

January 7, 2020

**Flash Report (Consolidated Basis)**  
**Results for the year ended November 30, 2019**  
**(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  
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Date of Annual Shareholders Meeting (Scheduled): February 27, 2020

Start of dividend payments (Planned): February 28, 2020

Submission of securities report (Planned): February 28, 2020

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 2019 (FY11/19)**  
**(December 1, 2018 to November 30, 2019)**

**(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	%
2019	85,552	1.5	15,395	9.7	13,193	13.4	9,740	14.7
2018	84,274	39.3	14,033	38.5	11,635	37.5	8,489	49.9

Note: Comprehensive Income: Year ended November 30, 2019: ¥10,266 million, 18.4%;  
 Year ended November 30, 2018: ¥8,672 million, 49.4%

	Net income per share	Net Income per share after adjustment for residual shares	Return on equity	Ordinary income-to-total assets ratio	Operating margin
	Yen	Yen	%	%	%
2019	247.11	228.51	14.7	6.9	18.0
2018	283.89	273.26	16.9	7.1	16.7

(Reference) Equity in earnings (losses) of affiliated companies: Year ended November 30, 2019: ¥ — million,  
 Year ended November 30, 2018: ¥ — million

Note: The Company, on the shareholder determination date of September 30, 2018, issued stock acquisition rights without contribution (partial commitment-type rights offering / allotment of listing-type stock acquisition rights without contribution) to shareholders, and payment for the subject stock acquisition rights was completed. Because the amount paid based on the rights offering is lower than the market value, net income per share has been calculated assuming that payment based on the subject rights offering for the portion corresponding to the stock split was made at the beginning of the previous fiscal year.

## (2) Consolidated Financial Condition

At November 30

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2019	218,803	71,627	32.5	1,734.72
2018	162,500	62,438	37.9	1,616.59

(Reference) Total shareholders' equity: November 30, 2019: ¥71,027 million, November 30, 2018: ¥61,533 million

Note: The Company, on the shareholder determination date of September 30, 2018, issued stock acquisition rights without contribution (partial commitment-type rights offering / allotment of listing-type stock acquisition rights without contribution) to shareholders, and payment for the subject stock acquisition rights was completed. Because the amount paid based on the rights offering is lower than the market value, net assets per share has been calculated assuming that payment based on the subject rights offering for the portion corresponding to the stock split was made at the beginning of the previous fiscal year.

## (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
2019	4,425	(53,337)	48,683	44,102
2018	31,828	(744)	(11,836)	44,080

## 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			
2018	—	0.00	—	68.00	68.00	2,588	24.0	4.5
2019	—	35.00	—	44.00	79.00	3,173	32.0	4.7
2020 (Forecast)	—	38.00	—	44.00	82.00		33.2	

## 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

- (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: 1 (SAMTY Asia Investments Pte. Ltd.)                      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, 2019	40,946,240 shares	Year ended November 30, 2018	39,800,000 shares
2) Number of treasury stock	Year ended November 30, 2019	1,659 shares	Year ended November 30, 2018	1,736,212 shares
3) Average number of shares outstanding for each period (cumulative term)	Year ended November 30, 2019	39,420,025 shares	Year ended November 30, 2018	29,902,396 shares

The Company, on the shareholder determination date of September 30, 2018, issued stock acquisition rights without contribution (partial commitment-type rights offering / allotment of listing-type stock acquisition rights without contribution) to shareholders, and payment for the subject stock acquisition rights was completed. Because the amount paid based on the rights offering is lower than the market value, the number of issued shares (common stock) has been calculated assuming that payment based on the subject rights offering for the portion corresponding to the stock split was made at the beginning of the previous fiscal year.

## (Reference) FLASH REPORT (NON-CONSOLIDATED BASIS)

### 1. Non-Consolidated Results for the Fiscal Year Ended November 2019 (FY11/19)

(December 1, 2018 to November 30, 2019)

#### (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	%
2019	80,635	7.3	14,799	(15.8)	14,635	(5.5)	11,435	(2.3)
2018	75,152	34.3	17,578	106.3	15,484	120.6	11,709	149.2

	Net income per share		Net Income per share after adjustment for residual shares	
	Yen		Yen	
2019	290.08		268.25	
2018	391.59		376.93	

Note: The Company, on the shareholder determination date of September 30, 2018, issued stock acquisition rights without contribution (partial commitment-type rights offering / allotment of listing-type stock acquisition rights without contribution) to shareholders, and payment for the subject stock acquisition rights was completed. Because the amount paid based on the rights offering is lower than the market value, net income per share has been calculated assuming that payment based on the subject rights offering for the portion corresponding to the stock split was

made at the beginning of the previous fiscal year.

