

Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2022 (Nine Months Ended September 30, 2022)

[Japanese GAAP]

Company name: JINUSHI Co., Ltd.

Listing: TSE/NSE

Securities code: 3252

 URL: <https://www.jinushi-jp.com>

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Scheduled date of filing of Quarterly Securities Report: November 14, 2022

Scheduled date of payment of dividend: –

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended September 30, 2022

(January 1, 2022 – September 30, 2022)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Sep. 30, 2022	29,770	(25.0)	3,685	2.5	3,707	1.3	1,349	(47.9)
Nine months ended Sep. 30, 2021	39,685	–	3,594	–	3,660	–	2,591	–

Note: Comprehensive income (million yen) Nine months ended Sep. 30, 2022: 1,992 (down 25.6%)

Nine months ended Sep. 30, 2021: 2,678 (–%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Sep. 30, 2022	73.81	–
Nine months ended Sep. 30, 2021	141.71	–

From the fiscal year ended December 31, 2020, JINUSHI Co., Ltd. (hereinafter, “the Company”) has changed its financial closing date from March 31 to December 31. The Company has also changed the financial closing date of its subsidiaries in Japan from March 31 to December 31. The year-on-year changes for the nine months ended September 30, 2021 are not presented because the first nine months of the fiscal year ended December 31, 2021 (January 1 to September 30, 2021) cannot be compared with the first nine months of the fiscal year ended December 31, 2020 (April 1 to December 31, 2020).

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2022	82,943	28,916	34.8
As of Dec. 31, 2021	86,337	27,781	32.2

Reference: Shareholders' equity (million yen)

As of Sep. 30, 2022: 28,857

As of Dec. 31, 2021: 27,781

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Dec. 31, 2021	–	0.00	–	50.00	50.00
Fiscal year ending Dec. 31, 2022	–	0.00	–	–	–
Fiscal year ending Dec. 31, 2022 (forecasts)	–	–	–	55.00	55.00

Notes: Revisions to the most recently announced dividend forecast: None

Breakdown of dividends for the fiscal year ending Dec. 31, 2022 (forecasts):

Ordinary dividends: 50.00 yen per share; Commemorative dividends (for the new company name): 5.00 yen per share

3. Consolidated Forecast for the Fiscal Year Ending December 31, 2022 (January 1, 2022 – December 31, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	49,500	(11.9)	6,000	9.6	5,500	9.9	3,400	8.8	185.94

Note: Revisions to the most recently announced consolidated forecast: Yes

For more details, please refer to the “Notice Concerning Recording of an Extraordinary Loss and Revision to Earnings Forecast (Japanese version only)” announced on November 14, 2022.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

Newly added: – Excluded: –

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

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

- | | |
|---|------|
| 1) Changes in accounting policies due to revisions in accounting standards, others: | Yes |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting estimates: | None |
| 4) Restatements: | None |

Note: For more details, please refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies.”

(4) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)			
As of Sep. 30, 2022:	18,285,800 shares	As of Dec. 31, 2021:	18,285,800 shares
2) Number of treasury shares at the end of the period			
As of Sep. 30, 2022:	141 shares	As of Dec. 31, 2021:	141 shares
3) Average number of shares outstanding during the period			
Nine months ended Sep. 30, 2022:	18,285,659 shares	Nine months ended Sep. 30, 2021:	18,285,659 shares

* The current quarterly financial report is not subject to quarterly review by an auditing firm.

* Cautionary statement with respect to forward-looking statements, and other special items

1. Earnings forecasts regarding future performance in this material are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ significantly from these forecasts for a number of factors. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 3 of Attachments for assumptions for forecasts and notes of caution for usage.
2. The company name was changed from Nippon Commercial Development Co., Ltd. to JINUSHI Co., Ltd. on January 10, 2022.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the fiscal year ending December 31, 2022 (hereinafter “the period under review”), the Japanese economy experienced a certain degree of boost, mainly in tourism-related industries, due to the relaxation of the preventive measures against the spread of COVID-19 infections at the borders for travelers from overseas and the decision to re-launch a program to support domestic tourism. Nevertheless, the outlook for the Japanese economy remains uncertain, affected by the spike in energy and resource prices triggered by Russia’s prolonged invasion of Ukraine as well as the price hikes due to the weak yen.

