



# Results of Operations for the First Half of the Fiscal Year Ending December 31, 2021

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August 12, 2021



日本商業開発株式会社  
Nippon Commercial Development Co., Ltd.

Securities code: 3252 (TSE/NSE, First Sections)  
<https://www.ncd-jp.com/>

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# 1. 1H of FY12/21 (January–June) Summary of Consolidated Financial Results (1)

NCD made a steady progress in selling real estate for sale to large leasing companies, backed by the growing reputation among financial institutions and investors for JINUSHI Business as a real estate investment method to generate stable profits over the long-term without a risk of closure of tenants and decrease in rent even under the COVID-19 crisis.

In May 2021, NCD accelerated purchase of real estates for JINUSHI Business through acquiring all the shares of Tsunoda Corporation Limited and making it a subsidiary to acquire excellent real estates it owned.

(Millions of yen, unless otherwise stated)

|   | 1H FY12/20<br>(Previous fiscal Year)<br>(Apr. 2020 to Sep. 2020) | 1H FY12/21<br>(Current fiscal Year)<br>(Jan. 2021 to Jun. 2021) | FY12/21 Forecast |
|---|--|---|------------------|
| Net sales                               | 18,496   | 26,624  | 51,000           |
| Operating profit                        | 1,637  | 2,499   | 5,400            |
| Ordinary profit                         | 1,453  | 2,442   | 4,200            |
| Profit attributable to owners of parent | 1,196  | 1,736   | 2,900            |
| Net income per share (Yen)              | 65.45  | 94.98   | 158.59           |

\* From the fiscal year ended December 31, 2020, NCD has changed its financial closing date from March 31 to December 31 upon approval of the proposal: Partial Amendments to the Articles of Incorporation at the extraordinary meeting of shareholders held on December 24, 2020. NCD has also changed the financial closing date of its domestic subsidiaries from March 31 to December 31. Accordingly, applicable period for the current fiscal year is different from that of the previous fiscal year: The second quarter consolidated accounting period and the consolidated cumulative second quarter of the previous fiscal year are from July 1, 2020 to September 30, 2020 and April 1, 2020 to September 30, 2020, respectively, and those of the current fiscal year are from April 1, 2021 to June 30, 2021 and January 1, 2021 to June 30, 2021, respectively.

# 1. 1H of FY12/21 (January–June) Summary of Consolidated Financial Results (2)

(Millions of yen, unless otherwise stated)

|  | FY12/20<br>(Previous fiscal Year) | 1H FY12/21<br>(Current fiscal Year) | Change  |
|--|-----------------------------------|-------------------------------------|---------|
| Total assets                           | 71,220                            | 75,756                              | +4,535  |
| of which cash and deposits             | 20,897                            | 18,915                              | (1,982) |
| of which real estate for sale          | 38,387                            | 44,416                              | +6,028  |
| of which property, plant and equipment | 3,436                             | 3,493                               | +56     |
| Total liabilities                      | 46,379                            | 49,414                              | +3,035  |
| of which borrowings                    | 43,189                            | 41,160                              | (2,028) |
| Net assets                             | 24,841                            | 26,341                              | +1,500  |
| Shareholders' equity (%)               | 34.9                              | 34.8                                | (0.1)   |

# 1. 1H of FY12/21 (January–June) Summary of Consolidated Financial Results (3)

| (Millions of yen)                       | FY3/19           | FY3/20           | FY12/20<br>(9-month fiscal period) | FY3/21<br>See note* | 1H FY12/21       |
|---|------------------|------------------|------------------------------------|---------------------|------------------|
| Net sales                               | 39,834           | 74,187           | 29,886                             | 50,845              | 26,624           |
| Total gross profit                      | 8,172            | 9,100            | 5,019                              | -                   | 4,336            |
| of which recurring income<br>(Comp.)    | 1,111<br>(13.6%) | 2,068<br>(22.7%) | 1,144<br>(22.8%)                   | -                   | 748<br>(17.3%)   |
| of which one-time income<br>(Comp.)     | 7,060<br>(86.4%) | 7,032<br>(77.3%) | 3,874<br>(77.2%)                   | -                   | 3,588<br>(82.7%) |
| Operating profit                        | 4,446            | 5,244            | 2,420                              | 4,729               | 2,499            |
| Ordinary profit                         | 4,327            | 4,599            | 2,157                              | 4,523               | 2,442            |
| Profit attributable to owners of parent | 2,684            | 3,177            | 1,644                              | 3,373               | 1,736            |

