COMPANY RESEARCH AND ANALYSIS REPORT

Samty Co., Ltd.

3244

Tokyo Stock Exchange First Section

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FISCO Ltd. Analyst

Ikuo Shibata

FISCO Ltd.

https://www.fisco.co.jp

Index

Summary

FY11/21 1H sales and operating income declined due to the switch to a "develop and own" business model and because earnings are skewed to 2H, but results were as expected. Strengthening partnerships with other companies targeting a hotel REIT listing and growth

1. Company profile

Samty Co., Ltd. <3244> (hereafter, also "the Company") is a comprehensive real estate company that operates a nationwide business, centered on the Kansai region and Tokyo metropolitan area. Its business is based on the twin axes of its Real Estate Business (including development and sales of large-scale leasing condominiums for real estate funds and hotels) and Property Leasing Business (including owning leased condominiums), while it is also involved in hotel business and other related operations. The Company is characterized by its ability to respond flexibly to changes in its business environment by balancing stable income from its Property Leasing Business with accelerated growth in its Real Estate Business, and it achieved sustainable growth even while overcoming major financial crises. It also has a superior business model in which it combines both businesses to handle every aspect of the property business, and presently it is continuing to achieve high growth. In addition to expanding its business area, it entered the J-REIT business* in June 2015. The Company has solidified the foundations of its business model for further business expansion.

* Samty Residential Investment Corporation <3459> (hereafter, "SRR"), which was established in March 2015, is listed on the TSE J-REIT market.

Due to the impact of the novel coronavirus pandemic, the listing of a hotel REIT that had been scheduled to take place in 2020 has been postponed to spring 2022 or later. But leasing condominiums, which are not easily affected by economic fluctuations, are performing strongly, and the Company is steadily moving forward with its investment plan for the future (land procurement and acquisition of income properties). Conversely, looking toward the post-coronavirus period, the Company has reviewed its medium-term management plan. While continuing to conduct strategic investment, it now depicts a direction toward achieving sustainable growth through switching to "develop and own" business (to grow stable earnings), strengthening overseas business, and working on the hotel business from a long-term perspective.

2. Business results for FY11/21 1H

In FY11/21 1H, net sales and operating income declined, but results were generally in line with expectations. Net sales decreased 11.5% year on year (YoY) to ¥24,193mn, operating income declined 36.9% YoY to ¥3,599mn, ordinary income rose 10.3% YoY to ¥5,114mn, while profit attributable to owners of parent rose 133.1% YoY to ¥7,393mn. The decline in net sales was due to the significant curbing sales of properties with the aim of transitioning to a "develop and own" business model, along with the fact that the sales plan is skewed towards 2H, including sales of some properties being pushed back to a later period. Meanwhile, in terms of profits, in addition to the impact from the decline in sales, operating income declined due to factors including an increase in expenses associated with new hotel openings. The increase in ordinary income and lower profit line items was due to non-operating income and extraordinary income in conjunction with the purchase of the Aloft Osaka Dojima hotel through a special purpose company ("SPC"). In terms of activities, in addition to actively adding income properties, the Company bolstered its partnership with Wealth Management, Inc. <3772> (WMI) as well as its partnership with foreign-capital operators in order to list and expand its hotel REIT. We view these as noteworthy achievements, in the sense that they show the Company's future plans in the hotel business.

3. FY11/21 forecasts

For the FY11/21 results forecast (range format), the Company has upwardly revised its forecast twice since its initial forecast. The revised forecast is for net sales between ¥88,000mn (down 13.0% YoY) and ¥120,000mn (up 18.7%), operating income from ¥10,000mn (down 42.4%) to ¥11,800mn (down 32.0%), ordinary income from ¥12,200mn (down 20.0%) to ¥13,600mn (down 10.8%), and profit attributable to owners of parent between ¥11,900mn (up 12.1%) and ¥12,900mn (up 21.5%). The reason both the upper and lower ends for net sales declined is that, in accordance with the review of the medium-term management plan, the Company is still in the process of switching to a "develop and own" business. Meanwhile, the Company expects income gain (leasing income, etc.) to increase steadily by 12.5% YoY to ¥14,795mn. For profits, the Company forecasts a decline in both the upper and lower ends of operating income due to the impacts accompanying the decline in the number of property sales, higher costs in the hotel business (including initial costs in association with new hotel openings), and other factors. However, the Company expects to secure an increase in profit attributable to owners of parent (for the ninth consecutive period) due to the booking of extraordinary income, and the Company plans to increase the annual dividend by ¥4 YoY, to ¥86.

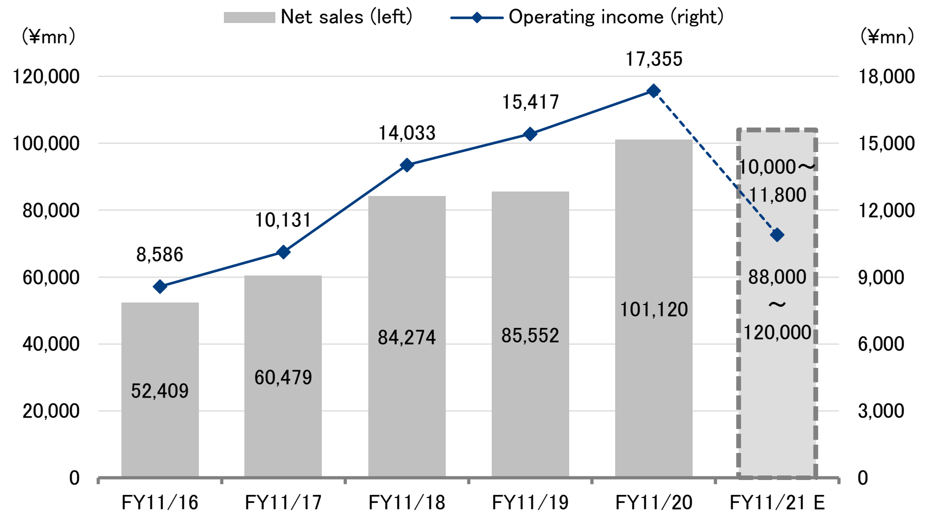
4. Medium-term management plan (post-COVID version) overview

Looking ahead to the post-coronavirus period, in January 2021 the Company reviewed its medium-term management plan to cover five years (post-COVID version). The plan's basic policies are (1) Switch to "develop and own" business (grow stable earnings), (2) Continuation of efforts toward establishment of hotel REIT, (3) Continuation of strategic investments in regional metropolitan areas, and (4) Building a profit base in overseas business. The five-year investment plan is for approximately ¥750bn and the results targets for the plan's final fiscal year (FY11/25) are net sales at a level of ¥220bn, operating income of at least ¥35bn, ROE at a level of 15.0%, ROA at a level of 7.0%, and an equity ratio of at least 30.0%. In particular, the Company intends to expand Group assets (including REIT) to a scale of ¥1tn and switch to an earnings structure in which 50% of operating income is from income gain (leasing income, etc.), and 15% of operating income is from the overseas business.

