

March 30, 2021

**Flash Report (Consolidated Basis)**  
**Results for the first quarter ended February 28, 2021**  
**(Based on Japanese GAAP)**

Company name: **Samty Co., Ltd.**  
 Stock Listings: Tokyo Stock Exchange  
 Stock Code: 3244  
 URL: <https://www.samty.co.jp/en/>

Representative

Title: Representative Director and President

Name: Yasuhiro Ogawa

Contact Person

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Quarterly report filing date (Planned): April 12, 2021

Start of dividend payments (Planned): —

Quarterly supplemental explanatory material prepared: Yes

Quarterly results briefing held: No

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

**1. Consolidated Results for the first quarter of FY11/21**  
**(December 1, 2020 to February 28, 2021)**

**(1) Consolidated Operating Results**

Three months ended February 28

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2021	3,301	(73.8)	(1,328)	—	(2,315)	—	(905)	—
2020	12,587	(11.0)	4,113	26.9	3,502	27.8	2,577	24.2

(Note) Comprehensive Income: Three months ended February 28, 2021: ¥ (704) million, —%  
 Three months ended February 29, 2020: ¥1,617 million, (25.6%)

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
2021	(22.47)	—
2020	62.94	55.12

## (2) Consolidated Financial Condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
February 28, 2021	266,187	76,578	27.9
November 30, 2020	250,864	77,699	30.7

(Reference) Total shareholders' equity: February 28, 2021: ¥74,179 million, November 30, 2020: ¥77,028 million

## 2. Dividends

Years ended/ending November 30

	Dividends per share				
	February 28	May 31	August 31	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2020	—	38.00	—	44.00	82.00
2021	—				
2021 (Forecast)		39.00	—	45.00	84.00

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

## 3. Forecasts for Fiscal Year Ending November 30, 2021

Percentages indicate full year-on-year and quarterly rates of increase/(decrease) against same period of previous fiscal year.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Second quarter (cumulative total)	26,000	(4.8)	4,600	(14.3)	5,100	18.6
Fiscal year	88,000~120,000	(13.0)~18.7	10,000~11,800	(42.0)~(32.0)	11,600~13,000	(23.9)~(14.7)

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Second quarter (cumulative total)	7,300	148.3	180.77
Fiscal year	11,300~12,300	6.5~15.9	279.82~304.59

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

## Notes

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

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

Additions: 1 (S-VIN VIETNAM REAL ESTAGE TRADING JOINT STOCK CAMPANY)

Deletions: (—)

(2) Application of special accounting practices in the preparation of the consolidated financial statements:

None

(3) Changes in accounting policies, changes in accounting estimates, restatements

1) Changes in accounting policies due to revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

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

1) Number of shares issued and outstanding (including treasury stock)	Three months ended February 28, 2021	41,020,140 shares	Year ended November 30, 2020	41,020,140 shares
2) Number of treasury stock	Three months ended February 28, 2021	866,712 shares	Year ended November 30, 2020	638,412 shares
3) Average number of shares outstanding for each period (cumulative term)	Three months ended February 28, 2021	40,308,161 shares	Three months ended February 29, 2020	40,944,263 shares

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

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

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

## Table of Contents for Accompanying Material

1. Qualitative Information on Consolidated Results for the Three-Month Period of Fiscal 2021 .....	2
(1) Explanation of Business Results.....	2
(2) Qualitative Information on the Consolidated Financial Position .....	4
(3) Explanation of Consolidated Results Forecasts and Other Future Predictions .....	4
2. Consolidated Financial Statements and Main Explanatory Notes.....	6
(1) Consolidated Balance Sheets.....	6
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income ....	8
(3) Notes Relating to Consolidated Financial Statements .....	10
(Note on Assumptions for Going Concern) .....	10
(Notes in the Event of Major Changes in Shareholders' Equity).....	10
(Change in Accounting Policy).....	10
(Segment Information).....	11
(Additional Information).....	12
(Significant Events after the Reporting Period) .....	13

# 1. Qualitative Information on Consolidated Results for the Three-Month Period of Fiscal 2021

## (1) Explanation of Business Results

During the subject first quarter cumulative period in the Japanese economy, a state of emergency was issued in 11 prefectures due to a resurgence of COVID-19 infections. Currently, however, the state of emergency has been lifted, and vaccinations prioritizing medical professionals are progressing, raising expectations for the normalization of socio-economic activities.

