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

May 10, 2016

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2016

[Japanese GAAP]

Company name: Nippon Commercial Development Co., Ltd. Listing: TSE/NSE, First Sections
Securities code: 3252 URL: http://www.ncd-jp.com
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Scheduled date of Annual General Meeting of Shareholders: June 28, 2016
Scheduled date of filing of Annual Securities Report: June 29, 2016
Scheduled date of payment of dividend: June 29, 2016
Preparation of supplementary materials for financial results: Yes
Holding of 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 Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)

(1) Consolidated results of operations (Percentages shown for net sales and incomes 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	%
Fiscal year ended Mar. 31, 2016	17,378	6.9	5,955	67.9	5,626	88.3	3,605	93.5
Fiscal year ended Mar. 31, 2015	16,252	50.1	3,547	146.3	2,987	206.9	1,863	179.6

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2016: 3,536 (up 87.5%)
Fiscal year ended Mar. 31, 2015: 1,886 (up 177.4%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income on net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2016	209.09	203.09	36.0	17.9	34.3
Fiscal year ended Mar. 31, 2015	125.91	106.33	35.3	13.4	21.8

Reference: Equity in earnings of associates (million yen) Fiscal year ended Mar. 31, 2016: 154Fiscal year ended Mar. 31, 2015: -

Note: The Company conducted a 3-for-1 stock split on September 1, 2014 under the August 11, 2014 Board of Directors' resolution. Net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2016	38,690	11,700	30.1	665.31
As of Mar. 31, 2015	24,104	8,510	34.9	496.43

Reference: Shareholders' equity (million yen) As of Mar. 31, 2016: 11,626 As of Mar. 31, 2015: 8,405

Note: The Company conducted a 3-for-1 stock split on September 1, 2014 under the August 11, 2014 Board of Directors' resolution. Net assets per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2016	(5,615)	(2,316)	9,584	11,968
Fiscal year ended Mar. 31, 2015	6,608	(328)	1,088	10,315

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2015	-	0.00	-	30.00	30.00	507	23.8	9.2
Fiscal year ended Mar. 31, 2016	-	0.00	-	45.00	45.00	786	21.5	7.7
Fiscal year ending Mar. 31, 2017 (forecasts)	-	0.00	-	50.00	50.00		19.6	

* Breakdown of dividends for the fiscal year ended Mar. 31, 2015: Ordinary dividends: 27 yen; Commemorative dividends: 3 yen

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	255.16

Note: The Company has decided not to announce forecasts for the first half of fiscal year ending March 31, 2017. For more details, please refer to "1. Analysis of Results of Operations and Financial Position, (1) Analysis of Results of Operations (Forecasts for the next fiscal year)" on page 2 of the attachment.

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Changes in accounting policies and accounting-based 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-based estimates: None

4) Restatements: None

Note: Please refer to "5. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies" on page 21 of the attachments for further information.

(3) Number of outstanding shares (common shares)

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

As of Mar. 31, 2016: 17,475,800 shares As of Mar. 31, 2015: 16,931,600 shares

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

As of Mar. 31, 2016: 141 shares As of Mar. 31, 2015: 141 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2016: 17,244,133 shares Fiscal year ended Mar. 31, 2015: 14,802,799 shares

Note: The Company conducted a 3-for-1 stock split on September 1, 2014 under the August 11, 2014 Board of Directors' resolution. Number of outstanding shares (common stock) has been calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2015.

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (Apr. 1, 2015 – Mar. 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2016	5,585	(56.1)	(62)	-	(427)	-	(342)	-
Fiscal year ended Mar. 31, 2015	12,731	52.5	2,594	176.3	2,249	229.7	1,428	190.3

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2016	(19.84)	-
Fiscal year ended Mar. 31, 2015	96.51	81.50

Note: The Company conducted a 3-for-1 stock split on September 1, 2014 under the August 11, 2014 Board of Directors' resolution. Net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2016	34,062	7,148	20.9	407.98
As of Mar. 31, 2015	17,182	7,819	45.4	460.69

Reference: Shareholders' equity (million yen) As of Mar. 31, 2016: 7,129 As of Mar. 31, 2015: 7,800

Note: The Company conducted a 3-for-1 stock split on September 1, 2014 under the August 11, 2014 Board of Directors' resolution. Net assets per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

Indication of audit procedure implementation status

The current financial report is not subject to the audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the audit procedures based on this Act for the 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. Analysis of Results of Operations and Financial Position, (1) Analysis of Results of Operations, II. Forecasts for the next fiscal year" on page 2 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 Thursday, June 9, 2016. Materials to be distributed at this event will be available on the Company's website immediately thereafter.

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1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

I. Summary of the fiscal year

In the fiscal year ended on March 31, 2016, stagnant economic activities became prominent as private consumption started to run out of steam and private capital investment saw no momentum, despite the employment situation remaining strong. Further, the Bank of Japan introduced an unprecedented negative interest rate policy with no positive effect yet to be seen. Uncertainty has been prevailing over Japanese economic outlook. Looking at overseas economies, the U.S. economy has been expanding with improvement of the employment situation. However, the economic growth in China has shown a marked slowdown due to sluggish demand and oversupply. Combined with falling crude oil prices, economic slowdown in China is expected to protract the downturn in the economic activities of resource-rich countries.

