

July 10, 2017

Flash Report (Consolidated Basis)
Results for the first half ended May 31, 2017
(Based on Japanese GAAP)

Company name: **Samty Co., Ltd.**
 Stock Listings: Tokyo Stock Exchange
 Stock Code: 3244
 URL: <http://www.samty.co.jp/en/>

Representative

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 Name: Kazushi Eguchi

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Quarterly report filing date (Planned): July 10, 2017
 Start of dividend payments (Planned): —
 Quarterly supplemental explanatory material prepared: No
 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 FY11/17 (December 1, 2016 to May 31, 2017)

(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	%
2017	37,692	76.9	6,928	104.1	6,115	157.7	4,307	147.2
2016	21,311	1.9	3,394	(18.0)	2,373	(21.5)	1,742	(33.9)

(Note) Comprehensive Income: Six months ended May 31, 2017: ¥4,347 million, (145.2%)
 Six months ended May 31, 2016: ¥1,772 million, (34.7%)

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
2017	181.60	165.95
2016	74.43	67.55

(2) Consolidated Financial condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
May 31, 2017	139,995	36,457	25.8
November 30, 2016	141,170	32,847	23.1

(Reference) Total shareholders' equity: May 31, 2017: ¥36,131 million, November 30, 2016: ¥32,551 million

2. Dividends

Years ended/ending November 30

	Dividends per share				
	February 28	May 31	August 31	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2016	—	0.00	—	33.00	33.00
2017	—	0.00			
2017 (Forecast)			—	42.00	42.00

(Note) Revision of dividends forecast for this period: Yes

For details on the revision to dividend forecasts, see "Revision to Earnings and Dividend Forecast" released today (July 10, 2017).

3. Forecasts for Fiscal Year Ending November 30, 2017

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	62,000	18.3	10,300	20.0	8,000	17.8

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

(Note) Revision of results forecast for this period: Yes

For details on the revision to consolidated results forecasts, see "Revision to Earnings and Dividend Forecast" released today (July 10, 2017).

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1. Qualitative Information on Consolidated Results for the First Half of Fiscal 2017

(1) Explanation of Business Results

During the second quarter cumulative period, the Japanese economy, amid continued expansion in employment and incomes, continued to recover at a moderate pace, with improvement in corporate earnings on the back on government economic measures and the Bank of Japan's easy-money policy. However, caution remains necessary regarding such factors as the impact of normalization of monetary policy in the U.S., the economic outlook in China and other emerging Asian economies, the effects of uncertainty in government policy, 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), conducted business with the aim of establishing a dominant position in the general real estate business.

As a result, for the subject second quarter cumulative period, net sales amounted to ¥37,692 million (+76.9% from the same period of the previous fiscal year), with operating income of ¥6,928 million (+104.1%), ordinary income of ¥6,115 million (+157.7%), and profit attributable to owners of parent of ¥4,307 million (+147.2%).

Results by Business Segment

Note: From the subject fiscal year, Samty changed the method for calculating business segment earnings in the Real Estate Business and a portion of the Other Business. Comparisons and analysis for the subject fiscal period are based on the revised segments.

a. Real Estate Business

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

Properties sold were: As the S-RESIDENCE Series, "S-RESIDENCE Yokohama Tanmachi" (Kanagawa-ku, Yokohama-shi), "S-RESIDENCE Yodoyabashi" (Chuo-ku, Osaka-shi), and "S-RESIDENCE Midoribashi" (Higashinari-ku, Osaka-shi); as income apartments, "SAMTY Shin-Osaka notos" (Yodogawa-ku, Osaka-shi), "SAMTY Nishinomiya Residence" (Nishinomiya-shi, Hyogo), "S-FORT Toyohira Sanjo" (Toyohira-ku, Sapporo-shi), "Crest Court Minami Hiragishi" (Toyohira-ku, Sapporo-shi), "S-FORT Aoba Kamisugi" (Aoba-ku, Sendai-shi), "Trois Bonheurs Honcho" (Funabashi-shi, Chiba), "CQ Residence Tamagawa Gakuen" (Machida-shi, Tokyo), "Itanity Ihara" (Kusatsu-shi, Shiga), "Itopia Shimeien" (Ibaraki-shi, Osaka), "Crest Court Shin-Osaka" (Yodogawa-ku, Osaka-shi), "AXIS Masaki" (Matsuyama-shi, Ehime); as office buildings, "SAMTY Shin-Osaka Center Building" (Yodogawa-ku, Osaka-shi), "SAMTY Hakata Gion Building" (Hakata-ku,