In the real estate industry, of which the Samty Group is a part, with regard to rental apartments, occupancy rates, rent levels, and property sales prices have remained favorable, because they are not easily affected by economic trends or the effects of the COVID-19 pandemic. Also, the buying and selling of profitable properties in BtoB (business-to-business), which is the main transaction form of the Group, was not affected by the COVID-19 pandemic, and in addition to the stability of the financial system, against the backdrop of global low interest rates continues to be strong. The purchase prices of sites for development have also remained at pre-COVID levels.

Under such conditions, on January 6, 2021, the Samty Group announced the Samty Toughening Plan (Post-COVID Version), which takes into account the effects of the COVID-19 pandemic. This plan aims to shift from the conventional profit structure that had acquired capital gains (development profit, etc.) by recovering invested capital at an early stage by selling completed properties as soon as possible. As an "asset-holding type developer", our basic policy is to increase the proportion of income gain (rental income, etc.) that enables stable and sustainable rental income to be recorded by holding completed properties for a certain period of time. In the first quarter consolidated accounting period, we plan to sell properties after the second quarter consolidated accounting period to maximize income gain in accordance with the strategy of our new medium-term management plan. With regard to the purchase of properties, we are making good progress in terms of both the sites for development and profitable properties. The operation of the hotels owned and operated by the Group declined due to the issuance of a state of emergency in January 2021. However, following the lifting of the state of emergency, which was deemed to end on March 21, the occupancy rate recovered to a level of over 60%, some hotels had high occupancy of more than 90%, and it was estimated that the recovery trend would continue beyond the second quarter. In implementing the condominium business in Hanoi, Vietnam, during the first quarter consolidated accounting period, the Company recorded a gain on negative goodwill of ¥918 million as extraordinary income by acquiring the shares of S-VIN VIETNAM REAL ESTATE JOINT STOCK COMPANY, a development subsidiary of VINHOMES JOINT STOCK COMPANY, the country's largest real estate developer, which became a consolidated subsidiary.

As a result, for the subject first quarter cumulative period, net sales amounted to ¥3,301 million (down 73.8% from the same period of the previous fiscal year), with operating loss of ¥1,328 million (operating income of ¥4,113 million in the same period of the previous year), ordinary loss of ¥2,315 million (ordinary income of ¥3,502 million in the same period of the previous year), and loss attributable to owners of parent of ¥905 million (profit attributable to owners of parent of ¥2,577 million in the same period of the previous fiscal year).

## **Results by Business Segment**

### **(Real Estate Business)**

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

During the subject first quarter cumulative period, in addition to having sold “Livre Toneyama” (Toyonaka-shi, Osaka) as a profitable condominium, properties sold in lots were “SAMTY Himejima FELICETO” (Nishiyodogawa-ku, Osaka-shi) and “Isle grande Kawasaki” (Kawasaki-ku, Kawasaki-shi).

As a result, net sales in the Real Estate Business segment amounted to ¥1,091 million (down 88.9% from the same period of the previous fiscal year), with operating loss of ¥112 million (operating income of ¥4,672 million in the same period of the previous fiscal year).

### **(Property Leasing Business)**

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

The Samty Group continued its efforts to expand its area of business operations and strengthen the purchase and development of income properties, including by completing “S-RESIDENCE Meieki” (Nishi-ku, Nagoya-shi) and “S-RESIDENCE Joshin” (Nishi-ku, Nagoya-shi).

As a result, net sales in the Property Leasing Business segment amounted to ¥1,687 million (down 8.6% from the same period of the previous fiscal year), with operating income of ¥572 million (down 14.5%).