In the Japanese real estate and real estate finance industries, inflows of investment capital to the real estate market have been increasing. The introduction of negative interest rate policy by the Bank of Japan pushed down market interest rates significantly, which enables investors to acquire funds including bank loans at lower rates. In the meantime, J-REIT market remained brisk, attracting investors who anticipate rents and real estate prices to rise in the future.

Under these circumstances, the Nippon Commercial Development Group (hereinafter “the Group”) continued to enhance the promotion of the JINUSHI Business in the current fiscal year and completed the sale of the Shibuya Jingumae 5-chome Project, one of the prime real estate projects in Tokyo. The project made a significant contribution to the growth in sales and earnings for the current fiscal year. In addition, we continued to execute the sale of small- and medium-sized core properties including grocery supermarkets and drug stores, which enabled us to achieve record profits. As a result, sales for the current fiscal year increased 6.9% to 17,378 million yen, ordinary income up 88.3% to 5,626 million yen and profit attributable to owners of parent up 93.5% to 3,605 million yen.

For the property purchasing activities, we have expanded the targets of the high-quality properties and have purchased not only land for commercial facilities but also land for factories located in Chiba and Shizuoka prefectures as well as junior college and high school facilities in Hyogo prefecture. As we have expanded the scope of the investment target of the JINUSHI business in this manner, the balance of real estate for sale reached a record high of 22,610 million yen.

Results by business segment were as follows:

The real estate investment business segment reported sales of 17,071 million yen (up 8.7% year on year), and segment profit increased to 7,245 million yen (up 67.8% year on year).

The subleasing, leasing and fund fee business segment reported sales of 302 million yen (up 3.5% year on year), and segment profit increased to 71 million yen (up 46.1% year on year).

In the planning and brokerage business segment, sales decreased to 3 million yen (down 98.6% year on year), and segment profit decreased to 3 million yen (down 98.6% year on year).

II. Forecasts for the next fiscal year

As it has become evident that the Japanese economy is faltering due to the stronger yen and slowdown of overseas economies, business climate is likely to change for the worse. To make matters worse, the Kumamoto Earthquake that struck Japan’s island of Kyushu has disrupted the supply chain of automotive parts and other goods, putting downward pressure on Japanese economy. Looking at overseas economies, it is expected that the US economy will continue to drive the global economy, and the emerging economies are gradually restoring their economic stability. However, the economic slowdown in China with overcapacity and excess inventory is becoming evident, heightening concerns about the future of the global economy.

In the Japanese real estate and real estate finance industry, the introduction of negative interest rate policy by the Bank of Japan has significantly pushed down the market interest rates, which enables investors to acquire funds including bank loans at lower rates. It is thus expected that investment capital oversupplied by additional monetary easing will flow into the real estate market.

Under such a business environment, we have made it a Group’s policy for the next fiscal year that we will continue to increase purchases of high-quality real estates for sale in the real estate investment business with a focus on the JINUSHI Business, which is a core business of the Group. Furthermore, as we acquired 30.6% of the voting shares of New Real Property Corporation* and made it an associate accounted for under the equity method during the current fiscal year, we will take advantage of this opportunity to obtain unrealized gain by further expanding our alliance in the real estate business in Japan. We expect that such an unrealized gain will become a stepping stone to a full-scale entry into the overseas business.

*Please refer to the following web site for corporate profile of New Real Property Corporation. (*)
(*) http://www.new-rp.co.jp/

We will not announce a forecast for the first half of the fiscal year ending March 31, 2017. The reason is that we expect to complete a number of transactions during the first half of the fiscal year and the prices of these properties will have a significant effect on our performance.

(2) Analysis of Financial Position

1) Balance sheet

Current assets

Current assets at the end of the current fiscal year increased 51.3% year on year to 35,439 million yen. This increase was attributable mainly to an increase of 1,658 million yen in cash and deposits as a result of selling a prime large-scale project in Tokyo and other small- and medium-sized high-quality properties, and an increase of 9,969 million yen in real estate for sale due to accelerated purchase of properties.

Non-current assets

Non-current assets at the end of the current fiscal year increased 377.9% year on year to 3,251 million yen. This increase was mainly attributable to an increase of 2,361 million yen in investment securities as a result of acquiring the shares of New Real Property Corporation and making it an associate accounted for under the equity method.

Current liabilities

Current liabilities at the end of the current fiscal year decreased 21.8% year on year to 6,169 million yen. This decrease was mainly attributable to a decrease of 3,251 million yen in current portion of long-term loans payable as a result of accelerated repayment using the proceeds from sale of real estate for sale, which was partially offset by increases of 235 million yen in short-term loans payable and 350 million yen in current portion of guarantee deposits received due to accelerated purchase of properties.

