

January 14, 2022

Flash Report (Consolidated Basis)
Results for the year ended November 30, 2021
(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, Corporate Planning Department
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Date of Annual Shareholders Meeting (Scheduled): February 24, 2022

Start of dividend payments (Planned): February 25, 2022

Submission of securities report (Planned): February 25, 2022

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 2021 (FY11/21)
(December 1, 2020 to November 30, 2021)

(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	%
2021	90,460	(10.5)	9,461	(45.5)	8,105	(46.8)	10,012	(5.7)
2020	101,120	18.2	17,355	12.6	15,247	15.6	10,615	9.0

Note: Comprehensive Income: Year ended November 30, 2021: ¥11,125 million, 9.1%,
 Year ended November 30, 2020: ¥10,199 million, (0.7%)

	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	%	%	%
2021	242.52	214.32	11.7	2.7	10.5
2020	261.23	227.88	14.3	6.5	17.2

(Reference) Equity in earnings (losses) of affiliated companies: Year ended November 30, 2021: ¥ 839 million,
 Year ended November 30, 2020: ¥ — 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
2021	349,194	103,028	27.0	2,029.28
2020	250,864	77,699	30.7	1,907.51

(Reference) Total shareholders' equity: November 30, 2021: ¥94,296 million, November 30, 2020: ¥77,028 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
2021	(6,728)	(52,348)	57,658	40,589
2020	11,958	(31,815)	17,488	41,724

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			
2020	—	38.00	—	44.00	82.00	3,310	31.4	4.5
2021	—	39.00	—	51.00	90.00	3,937	—	—
2022 (Forecast)	—	39.00	—	51.00	90.00		41.0	

3. Forecasts for Fiscal Year Ending November 30, 2022

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	140,000	54.8	18,000	90.2	15,000	85.1

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Fiscal year	10,200	1.9	219.50

Notes

(1) Significant changes in subsidiaries during the subject fiscal year: Yes

(Changes in specified subsidiaries related to a change in the scope of consolidation)

Additions: 2 (S-VIN VIETNAM REAL ESTAGE TRADING JOINT STOCK COMPANY / R&K Limited)

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: None

3) Changes in accounting estimates: None

4) Restatements: None

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

1) Number of shares issued and outstanding (including treasury stock)	Year ended November 30, 2021	46,468,085 shares	Year ended November 30, 2020	41,020,140 shares
2) Number of treasury stock	Year ended November 30, 2021	201 shares	Year ended November 30, 2020	638,412 shares
3) Average number of shares outstanding for each period (cumulative term)	Year ended November 30, 2021	41,286,203 shares	Year ended November 30, 2020	40,637,582 shares

(Reference) FLASH REPORT (NON-CONSOLIDATED BASIS)

1. Non-Consolidated Results for the Fiscal Year Ended November 2021 (FY11/21)

(December 1, 2020 to November 30, 2021)

(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	%
2021	84,161	(12.9)	9,263	(43.8)	6,255	(56.5)	4,086	(59.1)
2020	96,629	19.8	16,492	11.4	14,369	(1.8)	9,980	(12.7)

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
2021	98.99	87.48
2020	245.60	214.25

(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
2021	303,853	85,649	28.2	1,843.21
2020	241,519	74,385	30.8	1,842.07

(Reference) Total shareholders' equity: November 30, 2021: ¥85,649 million, November 30, 2020: ¥74,385 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 February 1, 2022.

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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 continued to face an uncertain outlook as a result of the spread of coronavirus infections and outbreaks of coronavirus variants as well as soaring energy resource prices. Including the declaration of emergency that had been issued and applied from January 2021 and quasi-emergency measures to prevent the spread of infections, priority measures were lifted at the end of September 2021. In addition, the vaccination rate stood at around 80%, and the sense of expectation for a normalization of socio-economic activities was raised by the third round of vaccinations having been started. However, infections have spread again due to the highly contagious omicron variant, and the timing of when the coronavirus pandemic would subside remained unclear.

In the real estate industry, of which the Samty Group is a part, with regard to rental apartments, occupancy rates, rent levels, and property sales prices remained favorable, because they are not easily affected by economic trends or the effects of the COVID-19 pandemic. Also, in the hotel industry, the flow of people that had been stagnant was slowly returning to normal and on a recovery trend due to the lifting of the state of emergency.

