

January 6, 2021

Flash Report (Consolidated Basis)
Results for the year ended November 30, 2020
(Based on Japanese GAAP)

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

Representative

Title: Representative Director and President

Name: Yasuhiro Ogawa

Contact Person

Title: Executive Officer, General Manager of Business Administration Division

Name: Yoshikazu Hirayama Telephone: +81-3-5224-3139

Date of Annual Shareholders Meeting (Scheduled): February 25, 2021

Start of dividend payments (Planned): February 26, 2021

Submission of securities report (Planned): February 26, 2021

Supplemental explanatory material prepared: Yes

Results briefing held: Yes (for institutional investors and analysts)

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

1. Consolidated Results for the Fiscal Year Ended November 2020 (FY11/20)
(December 1, 2019 to November 30, 2020)

(1) Consolidated Operating Results

Years ended November 30

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2020	101,120	18.2	17,355	12.6	15,247	15.6	10,615	9.0
2019	85,552	1.5	15,417	9.9	13,193	13.4	9,740	14.7

Note: Comprehensive Income: Year ended November 30, 2020: ¥10,199 million, (0.7%);
 Year ended November 30, 2019: ¥10,266 million, 18.4%

	Net income per share	Net Income per share after adjustment for residual shares	Return on equity	Ordinary income-to-total assets ratio	Operating margin
	Yen	Yen	%	%	%
2020	261.23	227.88	14.3	6.5	17.2
2019	247.11	228.51	14.7	6.9	18.0

(Reference) Equity in earnings (losses) of affiliated companies: Year ended November 30, 2020: ¥ — million,
 Year ended November 30, 2019: ¥ — million

(2) Consolidated Financial Condition

At November 30

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2020	250,864	77,699	30.7	1,907.51
2019	218,803	71,627	32.5	1,734.72

(Reference) Total shareholders' equity: November 30, 2020: ¥77,028 million, November 30, 2019: ¥71,027 million

(3) Consolidated Cash Flows

Years ended November 30

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financial activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2020	11,958	(31,815)	17,488	41,724
2019	4,425	(53,337)	48,683	44,102

2. Dividends

Years ended/ending November 30

Record date	Dividends per share					Total amount of dividends (for the entire fiscal year) Millions of yen	Payout ratio %	Dividends-to-net assets ratio %
	Feb. 28	May 31	Aug. 31	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen			
2019	—	35.00	—	44.00	79.00	3,173	32.0	4.7
2020	—	38.00	—	44.00	82.00	3,310	31.4	4.5
2021 (Forecast)	—	38.00	—	44.00	82.00		27.2~30.5	

3. Forecasts for Fiscal Year Ending November 30, 2021

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	76,600~92,200	(24.2)~(8.8)	8,100~11,800	(53.3)~(32.0)	11,600~15,400	(23.9)~1.0

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Fiscal year	10,700~12,000	0.8~13.0	264.97~297.16

Note: Consolidated earnings forecasts for the fiscal year ending November 2021 are presented in a range format. For details, see "1. Summary of Business Results, (4) Future Outlook" on P5 of the accompanying material.

Notes

- (1) Significant changes in subsidiaries during the subject fiscal year: None
 (Changes in specified subsidiaries related to a change in the scope of consolidation)
 Additions: (—) Deletions: (—)

- (2) Changes in accounting policies, changes in accounting estimates, restatements
 1) Changes in accounting policies due to revision of accounting standards: None
 2) Changes in accounting policies other than 1) above: Yes
 3) Changes in accounting estimates: None
 4) Restatements: None

Note: For details, see “3. Consolidated Financial Statements and Main Explanatory Notes, (5) Notes Relating to the Consolidated Financial Statements (Changes in Accounting Policies)” on P18 of the accompanying material.

- (3) Number of shares issued and outstanding (common share)

1) Number of shares issued and outstanding (including treasury stock)	Year ended November 30, 2020	41,020,140 shares	Year ended November 30, 2019	40,946,240 shares
2) Number of treasury stock	Year ended November 30, 2020	638,412 shares	Year ended November 30, 2019	1,659 shares
3) Average number of shares outstanding for each period (cumulative term)	Year ended November 30, 2020	40,637,582 shares	Year ended November 30, 2019	39,420,025 shares

(Reference) FLASH REPORT (NON-CONSOLIDATED BASIS)

1. Non-Consolidated Results for the Fiscal Year Ended November 2020 (FY11/20)

(December 1, 2019 to November 30, 2020)

(1) Non-Consolidated Operating Results

Years ended November 30

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2020	96,629	19.8	16,492	11.4	14,369	(1.8)	9,980	(12.7)
2019	80,635	7.3	14,799	(15.8)	14,635	(5.5)	11,435	(2.3)

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
2020	245.60	214.25
2019	290.08	268.25

(2) Non-Consolidated Financial Condition

At November 30

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2020	241,519	74,385	30.8	1,842.07
2019	212,055	68,985	32.5	1,684.86

(Reference) Total shareholders' equity: November 30, 2020: ¥74,385 million, November 30, 2019: ¥68,985 million

* This flash report is not subject to auditing by a certified public accountant or audit firm.

* Explanation regarding the appropriate use of results forecasts, and other items of note

- Results forecasts and other forward-looking statements contained in this report are based on information available to the Company at the time of disclosure, and certain assumptions the Company considers reasonable. Actual results may vary considerably due to a variety of factors.
- The Company plans to hold an explanatory meeting for institutional investors and analysts on January 28, 2021.

