

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	–	0.00			
Fiscal year ending November 30, 2018 (Forecast)			–	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 May 31, 2018	48,525,000 shares
As of November 30, 2017	48,284,000 shares

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

As of May 31, 2018	46 shares
As of November 30, 2017	–

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

Six months ended May 31, 2018	48,409,489 shares
Six months ended May 31, 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.

○ **Contents of Attached Materials**

1. Qualitative Information on Quarterly Consolidated Financial Performance.....	4
(1) Qualitative Information Regarding Consolidated Operating Results.....	4
(2) Qualitative Information Regarding Consolidated Financial Positions.....	6
(3) Qualitative Information Regarding Consolidated Earnings Forecasts	6
2. Matters Related to Summary Information (Notes)	7
(1) Changes in Significant Subsidiaries during the Period	7
(2) Changes in Accounting Policies and Changes in Accounting Estimates	7
3. Condensed Quarterly Consolidated Financial Statements and notes.....	8
(1) Condensed Consolidated Statement of Financial Position.....	8
(2) Condensed Consolidated Statement of Comprehensive Income.....	9
(3) Condensed Consolidated Statement of Changes in Equity	10
(4) Condensed Consolidated Statement of Cash Flows	11
(5) Notes on Going Concern Assumption.....	12
(6) Notes to Condensed Quarterly Consolidated Financial Statements	12
(7) Notes on Significant Subsequent Events.....	13

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Qualitative Information Regarding Consolidated Operating Results

During the six months ended May 31, 2018, the Japanese economy continued a moderate recovery. This recovery trend is expected to continue mainly in the corporate sector as a result of growing exports and increased capital investment, despite concerns over downturns due to economic policies and rising interest rates in the U.S. and geopolitical risks in the Middle East, North Korea, etc.

In the real estate industry where Tosei Group operates, domestic commercial real estate transactions from January 2018 to March 2018 increased 14% year on year to ¥1.4 trillion. By area, transactions in the Tokyo metropolitan area accounted for approximately 70% of the total, thanks to an increase in office building transactions in the central Tokyo area where occupancy rates remain stable at a high level, resulting in transactions in the Tokyo metropolitan area ranking the first, ahead of London and New York, for the first time in 16 quarters since the period from January 2014 to March 2014. As the low-interest financing environment is forecast to continue going forward, domestic transactions for the full year 2018 are expected to increase 5% to 10% year on year, backed by active transactions by investors (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium market, the number of units sold in the fiscal year ended March 31, 2018 rose for the first time in four years, increasing 1.1% year on year to 36,837. However, the contract rate for the first month, which indicates whether sales are regarded as favorable, fell below the 70% threshold for the second consecutive year to 68.8% due to soaring selling prices. In the Tokyo metropolitan area build-for-sale detached house market, the number of units sold in the fiscal year ended March 31, 2018 remained almost unchanged from the previous fiscal year at 61,215. Demand for detached houses, which are perceived as being more reasonably priced than condominiums, is expected to remain strong (according to survey's by the Ministry of Land, Infrastructure, Transport and Tourism and private research institute).

In the office leasing market of Tokyo's five business wards, the vacancy rate as of April 2018 declined 0.74% year on year to 2.65%, and the average asking rent rose for the 52nd consecutive month to ¥19,896 per tsubo (1 tsubo = 3.3m²), an increase of ¥1,122 year on year. The average asking rent is expected to continue to increase gradually going forward against a backdrop of expanding employment and the need for office expansion and relocation in light of continuing favorable corporate earnings, despite concerns over an upsurge in supply of large-scale office buildings in the central Tokyo area (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 grew to ¥16.5 trillion in J-REITs (an increase of ¥1.0 trillion year on year). In addition, the total value of assets under management in major private placement funds expanded to ¥16.0 trillion (an increase of ¥0.4 trillion year on year), and the overall market scale reached ¥32.5 trillion (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 condominiums and 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 six months ended May 31, 2018 totaled ¥32,520 million (up 23.4% year on year), operating profit was ¥6,887 million (up 10.3%), profit before tax was ¥6,511 million (up 11.2%), and profit for the period was ¥4,452 million (up 13.2%).

