Hoosiers Holdings (3284)

Second Quarter Fiscal Year Ending March 2022 Explanatory Materials on Financial Results

November 11, 2021

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1. 2Q of FY3/22 overview of results

Overall summary

2Q of FY3/22 overview of results

✓ As planned, net sales decreased and profit increased

Operating income increased 67.9% YoY

Main topics

✓ Interim closing of the first year of the Medium-Term Management Plan (five years)

✓ We made a good start toward establishing a stable earnings system, with improvement in gross profit margin in most businesses

✓ Sports club business is on a recovery trend due to cost improvement despite lingering impacts of COVID-19

FY3/22 full-year performance forecasts

✓ No change from full-year performance and dividend forecasts announced in May 2021

Overview of consolidated income statement

- Net sales decreased and profit increased YoY
- Net sales: ¥26,863 million (down 8.2% YoY)　Operating income: ¥1,559 million (up 67.9% YoY)
  Growth profit margin: 22.7% (+3.0pt)　Operating margin: 5.8%, +2.6pt)
  Profitability has improved

(Million yen)	2Q of FY3/21 Results	2Q of FY3/21 Composition ratio	2Q of FY3/22 Results	2Q of FY3/22 Composition ratio	YoY change	
Net sales	**29,249**	100%	**26,863**	100%	(2,385)	
Gross profit	5,773	19.7%	6,095	**22.7%**	321	**+3.0pt**
Selling, general and administrative expenses	4,844	16.6%	4,536	16.9%	(308)	
Operating income	**928**	3.2%	**1,559**	**5.8%**	630	**+2.6pt**
Non-operating income	430	1.5%	361	1.3%	(69)	
Non-operating expenses	632	2.2%	841	3.1%	209	
Ordinary income	**726**	2.5%	**1,078**	**4.0%**	351	**+1.5pt**
Extraordinary income	476	1.6%	11	0.0%	(464)	
Extraordinary losses	264	0.9%	105	0.4%	(159)	
Income before income taxes	938	3.2%	985	3.7%	46	
Profit attributable to owners of parent	**832**	2.8%	**483**	1.8%	(349)	

