

January 12, 2018

**Flash Report (Consolidated Basis)**  
**Results for the year ended November 30, 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

Title: Representative Director and President

Name: Kazushi Eguchi

Contact Person

Title: Director & General Manager of Business Administration Division

Name: Hiroaki Matsui Telephone: +81-6-6838-3616

Date of Annual Shareholders Meeting (Scheduled): February 27, 2018

Start of dividend payments (Planned): February 28, 2018

Submission of securities report (Planned): February 28, 2018

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 2017 (FY11/17)**  
**(December 1, 2016 to November 30, 2017)**

**(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	%
2017	60,479	15.4	10,131	18.0	8,461	24.6	5,661	22.3
2016	52,409	36.3	8,586	44.7	6,788	75.3	4,628	4.9

Note: Comprehensive Income: Year ended November 30, 2017: ¥5,804 million, 25.5%;  
 Year ended November 30, 2016: ¥4,625 million, 6.7%

	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	%	%	%
2017	234.25	217.69	15.8	5.5	16.8
2016	196.42	178.91	15.3	5.2	16.4

(Reference) Equity in earnings (losses) of affiliated companies: Year ended November 30, 2017: ¥ — million,  
 Year ended November 30, 2016: ¥ — million

## (2) Consolidated Financial Condition

At November 30

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2017	166,449	39,360	23.4	1,549.33
2016	141,170	32,847	23.1	1,372.75

(Reference) Total shareholders' equity: November 30, 2017: ¥39,017 million, November 30, 2016: ¥32,551 million

## (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
2017	11,583	(25,676)	18,211	24,833
2016	4,697	(17,119)	14,960	20,715

## 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			
2016	—	0.00	—	33.00	33.00	782	16.8	2.6
2017	—	0.00	—	47.00	47.00	1,183	20.1	3.2
2018 (Forecast)	—	0.00	—	52.00	52.00		20.1	

## 3. Forecasts for Fiscal Year Ending November 30, 2018

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

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

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

Note: Consolidated results forecasts for the first half period have not been disclosed because of the large number of fluid external factors during the sales period for individual projects.

## 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, 2017	26,989,518 shares	Year ended November 30, 2016	25,518,127 shares
2) Number of treasury stock	Year ended November 30, 2017	1,805,959 shares	Year ended November 30, 2016	1,805,878 shares
3) Average number of shares outstanding for each period (cumulative term)	Year ended November 30, 2017	24,168,073 shares	Year ended November 30, 2016	23,563,468 shares

## (Reference) FLASH REPORT (NON-CONSOLIDATED BASIS)

### 1. Non-Consolidated Results for the Fiscal Year Ended November 2017 (FY11/17)

(December 1, 2016 to November 30, 2017)

#### (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	%
2017	55,946	29.7	8,522	62.7	7,018	92.2	4,698	89.6
2016	43,128	26.6	5,238	35.8	3,652	65.4	2,478	(6.3)

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
2017	194.42	180.67
2016	105.17	95.79

#### (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
2017	149,456	32,503	21.5	1,277.04
2016	123,967	26,952	21.5	1,124.17

(Reference) Total shareholders' equity: November 30, 2017: ¥32,160 million, November 30, 2016: ¥26,656 million

\* This flash report is not subject to auditing.

\* 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 19, 2018.

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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, fluctuations in financial and capital markets, and geopolitical risk.

In the real estate industry, of which the Samty Group is a part, retail store and hotel demand has risen in response to the continued low interest rate environment and increase in overseas tourists, while real estate demand remains robust on improved profitability due to low office vacancy rates in major cities.

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, revenue and earnings reached recorded highs in the subject fiscal year. Net sales amounted to ¥60,479 million (+15.4% year on year), with operating income of ¥10,131 million (+18.0%), ordinary income of ¥8,461 million (+24.6%), and profit attributable to owners of parent of ¥5,661 million (+22.3%).

### 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. The Company also plans, develops, and sells one-room condominiums for investment.

