COMPANY RESEARCH AND ANALYSIS REPORT

Samty Co., Ltd.

3244

Tokyo Stock Exchange Prime Market

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https://www.fisco.co.jp

Index

Summary

Recorded considerable increases in revenue and profit in FY11/23 1H. Smooth progress was made on growing the Group's assets toward achieving the medium-term management plan

1. Company profile

Samty Co., Ltd. <3244> (hereafter, also "the Company") is a comprehensive real estate company that operates not only in the Kansai region and Tokyo metropolitan area but in major cities nationwide. It features a business structure that balances growth and stability as well as a business model that handles all aspects of the property business, with a Real Estate Development Business (including development and sales of rental apartments*1 and hotels) and Real Estate Leasing Business (including owning rental apartments), as well as being involved in the Hotel Business and other related operations. Moreover, it entered the J-REIT business*2 in 2015, and it has prepared a structure for further business expansion as it has continued to achieve high growth over the past few years through expansion of its area of operations and aggressive investment.

*1 "rental apartments" and "residential properties" used in this report are synonymous.
*2 Samty Residential Investment Corporation <3459> (hereafter, "SRR"), was established in March 2015 and listed on the Tokyo Stock Exchange (TSE) J-REIT market. In November 2021, the Company established a hotel specialized REIT, Samty Japan Hotel Investment Corporation, with the goal of listing it on the stock exchange in FY11/24 or later.

Under the Samty Toughening Plan (post-COVID version), the medium-term management plan (hereinafter, "medium-term management plan (post-COVID version)") announced in January 2021, the Company is aiming to achieve sustainable growth under the changing business environment going forward by switching to an asset-holding type of business model and strengthening the overseas business, as well as taking initiatives in the hotel business from a long-term perspective. Despite uncertainty in the external environment due to factors such as inflation and the Bank of Japan's monetary policy, the Company's rental apartments are resilient to the effects of the business climate and are performing strongly. It is also advancing strategic investment (acquisition of development sites and income properties) at a fast pace. Furthermore, its residential condominium business in Vietnam is now fully operational and the Hotel Business, which has felt the effects of the COVID-19 pandemic over the last few years, is performing strongly due to the recovery of inbound travel to Japan. This indicates the Company is making smooth progress both in terms of business performance and strategy.

Also, in regard to the suspicions of improper accounting treatment (judgement of the scope of consolidation) that were revealed in January 2023, this matter has been settled through a special investigating committee and no changes have been made to past financial statements. However, the Company has recognized the seriousness of the situation and is working to further strengthen its internal controls and corporate governance.

2. Business results for FY11/23 1H

In FY11/23 1H, net sales increased 80.2% YoY to ¥65,282mn, operating income increased 139.9% to ¥6,604mn, ordinary income increased 64.4% to ¥3,278mn, and profit attributable to owners of parent decreased 21.3% to ¥1,311mn, resulting in a significant increase in revenue and increase in profit. Factors that contributed to the increase in revenue included the considerable growth of the Real Estate Development Business due to proactive property sales, full-scale contributions from the Overseas Business, and the recovery in the performance of the Hotel Business. There was also smooth growth from efforts to increase the Group's assets through a switch to an asset-holding type of business, thereby expanding income gains*, which is a key focus for the Company. In terms of profit, there was a considerable increase in operating income, mainly due to the growth of the Real Estate Development Business and contributions from the Overseas Business. Additionally, in the Hotel Business, which has felt the effects of the pandemic over the last few years, losses shrank due to factors including improvements in occupancy and room rates. It is also advancing strategic investment aimed at expanding the Group's assets at a fast pace, including by acquiring development sites and income properties, and it is steadily accumulating projects in its development pipeline.

* The total net sales of the Real Estate Leasing Business, the Hotel Business, and the Real Estate Management Business.

3. FY11/23 forecasts

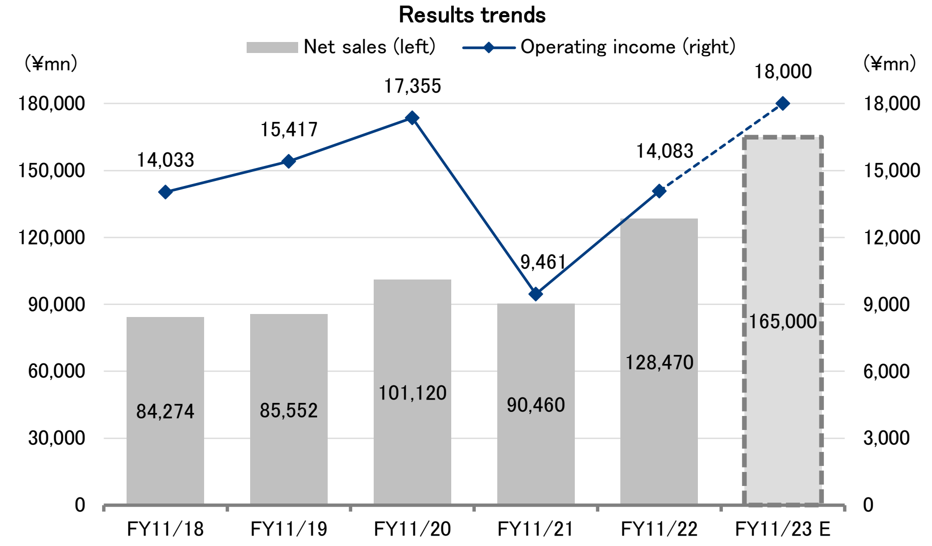
In its earnings forecast for FY11/23, the Company kept its initial forecasts unchanged and is forecasting increases in sales and profits over the full year, which would result in setting new record highs in net sales and operating income if it eventuates. The Company forecasts net sales of ¥165,000mn, up 28.4% YoY, operating income of ¥18,000mn, up 27.8%, ordinary income of ¥11,000mn, down 23.8%, and profit attributable to owners of parent of ¥6,000mn, down 44.8%. Major factors expected to contribute to the increase in net sales are the ongoing growth of the Real Estate Development Business and Overseas Business and continued recovery in the performance of the Hotel Business. In terms of profit, the Company is anticipating an increase in operating income due to full-scale contributions from the Overseas Business and further shrinking of losses (or a return to profitability) in the Hotel Business.

4. Medium-term management plan, Samty Toughening Plan (post-COVID version) overview

In the five-year medium-term management plan (post-COVID version), announced in January 2021, the Company's basic policies are (1) Switch to asset-holding type of business (grow stable earnings), (2) Efforts toward listing of a hotel REIT, (3) Strategic investments in regional metropolitan areas, and (4) Building a profit base in overseas business. The five-year investment plan is for approximately ¥750.0bn and the results targets for the plan's final fiscal year (FY11/25) are net sales at a level of ¥220.0bn, operating income of at least ¥35.0bn, ROE at a level of 15.0%, ROA at a level of 7.0%, and an equity ratio of at least 30.0%. In particular, the Company intends to expand Group's assets (including REIT) to a scale of ¥1tn and switch to an earnings structure in which 50% of operating income is from income gains (leasing income, etc.), and 15% of operating income is from the Overseas Business.

