

January 8, 2019

Flash Report (Consolidated Basis)
Results for the year ended November 30, 2018
(Based on Japanese GAAP)

Company name: **Samty Co., Ltd.**
 Stock Listings: Tokyo Stock Exchange
 Stock Code: 3244
 URL: <https://www.samty.co.jp/en/>
 Representative
 Title: Representative Director and President
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 Date of Annual Shareholders Meeting (Scheduled): February 27, 2019
 Start of dividend payments (Planned): February 28, 2019
 Submission of securities report (Planned): February 28, 2019
 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 2018 (FY11/18)
(December 1, 2017 to November 30, 2018)

(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	%
2018	84,274	39.3	14,033	38.5	11,635	37.5	8,489	49.9
2017	60,479	15.4	10,131	18.0	8,461	24.6	5,661	22.3

Note: Comprehensive Income: Year ended November 30, 2018: ¥8,672 million, 49.4%;
 Year ended November 30, 2017: ¥5,804 million, 25.5%

	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	%	%	%
2018	283.89	273.26	16.9	7.1	16.7
2017	209.71	194.88	15.8	5.5	16.8

(Reference) Equity in earnings (losses) of affiliated companies: Year ended November 30, 2018: ¥ — million,
 Year ended November 30, 2017: ¥ — million

Note: The Company, on the shareholder determination date of September 30, 2018, issued stock acquisition rights without contribution (partial commitment-type rights offering / allotment of listing-type stock acquisition rights without contribution) to shareholders, and payment for the subject stock acquisition rights was completed. Because the amount paid based on the rights offering is lower than the market value, net income per share has been calculated assuming that payment based on the subject rights offering for the portion corresponding to the stock split was made at the beginning of the previous fiscal year.

(2) Consolidated Financial Condition

At November 30

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2018	162,500	62,438	37.9	1,616.59
2017	166,449	39,360	23.4	1,387.04

(Reference) Total shareholders' equity: November 30, 2018: ¥61,533 million, November 30, 2017: ¥39,017 million

Note: The Company, on the shareholder determination date of September 30, 2018, issued stock acquisition rights without contribution (partial commitment-type rights offering / allotment of listing-type stock acquisition rights without contribution) to shareholders, and payment for the subject stock acquisition rights was completed. Because the amount paid based on the rights offering is lower than the market value, net assets per share has been calculated assuming that payment based on the subject rights offering for the portion corresponding to the stock split was made at the beginning of the previous fiscal year.

(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
2018	31,828	(744)	(11,836)	44,080
2017	11,583	(25,676)	18,211	24,833

2. Dividends

Years ended/ending November 30

Record date	Dividends per share					Total amount of dividends (for the entire fiscal year) Millions of yen	Payout ratio %	Dividends-to-net assets ratio %
	Feb. 28	May 31	Aug. 31	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen			
2017	—	0.00	—	47.00	47.00	1,183	20.1	3.2
2018	—	0.00	—	68.00	68.00	2,588	24.0	4.5
2019 (Forecast)	—	35.00	—	40.00	75.00		31.7	

3. Forecasts for Fiscal Year Ending November 30, 2019

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	86,000	2.0	15,000	6.9	13,000	11.7

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Fiscal year	9,000	6.0	236.44

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: (—)

- (2) 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

- (3) Number of shares issued and outstanding (common share)

1) Number of shares issued and outstanding (including treasury stock)	Year ended November 30, 2018	39,800,000 shares	Year ended November 30, 2017	30,147,291 shares
2) Number of treasury stock	Year ended November 30, 2018	1,736,212 shares	Year ended November 30, 2017	2,017,256 shares
3) Average number of shares outstanding for each period (cumulative term)	Year ended November 30, 2018	29,902,396 shares	Year ended November 30, 2017	26,995,738 shares

The Company, on the shareholder determination date of September 30, 2018, issued stock acquisition rights without contribution (partial commitment-type rights offering / allotment of listing-type stock acquisition rights without contribution) to shareholders, and payment for the subject stock acquisition rights was completed. Because the amount paid based on the rights offering is lower than the market value, the number of issued shares (common stock) has been calculated assuming that payment based on the subject rights offering for the portion corresponding to the stock split was made at the beginning of the previous fiscal year.