Properties sold were: For the S-RESIDENCE Series, a total of eight properties, including "S-RESIDENCE Yokohama Tanmachi" (Kanagawa-ku, Yokohama-shi), "S-RESIDENCE Yodoyabashi" (Chuo-ku, Osaka-shi), "S-RESIDENCE Tanimachi 5-chome" (Chuo-ku, Osaka-shi), "S-RESIDENCE Shin-Osaka WEST" (Yodogawa-ku, Osaka-shi), "S-RESIDENCE Miyakojima" (Miyakojima-ku, Osaka-shi), "S-RESIDENCE Minamihorie" (Nishi-ku, Osaka-shi), "S-RESIDENCE Midoribashi ekimae" (Higashinari-ku, Osaka-shi), and "S-RESIDENCE Esaka Alegria" (Suita-shi, Osaka); As income apartments, a total of 17 properties, including "SAMTY Residence 24" (Nishi-ku, Sapporo-shi), "SAMTY East Shirakabe" (Higashi-ku, Nagoya-shi), "SAMTY Shin-Osaka notos" (Yodogawa-ku, Osaka-shi), "SAMTY Nishinomiya Residence" (Nishinomiya-shi, Hyogo), "S-FORT Toyohira Sanjo" (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), “Crest Court Shin-Osaka” (Yodogawa-ku, Osaka-shi), “Crest Court Kobe Nada” (Nada-ku, Kobe-shi), “Europea Koutou” (Kagoshima-shi, Kagoshima); 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, “Center Hotel Osaka” (Chuo-ku, Osaka-shi) and “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 690 units of condominiums for investment, including at “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), “Isle Canale Shinagawa minami” (Shinagawa-ku, Tokyo), “El Fuerte Shinagawa South City” (Shinagawa-ku, Tokyo), “Log Shinkawa” (Chuo-ku, Tokyo), “Makes Design Ryogoku NORTH” (Sumida-ku, Tokyo), and “Makes Design Ryogoku SOUTH” (Sumida-ku, Tokyo).

As a result, net sales in the Real Estate Business segment amounted to ¥51,467 million (+17.6% YoY), with operating income of ¥10,600 million (+31.3%).

## **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 41 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 N23” (Kita-ku, Sapporo-shi), SAMTY Residence Hokudai mae” (Kita-ku, Sapporo-shi), “SAMTY Residence Maruyama-Koen” (Chuo-ku, Sapporo-shi), “SAMTY Residence S7” (Chuo-ku, Sapporo-shi), “SAMTY Residence Nangou” (Shiroishi-ku, Sapporo-shi), “SAMTY Residence Mito Chuo” (Mito-shi, Ibaraki), “SAMTY Residence Chiba Chuo” (Chuo-ku, Chiba-shi), “SAMTY Residence Shonan Chigasaki” (Chigasaki-shi, Kanagawa), “SAMTY Kamihorikawa” (Kamigyo-ku, Kyoto-shi), “SAMTY Fukushima Libre” (Fukushima-ku, Osaka-shi), “SAMTY Fukushima LaLuna” (Kita-ku, Osaka-shi), “SAMTY Esaka Vangelo” (Suita-shi, Osaka), “SAMTY Canal Kobe” (Hyogo-ku, Kobe-shi), “SAMTY Nakahirodori” (Nishi-ku, Hiroshima-shi), “SAMTY Noboricho” (Naka-ku, Hiroshima-shi), “SAMTY Tsurumi” (Naka-ku, Hiroshima-shi), “SAMTY Ohorikoen” (Chuo-ku, Fukuoka-shi), “SAMTY Otemachi Residence” (Oita-shi, Oita), “SAMTY Suizenji” (Chuo-ku, Kumamoto-shi), “SAMTY Honjo” (Chuo-ku, Kumamoto-shi), “Prosperie Tsurukawa” (Machida-shi, Tokyo), “Crest Tower Kashiwa” (Kashiwa-shi, Chiba), “S-FORT Toda-Koen” (Toda-shi, Saitama), “Sepia Grand Chariot” (Fujimi-shi, Saitama), “CREGLANZ Higashibetsuin” (currently “SAMTY Higashibetsuin RESIDENCE”, Naka-ku, Nagoya-shi), “TBK Jinguminami” (currently “SAMTY Jinguminami RESIDENCE”, Atsuta-ku, Nagoya-shi), “Greencourt Aratama” (Minami-ku, Nagoya-shi), “Excellence Sakurayama” (currently “SAMTY Sakurayama RESIDENCE”, Mizuho-ku, Nagoya-shi), “Excellence Higashiyama” (currently “SAMTY Residence Higashiyamakoen”, Chikusa-ku, Nagoya-shi), “GRANDUKE Tsurumai reale” (Showa-ku, Nagoya-shi), “GRANDUKE Tsushimmachi” (Tsu-shi, Mie), “S-GLANZ Osaka Doshin”

