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

November 12, 2018

Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 (Six Months Ended September 30, 2018)

[Japanese GAAP]

Company name: Nippon Commercial Development Co., Ltd. Listing: TSE/NSE, First Sections
Securities code: 3252 URL: https://www.ncd-jp.com
Representative: Tetsuya Matsuoka, Chief Executive Officer
Contact: Kenji Irie, Managing Director
Tel: +81-(0) 6-4706-7501
Scheduled date of filing of Quarterly Report: November 13, 2018
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 September 30, 2018 (April 1, 2018 – September 30, 2018)

(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 Sep. 30, 2018	18,705	244.1	1,590	703.5	1,728	-	1,271	-
Six months ended Sep. 30, 2017	5,436	(43.2)	198	(88.5)	(246)	-	(202)	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2018: 706 (- %)
Six months ended Sep. 30, 2017: (297) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2018	70.84	70.27
Six months ended Sep. 30, 2017	(11.36)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2018	76,395	20,183	26.4
As of Mar. 31, 2018	67,251	20,304	30.2

Reference: Shareholders' equity (million yen) As of Sep. 30, 2018: 20,161 As of Mar. 31, 2018: 20,278

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2018	-	0.00	-	55.00	55.00
Fiscal year ending Mar. 31, 2019	-	0.00			
Fiscal year ending Mar. 31, 2019 (forecasts)			-	55.00	55.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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	32,500	4.0	3,740	1.5	3,240	6.4	2,160	10.3	120.35

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

*** 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:	Yes
2) Changes in accounting policies other than 1) above:	None
3) Changes in accounting estimates:	None
4) Restatements:	None

(4) Number of outstanding shares (common shares)

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

As of Sep. 30, 2018:	17,997,200 shares	As of Mar. 31, 2018:	17,865,200 shares

2) Number of treasury shares at the end of the period

As of Sep. 30, 2018:	141 shares	As of Mar. 31, 2018:	141 shares

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2018:	17,947,748 shares	Six months ended Sep. 30, 2017:	17,864,272 shares

The current quarterly financial report is not subject to quarterly review by auditing firms.

Cautionary statement with respect to forward-looking statements, and other special items

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 the attachments for assumptions for forecasts and notes of caution for usage.

How to view presentation materials

The Company plans to hold a financial results meeting for institutional investors and analysts on Wednesday, December 5, 2018. Materials to be distributed at this event will be available on the Company's website immediately thereafter.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the fiscal year ending March 31, 2019 (hereinafter, "the period under review"), the Japanese economy remained on a modest recovery trend reflecting the continued improvements in corporate earnings, and employment and personal income. On the other hand, the U.S and other economies in the world have been steadily recovering though we should bear in mind the factors such as development of the trade issues and consequence of fluctuations in financial and capital markets.

The Japanese real estate and real estate finance industries remained strong with the real estate market for commercial land remaining resilient, the average vacancy rate of office buildings in business areas of the three metropolitan cities decreasing, and the average rents rising against a backdrop of the strong demand from inbound visitors.

Under these circumstances, the Nippon Commercial Development Group (hereinafter, "the Group") focused on purchasing real estate for sale in a broader region during the period under review with a view to strengthening our future earnings. We are confident that such an effort will help further expand the market for "JINUSHI business" and meet the asset management demand from institutional investors holding real estate. The Group also aggressively continued sales activities for properties as scheduled.

As a result, the Group reported net sales for the period under review of 18,705 million yen (up 244.1% year on year) with operating profit of 1,590 million yen (up 703.5% year on year), ordinary profit of 1,728 million yen (compared with ordinary loss of 246 million yen one year earlier), and profit attributable to owners of parent of 1,271 million yen (compared with loss attributable to owners of parent of 202 million yen one year earlier).

The main reasons for the year-on-year increases in net sales and profits are summarized as follows:

i) Net sales increased substantially during the first quarter of the current fiscal year thanks to the progress in sales of the properties located in Minato-ku, Tokyo; Chuo-ku, Kobe city; Koga city, Fukuoka prefecture; etc. in the Real Estate Investment Business.

ii) Operating profit, ordinary profit and profit attributable to owners of parent also increased substantially as a result of improved profitability along with the progress in sales in the Real Estate Investment Business.

Results by business segment were as follows:

Real Estate Investment Business

The segment reported sales of 18,093 million yen (up 260.4% year on year) with segment profit of 2,814 million yen (up 95.5% year on year).

Subleasing, Leasing and Fund Fee Business

The segment reported sales of 217 million yen (up 12.8% year on year) with segment profit of 90 million yen (up 42.5% year on year).

Planning and Brokerage Business

The segment reported sales of 183 million yen (up 838.7% year on year) with segment profit of 183 million yen (up 888.3% year on year).

