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Financial Results Briefing Materials for the Third Quarter Ending March 31, 2022

February 10, 2022 (Thu) SHIN-NIHON TATEMONO CO., LTD.



Stock Code : 8893

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SHIN-NIHON TATEMONO CO., LTD.

Business Environment

- In the domestic economy, although some restrictions on economic activities continued on account of the prolonged COVID-19 infection, the corporate performance showed signs of improvement with a recovery in spending in the service industry and overseas demand due to the progress of vaccination. Still, concerning the new infections by variant strains, soaring prices of crude oil and other resources, and the price appreciation reflecting the yen's depreciation, the economic outlook remains uncertain and opaque.
- In the real estate industry, despite the property prices skyrocketed and difficulty in buying development sites, under the backdrop of a favorable financial environment, the demand for highly convenient Compact Condominium Buildings for Investment-Purpose in central Tokyo areas remained steady as assets expected to generate stable income.

Business Performance

- [P/L] In the Asset Solution Business, the Company vigorously promoted sales of business sites and urban-style compact offices to other developers, while the Condominium Sales Business systematically promoted the sale of the entire building of high-quality Compact Condominium Buildings for Investment-Purpose in the downtown area. As a result, net sales for the third quarter cumulative period were 11,896 million yen (up 34.0% y-o-y), ordinary income was 1,137 million yen (up 93.5% y-o-y), and quarterly net income was 971 million yen (up 100.4% y-o-y), reflecting increases in both sales and income.
- [B/S] Due to the aggressive purchasing activities centered on well-located business sites in the Tokyo 23 Ward, real estate for sale in process increased by 6,047 million yen while shareholders' equity was 7,339 million yen (an increase of 529 million yen y-o-y).

Business Management

- Acquired a total of 13 new business sites, including the Bunkyo Hakusan Project. In terms of sales, the Company completed the delivery of 7 Compact Condominium Buildings for Investment-Purpose and 142 units as scheduled.
- We decided to move to the "Standard Market" in the new market segment of the Tokyo Stock Exchange in April 2022.

Balance Sheet

(Unit: Millions of yen)	March 31, 2021		March 31, 2022	
	End of 3Q	Year End	End of 3Q	Change
Cash and deposits	4,190	4,933	5,248	314
Real estate for sale	3,890	8,731	● 4,522	(4,208)
Real estate for sale in process	11,456	5,961	● 12,008	6,047
Others	152	304	181	(123)
Total current assets	19,689	19,930	21,961	2,030
Total noncurrent assets	1,837	1,531	1,466	(65)
Total deferred assets	1	0	4	3
Total assets	21,527	21,462	23,431	1,969
Accounts payable for construction contracts	38	100	319	219
Short-term loans payable	8,536	8,862	● 6,319	(2,542)
Current portion of bonds	250	250	● 50	(200)
Others	208	330	251	(79)
Total current liabilities	9,033	9,542	6,940	(2,602)
Bonds payable	-	-	● 200	200
Long-term loans payable	5,936	4,879	● 8,713	3,833
Others	229	230	238	8
Total noncurrent liabilities	6,165	5,109	9,151	4,042
Total liabilities	15,199	14,652	16,092	1,439
Capital stock	854	854	854	-
Capital surplus	40	40	40	-
Retained earnings	5,345	5,834	6,368	534
Others	87	80	75	(4)
Total net assets	6,328	6,810	● 7,339	529
Total liabilities and net assets	21,527	21,462	23,431	1,969

● Breakdown of Real estate for sale

(Unit: Millions of yen)	Mar. 2021	Mar.2022 3Q	Change
Asset solution	3,064	2,502	(561)
Condominium unit	5,666	2,019	(3,647)
Residential housing	-	-	-
Total	8,731	4,522	(4,208)

● Breakdown of Real estate for sale in process

(Unit: Millions of yen)	Mar. 2021	Mar.2022 3Q	Change
Asset solution	3,971	4,588	616
Condominium unit	1,989	7,420	5,431
Residential housing	-	-	-
Total	5,961	12,008	6,047

● The balance of Interest-bearing debt

(Unit: Millions of yen)	Mar. 2021	Mar.2022 3Q	Change
Short-term	9,112	6,369	(2,742)
Long-term	4,879	8,913	4,033
Total	13,991	15,282	1,290

