

July 8, 2016

Flash Report (Consolidated Basis)
Results for the first half ended May 31, 2016
(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

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Quarterly report filing date (Planned): July 8, 2016
 Start of dividend payments (Planned): —
 Quarterly supplemental explanatory material prepared: No
 Quarterly results briefing held: Yes (for institutional investors and analysts)

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

1. Consolidated Results for the first half of FY11/16 (December 1, 2015 to May 31, 2016)

(1) Consolidated Operating results

Six months ended May 31

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2016	21,311	1.9	3,394	(18.0)	2,373	(21.5)	1,742	(33.9)
2015	20,922	100.6	4,140	131.4	3,024	224.7	2,634	167.4

(Note) Comprehensive Income: Six months ended May 31, 2016: ¥1,772 million, (34.7%)
 Six months ended May 31, 2015: ¥2,716 million, 176.8%

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
2016	74.43	67.55
2015	120.70	107.63

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

1) Number of shares issued and outstanding (including treasury stock)	Six months ended May 31, 2016	25,517,527 shares	Year ended November 30, 2015	24,954,420 shares
2) Number of treasury stock	Six months ended May 31, 2016	1,805,878 shares	Year ended November 30, 2015	1,805,878 shares
3) Average number of shares outstanding for each period (cumulative term)	Six months ended May 31, 2016	23,415,085 shares	Six months ended May 31, 2015	21,827,819 shares

* Indication of the status of quarterly review procedures

- This flash report is not subject to quarterly review procedures under the Financial Instruments and Exchange Act. However, a review of these financial statements in accordance with 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.

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1. Qualitative Information on Consolidated Results for the First Half of Fiscal 2016

(1) Explanation of Business Results

During the first quarter cumulative period, the Japanese economy continued to recover at a moderate pace with continued improvement in employment and incomes on the back on government economic measures and the Bank of Japan's easy-money policy. However, weakness is evident in overseas economies, with the risk that this will be a drag on the Japanese economy.

In the real estate industry, of which the Samty Group is a part, market conditions remained firm, with capital inflow to the real estate market accelerating further as a result of the Bank of Japan's negative interest policy, amid new bank lending for real estate and record high loan balances.

Under such conditions, the Samty Group, in accordance with its "Challenge 40" medium-term management plan, conducted business with the aim of establishing a dominant position in the general real estate business.

As a result, for the subject second quarter cumulative period, net sales amounted to ¥21,311 million (+1.9% from the same period of the previous fiscal year), with operating income of ¥3,394 million (-18.0%), ordinary income of ¥2,373 million (-21.5%), and profit attributable to owners of parent of ¥1,742 million (-33.9%).

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 "S-RESIDENCE Shin-Osaka Ekimae" (Higashiyodogawa-ku, Osaka), "S-RESIDENCE Esaka" (Suita-shi, Osaka), "Samty Shin-Osaka WEST" (Yodogawa-ku, Osaka), "CREST COURT Hokudaimae" (Kita-ku, Sapporo), "Grand Mir Shindera" (Wakabayashi-ku, Sendai), "HUMAN HEIM Sagamihara" (Chuo-ku, Sagamihara), and "will Do Kaguracho" (Nagata-ku, Kobe). Properties sold as commercial facilities (unit ownership) were "YURAKUCHO ITOCiA" (Chiyoda-ku, Tokyo) and "ADRESS GARDEN DAIKANYAMA" (Shibuya-ku, Tokyo), and as office buildings "Homomachi Central Office" (Chuo-ku, Osaka).

The Company sold 260 units of condominiums for investment, at "Samty Homomachi AGE" (Chuo-ku, Osaka), "Samty Fukushima PORTA" (Fukushima-ku, Osaka), "Samty Edobori ASUNT" (Nishi-ku, Osaka), "Samty Namba VIVO" (Naniwa-ku, Osaka), "Samty Fukushima NORTH" (Fukushima-ku, Osaka), "Samty Kyoto Nishiouji" (Shimogyo-ku, Kyoto), "W-STYLE Shin-Osaka II" (Higashiyodogawa-ku, Osaka), "W-STYLE Namba" (Naniwa-ku, Osaka), and "S-FORT Iriya" (Taito-ku, Tokyo).

