

July 3, 2019

Flash Report (Consolidated Basis)
Results for the first half ended May 31, 2019
(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

Name: Yasuhiro Ogawa

Contact Person

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Quarterly report filing date (Planned): July 3, 2019

Start of dividend payments (Planned): August 19, 2019

Quarterly supplemental explanatory material prepared: Yes

Quarterly results briefing held: Yes (for institutional investors and analysts)

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

1. Consolidated Results for the first half of FY11/19 (December 1, 2018 to May 31, 2019)

(1) Consolidated Operating results

Six months ended May 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	%
2019	47,827	3.3	13,941	53.0	12,803	61.9	9,044	59.9
2018	46,317	22.9	9,112	31.5	7,908	29.3	5,655	31.3

(Note) Comprehensive Income: Six months ended May 31, 2019: ¥9,362 million, (58.9%)
 Six months ended May 31, 2018: ¥5,893 million, (35.6%)

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
2019	237.00	230.93
2018	200.75	194.22

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

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
May 31, 2019	192,808	69,320	35.7
November 30, 2018	162,500	62,438	37.9

(Reference) Total shareholders' equity: May 31, 2019: ¥68,748 million, November 30, 2018: ¥61,533 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
2018	—	0.00	—	68.00	68.00
2019	—	35.00			
2019 (Forecast)			—	42.00	77.00

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

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	16,000	14.0	13,500	16.0

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Fiscal year	9,500	11.9	240.99

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

Notes

- (1) Significant changes in subsidiaries during the subject fiscal period: Yes
(Changes in specified subsidiaries related to a change in the scope of consolidation)
Additions: 1 (SAMTY Asia Investments Pte. Ltd.) 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)	Six months ended May 31, 2019	40,946,240 shares	Year ended November 30, 2018	39,800,000 shares
2) Number of treasury stock	Six months ended May 31, 2019	1,737,068 shares	Year ended November 30, 2018	1,736,212 shares
3) Average number of shares outstanding for each period (cumulative term)	Six months ended May 31, 2019	38,162,862 shares	Six months ended May 31, 2018	28,170,225 shares

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, 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.

* 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.
- The Company plans to hold an explanatory meeting for institutional investors and analysts on July 26, 2019.

Table of Contents for Accompanying Material

1. Qualitative Information on Consolidated Results for the First Half of Fiscal 2019	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	12
(Note on Assumptions for Going Concern)	12
(Notes in the Event of Major Changes in Shareholders' Equity)	12
(Segment Information)	13
(Additional Information).....	14
(Significant Events after the Reporting Period)	14

1. Qualitative Information on Consolidated Results for the First Half of Fiscal 2019

(1) Explanation of Business Results

During the second quarter cumulative period, the Japanese economy continued to recover at a moderate pace, with continued improvement in the employment environment on the back of firm corporate earnings. However, the outlook remains clouded by such factors as the impact from the consumption tax hike, trade friction between the U.S. and China, a sense of slowdown in the Chinese economy, and fluctuations in financial and capital markets.

In the real estate industry, of which Samty Group is a part, despite areas for concern such as higher prices for development sites and rising construction costs, overall conditions remain favorable. 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, Samty Group, in accordance with its new medium-term management plan, the “Samty Toughening Plan” announced in September 2018, proactively conducted business based on the three priority measures of: 1) Strengthen and expand fee-based income businesses; 2) Strengthen the development of hotels and office buildings; and 3) Strengthen the financial base.

As a result, for the subject second quarter cumulative period, net sales amounted to ¥47,827 million (+3.3% from the same period of the previous fiscal year), with operating income of ¥13,941 million (+53.0%), ordinary income of ¥12,803 million (+61.9%), and profit attributable to owners of parent of ¥9,044 million (+59.9%). Both revenue and all earnings categories reached record high levels for a third consecutive period.

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 planning, development, revitalization and sales of income properties and other real estate.

