This is an English translation of the official announcement in Japanese that was released on January 14, 2015. The translation is prepared for the readers' convenience only. All readers are strongly recommended to refer to the original Japanese version for complete and accurate information. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

# Consolidated Financial Results
# for the Fiscal Year Ended November 30, 2014
# <IFRS>

January 14, 2015

Company name: Tosei Corporation
Stock listing: TSE / SGX
Securities code number: 8923/S2D
URL: http://www.toseicorp.co.jp/english/
Representative: Seiichiro Yamaguchi, President and CEO
Contact: Noboru Hirano, Director and CFO
Phone: +81-3-3435-2864
Ordinary general shareholders' meeting: February 25, 2015 (scheduled)
Commencement of dividend payments: February 26, 2015 (scheduled)
Submission of Securities Report (Yuka Shoken Hokokusho): February 27, 2015 (scheduled)
Preparation of supplementary materials for financial results: Yes
Holding of 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 Fiscal Year Ended November 30, 2014 (December 1, 2013 – November 30, 2014)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

| | Revenue | | Operating profit | | Profit before tax | | Profit for the year | |
|---|---|---|---|---|---|---|---|---|
| | (¥ million) | (%) | (¥ million) | (%) | (¥ million) | (%) | (¥ million) | (%) |
| Year ended Nov. 30, 2014 | 49,981 | 42.5 | 5,560 | 42.1 | 4,663 | 44.7 | 2,874 | 43.2 |
| Year ended Nov. 30, 2013 | 35,070 | 44.9 | 3,914 | 37.0 | 3,222 | 45.2 | 2,006 | 36.9 |

| | Profit attributable to owners of the parent | | Total comprehensive income for the year | | Basic earnings per share | Diluted earnings per share |
|---|---|---|---|---|---|---|
| | (¥ million) | (%) | (¥ million) | (%) | (¥) | (¥) |
| Year ended Nov. 30, 2014 | 2,874 | 43.2 | 3,021 | 50.2 | 59.53 | ― |
| Year ended Nov. 30, 2013 | 2,006 | 36.9 | 2,011 | 37.4 | 43.05 | ― |

| | Ratio of profit to equity attributable to owners of the parent | Ratio of profit before tax to total assets | Ratio of operating profit to revenue |
|---|---|---|---|
| | (%) | (%) | (%) |
| Year ended Nov. 30, 2014 | 9.2 | 6.1 | 11.1 |
| Year ended Nov. 30, 2013 | 7.1 | 4.7 | 11.2 |

(Reference) Equity in earnings of affiliates Year ended Nov. 30, 2014: ¥―million Year ended Nov.30, 2013: ¥―million

Notes: 1.The figures above for the fiscal year ended November 30, 2013 are restatements in line with partial changes in accounting policies. For details, please refer to "5. Consolidated Financial Statements, (6) Notes on Consolidated Financial Statements (Changes in accounting polices)" on page 18 on the attached materials.

2.The Company split its shares by 100 for 1, effective July 1, 2013. Therefore, the basic earnings per share was calculated on the assumption that the share split was implemented at the beginning of the previous fiscal year.

(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 | Equity per share attributable to owners of the parent |
|---|---|---|---|---|---|
| | (¥ million) | (¥ million) | (¥ million) | (%) | (¥) |
| As of Nov. 30, 2014 | 80,858 | 32,727 | 32,727 | 40.5 | 677.82 |
| As of Nov. 30, 2013 | 71,283 | 30,092 | 30,092 | 42.2 | 623.24 |

Notes: 1.The figures above as of November 30, 2013 are restatements in line with partial changes in accounting policies. For details, please refer to "5. Consolidated Financial Statements, (6) Notes on Consolidated Financial Statements (Changes in accounting polices)" on page 18 on the attached materials.

2.The Company split its shares by 100 for 1, effective July 1, 2013. Therefore, the equity per share attributable to owners of the parent was calculated on the assumption that the share split was implemented at the beginning of the previous fiscal year.

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of year |
|---|---|---|---|---|
| | (¥ million) | (¥ million) | (¥ million) | (¥ million) |
| Year ended Nov. 30, 2014 | 344 | (2,878) | 3,891 | 16,100 |
| Year ended Nov. 30, 2013 | 2,772 | (940) | 3,456 | 14,711 |

## 2. Dividends

| | Annual dividends per share | | | | | Total dividends per share (Total) | Payout ratio (Consolidated) | Ratio of dividend to equity attributable to owners of the parent (Consolidated) |
|---|---|---|---|---|---|---|---|---|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total | | | |
| | (¥) | (¥) | (¥) | (¥) | (¥) | (¥ million) | (%) | (%) |
| Year ended Nov. 30, 2013 | — | 0.00 | — | 8.00 | 8.00 | 386 | 18.6 | 1.3 |
| Year ended Nov. 30, 2014 | — | 0.00 | — | 12.00 | 12.00 | 579 | 20.2 | 1.8 |
| Year ending Nov. 30, 2015(projected) | — | 0.00 | — | 14.00 | 14.00 | | 20.7 | |

## 3. Projected Consolidated Results for the Fiscal Year Ending November 30, 2015 (December 1, 2014 – November 30, 2015)

(Percentages indicate year-on-year changes.)

| | Revenue | | Operating profit | | Profit before tax | | Profit for the year | | Profit attributable toowners of the parent | | Basic earnings per share |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (¥ million) | (%) | (¥ million) | (%) | (¥ million) | (%) | (¥ million) | (%) | (¥ million) | (%) | (¥) |
| Year ending Nov. 30, 2015 | 56,425 | 12.9 | 6,000 | 7.9 | 5,042 | 8.1 | 3,258 | 13.4 | 3,258 | 13.4 | 67.48 |

*** Notes**

(1) Changes in significant subsidiaries during the year (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: Yes

(b) Changes in accounting policies other than (a) above: No

(c) Changes in accounting estimates: No

Note: For details, please refer to "5. Consolidated Financial Statements, (6) Notes on Consolidated Financial Statements (Changes in accounting polices)" on page 18 on the attached materials.

