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Annual Securities Report

Fiscal Year
(41st)

From December 1, 2021,
to November 30, 2022

1-8-39 Nishimiyahara, Yodogawa-ku, Osaka-shi

Samty Co., Ltd.

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[Cover page]

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[Place of filing]	Director-General of the Kanto Local Finance Bureau
[Filing date]	March 31, 2023
[Fiscal year]	41st fiscal year (from December 1, 2021, to November 30, 2022)
[Company name]	Samty Kabushikikaisha
[Company name in English]	Samty Co., Ltd.
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[Name of contact person]	Yoshikazu Hirayama, Executive Officer and General Manager of Business Administration Division
[Place for public inspection]	Samty Co., Ltd. Tokyo Branch (1-8-3, Marunouchi, Chiyoda-ku, Tokyo) Samty Co., Ltd. Nagoya Branch (1-1-1 Meieki, Nakamura-ku, Nagoya-shi) Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Part I. [Company information]

Section 1. [Overview of company]

1. [Key financial data]

(1) Key financial data of group

Fiscal year		37th	38th	39th	40th	41st
Fiscal year end		November 2018	November 2019	November 2020	November 2021	November 2022
Net sales	(millions of yen)	84,274	85,552	101,120	90,460	128,470
Ordinary profit	(millions of yen)	11,635	13,193	15,247	8,105	14,441
Profit attributable to owners of parent	(millions of yen)	8,489	9,740	10,615	10,012	10,866
Comprehensive income	(millions of yen)	8,672	10,266	10,199	11,125	8,890
Net assets	(millions of yen)	62,438	71,627	77,699	103,028	110,395
Total assets	(millions of yen)	162,500	218,803	250,864	349,194	413,594
Net assets per share	(yen)	1,616.59	1,734.72	1,907.51	2,029.28	2,123.10
Net income per share	(yen)	283.89	247.11	261.23	242.52	233.68
Diluted net income per share	(yen)	273.26	228.51	227.88	214.32	213.67
Equity ratio	(%)	37.9	32.5	30.7	27.0	23.9
Return on equity	(%)	16.9	14.7	14.3	11.7	11.3
Price-earnings ratio	(times)	5.3	8.5	6.3	9.4	9.7
Net cash provided by (used in) operating activities	(millions of yen)	31,828	4,425	11,958	(6,728)	14,897
Net cash provided by (used in) investing activities	(millions of yen)	(744)	(53,337)	(31,815)	(52,348)	(52,024)
Net cash provided by (used in) financing activities	(millions of yen)	(11,836)	48,683	17,488	57,658	38,907
Cash and cash equivalents, end of the period	(millions of yen)	44,080	44,102	41,724	40,589	43,104
Number of employees [Excluding: Average number of temporary employees]		207 [15]	244 [30]	271 [23]	391 [52]	705 [277]

(Note 1) The Company made an allotment of share acquisition rights without contribution based on a rights offering (partial commitment-type / listing-type share acquisition rights allotment without contribution) to the shareholders as of the shareholder record date of September 30, 2018, and payment for the share acquisition rights has been completed. Since the amount paid in based on the rights offering is lower than the market value, net assets per share, net income per share, and diluted net income per share are calculated on the assumption that the portion corresponding to the share split due to the payment based on the rights offering was made at the beginning of the 37th fiscal year.

(Note 2) The number of employees is the number of persons employed, with the average number of temporary employees not included but shown in brackets.

(Note 3) The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others have been applied from the beginning of the 41st fiscal year, and the key management indicators, etc. for the 41st fiscal year are those after the application of the said accounting standard and others.

(2) Key financial data of reporting company

Fiscal year		37th	38th	39th	40th	41st
Fiscal year end		November 2018	November 2019	November 2020	November 2021	November 2022
Net sales	(millions of yen)	75,152	80,635	96,629	84,161	109,159
Ordinary profit	(millions of yen)	15,484	14,635	14,369	6,405	10,234
Net income	(millions of yen)	11,709	11,435	9,980	4,236	7,140
Capital stock	(millions of yen)	15,935	16,184	16,227	20,595	20,657
Total number of issued shares	(shares)	39,800,000	40,946,240	41,020,140	46,468,085	46,522,685
Net assets	(millions of yen)	58,123	68,985	74,385	85,799	89,015
Total assets	(millions of yen)	152,960	212,055	241,519	304,003	345,549
Net assets per share	(yen)	1,516.76	1,684.86	1,842.07	1,846.44	1,913.41
Dividend paid per share [Including: Interim dividend paid per share]	(yen)	68.00 [—]	79.00 [35.00]	82.00 [38.00]	90.00 [39.00]	90.00 [39.00]
Net income per share	(yen)	391.59	290.08	245.60	102.62	153.56
Diluted net income per share	(yen)	376.93	268.25	214.25	90.69	140.41
Equity ratio	(%)	37.7	32.5	30.8	28.2	25.8
Return on equity	(%)	26.1	18.0	13.9	5.3	8.2
Price-earnings ratio	(times)	3.9	7.2	6.7	22.3	14.8
Payout ratio	(%)	17.4	27.2	33.4	87.7	58.6
Number of employees [Excluding: Average number of temporary employees]		105 [—]	121 [—]	134 [—]	141 [—]	171 [—]
Total shareholder return [Comparison indicator: Dividend-included TOPIX]	(%)	106.7 [95.1]	149.8 [99.4]	126.1 [105.1]	174.5 [118.0]	179.7 [124.8]
Highest share price	(yen)	2,450 *1,727	2,197	2,293	2,655	2,434
Lowest share price	(yen)	1,578 *1,413	1,116	1,024	1,600	1,956

(Note 1) The Company made an allotment of share acquisition rights without contribution based on a rights offering (partial commitment-type / listing-type share acquisition rights allotment without contribution) to the shareholders as of the shareholder record date of September 30, 2018, and payment for the share acquisition rights has been completed. Since the amount paid in based on the rights offering is lower than the market value, net assets per share, net income per share, and diluted net income per share are calculated on the assumption that the portion corresponding to the share split due to the payment based on the rights offering was made at the beginning of the 37th fiscal year.

(Note 2) The number of employees is the number of persons employed. The average number of temporary employees is omitted, because the total number of temporary employees is less than 10/100 of the number of employees.

(Note 3) The highest and lowest share prices are those on the First Section of the Tokyo Stock Exchange for prices up to and including April 3, 2022, and on the Prime Market of the Tokyo Stock Exchange for prices from April 4, 2022.

The Company issued share acquisition rights based on a partial commitment-type rights offering with an allotment date of October 1, 2018. The ex-rights share price following the rights offering is shown with an asterisk (*) for the 37th fiscal year.

(Note 4) The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others

have been applied from the beginning of the 41st fiscal year, and the key management indicators, etc. for the 41st fiscal year are those after the application of the said accounting standard and others.

2. [History]

Month & Year	Summary of Events
December 1982	Established Samty Development Co., Ltd. (currently Samty Co., Ltd.) in Higashinakajima 1-chome, Higashiyodogawa-ku, Osaka City, with 2.5 million yen in capital. Launched the real estate sales, leasing, and property management businesses.
January 1983	Acquired Osaka Governor License as a Housing Land and Building Dealer. Started buying and selling condominiums under contract.
October 1984	Started selling condominium buildings for investment.
May 1991	Started selling condominiums for families.
March 1999	Registered as a First-Class Architectural Firm by the Governor of Osaka.
May 2001	Launched the Samty series of condominiums for investment.
September 2002	Launched the real estate securitization business and conducted the first real estate securitization received by the Kinki Finance Bureau.
March 2005	Launched the S-Residence series of rental apartments for real estate funds.
June 2005	Changed company name to Samty Co., Ltd.
January 2006	Established Hikone SC Ltd. (currently a consolidated subsidiary) to acquire real estate for lease.
August 2006	Acquired shares in Suntoa Co., Ltd. (which changed its name to Samty Hotel Management Co., Ltd. in February 2020, currently a consolidated subsidiary) which owns and operates economy hotels.
July 2007	Listed on the Osaka Securities Exchange's Nippon New Market - Hercules (currently Tokyo Stock Exchange's JASDAQ (Standard)).
February 2011	Opened the Tokyo Branch in Chuo-ku, Tokyo. Acquired Minister of Land, Infrastructure, Transport and Tourism License as a Housing Land and Building Dealer.
December 2011	Established Samty Kanri Co., Ltd. (which changed its name to Samty Property Management Co., Ltd. in December 2016, currently a consolidated subsidiary).
June 2012	Opened Fukuoka Branch in Hakata-ku, Fukuoka City.
November 2012	Acquired shares in Sun Asset Management Co., Ltd. (which changed its name to Samty Asset Management Co., Ltd. in March 2013, currently a consolidated subsidiary), a real estate asset management company.
July 2013	Listed on the Tokyo Stock Exchange's JASDAQ (Standard) market following the merger between the Tokyo Stock Exchange and the Osaka Securities Exchange.
October 2013	Formulated Medium- to Long-Term Management Plan, Challenge 40.
April 2015	Established S Hotel Operations Nagasaki LLC (currently a consolidated subsidiary).
May 2015	Opened the Sapporo Branch in Chuo-ku, Sapporo City.
June 2015	Samty Residential Investment Corporation, whose asset management is entrusted to Samty Asset Management Co., Ltd., was listed on the Tokyo Stock Exchange's J-REIT market.
September 2015	Established S Hotel Operations Utsunomiya LLC (currently a consolidated subsidiary).
October 2015	Moved up to the First Section of the Tokyo Stock Exchange.
March 2016	Opened the Nagoya Branch in Nakamura-ku, Nagoya City.
July 2016	Revised the Medium- to Long-term Management Plan, Challenge 40.

Month & Year	Summary of Events
March 2018	Established S Hotel Operations Nagoya LLC (currently a consolidated subsidiary).
May 2018	Acquired S Hotel Operations Hakata LLC (currently a consolidated subsidiary).
July 2018	Established S Hotel Operations Kyoto Tambaguchi LLC (currently a consolidated subsidiary).
September 2018	Formulated the New Medium-Term Management Plan, Samty Toughening Plan.
November 2018	Established SI Kaihatsu LLC (currently a consolidated subsidiary).
February 2019	Yasuhiro Ogawa was installed as Representative Director and President. Established the Tokyo Head Office and transitioned to a two-office system with head offices in Tokyo and Osaka. Established Singapore subsidiary SAMTY Asia Investments Pte. Ltd. (currently a consolidated subsidiary).
April 2019	Opened the Yokohama Office in Yokohama City, Kanagawa Prefecture.
May 2019	Concluded a capital and business alliance agreement with Daiwa Securities Group Inc.
October 2019	Established S Hotel Operations Kyoto Horikawa LLC (currently a consolidated subsidiary).
December 2019	Opened the Hiroshima Branch in Naka-ku, Hiroshima City.
November 2020	Established S Hotel Operations Kyoto Shijo LLC (currently a consolidated subsidiary). Established Vietnamese subsidiary Samty Vietnam Co., Ltd. (currently a consolidated subsidiary) through Singapore subsidiary SAMTY Asia Investments Pte. Ltd.
December 2020	Acquired S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY (currently a consolidated subsidiary), a residential condominium business in Vietnam, through Singapore subsidiary SAMTY Asia Investments Pte. Ltd.
January 2021	Relocated Sapporo Branch to an office building developed in Chuo-ku, Sapporo City. Formulated the New Medium-Term Management Plan, Samty Toughening Plan (post-COVID version).
March 2021	Established S Hotel Operations Kyoto Oike LLC (currently a consolidated subsidiary).
April 2021	Acquired R&K LLC (currently a consolidated subsidiary).
May 2021	Concluded a capital and business alliance agreement with Wealth Management, Inc. (acquired shares in August 2021, currently an equity-method affiliate).
August 2021	Opened Kobe Office in Chuo-ku, Kobe City.
September 2021	Relocated the Osaka Head Office and the Osaka Branch Office (currently Osaka Sales Department) to Nishimiyahara, Yodogawa-ku, Osaka City.
November 2021	Established Samty Japan Hotel REIT, Inc. (currently a non-consolidated subsidiary) specializing in the hotel business.
February 2022	Acquired Ryozen Development LLC (currently a consolidated subsidiary)
March 2022	Established Samty Bridge One LLC (currently a consolidated subsidiary) Established Hotel Century 21 Hiroshima (currently a consolidated subsidiary)
April 2022	Moved to the Prime Market of the Tokyo Stock Exchange from the First Section of the Tokyo Stock Exchange due to the reorganization of the markets Acquired equity interest in Shangri-La Kyoto Nijojo Special Purpose Company (currently a consolidated subsidiary through Singapore subsidiary SAMTY ASIA INVESTMENTS PTE. Ltd.) Established S Hotel Operations Hida Takayama LLC (currently a consolidated subsidiary)
June 2022	Acquired shares of Propertie, Co., Ltd., Inc. (currently a consolidated subsidiary)

Month & Year	Summary of Events
July 2022	Jointly with Katana Inc. acquired management rights to Nesta Resort Kobe, Inc. (currently a consolidated subsidiary) and began theme park operations Opened Tokyo Branch, North Kanto Office in Omiya-ku, Saitama City
August 2022	Opened Tokyo Branch, East Kanto Office in Funabashi City, Chiba Prefecture
March 2023	Established S Hotel Operations Haneda, LLC

3. [Description of business]

The Group, which consists of the Company, 26 consolidated subsidiaries and one equity-method affiliate, conducts the Real Estate Development Business that engages in the planning, development, and sales of the Samty brand S-RESIDENCE series and other properties, the Real Estate Solution Business that engages in the acquisition, renovation, and sales of income properties and other properties, the Overseas Business that engages in investments and housing development business overseas, the Real Estate Leasing Business that engages in the leasing of apartments, office buildings, commercial facilities, and other properties, the Hotel Business that engages in the leasing and operating of hotels, and the Real Estate Management Business that engages in the management of apartments, office buildings, commercial facilities, and other properties. Of the consolidated subsidiaries, 16 are special purpose companies or general incorporated associations established or invested in in relation to the business scheme for acquiring, holding, and developing land, buildings, and trust beneficiary rights as part of the process for the Company to conduct these businesses.

The following is the positioning of the Company and the Company's affiliated companies in the businesses of the Company and the Company's affiliated companies, and their connection with the segments.

(1) Real Estate Development Business

The Real Estate Development Business engages in the planning, development, and sales of the Samty brand S-RESIDENCE series and other rental apartments, and office buildings, hotels, and other properties. Utilizing planning and development capabilities, including design, cost control, and construction supervision conducted by in-house architects, and accumulated expertise, involvement is from the acquisition of the project site to the planning and development for properties for holding by the Company and properties for sale to outside investors.

The design work, construction work, and investment condominium sales are outsourced or subcontracted to design firms, construction companies, and sales companies, respectively, to control the fixed costs associated with business expansion.

(Main affiliated companies) The Company

(2) Real Estate Solution Business

The Group acquires existing income properties, and not only recruits tenants, but also upgrades the properties by renovating facilities, improves occupancy rates, etc., by making use of the Company's expertise in an effort to secure earnings during the property holding period, and ultimately sells these to outside investors or other buyers as investment properties.

(Main affiliated companies) The Company

(3) Overseas Business

The Overseas Business engages in investments and housing development business overseas. As of the date of filing of this document, this business is underway in Singapore and Vietnam.

(Main affiliated companies) SAMTY ASIA INVESTMENTS PTE. LTD.
S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY
Samty Vietnam Co., Ltd.

(4) Real Estate Leasing Business

The Group holds apartments, office buildings, commercial facilities, and other properties, and leases the properties to individuals and corporate tenants for the purpose of increasing rental income and other income. The acquisition and holding of large-scale income properties are conducted through special purpose companies. Subleasing is also conducted, in which the Company leases apartments and other properties from owners of income properties and subleases these to end-tenants.

(Main affiliated companies) The Company, and Hikone SC Ltd. Samty Bridge One LLC Propertie, Co., Ltd.

(5) Hotel Business

The Hotel Business engages in the leasing and operating of hotels held by the Group, outside investors, etc.

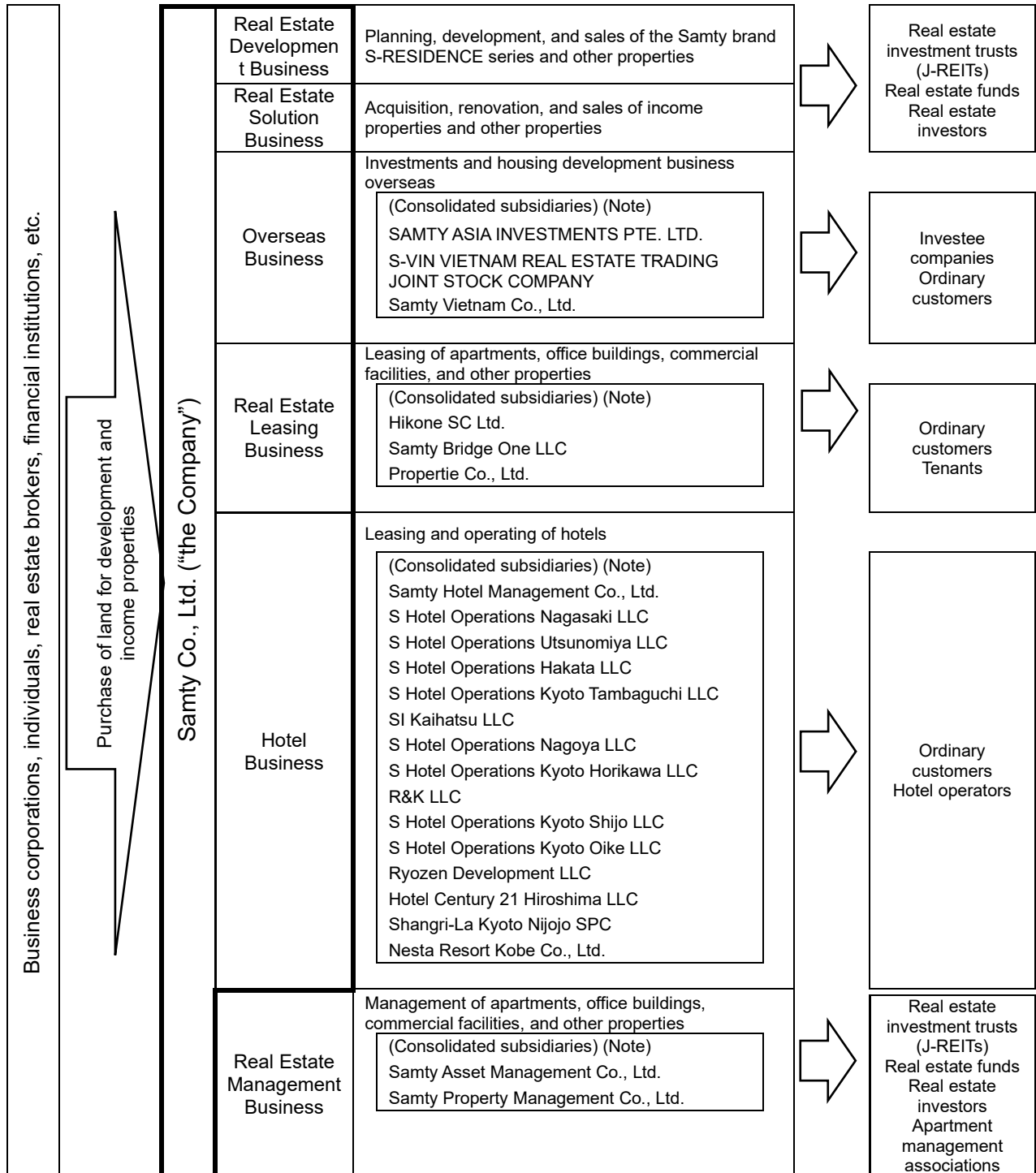
(Main affiliated companies) Samty Hotel Management Co., Ltd.
S Hotel Operations Nagasaki LLC
S Hotel Operations Utsunomiya LLC
S Hotel Operations Hakata LLC
S Hotel Operations Kyoto Tambaguchi LLC
SI Kaihatsu LLC
S Hotel Operations Nagoya LLC
S Hotel Operations Kyoto Horikawa LLC
R&K LLC
S Hotel Operations Kyoto Shijo LLC
S Hotel Operations Kyoto Oike LLC
Ryozen Development LLC
Hotel Century 21 Hiroshima LLC
Wealth Management, Inc.
Shangri-La Kyoto Nijojo Special Purpose Company
Nesta Resort Kobe Inc.

(6) Real Estate Management Business

The Real Estate Management Business is entrusted with asset management, rent collection, contract management, building management, and other management operations for properties held by the Group, outside investors, etc.

(Main affiliated companies) Samty Asset Management Co., Ltd.
Samty Property Management Co., Ltd.

[Business system diagram]



(Note) Consolidated subsidiaries other than SAMTY ASIA INVESTMENTS PTE. LTD., Samty Vietnam Co., Ltd., Hikone SC Ltd., Propertie Co., Ltd. Nesta Resort Kobe Inc., Samty Hotel Management Co., Ltd., Samty Asset Management Co., Ltd., and Samty Property Management Co., Ltd. are special purpose companies or general incorporated associations established or invested in in relation to the business for acquiring, holding, and developing land, buildings, and trust beneficiary rights as part of the process for the Group to conduct each business.

4. [Subsidiaries and other affiliated entities]

Name	Address	Capital stock (millions of yen)	Main line of business	Percentage of voting rights held by (or held in) the Company (%)	Description of relationship
(Consolidated subsidiaries)					
Hikone SC Ltd.	Yodogawa-ku, Osaka-shi	3	Real Estate Leasing Business	100.0	Interlocking directors (and other officers): 1 The Company is entrusted with development operations The Company lends funds The Company guarantees obligations for borrowings from financial institutions
Samty Hotel Management Co., Ltd.	Yodogawa-ku, Osaka-shi	50	Hotel Business	100.0	Interlocking directors (and other officers): 2 Entrusted with leasing and operating operations for hotel assets held or leased by the Company Entrusted with preparatory operations for the opening of hotels under development by the Company
Samty Property Management Co., Ltd.	Yodogawa-ku, Osaka-shi	40	Real Estate Management Business	100.0	Interlocking directors (and other officers): 2 Entrusted with management and other operations for real estate held by the Company
Samty Asset Management Co., Ltd.	Chiyoda-ku, Tokyo	120	Real Estate Management Business	67.0	Entrusted with asset management and other operations for real estate held by the Group
S Hotel Operations Nagasaki LLC (Note 2)	Chiyoda-ku, Tokyo	0.5	Hotel Business	—	The Company lends funds
S Hotel Operations Nagasaki General Incorporated Association (Note 2)	Chiyoda-ku, Tokyo	—	Hotel Business	—	The Company contributes funds
S Hotel Operations Utsunomiya LLC (Note 2)	Chiyoda-ku, Tokyo	0.5	Hotel Business	—	The Company lends funds
S Hotel Operations Utsunomiya General Incorporated Association (Note 2)	Chiyoda-ku, Tokyo	—	Hotel Business	—	The Company contributes funds
S Hotel Operations Hakata LLC (Note 2)	Chiyoda-ku, Tokyo	0.5	Hotel Business	—	The Company lends funds
S Hotel Operations Kyoto Tambaguchi LLC (Note 2)	Chiyoda-ku, Tokyo	0.5	Hotel Business	—	The Company lends funds Leases hotel assets held by the Company
SI Kaihatsu LLC (Note 2)	Chiyoda-ku, Tokyo	3	Real Estate Development Business, Hotel Business	—	The Company guarantees obligations for borrowings from financial institutions
S Hotel Operations General Incorporated Association (Note 2)	Chiyoda-ku, Tokyo	—	Hotel Business	—	The Company contributes funds
SAMTY ASIA INVESTMENTS PTE. LTD. (Note 3)	Republic of Singapore	USD 15,100 thousand	Overseas Business	100.0	Supports the Company's business development in Southeast Asia The Company lends funds
S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY (Note 3) (Note 5)	Hanoi, Vietnam	VND 3,636,204 million	Overseas Business	90.0 [90.0]	SAMTY ASIA INVESTMENTS PTE. LTD. makes equity investment
Samty Vietnam Co., Ltd. (Note 5)	Hanoi, Vietnam	VND 1,152 million	Overseas Business	100.0 [100.0]	Interlocking directors (and other officers): 1 SAMTY ASIA INVESTMENTS PTE. LTD. makes equity investment
S Hotel Operations Nagoya LLC (Note 2)	Chiyoda-ku, Tokyo	0.5	Hotel Business	—	The Company lends funds
S Hotel Operations Kyoto Horikawa LLC	Chiyoda-ku, Tokyo	10	Hotel Business	100.0	The Company lends funds
R&K LLC (Note 2) (Note 3)	Chiyoda-ku, Tokyo	0.1	Hotel Business	—	The Company makes silent partnership investment
S Hotel Operations Kyoto Shijo LLC	Chiyoda-ku, Tokyo	10	Hotel Business	100.0	The Company lends funds
S Hotel Operations Kyoto Oike LLC	Chiyoda-ku, Tokyo	10	Hotel Business	100.0	The Company lends funds
Shangri-La Kyoto Nijojo Special Purpose Company (Note 3) (Note 5)	Minato-ku, Tokyo	8,694	Hotel Business	80.0 [80.0]	SAMTY ASIA INVESTMENTS PTE. LTD. makes preferred equity investment

Name	Address	Capital stock (millions of yen)	Main line of business	Percentage of voting rights held by (or held in) the Company (%)	Description of relationship
Ryozen Development LLC (Note 2) (Note 3)	Chiyoda-ku, Tokyo	0.1	Hotel Business	—	The Company makes silent partnership investment
Samty Bridge One LLC	Yodogawa-ku, Osaka-shi	0.1	Real Estate Development Business, Real Estate Solutions Business, Real Estate Leasing Business	100.0	The Company establishes with funds
Hotel Century 21 Hiroshima LLC	Chiyoda-ku, Tokyo	0.1	Hotel Business	100.0	The Company lends funds
Nesta Resort Kobe Inc.	Miki-shi, Hyogo	10	Hotel Business	62.0	The Company acquires shares
Propertie Co., Ltd.	Hakata-ku, Fukuoka-shi	1	Real Estate Management Business	100.0	The Company lends funds
(Affiliates accounted for by the equity method)					
Wealth Management Inc. (Note 4)	Minato-ku, Tokyo	1,205	Hotel Business	31.39	Interlocking directors (and other officers): 1 Capital and business alliance
(Other affiliated companies)					
Daiwa Securities Group Inc. (Note 4)	Chiyoda-ku, Tokyo	247,397	Controls and manages group companies' business activities	(28.42)	Capital and business alliance

(Note 1) In the "Main line of business" column, the name of the segment is shown.

(Note 2) Although the ownership interest is less than 50/100, it is considered a subsidiary because of the substantial influence exerted.

(Note 3) A specified subsidiary.

(Note 4) A company that files a securities registration statement or an annual securities report.

(Note 5) In the "Percentage of voting rights owned by (or held in) the Company" column, indirect ownership is shown in brackets.

5. [Employees]

(1) Information about group

As of November 30, 2022

Name of segment	Number of employees	
Real Estate Development Business	61	[2]
Real Estate Solution Business	48	[1]
Overseas Business	19	[1]
Real Estate Leasing Business	9	[-]
Hotel Business	305	[257]
Real Estate Management Business	201	[11]
Corporate (shared)	62	[5]
Total	705	[277]

(Note 1) The number of employees is the number of persons employed, with the number of fixed-term and temporary employees (contract employees, dispatched workers, and casual staff) not included but shown in brackets in the average number for the past one year.

(Note 2) Corporate (shared) shows the number of employees belonging to administrative departments that cannot be classified into any particular segment.

(Note 3) The number of employees increased by 314 compared with the end of the previous fiscal year, mainly due to expansion of the scope of business.

(2) Information about reporting company

As of November 30, 2022

Number of employees	Average age (years)	Average length of service (years)	Average annual salary (yen)
171	35.9	6.0	7,768,345

Name of segment	Number of employees	
Real Estate Development Business	61	[-]
Real Estate Solution Business	48	[-]
Overseas Business	-	[-]
Real Estate Leasing Business	-	[-]
Hotel Business	-	[-]
Real Estate Management Business	-	[-]
Corporate (shared)	62	[-]
Total	171	[-]

(Note 1) The average number of temporary employees is omitted, because the total number of temporary employees is less than 10/100 of the number of employees.

(Note 2) Average annual salary includes bonuses and extra wages.

(Note 3) The number of employees increased by 30 compared to the end of the previous fiscal year, mainly due to the expansion of the business.

(3) Information about labor unions

No labor union has been formed, but labor-management relations are smooth.

Section 2. [Overview of business]

1. [Management policy, business environment, issues to address]

Forward-looking statements in the text are based on the judgments of the Group as of the date of filing of this document.

(1) Basic policy on corporate management

Under its management philosophy since its establishment of “Morals, Passion, Challenges, and the realization of dreams” the Group aims to create a future where all people will be able to grow with a dream by engaging itself in community-based activities as a member of society and pursuing efforts to realize a sustainable society and enhance corporate value from a medium- to long-term standpoint in response to the expectations and trust of all stakeholders.

(2) Business environment

During the subject fiscal year, COVID-19 infections repeatedly increased and decreased. As of the date of filing of this document, the government has announced its policy of changing the status of the disease to Class 5 under the Infectious Disease Control Law, the thinking regarding the wearing of masks was revised, and with socioeconomic activities starting to normalize, society is shifting to a state of living with COVID. In the global economy, the situation remains uncertain due to the prolonged tension in Ukraine, soaring resource and energy prices, persistently high inflation rates, and rising interest rates in the U.S. and Europe.

In the real estate industry, of which the Samty Group is a part, with regard to rental apartments, occupancy rates, rent levels, and property sales prices remained favorable, because they are not easily affected by economic trends or the effects of the COVID-19 pandemic. In the hotel industry, we assume that consumption from domestic accommodation and tourism will increase in the future, due to the increased travel opportunities resulting from the transition to a state of living with COVID, the implementation of nationwide travel support, and the recovery of the number of foreign visitors to Japan for tourism.

(3) Medium-term management strategies and target management indicators

The Group is aiming to build a stable profit base by maximizing income gains from rental income and other sources. In addition, acquisition of land for development and income properties are being strengthened in order to expand holdings of assets that will serve as a source of income gains. As described in the business environment in (2) above, rental apartments are stable assets that are insusceptible to economic fluctuations and the effects of the COVID-19 pandemic, and rent levels and sales transaction prices based on such have been on an upward trend. Amid a financing environment that is still favorable for core players in the real estate investment market, such as J-REITs and real estate funds, against the backdrop of globally low interest rates, there is preference for rental apartments as investment targets and a sense of anticipation of higher prices that these investors' expected cap rates will likely decline (prices rise) further. Therefore, we have deemed that a business strategy of holding developed and acquired properties for a certain period of time rather than selling early, seeking opportunities to sell the properties at more favorable prices in addition to securing rental income during the holding period, would be rational.

In terms of office buildings, while there are companies implementing restrictions on coming into the office and companies shifting to chiefly teleworking to prevent the spread of COVID-19, development of the Samty brand S-BUILDING series of office buildings will continue to be underway as demand is firm, especially in major regional cities.

In terms of hotels, although affected by the resurgence of COVID-19, consumption on accommodation and tourism will recover and increase gradually as society moves to a state of living with COVID. In anticipation of the post-COVID era, we will continue to invest in and prepare hotel assets while closely monitoring the external environment.

In the Overseas Business, we see there to be opportunities to earn large development profits as a real estate developer, especially in ASEAN countries, where housing demand is strong against the backdrop of high economic growth rates and the resulting increase in the middle-income class and urban population growth. Expansion of earnings in the Overseas Business will continue to be aimed going forward.

In the plan as described, operating income, ROE, ROA, and equity ratio have been set as key management indicators.

The management targets for the fiscal year ending November 30, 2025, are as follows:

Operating income	¥35,000 million or over
ROE	15.0% level
ROA*	7.0% level
Equity ratio	30.0% or over

*ROA = Operating income / Total assets as average of beginning and end of period

(4) Priority issues to address

The following are the current issues to achieve the management strategies and target management indicators in (3) above.

1) Strengthening corporate governance and internal control systems

On January 16, 2023, the Company established a special investigative committee to conduct an investigation into questions on decisions regarding the scope of consolidation for accounting purposes in past fiscal years in connection with transactions with certain business partners. The results of the investigation by the Special Investigation Committee were disclosed in the Notice Concerning Publication of the Investigation Report of the Special Investigation Committee, dated March 7, 2023. Based on the results of the investigation, the Company will formulate measures to prevent recurrence, including the establishment of strong corporate governance and internal control systems, in order to fulfill its social responsibilities and earn the trust of its stakeholders. In addition, the Company has transitioned to a company with an Audit and Supervisory Committee, which includes outside directors. We will work to improve management transparency through further enhancement of corporate governance in close cooperation with the Internal Audit Office and directors who are members of the Audit and Supervisory Committee and have voting rights on the Board of Directors.

2) Securing and fostering excellent human resources

We believe that securing and fostering excellent personnel is essential for the company's sustainable growth. To secure and foster excellent personnel who are well versed in the relevant areas at each location, we will support skill development for each employee according to his/her growth stage in a work environment where each employee can play an active role with a sense of fulfillment.

3) Strengthening the financial base and diversifying financing methods

We believe that a strong financial base and flexible fundraising are important for stable and sustainable growth and to respond to changes in the external environment. We will build a financial base and diversify funding methods through revenue generation and collaboration with stakeholders.

4) Development of hotels and listing of a hotel REIT

The Group believes that in the after COVID-19 era the hotel industry is a field that will grow significantly in the future under the Japanese government's policy to make Japan a tourism-oriented country. We will promote our business by closely monitoring the external environment, including the listing of Samty Japan Hotel Investment Corporation on the Tokyo Stock Exchange.

5) Overseas business development

In the subject fiscal year, one of the four buildings in a smart city condominium project in Hanoi, Vietnam, jointly operated with VINHOMES JOINT STOCK COMPANY, Vietnam's largest real estate developer, was completed and deliveries to customers started. We will continue to aim to expand earnings in our overseas business.

6) Sustainability initiatives

The Group's Basic Sustainability Policies are Environmental Consideration, Coexistence with Local Communities, Being a Company that Values People, and Thoroughness of Corporate Morals. In the subject fiscal year, we opened a sustainability page on our website. We will continue to promote further expansion of information.

2. [Business risks]

The following are the major risks that management recognizes as potentially having significant impact on the consolidated company's financial position, operating results, and cash flows from among the matters relating to the overview of business, financial information, and other conditions presented in the annual securities report.

Forward-looking statements in the text are based on the judgments of the Group as of the end of the subject fiscal year.

In each of the following items, if it is difficult to reasonably foresee the extent and timing of the likelihood that the risks will arise or the impact on the Group's operating results, etc. should the risks arise, the degree and timing of the likelihood and the impact are not stated. The Group has established a basic policy and management system for risk management in the Risk Management Regulations, based on which compliance-related risks, risks related to day-to-day business activities, information-related risks, and various other risks surrounding its business are appropriately managed to prevent the risks from arising.

