



**Interim Results
for the Six Months
Ended May 31, 2007**

Tosei Corporation (Ticker Symbol Number: 8923)

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I. Overview of Interim Results for the Six Months Ended May 31, 2007

Highlights from the First Half of the Year to Nov. 2007

Achievements in the First Half

- **December 2006** Tosei Revival Investment Co., Ltd. executes acquisition to obtain real estate
- **January 2007** Refurbished Value-Up Laboratory showroom opens
- **January 2007** Seiichiro Yonekura, professor at Hitotsubashi University, presents lecture titled “The Features of a Value Innovation Company”
- **February 2007** Completion of an environment-conscious condominium, THE Palms Setagaya Sakura
- **March 2007** THE Palms Ryogoku and THE Palms Akabane completed; Ginza Wall Building acquired
- **April 2007** Tosei REIT Advisors, Inc. acquires investment trust management license
- **April 2007** THE Palms Honkomagome completed
- **May 2007** ASCOT INC. entrusts Tosei with asset development and management; Ueno Tosei Building completed
- **May 2007** As of May 30, 2007, rooftop greening completed for a cumulative total of 29 properties

➤ Composition of Shareholders

	As of November 30, 2006		As of May 31, 2007	
•Individuals & Others	54.33%	⇒	52.11%	(-2.22p)
•Financial institutions	14.68%	⇒	16.98%	(+2.30p)
•Securities companies	0.83%	⇒	0.63%	(-0.20p)
•Overseas investors	13.33%	⇒	13.37%	(+0.04p)
•Other corporations	16.83%	⇒	16.91%	(-0.08p)

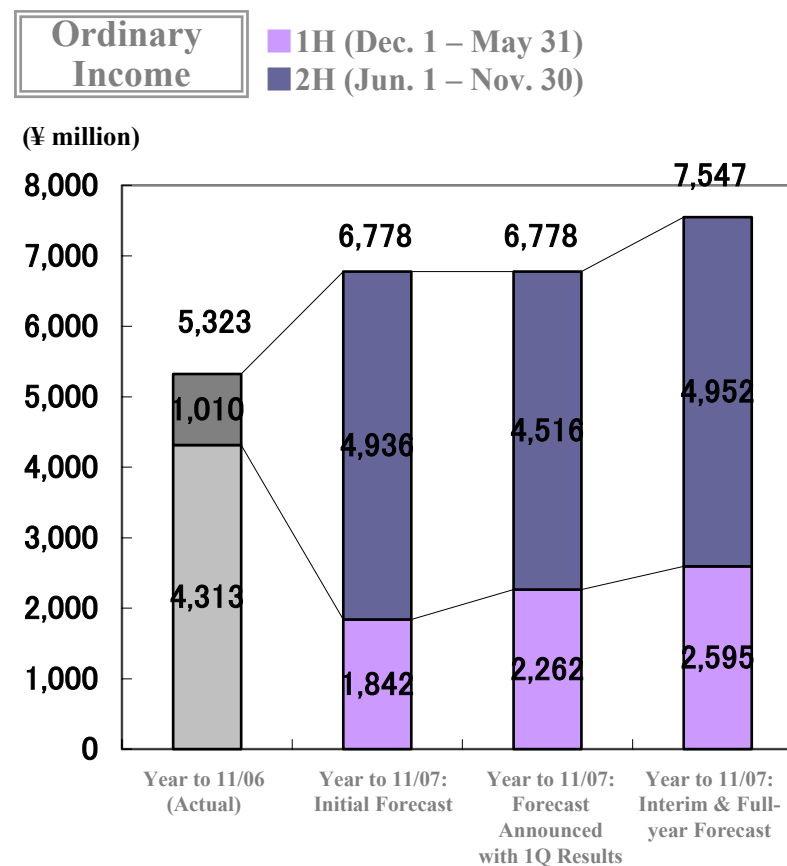
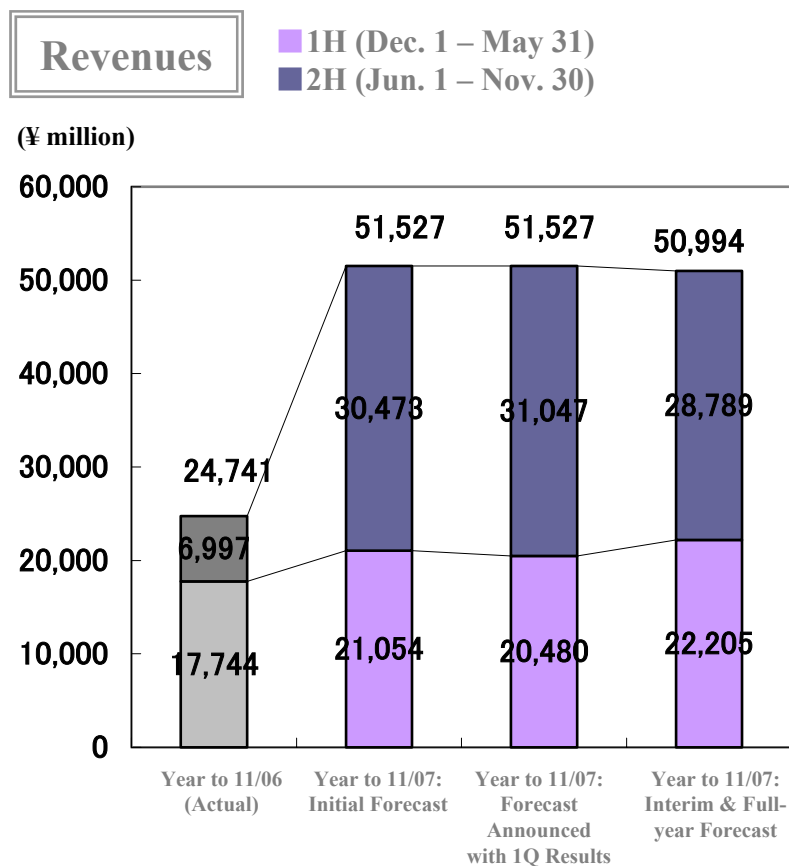
Overview of Interim Results for the Six Months Ended May 31, 2007

(¥ million, %)

	Six months ended May 31, 2006		Six months ended May 31, 2007		YoY change	
	(Consolidated)	% of revenues	(Consolidated)	% of revenues		%
Revenues	17,744	100.0	22,205	100.0	4,460	25.1
Cost of revenues	12,170	68.6	17,784	80.1	5,614	46.1
Gross profit	5,574	31.4	4,420	19.9	(1,154)	(20.7)
Selling, general and administrative expenses	982	5.5	1,401	6.3	418	42.6
Operating income	4,591	25.9	3,019	13.6	(1,572)	(34.2)
Ordinary income	4,313	24.3	2,595	11.7	(1,717)	(39.8)
Net income	2,264	12.8	1,482	6.7	(782)	(34.5)
Earnings per share (¥)	6,263.15		3,932.98		(2,330)	(37.2)
Return on equity (%)	19.7		9.4		-10.3P	
Return on total assets (%)	5.1		2.2		-2.9P	
Ordinary income per employee	35		15		(20)	(57.1)

Factors Leading to the Upward Revision of Initial Forecasts (Consolidated)

We revised our full-year ordinary income projection upward by ¥769 million from our January 2007 announcement because the value we add to the properties we handle and favorable market conditions have resulted in higher sale prices.



Overview of Results (Analysis of Changes in Earnings)

(¥ million, %)

	Six months ended May 31, 2006		Six months ended May 31, 2007		YoY change	
	(Consolidated)	% of revenues	(Consolidated)	% of revenues		%
Revenues	17,744	100.0	22,205	100.0	4,460	25.1
Cost of revenues	12,170	68.6	17,784	80.1	5,614	46.1
Gross profit	5,574	31.4	4,420	19.9	(1,154)	(20.7)
Selling, general and administrative expenses	982	5.5	1,401	6.3	418	42.6
Operating income	4,591	25.9	3,019	13.6	(1,572)	(34.2)
Non-operating income	60	0.3	41	0.2	(18)	(30.0)
Non-operating expenses	339	1.9	465	2.1	125	36.9
Ordinary income	4,313	24.3	2,595	11.7	(1,717)	(39.8)

Increased Personnel Expenses +¥189 million (+44.7%)

Average number of employees: 6 months ended 5/06: 113
⇒ 6 months ended 5/07: 153 (+35.3%)

Tosei enhanced its internal controls to respond to business expansion and the Financial Instruments and Exchange Law (J-SOX), which increased personnel and base compensation.

Increased Advertising Expenses +¥85 million (+377.7%)

Tosei used various types of advertising to build brand awareness.

Other +¥143 million (+26.7%)

Expenses increased due to non-deductible consumption taxes, auditor fees, response to J-SOX and other items.

Revitalization Business

-¥1,198 million (-38.4%)

Revenues decreased 7.1 percent period-on-period. Bridge sales of properties to other funds totaled ¥5,136 million, but lower profitability caused the gross profit margin to decrease 8.9 points. However, the gross margin on sales of other properties exceeded assumptions by 2.4 points (6 months ended 5/06: 26.4% ⇒ 6 months ended 5/07: 28.8%)

Development Business

+¥327 million (+46.8%)

Gross profit increased because transfers of properties increased. However, the significant proportion of sales of properties to end users in the first half reduced profitability (6 months ended 5/06: 21.2% ⇒ 6 months ended 5/07: 12.5%)

Fund Business

-¥270 million (-34.5%)

Brokerage revenue totaled ¥362 million in the 6 months ended 5/06, which was much higher than usual, but totaled ¥57 million in the 6 months ended 5/07. Asset management fees and acquisition fees increased due to an increase in the fund asset balance.

Increased Interest Expense +¥184 million (+69.3%)

Borrowings

Avg. balance at 5/30/06 ¥27.9 billion

Avg. balance at 5/30/07 ¥44.6 billion (+59.9%)

Borrowings increased due to steady purchases. Tosei was able to absorb an increase in its base interest rate because of improved spreads and the shift to TIBOR-based rates.

Other

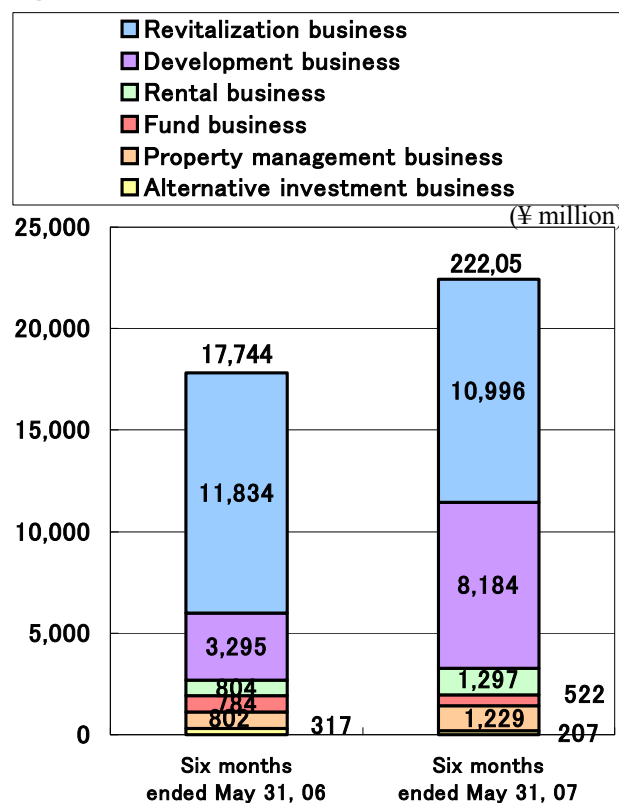
-¥59 million (-77.6%)

Tosei incurred fees, legal expenses, stamp taxes and other expenses to issue new stock in the 6 months ended 5/06.

Comparison of Revenues by Segment (Consolidated)

Maintain emphasis on revitalization while increasing the relative importance of development in the portfolio.

➤ Segment Revenues (Consolidated)



Note: Total revenues are net of revenues from internal transactions between Group businesses.
 ¥92 million for six months ended May 31, 2006
 ¥233 million for six months ended May 31, 2007

➤ First Half Revenues vs. Year-End Targets

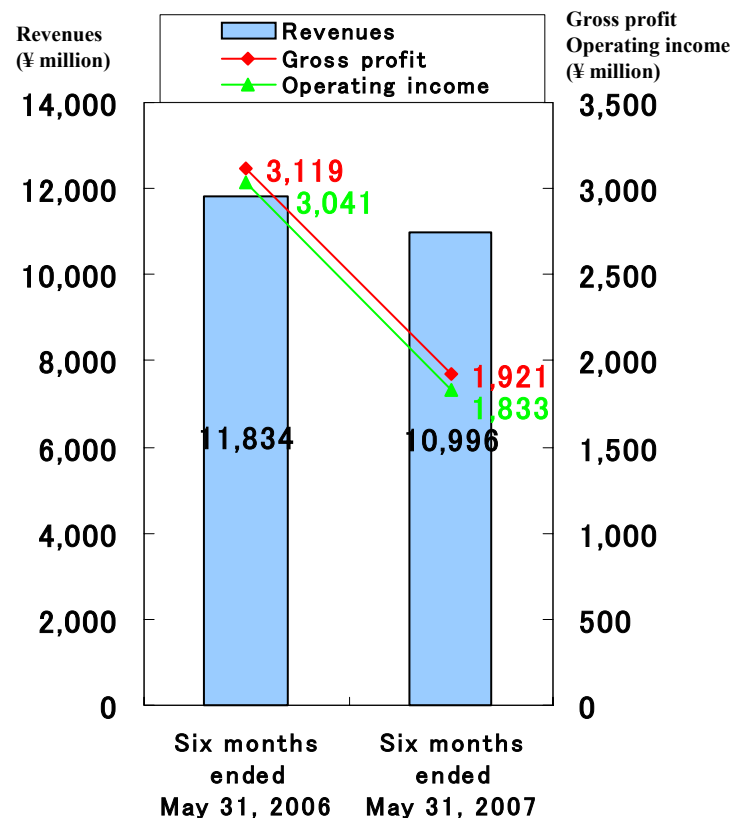
Every segment made steady progress toward initial projections.

(Actual/Target)	% of initial interim targets	% of revised full-year targets
Revitalization business	102.7%	32.2%
Development business	112.9%	77.3%
Rental business	106.5%	45.3%
Fund business	97.9%	42.2%
Property management business	113.0%	54.6%
Alternative investment business	57.2%	87.0%
Total	105.5%	43.5%

Revitalization Business

The revitalization business was strong due to greater-than-expected activity in the real estate market

➤ Revitalization Business Revenues/Income



◆ Sales Performance

➤ The gross profit margin decreased because of the 4.6% gross profit margin on Pegasus Capital's bridge sales of properties to funds. Excluding this factor, the gross profit margin would have been 28.8%, an increase of 2.4 points compared to the 6 months ended May 31, 2006.

(¥ million, %)

		Office & Retail	Vacant Buildings	Condos	Other	Total
Tosei	Sales	484	2,777	2,251	347	5,859
	Gross profit	89	1,227	321	51	1,688
	Gross profit margin	18.5%	44.2%	14.3%	14.9%	28.8%
Pegasus	Sales	4,566	–	569	–	5,136
	Gross profit	217	–	18	–	236
	Gross profit margin	4.8%	–	3.3%	–	4.6%
Total Properties		4	2	7	1	14
Gross Profit Margin		6.1%	44.2%	12.0%	14.7%	17.5%

Revitalization Business (Development of the Ginza Wall Building)

Tosei acquired the Ginza Wall Building in March 2007, added value through leasing and other measures, and plans to sell it during the current fiscal year.

Measures at the Ginza Wall Building

➤ Overview:

- Before acquiring the building in March 2007, Tosei had begun leasing it as part of the turnaround assistance for Tokyo Onsen Co., Ltd. By the end of May 2007, the occupancy rate was more than 90%.
- We changed the layout of the commercial space on floors 1 and 2 as part of a large-scale renewal that included approaches to the building and interior stairways. We also improved facilities and added value from a legal perspective by correcting nonconforming use of the parking area for storage and office space.



During Civil Rehabilitation (August 2005)

Rent + Common Area Charges (¥/3.3m²)

Commercial	27,069~38,777
Offices	17,201~25,013
Residences	14,154~20,686

Occupancy Rate 77.2%

Cap Rate 6.54%

(Assuming full occupancy)

New Contracts Since Tosei Took Over Leasing

Rent + Common Area Charges (¥/3.3m²)

Commercial	35,000~45,000
Offices	28,000~
Residences	15,000~

Occupancy Rate 91.1%

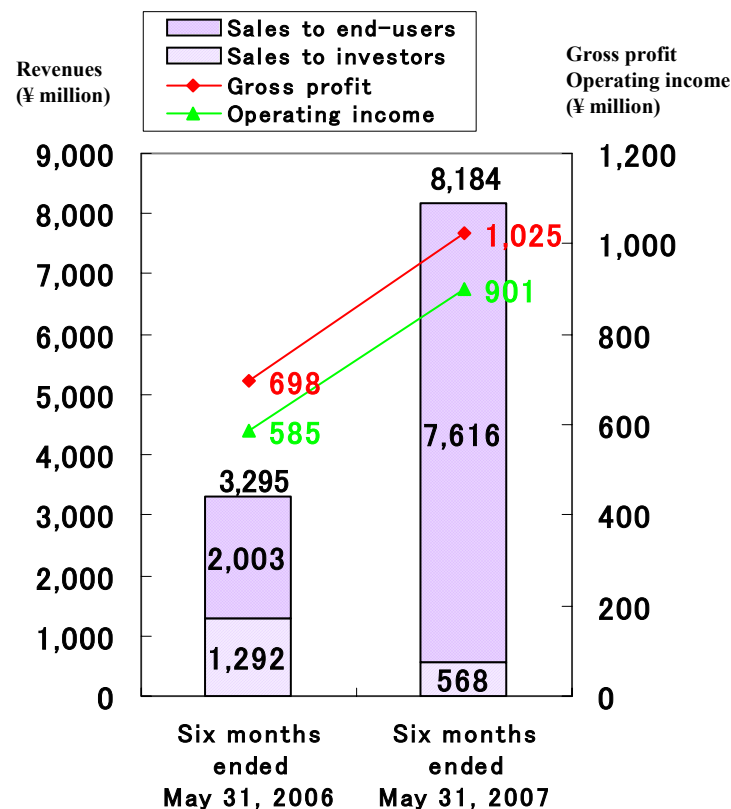
Cap Rate 7.56%

(Assuming full occupancy)

Development Business

Tosei is constantly adding new projects such as office buildings and commercial facilities and has changed the timing of sales because of the strong market.

➤ Development Business Revenues/Income



◆ Overview of Business

- In the first half, Tosei completed a series of condominium properties and sales were strong.
- The rising prices of properties sold to investors generated gross profit more than 12 points higher than projected at the start of the period because of strong demand among funds.

