

October 10, 2017

Flash Report (Consolidated Basis)
Results for the nine-month period ended August 31, 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

Contact Person

Title: Director & General Manager of Business Administration Division

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Quarterly report filing date (Planned): October 10, 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 nine-month period of FY11/17
(December 1, 2016 to August 31, 2017)

(1) Consolidated Operating results

Nine months ended August 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	%
2017	42,679	31.8	7,046	60.3	5,771	87.1	4,228	95.2
2016	32,386	4.0	4,396	(22.4)	3,085	(23.9)	2,166	(50.7)

(Note) Comprehensive Income: Nine months ended August 31, 2017: ¥4,288 million, 106.1%
 Nine months ended August 31, 2016: ¥2,080 million, (51.0%)

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
2017	177.13	162.67
2016	92.11	83.84

(2) Consolidated Financial condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
August 31, 2017	155,061	37,668	24.1
November 30, 2016	141,170	32,847	23.1

(Reference) Total shareholders' equity: August 31, 2017: ¥37,332 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	—	0.00	—		
2017 (Forecast)				42.00	42.00

(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	62,000	18.3	10,300	20.0	8,000	17.8

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Fiscal year	5,300	14.5	223.40

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

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: None

Deletions: None

(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)	Nine months ended August 31, 2017	26,806,703 shares	Year ended November 30, 2016	25,518,127 shares
2) Number of treasury stock	Nine months ended August 31, 2017	1,805,925 shares	Year ended November 30, 2016	1,805,878 shares
3) Average number of shares outstanding for each period (cumulative term)	Nine months ended August 31, 2017	23,871,339 shares	Nine months ended August 31, 2016	23,514,299 shares

* This flash report is not subject to 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 Nine-Month Period of Fiscal 2017

(1) Explanation of Business Results

During the third 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 economic outlook in China and other emerging Asian economies, the effects of uncertainty in government policy, fluctuations in financial and capital markets, and geopolitical risk.

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. Also, according to the benchmark land prices (at July 1, 2017) announced by the Ministry of Land, Infrastructure, Transport and Tourism, the upward trend in commercial land prices is strengthening overall in Japan's three major metropolitan areas. In regional areas, land prices for all purposes increased in the four main regional cities (Sapporo, Sendai, Hiroshima, and Fukuoka), exceeding that in the three major metropolitan areas. Commercial-use land prices in particular rose for a fifth consecutive year, with a degree of increase even greater than a year earlier, and up sharply higher than that of the three major metropolitan areas.

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 third quarter cumulative period, net sales amounted to ¥42,679 million (+31.8% from the same period of the previous fiscal year), with operating income of ¥7,046 million (+60.3%), ordinary income of ¥5,771 million (+87.1%), and profit attributable to owners of parent of ¥4,228 million (+95.2%).

Results by Business Segment

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 fiscal 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, the three properties of "S-RESIDENCE Yokohama Tanmachi" (Kanagawa-ku, Yokohama-shi), "S-RESIDENCE Yodoyabashi" (Chuo-ku, Osaka-shi), and "S-RESIDENCE Midoribashi" (Higashinari-ku, Osaka-shi); as income apartments, a total of 14 properties, including "SAMTY East Shirakabe" (Higashi-ku, Nagoya-shi), "SAMTY

Shin-Osaka notos” (Yodogawa-ku, Osaka-shi), “SAMTY Nishinomiya Residence” (Nishinomiya-shi, Hyogo), “S-FORT Toyohira Sanjo” (Toyohira-ku, Sapporo-shi), “S-FORT Aoba Kamisugi” (Aoba-ku, Sendai-shi), “Trois Bonheurs Honcho” (Funabashi-shi, Chiba), “CQ Residence Tamagawa Gakuen” (Machida-shi, Tokyo), “Itanity Ihara” (Kusatsu-shi, Shiga), “Crest Court Shin-Osaka” (Yodogawa-ku, Osaka-shi); as office buildings, “SAMTY Shin-Osaka Center Building” (Yodogawa-ku, Osaka-shi), “SAMTY Hakata Gion Building” (Hakata-ku, Fukuoka-shi); as commercial facilities, “Oak Town Kaizuka” (Kaizuka-shi, Osaka); as hotel assets, “Hotel Sunshine Utsunomiya (Utsunomiya-shi, Tochigi)”; and as “others,” “Prio Daimyo II” (Commercial building, Chuo-ku, Fukuoka-shi), and “Losangeia Hiroo Geihinkan” (Residence-like marriage ceremonial hall, Minato-ku, Tokyo).

