

**Concerning the Formulation of
Samty Toughening Plan (Post-COVID Version),
Our New Medium-Term Management Plan**

SAMTY Co., Ltd.

January 2021

- The business environment surrounding the real estate market has changed significantly due to the global spread of novel coronavirus (COVID-19) infections.
- Approximately one year has passed since the pandemic's outbreak, and we have now reached the stage at which we are able to anticipate its impact on the market by means of economic recovery scenarios. We thus judged it as time for a review of the plan. Following the review, the plan's content has been renewed with an eye on the post-COVID era.

Things Learned from COVID Pandemic

(1) With regard to rent cash flow from properties

- **Residences** **Stable assets that are the least affected by economic fluctuations.**
Both real estate prices and rents are continuing on an upward trend.
- **Hotels** Although a hard struggle was forced upon them when infections were spreading, the government is maintaining its Japan as a tourism nation policy.
After the situation has returned to normal, demand will return.
- **Office buildings** There are many companies that find it difficult to cope with staff working from home, and **demand for offices in regional cities in particular remains firm.**

(2) Prolonged low interest rate policy

Due to the support of monetary easing, the real estate yield gap remains high, and the view that real estate in Japan **represents an attractive investment target** is continuing for the time being.

Summary of Changes to Plan

Having conducted a revision of the Samty Toughening Plan, the Plan has been relaunched as the Samty Toughening Plan, Post-COVID Version

Review of key strategies

Renewal and expansion of plans in response to changes in external environment brought about by the COVID-19 pandemic and to issues relating to establishment of hotel REIT

Changes to plan fiscal years

Policy remains to continue to work toward "operating income of ¥20 billion" without changing by postponement

Basic Policies

- Having carefully considered the impact of the COVID-19 pandemic, we implemented a review of the medium-term plan.
- Having taken into consideration the business environment and markets, we renewed our key strategies and planning fiscal years.

Key Strategies in Previous Samty Toughening Plan

- Development of business model centered on Samty Residential Investment Corporation
- Enhance fee-based income businesses
- Strategic investment in regional metropolitan areas
- Roll-out of hotel and office building developments

1 Switch to “develop and own” business

- Point**
- Revision of exit strategy under themes of maximizing income gain and responding to tax reform (Specific response)
 - After completion, properties will, in principle, be owned for three years

Implementing structural reforms while working on profit stabilization as an **asset-holding developer**

2 Continuation of efforts toward establishment of hotel REIT

- Point**
- Discovering, carefully selecting and commencing investment opportunities on an ongoing basis. Promoting initiatives toward hotel REIT’s establishment

Focusing, on an ongoing basis, on the concepts of the previous strengthening plan

3 Continuation of strategic investments in regional metropolitan areas

- Point**
- On an ongoing basis, promoting strategic investment in government-designated cities nationwide and regional core metropolitan areas.

4 Building a profit base in overseas business

- Point**
- Serving the role of new growth driver and, in the years to come, cultivating overseas business as a pillar of the Group’s business (Specific response)
 - Collaboration and ongoing efforts with VINHOMES
 - Acquisition of new investment projects through SAI

Launching **overseas business** as a new growth strategy

- For the post-COVID version, the numerical plans and planning fiscal years will be extended to 2025.
- To maintain high productivity and financial soundness, we will continue to target operating income, the productivity indicators of ROE/ROA, and the capital adequacy ratio.
- As a new achievement level, we will increase the amount of and profit from rental income that are accounted for in net sales.

