

January 8, 2016

**Flash Report (Consolidated Basis)**  
**Results for the year ended November 30, 2015**  
**(Based on Japanese GAAP)**

Company name: **Samty Co., Ltd.**  
 Stock Listings: Tokyo Stock Exchange  
 Stock Code: 3244  
 URL: <http://www.samty.co.jp/en/>

Representative

Title: Representative Director and President  
 Name: Kazushi Eguchi

Contact Person

Title: Director & General Manager of Business Administration Division  
 Name: Hiroaki Matsui Telephone: +81-6-6838-3616

Date of Annual Shareholders Meeting (Scheduled): February 25, 2016

Start of dividend payments (Planned): February 26, 2016

Submission of securities report (Planned): February 26, 2016

Supplemental explanatory material prepared: No

Results briefing held: Yes (for institutional investors and analysts)

(Figures less than ¥1 million have been omitted.)

**1. Consolidated Results for the Fiscal Year Ended November 2015 (FY11/15)**  
**(December 1, 2014 to November 30, 2015)**

**(1) Consolidated Operating Results**

Years ended November 30

Percentages indicate year-on-year increase/ (decrease).

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2015	38,458	57.9	5,932	46.8	3,872	68.0	4,412	91.5
2014	24,363	(11.0)	4,042	45.1	2,304	10.2	2,304	38.3

Note: Comprehensive Income: Year ended November 30, 2015: ¥4,332 million, 94.5%;  
 Year ended November 30, 2014: ¥2,227 million, 32.6%

	Net income per share	Net Income per share after adjustment for residual shares	Return on equity	Ordinary income-to-total assets ratio	Operating margin
	Yen	Yen	%	%	%
2015	203.98	175.90	17.1	3.4	15.4
2014	108.21	95.98	10.1	2.5	16.5

(Reference) Equity in earnings (losses) of affiliated companies: Year ended November 30, 2015: ¥ — million,  
 Year ended November 30, 2014: ¥(38) million

## (2) Consolidated Financial Condition

At November 30

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2015	121,728	28,353	23.1	1,215.40
2014	99,709	24,966	23.3	1,047.15

(Reference) Total shareholders' equity: November 30, 2015: ¥28,134 million, November 30, 2014: ¥23,237 million

## (3) Consolidated Cash Flows

Years ended November 30

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financial activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2015	(4,208)	(3,291)	16,162	18,176
2014	(1,147)	(8,780)	11,620	9,513

## 2. Dividends

Years ended/ending November 30

Record date	Dividends per share					Total amount of dividends (for the entire fiscal year)	Payout ratio	Dividends-to-net assets ratio
	Feb. 28	May 31	Aug. 31	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
2014	—	0.00	—	22.00	22.00	488	20.3	2.1
2015	—	0.00	—	33.00	33.00	763	16.2	2.9
2016 (Forecast)	—	0.00	—	33.00	33.00		17.0	

Note: FY11/15 year-end dividend comprise and ordinary dividend of ¥30.00 and a commemorative dividend of ¥3.00.

## 3. Forecasts for Fiscal Year Ending November 30, 2016

Percentages indicate year-on-year increase/ (decrease).

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	57,000	48.2	9,300	56.8	7,000	80.8

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Fiscal year	4,500	2.0	194.39

Note: Consolidated results forecasts for the first half period have not been disclosed because of the large number of fluid external factors during the sales period for individual projects.

## Notes

(1) Significant changes in subsidiaries during the subject fiscal year: None

(Changes in specified subsidiaries related to a change in the scope of consolidation)

Additions: (—)                      Deletions: (—)

Note: Subsidiaries newly established during the subject period, S Hotel Operations Nagasaki LLC, S Hotel Operations Nagasaki General Incorporated Association, S Hotel Operations Utsunomiya LLC, and S Hotel Operations Utsunomiya General Incorporated Association, were added to the scope of consolidation, but are not listed in "Note (1) Significant changes in subsidiaries during the subject fiscal year" above because they do not meet the criteria for specified subsidiaries.

(2) Changes in accounting policies, changes in accounting estimates, restatements

1) Changes in accounting policies due to revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(3) Number of shares issued and outstanding (common share)

1) Number of shares issued and outstanding (including treasury stock)	Year ended November 30, 2015	24,954,420 shares	Year ended November 30, 2014	23,790,861 shares
2) Number of treasury stock	Year ended November 30, 2015	1,805,878 shares	Year ended November 30, 2014	1,600,000 shares
3) Average number of shares outstanding for each period (cumulative term)	Year ended November 30, 2015	21,634,191 shares	Year ended November 30, 2014	21,083,959 shares

## (Reference) FLASH REPORT (NON-CONSOLIDATED BASIS)

### 1. Non-Consolidated Results for the Fiscal Year Ended November 2015 (FY11/15)

(December 1, 2014 to November 30, 2015)

#### (1) Non-Consolidated Operating Results

Years ended November 30

Percentages indicate year-on-year increase/ (decrease).

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2015	34,055	57.4	3,813	11.8	2,165	13.9	2,603	60.4
2014	21,637	6.1	3,410	43.3	1,901	70.0	1,622	99.3

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
2015	120.31	103.75
2014	75.88	67.58

#### (2) Non-Consolidated Financial Condition

At November 30

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2015	104,177	24,568	23.4	1,051.89
2014	83,185	21,449	25.6	958.14

(Reference) Total shareholders' equity: November 30, 2015: ¥24,349 million, November 30, 2014: ¥21,262 million

#### \* Indication of the status of audit procedures

- This flash report is not subject to audit procedures under the Financial Instruments and Exchange Act. However, an audit of these financial statements based on the Financial Instruments and Exchange Act had been completed at the time of disclosure.

#### \* Explanation regarding the appropriate use of results forecasts, and other items of note

- Results forecasts and other forward-looking statements contained in this report are based on information available to the Company at the time of disclosure, and certain assumptions the Company considers reasonable. Actual results may vary considerably due to a variety of factors.
- The Company plans to hold an explanatory meeting for institutional investors and analysts on January 14, 2016.

## Table of Contents for Accompanying Material

1. Business Results.....	2
(1) Explanation of Business Results.....	2
(2) Qualitative Information on the Consolidated Financial Position .....	5
(3) Basic Policy on Profit Sharing, and Dividends for FY11/15 and FY11/16 .....	6
(4) Material Events Relating to the Going Concern Assumption.....	7
2. Status of the Corporate Group .....	8
3. Management Policies .....	11
(1) Basic Policy for Company Management.....	11
(2) Target Management Indicators .....	11
(3) Mid- to Long-Term Company Management Strategies.....	11
(4) Issues for the Company to Address.....	11
(5) Other Important Matters as Regards Management of the Company .....	12
4. Basic Policy on Selection of Accounting Standards .....	12
5. Consolidated Financial Statements .....	13
(1) Consolidated Balance Sheets.....	13
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income ..	15
(3) Consolidated Statements of Changes in Net Assets.....	17
(4) Consolidated Statements of Cash Flows.....	19
(5) Notes Relating to the Consolidated Financial Statements .....	21
(Notes Relating to the Assumption of a Going Concern) .....	21
(Material Items Fundamental to the Preparation of Consolidated Financial Statements).....	21
(Accounting Standards yet to be Applied) .....	23
(Additional Information).....	23
(Notes Related to the Consolidated Statements of Cash Flows).....	24
(Real Estate for Lease, etc.) .....	25
(Segment Information) .....	26
(Per Share Information).....	27
(Significant Events after the Reporting Period) .....	30

## 1. Business Results

### (1) Explanation of Business Results

During the subject fiscal year, the Japanese economy continued to recover at a moderate pace, with signs of improvement in corporate earnings as well as employment and incomes on the back on government economic measures and the Bank of Japan's easy-money policy. However, the outlook remains clouded by such concerns as China's economic slowdown, and a downturn in emerging economies stemming from the U.S. interest rate hike.