The Company sold 565 units of condominiums for investment, including at 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), “Isle Canale Shinagawa minami” (Shinagawa-ku, Tokyo), “El Fuerte Shinagawa South City” (Shinagawa-ku, Tokyo), “Log Shinkawa” (Chuo-ku, Tokyo), “Makes Design Ryogoku NORTH” (Sumida-ku, Tokyo), and “Makes Design Ryogoku SOUTH” (Sumida-ku, Tokyo).

As a result, net sales in the Real Estate Business segment amounted to ¥36,105 million (+38.4% from the same period of the previous fiscal year), with operating income of ¥7,284 million (+92.3%).

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 a total of 37 properties to increase leasing income, expand its operating area, and strengthen purchasing of income properties. These properties included “SAMTY Miyanosawa” (Nishi-ku, Sapporo-shi), “SAMTY Residence N41” (Higashi-ku, Sapporo-shi), “SAMTY Residence N23” (Kita-ku, Sapporo-shi), “SAMTY Residence Maruyama-Koen” (Chuo-ku, Sapporo-shi), “SAMTY Residence Nangou” (Shiroishi-ku, Sapporo-shi), “SAMTY Residence Mito Chuo” (Mito-shi, Ibaraki), “SAMTY Residence Chiba Chuo” (Chuo-ku, Chiba-shi), “SAMTY Residence Shonan Chigasaki” (Chigasaki-shi, Kanagawa), “SAMTY Kamihorikawa” (Kamigyō-ku, Kyoto-shi), “SAMTY Fukushima Libre” (Fukushima-ku, Osaka-shi), “SAMTY Fukushima LaLuna” (Kita-ku, Osaka-shi), “SAMTY Esaka Vangelo” (Suita-shi, Osaka), “SAMTY Canal Kobe” (Hyogo-ku, Kobe-shi), “SAMTY Nakahirodori” (Nishi-ku, Hiroshima-shi), “SAMTY Noboricho” (Naka-ku, Hiroshima-shi), “SAMTY Tsurumi” (Naka-ku, Hiroshima-shi), “SAMTY Otemachi Residence” (Oita-shi, Oita), “SAMTY Suizenji” (Chuo-ku, Kumamoto-shi), “SAMTY Honjo” (Chuo-ku, Kumamoto-shi), “Crest Tower Kashiwa” (Kashiwa-shi, Chiba), “S-FORT Toda-Koen” (Toda-shi, Saitama), “Sepia Grand Chariot” (Fujimi-shi, Saitama), “CREGLANZ Higashibetsuin” (Naka-ku, Nagoya-shi), “TBK Jinguminami” (Atsuta-ku, Nagoya-shi), “Greencourt Aratama” (Minami-ku, Nagoya-shi), “Excellence Sakurayama” (Mizuho-ku, Nagoya-shi), “Excellence Higashiyama” (Chikusa-ku, Nagoya-shi), “GRANDDUKE Tsurumai reale” (Showa-ku, Nagoya-shi), “GRANDDUKE Tsushimmachi” (Tsu-shi, Mie), “S-GLANZ Osaka Doshin” (Kita-ku, Osaka-shi), “Elstanza Kobe Sannomiya” (currently SAMTY Sannomiya-Kita) (Chuo-ku, Kobe-shi), “Uni E'terna Nishinomiya Uegahara” (Nishinomiya-shi, Hyogo), and “Avenir Nagasaki I, II” (currently SAMTY Nagasaki Togitsu I, II) (Nishisonogi-gun, Nagasaki), and as a hotel asset, “GOZAN”

(Higashiyama-ku, Kyoto-shi).

As a result, net sales in the Property Leasing Business segment amounted to ¥5,425 million (+3.9% from the same period of the previous fiscal year), with operating income of ¥1,513 million (-17.7%).

c. Other Business

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

As a result, net sales in the Other Business segment amounted to ¥1,148 million (+6.4% from the same period of the previous fiscal year), with operating income of ¥197 million (-36.5%).