Non-current liabilities

Non-current liabilities at the end of the current fiscal year increased 170.3% year on year to 20,820 million yen. This increase was mainly attributable to an increase of 12,958 million yen in long-term loans payable which was caused by accelerated purchase of properties.

Net assets

Net assets at the end of the current fiscal year increased 37.5% year on year to 11,700 million yen, primarily due to booking of profit attributable to owners of parent of 3,605 million yen (up 93.5% year on year). As a result, the equity ratio was 30.1%.

2) Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the current fiscal year increased 1,652 million yen from the end of the previous fiscal year to 11,968 million yen. While the inventory level of real estate for sale reached a record high as a result of accelerating purchase of high-quality properties, this increase in net cash was mainly attributable to the facts that we could obtain an adequate level of earnings as a result of selling a prime large-scale project in Tokyo and other small- and medium-sized high-quality properties, and also that we could continue to procure funds smoothly from financial institutions.

The main changes in cash flow from operating, investing, and financing activities are described as below.

Cash flows from operating activities

Net cash used in operating activities totaled 5,615 million yen, compared with net cash provided of 6,608 million yen one year earlier. The main factors was a 9,969 million yen increase in real estate for sale, which was partially offset by reporting of profit before income taxes of 5,591 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 2,316 million yen, compared with 328 million yen used one year earlier. This was mainly due to a payment of 2,027 million yen for the purchase of investment securities to acquire the shares of New Real Property Corporation and make it an associate accounted for under the equity method.

Cash flows from financing activities

Net cash provided by financing activities totaled 9,584 million yen, compared with 1,088 million yen provided one year earlier. The main factors were the proceeds of 22,990 million yen from long-term loans payable to finance the accelerated purchase of properties, which were partially offset by repayment of 13,284 million yen of long-term loans payable due to successful sale of real estate for sale.

(3) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years

Nippon Commercial Development is still in a growth phase. We believe that the best way to return earnings to shareholders is to take actions aimed at achieving more growth. Accordingly, we are retaining earnings to strengthen our financial position and fund investments to operate more efficiently and grow.

Our basic policy for dividends is to make distributions consistently while taking into consideration earnings in each fiscal year, the plans for business activities, and other factors. For the fiscal year that ended in March 31, 2016, if approved by shareholders at the 16th annual meeting, we plan to pay a year-end dividend of 45 yen per share.

We plan to pay a year-end dividend of 50 yen for the fiscal year ending in March 31, 2017. We will continue to base dividend payments on our performance in each fiscal year, plans for business activities, the amount of retained earnings and other items.

(4) Business Risks

This section includes the major items that may be risk factors concerning the Nippon Commercial Development Group’s business operations and financial condition. In addition, from the standpoint of disclosing all applicable information to investors, this section contains items that are not necessarily risk factors but may be important for investment decisions. Group companies are aware that these events may occur and are taking actions to prevent these problems and respond properly if a problem occurs. To reach a decision about an investment in Nippon Commercial Development stock, investors are asked to carefully consider the information in this section as well as other information. Note that this section is not a complete list of risk factors associated with an investment in Nippon Commercial Development stock.

Forward-looking statements in this section represent the judgments of Nippon Commercial Development at the time of this earnings announcement.

1) Business operations

a. Operating environment

The main business activity of the Nippon Commercial Development Group is the JINUSHI Business. This involves purchasing land, locating tenants, and then leasing the land to these tenants for a long term based on a commercial fixed-term land lease agreement. The tenant then constructs a building on the property and we receive leasing income. Finally, the land is sold to investors as a real estate product with a yield.

Our business operations are vulnerable to changes in economic conditions, the real estate market, interest rates and other financial factors, and other items. A change in the economy or real estate market, interest rate movements, or other components of our operating environment may affect our financial condition and results of operations.

b. Competition

Until recently, our operations involved primarily residential land with considerable value in locations with large population. These properties were mainly in large metropolitan areas and other major cities of Japan. Currently, we are targeting small to midsize properties near Tokyo and other large metropolitan areas.

Competition with large real estate developers and other companies is intense in the Tokyo area and other large metropolitan areas. If we are unable to purchase quality properties in these areas, there may be an effect on our financial condition and results of operations.

When purchasing real estate, we examine a property’s location, surroundings, geological properties, soil contamination, price, and other items. We then acquire properties at suitable terms with respect to the results of this investigation process. If we are unable to purchase real estate at the proper terms for each location, there may be an effect on our financial condition and results of operations.

c. Real estate purchases and sales

In the real estate investment business, as a rule, we purchase a property only after we sign a commercial fixed-term land lease agreement with the prospective tenants and have located an operating company, real estate fund or other organization that wants to buy the property. This reduces the risk associated with owning real estate.

In addition, we signed a basic agreement concerning the REIT business on October 3, 2014 for the purpose of helping ensure that there will be buyers for our properties. The other companies that signed this agreement are Kenedix, Inc., Sumitomo Mitsui Finance and Leasing Company Limited, and P&D Consulting Co., Ltd.