(3) Number of issued shares (ordinary shares)

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

| | |
|---|---|
| As of Nov. 30, 2014 | 48,284,000 shares |
| As of Nov. 30, 2013 | 48,284,000 shares |

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

| | |
|---|---|
| As of Nov. 30, 2014 | – |
| As of Nov. 30, 2013 | – |

(c) Average number of outstanding shares during the year

| | |
|---|---|
| Year ended Nov. 30, 2014 | 48,284,000 shares |
| Year ended Nov. 30, 2013 | 46,602,904 shares |

Note: The Company split its shares by 100 for 1, effective July 1, 2013. Therefore, the aforementioned numbers of shares were calculated on the assumption that share split was implemented at the beginning of the previous fiscal year.

**(Reference) Summary of Non-consolidated Results**

**1. Non-consolidated Financial Results for the Fiscal Year Ended November 30, 2014 (December 1, 2013 – November 30, 2014)**

(1) Non-consolidated Operating Results (Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | (¥ million) | (%) | (¥ million) | (%) | (¥ million) | (%) | (¥ million) | (%) |
| Year ended Nov. 30, 2014 | 45,361 | 51.0 | 5,016 | 48.1 | 4,130 | 55.6 | 2,439 | 47.3 |
| Year ended Nov. 30, 2013 | 30,044 | 54.6 | 3,388 | 31.8 | 2,654 | 31.7 | 1,656 | 38.2 |

| | Net income per share | Net income per share (diluted) |
|---|---|---|
| | (¥) | (¥) |
| Year ended Nov. 30, 2014 | 50.52 | ― |
| Year ended Nov. 30, 2013 | 35.54 | ― |

Note: The Company split its shares by 100 for 1, effective July 1, 2013. Therefore, the net income per share was calculated on the assumption that the share split was implemented at the beginning of the previous fiscal year.

(2) Non-consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | (¥ million) | (¥ million) | (%) | (¥) |
| As of Nov. 30, 2014 | 76,218 | 31,131 | 40.8 | 644.76 |
| As of Nov. 30, 2013 | 67,207 | 29,015 | 43.2 | 600.94 |

(Reference) Equity As of November 30, 2014: ¥31,131 million As of November 30, 2013: ¥29,015 million

Note: The Company split its shares by 100 for 1, effective July 1, 2013. Therefore, the net assets per shares was calculated on the assumption that the share split was implemented at the beginning of the previous fiscal year.

## 2. Projected Non-consolidated Results for the Fiscal Year Ending November 30, 2015 (December 1, 2014 – November 30, 2015)

(Percentages indicate year-on-year changes.)

| | Net sales | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|
| | (¥ million) | (%) | (¥ million) | (%) | (¥ million) | (%) | (¥) |
| Year ending Nov. 30, 2015 | 50,633 | 11.6 | 4,434 | 7.4 | 2,838 | 16.4 | 58.78 |

* Information on implementation of audit procedures

This financial results report is exempt from the audit procedures pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of this financial results report, the audit procedures for the consolidated financial statements pursuant to the Financial Instruments and Exchange Act have not been completed.

* Proper use of earnings forecasts and other notes

(1) 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. Analysis of Business Results and Financial Positions, (1) Analysis of Business Results, 2) Outlook for the Fiscal Year Ending November 30, 2015” on page 8 of the attached materials.

(2) The Company split its shares by 100 for 1, effective July 1, 2013.

(3) A financial results meeting will be held on January 14, 2015 for institutional investors and analysts. The presentation materials distributed at the meeting will be available on our website immediately after the disclosure of account settlement.

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# 1. Analysis of Business Results and Financial Positions

## (1) Analysis of Business Results

### 1) Consolidated Results for the Fiscal Year Ended November 30, 2014

During the fiscal year ended November 30, 2014 (December 1, 2013 to November 30, 2014–"fiscal year under review"), the Japanese economy followed a moderate recovery trend due to the effect of economic measures by the government aimed at overcoming deflation as well as monetary easing by the Bank of Japan.

In the real estate industry where Tosei Group operates, corporate real estate transactions increased amid expectations of rises in rents and low-interest rates. The total acquisition amount of properties acquired by listed companies and others in the period from April 2014 to September 2014 was ¥2.1 trillion, an increase of 10% compared with the same period of the previous fiscal year and the second-highest acquisition amount to date (according to a survey by a private research institution).

In the Tokyo metropolitan area condominium market, the contract rate in October 2014, the latest data available, was 63.3%, remaining at a low level as a result of slowing consumer demand for condominium purchases due to a jump in prices reflecting rising building costs. The supply of condominiums was also low, showing a substantial decline due to a decrease in housing starts and a tendency among owners to hold back on selling. As a result, the number of condominium units sold in 2014 is expected to be approximately 43,000 units, down more than 20% from the corresponding period of the previous fiscal year (according to a survey by a private research institution).

In the Tokyo metropolitan area build-for-sale detached house market, supply continued to decrease each month compared with the previous year due to a prolonged backlash from the consumption tax hike. The supply of detached houses in the period from January 2014 to September 2014 was down 6.1% compared with the previous period, fuelling concerns about a delayed market recovery (according to the Ministry of Land, Infrastructure, Transport and Tourism data).

At the same time, in the office leasing market of Tokyo's five business wards, the market situation recovered further and the vacancy rate in October 2014 declined to the mid-5% range. The average asking rent was ¥16,913/tsubo, an increase of ¥676 or 4.2% compared with the same month of the previous fiscal year, showing a modest upward trend for ten consecutive months (according to a survey by a private research institution).

In the real estate securitization market, although the financial inflow continued on the back of monetary easing and expectations of rises in rents, the pace of property acquisitions by J-REITs slowed down due to a decrease in yields resulting from property price increases. The total acquisition amount of properties in the period from January 2014 to October 2014 was ¥1.2 trillion, down 32.5% year on year (according to a survey by a private research institution).

As of the end of June 2014, the total value of assets under management in this market was ¥27.4 trillion, comprising ¥11.9 trillion at J-REITs and ¥15.5 trillion at privately placed funds (according to a survey by a private research institution).