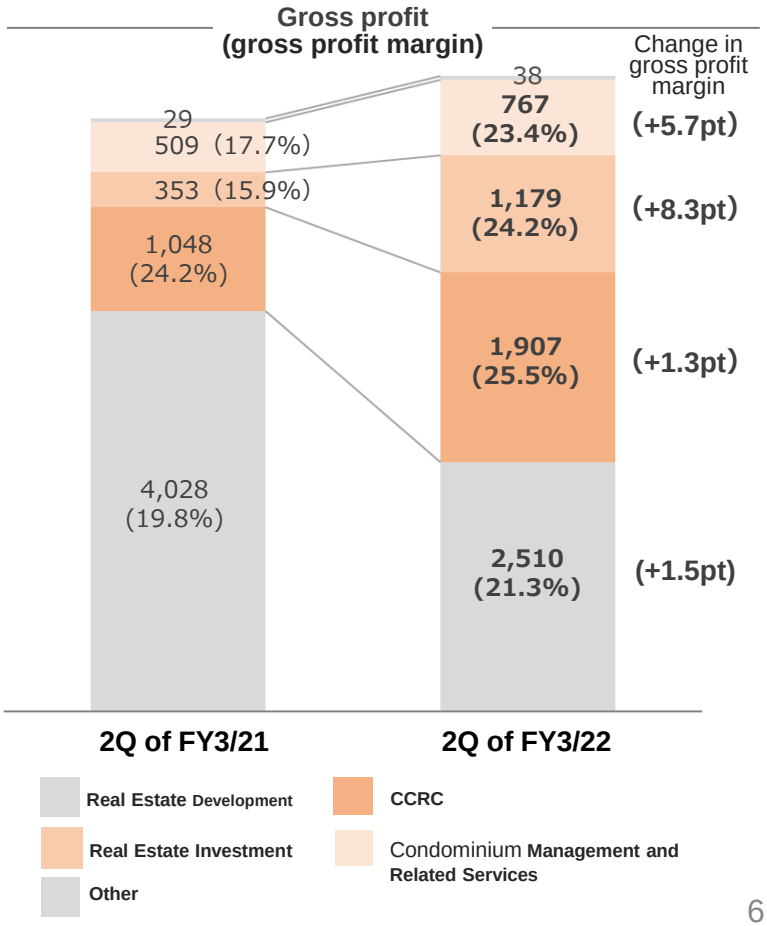
Factors of changes by segment

- Real Estate Development: Net sales decreased by ¥8,544 million due to a decrease in number of units delivered
- CCRC: Net sales increased by ¥3,152 million with an increased number of units delivered
- Real Estate Investment: Net sales increased by ¥2,649 million due to increased property sales
- Condominium Management and Related Services: Net sales increased by ¥406 million due to improvement in sport business

(Million yen)

		2Q of FY3/21	2Q of FY3/22	Change
Real Estate Development	Net sales	20,339	11,795	(8,544)
	Gross profit	4,028	2,510	(1,518)
	Gross profit margin	19.8%	21.3%	+1.5pt
CCRC	Net sales	4,328	7,480	3,152
	Gross profit	1,048	1,907	859
	Gross profit margin	24.2%	25.5%	+1.3pt
Real Estate Investment	Net sales	2,218	4,868	2,649
	Gross profit	353	1,179	826
	Gross profit margin	15.9%	24.2%	+8.3pt
Condominium Management and Related Services	Net sales	2,876	3,282	406
	Gross profit	509	767	257
	Gross profit margin	17.7%	23.4%	+5.7pt
Other	Net sales	29	42	13
	Gross profit	29	38	8
	Gross profit margin	100.0%	88.5%	(11pt)

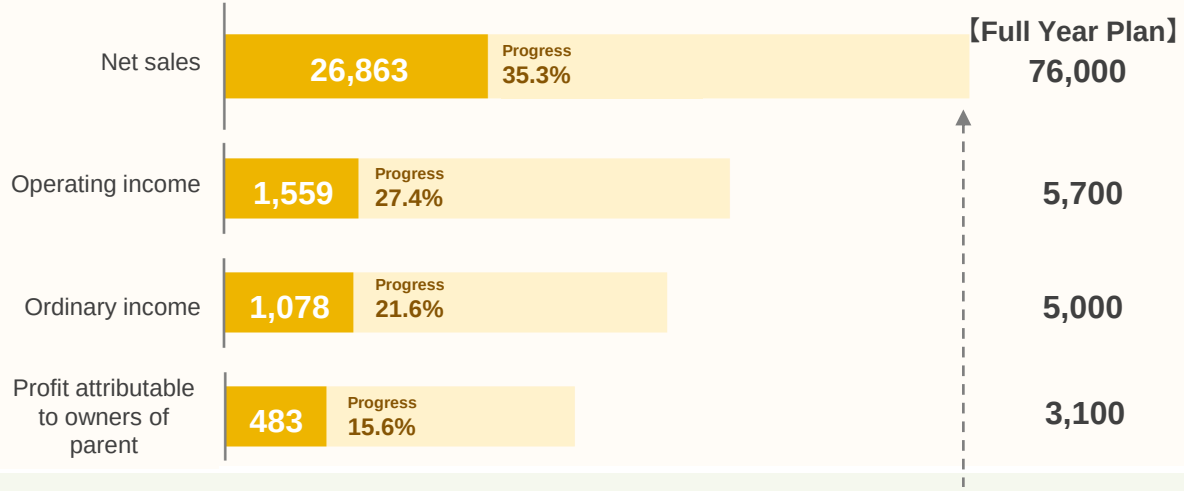
*Figures in the chart are before elimination of intersegment transactions.