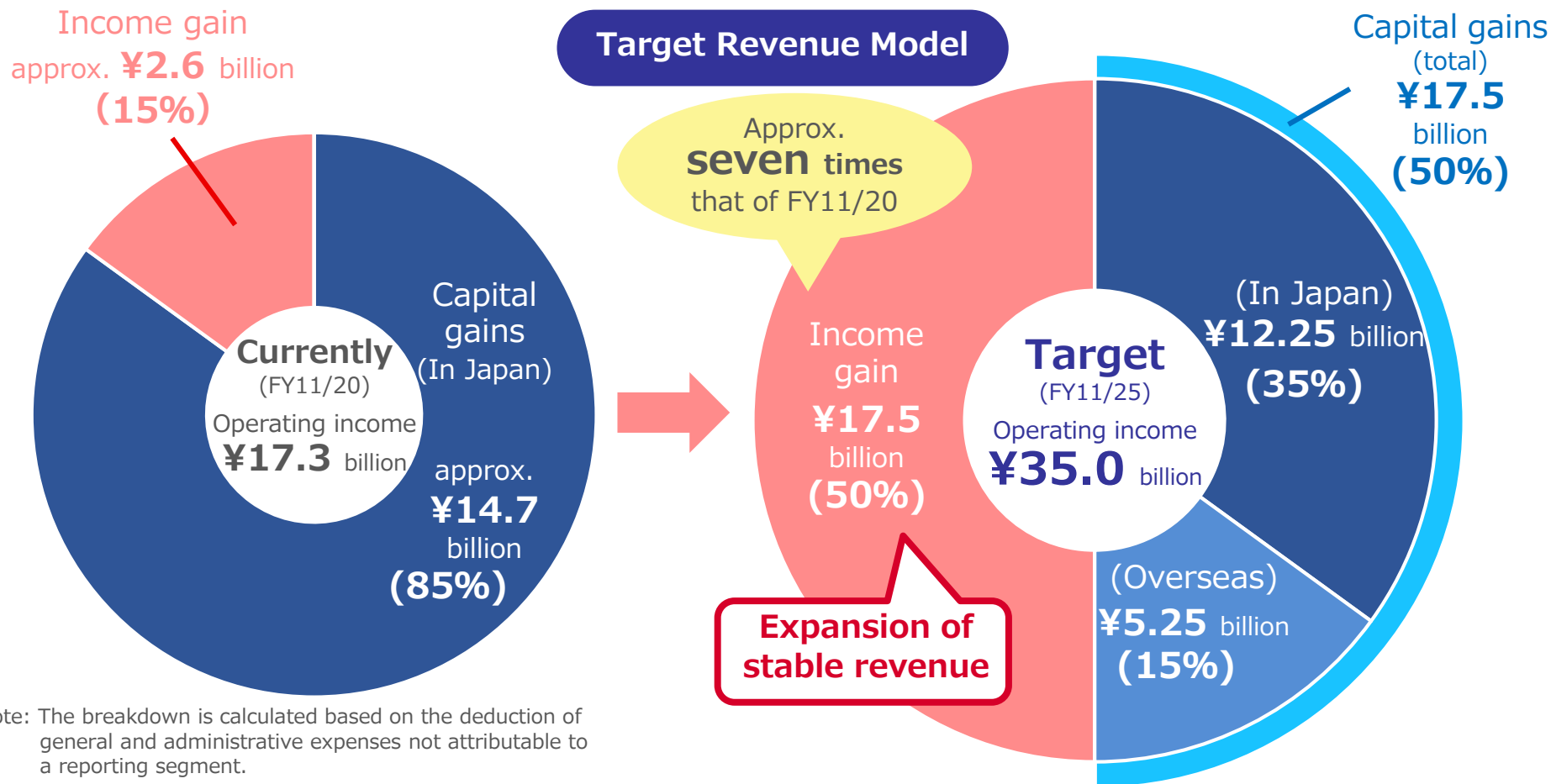
Post-COVID
Version

Samty Toughening Plan (Post-COVID Version) Numerical Targets

	FY11/20 Result	Samty Toughening Plan FY11/23 Target	Samty Toughening Plan FY11/25 Target
Net sales (¥bn) (Of which, rental income, etc,)	101.1 (8.2)	170.0 (35.0) level	220.0 (45.0) level
Operating income (¥bn)	17.3	20.0 or over	35.0 or over
ROE	14.3%	12.0~15.0% level	15.0% level
ROA *	7.4%	6.0 ~ 7.0% level	7.0% level
Capital-asset ratio	30.7%	27.0~30.0% level	30.0% or over

*ROA = Operating income / Total assets (Average of FY start and end)

- We implemented profit structure reforms to earn stable profits for the entire Group
- From a focus on capital gains (development income, etc.) in Japan, we will expand income gain (rental income), which represents a stable form of income. In the case of completed properties, we will switch from early sales to lease holdings. We will shift to a profit model that emphasizes sustainability.
- It is expected that expanding into overseas business will contribute to the Group's growth potential from a medium- to long-term perspective.