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1. Summary of Business Results

(1) Summary of Business Results for the Subject Period

During the subject fiscal year, the Japanese economy faced an uncertain outlook as a result the global spread of the coronavirus pandemic from the start of the fiscal year. However, certain countries have begun administering vaccines, raising expectations that conditions will begin to return to normal.

In Samty Group's main industry of real estate, residential apartments were less affected by economic trends and the coronavirus pandemic, with occupancy rates and rent levels firm, and both sales prices and rental conditions rising steadily. For office buildings, there has so far been no acute worsening of conditions. In B-to-B real estate sales, Samty Group's main form of transaction, the impact from COVID-19 has been limited. The financial system is stable, and growth has been steady on the back of globally low interest rates. The purchase price of development sites is also showing no indication of price adjustments.

Under such conditions, while Samty Group had planned to establish a hotel REIT, considering the current business conditions, the establishment of a REIT and the sales period for hotels was deferred until the next fiscal year, and replaced by properties planned for sale, mainly residential apartments and office buildings. Revised earnings forecasts accounting for the replacement were announced in July 2020. However, because of the difficulty in accurately predicting the impact from the coronavirus, the Company presented a forecast range envisioning several different scenarios.

As a result, for the subject fiscal year, figures for net sales, ordinary income, and profit attributable to owners of parent exceeded initial estimates. Net sales amounted to ¥101,120 million (up 18.2% from the previous fiscal year), with operating income of ¥17,355 million (up 12.6%), ordinary income of ¥15,247 million (up 15.6%), and profit attributable to owners of parent of ¥10,615 million (up 9.0%).

Of the amount for fixed costs at hotels where the occupancy rate dropped sharply, Samty Group recorded as an extraordinary loss ¥101 million in fixed expenses from hotels subject to temporary closure.

Results by Business Segment

a. Real Estate Business

The Real Estate business comprises the planning, development, and sales of real estate properties, including the Samty brand S-RESIDENCE series, as well as the planning, development, revitalization and sales of income properties and other real estate.

During the subject fiscal year, properties sold in lots were, as the "S-RESIDENCE" series, "S-RESIDENCE Asahigaoka" (Chuo-ku, Sapporo-shi), "S-RESIDENCE Kamata" (Ota-ku, Tokyo), "S-RESIDENCE Akabane" (Kita-ku, Tokyo), "S-RESIDENCE Kurokawa II" (Kita-ku, Nagoya-shi), "S-RESIDENCE Nishitenma Grand Jour" (Kita-ku, Osaka-shi), and "S-RESIDENCE Nishinagahori" (Nishi-ku, Osaka-shi), and as income-generating apartments, "KURAMAE214" (Taito-ku, Tokyo), "SAMTY Yuurin Camarade" (Shimogyo-ku, Kyoto-shi), "SAMTY Nakoji" (Amagasaki-shi, Hyogo), "SAMTY Towers Atago" (Nishi-ku, Fukuoka-shi), and "S-GLANZ Osaka Doshin" (Kita-ku, Osaka-shi). Properties sold in lots were "STAGE FIRST Shin-Okachimachi II (Taito-ku, Tokyo). Office buildings sold were "S-BUILDING Sapporo Odori" (Chuo-ku, Sapporo-shi) and "S-BUILDING Shin-Osaka" (Yodogawa-ku, Osaka-shi), while hotel

assets sold were “Ibis Styles Nagoya*1” (Nakamura-ku, Nagoya-shi) and “Mercure Kyoto Station*2” (Shimogyo-ku, Kyoto-shi). The Company also sold other facilities.

As a result, net sales in the Real Estate Business segment amounted to ¥90,026 million (up 20.4% YoY), with operating income of ¥18,897 million (up 9.3%).

- *1. The sale of “Ibis Styles Nagoya” was conducted through transfer of land, based on a trust beneficiary right transfer contract concluded on February 26, 2020. Of note, construction was completed in July 2020, and the hotel opened in November 2020.
- *2. The sale of “Mercure Kyoto Station” was conducted through transfer of land, based on a trust beneficiary right transfer contract concluded on May 31, 2019. Of note, the transfer of land was completed in the previous fiscal year.

b. Property Leasing Business

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

The Samty Group continued its efforts to expand its area of business operations and strengthen purchasing of income properties, including acquiring “SAMTY Higashi kuyakusho mae” (Higashi-ku, Sapporo-shi), “SAMTY Tower N26” (Kita-ku, Sapporo-shi), “SAMTY Maruyama Residence” (Chuo-ku, Sapporo-shi), “SAMTY Kita-Umeda RIVE” (Kita-ku, Osaka-shi), “SAMTY Nishi-Umeda Glorie” (Kita-ku, Osaka-shi), “SAMTY Namba Grace” (Naniwa-ku, Osaka-shi), “SAMTY Shukugawa Residence” (Nishinomiya-shi, Hyogo), “SAMTY Funairi II” (Naka-ku, Hiroshima-shi), “SAMTY Residence Hakataekiminami” (Hakata-ku, Fukuoka-shi), “SAMTY Tenjin-minami” (Chuo-ku, Fukuoka-shi), “SAMTY Suwajinja-mae” (Nagasaki-shi, Nagasaki), “SAMTY Gohuku Residence” (Chuo-ku, Kumamoto-shi), “SAMTY Minami-Kagoshima” (Kagoshima-shi, Kagoshima), “PALWISH Tama-plaza” (Miyamae-ku, Kawasaki-shi), and “RESIDENCIA Meiekiminami” (Nakamura-ku, Nagoya-shi).

