Consolidated Financial Results
for the First Six Months of the Fiscal Year Ending November 30, 2017
<IFRS>

July 5, 2017

Company name: Tosei Corporation Stock listing: TSE / SGX
Securities code number: 8923 / S2D
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Submission of Quarterly Securities Report (Shihanki-Houkokusho): July 10, 2017 (scheduled)
Commencement of dividend payments: —
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended May 31, 2017 (December 1, 2016 – May 31, 2017)

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

	Revenue		Operating profit		Profit before tax		Profit for the period	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Six months ended May 31, 2017	26,360	(14.0)	6,241	(18.7)	5,857	(19.1)	3,931	(17.1)
Six months ended May 31, 2016	30,655	37.2	7,675	68.7	7,240	73.6	4,743	78.8

	Profit attributable to owners of the parent		Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥)	(¥)
Six months ended May 31, 2017	3,931	(17.1)	3,938	(16.7)	81.43	–
Six months ended May 31, 2016	4,743	78.8	4,728	69.9	98.25	–

(2) Consolidated Financial Position

	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 May 31, 2017	123,366	43,908	43,908	35.6
As of November 30, 2016	121,276	41,010	41,010	33.8

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 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 May 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 May 31, 2017	–
As of November 30, 2016	–

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

Six months ended May 31, 2017	48,284,000 shares
Six months ended May 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 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 six months ended May 31, 2017, the Japanese economy remained on a moderate recovery track supported by favorable corporate earnings. Although it is necessary to keep in mind the uncertain prospects of the global economy and the policy trends of the United States and China, this moderate recovery is expected to continue going forward, backed by an improving employment and income environment and firm personal consumption.

In the real estate industry where the Tosei Group operates, transactions through J-REITs and private placement funds were active against the backdrop of a favorable financing environment. In addition, transactions by overseas investors, which had been in a declining trend, also showed signs of recovery, and commercial real estate transactions from January 2017 to March 2017 increased 15% year on year to ¥1.2 trillion. Despite a continued decrease in investment returns due to a rise in property prices, as well as partial signs of overheated transactions, investors' desire to acquire property remains high (according to a survey by a private research institution).

In the Tokyo metropolitan area condominium market, the number of units sold in the fiscal year ended March 31, 2017 fell 4.4% year on year to 36,450. The average sales price remained at a high of ¥55.41 million due to a surge in construction costs, and the contract rate for the first month was 68.5%, which is below the 70% threshold from which market conditions are viewed as favorable. In the Tokyo metropolitan area build-for-sale detached house market, housing starts for the fiscal year ended March 31, 2017 rose 7.3% year on year to 61,284. Demand for detached houses, which are perceived to be undervalued compared to newly-built condominiums, continues to be strong, with low-interest housing loans also driving demand (according to a survey by a private research institution and the Ministry of Land, Infrastructure, Transport and Tourism data).

In the leasing market, there is strong office expansion and relocation demand among office buildings backed by robust corporate earnings. The vacancy rate in Tokyo's five business wards declined 0.84 percentage points year on year to 3.39%, and the average asking rent was ¥18,774 per tsubo (1 tsubo = 3.3m2), a 3.95% increase year on year. The average asking rent is rising at a gradual pace ahead of an upsurge in the supply of large-scale office buildings from 2018. Among apartments, the average asking rent for a family-type apartment within Tokyo's 23 wards in April 2017 rose only slightly to ¥10,979 per tsubo, a 0.4% increase year on year (according to a survey by a private research institution).

In the real estate securitization market, the total value of assets under management in the J-REIT market as of December 31, 2016 increased ¥1.5 trillion year on year to ¥15.5 trillion. In addition, the total value of assets under management in major private placement funds increased ¥0.8 trillion year on year to ¥15.6 trillion. Properties were proactively acquired through both J-REITs and private placement funds, and the market scale is expanding (according to a survey by a private research institution).

Amid this operating environment, in the Revitalization Business, the Group made steady progress in selling assets such as income-generating office buildings, apartments and hotels, while in the Development Business, the Group pushed ahead with sales of detached houses. In addition, we proactively acquired income-generating properties and land for development as future sources of income.