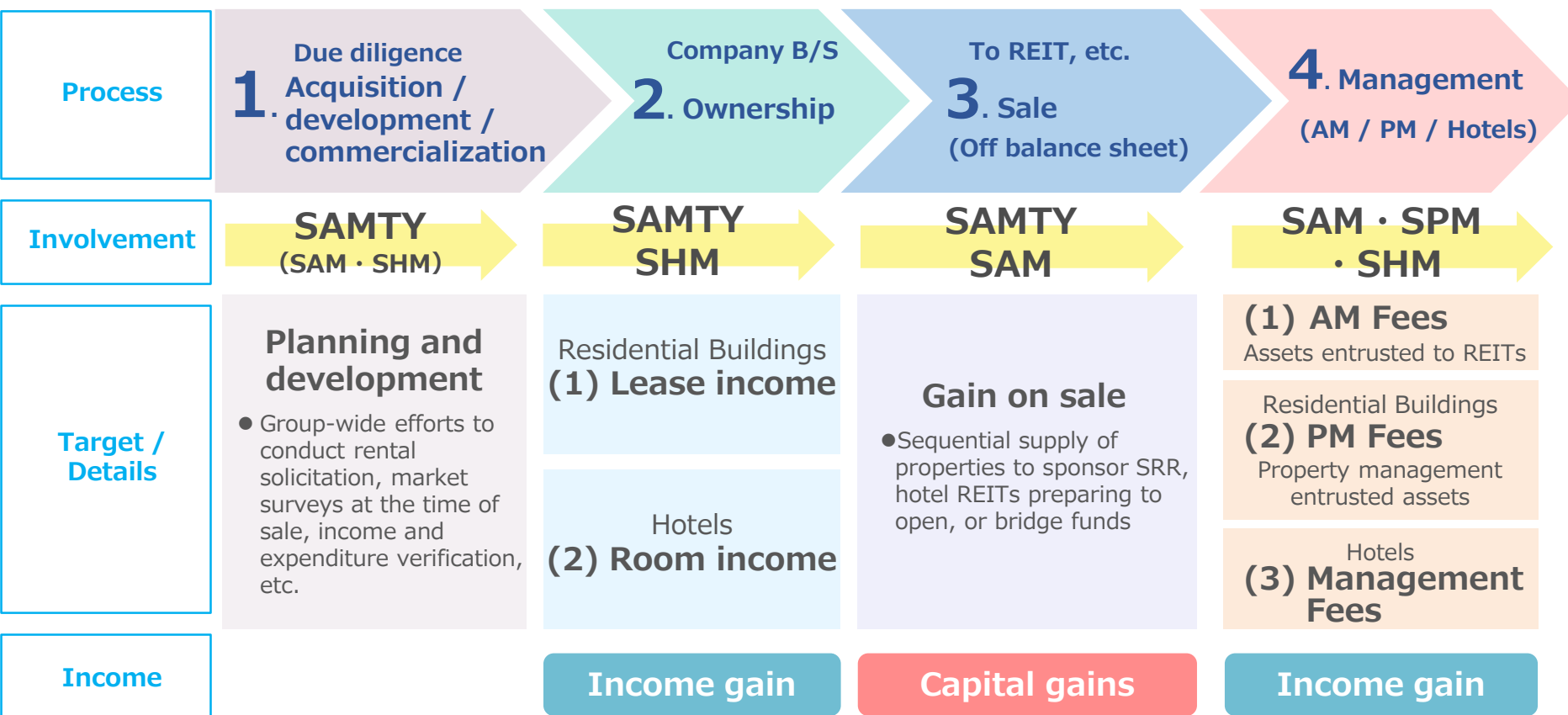


Note: The breakdown is calculated based on the deduction of general and administrative expenses not attributable to a reporting segment.

Capital gains Gain on trading from investment

Income gain Continuous income obtained from owned assets

- Promote business as an asset-holding type developer that owns completed properties for about three years.
- In addition to earning profits as a rental asset of the Company before completion, continuous profits (income gain) can be obtained in the form of AM / PM fees and management fees through Group companies even after the sale to a REIT.



(Abbreviations)

SAM Samty Asset Management, **SHM** Samty Hotel Management

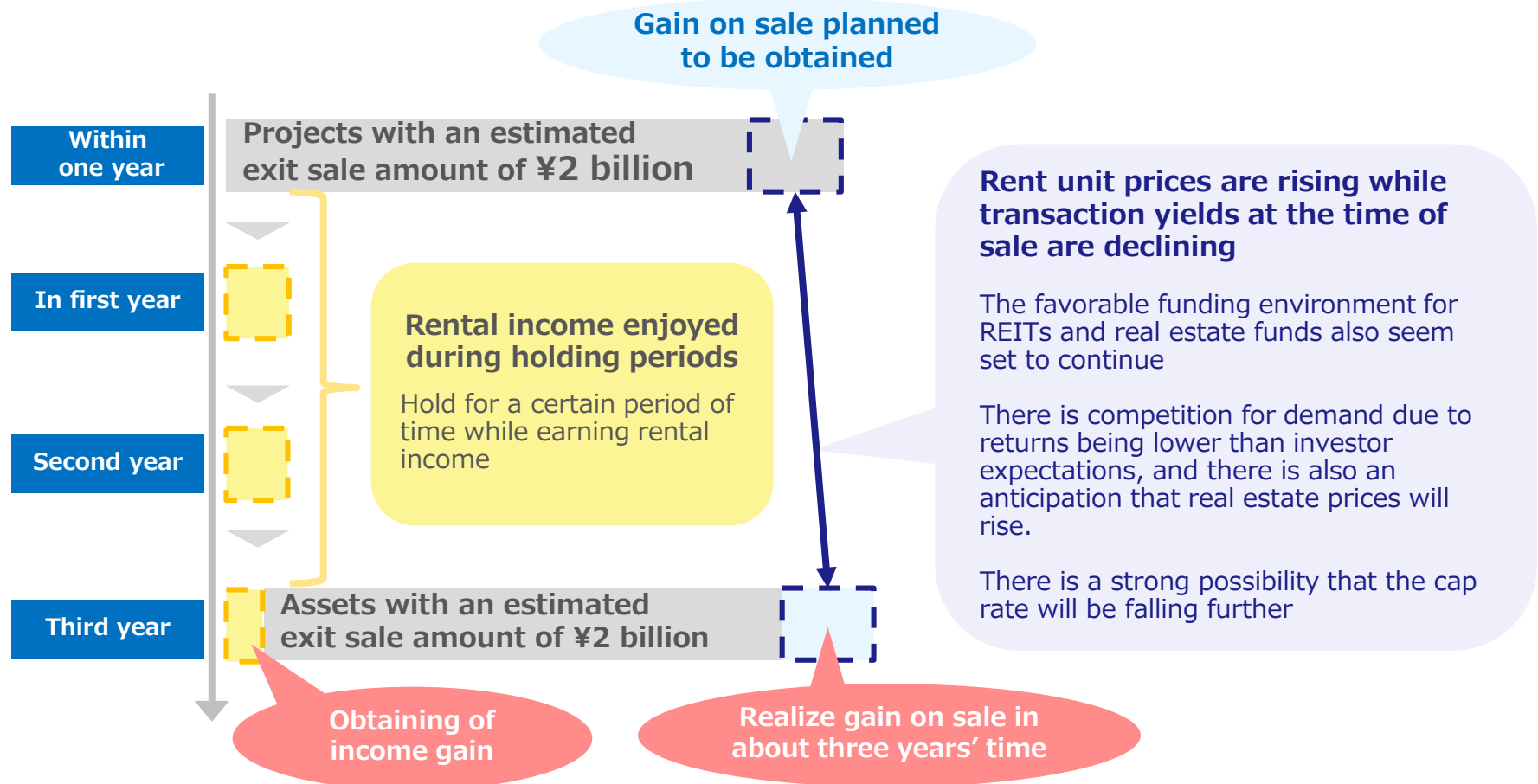
SPM Samty Property Management, **SRR** Samty Residential Investment Corporation