Key Points

- In FY11/21 1H, sales and operating income declined, but results were generally in line with expectations
- The highly-emphasized income gains (leasing income, etc.) have been growing steadily despite the coronavirus pandemic. In terms of activities, there have been noteworthy achievements made towards accumulating income properties and strengthening the hotel business
- The Company upwardly revised its forecasts for FY11/21 (range format). The Company expects profit attributable to owners of parent to be a record high for the ninth consecutive period, and plans to increase the annual dividend by ¥4 YoY, to ¥86
- Looking toward the post-coronavirus period, in January 2021 reviewed the medium-term management plan (post-COVID version) and adjusted it to a five-year plan. While continuing to conduct strategic investment, is aiming for sustainable growth, including by switching to “develop and own” business and strengthening overseas business

Results trends



Note: As the results forecasts for FY11/21 are range forecasts, the graph shows median values
Source: Prepared by FISCO from the Company’s financial results

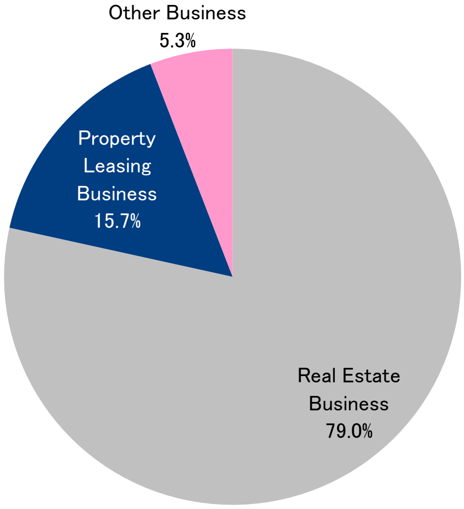
Company profile

Balanced business portfolio based on the Real Estate Business and Property Leasing Business. Mainstay leasing condominium business largely unaffected by economic fluctuations

1. Business overview

The Company has three business segments: Real Estate Business, Property Leasing Business, and Other Business. The Real Estate Business trended favorably, contributing 79.0% of net sales in FY11/21 1H. However, it is necessary to be aware that in contrast to the steady growth of the Property Leasing Business, results in the Real Estate Business tend to fluctuate greatly due to various factors, including the business environment. Since its foundation, the Company's strength has been its leasing capabilities in its area of expertise of residential properties (condominiums, etc.) that can be expected to stably maintain high occupancy rates. In May 2019, it concluded a capital and business alliance agreement with Daiwa Securities Group Inc. <8601>, and they are progressing collaborations, including the formation of a hotel REIT, overseas business development, and crowdfunding.

Composition of net sales by business in FY11/21 1H



Source: Prepared by FISCO from the Company's financial results

Also, in March 2015, the Company established SRR, which was listed on the TSE J-REIT market in June of the same year. The Samty Group plays the role of SRR's sponsor (supplying it with properties) and is responsible for subsequent asset management and other operations. SRR continues to steadily expand and currently owns 156 properties with a combined value of ¥143.8bn (as of August 3, 2021) *. The Company is also moving ahead with formation of a hotel development fund and plans to list a hotel REIT in spring 2022 or later.

* Asset scale has grown 4.7 times over approximately six years since its listing.

For its sales bases, in addition to its Osaka Head Office (Yodogawa-ku)*, it has branch offices in Tokyo (Chiyoda-ku)*, Fukuoka (Hakata-ku), Sapporo (Chuo-ku), Nagoya (Nakamura-ku), and Hiroshima (Naka-ku) and it is establishing a nationwide system centered on the major regional cities.

* Houses the Kobe, Shinjuku and Yokohama sales offices.

As of May 31, 2021*, the Samty Group is comprised of the Company and 18 consolidated subsidiaries, including 8 SPC and general incorporated associations that were established or received investment in connection with schemes to acquire, own, and develop land, properties, and trust beneficiary rights in the process of conducting the Real Estate Business and Property Leasing Business. The main consolidated subsidiaries include Samty Asset Management Co., Ltd. (asset management, etc.), Samty Hotel Management Co., Ltd. (hotel management, etc.), Samty Property Management Co., Ltd. (property management, etc.) and SAMTY ASIA INVESTMENTS PTE. LTD. (its Singapore subsidiary.)

* The Company concluded a capital and business alliance with WMI on May 25, 2021, and made WMI an equity-method affiliate following the acquisition of its shares (ownership ratio = 32.02%) on July 30, 2021.

Overviews of each business are as follows.

(1) Real Estate Business

This business supports the Company's growth and is divided into four subsegments: "development securitization," "renovation securitization," "investment unit sales in lots" and "asset management."

"Development securitization" refers to the planning, development, and sale of leasing condominiums (the S-RESIDENCE series, a brand developed in-house) to real estate funds. Based on the concepts and design needs in each area, these condominiums are targeted to people living alone and dual-income couples with no children, as they feature spacious entrances and inside hallways, and have sophisticated designs and a high level of comfort. The Company has granted SRR preferential negotiating rights for the S-RESIDENCE series, and primarily supplies properties to SRR. It has also been working on planning, development and sales of hotels (S-PERIA series brand developed in-house, etc.) and office buildings as a new field.

S-RESIDENCE series

Source: The Company's website and materials supplied by the Company

“Renovation securitization” refers to the revitalization and sales of existing income properties. The Company aims to improve occupancy rates by utilizing its leasing capabilities (leasing and then sold wholesale) and expertise for income properties and upgrading properties through renovating facilities, which generates earnings over the period of ownership. In addition, its final objective is to record gains on sales through selling its holdings and investment properties to real estate funds, business companies, and wealthy individuals. It also carries out warehousing* for SRR. During the ownership period, rental income is recorded in the Property Leasing Business.

* Properties acquired to incorporate into a REIT.

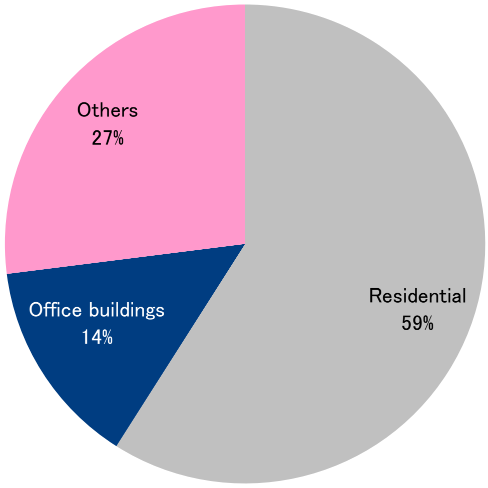
“Investment unit sales in lots” involves the planning and development of studio-type condominiums for investment, mainly to individual investors. A feature of the Company is that it does not have an in-house sales team, and it wholesales (selling units or entire buildings) to sales companies. Through building a network with sales companies that have a sales track record in the business area and consulting with sales companies at the planning and development stages, it is able to supply properties that meet client (user) needs. Also, the Company’s excellent leasing expertise differentiates it from its competitors and garners trust from and negotiating power with the sales companies.

The objectives of “asset management” are obtaining commission income, from the company being commissioned (outsourced) to operate and manage real estate as the asset manager by real estate funds, and dividend income from the Company’s own investments in real estate funds. The asset management business is also growing along with expansion in the asset scale of SRR. The revenue structure in this business comprises management commissions (0.45% of the balance of assets under management), acquisition commissions (1.0% of the property acquisition value), sales commissions (0.5% of the property sales value) and other components. Notably, management commissions can be expected to provide a source of steady revenue every fiscal year based on the balance of assets under management.

(2) Property Leasing Business

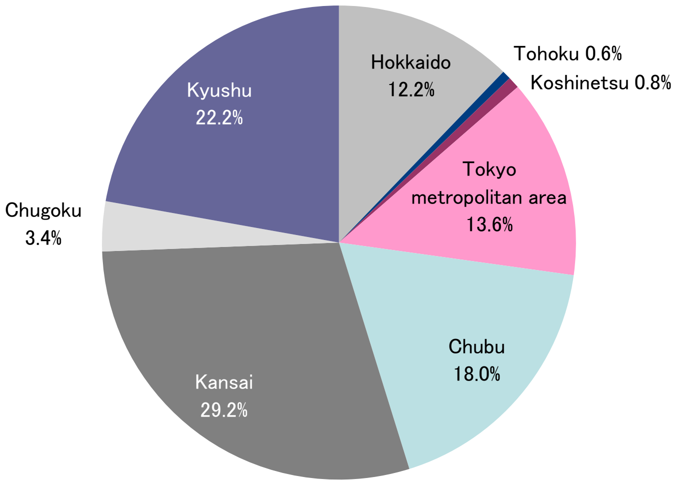
This business is the foundation that ensures stability, and the segment profit margins are also maintaining high levels. It owns around 163 properties nationwide (inventory assets, non-current assets), centered on the Kansai region, Tokyo metropolitan area and government ordinance designated cities such as Fukuoka, Sapporo, and Nagoya. It also conducts diversified investment in a variety of assets, including condominiums, office buildings, and commercial facilities. In particular, the Company has a high percentage of condominiums that are largely unaffected by economic fluctuations and utilizes its leasing expertise to realize high occupancy rates above 90% when averaged over the year. While the scale of the real estate it owns amounts to around ¥208.1bn (book value), this is divided into ¥132.9bn in inventory assets that it intends to eventually sell (real estate for sale) and ¥75.2bn in non-current assets that it intends to continue to own (all results are as of the end of FY11/21 1H).

