

April 7, 2017

Flash Report (Consolidated Basis)
Results for the first quarter ended February 28, 2017
(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

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Quarterly report filing date (Planned): April 7, 2017

Start of dividend payments (Planned): —

Quarterly supplemental explanatory material prepared: No

Quarterly results briefing held: No

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

1. Consolidated Results for the first quarter of FY11/17
(December 1, 2016 to February 28, 2017)

(1) Consolidated Operating results

Three months ended February 28

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	%
2017	12,411	56.7	2,511	83.0	2,110	147.7	1,687	192.8
2016	7,921	132.4	1,372	149.4	852	895.9	576	(5.8)

(Note) Comprehensive Income: Three months ended February 28, 2017: ¥1,739 million, 244.8%
Three months ended February 29, 2016: ¥504 million, (28.8%)

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
2017	71.16	65.01
2016	24.74	22.34

(2) Consolidated Financial condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
February 28, 2017	146,262	33,847	22.9
November 30, 2016	141,170	32,847	23.1

(Reference) Total shareholders' equity: February 28, 2017: ¥33,523 million, November 30, 2016: ¥32,551 million

2. Dividends

Years ended/ending November 30

	Dividends per share				
	February 28	May 31	August 31	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2016		0.00		33.00	33.00
2017					
2017 (Forecast)		0.00		36.00	36.00

(Note) Revision of dividends forecast for this period: None

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

(Notes) Revision of results forecast for this period: None

The Company is refraining from making forecasts for the second quarter cumulative period, because of the large number of fluid external factors during the sales period for individual properties.

Notes

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

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

Additions: (—) Deletions: (—)

(2) Application of special accounting practices in the preparation of the consolidated financial statements:
None

(3) 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

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

1) Number of shares issued and outstanding (including treasury stock)	Three months ended February 28, 2017	25,533,173 shares	Year ended November 30, 2016	25,518,127 shares
2) Number of treasury stock	Three months ended February 28, 2017	1,805,878 shares	Year ended November 30, 2016	1,805,878 shares
3) Average number of shares outstanding for each period (cumulative term)	Three months ended February 28, 2017	23,712,416 shares	Three months ended February 29, 2016	23,290,166 shares

* Indication of the status of quarterly review procedures

* 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 Three-Month Period of Fiscal 2017

(1) Explanation of Business Results

During the first quarter cumulative period, the Japanese economy, amid continued expansion in employment and incomes, continued to recover at a moderate pace, with improvement in corporate earnings on the back on government economic measures and the Bank of Japan's easy-money policy. However, caution remains necessary regarding such factors as the impact of normalization of monetary policy in the U.S., the economic outlook in China and other emerging Asian economies, the effects of uncertainty in government policy, and fluctuations in financial and capital markets.

In the real estate industry, of which the Samty Group is a part, retail store and hotel demand has risen in response to the continued low interest rate environment and increase in overseas tourists, while real estate demand remains robust on improved profitability due to low office vacancy rates in major cities. In the benchmark land prices (at January 1, 2017) from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), the national average price (all uses) rose for the second consecutive year. In major metropolitan areas, the upward trend intensified for commercial land overall, while in regional areas, the increase in both residential and commercial land prices in central regional cities such as Sapporo and Fukuoka exceeded that of Japan's three major metropolitan areas (Tokyo, Osaka, and Nagoya).

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 first quarter cumulative period, net sales amounted to ¥12,411 million (+56.7% from the same period of the previous fiscal year), with operating income of ¥2,511 million (+83.0%), ordinary income of ¥2,110 million (+147.7%), and profit attributable to owners of parent of ¥1,687 million (+192.8%).

Results by Business Segment

Of note, from the subject fiscal year, Samty changed the method for calculating business segment earnings in the Real Estate Business and a portion of the Other Business. Comparisons and analysis for the subject first quarter cumulative period are based on the revised segments.

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 were, as the S-RESIDENCE Series "S-RESIDENCE Yodoyabashi" (Chuo-ku, Osaka-shi), as income apartments "SAMTY Shin-Osaka notos" (Yodogawa-ku, Osaka-shi), and "Itaniry Ihara" (Kusatsu-shi, Shiga), and as commercial facilities "Oak Town Kaizuka" (Kaizuka-shi, Osaka).

