

Business

Mid-size independent real estate company operating various businesses in Tokyo

Mid-size independent real estate company: Tosei operates a range of real estate-related businesses in the Tokyo area. Businesses based on one-time transactions are the Revitalization Business (49% of FY11/20 revenue; acquires properties whose asset value has declined, increases their value, and resells to investors) and the Development Business (25%). Stable Businesses are the Rental Business (9%), Property Management Business (7%), Fund and Consulting Business (9%), and Hotel Business (1%). With a diverse portfolio that enables flexible response to changes in market demand, Tosei aims to balance earnings growth and stability. Its customer base spans investors in Japan and abroad, general corporations, real estate companies, REITs, and individuals. Inventory includes offices, commercial buildings, hotels, logistics facilities, condominiums, and detached houses. It specializes in small and mid-sized properties (less than JPY2.0bn), which have high liquidity and are in abundant supply. Even following the 2008 global financial crisis, Tosei booked no operating loss (FY11/09), and it recorded operating profit growth for 10 consecutive years from FY11/10 to FY11/19. In FY11/20, operating profit declined 49.4% YoY on booking of valuation loss on inventory resulting from rigorous evaluation of potential selling prices, mainly for hotels and commercial buildings, due to concern over earnings prospects in light of ongoing impact from the COVID-19 pandemic (without the write-downs, operating profit would have grown for the 11th consecutive year).

Performance trends

FY11/21 forecast: OP +35.5% YoY

FY11/20 earnings: Revenue was JPY63.9bn (+5.3% YoY) and operating profit JPY6.4bn (-49.4% YoY). When it released its 1H earnings results, Tosei announced a downward revision of its initial company forecast due to valuation loss on inventory such as hotels and commercial buildings in light of the COVID-19 pandemic. Revenue was in line with this revised forecast, while operating profit was 37.3% above plan as the company won a large new asset management contract in the Fund and Consulting Business and detached houses sold well in the Development Business. Since the start of FY11/20, the company has slightly lowered the revenue target while increasing profit targets two more times.

FY11/21 forecast: Tosei forecasts revenue of JPY69.5bn (+8.8% YoY) and operating profit of JPY8.7bn (+35.5% YoY). The company expects double-digit YoY revenue growth in the Revitalization Business and recovery in the Hotel Business from 2H (it plans to open two hotels) to drive overall revenue growth. It expects recovery in the Development Business and improved earnings in the Rental Business to boost profit. The acquisition target (expected disposition value; FY11/20 results on contract basis) is JPY80.0bn, JPY24.2bn (+44%) higher YoY.

Medium-term strategy

Targets FY11/23 ROE of 12%+, Stable Business ratio of 50%, payout ratio of 30.0%

Medium-term plan: When it announced its FY11/20 earnings results, Tosei also announced a new three-year plan to run through FY11/23. Due to uncertainties such as the impact of the pandemic, the new plan does not include any revenue or profit targets for FY11/23, instead providing only key performance indicator (KPI) and payout ratio targets. For FY11/23, Tosei targets ROE of 12.0% or higher, a Stable Business ratio of 50% (operating profit basis), equity ratio of about 35%, net debt to equity ratio of about 1.0x, and dividend payout ratio of 30.0%. It aims for recovery and growth in Trading Business by expanding acquisition for future growth while ensuring liquidity and financial soundness. It also intends to raise

the payout ratio steadily over the three years of the plan.

Strengths and weaknesses

Strengths

Some businesses drive earnings growth while others provide stability: Operates businesses based on one-time transactions that drive growth in bullish times plus stable revenue businesses that support earnings in bearish times.

Specializes in small and mid-sized properties, which are abundant in supply and highly liquid: Small and mid-sized properties (91% of all office buildings in the 23 wards of Tokyo) see less competition, as real estate companies associated with the Japanese conglomerates tend to consider them not worth the effort.

Independent: As a real estate company independent from the large conglomerates, Tosei gains access to niche information.

Weaknesses

Weaknesses

Scattered management resources:

Multiple segments reduce leverage in bullish times.

Small asset size of company REIT:

Tosei Reit Investment Corporation ranks 55th in asset size among the 62 J-REITs.

Profit growth drivers

[Currently] Businesses based on one-time transactions (Revitalization and Development) + Stable Businesses (Rental, Fund and Consulting, and Property Management)

[Medium term] Current growth drivers + peripheral businesses such as the hotel business and logistics facilities development

Indices	
Market capitalization	JPY50.6 bn
Stock price (Jan. 27, 2021)	JPY1,041
Shares issued	48,595,300 shares
Foreign stockholding ratio	35.19 %
BPS (FY11/20)	JPY1,250.00
PBR (FY11/20)	0.83 x
PER (FY11/21 Est.)	9.4 x
Dividend (FY11/21 Est.)	JPY29.00
Dividend yield (FY11/21 Est.)	2.79 %
ROE (FY11/21 Est.)	8.8 %
Net debt / Equity ratio (FY11/20)	91.5 %

*Number of issued shares includes treasury stock.

Earnings	Revenue (JPYmn)	YoY	Operating profit (JPYmn)	YoY	Pre-tax profit (JPYmn)	YoY	Profit (JPYmn)	YoY	EPS (JPY)	BPS (JPY)	ROA (RP-based)	ROE	
FY11/15	IFRS	43,007	-14.0%	6,892	23.9%	6,040	29.5%	4,136	43.9%	85.66	750.32	6.9%	12.0%
FY11/16	IFRS	49,818	15.8%	9,280	34.6%	8,450	39.9%	5,547	34.1%	114.89	849.35	7.9%	14.4%
FY11/17	IFRS	57,754	15.9%	9,834	6.0%	9,049	7.1%	6,155	11.0%	127.48	955.99	7.4%	14.1%
FY11/18	IFRS	61,543	6.6%	10,876	10.6%	10,171	12.4%	6,852	11.3%	141.36	1,071.63	7.8%	14.0%
FY11/19	IFRS	60,728	-1.3%	12,691	16.7%	12,090	18.9%	8,447	23.3%	176.40	1,225.27	8.0%	15.3%
FY11/20	IFRS	63,940	5.3%	6,428	-49.4%	5,901	-51.2%	3,602	-57.4%	76.05	1,250.00	3.6%	6.1%
FY11/21	IFRS Est.	69,535	8.8%	8,707	35.5%	8,001	35.6%	5,218	44.9%	110.61	-	-	-

Note: Figures are rounded to the nearest (JPY) million (figures disclosed by the company are rounded down to the nearest [JPY]million).

Business

Operates Revitalization, Development, Rental, Fund and Consulting, Property Management, and Hotel Businesses in the Tokyo area

Company overview

Mid-size independent real estate company, operates a range of real estate businesses

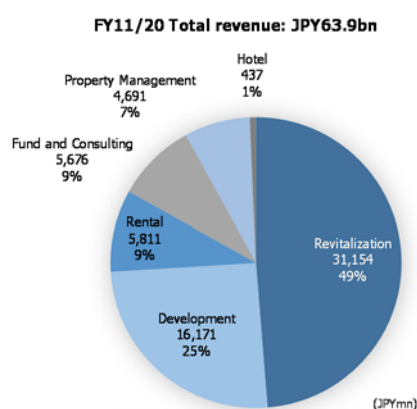
Tosei is an independent real estate company that operates a range of real estate businesses, mainly in Tokyo. The company aims to balance earnings growth and stability by operating businesses based on one-time transactions, which comprise the Revitalization Business (adds value and then sells properties; 49% of total revenue in FY11/20) and Development Business (25%), and Stable Businesses comprising the Rental Business (9%), Property Management Business (7%), Fund and Consulting Business (9%), and Hotel Business (1%). A diverse product lineup—properties ranging from offices, commercial buildings, hotels, and logistics facilities to condominiums and detached houses—enables it to respond to a changing market environment. Customers include investors in Japan and abroad, general corporations, real estate companies, REITs, and individuals.

Tosei had no operating losses in the wake of the 2008 global financial crisis and recorded operating profit growth for 10 consecutive years from FY11/10 to FY11/19. However, in FY11/20, operating profit declined 49.4% YoY on booking of valuation loss on inventory, mainly for hotels and commercial buildings, in light of ongoing impact from the COVID-19 pandemic. Excluding this valuation loss, operating profit would have grown for the 11th consecutive year. The current president, Seiichiro Yamaguchi, acquired the business (established in 1950) in 1994. The company listed on the First Section of the Tokyo Stock Exchange in 2011, and the Singapore Exchange (code S2D) in 2013. In 2014, Tosei Reit Investment Corporation was listed (TSE1: 3451). Tosei had 509 employees (consolidated; as of end-November 2020).

Specializes in small to mid-sized properties (JPY300mn–2.0bn) with high liquidity and abundant in supply

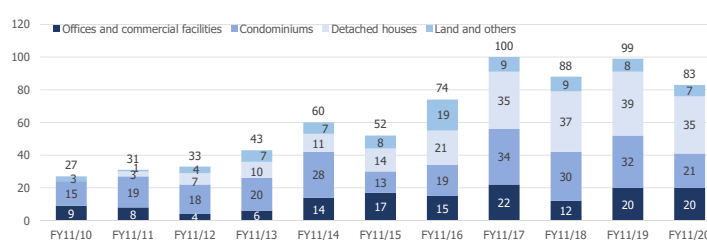
- ▶ Focus on the Tokyo area
- ▶ Broad property lineup
- ▶ Broad customer base
- ▶ Selective acquisition: Obtains information on more than 1,500 properties each month, narrows the possibilities down to 100–150 properties through selection, inquiries, and study, and eventually concludes contracts on 5–10 properties a month after careful negotiation.

Revenue composition by segment (FY11/20)



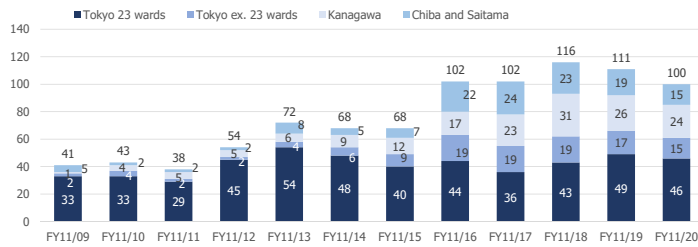
Source: Shared Research based on company data

Unit sales by property type (number of properties)



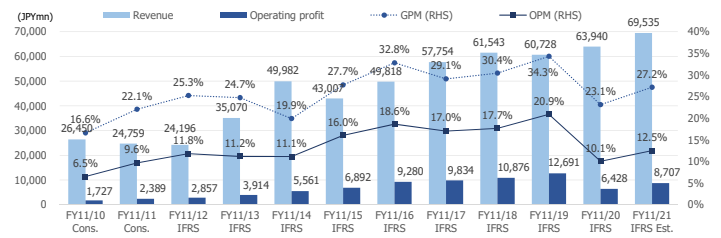
Source: Shared Research based on company data

Location of assets held (number of properties; year-end)



Source: Shared Research based on company data

Revenue, operating profit, GPM, and OPM



Source: Shared Research based on company data

Segment overview

1) Businesses based on one-time transactions

Revitalization segment (48.7% of FY11/20 revenue; 46.9% of FY11/20 gross profit): Tosei's mainstay segment. The company acquires properties (such as offices, commercial buildings, and rental apartments) whose asset value has declined, increases their value (by improving their design, repairing facilities, ensuring they conform to building codes, and raising their occupancy rate), and finally resells the buildings to investors in Japan and abroad, real estate funds, and end users. In this segment the company generally acquires and sells entire buildings, although it also operates the Restyling business where it renovates pre-owned rental apartment buildings and sells individual units (now that the investment market has recovered, it is not acquiring any new properties for the Restyling business).

Segments

- (1) One-time transaction businesses
 - ▶ Revitalization (48.7% of FY11/20 revenue; 46.9% of FY11/20 gross profit)
 - ▶ Development (25.3%; -16.3%)
- (2) Stable Businesses
 - ▶ Rental (9.1%; 17.4%)
 - ▶ Fund and Consulting (8.9%; 38.0%)
 - ▶ Property Management (7.3%; 13.3%)
 - ▶ Hotel (0.7%; 2.4%)

- Project period: Six months to a year
- Focus on portfolio balance in terms of scale, asset type, and location
- Handled assets: Large inventory of residential homes, offices, and commercial buildings, especially small to mid-sized properties (less than JPY2.0bn) that are abundant in supply and highly liquid
- Targets for acquisition: Company-owned buildings, buildings built by individuals at the recommendation of banks (in which the building has been transferred from the individual to the current owner). Many 23–30 plus year old properties are available in the market.
- Customers: Mainly investors in Japan and abroad, including affluent individuals, general corporations, real estate companies, funds, and REITs. In the Restyling business Tosei targets individuals and other end users.
- GPM: For properties under JPY1.0bn, GPM is a stable 22–23% (since market is large and smaller properties are highly liquid and in abundant supply). Still, properties of JPY1.0bn or more see a much wider range of GPM, commanding a GPM of more than 40% when the market is strong or as little as 7% (or even into the red in the wake of the 2008 global financial crisis).

Development segment (25.3% of FY11/20 revenue; gross loss of JPY2.4bn in FY11/20): The company acquires land lots for development, and builds and sells office buildings, condominiums, detached houses, commercial buildings, hotels, and logistics facilities based on local characteristics and tenant needs. A certified first-class architectural office (in-house) oversees development with a focus on planning, design, and quality.

- Project period: One year for detached houses, over three years for others such as office buildings
- Flexibility to respond to changing market environment through diverse property lineup
- Focus on usability
- Land lots for development: Sites in Tokyo and the three neighboring prefectures (Kanagawa, Saitama, Chiba) that can be developed into business, commercial, or residential properties
- Development pipeline: Commercial buildings (T's Brightia series), multi-use buildings, hotels, logistics facilities, condominiums (The Palms series), detached houses (The Palms Court series, Comodo Casa series)
- Construction outsourcing: Mid-size general contractors
- Customers: Investors, investment funds, end users

- Sales: Upon completion or once tenants have been found, Tosei sells condominiums and detached houses itself (although occasionally it sells through agencies). When selling to investors it uses brokers (Tosei maintains relationships with 500 salespeople at 200 core companies).
- GPM: About 18% for condominiums and detached houses. There is little competition for offices and commercial buildings (since major developers typically obtain properties and retain ownership, renting them out instead of selling) and potential buyers are limited. If matching between a property and buyer goes smoothly, the margin is high, but there are also risks involved with selling properties, as there is a limited number of buyers.

2) Stable Businesses

- ▀ **Rental segment** (9.1% of FY11/20 revenue; 17.4% of FY11/20 gross profit): This segment generates stable revenue by renting out office buildings and apartment buildings owned by the group, mostly in convenient locations in Tokyo's 23 wards. As of end- November 2020, the company held 72 income-generating properties.

