

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT.

This document has been translated from the original Japanese-language document as a guide for non-Japanese investors. In all cases, the Japanese-language original shall take precedence.

SUMMARY OF FINANCIAL STATEMENTS (Non-Consolidated) for the Second Quarter Ending March 31, 2020 (Japanese Standard)

Nov 5, 2019

Company name: SHIN-NIHON TATEMONO CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code Number: 8893

URL <http://www.kksnt.co.jp/>

Representative: Tomohiko Ikeda, President and Chief Executive Officer

IR Contact: Hiroaki Sato, Director, Managing Executive Officer, Administrative Department Manager

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Scheduled date to file Quarterly Securities Report: Nov 6, 2019

Scheduled date to commence dividend payments: None

Preparation of supplementary materials of quarterly financial statement: Yes

Holding of quarterly financial results briefing: None

(Amounts are rounded down to the nearest million yen)

1. Financial Results for the Second Quarter Ending March 31, 2020 (April 1, 2019~September 30, 2019)

(1) Operating Result (Cumulative)

(% represent the year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Second Quarter Ending March 31, 2020	7,285	56.3	976	90.2	871	102.2	725	105.3
Second Quarter Ended March 31, 2019	4,660	(15.5)	513	68.3	430	66.0	353	64.2

	Earnings per share	Diluted Earnings per Share
	Yen	Yen
Second Quarter Ending March 31, 2020	36.43	—
Second Quarter Ended March 31, 2019	17.74	—

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Second Quarter Ending March 31, 2020	20,126	5,701	28.3
Year ended Mar. 31, 2019	18,882	5,322	28.2

(Reference) Equity: Second Quarter Ended March 31, 2020: 5,701 Million yen

March 31, 2019: 5,322 Million yen

2. Dividends

	Dividend per share				
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2019	—	0.00	—	18.00	18.00
Year ending Mar. 31, 2020	—	0.00			
Year ending Mar. 31, 2020 (Forecast)			—	20.00	20.00

(Notes) Revisions of the dividend forecast most recently announced: None

3. Business Forecasting for the fiscal year ending March 2020 (April 1, 2019~March 31, 2020)

(% represent the year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	17,850	36.0	1,710	7.0	1,540	10.9	1,320	13.1	66.31

(Notes) Revisions of the business forecast most recently announced: None

※ Notes

(1) Application of special accounting methods in preparation of quarterly financial statements: None

(2) Changes in accounting policies, changes in accounting estimates, and restatements.

- | | |
|--|----|
| ① Changes in accounting policies due to revisions of accounting standards, etc.: | No |
| ② Changes in accounting policies other than stated in ①: | No |
| ③ Changes in accounting estimates: | No |
| ④ Restatements: | No |

(3) Number of issued shares (common stock)

① Number of issued shares at the end of the period (including treasury shares)	2Q Ended March 31, 2020	19,914,617 shares	Year ending Mar. 31, 2019	19,914,617 shares
② Number of shares of treasury at the end of the period	2Q Ended March 31, 2020	9,996 shares	Year ending Mar. 31, 2019	9,456 shares
③ Average number of shares during the period (cumulative)	2Q Ended March 31, 2020	19,904,889 shares	2Q Ended March 31, 2019	19,905,656 shares

※ Summary of the quarterly financial statements are not subject to quarterly reviews by certified public accountants or audit corporations.

※ Explanation as to appropriate use of business forecasts and other special instructions

• The forward-looking statements in this document are based on information available on the data of the Company and on certain assumptions deemed to be reasonable. Accordingly, the statements in this document are not the promise intended in respect of the actual results by the company. Actual financial results may differ significantly due to various factors. Regarding the precautions of using the data of financial forecasts and the premises and conditions, please refer to "Explanation on Future Forecast Information such as Earnings Forecasts" on page 3 of the attachment.