As a result, net sales in the Real Estate Business segment amounted to ¥17,105 million (+14.0% from the same period of the previous fiscal year), with operating income of ¥2,978 million (+104.4%).

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 Higashisapporo Nord” (Shiroishi-ku, Sapporo), “Samty Higashisapporo Est” (Shiroishi-ku, Sapporo), “Samty Residence Minami8jo” (Chuo-ku, Sapporo), “Samty Esakatarumicho Residence” (Suita-shi, Osaka), “Samty Tsukaguchi Residence” (Amagasaki-shi, Hyogo), “Samty Towers Atago” (Nishi-ku, Fukuoka), “Samty Kumamoto Gofukumachi” (Chuo-ku, Kumamoto), “ai-do” (Chuo-ku, Osaka), and “AS Residence Tsu City” (Tsu-shi, Mie).

As a result, net sales in the Property Leasing Business segment amounted to ¥3,471 million (-37.9% from the same period of the previous fiscal year), with operating income of ¥1,353 million (-60.0%).

c. Other Business

Other business operations comprise the holding and operating of four hotels, “Center Hotel Tokyo” (Chuo-ku, Tokyo), “Center Hotel Osaka” (Chuo-ku, Osaka), the “S-PERIA Hotel Nagasaki” (Nagasaki-shi, Nagasaki), and “Hotel Sunshine Utsunomiya” (Utsunomiya-shi, Tochigi), together with a condominium management business, and a construction/renovation business.

As a result, net sales in the Other Business segment amounted to ¥734 million (+122.7% from the same period of the previous fiscal year), with operating income of ¥78 million (-12.0%).

(2) Qualitative Information on the Consolidated Financial Position

1) Assets, Liabilities, and Net Assets

Assets

Total assets at the end of the subject second quarter cumulative period amounted to ¥131,712 million, an increase of ¥9,983 million compared to the end of the previous fiscal year. Of this amount, current assets increased ¥6,908 million to ¥77,397 million, and non-current assets increased ¥3,103 million to ¥54,147 million. The main factors for the increase in current assets were gains of ¥1,137 million in real estate for sale; and ¥5,691 million in real estate for sale under construction. The main factor for the increase in non-current assets was a gain of ¥3,111 million in net property and equipment.

Liabilities

Total liabilities at the end of the subject second quarter cumulative period amounted to ¥101,776 million, an increase of ¥8,401 million compared to the end of the previous fiscal year. Of this amount, current liabilities decreased ¥4,168 million to ¥26,261 million, and non-current liabilities increased ¥12,569 million to ¥75,515 million. The main factors for the decrease in current liabilities were declines of ¥584 million in short-term borrowings; and ¥2,551 million in current portion of long-term debt. The main factors for the increase in non-current liabilities were a gain of ¥13,148 million in long-term debt; against a decrease of ¥550 million in bonds with subscription rights to shares.

Net Assets

Total net assets at the end of the subject second quarter cumulative period amounted to ¥29,936 million, an increase of ¥1,582 million compared to the end of the previous fiscal year. This was due mainly to an increase of ¥1,742 million in retained earnings from the recording of profit attributable to owners of parent; against a decrease of ¥763 million in retained earnings from dividend payments.

2) Cash Flows

Cash and cash equivalents (“cash”) at the end of the subject second quarter cumulative period amounted to ¥17,829 million, a decrease of ¥346 million compared to the end of the previous fiscal year. This was due mainly to ¥5,869 million in cash used for operating activities; ¥3,558 million in cash used for investing activities; and ¥9,081 million in cash provided by financing activities.

The main factors affecting cash flows during the subject second quarter cumulative period are as follows.

Cash Flow from Operating Activities

Net cash used in operating activities amounted to ¥5,869 million (compared to ¥4,226 million used in the same period of the previous fiscal year). This was due mainly to ¥2,545 million in income before income taxes; ¥6,829 million in increase in inventories; and ¥1,298 million in income taxes paid.

Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥3,558 million (compared to ¥8,392 million used in

the same period of the previous fiscal year). This was due mainly to ¥5,365 million in purchase of property, plant and equipment; and ¥1,953 million in proceeds from sales of property, plant and equipment.

Cash Flow from Financing Activities

Net cash provided by investing activities amounted to ¥9,081 million (compared to ¥11,960 million provided in the same period of the previous fiscal year). This was due mainly to ¥11,338 million in increase in short-term loans payable; ¥11,923 million in decrease in short-term loans payable; ¥24,448 million in proceeds from long-term loans; ¥13,850 million in repayments of long-term loans; and ¥762 million in dividends paid.

(3) Explanation of Consolidated Results Forecasts and Other Future Predictions

Results forecasts for the fiscal year ending November 2016 are unchanged from those announced in “Financial Statement (Consolidated Basis) for the year ended November 30, 2015” released on January 8, 2016.

2. Matters Relating to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Subject Reporting Period

Not applicable.

(2) Application of Special Accounting Treatments in the Preparation of Financial Reports

Not applicable.

(3) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements

(Change in Accounting Policy)

From the beginning of the subject fiscal year, the Company has applied “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013, hereafter “Business Combinations Accounting Standard”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013, hereafter “Consolidation Accounting Standard”), and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013, hereafter “Business Divestitures Accounting Standard”), thereby recording as capital surplus the variance on changes in the Company’s equity interests in subsidiaries where the Company retains control, and changing the method for recording acquisition-related expenses as expenses for the consolidated fiscal year.

Also, for business combinations conducted since the start of the subject fiscal year, the Company has changed to a method to reflect the revisions to the allocated amount of acquisition cost determined by provisional accounting treatment in the consolidated financial statements for the quarterly accounting period covering the date of the business combination. In addition, the Company has made changes to the presentation of net income, and changed the presentation of minority interests to non-controlling interests. The consolidated financial statements for the previous second quarter cumulative period and previous fiscal year have been reclassified to reflect the subject changes in presentation.

For the application of the Business Combinations Accounting Standard and other standards, the Company follows the transitional treatment prescribed by Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard, and Article 57-4 (4) of the Business Divestitures Accounting Standard, applying such from the beginning of the subject fiscal year and going forward.

For the subject second quarter cumulative period, there is no effect on the consolidated financial statements as a result of this change.

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

In accordance with revisions to the Corporation Tax Act, the Company has applied “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32, issued on June 17, 2016) from the beginning of the subject fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on the consolidated financial statements for the subject period is

negligible.

(4) Additional Information

(Effect of Change in the Corporate Tax Rate)

The “Act to Partially Amend the Income Tax Act” (Act No. 15 of 2016) and “Act to Partially Amend the Local Tax Act” (Act. No. 13 of 2016), went into effect on March 31, 2016, lowering the corporate tax rate from consolidated fiscal years beginning on or after April 1, 2016.

Accordingly, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities has been changed from the previous 32.3%, to 30.8% for items for which collection or payment is expected during the period of December 1, 2016, to November 30, 2018, and to 30.6% for items from December 1, 2018 and after.

The effect of this change in the tax rate is negligible.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	November 30, 2015	May 31, 2016
ASSETS		
Current assets:		
Cash and deposits	18,693	18,407
Receivables	282	239
Real estate for sale	34,863	36,001
Real estate for sale under construction	15,756	21,448
Goods	0	0
Supplies	4	5
Deferred tax assets	239	195
Other	654	1,115
Allowance for doubtful accounts	(6)	(15)
Total current assets	70,489	77,397
Non-current assets:		
Property and equipment:		
Buildings and structures net	22,344	24,826
Buildings in trust net	4,081	4,017
Land	19,131	19,804
Land in trust	1,816	1,816
Other net	102	123
Net property and equipment	47,476	50,588
Intangible assets:		
Goodwill	99	95
Other intangible assets	71	64
Total intangible assets	170	159
Investments and other assets:		
Investment securities	1,850	1,849
Deferred tax assets	44	64
Other	1,512	1,486
Allowance for doubtful accounts	(9)	(0)
Total Investments and other assets	3,397	3,400
Total non-current assets	51,044	54,147
Deferred assets:		
Formation expenses	0	0
Inauguration expenses	194	166
Total deferred tax assets	194	167
Total assets	121,728	131,712

