January 13, 2017

Flash Report (Consolidated Basis)

Results for the year ended November 30, 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
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 27, 2017
Start of dividend payments (Planned): February 28, 2017
Submission of securities report (Planned): February 28, 2017
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 2016 (FY11/16) (December 1, 2015 to November 30, 2016)

(1) Consolidated Operating Results

Years ended November 30

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	52,409	36.3	8,586	44.7	6,788	75.3	4,628	4.9
2015	38,458	57.9	5,932	46.8	3,872	68.0	4,412	91.5

Note: Comprehensive Income: Year ended November 30, 2016: ¥4,625 million, 6.7%;
Year ended November 30, 2015: ¥4,332 million, 94.5%

	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	%	%	%
2016	196.42	178.91	15.3	5.2	16.4
2015	203.98	175.90	17.1	3.4	15.4

(Reference) Equity in earnings (losses) of affiliated companies: Year ended November 30, 2016: ¥ — million,
Year ended November 30, 2015: ¥ — 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
2016	141,170	32,847	23.1	1,372.75
2015	121,728	28,353	23.1	1,215.40

(Reference) Total shareholders' equity: November 30, 2016: ¥32,551 million, November 30, 2015: ¥28,134 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
2016	4,697	(17,119)	14,960	20,715
2015	(4,208)	(3,291)	16,162	18,176

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	%	%
2015		0.00	—	33.00	33.00	763	16.2	2.9
2016		0.00	—	33.00	33.00	782	16.8	2.6
2017 (Forecast)		0.00	—	36.00	36.00		17.8	

3. Forecasts for Fiscal Year Ending November 30, 2017

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	61,200	16.8	9,300	8.3	7,200	6.1

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Fiscal year	4,800	3.7	202.42

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: Senba IS Building LLC and Project I General Incorporated Association were removed from the scope of consolidation during the subject period, 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: Yes
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, 2016	25,518,127 shares	Year ended November 30, 2015	24,954,420 shares
2) Number of treasury stock	Year ended November 30, 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)	Year ended November 30, 2016	23,563,468 shares	Year ended November 30, 2015	21,634,191 shares

(Reference) FLASH REPORT (NON-CONSOLIDATED BASIS)

1. Non-Consolidated Results for the Fiscal Year Ended November 2016 (FY11/16)
(December 1, 2015 to November 30, 2016)

(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	%
2016	43,128	26.6	5,238	35.8	3,652	65.4	2,478	(6.3)
2015	34,055	57.4	3,856	13.1	2,208	16.2	2,643	63.0

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
2016	105.17	95.79
2015	122.21	105.38

(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
2016	123,967	26,952	21.5	1,124.17
2015	104,223	24,609	23.4	1,053.66

(Reference) Total shareholders' equity: November 30, 2016: ¥26,656 million, November 30, 2015: ¥24,390 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 24, 2017.

Table of Contents for Accompanying Material

1. Business Results

(1) Explanation of Business Results

During the subject fiscal year, 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, risks that could weigh down the Japanese economy include a slowdown in the European economy due to the Brexit issue, and sluggishness in emerging economies following a rise in U.S. interest rates.

In the real estate industry, of which the Samty Group is a part, market conditions remained firm, with continued capital inflow to the real market 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 (revised in July 2016), conducted business with the aim of establishing a dominant position in the general real estate business.

As a result, for the subject fiscal year, net sales amounted to ¥52,409 million (+36.3% year on year), with operating income of ¥8,586 million (+44.7%), ordinary income of ¥6,788 million (+75.3%), and profit attributable to owners of parent of ¥4,628 million (+4.9%).

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.