Key Points

- Proactive property sales in addition to the expansion of the Overseas Business and recovery in the Hotel Business resulted in considerable increases in revenue and operating income in FY11/23 1H
- Smooth progress was made on growing the Group's assets, including by acquiring development sites and income properties
- FY11/23 results are unchanged from initial forecasts, with full-year increases in net sales and operating income forecast
- Under the medium-term management plan (post-COVID version), the Company aims to achieve sustainable growth through a switch to an asset-holding type of business (expansion of income gains) and strengthening of the Overseas Business, as well as initiatives with a long-term perspective in the Hotel Business



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

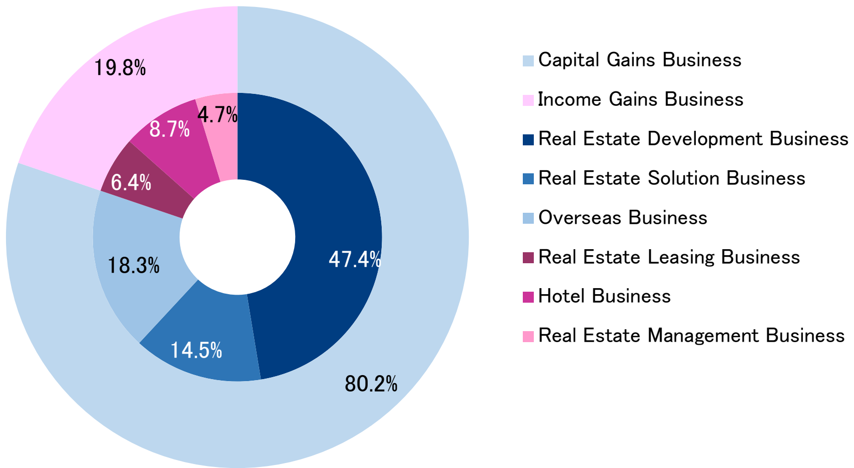
Company profile

Business structure that balances growth and stability. Aims to expand growth and stable earnings through the Capital Gains and Income Gains businesses

1. Business overview

The Company's business segments are 1) Real Estate Development Business, 2) Real Estate Solution Business, 3) Overseas Business, 4) Real Estate Leasing Business, 5) Hotel Business, and 6) Real Estate Management Business. The Company further groups segments 1)-3) as the capital gains business and segments 4)-6) as the income gains business, and with the switch to the asset-holding type of business model, aims to expand the income gains businesses as a stable source of earnings.

Composition of net sales by business in FY11/23 1H
(Before adjustment)



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

Also, in March 2015, the Company established SRR, which was listed on the TSE J-REIT market in June of the same year. The Samty Group plays the role of SRR's sponsor (supplying it with properties) and is responsible for subsequent asset management and other operations. SRR continues to steadily expand and currently owns 178 properties with a combined value of ¥162.7bn (as of July 31, 2023). In November 2021, the Company established a hotel specialized REIT, and is moving ahead with preparations to list it on the stock exchange.

For its sales bases, in addition to its Osaka Head Office / Osaka Sales Department (Yodogawa-ku)*1, it has branch offices in Tokyo Head Office / Tokyo Sales Department (Chiyoda-ku)*2, Sapporo Branch (Chuo-ku), Nagoya Branch (Nakamura-ku), Hiroshima Branch (Naka-ku), and Fukuoka Branch (Hakata-ku) and it is establishing a nationwide system centered on the major regional cities.

*1 Houses the Kobe Sales Office.
*2 Operates the East Kanto and North Kanto offices under the Tokyo Sales Department, and there are totally four offices in the Tokyo metropolitan area (Tokyo Sales Department, East Kanto Office, North Kanto Office and Yokohama Sales Office).

As of the end of May 2023, the Samty Group is comprised of the Company and 27 consolidated subsidiaries and 1 equity-method affiliate*, including 17 SPC and general incorporated associations that were established or received investment in connection with schemes to acquire, own, and develop land, properties, and trust beneficiary rights. The main consolidated subsidiaries include Samty Asset Management Co., Ltd. (asset management, etc.), Samty Hotel Management Co., Ltd. (hotel management, etc.), Samty Property Management Co., Ltd. (property management, etc.) and SAMTY ASIA INVESTMENTS PTE. LTD. (its Singapore subsidiary).

* Wealth Management, Inc. <3772> (WM), which has strengths in hotel renovation and development. On May 25, 2021 the Company entered into a capital and business alliance, with the aim of collaborating on the hotel development projects and so forth. WM has become an equity-method affiliate.

2. Overview of each business

(1) Real Estate Development Business

In the Real Estate Development Business, the Company is involved in 1) planning, development, and sales of the Samty brand "S-RESIDENCE" series (rental apartments) and 2) planning, development and sales of hotels and offices (hereinafter "hotels and other").

The core 1) "S-RESIDENCE" series of rental apartments are based on the concepts and design needs in each area and targeted to people living alone and dual-income couples with no children, as they feature spacious entrances and inside hallways, and have sophisticated designs and a high level of comfort. The Company has granted SRR preferential negotiating rights, and primarily supplies properties to SRR. Since FY11/20, the Company has dramatically expanded its development pipeline with a view to switching to the asset-holding type of business model. At the same time, its policy is to sell each residential property after holding it for a certain period (around three years), which also contributes to the expansion of the Real Estate Leasing Business. Given the market trend of strong acquisitions mainly by overseas funds, the Company intends to agilely and flexibly develop business taking into account individual properties and market trends, while focusing on the concept of promoting ownership after development.

S-RESIDENCE series

Source: The materials supplied by the Company

In 2) "hotels and other," the Company will primarily supply properties to the hotel REIT, which is preparing to list on the stock exchange, through planning and development of the in-house brand "S-PERIA" series of hotels and joint business with foreign hotel chains, also contributing to the expansion of the Hotel Business.

(2) Real Estate Solution Business

In the Real Estate Solution Business, the Company engages in the acquisition, renovation, and sales of income properties. The Company aims to improve occupancy rates by utilizing its leasing capabilities and expertise for income properties and upgrading properties through renovating facilities, which generates earnings over the period of ownership. The Company's objectives are to secure earnings while the properties are owned and ultimately to capture gains on sales by selling them as investment properties to SRR, real estate funds, and business companies. Furthermore, the Company also carries out warehousing* for SRR. During the ownership period, rental income is recorded in the Real Estate Leasing Business.

* Acquiring properties to incorporate into a REIT.

(3) Overseas Business

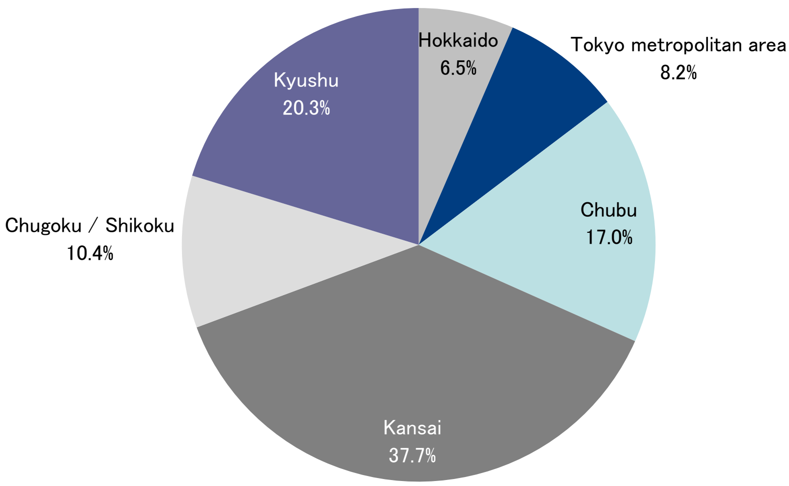
The Company conducts investment and residential condominium business overseas. In 2016 the Company invested in a real estate company (development and leasing business) in Ho Chi Minh through a fund. Since 2020, the Company has been conducting THE SAKURA PJ*2, a residential condominium project in the western part of Hanoi City started jointly with VINHOMES JOINT STOCK COMPANY (hereinafter "VHM")*1, the largest real estate developer in Vietnam.