## (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
2019	211,438	68,985	32.6	1,684.86
2018	152,960	58,123	37.7	1,516.76

(Reference) Total shareholders' equity: November 30, 2019: ¥68,985 million, November 30, 2018: ¥57,733 million

Note: The Company, on the shareholder determination date of September 30, 2018, issued stock acquisition rights without contribution (partial commitment-type rights offering / allotment of listing-type stock acquisition rights without contribution) to shareholders, and payment for the subject stock acquisition rights was completed. Because the amount paid based on the rights offering is lower than the market value, net assets per share has been calculated assuming that payment based on the subject rights offering for the portion corresponding to the stock split was made at the beginning of the previous fiscal year.

- \* This flash report is not subject to auditing by a certified public accountant or audit firm.
- \* Explanation regarding the appropriate use of results forecasts, and other items of note
  - Results forecasts and other forward-looking statements contained in this report are based on information available to the Company at the time of disclosure, and certain assumptions the Company considers reasonable. Actual results may vary considerably due to a variety of factors.
  - The Company plans to hold an explanatory meeting for institutional investors and analysts on January 22, 2020.

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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 recover at a moderate pace, with continued improvement in the employment environment on the back of firm corporate earnings. However, the outlook remains clouded by such factors as trade friction between the U.S. and China, the outlook for the Chinese economy, the impact from Brexit, and fluctuations in financial and capital markets.

In the real estate industry, of which Samty Group is a part, despite areas for concern such as higher prices for development sites and rising construction costs, overall conditions remain favorable. Retail store and hotel demand has risen in response to the continued low interest rate environment and increase in overseas tourists, while real estate demand remains robust on improved profitability due to low office vacancy rates in major cities.

Under such conditions, 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 fiscal year, net sales amounted to ¥85,552 million (up 1.5% year on year), with operating income of ¥15,395 million (up 9.7%), ordinary income of ¥13,193 million (up 13.4%), and profit attributable to owners of parent of ¥9,740 million (up 14.7%).

#### a. Real Estate Business

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

During the subject fiscal year, a total of 12 properties were sold as the S-RESIDENCE Series, including “S-RESIDENCE Shin-Okachimachi East” (Taito-ku, Tokyo), “S-RESIDENCE Chikusa” (Chikusa-ku, Nagoya-shi), and “S-RESIDENCE Awaza West” (Nishi-ku, Osaka-shi). A total of 32 properties were sold as income apartments, including “SAMTY Residence Minami8jo” (Chuo-ku, Sapporo-shi), “SAMTY Residence Fujigaoka” (Aoba-ku, Yokohama-shi), and “SAMTY Nagasaki daigaku byoin-mae” (Nagasaki-shi, Nagasaki). Properties sold in lots included “SAMTY Himeshima LIBELE” (Nishiyodogawa-ku, Osaka-shi). The Company also sold commercial facilities, including as hotel assets, “S-PERIA INN Osakahommachi” (Nishi-ku, Osaka-shi), “S-PERIA Hotel Nagasaki” (Nagasaki-shi, Nagasaki), and “Mercure Kyoto Station” (Shimogyo-ku, Kyoto-shi)\*.

As a result, net sales in the Real Estate Business segment amounted to ¥74,793 million (down 0.5% YoY), with operating income of ¥17,272 million (up 11.1%).

\* The sale of Mercure Kyoto Station was a legal transfer of land based on a trust beneficiary right transfer contract dated May 31, 2019. The building is currently under development, and is scheduled for handover in May 2020.

## **b. Property Leasing Business**

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

Samty Group continued its efforts to expand its scope of business operations, and to strengthen purchasing and development of income properties. The Company acquired 46 properties to increase its rent income, including “SAMTY Abenoshowacho” (Abeno-ku, Osaka-shi), “SAMTY Residence Heiwa Odori” (Naka-ku, Hiroshima-shi), “SAMTY Hakataekiminami” (Hakata-ku, Fukuoka-shi), “HELIOS Building” (Shinagawa-ku, Tokyo), “Hirokoji YMD Building” (Naka-ku, Nagoya-shi), and “Daiwa Securities Osaka Branch Building” (Kita-ku, Osaka-shi). Construction also started on “S-RESIDENCE Asahigaoka” (Chuo-ku, Sapporo-shi).

As a result, net sales in the Property Leasing Business segment amounted to ¥6,666 million (down 2.1% YoY), with operating income of ¥2,462 million (up 29.1%).

## **c. 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), “Hotel Sunshine Utsunomiya” (Utsunomiya-shi, Tochigi), and “Center Hotel Osaka” (Chuo-ku, Osaka-shi). The Company also has a condominium management business and construction / renovation business.

As a result, net sales in the Other Business segment amounted to ¥4,092 million (up 75.7% YoY), with operating income of ¥75 million (down 10.1%).