A total of seven properties were sold as part of the "S-RESIDENCE" series, "S-RESIDENCE Ryogoku" (Sumida-Ku, Tokyo), "S-RESIDENCE Higashi-Ikebukuro" (Toshima-ku, Tokyo), "S-RESIDENCE Sakurajosui" (Suginami-ku, Tokyo), "S-RESIDENCE Yokosuka-Chuo" (Yokosuka-shi, Kanagawa), "S-RESIDENCE Esaka" (Suita-shi, Osaka), "S-RESIDENCE Shin-Osaka Ekimae" (Higashiyodogawa-ku, Osaka), and "S-RESIDENCE Kobe-Motomachi" (Chuo-ku, Kobe). A total of 13 other income apartments were sold, including "CREST COURT Hokudaimae" (Kita-ku, Sapporo), "Grand Mir Miyamachi" (Aoba-ku, Sendai), "HUMAN HEIM Sagamihara" (Chuo-ku, Sagamihara), "S-FORT Tsurumai cube" (Naka-ku, Nagoya), "Grand E'terna Nijojo-mae" (Nakagyo-ku, Kyoto), "will Do Kaguracho" (Nagata-ku, Kobe), "Uni-Etoile Fukuoka-matsuda I • II" (Higashi-ku, Fukuoka), and "Grand E'terna Saga" (Saga-shi, Saga). Properties sold as commercial facilities (unit ownership) included "Mito South Tower" (Mito-shi, Ibaraki); as office buildings "Hommachi Central Office" (Chuo-ku, Osaka); and as hotel assets "Center Hotel Tokyo" (Chuo-ku, Tokyo).

The Company sold 628 units as condominiums for investment, including at "Samty Kyoto Nishiouji" (Shimogyo-ku, Kyoto), "Samty Fukushima NORTH" (Fukushima-ku, Osaka), "Samty Hommachibashi II MEDIUS" (Chuo-ku, Osaka), "Samty Namba VIVO" (Naniwa-ku, Osaka), "GRAND CONCIERGE" Kikukawa (Sumida-ku, Tokyo), "S-FORT Iriya" (Taito-ku, Tokyo), "N-Stage Hatchobori" (Chuo-ku, Tokyo), and "W-STYLE Shin-Osaka II" (Higashiyodogawa-ku, Osaka).

As a result, net sales in the Real Estate Business segment amounted to ¥43,773 million (+52.8% YoY), with operating income of ¥8,071 million (+117.8%).

b. Property Leasing Business

The Property Leasing business comprises the leasing and management of rental apartments, office buildings, commercial facilities, hotel assets, and other properties.

The Samty Group acquired properties to increase leasing income, expand its area of business operations, and strengthen purchasing of income properties. Properties acquired as rental apartments included “Samty Kitamaruyama Residence” (Chuo-ku, Sapporo), “Samty Residence Minami 8jo” (Chuo-ku, Sapporo), “Samty Higashisapporo Nord” (Shiroishi-ku, Sapporo), “Samty Higashisapporo Est” (Shiroishi-ku, Sapporo), “Messe Misaki Motohama” (Naka-ku, Hamamatsu-shi), “Misono Mansion Kasugai” (Kasugai-shi, Aichi), “COLLECTION CHAYAGASAKA” (Chikusa-ku, Nagoya-shi), “Grandvert Momoyamadai” (Suita-ku, Osaka), “Samty Esakatarumicho Residence” (Suita-shi, Osaka), “ai-do” (Chuo-ku, Osaka), “Samty Kego Tower” (Chuo-ku, Fukuoka-shi) “Samty Towers Atago” (Nishi-ku, Fukuoka), “Samty Meinohama” (Nishi-ku, Fukuoka), and “Samty Kagoshima Ekimae Bayside” (Kagoshima-shi, Kagoshima). Properties acquired as office buildings included “Suncrea Ikeshita West Tower” (Chikusa-ku, Nagoya-shi), and as logistics centers “Yonesato Ryutsu Center” (Shiroishi-ku, Sapporo-shi).

As a result, net sales in the Property Leasing Business segment amounted to ¥7,016 million (-21.8% YoY), with operating income of ¥2,550 million (-42.3%).

c. Other Business

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

As a result, net sales in the Other Business segment amounted to ¥1,619 million (+93.6% YoY), with operating income of ¥123 million (-38.9%).

Outlook for the Fiscal Year Ended November 2017 (FY11/17)

During the next fiscal year, to achieve the numerical targets in the “Challenge 40” medium-term management plan (revised in July 2016), the Company will work to expand the scope of its business operations and strengthen the business foundation, with the aim of establishing a decisive position as a general real estate company.