• The supplementary material on financial results will be posted on our company's website on November 5, 2019.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

Operating results for the second-quarter cumulative period are driven by promoting the sales of hotel properties and Compact Condominium Buildings for Investment-Purpose. Consequently, both the sales and profit have substantial year on year growth in the second-quarter cumulative period. The net sales was 7,285 million yen (up 56.3% year on year), operating income was 976 million yen (up 90.2% year on year), ordinary income was 871 million yen (up 102.2% year on year), and net income was 725 million yen (up 105.3% year-on-year).

	Previous 2nd quarter cumulative period		Current 2nd quarter cumulative period	
	Amount	Net Sales (millions of yen)	Amount	Net Sales (millions of yen)
Asset Solution Business	5 projects	2,620	5 projects	3,759
Condominium Unit Sales Business	44 units	1,138	99 units	3,183
Residential Housing Sales business	12 buildings	861	3 buildings	307
Others	—	40	—	34
Total Net Sales	—	4,660	—	7,285
Operating income	—	513	—	976

Results by segment are as follows.

(Asset Solution Business)

In the second-quarter cumulative period, the handover of hotel properties made significant contribution to revenue and sales of development land to other developers were also actively promoted. Thus, sales and profit increased year on year that net sales was 3,759 million yen (up 43.5% year-on-year), and operating income was 808 million yen (up 44.8% year-on-year).

(Condominium Unit Sales Business)

In the second-quarter cumulative period, the promoting of Compact Condominium Buildings for Investment-Purpose led to an increase of net sales to 3,183 million yen (up 179.6% year on year) and operating income increased to 489 million yen (up 417.6% year on year).

(Residential Housing Sales business)

In the second-quarter cumulative period, due to a decrease in the number of handing over the Wooden Apartment Building for Investment-Purpose, net sales was 307 million yen (down 64.3% year-on-year) and operating income was 53 million yen (down 54.5% year-on-year).

(Others)

Net sales for the second-quarter cumulative period was 34 million yen (down 15.6% year-on-year), and operating income was 11 million yen (down 37.3% year-on-year).

(2) Explanation of Financial Position

[1] Status of Assets, Liabilities and Net assets

(Assets)

Total assets at the end of the second quarter were 20,126 million yen, which have increased 1,243 million yen (up 6.6% year-on-year). Current assets increased 1,244 million yen (up 7.2% year-on-year) to 18,502 million yen, and noncurrent assets were almost unchanged at 1,620 million yen.

The main factors in the increase in current assets were a decrease of 2,887 million yen in real estate for sale (down 78.5% year-on-year), while cash and deposits were 931 million yen (up 22.2% year-on-year) and real estates for sale in progress increased to 3,244 million yen (up 35.3% year-on-year).

(Liabilities)

Total liabilities at the end of the second quarter were 14,424 million yen, an increase of 864 million yen (up 6.4% year-on-year). Current liabilities decreased 1,452 million yen (down 18.4% year-on-year) to 6,422 million yen, and noncurrent liabilities increased 2,316 million yen (up 40.7% year-on-year) to 8,001 million yen.

The main factors of the decrease in current liabilities were a decrease of 1,113 million yen (down 35.6% year-on-year) in short-term loans payable and a decrease of 432 million yen (down 11.2% year-on-year) in current portion of long-term loans payable.

The main factor for the increase in noncurrent liabilities was long-term loans payable which increased 2,338 million yen (up 44.5% year-on-year) at the end of the second quarter.

(Net assets)

At the end of the second quarter, total net assets increased 379 million yen (up 7.1% year-on-year) to 5,701 million yen compared to the end of the previous fiscal year. The main factors of the increase in total net assets were the increase of net income to 725 million yen and the increase of the valuation difference on available-for-sale securities to 13 million yen, meanwhile, dividends of surplus were 358 million yen.

