or is likely to cause detriment to that class of shareholders shall not take effect unless a special resolution of that class of shareholders is made at a meeting constituted by that class of shareholders.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
Amendment of Governing Documents		
18.	<p><u>Amendments to Memorandum and Articles of Association</u></p> <p><u>Section 26 and 26A: General provisions as to the alteration of memorandum</u></p> <p>Unless otherwise provided in the Singapore Companies Act, a Company's memorandum of association may be altered by way of special resolution, except that any entrenching provision in the memorandum and any provision contained in the memorandum before 1 April 2004 which could not be altered before that date may be removed or altered only if all members of the company agree.</p> <p>For these purposes, the term "entrenching provision" means a provision of the memorandum or articles of association of a company to the effect that other specified provisions of the memorandum or articles (a) may not be altered in the manner provided by the Singapore Companies Act, or (b) may not be so altered except by a resolution passed by a specified majority greater than 75.0%, or where other specified conditions are met.</p> <p>Subject to the Singapore Companies Act and to any conditions in its memorandum, a company's articles of association may be altered by way of special resolution except that any entrenching provision in the articles of association may be removed or altered only if all members of the company agree.</p> <p>Any alteration to the articles of association takes effect on and from the date of the special resolution approving such alteration or such later date as is specified in the resolution.</p>	<p><u>Amendments to Articles of Incorporation</u></p> <p>Companies constituted under the Japanese Companies Act do not have a memorandum as part of its constitution.</p> <p><u>Article 466: Amendments of articles of incorporation</u></p> <p><u>Article 309(2): Resolution of shareholders' meeting for amendments of articles of incorporation</u></p> <p>Unless otherwise provided in the Japanese Companies Act, a company's articles of incorporation may be altered by way of special resolution of a shareholders' meeting.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
Directors' Fiduciary Duties		
19.	<p><u>Section 157: As to the duty and liability of officers</u></p> <p>Every director by virtue of his office occupies a fiduciary position with respect to the company. A director is not permitted to place himself in a situation where his interests conflict with his duty.</p> <p>Duties are imposed upon any person who becomes a director of a company and breaches of these duties may lead to criminal or civil liabilities. Such duties are governed by statute and common law.</p> <p>Such duties include (without limitation) duties of care and skill and duties to act in good faith in the best interest of the company, as well as the statutory duty under the Singapore Companies Act to act honestly and to use reasonable diligence in the discharge of the duties of his office at all times.</p>	<p><u>Article 330: Duty of care of a good manager (Article 644 of the Civil Code)</u> <u>Article 355: Duty of loyalty</u></p> <p>Every director by virtue of his office has a fiduciary relationship with the company. The fiduciary relationship is similar to that of a principal and agent relationship. This relationship arises from the fact that a company being an juridical person can only act through the agency of natural persons. Such being the case, a company can only act through agents, i.e. its individual directors, and it is the duty of the "agents" to act in the best interests of the company. Accordingly, a director is generally not permitted to place himself in a situation where his interests conflict with his duty. Duties are imposed upon any person who becomes a director of a company and breaches of these duties may lead to criminal or civil liabilities. Such duties are governed by statute and include (without limitation) duties of care and skill and duties to act in good faith in the best interest of the company, as well as the statutory duty under the Japanese Companies Act to act honestly and to use reasonable diligence in the discharge of the duties of his office at all times.</p>
Conversion		
20.	<p><u>Section 31: Change from public to private company and change from private to Public Company</u></p> <p>The Singapore Companies Act provides that a private company may be converted to a Public Company and vice versa by, <i>inter alia</i>, passing a special resolution. A limited company could be converted into an unlimited company and vice versa by complying with the provisions in the Singapore Companies Act.</p>	<p><u>Article 466: Amendments of articles of incorporation</u> <u>Article 2(5) Definition of Public Company</u></p> <p>Under the Japanese Companies Act, a private company is automatically converted into a Public Company when the restriction on transfer of all or part of its shares in its articles of incorporation is removed by a special resolution of the shareholders' meeting of the company.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
Rights of Shareholders		
21.	<p><u>Section 180: Member's rights at meeting</u></p> <p>The Singapore Companies Act provides that every member shall, notwithstanding any provision in the memorandum or articles, have a right to attend any general meeting of the company and to speak and vote on any resolution before the meeting except that the company's articles may provide that a member shall not be entitled to vote unless all calls or other sums personally payable by him in respect of shares in the company have been paid.</p> <p>Notwithstanding the above, the articles of a company may provide that holders of preference shares shall not have the right to vote at a general meeting of the company except that any preference shares issued after 15th August 1984 shall carry the right to attend any general meeting and in a poll thereat to at least one vote in respect of each such share held during such period as the preferential dividend or any part thereof remains in arrear and unpaid, such period starting from a date not more than 12 months, or such lesser period as the articles may provide, after the due date of the dividend or upon any resolution which varies the rights attached to such shares or upon any resolution for the winding up of the company.</p>	<p><u>Article 105 (Rights of Shareholders)</u></p> <p>(1) A shareholder shall have the following rights and other rights recognized pursuant to the provisions of the Japanese Companies Act with respect to the shares he/she holds:</p> <ul style="list-style-type: none"> (i) The right to receive dividends of surplus (ii) The right to receive distribution of residual assets (iii) The right to vote at shareholders' meetings <p><u>Article 446 (Amounts of Surplus)</u></p> <p>The amount of the surplus of a stock company shall be the amount obtained by subtracting the sum of the amounts listed in item (v) through (vii) from the sum of the amounts listed in item (i) through (iv):</p> <ul style="list-style-type: none"> (i) The amount obtained by subtracting the sum of the amounts listed in Subitem (c) through (e) from the sum of the amounts listed in Sub-item (a) through (b) as at the last day of the most recent business year: <ul style="list-style-type: none"> (a) The amount of assets; (b) The sum of the book value of treasury shares; (c) The amount of liabilities; (d) The sum of the amount of stated capital and reserves; (e) The sum of the amounts, other than those listed in Sub-item (c) and (d), recorded in each account title prescribed by the applicable ordinances. (ii) In cases where treasury shares are disposed of after the last day of the most recent business year, the amount obtained by subtracting the book value of such treasury shares from the amount of the value received in exchange for such treasury shares;

No.	Singapore Corporate Law	Japanese Corporate Law
		<p>(iii) In cases where the amount of stated capital is reduced after the last day of the most recent business year, the amount of such reduction;</p> <p>(iv) In cases where the reserves are reduced after the last day of the most recent business year, the amount of such reduction (excluding the amount under item (ii) of Article 448(1));</p> <p>(v) In cases where treasury shares are canceled pursuant to the provisions of Article 178(1) after the last day of the most recent business year, the amount of the book value of such treasury shares;</p> <p>(vi) The sum of the following amounts in cases where dividend of surplus is paid after the last day of the most recent business year:</p> <p>(a) The total book value of the dividend property referred to in item (i) of Article 454(1) (excluding the book value of such dividend property assigned to shareholders who exercised the rights to demand distribution of monies provided for in item (i), paragraph (4) of that paragraph);</p> <p>(b) The sum of the amounts of the money delivered to shareholders who exercised the rights to demand distribution of monies provided for in item (i) of Article 454(4); and</p> <p>(c) The sum of the amounts of money paid to shareholders of disqualified shares provided for in Article 456.</p> <p>(vii) The sum of the amounts, other than those listed in the preceding two items, recorded in each account title prescribed by the applicable ordinances.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
		<p data-bbox="826 210 1347 239"><u>Article 108 (Shares of Different Classes)</u></p> <p data-bbox="826 275 1394 365">Shares without any voting right at the shareholders meeting can be issued under the Japanese Corporate Law.</p> <p data-bbox="826 400 1394 461">Matters relating to the shareholders right to receive rights offering are as follows:</p> <p data-bbox="826 497 1394 557"><u>Article 238 (Determination of Subscription Requirements)</u></p> <p data-bbox="826 593 1394 683"><u>Article 241 (Cases where Entitlement to Allotment of Share Option is Granted to Shareholders)</u></p> <p data-bbox="826 719 1394 840">In carrying out solicitation under Article 238(1), the stock company may grant entitlement to the allotment of share options to its shareholders.</p>
	Interest in Securities	
22.	<p data-bbox="280 913 801 974">Section 4 of the SFA sets out what constitutes an “interest in securities”:</p> <p data-bbox="280 1010 801 1220">(1) Subject to this section, a person has an interest in securities if he has authority (whether formal or informal, or express or implied) to dispose of, or to exercise control over the disposal of, those securities.</p>	<p data-bbox="826 913 1394 1064">Under the Financial Instruments and Exchange Act (the “FIEA”), there is a relevant provision regarding a similar concept with the Interest in Securities as follows.</p> <p data-bbox="826 1099 1394 1160"><u>Article 27-23 of the FIEA: (Submission of Large Volume Holding Report)</u></p> <p data-bbox="826 1196 1394 1659">A holder of the shares whose Holding Ratio of Share Certificates, etc. pertaining to said Share Certificates, etc. exceeds 5% (such holder shall be hereinafter referred to as a “Large Volume Holder”) shall, pursuant to the provisions of the applicable ordinances, submit to the Prime Minister a report (the “Large Volume Holding Report”) that contains the matters related to the Holding Ratio of Share Certificates, etc., matters related to the funds for the acquisition, purposes of holding and any other matters specified by the applicable ordinances within five days from the date on which such person has come to be a Large Volume Holder.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
		<p>The Large Volume Holding Report referred to above has to be filed by those who are “in possession” (<i>hoyuu</i>) of voting securities, which includes, but is not limited to, “owners” (<i>shoyuu-sha</i>) of such voting securities. Under Article 27-23 of the FIEA and related provisions, the following persons are deemed to possess the voting securities and would be required to make a Large Volume Holding Report where the 5% threshold is crossed:</p> <ul style="list-style-type: none"> (i) persons who own voting securities or have contractual rights to own such voting securities whether or not such voting securities/contractual rights are held in their own name or the name of another person or a fictitious name (e.g. a purchaser of the voting securities or a purchaser of a call option for the voting securities); (ii) persons who: <ul style="list-style-type: none"> (a) are authorised by contract or law to exercise, or direct the exercise of, the voting rights pertaining to the voting securities as shareholders of the issuer of such voting securities; (b) are aware of having such authority as described in (ii)(a) above; and (c) have an intention to control the business of such issuer (exclusive of those who fall under item (iii) below); and (iii) persons who are authorised by a discretionary investment contract or any other contract or law to invest in the voting securities (e.g. (i) a trustee with a discretion to acquire or dispose of voting securities in respect of trust assets, (ii) an asset management company authorised to make investment decisions pursuant to a discretionary investment management contract).

No.	Singapore Corporate Law	Japanese Corporate Law
	(2) For the purposes of subsection (1), it is immaterial that the authority of a person to dispose of, or to exercise control over the disposal of, particular securities is, or is capable of being made, subject to restraint or restriction.	There is no equivalent provision under the FIEA.
	(3) Where any property held in trust consists of or includes securities and a person knows, or has reasonable grounds for believing, that he has an interest under the trust, he shall be deemed to have an interest in those securities.	Please see the Article 27-23 of the FIEA described above.
	(4) Where a corporation has, or is by the provisions of this section deemed to have, an interest in a security and – (a) the corporation is, or its directors are, accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of a person; or (b) a person has a controlling interest in the corporation, that person shall be deemed to have an interest in that security.	There is no equivalent provision under the FIEA.
	(5) Where a corporation has, or is by the provisions of this section (apart from this subsection) deemed to have, an interest in a security and – (a) a person is; (b) the associates of a person are; or (c) a person and his associates are, entitled to exercise or control the exercise of not less than 20.0% of the votes attached to the voting shares in the corporation, that person shall be deemed to have an interest in that security.	There is no equivalent provision under the FIEA.

No.	Singapore Corporate Law	Japanese Corporate Law
	<p>(6) For the purposes of subsection (5), a person is an associate of another person if the first-mentioned person is:</p> <ul style="list-style-type: none"> (a) a related corporation of the second-mentioned person; (b) a person in accordance with whose directions, instructions or wishes that the second-mentioned person is accustomed or is under an obligation, whether formal or informal, to act in relation to the security referred to in subsection (4); (c) a person who is accustomed or is under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the second-mentioned person in relation to that security; (d) a corporation which is, or the directors of which are, accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the second-mentioned person in relation to that security; or (e) a corporation in accordance with the directions, instructions or wishes of which, or of the directors of which, the second-mentioned person is accustomed or under an obligation, whether formal or informal, to act in relation to that security. 	<p>There is no equivalent provision under the FIEA.</p>
	<p>(7) A person shall be deemed to have an interest in a security in any one or more of the following circumstances:</p> <ul style="list-style-type: none"> (a) where he has entered into a contract to purchase a security; 	<p>Please see the Article 27-23 of the FIEA described above regarding a purchaser of the voting securities or a purchaser of a call option for the voting securities. There is no other equivalent provision under the FIEA.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
	<p>(b) where he has a right, otherwise than by reason of having an interest under a trust, to have a security transferred to himself or to his order, whether the right is exercisable presently or in the future and whether on the fulfilment of a condition or not;</p> <p>(c) where he has the right to acquire a security or an interest in a security, under an option, whether the right is exercisable presently or in the future and whether on the fulfilment of a condition or not; or</p> <p>(d) where he is entitled, otherwise than by reason of his having been appointed a proxy or representative to vote at a meeting of members of a corporation or of a class of its members, to exercise or control the exercise of a right attached to a security, not being a security of which he is the registered holder.</p>	
	<p>(8) A person shall be deemed to have an interest in a security if that security is held jointly with another person.</p>	<p>Under the FIEA, there is a relevant provision regarding a Joint Holder of voting securities under the Large Volume Holding Report system as follows.</p> <p><u>Paragraphs 5 and 6 of Article 27-23 of the FIEA: (Submission of Large Volume Holding Report)</u></p> <p>The term “Joint Holder” means another holder of the voting securities, in cases where a holder of voting securities has agreed on jointly acquiring or transferring said voting securities, or on jointly exercising the voting right and other rights as a shareholder of the issuer, with another holder of the voting securities.</p> <p>When a holder of voting securities, and another holder of the voting securities have a shareholder relationship, family relationship or any other special relationship other holder generally shall be deemed to fall under the Joint Holder, provided, however, that this shall not apply to the cases where the the voting securities held by either said holder or the other holder is not more than the number specified by the applicable ordinances.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
	(9) For the purpose of determining whether a person has an interest in a security, it is immaterial that the interest cannot be related to a particular security.	There is no equivalent provision under the FIEA.
	<p>(10) There shall be disregarded –</p> <p>(a) an interest in a security if the interest is that of a person who holds the security as bare trustee;</p> <p>(b) an interest in a security if the interest is that of a person whose ordinary business includes the lending of money if he holds the interest only by way of security for the purposes of a transaction entered into in the ordinary course of business in connection with the lending of money;</p> <p>(c) an interest of a person in a security if that interest is an interest held by him by reason of his holding a prescribed office;</p> <p>(d) an interest of a company in its own securities if that interest is purchased or otherwise acquired in accordance with sections 76B to 76G of the Singapore Companies Act; and</p> <p>(e) a prescribed interest in a security being an interest of such person, or of the persons included in such class of persons, as may be prescribed.</p>	Please see the Article 27-23 of the FIEA described above regarding a person holding voting securities as trustee. There is no other equivalent provisions under the FIEA.
	<p>(11) An interest in a security shall not be disregarded by reason only of –</p> <p>(a) its remoteness;</p> <p>(b) the manner in which it arose; or</p> <p>(c) the fact that the exercise of a right conferred by the interest is, or is capable of being made subject to restraint or restriction.</p>	There is no equivalent provisions under the FIEA.

No.	Singapore Corporate Law	Japanese Corporate Law
	Substantial Shareholding	
23.	<p>Under section 4(4) of the SFA a person has a substantial shareholding in a corporation if:</p> <p>(a) he has an interest in one or more voting shares (excluding treasury shares) in the corporation; and</p> <p>(b) the total votes attached to that share, or those shares, is not less than 5.0% of the total votes attached to all the voting shares (excluding treasury shares) in the corporation.</p> <p>If the corporation is one in which the share capital is divided into 2 or more classes of shares, a person has a substantial shareholding in the corporation if:</p> <p>(a) he has an interest in one or more voting shares (excluding treasury shares) in one of those classes; and</p> <p>(b) the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares (excluding treasury shares) in that class.</p> <p><u>Notification of interests</u></p> <p>Under section 135 of the SFA, a person who is or had been a substantial shareholder in a corporation shall give notice in writing to the corporation of particulars of the voting shares in the corporation in which he has or had an interest or interests and the nature and extent of the interest or interests.</p> <p>Such notice shall be given within two business days after the person becomes aware that he is or had been a substantial shareholder.</p> <p><u>Notification of change in interests</u></p> <p>Under section 136 of the SFA, where there is a change in the percentage level of interest or interests of a substantial shareholder in a corporation in voting</p>	<p>Under the FIEA, there is a relevant provision regarding a similar concept with the “Substantial” shareholders as follows.</p> <p><u>Article 27-23 of the FIEA: (Submission of Large Volume Holding Report)</u></p> <p>A holder of the shares whose Holding Ratio of Share Certificates, etc. pertaining to said Share Certificates, etc. exceeds 5% (such holder shall be hereinafter referred to as a “Large Volume Holder”) shall, pursuant to the provisions of the applicable ordinances, submit to the Prime Minister a Large Volume Holding Report that contains the matters related to the Holding Ratio of Share Certificates, etc., matters related to the funds for the acquisition, purposes of holding and any other matters specified by the applicable ordinances within five days from the date on which such person has come to be a Large Volume Holder.</p> <p>The Large Volume Holding Report referred to above has to be filed by those who are “in possession” (<i>hoyuu</i>) of voting securities, which includes, but is not limited to, “owners” (<i>shoyuu-sha</i>) of such voting securities. Under Article 27-23 of the FIEA and related provisions, the following persons are deemed to possess the voting securities and would be required to make a Large Volume Holding Report where the 5% threshold is crossed:</p> <p>(i) persons who own voting securities or have contractual rights to own such voting securities whether or not such voting securities/contractual rights are held in their own name or the name of another person or a fictitious name (e.g. a purchaser of the voting securities or a purchaser of a call option for the voting securities);</p> <p>(ii) persons who:</p> <p>(a) are authorised by contract or law to exercise, or direct the exercise of, the voting rights pertaining to the voting securities as shareholders of the issuer of such voting securities;</p>

No.	Singapore Corporate Law	Japanese Corporate Law
	<p>shares in the corporation, the substantial shareholder shall give notice in writing to the corporation within 2 business days after he becomes aware of the change.</p> <p>“Percentage level” in relation to a substantial shareholder means the percentage figure ascertained by expressing the total votes attached to all the voting shares in which the substantial shareholder has an interest or interests immediately before or (as the case may be) immediately after the relevant time as a percentage of the total votes attached to:</p> <p>(a) all the voting shares in the company; or</p> <p>(b) where the share capital of the company is divided into two or more classes of shares, all the voting shares included in the class concerned.</p> <p><u>Notification of ceasing to be substantial shareholder</u></p> <p>Under section 137 of the SFA, a person who ceases to be a substantial shareholder in a corporation shall give notice in writing to the corporation within 2 business days after he becomes aware that he has ceased to be a substantial shareholder.</p> <p><u>Beneficial owner to ensure notification by person who holds, acquires or disposes of interests on his behalf</u></p> <p>Under section 137A of the SFA, a person who authorises another person to hold, acquire or dispose of, on his behalf, voting shares or an interest or interests in voting shares in a corporation, he shall take reasonable steps to ensure that the second-mentioned person notifies him as soon as practicable and, in any case, no later than two business days after any acquisition or disposal of any of those voting shares or interest or interests in voting shares effected by the second-mentioned person on his behalf.</p>	<p>(b) are aware of having such authority as described in (ii)(a) above; and</p> <p>(c) have an intention to control the business of such issuer (exclusive of those who fall under item (iii) below); and</p> <p>(iii) persons who are authorised by a discretionary investment contract or any other contract or law to invest in the voting securities (e.g. (i) a trustee with a discretion to acquire or dispose of voting securities in respect of trust assets, (ii) an asset management company authorised to make investment decisions pursuant to a discretionary investment management contract).</p> <p><u>Article 27-25 of the FIEA: Submission of Amendment Report Pertaining to Large Volume Holding Report</u></p> <p>(1) A person who is required to submit a Large Volume Holding Report shall, if, after the day when the person has come to be a Large Volume Holder, the holding ratio of shares has <i>increased or decreased by 1% or more</i> or where there arises any other matters prescribed by a Cabinet Order as amendments in important matters to be contained in the Large Volume Holding Report, submit to the Prime Minister a report on the amended matters <i>within five business days from the amendment</i>, pursuant to the provisions of the applicable ordinances.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
	<p data-bbox="279 208 798 302"><u>Notification by person who holds, acquires or disposes of interests for benefit of another person</u></p> <p data-bbox="279 336 798 649">Under section 137B of the SFA, where a person holds voting shares in a corporation, being voting shares in which another person has an interest, he shall give to the second-mentioned person notice of any acquisition or disposal of any of those shares effected by him as soon as practicable, no later than two business days after acquiring or disposing of the shares.</p> <p data-bbox="279 683 798 777"><u>Power of corporation to require disclosure of beneficial interest in its voting shares</u></p> <p data-bbox="279 810 798 1187">Under section 137F of the SFA, any corporation may by notice in writing require any member of the corporation within such reasonable time as is specified in the notice, or where the corporation is informed that any other person has an interest in any of the voting shares in the corporation, the corporation may by notice in writing require that other person within such reasonable time as is specified in the notice to:</p> <p data-bbox="279 1220 798 1314">(a) to inform it whether he holds any voting shares in the corporation as beneficial owner or as trustee; and</p> <p data-bbox="279 1344 798 1563">(b) if he holds them as trustee, to indicate so far as he can the persons for whom he holds them (either by name or by other particulars sufficient to enable those persons to be identified) and the nature of their interest.</p> <p data-bbox="279 1597 798 1910">Any corporation may by notice in writing require any member of the corporation to inform it whether any of the voting rights carried by any voting shares in the corporation held by him are the subject of an agreement or arrangement under which another person is entitled to control his exercise of those rights and, if so, to give particulars of the agreement or arrangement and parties to it.</p> <p data-bbox="279 1944 798 2033">Any person to whom a notice is issued under section 137F shall comply with that notice.</p>	

No.	Singapore Corporate Law	Japanese Corporate Law
	<p><u>Duty of corporation to make disclosure</u></p> <p>Under section 137G of the SFA, where a corporation has been notified in writing by a substantial shareholder in the corporation pursuant to a requirement imposed on him under section 135, 136 or 137, the corporation shall announce or otherwise disseminate the information stated in the notice to the securities market operated by the securities exchange on whose official list any or all of the shares of the corporation are listed, as soon as practicable and in any case, no later than the end of the business day following the day on which the corporation received the notice.</p>	
Foreign Exchange Restriction		
24.		<p>Foreign Exchange and Foreign Trade Act (“FETA”)</p> <p><u>Article 26 of the FETA (Definition of Inward Direct Investment, etc.)</u></p> <p>(1) The term “foreign investor” shall mean any one of the following persons who makes inward direct investment, etc. listed in the items of the next paragraph.</p> <ul style="list-style-type: none"> (i) An individual who is a non-resident of Japan (ii) A juridical person or other organization established pursuant to foreign laws and regulations, or a juridical person or other organization having its principal office in a foreign state (iii) A corporation of which the ratio of the sum of the number of voting rights directly held by those listed in items 1 or 2 and the number of voting rights specified by Cabinet Order as those indirectly held through other corporations to the number of voting rights of all shareholders or members of such corporation is 50% or higher (iv) In addition to what is listed in the preceding two items, a juridical person or other organization in which persons as listed in item 1 occupy the majority of either the officers (meaning directors or other persons equivalent thereto; hereinafter the same shall apply in this item) or the officers having the power of representation

No.	Singapore Corporate Law	Japanese Corporate Law
		<p>(2) The term “inward direct investment, etc.” shall mean an act that falls under any of the following items.</p> <p>(i), (ii) omitted</p> <p>(iii) Acquisition of the shares of a Listed Corporation, etc. (limited to cases where the ratio of the number of shares of the Listed Corporation, etc. pertaining to the acquisition in the total number of issued shares of the Listed Corporation, etc., or the ratio of the sum of the number of shares of the Listed Corporation, etc. which will be held by a person who conducts the acquisition after the acquisition and the number of shares of the Listed Corporation, etc. held by non-resident individuals, corporations or other organizations (limited to those which fall under those listed in items 2 to 4 inclusive of the preceding paragraph), which are specified by Cabinet Order as being in a permanent economic relationship, kinship or other special relationship equivalent thereto with a person who conducted the acquisition in the total number of issued shares of the Listed Corporation, etc. is not less than 10%)</p> <p>(iv), (v), (vi) omitted</p> <p>(vii) Act specified by cabinet order as equivalent to any of the acts set forth in the preceding items.</p> <p><u>Article 55-5 of the FETA (Report of Inward Direct Investment, etc.)</u></p> <p>(1) When a foreign investor has made an inward direct investment, etc. (excluding those specified by Cabinet Order by taking into consideration inheritance, testamentary gift, merger of juridical persons or other circumstances; hereinafter the same shall apply in this article), he/she shall report, pursuant to the provisions of Cabinet Order, to the Minister of Finance and the minister having jurisdiction over the business the content of the inward direct investment, etc., the time of making the inward direct investment, etc. and other matters specified by Cabinet Order.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
Miscellaneous		
25.		<p data-bbox="826 253 1305 286"><u>Article 461 (Restriction on Dividends)</u></p> <p data-bbox="826 315 1394 465">(1) The total book value of the monies, etc. delivered to shareholders as a result of the following acts may not exceed the Distributable Amount as at the day on which such act takes effect:</p> <ul style="list-style-type: none"> <li data-bbox="890 501 1394 622">(i) The purchase of shares of such stock company in response to a demand under item (i)(c) or (2)(c) of Article 138; <li data-bbox="890 658 1394 904">(ii) The acquisition of shares of such stock company based on a decision pursuant to the provisions of Article 156(1) (limited to acquisitions of shares by such stock company in the cases provided for in Article 163 or Article 165(1)); <li data-bbox="890 940 1394 1061">(iii) The acquisition of shares of such stock company based on a decision pursuant to the provisions of Article 157(1); <li data-bbox="890 1097 1394 1196">(iv) The acquisition of shares of such stock company pursuant to the provisions of Article 173(1); <li data-bbox="890 1209 1394 1330">(v) The purchase of shares of such stock company based on a request pursuant to the provisions of Article 176(1); <li data-bbox="890 1366 1394 1464">(vi) The purchase of shares of such stock company pursuant to the provisions of Article 197(3); <li data-bbox="890 1478 1394 1576">(vii) The purchase of shares of such stock company pursuant to the provisions of Article 234(4); or <li data-bbox="890 1608 1209 1641">(viii) Dividend of surplus.

No.	Singapore Corporate Law	Japanese Corporate Law
		<p data-bbox="826 210 1394 271"><u>Article 138 (Method for Requests for Approval of Transfer)</u></p> <p data-bbox="826 293 1394 443">The requests listed in the following items (hereinafter in this Subsection referred to as “Requests for Approval of Transfer”) shall be made by disclosing the matters provided for in such items:</p> <p data-bbox="826 465 1394 526">(i) Requests pursuant to the provisions of Article 136: The following matters:</p> <ul style="list-style-type: none"> <li data-bbox="890 548 1394 763">(a) the number of shares with restriction on transfer that the shareholders making such request intend to transfer to others (or, for a company with class shares, the classes of the shares and the number of shares for each class); <li data-bbox="890 786 1394 913">(b) the name of the person accepting the transfer of the shares with restriction on transfer referred to in (a); and <li data-bbox="890 936 1394 1211">(c) in cases where a stock company determines not to give approval under Article 136, if it is requested that such stock company or designated purchaser provided for in Article 140(4) purchase the shares with restriction on transfer referred to in (a), the statement to such effect. <p data-bbox="826 1234 1394 1323">(ii) the request pursuant to the provisions of paragraph (1) of the preceding article: The following matters:</p> <ul style="list-style-type: none"> <li data-bbox="890 1346 1394 1563">(a) the number of shares with restriction on transfer which the acquirer of shares making such request has acquired (or, for a company with class shares, the classes of the shares and the number of shares for each class); <li data-bbox="890 1585 1394 1646">(b) the name of the acquirer of shares referred to in (a); and <li data-bbox="890 1668 1394 1973">(c) in cases where a stock company determines not to effect the approval under paragraph (1) of the preceding article, if it is requested that such stock company or the designated purchaser provided for in Article 140(4) purchase the shares with restriction on transfer referred to in (a), a statement to such effect.