As a result of these measures, for the fiscal year ending November 2017, the Company is forecasting net sales of ¥61,200 million, with operating income of ¥9,300 million, ordinary income of ¥7,200 million, and profit attributable to owners of parent of ¥4,800 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					
	2015		2016		2017 (Forecast)	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Business	28,684	3,706	43,783	8,071	52,900	9,800
Property Leasing Business	9,026	4,419	7,288	2,550	7,100	2,100
Other Business	1,026	202	1,853	123	1,600	200
Inter-segment net sales and transfers	(278)	—	(515)	—	(400)	—
Adjustment	—	(2,396)	—	(2,159)	—	(2,800)
Total	38,458	5,932	52,409	8,586	61,200	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 ¥141,170 million, an increase of ¥19,441 million compared to the end of the previous fiscal year. Of this amount, current assets increased ¥15,492 million to ¥85,981 million, with non-current assets increasing ¥4,003 million to ¥55,048 million. The main factors for the increase in current assets were gains of ¥3,095 million in cash and deposits; ¥4,650 million in real estate for sale; and ¥7,183 million in real estate for sale under construction. The main factors for the increase in non-current assets were gains of ¥3,129 million in net property and equipment; and ¥892 million in total investments and other assets.

Liabilities

Total liabilities at the end of the subject fiscal year amounted to ¥108,323 million, an increase of ¥14,948 million compared to the end of the previous fiscal year. Of this amount, current liabilities decreased ¥1,990 million to ¥28,439 million, while non-current liabilities increased ¥16,938 million to ¥79,884 million. The main factors for the decrease in current liabilities were declines of ¥903 million in notes and accounts payable; and ¥2,309 million in current portion of long-term debt; against gains of ¥680 million in short-term borrowings; and ¥425 million in accrued income taxes. The main factor for the increase in non-current liabilities was a gain of ¥17,599 million in long-term debt; against a decline of ¥550 million in bonds with subscription rights to shares.

Net Assets

Total net assets at the end of the subject fiscal year amounted to ¥32,847 million, an increase of ¥4,493 million compared to the end of the previous fiscal year. This was due mainly to an increase of ¥555 million in capital stock and capital surplus resulting from exercise of request for conversion rights for corporate bonds with equity-purchase warrants; an increase of ¥4,628 million in retained earnings from recording of profit attributable to owners of parent; and 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 fiscal year amounted to ¥20,715 million, an increase of ¥2,539 million compared to the end of the previous fiscal year. This was the result of ¥4,697 million in cash provided by operating activities; ¥17,119 million in cash used for investing activities; and ¥14,960 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 provided by operating activities amounted to ¥4,697 million (compared to ¥4,208 million used in the previous fiscal year). This was due mainly to ¥6,956 million in income before income taxes; and ¥2,257 million in income taxes paid.

Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥17,119 million (compared to ¥3,291 million used in the previous fiscal year). This was due mainly to ¥19,081 million in purchase of property, plant and equipment; ¥3,054 million in proceeds from sales of property, plant and equipment; and ¥1,747 million in purchase of investment securities.

Cash Flow from Financing Activities

Net cash provided by investing activities amounted to ¥14,960 million (compared to ¥16,162 million provided in the previous fiscal year). This was due mainly to ¥26,433 million in increase in short-term loans payable; ¥25,753 million in decrease in short-term loans payable; ¥45,663 million in proceeds from long-term loans; ¥30,373 million in repayments of long-term loans; and ¥763 million in dividends paid.

(Reference) Cash flow-related indicators

Years ended November 30

	2012	2013	2014	2015	2016
Capital ratio (%)	25.3	27.9	23.3	23.1	23.1
Capital ratio at market value (%)	8.0	21.0	16.3	23.6	17.9
Ratio of interest-bearing debt to cash flow (years)	—	5.5	—	—	20.3
Interest coverage ratio (times)	—	6.5	—	—	2.9

Notes

1. All indices are on a consolidated basis, calculated according to the following formulas:
   Capital ratio: Owned capital / Total assets
   Capital ratio at market value: Total market value of stocks / Total assets
   Ratio of interest bearing debt to cash flow: Interest-bearing debt / Operating cash flow
   Interest coverage ratio: Operating cash flow / Interest payments
2. The total market value of stocks is calculated by multiplying the market value at end of term by the number of issued shares at end of term (after deduction of treasury stock).
3. “Operating cash flow” and “interest payments” are the figures for “Net cash provided by (used in) operating activities” and “Interest payable” in the Consolidated Statements of Cash Flows. “Interest-bearing debt” refers to all debts listed in the Consolidated Balance Sheets on which interest is paid.
4. Figures for the ratio of interest-bearing debt to cash flow and interest coverage ratio are not presented for FY11/12, FY11/14, and FY11/15 because operating cash flow was negative in those years.

(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 (FY11/16) will be ¥33 per share, as profit attributable to owners of parent was basically in line with plan, and in consideration of the interests of future financing, business development, and shareholder returns.

