

July 15, 2020

Flash Report (Consolidated Basis)
Results for the first half ended May 31, 2020
(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: Executive Officer, General Manager of Business Administration Division

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Quarterly report filing date (Planned): July 15, 2020

Start of dividend payments (Planned): August 17, 2020

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 the first half of FY11/20 (December 1, 2019 to May 31, 2020)

(1) Consolidated Operating Results

Six months ended May 31

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2020	27,322	(42.9)	5,368	(61.5)	4,301	(66.4)	2,939	(67.5)
2019	47,827	3.3	13,952	53.1	12,803	61.9	9,044	59.9

(Note) Comprehensive Income: Six months ended May 31, 2020: ¥2,252 million, (75.9%)
Six months ended May 31, 2019: ¥9,362 million, 58.9%

	Net income per share	Net Income per share after adjustment for residual shares
	Yen	Yen
2020	71.88	62.93
2019	237.00	230.93

(2) Consolidated Financial Condition

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
May 31, 2020	252,522	71,271	28.0
November 30, 2019	218,803	71,627	32.5

(Reference) Total shareholders' equity: May 31, 2020: ¥70,659 million, November 30, 2019: ¥71,027 million

2. Dividends

Years ended/ending November 30

	Dividends per share				
	February 29	May 31	August 31	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2019	—	35.00	—	44.00	79.00
2020	—	38.00			
2020 (Forecast)			—	44.00	82.00

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

3. Forecasts for Fiscal Year Ending November 30, 2020

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	88,000~105,000	2.9~22.7	14,600~16,900	(5.2)~9.8	12,200~14,600	(7.5) ~10.7

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Fiscal year	8,500~10,100	(12.7) ~3.7	209.17~248.54

(Note) Revision of results forecast for this period: Yes

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: None

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)	Six months ended May 31, 2020	41,020,140 shares	Year ended November 30, 2019	40,946,240 shares
2) Number of treasury stock	Six months ended May 31, 2020	646,861 shares	Year ended November 30, 2019	1,659 shares
3) Average number of shares outstanding for each period (cumulative term)	Six months ended May 31, 2020	40,901,930 shares	Six months ended May 31, 2019	38,162,862 shares

* 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 online explanatory meeting for institutional investors and analysts on August 3, 2020.

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1. Qualitative Information on Consolidated Results for the First Half of Fiscal 2020

(1) Explanation of Business Results

During the subject second quarter cumulative period, the Japanese economy suffered a sharp downturn as a result of the COVID-19 pandemic. While the outlook remains unclear, the government's emergency declaration was lifted on May 25, and at present economic activity has gradually resumed.

The economic outlook is clouded by concerns of a second or third wave of COVID-19 infections, but the economy is expected to recover at a moderate pace, and for economic activity to return to normal with the development and deployment of a vaccine.

In Samty Group's main industry of real estate, for residential apartments, which are less susceptible to economic fluctuations or the impact from COVID-19, occupancy rates and rents have remained firm, and sales prices and leases have been stable. For office buildings, there has so far been no acute worsening of conditions. In B-to-B real estate sales, Samty Group's main type of transaction, the impact from COVID-19 has been limited. The financial system is stable, and growth has been steady amid globally low interest rates. The tourism industry has been severely affected by COVID-19, due to immigration restrictions on inbound tourists and people voluntarily refraining from traveling. Hotel occupancy rates have fallen sharply as a result, but local governments have conducted campaigns to support accommodation facilities, and at present the industry is recovering.

Nevertheless, Samty Group's business has been affected by COVID-19. The Company had planned to sell Mercure Kyoto Station (Shimogyo-ku, Kyoto-shi), a property it developed, during the second quarter period, but the completion date was postponed due to delays in manufacturing and delivery of furniture from plants in China, pushing the sales period to the second half of the year. Of note, the sale and handover of the subject property was completed on June 30, at the initially planned selling price.