Sales by property type for FY11/21 1H
(Property Leasing Business)



Source: Prepared by FISCO from the Company's financial results briefing materials

Distribution of assets owned by area for FY11/21 1H
(based on total floor space)



Note: Calculated based on total floor space of properties for sale and non-current assets
Source: Prepared by FISCO from the Company's financial results briefing materials

(3) Other Business

This business mainly involves the ownership and management of hotels, the condominium management business, and the construction and renovation business. The hotel business operates and manages 16 hotels nationwide, including nine hotels developed in-house. Other than conducting the hotel business, subsidiary Samty Property Management also conducts condominium management (including external properties, mainly the Company's condominiums), construction and renovation, and other work.

Hotels in which the Company participates

Hotel name	Location	No. of rooms
Center Hotel Tokyo	Chuo-ku, Tokyo	108
Amano Hashidate Hotel	Miyazu-shi, Kyoto	86
GOZAN HOTEL	Higashiyama-ku, Kyoto-shi	21
S-PERIA HOTEL Nagasaki	Nagasaki-shi, Nagasaki	155
S-PERIA HOTEL Hakata*	Hakata-ku, Fukuoka-shi	287
S-PERIA INN Nihombashihakozaki*	Chuo-ku, Tokyo	114
S-PERIA INN Osaka Hommachi*	Nishi-ku, Osaka-shi	125
S-PERIA HOTEL Kyoto*	Shimogyo-ku, Kyoto-shi	165
NEST HOTEL Hiroshima Hatchobori	Naka-ku, Hiroshima-shi	126
NEST HOTEL Hiroshima Station	Minami-ku, Hiroshima-shi	84
Mercure Kyoto Station*	Shimogyo-ku, Kyoto-shi	225
Ibis Styles Nagoya*	Nakamura-ku, Nagoya-shi	284
Agora Kyoto Shijo*	Shimogyo-ku, Kyoto-shi	80
Agora Kyoto Karasuma*	Shimogyo-ku, Kyoto-shi	140
Aloft Osaka Dojima	Kita-ku, Osaka-shi	305
S-PERIA Hotel Fukuoka Nakasu*	Hakata-ku, Fukuoka-shi	87
Total		2,392

* Hotel developed by the Company
Source: Prepared by FISCO from Company news releases

2. Features

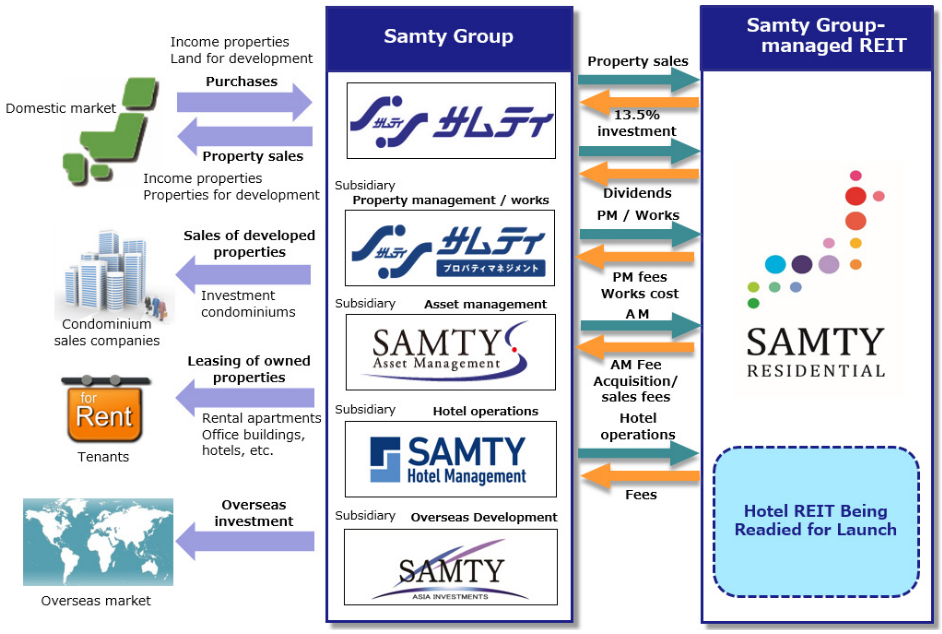
A feature of the Company is that it handles all aspects of the property business with its business model combining two businesses, the Real Estate Business and Property Leasing Business. This forms its strength in terms of the superiority of its business and revenue structure.

(1) A superior business model

A feature of the Company's business model is that every phase of the property business, including land purchases, development, leasing, sales, and after-sales management fees, are conducted within the Group, and by connecting these respective functions, it creates value (a value chain) that is unique to the Company. In particular, it utilizes its sophisticated leasing expertise, which it has cultivated in the Property Leasing Business, in the Real Estate Business. In addition to improving the value of income properties, this has positive effects on its superiority in purchasing land, relationships of trust with customers and negotiating power with buyers.

The Company also has a competitive advantage in its business model, centered on SRR. While SRR will become a stable supply destination, the expansion of the after-sales fee business (commissioned asset management operations and contract property management operations) can be expected to become a stable source of revenue in the future.

Business model overview



Source: The Company's website

(2) Profit structure as a strength

The Company is characterized by its ability to respond flexibly to changes in its business environment by balancing stable income from its Property Leasing Business (a stock-type business) and accelerated growth in its Real Estate Business (a flow-type business). As new strategic initiatives in the new normal, it is aiming to grow the Group's total asset scale and strengthen acquisitions of leasing income and fee income, while it is also working to maximize income gains and build a more stable earnings foundation. In addition, its ability to withstand periods of recession is strengthened by the fact that it minimizes fixed costs by not having an in-house sales team and instead utilizing external resources. The reasons its results deteriorated comparatively little amid financial crises up to the present time (such as following the collapse of the bubble economy and from the impact of the 2008 financial crisis) is due to support from its Property Leasing Business and minimizing fixed costs.

3. History

The Company was established in December 1982 in Higashiyodogawa-ku, Osaka, as Samty Development Co., Ltd. (changed to current company name in June 2005). Centered on three people, Mr. Shigeru Moriyama (current chairman), Mr. Ichiro Matsushita, and Mr. Kiyoharu Taniguchi, it launched a real estate sales, leasing, and management business. It initially started from consignment sales of condominiums, but subsequently it steadily accumulated results in areas such as sales of entire condominium buildings for investment and sales of units in condominium buildings for families.

After launching sales in May 2001 of its Samty series of studio-type condominiums for investment, in March 2005, it launched sales of its S-RESIDENCE series of leasing properties for real estate funds, which spurred on its business expansion. In July 2007, it was listed on the Osaka Stock Exchange Hercules market (currently, the TSE JASDAQ market).

Next, to further expand and disperse its business throughout different regions, it opened branch offices in Tokyo in February 2011, in Fukuoka in June 2012, in Sapporo in May 2015, in Nagoya in March 2016, and in Hiroshima in December 2019, and it steadily expanded the regions in which it does business.

The Company is actively broadening its business scope. In August 2006, it acquired the shares of Suntoa Co., Ltd. (currently, Samty Hotel Management), which owns and manages business hotels, to enter the hotel business; In December 2011, it established Samty Kanri Co., Ltd. (currently, Samty Property Management) to enter the property management business; in November 2012, it made SUN Asset Management Co., Ltd. (currently, Samty Asset Management) a wholly owned subsidiary to enter the asset management business; and in June 2015, SRR was listed on the TSE J-REIT market. In such ways, it established a system for growth to accelerate in the future. Its listing was changed to the TSE First Section in October 2015. In May 2019, it concluded a capital and business alliance agreement with Daiwa Securities Group.