### **(Other Business)**

In addition to the holding and operating of 12 hotel buildings, including “S-PERIA Hotel Kyoto” (Shimogyo-ku, Kyoto-shi), in its other business operations the Company also has a condominium management business and construction/renovation business.

As a result, net sales in the Other Business segment amounted to ¥522 million (down 40.1% from the same period of the previous fiscal year), with an operating loss of ¥740 million (compared with operating loss of ¥65 million in the same period of the previous fiscal year).

## **(2) Qualitative Information on the Consolidated Financial Position**

### **Assets, Liabilities, and Net Assets**

#### **(Assets)**

Total assets at the end of the subject first quarter cumulative period amounted to ¥266,187 million, an increase of ¥15,323 million compared with the end of the previous fiscal year. Of this amount, current assets increased ¥15,038 million to ¥173,646 million, and non-current assets increased ¥284 million to ¥92,540 million. The main factors for the increase in current assets were an increase of ¥22,650 million in real estate for sale, against a decrease of ¥11,635 million in cash and deposits. The main factors for the increase in non-current assets were an increase of ¥608 million in investment securities and a decrease of ¥453 million in net property and equipment.

#### **(Liabilities)**

Total liabilities at the end of the subject first quarter cumulative period amounted to ¥189,609 million, an increase of ¥16,444 million compared with the end of the previous fiscal year. Of this amount, current liabilities decreased ¥11,821 million to ¥27,676 million, while non-current liabilities increased ¥28,265 million to ¥161,932 million. The main factors for the decrease in current liabilities were decreases of ¥7,345 million in short-term borrowings and of ¥3,992 million in accrued income taxes. The main factor for the increase in non-current liabilities was an increase of ¥27,934 million in long-term debt.

#### **(Net Assets)**

Total net assets at the end of the subject first quarter cumulative period amounted to ¥76,578 million, a decrease of ¥1,121 million compared with the end of the previous fiscal year. This was due mainly to a decrease of ¥1,776 million in retained earnings from dividend payments and an increase of ¥1,727 million in non-controlling interests, against a decrease of ¥905 million in retained earnings from the recording of loss attributable to owners of parent.

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

Based on recent business trends, the Company has revised its full-year business forecast for the fiscal year ending November 2021 (December 1, 2020, to November 30, 2021) announced on January 6, 2021.

As negative goodwill will be recorded due to the Company's acquisition of the Aloft Osaka Dojima hotel through SPC and its participation in the (tentative name) Shangri-La Kyoto Nijojo development project, the earnings forecast has been revised upward.

As stated in the March 26 disclosure, "Notice Concerning Change of Consolidated Subsidiary Due to Acquisition of Equity in Aloft Osaka Dojima Silent Partner Business," negative goodwill equivalent of approximately ¥2.2 billion in non-operating income will be recorded during the second quarter consolidated accounting period by making R&K, a joint venture that holds and manages trust beneficiary rights with the Aloft Osaka Dojima hotel operated by Marriott International as the trust property, an equity-method affiliate. It is also expected that approximately ¥2.5 billion will be recorded

as extraordinary income, in addition to its becoming a consolidated subsidiary by acquiring additional equity interests, during the second quarter consolidated accounting period.

In addition, as stated in the March 29 disclosure, "Notice Concerning Change of Subsidiary Due to Start of Joint Business with Shangri-La Group and Acquisition of Equity in Special Purpose Company," negative goodwill equivalent to approximately ¥2.7 billion is expected to be recorded as non-operating income in the fourth quarter consolidated accounting period by making Shangri-La Kyoto Nijojo, a special purpose company (SPC) that is conducting the (tentative name) Shangri-La Kyoto Nijojo hotel development project, an equity-method affiliate. By acquiring additional equity interests in the fiscal year ending November 2022, the Company also plans to make the company a consolidated subsidiary and to record an amount equivalent to negative goodwill of approximately ¥1.6 billion as extraordinary income.

With regard to dividends for the current period, based on the revision of the financial forecasts and prospective payout ratio of 30%, the interim dividend will be increased by 1 yen per share, and by 1 yen at the end of the term, for a total of 2 yen for the full year.