However, if we are unable to purchase land that matches the requirements for a tenant’s store or if we are unable to find a buyer for a property due to a change in the REIT business basic agreement, there may be an effect on our financial condition and results of operations.

d. Natural disasters, accidents and other events

Real estate that we own may be demolished, damaged or degraded by a fire, terrorism, riots, earthquakes, tsunamis, and other accidents or natural disasters. These events may cause a sharp decline in leasing income and require expenses for repairs. To reduce exposure to these risks as much as possible, we purchase fire and other types of insurance and take other actions. However, there may be damage or losses at a property due to an event that is not insured or damage or losses at a property due an insured event that is not entirely covered by the insurance payment. These events may have an effect on our financial condition and results of operations.

e. Soil contamination and underground objects

When purchasing real estate, we usually perform studies at the expense of the seller concerning soil contamination and underground objects at the site. The purpose of these studies is to avoid expenses associated with soil contamination and underground objects and prevent these issues from affecting the subsequent construction schedule. If there is a problem involving soil contamination or an underground object, we either decide not to purchase the property or purchase the property after the seller has paid for soil remediation, removal of the object or other necessary actions. However, there may be cases where these studies are unable to discover soil contamination or underground objects or that this contamination or the objects are not completely removed prior to the purchase. As a result, if soil contamination or an underground object is discovered after we acquire a property, the schedule for that property may need to be revised and there may be additional expenses or other problems. These events may have an effect on our financial condition and results of operations.

2) Results of operations and financial condition

a. Changes in results of operations

The Nippon Commercial Development Group started full-scale operations in the real estate investment business in the fiscal year that ended in March 2004. Due to the nature of this business, there may be significant differences in results of operations from year to year. One reason is the large purchase and sales prices of properties. There is also a possibility of a change in the timing of recognizing a sale for accounting purposes because of the long time needed for regulatory permits and construction for a tenant's store, a revision in the timetable for the sale, or for other reasons. Consequently, our past performance and financial condition alone are insufficient for reaching decisions about our future performance.

The following table is a summary of our financial highlights for the past several years.

(Thousands of yen)

Term		12th period (consolidated)	13th period (consolidated)	14th period (consolidated)	15th period (consolidated)	16th period (consolidated)
Fiscal year ended		March 2012	March 2013	March 2014	March 2015	March 2016
Total net sales		9,973,948	6,572,586	10,828,795	16,252,341	17,378,474
	Real Estate Investment Business	9,362,101	6,030,852	10,277,344	15,707,493	17,071,948
	Subleasing, Leasing and Fund Fee Business	314,364	321,035	310,978	292,688	302,970
	Planning and Brokerage Business	297,482	220,699	240,472	252,160	3,555
Operating income		746,484	530,869	1,440,526	3,547,561	5,955,542
Ordinary income		728,321	462,230	973,302	2,987,232	5,626,256
Profit attributable to owners of parent		393,700	317,920	666,706	1,863,804	3,605,646
Net assets		1,247,444	1,518,832	2,232,272	8,510,620	11,700,670
Total assets		2,917,818	6,705,844	20,489,188	24,104,169	38,690,561

Notes: 1. Sales do not include consumption tax.
2. Business segments were changed in the fiscal year that ended in March 2013. In prior years, the business segments were the Real Estate Solutions Business, Developer and Agent Business, and Other Businesses. The current business segments are the Real Estate Investment Business, Subleasing, Leasing and Fund Fee Business, and Planning and Brokerage Business. Data for prior years have been revised to match the current business segments.

b. Vulnerability of performance to transaction closing risk

When we sell real estate, the proceeds are recognized as sales when ownership is transferred rather than when the sales contract is signed. As a result, if the transfer of ownership is delayed to after the end of a fiscal year, there may be an effect on our financial condition and results of operations in individual fiscal years.

c. Reliance on debt

We use loans from financial institutions to fund real estate purchases. The amount of our debt is shown in the table below. In the fiscal year that ended in March 2012, debt decreased as proceeds from sales of real estate for sale were used for loan repayments. Subsequently, debt has been increasing and we believe that debt will continue to increase as we focus on business activities centered on our strategy of concentrating on the JINUSHI Business. Consequently, if there is a change in interest rates or some other aspect of the financial environment, there may be an effect on our financial condition and results of operations.

We try ensure not using a specific financial institution in financing. However, if there is difficulty in obtaining loans for some reasons, this may cause problems in acquiring and developing real estates or other activities, and there may be an effect on our financial condition and results of operations.

