

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

Title: Executive Officer, General Manager of Business Administration Division, and General Manager of Corporate Planning Department

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Quarterly report filing date (Planned): October 7, 2019

Start of dividend payments (Planned): —

Quarterly supplemental explanatory material prepared: Yes

Quarterly results briefing held: No

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

1. Consolidated Results for the nine-month period of FY11/19
(December 1, 2018 to August 31, 2019)

(1) Consolidated Operating results

Nine months ended August 31

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

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | |
|------|-----------------|------|------------------|------|-----------------|------|---|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| 2019 | 71,789 | 15.8 | 14,810 | 46.0 | 13,148 | 54.1 | 9,232 | 46.9 |
| 2018 | 61,981 | 45.2 | 10,140 | 43.9 | 8,531 | 47.8 | 6,285 | 48.7 |

(Note) Comprehensive Income: Nine months ended August 31, 2019: ¥9,717 million, (49.6%)
 Nine months ended August 31, 2018: ¥6,497 million, (51.5%)

| | Net income per share | Net Income per share after adjustment for residual shares |
|------|----------------------|---|
| | Yen | Yen |
| 2019 | 237.25 | 223.78 |
| 2018 | 222.86 | 215.74 |

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) Consolidated Financial condition

| | Total assets | Net assets | Equity ratio |
|-------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| August 31, 2019 | 199,770 | 71,080 | 35.3 |
| November 30, 2018 | 162,500 | 62,438 | 37.9 |

(Reference) Total shareholders' equity: August 31, 2019: ¥70,470 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) | Nine months ended August 31, 2019 | 40,946,240 shares | Year ended November 30, 2018 | 39,800,000 shares |
| 2) Number of treasury stock | Nine months ended August 31, 2019 | 859 shares | Year ended November 30, 2018 | 1,736,212 shares |
| 3) Average number of shares outstanding for each period (cumulative term) | Nine months ended August 31, 2019 | 38,913,517 shares | Nine months ended August 31, 2018 | 28,204,130 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. For the assumptions underlying results forecasts and precautions on use of results forecasts, see Page 5 of the accompanying material “1. Qualitative Information on Consolidated Results for the Nine-Month Period of Fiscal 2018; (3) Explanation of Consolidated Results Forecasts and Other Future Predictions.”

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1. Qualitative Information on Consolidated Results for the Nine-Month Period of Fiscal 2019

(1) Explanation of Business Results

During the third 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 trade friction between the U.S. and China, the outlook for the Chinese economy, rising oil prices, 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 third quarter cumulative period, net sales amounted to ¥71,789 million (+15.8% from the same period of the previous fiscal year), with operating income of ¥14,810 million (+46.0%), ordinary income of ¥13,148 million (+54.1%), and profit attributable to owners of parent of ¥9,232 million (+46.9%).

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 third 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 Hikifune” (Sumida-ku, Tokyo); “S-RESIDENCE Motoyawata” (Ichikawa-shi, Chiba); “S-RESIDENCE Aoi” (Higashi-ku, Nagoya-shi); “S-RESIDENCE Shigahontori” (Kita-ku, Nagoya-shi); “S-RESIDENCE Chikusa” (Chikusa-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 Rafeie Nangodori” (Shiroishi-ku, Sapporo-shi); “SAMTY Residence Aobadai” (Aoba-ku, Yokohama-shi); “SAMTY Residence Komazawa University” (Setagaya-ku, Tokyo); “SAMTY Residence Chibachuo” (Chuo-ku, Chiba-shi); “SAMTY Residence Funabashi Honcho” (Funabashi-shi, Chiba); “SAMTY Sakurayama Residence” (Mizuho-ku, Nagoya-shi); “SAMTY Mikunihommachi Residence” (Yodogawa-ku, Osaka-shi); “SAMTY Fukushima EBIE” (Fukushima-ku, Osaka-shi); “SAMTY Miyakojima KERS”