As a result, consolidated revenue for the six months ended May 31, 2017 totaled ¥26,360 million (down 14.0% year on year), operating profit was ¥6,241 million (down 18.7%), profit before tax was ¥5,857 million (down 19.1%), and profit for the period was ¥3,931 million (down 17.1%).

Performance by business segment is shown below.

Revitalization Business

During the six months ended May 31, 2017, the segment sold 37 properties it had renovated, including T's garden Urayasu (Urayasu-shi, Chiba), T's garden UrayasuⅡ (Urayasu-shi, Chiba), Kamiosaki 3cho-me Building (Shinagawa-ku, Tokyo), Onoecho 6cho-me Building (Yokohama-shi, Kanagawa), Kishino Building (Toshima-ku, Tokyo), NOUER Nakamachidai (Yokohama-shi, Kanagawa), Demeure Sagamihara (Sagamihara-shi, Kanagawa). In addition, the segment sold 22 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 six months ended May 31, 2017, it also acquired a total of 24 income-generating office buildings and apartments and two land lots for renovation and sales purposes.

As part of the acquisition, our company acquired KS Properties Co., Ltd., 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 ¥17,948 million (up 16.4% year on year) and the segment profit was ¥4,800 million (up 32.3%).

Development Business

During the six months ended May 31, 2017,the segment focused on the sale of detached houses, for which there was firm demand. The segment sold 53 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 Machida Tsurukawa (Mitaka-shi, Tokyo)

During the six months ended May 31, 2017, it also acquired a land lot for hotel project, a land for condominium project and a land lot for 18 detached housings.

As a result, revenue in this segment was ¥2,144 million (down 78.8% year on year) and the segment loss was ¥219 million (in comparison with segment profit of ¥3,659 million in the same period of the previous fiscal year).

During the six months ended May 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 six months ended May 31, 2017, while the segment sold 22 buildings of its inventory assets held for leasing purposes, it newly acquired 17 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 ¥2,988 million (up 23.6% year on year) and the segment profit was ¥1,303 million (up 29.9%).

Fund and Consulting Business

During the six months ended May 31, 2017, while ¥17,625 million was subtracted from the balance of assets under management (Note), due mainly to property dispositions by funds, ¥68,572 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 May 31, 2017, was ¥499,133 million. The acquisition of such large project contracts increased asset management fees and contributed to revenue.

As a result, revenue in this segment was ¥1,641 million (up 52.3% year on year) and the segment profit was ¥915 million (up 112.6%).

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

Property Management Business

During the six months ended May 31, 2017, the segment worked to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 634 as of May 31, 2017, an increase of 40 properties from May 31, 2016, with that total comprising 385 office buildings, hotels, schools and other such properties, and 249 condominiums and apartments.

As a result, revenue in this segment was ¥1,636 million (up 13.9% year on year) and segment profit was ¥134 million (up 91.4%).

Other

For the six months ended May 31, 2017, there was no revenue in this segment (in comparison with revenue of ¥201 million in the same period of the previous fiscal year) and the segment profit was ¥1 million (in comparison with segment loss of ¥23 million in the same period of the previous fiscal year).

(2) Qualitative Information Regarding Consolidated Financial Positions

1. Financial Positions

As of May 31, 2017, total assets were ¥123,366 million, an increase of ¥2,089 million compared with November 30, 2016, while total liabilities were ¥79,457 million, a decrease of ¥808 million.

Increase in total assets were primarily due to increase in inventories. Decrease in liabilities were due to decrease in accrued income tax.

Total equity increased by ¥2,898 million to ¥43,908 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 May 31, 2017 totaled ¥22,934 million, increased by ¥1,293 million compared with November 30, 2016.

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

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥2,497 million (¥870 million used in the same period of the previous fiscal year). This is mainly due to profit before tax of ¥5,857 million, as well as an increase in inventories of ¥1,182 million, which was a result of property acquisitions in the Revitalization Business and Development Business, and income taxes paid of ¥2,155 million.

Cash Flows from Investing Activities

Net cash provided by investing activities totaled ¥535 million (¥5,455 million used in the same period of the previous fiscal year). This is primarily due to payments of loans receivable of ¥1,085 million and collection of loans receivable of ¥1,675 million.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥1,739 million (¥10,166 million provided by the same period of the previous fiscal year). This mainly reflects ¥14,053 million in the repayments of non-current borrowings and ¥1,060 million in cash dividends paid, despite ¥14,505 million in proceeds from non-current borrowings.