No.	Singapore Corporate Law	Japanese Corporate Law
		<p data-bbox="826 210 1378 271"><u>Article 156 (Determination of Matters regarding Acquisition of Shares)</u></p> <p data-bbox="826 300 1378 510">(1) A stock company shall prescribe the following matters by resolution of a shareholders meeting in advance in order to acquire for value own shares by agreement with its shareholders; provided, however, that the period under item (iii) cannot exceed one year:</p> <ul style="list-style-type: none"> <li data-bbox="890 546 1378 696">(i) the number of shares to be acquired (or, for a company with class shares, the classes of the shares and the number of shares for each class); <li data-bbox="890 732 1378 943">(ii) the description and total amount of the monies, etc. (excluding the shares, etc. of such stock company. The same shall apply hereinafter in this Subsection.) that will be delivered in exchange for the acquisition of the shares; and <li data-bbox="890 978 1378 1039">(iii) the period during which the shares can be acquired. <p data-bbox="826 1068 1378 1218">(2) The provisions of the preceding paragraph shall not apply to the cases listed in item (i) and item (ii), and in item (iv) to item (xiii) inclusive of the preceding article.</p> <p data-bbox="826 1247 1378 1308"><u>Article 157 (Determination of Acquisition Price)</u></p> <p data-bbox="826 1337 1378 1525">(1) Whenever a stock company intends to acquire its shares in accordance with a determination pursuant to the provisions of paragraph (1) of the preceding article, it shall prescribe the following matters:</p> <ul style="list-style-type: none"> <li data-bbox="890 1554 1378 1673">(i) the number of shares to be acquired (or, for a company with class shares, the class of the shares and the number of the shares); <li data-bbox="890 1709 1378 1897">(ii) the description, and the number or amount, or the method for the calculation thereof, of the monies, etc. that will be delivered in exchange for the acquisition of one share; <li data-bbox="890 1910 1378 2011">(iii) the total amount of monies, etc. that will be delivered in exchange for the acquisition of the shares; and

No.	Singapore Corporate Law	Japanese Corporate Law
		<p>(iv) The date on which the offer to transfer the shares will be made.</p> <p>(2) A company with board of directors shall determine the matters listed in each item of the preceding paragraph by resolution of the board of directors.</p> <p>(3) The conditions prescribed for the acquisition of shares under paragraph (1) shall be uniform for each determination made under the provisions of that paragraph.</p> <p><u>Article 163 (Acquisition of Shares from Subsidiaries)</u></p> <p>In cases where a stock company acquires shares in such stock company that are held by its subsidiary, for the purpose of the application of the provisions of Article 156(1), “shareholders meeting” in such paragraph shall be read as “shareholders meeting (or board of directors meeting for a Company with Board of Directors).” In such cases, the provisions of Article 157 to Article 160 inclusive shall not apply.</p> <p><u>Article 165</u></p> <p>(1) The provisions of Article 157 to Article 160 inclusive shall not apply in cases where a stock company acquires shares in such stock company through transactions undertaken by that stock company in the market or through a takeover bid provided for in Article 27-2(6) of the FIEA (hereinafter in this article referred to as “Market Transactions”).</p> <p>(2) A company with board of directors may provide in its articles of incorporation to the effect that the acquisition of own shares by Market Transactions may be prescribed by resolution of a board of directors meeting.</p> <p>(3) In cases where the provision of the articles of incorporation under the provisions of the preceding paragraph is created, for the purpose of the application of the provisions of Article 156(1), “shareholders meeting” in such paragraph shall be read as “shareholders meeting (or shareholders meeting or board of director’s meeting in the cases provided for in Article 165(1)).”</p>

No.	Singapore Corporate Law	Japanese Corporate Law
		<p data-bbox="826 210 1145 241"><u>Article 173 (Effectuation)</u></p> <p data-bbox="826 273 1388 367">(1) A stock company shall acquire class shares subject to wholly call on the acquisition day.</p> <p data-bbox="826 398 1388 685">(2) In the cases listed in the following items, shareholders of the class shares subject to wholly call other than the stock company shall become the person provided for in each of such items in accordance with provisions made by resolution of the shareholders meeting under Article 171(1) on the acquisition day:</p> <p data-bbox="890 712 1388 837">(i) In cases where there is a provision on the matters listed in Article 171(1)(i)(a): Shareholders of shares under that item (i)(a);</p> <p data-bbox="890 864 1388 990">(ii) In cases where there is a provision on the matters listed in Article 171(1)(i)(b): Bondholders of bonds under that item (i)(b);</p> <p data-bbox="890 1016 1388 1142">(iii) In cases where there is a provision on the matters listed in Article 171(1)(i)(c): Holders of share options under that item (i)(c); or</p> <p data-bbox="890 1169 1388 1429">(iv) In cases where there is a provision on the matters listed in Article 171(1)(i)(d): Bondholders of the bonds with respect to bonds with share option under that item (i)(d), and holders of share options attached to such Bonds with share option.</p> <p data-bbox="826 1456 1209 1487"><u>Article 176 (Demand for Sale)</u></p> <p data-bbox="826 1518 1388 1899">(1) If a stock company determines the matters listed in each item of paragraph (1) of the preceding article, it may demand that the persons under item (ii) of that paragraph sell the shares under item (i) of that paragraph to such stock company; provided, however, that this shall not apply when one year has lapsed from the day when such stock company acquires knowledge of the general succession, including inheritances.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
		<p>(2) Demands pursuant to the provisions of paragraph (1) shall be made by disclosing the number of shares relating to such demand (or, for a company with class shares, the classes of the shares and the number of shares for each class).</p> <p>(3) A stock company may withdraw a demand under the provisions of paragraph (1) at any time.</p> <p><u>Article 197 (Auction of Shares)</u></p> <p>(1) A stock company may sell shares that fall under both of the following items by auction and tender the proceeds thereof to the shareholders of such shares:</p> <ul style="list-style-type: none"> (i) that there is no requirement to give notice or issue a demand to the shareholder of such shares pursuant to the provisions of paragraph (1) of the preceding article, or Article 294(2); and (ii) that the shareholders of such shares have not received dividends of surplus for consecutive five years. <p>(2) In lieu of sale by auction under the provisions of the preceding paragraph, a stock company may sell shares under that paragraph with a market price in an amount calculated by the method prescribed by the applicable ordinances as the market price thereof, and shares under that paragraph without a market price using a method other than auction with the permission of the court. In such cases, if there are two or more directors, the petition for such permission shall be filed with the consent of all directors.</p> <p>(3) The stock company may purchase some or all of the shares sold under the provisions of the preceding paragraph. In such cases, the stock company shall prescribe the following matters:</p> <ul style="list-style-type: none"> (i) the number of shares to be purchased (or, for a company with class shares, the classes of shares and the number of shares for each class); and

No.	Singapore Corporate Law	Japanese Corporate Law
		<p>(ii) The total amount of the monies to be delivered in exchange for the purchase of the shares in the preceding item.</p> <p>(4) A company with board of directors shall determine the matters listed in each item of the preceding paragraph by resolution of a board of directors meeting.</p> <p>(5) Notwithstanding the provisions of paragraph (1) and paragraph (2), in cases where there are registered pledgees of shares, the stock company may effect the auction under the provisions of paragraph (1), or the sale pursuant to the provisions of paragraph (2), only if such registered pledgees of shares are the persons who fall under both of the following items:</p> <p>(i) that there is no requirement to give notice or issue a demand to such persons under the provisions of Article 196(1) applied mutatis mutandis under paragraph (3) of that paragraph; and</p> <p>(ii) that the persons have not received the dividends of surplus to which they are entitled under the provisions of Article 154(1) for consecutive five years.</p> <p><u>Article 234 (Treatment of Fractions)</u></p> <p>(1) In cases where a stock company delivers shares in such stock company to the persons listed in the following items when any act listed in such items is carried out, if the number of the shares of such stock company that shall be delivered to such persons includes a fraction of less than one share, the stock company shall sell the number of shares equivalent to the total sum of the fractions by auction (in cases where the total sum includes a fraction of less than one, such fraction shall be rounded off) and shall deliver the proceeds of that auction to such persons in proportion to the fractions attributed to them:</p> <p>(i) the acquisition of shares under the provisions of Article 170(1): The shareholders of such stock company;</p>

No.	Singapore Corporate Law	Japanese Corporate Law
		<ul style="list-style-type: none"> <li data-bbox="890 210 1394 338">(ii) the acquisition of shares under the provisions of Article 173(1): The shareholders of such stock company; <li data-bbox="890 367 1394 524">(iii) the allotment of shares without contribution provided for in the provisions of Article 185: The shareholders of such stock company; <li data-bbox="890 553 1394 710">(iv) the acquisition of share options pursuant to the provisions of Article 275(1): The holders of the share options provided for in of 236(1)(vii)(a); <li data-bbox="890 739 1394 934">(v) mergers (limited to cases where such stock company survives the merger): The shareholders or members of the company which is to be extinguished after the merger; <li data-bbox="890 963 1394 1158">(vi) the issuing of shares to be issued at the time of incorporation under merger contracts: The shareholders or members of the company which is to be extinguished after the merger; <li data-bbox="890 1187 1394 1382">(vii) the acquisition of all issued shares of another stock company by share exchange: The shareholders of the stock company that effects the share exchange; or <li data-bbox="890 1411 1394 1606">(viii) the issuing of shares to be issued at the time of incorporation under share transfer plan: The shareholders of the stock company that effects the share transfer plan. <p data-bbox="826 1635 1394 1962">(2) In lieu of sale by auction under the provisions of the preceding paragraph, a stock company may sell shares under that paragraph with a market price in an amount calculated by the method prescribed by the applicable ordinances as the market price thereof, and shares under that paragraph without a market price using a method other than auction with the permission of the court.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
		<p>In such cases, if there are two or more directors, the petition for such permission shall be filed with the consent of all directors.</p> <p>(3) For the purpose of the application of the provisions of the preceding paragraph in cases where the shares under paragraph (1) are sold, “of that auction” in paragraph (1) shall be read as “of that sale.”</p> <p>(4) A stock company may purchase some or all of the shares sold pursuant to the provisions of paragraph (2). In such cases, the following matters shall be prescribed:</p> <p>(i) the number of shares to be purchased (or, for a company with class shares, the classes of the shares and the number of shares for each class); and</p> <p>(ii) the total amount of the monies to be delivered in exchange for the purchase of the shares under the preceding item.</p> <p>(5) A company with board of directors shall determine the matters listed in each item of the preceding paragraph by resolution of the board of directors.</p> <p>(6) The provisions of paragraphs (1) to (4) inclusive shall apply mutatis mutandis to cases where bonds or share options of such stock company are delivered to the persons provided for in each item of paragraph (1) when any act listed in such items is carried out.</p> <p>Article 299 (Notice of Convocation of Shareholders’ Meetings)</p> <p>Article 301 (Giving Reference Documents for Shareholders’ Meetings and Voting Forms)</p> <p>The directors shall, when dispatching a notice under Article 299(1), give the shareholders the document stating matters of reference for the exercise of votes and the document to be used by the Shareholders for exercise the votes pursuant to the provisions of the applicable ordinances.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
Settlement System		
26.	<p>Shares of the listed company will be registered in the name of the CDP or its nominee and held by the CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with the CDP.</p> <p>Persons named as direct securities account holders and depository agents in the depository register maintained by the CDP, rather than CDP itself, will be treated under the Singapore Companies Act as members of the listed company in respect of the number of shares credited to their respective securities accounts.</p> <p><u>Withdrawal from book-entry settlement system</u></p> <p>Persons holding shares in securities accounts with the CDP may withdraw shares from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be prima facie evidence of title.</p> <p>A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares is payable.</p> <p>In addition, a fee of S\$2.00 or such other amount as directors of the listed company may decide, is payable to the share registrar for each share certificate issued and a stamp duty of S\$10.00 is also payable where shares are withdrawn in the name of the person withdrawing the shares or S\$0.20 per S\$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party.</p>	<p>There is no equivalent provision in the Japanese Corporate Law.</p> <p>For reference, the settlement system of the TSE is as follows:</p> <ul style="list-style-type: none"> - Japan Securities Depository Center, Inc. (JASDEC) is the book-entry transfer institution in accordance with the Act on Book-Entry Transfer of Company Bonds, Shares, etc. which facilitated the dematerialization of a wide range of securities. - All domestic listed stocks became paperless in January 2009. JASDEC offers following services. <ol style="list-style-type: none"> 1. Book-entry transfer for stocks, etc. 2. Book-entry transfer for commercial papers 3. Book-entry transfer for corporate bonds 4. Book-entry transfer for investment trusts 5. DVP settlement services for off-exchange transaction deliveries 6. Pre-settlement matching system 7. Custody services for foreign stocks 8. Other businesses - Settlement of securities related to regular stock transactions in the exchange market is conducted on the third business day after the transaction date (T+3) through book-entry transfer between JSCC's account and the clearing participant's account at JASDEC. - Settlement of securities between customers and securities companies is conducted through book-entry transfer to or from the customer's account at securities companies, etc. <p>Since all of the listed shares have been computerized and become paperless, custodization process will not be required.</p>

No.	Singapore Corporate Law	Japanese Corporate Law
	<p data-bbox="279 210 662 237"><u>Book-entry settlement system</u></p> <p data-bbox="279 273 799 651">Persons holding physical share certificates who wish to trade on the SGX-ST must deposit their share certificates with the CDP together with the duly executed and stamped instruments of transfer in favour of the CDP, and have their respective securities accounts credited with the number of shares deposited before they can effect the desired trades. A fee of S\$20.00 is payable upon the deposit of each instrument of transfer with the CDP.</p> <p data-bbox="279 687 799 904">Transactions in shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of shares sold and the buyer's securities account being credited with the number of shares being acquired.</p> <p data-bbox="279 940 799 1032">No transfer of stamp duty is currently payable for shares that are settled on a book-entry basis.</p> <p data-bbox="279 1068 799 1352">A Singapore clearing fee for trades in shares on the SGX-ST is payable at the rate of 0.05% of the transaction value subject to a maximum of S\$200.00 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to Singapore Goods and Services Tax at the prevailing rate (currently 7.0%).</p> <p data-bbox="279 1388 799 1509">Dealings of shares will be carried out in Singapore Dollars and will be effected for settlement on the CDP on a scripless basis.</p> <p data-bbox="279 1545 799 1729">Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day.</p>	

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COMPARISON BETWEEN SINGAPORE AND JAPANESE LISTING RULES AND SECURITIES LAWS

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
<p>Disclosure of Material Information</p> <p>703(1) An issuer must announce any information known to the issuer concerning it or any of its subsidiaries or associated companies which:</p> <ul style="list-style-type: none"> (a) is necessary to avoid the establishment of a false market in the issuer's securities; or (b) would be likely to materially affect the price or value of its securities. <p>(2) Rule 703(1) does not apply to information which it would be a breach of law to disclose.</p> <p>(3) Rule 703(1) does not apply to particular information while each of the following conditions applies.</p> <p><i>Condition 1: a reasonable person would not expect the information to be disclosed;</i></p> <p><i>Condition 2: the information is confidential; and</i></p>	<p>[Note: Unless otherwise stated, all rules below refer to those of the TSE Securities Listing Regulations.]</p> <p>Rule 401. Faithful Execution of Business, etc. A listed company shall make efforts to carry out such faithful execution of business as strengthening prompt, accurate and fair disclosure of corporate information at all times from the viewpoint of investors with full recognition that timely and appropriate disclosure of corporate information to investors is the basis of a sound market for financial instruments</p> <p>Rule 402. Disclosure of Corporate Information Where a listed company falls under any of the following items (excluding those which the TSE deems as matters whose effect on investors' investment decisions is of minor significance, such as cases which fall under the criteria specified by the TSE Securities Listing Enforcement Rules), the listed company must disclose details immediately pursuant to the provisions of the TSE Securities Listing Enforcement Rules:</p> <p>(1) Where a body which decides a listed company's business execution makes a decision on carrying out any of the matters enumerated in the following (a) through (ap) (including cases</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
<p><i>Condition 3: one or more of the following applies:</i></p> <ul style="list-style-type: none"> (i) the information concerns an incomplete proposal or negotiation; (ii) the information comprises matters of supposition or is insufficiently definite to warrant disclosure; (iii) the information is generated for the internal management purposes of the entity; (iv) the information is a trade secret. <p>(4) In complying with the Exchange's disclosure requirements, an issuer must:</p> <ul style="list-style-type: none"> (a) observe the Corporate Disclosure Policy set out in Appendix 7.1 of the Manual, and (b) ensure that its directors and executive officers are familiar with the Exchange's disclosure requirements and Corporate Disclosure Policy. <p>(5) The Exchange will not waive any requirements under this Rule.</p>	<p>where the body makes a decision that it will not carry out matters pertaining to such decision):</p> <ul style="list-style-type: none"> (a) An offering of shares issued by a stock company or treasury shares to be disposed of by the stock company prescribed in Article 199, Paragraph 1 of the Japanese Companies Act to entities (including entities who will subscribe for preferred equity investments issued by a cooperative structured financial institution) who will subscribe for such shares (including an offering provided by foreign laws and regulations corresponding thereto (limited to cases where the company is a listed foreign company; the same shall apply hereinafter) in cases of an offering of treasury shares to be disposed of to entities who will subscribe for such shares), an offering of entities who will subscribe for offered subscription warrants prescribed in Article 238, Paragraph 1 of the same Act (including an offering of entities who will subscribe for own subscription warrants to be disposed), or a secondary offering of shares or subscription warrants; (b) Shelf-registration (including its withdrawal) pertaining to offering or secondary offering prescribed in the preceding (a) or commencement of a demand survey for such offering or secondary offering pertaining to such shelf-registration; (c) Decrease in amount of capital; (d) Decrease in amount of capital reserve or profit reserve;

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(e) Acquisition of own stock pursuant to the provisions of Article 156, Paragraph 1 of the Japanese Companies Act (including cases where the provisions apply by replacing terms pursuant to the provisions of Article 163 and Article 165, Paragraph 3 of the same Act) or the provisions of foreign laws and regulations corresponding thereto, or the provisions of Article 15 of the Preferred Equity Investment Act;</p> <p>(f) A gratis allotment of shares or gratis allotment of subscription warrants;</p> <p>(f-2) Shelf registration pertaining to gratis allotment of subscription warrants in the preceding (f.) (including cancellation of such registration), or commencement of surveys on demand or expected exercise of rights for the gratis allotment of subscription warrants pertaining to such registration;</p> <p>(g) Stock split or reverse stock split;</p> <p>(h) Dividend from surplus;</p> <p>(i) Share exchange;</p> <p>(j) Share transfer;</p> <p>(k) Merger;</p> <p>(l) Corporate split</p> <p>(m) Transfer or acquisition of all or part of the business;</p> <p>(n) Dissolution (excluding dissolution by means of a merger);</p> <p>(o) Commercialization of a new product or new technology;</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(p) Business alliance or dissolution of business alliance;</p> <p>(q) Transfer or acquisition of shares or equity interest accompanied by change in a subsidiary, etc. (meaning a subsidiary prescribed in Article 166, Paragraph 5 of the FIEA, and in cases of a listed foreign company (limited to an entity deemed necessary by the TSE), its subsidiary, affiliated company or other entities deemed necessary by the TSE; the same shall apply hereinafter) or other matters accompanied by change in a subsidiary, etc.;</p> <p>(r) Transfer or acquisition of fixed assets (meaning fixed assets referenced in Article 2, Item 22 of the Corporation Tax Act (Act No. 34 of 1965); the same shall apply hereinafter);</p> <p>(s) Lease of fixed assets;</p> <p>(t) Suspension or abolition of all or part of the business;</p> <p>(u) Application for delisting or withdrawal of registration of a stock, etc. to a domestic financial instruments exchange or a foreign financial instruments exchange, etc.;</p> <p>(v) Petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings;</p> <p>(w) Commencement of a new business (including commercialization of sales of new products or provision of new services; the same shall apply hereinafter);</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(x) A takeover bid prescribed in Article 27-2, Paragraph 1 of the FIEA with respect to a stock, etc. prescribed in the same paragraph (limited to cases where the provisions of the main clause in the same paragraph apply) or a takeover bid prescribed in Article 27-22-2, Paragraph 1 of the FIEA with respect to a listed stock, etc. prescribed in Article 24-6, Paragraph 1 of the FIEA;</p> <p>(y) Request for a bid or any other onerous acquisition to compete with a takeover bid prescribed in the first sentence of the preceding (x) pertaining to a stock, etc. prescribed in Article 27-2, Paragraph 1 of the FIEA whose issuer is such listed company or an act to collect a stock, etc. as prescribed in the relevant enforcement ordinance pertaining to such stock, etc. (hereinafter referred to as a “takeover bid, etc.” in this Sub-item (y)) or an announcement of an opinion or a representation to shareholders concerning a takeover bid, etc.;</p> <p>(z) Issue of subscription warrants to officers or employees of a listed company or its subsidiaries, etc., or other grant of anything deemed to be a stock option or an issue of shares;</p> <p>(aa) Change in representative directors or representative executive officers (including officers who should represent a cooperative structured financial institution);</p> <p>(ab) Rationalization such as personnel reduction;</p> <p>(ac) Change in a trade name or a corporate name;</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(ad) Change in the number of shares for a Share Unit of a stock or abolition or introduction of the provisions for the number of shares for a Share Unit;</p> <p>(ae) Change in the end date of the business year;</p> <p>(af) Petition pursuant to the provisions of Article 74, Paragraph 5 of the Deposit Insurance Act (Act No. 34 of 1971);</p> <p>(ag) Petition for mediation in accordance with specified mediation procedures on the basis of the Act on Specified Mediation for Promoting Adjustment of Specified Liabilities, etc. (Act No. 158 of 1999);</p> <p>(ah) Early redemption of all or part of a listed bond, listed convertible bond or listed exchangeable corporate bond or convocation of a bondholders meeting and any other important matters relating to rights concerning a listed bond, listed convertible bond or a listed exchangeable corporate bond;</p> <p>(ai) Matters accompanied by an increase in the total number of units of ordinary equity contributions;</p> <p>(aj) Change in certified public accountants, etc. who prepare audit certification, etc. of financial statements, etc. or quarterly financial statements, etc. contained in a securities report or a quarterly report;</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(ak) Putting notes on matters relating to the going concern assumption in financial statements, etc. or quarterly financial statements, etc.;</p> <p>(al) Shareholder services will not be entrusted to a shareholder services agent approved by the TSE;</p> <p>(am) Submission of internal control reports containing content to the effect that there is a material deficiency in the internal control system that should be disclosed or that the evaluation result of the internal control system cannot be stated;</p> <p>(an) Amendment to the articles of incorporation;</p> <p>(ao) Change in contents and other schemes of a listed stock without voting rights, a listed stock with voting rights (limited to such stock issued by a company which issues multiple classes of stocks with voting rights), or a listed preferred stock, etc. (excluding a stock whose dividends are linked to a subsidiary); or</p> <p>(ap) In addition to the matters referenced in (a) through the preceding (ao), important matters related to operation, which have a remarkable effect on investors' investment decisions.</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(2) Where any of the facts referenced in the following (a) through (z) occurs:</p> <p>(a) Damage arising from a disaster or damage which occurs in the course of business execution;</p> <p>(b) Change in major shareholders (meaning major shareholders as prescribed in Article 163, Paragraph 1 of the FIEA; the same shall apply hereinafter) or the largest shareholder (meaning, out of the major shareholders, the shareholder (including preferred equity investors as prescribed by the Preferred Equity Investment Act; the same shall apply hereinafter) with the largest number of shares (including the shares held in the name of another entity (including a hypothetical entity) but excluding the entities specified by the Cabinet Office Ordinance on Regulations of Securities Transactions, etc. (Cabinet Office Ordinance No. 59 of 2007; hereinafter referred to as the “Cabinet Office Ordinance on Transactions Regulations”) in consideration of the mode of the possession of shares as prescribed in the same paragraph and other circumstances; the same shall apply hereinafter));</p> <p>(c) Fact which causes delisting of a specified security (meaning a specified security prescribed in Article 163, Paragraph 1 of the FIEA; the same shall apply in this Sub-item (c)) or options pertaining to a specified security;</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(d) Where a lawsuit of a claim relating to property rights is raised or a judgment is made as to such lawsuit or all or part of the action pertaining to such lawsuit is completed without a judicial decision;</p> <p>(e) Where a petition for a provisional disposition order seeking for suspension of a business or any other disposition corresponding thereto is made, or there is a judicial decision on such petition, or all or part of the procedures for such petition are completed without a judicial decision;</p> <p>(f) Cancellation of a license, suspension of a business or any other disciplinary action corresponding to these on the basis of laws and regulations by an administrative agency or accusation of violation of laws and regulations by an administrative agency;</p> <p>(g) Change in controlling shareholders or other affiliated companies prescribed in Article 8, Paragraph 17, Item 4 of the Financial Statements, etc. Rules;</p> <p>(h) Petition or notification for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings, or execution of enterprise mortgage by a creditor or any entity other than such listed company (hereinafter referred to as “petition for commencement of bankruptcy proceedings, etc.”);</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(i) Dishonor of a bill or a check (limited to where the reason is a shortage of a fund to be paid) or suspension of trading by a clearing house (hereinafter referred to as “dishonor, etc.”);</p> <p>(j) Petition for commencement of bankruptcy proceedings pertaining to a parent company, etc.;</p> <p>(k) As a result of an occurrence of a dishonor, etc., petition for commencement of bankruptcy procedures, etc., or a fact corresponding to these pertaining to a debtor or a main debtor concerning guarantee obligations, default of a right to obtain reimbursement against such main debtor is likely to occur where accounts receivable, loans or other receivables or such guarantee obligations against such debtors;</p> <p>(l) Suspension of trade with a main business partner (meaning a business partner with more than 10% of the total sales or of the total purchase amount in the previous business year; the same shall apply hereinafter) or suspension of trade with two or more business partners for the same reason or in the same period;</p> <p>(m) Exemption of obligations or extension of a repayment deadline (limited to an extension that the TSE deems equivalent to exemption of obligations) by a creditor or assumption or fulfillment of obligations by a third party;</p> <p>(n) Discovery of resources;</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(o) Claim for suspension of issue of a stock or a subscription warrant or disposition of treasury stock by shareholders (including ordinary equity investors prescribed by the Preferred Equity Investment Act; the same shall apply in the following (p));</p> <p>(p) Demand for convocation of a general shareholders meeting by shareholders (including a general meeting of ordinary equity investors and that of preferred equity investors);</p> <p>(q) Market value of all or part of the securities held (limited to securities listed on a domestic financial instruments exchange other than a stock of a subsidiary, etc. of such listed company) falls below book values as of the end of a business year or a quarterly accounting period (an amount of value calculated on the basis of the closing prices of a financial instruments exchange on such day (where no such closing prices are available, the closing prices of a financial instruments exchange on a preceding day)) (limited to where such listed company adopts cost method as an evaluation method of securities);</p> <p>(r) Acceleration of obligations pertaining to a corporate bond;</p> <p>(s) Convocation of a meeting of bondholders for a listed bond, listed convertible bond or listed exchangeable corporate bond and other important facts pertaining to rights of a listed bond, listed convertible bond or listed exchangeable corporate bond;</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(t) Change in certified public accountants, etc. who prepare an audit certification, etc. of financial statements, etc. or quarterly financial statements, etc. contained in a securities report or a quarterly report (excluding a case of disclosing the details pursuant to the provisions of the preceding item, where a body of a listed company which decides its business execution makes a decision on changing such certified public accountants, etc. (including cases where the body makes a decision that it will not carry out matters pertaining to such decision));</p> <p>(u) A securities report or a quarterly review report to which audit reports or quarterly review reports of Article 3, Paragraph 1 in the Cabinet Office Ordinance on Audit Certification prepared by two (2) or more certified public accountants or audit firms (including audit reports or interim audit reports pertaining to certification corresponding to audit certification by certified public accountants or audit firms) are attached is not expected to be submitted to the Prime Minister, etc. within a period specified in Article 24, Paragraph 1 of the FIEA or Article 24-4-7, Paragraph 1 of the FIEA or has not been submitted within such period (except cases where the company has disclosed that such report is not expected to be submitted within such period), was submitted after such disclosure had been made, or has received approval of the Prime Minister, etc. related to extension of such period;</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(v) The fact that an audit report attached to financial statements, etc. or a quarterly review report attached to quarterly financial statements, etc. has come to contain a “qualified opinion with exceptions” or “qualified conclusion with exceptions” of certified public accountants, etc. with making issues concerning a going concern assumption as exceptions, or an “adverse opinion”, “negative conclusion”, or a fact that “opinions are not expressed” or a fact “conclusions are not expressed” by a certified public accountant (in cases of a specified business company, these shall include a “qualified opinion with exceptions”, an “opinion that interim financial statements, etc. do not provide useful information”, and a fact that “opinions are not expressed” by a certified public accountant, etc. with making issues concerning a going concern assumption as exceptions);</p> <p>(v-2) An internal control audit report regarding an internal control report has come to contain an “adverse opinion” or a fact that “opinions are not expressed”;</p> <p>(w) Where a notice of canceling a shareholder services agent agreement is received, there is a likelihood that the shareholder services will not be entrusted to a shareholder services agent approved by the TSE, or it has decided not to entrust that the shareholder services will not be entrusted to a shareholder services agent approved by the TSE; or</p> <p>(x) In addition to the facts referenced in a. through the preceding w., matters relating to operation, business or assets of such listed company or important matters related to a listed stock, etc. which have a remarkable effect on investors’ investment decisions.</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>Rule 403. Disclosure of Information of Subsidiaries, etc.</p> <p>A listed company shall disclose details immediately pursuant to the provisions of the TSE Securities Listing Enforcement Rules, where its subsidiary, etc. falls under any of the following items (excluding those which the TSE deems as matters whose effect on investors' investment decisions is of minor significance, such as facts which fall under the criteria specified by the TSE Securities Listing Enforcement Rules with regard to the matters referenced in Item 1 and facts referenced in Item 2, and those that meet criteria prescribed by the Cabinet Office Ordinance on Transactions Regulations as matters which have an effect of minor significance on investors' investment decisions with regard to the matters referenced in Article 166, Paragraph 2, Item 5 of the FIEA as prescribed in Item 3, Sub-item (a), and the facts referenced in Article 166, Paragraph 2, Item 6 as prescribed in Item 3, Sub-item (b)):</p> <p>(1) Where a body which decides business execution of a subsidiary, etc. of a listed company makes a decision on carrying out any of the following matters referenced in (a) through (s) with respect to such subsidiary, etc. (including where decision is made for not carrying out matters pertaining to such decision):</p> <ul style="list-style-type: none"> (a) Share exchange; (b) Share transfer; (c) Merger; (d) Corporate split; (e) Transfer or acquisition of all or part of the business; (f) Dissolution (excluding dissolution by means of a merger);