Amid this operating environment, in the Revitalization Business, the Tosei Group made steady progress on the sale of assets such as income-generating office buildings and apartment buildings. In the Development Business, the Group pushed ahead with sales of detached houses, condominiums and other products. In addition, Tosei Reit Investment Corporation, which contracts out the management of its assets to Tosei Asset Advisors, Inc., a wholly-owned subsidiary of Tosei Corporation, was listed on the Tokyo Stock Exchange. We believe that this entry into the J-REIT sector will help to strengthen value chains in the Tosei Group's business portfolio, and will work to further increase the corporate value of the Group by supporting improved medium- and long-term revenue and stable growth at the Investment Corporation.

As a result, consolidated revenue for the fiscal year under review totaled ¥49,981 million (up 42.5% year on year), operating profit was ¥5,560 million (up 42.1%), profit before tax was ¥4,663 million (up 44.7%), and profit for the year was ¥2,874 million (up 43.2%).

Performance by business segment is shown below.

**Revitalization Business**

During the fiscal year under review, the segment sold 31 properties it had renovated, including Tama Center Tosei Building (Tama-shi, Tokyo), Inage Kaigan Building (Chiba-shi, Chiba), KM Shinjuku Building (Shinjuku-ku, Tokyo), Akihabara Tosei Building (Chiyoda-ku, Tokyo), Ueno Takeuchi Building (Taito-ku, Tokyo), FLEG Nishiazabu (Minato-ku, Tokyo) and Yanagibashi Suzuwa Building (Taito-ku, Tokyo), and a land lot in Shinjuku 6-chome (Shinjuku-ku, Tokyo). In addition, the segment sold 58 units

in the Restyling Business, including Hilltop Yokohama Negishi (Yokohama-shi, Kanagawa), Hilltop Yokohama Higashi Terao (Yokohama-shi, Kanagawa) and Estage Kaminoge (Setagaya-ku, Tokyo). In the fiscal year ended November 30, 2014, it also acquired a total of 25 income-generating office buildings and apartment buildings and five land lots for renovation and sales purposes.

As a result, revenue in this segment was ¥34,743 million (up 213.1% year on year) and the segment profit was ¥3,330 million (up 138.1%).

**Development Business**

During the fiscal year under review, the segment focused on the sale of newly-built condominiums and detached houses. The segment sold 33 newly-built condominium units in THE Palms Nihonbashi Kodenmacho Visage (Chuo-ku, Tokyo), as well as a total of 80 detached houses such as properties at Palms Court Setagaya Okamoto (Setagaya-ku, Tokyo), Palms Court Okusawa 1-Chome (Setagaya-ku, Tokyo), Palms Court Sanno 1-Chome (Ota-ku, Tokyo), THE Palms Court Yokohama Hakuraku (Yokohama-shi, Kanagawa) and THE Palms Court Kawasaki Daishi (Kawasaki-shi, Kanagawa). The segment also acquired nine land lots for detached housing projects and one land lot for a store development project.

As a result, revenue in this segment was ¥6,112 million (down 62.6% year on year) and the segment profit was ¥432 million (down 70.1%).

**Rental Business**

During the fiscal year under review, while the segment sold 30 buildings of its inventory assets held for leasing purposes, it acquired a total of 23 income-generating office buildings and apartment buildings, and made an effort to lease them out. The segment also focused on leasing activities for its preexisting non-current assets and inventory assets.

As a result, revenue in this segment was ¥4,153 million (up 56.9% year on year), and the segment profit was ¥2,414 million (up 51.8%).

**Fund and Consulting Business**

During the fiscal year under review, while the segment obtained new asset management contracts in the amount of ¥130,896 million, the balance of assets under management decreased by ¥78,317 million, due mainly to property disposition by funds.

As a result, revenue in this segment was ¥949 million (down 32.1% year on year) and the segment profit was ¥174 million (down 73.9%).

The lower year-on-year revenue and profit results are primarily attributable to the segment having posted brokerage fee income pertaining to transactions involving large projects in the previous fiscal year.

As of November 30, 2014, the balance of assets under management (Note) totaled ¥300,607 million.

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

**Property Management Business**

As of November 30, 2014, the number of properties managed by the segment including office buildings, parking lots, schools and warehouses was 351, an increase of 8 from November 30, 2013, while the number of condominium and apartment buildings under management decreased by 10 to 193, making the total number of properties under management 544, a decrease of 2 from November 30, 2013.

As a result, revenue in this segment was ¥2,943 million (down 6.8% year on year) and segment profit was ¥227 million (up 84.1%).

Revenue decreased due to a decline in business involving schools, however the segment profit increased owing to increases in fee income and decreases in general and administrative expenses.

**Alternative Investment Business**

During the fiscal year under review, the segment focused on selling and leasing activities for properties acquired by a substitute performance. Membership fees from Crystal Sports Club, which was acquired through an M&A transaction in the third quarter, also contributed to income in this segment.

As a result, revenue in this segment was ¥1,078 million (up 157.4% year on year) and the segment profit was ¥213 million (up 193.0%).

**2) Outlook for the Fiscal Year Ending November 30, 2015**

In the operating environment in the coming fiscal year ending November 30, 2015, corporate and other real estate transactions are expected to continue to increase against a backdrop of moderate economic recovery, mainly reflecting continued monetary easing under Abenomics and optimism following the decision to hold the 2020 Olympics in Tokyo. On the other hand, there are concerns about a delayed recovery in the market for detached houses because of a prolonged backlash from the consumption tax hike. In addition, it is expected that investment money from overseas will continue to flow into the Japanese real estate market on the back of factors such as a weakening yen and higher stock prices. Consequently, the operating environment is expected to remain favorable overall. Against this backdrop, the Tosei Group will concentrate on the renovation and sale of various income-generating properties for a wide range of customers from private investors to REITs and privately placed funds in the Revitalization Business. The Group will also make vigorous efforts in the development and sale of newly-built detached houses for end users, from whom demand is firm, and further develop Tosei's original income-generating properties in the Development Business. In addition, in our three stable businesses, we will aim to increase the number of properties we hold for leasing purposes and improve the occupancy rate in the Rental Business, build up the volume of assets under management in the Fund and Consulting Business, and further increase the number of properties managed by the Company in the Property Management Business, thus working to grow revenue in all each segments.