● Shareholders' equity ratio

	Mar. 2021	Mar.2022 3Q	Change(%)
Equity ratio	6,810	7,339	529

Income Statement

(Unit: Millions of yen)	March 31, 2021		March 31, 2022				
	3Q		3Q		Year-on -year		Full year
	Actual	% of Total	Actual	% of Total	Change	Change (%)	Forecast
Net sales	8,879	100.0%	● 11,896	100.0%	3,017	34.0%	16,270
Cost of sales	7,116	80.1%	9,309	78.3%	2,192	30.8%	-
Gross profit	1,763	19.9%	2,587	21.7%	824	46.7%	-
Selling, general and administrative expenses	951	10.7%	● 1,277	10.7%	326	34.3%	-
Operating income	811	9.1%	1,309	11.0%	497	61.4%	1,650
Non-operating income	14	0.2%	12	0.1%	(2)	(15.9%)	-
Non-operating expenses	238	2.7%	● 184	1.5%	(54)	(22.8%)	-
Ordinary income	588	6.6%	1,137	9.6%	549	93.5%	1,460
Extraordinary income	9	0.1%	27	0.2%	18	209.9%	-
Extraordinary loss	-	-	30	0.3%	30	-	-
Income before income taxes	597	6.7%	1,135	9.5%	538	90.2%	-
Income tax	112	1.3%	163	1.4%	51	46.0%	-
Net income	484	5.5%	971	8.2%	486	100.4%	1,270

● Number of sales

	Mar. 2021 3Q	Mar.2022 3Q	Change
Asset solution	11projects	11projects	-
Condominium unit	76units	164units	88units
Residential housing	5buildings	-	(5buildings)

● Breakdown of selling, general and administrative expenses

(Unit: Millions of yen)	Mar. 2021 3Q	Mar.2022 3Q	Change
Personal expenses	428	512	84
Sales commission	145	281	135
Advertising expenses	26	42	16
Others	351	441	90
Total	951	1,277	326

● Breakdown of non-operating expenses

(Unit: Millions of yen)	Mar. 2021 3Q	Mar.2022 3Q	Change
Interest expenses	179	179	(0)
Other	58	4	(54)
Total	238	184	(54)

Sales and profit by reportable segments

- In the 3rd quarter cumulative period under review, the Company utilized the strength in land procurement planning and business proposals to promote sales of business sites and urban-style compact offices to other developers in the Asset Solution Business, while the Condominium Sales Business made systematic progress in the sale of the entire building of high-quality Compact Condominium Buildings for Investment-Purpose in Tokyo's downtown areas. As a result, both sales and income increased with net sales of 11,896 million yen (up 34.0% y-o-y) and operating income of 1,309 million yen (up 61.4% y-o-y).