(Kita-ku, Osaka-shi), “S-CREA Kitahama” (Chuo-ku, Osaka-shi), “Elstanza Kobe Sannomiya” (currently “SAMTY Sannomiya-Kita”, Chuo-ku, Kobe-shi), “Uni E'terna Nishinomiya Uegahara” (Nishinomiya-shi, Hyogo), 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 ¥7,380 million (+5.2% YoY), with operating income of ¥2,094 million (-8.2%).

### **c. Other Business**

Other business operations comprise the hotel business, including the holding and management of “S-PERIA Hotel Nagasaki” (Nagasaki-shi, Nagasaki), and the management of “Center Hotel Tokyo” (Chuo-ku, Tokyo), “Center Hotel Osaka” (Chuo-ku, Osaka-shi), and “Hotel Sunshine Utsunomiya” (Utsunomiya-shi, Tochigi), as well as a condominium management business and construction/renovation business.

As a result, net sales in the Other Business segment amounted to ¥1,630 million (+0.7% YoY), with operating income of ¥243 million (-38.1%).

## **(2) Summary of Financial Position for the Subject Period**

### **Assets**

Total assets at the end of the subject fiscal year amounted to ¥166,449 million, an increase of ¥25,278 million compared to the end of the previous fiscal year. Of this amount, current assets increased ¥12,577 million to ¥98,558 million, and non-current assets increased ¥12,748 million to ¥67,797 million. The main factors for the increase in current assets were increases of ¥4,068 million in cash and deposits; and ¥11,516 million in real estate for sale under construction; against a decrease of ¥2,455 million in real estate for sale. The main factors for the increase in non-current assets were gains of ¥11,280 million in net property and equipment; and ¥1,479 million in investments and other assets.

### **Liabilities**

Total liabilities at the end of the subject fiscal year amounted to ¥127,088 million, an increase of ¥18,764 million compared to the end of the previous fiscal year. Of this amount, current liabilities increased ¥10,743 million to ¥39,182 million, and non-current liabilities increased ¥8,021 million to ¥87,906 million. The main factors for the increase in current liabilities were increases of ¥742 million in notes and accounts payable; ¥1,604 million in short-term borrowings; and ¥7,589 million in current portion of long-term debt. The main factor for the increase in non-current liabilities was an increase of ¥10,025 million in long-term debt; against a ¥1,435 million decrease in bonds with subscription rights to shares.

### **Net Assets**

Total net assets at the end of the subject fiscal year amounted to ¥39,360 million, an increase of ¥6,513 million compared to the end of the previous fiscal year. This was due mainly to an increase of ¥1,444 million in capital stock and capital surplus from the exercise of conversion rights to bonds with



subscription rights to shares; an increase of ¥5,661 million in retained earnings from the recording of profit attributable to owners of parent; and a decrease of ¥782 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 ¥11,583 million (compared to ¥4,697 million in cash provided in the same period of the previous fiscal year). This was due mainly to ¥7,930 million in income before income taxes; ¥1,587 million in depreciation; ¥2,764 million in decrease in inventories; and ¥2,447 million in income taxes paid.

#### Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥25,676 million (compared to ¥17,119 million in cash used in the same period of the previous fiscal year). This was due mainly to ¥29,403 million in purchase of property, plant and equipment; and ¥3,956 million in proceeds from sales of property, plant and equipment.

#### Cash Flow from Financing Activities

Net cash provided by financing activities amounted to ¥18,211 million (compared to ¥14,960 million in cash provided in the same period of the previous fiscal year). This was due mainly to ¥25,753 million in increase in short-term loans payable; ¥24,148 million in decrease in short-term loans payable; ¥50,189 million in proceeds from long-term loans; ¥32,575 million in repayments of long-term loans; and ¥783 million in dividends paid.