(1) Impact of real estate market conditions

In the development and sales of income properties in the Real Estate Development Business and the Real Estate Solution Business, changes in various circumstances, such as economic downturn, rising interest rates, and changes in the tax system, could cause a decline in sales prices and an outflow of funds from the real estate market.

Furthermore, apartment development takes generally two years from the acquisition of land to the receipt of delivery of the completed construction. If macroeconomic fluctuations such as land price trends, interest rate trends, and financial conditions, arise during this period and real estate market conditions deteriorate as a result, the Group's business performance, financial position, etc. could be affected.

In addition, if it is difficult to pass on the cost of real estate to sales prices when the cost is increasing with the rise in acquisition prices due to intensifying competition in the acquisition of land for real estate or the rise in construction material prices, gross profit could be squeezed, and thus could affect the Group's business performance, financial position, etc.

In addressing the risks, the Company will keep working to mitigate the risks in a timely manner by closely monitoring future trends in the domestic economy and identifying trends in real estate market conditions as appropriate.

(2) Fluctuations in business performance due to timing of property delivery

Since net sales and income in the Real Estate Development Business and the Real Estate Solution Business are considerably affected by the size and profit margin of each project, and sales in these businesses are recorded at the time of delivery to customers, any change in the timing of delivery of each project due to the state of progress, changes in sales plans, changes in sales trends, and delays in construction work, etc. could affect the Group's business performance, financial position, etc. In addition, for large-scale projects, any change in the timing of delivery of such projects could affect the Group's business performance, financial position, etc.

(3) Outsourced work

The Group outsources almost all construction work. If unable to sufficiently secure parties to outsource that meet the Company's selection criteria, or if the construction period is delayed due to poor business performance, busy season, or other circumstances of the outsourced parties, outsourcing prices increase due to labor shortage, or other such event arises, construction costs could increase or the construction period extended, and thus could affect the Group's business performance, financial position, etc.

(4) Valuation of real estate for sale

If the value as real estate for sale considerably declines due to deterioration in economic conditions, deterioration in real estate market conditions, etc., a loss could be incurred from writing down the book value of inventories, and thus could affect the Group's business performance, financial position, etc.

(5) Impairment of non-current assets

The Group is pursuing a strategy of strengthening its fee income business designed to maximize income gains. If the profitability of real estate for rent substantially declines, such as a fall in rent levels or a rise in vacancy rates due to deterioration in economic conditions, deterioration in real estate market conditions, etc., or other such event arises, a loss could be incurred from writing down the book value of non-current assets, and thus could affect the Group's business performance, financial position, etc.

(6) Interest-bearing debt dependence and financing

The Group procures funds for the acquisition of land for development, construction costs, income properties, etc. mainly through borrowings from financial institutions, and the dependence on interest-bearing debt tends to increase as a percentage of total assets. As such, if funds cannot be procured as expected or if factors such as economic conditions cause market interest rates to rise, the Group's business performance, financial position, etc. could be affected.

<Changes in interest-bearing debt>

Fiscal year	37th	38th	39th	40th	41st
Fiscal year end	November 2018	November 2019	November 2020	November 2021	November 2022
Balance of interest-bearing debt (millions of yen)	89,174	130,927	153,005	219,231	267,948
Total assets (millions of yen)	162,500	218,803	250,864	349,194	413,594
Ratio of interest-bearing debt (%)	54.9	59.8	61.0	62.8	64.8

(Note) Interest-bearing debt consists of short-term loans payable, current portion of long-term loans payable, long-term loans payable, current portion of bonds payable, and bonds payable.

(7) Accidental and unexpected incidents or natural disasters

The properties held by the Group could be destroyed, deteriorated, or damaged and their value affected by fire, explosion, lightning, wind, hail, snow, water, earthquake fire, earthquake rupture, earthquake collapse, eruption, and tsunami, or electrical incidents, mechanical incidents, and other accidental and unexpected incidents, or war, riot, civil disturbance, terrorism, and other disasters, and thus could affect the Group's business performance, financial position, etc. In addition, as a result of accidental and unexpected incidents or natural disasters that dampen investment sentiment toward real estate, the demand for real estate could decrease, and thus could affect the Group's business. In such cases, the Group's business performance, financial position, etc. could be affected.

(8) Legal regulations, etc.

The Group is subject to various real estate-related laws and regulations, including the Real Estate Brokerage Act and the Building Standards Act, and the Financial Instruments and Exchange Act and other legal regulations, and has obtained licenses, registrations, etc., including a real estate brokerage license, first-class architect office registration, type-II financial instruments business registration, and investment management business registration.

The Group strives to strengthen its internal control system and develop its compliance system, and there have been no facts in the past, including as of the date of filing of this document, that would constitute grounds for revocation or refusal to renew licenses, registrations, etc. However, if a fact in violation of these laws and regulations arises in the future, resulting in the involuntary revocation of licenses, registrations, etc. or the issuance of administrative dispositions, the Group's business performance, financial position, etc. could be affected.

In addition, if the Group's business activities are constrained by amendment or enactment of related laws and regulations, or if the Group is unable to adequately respond to such, the Group's business performance, financial position, etc. could be affected.

In addressing the risks, the Company regularly conducts compliance training to ensure that officers and employees work with legal compliance constantly in mind.

(9) Personal information protection law

The Group handles a large amount of personal information in each business due to necessity in executing business operations. Efforts are made to ensure the proper acquisition, management and handling of such personal information in accordance with the Act on the Protection of Personal Information, and other various related laws and regulations. However, any leakage of personal information to outside parties due to unforeseen circumstances could cause loss of trust in the Group and so forth, resulting in decrease in net sales, incurrence of compensation for damages, and other events, and thus could affect the Group's business performance, financial position, etc.

In addressing the risks, the Information Security Committee, composed of representatives from each department, will keep developing mechanisms for appropriately managing information handled by the Company, and promoting the implementation and operation of such.

(10) Litigation possibility

The Group's business activities in Japan and abroad could be subject to lawsuits, disputes, or other legal proceedings. The Group strives to take preventive measures against such legal proceedings through developing and operating a risk management system. However, depending on the nature and outcome of the legal proceedings, the Group's business performance, financial position, operating results, social credibility, etc. could be adversely affected. If the Group suffers damage or infringement of rights by a third party, costs to protect the Group's rights could incur, and thus could affect the Group's business performance, financial position, etc.

(11) Liability for defects and liability for contractual nonconformity

If there is a defect or contractual nonconformity in the real estate to be sold, the seller is to assume liability for defects or liability for contractual nonconformity to the buyer. In the unlikely event that a property sold by the Group is found to have a serious defect or contractual nonconformity (including, but not limited to, defects in construction, and diversion or addition of construction data in the construction report), the Group, as the seller, could be held liable even if the direct cause of the defect or contractual nonconformity is the fault of a party other than the Group. In such cases, the Group could be forced to bear unplanned expenses for repairing such flaws and other defects, rebuilding, etc., and thus could affect the Group's business performance, financial position, etc.

(12) Securing and developing human resources

Since the future growth of the Group is highly dependent on excellent human resources, securing and developing professional personnel with high expertise and abundant experience in the real estate and financial fields is an essential condition. However, if unable to secure the personnel sought by the Company as planned, the Group's business performance, financial position, etc. could be affected.

(13) Foreign exchange risk

As of the date of filing of this document, the Group operates the Overseas Business in Singapore and Vietnam, conducting foreign currency denominated transactions in U.S. dollars, Singapore dollars, and Vietnamese dong, and is therefore affected by fluctuations in the exchange rates of these currencies.

(14) Impact of tax reform

Revisions to taxation systems related to real estate in the countries in which the Group operates, such as a tax rate hike due to amendment of the Corporation Tax Act and Consumption Tax Act, could result in an increase in funds required for real estate acquisitions and affect business strategies, and thus could affect the Group's business performance, financial position, etc.

(15) Impact of infectious diseases

1) Impact on operating results, etc.

If the outbreak or spread of COVID-19 or other such infectious diseases results in requests for travel restrictions or stay-at-home requests, and leads to a prolonged stagnation of economic activities in Japan and abroad, occupancy rates at hotels and commercial facilities held and operated by the Group could considerably drop that there would be a risk that the Hotel Business segment's profitability will not improve, and thus could affect the Group's operating results, etc.

The status of COVID-19 infection as of the date of submission of this document is shifting to a state of living with COVID as socioeconomic activities normalize. The Group expects domestic travel and the number of foreign visitors to Japan to begin to recover due to nationwide travel support and other measures, and will continue to invest in hotel assets while closely monitoring the external environment.

2) Impact of employee infection risk

If an employee is infected with COVID-19 or other infectious disease and the infection spreads within the company, smooth execution of business operations could be affected due to decrease in sales opportunities and other such consequences from the closure of bases.

(16) Impact of risks related to internal controls over financial reporting and accounting

The Company strives to develop and operate internal controls over financial reporting. However, if the development and operation of internal controls do not function effectively and improvements are insufficient, an internal control audit by an audit firm could identify material deficiencies in internal controls over financial reporting after the last day of the fiscal year. In such case, the Group's operating results and financial position could be adversely affected, and its social credibility and market reputation could be damaged. The Company will maintain an awareness of accounting compliance and engage in deeper communication with internal and external parties, including audit firms.

3. [Management's analysis of financial position, operating results and cash flows]

(1) Summary of operating results, etc.

The following is a summary of the financial position, operating results, and cash flows (hereinafter referred to as "operating results, etc.") of the Group (the Company and its consolidated subsidiaries) for the subject fiscal year.

1) Operating results

During the subject fiscal year, the Japanese economy has been shifting to a state of living with COVID as socioeconomic activities normalize, although COVID-19 has been spreading again since the fall. In the global economy, the outlook remains uncertain due to soaring resource prices, persistently high inflation, prolonged tension in Ukraine, and rising interest rates in the U.S. and Europe.

In the real estate industry, of which the Samty Group is a part, occupancy rates, rent levels, and property sales prices of rental apartments remained favorable, because they are not easily affected by economic trends or the effects of the COVID-19 pandemic. In the hotel industry, we assume that consumption on accommodation and tourism will increase in the future due to the implementation of nationwide travel support and a recovery in the number of foreign tourists to Japan.

In this business environment, we completed construction of 52 development properties (51 properties (approximately 3,600 units) of our brand rental condominium "S-RESIDENCE series" and one investment condominium for sale) in the subject fiscal year. Regarding hotels owned and operated by the Group, occupancy rates had been declining due to the impact of priority measures to prevent the spread of the disease, but are now recovering. Also, from the third quarter of the subject fiscal year, we made Nesta Resort Kobe Co., Ltd., which operates an adventure theme park in the great outdoors with a hotel, a consolidated subsidiary of the Company, and are participating in the management with Katana Inc., which has expertise in theme park operation, as a business partner. The Group recognizes that after COVID-19, people's behavior will shift to services and experiences, and that tourism- and leisure-related is a promising asset with growth potential. In addition to rental condominiums and hotels, we will add the theme park business as a third pillar of our domestic operations to gain opportunities to expand earnings and take advantage of this initiative to develop it into a sustainable business to promote and contribute to regional economic development. In addition, the depreciation of the yen during the subject fiscal year resulted in foreign exchange gains of 5.7 billion yen at consolidated subsidiaries.

As a result, for the subject fiscal year, net sales amounted to ¥128.4 billion (up 42.0% from the previous fiscal year), with operating income of ¥14.0 billion (up 48.8%), ordinary profit of ¥14.4 billion (up 78.2%), and profit attributable to owners of parent of ¥10.8 billion (up 8.5%). The application of the revenue recognition accounting standard resulted in a decrease of ¥0.8 billion in net sales for the subject fiscal year compared with the previous method.

Results by Business Segment

(Real Estate Development Business)

The Real Estate Development Business engages in the planning, development, and sales of the Samty brand S-RESIDENCE series.

In the subject fiscal year, we sold 54 properties for ¥73.4 billion.

As a result, net sales in the Real Estate Development Business segment amounted to ¥73.4 billion (up 89.1% from the previous fiscal year), with operating income of ¥15.6 billion (up 58.5%).

(Real Estate Solution Business)

The Real Estate Solution Business engages in the acquisition, renovation, and sales of profitable real estate. In the subject fiscal year the Company sold 37 rental apartment properties and office buildings (total sales price of around ¥28.6 billion).

As a result, net sales in the Real Estate Solution Business segment amounted to ¥28.6 billion (down 22.8% from the previous fiscal year), with operating income of ¥3.9 billion (up 29.1%).

(Overseas Business)

The Overseas Business engages in investments and residential condominium development business overseas.

With regard to the smart city residential condominium project in Hanoi, Vietnam, which began sales in the previous fiscal year, sales are progressing steadily even in the COVID-19 pandemic. One of the four buildings in the project has started deliveries to customers.

As a result, net sales in the Overseas Business segment amounted to ¥7.4 billion (the previous fiscal year had net sales of ¥0.5 billion), with an operating loss of ¥0.5 billion (the previous fiscal year had operating income of ¥0.2 billion).

(Real Estate Leasing Business)

The Real Estate Leasing Business engages in the leasing of residential apartments, office buildings, and commercial facilities. In addition to steadily conducting property acquisitions that resulted in the acquisition of 51 profitable properties totaling around ¥31.0 billion in the subject fiscal year, the Company completed development of 51 buildings (our S-RESIDENCE series brand).

As a result, net sales in the Real Estate Leasing Business segment amounted to ¥8.7 billion (up 9.5% from the previous fiscal year), with operating income of ¥4.1 billion (up 10.3%).

(Hotel Business)

The Hotel Business engages in the leasing and operating of hotels. In the subject fiscal year, the number of hotels held and operated by the Company totaled 19, including Esperia Hotel Fukuoka Nakasu (Hakata-ku, Fukuoka City), Aloft Osaka Dojima (Kita-ku, Osaka City), and Hotel The Pavone (Miki City, Hyogo Prefecture), which is located within Nesta Resort Kobe. (In December 2022, Mercure Hida Takayama (Takayama City, Gifu Prefecture) opened for business, bringing the number of hotels owned and operated to 20.) However, COVID-19 infections worsened during the third quarter and a record number of people became infected, and the number of people entering Japan for tourism had not yet recovered to the pre-COVID-19 level, resulting in an operating loss for the full quarter in this business segment. In the fourth quarter of the fiscal year, occupancy rates and average room rates at owned and operated hotels are recovering due to the start of nationwide travel support and an increase in the number of foreign tourists visiting Japan.

The Hotel Sunshine Utsunomiya (Utsunomiya City, Tochigi Prefecture) and the S-PERIA Hotel Nagasaki (Nagasaki City, Nagasaki Prefecture) were requested by their prefectures to secure accommodation-type medical treatment facilities, and the Group accepted the requests from the perspective of corporate social responsibility and contribution to the local communities, and leased the hotels to their prefectures. The S-PERIA Hotel Nagasaki resumed normal operations on October 1, 2022. The Company plans to terminate the lease of Hotel Sunshine Utsunomiya as an accommodation and convalescent facility after discussing it with Tochigi Prefecture, and resume normal business operations on April 1, 2023.

As a result, net sales in the Hotel Business segment amounted to ¥6.3 billion (up 136.1% from the previous fiscal year), with an operating loss of ¥2.7 billion (compared to operating loss of ¥2.5 billion the previous fiscal year).

(Real Estate Management Business)

The Real Estate Management Business manages residential apartments, office buildings, and commercial facilities.

As a result, net sales in the Real Estate Management Business segment amounted to ¥3.8 billion (up 17.8% from the previous fiscal year), with operating income of ¥0.7 billion (up 40.9%).

2) Financial position

(Assets)

Total assets at the end of the subject fiscal year amounted to ¥413.5 billion, an increase of ¥64.4 billion compared with the end of the previous fiscal year. Intending to maximize income gain in accordance with the Samty Toughening Plan (Post-COVID Version) Medium-Term Management Plan announced in January 2021, the Group has a policy of holding completed properties for a certain period of time. As a result, real estate for sale, real estate for sale under construction, etc. increased by ¥56.8 billion, and cash and deposits increased by ¥4.3 billion.

(Liabilities)

Total liabilities at the end of the subject fiscal year amounted to ¥303.1 billion, an increase of ¥57.0 billion compared with the end of the previous fiscal year. The main factors contributing to the increase were an increase of ¥44.4 billion in borrowings accompanying the acquisition of more than 110 properties (combined total of sites for development and of income properties).

(Net Assets)

Total net assets at the end of the subject fiscal year amounted to ¥110.3 billion, an increase of ¥7.3 billion compared with the end of the previous fiscal year. The main contributory factors for the increase were a ¥6.6 billion increase in retained earnings, a ¥2.4 billion decrease in foreign currency translation adjustments, and a ¥2.8 billion increase in non-controlling interests.

3) Cash flows

As a result of an increase of ¥14.8 billion from operating activities, a decrease of ¥52.0 billion from investing activities, an increase of ¥38.9 billion from financing activities, and other factors, cash and cash equivalents ("cash") at the end of the subject fiscal year increased by ¥2.5 billion to ¥43.1 billion compared with the end of the previous fiscal year.

The main factors affecting cash flows during the subject fiscal year are as follows.

(Cash Flow from Operating Activities)

Cash provided by operating activities amounted to ¥14.8 billion (compared to ¥6.7 billion in expenses in the previous fiscal year). This was due mainly to ¥14.5 billion in income before income taxes; ¥3.6 billion in interest paid; and ¥2.1 billion in income taxes paid. Of these, the increase in income before income taxes and minority interests was due to progress in sales of residences and office buildings developed in major regional cities, which did well in the pandemic.

(Cash Flow from Investing Activities)

Cash used in investing activities amounted to ¥52.0 billion (compared to ¥52.3 billion in the previous fiscal year). This was due mainly to ¥41.1 billion in purchase of property and equipment; and ¥4.1 billion in purchase of investment securities.

(Cash Flow from Financing Activities)

Cash provided by financing activities amounted to ¥38.9 billion (compared to ¥57.6 billion in proceeds in the previous fiscal year). This was due mainly to ¥48.3 billion in proceeds from short-term borrowings; ¥30.1 billion in repayments of short-term borrowings; ¥121.6 billion in proceeds from long-term borrowings; ¥97.8 billion in repayments of long-term borrowings; ¥4.4 billion in proceeds from issuance of bonds; and ¥4.1 billion in dividends paid.

4) Results of production, receipt of orders, and sales

a. Results of production

At the Group, which has the Real Estate Development Business, the Real Estate Solution Business, and the Real Estate Leasing Business as major businesses, defining results of production would be difficult. As such, the results of production are not stated.

b. Results of receipt of orders

The Group does not engage in production on an order basis. As such, the results of receipt of orders are not stated.

c. Results of sales

The following shows the results of sales by segment for the subject fiscal year.

Name of segment	Subject fiscal year (from December 1, 2021, to November 30, 2022)	YoY change (%)
	Amount (millions of yen)	
Real Estate Development Business	73,488	89.1
Real Estate Solution Business	28,656	(22.8)
Overseas Business	7,463	1,153.8
Real Estate Leasing Business	8,704	9.5
Hotel Business	6,348	136.1
Real Estate Management Business	3,808	17.8
Total	128,470	42.0

(Note 1) Intersegment transactions are eliminated.

(Note 2) Sales results and ratio of sales results to total sales results by major customer

Customer	Previous fiscal year (from December 1, 2020, to November 30, 2021)		Subject fiscal year (from December 1, 2021, to November 30, 2022)	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)
MMFTJPN 3 TMK	—	—	17,777	13.8
Samty Residential Investment Corporation	29,349	32.4	17,672	13.7
MFTJPN 2 TMK	—	—	15,799	12.3
HSJPN 3 TMK	14,400	15.9	—	—
GK Kyoto Shijo Hotel Management	13,300	14.7	—	—

(2) Analysis and discussion of operating results, etc. from management's perspective

The following is the perception, analysis and discussion of the Group's operating results, etc. from management's perspective.

Forward-looking statements in the text are based on the judgments as of the end of the subject fiscal year.

1) Significant accounting estimates and assumptions used in the estimates

The consolidated financial statements of the Group are prepared in accordance with accounting standards generally accepted as fair and appropriate in Japan. The significant accounting policies adopted by the Group in the consolidated financial statements and the assumptions used in the accounting estimates regarding the impact of the COVID-19 pandemic are as presented in "Material items fundamental to the preparation of consolidated financial statements" and "Additional Information" of "Section 5. Financial information; 1. Consolidated financial statements, etc.;" (1) Consolidated financial statements; Notes."

In preparing the consolidated financial statements, when there is uncertainty about the amount of assets and liabilities, revenue and expenses, etc., estimates and judgments are made that are considered reasonable in light of past performance and transaction status. Although the Group continually evaluates such estimates and judgments, actual results may differ from these estimates due to the uncertainties inherent in estimates.

The Group believes that particularly the following significant accounting policies have a significant impact on the estimates and judgments used in the preparation of the consolidated financial statements.

a. Valuation of real estate for sale

In accordance with the Accounting Standard for Measurement of Inventories, the Group applies the accounting treatment of writing down the book value to the net selling price for real estate for sale (including real estate for sale in process) whose net selling price has fallen below the book value due to a decline in profitability.

In applying the accounting treatment, for each individual property, the net selling price is calculated based on the estimated selling price, additional cost of construction incurred, selling expenses, etc., and the book value is written down to the net selling price if the net selling price falls below the book value.

Additional write-downs may need to be accounted for if recognition of a loss on valuation becomes necessary due to deterioration in economic conditions, deterioration in real estate market conditions, etc., or if the net selling price decreases due to changes in the assumptions used in the estimates or other factors.

b. Impairment of non-current assets

In accordance with the Accounting Standard for Impairment of Fixed Assets, the Group applies the accounting treatment of reducing the book value to the recoverable amount for non-current assets for which recovery of the investment can no longer be expected due to a decline in profitability.

In applying the accounting treatment, the Company considers whether to recognize an impairment loss when there are indications of impairment due to continuous operating losses or operating cash flow deficits, substantial decline in market prices, substantial deterioration in the business environment, changes in use, etc. The estimated future cash flows are used in considering whether an impairment loss should be recognized. If recognition of an impairment loss is deemed to be necessary, the amount by which the book value exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount is determined based on the higher of net selling price or value in use.

Additional impairment losses may need to be recorded if recognition of an impairment loss becomes necessary due to future continuous operating losses or operating cash flow deficits, substantial decline in market prices, substantial deterioration in the business environment, changes in use, etc., or if the estimated future cash flows and the net selling amount decrease due to changes in the assumptions used in the estimates or other factors.

In addition, with regard to the impact of the COVID-19 pandemic on the above accounting estimates and such, write-downs and impairment losses may need to be accounted for due to a review of the hotel development plans underway in the Real Estate Development Business and a review of the valuation of hotel assets currently held in the Hotel Business if the pandemic takes longer to subside.

2) Analysis of operating results

(Net Sales)

Net sales for the subject fiscal year increased from ¥90.4 billion in the previous fiscal year by ¥38.0 billion (up 42.0% from the previous fiscal year), resulting in ¥128.4 billion. This was due mainly to an increase in net sales from sales of rental apartments, hotels, etc. in the Real Estate Development Business.

Net sales in the Real Estate Development Business increased due to steady progress in sales of residences in the subject fiscal year, which were preferentially replenished in the previous fiscal year, and net sales in the Overseas Business increased due to the smart city condominium project in Hanoi, Vietnam, which began sales in the previous fiscal year, which progressed steadily even in the COVID-19 pandemic.

(Cost of Sales)

Cost of sales for the subject fiscal year increased from ¥72.6 billion in the previous fiscal year by ¥28.6 billion (up 39.5% from the previous fiscal year), resulting in ¥101.3 billion. This was due mainly to an increase in cost of sales accompanying an increase in net sales in the Real Estate Development Business and Overseas Business. The detailed factors are as presented in "Net sales" above.

(Selling, General and Administrative Expenses)

Selling, general and administrative expenses for the subject fiscal year increased from ¥8.3 billion in the previous fiscal year by ¥4.6 billion (up 55.9% from the previous fiscal year), resulting in ¥13.0 billion. This was due mainly to

an increase in salaries and allowances resulting from an increase in the number of employees and a provision for shareholder benefits due to the increased importance of the amount from the subject fiscal year.

(Non-operating Income (Expenses))

Non-operating income for the subject fiscal year increased from ¥2.1 billion in the previous fiscal year by ¥3.8 billion, resulting in ¥6.0 billion. This was due mainly to the progression of yen depreciation, and the recognition of foreign exchange gains on foreign currency-denominated liabilities of overseas subsidiaries.

Non-operating expenses for the subject fiscal year increased from ¥3.4 billion in the previous fiscal year by ¥2.1 billion, resulting in ¥5.6 billion. This was due mainly to an increase in interest expenses and financing fees from an increase in interest-bearing debt.

(Extraordinary Income (Loss))

Extraordinary income for the subject fiscal year decreased from ¥4.3 billion in the previous fiscal year by ¥4.2 billion, resulting in ¥0 billion. A gain on sales of non-current assets was recorded due to the sale of a residential rental condominium held under non-current assets, and a gain on change in equity was recorded due to the change in the Company's ownership percentage as a result of the issuance of new shares in connection with the restricted stock compensation of Wealth Management, Inc.

Extraordinary loss for the subject fiscal year decreased from ¥0.2 billion in the previous fiscal year by ¥0.1 billion, resulting in ¥0 billion. This was due mainly to the recording of a loss on retirement of non-current assets.

The following is a summary by segment.

a. Real Estate Development Business

Sales increased by 89.1% from the previous year and operating income increased by 58.5% from the previous year due to steady sales of residences, which were preferentially replenished in the previous fiscal year.

b. Real Estate Solution Business

Due to strong real estate demand backed by globally low interest rates, Samty Residential Investment Corporation took possession of properties and sold office buildings. Net sales decreased by 22.8% from the previous fiscal year and operating income increased by 29.1% from the previous fiscal year.

c. Overseas Business

With regard to the smart city condominium project in Hanoi, Vietnam, which began sales in the previous fiscal year, sales progressed steadily even in the COVID-19 pandemic, and one of the four buildings in the project started deliveries to customers. As a result, net sales increased by 1,153.8% from the previous year and operating loss amounted to ¥0.5 billion, compared with operating income of ¥0.2 billion in the previous year.

d. Real Estate Leasing Business

During the subject fiscal year, the Company made steady progress in property acquisitions, acquiring 51 income properties with a total value of about ¥31.0 billion, and completed construction of 51 properties (the Company's S-RESIDENCE series brand) with a total value of about ¥58.6 billion. In addition, both occupancy rates and rent levels were steady for rental and investment properties held by the Group, primarily residential (apartments), and the acquisition of income properties was actively underway. As a result, net sales increased by 9.5% from the previous fiscal year and operating income increased by 10.3% from the previous fiscal year.

e. Hotel Business

In the subject fiscal year, COVID-19 infections increased during the third quarter, which resulted in a record number of cases, and the number of tourists entering Japan did not recover to the pre-pandemic level, resulting in an operating loss for the full quarter in this business. In the fourth quarter of the fiscal year, occupancy rates and average room rates at owned and operated hotels started recovering due to the start of nationwide travel support and an increase in the number of foreign tourists visiting Japan. In addition, the Company received requests from Tochigi and Nagasaki prefectures to secure accommodation-type medical treatment facilities, and the Group accepted these requests from the perspective of corporate social responsibility and contribution to local communities, and leased one entire building to each of the two prefectures as medical treatment facilities in each case. As a result, net sales increased by 136.1% and operating loss increased compared to

the previous year.

f. Real Estate Management Business

Due to asset management and property management fees increasing with the expansion of the asset size of Samty Residential Investment Corporation, net sales increased by 17.8% from the previous fiscal year and operating income increased by 40.9% from the previous fiscal year.

3) Factors that have significant impact on operating results

In the Real Estate Development Business and the Real Estate Solution Business, the Group's core businesses, there are various factors that have a significant impact on operating results, including changes in the timing of deliveries to customers, delays in construction work due to natural disasters and other unforeseen circumstances, and changes in economic conditions affecting business performance, and dependence on interest-bearing debt affecting business development. For details, including the impact of the COVID-19 pandemic, please refer to "Section 2. Overview of business; 2. Business risks."

4) Analysis of capital resources and liquidity of funds

The Group's demand for funds is mainly funds for acquisition and construction of land for development in the Real Estate Development Business, acquisition of real estate for sale in the Real Estate Solution Business, and acquisition of real estate for lease in the Real Estate Leasing Business. The method of procurement of the funds is mainly by borrowing from financial institutions, and overdraft agreements and loan commitment agreements are concluded with correspondent banks to efficiently procure the funds. For working capital for corporate expenses, in principle, the Company allocates its own funds.

5) Management policy, management strategies, objective indicators for judging the status of achievement of management goals, etc.

Under the Samty Toughening Plan (Post-COVID Version), the new medium-term management plan announced on January 27, 2021, focus is placed on operating income as the earning power of the core businesses, ROE and ROA as the indicators of investment efficiency, and equity ratio as the indicator of financial soundness. The targets of the plan for these indicators have been set at operating income of ¥20,000 million or over, ROE of a 12.0%–15.0% level, ROA of a 6.0%–7.0% level, and equity ratio of 27.0%–30.0% or over for the fiscal year ending November 30, 2023, and operating income of ¥35,000 million or over, ROE of a 15.0% level, ROA of a 7.0% level, and equity ratio of 30.0% or over for the fiscal year ending November 30, 2025. Results for the subject fiscal year were operating income of ¥14,083 million, ROE of 11.4%, ROA of 3.7%, and equity ratio of 23.9%. While continuing to strive to maintain and enhance investment efficiency and financial soundness, achievement of the operating income targets will be pursued.

The following is a summary of each indicator.

	Year ended November 30, 2018	Year ended November 30, 2019	Year ended November 30, 2020	Year ended November 30, 2021	Year ended November 30, 2022
Operating income (millions of yen)	14,033	15,395	17,355	9,461	14,083
ROE (%)	16.9	14.7	14.3	11.7	11.4
ROA (%)	8.5	8.1	7.4	3.2	3.7
Equity ratio (%)	37.9	32.5	30.7	27.0	23.9

(Note) Each of the indicators is calculated using figures on a consolidated basis.

- ROE = Net income / Equity as average of beginning and end of period
- ROA = Operating income / Total assets as average of beginning and end of period
- Equity ratio = Equity / Total assets

4. [Material contracts, etc.]

Not applicable.

5. [Research and development activities]

Not applicable.

Section 3. [Information about facilities]

1. [Overview of capital expenditures]

The Group makes capital investments, mainly in the Real Estate Leasing Business, for the purpose of securing a stable profit base.

In the subject fiscal year, the Company made capital investments totaling ¥40,274 million in new acquisition of income properties, new construction of apartments and other properties, renovation of existing operating properties, etc.

2. [Major facilities]

The following are the Group's major facilities.

(1) Reporting company

As of November 30, 2022

Name of place of business	Name of segment	Description of equipment	Book value				Number of employees (persons)
			Buildings and structures (millions of yen)	Land (millions of yen) [Area in m ²]	Other (millions of yen)	Total (millions of yen)	
Real estate for rent totaling 63 properties	Real Estate Leasing Business	Rental apartments	23,077	13,839 [36,362.22]	3,098	40,015	—
Real estate for rent totaling 9 properties	Real Estate Leasing Business	Office buildings	3,282	33,310 [7,069.04]	10	36,603	—
Real estate for rent totaling 3 properties	Real Estate Leasing Business	Other	31	345 [5,802.84]	37	414	—
Hotel assets totaling 2 properties	Hotel Leasing and Management Business	Hotels	393	484 [6,078.85]	50	928	—
Head office and such	Corporate	Head office and such	602	22 [7,264.27]	280	910	171

(Note 1) Of the book value, "Buildings and structures" and "Land" include buildings in trust and land in trust, respectively. "Other" consists of vehicles, tools, furniture and fixtures, and construction in progress.

(Note 2) In addition to the above, equipment leased from other than consolidated companies are as follows:

Name (Location)	Name of segment	Description of equipment	Annual rent and lease payments (millions of yen)
Real estate for rent totaling 38 properties	Real Estate Leasing Business	Rental apartments Office buildings Stores	505
Mercure Kyoto Station (Shimogyo-ku, Kyoto-shi), etc., totaling 7 properties	Hotel Leasing and Management Business	Hotel assets	2,077
Head office and such	Corporate	Head office and such	414

(2) Domestic subsidiaries

As of November 30, 2022

Company name	Name of place of business (Location)	Name of segment	Description of equipment	Book value			Number of employees (persons)
				Buildings and structures (millions of yen)	Land (millions of yen) [Area in m ²]	Total (millions of yen)	
Hikone SC Ltd.	Real estate for rent (Hikone-shi, Shiga)	Real Estate Leasing Business	Land for rent	958	5,133 [244,156.33]	6,092	—

(Note)

In addition to the above, equipment leased from other than consolidated companies is as follows:

Company name	Name (Location)	Name of segment	Description of equipment	Annual rent and lease payments (millions of yen)
Samty Property Management Co., Ltd.	Samty Fame Shin-Osaka (Yodogawa-ku, Osaka-shi)	Real Estate Leasing Business	Office buildings	115
Samty Hotel Management Co., Ltd.	S-PERIA INN Osaka Hommachi (Nishi-ku, Osaka-shi)	Hotel Business	Hotel assets	180
S Hotel Operations Utsunomiya LLC	Hotel Sunshine Utsunomiya (Utsunomiya-shi, Tochigi)	Hotel Business	Hotel assets	128
S Hotel Operations Hakata LLC	S-PERIA HOTEL Hakata (Hakata-ku, Fukuoka-shi)	Hotel Business	Hotel assets	163

(3) Overseas subsidiaries

Not applicable.

3. [Planned addition, retirement, and other changes of facilities]

The Group's capital investment plans are formulated by comprehensively taking into account the investment efficiency and other factors of mainly new acquisition of land and buildings for the Real Estate Leasing Business and renovation of existing properties.

The following are the planned addition, retirement, and other changes of important facilities as of the end of the subject fiscal year.

(1) Addition and other such changes of important facilities

Not applicable.

(2) Retirement and other such changes of important facilities

Not applicable.

(3) Sale and other such changes of important facilities

Not applicable.

Section 4. [Information about reporting company]

1. [Company's shares, etc.]

(1) [Total number of shares]

1) [Authorized shares]

Class	Total number of authorized shares
Common stock	159,200,000
Total	159,200,000

2) [Issued shares]

Class	Number of issued shares as of fiscal year end (November 30, 2022)	Number of issued shares as of filing date (March 31, 2023)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common stock	46,522,685	46,522,685	Tokyo Stock Exchange (Prime Market)	The number of shares constituting one unit is 100 shares.
Total	46,522,685	46,522,685	—	—

(Note) The number of issued shares as of the filing date does not include the number of shares issued upon exercise of share acquisition rights from March 1, 2023, to the date of filing of the annual securities report.

(2) [Share acquisition rights]

1) [Employee share option plans]

Not applicable.

2) [Rights plans]

Not applicable.

3) [Share acquisition rights for other uses]

The Company has issued bonds with share acquisition rights in accordance with the Companies Act.