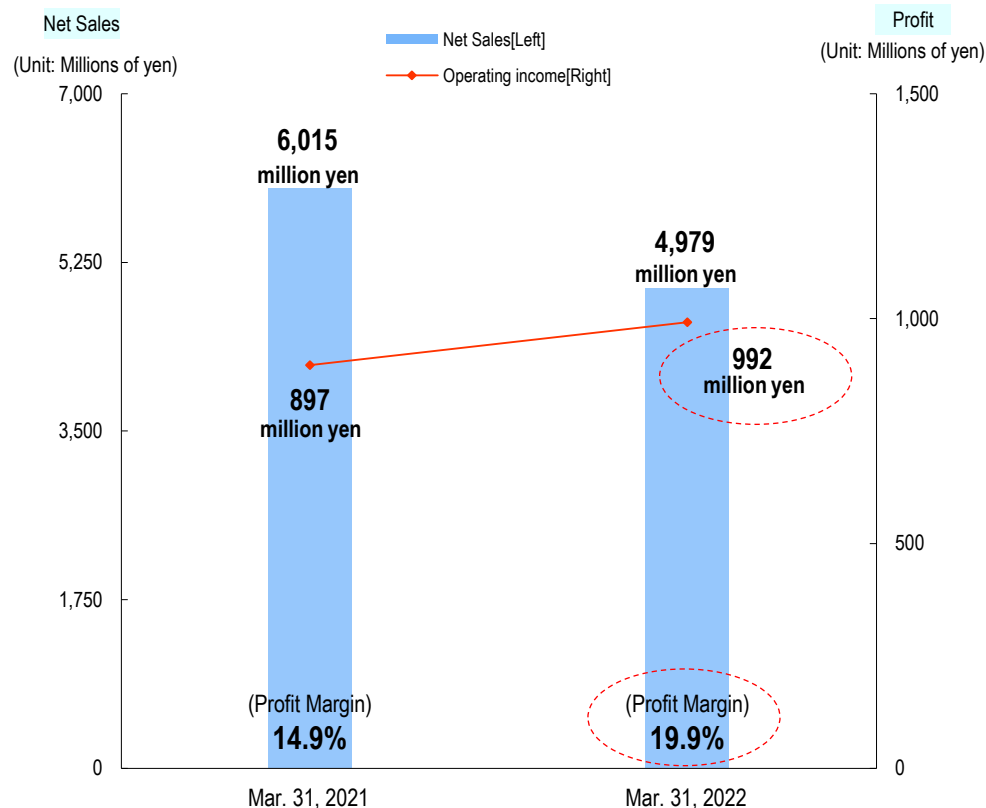
【Net Sales】		March 31, 2021		March 31, 2022			
		3Q		3Q		Year-on-year	
		Actual	% of Total	Actual	% of Total	Change	Change (%)
(Unit: Millions of yen)							
Asset Solution Business	6,015	67.7%	4,979	41.9%	(1,035)	(17.2%)	
Condominium Unit Sales Business	2,317	26.1%	6,867	57.7%	4,550	196.3%	
Residential Housing Sales business	497	5.6%	-	-	(497)	-	
Others	48	0.5%	48	0.4%	0	0.1%	
Elimination and/or corporate	-	-	-	-	-	-	
Net sales total	8,879	100.0%	11,896	100.0%	3,017	34.0%	

【Operating Income】		March 31, 2021		March 31, 2022			
		3Q		3Q		Year-on-year	
		Actual	Operating Margin Ratio	Actual	Operating Margin Ratio	Change	Change (%)
(Unit: Millions of yen)							
Asset Solution Business	897	14.9%	992	19.9%	95	10.7%	
Condominium Unit Sales Business	240	10.4%	819	11.9%	579	240.7%	
Residential Housing Sales business	72	14.6%	-	-	(72)	-	
Others	15	32.2%	15	31.4%	(0)	(2.6%)	
Elimination and/or corporate	(414)	-	(518)	-	(103)	-	
Operating income total	811	9.1%	1,309	11.0%	497	61.4%	