Performance by business segment is shown below.

Revitalization Business

During the six months ended May 31, 2018, the segment sold 24 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 15 units in the Restyling Business, including Hilltop Yokohama Negishi (Yokohama-shi, Kanagawa).

During the six months ended May 31, 2018, it also acquired a total of 32 income-generating office buildings and apartments and seven land lots for renovation and sales purposes.

As a result, revenue in this segment was ¥17,585 million (down 2.0% year on year) and the segment profit was ¥4,227 million (down 11.9%).

Development Business

During the six months ended May 31, 2018, the segment focused on the sale of condominium and detached houses. The segment sold 85 units in The Palms Yutenji master's Place (Setagayaku, Tokyo), 43 detached houses including THE Palms Court Kamakura Shiromeguri (Kamakura-shi, Kanagawa), THE Palms Court Kashiwa Hatsuishi (Kashiwa-shi, Chiba) and THE Palms Court Koshigaya Lake Town (Koshigaya-shi, Saitama) and two land lots.

During the six months ended May 31, 2018, it also acquired a land for condominium project, a land lot for hotel project, a land lot for logistics project and land lots for 35 detached housings.

As a result, revenue in this segment was ¥8,613 million (up 301.7% year on year) and the segment profit was ¥1,408 million (in comparison with segment loss of ¥219 million in the same period of the previous fiscal year).

Rental Business

During the six months ended May 31, 2018, while the segment sold 17 buildings of its inventory assets held for leasing purposes, it newly acquired 24 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 ¥2,893 million (down 3.2% year on year) and the segment profit was ¥1,246 million (down 4.4%).

Fund and Consulting Business

During the six months ended May 31, 2018, while ¥8,520 million was subtracted from the balance of assets under management (Note), due mainly to property dispositions by funds, ¥91,590 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 May 31, 2018, was ¥635,278 million. The acquisition of such large project contracts increased asset management fees and contributed to revenue.

As a result, revenue in this segment was ¥1,324 million (down 19.3% year on year) and the segment profit was ¥707 million (down 22.7%).

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, 2018, the segment worked to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 667 as of May 31, 2018, an increase of 33 properties from May 31, 2017, with that total comprising 391 office buildings, hotels, schools and other such properties, and 276 condominiums and apartments.

As a result, revenue in this segment was ¥1,938 million (up 18.4% year on year) and segment profit was ¥204 million (up 51.9%).

Other

For the six months ended May 31, 2018, revenue in this segment was ¥166 million (there was no revenue in this segment in the same period of the previous fiscal year) and the segment profit was ¥53 million (in comparison with segment profit of ¥1 million in the same period of the previous fiscal year).

(2) Qualitative Information Regarding Consolidated Financial Positions

1. Financial Positions

As of May 31, 2018, total assets were ¥134,935 million, an increase of ¥12,385 million compared with November 30, 2017, while total liabilities were ¥85,299 million, an increase of ¥8,908 million.

Increase in total assets were primarily due to increase in inventories. Increase in liabilities were due to increase in current income tax liabilities and borrowings from financial institutions.

Total equity increased by ¥3,476 million to ¥49,635 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, 2018 totaled ¥25,827 million, increased by ¥2,076 million compared with November 30, 2017.

The cash flows for the six months ended May 31, 2018 and factors contributing to those amounts are as follows:

Cash Flows from Operating Activities

Net cash used in operating activities totaled ¥400 million (¥2,497 million provided by the same period of the previous fiscal year). This is mainly due to profit before tax of ¥6,511 million, as well as an increase in inventories of ¥7,344 million, which was a result of property acquisitions in the Revitalization Business and Development Business, and income taxes paid of ¥1,037 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥1,723 million (¥535 million provided by 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 ¥1,471 million.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥4,201 million (¥1,739 million used in the same period of the previous fiscal year). This mainly reflects ¥17,407 million in the repayments of non-current borrowings and ¥1,205 million in cash dividends paid, despite ¥22,280 million in proceeds from non-current borrowings.