In addition, the Tosei Group will further accelerate its acquisitions of medium- and large-sized income-generating properties as well as land for development with a view to supporting Tosei Reit Investment Corporation following its listing on the Tokyo Stock Exchange. At the same time, taking the current favorable real estate market situation as a good opportunity for growth in the Tosei Group and business expansion, the Group will endeavor to set up a new real estate fund by attracting both domestic and overseas investment money, and to reinforce its global business utilizing a subsidiary company in Singapore and other networks, with the concentrated support of the whole Group. As a result of the aforementioned measures, in the fiscal year ending November 30, 2015, the Tosei Group projects that consolidated revenue will be ¥56,425 million (an increase of 12.9% from the previous fiscal year), operating profit will be ¥6,000 million (an increase of 7.9%), profit before tax will be ¥5,042 million (an increase of 8.1%), and profit for the year will be ¥3,258 million (an increase of 13.4%).

## (2) Analysis of Financial Position

### 1) Assets, Liabilities and Equity

As of November 30, 2014, total assets were ¥80,858 million, an increase of ¥9,575 million compared with November 30, 2013. This mainly reflected increases of ¥3,524 million in inventories, ¥1,154 million in investment properties, and ¥1,635 million in available-for-sale financial assets.

Total liabilities increased by ¥6,939 million to ¥48,130 million compared with November 30, 2013. This mainly reflected an increase in borrowings, whereby loan proceeds associated with property acquisitions exceeded loan repayments associated with property sales.

Total equity increased by ¥2,635 million to ¥32,727 million compared with November 30, 2013, mainly due to an increase in retained earnings.

### 2) Cash Flows

Cash and cash equivalents (hereinafter "cash") as of November 30, 2014 totaled ¥16,100 million, an increase of ¥1,388 million compared with November 30, 2013.

The cash flows for the fiscal year under review and factors contributing to those amounts are as follows:

*Cash Flows from Operating Activities*

Net cash provided by operating activities totaled ¥344 million (down 87.6% year on year). This is mainly due to profit before tax of ¥4,663 million as well as an increase in inventories of ¥3,378 million, which was a result of the Revitalization Business and Development Business segments purchasing properties at a steady pace surpassing that of the decrease in inventories associated with property sales.

*Cash Flows from Investing Activities*

Net cash used in investing activities totaled ¥2,878 million (up 206.0% year on year). This is primarily due to purchases of available-for-sale financial assets totaling ¥2,196 million and purchases of investment

properties totaling ¥1,125 million.

*Cash Flows from Financing Activities*

Net cash provided by financing activities totaled ¥3,891 million (up 12.6% year on year). This mainly reflected a situation where loan proceeds exceeded repayments, as the Revitalization Business and Development Business segments purchased properties at a steady pace surpassing that of property sales.

(Reference) Trends in cash flow indicators for the Tosei Group

| | Year ended Nov. 30, 2012 | Year ended Nov. 30, 2013 | Year ended Nov. 30, 2014 |
|---|---|---|---|
| Ratio of equity attributable to owners of the parent to total assets (%) | 40.6 | 42.2 | 40.5 |
| Market value ratio of equity attributable to owners of the parent to total assets (%) | 25.1 | 52.6 | 43.0 |
| Interest-bearing debt to cash flows ratio (years) | – | 12.6 | 117.3 |
| Interest coverage ratio (times) | – | 3.8 | 0.3 |

Ratio of equity attributable to owners of the parent to total assets: Equity attributable to owners of the parent to total assets/Total assets

Market value ratio of equity attributable to owners of the parent to total assets: Market capitalization/Total assets

Interest-bearing debt to cash flows ratio: Interest-bearing debt/Cash flows

Interest coverage ratio: Cash flows/Interest expenses

Notes:
(1) All indicators are calculated using consolidated financial figures.
(2) Market capitalization is calculated based on the number of issued shares, excluding treasury shares.
(3) The figure for cash flows employs cash flows from operating activities.
(4) Interest-bearing debt includes all liabilities recorded on the Consolidated Statement of Financial Position on which interest is paid.
(5) Interest-bearing debt to cash flows ratio and interest coverage ratio are not presented for the year ended November 30, 2012 because cash flows from operating activities on the consolidated statements of cash flows were negative.

### (3) Fundamental Earnings Distribution Policy and Dividends for Fiscal 2014 and Fiscal 2015

Tosei's fundamental earnings distribution policy is to strive to continuously provide stable dividends while comprehensively considering operating results, the future operating environment and progress in its business plan to balance dividends with the need for internal capital resources to generate long-term growth in corporate value by taking advantage of highly profitable business opportunities.

For the fiscal year ended November 30, 2014 and the fiscal year ending November 30, 2015, Tosei plans to pay cash dividends per share of ¥12 and ¥14 respectively.

