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Annual Securities Report

Fiscal Year
(40th)

From December 1, 2020,
to November 30, 2021

1-8-39 Nishimiyahara, Yodogawa-ku, Osaka-shi

Samty Co., Ltd.

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[Cover page]

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[Place of filing]	Director-General of the Kanto Local Finance Bureau
[Filing date]	February 25, 2022
[Fiscal year]	40th fiscal year (from December 1, 2020, to November 30, 2021)
[Company name]	Samty Kabushikikaisha
[Company name in English]	Samty Co., Ltd.
[Title and name of representative]	Yasuhiro Ogawa, Representative Director and President
[Address of registered headquarter]	1-8-39 Nishimiyahara, Yodogawa-ku, Osaka-shi (Relocated from 4-3-24 Nishinakajima, Yodogawa-ku, Osaka-shi to the above address from September 13, 2021)
[Telephone number]	06(6838)3616 (main)
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[Telephone number]	06(6838)3616 (main)
[Name of contact person]	Yoshikazu Hirayama, Executive Officer and General Manager of Business Administration Division
[Place for public inspection]	Samty Co., Ltd. Tokyo Branch (1-8-3, Marunouchi, Chiyoda-ku, Tokyo) Samty Co., Ltd. Nagoya Branch (1-1-1 Meieki, Nakamura-ku, Nagoya-shi) Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Part I. [Company information]

Section 1. [Overview of company]

1. [Key financial data]

(1) Key financial data of group

Fiscal year		36th	37th	38th	39th	40th
Fiscal year end		November 2017	November 2018	November 2019	November 2020	November 2021
Net sales	(millions of yen)	60,479	84,274	85,552	101,120	90,460
Ordinary income	(millions of yen)	8,461	11,635	13,193	15,247	8,105
Profit attributable to owners of parent	(millions of yen)	5,661	8,489	9,740	10,615	10,012
Comprehensive income	(millions of yen)	5,804	8,672	10,266	10,199	11,125
Net assets	(millions of yen)	39,360	62,438	71,627	77,699	103,028
Total assets	(millions of yen)	166,449	162,500	218,803	250,864	349,194
Net assets per share	(yen)	1,387.04	1,616.59	1,734.72	1,907.51	2,029.28
Net income per share	(yen)	209.71	283.89	247.11	261.23	242.52
Diluted net income per share	(yen)	194.88	273.26	228.51	227.88	214.32
Equity ratio	(%)	23.4	37.9	32.5	30.7	27.0
Return on equity	(%)	15.8	16.9	14.7	14.3	11.7
Price-earnings ratio	(times)	7.1	5.3	8.5	6.3	9.4
Net cash provided by (used in) operating activities	(millions of yen)	11,583	31,828	4,425	11,958	(6,728)
Net cash provided by (used in) investing activities	(millions of yen)	(25,676)	(744)	(53,337)	(31,815)	(52,348)
Net cash provided by (used in) financing activities	(millions of yen)	18,211	(11,836)	48,683	17,488	57,658
Cash and cash equivalents, end of the period	(millions of yen)	24,833	44,080	44,102	41,724	40,589
Number of employees [Excluding: Average number of temporary employees]	(persons)	188 [20]	207 [15]	244 [30]	271 [23]	391 [52]

(Note 1) Net sales for the 37th, 38th, 39th, and 40th fiscal years do not include consumption taxes. Net sales for the 36th fiscal year do not include consumption taxes, except for some subsidiaries that adopt the inclusive-of-tax method.

(Note 2) The Company made an allotment of share acquisition rights without contribution based on a rights offering (partial commitment-type / listing-type share acquisition rights allotment without contribution) to the shareholders as of the shareholder record date of September 30, 2018, and payment for the share acquisition rights has been completed. Since the amount paid in based on the rights offering is lower than the market value, net assets per share, basic net income per share, and diluted net income per share are calculated on the assumption that the portion corresponding to the share split due to the payment based on the rights offering was made at the beginning of the 36th fiscal year.

(Note 3) The number of employees is the number of persons employed, with the average number of temporary employees not included but shown in brackets.

(2) Key financial data of reporting company

Fiscal year		36th	37th	38th	39th	40th
Fiscal year end		November 2017	November 2018	November 2019	November 2020	November 2021
Net sales	(millions of yen)	55,946	75,152	80,635	96,629	84,161
Ordinary income	(millions of yen)	7,018	15,484	14,635	14,369	6,405
Net income	(millions of yen)	4,698	11,709	11,435	9,980	4,236
Capital stock	(millions of yen)	8,461	15,935	16,184	16,227	20,595
Total number of issued shares	(shares)	26,989,518	39,800,000	40,946,240	41,020,140	46,468,085
Net assets	(millions of yen)	32,503	58,123	68,985	74,385	85,799
Total assets	(millions of yen)	149,456	152,960	212,055	241,519	304,003
Net assets per share	(yen)	1,143.28	1,516.76	1,684.86	1,842.07	1,846.44
Dividend paid per share [Including: Interim dividend paid per share]	(yen)	47.00 [—]	68.00 [—]	79.00 [35.00]	82.00 [38.00]	90.00 [39.00]
Net income per share	(yen)	174.05	391.59	290.08	245.60	102.62
Diluted net income per share	(yen)	161.74	376.93	268.25	214.25	90.69
Equity ratio	(%)	21.5	37.7	32.5	30.8	28.2
Return on equity	(%)	16.0	26.1	18.0	13.9	5.3
Price-earnings ratio	(times)	8.5	3.9	7.2	6.7	22.3
Payout ratio	(%)	24.2	17.4	27.2	33.4	87.7
Number of employees [Excluding: Average number of temporary employees]	(persons)	99 [—]	105 [—]	121 [—]	134 [—]	141 [—]
Total shareholder return [Comparison indicator: Dividend-included TOPIX]	(%)	160.6 [124.5]	171.0 [118.4]	238.2 [123.7]	201.3 [130.9]	276.6 [146.9]
Highest share price	(yen)	1,912	2,450 *1,727	2,197	2,293	2,655
Lowest share price	(yen)	1,026	1,578 *1,413	1,116	1,024	1,600

(Note 1) Net sales do not include consumption taxes.

(Note 2) The Company made an allotment of share acquisition rights without contribution based on a rights offering (partial commitment-type / listing-type share acquisition rights allotment without contribution) to the shareholders as of the shareholder record date of September 30, 2018, and payment for the share acquisition rights has been completed. Since the amount paid in based on the rights offering is lower than the market value, net assets per share, basic net income per share, and diluted net income per share are calculated on the assumption that the portion corresponding to the share split due to the payment based on the rights offering was made at the beginning of the 36th fiscal year.

(Note 3) The number of employees is the number of persons employed. The average number of temporary employees is omitted, because the total number of temporary employees is less than 10/100 of the number of employees.

(Note 4) The highest and lowest share prices are those on the First Section of the Tokyo Stock Exchange. The Company issued share acquisition rights based on a partial commitment-type rights offering with an allotment date of October 1, 2018. The ex-rights share price following the rights offering is shown with an asterisk (*) for the 37th fiscal year.

2. [History]

Year & Month	Summary of Events
December 1982	Established Samty Development Co., Ltd. (currently Samty Co., Ltd.) in Higashinakajima 1-chome, Higashiyodogawa-ku, Osaka City, with 2.5 million yen in capital. Launched the real estate sales, leasing, and property management businesses.
January 1983	Acquired Osaka Governor License as a Housing Land and Building Dealer. Started buying and selling condominiums under contract.
October 1984	Started selling condominium buildings for investment.
May 1991	Started selling condominiums for families.
March 1999	Registered as a First-Class Architectural Firm by the Governor of Osaka.
May 2001	Launched the Samty series of condominiums for investment.
September 2002	Launched the real estate securitization business and conducted the first real estate securitization received by the Kinki Finance Bureau.
March 2005	Launched the S-Residence series of rental apartments for real estate funds.
June 2005	Changed company name to Samty Co., Ltd.
January 2006	Established Hikone SC Ltd. (currently a consolidated subsidiary) to acquire real estate for lease.
August 2006	Acquired shares in Suntoa Co., Ltd. (which changed its name to Samty Hotel Management Co., Ltd. in February 2020, currently a consolidated subsidiary) which owns and operates economy hotels.
July 2007	Listed on the Osaka Securities Exchange's Nippon New Market - Hercules (currently Tokyo Stock Exchange's JASDAQ (Standard)).
February 2011	Opened the Tokyo Branch in Chuo-ku, Tokyo. Acquired Minister of Land, Infrastructure, Transport and Tourism License as a Housing Land and Building Dealer.
December 2011	Established Samty Kanri Co., Ltd. (which changed its name to Samty Property Management Co., Ltd. in December 2016, currently a consolidated subsidiary).
June 2012	Opened Fukuoka Branch in Hakata-ku, Fukuoka City.
November 2012	Acquired shares in Sun Asset Management Co., Ltd. (which changed its name to Samty Asset Management Co., Ltd. in March 2013, currently a consolidated subsidiary), a real estate asset management company.
July 2013	Listed on the Tokyo Stock Exchange's JASDAQ (Standard) market following the merger between the Tokyo Stock Exchange and the Osaka Securities Exchange.
October 2013	Formulated Medium- to Long-Term Management Plan, Challenge 40.
April 2014	Relocated the Tokyo Branch and the head office of Samty Asset Management Co., Ltd. to Chiyoda-ku, Tokyo.
April 2015	Established S Hotel Operations Nagasaki LLC (currently a consolidated subsidiary) as a special purpose company to operate S Peria Hotel Nagasaki.
May 2015	Opened the Sapporo Branch in Chuo-ku, Sapporo City.
June 2015	Samty Residential Investment Corporation, whose asset management is entrusted to consolidated subsidiary Samty Asset Management Co., Ltd., was listed on the Tokyo Stock Exchange's J-REIT market.
September 2015	Established S Hotel Operations Utsunomiya LLC (currently a consolidated subsidiary) as a special purpose company to operate Hotel Sunshine Utsunomiya.
October 2015	Moved up to the First Section of the Tokyo Stock Exchange.

Year & Month	Summary of Events
March 2016	Opened the Nagoya Branch in Nakamura-ku, Nagoya City.
July 2016	Revised the Medium- to Long-term Management Plan, Challenge 40.
December 2016	Changed the name of consolidated subsidiary Samty Kanri Co., Ltd. to Samty Property Management Co., Ltd. and relocated the head office to Samty Co., Ltd.'s building.
March 2018	Established S Hotel Operations Nagoya LLC (currently a consolidated subsidiary).
May 2018	Acquired S Hotel Operations Hakata LLC (currently a consolidated subsidiary).
July 2018	Established S Hotel Operations Kyoto Tambaguchi LLC (currently a consolidated subsidiary).
September 2018	Formulated the New Medium-Term Management Plan, Samty Toughening Plan.
November 2018	Established SI Kaihatsu LLC (currently a consolidated subsidiary).
	Yasuhiro Ogawa was installed as Representative Director and President.
February 2019	Established the Tokyo Head Office and transitioned to a two-office system with head offices in Tokyo and Osaka.
	Established Singapore subsidiary SAMTY Asia Investments Pte. Ltd. (currently a consolidated subsidiary).
April 2019	Opened the Tokyo Branch Shinjuku Office in Shinjuku-ku, Tokyo, and the Tokyo Branch Yokohama Office in Yokohama City, Kanagawa Prefecture.
May 2019	Concluded a capital and business alliance agreement with Daiwa Securities Group Inc.
October 2019	Established S Hotel Operations Kyoto Horikawa LLC (currently a consolidated subsidiary).
December 2019	Opened the Hiroshima Branch in Naka-ku, Hiroshima City.
February 2020	Changed the name of consolidated subsidiary Suntoa Co., Ltd. to Samty Hotel Management Co., Ltd.
November 2020	Established S Hotel Operations Kyoto Shijo LLC (currently a consolidated subsidiary). Established Vietnamese subsidiary Samty Vietnam Co., Ltd. (currently a consolidated subsidiary) through Singapore subsidiary SAMTY Asia Investments Pte. Ltd.
December 2020	Acquired S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY, a residential condominium business in Vietnam, through Singapore subsidiary SAMTY Asia Investments Pte. Ltd.
January 2021	Relocated Sapporo Branch to an office building developed in Chuo-ku, Sapporo City. Formulated the New Medium-Term Management Plan, Samty Toughening Plan (post-COVID version).
March 2021	Established S Hotel Operations Kyoto Oike LLC (currently a consolidated subsidiary).
April 2021	Acquired R&K Limited (currently a consolidated subsidiary).
May 2021	Concluded a capital and business alliance agreement with Wealth Management, Inc. (acquired shares in August 2021, currently an equity-method affiliate).
August 2021	Opened Osaka Sales Department Kobe Office in Chuo-ku, Kobe City.
	Relocated the Osaka Head Office and the Osaka Branch Office (currently Osaka Sales Department) to Nishimiyahara, Yodogawa-ku, Osaka City.
September 2021	(Samty Property Management Co., Ltd. relocated its head office to the same location in August of the same year, and Samty Hotel Management Co., Ltd. also relocated its head office to the same location in October of the same year)
November 2021	Established Samty Japan Hotel REIT, Inc. (currently a non-consolidated subsidiary) specializing in the hotel business.

3. [Description of business]

The Group, which consists of the Company, 20 consolidated subsidiaries and two equity-method affiliates, conducts the Real Estate Development Business that engages in the planning, development, and sales of the Samty brand S-RESIDENCE series and other properties, the Real Estate Solution Business that engages in the acquisition, renovation, and sales of income properties and other properties, the Overseas Business that engages in investments and housing development business overseas, the Real Estate Leasing Business that engages in the leasing of apartments, office buildings, commercial facilities, and other properties, the Hotel Business that engages in the leasing and operating of hotels, and the Real Estate Management Business that engages in the management of apartments, office buildings, commercial facilities, and other properties. 13 of the consolidated subsidiaries are special purpose companies or general incorporated associations established or invested in in relation to the business scheme for acquiring, holding, and developing land, buildings, and trust beneficiary rights as part of the process for the Company to conduct these businesses.

The following are the positioning of the Company and the Company's affiliated companies in the businesses of the Company and the Company's affiliated companies, and their connection with the segments. The classifications shown below are the same as segment classifications. Effective from the subject fiscal year, the previous Real Estate Business has been divided into three (the Real Estate Development Business, the Real Estate Solution Business, and the Overseas Business), the previous Real Estate Leasing Business has been divided into two (the Real Estate Leasing Business and the Real Estate Management Business), and businesses other than the Hotel Business, which were previously included in Other Businesses, have been reclassified into each segment. In addition, asset management that was included in the previous Real Estate Business has been changed to the Real Estate Management Business segment.

(1) Real Estate Development Business

The Real Estate Development Business engages in the planning, development, and sales of the Samty brand S-RESIDENCE series and other rental apartments, and office buildings, hotels, and other properties. Utilizing planning and development capabilities, including design, cost control, and construction supervision conducted by in-house architects, and accumulated expertise, involvement is from the acquisition of the project site to the planning and development for properties for holding by the Company and properties for sale to outside investors.

The design work, construction work, and investment condominium sales are outsourced or subcontracted to design firms, construction companies, and sales companies, respectively, to control the fixed costs associated with business expansion.

(Main affiliated companies) The Company

(2) Real Estate Solution Business

The Group acquires existing income properties, and not only recruits tenants, but also upgrades the properties by renovating facilities, improves occupancy rates, etc., by making use of the Company's expertise in an effort to secure earnings during the property holding period, and ultimately sells these to outside investors or other buyers as investment properties.

(Main affiliated companies) The Company

(3) Overseas Business

The Overseas Business engages in investments and housing development business overseas. As of the date of filing of this document, this business is underway in Singapore and Vietnam.

(Main affiliated companies) SAMTY ASIA INVESTMENTS PTE. LTD.
S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY
Samty Vietnam Co., Ltd.

(4) Real Estate Leasing Business

The Group holds apartments, office buildings, commercial facilities, and other properties, and leases the properties to individuals and corporate tenants for the purpose of increasing rental income and other income. The acquisition and holding of large-scale income properties are conducted through a scheme utilizing special purpose companies. Subleasing is also conducted, in which the Company leases apartments and other properties from owners of income properties and subleases these to end-tenants.

(Main affiliated companies) The Company, and Hikone SC Ltd.

(5) Hotel Business

The Hotel Business engages in the leasing and operating of hotels held by the Group, outside investors, etc.

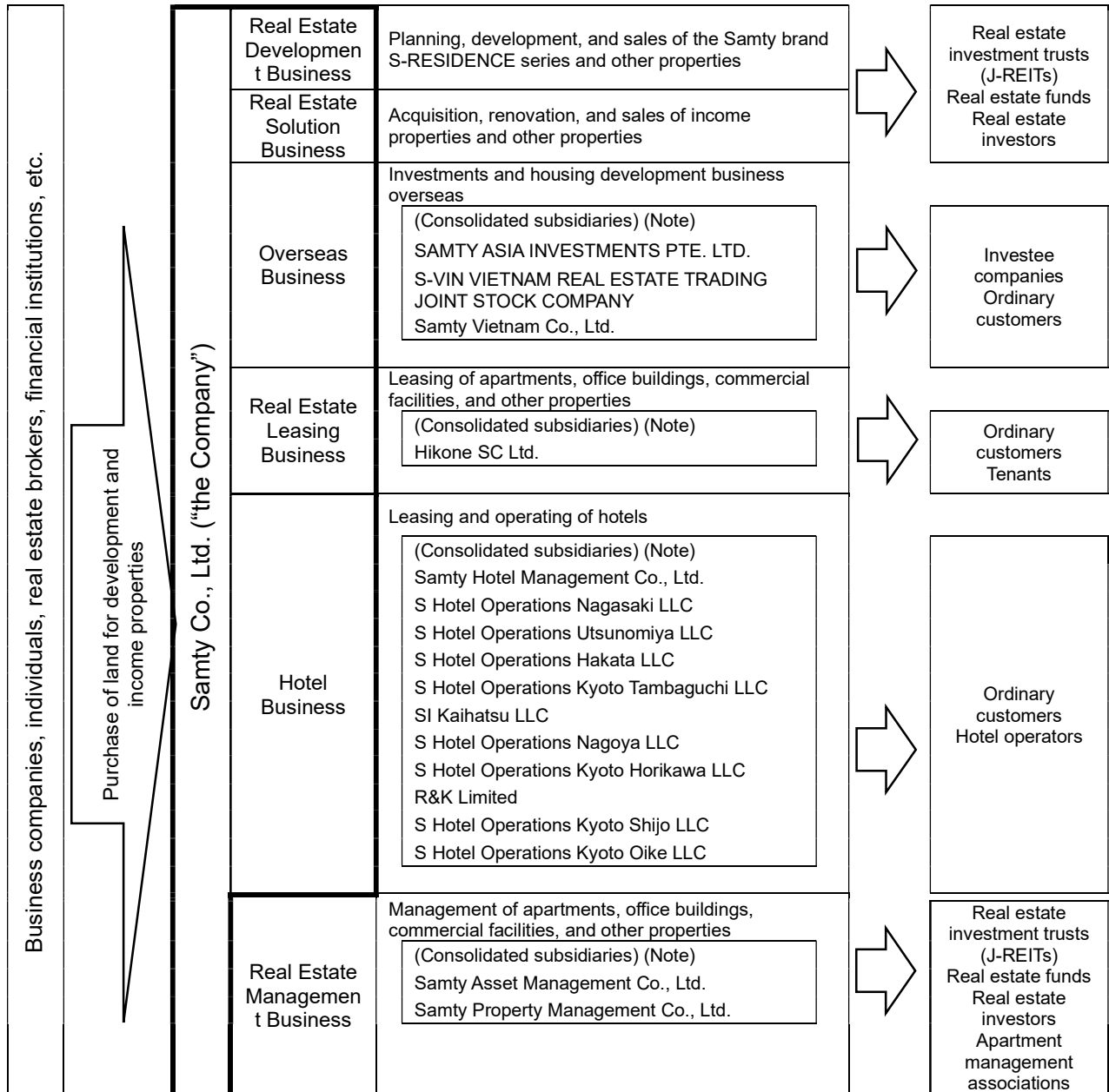
(Main affiliated companies) Samty Hotel Management Co., Ltd.
S Hotel Operations Nagasaki LLC
S Hotel Operations Utsunomiya LLC
S Hotel Operations Hakata LLC
S Hotel Operations Kyoto Tambaguchi LLC
SI Kaihatsu LLC
S Hotel Operations Nagoya LLC
S Hotel Operations Kyoto Horikawa LLC
S Hotel Operations Kyoto Shijo LLC
S Hotel Operations Kyoto Oike LLC
Wealth Management, Inc.
Shangri-La Kyoto Nijojo Special Purpose Company

(6) Real Estate Management Business

The Real Estate Management Business is entrusted with asset management, rent collection, contract management, building management, and other management operations for properties held by the Group, outside investors, etc.

(Main affiliated companies) Samty Asset Management Co., Ltd.
Samty Property Management Co., Ltd.

[Business system diagram]



(Note) Consolidated subsidiaries other than SAMTY ASIA INVESTMENTS PTE. LTD., S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY, Samty Vietnam Co., Ltd., Hikone SC Ltd., Samty Hotel Management Co., Ltd., Samty Asset Management Co., Ltd., and Samty Property Management Co., Ltd. are special purpose companies or general incorporated associations established or invested in in relation to the business scheme for acquiring, holding, and developing land, buildings, and trust beneficiary rights as part of the process for the Group to conduct each business.

4. [Subsidiaries and other affiliated entities]

Name	Address	Capital stock (millions of yen)	Main line of business	Percentage of voting rights held by (or held in) the Company (%)	Description of relationship
(Consolidated subsidiaries)					
Hikone SC Ltd.	Yodogawa-ku, Osaka-shi	3	Real Estate Leasing Business	100.0	Interlocking directors (and other officers): 1 The Company is entrusted with development operations The Company lends funds The Company guarantees obligations for borrowings from financial institutions
Samty Hotel Management Co., Ltd.	Yodogawa-ku, Osaka-shi	50	Hotel Business	100.0	Interlocking directors (and other officers): 3 Entrusted with leasing and operating operations for hotel assets held or leased by the Company Entrusted with preparatory operations for the opening of hotels under development by the Company
Samty Property Management Co., Ltd.	Yodogawa-ku, Osaka-shi	40	Real Estate Management Business	100.0	Interlocking directors (and other officers): 2 Entrusted with management and other operations for real estate held by the Company
Samty Asset Management Co., Ltd.	Chiyoda-ku, Tokyo	120	Real Estate Management Business	67.0	Interlocking directors (and other officers): 1 Entrusted with asset management and other operations for real estate held by the Group
S Hotel Operations Nagasaki LLC (Note 2)	Chiyoda-ku, Tokyo	0.5	Hotel Business	—	The Company lends funds
S Hotel Operations Nagasaki General Incorporated Association (Note 2)	Chiyoda-ku, Tokyo	—	Hotel Business	—	The Company contributes funds
S Hotel Operations Utsunomiya LLC (Note 2)	Chiyoda-ku, Tokyo	0.5	Hotel Business	—	The Company lends funds
S Hotel Operations Utsunomiya General Incorporated Association (Note 2)	Chiyoda-ku, Tokyo	—	Hotel Business	—	The Company contributes funds
S Hotel Operations Hakata LLC (Note 2)	Chiyoda-ku, Tokyo	0.5	Hotel Business	—	The Company lends funds
S Hotel Operations Kyoto Tambaguchi LLC (Note 2)	Chiyoda-ku, Tokyo	0.5	Hotel Business	—	The Company lends funds Leases hotel assets held by the Company
SI Kaihatsu LLC (Note 2)	Chiyoda-ku, Tokyo	3	Hotel Business	—	The Company guarantees obligations for borrowings from financial institutions
S Hotel Operations General Incorporated Association (Note 2)	Chiyoda-ku, Tokyo	—	Hotel Business	—	The Company contributes funds
SAMTY ASIA INVESTMENTS PTE. LTD. (Note 3)	Republic of Singapore	USD 15,100 thousand	Overseas Business	100.0	Supports the Company's business development in Southeast Asia The Company lends funds
S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY (Note 3) (Note 5)	Hanoi, Vietnam	VND 3,636,204 million	Overseas Business	90.0 [90.0]	Interlocking directors (and other officers): 1 SAMTY ASIA INVESTMENTS PTE. LTD. makes equity investment
Samty Vietnam Co., Ltd. (Note 5)	Hanoi, Vietnam	VND 1,152 million	Overseas Business	100.0 [100.0]	Interlocking directors (and other officers): 2 SAMTY ASIA INVESTMENTS PTE. LTD. makes equity investment
S Hotel Operations Nagoya LLC	Chiyoda-ku, Tokyo	0.5	Hotel Business	—	The Company lends funds
S Hotel Operations Kyoto Horikawa LLC	Chiyoda-ku, Tokyo	10	Hotel Business	100.0	The Company lends funds
R&K Limited (Note 2) (Note 3)	Chiyoda-ku, Tokyo	0.1	Hotel Business	—	The Company makes silent partnership investment
S Hotel Operations Kyoto Shijo LLC	Chiyoda-ku, Tokyo	10	Hotel Business	100.0	The Company lends funds
S Hotel Operations Kyoto Oike LLC	Chiyoda-ku, Tokyo	10	Hotel Business	100.0	The Company lends funds
(Equity-method affiliates)					
Wealth Management, Inc. (Note 4)	Minato-ku, Tokyo	987	Hotel Business	32.02	Interlocking directors (and other officers): 1 Capital and business alliance
Shangri-La Kyoto Nijojo Special Purpose Company (Note 5)	Minato-ku, Tokyo	8,638	Hotel Business	49.0 [49.0]	SAMTY ASIA INVESTMENTS PTE. LTD. makes preferred equity investment

Name	Address	Capital stock (millions of yen)	Main line of business	Percentage of voting rights held by (or held in) the Company (%)	Description of relationship
(Other affiliated companies) Daiwa Securities Group Inc. (Note 4)	Chiyoda-ku, Tokyo	247,397	Controls and manages group companies' business activities	(28.40)	Capital and business alliance

(Note 1) In the "Main line of business" column, the name of the segment is shown.

(Note 2) Although the ownership interest is less than 50/100, it is considered a subsidiary because of the substantial influence exerted.

(Note 3) A specified subsidiary.

(Note 4) A company that files a securities registration statement or an annual securities report.

(Note 5) In the "Percentage of voting rights owned by (or held in) the Company" column, indirect ownership is shown in brackets.

5. [Employees]

(1) Information about group

As of November 30, 2021

Name of segment	Number of employees (persons)	
Real Estate Development Business	49	[2]
Real Estate Solution Business	30	[1]
Overseas Business	13	[-]
Real Estate Leasing Business	17	[-]
Hotel Business	101	[38]
Real Estate Management Business	136	[6]
Corporate (shared)	45	[5]
Total	391	[52]

(Note 1) The number of employees is the number of persons employed, with the number of fixed-term and temporary employees (contract employees, dispatched workers, and casual staff) not included but shown in brackets in the average number for the past one year.

(Note 2) Corporate (shared) shows the number of employees belonging to administrative departments that cannot be classified into any particular segment.

(Note 3) The number of employees increased by 120 persons compared with the end of the previous fiscal year, mainly due to expansion of the scope of business.

(Note 4) Effective from the subject fiscal year, the classifications of the reportable segments have been changed. The details are presented in "Section 5. Financial information; 1. Consolidated financial statements, etc.; (1) Consolidated financial statements; Notes (Segment Information, etc.)."

(2) Information about reporting company

As of November 30, 2021

Number of employees (persons)	Average age (years)	Average length of service (years)	Average annual salary (yen)
141	36.7	7.2	7,433,015

Name of segment	Number of employees (persons)	
Real Estate Development Business	49	[-]
Real Estate Solution Business	30	[-]
Overseas Business	-	[-]
Real Estate Leasing Business	17	[-]
Hotel Business	-	[-]
Real Estate Management Business	-	[-]
Corporate (shared)	45	[-]
Total	141	[-]

(Note 1) The number of employees is the number of persons employed. The average number of temporary employees is omitted, because the total number of temporary employees is less than 10/100 of the number of employees.

(Note 2) Average annual salary includes bonuses and extra wages.

(Note 3) Effective from the subject fiscal year, the classifications of the reportable segments have been changed. The details are presented in "Section 5. Financial information; 1. Consolidated financial statements, etc.; (1) Consolidated financial statements; Notes (Segment Information, etc.)."

(3) Information about labor unions

No labor union has been formed, but labor-management relations are smooth.

Section 2. [Overview of business]

1. [Management policy, business environment, issues to address]

Forward-looking statements in the text are based on the judgments of the Group as of the date of filing of this document.

(1) Basic policy on corporate management

Under its management philosophy since its establishment of “Realization of Dreams through Ethics, Passion, and Challenge,” the Group aims to create a future where all people will be able to grow with a dream by engaging itself in community-based activities as a member of society and pursuing efforts to realize a sustainable society and enhance corporate value from a medium-to long-term standpoint in response to the expectations and trust of all stakeholders.

(2) Business environment

As of the date of filing of this document, the timing of when the COVID-19 pandemic would subside remained unclear as infections have spread again due to highly contagious variants, but the normalization of socio-economic activities is expected with the third round of vaccinations having been started.

In the real estate industry, of which the Samty Group is a part, with regard to rental apartments, occupancy rates, rent levels, and property sales prices remained favorable, because they are not easily affected by economic trends or the effects of the COVID-19 pandemic. In the hotel industry, signs of recovery were seen with the flow of people that had been stagnant slowly returning in the periods when quasi-emergency measures to prevent the spread of infections and declarations of a state of emergency were not applied or issued. As such, consumption on accommodation and tourism is predicted to recover and increase gradually as socio-economic activities normalize.

(3) Medium-term management strategies and target management indicators

The Group is promoting the building of a stable profit base by maximizing income gains from rental income and other sources. In addition, acquisition of land for development and income properties are being strengthened in order to expand holdings of assets that will serve as a source of income gains. As described in the business environment in (2) above, rental apartments are stable assets that are insusceptible to economic fluctuations and the effects of the COVID-19 pandemic, and rent levels and sales transaction prices based on such have been on an upward trend. Amid a financing environment that is still favorable for core players in the real estate investment market, such as J-REITs and real estate funds, against the backdrop of globally low interest rates, there is preference for rental apartments as investment targets and a sense of anticipation of higher prices that these investors’ expected cap rates will likely decline (prices rise) further. Therefore, we have deemed that a business strategy of holding developed and acquired properties for a certain period of time rather than selling early, seeking opportunities to sell the properties at more favorable prices in addition to securing rental income during the holding period, would be rational.

In terms of office buildings, while there are companies implementing restrictions on coming into the office and companies shifting to chiefly teleworking to prevent the spread of COVID-19, development of the Samty brand S-BUILDING series of office buildings will continue to be underway as demand is firm, especially in major regional cities.

In terms of hotels, although affected by the resurgence of COVID-19, we predict that consumption on accommodation and tourism will recover and increase gradually as socio-economic activities normalize. In anticipation of the post-COVID era, we will continue to invest in and prepare hotel assets while closely monitoring the external environment.

In the Overseas Business, we see there to be opportunities to earn large development profits as a real estate developer, especially in ASEAN countries, where housing demand is strong against the backdrop of high economic growth rates and the resulting increase in the middle-income class and urban population growth. Expansion of earnings in the Overseas Business will continue to be aimed going forward.

In the plan as described, operating income, ROE, ROA, and equity ratio have been set as key management indicators.

The management targets for the fiscal year ending November 30, 2025, are as follows:

Operating income	¥35,000 million or over
ROE	15.0% level
ROA*	7.0% level
Equity ratio	30.0% or over

*ROA = Operating income / Total assets as average of beginning and end of period

(4) Priority issues to address

The following are the current issues to achieve the management strategies and target management indicators in (3) above.

1) Securing and fostering of excellent personnel

The Group has established an environment that allows for new work styles, such as work from home and off-peak commuting, and introduced a self-development support program utilizing correspondence education. With these efforts, the Group will secure and foster excellent personnel. In addition, the Group operates nationwide with head offices established in Osaka and Tokyo, and also branches in Sapporo, Nagoya, Hiroshima, and Fukuoka. The Group will contribute to the sustainable development (sustainability) of local communities through employment by hiring excellent personnel who are familiar with the area at each of the locations.

2) Diversification of financing methods and strengthening of the financial base

For its stable and sustainable growth, the Group will diversify financing methods to bolster the financial base.

3) Development of hotels and establishment of hotel REIT

The Group believes that the hotel industry is a sector where significant growth can be expected even in the post-COVID era. While closely monitoring the external environment, the Group will make preparations for after the COVID-19 pandemic would subside, including the listing of Samty Japan Hotel REIT, Inc. on the Tokyo Stock Exchange.

4) Overseas business development

In the subject fiscal year, the Group commenced sales of housing development lots in a smart city development project jointly operated with VIN HOMES JOINT STOCK COMPANY, Vietnam's largest real estate developer, in Hanoi, Vietnam. Expansion of earnings in the Overseas Business will continue to be aimed going forward.