(3) Qualitative Information Regarding Consolidated Earnings Forecasts

The business results during the six months ended May 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 May 31, 2017
Assets		
Current assets		
Cash and cash equivalents	21,640,866	22,934,408
Trade and other receivables	3,531,880	3,324,170
Inventories	67,298,309	68,613,157
Other current assets	121,444	26,228
Total current assets	92,592,501	94,897,965
Non-current assets		
Property, plant and equipment	3,595,898	3,549,108
Investment properties	21,728,740	21,778,316
Intangible assets	96,612	86,582
Available-for-sale financial assets	1,441,167	1,338,627
Trade and other receivables	1,235,065	1,243,051
Deferred tax assets	557,392	443,532
Other non-current assets	28,914	28,914
Total non-current assets	28,683,790	28,468,133
Total assets	121,276,292	123,366,099
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	2,955,289	3,329,435
Borrowings	9,387,249	7,644,126
Current income tax liabilities	1,859,183	1,526,284
Provisions	450,030	273,124
Total current liabilities	14,651,752	12,772,971
Non-current liabilities		
Trade and other payables	4,349,965	3,972,885
Borrowings	60,772,064	62,257,313
Retirement benefits obligations	413,376	435,531
Provisions	79,049	19,123
Total non-current liabilities	65,614,455	66,684,853
Total Liabilities	80,266,208	79,457,825
Equity		
Share capital	6,421,392	6,421,392
Capital reserves	6,418,823	6,441,224
Retained earnings	28,120,304	30,989,922
Other components of equity	49,562	55,733
Total equity	41,010,083	43,908,273
Total liabilities and equity	121,276,292	123,366,099

(2) Condensed Consolidated Statement of Comprehensive Income

(¥ thousand)

	Six months ended May 31, 2016	Six months ended May 31, 2017
Revenue	30,655,217	26,360,085
Cost of revenue	18,907,200	16,858,573
Gross profit	11,748,016	9,501,511
Selling, general and administrative expenses	3,983,010	3,402,246
Other income	134,843	160,145
Other expenses	224,615	17,604
Operating profit	7,675,234	6,241,805
Finance income	31,133	32,956
Finance costs	466,050	417,329
Profit before tax	7,240,317	5,857,432
Income tax expense	2,496,336	1,925,566
Profit for the period	4,743,981	3,931,865
Other comprehensive income		
Items that may be transferred to net profit or loss		
Exchange differences on translation of foreign operations	(19,729)	302
Net change in fair values of available-for-sale financial assets	7,272	(6,026)
Net change in fair values of cash flow hedges	(2,762)	11,895
Subtotal	(15,218)	6,171
Other comprehensive income for the period, net of tax	(15,218)	6,171
Total comprehensive income for the period	4,728,762	3,938,036
Profit attributable to:		
Owners of the parent	4,743,981	3,931,865
Total comprehensive income attributable to:		
Owners of the parent	4,728,762	3,938,036
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	98.25	81.43
Diluted earnings per share (yen)	—	—

(3) Condensed Consolidated Statement of Changes in Equity

Six months ended May 31, 2016 (December 1, 2015 – May 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	—	—	4,743,981	—	4,743,981
Other comprehensive income	—	—	—	(15,218)	(15,218)
Total comprehensive income for the period	—	—	4,743,981	(15,218)	4,728,762
Dividends of surplus	—	—	(772,544)	—	(772,544)
Share-based payment	—	21,816	—	—	21,816
Balance at May 31, 2016	6,421,392	6,395,697	27,299,313	90,010	40,206,413

Six months ended May 31, 2017 (December 1, 2016 – May 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	—	—	3,931,865	—	3,931,865
Other comprehensive income	—	—	—	6,171	6,171
Total comprehensive income for the period	—	—	3,931,865	6,171	3,938,036
Dividends of surplus	—	—	(1,062,248)	—	(1,062,248)
Share-based payment	—	22,400	—	—	22,400
Balance at May 31, 2017	6,421,392	6,441,224	30,989,922	55,733	43,908,273