Review of Key Strategies (1)

Switch to “Develop and Own” Business

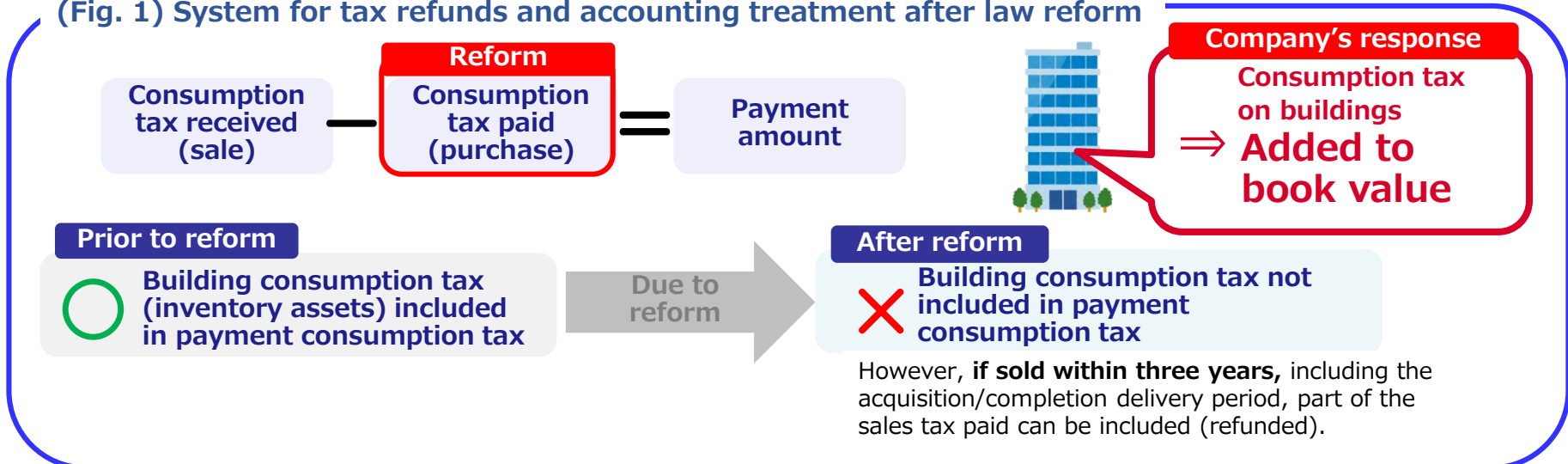
- To quickly recover investment income and obtain cash flow, the Company has been developing its business under a policy of selling completed properties (residences) promptly after leasing up.
- Going forward, taking into consideration factors that include the outlook for the selling price in the market, **we are expecting to sell properties about three years after completion.**

Graphic Representation of “Develop and Own” Business Model

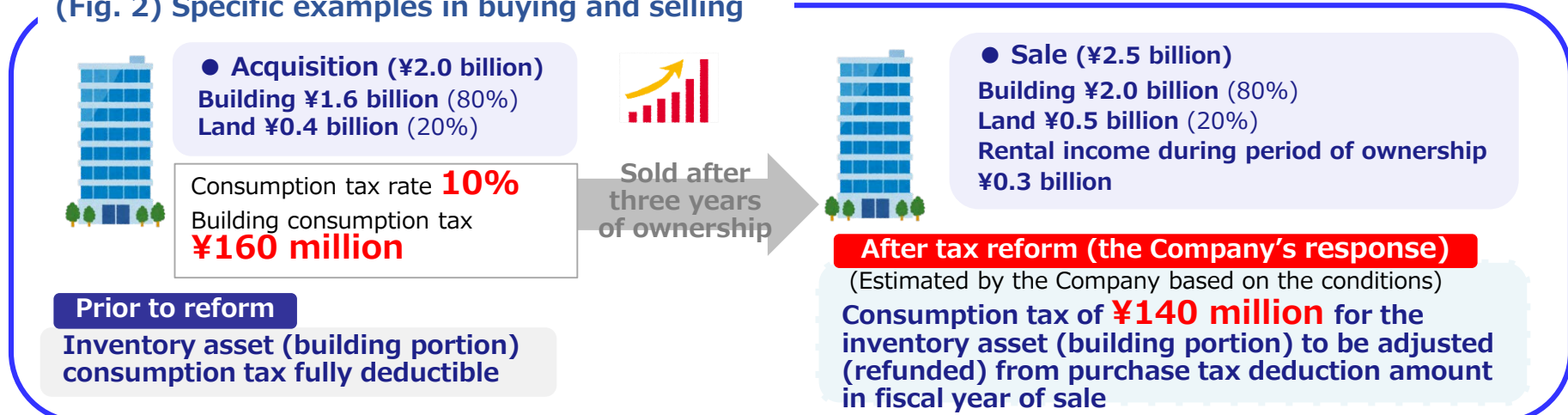


- An optimization of the purchase tax credit system for consumption tax related to the acquisition of “residential rental buildings” was carried out in the 2019 tax reform. Due to the adoption of the reform*, the housing (inventory assets) developed by the Company will **no longer be eligible for the receipt of purchase tax credits** in the fiscal year of their acquisition.