In the Japanese real estate and real estate finance industries, with the gradual easing of measures against the spread of COVID-19 infections, the trends of higher vacancy rates and lower average rent for office and commercial properties have subsided. Overall, the market for real estate trading in Japan has remained stable, mainly due to the decision to maintain the major monetary easing policy.

Under these circumstances, the JINUSHI Group (hereinafter “the Group”) sold real estate for sale to major leasing companies and others, backed by the growing reputation among financial institutions and investors for the JINUSHI Business (*) as a real estate investment method that is resilient to natural disasters and market volatility and able to generate stable profits over the long term.

In addition, for one of the fixed assets (land) owned by the Company, an impairment loss of 1,046 million yen was recorded as an extraordinary loss in the third quarter of the fiscal year ending December 31, 2022, in accordance with the “Accounting Standard for Impairment of Fixed Assets.” This asset is nevertheless located in an area with potential for further development in the future and is expected to attract a number of tenants as development progresses in the adjacent areas. We believe that the recognition of an impairment loss amid a robust business environment will contribute to our profit growth over the medium term.

As a result, the Group reported net sales for the period under review of 29,770 million yen (down 25.0% year-on-year), operating profit of 3,685 million yen (up 2.5% year-on-year), ordinary profit of 3,707 million yen (up 1.3% year-on-year), and profit attributable to owners of parent of 1,349 million yen (down 47.9% year-on-year).

In order to further expand the current JINUSHI Business and lead it to profitability, we have also started an investment business with healthcare facilities as tenants, as announced in the “Notice Concerning Diversification of Tenants in JINUSHI Business Through Efforts in the Investment Business in Real Estate for Healthcare Facilities (Japanese version only)” on August 26, 2022. In addition, the Company has established a sales base in Fukuoka City, Japan with the announcement of “Notice Concerning Establishment of Kyushu Branch (Japanese version only)” on September 28, 2022.

The Company enters into the Sponsor Support Agreement with JINUSHI Asset Management Co., Ltd. (hereinafter “JINUSHI AM”) and JINUSHI Private REIT Investment Corporation (hereinafter “JINUSHI REIT”), in which the Company acts as the sponsor of JINUSHI REIT. Based on this Sponsor Support Agreement, we have resolved to sell four properties of real estate for sale to JINUSHI REIT on January 6, 2023 at a sale price of 6,380 million yen as announced in the “Notice Concerning Sale of Real Estate for Sale to JINUSHI Private REIT Investment Corporation (Japanese version only)” on October 13, 2022.

JINUSHI REIT plans to raise capital for the seventh time in early January 2023 and to acquire a total of 25 properties worth approximately 26.7 billion yen, thereby enhancing its asset size to 180.0 billion yen. These 25 properties include those sold by the Company and JINUSHI AM under the “Basic Agreement Establishing a Framework for Comprehensive Sales Transactions of Real Estate for Sale (Including Trust Beneficiary Rights)” signed in 2019 with major leasing companies SMFL MIRAI Partners Co., Ltd. and ML Estate Company, Limited, respectively. Regarding the said agreement, a memorandum on the extension of the term, etc. was concluded on November 14, 2022.

(*) JINUSHI Business refers to a business model that is expected to generate stable profits over the long term by investing only in land with no additional investments for buildings because the investment in buildings is made by a tenant who enters into a long-term fixed-term land leasehold agreement for business use.

Results by business segment were as follows:

- i) Real Estate Investment Business
The segment reported net sales of 28,608 million yen (down 26.4% year-on-year) with segment profit of 5,717 million yen (up 1.0% year-on-year).
- ii) Subleasing, Leasing and Fund Fee Business
The segment reported net sales of 1,146 million yen (up 44.6% year-on-year) with segment profit of 863 million yen (up 62.4% year-on-year).
- iii) Planning and Brokerage Business
The segment reported net sales of 15 million yen (down 5.9% year-on-year) with segment profit of 15 million yen (up 80.4% year-on-year).

