

April 5, 2019

Flash Report (Consolidated Basis)
Results for the first quarter ended February 28, 2019
(Based on Japanese GAAP)

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

Representative

Title: Representative Director and President

Name: Yasuhiro Ogawa

Contact Person

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Quarterly report filing date (Planned): April 5, 2019

Start of dividend payments (Planned): —

Quarterly supplemental explanatory material prepared: No

Quarterly results briefing held: No

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

1. Consolidated Results for the first quarter of FY11/19
(December 1, 2018 to February 28, 2019)

(1) Consolidated Operating results

Three months ended February 28

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	14,144	(28.2)	3,235	(10.1)	2,740	(9.8)	2,074	(5.3)
2018	19,702	58.7	3,599	43.3	3,038	43.9	2,190	29.8

(Note) Comprehensive Income: Three months ended February 28, 2019: ¥2,173 million, (8.1%)
Three months ended February 29, 2018: ¥2,366 million, 36.0%

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
2019	54.49	52.97
2018	77.88	75.29

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	%
February 28, 2019	170,730	62,024	35.8
November 30, 2018	162,500	62,438	37.9

(Reference) Total shareholders' equity: February 28, 2019: ¥61,075 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	—				
2019 (Forecast)		35.00	—	40.00	75.00

(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	15,000	6.9	13,000	11.7

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

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

Notes

(1) Significant changes in subsidiaries during the subject fiscal period: None

(Changes in specified subsidiaries related to a change in the scope of consolidation)

Additions: (—) 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)	Three months ended February 28, 2019	39,800,000 shares	Year ended November 30, 2018	39,800,000 shares
2) Number of treasury stock	Three months ended February 28, 2019	1,736,718 shares	Year ended November 30, 2018	1,736,212 shares
3) Average number of shares outstanding for each period (cumulative term)	Three months ended February 28, 2019	38,063,640 shares	Three months ended February 28, 2018	28,130,407 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.

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

(1) Explanation of Business Results

During the subject first 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 concerns over a slowdown in the Chinese economy, the Brexit problem, U.S. trade policy, and fluctuations in financial and capital markets.

In the real estate industry, of which the 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, the 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 first quarter cumulative period, net sales amounted to ¥14,144 million (-28.2% from the same period of the previous fiscal year), with operating income of ¥3,235 million (-10.1%), ordinary income of ¥2,740 million (-9.8%), and profit attributable to owners of parent of ¥2,074 million (-5.3%).

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 first quarter cumulative period, properties sold as the S-RESIDENCE Series were “S-RESIDENCE Aoi” (Higashi-ku, Nagoya-shi). Income apartments sold as a whole were “SAMTY Residence Minami8jo” (Chuo-ku, Sapporo-shi), and “SAMTY Mikunihommachi Residence” (Yodogawa-ku, Osaka-shi); and in lots “SAMTY Himesato 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), and “S-PERIA Hotel Nagasaki” (Nagasaki-shi, Nagasaki). The Company also sold other commercial facilities.

As a result, net sales in the Real Estate Business segment amounted to ¥11,870 million (-32.0% from the same period of the previous fiscal year), with operating income of ¥3,625 million (-4.0%).

b. Property Leasing Business

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

The Samty Group continued its efforts to expand its area of business operations and strengthen purchasing of income properties, including acquiring “SAMTY Miyanomori Residence” (Chuo-ku, Sapporo-shi), “SAMTY Gakuemae” (Toyohira-ku, Sapporo-shi), “SAMTY Fukuzumi” (Toyohira-ku, Sapporo-shi), “Elstanza Sakaeminami” (Naka-ku, Nagoya-shi), “SAMTY Tenma Prime” (Kita-ku, Osaka-shi), “SAMTY Miyakojima Takakuracho” (Miyakojima-ku, Osaka-shi), “Live Casa Miyakojima Uchindai” (Miyakojima-ku, Osaka-shi), “SAMTY Sakuragawaminami” (Naniwa-ku, Osaka-shi), “SAMTY Hakataekiminami” (Hakata-ku, Fukuoka-shi), “SAMTY Ohashiminami” (Minami-ku, Fukuoka-shi), and “SAMTY Nishikumamoto” (Minami-ku, Kumamoto-shi).