(2) Qualitative Information on the Consolidated Financial Position

1) Assets, Liabilities, and Net Assets

Assets

Total assets at the end of the subject third quarter cumulative period amounted to ¥155,061 million, an increase of ¥13,891 million compared to the end of the previous fiscal year. Of this amount, current assets decreased ¥10,346 million to ¥75,635 million, and non-current assets increased ¥24,272 million to ¥79,321 million. The main factors for the decrease in current assets were declines of ¥1,347 million in cash and deposits; and a ¥11,459 million decrease in real estate for sale; against a gain of ¥2,667 million in real estate for sale under construction. The main factor for the increase in non-current assets was a gain of ¥22,904 million in net property and equipment.

Liabilities

Total liabilities at the end of the subject third quarter cumulative period amounted to ¥117,393 million, an increase of ¥9,069 million compared to the end of the previous fiscal year. Of this amount, current liabilities increased ¥986 million to ¥29,425 million, and non-current liabilities increased ¥8,082 million to ¥87,967 million. The main factor for the increase in current liabilities was an increase of ¥5,622 million in current portion of long-term debt; against declines of ¥2,341 million in short-term borrowings; and ¥1,077 million in notes and accounts payable. The main factor for the increase in non-current liabilities was an increase of ¥9,841 million in long-term debt; against a ¥1,275 million decrease in bonds with subscription rights to shares.

Net Assets

Total net assets at the end of the subject third quarter cumulative period amounted to ¥37,668 million, an increase of ¥4,821 million compared to the end of the previous fiscal year. This was due mainly to an increase of ¥1,275 million in capital stock and capital surplus from the exercise of conversion rights to bonds with subscription rights to shares; an increase of ¥4,228 million in retained earnings from the recording of profit attributable to owners of parent; and a decrease of ¥782 million in retained

earnings from dividend payments.

2) Cash Flows

Cash and cash equivalents (“cash”) at the end of the subject third quarter cumulative period amounted to ¥19,367 million, a decrease of ¥1,347 million compared to the end of the previous fiscal year. This was due mainly to ¥11,093 million in cash provided by operating activities; ¥24,585 million in cash used for investing activities; and ¥12,144 million in cash provided by financing activities.

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

Cash Flow from Operating Activities

Net cash provided by operating activities amounted to ¥11,093 million (compared to ¥4,025 million in cash used in the same period of the previous fiscal year). This was due mainly to ¥5,818 million in income before income taxes; ¥8,751 million in decrease in inventories; and ¥2,257 million in income taxes paid.

Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥24,585 million (compared to ¥4,680 million in cash used in the same period of the previous fiscal year). This was due mainly to ¥26,791 million in purchase of property, plant and equipment; and ¥2,678 million in proceeds from sales of property, plant and equipment.

Cash Flow from Financing Activities

Net cash provided by financing activities amounted to ¥12,144 million (compared to ¥5,724 million in cash provided in the same period of the previous fiscal year). This was due mainly to ¥17,091 million in increase in short-term loans payable; ¥19,433 million in decrease in short-term loans payable; ¥38,198 million in proceeds from long-term loans; ¥22,734 million in repayments of long-term loans; and ¥782 million in dividends paid.

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

The full-year results forecast for the fiscal year ending November 2017 is unchanged from that announced in “Revision to Earnings and Dividend Forecast” released July 10, 2017.

2. Consolidated Financial Statements and Main Explanatory Notes

(1) Consolidated Balance Sheets

	Millions of yen	
	November 30, 2016	August 31, 2017
ASSETS		
Current assets:		
Cash and deposits	21,789	20,441
Receivables	654	220
Real estate for sale	39,514	28,054
Real estate for sale under construction	22,940	25,607
Goods	0	0
Supplies	3	6
Deferred tax assets	269	222
Other	811	1,084
Allowance for doubtful accounts	(2)	(2)
Total current assets	85,981	75,635
Non-current assets:		
Property and equipment:		
Buildings and structures net	27,458	37,394
Buildings in trust net	693	4,409
Land	21,666	27,541
Land in trust	242	3,689
Other net	546	476
Net property and equipment	50,606	73,511
Intangible assets:		
Goodwill	91	84
Other intangible assets	60	56
Total intangible assets	151	141
Investments and other assets:		
Investment securities	2,223	2,661
Deferred tax assets	9	133
Other	2,086	2,907
Allowance for doubtful accounts	(29)	(34)
Total Investments and other assets	4,290	5,668
Total non-current assets	55,048	79,321
Deferred assets:		
Inauguration expenses	141	105
Total deferred tax assets	141	105
Total assets	141,170	155,061