	Millions of yen	
	November 30, 2015	May 31, 2016
LIABILITIES		
Current liabilities:		
Notes and accounts payable	3,819	3,981
Short-term borrowings	9,599	9,014
Current portion of long-term debt	13,515	10,964
Accrued income taxes	1,258	745
Other	2,237	1,555
Total current liabilities	30,429	26,261
Non-current liabilities:		
Bonds with subscription rights to shares	1,985	1,435
Long-term debt	56,484	69,632
Deferred tax liabilities	1,769	1,738
Liabilities for retirement benefits	101	129
Guarantee deposits	1,807	1,803
Construction assistance fund	704	676
Other long-term liabilities	93	98
Total non-current liabilities	62,945	75,515
Total liabilities	93,375	101,776
NET ASSETS		
Shareholders' equity:		
Common stock	7,462	7,739
Capital surplus	7,576	7,853
Retained earnings	14,507	15,486
Treasury stocks at cost	(1,382)	(1,382)
Total shareholders' equity	28,163	29,697
Accumulated other comprehensive income:		
Unrealized gain on available for-sale securities	(28)	1
Total accumulated other comprehensive income	(28)	1
Stock acquisition rights	218	237
Total net assets	28,353	29,936
Total liabilities and net assets	121,728	131,712

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

Six months ended May 31

	Millions of yen	
	2015	2016
Net sales	20,922	21,311
Cost of sales	15,263	15,633
Gross profit	5,659	5,678
Selling, general and administrative expenses	1,519	2,283
Operating income	4,140	3,394
Non-operating income:		
Interest income	1	2
Dividends	0	0
Refund of premium for cancelled insurance	12	2
Other	4	11
Total non-operating income	18	16
Non-operating expenses:		
Interest expenses	875	831
Commission fee	219	179
Bond issuance cost	15	—
Share issuance cost	—	0
Other	23	25
Total non-operating expenses	1,133	1,037
Ordinary income	3,024	2,373
Extraordinary income:		
Gain on sales of non-current assets	47	200
Gain on negative goodwill	555	—
Total extraordinary income	602	200
Extraordinary loss:		
Loss on sales of non-current assets	2	—
Loss on retirement of non-current assets	6	3
Appraised value of investment securities	—	25
Total extraordinary losses	8	29
Income before income taxes	3,618	2,545
Income taxes-current	988	794
Income taxes-deferred	11	8
Total income taxes	1,000	802
Net income	2,618	1,742
Loss attributable to non-controlling interests	(16)	—
Profit attributable to owners of parent	2,634	1,742

Consolidated Statements of Comprehensive Income

Six months ended May 31

	Millions of yen	
	2015	2016
Income before minority interests	2,618	1,742
Other comprehensive income:		
Unrealized gain on available for-sale securities	97	30
Total other comprehensive income	97	30
Comprehensive income	2,716	1,772
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	2,732	1,772
Comprehensive income attributable to minority interests	(16)	—

