Results of Operations for the Fiscal Year Ended December 31, 2020

March 4, 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. FY12/20 Summary of Consolidated Financial Results

- In FY12/20, NCD changed its fiscal year end from March 31 to December 31, resulting in a nine-month transitional fiscal period (April 1 to December 31, 2020) in FY12/20.
- No tenants have vacated stores or asked for rent reductions during the COVID-19 crisis. Sales were strong due to further increasing popularity of the JINUSHI Business.

(Millions of yen, unless otherwise stated)

	FY3/20 (12-month fiscal period)	FY12/20 (9-month fiscal period)
Net sales	74,187	29,886
Operating profit	5,244	2,420
Ordinary profit	4,599	2,157
Profit attributable to owners of parent	3,177	1,644
Total assets	75,054	71,220
of which cash and deposits	21,850	20,897
of which real estate for sale	43,493	38,387
of which property, plant and equipment	522	3,436
Total liabilities	51,184	46,379
of which borrowings	46,473	43,189
Net assets	23,870	24,841
Shareholders' equity (%)	31.8	34.9
Net income per share (Yen)	174.59	89.94
Net assets per share (Yen)	1,305.43	1,358.52

2. Estimates for 12-month Period Ending March 2021 (1)

Profit in the 12-month period ending in March 2021 is expected to be firm based on the solid earnings in the nine-month transitional fiscal period that ended in December 2020.

(Millions of yen)

	FY3/19 (Results)	FY3/20 (Results)	FY12/20 (Results)	FY3/21 Estimates
Net sales	39,834	74,187	29,886	50,900
Operating profit	4,446	5,244	2,420	4,500
Ordinary profit	4,327	4,599	2,157	4,100
Profit	2,684	3,177	1,644	3,000

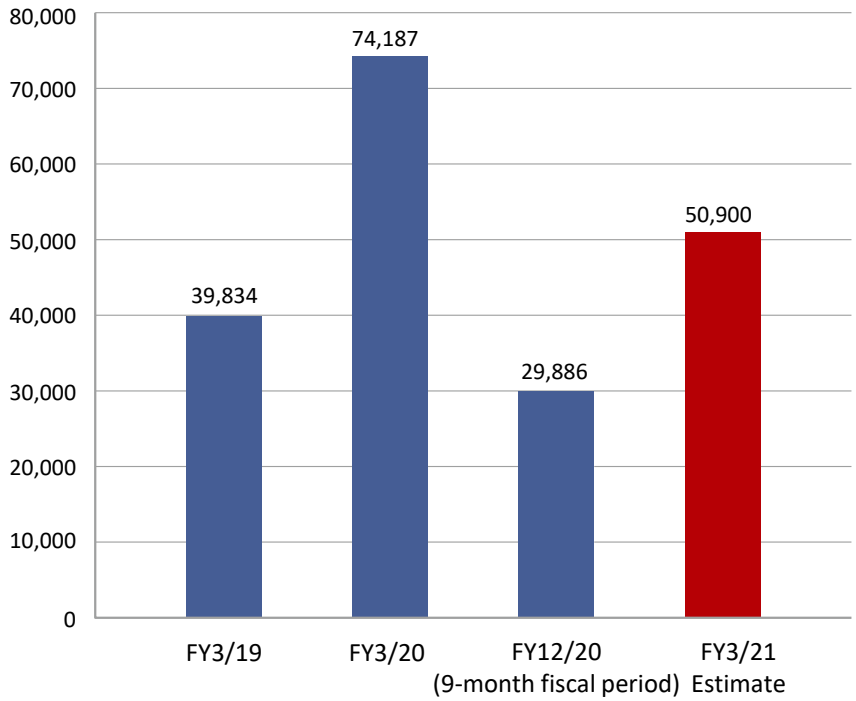
*Note concerning estimates

Estimates are calculated by adding actual performance in nine-month transitional fiscal period in FY12/20 to the estimates for the first quarter of FY12/21 (January-March 2021). This is only an estimate that not been audited by the independent auditor. Furthermore, these estimates are not guarantees by NCD of performance in the first quarter of FY12/21.

