

October 13, 2023

Flash Report (Consolidated Basis)
Results for the nine-month period ended August 31, 2023
(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: Head of IR Office

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Quarterly report filing date (Planned): October 13, 2023

Start of dividend payments (Planned): —

Quarterly supplemental explanatory material prepared: Yes

Quarterly results briefing held: No

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

1. Consolidated Results for 3Q FY2023
(December 1, 2022 to August 31, 2023)

(1) Consolidated Operating Results

Nine months ended August 31

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q FY2023	101,792	60.6	8,887	73.1	6,187	7.8	3,401	(28.3)
3Q FY2022	63,371	14.0	5,133	(6.3)	5,741	37.7	4,747	(30.5)

(Note) Comprehensive Income: 3Q FY2023: ¥5,283 million, 0.6%
3Q FY2022: ¥5,251 million, (32.9%)

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
3Q FY2023	73.11	66.62
3Q FY2022	102.10	93.36

(2) Consolidated Financial Condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
3Q FY2023	449,541	105,046	22.1
FY2022	413,594	110,395	23.9

(Reference) Total shareholders' equity: August 31, 2023: ¥99,545 million, November 30, 2022: ¥98,771 million

2. Dividends

Years ended/ending November 30

	Dividends per share				
	February 28	May 31	August 31	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	—	39.00	—	51.00	90.00
FY2023	—	39.00			
FY2023 (Forecast)			—	51.00	90.00

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

3. Forecasts for FY2023 (December 1, 2022 to November 30, 2023)

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

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	190,000	47.9	20,000	42.0	16,500	14.3

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Fiscal year	11,000	1.2	236.34

(Note) Revision of results forecast for this period: Yes

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: Yes

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)	3Q FY2023	46,584,085 shares	FY2022	46,522,685 shares
2) Number of treasury stock	3Q FY2023	876 shares	FY2022	603 shares
3) Average number of shares outstanding for each period (cumulative term)	3Q FY2023	46,529,143 shares	3Q FY2022	46,492,479 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 3Q FY2023

(1) Explanation of Business Results

During the subject third quarter cumulative period in the Japanese economy, the normalization of socio-economic activities progressed due to the recategorization of COVID-19 as a Class 5 infectious disease while the domestic economy trended toward a gradual recovery. In contrast, the outlook for the global economy remained uncertain due to such factors as the prolonged situation in Ukraine, soaring global energy resource prices, the yen's ongoing depreciation, monetary tightening mainly in Europe and the United States, and rising long-term interest rates.

In the real estate industry, of which the Samty Group is a part, with regard to rental apartments, occupancy rates, rent levels, and property sales prices have remained favorable, because they are not easily affected by economic trends or the effects of the COVID-19 pandemic. In the hotel industry, the occupancy rate and average room price reached roughly their pre-COVID-19 levels due to nationwide travel support and an increase in the number of inbound visitors to Japan, while domestic and international travel demand recovered steadily. Furthermore, China lifted its ban on group travel to Japan in August, and further recovery was expected.

In such a business environment, supported by the strong investment appetite of domestic and overseas institutional investors, we sold 66 properties of real estate for sale, including of the Samty brand S-RESIDENCE rental apartment series. With regard to the purchase of properties, we are making progress while giving consideration, from a variety of angles, to a range of market trends, such as interest rates and transaction price and cap rates. In addition, as announced in the "Notice Concerning Postponement of Financial Results Announcement for Fiscal Year Ended November 2022 and Establishment of Special Investigation Committee," dated January 16, 2023, one-time expenses of ¥0.9 billion relating to a special investigation committee to analyze and consider the status of transactions with specific business partners that were identified in the Group have been recorded as Special investigation expenses, etc. under Extraordinary loss.

As a result, for the subject third quarter cumulative period, net sales amounted to ¥101.7 billion (up 60.6% from the same period of the previous fiscal year), with operating profit of ¥8.8 billion (up 73.1%), ordinary profit of ¥6.1 billion (up 7.8%), and profit attributable to owners of parent of ¥3.4 billion (down 28.3%).

Results by Business Segment

a. Real Estate Development Business

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

During the subject third quarter cumulative period, we sold 33 properties of real estate for sale.