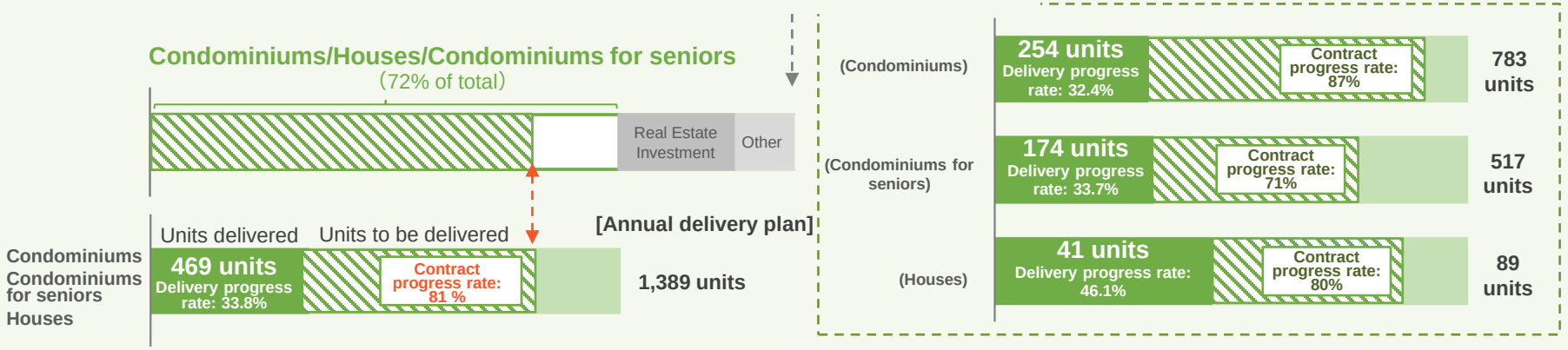
Progress of Full-Year Plan

- The progress in 2Q is 35.3% of the full-year plan based on net sales recognized in P/L, but the contract progress rate for condominiums, houses, and condominiums for seniors is 81%.

■ Progress in P/L items of the full-year plan



■ [Condominiums/Houses /Condominiums for seniors] Progress based on contracts



Consolidated balance sheets

(Million yen)	2Q of FY3/21	FY3/21	2Q of FY3/22	Change from 3/21
Current assets	111,933	105,142	104,129	(1,012)
Cash and deposits	25,745	29,293	33,784	4,491
Real estate for sale	26,725	31,122	29,885	(1,236)
Real estate for sale in process	51,275	37,029	35,019	(2,009)
Other	8,187	7,697	5,440	(2,256)
Non-current assets	30,724	30,888	30,503	(384)
Land	11,043	11,166	11,242	76
Buildings	12,086	11,280	11,460	180
Other	7,594	8,441	7,799	(642)
Deferred assets	12	-	-	-
Total assets	142,669	136,030	134,633	(1,397)
Liabilities	100,231	99,661	98,045	(1,616)
Total interest-bearing debt	86,009	84,099	79,054	(5,045)
Short-term interest-bearing debt	41,338	29,625	26,413	(3,211)
Long-term interest-bearing debt	44,671	54,474	52,640	(1,833)
Other liabilities	14,221	15,562	18,990	3,428
Net assets	42,438	36,368	36,587	219
Total liabilities and net assets	142,669	136,030	134,633	(1,397)
Equity Ratio	29.3%	21.2%	21.5%	
Net equity ratio	35.8%	27.0%	28.7%	
D/E ratio	2.0 times	2.3 times	2.2 times	
Net D/E ratio	1.4 times	1.5 times	1.2 times	

✓Decrease due to sale of income-producing property

✓Decrease due to completion of large properties + increase due to new procurements

*Net equity ratio = Shareholders' equity / (Total assets - Cash and deposits, etc.)

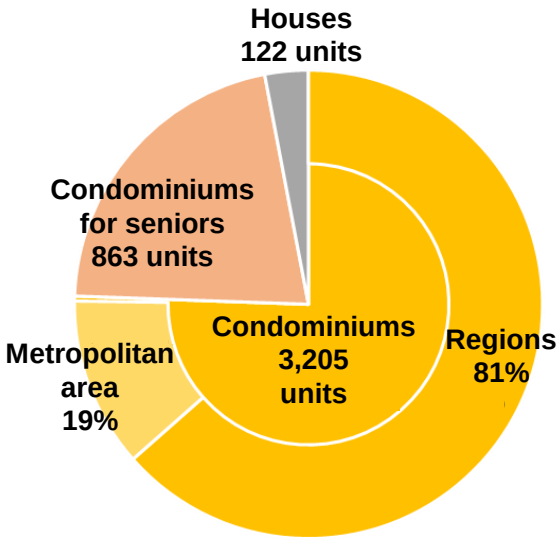
*Net D/E ratio = (Interest-bearing debt - Cash and deposits, etc.) / Net assets