Other Businesses

The segment (*) reported sales of 239 million yen (up 3.4% year on year) with segment profit of 189 million yen (up 3.2% year on year).

*In the Other Businesses segment, we are engaged in the overseas PFI business and entertainment business (golf course management).

(2) Explanation of Financial Position

Total assets increased 9,144 million yen from the end of the previous fiscal year to 76,395 million yen at the end of the period under review. This increase was attributable mainly to an increase of 9,702 million yen in real estate for sale as a result of acquisition of properties.

Total liabilities increased 9,265 million yen from the end of the previous fiscal year to 56,212 million yen. This increase was attributable mainly to an increase of 10,463 million yen in long-term loans payable (including current portion of long-term loans payable).

Net assets decreased 120 million yen from the end of the previous fiscal year to 20,183 million yen. This decrease was attributable mainly to the booking of profit attributable to owners of parent of 1,271 million yen, which was more than offset by the distribution of dividends of surplus of 982 million yen and a 563 million yen decrease of foreign currency translation adjustment. Consequently, the equity ratio at the end of the period under review was 26.4%.

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

Both of net sales and profits for the period under review have progressed as planned. We forecast that net sales and profits will remain at the same level presented in "3. Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 - March 31, 2019)" in Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 [Japanese GAAP] that was announced on May 11, 2018. For these reasons, there are no revisions to the above consolidated forecast.

While we sold real estate for sale to operating companies during the first quarter of the current fiscal year, we forecast earnings on the assumption that properties are sold primarily to JINUSHI Private REIT Investment Corporation (hereinafter, "JINUSHI REIT") and such sales to JINUSHI REIT are recognized in the fourth quarter. Please refer to "Results of Operations for the First Half of the Fiscal Year Ending March 31, 2019," which are the supplementary materials for Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 (available on our website (*)).

* https://www.ncd-jp.com/ (IR Information, IR News) (Japanese version only)

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	Second quarter of FY3/19 (As of Sep. 30, 2018)
Assets		
Current assets		
Cash and deposits	14,521,977	14,044,250
Operating accounts receivable	193,652	107,243
Real estate for sale	41,049,532	50,751,944
Advance payments-trade	553,732	1,196,632
Prepaid expenses	81,123	81,153
Other	75,396	124,267
Total current assets	56,475,414	66,305,492
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	104,228	117,131
Tools, furniture and fixtures, net	13,345	12,651
Land	3,758	3,758
Leased assets, net	66,556	59,550
Total property, plant and equipment	187,888	193,091
Intangible assets		
Other	12,128	11,515
Total intangible assets	12,128	11,515
Investments and other assets		
Investment securities	2,423,951	2,051,622
Shares of subsidiaries and associates	7,088,432	6,506,317
Investments in capital of subsidiaries and associates	4,000	4,000
Investments in capital	505,161	505,161
Lease and guarantee deposits	282,292	526,543
Long-term prepaid expenses	76,510	115,938
Other	556,168	536,965
Allowance for doubtful accounts	(360,757)	(360,674)
Total investments and other assets	10,575,759	9,885,873
Total non-current assets	10,775,777	10,090,481
Total assets	67,251,191	76,395,973
Liabilities		
Current liabilities		
Operating accounts payable	139,789	88,589
Short-term loans payable	3,328,800	4,092,800
Current portion of long-term loans payable	764,215	3,424,070
Accounts payable-other	818,887	231,456
Income taxes payable	1,061,170	604,968
Accrued consumption taxes	8,111	18,762
Advances received	1,145,000	10,000
Current portion of guarantee deposits received	904,206	1,298,257
Provision for bonuses	14,760	12,855
Other	777,302	740,568
Total current liabilities	8,962,242	10,522,327

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	Second quarter of FY3/19 (As of Sep. 30, 2018)
Non-current liabilities		
Long-term loans payable	36,900,557	44,703,933
Long-term lease and guarantee deposited	179,555	178,055
Net defined benefit liability	69,247	110,347
Other	835,568	698,030
Total non-current liabilities	37,984,928	45,690,366
Total liabilities	46,947,170	56,212,694
Net assets		
Shareholders' equity		
Capital stock	2,795,626	2,875,002
Capital surplus	4,405,036	4,484,412
Retained earnings	13,108,175	13,397,047
Treasury shares	(79)	(79)
Total shareholders' equity	20,308,759	20,756,383
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(19,922)	(21,544)
Foreign currency translation adjustment	(9,845)	(572,938)
Total accumulated other comprehensive income	(29,768)	(594,482)
Share acquisition rights	25,030	21,378
Total net assets	20,304,021	20,183,279
Total liabilities and net assets	67,251,191	76,395,973

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Six-month Period)

