



April 5, 2018

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

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

	Profit attributable to owners of the parent		Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥)	(¥)
Three months ended February 28, 2018	2,847	13.9	2,875	13.7	58.92	58.75
Three months ended February 28, 2017	2,500	(4.2)	2,528	(2.4)	51.79	—

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
	(¥ million)	(¥ million)	(¥ million)	(%)
As of February 28, 2018	124,675	47,980	47,980	38.5
As of November 30, 2017	122,550	46,158	46,158	37.7

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended November 30, 2017	—	0.00	—	25.00	25.00
Fiscal year ending November 30, 2018	—				
Fiscal year ending November 30, 2018 (Forecast)		0.00	—	30.00	30.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending November 30, 2018 (December 1, 2017 – November 30, 2018)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of the parent		Basic earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	
Fiscal year ending November 30, 2018	67,830	17.4	10,946	11.3	10,038	10.9	6,699	8.8	138.75

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

* Notes

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

- (2) Changes in accounting policies and changes in accounting estimates
(a) Changes in accounting policies required by IFRS: No
(b) Changes in accounting policies due to other reasons: No
(c) Changes in accounting estimates: No

- (3) Number of issued shares (ordinary shares)

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

As of February 28, 2018	48,469,500 shares
As of November 30, 2017	48,284,000 shares

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

As of February 28, 2018	46 shares
As of November 30, 2017	—

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

Three months ended February 28, 2018	48,328,491 shares
Three months ended February 28, 2017	48,284,000 shares

* These consolidated Financial Results are not subject to quarterly review procedures by a certified public accountant or an audit corporation.

* Proper use of earnings forecasts and other notes

The forward-looking statements, including outlook of future performance, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual performance and other results may differ substantially from these statements due to various factors. For the assumptions on which the earnings forecasts are based and cautions concerning the use thereof, please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance (3) Qualitative Information on Consolidated Earnings Forecasts” on page 6 of the attached materials.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Qualitative Information Regarding Consolidated Operating Results

During the three months ended February 28, 2018, the Japanese economy continued to recover. A moderate recovery is expected to continue going forward, backed by stable personal consumption, expansion of favorable corporate earnings, and increasing exports, despite concerns over downside risks of financial policy trends in Europe and the U.S., and geopolitical risks in Asia.

In the real estate industry where Tosei Group operates, domestic real estate transactions by listed companies and other such entities for the full year 2017 rose 14.4% year on year to ¥4.5775 trillion. While sales with the aim of locking in profits increased due to rising real estate prices, transactions were active owing to the demand for property acquisition from investors preferring stable rent income despite low investment returns. The high demand for real estate investment from investors is likely to continue for some time, with the prospect that monetary easing policies are to be sustained by the Bank of Japan (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium market, the number of units sold in the full year 2017 increased 0.4% year on year to 35,898. Under the effects of rising construction costs and high land prices, the average selling price soared to ¥59.08 million, an increase of 7.6% year on year, only second to the ¥61.23 million recorded in 1990. The sluggish sales of some suburban properties resulted in the average contract rate for the first month at 68.1% (a decrease of 0.7 percentage points year on year), slightly below the 70% threshold from which market conditions are viewed as favorable. However, about 38,000 units (an increase of 5.9% year on year) are expected to be sold in the full year 2018, due to the solid sales of properties in the central Tokyo area and near stations, as well as the anticipated recovery of suburban unit sales as a result of the rush in demand caused by the increase in consumption taxes scheduled to take effect in October 2019 (according to a survey by a private research institute).

In the Tokyo metropolitan area build-for-sale detached house market, due to the soaring sales prices of newly built condominiums, a part of end-user demand flowed into the undervalued detached house market. As a result, housing starts in the full year 2017 rose 2.2% year on year to 62,028 units (according to a survey by the Ministry of Land, Infrastructure, Transport and Tourism).

The office leasing market of Tokyo's five business wards has been performing favorably. The vacancy rate as of January 2018 declined by 0.6 percentage points from 3.7% year on year to 3.1%, and the average asking rent was ¥19,338 per tsubo (1 tsubo = 3.3m²), a 4.1% increase year on year, and increased for the 49th consecutive month. An upsurge in supply of large-scale office buildings can be anticipated in 2018, and the vacancy rate is expected to deteriorate, but corporate interest in expanding offices and their need for relocation and integration are expected to remain strong. As a result, the average asking rent in the second half of 2018 is expected to remain in an uptrend (according to a survey by a private research institute).