Pipeline

Land for sale/Pipeline

- Land for sale: Secured 4,190 units
  - Condominiums: 3,205 units

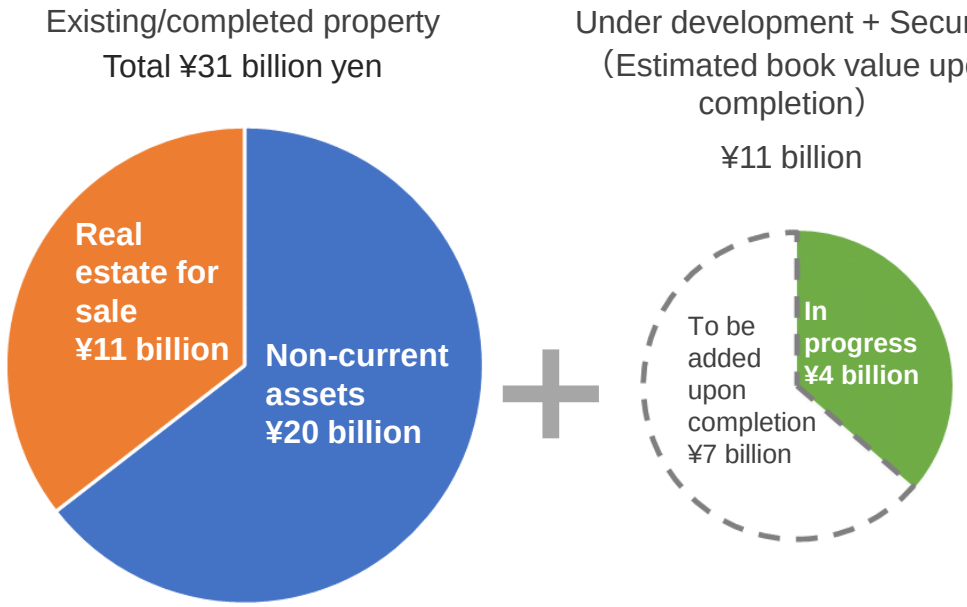
  (Regions: 81%/Metropolitan area: 19%)



N = 4,190 units
***Including properties for which contracts have been signed but not yet settled**

Income-producing property held

- Income-producing property
  - Completed property + Estimated book value upon completion: ¥42 billion



*Excluding overseas real estate

2. 2Q of FY3/22 overview of performance by segment

Real Estate Development

- (Condominiums) Approx. 90% were signed. Stable sales in regions. Gross profit margin improved 1.0 pt.
- (Houses) Gross profit margin improved 2.7 pt. Higher profitability is expected in contracts underway.

Condominiums

(Million yen)	2Q of FY3/21	2Q of FY3/22	YoY change
Net sales	15,273	8,870	(6,403)
Gross profit	3,293	2,007	(1,285)
（Gross profit margin）	21.6%	22.6%	+1.0pt
Delivered units	442 units	254 units	(188 units)
Contract progress rate	85%	87%	+2pt

Houses

Net sales	4,904	2,824	(2,079)
Gross profit	601	423	(177)
（Gross profit margin）	12.3%	15.0%	+2.7pt
Delivered units	60 units	41 units	(19 units)
Contract progress rate	92%	80%	(12pt)

＊Net sales and gross profit are before elimination of intersegment transactions.