◆ Major Sales

(Sales to investors)

- THE Palms Den-en Chofu: sold to a private fund

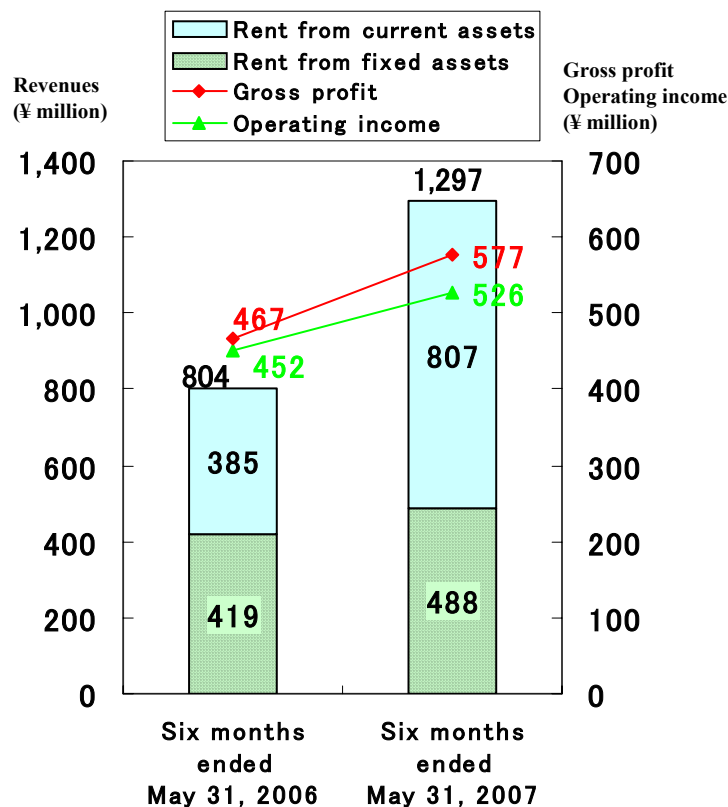
(Sales to individual end-users)

- THE Palms Setagaya Sakura: (Of a total of 108 units, 3 remain unsold)
- THE Palms Honkomagome: (Of a total of 35 units, 5 remain unsold)
- THE Palms Yoga (Of a total of 25 units, 4 remain unsold)

Rental Business

Holdings of superior assets are a stable source of earnings

➤ Rental Business Revenues/Income



◆ Overview of business

➤ Total properties held: 65 (Compared to 11/30/06: +8)

• Current assets: 44 properties

Compared to 11/30/06: +8
(37 non-consolidated;
7 consolidated)

Properties for revitalization business. Until sold, these assets are a valuable source of rental income

• Fixed assets: 21 properties

Compared to 11/30/06: +0
(19 non-consolidated;
2 consolidated)

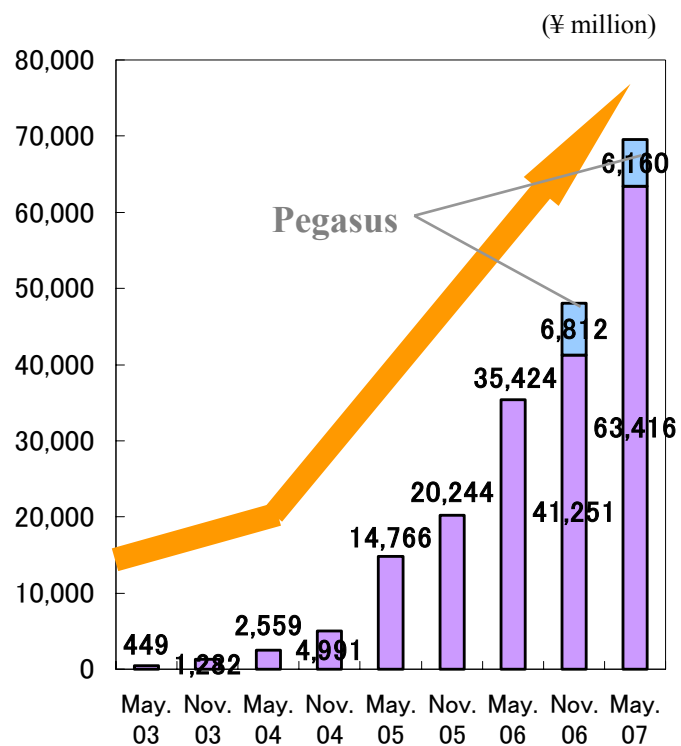
Held as a stable source of rental income

Note: Revenues include internal transactions
(¥16 million in six months ended May 31, 2007)

Fund Business (Asset Balance and Fund Lineup)

Fund assets including consolidated subsidiary Pegasus Capital, Ltd., a bridge fund, totaled ¥69.5 billion, which is 60% of our fiscal year-end goal of ¥115.8 billion.

Balance of Fund Assets Under Management



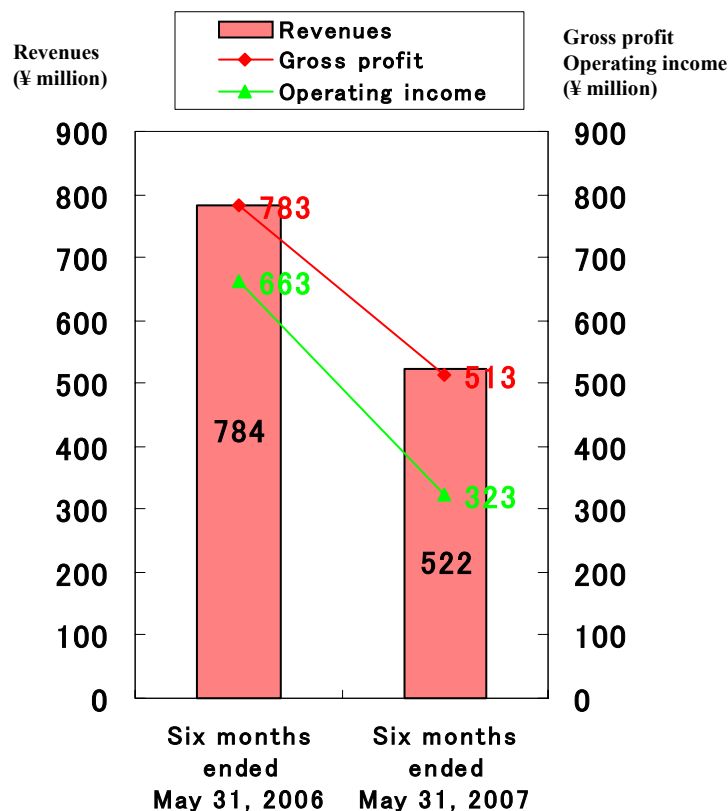
	Equity Investors	Asset Balance As of May 31 2007
REO Fund	Overseas financial institution	¥970 million
Helios Fund	Overseas investment fund	¥10,337 million
Gaia Fund	"	¥8,208 million
MCR1 Fund	"	¥10,553 million
MCR2 Fund	"	¥2,881 million
MC Fujimi Fund	"	¥8,050 million
Roma Fund	"	¥1,456 million
Venezia Fund	"	¥6,881 million
Milano Fund	"	¥1,938 million
AIS1 Fund*	"	¥1,313 million
Iris Fund*	Domestic financial institution	¥2,984 million
Selene Fund*	Trading company and domestic financial institution	¥7,845 million
		¥63,416 million
Pegasus Capital	Consolidated subsidiary	¥6,160 million
		¥69,576 million

* Figures for funds marked with an asterisk (*) are the balance of total fund assets. Figures for other funds show asset value on a purchase price basis.

Fund Business

Assets under management in funds are expanding rapidly. After deducting brokerage fees, fee income has increased strongly as a result of expansion in fund assets.

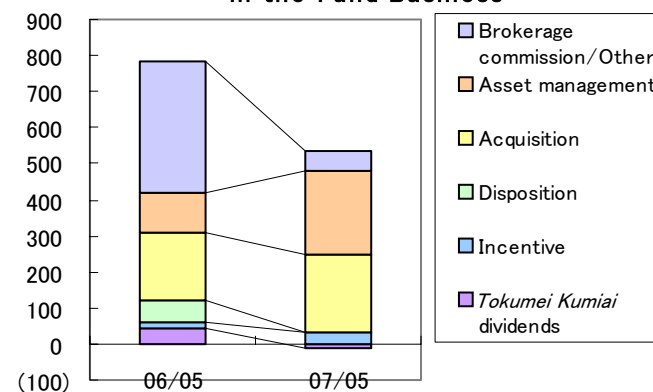
➤ Fund Business Revenues/Gross Profit



◆ Overview of business

- In the 6 months ended May 2006, brokerage commissions drove fee income to 46.1% of total revenues. Fee income excluding brokerage commissions increased because of the increase in assets under management.
- Acquisition fees from the purchase of properties contributed strongly to earnings for the 6 months ended May 2007.

Breakdown of Fee Income in the Fund Business

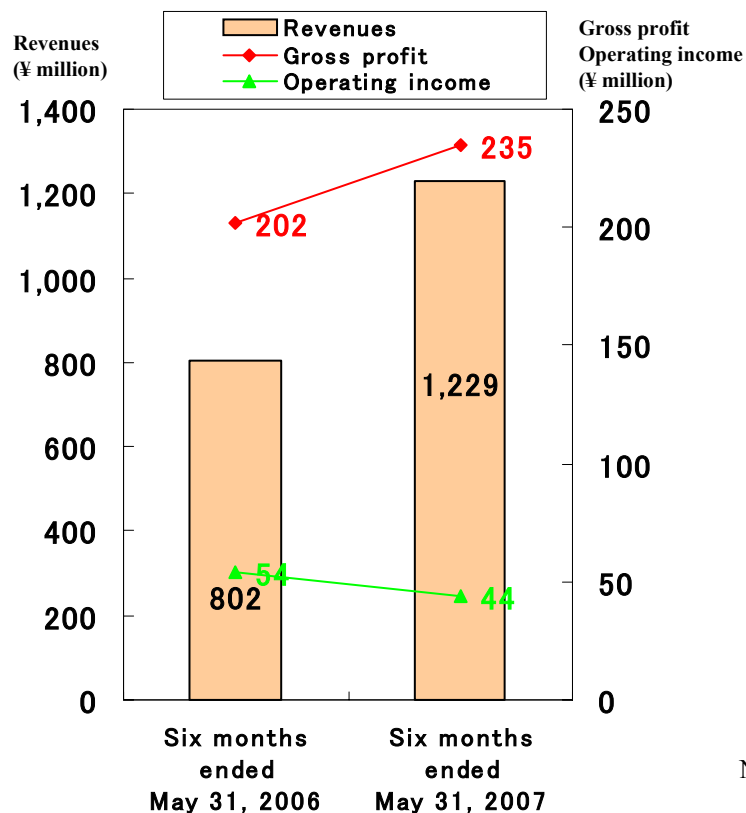


Note: Revenues include internal transactions (¥11 million in six months ended May 31, 2007)

Property Management Business

In an environment where change of ownership can result in contract cancellation, Tosei Community maintained the number of properties under management at about the same level period-on-period.

➤ Property Management Business Revenues/Income



◆ Highlights

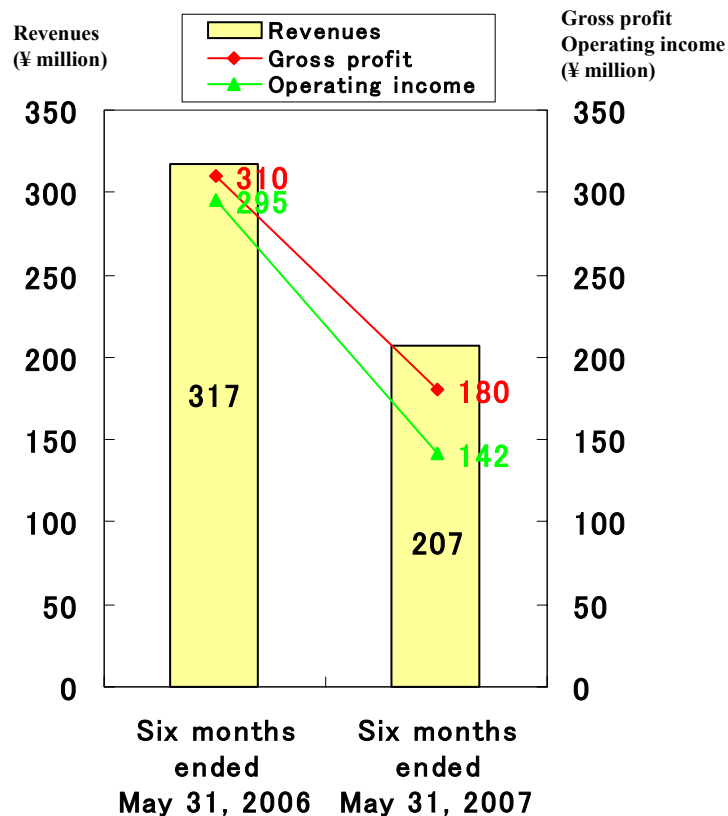
- **Number of properties managed: 431**
(Compared to 5/30/06 : +12)
(293 office buildings, 138 condominium complexes)
Over 80% of management contracts are from outside the Tosei Group
- **Contracted to manage large-scale property (educational facilities)**
- **Earnings decreased slightly because of an increase in internal management costs at wholly owned subsidiary Tosei Community.**

Note: Revenues include internal transactions
(¥92 million for the six months ended May 31, 2006)
(¥204 million for the six months ended May 31, 2007)

Alternative Investment Business

Tosei executed its first acquisition of a company, with the objective of acquiring its properties.

➤ Alternative Investment Business Revenues/Income



◆ Overview of Results

- In December 2006, Tosei acquired Green House Co., Ltd. to obtain the properties it owns. We are now moving forward with a plan to develop the properties acquired in Ebisu.
- Hestia Capital (Debt acquired 9/27/2005)
Real estate acquired as payment in kind
- Icarus Capital (Debt acquired on 4/28/2005)
Tokyo Onsen turnaround assistance
Collection of debt through sale of Ginza Wall Building
- Metis Capital (Debt acquired 7/14/2006)
Owns debt collateralized by real estate
- Debt portfolio: ¥761 million

Balance Sheet Summary (Consolidated-1)

(¥ million, %)

	As of Nov. 30, 2006 (Consolidated)	Decrease	Increase	As of May 31, 2007 (Consolidated)
Total assets	60,136	25,244	40,841	75,732
Cash and deposits	6,644	2,092	1,453	6,005
Inventories (Real estate)	40,041	16,341	33,012	56,712
Inventories (Non-consolidated)	34,230	11,425	28,594	51,399
Pegasus Capital, Ltd.	5,811	4,916	4,418	5,313
Fixed assets (Real estate)	8,034	43	27	8,018
Other assets	5,416	6,647	6,226	4,995
[Capital from funds included in above]	(238)	(207)	(0)	(31)

Current Inventories

- Equivalent to projected revenues of approximately ¥86.6 billion, or the next 1.5 years of revenues.
- The Revitalization business sold 10 buildings and the Development business 3 buildings in the first half, and purchased 21 and 6 buildings, respectively.
- Excluding Pegasus, ¥51.3 billion in inventories is projected to generate revenues of ¥80.9 billion.

Acquisition of Properties for Funds

- We sold the entire property portfolio of wholly owned subsidiary Pegasus Capital to the Selene Fund in December 2006.
- Pegasus sold 4 of its 6 properties at the start of the fiscal year, and purchased 3 new properties. The 5 properties are projected to generate 5.7 billion in revenues.
- For now, Pegasus will continue to operate as a bridge fund supplying properties to other funds.

Balance Sheet Summary (Consolidated-2)

(¥ million, %)

	As of Nov. 30, 2006 (Consolidated)	Decrease	Increase	As of May 31, 2007 (Consolidated)
Liabilities and Net Assets	60,136	38,278	53,874	75,732
Interest-bearing debt	38,547	31,244	43,440	50,743
Short-term	13,909	7,414	22,558 ^{*1}	29,053
Long-term	24,638	23,830 ^{*1}	20,882	21,690
Other liabilities	6,360	6,186	8,626	8,800
Net assets	15,229	848	1,808	16,189
Net worth ratio	25.32			21.37

Decrease in Net Worth Ratio

- Strong property purchases increased interest-bearing debt to 12.1 billion. The net worth ratio decreased as a result.
- We will use proceeds from planned sales of properties in the second half of the fiscal year to repay interest-bearing debt. We therefore expect to raise our net worth ratio to 24.4% after accounting for the addition to net assets from net income.

Increase in Interest-bearing Debt

Excluding long-term debt that has shifted to short-term liabilities pending repayment, we paid down ¥13.5 billion in interest-bearing debt and took on ¥25.7 billion in new borrowings.

*1: Includes ¥17,675 million (incl. ¥12 million in corporate bonds) in long-term debt that has shifted to long-term debt due within one year and bonds due within one year.

Inventories (Consolidated)

		(¥ million)		
Value of inventories as of May 31, 2007 (Non-consolidated)	51,399	➔	Assumed revenues	80,929
Pegasus Capital, Ltd.	5,313			5,730
Total			Total	86,659

➤ Breakdown of Inventory Balance

By property type	Inventory		➔	Revenues		Assumed revenues
	Revitalization	Development		Revitalization	Development	
Office buildings	32,027	10,654	➔	42,050	21,393	63,343
Condominiums	5,127	8,720	➔	6,149	16,936	23,085
Others	184	0	➔	231	0	231
Total			➔	48,430	38,229	86,659

Summary of Cash Flow Statements

(¥ million)

	Six months ended May 31, 2006	Six months ended May 31, 2007	Change
Net cash used in operating activities	1,893	(11,542)	(13,435)
Income before income taxes	4,313	2,605	(1,708)
Depreciation	95	173	78
Net increase (decrease) in assets and liabilities	(1,782)	(11,205)	(9,423)
Others	(732)	(3,116)	(2,384)
Net cash provided by (used in) investing activities	343	(328)	(671)
Payments for purchase of fixed assets	(31)	(77)	(46)
Increase (decrease) in investments in securities	444	131	(313)
Others	(69)	(382)	(313)
Net cash provided by financing activities	3,380	11,366	7,986
Net increase (decrease) in debt	(794)	11,890	12,684
Proceeds from stock issue	4,330	0	(4,330)
Cash dividends paid	(155)	(523)	(368)
Net increase (decrease) in cash and cash equivalents	5,617	(504)	(6,121)
Cash and cash equivalents at beginning of the year	2,530	6,484	3,954
Cash and cash equivalents of subsidiaries removed from consolidation	–	(5)	(5)
Cash and cash equivalents at end of the year	8,148	5,974	(2,174)

II. Tosei's View of the Operating Environment

The Future Real Estate Market (1) ~Tosei's View~

The real estate market is expected to level off.

Real Estate Market Trends	Tosei's View	Trends among Government and Financial Institutions
<p style="text-align: center;">Solid Growth Potential, Falling Cap Rate</p> <ul style="list-style-type: none"> ◆ The cap rate is trending downward and real estate companies are having difficulty buying properties. ◆ The securitization of Japanese real estate is low compared to the U.S. and Europe, and potential for growth is significant. ◆ The structure of real estate-backed financial products is stable, including yield-based pricing. ◆ Globally, the yield gap remains pronounced. 	<p style="text-align: center;">Players Are Becoming More Selective about Property Location and Features</p> <ul style="list-style-type: none"> ◆ Areas on the outskirts of Tokyo such as Adachi, Nerima and Katsushika wards are showing signs of cooling. ◆ Players are moving back to central Tokyo from the outskirts, and property prices are rising in popular central Tokyo neighborhoods. Competition to acquire properties is intensifying. ◆ Some property trading among investors is evident. ◆ Demand is still strong in central Tokyo, and prices are high. ◆ Less competition for small and medium-sized properties that require skillful handling. 	<p style="text-align: center;">Stronger Rules & Supervision to Ensure the Soundness of Investment Markets</p> <ul style="list-style-type: none"> ◆ Financial Services Agency: Enactment of Financial Instruments and Exchange Law (J-SOX) has resulted in execution of appropriate procedures by relevant companies and appropriate disclosure of information. It has also prevented conflicts of interest while strengthening supervision of the flow of capital into the real estate market and real estate appraisal. ◆ Trust banks: tighter fiduciary review for real estate management (disposal) trusts ◆ Financial institutions: more selective in lending

◆ Positive ◆ Neutral ◆ Negative

The Future Real Estate Market (2)

~Small & Medium-Sized Office Building Market~

**The Tosei Group's core market is small and medium-sized office buildings.
These are stable assets and the market is large.**

Market Scale

▪ The market is large. In the 23 wards of Tokyo, small and medium-sized buildings make up 95% of the office building market, and small and medium-size office space makes up 93.7% of all office space.

Market Characteristics

Demand

Stable

- Assumption: Demand will be stable, with little influence from the external economic environment.

