

July 12, 2023

Flash Report (Consolidated Basis)
Results for the first half ended May 31, 2023
(Based on Japanese GAAP)

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

Representative

Title: Representative Director and President

Name: Yasuhiro Ogawa

Contact Person

Title: Head of IR Office

Name: Izumi Jozuka Telephone: +81-3-5224-3139

Quarterly report filing date (Planned): July 12, 2023

Start of dividend payments (Planned): August 17, 2023

Quarterly supplemental explanatory material prepared: Yes

Quarterly results briefing held: Yes (for institutional investors and analysts)

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

1. Consolidated Results for 2Q FY2023
(December 1, 2022 to May 31, 2023)

(1) Consolidated Operating Results

Six months ended May 31

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q FY2023	65,282	80.2	6,604	139.9	3,278	64.4	1,311	(21.3)
2Q FY2022	36,224	49.7	2,753	(23.5)	1,993	(29.0)	1,666	(72.6)

(Note) Comprehensive Income: 2Q FY2023: ¥4,602 million, 60.2%
2Q FY2022: ¥2,873 million, (60.5%)

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
2Q FY2023	28.20	25.74
2Q FY2022	35.85	32.83

(2) Consolidated Financial Condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
2Q FY2023	445,455	112,624	22.6
FY2022	413,594	110,395	23.9

(Reference) Total shareholders' equity: May 31, 2023: ¥100,611 million, November 30, 2022: ¥98,771 million

2. Dividends

Years ended/ending November 30

	Dividends per share				
	February 28	May 31	August 31	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	—	39.00	—	51.00	90.00
FY2023	—	39.00			
FY2023 (Forecast)			—	51.00	90.00

(Note) Revision of dividends forecast for this period: None

3. Forecasts for FY2023 (December 1, 2022 to November 30, 2023)

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

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	165,000	28.4	18,000	27.8	11,000	(23.8)

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Fiscal year	6,000	(44.8)	128.97

(Note) Revision of results forecast for this period: None

Notes

(1) Significant changes in subsidiaries during the subject fiscal period: None

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

Additions: (—) Deletions: (—)

(2) Application of special accounting practices in the preparation of the consolidated financial statements:
None

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

1) Changes in accounting policies due to revision of accounting standards: Yes

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

3) Changes in accounting estimates: None

4) Restatements: None

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

1) Number of shares issued and outstanding (including treasury stock)

2Q FY2023	46,522,685 shares	FY2022	46,522,685 shares
2Q FY2023	776 shares	FY2022	603 shares
2Q FY2023	46,522,039 shares	2Q FY2022	46,477,416 shares

2) Number of treasury stock

3) Average number of shares outstanding for each period (cumulative term)

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

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

- Results forecasts and other forward-looking statements contained in this report are based on information available to the Company at the time of disclosure, and certain assumptions the Company considers reasonable. Actual results may vary considerably due to a variety of factors.
- The Company plans to hold an explanatory meeting for institutional investors and analysts on July 31, 2023.

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1. Qualitative Information on Consolidated Results for 2Q FY2023

(1) Explanation of Business Results

During the subject second quarter cumulative period in the Japanese economy, advances were made in the normalization of socio-economic activities, such as a recovery in the number of inbound tourists visiting Japan, a gradual recovery in personal consumption, and a relaxation of regulations due to the recategorization of COVID-19 as a Class 5 infectious disease. In contrast, the outlook for the global economy remained uncertain due to such factors as soaring energy resource prices, rising inflation rates and their associated monetary tightening, and the prolonged tension surrounding the situation in Ukraine.

In the real estate industry, of which the Samty Group is a part, with regard to rental apartments, occupancy rates, rent levels, and property sales prices have remained favorable, because they are not easily affected by economic trends or the effects of the COVID-19 pandemic. In the hotel industry, the occupancy rate and average room price reached roughly their pre-COVID-19 levels due to nationwide travel support and an increase in the number of inbound visitors to Japan, while domestic and international travel demand recovered steadily.