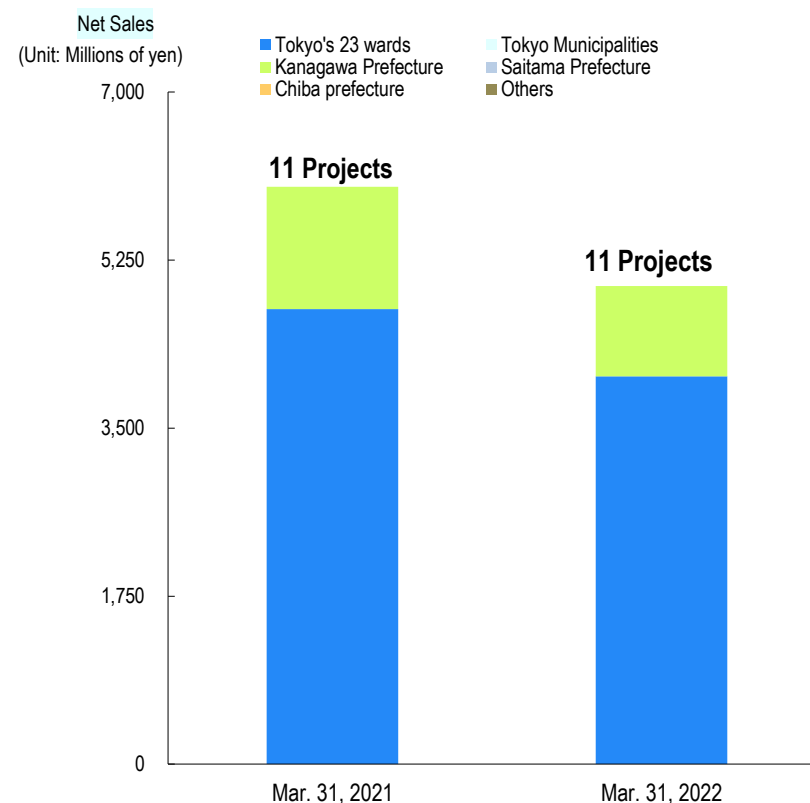
Overview of Asset Solution Business

- In the 3rd quarter cumulative period under review, with discerning the market trends, the Company vigorously promoted sales of business sites and urban-style compact offices to other developers and delivered a total of 11 projects.
- With the contribution of selling the high profit-making projects, net sales were 4,979 million yen (down 17.2% y-o-y) while operating income increased to 992 million yen (up 10.7% y-o-y).