- Income-generating properties booked as fixed assets: Properties expected not to be sold (but some properties are strategically moved to inventories depending on market conditions. Tosei plans to increase the number of properties it owns)
- Income-generating properties booked as current assets: Pre-owned properties earning rent while undergoing renovation prior to sale, and newly constructed properties earning rent from tenants recruited prior to sale
- GPM: About 50% (but lower if the ratio of less profitable subleased properties or procurement of low-occupancy properties increases)

- ▀ **Fund and Consulting segment** (8.9% of FY11/20 revenue; 38.0% of FY11/20 gross profit): Earns fee revenue from setting up real estate private placement funds, managing assets for Tosei Reit and private placement funds, offering real estate consulting services to corporations, and brokering (buying and renting) real estate leveraging its overseas network.

- Assets under management (AUM): JPY1.1tn (end-FY11/20)
- REIT: Tosei Reit Investment Corporation was listed in November 2014. The AUM of JPY70.4bn (end-FY11/20) places it among the smallest J-REITs.
- Private placement funds: Customers are mainly overseas investors
- Commercial real estate: Tosei conducts consulting on the efficient management of real estate owned by companies to maximize long-term value; monthly consulting and other fees are not necessarily high, but if the company successfully rebuilds or sells, it can receive a sizeable completion bonus (such as brokerage fees)
- Asset management fee: For private placement funds, calculated at around 50bp against the AUM and paid for services such as administering and managing real estate so its value increases and reporting on the status of held properties
- Acquisition fee: Calculated at a certain rate (around 50bp for private placement funds) against the acquisition price of a property. Tosei locates investment properties that meet an investor's needs, and acquires them using funds supplied by the investor
- Disposition fee: Calculated at a certain rate (around 50bp for private placement funds) against the selling price when real estate is sold for a profit
- Brokerage fees and other: 3%

- ▀ **Property Management segment** (7.3% of FY11/20 revenue; 13.3% of FY11/20 gross profit): Obtains stable income by conducting building maintenance*, property management**, and condominium management***. As of end-November 2020, Tosei managed 449 office buildings, hotels, and schools, and 246 condominium buildings, for a total of 695 buildings.

*Building maintenance: Includes management, cleaning, repair, handling of fire safety inspections, and security for buildings and facilities, including office buildings, condominiums, hotels, commercial buildings, and schools

**Property management: Includes tenant management and recruitment, building management, and other actions on behalf of the owner

***Condominium management: Provides general support for the creation and operation of a management association

• GPM: About 30%. Revenue increases when contracts and associated one-time fees (such as fees for renewal procedures, acquiring new tenants, atypical construction work) increase but so do SG&A expenses, so OPM remains fairly level

- ▼ **Hotel segment** (0.7% of FY11/20 revenue; gross loss of JPY673mn in FY11/20): Tosei opened Tosei Hotel Cocone Kanda in FY11/18 and Tosei Hotel Cocone Ueno in FY11/19. In FY11/20, the company opened two hotels, Tosei Hotel Cocone Asakusa Kuramae and Tosei Hotel Cocone Ueno Okachimachi, and conducted a major renovation of Tosei Hotel & Seminar Makuhari. Hotel occupancy rates declined in FY11/20 due to the impact of the pandemic (detail follows).

Market environment

Real estate transaction value and real estate funds

The real estate transaction value at listed companies in FY2019 (April 2019–March 2020) was JPY4.5tn (+24.5% YoY). Transaction value fell 2.0% YoY in 1H, but rose 49.7% YoY in 2H due to an increase in large transactions. The number of transactions rose only slightly YoY in FY2019. The circulation of properties within the real estate market by J-REITs, real estate companies, foreign companies, and others has been established in the face of a declining supply of properties to the market and increasing property prices* (and an accompanying drop in the cap rate**).

At the same time, the value of real estate funds grew to JPY40.7tn (+7.7% YoY) in 1H FY2020 against a backdrop of a widening yield spread*** as interest rates fall. J-REITs expanded, as did private placement funds specializing in domestic real estate, and banks are continuing to increase their lending to the real estate industry.

*Increase in property prices: For example, the price of a new condominium in Greater Tokyo went from JPY59.8mn per unit in 2019 to JPY60.8mn per unit in 2020 (+1.7% YoY) (Source: Real Estate Economic Institute data), while the price of a pre-owned condominium went from JPY37.1mn/70sqm in 2019 to JPY37.3mn/70sqm in 2020 (+0.7% YoY) (Source: Tokyo Kantei Co., Ltd.).

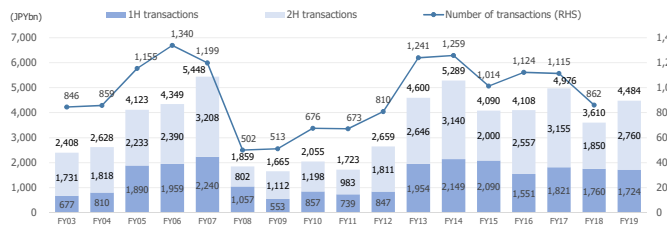
** Capitalization rate: The rate used to determine property prices based on net operating income (NOI) from real estate. Expressed as $\text{NOI} / \text{cap rate} = \text{property price}$

***Spread: The difference between the cap rate and interest on 10-year government bonds.

Real estate transaction value and real estate funds

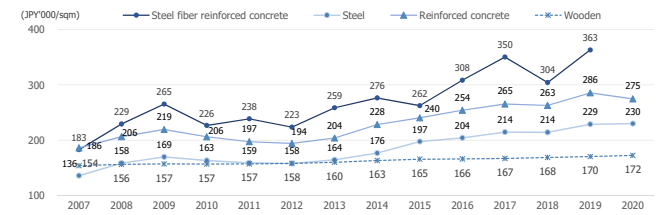
- ▶ Domestic real estate transaction value peaked in FY2013–14 and was in a downtrend, but increased in FY2017. The value fell again in FY2018, but rose 24.5% YoY in FY2019 with large transactions proving firm in 2H.
- ▶ Market for real estate funds is expanding

Real estate trading by listed companies (JPYbn, number of transactions)



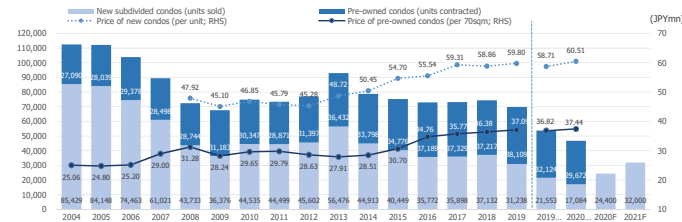
Source: Shared Research based on Urban Research Institute Corporation data

Construction cost per sqm by type of structure (JPY'000/sqm)



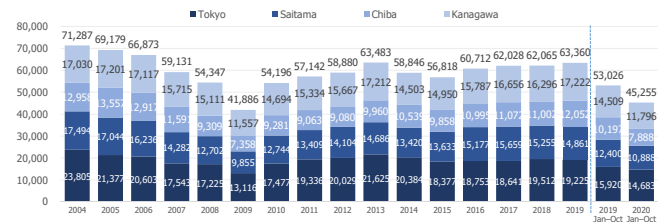
Source: Shared Research based on Ministry of Land, Infrastructure, Transport and Tourism data

Sales/contract status for new and pre-owned condominiums in Greater Tokyo



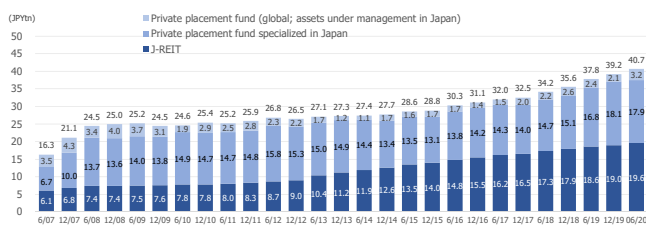
Source: Shared Research based on Tokyo Kantei, Real Estate Information Network for East Japan, and Real Estate Economic Institute data
Note: The price of a new condominium (annual average) is calculated as a simple average of monthly data

Housing starts in Greater Tokyo



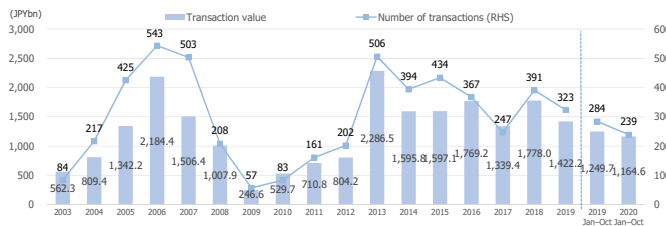
Source: Shared Research based on Ministry of Land, Infrastructure, Transport and Tourism data

AUM by domestic real estate funds



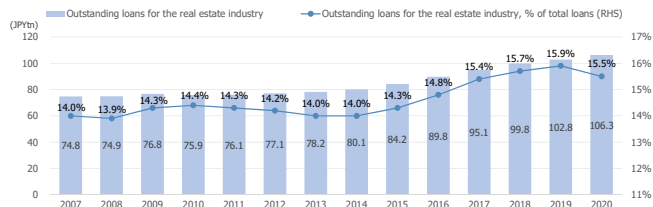
Source: Shared Research based on Sumitomo Mitsui Trust Research Institute data

J-REIT property acquisition price



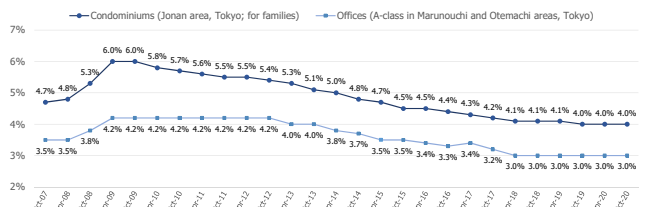
Source: Shared Research based on ARES data

Balance of bank loans to real estate industry



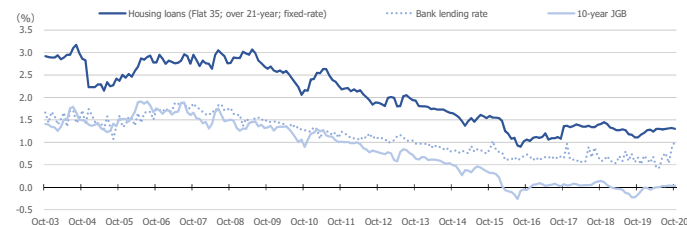
Source: Shared Research based on data from Bank of Japan's "Loans and Bills Discounted by Sector"
Note: Outstanding loan figures are totals of loans from domestic banks (total of three account types), credit unions, and other financial institutions.

Real estate transaction yield (23 wards of Tokyo)



Source: Shared Research based on Japan Real Estate Institute's "Real Estate Investor Survey"

Interest rates



Source: Shared Research based on data from Japan Housing Finance Agency, Bank of Japan, and Ministry of Finance

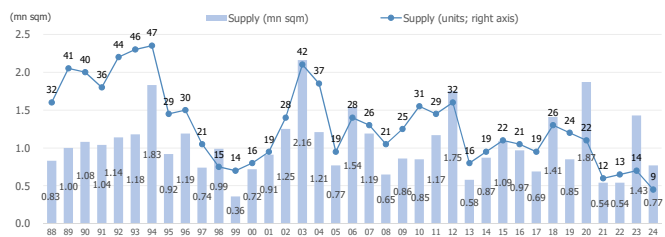
Rent and vacancy rates for office buildings

According to the Office Rent Index released jointly by Sanko Estate Co., Ltd., and NLI Research Institute, the average rent for Class B* buildings in central Tokyo in Q3 2020 (July–September) was around JPY6,471/sqm (-7.2% YoY, -2.2% QoQ). Rents had been

- ▶ Rent: Uptrend may be peaking
- ▶ Vacancy rate: Downtrend may have stalled

gradually climbing since bottoming out in Q3 2012 (July–September), but began falling again after an apparent peak in Q3 2019. The vacancy rate for Class B buildings in central Tokyo was 0.8% (dropping below 1%) in Q3 2019. It has been falling since Q2 2011 (April–June) as the heavy supply of new office buildings wound down, and has remained below 1% since Q2 2018 (April–June).

Supply of large offices (10,000sqm or larger) in 23 wards of Tokyo



Source: Shared Research based on the “Survey of Large-Scale Office Building Supply in Tokyo’s 23 Wards 2019,” from Mori Building Co., Ltd. Note: Data for 2019–2023 are forecasts.

Rent and vacancy rate for central Tokyo Class B buildings



(JPY/sqm)	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4
Rent	6,063	6,271	6,470	6,482	6,447	6,839	6,976	6,813	6,637	6,620	6,471	
Vacancy rate	1.0%	0.9%	0.8%	0.7%	0.6%	0.7%	0.7%	0.6%	0.4%	0.7%	0.8%	

Source: Shared Research based on Sanko Estate/NLI Research Institute Note: Rent excludes utility and other additional charges.

*Class B building: Buildings with a leased area of 660sqm or more that do not fall under the Class A category (Class A: total floor space of over 33,000sqm, leased area of 990sqm or more, no more than 15 years old), including buildings that have the appropriate floor space and leased area, but exceed the maximum age of 15 years to be considered a Class A building

Competition

Real estate-related businesses cover a wide range of activities including boosting property value, development, leasing, management, and fund and consulting. Tosei covers all of these businesses, specializing in the Tokyo area. It specializes in small and medium properties (less than JPY2.0bn), which are abundant and highly liquid. There are few similarly sized companies with a comprehensive portfolio like Tosei, which stands out for having a broad product lineup in terms of asset class, price range, and other factors. While large conglomerates hold similar business portfolios, they do not compete for small and medium properties. Tosei rivals with similarly sized independent companies when acquiring properties, but each company is distinct in their services aimed at a particular customer base and accompanying property acquisition policies. Real estate information shared between real estate brokers and real estate companies is generally exclusive to certain companies.

