

(REIT) Summary of Financial Results for Fiscal Period Ended July 2021

September 15, 2021

REIT Securities Issuer: Samty Residential Investment Corporation
("Samty Residential")

Listing: Tokyo Stock Exchange

Securities Code: 3459

URL: <https://www.samty-residential.com/en/>

Representative: Masafumi Takahashi, Executive Director

Asset Management Company: Samty Asset Management Co., Ltd.

Inquiries: Hidekazu Nizawa

Representative: Masafumi Takahashi

Director and General Manager of

Representative Director

Business Management Division

Phone: +81-3-5220-3841

Scheduled date of submission of securities report: October 28, 2021

Scheduled date of commencement of distribution payout: October 18, 2021

Preparation of supplementary financial results briefing materials: Yes

Holding of financial results briefing session: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Status of Management and Assets for Fiscal Period Ended July 2021 (from February 1, 2021, to July 31, 2021)

(1) Management Status

(% figures are the rate of period-on-period increase (decrease))

	Operating revenue		Operating income		Ordinary income		Net income	
	mn yen	%	mn yen	%	mn yen	%	mn yen	%
Fiscal period ended July 2021	4,176	(4.1)	1,859	(14.3)	1,516	(24.5)	1,515	(24.5)
Fiscal period ended Jan. 2021	4,357	11.7	2,171	22.2	2,008	38.6	2,007	38.7

	Net income per unit	Ratio of net income to equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
	yen	%	%	%
Fiscal period ended July 2021	2,371	2.5	1.2	36.3
Fiscal period ended Jan. 2021	3,143	3.5	1.7	46.1

(2) Distribution Status

	Distribution per unit (including distribution in excess of earnings)	Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit	Total distribution (including distribution in excess of earnings)	Total distribution (excluding distribution in excess of earnings)	Total distribution in excess of earnings	Payout ratio	Ratio of distribution to net assets
	yen	yen	yen	mn yen	mn yen	mn yen	%	%
Fiscal period ended July 2021	2,735	2,371	364	1,748	1,515	232	100.0	2.5
Fiscal period ended Jan. 2021	3,333	3,141	192	2,130	2,008	122	100.0	3.3

(Note 1) The entire amount of Total distribution in excess of earnings is refund of capital contribution to unitholders applicable to distribution reducing unitholders' capital for tax purpose.

(Note 2) The ratios of decrease in surplus, etc. from implementing distribution in excess of earnings (refund of capital contribution to unitholders applicable to distribution reducing unitholders' capital for tax purpose) in the fiscal period ended July 2021 and the fiscal period ended January 2021 are 0.004 and 0.003, respectively.

(Note 3) Payout ratio is calculated by the following formula.

Total distribution (excluding distribution in excess of earnings) ÷ Net income × 100

(3) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per unit
	mn yen	mn yen	%	yen
Fiscal period ended July 2021	124,926	59,918	48.0	93,724
Fiscal period ended Jan. 2021	125,498	60,532	48.2	94,686

(4) Status of Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	mn yen	mn yen	mn yen	mn yen
Fiscal period ended July 2021	4,393	(2,033)	(2,129)	4,652
Fiscal period ended Jan. 2021	6,106	(12,612)	7,454	4,422

2. Forecasts of Management Status for Fiscal Periods Ending January 2022 (from August 1, 2021, to January 31, 2022) and July 2022 (from February 1, 2022, to July 31, 2022)

(% figures are the rate of period-on-period increase (decrease))

	Operating revenue		Operating income		Ordinary income		Net income		Distribution per unit (including distribution in excess of earnings)	Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit
	mn yen	%	mn yen	%	mn yen	%	mn yen	%	yen	yen	yen
Fiscal period ending Jan. 2022	4,843	16.0	2,314	24.4	1,826	20.4	1,825	20.4	2,754	2,371	383
Fiscal period ending July 2022	4,945	2.1	2,192	(5.3)	1,773	(2.9)	1,772	(2.9)	2,644	2,302	342

(Reference) Forecast net income per unit (forecast net income ÷ forecast number of investment units at end of period)

Fiscal period ending January 2022: 2,371 yen

Fiscal period ending July 2022: 2,302 yen

* Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

- ① Changes in accounting policies accompanying amendments to accounting standards, etc.: No
- ② Changes in accounting policies other than ①: No
- ③ Changes in accounting estimates: No
- ④ Retrospective restatement: No

(2) Total Number of Investment Units Issued and Outstanding

① Total number of investment units issued and outstanding (including own investment units) at end of period

Fiscal period ended July 2021	639,300 units
Fiscal period ended January 2021	639,300 units

② Number of own investment units at end of period

Fiscal period ended July 2021	0 units
Fiscal period ended January 2021	0 units

*Summary of financial results are exempt from audit by a certified public accountant or an auditing firm.