In the real estate securitization market, the total value of assets under management as of December 31, 2017 was ¥16.5 trillion in J-REITs (an increase of ¥1.0 trillion year on year). In an environment where real estate prices remain persistently high, property acquisitions continue to progress despite at a gradual pace, and the market scale expanded to ¥32 trillion, including ¥15.8 trillion of value under management in private placement funds (as of June 30, 2017) (according to a survey by a private research institute).

Amid this operating environment, in the Revitalization Business, the Group made steady progress in selling assets such as income-generating office buildings and apartments, while in the Development Business, the Group pushed ahead with sales of detached houses. In addition, other than normal acquisition methods, the Group also utilized an acquisition method of M&A, proactively acquiring income-generating properties and land for development as future sources of income.

As a result, consolidated revenue for the three months ended February 28, 2018 totaled ¥18,310 million (up 24.7% year on year), operating profit was ¥4,341 million (up 13.4%), profit before tax was ¥4,150 million (up 13.4%), and profit for the period was ¥2,847 million (up 13.9%).

Performance by business segment is shown below.

Revitalization Business

During the three months ended February 28, 2018, the segment sold 13 properties it had renovated, including Nishidai Tosei Building (Itabashi-ku, Tokyo), Kichichoji Ito Building (Musashino-shi, Tokyo), Kunitachi 219 Building (Kunitachi-shi, Tokyo) and T-Rhythmic SOKA (Soka-shi, Saitama). In addition, the segment sold 4 units in the Restyling Business from Hilltop Yokohama Negishi (Yokohama-shi,

Kanagawa).

During the three months ended February 28, 2018, it also acquired a total of 17 income-generating office buildings and apartments and three land lots for renovation and sales purposes.

As a result, revenue in this segment was ¥14,425 million (up 31.9% year on year) and the segment profit was ¥3,793 million (up 11.0%).

Development Business

During the three months ended February 28, 2018, the segment focused on the sale of detached houses, for which there was firm demand. The segment sold 17 detached houses including THE Palms Court Kashiwa Hatsuishi (Kashiwa-shi, Chiba), THE Palms Court Kamakura Shiromeguri (Kamakura-shi, Kanagawa), THE Palms Court Mitaka Shimorenjyaku (Mita-shi, Tokyo).

During the three months ended February 28, 2018, it also acquired one land lot for condominium project and land lot for 20 detached houses.

As a result, revenue in this segment was ¥766million (down 20.9% year on year) and the segment loss was ¥145 million (in comparison with segment loss of ¥173 million in the same period of the previous fiscal year).

Rental Business

During the three months ended February 28, 2018, while the segment sold 7 buildings of its inventory assets held for leasing purposes, it newly acquired 16 apartment. In addition, the segment made efforts to lease vacancies out following acquisitions and also focused on leasing activities for its existing non-current assets and inventory assets.

As a result, revenue in this segment was ¥1,396 million (down 5.1% year on year) and the segment profit was ¥630 million (down 4.6%).

Fund and Consulting Business

During the three months ended February 28, 2018, while ¥3,250 million was subtracted from the balance of assets under management (Note), due mainly to property dispositions by funds, ¥72,279 million was added to the balance of Assets under management ¥552,208 for the end of the previous fiscal year, due mainly to new asset management contracts of large projects the segment obtained. The balance of assets under management as of February 28, 2018, was ¥621,237 million. The acquisition of such large project contracts increased asset management fees and contributed to revenue.

As a result, revenue in this segment was ¥674 million (up 43.7% year on year) and the segment profit was ¥377 million (up 136.5%).

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

Property Management Business

During the three months ended February 28, 2018, the segment made efforts to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 660 as of February 28, 2018, an increase of 61 from February 29, 2017, with the total comprising 390 office buildings, hotels, schools and other such properties, and 270 condominiums and apartments.

As a result, revenue in this segment was ¥974 million (up 17.7% year on year) and segment profit was ¥108 million (up 43.0%).