Under such conditions, the Group completed its S-RESIDENCE series of rental condominiums, which comprises approximately 2,600 units in 41 buildings, and proceeded to build a stable profit base. In addition, believing that the hotel industry is a field where significant growth can be expected in the years to come, we predict that consumption on accommodation and tourism will gradually increase and have thus implemented initiatives in anticipation of the post-COVID era. As a hotel investment initiative in the subject fiscal year, in May 2021 we entered into a capital and business alliance with Wealth Management, Inc. (WM), which is listed on the Second Section of the Tokyo Stock Exchange, for joint investments in a hotel REIT and hotel development funds. From the subject fiscal year, WM has been an equity-method affiliate. In October, we decided to conduct same-boat investment as a sponsor of Samty Japan Hotel REIT, Inc., a hotel-focused real estate investment corporation, and are currently advancing preparations for its listing on the Tokyo Stock Exchange. In November, the special-purpose company in the hotel development project with the tentative name Shangri-La Kyoto Nijojo was made an equity-method affiliate.

As a result, for the subject fiscal year, net sales amounted to ¥90.4 billion (down 10.5% from the previous fiscal year), with operating income of ¥9.4 billion (down 45.5%), ordinary income of ¥8.1 billion (down 46.8%), and profit attributable to owners of parent of ¥10.0 billion (down 5.7%).

Results by Business Segment

The classifications of the reportable segments have been changed from the subject fiscal year, and comparisons with and analyses of the previous fiscal years are based on the changed classifications.

a. Real Estate Development Business

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

In addition to having sold 19 properties (total sales price of around ¥34.7 billion), in the subject

fiscal year we sold five properties of real estate for sale located mainly in major cities across the nation to Samty Residential Investment Corporation (total sales price of around ¥4.2 billion). The Company also sold Agora Kyoto Shijo (Shimogyo-ku, Kyoto) and Agora Kyoto Karasuma (Shimogyo-ku, Kyoto) as hotel assets.

As a result, net sales in the Real Estate Development Business segment amounted to ¥38.8 billion (down 33.3% from the previous fiscal year), with operating income of ¥9.8 billion (down 33.3%).

b. Real Estate Solution Business

The Real Estate Solution Business engages in the acquisition, renovation, and sales of profitable real estate. In addition to having sold office buildings and other properties, in the subject fiscal year the Company sold 21 rental apartment properties to Samty Residential Investment Corporation (total sales price of around ¥23.4 billion).

As a result, net sales in the Real Estate Solution Business segment amounted to ¥37.1 billion (up 22.7% from the previous fiscal year), with operating income of ¥3.0 billion (down 17.4%).

c. Overseas Business

The Overseas Business engages in investments and housing development business overseas. In the subject fiscal year, we commenced sales of housing development lots in a smart city development project jointly operated with VIN HOMES JOINT STOCK COMPANY, Vietnam's largest real estate developer, in Hanoi, Vietnam.

As a result, net sales in the Overseas Business segment amounted to ¥0.5 billion (up 19.1% from the previous fiscal year), with operating income of ¥0.2 billion (down 22.8%).

d. Real Estate Leasing Business

The Real Estate Leasing Business engages in the leasing of residential apartments, office buildings, and commercial facilities. In addition to steadily conducting property acquisitions that resulted in the acquisition of 49 profitable properties totaling around ¥42.1 billion in the subject fiscal year, the Company completed development of 43 buildings.

As a result, net sales in the Real Estate Leasing Business segment amounted to ¥7.9 billion (up 2.1% from the previous fiscal year), with operating income of ¥3.7 billion (down 8.0%).

e. Hotel Business

The Hotel Business engages in the leasing and operating of hotels. In the subject fiscal year, five hotels were opened or acquired, including S-PERIA HOTEL Fukuoka Nakasu (Hakata-ku, Fukuoka-shi) and Aloft Osaka Dojima (Kita-ku, Osaka-shi), and 18 hotels held and operated. The hotels held and operated by the Group are also affected by the COVID pandemic, but the numbers of newly infected people subsided at a low level, and we anticipated a recovery in demand going forward due to the revitalization of the previously stagnant flow of people.