Hukuoka-shi); as commercial facilities, “Oak Town Kaizuka” (Kaizuka-shi, Osaka); as hotel assets, “Hotel Sunshine Utsunomiya (Utsunomiya-shi, Tochigi)”; and as “others,” “Prio Daimyo II” (Commercial building, Chuo-ku, Fukuoka-shi), and “Losangeia Hiroo Geihinkan” (Residence-like marriage ceremonial hall, Minato-ku, Tokyo).

The Company sold 473 units of condominiums for investment, at “SAMTY Kyoto Nishioji” (Shimogyo-ku, Kyoto-shi), “SAMTY Hommachibashi II MEDIUS” (Chuo-ku, Osaka-shi), “SAMTY Namba VIVO” (Naniwa-ku, Osaka-shi), “SAMTY Awaza BELSIA” (Nishi-ku, Osaka-shi), “SAMTY Fukushima VIVENTE” (Fukushima-ku, Osaka-shi), “SAMTY Esaka REGARO” (Suita-shi, Osaka), “PLASIA Kitasenju” (Adachi-ku, Tokyo), “RELIA Gotanno” (Adachi-ku, Tokyo), “Isle Canale Shinagawa minami” (Shinagawa-ku, Tokyo), “El Fuerte Shinagawa South City” (Shinagawa-ku, Tokyo), and “Log Shinkawa” (Chuo-ku, Tokyo).

As a result, net sales in the Real Estate Business segment amounted to ¥33,389 million (+95.2% from the same period of the previous fiscal year), with operating income of ¥7,137 million (+139.6%).

b. Property Leasing Business

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

The Samty Group acquired a total of 20 properties to increase leasing income, expand its operating area, and strengthen purchasing of income properties. These properties included “SAMTY Miyanosawa” (Nishi-ku, Sapporo-shi), “SAMTY Residence N41” (Higashi-ku, Sapporo-shi), “SAMTY Residence Mito Chuo” (Mito-shi, Ibaraki), “SAMTY Residence Shonan Chigasaki” (Chigasaki-shi, Kanagawa), “SAMTY Kamihorikawa” (Kamigyō-ku, Kyoto-shi), “SAMTY Fukushima Libre” (Fukushima-ku, Osaka-shi), “SAMTY Fukushima LaLuna” (Fukushima-ku, Osaka-shi), “SAMTY Esaka Vangelo” (Suita-shi, Osaka), “SAMTY Otemachi Residence” (Oita-shi, Oita), “Sepia Grand Chariot” (Fujimi-shi, Saitama), “CREGLANZ Higashibetsuin” (Naka-ku, Nagoya-shi), “TBK Jinguminami” (Atsuta-ku, Nagoya-shi), “Greencourt Aratama” (Minami-ku, Nagoya-shi), and “Avenir Nagasaki I, II” (currently SAMTY Nagasaki Togitsu I, II) (Nishisonogi-gun, Nagasaki).

As a result, net sales in the Property Leasing Business segment amounted to ¥3,531 million (+1.7% from the same period of the previous fiscal year), with operating income of ¥977 million (-20.9%).

c. Other Business

Other business operations comprise the hotel business, including the holding and operating of “Center Hotel Osaka” (Chuo-ku, Osaka), and “S-PERIA Hotel Nagasaki” (Nagasaki-shi, Nagasaki), and the management of “Center Hotel Tokyo” (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 ¥771 million (+5.1% from the same period of the previous fiscal year), with operating income of ¥155 million (-20.3%).