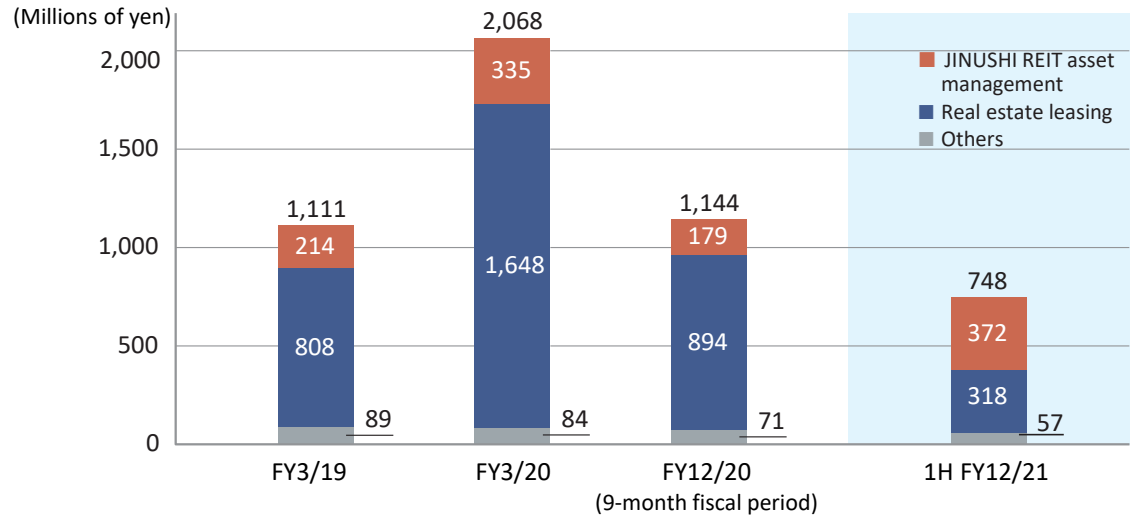
\* FY3/21 figures

Sales and earnings for the year that ended in March 2021 are the sum of results of operations in the nine-month transitional fiscal period from April to December 2020 and in the first three months of FY12/21.

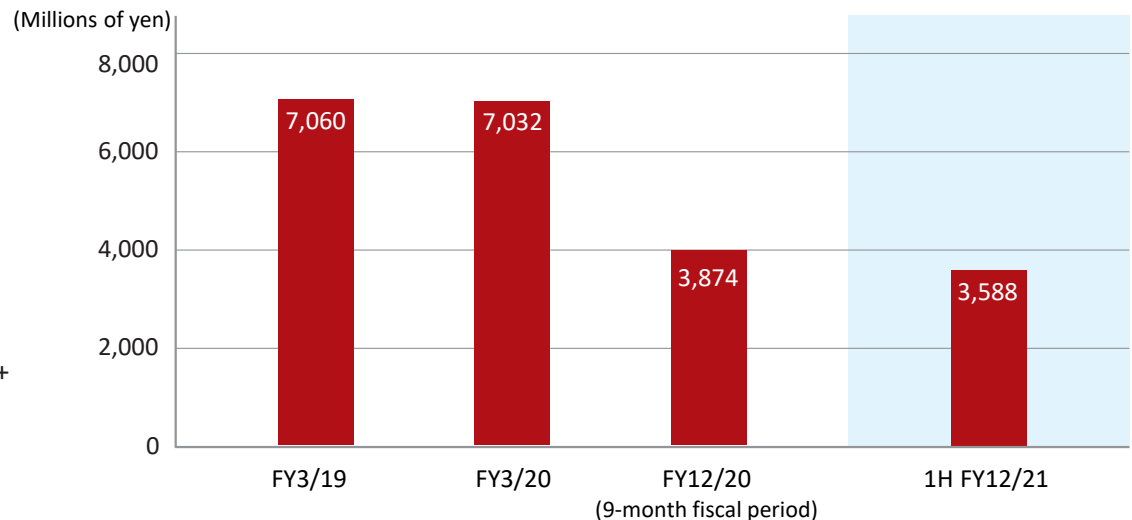
# 1. 1H of FY12/21 (January–June) Summary of Consolidated Financial Results (4)

- We plan to continue increasing sales from sources of recurring income through the growth of income from long-term leases and other activities and from the asset management fees for the management of JINUSHI REIT by JINUSHI Asset Management Co., Ltd.
- Our goal is to increase the recurring income coverage ratio for fixed expenses to establish a stable business structure for sustained growth.

