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

November 10, 2016

Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2017 (Six Months Ended September 30, 2016)

[Japanese GAAP]

Company name: Nippon Commercial Development Co., Ltd.
Listing: TSE/NSE, First Sections
Securities code: 3252
URL: http://www.ncd-jp.com
Representative: Tetsuya Matsuoka, President
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Scheduled date of filing of Quarterly Report: November 11, 2016
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, 2016 (April 1, 2016 – September 30, 2016)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2016	9,575	(20.9)	1,714	(69.2)	2,020	(62.4)	4,150	16.5
Six months ended Sep. 30, 2015	12,104	31.3	5,563	252.0	5,374	324.6	3,564	366.4

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2016: 3,691 (up 3.7%)
Six months ended Sep. 30, 2015: 3,561 (up 347.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2016	237.37	233.23
Six months ended Sep. 30, 2015	209.41	187.91

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2016	51,256	16,684	28.4
As of Mar. 31, 2016	38,690	11,700	30.1

Reference: Shareholders' equity (million yen) As of Sep. 30, 2016: 14,566 As of Mar. 31, 2016: 11,626

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2016	-	0.00	-	45.00	45.00
Fiscal year ending Mar. 31, 2017	-	0.00			
Fiscal year ending Mar. 31, 2017 (forecasts)			-	50.00	50.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	25,900	49.0	3,690	(38.0)	2,400	(57.3)	4,400	22.0	251.62

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): Yes

Newly added: 5 (New Real Property Corporation, Kumagai Australia Finance Pty. Ltd., Kumagai Australia Pty. Ltd., Kumagai International Limited, and KG Land New York Corporation)

Excluded: -

Note: Please refer to "2. Matters Related to Summary Information (Notes), (1) Changes in Significant Subsidiaries during the Period" on page 4 of the attachments for further information.

(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

Note: Please refer to "2. Matters Related to Summary Information (Notes), (2) Changes in Accounting Policies and Accounting Estimates, and Restatements" on page 4 of the attachments for further information.

(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, 2016:	17,541,800 shares	As of Mar. 31, 2016:	17,475,800 shares

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

As of Sep. 30, 2016:	141 shares	As of Mar. 31, 2016:	141 shares

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2016:	17,486,839 shares	Six months ended Sep. 30, 2015:	17,021,003 shares

* Information regarding the implementation of quarterly review procedures

The current quarterly financial summary is exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the review procedures for the quarterly consolidated financial statements have not been completed.

* 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 Tuesday, December 6, 2016. Materials to be distributed at this event will be available on the Company's website immediately thereafter.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Operating Results

In the first six months of the fiscal year ending on March 31, 2017 (hereinafter, “the period under review”), the Japanese economy has suffered from suppressed business sentiment among export-oriented manufacturers due to continued uncertainty in the global economy and prolonged yen strength. Although the initial impact of Brexit on financial markets has quietened down. Business sentiment in the Japanese retailing industry continues to be under pressure due to dull consumer spending.

In the Japanese real estate and real estate finance industries, the continuation of the Bank of Japan’s negative interest rate policy (NIRP) and the increase in foreign visitors to Japan among others, has helped land prices recover in the three major metropolitan areas especially in major local cities. Such a situation supports the idea that land prices will continue to rise modestly for the time being. On the other hand, some opposing views suggest that real estate prices are already floating at high levels and foreign investors are exercising caution toward investments in real estate, in part due to the strong yen.

Under these circumstances, the Nippon Commercial Development Group (hereinafter “the Group”) during the period under review sold a high margin property in Osaka City as planned. For more details, please refer to the news release titled “Notice of Sale of Real Estate for Sale” (Japanese version only) dated September 29, 2016. The Group is also accelerating purchases of superior properties by hiring competent professionals who can hit the ground running. Furthermore, New Real Property Corporation (hereafter, “NRP”), which had been the Group’s associate, accounted under the equity method, repurchased its own issued shares during the first quarter of the current fiscal year. This transaction caused the Group’s share of the voting rights in NRP to increase to 72.09%. Consequently, NRP and its ten subsidiaries and two associates accounted for under the equity method were added to the Group. As a result, a 4,577 million yen gain on this purchase (extraordinary income), net of 1,787 million yen loss on step acquisitions (extraordinary losses), has provided a positive effect of 2,790 million yen on profits for the period.