(2) Qualitative Information on the Consolidated Financial Position

1) Assets, Liabilities, and Net Assets

Assets

Total assets at the end of the subject second quarter cumulative period amounted to ¥139,995 million, a decrease of ¥1,174 million compared to the end of the previous fiscal year. Of this amount, current assets decreased ¥11,985 million to ¥73,995 million, and non-current assets increased ¥10,834 million to ¥65,883 million. The main factor for the decrease in current assets was a ¥14,884 million decrease in real estate for sale; against gains of ¥1,292 million in cash and deposits; and ¥1,895 million in real estate for sale under construction. The main factor for the increase in non-current assets was a gain of ¥9,889 million in net property and equipment.

Liabilities

Total liabilities at the end of the subject second quarter cumulative period amounted to ¥103,538 million, a decrease of ¥4,785 million compared to the end of the previous fiscal year. Of this amount, current liabilities decreased ¥599 million to ¥27,839 million, and non-current liabilities decreased ¥4,186 million to ¥75,698 million. The main factor for the decrease in current liabilities was a decline of ¥3,704 million, in short-term borrowings; against an increase of ¥3,200 million in current portion of long-term debt. The main factors for the decrease in non-current liabilities were declines of ¥3,480 million in long-term debt; and ¥581 million in guarantee deposits.

Net Assets

Total net assets at the end of the subject second quarter cumulative period amounted to ¥36,457 million, an increase of ¥3,610 million compared to the end of the previous fiscal year. This was due mainly to an increase of ¥4,307 million in retained earnings from the recording of profit attributable to owners of parent; against a decrease of ¥782 million in retained earnings from dividend payments.

2) Cash Flows

Cash and cash equivalents (“cash”) at the end of the subject second quarter cumulative period amounted to ¥22,007 million, an increase of ¥1,292 million compared to the end of the previous fiscal year. This was due mainly to ¥17,396 million in cash provided by operating activities; ¥11,269 million in cash used for investing activities; and ¥4,834 million in cash used in 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 provided by operating activities amounted to ¥17,396 million (compared to ¥5,869 million in cash used in the same period of the previous fiscal year). This was due mainly to ¥5,915 million in income before income taxes; ¥12,945 million in decrease in inventories; and ¥1,593 million in income taxes paid.

Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥11,269 million (compared to ¥3,558 million in cash used in the same period of the previous fiscal year). This was due mainly to ¥12,898 million in purchase of property, plant and equipment; and ¥2,054 million in proceeds from sales of property, plant and equipment.

Cash Flow from Financing Activities

Net cash used in investing activities amounted to ¥4,834 million (compared to ¥9,081 million in cash provided in the same period of the previous fiscal year). This was due mainly to ¥11,771 million in increase in short-term loans payable; ¥15,475 million in decrease in short-term loans payable; ¥20,020 million in proceeds from long-term loans; ¥20,300 million in repayments of long-term loans; and ¥781 million in dividends paid.

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

Based on recent results, the Company has revised its full-year results forecast for the fiscal year ending November 2017 (December 1, 2016 to November 30, 2017).

For details, see "Revision to Earnings and Dividend Forecast" released today (July 10, 2017).

2. Consolidated Financial Statements and Main Explanatory Notes

(1) Consolidated Balance Sheets

	Millions of yen	
	November 30, 2016	May 31, 2017
ASSETS		
Current assets:		
Cash and deposits	21,789	23,081
Receivables	654	256
Real estate for sale	39,514	24,629
Real estate for sale under construction	22,940	24,836
Goods	0	0
Supplies	3	8
Deferred tax assets	269	274
Other	811	910
Allowance for doubtful accounts	(2)	(2)
Total current assets	85,981	73,995
Non-current assets:		
Property and equipment:		
Buildings and structures net	27,458	34,123
Buildings in trust net	693	684
Land	21,666	24,951
Land in trust	242	242
Other net	546	493
Net property and equipment	50,606	60,495
Intangible assets:		
Goodwill	91	86
Other intangible assets	60	54
Total intangible assets	151	141
Investments and other assets:		
Investment securities	2,223	2,608
Deferred tax assets	9	205
Other	2,086	2,461
Allowance for doubtful accounts	(29)	(29)
Total Investments and other assets	4,290	5,246
Total non-current assets	55,048	65,883
Deferred assets:		
Inauguration expenses	141	117
Total deferred tax assets	141	117
Total assets	141,170	139,995