5) Sustainability initiatives

The Group has established a Sustainability Promotion Committee. Through the Committee, a basic policy on sustainability has been formulated, and four important issues, which combine ESG (environmental, social, governance) indicators and disclosure items, have been set: environmental consideration, coexistence with local communities, realization of companies that value people, and strict implementation of corporate ethics.

To put its management philosophy of "Realization of Dreams through Ethics, Passion, and Challenge" into practice, the Group aims to create a future where all people will be able to grow with a dream by engaging itself in community-based activities as a member of society and pursuing efforts to realize a sustainable society and enhance corporate value from a medium-to long-term standpoint in response to the expectations and trust of all stakeholders.

2. [Business risks]

The following are the major risks that management recognizes as potentially having significant impact on the consolidated company's financial position, operating results, and cash flows from among the matters relating to the overview of business, financial information, and other conditions presented in the annual securities report.

Forward-looking statements in the text are based on the judgments of the Group as of the end of the subject fiscal year.

In each of the following items, if it is difficult to reasonably foresee the extent and timing of the likelihood that the risks will arise or the impact on the Group's operating results, etc. should the risks arise, the degree and timing of the likelihood and the impact are not stated. The Group has established a basic policy and management system for risk management in the Risk Management Regulations, based on which compliance-related risks, risks related to day-to-day business activities, information-related risks, and various other risks surrounding its business are appropriately managed to prevent the risks from arising.

(1) Impact of real estate market conditions

In the development and sales of income properties in the Real Estate Development Business and the Real Estate Solution Business, changes in various circumstances, such as economic downturn, rising interest rates, and changes in the tax system, could cause a decline in sales prices and an outflow of funds from the real estate market.

Furthermore, apartment development takes generally two years from the acquisition of land to the receipt of delivery of the completed construction. If macroeconomic fluctuations such as land price trends, interest rate trends, and financial conditions, arise during this period and real estate market conditions deteriorate as a result, the Group's business performance, financial position, etc. could be affected.

In addition, if it is difficult to pass on the cost of real estate to sales prices when the cost is increasing with the rise in acquisition prices due to intensifying competition in the acquisition of land for real estate or the rise in construction material prices, gross profit could be squeezed, and thus could affect the Group's business performance, financial position, etc.

In addressing the risks, the Company will keep working to mitigate the risks in a timely manner by closely monitoring future trends in the domestic economy and identifying trends in real estate market conditions as appropriate.

(2) Fluctuations in business performance due to timing of property delivery

Since net sales and income in the Real Estate Development Business and the Real Estate Solution Business are considerably affected by the size and profit margin of each project, and sales in these businesses are recorded at the time of delivery to customers, any change in the timing of delivery of each project due to the state of progress, changes in sales plans, changes in sales trends, and delays in construction work, etc. could affect the Group's business performance, financial position, etc. In addition, for large-scale projects, any change in the timing of delivery of such projects could affect the Group's business performance, financial position, etc.

(3) Outsourced work

The Group outsources almost all construction work. If unable to sufficiently secure parties to outsource that meet the Company's selection criteria, or if the construction period is delayed due to poor business performance, busy season, or other circumstances of the outsourced parties, outsourcing prices increase due to labor shortage, or other such event arises, construction costs could increase or the construction period extended, and thus could affect the Group's business performance, financial position, etc.

(4) Valuation of real estate for sale

If the value as real estate for sale considerably declines due to deterioration in economic conditions, deterioration in real estate market conditions, etc., a loss could be incurred from writing down the book value of inventories, and thus could affect the Group's business performance, financial position, etc.

(5) Impairment of non-current assets

The Group is pursuing a strategy of strengthening its fee income business designed to maximize income gains. If the profitability of real estate for rent substantially declines, such as a fall in rent levels or a rise in vacancy rates due to deterioration in economic conditions, deterioration in real estate market conditions, etc., or other such event arises, a loss could be incurred from writing down the book value of non-current assets, and thus could affect the Group's business performance, financial position, etc.

(6) Interest-bearing debt dependence and financing

The Group procures funds for the acquisition of land for development, construction costs, income properties, etc. mainly through borrowings from financial institutions, and the dependence on interest-bearing debt tends to increase as a percentage of total assets. As such, if funds cannot be procured as expected or if factors such as economic conditions cause market interest rates to rise, the Group's business performance, financial position, etc. could be affected.

<Changes in interest-bearing debt>

Fiscal year	36th	37th	38th	39th	40th
Fiscal year end	November 2017	November 2018	November 2019	November 2020	November 2021
Balance of interest-bearing debt (millions of yen)	114,787	89,174	130,927	153,005	219,231
Total assets (millions of yen)	166,449	162,500	218,803	250,864	349,194
Ratio of interest-bearing debt (%)	69.0	54.9	59.8	61.0	62.8

(Note) Interest-bearing debt consists of short-term loans payable, current portion of long-term loans payable, long-term loans payable and bonds payable.

(7) Accidental and unexpected incidents or natural disasters

The properties held by the Group could be destroyed, deteriorated, or damaged and their value affected by fire, explosion, lightning, wind, hail, snow, water, earthquake fire, earthquake rupture, earthquake collapse, eruption, and tsunami, or electrical incidents, mechanical incidents, and other accidental and unexpected incidents, or war, riot, civil disturbance, terrorism, and other disasters, and thus could affect the Group's business performance, financial position, etc. In addition, as a result of accidental and unexpected incidents or natural disasters that dampen investment sentiment toward real estate, the demand for real estate could decrease, and thus could affect the Group's business. In such cases, the Group's business performance, financial position, etc. could be affected.

(8) Legal regulations, etc.

The Group is subject to various real estate-related laws and regulations, including the Real Estate Brokerage Act and the Building Standards Act, and the Financial Instruments and Exchange Act and other legal regulations, and has obtained licenses, registrations, etc., including a real estate brokerage license, first-class architect office registration, type-II financial instruments business registration, and investment management business registration.

The Group strives to strengthen its internal control system and develop its compliance system, and there have been no facts in the past, including as of the date of filing of this document, that would constitute grounds for revocation or refusal to renew licenses, registrations, etc. However, if a fact in violation of these laws and regulations arises in the future, resulting in the involuntary revocation of licenses, registrations, etc. or the issuance of administrative dispositions, the Group's business performance, financial position, etc. could be affected.

In addition, if the Group's business activities are constrained by amendment or enactment of related laws and regulations, or if the Group is unable to adequately respond to such, the Group's business performance, financial position, etc. could be affected.

In addressing the risks, the Company regularly conducts compliance training to ensure that officers and employees work with legal compliance consistently in mind.

(9) Personal information protection law

The Group handles a large amount of personal information in each business due to the necessity in executing business operations. Efforts are made to ensure the proper acquisition, management and handling of such personal information in accordance with the Act on the Protection of Personal Information, and other various related laws and regulations. However, any leakage of personal information to outside parties should such arise due to unforeseen circumstances could cause loss of trust in the Group and so forth, such result in decrease in net sales, incurrence of compensation for damages, and other events, and thus could affect the Group's business performance, financial position, etc.

In addressing the risks, the Information Security Committee, composed of representatives from each department, will keep developing mechanisms for appropriately managing information handled by the Company, and promoting the implementation and operation of such.

(10) Litigation possibility

The Group's business activities in Japan and abroad could be subject to lawsuits, disputes, or other legal proceedings. The Group strives to take preventive measures against such legal proceedings through developing and operating a risk management system. However, depending on the nature and outcome of the legal proceedings, the Group's business performance, financial position, operating results, social credibility, etc. could be adversely affected. If the Group suffers damage or infringement of rights by a third party, costs to protect the Group's rights could incur, and thus could affect the Group's business performance, financial position, etc.

(11) Liability for defects and liability for contractual nonconformity

If there is a defect or contractual nonconformity in the real estate to be sold, the seller is to assume liability for defects or liability for contractual nonconformity to the buyer. In the unlikely event that a property sold by the Group is found to have a serious defect or contractual nonconformity (including, but not limited to, construction defects in the construction work, and diversion or addition of construction data in the construction report), the Group, as the seller, could be held liable even if the direct cause of the defect or contractual nonconformity is the fault of a party other than the Group. In such cases, the Group could be forced to bear unplanned expenses for repairing such flaws and other defects, rebuilding, etc., and thus could affect the Group's business performance, financial position, etc.

(12) Securing and developing human resources

Since the future growth of the Group is highly dependent excellent personnel and other human resources, securing and developing professional personnel with high expertise and abundant experience in the real estate and financial fields is an essential condition. However, if unable to secure the personnel sought by the Company as planned, the Group's business performance, financial position, etc. could be affected.

(13) Foreign exchange risk

As of the date of filing of this document, the Group operates the Overseas Business in Singapore and Vietnam, conducting foreign currency denominated transactions in U.S. dollars, Singapore dollars, and Vietnamese dong, and is therefore affected by fluctuations in the exchange rates of these currencies.

(14) Impact of tax reform

Revisions to taxation systems related to real estate in the countries in which the Group operates, such as a consumption tax rate hike due to amendment of the Consumption Tax Act, could result in an increase in funds for real estate acquisitions and affect business strategies, and thus could affect the Group's business performance, financial position, etc.

(15) Impact of COVID-19 pandemic

1) Impact on operating results, etc.

If the spread of COVID-19, the outbreak of variants, or the outbreak of a new infectious disease other than COVID-19 results in requests for travel restrictions or stay-at-home requests, and leads to a prolonged stagnation of economic activities in Japan and abroad that causes the situation to take longer to subside, occupancy rates at hotels and commercial facilities held and operated by the Group could considerably drop that there would be a risk that the Hotel Business segment's profitability will not improve, and thus could affect the Group's operating results, etc.

As of the date of filing of this document, the outlook for when the COVID-19 pandemic would subside is unclear, but after it does subside, the business is expected to take a turn to recovery with the domestic travel demand from Japanese nationals and the demand for travel to Japan from foreigners based on the government's tourism nation policy. As such, in anticipation of the post-COVID era, investment in hotel assets will continue to be made while closely monitoring the external environment.

2) Impact of employee infection risk

In order to ensure the health and safety of employees, their families, and business partners as a top priority, the Group has established a countermeasures committee chaired by the representative director and president, has formulated a basic policy on infection prevention measures in accordance with national and local government policies, and is doing its utmost to provide response instructions and support to all Group bases. Specifically, efforts are being made to prevent the spread of infection by limiting contact opportunities as much as possible through the following initiatives.

- Introduction of teleworking, online meetings, and online communication tools
- Encouragement of staggered work hours, and car and bicycle commuting
- Restrictions on non-essential and non-urgent coming into the office and business travel

However, if an employee is infected with COVID-19 and the infection spreads within the company, smooth execution of business operations could be affected due to decrease in sales opportunities and other such consequences from the closure of bases.

(16) Impact of risks related to internal controls over financial reporting and accounting

The Company strives to develop and operate internal controls over financial reporting. However, if the development and operation of internal controls do not function effectively and improvements are insufficient, an internal control audit by an audit firm could identify material deficiencies in internal controls over financial reporting after the last day of the fiscal year. In such case, the Group's operating results and financial position could be adversely affected, and its social credibility and market reputation could be damaged. Therefore, deeper communication with the audit firm will keep being pursued in order to enhance the development and operation of appropriate internal controls to reduce such risks.

3. [Management analysis of financial position, operating results and cash flows]

(1) Summary of operating results, etc.

The following is a summary of the financial position, operating results, and cash flows (hereinafter referred to as "operating results, etc.") of the Group (the Company and its consolidated subsidiaries) for the subject fiscal year.

1) Operating results

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

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

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

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

Results by Business Segment

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

(Real Estate Development Business)

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

In addition to having sold 19 properties (total sales price of around ¥34.7 billion), in the subject fiscal year we sold five properties of real estate for sale located mainly in major cities across the nation to Samty Residential Investment Corporation (total sales price of around ¥4.2 billion). The Company also sold Agora Kyoto Shijo (Shimogyo-ku, Kyoto) and Agora Kyoto Karasuma (Shimogyo-ku, Kyoto) as hotel assets.

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

(Real Estate Solution Business)

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

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

(Overseas Business)

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

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

(Real Estate Leasing Business)

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

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

(Hotel Business)

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

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

(Real Estate Management Business)

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

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

2) Financial position

(Assets)

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

(Liabilities)

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

(Net Assets)

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

3) Cash flows

As a result of a decrease of ¥6.7 billion from operating activities, a decrease of ¥52.3 billion from investing activities, an increase of ¥57.6 billion from financing activities, and other factors, cash and cash equivalents (“cash”) at the end of the subject fiscal year decreased by ¥1.2 billion to ¥40.5 billion compared with the end of the previous fiscal year.

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

(Cash Flow from Operating Activities)

Net cash used in operating activities amounted to ¥6.7 billion (compared to ¥11.9 billion in cash provided in the previous fiscal year). This was due mainly to ¥12.2 billion in income before income taxes; ¥2.5 billion in interest paid; and ¥4.6 billion in income taxes paid. Of these, the decrease in income before income taxes was due mainly to holding off on selling assets with the shift to a business model of holding assets for a certain period after development.

(Cash Flow from Investing Activities)

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

(Cash Flow from Financing Activities)

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

4) Results of production, receipt of orders, and sales

a. Results of production

At the Group, which has the Real Estate Development Business, the Real Estate Solution Business, and the Real Estate Leasing Business as major businesses, defining results of production would be difficult. As such, the results of production are not stated.

b. Results of receipt of orders

The Group does not engage in production on an order basis. As such, the results of receipt of orders are not stated.

c. Results of sales

The following shows the results of sales by segment for the subject fiscal year.

Effective from the subject fiscal year, the classifications of the reportable segments have been changed. In the following year-on-year comparisons, comparisons are based on the figures for the same period of the previous fiscal year that have been reclassified into the changed segment classifications.

Name of segment	Subject fiscal year (from December 1, 2020, to November 30, 2021)		YoY change (%)
	Amount (millions of yen)		
Real Estate Development Business	38,863		-33.3
Real Estate Solution Business	37,128		+22.7
Overseas Business	595		+19.1
Real Estate Leasing Business	7,949		+2.1
Hotel Business	2,689		+32.5
Real Estate Management Business	3,233		+41.4
Total	90,460		-10.5

(Note 1) Intersegment transactions are eliminated.

(Note 2) Sales results and ratio of sales results to total sales results by major customer

Customer	Previous fiscal year (from December 1, 2019, to November 30, 2020)		Subject fiscal year (from December 1, 2020, to November 30, 2021)	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)
Samty Residential Investment Corporation	13,943	13.8	29,349	32.4
HSJPN 3 TMK	—	—	14,400	15.9
GK Kyoto Shijo Hotel Management	—	—	13,300	14.7
MFJPN TMK	21,181	20.9	—	—

(2) Analysis and discussion of operating results, etc. from management's perspective

The following is the perception, analysis and discussion of the Group's operating results, etc. from the management's perspective.

Forward-looking statements in the text are based on the judgments as of the end of the subject fiscal year.

1) Significant accounting estimates and assumptions used in the estimates

The consolidated financial statements of the Group are prepared in accordance with accounting standards generally accepted as fair and appropriate in Japan. The significant accounting policies adopted by the Group in the consolidated financial statements and the assumptions used in the accounting estimates regarding the impact of the COVID-19 pandemic are as presented in "Material items fundamental to the preparation of consolidated financial statements" and "Additional Information" of "Section 5. Financial information; 1. Consolidated financial statements, etc.; (1) Consolidated financial statements; Notes."

In preparing the consolidated financial statements, when there is uncertainty about the amount of assets and liabilities, revenue and expenses, etc., estimates and judgments are made that are considered reasonable in light of past performance and transaction status. Although the Group continually evaluates such estimates and judgments, actual results may differ from these estimates due to the uncertainties inherent in estimates.

The Group believes that particularly the following significant accounting policies have a significant impact on the estimates and judgments used in the preparation of the consolidated financial statements.

a. Valuation of real estate for sale

In accordance with the Accounting Standard for Measurement of Inventories, the Group applies the accounting treatment of writing down the book value to the net selling price for real estate for sale (including real estate for sale in process) whose net selling price has fallen below the book value due to decline in profitability.

In applying the accounting treatment, for each individual property, the net selling price is calculated based on the estimated selling price, additional cost of construction incurred, selling expenses, etc., and the book value is written down to the net selling price if the net selling price falls below the book value.

Additional write-downs may need to be accounted for if recognition of a loss on valuation becomes necessary due to deterioration in economic conditions, deterioration in real estate market conditions, etc., or if the net selling price decreases due to changes in the assumptions used in the estimates or other factors.

b. Impairment of non-current assets

In accordance with the Accounting Standard for Impairment of Fixed Assets, the Group applies the accounting treatment of reducing the book value to the recoverable amount for non-current assets for which recovery of the investment can no longer be expected due to decline in profitability.

In applying the accounting treatment, the Company considers whether to recognize an impairment loss when there are indications of impairment due to continuous operating losses or operating cash flow deficits, substantial decline in market prices, substantial deterioration in the business environment, changes in use, etc. The estimated future cash flows are used in considering whether an impairment loss should be recognized. If recognition of an impairment loss is deemed to be necessary, the amount by which the book value exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount is determined based on the higher of net selling price or value in use.

Additional impairment losses may need to be recorded if recognition of an impairment loss becomes necessary due to future continuous operating losses or operating cash flow deficits, substantial decline in market prices, substantial deterioration in the business environment, changes in use, etc., or if the estimated future cash flows and the net selling price decrease due to changes in the assumptions used in the estimates or other factors.

In addition, with regard to the impact of the COVID-19 pandemic on the above accounting estimates and such, write-downs and impairment losses may need to be accounted for due to a review of the hotel development plans underway in the Real Estate Development Business and a review of the valuation of hotel assets currently held in the Hotel Business if the pandemic takes longer to subside.

2) Analysis of operating results

(Net Sales)

Net sales for the subject fiscal year decreased from ¥101.1 billion in the previous fiscal year by ¥10.6 billion (down 10.5% from the previous fiscal year), resulting in ¥90.4 billion. This was due mainly to a decrease in net sales from sales of rental apartments, hotels, offices, and other properties in the Real Estate Development Business.

Although net sales decreased compared with the previous fiscal year due to focusing on replenishment of residential properties that had to be sold due to changes in plans in the previous fiscal year and holding off on selling assets with the shift to a business model of holding assets for a certain period after development, net sales other than in the Real Estate Development Business are on an upward trend.

(Cost of Sales)

Cost of sales for the subject fiscal year decreased from ¥73.4 billion in the previous fiscal year by ¥0.8 billion (down 1.2% from the previous fiscal year), resulting in ¥72.6 billion. This was due mainly to a decrease in cost of sales from a decrease in net sales in the Real Estate Development Business. The detailed factors are as presented in "Net sales" above.

(Selling, General and Administrative Expenses)

Selling, general and administrative expenses for the subject fiscal year decreased from ¥10.3 billion in the previous fiscal year by ¥1.9 billion (down 18.6% from the previous fiscal year), resulting in ¥8.3 billion. This was

due mainly to a decrease in sales brokerage fees from a decrease in net sales in the Real Estate Development Business, and there being no payment of performance-linked remuneration.

(Non-operating Income (Expenses))

Non-operating income for the subject fiscal year increased from ¥0.1 billion in the previous fiscal year by ¥1.9 billion, resulting in ¥2.1 billion. This was due mainly to the recording of share of profit of entities accounted for using equity method from acquiring shares of Wealth Management, Inc. in the subject fiscal year, and the recognition of foreign exchange gains on foreign currency-denominated liabilities of overseas subsidiaries.

Non-operating expenses for the subject fiscal year increased from ¥2.2 billion in the previous fiscal year by ¥1.2 billion, resulting in ¥3.4 billion. This was due mainly to an increase in interest expenses and financing fees from an increase in interest-bearing debt.

(Extraordinary Income (Loss))

Extraordinary income for the subject fiscal year increased from ¥0.2 billion in the previous fiscal year by ¥4.1 billion, resulting in ¥4.3 billion. This was due mainly to the recording of gain on bargain purchase from acquiring shares of S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY and investment equity in a silent partnership business of R&K Limited.

Extraordinary loss for the subject fiscal year increased from ¥0.1 billion in the previous fiscal year by ¥0.0 billion, resulting in ¥0.2 billion. This was due mainly to the recording of penalties and such incurred from moving out upon relocation of the Company's Osaka head office as head office relocation expenses.

The following is a summary by segment.

a. Real Estate Development Business

Due to holding off on selling assets with the promotion of the strategy to “develop and own” designed to maximize income gains, net sales decreased by 33.3% from the previous fiscal year and operating income decreased by 33.3% from the previous fiscal year.

b. Real Estate Solution Business

Due to the supply of properties to Samty Residential Investment Corporation, the sale of office buildings, etc. on strong real estate demand backed by globally low interest rates, net sales increased by 22.7% from the previous fiscal year and operating income decreased by 17.4% from the previous fiscal year.

c. Overseas Business

Due to the redemption of the investment in a Ho Chi Minh real estate company operating development and leasing businesses invested in through a fund since 2016, net sales increased by 19.1% from the previous fiscal year and operating income decreased by 22.8% from the previous fiscal year.

d. Real Estate Leasing Business

Despite selling a number of rental apartments in the previous fiscal year, income properties of a total of 49 properties or approximately ¥42.1 billion were acquired in major cities across Japan. In addition, both occupancy rates and rent levels were steady for rental and investment properties held by the Group, primarily residential (apartments), and the acquisition of income properties was actively underway. As a result, net sales increased by 2.1% from the previous fiscal year and operating income decreased by 8.0% from the previous fiscal year.

e. Hotel Business

Although operating loss resulted from the impact of the declarations of a state of emergency and equivalent restrictions on movement being issued for over 80% of the fiscal year, occupancy rates recovered to generally levels above 60% from October 2021 onward after the lifting of the declarations of a state of emergency. As a result, net sales increased by 32.5% from the previous fiscal year and operating loss increased compared with the previous fiscal year.

f. Real Estate Management Business

Due to asset management and property management fees increasing with the expansion of the asset size of Samty Residential Investment Corporation, net sales increased by 41.4% from the previous fiscal year and operating income increased by 78.6% from the previous fiscal year.

3) Factors that have significant impact on operating results

In the Real Estate Development Business and the Real Estate Solution Business, the Group's core businesses, there are various factors that have a significant impact on operating results, including changes in the timing of deliveries to customers, delays in construction work due to natural disasters and other unforeseen circumstances, and changes in economic conditions affecting business performance, and dependence on interest-bearing debt affecting business development. For details, including the impact of the COVID-19 pandemic, please refer to "Section 2. Overview of business; 2. Business risks."

4) Analysis of capital resources and liquidity of funds

The Group's demand for funds is mainly funds for acquisition and construction of land for development in the Real Estate Development Business, acquisition of real estate for sale in the Real Estate Solution Business, and acquisition of real estate for lease in the Real Estate Leasing Business. The method of procurement of the funds is mainly by borrowing from financial institutions, and overdraft agreements and loan commitment agreements are concluded with correspondent banks to efficiently procure the funds. For working capital for corporate expenses, the Company allocates its own funds in principle.

5) Management policy, management strategies, objective indicators for judging status of achievement of management goals, etc.

Under the Samty Toughening Plan (Post-COVID Version), the new medium-term management plan announced on January 27, 2021, focus is placed on operating income as the earning power of the core businesses, ROE and ROA as the indicators of investment efficiency, and equity ratio as the indicator of financial soundness. The targets of the plan for these indicators have been set at operating income of ¥20,000 million or over, ROE of a 12.0%–15.0% level, ROA of a 6.0%–7.0% level, and equity ratio of 27.0%–30.0% or over for the fiscal year ending November 30, 2023, and operating income of ¥35,000 million or over, ROE of a 15.0% level, ROA of a 7.0% level, and equity ratio of 30.0% or over for the fiscal year ending November 30, 2025. Results for the subject fiscal year were operating income of ¥9,461 million, ROE of 11.7%, ROA of 3.2%, and equity ratio of 27.0%. While continuing to strive to maintain and enhance investment efficiency and financial soundness, achievement of the operating income targets will be pursued.

The following is a summary of each indicator.

	Year ended November 30, 2017	Year ended November 30, 2018	Year ended November 30, 2019	Year ended November 30, 2020	Year ended November 30, 2021
Operating income (millions of yen)	10,131	14,033	15,395	17,355	9,461
ROE (%)	15.8	16.9	14.7	14.3	11.7
ROA (%)	6.6	8.5	8.1	7.4	3.2
Equity ratio (%)	23.4	37.9	32.5	30.7	27.0

(Note) Each of the indicators is calculated using figures on a consolidated basis.

- ROE = Net income / Equity as average of beginning and end of period
- ROA = Operating income / Total assets as average of beginning and end of period
- Equity ratio = Equity / Total assets

4. [Material contracts, etc.]

(Business combination through acquisition of shares)

At the meeting of the Board of Directors held on December 21, 2020, the Company resolved to make S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY a subsidiary by acquiring its shares through the Company's subsidiary SAMTY ASIA INVESTMENTS PTE. LTD. The share transfer agreement was concluded on December 23, 2020.

For details, please refer to “Section 5. Financial information; 1. Consolidated financial statements, etc.; (1) Consolidated financial statements; Notes (Related to Business Combinations, etc.).”

(Business combination through acquisition of investment equity in silent partnership business)

At the meeting of the Board of Directors held on March 26, 2021, the Company resolved the transfer of consolidated subsidiaries due to the acquisition of investment equity in a silent partnership business of R&K Limited, which owns and manages trust beneficiary rights with “Aloft Osaka Dojima” operated by the world’s largest hotel chain Marriott International as the trust asset. The investment equity transfer agreement was concluded on March 30, 2021.

For details, please refer to “Section 5. Financial information; 1. Consolidated financial statements, etc.; (1) Consolidated financial statements; Notes (Related to Business Combinations, etc.).”

(Conclusion of agreement amending capital and business alliance agreement with, and issuance of 2nd Unsecured Convertible Bonds with Stock Acquisition Rights through third-party allotment to Daiwa Securities Group Inc.)

At the meeting of the Board of Directors held on October 25, 2021, the Company resolved to enter into an agreement amending the capital and business alliance agreement on capital and business alliance entered into on May 30, 2019, with Daiwa Securities Group Inc., and to issue the 2nd Unsecured Convertible Bonds with Stock Acquisition Rights to it by way of third-party allotment. The agreement was concluded on the same date.

I. Outline of capital and business alliance

1. Objectives and reasons for amending capital and business alliance agreement

The Group is a comprehensive real estate business capable of handling within the corporate group all aspects from purchasing of land to apartment planning and development, tenant recruitment, property management, and property holding and sales, and operates throughout Japan and in Southeast Asia.

In January 2021, the Group formulated the Samty Toughening Plan (Post-COVID Version), a new medium-term management plan for the period up to the fiscal year ending November 30, 2025. The Group is promoting the acquisition, development, and holding of prime land for development and income properties located in and around major cities in Japan in accordance with the key objective of “strategic investment in regional metropolitan areas” as an “asset-holding developer” in order to increase the ratio of sustainable and stable income gains (rental income, etc.) for the entire corporate group. An investment plan target of a total of approximately ¥750 billion in apartment development, hotel and office development, acquisition of income properties, and overseas business over the five years to 2025 has been set.

The proceeds from the issuance of the Bonds with Stock Acquisition Rights are scheduled to be used to fund investments in hotel development projects. The Group believes that the hotel industry is a sector where significant growth can be expected even in the post-COVID era. The hotel and tourism industries took a downturn in the COVID-19 pandemic, but signs of recovery are gradually showing with the lifting of travel restrictions and other measures as governments around the world are steering toward coexistence with COVID-19. Consumption on accommodation and tourism is predicted to increase going forward with the flow of people that had been stagnant becoming active due to vaccination passports and revenge spending. In addition, promoting investment in hotel projects at this timing when prime properties can be acquired due to COVID-19 is believed to contribute considerably to the Group's earnings in the recovery and growth phases of the hotel and tourism industries in the future. Through the issuance of the Bonds with Stock Acquisition Rights, the acquisition of properties will be accelerated to make even greater progress toward early achievement of the medium-term management plan and further growth.

The Group has long established a close relationship with Daiwa Securities Co. Ltd. since its IPO in 2007. The Group has also strengthened its relationship with Daiwa Securities Co. Ltd.'s parent company, Daiwa Securities Group Inc., which is the scheduled allottee, through conclusion of the capital and business alliance agreement before the revision this time, and through the scheduled allottee's subscription to the 1st Unsecured Convertible Bonds with Stock Acquisition Rights, the conversion to shares of the entire amount of which was completed on September 30, 2021.

Having confirmed that there are mutual benefits through the capital and business alliance, which for the Group is acceleration of business promotion by strengthening fundraising capacity and thereby early achievement of the Samty Toughening Plan, and for the scheduled allottee is expansion of investment opportunities in real estate-related businesses, such as investment in joint development funds, the decision was made to pursue further strengthening of the alliance with the capital and business alliance agreement before the revision this time being amended to make changes to the content of the business alliance such as adding cooperation in structuring small-lot real estate products by the scheduled allottee's corporate group and cooperation in security token offerings by the scheduled allottee's corporate group, and also to form additional capital alliance from the perspective of enhancing the effects of the alliance further through alignment of the interests of the Group and the scheduled allottee's corporate group by issuing the Bonds with Stock Acquisition Rights with Daiwa Securities Group Inc. as the scheduled allottee.

An advantage of the Bonds with Stock Acquisition Rights is that a certain definite amount can be procured at the time of issuance for the Company's demand for funds compared to issuing share acquisition rights. In addition, compared to issuing new shares through a capital increase by a public offering or other means, dilution of earnings per share after the issuance can be controlled to a certain degree by initially setting the conversion price at a level that exceeds the market value at the time of the issuance resolution and prohibiting conversion to shares for a certain period after the issuance. Furthermore, compared to borrowing from financial institutions or issuing straight bonds, issuing as zero-coupon bonds enable financing costs to be reduced, and also increase in equity can be achieved if the Stock Acquisition Rights are exercised. On the other hand, a disadvantage is that if the Company's share price hovers below the conversion price, exercise of the Stock Acquisition Rights will not progress and redemption funds may be required at maturity as in the case of ordinary debt.

The issuance of the Bonds with Stock Acquisition Rights to the scheduled allottee will enable a certain definite amount to be procured at the time of issuance in line with the Company's demand for funds for hotel development projects. In addition, alignment of the interests of the Group and the scheduled allottee's corporate group can be expected to further enhance the effects of the business alliance with the scheduled allottee and, at the same time, achieve increase in the Company's equity with the enhancement of the Company's corporate value and share price through the business alliance and such resulting in progress in conversion to shares. Furthermore, compared to a capital increase by a public offering of shares, a definite amount can be procured regardless of market trends, while taking into consideration the interests of existing shareholders by avoiding rapid dilution at the time of issuance.

Considering these points, the Company has deemed that the issuance of the Bonds with Stock Acquisition Rights is the best means from the perspective of protecting the interests of existing shareholders.

2. Content of capital and business alliance

(1) Content of business alliance before revision

The following is the content of the capital and business alliance before the revision.

- Business alliance
 - 1) Cooperation in large-scale hotel development funds
 - 2) Closer cooperation in the asset management business
 - 3) Daiwa Securities Group providing Samty Group with the information it has on corporate real estate (CRE)
 - 4) Cooperation in business development in Asia
 - 5) Cooperation in real estate sales to wealthy individuals, and crowdfunding
- Capital alliance
 - Allotment of 1st Unsecured Convertible Bonds with Stock Acquisition Rights
 - * On September 30, 2021, completed conversion to shares of the entire amount.

- Dispatch of directors

Under the capital and business alliance agreement, the scheduled allottee may propose to the Company as a candidate for director one person nominated by the scheduled allottee for the purpose of promoting the business alliance.

* One executive officer of Daiwa Securities Co. Ltd., a subsidiary of the scheduled allottee, has assumed the office of director of the Company.

(2) Revised content of business alliance

The following were added to the items of the business alliance of the capital and business alliance agreement before the revision.

- Cooperation in structuring small-lot real estate products by the scheduled allottee's corporate group
- Cooperation in security token offerings by the scheduled allottee's corporate group

(3) Content of capital alliance

The Company will allot convertible bonds with share acquisition rights to the scheduled allottee by way of a third-party allotment. For details of the Company's convertible bonds with share acquisition rights scheduled to be acquired by the scheduled allottee through the third-party allotment, please refer to "II. Issuance of 2nd Unsecured Convertible Bonds with Stock Acquisition Rights by third-party allotment."

(4) Dispatch of part-time corporate auditors

Under the capital and business alliance agreement before the revision, the scheduled allottee may propose to the Company as a candidate for director one person nominated by the scheduled allottee for the purpose of promoting the capital and business alliance. Newly in addition to this, the scheduled allottee may propose to the Company as a candidate for part-time corporate auditor one person nominated by the scheduled allottee from the perspective of the investee's governance.

