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August 10, 2023

Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023 (Six Months Ended June 30, 2023)

[Japanese GAAP]

Company name: JINUSHI Co., Ltd.

Listing: TSE/NSE

Securities code: 3252

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

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Scheduled date of filing of Quarterly Securities Report: August 14, 2023

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)
(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

(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	%
Six months ended Jun. 30, 2023	10,373	(61.7)	693	(81.5)	711	(81.8)	1,193	(53.6)
Six months ended Jun. 30, 2022	27,069	1.7	3,749	50.0	3,906	59.9	2,569	47.9

Note: Comprehensive income (million yen) Six months ended Jun. 30, 2023: 1,457 (down 53.9%)
Six months ended Jun. 30, 2022: 3,160 (up 61.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun. 30, 2023	65.26	-
Six months ended Jun. 30, 2022	140.50	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2023	88,460	31,415	35.4
As of Dec. 31, 2022	72,153	30,960	42.8

Reference: Shareholders' equity (million yen) As of Jun. 30, 2023: 31,333 As of Dec. 31, 2022: 30,905

2. Cash dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Dec. 31, 2022	-	0.00	-	55.00	55.00
Fiscal year ending Dec. 31, 2023	-	0.00	-	-	-
Fiscal year ending Dec. 31, 2023 (forecasts)	-	-	-	55.00	55.00

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

3. Consolidated Forecast for the Fiscal Year Ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(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	32,000	(35.9)	6,000	(6.4)	5,500	(7.5)	4,400	20.8	250.27

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

*** 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: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of issued shares (common shares)

1) Number of issued shares at the end of the period (including treasury shares)

As of Jun. 30, 2023:	18,285,800 shares	As of Dec. 31, 2022:	18,285,800 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2023:	141 shares	As of Dec. 31, 2022:	141 shares
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3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended Jun. 30, 2023:	18,285,659 shares	Six months ended Jun. 30, 2022:	18,285,659 shares
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* 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

Cautionary statement with respect to forecasts

The average number of shares during the period, which is the basis for calculating net income per share in the consolidated forecast for the fiscal year ending December 31, 2023, reflects the effect of the acquisition of treasury shares based on the resolution of the Board of Directors meeting held on August 10, 2023.

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.

How to view supplementary materials for quarterly financial results

Supplementary materials to be distributed at the event will be available on the Company’s website*.

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

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statement of Income	
For the Six-month Period	6
Quarterly Consolidated Statement of Comprehensive Income	
For the Six-month Period	7
(3) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8
Segment Information	8
Subsequent Events	9

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

The Company has adopted the management philosophy, “Through our JINUSHI Business ^{note}, we create safe real estate financial products and fulfill our part in protecting the assets of people throughout the world.” In the first half of the fiscal year ending December 31, 2023 (hereinafter, “the period under review”), we continued to promote purchases and sales of real estate for sale under the basic strategy of JINUSHI Business, which is resilient to natural disasters and market volatility and able to generate stable profits over the long term because landowners do not own the building.

As a result, the Company reported net sales for the period under review of 10,373 million yen (down 61.7% year-on-year), operating profit of 693 million yen (down 81.5% year-on-year), ordinary profit of 711 million yen (down 81.8% year-on-year), and profit attributable to owners of parent of 1,193 million yen (down 53.6% year-on-year). Although sales and profit were lower than one year earlier, first half performance was generally consistent with the FY12/23 forecast because sales of real estate for sale are expected to be heavily concentrated in the third quarter.

JINUSHI will continue its efforts to achieve the objectives set forth in the medium-term plan, spanning from FY12/22 to FY12/26, as well as in alignment with the ESG Policy and its associated roadmap.

Note: 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.

JINUSHI aims to be a major landowner in Japan as JINUSHI Private REIT Investment Corporation (JINUSHI REIT) grows. JINUSHI REIT has achieved capital increase for seven consecutive years since the start of its operation, with the size of assets under management as of January 2023 amounting to approximately 180 billion yen. The Company has entered into the Sponsor Support Agreement with JINUSHI Asset Management Co., Ltd. and JINUSHI REIT, and will continue to strengthen support for JINUSHI REIT as a sponsor, focusing on the sale of real estate financial products through JINUSHI Business.

Results by business segment were as follows:

i) Real Estate Investment Business

The segment reported net sales of 9,469 million yen (down 63.8% year-on-year) with segment profit of 2,097 million yen (down 58.4% year-on-year).

ii) Subleasing, Leasing and Fund Fee Businesses

The segment reported net sales of 894 million yen (up 0.3% year-on-year) with segment profit of 664 million yen (down 3.8% year-on-year).

iii) Planning and Brokerage Business

The segment reported net sales of 9 million yen (down 35.2% year-on-year) with segment profit of 9 million yen (down 35.2% year-on-year).

