

(REIT) Interim Summary of Financial Results for Fiscal Period Ending January 2016

October 15, 2015

REIT Securities Issuer:	Samty Residential Investment Corporation ("Samty Residential")	Listing: Tokyo Stock Exchange
Securities Code:	3459	URL: http://www.samty-residential.com/en/
Representative:	Tetsuro Kawamoto, Executive Director	
Asset Management Company:	Samty Asset Management Co., Ltd.	Inquiries: Takeshi Fujiwara
Representative:	Yosuke Masuda, President	Director Business Management Department Phone: +81-3-5220-3841

Scheduled date of submission of semiannual report: November 24, 2015

Preparation of supplementary interim financial results briefing materials: Yes
 Holding of interim financial results briefing session: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Status of Management and Assets for Fiscal Period Ending January 2016 (for interim period from March 16, 2015 to August 31, 2015)

(1) Management Status

(% figures are the rate of period-on-period increase (decrease))

	Operating revenue		Operating income		Ordinary income		Net income	
	mn yen	%	mn yen	%	mn yen	%	mn yen	%
Interim period ended Aug. 2015	511	–	211	–	(136)	–	(137)	–

	Net income per unit
Interim period ended Aug. 2015	yen (2,063)

(Note 1) The calculation period for the interim period ended August 2015 of Samty Residential is a period of 169 days from March 16, 2015 to August 31, 2015.

(Note 2) Net income per unit is calculated by dividing net income by the daily weighted average number of investment units (66,525 units).

(Note 3) Percentage figures for operating revenue, operating income, ordinary income and net income are the rate of period-on-period increase (decrease), but are not applicable for the interim period ended August 2015 because it is the first fiscal period.

(Note 4) In the calculation period for the interim period ended August 2015, investment unit issuance expenses and deferred organization expenses totaling 129 million yen are recorded as one-time expenses, resulting in ordinary loss of 136 million yen and net loss of 137 million yen.

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per unit
Interim period ended Aug. 2015	mn yen 33,920	mn yen 15,877	% 46.8	yen 97,207

(3) Status of Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Interim period ended Aug. 2015	mn yen 69	mn yen (32,107)	mn yen 33,306	mn yen 1,268

2. Forecast of Management Status for Fiscal Period Ending January 2016 (from March 16, 2015 to January 31, 2016) and Fiscal Period Ending July 2016 (from February 1, 2016 to July 31, 2016)

(% figures are the rate of period-on-period increase (decrease))

	Operating revenue		Operating income		Ordinary income		Net income		Distribution per unit (including distribution in excess of earnings)	Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit
	mn yen	%	mn yen	%	mn yen	%	mn yen	%	yen	yen	yen
Fiscal period ending Jan. 2016	1,390	-	602	-	119	-	119	-	1,512	730	782
Fiscal period ending July 2016	1,070	(23.0)	427	(28.9)	329	175.1	329	176.2	2,591	2,017	574

(Reference) Forecast net income per unit for fiscal period ending January 2016: 730 yen

Forecast net income per unit for fiscal period ending July 2016: 2,017 yen

(Note 1) Distribution per unit is calculated based on the total number of investment units issued and outstanding at the end of the interim period ended August 2015 of 163,340 units.

(Note 2) Percentage figures for operating revenue, operating income, ordinary income and net income are the rate of period-on-period increase (decrease), but are not applicable for the fiscal period ending January 2016 because it is the first fiscal period.

* Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

- ① Changes in accounting policies accompanying amendments to accounting standards, etc.: No
- ② Changes in accounting policies other than ①: No
- ③ Changes in accounting estimates: No
- ④ Retrospective restatement: No

(2) Total Number of Investment Units Issued and Outstanding

- ① Total number of investment units issued and outstanding (including own investment units) at end of period

Interim period ended August 2015	163,340 units
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- ② Number of own investment units at end of period

Interim period ended August 2015	0 units
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* Presentation of the status of implementation of interim audit procedures
At the time of disclosure of this interim summary of financial results, audit procedures for interim financial statements pursuant to the Financial Instruments and Exchange Act have not been completed.

* Explanation of the appropriate use of the forecast of management status, and other matters of special note
The management status outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by Samty Residential, and actual management status, etc. may differ materially due to various factors. In addition, the forecast is not a guarantee of the amount of distributions.
The first fiscal period of Samty Residential is from March 16, 2015 to January 31, 2016, but an interim settlement of accounts is conducted because the fiscal period exceeds nine months. Please note that subsequent fiscal periods of Samty Residential end on the last day of January and the last day of July.