## **(2) Summary of Financial Position for the Subject Period**

From the first quarter period of the subject fiscal year, the Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018). This standard has been retroactively applied to financial position figures to allow for comparison and analysis with the previous fiscal year-end.

### **Assets**

Total assets at the end of the subject fiscal year amounted to ¥218,803 million, an increase of ¥56,303 million compared to the end of the previous fiscal year. Of this amount, current assets increased ¥14,524 million to ¥122,428 million, and non-current assets increased ¥41,779 million to ¥96,374 million. The main factors for the increase in current assets were increases of ¥2,455 million in real estate for sale; and ¥11,453 million in real estate for sale under construction. The main factors for the increase in non-current assets were increases of ¥31,880 million in net property and equipment; and ¥9,898 million in investments and other assets.

### **Liabilities**

Total liabilities at the end of the subject fiscal year amounted to ¥147,175 million, an increase of ¥47,113 million compared to the end of the previous fiscal year. Of this amount, current liabilities increased ¥2,802 million to ¥22,581 million, while non-current liabilities increased ¥44,311 million to ¥124,593 million. The main factors for the increase in current liabilities were an increase of ¥974 million in short-term borrowings; and ¥6,916 million in current portion of long-term borrowings; against a decline of ¥3,357 million in accrued income taxes. The main factors for the increase in non-current liabilities were increases of ¥33,861 million in long-term debt; and ¥10,000 million in bonds with share acquisition rights.

### **Net Assets**

Total net assets at the end of the subject fiscal year amounted to ¥71,627 million, an increase of ¥9,189 million compared to the end of the previous fiscal year. This was due mainly to an increase of ¥9,740 million in retained earnings from the recording of profit attributable to owners of parent, against a decrease of ¥3,960 million in retained earnings from payment of dividends.

## **(3) Summary of Cash Flows for the Subject Period**

Cash and cash equivalents (“cash”) at the end of the subject period amounted to ¥44,102 million, an increase of ¥21 million compared to 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 ¥4,425 million (compared to ¥31,828 million in cash used in the same period of the previous fiscal year). This was due mainly to ¥14,241 million in income before income taxes; ¥7,572 million in income taxes paid; and ¥1,702 million in gain on sales of property, plant and equipment.



### Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥53,337 million (compared to ¥744 million in cash used in the same period of the previous fiscal year). This was due mainly to ¥50,675 million in purchase of property, plant and equipment; and ¥8,800 million in purchase of investment securities.

### Cash Flow from Financing Activities

Net cash provided by financing activities amounted to ¥48,683 million (compared to ¥11,836 million in cash used in the same period of the previous fiscal year). This was due mainly to ¥25,622 million in proceeds from short-term borrowings; ¥25,278 million in repayments of short-term borrowings; ¥94,241 million in proceeds from long-term borrowings; ¥53,832 million in repayments of long-term borrowings; ¥10,000 million in proceeds from issuance of bonds with share acquisition rights; and ¥3,957 million in dividends paid.

### (Reference) Cash flow-related indicators

Years ended November 30

	2015	2016	2017	2018	2019
Capital ratio (%)	23.1	23.1	23.4	37.9	32.5
Capital ratio at market value (%)	23.6	17.9	25.1	35.5	39.1
Ratio of interest-bearing debt to cash flow (years)	—	20.3	9.9	2.8	29.6
Interest coverage ratio (times)	—	2.9	8.0	22.7	3.1

#### Notes

- All indices are on a consolidated basis, calculated according to the following formulas:  
Capital ratio: Owned capital / Total assets  
Capital ratio at market value: Total market value of stocks / Total assets  
Ratio of interest bearing debt to cash flow: Interest-bearing debt / Operating cash flow  
Interest coverage ratio: Operating cash flow / Interest payments
- The total market value of stocks is calculated by multiplying the market value at end of term by the number of issued shares at end of term (after deduction of treasury stock).
- “Operating cash flow” and “interest payments” are the figures for “Net cash provided by (used in) operating activities” and “Interest payable” in the Consolidated Statements of Cash Flows. “Interest-bearing debt” refers to all debts listed in the Consolidated Balance Sheets on which interest is paid.
- Figures for the ratio of interest-bearing debt to cash flow and interest coverage ratio are not presented for FY11/15 because operating cash flow was negative in those years.

#### **(4) Future Outlook**

In the real estate industry, of which the Samty Group is a part, firm demand is expected to continue. Despite matters of concern such as the appreciation of purchase prices for development sites and rising construction costs, the market is expected to remain favorable overall, with continued stable robust conditions for real estate demand amid rising demand for stores and hotels as a result of the current low interest rate environment and increase in overseas visitors, as well as increased profitability due to the low office vacancy rate in major cities.