*1 VHM was founded in 2008 and is a core company within Vingroup, which is Vietnam's largest corporate conglomerate. Among real estate companies in Vietnam, it ranks first for sales, profits, and market capitalization.
*2 Participating in a residential condominium project for four buildings (total of 3,620 units) out of the total of 58 buildings in VinHomes Smart City.

(4) Real Estate Leasing Business

The Company leases condominiums, office buildings and commercial facilities. It owns around 196 properties nationwide (inventory assets, non-current assets), centered on the Kansai region, Tokyo metropolitan area and government ordinance designated cities such as Fukuoka, Sapporo, and Nagoya. It also conducts diversified investment in a variety of assets, including condominiums, office buildings, and commercial facilities. In particular, the Company has a high percentage of condominiums that are largely unaffected by economic fluctuations and utilizes its leasing expertise to realize stable occupancy rates around 95% when averaged over the year. The scale of the real estate it owns amounts to around ¥195.0bn (book value) (all results are as of the end of May 2023).

Distribution of assets owned by areas for FY11/23 1H (based on book value)



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

(5) Hotel Business

In the Hotel Business, the Company engages in leasing and operation of 20 hotels (as of the end of May 2023), including 11 hotels developed by the Company. The purpose of this business is to expand the assets of the hotel REIT, which is preparing to list on the stock market, and to build up earnings.

Hotels in which the Company participates

Area	Hotel name	No. of rooms	Remarks
Tokyo metropolitan area	Center Hotel Tokyo	108	Owned and Operated
	Hotel Sunshine Utsunomiya	160	Operated
	S-PERIA INN Nihombashihakozaki	114	Developed and Operated
Chubu	Mercure Kyoto Station Hida Takayama	161	Developed
	Ibis Styles Nagoya	284	Developed and Owned
	Amano Hashidate Hotel (including Auberge)	86	Owned
	GOZAN	21	Owned
	S-PERIA INN Osaka Hommachi	125	Developed and Operated
	S-PERIA HOTEL Kyoto	165	Developed, Owned and Operated
Kansai	Mercure Kyoto Station	225	Developed
	Agora Kyoto Karasuma	140	Developed
	Agora Kyoto Shijo	80	Developed
	Aloft Osaka Dojima	305	Owned
	Oakwood Hotel Oike Kyoto	120	Developed and Owned
	Hotel Pavone (NESTA RESORT KOBE)	109	Operated
Chugoku	NEST HOTEL Hiroshima Hatchobori	126	Owned
	NEST HOTEL Hiroshima Station	84	Owned
	S-PERIA HOTEL Hakata	287	Developed and Operated
Kyushu	S-PERIA Hotel Fukuoka Nakasu	87	Developed and Operated
	S-PERIA HOTEL Nagasaki	155	Operated
Total	20 hotels	2,942 rooms	

Note: As of May 2023
Source: Prepared by FISCO from the Company's financial results briefing materials

(6) Real Estate Management Business

In the Real Estate Management Business, the Company manages residential properties, office buildings, and commercial facilities. Specifically, Samty Asset Management Co., Ltd. undertakes commissioned operation and management services as an asset manager and receives operating fees (asset management ("AM") fees), while also conducting residential properties management, construction, and renovation, etc., through its subsidiary Samty Property Management. The balance of assets under management ("AUM") is ¥382.7bn (as of the end of January 2023)*. In addition, the number of units under management is about 28,000 units (as of the end of May 2023), mainly for SRR, and increasing steadily.

* Total figure for SRR and private placements for hotel REIT formation..

3. Features

(1) A superior business model

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

The Company also has a competitive advantage in its business model, centered on SRR. While SRR will become a stable supply destination, the expansion of the after-sales fee business (commissioned asset management (AM) operations and contract property management ("PM") operations) can be expected to become a stable source of revenue in the future. Moreover, the addition of the hotel REIT will strengthen and enhance the business foundation even further.

(2) Profit structure as a strength

The Company has responded flexibly to changes in its business environment by balancing accelerated growth in its Real Estate Development Business, Real Estate Solution Business and Overseas Business (capital gains business) with stable income from its Real Estate Leasing Business, Hotel Business and Real Estate Management Business (income gains business). From FY11/21, as new strategic initiatives in the situation after coronavirus (the new normal), it is aiming to maximize income gains by growing the Group's total asset scale and strengthening acquisitions of leasing income and fee income and it is working to build a more stable earnings foundation. In addition, its ability to withstand periods of recession is strengthened by the fact that it minimizes fixed costs by not having an in-house sales team and instead utilizing external resources. One of the reasons its results deteriorated comparatively little amid financial crises up to the present time (such as following the collapse of the bubble economy and from the impact of the 2008 global financial crisis) is due to support from its Real Estate Leasing Business and minimizing fixed costs.

(3) Status of human capital

The consolidated number of employees (excluding non-permanent employees) as of the end of May 2023 stood at 793 (up 88 from the end of the previous fiscal year). The Company is aiming to dramatically increase the headcount ahead of business expansion by constantly recruiting new graduates and proactively hiring mid-career employees with immediate capabilities. In particular, the opening of sales offices nationwide also appears to have a positive impact on securing talent through local hiring and increased brand strength. The Company has long declared its goal of "realizing a company that values people," and it has focused on increasing employee engagement (this will be stated again in the "Basic Policy on Sustainability" below). Going forward, the Company will remain committed to increasing its corporate value by continuing to utilize the enthusiasm and abilities of each team member, increasing retention rates and contributing to local employment, and enhancing the creativity of each team member in their work.

4. History

The Company was established in December 1982 in Higashiyodogawa-ku, Osaka, as Samty Development Co., Ltd. (changed to current company name in June 2005). It initially started from consignment sales of condominiums, but subsequently it steadily accumulated results in areas such as sales of entire condominium buildings for investment and sales of units in condominium buildings for families.

After launching sales in May 2001 of its Samty series of studio-type condominiums for investment, in March 2005, it launched sales of its S-RESIDENCE series of rental properties, which spurred on its business expansion. In July 2007, it was listed on the Osaka Stock Exchange Hercules market (currently, the TSE JASDAQ market) (merged with the TSE JASDAQ in 2010), and moved to First Section of the TSE in October 2015, then moved to the TSE Prime Market in April 2022 as a result of the TSE market reorganization.

