



## 2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended November 30, 2016	(¥) –	(¥) 0.00	(¥) –	(¥) 22.00	(¥) 22.00
Fiscal year ending November 30, 2017	–	0.00	–		
Fiscal year ending November 30, 2017 (Forecast)				25.00	25.00

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

## 3. Consolidated Earnings Forecasts for the Fiscal Year Ending November 30, 2017 (December 1, 2016 – November 30, 2017)

(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, 2017	69,268	39.0	10,008	7.8	9,001	6.5	5,926	6.8	122.75

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 other than (a) above: No
  - (c) Changes in accounting estimates: No

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

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

As of August. 31, 2017	48,284,000 shares
As of November. 30, 2016	48,284,000 shares

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

As of August. 31, 2017	–
As of November. 30, 2016	–

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

Nine months ended August. 31, 2017	48,284,000 shares
Nine months ended August. 31, 2016	48,284,000 shares

\* These Consolidated Financial Results are not subject to quarterly review procedures.

### \* 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 4 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 nine months ended August 31, 2017, the Japanese economy experienced continued improvements in the employment and income environment in Japan and is expected to continue a moderate recovery, although it is necessary to keep in mind factors such as the outlook for China and other emerging economies, impact of volatility in financial and capital markets, and growing geopolitical risks.

In the real estate industry where the Tosei Group operates, domestic real estate transactions by listed companies and other such entities which had been in a declining trend since the first half of the fiscal year ended March 31, 2016 started to rise in the second half of the fiscal year ended March 31, 2017, reaching ¥4,108.2 billion for the fiscal year ended March 31, 2017, an increase of 0.5% year on year. The number of investors moving forward with sales of their real estate holdings increased against the backdrop of continuing favorable investing demand and rising real estate prices, resulting in a growing supply of properties to the market and the recovery trend in real estate transactions (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium market, the number of units sold from January to July 2017 increased 2.2% year on year to 18,156. The average contract rate for the first month during the same period remained slightly below the 70% threshold from which market conditions are viewed as favorable due to signs of a partial slump in sales caused by persistently high sales prices; however, the contract rate for July 2017 stood at 71.9%.

In the Tokyo metropolitan area build-for-sale detached house market, housing starts in the first half of 2017 rose 5.3% year on year to 30,622. Demand for comparatively inexpensive detached houses is strong and is expected to remain firm going forward (according to a survey by a private research institute and the Ministry of Land, Infrastructure, Transport and Tourism).

The office leasing market of Tokyo's five business wards has been performing strongly against the backdrop of office expansion by corporate entities due to business expansion and the demand for relocation to the central Tokyo area and newly built buildings aimed at securing exceptional human resources. The vacancy rate in July 2017 declined 0.7 percentage points year on year to 3.2%, and the average asking rent was ¥18,916 per tsubo (1 tsubo = 3.3m<sup>2</sup>), a 3.5% increase year on year. Concerns over a worsening vacancy rate due to the impact from the upsurge in supply of large-scale office buildings anticipated from 2018 are likely to be minimal, and the office leasing market is expected to remain firm going forward, supported by favorable office demand (according to a survey by a private research institute).

The real estate securitization market is continuing to grow. In the REIT market in June 2017, the total value of assets under management was ¥16.1 trillion in J-REITs and ¥2.2 trillion in private placement REITs, while the combined total value of assets under management in J-REITs and private placement REITs increased 11.2% year on year to ¥18.4 trillion. If the total value of assets under management in major private placement funds of ¥15.6 trillion, as of December 2016, is included, the overall market scale stands at ¥34 trillion, and is expected to continue to expand going forward (according to a survey by a private research institute).

As a result, consolidated revenue for the nine months ended August 31, 2017 totaled ¥41,978 million (up 7.3% year on year), operating profit was ¥9,080 million (up 2.9%), profit before tax was ¥8,521 million (up 3.9%), and profit for the period was ¥5,755 million (up 7.0%).

Performance by business segment is shown below.

#### Revitalization Business

During the nine months ended August 31, 2017, the segment sold 45 properties it had renovated, including The Square Seiseki-sakuragaoka Building (Tama-shi, Tokyo), Kuramochi Building First (Sumida-ku, Tokyo), Kameido Tosei Building (Koto-ku, Tokyo), T's garden Urayasu (Urayasu-shi, Chiba), T's garden Urayasu II (Urayasu-shi, Chiba), Kamiosaki 3-chome Building (Shinagawa-ku, Tokyo), Onoe-cho 6-chome Building (Yokohama-shi, Kanagawa) and Kishino Building (Toshima-ku, Tokyo).