Other

During the three months ended February 28, 2018, revenue in this segment was ¥72 million (there was no segment revenue in the same period of the previous fiscal year) and the segment profit was ¥6 million (in comparison with segment profit of ¥0 million in the same period of the previous fiscal year).

(2) Qualitative Information Regarding Consolidated Financial Positions

1. Financial Positions

As of February 28, 2018, total assets were ¥124,675 million, an increase of ¥2,125 million compared with November 30, 2017, while total liabilities were ¥76,695 million, an increase of ¥303 million.

This was primarily due to an increase in inventories, an increase in trade and other payables.

Total equity increased by ¥1,821 million to ¥47,980 million, mainly due to an increase in retained earnings and payment of cash dividends.

2. Cash Flows

Cash and cash equivalents (hereinafter “cash”) as of February 28, 2018 totaled ¥24,898 million, up ¥1,148 million compared with November 30, 2017.

The cash flows for the three months ended February 28, 2018 and factors contributing to those amounts are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥4,485 million (up 152.1% year on year). This is mainly due to profit before tax of ¥4,150 million and income taxes paid of ¥1,019 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥1,483 million (in comparison with segment net cash provided by investing activities of ¥61 million in the same period of the previous fiscal year). This is primarily due to purchase of investments in subsidiaries resulting in change in scope of consolidation of ¥1,335 million.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥1,852 million (down 5.1% year on year). This mainly reflects ¥9,815 million in the repayments of non-current borrowings and ¥1,157 million in cash dividends paid, despite ¥9,032 million in proceeds from non-current borrowings.

(3) Qualitative Information Regarding Consolidated Earnings Forecasts

The business results during the three months ended February 28, 2018 basically remained stable as planned and there is no change on the full-year consolidated earnings forecasts, announced on January 10, 2018.

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

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

No item to report.

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

No item to report.

3. Condensed Quarterly Consolidated Financial Statements and notes

(1) Condensed Consolidated Statement of Financial Position

(¥ thousand)

	As of November 30, 2017	As of February 28, 2018
Assets		
Current assets		
Cash and cash equivalents	23,750,239	24,898,923
Trade and other receivables	2,148,608	2,529,217
Inventories	59,718,614	60,159,672
Other current assets	26,376	28,312
Total current assets	85,643,839	87,616,125
Non-current assets		
Property, plant and equipment	5,305,652	5,292,502
Investment properties	28,359,547	28,367,347
Intangible assets	83,544	77,943
Available-for-sale financial assets	1,751,463	1,798,778
Trade and other receivables	859,731	911,348
Deferred tax assets	517,587	582,620
Other non-current assets	28,914	28,914
Total non-current assets	36,906,441	37,059,454
Total assets	122,550,281	124,675,580
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	4,278,612	4,311,991
Borrowings	6,449,040	8,105,066
Current income tax liabilities	732,961	1,070,794
Provisions	484,671	168,603
Total current liabilities	11,945,287	13,656,454
Non-current liabilities		
Trade and other payables	3,280,020	3,569,262
Borrowings	60,674,335	58,377,341
Retirement benefits obligations	472,574	431,186
Provisions	19,197	6,704
Deferred tax liabilities	—	654,144
Total non-current liabilities	64,446,127	63,038,639
Total Liabilities	76,391,414	76,695,094
Equity		
Share capital	6,421,392	6,515,812
Capital reserves	6,464,240	6,523,308
Retained earnings	33,209,210	34,849,640
Treasury shares	—	(61)
Other components of equity	64,024	91,786
Total equity attributable to owners of parent	46,158,867	47,980,486
Total equity	46,158,867	47,980,486
Total liabilities and equity	122,550,281	124,675,580

(2) Condensed Consolidated Statement of Comprehensive Income

(¥ thousand)