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(g) Commercialization of a new product or new technology;</p> <p>(h) Business alliance or dissolution of business alliance;</p> <p>(i) Transfer or acquisition of shares or equity interest accompanied by change in a sub-subsiidiary (meaning a sub-subsiidiary prescribed in Article 29, Item 2 of the FIEA Enforcement Ordinance, and meaning a subsidiary, etc. of the subsidiary, etc. of a listed foreign company (limited to an entity deemed necessary by the TSE); the same shall apply hereinafter.), or matters accompanied by change in a sub-subsiidiary;</p> <p>(j) Transfer or acquisition of fixed assets;</p> <p>(k) Lease of fixed assets;</p> <p>(l) Suspension or abolition of all or part of the business;</p> <p>(m) Petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings;</p> <p>(n) Commencement of a new business;</p> <p>(o) A takeover bid prescribed in Article 27-2, Paragraph 1 of the FIEA with respect to a stock, etc. as prescribed in the same paragraph (limited to cases where the provisions of the main clause in the same paragraph apply) or a takeover bid prescribed in Article 27-22-2, Paragraph 1 of the FIEA with respect to a stock, etc. as prescribed in Article 24-6, Paragraph 1 of the FIEA;</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(p) Change in a trade name or a corporate name;</p> <p>(q) Petition pursuant to the provisions of Article 74, Paragraph 5 of the Deposit Insurance Act;</p> <p>(r) Petition of arbitration by specific mediation procedures on the basis of the law on specified mediation for promoting adjustment of specified obligations, etc.; or</p> <p>(s) In addition to the matters referenced in (a) through the preceding (r), important matters related to operation, business or assets of a subsidiary of such listed company which have a remarkable effect on investors' investment decisions;</p> <p>(2) Where any of the facts referenced in the following (a) through (l) occurs to a subsidiary, etc. of a listed company:</p> <p>(a) Damage arising from a disaster or damage which occurs in the course of business execution;</p> <p>(b) Where a lawsuit of a claim relating to property rights is raised or a judgment is made as to such lawsuit or all or part of the action pertaining to such lawsuit is completed without a judicial decision;</p> <p>(c) Where a petition of a provisional order seeking for suspension of a business or any other disposition corresponding to this is made or there is a judicial decision on such petition or all or part of the proceedings for such petition is completed without a judicial decision;</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(d) Cancellation of a license, suspension of a business or any other disciplinary action corresponding to them on the basis of laws and regulations by an administrative agency or accusation of violation of laws and regulations by an administrative agency;</p> <p>(e) Petition for commencement of bankruptcy proceedings, etc. by a creditor or any other entity other than such subsidiary, etc.;</p> <p>(f) Dishonor, etc.;</p> <p>(g) Petition for commencement of bankruptcy proceedings, etc. pertaining to a sub-subsiidiary;</p> <p>(h) As a result of an occurrence of a dishonor, etc., petition for commencement of bankruptcy procedures, etc., or a fact corresponding to these pertaining to a debtor or a main debtor concerning guarantee obligations, default of a right to obtain reimbursement against such main debtor is likely to occur where accounts receivable, loans or other receivables or such guarantee obligations against such debtors;</p> <p>(i) Suspension of trade with a main business partner or suspension of trade with two or more business partners for the same reason or in the same period;</p> <p>(j) Exemption of obligations or extension of a repayment deadline (limited to an extension that the TSE deems equivalent to exemption of obligations) by a creditor or assumption or fulfillment of obligations by a third party;</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(k) Discovery of resources; or</p> <p>(l) In addition to the facts referenced in (a) through the preceding (k), important matters relating to operation, business or assets of such subsidiary which have a remarkable effect on investors' investment decisions;</p> <p>(3) Where a listed company owns a linked subsidiary (meaning a linked subsidiary as prescribed in Article 49, Item 11 of Cabinet Office Ordinance on Transactions Regulations; the same shall apply in this item and in Rule 405, Paragraph 3), in addition to the preceding two items, in cases of such linked subsidiary falling under the following (a) or (b):</p> <p>(a) Where a body which decides the business execution of a linked subsidiary makes a decision on carrying out the matters referenced in Article 166, Paragraph 2, Item 5, Sub-items (i) through (viii) of the FIEA with respect to such linked subsidiary (including cases where decision is made not to carry out matters relating to such decision); or</p> <p>(b) Where a fact referenced in Article 166, Paragraph 2, Item 6, Sub-item (i) or (ii) of the FIEA occurs to a linked subsidiary.</p> <p>Rule 411-2. Implementation of Timely and Appropriate Disclosure of Corporate Information The provisions of the this section state the minimum requirements, methods, etc. that a listed company should observe with respect to timely disclosure of corporate information, etc., and a listed company shall not use the provisions of the same section as an excuse for failures to disclose corporate information in a more timely and appropriate manner.</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>Rule 412. Examination, etc. of Disclosure of Corporate Information</p> <p>1. Where a listed company carries out disclosure of corporate information pursuant to the provisions of this section, it shall observe the matters provided in the following items:</p> <ol style="list-style-type: none"> (1) The contents of the information to be disclosed do not contain false statements; (2) The information to be disclosed is not lacking information deemed to be significant to investors' investment decisions; (3) The information will not cause misunderstanding regarding investment decisions; and (4) In addition to the matters referenced in the preceding three items, the appropriateness of disclosure is not lacking. <p>2. The TSE shall prescribe necessary matters concerning examination of disclosure of corporate information which a listed company carries out pursuant to the provisions of this section as the Guidelines Concerning Listed Company Compliance, etc.</p> <p>Rule 413. Explanation of Corporate Information to the Exchange</p> <p>Where a listed company carries out disclosure of corporate information pursuant to the provisions of Rules 402 through 411-2, it shall make prior explanation of the details pertaining to such disclosure to the TSE.</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>Rule 506. Designation as Disclosure In Question Securities and Cancellation of Designation</p> <ol style="list-style-type: none"> 1. Where the TSE deems that a listed company does not immediately carry out disclosure of corporate information on the basis of the provisions of Chapter 4, Section 2 of the TSE Securities Listing Regulations and it is necessary to make it known that such fact is not disclosed as specified by the TSE Securities Listing Enforcement Rules, the TSE shall designate all or part of the listed securities issued by such listed company as a Disclosure In Question security. In this case, the TSE shall publicize that fact and the reason for the designation. 2. Where such fact is disclosed by such listed company or the TSE has decided to request such listed company to submit a report prescribed in Rule 502, Paragraph 1, the TSE shall cancel the designation. In this case, the TSE shall publicize that fact and the reason for the cancellation.
<p>Chapter 9 Interested Person Transactions</p>	
<p>Part I – Scope of Chapter</p>	
<p>901 The objective of this Chapter is to guard against the risk that interested persons could influence the issuer, its subsidiaries or associated companies, to enter into transactions with interested persons that may adversely affect the interests of the issuer or its shareholders.</p>	<p>Japanese law and the TSE Rules do not have comparable rules which specifically regulate transactions with interested persons, and do not require such interested person transactions to be subject to shareholders' approval. However, certain provisions under the TSE Rules or Japanese law with respect to (i) disclosure of related party transactions and (ii) conflict of interests may fulfil similar functions as Chapter 9 of the Listing Manual.</p>

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	<p>Under the FIEA and related regulations, details regarding material Related Party Transactions undertaken by a company for the previous fiscal year shall be disclosed under the notes to the relevant financial statements for such fiscal year. Details disclosed would include the type of related party, the name (and, in the case where the related party is not an individual, the address) of such related party, the relationship of such related party with the company, cross-holding of shares between such related party and the company, nature of transaction, value of transaction, terms of transaction including decision-making policy regarding such terms, etc.</p> <p>TSE Rules do not directly refer to Related Party Transactions. However, where timely disclosure is required of the company for certain transactions under Rule 402 of the TSE Securities Listing Regulations, such as third-party allotment of shares, business alliances, business transfers, transfers or acquisition of fixed assets, etc., whereby details on the relationship between the company and the counterparty is disclosed under the relevant press release, it is a requirement to disclose whether such counterparty is a related party of the company or otherwise.</p>
<p>902 In applying these rules, regard must be given to:</p> <ul style="list-style-type: none"> (1) objective of this Chapter; and (2) the economic and commercial substance of the interested person transaction, instead of legal form and technicality. 	<p>No equivalent provision.</p>
<p>903 Apart from the rules in this Chapter, an issuer must also observe applicable requirements in Chapter 10.</p>	<p>No equivalent provision.</p>

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<p>Part II – Definitions</p> <p>904 For the purposes of this Chapter, the following definitions apply:</p> <p>(1) “approved exchange” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to this Chapter.</p> <p>(2) “entity at risk” means:</p> <p>(a) the issuer;</p> <p>(b) a subsidiary of the issuer that is not listed on the Exchange or an approved exchange; or</p> <p>(c) an associated company of the issuer that is not listed on the Exchange or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company.</p> <p>(3) “financial assistance” includes:</p> <p>(a) the lending or borrowing of money, the guaranteeing or providing security for a debt incurred or the indemnifying of a guarantor for guaranteeing or providing security; and</p> <p>(b) the forgiving of a debt, the releasing of or neglect in enforcing an obligation of another, or the assuming of the obligations of another.</p>	<p>No equivalent provision.</p>

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	<p>(4) (a) In the case of a company, “interested person” means:</p> <ul style="list-style-type: none"> (i) a director, chief executive officer, or controlling shareholder of the issuer; or (ii) an associate of any such director, chief executive officer, or controlling shareholder. <p>(b) In the case of a REIT, “interested person” shall have the meaning defined in the Code on Collective Investment Schemes issued by the MAS.</p> <p>(c) In the case of a business trust, “interested person” means:</p> <ul style="list-style-type: none"> (i) a director, chief executive officer, or controlling shareholder of the trustee-manager of the business trust; (ii) the trustee-manager or controlling unitholder of the business trust; or (iii) an associate of any of the persons or entities in (i) or (ii) above. <p>(d) In the case of an investment fund which is not a REIT or business trust, “interested person” means:</p> <ul style="list-style-type: none"> (i) a director, chief executive officer or controlling shareholder of the investment manager (s) (or any equivalent) of the investment fund;

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<p>(ii) the investment manager(s) (or any equivalent), the trustee or controlling unitholder of the investment fund; or</p> <p>(iii) any associate of any of the persons or entities in (i) or (ii) above.</p> <p>(5) “interested person transaction” means a transaction between an entity at risk and an interested person.</p> <p>(6) “transaction” includes:</p> <ul style="list-style-type: none"> (a) the provision or receipt of financial assistance; (b) the acquisition, disposal or leasing of assets; (c) the provision or receipt of services; (d) the issuance or subscription of securities; (e) the granting of or being granted options; and (f) the establishment of joint ventures or joint investments; <p>whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities).</p>	

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<p>Part III – General Requirements</p>	
<p>905(1) An issuer must make an immediate announcement of any interested person transaction of a value equal to, or more than, 3% of the group's latest audited net tangible assets.</p> <p>(2) If the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the group's latest audited net tangible assets, the issuer must take an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year.</p> <p>(3) Rule 905(1) and (2) does not apply to any transaction below \$100,000.</p>	<p>No equivalent provision.</p>
<p>906(1) An issuer must obtain shareholder approval for any interested person transaction of a value equal to, or more than:</p> <p>(a) 5% of the group's latest audited net tangible assets; or</p> <p>(b) 5% of the group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.</p> <p>(2) Rule 906(1) does not apply to any transaction below \$100,000.</p>	<p>No equivalent provision.</p>

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<p>907 An issuer must disclose the aggregate value of interested person transactions entered into during the financial year under review in its annual report. The name of the interested person and the corresponding aggregate value of the interested person transactions entered into with the same interested person must be presented in the following format:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Name of interested person</th> <th style="width: 35%;">Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)</th> <th style="width: 35%;">Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)</th> </tr> </thead> <tbody> <tr> <td style="height: 150px;"> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)				<p>No equivalent provision.</p>
Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)					
<p>908 In interpreting the term "same interested person" for the purpose of aggregation in Rules 905 and 906, the following applies:</p> <p>(1) Transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person.</p>	<p>No equivalent provision.</p>						

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<p>(2) If an interested person, (which is a member of a group) is listed, its transactions with the entity at risk need not be aggregated with transactions between the entity at risk and other interested persons of the same group, provided that the listed interested person and other listed interested persons have boards the majority of whose directors are different and are not accustomed to act on the instructions of the other interested persons and their associates and have audit committees whose members are completely different.</p> <p>As an example, Entity-At-Risk A, Listed B and Listed C are all subsidiaries of Ultimate D. Listed B, Listed C and Ultimate D have boards, the majority of whose directors are different and are not accustomed to act on the instructions of Ultimate D and its associates and have audit committees whose members are completely different. Transactions between Entity-At-Risk A and Listed B need not be aggregated with transactions between Entity-At-Risk A and Listed C or with transactions between Entity-At-Risk A and Ultimate D.</p>	
<p>909 The value of a transaction is the amount at risk to the issuer. This is illustrated by the following examples:</p> <p>(1) In the case of a partly-owned subsidiary or associated company, the value of the transaction is the issuer's effective interest in that transaction;</p> <p>(2) In the case of a joint venture, the value of the transaction includes the equity participation, shareholders' loans and guarantees given by the entity at risk; and</p>	<p>No equivalent provision.</p>

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<p>(3) In the case of borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing. In the case of lending of funds to an interested person, the value of the transaction is the interest payable on the loan and the value of the loan.</p>	
<p>Part IV – Sale of Property Units</p>	
<p>910(1) An issuer must announce a sale or proposed sale of any units of its local property projects or those of its entity at risk to an interested person or a relative of a director, chief executive officer or controlling shareholder within two weeks of the sale or proposed sale, regardless of whether the sale or proposed sale is required to be announced under Rule 905.</p> <p>(2) An issuer is required to comply with Rule 905 for a sale or proposed sale of any units of its non-local property projects, or those of its entity at risk, to its interested person.</p>	<p>No equivalent provision.</p>
<p>911 An announcement relating to any sale or proposed sale of units of the issuer or those of its entity at risk's property projects must state the name of the project, the name of each purchaser, the unit number, the sale price and the percentage discount given.</p>	<p>No equivalent provision.</p>
<p>912 In deciding on any sale of units of its property projects to an issuer's interested persons or a relative of a director, chief executive officer or controlling shareholder, an issuer's board of directors must be satisfied that the terms of the sale(s) are not prejudicial to the interests of the issuer and its minority shareholders. The audit committee must review and approve the sale(s) and satisfy itself that the number and terms of the sale(s) are fair and reasonable and are not prejudicial to the interests of the issuer and its minority shareholders.</p>	<p>No equivalent provision.</p>

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<p>913 Where a sale or proposed sale to an issuer's interested person requires shareholder approval, the issuer must obtain the approval within six weeks of the date of the sale or proposed sale.</p>	<p>No equivalent provision.</p>
<p>914 An interested person and any nominee of the interested person must abstain from voting on all resolutions to approve the sales or proposed sales to the interested persons.</p>	<p>No equivalent provision.</p>
<p>Part V – Exceptions</p>	
<p>915 The following transactions are not required to comply with Rules 905, 906 and 907:</p> <ol style="list-style-type: none"> (1) A payment of dividends, a subdivision of shares, an issue of securities by way of a bonus issue, a preferential offer, or an off-market acquisition of the issuer's shares, made to all shareholders on a pro-rata basis, including the exercise of rights, options or company warrants granted under the preferential offer. (2) The grant of options, and the issue of securities pursuant to the exercise of options, under an employees' share option scheme approved by the Exchange. (3) A transaction between an entity at risk and an investee company, where the interested person's interest in the investee company, other than that held through the issuer, is less than 5%. (4) A transaction in marketable securities carried out in the open market where the counterparty's identity is unknown to the issuer at the time of the transaction. 	<p>No equivalent provision.</p>

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	<p>(5) A transaction between an entity at risk and an interested person for the provision of goods or services if:</p> <ul style="list-style-type: none"> (a) the goods or services are sold or rendered based on a fixed or graduated scale, which is publicly quoted; and (b) the sale prices are applied consistently to all customers or class of customers. <p>Such transactions include telecommunication and postal services, public utility services, and sale of fixed price goods at retail outlets.</p> <p>(6) The provision of financial assistance or services by a financial institution that is licenced or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business.</p> <p>(7) The receipt of financial assistance or services from a financial institution that is licenced or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business.</p> <p>(8) Director's fees and remuneration, and employment remuneration (excluding "golden parachute" payments).</p> <p>916 The following transactions are not required to comply with Rule 906:</p> <ul style="list-style-type: none"> (1) The entering into, or renewal of a lease or tenancy of real property of not more than 3 years if the terms are supported by independent valuation.
	No equivalent provision.

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	<p>(2) Investment in a joint venture with an interested person if:</p> <ul style="list-style-type: none"> (a) the risks and rewards are in proportion to the equity of each joint venture partner; (b) the issuer confirms by an announcement that its audit committee is of the view that the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders; and (c) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture. <p>(3) The provision of a loan to a joint venture with an interested person if:</p> <ul style="list-style-type: none"> (a) the loan is extended by all joint venture partners in proportion to their equity and on the same terms; (b) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture; and (c) the issuer confirms by an announcement that its audit committee is of the view that: <ul style="list-style-type: none"> (i) the provision of the loan is not prejudicial to the interests of the issuer and its minority shareholders; and

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	<p>(ii) the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders.</p> <p>(4) The award of a contract by way of public tender to an interested person if:</p> <p>(a) the awarder entity at risk announces following information:</p> <p>(i) the prices of all bids submitted;</p> <p>(ii) an explanation of the basis for selection of the winning bid; and</p> <p>(b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.</p> <p>(5) The receipt of a contract which was awarded by way of public tender, by an interested person if:</p> <p>(a) the bidder entity at risk announces the prices of all bids submitted; and</p>

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<p>(b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awardee (or if the awardee is unlisted, the listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.</p>	
<p>Part VI – Announcement Requirements</p>	
<p>917 An announcement under Rule 905 must contain all of the following information:</p> <ol style="list-style-type: none"> (1) Details of the interested person transacting with the entity at risk, and the nature of that person's interest in the transaction. (2) Details of the transaction including relevant terms of the transaction, and the bases on which the terms were arrived at. (3) The rationale for, and benefit to, the entity at risk. (4) (a) A statement: <ol style="list-style-type: none"> (i) whether or not the audit committee of the issuer is of the view that the transaction is on normal commercial terms, and is not prejudicial to the interests of the issuer and its minority shareholders; or (ii) that the audit committee is obtaining an opinion from an independent financial adviser before forming its view, which will be announced subsequently. 	<p>No equivalent provision.</p>

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<p>(b) Transactions that satisfy Rule 916(1), (2) and (3) are not required to comply with Rule 917(4)(a).</p> <p>(5) The current total for the financial year of all transactions with the particular interested person whose transaction is the subject of the announcement and the current total of all interested person transactions for the same financial year.</p> <p>(6) Where the issuer accepts a profit guarantee or a profit forecast (or any covenant which quantifies the anticipated level of future profits) from the vendor of businesses/assets, the information required in Rule 1013(1). The issuer must also comply with Rule 1013(3).</p>	
<p>Part VII – Shareholder Approval</p>	
<p>918 If a transaction requires shareholder approval, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.</p>	<p>No equivalent provision.</p>
<p>919 In a meeting to obtain shareholder approval, the interested person and any associate of the interested person must not vote on the resolution, nor accept appointments as proxies unless specific instructions as to voting are given.</p>	<p>No equivalent provision.</p>

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No equivalent provision.	<p>Part VIII – General Mandate</p> <p>920(1) An issuer may seek a general mandate from shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.</p> <p>(a) An issuer must:</p> <p>(i) disclose the general mandate in the annual report, giving details of the aggregate value of transactions conducted pursuant to the general mandate during the financial year. The disclosure must be in the form set out in Rule 907; and</p> <p>(ii) announce the aggregate value of transactions conducted pursuant to the general mandate for the financial periods which it is required to report on pursuant to Rule 705 within the time required for the announcement of such report. The disclosure must be in the form set out in Rule 907.</p> <p>(b) A circular to shareholders seeking a general mandate must include:</p> <p>(i) the class of interested persons with which the entity at risk will be transacting;</p>

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	<p>(ii) the nature of the transactions contemplated under the mandate;</p> <p>(iii) the rationale for, and benefit to, the entity at risk;</p> <p>(iv) the methods or procedures for determining transaction prices;</p> <p>(v) the independent financial adviser's opinion on whether the methods or procedures in (iv) are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders;</p> <p>(vi) an opinion from the audit committee if it takes a different view to the independent financial adviser;</p> <p>(vii) a statement from the issuer that it will obtain a fresh mandate from shareholders if the methods or procedures in (iv) become inappropriate; and</p> <p>(viii) a statement that the interested person will abstain, and has undertaken to ensure that its associates will abstain, from voting on the resolution approving the transaction.</p> <p>(c) An independent financial adviser's opinion is not required for the renewal of a general mandate provided that the audit committee confirms that:</p> <p>(i) the methods or procedures for determining the transaction prices have not changed since last shareholder approval; and</p>

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	<p>(ii) the methods or procedures in Rule 920(1)(c)(i) are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders.</p> <p>(d) Transactions conducted under a general mandate are not separately subject to Rules 905 and 906.</p> <p>(2) If the information in Rule 920(1)(b) is included in a prospectus issued in connection with a listing of an issuer, the issuer may treat a general mandate as having been given. The mandate will be effective until the earlier of the following:</p> <p>(a) The first annual general meeting of the issuer following listing; or</p> <p>(b) The first anniversary of the listing date.</p>
	<p>Part IX – Circular Requirements</p>
<p>No equivalent provision.</p>	<p>921 Except in the case of a general mandate, if shareholder approval is required, the circular to shareholders must include:</p> <p>(1) details of the interested person transacting with the entity at risk, and the nature of that person's interest in the transaction.</p> <p>(2) details of the transaction (and all other transactions which are the subject of aggregation pursuant to Rule 906) including relevant terms of the transaction, and the bases on which the terms were arrived at.</p> <p>(3) the rationale for, and benefit to, the entity at risk.</p>

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	<p>(4) (a) an opinion in a separate letter from an independent financial adviser who is acceptable to the Exchange stating whether the transaction (and all other transactions which are the subject of aggregation pursuant to Rule 906):</p> <ul style="list-style-type: none"> (i) is on normal commercial terms; and (ii) is prejudicial to the interests of the issuer and its minority shareholders. <p>(b) however, the opinion from an independent financial adviser is not required for the following transactions. Instead, an opinion from the audit committee in the form required in Rule 917(4)(a) must be disclosed:</p> <ul style="list-style-type: none"> (i) the issue of shares pursuant to Part IV of Chapter 8, or the issue of other securities of a class that is already listed, for cash. (ii) purchase or sale of any real property where: <ul style="list-style-type: none"> • the consideration for the purchase or sale is in cash; • an independent professional valuation has been obtained for the purpose of the purchase or sale of such property; and • the valuation of such property is disclosed in the circular.