Supply

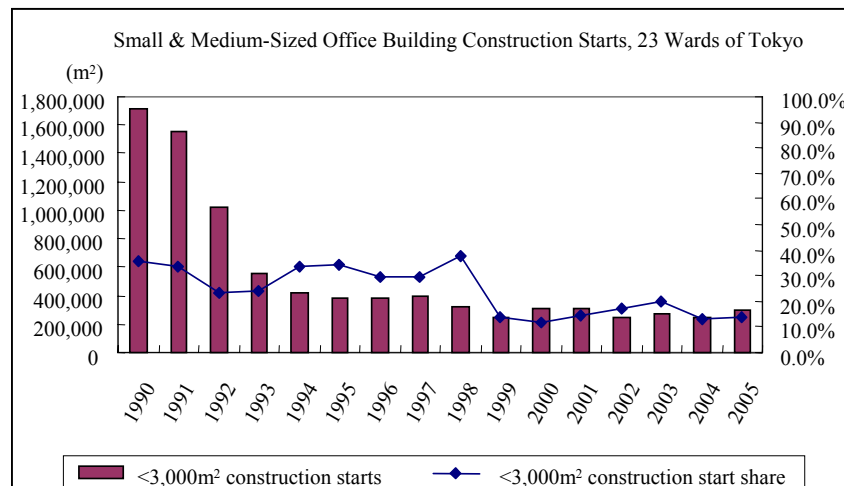
Constrained

- Assumption: Supply will remain constrained, with relatively few players supplying the market.

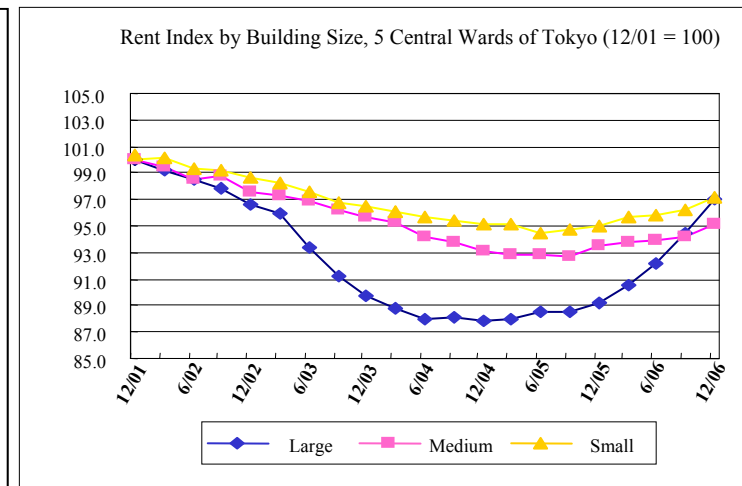
Profitability

Medium Risk, Medium Return

- Assumption: These assets will continue to generate stable returns on investment.



Source: Prepared by Tosei, based on construction start statistics published by the Ministry of Land, Infrastructure and Transport.



Source: Prepared by Tosei, based on the Miki Office Report issued by Miki Shoji Co., Ltd.

The Future Real Estate Market (3) ~Tosei's Policies~

Tosei aims to generate high returns from medium risk in a medium return, medium risk market, and expects only limited, short-term impact from market corrections.

Operating Environment Outlook



III. Outlook for the Fiscal Year Ending November 30, 2007

Outlook for the Fiscal Year Ending Nov. 30, 2007

(¥ million, %)

	Six months ended May 31, 2007	FY ending Nov. 30, 2007			FY ended Nov. 30, 2006	
	Actual	Initial Projection	Revised Projection	Variance	Actual	YoY increase %
Revenues	22,205	51,527	50,994	(533)	24,741	106.1
Operating income	3,019	7,817	8,618	801	5,900	46.1
Ordinary income	2,595	6,778	7,547	769	5,323	41.8
Net income	1,482	3,538	4,070	532	2,737	48.7

Projection Variance

➤ Lower Revenues

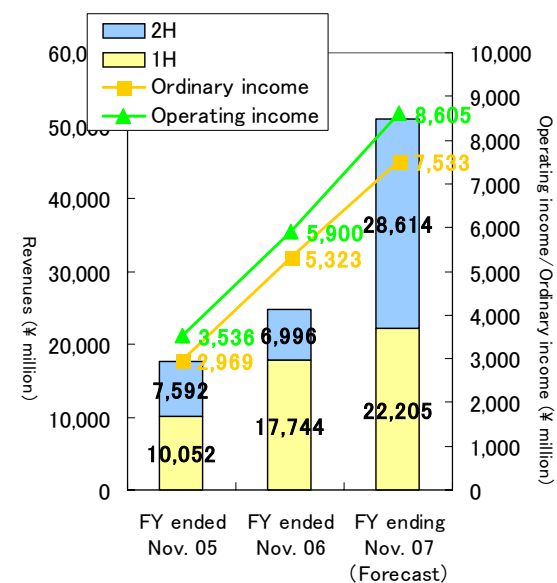
Small downward revision because we held off on sales of buildings developed for investors and in the alternative investment business.

➤ Higher Operating Margin

The revitalization business was more profitable than forecast, which raised the overall operating margin. (Initial 15.2% ⇒16.9%)

➤ Higher Operating Income

11% above initial projection.



Initiatives during the Fiscal Year Ending Nov. 30, 2007 (1)

Work to achieve growth through large properties while steadily expanding business in small and medium-size properties, where Tosei has an advantage

Revitalization Business

- **Further expand “value up” and trading business by leveraging expertise in quality construction**
 - **Higashi-Ueno 4-Chome Office Project (right photo):**
Tosei provides office building development expertise to Ascot Co., Ltd. We purchased trust beneficiary rights on June 30, 2007.
- **The inventory balance of the revitalization business was about ¥37.3 billion as of May 31, 2007, equivalent to revenues of approx. ¥48.4 billion**



Above: Ueno Tosei Building
Below left: Hatsudai PJ
Below right: Hyakunincho PJ

Initiatives during the Fiscal Year Ending Nov. 30, 2007 (2-1)

We are following the Toranomom Tosei Building with a series of office building and commercial facility projects.

Development Business

- The inventory balance of the development business was about ¥19.3 billion as of May 31, 2007, equivalent to revenues of about
- ¥38.2 billion

➤ Activities by Property Type

Office buildings

- **Kanda Tosei Building**
Completed May 2007. Tenants currently conducting business operations.
- **Kanda-Ogawamachi Building Project**
- **Kichijoji Commercial Building Project** (see reference materials p. 79)
- **Other projects in progress include Heiwajima, Nihonbashi Ningyocho and Nishi Ikebukuro.**



From left:
Kanda Tosei Building
Kanda Ogawamachi Building PJ
Kichijoji Commercial Building PJ
Nihonbashi Ningyocho PJ

Initiatives during the Fiscal Year Ending Nov. 2007 (2-2)

Tosei develops profitable, well-designed properties for condominium sales to end-users and for leasing.

Development

➤ **Activities by Property Type**

Condominium units for sale to end-users

- Ota Chuo 3-Chome Condominium Plan
- Takenotsuka Condominium Plan

Rental condominium complexes for sale to funds

- Tosei has completed projects in Mita, Akabane, Ryogoku, and Akihabara and is recruiting tenants.
- Nihonbashi Yokoyamacho: income-producing rental small office/home office development. Completion scheduled for January 2008 (see reference materials page 82)
- Also, Kanda Sakumacho, Shin Koiwa, Kunitachi and others under development.



From left: Ota Chuo 3-Chome Condominium PJ, Nihonbashi Yokoyamacho PJ, THE Palms Akabane, THE Palms Mita, Shin Koiwa PJ

Initiatives during the Fiscal Year Ending Nov. 30, 2007 (2-3) Heiwajima Office Building Concept 1

**The start of a project that generates synergy
between the Development and Fund businesses**

➤ The Purchase

The former owner sold a recently built and highly profitable office building and a run-down warehouse as a single property. Tosei formulated a plan to subdivide the site to create the requisite floor area ratio for an income-producing building. This plan:

1. Proposed that Tosei purchase the portion for the income-producing building via an asset management fund;
2. Proposed that Tosei purchase the run-down warehouse through an on-balance-sheet transaction for the development of an office building.

Collaboration between Tosei's Development and Fund businesses enabled a deal that is more profitable than other companies can structure.



An office building will be developed on the site formerly occupied by a warehouse.

Subdivision

◆Property Overview

Location: Ota-ku, Heiwajima
4-Chome

Site area: 4,649.48m²
(1,406.46 tsubo)

Zoning: Industrial /
Heiwajima Area
Plan Designation

Transportation: 10-minute
walk from
Heiwajima
Station on Keihin
Kyuko main line

Initiatives during the Fiscal Year Ending Nov. 30, 2007 (2-4) Heiwajima Office Building Concept 2

Tosei is now planning for an outstanding environment by integrating an adjacent income-producing property owned by a fund.

➤ **A Building Plan Friendly to People and Nature**

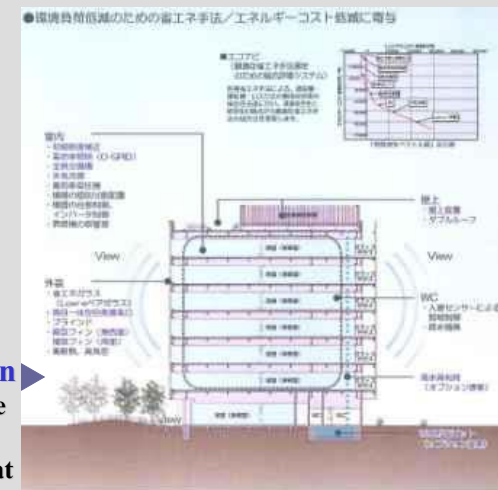
▼ **Site Plan**

- We will integrate two sites to create open public space.
- Greenery will connect with the adjacent Heiwa no Mori Park.



▶ **Environment & Energy Conservation**

- Double roof and rooftop greenery reduce heat loading from the expansive roof.
- Rooftop greenery helps eliminate the heat island effect.



◀ **Building Plan**

- A wide, glass curtain wall provides views of the sky and greenery.
- Terraces in the space between offices provide access to fresh air.

*This project is now in the planning stage, and may change in the future.

Initiatives during the Fiscal Year Ending Nov. 30, 2007 (3)

**Expand stable revenue sources, both on and off the balance sheet,
to further enhance stability of operations**

Rental Business

- **Position the business as a steady source of income, with due consideration to the balance of fixed and current assets**
- **Total of 65 properties held as of May 31, 2007 (44 current asset properties and 21 fixed asset properties – see p. 11)**
*Total number of properties held as of Nov. 30, 2006 was 57 (36 current asset properties and 21 fixed asset properties)

Fund Business

- **Increase overall fund balance by increasing individual fund assets and structuring new funds**
 - As of May 31, 2007, Tosei's 12 funds had grown to over ¥63.4 billion (see p. 12)
 - Including the ¥6.1 billion in property acquisitions already completed by consolidated subsidiary Pegasus Capital, Ltd., the actual fund balance is about ¥69.5 billion.
 - Tosei has also concluded agreements for additional properties valued at ¥34.2 billion.

- **Target fund asset balance for November 30, 2007: ¥115.8 billion**

	Nov. 30, 2006	Nov. 30, 2007	Nov. 30, 2008
Initial plan	¥41,300 million	¥85,000 million	¥130,000 million
Revised plan	¥48,000 million	¥115,800 million	¥165,800 million

Initiatives during the Fiscal Year Ending Nov. 30, 2007 (4)

Enhance fund business → Property management

Diversify → Alternative investment

Diversify exit options for properties → List a J-REIT

Property Management Business

Tosei Community Co., Ltd.

- **Implement reform to establish new management system, as per the Medium-Term Management Plan**

Basic policies: “Increase customer satisfaction by improving quality of service”
“Establish new framework to handle a large volume of supply”

Alternative Investment Business

Tosei Revival Investment Co., Ltd.

- **Diversify range of projects undertaken**
M&As: Broaden range of projects considered outside the field of real estate business (regional projects, turnaround, unlisted companies, etc.)
NPL Funds: Diversify property types (hotels, warehouses, etc.)

Initiatives in the REIT business

Tosei REIT Advisors, Inc.

- **Acquired investment trust license on April 19, 2007. Established investment corporation on June 3, 2007.**
- **Now preparing to list shares in the initial target period.**

Initiatives during the Fiscal Year Ending Nov. 30, 2007 (5)

Tosei has formed project teams to study and implement compliance with the Financial Instruments and Exchange Law and J-SOX.

➤ Financial Instruments & Exchange Law Project

The Financial Instruments and Exchange Law will require Tosei to register its real estate fund asset management business, currently categorized as a discretionary investment vehicle, as an investment management business.

Asset Management Business Registration

Personnel
Organization

Operational
System

Financial
Base

Are among stringent requirements to meet.

Barrier to participation of small and medium-size asset management companies

Shakeout among asset management companies

Winners & losers will emerge

- Tosei intends to register as an investment management company in order to differentiate itself from other companies in operating a true asset management company.
- We have established an 8-person project team that is conducting full-scale preparations including obtaining the advice of external experts such as attorneys. Issues include:
 - ✓ Legal ramifications for real estate funds when the law is enacted.
 - ✓ The future organizational structure of Tosei's asset management company.

➤ J-SOX Project

- Tosei must implement in the year ending 11/2009.
- 10-member project team includes 4 full-time members.



Current Progress

1. Creating a checklist for evaluating companywide internal controls for financial reporting.
2. Has made initial determination of scope of business processes, which the corporate auditors are now checking and discussing.
3. Has begun creating documentation for operational descriptions, flow charts and RCM*.

*Risk Control Matrix (RCM): a reference publication covering operational risk control.

Forecasts by Business Segment

(¥ million, %)

	FY ended Nov. 30, 2006		FY ending Nov. 30, 2007 (forecast)		Y o Y change		
	(Consolidated)	% of revenues	(Consolidated)	% of revenues	Amount	%	Change in operating income ratio
Revenues	24,741	100.0	50,994	100.0	26,253	106.1	
Revitalization business	15,650	63.3	34,165	67.0	18,515	118.3	
Development business	3,842	15.5	10,588	20.8	6,746	175.6	
Rental business	1,838	7.4	2,865	5.6	1,027	55.9	
Fund business	1,419	5.7	1,237	2.4	(182)	(12.8)	
Property management business	1,904	7.7	2,250	4.4	346	18.2	
Alternative investment business	335	1.4	238	0.5	(97)	(29.0)	
Internal transactions	(250)	-	(351)	-	(101)	40.4	
Operating income	5,900	23.9	8,618	16.9	2,718	46.1	-7.0P
Revitalization business	4,040	25.8	6,862	20.1	2,822	69.9	-5.7P
Development business	513	13.4	979	9.2	466	90.8	-4.2P
Rental business	985	53.6	1,441	50.3	456	46.3	-3.3P
Fund business	1,117	78.7	791	63.9	(326)	(29.2)	-14.8P
Property management business	122	6.4	135	6.0	13	10.7	-0.4P
Alternative investment business	277	82.7	85	35.7	(192)	(69.3)	-47.0P
Corporate and eliminations	(1,155)	-	(1,677)	-	(522)	45.2	-
Ordinary income	5,323	21.5	7,547	14.8	2,224	41.8	
Net income	2,737	11.1	4,070	8.0	1,333	48.7	

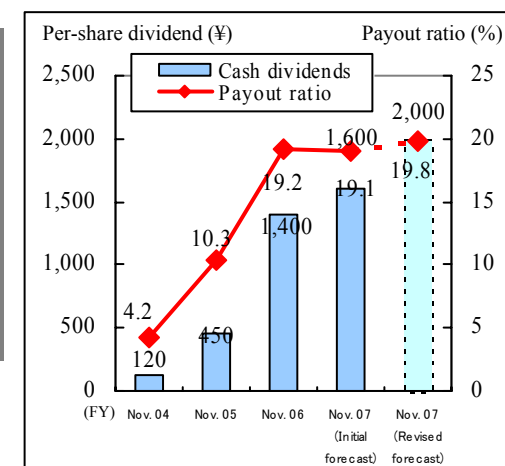
Shareholder Returns Policy

Fundamental Shareholder Returns Policy

- Providing stable dividends is the most important management task
- Tosei targets a payout ratio of 20% as a management indicator
- The Company's policy is to take stock market trends into account in considering ways to enhance the liquidity of trading in its stock.

Year-end dividend forecast for the fiscal year ended Nov. 2007

	FY ended Nov. 04	FY ended Nov. 05	FY ended Nov. 06	FY ending Nov. 07 (Initial forecast)	FY ending Nov. 07 (Revised forecast)
Dividend per share (¥)	120.00	450.00	1,400.00	1,600.00	2,000.00
Payout ratio (Non-consolidated) (%)	4.2	10.3	19.2	19.1	19.8

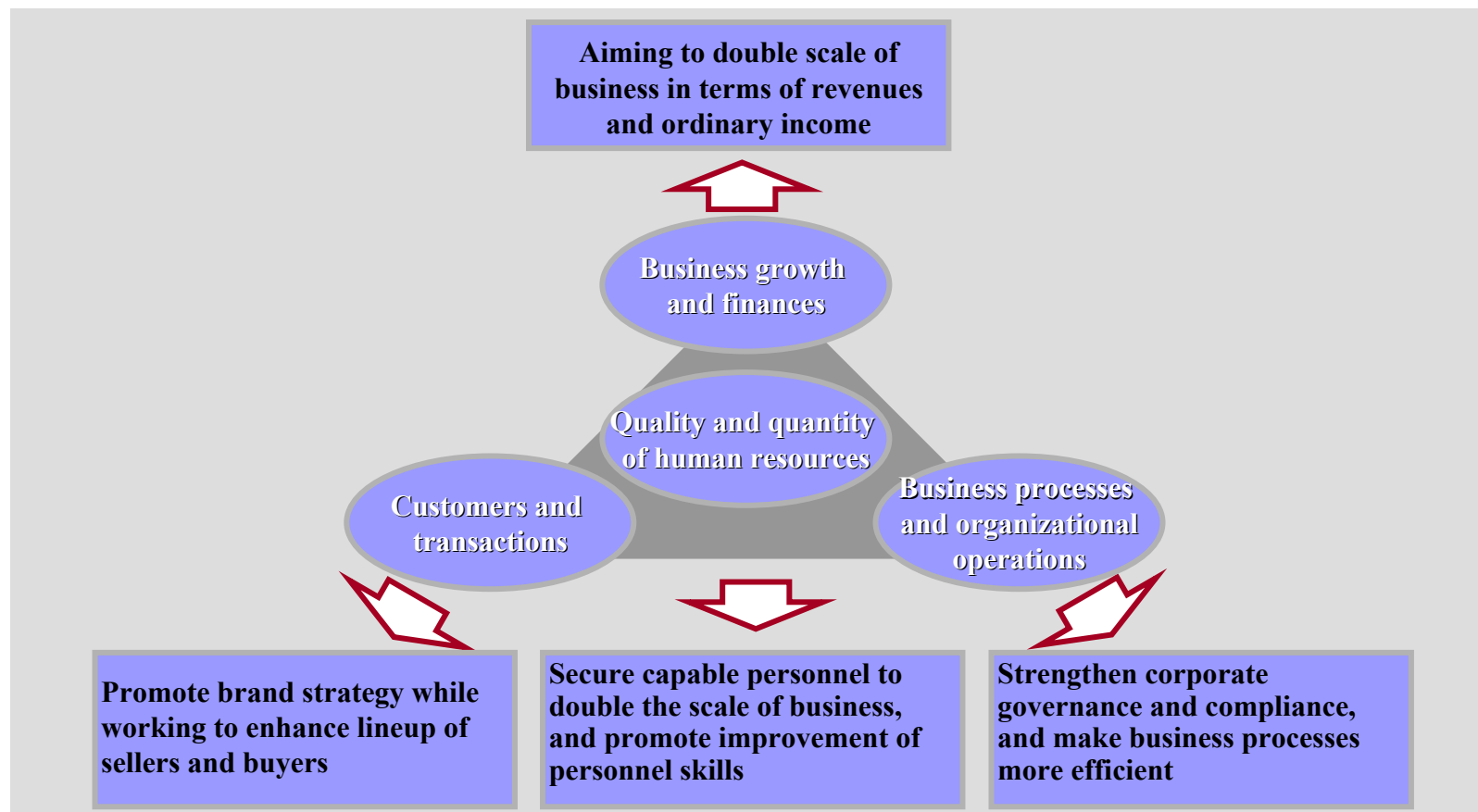


IV. Progress of the Medium-term Management Plan

Medium-term Management Plan – Overview

Promoting growth & expansion, brand establishment

GROWING UP 2008



Medium-term Management Plan: Progress Overview

Tosei revised its targets for 2008 at the end of November 2006 because of good progress in the first year of the plan, increasing its revenues target by 33.3% and its ordinary income target by 28.3%.