Results trends

In FY11/21 1H, sales and operating income both declined YoY, but results were as expected. Income gain, which the Company emphasizes, was strong, centered on residential properties

1. Overview of FY11/21 1H results

In FY11/21 1H, net sales and operating income declined, but results were generally in line with the expectations. Net sales decreased 11.5% YoY to ¥24,193mn, operating income declined 36.9% YoY to ¥3,599mn, ordinary income rose 10.3% YoY to ¥5,114mn, while profit attributable to owners of parent rose 133.1% YoY to ¥7,393mn. The increase in ordinary income and lower profit line items was due to factors including the booking of non-operating income and extraordinary income in conjunction with the purchase of the Aloft Osaka Dojima hotel.

Net sales declined significantly in the Real Estate Business. This decline in net sales was due to the significant curbing sales of properties with the aim of transitioning to a “develop and own” business, along with the fact that the sales plan is skewed towards 2H, including sales of some properties being pushed back to a later period. Given these reasons, results can be seen as generally in line with expectations. Meanwhile, in the Property Leasing Business, although rental income declined slightly due to the sale of properties held at the end of the previous fiscal year, results were strong particularly in residential properties which maintained high occupancy rates. In Other Business, guest room income struggled due to lower occupancy rates due to the coronavirus pandemic, but sales in condominium management and construction grew, and on the whole the business’s results were basically flat YoY.

Meanwhile, in terms of profits, in addition to the impact from the decline in sales, operating income declined due to factors including an increase in expenses associated with new hotel openings. The increase in ordinary income and lower profit line items was due to approximately ¥2.3bn in non-operating income and around ¥2.4bn in extraordinary income* booked in conjunction with the purchase of the Aloft Osaka Dojima hotel through an SPC.

* In March 2021, “Share of profit of entities accounted for using equity method” was recorded as non-operating income by making R&K—a joint venture that holds and manages trust beneficiary rights in Aloft Osaka Dojima as the trust property—an equity-method affiliate. Also, by making R&K a consolidated subsidiary through the additional acquisition of equity interests, “Gain on bargain purchase” (negative goodwill amount) was recorded as extraordinary income.

Income gain (total amount included in each business*), which the Company prioritizes, was ¥6,118mn, a strong level, and contributed to shoring up stable income.

* Comprised of rental income, hotel income, dividends, AM/PM fees, condominium management/construction/other.

The Company was very successful concerning purchases that will lead to future growth, making healthy progress with the acquisition of 32 development sites (acquisition price of ¥14.17bn) and 32 income properties (acquisition price of ¥31.09bn) *.

* Excludes Aloft Osaka Dojima which was acquired through an SPC.

Regarding the Company's financial condition, total assets grew significantly by 31.3% compared to the end of the previous fiscal year to ¥329,392mn. This was the result of suppressing sales of properties in line with the Company's policy of switching to a "develop and own" business, as well as proactively acquiring development sites and income properties. Meanwhile, shareholders' equity only increased 8.3% to ¥83,424mn, including due to the accumulation of internal reserves, so the equity ratio fell to 25.3% (compared to 30.7% at the end of the previous fiscal year). In conjunction with the expansion of assets, interest-bearing debt increased considerably by 39.8% to ¥227,951mn. The net D/E ratio* increased to 2.40 times (compared to 1.56 times at the end of the previous fiscal year), but the ratio of long-term debt was 78.0% and the Company has staggered its repayment due dates, so there are no concerns about its financial soundness.

* (interest-bearing debt - cash and deposits) ÷ shareholders' equity

FY11/21 1H results

(¥mn)

	FY11/20 1H		FY11/21 1H		Change	
	Results	% of net sales	Results	% of net sales		% of change
Net sales	27,322		24,193		-3,129	-11.5%
Real Estate Business	22,125	81.0%	19,114	79.0%	-3,011	-13.6%
Property Leasing Business	3,949	14.5%	3,823	15.8%	-125	-3.2%
Other Business	1,439	5.3%	1,423	5.9%	-15	-1.1%
Adjustment	-192	-	-167	-	24	-
Cost of sales	16,635	60.9%	16,444	68.0%	-191	-1.1%
SG&A expenses	4,983	18.2%	4,149	17.2%	-834	-16.7%
Operating income	5,702	20.9%	3,599	14.9%	-2,103	-36.9%
Real Estate Business	6,669	30.1%	5,974	31.3%	-694	-10.4%
Property Leasing Business	1,671	42.3%	1,419	37.1%	-251	-15.1%
Other Business	-285	-	-1,429	-	-1,144	-
Adjustment	-2,352	-	-2,365	-	-13	-
Non-operating income	59	0.2%	3,212	13.3%	3,153	-
Non-operating expenses	1,126	4.1%	1,697	7.0%	571	-
Ordinary income	4,635	17.0%	5,114	21.1%	479	10.3%
Extraordinary income	117	0.4%	3,317	13.7%	3,200	-
Extraordinary loss	108	0.4%	132	0.5%	24	-
Profit attributable to owners of parent	3,171	11.6%	7,393	30.6%	4,222	133.1%
Breakdown of net sales in the Real Estate Business (before adjustment)						
Development securitization	14,628		13,369		-1,259	-8.6%
Renovation securitization	5,378		3,628		-1,750	-32.5%
Investment unit sales in lots	1,497		1,336		-161	-10.8%
Asset management	591		763		172	29.1%

Source: Prepared by FISCO from the Company's financial results and financial results briefing materials

Financial position at the end of FY11/21 1H

	End of FY11/20	End of FY11/21 1H	Change	
				% of change
Current assets	158,608	231,786	73,178	46.1%
Cash and deposits	42,511	27,836	-14,675	-34.5%
Real estate for sale	58,265	132,914	74,649	128.1%
Real estate for sale under construction	42,512	68,159	25,647	60.3%
Non-current assets	92,255	97,605	5,349	5.8%
Property and equipment	71,938	75,200	3,261	4.5%
Intangible assets	143	139	-3	-2.8%
Investments and other assets	20,173	22,264	2,091	10.4%
Total assets	250,864	329,392	78,528	31.3%
Current liabilities	39,497	36,941	-2,555	-6.5%
Short-term borrowings	16,883	12,350	-4,533	-26.8%
Current portion of long-term debt	14,715	18,733	4,017	27.3%
Non-current liabilities	133,666	202,488	68,821	51.5%
Long-term debt	116,406	177,867	61,461	52.8%
Net assets	77,699	89,961	12,262	15.8%
Total liabilities and net assets	250,864	329,392	78,528	31.3%
Interest-bearing debt	163,005	227,951	64,946	39.8%
Shareholders’ equity	77,028	83,424	6,396	8.3%
Equity ratio	30.7%	25.3%	-5.4pt	-

Source: Prepared by FISCO from the Company’s financial results and financial results briefing materials

The results for each business are as follows.

(1) Real Estate Business

Sales and profits declined, with net sales falling 13.6% YoY to ¥19,114mn, and segment profit decreasing 10.4% YoY to ¥5,974mn. However, these results were generally in line with expectations, due to the significant curbing of sales of properties with the aim of transitioning to a “develop and own” business as called for in the medium-term management plan (post-COVID version) announced in January 2021, along with the fact that the sales plans were skewed towards 2H, including some properties sales of some properties being pushed back to a later period. Actual sales were limited to two properties in development securitization, seven properties in renovation securitization, and two properties in investment units sold in lots (80 units), but the sale of two hotels* in development securitization contributed greatly to financial results. In asset management, results steadily grew due to raising the level of operation and management fees accompanying the growth in SRR’s investment balance. Profits declined due to the drop in sales, but the segment profit margin was maintained at a high level of 31.3% (compared to 30.1% a year earlier).

* The Company sold two hotels (the Agora Kyoto Karasuma and the Agora Kyoto Shijo) to an SPC, but preferential negotiating rights were granted, and the plan is for these hotels to be included in a hotel REIT in the future.