2nd Unsecured Convertible Bonds with Stock Acquisition Rights (issued on November 10, 2021)

Date of resolution	October 25, 2021
Number of share acquisition rights*	120
Of share acquisition rights, number of treasury share acquisition rights*	—
Class, content and number of underlying share acquisition rights*	4,184,100 shares of common stock (Note 1)
Amount to be paid in on exercise of share acquisition rights (yen)*	2,755.8 per share (Note 2)
Exercise period of share acquisition rights*	From May 10, 2023, to November 10, 2026 (Note 3)
Issue price and amount to be incorporated into stated capital of shares when shares issued through exercise of share acquisition rights (yen)*	Issue price: 2,868 (Note 2) Amount to be incorporated into stated capital: 1,434 (Note 4)
Conditions for exercise of share acquisition rights*	None of the share acquisition rights may be exercised in fractions of less than one share acquisition right.
Matters relating to transfer of share acquisition rights*	No transfer can be made of only one or the other of the Stock Acquisition Rights or the Bonds.
Matters relating to delivery of share acquisition rights upon acts of reorganization*	(Note 5)
Content and amount of property to be subject of contribution upon exercise of share acquisition rights*	(Note 2)
Balance of bonds with share acquisition rights (millions of yen)*	12,000

* The details are as of the last day of the subject fiscal year (November 30, 2022). As of February 28, 2023, the end of the month prior to the filing date, these items have not changed.

(Note 1) Number of shares underlying share acquisition rights

The number of shares of the Company's common stock to be newly issued by the Company upon the exercise of the Stock Acquisition Rights or shares of the Company's common stock held by the Company to be disposed of in exchange (the issuance or disposal of shares of the Company's common stock is hereinafter referred to as "delivery" of shares of the Company's common stock) is the number obtained by dividing the total amount of the Bonds pertaining to the Stock Acquisition Rights exercised at the same time by the conversion price in effect at the time of the exercise (refer to Note 2. (2) hereof). However, any fractional shares are rounded down and no cash adjustment is made.

(Note 2) Amount to be paid in on exercise of share acquisition rights

(1) Content of property to be contributed upon exercise of the Stock Acquisition Rights, and the amount or method of calculation of the amount thereof

- 1) Upon the exercise of one Stock Acquisition Right, each of the Bonds to which the Stock Acquisition Right is attached is contributed.
- 2) The amount of property to be contributed upon the exercise of one Stock Acquisition Right is the same as the amount of each of the Bonds.

(2) Conversion price

1) Conversion price

The price to be used in calculating the number of shares of the Company's common stock to be delivered upon the exercise of each Stock Acquisition Right (hereinafter referred to as "conversion price") is ¥2,755.8. The conversion price may be adjusted in accordance with the provisions of (2) 2) through 7) hereof.

2) Adjustment of conversion price

If, after the issuance of the Bonds with Stock Acquisition Rights, the number of issued shares of the Company's common stock changes or is likely to change due to any of the events listed in (2) 3) hereof, the conversion price is adjusted by the following formula (hereinafter referred to as "formula for conversion price adjustment due to issuance of new shares, etc.").

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of shares of common stock already issued} + \frac{\text{Number of shares issued or disposed of} \times \text{Issue or disposal price per share}}{\text{Market value}}}{\text{Number of shares of common stock already issued} + \text{Number of shares issued or disposed of}}$$

3) When to conduct adjustment of the conversion price for the Bonds with Stock Acquisition Rights by the formula for conversion price adjustment due to issuance of new shares, etc. and when the conversion price after the adjustment is to apply are as set forth below.

- (i) In the case of solicitation of persons to subscribe for shares of the Company's common stock to be issued by the Company or shares of the Company's common stock held by the Company to be disposed of by the Company at an amount to be paid in that falls below the market value (as defined in (2) 5) (ii) hereof) (however, excluding the case of (ii) below, the case of delivery of shares of the Company's common stock upon the exercise of share acquisition rights (including those attached to bonds with share acquisition rights) or upon the exercise of rights to demand acquisition of shares with put option or shares subject to call, or other delivery of shares of the Company's common stock, and the case of delivery of shares of the Company's common stock upon share exchange or merger)
The conversion price after adjustment applies from the day following the payment due date or the last day of the payment period, or from the day following the record date for determining the shareholders to be granted the entitlement if entitlement to allotment of shares is granted to shareholders in the solicitation.
- (ii) In the case of share split or allotment without contribution of common stock
The conversion price after adjustment applies from the day following the record date for determining the shareholders to acquire shares as a result of the share split or allotment without contribution (if no record date is set, the effective date).
- (iii) In the case of issuance of shares with put option, shares subject to call, or share acquisition rights subject to call (including those attached to bonds with share acquisition rights) that provide for delivery of shares of the Company's common stock at a price that falls below the market value, or in the case of issuance of share acquisition rights (including those attached to bonds with share acquisition rights), or other securities or rights entitled to demand delivery of shares of the Company's common stock at a price that falls below the market value. Also, in the case of allotment of share acquisition rights without contribution (including the case of allotment of bonds with share acquisition rights without contribution; the same applies hereinafter), in which case this (iii) applies as if share acquisition rights have been issued without contribution.

The conversion price after adjustment is calculated by applying the formula for conversion price adjustment due to issuance of new shares, etc. by deeming that all of the shares or share acquisition rights, or other securities or rights (hereinafter referred to as “shares with put option, etc.”) to be issued have been acquired or exercised under the initial terms and conditions and shares of the Company’s common stock have been so delivered. The conversion price after adjustment applies from the day following the payment due date or the last day of the payment period of the shares with put option, etc., or from the day following the record date for determining the shareholders to be granted the entitlement if entitlement to allotment is granted to shareholders in the solicitation (if no record date is set, the effective date).

However, if the Company publicly announces and notifies the holders of the Bonds with Stock Acquisition Rights that the shares with put option, etc. set forth in this (iii) are issued for the purpose of defending against a corporate takeover of the Company, the conversion price after adjustment applies from the day following the date on which demand for acquisition, acquisition by call, or exercise of the shares with put option, etc. in exchange for delivery of shares of the Company’s common stock becomes available under the guidelines for the shares with put option, etc. (hereinafter referred to as “conversion/exercise commencement date”), and is calculated by applying the formula for conversion price adjustment due to issuance of new shares, etc. by deeming that shares of the Company’s common stock have been delivered upon demand for acquisition, acquisition by call, or exercise of the shares with put option, etc. on the conversion/exercise commencement date.

- (iv) Notwithstanding (i) through (iii) above, if a record date is set and the effectuation is conditional upon approval by the General Shareholder Meeting, the Board of Directors, or other organ of the Company after the record date in the case of (i) through (iii) above, the conversion price after adjustment applies from the day following the date of the approval. In this case, shares of the Company’s common stock are delivered to the holders of the Stock Acquisition Rights who have requested exercise of share acquisition rights from the day following the record date to the date of the approval by the following calculation method.

$$\text{Number of shares of common stock to be delivered} = \frac{(\text{Conversion price before adjustment} - \text{Conversion price after adjustment}) \times \text{Number of shares of common stock delivered during the relevant period at the conversion price before adjustment}}{\text{Conversion price after adjustment}}$$

In this case, any fractional shares are rounded down and no cash adjustment is made.

4) Adjustment of conversion price due to dividends

In addition to (2) 1) and 2) of this item, if the Company pays dividends from surplus after the issuance of the Bonds with Stock Acquisition Rights, the conversion price is adjusted by the following formula (hereinafter referred to as “formula for conversion price adjustment due to dividends” and collectively with the formula for conversion price adjustment due to issuance of new shares, etc. as “formula for conversion price adjustment”).

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Market value} - \text{Dividends per share}}{\text{Market value}}$$

“Dividends per share” refers to the amount of dividends from surplus per share of the Company’s common stock to be paid with a record date falling within each fiscal year ending on or before November 10, 2026 (including monies payable pursuant to the provisions of Article 455, Paragraph 2 and Article 456 of the Companies Act; in the case of dividends from surplus in which the dividend property consists of property other than monies, the amount of dividends is the book value of such dividend property).

The adjustment of the conversion price due to dividends is applied from the day following the date on which the resolution on dividends from surplus provided in Article 454 or Article 459 of the Companies Act is passed with respect to the dividends. In this case, shares of the Company’s common stock are delivered to the holders of the Stock Acquisition Rights who have requested exercise of share acquisition rights from the day following the record date to the date of the resolution by the following calculation method.

$$\text{Number of shares of common stock to be delivered} = \frac{(\text{Conversion price before adjustment} - \text{Conversion price after adjustment}) \times \text{Number of shares of common stock delivered during the relevant period at the conversion price before adjustment}}{\text{Conversion price after adjustment}}$$

In this case, any fractional shares are rounded down and no cash adjustment is made.

- 5) (i) In the calculation of the formula for conversion price adjustment, any fraction of ¥1 is calculated to the second decimal place and rounded down to the first decimal place.
 - (ii) The market value to be used in the formula for conversion price adjustment is the average closing price of the Company's common stock on the Tokyo Stock Exchange for the 30 consecutive trading days commencing on the 45th trading day preceding the date of application of the conversion price after adjustment (however, in the case of (2) 3) (iv) hereof, the record date) in the case of the formula for conversion price adjustment due to issuance of new shares, etc., or the record date for the dividends in the case of the formula for conversion price adjustment due to dividends (excluding days without a closing price; hereinafter referred to as "market value"). In this case, in the calculation of the average price, any fraction of ¥1 is calculated to the second decimal place and rounded down to the first decimal place.
 - (iii) The number of shares already issued used in the formula for conversion price adjustment due to issuance of new shares, etc. is the number of issued shares of the Company's common stock on the date one month prior to the record date for determining the shareholders to be granted the entitlement if entitlement to allotment of shares is granted to shareholders in the solicitation, or the date of application of the conversion price after adjustment in any other case, after subtracting the number of shares of the Company's common stock held by the Company on that date, and adding the number of those shares of the Company's common stock deemed to have been delivered based on (2) 3) or (2) 6) hereof before the conversion price adjustment of which are shares of the Company's common stock that have not yet been delivered. In the event of a share split of the Company's common stock, the number of shares issued or disposed of used in the formula for conversion price adjustment due to issuance of new shares, etc. does not include the number of shares of the Company's common stock to be allotted to shares of the Company's common stock held by the Company on the record date.
 - (iv) If the amount of difference between the conversion price calculated by the formula for conversion price adjustment and the conversion price before adjustment is less than ¥1, the conversion price is not adjusted. However, when next calculating the conversion price due to the occurrence of an event that requires adjustment of the conversion price, the amount obtained by subtracting this amount of difference from the conversion price before adjustment is used instead of the conversion price before adjustment in the formula for conversion price adjustment.
- 6) In addition to the cases necessitating adjustment of the conversion price set forth in (2) 3) and 4) hereof, the Company makes the necessary adjustment of the conversion price in the following cases.
- (i) When the conversion price needs to be adjusted due to a consolidation of shares, merger, company split, or share exchange.
 - (ii) When the conversion price needs to be adjusted due to the occurrence of other events that change or is likely to change the number of issued shares of the Company's common stock.
 - (iii) When two or more events necessitating adjustment of the conversion price occur close to each other, and it is necessary to consider the impact of the other event(s) on the market value to be used in calculating the conversion price after adjustment based on one of the events.
- 7) When adjusting the conversion price based on (2) 2) through 6) hereof, the Company notifies the holders of the Bonds with Stock Acquisition Rights in writing in advance to that effect, the grounds for adjustment, the conversion price before adjustment and the conversion price after adjustment, and the date of application thereof, and other necessary matters. However, if the aforementioned notice cannot be given by the day before the date of application, it is given promptly after the date of application.

(Note 3) Exercise period of share acquisition rights

The holders of the Stock Acquisition Rights may exercise the Stock Acquisition Rights at any time during the period from May 10, 2023, to November 10, 2026 (if the Bonds are redeemed early, the business day preceding the redemption date) (hereinafter referred to as "exercise period"). However, if the last day of the exercise period is not a bank business day, the last day is the preceding bank business day. After the exercise period has elapsed, the Stock Acquisition Rights can no longer be exercised.

Notwithstanding the foregoing, exercise requests are not allowed for the following periods.

- The shareholder record date (meaning the record date provided in Article 124, Paragraph 1 of the Companies Act) for shares of the Company's common stock and the preceding business day (meaning a day that is not a holiday of the book-entry transfer institution)
- Date deemed necessary by the book-entry transfer institution
- If the Company reasonably deems that it is necessary to suspend the exercise of the Stock Acquisition Rights in order to conduct acts of reorganization, the Stock Acquisition Rights may not be exercised during the period designated by the Company of within 30 days preceding the date within 14 days of the day following the effective date of those acts of reorganization. In this case, the Company notifies the holders of the Bonds with Stock Acquisition Rights in advance of the suspension period and other necessary matters.

(Note 4) Matters relating to share capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of the Stock Acquisition Rights

- (1) The amount of share capital (capital stock) to be increased in the event of the issuance of shares upon the exercise of the Stock Acquisition Rights is the amount that is half of the maximum amount of increase in stated capital calculated in accordance with Article 17, Paragraph 1 of the Regulations on Corporate Accounting (Ministry of Justice Order No. 13 of 2006; the same applies hereinafter), and any fraction of ¥1 resulting from the calculation is rounded up to the nearest yen.
- (2) The amount of legal capital surplus to be increased in the event of the issuance of shares upon the exercise of the Stock Acquisition Rights is the amount obtained by subtracting the amount of share capital to be increased as set forth in (1) above from the maximum amount of increase in stated capital as set forth in (1) above.

(Note 5) Succession of bonds with share acquisition rights by succeeding company (hereinafter referred to as "succeeding company, etc.") in the event of acts of reorganization by the Company

If the Company conducts acts of reorganization, in cases other than early redemption of the Bonds with Stock Acquisition Rights, the holders of the Stock Acquisition Rights attached to the Bonds with Stock Acquisition Rights remaining immediately prior to the effective date of the acts of reorganization are delivered in lieu of the Stock Acquisition Rights held by the holders of the Stock Acquisition Rights in each case the share acquisition rights of the succeeding company, etc. of content listed in Note 5. (1) through (10) hereof (hereinafter referred to as "succeeding share acquisition rights") by the succeeding company, etc. In this case, as of the effective date of the acts of reorganization, the Stock Acquisition Rights are extinguished, the obligations pertaining to the Bonds are succeeded by the succeeding company, etc., the holders of the Stock Acquisition Rights become the holders of the succeeding share acquisition rights, and the provisions on the Stock Acquisition Rights in the issuance guidelines apply mutatis mutandis to the succeeding share acquisition rights.

- (1) Number of share acquisition rights of the succeeding company, etc. to be delivered
The number is the same as the number of the Stock Acquisition Rights held by the holders of the Bonds with Stock Acquisition Rights remaining immediately prior to the effective date of the acts of reorganization.
- (2) Class of shares underlying share acquisition rights of the succeeding company, etc.
The shares are common stock of the succeeding company, etc.
- (3) Number of shares underlying share acquisition rights of the succeeding company, etc.
The number of shares of common stock of the succeeding company, etc. to be delivered upon the exercise of share acquisition rights of the succeeding company, etc. is determined by taking into account the terms and conditions of the acts of reorganization and referring to the issuance guidelines, and is in accordance with the following. The conversion price is subject to the same adjustment as Note 2. (2) 2) through 7) hereof.
 - 1) In the case of a merger, share exchange or share transfer, the conversion price is set so that the number of shares of common stock of the succeeding company, etc. to be received in the acts of reorganization by the holders of the shares of the Company's common stock in the number that would be obtained if the Stock Acquisition Rights were exercised immediately prior to the effective date of the acts of reorganization can be received when the share acquisition rights of the succeeding company, etc. are exercised immediately after the effective date of the acts of reorganization. If securities or other property other than shares of common stock of the succeeding company, etc. are to be delivered upon the acts of reorganization, it is set so that a number of shares of common stock of the succeeding company, etc. equal to the number obtained by dividing the fair market value of the securities or property by the market value of the shares of common stock of the succeeding company, etc. can also be received.
 - 2) In the case of other acts of reorganization, the conversion price is set so that the economic benefits equivalent to the economic benefits that would be available to the holders of the Bonds with Stock Acquisition Rights if the Stock Acquisition Rights were exercised immediately prior to the effective date of the acts of reorganization can be received when the share acquisition rights of the succeeding company, etc. are exercised immediately after the effective date of the acts of reorganization.
- (4) Content of property to be contributed upon exercise of share acquisition rights of the succeeding company, etc., and the amount or method of calculation of the amount thereof
Upon the exercise of one share acquisition right of the succeeding company, etc., each of the Bonds is contributed. The amount of property to be contributed upon the exercise of one share acquisition right of the succeeding company, etc. is the same as the amount of each of the Bonds.
- (5) Period during which share acquisition rights of the succeeding company, etc. may be exercised
The period from the effective date of the acts of reorganization or the date of delivery of the share

acquisition rights of the succeeding company, etc., whichever comes later, to the expiration date of the exercise period of the Stock Acquisition Rights, and subject to the same restrictions as set forth in Note 3. hereof.

- (6) Conditions for exercise of share acquisition rights of the succeeding company, etc.
None of the share acquisition rights may be exercised in fractions of one share acquisition right.
- (7) Clause for acquisition of share acquisition rights of the succeeding company, etc.
Not stipulated.
- (8) Matters relating to share capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of share acquisition rights of the succeeding company, etc.
The amount of share capital to be increased in the event of the issuance of shares upon the exercise of the share acquisition rights of the succeeding company, etc. is the amount that is half of the maximum amount of increase in stated capital calculated in accordance with Article 17, Paragraph 1 of the Regulations on Corporate Accounting, and any fraction of ¥1 resulting from the calculation is rounded up to the nearest yen. The amount of legal capital surplus to be increased is the amount obtained by subtracting the amount of share capital to be increased from the maximum amount of increase in stated capital.
- (9) In the event of acts of reorganization
To be determined in accordance with Note 5. hereof.
- (10) Other
Any fractional shares in the number of shares of common stock of the succeeding company, etc. to be delivered by the succeeding company, etc. upon the exercise of the share acquisition rights of the succeeding company, etc. is rounded down and no cash adjustment is made (if the succeeding company, etc. adopts the share unit system, any shares less than one unit arising from the exercise of the share acquisition rights of the succeeding company, etc. are settled in cash as if the right to demand to purchase shares less than one unit as provided for in the Companies Act have been exercised, and any fractional shares are rounded down). In addition, the holders of the Bonds with Stock Acquisition Rights as of the effective date of the acts of reorganization may not transfer the Bonds separately from the share acquisition rights of the succeeding company, etc. If such restrictions on the transfer of the Bonds become invalid under law, the share acquisition rights of the succeeding company, etc. attached to bonds similar to the Bonds issued by the succeeding company, etc. may be delivered to the holders of the Bonds with Stock Acquisition Rights immediately prior to the effective date of the acts of reorganization in lieu of the Stock Acquisition Rights and the Bonds.

(3) [Exercises of moving strike convertible bonds, etc.]

Not applicable.

(4) [Changes in total number of issued shares, share capital and legal capital surplus]

Date	Change in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Change in share capital (millions of yen)	Balance of share capital (millions of yen)	Change in legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
From December 1, 2017, to November 30, 2018 (Note 1)	193,600	27,183,118	42	8,504	42	8,404
From October 2, 2018, to November 26, 2018 (Note 2)	12,616,882	39,800,000	7,431	15,935	7,431	15,836
April 19, 2019 (Note 3)	52,700	39,852,700	39	15,975	39	15,875
From December 1, 2018, to November 30, 2019 (Note 1)	1,093,540	40,946,240	208	16,184	208	16,084
April 23, 2020 (Note 4)	73,900	41,020,140	43	16,227	43	16,128
April 23, 2021 (Note 5)	54,200	41,074,340	53	16,281	53	16,181
September 30, 2021 (Note 6)	5,386,645	46,460,985	4,306	20,587	4,306	20,488
October 8, 2021 (Note 7)	7,100	46,468,085	8	20,595	8	20,496
April 22, 2022 (Note 8)	54,600	46,522,685	61	20,657	61	20,558

(Note 1) Increase due to exercise of share acquisition rights (share options).

(Note 2) Increase due to exercise of the 19th Stock Acquisition Rights.

(Note 3) Increase due to issuance of new shares for value as restricted share awards.

Issue price: ¥1,515

Amount to be incorporated into stated capital: ¥757.5

Allottee: Six directors (excluding outside directors) and three executive officers of the Company

(Note 4) Increase due to issuance of new shares for value as restricted share awards.

Issue price: ¥1,180

Amount to be incorporated into stated capital: ¥590

Allottee: Five directors (excluding outside directors) of the Company

(Note 5) Increase due to issuance of new shares for value as restricted share awards.

Issue price: ¥1,962

Amount to be incorporated into stated capital: ¥981

Allottee: Four directors (excluding outside directors) and four executive officers of the Company

(Note 6) Increase due to conversion of convertible bonds with share acquisition rights.

(Note 7) Increase due to issuance of new shares for value as restricted share awards.

Issue price: ¥2,343

Amount to be incorporated into stated capital: ¥1,171.5

Allottee: One director (excluding outside directors) of the Company

(Note 8) Increase due to issuance of new shares for value as restricted share awards.

Issue price: ¥2,266

Amount to be incorporated into stated capital: ¥1,133

Allottee: Five directors (excluding outside directors) and four executive officers of the Company

(5) [Shareholding by shareholder category]

As of November 30, 2022

Category	Shares (Number of shares constituting one unit: 100 shares)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Foreign investors		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	–	22	27	360	124	67	44,514	45,114	–
Number of shares held (number of units)	–	39,558	6,953	170,491	14,495	232	232,403	464,132	109,485
Percentage of shareholdings (%)	–	8.52	1.50	36.73	3.12	0.05	50.07	100.00	–

(Note 1) Treasury shares (603) include (6 units) in “Individuals and others” and (3 shares) in “Shares less than one unit”.

(Note 2) “Other corporations” above includes 6 units of shares in the name of Japan Securities Depository Center, Incorporated.

(6) [Major shareholders]

As of November 30, 2022

Name	Address	Number of shares held (shares)	Percentage of shares issued (excluding treasury shares) (%)
Daiwa Securities Group Inc.	1-9-1 Marunouchi, Chiyoda-ku, Tokyo	13,195,050	28.36
Shigeru Moriyama	Toyonaka-shi, Osaka	3,007,172	6.46
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	2,829,700	6.08
Hideaki Kasagi	Toyonaka-shi, Osaka	1,305,000	2.81
Ichiro Matsushita	Kita-ku, Osaka-shi	1,271,566	2.73
Daiwa PI Partners Co. Ltd.	1-9-1 Marunouchi, Chiyoda-ku, Tokyo	1,250,000	2.69
Tsuyoshibiru Co., Ltd.	2-16-16 Shinsenri Kitamachi, Toyonaka-shi, Osaka	1,220,000	2.62
Kazushi Eguchi	Suita-shi, Osaka	804,424	1.73
Fivesect Ltd.	5-14-10 Nishinakajima, Yodogawa-ku, Osaka-shi	610,000	1.31
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	448,600	0.96
Total	–	25,941,512	55.76

(Note 1) In addition to the above, there are 603 treasury shares owned by the Company.

(Note 2) Of the above number of shares held, the number of shares related to the trust business is as follows:

The Master Trust Bank of Japan, Ltd. (Trust Account)	2,829,700 shares
Custody Bank of Japan, Ltd. (Trust Account)	448,600 shares

(7) [Voting rights]

1) [Issued shares]

As of November 30, 2022

Category	Number of shares	Number of voting rights	Description
Shares with no voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares) Common stock 600	–	–
Shares with full voting rights (Other)	Common stock 46,412,600	464,126	–
Shares less than one unit	Common stock 109,485	–	–
Total number of issued shares	46,522,685	–	–
Number of voting rights held by all shareholders	–	464,126	–

(Note) Common stock in the “Shares with full voting rights (Other)” column includes 600 shares (6 voting rights) that are shares in the name of Japan Securities Depository Center, Incorporated.

2) [Treasury shares, etc.]

As of November 30, 2022

Name of shareholder	Address of shareholder	Number of shares held in own name (shares)	Number of shares held in others' names (shares)	Total number of shares held (shares)	Shareholding ratio (%)
(Treasury shares) Samty Co., Ltd.	1-8-39 Nishimiyahara, Yodogawa-ku, Osaka-shi	600	—	600	0.00
Total	—	600	—	600	0.00

2. [Acquisition and disposal of treasury shares]

[Class of shares, etc.] Acquisition of common stock pursuant to Article 155, Item 3 of the Companies Act

(1) [Acquisition by resolution of shareholders meeting]

Not applicable.

(2) [Acquisition by resolution of board of directors meeting]

Not applicable.

(3) [Acquisition not based on resolution of shareholders meeting or board of directors meeting]

Category	Number of shares (shares)	Total value (yen)
Treasury shares acquired in subject fiscal year	402	902,131
Treasury shares acquired in subject period	50	107,850

(Note) Treasury shares acquired in the subject period does not include the number of shares through the purchase of less than one unit of shares from March 1, 2023, to the date of filing of the annual securities report.

(4) [Disposal of acquired treasury shares and number of treasury shares held]

Category	Subject fiscal year		Subject period	
	Number of shares (shares)	Total disposal value (yen)	Number of shares (shares)	Total disposal value (yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares which were canceled	—	—	—	—
Acquired treasury shares which were transferred in relation to merger, share exchange, share issuance, or company split	—	—	—	—
Other	—	—	—	—
Number of treasury shares held (Note)	603	—	653	—

(Note) Treasury shares held during the subject period does not include the number of shares through the purchase of shares less than one unit from March 1, 2023, to the date of filing of the annual securities report.

3. [Dividend policy]

The Company recognizes the return of profits to shareholders as a key management issue. The Company's basic policy is to pay dividends that reflect business performance after comprehensively taking into account future business plans, financial position, and other factors. The Company will return profits based on business results, while retaining internal reserves to prepare for the future, such as prospective business development, business expansion, and strengthening of the financial structure.

The Company stipulates in the Articles of Incorporation that it may pay interim dividends as provided in Article 454, Paragraph 5 of the Companies Act. The decision-making body is the Board of Directors for interim dividends and the General Shareholder Meeting for year-end dividends.

After comprehensively taking into account the policy described above, business performance, financial condition, and other factors, the Company decided to pay annual dividends of ¥90 per share (interim dividends of ¥39 per share and year-end dividends of ¥51 per share) for the fiscal year ended November 30, 2022.

Dividends from surplus for the subject fiscal year are as follows:

Date of resolution	Total amount of dividends (millions of yen)	Dividends per share (yen)
July 12, 2022 Resolution at board of directors meeting	1,814	39
February 27, 2023 Resolution at annual shareholders meeting	2,372	51

4. [Corporate governance]

(1) [Overview of corporate governance]

1) Basic view on corporate governance

The Samty Group views the strengthening of corporate governance as a key management issue. The Group's basic view on corporate governance is to pursue the continuous growth of the Company and earn the trust of society by maintaining efficient management and a strong competitive advantage through implementing rigorous compliance and improving the transparency and soundness of its management activities.

Based on the above basic view on corporate governance, and drawing on the provisions of the principles of the Corporate Governance Code, it is the Group's policy to establish appropriate corporate governance via the implementation of a structure that enables the dissemination of timely, accurate information, strengthening of its information management system, rigorous legal compliance, the use of independent outside directors, and so forth.

2) Overview of corporate governance system and reasons for adoption of the system

(a) Overview of corporate governance system

The Company's management structure is as follows:

(Board of Directors, and Directors)

The Company's Board of Directors is composed of 13 directors (as of the date of filing of this document), of whom eight are outside directors. As a decision-making body for important matters relating to business execution, the Board of Directors resolves matters stipulated by law and the Articles of Incorporation and matters relating to important business, as well as supervising the execution of the directors' duties. In addition to its regular monthly meetings, the Board of Directors holds extraordinary meetings as needed in order to make timely decisions about important management-related matters.

Chair: Yasuhiro Ogawa, Representative Director and President

Members: Hiroaki Matsui, Managing Director
Naohiro Morita, Managing Director
Takaharu Terauchi, Managing Director
Jiro Okawa, Director
Junko Kawai, Director (Outside Director)
Toshihiro Sawa (Outside Director)
Masatsugu Oishi (Outside Director)
Toyo Abe (Outside Director)
Mitsusuke Koi (Outside Director, Audit and Supervisory Committee member)
Shoichi Sampei (Outside Director, Audit and Supervisory Committee member)
Tetsuo Kodera (Outside Director, Audit and Supervisory Committee member)
Naotaka Murata (Outside Director, Audit and Supervisory Committee member)

(Audit and Supervisory Committee and Audit and Supervisory Committee members)

The Audit and Supervisory Committee is composed of four outside directors (as of the date of filing of this document). In order for directors who are members of the Audit and Supervisory Committee (hereinafter referred to as "Audit and Supervisory Committee members") to supervise the directors' execution of their duties from an objective, neutral perspective, all four members are outside directors, and the system allows them to understand important management-related matters, important matters relating to compliance and risk management, and other matters as needed through attending and consulting the minutes of key meetings, consulting all resolution documents (in the case of resolutions), holding regular meetings with all directors, asking questions about the status of execution of duties when necessary, and so forth. Moreover, the system provides an opportunity for Audit and Supervisory Committee members to provide comments as part of the matters to be reported at regular Board of Directors' meetings and enables reports, requests, suggestions, etc. to be received from corporate auditors. Through these mechanisms, the Board of Directors' decision-making process and the status of directors' execution of their duties is audited.

Chair: Mitsusuke Koi, Audit and Supervisory Committee member (Outside Director)

Members: Shoichi Sampei, Audit and Supervisory Committee member (Outside Director)
Tetsuo Kodera, Audit and Supervisory Committee member (Outside Director)
Naotaka Murata, Audit and Supervisory Committee member (Outside Director)

(Nomination and Remuneration Committee)

The Nomination and Remuneration Committee is a meeting structure for discussing matters relating to nomination, remuneration, etc. of directors on consultation from the Board of Directors, and is composed of representative directors and independent outside directors selected by resolution of the Board of Directors (with independent outside directors comprising the majority of the members), holds meetings when there are matters for discussion, such as matters relating to the appointment and dismissal of directors (matters to be resolved at shareholders meetings), matters relating to the selection and dismissal of representative directors, matters relating to directors' remuneration, and reports the results of its discussions to the Board of Directors.

Chair: Yasuhiro Ogawa, Representative Director and President
Members: Mitsusuke Koi, Director (Outside Director, Audit and Supervisory Committee member)
Shoichi Sanpei, Director (Outside Director, Audit and Supervisory Committee member)
Tetsuo Kodera, Director (Outside Director, Audit and Supervisory Committee member)
Naotaka Murata, Director (Outside Director, Audit and Supervisory Committee member)

(Executive Committee)

The Executive Committee is a meeting structure for discussing matters relating to the Company's overall management and business execution or for determining policies, and is composed of all directors except outside directors, and holds meetings once per week as a general rule to discuss and report on matters to be resolved by the Board of Directors, matters to be discussed in advance to such, and other matters. Outside directors and Audit & Supervisory Committee members are expected to participate as necessary.

Chair: Yasuhiro Ogawa, Representative Director and President
Members: Hiroaki Matsui, Managing Director
Naohiro Morita, Managing Director
Takaharu Terauchi, Managing Director
Jiro Okawa, Director

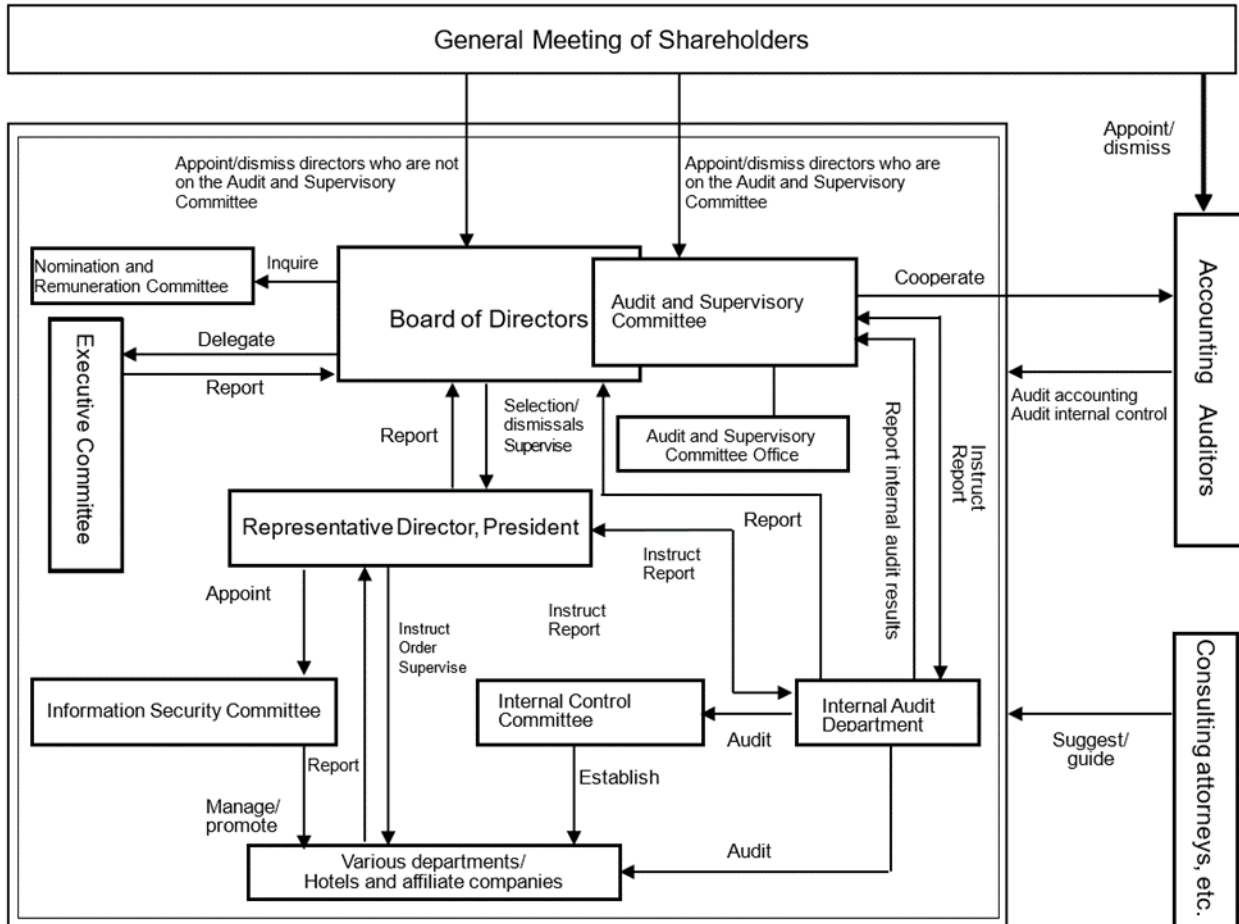
(Internal Control Committee)

The Internal Control Committee is a meeting structure for conducting cross-functional discussions relating to internal controls at the Group, and has the Companies Act Subcommittee, which mainly focuses on internal controls under the Companies Act, and the Financial Instruments and Exchange Act Subcommittee, which mainly focuses on internal controls under the Financial Instruments and Exchange Act. Each subcommittee has the legal department and the accounting department as its competent departments, and designates members according to the purpose of the meeting, and conducts activities such as formulating basic policies on the development of an internal control system and various other basic policies on the development and operation of internal controls, and assessing risks related to internal control.