Hotels owned and operated by Samty Group were also affected by the impact from COVID-19 following the emergency declaration. Occupancy rates were down significantly, and three facilities, including Center Hotel Tokyo (Chuo-ku, Tokyo), were forced to close temporarily. The hotels that had suspended operations have now reopened, and since the lifting of voluntary restraints on travel between prefectures on June 19, hotel occupancy rates have rapidly recovered.

As a result, for the subject second quarter cumulative period, net sales amounted to ¥27,322 million (down 42.9% from the same period of the previous fiscal year), with operating income of ¥5,368 million (down 61.5%), ordinary income of ¥4,301 million (down 66.4%), and profit attributable to owners of parent of ¥2,939 million (down 67.5%). Of note, in terms of losses due to COVID-19, fixed expenses at hotels with sharply lower occupancy rates amounted to ¥482 million for the subject second quarter cumulative period, of which the Company recorded as an extraordinary loss the ¥101 million in fixed expenses from hotels that closed temporarily.

The "Consolidated Results Forecast for Fiscal Year Ending November 30, 2020 (December 1, 2019 – November 30, 2020)" released on January 7, 2020, was based on a plan premised on the establishment of a hotel REIT. However, considering the current economic environment, the REIT establishment and sales period have been postponed until the next fiscal period or later. From the third quarter cumulative period, the Company will substitute properties planned for sale, focusing on

residential apartments and office buildings.

Results by Business Segment

a. Real Estate Business

The Real Estate business comprises the planning, development, and sales of real estate properties, including the Samty brand S-RESIDENCE series, as well as the planning, development, revitalization and sales of income properties and other real estate.

During the subject second quarter cumulative period, properties sold in lots were, as the “S-RESIDENCE” series, “S-RESIDENCE Asahigaoka” (Chuo-ku, Sapporo-shi) and “S-RESIDENCE Nishinagahori” (Nishi-ku, Osaka-shi), and as income-generating apartments, “KURAMAE214” (Taito-ku, Tokyo), “SAMTY Yuurin Camarade” (Shimogyo-ku, Kyoto-shi), “SAMTY Nakoji” (Amagasaki-shi, Hyogo), and “SAMTY Towers Atago” (Nishi-ku, Fukuoka-shi). Properties sold in lots were “STAGE FIRST Shin-Okachimachi II (Taito-ku, Tokyo). Hotel assets sold were “Ibis Styles Nagoya* (Nakamura-ku, Nagoya-shi). The Company also sold other facilities.

As a result, net sales in the Real Estate Business segment amounted to ¥22,094 million (down 48.3% from the same period of the previous fiscal year), with operating income of ¥6,669 million (down 55.1%).

* The sale of “Ibis Styles Nagoya” was conducted through transfer of land, based on a trust beneficiary right transfer contract on February 26, 2020.

b. Property Leasing Business

The Property Leasing business comprises the leasing and management of rental apartments, office buildings, commercial facilities, hotels, and other properties.

The Samty Group continued its efforts to expand its area of business operations and strengthen purchasing of income properties, including acquiring “SAMTY Higashi kuyakusho mae” (Higashi-ku, Sapporo-shi), “SAMTY Tower N26” (Kita-ku, Sapporo-shi), “SAMTY Maruyama Residence” (Chuo-ku, Sapporo-shi), “SAMTY Nishi-Umeda Glorie” (Kita-ku, Osaka-shi), “SAMTY Namba Grace” (Naniwa-ku, Osaka-shi), “SAMTY Shukugawa Residence” (Nishinomiya-shi, Hyogo), “SAMTY Funairi II” (Naka-ku, Hiroshima-shi), “SAMTY Residence Hakataekiminami” (Hakata-ku, Fukuoka-shi), “SAMTY Tenjin-minami” (Chuo-ku, Fukuoka-shi), “SAMTY Suwajinja-mae” (Nagasaki-shi, Nagasaki), “SAMTY Gohuku Residence” (Chuo-ku, Kumamoto-shi), “SAMTY Minami-Kagoshima” (Kagoshima-shi, Kagoshima), “PALWISH Tama-plaza” (Miyamae-ku, Kawasaki-shi), and “RESIDENCIA Meiekiminami” (Nakamura-ku, Nagoya-shi).