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<p>(5) an opinion from the audit committee, if it takes a different view to the independent financial adviser.</p> <p>(6) all other information known to the issuer or any of its directors, that is material to shareholders in deciding whether it is in the interests of the issuer to approve the transaction. Such information includes, from an economic and commercial point of view, the true potential costs and detriments of, or resulting from, the transaction, including opportunity costs, taxation consequences, and benefits forgone by the entity at risk.</p> <p>(7) a statement that the interested person will abstain, and has undertaken to ensure that its associates will abstain, from voting on the resolution approving the transaction.</p> <p>(8) Where the issuer accepts a profit guarantee or a profit forecast (or any covenant which quantifies the anticipated level of future profits) from the vendor of businesses/assets, the information required in Rules 1013(1) and 1013(2), and a statement confirming that it will comply with Rule 1013(3).</p>	
<p>Part X – Procedures</p>	
<p>922 The Exchange will not comment on any announcement required by the provisions of this Chapter prior to its release.</p>	<p>No equivalent provision.</p>
<p>923 The Exchange will not entertain any application for waiver of any of the provisions of this Chapter.</p>	<p>No equivalent provision.</p>

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<p>Chapter 10 Acquisitions and Realisations</p>	
<p>Part I – Scope of Chapter</p>	
<p>1001 This Chapter sets out the rules for transactions by issuers, principally acquisitions and realisations. It does not matter whether the consideration paid or received is cash, shares, other securities, other assets, or any combination of these. This Chapter also describes how transactions are classified, what the requirements are for announcements, and whether a circular and shareholder approval is required.</p>	<p>No equivalent provision.</p>
<p>Part II – Definitions</p>	
<p>1002 Unless the context otherwise requires:</p> <ol style="list-style-type: none"> (1) “transaction” refers to the acquisition or disposal of assets by an issuer or a subsidiary that is not listed on the Exchange or an approved Exchange, including an option to acquire or dispose of assets. It excludes an acquisition or disposal which is in, or in connection with, the ordinary course of its business or of a revenue nature. (2) “assets” includes securities and business undertaking(s). (3) (a) “net assets” means total assets less total liabilities. (b) “net profits” means profit or loss before income tax, minority interests and extraordinary items. 	<p>No equivalent provision.</p>

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<p>(c) the net asset and net profit figures used for comparison with the transaction(s) under consideration will be taken from the latest announced consolidated accounts. The Exchange may allow the issuer's net asset value or net profit to be adjusted to take into account any transaction(s) completed subsequent to the latest announced consolidated accounts provided that adequate information about such transaction(s) has already been announced to shareholders.</p> <p>(4) "market value" means the weighted average price of the issuer's shares transacted on the market day preceding the date of the sale and purchase agreement.</p> <p>(5) "market capitalisation" of the issuer is determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the sale and purchase agreement.</p>	
<p>Part III – Basis of Valuation</p>	
<p>1003 In determining the basis of valuation of a transaction, the Exchange will apply the following rules:</p> <p>(1) In any acquisition or disposal of shares, the value will be assessed by reference to:</p> <p>(a) in the case of unlisted shares, the net asset value represented by such shares; and</p> <p>(b) in the case of listed shares, the market value represented by such shares.</p>	<p>No equivalent provision.</p>

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<p>(2) In any acquisition or disposal of assets other than shares, the value will be assessed by reference to the book value of the assets or, if a valuation has been carried out for the purpose of the acquisition or disposal, the market value of the assets.</p> <p>(3) Where the consideration is in the form of shares, the value of the consideration shall be determined by reference either to the market value of such shares or the net asset value represented by such shares, whichever is higher.</p>	
<p>Part IV – Classification of Transactions</p>	
<p>1004 Transactions are classified into the following categories:</p> <ul style="list-style-type: none"> (a) Non-discloseable transactions; (b) Discloseable transactions; (c) Major transactions; and (d) Very substantial acquisitions or reverse takeovers. 	<p>No equivalent provision.</p>
<p>1005 In determining whether a transaction falls into category (a), (b), (c) or (d) of Rule 1004, the Exchange may aggregate separate transactions completed within the last 12 months and treat them as if they were one transaction.</p>	<p>No equivalent provision.</p>

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<p>1006 A transaction may fall into category (a), (b), (c) or (d) of Rule 1004 depending on the size of the relative figures computed on the following bases:</p> <ul style="list-style-type: none"> (a) The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets. (b) The net profits attributable to the assets acquired or disposed of, compared with the group's net profits. (c) The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares. (d) The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue. 	<p>No equivalent provision.</p>
<p>1007(1) If any of the relative figures computed pursuant to Rule 1006 is a negative figure, this Chapter may still be applicable to the transaction at the discretion of the Exchange, and issuers should consult the Exchange.</p> <p>(2) Where the disposal of an issuer's interest in a subsidiary is undertaken in conjunction with an issue of shares by that subsidiary, the relative figures in Rule 1006 must be computed based on the disposal and the issue of shares.</p>	<p>No equivalent provision.</p>

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<p>Part V – Non-Discloseable Transactions</p> <p>1008(1) Unless Rule 703, 905 or 1009 applies, no announcement of the transaction is required if all of the relative figures computed on the bases set out in Rule 1006 amount to 5% or less.</p> <p>(2) However, if the issuer wishes to announce the transaction, the announcement must include:</p> <p>(a) details of the consideration as required in Rule 1010(3); and</p> <p>(b) the value of assets acquired or disposed of as required in Rule 1010(5).</p> <p>1009 If the consideration is satisfied wholly or partly in securities for which listing is being sought, the issuer must announce the transaction as soon as possible after the terms have been agreed, stating the information set out in Part VI.</p>	<p>No equivalent provision.</p> <p>No equivalent provision.</p>
<p>Part VI – Discloseable Transactions</p> <p>1010 Where any of the relative figures computed on the bases set out in Rule 1006 exceeds 5% but does not exceed 20%, an issuer must, after terms have been agreed, immediately announce the following:</p> <p>(1) Particulars of the assets acquired or disposed of, including the name of any company or business, where applicable;</p> <p>(2) A description of the trade carried on, if any;</p>	<p>No equivalent provision.</p>

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	<p>(3) The aggregate value of the consideration, stating the factors taken into account in arriving at it and how it will be satisfied, including the terms of payment;</p> <p>(4) Whether there are any material conditions attaching to the transaction including a put, call or other option and details thereof;</p> <p>(5) The value (book value, net tangible asset value and the latest available open market value) of the assets being acquired or disposed of, and in respect of the latest available valuation, the value placed on the assets, the party who commissioned the valuation and the basis and date of such valuation;</p> <p>(6) In the case of a disposal, the excess or deficit of the proceeds over the book value, and the intended use of the sale proceeds. In the case of an acquisition, the source(s) of funds for the acquisition;</p> <p>(7) The net profits attributable to the assets being acquired or disposed of. In the case of a disposal, the amount of any gain or loss on disposal;</p> <p>(8) The effect of the transaction on the net tangible assets per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the end of that financial year;</p> <p>(9) The effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year;</p>

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<p>(10) The rationale for the transaction including the benefits which are expected to accrue to the issuer as a result of the transaction;</p> <p>(11) Whether any director or controlling shareholder has any interest, direct or indirect, in the transaction and the nature of such interests;</p> <p>(12) Details of any service contracts of the directors proposed to be appointed to the issuer in connection with the transaction; and</p> <p>(13) The relative figures that were computed on the bases set out in Rule 1006.</p>	
<p>1011 Where a sale and purchase agreement is entered into, or a valuation is conducted on the assets to be acquired, the issuer must include a statement in the announcement that a copy of the relevant agreement, or valuation, report is available for inspection during normal business hours at the issuer's registered office for 3 months from the date of the announcement.</p>	<p>No equivalent provision.</p>

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<p>1012 Where the announcement in Rule 1010 contains a profit forecast, which may include any statement which quantifies the anticipated level of future profits, the issuer must announce the following additional information:</p> <ul style="list-style-type: none"> (a) Details of the principal assumptions including commercial assumptions upon which the forecast is based; (b) Confirmation from the issuer's auditors that they have reviewed the bases and assumptions, accounting policies and calculations for the forecast, and setting out their report on the bases, assumptions, policies and calculations; (c) A report from the issuer's financial adviser, if one is appointed, confirming that it is satisfied that the forecast has been stated by the directors after due and careful enquiry. If no such adviser has been appointed in connection with the transaction, the issuer must submit a letter from the board of directors confirming that the forecast has been made by them after due and careful enquiry. 	<p>No equivalent provision.</p>

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<p>1013(1) Where an issuer enters into a discloseable transaction, a major transaction, a very substantial acquisition or a reverse takeover and accepts a profit guarantee or a profit forecast (or any covenant which quantifies the anticipated level of future profits) from a vendor of assets/business, the issuer's announcement in Rule 1010 must contain information on the profit guarantee or the profit forecast, including the following:</p> <ul style="list-style-type: none"> (a) The views of the board of directors of the issuer in accepting the profit guarantee or the profit forecast and the factors taken into consideration and basis for such a view; (b) The principal assumptions including commercial bases and assumptions upon which the quantum of the profit guarantee or the profit forecast is based; (c) The manner and amount of compensation to be paid by the vendor in the event that the profit guarantee or the profit forecast is not met and the conditions precedent, if any, and the detailed basis for such a compensation; and (d) The safeguards put in place (such as the use of a banker's guarantee) to ensure the issuer's right of recourse in the event that the profit guarantee or the profit forecast is not met, if any. 	<p>No equivalent provision.</p>

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	<p>For the avoidance of doubt, the term “profit guarantee” can only be used for transactions where the vendor will compensate the issuer in cash for any shortfall in the level of profits when it provides a quantifiable anticipated level of future profits.</p> <p>(2) With reference to Rule 1013(1), where the transaction is a major transaction, a very substantial acquisition or a reverse takeover, the shareholders’ circular must contain the information in Rule 1013(1) and the following:</p> <p>(a) A confirmation from the auditors of the business/assets to be acquired that they have reviewed the bases and assumptions, accounting policies and calculations for the profit guarantee or the profit forecast, and their opinion on the bases, assumptions, policies and calculations; and</p> <p>(b) A statement by the financial advisor to the issuer as to whether or not they are of the view that the transaction is on normal commercial terms and is not prejudicial to the interest of the issuer and its shareholders.</p> <p>(3) (a) Where the profit guarantee or the profit forecast has been met, the issuer should immediately announce this via SGXNET. Where the profit guarantee or the profit forecast has not been met, the issuer should immediately announce via SGXNET the following:</p> <p>(i) The variance between the profit guarantee or the profit forecast and the actual profit, and the reason for the variance;</p>

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	<p>(ii) any variation of the rights of the issuer; and</p> <p>(iii) the possible course(s) of action by the issuer to protect the interests of the shareholders of the issuer, if any. Notwithstanding this, the issuer must provide timely updates on the specific course of action including its progress and outcome of the action.</p> <p>(b) Where there is any material variation or amendment in the terms of an agreement, the issuer must immediately make an announcement of such a variation. Where such a variation prejudices the issuer, the board of directors of the issuer must disclose the basis for the acceptance of such a variation.</p>
	<p>Part VII – Major Transactions</p>
<p>No equivalent provision.</p>	<p>1014(1) Where any of the relative figures as computed on the bases set out in Rule 1006 exceeds 20%, the transaction is classified as a major transaction. The issuer must, after terms have been agreed, immediately announce the information required in Rules 1010, 1011, 1012 and 1013, where applicable.</p> <p>(2) A major transaction must be made conditional upon approval by shareholders in general meeting. A circular containing the information in Rule 1010 must be sent to all shareholders. This rule does not apply in the case of an acquisition of profitable assets if the only limit breached is Rule 1006(b). In ascertaining whether or not the issuer is required to seek shareholders' approval for the transaction, the issuer should refer to the general principles set out in Practice Note 10.1. Where the issuer is unclear, the issuer should consult and clarify with the Exchange as soon as possible.</p>

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	<p>(3) In the case of REITs and property trusts, a disposal of properties is considered to be in its ordinary course of business, provided that the relative figures as computed on the bases set out in Rule 1006 do not exceed 50% based on the aggregate value of all disposals in the last twelve months. In the event any of the relative figures calculated under Rule 1006 on an aggregated basis is 50% or more, the REIT/property trust must seek unitholders' approval under Rule 1014.</p> <p>Notwithstanding that the disposal of property may be considered to be in the ordinary course of business, the REIT/property trust will have to comply with Rule 1010.</p> <p>(4) Where a major transaction is not completed or is rescinded by any party to the transaction due to any reason, the issuer must immediately announce via SGXNET the following:</p> <ul style="list-style-type: none"> (a) the reasons for the non-completion or rescission of the transaction; (b) the financial impact of the non-completion or rescission on the issuer; and (c) the possible course(s) of action to protect the interests of the shareholders of the issuer. Notwithstanding this, the issuer must provide timely updates on the specific course of action including its progress and outcome.

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<p>Part VIII – Very Substantial Acquisitions or Reverse Takeovers</p> <p>1015(1)(a) Where an acquisition of assets (whether or not the acquisition is deemed in the issuer’s ordinary course of business) is one where any of the relative figures as computed on the bases set out in Rule 1006 is 100% or more, or is one which will result in a change in control of the issuer, the transaction is classified as a very substantial acquisition or reverse takeover respectively. The issuer must, after terms have been agreed, immediately announce the following:</p> <ul style="list-style-type: none"> (i) the information required in Rules 1010, 1011, 1012 and 1013, where applicable; and (ii) the latest three years of proforma financial information of the assets to be acquired. <p>(b) The acquisition must be made conditional upon the approval of shareholders and the approval of the Exchange.</p> <p>(2) For very substantial acquisition, the target business to be acquired must be profitable and meets the requirement in Rule 210(4)(a), and the enlarged group must comply with the requirements in Rule 210(5) and (6). The issuer must appoint a competent and independent valuer to value the target business. The Exchange may approve the very substantial acquisition unconditionally or subject to condition(s), or may reject, as it thinks appropriate.</p>	<p>Rule 402 Disclosure of Corporate Information</p> <p>Where a listed company falls under any of the following items (excluding those which the TSE deems as matters whose effect on investors’ investment decisions is of minor significance, such as cases which fall under the criteria specified by the TSE Securities Listing Enforcement Rules), the listed company must disclose details immediately pursuant to the provisions of the TSE Securities Listing Enforcement Rules:</p> <ul style="list-style-type: none"> (1) Where a body which decides a listed company’s business execution makes a decision on carrying out any of the matters enumerated in the following (a) through (ap) (including cases where the body makes a decision that it will not carry out matters pertaining to such decision): <ul style="list-style-type: none"> •• (r) Transfer or acquisition of fixed assets (meaning fixed assets referenced in Article 2, Item 22 of the Corporation Tax Act (Act No. 34 of 1965); the same shall apply hereinafter); <ul style="list-style-type: none"> •• (y) Request for a bid or any other onerous acquisition to compete with a takeover bid prescribed in the first sentence of the preceding (x) pertaining to a stock, etc. prescribed in Article 27-2, Paragraph 1 of the FIEA whose issuer is such listed company or an act to collect a stock, etc. as prescribed in the relevant enforcement ordinance pertaining to such stock, etc. (hereinafter referred to as a “takeover bid, etc.” in this Sub-item (y)) or an announcement of an opinion or a representation to shareholders concerning a takeover bid, etc.;

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<p>(3) For reverse takeover, the incoming business and the enlarged group must comply with the following requirements:</p> <p>(a) The requirements in Rule 210(1), (2)(a) or (b) or (c), (3), (4), (5), (6), (7), Part VIII of Chapter 2 and if applicable, Rule 210(8) or 222. The issuer must appoint a competent and independent valuer to value the incoming business. For the avoidance of doubt, any profit guarantee granted by the vendors will not be taken into consideration for the purpose of compliance with Rule 210(2);</p> <p>(b) The reference to “invitation shares” in Rule 210(1)(a) means the minimum prescribed public float based on the total number of issued shares excluding treasury shares of the enlarged group, being 25% for SGX Mainboard issuers.</p> <p>(c) The requirements specified in Rules 227, 228 and 229 are applicable to:</p> <p>(i) persons who are existing controlling shareholders or who will become controlling shareholders of the issuer as a result of the asset acquisition; and</p> <p>(ii) associates of any person in (i).</p> <p>This is also applicable to very substantial acquisition.</p> <p>(d) Where the consideration for the acquisition of assets by the issuer is to be satisfied by the issue of shares, the price per share of the issuer after adjusting for any share consolidation must not be lower than S\$0.50.</p>	<p>There is no equivalent provision except for the matters relating to the disclosure of substantial acquisitions in the TSE Securities Listing Regulations.</p>

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<p>(4) The issuer must submit the following:</p> <ul style="list-style-type: none"> (a) A compliance checklist for Rule 210 or Rule 222, whichever is applicable; (b) A compliance checklist for the information required in Rule 1015(5); and (c) Declaration by each director, controlling shareholder, and executive officer of the acquired company(ies), including officers occupying a managerial position and above who is a relative of any director or controlling shareholder in the form set out in paragraph 8, Part VII of the Fifth Schedule, Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005, as amended from time to time. For very substantial acquisition, declaration by each new director, controlling shareholder, and executive officer must be submitted. <p>(5) In relation to the assets to be acquired, the shareholders' circular must contain the following:</p> <ul style="list-style-type: none"> (a) Information required by Rule 1010, 1011, 1012, 1013 and Part II of Chapter 6 of the Listing Manual, where applicable; (b) An accountants' report on the assets to be acquired and the enlarged group. Rule 609 applies to the accountant's report; (c) A statement by the directors in the form set out in Rule 610(3); and 	

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	<p>(d) A statement by the financial adviser(s) in the form set out in paragraph 3(d) of Appendix 8.2.</p> <p>(6) The Exchange may suspend the securities of the issuer until:</p> <ul style="list-style-type: none"> (a) the information required in Rule 1010 has been announced (unless the only information missing is insignificant); and (b) the issuer has satisfied the Exchange that it meets the admission requirements set out in Rule 1015(3)(a) and (b). <p>(7) Rule 1015 does not apply in the case of an acquisition of profitable asset(s) if the only limit breached is Rule 1006(b).</p> <p>(8) Rule 113(2) applies to an issuer which is the subject of a reverse takeover, with the necessary adaptations.</p> <p>(9) Where a very substantial acquisition or reverse takeover is not completed or is rescinded by any party to the transaction due to any reason, the issuer must immediately announce via SGXNET the following:</p> <ul style="list-style-type: none"> (a) the reasons for the non-completion or rescission of the transaction; (b) the financial impact of the non-completion or rescission on the issuer; and (c) the possible course(s) of action to protect the interests of the shareholders of the issuer. Notwithstanding this, the issuer must provide timely updates on the specific course of action including its progress and outcome.

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<p>1016 Where the assets being acquired are listed on the Exchange, Rule 1015(3)(a) is not applicable.</p>	<p>No equivalent provision.</p>
<p>1017 The Exchange normally applies the same criteria for assessment of IPO to reverse takeovers and may modify any requirement in this Chapter or impose additional requirements if it considers it appropriate, taking into account the rationale for the acquisition, the nature of the issuer's business and its track record.</p>	<p>No equivalent provision.</p>
<p>1018 Cash Companies</p> <p>(1) If the assets of an issuer consist wholly or substantially of cash or short-dated securities, its securities will normally be suspended. The suspension will remain in force until the issuer has a business which is able to satisfy the Exchange's requirements for a new listing, and all relevant information has been announced. Upon completion of the disposal of its operations and/or assets, the issuer must:</p> <p>(a) Place 90% of its cash and short-dated securities (including existing cash balance and the consideration arising from the disposal(s) undertaken by the issuer) in an account opened with and operated by an escrow agent which is part of any financial institution licensed and approved by the Monetary Authority of Singapore. The amount that is placed in the escrow account cannot be drawn down until the completion of the acquisition of a business which is able to satisfy the Exchange's requirements for a new listing, except for payment of expenses incurred in a reverse takeover approved by shareholders and pro-rata distributions to shareholders; and</p>	<p>No equivalent provision.</p>

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(b) Provide monthly valuation of its assets and utilization of cash, and quarterly updates of milestones in obtaining a new business to the market via SGXNET.

Taking the above compliance into account, the Exchange may allow continued trading in a cash company's securities on a case-by-case basis, subject to:

(c) Contractual undertakings from the issuer's directors, controlling shareholders, chief executive officer and their associates to observe a moratorium on the transfer or disposal of all their interests, direct and indirect, in the securities of the issuer; and

(d) The period of the moratorium must commence from the date shareholders approve the disposal of business, up to and including the completion date of the acquisition of a business which is able to satisfy the Exchange's requirements for a new listing.

(2) The Exchange will proceed to remove an issuer from the Official List if it is unable to meet the requirements for a new listing within 12 months from the time it becomes a cash company. The issuer may apply to the Exchange for a maximum 6-month extension to the 12-month period if it has already signed a definitive agreement for the acquisition of a new business, of which the acquisition must be completed in the 6-month extension period. The extension is subject to the issuer providing information to investors on its progress in meeting key milestones in the transaction. In the event the issuer is unable to meet its milestones or complete the relevant acquisition despite the time extension granted, no further extension will be granted and the issuer will be required to delist and a cash exit offer in accordance with Rule 1309 be made to the issuers' shareholders within 6 months.

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<p>Part IX – Options to Acquire or Dispose of Assets</p> <p>1019 The following rules apply to options to acquire or dispose of assets:</p> <ol style="list-style-type: none"> (1) If the option is not exercisable at the discretion of the issuer, shareholder approval must be obtained at the time of grant of the option. (2) If the option is exercisable at the discretion of the issuer and the exercise terms are fixed at the time of grant, shareholder approval must be obtained at the time of grant of the option. (3) If the option is exercisable at the discretion of the issuer and the exercise terms are not fixed, but are based on factors existing at the time of exercise, the issuer must obtain shareholder approval at the time of exercise of the option. At the time of acquisition or grant of the option, the issuer must make an appropriate announcement. 	<p>No equivalent provision.</p>
<p>Part X – Undertaking Business in Investment Fund Management</p> <p>1020 Where an issuer, which had originally qualified for a listing of its equity securities under Chapter 2, intends to set up an investment fund or undertake any business(es) in investment fund management, which in aggregate, exceeds 50% of the issuer's net asset value, the issuer must demonstrate to the Exchange that it satisfies the listing requirements for investment funds stipulated in Chapter 4 before it takes any steps to undertake such a business, whether through a transaction or a series of transactions.</p>	<p>No equivalent provision.</p>

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<p>Chapter 13 Trading Halt, Suspension and Delisting</p>	
<p>Part I – Scope of Chapter</p>	
<p>1301 This Chapter sets out:</p> <ol style="list-style-type: none"> (1) the requirements relating to trading halt, voluntary suspension and withdrawal by the issuer from the Exchange’s Official List; and (2) the powers of the Exchange with regard to trading halt, suspension and delisting of an issuer by the Exchange. 	<p>No equivalent provision.</p>
<p>Part II – Trading Halt and Voluntary Suspension</p>	
<p>1302(1) The Exchange may at any time grant a trading halt to enable the issuer to disclose material information or suspend trading of the listed securities of an issuer at the request of the issuer. The Exchange is not required to act on the request.</p> <ol style="list-style-type: none"> (2) The trading halt cannot exceed 3 market days or such short extension as the Exchange agrees. (3) A trading halt may be changed to a suspension by the Exchange at any time. 	<p>Rule 4 Notification of Trading Halt and Removal of Halt When the TSE halts trading in a listed security or removes a trading halt, it shall notify the issuer of such listed security of this fact.</p>

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<p>Part III – Suspension of Trading</p> <p>1303 The Exchange may at any time suspend trading of the listed securities of an issuer in any of the following circumstances:</p> <ol style="list-style-type: none"> (1) If the percentage of an issuer's total number of issued shares excluding treasury shares held in public hands falls below 10%, as provided in Rule 723. In a take-over situation, where the Offeror succeeds in garnering acceptances exceeding 90% of the issuer's total number of issued shares excluding treasury shares, thus causing the percentage of an issuer's total number of issued shares excluding treasury shares held in public hands to fall below 10%, the Exchange will suspend trading of the listed securities of the issuer only at the close of the take-over offer; (2) Where there is a change in the issuer's assets that produces a situation where its assets consist wholly or substantially of cash or short-dated securities, as provided in Rule 1018; (3) Where the issuer is unable to continue as a going concern or unable to demonstrate to the Exchange and its shareholders that it is able to do so, including the following circumstances: <ol style="list-style-type: none"> (a) when an application is filed with a court to place the issuer (or significant subsidiary) under judicial management; or (b) when an application is filed with a court for the liquidation of the issuer (or significant subsidiary) and the amount of the debt alleged is significant; or 	<p>While there is no equivalent provision, under Rule 29 of the TSE Business Regulations, the TSE may suspend trading in certain designated circumstances as follows.</p> <p>Rule 29 of the TSE Business Regulations (Suspension of Trading) In cases referenced in each of the following items, the TSE may suspend trading of a security as prescribed by the TSE:</p> <ol style="list-style-type: none"> (1) Where a bond or a convertible bond is redeemed by a drawing and the TSE deems that a trade suspension is necessary; (2) Where information on a certain security or issuer that may have a significant effect on investors' investment decisions is revealed and details of such information are not clear and/or the TSE deems it necessary to make details aware to the public; (3) Where the TSE deems that the state of trading in a security is abnormal or that this is likely or where the TSE deems that continuing trading is not appropriate from the viewpoint of the management of trading; (4) Where a malfunction occurs to the trading system, or where the TSE deems that continuing trading is difficult due to a failure of the facilities of the TSE pertaining to trading of a security, and other cases; and (5) Where the TSE deems it necessary to make it aware to the public that it may cancel a trade.

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	<p>(c) when the issuer is unable to reasonably assess its financial position and inform the market accordingly.</p> <p>(4) Where the issuer is unable or unwilling to comply with, or contravenes, a listing rule;</p> <p>(5) Where, in the opinion of the Exchange, it is necessary or expedient in the interest of maintaining a fair, orderly and transparent market;</p> <p>(6) Where, in the opinion of the Exchange, it is appropriate to do so; or</p> <p>(7) Where the Exchange releases an announcement in relation to the issuer which, in the opinion of the Exchange, is market sensitive.</p>
No equivalent provision.	<p>1304 If an issuer is suspended under Rule 1303(3), it must:</p> <p>(1) submit a proposal (or proposals) to the Exchange with a view to resuming trading in its securities (“resumption proposals”) within 12 months of the date of suspension. If no resumption proposals are received to enable trading to resume within 12 months of the date of suspension, the Exchange may remove the issuer from the Official List; and</p> <p>(2) implement the resumption proposals within 6 months from the date the Exchange indicates that it has no objection to the resumption proposals. If the resumption proposals have not been implemented within the 6 months, the Exchange may remove the issuer from the Official List. The issuer is expected to provide monthly valuation of its assets and utilisation of cash and updates of milestones in completing the relevant transactions to the market via SGXNET.</p>

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<p>Part IV – Delisting</p> <p>1305 The Exchange may remove an issuer from its Official List (without the agreement of the issuer) if:</p> <ol style="list-style-type: none"> (1) the issuer is unable or unwilling to comply with, or contravenes, a listing rule; (2) in the opinion of the Exchange, it is necessary or expedient in the interest of maintaining a fair, orderly and transparent market; (3) in the opinion of the Exchange, it is appropriate to do so; or (4) the issuer has no listed securities. 	<p>Rule 601 Delisting Criteria for Listed Domestic Companies</p> <ol style="list-style-type: none"> 1. Where a listed domestic stock, etc. on the TSE Main Markets falls under any of the following items, it shall be delisted. Details of each such item in this case shall be provided by the TSE Securities Listing Enforcement Rules: <ol style="list-style-type: none"> (1) Number of shareholders: Where the number of shareholders is less than 400 as of the end of a business year of a listed company and the number does not reach at least 400 within a year; provided, however, that the same shall not apply to cases where the TSE Securities Listing Enforcement Rules specify otherwise; (2) Tradable shares: Where any of the following (a) through (c) is met; provided, however, that the same shall not apply to cases where the TSE Securities Listing Enforcement Rules specify otherwise: <ol style="list-style-type: none"> (a) Where the number of tradable shares is less than 2,000 units as of the end of a business year of a listed company and the number does not reach at least 2,000 units within a year; (b) Where the market capitalization of the tradable shares is less than 500 million yen as of the end of a business year of a listed company and the number does not reach at least 500 million yen within a year; provided, however, that where the general market condition rapidly deteriorates and the TSE deems that this criterion is not appropriate, the TSE shall specify the criterion on a case by case basis; or

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	<p>(c) Where the number of tradable shares is less than 5% of the total number of a listed stock, etc. as of the end of a business year of a listed company and the listed company does not submit a scheduled plan of public offering, secondary offering or distribution by a day specified by the TSE Securities Listing Enforcement Rules.</p> <p>(3) Trading volume: Where the following (a) or (b) is met; provided, however, that the same shall not apply to cases where public offering, secondary offering or off-auction distribution is carried out as specified by the TSE Securities Listing Enforcement Rules within three (3) months after the following (a) or (b) is met:</p> <p>(a) Where the average monthly trading volume of a listed stock, etc. for each year ending December 31 is less than ten (10) units; or</p> <p>(b) Where no trade has been made for three (3) months before the end of every month;</p>