(Reference) FLASH REPORT (NON-CONSOLIDATED BASIS)

1. Non-Consolidated Results for the Fiscal Year Ended November 2018 (FY11/18)

(December 1, 2017 to November 30, 2018)

(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	%
2018	75,152	34.3	17,578	106.3	15,484	120.6	11,709	149.2
2017	55,949	29.7	8,522	62.7	7,018	92.2	4,698	89.6

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
2018	391.59	376.93
2017	174.05	161.74

Note: The Company, on the shareholder determination date of September 30, 2018, issued stock acquisition rights without contribution (partial commitment-type rights offering / allotment of listing-type stock acquisition rights without contribution) to shareholders, and payment for the subject stock acquisition rights was completed. Because the amount paid based on the rights offering is lower than the market value, net income per share has been calculated assuming that payment based on the subject rights offering for the portion corresponding to the stock split was made at the beginning of the previous fiscal year.

(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
2018	153,017	58,123	37.7	1,516.76
2017	149,456	32,503	21.5	1,143.28

(Reference) Total shareholders' equity: November 30, 2018: ¥57,733 million, November 30, 2017: ¥32,160 million

Note: The Company, on the shareholder determination date of September 30, 2018, issued stock acquisition rights without contribution (partial commitment-type rights offering / allotment of listing-type stock acquisition rights without contribution) to shareholders, and payment for the subject stock acquisition rights was completed. Because the amount paid based on the rights offering is lower than the market value, net assets per share has been calculated assuming that payment based on the subject rights offering for the portion corresponding to the stock split was made at the beginning of the previous fiscal year.

- * This flash report is not subject to auditing by a certified public accountant or audit firm.
- * 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 23, 2019.

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1. Summary of Business Results

(1) Summary of Business Results for the Subject Period

During the subject fiscal year, 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, the direction of international trade problems, 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.

Under such conditions, the Samty Group, in accordance with its "Challenge 40" medium-term management plan (revised in July 2016), actively pursued business operations based on the three key strategies of 1) Development of business model centered on Samty Residential Investment Corporation; 2) Strategic investment in regional metropolitan areas; and 3) Roll-out of hotel development business. Also, in September 2018, Samty formulated and began implementing a new medium-term management plan, the "Samty Toughening Plan."

As a result, for the subject fiscal year, net sales amounted to ¥84,274 million (+39.3% year on year), with operating income of ¥14,033 million (+38.5%), ordinary income of ¥11,635 million (+37.5%), and profit attributable to owners of parent of ¥8,489 million (+49.9%).

a. Real Estate Business

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

Properties sold as the S-RESIDENCE Series were "S-RESIDENCE Ochanomizu" (Bunkyo-ku, Tokyo), "S-RESIDENCE Bunkyo Koishikawa" (Bunkyo-ku, Tokyo), "S-RESIDENCE Shinjuku Urban Style" (Shinjuku-ku, Tokyo), "S-RESIDENCE Shinjuku EAST" (Shinjuku-ku, Tokyo), "S-RESIDENCE Kiyosumi-shirakawa" (Koto-ku, Tokyo), "S-RESIDENCE Oshiage Park Side" (Sumida-ku, Tokyo), "S-RESIDENCE Kinshicho Park Side" (Sumida-ku, Tokyo), "S-RESIDENCE Nihombashi Hamacho" (Chuo-ku, Tokyo), "S-RESIDENCE Tsukishima" (Chuo-ku, Tokyo), "S-RESIDENCE Kuramae" (Taito-ku, Tokyo), "S-RESIDENCE Nerima Sakuradai" (Nerima-ku, Tokyo), "S-RESIDENCE Kawasaki Kaizuka" (Kawasaki-ku, Kawasaki-shi), "S-RESIDENCE Matsudo" (Matsudo-shi, Chiba), "S-RESIDENCE Tsurumai" (Naka-ku, Nagoya-shi), "S-RESIDENCE Shin-Osaka Luna" (Yodogawa-ku, Osaka-shi), "S-RESIDENCE Shin-Osaka Ridente" (Yodogawa-ku, Osaka-shi), and "S-RESIDENCE Shin-Osaka Garden" (Yodogawa-ku, Osaka-shi). As income apartments, the Company sold a total of 37 properties, including "SAMTY Felice Odoriminami" (Chuo-ku, Sapporo-shi), "SAMTY Residence Mito Chuo" (Mito-shi, Ibaraki), "SAMTY Residence Shonan Chigasaki" (Chigasaki-shi, Kanagawa),