(Miyakojima-ku, Osaka-shi); “SAMTY Ooimazatonishi” (Higashinari-ku, Osaka-shi); “SAMTY Sakuragawaminami” (Naniwa-ku, Osaka-shi); “SAMTY Esaka LIBERTS” (Suita-shi, Osaka); “SAMTY Esaka Tarumicho Residence” (Suita-shi, Osaka); “SAMTY Canal Kobe” (Hyogo-ku, Kobe-shi); “SAMTY Meinohama” (Nishi-ku, Fukuoka-shi); “SAMTY Nagasaki daigaku byoin-mae” (Nagasaki-shi, Nagasaki); “SAMTY Saga Tenjin” (Saga-shi, Saga); “SAMTY Kumamoto Gohukumachi” (Chuo-ku, Kumamoto-shi); “PLESTAY WIN Kinshicho” (Sumida-ku, Tokyo); “Attract” (Saiwai-ku, Kawasaki-shi); “SHILOR Motoyawata” (Ichikawa-shi, Chiba); “FORTIS” (Urawa-ku, Saitama-shi); “La stella” (Handa-shi, Aichi); “Live Casa Miyakojima Uchindai” (Miyakojima-ku, Osaka-shi); and “SUNRESIDENCE Keitoku” (Chuo-ku, Kumamoto-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 ¥63,895 million (+15.6% from the same period of the previous fiscal year), with operating income of ¥16,024 million (+46.3%).

* 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 development, 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 Gakuemmae” (Toyohira-ku, Sapporo-shi); “SAMTY Fukuzumi” (Toyohira-ku, Sapporo-shi); “SAMTY Tsukisamuchuo” (Toyohira-ku, Sapporo-shi); “SAMTY Maruyamasakura” (Chuo-ku, Sapporo-shi); “SAMTY Residence Kosai” (Chuo-ku, Sapporo-shi); “SAMTY Horitatori Residence” (Mizuho-ku, Nagoya-shi); “SAMTY Atsuta RESIDENCE” (Atsuta-ku, Nagoya-shi); “SAMTY Tenma Prime” (Kita-ku, Osaka-shi); “SAMTY Miyakojima Takakuracho” (Miyakojima-ku, Osaka-shi); “SAMTY Miyakojimakitadori” (Miyakojima-ku, Osaka-shi); “SAMTY Kyobashi Fluss” (Joto-ku, Osaka-shi); “SAMTY Awaza Lusso” (Nishi-ku, Osaka-shi); “SAMTY Abenoshowacho” (Abeno-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 Keitoku RESIDENCE I” (Chuo-ku, Kumamoto-shi); “SAMTY Mukaemachi” (Chuo-ku, Kumamoto-shi); “SAMTY Kagoshima Josei” (Kagoshima-shi, Kagoshima); “SAMTY Kagoshima ekimae Bayside II” (Kagoshima-shi, Kagoshima); “Elstanza Sakaeminami” (Naka-ku, Nagoya-shi); “Belc Yagoto” (Tenpaku-ku, Nagoya-shi); “GRANDEUR Higashisakura” (Higashi-ku, Nagoya-shi); “FLORAL Horiki” (Yokkaichi-shi, Mie); and “LIVE GARDEN Esaka VI” (Suita-shi, Osaka). 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 ¥4,959 million (-5.0% from the same period of the previous fiscal year), with operating income of ¥1,850 million (+24.1%).

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), “S-PERIA Hotel Hakata” (Hakata-ku, Fukuoka-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 ¥2,934 million (+100.1% from the same period of the previous fiscal year), with an operating income of ¥16 million (+15.3%).

(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 third quarter cumulative period amounted to ¥199,770 million, an increase of ¥37,269 million compared to the end of the previous fiscal year. Of this amount, current assets increased ¥10,923 million to ¥118,827 million, and non-current assets increased ¥26,346 million to ¥80,942 million. The main factors for the increase in current assets were increases of ¥1,824 million in real estate for sale; and ¥8,265 million in real estate for sale under construction. The main factors for the increase in non-current assets were increases of ¥17,990 million in net property and equipment; and ¥8,332 million in investments and other assets.

Liabilities

Total liabilities at the end of the subject third quarter cumulative period amounted to ¥128,689 million, an increase of ¥28,627 million compared to the end of the previous fiscal year. Of this amount, current liabilities increased ¥3,470 million to ¥23,249 million, while non-current liabilities increased ¥25,157 million to ¥105,439 million. The main factors for the increase in current liabilities were an increase of ¥4,807 million in short-term borrowings; and ¥4,263 million in current portion of long-term borrowings; against a decline of ¥3,941 million in accrued income taxes. The main factors for the increase in non-current liabilities were increases of ¥15,008 million in long-term debt; and ¥10,000 million in bonds with share acquisition rights.