As a result, net sales in the Property Leasing Business segment amounted to ¥1,432 million (-22.3% from the same period of the previous fiscal year), with operating income of ¥557 million (-3.9%).

c. Other Business

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

As a result, net sales in the Other Business segment amounted to ¥841 million (+113.7% from the same period of the previous fiscal year), with an operating loss of ¥30 million (compared to operating income of ¥33 million in the same period of the previous fiscal year).

(2) Qualitative Information on the Consolidated Financial Position

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

1) Assets, Liabilities, and Net Assets

Assets

Total assets at the end of the subject first quarter cumulative period amounted to ¥170,730 million, an increase of ¥8,229 million compared to the end of the previous fiscal year. Of this amount, current assets increased ¥198 million to ¥108,102 million, and non-current assets increased ¥8,031 million to ¥62,627 million. The main factors for the increase in current assets were increases of ¥2,825 million in real estate for sale; and ¥3,841 million in real estate for sale under construction; against a decrease of ¥6,287 million in cash and deposits. The main factors for the increase in non-current assets were increases of ¥7,732 million in net property and equipment; and ¥279 million in investments and other assets.

Liabilities

Total liabilities at the end of the subject first quarter cumulative period amounted to ¥108,705 million, an increase of ¥8,643 million compared to the end of the previous fiscal year. Of this amount, current liabilities decreased ¥1,523 million to ¥18,255 million, while non-current liabilities increased ¥10,167 million to ¥90,449 million. The main factors for the decrease in current liabilities were declines of ¥1,632 million in current portion of long-term debt; and ¥3,932 million in accrued income taxes; offsetting an increase of ¥6,376 million in short-term borrowings. The main factor for the increase in non-current liabilities was an increase of ¥10,063 million in long-term debt.

Net Assets

Total net assets at the end of the subject first quarter cumulative period amounted to ¥62,024 million, a decrease of ¥413 million compared to the end of the previous fiscal year. This was due mainly to an increase of ¥2,074 million in retained earnings from the recording of profit attributable to owners of parent; against a decrease of ¥2,588 million in retained earnings from dividend payments.

2) Cash Flows

Cash and cash equivalents (“cash”) at the end of the subject first quarter cumulative period amounted to ¥37,860 million, a decrease of ¥6,219 million compared to the end of the previous fiscal year. This was due mainly to ¥10,359 million in cash used in operating activities; ¥7,889 million in cash used in investing activities; and ¥12,029 million in cash provided by financing activities.

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

Cash Flow from Operating Activities

Net cash used in operating activities amounted to ¥10,359 million (compared to ¥6,187 million in cash provided in the same period of the previous fiscal year). This was due mainly to ¥2,999 million in income before income taxes; ¥6,666 million in increase in inventories; ¥1,689 million in decrease in accrued consumption taxes; and ¥4,202 million in income taxes paid.

Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥7,889 million (compared to ¥8,229 million in cash provided in the same period of the previous fiscal year). This was due mainly to ¥9,132 million in purchase of property, plant and equipment; and ¥1,329 million in proceeds from sales of property, plant and equipment.

Cash Flow from Financing Activities

Net cash provided by financing activities amounted to ¥12,029 million (compared to ¥13,803 million in cash used in the same period of the previous fiscal year). This was due mainly to ¥9,407 million in increase in short-term loans payable; ¥3,031 million in decrease in short-term loans payable; ¥16,904 million in proceeds from long-term loans; ¥8,474 million in repayments of long-term loans; and ¥2,589 million in dividends paid.

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

Results forecasts for the fiscal year ending November 2018 are unchanged from those announced in “Financial Statement (Consolidated Basis) for the year ended November 30, 2018” released on January 8, 2019.