*Special note

The management status outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by Samty Residential, and actual management status, etc. may differ materially due to various factors. In addition, the forecast is not a guarantee of the amount of distributions.

Assumptions Underlying Forecasts of Management Status for Fiscal Period Ending January 2022 and Fiscal Period Ending July 2022

Item	Assumption
Fiscal period	<ul style="list-style-type: none"> Fiscal period ending January 2022 (from August 1, 2021, to January 31, 2022) (184 days) Fiscal period ending July 2022 (from February 1, 2022, to July 31, 2022) (181 days)
Managed assets	<ul style="list-style-type: none"> For the fiscal period ending January 2022, it is assumed that Samty Residential will continue to own 156 properties for real estate/trust beneficiary interests in real estate which it owns as of today through the end of the fiscal period ending January 2022, and that no other properties will be newly acquired or disposed. For the fiscal period ending July 2022, it is assumed that Samty Residential will continue to own 156 properties for real estate/trust beneficiary interests in real estate which it owns as of today through the end of the fiscal period ending July 2022, and that no other properties will be newly acquired or disposed. In practice, change may arise due to acquisition of new properties or disposition of owned properties, etc.
Operating revenue	<ul style="list-style-type: none"> Real estate rent revenue is calculated on the basis of historical data (or the past results disclosed by the previous owners, etc. for the periods for which Samty Residential does not have past results) and by taking into account the status of leasing. Operating revenue is based on the assumption that there will be no accrual of gain or loss on the sale of real estate or other properties.
Operating expenses	<ul style="list-style-type: none"> Expenses related to the rent business, which are the principal operating expenses, are calculated on the basis of past results of Samty Residential (or the past results disclosed by the previous owners, etc. for the periods for which Samty Residential does not have past results), taking into account the fluctuation factors of expenses. Real estate rent income (excluding gain on sales of real estate properties) after deducting expenses related to the rent business (excluding depreciation) is assumed to be 3,843 million yen for the fiscal period ending January 2022 and 3,809 million yen for the fiscal period ending July 2022. The property taxes and city planning taxes, etc. to be recorded as expenses are assumed to be 258 million yen for the fiscal period ending January 2022 and 328 million yen for the fiscal period ending July 2022. In general practice, the property taxes and city planning taxes, etc. levied on transactions of real estate properties are settled at the time of acquisition by prorating for the period with the current owner. However, as Samty Residential includes the amount equivalent to such settlement in the acquisition costs for the property, the amount is not recorded as expenses. Depreciation is calculated using the straight-line method and is assumed to be 938 million yen for the period ending January 2022 and 941 million yen for the period ending July 2022. Repair expenses for buildings are assumed to be 193 million yen for the period ending January 2022 and 211 million yen for the period ending July 2022 based on the medium- to long-term repair plans prepared by the asset management company. However, the amounts could differ significantly from the assumed figures, as increased or additional repair expenses may arise due to unpredictable factors.
Non-operating expenses	<ul style="list-style-type: none"> As for amortized expenses for issuance of investment units, 11 million yen in the fiscal period ending January 2022 and 11 million yen in the fiscal period ending July 2022 are assumed. As for amortized expenses for issuance of investment corporation bonds, 4 million yen in the fiscal period ending January 2022 and 4 million yen in the fiscal period ending July 2022 are assumed. Interest expenses and other borrowing related expenses are assumed to be 471 million yen for the fiscal period ending January 2022 and 403 million yen for the fiscal period ending July 2022.
Interest-bearing liabilities	<ul style="list-style-type: none"> The balance of Samty Residential's interest-bearing debt as of the date of this document is outstanding loans of 74,235 million yen and outstanding investment corporation bonds of 2,700 million yen. It is assumed that the entire amount of 5,350 million yen and 5,350 million yen in loans maturing in the fiscal period ending January 2022 and the fiscal period ending July 2022, respectively, will be refinanced in the fiscal period ending January 2022 and the fiscal period ending July 2022, respectively. Based on the assumptions above, the balance of interest-bearing debt at the end of the fiscal period ending January 2022 is assumed to be outstanding loans of 74,235 million yen and outstanding investment corporation bonds of 2,700 million yen, and the balance of interest-bearing debt at the end of the fiscal period ending July 2022 is assumed to be outstanding loans of 74,235 million yen and outstanding investment corporation bonds of 2,700 million yen.
Investment units	<ul style="list-style-type: none"> The total number of investment units issued and outstanding is assumed to be 769,626 units, which is the figure as of the date of this document. In addition to the above, it is assumed that there will be no change in the number of investment units due to issuance of new investment units, etc. through the end of the fiscal period ending January 2022 and through the end of the fiscal period ending July 2022.
Distribution per unit (excluding distribution in excess of earnings)	<ul style="list-style-type: none"> Distribution per unit (excluding distribution in excess of earnings) is calculated on the assumption that the amount of earnings is distributed pursuant to the cash distribution method stipulated in Samty Residential's Articles of Incorporation. There is the possibility that the distribution per unit (excluding distribution in excess of earnings) may vary due to various factors, including changes of managed assets, variation in real estate rental revenue in accordance with changes of tenants, and occurrence of unpredicted repairs.