(2) Property Leasing Business

Net sales declined 3.2% YoY to ¥3,823mn, while segment profit fell 15.1% to ¥1,419mn. Rental income declined slightly due to the impact of the sale of owned properties at the end of the previous fiscal year. However, the Company maintained high occupancy (95% level) at owned rental condominiums, and the Company has been both expanding its business area and proactively acquiring income properties, so the outlook is for segment sales to trend higher going forward. Profits declined due to downward pressure on profits from the drop in sales as well as the increase in acquisition costs, among other factors.

(3) Other Business

Net sales fell slightly while the magnitude of the loss increased. Specifically, net sales declined 1.1% YoY to ¥1,423mn, and segment loss was ¥1,429mn (loss of ¥285mn in year-earlier period). Due to the impact of the coronavirus, occupancy rates at owned and managed hotels were around 50%*1, and hotel guest room income struggled, but with the increase in condominium management and construction income, net sales were roughly flat YoY. Meanwhile, the increase in the magnitude of segment loss was due to factors including initial costs related to new hotel openings*2.

*1 The average occupancy rate in 2Q (March – May 2021), when the third state of emergency declaration was issued, was 54.9%. However, the occupancy rate has exceeded the business hotel occupancy rate (average of seven prefectures) each month since October 2020.
*2 Agora Kyoto Karasuma (opened on April 30, 2021), and Agora Kyoto Shijo (opened on July 1, 2021).

2. Development plan (pipeline) situation

The Company's development achievements, including the S-RESIDENCE series, consist of 22 residential buildings (1,422 units) completed by FY11/21 1H. The Company plans to complete 19 buildings (1,173 units) in 3Q onward. In total, the Company will complete 41 buildings (2,595 units) in FY11/21. Regarding buildings to be completed in FY11/22 and thereafter, the Company expects to complete 58 buildings (3,972 units) in FY11/22, 50 buildings (3,660 units)*1 in FY11/23, and 5 buildings (450 units) in FY11/24, showing a steady accumulation of properties. Meanwhile, concerning hotel and office building development plans, 2 buildings*2 are scheduled to open in 2021, while 4 buildings (one of which is an office building) are scheduled to open in 2022 and thereafter. Therefore, the Company is currently advancing a total of 6 buildings.

*1 The Company is currently making purchases for 2023 and thereafter, and is aiming to add even more properties.
*2 A total of 2 buildings; the S-PERIA Hotel Fukuoka Nakasu (opened on August 2, 2021) and the Kyoto Oike Hotel Project (provisional name) (scheduled to open in the fall of 2021).

3. Summary of FY11/21 1H

Summarizing FY11/21 1H, results were generally in line with expectations, while the Company had some noteworthy achievements in terms of activities. In particular, in addition to proactively accumulating income properties to grow Group assets, as will be described later, by partnering with other companies and working with foreign-capital operators, the Company indicated its directionality towards strengthening (differentiating) its hotel business, and the Company also saw its sales activities get off to a smooth start in the overseas business (Vietnam). These are all points that should be viewed positively for the future.

Topics

Partnering with WMI and foreign-capital operators, aiming for hotel REIT listings and growth

1. Conclusion of capital and business alliance with WMI

On May 25, 2021, the Company formed a capital and business alliance with WMI, a developer with strengths in hotel revitalization and development, with the aim of collaborating in the hotel development business and other areas. On July 30, 2021, the Company acquired shares (32.02% of outstanding shares) of WMI from G.K. Aquamarine, a joint venture which is WMI's top shareholder, thereby making WMI an equity-method affiliate. The alliance will aim to: 1) strengthen collaboration in the asset management business, including the formation of a hotel REIT the Group is working to establish; 2) collaborate in new hotel REITs co-sponsored by the Company and WMI; 3) collaborate on matters including joint investment in the hotel development fund to be formed by the WMI Group; 4) support the WMI Group's hotel development business.

2. Initiatives aimed at establishing and listing a hotel REIT

With respect to the hotel REIT that the Company is aiming to list in the spring or summer of 2022, the Company plans to submit a notice of establishment before the end of 2021. In terms of properties slated to be supplied to the hotel REIT, 6 hotels under development, and 2 properties that have been sold or which involve preferential negotiating rights have been added to 11 hotels currently operating, along with 10 hotels owned by WMI (granted preferential negotiating rights). As a result, hotels worth approximately ¥340bn have already been secured.

3. Overseas business (Vietnam)

Regarding THE SAKURA PJ*1, a residential condominium project in the western part of Hanoi City started jointly with VINHOMES JOINT STOCK COMPANY (hereafter, "VHM")*2, VHM opened an official site and began sales activities for one of the four buildings. Amid the strict activity restrictions due to the coronavirus pandemic, 16,000 people viewed the online sales presentation, and as of early July 2021, 290 of the 684 units had been applied for, as sales efforts have gotten off to a smooth start. Furthermore, it appears that discussions with VHM are underway regarding planning for a second project.

*1 Participating in a residential condominium project for four buildings (total of 3,620 units) out of the total of 58 buildings in VinHomes Smart City.

*2 VHM was founded in 2008 and is a core company within Vingroup, which is Vietnam's largest corporate conglomerate. Among real estate companies in Vietnam, it ranks first for sales, profits, and market capitalization.

4. Movement towards alliance with foreign-capital operators

On June 28, 2021, the Company opened the Aloft Osaka Dojima hotel in Osaka's Umeda area as the Company's first foray into the Kansai region under the Aloft brand*1. The Company participated in this hotel's business by making a joint venture that holds the trust beneficiary rights for this hotel a consolidated subsidiary in April 2021. Marriott International <MAR>*2 operates the hotel, while the WMI Group is involved in the AM trust beneficiary rights and the hotel's operations. Going forward, the Company plans to pursue collaboration. Also, operation of the two hotels developed in-house (Agora Kyoto Karasuma and Agora Kyoto Shijo) and opened in April 2021 and July 2021, respectively (they were sold to an SPC but are expected to be included in the hotel REIT for which establishment preparations are underway), has been entrusted to Agora Hospitalities Co., Ltd*3. In the winter of 2024, the Company is planning to open the Shangri-La Kyoto Nijojo (provisional name) *4 jointly with the Shangri-La Group, a major hotel chain company. By partnering with well-established foreign-capital operators, the Company will work to differentiate itself, and also aims to accumulate expertise and improve the Group's services.

*1 A lifestyle hotel brand with a sophisticated and innovative style, targeting Millennials and Gen-Z travelers who love music and design. There are currently 190 hotels in 29 countries and territories around the world.

*2 Operates and franchises a number of hotel brands, including Marriot and Ritz-Carlton, and other lodging facilities around the world.

*3 Belongs to Agora Hospitality Group <9704> which is under the umbrella of Hong Kong-capital owned Far East Global Asia. Engages primarily in the rebranding of hotels and inns based on a domestic vision of "A hotel alliance bringing together beautiful Japan." Management is based on a strategy of being "concept-driven" with a focus on concepts, and the company is building a hotel alliance network rich in individuality.

*4 On March 29, 2021, the Company passed a resolution to acquire (in two transactions) an 80% ownership stake in an SPC (make it a consolidated subsidiary), in order to begin a hotel development project with the Shangri-La Group. The plan is to acquire 49% by the end of November 2021, and the remaining 31% by the end of December 2021.

Earnings outlook

Upwardly revised forecast for FY11/21. While there will be an impact due to the switch to a "develop and own" business, expecting to secure higher final profit for the ninth consecutive period

1. FY11/21 forecasts

For the FY11/21 results forecast (range format), the Company has upwardly revised its forecast twice since its initial forecast. The revised forecast is for net sales between ¥88,000mn (down 13.0% YoY) and ¥120,000mn (up 18.7%), operating income from ¥10,000mn (down 42.4%) to ¥11,800mn (down 32.0%), ordinary income from ¥12,200mn (down 20.0%) to ¥13,600mn (down 10.8%), and profit attributable to owners of parent between ¥11,900mn (up 12.1%) and ¥12,900mn (up 21.5%).

The first forecast revision (March 30, 2021) was made because the Company: 1) added properties it planned to sell; 2) posted non-operating income (approximately ¥2.3bn) and extraordinary income (approximately ¥2.4bn) due to the acquisition of Aloft Osaka Dojima; and 3) expects non-operating income due to the acquisition of Shangri-La Kyoto Nijojo (provisional name). The second upward revision (June 30) was because the Company recorded non-operating income (approximately ¥600mn) due to making WMI an equity-method affiliate, and the ranges were upwardly revised for both net sales and profits.