- ▶ Independent: Samty Co., Ltd. (TSE1: 3244), Ichigo Inc. (TSE1: 2337), Kenedix Inc. (TSE1: 4321), Mugen Estate Co., Ltd. (TSE1: 3299), Sun Frontier Fudousan Co., Ltd. (TSE1: 8934)
- ▶ Affiliated with *zaibatsu* conglomerates: Mitsui Fudosan Co., Ltd. (TSE1: 8801), Mitsubishi Estate Co., Ltd. (TSE1: 8802)

Comparison with competitors

Ticker	Company	Fiscal year	Revenue (JPYmn)	OP (JPYmn)	OPM (RP-based)	ROA	ROE	Equity ratio	Net debt-to-equity ratio	Main businesses (% of revenue)
3288	Open House	FY09/20	575,951	62,129	10.8%	15.2%	32.0%	41.0%	0.22	Detached houses (66), condominiums (10), income-generating real estate (19), other (15)
3244	Samty	FY11/20	101,120	17,355	17.2%	6.5%	14.3%	30.7%	1.15	Real estate (development and renovation)(89), rental (8), other (3)
2337	Ichigo	FY02/20	87,360	27,721	31.7%	7.5%	8.2%	30.1%	1.22	Value-added (renovation)(92), asset management (3), clean energy (4)
8934	Sun Frontier Fudousan	FY03/20	73,218	16,571	22.6%	13.4%	17.7%	49.6%	0.49	Renovation (81), real estate service (4), operation (7)
4321	Kenedix	FY12/19	70,326	15,931	22.7%	8.8%	11.2%	57.0%	0.05	Asset management (15), real estate investment (73), property management (5), operation (6)
8923	Tosei	FY11/20	63,940	6,428	10.1%	3.6%	6.1%	36.5%	0.91	Revitalization (renovation)(49), Development (25), Rental (9), Fund and Consulting (9), Property Management (7), Hotel (1)
3299	Mugen Estate	FY12/19	39,677	3,157	8.0%	3.7%	7.6%	33.2%	1.35	Purchase and sale (renovation)(96)
2975	Star Mica	FY11/20	39,568	3,281	8.3%	3.3%	9.1%	25.6%	2.39	Renovated condominium (98), investment (-), advisory services (2)
8940	Intellex	FY05/20	37,863	1,108	2.9%	2.0%	4.0%	29.0%	1.88	Renovation and sale of pre-owned condominiums (81), other (19)
3294	e'grand	FY03/20	20,464	1,451	7.1%	6.9%	12.3%	39.8%	0.94	Renovation of pre-owned houses (99)
	Average		110,949	15,513	14.1%	7.1%	12.3%	37.3%	1.06	

Source: Shared Research based on data from the various companies

Earnings

Company forecast for FY11/21: 35.5% YoY increase in OP

FY11/20 earnings

Overview

In FY11/20, Tosei had revenue of JPY63.9bn (+5.3% YoY), operating profit of JPY6.4bn (-49.4% YoY), pre-tax profit of JPY5.9bn (-51.2% YoY), and profit attributable to owners of parent of JPY3.6bn (-57.4% YoY). Operating profit declined 49.4% YoY on booking of valuation loss on inventory resulting from rigorous evaluation of potential selling prices, mainly for hotels and commercial buildings, due to concern over earnings prospects in light of ongoing impact from the COVID-19 pandemic (without the write-downs, operating profit would have grown for the 11th consecutive year).

- ▶ When it released its 1H earnings results, Tosei announced a downward revision of its initial company forecast (announced July 6, 2020) due to valuation loss on inventory such as hotels and commercial buildings in light of the COVID-19 pandemic. Revenue was in line with this revised forecast, while operating profit was 37.3% above plan.
- ▶ Revenue was in line with plan with operating profit exceeding plan, as the company won a large new asset management contract in the Fund and Consulting Business and detached houses sold well in the Development Business. Since the start of FY11/20, the company has slightly lowered the revenue target while increasing profit targets two more times.
- ▶ Revenue ended 20.4% below the initial projection due largely to the impact of the pandemic. In the Revitalization Business, the sale of some properties was postponed until FY11/21 or later. In addition to revenue falling short of expectations, the company recorded JPY7.8bn in valuation loss on inventory, mainly for hotels and commercial buildings. As a result, versus initial projections, operating profit ended 53.2% short of the initial plan, pre-tax profit 54.8% short, and profit attributable to owners of parent 59.1% short.
- ▶ Total acquisitions for the fiscal year in the Revitalization and Development Businesses were JPY55.8bn (-22.6% YoY) on a contract basis (JPY37.2bn on a delivery basis), with the decline due primarily to a three month pause of acquisition activities in light of the pandemic.

FY11/20 earnings: Revenue +5.3% YoY; OP -49.4% YoY

Progress versus initial company forecast:

- ▷ Revenue: 79.6%
- ▷ Operating profit: 46.8%
- ▷ Pre-tax profit: 45.2%
- ▷ Profit attributable to owners of parent: 40.9%

By segment

- ▶ **Revitalization:** Revenue was JPY31.2bn (+0.5% YoY), GPM 22.3% (-6.9pp YoY), and operating profit JPY5.6bn (-27.8% YoY). The company booked JPY1.5bn in valuation loss on inventory and postponed the sale of some properties until FY11/21 or later. Excluding the write-downs, GPM would have been 27.2% (-2.0pp YoY).

In this segment, Tosei sold 43 renovated properties (-10 YoY), including Kagurazaka Plaza Building (Shinjuku-ku, Tokyo), T's garden Kita-Kashiwa (Kashiwa, Chiba), and Komagome 3-chome Building (Toshima-ku, Tokyo). The average price per property rose 24% YoY. Of the 43 properties, three were sold to Tosei Reit Investment Corporation, which served as sponsor for the projects, and one to TREC Funding, the company's crowdfunding scheme.

In addition, in the Restyling business, Tosei sold four units (-7 YoY) in Ecology Ochiai Residence (Shinjuku-ku, Tokyo) and Hilltop Yokohama Higashi Terao (Yokohama, Kanagawa) and elsewhere.

Spending JPY29.2bn (flat YoY), Tosei acquired 25 income-generating office buildings and rental apartments (-14 YoY) and seven land lots (+3 YoY) to which it plans to add value.

- Development:** Revenue came to JPY16.2bn (+12.7% YoY), GPM to -14.9% (-36.1pp YoY), and operating loss to JPY3.7bn (versus profit of JPY1.5bn in FY11/19). Sales focused on new condominium units and detached houses, for which there was robust demand. The company recorded JPY6.3bn in valuation loss on inventory, mainly hotels and commercial buildings. Excluding the write-downs, GPM would have been 23.7% (+2.5pp).

In this segment, Tosei sold a total of 243 new condominium units at The Palms Sagamihara Park Brightia (Sagamihara, Kanagawa). It also sold 80 detached houses at such developments as The Palms Court Mitsuike Koen II (Yokohama, Kanagawa) and The Palms Court Kokubunji Koigakubo (Kokubunji, Tokyo). In addition, it sold one logistics facility (T's Logi Hashimoto, the first such facility it has developed), one commercial building, and six land lots.

Acquisitions (JPY8.0bn, -81.3% YoY) included one lot for a rental apartment building (same as in FY11/19), one lot for a commercial building (none in FY11/19), and lots for 40 detached houses (-101 YoY).

- Rental:** Revenue (external revenue) was JPY5.8bn (-2.2% YoY), GPM 43.9% (+0.5pp YoY), and operating profit JPY2.3bn (-2.0% YoY). While it sold 21 buildings from among the inventories it held for rental use, Tosei newly acquired 17 income-generating office buildings and rental apartments. In addition to leasing activities* for vacant rooms after acquisition, it focused on leasing fixed assets and inventories.

Requests from stores or other tenants for rent reduction or payment deferment due to the pandemic were limited. The ratio of stores and similar properties to total fixed assets is small, also limiting the amount of the impact.

- Fund and Consulting:** Revenue (external revenue) was JPY5.7bn (+51.2% YoY), GPM 97.7% (+1.2pp YoY), and operating profit JPY4.2bn (+77.3% YoY). Revenue and operating profit exceeded the company's initial targets by 80.3% and 138.5%, respectively. Revenue was at a record high.

At end-FY11/20, assets under management (AUM) were JPY1.1tn (+JPY276.9bn YoY: new assets of JPY346.9bn and properties sold valued at JPY70.0bn). Of the total, private placement funds accounted for JPY988.7bn, Tosei Reit for JPY70.4bn, and commercial real estate for JPY64.3bn. In the discretionary investment management business, Tosei's AUM is one of the largest in Japan.

Revenue and profit increased on higher AUM resulting from large transactions won and the accompanying increase in asset management fees and related compensation, and on booking of JPY2.1bn in brokerage fees and other revenue related to fund exit.

- Property Management:** Revenue (external revenue) was JPY4.7bn (+2.3% YoY), GPM 33.3% (+3.3pp YoY), and operating profit JPY668mn (+32.5% YoY). At end-FY11/20, Tosei managed 695 buildings (+36 YoY), broken down to 449 (+34 YoY) office buildings, hotels, and schools, and 246 (+2 YoY) condominiums for sale or rent.

- Hotel:** Revenue (external revenue) totaled JPY437mn (-59.8% YoY) and operating loss JPY668mn (profit of JPY100mn in FY11/19). Tosei opened Tosei Hotel Cocone Kanda in FY11/18 and Tosei Hotel Cocone Ueno in FY11/19. In FY11/20, it opened two hotels, Tosei Hotel Cocone Asakusa Kuramae and Tosei Hotel Cocone Ueno Okachimachi, and conducted a major renovation of Tosei Hotel & Seminar Makuhari. Occupancy rates and average daily rates (ADR) declined in FY11/20 due to the COVID-19 pandemic, which forced temporary closures and postponed openings of hotels.

※ Tosei Hotel Cocone Kanda: Temporarily closed in May and June 2020

※ Tosei Hotel Cocone Ueno: Temporarily closed in May and June 2020

* Leasing activities refer to brokerage operations, including tenant recruitment for rental real estate. In other words, the term refers to sales activities to attract tenants to vacant stores and other rental properties in an effort to increase the occupancy rate of buildings.

※ Tosei Hotel & Seminar Makuhari: Opened in March 2020; temporarily closed in May and June 2020

※ Tosei Hotel Cocone Asakusa Kuramae: Opened in July 2020

※ Tosei Hotel Cocone Ueno Okachimachi: Opened in July 2020

Earnings by segment

Performance by segment												
(JPYmn)	FY11/10	FY11/11	FY11/12	FY11/13	FY11/14	FY11/15	FY11/16	FY11/17	FY11/18	FY11/19	FY11/20	FY11/21 Est.
	Cons.	Cons.	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Revenue	26,450	24,759	24,196	35,070	49,982	43,007	49,818	57,754	61,543	60,728	63,940	69,535
YoY	-21.4%	-6.4%	-2.3%	44.9%	42.5%	-14.0%	15.8%	15.9%	6.6%	-1.3%	5.3%	8.8%
Revitalization (external revenue)	8,149	12,041	5,980	11,098	34,744	25,986	25,810	40,268	34,794	31,012	31,154	40,645
YoY	-18.2%	47.8%	-50.3%	85.6%	213.1%	-25.2%	-0.7%	56.0%	-13.6%	-10.9%	0.5%	30.5%
% of revenue	30.8%	48.6%	24.7%	31.6%	69.5%	60.4%	51.8%	69.7%	56.5%	51.1%	48.7%	58.5%
Development (external revenue)	11,682	5,256	10,985	16,348	6,113	6,606	13,139	5,197	13,262	14,346	16,171	12,696
YoY	-29.4%	-55.0%	109.0%	48.8%	-62.6%	8.1%	98.9%	-60.4%	155.2%	8.2%	12.7%	-21.5%
% of revenue	44.2%	21.2%	45.4%	46.6%	12.2%	15.4%	26.4%	9.0%	21.5%	23.6%	25.3%	18.3%
Rental (external revenue)	2,587	2,460	2,455	2,647	4,153	4,212	5,282	6,195	5,934	5,944	5,811	-
YoY	-23.9%	-4.9%	-0.2%	7.8%	56.9%	1.4%	25.4%	17.3%	-4.2%	0.2%	-2.2%	-
% of revenue	9.8%	9.9%	10.1%	7.5%	8.3%	9.8%	10.6%	10.7%	9.6%	9.8%	9.1%	-
Rental (incl. intersegment revenue)	2,634	2,508	2,510	2,704	4,211	4,262	5,324	6,238	5,979	5,994	5,859	5,889
YoY	-23.5%	-4.8%	0.1%	7.7%	55.7%	1.2%	24.9%	17.2%	-4.2%	0.2%	-2.2%	0.5%
% of revenue	10.0%	10.1%	10.4%	7.7%	8.4%	9.9%	10.7%	10.8%	9.7%	9.9%	9.2%	8.5%
Fund and Consulting (external revenue)	1,125	1,396	777	1,398	949	2,439	2,303	2,763	2,982	3,753	5,676	-
YoY	25.4%	24.2%	-44.4%	80.0%	-32.1%	156.9%	-5.6%	20.0%	7.9%	25.8%	51.2%	-
% of revenue	4.3%	5.6%	3.2%	4.0%	1.9%	5.7%	4.6%	4.8%	4.8%	6.2%	8.9%	-
Fund and Consulting (incl. intersegment revenue)	1,176	1,414	800	1,420	959	2,444	2,330	2,802	3,039	3,773	5,759	4,219
YoY	25.4%	20.3%	-43.5%	77.5%	-32.5%	154.9%	-4.7%	20.3%	8.4%	24.2%	52.6%	-26.7%
% of revenue	4.4%	5.7%	3.3%	4.0%	1.9%	5.7%	4.7%	4.9%	4.9%	6.2%	9.0%	6.1%
Property Management (external revenue)	2,736	3,425	3,157	3,160	2,944	3,070	2,944	3,331	4,015	4,586	4,691	-
YoY	3.9%	25.2%	-7.8%	0.1%	-6.8%	4.3%	-4.1%	13.1%	20.6%	14.2%	2.3%	-
% of revenue	10.3%	13.8%	13.0%	9.0%	5.9%	7.1%	5.9%	5.8%	6.5%	7.6%	7.3%	-
Property Management (incl. intersegment revenue)	3,058	3,911	3,500	3,542	3,460	3,574	4,006	4,637	5,232	5,888	5,929	6,337
YoY	-0.1%	27.9%	-10.5%	1.2%	-2.3%	3.3%	12.1%	15.8%	12.8%	12.5%	0.7%	6.9%
% of revenue	11.6%	15.8%	14.5%	10.1%	6.9%	8.3%	8.0%	8.0%	8.5%	9.7%	9.3%	9.1%
Hotel (external revenue)	-	-	-	-	-	-	-	-	557	1,086	437	-
YoY	-	-	-	-	-	-	-	-	-	95.0%	-59.8%	-
% of revenue	-	-	-	-	-	-	-	-	0.9%	1.8%	0.7%	-
Hotel (incl. intersegment revenue)	-	-	-	-	-	-	-	-	558	1,089	439	1,178
YoY	-	-	-	-	-	-	-	-	-	95.3%	-59.7%	168.5%
% of revenue	-	-	-	-	-	-	-	-	0.9%	1.8%	0.7%	1.7%
Other (external revenue)	171	181	842	419	1,078	694	340	0	-	-	-	-
YoY	-6.9%	6.1%	365.4%	-50.2%	157.4%	-35.6%	-51.0%	-	-	-	-	-
% of revenue	0.6%	0.7%	3.5%	1.2%	2.2%	1.6%	0.7%	-	-	-	-	-

Source: Shared Research based on company data

Note: To make comparisons with the FY11/19 results easier, the FY11/18 figures for the Rental Business do not include the hotel business.