(2) Explanation of Financial Position

Assets, Liabilities and Net Assets

Total assets decreased 3,393 million yen from the end of the previous fiscal year to 82,943 million yen at the end of the period under review. This decrease was attributable mainly to decreases of 1,012 million yen in land and 5,938 million yen in shares of subsidiaries and associates, which were partially offset by an increase of 4,140 million yen in cash and deposits.

Total liabilities decreased 4,528 million yen from the end of the previous fiscal year to 54,027 million yen. This decrease was attributable mainly to decreases of 613 million yen in other (deferred tax liabilities) and 3,614 million yen in income taxes payable.

Net assets increased 1,134 million yen from the end of the previous fiscal year to 28,916 million yen. This increase was attributable mainly to the recording of profit attributable to owners of parent of 1,349 million yen. Consequently, the equity ratio at the end of the period under review was 34.8%.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

Based on our recent performance trends and other factors, we have revised our earnings forecast for the fiscal year ending December 31, 2022 (January 1, 2022 – December 31, 2022), as announced in the “Notice Concerning Recording of an Extraordinary Loss and Revision to Earnings Forecast (Japanese version only)” on November 14, 2022.

For more details on the consolidated forecast for the fiscal year ending December 31, 2022, please refer to “Results of Operations for the First Nine Months of the Fiscal Year Ending December 31, 2022” (available on our website (*)), which is the supplementary materials for the Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2022.

* <https://www.jinushi-jp.com/> (IR Information, News Release)

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	FY12/21 (As of Dec. 31, 2021)	Third quarter of FY12/22 (As of Sep. 30, 2022)
Assets		
Current assets		
Cash and deposits	17,264	21,405
Operating accounts receivable	205	145
Real estate for sale	41,995	41,396
Advance payments to suppliers	169	101
Prepaid expenses	269	201
Other	97	412
Total current assets	60,002	63,663
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	364	348
Vehicles, tools, furniture and fixtures, net	54	55
Land	16,994	15,982
Leased assets, net	75	79
Total property, plant and equipment	17,488	16,466
Intangible assets		
Other	225	58
Total intangible assets	225	58
Investments and other assets		
Investment securities	581	315
Shares of subsidiaries and associates	6,465	526
Investments in capital of subsidiaries and associates	1	1
Investments in capital	676	1,021
Leasehold and guarantee deposits	623	706
Long-term prepaid expenses	98	88
Other	262	183
Allowance for doubtful accounts	(88)	(88)
Total investments and other assets	8,621	2,754
Total non-current assets	26,335	19,280
Total assets	86,337	82,943

	(Millions of yen)	
	FY12/21 (As of Dec. 31, 2021)	Third quarter of FY12/22 (As of Sep. 30, 2022)
Liabilities		
Current liabilities		
Trade accounts payable	112	80
Short-term borrowings	1,126	–
Current portion of long-term borrowings	5,903	7,515
Accounts payable-other	506	465
Income taxes payable	3,753	139
Accrued consumption taxes	53	49
Advances received	440	35
Current portion of guarantee deposits received	1,751	1,554
Other	351	468
Total current liabilities	13,999	10,307
Non-current liabilities		
Long-term borrowings	42,700	42,354
Long-term leasehold and guarantee deposits received	619	765
Provision for execution of assumption of debt	110	110
Other	1,125	489
Total non-current liabilities	44,555	43,719
Total liabilities	58,555	54,027
Net assets		
Shareholders' equity		
Share capital	3,048	3,048
Capital surplus	4,657	4,657
Retained earnings	20,302	20,737
Treasury shares	(0)	(0)
Total shareholders' equity	28,009	28,444
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(38)	(25)
Foreign currency translation adjustment	(189)	438
Total accumulated other comprehensive income	(227)	412
Non-controlling interests	–	59
Total net assets	27,781	28,916
Total liabilities and net assets	86,337	82,943