	Millions of yen	
	November 30, 2016	May 31, 2017
LIABILITIES		
Current liabilities:		
Notes and accounts payable	2,915	3,024
Short-term borrowings	10,279	6,575
Current portion of long-term debt	11,205	14,406
Accrued income taxes	1,683	1,927
Other	2,354	1,905
Total current liabilities	28,439	27,839
Non-current liabilities:		
Bonds with subscription rights to shares	1,435	1,420
Long-term debt	74,083	70,603
Deferred tax liabilities	1,444	1,407
Liabilities for retirement benefits	136	158
Guarantee deposits	2,043	1,462
Construction assistance fund	649	621
Other long-term liabilities	93	25
Total non-current liabilities	79,884	75,698
Total liabilities	108,323	103,538
NET ASSETS		
Shareholders' equity:		
Common stock	7,739	7,747
Capital surplus	7,853	7,861
Retained earnings	18,372	21,897
Treasury stocks at cost	(1,382)	(1,382)
Total shareholders' equity	32,583	36,123
Accumulated other comprehensive income:		
Unrealized gain on available for-sale securities	(32)	7
Total accumulated other comprehensive income	(32)	7
Stock acquisition rights	295	326
Total net assets	32,847	36,457
Total liabilities and net assets	141,170	139,995

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

Consolidated Statements of Income

Six months ended May 31

	Millions of yen	
	2016	2017
Net sales	21,311	37,692
Cost of sales	15,633	28,206
Gross profit	5,678	9,486
Selling, general and administrative expenses	2,283	2,558
Operating income	3,394	6,928
Non-operating income:		
Interest income	2	1
Dividends	0	1
Refund of premium for cancelled insurance	2	7
Other	11	3
Total non-operating income	16	14
Non-operating expenses:		
Interest expenses	831	738
Commission fee	179	61
Share issuance cost	0	—
Other	25	27
Total non-operating expenses	1,037	827
Ordinary income	2,373	6,115
Extraordinary income:		
Gain on sales of non-current assets	200	901
Total extraordinary income	200	901
Extraordinary loss:		
Loss on sales of non-current assets	—	1,030
Loss on retirement of non-current assets	3	1
Impairment loss	—	69
Appraised value of investment securities	25	—
Total extraordinary losses	29	1,101
Income before income taxes	2,545	5,915
Income taxes-current	794	1,809
Income taxes-deferred	8	(201)
Total income taxes	802	1,608
Net income	1,742	4,307
Profit attributable to owners of parent	1,742	4,307

Consolidated Statements of Comprehensive Income

Six months ended May 31

	Millions of yen	
	2016	2017
Income before minority interests	1,742	4,307
Other comprehensive income:		
Unrealized gain on available for-sale securities	30	39
Total other comprehensive income	30	39
Comprehensive income	1,772	4,347
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	1,772	4,347

(3) Consolidated Statements of Cash Flows

Six months ended May 31

	Millions of yen	
	2016	2017
Operating activities:		
Income before income taxes	2,545	5,915
Depreciation	506	724
Impairment loss	—	69
Amortization of goodwill	4	4
Bad debts expenses	—	0
Increase (decrease) in allowance for doubtful accounts	0	0
Interest and dividends income	(2)	(3)
Interest expenses	831	738
Loss (gain) on sales of property, plant and equipment	(200)	128
Increase (Decrease) in net defined benefit liability	28	22
Decrease (increase) in notes and accounts receivable - trade	42	398
Decrease (Increase) in inventories	(6,829)	12,945
Increase (decrease) in notes and accounts payable - trade	162	106
Increase (decrease) in lease and guarantee deposits received	(3)	(581)
Other-net	(822)	(759)
Subtotal	(3,737)	19,708
Decrease in interest and dividends receivable	2	3
Decrease in interest payable	(836)	(722)
Income taxes paid	(1,298)	(1,593)
Net cash provided by (used in) operating activities	(5,869)	17,396
Investing activities:		
Payments for deposits in time deposits	(60)	—
Proceeds from sales of property, plant and equipment	1,953	2,054
Purchase of property, plant and equipment	(5,365)	(12,898)
Purchase of intangible assets	(10)	(1)
Purchase of investment securities	(672)	(495)
Proceeds from redemption of investment securities	653	100
Payments of construction assistance fund receivables	(27)	(27)
Proceeds from collection of investments	1	0
Payments for investments in capital	(31)	(1)
Net cash provided by (used in) investing activities	(3,558)	(11,269)