[2] Status of Cash Flows

Cash and cash equivalents at the end of the second quarter were increased 931 million yen to 5,122 million yen compared to the end of the previous fiscal year. The status and the factors in each cash flow in the second-quarter cumulative period are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities during the second-quarter cumulative period increased 525 million yen (687 million yen increased in the same quarter of the previous year). This was mainly due to the contribution of 871 million yen of income before income taxes and an increase of 356 million yen in inventories by aggressively acquiring new properties.

(Cash flows from investing activities)

Net cash used in investing activities during the second-quarter cumulative period decreased by 26 million yen (47 million yen increased in the same quarter of the previous year). This was mainly due to payments for acquisitions of tangible noncurrent assets of 14 million yen and payments for acquisitions of shares in subsidiaries and affiliates of 10 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities during the second-quarter cumulative period increased 432 million yen (494 million yen decreased in the same quarter of the previous year). This was mainly due to an increase in borrowings of 792 million yen and dividend payments of 358 million yen.

(3) Explanation of forecast information such as business forecasts

For the Year ending March 31, 2020, there are no changes to the forecasts announced on May 15, 2019.

2. Quarterly financial statements and main notes

(1) Quarterly balance sheet

	(Thousands in yen)	
	Previous Fiscal Year	2 nd Quarter Ending
	(Mar 31, 2019)	Mar 31, 2020 (Sep 30, 2019)
Assets		
Current assets		
Cash and deposits	4,191,103	5,122,650
Real estate for sale	3,677,047	789,232
Real estate for sale in process	9,204,478	12,449,062
Raw materials and supplies	1,511	1,286
Advance payments–trade	67,850	87,800
Prepaid expenses	53,109	35,794
Current portion of Long-term loans receivable from subsidiaries and associates	11,000	4,000
Others	52,781	13,077
Total current assets	17,258,881	18,502,903
Noncurrent assets		
Property, plant and equipment		
Buildings	571,123	571,123
Accumulated depreciation	(39,819)	(49,132)
Buildings, net	531,303	521,990
Structures	39,268	33,418
Accumulated depreciation	(26,770)	(21,804)
Structures, net	12,498	11,614
Tools, furniture and fixtures	55,564	70,392
Accumulated depreciation	(27,944)	(32,447)
Tools, furniture and fixtures, net	27,620	37,944
Land	79,594	79,594
Leased assets	9,510	9,510
Accumulated depreciation	(1,743)	(2,694)
Leased assets, net	7,766	6,815
Total property, plant and equipment	658,784	657,959
Intangible assets		
Leasehold right	1,465	1,465
Software	2,170	1,971
Leased assets	4,675	19,303
Total intangible assets	8,311	22,739
Investments and other assets		
Investment securities	97,927	116,672
Stocks of subsidiaries and affiliates	61,120	71,120
Investments in capital	18,030	27,030
Long-term loans receivable from subsidiaries and associates	415,698	404,200
Claims provable in bankruptcy, claims provable in rehabilitation and others	5,779	5,539
Long-term prepaid expenses	5,157	4,141
Guarantee deposits	115,595	92,286
Deferred tax assets	233,203	218,167
Others	17,344	17,244
Allowance for doubtful accounts	(16,797)	(16,557)
Total investments and other assets	953,059	939,843
Total noncurrent assets	1,620,154	1,620,542

Deferred assets		
Bond issuance cost	3,385	2,708
Total deferred assets	3,385	2,708
Total assets	18,882,421	20,126,155