For details, please refer to the "Notice Concerning Revision of Earnings Forecast and Dividend Forecast" announced today (March 30, 2021).



## 2. Consolidated Financial Statements and Main Explanatory Notes

### (1) Consolidated Balance Sheets

	Millions of yen	
	November 30, 2020	February 28, 2021
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	42,511	30,876
Receivables	1,395	803
Real estate for sale	58,265	80,915
Real estate for sale under construction	42,512	58,606
Goods	1	0
Supplies	12	13
Other	13,915	2,433
Allowance for doubtful accounts	(5)	(2)
Total current assets	<b>158,608</b>	<b>173,646</b>
<b>Non-current assets:</b>		
<b>Property and equipment:</b>		
Buildings and structures net	17,835	17,366
Buildings in trust net	3,689	3,665
Land	42,482	41,817
Land in trust	3,322	3,322
Other net	4,608	5,313
Net property and equipment	<b>71,938</b>	<b>71,485</b>
<b>Intangible assets:</b>		
Goodwill	10	10
Other intangible assets	133	133
Total intangible assets	<b>143</b>	<b>143</b>
<b>Investments and other assets:</b>		
Investment securities	15,835	16,444
Deferred tax assets	693	1,001
Other	3,711	3,519
Allowance for doubtful accounts	(66)	(53)
Total Investments and other assets	<b>20,173</b>	<b>20,911</b>
Total non-current assets	<b>92,255</b>	<b>92,540</b>
<b>Total assets</b>	<b>250,864</b>	<b>266,187</b>

	Millions of yen	
	November 30, 2020	February 28, 2021
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Notes and accounts payable	381	1,627
Short-term borrowings	16,883	9,538
Current portion of long-term debt	14,715	14,004
Accrued income taxes	4,063	70
Other	3,452	2,434
Total current liabilities	<b>39,497</b>	<b>27,676</b>
<b>Non-current liabilities:</b>		
Bonds payable	5,000	5,000
Bonds with share acquisition rights	10,000	10,000
Long-term debt	116,406	144,340
Liabilities for retirement benefits	212	222
Guarantee deposits	1,323	1,378
Construction assistance fund	427	414
Deferred tax liabilities	—	261
Other	297	316
Total non-current liabilities	<b>133,666</b>	<b>161,932</b>
<b>Total liabilities</b>	<b>173,164</b>	<b>189,609</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Capital stock	16,227	16,227
Capital surplus	17,985	17,985
Retained earnings	43,615	40,946
Treasury stocks at cost	(883)	(1,267)
Total shareholders' equity	<b>76,945</b>	<b>73,892</b>
<b>Accumulated other comprehensive income:</b>		
Unrealized gain on available for-sale securities	180	641
Foreign currency translation adjustment	(97)	(354)
Total accumulated other comprehensive income	83	286
Non-controlling interests	671	2,399
<b>Total net assets</b>	<b>77,699</b>	<b>76,578</b>
<b>Total liabilities and net assets</b>	<b>250,864</b>	<b>266,187</b>