Net Assets

Total net assets at the end of the subject third quarter cumulative period amounted to ¥71,080 million, an increase of ¥8,642 million compared to the end of the previous fiscal year. This was due mainly to an increase of ¥9,232 million in retained earnings from the recording of profit attributable to owners of parent.

2) Cash Flows

Cash and cash equivalents (“cash”) at the end of the subject third quarter cumulative period amounted to ¥44,065 million, a decrease of ¥15 million compared to the end of the previous fiscal year. This was due mainly to ¥69 million in cash used in operating activities; ¥31,532 million in cash used in investing activities; and ¥31,335 million in cash provided by financing activities.

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

Cash Flow from Operating Activities

Net cash used in operating activities amounted to ¥69 million (compared to ¥21,171 million in cash provided in the same period of the previous fiscal year). This was due mainly to ¥13,403 million in income before income taxes; ¥4,459 million in increase in inventories; and ¥10,344 million in income taxes paid.

Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥31,532 million (compared to ¥4,968 million in cash provided in the same period of the previous fiscal year). This was due mainly to ¥25,077 million in purchase of property, plant and equipment; and ¥7,760 million in purchase of investment securities.

Cash Flow from Financing Activities

Net cash provided by financing activities amounted to ¥31,335 million (compared to ¥21,637 million in cash used in the same period of the previous fiscal year). This was due mainly to ¥21,555 million in increase in short-term loans payable; ¥17,378 million in decrease in short-term loans payable; ¥63,604 million in proceeds from long-term loans; ¥44,702 million in repayments of long-term loans; and ¥10,000 million in proceeds from issuance of bonds with share acquisition rights.

(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 | August 31, 2019 |
| ASSETS | | |
| Current assets: | | |
| Cash and deposits | 44,510 | 44,692 |
| Receivables | 928 | 591 |
| Real estate for sale | 26,181 | 28,006 |
| Real estate for sale under construction | 34,886 | 43,151 |
| Goods | 0 | 1 |
| Supplies | 8 | 10 |
| Other | 1,389 | 2,375 |
| Allowance for doubtful accounts | (1) | (0) |
| Total current assets | 107,904 | 118,827 |
| Non-current assets: | | |
| Property and equipment: | | |
| Buildings and structures net | 20,071 | 27,793 |
| Buildings in trust net | 2,779 | 4,798 |
| Land | 20,936 | 26,699 |
| Land in trust | 2,426 | 4,611 |
| Other net | 326 | 627 |
| Net property and equipment | 46,539 | 64,530 |
| Intangible assets: | | |
| Goodwill | 52 | 47 |
| Other intangible assets | 120 | 148 |
| Total intangible assets | 172 | 195 |
| Investments and other assets: | | |
| Investment securities | 3,887 | 12,147 |
| Deferred tax assets | 694 | 119 |
| Other | 3,355 | 4,002 |
| Allowance for doubtful accounts | (54) | (53) |
| Total Investments and other assets | 7,883 | 16,216 |
| Total non-current assets | 54,595 | 80,942 |
| Total assets | 162,500 | 199,770 |

| | Millions of yen | |
|--|-------------------|-----------------|
| | November 30, 2018 | August 31, 2019 |
| LIABILITIES | | |
| Current liabilities: | | |
| Notes and accounts payable | 589 | 519 |
| Short-term borrowings | 1,340 | 6,148 |
| Current portion of long-term debt | 9,470 | 13,734 |
| Accrued income taxes | 4,595 | 654 |
| Other | 3,782 | 2,193 |
| Total current liabilities | 19,779 | 23,249 |
| Non-current liabilities: | | |
| Bonds with share acquisition rights | — | 10,000 |
| Long-term debt | 78,362 | 93,371 |
| Liabilities for retirement benefits | 156 | 181 |
| Guarantee deposits | 1,035 | 1,009 |
| Construction assistance fund | 538 | 497 |
| Other long-term liabilities | 188 | 380 |
| Total non-current liabilities | 80,282 | 105,439 |
| Total liabilities | 100,061 | 128,689 |
| NET ASSETS | | |
| Shareholders' equity: | | |
| Common stock | 15,935 | 16,184 |
| Capital surplus | 16,242 | 17,938 |
| Retained earnings | 30,556 | 35,827 |
| Treasury stocks at cost | (1,330) | (1) |
| Total shareholders' equity | 61,404 | 69,948 |
| Accumulated other comprehensive income: | | |
| Unrealized gain on available for-sale securities | 129 | 589 |
| Foreign currency translation adjustment | — | (67) |
| Total accumulated other comprehensive income | 129 | 521 |
| Stock acquisition rights | 390 | — |
| Non-controlling interests | 514 | 610 |
| Total net assets | 62,438 | 71,080 |
| Total liabilities and net assets | 162,500 | 199,770 |