(Fig. 1) System for tax refunds and accounting treatment after law reform



(Fig. 2) Specific examples in buying and selling



* Please check the National Tax Agency website for an overview of the reform.

Review of Key Strategies (2)

**Continuation of Efforts toward
Establishment of Hotel REIT**

- Striving to strengthen the profitability of existing hotels in which the Company is involved, **continuing to develop initiatives toward the establishment of a hotel REIT**
- With regard to the future development of properties, continuing to carefully select investments in anticipation of the market after demand has recovered. From the point of the hotel REIT's establishment onward, working to be able to contribute to asset accumulation from a medium- to long-term perspective

Review of Hotel Market after Ending of COVID-19 Pandemic

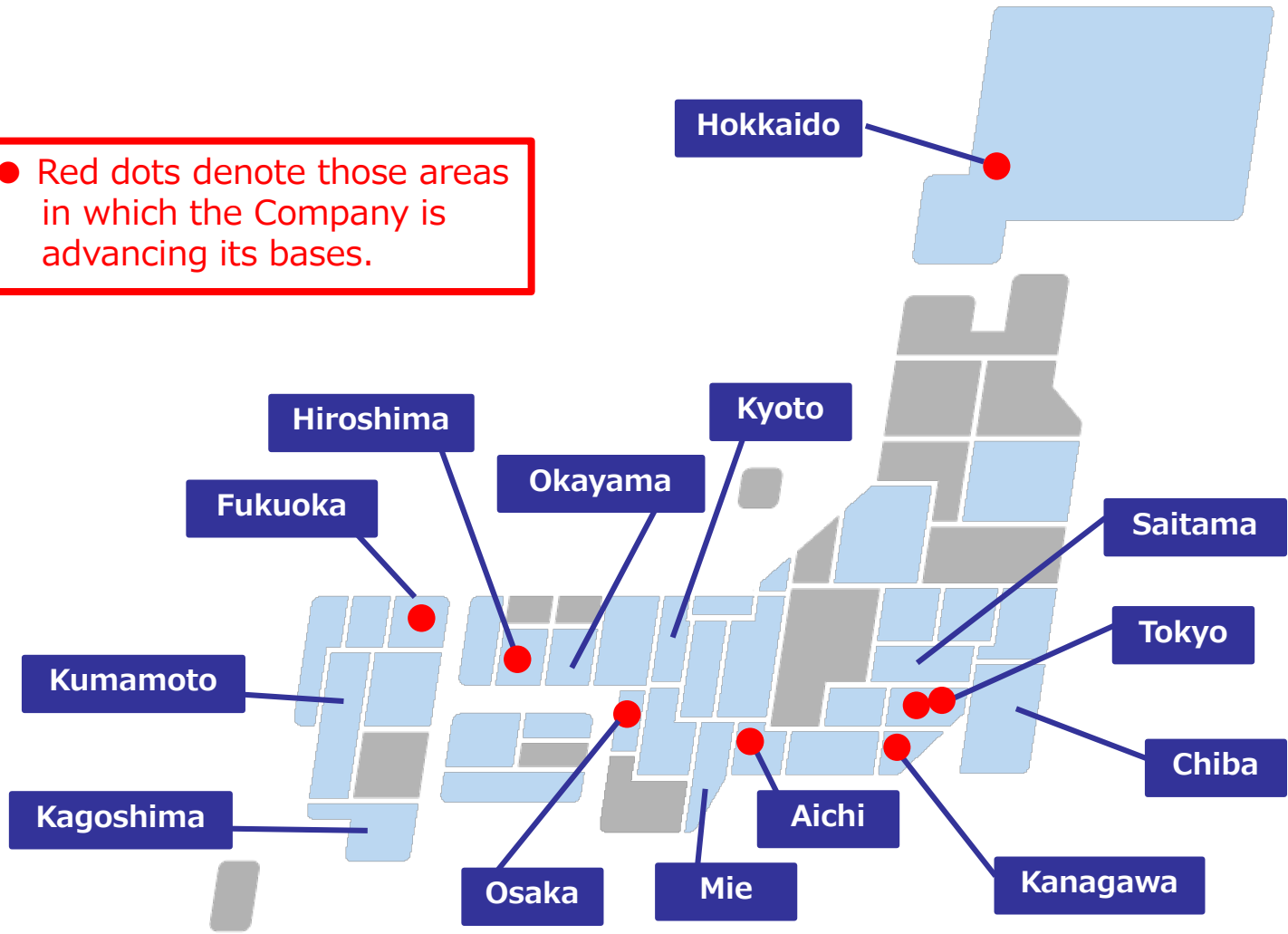
Theme	Samty Group's Awareness of Its Environment	Specific Moves
Investment Environment	<ul style="list-style-type: none"> ✓ Consumer needs and lifestyles changed by the COVID-19 pandemic 	<ul style="list-style-type: none"> ✓ Shakeout and selection process of players that invest in hotels ✓ Differences in operator management capabilities become more apparent ✓ Decrease in newly opened hotels
Demand Recovery	<ul style="list-style-type: none"> ✓ Due to the decrease in the number of people infected, there is sure to be heightened awareness of domestic travel among the Japanese. ✓ Demand for visits to Japan brought about by the relaxation of immigration restrictions will eventually turn into a recovery trend. 	<ul style="list-style-type: none"> ✓ Vaccination programs become more widespread ✓ Recovery in demand for domestic travel ✓ The desire of overseas travelers to visit Japan remains high ✓ Great expectations for a resurgence in inbound demand
Continuation of Support from Government	<ul style="list-style-type: none"> ✓ The government is expected to continue its support for the tourism industry and to improve the environment for accepting foreign tourists visiting Japan, and thus the expectations for a revival of the market are high. 	<ul style="list-style-type: none"> ✓ Resumption of demand stimulus measures by Japanese government ✓ Policies to realize a tourism-oriented Japan ✓ Economic development of Asian countries (Increase in high net-worth segment, etc.)