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

### Consolidated Statements of Income

Three months ended February 28

	Millions of yen	
	2020	2021
<b>Net sales</b>	<b>12,587</b>	<b>3,301</b>
Cost of sales	6,025	2,741
<b>Gross profit</b>	<b>6,561</b>	<b>559</b>
Selling, general and administrative expenses	2,447	1,888
<b>Operating income (loss)</b>	<b>4,113</b>	<b>(1,328)</b>
<b>Non-operating income:</b>		
Interest income	0	0
Dividend income	0	0
Interest on tax refund	9	2
Subsidy income	—	19
Surrender value of insurance policies	—	16
Penalty income	—	26
Other	0	12
<b>Total non-operating income</b>	<b>10</b>	<b>78</b>
<b>Non-operating expenses:</b>		
Interest expenses	420	468
Interest expenses on bonds	—	29
Commission fee	96	267
Loss on valuation of interest swaps	103	4
Foreign exchange losses	—	293
Other	0	0
<b>Total non-operating expenses</b>	<b>621</b>	<b>1,065</b>
<b>Ordinary income (loss)</b>	<b>3,502</b>	<b>(2,315)</b>
<b>Extraordinary income:</b>		
Reversal of consumption taxes for prior periods	116	—
Gain on bargain purchase	—	918
<b>Total extraordinary income</b>	<b>116</b>	<b>918</b>
<b>Extraordinary loss:</b>		
Loss on sales of non-current assets	1	—
Loss on retirement of non-current assets	0	0
<b>Total extraordinary losses</b>	<b>1</b>	<b>0</b>
<b>Profit (loss) before income taxes</b>	<b>3,617</b>	<b>(1,397)</b>
Income taxes-current	974	17
Income taxes-deferred	65	(510)
Total income taxes	<b>1,040</b>	<b>(493)</b>
<b>Net income (loss)</b>	<b>2,577</b>	<b>(904)</b>
<b>Profit attributable to non-controlling interests</b>	<b>0</b>	<b>1</b>
<b>Profit (loss) attributable to owners of parent</b>	<b>2,577</b>	<b>(905)</b>

## Consolidated Statements of Comprehensive Income

Three months ended February 28

	Millions of yen	
	2020	2021
Net income (loss)	2,577	(904)
<b>Other comprehensive income:</b>		
Unrealized gain on available for-sale securities	(970)	461
Foreign currency translation adjustment	10	(261)
Total other comprehensive income	<b>(960)</b>	<b>200</b>
<b>Comprehensive income</b>	<b>1,617</b>	<b>(704)</b>
<b>Comprehensive income attributable to:</b>		
Comprehensive income attributable to owners of the parent	1,600	(702)
Comprehensive income attributable to non-controlling interests	0	(2)

### **(3) Notes Relating to Consolidated Financial Statements**

#### **(Note on Assumptions for Going Concern)**

Not applicable.

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

Not applicable.

#### **(Change in Accounting Policy)**

##### **Change in accounting for non-deductible consumption tax, etc. related to real estate for sale**

From the fourth quarter of the previous consolidated fiscal year, the Company changed from the previous method—of recording non-deductible consumption tax, etc. related to real estate for sale in selling, general and administrative expenses for the consolidated fiscal year in which the tax was incurred—to the method of including non-deductible consumption tax, etc. on real estate for sale acquired on or after October 1, 2020, in the acquisition cost of applicable real estate for sale.

The change has been applied retroactively from the beginning of the previous consolidated fiscal year and, to reflect the change, the quarterly consolidated income statement for the previous first quarter consolidated cumulative period has been reclassified. As a result, in the quarterly consolidated income statement for the previous first quarter consolidated cumulative period selling, general and administrative expenses decreased by ¥24 million, and operating income, ordinary income, and net income before adjustment for taxes each increased by ¥24 million.

Therefore, there is a difference between the accounting policy applied to the comparative information contained in the quarterly consolidated financial statements for the quarterly consolidated cumulative period belonging to the current consolidated fiscal year and that applied to the quarterly consolidated financial statements for the corresponding quarterly consolidated cumulative period of the previous consolidated fiscal year.

## (Segment Information)

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

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

Three months ended February 29, 2020

	Millions of yen					
	Reportable Segment				Adjustment (Note 1)	Amount Recorded on Consolidated Income Statement (Note 2)
	Real Estate Business	Property Leasing Business	Other Business	Total		
Net sales:						
Net sales from third parties	9,869	1,845	872	12,587	—	12,587
Inter-segment net sales and transfers	11	8	101	120	(120)	—
Total	9,880	1,853	973	12,707	(120)	12,587
Operating income (loss)	4,672	669	(65)	5,277	(1,163)	4,113

#### Notes

1. The ¥1,163 million downward adjustment to operating income (loss) comprises a negative ¥36 million in intersegment eliminations, and a negative ¥1,127 million in corporate expenses not allocated to any reportable segment. Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Segment operating income (loss) is adjusted to the operating income on the consolidated income statement.

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

Not applicable.