Under such conditions, in September 2018 the Samty Group formulated its new medium-term management plan, the “Samty Toughening Plan.” The three priority measures of this new plan are: 1) Strengthen and expand fee-based income businesses; 2) Strengthen the development of hotels and office buildings; and 3) Strengthen the financial base. The Samty Group will steadily implement these priority measures, and work to achieve the plan targets.

For the fiscal year ending November 2020, the Company will strive to maintain stable and sustainable business growth, and is forecasting net sales of ¥100,000 million, with operating income of ¥17,500 million, ordinary income of ¥14,600 million, and profit attributable to owners of parent of ¥10,100 million.

## **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	
	2018	2019
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	44,510	44,918
Receivables	928	814
Real estate for sale	26,181	28,637
Real estate for sale under construction	34,886	46,339
Goods	0	1
Supplies	8	10
Other	1,389	1,708
Allowance for doubtful accounts	(1)	(1)
Total current assets	<b>107,904</b>	<b>122,428</b>
<b>Non-current assets:</b>		
<b>Property and equipment:</b>		
Buildings and structures	22,350	27,695
Accumulated depreciation	(2,279)	(1,998)
Buildings and structures net	20,071	25,696
Buildings in trust	3,186	8,230
Accumulated depreciation	(407)	(607)
Buildings in trust net	2,779	7,623
Land	20,936	38,721
Land in trust	2,426	5,571
Other	745	1,233
Accumulated depreciation	(419)	(426)
Other net	326	807
Net property and equipment	<b>46,539</b>	<b>78,420</b>
<b>Intangible assets:</b>		
Goodwill	52	11
Other intangible assets	120	161
Total intangible assets	172	172
<b>Investments and other assets:</b>		
Investment securities	3,887	13,224
Deferred tax assets	694	291
Other	3,355	4,318
Allowance for doubtful accounts	(54)	(53)
Total Investments and other assets	<b>7,883</b>	<b>17,781</b>
Total non-current assets	<b>54,595</b>	<b>96,374</b>
<b>Total assets</b>	<b>162,500</b>	<b>218,803</b>

	Millions of yen	
	2018	2019
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Notes and accounts payable	589	477
Short-term borrowings	1,340	2,315
Current portion of long-term debt	9,470	16,387
Accrued income taxes	4,595	1,237
Other	3,782	2,163
Total current liabilities	<b>19,779</b>	<b>22,581</b>
<b>Non-current liabilities:</b>		
Bonds with share acquisition rights	—	10,000
Long-term debt	78,362	112,224
Liabilities for retirement benefits	156	183
Guarantee deposits	1,035	1,339
Construction assistance fund	538	483
Other	188	303
Total non-current liabilities	<b>80,282</b>	<b>124,593</b>
<b>Total liabilities</b>	<b>100,061</b>	<b>147,175</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Capital stock	15,935	16,184
Capital surplus	16,242	17,938
Retained earnings	30,556	36,335
Treasury stocks at cost	(1,330)	(3)
Total shareholders' equity	<b>61,404</b>	<b>70,455</b>
<b>Accumulated other comprehensive income:</b>		
Unrealized gain on available for-sale securities	129	634
Foreign currency translation adjustment	—	(62)
Total accumulated other comprehensive income	129	571
Stock acquisition rights	390	—
Non-controlling interests	514	600
<b>Total net assets</b>	<b>62,438</b>	<b>71,627</b>
<b>Total liabilities and net assets</b>	<b>162,500</b>	<b>218,803</b>

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

Years ended November 30

	Millions of yen	
	2018	2019
<b>Net sales</b>	<b>84,274</b>	<b>85,552</b>
Cost of sales	63,170	60,793
<b>Gross profit</b>	<b>21,104</b>	<b>24,759</b>
Selling, general and administrative expenses	7,070	9,363
<b>Operating income</b>	<b>14,033</b>	<b>15,395</b>
<b>Non-operating income:</b>		
Interest income	2	1
Dividends	11	13
Refund of premium for cancelled insurance	29	21
Other	7	19
<b>Total non-operating income</b>	<b>50</b>	<b>56</b>
<b>Non-operating expenses:</b>		
Interest expenses	1,382	1,445
Commission fee	559	704
Other	505	108
<b>Total non-operating expenses</b>	<b>2,448</b>	<b>2,258</b>
<b>Ordinary income</b>	<b>11,635</b>	<b>13,193</b>
<b>Extraordinary income:</b>		
Gain on sales of non-current assets	909	1,702
Gain on sales of investment securities	37	—
Other	33	—
<b>Total extraordinary income</b>	<b>980</b>	<b>1,702</b>
<b>Extraordinary loss:</b>		
Loss on sales of non-current assets	100	—
Loss on retirement of non-current assets	0	13
Loss on impairment of long-lived assets	22	34
Consumption taxes for prior periods	—	601
Other	0	4
<b>Total extraordinary losses</b>	<b>123</b>	<b>654</b>
<b>Income before income taxes</b>	<b>12,492</b>	<b>14,241</b>
Income taxes-current	5,396	4,237
Income taxes-deferred	(1,558)	179
Total income taxes	<b>3,838</b>	<b>4,417</b>
<b>Net income</b>	<b>8,654</b>	<b>9,824</b>
<b>Profit attributable to non-controlling interests</b>	<b>165</b>	<b>83</b>
<b>Profit attributable to owners of parent</b>	<b>8,489</b>	<b>9,740</b>