Revenue, number of properties sold, and unit price by project scale and number of properties sold by type

Number of properties by project scale and type											
	FY11/10	FY11/11	FY11/12	FY11/13	FY11/14	FY11/15	FY11/16	FY11/17	FY11/18	FY11/19	FY11/20
(JPYmn)	Cons.	Cons.	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Revenue (total properties sold)	19,831	17,297	17,348	27,445	40,854	32,591	38,509	45,308	47,906	45,177	47,174
YoY	-25.2%	-12.8%	0.3%	58.2%	48.9%	-20.2%	18.2%	17.7%	5.7%	-5.7%	4.4%
% of revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Less than JPY100mn per unit	2,818	9,456	12,086	12,997	7,949	7,388	7,131	6,832	13,356	12,926	12,442
YoY	76.8%	235.6%	27.8%	7.5%	-38.8%	-7.1%	-3.5%	-4.2%	95.5%	-3.2%	-3.7%
% of revenue	14.2%	54.7%	69.7%	47.4%	19.5%	22.7%	18.5%	15.1%	27.9%	28.6%	26.4%
JPY100mn-1bn per project	7,264	2,418	3,543	4,969	12,669	8,877	9,510	14,065	11,785	20,422	12,861
YoY	-38.5%	-66.7%	46.5%	40.2%	155.0%	-29.9%	7.1%	47.9%	-16.2%	73.3%	-37.0%
% of revenue	36.6%	14.0%	20.4%	18.1%	31.0%	27.2%	24.7%	31.0%	24.6%	45.2%	27.3%
JPY1-3bn per project	6,218	5,422	1,718	1,076	16,862	12,237	10,850	20,771	6,450	3,342	14,017
YoY	193.4%	-12.8%	-68.3%	-37.4%	1467.1%	-27.4%	-11.3%	91.4%	-68.9%	-48.2%	319.4%
% of revenue	31.4%	31.3%	9.9%	3.9%	41.3%	37.5%	28.2%	45.8%	13.5%	7.4%	29.7%
Over JPY3bn per project	3,530	-	-	8,401	3,373	4,088	11,016	3,637	16,313	8,486	7,852
YoY	-67.9%	-	-	-	-59.9%	21.2%	169.5%	-67.0%	348.5%	-48.0%	-7.5%
% of revenue	17.8%	0.0%	0.0%	30.6%	8.3%	12.5%	28.6%	8.0%	34.1%	18.8%	16.6%
Total number of projects	27	31	33	43	60	52	74	100	88	100	83
YoY	-12.9%	14.8%	6.5%	30.3%	39.5%	-13.3%	42.3%	35.1%	-12.0%	13.6%	-17.0%
Number of properties by project scale (revenue per project)											
Less than JPY100mn per unit	7	18	24	31	26	25	42	48	47	54	39
YoY	75.0%	157.1%	33.3%	29.2%	-16.1%	-3.8%	68.0%	14.3%	-2.1%	14.9%	-27.8%
% of revenue	25.9%	58.1%	72.7%	72.1%	43.3%	48.1%	56.8%	48.0%	53.4%	54.0%	47.0%
JPY100mn-1bn per project	15	9	8	9	23	19	24	39	34	41	35
YoY	-34.8%	-40.0%	-11.1%	12.5%	155.6%	-17.4%	26.3%	62.5%	-12.8%	20.6%	-14.6%
% of revenue	55.6%	29.0%	24.2%	20.9%	38.3%	36.5%	32.4%	39.0%	38.6%	41.0%	42.2%
JPY1-3bn per project	4	4	1	1	10	7	6	12	4	3	7
YoY	100.0%	0.0%	-75.0%	0.0%	900.0%	-30.0%	-14.3%	100.0%	-66.7%	-25.0%	133.3%
% of revenue	14.8%	12.9%	3.0%	2.3%	16.7%	13.5%	8.1%	12.0%	4.5%	3.0%	8.4%
Over JPY3bn per project	1	-	-	2	1	1	2	1	3	2	2
YoY	-50.0%	nm	nm	nm	-50.0%	0.0%	100.0%	-50.0%	200.0%	-33.3%	0.0%
% of revenue	3.7%	0.0%	0.0%	4.7%	1.7%	1.9%	2.7%	1.0%	3.4%	2.0%	2.4%
Revenue per project (JPYmn)	734	558	526	638	681	627	520	453	544	452	568
YoY	-14.1%	-24.0%	-5.8%	21.4%	6.7%	-8.0%	-17.0%	-12.9%	20.2%	-17.0%	25.8%
% of revenue	2720.3%	1799.9%	1593.0%	1484.3%	1134.8%	1205.3%	703.2%	453.1%	618.6%	451.8%	684.8%
Less than JPY100mn per unit	403	525	504	419	306	296	170	142	284	239	319
YoY	1.0%	30.5%	-4.1%	-16.7%	-27.1%	-3.3%	-42.5%	-16.2%	99.7%	-15.8%	33.3%
JPY100mn-1bn per project	484	269	443	552	551	467	396	361	347	498	367
YoY	-5.6%	-44.5%	64.8%	24.7%	-0.2%	-15.2%	-15.2%	-9.0%	-3.9%	43.7%	-26.2%
JPY1-3bn per project	1,555	1,356	1,718	1,076	1,686	1,748	1,808	1,731	1,613	1,114	2,002
YoY	46.7%	-12.8%	26.7%	-37.4%	56.7%	3.7%	3.4%	-4.3%	-6.8%	-30.9%	79.8%
Over JPY3bn per project	3,530	-	-	4,201	3,373	4,088	5,508	3,637	5,438	4,243	3,926
YoY	-35.8%	nm	nm	nm	-19.7%	21.2%	34.7%	-34.0%	49.5%	-22.0%	-7.5%
Number of properties by type											
Offices and commercial facilities	9	8	4	6	14	17	15	22	12	20	20
YoY	-50.0%	-11.1%	-50.0%	50.0%	133.3%	21.4%	-11.8%	46.7%	-45.5%	66.7%	0.0%
% of revenue	33.3%	25.8%	12.1%	14.0%	23.3%	32.7%	20.3%	22.0%	13.6%	20.0%	24.1%
Condominiums	15	19	18	20	28	13	19	34	30	32	21
YoY	114.3%	26.7%	-5.3%	11.1%	40.0%	-53.6%	46.2%	78.9%	-11.8%	6.7%	-34.4%
% of revenue	55.6%	61.3%	54.5%	46.5%	46.7%	25.0%	25.7%	34.0%	34.1%	32.0%	25.3%
Detached houses	-	3	7	10	11	14	21	35	37	39	35
YoY	nm	nm	133.3%	42.9%	10.0%	27.3%	50.0%	66.7%	5.7%	5.4%	-10.3%
% of revenue	0.0%	9.7%	21.2%	23.3%	18.3%	26.9%	28.4%	35.0%	42.0%	39.0%	42.2%
Land and others	3	1	4	7	7	8	19	9	9	8	7
YoY	-50.0%	-66.7%	300.0%	75.0%	0.0%	14.3%	137.5%	-52.6%	0.0%	-11.1%	-12.5%
% of revenue	11.1%	3.2%	12.1%	16.3%	11.7%	15.4%	25.7%	9.0%	10.2%	8.0%	8.4%

Source: Shared Research based on company data

Revitalization Business revenue breakdown

Performance by segment												
	FY11/10	FY11/11	FY11/12	FY11/13	FY11/14	FY11/15	FY11/16	FY11/17	FY11/18	FY11/19	FY11/20	FY11/21 Est.
(JPYmn)	Cons.	Cons.	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Revitalization (external)	8,149	12,041	5,980	11,098	34,744	25,986	25,810	40,268	34,794	31,012	31,154	40,645
YoY	-18.2%	47.8%	-50.3%	85.6%	213.1%	-25.2%	-0.7%	56.0%	-13.6%	-10.9%	0.5%	30.5%
% of revenue	30.8%	48.6%	24.7%	31.6%	69.5%	60.4%	51.8%	69.7%	56.5%	51.1%	48.7%	58.5%
Building for sale (general customers)	5,255	5,626	2,046	8,010	32,705	23,823	24,083	38,738	34,030	30,733	31,022	40,553
YoY	-47.2%	7.1%	-63.6%	291.5%	308.3%	-27.2%	1.1%	60.9%	-12.2%	-9.7%	0.9%	30.7%
% of revenue	19.9%	22.7%	8.5%	22.8%	65.4%	55.4%	48.3%	67.1%	55.3%	50.6%	48.5%	58.3%
For general customers	2,894	5,626	2,046	8,010	15,259	13,329	17,254	28,911	25,141	22,621	24,594	n.a.
YoY	-70.9%	94.4%	-63.6%	291.5%	90.5%	-12.6%	29.4%	67.6%	-13.0%	-10.0%	8.7%	-
% of revenue	10.9%	22.7%	8.5%	22.8%	30.5%	31.0%	34.6%	50.1%	40.9%	37.2%	38.5%	-
For REIT	-	-	-	-	17,446	10,494	6,829	9,827	8,889	8,112	6,428	n.a.
YoY	-	-	-	-	na	-39.8%	-34.9%	43.9%	-9.5%	-8.7%	-20.8%	-
% of revenue	-	-	-	-	34.9%	24.4%	13.7%	17.0%	14.4%	13.4%	10.1%	-
Restyling	2,894	6,414	3,933	3,087	2,037	2,161	1,725	1,528	762	277	131	92
YoY	na	121.6%	-38.7%	-21.5%	-34.0%	6.1%	-20.2%	-11.4%	-50.1%	-63.6%	-52.7%	-29.8%
% of revenue	10.9%	25.9%	16.3%	8.8%	4.1%	5.0%	3.5%	2.6%	1.2%	0.5%	0.2%	0.1%
Building for sale: transferred buildings	11	11	5	12	35	24	32	58	44	53	43	61
Restyling: transferred units	63	204	106	89	58	68	57	45	22	11	4	3
Price per building	263	511	409	668	934	993	753	668	773	580	721	-
Sales price per unit	46	31	37	35	35	32	30	34	35	25	33	-

Source: Shared Research based on company data

Development Business revenue breakdown

Performance by segment												
	FY11/10	FY11/11	FY11/12	FY11/13	FY11/14	FY11/15	FY11/16	FY11/17	FY11/18	FY11/19	FY11/20	FY11/21 Est.
(JPYmn)	Cons.	Cons.	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Development	11,682	5,256	10,985	16,348	6,113	6,606	13,139	5,197	13,262	14,346	16,171	12,696
YoY	-29.4%	-55.0%	109.0%	48.8%	-62.6%	8.1%	98.9%	-60.4%	155.2%	8.2%	12.7%	-21.5%
% of revenue	44.2%	21.2%	45.4%	46.6%	12.2%	15.4%	26.4%	9.0%	21.5%	23.6%	25.3%	18.3%
Condos for revenue generation	na	-	-	-	-	591	-	-	-	-	-	-
YoY	na	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
% of revenue	na	0.0%	0.0%	0.0%	0.0%	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Condos for subdivision	na	2,594	7,307	5,874	1,629	-	-	-	6,830	7,026	8,260	-
YoY	na	na	181.7%	-19.6%	-72.3%	nm	nm	nm	nm	2.9%	17.6%	-
% of revenue	na	10.5%	30.2%	16.7%	3.3%	0.0%	0.0%	0.0%	11.1%	11.6%	12.9%	-
Offices and commercial facilities	na	1,932	1,712	5,331	-	-	7,488	-	892	2,030	459	n.a.
YoY	na	na	-11.4%	211.4%	nm	nm	nm	nm	nm	127.6%	-77.4%	-
% of revenue	na	7.8%	7.1%	15.2%	0.0%	0.0%	15.0%	0.0%	1.4%	3.3%	0.7%	-
Logistics facilities	na	-	-	-	-	-	-	-	-	-	3,302	n.a.
YoY	na	-	-	-	-	-	-	-	-	-	-	-
% of revenue	na	-	-	-	-	-	-	-	-	-	5.2%	-
Detached houses, housing land, consigned	na	730	2,239	5,141	4,483	6,014	5,649	5,197	5,539	5,289	4,148	5,868
YoY	na	na	206.7%	129.6%	-12.8%	34.2%	-6.1%	-8.0%	6.6%	-4.5%	-21.6%	41.5%
% of revenue	na	2.9%	9.3%	14.7%	9.0%	14.0%	11.3%	9.0%	9.0%	8.7%	6.5%	8.4%
Number of transferred units (subdivision)	na	na	192	192	111	105	119	121	202	269	329	109
Number of transferred buildings	na	na	1	1	-	1	2	-	1	2	2	2

Rental Business revenue breakdown

Performance by segment												
	FY11/10	FY11/11	FY11/12	FY11/13	FY11/14	FY11/15	FY11/16	FY11/17	FY11/18	FY11/19	FY11/20	FY11/21 Est.
(JPYmn)	Cons.	Cons.	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Rental (external)	2,587	2,460	2,455	2,647	4,153	4,212	5,282	6,195	5,935	5,944	5,811	n.a.
YoY	-23.9%	-4.9%	-0.2%	7.8%	56.9%	1.4%	25.4%	17.3%	-4.2%	0.2%	-2.2%	-
% of revenue	9.8%	9.9%	10.1%	7.5%	8.3%	9.8%	10.6%	10.7%	9.6%	9.8%	9.1%	-
Rental (incl. intersegment revenue)	2,634	2,508	2,510	2,704	4,211	4,262	5,324	6,238	5,979	5,994	5,859	5,889
YoY	-23.5%	-4.8%	0.1%	7.7%	55.7%	1.2%	24.9%	17.2%	-4.1%	0.2%	-2.2%	0.5%
% of revenue	10.0%	10.1%	10.4%	7.7%	8.4%	9.9%	10.7%	10.8%	9.7%	9.9%	9.2%	8.5%
Current assets	1,142	965	1,086	1,364	2,760	2,663	3,056	3,639	3,043	3,449	2,881	3,023
YoY	-44.8%	-15.5%	12.5%	25.6%	102.3%	-3.5%	14.8%	19.1%	-16.4%	13.3%	-16.5%	4.9%
% of revenue	4.3%	3.9%	4.5%	3.9%	5.5%	6.2%	6.1%	6.3%	4.9%	5.7%	4.5%	4.3%
Restyling	328	596	494	390	278	199	145	105	78	64	60	n.a.
YoY	700.0%	81.7%	-17.1%	-21.1%	-28.7%	-28.4%	-27.1%	-27.6%	-25.7%	-17.9%	-6.3%	-
% of revenue	1.2%	2.4%	2.0%	1.1%	0.6%	0.5%	0.3%	0.2%	0.1%	0.1%	0.1%	-
Fixed assets	1,163	946	929	949	1,171	1,399	2,122	2,493	2,856	2,479	2,917	2,810
YoY	-12.8%	-18.7%	-1.8%	2.2%	23.4%	19.5%	51.7%	17.5%	14.6%	-13.2%	17.7%	-3.7%
% of revenue	4.4%	3.8%	3.8%	2.7%	2.3%	3.3%	4.3%	4.3%	4.6%	4.1%	4.6%	4.0%
Intersegment revenue (deduction)	-47	-48	-55	-57	-57	-51	-42	-43	-44	-50	-49	n.a.
YoY	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
% of revenue	-0.2%	-0.2%	-0.2%	-0.2%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-
Properties held	33	42	43	60	51	52	83	89	85	76	72	n.a.
Current assets	19	28	18	33	25	26	55	57	57	46	46	-
Restyling	na	na	11	12	10	8	7	6	5	5	5	-
Fixed assets	14	14	14	15	16	18	21	26	23	25	21	-
Price per a unit of property held	67	66	58	51	75	82	78	72	68	74	79	n.a.
Price per a unit of current asset	50	41	47	53	95	104	75	65	53	67	63	-
Price per a unit of restyling	na	na	45	34	25	22	19	16	14	13	12	-
Price per a unit of fixed asset	75	68	66	65	76	82	109	106	117	103	127	-

Source: Shared Research based on company data

Note: FY11/18 includes rental revenue from the hotel business, but FY11/19 does not (in FY11/19, Tosei made the Hotel Business an independent segment).