(Information Security Committee)

The Information Security Committee is composed of representatives from each department, headed by the chief information security officer. It is a consultative and coordinating body for developing mechanisms for appropriately managing information handled by the Company, including personal information, and promoting the implementation and operation of such.

The following is a schematic diagram of the Company's corporate governance structure.



(b) Reasons for adoption of the corporate governance system

The Company has adopted an Audit and Supervisory Committee system to strengthen the supervisory function of the Board of Directors and enhance corporate governance, thereby further improving management transparency and enabling faster decision-making.

3) Other matters regarding corporate governance

(a) Development of an internal control system

Recognizing strengthening and ensuring rigorous compliance with laws, regulations, social norms, and corporate ethics, and ensuring the proper execution of business operations as the most important issues to ensure the effectiveness of internal controls for the entire Group, the Company has a basic policy on establishing an internal control system resolved by the Board of Directors, and has the basic policy regularly reviewed.

As for specific initiatives, with regard to the execution of day-to-day business operations, the Company has established regulations on authority and segregation of duties, has specified decision-makers and the scope of business execution, and along with ensuring appropriate delegation of authority and prompt decision-making through use of a system of approval based on approval request documents, and also has decisions on significant matters put up for discussion and reported at the Board of Directors' meetings.

In addition, by holding regular meetings of directors and department managers to monitor the status of progress of business performance, review measures for sales strategies, share information, etc., the Company strives to create an environment in which the people in charge at each level can make appropriate decisions.

The status of operation is subject to audits by internal audits, which are a supervisory function by management, and audits by the Audit and Supervisory committee members and accounting audits by the accounting auditor, which are audits from a third-party standpoint independent of the business executing body.

In addition, as a response to the internal control reporting system under the Financial Instruments and Exchange Act, the Company strives to enhance its system for the development, operation, and assessment of internal controls over financial reporting and its reporting in accordance with the Basic Policy on Establishing an Internal Control System and the Basic Policy on Financial Reporting.

(b) Development of a risk management system

The Group must conduct business in compliance with various laws and regulations, including the Real Estate Brokerage Act, the Building Standards Act, and the Financial Instruments and Exchange Act, and has a system in place whereby the Group can obtain advice on legal risks and compliance-related matters in the course of business execution from legal counsel and experts in other fields as appropriate.

For risks related to overall day-to-day business activities, internal audits are conducted to confirm the status of development and operation of internal regulations and the status of compliance with relevant laws, regulations, etc., and to provide guidance on improvements in efforts to prevent risks. For matters relating to risks that could have significant impact, the policy and such for addressing the matters are discussed at the Board of Directors' meetings.

In addition, the Group strives to have management and all employees strongly aware of the importance of the social responsibility of information security, and strives to ensure thorough risk management for information in order to establish and maintain an appropriate management system. As part of such efforts, the Company's head office obtained certification to ISO 27001, an international standard for information security management systems, on February 18, 2007.

(c) Development of a system for ensuring appropriateness of business operations of reporting company's subsidiaries

The Company pursues close coordination among the Company's group companies through various reports, based on the Affiliate Company Management Regulations, on significant matters and regular meetings composed of the directors of the Group, and also strives to ensure the appropriateness of business operations of group companies through initiatives of the Internal Control Committee and implementation of operational audits by the Company's Internal Audit Department.

(d) Outline of content of agreement limiting liability

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement limiting liability with outside directors that limit their liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for damages based on the agreement is the amount prescribed by laws and regulations.

4) Fixed number of directors

The Company stipulates in the Articles of Incorporation that it is to have no more than 9 directors (excluding directors who are Audit and Supervisory committee members) and no more than 4 Audit and Supervisory members.

5) Requirements for resolutions on appointment of directors

The Company stipulates in the Articles of Incorporation that resolutions on the appointment of directors are passed by a majority of the votes of the shareholders present at the meeting where the shareholders holding one third or more of the votes of the shareholders who are entitled to vote are present, and are not to be by cumulative vote.

6) Interim dividends

The Company stipulates in the Articles of Incorporation that it may pay interim dividends by resolution of the Board of Directors pursuant to the provisions of Article 454, Paragraph 5 of the Companies Act for dividends from surplus. This is intended to enhance opportunities to return profits to shareholders.

7) Purchase of treasury shares

The Company stipulates in the Articles of Incorporation that it may purchase its own shares by market transactions by resolution of the Board of Directors pursuant to the provisions of Article 165, Paragraph 2 of the Companies Act. This is intended to enable flexible management by delegating the authority for purchase of its own shares to the Board of Directors.

8) Requirements for special resolutions at shareholders meetings

The Company stipulates in the Articles of Incorporation that the requirements for special resolutions at shareholders meetings provided for in Article 309, Paragraph 2 of the Companies Act are that the resolutions are passed by two thirds or more of the votes of the shareholders present at the meeting where the shareholders holding one third or more of the votes of the shareholders who are entitled to vote are present. This is intended to facilitate the smooth operation of shareholders meetings by relaxing the quorum for special resolutions at shareholders meetings.

9) Matters relating liability insurance for the company's directors and officers

The Company has entered into an insurance contract for the directors and officers as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, the insured being the Company's directors. The

contract will cover damages that may be incurred by the insured from assuming liability for their execution of duties or receiving a claim for the pursuit of such liability. The Company bears the entire amount of the insurance premiums for all insured. However, as a measure to ensure that the insured's proper execution of duties is not impaired by the contract, a deductible amount is set, and damages up to the deductible amount are not covered.

(2) [Directors]

1) List of Directors

12 men and 1 woman (percentage of women: 8%)

Title	Name	Date of Birth	Career Highlights		Term of Office	Number of Shares Owned (shares)
Representative Director and President	Yasuhiro Ogawa	April 27, 1967	April 1993 April 2001 January 2005 February 2007 February 2012 December 2014 April 2017 February 2019	Joined The Tokai Bank, Ltd. (currently MUFG Bank, Ltd.) Joined the Company General Manager of Corporate Planning Office Director Managing Director In charge of Corporate Planning Department and Branch Office Management Division; General Manager of Branch Office Management Division In charge of Corporate Planning Department and Branch Office Management Division; General Manager of Corporate Planning Department and Branch Office Management Division Representative Director and President (to present)	*1	219,619
Managing Director In charge of Business Administration Division	Hiroaki Matsui	January 13, 1960	April 1982 November 1999 April 2007 March 2009 February 2010 August 2014 May 2018 February 2019	Joined Fukutoku Sogo Bank, Limited Joined Sanyo Electric Credit Co., Ltd. Executive Officer; Deputy General Manager of Finance Business Division of Sanyo Electric Credit Co., Ltd. Joined the Company; General Manager of Finance Department Director In charge of Business Administration Division (to present); General Manager of Business Administration Division and Finance Department In charge of the Business Administration Division; General Manager of Business Administration Division Managing Director (to present)	*1	79,677
Managing Director In charge of Architectural Design Department	Naohiro Morita	April 1, 1959	April 1982 April 2004 December 2010 April 2016 April 2017 February 2018 February 2019 December 2020 July 2021	Joined Morita Kensetsu Co., Ltd. Joined the Company General Manager of Tokyo Branch Office Executive Officer Deputy General Manager of Branch Office Management Division; General Manager of Tokyo Branch Office Director Managing Director (to present); in charge of Branch Office Management Division and Architectural Design Department; General Manager of Branch Office Management Division In charge of Sapporo Branch Office, Nagoya Branch Office, Fukuoka Branch Office, and Architectural Design Department; Representative Director and President of SAMTY VIETNAM CO., LTD.; Representative Director of S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY In charge of Architectural Design Department (to present)	*1	53,407
Managing Director In charge of Tokyo Branch Office, Sapporo Branch Office, and Fukuoka Branch Office; In charge of Group Sales Promotion Department	Takaharu Terauchi	December 4, 1962	April 1986 March 2001 March 2007 March 2008 April 2013 April 2017 February 2019 October 2019 February 2020 December 2020 June 2021 July 2021 February 2022 April 2022	Joined Daikyo Kanko Incorporated (currently DAIKYO INCORPORATED) Joined ES-CON JAPAN Ltd. Executive Officer of ES-CON JAPAN Ltd. Director of ES-CON JAPAN Ltd. Joined the Company; Deputy General Manager of Tokyo Branch Office General Manager of Fukuoka Branch Office and Branch Office Management Division Executive Officer of the Company; Vice President of Samty Asset Management Co., Ltd. Executive Officer of the Company; General Manager of Group Sales Promotion Department Director of the Company; Representative Director and President of SAMTY Hotel Management Co., Ltd. (to present) In charge of Tokyo Branch Office; General Manager of Group Sales Promotion Department Outside Director of Wealth Management, Inc. (to present) In charge of Tokyo Branch Office, Sapporo Branch Office, and Fukuoka Branch Office (to present) Managing Director (to present) In charge of Group Sales Promotion Department (to present)	*1	23,349
Director In charge of Osaka Sales Department, Nagoya Branch Office, and Hiroshima Branch Office	Jiro Okawa	July 10, 1959	July 2001 January 2004 October 2008 August 2014 April 2016	Joined Kennedy-Wilson Japan Co., Ltd. (currently Kenedix, Inc.) Seconded to KW Pension Fund Advisors, Inc. (currently Kenedix Real Estate Fund Management, Inc.) Director of KW Pension Fund Advisors, Inc. Joined the Company; General Manager of Real Estate Business Department Executive Officer	*1	22,178

Title	Name	Date of Birth	Career Highlights	Term of Office	Number of Shares Owned (shares)
			<p>February 2018 General Manager of Real Estate Division Director of Hikone SC Ltd. (to present)</p> <p>October 2018 General Manager of Real Estate Division and Real Estate Business Department</p> <p>February 2019 Director (to present); in charge of Osaka Head Office; General Manager of Osaka Head Office and Osaka Real Estate Business Department</p> <p>December 2020 In charge of Osaka Head Office and Hiroshima Branch Office; General Manager of Osaka Head Office and Osaka Real Estate Business Department</p> <p>July 2021 In charge of Osaka Head Office, Nagoya Branch Office, and Hiroshima Branch Office</p> <p>January 2022 In charge of Osaka Sales Department, Nagoya Branch Office, and Hiroshima Branch Office (to present)</p>		
Director	Junko Kawai	December 10, 1974	<p>October 2004 Registered as an attorney (Japan Federal of Bar Associations, Osaka Bar Association) Joined Umegae-Chuo Law Firm, P.C. (currently Umegae-Chuo Legal Profession Corporation)</p> <p>March 2008 Partner of Umegae-Chuo Legal Profession Corporation (to present)</p> <p>September 2010 Visiting Attorney at Masuda, Funai, Eifert & Mitchell Ltd. (Chicago)</p> <p>July 2011 Registered as an attorney in the State of New York</p> <p>January 2012 Visiting Attorney at JunHe Law Offices (Beijing)</p> <p>January 2015 External Audit & Supervisory Board Member of Kamakura Shinsho, Ltd.</p> <p>April 2016 External Director of Kamakura Shinsho, Ltd. (Audit & Supervisory Board Member) (to present)</p> <p>March 2018 Outside Auditor & Supervisory Board Member of Blue Line Partners Co., Ltd. (to present)</p> <p>June 2019 Outside Director of cocokara fine Inc. (currently MatsukiyoCocokara & Co.) (to present)</p> <p>February 2022 Director of the Company (to present)</p>	*1	—

Title	Name	Date of Birth	Career Highlights		Term of Office	Number of Shares Owned (shares)
Director	Toshihiro Sawa	November 25, 1953	April 1976 January 1996 April 2000 November 2003 April 2007 April 2014 April 2017 February 2019 February 2023	Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.) General Manager of Fussa Branch, The Sanwa Bank, Ltd. General Manager of Sannomiya Branch, The Sanwa Bank, Ltd. Representative Director of UFJ Business Service Osaka Co., Ltd Joined SAGAWA PRINTING CO., LTD.; General Manager of Human Resources and Corporate Management Division Director of SAGAWA PRINTING CO., LTD. Advisor of SAGAWA PRINTING CO., LTD. (to present) Corporate Auditor of the Company (to present) Director of the Company (to present)	*1	1,078
Director	Masatsugu Oishi	October 26, 1979	April 2003 July 2003 April 2010 April 2014 April 2018 April 2021 April 2021 April 2021 May 2021 May 2021 June 2021 February 2022 February 2023	Joined Daiwa Securities SMBC Co. Ltd. (currently Daiwa Securities Co. Ltd.) Structured Finance Department of Daiwa Securities SMBC Co. Ltd. Corporate Planning Department of Daiwa Securities Group Inc. Real Estate & REIT Sector Department of Daiwa Securities Co. Ltd. Assigned to Corporate Planning Department of Daiwa Securities Co. Ltd.; seconded to Daiwa Real Estate Asset Management Co. Ltd. Head of Group Management Section and Deputy General Manager, Corporate Planning Department of Daiwa Securities Group Inc. and Daiwa Securities Co. Ltd. (to present) Director of Daiwa Securities Realty Co. Ltd. (to present) Director of Daiwa Food & Agriculture Co. Ltd. Director of Daiwa ACA Health Care Inc. (to present) Director of Samty Asset Management Co., Ltd. Auditor of Daiwa Institute of Research Ltd. (to present) Corporate Auditor of the Company Director of the Company (to present)	*1	-
Director	Toyo Abe	November, 27 1971	April 1994 April 2019 April 2021 April 2021 April 2021 April 2021 April 2021 April 2021 June 2021 April 2022 May 2022 September 2022 February 2023	Joined Daiwa Securities SMBC Co. Ltd. (currently Daiwa Securities Co. Ltd.) Managing Director, Public Institutions Banking Department of Daiwa Securities Co. Ltd. Managing Director, Corporate Planning Department of Daiwa Securities Group Inc.; Managing Director, Corporate Planning Department of Daiwa Securities Co. Ltd. Senior Managing Director of Daiwa Corporate Investment Co., Ltd. (to present) Senior Managing Director of Daiwa PI Partners Co. Ltd. Senior Managing Director of Daiwa Fund Consulting Co. Ltd. Audit & Supervisory Board Member of Global X Japan Co. Ltd. Outside Director Money Partners Group Co., Ltd. (to present) Senior Managing Director and Managing Director, Corporate Planning Department of Daiwa Securities Group Inc. and Senior Managing Director and Managing Director, Corporate Planning Department of Daiwa Securities Co. Ltd. (to present) Director of DG Daiwa Ventures Inc. Representative Director of DG Daiwa Ventures Inc. (to present) Director of the Company (to present)	*1	-
Director Audit & Supervisory Committee member	Mitsusuke Koi	September 6, 1950	April 1974 December 2002 June 2003 June 2004 June 2005 February 2012 February 2014 February 2023	Joined Kinki Sogo Bank, Ltd. (currently Kansai Mirai Bank, Limited) General Manager, Internal Audit Department of The Kinki Osaka Bank, Ltd. (currently Kansai Mirai Bank, Limited) Executive Officer; in charge of Internal Audit Department of The Kinki Osaka Bank, Ltd. Full-time Corporate Auditor of The Kinki Osaka Bank, Ltd. Managing Director of Resona Card Co., Ltd. Audit & Supervisory Board Member of the Company (to present) Full-time Corporate Auditor of the Company Member of the Audit and Supervisory Committee of the Company (to present)	*2	2,932

Title	Name	Date of Birth	Career Highlights		Term of Office	Number of Shares Owned (shares)
Director Audit & Supervisory Committee member	Shoichi Sanpei	February 15, 1970	April 1992 October 1996 January 2002 October 2003 June 2005 July 2005 July 2007 July 2009 February 2015 February 2023	Joined Mitsubishi Electric Micro-Computer Application Software Co., Ltd. Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) Joined Kobayashi Office, Co., Ltd. Established Sanpei Certified Public Accountant Office; President (to present) External Corporate Auditor of SUN CAPITAL MANAGEMENT CORP. Joined SYVEC Co., Ltd. Representative Director of SYVEC Co., Ltd. Established Akebono Audit Corporation; Representative Partner (to present) Director of the Company (to present) Member of Audit and Supervisory Committee of the Company (to present)	*2	1,701
Director Audit & Supervisory Committee member	Tetsuo Kodera	March 21, 1953	April 1984 July 2011 July 2013 September 2015 February 2016 June 2018 February 2019 February 2023	Public Prosecutor of Kobe District Public Prosecutors Office Chief Prosecutor of Nagasaki District Public Prosecutors Office Chief Prosecutor of Sapporo District Public Prosecutors Office Registered as attorney (Osaka Bar Association) (to present) Corporate Auditor of the Company External Director (Audit and Supervisory Committee Member) of OKUMURA CORPORATION (to present) Director of the Company (to present) Member of Audit and Supervisory Committee of the Company (to present)	*2	3,119
Director Audit & Supervisory Committee member	Naotaka Murata	May 2, 1970	October 1992 August 2002 August 2005 February 2021 February 2023	Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC) Established Murata Certified Public Accountant Office; President (to present) Joined Takumi & Co. (currently Daichi & Co.); Representative Partner (to present) Director of the Company (to present) Member of the Audit and Supervisory Committee of the Company (to present)	*2	-
						407,060

(Note 1) Due to a resolution to amend the Articles of Incorporation at the Annual General Meeting of Shareholders held on February 27, 2023, the Company transitioned to a company with an Audit and Supervisory Committee as of the same date.

(Note 2) Directors Junko Kawai, Toshihiro Sawa, Masatsugu Oishi, and Toyo Abe are Outside Directors.

(Note 3) Directors Mitsusuke Koi, Shoichi Sanpei, Tetsuo Kodera, and Naotaka Murata are Outside Directors who are Audit and Supervisory Committee members.

(Note 4) The terms of office of directors and Audit and Supervisory Committee members are as follows:

*1 From the end of the Annual General Meeting of Shareholders for the fiscal year ended November 2022 to the end of the Annual General Meeting of Shareholders for the fiscal year ending November 2023.

*2 From the end of the Annual General Meeting of Shareholders for the fiscal year ended November 2022 to the end of the Annual General Meeting of Shareholders for the fiscal year ending November 2024.

2) Outside directors (and other officers)

The Company has four outside directors (excluding directors who are Audit and Supervisory members) and four outside directors who are Audit and Supervisory members.

Director Junko Kawai has extensive experience and expertise from many years as an attorney and knowledge in a wide range of areas including corporate legal affairs. She contributes to strengthening the Company's corporate governance by utilizing her extensive experience and track record. The Company has registered her as an independent director with the Tokyo Stock Exchange, Inc.

Director Toshihiro Sawa has many years of experience in financial institutions and experience in management serving as a representative director and director of several other companies. Based on his broad insight, he has made a significant contribution to ensuring the appropriateness of the Company's management by providing useful suggestions and comments. As of the date of filing of this document, he owns 1,078 shares of the Company's stock, but he has no further personal, capital, business, or other interests in the Company. The Company has received a loan from the bank he used to be employed at, but in light of the size of the transaction, the Company has determined that it does not affect his independence as an outside director. The Company has registered him as an independent director with the Tokyo Stock Exchange, Inc.

Director Masatsugu Oishi has many years of experience and expertise in financial instruments transactions at securities companies, and experience in management at other companies, and he contributes to strengthening the Company's corporate governance by utilizing this experience and track record.

Director Toyo Abe has many years of experience and expertise in financial instruments transactions at securities companies, as well as experience in management at other companies, and he contributes to strengthening the corporate governance of the Company by utilizing this experience and track record.

Director Mitsusuke Koi has a considerable degree of knowledge in finance and accounting, such as from having successively served as a general manager of the internal audit department and an executive officer in charge of the internal audit department before assuming the office of full-time corporate auditor during his many years of experience at the bank he was previously employed at, and subsequently as a director and a corporate auditor of other companies. He makes a large contribution to ensuring the appropriateness of the Company's management by providing valuable suggestions and comments based on his broad insight. As of the date of filing of this document, he owns 2,932 shares of the Company, but he has no further personnel, capital, business, or other interests in the Company. The Company has registered him as an independent director with Tokyo Stock Exchange, Inc.

Director Shoichi Sanpei possesses extensive experience and specialized knowledge of finance and accounting from having served as a certified public accountant for many years, in addition to management experience at other companies. He makes a large contribution to ensuring the appropriateness of the Company's management by providing valuable suggestions and comments from an independent, neutral perspective based on his broad insight. As of the date of filing of this document, he owns 1,701 shares of the Company, but he has no further personnel, capital, business, or other interests in the Company. The Company has registered him as an independent director with Tokyo Stock Exchange, Inc.

Director Tetsuo Koderu makes a large contribution to ensuring the appropriateness of the Company's management by providing valuable suggestions and comments from an independent, neutral perspective based on his broad insight from many years of experience as a public prosecutor and attorney. After retiring as a public prosecutor, he registered as an attorney and assumed the office of officer of the Company. As of the date of filing of this document, he owns 3,119 shares of the Company, but he has no further personnel, capital, business, or other interests in the Company. The Company has registered him as an independent director with Tokyo Stock Exchange, Inc.

Director Naotaka Murata possesses extensive experience and specialized knowledge of finance and accounting from having served as a certified public accountant for many years. He makes a large contribution to ensuring the appropriateness of the Company's management by providing valuable suggestions and comments from an objective point of view. He is a Representative Partner of Daichi & Co., the audit firm that was the Company's accounting auditor until February 27, 2018. The Company has registered him as an independent director with Tokyo Stock

Exchange, Inc.

The Company has requirements for independence from the Company for appointing outside directors and Audit and Supervisory Committee members, and based on these requirements outside officers (including outside directors who are Audit and Supervisory Committee members) shall be deemed independent individuals with no risk of conflict of interest with the Company's general shareholders if they meet the following criteria:

1. The outside officer must not currently be or have previously been an Executive*¹ of the Group*².

*1 An "Executive" refers to directors (excluding outside directors), corporate auditors (excluding outside corporate auditors), executive directors, and accounting advisors, or any other officials or employees holding positions equivalent to these.

*2 "The Group" refers to the Company and its subsidiaries and affiliate companies.

2. At present or within the past five years, the outside officer

1) must not be or have been a major shareholder*³ of the Company or an Executive of a company that is a major shareholder.

2) must not be or have been an Executive of a company for which the Group is a major shareholder*³.

*3 A "major shareholder" refers to a shareholder that owns at least 10% of a company's voting rights.

3. At present or within the past five years, the outside officer must not be or have been a key client/supplier*⁴ of the Group or an Executive of one.

*4 A "key client/supplier" refers to a client or supplier whose transactions with the Group represent an amount equivalent to at least 2% of either party's consolidated net sales.

4. At present or within the past five years, the outside officer

1) must not be receiving or have received remuneration of ¥10 million or more per year, excluding officer remuneration, from the Group as a consultant, accounting professional, or legal professional (or in the case of a corporation, organization, etc. must not belong to or have belonged to the applicable corporation, organization, etc.).

2) must not be or have been a member, partner or employee of an accounting auditor of the Group.

5. At present or within the past five years, the outside officer must not be receiving or have received ¥10 million or more per year in donations from the Group (or in the case of a corporation, organization, etc. must not belong to or have belonged to the applicable corporation, organization, etc.).

6. At present or within the past five years, the outside officer must not be or have been an Executive of a party with which the Group has mutually appointed officers.

7. The outside officer must not be a first- or second-degree relative of a person corresponding to any of Items 1 to 6 above (excluding persons in unimportant positions).

8. The outside officer must not have any other vested interests that are liable to cause serious conflicts of interest or have an influence on decisions while executing his or her duties.

3) Supervision or auditing by outside directors, mutual coordination with internal audits, audits by the Audit and Supervisory Committee, and accounting audits, and relationship with internal control departments

Through regular meetings with all directors and at least once a month in principle and meetings with the business administration division held on an as-needed basis, the outside directors monitor the current status and issues of the Group, including the status of internal audits, audits by the Audit and Supervisory Committee, and the development and operation of internal controls, and express their opinions at the Board of Directors' meetings as necessary.

The internal audit department and the Audit and Supervisory Committee pursue efficient and effective auditing by sharing information via meetings held on an as-needed basis and cooperating with each other in the audits conducted by each.

In addition, the Audit and Supervisory Committee and the accounting auditor share information primarily via debriefings for accounting audits and cooperate with each other.

The Company's internal control departments, which are the legal department and the accounting department, pursue cross-functional management of the Group's internal control system overall through the initiatives of the

Internal Control Committee organized by the departments. The internal audit department and Audit and Supervisory Committee participate in the Internal Control Committee as observers, and provide necessary advice and guidance from their respective standpoints or jointly to the internal control establishment and promotion departments.

(3) [Audits]

The status of the Company's audits as of the end of the subject fiscal year is below.

Due to the decision at the Annual General Meeting of Shareholders held on February 27, 2023 to amend the Company's Articles of Incorporation to include the transition to a company with an Audit and Supervisory Committee, the Company transitioned from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee as of the same date. Please refer to (1) Outline of Corporate Governance for more information on the Audit and Supervisory Committee.

1) Audits by corporate auditors

In audits by corporate auditors, in accordance with the standards for audits by corporate auditors established by the Board of Corporate Auditors, the four corporate auditors attend the Board of Directors' meetings and other important meetings, and conduct investigations, including on-site inspections, in order to further strengthen the Company's auditing operations. At the regular meetings of the Board of Corporate Auditors, each corporate auditor reports on the results of audits conducted in accordance with his/her respective duties and discusses them with the other corporate auditors. In addition, facts that are deemed to require immediate reporting to the directors are reported without delay and improvements sought.

Full-time Corporate Auditor Mitsusuke Koi has a considerable degree of knowledge in finance and accounting from having successively served as a general manager of the internal audit department, an executive officer in charge of the internal audit department, and full-time corporate auditor during his many years of experience at a bank.

Corporate Auditor Mikio Hara and Corporate Auditor Toshihiro Sawa have a considerable degree of knowledge in finance and accounting from having many years of experience at banks.

Corporate Auditor Masatsugu Oishi has considerable knowledge of finance and accounting, having served as deputy head of the corporate planning department at a securities company.

The Company held 18 meetings of the Board of Corporate Auditors during the subject fiscal year, and the status of attendance of each corporate auditor is as follows: (As Masatsugu Oishi was newly elected at the Annual General Meeting of Shareholders held on February 24, 2022, his attendance at the Board of Corporate Auditors meetings is stated as the number of meetings held after his assumption of office).

Name	Meetings held	Meetings attended
Mitsusuke Koi	18	18
Mikio Hara	18	16
Toshihiro Sawa	18	18
Masatsugu Oishi	13	13

The main matters to be considered by the Board of Corporate Auditors include audit policy, matters relating to the methods of investigation of business and financial conditions and other execution of duties by corporate auditors, matters relating to the status of establishment and operation of the internal control system, and matters relating to the content of audit reports by the Board of Corporate Auditors based on the audit reports prepared by each corporate auditor.

The activities of a full-time corporate auditor include duties based on the characteristics of a person in a full-time position like day-to-day monitoring and verification, such as attending important meetings and inspecting the minutes, inspecting all approval documents, and meeting regularly with all directors, and sharing with other corporate auditors the information obtained in performing such duties.

2) Internal audits

In internal audits, the three-member internal audit department of the corporate planning department, which reports

directly to the representative director and president, conducts operational audits of the Company's departments and group companies in accordance with internal audit regulations and such, the results of which are reported to the Board of Directors, the president, each audited department, etc., and suggestions on matters for improvement made as necessary.

Mutual coordination among internal audits, audits by corporate auditors, and accounting audits, and the relationship between these audits and the internal control departments are as presented in "(2) Directors (and other officers); 3) Supervision or auditing by outside directors or outside corporate auditors, mutual coordination with internal audits, audits by corporate auditors, and accounting audits, and relationship with internal control departments."

3) Accounting audits

a. Name of audit firm

Ernst & Young ShinNihon LLC

b. Continuous audit period

Three-year period from the fiscal year ended November 30, 2020

c. Certified public accountants who performed services

Hideki Maekawa, Designated Limited Liability Partner and Engagement Partner

Hiroshi Nakashita, Designated Limited Liability Partner and Engagement Partner

d. Composition of assistants for audit services

Assistants for accounting audit services for the Company are fifteen certified public accountants and nineteen other persons.

e. Audit firm selection policy and rationale

In accordance with the Standards for Evaluation and Selection of the Accounting Auditor established by the Board of Corporate Auditors, the accounting auditor is selected by comprehensively taking into account the audit firm's independence and expertise, audit implementation status, quality control system, audit fees, and other factors.

Ernst & Young ShinNihon LLC was selected as the accounting auditor because it has been deemed suitable for the position as a result of comprehensively taking into account that it audits many listed real estate companies and can be expected to conduct audits responding to changes in the business environment and the Group's management strategies, along with the audit firm's independence and expertise, audit implementation status, quality control system, audit fees, and other factors.

In addition, the Board of Corporate Auditors will dismiss the accounting auditor, with the unanimous consent of the corporate auditors, if the accounting auditor is deemed to fall under any of the items provided in Article 340, Paragraph 1 of the Companies Act. If the Board of Corporate Auditors finds that the appropriateness and reliability of audits cannot be ensured based on a comprehensive evaluation of the accounting auditor's performance of duties and other factors, the Board of Corporate Auditors determines the content of a proposal to be submitted to the General Shareholder Meeting regarding the dismissal or refusal of reappointment of the accounting auditor.

f. Evaluation of audit firm by corporate auditors and the Board of Corporate Auditors

In accordance with the Standards for Evaluation and Selection of the Accounting Auditor established by the Board of Corporate Auditors, the appropriateness and adequacy of the auditing activities of the accounting auditor are evaluated and verified by receiving explanations in writing and other means from the accounting auditor regarding performance reports on auditing operations and audit proposals for the next fiscal year. As a result, the auditing activities of the accounting auditor, Ernst & Young ShinNihon LLC, have been evaluated as appropriate and adequate.

4) Content, etc. of audit fees

a. Fees to independent auditors

Category	Previous fiscal year		Subject fiscal year	
	Fees based on audit and attestation services (millions of yen)	Fees based on non-audit services (millions of yen)	Fees based on audit and attestation services (millions of yen)	Fees based on non-audit services (millions of yen)
Reporting company	80	6	272	14
Consolidated subsidiaries	—	—	—	—
Total	80	6	272	14

Non-audit services at the Company consist of advisory consulting services related to the preparation of consolidated financial statements.

b. Fees to independent auditors' same network (Ernst & Young) (excluding a.)

Category	Previous fiscal year		Subject fiscal year	
	Fees based on audit and attestation services (millions of yen)	Fees based on non-audit services (millions of yen)	Fees based on audit and attestation services (millions of yen)	Fees based on non-audit services (millions of yen)
Reporting company	—	10	—	6
Consolidated subsidiaries	4	2	6	0
Total	4	12	6	7

Non-audit services at the Company consist of tax advisory services and so forth. Non-audit services at consolidated subsidiaries consist of tax advisory services.

c. Content of fees based on other significant audit and attestation services

Not applicable.

d. Policy on determining audit fees

Not applicable.

e. Reasons why the Board of Corporate Auditors consented to fees for the accounting auditor

In determining the amount of remuneration for independent auditors, the Company determines the amount in accordance with the prescribed standards for decision-making. Upon directors' request for consent of the Board of Corporate Auditors in accordance with the provisions of Article 399 of the Companies Act, the Board of Corporate Auditors consent to the amount of remuneration after deliberation by taking into account the Company's size and nature of business, number of audit days, and other factors.

(4) [Remuneration for directors (and other officers)]

1) Matters relating to policy on determining amount of remuneration for directors (and other officers) and calculation methods thereof

The maximum amount of remuneration for directors is resolved at annual shareholders meetings. Each director's remuneration is drafted by the representative director after taking into account the content of duties, the situation of the Company, and other factors, and decided upon by the Board of Directors based on the results of discussions by the Nomination and Remuneration Committee.

The policies on determining the details of each individual director's remuneration are as follows:

- a. Policy on determining amount of each individual director's remuneration for basic remuneration (monetary remuneration) (including policy on determining timing or conditions of granting remuneration)

Basic remuneration for the directors of the Company is a monthly fixed remuneration determined by comprehensively taking into account the content of duties, the situation of the Company, and other factors.

- b. Policy on determining details of performance-linked remuneration and non-monetary remuneration, and calculation methods of amount or number thereof (including policy on determining timing or conditions of granting remuneration)

Performance-linked remuneration is a cash remuneration paid at a certain time each year in an amount calculated according to the degree of achievement of performance targets for each fiscal year that are set each year, the purpose of which is to increase incentives to enhance business performance.

Non-monetary remuneration is restricted share awards (restricted stock compensation) allotted at a certain time each year in a number of shares calculated by taking into account the job position and other factors, with the condition that transfer restriction be canceled at the time of retirement from office, the purpose of which is to flexibly offer more incentives to achieve sustained enhancement of the Company's corporate value through sharing of interests with shareholders.

- c. Policy on determining the ratio of amount of monetary remuneration, amount of performance-linked remuneration, or amount of non-monetary remuneration, to amount of each individual director's remuneration
The policy is to make the ratio of remuneration by type for directors (excluding outside directors and directors who are Audit and Supervisory Committee members) the most appropriate payment ratio in order to contribute to the sustained enhancement of corporate value through sharing of interests with shareholders. Due to the nature of their duties, remuneration for outside directors and directors who are Audit and Supervisory Committee members is basic remuneration only, making no linkage to business performance.

- d. Matters on determining details of each individual director's remuneration

The amount of remuneration by individual is drafted by the representative director and decided upon by the Board of Directors based on the results of discussions by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee is composed of representative directors and independent outside directors selected by resolution of the Board of Directors, with independent outside directors comprising the majority of the members.

- e. Reasons why the Board of Directors has deemed that details of each individual director's remuneration are in line with the policy on determining directors' remuneration

The Board of Directors has confirmed that each individual director's remuneration for the subject fiscal year is consistent with the policy on determining such and has thus deemed it to be in line with the policy on determining such.

The amount of remuneration for the directors of the Company (excluding directors who are Audit and Supervisory Committee members) was approved at the 41st Annual General Meeting of Shareholders held on February 27, 2023, to be not more than ¥1,000 million per year (including not more than ¥50 million for outside directors (excluding directors who are Audit and Supervisory Committee members); number of directors at the time of the resolution: 9, of which 4 are outside directors), and the maximum amount of remuneration for Audit and Supervisory Committee members was approved to be not more than ¥100 million per year (number of directors who are Audit and Supervisory Committee members at the time of the resolution: 4).