Item	Assumption
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> • Distribution in excess of earnings per unit is calculated pursuant to the cash distribution method stipulated in Samty Residential's Articles of Incorporation as well as the asset management company's internal regulations. • Samty Residential anticipates that there will be ample opportunities, etc. to acquire new properties as investments that should contribute to increasing portfolio earnings power in the fiscal periods ending January 2022 and July 2022, although part of the real estate transaction market appears to be overheated. Accordingly, it is highly necessary to reserve certain amounts of funds to make it possible to respond to such opportunities flexibly. On the other hand, in consideration of such factors as Samty Residential's financial condition and the prospect of its ability to refinance interest-bearing liabilities, Samty Residential considers itself not to be in a position in said fiscal periods to allocate funds preferentially for reinforcing its financial base through such measures as reducing interest-bearing liabilities. While depreciation is anticipated to be 938 million yen for the fiscal period ending January 2022 and 941 million yen for the fiscal period ending July 2022, the six-month average of the sum total of the estimated urgent repair expenses, estimated short-term repair expenses and estimated long-term repair expenses described in the building condition survey reports will be only 195 million yen (Estimate is 195 million yen for the fiscal period ending January 2022 and 195 million yen for the fiscal period ending July 2022). Accordingly, Samty Residential expects to have residual free cash flow even after making certain reserves from the cash and deposits on hand equivalent to the depreciation amount at the end of each calculation period as reserves for capital expenditures (CAPEX) to maintain the building functions, etc., as funds equivalent to the estimated amount of working capital, etc. and as reserves in preparation for investments that should contribute to increasing portfolio earning power as stated above. • Considering the above, Samty Residential believes as of today that it is appropriate to implement distribution in excess of earnings for the fiscal periods ending January 2022 and July 2022 and anticipates 294 million yen and 263 million yen as total distribution in excess of earnings for each fiscal period. Such distribution in excess of earnings is calculated by taking into account the level of the payout ratio (the ratio of total cash distribution, including distribution in excess of earnings, to net income and depreciation combined), and the payout ratio will be 76.7% and 75.0%, respectively. In addition, the total distribution in excess of earnings will be equivalent to 31.4% and 28.0% of the depreciation expected to accrue in the respective calculation periods. • Regarding the basic policy for cash management and the like for distribution in excess of earnings, please refer to "Part 1 Fund information, 1. Fund status, 2. Investment policy" in the securities report filed on April 28, 2021.
Other	<ul style="list-style-type: none"> • It is assumed that there will be no revision to laws and regulations, tax system, accounting standards, regulations applying to publicly listed companies and rules of The Investment Trusts Association, Japan, etc. that will impact the aforementioned forecast figures. • It is also assumed that there will be no unexpected material changes in general economic trends and real estate market conditions, etc.