## Gross Profit from Recurring Income Businesses



## Gross Profit from One-time Income



### Composition of recurring income

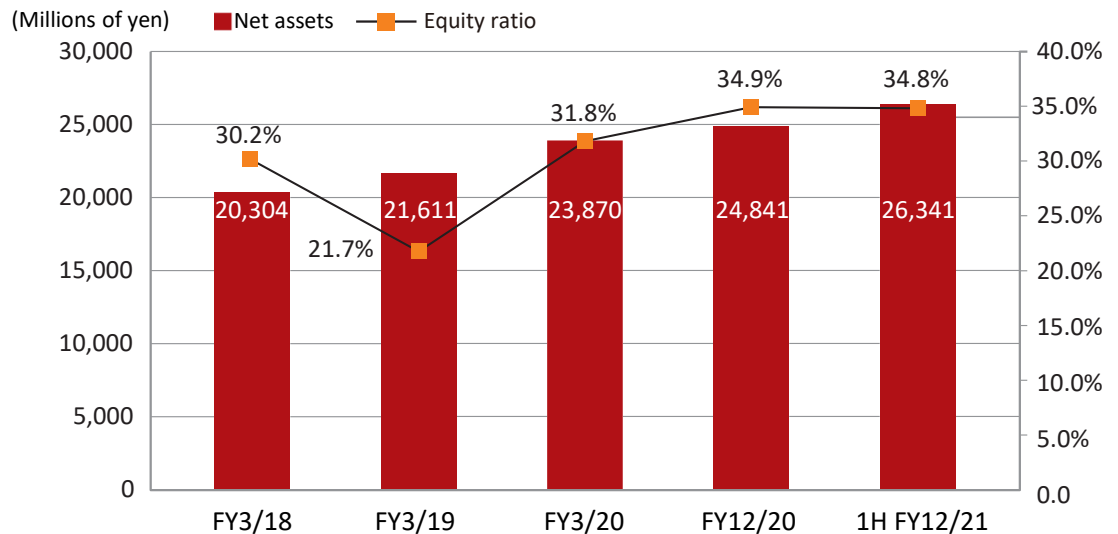
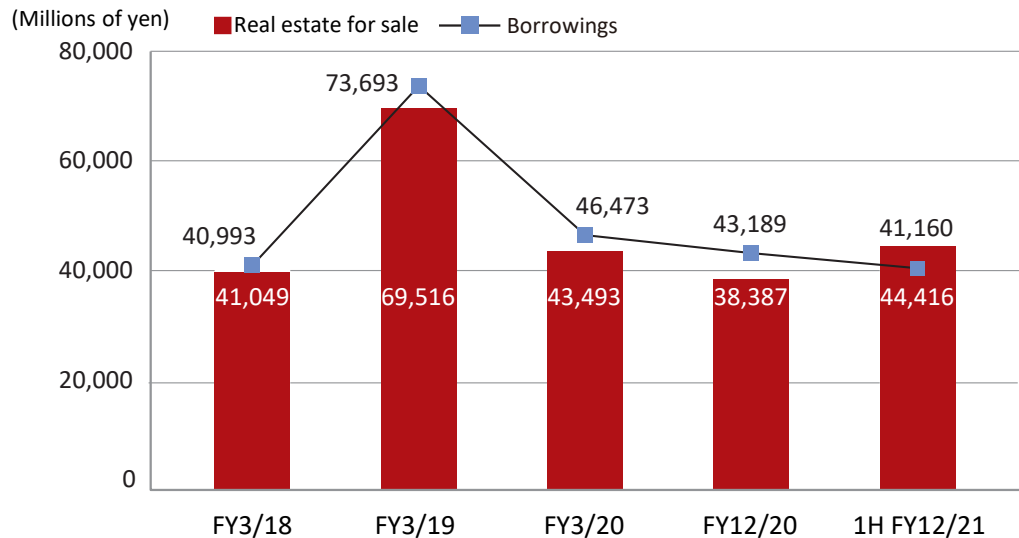
Asset management income + Real estate leasing income + Other income (Property management + Sub-leasing + Asset management)

### Composition of one-time income

Only gains on sales of real estate

## 2. Explanation of Financial Position (1)

- Real estate for sale is a source of consistent long-term income because contracts are signed with tenants when these properties are purchased.
- Steady sales of real estate for sale to large leasing companies and other companies as institutional investors and others recognized the strength of the JINUSHI Business, where there were no closure of tenants or rent reductions even during the pandemic.
- Acquisitions of real estate for sale are proceeding as planned. The financial position remains sound due to increases in net assets and the equity ratio.



## 2. Explanation of Financial Position (2)

- The two important financial indicators, D/E ratio (\*1) and DCR (\*2), have improved significantly. Going forward we will assure a sound financial base by keeping the indicators within desirable ranges.
- Continuing to benefit from a virtuous cycle: Improving financial soundness
  - Flexible and stable fund procurement
  - Expanding the JINUSHI Business

|                             | FY3/19     | FY3/20     | FY12/20    | 1H FY12/21 |
|-----------------------------|------------|------------|------------|------------|
| Net profit margin           | 6.7%       | 4.3%       | 5.5%       | 6.5%       |
| Equity ratio                | 21.7%      | 31.8%      | 34.9%      | 34.8%      |
| Net D/E ratio*1             | 2.54 times | 1.04 times | 0.90 times | 0.85 times |
| DCR (Debt Coverage Ratio)*2 | 354%       | 205%       | 176%       | 182%       |

\*1 Net D/E ratio:

Net interest-bearing debt (interest-bearing debt minus cash and deposits) divided by net assets

\*2 DCR (Debt Coverage Ratio)

Interest-bearing debt divided by the sum of cash and deposits, investment securities, and property, plant and equipment



## 2. Explanation of Financial Position (3) JINUSHI Business and Stronger Financial Position

**A powerful business model and financial position that can withstand a broad range of crises (COVID-19, global financial crisis and others)**

### Stability and safety of the JINUSHI Business scheme

#### Income with long-term stability

- Stable earnings even during the global financial crisis because of long-term and stable contracts.
- No tenant has vacated a store and there have been no rent reductions. About 80% of all tenants sell products that are household necessities. No rent reductions even during the COVID-19 crisis.

#### No risk exposure involving natural disasters

- No declines in earnings due to natural disasters (earthquakes, typhoons, floods, etc.) because we do not own buildings.

#### Asset values are unlikely to decrease

- Tenants pay for the construction of buildings. Upon the completion of a fixed-term land lease, tenants pay for returning the site to a vacant lot, resulting in the return of the property with the highest possible value.