“SAMTY Sanno Residence” (Nakagawa-ku, Nagoya-shi), “SAMTY Kamiyashiro” (Meito-ku, Nagoya-shi), “SAMTY Kobe Sta. Minami Dori” (Hyogo-ku, Kobe-shi), “SAMTY Charme Hakata A, B” (Hakata-ku, Fukuoka-shi), “SAMTY Kumamoto Keitokuko-mae” (Chuo-ku, Kumamoto-shi), “COSMO-CITY Ekoda” (Nerima-ku, Tokyo), “Prosperie Tsurukawa” (Machida-shi, Tokyo), “S-FORT Kawaguchi Namiki” (Kawaguchi-shi, Saitama), “Dimus Yokohama Kannai” (Naka-ku, Yokohama-shi), “Greencourt Aratama” (Minami-ku, Nagoya-shi), “AS Residence Tsu City” (Tsu-shi, Mie), “Succeed Takaragaike” (Sakyo-ku, Kyoto-shi), “Charmant de Minoh” (Minoh-shi, Osaka), “Grand Heights Funairi” (Naka-ku, Hiroshima-shi), “Grand E'terna Oita” (Oita-shi, Oita), and “Studio Square Takasagomachi” (Oita-shi, Oita). As hotels, the Company sold “S-PERIA INN Nihombashihakozaki” (Chuo-ku, Tokyo), and “S-PERIA Hotel Hakata” (Hakata-ku, Fukuoka-shi). As office buildings, the Company sold “SAMTY Uehommachi Building” (Tennoji-ku, Osaka-shi), and “Nissan Minamihorie Building” (Nishi-ku, Osaka-shi), and as other commercial facilities, “SAMTY Minatogawakoen Building” (Hyogo-ku, Kobe-shi), and “PIERI Moriyama” (Moriyama-shi, Shiga).

The Company also sold 383 units of condominiums for investment, at “SAMTY Osaka GRAND EAST” (Higashinari-ku, Osaka-shi), “SAMTY Osaka GRAND EAST II” (Higashinari-ku, Osaka-shi), “SAMTY Osaka CITY WEST” (Nishiyodogawa-ku, Osaka-shi), “SAMTY Himejima LIBERLE” (Nishiyodogawa-ku, Osaka-shi), “STAGE GRANDE Akihabara” (Taito-ku, Tokyo), and “Jiacosmo Edobori Parkfront” (Nishi-ku, Osaka-shi).

As a result, net sales in the Real Estate Business segment amounted to ¥75,138 million (+46.0% YoY), with operating income of ¥15,547 million (+46.7%).

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. Properties acquired were “SAMTY Residence N21” (Higashi-ku, Sapporo-shi), “SAMTY Residence Funabashi Honcho” (Funabashi-shi, Chiba), “SAMTY Residence Aobadai” (Aoba-ku, Yokohama-shi), “SAMTY Residence Fujigaoka” (Aoba-ku, Yokohama-shi), “SAMTY Uemachidai Ryuzouji” (Chuo-ku, Osaka-shi), “SAMTY Fukushima EBIE” (Fukushima-ku, Osaka-shi), “SAMTY Miyakojima KERS” (Miyakojima-ku, Osaka-shi), “SAMTY Ooimazatonishi” (Higashinari-ku, Osaka-shi), “SAMTY Esaka LIBERTS” (Suita-shi, Osaka), “SAMTY Itami Nishidai” (Itami-shi, Hyogo), “SAMTY Funairi” (Naka-ku, Hiroshima-shi), “SAMTY Nishijin-minami” (Sawara-ku, Fukuoka-shi), “SAMTY Ohashi” (Minami-ku, Fukuoka-shi), “SAMTY Hakozaki-higashi” (Higashi-ku, Fukuoka-shi), “SAMTY Shinmachi” (Chuo-ku, Kumamoto-shi), “Orioncourt” (Chuo-ku, Sapporo-shi), “Attract” (Saiwai-ku, Kawasaki-shi), “La stella” (Handa-shi, Aichi), “GRANDDUKE Shinsakae” (Naka-ku, Nagoya-shi), “SANTNORE” (Kuwana-shi, Mie), “S-CREA Shin-Osaka EAST” (Higashiyodogawa-ku, Osaka-shi), “S-CREA Midosujihonmachi” (Chuo-ku, Osaka-shi), and “EXCELLENT Nakoji” (Amagasaki-shi, Hyogo). The Company also acquired as a hotel asset, “SMART HOTEL kutchan” (Abuta-gun, Hokkaido).

As a result, net sales in the Property Leasing Business segment amounted to ¥6,806 million (-7.8% YoY), with operating income of ¥1,907 million (-8.9%).

c. Other Business

Other business operations comprise the hotel business, including the holding and operating of “S-PERIA Hotel Nagasaki” (Nagasaki-shi, Nagasaki), and “Center Hotel Tokyo” (Chuo-ku, Tokyo), and the management of “Center Hotel Osaka” (Chuo-ku, Osaka), “Hotel Sunshine Utsunomiya” (Utsunomiya-shi, Tochigi), “S-PERIA Hotel Hakata” (Hakata-ku, Fukuoka-shi), and “S-PERIA INN Nihombashihakozaki” (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 ¥2,329 million (+42.9% YoY), with operating income of ¥83 million (-65.7%).