Review of Key Strategies (3)

**Continuation of Strategic Investment
in Regional Metropolitan Areas**

- Boasting a track record of investment in 34 of Japan's prefectures (shown in blue), Samty will continue to closely monitor demand and expand investment in the regions.
- On a nationwide basis, we are developing rental condominiums in major cities in the 14 areas shown below by their prefecture names.
- The Company will expand its stable rental income by accelerating the pace of development and owning properties for a certain period of time after their completion.

● Red dots denote those areas in which the Company is advancing its bases.



Review of Key Strategies (4)

Building a Profit Base in Overseas Business

- Taking full advantage of business conducted jointly with VINHOMES, we will leverage the know-how that the Group has cultivated over many years and expand overseas business as the Group's growth driver on the premise of enjoying overseas growth potential.
- In our domestic business, we will move toward earning income gain (stable profit) in accordance with our policy of transforming the profit structure, so that the visual representation of profit for overseas business expansion will be as shown in the figure below.

Graphic Representation of Profit Acquisition

(Domestic Business)

Income gain obtained from assets held **increases**



Capital gain temporarily **decreases** in accordance with expansion of assets held

Structural transformation

(Overseas Business)

Capital gain generated from investments in properties **increases**



Supplementing the profit from the decrease in capital gains in the domestic business

Domestic Residential Houses for Sale Market (2020)

- ✓ Japan's GDP growth rate forecast is minus 5.6%. The ongoing situation is of not being able to escape from the decline brought about by the COVID-19 pandemic. It is assumed that the birth rate will thus continue to fall and trigger further declines in the population.
- ✓ The number of newly built condominiums supplied in the Tokyo metropolitan area was 24,000 units and 14,000 units in the Kinki region (both down 20% year on year). The impact of the COVID-19 pandemic resulted in the number in the Tokyo metropolitan area temporarily falling below the 30,000 unit level.

Sources: Bank of Japan, Real Estate Economic Institute Co., Ltd.

In contrast, in the Southeast Asia market,

Market for Residential Houses for Sale in ASEAN Region

- ✓ **Middle-income demographic segments are increasing rapidly and urban populations exploding,** thus high demand for housing is being forecast
- ✓ Benefits for business from local tax rates

Under the Samty Toughening Plan (Post-COVID Version),
we will build a solid business foundation by continuously earning stable profits to replace the domestic market, which is set to enter a period of economic stagnation in the years ahead.

→ **Facing the challenges of overseas business are the key to Samty's expansion**

Decided to enter residential homes for sale development business in ASEAN region
(Objectives) Continuous flow of revenue and acquisitions of new business portfolios

Targeting robust overseas housing demand, deeply cultivating the development of residential homes for sale as a focus field while enjoying overseas growth potential

- While countries around the world, including Japan, are forecasting negative growth, we plan to take measures with a focus on the aftermath of the COVID-19 pandemic by entering a larger market in the new normal world.

Vietnam's Growth Potential

- ✓ **Expected to continue to show the largest economic growth among the major ASEAN countries over the next few years**
Succeeded in containing COVID-19 infections at an early stage. Underpinned by active investment activities that accompany strong private consumption and the relocation of manufacturing bases brought about by the friction between the United States and China.
(GDP growth rate for 2019 **7.0%** (estimate), for 2020 **2.8%** (forecast)
In the 2021 forecast, growth expected to substantially recover (to approx. **6.0%**))
- ✓ **Has by far the highest growth rate of middle-income segments and major urban populations**
(Middle income segment growth rate **17.0%**, rate of population growth in city of Hanoi **3.3%**
→ An attractive environment for housing development business geared toward the middle class)



Sources: The World Bank, JETRO

1. Reduction of development risk by collaborating with leading local developers

A housing loan tie-up with a major local bank enables the use of housing loans according to the progress of construction and makes it possible to improve fund efficiency by the earlier recovery of funds.

2. Benefits of local tax rates

The corporate tax rate is 20%, and high investment returns can be expected when compared with domestic business.

Investment Plan

- Prior to the review, the total investment amount under the medium-term plan over the three years (2019–2021) was about ¥300 billion. Approx. 80% of the target had been achieved after two years.
- Focusing on its achievement and beyond, **we will expand and execute new plans from 2021**. We have formulated a rolling plan by means of the post-COVID version.
- As a new theme we have set investment targets for overseas business.