(¥ million, %)

Current Progress

- Substantially exceeded initial 3-year numerical targets.
- Took steps to strengthen the financial structure by responding to the expanding scale of assets and rising interest on borrowing
- Strengthened implementation of corporate governance and the internal control system
- Took steps toward improving the job satisfaction and skills of existing employees while strengthening hiring
- Began building the corporate brand by establishing a new Group philosophy, changing the Company name, etc.

*1 Revised January 12, 2007

*2 Revised July 10, 2007

*3 Actual figure including about ¥6,800 million already purchased by consolidated subsidiary Pegasus Capital, Ltd.

Top: Original target Middle: Actual/ new target*1 Lower : Revised target*2	FY ended Nov. 05	FY ended Nov. 06	FY ending Nov. 07	FY ending Nov. 08
Revenues	17,644	28,484 24,741	— 51,527 50,994	40,500 54,078 Will Review in 11/07
Ordinary income	2,969	4,042 5,323	— 6,778 7,547	6,000 7,700 Will Review in 11/07
Net worth ratio	20.5%	— 25.3%	— 23.3% 24.4%	30.0% 26.3% Will Review in 11/07
ROE	19.2%	— 23.3%	— 21.2% 22.4%	18.3% 21.2% Will Review in 11/07
ROA	3.9%	— 5.4%	— 5.1% 5.5%	5.5% 5.3% Will Review in 11/07
Real estate fund asset balance	20,244	41,300 48,000*3	85,000 115,800 115,800	130,000 165,800 Will Review in 11/07
Planned no. of employees	107	139 134	157 180 180	170 211 Will Review in 11/07

Reference Materials

[Reference Materials]
I. Tosei Group Overview

Tosei Group Overview

Name	TOSEI CORPORATION
Address	4-2-3 Toranomom, Minato-ku, Tokyo
Date established	February 2, 1950
Capital	¥4,148,020,000
Representative	Seiichiro Yamaguchi, President and CEO
Fiscal year-end	November 30
Stock listing	TSE, Second Section; JASDAQ
Share status	<ul style="list-style-type: none"> ■ Total outstanding shares 376,840 ■ Number of shareholders 6,505 ■ Shareholder composition <ul style="list-style-type: none"> ▪ Individuals/others 52.11% (196,375 shares) ▪ Financial institutions 16.98% (63,972 shares) ▪ Securities companies 0.63% (2,358 shares) ▪ Foreign companies 13.37% (50,397 shares) ▪ Other companies 16.91% (63,738 shares)
Employees	115 (Non-consolidated) 172 (Consolidated)
Main affiliated companies	Tosei Revival Investment Co., Ltd. Tosei Community Co., Ltd. Tosei REIT Advisors, Inc.

(As of May 31, 2007)

History

Revenues

(¥ million)

56,000

52,000

48,000

44,000

40,000

36,000

32,000

28,000

24,000

20,000

16,000

12,000

8,000

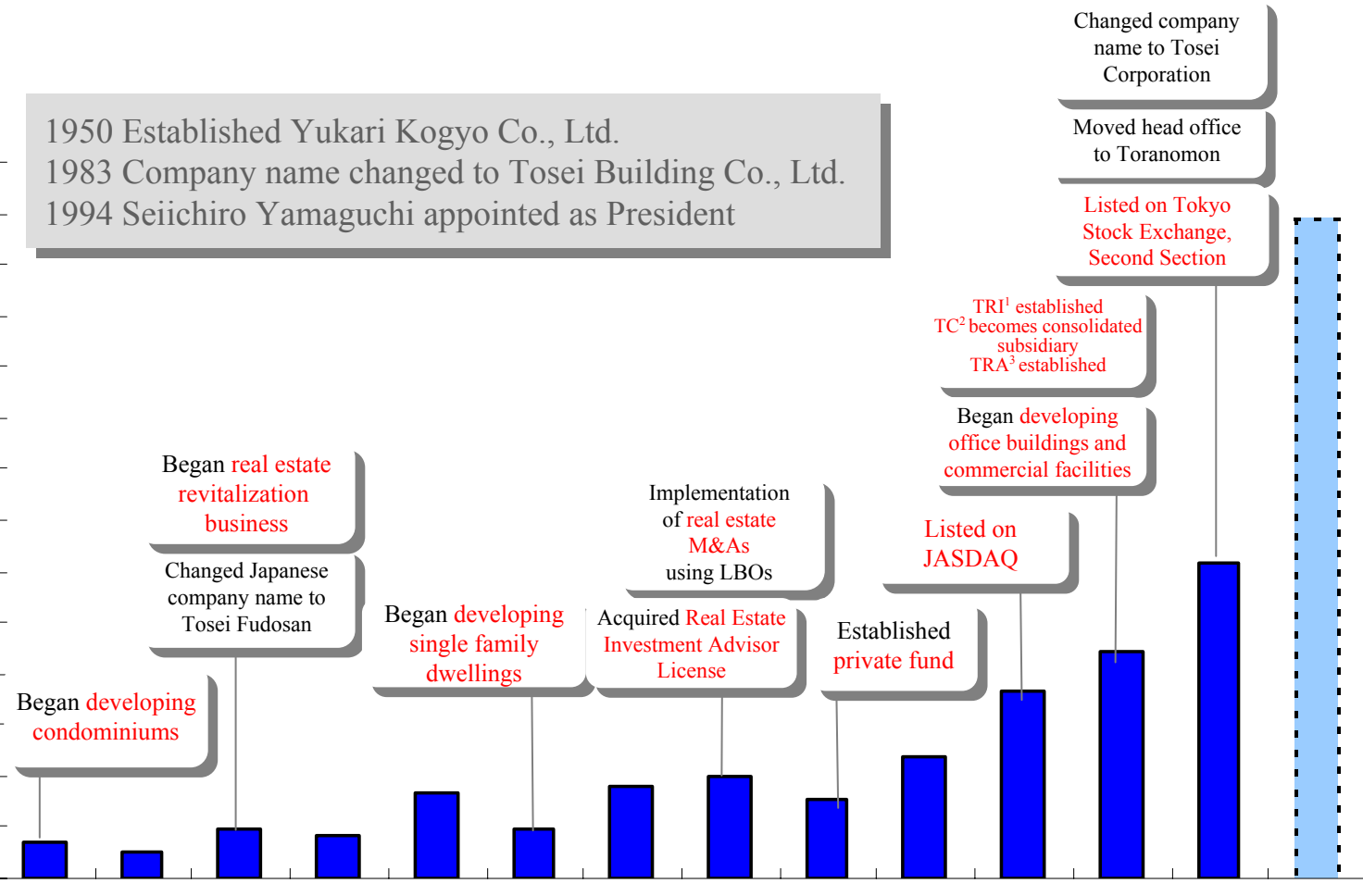
4,000

0

1950 Established Yukari Kogyo Co., Ltd.
1983 Company name changed to Tosei Building Co., Ltd.
1994 Seiichiro Yamaguchi appointed as President

1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007

Notes: 1. TRI: Tosei Revival Investment Co, Ltd.
2. TC: Tosei Community Co., Ltd.
3. TRA: Tosei REIT Advisors, Inc. (Projected)



Tosei Group Advantages (1) Capabilities over a Broad Range of Business Areas

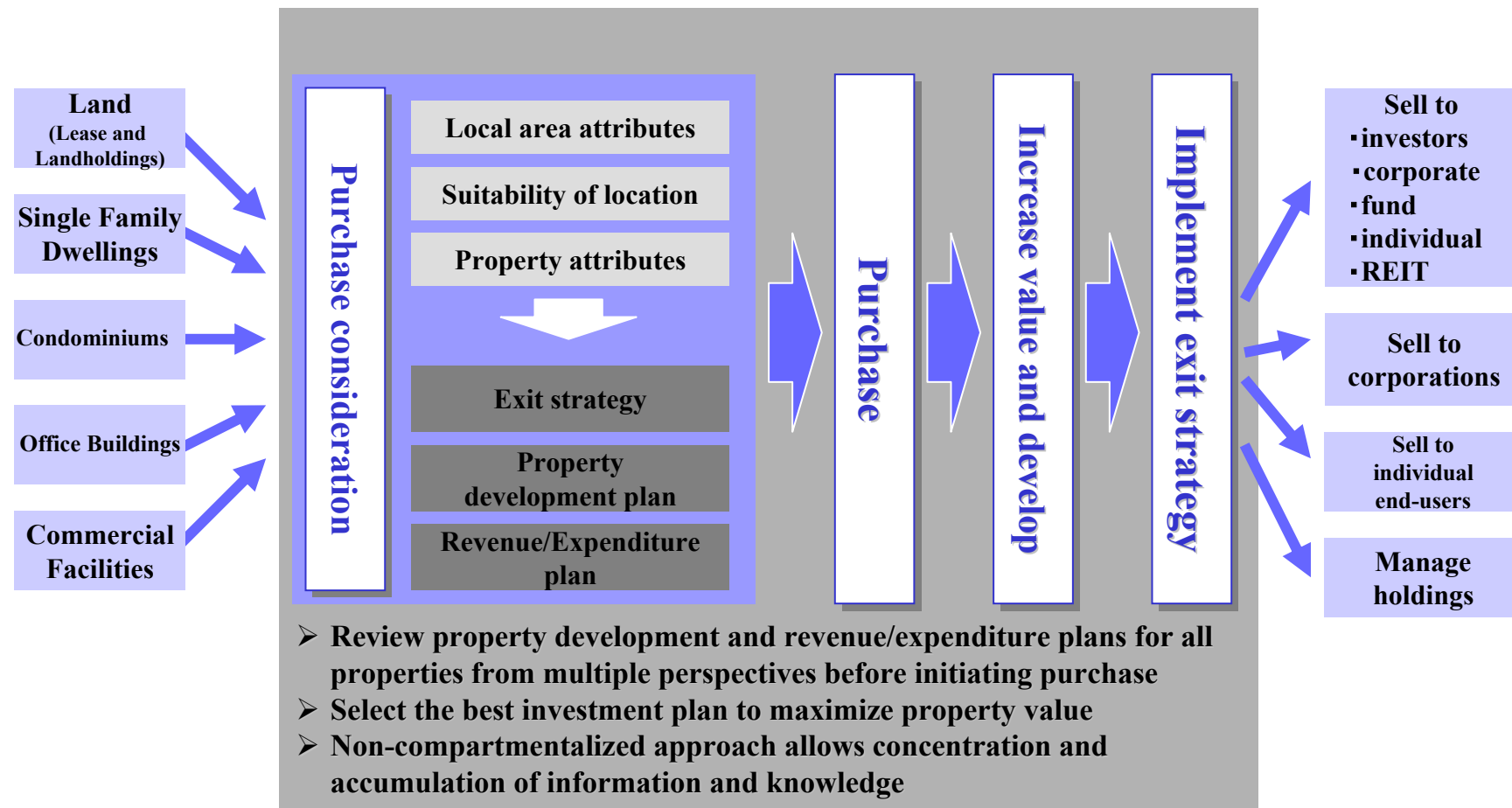
With uniform capabilities over a broader range of business areas, Tosei has solid advantages over other companies in the real estate industry.

“Only One” Business Model

Businesses Company type	Real Estate Revitalization	Real Estate Development			Real Estate Rental	Real Estate Funds		Property Management	Alternative Investment
	Increase Value	Condo-miniums	Single Family Dwellings	Office and Commercial Facilities	Manage Holdings	Structure Funds	Manage Assets	Adminis-tration and Property Management	
Tosei	○	○	○	○	○	○	○	○	○
Developers		○	○	○					
Real estate traders	△								
Principal Investors, Real Estate Funds	○			△		○	○		△
Real Estate Funds	△			△		○	○		○
Rental/Other	△				○		△	○	

Tosei Group Advantages (2) Portfolio Management

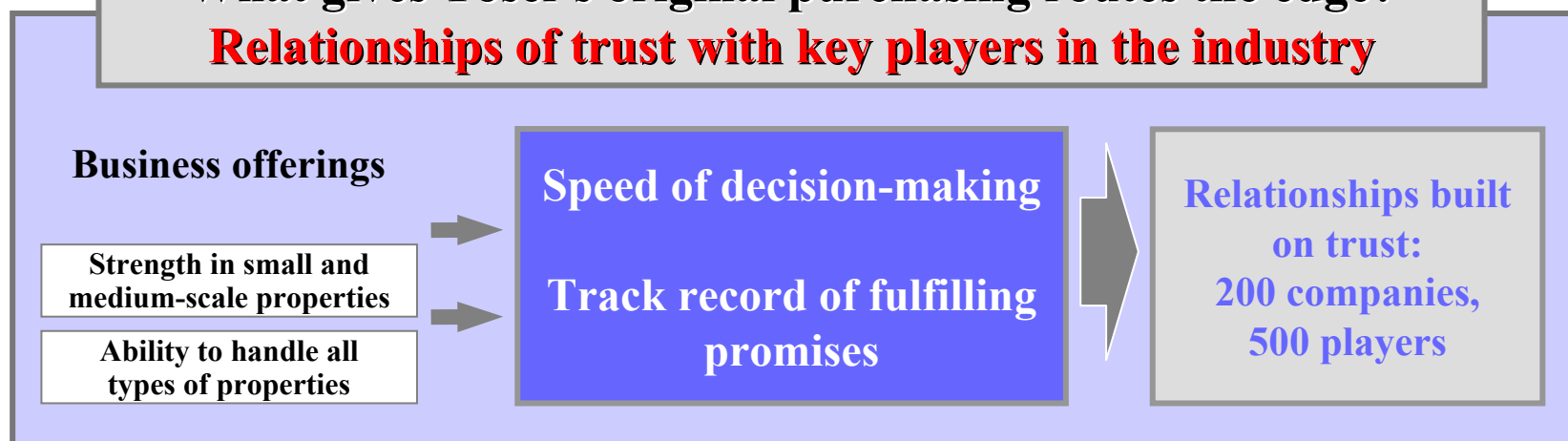
Management that maximizes real estate value



Tosei Group Advantages (3) Advantages in Purchasing

High proportion of negotiated transactions (85.0%*) through original purchasing routes
Advantages from business offerings, speedy decision-making and results that other companies can't provide

What gives Tosei's original purchasing routes the edge?
Relationships of trust with key players in the industry



- **Small and medium-scale properties are difficult to bid on for various reasons, including cost effectiveness and the large number that are owned by small businesses or individuals.**
- **Faced with competition, brokers of small and medium-scale properties bring information to those who will make a quick decision and follow through with purchase.**

*Six months ended May 31, 2007 (including additions to assets in the fund business)

[Reference Materials]
II. Supplementary Materials to the Interim
Results for the Six Months Ended May 31, 2007

Overview of Segment Results (1) Revenues/Cost of Revenues

(¥ million, %)

Revenues	Six months ended May 31, 2006		Six months ended May 31, 2007		YoY change	
	(Consolidated)	% of revenues	(Consolidated)	% of revenues	Amount	%
Total	17,744	100.0	22,205	100.0	4,460	25.1
Revitalization business	11,834	66.7	10,996	49.5	(837)	(7.1)
Development business	3,295	18.6	8,184	36.9	4,889	148.4
Rental business	804	4.5	1,297	5.8	492	61.2
Fund business	784	4.4	522	2.4	(261)	(33.3)
Property management business	802	4.5	1,229	5.5	427	53.2
Alternative investment business	317	1.8	207	0.9	(109)	(34.4)
Internal transactions	(92)	-	(233)	-	(140)	-

Cost of revenues	Six months ended May 31, 2006		Six months ended May 31, 2007		YoY change	
	(Consolidated)	% of revenues	(Consolidated)	% of revenues	Amount	%
Total	12,170	68.6	17,784	80.1	5,614	46.1
Revitalization business	8,714	73.6	9,074	82.5	360	4.1
Development business	2,597	78.8	7,159	87.5	4,562	175.7
Rental business	336	41.8	719	55.4	382	113.7
Fund business	1	0.1	8	1.5	7	700.0
Property management business	599	74.7	993	80.8	394	65.8
Alternative investment business	6	1.9	26	12.6	19	316.7
Internal transactions	(85)	-	(198)	-	(112)	-

Overview of Segment Results (2) Gross Profit/Operating Income

(¥ million, %)

	Six months ended May 31, 2006		Six months ended May 31, 2007		YoY change	
	(Consolidated)	Gross profit margin	(Consolidated)	Gross profit margin	Amount	%
Total	5,574	31.4	4,420	19.9	(1,154)	(20.7)
Revitalization business	3,119	26.4	1,921	17.5	(1,197)	(38.4)
Development business	698	21.2	1,025	12.5	327	46.8
Rental business	467	58.1	577	44.5	110	23.6
Fund business	783	99.9	513	98.3	(269)	(34.4)
Property management business	202	25.2	235	19.1	33	16.3
Alternative investment business	310	97.8	180	87.0	(129)	(41.6)
Internal transactions	(6)	-	(34)	-	(28)	-

	Six months ended May 31, 2006		Six months ended May 31, 2007		YoY change	
	(Consolidated)	Operating income ratio	(Consolidated)	Operating income ratio	Amount	%
Total	4,591	25.9	3,019	13.6	(1,572)	(34.2)
Revitalization business	3,041	25.7	1,833	16.7	(1,208)	(39.7)
Development business	585	17.8	901	11.0	316	54.0
Rental business	452	56.2	526	40.6	73	16.2
Fund business	663	84.6	323	61.9	(339)	(51.1)
Property management business	56	7.0	44	3.6	(12)	(21.4)
Alternative investment business	299	94.3	142	68.6	(157)	(52.5)
Corporate and eliminations	(506)	-	(752)	-	(246)	-

Main Performance Indicators

(¥ million, %)