As a result, net sales in the Property Leasing Business segment amounted to ¥3,933 million (up 22.8% from the same period of the previous fiscal year), with operating income of ¥1,671 million (up 42.3%).

c. Other Business

Other business operations comprise the hotel business, including the holding and operating of “S-PERIA Hotel Kyoto” (Shimogyo-ku, Kyoto-shi), “NEST Hotel Hiroshima Hatchobori” (Naka-ku, Hiroshima-shi), and “Center Hotel Tokyo” (Chuo-ku, Tokyo), and the management of “S-PERIA INN Nihombashihakozaki” (Chuo-ku, Tokyo), “S-PERIA INN Osakahommachi” (Nishi-ku, Osaka-shi),

“S-PERIA Hotel Hakata” (Hakata-ku, Fukuoka-shi), “S-PERIA Hotel Nagasaki” (Nagasaki-shi, Nagasaki), and “Hotel Sunshine Utsunomiya” (Utsunomiya-shi, Tochigi). The Company also has a condominium management business and construction / renovation business.

As a result, net sales in the Other Business segment amounted to ¥1,294 million (down 31.9% from the same period of the previous fiscal year), with an operating loss of ¥285 million (compared to operating income of ¥5 million in the same period of the previous fiscal year).

(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 ¥252,522 million, an increase of ¥33,718 million compared to the end of the previous fiscal year. Of this amount, current assets increased ¥37,955 million to ¥160,384 million, and non-current assets decreased ¥4,236 million to ¥92,138 million. The main factors for the increase in current assets were increases of ¥48,390 million in real estate for sale; against decreases of ¥8,369 million in cash and deposits; and ¥2,266 million in real estate for sale in process. The main factors for the decrease in non-current assets were decreases of ¥3,446 million in net property and equipment; and ¥774 million in investments and other assets.

Liabilities

Total liabilities at the end of the subject second quarter cumulative period amounted to ¥181,250 million, an increase of ¥34,075 million compared to the end of the previous fiscal year. Of this amount, current liabilities increased ¥11,632 million to ¥34,214 million, while non-current liabilities increased ¥22,442 million to ¥147,036 million. The main factors for the increase in current liabilities were increases of ¥1,056 million in accounts payable - trade; ¥5,645 million in short-term borrowings; and ¥4,933 million in current portion of long-term debt. The main factor for the increase in non-current liabilities was an increase of ¥22,446 million in long-term debt.

Net Assets

Total net assets at the end of the subject second quarter cumulative period amounted to ¥71,271 million, a decrease of ¥356 million compared to the end of the previous fiscal year. This was due mainly to a decrease of ¥1,801 million in retained earnings from dividend payments; an increase of ¥892 million in treasury shares from the acquisition of treasury shares; and a decrease of ¥708 million in valuation difference on available-for-sale securities from market valuation of held shares; against an increase of ¥2,953 million in retained earnings from the recording of profit attributable to owners of parent.

2) Cash Flows

Cash and cash equivalents (“cash”) at the end of the subject second quarter cumulative period amounted to ¥35,716 million, a decrease of ¥8,386 million compared to the end of the previous fiscal

year. This was due mainly to ¥15,275 million in cash used in operating activities; ¥23,190 million in cash used in investing activities; and ¥30,088 million 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 ¥15,275 million (compared to ¥4,933 million in cash used in the same period of the previous fiscal year). This was due mainly to ¥4,310 million in income before income taxes; ¥19,966 million in increase in inventories; and ¥882 million in income taxes paid.