As a result, net sales in the Real Estate Development Business segment amounted to ¥40.3 billion (up 28.2% from the same period of the previous fiscal year), with operating profit of ¥6.7 billion (up 23.5%).

b. Real Estate Solution Business

The Real Estate Solution Business engages in the acquisition, renovation, and sales of profitable real estate.

During the subject third quarter cumulative period, we sold 33 properties of real estate for sale.

As a result, net sales in the Real Estate Solution Business segment amounted to ¥27.9 billion (up 47.1% from the same period of the previous fiscal year), with operating profit of ¥3.7 billion (up 26.4%).

c. Overseas Business

The Overseas Business engages in overseas investment and for-sale housing businesses. Concerning the smart city, for-sale housing business project in Hanoi, Vietnam, which commenced sales in November 2021, steady sales progress was made.

As a result, net sales of ¥14.6 billion were recorded for this business (none recorded in the same

quarter of the previous year), and operating income was ¥1.4 billion (operating loss of ¥0.2 billion recorded in the same quarter of the previous year)

d. Real Estate Leasing Business

The Real Estate Leasing Business engages in the leasing of residential apartments, office buildings, and commercial facilities.

In the subject third quarter cumulative period, property acquisitions progressed smoothly. In addition to acquiring 50 income properties worth ¥29.9 billion, we completed the construction of 42 properties worth approximately ¥59.3 billion.

As a result, net sales in the Real Estate Leasing Business segment amounted to ¥6.3 billion (down 0.4% from the same period of the previous fiscal year), with operating profit of ¥2.7 billion (down 12.1%).

e. Hotel Business

The Hotel Business engages in the leasing and operating of hotels. During the subject third quarter cumulative period, the hotels in which the Group participates numbered 20, including the Mercure Hida Takayama (Takayama City, Gifu Prefecture).

During the subject third quarter cumulative period, occupancy rates and average room prices at owned and operated hotels recovered steadily due to the nationwide travel support and the increase in the number of inbound visitors to Japan. Tochigi Prefecture had requested to secure the use of Hotel Sunshine Utsunomiya (Utsunomiya City, Tochigi) as an accommodation and medical facility. Accepting this request from the perspectives of its corporate social responsibility and contributions to local communities, the Group had fully rented out the building as a medical facility but terminated the lease and resumed normal operations there from April 1, 2023.

As a result, net sales in the Hotel Business segment amounted to ¥9.4 billion (up 156.7% from the same period of the previous fiscal year), and operating loss of ¥0.9 billion (operating loss of ¥2.0 billion in the same period of the previous fiscal year).

f. Real Estate Management Business

The Real Estate Management Business engages in the managing of residential apartments, office buildings, and commercial facilities.

As a result, net sales in the Real Estate Management Business segment amounted to ¥3.0 billion (up 8.2% from the same period of the previous fiscal year), with operating profit of ¥0.3 billion (down 35.8%).

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities, and Net Assets

Assets

Total assets at the end of the subject third quarter cumulative period amounted to ¥449.5 billion, an increase of ¥35.9 billion compared with the end of the previous fiscal year. The main factors for the change were a ¥35.9 billion increase in real estate for sale, real estate for sale under construction and property, plant and equipment, and a ¥20.6 billion decrease in cash and deposits.

Liabilities

Total liabilities at the end of the subject third quarter cumulative period amounted to ¥344.4 billion, an increase of ¥41.2 billion compared with the end of the previous fiscal year. The main contributory factor was an increase in borrowings of ¥46.7 billion accompanying the settlement of acquisition of more than 130 properties, including sites for development and income properties.

Net Assets

Total net assets at the end of the subject third quarter cumulative period amounted to ¥105.0 billion, a decrease of ¥5.3 billion compared with the end of the previous fiscal year. The main contributory factors were a ¥6.1 billion decrease in non-controlling interests and a ¥1.3 billion increase in foreign currency translation adjustment.

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

In light of recent performance trends, we have revised the full-year consolidated earnings forecast for the fiscal year ending November 2023 (December 1, 2022, to November 30, 2023), announced on March 31, 2023. For details, please refer to the “Notice regarding revisions to earnings forecast,” released today.