**Used alliance with a large leasing company to enhance financial soundness**

**Procuring funds using long-term loans**

**Loans have no financial covenants**

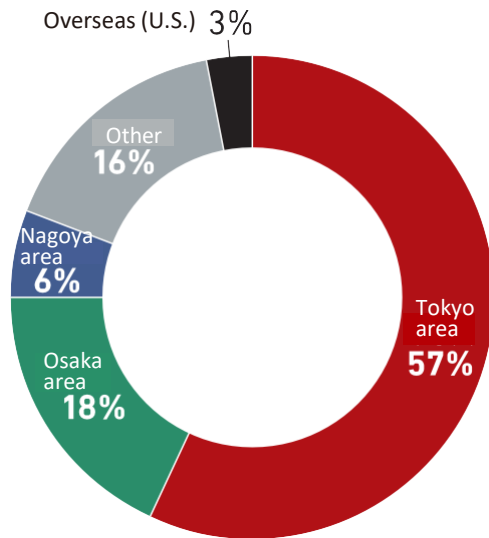
**Large credit facilities, mainly with Japan's mega-banks**

**Stable cash flows due to rental income from owned properties**

### 3. Real Estate for Sale as of June 30, 2021—Diversification of Areas and Use

The JINUSHU Business continued to perform well despite the global-scale negative impact of the pandemic. As of the end of June 2021, **approximately 80% of the tenants in this business were involved with daily necessities (including logistics for these products)** and therefore benefited from demand associated with the need to stay home for safety.

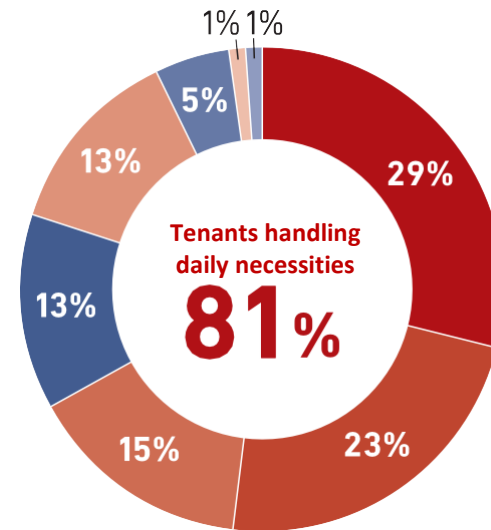
#### Diversification of Areas



■ Tokyo area ■ Osaka area ■ Nagoya area ■ Other ■ Overseas (U.S.)

| Area        | Definition   |
|-------------|--|
| Tokyo area  | Tokyo, Kanagawa, Saitama, Chiba and part of Ibaraki  |
| Osaka area  | Osaka, Hyogo, Kyoto, Shiga and Nara  |
| Nagoya area | Aichi, Mie and Gifu  |
| Other       | Government-designed municipalities, core regional cities and nearby areas (excluding Tokyo area, Osaka area and Nagoya area) |

#### Diversification of Use



■ Supermarkets ■ Home improvement stores ■ Drug stores  
 ■ Automobile dealers ■ Distribution, Factories, Warehouses ■ Restaurants  
 ■ Large electronics stores ■ Other\*

\*Other: Residential sites, etc.

Note: Based on monetary value as of June 30, 2021

## 4. Acquisition of Tsunoda Corporation Limited

At the Board of Directors meeting held on April 15, 2021, NCD resolved to acquire all of the shares of Tsunoda Corporation Limited, which was owned by Mercuria Japan Industrial Growth Fund to make it a subsidiary, and concluded the share transfer agreement with the Fund on April 30, 2021.

Based on this, on May 31, 2021, NCD acquired all of the shares of Tsunoda and made it a subsidiary.

### ■ Reasons for Acquisition

NCD has named the real estate investment method using fixed-term land lease rights for business as “JINUSHI Business.” Through investing only in land and leasing land without constructing buildings, NCD has developed a business to create safe real estate investment products which generate stable profits over a long period of time without additional investment.

Tsunoda, which used to run a bicycle manufacturing business at the forefront of sales and manufacturing with producing popular products, had grown to be listed on the Nagoya Stock Exchange in 1963. They are currently unlisted and have withdrawn from bicycle manufacturing, with majority of their operating revenue being generated in real estate leasing business through utilizing prime assets including former factory sites, etc.

This time, NCD resolved to acquire all of the shares of Tsunoda to acquire real estate owned by them.