In the real estate industry, of which the Samty Group is a part, the real estate transactions market remained brisk on continued robust demand for acquisition among J-REITs and private placement funds amid a positive financing environment. In the benchmark land prices (at July 1, 2015) announced by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), both residential and commercial land prices continued to rise on average in Japan's three major metropolitan areas. In regional areas, the rate of expansion increased for both residential and commercial land, particularly in central regional cities.

Under such conditions, in accordance with the "Challenge 40" medium-term management plan, the Samty Group, with Samty Co., Ltd. as sponsor, listed Samty Residential Investment Corporation, the asset management operations of which are entrusted to the Company's subsidiary Samty Asset Management Co., Ltd., on the Tokyo Stock Exchange's REIT (Real Estate Investment Trust) market. In accordance with the listing, the Company sold the income properties it held to Samty Residential Investment Corp. In addition, to strengthen its Real Estate Business, Samty expanded its network of business locations, including opening a new business office in Sapporo. These business offices are acquiring properties with high earnings capacity in regional ordinance-designated and central cities.

As a result, net sales in the subject fiscal year amounted to ¥38,458 million (+57.9% YoY), with operating income of ¥5,932 million (+46.8%), ordinary income of ¥3,872 million (+68.0%), and net income of ¥4,412 million (+91.5%).

### Results by Business Segment

#### a. Real Estate Business

The Real Estate Business comprises the planning, development, and sales of real estate properties, including the Samty brand S-RESIDENCE series, as well as the revitalization and sales of income properties and other real estate. We also plan, develop, and sell one-room condominiums for investment.

Properties sold as income apartments included "Samty Ravir Shin-Osaka" (Yodogawa-ku, Osaka), "Samty La Gare Suminodo" (Daito-shi, Osaka), "Samty Fukuoka Kencho-mae" (Hakata-ku, Fukuoka), "Livingstage Tsutsujigaoka-koen" (Miyagino-ku, Sendai), "Artaine Ichikawa" (Ichikawa-shi, Chiba), "Maison Shiomi" (Koto-ku, Tokyo), "Lufeli Shouan" (Suginami-ku, Tokyo), "Studio Square Maita-koen" (Minami-ku, Yokohama), "Studio Square Hontori" (Aoi-ku, Shizuoka), "Preminente Park Fujigaoka" (Meito-ku, Nagoya), "Belleza Rokubancho" (Atsuta-ku, Nagoya), "Liveil Sanno" (Nakagawa-ku, Nagoya), "Crest Court Kaitasakaemachi" (Aki-gun, Hiroshima), "REGALO Chikushi-dori" (Hakata-ku, Fukuoka), and "Primo Regalo Noma" (Minami-ku, Fukuoka).

We also sold 551 units of one-room condominiums for investment at “Samty Hommachi AGE” (Chuo-ku, Osaka), “Samty Fukushima PORTA” (Fukushima-ku, Osaka), “Samty Edobori ASUNT” (Nishi-ku, Osaka), “Isle Immeuble Nihombashi” (Chuo-ku, Tokyo), “Isle Shibaura Tokyo Bay” (Minato-ku, Tokyo), “Plaire deuxq Kitasenju” (Adachi-ku, Tokyo), “Bellgrade SK DUE” (Adachi-ku, Tokyo), “W-STYLE Shin-Osaka II” (Higashiyodogawa-ku, Osaka), “Leon Confort Hommachi” (Chuo-ku, Osaka), and “W-STYLE Namba” (Naniwa-ku, Osaka).

As a result, net sales in the Real Estate Business segment amounted to ¥28,647 million (+63.9% YoY), with operating income of ¥3,706 million (+25.8%).

#### **b. Property Leasing Business**

The Property Leasing Business comprises the leasing and management of rental apartments, office buildings, commercial facilities, hotels, and other properties.

The Samty Group acquired properties to increase leasing income, expand its area of business operations, and strengthen purchasing of income properties. These properties included “Samty Felice Odori-Minami” (Chuo-ku, Sapporo), “Samty Miyagaoka Residence” (Chuo-ku, Sapporo), “Samty Residence 24” (Nishi-ku, Sapporo), “Samty Residence N15” (Higashi-ku, Sapporo), “Samty Rafeie Nango-Dori” (Shiroishi-ku, Sapporo), “Samty Kamiyashiro” (Meito-ku, Nagoya), “Samty Sanno Residence” (Nakagawa-ku, Nagoya), “Plowland Moriyama” (Moriyama-ku, Nagoya), “Samty Osaka CITY WEST” (Nishiyodogawa-ku, Osaka), “Samty Nishinomiya Residence” (Nishinomiya-shi, Hyogo), “Samty Kobe Ekiminami-Dori” (Hyogo-ku, Kobe), “Samty Kobe Hamasaki-Dori” (Hyogo-ku, Kobe), “Samty Muromi” (Sawara-ku, Fukuoka), “Purio daimyo II Building” (Chuo-ku, Fukuoka), “Samty Saga Tenjin” (Saga-shi, Saga), “Sun Residence Keitoku” (Chuo-ku, Kumamoto), “Samty Kumamoto Kenritsu Daigaku Mae” (Higashi-ku, Kumamoto), and “Fons Tower Nishisengoku” (Kagoshima-shi, Kagoshima).

As a result, net sales in the Property Leasing Business segment amounted to ¥8,974 million (+45.1% YoY), with operating income of ¥4,419 million (+59.6%).

#### **c. Other Business**

Other business operations comprise the holding and operating of “Center Hotel Tokyo” (Chuo-ku, Tokyo), and “Center Hotel Osaka” (Chuo-ku, Osaka), along with “S-PERIA Hotel Nagasaki” (Nagasaki-shi, Nagasaki) and “Hotel Sunshine Utsunomiya” (Utsunomiya-shi, Tochigi), acquired during the subject period. The Company also has a condominium management business and a construction/renovation business.

As a result, net sales in the Other Business segment amounted to ¥836 million (+19.4% YoY), with operating income of ¥202 million (+48.8%).

#### **Outlook for the Fiscal Year Ended November 2016 (FY11/16)**

During the next fiscal year, to achieve ahead of schedule the numerical targets in the “Challenge 40” medium-term management plan announced on October 15, 2013, in the Property Leasing Business the Company will further acquire held properties, while in the Real Estate Business we will clarify risk controls, and establish an earnings base for the management business.

As a result of these measures, for the fiscal year ending November 2016, the Company is

forecasting net sales of ¥57,000 million, with operating income of ¥9,300 million, ordinary income of ¥7,000 million, and profit attributable to owners of parent of ¥4,500 million.