For the next fiscal year (FY11/17), the Company plans to pay a dividend of ¥36 per share, in consideration of our forecast of ¥4,800 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 13 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, 8 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.

<u>Business companies</u>: Samty 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

(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.

<u>Business companies</u>: Samty Co., Ltd., Hikone SC Ltd., Suntoa Co., Ltd., Samty Kanri Co., Ltd.

(3) Other Business

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

<u>Business companies</u>: 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.

Purchase of lands for development and income properties

Samty Co., Ltd. (the Company)

Real Estate Business	Property Leasing Business	Other 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	• Leasing and management of apartments and office buildings	• Hotel management • Apartment management • Construction / Remodeling • Planning of medical support systems
Consolidated Subsidiaries (see note) Samty Asset Management Co., Ltd. Awajicho Project LLC Awajicho Project General Incorporated Association Ambient Garden Moriyama LLC Ambient Garden Moriyama General Incorporated Association	Consolidated Subsidiaries (see note) Hikone SC Ltd. Suntoa Co., Ltd. Samty Kanri Co., Ltd.	Consolidated Subsidiaries (see note) 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
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. Samty Kanri Co., Ltd. changed its company name to Samty Property Management Co., Ltd. on December 1, 2016.

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 revisions to its “Challenge 40” medium-term management plan on July 8, 2016. The Samty Group is 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. Further, Samty Residential Investment Corporation (“SRR”), the assets of which are managed the Company’s subsidiary Samty Asset Management Co., Ltd., listed on the Real Estate Investment Trust (REIT) market in June 2015. The Company will take advantage of this position to establish a business model centered on SRR, as part of a plan for further business development.

In its medium-term management plan, the Company has set the following target management indicators to achieve by FY11/20:

Net sales	¥100 billion level
Ordinary income	¥10 billion level
EPS	¥300 or more
ROE	15% or more
ROA	7% or more
Capital ratio	30% or more
Payout ratio	30% or more

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

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

(i) Establish a business model centered on SRR
(ii) Strategic investments in major regional city areas
(iii) Expansion of the hotel development business

(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 through utilization of SRR, develop the Group's management business, and support the establishment of a business model centered on SRR.

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, and strengthen the financial base

We will diversify methods of capital procurement to bolster our financial base, to support the stable and sustainable growth of the Samty Group. Further, we will strengthen turnover of held real estate, and secure cash flow.

(iv) Expansion of the hotel development business

We will develop a hotel brand under the new brand name of "S-PERIA Hotel," and capture both business and inbound demand.

(v) Strengthen investor relations and PR activities

We will strengthen investor relations and PR activities to raise corporate visibility.

(vi) Develop business overseas

Building on our investment in Vietnamese real estate companies through a mutual fund in September 2016, we will develop business in the rapidly growing Southeast Asian region, and explore business expansion overseas to capture that growth potential.

(vii) CSR measures

We will contribute to the sustainable growth of local communities as our social responsibility as a company. In ordinance-designated cities and regional hub cities, in accordance with the purpose of regional revitalization, we will utilize an approach characteristic of a general real estate business.

(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	
	2015	**2016**
ASSETS		
Current assets:		
Cash and deposits	18,693	21,789
Receivables	282	654
Real estate for sale	34,863	39,514
Real estate for sale under construction	15,756	22,940
Goods	0	0
Supplies	4	3
Deferred tax assets	239	269
Other	654	811
Allowance for doubtful accounts	(6)	(2)
Total current assets	**70,489**	**85,981**
Non-current assets:		
Property and equipment:		
Buildings and structures	27,016	31,659
Accumulated depreciation	(4,671)	(4,200)
Buildings and structures net	22,344	27,458
Buildings in trust	4,196	734
Accumulated depreciation	(114)	(41)
Buildings in trust net	4,081	693
Land	19,131	21,666
Land in trust	1,816	242
Other	366	802
Accumulated depreciation	(263)	(256)
Other net	102	546
Net property and equipment	**47,476**	**50,606**
Intangible assets:		
Goodwill	99	91
Other intangible assets	71	60
Total intangible assets	170	151
Investments and other assets:		
Investment securities	1,850	2,223
Deferred tax assets	44	9
Other	1,512	2,086
Allowance for doubtful accounts	(9)	(29)
Total Investments and other assets	**3,397**	**4,290**
Total non-current assets	**51,044**	**55,048**
Deferred assets:		
Formation expenses	0	—
Inauguration expenses	194	141
Total deferred tax assets	194	141
Total assets	**121,728**	**141,170**