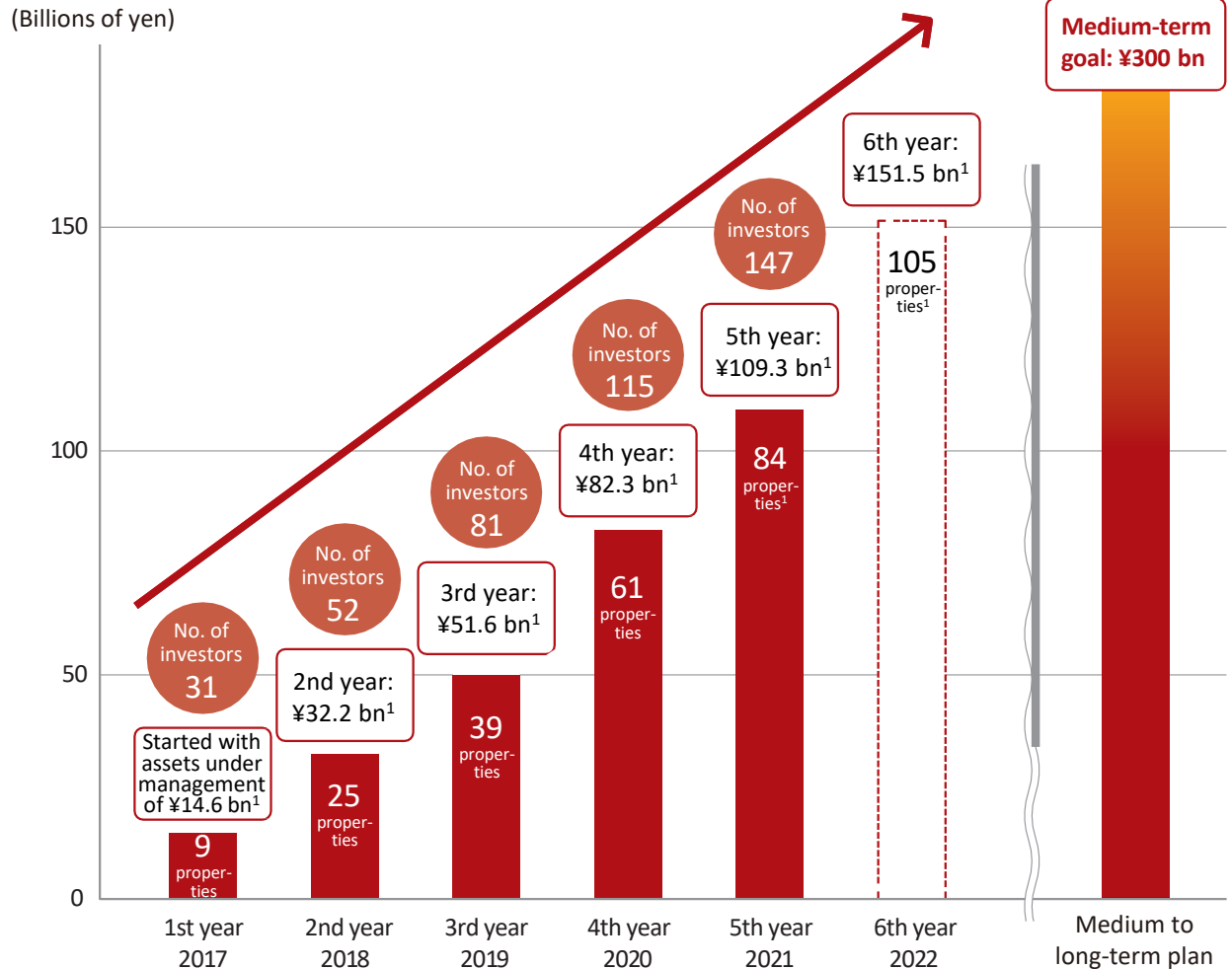
| Location                                | Site area                                  | Tenant                 |
|---|--|------------------------|
| Horinouchi, Komaki city, Aichi *        | 10,283.13 tsubo (33,993.82m <sup>2</sup> ) | Home improvement store |
| Marunouchi, Naka-ku, Nagoya city, Aichi | 556.47 tsubo (1,839.57m <sup>2</sup> )     | Data center            |
| Jinaicho, Ogaki city, Gifu              | 1,479.79 tsubo (4,891.88m <sup>2</sup> )   | Drug store             |

\* This property was sold to SMFL MIRAI Partners Co., Ltd. in accordance with a comprehensive sales contract dated July 16, 2021.

■ **Acquisition Date**      May 31, 2021 (stock acquisition date)  
    June 30, 2021 (assumed acquisition date)

## 5. Growth of JINUSHI REIT (1) Assets

- NCD has sponsor support agreements with JINUSHI Asset Management and JINUSHI REIT. As the sponsor of JINUSHI REIT based on the agreements, NCD sold 11 properties of the JINUSHI Business to this REIT on January 8, 2021 for ¥12,585 million.
- JINUSHI REIT has increased its capital for five consecutive years, with the fifth round of payments completed on January 8, 2021. JINUSHI REIT therefore surpassed assets under management of ¥100 billion within five years of its establishment, which was this trust's initial goal. NCD plans to continue providing support with the medium to long-term goal of raising assets under management to more than ¥300 billion.

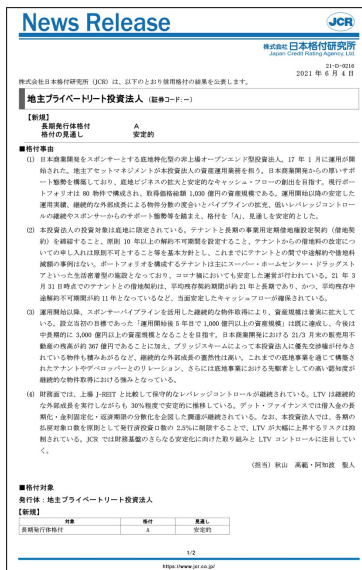


Note 1: Assets under management are based on appraised values when assets were acquired and amounts below ¥100 million are rounded down. Assets under management and properties in the fifth year are immediately after the fifth increase in capital and in the sixth year are the planned figures after the March 2021 transfer of four properties and the planned acquisition of 25 properties after the sixth capital increase.

- This growth projection is based on certain assumptions that are believed to be valid at this time. There is no assurance that future performance will match this projection.
- NCD may be unable to achieve the figures in this graph due to changes in the real estate market and other reasons.

## 5. Growth of JINUSHI REIT (2) Credit Rating

- On June 4, 2021, JINUSHI REIT was assigned a long-term issuer rating by Japan Credit Rating Agency (JCR).
- Receipt of this objective evaluation by a third party provides another means of evaluating the financial soundness of JINUSHI REIT.