The reason the low end for net sales is lower YoY is that, in accordance with the review of the medium-term management plan, the number of properties sold will temporarily decline during the process of switching from quickly selling completed properties to lease holdings. The sales plan (annual) under the lower limit assumes 21 properties in development securitization (23 properties in the previous fiscal period), 32 properties in renovation securitization (42 properties in the previous fiscal period), and 2 properties in investment unit sales in lots (5 properties in the previous fiscal period). The budget forecasts are skewed to 2H, and on August 3, the Company sold 21 properties (approximately ¥24bn) to SRR. Also, the Company expects income gain (leasing income, etc.) to increase steadily by 12.5% YoY to ¥14,795mn.

For profits, the Company forecasts a decline in both the high and low end of operating income due to the impacts accompanying the decline in the number of property sales, higher costs in the hotel business (including initial costs in association with new hotel openings), and other factors. However, the Company expects to secure an increase in profit attributable to owners of parent (for the ninth consecutive period) due to the booking of extraordinary income.

Also, for the investment plan, the Company plans to invest approximately ¥39.7bn in development sites (¥22.2bn in the previous period) and around ¥48bn in income properties (¥30.3bn), and its policy is to continue to conduct strategic investment toward growing the Group's assets.

FY11/21 forecast

(¥mn)

		FY11/20		FY11/21			Change	
		Results	% of net sales	Initial forecast	Revised forecast (March 30)	Revised forecast (June 30)	Revised forecast	% of change
Net sales	High end	101,120		92,200	120,000	120,000	18,880	18.7%
	Low end			76,600	88,000	88,000	-13,120	-13.0%
Operating income	High end	17,355	17.2%	11,800	11,800	11,800	-5,555	-32.0%
	Low end			8,100	10,000	10,000	-7,355	-42.4%
Ordinary income	High end	15,247	15.1%	15,400	13,000	13,600	-1,647	-10.8%
	Low end			11,600	11,600	12,200	-3,047	-20.0%
Profit attributable to owners of parent	High end	10,615	10.5%	12,000	12,300	12,900	2,285	21.5%
	Low end			10,700	11,300	11,900	1,285	12.1%

Source: Prepared by FISCO from the Company's financial results

2. FISCO's opinion

At FISCO, based on the fact that the property sales plan and the accumulation of income gain (rental income, etc.) are reasonable, we understand the lower limits of the results forecasts to be the lines that are highly certain to be achieved, and the point is how close the Company can get to the forecasts' upper limits. Attention should be focused on the accumulation of assets by strategic investment and movements toward establishing and listing the hotel REIT, as well as progress in the overseas business. In particular, regarding the hotel business, we will focus on the path towards a recovery in occupancy rates, and the specific areas of collaboration with WMI, including the launch of newly opening hotels.

Progress on medium-term management plan (post-COVID version)

Is aiming to grow stable earnings through switching to "develop and own" business

1. Overview of medium-term management plan

The Company had been advancing the Samty Toughening Plan, its medium-term management plan to run from FY11/19 to FY11/21, but looking at the impacts of the coronavirus pandemic and future changes in the business environment, in January 2021 the Company released a new medium-term management plan (5-year plan) called the Samty Toughening Plan (post-COVID version). The plan's four basic policies are as follows: (1) Switch to "develop and own" business, (2) Continuation of efforts toward the establishment of a hotel REIT, (3) Continuation of strategic investments in regional metropolitan areas, and (4) Building a profit base in overseas business. Points (1) and (4) are particularly different from the previous policies. As a "develop and own" developer, the Company has worked out a new direction of striving to stabilize revenue and launching overseas businesses as a future growth axis.

(1) Switch to "develop and own" business

Up to the present time, in order to recoup investment income at an early stage and acquire cash flow, the Company has conducted its business by quickly selling completed properties. However, on considering a response to the revised consumption tax* and factors such as a favorable sentiment for rental unit fees and sales prices, it has reviewed its approach to obtaining the highest income gains (leasing income, etc.) possible by owning the properties for a period of three years in principle.

* Due to the revision to the consumption tax system in 2020, consumption tax for buildings can no longer be included in the payment of consumption tax for the year of acquisition. However, if the sale takes place within three years, including the acquisition and construction-transfer periods, it is possible to receive a tax benefit (partial refund of the tax payment). Therefore, in principle, the sale will be made within three years of completion.

(2) Continuation of efforts toward the establishment of a hotel REIT

The Japanese government is firmly implementing policies to realize national tourism, and in this situation, in order to capture the recovery of demand after the coronavirus pandemic has settled down and to ascertain movements in the industry reorganization, the Company will aim to strengthen the earnings capabilities of existing hotels, while continuing measures toward establishing a hotel REIT. It will also continue to carefully select and invest in development projects in the future, and its policy is to contribute to the accumulation of REIT assets from a medium- to long-term perspective.

(3) Continuation of strategic investments in regional metropolitan areas

The Company intends to continue to increase investment in regional metropolitan areas nationwide, while monitoring demand. Going forward, it will accelerate the pace of development and aim to increase stable leasing income by holding properties for a certain period of time after they are completed.

(4) Building a profit base in overseas business

Using the opportunity provided by the joint business with VHM in Vietnam, the strategy is to utilize the experience that the Samty Group has cultivated over many years to capture residential demand alongside the economic growth of ASEAN countries and the increases in the populations of cities. This business has been positioned as the growth driver of the future. In particular, with regards to Vietnam, where economic growth is remarkable, the Company's policy is to mitigate development risk and benefit from the local tax rates through collaboration with a leading local developer. As discussed above, although the impacts of the coronavirus pandemic are currently growing, once sales of some projects began, applications have been steadily growing, and the Company is confident in the future prospects.

2. Investment plan

The five-year investment plan (FY11/21 to FY11/25) is for approximately ¥750bn. Breaking this down, ¥300bn will be for residential development, ¥120bn for hotel and office building development, and ¥250bn to acquire income properties, while ¥80bn will be allocated to overseas business, which is a new theme. Also, through switching to "develop and own" business and the growth of the SRR and hotel REIT, the Company's policy is to increase the Group's assets to ¥1tn (¥500bn for consolidated assets) by FY11/25. The total investment through FY11/21 1H-end (half a year) was ¥211.3bn (progress rate of 28.2%), and Group assets grew ¥78.2bn from the end of the previous fiscal year to ¥447.5bn, as investment got off to a solid start.

Investment plan (5 year) progress

(Unit: ¥bn)

Investment field	Investment plan target amount through FY11/25	As of FY11/21 1H-end	
		Cumulative investment amount	Progress rate
Residential property development	300	65.5	21.9%
Hotel/office building development	120	52.5	43.8%
Income property acquisition	250	58.2	23.3%
Overseas business	80	35.0	43.8%
Total	Approximately ¥750	211.3	28.2%

Source: Prepared by FISCO from the Company's financial results briefing materials

3. Results targets

The results targets for the plan's final fiscal year of FY11/25 are for net sales at a level of ¥220bn (of which, ¥45bn from leasing income, etc.), operating income of at least ¥35bn, ROE at a level of 15.0%, ROA at a level of 7.0%, and an equity ratio of at least 30.0%. Also, by converting the revenue structure, the percentage of operating income provided by income gains (leasing income, etc.) will be increased to 50% (currently around 15%), while the percentage from overseas business is forecast to be 15%. In other words, the Company will shift the focus of the income model from the conventional domestic capital gains (development profits, etc.) to income gains (leasing income, etc.), which are stable sources of income, and acquire capital gains overseas as a new growth driver.