#### (Reference) Cash flow-related indicators

Years ended November 30

	2013	2014	2015	2016	2017
Capital ratio (%)	27.9	23.3	23.1	23.1	23.4
Capital ratio at market value (%)	21.0	16.3	23.6	17.9	25.1
Ratio of interest-bearing debt to cash flow (years)	5.5	—	—	20.3	9.9
Interest coverage ratio (times)	6.5	—	—	2.9	8.0

#### Notes

- 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, the Samty Group, to achieve the numerical targets in the "Challenge 40" medium-term management plan (revised in July 2016), will work to expand the scope of its business operations and strengthen the business foundation, with the aim of establishing a decisive position as a general real estate company.

For the fiscal year ending November 2018, the Company is forecasting net sales of ¥64,000 million, with operating income of ¥11,000 million, ordinary income of ¥8,900 million, and profit attributable to owners of parent of ¥6,500 million.

The Samty Group will strive to maintain stable and sustainable business growth, and to strengthen the property procurement that is the source of future earnings.

Full-year forecasts by business segment are as follows.

Years ended November 30

	Millions of yen					
	2016		2017		2018 (Forecast)	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Real Estate Business	43,783	8,071	51,522	10,600	54,300	11,700
Property Leasing Business	7,018	2,281	7,386	2,094	7,400	2,300
Other Business	1,853	393	1,885	243	2,600	400
Inter-segment net sales and transfers	(246)	—	(315)	—	(300)	—
Adjustment	—	(2,159)	—	(2,806)	—	(3,400)
Total	52,409	8,586	60,479	10,131	64,000	11,000

## **(5) Basic Policy on Profit Sharing, and Dividends for FY11/17 and FY11/18**

Samty recognizes that returning profits to shareholders is a priority issue for management. Our basic policy is to pay a dividend that reflects business performance, with due consideration to such factors as future business plans, and financial condition. We retain earnings to prepare for the future, including prospective business development, business expansion, and strengthening our financial position, and return profits based on results.

The Company's basic policy is to make a dividend payment once a year at the end of the fiscal term, by shareholder resolution. Of note, the Company's Articles of Incorporation stipulate that an interim dividend as prescribed by Article 454-5 of the Companies Act can be made through a resolution by the Board of Directors.

The dividend for the subject fiscal year (FY11/17), based on the aforementioned policy, and in consideration of the progress with the "Challenge 40" medium-term management plan and the previous year's dividend of 33 yen per share, will be 47 yen per share.

For the next fiscal year (FY11/18), the Company plans to pay a dividend of ¥52 per share, in consideration of our forecast of ¥6,500 million in profit attributable to owners of parent, and the payout ratio in the subject fiscal year.

## **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	
	2016	2017
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	21,789	25,857
Receivables	654	297
Real estate for sale	39,514	37,059
Real estate for sale under construction	22,940	34,456
Goods	0	0
Supplies	3	5
Deferred tax assets	269	182
Other	811	700
Allowance for doubtful accounts	(2)	(1)
Total current assets	<b>85,981</b>	<b>98,558</b>
<b>Non-current assets:</b>		
<b>Property and equipment:</b>		
Buildings and structures	31,659	34,248
Accumulated depreciation	(4,200)	(3,514)
Buildings and structures net	27,458	30,734
Buildings in trust	734	3,819
Accumulated depreciation	(41)	(31)
Buildings in trust net	693	3,787
Land	21,666	23,355
Land in trust	242	3,797
Other	802	657
Accumulated depreciation	(256)	(445)
Other net	546	211
Net property and equipment	<b>50,606</b>	<b>61,887</b>
<b>Intangible assets:</b>		
Goodwill	91	82
Other intangible assets	60	57
Total intangible assets	151	140
<b>Investments and other assets:</b>		
Investment securities	2,223	2,558
Deferred tax assets	9	310
Other	2,086	2,936
Allowance for doubtful accounts	(29)	(36)
Total Investments and other assets	<b>4,290</b>	<b>5,769</b>
Total non-current assets	<b>55,048</b>	<b>67,797</b>
<b>Deferred assets:</b>		
Inauguration expenses	141	93
Total deferred tax assets	141	93
<b>Total assets</b>	<b>141,170</b>	<b>166,449</b>