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	<p>(4) Market capitalization: Where the following (a) or (b) is met:</p> <p>(a) Where the market capitalization is less than one (1) billion yen and does not reach at least one (1) billion yen within nine (9) months (or three (3) months if a document containing the present status of the business, future development, improvement of business plan and other matters deemed necessary by the TSE is not submitted to the TSE within three (3) months); provided, however, that where the general market condition rapidly deteriorates and the TSE deems that this criterion is not appropriate, other criteria shall apply as specified by the TSE on a case by case basis; or</p> <p>(b) Where the market capitalization of said stock, etc. is less than the amount obtained by multiplying the number of the listed stock, etc. by two (2) and does not reach at least such amount within three (3) months;</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(5) Liabilities in excess of assets: Where a listed company has liabilities in excess of assets as of the end of the business year and the liabilities in excess of assets is not cleared within a year; provided, however, that this means cases where the liabilities in excess of assets are not cleared within two (2) years if such listed company plans to clear the liabilities in excess of assets within a year counting from a day when such year passes by carrying out rehabilitation proceedings or reorganization proceedings on the basis of the provisions of laws or liquidation based on “Guidelines for Private Liquidation” of the Early Business Rehabilitation Study Group (limited to cases deemed appropriate by the TSE);</p> <p>(6) Suspension of bank transactions: Where a bill, etc. issued by a listed company is dishonored and its bank transactions are suspended or their suspension becomes certain;</p> <p>(7) Bankruptcy proceedings, rehabilitation proceedings or reorganization proceedings: Where a listed company become necessary to enter its bankruptcy proceedings, rehabilitation proceedings or reorganization proceedings on the basis of the provisions of laws or where it falls under a situation corresponding to these. In this case, it means circumstances where the company discloses a reconstruction plan prescribed by the TSE Securities Listing Enforcement Rules and the market capitalization does not reach at least one (1) billion yen for a month counting from the day following the day on which such reconstruction plan is disclosed;</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(8) Suspension of business activities: Where a listed company suspends its business activities or where it falls into a situation corresponding to this;</p> <p>(9) Inappropriate merger, etc.: In cases of the following (a) or (b.), where the TSE deems that such (a) or (b) is met:</p> <p>(a) Where a listed company carries out an absorption-type merger of an unlisted company or an act specified by the TSE Securities Listing Enforcement Rules as an act classified as this (hereinafter referred to as an “absorption-type merger, etc.” in this Sub-item (a)): Where the TSE deems that such listed company is not a substantial surviving company and such listed company (meaning the entity specified by the TSE Securities Listing Enforcement Rules as an unlisted company which is the party involved before an absorption-type merger, etc.) does not satisfy the criteria specified by the TSE Securities Listing Enforcement Rules within three (3) years; or</p> <p>(b) Where a company is listed subject to Rule 208, Item 1, Item 3, or Item 5 (excluding cases where all parties in a merger by creating a new company, stock transfer, or demerger by creating a new company are listed companies);</p> <p>(c) Where the TSE deems that a listed company as prescribed by Rule 208, Item 1, Item 3 or Item 5 is not a substantial surviving company pertaining to such company, and such company (meaning the entity prescribed by the TSE Securities Listing Enforcement Rules as an unlisted company which is subject to an examination before Rule 208, Item 1, Item 3 or Item 5 is met) does not satisfy the criteria specified by the TSE Securities Listing Enforcement Rules within three (3) years;</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(9)-2 Damage to Sound Transactions with Controlling Shareholder: Where there is a change of a controlling shareholder due to third-party allotment, when the TSE deems there is considerable damage to sound transactions with the controlling shareholder within the coming 3 years;</p> <p>(10) Delay in submission of a securities report or a quarterly report: Where a securities report or a quarterly report to which an audit report or a quarterly review report as specified in Article 3, Paragraph 1 of the Cabinet Office Ordinance on Audit Certification prepared by two (2) or more certified public accountants or an audit firm is attached (including an audit report or a quarterly review report pertaining to certification corresponding to audit certification by an entity corresponding to a certified public accountant or an audit firm) is not submitted to the Prime Minister, etc. within a month after a period specified in Article 24, Paragraph 1 or Article 24-4-7, Paragraph 1 of the FIEA passes (within three (3) months in the event that such submission delay is due to reasons not attributable to the listed company such as act of providence);</p> <p>(11) False statement or adverse opinion, etc.: Where the following (a) or (b) is met:</p> <p>(a) Where a listed company makes a false statement in a securities report, etc. and, in addition, the TSE deems that its effect is material; or</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(b) Concerning an audit report attached to financial statements, etc. or a quarterly review report attached to quarterly financial statements, etc. of a listed company, where certified public accountants state an “adverse opinion” or a fact that “opinions are not expressed” in an audit report (excluding cases caused by an event which is not attributable to the listed company including an act of providence, etc.; the same shall apply hereinafter in this (b)), and a “negative conclusion” or a fact that “conclusions are not expressed” in a quarterly review report (including an “opinion that the interim financial statements, etc. do not provide useful information” or a fact that “opinions are not expressed” in cases of a specified business company) and, in addition, the TSE deems that such fact has a material impact;</p> <p>(12) Breach of listing agreement, etc.: Where a listed company has committed a material breach of the listing agreement as prescribed by the TSE Securities Listing Enforcement Rules, where a listed company has committed a material breach as to matters taken on oath in the Written Oath submitted pursuant to the provisions of Rule 204, Paragraph 1, Rule 211, Paragraph 1, Rule 301, Paragraph 3, Rule 307, Paragraph 2, or Rule 312, Paragraph 3 of the TSE Securities Listing Regulations, or where a listed company ceases to be a party to the listing agreement;</p> <p>(13) Entrustment to shareholder services agents: Where a listed company (excluding a listed company falling under the proviso of Rule 205, Item 8) has come not to entrust shareholder services to a shareholder services agent approved by the TSE or it has become certain to be so;</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
	<p>(14) Restriction on transfer of shares: Where a listed company imposes a restriction on stock transfer pertaining to such security of a listed company; provided, however, that the same shall not apply to cases where a restriction is imposed concerning stock transfer on the basis of the provisions of a special law specified by the TSE Securities Listing Enforcement Rules and the details of the restriction are deemed not to hinder trading in the market of the TSE;</p> <p>(15) Becoming a wholly-owned subsidiary: Where a listed company becomes a wholly-owned subsidiary of another company by share exchange or share transfer;</p> <p>(16) Handling by a designated book-entry transfer institution: Where said issue ceases to be subject to the book-entry transfer operation of a designated book-entry transfer institution;</p> <p>(17) Unreasonable restriction on shareholders' rights: Where the details of shareholders' rights and their exercise are unreasonably restricted as specified by the TSE Securities Listing Enforcement Rules;</p> <p>(18) Whole acquisition: Where a listed company acquires all shares pertaining to such stock;</p> <p>(19) Involvement of Anti-Social Forces: Where it has become clear that a listed company has relationships prescribed in the TSE Securities Listing Enforcement Rules as those in which the listed company is involved with anti-social forces, when the TSE deems that such condition has considerably damaged shareholders and investors trust in the market;</p> <p>(20) Others: In addition to each of the preceding items, where the TSE deems that delisting of such security is appropriate for the public interest or the protection of investors.</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
<p>1306 If the Exchange exercises its power to remove an issuer from the Official List, the issuer or its controlling shareholder(s) must comply with the requirements of Rule 1309. For purposes of Rule 1309, a reasonable exit offer may include a voluntary liquidation of the issuer's assets and distribution of cash back to shareholders.</p>	<p>Rule 605 Application for Examination, etc. Pertaining to Delisting</p> <p>1. The TSE shall conduct examinations on whether or not a reconstruction plan is as specified by the TSE Securities Listing Enforcement Rules and on the market capitalization as prescribed in Rule 601, Paragraph 1, Item 7 herein (including cases falling under Rule 602, Paragraph 1, Item 1, Paragraph 2, Item 3 of the same rule, Rule 603, Paragraph 1, Item 6, Rule 604, Paragraph 1, Item 2, or Rule 604, Paragraph 2, Item 1 of the same) based on an application from a listed company. If such application has not been made, the TSE shall deem that the listed company falls under Rule 601, Paragraph 1, Item 7.</p>
<p>1307 The Exchange may agree to an application by an issuer to delist from the Exchange if:</p> <ul style="list-style-type: none"> (1) the issuer convenes a general meeting to obtain shareholder approval for the delisting; (2) the resolution to delist the issuer has been approved by a majority of at least 75% of the total number of issued shares excluding treasury shares held by the shareholders present and voting, on a poll, either in person or by proxy at the meeting (the issuer's directors and controlling shareholder need not abstain from voting on the resolution); and (3) the resolution has not been voted against by 10% or more of the total number of issued shares excluding treasury shares held by the shareholders present and voting, on a poll, either in person or by proxy at the meeting. 	<p>2. The TSE shall conduct an examination whether or not a listed security is in conformity with the criteria specified by the TSE Securities Listing Enforcement Rules as prescribed by Rule 601, Paragraph 1, Item 9 herein (including cases falling under Rule 602, Paragraph 1, Item 1, Paragraph 2, Item 3 of the same rule, Rule 603, Paragraph 1, Item 6, Paragraph 1, Item 2 of the preceding rule or Paragraph 2, Item 1 of the same rule; the same shall apply hereinafter in this rule) based on an application from a listed company. If such application has not been made (including cases where it is clear such application will not be made), the TSE shall deem that the listed company falls under Rule 601, Paragraph 1, Item 9.</p>
<p>1308 Rules 1307(1), (2) and (3) do not apply to a delisting pursuant to a voluntary liquidation or a scheme of arrangement.</p> <p>1309 If an issuer is seeking to delist from the Exchange:</p> <ul style="list-style-type: none"> (1) a reasonable exit alternative, which should normally be in cash, should be offered to (a) the issuer's shareholders and (b) holders of any other classes of listed securities to be delisted. 	<p>3. Where a listed company makes an application specified in the preceding paragraph, such listed company shall submit a "Written Confirmation" predetermined by the TSE which is prepared by a managing trading participant.</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
<p>(2) the issuer should normally appoint an independent financial adviser to advise on the exit offer.</p>	<p>4. The TSE may request a listed company to submit a report or materials which should serve as useful reference or provide any other cooperation for such examination if the TSE deems it necessary for examinations in Paragraph 1 and Paragraph 2.</p> <p>Rule 608 Delisting Application Where a listed company makes an application for delisting a listed stock, etc. issued by itself, it shall submit “Delisting Application Form” predetermined by the TSE.</p> <p>Rule 610 Designation of Securities Under Supervision Where a listed stock, etc. is likely to be delisted, the TSE may designate such listed stock, etc. as a security under supervision to make investors aware of that fact pursuant to the provisions of the TSE Securities Listing Enforcement Rules.</p> <p>Rule 611 Designation of Securities to be Delisted Where a listed stock, etc. is decided to be delisted, the TSE may designate such listed stock, etc. as a security to be delisted for a period until the day before the delisting day pursuant to the provisions of the TSE Securities Listing Enforcement Rules to make investors aware of that fact.</p>
<p>Part V – Watch-List</p> <p>1310 This Part applies to issuers listed on the SGX Mainboard, except for investment funds (whether constituted as collective investment schemes or otherwise), real estate investment trusts, business trusts, global depository receipts and companies with secondary listings on the Exchange.</p>	<p>No equivalent provision.</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
<p>1311 The Exchange will place an issuer on the watch-list, if it records:</p> <ol style="list-style-type: none"> (1) pre-tax losses for the three (3) most recently completed consecutive financial years (based on the latest announced full year consolidated accounts, excluding exceptional or non-recurrent income and extraordinary items); and (2) an average daily market capitalisation of less than \$40 million over the last 120 market days on which trading was not suspended or halted. For the purpose of this rule, trading is deemed to be suspended or halted if trading is ceased for a full market day. 	<p>Rule 501 Designation and Cancellation of Designation of Securities on Alert</p> <p>1. The TSE may, in the cases provided in the following items, and, in addition, where the TSE deems that improvement of the internal management system, etc. of such listed company is highly necessary, designate the listed stock, etc. issued by such listed company as a Security on Alert.</p> <ol style="list-style-type: none"> (1) Where the TSE deems that a listed company does not fall under Rule 601, Paragraph 1, Item 9-2, Item 11, Item 12, Item 19, or Item 20 herein (including cases where it falls under Rule 602, Paragraph 1, Item 1, Paragraph 2, Item 3 of the same rule, Rule 603, Paragraph 1, Item 6, Rule 604, Paragraph 1, Item 2, or Paragraph 2, Item 1 of the same rule) after having deemed that it is likely that such company does so qualify. (2) Where the TSE deems it will not recognize improvement in the execution of improvement measures and operating conditions in a listed company which has submitted an improvement report according to provisions of Paragraph 3 of the following rule (including cases where these provisions are applied mutatis mutandis in Rule 503, Paragraph 7).
<p>1312 Upon recording a pre-tax loss for the third consecutive financial year (based on the latest announced full year consolidated accounts excluding exceptional or non-recurrent income and extraordinary items), an issuer must immediately announce the fact through the SGXNET. The announcement must provide the information as set out in Appendix 13.1.</p>	<p>No equivalent provision.</p>

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
<p>1313 If an issuer is placed on the watch-list, it must:</p> <ol style="list-style-type: none"> (1) Immediately announce the fact through the SGXNET; and (2) for the period in which it remains on the watch-list, provide the market with a quarterly update on its financial situation, including its future direction, or other material development that may have a significant impact on its financial position. If any material development occurs between the quarterly updates, it must be announced immediately. 	<p>Rule 501 Designation and Cancellation of Designation of Securities on Alert</p> <ol style="list-style-type: none"> 2. A listed company which is the issuer of a listed stock, etc. designated as a security on alert pursuant to the provisions of the preceding paragraph shall promptly submit a document specified by the TSE Securities Listing Enforcement Rules that contains the status of the internal management system, etc. (hereinafter referred to as a “Written Confirmation of Internal Management System”) on each anniversary of such designation. • • 4. A listed company which is the issuer of a listed stock, etc. designated as a security on alert pursuant to the provisions of Paragraph 1 shall accurately report on enquired matters immediately, where the TSE makes an inquiry of the internal management system, etc. of such listed company after deeming it necessary.
<p>1314 An issuer on the watch-list may apply to the Exchange for its removal from the watch-list if it satisfies any one of the following requirements:</p> <ol style="list-style-type: none"> (1) the issuer records consolidated pre-tax profit for the most recently completed financial year (based on the latest full year consolidated audited accounts, excluding exceptional or non-recurrent income and extraordinary items) and has an average daily market capitalisation of \$40 million or more over the last 120 market days on which trading was not suspended or halted. For the purpose of this rule, trading is deemed to be suspended or halted if trading is ceased for the full market day; or 	<p>Rule 501 Designation and Cancellation of Designation of Securities on Alert</p> <ol style="list-style-type: none"> 3. Where the TSE deems that there is no problem in the internal management system, etc. on the basis of the substance, etc. of the Written Confirmation of Internal Management System submitted pursuant to the provisions of the preceding paragraph, the TSE shall cancel the designation.

SGX-ST LISTING MANUAL RULE	EQUIVALENT JAPANESE LAW/TSE SECURITIES LISTING REGULATIONS
<p>(2) the issuer satisfies Rule 210(3) and either one of the following requirements:</p> <ul style="list-style-type: none"> (a) cumulative consolidated pre-tax profit of at least \$7.5 million for the last three years, and a minimum pre-tax profit of \$1 million for each of those three years; or (b) cumulative consolidated pre-tax profit of at least \$10 million for the last one or two years. Rule 210(3)(a) applies to the last one year or last two years as the case may be. <p>The Exchange may approve the application, or reject the application if the Exchange is of the opinion that there are other factors that justify the continued inclusion of the issuer in the watch-list.</p>	
<p>1315 An issuer must take active steps to meet the requirements of Rule 1314. If the issuer fails to submit an application pursuant to Rule 1314 within 24 months of the date on which it was placed on the watch-list, the Exchange may either remove the issuer from the Official List, or suspend trading of the listed securities of the issuer (without the agreement of the issuer) with a view to removing the issuer from the Official List.</p>	<p>No equivalent provision.</p>
<p>1316 While the issuer remains on the watch-list, trading in its securities will continue, unless a trading halt or a suspension is, or has been previously effected.</p>	<p>No equivalent provision.</p>

OUR ARTICLES OF INCORPORATION

Our Articles of Incorporation are in Japanese. The version of our Articles of Incorporation herein has been translated into English for convenience only and should not be construed as an exact representation of our Articles of Incorporation in Japanese.

Chapter 1: General Provisions

Article 1. Trade Name

The Company shall be referred to as Tosei Corporation in Japanese and as Tosei Corporation in English (hereinafter the “**Company**”).

Article 2. Purpose

The purpose of the Company shall be to engage in the following businesses:

- (i) Selling and buying, leasing, intermediation, management, and appraisal of real estate;
- (ii) Contracting, planning, and management of building, carpentry, plastering, scaffolding, civil engineering, and concrete-work projects; stonework, roofing, electrical work, piping, tiling, bricklaying, and block-work projects; and steel metal work, steel structure work, reinforcing steel work, glass work, painting, waterproofing, interior finishing, machinery and appliance installation, heat insulation, telecommunication, fitting, fire equipment, and landscaping projects;
- (iii) Contracting of maintenance and management, cleaning, and security of buildings and annexed equipment and instruments;
- (iv) Non-life insurance agency business;
- (v) Insurance agency business under the Automobile Liability Security Act;
- (vi) Investment advisory services for real estate;
- (vii) Investment management business, investment trust business, and investment corporation organizational businesses under the Act on Investment Trusts and Investment Corporations;
- (viii) Businesses under the Real Estate Specified Joint Enterprise Act;
- (ix) Investment business in financial assets, such as real estate securitization products, claims, and securities;
- (x) Second financial instruments business under the Financial Instruments and Exchange Act;
- (xi) Investment advisory and agency business provided for in the Financial Instruments and Exchange Act;
- (xii) Lending of money, guarantee of debt, and other financial services; and
- (xiii) Any other business incidental or relating to the businesses referred to in any of the foregoing items.

Article 3. Location of Head Office

The head office of the Company shall be located in Minato-ku, Tokyo.

Article 4. Organs

The Company shall have the following organs in place in addition to the General Meeting of Shareholders and Directors:

- (i) Board of Directors
- (ii) Statutory Auditors
- (iii) Board of Statutory Auditors
- (iv) Accounting Auditors

Article 5. Method of Public Notice

The Company shall issue its public notices electronically. However, in the event that an accident or other unavoidable reason prevents the Company from being able to issue an electronic public notice, the Company shall post an announcement in the *Nihon Keizai Shimbun* newspaper.

Chapter 2: Shares

Article 6. Total Number of Authorized Shares

The total number of shares authorized to be issued by the Company shall be one million and five hundred thousand (1,500,000).

Article 7. Acquisition of the Company's Own Shares

Pursuant to the provision of Article 165, Paragraph 2, of the Japanese Companies Act, the Company may acquire its own shares using market transactions or certain other specified methods by a resolution at its Board of Directors' meeting.

Article 8. Share Handling Regulations

In addition to laws, regulations, or these Articles of Incorporation, the handling and fees associated with the Company's shares and procedures relating to shareholders' rights shall be prescribed by the Share Handling Regulations established by the Board of Directors of the Company.

Article 9. Shareholder Registrar

- (1) The Company shall have a shareholder registrar in place.
- (2) The shareholder registrar and place of business shall be determined by a resolution of the Board of Directors.
- (3) The preparation and retention of the shareholder registry and the ledger of stock acquisition rights of the Company, as well as any other business relating to the shareholder registry and the ledger of stock acquisition rights, shall be entrusted to the shareholder registrar and shall not be handled by the Company.

Chapter 3: General Meeting of Shareholders

Article 10. Convocation

- (1) An Ordinary General Meeting of Shareholders of the Company shall be convened in February of each year, and an Extraordinary General Meeting of Shareholders shall be convened whenever the need arises.
- (2) The General Meeting of Shareholders of the Company shall be convened within the wards of Tokyo.

Article 11. Record Date for Ordinary General Meeting of Shareholders

The record date for the Ordinary General Meeting of Shareholders of the Company shall be November 30 of each year.

Article 12. Proxy Voting

- (1) A shareholder may exercise voting rights by appointing a shareholder who holds Company voting rights to act as a proxy.
- (2) A shareholder or a proxy shall submit to the Company a document that certifies the authority of representation at each General Meeting of Shareholders convened.

Article 13. Convenor and Chairperson

- (1) Unless otherwise provided for by laws and regulations, the president-and-director shall convene a General Meeting of Shareholders by a resolution of the Board of Directors' meeting, and shall act as chairperson to such General Meeting of Shareholders.
- (2) When the president-and-director is unable to act as chairperson, due to an accident or other such circumstances, one of the other directors shall act in lieu of the president-and-director in the order of priority determined in advance by the Board of Directors.

Article 14. Internet-Based Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders

At the time of convening a General Meeting of Shareholders, the Company may provide its shareholders with information on matters that should be stated or indicated in the reference documents for the General Meeting of Shareholders, business reports, financial statements, and consolidated financial statements, by disclosing the said information on the Internet pursuant to the provisions of the applicable Ordinance of the Ministry of Justice and may deem it as the provision of the information to shareholders.

Article 15. Resolution Method

- (1) Unless otherwise provided for by laws and regulations or these Articles of Incorporation, the resolution of a General Meeting of Shareholders shall be adopted by the majority of the votes of shareholders present who are entitled to exercise their voting rights.
- (2) The resolution prescribed in Article 309, Paragraph 2, of the Japanese Companies Act shall be adopted by two-thirds or more of the votes at a General Meeting of Shareholders at which one-third or more of the votes of the shareholders entitled to exercise voting rights are present.

Article 16. Minutes of General Meeting of Shareholders

The minutes of the General Meeting of Shareholders shall be prepared as prescribed by the applicable laws and regulations.

Chapter 4: Directors and Board of Directors

Article 17. Number of Directors

The number of directors of the Company shall be six (6) or less.

Article 18. Election and Dismissal of Directors

- (1) Directors shall be elected and dismissed by a resolution adopted at a General Meeting of Shareholders.
- (2) Directors shall be elected by a resolution adopted by a majority of the votes at a General Meeting of Shareholders at which one-third or more of the votes of the shareholders entitled to exercise voting rights are present.
- (3) A resolution to elect directors shall not be based on a cumulative vote.
- (4) Directors shall be dismissed by a resolution adopted by two-thirds or more of the votes at a General Meeting of Shareholders at which a majority of the votes of the shareholders entitled to exercise voting rights are present.

Article 19. Terms of Office for Directors

- (1) The terms of office for directors shall continue until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year that ends within two years from the time of their election.
- (2) The term of office for a director elected as an additional member of the Board or as a substitute shall continue until the terms of office for the other directors expire.

Article 20. Convenor and Chairperson

- (1) Unless otherwise provided for by laws and regulations, the president-and-director shall convene a Board of Directors' meeting and act as chairperson.
- (2) When the president-and-director is unable to act as chairperson, due to an accident or other such circumstances, one of the other directors shall act in lieu of the president-and-director in the order of priority determined in advance by the Board of Directors.
- (3) A notice of convocation of the Board of Directors' meeting shall be issued to each director and each statutory auditor at least three days prior to the date of the meeting. However, this period may be shortened in urgent cases.
- (4) If the consent of all directors and statutory auditors has been obtained, a Board of Directors' meeting may be held without formal convocation.

Article 21. Representative Directors

Representative directors shall be appointed by a resolution at a Board of Directors' meeting. The president-and-director, however, must serve as representative director.

Article 22. Executive Directors

The Board of Directors shall, via its resolution, appoint one president-and-director from among the directors, and may appoint one or more chairman-and-directors, vice-presidents-and-directors, senior managing directors, and managing directors from among the directors whenever the need arises.

Article 23. Resolution Method

- (1) A resolution at a Board of Directors' meeting shall be adopted by a majority of the votes of the directors present at the meeting at which a majority of the directors entitled to participate in the vote are present.
- (2) When the requirements specified in Article 370 of the Japanese Companies Act have been fulfilled, the Company shall deem that a resolution of the Board of Directors has been made.

Article 24. Minutes of Board of Directors' Meetings

The minutes of a Board of Directors' meeting shall be prepared as prescribed by the applicable laws and regulations, and the directors and the statutory auditors present at the meeting shall seal and sign their documents by hand or electronically.

Article 25. Board of Directors' Regulations

In addition to the relevant laws and regulations as well as these Articles of Incorporation, matters relating to the Board of Directors' meetings shall be governed by the Board of Directors' Regulations established by the Board of Directors of the Company.

Article 26. Compensation, etc., for Directors

Remuneration, bonuses, and other economic benefits that the directors receive from the Company as compensation for the execution of their duties (hereinafter referred to as the "**Compensation, etc.**") shall be determined by a resolution of a General Meeting of Shareholders.

Article 27. Exemption of Directors from Liability

- (1) Pursuant to the provision of Article 426, Paragraph 1, of the Japanese Companies Act, the Company may release directors (including former directors) from damage liability attributable to their negligence in executing their duties, within the limits of the relevant laws and regulations, by a resolution of the Board of Directors.
- (2) Pursuant to the provision of Article 427, Paragraph 1, of the Japanese Companies Act, the Company may enter into a contract with outside directors to limit damage liability attributable to their negligence in executing their duties. However, the limit of liability pursuant to the contract shall be the amount prescribed by the relevant laws and regulations.

Chapter 5: Statutory Auditors and Board of Statutory Auditors

Article 28. Number of Statutory Auditors

The number of statutory auditors of the Company shall be four (4) or less.

Article 29. Election of Statutory Auditors

- (1) Statutory auditors of the Company shall be elected by a resolution adopted at a General Meeting of Shareholders.
- (2) Statutory auditors of the Company shall be elected by a resolution adopted by a majority of the votes at a General Meeting of Shareholders at which one-third or more of the shareholders entitled to exercise voting rights are present.

Article 30. Terms of Office for Statutory Auditors

- (1) The terms of office for statutory auditors shall continue until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year that ends within four years from the time of their election.
- (2) The term of office for a statutory auditor elected as a substitute for a statutory auditor who has resigned before his/her term of office expires shall continue until the term of office for the statutory auditor who has resigned expires.

Article 31. Full-Time Statutory Auditors

By its resolution, the Board of Statutory Auditors shall appoint full-time statutory auditors from among its statutory auditors.

Article 32. Notice of Convocation of Board of Statutory Auditors' Meeting

- (1) A notice of convocation of a Board of Statutory Auditors' meeting shall be issued to each statutory auditor at least three days prior to the date of the meeting. However, this period may be shortened in urgent cases.
- (2) If the consent of all statutory auditors has been obtained, a Board of Statutory Auditors' meeting may be held without formal convocation.

Article 33. Resolution Method

A resolution of the Board of Statutory Auditors shall be adopted by a majority of the votes of the statutory auditors present at a meeting unless otherwise specifically prescribed by the relevant laws or regulations.

Article 34. Minutes of Board of Auditors' Meetings

The minutes of a Board of Auditors' meeting shall be prepared as prescribed by the applicable laws and regulations, and the corporate auditors present at the meeting shall seal and sign their documents by hand or electronically.

Article 35. Board of Statutory Auditors' Regulations

In addition to the relevant laws and regulations as well as these Articles of Incorporation, matters relating to the Board of Statutory Auditors' meetings shall be governed by the Board of Statutory Auditors' Regulations established by the Board of Statutory Auditors of the Company.

Article 36. Compensation, etc., to Statutory Auditors

Compensation, etc., for statutory auditors shall be determined by a resolution of a General Meeting of Shareholders.

Article 37 Exemption of Statutory Auditors from Liability

- (1) Pursuant to Article 426, Paragraph 1, of the Japanese Companies Act, the Company may release statutory auditors (including former statutory auditors) from damage liability attributable to their negligence in executing their duties, within the limits of the relevant laws and regulations, by a resolution of the Board of Directors.
- (2) Pursuant to the provision of Article 427, Paragraph 1, of the Japanese Companies Act, the Company may enter into a contract with outside statutory auditors to limit damage liability attributable to their negligence in executing their duties. However, the limit of liability pursuant to the contract shall be the amount prescribed by the relevant laws and regulations.

Chapter 6: Accounting Auditor

Article 38. Election of Accounting Auditor

An accounting auditor shall be elected by a resolution of a General Meeting of Shareholders.

Article 39. Term of Office for Accounting Auditor

- (1) The term of office for an accounting auditor shall continue until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year that ends within one year from the time of his or her election.
- (2) Unless otherwise resolved at the Ordinary General Meeting of Shareholders in the preceding paragraph, the accounting auditor shall be deemed as being reelected at such meeting.

Article 40. Compensation, etc., for Accounting Auditor

Compensation, etc., for an accounting auditor shall be determined by the representative director with the consent of the Board of Statutory Auditors.

Chapter 7: Accounting

Article 41. Fiscal Year

The fiscal year of the Company shall begin on December 1 of each year and end on November 30 of the following year.

Article 42. Record Date for Year-End Dividends

The record date for year-end dividends from surplus of the Company shall be November 30 of each year.

Article 43. Interim Dividends

The Company may distribute interim dividends by a resolution of the Board of Directors as of the record date of May 31 of each year.

Article 44. Exclusion from Dividends

- (1) If the dividend property is monetary, the Company shall be exempted from its obligation to pay dividends when said property is not claimed after the lapse of three full years from the date of commencement of payment.
- (2) Interest shall not be accrued on unpaid year-end dividends and interim dividends.

Chapter 8: Takeover Defense

Article 45. Takeover Defense

- (1) The General Meeting of Shareholders may resolve to adopt, exercise, maintain, and abolish takeover defense measures.
- (2) The takeover defense measures in the preceding paragraph shall refer to those measures intended to make it difficult to accomplish a takeover the Company, including the issuance or allotment of shares or share options for purposes other than business purposes such as fund-raising, which are adopted by the Company prior to the commencement of a takeover against the Company for the purpose of protecting and enhancing the corporate value of the Company and the common interests of shareholders.
- (3) When deciding matters relating to the issuance or allotment of share options as part of takeover defense measures, the Company may put in place all or part of the following:
 - (a) Certain persons specified in the takeover defense measures (hereinafter referred to as the “**Non-Qualified Persons**”) shall not exercise the share options.
 - (b) The Company may acquire share options only from persons other than the Non-Qualified Persons and deliver the Company’s shares in exchange.
 - (c) The Company may acquire share options from the Non-Qualified Persons and deliver the Company’s shares, new share options, bonds, cash, or other considerations in exchange.