Overall, net sales for the period under review decreased 20.9% year on year to 9,575 million yen. Operating income and ordinary income decreased 69.2% and 62.4% year on year to 1,714 million yen and 2,020 million yen, respectively, while profit attributable to owners of parent increased 16.5% year on year to 4,150 million yen.

Meanwhile, we have started the formal preparation to pioneer Japan’s first “JINUSHI REIT” specializing in land with leasehold interest by establishing an unlisted, open-end real estate investment corporation named “JINUSHI Private REIT Investment Corporation” on September 28, 2016 with its registration completed on October 17, 2016. For more details, please refer to “Notice of Establishment of JINUSHI Private REIT Investment Corporation—Japan’s First REIT Specializing in Land with Leasehold Interest” (Japanese version only) dated October 18, 2016.

Results by business segment were as follows:

1) Real estate investment business

The real estate investment business segment reported sales of 8,880 million yen (down 25.7% year on year) with segment profit of 2,505 million yen (down 59.2% year on year).

2) Subleasing, leasing and fund fee business

The subleasing, leasing and fund fee business segment reported sales of 160 million yen (up 7.0% year on year) with segment profit of 40 million yen (up 15.1% year on year).

3) Planning and brokerage business

The planning and brokerage business segment reported sales of 277 thousand yen (down 91.5% year on year) with segment profit of 277 thousand yen (down 91.5% year on year).

4) Other businesses

The other businesses segment (*) reported sales of 562 million yen with segment profit of 503 million yen.

(*) As NRP, which had been the Group's associate accounted for under the equity method, repurchased some of its own issued shares as treasury shares, the Group consequently held the majority of its voting rights and added NRP together with its ten subsidiaries and two associates accounted for under the equity method to our subsidiaries and associates.

Meanwhile, Wakasa Kanko Kaihatsu K.K., which had been one of our associates accounted for under the equity method until the end of the first quarter of the current fiscal year, has been excluded from the scope of application of the equity method effective from the second quarter of the current fiscal year because its materiality has been reduced.

Accordingly, we added the "Other businesses" segment to the existing three reportable segments effective from the first quarter of the current fiscal year to have four in total. In the Other businesses segment, we are engaged in the overseas PFI business and the entertainment business (golf course management).

(2) Explanation of Financial Position

Total assets increased 12,566 million yen from the end of the previous fiscal year to 51,256 million yen at the end of the second quarter of the current fiscal year. This increase was attributable mainly to an increase in real estate for sale by 6,577 million yen and a decrease in cash and deposits by 182 million yen primarily due to the accelerated purchase of high-quality properties. The increase in total assets is also attributable to an increase in shares of subsidiaries and associates by 6,442 million yen as a result of consolidating NRP and its subsidiaries with the Group.

Total liabilities increased 7,582 million yen from the end of the previous fiscal year to 34,572 million yen. This increase was mainly attributable to increases in short-term loans payable and long-term loans payable by 503 million yen and 9,919 million yen respectively, which were partially offset by a decrease in the current portion of long-term loans payable by 1,891 million yen.

Net assets increased 4,983 million yen from the end of the previous fiscal year to 16,684 million yen, primarily due to the booking of profit attributable to owners of the parent of 4,150 million yen.

Consequently, the equity ratio at the end of the second quarter of the current fiscal year was 28.4%, compared with 30.1% at the end of the previous fiscal year.

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

Both of net sales and profit for the period under review have progressed as planned. In addition, we have established an unlisted, open-end real estate investment corporation named JINUSHI Private REIT Investment Corporation on September 28, 2016 with the registration completed on October 17, 2016. The aim is to pioneer Japan's first JINUSHI REIT specializing in land with leasehold interest. As we forecast that net sales and profit will progress at the level consistent with those presented in "3. Consolidated Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)" in Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 [Japanese GAAP] announced on May 10, 2016, there are no revisions to the above consolidated forecast.

For more details on this matter, please refer to "Results of Operations for the First Half of the Fiscal Year Ending March 31, 2017" (available on our website (*)), which is the supplementary materials for Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2017 (Six Months Ended September 30, 2016).

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

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

During the first quarter of the current fiscal year, NRP, which had been the Group's associate accounted for under the equity method, repurchased some of its own issued shares as treasury shares.

Consequently, the Group held the majority of its voting rights and consolidated NRP and its ten subsidiaries.