As a result, net sales in the Property Leasing Business segment amounted to ¥8,243 million (up 23.7% YoY), with operating income of ¥3,780 million (up 53.5%).

c. Other Business

Other business operations comprise the hotel business, including the holding and operating of “S-PERIA Hotel Kyoto” (Shimogyo-ku, Kyoto-shi), “Ibis Styles Nagoya*1” (Nakamura-ku, Nagoya-shi), “NEST Hotel Hiroshima Hatchobori” (Naka-ku, Hiroshima-shi), “NEST Hotel Hiroshima ekimae” (Minami-ku, Hiroshima-shi), and “Center Hotel Tokyo” (Chuo-ku, Tokyo), and the management of “S-PERIA INN Nihombashihakozaki” (Chuo-ku, Tokyo), “S-PERIA INN Osakahommachi” (Nishi-ku, Osaka-shi), “S-PERIA Hotel Hakata” (Hakata-ku, Fukuoka-shi), “S-PERIA Hotel Nagasaki” (Nagasaki-shi, Nagasaki), “Mercure Kyoto Station” (Shimogyo-ku, Kyoto-shi), and “Hotel Sunshine Utsunomiya” (Utsunomiya-shi, Tochigi). The Company also has a condominium management business and construction / renovation business.

As a result, net sales in the Other Business segment amounted to ¥2,850 million (down 30.4% from the same period of the previous fiscal year), with an operating loss of ¥460 million (compared to operating income of ¥75 million in the same period of the previous fiscal year).

*1. The land for “Ibis Styles Nagoya” was sold and transferred based on a trust beneficiary right transfer contract concluded on February 26, 2020, while the Company retains the structure portion.

(2) Summary of Financial Position for the Subject Period

Assets

Total assets at the end of the subject fiscal year amounted to ¥250,864 million, an increase of ¥32,060 million compared to the end of the previous fiscal year. Of this amount, current assets increased ¥36,179 million to ¥158,608 million, while non-current assets decreased ¥4,118 million to ¥92,255 million. The main factor for the increase in current assets was an increase of ¥29,627 million in real estate for sale. The main factors for the decrease in non-current assets were a decrease of ¥6,481 million in net property and equipment; against an increase of ¥2,391 million in investments and other assets.

Liabilities

Total liabilities at the end of the subject fiscal year amounted to ¥173,164 million, an increase of ¥25,988 million compared to the end of the previous fiscal year. Of this amount, current liabilities increased ¥16,915 million to ¥39,497 million, while non-current liabilities increased ¥9,072 million to ¥133,666 million. The main factor for the increase in current liabilities was an increase of ¥14,568 million in short-term borrowings. The main factors for the increase in non-current liabilities were increases of ¥4,181 million in long-term debt; and ¥5,000 million in bonds.

Net Assets

Total net assets at the end of the subject fiscal year amounted to ¥77,699 million, an increase of ¥6,071 million compared to the end of the previous fiscal year. This was due mainly to an increase of ¥10,615 million in retained earnings from the recording of profit attributable to owners of parent, against a decrease of ¥3,335 million in retained earnings from payment of dividends; an increase of ¥880 million in treasury shares due to the acquisition of treasury shares; and a decrease of ¥454 million in valuation difference on available-for-sale securities stemming from the market value of held shares.

(3) Summary of Cash Flows for the Subject Period

Cash and cash equivalents (“cash”) at the end of the subject period amounted to ¥41,724 million, a decrease of ¥2,377 million compared to the end of the previous fiscal year. This was the result of ¥11,958 million in net cash provided by operating activities; ¥31,815 million in net cash used in investing activities; and ¥17,488 million in net cash provided by financing activities.

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

Cash Flow from Operating Activities

Net cash provided by operating activities amounted to ¥11,958 million (compared to ¥4,425 million in cash used in the previous fiscal year). This was due mainly to ¥15,342 million in profit before income taxes; ¥2,007 million in interest paid; and ¥2,050 million in income taxes paid.

Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥31,815 million (compared to ¥53,337 million in cash used in the previous fiscal year). This was due mainly to ¥28,745 million in purchase of property, plant and equipment; and ¥3,340 million in purchase of investment securities.

Cash Flow from Financing Activities

Net cash provided by financing activities amounted to ¥17,488 million (compared to ¥48,683 million in cash provided in the previous fiscal year). This was due mainly to ¥30,023 million in proceeds from short-term borrowings; ¥15,455 million in repayments of short-term borrowings; ¥65,861 million in proceeds from long-term borrowings; ¥63,372 million in repayments of long-term borrowings; ¥5,000 million in proceeds from issuance of bonds; and ¥3,334 million in dividends paid.

(Reference) Cash flow-related indicators

Years ended November 30

	2016	2017	2018	2019	2020
Capital ratio (%)	23.1	23.4	37.9	32.5	30.7
Capital ratio at market value (%)	17.9	25.1	35.5	39.1	26.6
Ratio of interest-bearing debt to cash flow (years)	20.3	9.9	2.8	29.6	12.8
Interest coverage ratio (times)	2.9	8.0	22.7	3.1	6.0

Notes

- All indices are on a consolidated basis, calculated according to the following formulas:
Capital ratio: Owned capital / Total assets
Capital ratio at market value: Total market value of stocks / Total assets
Ratio of interest-bearing debt to cash flow: Interest-bearing debt / Operating cash flow
Interest coverage ratio: Operating cash flow / Interest payments
- The total market value of stocks is calculated by multiplying the market value at end of term by the number of issued shares at end of term (after deduction of treasury stock).
- “Operating cash flow” and “interest payments” are the figures for “Net cash provided by (used in) operating activities” and “Interest payable” in the Consolidated Statements of Cash Flows. “Interest-bearing debt” refers to all debts listed in the Consolidated Balance Sheets on which interest is paid.

