COMPANY RESEARCH AND ANALYSIS REPORT

Samty Co., Ltd.

3244

Tokyo Stock Exchange First Section

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Index

Summary

In FY11/20, sales and profits increased and set new record highs. Has postponed the establishment of a hotel REIT, but strong performance was maintained, centered on residences. Has reviewed the medium-term management plan and is working to convert the revenue structure and strengthen overseas business

1. Company profile

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

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

Due to the impact of the novel coronavirus pandemic, the establishment (and listing) of a hotel REIT that had been scheduled to take place in 2020 has been postponed to FY11/21 or later. But leasing condominiums, which are not easily affected by economic fluctuations, are performing strongly, and the Company is steadily moving forward with its investment plan for the future (land procurement and acquisition of income properties). Conversely, looking toward the post-coronavirus period, the Company has reviewed its medium-term management plan. While continuing to conduct strategic investment, it now depicts a direction toward achieving sustainable growth through switching to "develop and own" business (to grow stable earnings), strengthening overseas business, and working on the hotel business from a long-term perspective.

2. Business results for FY11/20

Results grew steadily in FY11/20, with net sales increasing 18.2% year on year (YoY) to ¥101,120mn and operating income rising 12.6% to ¥17,355mn, and sales increased for the sixth consecutive period and profits for the eighth consecutive period. During the coronavirus pandemic, the Company reviewed and postponed the establishment of a hotel REIT that it had initially planned and the sales periods of hotel properties to FY11/21 or later. However, it was able to replace properties for sale, mainly in leasing condominiums and office buildings, which contributed greatly to the growth of the Real Estate Business. In the Property Leasing Business also, rental income is growing significantly through active acquisitions of income properties and maintaining high occupancy rates. Conversely, in the Other Business, sales decreased due to the decline in hotel occupancy rates (including that some hotels were temporarily closed) due to the impact of the coronavirus, but this had a limited impact on the Company's results overall. It also realized higher profits from the increase in revenue and maintained the operating income margin at a high level.

3. Review of the medium-term management plan

Two years have passed since the Company began progressing the Samty Toughening Plan, its three-year medium-term management plan from FY11/19 to FY11/21. However, looking toward the post-coronavirus period, it has reviewed and adjusted the plan to cover five years, running until FY11/25. The plan's basic policies are (1) Switch to "develop and own" business (grow stable earnings), (2) Continuation of efforts toward establishment of hotel REIT, (3) Continuation of strategic investments in regional metropolitan areas, and (4) Building a profit base in overseas business. The five-year investment plan is for approximately ¥750bn and the results targets for the plan's final fiscal year are net sales at a level of ¥220bn, operating income of at least ¥35bn, ROE at a level of 15.0%, ROA at a level of 7.0%, and an equity ratio of at least 30.0%. In particular, it intends to convert to an earnings structure in which income gains (leasing income) provide 50% and overseas business provides 15% of operating income.

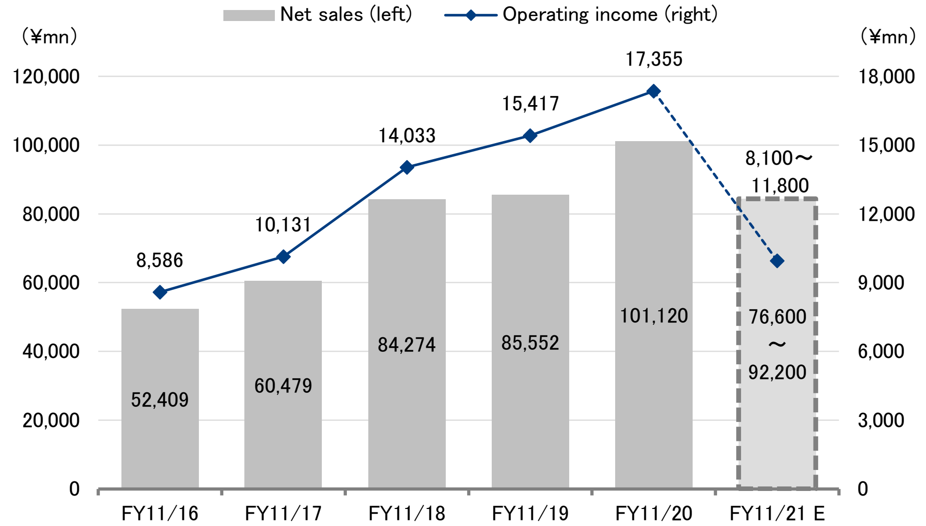
4. FY11/21 forecasts

For the FY11/21 results forecasts (range format), the Company is forecasting net sales from ¥76,600mn (down 24.2% YoY) to ¥92,200mn (down 8.8%) and operating income from ¥8,100mn (down 53.3%) to ¥11,800mn (down 32.0%). It decided to set range forecasts due to uncertainty regarding the future of the external environment, with a lower limit based on highly reliable sales and an upper limit considering the possibility of gains on sales of additional properties. The reason both the upper and lower limits for net sales show declines is that, in accordance with the review of the medium-term management plan, the Company is in the process of switching to "develop and own" business, so the number of properties sold will decrease temporarily. Meanwhile, for profits, alongside the decline in sales, both the upper and lower limits indicate significant decreases at the operating income stage, and operating income will also be affected by profits recorded in non-operating income and loss for accounting reasons due to a business scheme. Therefore, it is necessary to be aware that profit will increase to the upper limit at the ordinary income stage and a level of ordinary income margin will be secured higher than the previous fiscal period.

Key Points

- In FY11/20, sales and profits increased significantly and set new records highs
- Due to the impact of the coronavirus, the establishment of a hotel REIT has been postponed, but results continue to be strong, centered on the mainstay residential
- Looking toward the post-coronavirus period, reviewed the medium-term management plan and adjusted it to a five-year plan. While continuing to conduct strategic investment, is aiming for sustainable growth, including by switching to "develop and own" business and strengthening overseas business
- In FY11/21, is in the process of switching to "develop and own" business, so both the upper and lower limits for net sales forecast declines, but the outlook calls for the ordinary income margin to be maintained at a high level