The Company will strive to maintain stable and sustainable business growth, and to strengthen the property procurement that is the source of future earnings.

Full-year forecasts by business segment are as follows.

Years ended November 30

	Millions of yen					
	2014		2015		2016 (Forecast)	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Business	17,485	2,945	28,684	3,706	47,900	9,200
Property Leasing Business	6,183	2,768	9,026	4,419	7,800	2,800
Other Business	964	136	1,026	202	1,700	300
Inter-segment net sales and transfers	(270)	—	(278)	—	(400)	—
Adjustment	—	(1,808)	—	(2,396)	—	(3,000)
Total	24,363	4,042	38,458	5,932	57,000	9,300



## **(2) Qualitative Information on the Consolidated Financial Position**

### **1) Assets, Liabilities, and Net Assets**

#### **Assets**

Total assets at the end of the subject fiscal year amounted to ¥121,728 million, an increase of ¥22,019 million compared to the end of the previous fiscal year. Of this amount, current assets increased ¥24,877 million to ¥70,489 million, while non-current assets decreased ¥3,012 million to ¥51,044 million. The main factors for the increase in current assets were gains of ¥8,670 million in cash and deposits; and ¥17,486 million in real estate for sale; against a decrease of ¥1,567 million in real estate for sale under construction. The main factor for the decrease in non-current assets was a decline of ¥3,369 million in net property and equipment; against a gain of ¥364 million in total investments and other assets.

#### **Liabilities**

Total liabilities at the end of the subject fiscal year amounted to ¥93,375 million, an increase of ¥18,632 million compared to the end of the previous fiscal year. Of this amount, current liabilities increased ¥12,573 million to ¥30,429 million, and non-current liabilities increased ¥6,058 million to ¥62,945 million. The main factors for the increase in current liabilities were gains of ¥2,329 million in notes and accounts payable; ¥6,866 million in short-term borrowings; and ¥2,712 million in current portion of long-term debt. The main factors for the increase in non-current liabilities were gains of ¥4,336 million in long-term debt, and ¥1,985 million in bonds with subscription rights to shares.

#### **Net Assets**

Total net assets at the end of the subject fiscal year amounted to ¥28,353 million, an increase of ¥3,387 million compared to the end of the previous fiscal year. This was due mainly to an increase of ¥4,412 million in retained earnings from net income recorded for the subject period; a decrease of ¥488 million in retained earnings from dividend payments; an increase of ¥1,137 million from the issuance of new shares; an increase of ¥313 million in treasury stock from the acquisition and retirement of treasury stock; and a decrease of ¥1,541 million in minority interests from making Ambient Garden Moriyama, LLC a wholly-owned subsidiary.

### **2) Cash Flows**

Cash and cash equivalents (“cash”) at the end of the subject fiscal year amounted to ¥18,176 million, an increase of ¥8,662 million compared to the end of the previous fiscal year. This was the result of ¥4,208 million in cash used for operating activities; ¥3,291 million in cash used for investing activities; and ¥16,162 million in cash provided from financing activities. The main factors affecting cash flows during the subject fiscal year are as follows.

#### **Cash Flow from Operating Activities**

Net cash used in operating activities amounted to ¥4,208 million (compared to ¥1,147 million used in the previous fiscal year). This was due mainly to ¥6,274 million in income before income taxes; ¥2,082 million in gain on sales of property, plant and equipment; ¥1,056 million in depreciations, and

¥9,744 million in increase in inventories.

### Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥3,291 million (compared to ¥8,780 million used in the previous fiscal year). This was due mainly to ¥14,550 million in purchase of property, plant and equipment; ¥12,657 million in proceeds from sales of property, plant and equipment; and ¥1,371 million in purchase of investment securities.

### Cash Flow from Financing Activities

Net cash provided by investing activities amounted to ¥16,162 million (compared to ¥11,620 million provided in the previous fiscal year). This was due mainly to ¥25,972 million in increase in short-term loans payable; ¥15,606 million in decrease in short-term loans payable; ¥31,293 million in proceeds from long-term loans; ¥27,744 million in repayments of long-term loans; ¥3,981 million in proceeds from issuance of bonds with subscription rights to shares; and ¥1,000 million in purchase of treasury shares.

#### (Reference) Cash flow-related indicators

Years ended November 30

	2011	2012	2013	2014	2015
Capital ratio	24.5	25.3	27.9	23.3	23.1
Capital ratio at market value	6.8	8.0	21.0	16.3	23.6
Ratio of interest-bearing debt to cash flow	671.7	(1,129.0)	553.4	(5,724.7)	(1,891.3)
Interest coverage ratio	4.6	(3.0)	6.2	(0.8)	(2.5)

### (3) Basic Policy on Profit Sharing, and Dividends for FY11/15 and FY11/16

Samty recognizes that returning profits to shareholders is a priority issue for management. Our basic policy is to pay a dividend that reflects business performance, with due consideration to such factors as future business plans, and financial condition. We retain earnings to prepare for the future, including prospective business development, business expansion, and strengthening our financial position, and return profits based on results.

The Company's basic policy is to make a dividend payment once a year at the end of the fiscal term, by shareholder resolution. Of note, the Company's Articles of Incorporation stipulate that an interim dividend as prescribed by Article 454-5 of the Companies Act can be made through a resolution by the Board of Directors.

The dividend for the subject fiscal year (FY11/15) will be ¥33 per share, an increase of ¥7 from the initial forecast of ¥26 per share. This is because net income for the subject fiscal year exceeded expectations, amounting to ¥4,412 million as opposed to the initial forecast of ¥2,600 million, along with the decision to pay a commemorative dividend of ¥3 per share to mark the Company's shift to the First Section of the Tokyo Stock Exchange on October 26, 2015.

For the next fiscal year (FY11/16), the Company plans to pay a dividend of ¥33 per share, in consideration of our forecast of ¥4,500 million in profit attributable to owners of parent, and the payout ratio in the subject fiscal year.

**(4) Material Events Relating to the Going Concern Assumption**

Nothing applicable

## 2. Status of the Corporate Group

The Samty Group includes the Company and 15 consolidated subsidiaries, with business operations comprising the Real Estate Business (planning, development, revitalization, and sales of income properties; planning, development, and sales of investment condominiums; operation, management, and investment of real estate investment funds), the Property Leasing Business (leasing and management of apartments and office buildings); and the Other Business (hotel management and other operations). Of note, 10 of the Group's consolidated subsidiaries are special purpose companies or general incorporated associations established in relation to the business scheme for acquiring, holding, and developing land, buildings, and trust beneficiary rights as part of the process for the Company to conduct its Real Estate Business, Property Leasing Business, and Other Business.

The distinctive characteristics of the Samty Group's business are its planning and development capabilities, including design, cost control, and construction supervision conducted by in-house architects, and its expertise in property management acquired through leasing of held properties. Utilizing these capabilities in planning and development, and property management, we acquire commercial land, plan and develop residential apartments and commercial facilities, recruit tenants, and develop income properties for the purpose of earning rental income.

For design, construction, and apartment sales, the Samty Group controls the fixed costs incurred in connection with the expansion of business by subcontracting and outsourcing the designing, construction and sales of condominiums to a design firms, construction companies, and sales companies.

