

April 13, 2018

Flash Report (Consolidated Basis)
Results for the first quarter ended February 28, 2018
(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): April 13, 2018

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 FY11/18
(December 1, 2017 to February 28, 2018)

(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	%
2018	19,702	58.7	3,599	43.3	3,038	43.9	2,190	29.8
2017	12,411	56.7	2,511	83.0	2,110	147.7	1,687	192.8

(Note) Comprehensive Income: Three months ended February 28, 2018: ¥2,366 million, 36.0%
 Three months ended February 29, 2017: ¥1,739 million, 244.8%

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
2018	87.00	84.10
2017	71.16	65.01

(2) Consolidated Financial condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
February 28, 2018	153,444	41,077	26.3
November 30, 2017	166,449	39,360	23.4

(Reference) Total shareholders' equity: February 28, 2018: ¥40,329 million, November 30, 2017: ¥39,017 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
2017	—	0.00	—	47.00	47.00
2018	—				
2018 (Forecast)		0.00	—	52.00	52.00

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

3. Forecasts for Fiscal Year Ending November 30, 2018

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	64,000	5.8	11,000	8.6	8,900	5.2

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Fiscal year	6,500	14.8	258.10

(Notes) 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: (—) 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, 2018	27,019,518 shares	Year ended November 30, 2017	26,989,518 shares
2) Number of treasury stock	Three months ended February 28, 2018	1,805,959 shares	Year ended November 30, 2017	1,805,959 shares
3) Average number of shares outstanding for each period (cumulative term)	Three months ended February 28, 2018	25,183,892 shares	Three months ended February 28, 2017	23,712,416 shares

* Quarterly financial statements are not subject to review by certified public accountants or audit firms.

* 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.

Table of Contents for Accompanying Material

1. Qualitative Information on Consolidated Results for the Three-Month Period of Fiscal 2018	2
(1) Explanation of Business Results.....	2
(2) Qualitative Information on the Consolidated Financial Position	4
(3) Explanation of Consolidated Results Forecasts and Other Future Predictions	5
2. Consolidated Financial Statements and Main Explanatory Notes.....	6
(1) Consolidated Balance Sheets.....	6
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	8
(3) Consolidated Statements of Cash Flows.....	10
(4) Notes Relating to Consolidated Financial Statements	11
(Note on Assumptions for Going Concern)	11
(Notes in the Event of Major Changes in Shareholders' Equity).....	11
(Segment Information)	12
(Relating to Business Combination, etc.)	13
(Significant Events after the Reporting Period)	13

1. Qualitative Information on Consolidated Results for the Three-Month Period of Fiscal 2018

(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 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. According to the benchmark land prices (at January 1, 2018) from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), the national average price (all uses) rose for a third consecutive year. In Japan's three major metropolitan areas (centered on Tokyo, Osaka, and Nagoya), the upward trend intensified overall, particularly for commercial land. In regional areas, land prices in four regional cities (Sapporo, Sendai, Hiroshima, and Fukuoka) increased for all uses for a fifth consecutive year, with a rate of increase that significantly exceeded 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 first quarter cumulative period, net sales amounted to ¥19,702 million (+58.7% from the same period of the previous fiscal year), with operating income of ¥3,599 million (+43.3%), ordinary income of ¥3,038 million (+43.9%), and profit attributable to owners of parent of ¥2,190 million (+29.8%).

Results by Business Segment

a. Real Estate Business

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

Properties sold were: For the S-RESIDENCE Series, "S-RESIDENCE Ochanomizu" (Bunkyo-ku, Tokyo); As income apartments, a total of 13 properties, including "SAMTY Residence Mito Chuo" (Mito-shi, Ibaraki), "SAMTY Residence Shonan Chigasaki" (Chigasaki-shi, Kanagawa), "SAMTY Sanno Residence" (Nakagawa-ku, Nagoya-shi), "SAMTY Charme Hakata A, B" (Hakata-ku, Fukuoka-shi), "SAMTY Kumamoto Keitokuko-mae" (Chuo-ku, Kumamoto-shi), "Prosperre Tsurukawa" (Machida-shi, Tokyo), "S-FORT Kawaguchi Namiki" (Kawaguchi-shi, Saitama), "Greencourt Aratama" (Minami-ku, Nagoya-shi), "AS Residence Tsu City" (Tsu-shi, Mie), "Grand E'terna" (Oita-shi, Oita), and

“Studio Square Takasagomachi” (Oita-shi, Oita); And as office buildings, “Nissan Minamihorie Building” (Nishi-ku, Osaka-shi).