Actual Result of 3Q

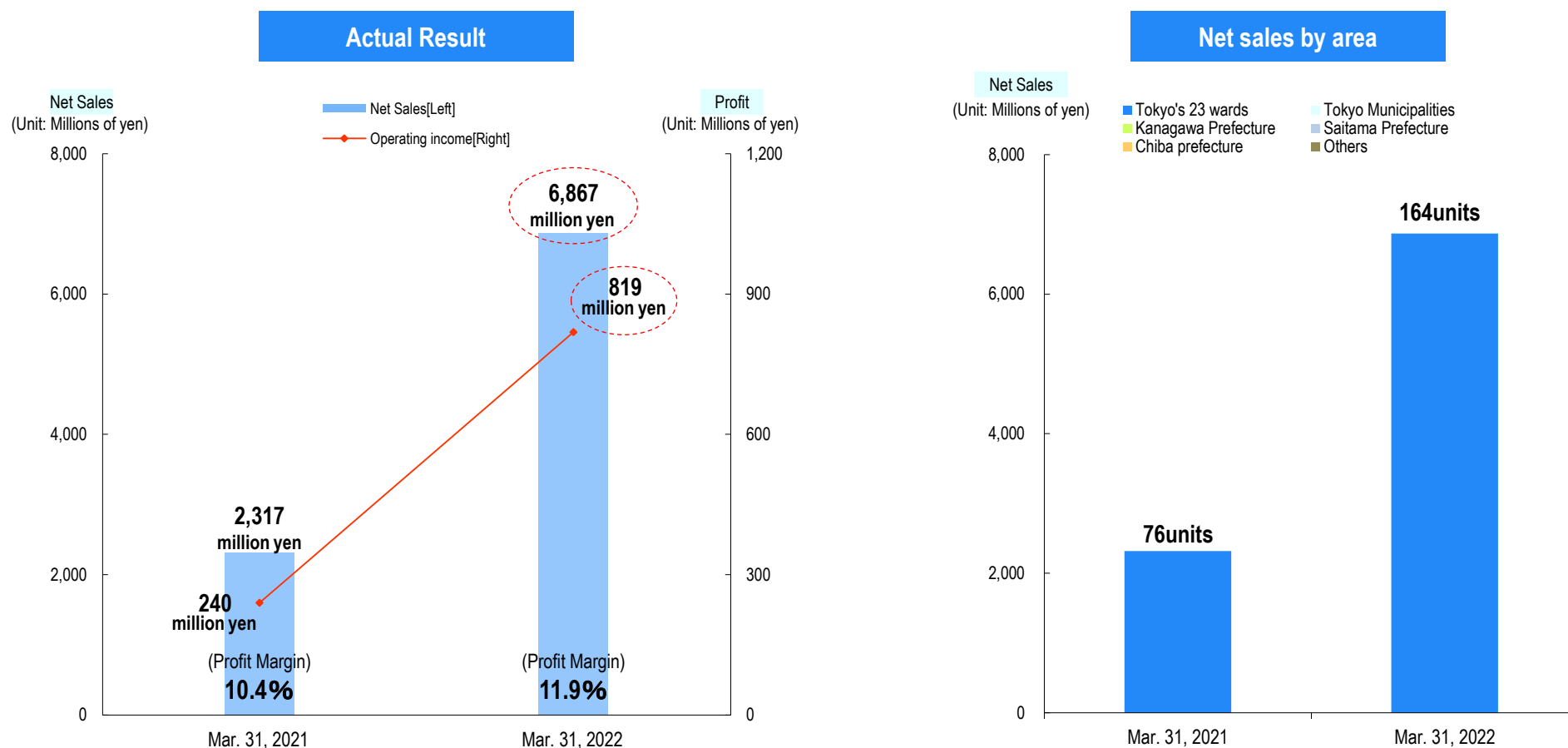


Net sales by area



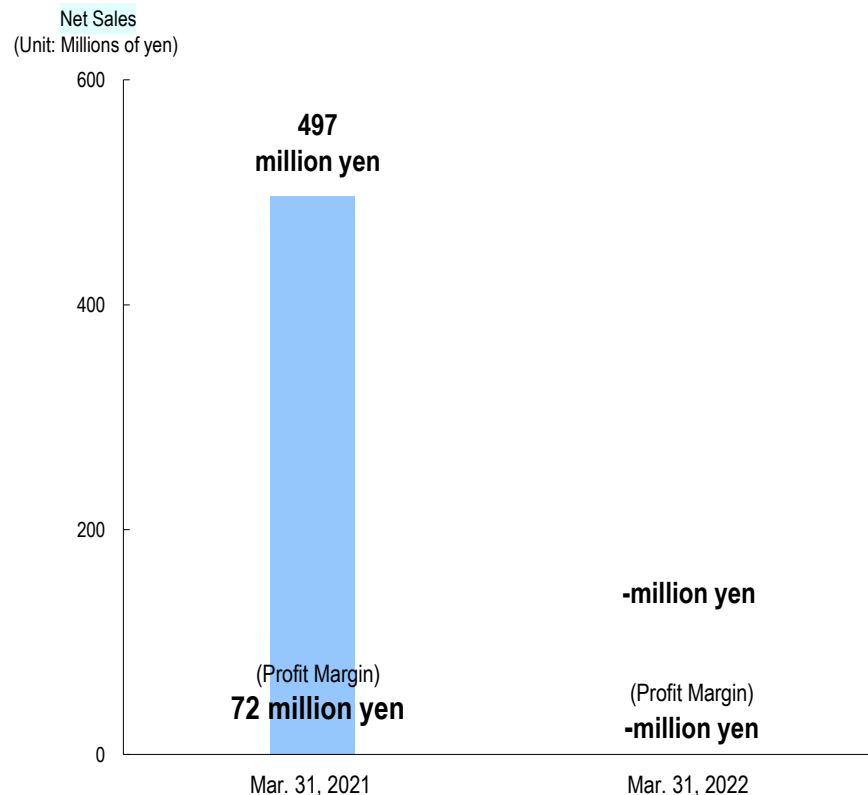
Overview of Condominium Unit Sales Business

- In the 3rd quarter cumulative period under review, 164 units were delivered due to the en bloc sales and the sale of the entire building of high-quality Compact Condominium Buildings for Investment-Purpose located in central Tokyo, including Chiyoda and Minato wards.
- Net sales of 6,867 million yen (up 196.3% y-o-y) and operating income of 819 million yen (up 240.7% y-o-y) were recorded.