### II Results for the first quarter of FY11/21 (from December 1, 2020 to February 28, 2021)

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

Three months ended February 28, 2020

	Millions of yen					
	Reportable Segment				Adjustment (Note 1)	Amount Recorded on Consolidated Income Statement (Note 2)
	Real Estate Business	Property Leasing Business	Other Business	Total		
Net sales:						
Net sales from third parties	1,091	1,687	522	3,301	—	3,301
Inter-segment net sales and transfers	5	6	62	74	(74)	—
Total	1,097	1,693	584	3,376	(74)	3,301
Operating income (loss)	(112)	572	(740)	(281)	(1,047)	(1,328)

#### Notes

1. The ¥1,047 million downward adjustment to operating income (loss) comprises a negative ¥7 million in intersegment eliminations, and a negative ¥1,040 million in corporate expenses not allocated to any reportable segment. Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Segment operating income (loss) is adjusted to the operating income on the consolidated income statement.

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

Not applicable.

**(Additional Information)**

**Change in Holding Purpose**

Because of a change in holding purpose, ¥2,245 million was transferred from property, plant, and equipment to inventories.

**Impact of COVID-19 pandemic on accounting estimates**

With regard to the COVID-19 pandemic, a series of vaccinations for medical professionals are being carried out, and expectations for the normalization of socio-economic activities are increasing. As various economic stimulus measures are being implemented and planned, the Group has also assumed that the normalization for socio-economic activities by taking measures against the COVID-19 pandemic will last until the fall of 2021. In accounting estimates, such as write-down of inventories and impairment of fixed assets, this assumption is reflected in the estimates.

## **(Significant Events after the Reporting Period)**

### **Business combination by acquisition of equity interest in silent partnership business**

At the Board of Directors' meeting held on March 26, 2021, the Company resolved to change its consolidated subsidiary R&K Limited, a limited liability company that holds and manages trust beneficiary rights in a trust property—the Aloft Osaka Dojima hotel operated by Marriott International, the world's largest hotel chain—by the acquisition of equity interests in a silent partnership business.

#### (1) Outline of business combination

##### 1) Name of acquired business and details of its business

Name of acquired business: R&K Limited

Details of business: Acquisition, development, holding and disposal of real estate,

Leasing and management of real estate, Acquisition, holding,

management and disposal of real estate trust beneficiary rights,

All other businesses incidental to or related to the business concerned

##### 2) Main reasons for implementing business combination

Under the new medium-term management plan, Samty Toughening Plan (Post-COVID Version), which was formulated in January 2021, a key strategy is to continue carefully selected investment in anticipation of the market after the recovery in hotel demand. Aloft Hotel is a hotel brand operated by Marriott International for music creators and travelers who love music. Currently, it has more than 190 hotels in 29 countries and regions around the world.

We believe that the promotion of this business combination will contribute to the stability and profitability of Samty Group and to the enhancement of the Group's corporate value.

##### 3) Date of business combination

First / April 8, 2021 (planning equity interest of 27.2%)

Second / End of April 2021 (planning equity interest of 28.4%)

Both to be acquired if the contract conditions are met.

##### 4) Legal method of business combination

Acquisition of equity interest in silent partnership business

##### 5) Name after business combination

No change

##### 6) Ratio of voting rights acquired

Voting right ratio after acquisition 55.6%

##### 7) Main grounds for deciding on the acquiring company

For the Company to deliver equivalent value and acquire an equity stake

#### (2) Acquisition cost of acquired company and its breakdown

This will not be disclosed at the request of the other party acquiring an equity interest



(3) Details and amounts of major acquisition-related costs

Not yet decided at this time

(4) Amount and cause of goodwill generated, amortization method and amortization period

If the first acquisition is carried out, the amount equivalent to negative goodwill of approximately ¥2.2 billion will be recorded as non-operating income by deeming the company an equity-method affiliate in the second quarter consolidated accounting period of the fiscal year ending November 2021. Furthermore, if a second acquisition is carried out, it is expected that approximately ¥2.5 billion will be recorded as extraordinary income in addition to becoming a consolidated subsidiary by acquiring additional equity interests during the second quarter consolidated accounting period. These amounts have been calculated on a tentative basis.