➤ 5-Year Summary of Main Performance Indicators

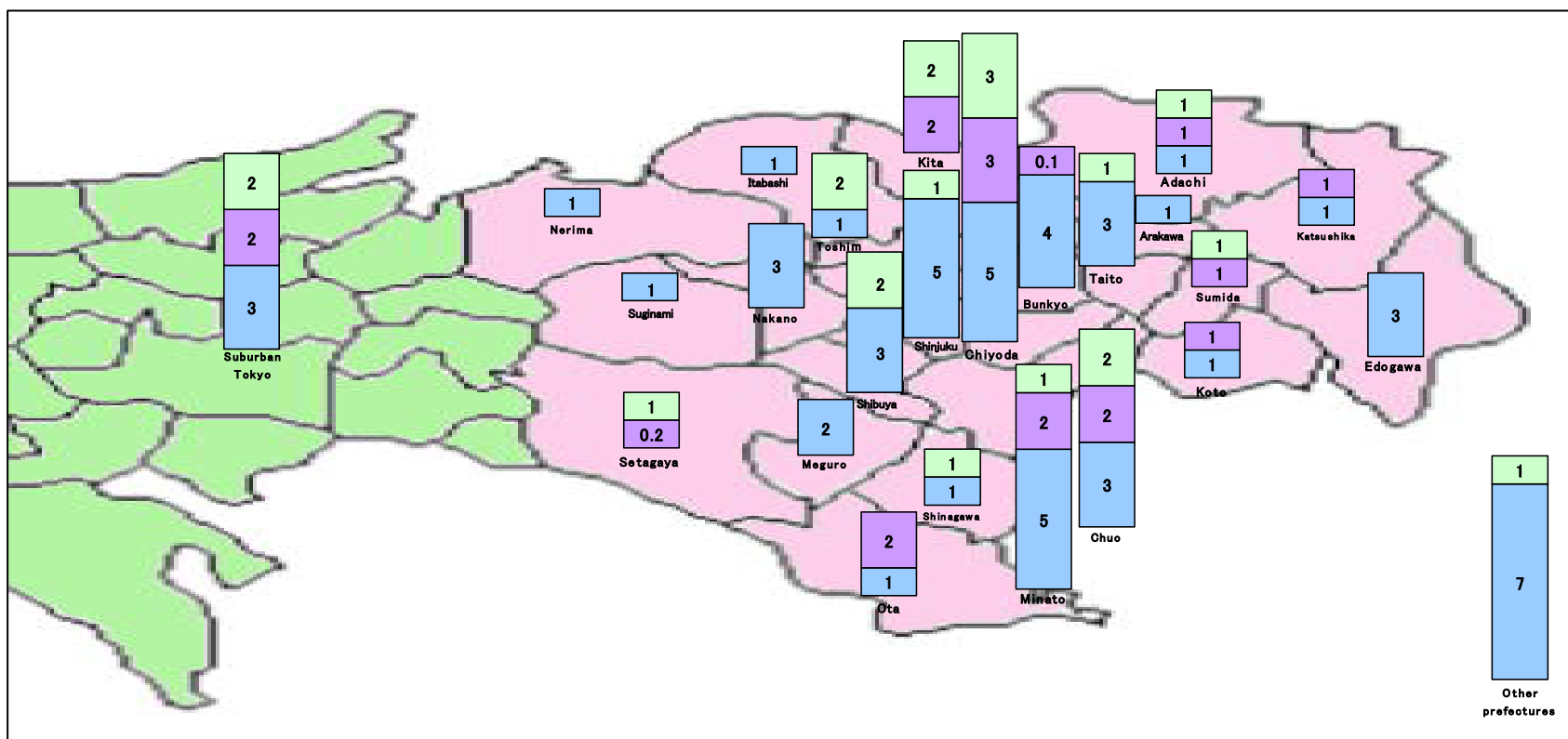
	Non-consolidated					Consolidated		
	FY ended Nov.03	FY ended Nov.04	FY ended Nov.05	FY ended Nov.06	Six month ended May.07	FY ended Nov.05	FY ended Nov.06	Six month ended May.07
Operating income ratio	12.8%	14.4%	19.8%	24.9%	17.2%	20.0%	23.9%	13.6%
Ordinary income ratio	9.2%	10.4%	16.5%	22.8%	14.8%	16.8%	21.5%	11.7%
Return on revenues	4.7%	5.5%	8.9%	12.0%	8.8%	9.0%	11.1%	6.7%
Return on equity (ROE)	24.4%	18.2%	20.1%	23.2%	8.9%	19.2%	23.3%	9.4%
Return on total assets (ROA)	2.3%	3.3%	4.4%	6.0%	2.3%	3.9%	5.4%	2.2%
Net worth ratio	10.7%	22.6%	21.4%	29.5%	23.6%	20.5%	25.3%	21.4%
Revenues per employee (¥ million)	242	330	247	278	136	165	181	129
Net ordinary income per employee (¥ million)	22	34	41	63	20	28	39	15
Earnings per share (EPS)(¥)	2,149.41	2,833.01	4,378.97	7,306.24	3,658.15	4,664.46	7,412.80	3,932.98
Book value per share (BPS) (¥)	9,943.36	19,829.73	23,739.56	40,055.23	42,326.25	24,018.05	40,414.50	42,961.47
Issued number of shares at year end	20,580	335,800	344,858	376,838	376,840	344,858	376,838	376,840

Overview of Properties Handled (1)

By Region

➤ Concentration in Central Tokyo

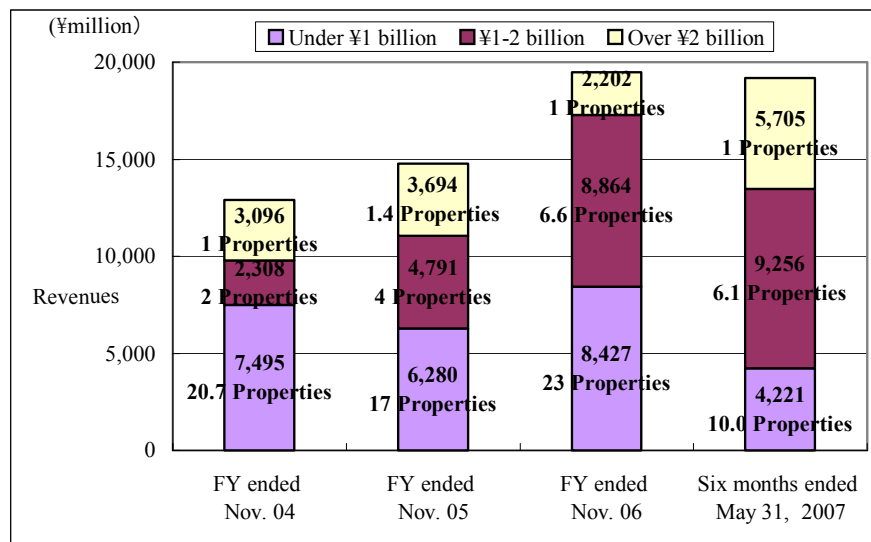
Total of 94.3 properties held/purchased as of May 31, 2007
79.3 of total properties in 23 wards of Tokyo (approx. 84.1%)



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

Overview of Properties Handled (2)

By Scale



- Primarily properties under ¥1 billion (in terms of number of properties), where Tosei focuses its strength
- Accelerating growth by aggressively adding large-scale properties

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

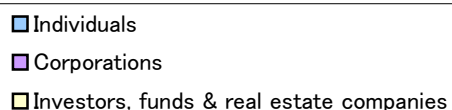
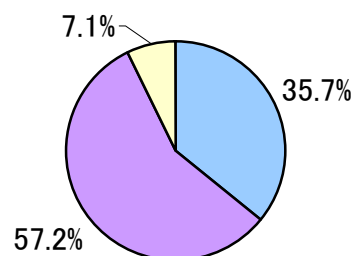
	FY ended Nov. 2004		FY ended Nov. 2005		FY ended Nov. 2006		Six months ended May 31, 2007		Inventory as of Nov. 07 (No. of properties)
	Revenues (¥ million)	No. of properties	Revenues (¥ million)	No. of properties	Revenues (¥ million)	No. of properties	Revenues (¥ million)	No. of properties	
Over ¥2 billion	3,096	1.0	3,694	1.4	2,202	1.0	5,705	1.0	8.0
¥1-2 billion	2,308	2.0	4,791	4.0	8,864	6.6	9,256	6.1	14.3
Under ¥1 billion	7,495	20.7	6,280	17.0	8,427	23.0	4,221	10.0	51.0
Total	12,899	23.7	14,765	22.4	19,493	30.6	19,182	17.1	73.3

Overview of Properties Handled (3)

By Purchaser

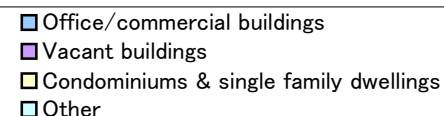
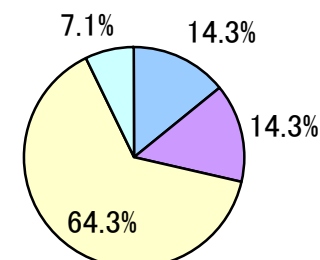
- Sales to corporations and individuals account for approx. 57.2% and 35.7% of total properties sold, respectively
- By property type, condominiums accounted for the most sales at 64.3% of sales because of the sale of condominiums in three complexes.

➤ No. of Properties and Percentage by Purchaser



Purchaser	No. of properties	Percentage
Individuals*	5	35.7%
Corporations	8	57.1%
Investors, funds & real estate companies	1	7.1%
Total	14	100.0%

➤ No. of Properties and Percentage by Property Type



Property type	No. of properties	Percentage
Office/commercial buildings	2	14.3%
Vacant buildings	2	14.3%
Condominiums & single family dwellings	9	64.3%
Other	1	7.1%
Total	14	100.0%

* Condominium complexes and single family dwelling subdivisions for individual sale to end-users are counted as single properties.

Responding to Other Factors Affecting Operating Results

Factors of Particular Concern

- Impact of changes in the real estate market
 - The time frame of projects in the revitalization and development businesses is from 6 months to 2 years.
 - Changes in the real estate market midway during a project have the potential to affect operating results.

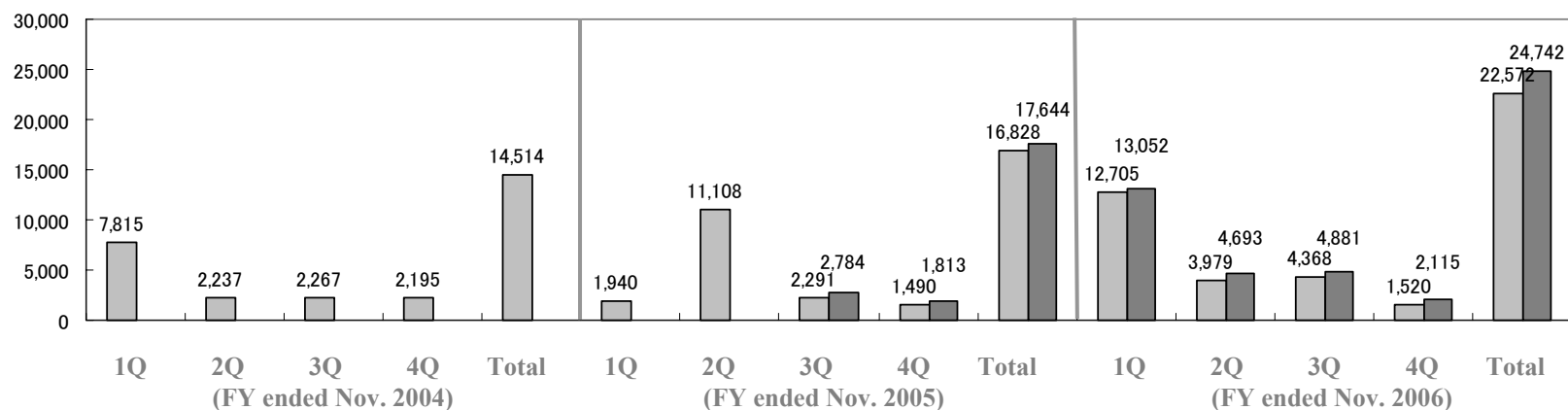
- High degree of dependence on interest-bearing debt and interest rate trends
 - Ratio of interest-bearing debt to total assets (Currently 67.0%)
 - Cost of procuring capital will increase if interest rates rise

- Changes in accounting standards
 - Changes in interpretation of consolidation of real estate funds could change the scope of consolidation.

Segment Results by Quarter

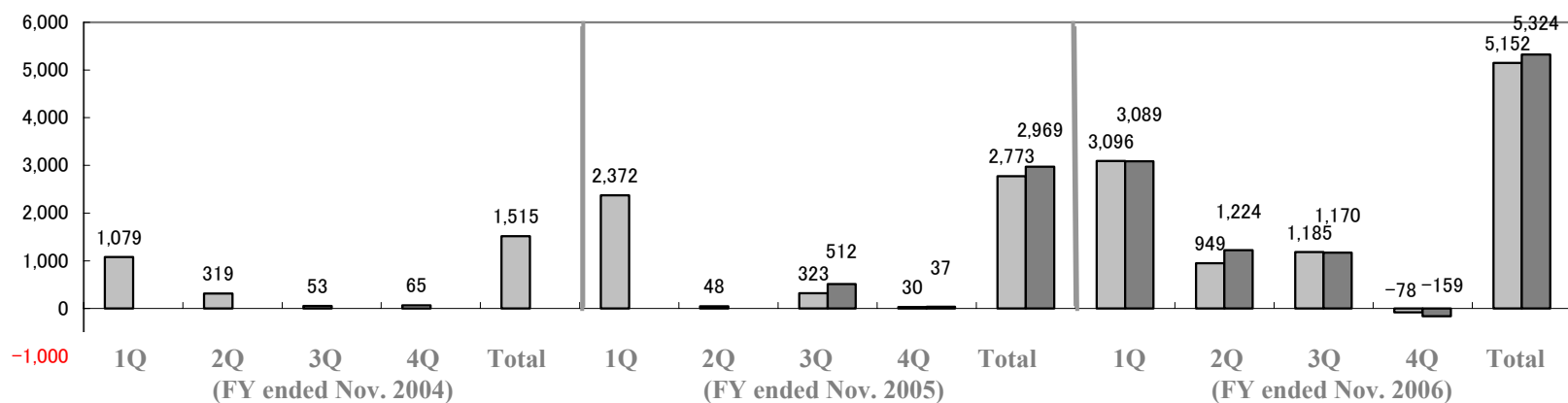
Revenues

(¥ million) ■ Non-consolidated ■ Consolidated



Ordinary income

(¥ million) ■ Non-consolidated ■ Consolidated



[Reference Materials]
III. Supplementary Materials to the
Medium-term Management Plan

Initiatives to Achieve the Medium-term Management Plan (1)

Double the scale of business by maximizing the use of Tosei's capabilities in making exit decisions, a Company strength

Increase property purchases to expand existing business

- Accelerated activities in the area of negotiated transactions, where competitors are few
Ratio of negotiated transactions to total transactions:
On balance sheet: 75.0%
Off balance sheet: 95.2%
- Tosei's ability to decide on a suitable exit with added value at the time of property purchase is a value driver because it reliably generates earnings from acquisitions.
- Further strengthen the purchasing information network to link exit -decision-making capabilities with business expansion
 - Expand scope of VIP Map System application
 - Broaden and deepen information routes (200 companies, 500 players)

Accelerate increase of fund asset balance

- Aware that Japan's fund market has more capacity for growth than U.S. and European markets, Tosei will accelerate the increase of both J-REIT and private fund assets.
 - Target real estate fund assets balance for Nov. 30, 2008: ¥165.8 billion

Offer high-value-added and distinctive products

- Secure adequate profit amid rising purchasing costs by supplying products tailored to needs
 - Employ new organizational structure to accurately determine optimal use and investment efficiency for each property
 - Enhance understanding of needs by establishing new value-up laboratories and permanent model rooms for holding seminars and workshops

Stabilize capital procurement

- Issued new shares of stock in February 2006 to increase capital and strengthen our financial structure
- With intensifying competition in purchasing, use interest-bearing debt aggressively but stably while working to reduce the average cost of procuring capital.
 - Reduced interest payments by lowering LTV ratio
 - Restrain base interest rate by shifting to borrowings with TIBOR-based rates
 - Despite the 0.5-point increase in the short-term prime rate during 2006, the increase in the average interest rate on borrowings at May 30, 2007 compared to a year earlier was limited to X points.
 - Broaden use of fixed interest rates
 - Commitment-line contracts

Initiatives to Achieve the Medium-term Management Plan (2)

Tosei's aim is to establish a corporate brand that offers a combination of "innovation and challenge" and "security and reliability"

Enhance corporate governance

- Instill awareness and steadily audit status of compliance
 - Expand compliance workshops
 - Issue "Compliance News" four times a year
 - Establish a compliance auditing system
- Strengthen risk management by reinforcing the activities of the Risk Management Committee
 - Improve framework to achieve unified management of risk information
 - Prepare and distribute a "Risk Management Manual"
 - Establish "Rules for Responding to Earthquakes and Other Disasters"
- Practice timely disclosure
 - Strengthen IR activities

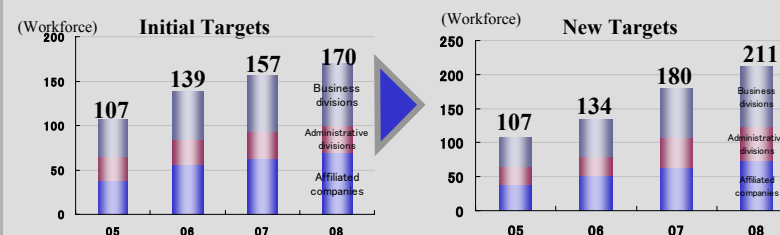
Inculcate the new corporate philosophy

- Quickly inculcate the new corporate philosophy established in October 2006 and work to incorporate it in business activities
 - Recommend and promote a variety of internal research activities
 - Encourage participation in outside workshops
 - Promote corporate brand strategy

Expand and train workforce

Current progress

- Target workforce size for the fiscal year ending Nov. 30, 2008: Increased from 170 to 211



Initiatives taken toward achieving target for the fiscal year ending Nov. 30, 2008

- Enhanced aggressive use of media linked to brand strategy
- Doubled hiring through staffing agencies, etc. → doubled number of referrals
- Strengthened graduate recruitment: Increased hiring frequency from once every two years to once a year
- Enhanced hierarchical education system by defining future personnel needs
- Identified issues of concern by conducting an employee survey and studied measures to resolve them
- Introduced a self-development system for employees

Target Revisions (Target Results by Business Segment)

Aiming to increase the scale of revenues in each business while maintaining the same revenue portfolio as in the fiscal year ended Nov. 2006

Segment Targets

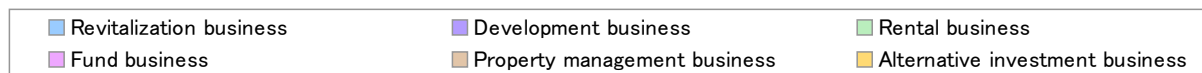
(¥ million,%)

Segment targets (consolidated)	FY ended Nov. 06			FY ending Nov. 07 (forecast)			FY ending Nov. 08 (target)		
	Revenues	Operating income	Operating income ratio	Revenues	Operating income	Operating income ratio	Revenues	Operating income	Operating income ratio
Revitalization business	15,650	4,040	25.8%	34,165	6,862	20.1%	30,831	5,579	18.1%
Development business	3,842	513	13.4%	10,588	979	9.2%	14,123	1,812	12.8%
Rental business	1,838	985	53.6%	2,865	1,441	50.3%	2,787	1,599	57.4%
Fund business	1,419	1,117	78.7%	1,237	791	63.9%	1,923	1,433	74.5%
Property management business	1,904	122	6.4%	2,250	135	6.0%	2,834	148	5.2%
Alternative investment business	335	277	82.7%	238	85	35.7%	1,786	592	33.1%
(Internal transactions and eliminations)	(250)	(1,155)	-	(351)	(1,677)	-	(206)	(1,953)	-
Total	24,741	5,900	23.9%	50,994	8,618	16.9%	54,078	9,210	17.0%

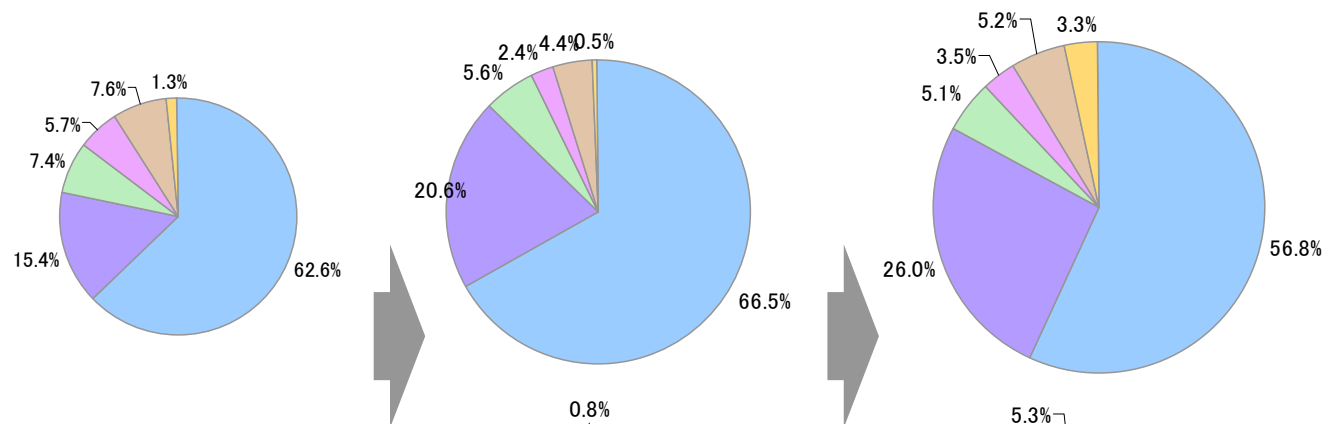
* Tosei announced revised targets for the fiscal year ending November 2008 on January 12, 2007.