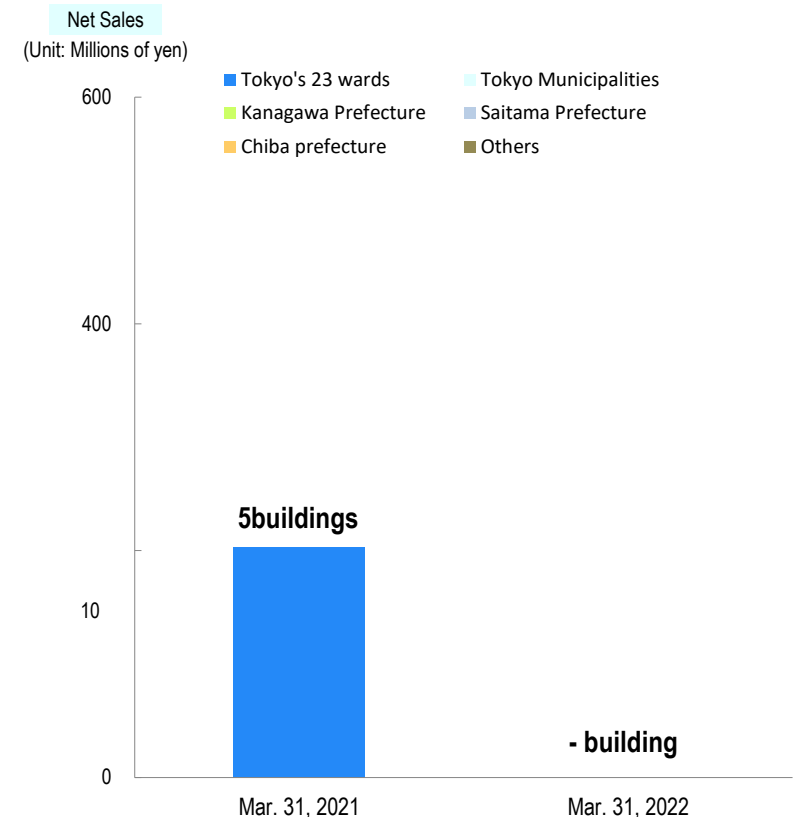


- Considering market conditions of real estate in Tokyo, the Company concentrated the business resources on the Asset Solution Business and Condominium Unit Sales Business, which are in high demand from investors, and thus no results related to Residential Housing Sales business were generated.

Actual Result



Net sales by area

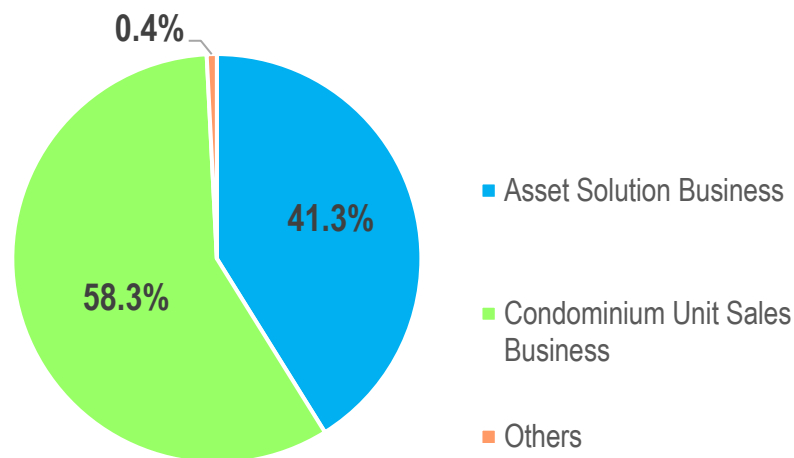


Property Acquisitions

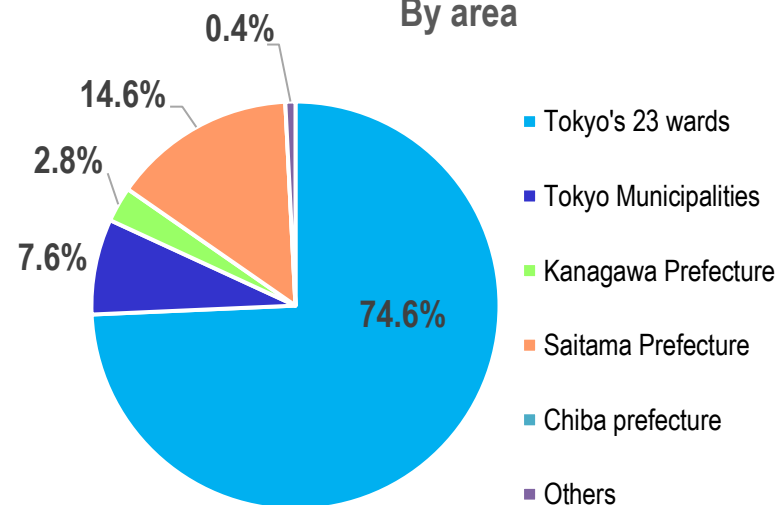
- Despite the impact of the COVID-19 pandemic and skyrocketing property prices, with the backdrop of a favorable financing environment and strong demand, the Company conducted carefully selected purchasing activities centered on "land for development of investment-type condominiums near stations in Tokyo's 23 wards," where investors are highly interested.
- As of the end of December 2021, the company had concluded a purchase agreement with sales values of approximately 33.5 billion yen. An increase of roughly 5.7 billion yen compared to the end of September 2021.

