

April 13, 2020

Flash Report (Consolidated Basis)
Results for the first quarter ended February 29, 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, and General Manager of Corporate Planning Department

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Quarterly report filing date (Planned): April 13, 2020

Start of dividend payments (Planned): —

Quarterly supplemental explanatory material prepared: No

Quarterly results briefing held: No

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

1. Consolidated Results for the first quarter of FY11/20
(December 1, 2019 to February 29, 2020)

(1) Consolidated Operating Results

Three months ended February 29

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	12,587	(11.0)	4,089	26.1	3,478	26.9	2,560	23.4
2019	14,144	(28.2)	3,241	(9.9)	2,740	(9.8)	2,074	(5.3)

(Note) Comprehensive Income: Three months ended February 29, 2020: ¥1,600 million, (26.4%)
 Three months ended February 28, 2019: ¥2,173 million, (8.1%)

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
2020	62.53	54.76
2019	54.49	52.97

(2) Consolidated Financial Condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
February 29, 2020	231,710	71,425	30.6
November 30, 2019	218,803	71,627	32.5

(Reference) Total shareholders' equity: February 29, 2020: ¥70,824 million, November 30, 2019: ¥71,027 million

2. Dividends

Years ended/ending November 30

	Dividends per share				
	February 29	May 31	August 31	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2019	—	35.00	—	44.00	79.00
2020	—				
2020 (Forecast)		38.00	—	44.00	82.00

(Note) Revision of dividends forecast for this period: None

3. Forecasts for Fiscal Year Ending November 30, 2020

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	100,000	16.9	17,500	13.7	14,600	10.7

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Fiscal year	10,100	3.7	246.67

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

Notes

- (1) Significant changes in subsidiaries during the subject fiscal period: None
(Changes in specified subsidiaries related to a change in the scope of consolidation)
Additions: (—) Deletions: (—)
- (2) Application of special accounting practices in the preparation of the consolidated financial statements:
None
- (3) Changes in accounting policies, changes in accounting estimates, restatements
 - 1) Changes in accounting policies due to revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Restatements: None

(4) Number of shares issued and outstanding (common share)

1) Number of shares issued and outstanding (including treasury stock)	Three months ended February 29, 2020	40,946,240 shares	Year ended November 30, 2019	40,946,240 shares
2) Number of treasury stock	Three months ended February 29, 2020	2,211 shares	Year ended November 30, 2019	1,659 shares
3) Average number of shares outstanding for each period (cumulative term)	Three months ended February 29, 2020	40,944,263 shares	Three months ended February 28, 2019	38,063,640 shares

* Quarterly financial statements are not subject to review by certified public accountants or audit firms.

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

- Results forecasts and other forward-looking statements contained in this report are based on information available to the Company at the time of disclosure, and certain assumptions the Company considers reasonable. Actual results may vary considerably due to a variety of factors.

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1. Qualitative Information on Consolidated Results for the Three-Month Period of Fiscal 2020

(1) Explanation of Business Results

During the subject first quarter cumulative period, the Japanese economy maintained a tone of moderate recovery on firm corporate earnings and improvement in the employment environment. However, in recent months the impact from COVID-19 has exerted considerable downward pressure, resulting in harsh business conditions. The difficult circumstances are projected to continue amid the global pandemic, and factors as fluctuations in financial and capital markets will continue to cause uncertainty in the outlook.

In the real estate industry, of which the Samty Group is a part, conditions had remained favorable overall, with real estate demand continuing to be robust amid the sustained low interest rate environment and improved profitability due to low office vacancy rates in major cities. However, the outlook has become uncertain due to such factors as concerns over economic slowdown in Japan and overseas as a result of COVID-19.

Under such conditions, the Samty Group, in accordance with its new medium-term management plan, the “Samty Toughening Plan” announced in September 2018, proactively conducted business based on the three priority measures of: 1) Strengthen and expand fee-based income businesses; 2) Strengthen the development of hotels and office buildings; and 3) Strengthen the financial base.