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Nine-month Period)**

	(Millions of yen)	
	First nine months of FY12/21 (Jan. 1, 2021 – Sep. 30, 2021)	First nine months of FY12/22 (Jan. 1, 2022 – Sep. 30, 2022)
Net sales	39,685	29,770
Cost of sales	33,329	22,934
Gross profit	6,355	6,836
Selling, general and administrative expenses	2,761	3,150
Operating profit	3,594	3,685
Non-operating income		
Interest income	0	0
Interest on securities	4	–
Foreign exchange gains	127	516
Share of profit of entities accounted for using equity method	325	36
Outsourcing service income	84	100
Other	13	18
Total non-operating income	555	672
Non-operating expenses		
Interest expenses	320	425
Financing expenses	167	213
Other	1	12
Total non-operating expenses	489	651
Ordinary profit	3,660	3,707
Extraordinary losses		
Impairment losses	–	1,203
Office relocation expenses	–	46
Total extraordinary losses	–	1,250
Profit before distributions of profit or loss on silent partnerships and income taxes	3,660	2,456
Distributions of profit or loss on silent partnerships	0	0
Profit before income taxes	3,659	2,456
Income taxes-current	3,343	1,650
Income taxes-deferred	(2,274)	(545)
Total income taxes	1,068	1,104
Profit	2,591	1,351
Profit attributable to non-controlling interests	–	2
Profit attributable to owners of parent	2,591	1,349

Quarterly Consolidated Statement of Comprehensive Income
(For the Nine-month Period)

(Millions of yen)

	First nine months of FY12/21 (Jan. 1, 2021 – Sep. 30, 2021)	First nine months of FY12/22 (Jan. 1, 2022 – Sep. 30, 2022)
Profit	2,591	1,351
Other comprehensive income		
Valuation difference on available-for-sale securities	15	12
Foreign currency translation adjustment	72	627
Total other comprehensive income	87	640
Comprehensive income	2,678	1,992
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,678	1,990
Comprehensive income attributable to non-controlling interests	–	2

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies

We have applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. from the beginning of the first quarter of the current fiscal year. When control of promised goods or services is transferred to a customer, we recognize revenue at the amount expected to be received in exchange for the goods or services.

Major changes as a result of this change are as follows.

Revenue recognition for variable consideration

Previously, variable consideration included in sales contracts was recorded as an expense when the amount was fixed. However, it is now reflected in the transaction price by estimating the amount of the portion of the variable consideration that is likely to cause a significant reduction in the revenue recorded up to that point when the uncertainty related to the variable consideration is resolved ex post.

The application of the Revenue Recognition Accounting Standard, etc. is pursuant to the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year, was added to or subtracted from the beginning balance of retained earnings at the beginning of the first quarter of the current fiscal year, and then the new accounting policy was applied to the said beginning balance.

As a result, net sales and cost of sales decreased 71 million yen and 52 million yen, respectively, and operating profit, ordinary profit, and profit before income taxes each decreased 18 million yen for the first nine months of the current fiscal year, but there is no impact on the balance of retained earnings at the beginning of the current fiscal year.

Upon the application of the Accounting Standard for Revenue Recognition, etc., refund liabilities are included in "Other" under "Current liabilities."

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued on July 4, 2019; hereinafter the "Accounting Standard for Fair Value Measurement") is applied from the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurements and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued on July 4, 2019), the new accounting policies stipulated in the Accounting Standard for Fair Value Measurements, etc., will be applied into the future. There is no impact on the quarterly consolidated financial statements.

Segment and Other Information

Segment information

I First nine months of FY12/21 (Jan. 1, 2021 – Sep. 30, 2021)

1. Information related to net sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment				Other (Note 1)	Adjustment (Note 2)	Amount shown on the quarterly consolidated statement of income (Note 3)
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Total			
Net sales							
(1) Sales to external customers	38,875	793	16	39,685	–	–	39,685
(2) Inter-segment sales and transfers	–	–	–	–	–	–	–
Total	38,875	793	16	39,685	–	–	39,685
Segment profit (loss)	5,659	531	8	6,199	–	(2,605)	3,594

- Notes: 1. The “Other” segment represents businesses not included in any reportable segments and includes the overseas PFI business.
 2. The adjustment to segment profit (loss) includes corporate expenses that mainly consist of selling, general and administrative expenses that cannot be attributed to any reportable segments.
 3. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Significant change in goodwill

In the second quarter of FY12/21, Tsunoda Corporation Limited was included in the scope of consolidation as the Company acquired all of its issued shares. Accordingly, goodwill in the “Real Estate Investment Business” increased 225 million yen.