Results trends



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

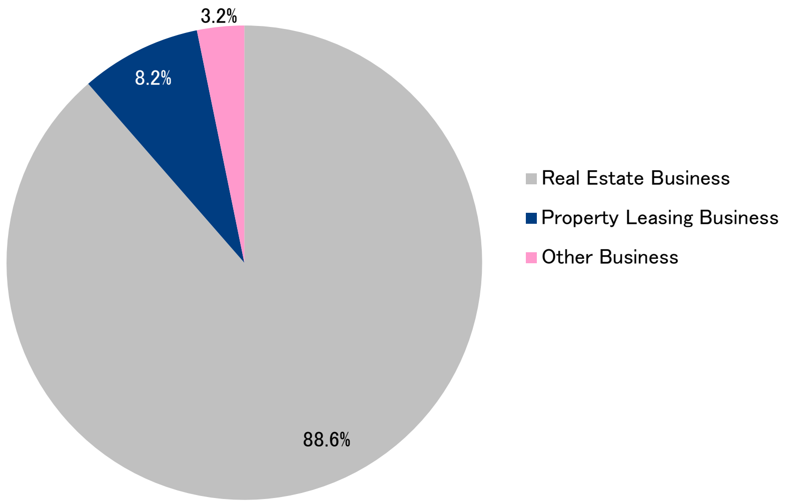
Company profile

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

1. Business overview

The Company has three business segments: Real Estate Business, Property Leasing Business, and Other Business. The Real Estate Business trended favorably, contributing 88.6% of net sales in FY11/20. However, it is necessary to be aware that in contrast to the steady growth of the Property Leasing Business, results in the Real Estate Business tend to fluctuate greatly due to various factors, including the business environment. Since its foundation, the Company's strength has been its leasing capabilities in its area of expertise of residential properties (condominiums, etc.) that can be expected to stably maintain high occupancy rates. In May 2019, it concluded a capital and business alliance agreement with Daiwa Securities Group Inc. <8601>, and they are progressing collaborations, including the formation of a hotel REIT, overseas business development, and crowdfunding.

Composition of net sales by business in FY11/20



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 132 properties with a combined value of ¥118.4bn (as of February 28, 2021). The Company is also moving ahead with formation of a hotel development fund and plans to list a hotel REIT in FY11/21 or later.

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

* Houses the Shinjuku and Yokohama sales offices.

The Samty Group is comprised of the Company and 13 consolidated subsidiaries, including 8 special purpose companies (SPC) and general incorporated associations that were established or received investment in connection with schemes to acquire, own, and develop land, properties, and trust beneficiary rights in the process of conducting the Real Estate Business and Property Leasing Business. The main consolidated subsidiaries include Samty Asset Management Co., Ltd. (asset management, etc.), Samty Hotel Management Co., Ltd. (hotel management, etc.), Samty Property Management Co., Ltd. (property management, etc.) and SAMTY ASIA INVESTMENTS PTE. LTD. (its Singapore subsidiary.)

Overviews of each business are as follows.

(1) Real Estate Business

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

"Development securitization" refers to the planning, development, and sales of leasing condominiums for real estate funds (including the S-RESIDENCE series, a brand developed in-house). Basically, the properties are large-scale, studio-type condominiums with a total number of around 200 units and include features such as stairwell entrances and luxurious designs. Recently, demand has been considerable from real estate funds and other clients regardless of building size, so sales of medium-sized properties have also increased. The Company has granted SRR preferential transaction negotiating rights (first refusal rights) for the S-RESIDENCE series and mainly supplies properties to SRR. It has also been working on planning, development and sales of hotels (S-PERIA series brand developed in-house, etc.) and office buildings as a new field.

S-RESIDENCE series

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

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

* Properties acquired to incorporate into a REIT

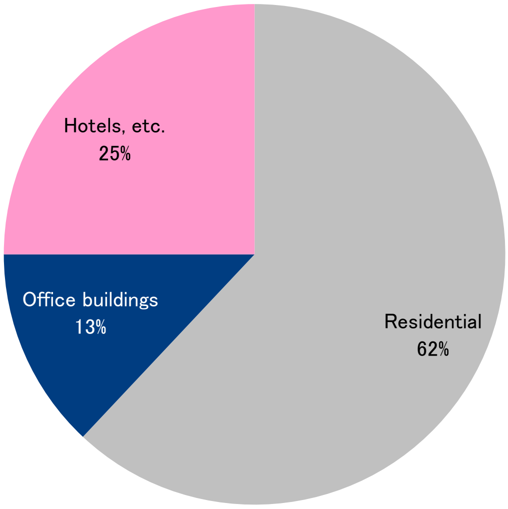
"Investment unit sales in lots" involves the planning and development of studio-type condominiums for investment, mainly to individual investors. A feature of the Company is that it does not have an in-house sales team, and it wholesales (selling units or entire buildings) to sales companies. Through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

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

(2) Property Leasing Business

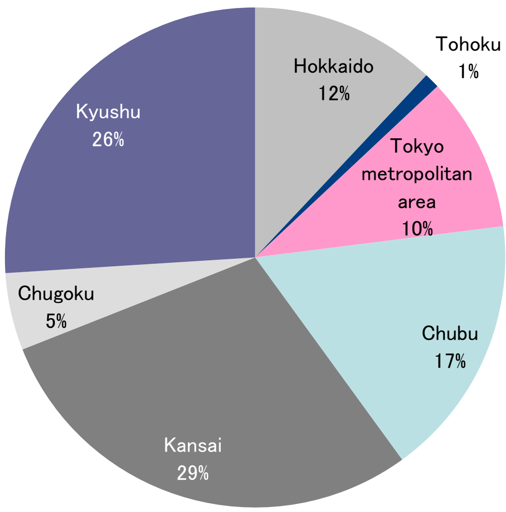
This business is the foundation that ensures stability, and the segment profit margins are also maintaining high levels. It owns around 54 properties nationwide (non-current assets only), centered on the Kansai region, Tokyo metropolitan area and government ordinance designated cities such as Fukuoka, Sapporo, and Nagoya. It also conducts diversified investment in a variety of assets, including condominiums, office buildings, and commercial facilities. In particular, the Company has a high percentage of condominiums that are largely unaffected by economic fluctuations and utilizes its leasing expertise to realize high occupancy rates above 90% when averaged over the year. While the scale of the real estate it owns amounts to around ¥130bn (book value), this is divided into ¥58bn in inventory assets that it intends to eventually sell (real estate for sale) and ¥72bn in non-current assets that it intends to continue to own (all results are as of the end of November 2020).

Sales by property type for FY11/20 (Property Leasing Business)



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

Distribution of properties owned by area for FY11/20
(based on total floor space)



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

(3) Other Business

This business mainly involves the ownership and management of hotels, the condominium management business, and the construction and renovation business. The hotel business operates and manages 12 hotels nationwide, including six hotels developed in-house. Other than conducting the hotel business, subsidiary Samty Property Management also conducts condominium management (including external properties, mainly the Company's condominiums), construction and renovation, and other work.