2. Consolidated Financial Statements and Main Explanatory Notes

(1) Consolidated Balance Sheets

	Millions of yen	
	FY2022	3Q FY2023
ASSETS		
Current assets:		
Cash and deposits	46,002	25,386
Accounts receivable – trade	2,476	3,160
Real estate for sale	114,623	184,764
Real estate for sale in process	122,065	124,805
Merchandise	25	30
Supplies	47	59
Other	4,672	16,470
Allowance for doubtful accounts	(7)	(3)
Total current assets	289,904	354,673
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	29,312	11,924
Buildings in trust, net	3,454	—
Land	52,382	40,754
Land in trust	1,571	—
Construction in progress	3,100	153
Other, net	614	668
Total property, plant and equipment	90,435	53,500
Intangible assets:		
Goodwill	8	7
Other	406	453
Total intangible assets	414	460
Investments and other assets:		
Investment securities	26,764	35,595
Deferred tax assets	830	307
Other	5,189	4,967
Allowance for doubtful accounts	(53)	(53)
Total investments and other assets	32,731	40,817
Total non-current assets	123,581	94,779
Deferred assets:		
Share issuance costs	26	15
Bond issuance costs	81	73
Total deferred assets	108	88
Total assets	413,594	449,541

	Millions of yen	
	FY2022	3Q FY2023
LIABILITIES		
Current liabilities:		
Accounts payable - trade	1,800	1,584
Lease obligations	31	18
Provision for shareholder benefit program	520	173
Accrued consumption taxes	1,213	236
Income taxes payable	3,651	638
Short-term borrowings	30,468	14,446
Current portion of bonds payable	5,170	5,085
Current portion of long-term borrowings	35,395	64,272
Other	11,291	9,014
Total current liabilities	89,543	95,470
Non-current liabilities:		
Bonds payable	8,145	8,645
Bonds with share acquisition rights	12,000	12,000
Long-term borrowings	188,769	222,705
Retirement benefit liability	318	360
Lease obligations	39	39
Leasehold and guarantee deposits received	908	1,260
Construction assistance fund	317	275
Deferred tax liabilities	2,922	2,869
Other	235	866
Total non-current liabilities	213,656	249,023
Total liabilities	303,199	344,494
NET ASSETS		
Shareholders' equity:		
Share capital	20,657	20,725
Capital surplus	22,533	22,601
Retained earnings	56,911	56,125
Treasury shares	(1)	(2)
Total shareholders' equity	100,101	99,450
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,099	1,192
Foreign currency translation adjustment	(2,429)	(1,098)
Total accumulated other comprehensive income	(1,330)	94
Non-controlling interests	11,624	5,501
Total net assets	110,395	105,046
Total liabilities and net assets	413,594	449,541

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

Nine months ended August 31

	Millions of yen	
	3Q FY2022	3Q FY2023
Net sales	63,371	101,792
Cost of sales	50,075	81,213
Gross profit	13,295	20,579
Selling, general and administrative expenses	8,162	11,691
Operating profit	5,133	8,887
Non-operating income:		
Interest income	1	160
Dividend income	16	13
Share of profit of entities accounted for using equity method	—	610
Foreign exchange gains	4,472	376
Penalty income	43	182
Other	78	66
Total non-operating income	4,613	1,409
Non-operating expenses:		
Interest expenses	2,457	2,898
Interest on bonds	152	168
Share of loss of entities accounted for using equity method	44	—
Commission expenses	1,271	964
Other	77	78
Total non-operating expenses	4,004	4,109
Ordinary profit	5,741	6,187
Extraordinary income:		
Gain on sale of non-current assets	20	13
Gain on change in equity	6	152
Total extraordinary income	26	166
Extraordinary loss:		
Loss on sale of non-current assets	—	9
Loss on retirement of non-current assets	11	33
Special investigation expenses, etc.	—	938
Total extraordinary losses	11	981
Profit before income taxes	5,756	5,372
Income taxes-current	1,014	1,205
Income taxes-deferred	(55)	469
Total income taxes	958	1,675
Profit	4,797	3,696
Profit attributable to non-controlling interests	50	295
Profit attributable to owners of parent	4,747	3,401

Consolidated Statements of Comprehensive Income

Nine months ended August 31

	Millions of yen	
	3Q FY2022	3Q FY2023
Profit	4,797	3,696
Other comprehensive income:		
Valuation difference on available-for-sale securities	678	93
Foreign currency translation adjustment	(225)	1,493
Total other comprehensive income	453	1,586
Comprehensive income	5,251	5,283
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	4,856	4,826
Comprehensive income attributable to non-controlling interests	394	457

(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.