(3) Consolidated Statements of Cash Flows

Six months ended May 31

	Millions of yen	
	2015	2016
Operating activities:		
Income before income taxes	3,618	2,545
Depreciation	511	506
Amortization of goodwill	4	4
Increase (decrease) in allowance for doubtful accounts	0	0
Interest and dividends income	(1)	(2)
Interest expenses	875	831
Loss (gain) on sales of property, plant and equipment	(45)	(200)
Gain on negative goodwill	(555)	—
Increase (Decrease) in net defined benefit liability	18	28
Decrease (increase) in notes and accounts receivable - trade	(1,907)	42
Decrease (Increase) in inventories	(5,991)	(6,829)
Increase (decrease) in notes and accounts payable - trade	1,099	162
Increase (decrease) in lease and guarantee deposits received	899	(3)
Other-net	(795)	(822)
Subtotal	(2,268)	(3,737)
Decrease in interest and dividends receivable	1	2
Decrease in interest payable	(862)	(836)
Income taxes paid	(1,096)	(1,298)
Net cash provided by (used in) operating activities	(4,226)	(5,869)
Investing activities:		
Payments for deposits in time deposits	—	(60)
Proceeds from sales of property, plant and equipment	641	1,953
Purchase of property, plant and equipment	(6,633)	(5,365)
Purchase of intangible assets	(15)	(10)
Purchase of investment securities	(1,368)	(672)
Proceeds from redemption of investment securities	25	653
Additional acquisition of shares in consolidated subsidiaries	(970)	—
Payments of construction assistance fund receivables	(27)	(27)
Proceeds from collection of investments		1
Payments for investments in capital	(42)	(31)
Other-net	(0)	—
Net cash provided by (used in) investing activities	(8,392)	(3,558)

(continued on page 13)

	Millions of yen	
	2015	2016
Financing activities:		
Increase in short-term loans payable	12,782	11,338
Decrease in short-term loans payable	(7,425)	(11,923)
Proceeds from long-term loans	16,248	24,448
Repayments of long-term loans	(12,008)	(13,850)
Proceeds from issuance of bonds with subscription rights to shares	3,984	—
Purchase of treasury shares	(1,000)	—
Dividends paid	(486)	(762)
Other-net	(134)	(168)
Net cash provided by (used in) financing activities	11,960	9,081
Net increase (decrease) in cash and cash equivalents	(659)	(346)
Cash and cash equivalents, beginning of the period	9,513	18,176
Cash and cash equivalents, end of the period	8,854	17,829

(4) Notes Relating to Consolidated Financial Statements

(Note on Assumptions for Going Concern)

Not applicable.

(Notes in the Event of Major Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

I Results for the first half of FY11/15 (from December 1, 2014 to May 31, 2015)

1. Operating Revenues and Earnings (or Loss) by Reportable Segment

Six months ended May 31, 2015

	Millions of yen					
	Reportable Segment				Adjustment (Note 1)	Amount Recorded on Consolidated Income Statement (Note 2)
	Real Estate Business	Property Leasing Business	Other Business	Total		
Net sales:						
Net sales from third parties	15,004	5,588	329	20,922	—	20,922
Inter-segment net sales and transfers	—	—	146	146	(146)	—
Total	15,004	5,588	476	21,069	(146)	20,922
Operating income	1,457	3,381	89	4,928	(788)	4,140

Notes

1. The ¥788 million adjustment to operating income comprises ¥37 million in intersegment eliminations, and ¥750 million in corporate expenses not allocated to any reportable segment. Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Segment operating income is adjusted to the operating income on the consolidated income statement.

2. Disclosure of Impairment Loss of Non-Current Assets or Goodwill by Reportable Segment

(Significant gain on negative goodwill)

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.

II Results for the first half of FY11/14 (from December 1, 2015 to May 31, 2016)

1. Operating Revenues and Earnings (or Loss) by Reportable Segment

Six months ended May 31, 2016

	Millions of yen					
	Reportable Segment				Adjustment (Note 1)	Amount Recorded on Consolidated Income Statement (Note 2)
	Real Estate Business	Property Leasing Business	Other Business	Total		
Net sales:						
Net sales from third parties	17,105	3,471	734	21,311	—	21,311
Inter-segment net sales and transfers	6	118	75	199	(199)	—
Total	17,112	3,590	809	21,511	(199)	21,311
Operating income	2,978	1,353	78	4,410	(1,016)	3,394

Notes

1. The ¥677 million adjustment to operating income comprises ¥14 million in intersegment eliminations, and ¥1,001 million in corporate expenses not allocated to any reportable segment. Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Segment operating income is adjusted to the operating income on the consolidated income statement.

2. Disclosure of Impairment Loss of Non-Current Assets or Goodwill by Reportable Segment

Not applicable.

(Significant Events after the Reporting Period)

Not applicable.

END