The Company sold 320 units of condominiums for investment, at “SAMTY Kyoto Nishioji” (Shimogyo-ku, Kyoto-shi), “SAMTY Hommachibashi II MEDIUS” (Chuo-ku, Osaka-shi), “SAMTY Namba VIVO” (Naniwa-ku, Osaka-shi), “SAMTY Awaza BELSIA” (Nishi-ku, Osaka-shi), “SAMTY Fukushima VIVENTE” (Fukushima-ku, Osaka-shi), “SAMTY Esaka REGARO” (Suita-shi, Osaka), “PLASIA Kitasenju” (Adachi-ku, Tokyo), “RELIA Gotanno” (Adachi-ku, Tokyo), and “Isle Canale Shinagawa minami” (Shinagawa-ku, Tokyo).

As a result, net sales in the Real Estate Business segment amounted to ¥10,322 million (+74.6% from the same period of the previous fiscal year), with operating income of ¥2,482 million (+104.8%).

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 Miyanosawa” (Nishi-ku, Sapporo-shi), “SAMTY Residence Shonan Chigasaki” (Chigasaki-shi, Kanagawa), “SAMTY Fukushima Libre” (Fukushima-ku, Osaka-shi), “SAMTY Esaka Vangelo” (Suita-shi, Osaka), “CREGLANZ Higashibetsuin” (Naka-ku, Nagoya-shi), “TBK Jinguminami” (Atsuta-ku, Nagoya-shi), “Greencourt Aratama” (Minami-ku, Nagoya-shi), and “Avenir Nagasaki I, II” (Nishisonogi-gun, Nagasaki).

As a result, net sales in the Property Leasing Business segment amounted to ¥1,748 million (+4.5% from the same period of the previous fiscal year), with operating income of ¥562 million (-6.7%).

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 ¥340 million (+1.3% from the same period of the previous fiscal year), with operating income of ¥62 million (-17.5%).

(2) Qualitative Information on the Consolidated Financial Position

1) Assets, Liabilities, and Net Assets

Assets

Total assets at the end of the subject first quarter cumulative period amounted to ¥146,262 million, an increase of ¥5,091 million compared to the end of the previous fiscal year. Of this amount, current assets increased ¥577 million to ¥86,558 million, and non-current assets increased ¥4,527 million to ¥59,576 million. The main factors for the increase in current assets were gains of ¥1,458 million in cash and deposits; and ¥815 million in real estate for sale; against a decrease of ¥1,396 million in real estate for sale under construction. The main factor for the increase in non-current assets was a gain of ¥4,197 million in net property and equipment.

Liabilities

Total liabilities at the end of the subject first quarter cumulative period amounted to ¥112,415 million, an increase of ¥4,091 million compared to the end of the previous fiscal year. Of this amount, current liabilities increased ¥1,603 million to ¥30,042 million, and non-current liabilities increased ¥2,487 million to ¥82,372 million. The main factors for the increase in current liabilities were gains of ¥2,680 million in short-term borrowings; against a decrease of ¥1,008 million in accrued income taxes. The main factor for the increase in non-current liabilities was a gain of ¥2,808 million in long-term debt.

Net Assets

Total net assets at the end of the subject first quarter cumulative period amounted to ¥33,847 million, an increase of ¥1,000 million compared to the end of the previous fiscal year. This was due mainly to an increase of ¥1,687 million in retained earnings from the recording of profit attributable to owners of parent; against a decrease of ¥784 million in retained earnings from dividend payments.

2) Cash Flows

Cash and cash equivalents (“cash”) at the end of the subject first quarter cumulative period amounted to ¥22,174 million, an increase of ¥1,458 million compared to the end of the previous fiscal year. This was due mainly to ¥1,060 million in cash provided by operating activities; ¥4,632 million in cash used in investing activities; and ¥5,030 million in cash provided by financing activities.

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

Cash Flow from Operating Activities

Net cash provided by operating activities amounted to ¥1,060 million (compared to ¥9,130 million used in the same period of the previous fiscal year). This was due mainly to ¥2,110 million in Income before income taxes; ¥579 million in decrease in inventories; and ¥1,584 million in income taxes paid.

Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥4,632 million (compared to ¥1,669 million used in the same period of the previous fiscal year). This was due mainly to ¥4,617 million in purchase of

property.

Cash Flow from Financing Activities

Net cash provided by investing activities amounted to ¥5,030 million (compared to ¥8,638 million provided in the same period of the previous fiscal year). This was due mainly to ¥7,835 million in increase in short-term loans payable; ¥5,154 million in decrease in short-term loans payable; ¥8,742 million in proceeds from long-term loans; ¥5,586 million in repayments of long-term loans; and ¥784 million in dividends paid.

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

Results forecasts for the fiscal year ending November 2017 are unchanged from those announced in “Financial Statement (Consolidated Basis) for the year ended November 30, 2016” released on January 13, 2017.

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

Not applicable.