During the subject second quarter cumulative period, properties sold as the S-RESIDENCE Series were: “S-RESIDENCE Shin-Okachimachi West” (Taito-ku, Tokyo); “S-RESIDENCE Shin-Okachimachi East” (Taito-ku, Tokyo); “S-RESIDENCE Nihombashibakurocho” (Chuo-ku, Tokyo); “S-RESIDENCE Zoshigaya” (Toshima-ku, Tokyo); “S-RESIDENCE Ikebukuro Norte” (Toshima-ku, Tokyo); “S-RESIDENCE Motoyawata” (Ichikawa-shi, Chiba); “S-RESIDENCE Aoi” (Higashi-ku, Nagoya-shi); “S-RESIDENCE Shigahontori” (Kita-ku, Nagoya-shi); “S-RESIDENCE Awaza West” (Nishi-ku, Osaka-shi); and “S-RESIDENCE Esaka Eminence” (Suita-shi, Osaka). Income apartments sold as a whole were: “SAMTY Residence Minami8jo” (Chuo-ku, Sapporo-shi); “SAMTY Residence Chibachuo” (Chuo-ku, Chiba-shi); “SAMTY Residence Funabashi Honcho” (Funabashi-shi, Chiba); “SAMTY Mikunihommachi Residence” (Yodogawa-ku, Osaka-shi); “SAMTY Canal Kobe” (Hyogo-ku, Kobe-shi); “SAMTY Kumamoto Gohukumachi” (Chuo-ku, Kumamoto-shi); and “FORTIS” (Urawa-ku, Saitama-shi). Income apartments sold in lots were: “SAMTY Himeshima LIBELE” (Nishiyodogawa-ku, Osaka-shi); and “SAMTY Osaka CITY WEST” (Nishiyodogawa-ku, Osaka-shi). Hotel assets sold were: “S-PERIA

INN Osakahommachi” (Nishi-ku, Osaka-shi); “S-PERIA Hotel Nagasaki” (Nagasaki-shi, Nagasaki); and “Mercure Kyoto Station” (Shimogyo-ku, Kyoto-shi)*. The Company also sold other commercial facilities.

As a result, net sales in the Real Estate Business segment amounted to ¥42,724 million (+2.1% from the same period of the previous fiscal year), with operating income of ¥14,845 million (+54.5%).

* The sale of Mercure Kyoto Station was a legal transfer of land based on a trust beneficiary right transfer contract dated May 31, 2019. The building is currently under developments, and is scheduled for handover in May 2020.

b. Property Leasing Business

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

Samty Group continued its efforts to expand its scope of business operations and strengthen purchasing of income properties. Additional income properties acquired were: “SAMTY Miyanomori Residence” (Chuo-ku, Sapporo-shi); “SAMTY Gakuemae” (Toyohira-ku, Sapporo-shi); “SAMTY Fukuzumi” (Toyohira-ku, Sapporo-shi); “SAMTY Tsukisamuchuo” (Toyohira-ku, Sapporo-shi); “SAMTY Maruyamasakura” (Chuo-ku, Sapporo-shi); “SAMTY Horitatori Residence” (Mizuho-ku, Nagoya-shi); “SAMTY Tenma Prime” (Kita-ku, Osaka-shi); “SAMTY Miyakojima Takakuracho” (Miyakojima-ku, Osaka-shi); “SAMTY Awaza Lusso” (Nishi-ku, Osaka-shi); “SAMTY Esaka JuReve” (Suita-shi, Osaka); “SAMTY Hakataekiminami” (Hakata-ku, Fukuoka-shi); “SAMTY Ohashiminami” (Minami-ku, Fukuoka-shi); “SAMTY Nanakuma Lake Side” (Jonan-ku, Fukuoka-shi); “SAMTY Nishikumamoto” (Minami-ku, Kumamoto-shi); “SAMTY Kagoshima Josei” (Kagoshima-shi, Kagoshima); “SAMTY Kagoshima ekimae Bayside II” (Kagoshima-shi, Kagoshima); “Elstanza Sakaeminami” (Naka-ku, Nagoya-shi); and “Belc Yagoto” (Tenpaku-ku, Nagoya-shi). Income properties acquired as office buildings were: “HELIOS Building” (Shinagawa-ku, Tokyo).