(3) Qualitative Information Regarding Consolidated Earnings Forecasts

The business results during the six months ended May 31, 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 May 31, 2018
Assets		
Current assets		
Cash and cash equivalents	23,750,239	25,827,059
Trade and other receivables	2,148,608	2,388,261
Inventories	59,718,614	69,442,984
Other current assets	26,376	30,581
Total current assets	85,643,839	97,688,886
Non-current assets		
Property, plant and equipment	5,305,652	5,280,773
Investment properties	28,359,547	28,326,674
Intangible assets	83,544	88,183
Available-for-sale financial assets	1,751,463	1,806,903
Trade and other receivables	859,731	1,032,917
Deferred tax assets	517,587	682,394
Other non-current assets	28,914	28,914
Total non-current assets	36,906,441	37,246,761
Total assets	122,550,281	134,935,647
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	4,278,612	5,371,807
Borrowings	6,449,040	6,239,630
Current income tax liabilities	732,961	1,958,702
Provisions	484,671	288,137
Total current liabilities	11,945,287	13,858,279
Non-current liabilities		
Trade and other payables	3,280,020	3,739,389
Borrowings	60,674,335	66,596,689
Retirement benefits obligations	472,574	447,518
Provisions	19,197	6,742
Deferred tax liabilities	—	651,325
Total non-current liabilities	64,446,127	71,441,665
Total Liabilities	76,391,414	85,299,944
Equity		
Share capital	6,421,392	6,544,061
Capital reserves	6,464,240	6,539,274
Retained earnings	33,209,210	36,454,444
Treasury shares	—	(61)
Other components of equity	64,024	97,983
Total equity attributable to owners of parent	46,158,867	49,635,703
Total equity	46,158,867	49,635,703
Total liabilities and equity	122,550,281	134,935,647

(2) Condensed Consolidated Statement of Comprehensive Income

(¥ thousand)

	Six months ended May 31, 2017	Six months ended May 31, 2018
Revenue	26,360,085	32,520,695
Cost of revenue	16,858,573	21,749,086
Gross profit	9,501,511	10,771,608
Selling, general and administrative expenses	3,402,246	3,922,865
Other income	160,145	123,511
Other expenses	17,604	85,236
Operating profit	6,241,805	6,887,017
Finance income	32,956	40,815
Finance costs	417,329	415,915
Profit before tax	5,857,432	6,511,917
Income tax expense	1,925,566	2,059,583
Profit for the period	3,931,865	4,452,334
Other comprehensive income		
Items that may be transferred to net profit or loss		
Exchange differences on translation of foreign operations	302	(5,583)
Net change in fair values of available-for-sale financial assets	(6,026)	37,820
Net change in fair values of cash flow hedges	11,895	1,723
Subtotal	6,171	33,959
Other comprehensive income for the period, net of tax	6,171	33,959
Total comprehensive income for the period	3,938,036	4,486,293
Profit attributable to:		
Owners of the parent	3,931,865	4,452,334
Total comprehensive income attributable to:		
Owners of the parent	3,938,036	4,486,293
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	81.43	91.97
Diluted earnings per share (yen)	—	91.75

(3) Condensed Consolidated Statement of Changes in Equity

Six months ended May 31, 2017 (December 1, 2016 – May 31, 2017)

(¥ thousand)

	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components 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	—	—	3,931,865	—	—	3,931,865	3,931,865
Other comprehensive income	—	—	—	—	6,171	6,171	6,171
Total comprehensive income for the period	—	—	3,931,865	—	6,171	3,938,036	3,938,036
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	—	22,400	—	—	—	22,400	22,400
Balance at May 31, 2017	6,421,392	6,441,224	30,989,922	—	55,733	43,908,273	43,908,273

Six months ended May 31, 2018 (December 1, 2017 – May 31, 2018)

(¥ thousand)