(2) Summary of Financial Position for the Subject Period

Assets

Total assets at the end of the subject fiscal year amounted to ¥162,500 million, a decrease of ¥3,949 million compared to the end of the previous fiscal year. Of this amount, current assets increased ¥9,672 million to ¥108,230 million, and non-current assets decreased ¥13,527 million to ¥54,269 million. The main factor for the increase in current assets was a decline of ¥10,887 million in real estate for sale; against an increase of ¥18,652 million in cash and deposits. The main factor for the decrease in non-current assets was a decline of ¥15,347 million in net property and equipment; against an increase of ¥1,787 million in investments and other assets.

Liabilities

Total liabilities at the end of the subject fiscal year amounted to ¥100,061 million, a decrease of ¥27,027 million compared to the end of the previous fiscal year. Of this amount, current liabilities decreased ¥19,403 million to ¥19,779 million, and non-current liabilities decreased ¥7,623 million to ¥80,282 million. The main factors for the decrease in current liabilities were declines of ¥3,068 million in notes and accounts payable; ¥10,542 million in short-term borrowings; and ¥9,324 million in current portion of long-term debt; against an increase of ¥2,662 million in accrued income taxes. The main factors for the decrease in non-current liabilities were declines of ¥5,745 million in long-term debt; and ¥1,319 million in deferred tax liabilities.

Net Assets

Total net assets at the end of the subject fiscal year amounted to ¥62,438 million, an increase of ¥23,077 million compared to the end of the previous fiscal year. This was due mainly to increases of ¥7,473 million in capital stock and ¥7,666 million in capital surplus from the exercise of stock acquisition rights through a rights offering; and an increase of ¥8,489 million in retained earnings from the recording of profit attributable to owners of parent; against a decrease of ¥1,183 million in retained earnings from dividend payments.

(3) Summary of Cash Flows for the Subject Period

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 ¥31,828 million (compared to ¥11,583 million in cash provided in the same period of the previous fiscal year). This was due mainly to ¥12,492 million in income before income taxes; ¥25,404 million in decrease in inventories; ¥3,086 million in decrease in notes and accounts payable – trade; and ¥3,004 million in income taxes paid.

Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥744 million (compared to ¥25,676 million in cash used in the same period of the previous fiscal year). This was due mainly to ¥20,005 million in purchase of property, plant and equipment; and ¥19,899 million in proceeds from sales of property, plant and equipment.

Cash Flow from Financing Activities

Net cash used in financing activities amounted to ¥11,836 million (compared to ¥18,211 million in cash provided in the same period of the previous fiscal year). This was due mainly to ¥17,888 million in increase in short-term loans payable; ¥26,546 million in decrease in short-term loans payable; ¥54,353 million in proceeds from long-term loans; ¥71,307 million in repayments of long-term loans; ¥14,953 million in proceeds from issuance of common shares; and ¥1,183 million in dividends paid.

(Reference) Cash flow-related indicators

Years ended November 30

	2014	2015	2016	2017	2018
Capital ratio (%)	23.3	23.1	23.1	23.4	37.9
Capital ratio at market value (%)	16.3	23.6	17.9	25.1	35.5
Ratio of interest-bearing debt to cash flow (years)	—	—	20.3	9.9	2.8
Interest coverage ratio (times)	—	—	2.9	8.0	22.7

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 FY11/14 and FY11/15 because operating cash flow was negative in those years.

(4) Future Outlook

The real estate industry, of which the Samty Group is a part, is expected to experience continued firm demand, with stable robust activity in real estate amid rising demand for stores and hotels as a result of the current low interest rate policy and increase in overseas visitors, and increased profitability due to the low office vacancy rate in major cities.

Under such conditions, in September 2018 the Samty Group formulated its new medium-term management plan, the “Samty Toughening Plan.” The three priority measures of this new plan are: 1) Strengthen and expand fee-based income businesses; 2) Strengthen the development of hotels and office buildings; and 3) Strengthen the financial base. The Samty Group will steadily implement these priority measures, and work to achieve the plan targets.

For the fiscal year ending November 2019, the Company will strive to maintain stable and sustainable business growth, and is forecasting net sales of ¥86,000 million, with operating income of ¥15,000 million, ordinary income of ¥13,000 million, and profit attributable to owners of parent of ¥9,000 million.