COMPARISON BETWEEN TOSEI CORPORATION'S ARTICLES OF INCORPORATION AND APPENDIX 2.2 OF THE LISTING MANUAL

APPENDIX 2.2 REQUIREMENTS	TOSEI CORPORATION'S ARTICLES OF INCORPORATION (TRANSLATED)
(1) Capital	
(a) The total number of issued preference shares shall not exceed the total number of issued ordinary shares issued at any time.	There is no equivalent provision in our Articles of Incorporation.
(b) The rights attaching to shares of a class other than ordinary shares must be expressed.	There is no equivalent provision in our Articles of Incorporation.
(c) Whether the company has power to issue further preference capital ranking equally with, or in priority to preference shares already issued must be expressed.	There is no equivalent provision in our Articles of Incorporation.
(d) Preference shareholders must have the same rights as ordinary shareholders as regards receiving notices, reports and balance sheets, and attending general meetings of the issuer. Preference shareholders must also have the right to vote at any meeting convened for the purpose of reducing the capital, or winding up, or sanctioning a sale of the undertaking of the issuer, or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend on the preference shares is in arrear for more than six months.	There is no equivalent provision in our Articles of Incorporation.
(e) Capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits.	There is no equivalent provision in our Articles of Incorporation.

APPENDIX 2.2 REQUIREMENTS	TOSEI CORPORATION'S ARTICLES OF INCORPORATION (TRANSLATED)
<p>(f) Subject to any direction to the contrary that may be given by the company in the general meeting or except as permitted under the Exchange's listing rules, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the company of general meetings in proportion, as far as circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined. After the expiration of the aforesaid time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the directors may dispose of those shares in a manner as they think most beneficial to the company. The directors may likewise dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the directors, be conveniently offered under this provision.</p>	<p>There is no equivalent provision in our Articles of Incorporation.</p>
<p>(g) Subject to the provisions of the Companies Act, if any share certificates shall be defaced, worn-out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member company of the Exchange or on behalf of its/their client(s) as the directors of the company shall require, and in the case of defacement or wearing out, on delivery of the old certificate and in any case on payment of such sum not exceeding two dollars as the directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the company all expenses incidental to the investigations by the company of the evidence of such destruction or loss.</p>	<p>There is no equivalent provision in our Articles of Incorporation.</p>

APPENDIX 2.2 REQUIREMENTS	TOSEI CORPORATION'S ARTICLES OF INCORPORATION (TRANSLATED)
(2) Certificate	
Every member shall be entitled to receive share certificates in reasonable denominations for his holding and where a charge is made for certificates, such charge shall not exceed two dollars.	There is no equivalent provision in our Articles of Incorporation.
(3) Forfeiture and Lien	
(a) The company's lien on shares and dividends from time to time declared in respect of such shares, shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such monies are due and unpaid, and to such amounts as the company may be called upon by law to pay in respect of the shares of the member or deceased member.	There is no equivalent provision in our Articles of Incorporation.
(b) If any shares are forfeited and sold, any residue after the satisfaction of the unpaid calls and accrued interest and expenses, shall be paid to the person whose shares have been forfeited, or his executors, administrators or assignees or as he directs.	There is no equivalent provision in our Articles of Incorporation.
(4) Transfer and Transmission	
(a) The company will accept for registration a transfer in the form approved by the Exchange.	There is no equivalent provision in our Articles of Incorporation.
(b) Any fee charged on the transfer of securities shall not exceed two dollars per transfer.	There is no equivalent provision in our Articles of Incorporation.
(c) There shall be no restriction on the transfer of fully paid securities except where required by law or by the Rules, Bye-Laws or Listing Rules of the Exchange.	There is no equivalent provision in our Articles of Incorporation.
(d) Any articles which entitle a company to refuse to register more than three persons as joint holders of a share must be expressed to exclude the case of executors or trustees of a deceased shareholder.	There is no equivalent provision in our Articles of Incorporation.

APPENDIX 2.2 REQUIREMENTS	TOSEI CORPORATION'S ARTICLES OF INCORPORATION (TRANSLATED)
(5) Modification of Rights	
<p>The repayment of preference capital other than redeemable preference capital, or any alteration of preference shareholders' rights, may only be made pursuant to a special resolution of the preference shareholders concerned, provided always that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.</p>	<p>There is no equivalent provision in our Articles of Incorporation.</p>
(6) Borrowing Powers	
<p>The scope of the borrowing powers of the board of directors shall be expressed.</p>	<p>There is no equivalent provision in our Articles of Incorporation.</p>
(7) Meetings	
<p>The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least fourteen days (excluding the date of notice and the date of meeting) before the meeting. Where notices contain special resolutions, they must be given to shareholders at least twenty-one days (excluding the date of notice and the date of meeting) before the meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolutions in respect of such businesses. At least fourteen days' notice of every such meeting shall be given by advertisement in the daily press and in writing to each stock exchange on which the company is listed.</p>	<p>There is no equivalent provision in our Articles of Incorporation.</p>
(8) Voting and Proxies	
<p>(a) A holder of ordinary shares shall be entitled to be present and to vote at any general meeting in respect of any share or shares upon which all calls due to the company have been paid.</p>	<p>There is no equivalent provision in our Articles of Incorporation.</p>

APPENDIX 2.2 REQUIREMENTS	TOSEI CORPORATION'S ARTICLES OF INCORPORATION (TRANSLATED)
(b) In the case of joint holders of shares, any one of such persons may vote, but if more than one of such persons is present at a meeting, the person whose name stands first on the Register of Members shall alone be entitled to vote.	There is no equivalent provision in our Articles of Incorporation.
(c) A proxy need not be a member of the company.	Article 12. Proxy Voting (1) A shareholder may exercise voting rights by appointing a shareholder who holds Company voting rights to act as a proxy. A proxy must be a shareholder of the Company.
(d) An instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll.	Article 12. Proxy Voting (2) A shareholder or a proxy shall submit to the Company a document that certifies the authority of representation at each General Meeting of Shareholders convened.
(e) A proxy shall be entitled to vote on a show of hands on any matter at any general meeting.	Article 12. Proxy Voting (1) A shareholder may exercise voting rights by appointing a shareholder who holds Company voting rights to act as a proxy.
(9) Directors	
(a) All the directors of the company shall be natural persons.	There is no equivalent provision in our Articles of Incorporation.
(b) Where provision is made for the directors to appoint a person as a director either to fill a casual vacancy, or as an addition to the board, any director so appointed shall hold office only until the next annual general meeting of the company, and shall then be eligible for re-election.	Article 19. Terms of Office for Directors (1) The terms of office for directors shall continue until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year that ends within two years from the time of their election. (2) The term of office for a director elected as an additional member of the Board or as a substitute shall continue until the terms of office for the other directors expire.
(c) Fees payable to non-executive directors shall be by a fixed sum, and not by a commission on or a percentage of profits or turnover. Salaries payable to executive directors may not include a commission on or a percentage of turnover.	Article 26. Compensation, etc., for Directors Remuneration, bonuses, and other economic benefits that the directors receive from the Company as compensation for the execution of their duties (hereinafter referred to as the "Compensation, etc.") shall be determined by a resolution of a General Meeting of Shareholders.

APPENDIX 2.2 REQUIREMENTS	TOSEI CORPORATION'S ARTICLES OF INCORPORATION (TRANSLATED)
(d) Fees payable to directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.	<p>Article 26. Compensation, etc., for Directors Remuneration, bonuses, and other economic benefits that the directors receive from the Company as compensation for the execution of their duties (hereinafter referred to as the "Compensation, etc.") shall be determined by a resolution of a General Meeting of Shareholders.</p> <p>For the determination of the amount of directors' fees, a resolution of shareholders meeting will be required regardless of whether the amount will be increased or decreased in comparison with the amount determined previously.</p>
(e) A director shall not vote in regard to any contract or proposed contract or arrangement in which he has directly or indirectly a personal material interest.	There is no equivalent provision in our Articles of Incorporation.
(f) [Deleted]	
(g) The office of a director shall become vacant should he become of unsound mind or bankrupt during his term of office.	There is no equivalent provision in our Articles of Incorporation.
(h) A person who is not a retiring director shall be eligible for election to office of director at any general meeting if some member intending to propose him has, at least eleven clear days before the meeting, left at the office of the company a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such member to propose him. In the case of a person recommended by the directors for election, nine clear days' notice only shall be necessary. Notice of each and every candidature for election to the board of directors shall be served on the registered holders of shares at least seven days prior to the meeting at which the election is to take place.	There is no equivalent provision in our Articles of Incorporation.

APPENDIX 2.2 REQUIREMENTS	TOSEI CORPORATION'S ARTICLES OF INCORPORATION (TRANSLATED)
(i) Where a managing director or a person holding an equivalent position is appointed for a fixed term, the term shall not exceed five years.	Article 19. Terms of Office for Directors (1) The terms of office for directors shall continue until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year that ends within two years from the time of their election.
(j) A managing director or a person holding an equivalent position shall be subject to the control of the board.	Article 21. Representative Directors Representative directors shall be appointed by a resolution at a Board of Directors' meeting. The president-and-director, however, must serve as representative director.
(k) The continuing directors may act notwithstanding any vacancy in the board, provided that if their number is reduced below the minimum number fixed by or pursuant to the regulations of the company, the continuing directors may, except in an emergency, act only for the purpose of increasing the number of directors to such minimum number, or to summon a general meeting of the company.	There is no equivalent provision in our Articles of Incorporation.
(l) A director may appoint a person approved by a majority of his co-directors to act as his alternate, provided that any fee paid by the company to the alternate shall be deducted from that director's remuneration. No director may act as an alternate director of the company. A person may not act as an alternate director for more than one director of the company.	There is no equivalent provision in our Articles of Incorporation.
(m) Where two directors form a quorum, the chairman of a meeting at which only such a quorum is present, or at which only two directors are competent to vote on the matter at issue, shall not have a casting vote.	There is no equivalent provision in our Articles of Incorporation.
(n) Where a director is disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds, he must immediately resign from the board.	There is no equivalent provision in our Articles of Incorporation.

APPENDIX 2.2 REQUIREMENTS	TOSEI CORPORATION'S ARTICLES OF INCORPORATION (TRANSLATED)
(10) Accounts	
<p>The interval between the close of an issuer's financial year and the date of its annual general meeting (if any) shall not exceed four months.</p>	<p>Article 41. Fiscal Year The fiscal year of the Company shall begin on December 1 of each year and end on November 30 of the following year.</p> <p>Article 10. Convocation (1) An Ordinary General Meeting of Shareholders of the Company shall be convened in February of each year, and an Extraordinary General Meeting of Shareholders shall be convened whenever the need arises.</p>
(11) Winding Up	
<p>The basis on which shareholders would participate in a distribution of assets on a winding up shall be expressed.</p>	<p>There is no equivalent provision in our Articles of Incorporation.</p>

LIST OF PAST AND PRESENT PRINCIPAL DIRECTORSHIPS

The principal present directorships, other than those held in our Company and the principal past directorships in the last five years preceding the Latest Practicable Date, of each of our Directors and the Statutory Auditors, are as follows:

Name	Present directorships	Past directorships
Directors		
Seiichiro Yamaguchi	<u>Group Companies</u> Nil <u>Other Companies</u> Zeus Capital Limited	<u>Group Companies</u> Nil <u>Other Companies</u> Nil
Katsuhito Kosuge	<u>Group Companies</u> Tosei Asset Advisors, Inc. <u>Other Companies</u> Nil	<u>Group Companies</u> Tosei Asset Management, Corp. <i>(dissolved)</i> Tosei Revival Investment Co., Ltd <u>Other Companies</u> Nil
Noboru Hirano	<u>Group Companies</u> Tosei Community Co., Ltd. ¹ Tosei Revival Investment Co., Ltd. <u>Other Companies</u> Nil	<u>Group Companies</u> Nil <u>Other Companies</u> Nil
Goro Kamino	<u>Group Companies</u> Nil <u>Other Companies</u> Chubu Gas Co., Ltd. Gastec Services Inc. Japan Post Holdings Co., Ltd. Musashi Seimitsu Industry Co., Ltd. Sala Cars Japan Co., Ltd. Sala Corporation Sala House Co., Ltd. Toyohashi Cable Network Inc.	<u>Group Companies</u> Nil <u>Other Companies</u> System Location Co., Ltd.

¹ Mr. Hirano was a statutory auditor of Tosei Community Co., Ltd. between April 2005 and 26 February 2013. He was appointed as a director of Tosei Community Co., Ltd. on 26 February 2013.

Name	Present directorships	Past directorships
Directors		
Kenichi Shotoku	<u>Group Companies</u> Nil <u>Other Companies</u> Corporate Catalyst (India) Private Limited Kodomo Mirai Land ² P&E Directions Asia Pte. Ltd. P&E Directions Inc. ¹ Roki Group Holdings Co., Ltd ¹ Roki Techno Co., Ltd. ¹ SCS Global Consulting (M) Sdn. Bhd. SCS Global Consulting Myanmar Ltd. SCS Global Consulting (HK) Limited SCS Global Financial Advisory Pte. Ltd. SCS Global Holdings Pte. Ltd. SCS Global Tax Consulting Corporation Tmsuk International Pte. Ltd.	<u>Group Companies</u> Nil <u>Other Companies</u> Analog Pte. Ltd. Corp8 Energy Daiichi Seiun Kabushiki Kaisha (translated name) Katsura Opto Systems Co., Ltd. ³ Neo-Morgan Laboratory Pte. Ltd. Nutty Bavarian Asia Pte. Ltd. Nutty Bavarian Singapore Pte. Ltd. O-RID Co. Ltd. O-RID Global BPO Pte. Ltd. Resonet Singapore Pte. Ltd. RF Co., Ltd. SCS Global PAC SCS Global Professionals (S) Pte. Ltd. Straits Global Assets Pte. Ltd. Ystream Pte. Ltd.

¹ Mr. Shotoku is a statutory auditor of P&E Directions Inc., Roki Group Holdings Co., Ltd and Roki Techno Co., Ltd.

² Mr. Shotoku is an auditor of Kodomo Mirai Land, which is a specified non-profit organisation in Japan.

³ Mr. Shotoku was a statutory auditor of Katsura Opto Systems Co., Ltd.

Name	Present directorships	Past directorships
Directors		
Statutory Auditors		
Yasuhiro Honda	<u>Group Companies</u> Nil <u>Other Companies</u> Nil	<u>Group Companies</u> Nil <u>Other Companies</u> Nil
Masao Harada	<u>Group Companies</u> Nil <u>Other Companies</u> Nil	<u>Group Companies</u> Nil <u>Other Companies</u> Nil
Yutaka Kitamura	<u>Group Companies</u> Tosei Community Co., Ltd. ¹ <u>Other Companies</u> Nil	<u>Group Companies</u> Nil <u>Other Companies</u> J-COACH Corporation ² (dissolved) Kanto Bus Co., Ltd ² New Tokyo Kanko Bus Co., Ltd ² Nikko Bus Co., Ltd ² Nippon Carbon Co., Ltd. ² Sappolo Kanko Bus Co., Ltd ² Teisankanko Bus Co., Ltd ²
Shigeru Yamagishi	<u>Group Companies</u> Nil <u>Other Companies</u> Nil	<u>Group Companies</u> Nil <u>Other Companies</u> Nil
Tatsuki Nagano	<u>Group Companies</u> Nil <u>Other Companies</u> Reference Group Holdings Limited RG Asset Management Company Limited RG Asset Management K.K.	<u>Group Companies</u> Nil <u>Other Companies</u> RG Asset Management International (BVI) Limited RG Asset Management Services Limited RG Financial Services Limited (Philippines) Inc. RG Offshore Financial Services Ltd. Philippines, Inc.
Osamu Doi	<u>Group Companies</u> Nil	<u>Group Companies</u> Nil

¹ Mr. Kitamura is a statutory auditor of Tosei Community Co., Ltd.

² Mr. Kitamura was a statutory auditor of these Companies.

Name	Present directorships	Past directorships
Directors		
	<u>Other Companies</u> Nil	<u>Other Companies</u> Nil

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**TRANSLATED JAPANESE ACCOUNTING AUDITOR'S REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS
OF TOSEI CORPORATION AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012**

The report of the Japanese Accounting Auditor and the audited consolidated financial statements of our Group for FY2012 ("**FY2012 Accounting Auditor's Report**") have been released in Japan and announced on the websites of the TSE at <http://www.tse.org.jp> and our Company at <http://www.toseicorp.co.jp>. Investors should note that the FY2012 Accounting Auditor's Report was prepared in accordance with JGAAP and not IFRS. Investors should exercise care and caution when viewing these financial statements. In the event of doubt, investors should consult their own professional advisers as to the differences between JGAAP and IFRS.

In addition, investors should note that the FY2012 Accounting Auditor's Report was prepared by the Japanese Accounting Auditor in Japanese and was translated by our Company into English for convenience only. The English translation should not be taken as the definitive version of the FY2012 Accounting Auditor's Report. Should there be any inconsistency between the translation contained herein and the FY2012 Accounting Auditor's Report in Japanese, the latter shall prevail. Consequently, none of our Directors or the Sole Global Coordinator, Issue Manager and Underwriter or the Japanese Accounting Auditor makes any representation as to the accuracy of the translation, and each of them shall not be held responsible in respect of any such translation.

Investors should also note that, our annual securities report was submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance, Japan on 28 February 2013. Our annual securities report, which contains the FY2012 Accounting Auditor's Report is available at <http://www.toseicorp.co.jp/english/ir/irlibrary/securities/> and as a document for inspection (see "General and Statutory Information – Documents for Inspection" for more information). Our annual securities report is not to be deemed in any way as being part of this Introductory Document or incorporated by reference in any way.

Independent Auditors' Audit Report and Internal Control Audit Report

February 25, 2013

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Giichi Yanagisawa (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Takashi Aikawa (Seal)

Audit of Financial Statements

Pursuant to the first paragraph of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Accounting Section, namely, the consolidated balance sheets, and the related consolidated statements of operations, comprehensive income, changes in net assets and cash flows, the significant accounting policies, the other related notes and consolidated supplementary schedules of Tosei Corporation and consolidated subsidiaries for the fiscal year from December 1, 2011 to November 30, 2012.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tosei Corporation and consolidated subsidiaries as of November 30, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Matter for Emphasis

As stated in “important subsequent events,” Tosei Corporation passed a resolution at a meeting of its Board of Directors held on February 22, 2013 to issue shares as Common stock.

This matter did not have a material effect on our opinion.

Audit of Internal Control over Financial Reporting

Pursuant to the second paragraph of Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited management’s report on internal control over financial reporting of Tosei Corporation as of November 30, 2012.

Management’s Responsibility for the Management’s Report

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of the Management’s Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

Internal control over financial reporting may not prevent or detect misstatements.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Management’s Report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Management’s Report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the result of management’s assessment on internal control over financial reporting in the Management’s Report. The procedures selected depend on the auditor’s judgment, including the materiality of effect on the reliability of financial reporting. An internal control audit also includes evaluating the overall presentation of the Management’s Report, including disclosures on scope, procedures and conclusions of management’s assessment of internal control over financial reporting.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Management's Report referred to above, which represents that the internal control over financial reporting as at November 30, 2012 of Tosei Corporation is effective, present fairly, in all material respects, the result of management's assessment on internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

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- *1. The above is a digitization of the text contained in the original copy of the Audit Report, which is in the custody of the Company as attachments to the financial statements.
2. The section of financial statements of this report does not contain their XBRL data.

The English version of the financial statements consists of an English translation of the audited Japanese financial statements. The actual text of the English translation of the financial statements was not covered by our audit. Consequently, for the auditor's report of the English financial statements, the Japanese original is the official text, and the English version is a translation of that text.

1. Preparation policy of the consolidated and non-consolidated financial statements
 - (i) Tosei prepares consolidated financial statements in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).
 - (ii) Tosei prepares non-consolidated financial statements in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance No. 59 of 1963).

2. Audit attestation

The consolidated financial statements for the fiscal year ended November 30, 2012 (from December 1, 2011 to November 30, 2012) and the non-consolidated financial statements for the fiscal year ended November 30, 2012 (from December 1, 2011 to November 30, 2012) were audited by Shinsoh Audit Corporation pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

3. Special efforts made to ensure the properness of consolidated financial statements, etc.

Tosei is carrying out the special efforts in order to ensure the properness of consolidated financial statements, etc.

Specifically, for the purpose of both ensuring that Tosei has an appropriate grasp of the contents of Accounting Standards and related regulations, and establishing a system by which it is possible to accurately respond to changes in Accounting Standards and related regulations, Tosei became a member of the Financial Accounting Standards Foundation, and participates in seminars and other events hosted by the foundation.

1. Consolidated financial statements, etc.

(1) Consolidated financial statements

a. Consolidated balance sheets

	(¥'000)	
	As of Nov. 30, 2011	As of Nov. 30, 2012
Assets		
Current assets		
Cash and deposits	8,326,305	*2 9,430,622
Notes and accounts receivable-trade	399,856	314,348
Short-term investment securities	10,000	10,000
Real estate for sale	*2 27,360,973	*2 31,502,387
Real estate for sale in process	*2 6,374,335	*2 5,675,757
Purchased receivables	81,361	2,951
Supplies	3,254	2,426
Deferred tax assets	966,545	990,487
Other	391,300	1,211,089
Allowance for doubtful accounts	(5,697)	(6,109)
Total current assets	<u>43,908,234</u>	<u>49,133,960</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	*2 5,337,567	*2 5,579,356
Accumulated depreciation	(947,482)	(1,106,822)
Buildings and structures, net	<u>4,390,084</u>	<u>4,472,533</u>
Tools, furniture and fixtures	120,979	122,220
Accumulated depreciation	(88,678)	(90,878)
Tools, furniture and fixtures, net	<u>32,301</u>	<u>31,342</u>
Land	*2 10,175,285	*2 10,031,990
Other	6,777	21,629
Accumulated depreciation	(4,895)	(5,187)
Other, net	<u>1,882</u>	<u>16,441</u>
Total property, plant and equipment	<u>14,599,553</u>	<u>14,552,308</u>
Intangible assets		
Software	65,816	41,202
Leasehold right	-	346,164
Telephone subscription right	1,889	1,889
Total intangible assets	<u>67,705</u>	<u>389,256</u>
Investments and other assets		
Investment securities	380,612	*1 403,001
Long-term loans receivable	10,325	3,355
Deferred tax assets	870,404	83,194
Other	145,100	254,175
Allowance for doubtful accounts	(14,332)	(86,286)
Total investments and other assets	<u>1,392,110</u>	<u>657,440</u>
Total noncurrent assets	<u>16,059,369</u>	<u>15,599,004</u>
Total assets	<u><u>59,967,603</u></u>	<u><u>64,732,965</u></u>

(¥'000)

	As of Nov. 30, 2011		As of Nov. 30, 2012	
Liabilities				
Current liabilities				
Notes and accounts payable-trade . . .		806,396		1,670,415
Short-term loans payable		–	*2	384,400
Current portion of long-term loans payable	*2, 4	6,170,937	*2, 4	7,356,272
Income taxes payable		79,271		72,921
Advances received		545,967		990,100
Provision for bonuses		150,520		125,659
Other		1,038,122		684,780
Total current liabilities		<u>8,791,215</u>		<u>11,284,548</u>
Noncurrent liabilities				
Long-term loans payable	*2, 4	23,904,245	*2, 4	24,654,459
Deferred tax liabilities		15,200		–
Provision for retirement benefits		133,154		147,211
Provision for directors' retirement benefits		312,586		328,667
Guarantee deposits		1,810,439		2,130,063
Asset retirement obligations		24,710		24,842
Other		–		11,071
Total noncurrent liabilities		<u>26,200,336</u>		<u>27,296,315</u>
Total liabilities		<u><u>34,991,552</u></u>		<u><u>38,580,864</u></u>
Net assets				
Shareholders' equity				
Capital stock		5,454,673		5,454,673
Capital surplus		5,538,149		5,538,149
Retained earnings		13,985,597		15,162,573
Total shareholders' equity		<u>24,978,420</u>		<u>26,155,396</u>
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		(2,369)		(926)
Deferred gains or losses on hedges		–		(3,751)
Foreign currency translation adjustment		–		1,382
Total accumulated other comprehensive income		<u>(2,369)</u>		<u>(3,295)</u>
Total net assets		<u>24,976,051</u>		<u>26,152,100</u>
Total liabilities and net assets		<u><u>59,967,603</u></u>		<u><u>64,732,965</u></u>

b. Consolidated statements of operations and consolidated statements of comprehensive income

Consolidated statements of operations

	(¥'000)	
	Year ended Nov. 30, 2011 (Dec. 1, 2010 – Nov. 30, 2011)	Year ended Nov. 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)
Net sales	24,759,291	24,539,823
Cost of sales	*1 19,290,132	*1 18,291,818
Gross profit	5,469,158	6,248,005
Selling, general and administrative expenses	*2 3,080,121	*2 3,217,373
Operating income	2,389,037	3,030,631
Non-operating income		
Interest income	2,797	1,679
Dividends income	2,861	2,861
Amortization of negative goodwill	1,490	–
Penalty income	34,035	–
Miscellaneous income	30,724	18,209
Total non-operating income	71,908	22,750
Non-operating expenses		
Interest expenses	885,646	775,254
Foreign exchange losses	–	1,448
Miscellaneous loss	799	2,310
Total non-operating expenses	886,445	779,013
Ordinary income	1,574,500	2,274,369
Extraordinary loss		
Loss on sales of noncurrent assets	–	*3 18,874
Loss on retirement of noncurrent assets	–	*4 2,377
Loss on valuation of membership	16,976	4,366
Loss on adjustment for changes of accounting standard for asset retirement obligations	19,932	–
Special contribution at the time of withdrawal from employee pension funds	–	76,442
Total extraordinary losses	36,909	102,061
Income before income taxes and minority interests	1,537,591	2,172,307
Income taxes-current	65,899	110,535
Income taxes-deferred	719,708	656,376
Total income taxes	785,608	766,911
Income before minority interests	751,982	1,405,395
Net income	751,982	1,405,395

Consolidated statements of comprehensive income

	(¥'000)	
	Year ended Nov. 30, 2011 (Dec. 1, 2010 – Nov. 30, 2011)	Year ended Nov. 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)
Income before minority interests . . .	751,982	1,405,395
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,143)	1,442
Deferred gains or losses on hedges	–	(3,751)
Foreign currency translation adjustment	–	1,382
Total other comprehensive income	(3,143)	*1 (926)
Comprehensive income	748,839	1,404,469
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	748,839	1,404,469

c. Consolidated statements of changes in net assets

	(¥'000)	
	Year ended Nov. 30, 2011 (Dec. 1, 2010 – Nov. 30, 2011)	Year ended Nov. 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	5,454,673	5,454,673
Balance at the end of current period	5,454,673	5,454,673
Capital surplus		
Balance at the beginning of current period	5,538,149	5,538,149
Balance at the end of current period	5,538,149	5,538,149
Retained earnings		
Balance at the beginning of current period	13,462,034	13,985,597
Changes of items during the period		
Dividends from surplus	(228,420)	(228,420)
Net income	751,982	1,405,395
Total changes of items during the period	523,562	1,176,975
Balance at the end of current period	13,985,597	15,162,573
Total shareholders' equity		
Balance at the beginning of current period	24,454,857	24,978,420
Changes of items during the period		
Dividends from surplus	(228,420)	(228,420)
Net income	751,982	1,405,395
Total changes of items during the period	523,562	1,176,975
Balance at the end of current period	24,978,420	26,155,396
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	774	(2,369)
Changes of items during the period		
Net changes of items other than shareholders' equity	(3,143)	1,442
Total changes of items during the period	(3,143)	1,442
Balance at the end of current period	(2,369)	(926)
Deferred gains or losses on hedges		
Balance at the beginning of current period	-	-
Changes of items during the period		
Net changes of items other than shareholders' equity	-	(3,751)
Total changes of items during the period	-	(3,751)
Balance at the end of current period	-	(3,751)

(¥'000)

	Year ended Nov. 30, 2011 (Dec. 1, 2010 – Nov. 30, 2011)	Year ended Nov. 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)
Foreign currency translation adjustment		
Balance at the beginning of current period	–	–
Changes of items during the period		
Net changes of items other than shareholders' equity	–	1,382
Total changes of items during the period	–	1,382
Balance at the end of current period	–	1,382
Total accumulated other comprehensive income		
Balance at the beginning of current period	774	(2,369)
Changes of items during the period		
Net changes of items other than shareholders' equity	(3,143)	(926)
Total changes of items during the period	(3,143)	(926)
Balance at the end of current period	(2,369)	(3,295)
Total net assets		
Balance at the beginning of current period	24,455,632	24,976,051
Changes of items during the period		
Dividends from surplus	(228,420)	(228,420)
Net income	751,982	1,405,395
Net changes of items other than shareholders' equity	(3,143)	(926)
Total changes of items during the period	520,419	1,176,049
Balance at the end of current period	24,976,051	26,152,100

d. Consolidated statements of cash flows

	(¥'000)	
	Year ended Nov. 30, 2011 (Dec. 1, 2010 – Nov. 30, 2011)	Year ended Nov. 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,537,591	2,172,307
Depreciation and amortization	336,398	328,464
Amortization of negative goodwill	(1,490)	–
Increase (decrease) in provision	17,654	77,642
Interest and dividends income	(5,658)	(4,540)
Interest expenses paid on loans and bonds	885,646	775,254
Loss on retirement of property, plant and equipment	–	2,377
Loss (gain) on sales of property, plant and equipment	–	18,874
Loss on adjustment for changes of accounting standard for asset retirement obligations	19,932	–
Loss on valuation of membership	16,976	4,366
Decrease (increase) in notes and accounts receivable-trade	64,280	11,241
Decrease (increase) in purchased receivables	5,106	78,409
Decrease (increase) in inventories	3,305,302	(4,129,276)
Decrease (increase) in advance payments	(220,082)	147,853
Increase (decrease) in notes and accounts payable-trade	438,233	864,185
Increase (decrease) in advances received	260,461	444,132
Increase (decrease) in guarantee deposits received	(76,084)	319,624
Decrease (increase) in other current assets	67,194	(964,675)
Other, net	265,944	(254,899)
Subtotal	<u>6,917,407</u>	<u>(108,659)</u>
Interest and dividends income received	4,923	4,530
Interest expenses paid	(881,503)	(778,399)
Income taxes paid	(23,098)	(122,725)
Net cash provided by (used in) operating activities	<u>6,017,729</u>	<u>(1,005,254)</u>
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	286,136	–
Purchase of property, plant and equipment	(61,532)	(140,303)
Proceeds from sales of property, plant and equipment	–	216,965
Purchase of intangible assets	(36,717)	(4,560)
Purchase of investment securities	(353,350)	(22,000)
Proceeds from sales of investment securities	0	–
Collection of investment securities	15,347	150
Decrease (increase) in deposits and guarantee money	(17,740)	(38,927)
Collection of loans receivable	51,705	7,466
Other, net	–	(1,490)
Net cash provided by (used in) investing activities	<u>(116,149)</u>	<u>17,300</u>

(¥'000)

	Year ended Nov. 30, 2011 (Dec. 1, 2010 – Nov. 30, 2011)	Year ended Nov. 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	–	384,400
Proceeds from long-term loans payable	11,474,100	15,777,100
Repayment of long-term loans payable	(15,661,377)	(13,841,551)
Cash dividends paid	(227,718)	(227,857)
Other, net.	(1,567)	(1,219)
Net cash provided by (used in) financing activities	(4,416,563)	2,090,871
Effect of exchange rate change on cash and cash equivalents	–	1,399
Net increase (decrease) in cash and cash equivalents	1,485,016	1,104,317
Cash and cash equivalents at beginning of period.	6,821,288	8,306,305
Cash and cash equivalents at end of period	8,306,305	9,410,622

Significant matters in preparing consolidated financial statements

1. Scope of consolidation

(i) Number of consolidated subsidiaries: 6

Names of consolidated subsidiaries:

Tosei Community Co., Ltd.