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

The Company is actively broadening its business scope. In August 2006, it acquired the shares of Suntoa Co., Ltd. (currently, Samty Hotel Management Co.,Ltd.), which owns and manages business hotels, to enter the hotel business; In December 2011, it established Samty Kanri Co., Ltd. (currently, Samty Property Management Co.,Ltd.) to enter the property management business; in November 2012, it made SUN Asset Management Co., Ltd. (currently, Samty Asset Management Co.,Ltd.) a wholly owned subsidiary to enter the asset management business; and in June 2015, SRR was listed on the TSE J-REIT market. In such ways, it established a system for growth to accelerate in the future. Its listing was changed to the TSE First Section in October 2015. (It has moved to the TSE Prime Market in April 2022). In May 2019, it concluded a capital and business alliance agreement with Daiwa Securities Group <8601>, and collaboration is moving ahead in such ways as formation of hotel REIT, overseas development and crowdfunding.

Since 2020, the Company has been participating in THE SAKURA PJ, a residential condominium project in the western part of Hanoi City started jointly with VHM, the largest real estate developer in Vietnam, which has established the full-scale operation of the Overseas Business

Results trends

Recorded considerable increases in revenue and profit in FY11/23 1H. Smooth progress also made on acquiring development sites and income properties

1. Overview of FY11/23 1H results

In FY11/23 1H, net sales increased 80.2% YoY to ¥65,282mn, operating income increased 139.9% to ¥6,604mn, ordinary income increased 64.4% to ¥3,278mn, and profit attributable to owners of parent decreased 21.3% to ¥1,311mn, reporting a significant increase in revenue an increase in profit.

Net sales increased due to the considerable growth of the Real Estate Development Business driven by proactive property sales, full-scale contributions from the Overseas Business, and the recovery in the performance of the Hotel Business. For income gains (net sales-basis), which is a key focus, the Company steadily expanded the Group's assets through the switch to an asset-holding type of business, resulting in a 65.1% increase YoY to ¥13,168mn.

In terms of profit, there was a considerable increase in operating income, mainly due to the growth of the Real Estate Development Business and contributions from the Overseas Business. Additionally, in the Hotel Business, which has felt the effects of the pandemic over the last few years, losses shrank due to factors including improvements in occupancy and room rates. Profit attributable to owners of parent decreased, but this is mainly due to an extraordinary loss (approx. ¥0.9bn) in accordance with the cost of establishing a special investigating committee to deal with matters pertaining to the aforementioned suspicions of improper accounting treatment (judgement of the scope of consolidation), which can be considered as a temporary factor.

The Company was very successful concerning purchases that will lead to future growth, making progress with the acquisition of 66 development sites (acquisition price of ¥27.7bn) and 45 income properties (acquisition price of ¥27.9bn). The Company is making broadly solid progress towards its full-year targets*.

* The progress rate for the acquisition of development sites was 38.5% of the full-year target of ¥72.0bn, but the progress rate would be 51.7% if those scheduled for settlement were included. The progress rate for income property acquisitions was 55.8% of the full-year target of ¥50.0bn, but if those scheduled for settlement were included, this figure would be 63.5%.

Regarding the Company's financial condition, total assets grew by 7.7% compared to the end of the previous fiscal year to ¥445,455mn due to the proactive acquisition of development sites and income properties. Meanwhile, shareholders' equity increased by 1.9% from the end of previous fiscal year to ¥100,611mn, so the equity ratio fell slightly to 22.6% (compared to 23.9% at the end of the previous fiscal year). Moreover, interest-bearing debt increased by 13.5% to ¥317,606mn, however the ratio of long-term debt is approximately 70% and the current ratio has secured 324.0%, so the Company appears to be maintaining financial stability even while expanding its assets.

* Includes funding from green financing conducted in January and March 2023 (details follow).

FY11/23 1H results

(¥mn)

	FY11/22 1H		FY11/23 1H		YoY	
	Results	% of net sales	Results	% of net sales	Amount	% of change
Net sales	36,224		65,282		29,057	80.2%
Real Estate Development Business	14,205	38.6%	31,551	47.4%	17,345	122.1%
Real Estate Solution Business	14,628	39.7%	9,643	14.5%	-4,984	-34.1%
Overseas Business	-	-	12,199	18.3%	12,199	-
Real Estate Leasing Business	4,352	11.8%	4,234	6.4%	-118	-2.7%
Hotel Business	1,339	3.6%	5,797	8.7%	4,457	332.6%
Real Estate Management Business	2,284	6.2%	3,137	4.7%	853	37.3%
Adjustment	-586	-	-1,281	-	-694	-
Cost of sales	28,617	79.0%	50,868	77.9%	22,250	77.8%
SG&A expenses	4,853	13.4%	7,809	12.0%	2,956	60.9%
Operating income	2,753	7.6%	6,604	10.1%	3,851	139.9%
Real Estate Development Business	2,349	16.5%	5,781	18.3%	3,431	146.1%
Real Estate Solution Business	2,563	17.5%	1,536	15.9%	-1,026	-40.1%
Overseas Business	-174	-	1,699	13.9%	1,873	-
Real Estate Leasing Business	2,120	48.7%	1,656	39.1%	-464	-21.9%
Hotel Business	-1,562	-	-862	-	700	-
Real Estate Management Business	390	17.1%	292	9.3%	-97	-25.1%
Adjustment	-2,934	-	-3,500	-	-566	-
Non-operating income	2,016	-	1,050	-	-965	-47.9%
Non-operating expenses	2,775	-	4,376	-	1,601	57.7%
Ordinary income	1,993	5.5%	3,278	5.0%	1,284	64.4%
Extraordinary income	-	-	94	-	94	-
Extraordinary loss	7	-	962	-	954	-
Profit attributable to owners of parent	1,666	4.6%	1,311	2.0%	-354	-21.3%

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

Financial position at the end of FY11/23 1H

(¥mn)

	End of FY11/22	End of FY11/23 1H	YoY	
			Amount	% of change
Current assets	289,904	335,896	45,991	15.9%
Cash and deposits	46,002	32,024	-13,978	-30.4%
Real estate for sale	114,623	158,074	43,451	37.9%
Real estate for sale under construction	122,065	133,889	11,824	9.7%
Non-current assets	123,581	109,475	-14,106	-11.4%
Property and equipment	90,435	71,936	-18,499	-20.5%
Intangible assets	414	472	57	13.8%
Investments and other assets	32,731	37,065	4,334	13.2%
Total assets	413,594	445,455	31,860	7.7%
Current liabilities	89,543	103,664	14,121	15.8%
Short-term borrowings	30,468	29,268	-1,999	-3.9%
Current portion of long-term debt	40,565	64,935	24,455	60.1%
Non-current liabilities	213,656	229,166	15,509	7.3%
Long-term debt	208,914	223,403	14,489	6.9%
Net assets	110,395	112,624	2,229	2.0%
Total assets	413,594	445,455	31,860	7.7%
Interest-bearing debt	279,947	317,606	37,659	13.5%
Shareholders' equity	98,771	100,611	1,840	1.9%
Equity ratio	23.9%	22.6%	-1.3pt	-

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

The results for each business are as follows.

(1) Real Estate Development Business

Net sales rose 122.1% YoY to ¥31,551mn, and segment profit rose 146.1% to ¥5,781mn, both considerable increases. The sale of 26 residential properties*1 (compared to 14 in the same period in the previous fiscal year) contributed to this improvement in business performance. The Company is also actively working to acquire BELS*2 certification for development properties. (Details follow.)

*1 Of which one property was supplied to SRR.

*2 Building-Housing Energy-Efficiency Labeling System: A labeling system for the energy saving performance of buildings based on the Assessment Guideline for Indication of Energy Saving Capabilities of Non-residential Buildings (2013) released by the Ministry of Land, Infrastructure, Transport and Tourism in October 2013. It aims to ensure the accurate assessment and labeling of the energy saving performance of non-residential buildings by a third-party organization.