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

Nine months ended August 31

| | Millions of yen | |
|---|-----------------|---------------|
| | 2018 | 2019 |
| Net sales | 61,981 | 71,789 |
| Cost of sales | 46,930 | 50,378 |
| Gross profit | 15,050 | 21,411 |
| Selling, general and administrative expenses | 4,910 | 6,601 |
| Operating income | 10,140 | 14,810 |
| Non-operating income: | | |
| Interest income | 1 | 1 |
| Dividends | 11 | 13 |
| Refund of premium for cancelled insurance | 17 | 21 |
| Other | 15 | 5 |
| Total non-operating income | 46 | 42 |
| Non-operating expenses: | | |
| Interest expenses | 1,064 | 1,068 |
| Commission fee | 337 | 448 |
| Loss on valuation of interest swaps | 34 | 166 |
| Other | 219 | 20 |
| Total non-operating expenses | 1,655 | 1,703 |
| Ordinary income | 8,531 | 13,148 |
| Extraordinary income: | | |
| Gain on sales of non-current assets | 881 | 259 |
| Other | 37 | — |
| Total extraordinary income | 918 | 259 |
| Extraordinary loss: | | |
| Loss on sales of non-current assets | 100 | — |
| Loss on retirement of non-current assets | 0 | 4 |
| Impairment loss | 5 | — |
| Total extraordinary losses | 106 | 4 |
| Income before income taxes | 9,343 | 13,403 |
| Income taxes-current | 4,160 | 3,706 |
| Income taxes-deferred | (1,254) | 371 |
| Total income taxes | 2,905 | 4,077 |
| Net income | 6,437 | 9,325 |
| Profit attributable to non-controlling interests | 152 | 93 |
| Profit attributable to owners of parent | 6,285 | 9,232 |

Consolidated Statements of Comprehensive Income

Nine months ended August 31

| | Millions of yen | |
|--|-----------------|--------------|
| | 2018 | 2019 |
| Income before minority interests | 6,437 | 9,325 |
| Other comprehensive income: | | |
| Unrealized gain on available for-sale securities | 59 | 460 |
| Foreign currency translation adjustment | — | (67) |
| Total other comprehensive income | 59 | 392 |
| Comprehensive income | 6,497 | 9,717 |
| Comprehensive income attributable to: | | |
| Comprehensive income attributable to owners of the parent | 6,345 | 9,624 |
| Comprehensive income attributable to non-controlling interests | 152 | 93 |