As a result, net sales in the Hotel Business segment amounted to ¥2.6 billion (up 32.5% from the previous fiscal year), with an operating loss of ¥2.5 billion (compared to operating loss of ¥0.6 billion in the same period of the previous fiscal year).

f. Real Estate Management Business

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

As a result, net sales in the Real Estate Management Business segment amounted to ¥3.2 billion (up 41.4% from the previous fiscal year), with operating income of ¥0.5 billion (up 78.6%).

(2) Summary of Financial Position for the Subject Period

Assets

Total assets at the end of the subject fiscal year amounted to ¥349.1 billion, an increase of ¥98.3 billion compared with the end of the previous fiscal year. Intending to maximize income gain in accordance with the Samty Toughening Plan (Post-COVID Version) Medium-Term Management Plan announced in January 2021, the Group has a policy of holding completed properties for a certain period of time. In addition, properties such as Meiji-dori Business Center Main Building, Annex (Hakata-ku, Fukuoka-shi), S-RESIDENCE Temma Gracis (Kita-ku, Osaka-shi), and S-RESIDENCE Maruyama Omotesando (Chuo-ku, Sapporo-shi) have been successfully acquired and progress made toward completion. As a result, real estate for sale, real estate for sale under construction, and net property and equipment (income properties, etc.) increased by ¥97.5 billion, and cash and deposits decreased by ¥0.8 billion.

Liabilities

Total liabilities at the end of the subject fiscal year amounted to ¥246.1 billion, an increase of ¥73 billion compared with the end of the previous fiscal year. The main factors contributing to the increase/decrease were an increase of ¥62.2 billion in borrowings accompanying the acquisition of more than 100 properties (combined total of sites for development and of income properties) and the issuance of ¥12 billion of bonds with share acquisition rights.

Net Assets

Total net assets at the end of the subject fiscal year amounted to ¥103 billion, an increase of ¥25.3 billion compared with the end of the previous fiscal year. The main contributory factors for the increase/decrease were: an increase in capital and capital surplus of ¥8.8 billion from the conversion of the 1st Unsecured Convertible Bonds with Stock Acquisition Rights; a decrease in treasury stock (at cost) of ¥1.2 billion; retained earnings of ¥10 billion from the posting of profit attributable to owners of parent; and an increase of ¥8 billion in non-controlling interests due to two companies—S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY (a company engaged in a smart city, for-sale housing project in Hanoi, Vietnam) and R&K Limited (a special purpose company that holds Aloft Osaka Dojima)—having been made consolidated subsidiaries.

(3) Summary of Cash Flows for the Subject Period

As a result of a decrease of ¥6.7 billion from operating activities, a decrease of ¥52.3 billion from

investing activities, an increase of ¥57.6 billion from financing activities, and other factors, cash and cash equivalents (“cash”) at the end of the subject fiscal year decreased by ¥1.2 billion to ¥40.5 billion compared with the end of the previous fiscal year.

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

Cash Flow from Operating Activities

Net cash provided by operating activities amounted to ¥6.7 billion (compared to ¥11.9 billion in cash used in the previous fiscal year). This was due mainly to ¥12.2 billion in profit before income taxes; ¥2.5 billion in interest paid; and ¥4.6 billion in income taxes paid. Of these, the increase in income before income taxes was due to the progress made with sales of favorable residences and office buildings developed in major regional cities amid the COVID pandemic.

Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥52.3 billion (compared to ¥31.8 billion in cash used in the previous fiscal year). This was due mainly to ¥34.4 billion in purchase of property, plant and equipment; and ¥5.1 billion in purchase of investment securities.

Cash Flow from Financing Activities

Net cash provided by financing activities amounted to ¥57.6 billion (compared to ¥17.4 billion in cash provided in the previous fiscal year). This was due mainly to ¥32.6 billion in proceeds from short-term borrowings; ¥37.2 billion in repayments of short-term borrowings; ¥113.7 billion in proceeds from long-term borrowings; ¥62.8 billion in repayments of long-term borrowings; ¥4.0 billion in proceeds from issuance of bonds; and ¥3.3 billion in dividends paid.