The Company also sold 86 units of condominiums for investment, at “SAMTY Osaka GRAND EAST” (Higashinari-ku, Osaka-shi), and “SAMTY Osaka GRAND EAST II” (Higashinari-ku, Osaka-shi).

As a result, net sales in the Real Estate Business segment amounted to ¥17,464 million (+69.2% from the same period of the previous fiscal year), with operating income of ¥3,776 million (+52.1%).

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 continued its efforts to expand its area of business operations and strengthen purchasing of income properties, including acquiring “La stella” (Handa-shi, Aichi).

As a result, net sales in the Property Leasing Business segment amounted to ¥1,843 million (+5.4% from the same period of the previous fiscal year), with operating income of ¥580 million (+3.2%).

c. Other Business

Other business operations comprise the hotel business, including the holding and operating of “S-PERIA Hotel Nagasaki” (Nagasaki-shi, Nagasaki), and the management of “Center Hotel Tokyo” (Chuo-ku, Tokyo), “Center Hotel Osaka” (Chuo-ku, Osaka), 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 ¥393 million (+15.8% from the same period of the previous fiscal year), with an operating loss of ¥33 million (compared to operating income of ¥62 million in the same period of the previous fiscal year). The main factor for the operating loss was selling, general and administrative expenses related to hotels in preparation for opening or under development.

(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 ¥153,444 million, a decrease of ¥13,005 million compared to the end of the previous fiscal year. Of this amount, current assets decreased ¥4,936 million to ¥93,622 million, and non-current assets decreased ¥8,057 million to ¥59,739 million. The main factors for the decrease in current assets were a decline of ¥8,240 million in real estate for sale; against increases of ¥613 million in cash and deposits; and ¥2,222 million in real estate for sale under construction. The main factors for the decrease in non-current assets were a decline of ¥8,988 million in net property and equipment; against an increase of ¥921 million in investments and other assets.

Liabilities

Total liabilities at the end of the subject first quarter cumulative period amounted to ¥112,366 million, a decrease of ¥14,722 million compared to the end of the previous fiscal year. Of this amount, current liabilities decreased ¥6,454 million to ¥32,728 million, and non-current liabilities decreased ¥8,268 million to ¥79,637 million. The main factors for the decrease in current liabilities were declines of ¥4,777 million in current portion of long-term debt; and ¥756 million in accrued income taxes. The main factor for the decrease in non-current liabilities was a decline of ¥7,939 million in long-term debt.

Net Assets

Total net assets at the end of the subject first quarter cumulative period amounted to ¥41,077 million, an increase of ¥1,716 million compared to the end of the previous fiscal year. This was due mainly to increases of ¥2,190 million in retained earnings from the recording of profit attributable to owners of parent; and ¥396 million in non-controlling interests due to the sale of subsidiary shares; against a decrease of ¥1,183 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 ¥25,447 million, an increase of ¥613 million compared to the end of the previous fiscal year. This was due mainly to ¥6,187 million in cash provided by operating activities; ¥8,229 million in cash provided by investing activities; and ¥13,803 million in cash used in 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 ¥6,187 million (compared to ¥1,060 million in cash provided in the same period of the previous fiscal year). This was due mainly to ¥3,269 million in Income before income taxes; ¥6,018 million in decrease in inventories; and ¥1,732 million in income taxes paid.

Cash Flow from Investing Activities

Net cash provided by investing activities amounted to ¥8,229 million (compared to ¥4,632 million in cash used in the same period of the previous fiscal year). This was due mainly to ¥941 million in purchase of property, plant and equipment; ¥10,127 million in proceeds from sales of property, plant and equipment; and ¥1,035 million in purchase of investment securities.

Cash Flow from Financing Activities

Net cash used in financing activities amounted to ¥13,803 million (compared to ¥5,030 million in cash provided in the same period of the previous fiscal year). This was due mainly to ¥7,769 million in increase in short-term loans payable; ¥7,560 million in decrease in short-term loans payable; ¥12,644 million in proceeds from long-term loans; ¥25,860 million in repayments of long-term loans; and ¥1,185 million in dividends paid.