In such a business environment, supported by the strong investment appetite of domestic and overseas institutional investors, we sold 43 properties of real estate for sale, including of the Samty brand S-RESIDENCE rental apartment series. With regard to the purchase of properties, we are making progress while giving consideration, from a variety of angles, to a range of market trends, such as interest rates and transaction price and cap rates. In addition, during the subject second quarter cumulative period, when compared with the end of the previous consolidated fiscal year, the exchange rate fluctuated in the direction of a stronger yen and, as a result, a foreign exchange loss of ¥1.6 billion was recorded as a non-operating expense. In addition, as announced in the "Notice Concerning Postponement of Financial Results Announcement for Fiscal Year Ended November 2022 and Establishment of Special Investigation Committee," dated January 16, 2023, one-time expenses of ¥0.9 billion relating to a special investigation committee to analyze and consider the status of transactions with specific business partners that were identified in the Group have been recorded as Special investigation expenses, etc. under Extraordinary loss.

As a result, for the subject second quarter cumulative period, net sales amounted to ¥65.2 billion (up 80.2% from the same period of the previous fiscal year), with operating profit of ¥6.6 billion (up 139.9%), ordinary profit of ¥3.2 billion (up 64.4%), and profit attributable to owners of parent of ¥1.3 billion (down 21.3%).

Results by Business Segment

a. Real Estate Development Business

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

During the subject second quarter cumulative period, we sold 26 properties of real estate for sale.

As a result, net sales in the Real Estate Development Business segment amounted to ¥31.5 billion (up 122.1% from the same period of the previous fiscal year), with operating profit of ¥5.7 billion (up 146.0%).

b. Real Estate Solution Business

The Real Estate Solution Business engages in the acquisition, renovation, and sales of profitable real estate.

During the subject second quarter cumulative period, we sold 17 properties of real estate for sale.

As a result, net sales in the Real Estate Solution Business segment amounted to ¥9.6 billion (down 34.1% from the same period of the previous fiscal year), with operating profit of ¥1.5 billion (down 40.0%).

c. Overseas Business

The Overseas Business engages in overseas investment and for-sale housing businesses. Concerning the smart city, for-sale housing business project in Hanoi, Vietnam, which commenced sales in November 2021, steady sales progress was made.

As a result, net sales of ¥12.1 billion were recorded for this business (none recorded in the same period of the previous fiscal year), and operating income was ¥1.6 billion (operating loss of ¥0.1 billion recorded in the same period of the previous fiscal year)

d. Real Estate Leasing Business

The Real Estate Leasing Business engages in the leasing of residential apartments, office buildings, and commercial facilities.

In the subject second quarter cumulative period, property acquisitions progressed smoothly. In addition to acquiring 45 income properties worth ¥27.9 billion, we completed the construction of 28 properties worth approximately ¥29.4 billion.

As a result, net sales in the Real Estate Leasing Business segment amounted to ¥4.2 billion (down 2.7% from the same period of the previous fiscal year), with operating profit of ¥1.6 billion (down 21.9%).

e. Hotel Business

The Hotel Business engages in the leasing and operating of hotels. During the subject second quarter cumulative period, 20 hotels were owned and operated, including the Mercure Hida Takayama (Takayama City, Gifu Prefecture).

During the subject second quarter cumulative period, occupancy rates and average room prices at owned and operated hotels recovered steadily due to the nationwide travel support and the increase in the number of inbound visitors to Japan. Tochigi Prefecture had requested to secure the use of Hotel Sunshine Utsunomiya (Utsunomiya City, Tochigi) as an accommodation and medical facility. Accepting this request from the perspectives of its corporate social responsibility and contributions to local communities, the Group had fully rented out the building as a medical facility but terminated the lease and resumed normal operations there from April 1, 2023.

As a result, net sales in the Hotel Business segment amounted to ¥5.7 billion (up 336.0% from the same period of the previous fiscal year), and operating loss of ¥0.8 billion (operating loss of ¥1.5 billion in the same period of the previous fiscal year).

f. Real Estate Management Business

The Real Estate Management Business engages in the managing of residential apartments, office buildings, and commercial facilities.

As a result, net sales in the Real Estate Management Business segment amounted to ¥1.8 billion (up 8.9% from the same period of the previous fiscal year), with operating profit of ¥0.2 billion (down 25.1%).

(2) Qualitative Information on the Consolidated Financial Position

1) Assets, Liabilities, and Net Assets

Assets

Total assets at the end of the subject second quarter cumulative period amounted to ¥445.4 billion, an increase of ¥31.8 billion compared with the end of the previous fiscal year. The main factors for the change were a ¥36.7 billion increase in real estate for sale, real estate for sale under construction and property, plant and equipment, and a ¥13.9 billion decrease in cash and deposits.