(Change in Accounting Policy)

Subject Third Quarter Consolidated Cumulative Period (from December 1, 2022 to August 31, 2023)
The Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan Application Guidance No. 31, June 17, 2021; hereinafter referred to as the Fair Value Accounting Standard Implementation Guidance) has been applied from the beginning of the subject first quarter cumulative accounting period. In accordance with the transitional treatment prescribed in Paragraph 27-2 of the Fair Value Accounting Standard Implementation Guidance, the new accounting policies prescribed by the Fair Value Accounting Standard Implementation Guidance will be applied in the future. The effect of the application of the Fair Value Accounting Standard, etc., on the quarterly consolidated financial statements is immaterial.

(Additional Information)

Change in Holding Purpose

Because of a change in holding purpose, ¥41,895 million was transferred from property, plant, and equipment to inventories.

Impact of COVID-19 pandemic on accounting estimates

There are no significant changes to the assumptions relating to the effects of the COVID-19 pandemic set forth in the Securities Report (Significant Accounting Estimates) for the previous consolidated fiscal year.

(Relating to Quarterly Consolidated Income Statements)

Special investigation expenses, etc.

As announced in the "Notice Concerning Postponement of Financial Results Announcement for Fiscal Year Ended November 2022 and Establishment of Special Investigation Committee," dated January 16, 2023, one-time expenses relating to a special investigation committee to analyze and consider the status of transactions with specific business partners that were identified in the Group have been recorded as Special investigation expenses, etc. under Extraordinary loss.

(Segment Information)

I Results for 3Q FY2022 (from December 1, 2021 to August 31, 2022)

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

Nine months ended August 31, 2022

	Millions of yen						
	Reportable Segment						
	Real Estate Development Business	Real Estate Solution Business	Overseas Business	Real Estate Leasing Business	Hotel Business	Real Estate Management Business	Total
Net sales:							
Net sales from third parties	31,475	19,031	—	6,344	3,674	2,846	63,371
Inter-segment net sales and transfers	—	—	—	—	5	937	943
Total	31,475	19,031	—	6,344	3,680	3,783	64,314
Operating profit (loss)	5,449	2,933	(241)	3,091	(2,059)	612	9,786

	Millions of yen		
	Total	Adjustment (Note 1)	Amount Recorded on Consolidated Income Statement (Note 2)
Net sales:			
Net sales from third parties	63,371	—	63,371
Inter-segment net sales and transfers	943	(943)	—
Total	64,314	(943)	63,371
Operating profit (loss)	9,786	(4,653)	5,133

Notes

1. The ¥4,653 million downward adjustment to operating profit (loss) comprises a negative ¥348 million in intersegment eliminations, and a negative ¥4,304 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 profit (loss) is adjusted to the operating profit on the consolidated income statement.

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

Not applicable.

II Results for 3Q FY2023 (from December 1, 2022 to August 31, 2023)

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

Nine months ended August 31, 2023

	Millions of yen						
	Reportable Segment						
	Real Estate Development Business	Real Estate Solution Business	Overseas Business	Real Estate Leasing Business	Hotel Business	Real Estate Management Business	Total
Net sales:							
Net sales from third parties	40,358	27,990	14,612	6,321	9,431	3,078	101,792
Inter-segment net sales and transfers	—	—	—	—	12	1,853	1,865
Total	40,358	27,990	14,612	6,321	9,443	4,932	103,658
Operating profit (loss)	6,729	3,708	1,496	2,716	(981)	392	14,062

	Millions of yen		
	Total	Adjustment (Note 1)	Amount Recorded on Consolidated Income Statement (Note 2)
Net sales:			
Net sales from third parties	101,792	—	101,792
Inter-segment net sales and transfers	1,865	(1,865)	—
Total	103,658	(1,865)	101,792
Operating profit (loss)	14,062	(5,174)	8,887

Notes

1. The ¥5,174 million downward adjustment to operating profit (loss) comprises a negative ¥39 million in intersegment eliminations, and a negative ¥5,134 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 profit (loss) is adjusted to the operating profit on the consolidated income statement.

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

Not applicable.

(Significant Events after the Reporting Period)

Not applicable.

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