

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 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, 2018	48,534,800 shares
As of November. 30, 2017	48,284,000 shares

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

As of August. 31, 2018	46 shares
As of November. 30, 2017	–

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

Nine months ended August. 31, 2018	48,450,511 shares
Nine months ended August. 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 Regarding 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, 2018, the Japanese economy is recovering moderately, supported by stable personal consumption and capital investment on the back of favorable corporate earnings. The domestic economic recovery is expected to continue led by demand in the private sector, despite concerns about the intensification of confrontation between countries over protectionism and the impact of monetary policy trends.

In the real estate industry where Tosei Group operates, domestic real estate transactions by listed companies and other such entities for the first half of 2018, from January to June, increased 2.6% year on year to ¥2.251 trillion and investment environment continued to be steady on the back of a strong leasing market. In real estate lending environment, there are movements for financial institutions to screen borrowers due to the impact of fraudulent loans made by certain local banks and the caution on higher price in the real estate market (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium market, the number of units sold in the first half of 2018 increased 5.3% year on year to 15,504 and the average selling price per unit soared to ¥59.62 million, marking a year on year increase for the sixth consecutive year. The contract rate for the first month of sale continued to fall below the 70% threshold from which market conditions are viewed as favorable, because the consumers' purchase motivation does not rise due to stagnant household income whereas the selling price increases. The Tokyo metropolitan area build-for-sale detached house market remains firm, as the price is perceived as being more reasonably priced than condominiums. However, the number of units sold in the first half of 2018 decreased 3.0% year on year to 29,701 (according to surveys by the Ministry of Land, Infrastructure, Transport and Tourism and private research institute).

The office leasing market of Tokyo's five business wards has been performing favorably, supported by corporate interest in expanding offices due to business expansion and their strong need for office relocation for the development of human resources and work style reform. The average vacancy rate as of July 2018 declined 0.6% year on year to 2.6%, and the average asking rent rose for the 55th consecutive month to ¥20,202, an increase of ¥1,286 year on year. A low vacancy rate is likely to be continued for the time being as large-scale office buildings expected to be completed in 2018 are estimated to be operated with almost full occupancy (according to a survey by a private research institute).

The real estate securitization market is continuing to expand. The total value of assets under management as of July 31, 2018 grew to ¥17.4 trillion in J-REITs (an increase of ¥1.2 trillion year on year), due to increase of property acquisitions resulting from recovery of investment unit price and improvement of financing environment. In addition, with the total value of assets under management in major private placement funds of ¥16.0 trillion (as of December 2017), the overall market scale reached ¥33.4 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 usual 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 nine months ended August 31, 2018 totaled ¥45,308 million (up 7.9% year on year), operating profit was ¥10,357 million (up 14.1%), profit before tax was ¥9,843 million (up 15.5%), and profit for the period was ¥6,645 million (up 15.5%).

Performance by business segment is shown below.

Revitalization Business

During the nine months ended August 31, 2018, the segment sold 31 properties it had renovated, including Nishidai Tosei Building (Itabashi-ku, Tokyo), Ikebukuro-jiyoshikaikan Apartment (Toshima-ku, Tokyo), Kichichoji Ito Building (Musashino-shi, Tokyo), Kuramochi Building 2 (Sumida-ku, Tokyo), Kunitachi 219 Building (Kunitachi-shi, Tokyo) and T-Rhythmic SOKA (Soka-shi, Saitama). In addition, the segment sold 17 units in the Restyling Business, including Hilltop Yokohama Negishi (Yokohama-shi, Kanagawa).

During the nine months ended August 31, 2018, it also acquired a total of 35 income-generating office

buildings and apartments and 10 land lots for renovation and sales purposes.

As a result, revenue in this segment was ¥24,312 million (down 17.0% year on year) and the segment profit was ¥6,890 million (down 5.7%).

Development Business

During the nine months ended August 31, 2018, the segment focused on the sale of condominium and detached houses. The segment sold 87 units at THE Palms Yutenji master's Place (Setagaya-ku, Tokyo) and sold 69 detached houses at such properties as THE Palms Court Kamakura Shiromeguri (Kamakura-shi, Kanagawa), THE Palms Court Koshigaya Lake Town (Koshigaya-shi, Saitama), THE Palms Court Kunitachi and THE Palms Court Kashiwa Hatsuishi (Kashiwa-shi, Chiba). In addition, the segment sold one commercial facility and eight land lots.

During the nine months ended August 31, 2018, it also acquired a land lot for condominium project, a land lot for hotel project, a land lot for logistics facility project and land lots for 46 detached housings.

As a result, revenue in this segment was ¥11,339 million (up 224.1% year on year) and the segment profit was ¥1,503 million (in comparison with segment loss of ¥310 million in the same period of the previous fiscal year).

Rental Business

During the nine months ended August 31, 2018, while the segment sold 24 buildings of its inventory assets held for leasing purposes, it newly acquired 26 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 ¥4,488 million (down 2.4% year on year) and the segment profit was ¥1,926 million (down 0.4%).