(2) Real Estate Solution Business

Net sales decreased 34.1% YoY to ¥9,643mn, and segment profit decreased 40.1% to ¥1,536mn, resulting in a decrease in both sales and profit. The Company sold 17 properties (compared to 16 in the same period in the previous fiscal year), which was in line with forecasts, despite the YoY decrease in sales and profit.

(3) Overseas Business

Net sales were ¥12,199mn (no sales recorded in the same period in the previous fiscal year), and segment profit was ¥1,699mn (compared to a loss of ¥174mn in the same period in the previous fiscal year), resulting in a significant contribution to business results. The sales situation*1 for THE SAKURA PJ (four buildings), a residential condominium project in Vietnam, was steady, as properties were delivered and sales revenues were recorded. The forecast for when all units in this project are sold is for net sales of around ¥40.7bn and profit of around ¥5.7bn*2. The Company is continuing to work toward the successful completion of its first overseas residential condominium project while also developing its partnership with VHS with a view to participating in future projects.

*1 The V8 building (718 units) is already fully sold out (deliveries almost completed). For the V9 building (1,126 units), approximately 98% of the units have been sold (around 80% delivered). For the V10 building (1,133 units), approximately 37% of the units have been sold (delivery scheduled for fall 2024). For the V7 building (total number of units yet to be determined), sales are due to commence (delivery scheduled for summer 2025).
*2 About 90% of which will be contributed to the Group's business results.

(4) Real Estate Leasing Business

Net sales decreased 2.7% YoY to ¥4,234mn, and segment profit decreased 21.9% to ¥1,656mn, resulting in a YoY decrease in both sales and profit, primarily due to the effects of property sales in FY11/22 4Q and FY11/23 1H. However, as of the end of May 2023, assets owned centering on residential properties increased to 196 properties (160 properties at the end of FY11/22), while occupancy rates of residential properties remained near 95%. Additionally, the Company is working to raise the rents and common area charges of its rental apartments as a measure to combat recent inflation*.

* In regard to rents, it is raising rent during changes of occupancy and has so far increased the amount for about 56% of eligible units (average increase of approximately 6%). In regard to common area charges, it has revised charges for the rental apartments it owns in the Kansai and Chubu areas, which is about 56% of eligible units.

(5) Hotel Business

Net sales increased 332.6% YoY to ¥5,797mn, and there was segment loss of ¥862mn (loss of ¥1,562mn in the same period in the previous fiscal year), representing a considerable increase in sales and shrinking of losses. Occupancy and room rates both increased as a result of measures to support travel implemented across Japan and a recovery in inbound travel, as well as an increase in business use accompanying increasingly dynamic economic activity. The average occupancy rate recovered to around 70% while room rates improved beyond pre-pandemic levels. The number of hotels in which the Company participates (through ownership or operation) was 20, including the newly added Mercure Hida Takayama (a property developed by the Company).

(6) Real Estate Management Business

Sales increased and profits decreased as net sales rose 37.3% YoY to ¥3,137mn, and segment profit decreased 25.1% to ¥292mn. Increased sales partly reflect an expansion in AUM with the expansion of SRR's assets and the formation of the hotel REIT and an expansion in number of units under management by PM. Both are expanding steadily with AUM (as of the end of January 2023) at ¥382.7bn and the number of units under management (as of the end of May 2023) at 28,618 units. Income, meanwhile, decreased due to a decrease in profits accompanying an increase in expenses.

2. Development plan (pipeline) situation

In development of residential buildings (S-RESIDENCE), the Company completed construction of 28 buildings (55 buildings are planned for FY11/23). Furthermore, in terms of buildings to be completed from FY11/24 onward, the Company is proceeding with development of a total of 197 buildings (approx. 13,000 units) in cities nationwide, planning completion of 84 buildings in FY11/24 and 86 buildings in FY11/25, and has managed to steadily build up the development pipeline with a view to expanding its assets. Meanwhile, in hotel and office developments, the Company is currently developing seven hotels* and seven offices.

* One of which (Mercure Tokyo Haneda Airport, 363 guest rooms) is scheduled to open in fall 2023

3. Summary of FY11/23 1H

To summarize FY11/23 1H, the Company's business results included a considerable increase in revenue driven by strong property sales and an increase in operating profit, while it also steadily advanced strategic investment aimed at expanding the Group's assets, including by acquiring development sites and income properties. Therefore, it can be evaluated as having achieved big successes in both of these areas. In particular, the recovery in the performance of the Hotel Business, which has felt the effects of the pandemic over the last few years, should bolster future revenue and profit, and it is also a positive sign toward the listing of a hotel REIT. Additionally, the full-scale operation of the Overseas Business in Vietnam, a country experiencing dizzying economic growth, should be watched carefully as a potential pillar for future growth. Also, in regard to the suspicions of improper accounting treatment (judgement of the scope of consolidation) that were revealed in January 2023, this matter has been settled through a special investigating committee and no changes have been made to past financial statements. Therefore, there is no grounds for concern regarding impact on future business results.

Earnings outlook

FY11/23 results are unchanged from initial forecasts, with full-year increases in net sales and operating income forecast

1. FY11/23 forecasts

In its earnings forecast for FY11/23, the Company kept its initial forecasts unchanged of net sales of ¥165,000mn, up 28.4% YoY, operating income of ¥18,000mn, up 27.8%, ordinary income of ¥11,000mn, down 23.8%, and profit attributable to owners of parent of ¥6,000mn, down 44.8%. If there are increases in sales and profits over the full year it would result in setting new record highs in net sales and operating income if it eventuates.

Major factors expected to contribute to the increase in net sales are the ongoing growth of the Real Estate Development Business and Overseas Business and continued recovery in the performance of the Hotel Business. For income gains (net sales-basis), which is a key focus, the Company is forecasting a 49.6% increase YoY to ¥30,200mn due to the growth of the Hotel Business and Real Estate Management Business.

In terms of profit, the Company is expecting an increase in operating income due to full-scale contributions from the Overseas Business and further shrinking of losses (or a return to profitability) in the Hotel Business. Additionally, the reason for the decrease in ordinary income is anticipated foreign exchange losses (approximately ¥2.0bn) in the Overseas Business.

In regard to profit, the Company will continue to focus on acquiring development sites and income properties while also advancing preparations for the listing of a hotel REIT.