As a result, net sales in the Property Leasing Business segment amounted to ¥3,203 million (-11.4% from the same period of the previous fiscal year), with operating income of ¥1,174 million (+12.2%).

c. Other Business

Other business operations comprise the hotel business, including the holding and operating of “Center Hotel Tokyo” (Chuo-ku, Tokyo), and “S-PERIA Hotel Kyoto” (Shimogyo-ku, Kyoto-shi), and the management of “Center Hotel Osaka” (Chuo-ku, Osaka), “Hotel Sunshine Utsunomiya” (Utsunomiya-shi, Tochigi), “S-PERIA INN Nihombashihakozaki” (Chuo-ku, Tokyo), “S-PERIA INN Osakahommachi” (Nishi-ku, Osaka-shi), and “S-PERIA Hotel Nagasaki” (Nagasaki-shi, Nagasaki). The Company also has a condominium management business and construction / renovation business.

As a result, net sales in the Other Business segment amounted to ¥1,899 million (+126.3% from the same period of the previous fiscal year), with an operating income of ¥5 million (compared to operating loss of ¥42 million in the same period of the previous fiscal year).

(2) Qualitative Information on the Consolidated Financial Position

From the first quarter period of the subject fiscal year, the Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018). This standard has been retroactively applied to financial position figures to allow for comparison and analysis with the previous fiscal year-end.

1) Assets, Liabilities, and Net Assets

Assets

Total assets at the end of the subject second quarter cumulative period amounted to ¥192,808 million, an increase of ¥30,308 million compared to the end of the previous fiscal year. Of this amount, current assets increased ¥16,608 million to ¥124,512 million, and non-current assets increased ¥13,700 million to ¥68,295 million. The main factors for the increase in current assets were increases of ¥9,656 million in real estate for sale; and ¥7,688 million in real estate for sale under construction. The main factors for the increase in non-current assets were increases of ¥9,468 million in net property and equipment; and ¥4,219 million in investments and other assets.

Liabilities

Total liabilities at the end of the subject second quarter cumulative period amounted to ¥123,488 million, an increase of ¥23,426 million compared to the end of the previous fiscal year. Of this amount, current liabilities increased ¥1,738 million to ¥21,517 million, while non-current liabilities increased ¥21,687 million to ¥101,970 million. The main factors for the increase in current liabilities were an increase of ¥4,590 million in short-term borrowings; against a decline of ¥1,564 million in accrued income taxes. The main factor for the increase in non-current liabilities was an increase of ¥21,489 million in long-term debt.

Net Assets

Total net assets at the end of the subject second quarter cumulative period amounted to ¥69,320 million, an increase of ¥6,881 million compared to the end of the previous fiscal year. This was due mainly to an increase of ¥9,044 million in retained earnings from the recording of profit attributable to owners of parent; against a decrease of ¥2,588 million in retained earnings from dividend payments.

2) Cash Flows

Cash and cash equivalents (“cash”) at the end of the subject second quarter cumulative period amounted to ¥43,230 million, a decrease of ¥849 million compared to the end of the previous fiscal year. This was due mainly to ¥4,933 million in cash used in operating activities; ¥18,299 million in cash used in investing activities; and ¥22,131 million in cash provided by financing activities.

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

Cash Flow from Operating Activities

Net cash used in operating activities amounted to ¥4,933 million (compared to ¥17,700 million in cash

provided in the same period of the previous fiscal year). This was due mainly to ¥13,062 million in income before income taxes; ¥11,717 million in increase in inventories; and ¥4,212 million in income taxes paid.

Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥18,299 million (compared to ¥6,828 million in cash provided in the same period of the previous fiscal year). This was due mainly to ¥16,033 million in purchase of property, plant and equipment.

Cash Flow from Financing Activities

Net cash provided by financing activities amounted to ¥22,131 million (compared to ¥17,111 million in cash used in the same period of the previous fiscal year). This was due mainly to ¥18,873 million in increase in short-term loans payable; ¥14,913 million in decrease in short-term loans payable; ¥47,200 million in proceeds from long-term loans; ¥26,003 million in repayments of long-term loans; and ¥2,584 million in dividends paid.

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

Results forecasts for the full fiscal year are unchanged from those announced in “Notice of Revision to Results Forecast and Dividend Forecast” released on May 30, 2019.