Liabilities

Total liabilities at the end of the subject second quarter cumulative period amounted to ¥332.8 billion, an increase of ¥29.6 billion compared with the end of the previous fiscal year. The main contributory factor was an increase in borrowings of ¥37.7 billion accompanying the settlement of acquisition of more than 110 properties, including sites for development and income properties.

Net Assets

Total net assets at the end of the subject second quarter cumulative period amounted to ¥112.6 billion, an increase of ¥2.2 billion compared with the end of the previous fiscal year. The main contributory factors were ¥2.5 billion increase in foreign currency translation adjustment, ¥1.3 billion recorded in profit attributable to owners of parent and ¥1.0 billion decrease in retained earnings due to the ¥2.3 billion in dividend payments.

2) Cash Flows

Cash and cash equivalents (“cash”) at the end of the subject second quarter cumulative period amounted to ¥30.9 billion, a decrease of ¥12.2 billion compared with the end of the previous fiscal year. This was due mainly to ¥34.0 billion in cash used in operating activities; ¥15.3 billion in cash used in investing activities; and ¥37.0 billion in cash provided by financing activities.

The main factors affecting cash flows during the subject second quarter cumulative period are as follows.

Cash Flow from Operating Activities

Net cash used in operating activities amounted to ¥34.0 billion (compared with ¥15.9 billion in cash used in the same period of the previous fiscal year). This was due mainly to ¥2.4 billion in income before income taxes; ¥29.1 billion in increase in inventories; and ¥3.6 billion in income taxes paid.

Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥15.3 billion (compared with ¥32.2 billion in cash used in the same period of the previous fiscal year). This was mainly due to ¥7.1 billion in purchase of property, plant and equipment, and the ¥4.2 billion in purchase of investment securities.

Cash Flow from Financing Activities

Net cash provided by financing activities amounted to ¥37.0 billion (compared with ¥39.0 billion in cash provided in the same period of the previous fiscal year). This was due mainly to ¥21.6 billion in proceeds from short-term loans payable; ¥22.8 billion in repayments of short-term loans payable; ¥78.0 billion in proceeds from long-term loans; ¥39.1 billion in repayments of long-term loans; and ¥2.3 billion in dividends paid.

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

The full-year consolidated earnings forecast has not changed from the earnings forecast in the “Flash Report (Consolidated Basis), Results for the year ended November 2022,” announced on March 31, 2023.

2. Consolidated Financial Statements and Main Explanatory Notes

(1) Consolidated Balance Sheets

	Millions of yen	
	FY2022	2Q FY2023
ASSETS		
Current assets:		
Cash and deposits	46,002	32,024
Accounts receivable – trade	2,476	2,984
Real estate for sale	114,623	158,074
Real estate for sale in process	122,065	133,889
Merchandise	25	26
Supplies	47	55
Other	4,672	8,848
Allowance for doubtful accounts	(7)	(7)
Total current assets	289,904	335,896
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	29,312	20,596
Buildings in trust, net	3,454	1,573
Land	52,382	48,199
Land in trust	1,571	645
Construction in progress	3,100	243
Other, net	614	677
Total property, plant and equipment	90,435	71,936
Intangible assets:		
Goodwill	8	8
Other	406	464
Total intangible assets	414	472
Investments and other assets:		
Investment securities	26,764	32,229
Deferred tax assets	830	600
Other	5,189	4,289
Allowance for doubtful accounts	(53)	(53)
Total investments and other assets	32,731	37,065
Total non-current assets	123,581	109,475
Deferred assets:		
Share issuance costs	26	19
Bond issuance costs	81	64
Total deferred assets	108	84
Total assets	413,594	445,455