For the maximum amount of remuneration for directors, separate from the above remuneration limit, the amount of remuneration and other details of a restricted stock compensation plan (a compensation plan in which shares are allotted with the condition that transfer restriction be canceled at the time of retirement from office; hereinafter referred to as the “Plan”) for the directors of the Company excluding outside directors and directors who are Audit and Supervisory Committee members (hereinafter referred to as “Eligible Directors”) was approved at the 41st Annual General Meeting of Shareholders held on February 27, 2023, to be not more than ¥300 million per year (total number of shares of the Company’s common stock to be issued or disposed of: not more than 300,000 shares per year; number of directors at the time of the resolution: 5, excluding outside directors and directors who are Audit and Supervisory Committee members).

The Company has decided to adopt performance-linked variable remuneration (performance-linked remuneration) for the Company’s directors (the directors listed in each item of Article 363, Paragraph 1 of the Companies Act, excluding outside directors and directors who are Audit and Supervisory Committee members) for the 42nd fiscal year.

As a result, the remuneration for directors consists of basic remuneration (regular salary of same amount) as fixed remuneration, annual performance-linked remuneration linked to the business performance of each fiscal year, and restricted share awards in which shares are allotted with the condition that transfer restriction be canceled at the time of retirement from office. However, due to the nature of their duties, remuneration for outside directors and directors who are Audit and Supervisory Committee members is basic remuneration only, making no linkage to business performance.

The following are the requirement settings and calculation methods for performance-linked remuneration for the fiscal year ending November 30, 2023. The reason for setting net income before performance-linked remuneration as the indicator parameter is to increase incentives to enhance business performance.

(Formula) Net income before performance-linked remuneration × Coefficient based on role × coefficient based on achievement rate

(Coefficient based on role)

Role	Coefficient
Representative Director and President	0.4%
Managing Director	0.32%
Director	0.22%

(Coefficient based on achievement rate)

Net income before performance-linked compensation*Initial budget (consolidated budget) achievement rate*	Coefficient
100% or more	1.0
95% or more but less than 100%	0.9
90% or more but less than 95%	0.8
85% or more but less than 90%	0.7
80% or more but less than 85%	0.6
less than 80%	0.5

*The initial budget (consolidated budget) was announced externally as the consolidated earnings forecast for the fiscal year ending November 30, 2023 in the 40th fiscal year financial report (*kessan tanshin*) released on March 31, 2023.

- (Note 1) The directors eligible for payment are the executive officers stipulated in Article 34, Paragraph 1, Item 3 of the Corporation Tax Act.
- (Note 2) The “indicators on profits of the business year” stipulated in Article 34, Paragraph 1, Item 3 (a) of the Corporation Tax Act is net income before performance-linked remuneration.
- (Note 3) The “defined amount” stipulated in Article 34, Paragraph 1, Item 3 (a) (1) of the Corporation Tax Act for the payment limit for performance-linked remuneration to be paid is limited to ¥1,000 million.
- (Note 4) Calculated based on the positions resolved at the Board of Directors’ meeting after the 41st Annual General Meeting of Shareholders held on February 27, 2023, and to be paid to directors who are executing their duties at the end of the 42nd fiscal year.
- (Note 5) Performance-linked remuneration for directors who assume office during the fiscal year is to be paid based on the number of months the director served in office during the period from the beginning of the term of office to the end of the fiscal year (rounded up to the nearest whole month).
(Formula) $\{(\text{Net income before performance-linked remuneration} \times \text{Coefficient}) / 12\} \times \text{Number of months in office}$
- (Note 6) A written statement that all Audit and Supervisory Committee members have found the above calculation method to be appropriate has been received.

The following are the requirement and calculation methods for performance-linked remuneration for the subject fiscal year. The reason for having net income before performance-linked remuneration as the indicator parameter is to increase incentives to enhance business performance.

(Requirement)

That net income before performance-linked remuneration achieves the initial target (consolidated).

Note: The initial target (consolidated) is that announced externally as the consolidated earnings forecast for the fiscal year ended November 30, 2022, in the 40th fiscal year financial report (*kessan tanshin*) released on January 14, 2022.

The targets for the indicators of the performance-linked remuneration for the subject fiscal year are stated in the consolidated earnings forecast for the fiscal year ended November 30, 2022, in the 40th fiscal year financial report (*kessan tanshin*) released on January 14, 2022. Actual results are as presented in “Part I. Company information; Section 1. Overview of company; 1. Key financial data; (1) Key financial data of group.”

(Formula) Net income before performance-linked remuneration \times Coefficient

Position	Coefficient	Number of recipient directors (and other officers)	Formula for calculating payment
Representative director and chairman	0.48%	1	Net income before performance-linked remuneration \times Coefficient
Director and vice chairman	0.34%	1	Net income before performance-linked remuneration \times Coefficient
Representative director and president	0.40%	1	Net income before performance-linked remuneration \times Coefficient
Managing director	0.32%	3	Net income before performance-linked remuneration \times Coefficient
Director	0.22%	1	Net income before performance-linked remuneration \times Coefficient
Total number of directors eligible for payment		7	—

- (Note 1) The directors eligible for payment are the executive officers stipulated in Article 34, Paragraph 1, Item 3 of the Corporation Tax Act.
- (Note 2) The “indicators on profits of the business year” stipulated in Article 34, Paragraph 1, Item 3 (a) of the Corporation Tax Act is net income before performance-linked remuneration.
- (Note 3) The “defined amount” stipulated in Article 34, Paragraph 1, Item 3 (a) (1) of the Corporation Tax Act for the payment limit for performance-linked remuneration to be paid is limited to ¥700 million.
- (Note 4) Calculated based on the positions resolved at the Board of Directors’ meeting after the 40th Annual General Meeting of Shareholders held on February 24, 2022, and to be paid to directors who were executing their duties at the end of the 40th fiscal year.

- (Note 5) Performance-linked remuneration for directors who assume office during the fiscal year is to be paid based on the number of months the director served in office during the period from the beginning of the term of office to the end of the fiscal year (rounded up to the nearest whole month).
(Formula) $\{(\text{Net income before performance-linked remuneration} \times \text{Coefficient}) / 12\} \times \text{Number of months in office}$
- (Note 6) A written statement that all Audit and Supervisory Committee members have found the above calculation method to be appropriate has been received.

The authority to decide on the policy on determining the amount of remuneration for the directors (excluding directors who are Audit and Supervisory Committee members) of the Company and calculation methods thereof lies with the Board of Directors, the content of the authority and the scope of the discretion of which are that the remuneration is drafted by the representative director after taking into account the content of duties, the situation of the Company, and other factors, and decided upon by the Board of Directors based on the results of discussions by the Nomination and Remuneration Committee, within the limit of the total amount approved by the General Shareholder Meeting. At the meeting of the Nomination and Remuneration Committee (composed of representative directors and independent outside directors selected by resolution of the Board of Directors, with independent outside directors comprising the majority of the members) held on February 24, 2022, the remuneration policy and individual remuneration for directors were deliberated from the perspective of ensuring objectivity and transparency in the decision-making process.

The authority to decide on the policy on determining the amount of remuneration for the directors who are members of the Audit and Supervisory Committee of the Company and calculation methods thereof lies with the Audit and Supervisory Committee, the content of the authority and the scope of the discretion of which are that the remuneration is decided upon by discussion by the Audit and Supervisory Committee members after taking into account the content of duties, experience, the situation of the Company, and other factors, within the limit of the total amount approved by the General Shareholder Meeting.

The activities of the Board of Directors in the process of determining the amount of remuneration for the directors of the Company in the subject fiscal year were that the remuneration for directors was decided upon after confirmation of the basis for calculation thereof and deliberation of the remuneration proposed by the representative director based on the aforementioned policy at the Board of Directors' meeting held on February 24, 2022, and that the remuneration for the Board of Corporate Auditors was decided upon after discussion based on the aforementioned policy at the meeting of the Board of Corporate Auditors held on the same date, and reported to the Board of Directors.

2) Total amount of remuneration by category of directors, total amount of remuneration by type, and number of recipient directors

Categories of directors	Total amount of remuneration (millions of yen)	Total amount of remuneration by type (millions of yen)					Number of recipient directors (and other officers)
		Fixed remuneration	Performance-linked variable remuneration	Retirement benefits	Restricted share awards	Of left: Non-monetary remuneration	
Directors excluding outside directors	802	389	267	—	145	145	7
Corporate auditors excluding outside corporate auditors	—	—	—	—	—	—	—
Outside directors (and other officers)	52	52	—	—	—	—	7

(Note) The breakdown of the total amount of non-monetary remuneration to directors excluding outside directors is ¥145 million in restricted share awards.

3) Total amount and other details of remuneration paid by the group to each director

Name	Total amount of remuneration paid by group (millions of yen)	Categories of directors	Categories of companies	Total amount of remuneration paid by group by type (millions of yen)				
				Fixed remuneration	Performance-linked variable remuneration	Retirement benefits	Restricted share awards	Of left: Non-monetary remuneration
Shigeru Moriyama	139	Director	Reporting company	85	53	—	—	—
Yasuhiro Ogawa	193	Director	Reporting company	87	44	—	61	61
Hiroaki Matsui	105	Director	Reporting company	44	35	—	25	25

(Note 1) The total amount of remuneration paid by the group is limited to those directors who received ¥100 million or more.

(Note 2) The breakdown of the total amount of non-monetary remuneration to Yasuhiro Ogawa is ¥61 million in restricted share awards.

(Note 3) The breakdown of the total amount of non-monetary remuneration to Hiroaki Matsui is ¥25 million in restricted share awards.

4) Of employee salaries to directors (and other officers) who are also employees, those that are significant
Not applicable.

(5) [Holding of Shares of Other Companies]

1) Standards and approach for classification of investment shares

The Company classifies investment shares as either pure investment shares (for the purpose of receiving profit from changes in the value of shares or dividends) or as investment shares held for purposes other than pure investment.

2) Investment shares held for purposes other than pure investment

a. Methods for assessing shareholding policy and the rationality of shareholdings, and details of the assessment by the Board of Directors and others regarding the appropriateness of holding of each individual issue

The Company may hold shares of listed companies as cross-shareholdings if the holding of those shares is found to enable maintaining and strengthening of stable business relationships and contribute to the enhancement of the Company's corporate value. Whether or not to continue holding the cross-held shares is assessed by the Board of Directors and others from a medium- to long-term perspective based on the returns, risks, and other factors thereof, and the shareholdings are reduced if the significance of holding the shares is deemed insufficient. When exercising voting rights to cross-held shares, the Company's standard is to take into account factors such as whether the proposal of that company is in alignment with the Company's shareholding policy in exercising voting rights. The Company has deemed that it is reasonable to continue holding the cross-held shares held as of the end of the subject fiscal year.

b. Number of issues and carrying amount

	Number of issues (issues)	Carrying amount (millions of yen)
Shares not listed	5	2,014
Shares other than those not listed	5	17,663

(Issues whose number of shares increased in the subject fiscal year)

	Number of issues (issues)	Total acquisition cost for increased shares (millions of yen)	Reason for increase in number of shares
Shares not listed	1	1,999	New investment to expand the customer base of our business
Shares other than those not listed	1	1,161	Subscription to capital increase through third-party allotment

(Issues whose number of shares decreased in the subject fiscal year)

	Number of issues (issues)	Total sale amount for decreased shares (millions of yen)
Shares not listed	1	0
Shares other than those not listed	—	—

c. Information about the number of shares, carrying amount, etc. by issue of specified investment shares and deemed holdings of shares

Specified investment shares

Issue	Subject fiscal year	Previous fiscal year	Purpose of shareholding, quantitative effects of shareholding and reason for increase in number of shares	Whether holds the Company's shares
	Number of shares	Number of shares		
	Carrying amount (millions of yen)	Carrying amount (millions of yen)		
Samty Residential Investment Corporation	113,383	104,042	<p>The Company is the main sponsor of this corporation. The Company provides a wide range of sponsor support to this corporation, including grant of preferential negotiation rights for development properties, provision of warehousing functions, provision of leasing support services, and provision of staffing and operational management support, and has the shareholding (unitholding) in order to maintain a stable and continuous business relationship.</p> <p>Through the sponsor support, the Company sold ¥16,362 million (12.72% of consolidated net sales) in real estate to this corporation in the subject fiscal year. The increase in the number of shares (number of investment units) in the subject fiscal year is due to subscription to a capital increase through third-party allotment.</p>	None
	13,594	12,360		
Wealth Management, Inc.	5,459,200	2,729,600	<p>This company is a value-creating real estate company with strengths in revitalizing and developing hotels and traditional inns, with a hotel operating company and an asset management company under its umbrella. The Company has entered into a capital and business alliance agreement with this company for purposes such as collaboration in the hotel development business and other businesses. Also, the increase in the number of shares in the subject fiscal year is due to a stock split of the company.</p>	None
	3,951	3,951		
B-Lot Company Limited	100,000	100,000	<p>With this company, there is a continuous exchange of information on purchase and sale of income properties and other properties in the revitalization and securitization business of the Real Estate Business segment. In particular, the Company has the shareholding for the purpose of gathering information on the Hokkaido area, where the Company has established a branch, and in order to maintain a stable and continuous business relationship.</p> <p>No quantitative effects of shareholding are shown, because describing such would be difficult.</p>	None
	57	50		
The Kiyo Bank, Ltd.	30,000	30,000	<p>The Company has borrowed funds from this bank for acquisition of land for development and income properties in the Real Estate Business, and the Real Estate Leasing Business segments, and has the shareholding in order to maintain a stable and continuous business relationship.</p> <p>No quantitative effects of shareholding are shown because such is deemed to constitute confidential information with the counterparty.</p>	Yes
	45	40		
TOMONY Holdings, Inc.	38,212	38,212	<p>The Company has borrowed funds from this group for acquisition of land for development and income properties in the Real Estate Business, and the Real Estate Leasing Business segments, and has the shareholding in order to maintain a stable and continuous business relationship.</p> <p>No quantitative effects of shareholding are shown because such is deemed to constitute confidential information with the counterparty.</p>	Yes (Note)
	13	11		

(Note) TOMONY Holdings, Inc. does not hold any shares of the Company, but its subsidiary THE TOKUSHIMA TAISHO BANK, LTD. holds shares of the Company.

Deemed holdings of shares

Not applicable.

3) Investment shares held for pure investment

Not applicable.

4) Investment shares reclassified from held for pure investment to held for purposes other than pure investment during the subject fiscal year

Not applicable.

5) Investment shares reclassified from held for purposes other than pure investment to held for pure investment during the subject fiscal year

Not applicable.

Section 5. [Financial information]

1. Method of preparation of consolidated financial statements and financial statements

- (1) The Company's consolidated financial statements are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976; hereinafter referred to as the "Regulation on Consolidated Financial Statements").
- (2) The Company's financial statements are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; hereinafter referred to as the "Regulation on Financial Statements").

Falling under the category of "special company submitting financial statements," the Company prepares financial statements in accordance with the provisions of Article 127 of the Regulation on Financial Statements.

2. Note on independent audit

In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company has the consolidated financial statements and the financial statements for the consolidated fiscal year (from December 1, 2021, to November 30, 2022) and the fiscal year (from December 1, 2021, to November 30, 2022) audited by Ernst & Young ShinNihon LLC.

3. Remarkable efforts to ensure fair presentation of consolidated financial statements, etc.

The Company makes remarkable efforts to ensure fair presentation of consolidated financial statements, etc. Specifically, the Company is a member of the Financial Accounting Standards Foundation so as to have a system in place that enables it to appropriately grasp the content of accounting standards, etc., or accurately address matters such as changes in accounting standards, etc.

1. [Consolidated financial statements, etc.]

(1) [Consolidated financial statements]

1) [Consolidated balance sheets]

(millions of yen)

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
ASSETS		
Current assets		
Cash and deposits	*3,6 41,646	*3,6 46,002
Receivables	1,858	2,476
Real estate for sale	*3,6 107,875	*3,6 114,623
Real estate for sale under construction	*3 71,075	*3,6 122,065
Goods	0	25
Supplies	23	47
Other	*3 2,618	*3 4,672
Allowance for doubtful accounts	(3)	(7)
Total current assets	225,094	289,904
Non-current assets		
Property and equipment		
Buildings and structures	26,267	32,497
Accumulated depreciation	(2,402)	(3,185)
Buildings and structures net	*3 23,865	*3 29,312
Buildings in trust	3,262	3,594
Accumulated depreciation	(119)	(140)
Buildings in trust net	*3 3,142	*3 3,454
Land	*3 54,925	*3 52,382
Land in trust	*3 2,314	*3 1,571
Construction in progress	*3 6,678	*3 3,100
Other	728	1,169
Accumulated depreciation	(349)	(554)
Other net	*3 379	*3 614
Net property and equipment	91,306	90,435
Intangible assets		
Goodwill	9	8
Other intangible assets	417	406
Total intangible assets	426	414
Investments and other assets		
Investment securities	*3 27,921	*3 26,764
Deferred tax assets	545	830
Other	*2 3,901	*2 5,189
Allowance for doubtful accounts	(53)	(53)
Total Investments and other assets	32,315	32,731
Total non-current assets	124,048	123,581
Deferred assets		
Share issuance costs	42	26
Bond issuance costs	9	81
Total deferred assets	51	108
Total assets	349,194	413,594

(millions of yen)

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
LIABILITIES		
Current liabilities		
Accounts payable	3,304	1,800
Short-term borrowings	*3, 4 12,325	*3, 4 30,468
Current portion of bonds payable	—	5,170
Current portion of long-term debt	*3, 4 32,197	*3, 4 35,395
Accrued income taxes	1,660	3,651
Provision for shareholder benefit program	—	520
Other	5,131	*1 12,536
Total current liabilities	<u>54,618</u>	<u>89,543</u>
Non-current liabilities		
Bonds payable	9,000	8,145
Bonds with share acquisition rights	12,000	12,000
Long-term debt	*3, 4, 6 165,709	*3, 4, 6 188,769
Deferred tax liabilities	2,551	2,922
Liabilities for retirement benefits	251	318
Guarantee deposits	1,369	908
Construction assistance fund	372	317
Other	292	275
Total non-current liabilities	<u>191,547</u>	<u>213,656</u>
Total liabilities	<u>246,166</u>	<u>303,199</u>
NET ASSETS		
Shareholders' equity		
Capital stock	20,595	20,657
Capital surplus	22,471	22,533
Retained earnings	50,269	56,911
Treasury stock at cost	(0)	(1)
Total shareholders' equity	<u>93,336</u>	<u>100,101</u>
Accumulated other comprehensive income		
Unrealized gain on available for-sale securities	965	1,099
Foreign currency translation adjustment	(5)	(2,429)
Total accumulated other comprehensive income	<u>959</u>	<u>(1,330)</u>
Non-controlling interests	<u>8,731</u>	<u>11,624</u>
Total net assets	<u>103,028</u>	<u>110,395</u>
Total liabilities and net assets	<u>349,194</u>	<u>413,594</u>

2) [Consolidated statements of income and consolidated statements of comprehensive income]

[Consolidated statements of income]

(millions of yen)

	2021 (From December 1, 2020 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
Net sales	90,460	* ₁ 128,470
Cost of sales	* ₂ 72,606	* ₂ 101,304
Gross profit	17,854	27,165
Selling, general and administrative expenses	* ₃ 8,392	* ₃ 13,081
Operating income	9,461	14,083
Non-operating income		
Interest income	33	7
Dividends	11	16
Share of profit of entities accounted for using equity method	839	—
Foreign exchange gains	1,065	5,700
Gain on valuation of interest rate swaps	47	36
Penalty income	26	175
Other	110	75
Total non-operating income	2,134	6,012
Non-operating expenses		
Interest expenses	2,552	3,554
Interest expenses on bonds	159	208
Share of loss of entities accounted for using equity method	—	406
Commission fee	743	1,377
Other	35	107
Total non-operating expenses	3,491	5,654
Ordinary income	8,105	14,441
Extraordinary income		
Gain on sales of non-current assets	—	* ₄ 28
Gain on bargain purchase	* ₆ 4,307	—
Gain on change in equity	—	* ₇ 51
Total extraordinary income	4,307	80
Extraordinary loss		
Head office relocation expenses	* ₈ 187	—
Loss on retirement of non-current assets	* ₅ 2	* ₅ 12
Loss on valuation of investment securities	10	—
Total extraordinary losses	201	12
Income before income taxes	12,211	14,509
Income taxes-current	2,315	4,057
Income taxes-deferred	(196)	(471)
Total income taxes	2,119	3,586
Net income	10,092	10,922
Profit attributable to non-controlling interests	79	56
Profit attributable to owners of parent	10,012	10,866

[Consolidated statements of comprehensive income]

	(millions of yen)	
	2021 (From December 1, 2020 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
Net income	10,092	10,922
Other comprehensive income		
Unrealized gain on available for-sale securities	784	134
Foreign currency translation adjustment	247	(2,166)
Total other comprehensive income	* 1,032	* (2,032)
Comprehensive income	11,125	8,890
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	10,889	8,576
Comprehensive income attributable to non-controlling interests	235	314

3) [Consolidated statements of changes in net assets]

Year ended November 30, 2021 (December 1, 2020 to November 30, 2021)

(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	16,227	17,985	43,615	(883)	76,945
Changes of items during the period					
Issuance of new shares	4,368	4,368			8,736
Dividends from surplus			(3,344)		(3,344)
Profit attributable to owners of parent			10,012		10,012
Purchase of treasury shares				(385)	(385)
Disposal of treasury shares		118		1,268	1,386
Increase (decrease) due to increase in consolidated subsidiaries			(14)		(14)
Net changes of items other than shareholders' equity					
Total changes of items during the period	4,368	4,486	6,653	883	16,391
Balance at the end of current period	20,595	22,471	50,269	(0)	93,336

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Unrealized gain on available for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the end of previous period	180	(97)	83	-	671	77,699
Changes of items during the period						
Issuance of new shares						8,736
Dividends from surplus						(3,344)
Profit attributable to owners of parent						10,012
Purchase of treasury shares						(385)
Disposal of treasury shares						1,386
Increase (decrease) due to increase in consolidated subsidiaries						(14)
Net changes of items other than shareholders' equity	784	91	876	-	8,060	8,937
Total changes of items during the period	784	91	876	-	8,060	25,328
Balance at the end of current period	965	(5)	959	-	8,731	103,028

Year ended November 30, 2022 (December 1, 2021 to November 30, 2022)

(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	20,595	22,471	50,269	(0)	93,336
Changes of items during the period					
Issuance of new shares	61	61			123
Dividends from surplus			(4,184)		(4,184)
Profit attributable to owners of parent			10,866		10,866
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					-
Increase (decrease) due to increase in consolidated subsidiaries			(40)		(40)
Net changes of items other than shareholders' equity					
Total changes of items during the period	61	61	6,641	(0)	6,764
Balance at the end of current period	20,657	22,533	56,911	(1)	100,101

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Unrealized gain on available for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the end of previous period	965	(5)	959	—	8,731	103,028
Changes of items during the period						
Issuance of new shares						123
Dividends from surplus						(4,184)
Profit attributable to owners of parent						10,866
Purchase of treasury shares						(0)
Disposal of treasury shares						—
Increase (decrease) due to increase in consolidated subsidiaries						(40)
Net changes of items other than shareholders' equity	134	(2,424)	(2,289)	—	2,892	602
Total changes of items during the period	134	(2,424)	(2,289)	—	2,892	7,367
Balance at the end of current period	1,099	(2,429)	(1,330)	—	11,624	110,395

4) [Consolidated statements of cash flows]

(millions of yen)

	2021 (From December 1, 2020 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
Operating activities		
Income before income taxes	12,211	14,509
Depreciation	1,018	1,332
Amortization of goodwill	0	0
Increase (decrease) in allowance for doubtful accounts	(2)	4
Increase (decrease) in net defined benefit liability	39	66
Interest and dividends income	(45)	(23)
Interest expenses	2,712	3,762
Commission fee	743	1,377
Foreign exchange losses (gains)	(1,065)	(5,700)
Gain on valuation of interest rate swaps	(47)	(36)
Penalty income	(26)	(175)
Loss (gain) on sales of property and equipment	–	(28)
Share of loss (profit) of entities accounted for using equity method	(839)	406
Gain on bargain purchase	(4,307)	–
Head office relocation expenses	187	–
Loss (gain) on change in equity	–	(51)
Decrease (increase) in notes and accounts receivable – trade	(425)	(598)
Decrease (increase) in inventories	(13,741)	(1,108)
Increase (decrease) in advances received	514	5,306
Increase (decrease) in notes and accounts payable – trade	1,636	(1,775)
Increase (decrease) in accrued consumption taxes	(312)	1,832
Increase (decrease) in lease and guarantee deposits received	22	(401)
Loss (gain) on valuation of investment securities	10	–
Other – net	2,156	1,686
Subtotal	443	20,383
Decrease in interest and dividends receivable	12	29
Dividends received from entities accounted for using equity method	–	81
Decrease in interest payable	(2,509)	(3,629)
Penalty income received	–	175
Payment for loss on temporary closure	(4)	–
Income taxes (paid) refunded	(4,671)	(2,144)
Net cash provided by (used in) operating activities	(6,728)	14,897
Investing activities		
Payments into time deposits	(85)	(2,249)
Proceeds from withdrawal of time deposits	4	2,234
Purchase of property and equipment	(34,459)	(41,101)
Proceeds from retirement of property and equipment	–	(0)
Proceeds from sales of property and equipment	–	247
Purchase of intangible assets	(324)	(40)
Purchase of investment securities	(5,125)	(4,167)
Proceeds from redemption of investment securities	3,321	164
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (6,926)	*2 (6,941)
Purchase of investments in affiliates	(8,652)	–
Payments for investments in capital	(28)	(0)
Payments of construction assistance fund receivables	(55)	(55)
Other – net	(16)	(113)
Net cash provided by (used in) investing activities	(52,348)	(52,024)

(millions of yen)

	2021 (From December 1, 20209 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
Financing activities		
Increase in short-term loans payable	32,663	48,389
Decrease in short-term loans payable	(37,223)	(30,153)
Proceeds from issuance of bonds	4,000	4,400
Proceeds from issuance of bonds with share acquisition rights	12,000	—
Proceeds from long-term loans	113,794	121,602
Repayments of long-term loans	(62,831)	(97,844)
Redemption of subordinated bonds	—	(85)
Purchase of treasury shares	(385)	(0)
Dividends paid	(3,344)	(4,183)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(200)	—
Other – net	(814)	(3,216)
Net cash provided by (used in) financing activities	57,658	38,907
Effect of exchange rate change on cash and cash equivalents	166	734
Net increase (decrease) in cash and cash equivalents	(1,252)	2,515
Cash and cash equivalents, beginning of the period	41,724	40,589
Increase in cash and cash equivalents from newly consolidated subsidiary	116	—
Cash and cash equivalents, end of the period	*1 40,589	*1 43,104

[Notes]

(Material items fundamental to the preparation of consolidated financial statements)

1. Items relating to the scope of consolidation

(1) Number of consolidated subsidiaries: 26

Names of consolidated subsidiaries

Hikone SC Ltd.

Samty Hotel Management Co., Ltd.

Samty Property Management Co., Ltd.

Samty Asset Management Co., Ltd.

S Hotel Operations Nagasaki LLC

S Hotel Operations Nagasaki General Incorporated Association

S Hotel Operations Utsunomiya LLC

S Hotel Operations Utsunomiya General Incorporated Association

S Hotel Operations Hakata LLC

S Hotel Operations Kyoto Tambaguchi LLC

SI Kaihatsu LLC

S Hotel Operations General Incorporated Association

SAMTY Asia Investments Pte. Ltd.

S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY

Samty Vietnam Co., Ltd.

S Hotel Operations Nagoya LLC

S Hotel Operations Kyoto Horikawa LLC

R&K LLC

S Hotel Operations Kyoto Shijo LLC

S Hotel Operations Kyoto Oike LLC

Shangri-La Kyoto Nijojo Special Purpose Company

Ryozen Development LLC

Samty Bridge One LLC

Hotel Century 21 Hiroshima LLC

Nesta Resort Kobe, Co., Ltd.

Propertie, Co., Ltd.

Shangri-La Kyoto Nijojo Special Purpose Company, which was a non-consolidated subsidiary in the previous fiscal year, became a subsidiary due to the acquisition of equity interest so it has been included in the scope of consolidation from the subject fiscal year.

The following have been included in the scope of consolidation from the subject fiscal year: Ryozen Development LLC due to a silent partner investment, Samty Bridge One LLC and Hotel Century 21 Hiroshima LLC due to being newly established, and Nesta Resort Kobe, Inc. and Propertie, Co., Ltd., due to having acquired their stock.

(2) Names of material unconsolidated subsidiaries

Samty Japan Hotel REIT, Inc.

S Hotel Operations Hida Takayama LLC

Reason for exclusion from the scope of consolidation

This is because, in the subject fiscal year, the total assets, net sales, net income, retained earnings and other figures of the non-consolidated subsidiary were small amounts that did not have any material effect on the consolidated financial statements.

2. Items relating to the application of the equity method

(1) Number of affiliated companies accounted for by the equity method: 1

Names of affiliated companies accounted for by the equity method:

Wealth Management, Inc.

Shangri-La Kyoto Nijojo Special Purpose Company was excluded from the scope of equity method application and included in the scope of consolidation since it became a subsidiary through the acquisition of equity interest.

(2) Name of major non-consolidated subsidiary to which the equity method is not applied

Samty Japan Hotel REIT, Inc.

S Hotel Operations Hida Takayama LLC

Reasons for exclusion from scope of application of equity method

This is because, in the subject fiscal year, the net income, retained earnings and other figures of the non-consolidated subsidiary to which the equity method is not applied were small amounts that did not have any material effect on the consolidated financial statements.

(3) Items to be noted in particular regarding procedures for application of equity method

Since the closing date of Wealth Management, Inc., an equity method affiliate, differs from the consolidated closing date, provisional financial statements prepared based on the most recent quarterly financial statements are used.

3. Items relating to the fiscal year of consolidated subsidiaries

The following are the consolidated subsidiaries whose closing dates differ from the consolidated closing date.

Company name(s)	Settlement date	
SAMTY ASIA INVESTMENTS PTE.LTD.	Sept. 30	Note 1
S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY	Sept. 30	Note 2
Samty Vietnam Co., Ltd.	Sept. 30	Note 1
R&K LLC	Dec. 31	Note 3
Shangri-La Kyoto Nijojo Special Purpose Company	Dec. 31	Note 3
Ryozen Development LLC	Mar. 31	Note 3

Note 1 The financial statements of consolidated subsidiaries as of their fiscal year-end are used. However, adjustments necessary for consolidation are made for significant transactions that occurred between the end of the fiscal year of the subsidiary and the end of the consolidated fiscal year.

Note 2 The consolidated financial statements were prepared based on the last day of the fiscal year of the subsidiary. However, in order to better understand appropriate management information and disclose consolidated financial statements, the Company has changed to the method of provisional settlement of accounts on the consolidated balance sheet date effective from the subject fiscal year. In accordance with this change, the financial statements of the concerned consolidated subsidiary for the 14-month period from October 1, 2021 to November 30, 2022 were consolidated in the subject fiscal year, and the effect of the change in fiscal year-end was adjusted through the consolidated statement of income. As a result, net sales increased ¥7,463 million, operating income increased ¥30 million, and ordinary income and income before income taxes increased ¥42 million, respectively, for the subject fiscal year.

Note 3 The financial statements are based on the provisional financial statements of the consolidated subsidiary as of the consolidated balance sheet date.

4. Items relating to accounting standards

(1) Valuation standards and valuation methods for material assets

1) Securities

Held-to-maturity bonds

Amortized cost method

Available-for-sale securities

Other than stocks and other securities with no market price

Market value method (Unrealized gains and losses are reported as a separate component of net assets, and the cost of securities sold is determined by the moving-average method).

Stocks, etc. without market prices

The Company applies a cost method using a moving average.

2) Derivatives

Market value method applied

3) Inventory

Real estate for sale and real estate for sale under construction

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

1) Property and equipment (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	2–71 years
Buildings in trust	33–45 years

2) Intangible 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.

3) Leased 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.

4) Long-term prepaid expenses

The Company applies the straight-line method.

(3) Method of amortization of material deferred assets

Share issuance costs	The costs are amortized by using the straight-line method over a three-year amortization period.
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Bond issuance costs	The costs are amortized by using the straight-line method until the redemption of corporate bonds.
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(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.

Provision for shareholder benefit program

To provide for expenses arising from the use of shareholder special benefit plans, the Company accrues an estimated amount for shareholder special benefit plans to be used in the future, based on the actual use of such plans.

(5) Method of accounting for employee severance benefits

The Company applies a simplified method to calculate severance benefit liabilities and severance benefit expenses. Under this method, the Company recognizes as severance benefit obligation the amount the Company would pay if employees took voluntary severance at end of period after deducting the amount receivable through the Smaller Enterprise Severance Allowance Mutual Aid System.

(6) Basis for recording significant revenues and expenses

The main performance obligations in the Group's main businesses related to revenue from contracts with customers and the usual time at which these performance obligations are satisfied (the usual time at which revenue is recognized) are as follows.

In the Real Estate Development Business, the Company plans, develops, and sells its "S-RESIDENCE" brand series, etc., and is obligated to deliver real estate based on contracts with customers, etc.

In the Real Estate Solution Business, the Company acquires, revitalizes, and sells income-producing real estate and other assets, and is obligated to deliver real estate based on contracts with customers, etc.

In the Overseas Business, the Company sells condominiums overseas and is obligated to deliver real estate based on contracts with customers, etc.

In the Real Estate Leasing Business, the Company leases condominiums, office buildings, and commercial facilities, and is obligated to provide services as stipulated in contracts with its customers.

In the Hotel Business, the Company leases and manages hotels and is obligated to provide services as stipulated in contracts with its customers.

In the Real Estate Management Business, the Company manages condominiums, office buildings, and commercial facilities, and is obligated to provide services as specified in contracts with its customers.

Among these performance obligations, for the obligation to deliver real estate to customers, revenue is recognized at the time of delivery as stipulated in the contract. On the other hand, obligations to provide services are performance obligations that are satisfied over a certain period of time, and revenue is recognized as the services are provided. However, for certain contracts, the performance obligation is satisfied at a point in time when the services are provided in accordance with the terms of the contract, and revenue is recognized at that point in time.

For sales of real estate to special purpose companies in the Real Estate Development Business, the Company recognizes revenue in accordance with the "Practical Guidelines for Accounting Treatment for Transferors Relating to Securitization of Real Estate Using Special Purpose Companies" (Accounting System Committee Report No. 15, November 4, 2014). In addition, revenue is recognized for performance obligations related to real estate leases in accordance with the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007).

(7) Translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rates prevailing on the consolidated balance sheet date, with translation differences recognized as gains or losses. Assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rate on the consolidated balance sheet date, while revenues and expenses are translated into yen at the average exchange rate during the period, with translation differences included in the foreign currency translation adjustment account and noncontrolling interests in net assets.

(8) Method for amortization of goodwill and amortization period

Amortized using the straight-line method over a 20-year period. The goodwill is amortized in a lump sum when incurred in cases where the amount is immaterial.