Fund and Consulting Business

During the nine months ended August 31, 2018, while ¥29,573 million was subtracted from the balance of assets under management (Note), due mainly to property dispositions by funds, ¥125,644 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 August 31, 2018, was ¥648,279 million. The acquisition of such large project contracts increased asset management fees and contributed to revenue.

As a result, revenue in this segment was ¥1,893 million (down 11.1% year on year) and the segment profit was ¥920 million (down 14.0%).

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, 2018, the segment worked to win new contracts and maintain existing contracts and the number of fund properties under management increased. Consequently, the total number of properties under management was 667 as of August 31, 2018, an increase of 15 properties from August 31, 2017, with that total comprising 393 office buildings, hotel, schools and other such properties, and 274 condominiums and apartments.

As a result, revenue in this segment was ¥3,015 million (up 22.5% year on year) and segment profit was ¥397 million (up 86.7%).

Other

For the nine months ended August 31, 2018, revenue in this segment was ¥258 million (there was no revenue in this segment in the same period of the previous year). The segment profit was ¥72 million (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 August 31, 2018, total assets were ¥134,998 million, an increase of ¥12,448 million compared with November 30, 2017, while total liabilities were ¥83,161 million, an increase of ¥6,769 million.

Increase in total assets were primarily due to increase in inventories. Increase in liabilities were due to increase in borrowings, current income tax liabilities.

Total equity increased by ¥5,678 million to ¥51,837 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, 2018, totaled ¥27,197 million, increased by ¥3,446 million compared with November 30, 2017.

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

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥2,233 million (down 58.3% year on year). This is mainly attributed to the profit for the period before tax of ¥9,843 million, an increase of ¥5,939 million in inventories resulting from property acquisitions in the Revitalization Business and Development Business, and income taxes paid of ¥2,041 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥1,759 million (¥410 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 ¥1,502 million.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥2,973 million (¥4,073 million used in the same period of the previous fiscal year). This mainly reflects ¥21,873 million in the repayments of non-current borrowings and ¥1,206 million in cash dividends paid, despite ¥26,401 million in proceeds from non-current borrowings.

(3) Qualitative Information Regarding Consolidated Earnings Forecasts

The business results during the nine months ended August 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 August 31, 2018
Assets		
Current assets		
Cash and cash equivalents	23,750,239	27,197,189
Trade and other receivables	2,148,608	2,491,554
Inventories	59,718,614	71,625,561
Other current assets	26,376	28,946
Total current assets	85,643,839	101,343,252
Non-current assets		
Property, plant and equipment	5,305,652	5,279,258
Investment properties	28,359,547	24,633,589
Intangible assets	83,544	86,260
Available-for-sale financial assets	1,751,463	1,802,941
Trade and other receivables	859,731	1,117,880
Deferred tax assets	517,587	706,504
Other non-current assets	28,914	28,914
Total non-current assets	36,906,441	33,655,350
Total assets	122,550,281	134,998,602
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	4,278,612	4,063,896
Borrowings	6,449,040	6,414,339
Current income tax liabilities	732,961	2,373,264
Provisions	484,671	276,915
Total current liabilities	11,945,287	13,128,416
Non-current liabilities		
Trade and other payables	3,280,020	3,778,028
Borrowings	60,674,335	65,404,452
Retirement benefits obligations	472,574	464,808
Provisions	19,197	6,779
Deferred tax liabilities	—	378,888
Total non-current liabilities	64,446,127	70,032,957
Total Liabilities	76,391,414	83,161,374
Equity		
Share capital	6,421,392	6,549,049
Capital reserves	6,464,240	6,542,045
Retained earnings	33,209,210	38,647,319
Treasury shares	—	(61)
Other components of equity	64,024	98,874
Total equity attributable to owners of parent	46,158,867	51,837,227
Total equity	46,158,867	51,837,227
Total liabilities and equity	122,550,281	134,998,602

(2) Condensed Consolidated Statement of Comprehensive Income

(¥ thousand)

	Nine months ended August 31, 2017	Nine months ended August 31, 2018
Revenue	41,978,288	45,308,339
Cost of revenue	27,884,108	29,312,301
Gross profit	14,094,180	15,996,038
Selling, general and administrative expenses	5,195,378	5,683,847
Other income	203,037	136,145
Other expenses	20,980	90,523
Operating profit	9,080,858	10,357,812
Finance income	76,767	84,503
Finance costs	635,981	599,155
Profit before tax	8,521,644	9,843,160
Income tax expense	2,766,154	3,197,951
Profit for the period	5,755,489	6,645,209
Other comprehensive income		
Items that may be transferred to net profit or loss		
Exchange differences on translation of foreign operations	6,826	(5,552)
Net change in fair values of available-for-sale financial assets	(6,083)	37,883
Net change in fair values of cash flow hedges	13,324	2,519
Subtotal	14,067	34,850
Other comprehensive income for the period, net of tax	14,067	34,850
Total comprehensive income for the period	5,769,556	6,680,059
Profit attributable to:		
Owners of the parent	5,755,489	6,645,209
Total comprehensive income attributable to:		
Owners of the parent	5,769,556	6,680,059
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	119.20	137.15
Diluted earnings per share (yen)	—	136.88