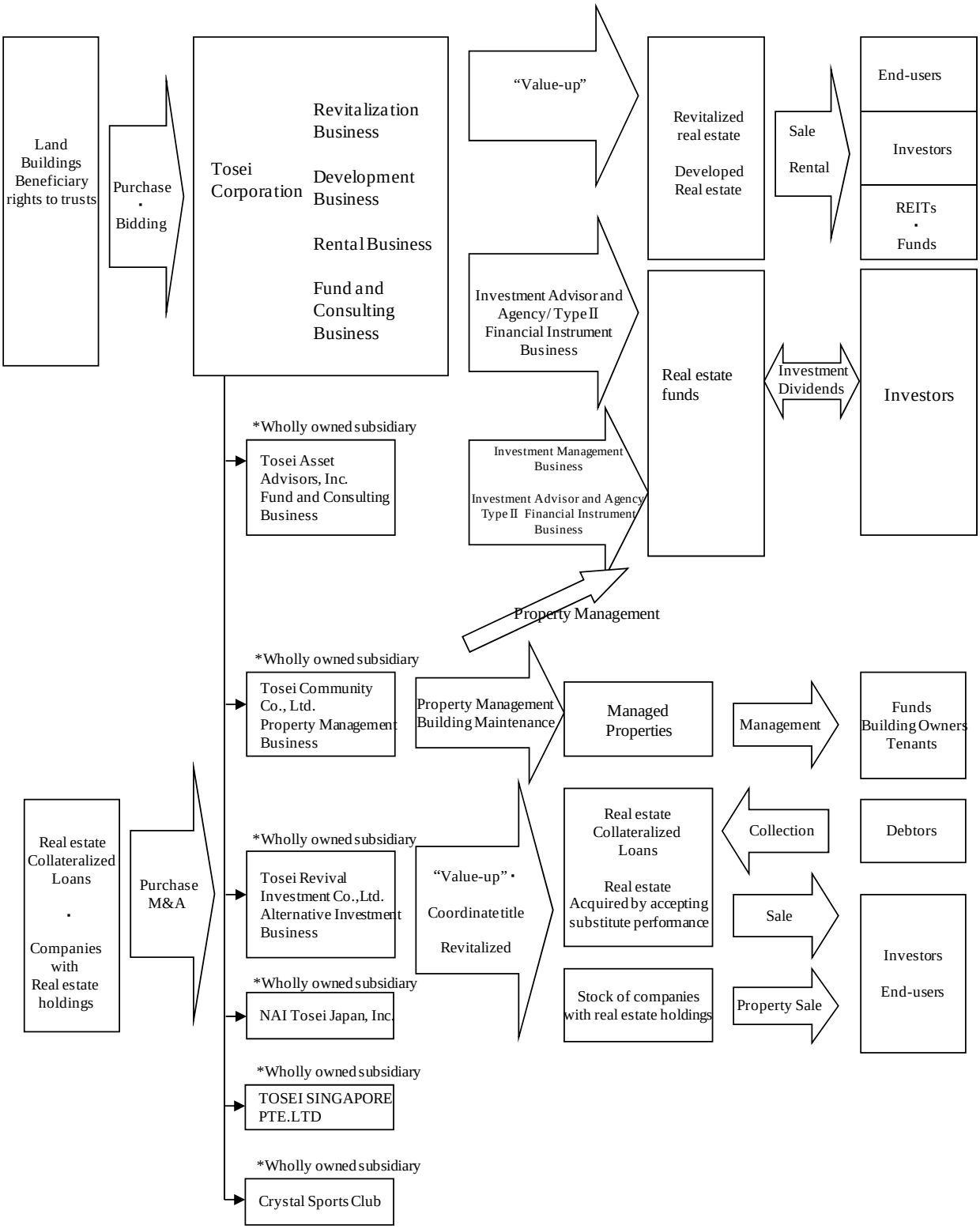
## 2. Conditions of Corporate Group

The Tosei Group is composed of Tosei Corporation ("Tosei" or the "Company") and 8 subsidiaries (including 7 consolidated subsidiaries). Its main businesses are the Revitalization Business, the Development Business, the Rental Business, the Fund and Consulting Business, the Property Management Business, and the Alternative Investment Business. The operations of each business segment and the main subsidiaries and/or affiliates conducting those operations are as follows.

| Segment | Operations | Main Companies |
|---|---|---|
| Revitalization Business | The Tosei Group acquires office buildings, commercial facilities, apartments and other properties whose asset value has declined, boosts their value though "value-up plans" (*) judged to best match the characteristics of the properties' areas and tenant requirements, and sells them as revitalized real estate to buyers including investors, real estate funds and individual end users. In the "Restyling Business," the Group acquires income-generating condominiums and sells their units to end-users after boosting the value of common and private areas by renovation (the Group continues to hold and manage the occupied units as rental properties).<br>The Tosei Group's "value-up" activities go beyond just renewing properties and involve realizing comprehensive regenerations of their values. This entails not only improving the convenience and functionality of properties but also focusing on providing satisfaction to owners and giving end users a sense of pride.<br>(*) Plans primarily look 10 or 20 years ahead and consist of improved designs to refurbish/renovate internal and external elements that have deteriorated or become obsolete, functional improvement of facilities including renovation, adding new functions to premises and equipment and conversions, and boosting lease income by such means as renting out vacant space, collecting overdue rent and raising rent. | Tosei Corporation |
| Development Business | In the main districts of Tokyo, which form the Tosei Group's core operating area, there is a mixture of needs for office, commercial and residential space and other uses, and these different uses create significant differences between land values. Tosei verifies the characteristics of land it acquires including area, shape, intended purpose, relevant needs, rent, and selling price. Based on this, Tosei carries out development and new construction to maximize the value of the land, and then sells whole buildings or individual units.<br>The Group is able to respond to diverse needs by developing office buildings, commercial buildings (T's BRIGHTIA series) and mixed-use buildings, condominiums (the Palms series), as well as detached houses (Palms Court series). Once development is complete or tenants have been found, the properties are sold to buyers including investors, real estate funds, and end-users. | Tosei Corporation |
| Rental Business | The Tosei Group has expanded the scope of its business primarily in the main districts of Tokyo by acquiring office buildings, condominiums, stores and parking lots, and renting them out to end-users and others.<br>As a landlord, the Tosei Group is capable of swiftly gathering accurate information on tenant needs to further enhance "value-up plans" by reflecting these needs. | Tosei Corporation |
| Fund and Consulting Business | The Tosei Group conducts business as a type II financial instruments business as well as an investment advisory and agency business and an investment management business as provided for in the Financial Instruments and Exchange Act. Specifically, in addition to such work as purchasing, selling and brokering trust beneficiary rights in accordance with a wide variety of investor needs, the Group provides advice regarding the acquisition, holding and disposition of properties, and asset management services for real estate funds that carry out discretionary investment.<br>The Tosei Group's management approach is to provide high distributions to investors by taking full advantage of its "value-up," leasing and maintenance capabilities with the aim of maximizing rental income and reducing its own rent costs. Revenues are primarily derived from acquisition fees upon the purchase of properties and asset management fees for properties held. | Tosei Corporation<br><br>Tosei Asset Advisors, Inc |

| Segment | Operations | Main Companies |
|---|---|---|
| Property Management Business | This business carries out comprehensive property management that meets a wide variety of real estate needs including administration, facility management, cleaning and security for condominiums, office buildings and their facilities, repair work for the private portions of condominiums and office buildings, as well as contract work of office interior renovation.<br>In the management of condominiums, this business makes full use of the expertise it has accumulated over a number of years to provide consultancy and advisory services to unit owners and condominium management associations, and provides a total support to the associations from their launch to smooth operation.<br>With respect to managing office buildings, in order to streamline the operations of building owners, the business provides meticulous management services including building maintenance and the management of equipment, water supply and drainage, sanitation and cleaning. The business also maintains the asset values of buildings by implementing precise maintenance plans regarding the age-related deterioration of buildings. | Tosei Community Co., Ltd. |
| Alternative Investment Business | This business invests in real estate collateralized loans and acquires collateral through collecting receivables and accepting substitute performances by negotiating with mortgaged property owners/debtors, and acquires businesses including companies with real estate holdings and real estate business operators. The business also utilizes the expertise of the Tosei Group to boost the value of the real estate it acquires before selling it.The business also manages sports club facilities. | Tosei Revival Investment Co., Ltd. |