II. Issuance of 2nd Unsecured Convertible Bonds with Stock Acquisition Rights by third-party allotment

1) Due date of payment	November 10, 2021 The date of allotment of the Stock Acquisition Rights is November 10, 2021. However, the allotment of the Stock Acquisition Rights is contingent on the payment of the amount to be paid in for the Bonds on the payment due date.
2) Total number of share acquisition rights	120 share acquisition rights
3) Issue price of bonds and share acquisition rights	¥100 per ¥100 of the amount of the Bonds However, no payment of money is required in exchange for the Stock Acquisition Rights.
4) Number of potential shares resulting from the issuance	4,184,100 shares
5) Amount of funds to be procured	¥12,000,000,000
6) Exercise price or conversion price	¥2,868 per share
7) Method of offering or allotment	By way of third-party allotment.
8) Allottee	Daiwa Securities Group Inc.
9) Other	Each of the above items is contingent on the effectuation of a securities registration statement in accordance with the Financial Instruments and Exchange Act, and that such effectuation is not suspended on the payment due date.

5. [Research and development activities]

Not applicable.

Section 3. [Information about facilities]

1. [Overview of capital expenditures]

The Group makes capital investments, mainly in the Real Estate Leasing Business, for the purpose of securing a stable profit base.

In the subject fiscal year, the Company made capital investments totaling ¥34,003 million in new acquisition of income properties, new construction of apartments and other properties, renovation of existing operating properties, etc.

2. [Major facilities]

The following are the Group's major facilities.

(1) Reporting company

As of November 30, 2021

Name of place of business	Name of segment	Description of equipment	Book value				Number of employees (persons)
			Buildings and structures (millions of yen)	Land (millions of yen) [Area in m ²]	Other (millions of yen)	Total (millions of yen)	
Real estate for rent totaling 90 properties	Real Estate Leasing Business	Rental apartments	20,521	22,702 [50,896.26]	6,686	49,910	—
Real estate for rent totaling 8 properties	Real Estate Leasing Business	Office buildings	3,410	27,760 [6,248.88]	1	31,172	—
Real estate for rent totaling 3 properties	Real Estate Leasing Business	Other	33	345 [5,802.84]	42	421	—
Hotel assets totaling 1 property	Hotel Business	Hotels	405	484 [6,078.85]	42	931	—
Head office and such	Corporate	Head office and such	330	22 [6,904.27]	181	533	141

(Note 1) Of the book value, "Buildings and structures" and "Land" include buildings in trust and land in trust, respectively. "Other" consists of vehicles, tools, furniture and fixtures, and construction in progress.

(Note 2) The above amounts do not include consumption taxes.

(Note 3) In addition to the above, equipment leased from other than consolidated companies are as follows:

Name (Location)	Name of segment	Description of equipment	Annual rent and lease payments (millions of yen)
Real estate for rent totaling 29 properties	Real Estate Leasing Business	Rental apartments Office buildings Stores	756
Mercure Kyoto Station (Shimogyo-ku, Kyoto-shi), etc., totaling 6 properties	Hotel Business	Hotel assets	1,743
Head office and such	Corporate	Head office and such	365

(2) Domestic subsidiaries

As of November 30, 2021

Company name	Name of place of business (Location)	Name of segment	Description of equipment	Book value			Number of employees (persons)
				Buildings and structures (millions of yen)	Land (millions of yen) [Area in m ²]	Total (millions of yen)	
Hikone SC Ltd.	Real estate for rent (Hikone-shi, Shiga)	Real Estate Leasing Business	Land for rent	1,002	5,133 [244,156.33]	6,136	—

(Note 1) The above amounts do not include consumption taxes.

(Note 2) In addition to the above, equipment leased from other than consolidated companies are as follows:

Company name	Name (Location)	Name of segment	Description of equipment	Annual rent and lease payments (millions of yen)
Samty Property Management Co., Ltd.	Samty Fame Shin-Osaka (Yodogawa-ku, Osaka-shi)	Real Estate Leasing Business	Office buildings	115
Samty Hotel Management Co., Ltd.	S-PERIA INN Osaka Hommachi (Nishi-ku, Osaka-shi)	Hotel Business	Hotel assets	180
S Hotel Operations Utsunomiya LLC	Hotel Sunshine Utsunomiya (Utsunomiya-shi, Tochigi)	Hotel Business	Hotel assets	126
S Hotel Operations Hakata LLC	S-PERIA HOTEL Hakata (Hakata-ku, Fukuoka-shi)	Hotel Business	Hotel assets	267

(3) Overseas subsidiaries

Not applicable.

3. [Planned addition, retirement, and other changes of facilities]

The Group's capital investment plans are formulated by comprehensively taking into account the investment efficiency and other factors of mainly new acquisition of land and buildings for the Real Estate Leasing Business and renovation of existing properties.

The following are the planned addition, retirement, and other changes of important facilities as of the end of the subject fiscal year.

(1) Addition and other such changes of important facilities

Not applicable.

(2) Retirement and other such changes of important facilities

Not applicable.

(3) Sale and other such changes of important facilities

Not applicable.

Section 4. [Information about reporting company]

1. [Company's shares, etc.]

(1) [Total number of shares]

1) [Authorized shares]

Class	Total number of authorized shares
Common stock	159,200,000
Total	159,200,000

2) [Issued shares]

Class	Number of issued shares as of fiscal year end (November 30, 2021)	Number of issued shares as of filing date (February 25, 2022)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common stock	46,468,085	46,468,085	Tokyo Stock Exchange (First Section)	The number of shares constituting one unit is 100 shares.
Total	46,468,085	46,468,085	—	—

(Note) The number of issued shares as of the filing date does not include the number of shares issued upon exercise of share acquisition rights from February 1, 2022, to the date of filing of the annual securities report.

(2) [Share acquisition rights]

1) [Employee share option plans]

Not applicable.

2) [Rights plans]

Not applicable.

3) [Share acquisition rights for other uses]

The Company has issued bonds with share acquisition rights in accordance with the Companies Act.

2nd Unsecured Convertible Bonds with Stock Acquisition Rights (issued on November 10, 2021)

Date of resolution	October 25, 2021
Number of share acquisition rights*	120
Of share acquisition rights, number of treasury share acquisition rights*	—
Class, content and number of underlying share acquisition rights*	4,184,100 shares of common stock (Note 1)
Amount to be paid in on exercise of share acquisition rights (yen)*	2,868 per share (Note 2)
Exercise period of share acquisition rights*	From May 10, 2023, to November 10, 2026 (Note 3)
Issue price and amount to be incorporated into stated capital of shares when shares issued through exercise of share acquisition rights (yen)*	Issue price: 2,868 (Note 2) Amount to be incorporated into stated capital: 1,434 (Note 4)
Conditions for exercise of share acquisition rights*	None of the share acquisition rights may be exercised in fractions of less than one share acquisition right.
Matters relating to transfer of share acquisition rights*	No transfer can be made of only one or the other of the Stock Acquisition Rights or the Bonds.
Matters relating to delivery of share acquisition rights upon acts of reorganization*	(Note 5)
Content and amount of property to be subject of contribution upon exercise of share acquisition rights*	(Note 2)
Balance of bonds with share acquisition rights (millions of yen)*	12,000

* The details are as of the last day of the subject fiscal year (November 30, 2021). As of January 31, 2022, the end of the month prior to the filing date, these items have not changed.

(Note 1) Number of shares underlying share acquisition rights

The number of shares of the Company's common stock to be newly issued by the Company upon the exercise of the Stock Acquisition Rights or shares of the Company's common stock held by the Company to be disposed of in exchange (the issuance or disposal of shares of the Company's common stock is hereinafter referred to as "delivery" of shares of the Company's common stock) is the number obtained by dividing the total amount of the Bonds pertaining to the Stock Acquisition Rights exercised at the same time by the conversion price in effect at the time of the exercise (refer to Note 2. (2) hereof). However, any fraction of less than one share is rounded down and no cash adjustment is made.

(Note 2) Amount to be paid in on exercise of share acquisition rights

(1) Content of property to be contributed upon exercise of the Stock Acquisition Rights, and the amount or method of calculation of the amount thereof

- 1) Upon the exercise of one Stock Acquisition Right, each of the Bonds to which the Stock Acquisition Right is attached is contributed.
- 2) The amount of property to be contributed upon the exercise of one Stock Acquisition Right is the same as the amount of each of the Bonds.

(2) Conversion price

1) Conversion price

The price to be used in calculating the number of shares of the Company's common stock to be delivered upon the exercise of each Stock Acquisition Right (hereinafter referred to as "conversion price") is ¥2,868. The conversion price may be adjusted in accordance with the provisions of (2) 2) through 7) hereof.

2) Adjustment of conversion price

If, after the issuance of the Bonds with Stock Acquisition Rights, the number of issued shares of the Company's common stock changes or is likely to change due to any of the events listed in (2) 3) hereof, the conversion price is adjusted by the following formula (hereinafter referred to as "formula for conversion price adjustment due to issuance of new shares, etc.").

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of shares of common stock already issued} + \frac{\text{Number of shares issued or disposed of} \times \text{Issue or disposal price per share}}{\text{Market value}}}{\text{Number of shares of common stock already issued} + \text{Number of shares issued or disposed of}}$$

3) When to conduct adjustment of the conversion price for the Bonds with Stock Acquisition Rights by the formula for conversion price adjustment due to issuance of new shares, etc. and when the conversion price after the adjustment is to apply are as set forth below.

- (i) In the case of solicitation of persons to subscribe for shares of the Company's common stock to be issued by the Company or shares of the Company's common stock held by the Company to be disposed of by the Company at an amount to be paid in that falls below the market value (as defined in (2) 5) (ii) hereof) (however, excluding the case of (ii) below, the case of delivery of shares of the Company's common stock upon the exercise of share acquisition rights (including those attached to bonds with share acquisition rights) or upon the exercise of rights to demand acquisition of shares with put option or shares subject to call, or other delivery of shares of the Company's common stock, and the case of delivery of shares of the Company's common stock upon share exchange or merger)
The conversion price after adjustment applies from the day following the payment due date or the last day of the payment period, or from the day following the record date for determining the shareholders to be granted the entitlement if entitlement to allotment of shares is granted to shareholders in the solicitation.
- (ii) In the case of share split or allotment without contribution of common stock
The conversion price after adjustment applies from the day following the record date for determining the shareholders to acquire shares as a result of the share split or allotment without contribution (if no record date is set, the effective date).
- (iii) In the case of issuance of shares with put option, shares subject to call, or share acquisition rights subject to call (including those attached to bonds with share acquisition rights) that provide for delivery of shares of the Company's common stock at a price that falls below the market value, or in the case of issuance of share acquisition rights (including those attached to bonds with share acquisition rights), or other securities or rights entitled to demand delivery of shares of the Company's common stock at a price that falls below the market value. Also, in the case of allotment of share acquisition rights without contribution (including the case of allotment of bonds with share acquisition rights without contribution; the same applies hereinafter), in which case this (iii) applies as if share acquisition rights have been issued without contribution.

The conversion price after adjustment is calculated by applying the formula for conversion price adjustment due to issuance of new shares, etc. by deeming that all of the shares or share acquisition rights, or other securities or rights (hereinafter referred to as “shares with put option, etc.”) to be issued have been acquired or exercised under the initial terms and conditions and shares of the Company’s common stock have been so delivered. The conversion price after adjustment applies from the day following the payment due date or the last day of the payment period of the shares with put option, etc., or from the day following the record date for determining the shareholders to be granted the entitlement if entitlement to allotment is granted to shareholders in the solicitation (if no record date is set, the effective date).

However, if the Company publicly announces and notifies the holders of the Bonds with Stock Acquisition Rights that the shares with put option, etc. set forth in this (iii) are issued for the purpose of defending against a corporate takeover of the Company, the conversion price after adjustment applies from the day following the date on which demand for acquisition, acquisition by call, or exercise of the shares with put option, etc. in exchange for delivery of shares of the Company’s common stock becomes available under the guidelines for the shares with put option, etc. (hereinafter referred to as “conversion/exercise commencement date”), and is calculated by applying the formula for conversion price adjustment due to issuance of new shares, etc. by deeming that shares of the Company’s common stock have been delivered upon demand for acquisition, acquisition by call, or exercise of the shares with put option, etc. on the conversion/exercise commencement date.

- (iv) Notwithstanding (i) through (iii) above, if a record date is set and the effectuation is conditional upon approval by the General Shareholder Meeting, the Board of Directors, or other organ of the Company after the record date in the case of (i) through (iii) above, the conversion price after adjustment applies from the day following the date of the approval. In this case, shares of the Company’s common stock are delivered to the holders of the Stock Acquisition Rights who have requested exercise of share acquisition rights from the day following the record date to the date of the approval by the following calculation method.

$$\text{Number of shares of common stock to be delivered} = \frac{(\text{Conversion price before adjustment} - \text{Conversion price after adjustment}) \times \text{Number of shares of common stock delivered during the relevant period at the conversion price before adjustment}}{\text{Conversion price after adjustment}}$$

In this case, any fraction of less than one share is rounded down and no cash adjustment is made.

4) Adjustment of conversion price due to dividends

In addition to (2) 1) and 2) of this item, if the Company pays dividends from surplus after the issuance of the Bonds with Stock Acquisition Rights, the conversion price is adjusted by the following formula (hereinafter referred to as “formula for conversion price adjustment due to dividends” and collectively with the formula for conversion price adjustment due to issuance of new shares, etc. as “formula for conversion price adjustment”).

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Market value} - \text{Dividends per share}}{\text{Market value}}$$

“Dividends per share” refers to the amount of dividends from surplus per share of the Company’s common stock to be paid with a record date falling within each fiscal year ending on or before November 10, 2026 (including monies payable pursuant to the provisions of Article 455, Paragraph 2 and Article 456 of the Companies Act; in the case of dividends from surplus in which the dividend property consists of property other than monies, the amount of dividends is the book value of such dividend property).

The adjustment of the conversion price due to dividends is applied from the day following the date on which the resolution on dividends from surplus provided in Article 454 or Article 459 of the Companies Act is passed with respect to the dividends. In this case, shares of the Company’s common stock are delivered to the holders of the Stock Acquisition Rights who have requested exercise of share acquisition rights from the day following the record date to the date of the resolution by the following calculation method.

$$\text{Number of shares of common stock to be delivered} = \frac{(\text{Conversion price before adjustment} - \text{Conversion price after adjustment}) \times \text{Number of shares of common stock delivered during the relevant period at the conversion price before adjustment}}{\text{Conversion price after adjustment}}$$

In this case, any fraction of less than one share is rounded down and no cash adjustment is made.

- 5) (i) In the calculation of the formula for conversion price adjustment, any fraction of less than ¥1 is calculated to the second decimal place and rounded down to the first decimal place.
 - (ii) The market value to be used in the formula for conversion price adjustment is the average price of the closing price of the Company's common stock on the Tokyo Stock Exchange for the 30 consecutive trading days commencing on the 45th trading day preceding the date of application of the conversion price after adjustment (however, in the case of (2) 3) (iv) hereof, the record date) in the case of the formula for conversion price adjustment due to issuance of new shares, etc., or the record date for the dividends in the case of the formula for conversion price adjustment due to dividends (excluding days without a closing price; hereinafter referred to as "market value"). In this case, in the calculation of the average price, any fraction of less than ¥1 is calculated to the second decimal place and rounded down to the first decimal place.
 - (iii) The number of shares already issued used in the formula for conversion price adjustment due to issuance of new shares, etc. is the number of the number of issued shares of the Company's common stock on the date one month prior to the record date for determining the shareholders to be granted the entitlement if entitlement to allotment of shares is granted to shareholders in the solicitation, or the date of application of the conversion price after adjustment in any other case, after subtracting the number of shares of the Company's common stock held by the Company on that date, and adding the number of those shares of the Company's common stock deemed to have been delivered based on (2) 3) or (2) 6) hereof before the conversion price adjustment of which are shares of the Company's common stock that have not yet been delivered. In the event of a share split of the Company's common stock, the number of shares issued or disposed of used in the formula for conversion price adjustment due to issuance of new shares, etc. does not include the number of shares of the Company's common stock to be allotted to shares of the Company's common stock held by the Company on the record date.
 - (iv) If the amount of difference between the conversion price calculated by the formula for conversion price adjustment and the conversion price before adjustment is less than ¥1, the conversion price is not adjusted. However, when next calculating the conversion price due to the occurrence of an event that requires adjustment of the conversion price, the amount obtained by subtracting this amount of difference from the conversion price before adjustment is used instead of the conversion price before adjustment in the formula for conversion price adjustment.
- 6) In addition to the cases necessitating adjustment of the conversion price set forth in (2) 3) and 4) hereof, the Company makes the necessary adjustment of the conversion price in the following cases.
 - (i) When the conversion price needs to be adjusted due to a consolidation of shares, merger, company split, or share exchange.
 - (ii) When the conversion price needs to be adjusted due to the occurrence of other events that change or is likely to change the number of issued shares of the Company's common stock.
 - (iii) When two or more events necessitating adjustment of the conversion price occur closely to each other, and it is necessary to consider the impact of the other event(s) on the market value to be used in calculating the conversion price after adjustment based on one of the events.
 - 7) When adjusting the conversion price based on (2) 2) through 6) hereof, the Company notifies the holders of the Bonds with Stock Acquisition Rights in writing in advance to that effect, the grounds for adjustment, the conversion price before adjustment and the conversion price after adjustment, and the date of application thereof, and other necessary matters. However, if the aforementioned notice cannot be given by the day before the date of application, it is given promptly after the date of application.

(Note 3) Exercise period of share acquisition rights

The holders of share acquisition rights of the Stock Acquisition Rights may exercise the Stock Acquisition Rights at any time during the period from May 10, 2023, to November 10, 2026 (if the Bonds are redeemed early, the business day preceding the redemption date) (hereinafter referred to as "exercise period"). However, if the last day of the exercise period is not a bank business day, the last day is the preceding bank business day. After the exercise period has elapsed, the Stock Acquisition Rights can no longer be exercised.

Notwithstanding the foregoing, exercise requests are not allowed for the following periods.

- The shareholder record date (meaning the record date provided in Article 124, Paragraph 1 of the Companies Act) for shares of the Company's common stock and the preceding business day (meaning a day that is not a holiday of the book-entry transfer institution)
- Date deemed necessary by the book-entry transfer institution

- If the Company reasonably deems that it is necessary to suspend the exercise of the Stock Acquisition Rights in order to conduct acts of reorganization, the Stock Acquisition Rights may not be exercised during the period designated by the Company of within 30 days preceding the date within 14 days of the day following the effective date of those acts of reorganization. In this case, the Company notifies the holders of the Bonds with Stock Acquisition Rights in advance of the suspension period and other necessary matters.

(Note 4) Matters relating to share capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of the Stock Acquisition Rights

- (1) The amount of share capital (capital stock) to be increased in the event of the issuance of shares upon the exercise of the Stock Acquisition Rights is the amount that is half of the maximum amount of increase in stated capital calculated in accordance with Article 17, Paragraph 1 of the Regulations on Corporate Accounting (Ministry of Justice Order No. 13 of 2006; the same applies hereinafter), and any fraction of less than ¥1 resulting from the calculation is rounded up to the nearest yen.
- (2) The amount of legal capital surplus to be increased in the event of the issuance of shares upon the exercise of the Stock Acquisition Rights is the amount obtained by subtracting the amount of share capital to be increased as set forth in (1) above from the maximum amount of increase in stated capital as set forth in (1) above.

(Note 5) Succession of bonds with share acquisition rights by succeeding company in the event of acts of reorganization by the Company

If the Company conducts acts of reorganization, in cases other than early redemption of the Bonds with Stock Acquisition Rights, the holders of the Stock Acquisition Rights attached to the Bonds with Stock Acquisition Rights remaining immediately prior to the effective date of the acts of reorganization are delivered in lieu of the Stock Acquisition Rights held by the holders of the Stock Acquisition Rights in each case the share acquisition rights of the succeeding company, etc. of content listed in Note 5. (1) through (10) hereof (hereinafter referred to as "succeeding share acquisition rights") by the succeeding company, etc. In this case, as of the effective date of the acts of reorganization, the Stock Acquisition Rights are extinguished, the obligations pertaining to the Bonds are succeeded by the succeeding company, etc., the holders of the Stock Acquisition Rights become the holders of the succeeding share acquisition rights, and the provisions on the Stock Acquisition Rights in the issuance guidelines apply mutatis mutandis to the succeeding share acquisition rights.

- (1) Number of share acquisition rights of the succeeding company, etc. to be delivered
The number is the same as the number of the Stock Acquisition Rights held by the holders of the Bonds with Stock Acquisition Rights remaining immediately prior to the effective date of the acts of reorganization.
- (2) Class of shares underlying share acquisition rights of the succeeding company, etc.
The shares are common stock of the succeeding company, etc.
- (3) Number of shares underlying share acquisition rights of the succeeding company, etc.
The number of shares of common stock of the succeeding company, etc. to be delivered upon the exercise of share acquisition rights of the succeeding company, etc. is determined by taking into account the terms and conditions of the acts of reorganization and referring to the issuance guidelines, and is in accordance with the following. The conversion price is subject to the same adjustment as Note 2. (2) 2) through 7) hereof.
 - 1) In the case of a merger, share exchange or share transfer, the conversion price is set so that the number of shares of common stock of the succeeding company, etc. to be received in the acts of reorganization by the holders of the shares of the Company's common stock in the number that would be obtained if the Stock Acquisition Rights were exercised immediately prior to the effective date of the acts of reorganization can be received when the share acquisition rights of the succeeding company, etc. are exercised immediately after the effective date of the acts of reorganization. If securities or other property other than shares of common stock of the succeeding company, etc. are to be delivered upon the acts of reorganization, it is set so that a number of shares of common stock of the succeeding company, etc. equal to the number obtained by dividing the fair market value of the securities or property by the market value of the shares of common stock of the succeeding company, etc. can also be received.
 - 2) In the case of other acts of reorganization, the conversion price is set so that the economic benefits equivalent to the economic benefits that would be available to the holders of the Bonds with Stock Acquisition Rights if the Stock Acquisition Rights were exercised immediately prior to the effective date of the acts of reorganization can be received when the share acquisition rights of the succeeding company, etc. are exercised immediately after the effective date of the acts of reorganization.
- (4) Content of property to be contributed upon exercise of share acquisition rights of the succeeding

company, etc., and the amount or method of calculation of the amount thereof

Upon the exercise of one share acquisition right of the succeeding company, etc., each of the Bonds is contributed. The amount of property to be contributed upon the exercise of one share acquisition right of the succeeding company, etc. is the same as the amount of each of the Bonds.

- (5) Period during which share acquisition rights of the succeeding company, etc. may be exercised
The period from the effective date of the acts of reorganization or the date of delivery of the share acquisition rights of the succeeding company, etc., whichever comes later, to the expiration date of the exercise period of the Stock Acquisition Rights, and subject to the same restrictions as set forth in Note 3. hereof.
- (6) Conditions for exercise of share acquisition rights of the succeeding company, etc.
None of the share acquisition rights may be exercised in fractions of less than one share acquisition right.
- (7) Clause for acquisition of share acquisition rights of the succeeding company, etc.
Not stipulated.
- (8) Matters relating to share capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of share acquisition rights of the succeeding company, etc.
The amount of share capital to be increased in the event of the issuance of shares upon the exercise of the share acquisition rights of the succeeding company, etc. is the amount that is half of the maximum amount of increase in stated capital calculated in accordance with Article 17, Paragraph 1 of the Regulations on Corporate Accounting, and any fraction of less than ¥1 resulting from the calculation is rounded up to the nearest yen. The amount of legal capital surplus to be increased is the amount obtained by subtracting the amount of share capital to be increased from the maximum amount of increase in stated capital.
- (9) In the event of acts of reorganization
To be determined in accordance with Note 5. hereof.
- (10) Other
Any fraction of less than one share in the number of shares of common stock of the succeeding company, etc. to be delivered by the succeeding company, etc. upon the exercise of the share acquisition rights of the succeeding company, etc. is rounded down and no cash adjustment is made (if the succeeding company, etc. adopts the share unit system, any shares less than one unit arising from the exercise of the share acquisition rights of the succeeding company, etc. are settled in cash as if the right to demand to purchase shares less than one unit as provided for in the Companies Act have been exercised, and any fraction of less than one share is rounded down). In addition, the holders of the Bonds with Stock Acquisition Rights as of the effective date of the acts of reorganization may not transfer the Bonds separately from the share acquisition rights of the succeeding company, etc. If such restrictions on the transfer of the Bonds become invalid under law, the share acquisition rights of the succeeding company, etc. attached to bonds similar to the Bonds issued by the succeeding company, etc. may be delivered to the holders of the Bonds with Stock Acquisition Rights immediately prior to the effective date of the acts of reorganization in lieu of the Stock Acquisition Rights and the Bonds.

(3) [Exercises of moving strike convertible bonds, etc.]

Not applicable.

(4) [Changes in total number of issued shares, share capital and legal capital surplus]

Date	Change in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Change in share capital (millions of yen)	Balance of share capital (millions of yen)	Change in legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
From December 1, 2016, to November 30, 2017 (Note 1)	21,900	25,540,027	4	7,744	4	7,644
From December 1, 2016, to November 30, 2017 (Note 2)	1,449,491	26,989,518	717	8,461	717	8,362
From December 1, 2017, to November 30, 2018 (Note 1)	193,600	27,183,118	42	8,504	42	8,404
From October 2, 2018, to November 26, 2018 (Note 3)	12,616,882	39,800,000	7,431	15,935	7,431	15,836
April 19, 2019 (Note 4)	52,700	39,852,700	39	15,975	39	15,875
From December 1, 2018, to November 30, 2019 (Note 1)	1,093,540	40,946,240	208	16,184	208	16,084
April 23, 2020 (Note 5)	73,900	41,020,140	43	16,227	43	16,128
April 23, 2021 (Note 6)	54,200	41,074,340	53	16,281	53	16,181
September 30, 2021 (Note 7)	5,386,645	46,460,985	4,306	20,587	4,306	20,488
October 8, 2021 (Note 8)	7,100	46,468,085	8	20,595	8	20,496

(Note 1) Increase due to exercise of share acquisition rights (share options).

(Note 2) Increase due to exercise of share acquisition rights of convertible bonds with share acquisition rights.

(Note 3) Increase due to exercise of the 19th Stock Acquisition Rights.

(Note 4) Increase due to issuance of new shares for value as restricted share awards.

Issue price: ¥1,515

Amount to be incorporated into stated capital: ¥757.5

Allottee: Six directors (excluding outside directors) and three executive officers of the Company

(Note 5) Increase due to issuance of new shares for value as restricted share awards.

Issue price: ¥1,180

Amount to be incorporated into stated capital: ¥590

Allottee: Five directors (excluding outside directors) of the Company

(Note 6) Increase due to issuance of new shares for value as restricted share awards.

Issue price: ¥1,962

Amount to be incorporated into stated capital: ¥981

Allottee: Four directors (excluding outside directors) and four executive officers of the Company

(Note 7) Increase due to conversion of convertible bonds with share acquisition rights.

(Note 8) Increase due to issuance of new shares for value as restricted share awards.

Issue price: ¥2,343

Amount to be incorporated into stated capital: ¥1,171.5

Allottee: One director (excluding outside directors) of the Company

(5) [Shareholding by shareholder category]

As of November 30, 2021

Category	Shares (Number of shares constituting one unit: 100 shares)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Foreign investors		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders (persons)	—	26	22	285	126	53	34,842	35,354	—
Number of shares held (number of units)	—	46,368	4,851	170,896	17,742	177	223,744	463,778	90,285
Percentage of shareholdings (%)	—	10.00	1.05	36.85	3.82	0.04	48.24	100.00	—

(Note 1) 201 treasury shares are included in “Individuals and others” (2 units) and in “Shares less than one unit” (1 share).

(Note 2) “Other corporations” above includes 6 units of shares in the name of Japan Securities Depository Center, Incorporated.

(6) [Major shareholders]

As of November 30, 2021

Name	Address	Number of shares held (shares)	Shareholding ratio (excluding treasury shares) (%)
Daiwa Securities Group Inc.	1-9-1 Marunouchi, Chiyoda-ku, Tokyo	13,195,050	28.40
Shigeru Moriyama	Toyonaka-shi, Osaka	3,006,572	6.47
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	2,791,600	6.01
Ichiro Matsushita	Miyakojima-ku, Osaka-shi	1,388,566	2.99
Daiwa PI Partners Co. Ltd.	1-9-1 Marunouchi, Chiyoda-ku, Tokyo	1,250,000	2.69
Tsuyoshibiru Co., Ltd.	2-16-16 Shinsenri Kitamachi, Toyonaka-shi, Osaka	1,220,000	2.63
Hideaki Kasagi	Toyonaka-shi, Osaka	1,200,000	2.58
Kazushi Eguchi	Suita-shi, Osaka	803,824	1.73
Fivesect Ltd.	5-14-10 Nishinakajima, Yodogawa-ku, Osaka-shi	735,300	1.58
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	590,400	1.27
Total	—	26,181,312	56.34

(Note 1) In addition to the above, there are 201 treasury shares owned by the Company.

(Note 2) Of the above number of shares held, the number of shares related to the trust business is as follows:
The Master Trust Bank of Japan, Ltd. (Trust Account) 2,791,600 shares
Custody Bank of Japan, Ltd. (Trust Account) 590,400 shares

(7) [Voting rights]

1) [Issued shares]

As of November 30, 2021

Category	Number of shares	Number of voting rights	Description
Shares with no voting rights	—	—	—
Shares with restricted voting rights (Treasury shares, etc.)	—	—	—
Shares with restricted voting rights (Other)	—	—	—
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares) Common stock 200	—	—
Shares with full voting rights (Other)	Common stock 46,377,600	463,776	—
Shares less than one unit	Common stock 90,285	—	—
Total number of issued shares	46,468,085	—	—
Number of voting rights held by all shareholders	—	463,776	—

(Note) Common stock in the “Shares with full voting rights (Other)” column includes 600 shares (6 voting rights) that are shares in the name of Japan Securities Depository Center, Incorporated.

2) [Treasury shares, etc.]

As of November 30, 2021

Name of shareholder	Address of shareholder	Number of shares held in own name (shares)	Number of shares held in others' names (shares)	Total number of shares held (shares)	Shareholding ratio (%)
(Treasury shares) Samty Co., Ltd.	1-8-39 Nishimiyahara, Yodogawa-ku, Osaka-shi	200	—	200	0.00
Total	—	200	—	200	0.00

2. [Acquisition and disposal of treasury shares]

[Class of shares, etc.] Acquisition of common stock pursuant to Article 155, Item 3 of the Companies Act, and Article 155, Item 7 of the Companies Act

(1) [Acquisition by resolution of shareholders meeting]

Not applicable.

(2) [Acquisition by resolution of board of directors meeting]

Category	Number of shares (shares)	Total value (yen)
Status of resolution at board of directors meeting (November 30, 2020) (Acquisition period: from April 14, 2020, to April 13, 2021)	1,500,000	1,500,000,000
Treasury shares acquired before subject fiscal year	644,400	890,813,300
Treasury shares acquired in subject fiscal year	228,100	383,289,800
Total number and value of remaining shares pertaining to resolution	627,500	225,896,900
Unexercised ratio as of last day of subject fiscal year (%)	41.8	15.1
Treasury shares acquired in subject period	—	—
Unexercised ratio as of filing date (%)	41.8	15.1

(Note) In a written resolution of the Board of Directors dated August 27, 2020, and a written resolution of the Board of Directors dated November 30, 2020, expansion of the acquisition limit and extension of the acquisition period for the treasury shares resolved in a written resolution of the Board of Directors dated April 13, 2020, were resolved as follows:

Resolution	Acquisition period	Number of shares (shares)	Total value (yen)
Written resolution of the Board of Directors dated April 13, 2020	From April 14, 2020, to August 31, 2020	1,000,000	1,000,000,000
Written resolution of the Board of Directors dated August 27, 2020	From April 14, 2020, to November 30, 2020	1,500,000	1,500,000,000
Written resolution of the Board of Directors dated November 30, 2020	From April 14, 2020, to April 13, 2021	1,500,000	1,500,000,000

(3) [Acquisition not based on resolution of shareholders meeting or board of directors meeting]

Category	Number of shares (shares)	Total value (yen)
Treasury shares acquired in subject fiscal year	952	2,027,986
Treasury shares acquired in subject period	50	105,000

(Note) Treasury shares acquired in the subject period does not include the number of shares through the purchase of shares less than one unit from February 1, 2022, to the date of filing of the annual securities report.

(4) [Disposal of acquired treasury shares and number of treasury shares held]

Category	Subject fiscal year		Subject period	
	Number of shares (shares)	Total disposal value (yen)	Number of shares (shares)	Total disposal value (yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares which were canceled	—	—	—	—
Acquired treasury shares which were transferred in relation to merger, share exchange, share issuance, or company split	—	—	—	—
Other (Appropriation to conversion of unsecured convertible bonds with share acquisition rights)	867,263	1,386,753,537	—	—
Number of treasury shares held (Note)	201	—	251	—

(Note) Treasury shares held during the subject period does not include the number of shares through the purchase of shares less than one unit from February 1, 2022, to the date of filing of the annual securities report.

3. [Dividend policy]

The Company recognizes the return of profits to shareholders as a key management issue. The Company's basic policy is to pay dividends that reflect business performance after comprehensively taking into account future business plans, financial position, and other factors. The Company will return profits based on business results, while retaining internal reserves to prepare for the future, such as prospective business development, business expansion, and strengthening of the financial structure.