For financial reporting purposes, the five companies consisting of NRP and its subsidiaries, namely Kumagai Australia Finance Pty. Ltd., Kumagai Australia Pty. Ltd., Kumagai International Limited, and KG Land New York Corporation, are treated as specified subsidiaries of the Company.

(2) Changes in Accounting Policies and Accounting Estimates, and Restatements

Changes in Accounting Policies

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

Following the revision of the Corporation Tax Act, the Company has applied the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter of the current fiscal year, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

As a result, operating income, ordinary income and profit before income taxes for the period under review equally increased by 1 million yen.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/16 (As of Mar. 31, 2016)	Second quarter of FY3/17 (As of Sep. 30, 2016)
Assets		
Current assets		
Cash and deposits	12,062,588	11,880,129
Operating accounts receivable	4,799	81,277
Real estate for sale	22,610,077	29,187,439
Advance payments-trade	377,573	277,380
Prepaid expenses	159,513	167,468
Other	224,554	85,793
Total current assets	35,439,106	41,679,488
Non-current assets		
Property, plant and equipment		
Buildings, net	83,604	142,995
Tools, furniture and fixtures, net	21,032	29,281
Land	3,758	3,758
Leased assets, net	26,903	41,933
Total property, plant and equipment	135,297	217,969
Intangible assets		
Other	7,737	10,802
Total intangible assets	7,737	10,802
Investments and other assets		
Investment securities	2,669,789	2,203,608
Shares of subsidiaries and associates	-	6,442,339
Investments in capital	5,161	159,161
Lease and guarantee deposits	248,087	292,690
Long-term prepaid expenses	116,360	121,913
Other	69,320	477,776
Allowance for doubtful accounts	(300)	(349,125)
Total investments and other assets	3,108,419	9,348,364
Total non-current assets	3,251,454	9,577,136
Total assets	38,690,561	51,256,624

(Thousands of yen)

	FY3/16 (As of Mar. 31, 2016)	Second quarter of FY3/17 (As of Sep. 30, 2016)
Liabilities		
Current liabilities		
Operating accounts payable	49,446	73,193
Short-term loans payable	426,000	929,580
Current portion of long-term loans payable	2,539,653	647,952
Accounts payable-other	81,257	60,914
Income taxes payable	2,043,747	267,816
Accrued consumption taxes	1,724	11,810
Current portion of guarantee deposits received	892,687	923,155
Provision for bonuses	-	13,175
Other	135,230	503,794
Total current liabilities	6,169,747	3,431,393
Non-current liabilities		
Long-term loans payable	20,470,581	30,390,576
Long-term lease and guarantee deposited	178,555	178,555
Net defined benefit liability	-	67,417
Other	171,006	504,251
Total non-current liabilities	20,820,143	31,140,800
Total liabilities	26,989,890	34,572,193
Net assets		
Shareholders’ equity		
Capital stock	2,619,000	2,658,688
Capital surplus	2,597,445	2,637,133
Retained earnings	6,481,610	9,846,029
Treasury shares	(79)	(79)
Total shareholders’ equity	11,697,976	15,141,771
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(32,280)	(60,514)
Foreign currency translation adjustment	(39,038)	(514,726)
Total accumulated other comprehensive income	(71,319)	(575,241)
Subscription rights to shares	18,720	30,288
Non-controlling interests	55,293	2,087,613
Total net assets	11,700,670	16,684,431
Total liabilities and net assets	38,690,561	51,256,624

(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 FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)
Net sales	12,104,936	9,575,988
Cost of sales	5,828,075	6,528,240
Gross profit	6,276,860	3,047,748
Selling, general and administrative expenses	713,750	1,332,755
Operating income	5,563,110	1,714,992
Non-operating income		
Interest income	100	3,656
Interest on securities	3,307	2,866
Share of profit of entities accounted for using equity method	-	648,453
Gain on bad debts recovered	-	88,280
Other	807	79,985
Total non-operating income	4,215	823,242
Non-operating expenses		
Interest expenses	130,065	313,317
Financing expenses	62,572	106,810
Other	648	97,776
Total non-operating expenses	193,285	517,904
Ordinary income	5,374,041	2,020,330
Extraordinary income		
Gain on bargain purchase	-	4,577,713
Total extraordinary income	-	4,577,713
Extraordinary losses		
Impairment loss	5,369	-
Office transfer expenses	8,800	-
Loss on step acquisitions	-	1,787,271
Total extraordinary losses	14,170	1,787,271
Profit before income taxes	5,359,870	4,810,772
Income taxes-current	2,103,107	213,105
Income taxes-deferred	(306,076)	213,442
Total income taxes	1,797,031	426,548
Profit	3,562,839	4,384,224
Profit (loss) attributable to non-controlling interests	(1,606)	233,401
Profit attributable to owners of parent	3,564,446	4,150,823