Hotels in which the Company participates

Hotel name	Location	No. of rooms
Center Hotel Tokyo	Chuo-ku, Tokyo	108
Amano Hashidate Hotel	Miyazu-shi, Kyoto	86
GOZAN HOTEL	Higashiyama-ku, Kyoto-shi	21
S-PERIA HOTEL Nagasaki	Nagasaki-shi, Nagasaki	155
S-PERIA HOTEL Hakata*	Hakata-ku, Fukuoka-shi	287
S-PERIA INN Nihombashihakozaki*	Chuo-ku, Tokyo	114
S-PERIA INN Osaka Hommachi*	Nishi-ku, Osaka-shi	125
S-PERIA HOTEL Kyoto*	Shimogyo-ku, Kyoto-shi	165
NEST HOTEL Hiroshima Hatchobori	Naka-ku, Hiroshima-shi	126
Mercure Kyoto Station*	Shimogyo-ku, Kyoto-shi	225
Ibis Styles Nagoya*	Nakamura-ku, Nagoya-shi	284
NEST HOTEL Hiroshima Station	Minami-ku, Hiroshima-shi	126
Total		1,822

* Hotel developed by the Company
Source: Prepared by FISCO from the Company's financial results briefing materials and the Company's website

2. Features

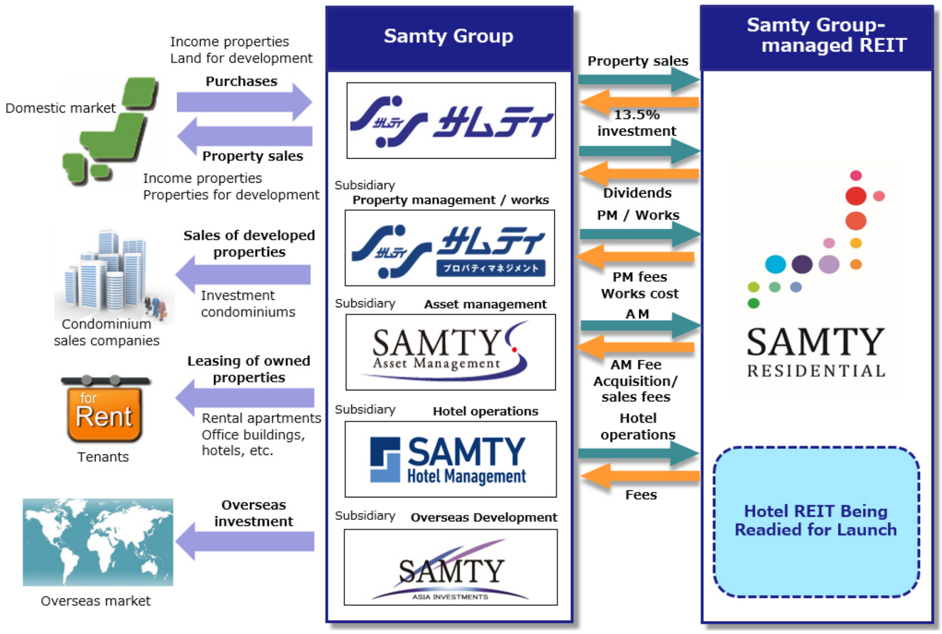
A feature of the Company is that it handles all aspects of the property business with its business model combining two businesses, the Real Estate Business and Property Leasing Business. This forms its strength in terms of the superiority of its business and revenue structure.

(1) A superior business model

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

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

Business model overview



Source: The Company's website

(2) Profit structure as a strength

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

3. History

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

After launching sales in May 2001 of its Samty series of studio-type condominiums for investment, in March 2005, it launched sales of its S-RESIDENCE series of leasing properties for real estate funds, which spurred on its business expansion. In August 2006, it entered the hotel business by acquiring the shares of SUNTOA (currently, Samty Hotel Management), which owns and manages business hotels. In July 2007, it was listed on the Osaka Stock Exchange Hercules market (currently, the TSE JASDAQ market).

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

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

Results trends

In FY11/20, sales and profits increased and set new record highs. Has postponed the establishment of a hotel REIT, but strong performance was maintained, centered on residential

1. Overview of FY11/20 results

In FY11/20, results steadily grew, with net sales increasing 18.2% YoY to ¥101,120mn, operating income rising 12.6% to ¥17,355mn, ordinary income climbing 15.6% to ¥15,247mn, and profit attributable to owners of parent increasing 9.0% to ¥10,615mn. Sales increased for the sixth consecutive period and profits for the eighth consecutive period. In addition, profits were above the upper limits of the revised forecasts (range format) announced on September 30, 2020.

The growth of the Real Estate Business contributed greatly to the increase in net sales. During the coronavirus pandemic, the Company reviewed and postponed the establishment of a hotel REIT, which it had initially planned, and the timing of sales of hotel properties to FY11/21 or after. However, replacing properties for sale, mainly in leasing condominiums and office buildings, led to increased revenue. In particular, the mainstay leasing condominium business is less susceptible to the impacts of the coronavirus and economic fluctuations, and in a situation of ongoing low interest rates globally, inquiries from institutional investors domestically and overseas continue to be strong. In the Property Leasing Business as well, rental income is growing greatly as a result of active acquisition of income properties and maintaining high occupancy rates. Conversely, in the Other Business, sales declined due to the fall in hotel occupancy rates (including some temporary closures) due to the impact of the coronavirus, but its effect on the Company's total sales is limited.

Profits increased as revenue was pushed up by the higher sales. However, the operating income margin fell slightly YoY to 17.2% (18.0% in the previous period) due to the decline in hotel occupancy rates and sales of properties with high profit margins in the previous period. However, it can still be evaluated for maintaining a high operating income margin, the second highest level ever*.

* Operating income margins in past years were 16.4% in FY11/16, 16.8% in FY11/17, 16.7% in FY11/18, and 18.0% in FY11/19.

For income gains (total amount included in each business*), which the Company prioritizes, some income, such as hotel guest room income, declined due to the impact of the coronavirus, but this was covered by the growth of rental income from income properties and an increase was secured, rising 1.2% YoY to ¥13,146mn.

* Comprised of rental income, asset management fees, hotel guest room income, etc.

The Company was very successful concerning purchases that will lead to future growth, making healthy progress with the acquisition of 63 development sites (acquisition price of ¥22.2bn) and 43 income properties (acquisition price of ¥30.3bn).