(Reference) Cash flow-related indicators

Years ended November 30

	2017	2018	2019	2020	2021
Capital ratio (%)	23.4	37.9	32.5	30.7	27.0
Capital ratio at market value (%)	25.1	35.5	39.1	26.6	30.4
Ratio of interest-bearing debt to cash flow (years)	9.9	2.8	29.6	12.8	—
Interest coverage ratio (times)	8.0	22.7	3.1	6.0	—

Notes

1. 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

2. 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).

3. “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. As the operating cash flow for the fiscal year ended November 2021 was negative, the cash flow to interest-bearing debt ratio and interest coverage ratio are not stated.

(4) Future Outlook

The future outlook remains uncertain as infections are once again on the rise in Japan and overseas due to COVID variants. On the other hand, the vaccination rate in Japan stands at about 80%, and third vaccinations are starting to be administered, so the normalization of socio-economic activities is expected going forward.

Under such an external environment, as the future outlook of the Group we have calculated the forecast values on the assumption that socio-economic activities will gradually recover due to the rising ratio of people who will have received a third injection of vaccine and the development of new therapeutic agents.

In the Real Estate Development Business and Real Estate Solution Business, we will promote the development and acquisition of properties on an ongoing basis.

In the Overseas Business, concerning residential sales in Hanoi, Vietnam, we will promote business while paying close attention to the COVID situation in that country.

In the Real Estate Leasing Business, we will continue to hold completed properties for a certain period of time in accordance with the Samty Toughening Plan (Post-COVID Version) Medium-Term Management Plan with the aim of maximizing income gain.

With regard the Hotel Business, although the impact of COVID infections remains uncertain going forward, we will proceed with preparations for listing Samty Japan Hotel REIT, Inc. on the Tokyo Stock Exchange.

In the case of the Real Estate Management Business, we aim to increase fee income by increasing the balance of assets under management and the number of managed units.

As a result, for the fiscal year ending November 2022 we plan to achieve sales of ¥140.0 billion, operating income of ¥18.0 billion, ordinary income of ¥15.0 billion, and profit attributable to owners of parent of ¥10.2 billion.

Based on the future outlook, we will pay an interim dividend of ¥39 per share and a year-end dividend of ¥51.

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	
	2020	2021
ASSETS		
Current assets:		
Cash and deposits	42,511	41,646
Receivables	1,395	1,858
Real estate for sale	58,265	107,875
Real estate for sale under construction	42,512	71,075
Goods	1	0
Supplies	12	23
Other	13,915	2,618
Allowance for doubtful accounts	(5)	(3)
Total current assets	158,608	225,094
Non-current assets:		
Property and equipment:		
Buildings and structures	20,225	26,267
Accumulated depreciation	(2,390)	(2,402)
Buildings and structures net	17,835	23,865
Buildings in trust	4,390	3,262
Accumulated depreciation	(700)	(119)
Buildings in trust net	3,689	3,142
Land	42,482	54,925
Land in trust	3,322	2,314
Other	5,124	7,406
Accumulated depreciation	(515)	(349)
Other net	4,608	7,057
Net property and equipment	71,938	91,306
Intangible assets:		
Goodwill	10	9
Other intangible assets	133	417
Total intangible assets	143	426
Investments and other assets:		
Investment securities	15,835	27,921
Deferred tax assets	693	545
Other	3,711	3,901
Allowance for doubtful accounts	(66)	(53)
Total Investments and other assets	20,173	32,315
Total non-current assets	92,255	124,048
Deferred assets:		
Share issuance costs	—	42
Bond issuance costs	—	9
Total deferred assets	—	51
Total assets	250,864	349,194