(4) Future Outlook

Countries around the world are developing vaccines to counter the coronavirus pandemic, and distribution has begun in certain countries. Samty Group believes that the situation will ease with the practical application of vaccines and therapeutic medications around the world, and that social and economic activity will begin to return to normal.

Looking ahead, for the postponed hotel REIT, the Company plans to carefully observe the external business environment and proceed with the plan. In addition, as announced in “Notice of Start of Housing Development Business in Hanoi, Vietnam, and Transfer of Subsidiary (Second-tier Subsidiary)” released on December 21, 2020, the Company has agreed to jointly operate a housing development business in Hanoi, Vietnam with the local firm Vinhomes Joint Stock Company, in an effort to further expand its overseas business operations.

For the fiscal year ending November 2021, the Company is forecasting net sales of between

¥76,600 million and ¥92,200 million, with operating income of between ¥8,100 million and ¥11,800 million, ordinary income of between ¥11,600 million and ¥15,400 million, and profit attributable to owners of parent of between ¥10,700 million and ¥12,000 million. Samty Group expects social and economic activity to begin returning to normal around fall 2021, but because of the difficulty in accurately predicting the impact, taking into consideration such factors as the timing of when the coronavirus pandemic will subside and the schedule for establishing a hotel REIT, the Company is presenting a forecast range envisioning several different scenarios.

2. Basic Stance on Selection of Accounting Standards

The Samty Group, in consideration of comparability between financial periods and companies, for the present will prepare consolidated financial statements in accordance with Japanese accounting standards.

Regarding the application of International Financial Reporting Standards (IFRS), our policy is to consider of the situation in Japan and overseas and take appropriate measures.

3. Consolidated Financial Statements and Main Explanatory Notes

(1) Consolidated Balance Sheets

November 30

	Millions of yen	
	2019	2020
ASSETS		
Current assets:		
Cash and deposits	44,918	42,511
Receivables	814	1,395
Real estate for sale	28,637	58,265
Real estate for sale under construction	46,339	42,512
Goods	1	1
Supplies	10	12
Other	1,708	13,915
Allowance for doubtful accounts	(1)	(5)
Total current assets	122,428	158,608
Non-current assets:		
Property and equipment:		
Buildings and structures	27,691	20,225
Accumulated depreciation	(1,995)	(2,390)
Buildings and structures net	25,696	17,835
Buildings in trust	8,230	4,390
Accumulated depreciation	(607)	(700)
Buildings in trust net	7,623	3,689
Land	38,721	42,482
Land in trust	5,571	3,322
Other	1,233	5,124
Accumulated depreciation	(426)	(515)
Other net	807	4,608
Net property and equipment	78,420	71,938
Intangible assets:		
Goodwill	11	10
Other intangible assets	161	133
Total intangible assets	172	143
Investments and other assets:		
Investment securities	13,224	15,835
Deferred tax assets	291	693
Other	4,318	3,711
Allowance for doubtful accounts	(53)	(66)
Total Investments and other assets	17,781	20,173
Total non-current assets	96,374	92,255
Total assets	218,803	250,864

	Millions of yen	
	2019	2020
LIABILITIES		
Current liabilities:		
Notes and accounts payable	477	381
Short-term borrowings	2,315	16,883
Current portion of long-term debt	16,387	14,715
Accrued income taxes	1,237	4,063
Other	2,163	3,452
Total current liabilities	22,581	39,497
Non-current liabilities:		
Bonds payable	—	5,000
Bonds with share acquisition rights	10,000	10,000
Long-term debt	112,224	116,406
Liabilities for retirement benefits	183	212
Guarantee deposits	1,399	1,323
Construction assistance fund	483	427
Other	303	297
Total non-current liabilities	124,593	133,666
Total liabilities	147,175	173,164
NET ASSETS		
Shareholders' equity:		
Capital stock	16,184	16,227
Capital surplus	17,938	17,985
Retained earnings	36,335	43,615
Treasury stocks at cost	(3)	(883)
Total shareholders' equity	70,455	76,945
Accumulated other comprehensive income:		
Unrealized gain on available for-sale securities	634	180
Foreign currency translation adjustment	(62)	(97)
Total accumulated other comprehensive income	571	83
Non-controlling interests	600	671
Total net assets	71,627	77,699
Total liabilities and net assets	218,803	250,864

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

Consolidated Statements of Income

Years ended November 30

	Millions of yen	
	2019	2020
Net sales	85,552	101,120
Cost of sales	60,771	73,456
Gross profit	24,781	27,664
Selling, general and administrative expenses	9,363	10,308
Operating income	15,417	17,355
Non-operating income:		
Interest income	1	1
Dividends	13	13
Gain on valuation of interest rate swaps	—	71
Penalty income	—	27
Other	19	25
Total non-operating income	34	139
Non-operating expenses:		
Interest expenses	1,445	1,884
Commission fee	704	309
Other	108	52
Total non-operating expenses	2,258	2,246
Ordinary income	13,193	15,247
Extraordinary income:		
Gain on sales of non-current assets	1,702	26
Subsidy income	—	27
Refund of consumption tax for prior periods	—	149
Total extraordinary income	1,702	203
Extraordinary loss:		
Loss on sales of non-current assets	—	7
Loss on retirement of non-current assets	13	0
Loss on impairment of long-lived assets	34	—
Loss on temporary closure	—	101
Consumption taxes for prior periods	601	—
Other	4	—
Total extraordinary losses	654	108
Income before income taxes	14,241	15,342
Income taxes-current	4,237	4,855
Income taxes-deferred	179	(201)
Total income taxes	4,417	4,654
Net income	9,824	10,688
Profit attributable to non-controlling interests	83	72
Profit attributable to owners of parent	9,740	10,615