In addition, the segment sold 38 units in the Restyling Business, including Hilltop Yokohama Negishi (Yokohama-shi, Kanagawa), Hilltop Yokohama Higashi Terao (Yokohama-shi, Kanagawa) and Renai Kamakura Ueki (Kamakura-shi, Kanagawa).

During the nine months ended August 31, 2017, it also acquired a total of 37 income-generating office

buildings and apartments and six land lots for renovation and sales purposes.

As part of the acquisition, our company acquired KS Properties Corporation, company holds income properties mainly in Suginami-ku, Tokyo, through M&A transaction and converted it into consolidated subsidiaries.

As a result, revenue in this segment was ¥29,286 million (up 46.8% year on year) and the segment profit was ¥7,309 million (up 84.4% year on year).

### **Development Business**

During the nine months ended August 31, 2017, the segment focused on the sale of detached houses, for which there was firm demand. The segment sold 84 detached houses at such properties as THE Palms Court Kashiwa Hatsuishi (Kashiwa-shi, Chiba), THE Palms Court Koshigaya Lake Town (Koshigaya-shi, Saitama) and THE Palms Court Kamakura-Shiromeguri (Kamakura-shi, Kanagawa).

During the nine months ended August 31, 2017, it also acquired a land lot for hotel project, a land lot for condominium project, a land lot for rental apartment project and land lots for 24 detached housings.

As a result, revenue in this segment was ¥3,498 million (down 68.8% year on year) and the segment loss was ¥310 million (in comparison with segment profit of ¥3,703 million in the same period of the previous fiscal year).

During the nine months ended August 31, 2017, all the segment revenue came from detached houses sale. On the other hand, in the same period of the previous fiscal year the segment sold two commercial facilities. For this reason, the segment revenue and profit decreased.

### **Rental Business**

During the nine months ended August 31, 2017, while the segment sold 27 buildings of its inventory assets held for leasing purposes, it newly acquired 28 properties including income-generating office buildings and apartments. 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 ¥4,600 million (up 20.3% year on year) and the segment profit was ¥1,935 million (up 11.1%).

### **Fund and Consulting Business**

During the nine months ended August 31, 2017, while ¥21,577 million was subtracted from the balance of assets under management (Note), due mainly to property dispositions by funds, ¥94,394 million was added to the balance of Assets under management ¥448,186 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 August 31, 2017, was ¥521,003 million. The acquisition of such large project contracts increased asset management fees and contributed to revenue.

As a result, revenue in this segment was ¥2,129million (up 24.5% year on year) and the segment profit was ¥1,070 million (up 44.3%).

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

### **Property Management Business**

During the nine months ended August 31, 2017, the segment worked to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 652 as of August 31, 2017, an increase of 73 properties from August 31, 2016, with that total comprising 389 office buildings, hotel, schools and other such properties, and 263 condominiums and apartments.

As a result, revenue in this segment was ¥2,462 million (up 13.2% year on year) and segment profit was ¥212 million (up116.4%).

### **Other**

For the nine months ended August 31, 2017, there was no revenue in this segment (compared to a revenue of ¥270 million in the same period of the previous year). The segment profit was ¥0 million (in comparison with segment loss of ¥22 million in the same period of the previous fiscal year).

## **(2) Qualitative Information Regarding Consolidated Financial Positions**

### **1. Financial Positions**

As of August 31, 2017, total assets were ¥122,644 million, an increase of ¥1,368 million compared with November 30, 2016, while total liabilities were ¥76,893 million, a decrease of ¥3,372 million.

Increase in total assets were primarily due to increase in investment properties. Decrease in liabilities were due to decrease in borrowings.

Total equity increased by ¥4,740 million to ¥45,750 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 August 31, 2017, totaled ¥23,342 million, increased by ¥1,701 million compared with November 30, 2016.

The cash flows for the nine months ended August 31, 2017 and factors contributing to those amounts are as follows:

#### **Cash Flows from Operating Activities**

Net cash provided by operating activities totaled ¥5,363 million (net cash used in operating activities totaled ¥1 million in the same period of the previous fiscal year). This is mainly due to profit before tax of ¥8,521 million, as well as an increase in income taxes paid of ¥3,554 million.

#### **Cash Flows from Investing Activities**

Net cash provided by investing activities totaled ¥410 million (net cash used in investing activities totaled ¥6,274 million in the same period of the previous fiscal year). This is mainly due to ¥1,085 million in payments of loans receivable, ¥1,272 million in payments of investment properties and proceeds from loans receivable of ¥2,760 million

#### **Cash Flows from Financing Activities**

Net cash used in financing activities totaled ¥4,073 million (net cash provided by financing activities totaled ¥9,589 million in the same period of the previous fiscal year). This is mainly due to ¥21,903 million in the repayments of non-current borrowings and ¥1,061 million in cash dividends paid, despite ¥21,150 million in proceeds from non-current borrowings.