(4) Additional Information

(Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has applied "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Implementation Guidance No. 26 (March 28, 2016)) from the beginning of the subject fiscal year.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	November 30, 2016	February 28, 2017
ASSETS		
Current assets:		
Cash and deposits	21,789	23,248
Receivables	654	171
Real estate for sale	39,514	40,329
Real estate for sale under construction	22,940	21,543
Goods	0	0
Supplies	3	4
Deferred tax assets	265	287
Other	811	975
Allowance for doubtful accounts	(2)	(3)
Total current assets	85,981	86,558
Non-current assets:		
Property and equipment:		
Buildings and structures net	27,458	30,223
Buildings in trust net	693	688
Land	21,666	23,130
Land in trust	242	242
Other net	546	518
Net property and equipment	50,606	54,803
Intangible assets:		
Goodwill	91	89
Other intangible assets	60	57
Total intangible assets	151	146
Investments and other assets:		
Investment securities	2,223	2,238
Deferred tax assets	9	181
Other	2,086	2,235
Allowance for doubtful accounts	(29)	(30)
Total Investments and other assets	4,290	4,625
Total non-current assets	55,048	59,576
Deferred assets:		
Inauguration expenses	141	128
Total deferred tax assets	141	128
Total assets	141,170	146,262

	Millions of yen	
	November 30, 2016	February 28, 2017
LIABILITIES		
Current liabilities:		
Notes and accounts payable	2,915	3,178
Short-term borrowings	10,279	12,960
Current portion of long-term debt	11,205	11,553
Accrued income taxes	1,683	675
Other	2,354	1,675
Total current liabilities	28,439	30,042
Non-current liabilities:		
Bonds with subscription rights to shares	1,435	1,420
Long-term debt	74,083	76,891
Deferred tax liabilities	1,444	1,408
Liabilities for retirement benefits	136	146
Guarantee deposits	2,043	1,777
Construction assistance fund	649	635
Other	93	92
Total non-current liabilities	79,884	82,372
Total liabilities	108,323	112,415
NET ASSETS		
Shareholders' equity:		
Capital stock	7,739	7,747
Capital surplus	7,853	7,861
Retained earnings	18,372	19,277
Treasury stocks at cost	(1,382)	(1,382)
Total shareholders' equity	32,583	33,503
Accumulated other comprehensive income:		
Unrealized gain on available for-sale securities	(32)	20
Total accumulated other comprehensive income	(32)	20
Stock acquisition rights	295	324
Total net assets	32,847	33,847
Total liabilities and net assets	141,170	146,262

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

Three months ended February 28

	Millions of yen	
	2016	2017
Net sales	7,921	12,411
Cost of sales	5,413	8,668
Gross profit	2,508	3,742
Selling, general and administrative expenses	1,135	1,231
Operating income	1,372	2,511
Non-operating income:		
Interest income	2	1
Dividends	0	0
Refund of premium for cancelled insurance	2	—
Other	1	2
Total non-operating income	5	4
Non-operating expenses:		
Interest expenses	416	369
Commission fee	96	18
Share issuance cost	0	—
Other	12	16
Total non-operating expenses	526	405
Ordinary income	852	2,110
Extraordinary income:		
Gain on sales of non-current assets	23	—
Total extraordinary income	23	—
Extraordinary loss:		
Loss on retirement of non-current assets	3	0
Total extraordinary losses	3	0
Income before income taxes	873	2,110
Income taxes-current	201	618
Income taxes-deferred	94	(195)
Total income taxes	296	423
Net income	576	1,687
Profit attributable to owners of parent	576	1,687

Consolidated Statements of Comprehensive Income

Three months ended February 28

	Millions of yen	
	2016	2017
Net income	576	1,687
Other comprehensive income:		
Unrealized gain on available for-sale securities	(71)	52
Total other comprehensive income	(71)	52
Comprehensive income	504	1,739
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	504	1,739