Fund and Consulting Business revenue breakdown

Performance by segment												
	FY11/10	FY11/11	FY11/12	FY11/13	FY11/14	FY11/15	FY11/16	FY11/17	FY11/18	FY11/19	FY11/20	FY11/21 Est.
(JPYmn)	Cons.	Cons.	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Fund and Consulting (external)	1,125	1,396	777	1,398	949	2,439	2,303	2,763	2,982	3,753	5,676	n.a.
YoY	25.4%	24.2%	-44.4%	80.0%	-32.1%	156.9%	-5.6%	20.0%	7.9%	25.8%	51.2%	-
% of revenue	4.3%	5.6%	3.2%	4.0%	1.9%	5.7%	4.6%	4.8%	4.8%	6.2%	8.9%	-
Fund and Consulting (incl. intersegment revenue)	1,176	1,414	800	1,420	959	2,444	2,330	2,802	3,039	3,773	5,759	4,219
YoY	25.4%	20.3%	-43.5%	77.5%	-32.5%	154.9%	-4.7%	20.3%	8.4%	24.2%	52.6%	-26.7%
% of revenue	4.4%	5.7%	3.3%	4.0%	1.9%	5.7%	4.7%	4.9%	4.9%	6.2%	9.0%	6.1%
Asset management fees	816	684	450	381	266	828	983	1,067	1,529	1,722	2,356	2,931
YoY	2.6%	-16.2%	-34.2%	-15.3%	-30.2%	211.3%	18.7%	8.5%	43.3%	12.6%	36.8%	24.4%
% of revenue	3.1%	2.8%	1.9%	1.1%	0.5%	1.9%	2.0%	1.8%	2.5%	2.8%	3.7%	4.2%
Acquisition and disposition fees											1,335	875
YoY											-	-34.5%
% of revenue											2.1%	1.3%
Old category: Acquisition fees	11	109	19	51	116	170	246	398	386	634	1,056	n.a.
YoY	-50.0%	890.9%	-82.6%	168.4%	127.5%	46.6%	44.7%	61.8%	-3.0%	64.2%	66.6%	-
% of revenue	0.0%	0.4%	0.1%	0.1%	0.2%	0.4%	0.5%	0.7%	0.6%	1.0%	1.7%	-
Old category: Disposition fees	25	46	63	173	199	289	239	80	93	567	278	n.a.
YoY	-10.7%	84.0%	37.0%	174.6%	15.0%	45.2%	-17.3%	-66.5%	16.3%	509.7%	-51.0%	-
% of revenue	0.1%	0.2%	0.3%	0.5%	0.4%	0.7%	0.5%	0.1%	0.2%	0.9%	0.4%	-
Brokerage commissions, other	323	575	267	666	323	426	814	1,255	1,028	848	2,067	413
YoY	247.3%	78.0%	-53.6%	149.4%	-51.5%	31.9%	91.1%	54.2%	-18.1%	-17.5%	143.8%	-80.0%
% of revenue	1.2%	2.3%	1.1%	1.9%	0.6%	1.0%	1.6%	2.2%	1.7%	1.4%	3.2%	0.6%
Dividends	-	-	-	148	53	729	46	0	0	1	-	n.a.
YoY	nm	nm	nm	nm	-64.2%	1275.5%	-93.7%	-	-	-	-	-
% of revenue	-	-	-	0.4%	0.1%	1.7%	0.1%	-	-	0.0%	-	-
Intersegment revenue (deduction)	-51	-18	-23	-22	-9	-5	-27	-39	-56	-20	-83	n.a.
YoY	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
% of revenue	-0.2%	-0.1%	-0.1%	-0.1%	0.0%	0.0%	-0.1%	-0.1%	-0.1%	0.0%	-0.1%	-
Assets under management	264,135	285,904	311,335	248,028	300,607	421,792	448,186	552,208	663,359	846,478	1,123,406	1,261,400
Private placed funds	241,005	285,904	225,564	149,349	113,057	300,643	287,924	392,114	499,184	683,138	988,720	-
REIT	0	0	0	0	17,434	29,358	36,177	45,997	55,858	63,962	70,382	-
CRE	23,130	69,108	85,771	98,679	113,057	91,789	124,084	114,097	108,316	99,378	64,304	-
Net increase in assets under management	54,992	21,769	25,431	-63,307	52,579	121,185	26,394	104,022	111,151	183,119	276,928	137,994

Source: Shared Research based on company data

Property Management Business revenue breakdown

Performance by segment												
(JPYmn)	FY11/10	FY11/11	FY11/12	FY11/13	FY11/14	FY11/15	FY11/16	FY11/17	FY11/18	FY11/19	FY11/20	FY11/21 Est.
	Cons.	Cons.	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Property Management (external)	2,736	3,425	3,157	3,160	2,944	3,070	2,944	3,331	4,015	4,586	4,691	n.a.
YoY	3.9%	25.2%	-7.8%	0.1%	-6.8%	4.3%	-4.1%	13.1%	20.6%	14.2%	2.3%	-
% of revenue	10.3%	13.8%	13.0%	9.0%	5.9%	7.1%	5.9%	5.8%	6.5%	7.6%	7.3%	-
Property Management (incl. intersegment revenue)	3,058	3,911	3,500	3,542	3,460	3,574	4,006	4,637	5,232	5,888	5,929	6,337
YoY	-0.1%	27.9%	-10.5%	1.2%	-2.3%	3.3%	12.1%	15.8%	12.8%	12.5%	0.7%	6.9%
% of revenue	11.6%	15.8%	14.5%	10.1%	6.9%	8.3%	8.0%	8.0%	8.5%	9.7%	9.3%	9.1%
PM and BM fees	na	na	na	na	2,570	2,667	2,906	3,237	3,614	4,022	4,335	4,511
YoY	na	na	na	na	na	3.8%	9.0%	11.4%	11.6%	11.3%	7.8%	4.1%
% of revenue	na	na	na	na	5.1%	6.2%	5.8%	5.6%	5.9%	6.6%	6.8%	6.5%
Fees for spot construction work	na	na	na	na	889	907	1,098	1,399	1,617	1,865	1,592	1,826
YoY	na	na	na	na	na	2.0%	21.1%	27.4%	15.6%	15.3%	-14.6%	14.7%
% of revenue	na	na	na	na	1.8%	2.1%	2.2%	2.4%	2.6%	3.1%	2.5%	2.6%
Intersegment revenue (deduction)	-322	-486	-344	-382	-516	-504	-1,061	-1,307	-1,217	-1,302	-1,238	n.a.
YoY	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	-
% of revenue	-1.2%	-2.0%	-1.4%	-1.1%	-1.0%	-1.2%	-2.1%	-2.3%	-2.0%	-2.1%	-1.9%	-
Buildings under management	511	511	522	546	544	547	594	665	622	659	695	n.a.
Buildings	312	308	306	343	351	351	375	395	390	415	449	-
Condominiums	199	203	216	203	193	196	219	270	232	244	246	-
Management fee per building	5.6	6.7	6.1	5.9	5.4	5.6	5.2	5.3	6.2	7.2	6.9	-

Source: Shared Research based on company data

GPM and OP trends by segment

Performance by segment												
	FY11/10	FY11/11	FY11/12	FY11/13	FY11/14	FY11/15	FY11/16	FY11/17	FY11/18	FY11/19	FY11/20	FY11/21 Est.
Gross profit	4,393	5,469	6,114	8,678	9,963	11,915	16,350	16,817	18,723	20,841	14,799	18,880
YoY	5.1%	24.5%	11.8%	41.9%	14.8%	19.6%	37.2%	2.9%	11.3%	11.3%	-29.0%	27.6%
GPM	16.6%	22.1%	25.3%	24.7%	19.9%	27.7%	32.8%	29.1%	30.4%	34.3%	23.1%	27.2%
% of gross profit	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Revitalization	553	2,135	624	2,112	4,226	5,192	5,214	9,186	8,215	9,065	6,947	7,052
YoY	nm	286.1%	-70.8%	238.5%	100.1%	22.9%	0.4%	76.2%	-10.6%	10.3%	-23.4%	1.5%
GPM	6.8%	17.7%	10.4%	19.0%	12.2%	20.0%	20.2%	22.8%	23.6%	29.2%	22.3%	17.4%
% of gross profit	12.6%	39.0%	10.2%	24.3%	42.4%	43.6%	31.9%	54.6%	43.9%	43.5%	46.9%	37.4%
Development	719	133	2,422	2,779	1,192	1,364	5,302	976	3,038	3,042	-2,417	2,062
YoY	-7.3%	-81.5%	1721.1%	14.7%	-57.1%	14.4%	288.7%	-81.6%	211.3%	0.1%	nm	nm
GPM	6.2%	2.5%	22.0%	17.0%	19.5%	20.7%	40.4%	18.8%	22.9%	21.2%	-14.9%	16.2%
% of gross profit	16.4%	2.4%	39.6%	32.0%	12.0%	11.4%	32.4%	5.8%	16.2%	14.6%	-16.3%	10.9%
Rental	1,422	1,320	1,481	1,671	2,526	1,995	2,670	2,864	2,701	2,601	2,572	2,966
YoY	-30.1%	-7.2%	12.2%	12.8%	51.2%	-21.0%	33.8%	7.3%	-5.7%	-3.7%	-1.1%	15.3%
GPM	54.0%	52.6%	59.0%	61.8%	60.0%	46.8%	50.2%	45.9%	45.2%	43.4%	43.9%	50.4%
% of gross profit	32.4%	24.1%	24.2%	19.3%	25.4%	16.7%	16.3%	17.0%	14.4%	12.5%	17.4%	15.7%
Fund and Consulting	1,128	1,324	738	1,248	889	2,353	2,193	2,538	2,850	3,641	5,625	4,034
YoY	31.8%	17.4%	-44.3%	69.1%	-28.8%	164.7%	-6.8%	15.7%	12.3%	27.8%	54.5%	-28.3%
GPM	96.0%	93.6%	92.3%	87.9%	92.8%	96.3%	94.2%	90.6%	93.8%	96.5%	97.7%	95.6%
% of gross profit	25.7%	24.2%	12.1%	14.4%	8.9%	19.7%	13.4%	15.1%	15.2%	17.5%	38.0%	21.4%
Property Management	649	787	812	850	934	980	1,090	1,356	1,653	1,768	1,973	2,040
YoY	-8.6%	21.3%	3.2%	4.7%	9.9%	4.9%	11.2%	24.4%	21.9%	7.0%	11.6%	3.4%
GPM	21.2%	20.1%	23.2%	24.0%	27.0%	27.4%	27.2%	29.2%	31.6%	30.0%	33.3%	32.2%
% of gross profit	14.8%	14.4%	13.3%	9.8%	9.4%	8.2%	6.7%	8.1%	8.8%	8.5%	13.3%	10.8%
Hotel (from FY11/18) or Other (up to FY11/17) and eliminations	-78	-230	37	18	196	31	-119	-103	266	724	99	726
% of gross profit	-1.8%	-4.2%	0.6%	0.2%	2.0%	0.3%	-0.7%	-0.6%	1.4%	3.5%	0.7%	3.8%
Operating profit	1,727	2,389	2,857	3,914	5,561	6,892	9,280	9,834	10,876	12,691	6,428	8,707
YoY	7.5%	38.4%	19.6%	37.0%	42.1%	23.9%	34.6%	6.0%	10.6%	16.7%	-49.4%	35.5%
OPM	6.5%	9.6%	11.8%	11.2%	11.1%	16.0%	18.6%	17.0%	17.7%	20.9%	10.1%	12.5%
% of operating profit	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Revitalization	408	1,891	273	1,398	3,330	4,174	4,001	7,845	6,771	7,755	5,597	5,101
YoY	nm	363.5%	-85.6%	412.1%	138.2%	25.4%	-4.1%	96.1%	-13.7%	14.5%	-27.8%	-8.9%
OPM	5.0%	15.7%	4.6%	12.6%	9.6%	16.1%	15.5%	19.5%	19.5%	25.0%	18.0%	12.6%
% of operating profit	23.6%	79.2%	9.6%	35.7%	59.9%	60.6%	43.1%	79.8%	62.3%	61.1%	87.1%	58.6%
Development	599	-22	2,197	1,447	432	535	3,674	-409	1,487	1,529	-3,743	874
YoY	-5.7%	nm	nm	-34.1%	-70.1%	23.8%	586.8%	nm	nm	2.8%	nm	nm
OPM	5.1%	-0.4%	20.0%	8.9%	7.1%	8.1%	28.0%	-7.9%	11.2%	10.7%	-23.1%	6.9%
% of operating profit	34.7%	-0.9%	76.9%	37.0%	7.8%	7.8%	39.6%	-4.2%	13.7%	12.0%	-58.2%	10.0%
Rental	1,295	1,182	1,340	2,526	2,414	1,797	2,390	2,582	2,535	2,368	2,320	2,727
YoY	-30.8%	-8.7%	13.4%	88.5%	-4.4%	-25.6%	33.0%	8.0%	-1.8%	-6.6%	-2.0%	17.6%
OPM	49.2%	47.1%	53.4%	93.4%	57.3%	42.2%	44.9%	41.4%	42.4%	39.5%	39.6%	46.3%
% of operating profit	75.0%	49.5%	46.9%	64.5%	43.4%	26.1%	25.8%	26.3%	23.3%	18.7%	36.1%	31.3%
Fund and Consulting	500	652	181	669	174	1,465	951	1,274	1,616	2,365	4,193	2,586
YoY	61.8%	30.4%	-72.2%	269.6%	-74.0%	741.7%	-35.0%	33.9%	26.9%	46.3%	77.3%	-38.3%
OPM	42.5%	46.1%	22.6%	47.1%	18.1%	59.9%	40.8%	45.4%	53.2%	62.7%	72.8%	61.3%
% of operating profit	29.0%	27.3%	6.3%	17.1%	3.1%	21.3%	10.3%	13.0%	14.9%	18.6%	65.2%	29.7%
Property Management	120	104	-11	123	227	147	141	278	454	504	668	581
YoY	-49.6%	-13.3%	nm	nm	84.6%	-35.3%	-3.8%	96.9%	63.1%	11.1%	32.5%	-13.0%
OPM	3.9%	2.7%	-0.3%	3.5%	6.6%	4.1%	3.5%	6.0%	8.7%	8.6%	11.3%	9.2%
% of operating profit	7.0%	4.4%	-0.4%	3.1%	4.1%	2.1%	1.5%	2.8%	4.2%	4.0%	10.4%	6.7%
Hotel (from FY11/18) or Other (up to FY11/17) and eliminations	-1,195	-1,418	-1,123	-2,249	-1,016	-1,226	-1,878	-1,736	-1,987	-1,829	-2,606	-3,162
% of operating profit	-69.2%	-59.4%	-39.3%	-57.5%	-18.3%	-17.8%	-20.2%	-17.7%	-18.3%	-14.4%	-40.5%	-36.3%