Full-year forecasts by business segment are as follows.

Years ended November 30

	Millions of yen					
	2017		2018		2019 (Forecast)	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Business	51,522	10,600	75,143	15,547	75,100	17,300
Property Leasing Business	7,386	2,094	6,807	1,907	6,800	2,200
Other Business	1,885	243	2,491	83	4,400	500
Inter-segment net sales and transfers	(315)	—	(167)	—	(300)	—
Adjustment	—	(2,806)	—	(3,504)	—	(5,000)
Total	60,479	10,131	84,274	14,033	86,000	15,000

2. 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.

3. Consolidated Financial Statements and Main Explanatory Notes

(1) Consolidated Balance Sheets

November 30

	Millions of yen	
	2017	2018
ASSETS		
Current assets:		
Cash and deposits	25,857	44,510
Receivables	297	928
Real estate for sale	37,059	26,181
Real estate for sale under construction	34,456	34,886
Goods	0	0
Supplies	5	8
Deferred tax assets	182	326
Other	700	1,389
Allowance for doubtful accounts	(1)	(1)
Total current assets	98,558	108,230
Non-current assets:		
Property and equipment:		
Buildings and structures	34,248	22,350
Accumulated depreciation	(3,514)	(2,279)
Buildings and structures net	30,734	20,071
Buildings in trust	3,819	3,186
Accumulated depreciation	(31)	(407)
Buildings in trust net	3,787	2,779
Land	23,355	20,936
Land in trust	3,797	2,426
Other	657	745
Accumulated depreciation	(445)	(419)
Other net	211	326
Net property and equipment	61,887	46,539
Intangible assets:		
Goodwill	82	52
Other intangible assets	57	120
Total intangible assets	140	172
Investments and other assets:		
Investment securities	2,558	3,887
Deferred tax assets	310	367
Other	2,936	3,355
Allowance for doubtful accounts	(36)	(54)
Total Investments and other assets	5,769	7,557
Total non-current assets	67,797	54,269
Deferred assets:		
Inauguration expenses	93	—
Total deferred tax assets	93	—
Total assets	166,449	162,500

	Millions of yen	
	2017	2018
LIABILITIES		
Current liabilities:		
Notes and accounts payable	3,658	589
Short-term borrowings	11,883	1,340
Current portion of long-term debt	18,795	9,470
Accrued income taxes	1,933	4,595
Deferred tax liabilities	29	—
Other	2,883	3,782
Total current liabilities	39,182	19,779
Non-current liabilities:		
Long-term debt	84,108	78,362
Deferred tax liabilities	1,319	—
Liabilities for retirement benefits	147	156
Guarantee deposits	1,710	1,035
Construction assistance fund	593	538
Other	26	188
Total non-current liabilities	87,906	80,282
Total liabilities	127,088	100,061
NET ASSETS		
Shareholders' equity:		
Capital stock	8,461	15,935
Capital surplus	8,575	16,242
Retained earnings	23,251	30,556
Treasury stocks at cost	(1,382)	(1,330)
Total shareholders' equity	38,906	61,404
Accumulated other comprehensive income:		
Unrealized gain on available for-sale securities	111	129
Total accumulated other comprehensive income	111	129
Stock acquisition rights	343	390
Non-controlling interests	—	514
Total net assets	39,360	62,438
Total liabilities and net assets	166,449	162,500

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

Consolidated Statements of Income

Years ended November 30

	Millions of yen	
	2017	2018
Net sales	60,479	84,274
Cost of sales	44,733	63,170
Gross profit	15,745	21,104
Selling, general and administrative expenses	5,614	7,070
Operating income	10,131	14,033
Non-operating income:		
Interest income	4	2
Dividends	11	11
Refund of premium for cancelled insurance	20	29
Consumption tax difference	7	—
Other	20	7
Total non-operating income	64	50
Non-operating expenses:		
Interest expenses	1,471	1,382
Commission fee	214	559
Other	48	505
Total non-operating expenses	1,734	2,448
Ordinary income	8,461	11,635
Extraordinary income:		
Gain on sales of non-current assets	405	909
Gain on sales of investment securities	—	37
Other	—	33
Total extraordinary income	405	980
Extraordinary loss:		
Loss on sales of non-current assets	208	100
Loss on retirement of non-current assets	1	0
Loss on impairment of long-lived assets	726	22
Other	0	0
Total extraordinary losses	937	123
Income before income taxes	7,930	12,492
Income taxes-current	2,587	5,396
Income taxes-deferred	(318)	(1,558)
Total income taxes	2,268	3,838
Net income	5,661	8,654
Profit attributable to non-controlling interests	—	165
Profit attributable to owners of parent	5,661	8,489