Consolidated Statements of Comprehensive Income

Years ended November 30

	Millions of yen	
	2019	2020
Net income	9,824	10,688
Other comprehensive income:		
Unrealized gain on available for-sale securities	505	(454)
Foreign currency translation adjustment	(62)	(34)
Total other comprehensive income	442	(488)
Comprehensive income	10,266	10,199
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	10,183	10,126
Comprehensive income attributable to non-controlling interests	83	73

(3) Consolidated Statements of Changes in Net Assets

Year ended November 30, 2019 (December 1, 2018 to November 30, 2019)

	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	15,935	16,242	30,556	(1,330)	61,404
Changes of items during the period					
Issuance of new shares	248	248			497
Dividends from surplus			(3,960)		(3,960)
Profit attributable to owners of parent			9,740		9,740
Purchase of treasury shares				(4)	(4)
Disposal of treasury shares		1,447		1,331	2,779
Increase (decrease) due to increase in consolidated subsidiaries			(1)		(1)
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	248	1,696	5,779	1,327	9,051
Balance at the end of current period	16,184	17,938	36,335	(3)	70,455

	Millions of yen					
	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	Accumulated other comprehensive income			
Balance at the end of previous period	129	—	129	390	514	62,438
Changes of items during the period						
Issuance of new shares						497
Dividends from surplus						(3,960)
Profit attributable to owners of parent						9,740
Purchase of treasury shares						(4)
Disposal of treasury shares						2,779
Increase (decrease) due to increase in consolidated subsidiaries						(1)
Change in ownership interest of parent due to transactions with non-controlling interests						—
Net changes of items other than shareholders' equity	505	(62)	442	(390)	85	137
Total changes of items during the period	505	(62)	442	(390)	85	9,189
Balance at the end of current period	634	(62)	571	—	600	71,627

Year ended November 30, 2020 (December 1, 2019 to November 30, 2020)

	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	16,184	17,938	36,335	(3)	70,455
Changes of items during the period					
Issuance of new shares	43	43			87
Dividends from surplus			(3,335)		(3,335)
Profit attributable to owners of parent			10,615		10,615
Purchase of treasury shares				(893)	(893)
Disposal of treasury shares		3		12	15
Increase (decrease) due to increase in consolidated subsidiaries					—
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes of items other than shareholders' equity					
Total changes of items during the period	43	47	7,279	(880)	6,489
Balance at the end of current period	16,227	17,985	43,615	(883)	76,945

	Millions of yen					
	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	Accumulated other comprehensive income			
Balance at the end of previous period	634	(62)	571	—	600	71,627
Changes of items during the period						
Issuance of new shares						87
Dividends from surplus						(3,335)
Profit attributable to owners of parent						10,615
Purchase of treasury shares						(893)
Disposal of treasury shares						15
Increase (decrease) due to increase in consolidated subsidiaries						—
Change in ownership interest of parent due to transactions with non-controlling interests						0
Net changes of items other than shareholders' equity	(454)	(34)	(488)	—	70	(417)
Total changes of items during the period	(454)	(34)	(488)	—	70	6,071
Balance at the end of current period	180	(97)	83	—	671	77,699

(4) Consolidated Statements of Cash Flows

Years ended November 30

	Millions of yen	
	2019	2020
Operating activities:		
Income before income taxes	14,241	15,342
Depreciation	1,208	1,027
Loss on impairment of long-lived assets	34	—
Amortization of goodwill	6	0
Increase (Decrease) in net defined benefit liability	27	28
Interest and dividends income	(14)	(14)
Interest expenses	1,445	1,884
Commission fee	704	309
Foreign exchange losses (gains)	0	1
Gain on valuation of interest rate swaps	—	(71)
Penalty income	—	(27)
Subsidy income	—	(27)
Loss (gain) on sales of property, plant and equipment	(1,702)	(19)
Refund of consumption tax for prior periods	—	(149)
Loss on temporary closure	—	101
Consumption tax for prior periods	601	—
Decrease (increase) in notes and accounts receivable - trade	126	(581)
Decrease (Increase) in inventories	(197)	9,465
Increase (decrease) in notes and accounts payable - trade	(117)	(96)
Increase (decrease) in accrued consumption taxes	(1,563)	272
Increase (decrease) in lease and guarantee deposits received	363	(75)
Other-net	(1,765)	(11,298)
Subtotal	13,399	16,071
Decrease in interest and dividends receivable	14	14
Decrease in interest payable	(1,417)	(2,007)
Penalty income received	—	27
Payment for loss on temporary closure	—	(97)
Income taxes (paid) refunded	(7,572)	(2,050)
Net cash provided by (used in) operating activities	4,425	11,958
Investing activities:		
Payments into time deposits	(60)	(60)
Proceeds from withdrawal of time deposits	73	37
Purchase of property, plant and equipment	(50,675)	(28,745)
Proceeds from sales of property, plant and equipment	6,188	385
Purchase of intangible assets	(79)	(24)
Proceeds from sales of intangible assets	0	—
Purchase of investment securities	(8,800)	(3,340)
Proceeds from redemption of investment securities	104	118
Long-term loan advances	—	(130)
Payments for investments in capital	(0)	(1)
Collection of investments in capital	0	—
Payments of construction assistance fund receivables	(55)	(55)
Other-net	(34)	—
Net cash provided by (used in) investing activities	(53,337)	(31,815)