Condominiums under Regional Redevelopment Projects

- Participated in “Urban redevelopment project in the south area of the 5th block, Nanukamachi” in Yamagata City in 2016
- Positioned as one of the major projects of “Central City Revitalization Basic Plan” developed by the City, becoming the town’s “new tour spot”
- City center redevelopment strategy in a regional city proved successful as convenience of central city won the admiration mainly of seniors



Duo Hills Yamagata Nanukamachi Tower

＊Creating prosperity by maintaining a harmonious balance with the scenery of adjacent waterway “Gotenzeki”

■Features of the area “Nanukamachi district, Yamagata City”



— Facing the main street in city center “Nanukamachi Dori” —

- Prefectural capital of Yamagata Prefecture
- Commercial and cultural center (most densely packed with commercial facilities in the City)
- Near city hall and city hospital (medical institutions, administrative agencies/judicial institution are located)
- Near Yamagata Bank’s HQ
- Built on the former site of regional commercial facility
- Total 144 units, 20 stories above ground
- 19-minute walk from “Yamagata Station” of Yamagata Shinkansen

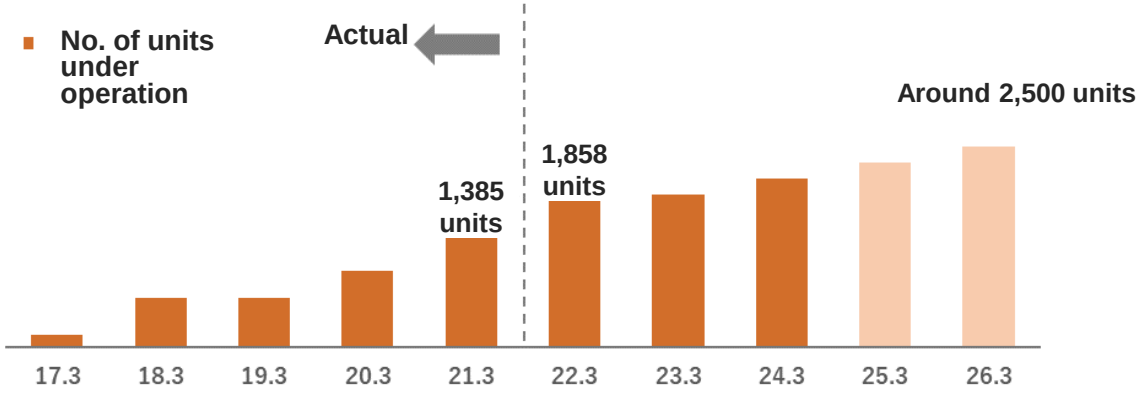
■Purchasers’ voice “Why we chose this property”

- Tough to take care of a house (snow clearing, etc.)
- Comfortable to live in the convenient city center
- Disaster and security measures (seismic isolation structure, etc.)

CCRC

- Contract progress rate was 71%, up 4 pt YoY. Gross profit margin improved 1.3 pt.
- Total units under management will reach 1,858 with 2 buildings consisting of over 200 units to be completed in FY3/22.

(Million yen)	2Q of FY3/21	2Q of FY3/22	YoY change
Net sales	4,328	7,480	3,152
Gross profit	1,048	1,907	859
（Gross profit margin）	24.2%	25.5%	+1.3pt
Delivered units	103 units	174 units	71 units
Contract Progress Rate	67%	71%	+4pt



＊Net sales and gross profit are before elimination of intersegment transactions.

CCRC

- Funabashi Takanedai: 4-minute walk from Shin-Keisei Line “Takane Kodan” Station. 2-minute walking distance from a supermarket, hospital, etc.
- Omiya: 8-minute walk from Saitama New Urban Transit “Tetsudo Hakubutsukan” Station. Good location in the living area near JR “Omiya” station.









Duo Scene Funabashi Takanedai
（**Funabashi City, Chiba,**
207units were delivered in August 2021）

Duo Scene Omiya
（**Saitama City, Saitama,**
266 units were delivered in October 2021）

Real Estate Investment

- Both net sales and gross profit increased over 100% YoY.
  - ・New “Duo Flats Kuramae” was sold to private fund during the fiscal year
  - ・New “Duo Flats Iidabashi EAST/WEST” was completed (concept rental residence equipped with IoT devices)