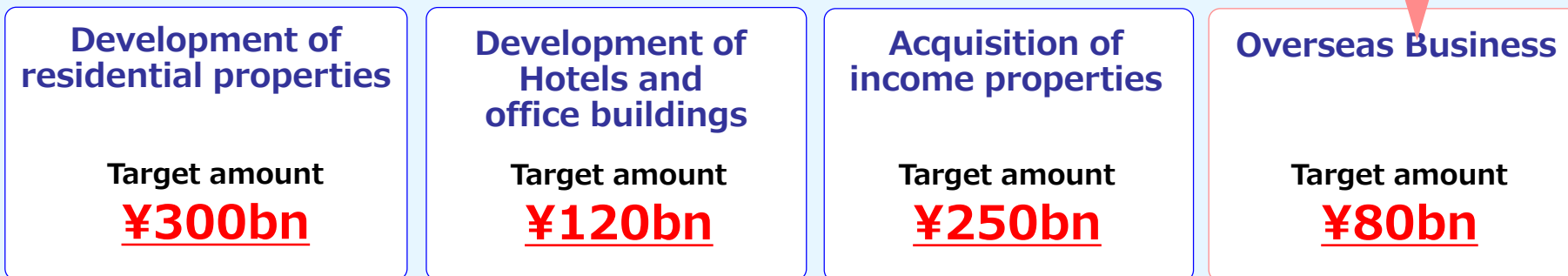
Target when previous investment plan formulated **Approx. ¥300 billion**
 (¥242.7 billion over two years, progress rate of 80.9%)



(Note) The results of each of the abovementioned properties include figures for completed properties and those planned for completion.

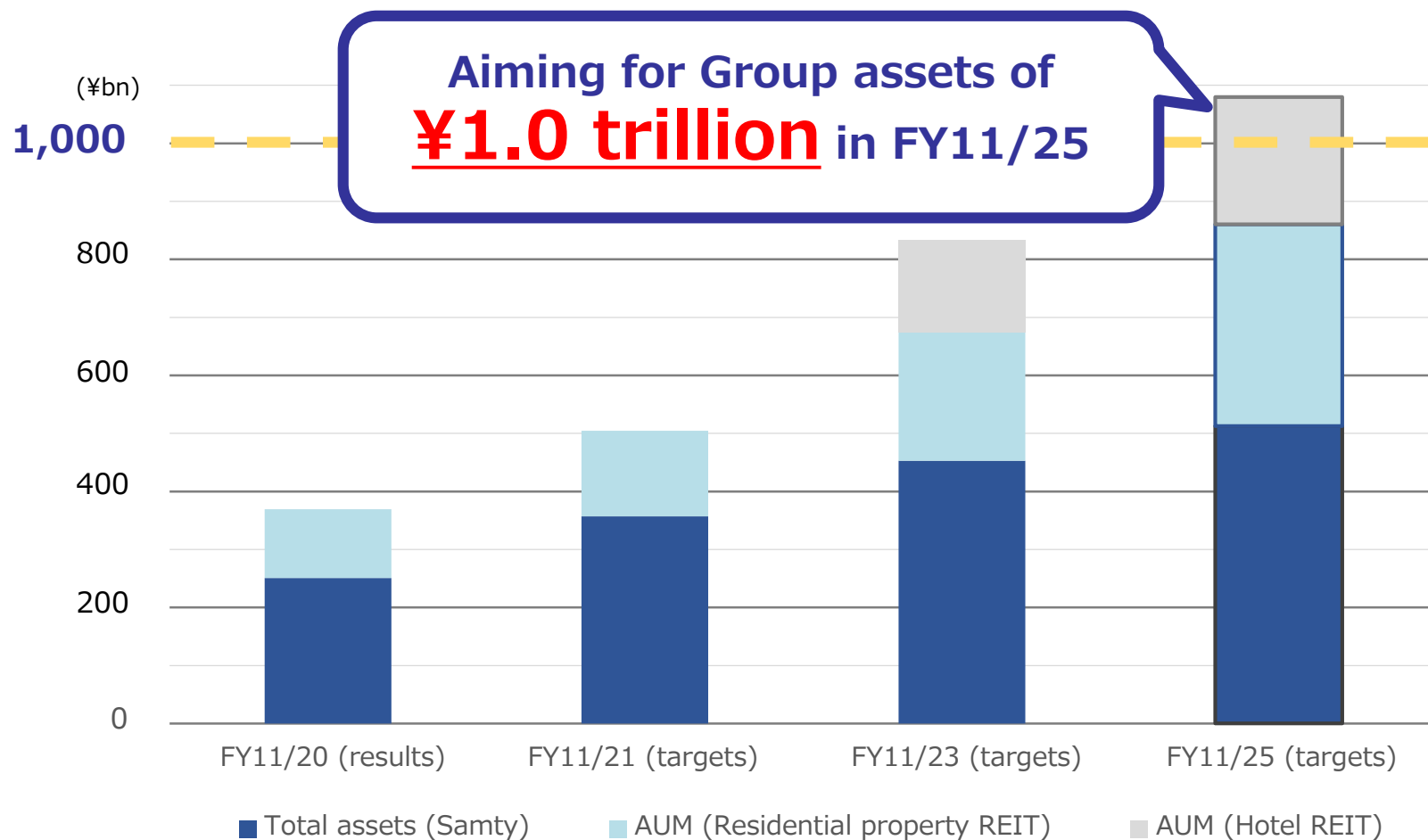
Investment plan targets from 2021 to November 2025 **Approx. ¥750 billion**