A schematic diagram of the businesses of the Tosei Group is as follows:



## 3. Management Policies

### (1) Fundamental Management Policy

The Tosei Group's corporate philosophy is to create new value and inspiration in all aspects of real estate as a group of global-minded and experienced professionals. With constant commitment to quality construction, the Group is striving to integrate real estate and finance in its six business segments: Revitalization, Development, Rental, Fund and Consulting, Property Management and Alternative Investment. The Group is also aiming to contribute to society and increase its corporate value by restoring the value of real estate with a view to a timeframe of 10 to 20 years.

### (2) Performance Targets and Medium- to Long-term Management Strategies

Under the aforementioned corporate philosophy, the Tosei Group established its current three-year medium-term management plan, whose first year is the fiscal year ending November 30, 2015.

Under this management plan named "Advancing Together 2017", the Group aims to become a group of real estate businesses with a sustainable competitive advantage and high quality manegement by setting four key policies: further expand the existing business segments/consider and advance into peripheral businesses, establish optimal governance and an efficient operating structure, develop human resources while increasing Group employee satisfaction, and enhance customer satisfaction while building Tosei's brand recognition.

### (3) Issues to Be Addressed

Business confidence followed a moderate recovery trend in line with a weakening yen and higher stock prices due to the effects of the economic measures under Abenomics. Consequently, the Japanese real estate market also recovered with rising real estate transaction prices and rents in addition to low vacancy rates. On the other hand, although the housing market has shown consistent firmness, these trends need to be monitored in view of the effects on the market of the consumption tax hike and rising building costs and the consequent slowdown in the pace of supply and downward trend in the contract rate.

Against this backdrop, the Group regards the following matters as issues to be addressed to achieve the four key policies in the new medium-term management plan: i) strengthening of purchases of income-generating properties for renovation and land for development in view of changes in the real estate market and realization of the optimum investment balance, ii) further strengthening of the group's governance in addition to establishment and operation of an efficient operating structure to increase productivity, looking ahead to organizational growth in line with business expansion at Tosei Corporation and its group companies, iii) improvement in the satisfaction of all Group employees, including securing the personnel necessary for the expansion of the Group as well as human resources development for the next generation, and iv) establishing Tosei's brand recognition by combining "innovation and challenge" with "assurance and reliability" through original products and high quality services.

## 4. Basic Concept Regarding Selection of Accounting Standards

Tosei Group has adopted IFRS.

The Group expects that adoption of IFRS will bring numerous benefits in facilitating its overseas expansion going forward, such that include improving its creditworthiness abroad, ensuring flexibility in fund raising, and enhancing comparability of financial information for overseas investors.

Meanwhile, another benefit is that the adoption of IFRS enables Tosei Corporation to submit IFRS-based financial statements, as is, for matters involving the Singapore Exchange where the Company maintains multiple listings.

# 5. Consolidated Financial Statements

## (1) Consolidated Statement of Financial Position

(¥ thousand)

| | As of Nov. 30, 2013 | As of Nov. 30, 2014 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 14,711,997 | 16,100,795 |
| Trade and other receivables | 902,131 | 2,049,710 |
| Inventories | 38,040,625 | 41,565,148 |
| Other current assets | 24,781 | 166,612 |
| Total current assets | 53,679,536 | 59,882,266 |
| Non-current assets | | |
| Property, plant and equipment | 3,304,792 | 3,293,308 |
| Investment properties | 12,703,600 | 13,858,329 |
| Intangible assets | 31,598 | 77,675 |
| Available-for-sale financial assets | 810,105 | 2,445,963 |
| Trade and other receivables | 188,884 | 780,758 |
| Deferred tax assets | 560,541 | 515,765 |
| Other non-current assets | 4,014 | 4,014 |
| Total non-current assets | 17,603,536 | 20,975,814 |
| Total assets | 71,283,073 | 80,858,080 |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 2,323,705 | 2,590,792 |
| Borrowings | 7,587,433 | 5,380,269 |
| Current income tax liabilities | 865,256 | 1,393,664 |
| Provisions | 209,124 | 267,281 |
| Total current liabilities | 10,985,520 | 9,632,009 |
| Non-current liabilities | | |
| Trade and other payables | 2,107,809 | 2,697,083 |
| Borrowings | 27,449,160 | 35,024,707 |
| Retirement benefits obligations | 624,154 | 697,680 |
| Provisions | 24,003 | 78,764 |
| Total non-current liabilities | 30,205,126 | 38,498,235 |
| Total Liabilities | 41,190,647 | 48,130,244 |
| Equity | | |
| Share capital | 6,421,392 | 6,421,392 |
| Capital reserves | 6,375,317 | 6,375,317 |
| Retained earnings | 17,294,366 | 19,776,474 |
| Other components of equity | 1,348 | 154,652 |
| Total equity | 30,092,426 | 32,727,836 |
| Total liabilities and equity | 71,283,073 | 80,858,080 |