(continued on page 14)

	Millions of yen	
	2019	2020
Financing activities:		
Increase in short-term loans payable	25,622	30,023
Decrease in short-term loans payable	(25,278)	(15,455)
Proceeds from issuance of bonds	—	5,000
Proceeds from issuance of bonds with share acquisition rights	10,000	—
Proceeds from long-term loans	94,241	65,861
Repayments of long-term loans	(53,832)	(63,372)
Proceeds from issuance of common shares	1	—
Proceeds from disposal of treasury shares	2,779	—
Purchase of treasury shares	(4)	(893)
Dividends paid	(3,957)	(3,334)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(2)
Other-net	(888)	(339)
Net cash provided by (used in) financing activities	48,683	17,488
Effect of exchange rate change on cash and cash equivalents	(0)	(8)
Net increase (decrease) in cash and cash equivalents	(230)	(2,377)
Cash and cash equivalents, beginning of the period	44,080	44,102
Increase in cash and cash equivalents from newly consolidated subsidiary	251	—
Cash and cash equivalents, end of the period	44,102	41,724

(5) Notes Relating to the Consolidated Financial Statements

(Notes Relating to the Assumption of a Going Concern)

No applicable items

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

1. Items relating to the scope of consolidation

(1) Number of consolidated subsidiaries: 13

Names of consolidated subsidiaries

Hikone SC Ltd.

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.

Suntoa Co., Ltd. changed its name to Samty Hotel Management Co., Ltd. on February 27, 2020.

Ambient Garden Moriyama LLC and Ambient Garden Moriyama General Incorporated Association, which were consolidated subsidiaries in the previous consolidated fiscal year, have been excluded from the scope of consolidation due to the completion of their liquidation.

(2) Names of material unconsolidated subsidiaries

S Hotel Operations Nagoya LLC

S Hotel Operations Kyoto Horikawa LLC

S Hotel Operations Kyoto Shijo LLC

Samty Vietnam Co., Ltd.

Reason for exclusion from the scope of consolidation

The total assets, net sales, profit, retained earnings, and other figures for the four unconsolidated subsidiaries are all small amounts, and do not have a material effect on the consolidated balance sheets.

2. Items relating to the application of the equity method

In the case of all of the Company's non-consolidated subsidiaries, the impact on consolidated profit and loss and consolidated retained earnings attributable to owners of parent is minor. As there is no significant impact on the consolidated financial statements as a whole, the equity method is not applied.

3. Items relating to the fiscal year of consolidated subsidiaries

Among consolidated subsidiaries, the balance sheet date for SAMTY Asia Investments Pte. Ltd. is September 30. In the preparation of the consolidated financial statements, since the difference in the balance sheet dates is less than three months, the consolidated financial statements have been prepared based on the subject balance sheet date for the subject subsidiary. However, should material transactions occur during the period to the consolidated balance sheet date, the consolidated statements will be adjusted as necessary.

The balance sheet date of other consolidated subsidiaries is the same as the consolidated balance sheet date.

4. Items related to accounting standards

(1) Valuation standards and valuation methods for material assets

(A) Securities

Available-for-sale securities

Securities with current market value

Current market value method based on the market price on the balance sheet date. (Valuation difference is fully and directly recognized within net assets. Cost of sale is calculated using a moving average.)

Securities without current market value

The Company applies a cost method using a moving average.

(B) Derivatives

Market value method applied

(C) Inventory

Real estate for sale and real estate for sale in process

The Company applies the cost method based on actual cost. (The balance sheet value is calculated by the book value devaluation method based on decline in profitability.)

Merchandise and supplies

The Company applies the price-of-last-purchase method.

(2) Method of depreciating material depreciable assets

(A) Tangible fixed assets (excluding lease assets)

The Company and its consolidated subsidiaries apply the declining-balance method. However, with regard to buildings acquired on or after April 1, 1998 (excluding accompanying facilities), as well as buildings with accompanying facilities and structures acquired on or after April 1, 2016, the straight-line method is applied.

Main lifetime durations are as follows.

Buildings and structures 3–50 years

Trust building 8–45 years

(B) Intangible fixed assets (excluding lease assets)

The Company applies the straight-line method.

Software for use by the Company is depreciated over a useful-lifetime period of five years.

(C) Long-term prepaid expenses

The Company applies the straight-line method.

(D) Lease assets

Assets related to finance lease transactions without ownership-transfer

The lease period is deemed the useful lifetime period, and assets are depreciated using the straight-line method to a residual value of zero.

(3) 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.

(4) Method of accounting for employee retirement benefits

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

(5) Method for amortization of goodwill and amortization period

Amortization using the straight-line method over a period of 20 years

(6) Scope of funds presented in the Consolidated Statements of Cash Flows

Funds presented comprise cash on hand, demand deposits, and short-term, easily convertible, highly liquid investments involving little risk of price fluctuation, which have maturities of three months or less from the acquisition date.

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

Accounting treatment of consumption tax

The Company applies the net-of-tax method.

Non-deductible consumption tax, etc., relating to 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.

(Change in Accounting Policy)

(Change in accounting for non-deductible consumption tax, etc., related to real estate for sale)

Previously, non-deductible consumption taxes on real estate for sale were included in selling, general and administrative expenses as expenses for the consolidated fiscal year in which they were incurred. However, with regard to real estate for sale acquired after October 1, 2020, the method has been changed to include the non-deductible consumption tax, etc., in the acquisition cost of the real estate for sale.