	Three months ended February 28, 2017	Three months ended February 28, 2018
Revenue	14,677,393	18,310,040
Cost of revenue	9,187,899	12,119,236
Gross profit	5,489,493	6,190,803
Selling, general and administrative expenses	1,791,178	1,877,793
Other income	147,287	93,983
Other expenses	17,581	65,572
Operating profit	3,828,021	4,341,420
Finance income	32,853	40,191
Finance costs	202,091	231,322
Profit before tax	3,658,783	4,150,290
Income tax expense	1,158,212	1,302,759
Profit for the period	2,500,571	2,847,530
Other comprehensive income		
Items that may be transferred to net profit or loss		
Exchange differences on translation of foreign operations	286	(6,006)
Net change in fair values of available-for-sale financial assets	16,225	32,864
Net change in fair values of cash flow hedges	11,655	903
Subtotal	28,166	27,762
Other comprehensive income for the period, net of tax	28,166	27,762
Total comprehensive income for the period	2,528,738	2,875,292
Profit attributable to:		
Owners of the parent	2,500,571	2,847,530
Total comprehensive income attributable to:		
Owners of the parent	2,528,738	2,875,292
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	51.79	58.92
Diluted earnings per share (yen)	—	58.75

(3) Condensed Consolidated Statement of Changes in Equity

Three months ended February 28, 2017 (December 1, 2016 – February 28, 2017)

(¥ thousand)

	Share capital	Capital reserves	Retained earnings	Treasury shares	Other component s of equity	Total equity attributable to owners of parent	Total equity
Balance at December 1, 2016	6,421,392	6,418,823	28,120,304	—	49,562	41,010,083	41,010,083
Profit for the period	—	—	2,500,571	—	—	2,500,571	2,500,571
Other comprehensive income	—	—	—	—	28,166	28,166	28,166
Total comprehensive income for the period	—	—	2,500,571	—	28,166	2,528,738	2,528,738
Amount of transactions with owners							
Issuance of new shares	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	—	—	—	—	—
Dividends of surplus	—	—	(1,062,248)	—	—	(1,062,248)	(1,062,248)
Share-based payment	—	11,200	—	—	—	11,200	11,200
Balance at February 28, 2017	6,421,392	6,430,024	29,558,628	—	77,729	42,487,774	42,487,774

Three months ended February 28, 2018 (December 1, 2017 – February 28, 2018)

(¥ thousand)

	Share capital	Capital reserves	Retained earnings	Treasury shares	Other component s of equity	Total equity attributable to owners of parent	Total equity
Balance at December 1, 2017	6,421,392	6,464,240	33,209,210	—	64,024	46,158,867	46,158,867
Profit for the period	—	—	2,847,530	—	—	2,847,530	2,847,530
Other comprehensive income	—	—	—	—	27,762	27,762	27,762
Total comprehensive income for the period	—	—	2,847,530	—	27,762	2,875,292	2,875,292
Amount of transactions with owners							
Issuance of new shares	94,419	54,132	—	—	—	148,551	148,551
Purchase of treasury shares	—	—	—	(61)	—	(61)	(61)
Dividends of surplus	—	—	(1,207,100)	—	—	(1,207,100)	(1,207,100)
Share-based payment	—	4,935	—	—	—	4,935	4,935
Balance at February 28, 2018	6,515,812	6,523,308	34,849,640	(61)	91,786	47,980,486	47,980,486

(4) Condensed Consolidated Statement of Cash Flows

(¥ thousand)

	Three months ended February 28, 2017	Three months ended February 28, 2018
Cash flows from operating activities		
Profit before tax	3,658,783	4,150,290
Depreciation expense	94,280	147,371
Increase (decrease) in provisions and retirement benefits obligations	(267,470)	(358,663)
Interest and dividend income	(32,853)	(40,191)
Interest expenses	202,091	231,322
Gain on sales of stocks of subsidiaries and affiliates	(123,505)	—
Loss on retirement of property, plant and equipment	—	608
Decrease (increase) in trade and other receivables	89,352	10,361
Decrease (increase) in inventories	609,676	1,632,647
Increase (decrease) in trade and other payables	(345,820)	(205,424)
Other, net	17,645	(102,982)
Subtotal	3,902,180	5,465,339
Interest and dividend income received	32,852	39,477
Income taxes paid	(2,155,586)	(1,019,283)
Net cash from (used in) operating activities	1,779,446	4,485,532
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	95,000	—
Purchase of property, plant and equipment	(1,424)	(12,025)
Purchase of investment properties	(162,150)	(134,642)
Purchase of intangible assets	(285)	(1,940)
Collection of available-for-sale financial assets	7,153	—
Proceeds from sales of available-for-sale financial assets	84,071	—
Collection of loans receivable	18	19
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(1,335,115)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	39,328	—
Net cash from (used in) investing activities	61,711	(1,483,704)
Cash flows from financing activities		
Net increase (decrease) in current borrowings	35,200	143,000
Proceeds from non-current borrowings	7,981,000	9,032,500
Repayments of non-current borrowings	(8,742,029)	(9,815,555)
Proceeds from issuance of new shares	—	148,371
Cash dividends paid	(1,009,932)	(1,157,717)
Interest expenses paid	(215,718)	(202,145)
Other, net	(913)	(975)
Net cash from (used in) financing activities	(1,952,393)	(1,852,521)
Net increase (decrease) in cash and cash equivalents	(111,235)	1,149,306
Cash and cash equivalents at beginning of period	21,640,866	23,750,239
Effect of exchange rate change on cash and cash equivalents	297	(622)
Cash and cash equivalents at end of period	21,529,928	24,898,923