(Thousands of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Net sales	5,436,599	18,705,399
Cost of sales	3,758,928	15,398,148
Gross profit	1,677,671	3,307,250
Selling, general and administrative expenses	1,479,668	1,716,326
Operating profit	198,002	1,590,923
Non-operating income		
Interest income	3,254	5,849
Interest on securities	3,020	3,004
Share of profit of entities accounted for using equity method	-	152,175
Foreign exchange gains	-	133,697
Gain on bad debts recovered	18,200	88,086
Fiduciary obligation fee	53,431	51,333
Other	19,170	24,562
Total non-operating income	97,076	458,709
Non-operating expenses		
Interest expenses	270,558	270,846
Financing expenses	68,281	47,958
Share of loss of entities accounted for using equity method	133,579	-
Foreign exchange losses	56,567	-
Other	12,527	2,310
Total non-operating expenses	541,513	321,115
Ordinary profit (loss)	(246,434)	1,728,517
Profit (loss) before income taxes	(246,434)	1,728,517
Income taxes-current	2,698	527,432
Income taxes-deferred	(6,714)	(70,365)
Total income taxes	(4,016)	457,066
Profit (loss)	(242,418)	1,271,450
Loss attributable to non-controlling interests	(39,532)	-
Profit (loss) attributable to owners of parent	(202,886)	1,271,450

Quarterly Consolidated Statement of Comprehensive Income

(For the Six-month Period)

(Thousands of yen)

	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Profit (loss)	(242,418)	1,271,450
Other comprehensive income		
Valuation difference on available-for-sale securities	40,355	(1,621)
Foreign currency translation adjustment	(95,269)	(563,093)
Total other comprehensive income	(54,914)	(564,714)
Comprehensive income	(297,332)	706,736
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(240,759)	706,736
Comprehensive income attributable to non-controlling interests	(56,572)	-

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

(Application of Practical Solution on Transactions Granting Employees and Others Share Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc.)

Effective from April 1, 2018, the Company applied "Practical Solution on Transactions Granting Employees and Others Share Acquisition Rights, which Involve Considerations, with Vesting Conditions" (Practical Issues Task Force No. 36, January 12, 2018; hereinafter, "PITF No. 36") and other related pronouncements. Accordingly, the Company account for transactions granting employees and others share acquisition rights, which involve considerations, with vesting conditions in accordance with "Accounting Standards for Share-based Payment" (Accounting Standards Board of Japan (ASBJ) No. 8, December 27, 2005) and other related pronouncements.

However, in respect of the application of PITF No. 36, pursuant to the provisional treatment stipulated in PITF No. 36, paragraph 10 (3), we will continue to apply the same accounting treatment as before for transactions granting employees and others share acquisition rights, which involve considerations, with vesting conditions that were entered into prior to the effective date of PITF No. 36.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment information

I. First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)

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

(Thousands of yen)

	Reportable segment					Adjustments	Amounts shown on the quarterly consolidated statement of income
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Other Businesses	Total		
Net sales							
(1) Sales to external customers	4,993,056	192,577	19,524	231,441	5,436,599	-	5,436,599
(2) Inter-segment sales and transfers	28,000	-	-	-	28,000	(28,000)	-
Total	5,021,056	192,577	19,524	231,441	5,464,599	(28,000)	5,436,599
Segment profit (loss)	1,439,794	63,199	18,539	183,177	1,704,711	(1,506,708)	198,002

2. Reconciliation of reported quarterly consolidated statement of income with total profit or loss for reportable segments

(Thousands of yen)

Profit	Amounts
Total reportable segment	1,704,711
Elimination of inter-segment transactions	(28,000)
Corporate expenses (Note)	(1,478,708)
Operating profit in the quarterly consolidated statement of income	198,002

Note: Corporate expenses mainly include selling, general and administrative expenses that cannot be attributed to any reportable segments.

3. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Not applicable.

II. First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)

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

(Thousands of yen)

	Reportable segment					Adjustments	Amounts shown on the quarterly consolidated statement of income
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Other Businesses	Total		
Net sales							
(1) Sales to external customers	18,065,455	217,267	183,267	239,408	18,705,399	-	18,705,399
(2) Inter-segment sales and transfers	28,000	-	-	-	28,000	(28,000)	-
Total	18,093,455	217,267	183,267	239,408	18,733,399	(28,000)	18,705,399
Segment profit (loss)	2,814,379	90,072	183,227	189,092	3,276,771	(1,685,847)	1,590,923

2. Reconciliation of reported quarterly consolidated statement of income with total profit or loss for reportable segments

(Thousands of yen)

Profit	Amounts
Total reportable segment	3,276,771
Elimination of inter-segment transactions	(28,000)
Corporate expenses (Note)	(1,657,847)
Operating profit in the quarterly consolidated statement of income	1,590,923

Note: Corporate expenses mainly include selling, general and administrative expenses that cannot be attributed to any reportable segments.

3. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Not applicable.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.