(continued on page 13)

	Millions of yen	
	2016	2017
Financing activities:		
Increase in short-term loans payable	11,338	11,771
Decrease in short-term loans payable	(11,923)	(15,475)
Proceeds from long-term loans	24,448	20,020
Repayments of long-term loans	(13,850)	(20,300)
Proceeds from issuance of common shares	—	0
Dividends paid	(762)	(781)
Other-net	(168)	(69)
Net cash provided by (used in) financing activities	9,081	(4,834)
Net increase (decrease) in cash and cash equivalents	(346)	1,292
Cash and cash equivalents, beginning of the period	18,176	20,715
Cash and cash equivalents, end of the period	17,829	22,007

(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 FY11/16 (from December 1, 2015 to May 31, 2016)

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

Six months ended May 31, 2016

	Millions of yen					
	Reportable Segment				Adjustment (Note 1)	Amount Recorded on Consolidated Income Statement (Note 2)
	Real Estate Business	Property Leasing Business	Other Business	Total		
Net sales:						
Net sales from third parties	17,105	3,471	734	21,311	—	21,311
Inter-segment net sales and transfers	6	1	68	76	(76)	—
Total	17,112	3,473	802	21,387	(76)	21,311
Operating income	2,978	1,236	195	4,410	(1,016)	3,394

Notes

1. The ¥1,016 million adjustment to operating income comprises ¥14 million in intersegment eliminations, and ¥1,001 million in corporate expenses not allocated to any reportable segment. Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Segment operating income is adjusted to the operating income on the consolidated income statement.

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

Not applicable.

II Results for the first half of FY11/17 (from December 1, 2016 to May 31, 2017)

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

Six months ended May 31, 2017

	Millions of yen					
	Reportable Segment				Adjustment (Note 1)	Amount Recorded on Consolidated Income Statement (Note 2)
	Real Estate Business	Property Leasing Business	Other Business	Total		
Net sales:						
Net sales from third parties	33,389	3,531	771	37,692	—	37,692
Inter-segment net sales and transfers	68	5	146	221	(221)	—
Total	33,457	3,537	918	37,913	(221)	37,692
Operating income	7,137	977	155	8,271	(1,343)	6,928

Notes

1. The ¥1,343 million adjustment to operating income comprises ¥101 million in intersegment eliminations, and ¥1,241 million in corporate expenses not allocated to any reportable segment. Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Segment operating income is adjusted to the operating income on the consolidated income statement.

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

(Significant Impairment Loss on Non-Current Assets)

The Company recorded an impairment loss of ¥69 million in the Property Leasing Business, but did not allocate it to a reportable segment because it was an extraordinary loss.

3. Matters Relating to Changes in Reportable Segments

(Change in Calculation Method for Business Segment Earnings)

Previously, for the rents received for the operation of hotel assets owned by partner companies and leased by the Company's consolidated subsidiary, as an intersegment transaction between the partner company and subject subsidiary, the rents received were recorded as internal sales for the Property Leasing Business segment, and rents paid as expenses in the Other Business segment. However, to more rationally calculate the earnings for the Group's hotel management operations, from the subject fiscal year, the method was changed to treat the subject rents received as an intra-segment transaction (elimination) of the Other Business segment.

The segment information for the previous fiscal year has been restated according to the revised method for calculating earnings or losses.

END