	(Thousands in yen)	
	Previous Fiscal Year	2 nd Quarter Ending
	(Mar 31, 2019)	Mar 31, 2020 (Sep 30, 2019)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	243,332	141,217
Short-term loans payable	3,132,100	2,018,600
Current portion of long-term loans payable	3,868,020	3,435,180
Lease obligations	2,922	6,054
Accounts payable—other	19,893	15,408
Accrued expenses	93,624	68,498
Income taxes payable	139,742	154,750
Advances received	226,406	312,369
Deposits received	101,870	104,816
Provision for bonuses	46,592	28,294
Others	-	137,173
Total current liabilities	7,874,504	6,422,363
Noncurrent liabilities		
Bonds	250,000	250,000
Long-term loans payable	5,253,037	7,591,387
Lease obligations	10,514	22,153
Provision for retirement benefits	38,674	42,322
Provision for directors' retirement benefits	75,023	82,301
Others	58,482	13,728
Total noncurrent liabilities	5,685,732	8,001,893
Total liabilities	13,560,237	14,424,256
Net assets		
Shareholders' equity		
Capital stock	854,500	854,500
Capital surplus		
Legal capital surplus	40,983	40,983
Total capital surplus	40,983	40,983
Retained earnings		
Legal retained earnings	29,861	65,690
Other retained earnings		
Retained earnings brought forward	4,358,437	4,689,499
Total retained earnings	4,388,299	4,755,189
Treasury stock	(2,687)	(2,870)
Total shareholders' equity	5,281,094	5,647,802
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	41,090	54,095
Total valuation and translation adjustments	41,090	54,095
Total net assets	5,322,184	5,701,898
Total liabilities and net assets	18,882,421	20,126,155

(2) Quarterly Income Statement
Second quarter cumulative period

	(Thousands in yen)	
	2 nd Quarter Ended Mar 31, 2019 (April 1, 2018 to Sep 30, 2018)	2 nd Quarter Ending Mar 31, 2020 (April 1, 2019 to Sep 30, 2019)
Net sales		
Net sales from the Asset solution business	2,620,830	3,759,708
Net sales from the condominium unit sales business	1,138,583	3,183,675
Net sales from the residential housing sales business	861,222	307,713
Others	40,329	34,038
Total net sales	4,660,965	7,285,135
Cost of sales		
Cost of sales of the Asset solution business	1,902,466	2,679,412
Cost of sales of the condominium unit sales business	950,649	2,452,795
Cost of sales of the residential housing sales business	657,336	226,560
Others	18,219	18,634
Total cost of sales	3,528,672	5,377,403
Gross profit	1,132,292	1,907,731
Selling, general and administrative expenses	619,038	931,312
Operating income	513,254	976,419
Non-operating income		
Interest income	1,122	2,795
Dividends income	313	335
Land and house rent received	13,099	4,067
Guarantee commission received	5,509	-
Subsidy income	-	12,804
Others	4,105	2,393
Total non-operating income	24,149	22,396
Non-operating expenses		
Interest expenses	102,287	115,242
Foreign exchange losses	-	11,592
Others	4,211	902
Total non-operating expenses	106,498	127,737
Ordinary income	430,905	871,079
Extraordinary income		
Gain on sales of non-current assets	1,200	-
Total extraordinary income	1,200	-
Extraordinary loss		
Loss on sales of non-current assets	374	-
Total extraordinary loss	374	-
Income before income taxes	431,731	871,079
Income tax-current	60,684	136,599
Income tax-deferred	17,840	9,296
Total income taxes	78,524	145,895
Net income	353,206	725,183

(3) Quarterly Cash Flow Statement

(Thousands of yen)