(9) Scope of funds presented in the consolidated statements of cash flows

Funds presented comprise cash on hand, deposits that can be withdrawn at any time and are easily convertible, and short-term investments, the maturities of which are three months or less from the acquisition date and thus involve only a slight risk of price fluctuation.

(10) Other material items relating to the preparation of the consolidated financial statements

Accounting treatment of consumption tax

Non-deductible consumption tax, etc., relating to real estate for sale is included in the acquisition cost. Non-deductible consumption tax, etc., relating to fixed assets is recognized as a long-term prepaid expense (under Other under Assets, Investments and other assets) and amortized using the straight-line method over a five-year period.

(Significant Accounting Estimates)

Valuation of inventories

(1) Amount recorded on the consolidated financial statements for the subject fiscal year

	Previous fiscal year	Subject fiscal year
Real estate for sale	¥107,875 million	¥114,623 million
Real estate for sale under construction	¥71,075 million	¥122,065 million
Amount of valuation loss recorded (cost of sales)	¥68 million	¥457 million

(2) Information on the details of significant accounting estimates pertaining to identified items

1) Calculation method

In accordance with accounting standards for the valuation of inventories, real estate for sale and real estate for sale under construction are regarded as the balance sheet value based on the acquisition cost. If the net sales price at the end of the fiscal year is lower than the acquisition cost, the net sales price is regarded as the balance sheet value by judging that profitability is declining, and the difference between the acquisition cost and the net sales price is recognized as expenses for the fiscal year under review. The net sales price is calculated by deducting the estimated amount of sales expenses, etc. from the estimated sales amount in the business revenue and expenditure plan for each property.

2) Major assumptions

Samty Group owns condominiums, office buildings, hotels, and commercial facilities.

The rent and yield for each property used to calculate the estimated sales amount of condominiums and office buildings comprehensively take into account market trends, transaction cases of similar real estate and past results.

In calculating the estimated sales of hotels and commercial facilities, the Company estimates the average daily rate, average spending per customer, guestroom occupancy rate or number of guests and discount rate used to calculate the present value, based on the assumption that socioeconomic activities will gradually recover due to the COVID-19 outbreak coming to a close.

3) Impact on the consolidated financial statements for the following fiscal year

The main assumptions are made based on the best estimates at the time of preparation of the consolidated financial statements. However, in particular, with respect to hotels and commercial facilities, if the estimated net sales price differs from the actual result due to a decline in the sales price associated with the deterioration of the real estate market caused by the impact of COVID-19, there is a possibility that the loss or gain for the following fiscal year may be impacted.

(Change in Accounting Policy)

(Application of Revenue Recognition Accounting Standards, Etc.)

The Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. Hereinafter referred to as "Revenue Recognition Standard") and others from the beginning of the subject fiscal year, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services has been transferred to the customer.

The main changes as a result of this change are as follows.

1. Revenue Recognition for Agency Transactions

The Company previously recognized sales of utilities to tenants of leased properties and corresponding purchases, and hotel sales and corresponding purchases such as outsourcing fees, in net sales and cost of sales, respectively, but after reviewing their roles (as principal or agent) in providing goods or services to customers, the Company has decided to change the method of recognizing revenue on a net basis for transactions in which the Company acts as an agent.

2. Revenue recognition for other companies' point systems

The amount corresponding to other companies' points granted at the time of hotel sales, which was previously recorded in cost of sales, is now deducted from the transaction price as if it were collected on behalf of a third party.

3. Revenue recognition for variable consideration

The provision for loss on contracts in the real estate development business, which was previously included in cost of sales, is now deducted from the transaction price based on an estimate of the amount of the portion likely to be incurred.

In accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the subject fiscal year is added to or deducted from retained earnings at the beginning of the subject fiscal year, and the new accounting policy is applied from that beginning balance.

As a result, net sales, cost of sales, and selling, general and administrative expenses decreased by ¥846 million, ¥775 million, and ¥71 million, respectively, in the subject fiscal year, but there is no impact on operating profit, ordinary profit, and income before income taxes and minority interests. There is also no impact on the beginning balance of retained

earnings and net income per share.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes related to revenue recognition for the previous fiscal year are not presented.

In addition, transfers of real estate subject to the Practical Guidelines for Accounting Treatment for Transferors Relating to Securitization of Real Estate Using Special Purpose Companies that are included in our Real Estate Development Business and Real Estate Solutions Business segments are not within the scope of application of the Accounting Standard for Revenue Recognition, and are therefore accounted for as before.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019. Hereinafter referred to as the "Fair Value Accounting Standard") and others are applied from the beginning of the subject fiscal year, and new accounting policies prescribed by the Fair Value Accounting Standard and others are applied prospectively in accordance with the transitional treatment prescribed in paragraph 19 of the Fair Value Accounting Standard and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The Company will apply the new accounting policy in the future. There is no impact on the consolidated financial statements.

In addition, in the notes to Financial Instruments, the Company has decided to provide notes on items such as the breakdown of the fair value of financial instruments by level. However, in accordance with the transitional treatment prescribed in paragraph 7-4 of the "Implementation Guidance on Disclosure about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), no such notes are included for the previous fiscal year.

(Change in Presentation Methods)

(Consolidated Statements of Cash Flows)

"Increase (decrease) in advances received," which was included in "Other" under "Net cash provided by (used in) operating activities" in the previous fiscal year, is now presented separately in the subject fiscal year due to its increased importance in terms of amount.

As a result, "Increase (decrease) in advances received" of ¥514 million in "Net cash provided by (used in) operating activities" for the previous fiscal year has been reclassified to a separate line item.

(Additional Information)

(Change of Holding Objective)

Owing to changes in holding objective, ¥43,110 million was transferred from property and equipment to inventory.

(Accounting for the Provision for Shareholder Benefit Program)

Due to the increased monetary importance of the shareholder benefit plan, an estimated amount of expenses related to the shareholder benefit plan has been recorded beginning in the subject fiscal year. The said allowance is recorded in "Provision for shareholder benefit program" under Current Liabilities. As a result, operating profit, ordinary profit, and income before income taxes each decreased by ¥520 million in the subject fiscal year.

(Related to Consolidated Balance Sheets)

*1 Other includes the following amounts of contractual liabilities

	2022 (as of November 30, 2022)
	(millions of yen)
Contractual liabilities	5,746
Total	5,746

*2 Items for unconsolidated subsidiaries and affiliated companies are as follows.

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
	(millions of yen)	(millions of yen)
Stocks of affiliated companies	4,791	4,491
Securities of affiliated companies	4,900	210
Total	9,691	4,701

*3 Collateralized assets and secured liabilities

Assets pledged as collateral are as follows.

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
	(millions of yen)	(millions of yen)
Cash and deposits	686	3,402
Real estate for sale	102,564	109,111
Real estate for sale under construction	48,119	96,847
Other (current assets)	1	1
Buildings and structures	22,855	25,195
Buildings in trust	1,571	2,913
Land	53,368	51,034
Land in trust	1,805	1,416
Construction in progress	6,172	3,094
Other (property and equipment)	10	14
Investment securities	5,167	4,881
Total	242,323	297,914

Secured liabilities are as follows.

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
	(millions of yen)	(millions of yen)
Short-term borrowings	8,824	19,959
Current portion of long-term debt	31,305	34,468
Long-term debt	143,422	166,109
Total	183,553	220,537

In addition to the above, ¥399 million of real estate for sale was pledged as collateral assets in the previous fiscal year and ¥478 million of real estate for sale in the subject fiscal year as reserved for registration. The corresponding liabilities were ¥390 million in the current portion of long-term debt payable in the previous fiscal year and ¥441 million in short-term borrowings payable in the subject fiscal year.

*4 The Company concluded overdraft agreements and loan commitment agreements with correspondent banks to efficiently procure working capital. The balance of unexecuted loans related to overdraft agreements and loan

commitments is as follows.

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
	(millions of yen)	(millions of yen)
Maximum amount of overdraft and total amount of loan commitment	50,957	114,207
Balance of executed loan	26,306	53,603
Balance due	24,650	60,603

*5 Financial covenants

2021 (as of November 30, 2021)

Not applicable.

2022 (as of November 30, 2022)

Not applicable.

*6 Non-recourse debt

(1) Non-recourse debt included in borrowings are as follows.

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
	(millions of yen)	(millions of yen)
Non-recourse debt out of long-term borrowings	15,000	25,770

(2) Assets corresponding to non-recourse debt are as follows.

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
	(millions of yen)	(millions of yen)
Cash and deposits	424	1,178
Real estate for sale	32,410	32,507
Real estate for sale under construction	—	21,773

(Related to Consolidated Statement of Income)

*1 Revenue from contracts with customers

Revenue is not broken down into revenue from contracts with customers and other revenue. The amount of revenue arising from contracts with customers is presented in "Notes to Consolidated Financial Statements (Revenue Recognition), 1. Information on revenue broken down from contracts with customers."

*2 The amount of decrease in book value due to the decline in profitability of inventories held for ordinary sales purposes is as follows.

	2021 (From December 1, 2020 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
	(millions of yen)	(millions of yen)
Cost of sales	68	457

*3 Major items and amounts of selling, general and administrative expenses are as follows.

	2021 (From December 1, 2020 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
	(millions of yen)	(millions of yen)
Sales commission	11	151
Advertising expense	295	923
Rental brokerage fee	468	841
Provision of allowance for doubtful accounts	(0)	5
Executive compensation	694	984
Salary and allowance	1,442	1,919
Bonus	586	744
Severance benefit expense	65	123
Provision for shareholder benefit	—	520
Taxes and public dues	2,029	1,962
Depreciation	139	250
Rent	590	663
Commission fee	889	1,069
Compensation paid	320	430

*4 The details of gain on sales of non-current assets are as follows.

	2021 (From December 1, 2020 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
	(millions of yen)	(millions of yen)
Buildings and structures	—	8
Land	—	19
Vehicles	—	0
Total	—	28

*5 The details of loss on retirement of non-current assets are as follows.

	2021 (From December 1, 2020 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
	(millions of yen)	(millions of yen)
Buildings and structures	1	8
Other	0	4
Total	2	12

*6 Gain on bargain purchase

Year ended November 30, 2021 (December 1, 2020 to November 30, 2021)

This is attributable to the acquisition of the shares of S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY and equity interest in the silent partnership business of R&K LLC.

Year ended November 30, 2022 (December 1, 2021 to November 30, 2022)

Not applicable.

*7 Gain on change in equity

Year ended November 30, 2021 (December 1, 2020 to November 30, 2021)

Not applicable.

Year ended November 30, 2022 (December 1, 2021 to November 30, 2022)

This was due to the exercise of stock acquisition rights issued by way of third-party allotment by the Company's equity-method affiliate Wealth Management, Inc.

*8 Head office relocation expenses

Year ended November 30, 2021 (December 1, 2020 to November 30, 2021)

Penalties, etc. incurred due to moving out following the relocation of our Osaka Head Office are recorded as an extraordinary loss of ¥187 million as head office relocation costs.

Year ended November 30, 2022 (December 1, 2021 to November 30, 2022)

Not applicable.

(Related to Consolidated Statements of Comprehensive Income)

* Amount of reclassification adjustment and tax effect related to other comprehensive income

	2021 (From December 1, 2020 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
Unrealized gain on available for-sale securities		
Amount incurred during the current period	¥1,131 million	¥194 million
Reclassification adjustment	¥-million	¥-million
Before adjustment of tax effect	¥1,131 million	¥194 million
Tax effect	(¥346 million)	(¥60 million)
Unrealized gain on available for-sale securities	¥784 million	¥134 million
Foreign currency translation adjustment		
Amount incurred during the current period	¥247 million	(¥2,166 million)
Reclassification adjustment	¥-million	¥-million
Before adjustment of tax effect	¥247 million	(¥2,166 million)
Tax effect	¥-million	¥-million
Foreign currency translation adjustment	¥247 million	(¥2,166 million)
Total other comprehensive income	¥1,032 million	(¥2,032 million)

(Related to Consolidated Statements of Changes in Net Assets)

Year ended November 30, 2021 (December 1, 2020 to November 30, 2021)

1. Items relating to shares issued and outstanding and treasury stock

Type of share	Beginning of the subject fiscal year	Increase	Decrease	End of the subject fiscal year
Shares issued and outstanding				
Common stock (shares)	41,020,140	5,447,945	—	46,468,085
Treasury stock at cost				
Common stock (shares)	638,412	229,052	867,263	201

(Outline of Reason for Change)

The breakdown of the increase in the total number of common stocks issued and outstanding is as follows.

Increase due to issuance of new shares as restricted stock compensation	61,300 shares
Increase due to conversion of bonds with subscription rights to shares	5,386,645 shares

The breakdown of the increase in treasury stock is as follows.

Increase due to acquisition of treasury stock based on a resolution by the Board of Directors	228,100 shares
Increase due to purchase of shares less than one unit	952 shares

The breakdown of the decrease in treasury stock is as follows.

Decrease due to conversion of bonds with subscription rights to shares	867,263 shares
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2. Items relating to subscription rights to shares, etc.

Not applicable.

3. Items relating to dividends

(1) Dividends paid

Resolution	Type of share	Source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
February 25, 2021 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	1,776	44.00	November 30, 2020	February 26, 2021
July 30, 2021 Board of Directors	Common stock	Retained earnings	1,568	39.00	May 31, 2021	August 16, 2021

(2) Dividends whose effective date falls in the following fiscal year among those whose record date belongs to the subject fiscal year

Resolution	Type of share	Source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
February 24, 2022 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	2,369	51.00	November 30, 2021	February 25, 2022

Year ended November 30, 2021 (December 1, 2021 to November 30, 2022)

1. Items relating to shares issued and outstanding and treasury stock

Type of share	Beginning of the subject fiscal year	Increase	Decrease	End of the subject fiscal year
Shares issued and outstanding				
Common stock (shares)	46,468,085	54,600	—	46,522,685
Treasury stock at cost				
Common stock (shares)	201	402	—	603

(Outline of Reason for Change)

The breakdown of the increase in the total number of shares of common stock issued and outstanding is as follows.

Increase due to issuance of new shares as restricted stock compensation 54,600 shares

The breakdown of the increase in treasury stock is as follows.

Increase due to purchase of shares less than one unit 402 shares

2. Items relating to subscription rights to shares, etc.

Not applicable.

3. Items relating to dividends

(1) Dividends paid

Resolution	Type of share	Source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
February 24, 2022 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	2,369	51.00	November 30, 2021	February 25, 2022
July 12, 2022 Board of Directors	Common stock	Retained earnings	1,814	39.00	May 31, 2022	August 18, 2022

(2) Dividends whose effective date falls in the following fiscal year among those whose record date belongs to the subject fiscal year

Resolution	Type of share	Source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
February 27, 2023 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	2,372	51.00	November 30, 2022	February 28, 2023

(Notes Related to the Consolidated Statements of Cash Flows)

*1 Reconciliation of end-of-period balance of cash and cash equivalents with items presented on the consolidated balance sheets

	2021 (From December 1, 2020 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
	(millions of yen)	(millions of yen)
Cash and deposits	41,646	46,002
Time deposits with maturities exceeding three months	(332)	(373)
Trust deposits with use restrictions	(641)	(573)
Deposits with withdrawal restrictions	(83)	(1,951)
Cash and cash equivalents	40,589	43,104

*2 Major breakdown of assets and liabilities of companies that newly become consolidated subsidiaries due to acquisition of shares, etc.

Year ended November 30, 2021 (December 1, 2020 to November 30, 2021)

The breakdown of assets and liabilities upon the commencement of consolidation due to the consolidation of S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY with the acquisition of shares through SAMTY ASIA INVESTMENTS PTE.LTD., which is our subsidiary, and the relationship between the acquisition price of the company and the expenditure (net amount) for the acquisition are as follows.

Current assets	¥18,628 million
Non-current assets	¥-million
Current liabilities	(¥1,062 million)
Non-current liabilities	(¥261 million)
Foreign currency translation adjustment	¥470 million
Non-controlling interests	(¥1,730 million)
Gain on bargain purchase	(¥917 million)
Acquisition price of shares	¥15,126 million
Paid deposits for the previous fiscal year	(¥12,140 million)
Cash and cash equivalents	(¥0 million)
Net expenditure	¥2,985 million

The breakdown of assets and liabilities upon the commencement of consolidation due to the consolidation of R&K LLC with the acquisition of equity interest in silent partnership business and the relationship between the acquisition price of the company and the expenditure (net amount) for the acquisition are as follows.

Current assets	¥33,419 million
Non-current assets	¥-million
Current liabilities	(¥645 million)
Non-current liabilities	(¥17,290 million)
Non-controlling interests	(¥6,094 million)
Gain on bargain purchase	(¥3,389 million)
Acquisition price of shares	¥6,000 million
Cash and cash equivalents	(¥2,059 million)
Net expenditure	¥3,940 million

Year ended November 30, 2022 (December 1, 2021 to November 30, 2022)

The breakdown of assets and liabilities at the time of consolidation of the newly consolidated limited liability company Ryozen Development LLC as a result of an anonymous association investment, and the relationship between the acquisition price of the company and the proceeds (net) from the acquisition are as follows.

Current assets	¥2,658 million
Non-current assets	¥- million
Current liabilities	(¥0 million)
Non-current liabilities	¥- million
Retained earnings	¥0 million
Non-controlling interests	(¥258 million)

Acquisition price of shares	¥2,400 million
Cash and cash equivalents	¥2,658 million
Net income	¥258 million

The breakdown of assets and liabilities of Shangri-La Kyoto Nijojo Special Purpose Company at the time of its consolidation as a result of the acquisition of equity interest, and the relationship between the acquisition price of the company and the expenditure for the acquisition (net amount) are as follows.

Current assets	¥11,116 million
Non-current assets	¥36 million
Current liabilities	(¥18 million)
Non-current liabilities	(¥1,653 million)
Retained earnings	¥39 million
Non-controlling interests	(¥1,896 million)
Acquisition price of shares	¥7,623 million
Amount paid in the previous period	(¥4,660 million)
Cash and cash equivalents	(¥937 million)
Net expenditure	¥2,025 million

The breakdown of assets and liabilities of Nesta Resort Kobe Co., Ltd. at the time of its consolidation due to the acquisition of shares, and the relationship between the acquisition cost of the company and the expenditure for the acquisition (net amount).

Current assets	¥84 million
Non-current assets	¥4,925 million
Current liabilities	(¥26 million)
Non-current liabilities	¥- million
Retained earnings	(¥0 Million)
Acquisition price of shares	¥4,982 million
Cash and cash equivalents	(¥239 million)
Net expenditure	¥4,742 million

The breakdown of assets and liabilities of Property-E Inc. at the time of its new consolidation due to the acquisition of shares, and the relationship between the acquisition cost of the company and the expenditure for the acquisition (net amount).

Current assets	¥125 million
Non-current assets	¥1,489 million
Current liabilities	(¥0 Million)
Non-current liabilities	(¥1,044 million)
Acquisition price of shares	¥570 million
Cash and cash equivalents	(¥139 million)
Net expenditure	¥431 million

3. Details of significant non-fund transactions

Exercise of subscription rights to shares in convertible bonds with share acquisition rights

	2021 (From December 1, 2020 to November 30, 2021) (millions of yen)	2022 (From December 1, 2021 to November 30, 2022) (millions of yen)
Amount of increase in capital due to the exercise of subscription rights to shares	4,306	—
Amount of increase in capital surplus due to the exercise of subscription rights to shares	4,424	—
Amount of decrease in treasury stock due to the exercise of subscription rights to shares	1,268	—
Amount of decrease in bonds with share acquisition rights due to the exercise of subscription rights to shares	10,000	—

(Related to Lease Transactions)

1. Finance lease transactions (Lessee)

Finance lease transactions without ownership-transfer

1) Details of lease assets

Property and equipment: Solar power generation facilities (others) and company vehicles (others), etc.

2) Method of depreciating leased assets

As described in "4. Items relating to accounting standards (2) Method of depreciating material depreciable assets" which is a material item fundamental to the preparation of consolidated financial statements.

2. Operating lease transactions (lessee)

Future lease payments for non-cancelable operating lease transactions

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
Within one year	¥2,455 million	¥2,461 million
Over one year	¥22,438 million	¥27,815 million
Total	¥24,893 million	¥30,276 million

(Related to Financial Instruments)

1. Items relating to the status of financial instruments

(1) Policy on financial instruments

Samty Group procures funds mainly through borrowings from banks and other financial institutions. Derivatives are used only to hedge risks and are not used for speculative purposes.

(2) Details of financial instruments, their risks and risk management system

Receivables, which are operating receivables, are exposed to the credit risk of customers. With regard to such risks, we aim to reduce risks by regularly understanding the credit status of customers as well as understanding the receivable balance from time to time.

Investment securities are mainly shares of companies with which we have business relationships. Of such shares, listed shares are exposed to the fluctuation risk of market price. We aim to reduce risk by understanding the market values on a regular basis.

Notes and accounts payable, which are operating payables, are due within one year.

Most of the short-term borrowings, long-term debt (including current portion of long-term debt), corporate bonds and bonds with share acquisition rights are exposed to the fluctuation risk of interest rates. As for the liquidity risk associated with such funding, we prepare and update funding plans on a regular basis as well as manage liquidity risk by maintaining liquidity on hand. Derivative transactions are used to hedge foreign exchange fluctuation risk in financing the settlement of transactions denominated in foreign currencies.

(3) Supplementary explanation on matters concerning fair value, etc. of financial instruments

Since variable factors are incorporated in the calculation of the fair value of financial instruments, those values may change due to the adoption of different assumptions and other factors. In addition, the contract amounts of derivative transactions in the notes to "Derivative Transactions" are not in themselves indicative of the market risk associated with derivative transactions.

2. Items relating to the market value of financial instruments, etc.

The amount recorded on the consolidated balance sheets, market value and the difference are as follows.

2021 (as of November 30, 2021)

	Amount recorded on consolidated balance sheet (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
(1) Investment securities	17,262	21,465	4,202
Total assets	17,262	21,465	4,202
(1) Bonds payable	9,000	9,169	169
(2) Bonds with share acquisition rights	12,000	11,313	(686)
(3) Long-term debt (including current portion of long-term debt)	197,906	198,414	507
Total liabilities	218,906	218,896	(10)
(1) Derivative transactions (*2)	[49]	[49]	—

*1 "Cash and deposits," "accounts receivable," "notes and accounts payable," and "short-term loans payable" are omitted because the fair values approximate their book values due to the fact that they are in cash or are settled in a short period of time.

*2 Net receivables and payables arising from derivative transactions are shown as net amounts, and items that are net liabilities in total are shown in parentheses.

*3 The carrying amount on consolidated balance sheets of financial instruments whose fair value is extremely difficult to determine

Transaction type	(millions of yen) 2021 (as of November 30, 2021)
Unlisted shares (*4)	16
Investments in limited liability investment partnerships (*4)	276
Investments in silent partnership (*4)	5,665
Preferred securities (*4)	4,700
Lease and guarantee deposits received(*5)	1,369
Total	12,028

*4 These are not included in "Investment securities" because they do not have market prices and it is extremely difficult to determine their fair value.

*5 The fair values of these items are not stated because reasonable cash flows cannot be estimated due to the lack of market prices and the difficulty in calculating the actual period of time.

2022 (as of November 30, 2022)

	Amount recorded on consolidated balance sheet (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
(1) Investment securities (*3)			
Held-to-maturity debt securities	56	56	(0)
Available-for-sale securities	18,211	21,198	2,987
Total assets	18,268	21,255	2,986
(1) Bonds payable (including current portion of bonds)	13,315	13,399	84
(2) Bonds with share acquisition rights	12,000	11,447	(552)
(3) Long-term debt (including current portion of long-term debt)	224,165	224,477	312
(4) Lease and guarantee deposits received	908	895	(13)
Total liabilities	250,388	250,219	(169)
(1) Derivative transactions (*2)	[12]	[12]	—

*1 "Cash and deposits," "accounts receivable," "notes and accounts payable," and "short-term loans payable" are omitted because the fair values approximate their book values due to the fact that they are in cash or are settled in a short period of time.

*2 Net receivables and payables

arising from derivative transactions are shown as net amounts, and items that are net liabilities in total are shown in parentheses.

*3 Stocks and other securities without market quotations, investments in limited liability investment partnerships and investments in silent partnerships are not included in "(1) Investment securities." The consolidated balance sheet amounts of such financial instruments are as follows.

(millions of yen)

Category	November 30, 2022
Unlisted shares (*4)	2,067
Investments in investment limited partnership (*5)	136
Investments in silent partnership (*5)	6,291
Total	8,495

(*4) Unlisted stocks are not subject to fair value disclosure in accordance with Paragraph 5 of the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(*5) Investments in limited liability investment partnerships and investments in silent partnerships are not subject to fair value disclosure in accordance with Paragraph 27 of the "Implementation Guidance on Accounting Standard for fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019).

(Note 1) Scheduled redemption amount of monetary claims after the consolidated balance sheet date

2021 (as of November 30, 2021)

	Within one year (millions of yen)	Over one year and within five years (millions of yen)	Over five years and within ten years (millions of yen)	Over ten years (millions of yen)
Cash and deposits	41,646	—	—	—
Receivables	1,858	—	—	—
Total	43,505	—	—	—

2022 (as of November 30, 2022)

	Within one year (millions of yen)	Over one year and within five years (millions of yen)	Over five years and within ten years (millions of yen)	Over ten years (millions of yen)
Cash and deposits	46,002	—	—	—
Receivables	2,476	—	—	—
Investment securities				
Held-to-maturity debt securities (bonds)	—	—	57	—
Total	48,478	—	57	—

(Note 2) Scheduled repayment amount of corporate bonds, long-term debt and other interest-bearing debt after the consolidated balance sheet date

2021 (as of November 30, 2021)

	Within one year (millions of yen)	Over one year and within two years (millions of yen)	Over two years and within three years (millions of yen)	Over three years and within four years (millions of yen)	Over four years and within five years (millions of yen)	Over five years (millions of yen)
Bonds payable	—	5,000	4,000	—	—	—
Bonds with share acquisition rights	—	—	—	—	12,000	—
Short-term borrowings	12,325	—	—	—	—	—
Long-term debt	32,197	30,207	37,728	12,861	18,470	66,442
Total	44,522	35,207	41,728	12,861	30,470	66,442

2022 (as of November 30, 2022)

	Within one year (millions of yen)	Over one year and within two years (millions of yen)	Over two years and within three years (millions of yen)	Over three years and within four years (millions of yen)	Over four years and within five years (millions of yen)	Over five years (millions of yen)
Bonds payable	5,170	4,170	3,675	—	300	—
Bonds with share acquisition rights	—	—	—	12,000	—	—
Short-term borrowings	30,468	—	—	—	—	—
Long-term debt	35,395	59,780	25,042	17,774	20,091	66,080
Total	71,034	63,950	28,717	29,774	20,391	66,080

3. Matters concerning the breakdown of the fair value of financial instruments by level, etc.

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

- Level 1 : The input to the calculation of observable fair value is the fair value calculated from market prices for assets or liabilities for which that fair value is calculated and that are formed in an active market.
- Level 2 : The fair value calculated using inputs related to the calculation of observable fair value other than Level 1 inputs.
- Level 3 : The fair value calculated using inputs for unobservable fair value calculations

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

(1) Financial instruments carried on the consolidated balance sheet at fair value 2022 (as of November 30, 2022)

Financial instrument	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Listed stocks	13,713	—	—	13,713
Investment units	6	—	—	6
Total assets	13,719	—	—	13,719
Derivative transactions	—	12	—	12
Total liabilities	—	12	—	12

(2) Financial instruments other than those recorded on the consolidated balance sheets at fair value 2022 (as of November 30, 2022)

Financial instrument	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				

Shares of affiliated companies	7,479	—	—	7,479
Held-to-maturity debt securities				
Corporate bonds	—	—	56	56
Total assets	7,479	—	56	7,535
Corporate bonds	—	13,399	—	13,399
Warrant bonds	—	11,447	—	11,447
Long-term debt	—	224,477	—	224,477
Lease and guarantee deposits received	—	895	—	895
Total liabilities	—	250,219	—	250,219

Note: Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value

Investment securities

Listed stocks and investment units are valued using quoted market prices. Since they are traded in active markets, their fair value is classified as Level 1. Bonds without quoted market prices are classified as Level 3 because they are calculated based on future cash flows and other inputs related to the calculation of unobservable fair value.

Derivative transactions

Calculated based on prices provided by counterparty financial institutions and other observable inputs, and classified as Level 2 fair value.

Corporate bonds

Bonds without quoted market prices are classified as Level 2 fair value based on the discounted present value method using the sum of the principal and interest and an interest rate that takes into account the remaining period and credit risk.

Warrant bonds

Warrant bonds are classified as Level 2 fair value based on the discounted present value method using the sum of the principal and interest (interest rate of zero) and an interest rate that takes into account the remaining period and credit risk.

Long-term debt

Those with floating interest rates are stated at book value, because their fair value approximates their book value since they reflect market interest rates in a short period of time. Those with fixed interest rates are classified as Level 2 fair value, because they are calculated using the discounted present value method based on the sum of the principal and interest, plus an interest rate that takes into account the remaining period and credit risk.

Lease and guarantee deposits received

Guarantee deposits received are classified as Level 2 fair value based on the discounted present value method using the interest rate of government bonds corresponding to the estimated deposit period plus credit risk.

(Marketable securities)

1. Held-to-maturity debt securities

2021 (as of November 30, 2021)

Not applicable.

2022 (as of November 30, 2022)

Category	Type	Amount recorded on consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Securities with fair value exceeding the consolidated balance sheet amount	Bonds	—	—	—
Securities with fair value not exceeding the consolidated balance sheet amount	Bonds	56	56	(0)
Total		56	56	(0)

2. Available-for-sale securities with current market value

2021 (as of November 30, 2021)

Category	Type	Amount recorded on consolidated balance sheet (millions of yen)	Acquisition price (millions of yen)	Difference (millions of yen)
Those whose amount recorded on the consolidated balance sheet exceeds the acquisition cost	Shares	4,841	3,957	883
	Other	12,368	11,029	1,339
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	Shares	51	62	(10)
	Other	—	—	—
Total		17,262	15,049	2,212

2022 (as of November 30, 2022)

Category	Type	Amount recorded on consolidated balance sheet (millions of yen)	Acquisition price (millions of yen)	Difference (millions of yen)
Those whose amount recorded on the consolidated balance sheet exceeds the acquisition cost	Shares	4,549	3,957	591
	Other	13,603	12,113	1,490
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	Shares	58	62	(3)
	Other	—	—	—
Total		18,211	16,133	2,077

3. Available-for-sale securities sold during the fiscal year

2021 (as of November 30, 2021)

Not applicable.

2022 (as of November 30, 2022)

Not applicable.

4. Securities recognized as impairment loss

In the previous fiscal year, impairment loss of ¥10 million (¥10 million for available-for-sale securities) was recognized for securities.

In the subject fiscal year, impairment loss of ¥193 million (¥193 million for other securities) was recognized for securities.

(Derivative Transactions)

Derivative transactions for which hedge accounting is not applied

Related to interest rate

2021 (as of November 30, 2021)

	Type	Contract amount, etc. (millions of yen)	Market value (millions of yen)	Loss (gain) on valuation (millions of yen)
Transactions other than market transaction	Interest rate swaps Fixed payment and floating receipt	30,000	(49)	47
Total		30,000	(49)	47

2022 (as of November 30, 2022)

	Type	Contract amount, etc. (millions of yen)	Market value (millions of yen)	Loss (gain) on valuation (millions of yen)
Transactions other than market transaction	Interest rate swaps Fixed payment and floating receipt	30,000	(12)	36
	Total	30,000	(12)	36

(Related to Severance Benefits)

Year ended November 30, 2021 (December 1, 2020 to November 30, 2021)

1. Outline of the adopted severance benefit plan

Samty Group has a lump-sum severance benefit plan as a defined benefit plan. However, the Company has joined the Smaller Enterprise Retirement Allowance Mutual Aid System, a defined contribution plan, and the amount after deducting the amount of payment from the plan is paid as a lump-sum severance benefit by Samty Group.

2. Defined benefit plan

(1) Reconciliation sheet of the balance of liabilities at the beginning and end of the period related to severance benefits based on the system applying the simplified method

Balance of liabilities for severance benefits at the beginning of the period	¥212	million
Severance benefit expense	¥65	million
Amount of payment of severance benefits	(¥9)	million
Amount of contribution to the plan	(¥16)	million
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Balance of liabilities for severance benefits at the end of the period	¥251	million

(2) Severance benefit expense

Severance benefit expense calculated using the simplified method	¥65	million
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Year ended November 30, 2022 (December 1, 2021 to November 30, 2022)

1. Outline of the adopted severance benefit plan

Samty Group has a lump-sum severance allowance plan as a defined benefit plan. However, the Company has joined the Smaller Enterprise Retirement Allowance Mutual Aid System, a defined contribution plan, and the amount after deducting the amount of payment from the plan is paid as a lump-sum severance benefit by Samty Group.

2. Defined benefit plan

(1) Reconciliation sheet of the balance of liabilities at the beginning and end of period related to severance benefits based on the system applying the simplified method

Balance of liabilities for severance benefits at the beginning of the period	¥251	million
Severance benefit expense	¥99	million
Amount of payment of severance benefits	(¥25)	million
Amount of contribution to the plan	(¥16)	million
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Increase due to acquisition of subsidiaries	¥9	million
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Balance of liabilities for severance benefits at the end of the period	¥318	million

(2) Severance benefit expense

Severance benefit expense calculated using the simplified method	¥99	million
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(Related to Tax Effect Accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
Deferred tax assets	(millions of yen)	(millions of yen)
Tax loss carried forward (Note 2)	225	349
Elimination of unrealized profit	36	30
Allowance for doubtful accounts	137	18
Accrued bonus	68	88
Loss on valuation of inventories	9	149
Accrued enterprise tax	128	240
Provision for loss on subleasing	46	33
Provision for loss on contract	56	5
Liabilities for retirement benefits	79	97
Impairment loss	47	—
Consumption tax for prior periods	82	82
Restricted stock compensation	84	110
Adjustment of book value of shares of subsidiaries based on group corporate taxation	—	323
Other	155	236
Subtotal of deferred tax assets	1,158	1,764
Valuation allowance for tax loss carried forward (Note 2)	(174)	(227)
Valuation allowance for the total of deductible temporary differences, etc.	(8)	(8)
Subtotal of valuation allowance (Note 1)	(183)	(235)
Total deferred tax assets	975	1,529
Deferred tax liabilities		
Unrealized gain on available for-sale securities	(425)	(485)
Difference in valuation of market value of consolidated subsidiaries	(2,551)	(3,062)
Other	(4)	(71)
Total deferred tax liabilities	(2,981)	(3,620)
Net deferred tax assets (liabilities)	(2,005)	(2,091)

(Note 1) Valuation allowance increased by ¥52 million. The main factor of this increase was ¥52 million of additionally recognized valuation allowance for tax loss carried forward at consolidated subsidiaries.

(Note 2) Tax loss carried forward and amount of deferred tax assets by carry-over deadline

2021 (as of November 30, 2021)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	Total
Tax loss carried forward (a)	—	—	—	8	42	174	¥225 million
Valuation allowance	—	—	—	—	—	(174)	(¥174 million)
Deferred tax assets	—	—	—	8	42	—	¥50 million

(a) Tax loss carried forward is the amount calculated by multiplying the legal effective tax rate.