	Millions of yen	
	2020	2021
LIABILITIES		
Current liabilities:		
Notes and accounts payable	381	3,304
Short-term borrowings	16,883	12,325
Current portion of long-term debt	14,715	32,197
Accrued income taxes	4,063	1,660
Other	3,452	5,131
Total current liabilities	39,497	54,618
Non-current liabilities:		
Bonds payable	5,000	9,000
Bonds with share acquisition rights	10,000	12,000
Long-term debt	116,406	165,709
Deferred tax liabilities	—	2,551
Liabilities for retirement benefits	212	251
Guarantee deposits	1,323	1,369
Construction assistance fund	427	372
Other	297	292
Total non-current liabilities	133,666	191,547
Total liabilities	173,164	246,166
NET ASSETS		
Shareholders' equity:		
Capital stock	16,227	20,595
Capital surplus	17,985	22,471
Retained earnings	43,615	50,269
Treasury stocks at cost	(883)	(0)
Total shareholders' equity	76,945	93,336
Accumulated other comprehensive income:		
Unrealized gain on available for-sale securities	180	965
Foreign currency translation adjustment	(97)	(5)
Total accumulated other comprehensive income	83	959
Non-controlling interests	671	8,731
Total net assets	77,699	103,028
Total liabilities and net assets	250,864	349,194

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

Years ended November 30

	Millions of yen	
	2020	2021
Net sales	101,120	90,460
Cost of sales	73,456	72,606
Gross profit	27,664	17,854
Selling, general and administrative expenses	10,308	8,392
Operating income	17,355	9,461
Non-operating income:		
Interest income	1	33
Dividends	13	11
Share of profit of entities accounted for using equity method	—	839
Foreign exchange gains	5	1,065
Gain on valuation of interest rate swaps	71	47
Penalty income	27	26
Other	19	110
Total non-operating income	139	2,134
Non-operating expenses:		
Interest expenses	1,884	2,552
Interest expenses on bonds	—	159
Commission fee	309	743
Other	52	35
Total non-operating expenses	2,246	3,491
Ordinary income	15,247	8,105
Extraordinary income:		
Gain on sales of non-current assets	26	—
Subsidy income	27	—
Refund of consumption tax for prior periods	149	—
Gain on bargain purchase	—	4,307
Total extraordinary income	203	4,307
Extraordinary loss:		
Head office relocation expenses	—	187
Loss on sales of non-current assets	7	—
Loss on retirement of non-current assets	0	2
Loss on temporary closure	101	—
Loss on valuation of investment securities	—	10
Total extraordinary losses	108	201
Income before income taxes	15,342	12,211
Income taxes-current	4,855	2,315
Income taxes-deferred	(201)	(196)
Total income taxes	4,654	2,119
Net income	10,688	10,092
Profit attributable to non-controlling interests	72	79
Profit attributable to owners of parent	10,615	10,012

Consolidated Statements of Comprehensive Income

Years ended November 30

	Millions of yen	
	2020	2021
Net income	10,688	10,092
Other comprehensive income:		
Unrealized gain on available for-sale securities	(454)	784
Foreign currency translation adjustment	(34)	247
Total other comprehensive income	(488)	1,032
Comprehensive income	10,199	11,125
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	10,126	10,889
Comprehensive income attributable to non-controlling interests	73	235

(3) Consolidated Statements of Changes in Net Assets

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

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

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

	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	180	(97)	83	—	671	77,699
Changes of items during the period						
Issuance of new shares						8,736
Dividends from surplus						(3,344)
Profit attributable to owners of parent						10,012
Purchase of treasury shares						(385)
Disposal of treasury shares						1,386
Increase (decrease) due to increase in consolidated subsidiaries						(14)
Change in ownership interest of parent due to transactions with non-controlling interests						—
Net changes of items other than shareholders' equity	784	91	876	—	8,060	8,937
Total changes of items during the period	784	91	876	—	8,060	25,328
Balance at the end of current period	965	(5)	959	—	8,731	103,028