(4) Condensed Consolidated Statement of Cash Flows

(¥ thousand)

	Six months ended May 31, 2016	Six months ended May 31, 2017
Cash flows from operating activities		
Profit before tax	7,240,317	5,857,432
Depreciation expense	154,412	190,000
Increase (decrease) in provisions and retirement benefits obligations	(43,112)	(141,242)
Interest and dividend income	(31,133)	(32,956)
Interest expenses	466,050	417,329
Gain on sales of stocks of subsidiaries and affiliates	—	(123,505)
Loss on retirement of property, plant and equipment	4,308	—
Decrease (increase) in trade and other receivables	710,332	(93,616)
Decrease (increase) in inventories	(8,185,643)	(1,182,723)
Increase (decrease) in trade and other payables	(143,488)	(317,261)
Other, net	126,390	47,270
Subtotal	298,435	4,620,726
Interest and dividend income received	31,134	32,955
Income taxes paid	(1,199,642)	(2,155,898)
Net cash from (used in) operating activities	(870,073)	2,497,784
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	—	95,000
Purchase of property, plant and equipment	(15,547)	(6,350)
Purchase of investment properties	(1,650,882)	(193,111)
Purchase of intangible assets	(12,440)	(4,565)
Purchase of available-for-sale financial assets	(80,250)	—
Collection of available-for-sale financial assets	80,452	7,183
Proceeds from sales of available-for-sale financial assets	—	84,071
Payments of loans receivable	(1,200,000)	(1,085,000)
Collection of loans receivable	36	1,675,037
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(2,608,326)	(76,328)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	31,150	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	39,328
Other, net	37	—
Net cash from (used in) investing activities	(5,455,769)	535,264
Cash flows from financing activities		
Net increase (decrease) in current borrowings	116,900	(686,800)
Proceeds from non-current borrowings	25,351,800	14,505,600
Repayments of non-current borrowings	(14,045,826)	(14,053,546)
Cash dividends paid	(771,027)	(1,060,905)
Interest expenses paid	(481,822)	(442,398)
Other, net	(3,579)	(1,760)
Net cash from (used in) financing activities	10,166,443	(1,739,810)
Net increase (decrease) in cash and cash equivalents	3,840,600	1,293,238
Cash and cash equivalents at beginning of period	18,791,081	21,640,866
Effect of exchange rate change on cash and cash equivalents	(4,149)	303
Cash and cash equivalents at end of period	22,627,532	22,934,408

(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:

Six months ended May 31, 2016

(December 1, 2015 – May 31, 2016)

(¥ thousand)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	15,424,148	10,097,038	2,417,311	1,077,630	1,437,385	201,704	–	30,655,217
Intersegment revenue	–	–	20,815	12,600	525,539	370	(559,324)	–
Total	15,424,148	10,097,038	2,438,126	1,090,230	1,962,924	202,074	(559,324)	30,655,217
Segment profit or loss	3,627,319	3,659,887	1,003,040	430,340	70,332	(23,796)	(1,091,888)	7,675,234
Finance income/costs, net								(434,916)
Profit before tax								7,240,317

Six months ended May 31, 2017

(December 1, 2016 – May 31, 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	17,948,700	2,144,539	2,988,488	1,641,411	1,636,945	–	–	26,360,085
Intersegment revenue	–	–	21,561	20,073	575,341	–	(616,976)	–
Total	17,948,700	2,144,539	3,010,050	1,661,485	2,212,286	–	(616,976)	26,360,085
Segment profit or loss	4,800,250	(219,278)	1,303,083	915,032	134,610	1,030	(692,923)	6,241,805
Finance income/costs, net								(384,373)
Profit before tax								5,857,432

2. Dividends

Dividends paid in the six months ended May 31, 2016 and May 31, 2017 are as follows:

Six months ended May 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

Six months ended May 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

	Six months ended May 31, 2016	Six months ended May 31, 2017
Profit attributable to owners of the parent (¥ thousand)	4,743,981	3,931,865
Weighted average number of outstanding ordinary shares (shares)	48,284,000	48,284,000
Basic earnings per share (¥)	98.25	81.43

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 reporting period.

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.