Consolidated Statements of Comprehensive Income

Years ended November 30

	Millions of yen	
	2017	2018
Net income	5,661	8,654
Other comprehensive income:		
Unrealized gain on available for-sale securities	143	18
Total other comprehensive income	143	18
Comprehensive income	5,804	8,672
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	5,804	8,507
Comprehensive income attributable to non-controlling interests	—	165

(3) Consolidated Statements of Changes in Net Assets

Year ended November 30, 2017 (December 1, 2016 to November 30, 2017)

	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	7,739	7,853	18,372	(1,382)	32,583
Changes of items during the period					
Issuance of new shares	4	4			9
Conversion of convertible bond-type bonds with subscription rights to shares	717	717			1,435
Dividends from surplus			(782)		(782)
Profit attributable to owners of parent			5,661		5,661
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					—
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	722	722	4,878	(0)	6,323
Balance at the end of current period	8,461	8,575	23,251	(1,382)	38,906

	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	(32)	(32)	295	—	32,847
Changes of items during the period					
Issuance of new shares					9
Conversion of convertible bond-type bonds with subscription rights to shares					1,435
Dividends from surplus					(782)
Profit attributable to owners of parent					5,661
Purchase of treasury shares					(0)
Disposal of treasury shares					—
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes of items other than shareholders' equity	143	143	47	—	190
Total changes of items during the period	143	143	47	—	6,513
Balance at the end of current period	111	111	343	—	39,360

Year ended November 30, 2018 (December 1, 2017 to November 30, 2018)

	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	8,461	8,575	23,251	(1,382)	38,906
Changes of items during the period					
Issuance of new shares	7,473	7,473			14,947
Conversion of convertible bond-type bonds with subscription rights to shares					—
Dividends from surplus			(1,183)		(1,183)
Profit attributable to owners of parent			8,489		8,489
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		29		54	84
Change in ownership interest of parent due to transactions with non-controlling interests		163			163
Net changes of items other than shareholders' equity					
Total changes of items during the period	7,473	7,666	7,305	51	22,497
Balance at the end of current period	15,935	16,242	30,556	(1,330)	61,404

	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	111	111	343	—	39,360
Changes of items during the period					
Issuance of new shares					14,947
Conversion of convertible bond-type bonds with subscription rights to shares					—
Dividends from surplus					(1,183)
Profit attributable to owners of parent					8,489
Purchase of treasury shares					(3)
Disposal of treasury shares					84
Change in ownership interest of parent due to transactions with non-controlling interests					163
Net changes of items other than shareholders' equity	18	18	46	514	580
Total changes of items during the period	18	18	46	514	23,077
Balance at the end of current period	129	129	390	514	62,438

(4) Consolidated Statements of Cash Flows

Years ended November 30

	Millions of yen	
	2017	2018
Operating activities:		
Income before income taxes	7,930	12,492
Depreciation	1,587	1,285
Loss on impairment of long-lived assets	726	22
Amortization of goodwill	8	24
Increase (Decrease) in net defined benefit liability	11	9
Interest and dividends income	(16)	(14)
Interest expenses	1,471	1,382
Commission fee	214	559
Loss (gain) on sales of property, plant and equipment	(197)	(809)
Decrease (increase) in notes and accounts receivable - trade	350	(604)
Decrease (Increase) in inventories	2,764	25,404
Increase (decrease) in notes and accounts payable - trade	742	(3,086)
Increase (decrease) in accrued consumption taxes	336	1,254
Increase (decrease) in lease and guarantee deposits received	(332)	(674)
Other-net	(138)	(1,023)
Subtotal	15,459	36,222
Decrease in interest and dividends receivable	16	14
Decrease in interest payable	(1,444)	(1,404)
Income taxes (paid) refunded	(2,447)	(3,004)
Net cash provided by (used in) operating activities	11,583	31,828
Investing activities:		
Payments into time deposits	—	(726)
Proceeds from withdrawal of time deposits	50	1,474
Purchase of property, plant and equipment	(29,403)	(20,005)
Proceeds from sales of property, plant and equipment	3,956	19,899
Purchase of intangible assets	(13)	(83)
Purchase of investment securities	(525)	(2,047)
Proceeds from sale of investment securities	—	251
Proceeds from redemption of investment securities	318	512
Payments for investments in capital	(7)	(7)
Collection of investments in capital	2	1
Payments of construction assistance fund receivables	(55)	(55)
Other-net	—	42
Net cash provided by (used in) investing activities	(25,676)	(744)