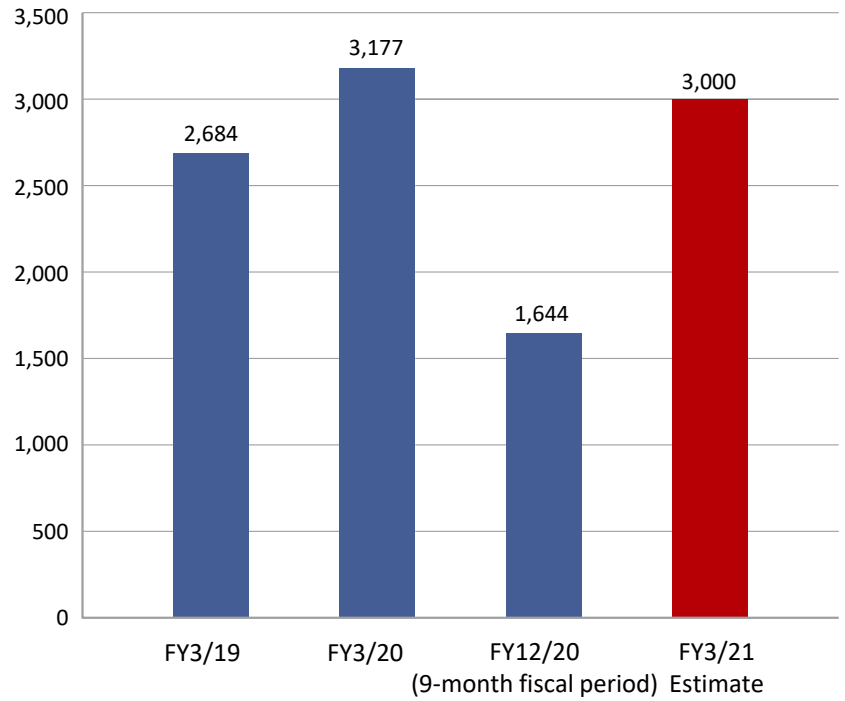
2. Estimates for 12-month Period Ending March 2021 (2)

- Sales temporarily increased in FY3/20 because properties were sold earlier than initially planned in order to increase financial soundness.
- The sales and profit estimates for the 12-month period ending in March 2021 are higher than actual sales and profit in FY3/19 as NCD expects growth in sales and earnings despite the COVID-19 crisis.