## Consolidated Statements of Comprehensive Income

Years ended November 30

	Millions of yen	
	2018	2019
Net income	8,654	9,824
<b>Other comprehensive income:</b>		
Unrealized gain on available for-sale securities	18	505
Foreign currency translation adjustment	—	(62)
Total other comprehensive income	18	442
<b>Comprehensive income</b>	<b>8,672</b>	<b>10,266</b>
<b>Comprehensive income attributable to:</b>		
Comprehensive income attributable to owners of the parent	8,507	10,183
Comprehensive income attributable to non-controlling interests	165	83

### (3) Consolidated Statements of Changes in Net Assets

Year ended November 30, 2018 (December 1, 2017 to November 30, 2018)

	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	8,461	8,575	23,251	(1,382)	38,906
Changes of items during the period					
Issuance of new shares	7,473	7,473			14,947
Dividends from surplus			(1,183)		(1,183)
Profit attributable to owners of parent			8,489		8,489
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		29		54	84
Change in ownership interest of parent due to transactions with non-controlling interests		163			163
Net changes of items other than shareholders' equity					
Total changes of items during the period	7,473	7,666	7,305	51	22,497
Balance at the end of current period	15,935	16,242	30,556	(1,330)	61,404

	Millions of yen				
	Accumulated other comprehensive income		Subscription Rights to Shares	Non-controlling interests	Total Net Assets
	Unrealized gain on available for-sale securities	Accumulated other comprehensive income			
Balance at the end of previous period	111	111	343	—	39,360
Changes of items during the period					
Issuance of new shares					14,947
Dividends from surplus					(1,183)
Profit attributable to owners of parent					8,489
Purchase of treasury shares					(3)
Disposal of treasury shares					84
Change in ownership interest of parent due to transactions with non-controlling interests					163
Net changes of items other than shareholders' equity	18	18	46	514	580
Total changes of items during the period	18	18	46	514	23,077
Balance at the end of current period	129	129	390	514	62,438

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

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury Stock, at Cost	Total shareholders' equity
Balance at the end of previous period	15,935	16,242	30,556	(1,330)	61,404
Changes of items during the period					
Issuance of new shares	248	248			497
Dividends from surplus			(3,960)		(3,960)
Profit attributable to owners of parent			9,740		9,740
Purchase of treasury shares				(4)	(4)
Disposal of treasury shares		1,447		1,331	2,779
Increase due to increase in consolidated subsidiaries			(1)		(1)
Net changes of items other than shareholders' equity					
Total changes of items during the period	248	1,696	5,779	1,327	9,051
Balance at the end of current period	16,184	17,938	36,335	(3)	70,455

	Millions of yen					
	Accumulated other comprehensive income			Subscription Rights to Shares	Non-controlling interests	Total Net Assets
	Unrealized gain on available for-sale securities	Foreign currency translation adjustment	Accumulated other comprehensive income			
Balance at the end of previous period	129	—	129	390	514	62,438
Changes of items during the period						
Issuance of new shares						497
Dividends from surplus						(3,960)
Profit attributable to owners of parent						9,740
Purchase of treasury shares						(4)
Disposal of treasury shares						2,779
Increase due to increase in consolidated subsidiaries						(1)
Net changes of items other than shareholders' equity	505	(62)	442	(390)	85	137
Total changes of items during the period	505	(62)	442	(390)	85	9,189
Balance at the end of current period	634	(62)	571	—	600	71,627