	Millions of yen	
	FY2022	2Q FY2023
LIABILITIES		
Current liabilities:		
Accounts payable - trade	1,800	2,205
Lease obligations	31	25
Provision for shareholder benefit program	520	266
Accrued consumption taxes	1,213	164
Income taxes payable	3,651	478
Short-term borrowings	30,468	29,268
Current portion of bonds payable	5,170	5,085
Current portion of long-term borrowings	35,395	59,850
Other	11,291	6,319
Total current liabilities	89,543	103,664
Non-current liabilities:		
Bonds payable	8,145	8,145
Bonds with share acquisition rights	12,000	12,000
Long-term borrowings	188,769	203,258
Retirement benefit liability	318	343
Lease obligations	39	42
Leasehold and guarantee deposits received	908	1,275
Construction assistance fund	317	289
Deferred tax liabilities	2,922	2,905
Other	235	906
Total non-current liabilities	213,656	229,166
Total liabilities	303,199	332,830
NET ASSETS		
Shareholders' equity:		
Share capital	20,657	20,657
Capital surplus	22,533	22,533
Retained earnings	56,911	55,850
Treasury shares	(1)	(1)
Total shareholders' equity	100,101	90,040
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,099	1,460
Foreign currency translation adjustment	(2,429)	110
Total accumulated other comprehensive income	(1,330)	1,571
Non-controlling interests	11,624	12,013
Total net assets	110,395	112,624
Total liabilities and net assets	413,594	445,455

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

Six months ended May 31

	Millions of yen	
	2Q FY2022	2Q FY2023
Net sales	36,224	65,282
Cost of sales	28,617	50,868
Gross profit	7,606	14,413
Selling, general and administrative expenses	4,853	7,809
Operating profit	2,753	6,604
Non-operating income:		
Interest income	0	116
Dividend income	1	2
Share of profit of entities accounted for using equity method	—	742
Foreign exchange gains	1,944	0
Penalty income	13	136
Other	55	51
Total non-operating income	2,016	1,050
Non-operating expenses:		
Interest expenses	1,568	1,911
Interest on bonds	96	111
Share of loss of entities accounted for using equity method	119	—
Commission expenses	958	675
Foreign exchange losses	—	1,618
Other	32	59
Total non-operating expenses	2,775	4,376
Ordinary profit	1,993	3,278
Extraordinary income:		
Gain on sale of non-current assets	—	13
Gain on change in equity	—	81
Total extraordinary income	—	94
Extraordinary loss:		
Loss on sale of non-current assets	—	9
Loss on retirement of non-current assets	7	13
Special investigation expenses, etc.	—	938
Total extraordinary losses	7	962
Profit before income taxes	1,986	2,411
Income taxes-current	389	766
Income taxes-deferred	(83)	66
Total income taxes	305	833
Profit	1,680	1,578
Profit attributable to non-controlling interests	14	266
Profit attributable to owners of parent	1,666	1,311

Consolidated Statements of Comprehensive Income

Six months ended May 31

	Millions of yen	
	2Q FY2022	2Q FY2023
Profit	1,680	1,578
Other comprehensive income:		
Valuation difference on available-for-sale securities	1,353	361
Foreign currency translation adjustment	(160)	2,662
Total other comprehensive income	1,192	3,024
Comprehensive income	2,873	4,602
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	2,712	4,213
Comprehensive income attributable to non-controlling interests	161	389

(3) Consolidated Statements of Cash Flows

Six months ended May 31

	Millions of yen	
	2Q FY2022	2Q FY2023
Cash flows from operating activities:		
Profit before income taxes	1,986	2,411
Depreciation	622	693
Amortization of goodwill	0	0
Increase (decrease) in allowance for doubtful accounts	—	0
Increase (decrease) in retirement benefit liability	19	25
Interest and dividends income	(2)	(119)
Interest expenses	1,665	2,023
Commission expenses	958	675
Foreign exchange losses (gains)	(1,944)	1,618
Share of loss (profit) of entities accounted for using equity method	119	(742)
Loss (gain) on sale of property, plant and equipment	—	(4)
Special investigation expenses, etc.	—	938
Decrease (increase) in trade receivables	590	(454)
Decrease (increase) in inventories	(18,782)	(29,158)
Increase (decrease) in advances received	1,174	(4,451)
Increase (decrease) in trade payables	(481)	395
Loss on retirement of non-current assets	7	13
Increase (decrease) in accrued consumption taxes	1,397	(1,753)
Increase (decrease) in leasehold and guarantee deposits received	18	366
Other-net	(175)	344
Subtotal	(12,826)	(27,176)
Interest and dividends received	3	117
Interest paid	(1,755)	(2,542)
Penalty received	13	136
Payment of special investigation expenses	—	(938)
Income taxes paid	(1,362)	(3,663)
Net cash provided by (used in) operating activities	(15,926)	(34,067)
Cash flows from investing activities:		
Payments into time deposits	(2,080)	(20)
Payments for deposits	—	(3,821)
Purchase of property, plant and equipment	(27,884)	(7,104)
Proceeds from sale of property, plant and equipment	—	9
Purchase of intangible assets	(33)	(15)
Purchase of investment securities	(359)	(4,274)
Proceeds from sale of investment securities	—	0
Proceeds from redemption of investment securities	101	50
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,794)	—
Payments for investments in capital	—	(48)
Payments of construction assistance fund receivables	(27)	(27)
Other-net	(145)	(101)
Net cash provided by (used in) investing activities	(32,224)	(15,352)