(2) Explanation of Financial Position

Assets, Liabilities and Net Assets

Total assets increased 16,306 million yen from the end of the previous fiscal year to 88,460 million yen at the end of the period under review. This increase was attributable mainly to increases in real estate for sale (up 19,347 million yen) as we made steady purchases, while non-current assets (land) (down 2,862 million yen) decreased.

Total liabilities increased 15,851 million yen from the end of the previous fiscal year to 57,044 million yen. This increase was attributable mainly to increases in short-term borrowings (up 1,474 million yen) and long-term borrowings (up 14,326 million yen), both resulting from the purchase of real estate for sale.

Net assets increased 455 million yen from the end of the previous fiscal year to 31,415 million yen. Consequently, the equity ratio at the end of the under review was 35.4%.

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

We have revised the consolidated forecast for the fiscal year ending December 31, 2023 announced on February 14, 2023.

This revision is the result of the decision to change the timing of the sale of property that was to be sold in FY12/23 to FY12/24. The major reasons for this decision are the signing of contracts for sales of large property and other properties that were planned for FY12/23, a larger than expected increase in profitability, and the outlook for an increase in income from real estate leasing for sale due to the growing volume of purchases of properties.

The revised consolidated forecast for the fiscal year ending December 31, 2023 is as follows.

	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
Previous forecasts (A)	42,000	6,300	5,500	4,200	229.69
Revised forecasts (B)	32,000	6,000	5,500	4,400	250.27
Change (B-A)	(10,000)	(300)	-	200	-
Change (%)	(23.8)%	(4.8)%	-	4.8%	-

For more details, please refer to “Results of Operations for the First Half of the Fiscal Year Ending December 31, 2023” (to be available on our website* shortly).

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

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

(Millions of yen)

	FY12/22 (As of Dec. 31, 2022)	Second quarter of FY12/23 (As of Jun. 30, 2023)
Assets		
Current assets		
Cash and deposits	23,140	23,144
Operating accounts receivable	273	320
Real estate for sale	28,192	47,540
Advance payments to suppliers	333	692
Prepaid expenses	131	186
Other	780	58
Total current assets	52,850	71,944
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	562	547
Vehicles, tools, furniture and fixtures, net	84	76
Land	16,066	13,203
Leased assets, net	89	86
Total property, plant and equipment	16,803	13,914
Intangible assets		
Other	116	104
Total intangible assets	116	104
Investments and other assets		
Investment securities	319	331
Shares of subsidiaries and associates	24	-
Investments in capital	973	1,119
Leasehold and guarantee deposits	755	776
Long-term prepaid expenses	102	128
Other	294	225
Allowance for doubtful accounts	(88)	(84)
Total investments and other assets	2,382	2,497
Total non-current assets	19,302	16,516
Total assets	72,153	88,460

	(Millions of yen)	
	FY12/22 (As of Dec. 31, 2022)	Second quarter of FY12/23 (As of Jun. 30, 2023)
Liabilities		
Current liabilities		
Trade accounts payable	103	65
Short-term borrowings	-	1,474
Current portion of long-term borrowings	1,843	815
Accounts payable-other	707	352
Income taxes payable	232	586
Accrued consumption taxes	58	28
Advances received	-	50
Current portion of guarantee deposits received	1,189	1,695
Other	446	459
Total current liabilities	4,583	5,528
Non-current liabilities		
Long-term borrowings	35,222	49,549
Long-term leasehold and guarantee deposits received	765	835
Provision for execution of assumption of debt	110	110
Provision for loss on liquidation of subsidiaries and associates	-	403
Other	512	617
Total non-current liabilities	36,610	51,516
Total liabilities	41,193	57,044
Net assets		
Shareholders' equity		
Share capital	3,048	3,048
Capital surplus	4,657	4,657
Retained earnings	23,030	23,217
Treasury shares	(0)	(0)
Total shareholders' equity	30,736	30,924
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(22)	(11)
Foreign currency translation adjustment	191	420
Total accumulated other comprehensive income	169	409
Non-controlling interests	54	82
Total net assets	30,960	31,415
Total liabilities and net assets	72,153	88,460