Progress on medium-term management plan (post-COVID version)

Medium-term management plan (after the review)

	FY11/20 Results	FY11/23 Numerical target	FY11/25 Numerical target
Net sales	¥101.1bn	¥170bn level	¥220bn level
(of which, rental income, etc.)	(¥8.2bn)	(¥35bn)	(¥45bn)
Operating income	¥17.3bn	At least ¥20bn	At least ¥35bn
ROE	14.3%	12.0% to 15.0% level	15.0% level
ROA	7.4%	6.0% to 7.0% level	7.0% level
Equity ratio	30.7%	27.0% to 30.0% level	30.0% or higher

Note: ROA = operating income ÷ total assets (average of the balances at the beginning and end of the fiscal year)
Source: Prepared by FISCO from the Company's financial results briefing materials

4. Points of attention for FISCO analysts

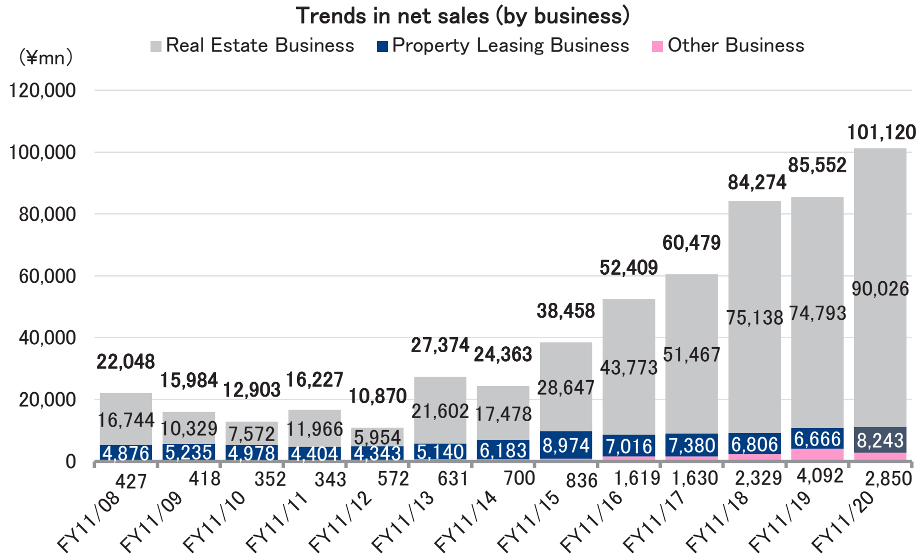
At FISCO, we view the switch to an accumulation-type revenue model and overseas business development as strategies that make sense in order to further expand business and realize sustainable growth going forward, and we view the Company as being in the midst of a period of transformation toward its next stage. However, in advancing the conversion of the revenue structure, it is anticipated that for the time being it will prioritize accumulating assets held (reducing sales of properties), and it is necessary to be aware that alongside this, it is possible that net sales growth will temporarily slow down. Therefore, to evaluate the strategic progress made, it would seem appropriate to focus on the pace of expansion of assets held and the growth of income gain (leasing income, etc.). However, in principle, the plan is to sell properties within three years, so it is anticipated that net sales growth will recover after three years, at the latest. We can also expect potential for the overseas business (Vietnam) through the collaboration with a leading local developer. Using the opportunity of the current project, the key points will be how the Company will utilize the expertise it has cultivated up to the present time and its speedy management decision-making, and how it will connect this to further development. Based on this, from a medium- to long-term perspective, we will be focusing on (1) developments toward the strengthening of the hotel business, including the listing of the hotel REIT and alliances with other companies (foreign-capital operators, etc.), (2) progress made in strategic investment in regional urban areas, and (3) the movements and future development of overseas business (Vietnam).

Results trends

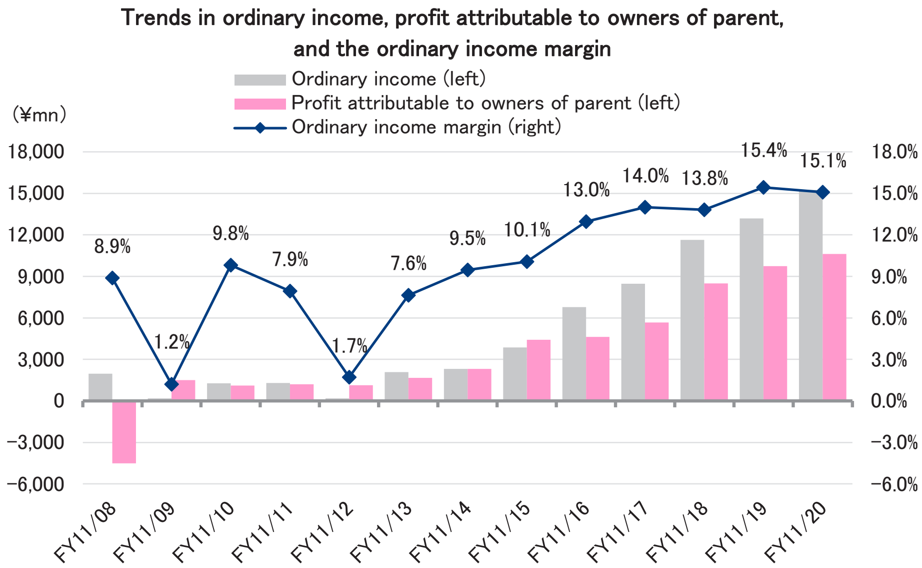
Substantial growth in the Real Estate Business amid strong real estate market

Looking back on the Company's results since FY11/07, which was the year it listed on the Osaka Stock Exchange Hercules market (currently, the TSE JASDAQ market), it was immediately impacted by the 2008 financial crisis upon listing and results trended at a low level for a period of time. The major contraction of the Real Estate Business due to the credit tightening by financial institutions had a particularly adverse impact on its results. However, the points we should focus on are that results in the Property Leasing Business have trended stably even under a severe industry environment, which has supported the results of the Company as a whole. The fact that it does not have its own in-house sales team and has minimized fixed costs has also had a positive effect, and it can be highly evaluated on the point that it has secured profits in every fiscal year expect FY11/08, when it recorded a net loss due to declaring impairment.

Since FY11/13, the Real Estate Business has greatly recovered due to the change in financial institutions' attitude toward financing, which has occurred against the backdrop of the recovery of the domestic economy and monetary easing, and the Company's results have entered an expansion phase. In particular, the Company has achieved a significant expansion in business over the past few years, aided by the establishment of a business model centered on SRR which listed on the stock market in June 2015, as well as increased demand from overseas investors. Furthermore, in terms of profit and loss, the ordinary income margin has been improving year by year thanks to progress in highly profitable development securitization, and a high ordinary income margin of 15.1% was reached in FY11/20.



Note: Excluding internal sales
Source: Prepared by FISCO from the Company's financial results and financial results briefing materials



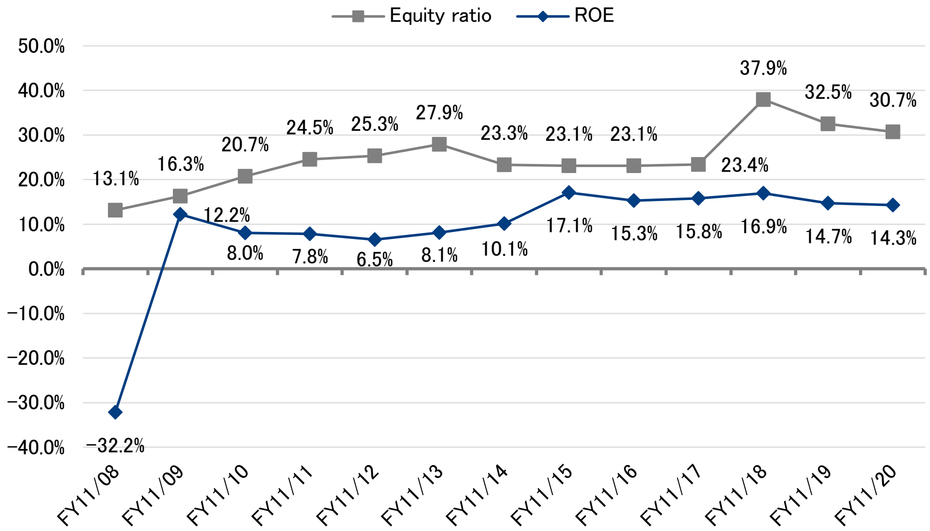
Source: Prepared by FISCO from the Company's financial results

Although the equity ratio increased to 27.9% in FY11/13 following the implementation of a capital increase through a public offering (approximately ¥2bn), it has been at a level of around 23% since FY11/14 due to the Company's active accumulation of assets and other factors. However, it moved in a positive direction as a result of issuing new shares (approximately ¥15bn) through a rights offering* in October 2018 and disposing of treasury shares (approximately ¥2.7bn) in May 2019 following the capital and business alliance with the Daiwa Securities Group, and at the end of FY11/20, the Company was maintaining an equity ratio at the 30.7% level, while aiming to grow assets.