## **(3) Qualitative Information Regarding Consolidated Earnings Forecasts**

The business results during the nine months ended August 31, 2017 basically remained stable as planned and there is no change on the full-year consolidated earnings forecasts, announced on January 11, 2017.

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

#### (1) Condensed Consolidated Statement of Financial Position

(¥ thousand)

	As of November 30, 2016	As of August 31, 2017
<b>Assets</b>		
Current assets		
Cash and cash equivalents	21,640,866	23,342,594
Trade and other receivables	3,531,880	2,669,278
Inventories	67,298,309	67,538,816
Other current assets	121,444	26,619
Total current assets	92,592,501	93,577,308
Non-current assets		
Property, plant and equipment	3,595,898	3,539,047
Investment properties	21,728,740	22,782,024
Intangible assets	96,612	81,871
Available-for-sale financial assets	1,441,167	1,373,042
Trade and other receivables	1,235,065	883,321
Deferred tax assets	557,392	379,294
Other non-current assets	28,914	28,914
Total non-current assets	28,683,790	29,067,516
Total assets	121,276,292	122,644,825
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Trade and other payables	2,955,289	3,602,320
Borrowings	9,387,249	5,980,634
Current income tax liabilities	1,859,183	923,981
Provisions	450,030	250,652
Total current liabilities	14,651,752	10,757,588
Non-current liabilities		
Trade and other payables	4,349,965	3,840,838
Borrowings	60,772,064	61,826,549
Retirement benefits obligations	413,376	449,694
Provisions	79,049	19,160
Total non-current liabilities	65,614,455	66,136,243
Total Liabilities	80,266,208	76,893,831
Equity		
Share capital	6,421,392	6,421,392
Capital reserves	6,418,823	6,452,424
Retained earnings	28,120,304	32,813,546
Other components of equity	49,562	63,629
Total equity	41,010,083	45,750,993
Total liabilities and equity	121,276,292	122,644,825

**(2) Condensed Consolidated Statement of Comprehensive Income**

(¥ thousand)

	Nine months ended August 31, 2016	Nine months ended August 31, 2017
Revenue	39,139,416	41,978,288
Cost of revenue	24,920,553	27,884,108
Gross profit	14,218,863	14,094,180
Selling, general and administrative expenses	5,326,917	5,195,378
Other income	201,341	203,037
Other expenses	270,105	20,980
Operating profit	8,823,182	9,080,858
Finance income	62,546	76,767
Finance costs	682,398	635,981
Profit before tax	8,203,330	8,521,644
Income tax expense	2,824,329	2,766,154
Profit for the period	5,379,001	5,755,489
Other comprehensive income		
Items that may be transferred to net profit or loss		
Exchange differences on translation of foreign operations	(34,142)	6,826
Net change in fair values of available-for-sale financial assets	(9,153)	(6,083)
Net change in fair values of cash flow hedges	(2,196)	13,324
Subtotal	(45,492)	14,067
Other comprehensive income for the period, net of tax	(45,492)	14,067
Total comprehensive income for the period	5,333,508	5,769,556
Profit attributable to:		
Owners of the parent	5,379,001	5,755,489
Total comprehensive income attributable to:		
Owners of the parent	5,333,508	5,769,556
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	111.40	119.20
Diluted earnings per share (yen)	—	—

### (3) Condensed Consolidated Statement of Changes in Equity

Nine months ended August 31, 2016 (December 1, 2015 – August 31, 2016)

					(¥ thousand)
	Share capital	Capital reserves	Retained earnings	Other components of equity	Total equity
Balance at December 1, 2015	6,421,392	6,373,881	23,327,875	105,228	36,228,378
Profit for the period	—	—	5,379,001	—	5,379,001
Other comprehensive income	—	—	—	(45,492)	(45,492)
Total comprehensive income for the period	—	—	5,379,001	(45,492)	5,333,508
Dividends of surplus	—	—	(772,544)	—	(772,544)
Share-based payment	—	32,724	—	—	32,724
Balance at August 31, 2016	6,421,392	6,406,605	27,934,333	59,735	40,822,067

Nine months ended August 31, 2017 (December 1, 2016 – August 31, 2017)

					(¥ thousand)
	Share capital	Capital reserves	Retained earnings	Other components of equity	Total equity
Balance at December 1, 2016	6,421,392	6,418,823	28,120,304	49,562	41,010,083
Profit for the period	—	—	5,755,489	—	5,755,489
Other comprehensive income	—	—	—	14,067	14,067
Total comprehensive income for the period	—	—	5,755,489	14,067	5,769,556
Dividends of surplus	—	—	(1,062,248)	—	(1,062,248)
Share-based payment	—	33,601	—	—	33,601
Balance at August 31, 2017	6,421,392	6,452,424	32,813,546	63,629	45,750,993