(continued on page 14)

	Millions of yen	
	2017	2018
Financing activities:		
Increase in short-term loans payable	25,753	17,888
Decrease in short-term loans payable	(24,148)	(26,546)
Proceeds from long-term loans	50,189	54,353
Repayments of long-term loans	(32,575)	(71,307)
Proceeds from issuance of common shares	6	14,953
Purchase of treasury shares	(0)	(3)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	585
Dividends paid	(783)	(1,183)
Other-net	(231)	(576)
Net cash provided by (used in) financing activities	18,211	(11,836)
Net increase (decrease) in cash and cash equivalents	4,118	19,246
Cash and cash equivalents, beginning of the period	20,715	24,833
Cash and cash equivalents, end of the period	24,833	44,080

(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: 12

Names of consolidated subsidiaries

Hikone SC Ltd.

Suntoa Co., Ltd.

Specialist Support System Co., Ltd.

Samty Property Management Co., Ltd.

Samty Asset Management Co., Ltd.

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

S Hotel Operations Hakata LLC

(2) Names of material unconsolidated subsidiaries

S Hotel Operations Nagoya LLC

S Hotel Operations Kyoto Tambaguchi LLC

SI Kaihatsu LLC

S Hotel Operations General Incorporated Association

Reason for exclusion from the scope of consolidation

The total assets, net sales, profit, retained earnings, and other figures for the four unconsolidated subsidiaries are all small amounts, and do not have a material effect on the consolidated balance sheets.

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 3–47 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) 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.

(4) 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.

(5) 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., and Samty Property Management Co., Ltd.

20 years

(6) 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.

(7) 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.

(Change in Presentation Methods)

(Consolidated Statement of Income)

Previously, when non-current assets bundled as land and building were sold, and gains or losses on sales were incurred for each asset class, “gain on sales of non-current assets” were recorded in extraordinary income, and “loss on sales of non-current assets” in extraordinary loss. However, to more accurately reflect the reality of the transaction, from the subject fiscal year this was changed to recording the total as “loss (gain) on sales.”

To reflect this change in presentation method, as a result of the recombination of the consolidated financial statements for the previous fiscal year, “gain on sales of non-current assets” recorded as “extraordinary income” in the Consolidated Statement of Income decreased by ¥1,207 million, and “loss on sales of non-current assets” recorded as “extraordinary loss” decreased by the same amount.

(Additional Information)

(Change of Holding Objective)

Previous fiscal year (December 1, 2017–November 30, 2018)

Owing to changes in holding objective, ¥14,953 million was transferred from tangible fixed assets to inventory.

(Related to Consolidated Statement of Income)

Impairment Loss

The Samty Group recorded impairment losses on the following asset groups during the subject fiscal year.

Application	Type	Location	Amount
			Millions of yen
Real estate for lease (Residential)	Structures and land	Handa-shi, Aichi	16
Other	Goodwill	Yodogawa-ku, Osaka-shi	5

The Samty Group treats individual real estate properties for leasing as an asset grouping unit. Of note, certain consolidated subsidiaries are treated as an asset grouping unit.

The real estate properties for leasing in the above chart are expected to incur impairment losses as a result of the sales policy decision. Accordingly, the Company has reduced the book value to a recoverable amount, and recorded the difference as impairment in extraordinary losses. Of note, the recoverable value is determined from the net realizable value, and calculated from the anticipated sale amount.

Also, the goodwill in the above chart is for the recording as an extraordinary loss of an undepreciated balance as an impairment loss in the Company's consolidated subsidiary Specialist Support System Co., Ltd., due to revisions to the business plan anticipated at the time of acquisition.

(Notes Related to the Consolidated Statements of Cash Flows)

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	
	2017	2018
Cash and deposits	25,857	44,510
Time deposits with maturities exceeding three months	(1,023)	(241)
Trust deposits with use restrictions	—	(153)
Deposits with withdrawal restrictions	—	(35)
Cash and cash equivalents	24,833	44,080

(Real Estate for Lease, etc.)