#### (4) Consolidated Statements of Cash Flows

Years ended November 30

	Millions of yen	
	2018	2019
<b>Operating activities:</b>		
Income before income taxes	12,492	14,241
Depreciation	1,285	1,208
Loss on impairment of long-lived assets	22	34
Amortization of goodwill	24	6
Consumption taxes for prior periods	—	601
Increase (Decrease) in net defined benefit liability	9	27
Interest and dividends income	(14)	(14)
Interest expenses	1,382	1,445
Commission fee	559	704
Foreign exchange losses (gains)	—	0
Loss (gain) on sales of property, plant and equipment	(809)	(1,702)
Decrease (increase) in notes and accounts receivable - trade	(604)	126
Decrease (Increase) in inventories	25,404	(197)
Increase (decrease) in notes and accounts payable - trade	(3,086)	(117)
Increase (decrease) in accrued consumption taxes	1,254	(1,563)
Increase (decrease) in lease and guarantee deposits received	(674)	363
Other-net	(1,023)	(1,765)
Subtotal	<b>36,222</b>	<b>13,399</b>
Decrease in interest and dividends receivable	14	14
Decrease in interest payable	(1,404)	(1,417)
Income taxes (paid) refunded	(3,004)	(7,572)
<b>Net cash provided by (used in) operating activities</b>	<b>31,828</b>	<b>4,425</b>
<b>Investing activities:</b>		
Payments into time deposits	(726)	(60)
Proceeds from withdrawal of time deposits	1,474	73
Purchase of property, plant and equipment	(20,005)	(50,675)
Proceeds from sales of property, plant and equipment	19,899	6,188
Purchase of intangible assets	(83)	(79)
Proceeds from sales of intangible assets	—	0
Purchase of investment securities	(2,047)	(8,800)
Proceeds from sale of investment securities	251	—
Proceeds from redemption of investment securities	512	104
Payments for investments in capital	(7)	(0)
Collection of investments in capital	1	0
Payments of construction assistance fund receivables	(55)	(55)
Other-net	42	(34)
<b>Net cash provided by (used in) investing activities</b>	<b>(744)</b>	<b>(53,337)</b>

(continued on page 14)

	Millions of yen	
	2018	2019
<b>Financing activities:</b>		
Increase in short-term loans payable	17,888	25,622
Decrease in short-term loans payable	(26,546)	(25,278)
Proceeds from long-term loans	54,353	94,241
Repayments of long-term loans	(71,307)	(53,832)
Proceeds from issuance of bonds with share acquisition rights	—	10,000
Proceeds from issuance of common shares	14,953	1
Proceeds from disposal of treasury shares	—	2,779
Purchase of treasury shares	(3)	(4)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	585	—
Dividends paid	(1,183)	(3,957)
Other-net	(576)	(888)
<b>Net cash provided by (used in) financing activities</b>	<b>(11,836)</b>	<b>48,683</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>—</b>	<b>(0)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>19,246</b>	<b>(230)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>24,833</b>	<b>44,080</b>
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	<b>—</b>	<b>251</b>
<b>Cash and cash equivalents, end of the period</b>	<b>44,080</b>	<b>44,102</b>

## **(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: 15

##### Names of consolidated subsidiaries

Hikone SC Ltd.

Suntoa Co., Ltd.

Samty Property Management Co., Ltd.

Samty Asset Management Co., Ltd.

Ambient Garden Moriyama LLC

Ambient Garden Moriyama General Incorporated Association

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.

Specialist Support System Co., Ltd., which was a consolidated subsidiary in the previous fiscal year, was excluded from the scope of consolidation following the completion of liquidation.

S Hotel Operations Kyoto Tambaguchi LLC, SI Kaihatsu LLC, and S Hotel Operations General Incorporated Association, were included in the scope of consolidation from the subject fiscal year due to their increased materiality.

SAMTY Asia Investments Pte. Ltd. was newly established, and included in the scope of consolidation from the subject fiscal year.

##### (2) Names of material unconsolidated subsidiaries

S Hotel Operations Nagoya LLC

S Hotel Operations Kyoto Horikawa LLC

##### Reason for exclusion from the scope of consolidation

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

## 2. Items relating to the application of the equity method

There are no equity-method affiliates.

## 3. Items relating to the fiscal year of consolidated subsidiaries

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

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

## 4. Items related to accounting standards

### (1) Valuation standards and valuation methods for material assets

#### (A) Securities

##### Available-for-sale securities

##### Securities with current market value

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

##### Securities without current market value

The Company applies a cost method using a moving average.

#### (B) Inventory

##### Real estate for sale and real estate for sale in process

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

##### Merchandise and supplies

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

### (2) Method of depreciating material depreciable assets

#### (A) Tangible fixed assets (excluding lease assets)

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

Main lifetime durations are as follows.

Buildings and structures    3–47 years

Trust building                    31–41 years

#### (B) Intangible fixed assets (excluding lease assets)

The Company applies the straight-line method.

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

(C) Long-term prepaid expenses

The Company applies the straight-line method.

(D) Lease assets

Assets related to finance lease transactions without ownership-transfer

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

(3) Standards for recognizing material allowances

Allowance for doubtful accounts

As provision for losses stemming from doubtful accounts, in the case of general claims the Company recognizes an allowance based on the historical doubtful account ratio. In the case of specific doubtful claims, etc., the Company considers recoverability and recognizes the estimated non-recoverable amount.

(4) Method of accounting for employee retirement benefits

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

(5) Method for amortization of goodwill and amortization period

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

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

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

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

Accounting treatment of consumption tax

The Company applies the net-of-tax method.