FY11/23 forecast

(¥mn)

	FY11/22		FY11/23		YoY	
	Results	% of net sales	Initial forecast	% of net sales	Amount	% of change
Net sales	128,470		165,000		36,530	28.4%
Real Estate Development Business	73,488	57.2%	95,000	57.6%	21,512	29.3%
Real Estate Solution Business	28,656	22.3%	26,000	15.8%	-2,656	-9.3%
Overseas Business	7,463	5.8%	16,500	10.0%	9,037	121.1%
Real Estate Leasing Business	8,704	6.8%	9,000	5.5%	296	3.4%
Hotel Business	6,293	4.9%	15,000	9.1%	8,707	138.4%
Real Estate Management Business	5,193	4.0%	6,200	3.8%	1,007	19.4%
Adjustment	-1,330	-	-2,700	-	-1,370	-
Operating income	14,083	11.0%	18,000	10.9%	3,917	27.8%
Real Estate Development Business	15,637	21.3%	15,000	15.8%	-637	-4.1%
Real Estate Solution Business	3,928	13.7%	3,000	11.5%	-928	-23.6%
Overseas Business	-593	-	1,600	9.7%	2,193	-
Real Estate Leasing Business	4,168	47.9%	5,000	55.6%	832	20.0%
Hotel Business	-2,742	-	400	2.7%	3,142	-
Real Estate Management Business	775	14.9%	300	4.8%	-475	-61.3%
Adjustment	-7,090	-	-7,300	-	-210	-
Ordinary income	14,441	11.2%	11,000	6.7%	-3,441	-23.8%
Profit attributable to owners of parent	10,866	8.5%	6,000	3.6%	-4,866	-44.8%

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

2. FISCO's opinion

At FISCO, we think that it is fully possible that the Company will achieve its forecasts after taking into consideration 1H results, progress made on strategy, the steady market environment, and other points. Naturally, we will need to monitor the impact of factors such as revisions to the Bank of Japan's monetary policy (and higher expectations regarding returns among investors that may accompany this) on real estate prices, as well as any potential downturn in the profitability of owned assets due to inflation, but at present we do not see these as major negatives, as the stable cashflows offered by residential properties means investment appetite is reliable, the inflow of funding into the market, including from overseas funds, means that market prices are steady, and the Company is working to raise the rents and common area charges of its rental apartments as a measure to combat recent inflation. In regard to the acquisition of development sites and income properties, the prices of income properties remain high making acquisition and investment decisions difficult, but it seems that the Company will take a cautious stance based on the careful assessment of profitability while also leaning slightly more toward the acquisition of development sites. Also, in the Hotel Business, occupancy and room rates have returned to pre-pandemic levels, so we will watch developments toward the listing of a hotel REIT with care.

Progress on medium-term management plan, Samty Toughening Plan (post-COVID version)

Policy of aiming to grow stable earnings through switching to asset-holding type of business

1. Overview of medium-term management plan

Looking at the impact of the coronavirus pandemic and future changes in the business environment, in January 2021 the Company released a new five-year medium-term management plan (post-COVID version). The plan's four basic policies are as follows: 1) Switch to asset-holding type of business, 2) Efforts toward listing of a hotel REIT, 3) Strategic investments in regional metropolitan areas, and 4) Building a profit base in overseas business. Points 1) and 4) are particularly different from the previous policies. As an asset-holding type of developer, the Company has worked out a new direction of striving to stabilize revenue and launching overseas businesses as a future growth axis.

(1) Switch to asset-holding type of business

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

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

(2) Efforts toward listing of a hotel REIT

The Japanese government is firmly implementing policies to realize tourism nation, and in this situation, in order to capture the recovery of demand after the coronavirus pandemic has settled down and to ascertain movements in the industry reorganization, the Company will aim to strengthen the earnings capabilities of existing hotels, while continuing measures toward listing a hotel REIT (established in November, 2021). It will also continue to carefully select and invest in development projects in the future, and its policy is to contribute to the accumulation of REIT assets from a medium- to long-term perspective.

(3) Strategic investments in regional metropolitan areas

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

(4) Building a profit base in overseas business

Using the opportunity provided by the joint business with VHM in Vietnam, the strategy is to utilize the experience that the Samty Group has cultivated over many years to capture residential demand alongside the economic growth of ASEAN countries and the increases in the populations of cities. This business has been positioned as the growth driver of the future. In particular, with regards to Vietnam, where economic growth is remarkable, the Company's policy is to mitigate development risk and benefit from the local tax rates through collaboration with a leading local developer. As mentioned earlier, sales regarding THE SAKURA PJ, a residential condominium project in the western part of Hanoi City, are progressing smoothly and movement is underway toward participation in a new project.

2. Investment plan

The five-year investment plan (FY11/21 to FY11/25) is for approximately ¥750.0bn. Breaking this down, ¥300.0bn will be for residential property development, ¥120.0bn for hotel and office building development, and ¥250.0bn to acquire income properties, while ¥80.0bn will be allocated to overseas business, which is a new theme. Also, through switching to asset-holding type of business and the growth of the SRR and hotel REIT, the Company's policy is to increase the Group's assets to ¥1tn (¥500.0bn for total assets on a consolidated basis) by FY11/25. The cumulative investment amount (for two and half years) is about ¥568.8bn (progress rate of 75.8%). The Group's assets are ¥608.1bn and advancing steadily.

Investment plan (five year) progress

(Unit: ¥bn)

Investment field	Investment plan target amount through FY11/25	As of FY11/22 1H-end	
		Cumulative investment amount	Progress rate
Residential property development	3,000	2,611	87.1%
Hotel/office building development	1,200	1,220	101.7%
Income property acquisition	2,500	1,501	60.1%
Overseas business	800	354	44.3%
Total	7,500	5,688	75.8%

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

3. Results targets

The results targets for the plan's final fiscal year of FY11/25 are for net sales at a level of ¥220.0bn (of which, ¥45.0bn from leasing income, etc.), operating income of at least ¥35.0bn, ROE at a level of 15.0%, ROA at a level of 7.0%, and an equity ratio of at least 30.0%. Also, by converting the revenue structure, the percentage of operating income provided by income gains (leasing income, etc.) will be increased to 50% (around 15% using FY11/20 as a reference fiscal year), while the percentage from overseas business is forecast to be 15%. In other words, the Company will shift the focus of the income model from the conventional domestic capital gains (development profits, etc.) to income gains (leasing income, etc.), which are stable sources of income, and acquire capital gains overseas as a new growth driver.

Status of Progress on KPIs in the Medium-Term Management Plan (Post COVID Version)

	FY11/20 Results	FY11/21 Results	FY11/22 Results	FY11/23 Plan	FY11/25 Numerical target
Net sales	¥101.1bn	¥90.4bn	¥128.4bn	¥165.0bn	¥220.0bn level
(of which, leasing income, etc.)	(¥12.1bn)	(¥13.8bn)	(¥18.8bn)	(¥27.5bn)	(¥45.0bn)
Operating income	¥17.3bn	¥9.4bn	¥14.0bn	¥18.0bn	At least ¥35.0bn
ROE	14.3%	11.7%	11.1%	-	15.0% level
ROA	7.4%	3.2%	3.7%	-	7% level
Equity ratio	30.7%	27.0%	23.9%	-	30.0% level or higher

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

4. Points of attention for FISCO

At FISCO, we view the switch to an accumulation-type revenue model and overseas business development as strategies that make sense in order to further expand business and realize sustainable growth going forward, and we view the Company as being in the midst of a period of transformation toward its next stage. However, in advancing the conversion of the revenue structure, as it is conceivable that for the time being it will prioritize accumulating assets held (reducing sales of properties), to evaluate the strategic progress made, it would seem appropriate to focus on the pace of expansion of assets held and the growth of income gains (leasing income, etc.). However, in principle, the plan is to sell properties within three years, so it is anticipated that net sales growth will recover after three years, at the latest.