Cash Flow from Investing Activities

Net cash used in investing activities amounted to ¥23,190 million (compared to ¥18,299 million in cash used in the same period of the previous fiscal year). This was due mainly to ¥22,968 million in purchase of property, plant and equipment.

Cash Flow from Financing Activities

Net cash provided by financing activities amounted to ¥30,088 million (compared to ¥22,131 million in cash provided in the same period of the previous fiscal year). This was due mainly to ¥9,791 million in increase in short-term loans payable; ¥4,145 million in decrease in short-term loans payable; ¥47,281 million in proceeds from long-term loans; ¥19,900 million in repayments of long-term loans; and ¥1,800 million in dividends paid.

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

In consideration of recent business results, earnings forecasts for the full fiscal year (December 1, 2019 – November 30, 2020) have been revised from those announced on January 7, 2020.

For details, see “Notice of Revision to Results Forecast” released today (July 15, 2020).

2. Consolidated Financial Statements and Main Explanatory Notes

(1) Consolidated Balance Sheets

	Millions of yen	
	November 30, 2019	May 31, 2020
ASSETS		
Current assets:		
Cash and deposits	44,918	36,548
Receivables	814	380
Real estate for sale	28,637	77,027
Real estate for sale under construction	46,339	44,073
Goods	1	1
Supplies	10	10
Other	1,708	2,344
Allowance for doubtful accounts	(1)	(2)
Total current assets	122,428	160,384
Non-current assets:		
Property and equipment:		
Buildings and structures net	25,696	22,817
Buildings in trust net	7,623	3,719
Land	38,721	42,987
Land in trust	5,571	3,322
Other net	807	2,127
Net property and equipment	78,420	74,973
Intangible assets:		
Goodwill	11	10
Other intangible assets	161	146
Total intangible assets	172	157
Investments and other assets:		
Investment securities	13,224	12,513
Deferred tax assets	291	583
Other	4,318	3,962
Allowance for doubtful accounts	(53)	(53)
Total Investments and other assets	17,781	17,007
Total non-current assets	96,374	92,138
Total assets	218,803	252,522

	Millions of yen	
	November 30, 2019	May 31, 2020
LIABILITIES		
Current liabilities:		
Notes and accounts payable	477	1,533
Short-term borrowings	2,315	7,961
Current portion of long-term debt	16,387	21,320
Accrued income taxes	1,237	1,502
Other	2,163	1,895
Total current liabilities	22,581	34,214
Non-current liabilities:		
Bonds with share acquisition rights	10,000	10,000
Long-term debt	112,224	134,670
Liabilities for retirement benefits	183	205
Guarantee deposits	1,399	1,429
Construction assistance fund	483	455
Other long-term liabilities	303	274
Total non-current liabilities	124,593	147,036
Total liabilities	147,175	181,250
NET ASSETS		
Shareholders' equity:		
Common stock	16,184	16,227
Capital surplus	17,938	17,981
Retained earnings	36,335	37,474
Treasury stocks at cost	(3)	(895)
Total shareholders' equity	70,455	70,788
Accumulated other comprehensive income:		
Unrealized gain on available for-sale securities	634	(73)
Foreign currency translation adjustment	(62)	(55)
Total accumulated other comprehensive income	571	(128)
Non-controlling interests	600	611
Total net assets	71,627	71,271
Total liabilities and net assets	218,803	252,522