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

Results forecasts for the fiscal year ending November 2018 are unchanged from those announced in “Financial Statement (Consolidated Basis) for the year ended November 30, 2017” released on January 12, 2018.

Of note, actual results may vary from forecasts due to a variety of factors.

2. Consolidated Financial Statements and Main Explanatory Notes

(1) Consolidated Balance Sheets

	Millions of yen	
	November 30, 2017	February 28, 2018
ASSETS		
Current assets:		
Cash and deposits	25,857	26,471
Receivables	297	507
Real estate for sale	37,059	28,818
Real estate for sale under construction	34,456	36,679
Goods	0	0
Supplies	5	4
Deferred tax assets	182	125
Other	700	1,016
Allowance for doubtful accounts	(1)	(1)
Total current assets	98,558	93,622
Non-current assets:		
Property and equipment:		
Buildings and structures net	30,734	29,014
Buildings in trust net	3,787	408
Land	23,355	22,409
Land in trust	3,797	865
Other net	211	200
Net property and equipment	61,887	52,898
Intangible assets:		
Goodwill	82	80
Other intangible assets	57	69
Total intangible assets	140	150
Investments and other assets:		
Investment securities	2,558	3,667
Deferred tax assets	310	230
Other	2,936	2,846
Allowance for doubtful accounts	(36)	(53)
Total Investments and other assets	5,769	6,690
Total non-current assets	67,797	59,739
Deferred assets:		
Inauguration expenses	93	82
Total deferred tax assets	93	82
Total assets	166,449	153,444

	Millions of yen	
	November 30, 2017	February 28, 2018
LIABILITIES		
Current liabilities:		
Notes and accounts payable	3,658	3,323
Short-term borrowings	11,883	11,594
Current portion of long-term debt	18,795	14,017
Accrued income taxes	1,933	1,176
Deferred tax liabilities	29	19
Other	2,883	2,596
Total current liabilities	39,182	32,728
Non-current liabilities:		
Long-term debt	84,108	76,169
Deferred tax liabilities	1,319	1,242
Liabilities for retirement benefits	147	131
Guarantee deposits	1,710	1,488
Construction assistance fund	593	580
Other	26	25
Total non-current liabilities	87,906	79,637
Total liabilities	127,088	112,366
NET ASSETS		
Shareholders' equity:		
Capital stock	8,461	8,468
Capital surplus	8,575	8,745
Retained earnings	23,251	24,258
Treasury stocks at cost	(1,382)	(1,382)
Total shareholders' equity	38,906	40,089
Accumulated other comprehensive income:		
Unrealized gain on available for-sale securities	111	239
Total accumulated other comprehensive income	111	239
Stock acquisition rights	343	351
Non-controlling interests	—	396
Total net assets	39,360	41,077
Total liabilities and net assets	166,449	153,444

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

Three months ended February 28

	Millions of yen	
	2017	2018
Net sales	12,411	19,702
Cost of sales	8,668	14,555
Gross profit	3,742	5,147
Selling, general and administrative expenses	1,231	1,548
Operating income	2,511	3,599
Non-operating income:		
Interest income	1	1
Dividends	0	0
Refund of premium for cancelled insurance	—	11
Other	2	7
Total non-operating income	4	21
Non-operating expenses:		
Interest expenses	369	367
Commission fee	18	202
Other	16	12
Total non-operating expenses	405	582
Ordinary income	2,110	3,038
Extraordinary income:		
Gain on sales of non-current assets	—	280
Total extraordinary income	—	280
Extraordinary loss:		
Loss on sales of non-current assets	—	49
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	49
Income before income taxes	2,110	3,269
Income taxes-current	618	1,037
Income taxes-deferred	(195)	(6)
Total income taxes	423	1,031
Net income	1,687	2,237
Profit attributable to non-controlling interests	—	46
Profit attributable to owners of parent	1,687	2,190

Consolidated Statements of Comprehensive Income

Three months ended February 28

	Millions of yen	
	2017	2018
Net income	1,687	2,237
Other comprehensive income:		
Unrealized gain on available for-sale securities	52	128
Total other comprehensive income	52	128
Comprehensive income	1,739	2,366
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	1,739	2,319
Comprehensive income attributable to non-controlling interests	—	46