2. Consolidated Financial Statements and Main Explanatory Notes

(1) Consolidated Balance Sheets

	Millions of yen	
	November 30, 2018	May 31, 2019
ASSETS		
Current assets:		
Cash and deposits	44,510	43,658
Receivables	928	535
Real estate for sale	26,181	35,838
Real estate for sale under construction	34,886	42,574
Goods	0	0
Supplies	8	13
Other	1,389	1,893
Allowance for doubtful accounts	(1)	(1)
Total current assets	107,904	124,512
Non-current assets:		
Property and equipment:		
Buildings and structures net	20,071	23,886
Buildings in trust net	2,779	3,865
Land	20,936	24,215
Land in trust	2,426	3,649
Other net	326	391
Net property and equipment	46,539	56,008
Intangible assets:		
Goodwill	52	49
Other intangible assets	120	135
Total intangible assets	172	184
Investments and other assets:		
Investment securities	3,887	7,787
Deferred tax assets	694	356
Other	3,355	4,012
Allowance for doubtful accounts	(54)	(53)
Total Investments and other assets	7,883	12,103
Total non-current assets	54,595	68,295
Total assets	162,500	192,808

	Millions of yen	
	November 30, 2018	May 31, 2019
LIABILITIES		
Current liabilities:		
Notes and accounts payable	589	304
Short-term borrowings	1,340	5,931
Current portion of long-term debt	9,470	9,549
Accrued income taxes	4,595	3,971
Other	3,782	1,760
Total current liabilities	19,779	21,517
Non-current liabilities:		
Long-term debt	78,362	99,852
Liabilities for retirement benefits	156	180
Guarantee deposits	1,035	1,113
Construction assistance fund	538	510
Other long-term liabilities	188	313
Total non-current liabilities	80,282	101,970
Total liabilities	100,061	123,488
NET ASSETS		
Shareholders' equity:		
Common stock	15,935	16,184
Capital surplus	16,242	16,491
Retained earnings	30,556	37,012
Treasury stocks at cost	(1,330)	(1,331)
Total shareholders' equity	61,404	68,355
Accumulated other comprehensive income:		
Unrealized gain on available for-sale securities	129	392
Total accumulated other comprehensive income	129	392
Stock acquisition rights	390	—
Non-controlling interests	514	571
Total net assets	62,438	69,320
Total liabilities and net assets	162,500	192,808

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

Six months ended May 31

	Millions of yen	
	2018	2019
Net sales	46,317	47,827
Cost of sales	33,822	29,597
Gross profit	12,494	18,230
Selling, general and administrative expenses	3,382	4,288
Operating income	9,112	13,941
Non-operating income:		
Interest income	1	0
Dividends	1	3
Refund of premium for cancelled insurance	12	10
Other	10	3
Total non-operating income	26	17
Non-operating expenses:		
Interest expenses	723	685
Commission fee	289	332
Loss on valuation of interest swaps	68	118
Other	148	18
Total non-operating expenses	1,230	1,155
Ordinary income	7,908	12,803
Extraordinary income:		
Gain on sales of non-current assets	484	259
Other	36	—
Total extraordinary income	521	259
Extraordinary loss:		
Loss on sales of non-current assets	49	—
Loss on retirement of non-current assets	0	0
Impairment loss	5	—
Total extraordinary losses	55	0
Income before income taxes	8,374	13,062
Income taxes-current	2,568	3,740
Income taxes-deferred	16	222
Total income taxes	2,585	3,962
Net income	5,789	9,099
Profit attributable to non-controlling interests	133	54
Profit attributable to owners of parent	5,655	9,044

Consolidated Statements of Comprehensive Income

Six months ended May 31

	Millions of yen	
	2018	2019
Income before minority interests	5,789	9,099
Other comprehensive income:		
Unrealized gain on available for-sale securities	104	263
Total other comprehensive income	104	263
Comprehensive income	5,893	9,362
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	5,759	9,308
Comprehensive income attributable to non-controlling interests	133	54