The Samty Group, through the development of apartments and commercial facilities, and the leasing of real estate, provides products and services for a broad range of customers and needs, including real estate investment trusts (J-REITs), real estate investment funds, business corporations, individual investors, and apartment buyers.

The position of the Company and its affiliates, and relationship with segments, as they relate to the business of the Company and its affiliates, is as follows. The categories indicated below are the same classifications as the business segments.

### (1) Real Estate Business

#### (i) Condominiums for investment

Condominiums for investment, which are planned and developed on land purchased by the Group for the purpose of earning rental income, are sold in lots to private investors and others through sales companies. The Company has built a network with sales companies with proven track records in the relevant business area. This allows the Group to offer properties that match the needs of the sales companies and customers in such area by holding discussions with the sales companies from the stage of planning and development.

#### (ii) Solutions

The Samty Group plans and develops its "S-RESIDENCE Series" brand of rental apartments on commercial sites acquired by the Group, as well as acquires existing yieldable properties. For the developed and/or acquired yieldable properties acquired, the Company utilizes its expertise to not only recruit tenants, but upgrades properties by repairing facilities, raises the occupancy rate, and

makes other improvements in an effort to secure earnings for the duration of the period the property is held. Ultimately, our aim is to make a gain on sale by selling the real estate to outside investors or other buyers as an investment property.

(iii) Asset Management

The Samty Group seeks to derive fee income from real estate investment funds as an asset manager for real estate management operations, business management, and other services, as well as to gain dividends from investment in real estate investment funds.

Business companies: Samty Co., Ltd., Senba IS Building LLC., Project I General Incorporated Association, Samty Asset Management Co., Ltd., Awajicho Project LLC, Awajicho Project General Incorporated Association, Ambient Garden Moriyama LLC, Ambient Garden Moriyama General Incorporated Association

(2) Property Leasing Business

The Samty Group owns condominiums, office buildings, commercial facilities, hotels, parking lots and other properties as a whole or in unit, and leases such properties to individuals and tenant companies. In order to increase the rental income, the Group continuously acquires income properties. The Group utilizes a special purpose company scheme when it acquires and owns large-scale income properties.

In addition, the Group leases apartments and other properties from owners of yieldable properties and subleases these to end-tenants, as well as engages in contracted services such as rent collection, and management of contracts and buildings.

Business companies: Samty Co., Ltd., Hikone SC Ltd., Suntoa Co., Ltd., Samty Kanri Co., Ltd.

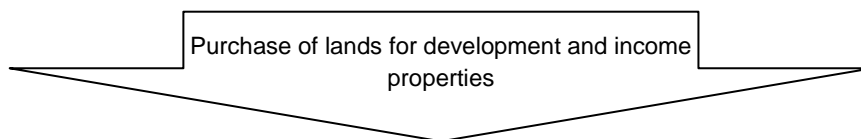
(3) Other Business

The Samty Group owns and operates four business hotels, “Center Hotel Tokyo,” “Center Hotel Osaka,” “S-PERIA Hotel Nagasaki (Nagasaki-shi, Nagasaki),” and “Hotel Sunshine Utsunomiya (Utsunomiya-sahi, Tochigi).” In addition, the Group is engaged in the apartment management business, construction and remodeling business, and planning of medical support systems.

Business companies: Suntoa Co., Ltd., Samty Kanri Co., Ltd., Specialist Support System, Co., Ltd., S Hotel Operations Nagasaki LLC, S Hotel Operations Nagasaki General Incorporated Association, S Hotel Operations Utsunomiya LLC, S Hotel Operations Utsunomiya General Incorporated Association

[Business System Diagram]

Business companies, individuals, real estate brokers, financial institutions, etc.



<b>Samty Co., Ltd. (the Company)</b>		
Real Estate Business	Property Leasing Business	Other Business
<ul style="list-style-type: none"> <li>• Planning, development, revitalization, and sales of income properties</li> <li>• Planning, development, and sales of investment condominiums</li> <li>• Operation, management, and investment of real estate investment funds</li> </ul>	<ul style="list-style-type: none"> <li>• Leasing and management of apartments and office buildings</li> </ul>	<ul style="list-style-type: none"> <li>• Hotel management</li> <li>• Apartment management</li> <li>• Construction / Remodeling</li> <li>• Planning of medical support systems</li> </ul>
<div style="border: 1px solid black; padding: 5px;"> <p><u>Consolidated Subsidiaries</u> (see note)</p> <p>Senba IS Building LLC.                      Project I General Incorporated Association                      Samty Asset Management Co., Ltd.                      Awajicho Project LLC                      Awajicho Project General Incorporated Association                      Ambient Garden Moriyama LLC                      Ambient Garden Moriyama General Incorporated Association</p> </div>	<div style="border: 1px solid black; padding: 5px;"> <p><u>Consolidated Subsidiaries</u> (see note)</p> <p>Hikone SC Ltd.                      Suntoa Co., Ltd.                      Samty Kanri Co., Ltd.</p> </div>	<div style="border: 1px solid black; padding: 5px;"> <p><u>Consolidated Subsidiaries</u> (see note)</p> <p>Suntoa Co., Ltd.                      Samty Kanri Co., Ltd.                      Specialist Support System, Co., Ltd.                      S Hotel Operations Nagasaki LLC                      S Hotel Operations Nagasaki General Incorporated Association                      S Hotel Operations Utsunomiya LLC                      S Hotel Operations Utsunomiya General Incorporated Association</p> </div>



Ordinary customers  
 Apartment sales companies  
 Real estate investment trusts (J-REITs)  
 Real estate investment funds



Ordinary customers  
 Tenants



Ordinary customers

**Note:** Consolidated subsidiaries other than Samty Asset Management Co., Ltd., Hikone SC Ltd., Suntoa Co., Ltd., Samty Kanri Co., Ltd., and Specialist Support System, Co., Ltd. are special purpose companies or general incorporated associations established in relation to the business scheme for acquiring, holding, and developing land, buildings, and trust beneficiary rights as part of the process for the Samty Group to conduct its Real Estate Business and Property Leasing Business.

### **3. Management Policies**

#### **(1) Basic Policy on Company Management**

Samty was established for the purpose of conducting a real estate business aimed at generating returns from real estate. Following the management philosophy we have maintained since our founding, “Ethics,” “Passion,” “Challenge,” and the “Realization of Dreams,” the Samty Group’s corporate principles are to provide a rich urban living environment, and contribute to society.

#### **(2) Target Management Indicators**

The Samty Group announced its “Challenge 40” medium-term management plan on October 15, 2013. This is a plan formulated with the aim of taking advantage of our position as a general real estate business able to utilize the land procured by the group for condominium planning and development, tenant recruitment, property management, sales, and property holdings, entirely within the corporate group, in order to achieve further business development over the longer term as a general real estate company.

The two target management indicators we have set to achieve by FY11/23 are:

- Total assets of ¥300 billion (¥121.7 billion at November 30, 2015)
- ROA (operating income ÷ total assets) of 7.0% (4.9% in FY11/15)

#### **(3) Mid- to Long-Term Company Management Strategies**

The Samty Group has adopted the following management strategies in three core businesses for the stable and ensured achievement of the target management indicators set in the “Challenge 40” medium-term management plan.