Tosei Asset Advisors, Inc.

Tosei Singapore Pte. Ltd.

Tosei Revival Investment Co., Ltd.

Hestia Capital Limited Company

Green House Limited Company

Of the above consolidated subsidiaries, Tosei Singapore Pte. Ltd. was included in the scope of consolidation since it was newly established during the year under review.

Metis Capital Co., Ltd., which was a consolidated subsidiary of the Company until the previous year, was excluded from the scope of consolidation from the year under review, since it was merged into Tosei Revival Investment Co., Ltd. on May 31, 2012.

(ii) Name and others of unconsolidated subsidiary

Sannomiya Real Estate Sales LLC

(Reason for exclusion from scope of consolidation)

The unconsolidated subsidiary is small, and total assets, net sales, net income or loss (amount equal to the equity share), retained earnings (amount equal to the equity share) and others have no significant impact on the consolidated financial statements.

2. Application of the equity method

Name and others of unconsolidated subsidiary not to be accounted for by the equity method

Sannomiya Real Estate Sales LLC

(Reason for exclusion from scope of application of the equity method)

The company is not accounted for by the equity method, as its impact is not significant on the net income or loss (amount equal to the equity share), retained earnings (amount equal to the equity share) and others.

3. Fiscal year-end of consolidated subsidiaries

All consolidated subsidiaries have the same fiscal year-end as the consolidated balance sheet date.

From the year under review, the closing date of Tosei Community Co., Ltd. was changed from October 31 to the consolidated closing date for the purpose of improvement of efficiency of management and business operation of the Group. Accordingly, the accounting period of the subsidiary was for 13 months, and the difference was adjusted through the consolidated statements of operations.

4. Accounting policies

(i) Valuation standards and methods for significant assets

(a) Securities

Available-for-sale securities

(A) With market value

Stated at fair value based on market value and others as of the consolidated closing date (unrealized gains and losses, net of applicable taxes, are reported in a separate component of net assets, and costs of securities sold are determined by the moving-average method).

(B) Without market value

Stated at cost determined by the moving-average method.

(b) Derivatives

Stated at fair value.

(c) Inventories

The cost method (the carrying amounts in the consolidated balance sheets are written down due to a decline in profitability of assets) is used as the valuation basis.

(A) Real estate for sale and real estate for sale in process

Specific identification method

(B) Purchased receivables

Specific identification method

(C) Supplies

Last purchase price method

(ii) Depreciation of significant depreciable assets

(a) Property, plant and equipment (excluding lease assets)

Property, plant and equipment are depreciated by the declining-balance method.

However, buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings) are depreciated by the straight-line method.

Useful lives are summarized as follows:

Buildings	3 to 50 years
Structures	10 to 30 years
Machinery and equipment	8 years
Tools, furniture and fixtures	3 to 20 years

(b) Intangible assets (excluding lease assets)

Intangible assets are amortized by the straight-line method.

Internal use software is amortized over the estimated useful life (5 years).

(c) Lease assets

Lease assets are depreciated by the straight-line method over the lease term with no residual value.

Finance leases that do not transfer ownership and commenced on or before March 31, 2008 are accounted for in a similar manner with ordinary rental transactions.

(iii) Significant allowances

(a) Allowance for doubtful accounts

To cover losses from bad debts, allowance for doubtful accounts is provided in the amount expected to be uncollectible based on historical experience of bad debt for general receivables and individual collectability for specific receivables such as doubtful receivables.

(b) Provision for bonuses

To cover bonus payments to employees, provision for bonuses is provided in the amount for the fiscal year based on the estimated amount of payment.

(c) Provision for retirement benefits

To cover retirement benefits to employees, the amount that would be required to pay if all eligible employees retired at the fiscal year-end is provided based on the estimated amount of retirement benefit obligations as of the fiscal year-end.

(d) Provision for directors' retirement benefits

Provision for directors' retirement benefits is provided in the amount required as of the fiscal year-end to cover retirement benefit payments to directors and corporate auditors according to the rule for retirement benefits to directors and corporate auditors.

- (iv) Translation of significant assets and liabilities denominated in foreign currencies into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing at the consolidated closing date, and differences arising from such translation are recognized in the consolidated statements of operations. Assets and liabilities of consolidated foreign subsidiaries are translated into Japanese yen at the spot exchange rate prevailing at the consolidated closing date, and revenues and expenses of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate during the period. Differences arising from such translation are recorded in foreign currency translation adjustment in net assets.

- (v) Significant hedge accounting

- (a) Hedge accounting

Deferral hedge accounting is applied.

- (b) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Loans payable

- (c) Hedging policy

Hedging is undertaken to the extent of hedged liabilities to reduce interest rate risk.

- (d) Assessment of hedge effectiveness

The Company and its consolidated subsidiaries assess the hedge effectiveness by comparing the cumulative changes in fair value of the hedged item with the corresponding changes in fair value of the hedging instrument to date from the inception of the hedge.

- (vi) Scope of funds in consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, readily available deposits, and highly liquid short-term investments with original maturities of three months or less that are exposed to an insignificant risk of changes in value.

- (vii) Other significant matters for preparing consolidated financial statements

- (a) Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

However, non-deductible consumption taxes related to noncurrent assets and others are recorded as long-term prepaid expenses (amortized over five years), and other non-deductible consumption taxes are recorded as expenses for the term in which they arise.

(b) Accounting for investments in silent partnership

For investments in an investment limited partnership and other similar partnerships (considered securities according to Article 2-2 of Financial Instruments and Exchange Act), an amount equivalent to the equity interest in the property of the silent partnership is recorded as "Investment securities." "Investment securities" is recorded at the time of contribution to a silent partnership. An amount equivalent to the equity interest in profit and loss earned from operating activities by the silent partnership is recorded as "Operating income or loss," and the same amount is added to or deducted from "Investment securities." For the repayment of the contribution (including the amount equivalent to the equity interest in profit and loss earned from operating activities) from a business operator, "Investment securities" is reduced.

(c) Accounting for purchased receivables

When a payment for purchased receivables is collected, the amount collected is deducted from the acquisition cost of the purchased receivables for each receivable, and the amount collected for each receivable in excess of the acquisition cost is recorded as revenue on a net basis.

However, as for the amount collected that the division between principal and interest is defined, the principal portion is deducted from the acquisition cost, and the interest portion is recorded as revenue.

Change in Accounting Policy

Change in Depreciation Method

From the year under review, following the revision of the Corporation Tax Act, the Company and its domestic consolidated subsidiaries adopted the depreciation method in accordance with the revised Corporation Tax Act for property, plant and equipment acquired on or after April 1, 2012.

The impact of this change on profit and loss for the year under review was immaterial.

Change in Presentation

Consolidated Statements of Cash Flows

"Decrease (increase) in other current assets" included in "Other, net" in "Net cash provided by (used in) operating activities" for the previous year was reported as a separate line item from the year under review due to the increased materiality. The consolidated statement of cash flows for the previous year was reclassified to reflect this change in presentation.

Consequently, JPY333,139,000 included in "Other, net" in "Net cash provided by (used in) operating activities" on the consolidated statement of cash flows for the previous year was reclassified to JPY67,194,000 of "Decrease (increase) in other current assets" and JPY265,944,000 of "Other, net."

Additional Information

Application of Accounting Standard for Accounting Changes and Error Corrections

The Group adopted the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, December 4, 2009) for the accounting changes and corrections of prior period errors made after the beginning of the year under review.

Change in Holding Purpose

Leasehold property previously held as real estate for sale (Buildings and structures: JPY194,770,000, Leasehold right: JPY346,164,000) was transferred to noncurrent assets due to the change in business policy.

Notes to consolidated financial statements

Notes to consolidated balance sheets

*1. Investments in the unconsolidated subsidiary are as follows:

	(¥'000)	
	<u>As of Nov. 30, 2011</u>	<u>As of Nov. 30, 2012</u>
Investment securities	–	20,000

*2. Pledged assets and secured debts are as follows:

Pledged assets

	(¥'000)	
	<u>As of Nov. 30, 2011</u>	<u>As of Nov. 30, 2012</u>
Cash and deposits	–	485,750
Real estate for sale	27,209,729	30,967,255
Real estate for sale in process	6,285,709	5,585,460
Buildings and structures	4,187,146	4,238,783
Land	9,983,334	9,692,968
Total	<u>47,665,919</u>	<u>50,970,218</u>

Debts secured by security interests

	(¥'000)	
	<u>As of Nov. 30, 2011</u>	<u>As of Nov. 30, 2012</u>
Short-term loans payable	–	384,400
Current portion of long-term loans payable	6,067,377	7,286,312
Long-term loans payable	23,757,845	24,613,619
Total	<u>29,825,222</u>	<u>32,284,331</u>

3. Contingent liabilities

The Company guarantees borrowings of the following individuals who purchased properties sold by the Company from Kabushiki Kaisha Aruka.

	(¥'000)	
	<u>As of Nov. 30, 2011</u>	<u>As of Nov. 30, 2012</u>
3 individuals	4,375	4,071

*4. Financial covenants

Year ended November 30, 2011 (as of November 30, 2011)

- (i) Of the Group's loans payable, the individual contract of cash loan for consumption with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (total balance: JPY1,039,375,000) includes financial covenants. If the Group violates any two items of the following covenants, the Group may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- In the consolidated statements of operations and interim consolidated statements of operations, loss shall not be posted on the operating level and on the ordinary level.
- In the consolidated balance sheets and interim consolidated balance sheets, the amount calculated by dividing total net assets by total assets shall be not less than 0.15.
- In the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows as well as the interim consolidated balance sheets, interim consolidated statements of operations and interim consolidated statements of cash flows, the criterion value, which is calculated by the formula below, shall be less than 15.

Criterion value = interest-bearing debt ÷ (operating income + depreciation and amortization)

* However, for operating income, the above formula uses the amount calculated by adding loss on valuation of inventories that are included in cost of sales, which are described in notes to the consolidated statements of operations, to operating income in the consolidated statements of operations.

- (ii) Of the Group's loans payable, the individual contract of cash loan for consumption with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (total balance: JPY375,000,000) includes financial covenants. If the Group violates any two items of the following covenants, the Group may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- In the consolidated statements of operations and interim consolidated statements of operations, loss shall not be posted on the operating level and on the ordinary level.
- In the consolidated balance sheets and interim consolidated balance sheets, the amount calculated by dividing total net assets by total assets shall be not less than 0.15.

- In the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows as well as the interim consolidated balance sheets, interim consolidated statements of operations and interim consolidated statements of cash flows, the criterion value, which is calculated by the formula below, shall be less than 15.

Criterion value = interest-bearing debt ÷ (operating income + depreciation and amortization)

* However, for operating income, the above formula uses the amount calculated by adding loss on valuation of inventories that are included in cost of sales, which are described in notes to the consolidated statements of operations, to operating income in the consolidated statements of operations.

- (iii) Of the Group's loans payable, the syndicated loan contract with The Bank of Tokyo-Mitsubishi UFJ, Ltd. as the agent (total balance: JPY1,906,400,000) includes financial covenants. If the Group violates either of the following covenants, the Group may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- The amount of net assets in the consolidated and non-consolidated balance sheets shall be kept at 75% or more of the higher of net assets in the consolidated and non-consolidated balance sheets as of the end of the immediately preceding fiscal year, and net assets in the consolidated and non-consolidated balance sheets as of November 30, 2009.
- In the consolidated and non-consolidated balance sheets for any fiscal year, loss shall not be posted on the ordinary level.

- (iv) Of the Group's loans payable, the individual contract of cash loan for consumption with Japan Finance Corporation (total balance: JPY525,680,000) includes financial covenants. If the Group violates either of the following covenants, the Group may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- The amount of net assets in the non-consolidated balance sheets shall be higher than JPY21,014,900,000.
- Without prior written approval from Japan Finance Corporation, the Group shall not provide loans, investments or guarantees of more than JPY6,104,300,000 to any third party.

- (v) Of the Group's loans payable, the individual contract of cash loan for consumption with Japan Finance Corporation (total balance: JPY78,000,000) includes financial covenants. If the Group violates either of the following covenants, the Group may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- The amount of net assets of Tosei Community Co., Ltd. shall be higher than JPY247,900,000.

- Without prior written approval from Japan Finance Corporation, Tosei Community Co., Ltd. shall not provide loans, investments or guarantees of more than JPY56,100,000 to any third party.

Year ended November 30, 2012 (as of November 30, 2012)

- (i) Of the Company's loans payable, the individual contract of cash loan for consumption with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (total balance: JPY656,875,000) includes financial covenants. If the Company violates any two items of the following covenants, the Company may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- In the consolidated statements of operations and interim consolidated statements of operations, loss shall not be posted on the operating level and on the ordinary level.
- In the consolidated balance sheets and interim consolidated balance sheets, the amount calculated by dividing total net assets by total assets shall be not less than 0.15.
- In the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows as well as the interim consolidated balance sheets, interim consolidated statements of operations and interim consolidated statements of cash flows, the criterion value, which is calculated by the formula below, shall be less than 15.

Criterion value = interest-bearing debt ÷ (operating income + depreciation and amortization)

* However, for operating income, the above formula uses the amount calculated by adding loss on valuation of inventories that are included in cost of sales, which are described in notes to the consolidated statements of operations, to operating income in the consolidated statements of operations.

- (ii) Of the Company's loans payable, the individual contract of cash loan for consumption with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Total balance: JPY120,000,000) includes financial covenants. If the Company violates any two items of the following covenants, the Company may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- In the consolidated statements of operations and interim consolidated statements of operations, loss shall not be posted on the operating level and on the ordinary level.
- In the consolidated balance sheets and interim consolidated balance sheets, the amount calculated by dividing total net assets by total assets shall be not less than 0.15.

- In the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows as well as the interim consolidated balance sheets, interim consolidated statements of operations and interim consolidated statements of cash flows, the criterion value, which is calculated by the formula below, shall be less than 15.

$$\text{Criterion value} = \text{interest-bearing debt} \div (\text{operating income} + \text{depreciation and amortization})$$

* However, for operating income, the above formula uses the amount calculated by adding loss on valuation of inventories that are included in cost of sales, which are described in notes to the consolidated statements of operations, to operating income in the consolidated statements of operations.

- (iii) Of the Company's loans payable, the individual contract of cash loan for consumption with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (total balance: JPY685,850,000) includes financial covenants. If the Company violates any two items of the following covenants, the Company may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- In the consolidated statements of operations and interim consolidated statements of operations, loss shall not be posted on the operating level and on the ordinary level.
- The total net assets in the consolidated and non-consolidated balance sheets shall be kept at 75% or more of the higher of total net assets in the consolidated and non-consolidated balance sheets as of November 30, 2011, or total net assets in the consolidated and non-consolidated balance sheets as of November 30, 2010.
- In the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows as well as the interim consolidated balance sheets, interim consolidated statements of operations and interim consolidated statements of cash flows, the criterion value, which is calculated by the formula below, shall be less than 15.

$$\text{Criterion value} = \text{interest-bearing debt} \div (\text{operating income} + \text{depreciation and amortization})$$

* However, for operating income, the above formula uses the amount calculated by adding loss on valuation of inventories that are included in cost of sales, which are described in notes to the consolidated statements of operations, to operating income in the consolidated statements of operations.

- (iv) Of the Company's loans payable, the individual contract of cash loan for consumption with Japan Finance Corporation (total balance: JPY322,400,000) includes financial covenants. If the Company violates either of the following covenants, the Company may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- The amount of net assets in the non-consolidated balance sheets shall be higher than JPY21,014,900,000.
- Without prior written approval from Japan Finance Corporation, the Company shall not provide loans, investments or guarantees of more than JPY6,104,300,000 to any third party.

- (v) Of the Company's loans payable, the individual contract of cash loan for consumption with Japan Finance Corporation (total balance: JPY646,800,000) includes financial covenants. If the Company violates either of the following covenants, the Company may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- The amount of net assets in the non-consolidated balance sheets shall be higher than JPY24,382,400,000.
- Without prior written approval from Japan Finance Corporation, the Company shall not provide loans, investments or guarantees of more than JPY2,057,900,000 to any third party.

Notes to consolidated statements of operations

- *1. The inventory balance at the end of the fiscal year is presented after book values were written down due to a decline in profitability of assets and the following loss on valuation of inventories are included in cost of sales.

	(¥'000)	
	Year ended Nov. 30, 2011 (Dec. 1, 2010 – Nov. 30, 2011)	Year ended Nov. 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)
Cost of sales	894,137	267,699

- *2. Main components of selling, general and administrative expenses are as follows:

	(¥'000)	
	Year ended Nov. 30, 2011 (Dec. 1, 2010 – Nov. 30, 2011)	Year ended Nov. 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)
Advertising expenses	47,464	27,992
Directors' compensations	191,933	220,036
Salaries and allowances	1,333,655	1,414,923
Provision for bonuses	144,521	125,659
Retirement benefit expenses	45,484	47,512
Provision for directors' retirement benefits . .	25,837	23,903
Legal welfare expenses	209,120	222,556
Commission fee	184,516	167,587
Taxes and dues	228,145	266,090
Provision of allowance for doubtful accounts	485	78,132
Depreciation and amortization	60,318	63,523

- *3. Components of loss on sales of noncurrent assets are as follows:

	(¥'000)	
	Year ended Nov. 30, 2011 (Dec. 1, 2010 – Nov. 30, 2011)	Year ended Nov. 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)
Buildings and Land	–	18,874

*4. Components of loss on retirement of noncurrent assets are as follows:

	(¥'000)	
	Year ended Nov. 30, 2011 (Dec. 1, 2010 – Nov. 30, 2011)	Year ended Nov. 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)
Buildings and structures	–	1,767
Tools, furniture and fixtures	–	610
Total	–	2,377

Notes to consolidated statements of comprehensive income

Year ended November 30, 2012 (from December 1, 2011 to November 30, 2012)

*1. Reclassification adjustments related to other comprehensive income

	(¥'000)	
Valuation difference on available-for-sale securities		
Amount arising during the period	2,575	
Reclassification adjustments	-	2,575
Deferred gains or losses on hedges		
Amount arising during the period	(6,193)	
Reclassification adjustments	-	(6,193)
Foreign currency translation adjustment		
Amount arising during the period	1,382	
Reclassification adjustments	-	1,382
Before tax effect adjustments		(2,235)
Tax effect amount	-	1,308
Total other comprehensive income		(926)

*2. Tax effect related to other comprehensive income

	(¥'000)		
	Before tax effect adjustments	Tax effect amount	After tax effect adjustments
Valuation difference on available-for-sale securities	2,575	(1,133)	1,442
Deferred gains or losses on hedges	(6,193)	2,441	(3,751)
Foreign currency translation adjustment	1,382	-	1,382
Total other comprehensive income	(2,235)	1,308	(926)

Notes to consolidated statements of changes in net assets

Year ended November 30, 2011 (from December 1, 2010 to November 30, 2011)

1. Issued shares

(Shares)

Class of shares	Number of shares at the beginning of the current fiscal year	Increase	Decrease	Number of shares at the end of the current fiscal year
Common stock	456,840	–	–	456,840

2. Dividend

(1) Dividends paid

Resolution	Class of shares	Total dividends (¥'000)	Dividends per share (¥)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 23, 2011	Common stock	228,420	500	Nov. 30, 2010	Feb. 24, 2011

(2) Dividends whose effective date is after the end of the current fiscal year and record date is included in the current fiscal year

Resolution	Class of shares	Total dividends (¥'000)	Source of dividends	Dividends per share (¥)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb 24, 2012	Common stock	228,420	Retained earnings	500	Nov. 30, 2011	Feb. 27, 2012

Year ended November 30, 2012 (from December 1, 2011 to November 30, 2012)

1. Issued shares

(Shares)

Class of shares	Number of shares at the beginning of the current fiscal year	Increase	Decrease	Number of shares at the end of the current fiscal year
Common stock	456,840	–	–	456,840

2. Dividend

(i) Dividends paid

Resolution	Class of shares	Total dividends (¥'000)	Dividends per share (¥)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb 24, 2012	Common stock	228,420	500	Nov. 30, 2011	Feb. 27, 2012

(ii) Dividends whose effective date is after the end of the current fiscal year and record date is included in the current fiscal year

Resolution	Class of shares	Total dividends (¥'000)	Source of dividends	Dividends per share (¥)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 26, 2013	Common stock	274,104	Retained earnings	600	Nov. 30, 2012	Feb. 27, 2013

Notes to consolidated statements of cash flows

- * The reconciliation between the ending balance of “Cash and cash equivalents” and “Cash and deposits” in the consolidated balance sheets are as follows:

	(¥'000)	
	Year ended Nov. 30, 2011 (Dec. 1, 2010 – Nov. 30, 2011)	Year ended Nov. 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)
Cash and deposits	8,326,305	9,430,622
Time deposits with maturity over three months	(20,000)	(20,000)
Cash and cash equivalents	8,306,305	9,410,622

Lease transactions

1. Finance lease transactions (Lessee)

Finance lease transactions that do not transfer ownership

(i) Details of lease assets

Property, plant and equipment

Multi-purpose machines at the head office (“Tools, furniture and fixtures”)

(ii) Depreciation method for lease assets

Depreciation method for lease assets is as stated in “4. Accounting policies (2) Depreciation of significant depreciable assets” under “Significant matters in preparing consolidated financial statements.”

Finance lease transactions that do not transfer ownership whose start date falls on or before March 31, 2008 are accounted for by a method similar to that applicable to ordinary rental transactions. The details of these lease assets are as follows.

(a) Acquisition cost equivalent, accumulated depreciation equivalent and ending balance equivalent of lease properties

	As of Nov. 30, 2011		
	Acquisition cost equivalent	Accumulated depreciation equivalent	Ending balance equivalent
Tools, furniture and fixtures	16,462	13,719	2,743
Total	16,462	13,719	2,743

(¥'000)

	As of Nov. 30, 2012		
	Acquisition cost equivalent	Accumulated depreciation equivalent	Ending balance equivalent
Tools, furniture and fixtures	16,462	16,462	–
Total	16,462	16,462	–

Note:

Acquisition cost equivalent is calculated using the inclusive-of-interest method, as the ending balance of future lease payments constitutes a small portion of the ending balance of property, plant and equipment, etc.

(b) Future lease payments, etc.

(¥'000)

	As of Nov. 30, 2011	As of Nov. 30, 2012
Future lease payments		
Due within one year	2,743	–
Total	2,743	–

Note:

Acquisition cost equivalent is calculated using the inclusive-of-interest method, as the ending balance of future lease payments constitutes a small portion of the ending balance of property, plant and equipment, etc.

(c) Lease payments and depreciation expenses equivalent

(¥'000)

	Year ended Nov. 30, 2011 (Dec. 1, 2010 – Nov. 30, 2011)	Year ended Nov. 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)
Lease payments	2,743	2,743
Depreciation expenses equivalent	2,743	2,743

(d) Calculation method of depreciation expenses equivalent

Depreciation expense is calculated by the straight-line method by considering lease period to be useful life and residual value to be zero.

2. Operating lease transactions (Lessee)

Future lease payments related to irrevocable operating lease transactions

(¥'000)

	As of Nov. 30, 2011	As of Nov. 30, 2012
Due within one year	1,974	–
Total	1,974	–

3. Operating lease transactions (Lessor)

Future lease payments related to irrevocable operating lease transactions

(¥'000)

	As of Nov. 30, 2011	As of Nov. 30, 2012
Due within one year	510,138	668,171
Due over one year	1,614,907	1,679,477
Total	2,125,045	2,347,649

Financial instruments

1. Status of financial instruments

(i) Policy on handling financial instruments

The Group procures necessary funds for purchasing real properties that are articles for sale mainly in the Revitalization Business and the Development Business through bank loans. Funds are invested in highly secure financial assets (such as deposits). The Group hedges interest rate fluctuation risk on some of borrowings by using interest rate swap transactions. The Group uses derivative transactions not for speculative purposes, but for hedging risks of fluctuations in interest rates on borrowings.

(ii) Description of financial instruments and related risks and risk management system

Notes and accounts receivable-trade, which are operating receivables, are exposed to credit risks of customers. With respect to these risks, the due dates and outstanding balances are managed for each business partner. Past due receivables are periodically reported to the management meeting and individually monitored and responded to.

Securities and investment securities are exposed to market fluctuation risk. For this risk, the market values are periodically monitored and reported to the management meeting.

With respect to notes and accounts payable-trade, which are operating payables, the majority of them are due within a year.

Loans payable are to raise funds for purchasing real properties that are articles for sale mainly in the Revitalization Business and the Development Business. Most of them are with floating interest rates and are exposed to interest rate fluctuation risk. For this risk, the Group periodically makes a list of interests on loans for each financial institution and monitors the fluctuations of interests on loans.

For some of loans payable, the Group uses derivative transactions (interest rate swaps) in order to hedge the interest rate fluctuation risk and fix interest expenses. The effectiveness of hedges is assessed based on fluctuations in interest rates and others of hedged items and hedging instruments by comparing cumulative changes in fair value of hedged items and hedging instruments.