2022 (as of November 30, 2022)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	Total
Tax loss carried forward (b)	—	—	8	42	27	270	¥349 million
Valuation allowance	—	—	—	—	—	(227)	(¥227 million)
Deferred tax assets	—	—	8	42	27	43	¥122 million

(b) Tax loss carried forward is the amount calculated by multiplying the legal effective tax rate.

2. Breakdown by major items that caused a material difference between the legal effective tax rate and the burden rate of corporate tax, etc. after application of tax effect accounting when there is such a difference

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
Legal effective tax rate	30.6 %	30.6 %
(Adjustment)		
Items that are permanently not included in deductible expenses such as entertainment expenses	0.4 %	(0.6 %)
Items that are permanently not included in taxable income such as dividends	(0.0 %)	(0.0 %)
Increase (decrease) in valuation allowance	0.2 %	0.9 %
Special deduction for expropriation, etc.	— %	(0.0 %)
Special deduction for corporation tax	(0.3 %)	(0.4 %)
Equity in earnings (losses) of affiliated companies	(2.1 %)	(0.9 %)
Gain on bargain purchase	(10.8 %)	— %
Difference in tax rate with overseas subsidiaries	(1.2 %)	(9.8 %)
Losses of subsidiaries for which deferred tax assets have not been recorded	1.0 %	1.5 %
Stock acquisition related expenses	— %	0.5 %
Consolidation adjustment items	— %	1.8 %
Other	(0.4 %)	(0.1 %)
Burden rate of corporate tax, etc. after application of tax effect accounting	17.4 %	24.7 %

(Related to Business Combinations, Etc.)

Business combination through acquisition

Our group has acquired an additional equity interest in Shangri-La Kyoto Nijojo Special Purpose Company, which had been an equity method affiliate of the Company, through our subsidiary, SAMTY ASIA INVESTMENTS PTE. LTD. ("SAI"), and made the company a consolidated subsidiary.

(1) Overview of Business Combination

1) Name and business description of acquired company

Name of acquired company : Shangri-La Kyoto Nijojo Special Purpose Company

Description of business : Operations related to the transfer of specified assets and their management and disposal in accordance with asset securitization plans based on the Law Concerning Securitization of Assets, and all other operations incidental to such operations related to the securitization of said specified assets.

2) Main reason for the business combination

In the new Medium-Term Management Plan "Samty Toughening Plan (Post-COVID Version)" formulated in January 2021, the key strategy is to continue making selective investments with an eye on the market after the demand for hotels recovers. Shangri-La Asia Ltd. (Shangri-La Group) operates 102 hotels under four brands in 26 countries around the world, and Shangri-La Hotels being planned are five-star luxury hotels located in major cities in Asia Pacific, the Middle East, North America, and Europe. In Japan, the Shangri-La Tokyo was the first to open, in 2009, and this project is the second project for Shangri-La Hotels in Japan and the first in Kansai.

We believe that the promotion of the project will contribute to the strengthening of the stability and profitability of Samty Group and the improvement of the corporate value of Samty Group.

3) Date of business combination

1st: November 30, 2021 (49.0% of equity interest)

2nd: April 18, 2022 (31.0% of equity interest)

4) Legal method of business combination

Acquisition of equity interest in a special purpose company

5) Name of company after the combination

There is no change.

6) Percentage of voting rights acquired

Percentage of voting rights after acquisition: 80.0%

7) Main rationale for deciding the acquiring company

Because SAI acquired shares in exchange for cash.

(2) Period of performance of the acquired company included in the consolidated financial statements

March 31, 2022 to November 30, 2022

(3) Breakdown of acquisition cost of the acquired company

Not disclosed due to the request of the counterparty from whom the shares were acquired.

(4) Details and amount of main acquisition-related expenses

Compensation for advisory services, etc. ¥67 million

(5) Amount and cause of occurrence of goodwill, and amortization method and amortization period

No goodwill or negative goodwill was recognized.

Provisional accounting procedures were applied in the second quarter, but were finalized in the subject fiscal year.

(6) Amount of assets received and liabilities assumed on the date of business combination and the main breakdown

Current assets	¥11,116 million
Investments and other assets	36 million
Total assets	11,153 million

Current liabilities	18 million
Noncurrent liabilities	1,653 million
Total liabilities	1,672 million

Business combination through acquisition

At a meeting of the Board of Directors held on June 10, 2022, the Company resolved to acquire shares of Nesta Resort Kobe Co., Ltd. through SK Bridge Co., Ltd., a subsidiary of the Company, to make it a subsidiary, signed a contract on that same day, and acquired the shares on June 30. We will position the business of Nesta Resort Kobe as a new growth engine for the Group, and aim to further expand the business by investing management resources in the Company.

(1) Overview of Business Combination

1) Name and business description of acquired company

Name of acquired company : Nesta Resort Kobe Co., Ltd.
Description of business : Development, planning, and operation of resorts and resort hotels, operation and management of activity facilities, and all business incidental thereto.

2) Name of the counterparty company to the share transfer agreement

Nobuta Enterprises, Inc.

3) Main reason for the business combination

Recognizing that the tourism and leisure-related businesses are promising growth assets for after the COVID-19 pandemic, the Company acquired shares of Nesta Resort Kobe Co., Ltd.

4) Date of business combination

June 30, 2022

5) Legal method of business combination

Acquisition of shares

6) Name of company after the combination

There is no change.

7) Percentage of equity interest acquired

Percentage of equity interest after acquisition: 100.0%

However, the Company's voting rights in the acquiring company, SK Bridge Co., Ltd., are 62.0%.

8) Main rationale for deciding the acquiring company

SK Bridge Co., Ltd. acquired shares in exchange for cash.

(2) Period of performance of the acquired company included in the consolidated financial statements

July 1, 2022 to November 30, 2022

(3) Breakdown of acquisition cost of the acquired company

Not disclosed due to the request of the counterparty from whom the shares were acquired.

(4) Details and amount of main acquisition-related expenses

Compensation for advisory services ¥231 million

(5) Amount and cause of occurrence of goodwill, and amortization method and amortization period

Not confirmed at this time.

(6) Amount of assets received and liabilities assumed on the date of business combination and the main breakdown

Current assets	¥84 million
Non-current assets	¥3,798 million
Investments and other assets	¥1,127 million
<u>Total assets</u>	<u>¥5,009 million</u>

<u>Current liabilities</u>	<u>¥26 million</u>
<u>Total liabilities</u>	<u>¥26 million</u>

(7) Other matters related to the outline of transactions

At a meeting of the Board of Directors held on September 12, 2022, the Company resolved to merge its consolidated subsidiaries SK Bridge Co., Ltd. and Nesta Resort Kobe Co., Ltd. The dissolving company was SK Bridge Co., Ltd., and Nesta Resort Kobe Co., Ltd. was the surviving company. The effective date of the merger was November 15, 2022. In consideration for the merger, the Company received shares in proportion to holdings in SK Bridge Co., Ltd., resulting in the Company's voting rights percentage in Nesta Resort Kobe Co., Ltd. being 62.0%.

(Related to Asset Retirement Obligations)

Description is omitted due to a lack of significance in terms of the total amount of asset retirement obligations.

(Related to Real Estate for Lease, Etc.)

Samty Group has rental condominiums, office buildings (including land), etc. in the Kansai area centering on Osaka Prefecture, the Tokai area centering on Aichi Prefecture, the Kyushu area centering on Fukuoka Prefecture and other areas including Hokkaido Prefecture and Hiroshima Prefecture. In the fiscal year ended November 30, 2021, lease income from real estate for lease was ¥1,267 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). In the fiscal year ended November 30, 2022, lease income from real estate for lease was ¥1,253 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 on sales was ¥28 million. The consolidated balance sheet amount, changes during the period, and fair values of the real estate for lease are as follows.

(millions of yen)

		2021 (From December 1, 2020 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
Amount recorded on consolidated balance sheet	Balance at the beginning of period	70,352	87,474
	Amount of increase (decrease) during the period	17,121	(4,524)
	Balance at the end of period	87,474	82,949
Market value at the end of period		90,060	90,574

(Note 1) The amount recorded on the consolidated balance sheets is the cost of acquisition less the accumulated depreciation.

(Note 2) Within amount of increase (decrease) during the period, for the previous fiscal year, the main increases were due to new acquisition of non-current assets (¥19,494 million) and increase in construction in progress due to progress in construction work (¥12,398 million). The main decrease was due to transfer to inventory owing to changes in holding objective (¥12,698 million). For the subject fiscal year, the main increases were due to new acquisition of non-current assets (¥12,008 million) and increase in construction in progress due to progress in construction work (¥15,288 million). The main decrease was due to transfer to inventory owing to changes in holding objective (¥29,567 million).

(Note 3) The fair market values at the end of the fiscal years ended November 30, 2021, and November 30, 2022, are mainly calculated by the Company based on Japanese Real Estate Appraisal Standards (including items adjusted using indices, etc.).

(Revenue Recognition)

1. Information that disaggregates revenue arising from contracts with customers

Year ended November 30, 2021 (December 1, 2021 to November 30, 2022)

(millions of yen)

	Reportable Segment						
	Real Estate Development Business	Real Estate Solution Business	Overseas Business	Real Estate Leasing Business	Hotel Business	Real Estate Management Business	Total
Capital Gains	73,488	28,656	7,463	—	—	—	109,609
Income Gains	—	—	—	8,704	6,348	3,808	18,860
Net sales from third parties	73,488	28,656	7,463	8,704	6,348	3,808	128,470
Revenue arising from contracts with customers	17,518	14,024	7,463	—	6,136	3,675	48,819
Net sales from third parties	55,970	14,632	—	8,704	212	133	79,651

Note: Includes transactions subject to the Accounting Standard for Lease Transactions and the Practical Guidelines on Accounting for Transferees in Securitization of Real Estate Using Special Purpose Companies.

2. Information that provides a basis for understanding revenue arising from contracts with customers

The basis for understanding revenue is described in Material items fundamental to the preparation of consolidated financial statements 4. Items relating to accounting standards (6) Basis for recording significant revenues and expenses.

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the subject fiscal year to be recognized in the following fiscal year or later

(1) Receivables arising from contracts with customers and outstanding contract liabilities, etc.

(millions of yen)

	Subject fiscal year
Receivables arising from contracts with customers (beginning balance) Accounts receivable	1,679
Receivables arising from contracts with customers (ending balance) Accounts receivable	2,348
Contract liabilities (beginning balance) Advance received	—
Contract liabilities (ending balance) Advance received	5,746

Contract liabilities mainly relate to deposits and other advances received from customers under real estate sales contracts for condominiums and other properties. Contract liabilities are reversed upon recognition of revenue.

(2) Transaction price allocated to remaining performance obligations

Since the Group has no material transactions with an expected contract period exceeding one year, the practical simplified method is applied and the description is omitted. In addition, there is no significant amount of consideration arising from contracts with customers that is not included in the transaction price.

(Segment Information, 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. Samty Group consists of segments by business and the reportable segments are: Real Estate Development Business, Real Estate Solution Business, Overseas Business, Real Estate Leasing Business, Hotel Business, and Real Estate Management Business.

The Real Estate Development Business engages in the planning, development, and sales of the Samty brand S-RESIDENCE series. The Real Estate Solution Business engages in the acquisition, renovation, and sales of income-producing real estate. The Overseas Business engages in investments and housing development business overseas. The Real Estate Leasing Business engages in the leasing of residential apartments, office buildings, and commercial facilities. The Hotel Business engages in the leasing and operating of hotels. The Real Estate Management Business manages residential condominiums, office buildings, and commercial facilities.

2. Method of calculating reportable segment sales, profit or loss, assets 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."

Reportable segment profit (loss) is based on operating income. Intersegment sales and transfers are recorded based on market prices.

As described in the Change in Accounting Policy, the Accounting Standard for Revenue Recognition has been applied from the beginning of the subject fiscal year. Due to the change in the accounting method for revenue recognition, the method for calculating profit or loss in the reportable segments has also changed.

Due to this change, compared with the previous method, net sales of the Real Estate Development Business for the subject fiscal year decreased by ¥25 million, net sales of the Real Estate Leasing Business decreased by ¥135 million, and net sales for the Hotel Business decreased by ¥686 million, but there is no impact on the profit (loss) of the segments.

3. Sales, profit or loss, assets and other items relating to each reportable segment

Year ended November 30, 2021 (December 1, 2020 to November 30, 2021)

(millions of yen)

	Reportable Segment						
	Real Estate Development Business	Real Estate Solution Business	Overseas Business	Real Estate Leasing Business	Hotel Business	Real Estate Management Business	Total
Net sales							
Net sales from third parties	38,863	37,128	595	7,949	2,689	3,233	90,460
Inter-segment net sales and transfers	—	—	—	—	95	611	707
Total	38,863	37,128	595	7,949	2,784	3,845	91,167
Operating income (loss)	9,863	3,042	298	3,779	(2,596)	550	14,937
Segment assets	74,410	83,693	26,528	100,307	23,351	3,666	311,957
Other items							
Depreciation	—	—	33	677	81	38	830
Increase in tangible fixed assets and intangible fixed assets	—	—	0	32,553	1,386	82	34,022

	Total	Adjustment (Notes 1, 2, 3)	Amount Recorded on Consolidated Financial Statement
Net sales			
Net sales from third parties	90,460	—	90,460
Inter-segment net sales and transfers	707	(707)	—
Total	91,167	(707)	90,460
Operating income (loss)	14,937	(5,475)	9,461
Segment assets	311,957	37,236	349,194
Other items			
Depreciation	830	187	1,018
Increase in tangible fixed assets and intangible fixed assets	34,022	300	34,322

(Note 1) The adjustment to operating loss of ¥5,475 million mainly comprises intersegment eliminations of ¥223 million and unallocated corporate expenses of ¥5,252 million. Corporate expenses are general and administrative expenses not attributed to any reportable segment.

(Note 2) The adjustment to segment assets of ¥37,236 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.

(Note 3) The segment operating income (loss) and segment assets are both adjusted to the operating income and total assets on the consolidated financial statement.

Year ended November 30, 2022 (December 1, 2021 to November 30, 2022)

(millions of yen)

	Reportable Segment						
	Real Estate Development Business	Real Estate Solution Business	Overseas Business	Real Estate Leasing Business	Hotel Business	Real Estate Management Business	Total
Net sales							
Net sales from third parties	73,488	28,656	7,463	8,704	6,348	3,808	128,470
Inter-segment net sales and transfers	—	—	—	—	(55)	1,385	1,330
Total	73,488	28,656	7,463	8,704	6,293	5,193	129,801
Operating income (loss)	15,637	3,928	(593)	4,168	(2,742)	775	21,174
Segment assets	95,999	59,447	13,193	94,144	59,051	4,168	326,004
Other items							
Depreciation	—	15	36	883	168	67	1,172
Increase in tangible fixed assets and intangible fixed assets	—	—	2	25,707	13,838	245	39,794

	Total	Adjustment (Notes 1, 2, 3)	Amount Recorded on Consolidated Financial Statement
Net sales			
Net sales from third parties	128,470	—	128,470
Inter-segment net sales and transfers	1,330	(1,330)	—
Total	129,801	(1,330)	128,470
Operating income (loss)	21,174	(7,090)	14,083
Segment assets	326,004	87,589	413,594
Other items			
Depreciation	1,172	160	1,332
Increase in tangible fixed assets and intangible fixed assets	39,794	514	40,308

(Note 1) The adjustment to operating loss of ¥7,090 million mainly comprises intersegment eliminations of ¥251 million, and unallocated corporate expenses of ¥6,838 million. Corporate expenses are general and administrative expenses not attributed to any reportable segment.

(Note 2) The adjustment to segment assets of ¥87,589 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.

(Note 3) Segment operating income (loss) and segment assets are both adjusted to the operating income and total assets on the consolidated financial statement.

[Related Information]

Year ended November 30, 2021 (December 1, 2020 to November 30, 2021)

1. Information by product and service

Description is omitted as the same information is disclosed in the segment information.

2. Information by region

(1) Net sales

Description is omitted as net sales from third parties in Japan exceed 90% of the net sales in the consolidated statements of income.

(2) Property and equipment

Description is omitted as the amount of property and equipment located in Japan exceeds 90% of the amount of property and equipment in the consolidated balance sheets.

3. Information by major customer

(millions of yen)

Name of customer	Net sales	Name of related segment
Samty Residential Investment Corporation	29,349	Real Estate Development Business, Real Estate Solution Business and Real Estate Management Business
HSJPN3 Special Purpose Company	14,400	Real Estate Development Business and Real Estate Solution Business
GK Kyoto Shijo Hotel Management	13,300	Real Estate Development Business

Year ended November 30, 2022 (December 1, 2021 to November 30, 2022)

1. Information by product and service

Description is omitted as the same information is disclosed in the segment information.

2. Information by region

(1) Net sales

Description is omitted as net sales from third parties in Japan exceed 90% of the net sales in the consolidated statements of income.

(2) Property and equipment

Description is omitted as the amount of property and equipment located in Japan exceeds 90% of the amount of property and equipment in the consolidated balance sheets.

3. Information by major customer

(millions of yen)

Name of customer	Net sales	Name of related segment
MFTJPN3 Special Purpose Company	17,777	Real Estate Development Business and Real Estate Solution Business
Samty Residential Investment Corporation	17,672	Real Estate Development Business, Real Estate Solution Business and Real Estate Management Business
MFTJPN2 Special Purpose Company	15,799	Real Estate Development Business and Real Estate Solution Business

[Information on Impairment Loss of Non-Current Assets by Reportable Segment]

Year ended November 30, 2021 (December 1, 2020 to November 30, 2021)

Not applicable.

Year ended November 30, 2022 (December 1, 2021 to November 30, 2022)

Not applicable.

[Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment]

Description is omitted due to a lack of significance in terms of amount.

[Information on Gain on Bargain Purchase by Reportable Segment]

Year ended November 30, 2021 (December 1, 2020 to November 30, 2021)

"Overseas Business," incurred negative goodwill after making S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY a subsidiary by acquiring its shares. As a result, a gain on bargain purchase of ¥917 million was recorded as extraordinary income.

"Real Estate Solutions Business," incurred negative goodwill after making R&K LLC a subsidiary by acquiring equity interest in silent partnership business. As a result, a gain on bargain purchase of ¥3,389 million was recorded as extraordinary income.

As a gain on bargain purchase arising from this event is extraordinary income, it is not included in segment income.

Year ended November 30, 2022 (December 1, 2021 to November 30, 2022)

Not applicable.

[Information on Related Party]

Transaction with related party

Transactions between companies submitting consolidated financial statements and related parties

Other affiliated companies of the company submitting consolidated financial statements and subsidiaries of other affiliated companies

Year ended November 30, 2021 (December 1, 2020 to November 30, 2021)

(a) Other affiliated companies of the company submitting consolidated financial statements and subsidiaries of other affiliated companies

Type	Name of company, or person.	Location	Capital stock or investment in capital (millions of yen)	Description of business or occupation	Percentage of voting rights held by (or held in) the Company (%)	Relationship with related party	Details of transaction	Transaction amount (millions of yen)	Item	Balance at the end of period (millions of yen)
Other affiliated company	Daiwa Securities Group Inc.	Chiyoda-ku, Tokyo	247,397	Control and management of business activities of the group company	(Held in) Direct 28.40	Capital and business alliance	Issuance of corporate bonds	—	Bonds payable	5,000
							Issuance of bonds with share acquisition rights	12,000	Bonds with share acquisition rights	12,000
							Conversion of bonds with share acquisition rights	10,000	—	—
Subsidiary of other affiliated company	Samty Residential Investment Corporation	Chiyoda-ku, Tokyo	74,149	Real estate investment	(Held by) Direct 13.50	Sale and purchase of real estate	Underwriting of capital increase	2,207	—	—
							Sale of real estate for sale	27,578	—	—
							Purchase of real estate for sale	2,124	—	—
Subsidiary of other affiliated company	Tozankaku LLC	Chiyoda-ku, Tokyo	0	Real estate acquisition, development, ownership, leasing and management	None	Investment in silent partnership with the company as operator	Investment in silent partnership	2,228	—	—

(Note 1) Among the stated amounts, consumption tax, etc. is not included in the transaction amount and the balance at the end of the fiscal year.

(Note 2) Transaction conditions and policy for determining transaction conditions

For corporate bonds, unsecured corporate bonds are issued, and the transaction terms are determined by reasonably taking into account the interest rates in consideration of the market interest rates.

The issue price of bonds with share acquisition rights is determined in reference to the valuation by a third party independent of the Company and the allottee. The conversion price is determined based on discussions and negotiations with the allottee in light of the Company's financial position and business conditions.

The conversion of bonds with stock acquisition rights represents the conversion of the first series of unsecured convertible bonds with stock acquisition rights issued on June 14, 2019, with an exercise price of 1,599 yen per share.

The sale and purchase amount of real estate for sale is determined after mutual consultation by taking market prices and other factors into consideration.

(b) Officers and major shareholders (limited to individuals) of the company submitting consolidated financial statements, etc.

Type	Name of person.	Location	Capital stock or investment in capital (millions of yen)	Description of business or occupation	Percentage of voting rights held by (or held in) the Company (%)	Relationship with related party	Details of transaction	Transaction amount (millions of yen)	Item	Balance at the end of period (millions of yen)
Officer	Yasuhiro Ogawa	-	-	The Company's Representative Director and President	(Held in) Direct 0.43	-	Contribution in kind of monetary remuneration claims	41	-	-
Officer	Hiroaki Matsui	-	-	The Company's Managing Director	(Held in) Direct 0.15	-	Contribution in kind of monetary remuneration claims	17	-	-
Officer	Naohiro Morita	-	-	The Company's Managing Director	(Held in) Direct 0.08	-	Contribution in kind of monetary remuneration claims	16	-	-
							Loan of funds	16	Other current assets	16
Officer	Takaharu Terauchi	-	-	The Company's Managing Director	(Held in) Direct 0.03	-	Contribution in kind of monetary remuneration claims	11	-	-
Officer	Jiro Okawa	-	-	The Company's Director	(Held in) Direct 0.03	-	Contribution in kind of monetary remuneration claims	11	-	-

Notes: 1. These are in-kind contributions of monetary remuneration claims in connection with the restricted stock compensation plan.

2. Loans of funds are interest-free.

(Additional Information)

The Company conducts the following transactions with limited liability companies that are business operators of the silent partnership in which Tsuyoshibiru Co., Ltd., which is a related party of the Company, makes preferred investments.

Type	Name of company, etc.	Location	Capital stock or investment in capital (millions of yen)	Ownership ratio of voting rights (%)	Relationship	Details of transaction	Transaction amount (millions of yen)	Item	Balance at the end of period (millions of yen)
A company which is a business operator of a silent partnership in which preferred equity investments are made by the related party (Note 1)	GK Kyoto Shijo Hotel Management	Chuo-ku, Osaka	0 (Note 2)	— (Note 2)	Sale of real estate, leasing of hotels, investment in silent partnerships operated by limited liability companies	Sale of real estate (Note 3)	13,300	—	—
						Leasing of hotel (Note 4)	292	Prepaid expenses	5
						Silent partnership investment (Note 2)	665	—	—

Consumption tax, etc. are not included in the above amounts.

Transaction conditions and policy for determining transaction conditions, etc.

(Note 1) The related party is a company in which the majority of the voting rights are owned by a close relative of a Company officer, and is Tsuyoshibiru Co., Ltd.

(Note 2) The capital of the GK is ¥100,000. The Company makes silent partnership investments based on silent partnership investment agreements with said GK as the business operator.

(Note 3) The sale and purchase amount of real estate for sale is determined in reference to the real estate appraisal value.

(Note 4) Leasing of hotels is conducted under the same general terms and conditions as those for independent third-party transactions.

Year ended November 30, 2022 (December 1, 2021 to November 30, 2022)

(a) Other affiliates of the company submitting the consolidated financial statements and subsidiaries of other affiliated companies

Type	Name of company, etc.	Location	Capital stock or investment in capital (millions of yen)	Description of business or occupation	Percentage of voting rights held by (or held in) the Company (%)	Relationship with related party	Details of transaction	Transaction amount (millions of yen)	Item	Balance at the end of period (millions of yen)
Other affiliated company	Daiwa Securities Group Inc.	Chiyoda-ku, Tokyo	247,397	Control and management of business activities of the group company	(Held in) Direct 28.42	Capital and business alliance	Issuance of corporate bonds	—	Bonds payable	5,000
							Issuance of bonds with share acquisition rights	—	Bonds with share acquisition rights	12,000
Subsidiary of other affiliated company	Samty Residential Investment Corporation	Chiyoda-ku, Tokyo	82,111	Real estate investment	(Held by) Direct 13.51	Sale and purchase of real estate	Underwriting of capital increase	1,161	—	—
							Sale of real estate for sale	16,362	—	—
							Purchase of real estate for sale	2,029	—	—

(Note 1) Among the stated amounts, consumption tax, etc. is not included in the transaction amount and the balance at the end of the fiscal year.

(Note 2) Transaction conditions and policy for determining transaction conditions

For corporate bonds, unsecured corporate bonds are issued, and the transaction terms are determined by reasonably taking into account the interest rates in consideration of the market interest rates.

The issue price of bonds with share acquisition rights is determined in reference to the valuation by a third party independent of the Company and the allottee. The conversion price is determined based on discussions and negotiations with the allottee in light of the Company's financial position and business conditions.

The sale and purchase amount of real estate for sale is determined after mutual discussion taking into account market prices and other factors.

(b) Officers and major shareholders (limited to individuals) of the company submitting consolidated financial statements, etc.

Type	Name of person	Location	Capital stock or investment in capital (millions of yen)	Description of business or occupation	Percentage of voting rights held by (or held in) the Company (%)	Relationship with related party	Details of transaction	Transaction amount (millions of yen)	Item	Balance at the end of period (millions of yen)
Officer	Yasuhiro Ogawa	—	—	The Company's Representative Director and President	(Held in) Direct 0.47	—	Contribution in kind of monetary remuneration claims	41	—	—
Officer	Hiroaki Matsui	—	—	The Company's Managing Director	((Held in) Direct 0.17	—	Contribution in kind of monetary remuneration claims	16	—	—
Officer	Naohiro Morita	—	—	The Company's Managing Director	(Held in) Direct 0.09	—	Contribution in kind of monetary remuneration claims	14	—	—
							Collections of loans receivable Receipt of interest	160	—	—
Officer	Takaharu Terauchi	—	—	The Company's Managing Director	(Held in) Direct 0.04	—	Contribution in kind of monetary remuneration claims	14	—	—

Officer	Jiro Okawa	—	—	The Company's Director	(Held in) Direct 0.04	-	Contribution in kind of monetary remuneration claims	11	—	—
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(Notes) 1. These are in-kind contributions of monetary remuneration claims in connection with the restricted stock compensation plan.

2. For loans of funds, interest rates are determined rationally, taking market interest rates and other factors into consideration.

(2) Transactions between consolidated subsidiaries of companies submitting consolidated financial statements and related parties

Type	Name of company, etc.	Location	Capital stock or investment in capital (millions of yen)	Description of business or occupation	Percentage of voting rights held by (or held in) the Company (%)	Relationship with related party	Details of transaction	Transaction amount (millions of yen)	Item	Balance at the end of period (millions of yen)
Subsidiary of other affiliated company	Ryozen Development LLC	Chiyodaku, Tokyo	0	Acquisition, development, holding, and disposition of real estate	None	Purchase and sale of trust beneficiary interests	Acquisition of trust beneficiary rights	9,699	—	—
Subsidiary of other affiliated company	Samty Residential Investment Corporation	Chiyodaku, Tokyo	82,111	Real estate investment	(Held by) Direct 13.51	Sale of real estate	Sale of real estate	1,172	—	—

(Additional Information)

The Company conducts the following transactions with limited liability companies that are business operators of the silent partnership in which Tsuyoshibiru Co., Ltd., which is a related party of the Company, makes preferred investments.

Type	Name of company, etc.	Location	Capital stock or investment in capital (millions of yen)	Ownership ratio of voting rights (%)	Relationship	Details of transaction	Transaction amount (millions of yen)	Item	Balance at the end of period (millions of yen)
A company which is a business operator of a silent partnership in which preferred equity investments are made by the related party (Note 1)	GK Kyoto Shijo Hotel Management	Chuo-ku, Osaka	0 (Note 2)	— (Note 2)	Sale of real estate, leasing of hotels, investment in silent partnerships operated by limited liability companies	Leasing of hotel (Note 3)	581	Prepaid expenses	53

Consumption tax, etc. is not included in the above amounts.

Transaction conditions and policy for determining transaction conditions, etc.

(Note 1) The related party is a company in which the majority of the voting rights are owned by a close relative of a Company officer, and is Tsuyoshibiru Co., Ltd.

(Note 2) The capital of the concerned GK is ¥100,000. The Company makes silent partnership investments based on silent partnership investment agreements with said GK as the business operator.

(Note 3) Leasing of hotels is conducted under the same general terms and conditions as those for independent third-party transactions.

(Per Share Information)

2021 (From December 1, 2020 to November 30, 2021)		2022 (From December 1, 2021 to November 30, 2022)	
Net assets per share (Yen)	2,029.28	Net assets per share (Yen)	2,123.10
Net income per share	242.52	Net income per share	233.68
Diluted net income per share	214.32	Diluted net income per share	213.67

(Note 1) Basis for calculation of net assets per share

Item	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
Total net assets (millions of yen)	103,028	110,395
Amount subtracted from total net assets (millions of yen)	8,731	11,624
Non-controlling interests (millions of yen)	[8,731]	[11,624]
Net assets attributable to common stock at end of period (millions of yen)	94,296	98,771
Number of shares of common stock at end of period (shares)	46,467,884	46,522,082

(Note 2) Basis for calculation of net income per share and diluted net income per share

Item	2021 (From December 1, 2020 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
Net income per share		
Profit attributable to owners of parent (millions of yen)	10,012	10,866
Amount not attributable to common stock shareholders (millions of yen)	—	—
Profit attributable to owners of parent related to ordinary shares (millions of yen)	10,012	10,866
Average number of outstanding shares of common stock during the year (shares)	41,286,203	46,499,903
Diluted net income per share		
Adjustment to profit attributable to owners of parent (millions of yen)	—	—
Additional shares of common stock	5,432,329	4,354,452
Convertible bonds (shares)	[5,432,329]	[4,354,452]

Outline of residual shares not included in the calculation of diluted net income per share owing to no dilutive effect	–	–
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(Significant Events after the Reporting Period)

Not applicable.

5) [Consolidated Supplementary Schedule]

[Schedule of Corporate Bonds]

Company name	Stock	Date of issue	Balance at the end of previous period (millions of yen)	Balance at the end of subject period (millions of yen)	Coupon (%)	Collateral	Redemption date
Samty Co., Ltd.	First issuance of unsecured bonds	November 13, 2020	5,000	5,000 (5,000)	2.0	Unsecured bonds	November 13, 2023
Samty Co., Ltd.	Second issuance of unsecured bonds	March 26, 2021	4,000	4,000	2.0	Unsecured bonds	March 26, 2024
Samty Co., Ltd.	Second issuance of unsecured convertible corporate bonds with share acquisition rights (Note 1)	November 10, 2021	12,000	12,000	—	Unsecured bonds	November 10, 2026
Samty Co., Ltd.	Third issuance of unsecured bonds	March 30, 2022	—	1,600	2.0	Unsecured bonds	March 28, 2025
Samty Co., Ltd.	Fourth issuance of unsecured bonds	April 25, 2022	—	415 (170)	0.4	Unsecured bonds	April 25, 2025
Samty Co., Ltd.	Fifth issuance of unsecured bonds	April 27, 2022	—	2,000	0.5	Unsecured bonds	April 25, 2025
Samty Co., Ltd.	Sixth issuance of unsecured bonds	September 22, 2022	—	300	0.5	Unsecured bonds	September 24, 2027
Total	—	—	21,000	25,315	—		

(Note 1) The figures in parentheses in the "Balance at the end of current period" column represent the current portion of the scheduled redemption amount.

(Note 2) Details of the second issuance of unsecured convertible corporate bonds with share acquisition rights

Details of the shares to be issued	Issue value of share acquisition rights	Issue price of shares (yen)	Total issue value (millions of yen)	Total issue value of shares issued by exercising subscription rights to shares (millions of yen)	Granting ratio of subscription rights to shares (%)	Exercise period of subscription rights to shares	Matters on substitute payment
Samty Co., Ltd. common stock	Free of charge	2,755.8	12,000	—	100	From May 10, 2023 to November 10, 2026	(Note)

(Note) The details of the property to be contributed upon the exercise of the subscription rights to shares shall be the contribution of the corporate bonds related to such subscription rights to shares.

(Note 3) Total scheduled redemption amount for each year within the five years after the consolidated balance sheet date

Within one year (millions of yen)	Over one year and within two years (millions of yen)	Over two years and within three years (millions of yen)	Over three years and within four years (millions of yen)	Over four years and within five years (millions of yen)
5,170	4,170	3,675	12,000	300

[Schedule of Borrowings, Etc.]

Category	Balance at the end of previous period (millions of yen)	Balance at the end of subject period (millions of yen)	Average interest rate (%)	Repayment date
Short-term borrowings	12,325	30,468	1.13	—
Current portion of long-term debt	32,197	35,395	1.08	—
Current portion of lease obligations	34	31	—	—
Long-term debt (excluding those due within one year.)	165,709	188,769	1.35	2023-2061
Lease obligations (excluding those due within one year.)	66	39	—	2023-2024
Total	210,332	254,704	—	—

(Note 1) The average interest rate is the weighted average interest rate against the balance of borrowings at the end of the fiscal year. As for lease obligations, the average interest rate is not indicated because the amount equivalent to interest included in total lease payments is allocated to each fiscal year using the straight-line method.

(Note 2) The scheduled repayment amount of long-term debt and lease obligations (excluding those due within one year) during the five years after the consolidated balance sheet date are as follows.

	Over one year and within two years (millions of yen)	Over two years and within three years (millions of yen)	Over three years and within four years (millions of yen)	Over four years and within five years (millions of yen)
Long-term debt	59,780	25,042	17,774	20,091
Lease obligations	39	—	—	—

[Schedule of Asset Retirement Obligations]

Since the amount of asset retirement obligations at the beginning and end of the subject fiscal year is less than 1/100 of the total amount of liabilities and net assets at the beginning and end of the subject fiscal year, description is omitted pursuant to the provision of Article 92-2 of the Regulation on Consolidated Financial Statements.

(2) [Other]

Quarterly information for the fiscal year under review, etc.