(Million yen)	2Q of FY3/21	2Q of FY3/22	YoY change
Net sales	2,218	4,868	2,649
Gross profit	353	1,179	826
（Gross profit margin）	15.9%	24.2%	+8.3pt
Income producing property_Sold	0 building	2 buildings	2 buildings
Flats_Sold	2 buildings	3 buildings	1 building

Real Estate Investment

[Sold] Rental residence

Duo Flats Kuramae **(Taito-ku)**







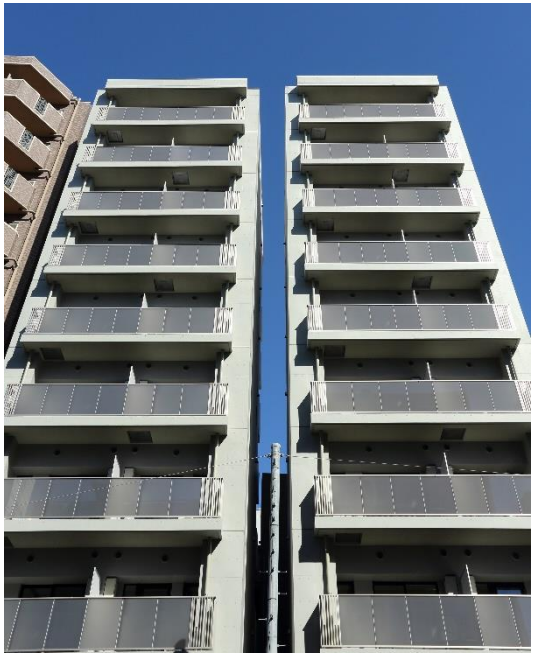
[Acquisition] Well located and high yield property in region

Hoosiers Asahikawa Ekimae Building
(Asahikawa City, Hokkaido)



[Completion] Concept rental residence (IoT property)

Duo Flats Iidabashi EAST/WEST
(Bunkyo-ku)



■ IoT devices to be installed



i Remocon Z

✓Adjust room temperature before getting home by remotely operating home appliances



Glamo Smart Lock

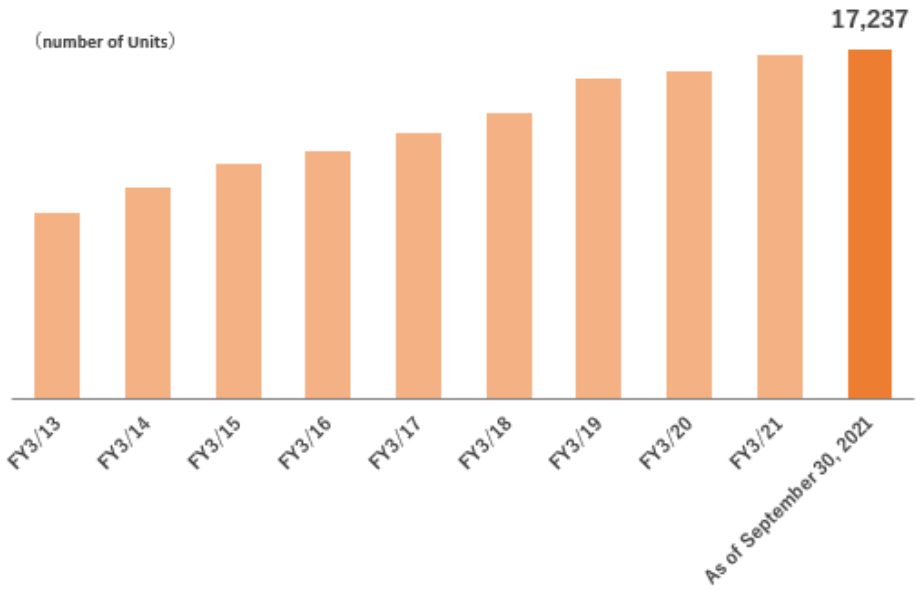
✓Remotely lock/unlock the entrance door or allow to check whether the door is locked

Condominium Management and Related Services

- Condominium management business: Increased steadily with 17,237 units under management as of September 30
- Sports club operation business: Achieved YoY increase in net sales and profit returning to profitability with cost reductions, despite lingering COVID-19 impacts