As a result, for the subject first quarter cumulative period, net sales amounted to ¥12,587 million (down 11.0% from the same period of the previous fiscal year), with operating income of ¥4,089 million (up 26.1%), ordinary income of ¥3,478 million (up 26.9%), and profit attributable to owners of parent of ¥2,560 million (up 23.4%).

Results by Business Segment

(Real Estate Business)

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

During the subject first quarter cumulative period, properties sold in lots were “STAGE FIRST Shin-Okachimachi II (Taito-ku, Tokyo). Hotel assets sold were “Ibis Styles Nagoya* (Nakamura-ku, Nagoya-shi). The Company also sold other facilities.

As a result, net sales in the Real Estate Business segment amounted to ¥9,869 million (down 16.9% from the same period of the previous fiscal year), with operating income of ¥4,672 million (up 28.9%).

* The sale of “Ibis Styles Nagoya” was conducted through transfer of land, based on a trust beneficiary right transfer contract on February 26, 2020.

(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 Maruyama Residence” (Chuo-ku, Sapporo-shi), “SAMTY Residence Izumichuo” (Izumi-ku, Sendai-shi), “SAMTY Residence Meijo Park” (Kita-ku, Nagoya-shi), “SAMTY Minamihorie Duke” (Nishi-ku, Osaka-shi), “SAMTY Namba Grace” (Naniwa-ku, Osaka-shi), “SAMTY Hakozakimiya-mae” (Higashi-ku, Fukuoka-shi), “SAMTY Tenjin-minami” (Chuo-ku, Fukuoka-shi), “SAMTY Kurume Higashimachii” (Kurume-shi, Fukuoka), “SAMTY Suwajinja-mae” (Nagasaki-shi, Nagasaki), “SAMTY Saga Ekiminamihonmachi” (Saga-shi, Saga), “SAMTY Kumamoto Rio branco” (Nishi-ku, Kumamoto-shi), “SAMTY Gohuku Residence” (Chuo-ku, Kumamoto-shi), “SAMTY Kumamoto Chikami I” (Minami-ku, Kumamoto-shi), “SAMTY Kumamoto Chikami II” (Kumamoto-shi, Kumamoto), “SAMTY Minami-Kagoshima” (Kagoshima-shi, Kagoshima), “PALWISH Tama-plaza” (Miyamae-ku, Kawasaki-shi), “RESIDENCIA Meiekinami” (Nakamura-ku, Nagoya-shi), “PARK AVENUE” (Asahi-ku, Osaka-shi), “A MAISON Shukugawa” (Nishinomiya-shi, Hyogo), and “SUPER COURT Kobekita” (Kita-ku, Kobe-shi).

As a result, net sales in the Property Leasing Business segment amounted to ¥1,845 million (up 28.8% from the same period of the previous fiscal year), with operating income of ¥669 million (up 20.0%).

(Other Business)

Other business operations comprise the hotel business, including the holding and operating of “S-PERIA Hotel Kyoto” (Shimogyo-ku, Kyoto-shi), “NEST Hotel Hiroshima Hatchobori” (Naka-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), 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 ¥872 million (up 3.6% from the same period of the previous fiscal year), with an operating loss of ¥65 million (compared to operating income of ¥30 million in the same period of the previous fiscal year).

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities, and Net Assets

(Assets)

Total assets at the end of the subject first quarter cumulative period amounted to ¥231,710 million, an increase of ¥12,907 million compared to the end of the previous fiscal year. Of this amount, current assets increased ¥5,746 million to ¥128,174 million, and non-current assets increased ¥7,161 million to ¥103,536 million. The main factors for the increase in current assets were increases of ¥18,304 million in real estate for sale; against decreases of ¥7,226 million in cash and deposits; and ¥4,374 million in real estate for sale in process. The main factors for the increase in non-current assets were an increase of ¥7,074 million in net property and equipment.