(Thousands of yen)

Term	12th period (consolidated)	13th period (consolidated)	14th period (consolidated)	15th period (consolidated)	16th period (consolidated)
Fiscal year ended	March 2012	March 2013	March 2014	March 2015	March 2016
Interest-bearing debt	1,176,830	4,197,309	16,834,906	13,529,661	23,464,872
Total assets	2,917,818	6,705,844	20,489,188	24,104,169	38,690,561
Dependence on interest-bearing debt (%)	40.33	62.59	82.16	56.13	60.65

Note: Debt is the sum of short-term loans, long-term loans (including the current portion), and lease obligations.

d. Possibility of real estate valuation gains and losses

In the fiscal year that ended in March 31, 2016, due to the faster pace of real estate purchases to support future business activities, we expect that real estate for sale will remain a large share of total assets. Furthermore, we believe that real estate for sale will continue to increase in association with the growth of the JINUSHI Business.

We are using our accomplishments, experience, and other know-how involving the real estate investment business to minimize exposure to risks associated with the ownership of real estate. However, there is a long holding period between the times that we buy and sell a property. If the price or other characteristic of a property changes during the holding period, there may be an effect on our financial condition or results of operations.

At the time of this earnings announcement, we believe there is only a minimal possibility of an asset impairment charge that would significantly affect results of operations. However, if an economic downturn or other future event requires an asset impairment charge, there may be an effect on our financial condition or results of operations.

3) Laws and regulations

a. Laws and regulations

Our business operations must comply with a large number and variety of laws and regulations. Examples include, but are not limited to, the Building Lots and Buildings Transaction Business Act, the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment (the Large-Scale Store Act), the City Planning Act, the National Land Use Planning Act, and the Building Standards Act. We perform our business activities in compliance with all applicable laws and regulations. However, if a law or regulation is revised or new laws or regulations are established, there may be an effect on our financial condition and results of operations.

We have the following permits, licenses and registrations in association with our major business activities. We have a commitment to operating in a manner that is in compliance with the requirements of these permits, licenses and registrations. At this time, we are aware of no reasons for the termination of these permits, licenses and registrations. However, a future violation of a law or regulation or similar event may result in the termination of a permit, license or registration. If this happens, the resulting disruption in our business activities may have an effect on our financial condition and results of operations.

Major permits and licenses	Validity	Law or regulation	Provisions for cancelation
Real estate transaction business license Minister of Land, Infrastructure, Transport and Tourism Certificate (2) No. 7373	Nov. 16, 2011 – Nov. 15, 2016	Building Lots and Buildings Transaction Business Act,	Article 66 (License Termination) and Article 67/67-2 (Permit Termination) of the Building Lots and Buildings Transaction Business Act
Type II financial instruments business* Director of Kinki Local Financial Bureau (Kin-sho) No. 184	-	Financial Instruments and Exchange Act	Article 52 (Disposition Rendered to a Financial Instruments Business Operator for the Purpose of Supervision) of the Financial Instruments and Exchange Act
First-class registered architect Governor of Tokyo No. 56464	Aug. 1, 2015 – Jul. 31, 2020	Act on Architects and Building Engineers	Article 26 (Disciplinary Actions) of the Act on Architects and Building Engineers

* Equivalent to the trust beneficiary right sales business and the investment advisory and agency business prior to enactment of the Financial Instruments and Exchange Act

b. Time and restrictions for developing large-scale stores

The development of large-scale stores is a lengthy process with many steps. Development requires selecting a site, negotiations with landowners, legal procedures, locating tenants, signing a land lease, constructing the store, and leasing the building. In addition, if the store has a sales area of more than 1,000 square meters, the project must comply with the Large-Scale Store Act. Compliance may result in restrictions that require more time for completing the project. For example, there may be guidance and notices involving the development plan in order to preserve a pleasant living environment for nearby residents. As a result, depending on the size of the store development project, a long time may be needed to complete procedures or there may be restrictions due to the Large-Scale Store Act or other laws and regulations. These events may affect our financial condition and results of operations.

c. Amendments to the City Planning Act

The Act to Partially Amend the City Planning Act for Creating Orderly Cities was promulgated on May 31, 2006. As a result, amendments were made to the ordinance for enforcement of the City Planning Act and the changes involving development permits became effective on November 30, 2007.

The amended law reduced construction permits for retail facilities with a floor area of more than 10,000 square meters from six land-use categories to, in principle, only three. Our policy is to develop primarily stores that are smaller than 10,000 square meters and projects other than retail facilities. However, the enactment of this law may affect our results of operations.

d. The amended Soil Contamination Countermeasures Act

The Act to Partially Amend the Soil Contamination Countermeasures Act became effective on April 1, 2010. This made a number of regulations stricter. For example, when notice of a revision in the characteristics of a site of at least 3,000 square meters is submitted, the revision is denied in principle when the prefectural governor states that there is a possibility of soil contamination and the site has soil contamination exceeding a specified standard.

When purchasing land that exceeds a certain area, we will continue to use the risk countermeasures explained in “1) Business operations e. Soil contamination and underground objects” in this section. However, soil contamination or some other problem may be discovered that was not found by the previous investigation. If a revision of the site characteristics is prohibited as a result, changes in the development schedule, additional expenses and other issues may have an effect on our financial condition and results of operations.