■ Net sales

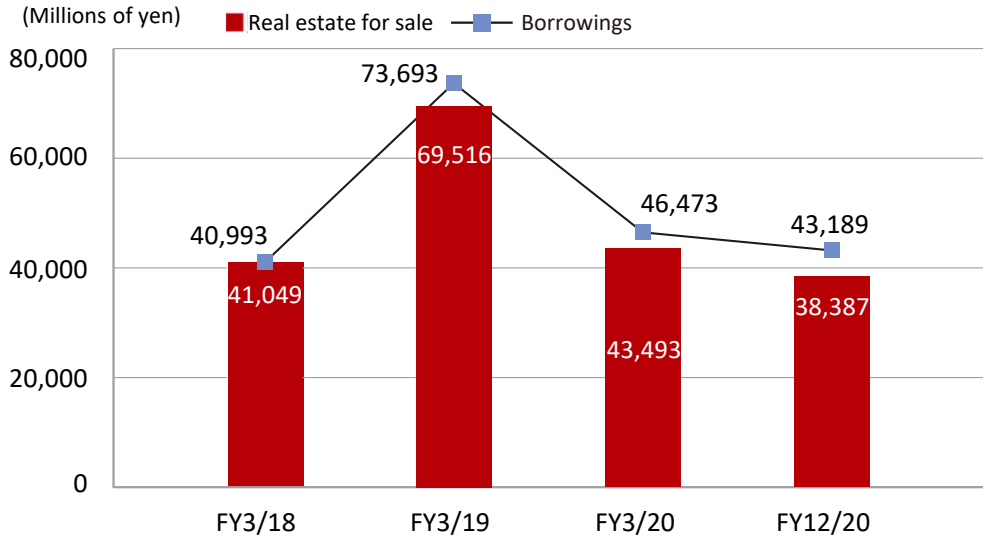


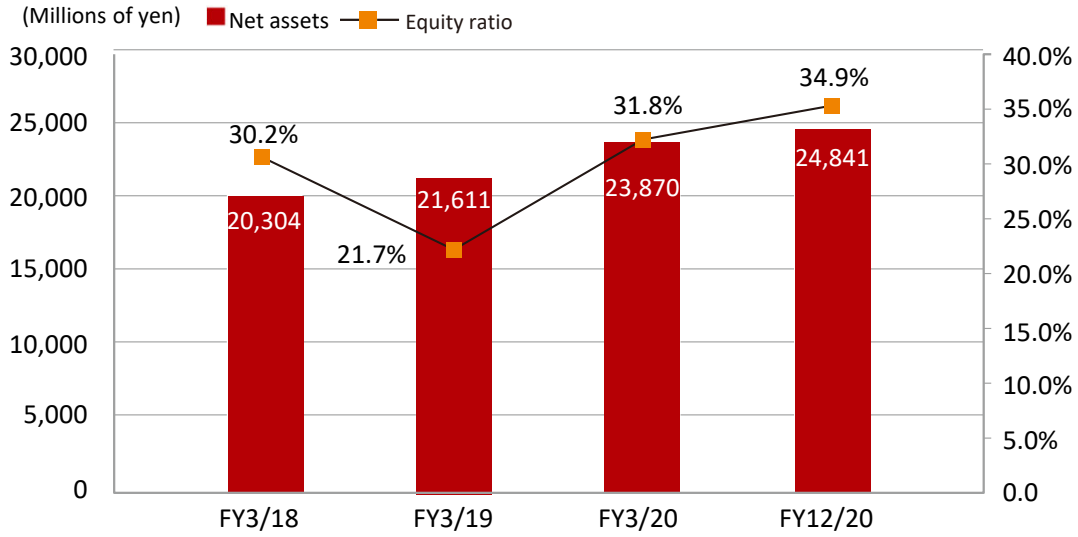
■ Profit



3. Explanation of Financial Position (1)

- Interest in the real estate market in the JINUSHI Business has increased significantly even during the COVID-19 crisis. Loans decreased by ¥3,284 million as sales are consistent with the plan, including sales of the new company. There was a big improvement in the equity ratio and other indicators of financial soundness.
- Real estate for sale was sold quickly and other actions were taken to improve financial soundness. In addition, ¥2,867 million of real estate for sale was reclassified as non-current assets due to the start of the long-term leasing business. As a result, real estate for sales decreased by ¥5,105 million.





3. Explanation of Financial Position (2)

- Financial indicators such as the net debt-to-equity (D/E) ratio (*1) and DCR (*2) significantly improved due to the measures to enhance the financial soundness.
- 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
Net profit margin	6.7%	4.3%	5.5%
Equity ratio	21.7%	31.8%	34.9%
Net D/E ratio	2.54 times	1.04 times	0.90 times
DCR (Debt Coverage Ratio)	354%	205%	176%

*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

3. 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 contracts with fixed terms.
- 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

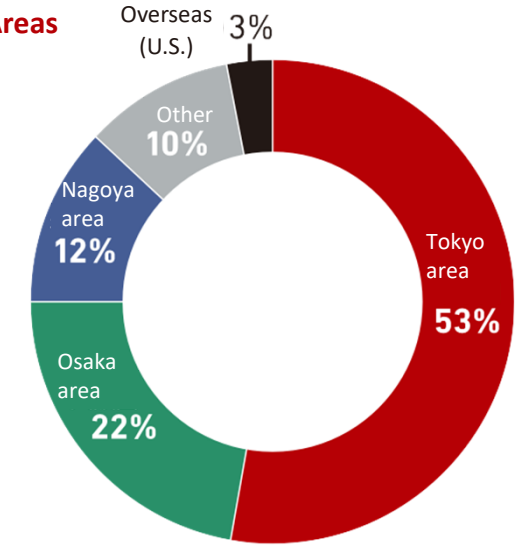
Large credit facilities, mainly with Japan's mega-banks

Stable cash flows due to rental income from owned properties

4. Real Estate for Sale as of December 31, 2020—Diversification of Areas and Use

As of December 31, 2020, **about 80%** of the tenants of our JINUSHI Business **belong to the industry sectors (including the logistics sector) that handle daily necessities such as supermarkets, home improvement stores and drug stores**. Most of these tenants have been performing well even during the COVID-19 crisis.