However, we plan to review these targets once more in November 2007.

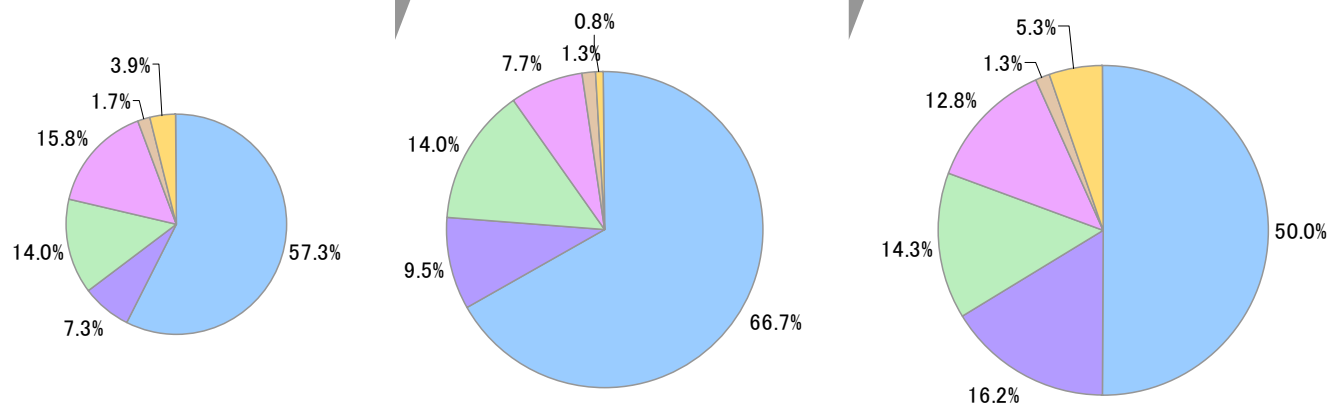
Target Results by Business Segment



Revenues



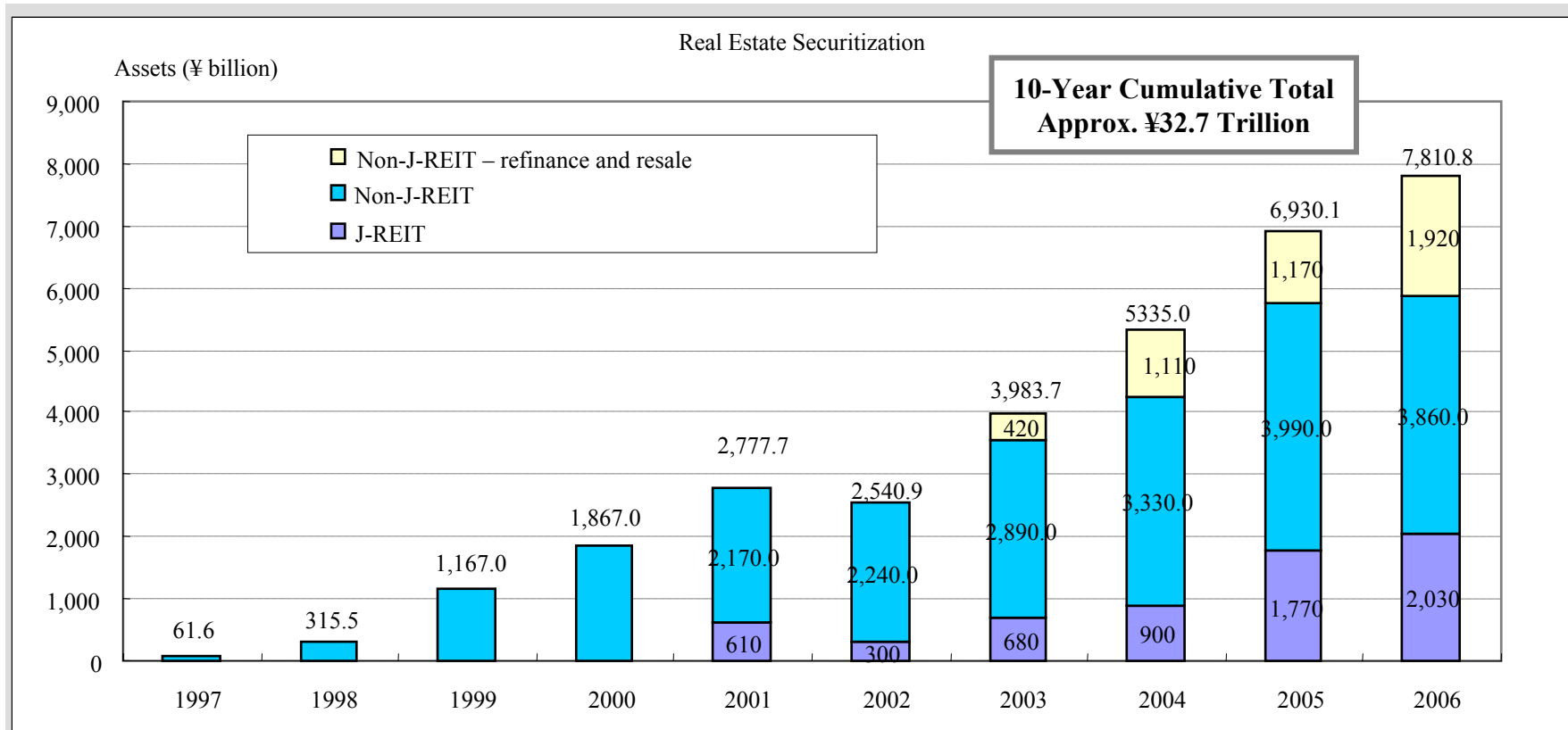
Operating income



* Tosei announced revised targets for the fiscal year ending November 2008 on January 12, 2007. However, we plan to review these targets once more in November 2007.

[Reference Materials]
IV. Supplementary Materials
Real Estate Market Conditions

The Growth of Real Estate Securitization— Broadly Defined, a ¥32.7 Trillion Market —



Source: Ministry of Land, Infrastructure and Transport 2006 Survey of Real Estate Securitization (Annual survey of real estate securitization)

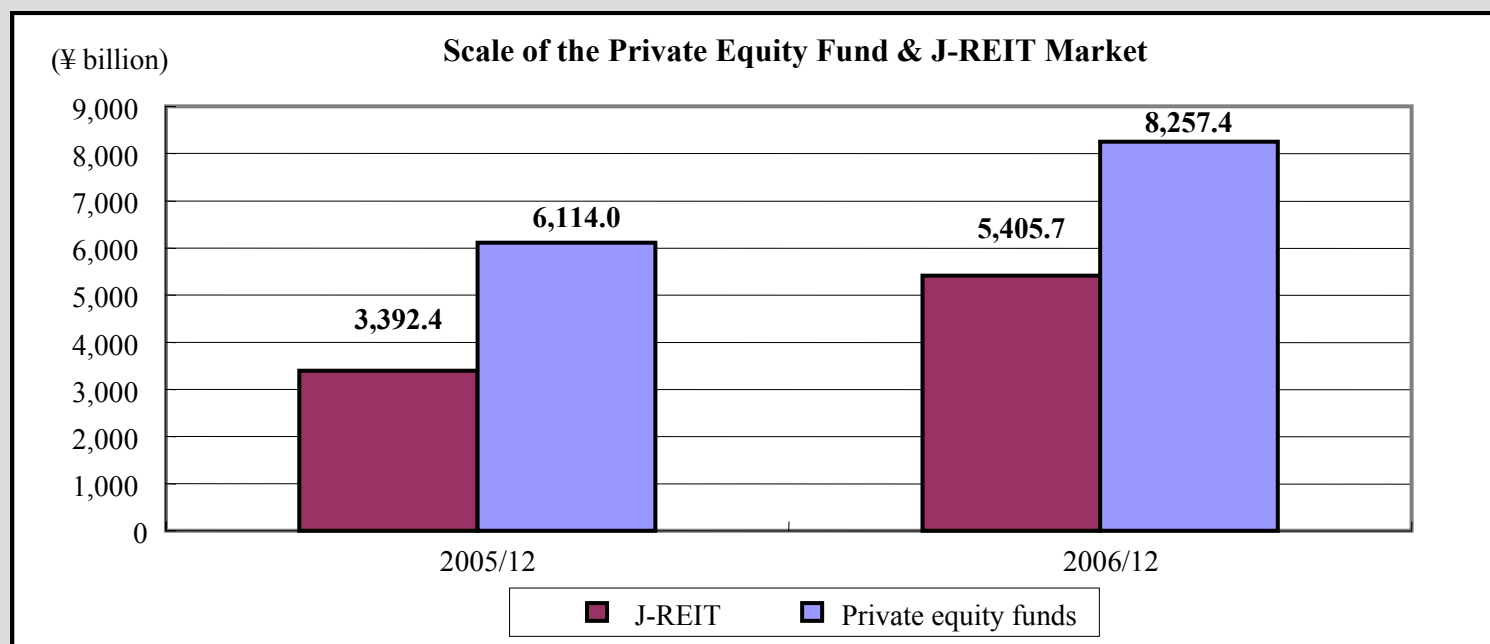
To obtain an understanding of the overall volume of real estate securitization, a broad definition has been used. Figures include assets financed by debt and other instruments in addition to the issuance of stock.

Real estate assets securitized during fiscal 2006 increased 13%, or approximately ¥7.8 trillion, compared with the previous fiscal year.

The cumulative total of real estate assets securitized as of the end of fiscal 2006 was ¥32.7 trillion.

Size of the Real Estate Fund Business Market

– At ¥15 trillion including Overseas Funds and Continuing to Expand –



Note: Private funds include offshore funds.

According to a survey by the Association for Real Estate Securitization, as of December 2006, real estate fund holdings consisted of ¥5.4 trillion in J-REITs and ¥8.2 trillion in private equity funds. Investment capital under management by asset management companies totaled ¥5.3 trillion, with a 3:7 ratio of assets under management at Japanese and foreign firms. Asset managers have placed 70% of this capital, or ¥3.7 trillion, in domestic real estate investments, and the remaining 30%, or ¥1.6 trillion, in real estate-related securities, mergers and acquisitions, and overseas real estate. Mitsubishi UFJ Trust and Banking Corporation has calculated that private equity funds with equity totaling ¥3.7 trillion have used leverage to control assets totaling ¥9.9 trillion.

Source : The Association for Real Estate Securitization and Mitsubishi UFJ Trust and Banking Corporation

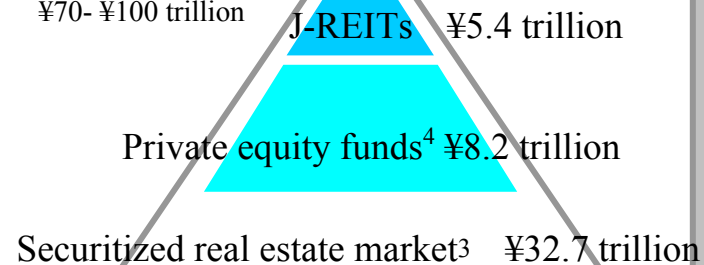
Size of the Securitized Real Estate Market — Untapped ¥100 Trillion Market, Significant Growth Potential —

Japan's total real estate assets²: ¥2,300 trillion

Corporate holdings of buildings and land in Japan¹: ¥490 trillion (as of Jan. 2003)

Land: ¥406 trillion
Buildings: ¥84 trillion

Size of securitized revenue-producing real estate market²: ¥70- ¥100 trillion



- + Public sector assets
 - About ¥3 trillion (?) (Ministry of Finance report: Unused public land ¥2.1 trillion; government buildings and residences ¥1 trillion)
 - ¥400-500 billion (Housing for government workers)
- + Japan Post and local government assets

Notes: 1. Source: Ministry of Land, Infrastructure and Transport basic land survey

3. Cumulative total of securitized real estate assets: Fiscal 2006 Ministry of Land, Infrastructure and Transport survey of real estate securitization

2. Source: Ministry of Land, Infrastructure and Transport basic land survey and Urban Research Institute Corp. survey

4. Balance as of Dec. 31, 2006. Source: The Association for Real Estate Securitization

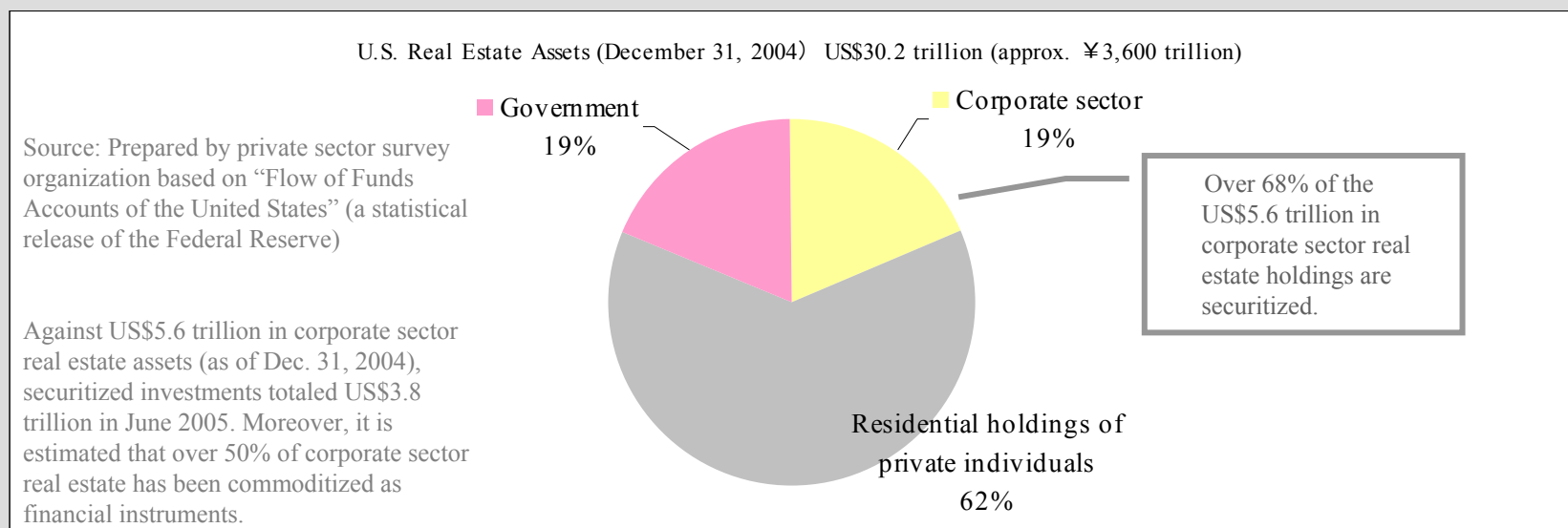
According to a government white paper on land, revenue-producing properties accounted for ¥70 trillion of the ¥500 trillion in assets held by corporations, and the Urban Research Institute estimates that the size of the untapped market for revenue-producing real estate is ¥100 trillion.

Given this, with ¥32.7 trillion cumulative securitization to date, the market has the potential to double or triple in size.

In addition, purchases of public sector assets are also planned.

Source : Prepared by Tosei based on materials from Goldman Sachs Research Department

Japan's Securitization Ratio — Lower than Other Countries —



The ratio of securitized real estate to total real estate assets in Japan is said to be low compared with rates in the United States, Australia and other countries leading securitization.

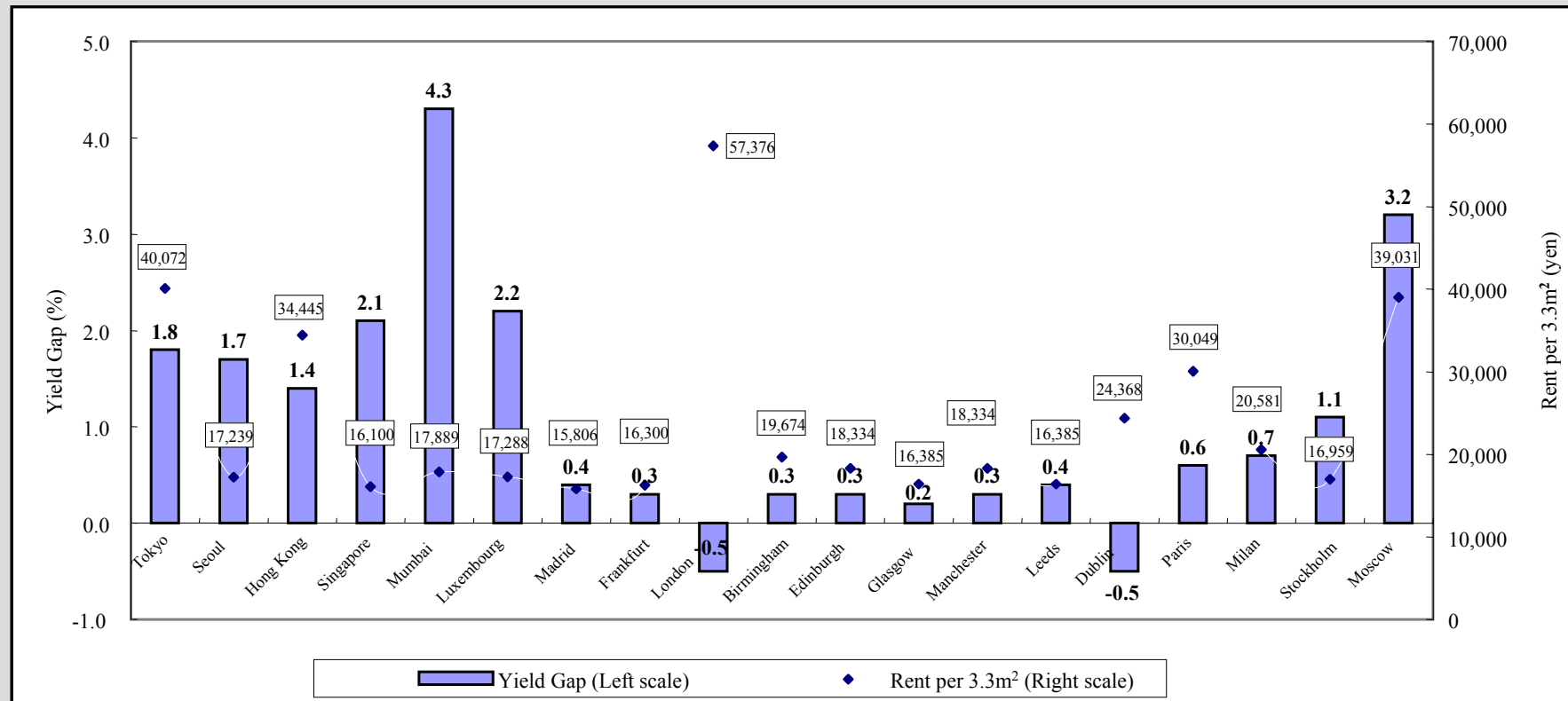
In the United States, of a total of US\$5.6 trillion (about ¥668 trillion) in corporate sector real estate holdings, an estimated US\$3.8 trillion (¥452 trillion), or about 68%, is securitized.

Japan (see previous page) has a total of ¥32.7 trillion in securitized assets, which is only 7% of total real estate assets of ¥490 trillion.