	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components 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	—	—	4,452,334	—	—	4,452,334	4,452,334
Other comprehensive income	—	—	—	—	33,959	33,959	33,959
Total comprehensive income for the period	—	—	4,452,334	—	33,959	4,486,293	4,486,293
Amount of transactions with owners							
Issuance of new shares	122,669	70,099	—	—	—	192,768	192,768
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 May 31, 2018	6,544,061	6,539,274	36,454,444	(61)	97,983	49,635,703	49,635,703

(4) Condensed Consolidated Statement of Cash Flows

(¥ thousand)

	Six months ended May 31, 2017	Six months ended May 31, 2018
Cash flows from operating activities		
Profit before tax	5,857,432	6,511,917
Depreciation expense	190,000	292,035
Increase (decrease) in provisions and retirement benefits obligations	(141,242)	(223,006)
Interest and dividend income	(32,956)	(40,815)
Interest expenses	417,329	415,915
Loss (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	(93,616)	68,276
Decrease (increase) in inventories	(1,182,723)	(7,344,536)
Increase (decrease) in trade and other payables	(317,261)	996,483
Other, net	47,270	(80,806)
Subtotal	4,620,726	596,073
Interest and dividend income received	32,955	40,811
Income taxes paid	(2,155,898)	(1,037,751)
Net cash from (used in) operating activities	2,497,784	(400,865)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	95,000	—
Purchase of property, plant and equipment	(6,350)	(29,447)
Purchase of investment properties	(193,111)	(205,711)
Purchase of intangible assets	(4,565)	(19,868)
Purchase of available-for-sale financial assets	—	(150)
Collection of available-for-sale financial assets	7,183	—
Proceeds from sales of available-for-sale financial assets	84,071	—
Payments of loans receivable	(1,085,000)	—
Collection of loans receivable	1,675,037	38
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(76,328)	(1,471,733)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	39,328	—
Other, net	—	3,715
Net cash from (used in) investing activities	535,264	(1,723,156)
Cash flows from financing activities		
Net increase (decrease) in current borrowings	(686,800)	841,000
Proceeds from non-current borrowings	14,505,600	22,280,950
Repayments of non-current borrowings	(14,053,546)	(17,407,178)
Proceeds from issuance of new shares	—	192,431
Cash dividends paid	(1,060,905)	(1,205,363)
Interest expenses paid	(442,398)	(498,509)
Other, net	(1,760)	(1,888)
Net cash from (used in) financing activities	(1,739,810)	4,201,440
Net increase (decrease) in cash and cash equivalents	1,293,238	2,077,418
Cash and cash equivalents at beginning of period	21,640,866	23,750,239
Effect of exchange rate change on cash and cash equivalents	303	(598)
Cash and cash equivalents at end of period	22,934,408	25,827,059

(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, 2017

(December 1, 2016 – May 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	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

Six months ended May 31, 2018

(December 1, 2017 – May 31, 2018)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	17,585,038	8,613,547	2,893,007	1,324,657	1,938,389	166,054	—	32,520,695
Intersegment revenue	—	—	21,929	21,543	536,650	500	(580,623)	—
Total	17,585,038	8,613,547	2,914,937	1,346,200	2,475,040	166,554	(580,623)	32,520,695
Segment profit	4,227,735	1,408,139	1,246,315	707,671	204,446	53,269	(960,560)	6,887,017
Finance income/costs, net								(375,100)
Profit before tax								6,511,917

2. Dividends

Dividends paid in the six months ended May 31, 2017 and May 31, 2018 are as follows:

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

Six months ended May 31, 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

	Six months ended May 31, 2017	Six months ended May 31, 2018
Profit attributable to owners of the parent (¥ thousand)	3,931,865	4,452,334
Net income used to figure diluted net income per share (¥ thousand)	—	4,452,334
Weighted average number of outstanding ordinary shares (shares)	48,284,000	48,409,489
The number of increased ordinary shares used to figure diluted earnings per share (shares)	—	117,265
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	—	48,526,754
Basic earnings per share (¥)	81.43	91.97
Diluted net income per share (¥)	—	91.75

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 six months ended May 31, 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.