Non-deductible consumption tax, etc., relating to fixed assets is recognized as a long-term prepaid expense, and amortized using the straight-line method over a five-year period.

### **(Change in Presentation Methods)**

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

From the start of the subject fiscal year, the Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018).

Deferred tax assets are shown in the “Investments and other assets” segment, and deferred tax liabilities in the “Non-current liabilities” segment.

As a result, the consolidated balance sheet for the previous fiscal year, “Deferred tax assets” in “Current assets” decreased ¥326 million, while “Deferred tax assets” in “Investments and other assets” increased by the same amount.

### **(Additional Information)**

(Change of Holding Objective)

Previous fiscal year (December 1, 2018–November 30, 2019)

Owing to changes in holding objective, ¥13,713 million was transferred from tangible fixed assets to inventory.

### **(Related to Consolidated Statement of Income)**

#### Impairment Loss

The Samty Group recorded impairment losses on the following asset groups during the subject fiscal year.

Application	Type	Location	Amount
			Millions of yen
Other	Goodwill	Chuo-ku, Osaka-shi	34

The Samty Group treats individual real estate properties for leasing as an asset grouping unit. Of note, certain consolidated subsidiaries are treated as an asset grouping unit.

Goodwill in the above chart is for the recording as an extraordinary loss of an undepreciated balance as an impairment loss in the Company’s consolidated subsidiary Suntoa Co., Ltd., due to revisions to the business plan related to the management of a hotel sold in the previous fiscal year.

#### Consumption Taxes for Prior Periods

As a result of a tax inspection conducted by the Osaka Regional Taxation Bureau, there is a possibility that the Company will be additionally assessed consumption taxes for prior periods. The Company has estimated the additional payment amount for the projected consumption taxes should a levy be made in accordance with the Taxation Bureau’s view, and recorded this as an extraordinary loss.

This matter stems from a difference in opinion between the Company and the Taxation Bureau regarding the tax treatment method for the deduction of consumption tax related to the procurement of residential buildings acquired by the Company for the purpose of sale. The Company does not accept the Taxation Bureau’s assertion, but in its accounting, has conservatively recorded the estimated amount.

### **(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	
	2018	2019
Cash and deposits	44,510	44,918
Time deposits with maturities exceeding three months	(241)	(228)
Trust deposits with use restrictions	(153)	(494)
Deposits with withdrawal restrictions	(35)	(93)
Cash and cash equivalents	44,080	44,102

**(Real Estate for Lease, etc.)**

The Samty Group owns condominiums and office buildings (including land) for lease in the Kansai region centering on Osaka, the Kyushu region centering on Fukuoka Prefecture, and the Tokai region centering on Aichi Prefecture, as well as Hokkaido, Hiroshima Prefecture, and the Tokyo metropolitan area. In the fiscal year ended November 30, 2018, lease income from real estate for lease was ¥1,378 million (leasing revenues are presented within net sales and major costs of leasing are presented within cost of sales and selling, general and administrative expenses), income from real estate sales was ¥809 million (gain on real estate sales is presented within extraordinary income and loss on real estate sales is presented within extraordinary loss), and impairment loss was ¥16 million (presented within extraordinary loss). In the fiscal year ended November 30, 2019, lease income from real estate for lease was ¥1,509 million (leasing revenues are presented within net sales and major costs of leasing are presented within cost of sales and selling, general and administrative expenses), and income from real estate sales was ¥1,408 million (presented within extraordinary income). For this real estate for lease, the amounts presented on the Consolidated Balance Sheets, changes in value during each respective period, and fair market values were as presented below.

At November 30

		Millions of yen	
		2018	2019
Amount presented on the Consolidated Balance Sheets	Beginning of period	59,551	45,708
	Change during period	(13,842)	27,322
	End of period	45,708	73,031
Fair market value at end of period		51,324	75,319

Notes:

1. The amount presented on the Consolidated Balance Sheets is the acquisition cost price less the accumulated depreciation.
2. Within change during period, during the previous fiscal year, the main increase was related to new acquisitions of fixed assets (¥18,995 million). The main decreases were due to sales of real estate (¥19,087 million), impairment loss (¥16 million), and transfer to inventory owing to changes in holding objective (¥14,930 million). During the subject fiscal year, the main increase was related to new acquisitions of fixed assets (¥44,813 million). The main decreases were due to sales of real estate (¥4,103 million), and transfer to inventory owing to changes in holding objective (¥13,709 million).
3. The fair market values at end of the fiscal years ended November 30, 2018 and 2019 are mainly calculated by the Company based on Japanese Real Estate Appraisal Standards (including items adjusted using indices, etc.).



## (Segment Information)

### 1. Outline of reportable segments

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

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

### 2. Method of calculating reportable segment sales, profit and loss, assets, liabilities 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," excluding inventory appraisal standards.