The Company stipulates in the Articles of Incorporation that it may pay interim dividends as provided in Article 454, Paragraph 5 of the Companies Act. The decision-making body is the Board of Directors for interim dividends and the General Shareholder Meeting for year-end dividends.

After comprehensively taking into account the policy described above, business performance, financial condition, and other factors, the Company decided to pay annual dividends of ¥90 per share (interim dividends of ¥39 per share and year-end dividends of ¥51 per share) for the fiscal year ended November 30, 2021. As a result, annual dividends will be ¥8 higher than that for the previous fiscal year.

Dividends from surplus for the subject fiscal year are as follows:

Date of resolution	Total amount of dividends (millions of yen)	Dividends per share (yen)
June 30, 2021 Resolution at board of directors meeting	1,568	39
February 24, 2022 Resolution at annual shareholders meeting	2,369	51

4. [Corporate governance]

(1) [Overview of corporate governance]

1) Basic view on corporate governance

The Samty Group views the strengthening of corporate governance as a key management issue. The Group's basic view on corporate governance is to pursue the continuous growth of the Company and earn the trust of society by maintaining efficient management and a strong competitive advantage through implementing rigorous compliance and improving the transparency and soundness of its management activities.

Based on the above basic view on corporate governance, and drawing on the provisions of the principles of the Corporate Governance Code, it is the Group's policy to establish appropriate corporate governance via the implementation of a structure that enables the dissemination of timely, accurate information, strengthening of its information management system, rigorous legal compliance, the use of independent outside directors, and so forth.

2) Overview of corporate governance system and reasons for adoption of the system

(a) Overview of corporate governance system

The Company's management structure is as follows:

(Board of Directors, and Directors)

The Company's Board of Directors is composed of 12 directors (as of the date of filing of this document), of whom five are outside directors. As a decision-making body for important matters relating to business execution, the Board of Directors resolves matters stipulated by the law and the Articles of Incorporation and matters relating to important business, as well as supervising the execution of the directors' duties. In addition to its regular monthly meetings, the Board of Directors holds extraordinary meetings as needed in order to make timely decisions about important management-related matters.

Chair: Shigeru Moriyama, Representative Director and Chairman

Members: Kazushi Eguchi, Director and Vice Chairman
Yasuhiro Ogawa, Representative Director and President
Hiroaki Matsui, Managing Director
Naohiro Morita, Managing Director
Takaharu Terauchi, Managing Director
Jiro Okawa, Director
Shoichi Sanpei, Director (Outside Director)
Tetsuo Kodera, Director (Outside Director)
Naotaka Murata, Director (Outside Director)
Akira Yamanouchi, Director (Outside Director)
Junko Kawai, Director (Outside Director)

(Board of Corporate Auditors, and Corporate Auditors)

The Board of Corporate Auditors is composed of one full-time corporate auditor and three part-time corporate auditors, for a total of four members (as of the date of filing of this document). In order for them to supervise the directors' execution of their duties from an objective, neutral perspective, three of the four corporate auditors are outside directors, and the system allows them to understand important management-related matters, important matters relating to compliance and risk management, and other matters as needed through attending and consulting the minutes of key meetings, consulting all resolution documents (in the case of resolutions), holding regular meetings with all directors, asking questions about the status of execution of duties when necessary, and so forth. Moreover, the system provides an opportunity for corporate auditors to provide comments as part of the matters to be reported at regular Board of Directors' meetings and enables reports, requests, suggestions, etc. to be received from corporate auditors. Through these mechanisms, the Board of Directors' decision-making process and the status of directors' execution of their duties is audited.

Chair: Mitsusuke Koi, Full-time Corporate Auditor (Outside Corporate Auditor)

Members: Mikio Hara, Corporate Auditor (Outside Corporate Auditor)
Toshihiro Sawa, Corporate Auditor (Outside Corporate Auditor)
Masatsugu Oishi, Corporate Auditor

(Nomination and Remuneration Committee)

The Nomination and Remuneration Committee is a meeting structure for discussing matters relating to nomination, remuneration, etc. of directors on consultation from the Board of Directors, is composed of representative directors and independent outside directors selected by resolution of the Board of Directors (with independent outside directors comprising the majority of the members), holds meetings when there are matters for discussion to discuss matters relating to the appointment and dismissal of directors (matters to be resolved at shareholders meetings), matters relating to the selection and dismissal of representative directors, matters relating to directors' remuneration, and other matters, and reports the results of its discussions to the Board of Directors.

Chair: Shigeru Moriyama, Representative Director and Chairman

Members: Shoichi Sanpei, Director (Outside Director)
Tetsuo Kodera, Director (Outside Director)

(Business Execution Committee)

The Business Execution Committee is a meeting structure for discussing matters relating to the Company's overall management and business execution or for determining policies, is composed of all directors except outside directors, and holds meetings once per week as a general rule to discuss and report on matters to be resolved by the Board of Directors, matters to be discussed in advance to such, and other matters.

Chair: Shigeru Moriyama, Representative Director and Chairman

Members: Yasuhiro Ogawa, Representative Director and President
Kazushi Eguchi, Director and Vice Chairman
Hiroaki Matsui, Managing Director
Naohiro Morita, Managing Director
Takaharu Terauchi, Managing Director
Jiro Okawa, Director

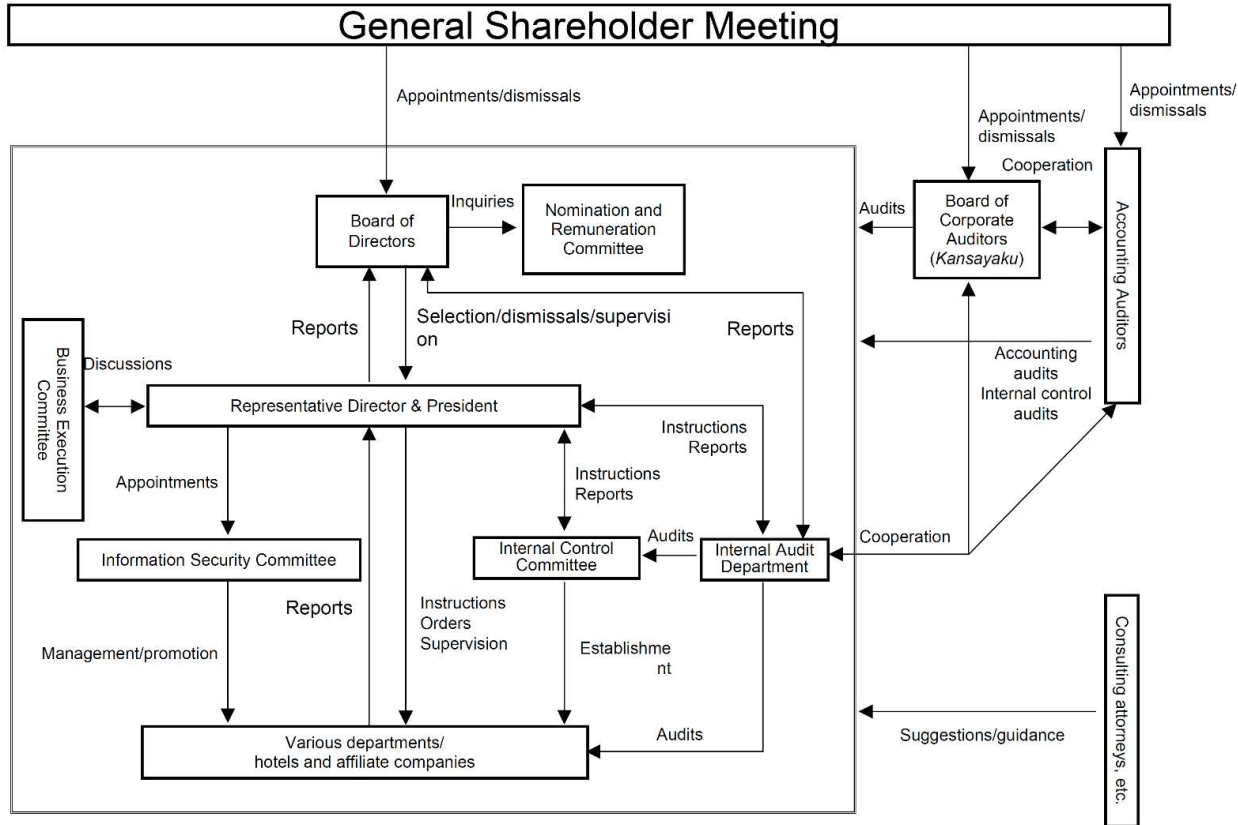
(Internal Control Committee)

The Internal Control Committee is a meeting structure for conducting cross-functional discussions relating to internal controls at the Group, and has the Companies Act Subcommittee, which mainly focuses on internal controls under the Companies Act, and the Financial Instruments and Exchange Act Subcommittee, which mainly focuses on internal controls under the Financial Instruments and Exchange Act. Each subcommittee has the administration department and the accounting department as its competent departments, designates members according to the purpose of the meeting, and conducts activities such as formulating the Basic Policy on Establishing an Internal Control System and various other basic policies on the development and operation of internal controls, and assessing risks related to internal control.

(Information Security Committee)

The Information Security Committee is composed of representatives from each department, headed by the chief information security officer. It is a consultative and coordinating body for developing mechanisms for appropriately managing information handled by the Company, including personal information, and promoting the implementation and operation of such.

The following is a schematic diagram of the Company's corporate governance structure.



(b) Reasons for adoption of the corporate governance system

The Company is a 'company with corporate auditors.' At present, the Company deems that there is no particular reason to transition to a 'company with nominating and other committees' or a 'company with audit and supervisory committee,' and that it is appropriate making efforts to continuously improve its governance system using the current system of having five outside directors and four corporate auditors (three of which are outside corporate auditors) as a 'company with corporate auditors' as a basis.

3) Other matters regarding corporate governance

(a) Development of internal control system

Recognizing strengthening and ensuring rigorous compliance with laws, regulations, social norms, and corporate ethics, and ensuring the proper execution of business operations as the most important issues to ensure the effectiveness of internal controls for the entire Group, the Company has a basic policy on establishing an internal control system resolved by the Board of Directors, and has the policy regularly reviewed.

As specific initiatives, with regard to the execution of day-to-day business operations, the Company has established regulations on authority of duties and division of business operations to specify the decision-makers and the scope of business execution, and to ensure appropriate delegation of authority and prompt decision-making through use of a system of approval based on approval request documents, and also has decisions on significant matters put up for discussion and reported at the Board of Directors' meetings.

In addition, the Company strives to create an environment in which the persons in charge at each level can make appropriate decisions by holding regular meetings of directors and department managers for the purpose of monitoring the status of progress of business performance, reviewing measures for sales strategies, sharing information, etc.

The status of operation is subject to audits by internal audits, which are supervisory functions by management, and audits by outside corporate auditors and accounting audits by the accounting auditor, which are audits from a third-party standpoint independent of the business executing body.

In addition, as a response to the internal control reporting system under the Financial Instruments and Exchange Act, the Company strives to enhance its system for the development, operation, and assessment of internal controls over financial reporting and its reporting in accordance with the Basic Policy on Establishing an Internal Control System and the Basic Policy on Financial Reporting.

(b) Development of risk management system

The Group must conduct business in compliance with various laws and regulations, including the Real Estate Brokerage Act, the Building Standards Act, and the Financial Instruments and Exchange Act, and has a system in place whereby the Group can obtain advice on legal risks and compliance-related matters in the course of business execution from legal counsel and other experts in the field as appropriate.

For risks related to overall day-to-day business activities, internal audits are conducted to confirm the status of development and operation of internal regulations and the status of compliance with relevant laws, regulations, etc., and to provide guidance on improvements in efforts to prevent the risks. For matters relating to risks that could have significant impact, the policy for addressing the matters and such are discussed at the Board of Directors' meetings.

In addition, the Group strives to have the management and all employees strongly aware of the importance of the social responsibility of information security, and ensure thorough risk management for information in order to establish and maintain an appropriate management system. As part of such efforts, the Company's head office has obtained certification to ISO 27001, an international standard for information security management systems, on February 18, 2007.

(c) Development of system for ensuring appropriateness of business operations of reporting company's subsidiaries

The Company pursues close coordination through various reporting to the Company of significant matters and regular meetings composed of the directors of the Group conducted based on the Affiliate Company Management Regulations, and strives to ensure the appropriateness of the business operations of the Company's group companies through initiatives of the Internal Control Committee and implementation of operational audits by the Company's internal audit department.

(d) Outline of content of agreement limiting liability

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement limiting liability with outside directors and corporate auditors that limit their liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for damages based on the agreement is the amount prescribed by laws and regulations.

4) Fixed number of directors

The Company stipulates in the Articles of Incorporation that it is to have no more than 12 directors.

5) Requirements for resolutions on appointment of directors

The Company stipulates in the Articles of Incorporation that resolutions on the appointment of directors are passed by a majority of the votes of the shareholders present at the meeting where the shareholders holding one third or more of the votes of the shareholders who are entitled to vote are present, and are not to be by cumulative vote.

6) Interim dividends

The Company stipulates in the Articles of Incorporation that it may pay interim dividends by resolution of the Board of Directors pursuant to the provisions of Article 454, Paragraph 5 of the Companies Act for dividends from surplus. This is intended to enhance opportunities to return profits to shareholders.

7) Purchase of treasury shares

The Company stipulates in the Articles of Incorporation that it may purchase own shares by market transactions by resolution of the Board of Directors pursuant to the provisions of Article 165, Paragraph 2 of the Companies Act. This is intended to enable flexible management by delegating the authority for purchase of own shares to the Board of Directors.

8) Requirements for special resolutions at shareholders meetings

The Company stipulates in the Articles of Incorporation that the requirements for special resolutions at shareholders meetings provided for in Article 309, Paragraph 2 of the Companies Act are that the resolutions are passed by two thirds or more of the votes of the shareholders present at the meeting where the shareholders holding one third or more of the votes of the shareholders who are entitled to vote are present. This is intended to facilitate the smooth operation of shareholders meetings by relaxing the quorum for special resolutions at shareholders meetings.

9) Matters relating to company's directors and officers liability insurance

The Company has entered into the directors and officers liability insurance contract provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, the insured being the Company's directors and the Company's corporate auditors. The contract will cover damages that may be incurred by the insured from assuming

liability for their execution of duties or receiving a claim for the pursuit of such liability. The Company bears the entire amount of the insurance premiums for all insured. However, as a measure to ensure that the insured's proper execution of duties is not impaired by the contract, a deductible amount is set, and damages up to the deductible amount are not covered.

(2) [Directors]

1) List of Directors

15 men and 1 woman (percentage of women: 6%)

Title	Name	Date of Birth	Career Highlights		Term of Office	Number of Shares Owned (shares)
Representative Director and Chairman	Shigeru Moriyama	February 8, 1950	April 1973 December 1982 March 1996; February 2012	Joined Chisan Co., Ltd. Established the Company; Director Representative Director and President Representative Director and Chairman (to present)	*1	3,006,813
Director and Vice Chairman In charge of Overseas Business	Kazushi Eguchi	November 23, 1955	April 1979 April 1984 January 1999 January 2004 February 2012 February 2019 August 2021	Joined Chisan Co., Ltd. Joined the Company General Manager of Sales and Marketing Department Managing Director Representative Director and President Director and Vice Chairman (to present) In charge of Overseas Business (to present)	*1	804,065
Representative Director and President	Yasuhiro Ogawa	April 27, 1967	April 1993 April 2001 January 2005 February 2007 February 2012 December 2014 April 2017 February 2019	Joined The Tokai Bank, Ltd. (currently MUFG Bank, Ltd.) Joined the Company General Manager of Corporate Planning Office Director Managing Director In charge of Corporate Planning Department and Branch Office Management Division; General Manager of Branch Office Management Division In charge of Corporate Planning Department and Branch Office Management Division; General Manager of Corporate Planning Department and Branch Office Management Division Representative Director and President (to present)	*1	200,778
Managing Director In charge of Business Administration Division	Hiroaki Matsui	January 13, 1960	April 1982 November 1999 April 2007 March 2009 February 2010 August 2014 May 2018 February 2019	Joined Fukutoku Sogo Bank, Limited Joined Sanyo Electric Credit Co., Ltd. Executive Officer; Deputy General Manager of Finance Business Division of Sanyo Electric Credit Co., Ltd. Joined the Company; General Manager of Finance Department Director In charge of Business Administration Division (to present); General Manager of Business Administration Division and Finance Department In charge of the Business Administration Division; General Manager of Business Administration Division Managing Director (to present)	*1	71,856
Managing Director In charge of Architectural Design Department Representative Director and President of SAMTY VIETNAM CO., LTD.	Naohiro Morita	April 1, 1959	April 1982 April 2004 December 2010 April 2016 April 2017 February 2018 February 2019 December 2020 July 2021	Joined Morita Kensetsu Co., Ltd. Joined the Company General Manager of Tokyo Branch Office Executive Officer Deputy General Manager of Branch Office Management Division; General Manager of Tokyo Branch Office Director Managing Director (to present); in charge of Branch Office Management Division and Architectural Design Department; General Manager of Branch Office Management Division In charge of Sapporo Branch Office, Nagoya Branch Office, Fukuoka Branch Office, and Architectural Design Department; Representative Director and President of SAMTY VIETNAM CO., LTD. (to present); Representative Director of S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY (to present) In charge of Architectural Design Department (to present)	*1	45,828
Managing Director In charge of Tokyo Branch Office, Sapporo Branch Office, and Fukuoka Branch Office; General Manager of Group Sales Promotion Department	Takaharu Terauchi	December 4, 1962	April 1986 March 2001 March 2007 March 2008 April 2013 April 2017 February 2019 October 2019 February 2020 December 2020 July 2021 February 2022	Joined Daikyo Kanko Incorporated (currently DAIKYO INCORPORATED) Joined ES-CON JAPAN Ltd. Executive Officer of ES-CON JAPAN Ltd. Director of ES-CON JAPAN Ltd. Joined the Company; Deputy General Manager of Tokyo Branch Office General Manager of Fukuoka Branch Office and Branch Office Management Division Executive Officer of the Company; Vice President of Samty Asset Management Co., Ltd. Executive Officer of the Company; General Manager of Group Sales Promotion Department Director of the Company; Representative Director and President of SAMTY Hotel Management Co., Ltd. (to present) In charge of Tokyo Branch Office; General Manager of Group Sales Promotion Department (to present) In charge of Tokyo Branch Office, Sapporo Branch Office, and Fukuoka Branch Office (to present) Managing Director (to present)	*1	16,309

Title	Name	Date of Birth	Career Highlights		Term of Office	Number of Shares Owned (shares)
Director In charge of Osaka Sales Department, Nagoya Branch Office, and Hiroshima Branch Office	Jiro Okawa	July 10, 1959	July 2001 January 2004 October 2008 August 2014 April 2016 February 2018 October 2018 February 2019 December 2020 July 2021 January 2022	Joined Kennedy-Wilson Japan Co., Ltd. (currently Kenedix, Inc.) Seconded to KW Pension Fund Advisors, Inc. (currently Kenedix Real Estate Fund Management, Inc.) Director of KW Pension Fund Advisors, Inc. Joined the Company; General Manager of Real Estate Business Department Executive Officer General Manager of Real Estate Division General Manager of Real Estate Division and Real Estate Business Department Director (to present); in charge of Osaka Head Office; General Manager of Osaka Head Office and Osaka Real Estate Business Department In charge of Osaka Head Office and Hiroshima Branch Office; General Manager of Osaka Head Office and Osaka Real Estate Business Department In charge of Osaka Head Office, Nagoya Branch Office, and Hiroshima Branch Office In charge of Osaka Sales Department, Nagoya Branch Office, and Hiroshima Branch Office (to present)	*1	16,956
Director	Shoichi Sanpei	February 15, 1970	April 1992 October 1996 January 2002 October 2003 June 2005 July 2005 July 2007 July 2009 February 2015	Joined Mitsubishi Electric Micro-Computer Application Software Co., Ltd. Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) Joined Kobayashi Office, Co., Ltd. Established Sanpei Certified Public Accountant Office; President (to present) External Corporate Auditor of SUN CAPITAL MANAGEMENT CORP. Joined SYVEC Co., Ltd. Representative Director of SYVEC Co., Ltd. Established Akebono Audit Corporation; Representative Partner (to present) Director of the Company (to present)	*1	1,379
Director	Tetsuo Kodera	March 21, 1953	April 1984 July 2011 July 2013 September 2015 February 2016 June 2018 February 2019	Public Prosecutor of Kobe District Public Prosecutors Office Chief Prosecutor of Nagasaki District Public Prosecutors Office Chief Prosecutor of Sapporo District Public Prosecutors Office Registered as attorney (Osaka Bar Association) (to present) Corporate Auditor of the Company External Director (Audit and Supervisory Committee Member) of OKUMURA CORPORATION (to present) Director of the Company (to present)	*1	2,798
Director	Naotaka Murata	May 2, 1970	October 1992 August 2002 August 2005 February 2021	Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC) Established Murata Certified Public Accountant Office; President (to present) Joined Takumi & Co. (currently Daichi & Co.); Representative Partner (to present) Director of the Company (to present)	*1	—
Director	Akira Yamanouchi	June 9, 1962	April 1986 March 2003 March 2008 July 2009 May 2010 April 2019 April 2021 February 2022	Joined Marubeni Corporation President of Pacific Investment Advisors Corporation President of Pacific Investment Partners Corporation Managing Director of Cushman & Wakefield Asset Management K.K. President and Representative Director of Daiwa Real Estate Asset Management Co. Ltd. Chairman of Daiwa Real Estate Asset Management Co. Ltd. and Chairman of Daiwa Energy & Infrastructure Co. Ltd. Executive Managing Director of Daiwa Securities Group Inc., Chairman of Daiwa Energy & Infrastructure Co. Ltd. and President of Daiwa Securities Realty Co. Ltd. (to present) Director of the Company (to present)	*2	—
Director	Junko Kawai	December 10, 1974	October 2004 March 2008 September 2010 July 2011 January 2012 January 2015 April 2016 March 2018 June 2019 February 2022	Registered as an attorney (Japan Federal of Bar Associations, Osaka Bar Association) Joined Umegae-Chuo Law Firm, P.C. (currently Umegae-Chuo Legal Profession Corporation) Partner of Umegae-Chuo Legal Profession Corporation (to present) Visiting Attorney at Masuda, Funai, Eifert & Mitchell Ltd. (Chicago) Registered as an attorney in the State of New York Visiting Attorney at JunHe Law Offices (Beijing) External Audit & Supervisory Board Member of Kamakura Shinsho, Ltd. External Director of Kamakura Shinsho, Ltd. (Audit & Supervisory Board Member) (to present) Outside Auditor & Supervisory Board Member of Blue Line Partners Co., Ltd. (to present) Outside Director of cocokara fine Inc. (currently MatsukiyoCocokara & Co.) (to present) Director of the Company (to present)	*2	—

Title	Name	Date of Birth	Career Highlights		Term of Office	Number of Shares Owned (shares)
Full-time Corporate Auditor	Mitsusuke Koi	September 6, 1950	April 1974 December 2002 June 2003 June 2004 June 2005 February 2012 February 2014	Joined Kinki Sogo Bank, Ltd. (currently Kansai Mirai Bank, Limited) General Manager of Internal Audit Department of The Kinki Osaka Bank, Ltd. (currently Kansai Mirai Bank, Limited) Executive Officer of The Kinki Osaka Bank, Ltd.; in charge of Internal Audit Department of The Kinki Osaka Bank, Ltd. Full-time Corporate Auditor of The Kinki Osaka Bank, Ltd. Managing Director of Resona Card Co., Ltd. Corporate Auditor of the Company Full-time Corporate Auditor of the Company (to present)	*3	2,737
Corporate Auditor	Mikio Hara	January 4, 1952	April 1974 May 2002 June 2002 June 2003 June 2005 February 2015	Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.) Joined The Taisho Bank, Ltd. (currently Tokushima Taisho Bank, Ltd.) Director; General Manager of Sales Division, Head Office, The Taisho Bank, Ltd. Managing Director; General Manager of Sales Division, Head Office, The Taisho Bank, Ltd. Senior Managing Director (Representative Director), The Taisho Bank, Ltd. Corporate Auditor of the Company (to present)	*4	6,119
Corporate Auditor	Toshihiro Sawa	November 25, 1953	April 1976 January 1996 April 2000 November 2003 April 2007 April 2014 April 2017 February 2019	Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.) General Manager of Fussa Branch, The Sanwa Bank, Ltd. General Manager of Sannomiya Branch, The Sanwa Bank, Ltd. Representative Director of UFJ Business Service Osaka Co., Ltd Joined SAGAWA PRINTING CO., LTD.; General Manager of Human Resources and Corporate Management Division Director of SAGAWA PRINTING CO., LTD. Advisor of SAGAWA PRINTING CO., LTD. (to present) Corporate Auditor of the Company (to present)	*3	756
Corporate Auditor	Masatsugu Oishi	October 26, 1979	April 2003 July 2003 April 2010 April 2014 April 2018 April 2021 April 2021 April 2021 May 2021 May 2021 June 2021 February 2022	Joined Daiwa Securities SMBC Co. Ltd. (currently Daiwa Securities Co. Ltd.) Structured Finance Department of Daiwa Securities SMBC Co. Ltd. Corporate Planning Department of Daiwa Securities Group Inc. Real Estate & REIT Sector Department of Daiwa Securities Co. Ltd. Assigned to Corporate Planning Department of Daiwa Securities Co. Ltd.; seconded to Daiwa Real Estate Asset Management Co. Ltd. Head of Group Management Section and Deputy General Manager, Corporate Planning Department of Daiwa Securities Group Inc. and Daiwa Securities Co. Ltd. (to present) Director of Daiwa Securities Realty Co. Ltd. (to present) Director of Daiwa Food & Agriculture Co. Ltd. (to present) Director of Daiwa ACA Health Care Inc. (to present) Director of Samty Asset Management Co., Ltd. Auditor of Daiwa Institute of Research Ltd. (to present) Corporate Auditor of the Company (to present)	*5	—
Total						4,176,394

(Note 1) Directors Shoichi Sanpei, Tetsuo Kodera, Naotaka Murata, Akira Yamanouchi, and Junko Kawai are Outside Directors.

(Note 2) Corporate Auditors Mitsusuke Koi, Mikio Hara, and Toshihiro Sawa are Outside Corporate Auditors.

(Note 3) The terms of office of directors and corporate auditors are as follows:

- *1 From the end of the Annual General Meeting of Shareholders for the fiscal year ended November 2020 to the end of the Annual General Meeting of Shareholders for the fiscal year ending November 2022.
- *2 From the end of the Annual General Meeting of Shareholders for the fiscal year ended November 2021 to the end of the Annual General Meeting of Shareholders for the fiscal year ending November 2022.
- *3 From the end of the Annual General Meeting of Shareholders for the fiscal year ended November 2019 to the end of the Annual General Meeting of Shareholders for the fiscal year ending November 2023.
- *4 From the end of the Annual General Meeting of Shareholders for the fiscal year ended November 2018 to the end of the Annual General Meeting of Shareholders for the fiscal year ending November 2022.
- *5 From the end of the Annual General Meeting of Shareholders for the fiscal year ended November 2021 to the end of the Annual General Meeting of Shareholders for the fiscal year ending November 2025.

2) Outside directors (and other officers)

The Company has five outside directors and three outside corporate auditors.

Having served as a certified public accountant for many years, Director Shoichi Sanpei possesses extensive experience and specialized knowledge of finance and accounting, in addition to management experience at other companies. He makes a large contribution to ensuring the appropriateness of the Company's management by providing valuable suggestions and comments from an independent, neutral perspective based on his broad insight. As of the date of filing of this document, he owns 1,379 shares of the Company, but there are otherwise no personnel relationship, capital relationship, business relationship, or other vested interest between him and the Company. The Company has registered him as an independent director with Tokyo Stock Exchange, Inc.

Director Tetsuo Kodera makes a large contribution to ensuring the appropriateness of the Company's management by providing valuable suggestions and comments from an independent, neutral perspective based on his broad insight from many years of experience as a public prosecutor and attorney. After retiring as a public prosecutor, he registered as an attorney and assumed the office of officer of the Company. As of the date of filing of this document, he owns 2,798 shares of the Company, but there are otherwise no personnel relationship, capital relationship, business relationship, or other vested interest between him and the Company. The Company has registered him as an independent director with Tokyo Stock Exchange, Inc.

Having served as a certified public accountant for many years, Director Naotaka Murata possesses extensive experience and specialized knowledge of finance and accounting. He makes a large contribution to ensuring the appropriateness of the Company's management by providing valuable suggestions and comments from an objective point of view. He is Representative Partner of Daichi & Co., the audit firm that was the Company's accounting auditor until February 27, 2018.

Having served as a representative director of a financial instruments business operator, a building lots and buildings transaction business operator and an investment corporation management company, Director Akira Yamanouchi possesses extensive experience and knowledge in the financial instruments business and building lots and buildings transaction business. He contributes to strengthening the Company's management and corporate governance by applying his extensive experience and track record.

Having served as an attorney for many years, Director Junko Kawai possesses extensive experience and knowledge, and has expertise in a wide range of fields, including corporate legal affairs. She contributes to strengthening the Company's corporate governance by applying her extensive experience and track record.

Full-time Corporate Auditor Mitsusuke Koi has a considerable degree of knowledge in finance and accounting, such as from having successively served as a general manager of the internal audit department and an executive officer in charge of the internal audit department before assuming the office of full-time corporate auditor during his many years of experience at his previously employed bank, and subsequently as a director and a corporate auditor of other companies. He makes a large contribution to ensuring the appropriateness of the Company's management by providing valuable suggestions and comments based on his broad insight. As of the date of filing of this document, he owns 2,737 shares of the Company, but there are otherwise no personnel relationship, capital relationship, business relationship, or other vested interest between him and the Company. The Company has registered him as an independent director with Tokyo Stock Exchange, Inc.

Corporate Auditor Mikio Hara has assumed the offices of director and representative director during his many years of experience at his previously employed bank. He makes a large contribution to ensuring the appropriateness of the Company's management by providing valuable suggestions and comments based on his broad insight. As of the date of filing of this document, he owns 6,119 shares of the Company, but there are otherwise no personnel relationship, capital relationship, business relationship, or other vested interest between him and the Company. The Company receives financing from his previously employed bank, but in light of the size of the transaction, the Company has deemed that this does not affect his independence as an outside corporate auditor.

In addition to many years of experience at financial institutions, Corporate Auditor Toshihiro Sawa possesses management experience as a representative director and director for multiple other companies. He makes a large contribution to ensuring the appropriateness of the Company's management by providing valuable suggestions and comments based on his broad insight. As of the date of filing of this document, he owns 756 shares of the Company, but there are otherwise no personnel relationship, capital relationship, business relationship, or other vested interest between him and the Company. The Company receives financing from his previously employed bank, but in light of the size of the transaction, the Company has deemed that this does not affect his independence as an outside corporate auditor.

The Company has provisions for independence from the Company for appointing outside directors and outside corporate auditors, based on which outside officers (outside directors and outside corporate auditors) shall be deemed independent individuals with no risk of conflict of interest with the Company's general shareholders if they meet the following criteria:

1. The outside officer must not currently be or have previously been an Executive*¹ of the Group*².
 - *1 An "Executive" refers to directors (excluding outside directors), corporate auditors (excluding outside corporate auditors), executive directors, and accounting advisors, or any other officials or employees holding positions equivalent to these.
 - *2 "The Group" refers to the Company and its subsidiaries and affiliate companies.
2. At present or within the past five years, the outside officer
 - 1) must not be or have been a major shareholder*³ of the Company or an Executive of one.
 - 2) must not be or have been an Executive of a company for which the Group is a major shareholder*³.
 - *3 A "major shareholder" refers to a shareholder that owns at least 10% of a company's voting rights.
3. At present or within the past five years, the outside officer must not be or have been a key client/supplier*⁴ of the Group or an Executive of one.
 - *4 A "key client/supplier" refers to a client or supplier whose transactions with the Group represent an amount equivalent to at least 2% of either party's consolidated net sales.
4. At present or within the past five years, the outside officer
 - 1) must not be receiving or have received remuneration of 10 million yen or more per year, excluding officer remuneration, from the Group as a consultant, accounting professional, or legal professional (or in the case of a corporation, organization, etc. must not belong to or have belonged to the applicable corporation, organization, etc.).
 - 2) must not be or have been a member, partner or employee of an accounting auditor of the Group.
5. At present or within the past five years, the outside officer must not be receiving or have received ¥10 million or more per year in donations from the Group (or in the case of a corporation, organization, etc. must not belong to or have belonged to the applicable corporation, organization, etc.).
6. At present or within the past five years, the outside officer must not be or have been an Executive of a party between which and the Group officers are mutually appointed.
7. The outside officer must not be a first- or second-degree relative of a person corresponding to any of Items 1 to 6 above (excluding persons in unimportant positions).
8. The outside officer must not have any other vested interests that are liable to cause serious conflicts of interest or have an influence on decisions while executing his or her duties.