* The Company issued new shares by allotment of stock acquisition rights without consideration to existing shareholders.

On the other hand, ROE, which indicates capital efficiency, has trended upward alongside the improvement in the profit margin. In FY11/20, it had maintained a high level of 14.3%.

Trends in the equity ratio and ROE



Source: Prepared by FISCO from the Company's financial results

Industry environment

Residential development has been performing strong even amid the coronavirus pandemic. Also benefitting from continued low interest rates. For hotels, there is some selection of players looking ahead to the post-coronavirus period

1. J-REIT market

The J-REIT market will have a significant impact on the Company's growth strategy going forward. As of the end of June 2021, the market capitalization of the J-REIT market was around ¥17,528.7bn (+34.4% YoY), and there were 62 J-REITs listed. Looking back, although there was a phase in which the market was temporarily weak due to the impact of tightening credit and related factors following the 2008 financial crisis, the market has been growing since 2012 thanks to the recovery of the domestic economy and the effects of prolonged monetary easing, along with other factors. However, since the start of 2020, concerns about overall economic stagnation due to the coronavirus and other factors resulted in a large decline in the market centered on hotels and commercial facilities, but residential properties and distribution centers, etc., which are largely unaffected by economic fluctuations, have remained firm. Also, the market has recently been recovering significantly based on expectations for the economy to normalize due to progress on vaccinations as well as the outlook for the low interest rate environment to continue.

The TSE REIT index trended firmly due to a robust domestic real estate market (rising rents, etc.). In particular, investment appetite for J-REITs from domestic and overseas institutional investors remains vibrant because they generate yield and have relatively stable cash flow against a backdrop of the sustained monetary easing policy by the Bank of Japan (BOJ) and healthy office demand up to now. Due to the impact of the coronavirus, investment saw a temporary significant decline in March 2020, and has currently returned to the record high levels of the period before the coronavirus pandemic.

Trends in the TSE REIT index

Source: Prepared by FISCO from various materials

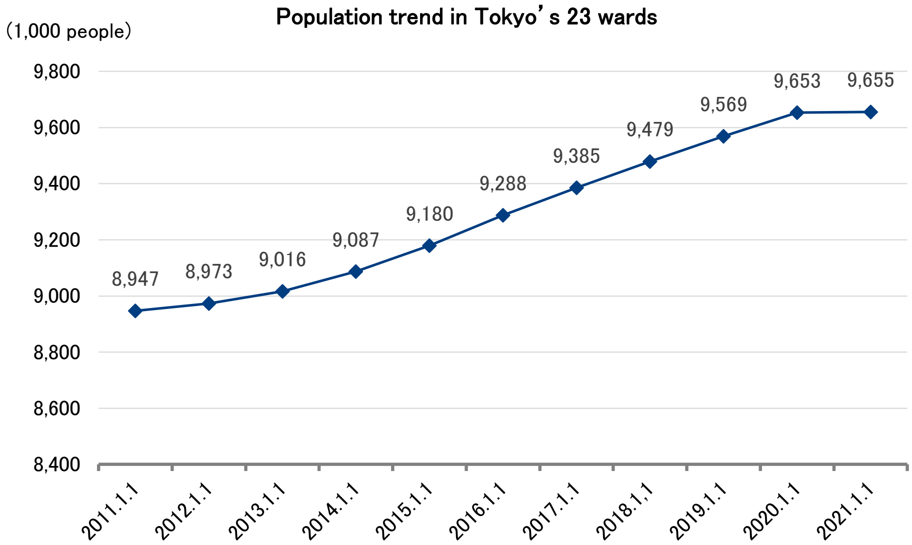
2. Residential (rental condominiums)

The market for rental condominiums is strong, supported by robust demand from both tenants (users) and investors. According to data published by the Tokyo Metropolitan Government's Bureau of General Affairs, the population of Tokyo's 23 wards, which accounts for most of the region to which the Company supplies properties, has continued to increase against the backdrop of a net increase in people moving to Tokyo.*1 In particular, there has been a noticeable increase in the number of single-person households, including among the young, which is occurring in the context of later marriages and the increase in the divorce rate, and it is thought that this will also support lease demand for studio-type condominiums in the future. This trend can also be seen not only in Osaka and Nagoya, but also in regional metropolitan areas such as Fukuoka and Sapporo, and although the population of Japan is declining, on the other hand the population is becoming increasingly concentrated in cities. Also, recently there has been a trend of rising demand for small-size condominiums that are suitable for working from home. The background for this is the stable growth in average rent levels and occupancy rates in Japan's five largest cities,*2 as well as the fact that this market has been strong amid the coronavirus pandemic. Meanwhile, on the investor side, there has been a high level of inquiries from overseas investment funds and other investors for buying entire buildings in Tokyo's prime locations. Additionally, demand is increasing from individual investors in their 20s and 30s who are anxious about their futures in terms of their pensions and how they will live in old age, as well as from the elderly as an inheritance tax measure following the reduction in the basic exemption amount.

*1 However, since April 2020, when the coronavirus pandemic came into full swing, the monthly trends of inflows and outflows changed to an excess outflow as people postponed moving to Tokyo and working at home increased. As a result, at the end of December 2020, the population (of Tokyo's 23 wards) had risen only slightly YoY. Though if looking to the medium to long term, the appeal of metropolitan Tokyo remains as high as before considering aspects such as employment opportunities and urban functions, and the opinion is that once the coronavirus pandemic settles down, this trend toward avoiding densely populated areas will also settle down.

*2 Tokyo (23 wards), Osaka, Nagoya, Sapporo, Fukuoka.

Population trend in Tokyo's 23 wards



Source: Prepared by FISCO based on materials issued by the Tokyo Metropolitan Government's Bureau of General Affairs

3. Hotels and office buildings

Looking at hotels, prior to the coronavirus pandemic, hotel occupancy rates were high against a backdrop of increasing inbound demand. Recently, impacted by the coronavirus pandemic, hotel occupancy rates have been low, but looking over the medium to long term, occupancy rates are expected to recover as the number of vaccinated people increases and due to the Japanese government's tourism promotion strategy and structural supply-demand balance. The selection of players looking ahead to the post-coronavirus period has already begun, and it is believed that momentum for capturing business opportunities will increase going forward. In office building development as well, despite the need to pay attention to the impact of changes in work styles (such as wider use of remote work and satellite offices), major regional urban areas where the Company develops properties face severe office shortages and this suggests that sufficient business opportunities exist.

Returns to shareholders

Upwardly revised the fiscal year-end dividend amount, and plans to pay an annual dividend of ¥86 per share, a ¥4 YoY increase

The Company is aware that returning profits to shareholders is one of its most important management issues. Its policy is to pay dividends that reflect its business results and based on a comprehensive consideration of its future business plans and financial condition.

Regarding the annual dividend amount for FY11/21, the Company has upwardly revised its initial forecast (fiscal year-end dividend), and is planning to pay a dividend of ¥86 per share (a ¥39 interim dividend and ¥47 year-end dividend; forecast dividend payout ratio: 26.8% to 29.0%). The Company targets a dividend payout ratio of around 30%, but at FISCO, we think there is considerable room for the dividend to be increased in the future based on profit growth.

FISCO

Disclaimer

■ For inquiry, please contact: ■
FISCO Ltd.
5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062
Phone: 03-5774-2443 (IR Consulting Business Division)
Email: support@fisco.co.jp