Assumptions Underlying Forecast of Management Status for Fiscal Period Ending January 2016 and Fiscal Period Ending July 2016

Item	Assumption
Fiscal period	<ul style="list-style-type: none"> Fiscal period ending January 2016 (from March 16, 2015 to January 31, 2016) (322 days) Fiscal period ending July 2016 (from February 1, 2016 to July 31, 2016) (182 days)
Managed assets	<ul style="list-style-type: none"> Fiscal period ending January 2016 and fiscal period ending July 2016: It is assumed that Samty Residential will continue to own the trust beneficiary interests in real estate for 28 properties it owns and the trust beneficiary interests in real estate for 1 property it acquired on October 1, 2015 (S-FORT Gakuenmae) for a total of trust beneficiary interests in real estate for 29 properties (the "already acquired assets and additionally acquired asset") through the end of the fiscal period ending July 2016, and that no other property will be newly acquired. In practice, change may arise due to acquisition of new properties or disposition of owned properties, etc.
Operating revenue	<ul style="list-style-type: none"> Real estate rent revenue from the already acquired assets and additionally acquired asset is calculated by taking into account the information provided from the previous owners, etc. of the respective properties, the lease agreements concluded, the market trends and other factors. Operating revenue is based on the assumption that there will be no accrual of gain or loss on sales of real estate properties.
Operating expenses	<ul style="list-style-type: none"> Expenses related to the rent business, which are the principal operating expenses, are calculated on the basis of past results of Samty Residential (or the past results disclosed by the previous owners, etc. for the periods for which Samty Residential does not have past results), taking into account the fluctuation factors of expenses. Real estate rent income (excluding gain on sales of real estate properties) after deducting expenses related to the rent business (including depreciation) is assumed to be 807 million yen for the fiscal period ending January 2016 and 569 million yen for the fiscal period ending July 2016. In general practice, the property taxes and city planning taxes, etc. levied on transactions of real estate properties are settled at the time of acquisition by prorating for the period with the previous owner. However, as Samty Residential includes the amount equivalent to such settlement in the acquisition costs for the property, the amount is not recorded as expenses. Depreciation is calculated using the straight line method, and is assumed to be 365 million yen for the fiscal period ending January 2016 and 268 million yen for the fiscal period ending July 2016. Repair expenses for buildings are assumed to be 12 million yen for the fiscal period ending January 2016 and 9 million yen for the fiscal period ending July 2016, based on the medium- to long-term repair plans prepared by the asset management company. However, the amounts could differ significantly from the assumed figures, as increased or additional repair expenses may arise due to unpredictable factors.
Non-operating expenses	<ul style="list-style-type: none"> Non-operating expenses are assumed to be 482 million yen for the fiscal period ending January 2016. The amount is assumed to include 352 million yen as interest expenses and other borrowing-related expenses, as well as one-time expenses in the fiscal period ending January 2016 comprising 70 million yen as expenses for establishing Samty Residential and 58 million yen as expenses related to the issuance, listing and public offering of new investment units. For the fiscal period ending July 2016, 98 million yen is assumed as interest expenses and other borrowing-related expenses.
Borrowings	<ul style="list-style-type: none"> Total interest-bearing liabilities are assumed to be 17,812 million yen at the end of the fiscal period ending January 2016 and 16,462 million yen at the end of the fiscal period ending July 2016.
Investment units	<ul style="list-style-type: none"> The total number of investment units issued and outstanding is assumed to be 163,340 units, which is the figure as of today. It is assumed that there will be no change in the number of investment units due to issuance of new investment units, etc. through the end of the fiscal period ending January 2016 and the end of the fiscal period ending July 2016.