2. Consolidated Financial Statements and Main Explanatory Notes

(1) Consolidated Balance Sheets

	Millions of yen	
	November 30, 2018	February 28, 2019
ASSETS		
Current assets:		
Cash and deposits	44,510	38,222
Receivables	928	700
Real estate for sale	26,181	29,007
Real estate for sale under construction	34,886	38,728
Goods	0	0
Supplies	8	6
Other	1,389	1,437
Allowance for doubtful accounts	(1)	(1)
Total current assets	107,904	108,102
Non-current assets:		
Property and equipment:		
Buildings and structures net	20,071	23,590
Buildings in trust net	2,779	3,904
Land	20,936	23,366
Land in trust	2,426	2,866
Other net	326	544
Net property and equipment	46,539	54,272
Intangible assets:		
Goodwill	52	50
Other intangible assets	120	140
Total intangible assets	172	191
Investments and other assets:		
Investment securities	3,887	4,050
Deferred tax assets	694	361
Other	3,355	3,804
Allowance for doubtful accounts	(54)	(53)
Total Investments and other assets	7,883	8,163
Total non-current assets	54,595	62,627
Total assets	162,500	170,730

	Millions of yen	
	November 30, 2018	February 28, 2019
LIABILITIES		
Current liabilities:		
Notes and accounts payable	589	480
Short-term borrowings	1,340	7,717
Current portion of long-term debt	9,470	7,838
Accrued income taxes	4,595	663
Other	3,782	1,556
Total current liabilities	19,779	18,255
Non-current liabilities:		
Long-term debt	78,362	88,426
Liabilities for retirement benefits	156	161
Guarantee deposits	1,035	1,035
Construction assistance fund	538	524
Other	188	301
Total non-current liabilities	80,282	90,449
Total liabilities	100,061	108,705
NET ASSETS		
Shareholders' equity:		
Capital stock	15,935	15,935
Capital surplus	16,242	16,242
Retained earnings	30,556	30,042
Treasury stocks at cost	(1,330)	(1,331)
Total shareholders' equity	61,404	60,889
Accumulated other comprehensive income:		
Unrealized gain on available for-sale securities	129	186
Total accumulated other comprehensive income	129	186
Stock acquisition rights	390	416
Non-controlling interests	514	532
Total net assets	62,438	62,024
Total liabilities and net assets	162,500	170,730

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

Three months ended February 28

	Millions of yen	
	2018	2019
Net sales	19,702	14,144
Cost of sales	14,555	9,012
Gross profit	5,147	5,132
Selling, general and administrative expenses	1,548	1,897
Operating income	3,599	3,235
Non-operating income:		
Interest income	1	0
Dividend income	0	0
Insurance income	—	3
Refund of premium for cancelled insurance	11	6
Other	7	1
Total non-operating income	21	12
Non-operating expenses:		
Interest expenses	367	307
Commission fee	202	79
Loss on valuation of interest swaps	—	115
Other	12	4
Total non-operating expenses	582	507
Ordinary income	3,038	2,740
Extraordinary income:		
Gain on sales of non-current assets	280	259
Total extraordinary income	280	259
Extraordinary loss:		
Loss on sales of non-current assets	49	—
Loss on retirement of non-current assets	0	0
Total extraordinary losses	49	0
Income before income taxes	3,269	2,999
Income taxes-current	1,037	598
Income taxes-deferred	(6)	308
Total income taxes	1,031	906
Net income	2,237	2,092
Profit attributable to non-controlling interests	46	17
Profit attributable to owners of parent	2,190	2,074

Consolidated Statements of Comprehensive Income

Three months ended February 28

	Millions of yen	
	2018	2019
Net income	2,237	2,092
Other comprehensive income:		
Unrealized gain on available for-sale securities	128	81
Total other comprehensive income	128	81
Comprehensive income	2,366	2,173
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	2,319	2,155
Comprehensive income attributable to non-controlling interests	46	17