(3) Consolidated Statements of Cash Flows

Three months ended February 28

	Millions of yen	
	2016	2017
Operating activities:		
Income before income taxes	873	2,110
Depreciation	247	338
Amortization of goodwill	2	2
Increase (decrease) in allowance for doubtful accounts	9	1
Interest and dividends income	(2)	(1)
Interest expenses	416	369
Loss (gain) on sales of property, plant and equipment	(23)	—
Increase (Decrease) in net defined benefit liability	7	10
Decrease (increase) in notes and accounts receivable - trade	51	482
Decrease (Increase) in inventories	(6,800)	579
Increase (decrease) in notes and accounts payable - trade	(1,045)	261
Increase (decrease) in lease and guarantee deposits received	(27)	(265)
Other-net	(1,112)	(866)
Subtotal	(7,405)	3,022
Decrease in interest and dividends receivable	2	1
Decrease in interest payable	(438)	(379)
Income taxes paid	(1,288)	(1,584)
Net cash provided by (used in) operating activities	(9,130)	1,060
Investing activities:		
Proceeds from sales of property, plant and equipment	502	—
Purchase of property, plant and equipment	(2,689)	(4,617)
Purchase of intangible assets	(9)	(1)
Purchase of investment securities	(10)	(100)
Proceeds from redemption of investment securities	550	100
Payments of construction assistance fund receivables	(13)	(13)
Collection of investments in capital	1	—
Payments for investments in capital	(0)	(0)
Net cash provided by (used in) investing activities	(1,669)	(4,632)
Financing activities:		
Increase in short-term loans payable	8,109	7,835
Decrease in short-term loans payable	(5,651)	(5,154)
Proceeds from long-term loans	12,244	8,742
Repayments of long-term loans	(5,198)	(5,586)
Dividends paid	(764)	(784)
Other-net	(100)	(22)
Net cash provided by (used in) financing activities	8,638	5,030
Net increase (decrease) in cash and cash equivalents	(2,160)	1,458
Cash and cash equivalents, beginning of the period	18,176	20,715
Cash and cash equivalents, end of the period	16,015	22,174

(4) Note on Assumptions for Going Concern

(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 quarter of FY11/16 (from December 1, 2015 to February 29, 2016)

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

Three months ended February 29, 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	5,912	1,673	335	7,921	—	7,921
Inter-segment net sales and transfers	4	0	62	67	(67)	—
Total	5,916	1,674	398	7,989	(67)	7,921
Operating income	1,212	603	76	1,891	(519)	1,372

Notes

1. The ¥519 million adjustment to operating income comprises ¥26 million in intersegment eliminations, and ¥492 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.

II Results for the first quarter of FY11/17 (from December 1, 2016 to February 28, 2017)

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

Three months ended February 28, 2017

	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	10,322	1,748	340	12,411	—	12,411
Inter-segment net sales and transfers	7	3	41	52	(52)	—
Total	10,330	1,752	381	12,464	(52)	12,411
Operating income	2,482	562	62	3,107	(595)	2,511

Notes

1. The ¥595 million downward adjustment to operating income comprises a positive ¥3 million in intersegment eliminations, and a negative ¥599 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.

3. Matters Relating to Changes in Reportable Segments

(Change in Calculation Method for Business Segment Earnings)

Previously, for the rents received for the operation of hotel assets owned by partner companies and leased by the Company's consolidated subsidiary, as an intersegment transaction between the partner company and subject subsidiary, the rents received were recorded as internal sales for the Real Estate Business segment, and rents paid as expenses in the Other Business segment. However, to more rationally calculate the earnings for the Group's hotel management operations, from the subject fiscal year, the method was changed to treat the subject rents received as an intra-segment transaction (elimination) of the Other Business segment.

The segment information for the previous fiscal year has been restated according to the revised method for calculating earnings or losses.

(Significant Events after the Reporting Period)

Significant Asset Transfer (Sale of Real Estate for Sale)

On March 13, 2017, the Company concluded a contract for the sale of real estate for sale (inventory), and completed the sale on the 15th of that month, as outlined below.

(1) Summary of the Real Estate for Sale

Property Name	Location	Type	Floor Space (m ²)	Site Area (m ²)
S-RESIDENCE Yokohama Tammachi	Kanagawa-ku, Yokohama-shi	Rental apartment	953.33	198.61
S-RESIDENCE Midoribashi Ekimae	Higashinari-ku, Osaka-shi	Rental apartment	4,041.08	720.54
SAMTY Nishinomiya Residence	Nishinomiya-shi, Hyogo	Rental apartment	2,976.19	655.22
S-FORT Toyohira 3 Jo	Toyohira-ku, Sapporo-shi	Rental apartment	3,432.05	748.94
S-FORT Aoba Kamisugi	Aoba-ku, Sendai-shi	Rental apartment	2,389.56	555.30
Trois Bonheur Honcho	Funabashi-shi, Chiba	Rental apartment	5,884.01	6,087.67
CQ Residence Tamagawa Gakuen	Machida-shi, Tokyo	Rental apartment	1,295.58	991.59

(2) Sale Schedule

Date of contract conclusion	March 13, 2017
Date of property transfer	March 15, 2017

(3) Summary of the Transaction

Buyer	Bridge Fourth LLC
Selling price	The selling price cannot be disclosed due to the obligation of confidentiality with the buyer, but the increase in consolidated sales due to the sale of the subject properties is equivalent to more than 10% of consolidated sales for the fiscal year ended November 2016.

END