## (2) Consolidated Statement of Comprehensive Income

(¥ thousand)

| | Year ended Nov. 30, 2013 (Dec. 1, 2012 – Nov. 2013) | Year ended Nov. 30, 2014 (Dec. 1, 2013 – Nov. 30, 2014) |
|---|---|---|
| Revenue | 35,070,345 | 49,981,563 |
| Cost of revenue | 26,392,097 | 40,018,772 |
| Gross profit | 8,678,247 | 9,962,791 |
| Selling, general and administrative expenses | 4,777,097 | 4,381,177 |
| Other income | 33,004 | 45,084 |
| Other expenses | 19,695 | 65,924 |
| Operating profit | 3,914,459 | 5,560,774 |
| Finance income | 3,467 | 3,514 |
| Finance costs | 695,799 | 900,581 |
| Profit before tax | 3,222,127 | 4,663,706 |
| Income tax expense | 1,215,656 | 1,789,479 |
| Profit for the year | 2,006,471 | 2,874,226 |
| Other comprehensive income | | |
| Items that will not be reclassified to net profit or loss | | |
| Remeasurements of defined benefit pension plans | 664 | (5,847) |
| Total items that will not be reclassified to net profit or loss | 664 | (5,847) |
| Items that may be reclassified to net profit or loss | | |
| Exchange differences on translation of foreign operations | 3,776 | 32,455 |
| Net change in fair values of available-for-sale financial assets | 1,299 | 118,610 |
| Net change in fair values of cash flow hedges | (431) | 2,236 |
| Total items that may be reclassified to net profit or loss | 4,644 | 153,303 |
| Other comprehensive income for the period, net of tax | 5,309 | 147,455 |
| Total comprehensive income for the year | 2,011,780 | 3,021,682 |
| | | |
| Profit attributable to: | | |
| Owners of the parent | 2,006,471 | 2,874,226 |
| Total comprehensive income attributable to: | | |
| Owners of the parent | 2,011,780 | 3,021,682 |
| | | |
| Earnings per share attributable to owners of the parent | | |
| Basic earnings per share (yen) | 43.05 | 59.53 |
| Diluted earnings per share (yen) | — | — |

## (3) Consolidated Statement of Changes in Equity

Year ended November 30, 2013 (Dec. 1, 2012 – Nov. 30, 2013)

(¥ thousand)

| | Share capital | Capital reserves | Retained earnings | Other components of equity | Total equity |
|---|---|---|---|---|---|
| Balance at Dec. 1, 2012 | 5,454,673 | 5,516,499 | 15,562,315 | (3,295) | 26,530,193 |
| Profit for the year | — | — | 2,006,471 | — | 2,006,471 |
| Other comprehensive income | — | — | — | 5,309 | 5,309 |
| Total comprehensive income for the year | — | — | 2,006,471 | 5,309 | 2,011,780 |
| Issuance of new shares | 966,719 | 858,818 | — | — | 1,825,537 |
| Dividends from surplus | — | — | (274,104) | — | (274,104) |
| Retained earnings from newly consolidated subsidiaries | — | — | (981) | — | (981) |
| Transfer from other components of equity to retained earnings | — | — | 664 | (664) | — |
| Balance at Nov. 30, 2013 | 6,421,392 | 6,375,317 | 17,294,366 | 1,348 | 30,092,426 |

Year ended November 30, 2014 (Dec. 1, 2013 – Nov. 30, 2014)

(¥ thousand)

| | Share capital | Capital reserves | Retained earnings | Other components of equity | Total equity |
|---|---|---|---|---|---|
| Balance at Dec. 1, 2013 | 6,421,392 | 6,375,317 | 17,294,366 | 1,348 | 30,092,426 |
| Profit for the year | — | — | 2,874,226 | — | 2,874,226 |
| Other comprehensive income | — | — | — | 147,455 | 147,455 |
| Total comprehensive income for the year | — | — | 2,874,226 | 147,455 | 3,021,682 |
| Dividends from surplus | — | — | (386,272) | — | (386,272) |
| Transfer from other components of equity to retained earnings | — | — | (5,847) | 5,847 | — |
| Balance at Nov. 30, 2014 | 6,421,392 | 6,375,317 | 19,776,474 | 154,652 | 32,727,836 |

## (4) Consolidated Statement of Cash Flows

(¥ thousand)

| | Year ended Nov. 30, 2013 (Dec. 1, 2012 – Nov. 2013) | Year ended Nov. 30, 2014 (Dec. 1, 2013 – Nov. 30, 2014) |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before tax | 3,222,127 | 4,663,706 |
| Depreciation expense | 173,480 | 188,916 |
| Increase (decrease) in provisions and retirement benefits obligations | 107,989 | 68,424 |
| Interest and dividends income | (3,467) | (3,514) |
| Interest expenses | 695,799 | 900,581 |
| Net gain on disposal of available-for-sale financial assets | (7,323) | (531) |
| Loss on retirement of property, plant and equipment | 183 | 1,597 |
| Decrease (increase) in trade and other receivables | 908,464 | (1,588,666) |
| Decrease (increase) in inventories | (1,118,535) | (3,378,869) |
| Increase (decrease) in trade and other payables | (1,021,652) | 781,843 |
| Other, net | (682) | (4,921) |
| Subtotal | 2,956,384 | 1,628,567 |
| Interest and dividends income received | 3,566 | 3,513 |
| Income taxes paid | (187,336) | (1,287,543) |
| Net cash from (used in) operating activities | 2,772,614 | 344,537 |
| Cash flows from investing activities | | |
| Payments into time deposits | — | (140,000) |
| Purchase of property, plant and equipment | (11,064) | (19,666) |
| Purchase of investment properties | (525,736) | (1,125,123) |
| Purchase of intangible assets | (4,490) | (59,106) |
| Purchase of available-for-sale financial assets | (667,000) | (2,196,590) |
| Collection of available-for-sale financial assets | 216,700 | 750,002 |
| Proceeds from sales of available-for-sale financial assets | 50,782 | 1,156 |
| Payments of loans receivable | — | (300,000) |
| Collection of loans receivable | 83 | 68 |
| Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation | — | 210,317 |
| Other, net | — | 174 |
| Net cash from (used in) investing activities | (940,724) | (2,878,766) |
| Cash flows from financing activities | | |
| Net increase (decrease) in current borrowings | (378,400) | 183,000 |
| Proceeds from non-current borrowings | 20,869,988 | 32,389,000 |
| Repayments of non-current borrowings | (17,855,004) | (27,206,985) |
| Proceeds from issuance of new shares | 1,825,537 | — |
| Cash dividends paid | (273,717) | (384,763) |
| Interest expenses paid | (729,954) | (1,086,000) |
| Other, net | (1,771) | (2,355) |
| Net cash from (used in) financing activities | 3,456,677 | 3,891,894 |
| Net increase (decrease) in cash and cash equivalents | 5,288,567 | 1,357,665 |
| Cash and cash equivalents at beginning of year | 9,410,622 | 14,711,997 |
| Effect of exchange rate change on cash and cash equivalents | 3,770 | 31,131 |
| Increase in cash and cash equivalents from newly consolidated subsidiaries | 9,036 | — |
| Cash and cash equivalents at end of year | 14,711,997 | 16,100,795 |

**(5) Notes on Going Concern Assumption**

No item to report.