This was reviewed in the 2020 tax reform regarding the optimization of the purchase tax credit system for consumption tax related to the acquisition of residential rental buildings, etc. Owing to the fact that the application of the purchase tax credit system (hereinafter referred to as "the tax reform") is not permitted, the tax amount for taxable purchases, etc. related to residential rental buildings to be carried out from October 1, 2020, onward was the subject of a review that was conducted of the Group's sales and purchasing policies.

In its Real Estate Business, the Group plans, develops and sells its own-brand rental condominium "S-RESIDENCE" series, etc., and renovates and sells profitable real estate. Up to now, the consumption tax on rental apartments owned by the Group for sale had been subject to purchase tax credits in whole or in part according to the taxable sales ratio. Due to the tax reform, however, the purchase tax credit system will, in principle, not be applicable to buildings that fall under the category of residential rental buildings at the time of taxable purchase after October 1, 2020, regardless of the purpose of ownership. None of the taxes on taxable purchases, etc. related to buildings, such as consumption tax, are deductible.

As a result, from October 2020, non-deductible consumption taxes on real estate for sale will increase significantly. Since it is expected to be, monetarily, a significant unavoidable cost in terms of the business concerned, the Group took the opportunity provided by the tax reform to clarify its strategy, which is intended to maximize cash flow by early sales, while conducting reviews of its sales of real estate for sale and purchasing policy.

As a result, with regard to the non-deductible consumption tax, etc., related to real estate for sale, the accounting treatment to be recorded in selling, general and administrative expenses as expenses for the consolidated fiscal year incurred so far has been changed. The Company believes that it is more rational to include this amount in the acquisition cost and make it an expense as the cost of sales corresponding to the sales in the year of sale from the viewpoint of proper period profit and loss calculation and the matching of costs and income.

The change has been applied retroactively from the beginning of the subject period. As a result, the consolidated income statement for the subject consolidated fiscal year shows that cost of sales increased by ¥43 million, selling, general and administrative expenses decreased by ¥265 million, and operating income, ordinary income, and income before income taxes all increased by ¥221 million. As the impact was minor, no retroactive adjustments have been made to the previous consolidated fiscal year.

(Change in Accounting Estimates)

Not applicable.

(Change in Presentation Methods)

(Consolidated Income Statement)

From the subject consolidated fiscal year, the method has been changed to include the refund of insurance premiums related to development projects—previously disclosed as “Refund of premium for cancelled insurance” under “Non-operating income”—under “Cost of sales”. This change was made in order to clarify the matching of cost and income and to more appropriately disclose gross profit and the actual situation of the Company’s business activities.

To reflect this change in presentation method, the Consolidated Income Statement for the previous consolidated fiscal year has been reclassified. As a result, the ¥21 million that was disclosed as “Refund of premium for cancelled insurance” under “Non-operating income” in the Consolidated Income Statement for the previous consolidated fiscal year has been reclassified as “Cost of sales.”

(Additional Information)

(Change of Holding Objective)

Owing to changes in holding objective, ¥35,298 million was transferred from tangible fixed assets to inventory.

(Impact of COVID-19 pandemic on accounting estimates)

With regard to the COVID-19 pandemic, vaccination programs have been started in some countries, and in Japan preparations are also advancing with the aim of commencing vaccination in the spring of 2021. As various economic stimulus measures are being implemented and planned, the Group has also assumed that the normalization for socio-economic activities by taking measures against the COVID-19 pandemic will last until the fall of 2021. In accounting estimates, such as write-down of inventories and impairment of fixed assets, this assumption is reflected in the estimates.

(Related to Consolidated Statement of Income)

(Loss due to temporary closures)

Following the state of emergency declaration issued by the government due to the impact of the COVID-19 pandemic, the Group temporarily closed some of its hotels. For this reason, the fixed costs (personnel costs, land rent, depreciation, etc.) incurred at hotels, etc. during the temporary closure period are recorded as extraordinary losses as loss due to temporary closures.

(Notes Related to the Consolidated Statements of Cash Flows)

Reconciliation of end-of-period balance of cash and cash equivalents with items presented on the Consolidated Balance Sheets

At November 30

	Millions of yen	
	2019	2020
Cash and deposits	44,918	42,511
Time deposits with maturities exceeding three months	(228)	(252)
Trust deposits with use restrictions	(494)	(432)
Deposits with withdrawal restrictions	(93)	(103)
Cash and cash equivalents	44,102	41,724

(Segment Information)

1. Outline of reportable segments

The Samty Group's reportable segments are those for which separate financial information is available within the Company's units of classification. To facilitate decisions on the allocation of management resources by the Board of Directors and evaluation of operating performance, the reportable segments are subject to regular review. The Company's reportable segments are the Real Estate business, Real Estate Leasing business, and Other business.

The Real Estate Business involves the planning, development, refurbishment, and sale of revenue-generating real estate, planning, the development and sale of condominiums for investment purposes, and the management of and investment in real estate investment funds. The Real Estate Leasing business involves the leasing and management of condominiums, office buildings and commercial facilities, etc. Other business includes the ownership and management of hotels, the management of condominiums, and construction and refurbishment operations.