We can also expect potential for the overseas business (Vietnam) through the collaboration with a leading local developer. Using the opportunity of the current project, the key points will be how the Company will utilize the expertise it has cultivated up to the present time and its speedy management decision-making, and how it will connect this to further development. We view the Company's collaboration with an influential partner in the hotel business as a strategy that signifies a new direction. In particular, there are expectations of the possibility of value co-creation that combines both soft* and hard aspects, such as the development of luxury hotels with strong brand power and ability to attract customers. Based on this, from a medium- to long-term perspective, we will be focusing on (1) developments toward the strengthening of the hotel business, including the listing of the hotel REIT and alliances with other companies (foreign-capital operators, etc.), (2) progress made in strategic investment in regional urban areas, (3) the movements and future development of overseas business (Vietnam), and (4) the possibilities of new value creation through collaboration with partners.

* For example, in June 2022, the Company invested in a theme park business (Nesta Resort Kobe, a major resort with accommodation facilities including a hotel) due to its high affinity with the Hotel Business. (For details, see the FISCO Report issued on October 12, 2022)

Sustainability initiatives

Working toward environmentally friendly residential property development by concluding green loans and acquiring BELS certification

1. Sustainability Basic Policy

The Company has established four basic policies for sustainability, which are “environmental consideration,” “coexistence with local communities,” “being a company that values people,” and “thoroughness of corporate morals,” and it is enhancing its sustainability management with the aim of contributing to the solution of social issues through business activities.

2. Main initiatives

1) Conclusion of green loans

Green loans are a method of procuring finance for projects that contribute toward tackling environmental issues. This funding can only be allotted to eligible projects and green loans are notable for their transparency, which is obtained through follow-up management and post-receipt reporting. In January 2023, the Company procured funds of ¥2.7bn by concluding a syndicated green loan with THE SHIGA BANK, LTD.<8366> and two other banks. In March 2023, it procured funds of ¥380mn by concluding a green loan with The Hokkaido Bank, Ltd., for the purpose of investing in land purchase and construction to advance the S-RESIDENCE Kotoni Ekimae project, an eco-friendly residence developed in Nishi-ku, Sapporo City.

2) Acquisition of BELS certification for developed properties

The Company has acquired certification under the BELS system for labeling the energy saving performance of buildings for a total of three of its S-RESIDENCE properties under development*. The thinking behind its pursuit of BELS certification is to not only to raise profitability, but also to sustainably enhance corporate value by developing properties in a way that takes diverse social needs and energy saving performance into account.

* Out of the three properties, two received the highest ranking of five stars, while the other received four stars.

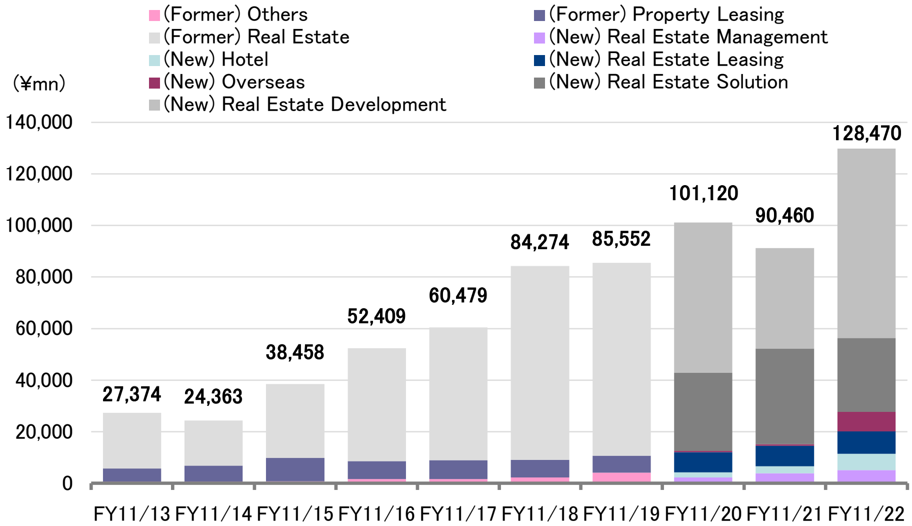
Results trends

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

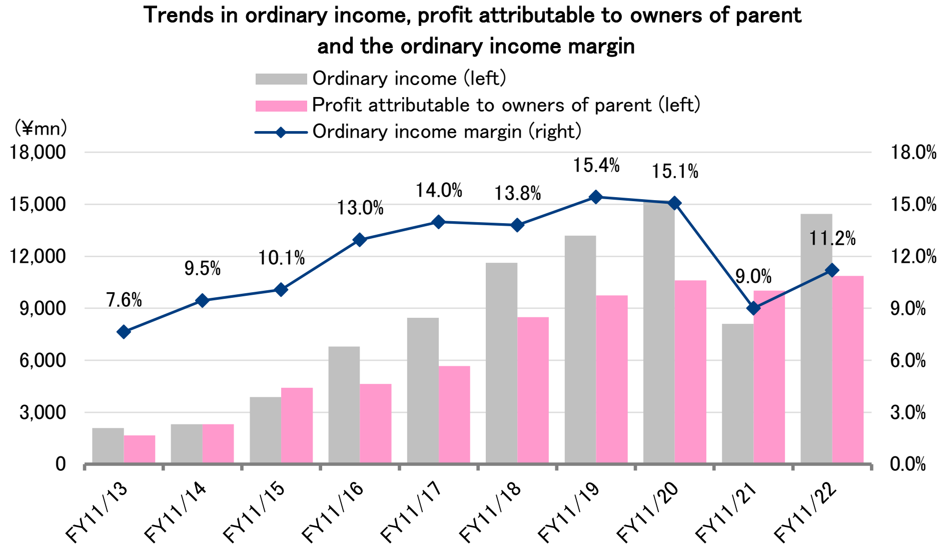
Looking back on the Company's results, immediately after it listed on the Osaka Stock Exchange Hercules market (merged with the TSE JASDAQ in 2010) in FY11/07, it was immediately impacted by the 2008 global financial crisis and results trended at a low level for a period of time. The major contraction of the Real Estate Business due to the credit tightening by financial institutions had a particularly adverse impact on its results. However, the points we should focus on are that results in the Real Estate Leasing Business have trended stably even under a severe industry environment, which has supported the results of the Company as a whole. The fact that it does not have its own in-house sales team and has minimized fixed costs has also had a positive effect, and it can be highly evaluated on the point that it has secured profits in every fiscal year expect FY11/08, when it recorded a net loss due to declaring impairment.

Since FY11/13, the Real Estate Business has greatly recovered due to the change in financial institutions' attitude toward financing, which has occurred against the backdrop of the recovery of the domestic economy and monetary easing, and the Company's results have entered an expansion phase. In particular, the Company has achieved a significant expansion in business over the past few years, aided by the establishment of a business model centered on SRR which listed on the stock market in June 2015, as well as increased demand from overseas investors. Despite a temporary decrease in sales associated with a change of business model in FY11/21, in FY11/22 the Company achieved a significant V-shaped recovery, reaching a new record high in sales. Furthermore, in terms of profit and loss, the ordinary income margin improved year by year thanks to progress in highly profitable of Real Estate Development Business. The ordinary income margin decreased to 9.0% in FY11/21, mainly due to widening losses in the Hotel Business caused by the impact of the coronavirus pandemic, but recovered to 11.2% in FY11/22.