	Millions of yen	
	2016	2017
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Notes and accounts payable	2,915	3,658
Short-term borrowings	10,279	11,883
Current portion of long-term debt	11,205	18,795
Accrued income taxes	1,683	1,933
Deferred tax liabilities	—	29
Other	2,354	2,883
Total current liabilities	<b>28,439</b>	<b>39,182</b>
<b>Non-current liabilities:</b>		
Bonds with subscription rights to shares	1,435	—
Long-term debt	74,083	84,108
Deferred tax liabilities	1,444	1,319
Liabilities for retirement benefits	136	147
Guarantee deposits	2,043	1,710
Construction assistance fund	649	593
Other	93	26
Total non-current liabilities	<b>79,884</b>	<b>87,906</b>
<b>Total liabilities</b>	<b>108,323</b>	<b>127,088</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Capital stock	7,739	8,461
Capital surplus	7,853	8,575
Retained earnings	18,372	23,251
Treasury stocks at cost	(1,382)	(1,382)
Total shareholders' equity	<b>32,583</b>	<b>38,906</b>
<b>Accumulated other comprehensive income:</b>		
Unrealized gain on available for-sale securities	(32)	111
Total accumulated other comprehensive income	(32)	111
Stock acquisition rights	295	343
<b>Total net assets</b>	<b>32,847</b>	<b>39,360</b>
<b>Total liabilities and net assets</b>	<b>141,170</b>	<b>166,449</b>

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

Years ended November 30

	Millions of yen	
	2016	2017
<b>Net sales</b>	<b>52,409</b>	<b>60,479</b>
Cost of sales	39,087	44,733
<b>Gross profit</b>	<b>13,321</b>	<b>15,745</b>
Selling, general and administrative expenses	4,735	5,614
<b>Operating income</b>	<b>8,586</b>	<b>10,131</b>
<b>Non-operating income:</b>		
Interest income	3	4
Dividends	11	11
Refund of premium for cancelled insurance	23	20
Consumption tax difference	61	7
Other	17	20
<b>Total non-operating income</b>	<b>117</b>	<b>64</b>
<b>Non-operating expenses:</b>		
Interest expenses	1,613	1,471
Commission fee	249	214
Other	53	48
<b>Total non-operating expenses</b>	<b>1,915</b>	<b>1,734</b>
<b>Ordinary income</b>	<b>6,788</b>	<b>8,461</b>
<b>Extraordinary income:</b>		
Gain on sales of non-current assets	463	1,613
Gain on sales of investment securities	23	—
<b>Total extraordinary income</b>	<b>487</b>	<b>1,613</b>
<b>Extraordinary loss:</b>		
Loss on sales of non-current assets	236	1,415
Loss on retirement of non-current assets	29	1
Loss on impairment of long-lived assets	—	726
Loss on sales of investment securities	28	—
Loss on valuation of investment securities	25	—
Other	—	0
<b>Total extraordinary losses</b>	<b>319</b>	<b>2,144</b>
<b>Income before income taxes</b>	<b>6,956</b>	<b>7,930</b>
Income taxes-current	2,646	2,587
Income taxes-deferred	(318)	(318)
Total income taxes	<b>2,328</b>	<b>2,268</b>
<b>Net income</b>	<b>4,628</b>	<b>5,661</b>
<b>Profit attributable to owners of parent</b>	<b>4,628</b>	<b>5,661</b>

## Consolidated Statements of Comprehensive Income

Years ended November 30

	Millions of yen	
	2016	2017
Net income	4,628	5,661
<b>Other comprehensive income:</b>		
Unrealized gain on available for-sale securities	(3)	143
Total other comprehensive income	(3)	143
<b>Comprehensive income</b>	<b>4,625</b>	<b>5,804</b>
<b>Comprehensive income attributable to:</b>		
Comprehensive income attributable to owners of the parent	4,625	5,804

### (3) Consolidated Statements of Changes in Net Assets

Year ended November 30, 2016 (December 1, 2015 to November 30, 2016)