Regarding its financial condition, the Company effectively utilized fundraising, such as through property sales and borrowings, and actively acquired development sites and income properties, while it also postponed the establishment of a hotel REIT (therefore pushing back the sales of hotels). As a result, total assets grew significantly, increasing 14.7% compared to the end of the previous fiscal year to ¥250,864mn. Shareholders' equity also increased, including due to the accumulation of internal reserves, rising 8.4% compared to the end of the previous fiscal period to ¥77,028mn and the equity ratio was maintained at above 30%, at 30.7% (32.5% at the end of the previous fiscal year). Also, interest-bearing debt was up 15.7% from the end of the previous fiscal year to ¥163,004mn, but the ratio of long-term debt was approximately 71% and the net D/E ratio*1 was held at a level of 1.56 times, so it can be said that the Company is maintaining stable financial ratios while expanding assets. ROE, which indicates capital efficiency, and ROA declined slightly to 14.3% (14.7% in the previous period) and 7.4% (8.1%), respectively, although both trended basically in line with the plan's targets*2.

*1 (interest-bearing debt - cash and deposits) ÷ shareholders' equity
*2 In the medium-term management plan (after the review), the targets for FY11/23 are ROE in a range from 12.0% to 15.0% and ROA from 6.0% to 7.0%.

Results trends

FY11/20 results

(¥mn)

	FY11/19		FY11/20		Change	
	Results	% of net sales	Results	% of net sales		% of change
Net sales	85,552		101,120		15,568	18.2%
Real Estate Business	74,806	87.0%	90,035	88.6%	15,229	20.4%
Property Leasing Business	6,698	7.8%	8,272	8.2%	1,573	23.5%
Other Business	4,434	5.2%	3,241	3.2%	-1,192	-26.9%
Adjustment	-387	-	-428	-	-41	-
Cost of sales	60,771	71.0%	73,456	72.6%	12,685	20.9%
SG&A expenses	9,363	10.9%	10,308	10.2%	945	10.1%
Operating income	15,417	18.0%	17,355	17.2%	1,938	12.6%
Real Estate Business	17,294	23.1%	18,897	21.0%	1,603	9.3%
Property Leasing Business	2,462	36.8%	3,780	45.7%	1,318	53.5%
Other Business	75	1.7%	-460	-	-535	-
Adjustment	-4,414	-	-4,860	-	-446	-
Ordinary income	13,193	15.4%	15,247	15.1%	2,054	15.6%
Extraordinary income	1,702	2.0%	203	0.2%	-1,499	-88.1%
Extraordinary loss	654	0.8%	108	0.1%	-546	-83.5%
Profit attributable to owners of parent	9,740	11.4%	10,615	10.5%	875	9.0%
Breakdown of net sales in the Real Estate Business (after adjustment)						
Development securitization	35,280		53,782		18,502	52.4%
Renovation securitization	37,164		30,132		-7,032	-18.9%
Investment unit sales in lots	1,345		4,602		3,257	242.2%
Asset management	1,003		1,509		506	50.4%
Income gains	12,996		13,146		150	1.2%
Dividends, rental income	6,765		8,133		1,368	20.2%
Asset management fees (acquisition fee), brokerage, etc.	1,192		1,057		-135	-11.3%
Asset management fees (during the period), hotel income, property management	5,040		3,957		-1,083	-21.5%

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

Financial position at the end of November 2020

(¥mn)

	End of November 2019	End of November 2020	Change	% of change
Current assets	122,428	158,608	36,179	29.6%
Cash and deposits	44,918	42,511	-2,406	-5.4%
Real estate for sale	28,637	58,265	29,627	103.5%
Real estate for sale under construction	46,339	42,512	-3,827	-8.3%
Non-current assets	96,374	92,255	-4,118	-4.3%
Property and equipment	78,420	71,938	-6,481	-8.3%
Intangible assets	172	143	-28	-16.3%
Investments and other assets	17,781	20,173	2,391	13.6%
Total assets	218,803	250,864	32,060	14.7%
Current liabilities	22,581	39,497	16,915	74.9%
Short-term borrowings	2,315	16,883	14,568	629.3%
Current portion of long-term debt	16,387	14,715	-1,671	-10.2%
Non-current liabilities	124,593	133,666	9,072	7.3%
Long-term debt	112,224	116,406	4,181	3.7%
Net assets	71,627	77,699	6,071	8.5%
Total liabilities and net assets	218,803	250,864	32,060	14.7%
Interest-bearing debt	140,927	163,004	22,077	15.7%
Shareholders' equity	71,027	77,028	6,001	8.4%
Equity ratio	32.5%	30.7%	-1.8pt	-

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

The results according to each business are as follows.

(1) Real Estate Business

Sales and profits increased, with net sales rising 20.4% YoY to ¥90,035mn and segment profit growing 9.3% to ¥18,897mn. Considering the external environment, the Company reviewed and postponed the establishment of a hotel REIT it had initially planned and the timings of hotel sales to FY11/21 or after. However, a major increase in sales was realized by advancing sales, mainly for leasing condominiums and office buildings. In particular, in development securitization, there were sales of 19 S-RESIDENCE series properties, 4 hotel and office building properties*1, and 5 properties for investment unit sales in lots, which contributed greatly to the increase in sales. Conversely, in renovation securitization, sales declined YoY, but the Company was still able to basically achieve the forecast through sales of 42 properties*2. Results in asset management also steadily grew by raising the level of operations and management fees alongside the growth of SRR's investment balance. Profits increased due to the higher sales, but the segment profit margin declined to 21.0% (23.1% in the previous period). However, this was due to the sales of properties with high profit margins in the previous period, and the profit margin can be evaluated as continuing to be maintained at a high level.

*1 Sales of two hotel properties, Ibis Styles Nagoya (land only) and Mercure Kyoto Station (building only).
*2 Of these, 17 properties were sales to SRR.

(2) Property Leasing Business

Net sales rose 23.5% YoY to ¥8,272mn, and segment profit increased significantly by 53.5% to ¥3,780mn. Rental income strengthened due to maintaining high occupancy (over 90%) in owned leasing condominiums and proactive acquisitions of income properties along with expansion of sales areas. Profits benefited from a substantial boost driven by higher sales and significant improvement in the segment profit margin to 45.7% (36.8% in the previous fiscal year).

(3) Other Business

Net sales declined 26.9% YoY to ¥3,241mn, and because of the decrease in sales, segment loss of ¥460mn was recorded (profit of ¥75mn in the previous period). Due to the impact of the coronavirus, occupancy rates at owned and managed hotels fell significantly and hotel guest room income declined*. Profits fell below the break-even point due to the major decrease in sales, and segment loss was recorded.