(Liabilities)

Total liabilities at the end of the subject first quarter cumulative period amounted to ¥160,285 million, an increase of ¥13,109 million compared to the end of the previous fiscal year. Of this amount, current liabilities increased ¥4,165 million to ¥26,747 million, while non-current liabilities increased ¥8,944 million to ¥133,538 million. The main factors for the increase in current liabilities were increases of ¥964 million in accounts payable - trade; ¥742 million in short-term borrowings; and ¥2,231 million in current portion of long-term debt. The main factor for the increase in non-current liabilities was an increase of ¥8,843 million in long-term debt.

(Net Assets)

Total net assets at the end of the subject first quarter cumulative period amounted to ¥71,425 million, a decrease of ¥202 million compared to the end of the previous fiscal year. This was due mainly to decreases of ¥1,801 million in retained earnings from dividend payments; and ¥970 million in valuation difference on available-for-sale securities; against an increase of ¥2,560 million in retained earnings from the recording of profit attributable to owners of parent.

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

The global spread of COVID-19 has led people to voluntarily refrain from leisure travel and business trips, resulting in a considerable decline in hotel occupancy rates in recent months. Further, with the Japanese government's issuance of an emergency declaration, the difficult conditions in the hotel business are expected to continue for the time being. The Company's initial plan was for the hotel business to account for around 4% of sales, but since other real estate businesses can be expected to substitute for the shortfall, the full-year consolidated results forecasts announced on January 7, 2020 remain unchanged.

Of note, at present, the spread of COVID-19 has not affected rents for company-held leased residences or selling prices, and results for the subject first quarter period have been mostly in line with the initial plan.

Going forward, if a revision becomes necessary, the Company will make a disclosure promptly.

2. Consolidated Financial Statements and Main Explanatory Notes

(1) Consolidated Balance Sheets

	Millions of yen	
	November 30, 2019	February 29, 2020
ASSETS		
Current assets:		
Cash and deposits	44,918	37,691
Receivables	814	540
Real estate for sale	28,637	46,941
Real estate for sale under construction	46,339	41,965
Goods	1	0
Supplies	10	13
Other	1,708	1,022
Allowance for doubtful accounts	(1)	(1)
Total current assets	122,428	128,174
Non-current assets:		
Property and equipment:		
Buildings and structures net	25,696	31,194
Buildings in trust net	7,623	5,040
Land	38,721	43,993
Land in trust	5,571	4,054
Other net	807	1,212
Net property and equipment	78,420	85,494
Intangible assets:		
Goodwill	11	11
Other intangible assets	161	154
Total intangible assets	172	165
Investments and other assets:		
Investment securities	13,224	12,156
Deferred tax assets	291	661
Other	4,318	5,111
Allowance for doubtful accounts	(53)	(53)
Total Investments and other assets	17,781	17,876
Total non-current assets	96,374	103,536
Total assets	218,803	231,710

	Millions of yen	
	November 30, 2019	February 29, 2020
LIABILITIES		
Current liabilities:		
Notes and accounts payable	477	1,442
Short-term borrowings	2,315	3,058
Current portion of long-term debt	16,387	18,619
Accrued income taxes	1,237	1,067
Other	2,163	2,560
Total current liabilities	22,581	26,747
Non-current liabilities:		
Bonds with share acquisition rights	10,000	10,000
Long-term debt	112,224	121,068
Liabilities for retirement benefits	183	194
Guarantee deposits	1,399	1,407
Construction assistance fund	483	469
Other	303	397
Total non-current liabilities	124,593	133,538
Total liabilities	147,175	160,285
NET ASSETS		
Shareholders' equity:		
Capital stock	16,184	16,184
Capital surplus	17,938	17,938
Retained earnings	36,335	37,094
Treasury stocks at cost	(3)	(4)
Total shareholders' equity	70,455	71,213
Accumulated other comprehensive income:		
Unrealized gain on available for-sale securities	634	(335)
Foreign currency translation adjustment	(62)	(52)
Total accumulated other comprehensive income	571	(388)
Non-controlling interests	600	600
Total net assets	71,627	71,425
Total liabilities and net assets	218,803	231,710