Loans payable, which are extended by financial institutions, are exposed to the liquidity risks stemming from changes in attitudes of such financial institutions toward transactions with the Group. For these risks, the Group appropriately monitors information on fund demand of the Group and cash flow situation, strengthens relations with financial institutions with which we do business as needed, and also makes efforts to diversify financing methods.

(iii) Supplementary explanation of fair values of financial instruments

The fair values of financial instruments include, other than values based on market prices, reasonably measured values when market prices are unavailable. As variable factors are incorporated into the measurement of such values, the values may vary depending on the assumptions used.

2. Fair values of financial instruments

The carrying amounts in consolidated balance sheet and the fair values, and variances thereof are shown below. However, items for which it is considered extremely difficult to determine the fair values are not included in the following table (See note 2).

As of November 30, 2011

(¥'000)

	Carrying amount in consolidated balance sheet	Fair value	Variance
(1) Cash and deposits	8,326,305	8,326,305	–
(2) Notes and accounts receivable-trade	399,856	399,856	–
(3) Investment securities	18,068	18,068	–
Total assets	8,744,230	8,744,230	–
(1) Notes and accounts payable- trade	806,396	806,396	–
(2) Long-term loans payable (including current portion of long-term loans payable)	30,075,182	30,100,490	25,307
Total liabilities	30,881,579	30,906,886	25,307

As of November 30, 2012

(¥'000)

	Carrying amount in consolidated balance sheet	Fair value	Variance
(1) Cash and deposits	9,430,622	9,430,622	–
(2) Notes and accounts receivable-trade	314,348	314,348	–
(3) Investment securities	20,643	20,643	–
Total assets	9,765,614	9,765,614	–
(1) Notes and accounts payable- trade	1,670,415	1,670,415	–
(2) Short-term loans payable	384,400	384,400	–
(3) Long-term loans payable (including current portion of long-term loans payable)	32,010,731	32,019,976	9,245
Total liabilities	34,065,547	34,074,792	9,245
Derivative transactions (*)	(6,193)	(6,193)	–

(*) The values of assets and liabilities arising from derivative transactions are shown at net value, and with the amount in parentheses representing net liability position.

Note 1:

Method of measurement of fair values of financial instruments and matters concerning securities and derivative transactions.

Assets

(1) Cash and deposits

The fair values of cash and deposits are based on the relevant book values since these assets are settled in a short period of time and their fair values are virtually equal to their book values.

(2) Notes and accounts receivable-trade

The fair values of notes and accounts receivable-trade are based on the relevant book values since these assets are settled in a short period of time and their fair values are virtually equal to their book values.

(3) Investment securities

The fair values of investment securities are based on their prices on the stock exchange if investment securities are shares. Please refer to Notes on Securities for matters concerning securities by purpose of holding.

Liabilities

(1) Notes and accounts payable-trade

The fair values of notes and accounts payable-trade are based on the relevant book values since these liabilities are settled in a short period of time and their fair values are virtually equal to their book values.

(2) Short-term loans payable

The fair values of short-term loans payable are based on the relevant book values since these liabilities are settled in a short period of time and their fair values are virtually equal to their book values.

(3) Long-term loans payable (including current portion of long-term loans payable)

The fair values of long-term loans payable with floating interest rates are based on the relevant book values because interest rates reflect market interest rates in short-term intervals and the fair values are virtually equal to the book values. The fair values of those with fixed interest rates are measured based on the present value of the total amount of principal and interest discounted by the interest rate that would be charged for a new similar borrowing.

Change in presentation

“Current portion of long-term loans payable” was presented as a separate account for the previous fiscal year, but it was changed to be included in “long-term loans payable” account for the current fiscal year in order to present the market value of loans payable more adequately. To reflect this change in presentation, reclassification of accounts has been made for notes to consolidated financial statements for the previous fiscal year. As a result, JPY6,170,937,000 of “current portion of long-term loans payable” has been reclassified into “long-term loans payable (including current portion of long-term loans payable)” for the previous fiscal year.

Derivative transactions

Please refer to “Derivative transactions.”

Note 2:

Financial instruments for which it is considered extremely difficult to determine fair values.

(¥'000)

Classification	As of Nov. 30, 2011	As of Nov. 30, 2012
(1) Unlisted stocks	21,388	41,238
(2) Other (investments in silent partnership and preferred equity securities)	351,155	351,119
(3) Lease and guarantee deposits	115,368	154,296
(4) Guarantee deposits	1,810,439	2,130,063

- (1) As unlisted stocks have no market prices and it is considered to be extremely difficult to determine the fair values of these stocks, they are not subject to the disclosure of fair value.
- (2) As investments in silent partnership and preferred equity securities have no market prices and it is considered to be extremely difficult to determine the fair values of these investments, they are not subject to the disclosure of fair value.
- (3) Lease and guarantee deposits offered for leasehold properties have no market prices, and at the same time, it is difficult to determine the virtual deposit period. Therefore, it is considered to be extremely difficult to estimate the reasonable cash flows, and they are not subject to the disclosure of fair value.
- (4) Guarantee deposits offered by tenants of leasehold properties have no market prices, and at the same time, it is difficult to determine the virtual deposit period from move-in to leaving of tenants. Therefore, it is considered to be extremely difficult to estimate the reasonable cash flows, and they are not subject to the disclosure of fair value.

Note 3:

Expected redemption amount of monetary receivables and securities with maturity dates reaching after the consolidated balance sheet date.

As of November 30, 2011

(¥'000)

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash and deposits	8,326,305	—	—	—
Notes and accounts receivable-trade	399,856	—	—	—
Short-term investment securities and investment securities				
Available-for-sale securities with maturity				
(1) Other	10,000	10,000	—	—
Total	8,736,162	10,000	—	—

As of November 30, 2012

(¥'000)

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash and deposits	9,430,622	–	–	–
Notes and accounts receivable-trade	314,348	–	–	–
Short-term investment securities and investment securities				
Available-for-sale securities with maturity				
(1) Other	10,000	10,000	–	–
Total	9,754,970	10,000	–	–

Note 4:

Scheduled repayment amounts for long-term loans payable after the consolidated balance sheet date

Please refer to the section of “Detailed statement of loans payable” in the “Supplementary statements-consolidated.”

Securities

Available-for-sale securities

As of November 30, 2011

(¥'000)

	Description	Carrying amount on the consolidated balance sheet	Acquisition cost	Variance
Securities whose carrying amount on the consolidated balance sheet exceeds their acquisition cost	(1) Stocks	–	–	–
	(2) Bonds			
	(1) Government and local bonds	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Other	–	–	–
	(3) Other	710	625	85
	Subtotal	710	625	85

	Description	Carrying amount on the consolidated balance sheet	Acquisition cost	Variance
Securities whose acquisition cost exceeds their carrying amount on the consolidated balance sheet	(1) Stocks	–	–	–
	(2) Bonds			
	(1) Government and local bonds	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Other	–	–	–
	(3) Other	17,358	21,458	(4,100)
	Subtotal	17,358	21,458	(4,100)
Total		18,068	22,083	(4,015)

Note:

With regard to the Company's shareholdings of unlisted stocks, investments in silent partnership, etc. (JPY372,544,000 reported on the consolidated balance sheet), as they do not have market prices and it is considered extremely difficult to determine their fair values, they are not included in "Available-for-sale securities" in the above table.

As of November 30, 2012

(¥'000)

	Description	Carrying amount on the consolidated balance sheet	Acquisition cost	Variance
Securities whose carrying amount on the consolidated balance sheet exceeds their acquisition cost	(1) Stocks	–	–	–
	(2) Bonds			
	(1) Government and local bonds	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Other	–	–	–
	(3) Other	865	625	240
	Subtotal	865	625	240
Securities whose acquisition cost exceeds their carrying amount on the consolidated balance sheet	(1) Stocks	–	–	–
	(2) Bonds			
	(1) Government and local bonds	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Other	–	–	–
	(3) Other	19,778	21,458	(1,679)
	Subtotal	19,778	21,458	(1,679)
Total		20,643	22,083	(1,439)

Note:

With regard to the Company's shareholdings of unlisted stocks, investments in silent partnership, etc. (JPY372,358,000 reported on the consolidated balance sheet), as they do not have market prices and it is considered extremely difficult to determine their fair values, they are not included in "Available-for-sale securities" in the above table.

Derivative transactions

Derivative transactions to which the hedge accounting is adopted

Interest rate derivatives

As of November 30, 2011

None

As of November 30, 2012

(¥'000)

Hedge accounting method	Derivative transaction type	Principle hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge treatment of interest rate swaps	Interest rate swaps Pay-fixed/Receive-floating	Loans payable	491,760	466,800	(6,193)

Note:

Measurement of fair values

Fair values are measured using the prices offered by financial institutions with which we do business and others.

Retirement benefits

1. Summary of retirement benefit system adopted

The Company and its domestic consolidated subsidiaries have adopted the system of lump sum payment on retirement based on the internal retirement benefit regulations. In addition, the Company and certain domestic consolidated subsidiaries have adopted defined-contribution pension plans. Tosei Community Co., Ltd., a consolidated subsidiary, adopted welfare pension fund plans, but it contracted out of Nihon Jutaku Kensetsu Sangyo Welfare Pension Fund in September 2012.

2. Retirement benefit obligations

(¥'000)

	As of Nov. 30, 2011	As of Nov. 30, 2012
Retirement benefit obligations	(133,154)	(147,211)
Provision for retirement benefits	(133,154)	(147,211)

The Company and its domestic consolidated subsidiaries apply a simplified method in the calculation of their retirement benefit obligations.

3. Retirement benefit costs

(¥'000)

	Year ended Nov. 30, 2011 (Dec. 1, 2010 – Nov. 30, 2011)	Year ended Nov. 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)
Retirement benefit costs	39,490	40,316
Premium payment for defined-contribution pension plans	5,994	7,196
Total retirement benefit costs	45,484	47,512

4. Calculation basis of retirement benefit obligations

The Company and its domestic consolidated subsidiaries apply a simplified method, in which an assumed amount to be required for voluntary base retirement benefits at the year-end is fully deemed as retirement benefit obligations, in the calculation of their retirement benefit obligations. Therefore, the basic rate, etc. is omitted.

Stock options, etc.

None

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

	(¥'000)	
	As of Nov. 30, 2011	As of Nov. 30, 2012
Deferred tax assets		
Current assets		
Excess amount over limitation of taxable depreciation expenses	202,352	216,500
Unrealized gains from payment in substitution	179,702	154,692
Deficit carried forward on tax	534,701	524,783
Other	116,072	145,325
Valuation reserves	(66,284)	(50,814)
Total	966,545	990,487
Noncurrent assets		
Excess amount over limitation of taxable provision for retirement benefits	54,925	53,041
Excess amount over limitation of taxable provision for directors' retirement benefits	125,261	117,518
Impairment loss	68,248	58,447
Loss on valuation of investment securities	12,137	10,550
Deficit carried forward on tax	1,012,408	-
Other	23,909	51,415
Valuation reserves	(421,417)	(202,476)
Total	875,473	88,496
Total Deferred tax assets	1,842,019	1,078,984
Deferred tax liabilities		
Current liabilities		
Valuation difference from valuation of subsidiaries' assets and liabilities at market value	(122,053)	(29,052)
Total	(122,053)	(29,052)
Noncurrent liabilities		
Valuation difference from valuation of subsidiaries' assets and liabilities at market value	(15,200)	-
Other	(5,069)	(5,302)
Total	(20,269)	(5,302)
Total Deferred tax liabilities	(142,322)	(34,355)
Net deferred tax assets	1,699,696	1,044,629

Note:

Net deferred tax assets as of November 30, 2011 and 2012 are included in the following items on the consolidated balance sheets:

	(¥'000)	
	As of Nov. 30, 2011	As of Nov. 30, 2012
Current assets – Deferred tax assets	966,545	990,487
Noncurrent assets – Deferred tax assets	870,404	83,194
Current liabilities – Other	122,053	29,052
Noncurrent liabilities – Deferred tax liabilities	15,200	–

2. The reconciliation between the statutory effective tax rate and the effective tax rate after adoption of tax effect accounting

	As of Nov. 30, 2011	As of Nov. 30, 2012
Statutory effective tax rate	41.0%	41.0%
(Adjustments)		
Expenses not deductible permanently such as entertainment expenses	0.8	0.3
Valuation reserves for deferred tax assets	0.9	(10.5)
Difference due to tax-rate changes	–	4.3
Consolidation adjustments	8.1	–
Other	0.3	0.2
Effective tax rates after adoption of tax-effect accounting	51.1	35.3

3. Amendments to deferred tax assets and liabilities due to changes in corporate tax rates, etc.

Following the promulgation on December 2, 2011 of the “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake” (Act No. 117 of 2011), corporate tax rates was changed for the fiscal years beginning on or after April 1, 2012. In line with this change, the statutory effective tax rate used to measure deferred tax assets and liabilities was changed to 38.01% from the fiscal year ending November 30, 2013 to the fiscal year ending November 30, 2015, and to 35.64% in and after the fiscal years ending November 30, 2016.

Due to this change, deferred tax assets (current assets) and deferred tax assets (non-current assets) decreased by JPY82,379,000 and JPY11,297,000, respectively, while valuation difference on available-for-sale securities, deferred gains and losses on hedges and income taxes – deferred increased by JPY77,000, JPY159,000 and JPY93,440,000, respectively.

Asset retirement obligations

Asset retirement obligations recorded in the consolidated balance sheets

(1) Summary of relevant asset retirement obligations

Some of property, plant and equipment held by the Company contain asbestos or polychlorinated biphenyl (PCB), which must be treated in special ways specified by laws and regulations when they are dismantled or removed. The Group recognizes the disposal costs of them as asset retirement obligations. The laws and regulations that are grounds for them are as follows:

Disposal costs for asbestos	Ordinance on Prevention of Health Impairment Due to Asbestos
Disposal costs for equipment containing PCB	Act on Special Measures Concerning Promotion of Proper Treatment of Polychlorinated Biphenyl Waste (Act on Special Measures concerning PCB)

(2) Method for calculating the amount of relevant asset retirement obligations

The amount of asset retirement obligations is calculated by estimating the period of use as useful life of the property and using a discount rate of 2.26% to 2.40%.

(3) Changes in amounts of relevant asset retirement obligations

	(¥'000)	
	Year ended Nov. 30, 2011 (Dec. 1, 2010 – Nov. 30, 2011)	Year ended Nov. 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)
Balance at the beginning of the fiscal year (Note)	24,581	24,710
Adjustment due to passage of time	129	131
Balance at the end of the fiscal year	<u>24,710</u>	<u>24,842</u>

Note:

For the fiscal year ended November 30, 2011, the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) were applied. Consequently, the beginning balance for the fiscal year ended November 30, 2011 was calculated in accordance with the Accounting Standard and Guidance.

Investment and rental properties

The Company and certain consolidated subsidiaries own rental office and condominium buildings mainly in Tokyo to earn rental revenue. Net rental revenue from these investment and rental properties during the fiscal year ended November 30, 2011 amounted to JPY585,522,000 (rental revenue and rental expense were recorded as sales and cost of sales, respectively). Net rental revenue from these investment and rental properties during the fiscal year ended November 30, 2012 totaled JPY553,332,000 (rental revenue and rental expense were recorded as sales and cost of sales, respectively).

The carrying amounts in the consolidated balance sheets, increases/decreases thereof and fair values as of November 30, 2011 and 2012 of these investment and rental properties are as follows:

(¥'000)

		Year ended Nov. 30, 2011 (Dec. 1, 2010 – Nov. 30, 2011)	Year ended Nov. 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)
Carrying amount in consolidated balance sheet	Balance at the beginning of the fiscal year	11,949,112	11,826,524
	Increase/decrease during the fiscal year	(122,587)	299,803
	Balance at the end of the fiscal year	11,826,524	12,126,327
Fair value at the end of the fiscal year		12,582,805	14,133,184

Notes:

1. The carrying amount in consolidated balance sheet shown above is calculated by deducting the relevant accumulated depreciation and impairment loss from the property's acquisition cost.
2. Of increase/decrease during the fiscal year ended November 30, 2011, the increase mainly resulted from the transfer from property for sale due to change of holding purpose (JPY506,978,000), while the decrease mainly resulted from the transfer to properties for sale (JPY235,581,000) due to change of holding purpose. During the fiscal year ended November 30, 2012, the increase mostly stemmed from the transfer from properties for sale due to change of holding purpose (JPY540,934,000), while the decrease stemmed from sales of properties (JPY235,840,000).
3. The fair value as of November 30, 2012 was internally calculated in accordance with the Real Estate Appraisal Standards.
4. With regard to Toranomom Tosei Building, which is partly used as the head office by the Company and consolidated subsidiaries, only the portion that is not used as the head office is included in the amount shown in the above table.

Segment information

Segment information

1. Summary of reportable segments

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

2. Method for calculating net sales, profit or loss, assets, liabilities and other items by reportable segment

Accounting policies of reported business segments are consistent with those disclosed in "Significant Matters Forming the Basis of Preparing Consolidated Financial Statements."

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

3. Information about net sales, profit or loss, assets, liabilities and other items by reportable segment

Year ended November 30, 2011 (from December 1, 2010 to November 30, 2011)

(¥'000)

	Reportable segments							Reconciliations (Note 1)	Amount recorded on the consolidated financial statements (Note 2)
	Revitalization Business	Development Business	Rental Business	Fund Business	Property Management Business	Alternative Investment Business	Total		
Net sales									
Sales from external customers	12,040,886	5,256,145	2,459,614	1,396,347	3,425,416	180,880	24,759,291	-	24,759,291
Intersegment sales or transfers	-	-	48,119	18,017	485,731	-	551,869	(551,869)	-
Total	12,040,886	5,256,145	2,507,733	1,414,365	3,911,147	180,880	25,311,160	(551,869)	24,759,291
Segment profit (loss)	1,891,898	(22,238)	1,182,925	652,879	104,845	(190,258)	3,620,051	(1,231,014)	2,389,037
Segment assets	19,048,273	13,562,936	13,258,186	856,286	1,669,912	2,433,173	51,098,768	8,868,835	59,967,603
Others									
Depreciation	-	-	254,418	2,281	24,509	16,657	297,866	38,532	336,398
Increase in property, plant and equipment and intangible assets	-	-	44,049	3,605	5,376	2,661	55,693	49,204	104,897

Notes:

1. The details of reconciliations are as follows:
 - (1) Reconciliations of segment profit (loss) of (JPY1,231,014,000) include eliminations of intersegment transactions of (JPY20,063,000) and corporate expenses that are not allocated to any particular reportable segment of (JPY1,210,951). Corporate expenses mainly consist of selling, general and administrative expenses of the parent company that are not attributable to any particular reportable segment.
 - (2) Reconciliations of segment assets of JPY8,868,835,000 include corporate assets that are not allocated to any particular reportable segment of JPY9,783,874,000. Corporate assets mainly consist of surplus funds that are not attributable to any particular reportable segment (cash and deposits and short-term investment securities) and assets related to the administrative division of the Company.
 - (3) Reconciliations of depreciation of JPY38,532,000 consist of corporate expenses that are not attributable to any particular reportable segment.
 - (4) Reconciliations of increase in property, plant and equipment and intangible assets of JPY49,204,000 consist of increase in corporate assets that are not attributable to any particular reportable segment.
2. Segment profit (loss) is reconciled to operating income on the consolidated statements of operations.

Year ended November 30, 2012 (from December 1, 2011 to November 30, 2012)

(¥'000)

	Reportable segments							Reconciliations (Note 1)	Amount recorded on the consolidated financial statements (Note 2)
	Revitalization Business	Development Business	Rental Business	Fund Business	Property Management Business	Alternative Investment Business	Total		
Net sales									
Sales from external customers	5,980,183	10,985,270	2,446,682	776,723	3,512,228	838,736	24,539,823	–	24,539,823
Intersegment sales or transfers	–	274,003	55,044	23,065	343,859	2,269	698,243	(698,243)	–
Total	5,980,183	11,259,274	2,501,727	799,788	3,856,087	841,006	25,238,066	(698,243)	24,539,823
Segment profit	390,895	2,318,788	1,192,557	184,135	68,442	59,189	4,214,010	(1,183,378)	3,030,631
Segment assets	23,114,013	14,643,328	13,583,668	942,624	1,349,101	1,905,916	55,538,653	9,194,311	64,732,965
Others									
Depreciation	–	–	240,391	5,424	21,488	15,822	283,125	45,338	328,464
Increase in property, plant and equipment and intangible assets	–	–	114,531	10,079	2,412	714	127,737	17,125	144,863

Notes:

1. The details of reconciliations are as follows:
 - (1) Reconciliations of segment profit of (JPY1,183,378,000) include eliminations of intersegment transactions of (JPY12,536,000) and corporate expenses that are not allocated to any particular reportable segment of (JPY1,170,841,000). Corporate expenses mainly consist of selling, general and administrative expenses of the parent company that are not attributable to any particular reportable segment.
 - (2) Reconciliations of segment assets of JPY9,194,311,000 include corporate assets that are not allocated to any particular reportable segment of JPY10,387,815,000. Corporate assets mainly consist of surplus funds that are not attributable to any particular reportable segment (cash and deposits and short-term investment securities) and assets related to the administrative division of the Company.
 - (3) Reconciliations of depreciation of JPY45,338,000 consist of corporate expenses that are not attributable to any particular reportable segment.
 - (4) Reconciliations of increase in property, plant and equipment and intangible assets of JPY17,125,000 consist of increase in corporate assets that are not attributable to any particular reportable segment.
2. Segment profit is reconciled to operating income on the consolidated statements of operations.

Related information

I Year ended November 30, 2011 (from December 1, 2010 to November 30, 2011)

1. Information by product and service

Information by product and service is omitted since similar information is disclosed in segment information.

2. Information by geographical area

(1) Net sales

Information about net sales is omitted since sales from external customers in Japan exceeded 90% of net sales on the consolidated statements of operations.

(2) Property, plant and equipment

Information about property, plant and equipment is omitted since the amount of property, plant and equipment located in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

Information by major customer is omitted since there were no sales from a single external customer accounting for 10% or more of net sales on the consolidated statements of operations.

II Year ended November 30, 2012 (from December 1, 2011 to November 30, 2012)

1. Information by product and service

Information by product and service is omitted since similar information is disclosed in segment information.

2. Information by geographical area

(1) Net sales

Information about net sales is omitted since sales from external customers in Japan exceeded 90% of net sales on the consolidated statements of operations.

(2) Property, plant and equipment

Information about property, plant and equipment is omitted since the amount of property, plant and equipment located in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

Information by major customer is omitted since there were no sales from a single external customer accounting for 10% or more of net sales on the consolidated statements of operations.

Information about impairment loss on noncurrent assets by reportable segment

Year ended November 30, 2011 (from December 1, 2010 to November 30, 2011)

None

Year ended November 30, 2012 (from December 1, 2011 to November 30, 2012)

None

Information about amortization of goodwill and balance of unamortized goodwill by reportable segment

Year ended November 30, 2011 (from December 1, 2010 to November 30, 2011)

Information about amortization of goodwill and balance of unamortized goodwill by reportable segment is omitted since their amounts are immaterial.

Year ended November 30, 2012 (from December 1, 2011 to November 30, 2012)

None

Information about gain on negative goodwill by reportable segment

Year ended November 30, 2011 (from December 1, 2010 to November 30, 2011)

None

Year ended November 30, 2012 (from December 1, 2011 to November 30, 2012)

None

Information on related parties

Transactions with related parties

Transactions between the company filing the consolidated financial statements and related parties

Officers and principal individual shareholders of the company filing the consolidated financial statements, etc.

Year ended November 30, 2011 (from December 1, 2010 to November 30, 2011)

None

Year ended November 30, 2012 (from December 1, 2011 to November 30, 2012)

Attribute	Name	Address	Capital or investments in capital (¥'000)	Business or occupation	Percentage of voting rights (%)	Business relationship	Transaction	Trading amount (¥'000)	Account title	Ending balance (¥'000)
Officer	Seiichiro Yamaguchi	—	—	President and Representative Director of the Company	30.39% owned, directly	—	Intermediary for sale or purchase of real estate	15,069	Netsales	—

Transaction's term and policy

Notes:

1. All prices and other transaction terms are determined in consideration of the market prices and actual situation.
2. Trading amounts exclude consumption taxes.

Per Share Information

	Year ended Nov. 30, 2011 (Dec. 1, 2010 – Nov. 30, 2011)	Year ended Nov. 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)
Net assets per share	\54,671.33	\57,245.65
Net income per share	\1,646.05	\3,076.34

Notes:

1. Diluted net income per share is not presented since the Company has no potential shares.
2. The basis for calculation of net income per share is as follows:

Item	Year ended Nov. 30, 2011 (Dec. 1, 2010 – Nov. 30, 2011)	Year ended Nov. 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)
Net income per share		
Net income (¥'000)	751,982	1,405,395
Amount not attributable to common shareholders (¥'000)	–	–
Net income related to common stock (¥'000)	751,982	1,405,395
Average number of shares of common stock outstanding (Shares)	456,840	456,840

3. The basis for calculation of net assets per share is as follows:

Item	As of Nov. 30, 2011	As of Nov. 30, 2012
Total net assets (¥'000)	24,976,051	26,152,100
Deduction from total net assets (¥'000)	–	–
Net assets related to common stock at fiscal year-end (¥'000)	24,976,051	26,152,100
Number of shares of common stock outstanding at fiscal year-end used for calculation of net assets per share (Shares)	456,840	456,840

Important subsequent events

Issuance of shares

The Company passed a resolution at a meeting of its Board of Directors held on February 22, 2013 to issue shares as Common stock. The number of shares to be issued will be 29,000, and the method of issue will be by general public offering in the Singapore region and the overseas market (except for the US and Canada) with the last payment date on 18 March, 2013.

The determination of the amount to be paid in, the amount of stated capital and capital reserves to be increased, the issue price (the offer price), and any other matters necessary for the Offering will be delegated to the Representative Director of the Company.

The funds will be allocated for acquisition of new properties, etc. in the Revitalization Business and the Development Business and for investments made in Fund Business.

e. Supplementary statements-consolidated

Detailed statement of bonds payable

None

Detailed statement of loans payable

Category	Balance as of Dec. 1, 2011 (¥'000)	Balance as of Nov. 30, 2012 (¥'000)	Average interest rate (%)	Payment due
Short-term loans payable	–	384,400	2.00	–
Current portion of long-term loans payable	6,170,937	7,356,272	2.04	–
Current portion of lease obligations	783	1,771	–	–
Long-term loans payable (excluding current portion)	23,904,245	24,654,459	2.04	2013 – 2032
Lease obligations (excluding current portion)	–	4,878	–	2013 – 2016
Other interest-bearing debts	–	–	–	–
Total	30,075,966	32,401,781	–	–

Notes:

1. "Average interest rate" shows weighted average interest rate on the ending balance of loans payable.
2. Average interest rates on leasing obligations are omitted because the amount of lease obligations before deducting interest equivalent included in the total leasing obligations is recorded in the consolidated balance sheets.
3. Repayment of long-term loans payable and lease obligations (excluding current portion) scheduled within five years after the closing date of accounting period are as follows:

(¥'000)

Category	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Long-term loans payable	8,471,132	3,266,292	3,153,240	3,823,201
Lease obligations	1,771	1,771	1,335	–

Detailed statement of asset retirement obligations

As the amount of asset retirement obligations as of December 1, 2011 and November 30, 2012 is not more than 1% of the total amount of liabilities and net assets as of the same dates, this information is omitted pursuant to the provisions of Article 92-2 of the Ordinance on Consolidated Financial Statements.

(2) Others

Quarterly data of the year ended November 30, 2012

(Cumulative period)	First quarter (Three months ended Feb. 29, 2012)	Second quarter (Six months ended May 31, 2012)	Third quarter (Nine months ended Aug. 31, 2012)	Year ended Nov. 30, 2012
Net sales (¥'000)	5,023,693	10,151,048	14,767,812	24,539,823
Income before income taxes and minority interests (¥'000)	524,159	535,416	796,801	2,172,307
Net income (¥'000)	233,646	286,046	444,307	1,405,395
Net income per share (¥)	511.44	626.14	972.57	3,076.34

(Each quarter)	First quarter (Dec. 1, 2011 – Feb. 29, 2012)	Second quarter (Mar. 1, 2012 – May 31, 2012)	Third quarter (Jun. 1, 2012 – Aug. 31, 2012)	Fourth quarter (Sep. 1, 2012 – Nov. 30, 2012)
Net income per share (¥)	511.44	114.70	346.43	2,103.77

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