(3) Consolidated Statements of Cash Flows

Six months ended May 31

	Millions of yen	
	2018	2019
Operating activities:		
Income before income taxes	8,374	13,062
Depreciation	647	548
Impairment loss	5	—
Amortization of goodwill	4	3
Increase (decrease) in allowance for doubtful accounts	17	(0)
Increase (Decrease) in net defined benefit liability	5	24
Interest and dividends income	(2)	(3)
Interest expenses	723	685
Commission fee	289	332
Loss (gain) on sales of property, plant and equipment	(435)	(259)
Decrease (increase) in notes and accounts receivable - trade	(321)	405
Decrease (Increase) in inventories	12,819	(11,717)
Increase (decrease) in notes and accounts payable - trade	(833)	(293)
Increase (decrease) in accrued consumption taxes	727	(2,345)
Increase (decrease) in lease and guarantee deposits received	(308)	77
Other-net	(1,548)	(534)
Subtotal	20,164	(15)
Decrease in interest and dividends receivable	2	3
Decrease in interest payable	(728)	(709)
Income taxes paid	(1,738)	(4,212)
Net cash provided by (used in) operating activities	17,700	(4,933)
Investing activities:		
Payments into time deposits	—	(32)
Proceeds from withdrawal of time deposits	463	68
Purchase of property, plant and equipment	(6,807)	(16,033)
Proceeds from sales of property, plant and equipment	13,737	1,329
Purchase of intangible assets	(39)	(39)
Proceeds from sales of intangible assets	—	0
Purchase of investment securities	(1,035)	(3,608)
Proceeds from redemption of investment securities	496	72
Payments for investments in capital	(3)	(0)
Proceeds from collection of investments	—	0
Payments of construction assistance fund receivables	(27)	(27)
Other-net	42	(34)
Net cash provided by (used in) investing activities	6,828	(18,299)

(continued on page 11)

	Millions of yen	
	2018	2019
Financing activities:		
Increase in short-term loans payable	13,777	18,873
Decrease in short-term loans payable	(20,538)	(14,913)
Proceeds from long-term loans	33,576	47,200
Repayments of long-term loans	(43,042)	(26,003)
Proceeds from issuance of common shares	9	1
Purchase of treasury shares	—	(1)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	585	—
Dividends paid	(1,182)	(2,584)
Other-net	(297)	(441)
Net cash provided by (used in) financing activities	(17,111)	22,131
Net increase (decrease) in cash and cash equivalents	7,417	(1,101)
Cash and cash equivalents, beginning of the period	24,833	44,080
Increase in cash and cash equivalents from newly consolidated subsidiary	—	251
Cash and cash equivalents, end of the period	32,251	43,230

(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 half of FY11/18 (from December 1, 2017 to May 31, 2018)

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

Six months ended May 31, 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	41,862	3,615	839	46,317	—	46,317
Inter-segment net sales and transfers	6	1	107	115	(115)	—
Total	41,869	3,616	946	46,432	(115)	46,317
Operating income	9,608	1,046	(42)	10,612	(1,500)	9,112

Notes

1. The ¥1,500 million downward adjustment to operating income (loss) comprises a negative ¥13 million in intersegment eliminations, and a negative ¥1,486 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.

II Results for the first half of FY11/19 (from December 1, 2018 to May 31, 2019)

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

Six months ended May 31, 2019

	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	42,724	3,203	1,899	47,827	—	47,827
Inter-segment net sales and transfers	18	—	207	226	(226)	—
Total	42,743	3,203	2,106	48,053	(226)	47,827
Operating income	14,845	1,174	5	16,024	(2,083)	13,941

Notes

1. The ¥2,083 million downward adjustment to operating income (loss) comprises a positive ¥38 million in intersegment eliminations, and a negative ¥2,121 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.

(Additional Information)

Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”

From the first quarter period of the subject fiscal year, the Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018).

Deferred tax assets are categorized as “Investments and other assets,” and deferred tax liabilities as “Non-current liabilities.”

Change in Holding Purpose

Due to a change in holding purpose, ¥5,631 million was transferred from “Property, plant and equipment” to “Inventories.”