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

Consolidated Statements of Income

Six months ended May 31

	Millions of yen	
	2019	2020
Net sales	47,827	27,322
Cost of sales	29,586	16,635
Gross profit	18,241	10,686
Selling, general and administrative expenses	4,288	5,317
Operating income	13,952	5,368
Non-operating income:		
Interest income	0	0
Dividends	3	3
Loss on valuation of interest swaps	—	36
Other	3	19
Total non-operating income	7	59
Non-operating expenses:		
Interest expenses	685	880
Commission fee	332	226
Loss on valuation of interest swaps	118	—
Provision of allowance for doubtful accounts	(0)	—
Other	19	19
Total non-operating expenses	1,155	1,126
Ordinary income	12,803	4,301
Extraordinary income:		
Gain on sales of non-current assets	259	0
Reversal of consumption taxes for prior periods	—	116
Total extraordinary income	259	117
Extraordinary loss:		
Loss on sales of non-current assets	—	7
Loss on retirement of non-current assets	0	0
Loss due to temporary closures	—	101
Total extraordinary losses	0	108
Income before income taxes	13,062	4,310
Income taxes-current	3,740	1,336
Income taxes-deferred	222	20
Total income taxes	3,962	1,356
Net income	9,099	2,953
Profit attributable to non-controlling interests	54	13
Profit attributable to owners of parent	9,044	2,939

Consolidated Statements of Comprehensive Income

Six months ended May 31

	Millions of yen	
	2019	2020
Income before minority interests	9,099	2,953
Other comprehensive income:		
Unrealized gain on available for-sale securities	263	(708)
Foreign currency translation adjustment	—	7
Total other comprehensive income	263	(700)
Comprehensive income	9,362	2,252
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	9,308	2,238
Comprehensive income attributable to non-controlling interests	54	13

(3) Consolidated Statements of Cash Flows

Six months ended May 31

	Millions of yen	
	2019	2020
Operating activities:		
Income before income taxes	13,062	4,310
Depreciation	548	544
Amortization of goodwill	3	0
Increase (decrease) in allowance for doubtful accounts	(0)	0
Increase (Decrease) in net defined benefit liability	24	21
Interest and dividends income	(3)	(3)
Interest expenses	685	880
Commission fee	332	226
Foreign exchange losses (gains)	—	1
Loss (gain) on sales of property, plant and equipment	(259)	6
Decrease (increase) in notes and accounts receivable - trade	405	433
Decrease (Increase) in inventories	(11,717)	(19,966)
Increase (decrease) in notes and accounts payable - trade	(293)	1,055
Increase (decrease) in accrued consumption taxes	(2,345)	(584)
Increase (decrease) in lease and guarantee deposits received	77	30
Loss due to temporary closure	—	101
Other-net	(534)	(456)
Subtotal	(15)	(13,396)
Decrease in interest and dividends receivable	3	3
Decrease in interest payable	(709)	(902)
Amount paid for loss due to temporary closure	—	(97)
Income taxes paid	(4,212)	(882)
Net cash provided by (used in) operating activities	(4,933)	(15,275)
Investing activities:		
Payments into time deposits	(32)	(29)
Proceeds from withdrawal of time deposits	68	—
Purchase of property, plant and equipment	(16,033)	(22,968)
Proceeds from sales of property, plant and equipment	1,329	—
Purchase of intangible assets	(33)	(15)
Proceeds from sales of intangible assets	0	—
Purchase of investment securities	(3,608)	(260)
Proceeds from redemption of investment securities	72	118
Payments for investments in capital	(0)	—
Proceeds from collection of investments	0	—
Payments of construction assistance fund receivables	(27)	(27)
Other-net	(34)	(6)
Net cash provided by (used in) investing activities	(18,299)	(23,190)

(continued on page 11)

	Millions of yen	
	2019	2020
Financing activities:		
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(2)
Increase in short-term loans payable	18,873	9,791
Decrease in short-term loans payable	(14,913)	(4,145)
Proceeds from long-term loans	47,200	47,281
Repayments of long-term loans	(26,003)	(19,900)
Proceeds from issuance of common shares	1	—
Purchase of treasury shares	(1)	(892)
Dividends paid	(2,584)	(1,800)
Other-net	(441)	(243)
Net cash provided by (used in) financing activities	22,131	30,088
Effect of exchange rate change on cash and cash equivalents	—	(8)
Net increase (decrease) in cash and cash equivalents	(1,101)	(8,386)
Cash and cash equivalents, beginning of the period	44,080	44,102
Increase in cash and cash equivalents from newly consolidated subsidiary	251	—
Cash and cash equivalents, end of the period	43,230	35,716

(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.