	Millions of yen	
	2015	**2016**
LIABILITIES		
Current liabilities:		
Notes and accounts payable	3,819	2,915
Short-term borrowings	9,599	10,279
Current portion of long-term debt	13,515	11,205
Accrued income taxes	1,258	1,683
Other	2,237	2,354
Total current liabilities	**30,429**	**28,439**
Non-current liabilities:		
Bonds with subscription rights to shares	1,985	1,435
Long-term debt	56,484	74,083
Deferred tax liabilities	1,769	1,444
Liabilities for retirement benefits	101	136
Guarantee deposits	1,807	2,043
Construction assistance fund	704	649
Other	93	93
Total non-current liabilities	**62,945**	**79,884**
Total liabilities	**93,375**	**108,323**
NET ASSETS		
Shareholders' equity:		
Capital stock	7,462	7,739
Capital surplus	7,576	7,853
Retained earnings	14,507	18,372
Treasury stocks at cost	(1,382)	(1,382)
Total shareholders' equity	**28,163**	**32,583**
Accumulated other comprehensive income:		
Unrealized gain on available for-sale securities	(28)	(32)
Total accumulated other comprehensive income	(28)	(32)
Stock acquisition rights	218	295
Total net assets	**28,353**	**32,847**
Total liabilities and net assets	**121,728**	**141,170**

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

Consolidated Statements of Income

Years ended November 30

	Millions of yen	
	2015	**2016**
Net sales	**38,458**	**52,409**
Cost of sales	28,482	39,087
Gross profit	**9,976**	**13,321**
Selling, general and administrative expenses	4,043	4,735
Operating income	**5,932**	**8,586**
Non-operating income:		
Interest income	2	3
Dividends	10	11
Refund of premium for cancelled insurance	18	23
Consumption tax difference	—	61
Other	33	17
Total non-operating income	**65**	**117**
Non-operating expenses:		
Interest expenses	1,728	1,613
Commission fee	303	249
Other	94	53
Total non-operating expenses	**2,126**	**1,915**
Ordinary income	**3,872**	**6,788**
Extraordinary income:		
Gain on sales of non-current assets	2,837	463
Gain on sales of investment securities	—	23
Gain on negative goodwill	555	—
Total extraordinary income	**3,392**	**487**
Extraordinary loss:		
Loss on sales of non-current assets	755	236
Loss on retirement of non-current assets	9	29
Loss on sales of investment securities	—	28
Loss on valuation of investment securities	—	25
Loss on impairment of long-lived assets	225	—
Total extraordinary losses	**990**	**319**
Income before income taxes	**6,274**	**6,956**
Income taxes-current	1,902	2,646
Income taxes-deferred	(24)	(318)
Total income taxes	**1,878**	**2,328**
Net income	**4,396**	**4,628**
Profit (loss) attributable to non-controlling interests	**(16)**	—
Profit attributable to owners of parent	**4,412**	**4,628**

Consolidated Statements of Comprehensive Income

Years ended November 30

	Millions of yen	
	2015	**2016**
Net income	4,396	4,628
Other comprehensive income:		
Unrealized gain on available for-sale securities	(64)	(3)
Total other comprehensive income	(64)	(3)
Comprehensive income	**4,332**	**4,625**
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	4,348	4,625
Comprehensive income attributable to non-controlling interests	(16)	—

(3) Consolidated Statements of Changes in Net Assets

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)
Profit attributable to owners of parent			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	Non-controlling 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)
Profit attributable to owners of parent					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

Year ended November 30, 2016 (December 1, 2015 to November 30, 2016)

	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	7,462	7,576	14,507	(1,382)	23,163
Changes of items during the period					
Issuance of new shares	2	2			5
Conversion of convertible bond-type bonds with subscription rights to shares	275	275			550
Dividends from surplus			(763)		(763)
Profit attributable to owners of parent			4,628		4,628
Purchase of treasury shares					—
Disposal of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	277	277	3,864	—	4,419
Balance at the end of current period	7,739	7,853	18,372	(1,382)	32,583