(3) Consolidated Statements of Cash Flows

Three months ended February 28

	Millions of yen	
	2017	2018
Operating activities:		
Income before income taxes	2,110	3,269
Depreciation	338	330
Amortization of goodwill	2	2
Increase (decrease) in allowance for doubtful accounts	1	17
Increase (decrease) in net defined benefit liability	10	(15)
Interest and dividends income	(1)	(1)
Interest expenses	369	367
Commission fee	18	202
Loss (gain) on sales of property, plant and equipment	—	(231)
Decrease (increase) in notes and accounts receivable - trade	482	(227)
Decrease (increase) in inventories	579	6,018
Increase (decrease) in notes and accounts payable - trade	261	(334)
Increase (decrease) in accrued consumption taxes	—	483
Increase (decrease) in lease and guarantee deposits received	(265)	(222)
Other-net	(885)	(1,358)
Subtotal	3,022	8,301
Decrease in interest and dividends receivable	1	1
Decrease in interest payable	(379)	(382)
Income taxes paid	(1,584)	(1,732)
Net cash provided by (used in) operating activities	1,060	6,187
Investing activities:		
Purchase of property, plant and equipment	(4,617)	(941)
Proceeds from sales of property, plant and equipment	—	10,127
Purchase of intangible assets	(1)	(15)
Purchase of investment securities	(100)	(1,035)
Proceeds from redemption of investment securities	100	110
Payments for investments in capital	(0)	(3)
Payments of construction assistance fund receivables	(13)	(13)
Net cash provided by (used in) investing activities	(4,632)	8,229
Financing activities:		
Increase in short-term loans payable	7,835	7,769
Decrease in short-term loans payable	(5,154)	(7,560)
Proceeds from long-term loans	8,742	12,644
Repayments of long-term loans	(5,586)	(25,860)
Proceeds from issuance of common shares	—	9
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	585
Dividends paid	(784)	(1,185)
Other-net	(22)	(206)
Net cash provided by (used in) financing activities	5,030	(13,803)
Net increase (decrease) in cash and cash equivalents	1,458	613
Cash and cash equivalents, beginning of the period	20,715	24,833
Cash and cash equivalents, end of the period	22,174	25,447

(4) Notes Relating to Consolidated Financial Statements

(Note on Assumptions for Going Concern)

Not applicable.

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

Not applicable.

(Segment Information)

I Results for the first 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.

II Results for the first quarter of FY11/18 (from December 1, 2017 to February 28, 2018)

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

Three months ended February 28, 2018

	Millions of yen					
	Reportable Segment				Adjustment (Note 1)	Amount Recorded on Consolidated Income Statement (Note 2)
	Real Estate Business	Property Leasing Business	Other Business	Total		
Net sales:						
Net sales from third parties	17,464	1,843	393	19,702	—	19,702
Inter-segment net sales and transfers	7	—	64	72	(72)	—
Total	17,471	1,843	458	19,774	(72)	19,702
Operating income (loss)	3,776	580	(33)	4,324	(725)	3,599

Notes

1. The ¥725 million downward adjustment to operating income (loss) comprises a negative ¥25 million in intersegment eliminations, and a negative ¥700 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 (loss) 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.

(Relating to Business Combination, etc.)

Transaction under Common Control

(Sale of Portion of Shares in Subsidiary)

The Company transferred a portion of shares in its consolidated subsidiary Samty Asset Management Co., Ltd. to Daiwa Securities Group Inc.

1. Summary of the transaction

(1) Subsidiary name and business contents

Subsidiary name: Samty Asset Management Co., Ltd.

Business contents: Investment management, Real estate investment advisory business, Building lots and building transaction business

(2) Share transfer date

February 1, 2018

(3) Legal form of the business combination

Sale of a portion of shares at cash value

(4) Summary transaction including transaction aims

Samty Asset Management aims to enhance its enterprise value by building a close cooperative relationship with Daiwa Securities Group.

2. Summary of accounting treatment

The sale was treated as a transaction under common control, based on “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, September 13, 2013).

3. Matters regarding change in ownership interest of the Company due to the transaction with non-controlling interests

(1) Main change factors in capital surplus

Sale of shares in subsidiary not unaccompanied by a change in the scope of consolidation

(2) Amount of increase in capital surplus due to transaction with non-controlling interests

JPY 163 million

(Significant Events after the Reporting Period)

Not applicable.

END