* However, while the occupancy rates in FY11/20 2H, the period when the coronavirus was spreading, trended around 10% to 20% (at best, 30%), signs that the situation was returning to normal emerged from October to November 2020. During this time, the recovery in occupancy rates was greater than expected as a result of measures such as the Japanese government's Go To campaign, so there were great expectations that demand that would return after the coronavirus pandemic settles down.

2. Development plan (pipeline) situation

The Company's development achievements consist of 25 buildings (1,671 units) completed in 2020, including the S-RESIDENCE series. Of buildings to be completed in the future, a total of 111 buildings (7,582 units) are currently being developed, with 45 buildings (2,738 units) to be completed in 2021, 49 buildings (3,478 units) in 2022, and 17 buildings (1,366 units) in 2023, and developments are steadily accumulating. Conversely, for hotel and office building development plans, a total of 5 buildings (all hotels) are scheduled to open, 4 in 2021 and 1 (construction not yet started) in 2022. It is expected that the 4 hotels scheduled to open for business in 2021 will be sold to the hotel REIT, but with long-term financing in place, it is possible to own them until the establishment of the hotel REIT.

Topics

Continues to actively acquire land even during the coronavirus pandemic. Takes a major step forward by launching a residential condominium business in Vietnam

1. Building workstyles to respond quickly to the coronavirus and the new normal

The Samty Group's top priority is to secure the health and safety of its employees, their families, and business partners. Therefore, in the areas of personnel and labor, it is progressing measures including 1) staggered commuting and shortening work hours at workplaces, 2) working from home, 3) promoting commuting by car or bicycle, and 4) refraining from business trips that are not necessary or urgent. In addition, in the areas of equipment and tools, it has responded to the situation ahead of other companies with measures such as 5) lending home-use remote connection PCs and communication equipment, 6) an online conferencing system, 7) chat tools, 8) going paperless for in-company applications, and 9) installing temperature-measuring devices, acrylic boards and disinfectants in reception spaces. Moreover, it is leveraging the business characteristics of the Samty Group, which specializes in transactions between corporations (B-to-B business) and building a structure* that enables business continuity without face-to-face meetings (such as by using online tools), and in such ways, it is using the pandemic as an opportunity to convert to flexible and efficient work styles in accordance with the times.

* Even during the coronavirus pandemic, it is building a structure that enables business continuity with an employee workplace attendance rate of around 10%.

2. Investment made

As previously stated, the Company acquired 63 development sites (acquisition price of ¥22.2bn) and 43 income properties (¥30.3bn). Of the 63 development sites (all residential), 6 are in Hokkaido, 15 in the Tokyo metropolitan area, 21 in Chubu, 9 in Kansai, 10 in Chugoku, and 2 in Kyushu. It is developing 43 income properties (41 residential developments, 1 hotel, and 1 other) nationwide, with 4 in Hokkaido, 1 in Tohoku, 5 in the Tokyo metropolitan area, 8 in Chubu, 10 in Kansai, 2 in Chugoku, and 13 in Kyushu, and it has been able to achieve results related to investment in regional urban areas as set out in the medium-term management plan. In particular, it can be said that the Hiroshima branch office has contributed through its one year of sales activities since opening in December 2019, acquiring a total of 11 properties in Hiroshima-shi (9 development sites and 2 income properties). It plans to conduct investment of approximately ¥300bn over a three-year period (FY11/19 to FY11/22), and is making steady progress toward this, having invested a total of ¥242.7bn (progress rate: 80.9%) in the past two years.

3. Expansion of the hotel and office business

In hotel development, 2 hotels opened for business, Mercure Kyoto Station and Ibis Styles Nagoya, making a total of 6 hotels (all are scheduled to be incorporated into the hotel REIT). In office building development also, 2 office buildings were completed and have already been sold. For the development plan going forward, as previously stated, currently 5 properties in total are being developed (all hotels), with 4 to open in 2021 and 1 in 2022 (construction not yet started).

Hotel and office building development plans

Opening fiscal year	Property type	Project name (provisional)	Location	No. of rooms
2021	Hotel	Agora Kyoto Shijo Karasuma North Tower (provisional)	Shimogyo-ku, Kyoto-shi	80
	Hotel	Agora Kyoto Shijo Karasuma South Tower (provisional)	Shimogyo-ku, Kyoto-shi	140
	Hotel	Fukuoka HOTEL PJ	Fukuoka-shi	87
	Hotel	Kyoto Oike HOTEL PJ	Nakagyo-ku, Kyoto-shi	120
2022	Hotel	Haneda HOTEL PJ	Ota-ku, Tokyo	362

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

4. Movement toward establishment of a hotel REIT

Due to the impact of the coronavirus, the establishment of the hotel REIT, which had been scheduled to take place in 2020, has been postponed to FY11/21 or after. However, in terms of properties slated to be supplied to the hotel REIT, 7 hotels under development will be added to the 11 hotels currently operating, which means hotels worth approximately ¥130bn have already been secured.

5. Launching a residential condominium business in Vietnam

On December 21, 2020, the Company announced that it was launching a residential condominium business in the western part of Hanoi City jointly with VINHOMES JOINT STOCK COMPANY (hereafter, "VHM")*1, which is Vietnam's largest real estate developer. In this project, the two companies will jointly work on a residential development and sales business*3 within Vinhomes Smart City*2, which is a large-scale development that VHM is progressing in Hanoi City. The Company's overseas subsidiary SAI acquired 90% of the shares of VHM's project subsidiary and will lead the project. The Company intends to not only progress this project, but also to progress other joint businesses with VHM in the future.

*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 On land of approximately 280ha within Hanoi City, it is a large-scale development project with 58 buildings and a total population of more than approximately 80,000 people. Targeting upper- and middle-class groups, the complex will incorporate buildings such as a school, hospital, supermarket, shopping center, and offices in addition to residences. In addition to installing cameras with a facial recognition function integrating AI and monitoring vehicles, suspicious objects, etc., the plan calls for equipment such as intelligent elevators, an intelligent disaster prevention system, and an air and environmental pollution alarm system to be introduced.

*3 In the SAKURA Project, which will be led by the Samty Group, the plan includes 4 buildings (a site area of approximately 20,000m^2 and a total floor area of around 266,000m^2), 37 to 39 floors, and a total of 3,620 units. The total investment in the project as a whole will be approximately ¥35bn, and total net sales of around ¥40.7bn (3 years) are expected. The aim is to differentiate it from other areas through luxury specifications that provide a living environment that is safe and comfortable, including through appointing a concierge, and for every residence, introducing a fingerprint lock authentication system, Japanese-brand home appliances, and Japanese-style garden.