Source: Shared Research based on company data

Year-end inventories (expected disposition values and balance sheet basis)

Inventories											
	FY11/10	FY11/11	FY11/12	FY11/13	FY11/14	FY11/15	FY11/16	FY11/17	FY11/18	FY11/19	FY11/20
(JPYmn)	Cons.	Cons.	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Expected disposal value basis: total	53,620	46,581	50,127	54,825	60,557	74,365	99,428	100,076	105,357	126,761	100,847
Offices and commercial facilities	22,251	15,206	18,595	18,497	27,185	34,998	37,820	29,740	31,835	43,171	39,243
YoY	-28.8%	-31.7%	22.3%	-0.5%	47.0%	28.7%	8.1%	-21.4%	7.0%	35.6%	-9.1%
% of revenue	41.5%	32.6%	37.1%	33.7%	44.9%	47.1%	38.0%	29.7%	30.2%	34.1%	38.9%
Hotels	-	-	-	-	-	2,336	4,151	10,123	14,602	28,051	15,907
YoY	-	-	-	-	-	na	77.7%	143.9%	44.2%	92.1%	-43.3%
% of revenue	-	-	-	-	-	3.1%	4.2%	10.1%	13.9%	22.1%	15.8%
Condominiums	30,589	26,627	23,476	22,709	13,881	23,497	39,573	44,749	41,684	30,427	26,247
YoY	138.2%	-13.0%	-11.8%	-3.3%	-38.9%	69.3%	68.4%	13.1%	-6.8%	-27.0%	-13.7%
% of revenue	57.0%	57.2%	46.8%	41.4%	22.9%	31.6%	39.8%	44.7%	39.6%	24.0%	26.0%
Detached houses	558	3,727	7,701	13,225	15,247	11,184	13,673	11,138	8,594	10,621	9,811
YoY	na	567.9%	106.6%	71.7%	15.3%	-26.6%	22.3%	-18.5%	-22.8%	23.6%	-7.6%
% of revenue	1.0%	8.0%	15.4%	24.1%	25.2%	15.0%	13.8%	11.1%	8.2%	8.4%	9.7%
Others	220	1,021	354	393	4,243	2,348	4,208	4,324	8,639	14,489	3,407
YoY	-54.1%	364.1%	-65.3%	11.0%	979.6%	-44.7%	79.2%	2.8%	99.8%	67.7%	-76.5%
% of revenue	0.4%	2.2%	0.7%	0.7%	7.0%	3.2%	4.2%	4.3%	8.2%	11.4%	3.4%
Carrying value basis: total	37,479	33,739	37,417	38,041	41,565	46,156	67,298	59,718	62,457	73,573	65,416
YoY	0.3%	-10.0%	10.9%	1.7%	9.3%	11.0%	45.8%	-11.3%	4.6%	17.8%	-11.1%
Net increase (decrease)	114	-3,741	3,679	623	3,525	4,591	21,142	-7,580	2,739	11,116	-8,157
Increase factors	23,665	12,266	18,471	27,501	40,228	35,432	53,309	35,105	44,587	47,053	39,288
New purchases	17,471	8,227	12,121	20,274	34,384	31,261	44,354	28,070	27,923	37,300	23,874
Construction and value-addition costs	3,241	3,786	6,072	5,092	5,317	3,702	5,804	7,035	12,407	9,591	11,371
M&A	-	-	-	-	-	-	727	-	-	-	-
Transfer, other	2,953	253	278	2,135	526	469	2,423	-	4,256	139	4,044
Decrease factors	-23,552	-16,007	-15,028	-26,877	-36,703	-30,841	-32,167	-42,685	-41,848	-35,937	-47,445
Disposal	-16,599	-14,409	-13,964	-23,835	-35,731	-25,971	-28,179	-35,194	-36,505	-32,718	-35,049
Depreciation	-210	-164	-146	-	-	-	-	-	-	-	-
Low of cost or market value	-2,055	-894	-268	-	-284	-71	-	-	-	-	-7,783
Transfer, other	-4,687	-540	-650	-3,042	-687	-4,797	-3,987	-7,491	-5,340	-3,218	-4,613

Source: Shared Research based on company data

Quarterly earnings (cumulative)

Cumulative (JPYmn)	FY11/19				FY11/20				FY11/20	
	Q1 IFRS	Q2 IFRS	Q3 IFRS	Q4 IFRS	Q1 IFRS	Q2 IFRS	Q3 IFRS	Q4 IFRS	% of Est.	FY Est.
Revenue	17,059	34,453	45,742	60,728	23,469	45,050	56,310	63,940	98.9%	64,646
YoY	-6.8%	5.9%	1.0%	-1.3%	37.6%	30.8%	23.1%	5.3%		6.5%
Revitalization	6,624	17,076	22,702	31,012	18,760	27,679	30,329	31,154		
YoY	-54.1%	-2.9%	-6.6%	-10.9%	183.2%	62.1%	33.6%	0.5%		
% of total revenue	38.8%	49.6%	49.6%	51.1%	79.9%	61.4%	53.9%	48.7%		
Development	7,046	10,227	12,334	14,346	1,046	9,913	14,287	16,171		
YoY	819.5%	18.7%	8.8%	8.2%	-85.1%	-3.1%	15.8%	12.7%		
% of total revenue	41.3%	29.7%	27.0%	23.6%	4.5%	22.0%	25.4%	25.3%		
Rental	1,470	2,934	4,416	5,944	1,313	2,735	4,247	5,811		
YoY	8.8%	4.9%	-1.6%	-0.6%	-10.7%	-6.8%	-3.8%	-2.2%		
% of total revenue	8.6%	8.5%	9.7%	9.8%	5.6%	6.1%	7.5%	9.1%		
Fund and Consulting	603	1,309	2,025	3,753	936	2,180	3,698	5,676		
YoY	-10.5%	-1.2%	6.9%	25.8%	55.2%	66.6%	82.6%	51.2%		
% of total revenue	3.5%	3.8%	4.4%	6.2%	4.0%	4.8%	6.6%	8.9%		
Property Management	1,064	2,317	3,434	4,586	1,213	2,273	3,424	4,691		
YoY	9.1%	19.5%	13.9%	14.2%	14.0%	-1.9%	-0.3%	2.3%		
% of total revenue	6.2%	6.7%	7.5%	7.6%	5.2%	5.0%	6.1%	7.3%		
Hotel	253	590	832	1,086	214	269	324	437		
YoY	113.3%	125.1%	-	-	-15.4%	-54.4%	-61.1%	-59.8%		
% of total revenue	1.5%	1.7%	1.8%	1.8%	0.9%	0.6%	0.6%	0.7%		
Other	-	-	-	-	-	-	-	-		
YoY	-	-	-	-	-	-	-	-		
% of total revenue	-	-	-	-	-	-	-	-		
Cost of revenue	11,914	22,488	28,124	39,887	15,686	38,217	45,067	49,140		
YoY	-1.7%	3.4%	-4.1%	-6.9%	31.7%	69.9%	60.2%	23.2%		
Cost ratio	69.8%	65.3%	61.5%	65.7%	66.8%	84.8%	80.0%	76.9%		
Gross profit	5,145	11,965	17,618	20,841	7,783	6,833	11,243	14,799		
YoY	-16.9%	11.1%	10.1%	11.3%	51.3%	-42.9%	-36.2%	-29.0%		
GPM	30.2%	34.7%	38.5%	34.3%	33.2%	15.2%	20.0%	23.1%		
SG&A expenses	2,020	4,000	6,050	8,150	2,252	4,660	6,575	8,402		
YoY	9.2%	3.0%	7.3%	3.9%	11.5%	16.5%	8.7%	3.1%		
SG&A ratio	11.8%	11.6%	13.2%	13.4%	9.6%	10.3%	11.7%	13.1%		
Operating profit	3,125	7,965	11,618	12,691	5,535	2,170	4,645	6,428	113.5%	5,664
YoY	-28.0%	15.6%	12.2%	16.7%	77.1%	-72.7%	-60.0%	-49.4%		-55.4%
OPM	18.3%	23.1%	25.4%	20.9%	23.6%	4.8%	8.2%	10.1%		
Revitalization	1,424	5,027	8,014	7,755	5,004	5,565	5,772	5,597		
YoY	-62.5%	18.9%	16.3%	14.5%	251.3%	10.7%	-28.0%	-27.8%		
% of total operating profit	45.6%	63.1%	69.0%	61.1%	90.4%	256.4%	124.3%	87.1%		
OPM	21.5%	29.4%	35.3%	25.0%	26.7%	20.1%	19.0%	18.0%		
Development	1,046	1,541	1,640	1,529	-19	-4,721	-3,856	-3,743		
YoY	-	9.5%	9.1%	2.8%	-	-	-	-		
% of total operating profit	33.5%	19.4%	14.1%	12.0%	-0.3%	-217.5%	-83.0%	-58.2%		
OPM	14.8%	15.1%	13.3%	10.7%	-1.8%	-47.6%	-27.0%	-23.1%		
Rental	606	1,182	1,801	2,368	464	1,039	1,678	2,320		
YoY	2.1%	-1.5%	-6.5%	-6.6%	-23.5%	-12.1%	-6.8%	-2.0%		
% of total operating profit	19.4%	14.8%	15.5%	18.7%	8.4%	47.9%	36.1%	36.1%		
OPM	41.2%	40.3%	40.8%	39.8%	35.4%	38.0%	39.5%	39.9%		
Fund and Consulting	297	690	1,048	2,365	586	1,481	2,677	4,193		
YoY	-21.3%	-2.5%	13.8%	46.3%	97.2%	114.6%	155.5%	77.3%		
% of total operating profit	9.5%	8.7%	9.0%	18.6%	10.6%	68.2%	57.6%	65.2%		
OPM	49.3%	52.7%	51.7%	63.0%	62.6%	67.9%	72.4%	73.9%		
Property Management	120	289	425	504	178	355	559	668		
YoY	10.8%	41.4%	7.0%	11.1%	48.3%	22.7%	31.4%	32.5%		
% of total operating profit	3.8%	3.6%	3.7%	4.0%	3.2%	16.3%	12.0%	10.4%		
OPM	11.3%	12.5%	12.4%	11.0%	14.7%	15.6%	16.3%	14.2%		
Hotel	49	132	123	100	-167	-459	-734	-673		
YoY	14.6%	32.0%	-	-	-	-	-	-775.7%		
% of total operating profit	1.6%	1.7%	1.1%	0.8%	-3.0%	-21.1%	-15.8%	-10.5%		
OPM	19.4%	22.4%	14.8%	9.2%	-77.9%	-170.5%	-226.3%	-154.0%		
Other	-	-	-	-	-	-	-	-		
YoY	-	-	-	-	-	-	-	-		
% of total operating profit	-	-	-	-	-	-	-	-		
OPM	-	-	-	-	-	-	-	-		
Adjustments	-430	-897	-1,433	-1,929	-512	-1,090	-1,452	-1,933		
% of total operating profit	-13.8%	-11.3%	-12.3%	-15.2%	-9.3%	-50.2%	-31.3%	-30.1%		
Pre-tax profit	2,987	7,635	11,163	12,090	5,360	1,891	4,157	5,901	116.7%	5,055
YoY	-28.0%	17.2%	13.4%	18.9%	79.4%	-75.2%	-62.8%	-51.2%		-58.2%
Pre-tax profit margin	17.5%	22.2%	24.4%	19.9%	22.8%	4.2%	7.4%	9.2%		
Profit attrib. to owners of parent	2,036	5,240	7,650	8,447	3,588	1,148	2,469	3,602	122.4%	2,943
YoY	-28.5%	17.7%	15.1%	23.3%	76.2%	-78.1%	-67.7%	-57.4%		-65.2%
Profit margin	11.9%	15.2%	16.7%	13.9%	15.3%	2.5%	4.4%	5.6%		

Source: Shared Research based on company data

FY11/21 company forecast

Overview

The company forecasts revenue of JPY69.5bn (+8.8% YoY), operating profit of JPY8.7bn (+35.5% YoY), pre-tax profit of JPY8.0bn (+35.6% YoY), and profit attributable to owners of parent of JPY5.2bn (+44.9% YoY). The company expects double-digit YoY revenue growth in the Revitalization Business and recovery in the Hotel Business from 2H (it plans to open two hotels) to drive overall revenue growth. It expects recovery in the Development Business and improved earnings in the Rental Business to boost profit. The acquisition target (expected disposition value; FY11/20 results on contract basis) is JPY80.0bn, JPY24.2bn (+44%) higher YoY.

FY11/21 company forecast: Revenue +8.8% YoY, OP +35.5% YoY

Company forecasts by segment

► **Revitalization:** Tosei forecasts revenue of JPY40.6bn (+30.5% YoY), gross profit of JPY7.1bn (+1.5% YoY), and GPM of 17.4% (-4.9pp YoY). It plans to sell 61 properties (versus 43 in FY11/20). The property sales and revenue targets break down as JPY9.5bn (-21.1% YoY) from the sale of four large properties valued at JPY2.0bn or more (average sales price of JPY2.4bn per property), JPY12.0bn (+83.3% YoY) from the sale of nine mid-sized properties valued at JPY1.0bn or more but less than JPY2.0bn (average sales price of JPY1.3bn per property), and JPY19.1bn (+18.4% YoY) from the sale of 48 small properties valued at less than JPY1.0bn (average sales price of JPY398mn per property).

Tosei says it is assuming a conservative GPM in light of the planned sale of properties for which it recorded valuation loss in FY11/20. It will carefully monitor changes in the real estate market and will flexibly adjust its procurement targets and the composition of its property portfolio to focus on residential properties and office buildings, which experienced limited impact of the COVID-19 pandemic.

At the same time, it aims to expand the asset types it handles to increase business opportunities. Specifically, it will acquire at a low-price and revitalize properties not handled by its peers—e.g., empty buildings, company dormitories, warehouses, partial ownership buildings, and properties that may require tenant eviction—to enhance their competitiveness.

► **Development:** Tosei forecasts revenue of JPY12.7bn (-21.5% YoY), gross profit of JPY2.1bn (loss of JPY2.4bn in FY11/20), and GPM of 16.2% (+31.1pp YoY). The projected drop in revenue is largely due to the falloff of JPY8.3bn booked in FY11/20 from the sale of a large condominium building in Sagami-hara. The company plans to sell two revenue-generating properties for JPY6.8bn (one is a logistics facility in Hasuda (Saitama Prefecture) scheduled for completion in February 2021 with a sales agreement already concluded and the other is a commercial building), and 109 detached houses (versus 86 in FY11/20) for JPY5.9bn.