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

Consolidated Statements of Income

Three months ended February 29

	Millions of yen	
	2019	2020
Net sales	14,144	12,587
Cost of sales	9,005	6,025
Gross profit	5,138	6,561
Selling, general and administrative expenses	1,897	2,472
Operating income	3,241	4,089
Non-operating income:		
Interest income	0	0
Dividend income	0	0
Insurance income	3	—
Interest on tax refund	—	9
Other	1	0
Total non-operating income	6	10
Non-operating expenses:		
Interest expenses	307	420
Commission fee	79	96
Loss on valuation of interest swaps	115	103
Provision of allowance for doubtful accounts	(0)	—
Other	4	0
Total non-operating expenses	507	621
Ordinary income	2,740	3,478
Extraordinary income:		
Gain on sales of non-current assets	259	—
Reversal of consumption taxes for prior periods	—	116
Total extraordinary income	259	116
Extraordinary loss:		
Loss on sales of non-current assets	—	1
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	1
Income before income taxes	2,999	3,593
Income taxes-current	598	974
Income taxes-deferred	308	58
Total income taxes	906	1,032
Net income	2,092	2,560
Profit attributable to non-controlling interests	17	0
Profit attributable to owners of parent	2,074	2,560

Consolidated Statements of Comprehensive Income

Three months ended February 29

	Millions of yen	
	2019	2020
Net income	2,092	2,560
Other comprehensive income:		
Unrealized gain on available for-sale securities	81	(970)
Foreign currency translation adjustment	—	10
Total other comprehensive income	81	(960)
Comprehensive income	2,173	1,600
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	2,155	1,600
Comprehensive income attributable to non-controlling interests	17	0

(3) Notes Relating to Consolidated Financial Statements

(Note on Assumptions for Going Concern)

Not applicable.

(Notes in the Event of Major Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

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

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

Three months ended February 28, 2019

	Millions of yen					
	Reportable Segment				Adjustment (Note 1)	Amount Recorded on Consolidated Income Statement (Note 2)
	Real Estate Business	Property Leasing Business	Other Business	Total		
Net sales:						
Net sales from third parties	11,870	1,432	841	14,144	—	14,144
Inter-segment net sales and transfers	12	(8)	82	86	(86)	—
Total	11,882	1,423	923	14,230	(86)	14,144
Operating income (loss)	3,632	557	30	4,221	(979)	3,235

Notes

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

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

Not applicable.

II Results for the first quarter of FY11/20 (from December 1, 2019 to February 29, 2020)

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

Three months ended February 29, 2020

	Millions of yen					
	Reportable Segment				Adjustment (Note 1)	Amount Recorded on Consolidated Income Statement (Note 2)
	Real Estate Business	Property Leasing Business	Other Business	Total		
Net sales:						
Net sales from third parties	9,869	1,845	872	12,587	—	12,587
Inter-segment net sales and transfers	11	8	101	120	(120)	—
Total	9,880	1,853	973	12,707	(120)	12,587
Operating income (loss)	4,672	669	(65)	5,277	(1,188)	4,089

Notes

1. The ¥1,188 million downward adjustment to operating income (loss) comprises a negative ¥36 million in intersegment eliminations, and a negative ¥1,152 million in corporate expenses not allocated to any reportable segment. Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Segment operating income (loss) is adjusted to the operating income on the consolidated income statement.

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

Not applicable.

(Additional Information)

Quarterly Consolidated Income Statement

From the first quarter period of the subject fiscal year, the Company has changed the presentation method for refunds of insurance premiums for development projects, which previously had been presented as “Refund of premium for cancelled insurance” in “Non-operating income,” to presentation as part of “Cost of sales.” This change will better clarify the equivalence of expenses and costs, and more accurately present gross profit and the current state of business.