(Cumulative period)	Q1	Q2	Q3	2022
Net sales (millions of yen)	7,608	36,224	63,371	128,470
Income before income taxes and loss before income taxes (millions of yen)	(2,024)	1,986	5,756	14,509
Profit attributable to owners of parent or loss attributable to owners of parent (millions of yen)	(1,581)	1,666	4,747	10,866
Net income per share or net loss per share (yen)	(34.04)	35.85	102.10	233.68

(Accounting period)	Q1	Q2	Q3	Q4
Net income per share or net loss per share (yen)	(34.04)	69.88	66.22	131.53

2. [Financial statements]

(1) [Financial statements]

1) [Balance sheet]

(millions of yen)

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
ASSETS		
Current assets		
Cash and deposits	*1 32,229	*1 30,694
Rent receivable	532	311
Real estate for sale	*1 75,500	*1 80,854
Real estate for sale under construction	*1 49,274	*1 72,729
Supplies	4	2
Advance payment	685	1,647
Prepaid expenses	512	564
Short-term loans receivable from affiliated companies	6,982	10,509
Other	*1,5 906	*1,5 2,059
Allowance for doubtful accounts	(2)	(6)
Total current assets	166,625	199,366
Non-current assets		
Property and equipment		
Buildings	*1 22,796	*1 23,851
Buildings in trust	*1 1,867	*1 3,452
Structures	*1 37	*1 84
Vehicles	11	5
Tools, furniture and fixtures	*1 264	*1 377
Land	*1 49,792	*1 46,426
Land in trust	*1 1,522	*1 1,574
Construction in progress	*1 6,678	*1 3,099
Net property and equipment	82,970	78,872
Intangible assets		
Software	72	54
Other	302	302
Total intangible assets	374	356
Investments and other assets		
Investment securities	*1 18,421	*1 22,055
Stocks of affiliated companies	*1 6,958	*1 8,193
Securities of other affiliated companies	6,465	8,271
Investments in capital	602	602
Investments in affiliated companies	13	13
Long-term loans receivable from affiliated companies	17,947	23,764
Claims provable in rehabilitation from bankruptcy, etc.	53	53
Long-term prepaid expenses	2,040	2,041
Deferred tax assets	407	906
Other	*5 1,518	*5 1,487
Allowance for doubtful accounts	(448)	(546)
Total Investments and other assets	53,981	66,845
Total non-current assets	137,326	146,074
Deferred assets		
Share issuance costs	42	26
Bond issuance costs	9	81
Total deferred assets	51	108
Total assets	304,003	345,549

(millions of yen)

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
LIABILITIES		
Current liabilities		
Accounts payable	*5 699	*5 1,294
Short-term borrowings	*1, 3 12,324	*1, 3 25,453
Current portion of bonds payable	-	5,170
Current portion of long-term debt	*1, 3 31,957	*1, 3 35,178
Accounts payable – other	*5 1,884	*5 1,266
Accrued expenses	528	1,000
Accrued income taxes	1,491	3,452
Advances received	23	—
Rent received in advance	147	57
Deposits received	64	89
Provision for shareholder benefit program	—	520
Other	753	1,121
Total current liabilities	49,876	74,604
Non-current liabilities		
Bonds payable	9,000	8,145
Bonds with share acquisition rights	12,000	12,000
Long-term debt	*1, 3, 4 145,688	*1, 3 160,561
Long-term accounts payable – other	*1 50	—
Provision for retirement benefits	196	243
Guarantee deposits	*5 1,169	*5 706
Other	222	271
Total non-current liabilities	168,326	181,928
Total liabilities	218,203	256,533
NET ASSETS		
Shareholders' equity		
Capital stock	20,595	20,657
Capital surplus		
Legal capital surplus	20,496	20,558
Other capital surplus	1,812	1,812
Total capital surplus	22,308	22,370
Retained earnings		
Legal retained earnings	21	21
Other retained earnings		
General reserve	2,644	2,644
Retained earnings brought forward	39,266	42,222
Total retained earnings	41,931	44,887
Treasury stock at cost	(0)	(1)
Total shareholders' equity	84,835	87,914
Valuation and translation adjustments		
Unrealized gain on available for-sale securities	964	1,101
Total valuation and translation adjustments	964	1,101
Total net assets	85,799	89,015
Total liabilities and net assets	304,003	345,549

2) [Statement of income]

(millions of yen)

	2021 (From December 1, 2020 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
Net sales	*1 84,161	*1 109,159
Cost of sales	*1 68,029	*1 86,782
Gross profit	16,131	22,376
Selling, general and administrative expenses	*1, 2 6,718	*1, 2 9,270
Operating income	9,413	13,105
Non-operating income		
Interest and dividends income	*1 233	*1 468
Gain on valuation of interest rate swaps	47	36
Penalty income	26	—
Foreign exchange gains	120	530
Other	5	2
Total non-operating income	434	1,038
Non-operating expenses		
Interest expenses	2,201	*1 2,757
Interest expenses on bonds	159	208
Commission fee	720	751
Provision of allowance for doubtful accounts	325	98
Other	34	93
Total non-operating expenses	3,442	3,909
Ordinary income	6,405	10,234
Extraordinary income		
Gain on sales of non-current assets	—	*3 28
Total extraordinary income	—	28
Extraordinary loss		
Loss on retirement of non-current assets	*5 0	*5 7
Loss on valuation of investment securities	10	—
Head office relocation expenses	*6 199	—
Total extraordinary losses	210	7
Net income before taxes	6,195	10,254
Income taxes-current	2,048	3,673
Income taxes-deferred	(90)	(558)
Total income taxes	1,958	3,114
Net income	4,236	7,140

[Schedule of cost of sales]

1. Real estate securitization business expense

Category	Note number	2021 (From December 1, 2020 to November 30, 2021)		2022 (From December 1, 2021 to November 30, 2022)	
		Amount (millions of yen)	Composition (%)	Amount (millions of yen)	Composition (%)
I. Land acquisition costs	*1	26,757	44.4	30,474	38.2
II. Building construction costs		13,810	22.9	32,587	40.8
III. Acquisition costs of securitized real estate		18,156	30.1	15,193	19.0
IV. Other securitization business costs		1,428	2.3	1,498	1.8
Real estate securitization business expense		60,153	100.0	79,755	100.0

- * 1. All building construction costs are outsourcing costs.
 2. Loss on valuation of inventories of ¥68 million is included in the real estate securitization business expense for the previous fiscal year.
 3. Loss on valuation of inventories of ¥457 million is included in the real estate securitization business expense for the subject fiscal year.
 4. The method of cost accounting is based on individual cost accounting.

2. Real estate sales business expense

Category	Note number	2021 (From December 1, 2020 to November 30, 2021)		2022 (From December 1, 2021 to November 30, 2022)	
		Amount (millions of yen)	Composition (%)	Amount (millions of yen)	Composition (%)
I. Land acquisition costs	*1	855	35.9	666	52.7
II. Building construction costs		1,496	62.8	577	45.7
III. Other for-sale real estate business expense		28	1.1	18	1.4
Real estate sales business expense		2,379	100.0	1,262	100.0

- * 1. All building construction costs are outsourcing costs.
 2. The method of cost accounting is based on individual cost accounting.

3. Real estate leasing business expense

Category	Note number	2021 (From December 1, 2020 to November 30, 2021)		2022 (From December 1, 2021 to November 30, 2022)	
		Amount (millions of yen)	Composition (%)	Amount (millions of yen)	Composition (%)
I. Taxes and dues	*1	489	8.8	670	11.5
II. Depreciation		743	13.5	899	15.5
III. Repair expense		247	4.5	218	3.7
IV. Management consignment expense		519	9.4	600	10.3
V. Land rent		2,590	47.1	2,758	47.6
VI. Other leasing business expenses		905	16.4	640	11.0
Real estate leasing business expense		5,496	100.0	5,787	100.0

- * 1. All management consignment expenses are outsourcing costs.

3) [Statement of changes in equity]

Year ended November 30, 2021 (December 1, 2020 to November 30, 2021)

(millions of yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings				Treasury shares at cost	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at the end of previous period	16,227	16,128	1,693	17,822	21	2,644	38,374	41,039	(883)	74,205
Changes of items during the period										
Issuance of new shares	4,368	4,368		4,368						8,736
Dividends of surplus							(3,344)	(3,344)		(3,344)
Net income							4,236	4,236		4,236
Purchase of treasury shares									(385)	(385)
Disposal of treasury shares			118	118					1,268	1,386
Net changes of items other than shareholders' equity										
Total changes of items during the period	4,368	4,368	118	4,486	-	-	892	892	883	10,629
Balance at the end of the period	20,595	20,496	1,812	22,308	21	2,644	39,266	41,931	(0)	84,835

	Valuation and translation adjustments		Total net assets
	Unrealized gain on available for-sale securities	Total valuation and translation adjustments	
Balance at the end of previous period	180	180	74,385
Changes of items during the period			
Issuance of new shares			8,736
Dividends from surplus			(3,344)
Net income			4,236
Purchase of treasury shares			(385)
Disposal of treasury shares			1,386
Net changes of items other than shareholders' equity	784	784	784
Total changes of items during the period	784	784	11,414
Balance at the end of current period	964	964	85,799

Year ended November 30, 2022 (December 1, 2021 to November 30, 2022)

(millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury stock at cost	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at the end of previous period	20,595	20,496	1,812	22,308	21	2,644	39,266	41,931	(0)	84,835
Changes of items during the period										
Issuance of new shares	61	61		61						123
Dividends from surplus							(4,184)	(4,184)		(4,184)
Net income							7,140	7,140		7,140
Purchase of treasury shares									(0)	(0)
Disposal of treasury shares										-
Net changes of items other than shareholders' equity										
Total changes of items during the period	61	61	-	61	-	-	2,956	2,956	(0)	3,079
Balance at the end of the period	20,657	20,558	1,812	22,370	21	2,644	42,222	44,887	(1)	87,914

	Valuation and translation adjustments		Total net assets
	Unrealized gain on available for-sale securities	Total valuation and translation adjustments	
Balance at the end of previous period	964	964	85,799
Changes of items during the period			
Issuance of new shares			123
Dividends from surplus			(4,184)
Net income			7,140
Purchase of treasury shares			(0)
Disposal of treasury shares			-
Net changes of items other than shareholders' equity	136	136	136
Total changes of items during the period	136	136	3,215
Balance at the end of the period	1,101	1,101	89,015

[Notes]

(Significant Accounting Policies)

1. Valuation standards and valuation methods for assets

(1) Valuation standards and valuation methods for securities

1) Shares of affiliated companies and investments in affiliated companies

The Company applies a cost method using a moving average.

2) Available-for-sale securities

Other than stocks and other securities with no market price

Current market value method. (Valuation difference is fully and directly recognized within net assets. Cost of sale is calculated using a moving average.)

Securities with no market price

The Company applies a cost method using a moving average.

(2) Valuation standards and valuation methods for derivatives

Market value method applied

(3) Valuation standards and valuation methods for inventories

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.)

Supplies

The Company applies the price-of-last-purchase method.

2. Depreciation method for non-current assets

(1) Property and equipment (excluding lease assets)

The Company applies 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	5–50 years
Buildings in trust	33–45 years
Structures	5–41 years
Vehicles	5–6 years
Tools, furniture and fixtures	2–20 years

(2) Intangible assets (excluding lease assets)

The Company applies the straight-line method.

Software for use by the Company is amortized over a useful-lifetime period of five years.

(3) Lease assets

Assets related to finance lease transactions without ownership-transfer

The lease period is deemed to be the useful lifetime period, and assets are depreciated using the straight-line method to a residual value of zero.

(4) Long-term prepaid expenses

The Company applies the straight-line method.

3. Standards for recognizing material allowances

(1) Allowance for doubtful accounts

As provision for losses stemming from doubtful accounts such as notes and accounts receivable-trade and loans, 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.

(2) Provision for severance benefits

In order to prepare for the retirement benefits of employees, the amount calculated by deducting the amount equivalent to the benefit from the Smaller Enterprise Retirement Allowance Mutual Aid System from the amount required to be paid at the end of the subject fiscal year due to voluntary retirement is recorded.

(3) Provision for shareholder benefits

To prepare for expenses arising from the use of the shareholder benefit plan, an estimated amount for future use of the plan is recorded based on its actual use.

4. Basis for recording revenue and expenses

The main performance obligations in the Company's main businesses related to income from contracts with customers and the normal point in time at which such performance obligations are satisfied (the normal point in time at which income is recognized) are as follows.

In the Real Estate Development Business, the Company plans, develops and sells its "S-RESIDENCE" series brand, etc., and is obligated to deliver real estate based on contracts with customers, etc.

In the Real Estate Solutions Business, the Company acquires, rehabilitates, and sells income-producing real estate and other assets, and is obligated to deliver real estate based on contracts with customers, among other things.

In the Real Estate Leasing Business, the Company leases condominiums, office buildings, and commercial facilities, and is obligated to provide services as stipulated in contracts with its customers.

In the Hotel Business, the Company leases and manages hotels and is obligated to provide services as stipulated in contracts with customers.

For these performance obligations, such as the obligation to deliver real estate to customers, income is recognized at the time of delivery as stipulated in the contract. On the other hand, obligations to provide services are performance obligations that are satisfied over a certain period of time, and income is recognized as the services are provided. However, for certain contracts, the performance obligation is satisfied at a point in time when the services are provided in accordance with the terms of the contract, and income is recognized at that point in time.

For sales of real estate to special purpose companies in the Real Estate Development Business, the Company recognizes income in accordance with the "Practical Guidelines on Accounting for Transferees in Securitization of Real Estate Using Special Purpose Companies" (Accounting System Committee Report No. 15, November 4, 2014). In addition, income is recognized for performance obligations related to real estate leases in accordance with the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007).

5. Other material items fundamental to the preparation of consolidated financial statements

(1) Accounting treatment of consumption tax

Non-deductible consumption tax, etc., relating to real estate for sale is included in the acquisition cost. Non-deductible consumption tax, etc., relating to fixed assets is recognized as a long-term prepaid expense (under Other under Assets, Investments and other assets) and amortized using the straight-line method over a five-year period.

(2) Method of amortization of deferred assets

Share issuance costs	The costs are amortized by using the straight-line method over a three-year amortization period.
Bond issuance costs	The costs are amortized by using the straight-line method until the redemption of the corporate bonds.

(3) Criteria for converting foreign currency-denominated assets and liabilities into Japanese currency

Foreign currency-denominated monetary receivables and payables are converted into yen at the spot exchange rate on the settlement date, and the exchange difference is treated as profit or loss.

(Significant Accounting Estimates)

Valuation of inventories

(1) Amount recorded on the financial statements for the subject fiscal year

	(millions of yen)	
	2021	2022
Real estate for sale	75,500	80,854
Real estate for sale in process	49,274	72,729
Amount of valuation loss recorded (cost of sales)	68	457

(2) Information on the details of significant accounting estimates pertaining to identified items

This is the same as the details described in "Notes (Significant Accounting Estimates) Valuation of Inventories" in the consolidated financial statements.

(Change in accounting policy)

(Application of the Accounting Standard for Revenue Recognition)

The Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Standard") and others from the beginning of the subject fiscal year, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services has been transferred to the customer.

The main changes as a result of this change are as follows.

1. Revenue Recognition for Agency Transactions

The Company previously recognized sales of utilities to tenants of leased properties and corresponding purchases, and hotel sales and corresponding purchases such as outsourcing fees, in net sales and cost of sales, respectively, but after reviewing their roles (as principal or agent) in providing goods or services to customers, the Company has decided to change the method of recognizing revenue on a net basis for transactions in which the Company acts as an agent.

2. Revenue recognition for variable consideration

The provision for loss on contracts in the Real Estate Development Business, which was previously included in cost of sales, is now deducted from the transaction price based on an estimate of the amount of the portion likely to be incurred.

The application of the Accounting Standard for Revenue Recognition, etc. is in accordance with the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Standard, and the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the subject fiscal year is added to or deducted from retained earnings brought forward at the beginning of the subject fiscal year, and the new accounting policy is applied from the balance at the beginning of the subject fiscal year.

As a result, net sales and cost of sales for the subject fiscal year decreased by ¥141 million and ¥141 million, respectively, but there is no effect on the fiscal year-beginning balance of operating income and below and retained earnings brought forward for the subject fiscal year.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes related to revenue recognition for the previous fiscal year are not presented.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019. Hereinafter referred to as "Fair Value Accounting Standard") and others are applied from the beginning of the subject fiscal year, and new accounting policies prescribed by the Fair Value Accounting Standard and others are applied prospectively in accordance with the transitional treatment prescribed in paragraph 19 of the Fair Value Accounting Standard and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The Company will apply the new accounting policy in the future. There is no impact on the financial statements.

(Additional Information)

(Change of Holding Objective)

Owing to changes in holding objective, ¥29,572 million was transferred from tangible fixed assets to inventory.

(Accounting for the Shareholder Benefit Allowance)

Due to the increased monetary importance of the shareholder benefit plan, an estimated amount of expenses related to the shareholder benefit plan has been recorded beginning in the subject fiscal year. The said allowance is recorded in "Allowance for shareholder benefit plan" under Current Liabilities. As a result, operating profit, ordinary profit, and income before income taxes each decreased by ¥520 million in the subject fiscal year.

(Related to Balance Sheets)

*1 Assets pledged as collateral and debt pertaining to collateral

(1) Assets pledged as collateral

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
	(millions of yen)	(millions of yen)
Cash and deposits	617	424
Real estate for sale	70,154	76,603
Real estate for sale under construction	48,119	70,469
Other (current assets)	1	1
Buildings	21,839	23,136
Buildings in trust	1,571	2,913
Structures	13	25
Land	48,235	45,506
Land in trust	1,008	1,416
Tools, furniture and fixtures	10	14
Construction in progress	6,172	3,094
Investment securities	376	389
Stocks of affiliated companies	3,951	3,951
Total	202,071	227,949

(2) Debt pertaining to collateral

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
	(millions of yen)	(millions of yen)
Short-term borrowings	8,824	19,959
Current portion of long-term debt	31,165	34,326
Long-term debt	123,477	136,958
Total	163,467	191,244

In addition to the above, ¥399 million of real estate for sale in the previous fiscal year and ¥478 million of real estate for sale in the subject fiscal year are pledged as collateral assets for registration and reservation, and the corresponding liabilities are current portion of long-term debt of ¥390 million in the previous fiscal year and short-term borrowings of ¥441 million in the subject fiscal year.

The transfer transaction of real estate trust beneficiary rights sold by the Company to Samty Bridge One, LLC, a consolidated subsidiary of the Company, was treated as a financial transaction in accordance with the "Practical Guidelines on Accounting for Transferees in Connection with Securitization of Real Estate Using Special Purpose Companies" (JICPA Accounting System Committee Report No. 15, November 4, 2014).

Therefore, the above assets pledged as collateral and obligations related to collateral include the following amounts.

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
	(millions of yen)	(millions of yen)
Buildings	—	538
Land	—	157
Buildings in trust	—	181
Land in trust	—	122
Long-term debt	—	860

2 Contingent liabilities

Debt guarantee for borrowings from financial institutions is provided to the following affiliated companies.

Guarantee	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
	(millions of yen)	(millions of yen)

Hikone SC Ltd.	2,803	2,663
SI Kaihatsu LLC	2,282	—
Samty Bridge One, LLC	—	860
Nesta Resort Kobe Co., Ltd.	—	5,000
Total	5,085	8,523

- *3 The Company concluded overdraft agreements and loan commitment agreements with correspondent banks to efficiently procure working capital. The balance of unexecuted loans related to overdraft agreements and loan commitments is as follows.

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
	(millions of yen)	(millions of yen)
Maximum amount of overdraft and total amount of loan commitment	50,957	87,532
Balance of executed loan	26,306	42,833
Balance due	24,650	44,698

4 Financial covenants

2021 (as of November 30, 2021)

Not applicable.

2022 (as of November 30, 2022)

Not applicable.

*5 Monetary claims and liabilities to affiliated companies (excluding those presented separately)

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
	(millions of yen)	(millions of yen)
Short-term monetary claims	615	1,952
Long-term monetary claims	907	907
Short-term monetary liabilities	334	5,341
Long-term monetary liabilities	17,050	12,994

(Related to Statement of Income)

*1 The total amount of business transactions with affiliated companies and transactions other than business transactions is as follows.

	2021 (From December 1, 2020 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
	(millions of yen)	(millions of yen)
Business transaction (Revenue)	347	9,761
Business transaction (Expenses)	1,124	2,407
Transactions other than business transaction (Revenue)	221	451
Transactions other than business transactions (Expenses)	104	100

*2 The main items and amounts of selling, general and administrative expenses are as follows.

	2021 (From December 1, 2020 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
	(millions of yen)	(millions of yen)
Sales commission	11	157
Advertising expense	257	478
Rental brokerage fee	536	840
Provision of allowance for doubtful accounts	(0)	5
Executive compensation	582	854
Salary and allowance	782	888
Bonus	455	548
Retirement benefit expense	53	77
Legal welfare expenses	160	217
Provision for shareholder benefit program	—	520
Entertainment expenses	148	274
Travel expenses	72	119
Taxes and public dues	2,007	1,808
Depreciation	101	127
Rent	431	490
Commission fee	711	1,314
Compensation paid	172	233
Approximate percentage		
Selling expenses	27.7%	35.8%
General and administrative expenses	72.3%	64.2%

*3 The details of the gain on sales of non-current assets are as follows.

	2021 (From December 1, 2020 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
	(millions of yen)	(millions of yen)
Buildings	—	8
Land	—	20
Total	—	28

*4 The details of the loss on sales of non-current assets are as follows.

	2021 (From December 1, 2020 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
--	---	---

	(millions of yen)	(millions of yen)
Buildings	—	—
Land	—	0
Total	—	0

*5 The details of the loss on retirement of non-current assets are as follows.

	2021 (From December 1, 2020 to November 30, 2021)	2022 (From December 1, 2021 to November 30, 2022)
	(millions of yen)	(millions of yen)
Buildings	—	4
Vehicles	0	0
Tools, furniture and fixtures, etc.	0	2
Software	0	—
Total	0	7

*6 The details of the head office relocation expenses are as follows.

Year ended November 30, 2021 (From December 1, 2020 to November 30, 2021)

Penalties, etc. incurred due to moving out following the relocation of our Osaka Head Office are recorded as an extraordinary loss of ¥199 million as head office relocation costs.

Year ended November 30, 2022 (From December 1, 2021 to November 30, 2022)

Not applicable.

(Related to Securities)

2021 (as of November 30, 2021)

Shares of subsidiaries and affiliated companies

Category	Amount recorded on balance sheet (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
Shares of affiliated companies	3,951	8,994	5,042
Total	3,951	8,994	5,042

(Note) Amount recorded on the balance sheet for the shares of subsidiaries whose market value is deemed extremely difficult to understand

(millions of yen)

Category	2021 (as of November 30, 2021)
Shares of subsidiaries	9,471
Total	9,471

As for the shares of subsidiaries (amount recorded on balance sheet: ¥3,006 million of shares of affiliated companies and ¥6,465 million of securities of other affiliated companies), the market value is not stated as there is no market price and it is deemed extremely difficult to understand the market value.

2022 (as of November 30, 2022)

Shares of subsidiaries and affiliated companies

Category	Amount recorded on balance sheet (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
Shares of affiliated companies	3,951	7,479	3,527
Total	3,951	7,479	3,527

(Note) Amount recorded on the balance sheet for the shares of subsidiaries whose market value is deemed extremely

difficult to understand

(millions of yen)

Category	Subject fiscal year (as of November 30, 2022)
Shares of subsidiaries	12,513
Total	12,513

As for the shares of subsidiaries (amount recorded on balance sheet: ¥4,241 million of shares of affiliated companies and ¥8,271 million of securities of other affiliated companies), the market value is not stated as there is no market price and it is deemed extremely difficult to understand the market value.

(Related to Tax Effect Accounting)

1. Breakdown of Deferred Tax Assets and Deferred Tax Liabilities by Major Cause

	2021 (as of November 30, 2021)	2022 (as of November 30, 2022)
Deferred tax assets	(millions of yen)	(millions of yen)
Allowance for doubtful accounts	137	169
Accrued bonus	63	74
Loss on valuation of inventories	9	149
Accrued enterprise tax	120	226
Provision for retirement benefits	60	74
Impairment loss	47	—
Gain on reversal of loss on valuation of investment securities	—	62
Consumption tax for prior periods	82	82
Restricted stock compensation	84	110
Adjustment of book value of shares of subsidiaries based on Group corporate taxation	—	323
Other	235	126
Subtotal of deferred tax assets	840	1,399
Valuation allowance	(8)	(8)
Total deferred tax assets	832	1,391
Deferred tax liabilities		
Unrealized gain on available for-sale securities	(425)	(485)
Total deferred tax liabilities	(425)	(485)
Net deferred tax assets	407	906

2. Breakdown by major item that caused a material difference between the legal effective tax rate and the burden rate of corporate tax, etc. after the application of tax effect accounting when there is such a difference

2021 (as of November 30, 2021)

Description is omitted as the difference between the legal effective tax rate and the burden rate of corporate tax after the application of tax effect accounting is less than 5/100 of the legal effective tax rate.

2022 (as of November 30, 2022)

Description is omitted as the difference between the legal effective tax rate and the burden rate of corporate tax after the application of tax effect accounting is less than 5/100 of the legal effective tax rate.

(Related to Business Combinations, Etc.)

Notes are omitted because the same information is presented in "Notes (Related to Business Combinations, Etc.)" in the consolidated financial statements.

(Revenue Recognition)

The basis for understanding income from contracts with customers is identical in the Notes (Revenue Recognition) to the Consolidated Financial Statements, so notes have been omitted.

(Significant Events after the Reporting Period)

Not applicable.

4) [Supplementary Schedule]

[Schedule of Property and Equipment, Etc.]

(millions of yen)

Category	Type of asset	Balance at the end of previous period	Increase during the subject period	Decrease during the subject period	Amortization during the subject period	Balance at the end of subject period	Accumulated depreciation
Property and equipment	Buildings	22,796	18,779	16,918	806	23,851	2,161
	Buildings in trust	1,867	2,647	976	85	3,452	140
	Structures	37	51	—	4	84	40
	Vehicles	11	—	0	5	5	24
	Tools, furniture and fixtures	264	212	8	92	377	314
	Land	49,792	6,427	9,793	—	46,426	—
	Land in trust	1,522	2,004	1,952	—	1,574	—
	Construction in progress	6,678	15,307	18,886	—	3,099	—
	Total	82,970	45,430	48,535	993	78,872	2,680
Intangible assets	Software	72	15	—	33	54	—
	Other	302	—	—	—	302	—
	Total	374	15	—	33	356	—

(Note 1) The main increase in the subject fiscal year is as follows.

Buildings	Acquisition of real estate for lease	¥1,908 million
	Completed during the current period	¥17,018 million
Buildings in trust	Acquisition of real estate for lease	¥2,096 million
Land	Acquisition of real estate for lease	¥6,213 million
Land in trust	Acquisition of real estate for lease	¥1,846 million

(Note 2) The main decrease in the subject fiscal year is as follows.

Buildings	Change of holding objective	¥16,769 million
Buildings in trust	Change of holding objective	¥976 million
Land	Change of holding objective	¥9,702 million
Land in trust	Change of holding objective	¥1,952 million

[Schedule of Allowance]

Category	Balance at the end of previous period (millions of yen)	Increase during the subject period (millions of yen)	Decrease during the subject period (millions of yen)	Balance at the end of subject period (millions of yen)
Allowance for doubtful accounts	450	104	2	552
Provision for shareholder benefit program	—	520	—	520

(2) [Details of Main Assets and Liabilities]

Description is omitted as the consolidated financial statements have been prepared.

(3) [Other]

Not applicable.

Section 6. [Outline of stock-related administration of the reporting company]

Fiscal year	December 1 to November 30														
Ordinary General Meeting of Shareholders	In February														
Record date	November 30														
Record date for dividends from surplus	May 31 and November 30														
Number of shares per unit	100 shares														
Purchase of shares less than one unit															
Handling office	(Special account) Osaka Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation 3-6-3 Fushimicho, Chuo-ku, Osaka														
Shareholder registry administrator	(Special account) Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo														
Agency	–														
Purchase commission	Free														
Method of posting public notice	Public notices of the Company shall be electronic public notices. However, if the Company is unable to post electronic public notices due to an accident or other unavoidable reasons, public notices will be posted in the Nihon Keizai Shimbun newspaper. The Company's URL where public notices are posted is as follows. https://www.samty.co.jp/en/														
Benefits for Shareholders	<p>Outline of Shareholder Benefit Program</p> <p>(1) Eligible shareholders Shareholders listed or recorded in the shareholders' register as of the end of November of each year.</p> <p>(2) Details of benefit In accordance with the number of shares held by eligible shareholders, they will receive benefits for complimentary stays at one of the 20 hotels throughout Japan in which the Company is involved. From the viewpoint of reducing plastics and improving convenience, the distribution of shareholder discount cards has been discontinued from this time onward, and in addition to conventional telephone reservations, reservations can be made online using PCs and smartphones, and a smartphone app can be used.</p> <p>(3) Number of benefits to be distributed to holding shareholders</p> <table> <tr> <td>200 shares to 299 shares</td> <td>1</td> </tr> <tr> <td>300 shares to 599 shares</td> <td>2</td> </tr> <tr> <td>600 shares to 999 shares</td> <td>3</td> </tr> <tr> <td>1,000 shares to 1,999 shares</td> <td>4</td> </tr> <tr> <td>2,000 shares to 4,999 shares</td> <td>6</td> </tr> <tr> <td>5,000 shares to 9,999 shares</td> <td>8</td> </tr> <tr> <td>10,000 shares or more</td> <td>10</td> </tr> </table> <p>(4) Hotels where special benefits can be used (Hotels that can be used with one benefit) Center Hotel Tokyo, S-PERIA INN Nihombashihakozaki, S-PERIA INN Osakahommachi S-PERIA HOTEL Hakata, S-PERIA HOTEL Kyoto, S-PERIA HOTEL Fukuoka Nakasu S-PERIA HOTEL Nagasaki, NEST HOTEL Hiroshima Hachobori, NEST HOTEL Hiroshima Station Hotel Sunshine Utsunomiya, Ibis Styles Nagoya, Auberge Amano Hashidate (Hotels that can be used with two benefits) Mercure Kyoto Station, Aloft Osaka Dojima Oakwood Hotel Kyoto Oike, Agora Kyoto Karasuma, Agora Kyoto Shijo, Mecure Hida Takayama, Hotel The Pavone (Nesta Resort Kobe) (Hotels that can be used with three benefits) Amano Hashidate Hotel</p> <p>(Notes)</p> <ol style="list-style-type: none"> For all special benefits, they will be sent in February of each year. For all special benefits, they will expire at the end of February of the year following the year when they are sent. For all special benefits, they cannot be used together with other discount coupons. Benefits will not be reissued in the event of theft, loss, etc. Only the shareholder and his/her family can use the benefits. 	200 shares to 299 shares	1	300 shares to 599 shares	2	600 shares to 999 shares	3	1,000 shares to 1,999 shares	4	2,000 shares to 4,999 shares	6	5,000 shares to 9,999 shares	8	10,000 shares or more	10
200 shares to 299 shares	1														
300 shares to 599 shares	2														
600 shares to 999 shares	3														
1,000 shares to 1,999 shares	4														
2,000 shares to 4,999 shares	6														
5,000 shares to 9,999 shares	8														
10,000 shares or more	10														

(Note) In accordance with the Company's Articles of Incorporation, shareholders holding less than one unit of shares have no rights other than the right set forth in each item of Article 189, Paragraph 2 of the Companies Act, the right to make requests pursuant to Article 166, Paragraph 1 of the same act and the right to receive allotment of shares for subscription and allotment of subscription rights to shares in accordance with the

number of shares held by shareholders.

Section 7. [Reference information of the reporting company]

1. [Information on parent company of reporting company, etc.]

The Company has no parent company, etc. as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. [Other reference information]

The following documents were submitted between the beginning of the subject fiscal year and the date of submission of the securities report.

- (1) Securities report, its attachment and confirmation
Fiscal year - 40th period (December 1, 2020 to November 30, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on February 25, 2022.
- (2) Internal control report
Submitted to the Director-General of the Kanto Local Finance Bureau on February 25, 2022.
- (3) Quarterly report and confirmation
First quarter of the 41st period (December 1, 2021 to February 28, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on April 12, 2022.
Second quarter of the 41st period (March 1, 2022 to May 31, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on July 15, 2022.
Third quarter of the 41st period (June 1, 2022 to August 31, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on October 17, 2022.
- (4) Amendment report and confirmation for quarterly report
First quarter of the 40th period (December 1, 2020 to February 28, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on January 24, 2022.
Second quarter of the 40th period (March 1, 2021 to May 31, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on January 24, 2022.
Third quarter of the 40th period (June 1, 2021 to August 31, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on January 24, 2022.
First quarter of the 39th period (December 1, 2019 to February 29, 2020) Submitted to the Director-General of the Kanto Local Finance Bureau on March 31, 2023.
Second quarter of the 39th period (March 1, 2020 to May 31, 2020) Submitted to the Director-General of the Kanto Local Finance Bureau on March 31, 2023.
Third quarter of the 39th period (June 1, 2020 to August 31, 2020) Submitted to the Director-General of the Kanto Local Finance Bureau on March 31, 2023.
First quarter of the 40th period (December 1, 2020 to February 28, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on March 31, 2023.
Second quarter of the 40th period (March 1, 2021 to May 31, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on March 31, 2023.
Third quarter of the 40th period (June 1, 2021 to August 31, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on March 31, 2023.
First quarter of the 41st period (December 1, 2021 to February 28, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on March 31, 2023.
Second quarter of the 41st period (March 1, 2022 to May 31, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on March 31, 2023.
Third quarter of the 41st period (June 1, 2022 to August 31, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on March 31, 2023.
- (5) Amendment report and confirmation for securities report
Fiscal year - 39th period (December 1, 2019 to November 30, 2020) Submitted to the Director-General of the Kanto Local Finance Bureau on February 24, 2022.
Fiscal year - 38th period (December 1, 2018 to November 30, 2019) Submitted to the Director-General of the Kanto Local Finance Bureau on March 31, 2023.
Fiscal year - 39th period (December 1, 2019 to November 30, 2020) Submitted to the Director-General of the Kanto Local Finance Bureau on March 31, 2023.

Fiscal year - 40th period (December 1, 2020 to November 30, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on March 31, 2023.

(6) Amendment Report of the Internal Control Report

Fiscal year - 37th period (December 1, 2017 to November 30, 2018) Submitted to the Director-General of the Kanto Local Finance Bureau on March 31, 2023.

Fiscal year - 38th period (December 1, 2018 to November 30, 2019) Submitted to the Director-General of the Kanto Local Finance Bureau on March 31, 2023.

Fiscal year - 39th period (December 1, 2019 to November 30, 2020) Submitted to the Director-General of the Kanto Local Finance Bureau on March 31, 2023.

Fiscal year - 40th period (December 1, 2020 to November 30, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on March 31, 2023.

(7) Extraordinary report

Extraordinary Report based on the provisions of Article 19, Paragraph 2, Item 9 (Change in Representative Director) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Local Finance Bureau on February 2, 2023

Extraordinary report based on the provisions of Article 19, Paragraph 2, Item 9-2 (Results of Exercise of Voting Rights at the General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Local Finance Bureau on March 2, 2023.

Part II [Information on guarantee company of the reporting company, etc.]

Not applicable.