2. Method of calculating reportable segment sales, profit, 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.

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

Fiscal year under review (December 1, 2018–November 30, 2019)

Years ended November 30

	Millions of yen					
	Reportable Segment				Adjustment (Note 1, 2, 3)	Amount Recorded on Consolidated Income Statement
	Real Estate Business	Property Leasing Business	Other Business	Total		
Net sales:						
Net sales from third parties	74,793	6,666	4,092	85,552	—	85,552
Inter-segment net sales and transfers	13	32	341	387	(387)	—
Total	74,806	6,698	4,434	85,939	(387)	85,552
Operating income (loss)	17,294	2,462	75	19,831	(4,414)	15,417
Segment assets	56,933	76,023	39,371	172,328	46,474	218,803
Other Items						
Depreciation expense	13	1,036	73	1,122	86	1,208
Increase in tangible fixed assets and intangible fixed assets	43	47,095	4,026	51,165	245	51,411

Notes

1. Adjustment to segment profit (loss) of ¥4,414 million mainly comprises intersegment eliminations of ¥56 million, and unallocated corporate expenses of (¥4,470 million). Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Adjustment to segment assets of ¥46,474 million is unallocated corporate assets. Those assets mainly comprise investment of idle funds (cash and deposits), long-term investment funds (investment securities), and assets related to corporate management.
3. Segment operating income (loss) and segment assets are both adjusted to the operating income and total assets on the consolidated income statement.

Fiscal year under review (December 1, 2019–November 30, 2020)

Years ended November 30

	Millions of yen					
	Reportable Segment				Adjustment (Note 1, 2, 3)	Amount Recorded on Consolidated Income Statement
	Real Estate Business	Property Leasing Business	Other Business	Total		
Net sales:						
Net sales from third parties	90,026	8,243	2,850	101,120	—	101,120
Inter-segment net sales and transfers	9	28	391	428	(428)	—
Total	90,035	8,272	3,241	101,549	(428)	101,120
Operating income (loss)	18,897	3,780	(460)	22,216	(4,860)	17,355
Segment assets	93,958	72,242	41,149	207,350	43,513	250,864
Other Items						
Depreciation expense	19	881	28	929	97	1,027
Increase in tangible fixed assets and intangible fixed assets	13	35,777	52	35,843	82	35,925

Notes

1. Adjustment to segment profit (loss) of (¥4,860 million) mainly comprises intersegment eliminations of ¥48 million, and unallocated corporate expenses of (¥4,909 million). Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Adjustment to segment assets of ¥43,513 million is unallocated corporate assets. Those assets mainly comprise investment of idle funds (cash and deposits), long-term investment funds (investment securities), and assets related to corporate management.
3. Segment operating income (loss) and segment assets are both adjusted to the operating income and total assets on the consolidated income statement.

(Per Share Information)

	2019	2020
Net assets per share (Yen)	1,734.72	1,907.51
Net income per share (Yen)	247.11	261.23
Diluted net income per share (Yen)	228.51	227.88

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

	2019	2020
Total net assets (Millions of yen)	71,627	77,699
Amount subtracted from total net assets (Millions of yen)	600	671
Stock options (Millions of yen)	—	—
Non-controlling interests (Millions of yen)	600	671
Net assets attributable to common stock at end of period (Millions of yen)	71,027	77,028
Number of shares of common stock at end of period (Shares)	40,944,581	40,381,728

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

	2019	2020
Net income per share		
Profit attributable to owners of parent (Millions of yen)	9,740	10,615
Amount not attributable to common stock shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to ordinary shares (Millions of yen)	9,740	10,615
Average number of outstanding shares of common stock during the year (Shares)	39,420,025	40,637,582
Diluted net income per share		
Adjustment to profit attributable to owners of parent (Millions of yen)	—	—
Additional shares of common stock (Shares)	3,207,807	5,946,717
Convertible bonds (Shares)	2,707,869	5,946,717
Stock options (Shares)	499,938	—
Outline of residual shares not included in the calculation of diluted net income per share owing to no dilutive effect	—	—

(Significant Events after the Reporting Period)

(Business combination by acquisition)

At the Board of Directors' meeting held on December 21, 2020, the Company resolved to acquire, through its subsidiary SAMTY ASIA INVESTMENTS PTE. LTD. (hereinafter "SAI"), the shares of S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY (hereinafter "S-VIN") and make it a subsidiary. A share transfer agreement was concluded on the same date, and the shares acquired on December 24, 2020.

(1) Outline of business combination

(A) Name of acquired company and details of its business

Name of acquired company: S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY

Details of business: Real estate development

(B) Main reasons for implementing business combination

In implementing the residential houses for sale business (hereinafter "the project") in Hanoi jointly with VINHOMES JOINT STOCK COMPANY (hereinafter "VHM"), the largest real estate developer in Vietnam, the Company is intending to lead the project through its SAI subsidiary by acquiring 90% of the shares of S-VIN, which is a development subsidiary of VHM and operates a residential houses for sale business.

We believe that the promotion of the project will contribute to the stability and profitability of Samty Group and to the enhancement of the Group's corporate value.

(C) Date of business combination

December 24, 2020

(D) Legal method of business combination

Stock acquisition

(E) Name after business combination

No change

(F) Ratio of voting rights acquired

Voting right ratio after acquisition 90.0%

(G) Main grounds for deciding on the acquiring company

Since the type of consideration is cash, the company that provided the cash involved, SAI, is considered the acquiring company

(2) Acquisition cost of acquired company and its breakdown

Consideration for acquisition	Cash	VND3,272,583 million
Acquisition cost		VND3,272,583 million

(3) Details and amounts of major acquisition-related costs

Not yet decided at this time

(4) Amount and cause of goodwill generated, amortization method and amortization period

Not yet decided at this time

(5) Amount of assets accepted and liabilities assumed on date of business combination and their principal breakdown

Not yet decided at this time

END