Overview of the net sales of 33.5 billion yen planned

By reportable segments



By area



Project in Progress

【Asset Solution Business】 (Tentative) Ayase Project (Logistics Facility)

Overview

Location	: Ayase City, Kanagawa Prefecture
Access	: 2.5Km from Ayase Smart IC on Tomei Expressway
Site Area	: 1898.01m ²
Structure	: Steel Structure, 4 floors above ground
Completion	: Mar 2022 (Scheduled)

Point 1

The 3rd project in the logistics facility business. Located in the Ayase Industrial Park and only 2.5 km from the Ayase Smart IC on the Tomei Expressway, having good access to various parts of Tokyo and Kanagawa Prefecture, known as high consumption areas.

Point 2

Equipped with 2 electric vertical sliding sectional doors that can be used even for large vehicles, 1-meter high stilt type floor with a floor-to-ceiling height of 5.5 meters or more, 1 dock leveler, and three elevators, making it easy to load and unload cargo.



【Condominium Unit Sales Business】 Renaissance Court Takadanobaba (Compact Condominium Buildings for Investment-Purpose)

Overview

Location	: Takadanobaba, Shinjuku-ku, Tokyo
Access	: 8-min. walk from Takadanobaba station on JR Yamanote Line 8-min. walk from Takadanobaba station on Tokyo Metro Tozai Line 5-min. walk from Shimo-Ochiai station on Seibu Shinjuku Line
Total No. of Units	: 28 units
Structure	: Reinforced Concrete (RC) 4 stories above ground
Completion	: Jul 2022 (Scheduled)

Point 1

Only 8 minutes' walk from Takadanobaba Station, which is famous as a vibrant town for young people with several university campuses, including Waseda University. A convenient location with direct access to Ikebukuro, Shinjuku, and Shibuya.

Point 2

Safe and convenient facilities such as hands-free keys, smartphone-compatible intercom, delivery boxes, and balconies for all units are fully equipped. 4 trunk rooms located on the first floor can be used not only as temporary storage space for luggage but also as a flexible space for various purposes.



Project in Progress

【 Condominium Unit Sales Business 】 Renaissance Court Ikebukuro WEST II (Compact Condominium Buildings for Investment-Purpose)

Overview

Location : Chihaya, Toshima-ku, Tokyo

Access : 5-min. walk from Kaname-cho Station on Tokyo Metro Yurakucho Line
7-min. walk from Shiinamachi station on Seibu-Ikebukuro line
14-min. walk from Ikebukuro Station on JR Yamanote Line, etc.

Total No. of : 15 units
Units

Structure : Reinforced Concrete (RC) 4 stories above ground

Completion : May 2022 (Scheduled)

Point 1

A 5-min walk to Kaname-cho Station, one stop away from Ikebukuro Station, a terminal station with offices, schools, department stores, and restaurants, and within walking distance from Ikebukuro Station.

Located in a residential area with a relaxed atmosphere and the large commercial facilities around Ikebukuro Station are also in the living area, which provides a highly convenient and fulfilling lifestyle regardless of whether on or off.

Point 2

Convenient facilities such as auto-locks, Wi-Fi, delivery lockers, hands-free keys, etc., are provided. The living room is designed for a comfortable environment using a "wide-span" style and bringing 2 sides of natural lighting.

A symbol tree is set up in the entrance approach to match the quiet atmosphere of the neighborhood.



【 Condominium Unit Sales Business 】 Renaissance Court Ryogoku (Compact Condominium Buildings for Investment-Purpose)

Overview

Location : Ishihara, Sumida-ku, Tokyo

Access : 9-min. walk from Ryogoku station on Toei Oedo Line
10-min. walk from Kuramae station on Toei Asakusa Line, Toei Oedo Line
12-min. walk from Asakusa station on Toei Asakusa Line, Tokyo Metro Ginza Line, etc.

Total No. of : 17 units
Units

Structure : Reinforced Concrete (RC) 7 stories above ground

Completion : Sep 2021

Point 1

Located within 4km of Tokyo Station, it has direct access to Shinjuku Station, a vast terminal station, making it a convenient location on or off.

The Ryogoku Kokugikan and the Sumida River Fireworks Festival are also nearby, and you can feel the Edo atmosphere throughout the year.

Point 2

Designed for safety and comfort with hands-free keys and smartphone-compatible intercom.

All units have a balcony, and only one premium dwelling unit on the top floor with a roof balcony that adopts various housing plans.



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