	Millions of yen				
	Accumulated other comprehensive income		Subscription Rights to Shares	Non-controlling Interests	Total Net Assets
	Unrealized gain on available for-sale securities	Accumulated other comprehensive income			
Balance at the end of previous period	(28)	(28)	218	—	28,353
Changes of items during the period					
Issuance of new shares					5
Conversion of convertible bond-type bonds with subscription rights to shares					550
Dividends from surplus					(763)
Profit attributable to owners of parent					4,628
Purchase of treasury shares					—
Disposal of treasury shares					—
Net changes of items other than shareholders' equity	(3)	(3)	76	—	73
Total changes of items during the period	(3)	(3)	76	—	4,493
Balance at the end of current period	(32)	(32)	295	—	32,847

(4) Consolidated Statements of Cash Flows

Years ended November 30

	Millions of yen	
	2015	**2016**
Operating activities:		
Income before income taxes	6,274	6,956
Depreciation	1,056	1,097
Loss on impairment of long-lived assets	225	—
Amortization of goodwill	8	8
Interest and dividends income	(13)	(14)
Interest expenses	1,728	1,613
Commission fee	303	249
Loss (gain) on sales of property, plant and equipment	(2,082)	(227)
Gain on negative goodwill	(555)	—
Increase (Decrease) in net defined benefit liability	19	34
Decrease (increase) in notes and accounts receivable - trade	(22)	(401)
Decrease (Increase) in inventories	(9,744)	388
Increase (decrease) in notes and accounts payable - trade	2,327	(903)
Increase (decrease) in accrued consumption taxes	360	(574)
Increase (decrease) in lease and guarantee deposits received	(189)	245
Other-net	(339)	69
Subtotal	(643)	**8,542**
Decrease in interest and dividends receivable	13	14
Decrease in interest payable	(1,782)	(1,601)
Income taxes (paid) refunded	(1,797)	(2,257)
Net cash provided by (used in) operating activities	**(4,208)**	**4,697**
Investing activities:		
Proceeds from withdrawal of time deposits	—	3
Payments into time deposits	(7)	(560)
Proceeds from sales of property, plant and equipment	12,657	3,054
Purchase of property, plant and equipment	(14,550)	(19,081)
Purchase of intangible assets	(41)	(21)
Proceeds from sale of investment securities	—	345
Proceeds from redemption of investment securities	1,070	972
Purchase of investment securities	(1,371)	(1,747)
Additional acquisition of shares in consolidated subsidiaries	(970)	—
Proceeds from acquisition of new consolidated subsidiary	16	—
Collection of investments in capital	3	5
Payments for investments in capital	(43)	(35)
Payments of construction assistance fund receivables	(55)	(55)
Other-net	(0)	—
Net cash provided by (used in) investing activities	**(3,291)**	**(17,119)**

(continued on page 12)

	Millions of yen	
	2015	**2016**
Financing activities:		
Increase in short-term loans payable	25,972	26,433
Decrease in short-term loans payable	(15,606)	(25,753)
Proceeds from long-term loans	31,293	45,663
Repayments of long-term loans	(27,744)	(30,373)
Proceeds from issuance of bonds with subscription rights to shares	3,981	—
Proceeds from issuance of common shares	15	—
Purchase of treasury shares	(1,000)	—
Dividends paid	(505)	(763)
Other-net	(245)	(245)
Net cash provided by (used in) financing activities	**16,162**	**14,960**
Net increase (decrease) in cash and cash equivalents	**8,662**	**2,539**
Cash and cash equivalents, beginning of the period	**9,513**	**18,176**
Decrease in cash and cash equivalents on exclusion from consolidation	**—**	**(0)**
Cash and cash equivalents, end of the period	**18,176**	**20,715**

(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: 13

Names of consolidated subsidiaries

Hikone SC Ltd.
Suntoa Co., Ltd.
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

Of note, Samty Kanri Co., Ltd. changed its company name to Samty Property Management Co., Ltd. on December 1, 2016.

(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), as well as buildings with accompanying facilities and structures acquired on or after April 1, 2016, 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.

(Changes in Accounting Policy)

(Application of Accounting Standard for Business Combinations)

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 fiscal year 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 fiscal year, 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.

(Accounting Standards yet to be Applied)

- “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, December 28, 2015)

(1) Outline

The Implementation Guidance basically follows the framework in JICPA Auditing Committee Report No. 66 “Auditing Treatment for Judgment of Recoverability of Deferred Assets,” in which companies are grouped into one of five categories, and the amount of deferred tax assets estimated based on the subject categories. However, necessary revisions are implemented for the following:

(i) Treatment of companies that do not fulfill the requirements of any of the five categories
(ii) Requirements for Category 2 and Category 3
(iii) For companies in Category 2, treatment of non-scheduled deductible temporary differences
(iv) For companies in Category 3, treatment for the period in which a reasonable estimate is possible for the taxable income before temporary differences
(v) Treatment of companies that satisfy Category 4 requirements, but are applicable to Category 2 or Category 3

(2) Planned date of application

The Company plans to apply these accounting standards from the commencement of the fiscal year ending November 30, 2017.