Source: JCR News Release (June 4, 2021)  
<https://www.jcr.co.jp/download/76732dd0768e666a63a92a6b0bfd0520b74146de6dd69ec7a3/21d0216.pdf>

### Credit rating

| Agency | Category                | Rating   | Outlook       |
|--------|-------------------------|----------|---------------|
| JCR    | Long-term issuer rating | <b>A</b> | <b>Stable</b> |

### Major reasons for the rating

#### 1. Stability of asset management since start of operations

- JINUSHI REIT purchases only land
- Long-term (about 20 to 30 years) commercial land lease contracts with tenants (as a rule, no cancellation for at least 10 years and no lease rate revisions)
- No tenant has ever terminated a lease before expiration and no lease rate has ever been lowered.
- More than 90% of tenants are supermarkets, home improvement stores, drug stores and other businesses linked to daily necessities, resulting in stability even during the pandemic.
- The average time to expiration of lease contracts is about 21 years and average remaining time of the non-cancellation period is about 11 years. This ensures stable cash flows for the time being.

#### 2. Consistent external growth and a strong pipeline

- Continuous property acquisitions using the sponsor's pipeline results in consistent growth of assets and increasing diversification of properties owned.
- External growth very likely to continue because of the strong support of the sponsor.
- Strong relationships with tenants and developers through operation of the land leasing business and outstanding name recognition and ability to continuously buy properties as the pioneer in the land leasing business.

#### 3. Low leverage and constant control of leverage

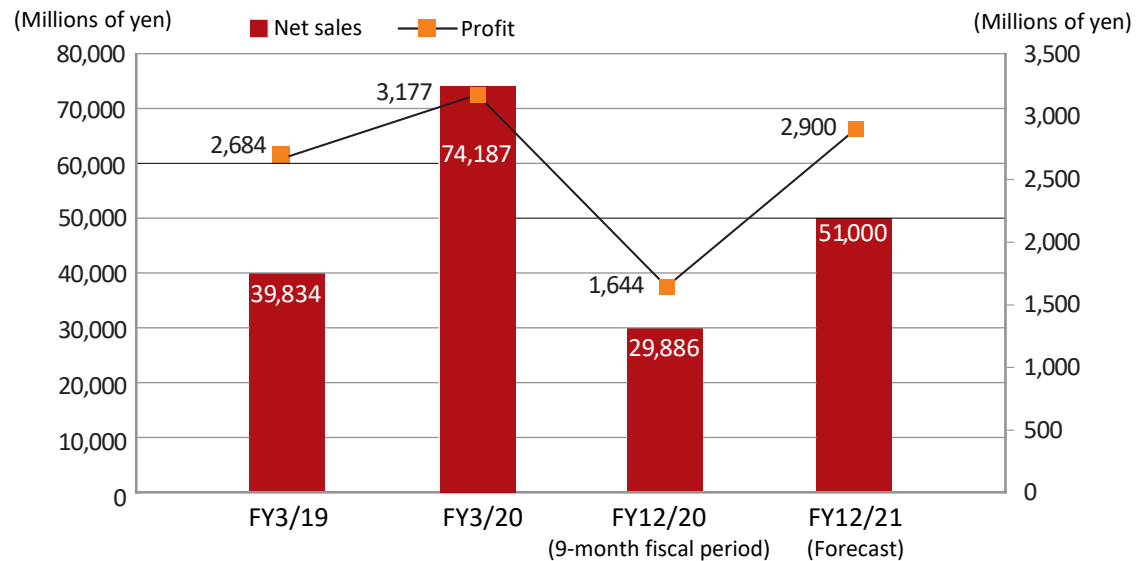
- JINUSHI REIT consistently controls its loan-to-value (LTV) more conservatively than most other J-REITs do. The LTV has remained at about 30%.
- All loans are long-term borrowings with fixed interest rates. The average loan is about five years. Continuing to procure long-term funds with fixed interest rates repayment dates that are not concentrated at any particular time.

## 6. FY12/21 Consolidated Forecast

As we expect that going forward net sales and profits will progress at the same level presented in Consolidated Forecast for the Fiscal Year Ending December 31, 2021 announced on February 10, 2021, we have left the forecast unchanged.

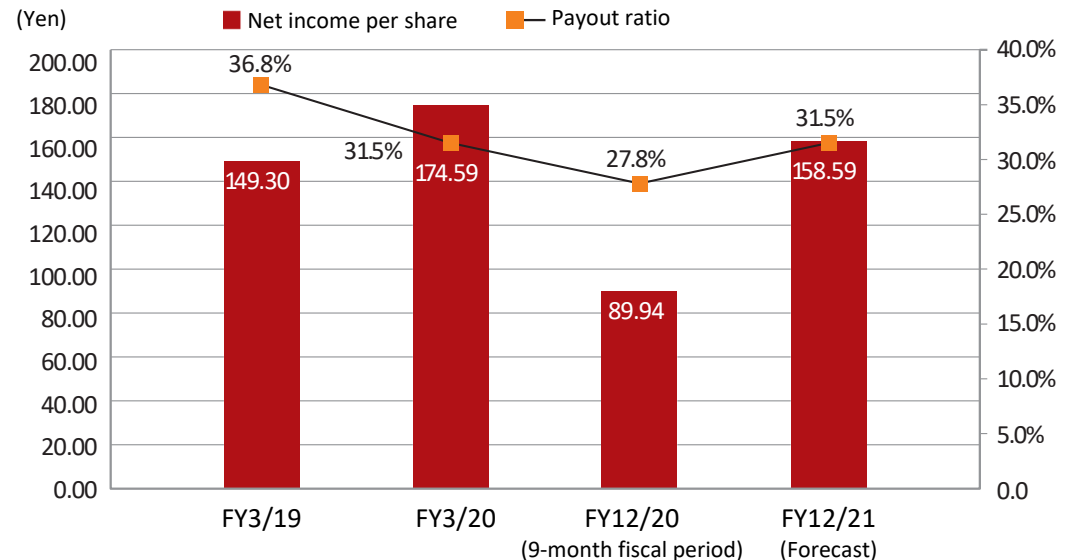
### (1) Planning on growth in both sales and earnings