(5) Amount of assets accepted and liabilities assumed on date of business combination and their principal breakdown

Not yet decided at this time

### **Business combination by acquisition of equity interest in special purpose company**

At the Board of Directors' meeting held on March 29, 2021, the Company resolved to change its subsidiary in accordance with the launch of its (tentative name) Shangri-La Kyoto Nijo Castle hotel development project (hereinafter referred to as "the project") and the indirect acquisition of equity interests of the special purpose company (SPC) with Shangri-La Asia Ltd. (hereinafter referred to as "the Shangri-La Group"), which develops a global hotel chain through the Company's subsidiary SAMTY ASIA INVESTMENTS PTE. LTD. (hereinafter referred to as "SAI"), as a partner

#### (1) Outline of business combination

##### 1) Name of acquired business and details of its business

Name of acquired business: SPC Shangri-La Kyoto Nijojo

Details of business: Business related to the transfer, management and disposal of specified assets in accordance with the asset liquidation plan based on the Act on the Liquidation of Assets, and all other business incidental to the liquidation of those specified assets.

##### 2) Main reasons for implementing business combination

Under the new medium-term management plan Samty Toughening Plan (Post-COVID Version), which was formulated in January 2021, a key strategy is to continue carefully selected investment in anticipation of the market after the recovery in hotel demand. The Shangri-La Group operates 102 hotels under four brands in 26 countries around the world and Shangri-La Hotels, the hotels that the group is planning, are five-star luxury hotels centered on major cities in the Asia-Pacific region, the Middle East, North America and Europe. Having first entered the market in Japan with Shangri-La Tokyo in 2009, this project marks the second planned for Japan and the first to be launched in the Kansai region.

We believe that the promotion of the project will contribute to the stability and profitability of Samty Group and to the enhancement of the Group's corporate value.

##### 3) Date of business combination

First / End of November 2021 (planning equity interest of 49.0%)

Second / End of December 2021 (planning equity interest of 31.0%)

Both to be acquired if the contract conditions are met.

##### 4) Legal method of business combination

Acquisition of equity interest in SPC

##### 5) Name after business combination

No change

##### 6) Ratio of voting rights acquired

Voting right ratio after acquisition 80.0%

##### 7) Main grounds for deciding on the acquiring company

For SAI to deliver equivalent value and acquire an equity stake

(2) Acquisition cost of acquired company and its breakdown

This will not be disclosed at the request of the other party acquiring an equity interest

(3) Details and amounts of major acquisition-related costs

Not yet decided at this time

(4) Amount and cause of goodwill generated, amortization method and amortization period

If the first acquisition is carried out, the amount equivalent to negative goodwill of approximately ¥2.7 billion will be recorded as non-operating income by deeming the company an equity-method affiliate in the second quarter consolidated accounting period of the fiscal year ending November 2021. Furthermore, if a second acquisition is carried out, the company will become a consolidated subsidiary by acquiring additional equity interests in the fiscal year ending November 2022, and the amount equivalent to negative goodwill of approximately ¥1.6 billion will be recorded as extraordinary income. These amounts have been calculated on a tentative basis.

(5) Amount of assets accepted and liabilities assumed on date of business combination and their principal breakdown

Not yet decided at this time

### **Issuance of new shares as restricted stock compensation**

Following a resolution under Article 370 of the Companies Act (written resolution in place of the resolution of the Board of Directors) dated March 25, 2021, the Company decided to issue new shares (hereinafter referred to as “the New Share Issue”) as restricted stock compensation as follows.

#### (1) Purpose of and Reason for Issue

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

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

#### (2) Overview of Issue

Payment date	April 23, 2021
Type and number of shares to be issued	62,700 of Company’s common shares
Issue price	¥1,962 per share
Total issue price	¥123,017,400
Planned recipients	Five directors (excluding outside directors) 50,200 shares Four executive officers 12,500 shares
Other matters	With regard to the New Share Issue, a written notification of marketable securities held is being submitted pursuant to the terms of the Financial Instruments and Exchange Act.

**END**