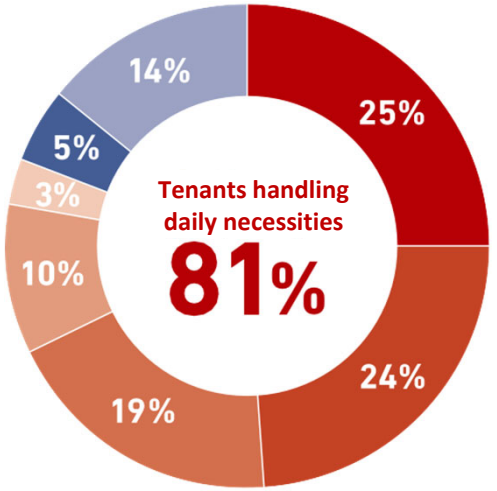
Diversification of Areas



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

Area	Definition
Tokyo area	Tokyo, Kanagawa, Saitama and Chiba
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



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

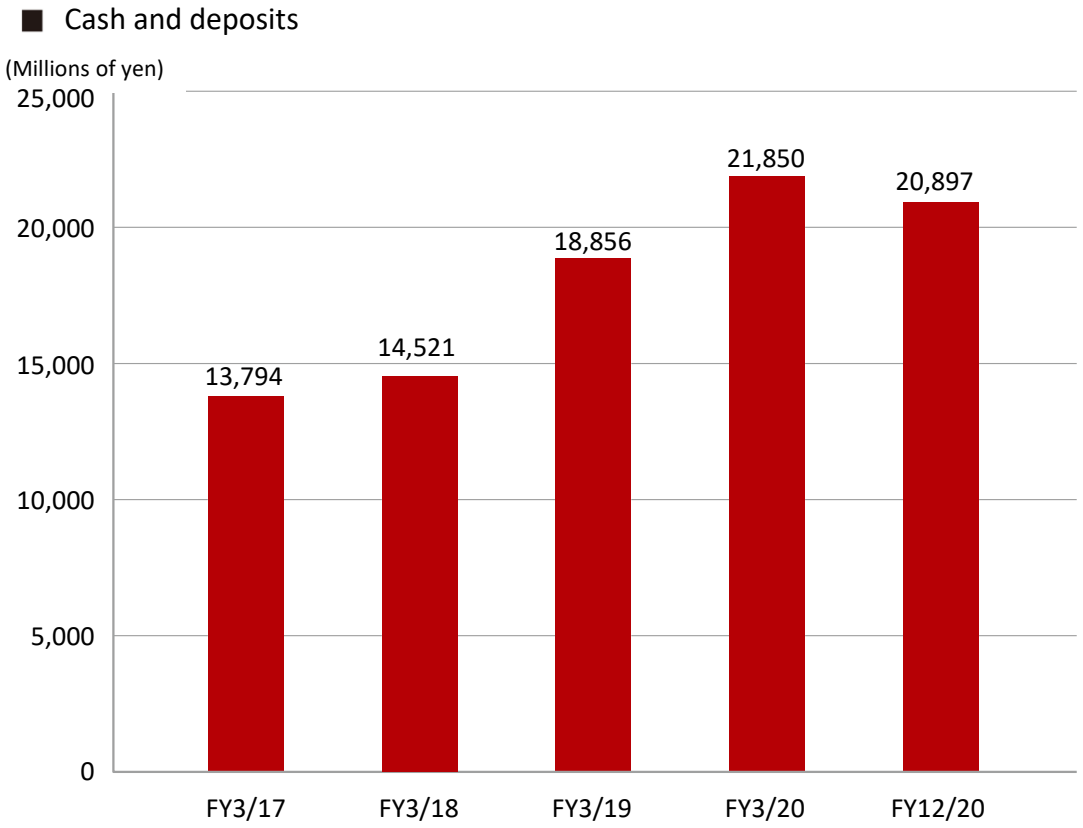
*Other: Restaurants, memorial service facilities, etc.