	Millions of yen	
	November 30, 2016	August 31, 2017
LIABILITIES		
Current liabilities:		
Notes and accounts payable	2,915	1,838
Deferred tax liabilities	—	1
Short-term borrowings	10,279	7,937
Current portion of long-term debt	11,205	16,828
Accrued income taxes	1,683	1,157
Other	2,354	1,662
Total current liabilities	28,439	29,425
Non-current liabilities:		
Bonds with subscription rights to shares	1,435	160
Long-term debt	74,083	83,924
Deferred tax liabilities	1,444	1,407
Liabilities for retirement benefits	136	142
Guarantee deposits	2,043	1,696
Construction assistance fund	649	607
Other long-term liabilities	93	27
Total non-current liabilities	79,884	87,967
Total liabilities	108,323	117,393
NET ASSETS		
Shareholders' equity:		
Capital stock	7,739	8,377
Capital surplus	7,853	8,491
Retained earnings	18,372	21,818
Treasury stocks at cost	(1,382)	(1,382)
Total shareholders' equity	32,583	37,304
Accumulated other comprehensive income:		
Unrealized gain on available for-sale securities	(32)	28
Total accumulated other comprehensive income	(32)	28
Stock acquisition rights	295	336
Total net assets	32,847	37,668
Total liabilities and net assets	141,170	155,061

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

Nine months ended August 31

	Millions of yen	
	2016	2017
Net sales	32,386	42,679
Cost of sales	24,577	31,744
Gross profit	7,808	10,934
Selling, general and administrative expenses	3,412	3,888
Operating income	4,396	7,046
Non-operating income:		
Interest income	3	2
Dividends	10	11
Refund of premium for cancelled insurance	19	7
Consumption tax difference	61	—
Other	7	17
Total non-operating income	102	40
Non-operating expenses:		
Interest expenses	1,226	1,092
Commission fee	147	183
Other	39	38
Total non-operating expenses	1,413	1,314
Ordinary income	3,085	5,771
Extraordinary income:		
Gain on sales of non-current assets	235	1,148
Other	23	—
Total extraordinary income	259	1,148
Extraordinary loss:		
Loss on sales of non-current assets	31	1,030
Loss on retirement of non-current assets	26	1
Impairment loss	—	68
Loss on sales of investment securities	28	—
Appraised value of investment securities	25	—
Loss on valuation of investments in capital	—	0
Total extraordinary losses	111	1,101
Income before income taxes	3,232	5,818
Income taxes-current	940	1,674
Income taxes-deferred	126	(84)
Total income taxes	1,066	1,590
Net income	2,166	4,228
Profit attributable to owners of parent	2,166	4,228

Consolidated Statements of Comprehensive Income

Nine months ended August 31

	Millions of yen	
	2016	2017
Income before minority interests	2,166	4,228
Other comprehensive income:		
Unrealized gain on available for-sale securities	(85)	60
Total other comprehensive income	(85)	60
Comprehensive income	2,080	4,288
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	2,080	4,288

(3) Consolidated Statements of Cash Flows

Nine months ended August 31

	Millions of yen	
	2016	2017
Operating activities:		
Income before income taxes	3,232	5,818
Depreciation	767	1,142
Impairment loss	—	68
Amortization of goodwill	6	6
Bad debts expenses	—	0
Increase (decrease) in allowance for doubtful accounts	12	0
Interest and dividends income	(13)	(14)
Interest expenses	1,226	1,092
Loss (gain) on sales of property, plant and equipment	(203)	(118)
Increase (Decrease) in net defined benefit liability	30	6
Decrease (increase) in notes and accounts receivable - trade	(184)	433
Decrease (Increase) in inventories	(3,607)	8,751
Increase (decrease) in notes and accounts payable - trade	(1,100)	(1,077)
Increase (decrease) in lease and guarantee deposits received	31	(346)
Other-net	(772)	(1,356)
Subtotal	(574)	(14,407)
Decrease in interest and dividends receivable	13	14
Decrease in interest payable	(1,227)	(1,071)
Income taxes paid	(2,236)	(2,257)
Net cash provided by (used in) operating activities	(4,025)	(11,093)
Investing activities:		
Payments for deposits in time deposits	(60)	—
Proceeds from sales of property, plant and equipment	2,222	2,678
Purchase of property, plant and equipment	(6,570)	(26,791)
Purchase of intangible assets	(12)	(6)
Purchase of investment securities	(1,191)	(525)
Proceeds from sales of investment securities	345	—
Proceeds from redemption of investment securities	654	100
Payments of construction assistance fund receivables	(41)	(41)
Proceeds from collection of investments	4	0
Payments for investments in capital	(31)	(1)
Net cash provided by (used in) investing activities	(4,680)	(24,585)