3) Supervision or auditing by outside directors or outside corporate auditors, mutual coordination with internal audits, audits by corporate auditors, and accounting audits, and relationship with internal control departments
Through regular meetings with all directors and all corporate auditors at least once a month in principle and meetings with the business administration division held on an as-needed basis, the outside directors monitor the current status and issues of the Group, including the status of internal audits, audits by corporate auditors, and the development and operation of internal controls, and express their opinions at the Board of Directors' meetings as necessary.

The internal audit department and the corporate auditors pursue efficient and effective auditing by sharing information via meetings held on an as-needed basis and cooperating with each other in the audits conducted by each.

In addition, the Board of Corporate Auditors and the accounting auditor share information primarily via debriefings for accounting audits and cooperate with each other.

The Company's internal control departments, which are the administration department and the accounting department, pursue cross-functional management of the Group's internal control system overall through the initiatives of the Internal Control Committee organized by the departments. The internal audit department and corporate auditors participate in the Internal Control Committee as observers, and provide necessary advice and guidance from their respective standpoints or jointly to the internal control establishment and promotion departments.

(3) [Audits]

1) Audits by corporate auditors

In audits by corporate auditors, in accordance with the standards for audits by corporate auditors established by the Board of Corporate Auditors, the three corporate auditors attend the Board of Directors' meetings and other important meetings, and conduct investigations, including on-site inspections, in order to further strengthen the Company's auditing operations. At the regular meetings of the Board of Corporate Auditors, each corporate auditor reports on the results of audits conducted in accordance with his/her respective duties and discusses them with the other corporate auditors. In addition, facts that are deemed to require immediate reporting to the directors are reported without delay and improvements sought.

Full-time Corporate Auditor Mitsusuke Koi has a considerable degree of knowledge in finance and accounting from having successively served as a general manager of the internal audit department, an executive officer in charge of the internal audit department, and full-time corporate auditor during his many years of experience at a bank.

Corporate Auditor Mikio Hara and Corporate Auditor Toshihiro Sawa have a considerable degree of knowledge in finance and accounting from having many years of experience at banks.

The Company held 16 meetings of the Board of Corporate Auditors during the subject fiscal year, and the status of attendance of each corporate auditor is as follows:

Name	Meetings held	Meetings attended
Mitsusuke Koi	16	16
Mikio Hara	16	16
Toshihiro Sawa	16	16

The main matters to be considered by the Board of Corporate Auditors include audit policy, matters relating to the methods of investigation of business and financial conditions and other execution of duties by corporate auditors, matters relating to the status of establishment and operation of the internal control system, and matters relating to the content of audit reports by the Board of Corporate Auditors based on the audit reports prepared by each corporate auditor.

The activities of a full-time corporate auditor include duties based on the characteristics of a person in a full-time position like day-to-day monitoring and verification, such as attending important meetings and inspecting the minutes, inspecting all approval documents, and meeting regularly with all directors, and sharing with other corporate auditors the information obtained in performing such.

2) Internal audits

In internal audits, the two-member internal audit department of the corporate planning department, which reports directly to the representative director and president, conducts operational audits of the Company's departments and group companies in accordance with internal audit regulations and such, the results of which are reported to the Board of Directors, the president, each audited department, etc., and suggestions on matters for improvement made as necessary.

Mutual coordination among internal audits, audits by corporate auditors, and accounting audits, and the relationship between these audits and the internal control departments are as presented in "(2) Directors (and other officers); 3) Supervision or auditing by outside directors or outside corporate auditors, mutual coordination with internal audits, audits by corporate auditors, and accounting audits, and relationship with internal control

departments.”

3) Accounting audits

a. Name of audit firm

Ernst & Young ShinNihon LLC

b. Continuous audit period

Two-year period from the fiscal year ended November 30, 2020

c. Certified public accountants who performed services

Yutaka Masuda, Designated Limited Liability Partner and Engagement Partner

Hiroshi Nakashita, Designated Limited Liability Partner and Engagement Partner

d. Composition of assistants for audit services

Assistants for accounting audit services for the Company are ten certified public accountants, eight persons who have passed the accountant examination, and nine other persons.

e. Audit firm selection policy and rationale

In accordance with the Standards for Evaluation and Selection of the Accounting Auditor established by the Board of Corporate Auditors, the accounting auditor is selected by comprehensively taking into account the audit firm's independence and expertise, audit implementation status, quality control system, audit fees, and other factors.

Ernst & Young ShinNihon LLC was selected as the accounting auditor because it has been deemed suitable for the position as a result of comprehensively taking into account that it audits many listed real estate companies and can be expected to conduct audits responding to changes in the business environment and the Group's management strategies, along with the audit firm's independence and expertise, audit implementation status, quality control system, audit fees, and other factors.

In addition, the Board of Corporate Auditors dismisses the accounting auditor, with the unanimous consent of the corporate auditors, if the accounting auditor is deemed to fall under any of the items provided in Article 340, Paragraph 1 of the Companies Act. If the Board of Corporate Auditors finds that the appropriateness and reliability of audits cannot be ensured based on a comprehensive evaluation of the accounting auditor's performance of duties and other factors, the Board of Corporate Auditors determines the content of a proposal to be submitted to the General Shareholder Meeting regarding the dismissal or refusal of reappointment of the accounting auditor.

f. Evaluation of audit firm by corporate auditors and the Board of Corporate Auditors

In accordance with the Standards for Evaluation and Selection of the Accounting Auditor established by the Board of Corporate Auditors, the appropriateness and adequacy of the auditing activities of the accounting auditor are evaluated and verified by receiving explanations in writing and other means from the accounting auditor regarding performance reports on auditing operations and audit proposals for the next fiscal year. As a result, the auditing activities of the accounting auditor, Ernst & Young ShinNihon LLC, have been evaluated as appropriate and adequate.

4) Content, etc. of audit fees

a. Fees to independent auditors

Category	Previous fiscal year		Subject fiscal year	
	Fees based on audit and attestation services (millions of yen)	Fees based on non-audit services (millions of yen)	Fees based on audit and attestation services (millions of yen)	Fees based on non-audit services (millions of yen)
Reporting company	62	—	80	6
Consolidated subsidiaries	—	—	—	—
Total	62	—	80	6

Non-audit services at the Company consist of advisory consulting services related to the preparation of consolidated financial statements.

b. Fees to independent auditors' same network (Ernst & Young) (excluding a.)

Category	Previous fiscal year		Subject fiscal year	
	Fees based on audit and attestation services (millions of yen)	Fees based on non-audit services (millions of yen)	Fees based on audit and attestation services (millions of yen)	Fees based on non-audit services (millions of yen)
Reporting company	—	2	—	10
Consolidated subsidiaries	2	4	4	2
Total	2	7	4	12

Non-audit services at the Company consist of due diligence services and so forth. Non-audit services at consolidated subsidiaries consist of tax advisory services.

c. Content of fees based on other significant audit and attestation services

Not applicable.

d. Policy on determining audit fees

Not applicable.

e. Reasons why the Board of Corporate Auditors consented to remuneration for accounting auditor

In determining the amount of remuneration for independent auditors, the Company determines the amount in accordance with the prescribed standards for decision-making. Upon directors' request for consent of the Board of Corporate Auditors in accordance with the provisions of Article 399 of the Companies Act, the Board of Corporate Auditors consent to the amount of remuneration after deliberation by taking into account the Company's size and nature of business, number of audit days, and other factors.

(4) [Remuneration for directors (and other officers)]

1) Matters relating to policy on determining amount of remuneration for directors (and other officers) and calculation methods thereof

The maximum amount of remuneration for directors and corporate auditors is resolved at annual shareholders meetings. Each director's remuneration is drafted by the representative director after taking into account the content of duties, the situation of the Company, and other factors, and decided upon by the Board of Directors based on the results of discussions by the Nomination and Remuneration Committee. Each corporate auditor's remuneration is decided upon by discussion by the Board of Corporate Auditors after taking into account the content of duties, experience, the situation of the Company, and other factors.

The policy on determining the details of each individual director's remuneration is as follows:

- a. Policy on determining amount of each individual director's remuneration for basic remuneration (monetary remuneration) (including policy on determining timing or conditions of granting remuneration)

Basic remuneration for the directors of the Company is a monthly fixed remuneration determined by comprehensively taking into account the content of duties, the situation of the Company, and other factors.

- b. Policy on determining details of performance-linked remuneration and non-monetary remuneration, and calculation methods of amount or number thereof (including policy on determining timing or conditions of granting remuneration)

Performance-linked remuneration is a cash remuneration paid at a certain time each year in an amount calculated according to the degree of achievement of performance targets for each fiscal year that are set each year, the purpose of which is to increase incentives to enhance business performance.

Non-monetary remuneration is restricted share awards (restricted stock compensation) allotted at a certain time each year in a number of shares calculated by taking into account the job position and other factors, with the condition that transfer restriction be canceled at the time of retirement from office, the purpose of which is to flexibly offer more incentives to achieve sustained enhancement of the Company's corporate value through sharing of interests with shareholders.

- c. Policy on determining ratio of amount of monetary remuneration, amount of performance-linked remuneration, or amount of non-monetary remuneration, to amount of each individual director's remuneration

The policy is to make the ratio of remuneration by type for directors (excluding outside directors) the most appropriate payment ratio in order to contribute to the sustained enhancement of corporate value through sharing of interests with shareholders. Due to the nature of their duties, remuneration for outside directors is basic remuneration only, making no linkage to business performance.

- d. Matters on determining details of each individual director's remuneration

The amount of remuneration by individual is drafted by the representative director and decided upon by the Board of Directors based on the results of discussions by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee is composed of representative directors and independent outside directors selected by resolution of the Board of Directors, with independent outside directors comprising the majority of the members.

- e. Reasons why the Board of Directors has deemed that details of each individual director's remuneration are in line with the policy on determining such

The Board of Directors has confirmed that each individual director's remuneration for the subject fiscal year is consistent with the policy on determining such and has thus deemed it to be in line with the policy on determining such.

The amount of remuneration for the directors of the Company was approved at the 37th Annual General Meeting of Shareholders held on February 27, 2019, to be not more than ¥700 million per year (including not more than ¥30 million for outside directors; number of directors at the time of the resolution: 8, of which 2 are outside directors), and the maximum amount of remuneration for corporate auditors was approved at the Annual General Meeting of Shareholders held on February 25, 2005, to be not more than ¥50 million per year (number of corporate auditors at the time of the resolution: 3).

In light of the increase in the responsibilities of the directors due to changes in the business environment, including expansion of business scale, and in an effort to continue to further enhance corporate value by reinforcing the linkage between director remuneration and business performance, the maximum amount of remuneration for directors was resolved at the Annual General Meeting of Shareholders held on February 24, 2022, to be revised to "not more than ¥1,000 million per year (including not more than ¥50 million for outside directors; number of directors at the time of the resolution: 12, of which 5 are outside directors)."

For the maximum amount of remuneration for directors, separate from the above remuneration limit, the amount of remuneration and other details of a restricted stock compensation plan (a compensation plan in which shares are allotted with the condition that transfer restriction be canceled at the time of retirement from office; hereinafter referred to as the “Plan”) for the directors of the Company excluding outside directors (hereinafter referred to as “Eligible Directors”) was approved at the 37th Annual General Meeting of Shareholders held on February 27, 2019, to be not more than ¥100 million per year (total number of shares of the Company’s common stock to be issued or disposed of: not more than 100,000 shares per year; number of directors at the time of the resolution: 6, excluding outside directors).

For the purpose of flexibly offering more incentives to the Eligible Directors to achieve sustained enhancement of the Company’s corporate value through increasingly further strengthening the sharing of interests with shareholders, the total amount of monetary remuneration claim to be granted by the Plan was approved at the Annual General Meeting of Shareholders held on February 27, 2020, to be revised to not more than ¥300 million per year (total number of shares of the Company’s common stock to be issued or disposed of: not more than 300,000 shares per year; number of directors at the time of the resolution: 7, excluding outside directors).

The Company has decided to adopt performance-linked variable remuneration (performance-linked remuneration) for the Company’s directors (the directors listed in each item of Article 363, Paragraph 1 of the Companies Act, excluding outside directors) for the 41st fiscal year.

As a result, the remuneration for directors consists of basic remuneration (regular salary of same amount) as fixed remuneration, annual performance-linked remuneration linked to the business performance of each fiscal year, and restricted share awards in which shares are allotted with the condition that transfer restriction be canceled at the time of retirement from office. However, due to the nature of their duties, remuneration for outside directors is basic remuneration only, making no linkage to business performance.

In addition, the amount of remuneration for each corporate auditor is determined by discussion by the Board of Corporate Auditors and reported to the Board of Directors, but from the perspective of ensuring independence, it is basic remuneration only, making no linkage to business performance.

The following are the requirement settings and calculation methods for performance-linked remuneration for the fiscal year ending November 30, 2022. The reason for setting net income before performance-linked remuneration as the indicator parameter is to increase incentives to enhance business performance.

(Requirement)

That net income before performance-linked remuneration achieves the initial budget (consolidated budget).

* The initial budget (consolidated budget) is that announced externally as the consolidated earnings forecast for the fiscal year ending November 30, 2022, in the financial report (*kessan tanshin*) released on January 14, 2022.

(Formula) Net income before performance-linked remuneration × Coefficient

Position	Coefficient	Number of recipient directors (and other officers)	Formula for calculating payment
Representative director and chairman	0.48%	1 person	Net income before performance-linked remuneration × Coefficient
Director and vice chairman	0.34%	1 person	Net income before performance-linked remuneration × Coefficient
Representative director and president	0.40%	1 person	Net income before performance-linked remuneration × Coefficient
Managing director	0.32%	3 persons	Net income before performance-linked remuneration × Coefficient
Director	0.22%	1 person	Net income before performance-linked remuneration × Coefficient
Total number of directors eligible for payment		7 persons	—

(Note 1) The directors eligible for payment are the executive officers provided in Article 34, Paragraph 1, Item 3 of the Corporation Tax Act.

(Note 2) The “indicators on profits of the business year” provided in Article 34, Paragraph 1, Item 3 (a) of the Corporation Tax Act is net income before performance-linked remuneration.

(Note 3) The “defined amount” provided in Article 34, Paragraph 1, Item 3 (a) (1) of the Corporation Tax Act for the payment limit for performance-linked remuneration to be paid is limited to ¥700 million.

- (Note 4) Calculated based on the positions resolved at the Board of Directors' meeting after the 40th Annual General Meeting of Shareholders held on February 24, 2022, and to be paid to directors who are executing their duties at the end of the 41st fiscal year.
- (Note 5) Performance-linked remuneration for directors who assume office during the fiscal year is to be paid based on the number of months the director served in office during the period from the beginning of the term of office to the end of the fiscal year (rounded up to the nearest whole month).
(Formula) $\{(Net\ income\ before\ performance-linked\ remuneration \times Coefficient) / 12\} \times Number\ of\ months\ in\ office$
- (Note 6) A written statement that all corporate auditors have found the above calculation method to be appropriate has been received.

The following are the requirement settings and calculation methods for performance-linked remuneration for the subject fiscal year. The reason for setting net income before performance-linked remuneration as the indicator parameter is to increase incentives to enhance business performance.

(Requirement)

That net income before performance-linked remuneration achieves the initial budget (consolidated budget).

- * The initial budget (consolidated budget) is that announced externally as the consolidated earnings forecast for the fiscal year ended November 30, 2021, in the 39th fiscal year financial report (*kessan tanshin*) released on January 6, 2021.

The targets for the indicators of the performance-linked remuneration for the subject fiscal year is stated in the consolidated earnings forecast for the fiscal year ended November 30, 2021, in the 39th fiscal year financial report (*kessan tanshin*) released on January 6, 2021. Actual results are as presented in "Part I. Company information; Section 1. Overview of company; 1. Key financial data; (1) Key financial data of group."

(Formula) Net income before performance-linked remuneration \times Coefficient

Position	Coefficient	Number of recipient directors (and other officers)	Formula for calculating payment
Representative director and chairman	0.48%	1 person	Net income before performance-linked remuneration \times Coefficient
Director and vice chairman	0.34%	1 person	Net income before performance-linked remuneration \times Coefficient
Representative director and president	0.40%	1 person	Net income before performance-linked remuneration \times Coefficient
Managing director	0.32%	2 persons	Net income before performance-linked remuneration \times Coefficient
Director	0.22%	2 persons	Net income before performance-linked remuneration \times Coefficient
Total number of directors eligible for payment		7 persons	—

- (Note 1) The directors eligible for payment are the executive officers provided in Article 34, Paragraph 1, Item 3 of the Corporation Tax Act.
- (Note 2) The "indicators on profits of the business year" provided in Article 34, Paragraph 1, Item 3 (a) of the Corporation Tax Act is net income before performance-linked remuneration.
- (Note 3) The "defined amount" provided in Article 34, Paragraph 1, Item 3 (a) (1) of the Corporation Tax Act for the payment limit for performance-linked remuneration to be paid is limited to ¥700 million.
- (Note 4) Calculated based on the positions resolved at the Board of Directors' meeting after the 39th Annual General Meeting of Shareholders held on February 25, 2021, and to be paid to directors who are executing their duties at the end of the 40th fiscal year.
- (Note 5) Performance-linked remuneration for directors who assume office during the fiscal year is to be paid based on the number of months the director served in office during the period from the beginning of the term of office to the end of the fiscal year (rounded up to the nearest whole month).
(Formula) $\{(Net\ income\ before\ performance-linked\ remuneration \times Coefficient) / 12\} \times Number\ of\ months\ in\ office$
- (Note 6) A written statement that all corporate auditors have found the above calculation method to be appropriate has been received.

No payment was made in the subject fiscal year because net income before performance-linked remuneration fell short of the initial budget (consolidated budget).

The authority to decide on the policy on determining the amount of remuneration for the directors (excluding directors who are corporate auditors) of the Company and calculation methods thereof lies with the Board of Directors, the content of the authority and the scope of the discretion of which are that the remuneration is drafted by the representative director after taking into account the content of duties, the situation of the Company, and other factors, and decided upon by the Board of Directors based on the results of discussions by the Nomination and Remuneration Committee, within the limit of total amount approved by the General Shareholder Meeting. At the meeting of the Nomination and Remuneration Council (currently Nomination and Remuneration Committee; composed of representative directors and independent outside directors selected by resolution of the Board of Directors, with independent outside directors comprising the majority of the members) held on February 25, 2021, the remuneration policy and individual remuneration for directors were deliberated from the perspective of ensuring objectivity and transparency in the decision-making process.

The authority to decide on the policy on determining the amount of remuneration for the directors who are corporate auditors of the Company and calculation methods thereof lies with the Board of Corporate Auditors, the content of the authority and the scope of the discretion of which are that the remuneration is decided upon by discussion by the Board of Corporate Auditors after taking into account the content of duties, experience, the situation of the Company, and other factors, within the limit of total amount approved by the General Shareholder Meeting.

The activities of the Board of Directors in the process of determining the amount of remuneration for the directors and corporate auditors of the Company in the subject fiscal year were that the remuneration for directors was decided upon after confirmation of the basis for calculation thereof and deliberation of the remuneration proposed by the representative director based on the aforementioned policy at the Board of Directors' meeting held on February 25, 2021, and that the remuneration for corporate auditors was decided upon after discussion based on the aforementioned policy at the meeting of the Board of Corporate Auditors held on the same date, and reported to the Board of Directors.

2) Total amount of remuneration by category of directors (and other officers), total amount of remuneration by type, and number of recipient directors (and other officers)

Categories of directors (and other officers)	Total amount of remuneration (millions of yen)	Total amount of remuneration by type (millions of yen)					Number of recipient directors (and other officers) (persons)
		Fixed remuneration	Performance-linked variable remuneration	Retirement benefits	Restricted share awards	Of left: Non-monetary remuneration	
Directors excluding outside directors	538	381	—	—	157	157	7
Corporate auditors excluding outside corporate auditors	—	—	—	—	—	—	—
Outside directors (and other officers)	43	43	—	—	—	—	7

(Note) The breakdown of the total amount of non-monetary remuneration to directors excluding outside directors is ¥157 million in restricted share awards.

3) Total amount and other details of remuneration paid by group to each director (or other officer)

Name	Total amount of remuneration paid by group (millions of yen)	Categories of directors (and other officers)	Categories of companies	Total amount of remuneration paid by group by type (millions of yen)				
				Fixed remuneration	Performance-linked variable remuneration	Retirement benefits	Restricted share awards	Of left: Non-monetary remuneration
Yasuhiro Ogawa	150	Director	Reporting company	82	—	—	68	68

(Note 1) The total amount of remuneration paid by group is limited to those of ¥100 million or more.

(Note 2) The breakdown of the total amount of non-monetary remuneration to Yasuhiro Ogawa is ¥68 million in restricted share awards.

4) Of employee salaries to directors (and other officers) who are also employees, those that are significant
Not applicable.

(5) [Shareholdings]

1) Standards and approach for classification of investment shares

The Company classifies into investment shares held for pure investment and investment shares held for purposes other than pure investment by classifying shares held for the purpose of receiving gains from fluctuations in the value of shares or income from dividends as investment shares held for pure investment, and shares held for other purposes as investment shares held for purposes other than pure investment.

2) Investment shares held for purposes other than pure investment

a. Methods for assessing shareholding policy and rationality of shareholdings, and details of assessment by the Board of Directors and others regarding appropriateness of holding of each individual issue

The Company may hold shares of listed companies as cross-shareholdings if the holding of shares is found to enable maintaining and strengthening of stable business relationships and contribute to enhancement of the Company's corporate value. Whether or not to continue holding the cross-held shares are assessed by the Board of Directors and others from a medium- to long-term perspective based on the returns, risks, and other factors thereof, and the shareholdings are reduced if the significance of holding the shares is deemed insufficient. When exercising voting rights to cross-held shares, the Company's standard is to take into account factors such as whether the proposal of that company is in alignment with the Company's shareholding policy in exercising voting rights. The Company has deemed that it is reasonable to continue holding the cross-held shares held as of the end of the subject fiscal year.

b. Number of issues and carrying amount

	Number of issues (issues)	Carrying amount (millions of yen)
Shares not listed	5	14
Shares other than those not listed	5	16,414

(Issues whose number of shares increased in the subject fiscal year)

	Number of issues (issues)	Total acquisition cost for increased shares (millions of yen)	Reason for increase in number of shares
Shares not listed	1	0	Acquisition of shares accompanying purchase of land for development
Shares other than those not listed	2	6,159	Acquisition of shares accompanying capital and business alliance, and subscription to capital increase through third-party allotment

(Issues whose number of shares decreased in the subject fiscal year)

	Number of issues (issues)	Total sale amount for decreased shares (millions of yen)
Shares not listed	—	—
Shares other than those not listed	—	—

c. Information about number of shares, carrying amount, etc. by issue of specified investment shares and deemed holdings of shares

Specified investment shares

Issue	Subject fiscal year	Previous fiscal year	Purpose of shareholding, quantitative effects of shareholding and reason for increase in number of shares	Whether holds the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount (millions of yen)	Carrying amount (millions of yen)		
Samty Residential Investment Corporation	104,042	86,337	The Company is the main sponsor of this corporation. The Company provides a wide range of sponsor support to this corporation, including grant of preferential negotiation rights for development properties, provision of warehousing functions, provision of leasing support services, and provision of staffing and operational management support, and has the shareholding (unitholding) in order to maintain a stable and continuous business relationship. Through the sponsor support, the Company sold ¥28,346 million (31.34% of consolidated net sales) in real estate to this corporation in the subject fiscal year. The increase in the number of shares (number of investment units) in the subject fiscal year is due to subscription to a capital increase through third-party allotment.	None
	12,360	9,125		
Wealth Management, Inc.	2,729,600	—	This company is a value-creating real estate company with strengths in revitalizing and developing hotels and traditional inns, with a hotel operating company and an asset management company under its umbrella. The Company has entered into a capital and business alliance agreement with this company for purposes such as collaboration in the hotel development business and other businesses. The increase in the number of shares in the subject fiscal year is due to the acquisition of shares accompanying the capital and business alliance.	None
	3,951	—		
B-Lot Company Limited	100,000	100,000	With this company, there is continuously exchange of information on purchase and sale of income properties and other properties in the Real Estate Solution Business segment. In particular, the Company has the shareholding for the purpose of gathering information on the Hokkaido area, where the Company has established a branch, and in order to maintain a stable and continuous business relationship. No quantitative effects of shareholding are shown, because describing such would be difficult. The increase in the number of shares in the subject fiscal year is due to a share split at this company.	None
	50	83		
The Kiyo Bank, Ltd.	30,000	30,000	The Company has borrowed funds from this bank for acquisition of land for development and income properties in the Real Estate Development Business, the Real Estate Solution Business, and the Real Estate Leasing Business segments, and has the shareholding in order to maintain a stable and continuous business relationship. No quantitative effects of shareholding are shown because such is deemed to constitute confidential information with the counterparty.	Yes
	40	47		
TOMONY Holdings, Inc.	38,212	38,212	The Company has borrowed funds from this bank for acquisition of land for development and income properties in the Real Estate Development Business, the Real Estate Solution Business, and the Real Estate Leasing Business segments, and has the shareholding in order to maintain a stable and continuous business relationship. No quantitative effects of shareholding are shown because such is deemed to constitute confidential information with the counterparty.	Yes (Note)
	11	12		

(Note) TOMONY Holdings, Inc. does not hold any shares of the Company, but its subsidiary THE TOKUSHIMA TAISHO BANK, LTD. holds shares of the Company.

Deemed holdings of shares

Not applicable.

3) Investment shares held for pure investment

Not applicable.

4) Investment shares reclassified from held for pure investment to held for purposes other than pure investment during the subject fiscal year

Not applicable.

5) Investment shares reclassified from held for purposes other than pure investment to held for pure investment during the subject fiscal year

Not applicable.

Section 5. [Financial information]

1. Method of preparation of consolidated financial statements and financial statements

- (1) The Company's consolidated financial statements are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976; hereinafter referred to as the "Regulation on Consolidated Financial Statements").
- (2) The Company's financial statements are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; hereinafter referred to as the "Regulation on Financial Statements").

Falling under the category of "special company submitting financial statements," the Company prepares financial statements in accordance with the provisions of Article 127 of the Regulation on Financial Statements.

2. Note on independent audit

In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company has the consolidated financial statements and the financial statements for the consolidated fiscal year (from December 1, 2020, to November 30, 2021) and the fiscal year (from December 1, 2020, to November 30, 2021) audited by Ernst & Young ShinNihon LLC.

3. Remarkable efforts to ensure fair presentation of consolidated financial statements, etc.

The Company makes remarkable efforts to ensure fair presentation of consolidated financial statements, etc. Specifically, the Company is a member of the Financial Accounting Standards Foundation so as to have a system in place that enables it to appropriately grasp the content of accounting standards, etc., or accurately address matters such as changes in accounting standards, etc.

1. [Consolidated financial statements, etc.]

(1) [Consolidated financial statements]

1) [Consolidated balance sheets]

(millions of yen)

	2020 (as of November 30, 2020)	2021 (as of November 30, 2021)
ASSETS		
Current assets		
Cash and deposits	*2 42,511	*2,5 41,646
Receivables	1,395	1,858
Real estate for sale	*2 58,265	*2,5 107,875
Real estate for sale under construction	*2 42,512	*2 71,075
Goods	1	0
Supplies	12	23
Other	*2 13,915	*2 2,618
Allowance for doubtful accounts	(5)	(3)
Total current assets	158,608	225,094
Non-current assets		
Property and equipment		
Buildings and structures	20,225	26,267
Accumulated depreciation	(2,390)	(2,402)
Buildings and structures net	*2 17,835	*2 23,865
Buildings in trust	4,390	3,262
Accumulated depreciation	(700)	(119)
Buildings in trust net	*2 3,689	*2 3,142
Land	*2 42,482	*2 54,925
Land in trust	*2 3,322	*2 2,314
Construction in progress	*2 4,268	*2 6,678
Other	856	728
Accumulated depreciation	(515)	(349)
Other net	*2 340	*2 379
Net property and equipment	71,938	91,306
Intangible assets		
Goodwill	10	9
Other intangible assets	133	417
Total intangible assets	143	426
Investments and other assets		
Investment securities	*2 15,835	*2 27,921
Deferred tax assets	693	545
Other	*1 3,711	*1 3,901
Allowance for doubtful accounts	(66)	(53)
Total Investments and other assets	20,173	32,315
Total non-current assets	92,255	124,048
Deferred assets		
Share issuance costs	—	42
Bond issuance costs	—	9
Total deferred assets	—	51
Total assets	250,864	349,194

(millions of yen)

	2020 (as of November 30, 2020)	2021 (as of November 30, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable	381	3,304
Short-term borrowings	*2,3 16,883	*2,3 12,325
Current portion of long-term debt	*2,3,4 14,715	*2,3 32,197
Accrued income taxes	4,063	1,660
Other	*2 3,452	*2 5,131
Total current liabilities	39,497	54,618
Non-current liabilities		
Bonds payable	5,000	9,000
Bonds with share acquisition rights	10,000	12,000
Long-term debt	*2,3,4 116,406	*2,3,5 165,709
Deferred tax liabilities	-	2,551
Liabilities for retirement benefits	212	251
Guarantee deposits	1,323	1,369
Construction assistance fund	427	372
Other	*2 297	*2 292
Total non-current liabilities	133,666	191,547
Total liabilities	173,164	246,166
NET ASSETS		
Shareholders' equity		
Capital stock	16,227	20,595
Capital surplus	17,985	22,471
Retained earnings	43,615	50,269
Treasury stock at cost	(883)	(0)
Total shareholders' equity	76,945	93,336
Accumulated other comprehensive income		
Unrealized gain on available for-sale securities	180	965
Foreign currency translation adjustment	(97)	(5)
Total accumulated other comprehensive income	83	959
Non-controlling interests	671	8,731
Total net assets	77,699	103,028
Total liabilities and net assets	250,864	349,194

2) [Consolidated statements of income and consolidated statements of comprehensive income]

[Consolidated statements of income]

(millions of yen)

	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
Net sales	101,120	90,460
Cost of sales	*1 73,456	*1 72,606
Gross profit	27,664	17,854
Selling, general and administrative expenses	*2 10,308	*2 8,392
Operating income	17,355	9,461
Non-operating income		
Interest income	1	33
Dividends	13	11
Share of profit of entities accounted for using equity method	—	839
Foreign exchange gains	5	1,065
Gain on valuation of interest rate swaps	71	47
Penalty income	27	26
Other	19	110
Total non-operating income	139	2,134
Non-operating expenses		
Interest expenses	1,884	2,552
Interest expenses on bonds	—	159
Commission fee	309	743
Other	52	35
Total non-operating expenses	2,246	3,491
Ordinary income	15,247	8,105
Extraordinary income		
Gain on sales of non-current assets	*3 26	—
Subsidy income	27	—
Refund of consumption tax for prior periods	149	—
Gain on bargain purchase	—	*6 4,307
Total extraordinary income	203	4,307
Extraordinary loss		
Head office relocation expenses	—	*7 187
Loss on sales of non-current assets	*4 7	—
Loss on retirement of non-current assets	*5 0	*5 2
Loss on temporary closure	*8 101	—
Loss on valuation of investment securities	—	10
Total extraordinary losses	108	201
Income before income taxes	15,342	12,211
Income taxes-current	4,855	2,315
Income taxes-deferred	(201)	(196)
Total income taxes	4,654	2,119
Net income	10,688	10,092
Profit attributable to non-controlling interests	72	79
Profit attributable to owners of parent	10,615	10,012

[Consolidated statements of comprehensive income]

	(millions of yen)	
	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
Net income	10,688	10,092
Other comprehensive income		
Unrealized gain on available for-sale securities	(454)	784
Foreign currency translation adjustment	(34)	247
Total other comprehensive income	* (488)	* 1,032
Comprehensive income	10,199	11,125
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	10,126	10,889
Comprehensive income attributable to non-controlling interests	73	235

3) [Consolidated statements of changes in net assets]

Year ended November 30, 2020 (December 1, 2019 to November 30, 2020)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity
Balance at the end of previous period	16,184	17,938	36,335	(3)	70,455
Changes of items during the period					
Issuance of new shares	43	43			87
Dividends from surplus			(3,335)		(3,335)
Profit attributable to owners of parent			10,615		10,615
Purchase of treasury shares				(893)	(893)
Disposal of treasury shares		3		12	15
Increase (decrease) due to increase in consolidated subsidiaries					—
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes of items other than shareholders' equity					
Total changes of items during the period	43	47	7,279	(880)	6,489
Balance at the end of current period	16,227	17,985	43,615	(883)	76,945

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Unrealized gain on available for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the end of previous period	634	(62)	571	—	600	71,627
Changes of items during the period						
Issuance of new shares						87
Dividends from surplus						(3,335)
Profit attributable to owners of parent						10,615
Purchase of treasury shares						(893)
Disposal of treasury shares						15
Increase (decrease) due to increase in consolidated subsidiaries						—
Change in ownership interest of parent due to transactions with non-controlling interests						0
Net changes of items other than shareholders' equity	(454)	(34)	(488)	—	70	(417)
Total changes of items during the period	(454)	(34)	(488)	—	70	6,071
Balance at the end of current period	180	(97)	83	—	671	77,699

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

(millions of yen)

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

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Unrealized gain on available for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the end of previous period	180	(97)	83	—	671	77,699
Changes of items during the period						
Issuance of new shares						8,736
Dividends from surplus						(3,344)
Profit attributable to owners of parent						10,012
Purchase of treasury shares						(385)
Disposal of treasury shares						1,386
Increase (decrease) due to increase in consolidated subsidiaries						(14)
Change in ownership interest of parent due to transactions with non-controlling interests						—
Net changes of items other than shareholders' equity	784	91	876	—	8,060	8,937
Total changes of items during the period	784	91	876	—	8,060	25,328
Balance at the end of current period	965	(5)	959	—	8,731	103,028

4) [Consolidated statements of cash flows]

(millions of yen)

	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
Operating activities		
Income before income taxes	15,342	12,211
Depreciation	1,027	1,018
Amortization of goodwill	0	0
Increase (decrease) in allowance for doubtful accounts	—	(2)
Increase (decrease) in net defined benefit liability	28	39
Interest and dividends income	(14)	(45)
Interest expenses	1,884	2,712
Commission fee	309	743
Foreign exchange losses (gains)	1	(1,065)
Gain on valuation of interest rate swaps	(71)	(47)
Penalty income	(27)	(26)
Subsidy income	(27)	—
Loss (gain) on sales of property and equipment	(19)	—
Refund of consumption tax for prior periods	(149)	—
Loss on temporary closure	101	—
Share of loss (profit) of entities accounted for using equity method	—	(839)
Gain on bargain purchase	—	(4,307)
Head office relocation expenses	—	187
Decrease (increase) in notes and accounts receivable - trade	(581)	(425)
Decrease (increase) in inventories	9,465	(13,741)
Increase (decrease) in notes and accounts payable - trade	(96)	1,636
Increase (decrease) in accrued consumption taxes	272	(312)
Increase (decrease) in lease and guarantee deposits received	(75)	22
Loss (gain) on valuation of investment securities	—	10
Other - net	(11,298)	2,671
Subtotal	<u>16,071</u>	<u>443</u>
Decrease in interest and dividends receivable	14	12
Decrease in interest payable	(2,007)	(2,509)
Penalty income received	27	—
Payment for loss on temporary closure	(97)	(4)
Income taxes (paid) refunded	(2,050)	(4,671)
Net cash provided by (used in) operating activities	<u>11,958</u>	<u>(6,728)</u>
Investing activities		
Payments into time deposits	(60)	(85)
Proceeds from withdrawal of time deposits	37	4
Purchase of property and equipment	(28,745)	(34,459)
Proceeds from sales of property and equipment	385	—
Purchase of intangible assets	(24)	(324)
Purchase of investment securities	(3,340)	(5,125)
Proceeds from redemption of investment securities	118	3,321
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 —	*2 (6,926)
Purchase of investments in affiliates	—	(8,652)
Long-term loan advances	(130)	—
Payments for investments in capital	(1)	(28)
Payments of construction assistance fund receivables	(55)	(55)
Other - net	—	(16)
Net cash provided by (used in) investing activities	<u>(31,815)</u>	<u>(52,348)</u>

(millions of yen)

	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
Financing activities		
Increase in short-term loans payable	30,023	32,663
Decrease in short-term loans payable	(15,455)	(37,223)
Proceeds from issuance of bonds	5,000	4,000
Proceeds from issuance of bonds with share acquisition rights	—	12,000
Proceeds from long-term loans	65,861	113,794
Repayments of long-term loans	(63,372)	(62,831)
Purchase of treasury shares	(893)	(385)
Dividends paid	(3,334)	(3,344)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2)	(200)
Other - net	(339)	(814)
Net cash provided by (used in) financing activities	17,488	57,658
Effect of exchange rate change on cash and cash equivalents	(8)	166
Net increase (decrease) in cash and cash equivalents	(2,377)	(1,252)
Cash and cash equivalents, beginning of the period	44,102	41,724
Increase in cash and cash equivalents from newly consolidated subsidiary	—	116
Cash and cash equivalents, end of the period	*1 41,724	*1 40,589

[Notes]

(Material items fundamental to the preparation of consolidated financial statements)

1. Items relating to the scope of consolidation

(1) Number of consolidated subsidiaries: 20

Names of consolidated subsidiaries

Hikone SC Ltd.