New theme added

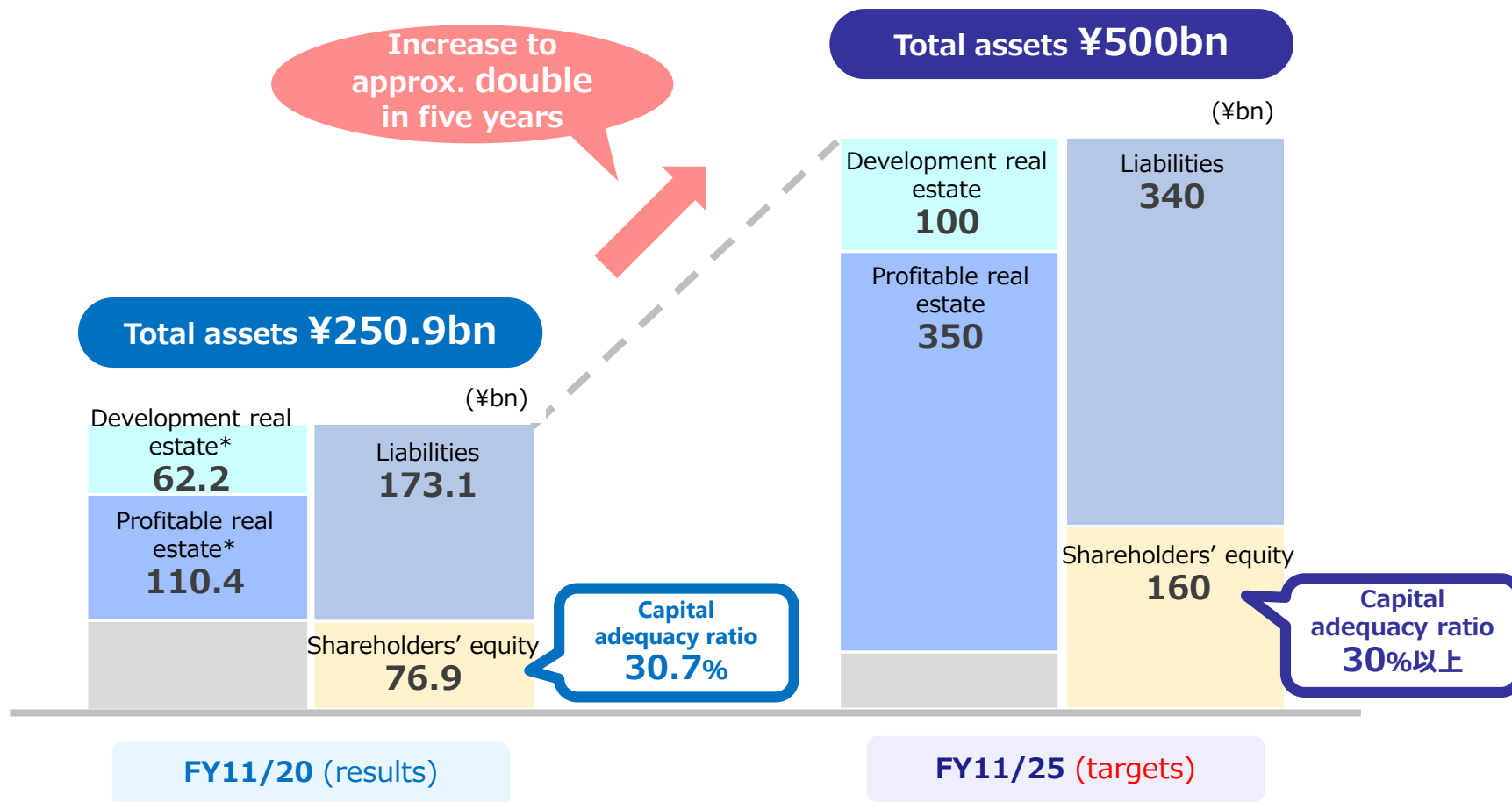


- By promoting the ownership of completed properties by the transformation of the revenue structure, we are expanding stable revenue sources and working on income gain expansion. We are aiming for Group assets of ¥1.0 trillion* by 2025

Note on Group assets: These are calculated by adding the total assets of the Company + the balance of REIT AUM (assets under management) managed by the Group's AM company (SAM)



- Formulate B/S target indicators for the revised plan to promote reform of the revenue base while maintaining asset efficiency and financial soundness. Promote optimal business management to achieve Group assets of ¥1.0 trillion.



* Notation of asset items
Development real estate
Profitable real estate

Real estate for sale in process and fixed assets classified as development properties
 Real estate for sale and fixed assets (excluding those classified as development properties)

This document includes forecasts of future business performance and statements concerning development plans, numerical targets, etc.

These statements are based on the information available at the time of preparation and certain subjective assumptions we have made that depend on uncertain factors. As such, they are subject to underlying risks and uncertainties.

There is no guarantee that these statements will match future events.

Actual results could differ from the projections made within this document due to changes in economic conditions, market trends, the business environment and other factors.

Moreover, while utmost care has been taken in the preparation of this document, we cannot guarantee the novelty, validity, usefulness, suitability for a specific purpose, function or safety of every item within.

Thank you for your understanding.

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Any investment decision is to be made at your own discretion.

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The main logo for SAMTY, consisting of the word "SAMTY" in a bold, black, serif font. The text is overlaid on two diagonal brushstrokes: a blue one on the left and a purple one on the right, both pointing towards the top right.