The consolidated income statement for the first quarter period of the previous fiscal year has been recombined to reflect this change in presentation method. As a result, the ¥6 million shown in “Refund of premium for cancelled insurance” in “Non-operating income” has been recombined as “Cost of sales.”

Change in Holding Purpose

Because of a change in holding purpose, ¥11,457 million was transferred from property, plant, and equipment to inventories.

(Significant Events after the Reporting Period)

1. Purchase of treasury shares

On April 13, 2020, by a written resolution of its Board of Directors based on Article 370 of the Companies Act, the Company decided on matters relating to the purchase of treasury shares based on its Articles of Incorporation pursuant to Article 156 of the Companies Act, which is applied in substitution for the provisions pursuant to Article 165, Paragraph 3, of the Companies Act.

- (1) Reason: As a result of comprehensively considering the impact from COVID-19, recent trends in the stock market and the Company's stock price, a flexible capital policy in accordance with the business environment, and the return of profits to shareholders, the Company made the decision to purchase treasury shares.
- (2) Type of shares to be purchased: Common stock of the Company
- (3) Total number of shares to be purchased: (Upper limit) 1,000,000 shares (2.44% of total number of shares issued, excluding treasury shares)
- (4) Total purchase price: ¥1.0 billion (upper limit)
- (5) Treasury share purchase period: From April 14, 2020, to August 31, 2020
- (6) Purchase method: Market purchase on the Tokyo Stock Exchange

2. Issuance of new shares as restricted stock compensation

At the Board of Directors' meeting held on March 23, 2020, the Company decided to issue new shares (hereinafter referred to as "the New Share Issue") as restricted stock compensation as follows.

(1) Purpose of and Reason for Issue

At the Board of Directors' meeting held on January 22, 2019, the Company resolved to introduce a restricted stock compensation plan (hereinafter referred to as "the Plan") as a new compensation system for directors of the Company. In addition to granting incentives to the Company's directors (excluding outside directors; the same applies hereinafter) to continuously improve the Company's medium- to long-term corporate value and shareholder value, the purpose of the Plan is to further promote the sharing of value with the shareholders. At the 37th Annual General Meeting of Shareholders held on February 27, 2019, approval was granted with regard to the following: (1) Under the Plan, as contributions in kind relating to the granting of restricted stock, monetary compensation receivables of not more than ¥100 million per year shall be paid to the directors of the Company, as separate amounts from existing monetary compensation limits, and the total number of the Company's common shares to be issued or disposed of shall be not more than 100,000 shares per year; (2) The transfer restriction period shall be the period from the grant date of restricted stock to the date on which directors of the Company and other positions specified by the Board of Directors of the Company resign or retire; (3)(i) During the period of service stipulated by the Board of Directors of the Company, those eligible are to have continuously remained in directors' positions or other positions determined by the Board of Directors of the Company; and (3)(ii) In the event that an eligible director of the Company resigns or retires as director or from any other position determined by the Board of Directors of the Company before the end of his or her period of service, that there are grounds deemed justifiable by the Board of Directors of the Company with regard to the conditions for the cancellation of transfer restrictions.

With regard to the Plan, at the 38th Annual General Meeting of Shareholders held on February 27, 2020, approval was given to changing the monetary compensation receivables paid to the directors of the Company to ¥300 million per year and the total number of the Company's common shares to be issued or disposed of under the Plan to not more than 300,000 shares.

(2) Overview of Issue

Payment date	April 23, 2020
Type and number of shares to be issued	73,900 of Company's common shares
Issue price	¥1,180 per share
Total issue price	¥87,202,000
Planned recipients	Five directors (excluding outside directors) 73,900 shares
Other matters	With regard to the New Share Issue, a written notification of marketable securities held is being submitted pursuant to the terms of the Financial Instruments and Exchange Act.

END