(Million yen)	2Q of FY3/21	2Q of FY3/22	YoY change
Net sales	2,876	3,282	406
Operating income (loss)	(136)	149	285

■ Progress in number of condominium units under management



■ Sports club operation business









3. 1H of FY3/22 topics

Good Design Award

GOOD DESIGN AWARD 2021

- The Group received the award for three consecutive years
- Life with a Park “Duo Hills Tsukuba Century/Takezononishihiroba Park in Tsukuba City”

⇒Recognized for: Improved value as public space with seamless design through public-private partnership and bakery café



◆Measures: Realize life with a park through tangible/intangible improvements



Built a terrace straddling the grounds of the park with a public-private partnership



Invited a regional bakery & café to connect the condominium and the community



Foster regional community through growing lawn

◆Background: existence of unused adjacent park

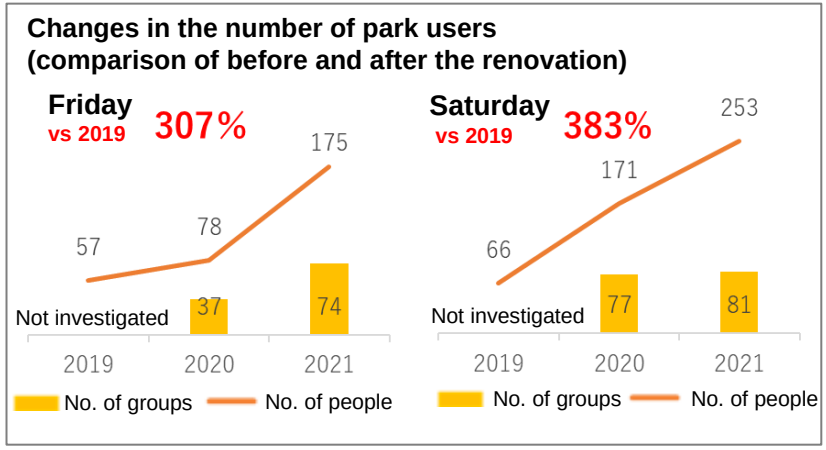


Before: gravel park



After: park with a lawn area

◆Result: Created regional value that is as competitive as being close to station



Social Finance

● Acquired “Social 1,” the highest grade in the social finance evaluation by Japan Credit Rating Agency, Ltd. (JCR) for the project finance for Duo Scene Funabashi Takanedai





Duo Scene Funabashi Takanedai
(**Funabashi City, Chiba,** 207 units were delivered in August 2021)

■ Evaluation overview

- Advanced initiative aimed at realization of the Japanese version of CCRC
- Providing high quality housing to extend healthy life years
- Contributing to solving issues in the super-aging society through business activities

■ Consistency with SDGs

Goal 3: Ensure healthy lives and promote well-being for all at all ages
Target 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
Target 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable
Target 11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

Target 11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities

Source: “JCR Assigned Social 1 to Long-term Loan Borrowed by Hoosiers Care Design” by JCR (2021)

Sustainability

- Established an ESG promotion system and promote activities with three key themes and two basic themes
- Integrate business strategy and ESG strategy to enhance corporate value and contribute to realization of sustainable society

ESG promotion system

Annual meeting of shareholders

Board of Directors

Sustainability Promotion Office

Officer in charge: CEO and President
Established in: April 2021
Description: Develop a direction and measures, etc

Each business division

Business description: Implement measures/ manage progress

3 key themes and 2 basic themes

	ESG themes	Material issues	Related SDGs	Policy
Key themes	Affluent lifestyle	・Diversifying housing needs ・Response to super-aged society		・Offer products and services responsive to changing lifestyle such as "DUO SCENE" series
Key themes	Collaborative regional development	・Vitalization of city centers ・Vitalization of regional economy		・Participate in urban redevelopment business ・Participate in PFI business
Key themes	Environment	・Response to climate changes ・Effective use of resources		・Use existing properties ・Implement initiatives for resource/energy saving ・Manage waste appropriately
Basic themes	Wellness	・Employee health management ・Promote diverse human resources ・Provide adequate working environment		・Ensure risk management and compliance ・Promote proactive participation of female employees and support childcare and nursing care ・Implement fair evaluation and compensation system
Basic themes	Governance	・Enhance corporate governance ・Promote compliance ・Risk management		・Set up Compliance/Risk Control Committee ・Develop Hoosiers Group Action Guidelines ・Establish a risk management system
	Social/community service activities	・Conservation and management of tangible cultural properties ・Recovery support for disaster-stricken areas		・Conserve and manage tangible cultural properties ・Promote recovery support activities