	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	7,462	7,576	14,507	(1,382)	23,163
Changes of items during the period					
Issuance of new shares	2	2			5
Conversion of convertible bond-type bonds with subscription rights to shares	275	275			550
Dividends from surplus			(763)		(763)
Profit attributable to owners of parent			4,628		4,628
Purchase of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	277	277	3,864	—	4,419
Balance at the end of current period	7,739	7,853	18,372	(1,382)	32,583

	Millions of yen			
	Accumulated other comprehensive income		Subscription Rights to Shares	Total Net Assets
	Unrealized gain on available for-sale securities	Accumulated other comprehensive income		
Balance at the end of previous period	(28)	(28)	218	28,353
Changes of items during the period				
Issuance of new shares				5
Conversion of convertible bond-type bonds with subscription rights to shares				550
Dividends from surplus				(763)
Profit attributable to owners of parent				4,628
Purchase of treasury shares				—
Net changes of items other than shareholders' equity	(3)	(3)	76	73
Total changes of items during the period	(3)	(3)	76	4,493
Balance at the end of current period	(32)	(32)	295	32,847



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)
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	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)
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

#### (4) Consolidated Statements of Cash Flows

Years ended November 30

	Millions of yen	
	2016	2017
<b>Operating activities:</b>		
Income before income taxes	6,956	7,930
Depreciation	1,097	1,587
Loss on impairment of long-lived assets	—	726
Amortization of goodwill	8	8
Interest and dividends income	(14)	(16)
Interest expenses	1,613	1,471
Commission fee	249	214
Loss (gain) on sales of property, plant and equipment	(227)	(197)
Decrease (increase) in notes and accounts receivable - trade	(401)	350
Decrease (Increase) in inventories	338	2,764
Increase (decrease) in notes and accounts payable - trade	(903)	742
Increase (decrease) in accrued consumption taxes	(574)	336
Increase (Decrease) in net defined benefit liability	34	11
Increase (decrease) in lease and guarantee deposits received	245	(332)
Other-net	69	(138)
Subtotal	<b>8,542</b>	<b>15,459</b>
Decrease in interest and dividends receivable	14	16
Decrease in interest payable	(1,601)	(1,444)
Income taxes (paid) refunded	(2,257)	(2,447)
<b>Net cash provided by (used in) operating activities</b>	<b>4,697</b>	<b>11,583</b>
<b>Investing activities:</b>		
Payments into time deposits	(560)	—
Proceeds from withdrawal of time deposits	3	50
Purchase of property, plant and equipment	(19,081)	(29,403)
Proceeds from sales of property, plant and equipment	3,054	3,956
Purchase of intangible assets	(21)	(13)
Purchase of investment securities	(1,747)	(525)
Proceeds from sale of investment securities	345	—
Proceeds from redemption of investment securities	972	318
Payments for investments in capital	(35)	(7)
Collection of investments in capital	5	2
Payments of construction assistance fund receivables	(55)	(55)
<b>Net cash provided by (used in) investing activities</b>	<b>(17,119)</b>	<b>(25,676)</b>

(continued on page 12)

	Millions of yen	
	2016	2017
<b>Financing activities:</b>		
Increase in short-term loans payable	26,433	25,753
Decrease in short-term loans payable	(25,753)	(24,148)
Proceeds from long-term loans	45,663	50,189
Repayments of long-term loans	(30,373)	(32,575)
Proceeds from issuance of common shares	—	6
Purchase of treasury shares	—	(0)
Dividends paid	(763)	(783)
Other-net	(245)	(231)
<b>Net cash provided by (used in) financing activities</b>	<b>14,960</b>	<b>18,211</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,539</b>	<b>4,118</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>18,176</b>	<b>20,715</b>
<b>Decrease in cash and cash equivalents on exclusion from consolidation</b>	<b>(0)</b>	<b>—</b>
<b>Cash and cash equivalents, end of the period</b>	<b>20,715</b>	<b>24,833</b>

## **(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: 13

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.

Awajicho Project LLC

Awajicho Project General Incorporated Association

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

##### (2) Names of material unconsolidated subsidiaries

There are no unconsolidated subsidiaries.

#### 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) Method of amortization of material deferred assets

Business commencement expenses

The Company applies the straight-line method over a five-year amortization period.