(continued on page 10)

	Millions of yen	
	2Q FY2022	2Q FY2023
Cash flows from financing activities:		
Proceeds from short-term borrowings	13,355	21,675
Repayments of short-term borrowings	(9,648)	(22,874)
Proceeds from long-term borrowings	61,605	78,057
Repayments of long-term borrowings	(26,969)	(39,113)
Proceeds from issuance of bonds	4,100	—
Redemption of bonds	—	(85)
Proceeds from increase in long-term accounts payable-other	—	722
Repayments of long-term accounts payable-other	—	(56)
Purchase of treasury shares	(0)	(0)
Dividends paid	(2,368)	(2,371)
Repayments of finance lease obligations	—	(21)
Other-net	(1,072)	1,148
Net cash provided by (used in) financing activities	39,001	37,080
Effect of exchange rate change on cash and cash equivalents	218	127
Net increase (decrease) in cash and cash equivalents	(8,930)	(12,212)
Cash and cash equivalents at beginning of period	40,589	43,104
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	14
Cash and cash equivalents at end of period	31,658	30,907

(4) Notes Relating to Consolidated Financial Statements

(Note on Assumptions for Going Concern)

Not applicable.

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

Not applicable.

(Change in Accounting Policy)

Subject Second Quarter Consolidated Cumulative Period (from December 1, 2022 to May 31, 2023)
The Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan Application Guidance No. 31, June 17, 2021; hereinafter referred to as the Fair Value Accounting Standard Implementation Guidance) has been applied from the beginning of the subject first quarter cumulative accounting period. In accordance with the transitional treatment prescribed in Paragraph 27-2 of the Fair Value Accounting Standard Implementation Guidance, the new accounting policies prescribed by the Fair Value Accounting Standard Implementation Guidance will be applied in the future. The effect of the application of the Fair Value Accounting Standard, etc., on the quarterly consolidated financial statements is immaterial.

(Additional Information)

Change in Holding Purpose

Because of a change in holding purpose, ¥24,407 million was transferred from property, plant, and equipment to inventories.

Impact of COVID-19 pandemic on accounting estimates

There are no significant changes to the assumptions relating to the effects of the COVID-19 pandemic set forth in the Securities Report (Significant Accounting Estimates) for the previous consolidated fiscal year.

(Relating to Quarterly Consolidated Income Statements)

Special investigation expenses, etc.

As announced in the "Notice Concerning Postponement of Financial Results Announcement for Fiscal Year Ended November 2022 and Establishment of Special Investigation Committee," dated January 16, 2023, one-time expenses relating to a special investigation committee to analyze and consider the status of transactions with specific business partners that were identified in the Group have been recorded as Special investigation expenses, etc. under Extraordinary loss.

(Segment Information)

I Results for 2Q FY2022 (from December 1, 2021 to May 31, 2022)

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

Six months ended May 31, 2022

	Millions of yen						
	Reportable Segment						
	Real Estate Development Business	Real Estate Solution Business	Overseas Business	Real Estate Leasing Business	Hotel Business	Real Estate Management Business	Total
Net sales:							
Net sales from third parties	14,205	14,628	—	4,352	1,328	1,709	36,224
Inter-segment net sales and transfers	—	—	—	—	11	575	586
Total	14,205	14,628	—	4,352	1,339	2,284	36,811
Operating profit (loss)	2,349	2,563	(174)	2,120	(1,562)	390	5,687

	Millions of yen		
	Total	Adjustment (Note 1)	Amount Recorded on Consolidated Income Statement (Note 2)
Net sales:			
Net sales from third parties	36,224	—	36,224
Inter-segment net sales and transfers	586	(586)	—
Total	36,811	(586)	36,224
Operating profit (loss)	5,687	(2,934)	2,753

Notes

1. The ¥2,934 million downward adjustment to operating profit (loss) comprises a negative ¥68 million in intersegment eliminations, and a negative ¥2,865 million in corporate expenses not allocated to any reportable segment. Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Segment operating profit (loss) is adjusted to the operating profit on the consolidated income statement.