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

(Thousands of yen)

	First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)
Profit	3,562,839	4,384,224
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,493)	(32,526)
Foreign currency translation adjustment	-	(659,891)
Total other comprehensive income	(1,493)	(692,418)
Comprehensive income	3,561,346	3,691,806
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	3,562,953	3,646,901
Comprehensive income attributable to non-controlling interests	(1,606)	44,905

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment information

I. First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)

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

(Thousands of yen)

	Reportable segment				Adjustments	Amounts shown on quarterly consolidated statements of income
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Total		
Net sales						
(1) Sales to external customers	11,951,932	149,725	3,277	12,104,936	-	12,104,936
(2) Inter-segment sales and transfers	-	-	-	-	-	-
Total	11,951,932	149,725	3,277	12,104,936	-	12,104,936
Segment profit (loss)	6,138,646	34,936	3,277	6,176,860	(613,750)	5,563,110

2. Reconciliation of reported quarterly consolidated statements of income with total profit for reportable segments

(Thousands of yen)

Profit	Amounts
Total reportable segment	6,176,860
Corporate expenses (Note)	(613,750)
Operating income of quarterly consolidated statements of income	5,563,110

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

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

Significant impairment loss on non-current assets

Omitted due to immateriality of the amount.

Significant change in amount of goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

II. First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)

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

(Thousands of yen)

	Reportable segment					Adjustments	Amounts shown on quarterly consolidated statements 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	8,852,591	160,207	277	562,911	9,575,988	-	9,575,988
(2) Inter-segment sales and transfers	28,000	-	-	-	28,000	(28,000)	-
Total	8,880,591	160,207	277	562,911	9,603,988	(28,000)	9,575,988
Segment profit (loss)	2,505,560	40,213	277	503,016	3,049,067	(1,334,075)	1,714,992

2. Information related to assets for each reportable segment

(Significant change in assets due to acquisition of subsidiaries)

As NRP, which had been the Group's associate accounted for under the equity method, repurchased some of its own issued shares as treasury shares during the first quarter of FY3/17, the Group consequently held the majority of its voting rights and added NRP, as well as its ten subsidiaries and two associates accounted for under the equity method, to our subsidiaries and associates.

Meanwhile, Wakasa Kanko Kaihatsu K.K., which had been one of our associates accounted for under the equity method until the end of the first quarter of FY3/17 has been excluded from the scope of application of the equity method effective from the second quarter of FY3/17 because its materiality has been reduced.

As a result, the assets of the real estate investment business segment and the other businesses segment at the end of the first six months of FY3/17 have increased by 3,042 million yen and 8,758 million yen respectively, from the end of FY3/16.

3. Reconciliation of reported quarterly consolidated statements of income with total profit or loss for reportable segments

(Thousands of yen)

Profit	Amounts
Total reportable segment	3,049,067
Elimination of intersegment transactions	(28,000)
Corporate expenses (Note)	(1,306,075)
Operating income of quarterly consolidated statements of income	1,714,992

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

4. Changes in reportable segments

As NRP, which had been the Group's associate accounted for under the equity method, repurchased some of its own issued shares as treasury shares, the Group consequently held the majority of its voting rights and added NRP, as well as its ten subsidiaries and two associates accounted for under the equity method, to our subsidiaries and associates.

Meanwhile, Wakasa Kanko Kaihatsu K.K., which had been one of our associates accounted for under the equity method until the end of the first quarter of FY3/17, has been excluded from the scope of application of the equity method effective from the second quarter of FY3/17 because its materiality has been reduced.

Accordingly, we added the "Other businesses" segment (*) to the existing three reportable segments effective from the first quarter of FY3/17 to have four reportable segments.

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

(Application of the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

As already presented in Changes in Accounting Policies, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter of FY3/17, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. Consequently, the depreciation method for business segments has been revised as well.

While this change has no effect on the segment profits for the period under review, corporate expenses that are not attributed to any reporting segment decreased by 1 million yen.

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

Significant impairment loss on non-current assets

Not applicable.

Significant changes in amount of goodwill

Not applicable.

Significant gain on bargain purchase

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.