	2 nd Quarter Ended Mar 31, 2019 (April 1, 2018 to Sep 30, 2018)	2 nd Quarter Ending Mar 31, 2020 (April 1, 2019 to Sep 30, 2019)
Net cash flow from operating activities		
Net income before taxes	431,731	871,079
Depreciation and amortization	15,646	17,033
Increase (decrease) in allowance for doubtful accounts	(280)	(240)
Increase (decrease) in provision for retirement benefits	(2,712)	3,647
Increase (decrease) in provision for directors' retirement	12,872	7,277
Interest and dividends income	(1,436)	(3,131)
Interest expenses	102,287	115,242
Gain / loss on sale of investment securities	(826)	-
Decrease (increase) in inventories	453,496	(356,767)
Decrease (increase) in advance payments	(52,290)	(19,950)
Increase (decrease) in notes and accounts payable-trade	66,018	(102,115)
Increase (decrease) in advances received	121,805	85,962
Increase (decrease) in deposits received	(35,193)	2,946
Others	(155,332)	155,215
Subtotal	955,788	776,200
Interest and dividends income received	358	589
Interest expenses paid	(100,049)	(129,126)
Income taxes paid	(169,063)	(122,108)
Net cash from operating activities	687,033	525,554
Net cash from investing activities		
Purchase of property, plant and equipment	-	(14,842)
Purchase of intangible assets	-	(150)
Proceeds from sales of investment securities	31,826	-
Purchase of stocks of subsidiaries and affiliates	-	(10,000)
Net decrease (increase) in short-term loans receivable	20,000	-
Collection of long-term loans receivable	280	7,240
Others	(4,699)	(8,899)
Net cash from investing activities	47,406	(26,652)
Net cash from financing activities		
Net increase (decrease) in short-term loans payable	6,560	(1,113,500)
Proceeds from long-term loans payable	1,804,650	4,419,990
Repayment of long-term loans payable	(2,105,423)	(2,514,480)
Cash dividends paid	(199,062)	(358,292)
Others	(1,222)	(1,071)
Net cash from financing activities	(494,497)	432,645
Net increase (decrease) in cash and cash equivalents	239,941	931,547
Cash and cash equivalents at the beginning of the period	3,714,933	4,191,103
Cash and cash equivalents at the end of the period	3,954,875	5,122,650

(4) Notes on quarterly financial statements

(Notes for the going concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Segment information, etc.)

[Segment information]

I. 2nd Quarter cumulative period (from April 1, 2018, to September 30, 2018) Information on sales and profit /loss by reportable segment.

(Thousands of yen)

	Reportable Segment				Others (Note) 1	Total	Adjustment (Note) 2	Recorded amount in quarterly income statement (Note)3
	Asset solution business	Condominium unit sales business	Residential housing sales business	Total				
Net sales								
Sales to external customers	2,620,830	1,138,583	861,222	4,620,635	40,329	4,660,965	—	4,660,965
Intersegment sales	—	—	—	—	—	—	—	—
Total	2,620,830	1,138,583	861,222	4,620,635	40,329	4,660,965	—	4,660,965
Segment Margin	557,887	94,601	117,845	770,334	17,705	788,039	(274,785)	513,254

(Notes) 1. "Other" is a business segment not included in the reportable segment, and includes rental business, construction contracting business, brokerage business, consulting business, etc.

2. The Segment Margin adjustment of -274,785 thousand yen is corporate expenses that are not allocated to each reportable segment and are mainly general administrative expenses that do not belong to any reportable segment.

3. Segment Margin is adjusted with operating income in the quarterly income statement.

II. 2nd Quarter cumulative period (from April 1, 2019, to September 30, 2019) Information on sales and profit /loss by reportable segment.

(Thousands of yen)

	Reportable Segment				Others (Note) 1	Total	Adjustment (Note) 2	Recorded amount in quarterly income statement (Note)3
	Asset solution business	Condominium unit sales business	Residential housing sales business	Total				
Net sales								
Sales to external customers	3,759,708	3,183,675	307,713	7,251,096	34,038	7,285,135	—	7,285,135
Intersegment sales	—	—	—	—	—	—	—	—
Total	3,759,708	3,183,675	307,713	7,251,096	34,038	7,285,135	—	7,285,135
Segment Margin	808,010	489,649	53,596	1,351,256	11,097	1,362,354	(385,934)	976,419

(Notes) 1. "Other" is a business segment not included in the reportable segment, and includes rental business, construction contracting business, brokerage business, consulting business, etc.

2. The Segment Margin adjustment of -274,785 thousand yen is corporate expenses that are not allocated to each reportable segment and are mainly general administrative expenses that do not belong to any reportable segment.

3. Segment Margin is adjusted with operating income in the quarterly income statement.