(3) Consolidated Statements of Cash Flows

Three months ended February 28

	Millions of yen	
	2018	2019
Operating activities:		
Income before income taxes	3,269	2,999
Depreciation	330	259
Amortization of goodwill	2	1
Increase (decrease) in allowance for doubtful accounts	17	0
Increase (decrease) in net defined benefit liability	(15)	5
Interest and dividends income	(1)	(0)
Interest expenses	367	307
Commission fee	202	79
Loss (gain) on sales of property, plant and equipment	(231)	(259)
Decrease (increase) in notes and accounts receivable - trade	(227)	227
Decrease (increase) in inventories	6,018	(6,666)
Increase (decrease) in notes and accounts payable - trade	(334)	(132)
Increase (decrease) in accrued consumption taxes	483	(1,689)
Increase (decrease) in lease and guarantee deposits received	(222)	(0)
Other-net	(1,358)	(962)
Subtotal	8,301	(5,830)
Decrease in interest and dividends receivable	1	0
Decrease in interest payable	(382)	(327)
Income taxes paid	(1,732)	(4,202)
Net cash provided by (used in) operating activities	6,187	(10,359)
Investing activities:		
Payments into time deposits	—	(16)
Proceeds from withdrawal of time deposits	—	50
Purchase of property, plant and equipment	(941)	(9,132)
Proceeds from sales of property, plant and equipment	10,127	1,329
Purchase of intangible assets	(15)	(22)
Proceeds from sales of intangible assets	—	0
Purchase of investment securities	(1,035)	(156)
Proceeds from redemption of investment securities	110	72
Payments for investments in capital	(3)	(0)
Collection of investments in capital	—	0
Payments of construction assistance fund receivables	(13)	(13)
Net cash provided by (used in) investing activities	8,229	(7,889)
Financing activities:		
Increase in short-term loans payable	7,769	9,407
Decrease in short-term loans payable	(7,560)	(3,031)
Proceeds from long-term loans	12,644	16,904
Repayments of long-term loans	(25,860)	(8,474)
Proceeds from issuance of common shares	9	—
Purchase of treasury shares	—	(0)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	585	—
Dividends paid	(1,185)	(2,589)
Other-net	(206)	(187)
Net cash provided by (used in) financing activities	(13,803)	12,029
Net increase (decrease) in cash and cash equivalents	613	(6,219)
Cash and cash equivalents, beginning of the period	24,833	44,080
Cash and cash equivalents, end of the period	25,447	37,860

(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 quarter of FY11/18 (from December 1, 2017 to February 28, 2018)

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

Three months ended February 28, 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	17,464	1,843	393	19,702	—	19,702
Inter-segment net sales and transfers	7	—	64	72	(72)	—
Total	17,471	1,843	458	19,774	(72)	19,702
Operating income (loss)	3,776	580	(33)	4,324	(725)	3,599

Notes

1. The ¥725 million downward adjustment to operating income (loss) comprises a negative ¥25 million in intersegment eliminations, and a negative ¥700 million in corporate expenses not allocated to any reportable segment. Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Segment operating income (loss) is adjusted to the operating income on the consolidated income statement.

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

Not applicable.

II Results for the first quarter of FY11/19 (from December 1, 2018 to February 28, 2019)

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

Three months ended February 28, 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	11,870	1,432	841	14,144	—	14,144
Inter-segment net sales and transfers	12	(8)	82	86	(86)	—
Total	11,882	1,423	923	14,230	(86)	14,144
Operating income (loss)	3,625	557	30	4,214	(979)	3,235

Notes

1. The ¥979 million downward adjustment to operating income (loss) comprises a negative ¥13 million in intersegment eliminations, and a negative ¥965 million in corporate expenses not allocated to any reportable segment. Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Segment operating income (loss) is adjusted to the operating income on the consolidated income statement.

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

Not applicable.

(Additional Information)

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

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

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

END