Samty Hotel Management Co., Ltd.

Samty Property Management Co., Ltd.

Samty Asset Management Co., Ltd.

S Hotel Operations Nagasaki LLC

S Hotel Operations Nagasaki General Incorporated Association

S Hotel Operations Utsunomiya LLC

S Hotel Operations Utsunomiya General Incorporated Association

S Hotel Operations Hakata LLC

S Hotel Operations Kyoto Tambaguchi LLC

SI Kaihatsu LLC

S Hotel Operations General Incorporated Association

SAMTY Asia Investments Pte. Ltd.

S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY

Samty Vietnam Co., Ltd.

S Hotel Operations Nagoya LLC

S Hotel Operations Kyoto Horikawa LLC

R&K Limited

S Hotel Operations Kyoto Shijo LLC

S Hotel Operations Kyoto Oike LLC

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

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

(2) Names of material unconsolidated subsidiaries

Samty Japan Hotel REIT, Inc.

Reason for exclusion from the scope of consolidation

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

2. Items relating to the application of the equity method

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

Names of affiliated companies accounted for by the equity method:

Wealth Management, Inc.

Shangri-La Kyoto Nijojo Special Purpose Company

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

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

Samty Japan Hotel REIT, Inc.

Reasons for exclusion from scope of application of equity method

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

(3) Items to be noted in particular regarding procedures for application of equity method

Of the companies accounted for by the equity method, the financial statements for the fiscal year of the relevant company or the financial statements based on the most recent quarterly financial results are used for those whose balance sheet date is different from the consolidated balance sheet date.

3. Items relating to the fiscal year of consolidated subsidiaries

Among the consolidated subsidiaries, the balance sheet dates for SAMTY Asia Investments Pte. Ltd., S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY and Samty Vietnam Co., Ltd. is September 30. In the preparation of the consolidated financial statements, since the difference in the balance sheet dates is less than three months, the consolidated financial statements have been prepared based on the subject balance sheet dates for the subject subsidiaries. However, should material transactions occur during the period to the consolidated balance sheet date, the consolidated statements will be adjusted as necessary.

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

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

4. Items relating to accounting standards

(1) Valuation standards and valuation methods for material assets

1) Securities

Available-for-sale securities

Securities with current market value

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

Securities without current market value

The Company applies a cost method using a moving average.

2) Derivatives

Market value method applied

3) Inventory

Real estate for sale and real estate for sale under construction

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

Merchandise and supplies

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

(2) Method of depreciating material depreciable assets

1) Property and equipment (excluding lease assets)

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

Main lifetime durations are as follows.

Buildings and structures 5–50 years

Buildings in trust 8–45 years

2) Intangible assets (excluding lease assets)

The Company applies the straight-line method.

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

3) Leased assets

Assets related to finance lease transactions without ownership-transfer

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

4) Long-term prepaid expenses

The Company applies the straight-line method.

(3) Method of amortization of material deferred assets

Share issuance costs The costs are amortized by using the straight-line method over a three-year amortization period.

Bond issuance costs The costs are amortized by using the straight-line method until the redemption of corporate bonds.

(4) Standards for recognizing material allowances

Allowance for doubtful accounts

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

(5) Method of accounting for employee retirement benefits

The Company applies a simplified method to calculate retirement benefit liabilities and retirement benefit expenses.

Under this method, the Company recognizes as retirement benefit obligation the amount the Company would pay if employees took voluntary retirement at end of period after deducting the amount receivable through the Smaller Enterprise Retirement Allowance Mutual Aid System.

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

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

(7) Method for amortization of goodwill and amortization period

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

(8) Scope of funds presented in the consolidated statements of cash flows

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

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

Accounting treatment of consumption tax

The Company applies the net-of-tax method.

Non-deductible consumption tax, etc., relating to real estate for sale is included in the acquisition cost. Non-deductible consumption tax, etc., relating to fixed assets is recognized as a long-term prepaid expense (under Other under Assets, Investments and other assets) and amortized using the straight-line method over a five-year period.

(Significant Accounting Estimates)

Valuation of inventories

(1) Amount recorded on the consolidated financial statements for the current consolidated fiscal year

Real estate for sale	¥107,875 million
Real estate for sale under construction	¥71,075 million
Amount of valuation loss recorded (cost of sales)	¥68 million

(2) Information on the details of significant accounting estimates pertaining to identified items

1) Calculation method

In accordance with accounting standards for the valuation of inventories, real estate for sale and real estate for sale under construction are regarded as the balance sheet value based on the acquisition cost. If the net sales price at the end of the fiscal year is lower than the acquisition cost, the net sales price is regarded as the balance sheet value by judging that profitability is declining, and the difference between the acquisition cost and the net sales price is recognized as expenses for the fiscal year under review. The net sales price is calculated by deducting the estimated amount of sales expenses, etc. from the estimated sales amount in the business revenue and expenditure plan for each property.

2) Major assumptions

Samty Group owns apartments, office buildings, hotels, and commercial facilities.

The rent and yield for each property used to calculate the estimated sales amount of apartments and office buildings comprehensively take into account market trends, transaction cases of similar real estate and past results.

In calculating the estimated sales of hotels and commercial facilities, the Company estimates the average daily rate, average spending per customer, guestroom occupancy rate or number of guests and discount rate used to calculate the present value, based on the assumption that socioeconomic activities will gradually recover as the third vaccination wave has started as a countermeasure against COVID-19 and various economic stimulus measures are scheduled to be implemented.

3) Impact on the consolidated financial statements for the following fiscal year

The main assumptions are made based on the best estimates at the time of preparation of the consolidated financial statements. However, in particular, with respect to hotels and commercial facilities, if the estimated net sales price differs from the actual result due to a decline in the sales price associated with the deterioration of the real estate market caused by the impact of COVID-19, there is a possibility that the loss or gain for the following fiscal year may be impacted.

(Unapplied Accounting Standards, Etc.)

1. Accounting Standards for Revenue Recognition, Etc.

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021)

(1) Overview

This is a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following five steps.

Step 1: Identify contracts with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when performance obligations are fulfilled or as they are being fulfilled.

(2) Scheduled date of application

It is scheduled to be applied from the beginning of the fiscal year ending November 2022.

(3) Impact of adoption of the accounting standard, etc.

The amount of impact is being assessed upon the preparation of the consolidated financial statements.

2. Accounting Standard for Fair Value Measurement, Etc.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

In order to improve comparability with the provisions of international accounting standards, the "Accounting Standard for Fair Value Measurement" and the "Implementation Guidance on Accounting Standard for Fair Value Measurement" ("Fair Value Measurement Accounting Standard, etc.") were developed, and the guidance on the method of fair value measurement, etc. was established. Fair Value Measurement Accounting Standard, etc. is applied to the fair value of the following items.

- Financial instruments in the "Accounting Standard for Financial Instruments"
- Inventories held for trading purposes in the "Accounting Standard for Measurement of Inventories"

In addition, the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised, and notes on the breakdown of the fair value of financial instruments by level were stipulated.

(2) Scheduled date of application

It is scheduled to be applied from the beginning of the fiscal year ending November 2022.

(3) Impact of adoption of the accounting standard, etc.

The amount of impact is being assessed upon the preparation of the consolidated financial statements.

(Change in Presentation Methods)

(Related to Consolidated Statements of Income)

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

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

(Application of "Accounting Standard for Disclosure of Accounting Estimates")

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied from the consolidated financial statements for the end of the current consolidated fiscal year, and (significant accounting estimates) are indicated in the consolidated financial statements.

However, in this note, the details for the previous consolidated fiscal year are not indicated in accordance with the transitional treatment stipulated in Paragraph 11 of the accounting standard.

(Additional Information)

(Change of Holding Objective)

Owing to changes in holding objective, ¥12,704 million was transferred from property and equipment to inventory.

(Related to Consolidated Balance Sheets)

*1 Items for unconsolidated subsidiaries and affiliated companies are as follows.

	2020 (as of November 30, 2020)	2021 (as of November 30, 2021)
	(millions of yen)	(millions of yen)
Stocks of affiliated companies	—	4,791
Securities of affiliated companies	—	4,900
Investments in affiliated companies	20	—
Total	20	9,691

*2 Collateralized assets and secured liabilities

Assets pledged as collateral are as follows.

	2020 (as of November 30, 2020)	2021 (as of November 30, 2021)
	(millions of yen)	(millions of yen)
Cash and deposits	500	686
Real estate for sale	49,603	102,564
Real estate for sale under construction	39,108	48,119
Other (current assets)	1	1
Buildings and structures	17,256	22,855
Buildings in trust	3,391	1,571
Land	40,978	53,368
Land in trust	2,813	1,805
Construction in progress	3,969	6,172
Other (property and equipment)	34	10
Investment securities	368	4,328
Total	158,025	241,484

Secured liabilities are as follows.

	2020 (as of November 30, 2020)	2021 (as of November 30, 2021)
	(millions of yen)	(millions of yen)
Short-term borrowings	4,464	8,824
Current portion of long-term debt	12,785	31,305
Other (current liabilities)	3	—
Long-term debt	114,564	143,422
Other (non-current liabilities)	54	—
Total	131,872	183,553

*3 The Company concluded overdraft agreements and loan commitment agreements with correspondent banks to efficiently procure working capital. The balance of unexecuted loans related to overdraft agreements and loan commitments is as follows.

	2020 (as of November 30, 2020)	2021 (as of November 30, 2021)
	(millions of yen)	(millions of yen)
Maximum amount of overdraft and total amount of loan commitment	45,387	50,957
Balance of executed loan	23,355	26,306
Balance due	22,031	24,650

*4 Financial covenants

2020 (as of November 30, 2020)

Long-term debt of ¥297 million (including current portion of long-term debt of ¥22 million) are subject to financial covenants, which are as follows.

- 1) The interest coverage ratio calculated with the formula of (operating income + interest income) / interest expense in the income statement for the final fiscal year shall not be less than 1.
- 2) The net income in the statement of income for the final fiscal year and the previous fiscal year shall not become a deficit for two consecutive years or more.
- 3) Liabilities shall not exceed assets on the balance sheet of the final fiscal year.

2021 (as of November 30, 2021)

Not applicable.

*5 Non-recourse debt

(1) Non-recourse debt included in borrowings are as follows.

	2020 (as of November 30, 2020) (millions of yen)	2021 (as of November 30, 2021) (millions of yen)
Non-recourse debt out of long-term borrowings	—	15,000

(2) Assets corresponding to non-recourse debt are as follows.

	2020 (as of November 30, 2020) (millions of yen)	2021 (as of November 30, 2021) (millions of yen)
Cash and deposits	—	424
Real estate for sale	—	32,410

(Related to Consolidated Statement of Income)

*1 The amount of decrease in book value due to the decline in profitability of inventories held for ordinary sales purposes is as follows.

	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
	(millions of yen)	(millions of yen)
Cost of sales	267	68

*2 Major items and amounts of selling, general and administrative expenses are as follows.

	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
	(millions of yen)	(millions of yen)
Sales commission	240	11
Advertising expense	387	295
Rental brokerage fee	475	468
Provision of allowance for doubtful accounts	4	(0)
Executive compensation	889	694
Salary and allowance	1,313	1,442
Bonus	603	586
Retirement benefit expense	46	65
Taxes and public dues	2,123	2,029
Depreciation	136	139
Rent	1,705	590
Commission fee	717	889
Compensation paid	243	320

*3 The details of gain on sales of non-current assets are as follows.

	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
	(millions of yen)	(millions of yen)
Buildings and structures	(99)	—
Land	125	—
Total	26	—

*4 The details of loss on sales of non-current assets are as follows.

	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
	(millions of yen)	(millions of yen)
Buildings and structures	7	—
Total	7	—

*5 The details of loss on retirement of non-current assets are as follows.

	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
	(millions of yen)	(millions of yen)
Buildings and structures	0	1
Other	0	0
Total	0	2

*6 Gain on bargain purchase

Year ended November 30, 2020 (December 1, 2019 to November 30, 2020)

Not applicable.

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

This is attributable to the acquisition of the shares of S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY and equity interest in silent partnership business of R&K Limited.

For details, please refer to "Section 5. Financial information; 1. Consolidated financial statements, etc. (1) Consolidated financial statements Notes (Related to Business Combinations, Etc.)".

*7 Head office relocation expenses

Year ended November 30, 2020 (December 1, 2019 to November 30, 2020)

Not applicable.

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

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

*8 Loss on temporary closure

Year ended November 30, 2020 (December 1, 2019 to November 30, 2020)

In response to the state of emergency declared by the government due to the spread of COVID-19 infection, we temporarily closed some hotels in Samty Group. For this reason, fixed expenses (personnel expenses, land rent, depreciation, etc.) which incurred at hotels, etc. during the period of temporary closure are recorded as extraordinary loss due to the temporary closure.

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

Not applicable.

(Related to Consolidated Statements of Comprehensive Income)

* Amount of reclassification adjustment and tax effect related to other comprehensive income

	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
Unrealized gain on available for-sale securities		
Amount incurred during the current period	(¥654 million)	¥1,131 million
Reclassification adjustment	¥- million	¥- million
Before adjustment of tax effect	(¥654 million)	¥1,131 million
Tax effect	¥200 million	(¥346 million)
Unrealized gain on available for-sale securities	(¥454 million)	¥784 million
Foreign currency translation adjustment		
Amount incurred during the current period	(¥34 million)	¥247 million
Reclassification adjustment	¥- million	¥- million
Before adjustment of tax effect	(¥34 million)	¥247 million
Tax effect	¥- million	¥- million
Foreign currency translation adjustment	(¥34 million)	¥247 million
Total other comprehensive income	(¥488 million)	¥1,032 million

(Related to Consolidated Statements of Changes in Net Assets)

Year ended November 30, 2020 (December 1, 2019 to November 30, 2020)

1. Items relating to shares issued and outstanding and treasury stock

Type of share	Beginning of the subject consolidated fiscal year	Increase	Decrease	End of the subject consolidated fiscal year
Shares issued and outstanding				
Common stock (shares)	40,946,240	73,900	—	41,020,140
Treasury stock at cost				
Common stock (shares)	1,659	645,653	8,900	638,412

(Outline of Reason for Change)

The breakdown of the increase in the total number of common stock issued and outstanding is as follows.

Increase due to issuance of new shares as restricted stock compensation 73,900 shares

The breakdown of the increase in treasury stock is as follows.

Increase due to acquisition of treasury stock based on a resolution by the Board of Directors 644,400 shares

Increase due to purchase of shares less than one unit 1,253 shares

The breakdown of the decrease in treasury stock is as follows.

Decrease due to disposal of treasury stock as restricted stock compensation 8,900 shares

2. Items relating to subscription rights to shares, etc.

Not applicable.

3. Items relating to dividends

(1) Dividends paid

Resolution	Type of share	Source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
February 27, 2020 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	1,801	44.00	November 30, 2019	February 28, 2020
July 15, 2020 Board of Directors	Common stock	Retained earnings	1,534	38.00	May 31, 2020	August 17, 2020

(2) Dividends whose effective date falls in the following consolidated fiscal year among those whose record date belongs to the subject consolidated fiscal year

Resolution	Type of share	Source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
February 25, 2021 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	1,776	44.00	November 30, 2020	February 26, 2021

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

1. Items relating to shares issued and outstanding and treasury stock

Type of share	Beginning of the subject consolidated fiscal year	Increase	Decrease	End of the subject consolidated fiscal year
Shares issued and outstanding				
Common stock (shares)	41,020,140	5,447,945	—	46,468,085
Treasury stock at cost				
Common stock (shares)	638,412	229,052	867,263	201

(Outline of Reason for Change)

The breakdown of the increase in the total number of common stock issued and outstanding is as follows.

Increase due to issuance of new shares as restricted stock compensation	61,300 shares
Increase due to conversion of bonds with share acquisition rights into shares	5,386,645 shares

The breakdown of the increase in treasury stock is as follows.

Increase due to acquisition of treasury stock based on a resolution by the Board of Directors	228,100 shares
Increase due to purchase of shares less than one unit	952 shares

The breakdown of the decrease in treasury stock is as follows.

Decrease due to conversion of bonds with share acquisition rights into shares	867,263 shares
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2. Items relating to subscription rights to shares, etc.

Not applicable.

3. Items relating to dividends

(1) Dividends paid

Resolution	Type of share	Source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
February 25, 2021 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	1,776	44.00	November 30, 2020	February 26, 2021
June 30, 2021 Board of Directors	Common stock	Retained earnings	1,568	39.00	May 31, 2021	August 16, 2021

(2) Dividends whose effective date falls in the following consolidated fiscal year among those whose record date belongs to the subject consolidated fiscal year

Resolution	Type of share	Source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
February 24, 2022 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	2,369	51.00	November 30, 2021	February 25, 2022

(Notes Related to the Consolidated Statements of Cash Flows)

- *1 Reconciliation of end-of-period balance of cash and cash equivalents with items presented on the consolidated balance sheets

	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
	(millions of yen)	(millions of yen)
Cash and deposits	42,511	41,646
Time deposits with maturities exceeding three months	(252)	(332)
Trust deposits with use restrictions	(432)	(641)
Deposits with withdrawal restrictions	(103)	(83)
Cash and cash equivalents	41,724	40,589

- *2 Major breakdown of assets and liabilities of companies that newly become consolidated subsidiaries due to acquisition of shares, etc.

Year ended November 30, 2020 (December 1, 2019 to November 30, 2020)

Not applicable.

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

The breakdown of assets and liabilities upon the commencement of consolidation due to the consolidation of S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY with the acquisition of shares through SAMTY ASIA INVESTMENTS PTE.LTD., which is our subsidiary, and the relationship between the acquisition price of the company and the expenditure (net amount) for the acquisition are as follows.

Current assets	¥18,628 million
Non-current assets	¥-million
Current liabilities	(¥1,062 million)
Non-current liabilities	¥261 million
Foreign currency translation adjustment	¥470 million
Non-controlling interests	(¥1,730 million)
Gain on bargain purchase	(¥917 million)
Acquisition price of shares	¥15,126 million
Paid deposits for the previous fiscal year	(¥12,140 million)
Cash and cash equivalents	(¥0 million)
Net: Expenditure for acquisition	¥2,985 million

The breakdown of assets and liabilities upon the commencement of consolidation due to the consolidation of R&K Limited with the acquisition of equity interest in silent partnership business and the relationship between the acquisition price of the company and the expenditure (net amount) for the acquisition are as follows.

Current assets	¥33,419 million
Non-current assets	¥-million
Current liabilities	(¥645 million)
Non-current liabilities	(¥17,290 million)
Non-controlling interests	(¥6,094 million)
Gain on bargain purchase	(¥3,389 million)
Acquisition price of shares	¥6,000 million
Cash and cash equivalents	(¥2,059 million)
Net: Expenditure for acquisition	¥3,940 million

3. Details of significant non-fund transactions

Exercise of subscription rights to shares in convertible bonds with share acquisition rights

	2020 (From December 1, 2019 to November 30, 2020) (millions of yen)	2021 (From December 1, 2020 to November 30, 2021) (millions of yen)
Amount of increase in capital due to the exercise of subscription rights to shares	-	4,306
Amount of increase in capital surplus due to the exercise of subscription rights to shares	-	4,424
Amount of decrease in treasury stock due to the exercise of subscription rights to shares	-	1,268
Amount of decrease in bonds with share acquisition rights due to the exercise of subscription rights to shares	-	10,000

(Related to Lease Transactions)

1. Finance lease transactions (Lessee)

Finance lease transactions without ownership-transfer

1) Details of lease assets

Property and equipment: Solar power generation facilities (others) and company vehicles (others), etc.

2) Method of depreciating leased assets

As described in "4. Items relating to accounting standards (2) Method of depreciating material depreciable assets" which is a material item fundamental to the preparation of consolidated financial statements.

2. Operating lease transactions (lessee)

Future lease payments for non-cancelable operating lease transactions

	2020 (as of November 30, 2020)	2021 (as of November 30, 2021)
Within one year	¥1,939 million	¥2,455 million
Over one year	¥19,310 million	¥22,438 million
Total	¥21,249 million	¥24,893 million

(Related to Financial Instruments)

1. Items relating to the status of financial instruments

(1) Policy on financial instruments

Samty Group procures funds mainly through borrowings from banks and other financial institutions.

(2) Details of financial instruments, their risks and risk management system

Receivables, which are operating receivables, are exposed to the credit risk of customers. With regard to such risks, we aim to reduce risks by regularly understanding the credit status of customers as well as understanding the receivable balance from time to time.

Investment securities are mainly shares of companies with business relationships. Of such shares, listed shares are exposed to the fluctuation risk of market price. With regard to such risks, we aim to reduce risks by understanding the market values on a regular basis.

Notes and accounts payable, which are operating payables, are due within one year.

Most of the short-term borrowings, long-term debt (including current portion of long-term debt), corporate bonds and bonds with share acquisition rights are exposed to the fluctuation risk of interest rates. As for the liquidity risk associated with such funding, we prepare and update funding plans on a regular basis as well as manage liquidity risk by maintaining liquidity on hand.

Construction assistance fund is for rental facilities.

2. Items relating to the market value of financial instruments, etc.

The amount recorded on the consolidated balance sheets, market value and the difference are as follows. Those whose market value is deemed extremely difficult to understand are not included. (Refer to (Note 2))

2020 (as of November 30, 2020)

	Amount recorded on consolidated balance sheet (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
(1) Cash and deposits	42,511	42,511	—
(2) Receivables	1,395	1,395	—
(3) Investment securities	9,276	9,276	—
Total assets	53,184	53,184	—
(1) Notes and accounts payable	381	381	—
(2) Short-term borrowings	16,883	16,883	—
(3) Bonds payable	5,000	5,000	—
(4) Bonds with share acquisition rights	10,000	9,595	(404)
(5) Long-term debt (including current portion of long-term debt)	131,121	131,167	45
Total liabilities	163,387	163,028	(358)

2021 (as of November 30, 2021)

	Amount recorded on consolidated balance sheet (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
(1) Cash and deposits	41,646	41,646	—
(2) Receivables	1,858	1,858	—
(3) Investment securities	17,262	21,465	4,202
Total assets	60,767	64,970	4,202
(1) Notes and accounts payable	3,304	3,304	—
(2) Short-term borrowings	12,325	12,325	—
(3) Bonds payable	9,000	9,169	169
(4) Bonds with share acquisition rights	12,000	11,313	(686)
(5) Long-term debt (including current portion of long-term debt)	197,906	198,414	507
Total liabilities	234,536	234,526	(10)

(Note 1) Calculation method of market value of financial instruments and items relating to securities

Assets

(1) Cash and deposits and (2) Receivables

Since these are settled in a short period of time, the market value is almost the same as the book value and the book value is therefore used.

(3) Investment securities

As for the market value, shares are based on the exchange price. For notes on securities by holding purpose, please refer to "Notes relating to securities."

Liabilities

(1) Notes and accounts payable

Since these are settled in a short period of time, the market value is almost the same as the book value and the book value is therefore used.

(2) Short-term borrowings

Since these are settled in a short period of time, the market value is almost the same as the book value and the book value is therefore used.

(3) Bonds payable

Those applying fixed interest rate are based on the present value obtained by discounting the total amount of principal and interest at the interest rate assumed when newly conducting the same issuance.

(4) Bonds with share acquisition rights

Calculated based on the present value obtained by discounting the total amount of principal and interest (zero interest rate) at the interest rate assumed when newly conducting the same issuance.

(5) Long-term debt (including current portion of long-term debt)

Since those applying floating interest rate reflect the market interest rate in a short period of time, the market value is almost the same as the book value and the book value is therefore used.

Those applying fixed interest rates are based on the present value obtained by discounting the total amount of principal and interest at the interest rate assumed when newly conducting the same borrowing.

(Note 2) Amount recorded on the consolidated balance sheet of financial instruments whose market value is deemed extremely difficult to understand

(millions of yen)		
Category	November 30, 2020	November 30, 2021
Unlisted shares (*1)	27	16
Investments in investment limited partnership (*1)	3,588	276
Investments in silent partnership (*1)	2,942	5,665
Preferred equity securities (*1)	—	4,700
Guarantee deposits (*2)	1,323	1,369
Total	7,881	12,028

(*1) They are not included in "(3) Investment securities" as they do not have market prices and it is deemed extremely difficult to understand their market values.

(*2) Since there is no market price and it is difficult to calculate a substantial period, reasonable cash flow cannot be estimated. Therefore, market value is not indicated.

(Note 3) Scheduled redemption amount of monetary claims after the consolidated balance sheet date
2020 (as of November 30, 2020)

	Within one year (millions of yen)	Over one year and within five years (millions of yen)	Over five years and within ten years (millions of yen)	Over ten years (millions of yen)
Cash and deposits	42,511	—	—	—
Receivables	1,395	—	—	—
Total	43,907	—	—	—

2021 (as of November 30, 2021)

	Within one year (millions of yen)	Over one year and within five years (millions of yen)	Over five years and within ten years (millions of yen)	Over ten years (millions of yen)
Cash and deposits	41,646	—	—	—
Receivables	1,858	—	—	—
Total	43,505	—	—	—

(Note 4) Scheduled repayment amount of corporate bonds, long-term debt and other interest-bearing debt after the consolidated balance sheet date

2020 (as of November 30, 2020)

	Within one year (millions of yen)	Over one year and within two years (millions of yen)	Over two years and within three years (millions of yen)	Over three years and within four years (millions of yen)	Over four years and within five years (millions of yen)	Over five years (millions of yen)
Bonds payable	—	—	5,000	—	—	—
Bonds with share acquisition rights	—	—	—	10,000	—	—
Short-term borrowings	16,883	—	—	—	—	—
Long-term debt	14,715	26,357	17,103	7,687	4,433	60,825
Total	31,599	26,357	22,103	17,687	4,433	60,825

2021 (as of November 30, 2021)

	Within one year (millions of yen)	Over one year and within two years (millions of yen)	Over two years and within three years (millions of yen)	Over three years and within four years (millions of yen)	Over four years and within five years (millions of yen)	Over five years (millions of yen)
Bonds payable	—	5,000	4,000	—	—	—
Bonds with share acquisition rights	—	—	—	—	12,000	—
Short-term borrowings	12,325	—	—	—	—	—
Long-term debt	32,197	30,207	37,728	12,861	18,470	66,442
Total	44,522	35,207	41,728	12,861	30,470	66,442

(Related to Securities)

1. Available-for-sale securities with current market value

2020 (as of November 30, 2020)

Category	Type	Amount recorded on consolidated balance sheet (millions of yen)	Acquisition price (millions of yen)	Difference (millions of yen)
Those whose amount recorded on the consolidated balance sheet exceeds the acquisition cost	Shares	83	5	77
	Other	9,132	8,882	249
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	Shares	60	62	(2)
	Other	1	1	(0)
Total		9,276	8,952	324

2021 (as of November 30, 2021)

Category	Type	Amount recorded on consolidated balance sheet (millions of yen)	Acquisition price (millions of yen)	Difference (millions of yen)
Those whose amount recorded on the consolidated balance sheet exceeds the acquisition cost	Shares	4,841	3,957	883
	Other	12,368	11,029	1,339
Those whose amount recorded on the consolidated balance sheet does not exceed the acquisition cost	Shares	51	62	(10)
	Other	—	—	—
Total		17,262	15,049	2,212

2. Available-for-sale securities sold during the consolidated fiscal year

2020 (as of November 30, 2020)

Not applicable.

2021 (as of November 30, 2021)

Not applicable.

3. Securities recognized as impairment loss

During the fiscal year under review, we recognized ¥10 million of securities (¥10 million of shares of available-for-sale securities) as impairment loss.

(Derivative Transactions)

Derivative transactions for which hedge accounting is not applied

Related to interest rate

2020 (as of November 30, 2020)

	Type	Contract amount, etc. (millions of yen)	Market value (millions of yen)	Loss (gain) on valuation (millions of yen)
Transactions other than market transaction	Interest rate swaps Fixed payment and floating receipt	30,000	(96)	71
Total		30,000	(96)	71

(Note) Calculation method of market value: Calculated based on the price, etc. presented by correspondent financial institutions.

2021 (as of November 30, 2021)

	Type	Contract amount, etc. (millions of yen)	Market value (millions of yen)	Loss (gain) on valuation (millions of yen)
Transactions other than market transaction	Interest rate swaps Fixed payment and floating receipt	30,000	(49)	47
Total		30,000	(49)	47

(Note) Calculation method of market value: Calculated based on the price, etc. presented by correspondent financial institutions.

(Related to Retirement Benefits)

Year ended November 30, 2020 (December 1, 2019 to November 30, 2020)

1. Outline of the adopted retirement benefit plan

Samty Group has a lump-sum retirement allowance plan as a defined benefit plan. However, the Company has joined the Smaller Enterprise Retirement Allowance Mutual Aid System, a defined contribution plan, and the amount after deducting the amount of payment from the plan is paid as a lump-sum retirement allowance by Samty Group.