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

	(Millions of yen)	
	First six months of FY12/22 (Jan. 1, 2022 – Jun. 30, 2022)	First six months of FY12/23 (Jan. 1, 2023 – Jun. 30, 2023)
Net sales	27,069	10,373
Cost of sales	21,104	7,579
Gross profit	5,964	2,793
Selling, general and administrative expenses	2,215	2,100
Operating profit	3,749	693
Non-operating income		
Interest income	0	4
Foreign exchange gains	336	207
Share of profit of entities accounted for using equity method	173	40
Outsourcing service income	66	-
Other	28	39
Total non-operating income	605	290
Non-operating expenses		
Interest expenses	276	181
Financing expenses	167	79
Other	3	12
Total non-operating expenses	448	273
Ordinary profit	3,906	711
Extraordinary income		
Gain on sale of non-current assets	-	1,207
Total extraordinary income	-	1,207
Extraordinary losses		
Impairment losses	157	-
Office relocation expenses	39	-
Total extraordinary losses	197	-
Profit before distributions of profit or loss on silent partnerships and income taxes	3,709	1,918
Distributions of profit or loss on silent partnerships	0	-
Profit before income taxes	3,709	1,918
Income taxes-current	1,740	539
Income taxes-deferred	(601)	161
Total income taxes	1,138	700
Profit	2,570	1,218
Profit attributable to non-controlling interests	1	24
Profit attributable to owners of parent	2,569	1,193

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

	(Millions of yen)	
	First six months of FY12/22 (Jan. 1, 2022 – Jun. 30, 2022)	First six months of FY12/23 (Jan. 1, 2023 – Jun. 30, 2023)
Profit	2,570	1,218
Other comprehensive income		
Valuation difference on available-for-sale securities	34	10
Foreign currency translation adjustment	555	229
Total other comprehensive income	590	239
Comprehensive income	3,160	1,457
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,159	1,432
Comprehensive income attributable to non-controlling interests	1	24

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment Information

I First six months of FY12/22 (Jan. 1, 2022– Jun. 30, 2022)

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

(Millions of yen)

	Reportable segment				Other (Note 1)	Adjustments (Note 2)	Amount shown on the quarterly consolidated statement of income (Note 3)
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Businesses	Planning and Brokerage Business	Subtotal			
Net sales							
(1) Sales to external customers	26,162	892	15	27,069	-	-	27,069
(2) Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	26,162	892	15	27,069	-	-	27,069
Segment profit (loss)	5,038	690	15	5,744	-	(1,994)	3,749

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

Not applicable.

II First six months of FY12/23 (Jan. 1, 2023 – Jun. 30, 2023)

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 Businesses	Planning and Brokerage Business	Total			
Net sales							
(1) Sales to external customers	9,469	894	9	10,373	-	-	10,373
(2) Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	9,469	894	9	10,373	-	-	10,373
Segment profit (loss)	2,097	664	9	2,771	-	(2,077)	693

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.

Not applicable.

Subsequent Events

Acquisition of treasury shares

The JINUSHI Board of Directors approved a resolution on August 10, 2023 to repurchase its own shares pursuant to Article 156 of the Companies Act, which is applicable in lieu of Article 165, Paragraph 3 of this act. Details are as follows.

1. Reason for the acquisition of treasury shares

Mr. Tetsuya Matsuoka, the founder and director of the Company (who holds 30.87% of the Company's issued shares, excluding treasury shares, as of June 30, 2023), has notified the Company of his intention to sell a portion of his stake in the Company.

Following a thorough assessment of the aforementioned intent, the Company has concluded that acquiring the shares held by him as treasury shares will be more conducive to mitigating the impact on supply-demand equilibrium and share price in the event that the Company's shares are sold in the market over a brief timeframe. This acquisition also promises to enhance capital efficiency.

The acquisition of treasury shares will be funded using our internal resources. As of June 30, 2023, our cash and deposits totaled 23,144 million yen. Substantial funds will still be available even after allocating resources for the share acquisition.

2. Details of the stock repurchase program

(1) Type of shares to be repurchased

Common shares of the Company

(2) Total number of shares to be repurchased

Up to 1,843,000 shares

(3) Repurchase schedule (Date of repurchase)

August 14, 2023

(4) Total value of shares to be repurchased:

Up to 3,500 million yen

(5) Method of repurchase:

The Company will place purchase orders for its shares on the Tokyo Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) for the 8:45 a.m. session on August 14, 2023 (no changes to the trading system or trading hours will be made), at the closing price (including the last special quote) of the Company's common shares today (August 10, 2023). In addition, such purchase orders shall be placed only during the relevant trading hours.