(i) Real Estate Leasing Business

We will acquire additional high-quality held properties to make a core business for building a stable business foundation.

(ii) Real Estate Development and Revitalization Business

We will thoroughly control risk to ensure stable earnings over the longer term.

(iii) Management Business

We will establish business and earnings foundations to establish a future earnings pillar.

#### **(4) Issues for the Company to Address**

The Samty Group has identified the following existing issues to address in order to achieve the Company’s mid- to long-term strategies.

(i) Strengthen corporate governance

Considering the stance of shareholders, as well as customers, employees, the local community and others, we will strengthen corporate governance in order to ensure transparent, fair, swift, and decisive decision-making, achieve sustainable growth, and enhance long-term enterprise value.

(ii) Expand synergies among Group companies

We will strengthen the Group’s asset management and property management functions, and by utilizing Samty Residential Investment Corporation, the asset management operations of which

are entrusted to the Company's subsidiary Samty Asset Management Co., Ltd., strengthen the Group's management functions. In addition, we will utilize the Company's subsidiary Suntoa Co., Ltd., which operates hotels, to strengthen our penetration into the thriving hotel business.

(iii) Diversify methods of capital procurement

We will diversify our methods of capital procurement to bolster our financial foundation, to support the stable and sustainable growth of the Samty Group.

(iv) Strengthen investor relations and PR activities

In consideration of future expansion of business locations, we will strengthen investor relations and PR activities to raise corporate visibility.

(v) Develop business overseas

We will develop business in the rapidly developing Southeast Asian region, and explore business expansion overseas to capture that growth potential.

**(5) Other Important Matters as Regards Management of the Company**

Nothing applicable

**4. Basic Stance on Selection of Accounting Standards**

The Samty Group, in consideration of comparability between financial periods and companies, for the present will prepare consolidated financial statements in accordance with Japanese accounting standards.

Regarding the application of International Financial Reporting Standards (IFRS), our policy is to consider of the situation in Japan and overseas, and take appropriate measures.



## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

November 30

	Millions of yen	
	2014	2015
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	10,023	18,693
Receivables	218	282
Real estate for sale	17,377	34,863
Real estate for sale under construction	17,324	15,756
Goods	0	0
Supplies	1	4
Deferred tax assets	232	239
Other	440	654
Allowance for doubtful accounts	(7)	(6)
Total current assets	<b>45,611</b>	<b>70,489</b>
<b>Non-current assets:</b>		
<b>Property and equipment:</b>		
Buildings and structures	26,473	27,016
Accumulated depreciation	(5,347)	(4,671)
Buildings and structures net	21,126	22,344
Buildings in trust	4,590	4,196
Accumulated depreciation	(435)	(114)
Buildings in trust net	4,154	4,081
Land	23,136	19,131
Land in trust	2,359	1,816
Other	331	366
Accumulated depreciation	(263)	(263)
Other net	68	102
Net property and equipment	<b>50,846</b>	<b>47,476</b>
<b>Intangible assets:</b>		
Goodwill	107	99
Other intangible assets	58	71
Total intangible assets	165	170
<b>Investments and other assets:</b>		
Investment securities	1,665	1,850
Deferred tax assets	174	44
Other	1,224	1,512
Allowance for doubtful accounts	(19)	(9)
Total Investments and other assets	<b>3,044</b>	<b>3,397</b>
Total non-current assets	<b>54,056</b>	<b>51,044</b>
<b>Deferred assets:</b>		
Formation expenses	0	0
Inauguration expenses	41	194
Total deferred tax assets	41	194
<b>Total assets</b>	<b>99,709</b>	<b>121,728</b>

	Millions of yen	
	2014	2015
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Notes and accounts payable	1,489	3,819
Deferred tax liabilities	1	—
Short-term borrowings	2,732	9,599
Current portion of long-term debt	10,802	13,515
Accrued income taxes	1,217	1,258
Other	1,612	2,237
Total current liabilities	<b>17,856</b>	<b>30,429</b>
<b>Non-current liabilities:</b>		
Bonds with subscription rights to shares	—	1,985
Long-term debt	52,147	56,484
Deferred tax liabilities	1,895	1,769
Liabilities for retirement benefits	82	101
Guarantee deposits	1,990	1,807
Construction assistance fund	759	704
Other	11	93
Total non-current liabilities	<b>56,886</b>	<b>62,945</b>
<b>Total liabilities</b>	<b>74,742</b>	<b>93,375</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Capital stock	6,893	7,462
Capital surplus	6,793	7,576
Retained earnings	10,583	14,507
Treasury stocks at cost	(1,068)	(1,382)
Total shareholders' equity	<b>23,201</b>	<b>28,163</b>
<b>Accumulated other comprehensive income:</b>		
Unrealized gain on available for-sale securities	35	(28)
Total accumulated other comprehensive income	35	(28)
Stock acquisition rights	187	218
Minority interests	1,541	—
<b>Total net assets</b>	<b>24,966</b>	<b>28,353</b>
<b>Total liabilities and net assets</b>	<b>99,709</b>	<b>121,728</b>

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Consolidated Statements of Income

Years ended November 30

	Millions of yen	
	2014	2015
<b>Net sales</b>	<b>24,363</b>	<b>38,458</b>
Cost of sales	17,222	28,482
<b>Gross profit</b>	<b>7,140</b>	<b>9,976</b>
Selling, general and administrative expenses	3,098	4,043
<b>Operating income</b>	<b>4,042</b>	<b>5,932</b>
<b>Non-operating income:</b>		
Interest income	1	2
Dividends	45	10
Refund of premium for cancelled insurance	14	18
Valuation profit on interest swap transaction	0	—
Other	8	33
<b>Total non-operating income</b>	<b>70</b>	<b>65</b>
<b>Non-operating expenses:</b>		
Interest expenses	1,512	1,728
Commission fee	249	303
Equity in losses of affiliated companies	38	—
Other	7	94
<b>Total non-operating expenses</b>	<b>1,808</b>	<b>2,126</b>
<b>Ordinary income</b>	<b>2,304</b>	<b>3,872</b>
<b>Extraordinary income:</b>		
Gain on investments in silent partnership	315	—
Gain on sales of non-current assets	2,009	2,837
Gain on negative goodwill	1,251	555
<b>Total extraordinary income</b>	<b>3,576</b>	<b>3,392</b>
<b>Extraordinary loss:</b>		
Loss on sales of non-current assets	1,192	755
Loss on retirement of non-current assets	14	9
Loss on step acquisitions	885	—
Loss on impairment of long-lived assets	—	225
Other	0	—
<b>Total extraordinary losses</b>	<b>2,092</b>	<b>990</b>
<b>Income before income taxes</b>	<b>3,788</b>	<b>6,274</b>
Income taxes-current	1,436	1,902
Income taxes-deferred	135	(24)
Total income taxes	<b>1,571</b>	<b>1,878</b>
Income before minority interests	<b>2,217</b>	<b>4,396</b>
Minority interests	<b>(86)</b>	<b>(16)</b>
<b>Net income</b>	<b>2,304</b>	<b>4,412</b>