Tosei's development pipeline for FY11/21, FY11/22, and beyond includes 14 buildings (five commercial buildings, one condominium building, three rental apartment buildings, four hotels, and one logistics facility) and 11 detached house projects. The company projects total sales of JPY47.7bn from these pipeline projects.

In FY11/21, Tosei aims to acquire land mainly for projects in logistics and housing, both areas that have remained active despite the pandemic. It does not intend to acquire land for hotels or commercial buildings for the time being.

The company will promote leasing of properties scheduled for sale from FY11/22 onward (seeking to attract quality tenants).

► **Rental:** Tosei forecasts revenue (including inter-segment sales) of JPY5.9bn (+0.5% YoY), gross profit of JPY3.0bn (+15.3% YoY), and GPM of 50.4% (+6.5pp YoY).

It aims to expand its stable rental income by adding fixed assets to its holdings and maintaining high occupancy rates. The earnings contribution of Shinkawa Building, which Tosei plans to acquire in FY11/21, will be limited in FY11/21 but should increase from FY11/22 onward.

The company will reform business processes by promoting the use of IT and conducting digital transformation (specifically, it will begin digitalizing rental agreement operations, create a database of its property management record, and work to improve data accessibility).

- Fund and Consulting:** Tosei forecasts revenue (including inter-segment sales) of JPY4.2bn (-26.7% YoY), gross profit of JPY4.0bn (-28.3% YoY), and GPM of 95.6% (-2.1pp YoY). It targets AUM of JPY1.26tn (+12.3% YoY).

The company has not factored brokerage fees related to the acquisition and sale of large properties, which boosted earnings in FY11/20, into its FY11/21 forecast, and therefore projects a 26.7% drop in revenue. However, it typically posts a certain amount of brokerage fees each year, so Shared Research thinks there is room for upside.

Tosei plans to acquire the skill needed to handle a variety of fund arrangements. It aims to expand AUM further by accessing robust investment demand from investors.

The breakdown of the revenue target is JPY2.9bn (+24.4% YoY) in asset management fees, JPY875mn (-34.5% YoY) in acquisition and disposition fees, and JPY413mn (-80.0% YoY) in brokerage fees and others.

- Property Management:** Tosei forecasts revenue (including inter-segment sales) of JPY6.3bn (+6.9% YoY), gross profit of JPY2.0bn (+3.4% YoY), and GPM of 32.2% (-1.1pp YoY). It aims to acquire new management contracts by expanding the range of properties it manages. The revenue plan includes JPY4.5bn (+4.1% YoY) in property and building management fees and JPY1.8bn (+14.7% YoY) in one-time construction and commission fees.

- Hotel:** Tosei forecasts revenue of JPY1.2bn (+168.8% YoY), gross profit of JPY1.0bn (+195.5% YoY), and GPM of 90.5% (+8.2pp YoY). In addition to operating five hotels of its own (111 rooms at Tosei Hotel Cocone Kanda, 126 at Tosei Hotel Cocone Ueno, 133 at Tosei Hotel Asakusa Kuramae, 171 at Tosei Hotel Ueno Okachimachi, and 137 at Tosei Hotel & Seminar Makuhari), it has plans to open two more during FY11/21 (detail follows). It also leases one hotel. The breakdown of the revenue target is JPY1.1bn from hotel operation (+220.4% YoY) and JPY107mn from hotel leasing (+2.9% YoY).

Tosei plans to open two hotels during FY11/21 that it will operate itself, Tosei Hotel Cocone Asakusa and Tosei Hotel Cocone Kamakura.

The company assumes an average occupancy rate of about 45% (the rate was over 90% prior to the pandemic, but was at about 20% as of mid-January 2021; the company assumes it will recover to about 70% in 2H). It also assumes an average daily rate (ADR) in the upper JPY6,000 range (versus about JPY11,000 prior to the pandemic).

Medium-term strategy

Targeting FY11/23 ROE of 12%+, Stable Business ratio of 50%, and payout ratio of 30.0%

Medium-term plan

Revised targets

When Tosei announced its FY11/20 earnings results, it also announced a three-year medium-term plan running through FY11/23. Due to uncertainties such as the impact of

the pandemic, the new plan does not include any revenue or profit targets for FY11/23, instead providing only KPI and payout ratio targets.

KPIs for final year of plan

- ▶ ROE of 12.0% or higher
- ▶ Stable Business ratio of 50% (operating profit basis)
- ▶ Equity ratio of about 35%
- ▶ Net debt to equity ratio of about 1.0x
- ▶ Dividend payout ratio of 30.0%

Medium-term targets through FY11/23

- ▶ ROE of 12.0% or higher
- ▶ Stable Business ratio of 50% (operating profit basis)
- ▶ Equity ratio of about 35%
- ▶ Net debt to equity ratio of about 1.0x
- ▶ Dividend payout ratio of 30.0%

The company aims for recovery and growth in Trading Business by expanding acquisition for future growth while ensuring liquidity and financial soundness. It also intends to raise the payout ratio steadily over the three years of the plan to 30.0% (from 25.0% in FY11/20).

It will pursue the group's infinite growth potential in all possible real estate scenarios as it aims to enter a new stage as a comprehensive real estate company.

Assumptions about the external environment

Tosei assumes the COVID-19 pandemic will wind down by fall 2021 and the real estate market will recover in FY11/22.

Tosei's perceptions of the external environment

- ▶ Real estate investors continue to have a strong appetite amid ongoing monetary easing around the globe.
- ▶ It is important to pay attention to the impact of new trends, including digital transformation and the further development of IT, changes in work and lifestyles triggered by the pandemic, and growing awareness of social sustainability and responsibility in terms of response to global warming, risk of natural disaster, and other issues.

Specifically, the company's perceptions of the current environment are as follows.

- ▶ The real estate market can be divided into the end-user market and the investment market. The company expected the former to decline substantially due to the worsening economy, but in fact did not decline significantly in FY11/20, instead maintaining a certain contract rate due to last-minute demand and other factors. The supply of condominiums in Greater Tokyo had been about 30,000 units for several years, but declined to 24,000 in FY2019 due to a supply adjustment, and this also spurred demand.
- ▶ Interest in suburban detached houses has been robust in light of new work styles incorporating telework, so the market has maintained a certain contract rate, but Tosei will carefully watch the situation to determine whether this trend will continue.
- ▶ In terms of the investment market, all investors suspended their investing at the time of the 2008 global financial crisis, but within two months of the state of emergency declaration in 2020 the majority of domestic and foreign investors had set new investment standards and resumed investing. Although the cap rate temporarily

increased during the emergency declaration in early spring 2020, it has currently returned to about the pre-pandemic level. The impact of global monetary easing and Japan's zero interest rate policy have drawn investors toward properties with stable rent, especially logistics facilities in Tokyo.

- ▶ In addition, investors around the world have turned their attention to Japan, which compared to Europe or the US had a substantially lower number of COVID-19 cases (topping out at about 5,000 per day for a cumulative total of about 300,000). The Jones Lang LaSalle report for Q1 FY2020 ranked Tokyo as the top investment destination in the world thanks to its stability and safety.
- ▶ With the current monetary easing, Tosei does not think there will be another major market decline the likes of the 2008 financial crisis. With the exception of hotels and commercial buildings, there has been little price adjustment. There is apprehension in the stock market about sharp declines in the real estate market (both in terms of real estate volume and prices), but the real estate market itself remains firm.
- ▶ In terms of office demand as well, the stock market is concerned about rising vacancy rates during the pandemic, but there is disparity between renting and buying. There are plenty of buyers for small and mid-sized offices and no drop in prices. The withdrawal of major companies due to telework has affected Class A buildings of 660sqm or more. Large buildings in Marunouchi, Hibiya, Shibuya, and Akasaka in particular are likely to feel even greater impact hereafter. However, Tosei's small and mid-sized buildings (Class B and C buildings of 165–330sqm) have seen almost no exits as a result of increased telework. One characteristic of the Japanese office market is that over 95% of offices are used by small and medium-sized enterprises (SMEs) with fewer than 50 employees. Such companies find it difficult to shift to a telework format for lack of telework systems and security.
- ▶ However, since many SMEs have been affected by the economic downturn, it is possible that occupancy rates could fall hereafter as those SMEs are forced to downsize or close down. Tosei will monitor the situation carefully because occupancy rates could deteriorate for both Class A and Class B and C buildings, if for different reasons.

(Reference) Previous medium-term plan, Seamless Growth 2020

The previous medium-term plan (initial plan) called for FY11/20 revenue of JPY100.0bn (173.1% of the FY11/17 figure), pre-tax profit of JPY12.0bn (132.6%), three-year average growth rate in pre-tax profit of 10% or higher, and three-year average ROE of 12% or higher. It targeted to improve the ratio of earnings from Stable Businesses and achieve an equity ratio of about 35%. The company's basic plan was to expand all of its segments and achieve a 50:50 gross profit balance between businesses based on one-time transactions and Stable Businesses (the latter accounted for about 40% of gross profit in FY11/17).

The company achieved the initial pre-tax profit target of JPY12.0bn a year early in FY11/19 (actual pre-tax profit result was JPY12.1bn). It also achieved its targets for ROE, pre-tax profit growth rate, and equity ratio. However, in FY11/20, the company failed to achieve its revenue, pre-tax profit, ROE, and pre-tax profit growth rate targets after it booked JPY7.8bn in valuation loss centered on hotel and commercial building development projects due to the impact of the pandemic. It did achieve its Stable Business ratio and equity ratio targets, at 76% and 36.5% respectively.

Looking back at previous medium-term plan

By the second year of the previous medium-term plan, Tosei had already achieved its

JPY12.0bn pre-tax profit target set for the final year of the plan. Earnings steadily expanded with the successful diversification of asset types and management of multiple business portfolios. In the final year of the plan, the company reached JPY13.7bn in pre-tax profit, but booked valuation loss of JPY7.8bn centered on hotel and commercial building development projects, so actual pre-tax profit for FY11/20 was JPY5.9bn and ROE was 6.1%.

Strengths and weaknesses

Strengths

- Businesses that drive earnings growth balanced with others that provide stability:** Tosei balances both transaction-driven and stable income (recurring revenue) businesses. The former includes Revitalization and Development, which are growth drivers when the market is strong; the latter includes the Rental, Fund and Consulting, Property Management, and Hotel, which generate stable revenues over the entire economic cycle.
- Specialization in smaller properties, which are abundant in supply and highly liquid:** Tosei specializes in smaller properties in the Tokyo area. There is a large supply of small and mid-sized properties in the market, which are highly liquid. Further, real estate companies associated with the *zaibatsu* conglomerates tend to avoid smaller properties. Tosei has been left fairly unhindered to expand in the area of small and mid-sized properties and accumulate experience, earnings, and information (from longstanding relationships with real estate brokers).
- Independent real estate company:** Even as many independent real estate companies went under in the wake of the 2008 global financial crisis, Tosei has not only survived, but continued to increase revenue and profits thanks to its focus on smaller properties and balancing growth and stability. It has developed solid relationships with some 35 financial institutions who value its strength and stability, putting it on a solid financing footing, a prerequisite for a real estate business.

Weaknesses

- Scattered management resources:** Tosei's business portfolio consists of multiple segments, so management resources (personnel, assets, money) are dispersed across the segments. As such, the company's profitability and asset efficiency were fairly average when compared with its peers through FY11/18. In FY11/18, its OPM was 17.7% (versus 10-company average of 18.7%), ROA 7.8% (8.3%), and ROE 14.0% (17.0%). In FY11/19, expansion of value-added, improved efficiency, and one-time fee revenue (about JPY700mn) in the Fund and Consulting Business helped Tosei's figures exceed the 10-company average, with an OPM of 20.9% (versus 10-company average of 16.1%), ROA of 8.0% (5.5%), and ROE of 15.3% (14.5%). Lower figures at some peers also had an impact. However, in FY11/20, the figures were negatively affected by booking of valuation loss on hotels and commercial buildings (see the Competition section).
- Small asset size of company REIT:** Of the JPY1.1tn in Tosei's assets under management (AUM) at end-FY11/20, the company's REIT (Tosei Reit Investment Corporation) comprised a mere JPY70.4bn, or 6% of the total. Tosei was near the bottom of J-REITs in terms of asset size (as of January 29, 2021, it came in 55th out of 62 J-REITs). Tosei's REIT invests in a range of assets including small and mid-sized office buildings, commercial buildings, and residential properties. Tosei aims to promote internal growth within the REIT by leveraging its value-adding capabilities. Meanwhile, the private placement funds that make up about 90% of the company's

【Strengths】

- ▶ Diverse businesses provide balance between earnings growth and stability
- ▶ Specialization in small and mid-sized properties, which are abundant in supply and highly liquid
- ▶ Independence from the *zaibatsu* conglomerates gives it access to information

【Weaknesses】

- ▶ Scattered management resources
- ▶ Small asset size of company REIT

AUM are more sensitive to economic changes and display larger fluctuations compared to REITs.