4) Organization

a. Reliance on a specific individual

Tetsuya Matsuoka, the president and representative director of Nippon Commercial Development, has been the company’s chief executive officer since its establishment. Mr. Matsuoka plays an extremely important role in the determination and implementation of management policies and business strategies. We are making progress with measures to establish a management framework without an excessive dependence on Mr. Matsuoka. For example, authority is transferred to others in an appropriate manner and councils are used for making decisions. However, if for some reason Mr. Matsuoka is no longer able to be involved in the management of the Nippon Commercial Development Group, there may be an effect on our ability to conduct business operations.

b. Small size of the organization

The Nippon Commercial Development Group has a small size of the organization with 42 directors and employees at the time of this earnings announcement. In addition, the internal administration framework matches the size of this organization.

We will continue to recruit people as the scale of our business operations grows. We will also strengthen and upgrade the internal administration framework. However, if our recruiting activities or the establishment of this framework do not keep up with the growth of our operations, there may be an effect on our ability to conduct business operations.

c. Recruiting activities

The real estate investment business, which is our primary activity, requires people with the expertise and experience for the complex coordination of real estate rights, measures to meet the needs of nearby businesses and residents, and other tasks. We use the knowledge that has been accumulated in our organization for programs to enhance the skills of employees. In addition, we hire skilled professionals from other organizations. All these activities are aimed at conducting our business operations more efficiently. If we are unable to recruit and train people as planned or if current executives or employees leave, there may be an effect on our ability to conduct business operations.

5) Other risks

a. Current or potential significant litigation

There are no lawsuits against the Nippon Commercial Development Group at this time. However, there is a possibility in the future of litigation or demands resulting from a defect in a property we sold, a complaint about the condition of a property that we manage, or some other issue. Depending on the nature of the litigation or demands and the outcome, there may be an effect on our financial condition and results of operations.