**(4) Condensed Consolidated Statement of Cash Flows**

(¥ thousand)

	Nine months ended August 31, 2016	Nine months ended August 31, 2017
Cash flows from operating activities		
Profit before tax	8,203,330	8,521,644
Depreciation expense	244,535	289,665
Increase (decrease) in provisions and retirement benefits obligations	(130,536)	(149,574)
Interest and dividends income	(62,546)	(76,767)
Interest expenses	682,398	635,981
Gain on sales of stocks of subsidiaries and affiliates	—	(123,505)
Loss on retirement of property, plant and equipment	5,436	—
Decrease (increase) in trade and other receivables	88,949	(358,925)
Decrease (increase) in inventories	(6,562,541)	(68,938)
Increase (decrease) in trade and other payables	(221,645)	123,134
Other, net	(124,415)	48,835
Subtotal	2,122,964	8,841,551
Interest and dividends income received	61,897	76,767
Income taxes paid	(2,186,413)	(3,554,759)
Net cash from (used in) operating activities	(1,550)	5,363,558
Cash flows from investing activities		
Payments into time deposits	(45,000)	—
Proceeds from withdrawal of time deposits	—	95,000
Purchase of property, plant and equipment	(37,469)	(13,062)
Purchase of investment properties	(1,695,354)	(1,272,601)
Purchase of intangible assets	(15,160)	(6,963)
Purchase of available-for-sale financial assets	(80,250)	(50,166)
Collection of available-for-sale financial assets	80,452	7,619
Proceeds from sales of available-for-sale financial assets	—	84,071
Payments of loans receivable	(1,260,000)	(1,085,000)
Collection of loans receivable	54	2,760,056
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,286,137)	(159,328)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	64,000	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	39,328
Other, net	37	12,032
Net cash from (used in) investing activities	(6,274,825)	410,983
Cash flows from financing activities		
Net increase (decrease) in current borrowings	(10,600)	(1,575,800)
Proceeds from non-current borrowings	29,048,800	21,150,850
Repayments of non-current borrowings	(17,982,036)	(21,903,138)
Cash dividends paid	(771,458)	(1,061,250)
Interest expenses paid	(688,761)	(681,691)
Other, net	(6,034)	(2,461)
Net cash from (used in) financing activities	9,589,908	(4,073,491)
Net increase (decrease) in cash and cash equivalents	3,313,532	1,701,051
Cash and cash equivalents at beginning of period	18,791,081	21,640,866
Effect of exchange rate change on cash and cash equivalents	(6,620)	676
Cash and cash equivalents at end of period	22,097,993	23,342,594

## (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:

#### Nine months ended August 31, 2016

(December 1, 2015 – August 31, 2016)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	19,946,219	11,211,309	3,825,255	1,711,203	2,174,627	270,800	—	39,139,416
Intersegment revenue	—	—	31,413	21,277	754,700	836	(808,227)	—
Total	19,946,219	11,211,309	3,856,668	1,732,480	2,929,328	271,637	(808,227)	39,139,416
Segment profit or loss	3,963,177	3,703,230	1,741,568	742,061	98,346	(22,116)	(1,403,086)	8,823,182
Finance income/costs, net								(619,851)
Profit before tax								8,203,330

#### Nine months ended August 31, 2017

(December 1, 2016 – August 31, 2017)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	29,286,776	3,498,952	4,600,566	2,129,893	2,462,098	—	—	41,978,288
Intersegment revenue	—	—	32,371	30,205	899,991	—	(962,569)	—
Total	29,286,776	3,498,952	4,632,938	2,160,099	3,362,090	—	(962,569)	41,978,288
Segment profit or loss	7,309,731	(310,914)	1,935,014	1,070,596	212,825	147	(1,136,541)	9,080,858
Finance income/costs, net								(559,214)
Profit before tax								8,521,644

## 2. Dividends

Dividends paid in the nine months ended August 31, 2016 and August 31, 2017 are as follows:

Nine months ended August 31, 2016				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 25, 2016	16	772,544	November 30, 2015	February 26, 2016

Nine months ended August 31, 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

## 3. Earnings per share

	Nine months ended August 31, 2016	Nine months ended August 31, 2017
Profit attributable to owners of the parent (¥ thousand)	5,379,001	5,755,489
Weighted average number of outstanding ordinary shares (shares)	48,284,000	48,284,000
Basic earnings per share (¥)	111.40	119.20

Notes: 1. Basic earnings per share is calculated by dividing profit attributable to owners of the parent, by the weighted average number of ordinary shares outstanding during the nine months ended August 31, 2017.

2. Diluted earnings per share are not presented because there were no potential shares that have dilutive effects.

## (7) Notes on Significant Subsequent Events

No item to report.