The Samty Group owns condominiums and office buildings (including land) for lease in the Kansai region centering on Osaka, the Kyushu region centering on Fukuoka Prefecture, and the Tokai region centering on Aichi Prefecture, as well as Hokkaido, Hiroshima Prefecture, the Northern Kanto area, and the Tokyo metropolitan area. In the fiscal year ended November 30, 2017, lease income from real estate for lease was ¥1,495 million (leasing revenues are presented within net sales and major costs of leasing are presented within cost of sales and selling, general and administrative expenses), income from real estate sales was ¥152 million (gain on real estate sales is presented within extraordinary income and loss on real estate sales is presented within extraordinary loss), and impairment loss was ¥726 million (presented within extraordinary loss). In the fiscal year ended November 30, 2018, lease income from real estate for lease was ¥1,378 million (leasing revenues are presented within net sales and major costs of leasing are presented within cost of sales and selling, general and administrative expenses), income from real estate sales was ¥809 million (gain on real estate sales is presented within extraordinary income and loss on real estate sales is presented within extraordinary loss), and impairment loss was ¥16 million (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	
		2017	2018
Amount presented on the Consolidated Balance Sheets	Beginning of period	48,897	59,551
	Change during period	10,654	(13,842)
	End of period	59,551	45,708
Fair market value at end of period		68,110	54,145

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 (¥26,876 million). The main decreases were due to sales of real estate (¥3,663 million), impairment loss (¥726 million), and transfer to inventory owing to changes in holding objective (¥11,863 million). During the subject fiscal year, the main increase was related to new acquisitions of fixed assets (¥18,995 million). The main decreases were due to sales of real estate (¥19,087 million), impairment loss (¥16 million), and transfer to inventory owing to changes in holding objective (¥14,930 million).
3. The fair market values at end of the fiscal years ended November 30, 2017 and 2018 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, 2016–November 30, 2017)

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	51,467	7,380	1,630	60,479	—	60,479
Inter-segment net sales and transfers	54	5	254	315	(315)	—
Total	51,522	7,386	1,885	60,794	(315)	60,479
Operating income	10,600	2,094	243	12,938	(2,806)	10,131
Segment assets	56,872	61,016	24,734	142,623	23,826	166,449
Other Items						
Depreciation expense	10	1,496	39	1,545	42	1,587
Increase in tangible fixed assets and intangible fixed assets	6	28,273	1,193	29,473	81	29,554

Notes

1. Adjustment to segment profit of (¥2,806 million) mainly comprises intersegment eliminations of (¥47 million), and unallocated corporate expenses of (¥2,759 million). Corporate expenses are general and administrative expenses not attributed to any reportable segment.

2. Adjustment to segment assets of ¥23,826 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, 2017–November 30, 2018)

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	75,138	6,806	2,329	84,274	—	84,274
Inter-segment net sales and transfers	4	1	162	167	(167)	—
Total	75,143	6,807	2,491	84,442	(167)	84,274
Operating income	15,547	1,907	83	17,537	(3,504)	14,033
Segment assets	50,728	45,876	24,439	121,044	41,455	162,500
Other Items						
Depreciation expense	10	1,163	61	1,235	47	1,282
Increase in tangible fixed assets and intangible fixed assets	2	19,369	478	19,850	136	19,987

Notes

1. Adjustment to segment profit of (¥3,504 million) mainly comprises intersegment eliminations of (¥60 million), and unallocated corporate expenses of (¥3,443 million). Corporate expenses are general and administrative expenses not attributed to any reportable segment.
 2. Adjustment to segment assets of ¥41,455 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)

Fiscal year under review (December 1, 2017–November 30, 2018)

No applicable items

(Per Share Information)

	2017	2018
Net assets per share (Yen)	1,387.04	1,616.59
Net income per share (Yen)	209.71	283.89
Diluted net income per share (Yen)	194.88	273.26

(Note) 1. The Company, on the shareholder determination date of September 30, 2018, issued stock acquisition rights without contribution (partial commitment-type rights offering / allotment of listing-type stock acquisition rights without contribution) to shareholders, and payment for the subject stock acquisition rights was completed. Because the amount paid based on the rights offering is lower than the market value, net assets per share and net income per share have been calculated assuming that payment based on the subject rights offering for the portion corresponding to the stock split was made at the beginning of the previous fiscal year.

2. Bases for calculation of net assets per share

	2017	2018
Total net assets (Millions of yen)	39,360	62,438
Amount subtracted from total net assets (Millions of yen)	343	905
Stock options (Millions of yen)	343	390
Non-controlling interests (Millions of yen)	—	514
Net assets attributable to common stock at end of period (Millions of yen)	39,017	61,533
Number of shares of common stock at end of period (Shares)	28,130,035	38,063,788

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

	2017	2018
Net income per share		
Profit attributable to owners of parent (Millions of yen)	5,661	8,489
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)	5,661	8,489
Average number of outstanding shares of common stock during the year (Shares)	26,995,738	29,902,396
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)	2,054,241	1,163,608
Convertible bonds (Shares)	1,110,454	—
Stock options (Shares)	943,787	1,163,608
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