2. Defined benefit plan

(1) Reconciliation sheet of the balance of liabilities at the beginning and end of period related to retirement benefits based on the system applying the simplified method

Balance of liabilities for retirement benefits at the beginning of the period	¥183 million
Retirement benefit expense	¥45 million
Amount of payment of retirement benefits	(¥2 million)
Amount of contribution to the plan	(¥14 million)
<hr/> Balance of liabilities for retirement benefits at the end of the period	<hr/> ¥212 million

(2) Retirement benefit expense

Retirement benefit expense calculated using the simplified method	¥45 million
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Year ended November 30, 2021 (December 1, 2020 to November 30, 2021)

1. Outline of the adopted retirement benefit plan

Samty Group has a lump-sum retirement allowance plan as a defined benefit plan. However, the Company has joined the Smaller Enterprise Retirement Allowance Mutual Aid System, a defined contribution plan, and the amount after deducting the amount of payment from the plan is paid as a lump-sum retirement allowance by Samty Group.

2. Defined benefit plan

(1) Reconciliation sheet of the balance of liabilities at the beginning and end of period related to retirement benefits based on the system applying the simplified method

Balance of liabilities for retirement benefits at the beginning of the period	¥212 million
Retirement benefit expense	¥65 million
Amount of payment of retirement benefits	(¥9 million)
Amount of contribution to the plan	(¥16 million)
<hr/> Balance of liabilities for retirement benefits at the end of the period	<hr/> ¥251 million

(2) Retirement benefit expense

Retirement benefit expense calculated using the simplified method	¥65 million
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(Related to Tax Effect Accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

	2020 (as of November 30, 2020)	2021 (as of November 30, 2021)
Deferred tax assets	(millions of yen)	(millions of yen)
Tax loss carried forward (Note 2)	110	225
Elimination of unrealized profit	9	36
Allowance for doubtful accounts	39	137
Accrued bonus	69	68
Loss on valuation of inventories	98	9
Accrued enterprise tax	221	128
Provision for loss on subleasing	—	46
Provision for loss on contract	—	56
Liabilities for retirement benefits	66	79
Impairment loss	47	47
Derivative liabilities	29	—
Consumption tax for prior periods	82	82
Restricted stock compensation	48	84
Point-based monetary reward allowance	29	52
Other	73	155
Subtotal of deferred tax assets	926	1,211
Valuation allowance for tax loss carried forward (Note 2)	(110)	(174)
Valuation allowance for the total of deductible temporary differences, etc.	(37)	(60)
Subtotal of valuation allowance (Note 1)	(148)	(235)
Total deferred tax assets	777	975
Deferred tax liabilities		
Unrealized gain on available for-sale securities	79	(425)
Difference in valuation of market value of consolidated subsidiaries	—	(2,551)
Other	4	(4)
Total deferred tax liabilities	83	(2,981)
Net deferred tax assets (liabilities)	693	(2,005)

(Note 1) Valuation allowance increased by ¥87 million. The main factor of this increase was the additional recognition of ¥22 million of valuation allowance for point-based monetary reward allowance at the Company and ¥64 million of valuation allowance for tax loss carried forward at consolidated subsidiaries.

(Note 2) Tax loss carried forward and amount of deferred tax assets by carry-over deadline

2020 (as of November 30, 2020)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	Total
Tax loss carried forward (a)	—	—	—	—	—	110	¥110 million
Valuation allowance	—	—	—	—	—	(110)	(¥110 million)
Deferred tax assets	—	—	—	—	—	—	—

(a) Tax loss carried forward is the amount calculated by multiplying the legal effective tax rate.

2021 (as of November 30, 2021)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	Total
Tax loss carried forward (b)	—	—	—	8	42	174	¥225 million
Valuation allowance	—	—	—	—	—	(174)	(¥174 million)
Deferred tax assets	—	—	—	8	42	—	¥50 million

(b) Tax loss carried forward is the amount calculated by multiplying the legal effective tax rate.

2. Breakdown by major item that caused material difference between the legal effective tax rate and the burden rate of corporate tax, etc. after application of tax effect accounting when there is such difference

	2020 (as of November 30, 2020)	2021 (as of November 30, 2021)
Legal effective tax rate		30.6%
(Adjustment)		
Items that are permanently not included in deductible expenses such as entertainment expenses		0.4%
Items that are permanently not included in taxable income such as dividends	Description is omitted as the difference between the legal effective tax rate and the burden rate of corporate tax after the application of tax effect accounting is less than 5/100 of the legal effective tax rate.	(0.0%)
Increase (decrease) in valuation allowance		0.2%
Special deduction for corporation tax		(0.3%)
Equity in earnings (losses) of affiliated companies		(2.1%)
Gain on bargain purchase		(10.8%)
Difference in tax rate with overseas subsidiaries		(1.2%)
Losses of subsidiaries for which deferred tax assets have not been recorded		1.0%
Other		(0.4%)
Burden rate of corporate tax, etc. after application of tax effect accounting		17.4%

(Related to Business Combinations, Etc.)

Business combination through acquisition

At a meeting of the Board of Directors held on December 21, 2020, we resolved to make S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY ("S-VIN") a subsidiary by acquiring its shares through our subsidiary SAMTY ASIA INVESTMENTS PTE.LTD. ("SAI"). We concluded a share transfer agreement on December 23, 2020, and acquired the shares on December 24, 2020.

(1) Overview of Business Combination

1) Name and business description of acquired company

Name of acquired company : S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY

Description of business : Real estate development

2) Main reason for the business combination

The business combination was conducted with an aim to lead a for-sale housing project in Hanoi, Vietnam (the "Project") to be conducted jointly with Vietnam's largest real estate developer VINHOMES JOINT STOCK COMPANY ("VHM"), by acquiring 90% of the shares of S-VIN, which is a subsidiary of VHM and engaged in for-sale housing projects, through the Company's subsidiary SAI.

We believe that the promotion of the Project will contribute to the strengthening of the stability and profitability of Samty Group and the improvement of the corporate value of Samty Group.

3) Date of business combination

December 24, 2020

4) Legal method of business combination

Acquisition of shares

5) Name of company after the combination

There is no change.

6) Percentage of voting rights acquired

Percentage of voting rights after acquisition: 90.0%

7) Main rationale for deciding the acquiring company

Because SAI acquired shares in exchange for cash.

(2) Period of performance of the acquired company included in the consolidated financial statements

December 25, 2020 to September 30, 2021

(3) Acquisition cost of the acquired company and its breakdown

Consideration for acquisition	Cash	3,272,583 million VND
Acquisition cost		3,272,583 million VND

(4) Details and amount of main acquisition-related expenses

Advisory expenses, etc. ¥75 million

(5) Amount and cause of occurrence of gain on bargain purchase

1) Amount of gain on bargain purchase

¥917 million

2) Cause of occurrence

Since the market value of net assets of the acquired company at the time of business combination exceeded the acquisition cost, the difference is recognized as gain on bargain purchase.

(6) Amount of assets received and liabilities assumed on the date of business combination and the main breakdown

Current assets	3,867,786 million VND
Total assets	3,867,786 million VND
Current liabilities	239,925 million VND
Total liabilities	239,925 million VND

Business combination through acquisition

At a meeting of the Board of Directors held on March 26, 2021, we resolved the transfer of the consolidated subsidiaries due to the acquisition of equity interest in silent partnership of R&K Limited, which owns and manages trust beneficiary rights with "Aloft Osaka Dojima" operated by the world's largest hotel chain Marriott International as the trust asset. On March 30, 2021, we concluded an equity interest transfer agreement and then acquired 27.2% of equity interest on April 16, 2021, and 28.4% of equity interest on April 23, 2021.

(1) Overview of Business Combination

1) Name and business description of acquired company

Name of acquired company : R&K Limited
Description 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, and any other businesses incidental or related to such business

2) Main reason for the business combination

In the new medium-term management plan "Samty Toughening Plan (Post-COVID Version)" formulated in January 2021, we set a core strategy of continuing selective investments by eyeing the market after the recovery of demand for hotels. Aloft Hotel is a hotel brand for music creators and music-loving travelers operated by Marriott International. Currently, it is operating more than 190 hotels in 29 countries and territories around the world, and we believe that the promotion of this project will contribute to the strengthening of stability and profitability of Samty Group and the improvement of the corporate value of Samty Group.

3) Date of business combination

First/April 16, 2021 (Acquired 27.2% of equity interest)

Second/April 23, 2021 (Acquired 28.4% of equity interest)

4) Legal method of business combination

Acquisition of equity interest in silent partnership business

5) Name of company after the combination

There is no change.

6) Ratio of equity interest acquired

Ratio of equity interest after acquisition: 55.6%

7) Main rationale for deciding the acquiring company

Because the Company acquired equity interest in exchange for cash.

(2) Period of performance of the acquired company included in the consolidated financial statements

April 24, 2021 to November 30, 2021

(3) Breakdown of acquisition cost of the acquired company and consideration by type

Consideration for acquisition	Cash	¥6,000 million
Acquisition cost		¥6,000 million

(4) Details and amount of main acquisition-related expenses

Brokerage fee, etc. ¥151 million

(5) Amount and cause of occurrence of gain on bargain purchase

The Company recorded ¥3,389 million of gain on bargain purchase due to the acquisition of equity interest in silent partnership.

1) Amount of gain on bargain purchase, etc.

¥3,389 million

2) Cause of occurrence

Since the market value of net assets of the acquired company at the time of business combination exceeded the acquisition cost, the difference is recognized as gain on bargain purchase.

(6) Amount of assets received and liabilities assumed on the date of business combination and the main breakdown

Current assets	¥23,840 million
Total assets	¥23,840 million
Current liabilities	¥645 million
Non-current liabilities	¥23,192 million
Total liabilities	¥23,837 million

(Additional Information)

At a meeting of the Board of Directors held on March 29, 2021, we resolved the commencement of a hotel development project "(provisional name) Shangri-La Kyoto Nijojo" (the "Project") and the transfer of a subsidiary (sub-subsidiary) due to the indirect acquisition of equity interest in a special purpose company with Shangri-La Asia Ltd. ("Shangri-La Group"), which operates global hotel chains through our subsidiary SAMTY ASIA INVESTMENTS PTE. LTD. ("SAI"), as the joint developer.

(1) Overview of Business Combination

1) Name and business description of acquired company

Name of acquired company : Shangri-La Kyoto Nijojo Special Purpose Company
Description of business : Transfer of specified assets in accordance with the asset securitization plan based on the Act on Securitization of Assets and business pertaining to the management and disposition of such assets, and any other businesses incidental to the business pertaining to the securitization of such specified assets

2) Major reason for business combination

In the new medium-term management plan "Samty Toughening Plan (Post-COVID Version)" formulated in January 2021, we set a core strategy of continuing selective investments by eyeing the market after the recovery of demand for hotels. Shangri-La Group operates 102 hotels with four brands in 26 countries around the world. Shangri-La Hotels is a luxury five-star hotel operated mainly in major cities in the Asia-Pacific, Middle East, North America and Europe. Shangri-La Tokyo expanded into Japan for the first time in 2009, and the Project is the second project in Japan and the first in the Kansai region. We believe that the promotion of the Project will contribute to the strengthening of the stability and profitability of Samty Group and the improvement of the corporate value of Samty Group.

3) Date of business combination

First/November 30, 2021 (Acquired 49.0% of equity interest)
Second/During March 2022 (Scheduled to acquire 31.0% of equity interest)
Both of them will be acquired if the terms of the contract are satisfied.

4) Legal method of business combination

Acquisition of equity interest of a specific purpose company

5) Name of company after the combination

There is no change.

6) Ratio of equity interest to be acquired

Ratio of equity interest after acquisition: 80.0%

7) Main rationale for deciding the acquiring company

Because SAI acquired equity interest in exchange for cash.

(2) Period of performance of the acquired company included in the consolidated financial statements

Business performance of the acquired company is not included in the current consolidated fiscal year.

(3) Acquisition cost of the acquired company and its breakdown

Not disclosed due to the request of the counterparty from which the equity interest will be acquired.

(4) Details and amount of main acquisition-related expenses

Not determined as of now.

(5) Amount, cause of occurrence, amortization method and amortization period of goodwill

Not determined as of now.

(6) Amount of assets received and liabilities assumed on the date of business combination and the main breakdown

Not determined as of now.

(Related to Asset Retirement Obligations)

Description is omitted due to a lack of significance in terms of the total amount of asset retirement obligation.

(Related to Real Estate for Lease, Etc.)

Samty Group has rental apartments, office buildings (including land), etc. in the Kansai area centering on Osaka Prefecture, the Tokai area centering on Aichi Prefecture, the Kyushu area centering on Fukuoka Prefecture and other areas including Hokkaido Prefecture and Hiroshima Prefecture. In the fiscal year ended November 30, 2020, lease income from real estate for lease was ¥1,340 million (leasing revenues are presented within net sales and major costs of leasing are presented within cost of sales and selling, general and administrative expenses), and income from real estate sales was ¥25 million (presented within extraordinary income). In the fiscal year ended November 30, 2021, lease income from real estate for lease was ¥1,267 million (leasing revenues are presented within net sales and major costs of leasing are presented within cost of sales and selling, general and administrative expenses). There is no gain or loss on sales. For the real estate for lease, the amounts presented on the consolidated balance sheets, changes in value during each respective period, and fair market values were as presented below.

(millions of yen)

		2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
Amount recorded on consolidated balance sheet	Balance at the beginning of period	73,031	70,352
	Amount of increase (decrease) during the period	(2,679)	17,121
	Balance at the end of period	70,352	87,474
Market value at the end of period		72,307	90,060

(Note 1) The amount presented on the consolidated balance sheets is the acquisition cost price less the accumulated depreciation.

(Note 2) Within change during period, for the previous fiscal year, the main increases were due to new acquisition of non-current assets (¥25,260 million) and increase in construction in progress due to progress in construction work (¥4,288 million). The main decrease was due to transfer to inventory owing to changes in holding objective (¥33,262 million). For the current fiscal year, the main increases were due to new acquisition of non-current assets (¥19,494 million) and increase in construction in progress due to progress in construction work (¥12,398 million). The main decrease was due to transfer to inventory owing to changes in holding objective (¥12,698 million).

(Note 3) The fair market values at the end of the fiscal years ended November 30, 2020, and November 30, 2021, are mainly calculated by the Company based on Japanese Real Estate Appraisal Standards (including items adjusted using indices, etc.).

(Segment Information, Etc.)

[Segment Information]

1. Outline of reportable segments

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

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

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

Announced on January 27, 2021, and starting in the subject fiscal year, we reviewed the Samty Toughening Plan (Post-COVID Version) Medium-Term Management Plan that was announced in September 2018. To clarify the progress made with Samty Toughening Plan (Post-COVID Version) Medium-Term Management Plan that takes into account the effects of COVID-19 infection, we decided to disclose more detailed information on the reportable segments.

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

Segment information for the previous fiscal year is prepared based on the classification of reportable segments after the change.

2. Method of calculating reportable segment sales, profit, assets and other items

The accounting method for reportable segments is largely the same as that specified in "Material items fundamental to the preparation of consolidated financial statements."

Reportable segment profit (loss) is based on operating income. Intersegment sales and transfers are recorded based on market prices.

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

Year ended November 30, 2020 (December 1, 2019 to November 30, 2020)

(millions of yen)

	Reportable Segment						Total
	Real Estate Development Business	Real Estate Solution Business	Overseas Business	Real Estate Leasing Business	Hotel Business	Real Estate Management Business	
Net sales							
Net sales from third parties	58,269	30,247	499	7,787	2,029	2,286	101,120
Inter-segment net sales and transfers	—	114	—	—	59	576	750
Total	58,269	30,361	499	7,787	2,089	2,863	101,871
Operating income (loss)	14,790	3,682	385	4,109	(641)	308	22,634
Segment assets	56,300	44,516	16,058	78,903	8,572	3,058	207,410
Other items							
Depreciation	—	—	0	824	78	26	929
Increase in tangible fixed assets and intangible fixed assets	—	—	—	35,741	74	27	35,843

	Total	Adjustment (Notes 1, 2, 3)	Amount Recorded on Consolidated Financial Statement
Net sales			
Net sales from third parties	101,120	—	101,120
Inter-segment net sales and transfers	750	(750)	—
Total	101,871	(750)	101,120
Operating income (loss)	22,634	(5,279)	17,355
Segment assets	207,410	43,454	250,864
Other items			
Depreciation	929	97	1,027
Increase in tangible fixed assets and intangible fixed assets	35,843	82	35,925

(Note 1) Adjustment to segment profit (loss) of (¥5,279 million) mainly comprises intersegment eliminations of (¥101 million) and unallocated corporate expenses of (¥5,178 million). Corporate expenses are general and administrative expenses not attributed to any reportable segment.

(Note 2) Adjustment to segment assets of ¥43,454 million is unallocated corporate assets. Those assets mainly comprise investment of idle funds (cash and deposits), long-term investment funds (investment securities), and assets related to corporate management.

(Note 3) Segment operating income (loss) and segment assets are both adjusted to the operating income and total assets on the consolidated financial statement.

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

(millions of yen)

	Reportable Segment						
	Real Estate Development Business	Real Estate Solution Business	Overseas Business	Real Estate Leasing Business	Hotel Business	Real Estate Management Business	Total
Net sales							
Net sales from third parties	38,863	37,128	595	7,949	2,689	3,233	90,460
Inter-segment net sales and transfers	—	—	—	—	95	611	707
Total	38,863	37,128	595	7,949	2,784	3,845	91,167
Operating income (loss)	9,863	3,042	298	3,779	(2,596)	550	14,937
Segment assets	74,410	83,693	26,528	100,307	23,351	3,666	311,957
Other items							
Depreciation	—	—	33	677	81	38	830
Increase in tangible fixed assets and intangible fixed assets	—	—	0	32,553	1,386	82	34,022

	Total	Adjustment (Notes 1, 2, 3)	Amount Recorded on Consolidated Financial Statement
Net sales			
Net sales from third parties	90,460	—	90,460
Inter-segment net sales and transfers	707	(707)	—
Total	91,167	(707)	90,460
Operating income (loss)	14,937	(5,475)	9,461
Segment assets	311,957	37,236	349,194
Other items			
Depreciation	830	187	1,018
Increase in tangible fixed assets and intangible fixed assets	34,022	300	34,322

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

(Note 2) Adjustment to segment assets of ¥37,236 million is unallocated corporate assets. Those assets mainly comprise investment of idle funds (cash and deposits), long-term investment funds (investment securities), and assets related to corporate management.

(Note 3) Segment operating income (loss) and segment assets are both adjusted to the operating income and total assets on the consolidated financial statement.

[Related Information]

Year ended November 30, 2020 (December 1, 2019 to November 30, 2020)

1. Information by product and service

Description is omitted as the same information is disclosed in the segment information.

2. Information by region

(1) Net sales

Description is omitted as net sales from third parties in Japan exceed 90% of the net sales in the consolidated statements of income.

(2) Property and equipment

Description is omitted as the amount of property and equipment located in Japan exceeds 90% of the amount of property and equipment in the consolidated balance sheets.

3. Information by major customer

(millions of yen)

Name of customer	Net sales	Name of related segment
MFJPN TMK	21,180	Real estate development business and real estate solution business
Samty Residential Investment Corporation	13,943	Real estate solution business and real estate management business

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

1. Information by product and service

Description is omitted as the same information is disclosed in the segment information.

2. Information by region

(1) Net sales

Description is omitted as net sales from third parties in Japan exceed 90% of the net sales in the consolidated statements of income.

(2) Property and equipment

Description is omitted as the amount of property and equipment located in Japan exceeds 90% of the amount of property and equipment in the consolidated balance sheets.

3. Information by major customer

(millions of yen)

Name of customer	Net sales	Name of related segment
Samty Residential Investment Corporation	29,349	Real estate development business, real estate solution business and real estate management business
HSJPN 3 TMK	14,400	Real estate development business and real estate solution business
GK Kyoto Shijo Hotel Management	13,300	Real Estate Development Business

[Information on Impairment Loss of Non-Current Assets by Reportable Segment]

Year ended November 30, 2020 (December 1, 2019 to November 30, 2020)

Not applicable.

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

Not applicable.

[Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment]

Description is omitted due to a lack of significance in terms of amount.

[Information on Gain on Bargain Purchase by Reportable Segment]

Year ended November 30, 2020 (December 1, 2019 to November 30, 2020)

Not applicable.

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

In "Overseas Business," negative goodwill incurred after making S-VIN VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY a subsidiary by acquiring its shares. As a result, gain on bargain purchase of ¥917 million was recorded as extraordinary income.

In "Real Estate Solutions Business," negative goodwill incurred after making R&K Limited a subsidiary by acquiring equity interest in silent partnership business. As a result, gain on bargain purchase of ¥3,389 million was recorded as extraordinary income.

As gain on bargain purchase arising from this event is extraordinary income, it is not included in segment income.

[Information on Related Party]

Transaction with related party

Transactions between companies submitting consolidated financial statements and related parties

Other affiliated companies of the companies submitting consolidated financial statements and subsidiaries of other affiliated companies

Year ended November 30, 2020 (December 1, 2019 to November 30, 2020)

Type	Name of company, etc.	Location	Capital stock or investment in capital (millions of yen)	Description of business or occupation	Percentage of voting rights held by (or held in) the Company (%)	Relationship with related party	Details of transaction	Transaction amount (millions of yen)	Item	Balance at the end of period (millions of yen)
Other affiliated companies	Daiwa Securities Group Inc.	Chiyoda-ku, Tokyo	247,397	Control and management of business activities of the group company	(Held in) Direct 17.19	Capital and business alliance	Issuance of corporate bonds	5,000	Bonds payable	5,000
							Issuance of bonds with share acquisition rights	—	Bonds with share acquisition rights	10,000
Subsidiaries of other affiliated companies	Daiwa Securities Co. Ltd.	Chuo-ku, Tokyo	100,000	Investment advisory and agency business for securities-related business	None	Transaction of securities, leasing office buildings owned by the Company	Purchase of commercial paper	8,999	—	—
							Redemption of commercial paper	9,000	—	—
							Receipt of interest	0	—	—
							Rent revenue	320	—	—
Subsidiaries of other affiliated companies	Samty Residential Investment Corporation	Chiyoda-ku, Tokyo	58,524	Real estate investment	(Held by) Direct 13.50	Sale and purchase of real estate	Underwriting of capital increase	2,820	—	—
							Sale of real estate for sale	12,643	—	—
							Purchase of real estate for sale	1,686	—	—

(Note 1) Among the stated amounts, consumption tax, etc. are not included in the transaction amount and the balance at the end of the fiscal year.

(Note 2) Transaction conditions and policy for determining transaction conditions

For corporate bonds, unsecured corporate bonds are issued, and the transaction terms are determined by reasonably taking into account the interest rates in consideration of the market interest rates.

The issue price of bonds with share acquisition rights is determined in reference to the valuation by a third party independent of the Company and the allottee. The conversion price is determined based on discussions and negotiations with the allottee in light of the Company's financial position and business conditions.

Purchase of commercial papers and leasing of office buildings are conducted under the same general terms and conditions as those for independent third-party transactions.

The sale and purchase amount of real estate for sale is determined in reference to the real estate appraisal value.

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

Type	Name of company, etc.	Location	Capital stock or investment in capital (millions of yen)	Description of business or occupation	Percentage of voting rights held by (or held in) the Company (%)	Relationship with related party	Details of transaction	Transaction amount (millions of yen)	Item	Balance at the end of period (millions of yen)
Other affiliated companies	Daiwa Securities Group Inc.	Chiyoda-ku, Tokyo	247,397	Control and management of business activities of the group company	(Held in) Direct 28.40	Capital and business alliance	Issuance of corporate bonds	—	Bonds payable	5,000
							Issuance of bonds with share acquisition rights	12,000	Bonds with share acquisition rights	12,000
							Conversion of bonds with share acquisition rights	10,000	—	—
Subsidiaries of other affiliated companies	Samty Residential Investment Corporation	Chiyoda-ku, Tokyo	74,149	Real estate investment	(Held by) Direct 13.50	Sale and purchase of real estate	Underwriting of capital increase	2,207	—	—
							Sale of real estate for sale	27,578	—	—
							Purchase of real estate for sale	2,124	—	—
Subsidiaries of other affiliated companies	GK Tozankaku	Chiyoda-ku, Tokyo	0	Acquisition, development, ownership, leasing and management of real estate	None	Investment in silent partnership with the company as the business operator	Silent partnership investment	2,228	—	—

(Note 1) Among the stated amounts, consumption tax, etc. are not included in the transaction amount and the balance at the end of the fiscal year.

(Note 2) Transaction conditions and policy for determining transaction conditions

For corporate bonds, unsecured corporate bonds are issued, and the transaction terms are determined by reasonably taking into account the interest rates in consideration of the market interest rates.

The issue price of bonds with share acquisition rights is determined in reference to the valuation by a third party independent of the Company and the allottee. The conversion price is determined based on discussions and negotiations with the allottee in light of the Company's financial position and business conditions.

The conversion of bonds with share acquisition rights is the conversion of the first unsecured convertible bonds with share acquisition rights issued on June 14, 2019, and the exercise price is ¥1,599 per share.

Leasing of office buildings is conducted under the same general terms and conditions as those for independent third-party transactions.

The sale and purchase amount of real estate for sale is determined after mutual discussion taking into account market prices and other factors.

(Additional Information)

The Company conducts the following transactions with limited liability companies that are business operators of the silent partnership in which Tsuyoshibiru Co., Ltd., which is a related party of the Company, makes preferred investments.

Type	Name of company, etc.	Location	Capital stock or investment in capital (millions of yen)	Ownership ratio of voting rights (%)	Relationship	Details of transaction	Transaction amount (millions of yen)	Item	Balance at the end of period (millions of yen)
A company which is a business operator of a silent partnership in which preferred equity investments are made by the related party (Note 1)	GK Kyoto Shijo Hotel Management	Chuo-ku, Osaka	0 (Note 2)	— (Note 2)	Sale of real estate for sale, leasing of hotels, investment in silent partnerships operated by limited liability companies	Sale of real estate for sale (Note 3)	13,300	—	—
						Leasing of hotel (Note 4)	292	Prepaid expenses	5
						Silent partnership investment (Note 2)	665	—	—

Consumption tax, etc. are not included in the above amounts.

Transaction conditions and policy for determining transaction conditions, etc.

(Note 1) A related party is a company in which the majority of the voting rights are owned by a close relative of the Company's officers, and is Tsuyoshibiru Co., Ltd.

(Note 2) The capital of the GK is ¥100,000. The Company makes silent partnership investments based on silent partnership investment agreements in silent partnerships with said LLC as the business operator.

(Note 3) The sale and purchase amount of real estate for sale is determined in reference to the real estate appraisal value.

(Note 4) Leasing of hotels is conducted under the same general terms and conditions as those for independent third-party transactions.

(Per Share Information)

	2020 (From December 1, 2019 to November 30, 2020)		2021 (From December 1, 2020 to November 30, 2021)
Net assets per share (Yen)	1,907.51	Net assets per share (Yen)	2,029.28
Net income per share	261.23	Net income per share	242.52
Diluted net income per share	227.88	Diluted net income per share	214.32

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

Item	2020 (as of November 30, 2020)	2021 (as of November 30, 2021)
Total net assets (millions of yen)	77,699	103,028
Amount subtracted from total net assets (millions of yen)	671	8,731
Non-controlling interests (millions of yen)	(671)	(8,731)
Net assets attributable to common stock at end of period (millions of yen)	77,028	94,296
Number of shares of common stock at end of period (shares)	40,381,728	46,467,884

(Note 2) Bases for calculation of net income per share and diluted net income per share

Item	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
Net income per share		
Profit attributable to owners of parent (millions of yen)	10,615	10,012
Amount not attributable to common stock shareholders (millions of yen)	—	—
Profit attributable to owners of parent related to ordinary shares (millions of yen)	10,615	10,012
Average number of outstanding shares of common stock during the year (shares)	40,637,582	41,286,203
Diluted net income per share		
Adjustment to profit attributable to owners of parent (millions of yen)	—	—
Additional shares of common stock	5,946,717	5,432,329
Convertible bonds (shares)	(5,946,717)	(5,432,329)
Outline of residual shares not included in the calculation of diluted net income per share owing to no dilutive effect	—	—

(Significant Events after the Reporting Period)

(Establishment of Specified Subsidiary)

At a meeting of the Board of Directors held on February 10, 2022, we resolved to conduct silent partnership investment in GK Ryozen Kaihatsu (the "GK") which holds trust beneficiary rights in trust assets for the "Kyoto Higashiyama Banyan Tree Hotel Development Project" (the "Project") which is being promoted by Wealth Management Co., Ltd. ("WM"), a capital and business alliance partner, and to make the GK a consolidated subsidiary. Since the total amount of investment in the silent partnership operated by the subsidiary is more than 10/100 of the capital of the Company, it falls under the category of a specified subsidiary of the Company.

(1) Purpose and reason for investment

Samty Group is a comprehensive real estate company that can complete everything from the purchase of land to planning and development of apartments, hotels and offices, solicitation for tenants, property management and ownership and sale of properties within the group, and positions all areas in Japan as its business area in Japan.

In the medium-term management plan "Samty Toughening Plan (Post-COVID Version)" formulated in January 2021, we have set the implementation of selective investments by eyeing the market after the recovery of demand for hotels as one of the core strategies. In May 2021, we concluded a capital and business alliance with WM, which has strengths in reconstruction and development of hotels, and are promoting collaboration towards the establishment of hotel REITs and joint investment in hotel development funds. We will invest approximately 90% of the total amount of silent partnership investment in the GK which holds trust beneficiary rights in the Project (for details, please refer to "(2) Name, address, name of the representative, amount of investment, and description of business of the specified subsidiary subject to the transfer" below) and enjoy attributable profits as well as continue to own the hotel for a certain period even after its opening and consider incorporating it into the hotel REIT which Samty Group is preparing to establish and as a hotel eligible for shareholder benefit.

WM will conduct silent partnership investment jointly with the Company, and Richesse Management, Inc., which belongs to WM Group, will be entrusted with asset management business by the GK.

(2) Name, address, name of the representative, amount of investment, and description of business of the specified subsidiary subject to the transfer

- | | | |
|-----------------------------|---|---|
| 1) Name | : | GK Ryozen Kaihatsu |
| 2) Address | : | 3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo |
| 3) Name of representative | : | Representative Partner: General Incorporated Association
Ryozen Kaihatsu
Officer Performing Duties: Takehisa Tei |
| 4) Amount of investment | : | Not disclosed due to the request of business operator. |
| 5) Description of business | : | Acquisition, development, ownership, leasing and
management of real estate
Acquisition, holding and disposal of real estate trust
beneficiary rights and other securities
Other business incidental or related to the said business |
| 6) Ratio of equity interest | : | 90.3% |

(3) Date of change

February 17, 2022 (initial investment date)

5) [Consolidated Supplementary Schedule]

[Schedule of Corporate Bonds]

Company name	Stock	Date of issue	Balance at the end of previous period (millions of yen)	Balance at the end of current period (millions of yen)	Coupon (%)	Collateral	Redemption date
Samty Co., Ltd.	First unsecured convertible corporate bonds with share acquisition rights (Note 1)	June 14, 2019	10,000	—	—	Unsecured bonds	June 13, 2024
Samty Co., Ltd.	First unsecured bonds	November 13, 2020	5,000	5,000	2.0	Unsecured bonds	November 13, 2023
Samty Co., Ltd.	Second unsecured bonds	March 26, 2021	—	4,000	2.0	Unsecured bonds	March 26, 2024
Samty Co., Ltd.	Second unsecured convertible corporate bonds with share acquisition rights (Note 2)	November 10, 2021	—	12,000	—	Unsecured bonds	November 10, 2026
Total	—	—	15,000	21,000	—	—	—

(Note 1) Details of the first unsecured convertible corporate bonds with share acquisition rights

Details of the shares to be issued	Issue amount of share acquisition rights	Issue price of shares (yen)	Total issue amount (millions of yen)	Total issue amount of shares issued by exercising subscription rights to shares (millions of yen)	Granting ratio of subscription rights to shares (%)	Exercise period of subscription rights to shares	Matters on substitute payment
Samty Co., Ltd. common stock	Free of charge	1,599.0	10,000	8,613	100	From December 13, 2020 to June 13, 2024	(Note)

(Note) The details of the property to be contributed upon the exercise of the subscription rights to shares shall be the contribution of the corporate bonds related to such subscription rights to shares.

(Note 2) Details of the second unsecured convertible corporate bonds with share acquisition rights

Details of the shares to be issued	Issue amount of share acquisition rights	Issue price of shares (yen)	Total issue amount (millions of yen)	Total issue amount of shares issued by exercising subscription rights to shares (millions of yen)	Granting ratio of subscription rights to shares (%)	Exercise period of subscription rights to shares	Matters on substitute payment
Samty Co., Ltd. common stock	Free of charge	2,868	12,000	—	100	From May 10, 2023 to November 10, 2026	(Note)

(Note) The details of the property to be contributed upon the exercise of the subscription rights to shares shall be the contribution of the corporate bonds related to such subscription rights to shares.

(Note 3) Total scheduled redemption amount for each year within the five years after the consolidated balance sheet date

Within one year (millions of yen)	Over one year and within two years (millions of yen)	Over two years and within three years (millions of yen)	Over three years and within four years (millions of yen)	Over four years and within five years (millions of yen)
—	5,000	4,000	—	12,000

[Schedule of Borrowings, Etc.]