(4) Consolidated Statements of Cash Flows

Years ended November 30

	Millions of yen	
	2020	2021
Operating activities:		
Income before income taxes	15,342	12,211
Depreciation	1,027	1,018
Amortization of goodwill	0	0
Increase (decrease) in allowance for doubtful accounts	—	(2)
Increase (Decrease) in net defined benefit liability	28	39
Interest and dividends income	(14)	(45)
Interest expenses	1,884	2,712
Commission fee	309	743
Foreign exchange losses (gains)	1	(1,065)
Gain on valuation of interest rate swaps	(71)	(47)
Penalty income	(27)	(26)
Subsidy income	(27)	—
Loss (gain) on sales of property, plant and equipment	(19)	—
Refund of consumption tax for prior periods	(149)	—
Loss on temporary closure	101	—
Share of loss (profit) of entities accounted for using equity method	—	(839)
Gain on bargain purchase	—	(4,307)
Head office relocation expenses	—	187
Decrease (increase) in notes and accounts receivable - trade	(581)	(425)
Decrease (Increase) in inventories	9,465	(13,741)
Increase (decrease) in notes and accounts payable - trade	(96)	1,636
Increase (decrease) in accrued consumption taxes	272	(312)
Increase (decrease) in lease and guarantee deposits received	(75)	22
Loss (gain) on valuation of investment securities	—	10
Other-net	(11,298)	2,671
Subtotal	16,071	443
Decrease in interest and dividends receivable	14	12
Decrease in interest payable	(2,007)	(2,509)
Penalty income received	27	—
Payment for loss on temporary closure	(97)	(4)
Income taxes (paid) refunded	(2,050)	(4,671)
Net cash provided by (used in) operating activities	11,958	(6,728)
Investing activities:		
Payments into time deposits	(60)	(85)
Proceeds from withdrawal of time deposits	37	4
Purchase of property, plant and equipment	(28,745)	(34,459)
Proceeds from sales of property, plant and equipment	385	—
Purchase of intangible assets	(24)	(324)
Purchase of investment securities	(3,340)	(5,125)
Proceeds from redemption of investment securities	118	3,321
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(6,926)
Purchase of investments in affiliates	—	(8,652)
Long-term loan advances	(130)	—
Payments for investments in capital	(1)	(28)
Payments of construction assistance fund receivables	(55)	(55)
Other-net	—	(16)
Net cash provided by (used in) investing activities	(31,815)	(52,348)

(continued on page 14)

	Millions of yen	
	2020	2021
Financing activities:		
Increase in short-term loans payable	30,023	32,663
Decrease in short-term loans payable	(15,455)	(37,223)
Proceeds from issuance of bonds	5,000	4,000
Proceeds from issuance of bonds with share acquisition rights	—	12,000
Proceeds from long-term loans	65,861	113,794
Repayments of long-term loans	(63,372)	(62,831)
Purchase of treasury shares	(893)	(385)
Dividends paid	(3,334)	(3,344)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2)	(200)
Other-net	(339)	(814)
Net cash provided by (used in) financing activities	17,488	57,658
Effect of exchange rate change on cash and cash equivalents	(8)	166
Net increase (decrease) in cash and cash equivalents	(2,377)	(1,252)
Cash and cash equivalents, beginning of the period	44,102	41,724
Increase in cash and cash equivalents from newly consolidated subsidiary	—	116
Cash and cash equivalents, end of the period	41,724	40,589

(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: 20

Names of consolidated subsidiaries

Hikone SC Ltd.

Samty Hotel Management Co., Ltd.

Samty Property Management Co., Ltd.

Samty Asset Management Co., Ltd.

S Hotel Operations Nagasaki LLC

S Hotel Operations Nagasaki General Incorporated Association

S Hotel Operations Utsunomiya LLC

S Hotel Operations Utsunomiya General Incorporated Association

S Hotel Operations Hakata LLC

S Hotel Operations Kyoto Tambaguchi LLC

SI Kaihatsu LLC

S Hotel Operations General Incorporated Association

SAMTY Asia Investments Pte. Ltd.

S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY

Samty Vietnam Co., Ltd.

S Hotel Operations Nagoya LLC

S Hotel Operations Kyoto Horikawa LLC

R&K Limited

S Hotel Operations Kyoto Shijo LLC

S Hotel Operations Kyoto Oike LLC

Due to their increased significance, S Hotel Operations Nagoya LLC, S Hotel Operations Kyoto Horikawa LLC, S Hotel Operations Kyoto Shijo LLC, and Samty Vietnam Co., Ltd., which were non-consolidated subsidiaries in the previous fiscal year, have been included in the scope of consolidation from the subject fiscal year.

Due to having acquired shares in S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY, R&K Limited having acquired equity interests in a silent partnership business as well as having newly established S Hotel Operations Kyoto Oike LLC, these have been included in the scope of consolidation from the subject fiscal year.

(2) Names of material unconsolidated subsidiaries

Samty Japan Hotel REIT, Inc.

Reason for exclusion from the scope of consolidation

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

effect on the consolidated financial statements.