## Consolidated Statements of Comprehensive Income

Years ended November 30

	Millions of yen	
	2014	2015
Income before minority interests	2,217	4,396
<b>Other comprehensive income:</b>		
Unrealized gain on available for-sale securities	10	(64)
Total other comprehensive income	10	(64)
<b>Comprehensive income</b>	<b>2,227</b>	<b>4,332</b>
<b>Comprehensive income attributable to:</b>		
Comprehensive income attributable to owners of the parent	2,314	4,348
Comprehensive income attributable to minority interests	(86)	(16)

### (3) Consolidated Statements of Changes in Net Assets

Year ended November 30, 2014 (December 1, 2013 to November 30, 2014)

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury Stock, at Cost	Total shareholders' equity
Balance at the end of previous period	6,889	6,790	8,620	—	22,300
Changes of items during the period					
Issuance of new shares	3	3			7
Conversion of convertible bond-type bonds with subscription rights to shares					—
Dividends from surplus			(341)		(341)
Net income			2,304		2,304
Purchase of treasury shares				(1,068)	(1,068)
Disposal of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	3	3	1,962	(1,068)	901
Balance at the end of current period	6,893	6,793	10,583	(1,068)	23,201

	Millions of yen				
	Accumulated other comprehensive income		Subscription Rights to Shares	Minority interests	Total Net Assets
	Unrealized gain on available for-sale securities	Accumulated other comprehensive income			
Balance at the end of previous period	25	25	128	—	22,453
Changes of items during the period					
Issuance of new shares					7
Conversion of convertible bond-type bonds with subscription rights to shares					—
Dividends from surplus					(341)
Net income					2,304
Purchase of treasury shares					(1,068)
Disposal of treasury shares					—
Net changes of items other than shareholders' equity	10	10	59	1,541	1,611
Total changes of items during the period	10	10	59	1,541	2,512
Balance at the end of current period	35	35	187	1,541	24,966

Year ended November 30, 2015 (December 1, 2014 to November 30, 2015)

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury Stock, at Cost	Total shareholders' equity
Balance at the end of previous period	6,893	6,793	10,583	(1,068)	23,201
Changes of items during the period					
Issuance of new shares	568	568			1,137
Conversion of convertible bond-type bonds with subscription rights to shares		213			213
Dividends from surplus			(488)		(488)
Net income			4,412		4,412
Purchase of treasury shares				(1,000)	(1,000)
Disposal of treasury shares				686	686
Net changes of items other than shareholders' equity					
Total changes of items during the period	568	782	3,924	(313)	4,961
Balance at the end of current period	7,462	7,576	14,507	(1,382)	28,163

	Millions of yen				
	Accumulated other comprehensive income		Subscription Rights to Shares	Minority interests	Total Net Assets
	Unrealized gain on available for-sale securities	Accumulated other comprehensive income			
Balance at the end of previous period	35	35	187	1,541	24,966
Changes of items during the period					
Issuance of new shares					1,137
Conversion of convertible bond-type bonds with subscription rights to shares					213
Dividends from surplus					(488)
Net income					4,412
Purchase of treasury shares					(1,000)
Disposal of treasury shares					686
Net changes of items other than shareholders' equity	(64)	(64)	31	(1,541)	(1,574)
Total changes of items during the period	(64)	(64)	31	(1,541)	3,387
Balance at the end of current period	(28)	(28)	218	—	28,353

#### (4) Consolidated Statements of Cash Flows

Years ended November 30

	Millions of yen	
	2014	2015
<b>Operating activities:</b>		
Income before income taxes	3,788	6,274
Depreciation	1,024	1,056
Loss on impairment of long-lived assets	—	225
Amortization of goodwill	8	8
Interest and dividends income	(47)	(13)
Interest expenses	1,512	1,728
Equity in losses (earnings) of affiliates	38	—
Commission fee	249	303
Loss (gain) on investments in silent partnership	(315)	—
Loss (gain) on sales of property, plant and equipment	(816)	(2,082)
Gain on negative goodwill	(1,251)	(555)
Loss (gain) on step acquisitions	885	—
Increase (Decrease) in liability for retirement benefits	(74)	—
Increase (Decrease) in net defined benefit liability	82	19
Decrease (increase) in notes and accounts receivable - trade	(78)	(22)
Decrease (Increase) in inventories	(4,932)	(9,744)
Increase (decrease) in notes and accounts payable - trade	(139)	2,327
Increase (decrease) in accrued consumption taxes	21	360
Increase (decrease) in lease and guarantee deposits received	579	(189)
Other-net	438	(339)
Subtotal	975	(643)
Decrease in interest and dividends receivable	48	13
Decrease in interest payable	(1,515)	(1,782)
Income taxes (paid) refunded	(655)	(1,797)
<b>Net cash provided by (used in) operating activities</b>	<b>(1,147)</b>	<b>(4,208)</b>
<b>Investing activities:</b>		
Proceeds from withdrawal of time deposits	330	—
Payments into time deposits	(10)	(7)
Proceeds from sales of property, plant and equipment	7,083	12,657
Purchase of property, plant and equipment	(15,628)	(14,550)
Purchase of intangible assets	(7)	(41)
Purchase of investment securities	(699)	(1,371)
Proceeds from redemption of investment securities	384	1,070
Additional acquisition of shares in consolidated subsidiaries	(5)	(43)
Acquisition of new consolidated subsidiary	(74)	16
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(141)	(970)
Collection of investments in capital	1	—
Payments for investments in capital	(33)	3
Collection of long-term loans receivable	31	—
Proceeds from construction assistance fund receivables	43	—
Payments of construction assistance fund receivables	(52)	(55)
Other-net	(1)	(0)
<b>Net cash provided by (used in) investing activities</b>	<b>(8,780)</b>	<b>(3,291)</b>

(continued on page 12)

	Millions of yen	
	2014	2015
<b>Financing activities:</b>		
Increase in short-term loans payable	6,076	25,972
Decrease in short-term loans payable	(5,995)	(15,606)
Proceeds from long-term loans	35,722	31,293
Repayments of long-term loans	(22,523)	(27,744)
Proceeds from issuance of bonds with subscription rights to shares	—	3,981
Proceeds from issuance of common shares	6	15
Purchase of treasury shares	(1,068)	(1,000)
Dividends paid	(340)	(505)
Other-net	(254)	(245)
<b>Net cash provided by (used in) financing activities</b>	<b>11,620</b>	<b>16,162</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,693</b>	<b>8,662</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>7,681</b>	<b>9,513</b>
<b>Increase in cash and cash equivalents resulting from new consolidation</b>	<b>138</b>	<b>—</b>
<b>Decrease in cash and cash equivalents on exclusion from consolidation</b>	<b>0</b>	<b>—</b>
<b>Cash and cash equivalents, end of the period</b>	<b>9,513</b>	<b>18,176</b>



## **(5) Notes Relating to the Consolidated Financial Statements**

### **(Notes Relating to the Assumption of a Going Concern)**

No applicable items

### **(Material items fundamental to the preparation of consolidated financial statements)**

#### 1. Items relating to the scope of consolidation

##### (1) Number of consolidated subsidiaries: 15

Names of consolidated subsidiaries

Hikone SC Ltd.

Suntoa Co., Ltd.

Senba IS Building LLC.

Project I General Incorporated Association

Specialist Support System Co., Ltd.

Samty Kanri Co., Ltd.