II First nine months of FY12/22 (Jan. 1, 2022 – Sep. 30, 2022)

1. Information related to net sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment				Other (Note 1)	Adjustment (Note 2)	Amount shown on the quarterly consolidated statement of income (Note 3)
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Total			
Net sales							
(1) Sales to external customers	28,608	1,146	15	29,770	–	–	29,770
(2) Inter-segment sales and transfers	–	–	–	–	–	–	–
Total	28,608	1,146	15	29,770	–	–	29,770
Segment profit (loss)	5,717	863	15	6,595	–	(2,909)	3,685

- Notes: 1. The “Other” segment represents businesses not included in any reportable segments and includes the overseas PFI business.
 2. The adjustment to segment profit (loss) includes corporate expenses that mainly consist of selling, general and administrative expenses that cannot be attributed to any reportable segments.
 3. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

2. Matters related to changes in reportable segments, etc.

As described in “Changes in Accounting Policies,” the Accounting Standard for Revenue Recognition, etc., has been applied from the beginning of the first quarter of the current fiscal year, and the accounting method for revenue recognition has been changed. Accordingly, the calculation method of profit or loss for reportable segments has been changed in the same manner.

As a result of this change, net sales and segment profit of the “real estate investment business” decreased 71 million yen and 18 million yen, respectively, in the first nine months of FY12/22, compared with the previous method.

3. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Significant impairment losses on fixed assets

(Millions of yen)

	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Total
Impairment losses	–	1,046	–	1,046

Subsequent Events

Changes in consolidated subsidiaries

The Company resolved at a meeting of its Board of Directors held on November 14, 2022, to transfer all shares of its consolidated subsidiary Tsunoda Co., Ltd. (hereinafter “Tsunoda”). As a result, Tsunoda will be excluded from the Company’s consolidated subsidiaries.

1. Reason for share transfer

The Company acquired all of Tsunoda’s outstanding shares to make Tsunoda a subsidiary, as announced in the “Notice Concerning Acquisition of Shares of Tsunoda Co., Ltd. (to Make It a Subsidiary) (Japanese version only)” dated April 15, 2021, for the purpose of acquiring prime real estate held by Tsunoda. The Company then sold some of its properties (land with leasehold interest) as real estate financial instruments, which has contributed to the growth of the Company and JINUSHI Private REIT Investment Corporation.

With Tsunoda now owning only one major real estate property, we have decided that the best course of action from the viewpoint of maximizing profits is to transfer the shares of the said subsidiary, and have been searching for a transferee. After a comprehensive evaluation, including economic rationality, of proposals from multiple potential transferees, we have determined that Yamahachi Shoji Co., Ltd. is the most appropriate transferee and have decided to transfer all the Tsunoda shares owned by the Company.

2. Name of company excluded from consolidated subsidiaries

Tsunoda Co., Ltd.

3. Name of share transfer counterparty

Yamahachi Shoji Co., Ltd.

4. Number of shares transferred, transfer price and number of shares held before and after the transfer

(1) Number of shares held before the change:	10,148 shares of common stock (Percentage of voting rights held: 100.0%)
(2) Number of shares transferred:	10,148 shares of common stock
(3) Transfer price:	The information will not be disclosed at the request of the transferee.
(4) Number of shares held after the change:	0 shares of common stock (Percentage of voting rights held: 0%)

5. Date of share transfer

November 25, 2022 (scheduled)

6. Profit or loss from the event and effect on consolidated profit or loss

As a result of this share transfer, we expect to record a loss on sale of shares of subsidiaries and associates of 60 million yen and a 1,180 million yen decrease in income taxes related to the transfer in our consolidated financial results.

This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.