2. Items relating to the application of the equity method

(1) Number of affiliated companies accounted for by the equity method 2

Names of affiliated companies accounted for by the equity method:

Wealth Management, Inc.

Shangri-La Kyoto Nijojo Special Purpose Company

Wealth Management, Inc. has been included in the scope of equity method affiliates from the subject fiscal year due to the acquisition of shares and Shangri-La Kyoto Nijojo Special Purpose Company by the acquisition of equity interests.

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

Samty Japan Hotel REIT, Inc.

Reasons for exclusion from scope of application of equity method

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

3. Items relating to the fiscal year of consolidated subsidiaries

Among the consolidated subsidiaries, the balance sheet dates for SAMTY Asia Investments Pte. Ltd., S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY and Samty Vietnam Co., 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 dates for the subject subsidiaries. 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 dates of the other consolidated subsidiaries are the same as the consolidated balance sheet date.

The settlement date of R&K Limited is December 31, and the financial statements based on the provisional settlement of accounts as of the consolidated settlement date are used in preparing the consolidated financial statements.

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 5–50 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) 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.

(D) Long-term prepaid expenses

The Company applies the straight-line method.

(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) Criteria for converting significant foreign currency-denominated assets or liabilities into Japanese currency

Foreign currency-denominated monetary receivables and payables are converted into yen at the spot exchange rate on the consolidated settlement date, and the conversion difference is treated as profit or loss. The assets and liabilities of overseas subsidiaries, etc. are converted into yen at the spot exchange rate on the consolidated settlement date, revenues and expenses are converted into yen at the average market price during the period, and translation differences are included in the foreign currency translation adjustment account and non-controlling interests in the net assets section.

(6) Method for amortization of goodwill and amortization period

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

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

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

(8) 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)

Not applicable.

(Change in Presentation Methods)

(Consolidated Income Statement)

As foreign exchange gains, which in previous consolidated fiscal years were included in Other under Non-operating income, exceeded 10/100 of the total amount of non-operating income, these will be posted independently from the subject fiscal year. To reflect this change in presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the ¥5 million shown under Other in Non-operating income in the consolidated income statement for the previous consolidated fiscal year has been reclassified as foreign exchange gains of ¥5 million.

(Additional Information)

(Change of Holding Objective)

Owing to changes in holding objective, ¥12,704 million was transferred from tangible fixed assets to inventory.

(Impact of COVID-19 pandemic on accounting estimates)

With regard to measures designed to counter COVID infections, the third round of vaccinations for medical professionals has been started. In addition, as a raft of economic stimulus measures are planned to be implemented, the Group assumes that these measures will lead to a gradual recovery of socio-economic activities. This assumption is being factored in when making estimates for accounting purposes, such as write-downs on inventories and impairment losses on fixed assets.

(Related to Consolidated Statement of Income)

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

(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	
	2020	2021
Cash and deposits	42,511	41,646
Time deposits with maturities exceeding three months	(252)	(332)
Trust deposits with use restrictions	(432)	(641)
Deposits with withdrawal restrictions	(103)	(83)
Cash and cash equivalents	41,724	40,589

(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: Real Estate Development Business, Real Estate Solution Business, Overseas Business, Real Estate Leasing Business, Hotel Business, and Real Estate Management Business.

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

(Matters appertaining to changes in reportable segments, etc.)

Announced on January 27, 2021, and starting in the subject fiscal year, we reviewed the Samty Toughening Plan (Post-COVID Version) Medium-Term Management Plan that had been announced in September 2018. To clarify the progress made with Samty Toughening Plan (Post-COVID Version) Medium-Term Management Plan that takes into account the effects of COVID infections, we decided to disclose more detailed information on the reportable segments.

The previous Real Estate Business has been divided into three, namely the Real Estate Development Business, Real Estate Solution Business, and Overseas Business. The previous Real Estate Leasing Business has been divided into the Real Estate Leasing Business and Real Estate Management Business. Businesses other than the Hotel Business, which were previously included in Other Businesses, have been reclassified into each segment. In addition, asset management that was included in the previous Real Estate Business has been changed to the Real Estate Management Business segment.