Note: Based on monetary value as of December 31, 2020

5. Long-term Leasing Business Increases the Stability of NCD's Operations

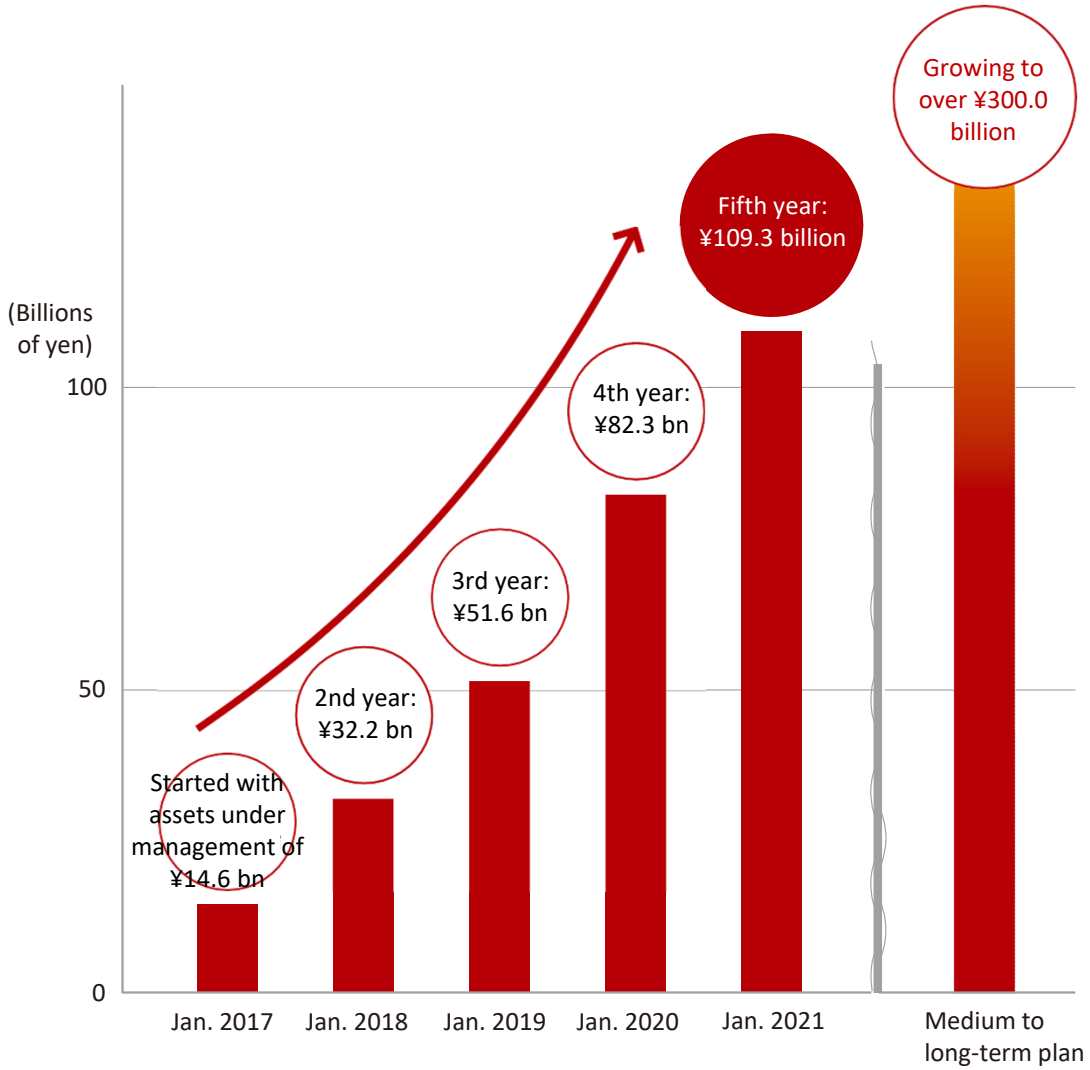
We plan to increase long-term ownership of JINUSHI Business real estate investment products in order to increase rent income, which is a consistent source of sales. The goal is to increase this consistent income as a percentage of fixed expenses in order to increase the stability of business operations and establish a framework for steady growth.

- Cash and deposits totaled ¥20.8 billion as of December 31, 2020. Some cash and deposits were used in the long-term leasing business.
- Non-current assets (land) increased ¥2,879 million mainly because ¥2,867 million of real estate for sale was reclassified as long-term holdings.



6. Growth of JINUSHI REIT Assets

- NCD has a sponsor support agreement with JINUSHI Asset Management Co., Ltd. and JINUSHI REIT. In accordance with this agreement, NCD sold 11 properties at an aggregate price of ¥12,585 million to JINUSHI REIT on January 8, 2021.
- Sales and earnings from these 11 properties were recorded in the first quarter of FY12/21 and did not contribute to results of operations in the nine-month transitional period that ended in December 2020.
- 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.



*Assets under management are based on appraised values when assets were acquired and amounts below ¥100 million are rounded down.