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

Not applicable.

II Results for 2Q FY2023 (from December 1, 2022 to May 31, 2023)

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

Six months ended May 31, 2023

	Millions of yen						
	Reportable Segment						
	Real Estate Development Business	Real Estate Solution Business	Overseas Business	Real Estate Leasing Business	Hotel Business	Real Estate Management Business	Total
Net sales:							
Net sales from third parties	31,551	9,643	12,199	4,234	5,791	1,862	65,282
Inter-segment net sales and transfers	—	—	—	—	6	1,275	1,281
Total	31,551	9,643	12,199	4,234	5,797	3,137	66,563
Operating profit (loss)	5,781	1,536	1,699	1,656	(862)	292	10,104

	Millions of yen		
	Total	Adjustment (Note 1)	Amount Recorded on Consolidated Income Statement (Note 2)
Net sales:			
Net sales from third parties	65,282	—	65,282
Inter-segment net sales and transfers	1,281	(1,281)	—
Total	66,563	(1,281)	65,282
Operating profit (loss)	10,104	(3,500)	6,604

Notes

1. The ¥3,500 million downward adjustment to operating profit (loss) comprises a negative ¥33 million in intersegment eliminations, and a negative ¥3,467 million in corporate expenses not allocated to any reportable segment. Corporate expenses are general and administrative expenses not attributed to any reportable segment.
2. Segment operating profit (loss) is adjusted to the operating profit on the consolidated income statement.

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

Not applicable.

(Significant Events after the Reporting Period)

(Issuance of new shares as restricted stock compensation)

At the Board of Directors' meeting held on May 15, 2023, the Company decided to issue new shares (hereinafter referred to as "the New Share Issue") as restricted stock compensation as follows.

(1) Purpose of and Reason for Issue

At the 37th Annual General Meeting of Shareholders held on February 27, 2019, we received approval to introduce a restricted stock compensation system for our directors (excluding outside directors) for the purposes of strengthening the sharing of interests with shareholders and to provide incentives for the sustainable improvement of the Company's corporate value. Thereafter, at the 38th Annual General Meeting of Shareholders held on February 27, 2020, we received approval from all of our shareholders to increase the amount of compensation relating to this system.

In addition, in accordance with its transition to a company with an Audit & Supervisory Committee, at the 41st Annual General Meeting of Shareholders held on February 27, 2023, the Company announced its decision to introduce a restricted stock compensation system (hereinafter referred to as "the Plan") for its directors (excluding outside directors and directors who are Audit & Supervisory Committee members; the same shall apply hereinafter) with the same purpose as a conventional restricted stock compensation plan. Separately from the monetary compensation framework and based on the Plan, we received approval to grant restricted stock compensation payments of up to ¥300 million per year as compensation, and that the number of shares to be issued or disposed of under the Plan be no more than 300,000 shares per year.

For the same purpose, the Company will also grant restricted stock compensation similar to the Plan to its Executive Officers.

At the Board of Directors' meeting held on May 15, 2023, the Company also resolved to issue 61,400 of the Company's common shares by making contributions in kind to five directors and six executive officers of the Company (hereinafter referred to as "the Eligible Officers"). Taking into consideration the purpose of this system, the scope of duties of each Eligible Officer, and various other circumstances, a total of ¥135,448,400 in monetary remuneration claims will be granted.

(2) Overview of Issue

Payment date	July 3, 2023
Type and number of shares to be issued	61,400 of the Company's common shares
Issue price	¥2,206 per share
Total issue price	¥135,448,400
Planned recipients	Five directors (excluding outside directors and Audit & Supervisory Committee members) 44,500 shares Six executive officers 16,900 shares
Other matters	With regard to the New Share Issue, a written notification of marketable securities held is being submitted pursuant to the terms of the Financial Instruments and Exchange Act.

END