- Due to the excellent reputation of the JINUSHI Business even during the COVID-19 crisis, substantial purchases of real estate for sale are planned in order to continue the growth of this business.
- Planning on growth of the long-term leasing business in order to build a business portfolio with even greater stability.



### (2) Maintain a stable dividend

- The basic policy is to consistently pay a stable dividend that reflects results of operations in order to distribute earnings to shareholders while increasing retained earnings in order to build an even stronger business foundation in terms of stability and a long-term perspective.



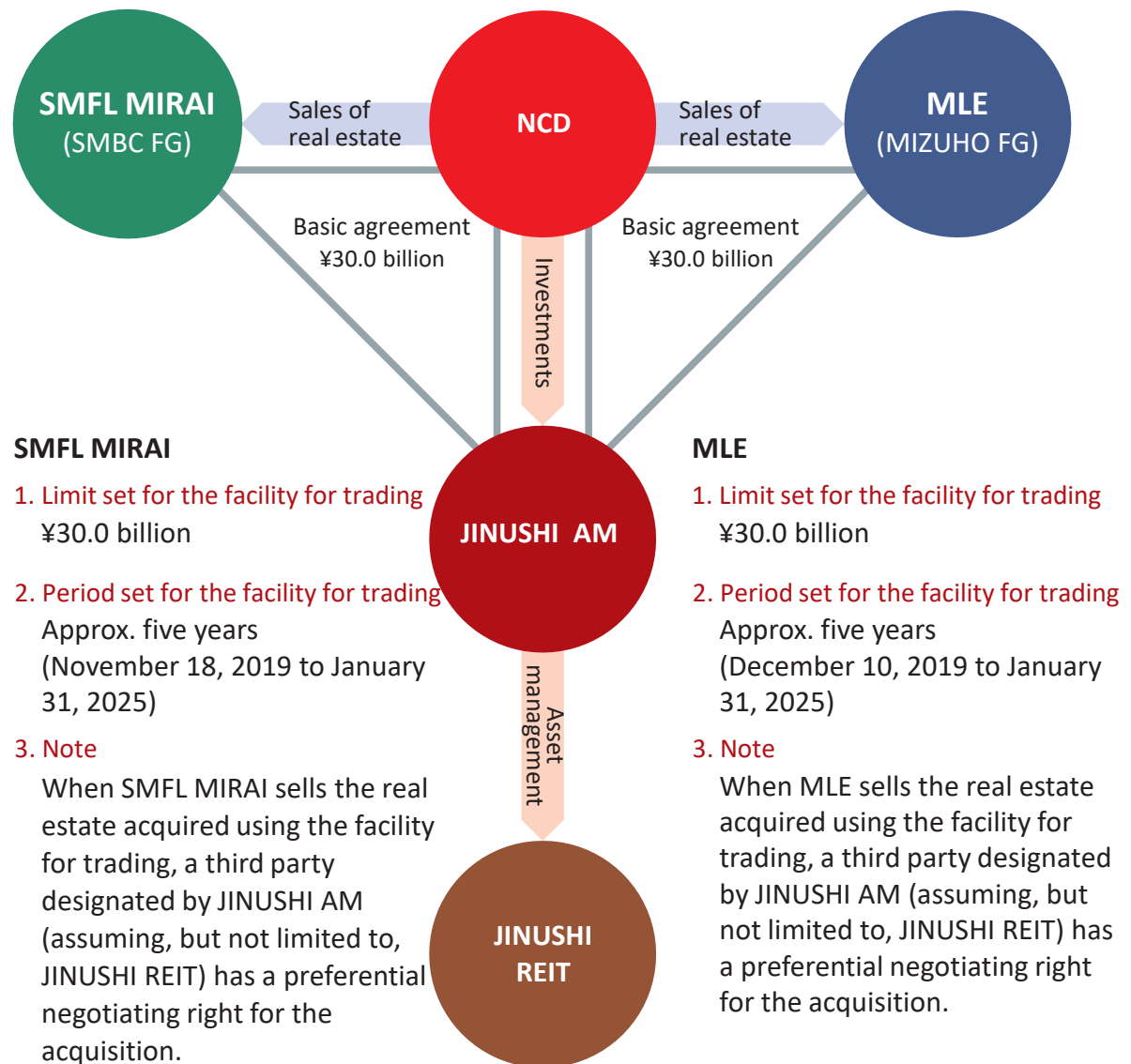


## 7. Appendix

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## Alliance with a Large Leasing Company to Enhance Financial Soundness

In 2019, NCD and wholly owned subsidiary JINUSHI Asset Management Co., Ltd. (“JINUSHI AM”) signed basic agreements with SMFL MIRAI Partners Co., Ltd. (“SMFL MIRAI”), a wholly owned subsidiary of Sumitomo Mitsui Finance and Leasing Co., Ltd., and ML Estate Company, Limited (“MLE”), a wholly owned subsidiary of Mizuho Leasing Company, Limited. The agreements establish a comprehensive facility totaling ¥60 billion for transactions involving real estate for sale (including trust beneficiary rights). These agreements increase the speed and flexibility for property sales by NCD and the ability to manage the balance sheet with flexibility to maintain financial discipline.