Source: Goldman Sachs Research Department

Yield Gap

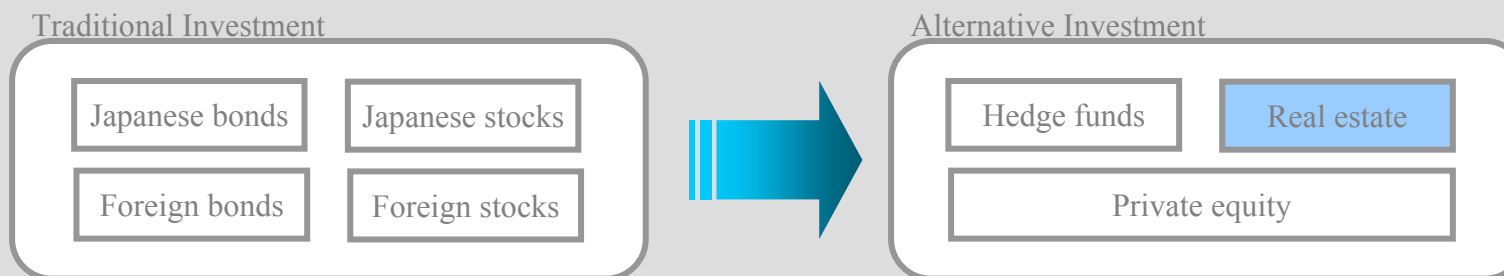
— Japan's Real Estate Market is Still Appealing Compared with Other Countries —



As of June 30, 2006, assets under management by the top 50 real estate investment managers increased 19% from a year earlier to US\$323.0 billion. Real estate trading trends in 2005 included purchasing volume that exceeded sales volume as a result of aggressive investment in real estate. Against a backdrop of global liquidity, the real estate market is projected to remain strong. Reflecting overheated real estate investment markets in some regions, the cap rate and the risk-free rate have become inverted. This and other issues have resulted in concerns about a real estate bubble, but in Japan the yield on the 10-year government bond has been stable at a low level. Consequently, the yield curve is wider than in some other countries, and the market is sound.

Source: Goldman Sachs Research Department using data from Jones Lang LaSalle and Datastream

Japanese Corporate Pension Funds — Potential for Growth with Only 1% of ¥80 Trillion Currently Invested in Real Estate —



Changes in Institutional Investor Asset Allocation

	Corporate Pension Funds			Regular Institutional Investors		
	2004	2005	2006	2004	2005	2006
Japanese stocks	29.0%	28.2 %	29.8%	10.5%	11.6%	13.2%
Foreign stocks	17.7%	17.4 %	18.8%	5.8%		
Japanese bonds	28.7%	22.6 %	23.7%	59.4%	42.9%	47.6%
Foreign bonds	10.7%	10.4 %	11.4%	9.2%		
Real estate	0.5%	1.4 %	1.2%	2.5%	2.6 %	6.1%
Alternative	6.3%	8.4 %	5.7%	1.3%	2.3 %	3.9%
Other	7.2%	11.6 %	9.5%	11.3%	40.6 %	29.2%

Sources:

Corporate pension funds: Mail questionnaire* sent to 436 pension funds, including employee pension funds, defined-benefit pension funds and approved pension schemes
Regular institutional investors: Mail questionnaire* sent to 204 institutions including life and non-life insurance companies, city banks and associated financial institutions, trust banks and regional banks
* Response rate was 26.3%

Investment in real estate by Japanese pension funds and institutional investors is steadily taking hold. Prolonged low interest rates, sluggish share prices and globalization of the economy have raised the importance of diversifying investment, thereby focusing more attention on real estate.

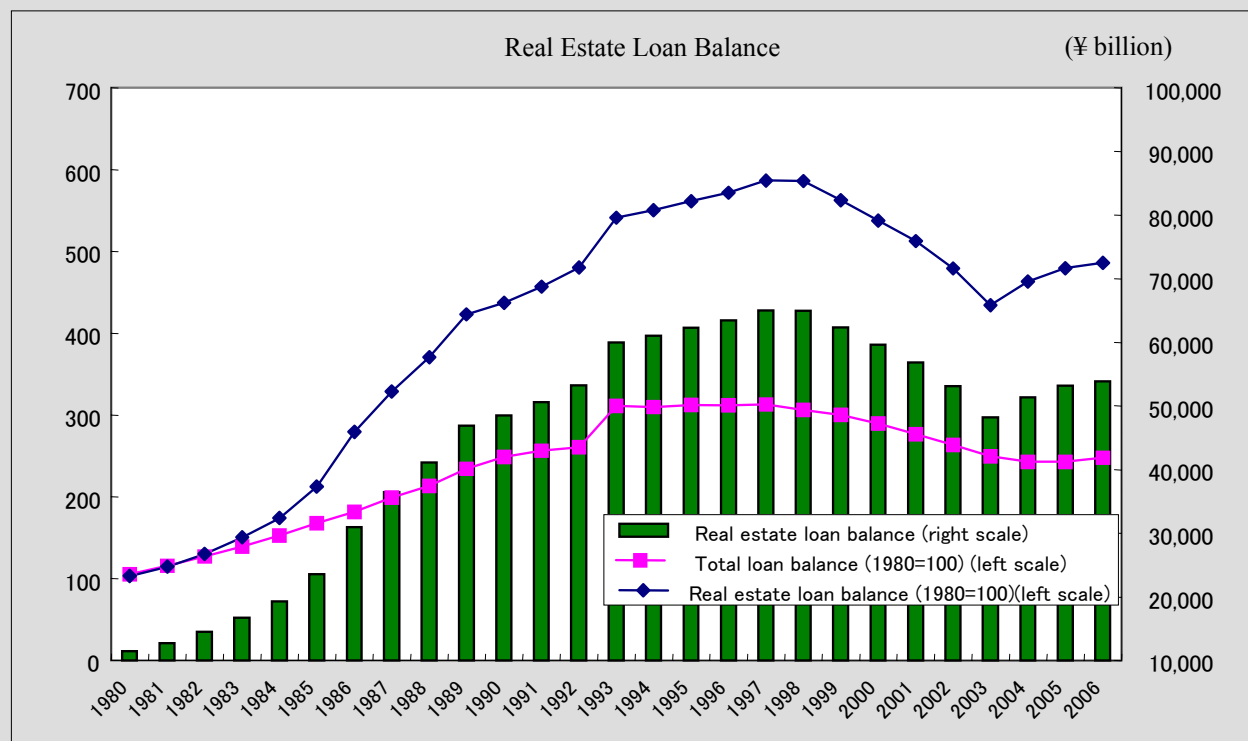
Japanese corporate pension funds total ¥80 trillion. However, the 1.2% proportion invested in real estate continues to be low compared to the 4.4% being invested by 200 major corporate pension funds in the United States (*Pensions & Investments*, Sept. 2004). The potential for growth* therefore remains.

*For example, multiplying ¥80 trillion by the U.S. investment rate of 4.4% yields ¥3.5 trillion.

Source: Goldman Sachs Research Department, based on a questionnaire survey by the Association for Real Estate Securitization

Real Estate Loan Balance among Domestic Banks

— Real Estate Lending is Recovering —



Reference

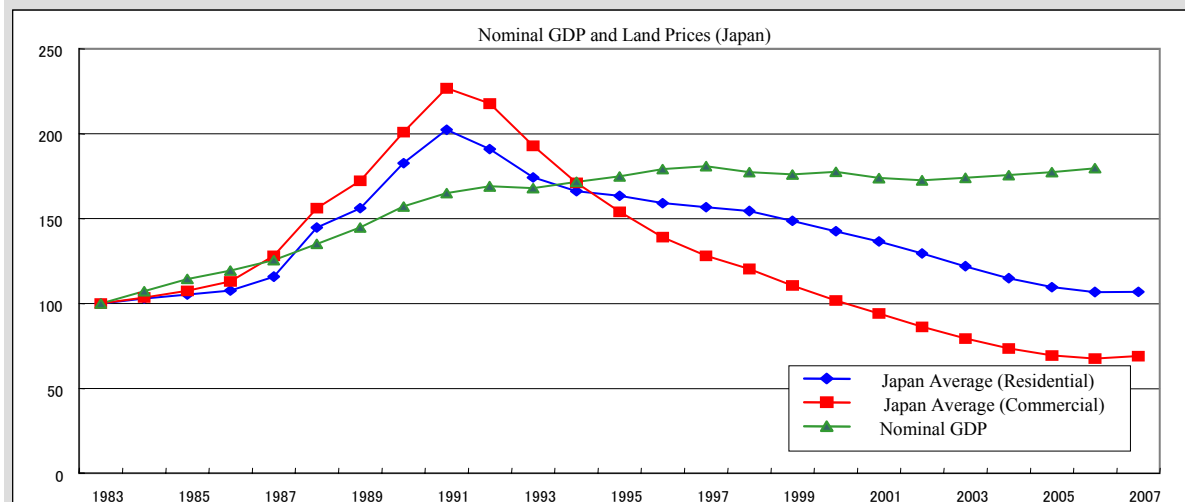
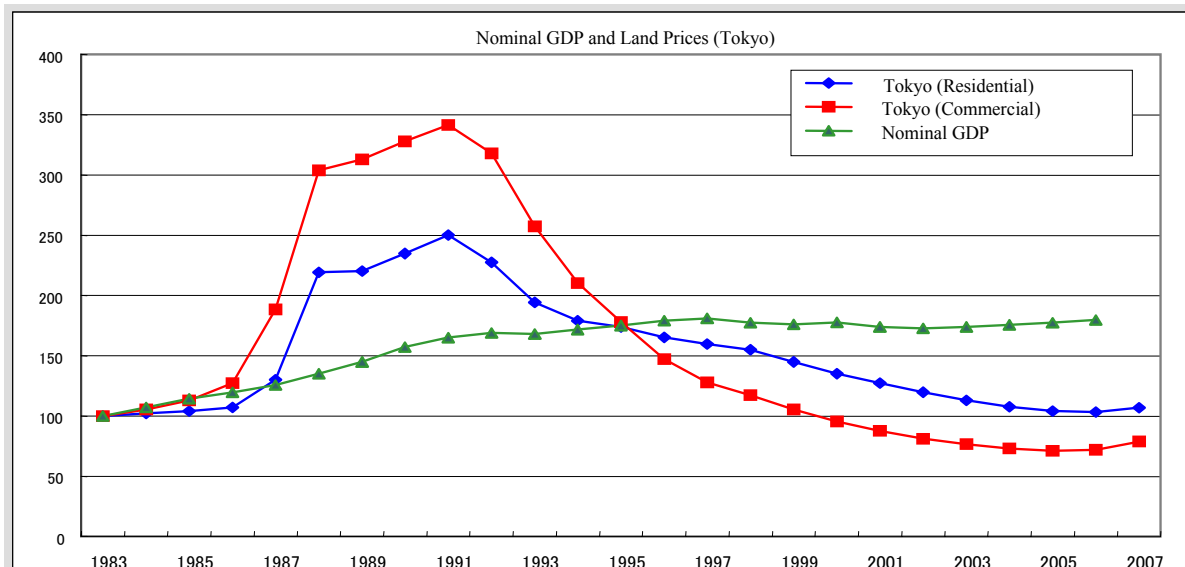
	Total Loans	Real Estate Loans
1980	¥173 trillion	¥11 trillion (6.6%)
1997	¥514 trillion	¥65 trillion (12.7%)
2003	¥410 trillion	¥48 trillion (11.8%)
2006	¥407 trillion	¥54 trillion (13.2%)

While the real estate loan balance among domestic banks has decreased since peaking at ¥65 trillion in 1997, amid flaccid demand for capital among companies, it bottomed out at ¥48 trillion in 2003 and recovered to ¥54 trillion in 2006. In December 2006 the Financial Services Agency formulated policies for the supervision of major banks and other institutions, which included guidelines for non-recourse loans to real estate funds in particular that require due attention to appropriately managing the risk of sector concentration. The real estate loan balance among Japan's largest 11 banks then rose 30% to ¥6.6 trillion as of September 2006 from ¥5.0 trillion as of September 2005.

Source: Compiled from a Bank of Japan report on loans by borrower.

Official Land Prices

– National Average, Residential and Commercial Property Rise for the First Time in 16 Years –



The official national average land price for 2007 has risen for residential and commercial property for the first time in 16 years.

With the economic recovery and the trend toward living in cities, overall land prices increased centered on Japan's three largest cities and major regional cities as shown in the graph on the left, which is an index with the 1980 land price as 100.

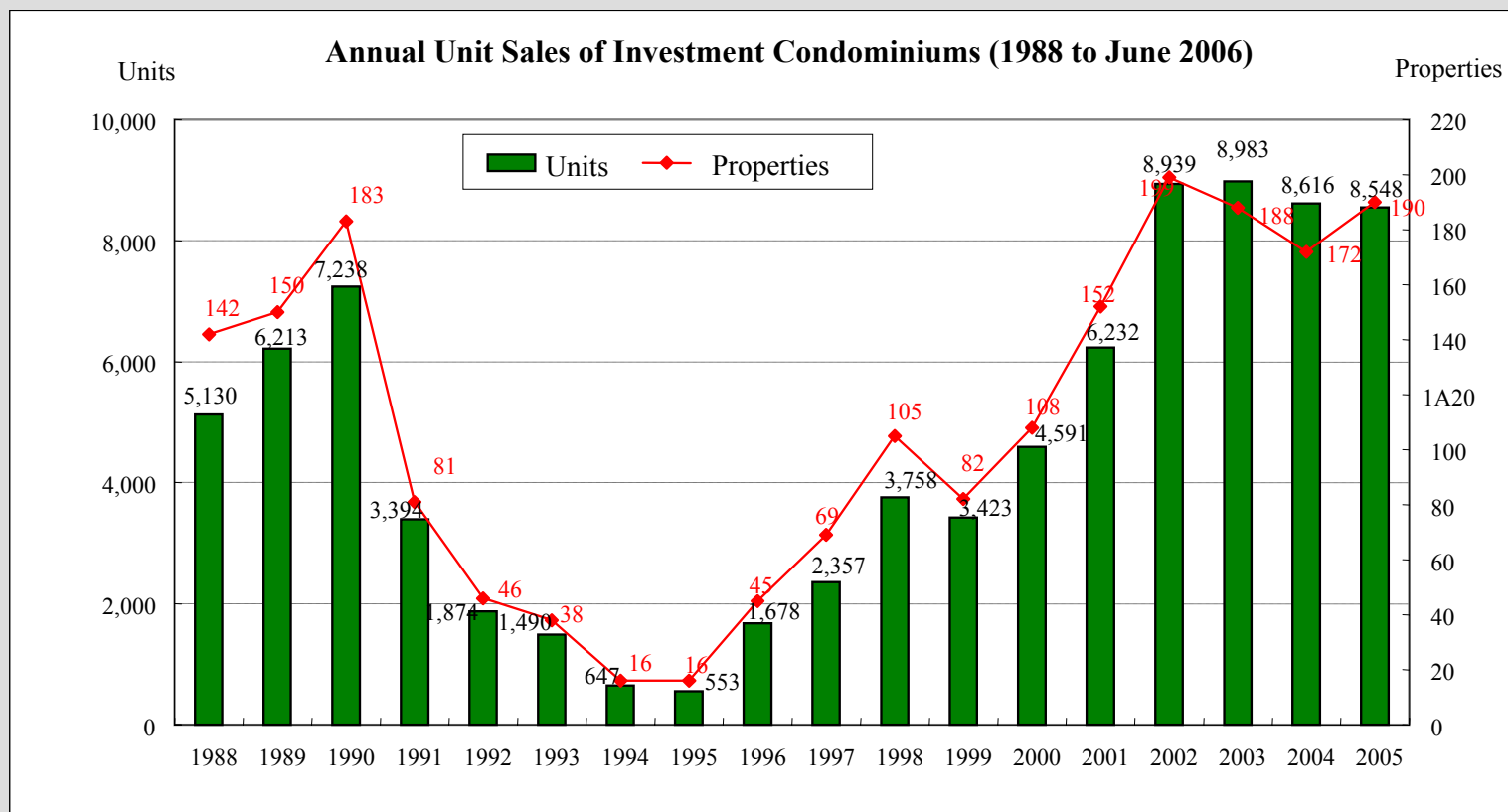
Commercial property in Tokyo:
 1991 **341.3** Peak
 2005 **71.3** Bottom
 2007 **78.8** Recovery

Residential property in Tokyo:
 1991 **250.2** Peak
 2006 **103.3** Bottom
 2007 **107.1** Recovery

Despite concern in some quarters that the recent increase in land prices is, partly a mini bubble, it is lower than the trend line for nominal GDP.

Source: Ministry of Land, Infrastructure and Transport, *Official Land Prices and Final Report on National Accounts*

The Greater Tokyo Investment Condo Market – Supply at High Levels –



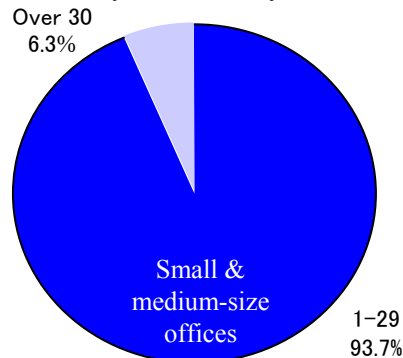
Against a backdrop of record-low interest rates, the trend toward urban living and purchases by funds to obtain rental income, the supply of investment condominium units continuously increased in Greater Tokyo until 2003. In 2005, supply was at a high level of 8,548 units in 190 properties. Given the rise in land prices, finding land for properties has become more difficult. The number of units put on the market has decreased for two consecutive years following the record 8,983 units in 188 buildings in 2003.

Source : Real Estate Economic Institute Co.,Ltd.

The Medium-Sized Office Building and Residential Rental Markets — Strong Demand and Stable Earnings —

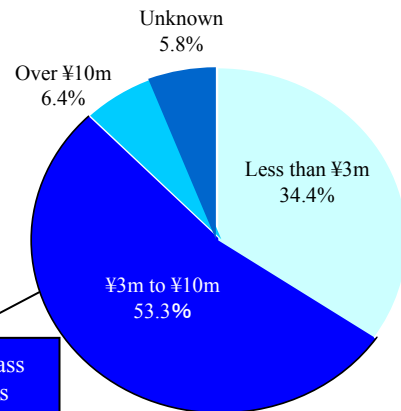
Target Tenant Volume Zone: Small and medium-size offices and middle-class households

Share of Office Space in Tokyo 23 Wards by Number of Employees



Source: Ministry of Internal Affairs and Communications, Bureau of Statistics, 2004 Census of Offices and Companies, June 1, 2004

Households in Non-Wood Construction Rental Housing in Tokyo 23 Wards by Income



Middle-class households

Source: Ministry of Internal Affairs and Communications, Bureau of Statistics, 2003 Census of Housing and Land, October 1, 2003

Tosei

Invest in medium-size office buildings and rental housing, for which demand is strong and earnings are stable.