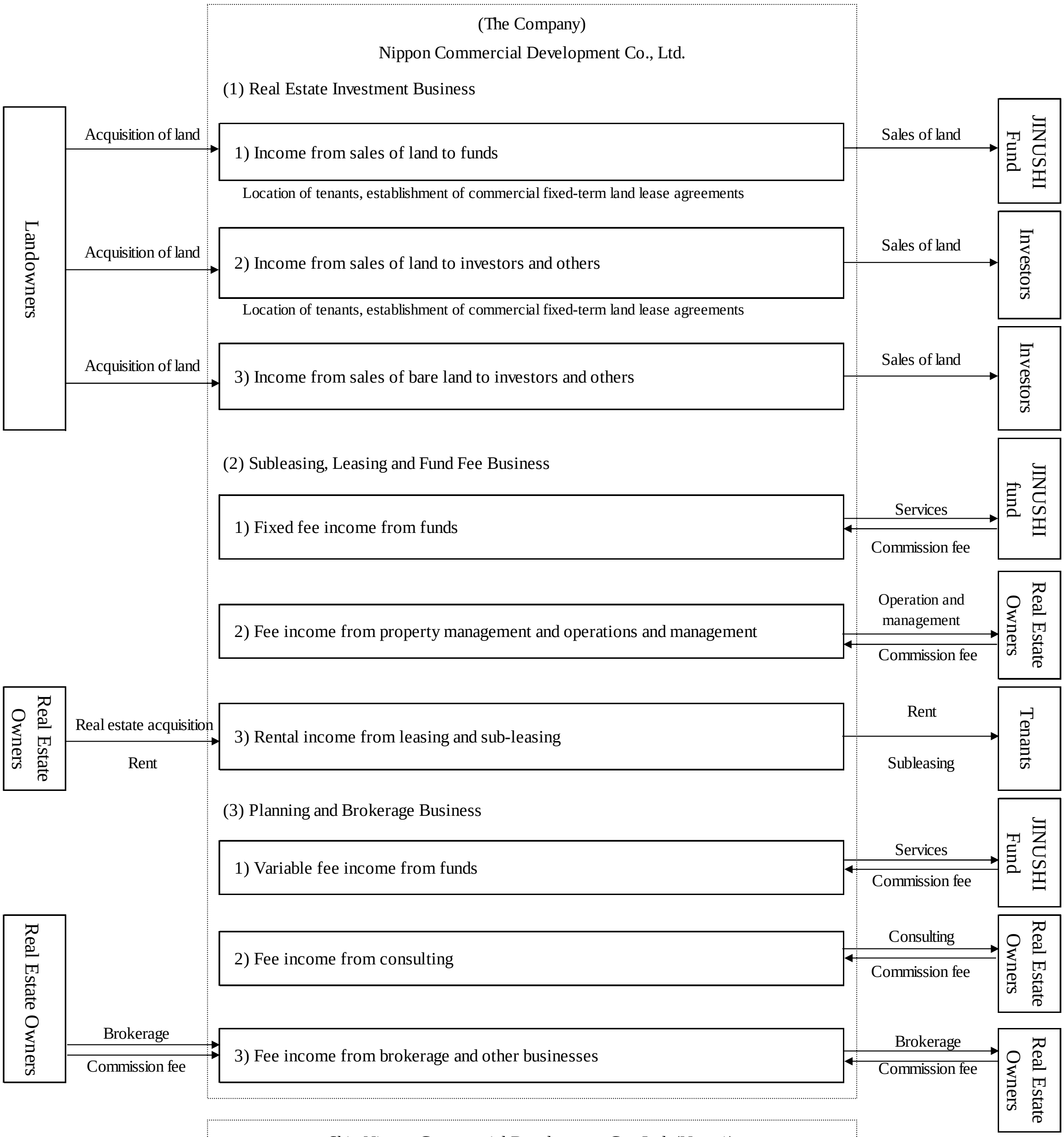
b. Stock options

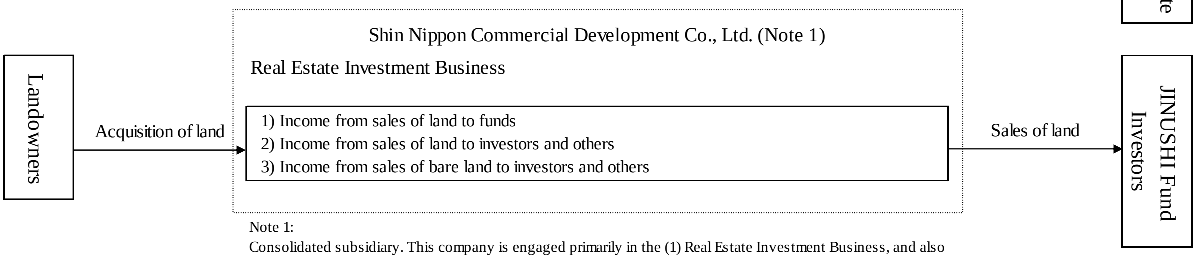
In accordance with Articles 236, 238, and 240 of the Companies Act, directors, corporate auditors, and employees of group companies were allowed to purchase stock options on November 26, 2013 based on resolutions approved by the Board of Directors on November 11 and 21, 2013 and on August 29, 2014 based on resolutions approved by the Board of Directors on August 14 and 25, 2014. At the time of this earnings announcement, 810,000 shares of stock would be issued if all these stock options were exercised. This is equivalent to 4.64% of the current 17,475,659 shares issued, excluding treasury shares. Consequently, the exercise of these stock options may dilute the value of each share. We are considering the issuance of more stock options in order to recruit skilled individuals and for other purposes. The exercise of stock options, including stock options that may be issued in the future, may dilute the value of each share of Nippon Commercial Development stock.

Accounting Standards Board of Japan (ASBJ) Statement No. 8 Accounting Standard for Share-based Payment of December 27, 2005 requires the recognition of expenses associated with stock options. As a result, the issuance of stock options may have an effect on our financial position and results of operations.

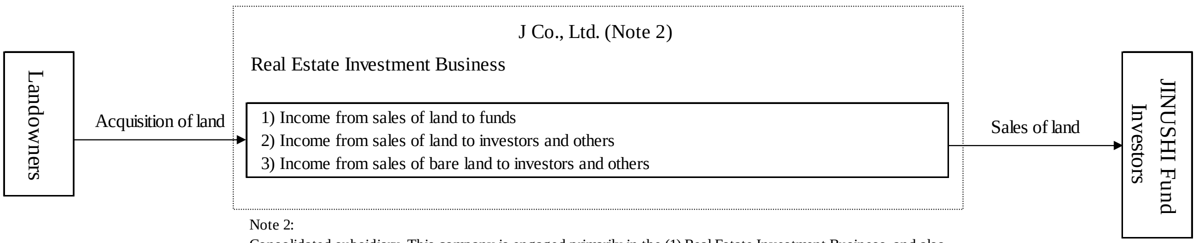
2. Corporate Group

[Business flowchart]





Note 1:
Consolidated subsidiary. This company is engaged primarily in the (1) Real Estate Investment Business, and also operates the (2) Subleasing, Leasing and Fund Fee Business, and (3) Planning and Brokerage Business.



Note 2:
Consolidated subsidiary. This company is engaged primarily in the (1) Real Estate Investment Business, and also operates the (2) Subleasing, Leasing and Fund Fee Business, and (3) Planning and Brokerage Business.

(*) New Real Property Corporation, an entity accounted for under the equity method, is mainly engaged in the real estate business and overseas PFI business.

3. Management Policies

(1) Basic Management Policy

The philosophy of the Nippon Commercial Development Group is “making investments properly.” Proper investments are achieved by making investments that are safe.

Based on this philosophy, we use a business model in which we supply safe real estate investment products that reduce risk for investors and produce a steady, long-term income stream. We call this the JINUSHI Business.

We are dedicated to using the JINUSHI Business to provide benefits to shareholders, investors, owners of assets (including developers), and the communities where we operate.

(2) Performance Targets

The current goal of the Nippon Commercial Development Group is to become a highly profitable organization with operations centered on customers. Consequently, we conduct business operations with emphasis on the gross profit margin, ordinary income margin, and return on equity (ROE), which are all indicators of efficiency.