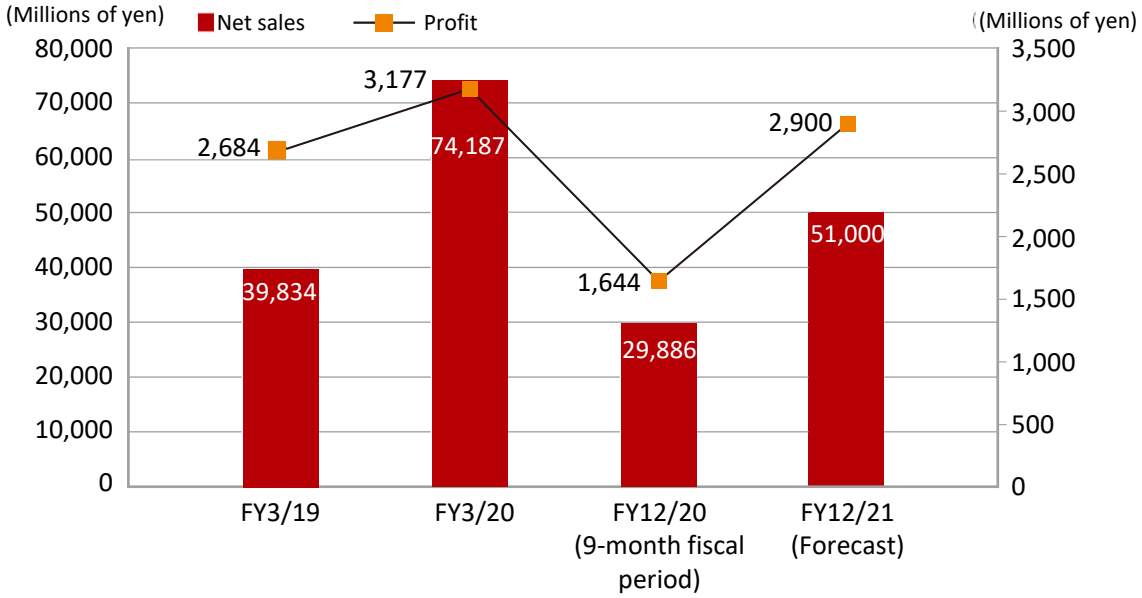
7. FY12/21 Consolidated Forecast

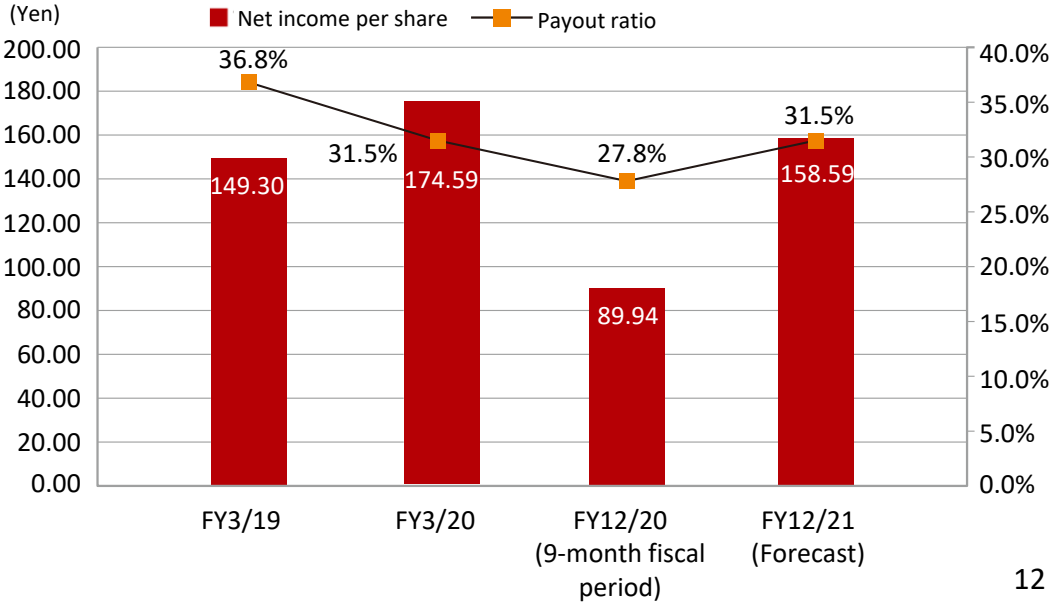
(1) Planning on growth in both sales and earnings

- 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.





JINUSHI Business

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

On January 10, 2022, the company name will be changed to

地主株式会社
JINUSHI Co., Ltd.

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