## Use of Long-term Leasing to Stabilize Business Operations

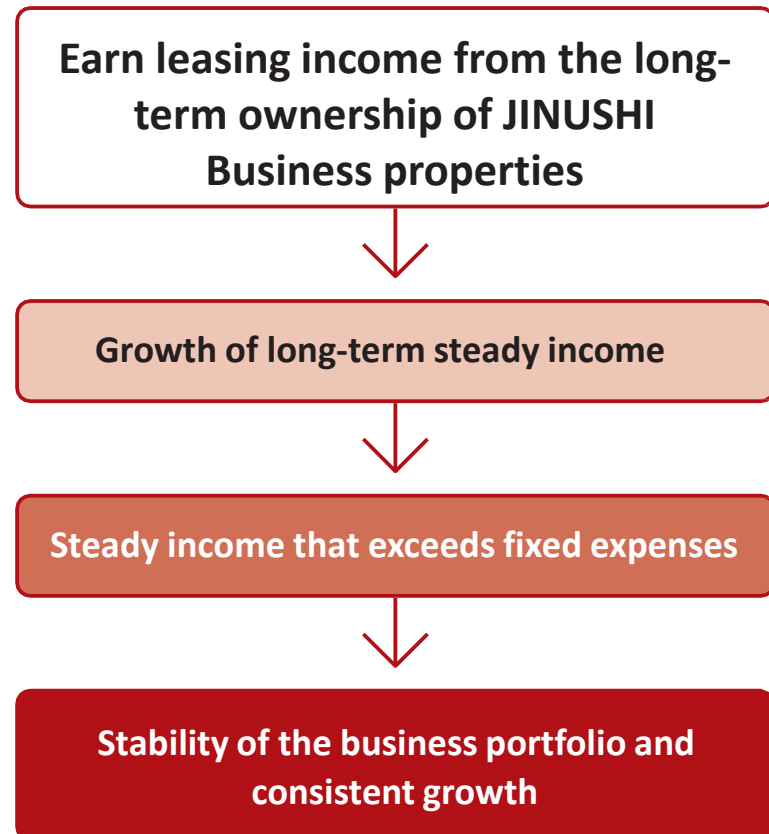
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In FY12/20, NCD started a long-term leasing business for the purpose of earning recurring income. The objective is to build a more stable structure for business operations that is more resilient to unexpected changes in market conditions.

Long-term ownership of JINUSHI Business properties will generate an increasing amount of recurring income from leases. We plan to increase the recurring income coverage of fixed expenses in order to aim for sustained growth while building a more stable composition of businesses.

Non-current assets (Land) as of June 30, 2021:  
¥2,961 million

\* Includes long-term ownership of real estate for sale of ¥2,867 million on the balance sheet as of the end of December 2020



## Compliance with Prime Market Listing Requirements

- On July 9, 2021, NCD was notified by the Tokyo Stock Exchange that NCD stock meets the requirements for listing on the Prime Market, which will be a new market category of this exchange.
- The examination for a Prime Market listing included the stock float, market capitalization of floating stock and other items. Based on the initial examination completed on this date, NCD complied with all requirements as of the listing transfer record date (June 30, 2021).
- During the period for selecting a market for the stock listing, which will begin on September 1, 2021, NCD plans to conduct the procedure to apply for a Prime Market listing in accordance with a Board of Directors resolution.

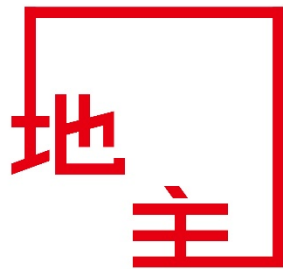
|                           |                 | NCD data       |
|---------------------------|-----------------|----------------|
| No. of shareholders       | (People)        | 17,821         |
| Floating stock            | (Trading units) | 115,267        |
| Floating stock market cap | (Yen)           | 20,425,227,984 |
| Float ratio               | (%)             | 63.0           |
| Trading volume            | (Yen)           | 118,183,730    |

Reference: Average of daily closing prices of NCD stock from April to June 2021 (to the first decimal place, not rounded) is ¥1,771.9

## New Company Name

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On January 10, 2022 we will become



地主株式会社  
JINUSHI Co., Ltd.

Since its inception in April 2000, NCD has used its innovative JINUSHI Business for the steady, long-term growth of earnings without any need for additional investments. We have developed real estate investment products and earned income from property sales.

There is a significant need for the JINUSHI Business, which is highly resistant to natural disasters and market volatility and capable of generating consistent income over many years. As a result, we believe Japan's market for leasing land will continue to grow.

Changing our name from Nippon Commercial Development to JINUSHI will further raise awareness of our unique business model and establish an even stronger base for our growth.



**JINUSHI**  
**Business**

 日本商業開発株式会社  
Nippon Commercial Development Co.,Ltd.

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