(Segment Information)

I Results for the first half of FY11/19 (from December 1, 2018 to May 31, 2019)

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

Six months ended May 31, 2019

	Millions of yen					
	Reportable Segment				Adjustment (Note 1)	Amount Recorded on Consolidated Income Statement (Note 2)
	Real Estate Business	Property Leasing Business	Other Business	Total		
Net sales:						
Net sales from third parties	42,724	3,203	1,899	47,827	—	47,827
Inter-segment net sales and transfers	18	—	207	226	(226)	—
Total	42,743	3,203	2,106	48,053	(226)	47,827
Operating income	14,855	1,174	5	16,035	(2,083)	13,952

Notes

1. The ¥2,083 million downward adjustment to operating income (loss) comprises a positive ¥38 million in intersegment eliminations, and a negative ¥2,121 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 income (loss) is adjusted to the operating income on the consolidated income statement.

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

Not applicable

II Results for the first half of FY11/20 (from December 1, 2019 to May 31, 2020)

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

Six months ended May 31, 2020

	Millions of yen					
	Reportable Segment				Adjustment (Note 1)	Amount Recorded on Consolidated Income Statement (Note 2)
	Real Estate Business	Property Leasing Business	Other Business	Total		
Net sales:						
Net sales from third parties	22,094	3,933	1,294	27,322	—	27,322
Inter-segment net sales and transfers	30	15	145	192	(192)	—
Total	22,125	3,949	1,439	27,514	(192)	27,322
Operating income	6,669	1,671	(285)	8,055	(2,686)	5,368

Notes

1. The ¥2,686 million downward adjustment to operating income (loss) comprises a negative ¥42 million in intersegment eliminations, and a negative ¥2,643 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 income (loss) is adjusted to the operating income on the consolidated income statement.

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

Not applicable.

(Additional Information)

(Change in Presentation Methods)

Quarterly Consolidated Income Statement

From the first quarter period of the subject fiscal year, the Company has changed the presentation method for refunds of insurance premiums for development projects, which previously had been presented as “Refund of premium for cancelled insurance” in “Non-operating income,” to presentation as part of “Cost of sales.” This change will better clarify the equivalence of expenses and costs, and more accurately present gross profit and the current state of business.

The consolidated income statement for the second quarter cumulative period of the previous fiscal year has been recombined to reflect this change in presentation method. As a result, the ¥10 million shown in “Refund of premium for cancelled insurance” in “Non-operating income” has been recombined as “Cost of sales.”

(Change in Holding Purpose)

Due to a change in holding purpose, ¥26,190 million was transferred from “Property, plant and equipment” to “Inventories.”

(Impact on Accounting Estimates Due to COVID-19)

Despite concerns about the arrival of a second or third wave of the COVID-19 outbreak, the operating environment for the hotel business, the part of Samty Group most directly impacted by the pandemic, has maintained a tone of recovery following the resumption of social and economic activity. Going forward, as social conditions return to a normal state with the creation of a vaccine for this virus, currently under development in countries around the world, or the practical application of a medical treatment, socioeconomic activity is expected to normalize overall. Samty Group is assuming that the timing for such conditions will be autumn 2021, and has reflected these assumptions in its write-down of inventory, impairment of fixed assets, and other accounting estimates.

(Loss due to Temporary Closure)

In response to the Japanese government’s issuance of an emergency declaration to address the COVID-19 pandemic, the Company temporarily closed certain hotels and other Group assets. The fixed costs incurred at hotels and other assets during the temporary closure period (personnel costs, land rents, depreciation expense, etc.) were recorded as a “Loss due to temporary closures” in “Extraordinary losses.”

(Significant Events after the Reporting Period)

Not applicable.

END