(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, 2014–November 30, 2015)

Owing to changes in holding objective, ¥6,192 million was transferred from tangible fixed assets to inventory.

Fiscal year under review (December 1, 2015–November 30, 2016)

Owing to changes in holding objective, ¥11,705 million was transferred from tangible fixed assets to inventory. Also, ¥246 million was transferred from inventories to property, plant and equipment.

(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.

(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	
	2015	2016
Cash and deposits	18,693	21,789
Time deposits with maturities exceeding three months	(517)	(1,073)
Cash and cash equivalents	18,176	20,715

(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, 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). In the fiscal year ended November 30, 2016, lease income from real estate for lease was ¥1,585 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 ¥234 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	
		2015	2016
Amount presented on the Consolidated Balance Sheets	Beginning of period	48,205	45,842
	Change during period	(2,363)	3,054
	End of period	45,842	48,897
Fair market value at end of period		48,114	51,201

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 previous fiscal year, 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). During the subject fiscal year, the main increase was related to new acquisitions of fixed assets (¥17,134 million). The main decreases were due to sales of real estate (¥2,788 million), and transfer to inventory owing to changes in holding objective (¥11,278 million).
3. The fair market values at end of the fiscal years ended November 30, 2015 and 2016, 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, and construction and refurbishment operations.

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)

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	54,268	47,576	3,353	105,199	16,529	121,728
Other Items						
Depreciation expense	140	827	55	1,022	33	1,056
Increase in tangible fixed assets and intangible fixed assets	116	14,557	18	14,691	51	14,742

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 ¥16,529 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.

Fiscal year under review (December 1, 2015–November 30, 2016)

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	43,773	7,016	1,619	52,409	—	52,409
Inter-segment net sales and transfers	9	272	234	515	(515)	—
Total	43,783	7,288	1,853	52,925	(515)	52,409
Operating income	8,071	2,550	123	10,745	(2,159)	8,586
Segment assets	57,016	50,952	14,040	122,009	19,161	141,170
Other Items						
Depreciation expense	4	1,009	39	1,054	42	1,097
Increase in tangible fixed assets and intangible fixed assets	3	19,428	78	19,510	87	19,597

Notes

1. Adjustment to segment profit of (¥2,159 million) mainly comprises intersegment eliminations of (¥15 million), and unallocated corporate expenses of (¥2,141 million). Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Adjustment to segment assets of ¥19,161 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, 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.

Fiscal year under review (December 1, 2015–November 30, 2016)

No applicable items

(Significant gain on negative goodwill)

Previous fiscal year (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.

Fiscal year under review (December 1, 2015–November 30, 2016)

No applicable items

(Per Share Information)

	2015	2016
Net assets per share (Yen)	1,215.40	1,372.75
Net income per share (Yen)	203.98	193.42
Diluted net income per share (Yen)	175.90	178.91

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

		2015	2016
Total net assets	(Millions of yen)	28,353	32,847
Amount subtracted from total net assets	(Millions of yen)	218	295
Stock options	(Millions of yen)	218	295
Net assets attributable to common stock at end of period	(Millions of yen)	28,134	32,551
Number of shares of common stock at end of period	(Shares)	23,148,542	23,712,249

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

		2015	2016
Net income per share			
Profit attributable to owners of parent	(Millions of yen)	4,412	4,628
Amount not attributable to common stock shareholders	(Millions of yen)	—	—
Preferred dividends	(Millions of yen)	—	—
Profit attributable to owners of parent related to ordinary shares	(Millions of yen)	4,412	4,628
Average number of outstanding shares of common stock during the year	(Shares)	21,634,191	23,563,468
Diluted net income per share			
Adjustment to profit attributable to owners of parent	(Millions of yen)	—	—
Preferred dividends	(Millions of yen)	—	—
Additional shares of common stock	(Shares)	3,453,680	2,306,434
Convertible bonds	(Shares)	2,729,826	1,540,777
Stock options	(Shares)	723,854	765,657
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