Reviewed the medium-term management plan

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

1. Track record up to the present time

Two years have passed since the Company began progressing the Samty Toughening Plan, its medium-term management plan to run from FY11/19 to FY11/21. Specifically, it has been working on 1) Developing a business model centered on SRR (strengthening the fee income business), 2) Strategically investing in regional metropolitan areas (expanding the business area), and 3) Expanding the hotel and office building development businesses (develop new growth engines). As the three-year investment plan, it targeted investment of approximately ¥300bn (land and building costs). Also, as the results targets, it boldly decided to not set a net sales target and instead to prioritize productivity and capital efficiency, so for the plan’s final fiscal year of FY11/21, it targeted operating income at around the ¥20bn level, ROE around the 15.0% level, ROA around the 7.0% level, and an equity ratio of at least 30.0%.

Reflecting on the results up to the present time, in the investment plan, it appears that hotel and office building developments are behind schedule due to the impact of the coronavirus, but on the other hand, residential developments are growing at a pace higher than expected, and after two years, approximately 80% of all the targets have been achieved. For the results targets as well, despite the impact of the postponement of establishing the hotel REIT, results continue to be strong, centered on residential, and progress is being made basically in line with the targets.

2. Background to the review of the Samty Toughening Plan (awareness of the environment)

Due to the impact of the coronavirus, the environment surrounding the real estate market has changed greatly, and now that approximately one year has passed since the pandemic began, it has become possible to envisage the effects on the market associated with economic-recovery scenarios. Therefore, the Company decided it was time to update the content of the plan with a view to the post-coronavirus period. In particular, during the coronavirus pandemic, 1) residential developments are stable assets less susceptible to the effects of economic fluctuations, 2) even hotels that are struggling can expect demand to recover after the pandemic settles down as a result of firm implementation of national tourism policies by the Japanese government, and 3) for office buildings, there are companies for which working from home is difficult, and it is recognized that demand is strong for office buildings, particularly in regional cities. Taking a long-term perspective for each of these items, there is the prospect of leasing cash flow and continued investment appeal in domestic real estate due to prolonged low interest rate policies worldwide. It is considered that for these reasons, the Company decided it was necessary to review the plan’s strategy and duration.

3. Basic policies and main points

The plan’s four basic policies are as follows: (1) Switch to “develop and own” business, (2) Continuation of efforts toward establishment of hotel REIT, (3) Continuation of strategic investments in regional metropolitan areas, and (4) Build a profit base in overseas business. Points 1) and 4) are particularly different from the previous policies. As an asset holding-type developer, the Company has worked out a new direction of striving to stabilize revenue and launching overseas business as a future growth axis.

(1) Switch to “develop and own” business

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

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

(2) Continue measures to establish a hotel REIT

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

(3) Continue strategic investment in regional metropolitan areas

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

(4) Build an earnings foundation for 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, Vietnam’s economic growth rate is remarkable and it succeeded in tamping down coronavirus cases at an early stage, so the Company’s policy is to mitigate risk and obtain the benefits from local tax rates through a collaboration with a leading local developer.

4. Investment plan

The five-year investment plan (FY11/21 to FY11/25) is for approximately ¥750bn. Breaking this down, ¥300bn will be for residential development, ¥120bn for hotel and office building development, and ¥250bn to acquire income properties, while ¥80bn will be allocated to overseas business, which is a new theme. Also, through switching to “develop and own” business and the growth of the SRR and hotel REIT, the policy is to increase the Group’s assets to ¥1tn (¥500bn for consolidated assets) in five years. In FY11/20, the Group’s assets were worth approximately ¥370bn and consolidated assets about ¥250bn.

5. Results targets

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

Medium-term management plan (after the review)

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

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

Earnings outlook

In FY11/21, sales will decrease toward the conversion of the revenue structure, but the outlook is for the ordinary income margin to be maintained at a high level

1. FY11/21 forecasts

For the FY11/21 results, the Company is forecasting net sales in a range from ¥76,600mn (down 24.2% YoY) to ¥92,200mn (down 8.8%), operating income from ¥8,100mn (down 53.3%) to ¥11,800mn (down 32.0%), ordinary income from ¥11,600mn (down 23.9%) to ¥15,400mn (up 1.0%), and profit attributable to owners of parent from ¥10,700mn (up 0.8%) to ¥12,000mn (up 13.0%). It decided to set range forecasts due to uncertainty regarding the future of the external environment, with a lower limit based on highly reliable sales and an upper limit considering the possibility of gains on sales of additional properties.

The reason both the upper and lower limits for net sales show declines is that in the process of switching from early sales of completed properties to lease holdings in accordance with the review of the medium-term management plan, the number of properties sold will decrease temporarily. The lower limit for the sales forecast assumes 16 properties in development securitization (23 properties in the previous fiscal period), 25 properties in renovation securitization (42 properties in the previous fiscal period), and 2 properties in others (investment unit sales in lots) (5 properties in the previous fiscal period).

Meanwhile, for profits, alongside the decline in sales, both the upper and lower limits indicate significant decreases at the operating income stage, while the operating income margin is also expected to decline significantly, to between 10.6% to 12.8% (17.2% in the previous period). However, this is from the effects of approximately ¥6.6bn of profits being recorded in non-operating income and loss (profits that are not reflected in operating income) for accounting reasons due to a business scheme. Therefore, it is necessary to be aware that this is not a reflection of a deterioration of profitability as profit will increase to the upper limit at the ordinary income stage and a level of ordinary income margin between 15.1% to 16.7% , which is higher than the previous fiscal period (15.1%) will be secured.

Also, for the investment plan, the Company plans to invest approximately ¥39.7bn in development sites (¥22.2bn in the previous period) and around ¥64bn in income properties (¥30.3bn), and its policy is to continue to conduct strategic investment toward growing the Group's assets.