With regard to inventory appraisal, the Company appraises the amount prior to write-down based on a decline in profitability. Reportable segment profit is based on operating income. Intersegment sales and transfers are recorded based on market prices.

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

Previous fiscal year (December 1, 2017–November 30, 2018)

Years ended November 30

	Millions of yen					
	Reportable Segment				Adjustment (Note 1, 2, 3)	Amount Recorded on Consolidated Income Statement
	Real Estate Business	Property Leasing Business	Other Business	Total		
Net sales:						
Net sales from third parties	75,138	6,806	2,329	84,274	—	84,274
Inter-segment net sales and transfers	4	1	162	167	(167)	—
Total	75,143	6,807	2,491	84,442	(167)	84,274
Operating income	15,547	1,907	83	17,537	(3,504)	14,033
Segment assets	50,728	45,876	24,439	121,044	41,455	162,500
Other Items						
Depreciation expense	10	1,163	61	1,235	50	1,285
Increase in tangible fixed assets and intangible fixed assets	2	19,369	478	19,850	136	19,987

## Notes

1. Adjustment to segment profit of (¥2,806 million) mainly comprises intersegment eliminations of (¥47 million), and unallocated corporate expenses of (¥2,759 million). Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Adjustment to segment assets of ¥41,455 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 is adjusted to the operating income on the consolidated income statement.

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

Years ended November 30

	Millions of yen					
	Reportable Segment				Adjustment (Note 1, 2, 3)	Amount Recorded on Consolidated Income Statement
	Real Estate Business	Property Leasing Business	Other Business	Total		
Net sales:						
Net sales from third parties	74,793	6,666	4,092	85,552	—	85,552
Inter-segment net sales and transfers	13	32	341	387	(387)	—
Total	74,806	6,698	4,434	85,939	(387)	85,552
Operating income	17,272	2,462	75	19,809	(4,414)	15,395
Segment assets	51,803	77,507	38,435	167,746	51,057	218,803
Other Items						
Depreciation expense	13	1,036	73	1,122	86	1,208
Increase in tangible fixed assets and intangible fixed assets	43	47,095	4,026	51,165	245	51,411

## Notes

1. Adjustment to segment profit of (¥4,414 million) mainly comprises intersegment eliminations of ¥56 million, and unallocated corporate expenses of (¥4,470 million). Corporate expenses are general and administrative expenses not attributed to any reportable segment.
  2. Adjustment to segment assets of ¥51,057 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 is adjusted to the operating income on the consolidated income statement.
4. Major items within differences between the total of reportable segments and the amounts presented in the consolidated financial statements and other relevant differences (items relating to difference adjustment)

(Material impairment loss related to fixed assets)

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

No applicable items

## (Per Share Information)

	2018	2019
Net assets per share (Yen)	1,616.59	1,734.72
Net income per share (Yen)	283.89	247.11
Diluted net income per share (Yen)	273.26	228.51

(Note) 1. The Company, on the shareholder determination date of September 30, 2018, issued stock acquisition rights without contribution (partial commitment-type rights offering / allotment of listing-type stock acquisition rights without contribution) to shareholders, and payment for the subject stock acquisition rights was completed. Because the amount paid based on the rights offering is lower than the market value, net assets per share and net income per share have been calculated assuming that payment based on the subject rights offering for the portion corresponding to the stock split was made at the beginning of the previous fiscal year.

### 2. Bases for calculation of net assets per share

		2018	2019
Total net assets	(Millions of yen)	62,438	71,627
Amount subtracted from total net assets	(Millions of yen)	905	600
Stock options	(Millions of yen)	390	—
Non-controlling interests	(Millions of yen)	514	600
Net assets attributable to common stock at end of period	(Millions of yen)	61,533	71,027
Number of shares of common stock at end of period	(Shares)	38,063,788	40,944,581

### 3. Bases for calculation of net income per share and diluted net income per share

		2018	2019
Net income per share			
Profit attributable to owners of parent	(Millions of yen)	8,489	9,740
Amount not attributable to common stock shareholders	(Millions of yen)	—	—
Preferred dividends	(Millions of yen)	—	—
Profit attributable to owners of parent related to ordinary shares	(Millions of yen)	8,489	9,740
Average number of outstanding shares of common stock during the year	(Shares)	29,902,396	39,420,025
Diluted net income per share			
Adjustment to profit attributable to owners of parent	(Millions of yen)	—	—
Preferred dividends	(Millions of yen)	—	—
Additional shares of common stock	(Shares)	1,163,608	3,207,807
Convertible bonds	(Shares)	—	2,707,869
Stock options	(Shares)	1,163,608	499,938
Outline of residual shares not included in the calculation of diluted net income per share owing to no dilutive effect		—	—

## (Significant Events after the Reporting Period)

Not applicable.

END