**(6) Notes on Consolidated Financial Statements**

(Changes in accounting policies)

The Group applied the following standards effective from the fiscal year ending November 30, 2014.

| Standard | Name of standard | Overview of new establishment and amendment |
|---|---|---|
| IAS 19 | Employee Benefits | Recognition of actuarial gains and losses and past service cost, and presentation and disclosure of post-employment benefits |
| IFRS 10 | Consolidated Financial Statements | Clarification and application of the concept of control as a basis to determine which entities are to be consolidated |
| IFRS 11 | Joint Arrangements | Principles for the financial reporting by parties to a joint arrangement, and supersedence of former IAS 31 and SIC 13 |
| IFRS 12 | Disclosure of Interests in Other Entities | Disclosure requirements on interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities |
| IFRS 13 | Fair Value Measurement | Establishment of a framework when other standards require fair value measurement |

The above standards have no material impact on the condensed quarterly consolidated financial statements.

Among the above standards, for IAS 19, the comparative data have been adjusted retroactively in accordance with transitional measures.

(Changes in presentation)

In the past, sales expenses such as advertising costs for real estate for sale were posted in “Cost of revenue”, but from the fiscal year ending November 30, 2014, such expenses are being posted in “Selling, general and administrative expenses.”

This change was made in order to more accurately present the actual situation, due to the fact that the aforementioned sales expenses more resemble sales costs than cost of goods sold these days.

To reflect this change in presentation, reclassification of accounts has been made for the consolidated statement of comprehensive income for the fiscal year ended November 30, 2013. As a result, ¥1,367,002 thousand included in “Cost of revenue” in the consolidated statement of comprehensive income for the fiscal year ended November 30, 2013 were reclassified to “Selling, general and administrative expenses”.

(Segment information)

(1) Summary of reportable segments

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 business segments and conducts business activities accordingly; "Revitalization Business", "Development Business", "Rental Business", "Fund and Consulting Business", "Property Management Business", and "Alternative Investment 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. In the Alternative Investment Business, the Group acquires real estate collateralized loans and sells the properties acquired through collection of debt and acceptance of substitute performance.

(2) Method for calculating revenue, profit or loss and other items by reportable segment

The methods of accounting applied in the reported operating segments are consistent with the accounting policies adopted by the Group.

The reported segment profit is calculated on an operating profit basis. Intersegment revenue or transfers are based on actual market prices.

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

Year ended November 30, 2013

(Dec.1, 2012 – Nov 30, 2013)

(¥ thousand)

| | Revitalization Business | Development Business | Rental Business | Fund and Consulting Business | Property Management Business | Alternative Investment Business | Adjustment | Total |
|---|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | | |
| Revenue from external customers | 11,098,020 | 16,347,700 | 2,647,153 | 1,398,239 | 3,160,312 | 418,918 | — | 35,070,345 |
| Intersegment revenue | — | — | 56,559 | 21,654 | 381,595 | 21,195 | (481,004) | — |
| Total | 11,098,020 | 16,347,700 | 2,703,713 | 1,419,893 | 3,541,908 | 440,113 | (481,004) | 35,070,345 |
| Segment profit | 1,398,665 | 1,447,316 | 1,590,390 | 669,997 | 123,565 | 73,024 | (1,388,500) | 3,914,459 |
| Finance income/costs, net | | | | | | | | (692,332) |
| Profit before tax | | | | | | | | 3,222,127 |

Note: As described in the subsection "Changes in accounting policies," changes in accounting policies made in the fiscal year under review have been applied retroactively, and the consolidated financial statements for the previous fiscal year present figures after the retroactive application.

Year ended November 30, 2014

(Dec.1, 2013 – Nov 30, 2014)

(¥ thousand)

| | Revitalization Business | Development Business | Rental Business | Fund and Consulting Business | Property Management Business | Alternative Investment Business | Adjustment | Total |
|---|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | | |
| Revenue from external customers | 34,743,813 | 6,112,575 | 4,153,421 | 949,437 | 2,943,854 | 1,078,462 | — | 49,981,563 |
| Intersegment revenue | — | — | 57,161 | 9,242 | 516,012 | — | (582,416) | — |
| Total | 34,743,813 | 6,112,575 | 4,210,582 | 958,680 | 3,459,867 | 1,078,462 | (582,416) | 49,981,563 |
| Segment profit | 3,330,667 | 432,323 | 2,414,670 | 174,963 | 227,423 | 213,949 | (1,233,224) | 5,560,774 |
| Finance income/costs, net | | | | | | | | (897,067) |
| Profit before tax | | | | | | | | 4,663,706 |

(Earnings per share)

| | Year ended November 30, 2013 (Dec. 1, 2012 – Nov. 30, 2013) | Year ended November 30, 2014 (Dec. 1, 2013 – Nov. 30, 2014) |
|---|---|---|
| Profit attributable to owners of the parent (¥ thousand) | 2,006,471 | 2,874,226 |
| Weighted average number of outstanding ordinary shares (shares) | 46,602,904 | 48,284,000 |
| Basic earnings per share (¥) | 43.05 | 59.53 |

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. Information on diluted earnings per share is omitted due to an absence of potential shares.

3. The Company split its shares by 100 for 1, effective July 1, 2013. Therefore, the basic earnings per share was calculated on the assumption that the share split was implemented at the beginning of the previous fiscal year.

4. As described in the subsection "Changes in accounting policies," changes in accounting policies made in the fiscal year under review have been applied retroactively, and the consolidated financial statements for the previous fiscal

year present figures after the retroactive application. Consequently, basic earnings per share for the previous fiscal year have increased by ¥0.06 compared with the figure before the retroactive application.

(Significant subsequent events)

No item to report.