Income statement

Income statement												
	FY11/10	FY11/11	FY11/12	FY11/13	FY11/14	FY11/15	FY11/16	FY11/17	FY11/18	FY11/19	FY11/20	FY11/21 Est.
(JPYmn)	Cons.	Cons.	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Revenue	26,450	24,759	24,196	35,070	49,982	43,007	49,818	57,754	61,543	60,728	63,940	69,535
YoY	-21.4%	-6.4%	-2.3%	44.9%	42.5%	-14.0%	15.8%	15.9%	6.6%	-1.3%	5.3%	8.8%
Cost of revenue	22,057	19,290	18,082	26,392	40,019	31,092	33,468	40,938	42,820	39,887	49,140	50,655
YoY	-25.1%	-12.5%	-6.3%	46.0%	51.6%	-22.3%	7.6%	22.3%	4.6%	-6.9%	23.2%	3.1%
Cost ratio	83.4%	77.9%	74.7%	75.3%	80.1%	72.3%	67.2%	70.9%	69.6%	65.7%	76.9%	72.8%
Gross profit	4,393	5,469	6,114	8,678	9,963	11,915	16,350	16,817	18,723	20,841	14,799	18,880
YoY	5.1%	24.5%	11.8%	41.9%	14.8%	19.6%	37.2%	2.9%	11.3%	11.3%	-29.0%	27.6%
GPM	16.6%	22.1%	25.3%	24.7%	19.9%	27.7%	32.8%	29.1%	30.4%	34.3%	23.1%	27.2%
SG&A expenses	2,666	3,080	3,257	4,764	4,402	5,023	7,070	6,983	7,847	8,150	8,402	10,115
YoY	3.6%	15.5%	5.7%	46.3%	-7.6%	14.1%	40.7%	-1.2%	12.4%	3.9%	3.1%	20.4%
SG&A ratio	10.1%	12.4%	13.5%	13.6%	8.8%	11.7%	14.2%	12.1%	12.8%	13.4%	13.1%	14.5%
Operating profit	1,727	2,389	2,857	3,914	5,561	6,892	9,280	9,834	10,876	12,691	6,428	8,707
YoY	7.5%	38.4%	19.6%	37.0%	42.1%	23.9%	34.6%	6.0%	10.6%	16.7%	-49.4%	35.5%
OPM	6.5%	9.6%	11.8%	11.2%	11.1%	16.0%	18.6%	17.0%	17.7%	20.9%	10.1%	12.5%
Financial income	12	6	5	3	4	23	63	77	86	154	268	
YoY	-28.8%	-54.5%	-19.8%	-23.6%	1.4%	550.0%	176.1%	21.9%	11.5%	80.1%	73.5%	
% of revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.3%	0.4%	
Financial expenses	940	886	643	696	901	874	893	861	791	755	794	
YoY	-2.6%	-5.7%	-27.4%	8.3%	29.4%	-2.9%	2.1%	-3.5%	-8.2%	-4.5%	5.2%	
% of revenue	3.6%	3.6%	2.7%	2.0%	1.8%	2.0%	1.8%	1.5%	1.3%	1.2%	1.2%	
Pre-tax profit	745	1,538	2,219	3,222	4,664	6,040	8,450	9,049	10,171	12,090	5,901	8,001
YoY	140.8%	106.5%	44.3%	45.2%	44.7%	29.5%	39.9%	7.1%	12.4%	18.9%	-51.2%	35.6%
Pre-tax profit margin	2.8%	6.2%	9.2%	9.2%	9.3%	14.0%	17.0%	15.7%	16.5%	19.9%	9.2%	11.5%
Profit attributable to owners of parent	422	752	1,465	2,006	2,874	4,136	5,547	6,155	6,852	8,447	3,602	5,218
YoY	289.5%	78.4%	94.9%	36.9%	43.3%	43.9%	34.1%	11.0%	11.3%	23.3%	-57.4%	44.9%
Profit margin	1.6%	3.0%	6.1%	5.7%	5.8%	9.6%	11.1%	10.7%	11.1%	13.9%	5.6%	7.5%
Depreciation and amortization of goodwill	364	336	180	173	189	222	333	393	621	874	1,216	
EBITDA	2,090	2,725	3,037	4,087	5,750	7,114	9,613	10,227	11,497	13,565	7,644	

Source: Shared Research based on company data

Note: Figures are rounded to the nearest (JPY) million. Selling expenses such as advertising expenses related to property for sale, which previously were booked as cost of revenue, are booked as SG&A expenses from FY11/14 onward. This is because these selling expenses, rather than having the characteristics of cost of revenue, began to match the characteristics of SG&A expenses more. The same adjustment has been made for the FY11/13 figures.

SG&A expenses breakdown											
	FY11/10	FY11/11	FY11/12	FY11/13	FY11/14	FY11/15	FY11/16	FY11/17	FY11/18	FY11/19	FY11/20
(JPYmn)	Cons.	Cons.	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
SG&A expenses	2,666	3,080	3,246	4,777	4,381	5,099	7,022	7,154	7,861	8,203	8,402
Employee benefits expenses	1,550	1,733	2,202	2,274	2,417	2,787	3,538	3,775	4,121	4,425	
Selling expenses	na	na	na	1,367	926	1,063	1,807	1,457	1,604	1,389	
Advertising expenses	12	47	28	41	46	74	152	208	217	239	
Compensations and commissions paid	137	185	360	408	315	352	382	397	556	691	
Taxes	268	228	266	353	375	353	666	738	658	549	
Depreciation and amortization	63	60	63	50	46	63	84	86	87	98	
Provision of allowance for doubtful accounts	66	0	78	0	-27	-24	-14	2	-1	18	
Other	570	826	249	284	283	432	407	491	618	795	
<Breakdown: % of sales>											
SG&A expenses	10.1%	12.4%	13.4%	13.6%	8.8%	11.9%	14.1%	12.4%	12.8%	13.5%	13.1%
Employee benefits expenses	5.9%	7.0%	9.1%	6.5%	4.8%	6.5%	7.1%	6.5%	6.7%	7.3%	
Selling expenses	na	na	na	3.9%	1.9%	2.5%	3.6%	2.5%	2.6%	2.3%	
Advertising expenses	0.0%	0.2%	0.1%	0.1%	0.1%	0.2%	0.3%	0.4%	0.4%	0.4%	
Compensations and commissions paid	0.5%	0.7%	1.5%	1.2%	0.6%	0.8%	0.8%	0.7%	0.9%	1.1%	
Taxes	1.0%	0.9%	1.1%	1.0%	0.8%	0.8%	1.3%	1.3%	1.1%	0.9%	
Depreciation and amortization	0.2%	0.2%	0.3%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.2%	
Provision of allowance for doubtful accounts	0.2%	0.0%	0.3%	0.0%	-0.1%	-0.1%	0.0%	0.0%	0.0%	0.0%	
Other	2.2%	3.3%	1.0%	0.8%	0.6%	1.0%	0.8%	0.9%	1.0%	1.3%	

Source: Shared Research based on company data

Note: Figures are rounded to the nearest (JPY) million. Selling expenses such as advertising expenses related to property for sale, which previously were booked as cost of revenue, are booked as SG&A expenses from FY11/14 onward. This is because these selling expenses, rather than having the characteristics of cost of revenue, began to match the characteristics of SG&A expenses more. The same adjustment has been made for the FY11/13 figures.

Balance sheet

Balance sheet											
	FY11/10	FY11/11	FY11/12	FY11/13	FY11/14	FY11/15	FY11/16	FY11/17	FY11/18	FY11/19	FY11/20
(JPYmn)	Cons.	Cons.	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Cash and cash equivalents	7,127	8,326	9,411	14,712	16,101	18,791	21,641	23,750	26,521	31,999	37,040
Available-for-sale financial assets	10	10	10	-	-	-	-	-	-	-	-
Trade and other receivables	1,443	1,833	1,884	902	2,050	2,915	3,532	2,149	3,090	3,748	3,192
Inventories	37,479	33,739	37,417	38,041	41,565	46,156	67,298	59,719	62,458	73,574	65,417
Other current assets	-	-	22	25	167	27	121	26	30	13	15
Total current assets	46,060	43,908	48,745	53,680	59,882	67,889	92,593	85,644	92,099	109,334	105,664
Tangible fixed assets	14,399	14,600	3,331	3,305	3,293	3,316	3,596	5,306	8,786	8,672	23,495
Real estate for investment	-	-	11,696	12,704	13,858	18,786	21,729	28,360	33,753	37,868	26,987
Intangible fixed assets	65	68	43	32	78	97	97	84	88	88	210
Available-for-sale financial assets	62	391	410	810	2,446	1,225	1,441	1,751	2,245	4,253	3,972
Trade and other receivables	-	-	160	189	781	1,099	1,235	860	865	1,102	779
Deferred tax assets	1,966	870	974	554	516	781	557	518	904	574	572
Other non-current assets	131	131	4	4	4	4	29	29	29	4	4
Total non-current assets	16,623	16,059	16,618	17,597	20,976	25,307	28,684	36,906	46,669	52,560	56,020
Total assets	62,683	59,968	65,363	71,277	80,858	93,196	121,276	122,550	138,769	161,894	161,685
Trade and other payables	1,501	2,390	3,314	2,324	2,591	2,734	2,955	4,279	4,076	6,448	5,466
Borrowings	10,824	6,171	7,742	7,587	5,380	9,493	9,387	6,449	7,308	16,291	11,795
Income taxes payable	39	79	73	865	1,394	1,150	1,859	733	2,446	1,659	926
Provisions	110	151	154	209	267	442	450	485	594	656	600
Total current liabilities	12,474	8,791	11,284	10,986	9,632	13,819	14,652	11,945	14,423	25,054	18,787
Trade and other payables	1,889	1,835	2,136	2,108	2,697	3,510	4,350	3,280	3,709	3,762	3,650
Borrowings	23,439	23,904	24,659	27,449	35,025	39,176	60,772	60,674	67,717	73,552	79,193
Retirement benefit liability	109	133	542	608	698	383	413	473	494	521	546
Provisions	301	313	25	24	79	79	79	19	7	7	7
Differed tax liabilities	15	15	173	-	-	-	-	-	397	691	532
Total non-current liabilities	25,753	26,200	27,535	30,189	38,498	43,148	65,614	64,446	73,323	78,533	83,928
Total liabilities	38,227	34,992	38,819	41,174	48,130	56,968	80,266	76,391	86,747	103,588	102,715
Capital stock	5,455	5,455	5,455	6,421	6,421	6,421	6,421	6,421	6,554	6,580	6,625
Capital surplus	5,538	5,538	5,516	6,375	6,375	6,374	6,419	6,464	6,545	6,575	6,627
Retained earnings	13,462	13,986	15,576	17,304	19,776	23,328	28,120	33,209	38,843	45,839	47,442
(Treasury stock)	0	0	0	0	0	0	0	0	-0	-1,000	-1,500
Other components of equity	1	-2	-3	1	155	105	50	64	80	312	-225
Total equity	24,455	24,978	26,544	30,102	32,728	36,228	41,010	46,159	52,022	58,306	58,970
Net debt	27,125	21,739	22,981	20,325	24,304	29,878	48,518	43,373	48,505	57,844	53,948
Working capital	37,421	33,181	35,987	36,619	41,024	46,337	67,875	57,589	61,473	70,873	63,143

Source: Shared Research based on company data

Note: Figures are rounded to the nearest (JPY) million.

Per-share data

Per-share data (split-adjusted; JPY)											
	FY11/10	FY11/11	FY11/12	FY11/13	FY11/14	FY11/15	FY11/16	FY11/17	FY11/18	FY11/19	FY11/20
	Cons.	Cons.	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Shares issued (year-end)	45,684,000	45,684,000	45,684,000	48,284,000	48,284,000	48,284,000	48,284,000	48,284,000	48,544,800	48,595,300	48,683,800
EPS	9.75	16.46	32.07	43.05	59.53	85.66	114.89	127.48	141.36	176.40	76.05
EPS (fully diluted)	-	-	-	-	-	-	-	127.41	141.12	175.83	75.94
Dividend per share	5.00	5.00	6.00	8.00	12.00	16.00	22.00	25.00	30.00	42.00	19.00
Book value per share	535.32	546.71	581.03	623.24	677.82	750.32	849.35	955.99	1,071.63	1,225.27	1,250.00

Source: Shared Research based on company data

Cash flow statement

Cash flow statement											
	FY11/10	FY11/11	FY11/12	FY11/13	FY11/14	FY11/15	FY11/16	FY11/17	FY11/18	FY11/19	FY11/20
(JPYmn)	Cons.	Cons.	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Cash flows from operating activities	-1,626	6,018	-325	2,773	345	-4,443	-7,472	7,089	7,615	-3,800	12,510
Cash flows from investing activities	-179	-116	56	-941	-2,879	482	-8,194	-19	-10,787	-2,133	-4,054
Cash flows from financing activities	735	-4,417	1,316	3,457	3,892	6,661	18,522	-4,962	5,942	11,412	-3,414

Source: Shared Research based on company data

Note: Figures are rounded to the nearest (JPY) million.

Financial ratios

Financial ratios	FY11/10	FY11/11	FY11/12	FY11/13	FY11/14	FY11/15	FY11/16	FY11/17	FY11/18	FY11/19	FY11/20
	Cons.	Cons.	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
ROA (RP-based)	1.3%	2.6%	3.5%	4.7%	6.1%	6.9%	7.9%	7.4%	7.8%	8.0%	3.6%
ROE	1.8%	3.0%	5.7%	7.1%	9.2%	12.0%	14.4%	14.1%	14.0%	15.3%	6.1%
Inventory turnover	0.6	0.5	0.5	0.7	1.0	0.7	0.6	0.6	0.7	0.6	0.7
Non-current assets turnover	1.9	1.7	2.7	10.6	15.2	13.0	14.4	13.0	8.7	7.0	4.0
Current ratio	369.2%	499.5%	432.0%	488.6%	621.7%	491.3%	632.0%	717.0%	638.5%	436.4%	562.4%
Net assets ratio	39.0%	41.6%	40.6%	42.2%	40.5%	38.9%	33.8%	37.7%	37.5%	36.0%	36.5%

Source: Shared Research based on company data

Policy on shareholder returns

Tosei is working to balance dividends and the need for internal capital resources to improve enterprise value through highly profitable business opportunities. It aims to maintain a stable dividend payout and increase dividends. The payout ratio rose gradually during the period covered by the previous medium-term plan (FY11/18–FY11/20), increasing from 21.2% in FY11/17 to 25.0% in FY11/20. The company projects a payout ratio of 26.2% in FY11/21 and aims for a ratio of 30.0% in FY11/23. It plans mainly to raise the payout ratio, but also purchased JPY1.0bn in treasury shares in FY11/19 and JPY500mn in FY11/20. At a meeting held on January 25, 2021, the board of directors also resolved to purchase more treasury shares up to a maximum of JPY500mn. The company also plans to make decisions regarding improving shareholder returns and capital efficiency based on comprehensive consideration of its financial performance and situation.

Shareholders (as of end-November 2020)

Top shareholders	Shares held	Shareholding ratio
Seiichiro Yamaguchi	12,885,500	27.3%
Zeus Capital Limited	6,000,000	12.7%
QUINTET PRIVATE BANK (EUROPE) SA	3,777,400	8.0%
SSBTC CLIENT OMNIBUS ACCOUNT	1,804,400	3.8%
The Master Trust Bank of Japan, Ltd. (Trust account)	1,523,200	3.2%
Custody Bank of Japan, Ltd. (Trust account)	851,900	1.8%
GOLDMAN, SACHS & CO.REG	843,223	1.8%
GOVERNMENT OF NORWAY	835,929	1.8%
NORTHERN TRUST CO. (AVFC) RE IEDU UCIT'S CLIENTS NON LENDING 15 PCT TREATY A/C	778,400	1.7%
SMBC Nikko Securities Co., Ltd.	628,700	1.3%
SUM	29,928,652	63.4%

Source: Shared Research based on company data

Corporate governance

As of March 2, 2020	
Organization form and capital structure	
Controlling shareholder	-
Parent company code	-
Directors	
Number of directors under Articles of Incorporation	12
Directors' terms under Articles of Incorporation (years)	2
Number of independent outside directors	3
Audit & Supervisory Board	
Number of Audit & Supervisory Board members under Articles of Incorporation	6
Number of independent outside members of Audit & Supervisory Board	4
Other	
Number of independent officers (outside directors and outside members of Audit & Supervisory Board)	7
Participation in electronic voting platform	Y
Other initiatives to enhance voting rights of investors	Y
Providing convocation notice in English	Y
Disclosure of directors' compensation	N
Disclosure of executive officers' compensation	-
Policy on determining amount of compensation and calculation methodology	Y
Takeover defenses	Y

Source: Shared Research based on the company's Corporate Governance Report.

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