(3) Consolidated Statements of Cash Flows

Nine months ended August 31

| | Millions of yen | |
|--|-----------------|-----------------|
| | 2018 | 2019 |
| Operating activities: | | |
| Income before income taxes | 9,343 | 13,403 |
| Depreciation | 966 | 848 |
| Impairment loss | 5 | — |
| Amortization of goodwill | 23 | 4 |
| Increase (decrease) in allowance for doubtful accounts | 17 | (0) |
| Increase (Decrease) in net defined benefit liability | 5 | 24 |
| Interest and dividends income | (13) | (14) |
| Interest expenses | 1,064 | 1,068 |
| Commission fee | 337 | 448 |
| Foreign exchange losses (gains) | — | (0) |
| Loss (gain) on sales of property, plant and equipment | (780) | (259) |
| Decrease (increase) in notes and accounts receivable - trade | (26) | 349 |
| Decrease (Increase) in inventories | 17,771 | (4,459) |
| Increase (decrease) in notes and accounts payable - trade | (2,757) | (81) |
| Increase (decrease) in accrued consumption taxes | 1,004 | (2,586) |
| Increase (decrease) in lease and guarantee deposits received | (309) | (25) |
| Other-net | (1,420) | 2,569 |
| Subtotal | 25,233 | 11,288 |
| Decrease in interest and dividends receivable | 13 | 14 |
| Decrease in interest payable | (1,075) | (1,027) |
| Income taxes paid | (3,000) | (10,344) |
| Net cash provided by (used in) operating activities | 21,171 | (69) |
| Investing activities: | | |
| Payments into time deposits | (676) | (45) |
| Proceeds from withdrawal of time deposits | 473 | 73 |
| Purchase of property, plant and equipment | (12,968) | (25,077) |
| Proceeds from sales of property, plant and equipment | 19,507 | 1,329 |
| Purchase of intangible assets | (48) | (55) |
| Proceeds from sales of intangible assets | — | 0 |
| Purchase of investment securities | (1,822) | (7,760) |
| Proceeds from redemption of investment securities | 503 | 76 |
| Payments for investments in capital | (3) | (0) |
| Proceeds from collection of investments | 1 | 0 |
| Payments of construction assistance fund receivables | (41) | (41) |
| Other-net | 42 | (33) |
| Net cash provided by (used in) investing activities | 4,968 | (31,532) |

(continued on page 11)

| | Millions of yen | |
|---|-----------------|---------------|
| | 2018 | 2019 |
| Financing activities: | | |
| Increase in short-term loans payable | 16,988 | 21,555 |
| Decrease in short-term loans payable | (21,740) | (17,378) |
| Proceeds from long-term loans | 41,083 | 63,604 |
| Repayments of long-term loans | (57,063) | (44,702) |
| Proceeds from issuance of bonds with share acquisition rights | — | 10,000 |
| Proceeds from issuance of common shares | 40 | 2,780 |
| Purchase of treasury shares | — | (2) |
| Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | 585 | — |
| Dividends paid | (1,182) | (3,958) |
| Other-net | (350) | (562) |
| Net cash provided by (used in) financing activities | (21,637) | 31,335 |
| Effect of exchange rate change on cash and cash equivalents | — | (0) |
| Net increase (decrease) in cash and cash equivalents | 4,501 | (267) |
| 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 | 29,335 | 44,065 |

(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)

The Company, at a meeting of the Board of Directors held on May 30, 2019, concluded a capital and business alliance agreement with Daiwa Securities Group Inc., and on June 14, 2019, disposed of treasury shares (1,737,068 shares) through a third-party allocation. As a result, during the subject third quarter cumulative period, capital surplus increased by ¥1,447 million, and treasury shares by ¥1,331 million. At the end of the subject third quarter cumulative period, capital surplus amounted to ¥17,938 million, and treasury shares ¥1 million.

(Segment Information)

I Results for the nine months of FY11/18 (from December 1, 2017 to August 31, 2018)

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

Nine months ended August 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 | 55,294 | 5,220 | 1,466 | 61,981 | — | 61,981 |
| Inter-segment net sales and transfers | 9 | 1 | 131 | 141 | (141) | — |
| Total | 55,303 | 5,221 | 1,597 | 62,122 | (141) | 61,981 |
| Operating income | 10,953 | 1,491 | 14 | 12,458 | (2,318) | 10,140 |

Notes

1. The ¥2,318 million downward adjustment to operating income comprises a negative ¥41 million in intersegment eliminations, and a negative ¥2,276 million in corporate expenses not allocated to any reportable segment. Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Segment operating income is adjusted to the operating income on the consolidated income statement.

2. Disclosure of Impairment Loss of Non-Current Assets or Goodwill by Reportable Segment

Not applicable.

II Results for the nine months of FY11/19 (from December 1, 2018 to August 31, 2019)

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

Nine months ended August 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 | 63,895 | 4,959 | 2,934 | 71,789 | — | 71,789 |
| Inter-segment net sales and transfers | 1 | — | 274 | 275 | (275) | — |
| Total | 63,896 | 4,959 | 3,209 | 72,065 | (275) | 71,789 |
| Operating income | 16,024 | 1,850 | 16 | 17,890 | (3,080) | 14,810 |

Notes

1. The ¥3,080 million downward adjustment to operating income comprises a positive ¥83 million in intersegment eliminations, and a negative ¥3,164 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.

(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

During the second quarter period, 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)

Not applicable.

END