FY11/21 forecast

(¥mn)

		FY11/20		FY11/21		Change	
		Results	% of net sales	Initial forecast	% of net sales		% of change
Net sales	High end	101,120		76,600		-24,520	-24.2%
	Low end			92,200		-8,920	-8.8%
Operating income	High end	17,355	17.2%	8,100	10.6%	-9,255	-53.3%
	Low end			11,800	12.8%	-5,555	-32.0%
Ordinary income	High end	15,247	15.1%	11,600	15.1%	-3,647	-23.9%
	Low end			15,400	16.7%	153	1.0%
Profit attributable to owners of parent	High end	10,615	10.5%	10,700	14.0%	85	0.8%
	Low end			12,000	13.0%	1,385	13.0%

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

2. FISCO's opinion

At FISCO, we understand the lower limits of the results forecasts to be the lines that are highly certain to be achieved, and rather the point would seem to be how close the Company can get to the forecasts' upper limits. In progressing the conversion of the revenue structure, it is anticipated that for the time being it will prioritize accumulating assets held (reducing sales of properties), and it is necessary to be aware that alongside this, it is possible that net sales growth will temporarily slow down. Therefore, to evaluate strategic progress made, it would seem appropriate to focus on the pace of expansion of assets held and the growth of the Property Leasing Business (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 overseas business (Vietnam) through the collaboration with a leading local developer. Using the opportunity of the current project, the key points will be how will the Company utilize the expertise it has cultivated up to the present time and its speedy management decision-making, and how will it connect this to further development. Whatever the case, in order to further expand the business and realize sustainable growth going forward, converting to an accumulation-type income model and overseas business development are reasonable strategies, and we can understand the Company to be in a period of transformation toward its next stage. From a medium- to long-term perspective, we shall be focusing on (1) developments toward the recovery of the hotel business (occupancy rates), including the establishment of the hotel REIT, (2) progress made in strategic investment in regional urban areas, and (3) the trends and future development of overseas business (Vietnam).

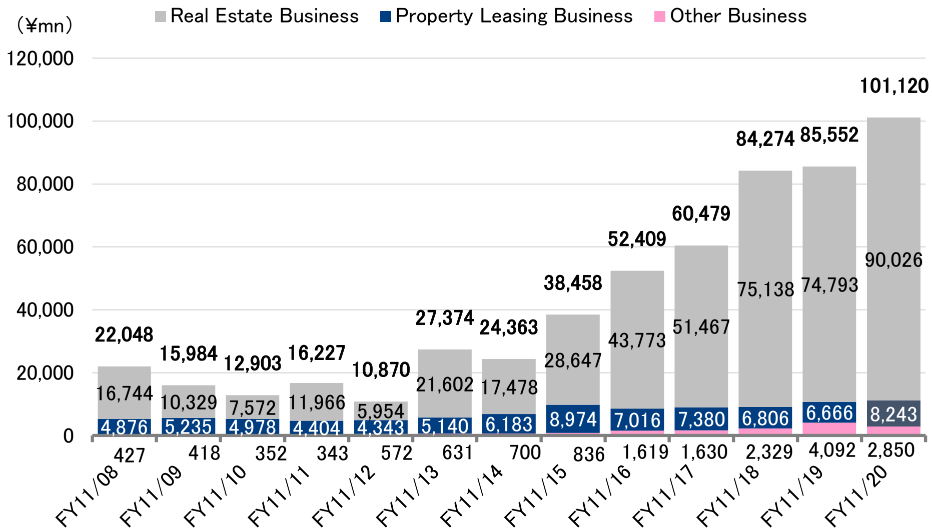
Results trends

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

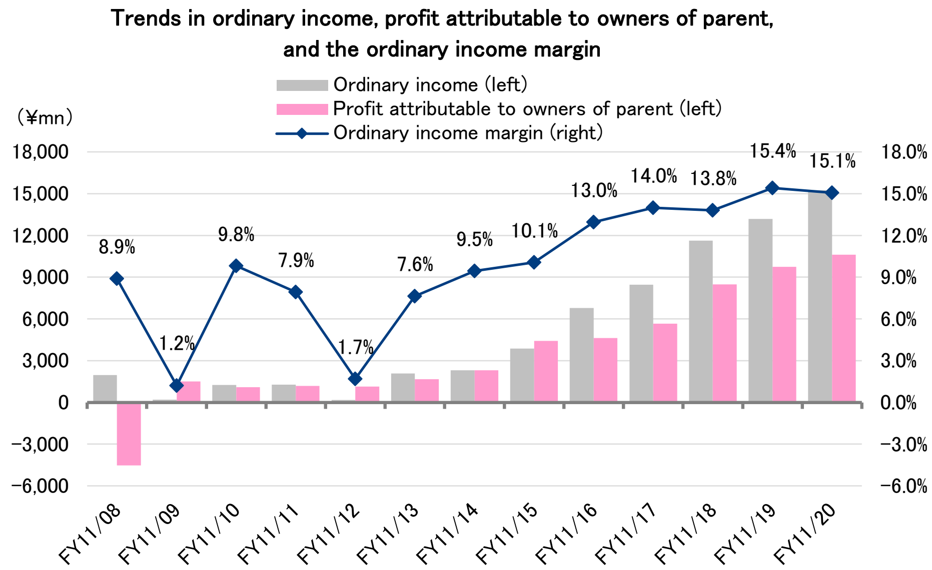
Looking back on the Company's results since FY11/07, which was the year it listed on the Osaka Stock Exchange Hercules market (currently, the TSE JASDAQ market), it was immediately impacted by the 2008 financial crisis upon listing and results trended at a low level for a period of time. The major contraction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

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

Trends in net sales (by business)



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

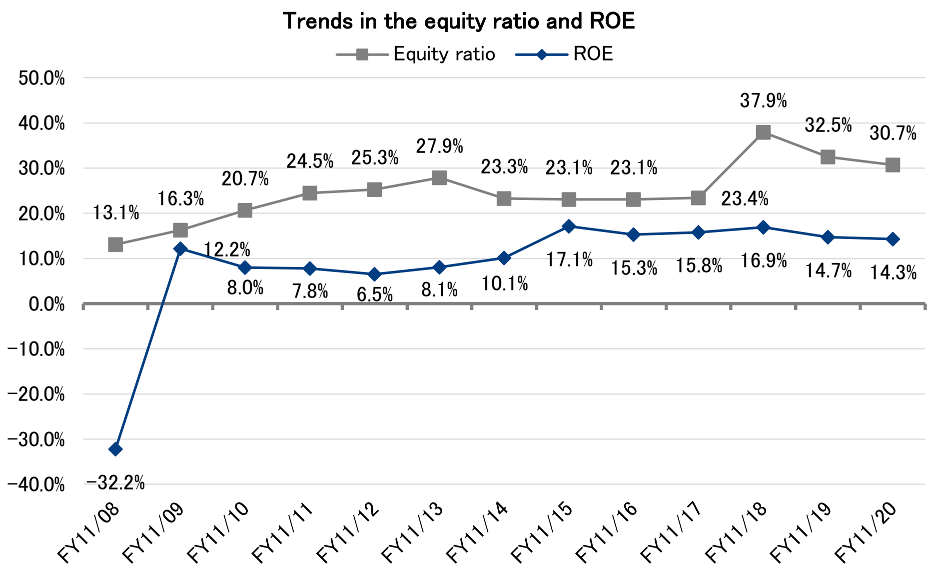


Source: Prepared by FISCO from the Company's financial results

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

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

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



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

Industry environment

Due to the impact of the coronavirus, it would seem a cautious approach is being adopted, such as for hotels and commercial facilities, but that other areas, including residential developments and logistics facilities, are performing strongly. Is also benefitting from prolonged low interest rate policies