Samty Asset Management Co., Ltd.

Awajicho Project LLC

Awajicho Project General Incorporated Association

Ambient Garden Moriyama LLC

Ambient Garden Moriyama General Incorporated Association

S Hotel Operations Nagasaki LLC

S Hotel Operations Nagasaki General Incorporated Association

S Hotel Operations Utsunomiya LLC

S Hotel Operations Utsunomiya General Incorporated Association

##### (2) Names of material unconsolidated subsidiaries

There are no unconsolidated subsidiaries.

#### 2. Items relating to the application of the equity method

There are no equity-method affiliates.

#### 3. Items relating to the fiscal year of consolidated subsidiaries

The balance sheet date of all consolidated subsidiaries is the same as the consolidated balance sheet date.

#### 4. Items related to accounting standards

##### (1) Valuation standards and valuation methods for material assets

###### (A) Securities

Available-for-sale securities

Securities with current market value

Current market value method based on the market price on the balance sheet date.

(Valuation difference is fully and directly recognized within net assets. Cost of sale is calculated using a moving average.)

#### Securities without current market value

The Company applies a cost method using a moving average.

#### (B) Inventory

##### Real estate for sale and real estate for sale in process

The Company applies the cost method based on actual cost. (The balance sheet value is calculated by the book value devaluation method based on decline in profitability.)

##### Merchandise and supplies

The Company applies the price-of-last-purchase method.

#### (2) Method of depreciating material depreciable assets

##### (A) Tangible fixed assets (excluding lease assets)

The Company and its consolidated subsidiaries apply the declining-balance method. However, with regard to buildings acquired on or after April 1, 1998 (excluding accompanying facilities), the straight-line method is applied.

Main lifetime durations are as follows.

Buildings and structures    2–47 years

Trust building                      31–41 years

##### (B) Intangible fixed assets (excluding lease assets)

The Company applies the straight-line method.

Software for use by the Company is depreciated over a useful-lifetime period of five years.

##### (C) Long-term prepaid expenses

The Company applies the straight-line method.

##### (D) Lease assets

Assets related to finance lease transactions without ownership-transfer

The lease period is deemed the useful lifetime period, and assets are depreciated using the straight-line method to a residual value of zero.

#### (3) Method of amortization of material deferred assets

##### (A) Business commencement expenses

The Company applies the straight-line method over a five-year amortization period.

##### (B) Business establishment expenses

The Company applies the straight-line method over a five-year amortization period.

#### (4) Standards for recognizing material allowances

##### Allowance for doubtful accounts

As provision for losses stemming from doubtful accounts, in the case of general claims the Company recognizes an allowance based on the historical doubtful account ratio. In the case of specific doubtful claims, etc., the Company considers recoverability and recognizes the estimated non-recoverable amount.

#### (5) Method of accounting for employee retirement benefits

The Company applies a simplified method to calculate retirement benefit liabilities and retirement benefit expenses. Under this method, the Company recognizes as retirement benefit obligation the amount the Company would pay if employees took voluntary retirement at end of period after deducting the amount receivable through the Smaller Enterprise Retirement Allowance Mutual Aid

System.

(6) Method for amortization of goodwill and amortization period

Amortization of goodwill is carried out using the straight-line method over the period in which the goodwill is deemed to be effective.

Suntoa Co., Ltd., Specialist Support System Co., Ltd., and Samty Kanri Co., Ltd. 20 years

(7) Scope of funds presented in the Consolidated Statements of Cash Flows

Funds presented comprise cash on hand, demand deposits, and short-term, easily convertible, highly liquid investments involving little risk of price fluctuation, which have maturities of three months or less from the acquisition date.

(8) Other material items relating to the preparation of the consolidated financial statements

Accounting treatment of consumption tax

The Company applies the net-of-tax method.

Non-deductible consumption tax, etc., relating to fixed assets is recognized as a long-term prepaid expense, and amortized using the straight-line method over a five-year period.

**(Accounting Standards yet to be Applied)**

- Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan(ASBJ), Statement No. 21, September 13, 2013)
- Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)
- Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7, September 13, 2013)
- Revised Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, September 13, 2013)
- Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)
- Revised Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 13, 2013)

(1) Outline

These accounting standards were revised focusing on the following four factors: (i) in the case of additional acquisitions of the shares of a subsidiary, the treatment of changes in equity interest of the parent company in the subsidiary where control is ongoing; (ii) the treatment of acquisition-related expenses; (iii) change from presentation of net income and minority interests to equity interest in a non-controlled entity; and (iv) treatment of provisional accounting measures.

(2) Planned date of application

The Company plans to apply these accounting standards from the commencement of the fiscal year ending November 30, 2016.

(3) Impact of the application of these accounting standards

The Company is currently assessing the impact of the application of these accounting standards on the preparation of its consolidated financial statements.

**(Additional Information)**

(Change of holding objective)

Previous fiscal year (December 1, 2013–November 30, 2014)

Owing to changes in holding objective, ¥6,944 million was transferred from tangible fixed assets to inventory.

Fiscal year under review (December 1, 2014–November 30, 2015)

Owing to changes in holding objective, ¥6,387 million was transferred from tangible fixed assets to inventory.

### (Notes Related to the Consolidated Statements of Cash Flows)

1. Reconciliation of end-of-period balance of cash and cash equivalents with items presented on the Consolidated Balance Sheets

At November 30

	Millions of yen	
	2014	2015
Cash and deposits	10,023	18,693
Time deposits with maturities exceeding three months	(510)	(517)
Cash and cash equivalents	9,513	18,176

### (Real Estate for Lease, etc.)

The Samty Group owns condominiums and office buildings (including land) for lease in the Kansai region centering on Osaka, in the Kyushu region centering on Fukuoka, and in other areas, including Hokkaido, Aichi Prefecture and Mie Prefecture. In the fiscal year ended November 30, 2014, lease income from real estate for lease was ¥2,049 million (leasing revenues are presented within net sales and major costs of leasing are presented within cost of sales), and income from real estate sales was ¥816 million (gain on real estate sales is presented within extraordinary income and loss on real estate sales is presented within extraordinary loss). In the fiscal year ended November 30, 2015, lease income from real estate for lease was ¥1,763 million (leasing revenues are presented within net sales and major costs of leasing are presented within cost of sales), and income from real estate sales was ¥2,082 million (gain on real estate sales is presented within extraordinary income and loss on real estate sales is presented within extraordinary loss). For this real estate for lease, the amounts presented on the Consolidated Balance Sheets, changes in value during each respective period, and fair market values were as presented below.

At November 30

		Millions of yen	
		2014	2015
Amount presented on the Consolidated Balance Sheets	Beginning of period	47,482	48,205
	Change during period	722	(2,363)
	End of period	48,205	45,842
Fair market value at end of period		54,297	48,114

Notes:

1. The amount presented on the Consolidated Balance Sheets is the acquisition cost price less the accumulated depreciation.
2. Within change during period, during the fiscal year ended November 30, 2014, the main increase was related to new acquisitions of fixed assets (¥11,140 million). The main decreases were due to sales of real estate (¥6,269 million) and transfer to inventory owing to changes in holding objective (¥3,737 million). During the fiscal year ended November 30, 2015, the main increase was related to new acquisitions of fixed assets (¥14,116 million). The main decreases were due to sales of real estate (¥10,540 million), impairment loss (¥225 million), and transfer to inventory owing to changes in holding objective (¥5,197 million).
3. The fair market values at end of the fiscal years ended November 30, 2014 and 2015, are mainly calculated by the Company based on Japanese Real Estate Appraisal Standards (including items adjusted using indices, etc.).