The segment information for the previous consolidated fiscal year has been created using the changed classification method. The information is stated under "3. Operating Revenues and Earnings (or Losses), Assets and Other Matters by Reportable Segment" for the previous consolidated fiscal year.

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, 2019–November 30, 2020)

Years ended November 30

	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	58,269	30,247	499	7,787	2,029	2,286	101,120
Inter-segment net sales and transfers	—	114	—	—	59	576	750
Total	58,269	30,361	499	7,787	2,089	2,863	101,871
Operating income (loss)	14,790	3,682	385	4,109	(641)	308	22,634
Segment assets	56,300	44,516	16,058	78,903	7,399	3,058	206,237
Other Items							
Depreciation expense	—	—	0	824	78	26	929
Increase in tangible fixed assets and intangible fixed assets	—	—	—	35,741	74	27	35,843

	Millions of yen		
	Total	Adjustment	Amount Recorded on Consolidated Income Statement
Net sales:			
Net sales from third parties	101,120	—	101,120
Inter-segment net sales and transfers	750	(750)	—
Total	101,871	(750)	101,120
Operating income (loss)	22,634	(5,279)	17,355
Segment assets	206,237	44,626	250,864
Other Items			
Depreciation expense	929	97	1,027
Increase in tangible fixed assets and intangible fixed assets	35,843	82	35,925

Notes

1. Adjustment to segment profit (loss) of (¥5,279 million) mainly comprises intersegment eliminations of (¥101 million), and unallocated corporate expenses of (¥5,178 million). Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Adjustment to segment assets of ¥44,626 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, 2020–November 30, 2021)

Years ended November 30

	Millions of yen						
	Reportable Segment						
	Real Estate Development Business	Real Estate Solution Business	Overseas Business	Real Estate Leasing Business	Hotel Business	Real Estate Management Business	Total
Net sales:							
Net sales from third parties	38,863	37,128	595	7,949	2,689	3,233	90,460
Inter-segment net sales and transfers	—	—	—	—	95	611	707
Total	38,863	37,128	595	7,949	2,784	3,845	91,167
Operating income (loss)	9,863	3,042	298	3,779	(2,596)	550	14,937
Segment assets	74,410	74,113	25,221	100,307	22,641	3,666	300,361
Other Items							
Depreciation expense	—	—	33	677	81	38	830
Increase in tangible fixed assets and intangible fixed assets	—	—	0	29,721	1,386	82	31,191

	Millions of yen		
	Total	Adjustment	Amount Recorded on Consolidated Income Statement
Net sales:			
Net sales from third parties	90,460	—	90,460
Inter-segment net sales and transfers	707	—	707
Total	91,167	—	91,167
Operating income (loss)	14,937	(5,475)	9,461
Segment assets	300,361	48,833	349,194
Other Items			
Depreciation expense	830	187	1,018
Increase in tangible fixed assets and intangible fixed assets	31,191	3,131	34,322

Notes

1. Adjustment to segment profit (loss) of (¥5,475 million) mainly comprises intersegment eliminations of (¥223 million), and unallocated corporate expenses of (¥5,252 million). Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Adjustment to segment assets of ¥48,833 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)

	2020	2021
Net assets per share (Yen)	1,907.51	2,029.28
Net income per share (Yen)	261.23	242.52
Diluted net income per share (Yen)	227.88	214.32

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

	2020	2021
Total net assets (Millions of yen)	77,699	103,028
Amount subtracted from total net assets (Millions of yen)	671	8,731
Non-controlling interests (Millions of yen)	671	8,731
Net assets attributable to common stock at end of period (Millions of yen)	77,028	94,296
Number of shares of common stock at end of period (Shares)	40,381,728	46,467,884

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

	2020	2021
Net income per share		
Profit attributable to owners of parent (Millions of yen)	10,615	10,012
Amount not attributable to common stock shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to ordinary shares (Millions of yen)	10,615	10,012
Average number of outstanding shares of common stock during the year (Shares)	40,637,582	41,286,203
Diluted net income per share		
Adjustment to profit attributable to owners of parent (Millions of yen)	—	—
Additional shares of common stock (Shares)	5,946,717	5,432,329
Convertible bonds (Shares)	5,946,717	5,432,329
Stock options (Shares)	—	—
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)

Not applicable.

END