(continued on page 11)

	Millions of yen	
	2016	2017
Financing activities:		
Increase in short-term loans payable	17,031	17,091
Decrease in short-term loans payable	(20,597)	(19,433)
Proceeds from long-term loans	30,026	38,198
Repayments of long-term loans	(19,831)	(22,734)
Proceeds from issuance of common shares	—	0
Purchase of treasury shares	—	(0)
Dividends paid	(763)	(782)
Other-net	(140)	(195)
Net cash provided by (used in) financing activities	5,724	12,144
Net increase (decrease) in cash and cash equivalents	(2,980)	(1,347)
Cash and cash equivalents, beginning of the period	18,176	20,715
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(0)	—
Cash and cash equivalents, end of the period	15,195	19,367

(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)

During the subject third quarter cumulative period, as a result of the conversion of yen-denominated convertible bonds, capital stock increased ¥637 million to ¥8,377 million, and capital surplus increased ¥637 million to ¥8,491 million, at the end of the subject period.

(Segment Information)

I Results for the nine months of FY11/16 (from December 1, 2015 to August 31, 2016)

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

Nine months ended August 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	26,084	5,222	1,079	32,386	—	32,386
Inter-segment net sales and transfers	8	1	116	125	(125)	—
Total	26,092	5,223	1,196	32,512	(125)	32,386
Operating income	3,788	1,837	311	5,938	(1,542)	4,396

Notes

1. The ¥1,542 million adjustment to operating income comprises ¥41 million in intersegment eliminations, and ¥1,499 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 nine months of FY11/17 (from December 1, 2016 to August 31, 2017)

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

Nine months ended August 31, 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	36,105	5,425	1,148	42,679	—	42,679
Inter-segment net sales and transfers	70	5	210	286	(286)	—
Total	36,175	5,431	1,359	42,966	(286)	42,679
Operating income	7,284	1,513	197	8,995	(1,949)	7,046

Notes

1. The ¥1,949 million adjustment to operating income comprises ¥51 million in intersegment eliminations, and ¥1,898 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 Impairment Loss on Non-Current Assets)

The Company recorded an impairment loss of ¥68 million in the Property Leasing Business.

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 Property Leasing 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 August 31, 2017, the Company concluded a contract for the sale of real estate for sale (inventory), as outlined below.

Of note, delivery of Real Estate for Sale (1) through Real Estate for Sale (4) was completed on September 22, 2017.

(1) Summary of the Real Estate for Sale

Property Name	Location	Type	Floor Space (m ²)	Site Area (m ²)
Real Estate for Sale (1)	Yodogawa-ku, Osaka-shi	Rental apartment	6,561.09	1,881.65
Real Estate for Sale (2)	Chuo-ku, Osaka-shi	Rental apartment	2,657.34	272.51
Real Estate for Sale (3)	Miyakojima-ku, Osaka-shi	Rental apartment	3,672.03	983.70
Real Estate for Sale (4)	Suita-shi, Osaka	Rental apartment	2,147.85	639.28
Real Estate for Sale (5)	Nishi-ku, Osaka-shi	Rental apartment	3,960.96	429.64

(2) Sale Schedule

Date of contract conclusion	Real Estate for Sale (1) – Real Estate for Sale (5)	August 31, 2017
Date of property delivery	Real Estate for Sale (1) – Real Estate for Sale (4)	September 22, 2017
	Real Estate for Sale (5)	November 30, 2017 (scheduled)

(3) Summary of the Transaction

Buyer	The buyer is a corporation located in Tokyo, but is not being disclosed as per agreement with the buyer. Of note, there are no matters warranting special mention as capital ties, personal or business relationships, or related party transactions between the Company and the buyer.
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