The J-REIT market will have a significant impact on the Company's growth strategy in the future. As of the end of December 2020, its market capitalization stood at around ¥14,397.4bn (-12.4% YoY), and there were 62 J-REITs listed. Looking back, although there was a phase in which the market was temporarily sluggish due to the impact of tightening credit and related factors following the 2008 financial crisis, it has steadily trended upward since 2012 thanks to the recovery of the domestic economy and the effects of long-term monetary easing. However, despite the cautious stance toward hotels and commercial facilities amid concerns about overall economic sluggishness, slumping inbound tourism demand, and movement restrictions and activity curtailment due to the coronavirus pandemic since 2020, residences and distribution centers, etc., which are largely unaffected by economic fluctuations, remains firm and these areas help to support the entire market.

The TSE REIT index trended firmly due to a robust domestic real estate market (rising rents, etc.). In particular, investment appetite for J-REITs from domestic and overseas institutional investors remains vibrant because they generate yield and have relatively stable cash flow against a backdrop of the sustained monetary easing policy by the Bank of Japan (BOJ) and healthy office demand up to now. Due to the impact of the coronavirus, investment saw a temporary significant decline in March 2020, but then steadily recovered against the backdrop of factors including expectations that the BOJ would prolong its monetary easing policies.

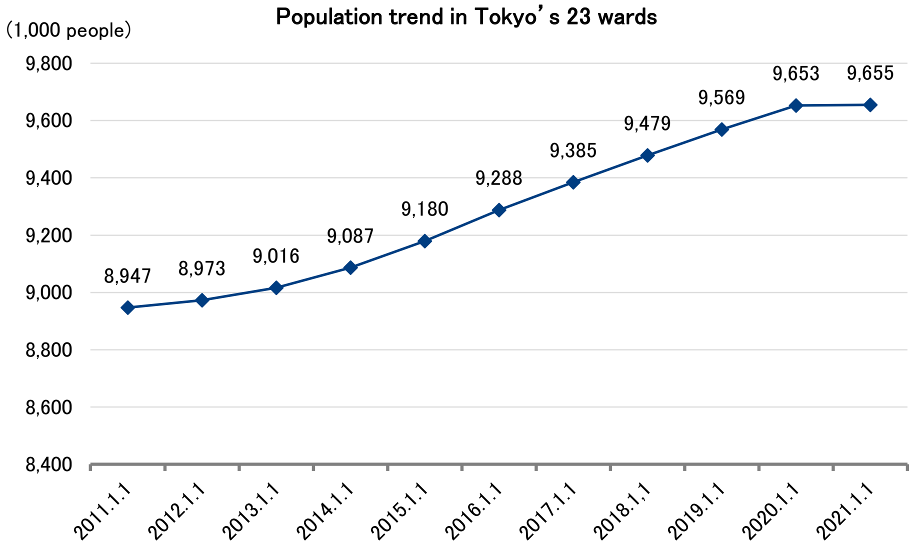
Trends in the TSE REIT index

Source: Prepared by FISCO from various materials

The market for condominiums for investment is also trending favorably, supported by strong 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 constitutes most of the region to which the Company supplies properties, is continuing to increase against the backdrop of the large number of people moving to metropolitan Tokyo*. In particular, there has been a noticeable increase in the number of single-person households, including among the young, which is occurring in the context of later marriages and the increase in the divorce rate, and it is thought that this will also support lease demand for studio-type condominiums in the future. This trend can also be seen not only in Osaka and Nagoya, but also in regional metropolitan areas such as Fukuoka and Sapporo, and while on one hand the population of Japan is declining, on the other hand it continues to be concentrated into cities. On the investor side also, demand is increasing from individual investors in their twenties and thirties who are anxious about their futures in terms of their pensions and lives in their old age, and from the elderly as an inheritance-tax measure following the reduction in the basic exemption amount. In addition, we also see strong inquiries about entire buildings from overseas funds and other investors for properties in Tokyo's prime locations.

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

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

Meanwhile, looking at the hotel and office building development businesses, hotel occupancy rates have remained high against a backdrop of increased inbound demand. However, even though hotel occupancy rates have currently dropped significantly due to the coronavirus pandemic, FISCO believes it is likely to recover over the medium to long term due to the Japanese government's tourism promotion strategy and structural supply-demand balance. 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

In FY11/21, plans to pay an annual dividend of ¥82, unchanged YoY. Is also working to acquire treasury shares

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

In FY11/20, the Company increased the dividend by ¥3 YoY to ¥82 per share (a ¥38 interim dividend and ¥44 year-end dividend), which was the eighth consecutive period it had increased the dividend since FY11/12. At the current time, it is forecasting a dividend per share of ¥82 for FY11/21 (unchanged YOY; a ¥38 interim dividend and ¥44 year-end dividend; forecast dividend payout ratio: 27.2% to 30.5%). The Company targets a dividend payout ratio of around 30%, but at FISCO, we think that considerable room remains for the dividend to increase in the future from profit growth.

Also, based on a resolution of the Board of Directors meeting held on April 13, 2020, the Company is working to acquire treasury shares, and had acquired 872,500 shares for a total acquisition price of ¥1,274mn* as of January 31, 2021 (midpoint of the process).

> * Due to the expansion of the acquisition framework and extensions of the acquisition period following Board of Directors meetings held on August 27, 2020 and re-extension of the period following Board of Directors meetings held on November 27, 2020, it is aiming to acquire an upper limit of 1.5 million shares (3.71% of the number of issued shares, excluding treasury shares) for a total acquisition price with an upper limit of ¥1.5bn by the current deadline of May 31, 2021.

The Company conducts a shareholder benefits program by providing shareholders with coupons for free stays that can be used at any of the 12 hotels (13 facilities) that it developed and manages (depends on the number of shares held). Moreover, in order to increase the rate of exercising voting rights, it gives a gift of a QUO card to thank those shareholders who effectively exercise their voting rights.

FISCO

Disclaimer

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