## (Segment Information)

### 1. Outline of reportable segments

The Samty Group's reportable segments are those for which separate financial information is available within the Company's units of classification. To facilitate decisions on the allocation of management resources by the Board of Directors and evaluation of operating performance, the reportable segments are subject to regular review. The Company's reportable segments are the Real Estate business, Real Estate Leasing business, and Other business.

The Real Estate Business involves the planning, development, refurbishment, and sale of revenue-generating real estate, planning, the development and sale of condominiums for investment purposes, and the management of and investment in real estate investment funds. The Real Estate Leasing business involves the leasing and management of condominiums, office buildings and commercial facilities, etc. Other business includes the ownership and management of hotels, the management of condominiums, construction and refurbishment operations, and planning of support systems related to medical care.

### 2. Method of calculating reportable segment sales, profit and loss, assets, liabilities and other items

The accounting method for reportable segments is largely the same as that specified in "Material items fundamental to the preparation of consolidated financial statements," excluding inventory appraisal standards.

With regard to inventory appraisal, the Company appraises the amount prior to write-down based on a decline in profitability. Reportable segment profit is based on operating income. Intersegment sales and transfers are recorded based on market prices.

### 3. Sales, profit and loss, assets, liabilities and other items relating to each reportable segment

Previous fiscal year (December 1, 2013–November 30, 2014)

Years ended November 30

	Millions of yen					
	Reportable Segment				Adjustment (Note 1, 2, 3)	Amount Recorded on Consolidated Income Statement
	Real Estate Business	Property Leasing Business	Other Business	Total		
Net sales:						
Net sales from third parties	17,478	6,183	700	24,363	—	24,363
Inter-segment net sales and transfers	6	—	263	270	(270)	—
Total	17,485	6,183	964	24,633	(270)	24,363
Operating income	2,945	2,768	136	5,851	(1,808)	4,042
Segment assets	39,413	47,671	2,272	89,356	10,353	99,709
Other Items						
Depreciation expense	98	837	55	991	33	1,024
Increase in tangible fixed assets and intangible fixed assets	24	15,519	14	15,558	48	15,607

## Notes

1. Adjustment to segment profit of (¥1,808 million) mainly comprises intersegment eliminations of (¥154 million), and unallocated corporate expenses of (¥1,654 million). Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Adjustment to segment assets of ¥10,353 million is unallocated corporate assets. Those assets mainly comprise investment of idle funds (cash and deposits), long-term investment funds (investment securities), and assets related to corporate management.
3. Segment profit and segment assets are adjusted in accordance with operating income and total assets presented in the corresponding consolidated financial statements.

Fiscal year under review (December 1, 2014–November 30, 2015)

Years ended November 30

	Millions of yen					
	Reportable Segment				Adjustment (Note 1, 2, 3)	Amount Recorded on Consolidated Income Statement
	Real Estate Business	Property Leasing Business	Other Business	Total		
Net sales:						
Net sales from third parties	28,647	8,974	836	38,458	—	38,458
Inter-segment net sales and transfers	36	51	189	278	(278)	—
Total	28,684	9,026	1,026	38,736	(278)	38,458
Operating income	3,706	4,419	202	8,328	(2,396)	5,932
Segment assets	53,784	48,701	1,339	103,825	17,903	121,728
Other Items						
Depreciation expense	140	829	54	1,024	31	1,056
Increase in tangible fixed assets and intangible fixed assets	85	14,562	24	14,673	44	14,718

## Notes

1. Adjustment to segment profit of (¥2,396 million) mainly comprises intersegment eliminations of (¥110 million), and unallocated corporate expenses of (¥2,285 million). Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Adjustment to segment assets of ¥17,903 million is unallocated corporate assets. Those assets mainly comprise investment of idle funds (cash and deposits), long-term investment funds (investment securities), and assets related to corporate management.
3. Segment operating income is adjusted to the operating income on the consolidated income statement.

4. Major items within differences between the total of reportable segments and the amounts presented in the consolidated financial statements and other relevant differences (items relating to difference adjustment)

(Material impairment loss related to fixed assets)

Previous fiscal year (December 1, 2013–November 30, 2014)

No applicable items

Fiscal year under review (December 1, 2014–November 30, 2015)

In the Real Estate segment, the Company recognized an impairment loss of ¥225 million, but since this was presented as an extraordinary loss it is not allocated to the reportable segment.

(Significant gain on negative goodwill)

Previous fiscal year (December 1, 2013–November 30, 2014)

In the Real Estate Business segment, on May 26, 2014, the Company increased its investment in the silent partnership that operates Ambient Garden Moriyama, LLC, making Ambient Garden Moriyama, LLC a consolidated subsidiary. As a result, in this fiscal year the Company recorded a ¥1,251 million gain on negative goodwill. However, since this was an extraordinary gain it is not allocated to the reportable segment.

Fiscal year under review (December 1, 2014–November 30, 2015)

In the Real Estate Business segment, on February 27, 2015, the Company made an additional investment in the silent partnership that operates Ambient Garden Moriyama, LLC, making Ambient Garden Moriyama, LLC a wholly-owned subsidiary. As a result, the Company recorded a ¥555 million gain on negative goodwill, but because this was an extraordinary gain it is not allocated to the reportable segment.



**(Per Share Information)**

	2014	2015
Net assets per share (Yen)	1,047.15	1,215.40
Net income per share (Yen)	108.21	203.98
Diluted net income per share (Yen)	95.98	175.90

**(Notes) 1. Bases for calculation of net assets per share**

	2014	2015
Total net assets (Millions of yen)	24,966	28,353
Amount subtracted from total net assets (Millions of yen)	1,729	218
Issuance amount of Type A preferred stock (Millions of yen)	—	—
Stock options (Millions of yen)	187	218
Minority interests (Millions of yen)	1,541	—
Net assets attributable to common stock at end of period (Millions of yen)	23,237	28,134
Number of shares of common stock at end of period (Shares)	22,190,861	23,148,542

**2. Bases for calculation of net income per share and diluted net income per share**

	2014	2015
Net income per share		
Net income (Millions of yen)	2,304	4,412
Net income attributable to common stock (Millions of yen)	2,281	4,412
Amount not attributable to common stock shareholders (Millions of yen)	22	—
Preferred dividends (Millions of yen)	22	—
Average number of outstanding shares of common stock during the year (Shares)	21,083,959	21,634,191
Diluted net income per share		
Adjusted net income (Millions of yen)	22	—
Preferred dividends (Millions of yen)	22	—
Additional shares of common stock (Shares)	2,921,846	3,453,680
Type A preferred stock (Shares)	2,299,139	—
Convertible bonds (Shares)	—	2,729,826
Stock options (Shares)	622,707	723,854
Outline of residual shares not included in the calculation of diluted net income per share owing to no dilutive effect	—	—

**(Significant Events after the Reporting Period)**

Not applicable.

**END**