(4) 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.

(5) 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.

(6) 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., Specialist Support System Co., Ltd., and Samty Property Management Co., Ltd.

20 years

(7) 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.

(8) 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.

**(Additional Information)**

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

From the subject fiscal year, the Company has applied "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016)

(Change of Holding Objective)

Previous fiscal year (December 1, 2015–November 30, 2016)

Owing to changes in holding objective, ¥11,705 million was transferred from tangible fixed assets to inventory. Also, ¥246 million was transferred from inventories to property, plant and equipment.

Fiscal year under review (December 1, 2016–November 30, 2017)

Owing to changes in holding objective, ¥11,863 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 (office building)	Structures and land	Chuo-ku, Osaka-shi	68
Real estate for lease (office building)	Structures and land	Nishi-ku, Osaka-shi	92
Real estate for lease (Commercial facility)	Structures and land	Matsusaka-shi, Mie	391
Real estate for lease (Logistics facility)	Structures and land	Mito-shi, Ibaraki	174
Total	—	—	726

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.

## (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	
	2016	2017
Cash and deposits	21,789	25,857
Time deposits with maturities exceeding three months	(1,073)	(1,023)
Cash and cash equivalents	20,715	24,833

**(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, 2016, lease income from real estate for lease was ¥1,585 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), and income from real estate sales was ¥234 million (gain on real estate sales is presented within extraordinary income and loss on real estate sales is presented within extraordinary loss). 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). 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	
		2016	2017
Amount presented on the Consolidated Balance Sheets	Beginning of period	45,842	48,897
	Change during period	3,054	10,654
	End of period	48,897	59,551
Fair market value at end of period		51,201	68,110

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 (¥17,134 million). The main decreases were due to sales of real estate (¥2,788 million), and transfer to inventory owing to changes in holding objective (¥11,278 million).  
During the subject 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).
3. The fair market values at end of the fiscal years ended November 30, 2015 and 2016, 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, 2015–November 30, 2016)

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	43,773	7,016	1,619	52,409	—	52,409
Inter-segment net sales and transfers	9	2	234	246	(246)	—
Total	43,783	7,018	1,853	52,655	(246)	52,409
Operating income	8,071	2,281	393	10,745	(2,159)	8,586
Segment assets	57,016	50,952	14,040	122,009	19,161	141,170
Other Items						
Depreciation expense	4	1,009	39	1,054	42	1,097
Increase in tangible fixed assets and intangible fixed assets	3	19,428	78	19,510	87	19,597

#### Notes

1. Adjustment to segment profit of (¥2,159 million) mainly comprises intersegment eliminations of (¥15 million), and unallocated corporate expenses of (¥2,141 million). Corporate expenses are general and administrative expenses not attributed to any reportable segment.

2. Adjustment to segment assets of ¥19,161 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, 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.
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)
- Previous fiscal year (December 1, 2015–November 30, 2016)
- No applicable items
- Fiscal year under review (December 1, 2016–November 30, 2017)
- The Company recorded an impairment loss of ¥726 million in the Property Leasing Business.
5. 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 the Company and leased by the Company's consolidated subsidiary, as an intersegment transaction between the 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.

**(Per Share Information)**

	2016	2017
Net assets per share (Yen)	1,372.75	1,549.33
Net income per share (Yen)	196.42	234.25
Diluted net income per share (Yen)	178.91	217.69

(Notes) 1. Bases for calculation of net assets per share

	2016	2017
Total net assets (Millions of yen)	32,847	39,360
Amount subtracted from total net assets (Millions of yen)	295	343
Stock options (Millions of yen)	295	343
Net assets attributable to common stock at end of period (Millions of yen)	32,551	39,017
Number of shares of common stock at end of period (Shares)	23,712,249	25,183,559

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

	2016	2017
Net income per share		
Profit attributable to owners of parent (Millions of yen)	4,628	5,661
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)	4,628	5,661
Average number of outstanding shares of common stock during the year (Shares)	23,563,468	24,168,073
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)	2,306,434	1,839,070
Convertible bonds (Shares)	1,540,777	994,140
Stock options (Shares)	765,657	844,930
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