Item	Assumption
Distribution per unit (excluding distribution in excess of earnings)	<ul style="list-style-type: none"> • Distribution per unit (excluding distribution in excess of earnings) is calculated on the assumption that the amount of earnings is distributed pursuant to the cash distribution method stipulated in Samty Residential's Articles of Incorporation. • There is the possibility that the distribution per unit (excluding distribution in excess of earnings) may vary due to various factors, including changes of managed assets, variation in real estate rental revenue in accordance with changes of tenants, and occurrence of unpredicted repairs.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> • Distribution in excess of earnings per unit is calculated pursuant to the cash distribution method stipulated in Samty Residential's Articles of Incorporation as well as its internal regulations. • As of today, Samty Residential believes that no significant deterioration is likely to take place for the current external economic environment, the real estate market conditions and Samty Residential's financial conditions. • Samty Residential anticipates that there will be ample opportunities, etc. to acquire new properties as investments that should contribute to increasing portfolio earnings power in the fiscal period ending January 2016 and the fiscal period ending July 2016, although part of the real estate transaction market appears to be overheated. Accordingly, it is highly necessary to reserve certain amounts of funds to make it possible to respond to such opportunities flexibly. On the other hand, in consideration of such factors as Samty Residential's financial conditions and the prospect of its ability to refinance the borrowings, Samty Residential considers itself to not be in a position in the said two fiscal periods to allocate funds preferentially for reinforcing its financial base through such measures as reducing interest-bearing liabilities. While depreciation for the already acquired assets and additionally acquired asset (29 properties in total) is anticipated to be 365 million yen for the fiscal period ending January 2016 and 268 million yen for the fiscal period ending July 2016, the six-month average of the sum total of the estimated urgent repair expenses, estimated short-term repair expenses and estimated long-term repair expenses for the said 29 properties described in the building condition survey reports will be only 29 million yen (estimated to be 33 million yen for the fiscal period ending January 2016 and 24 million yen for the fiscal period ending July 2016). Accordingly, Samty Residential expects to have residual free cash flow even after making certain reserves from the cash and deposits on hand equivalent to the depreciation amount at the end of each fiscal period as reserves for capital expenditures to maintain the building functions, etc., as funds equivalent to the estimated amount of working capital, etc. and as reserves in preparation for investments that should contribute to increasing portfolio earnings power as stated above. • Considering the above, Samty Residential believes as of today that it is appropriate to implement distribution in excess of earnings for the fiscal period ending January 2016 and the fiscal period ending July 2016, and anticipates 127 million yen and 93 million yen, respectively, as total distribution in excess of earnings (Note 1). In this case, the total distribution in excess of earnings will be equivalent to 35.0% and 35.0%, respectively, of the depreciation expected to accrue in each fiscal period, and the payout ratio (Note 2) is anticipated to be 51.0% and 70.8%, respectively. <p>(Note 1) Distribution in excess of earnings shall be implemented only when the total continuous appraisal value of the real estate properties owned by Samty Residential at the end of the relevant fiscal period is greater than the total book value of the owned real estate properties plus total reserves for the planned construction work amount (capital expenditures) of the repair and renewal expenses scheduled for the next fiscal period as well as other planned reserves. If these requirements are not satisfied, therefore, Samty Residential will not implement distribution in excess of earnings for the 1st fiscal period ending January 2016 and the 2nd fiscal period ending July 2016 despite the above forecast.</p> <p>Moreover, if any significant deterioration or other changes newly occur in the external economic environment, the real estate market conditions or Samty Residential's financial conditions, etc., the policy as of today to implement distribution in excess of earnings for the 1st fiscal period ending January 2016 and the 2nd fiscal period ending July 2016 as part of the cash management may be changed and, despite the above forecast, distribution in excess of earnings may not be implemented for the 1st fiscal period ending January 2016 and the 2nd fiscal period ending July 2016. In addition, Samty Residential believes as of today that it is appropriate to implement distribution in excess of earnings for the 1st fiscal period ending January 2016 and the 2nd fiscal period ending July 2016 to the extent of the payout ratio (Note 2) not surpassing around 70% and targeting the amount equivalent to 35% of depreciation in the relevant fiscal period. However, such an amount or percentage may be reviewed if there newly arises a major change in the revenue and expense structure of the portfolio due to significant additions of new assets, etc. or important changes take place in the financial environment and the real estate investment trust market conditions, etc. As a result, the amount of distribution in excess of earnings for the 1st fiscal period ending January 2016 and the 2nd fiscal period ending July 2016 as anticipated above may be changed.</p> <p>(Note 2) "Payout ratio" represents the ratio of total cash distribution, including distribution in excess of earnings, to net income and depreciation combined.</p>
Other	<ul style="list-style-type: none"> • It is assumed that there will be no revision to laws and regulations, tax system, accounting standards, regulations applying to publicly listed companies and rules of The Investment Trusts Association, Japan, etc. that will impact the aforementioned forecast figures. • It is also assumed that there will be no unexpected material changes in general economic trends and real estate market conditions, etc.