(3) Condensed Consolidated Statement of Changes in Equity

Nine months ended August 31, 2017 (December 1, 2016 – August 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	—	—	5,755,489	—	—	5,755,489	5,755,489
Other comprehensive income	—	—	—	—	14,067	14,067	14,067
Total comprehensive income for the period	—	—	5,755,489	—	14,067	5,769,556	5,769,556
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	—	33,601	—	—	—	33,601	33,601
Balance at August 31, 2017	6,421,392	6,452,424	32,813,546	—	63,629	45,750,993	45,750,993

Nine months ended August 31, 2018 (December 1, 2017 – August 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	—	—	6,645,209	—	—	6,645,209	6,645,209
Other comprehensive income	—	—	—	—	34,850	34,850	34,850
Total comprehensive income for the period	—	—	6,645,209	—	34,850	6,680,059	6,680,059
Amount of transactions with owners							
Issuance of new shares	127,657	72,869	—	—	—	200,526	200,526
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 August 31, 2018	6,549,049	6,542,045	38,647,319	(61)	98,874	51,837,227	51,837,227

(4) Condensed Consolidated Statement of Cash Flows

(¥ thousand)

	Nine months ended August 31, 2017	Nine months ended August 31, 2018
Cash flows from operating activities		
Profit before tax	8,521,644	9,843,160
Depreciation expense	289,665	437,355
Increase (decrease) in provisions and retirement benefits obligations	(149,574)	(216,943)
Interest and dividends income	(76,767)	(84,503)
Interest expenses	635,981	599,155
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	(358,925)	(318,168)
Decrease (increase) in inventories	(68,938)	(5,939,084)
Increase (decrease) in trade and other payables	123,134	(54,944)
Other, net	48,835	(75,924)
Subtotal	8,841,551	4,190,710
Interest and dividends income received	76,767	84,503
Income taxes paid	(3,554,759)	(2,041,238)
Net cash from (used in) operating activities	5,363,558	2,233,975
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	95,000	—
Purchase of property, plant and equipment	(13,062)	(54,035)
Purchase of investment properties	(1,272,601)	(185,580)
Purchase of intangible assets	(6,963)	(25,368)
Purchase of available-for-sale financial assets	(50,166)	(280)
Collection of available-for-sale financial assets	7,619	655
Proceeds from sales of available-for-sale financial assets	84,071	3,329
Payments of loans receivable	(1,085,000)	—
Collection of loans receivable	2,760,056	57
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(159,328)	(1,502,160)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	39,328	—
Other, net	12,032	3,715
Net cash from (used in) investing activities	410,983	(1,759,666)
Cash flows from financing activities		
Net increase (decrease) in current borrowings	(1,575,800)	169,500
Proceeds from non-current borrowings	21,150,850	26,401,950
Repayments of non-current borrowings	(21,903,138)	(21,873,293)
Proceeds from issuance of new shares	—	200,140
Cash dividends paid	(1,061,250)	(1,206,624)
Interest expenses paid	(681,691)	(715,660)
Other, net	(2,461)	(2,802)
Net cash from (used in) financing activities	(4,073,491)	2,973,209
Net increase (decrease) in cash and cash equivalents	1,701,051	3,447,518
Cash and cash equivalents at beginning of period	21,640,866	23,750,239
Effect of exchange rate change on cash and cash equivalents	676	(568)
Cash and cash equivalents at end of period	23,342,594	27,197,189

(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, 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

Nine months ended August 31, 2018

(December 1, 2017 – August 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	24,312,328	11,339,368	4,488,630	1,893,143	3,015,936	258,933	—	45,308,339
Intersegment revenue	—	—	32,986	45,306	900,434	950	(979,677)	—
Total	24,312,328	11,339,368	4,521,616	1,938,449	3,916,371	259,883	(979,677)	45,308,339
Segment profit	6,890,049	1,503,758	1,926,737	920,446	397,357	72,582	(1,353,119)	10,357,812
Finance income/costs, net								(514,652)
Profit before tax								9,843,160

2. Dividends

Dividends paid in the nine months ended August 31, 2017 and August 31, 2018 are as follows:

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

Nine months ended August 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

	Nine months ended August 31, 2017	Nine months ended August 31, 2018
Profit attributable to owners of the parent (¥ thousand)	5,755,489	6,645,209
Net income used to figure diluted net income per share (¥ thousand)	—	6,645,209
Weighted average number of outstanding ordinary shares (shares)	48,284,000	48,450,511
The number of increased ordinary shares used to figure diluted earnings per share (shares)	—	98,062
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	—	48,548,573
Basic earnings per share (¥)	119.20	137.15
Diluted net income per share (¥)	—	136.88

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 nine months ended August 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.