Category	Balance at the end of previous period (millions of yen)	Balance at the end of subject period (millions of yen)	Average interest rate (%)	Repayment date
Short-term borrowings	16,883	12,325	1.24	—
Current portion of long-term debt	14,715	32,197	1.13	—
Current portion of lease obligations	38	34	—	—
Long-term debt (excluding those due within one year.)	116,406	165,709	1.21	2022-2061
Lease obligations (excluding those due within one year.)	100	66	—	2022-2024
Total	148,144	210,332	—	—

(Note 1) The average interest rate is the weighted average interest rate against the balance of borrowings at the end of the fiscal year. As for lease obligations, the average interest rate is not indicated as the amount equivalent to interest included in total lease payments is allocated to each consolidated fiscal year using the straight-line method.

(Note 2) The scheduled repayment amount of long-term debt and lease obligations (excluding those due within one year) during the five years after the consolidated balance sheet date are as follows.

	Over one year and within two years (millions of yen)	Over two years and within three years (millions of yen)	Over three years and within four years (millions of yen)	Over four years and within five years (millions of yen)
Long-term debt	30,207	37,728	12,861	18,470
Lease obligations	26	39	—	—

[Schedule of Asset Retirement Obligations]

Since the amount of asset retirement obligations at the beginning and end of the current consolidated fiscal year is less than 1/100 of the total amount of liabilities and net assets at the beginning and end of the current consolidated fiscal year, description is omitted pursuant to the provision of Article 92-2 of the Ordinance on Consolidated Financial Statements.

(2) [Other]

Quarterly information for the fiscal year under review, etc.

(Cumulative period)	Q1	Q2	Q3	2021
Net sales (millions of yen)	3,301	24,193	55,607	90,460
Income before income taxes and loss before income taxes (millions of yen)	(1,397)	6,983	8,283	12,211
Profit attributable to owners of parent or loss attributable to owners of parent (millions of yen)	(905)	6,076	6,832	10,012
Net income per share or net loss per share (yen)	(22.47)	151.02	169.85	242.52

(Accounting period)	Q1	Q2	Q3	Q4
Net income per share or net loss per share (yen)	(22.47)	173.82	18.80	71.50

2. [Financial statement]

(1) [Financial statement]

1) [Balance sheet]

(millions of yen)

	2020 (as of November 30, 2020)	2021 (as of November 30, 2021)
ASSETS		
Current assets		
Cash and deposits	*1 38,376	*1 32,229
Rent receivable	253	532
Real estate for sale	*1 57,568	*1 75,500
Real estate for sale under construction	*1 42,513	*1 49,274
Supplies	5	4
Advance payment	644	685
Prepaid expenses	434	512
Short-term loans receivable from affiliated companies	—	6,982
Other	*1,5 379	*1,5 906
Allowance for doubtful accounts	(5)	(2)
Total current assets	140,170	166,625
Non-current assets		
Property and equipment		
Buildings	*1 16,736	*1 22,796
Buildings in trust	*1 3,694	*1 1,867
Structures	*1 28	*1 37
Vehicles	20	11
Tools, furniture and fixtures	*1 227	*1 264
Land	*1 37,348	*1 49,792
Land in trust	*1 2,539	*1 1,522
Construction in progress	*1 4,174	*1 6,678
Net property and equipment	64,769	82,970
Intangible assets		
Software	99	72
Other	1	302
Total intangible assets	101	374
Investments and other assets		
Investment securities	*1 14,022	*1 18,421
Stocks of affiliated companies	3,006	*1 6,958
Securities of other affiliated companies	20	6,465
Investments in capital	574	602
Investments in affiliated companies	13	13
Long-term loans receivable from affiliated companies	14,807	17,947
Claims provable in rehabilitation from bankruptcy, etc.	53	53
Long-term prepaid expenses	1,994	2,040
Deferred tax assets	662	407
Other	*5 1,446	*5 1,518
Allowance for doubtful accounts	(122)	(448)
Total Investments and other assets	36,479	53,981
Total non-current assets	101,349	137,326
Deferred assets		
Share issuance costs	—	42
Bond issuance costs	—	9
Total deferred assets	—	51
Total assets	241,519	304,003

(millions of yen)

	2020 (as of November 30, 2020)	2021 (as of November 30, 2021)
LIABILITIES		
Current liabilities		
Accounts payable	*5 210	*5 699
Short-term borrowings	*1, 3 15,883	*1, 3 12,324
Current portion of long-term debt	*1, 3, 4 14,553	*1, 3 31,957
Accounts payable - other	*1, 5 1,385	*5 1,884
Accrued expenses	861	528
Accrued income taxes	3,944	1,491
Advances received	11	23
Rent received in advance	209	147
Deposits received	44	64
Other	46	753
Total current liabilities	37,151	49,876
Non-current liabilities		
Bonds payable	5,000	9,000
Bonds with share acquisition rights	10,000	12,000
Long-term debt	*1, 3, 4 113,407	*1, 3 145,688
Long-term accounts payable - other	*1 65	50
Provision for retirement benefits	167	196
Guarantee deposits	*5 1,146	*5 1,169
Other	194	222
Total non-current liabilities	129,982	168,326
Total liabilities	167,134	218,203
NET ASSETS		
Shareholders' equity		
Capital stock	16,227	20,595
Capital surplus		
Legal capital surplus	16,128	20,496
Other capital surplus	1,693	1,812
Total capital surplus	17,822	22,308
Retained earnings		
Legal retained earnings	21	21
Other retained earnings		
General reserve	2,644	2,644
Retained earnings brought forward	38,374	39,266
Total retained earnings	41,039	41,931
Treasury stock at cost	(883)	(0)
Total shareholders' equity	74,205	84,835
Valuation and translation adjustments		
Unrealized gain on available for-sale securities	180	964
Total valuation and translation adjustments	180	964
Total net assets	74,385	85,799
Total liabilities and net assets	241,519	304,003

2) [Statement of income]

(millions of yen)

	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
Net sales	*1 96,629	*1 84,161
Cost of sales	*1 72,414	*1 68,029
Gross profit	24,215	16,131
Selling, general and administrative expenses	*1, 2 7,722	*1, 2 6,718
Operating income	16,492	9,413
Non-operating income		
Interest and dividends income	13	*1 233
Gain on valuation of interest rate swaps	71	47
Penalty income	27	26
Foreign exchange gains	—	120
Other	10	5
Total non-operating income	123	434
Non-operating expenses		
Interest expenses	1,829	2,201
Interest expenses on bonds	—	159
Commission fee	309	720
Provision of allowance for doubtful accounts	69	325
Other	39	34
Total non-operating expenses	2,247	3,442
Ordinary income	14,369	6,405
Extraordinary income		
Gain on sales of non-current assets	*3 25	—
Subsidy income	1	—
Refund of consumption tax for prior periods	149	—
Total extraordinary income	176	—
Extraordinary loss		
Loss on sales of non-current assets	*4 7	—
Loss on retirement of non-current assets	*5 0	*5 0
Loss on valuation of investment securities	—	10
Head office relocation expenses	—	*6 199
Loss on temporary closure	72	—
Other	12	—
Total extraordinary losses	92	210
Net income before taxes	14,453	6,195
Income taxes-current	4,668	2,048
Income taxes-deferred	(195)	(90)
Total income taxes	4,472	1,958
Net income	9,980	4,236

[Schedule of cost of sales]

1. Real estate securitization business expense

Category	Note number	2020 (From December 1, 2019 to November 30, 2020)		2021 (From December 1, 2020 to November 30, 2021)	
		Amount (millions of yen)	Composition ratio (%)	Amount (millions of yen)	Composition ratio (%)
I. Land acquisition costs	*1	26,844	41.4	26,757	44.4
II. Building construction costs		18,274	28.2	13,810	22.9
III. Acquisition costs of securitized real estate		17,566	27.1	18,156	30.1
IV. Other securitization business costs		2,036	3.1	1,428	2.3
Real estate securitization business expense		64,721	100.0	60,153	100.0

- * 1. All building construction costs are outsourcing costs.
2. Loss on valuation of inventories of ¥267 million is included in the real estate securitization business expense for the previous fiscal year.
3. Loss on valuation of inventories of ¥68 million is included in the real estate securitization business expense for the subject fiscal year.
4. The method of cost accounting is based on individual cost accounting.

2. Real estate sales business expense

Category	Note number	2020 (From December 1, 2019 to November 30, 2020)		2021 (From December 1, 2020 to November 30, 2021)	
		Amount (millions of yen)	Composition ratio (%)	Amount (millions of yen)	Composition ratio (%)
I. Land acquisition costs	*1	1,496	39.9	855	35.9
II. Building construction costs		2,203	58.8	1,496	62.8
III. Other for-sale real estate business expense		43	1.1	28	1.1
Real estate sales business expense		3,742	100.0	2,379	100.0

- * 1. All building construction costs are outsourcing costs.
2. The method of cost accounting is based on individual cost accounting.

3. Real estate leasing business expense

Category	Note number	2020 (From December 1, 2019 to November 30, 2020)		2021 (From December 1, 2020 to November 30, 2021)	
		Amount (millions of yen)	Composition ratio (%)	Amount (millions of yen)	Composition ratio (%)
I. Taxes and public dues	*1	469	13.7	489	8.8
II. Depreciation		846	24.7	743	13.5
III. Repair expense		309	9.0	247	4.5
IV. Management consignment expense		466	13.6	519	9.4
V. Land rent		783	22.8	2,590	47.1
VI. Other leasing business expenses		549	16.0	905	16.4
Real estate leasing business expense		3,423	100.0	5,496	100.0

- * 1. All management consignment expenses are outsourcing costs.

3) [Consolidated statements of changes in net assets]

Year ended November 30, 2020 (December 1, 2019 to November 30, 2020)

(millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury stock at cost	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at the end of previous period	16,184	16,084	1,690	17,775	21	2,644	31,729	34,394	(3)	68,351
Changes of items during the period										
Issuance of new shares	43	43		43						87
Dividends from surplus							(3,335)	(3,335)		(3,335)
Net income							9,980	9,980		9,980
Purchase of treasury shares									(893)	(893)
Disposal of treasury shares			3	3					12	15
Net changes of items other than shareholders' equity										
Total changes of items during the period	43	43	3	47	—	—	6,644	6,644	(880)	5,854
Balance at the end of current period	16,227	16,128	1,693	17,822	21	2,644	38,374	41,039	(883)	74,205

	Valuation and translation adjustments		Total net assets
	Unrealized gain on available for-sale securities	Total valuation and translation adjustments	
Balance at the end of previous period	634	634	68,985
Changes of items during the period			
Issuance of new shares			87
Dividends from surplus			(3,335)
Net income			9,980
Purchase of treasury shares			(893)
Disposal of treasury shares			15
Net changes of items other than shareholders' equity	(454)	(454)	(454)
Total changes of items during the period	(454)	(454)	5,400
Balance at the end of current period	180	180	74,385

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

(millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury stock at cost	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at the end of previous period	16,227	16,128	1,693	17,822	21	2,644	38,374	41,039	(883)	74,205
Changes of items during the period										
Issuance of new shares	4,368	4,368		4,368						8,736
Dividends from surplus							(3,344)	(3,344)		(3,344)
Net income							4,236	4,236		4,236
Purchase of treasury shares									(385)	(385)
Disposal of treasury shares			118	118					1,268	1,386
Net changes of items other than shareholders' equity										
Total changes of items during the period	4,368	4,368	118	4,486	—	—	892	892	883	10,629
Balance at the end of current period	20,595	20,496	1,812	22,308	21	2,644	39,266	41,931	(0)	84,835

	Valuation and translation adjustments		Total net assets
	Unrealized gain on available for-sale securities	Total valuation and translation adjustments	
Balance at the end of previous period	180	180	74,385
Changes of items during the period			
Issuance of new shares			8,736
Dividends from surplus			(3,344)
Net income			4,236
Purchase of treasury shares			(385)
Disposal of treasury shares			1,386
Net changes of items other than shareholders' equity	784	784	784
Total changes of items during the period	784	784	11,414
Balance at the end of current period	964	964	85,799

[Notes]

(Significant Accounting Policies)

1. Valuation standards and valuation methods for assets

(1) Valuation standards and valuation methods for securities

1) Shares of affiliated companies and investments in affiliated companies

The Company applies a cost method using a moving average.

2) Available-for-sale securities

Securities with current market value

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

Securities without current market value

The Company applies a cost method using a moving average.

(2) Valuation standards and valuation methods for derivatives

Market value method applied

(3) Valuation standards and valuation methods for inventories

Real estate for sale and real estate for sale under construction

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

Supplies

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

2. Depreciation method for non-current assets

(1) Property and equipment (excluding lease assets)

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

Main lifetime durations are as follows.

Buildings	5–50 years
Buildings in trust	8–45 years
Structures	5–41 years
Vehicles	3–6 years
Tools, furniture and fixtures	3–20 years

(2) Intangible assets (excluding lease assets)

The Company applies the straight-line method.

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

(3) Lease assets

Assets related to finance lease transactions without ownership-transfer

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

(4) Long-term prepaid expenses

The Company applies the straight-line method.

3. Standards for recognizing material allowances

(1) Allowance for doubtful accounts

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

(2) Provision for retirement benefits

In order to prepare for the retirement benefits of employees, the amount calculated by deducting the amount equivalent to the benefit from the Smaller Enterprise Retirement Allowance Mutual Aid System from the amount required to be paid at the end of the current fiscal year due to voluntary retirement is recorded.

4. Other material items fundamental to the preparation of consolidated financial statements

(1) Accounting treatment of consumption tax

The Company applies the net-of-tax method.

Non-deductible consumption tax, etc., relating to real estate for sale is included in the acquisition cost. Non-deductible consumption tax, etc., relating to fixed assets is recognized as a long-term prepaid expense (under Other under Assets, Investments and other assets) and amortized using the straight-line method over a five-year period.

(2) Method of amortization of deferred assets

Share issuance costs The costs are amortized by using the straight-line method over a three-year amortization period.

Bond issuance costs The costs are amortized by using the straight-line method until the redemption of corporate bonds.

(3) Criteria for converting foreign currency-denominated assets and liabilities into Japanese currency

Foreign currency-denominated monetary receivables and payables are converted into yen at the spot exchange rate on the settlement date, and the exchange difference is treated as profit or loss.

(Significant Accounting Estimates)

Valuation of inventories

(1) Amount recorded on the financial statements for the current fiscal year

Real estate for sale	¥75,500 million
Real estate for sale under construction	¥49,274 million
Amount of valuation loss recorded (cost of sales)	¥68 million

(2) Information on the details of significant accounting estimates pertaining to identified items

This is the same as the details described in "Notes (Significant Accounting Estimates) Valuation of Inventories" in the consolidated financial statements.

(Change in Presentation Methods)

(Application of "Accounting Standard for Disclosure of Accounting Estimates")

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied for the financial statements from the current fiscal year, and (significant accounting estimates) are indicated in the financial statements.

However, in this note, the details for the previous fiscal year are not indicated in accordance with the transitional treatment stipulated in Paragraph 11 of the accounting standard.

(Additional Information)

(Change of Holding Objective)

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

(Related to Balance Sheets)

*1 Assets pledged as collateral and debt pertaining to collateral

(1) Assets pledged as collateral

	2020 (as of November 30, 2020)	2021 (as of November 30, 2021)
	(millions of yen)	(millions of yen)
Cash and deposits	499	617
Real estate for sale	49,603	70,154
Real estate for sale under construction	39,108	48,119
Other (current assets)	1	1
Buildings	16,250	21,839
Buildings in trust	3,391	1,571
Structures	10	13
Land	35,844	48,235
Land in trust	2,025	1,008
Tools, furniture and fixtures	34	10
Construction in progress	3,969	6,172
Investment securities	368	376
Stocks of affiliated companies	—	3,951
Total	151,105	202,071

(2) Debt pertaining to collateral

	2020 (as of November 30, 2020)	2021 (as of November 30, 2021)
	(millions of yen)	(millions of yen)
Short-term borrowings	3,464	8,824
Current portion of long-term debt	12,647	31,165
Accounts payable - other	3	—
Long-term debt	111,761	123,477
Long-term accounts payable - other	54	—
Total	127,931	163,467

*2 Contingent liabilities

Debt guarantee for borrowings from financial institutions is provided to the following affiliated companies.

Guarantee	2020 (as of November 30, 2020)	2021 (as of November 30, 2021)
	(millions of yen)	(millions of yen)
Hikone SC Ltd.	2,941	2,803
SI Kaihatsu LLC	1,000	2,282
Total	3,941	5,085

*3 The Company concluded overdraft agreements and loan commitment agreements with correspondent banks to efficiently procure working capital. The balance of unexecuted loans related to overdraft agreements and loan commitments is as follows.

	2020 (as of November 30, 2020)	2021 (as of November 30, 2021)
	(millions of yen)	(millions of yen)
Maximum amount of overdraft and total amount of loan commitment	45,387	50,957
Balance of executed loan	23,355	26,306
Balance due	22,031	24,650

*4 Financial covenants

Year ended November 30, 2020 (ended November 30, 2020)

Long-term debt of ¥297 million (including current portion of long-term debt of ¥22 million) are subject to financial covenants, which are as follows.

- 1) The interest coverage ratio calculated with the formula of (operating income + interest income) / interest expense in the income statement for the final fiscal year shall not be less than 1.
- 2) The net income in the statement of income for the final fiscal year and the previous fiscal year shall not become a deficit for two consecutive years or more.
- 3) Liabilities shall not exceed assets on the balance sheet of the final fiscal year.

Year ended November 30, 2021 (ended November 30, 2021)

Not applicable.

*5 Monetary claims and liabilities to affiliated companies (excluding those presented separately)

	2020 (as of November 30, 2020)	2021 (as of November 30, 2021)
	(millions of yen)	(millions of yen)
Short-term monetary claims	7	615
Long-term monetary claims	907	907
Short-term monetary liabilities	37	329
Long-term monetary liabilities	50	50

(Related to Statement of Income)

*1 The total amount of business transactions with affiliated companies and transactions other than business transactions is as follows.

	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
	(millions of yen)	(millions of yen)
Business transaction (Revenue)	184	347
Business transaction (Expenses)	1,051	1,124
Transactions other than business transaction (Revenue)	—	221

*2 The main items and amounts of selling, general and administrative expenses are as follows.

	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
	(millions of yen)	(millions of yen)
Sales commission	478	11
Advertising expense	342	257
Rental brokerage fee	481	536
Provision of allowance for doubtful accounts	4	(0)
Executive compensation	770	582
Salary and allowance	664	782
Bonus	460	455
Retirement benefit expense	34	53
Legal welfare expenses	218	160
Entertainment expenses	91	148
Travel expenses	91	72
Taxes and public dues	2,093	2,007
Depreciation	101	101
Rent	1,109	431
Commission fee	455	711
Compensation paid	152	172
Approximate percentage		
Selling expenses	28.6%	27.7%
General and administrative expenses	71.4%	72.3%

*3 The details of the gain on sales of non-current assets are as follows.

	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
	(millions of yen)	(millions of yen)
Buildings	(99)	—
Land	125	—
Total	25	—

*4 The details of the loss on sales of non-current assets are as follows.

	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
	(millions of yen)	(millions of yen)
Buildings	7	—
Total	7	—

*5 The details of the loss on retirement of non-current assets are as follows.

	2020 (From December 1, 2019 to November 30, 2020)	2021 (From December 1, 2020 to November 30, 2021)
	(millions of yen)	(millions of yen)
Tools, furniture and fixtures, etc.	0	0
Total	0	0

*6 The details of the head office relocation expenses are as follows.

Year ended November 30, 2020 (From December 1, 2019 to November 30, 2020)

Not applicable.

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

Penalties, etc. incurred due to moving out following the relocation of our Osaka Head Office are recorded as an extraordinary loss of ¥199 million as head office relocation costs.

(Related to Securities)

2020 ended November 30, 2020)

As for the shares of subsidiaries and affiliated companies (amount recorded on balance sheet: ¥3,006 million of shares of affiliated companies and ¥20 million of securities of other affiliated companies), the market value is not stated as there is no market price and it is deemed extremely difficult to understand the market value.

2021 (ended November 30, 2021)

Shares of subsidiaries and affiliated companies

Category	Amount recorded on balance sheet (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
Shares of affiliated companies	3,951	8,994	5,042
Total	3,951	8,994	5,042

(Note) Amount recorded on the balance sheet for the shares of subsidiaries whose market value is deemed extremely difficult to understand

(millions of yen)

Category	Current fiscal year (ended November 30, 2021)
Shares of subsidiaries	9,471
Total	9,471

As for the shares of subsidiaries (amount recorded on balance sheet: ¥3,006 million of shares of affiliated companies and ¥6,465 million of securities of other affiliated companies), the market value is not stated as there is no market price and it is deemed extremely difficult to understand the market value.

(Related to Tax Effect Accounting)

1. Breakdown of Deferred Tax Assets and Deferred Tax Liabilities by Major Cause

	2020 (ended November 30, 2020)	2021 (ended November 30, 2021)
Deferred tax assets	(millions of yen)	(millions of yen)
Allowance for doubtful accounts	39	137
Accrued bonus	65	63
Loss on valuation of inventories	98	9
Accrued enterprise tax	216	120
Provision for retirement benefits	51	60
Impairment loss	47	47
Derivative liabilities	29	—
Consumption tax for prior periods	82	82
Restricted stock compensation	48	84
Point-based monetary reward allowance	29	52
Other	72	235
Subtotal of deferred tax assets	780	893
Valuation allowance (Note)	(37)	(60)
Total deferred tax assets	742	832
Deferred tax liabilities		
Unrealized gain on available for-sale securities	(79)	(425)
Total deferred tax liabilities	(79)	(425)
Net deferred tax assets	662	407

(Note) Valuation allowance increased by ¥22 million. The main factor of this increase was the additional recognition of ¥22 million of valuation allowance for point-based monetary reward allowance at the Company.

2. Breakdown by major item that caused material difference between the legal effective tax rate and the burden rate of corporate tax, etc. after application of tax effect accounting when there is such difference

2020 (ended November 30, 2020)

Description is omitted as the difference between the legal effective tax rate and the burden rate of corporate tax after the application of tax effect accounting is less than 5/100 of the legal effective tax rate.

2021 (ended November 30, 2021)

Description is omitted as the difference between the legal effective tax rate and the burden rate of corporate tax after the application of tax effect accounting is less than 5/100 of the legal effective tax rate.

(Related to Business Combinations, Etc.)

Business combination through acquisition

At a meeting of the Board of Directors held on March 26, 2021, we resolved the transfer of the consolidated subsidiaries due to the acquisition of equity interest in silent partnership of R&K Limited, which owns and manages trust beneficiary rights with "Aloft Osaka Dojima" operated by the world's largest hotel chain Marriott International as the trust asset. On March 30, 2021, we concluded an equity interest transfer agreement and then acquired 27.2% of equity interest on April 16, 2021, and 28.4% of equity interest on April 23, 2021.

With regard to the outline of the business combination, etc., the notes have been omitted as the same content has been described in "Notes (Related to Business Combinations, Etc.)".

(Significant Events after the Reporting Period)

Not applicable.

4) [Supplementary Schedule]

[Schedule of Property and Equipment, Etc.]

(millions of yen)

Category	Type of asset	Balance at the end of previous period	Increase during the subject period	Decrease during the subject period	Amortization during the subject period	Balance at the end of subject period	Accumulated depreciation
Property and equipment	Buildings	16,736	11,437	4,760	617	22,796	1,785
	Buildings in trust	3,694	411	2,137	101	1,867	108
	Structures	28	21	8	3	37	36
	Vehicles	20	—	0	8	11	31
	Tools, furniture and fixtures	227	142	21	82	264	226
	Land	37,348	16,150	3,706	—	49,792	—
	Land in trust	2,539	544	1,561	—	1,522	—
	Construction in progress	4,174	12,399	9,895	—	6,678	—
	Total	64,769	41,107	22,093	813	82,970	2,188
Intangible assets	Software	99	5	0	31	72	—
	Other	1	300	—	—	302	—
	Total	101	305	0	31	374	—

(Note 1) The main increase in the fiscal year under review is as follows.

Buildings	Acquisition of real estate for lease	¥2,748 million
	Completed during the current period	¥8,393 million
Buildings in trust	Acquisition of real estate for lease	¥397 million
Land	Acquisition of real estate for lease	¥15,859 million
Land in trust	Acquisition of real estate for lease	¥544 million

(Note 2) The main decrease in the fiscal year under review is as follows.

Buildings	Change of holding objective	¥4,672 million
Buildings in trust	Change of holding objective	¥1,895 million
Land	Change of holding objective	¥3,706 million
Land in trust	Change of holding objective	¥1,561 million

[Schedule of Allowance]

Category	Balance at the end of previous period (millions of yen)	Increase during the subject period (millions of yen)	Decrease during the subject period (millions of yen)	Balance at the end of subject period (millions of yen)
Allowance for doubtful accounts	127	328	5	450

(2) [Details of Main Assets and Liabilities]

Description is omitted as the consolidated financial statements have been prepared.

(3) [Other]

Not applicable.

Section 6. [Outline of stock-related administration of the reporting company]

Fiscal year	December 1 to November 30														
Ordinary General Meeting of Shareholders	In February														
Record date	November 30														
Record date for dividends from surplus	May 31 and November 30														
Number of shares per unit	100 shares														
Purchase of shares less than one unit															
Handling office	(Special account) Osaka Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation 3-6-3 Fushimicho, Chuo-ku, Osaka														
Shareholder registry administrator	(Special account) Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo														
Agency	-														
Purchase commission	Free														
Method of posting public notice	Public notices of the Company shall be electronic public notices. However, if the Company is unable to post electronic public notices due to an accident or other unavoidable reasons, public notices will be posted in the Nihon Keizai Shimbun newspaper. The Company's URL where public notices are posted is as follows. https://www.samty.co.jp/en/														
Benefits for Shareholders	<p>Outline of Shareholder Benefit Program</p> <p>(1) Eligible shareholders Shareholders listed or recorded in the shareholders' register as of the end of November of each year.</p> <p>(2) Details of benefit In accordance with the number of shares held by eligible shareholders, we will send tickets that can be used for free accommodation at 18 hotels throughout Japan in which the Company is involved. From the viewpoints of eliminating the use of paper, improving shareholder convenience and preventing fraud, we have changed to a system of distributing "shareholder benefit cards" instead of paper tickets that were used previously and asking shareholders to present their electronic tickets on the day of their stay.</p> <p>(3) Number of tickets to be distributed to holding shareholders</p> <table border="0"> <tr> <td>200 shares to less than 300 shares</td> <td>1 ticket</td> </tr> <tr> <td>300 shares to less than 600 shares</td> <td>2 tickets</td> </tr> <tr> <td>600 shares to less than 1,000 shares</td> <td>3 tickets</td> </tr> <tr> <td>1,000 shares to less than 2,000 shares</td> <td>4 tickets</td> </tr> <tr> <td>2,000 shares to less than 5,000 shares</td> <td>6 tickets</td> </tr> <tr> <td>5,000 shares to less than 10,000 shares</td> <td>8 tickets</td> </tr> <tr> <td>10,000 shares or more</td> <td>10 tickets</td> </tr> </table> <p>(4) Hotels subject to special benefits (Hotels that can be used with one ticket) Center Hotel Tokyo, S-PERIA INN Nihombashihakozaki, S-PERIA INN Osakahommachi S-PERIA HOTEL Hakata, S-PERIA HOTEL Kyoto, S-PERIA HOTEL Fukuoka Nakasu S-PERIA HOTEL Nagasaki, NEST HTOTEL HIROSHIMA HATCHOBORI, NEST HOTEL HIROSHIMA STATION HOTEL SUNSHINE UTSUNOMIYA, Ibis Styles Nagoya, Auberge Amano Hashidate (Hotels that can be used with two tickets) Mercure Kyoto Station, Aloft Osaka Dojima Oakwood Hotel Kyoto Oike, Agora Kyoto Karasuma, Agora Kyoto Shijo (Hotels that can be used with three tickets) Amano Hashidate Hotel</p> <p>(Notes)</p> <ol style="list-style-type: none"> For all special benefits, tickets will be sent in February of each year. For all special benefits, tickets will expire at the end of February of the year following the year when tickets are sent. For all special benefits, tickets cannot be used together with other discount coupons. Tickets will not be reissued in the event of theft, loss, etc. Only the shareholder and his/her family can use the tickets. 	200 shares to less than 300 shares	1 ticket	300 shares to less than 600 shares	2 tickets	600 shares to less than 1,000 shares	3 tickets	1,000 shares to less than 2,000 shares	4 tickets	2,000 shares to less than 5,000 shares	6 tickets	5,000 shares to less than 10,000 shares	8 tickets	10,000 shares or more	10 tickets
200 shares to less than 300 shares	1 ticket														
300 shares to less than 600 shares	2 tickets														
600 shares to less than 1,000 shares	3 tickets														
1,000 shares to less than 2,000 shares	4 tickets														
2,000 shares to less than 5,000 shares	6 tickets														
5,000 shares to less than 10,000 shares	8 tickets														
10,000 shares or more	10 tickets														

(Note) In accordance with the Company's Articles of Incorporation, shareholders holding less than one unit of shares have no rights other than the right set forth in each item of Article 189, Paragraph 2 of the Companies Act, the right to make requests pursuant to Article 166, Paragraph 1 of the same act and the right to receive allotment of shares for subscription and allotment of subscription rights to shares in accordance with the number of shares held by shareholders.

Section 7. [Reference information of the reporting company]

1. [Information on parent company of reporting company, etc.]

The Company has no parent company, etc. as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. [Other reference information]

The following documents were submitted between the beginning of the current fiscal year and the date of submission of the securities report.

- (1) Securities report, its attachment and confirmation
Fiscal year - 39th period (December 1, 2019 to November 30, 2020) Submitted to the Director-General of the Kanto Local Finance Bureau on February 26, 2021.
- (2) Internal control report
Submitted to the Director-General of the Kanto Local Finance Bureau on February 26, 2021.
- (3) Quarterly report and confirmation
First quarter of the 40th period (December 1, 2020 to February 28, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on April 12, 2021.
Second quarter of the 40th period (March 1, 2021 to May 31, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on July 15, 2021.
Third quarter of the 40th period (June 1, 2021 to August 31, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on October 15, 2021.
- (4) Amendment report and confirmation for quarterly report
First quarter of the 40th period (December 1, 2020 to February 28, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on January 24, 2022.
Second quarter of the 40th period (March 1, 2021 to May 31, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on January 24, 2022.
Third quarter of the 40th period (June 1, 2021 to August 31, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on January 24, 2022.
- (5) Amendment report and confirmation for securities report
Fiscal year - 39th period (December 1, 2019 to November 30, 2020) Submitted to the Director-General of the Kanto Local Finance Bureau on February 24, 2022.
- (6) Extraordinary report
Extraordinary report based on the provisions of Article 19, Paragraph 2, Item 9-2 (Results of Exercise of Voting Rights at the General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.
Submitted to the Director-General of the Kanto Local Finance Bureau on March 2, 2021.

Extraordinary report based on the provisions of Article 19, Paragraph 2, Item 3 (Change in Specified Subsidiary) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.
Submitted to the Director-General of the Kanto Local Finance Bureau on April 1, 2021.

Extraordinary report based on the provisions of Article 19, Paragraph 2, Item 3 (Change in Specified Subsidiary) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.
Submitted to the Director-General of the Kanto Local Finance Bureau on April 1, 2021.

Extraordinary report based on the provisions of Article 19, Paragraph 2, Items 12 and 19 (Events Significantly Affecting the Financial Position, Operating Results and Cash Flows of the Company and its Group Companies) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.
Submitted to the Director-General of the Kanto Local Finance Bureau on June 1, 2021.

Extraordinary report based on the provisions of Article 19, Paragraph 2, Item 3 (Change in Specified Subsidiary) of

the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.
Submitted to the Director-General of the Kanto Local Finance Bureau on February 17, 2022.

- (7) Report on status of purchase of own shares
Submitted to the Director-General of the Kanto Local Finance Bureau on March 1, 2021, April 1, 2021 and May 6, 2021.
- (8) Amendment report for the report on status of purchase of own shares
Amendment report (Amendment report for (7) Report on status of purchase of own shares submitted on March 1, 2021 above)
Submitted to the Director-General of the Kanto Local Finance Bureau on April 6, 2021.
- (9) Securities registration statement and its attachment
Subscription for shares associated with the restricted stock compensation system Submitted to the Director-General of the Kanto Local Finance Bureau on March 25, 2021
Second issuance of unsecured convertible bonds with stock acquisition rights Submitted to the Director-General of the Kanto Local Finance Bureau on October 25, 2021
- (10) Amendment statement for securities registration statement
Amendment statement (Amendment statement for (9) Securities registration statement submitted on March 25, 2021 above)
Submitted to the Director-General of the Kanto Local Finance Bureau on March 30, 2021, April 1, 2021, April 6, 2021, and April 12, 2021.

Part II [Information on guarantee company of the reporting company, etc.]

Not applicable.