Sustainability

- Obtained external evaluation on environment and social aspects in 1H
- Promote development and enhancement of governance system to prepare for the transition to the prime market in 2H

E Acquired “DBJ Green Building Certification”

- Project: Hoosiers Hiroshima Otemachi building
- Location: Otemachi, Naka-ku, Hiroshima City, Hiroshima
- Completion: Scheduled in December 2021
- Type: Office
- Evaluation: (1) Rich surrounding environment
  (2) Energy saving capability, etc.

DBJ Green Building 2021 Plan

Building with excellent “environmental and social considerations”



Hoosiers Hiroshima Otemachi Building

S Acquired the highest grade in “JCR Social Finance Evaluation*1”

- Project: Term loan to be used for senior housing (Duo Scene Funabashi Takanedai)
- Rating: Japan Credit Rating Agency, Ltd.
- Result: Highest grade “Social 1*2”
- Evaluation:
  (1) Contributing to solving issues of the super-aging society
  (2) Providing high quality housing meeting needs



Duo Scene Funabashi Takanedai

*1 Financing made available exclusively to projects that improve environment/social issues
*2 Granted to social finance receiving the highest grade in both social impact evaluation and management, operation, and transparency evaluation

G Enhance a system to comply with new market segment “Prime Market”

- We received a notification from Tokyo Stock Exchange, Inc. on the result of the initial assessment of compliance with continued listing criteria of the new market segments, confirming that we meet the criteria for the “Prime Market.” We officially selected and applied for the “Prime Market” and will enhance government system

JV Projects

● Promote cooperation with partners to enable broader initiatives



・Name: **Oyamacho Crosspoint District Category 1. urban redevelopment project**
・JV partner: Sumitomo Realty & Development Co., Ltd.
・Total units: 237
・Location: Itabashi-ku, Tokyo
・Delivery: After FY25/3



・Name: **PROUD Setagaya Daita**
・JV partner: Nomura Real Estate Development Co., Ltd
・Total units:49
・Location: Setagaya-ku, Tokyo
・Delivery: December 2021 (plan to start)

Coming Soon

・Name: **PROUD Tachikawa Nishiki-cho**
・JV partner: Nomura Real Estate Development Co., Ltd
・Total units: 56
・Location: Tachikawa City, Tokyo
・Delivery: March 2023 (plan to start)



・Name: **The Parkhouse Hon-Atsugi Tower**
・JV partner: MITSUBISHI ESTATE RESIDENCE CO., LTD.
・Total units: 163
・Location: Atsugi City, Kanagawa
・Delivery: March 2021 (start)
*All units have been delivered



・Name: **Mid Rise Tower Tajimi**
・JV partner: Asahi Kasei Realty & Residence Corporation
・Total units: 225
・Location: Tajimi City, Gifu
・Delivery: December 2022 (plan to start)
*Sold out



・Name: **THE TOWER OBIHIRO**
・JV partner: DAIKYO INCORPORATED
・Total units: 147
・Location: Obihiro City, Hokkaido
・Delivery: November 2020
*All units have been delivered



・Name: **Duo Hills Notogawa Ekimae**
・JV partner: Nisshinbo Holdings Inc.
・Total units: 129
・Location: Higashiomi City, Shiga
・Delivery: March 2023 (plan to start)
*Former Nisshinbo Notogawa Plant

Coming Soon

・Name: Higashi Okazaki Project (tentative name)
・JV partner: AISIN DEVELOPMENT Co., Ltd.
・Total units: 95
・Location: Okazaki City, Aichi
・Delivery: After FY3/2024

■ IR inquiries ■

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