(5) Notes on Going Concern Assumption

No item to report.

(6) Notes to Condensed Quarterly Consolidated Financial Statements

1. Segment Information

The Group's reportable segments are components of the Group about which separate financial information is available that the Board of Directors regularly conducts deliberations to determine the allocation of management resources and to assess the performance. The Group draws up comprehensive strategies for each of the following five business segments and conducts business activities accordingly; "Revitalization Business", "Development Business", "Rental Business", "Fund and Consulting Business", and "Property Management Business". In the Revitalization Business, the Group acquires the properties whose asset values have declined, renovates, and resells them. In the Development Business, the Group sells condominium units and detached houses to individual customers as well as apartment and office buildings to investors. In the Rental Business, the Group rents office buildings and apartments. The Fund and Consulting Business mainly provides asset management services for the properties placed in real estate funds. The Property Management Business provides comprehensive property management services.

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

Three months ended February 28, 2017

(December 1, 2016 – February 28, 2017)

(¥ thousand)								
	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	10,939,298	969,058	1,471,596	468,943	828,497	—	—	14,677,393
Intersegment revenue	—	—	10,780	16,118	286,813	—	(313,712)	—
Total	10,939,298	969,058	1,482,376	485,061	1,115,311	—	(313,712)	14,677,393
Segment profit or loss	3,417,519	(173,472)	660,837	159,698	75,813	555	(312,931)	3,828,021
Finance income/costs, net								(169,237)
Profit before tax								3,658,783

Three months ended February 28, 2018

(December 1, 2017 – February 28, 2018)

(¥ thousand)								
	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	14,425,414	766,192	1,396,841	674,070	974,951	72,570	—	18,310,040
Intersegment revenue	—	—	38,015	13,089	255,711	—	(306,817)	—
Total	14,425,414	766,192	1,434,857	687,159	1,230,663	72,570	(306,817)	18,310,040
Segment profit or loss	3,793,912	(145,430)	630,458	377,635	108,427	6,408	(429,990)	4,341,420
Finance income/costs, net								(191,130)
Profit before tax								4,150,290

2. Dividends

Dividends paid in the three months ended February 28, 2017 and February 28, 2018 are as follows:

Three months ended February 28, 2017				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 24, 2017	22	1,062,248	November 30, 2016	February 27, 2017

Three months ended February 28, 2018				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 27, 2018	25	1,207,100	November 30, 2017	February 28, 2018

3. Earnings per Share

	Three months ended February 28, 2017	Three months ended February 28, 2018
Profit attributable to owners of the parent (¥ thousand)	2,500,571	2,847,530
Net income used to figure diluted net income per share (¥ thousand)	—	2,847,530
Weighted average number of outstanding ordinary shares (shares)	48,284,000	48,328,491
The number of increased ordinary shares used to figure diluted earnings per share (shares)	—	138,124
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	—	48,466,615
Basic earnings per share (¥)	51.79	58.92
Diluted net income per share (¥)	—	58.75

Notes: 1. Basic earnings per share is calculated by dividing profit attributable to owners of the parent, by the weighted average number of outstanding ordinary shares during the reporting period.
2. Diluted earnings for consolidated results for the first quarter ended February 28, 2017 per share is not presented because there were no potential shares that have dilutive effects.

(7) Notes on Significant Subsequent Events

No item to report.