Trends in net sales (by business)



Note: Excluding internal sales. New segment classification applies from FY11/20 onward.
Source: Prepared by FISCO from the Company's financial results and financial results briefing materials



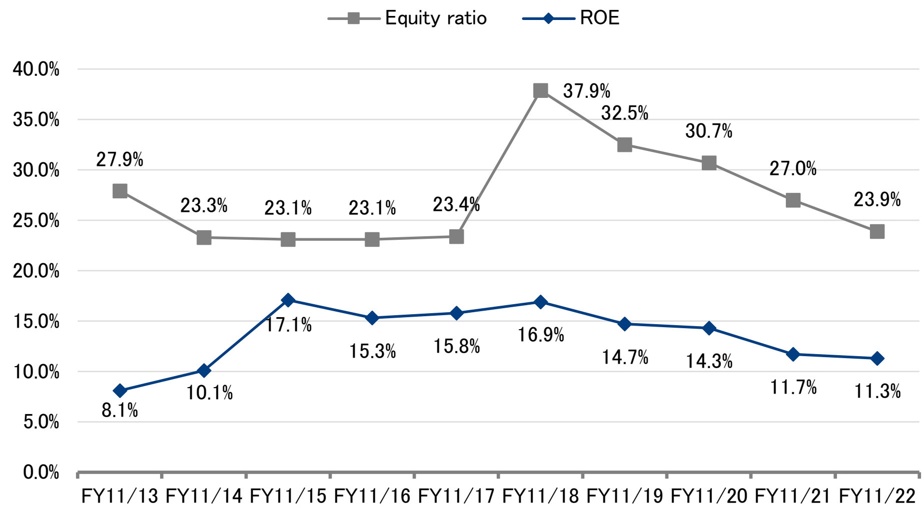
Source: Prepared by FISCO from the Company's financial results

Although the equity ratio increased to 27.9% in FY11/13 following the implementation of a capital increase through a public offering (approximately ¥2.0bn), it has been at a level of around 23% since FY11/14 due to the Company's active accumulation of assets and other factors. However, it moved in a positive direction as a result of issuing new shares (approximately ¥15.0bn) through a rights offering* in October 2018 and disposing of treasury shares (approximately ¥2.7bn) in May 2019 following the capital and business alliance with the Daiwa Securities Group, and the Daiwa Securities Group's conversion of convertible bonds (¥10.0bn) in 2021, at the end of FY11/22, the Company was maintaining an equity ratio at the 23.9% level, while aiming to grow assets.

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

On the other hand, ROE, which indicates capital efficiency, has trended upward alongside the improvement in the profit margin. Even in FY11/21 when profit margins declined, it maintained a level above 11.0%.

Trends in the equity ratio and ROE



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

Industry environment

Residential property development has been performing strong even amid the pandemic. Hotel occupancy and room rates are trending upward as inbound travel recovers

1. J-REIT market

The J-REIT market will have a significant impact on the Company's growth strategy going forward. As of the end of June 2023, the market capitalization of the J-REIT market was around ¥15,710.6bn (-0.8% from the end of the previous fiscal year), and there were 60 J-REITs listed. Looking back, although there was a phase in which the market was temporarily weak due to the impact of tightening credit and related factors following the 2008 global financial crisis, the market has been growing since 2012 thanks to the recovery of the domestic economy and the effects of prolonged monetary easing, along with other factors. However, since the start of 2020, concerns about overall economic stagnation due to the coronavirus pandemic and other factors resulted in a large decline in the market centered on hotels and commercial facilities, but residential properties and distribution centers, etc., which are largely unaffected by economic fluctuations, have remained firm.

The TSE REIT index trended firmly due to a robust domestic real estate market (rising rents, etc.). In particular, investment appetite for J-REITs from domestic and overseas institutional investors remains vibrant because they generate yield and have relatively stable cash flow against a backdrop of the monetary easing policy by the Bank of Japan (BOJ) and healthy office demand up to now. Due to the impact of the coronavirus pandemic, investment saw a temporary significant decline in March 2020, but recovered in 2021 to record high pre-coronavirus levels. However, the market has softened somewhat recently due to interest rate hikes by foreign central banks, weakening investor sentiment, and speculation of a monetary policy revision by the BOJ.

Trends in the TSE REIT index

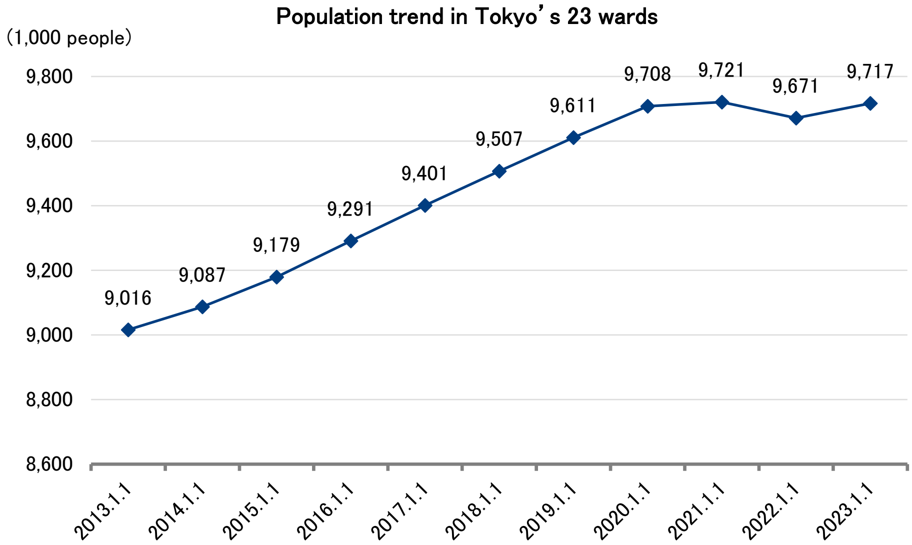
Source: Prepared by FISCO from various materials

2. Residential (rental apartments)

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

*1 After 2020, when the coronavirus pandemic came into full swing, the excess of people moving into central Tokyo came to a halt, and although the population declined in 2021 for the first time in 26 years, it reverted to an increase in 2022, and can be viewed as a transitory factor.
*2 Tokyo (23 wards), Osaka, Nagoya, Sapporo, Fukuoka.

Population trend in Tokyo's 23 wards



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

3. Hotels and office buildings

Looking at hotels, prior to the coronavirus pandemic, hotel occupancy rates were high against a backdrop of increasing inbound demand. Since 2020, hotel occupancy rates have remained low due to the prolonged impact of the coronavirus pandemic, but as the coronavirus pandemic has calmed down, occupancy rates and room rates have been on an upward trend due to national travel support and a recovery in inbound tourism. The selection of players looking ahead to the post-coronavirus period has already begun, and it is believed that momentum for capturing business opportunities will increase going forward. In office building development as well, despite the need to pay attention to the impact of changes in work styles (such as wider use of remote work and satellite offices), major regional urban areas where the Company develops properties face severe office shortages and this suggests that sufficient business opportunities exist.

Returns to shareholders

The Company plans to pay ¥90 per share, the same amount as the previous fiscal year for the FY11/23 dividend

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

Regarding the annual dividend amount for FY11/22, the Company paid a dividend of ¥90 per share (a ¥39 interim dividend and ¥51 year-end dividend), the same amount as the previous fiscal year. The Company plans to pay the same amount for the annual dividend for FY11/23 as FY11/22. At FISCO, we think there is considerable room for the dividend to be increased in the future based on profit growth.

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