(Significant Events after the Reporting Period)

The Company, at a meeting of the Board of Directors held on May 30, 2019, decided to conclude a capital and business alliance agreement with Daiwa Securities Group Inc., dispose of treasury shares through a third-party allocation, and issue the First Series of Unsecured Convertible Bonds with Stock Acquisition Rights. The treasury share disposal and issuance of bonds with stock acquisition rights was conducted on June 14, 2019.

1. Capital and Business Alliance Agreement

(1) Objectives and Reasons

Samty Group has formulated the “Samty Toughening Plan,” its medium-term management plan for the period of FY11/19 to FY11/21, released on September 18, 2019. The key strategies in this plan are: 1) Strengthen the business model centered on Samty Residential Investment Corporation (SRR) to strengthen and expand the fee-based income business, in order to provide stable earnings and enhance cash flow going forward; 2) Strengthen hotel and office development, in order to expand the hotel management business and capture growth in the domestic real estate market; and 3) Strengthen the financial base, in order to prepare for future correction phases in the real estate market.

At the same time, Samty Group has established a close relationship with Daiwa Securities Co. Ltd., beginning with Daiwa Securities’ underwriting of the Company’s new share issuance and sale announced in May 2013, and continuing with support for its investor relations activities, fundraising activities, the listing of SRR, and the change in the Company’s listed market to the first section of the Tokyo Stock Exchange. Samty Group has also established a close relationship with Daiwa Securities’ parent company, Daiwa Securities Group Inc., through the underwriting of the issuance of new investment units from SRR’s third-party placement announced in January 2018, and the partial acquisition of shares in the Company’s consolidated subsidiary Samty Asset Management Co., Ltd. Further, Samty Group has consulted with Daiwa Securities Group regarding cooperation in hotel development. As a result, because of the mutual benefits, including for Samty Group the acceleration of its business advancement through greater fund raising capacity and early achievement of the “Samty Toughening Plan,” and for Daiwa Securities Group expanded investment opportunities in real

estate-related businesses, Samty Group and Daiwa Securities Group have agreed to pursue a business alliance as outlined below.

(2) Content of the Business Alliance

- i. Cooperation in large-scale hotel development funds
- ii. Closer cooperation in the asset management business
- iii. Daiwa Securities Group providing Samty Group with the information it has on corporate real estate (CRE)
- iv. Cooperation in business development in Asia
- v. Cooperation in real estate sales to wealthy individuals, and crowdfunding

(3) Content of the Capital Alliance

The Company, by means of a third-party allocation, will allocate to Daiwa Securities Group 1,737,068 shares of treasury stock, and convertible bonds with stock acquisition rights (5,813,953 issued shares through conversion of the bonds with stock acquisition rights). Daiwa Securities Group will also acquire 5,204,074 shares of the Company's stock from the Company's shareholders.

2. Disposition of Treasury Shares

1) Payment date	June 14, 2019
2) No. of disposed shares	1,737,068 shares of common stock
3) Disposal value	JPY 1,600 per share
4) Total amount of disposal value	JPY 2,779,308,800
5) Subscription or allotment method	Third-party allocation
6) Assignee	Daiwa Securities Group Inc.
7) Other	Each of the above items is contingent on the effectuation of a securities registration statement in accordance with the Financial Instruments and Exchange Act, and that such effectuation is not suspended on the payment date.

3. Issuance of Bonds with Stock Acquisition Rights

1) Payment date	June 14, 2019 The allotment date of stock acquisition rights will be June 14, 2019. However, the allotment of stock acquisition rights is contingent on the payment of the payment amount for the bonds on the payment date.
2) Total number of stock acquisition rights	20 units
3) Issue price corporate bonds and share acquisition rights	JPY 100 per JPY 100 in face value of the bonds No payment is necessary for conversion of share acquisition rights.
4) No. of dilutive shares from the issuance	5,813,953 shares
5) Amount of funds procured	JPY 10,000 million
6) Exercise value or conversion value	JPY 1,720 per share
7) Subscription or allotment method	Third-party allocation
8) Assignee	Daiwa Securities Group Inc.
9) Other	Each of the above items is contingent on the effectuation of a securities registration statement in accordance with the Financial Instruments and Exchange Act, and that such effectuation is not suspended on the payment date.

END