Small and medium-size offices and middle-class households

Strong Demand

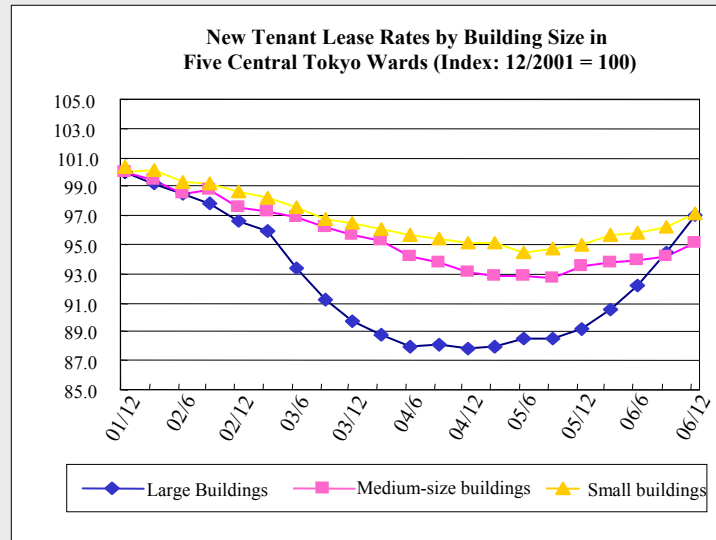
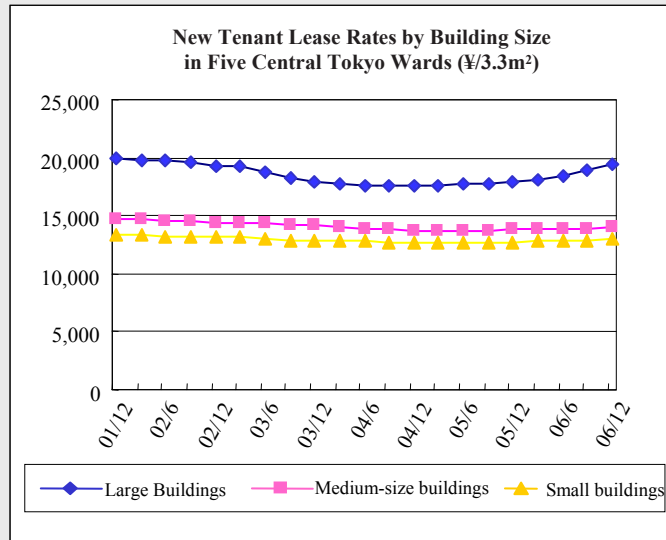
- Many buildings are on the market
- Liquidity is high
- Extensive opportunities to purchase or sell properties

Numerous Tenants

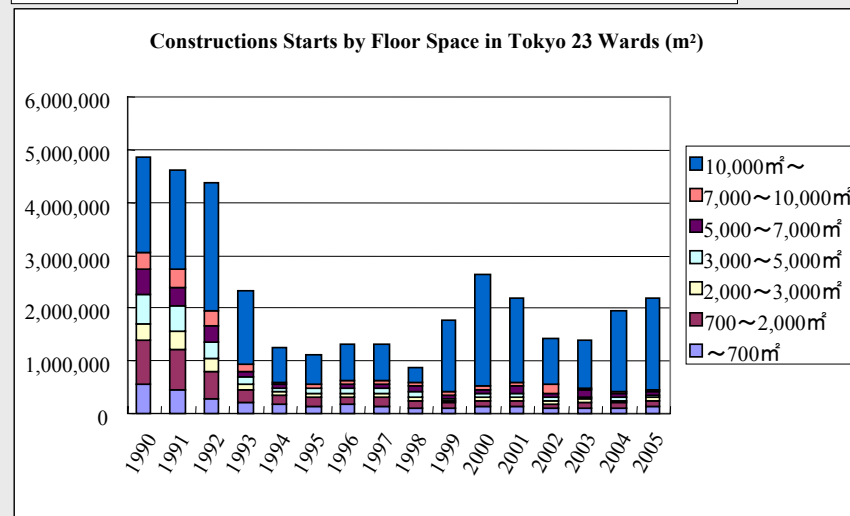
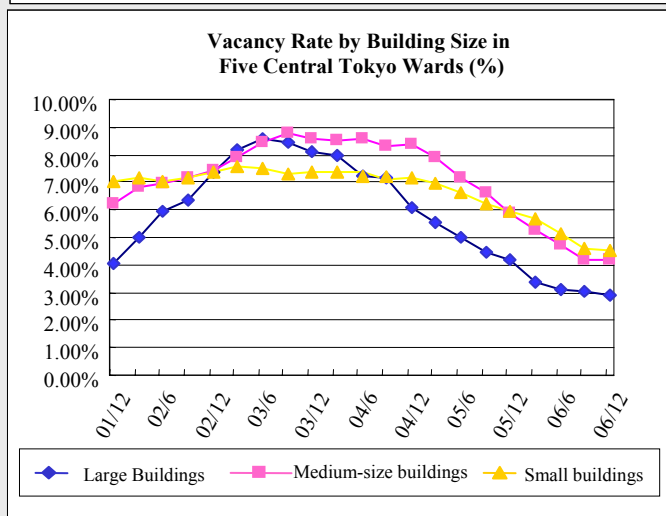
- Rents are staying at the same level or rising
- Occupancy rate is stable

Office Building Data by Building Size

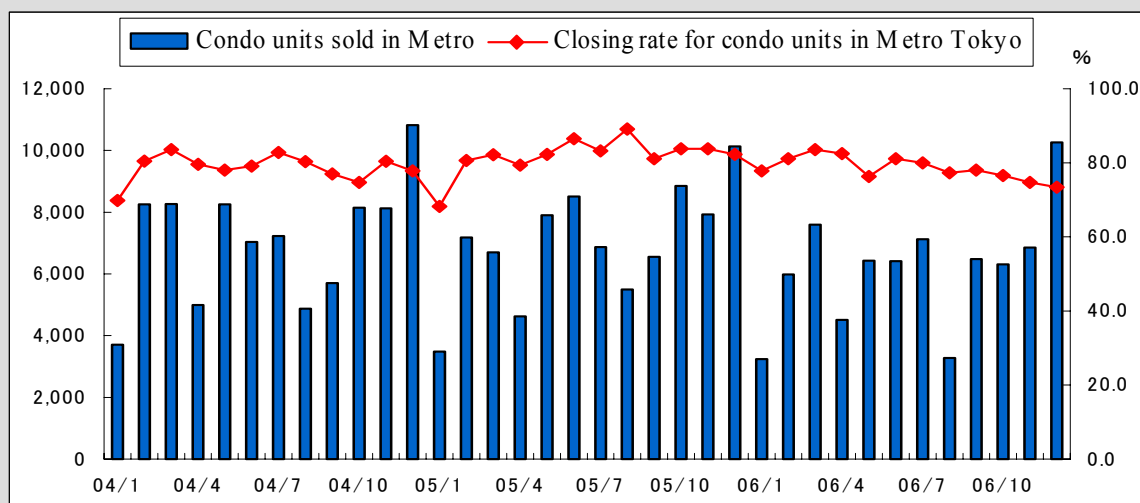
– New Contract Lease Rates and Vacancy Rates –



Source: Upper left, upper right and lower left compiled from Miki Shoji Co., Ltd., *Miki Office Report*. Lower right based on Ministry of Land, Infrastructure and Transport, *Construction Start Statistics*.



The Condominium Market in Metro Tokyo — Developers Clearly Choosing to Avoid Rush Sales —



Although the closing rate for condos in metro Tokyo remains above the target 70%, which is considered strong, it is trending downward. The average monthly contract rate for 2006 was 78.3%, down 4.2 points year-on-year.

The number of condo units sold in the Tokyo metro area in 2006 declined 11.5% to 72,000, and was under 80,000 units for the first time in 8 years.

Developers are clearly choosing to avoid rush sales. Supply is concentrated in the 23 wards of Tokyo, Kanagawa, and other popular areas.

In the 23 wards of Tokyo, during 2007 expectations of higher prices have resulted in continued restraint among sellers. Units put on the market through April 2007 were below the number in the preceding 4-month period. Supply is projected to remain at a lower level until around fall 2007.

	2000	2001	2002	2003	2004	2005	2006	2007 (Forecast)
Tokyo 23 wards	35,318	31,843	31,574	36,340	39,147	31,025	23,650	28,000
(YoY change) (%)		-9.8	-0.8	15.1	7.7	-20.7	-23.8	18.4
Tokyo suburbs	10,274	9,638	10,913	10,548	8,321	8,962	7,004	8,000
(YoY change) (%)		-6.2	13.2	-3.3	-21.1	7.7	-21.8	14.2
Kanagawa Pref.	26,501	25,782	24,357	20,880	21,981	23,799	20,456	21,000
(YoY change) (%)		-2.7	-5.5	-14.3	5.3	8.3	-14.0	2.7
Saitama Pref.	11,149	8,913	10,339	8,820	7,827	10,246	10,532	12,000
(YoY change) (%)		-20.1	16.0	-14.7	-11.3	30.9	2.8	13.9
Chiba Pref.	12,393	13,080	11,333	6,595	8,153	10,116	12,821	13,000
(YoY change) (%)		5.5	-13.4	-41.8	23.6	24.1	26.7	1.4
Total	95,635	89,256	88,516	83,183	85,429	84,148	74,463	82,000
(YoY change) (%)		-6.7	-0.8	-6.0	2.7	-1.5	-11.5	10.1

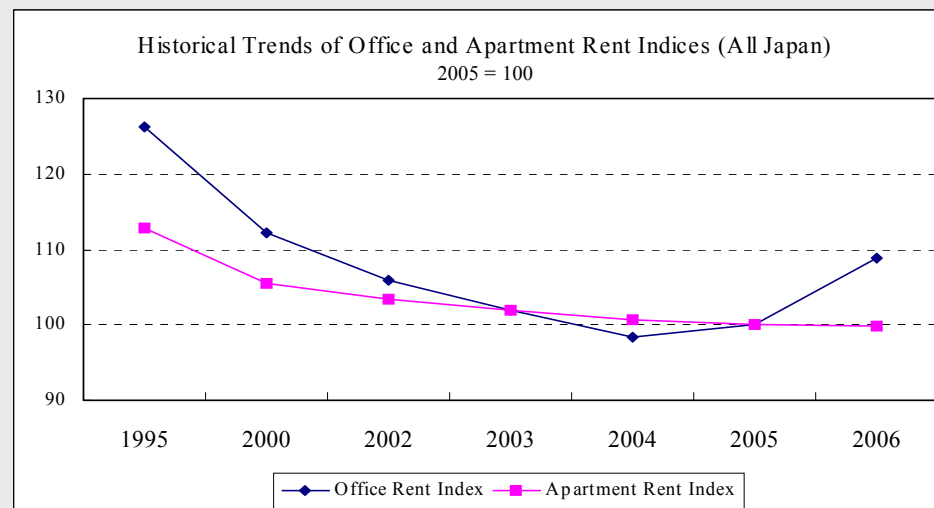
Source: Real Estate Economic Institute Co., Ltd.

National Office and Apartment Rent Index Survey

— Office Rent Index for September 2007 Expected to be Up 4.8% Year-on-Year —

National Office and Apartment Rent Index Survey

		Office Rent Index YoY change	Apartment Rent Index YoY change
All Japan		8.9%	-0.1%
By region	Hokkaido	-0.9%	0.0%
	Tohoku	3.0%	-0.4%
	Kanto	15.6%	0.2%
	Hokuriku	-1.0%	-0.2%
	Chubu, Tokai	7.6%	-0.3%
	Kinki	4.9%	0.0%
	Chugoku	-0.6%	-0.1%
	Shikoku	-1.1%	-1.4%
	Kyushu	-0.9%	-0.2%
	Okinawa	3.9%	-0.7%
Urban center	Metro Tokyo	16.1%	0.2%
	Metro Osaka	5.4%	0.1%
	Metro Nagoya	12.8%	0.1%
	Other urban centers	-0.3%	-0.4%



Highest YoY Rate of Change in Office Rents: Top 15 Locations

1	Otemachi, Chiyoda Ward, Tokyo	25.8%
2	Nishi-Shinjuku, Shinjuku Ward, Tokyo	25.0%
3	Shibuya Ward, Tokyo	22.5%
4	Nihonbashi, Chuo Ward, Tokyo	22.4%
5	Kanda, Chiyoda Ward, Tokyo	20.7%
6	Shinjuku 3-chome, Shinjuku Ward, Tokyo	20.0%
7	Minami-Aoyama, Minato Ward, Tokyo	19.9%
8	Nakamura Ward, Nagoya	19.8%
9	Nishi Ward, Yokohama	18.3%
10	Shinagawa Ward, Tokyo	15.4%
11	Nihonbashi Muromachi, Chuo Ward, Tokyo	13.7%
12	Toshima Ward, Tokyo	12.4%
13	Toranomon, Minato Ward, Tokyo	11.9%
14	Kita Ward, Osaka	10.0%
15	Chuo Ward, Osaka	9.9%

According to the “National Office and Apartment Rent Index” survey prepared by the Japan Real Estate Institute every September,

- The national office rent index for September 2006 was up 8.9% from the previous September.

The index rise for metropolitan areas was driven by a 16.1% increase in metro Tokyo.

- The national apartment rent index was down 0.1% year-on-year

- Outlook for September 2007:

Office rent index: +4.8%

Apartment rent index: +0.1%

Source: The Japan Real Estate Institute

[Reference Materials]
V. Examples of Properties

Examples of Tosei Properties (1)

Revitalization business

Nishi Ayase Condominium



Before



After



Value Up



- Tosei increased revenues by converting the 140m² fourth floor, which the former owner had occupied, into 3 easily leased residences (1LDK and 2LDK).
- Key upgrades for each unit improved security.
- We dismantled the rebar processing facility on the first floor and used the 6m ceiling height to convert the area into a warehouse.

◆Property Overview

Location: Nishi Ayase 1-chome, Adachi Ward
 Land area: 875.98m² (about 264.98 *tsubo*)
 Floor space: 1,423.73m² (about 430.67 *tsubo*)
 Construction: Reinforced concrete, steel frame,
 5 floors above ground
 Environs: 2 minutes walk to JR Kosuge
 Station; 9 minutes walk to JR
 /Tokyo Metro Ayase Station

Use: (Before value up) Residences and rebar
 processing facility
 (After value up) Residences and
 warehouse

Completed: June 1990

Examples of Tosei Properties (2)

Revitalization business

Hongo 2-chome Building



Before

◆Property Overview

Location: Hongo 2-chome, Bunkyo Ward
 Land area: 119.0m² (about 35.99 tsubo)
 Floor space: 618.53m² (about 187.10 tsubo)
 Construction: Reinforced concrete, steel-reinforced
 overhanging balconies, 1 basement and 6
 floors above ground
 Environs: 6 minutes walk to Tokyo Metro Hongo
 Sanchoe Station ; 9 minutes walk to JR
 Suidobashi Station
 Use: (Before value up) Offices
 (After value up) Offices
 Completed: October 18, 1983

Value UP



After

- Plumbing relocated to expand area available for office space.
- Removal of partition walls created two apertures that allow greater freedom of use and enhance natural light.
- Remedied illegal slab apertures
- Large amount of existing fixtures removed
- Rooftop warehouse and unnecessary structures removed

Examples of Tosei Properties (3)

Revitalization business

Hyakunincho Building

Rooftop Greening

◆Property Overview

Location: Hyakunincho 2-chome, Shinjuku Ward

Land area: 324.20m² (about 98.07 *tsubo*)

Floor space: 1,849.71m² (about 559.54 *tsubo*)

Construction: Reinforced concrete, 2 basement levels and 6 floors above ground

Environs: 6 minutes walk to JR Shinokubo Station

Use: (Before value up) Research center
(After value up) Offices

Completed: April 1, 1987



Before

- Research center that occupied B1F to 2F converted to offices
- Residences on 3F converted to small office, home office format
- New interior stairways installed between 2F and 3F
- Dry area cleaned up and design improved
- Renewal of exterior walls and surfaces

Value Up



After

Fujisawacho Yowa Building

◆Property Overview

Location: Fujisawacho, Chuo Ward

Land area: 275.96m² (about 83.47 *tsubo*)

Floor space: 1,567.46m² (about 474.15 *tsubo*)

Construction: Steel reinforced concrete, 9 floors above ground

Environs: 4 minutes walk to Tokyo Metro Ningocho Station

Use: (Before value up) Offices and residences
(After value up) Offices

Completed: March 1986

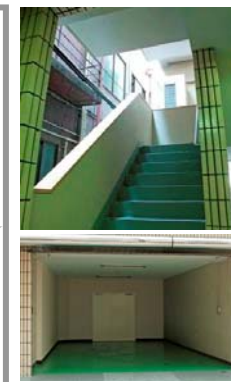


Before



- Former owner's residence converted to offices to enhance revenues
- Corrected 10 illegalities such as FAR coverage and indication of fire extinguishers. Trust beneficiary rights can now be sold.

Value Up



After

Examples of Tosei Properties (4)

Revitalization business

Ochiai Building

Rooftop Greening

◆Property Overview

Location: Kami Ochiai 2-chome, Shinjuku Ward
 Land area: 439.00m² (about 132.79 *tsubo*)
 Floor space: 1,390.92m² (about 420.75 *tsubo*)
 Construction: Reinforced concrete, 1 basement floor and 4 floors above ground
 Environs: 1 minute walk to Tokyo Metro Ochiai Station
 Use: (Before value up) Offices (After value up) Offices
 Completed: May 8, 1991



Before

- Increased rentable area by removing reception counter on the first floor and changing office specifications
- Converted research areas on B1F through 4F to offices
- Eliminated the irregularly shaped reception area on 4F to create more regular rentable space
- Added greenery to the roof and roof terrace

Value Up

Bunkyo Sekiguchi Building

◆Property Overview

Location: Sekiguchi 1-chome, Bunkyo ward
 Land area: 315.82m² (about 95.53 *tsubo*)
 Floor space: 750.23m² (about 226.94 *tsubo*)
 Construction: Steel frame, 1 basement floor and 7 floors above ground
 Environs: 9 minutes walk to Tokyo Metro Waseda Station;
 11 minutes walk to Tokyo Metro Edogawabashi Station
 Use: (Before value up) Offices (After value up) Offices
 Completed: December 1, 1991



Before

- Eliminated existing illegal structures on the site
- Renewed office interiors and improved amenities
- Dealt with FAR coverage, created a dry area and brought fire extinguishing facilities up to code
- Built an approach for the 1F entrance and obtained a permit for expansion

Value Up

Examples of Tosei Properties (5)

Development business

THE Palms Honkomagome

Rooftop Greening

◆ Property Overview

Location : Honkomagome 5-chome, Bunkyo Ward

Land area : 792.02m² (about 239.58 *tsubo*)

Floor space : 2,798.01m² (about 846.39 *tsubo*)

Construction : Reinforced concrete, 6 floors above ground

Environs : 8 minutes walk to Tokyo Metro Komagome station ; 9 minutes walk to Tokyo Metro Honkomagome Station

Use: 35-unit residential condominium

Completed: April 2007

◆ Property Features

- An open site on the corner of three roads
- The 35 total units feature 20 layout variations
- Units on the first and top floor feature 3m ceiling height
- Two elevators, and an atmosphere of independence and privacy



THE Palms Setagaya Sakura

Rooftop Greening

◆ Property Overview

Location: Sakura 1-chome, Setagaya Ward

Land area: 3,697.44m² (about 1,118.47 *tsubo*)

Floor space: 9,879.09m² (about 2,988.42 *tsubo*)

Construction: Reinforced concrete

Environs: 5 minutes walk to Tokyu Setagaya Line Kamimachi Station

Use: 108-unit residential condominium

Completed : February 2007

◆ Property Features

- Planted greenery on roof and along roadways to conserve energy and maintain ecosystem
- Installed storehouse for emergency toilets, food and drinking water, etc.



Examples of Tosei Properties (6)

Development business

Nihonbashi Yokoyamacho Project

◆Property Overview

Location: Nihonbashi Yokoyamacho, Chuo Ward
 Land area: 858.35m² (259.65 *tsubo*)
 Floor space: 7,867.28m² (about 2,379.85 *tsubo*)
 Construction: Reinforced concrete, 1 basement floor and 12 floors above ground
 Environs: 1 minute walk to Toei Shinjuku Line Bakuro Yokoyama Station ; Stations on three other lines
 Use: 121-unit residential condominium and 3 stores
 Completion: January 2008 (planned)

Rooftop Greening

◆Property Features

- Access to four stations on four lines, including a 1-minute walk to Bakuro Yokoyama Station on the Toei Shinjuku Line
- Primarily 1LDK units targeting the “double income, no kids” segment
- Lobby space in the entrance hall enables small office, home office use



Kichijoji Station-Front Project

◆Property Overview

Location: Kichijoji Minamimachi 1-chome, Musashino City
 Land area: 400.61m² (about 121.18 *tsubo*)
 Floor space: 665.99m² (about 201.46 *tsubo*)
 Construction: Steel frame, partial reinforced concrete, 1 basement floor and 3 floors above ground
 Environs: 3 minutes walk to JR Kichijoji Station
 Use: 5-unit residential condominium and stores
 Completion: February 2008 (planned)

Rooftop Greening

◆Property Features

- Kichijoji consistently ranks at the top of the list of desirable places to live among all age groups
- Inokashira Park is nearby, and young people visit the area on weekends and holidays
- A stylish exterior with an aluminum curtain wall
- Box-shaped commercial area





— **Investor inquires:** —

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