(3) Medium to Long-Term Management Strategy

The JINUSHI Business is the primary source of growth for the Nippon Commercial Development Group. This is based on our fundamental strategy of buying and renting land to supply investors with safe real estate investment products that produce consistent long-term income streams with low risk. The real estate investment business for achieving these safe real estate investments is our core business. We also have a subleasing business and other activities for generating steady income. In addition, we earn substantial fees from consulting and other activities. Overall, we anticipate steady growth for our business operations.

(4) Challenges

As it has become evident that the Japanese economy is faltering due to the stronger yen and slowdown of overseas economies, business climate is likely to change for the worse. To make matters worse, the Kumamoto Earthquake that struck Japan’s island of Kyushu has disrupted the supply chain of automotive parts and other goods, putting downward pressure on Japanese economy. Looking at overseas, it is expected that the US economy will continue to drive the global economy, and the emerging economies are gradually restoring their economic stability. However, the economic slowdown in China with overcapacity and excess inventory is becoming evident, heightening concerns about the future of the global economy.

In the Japanese real estate and real estate finance industry, the introduction of negative interest rate policy by the Bank of Japan has significantly pushed down the market interest rates, which enables investors to acquire funds including bank loans at lower rates. It is thus expected that investment capital supplied by additional monetary easing will flow into the real estate market.

Under such a business environment, we have made it a Group’s policy for the next fiscal year that we will continue to increase purchases of high-quality real estates for sale in the real estate investment business with a focus on the JINUSHI Business, which is a core business of the Group. Furthermore, as we acquired 30.6% of the voting shares of New Real Property Corporation* and made it an associate accounted for under the equity method during the current fiscal year, we will take advantage of this opportunity to obtain unrealized gain by further expanding our alliance in the real estate business in Japan. We expect that such an unrealized gain will become a stepping stone to a full-scale entry into the overseas business.

*Please refer to the following web site for corporate profile of New Real Property Corporation.
(http://www.new-rp.co.jp/)

4. Basic Approach to the Selection of Accounting Standards

The Nippon Commercial Development Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being to permit comparisons with the financial data of other companies in Japan.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Assets		
Current assets		
Cash and deposits	10,404,331	12,062,588
Operating accounts receivable	531	4,799
Real estate for sale	*1 12,640,797	*1 22,610,077
Advance payments-trade	207,337	377,573
Prepaid expenses	81,189	159,513
Deferred tax assets	87,145	193,072
Other	2,443	31,481
Total current assets	23,423,776	35,439,106
Non-current assets		
Property, plant and equipment		
Buildings, net	17,534	83,604
Tools, furniture and fixtures, net	5,710	21,032
Land	3,758	3,758
Leased assets, net	32,413	26,903
Total property, plant and equipment	*2 59,416	*2 135,297
Intangible assets		
Trademark right	1,055	880
Other	106	6,857
Total intangible assets	1,161	7,737
Investments and other assets		
Investment securities	307,837	2,669,789
Investments in capital	4,461	5,161
Lease and guarantee deposits	179,327	248,087
Long-term prepaid expenses	77,880	116,360
Other	50,934	69,320
Allowance for doubtful accounts	(625)	(300)
Total investments and other assets	619,815	3,108,419
Total non-current assets	680,393	3,251,454
Total assets	24,104,169	38,690,561

(Thousands of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Liabilities		
Current liabilities		
Operating accounts payable	32,572	49,446
Short-term loans payable	191,000	426,000
Current portion of long-term loans payable	*1 5,791,518	*1 2,539,653
Accounts payable-other	182,807	81,257
Accrued expenses	8,273	6,672
Lease obligations	9,707	13,575
Income taxes payable	1,041,841	2,043,747
Accrued consumption taxes	16,305	1,724
Deposits received	28,362	25,156
Unearned revenue	45,881	79,825
Current portion of guarantee deposits received	542,387	892,687
Other	-	10,000
Total current liabilities	7,890,657	6,169,747
Non-current liabilities		
Long-term loans payable	*1 7,512,568	*1 20,470,581
Lease obligations	24,867	15,061
Deferred tax liabilities	-	155,945
Long-term lease and guarantee deposited	165,455	178,555
Total non-current liabilities	7,702,891	20,820,143
Total liabilities	15,593,548	26,989,890
Net assets		
Shareholders’ equity		
Capital stock	2,524,080	2,619,000
Capital surplus	2,502,525	2,597,445
Retained earnings	3,383,907	6,481,610
Treasury shares	(79)	(79)
Total shareholders’ equity	8,410,432	11,697,976
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(5,154)	(32,280)
Foreign currency translation adjustment	-	(39,038)
Total accumulated other comprehensive income	(5,154)	(71,319)
Subscription rights to shares	18,900	18,720
Non-controlling interests	86,442	55,293
Total net assets	8,510,620	11,700,670
Total liabilities and net assets	24,104,169	38,690,561

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Net sales	16,252,341	17,378,474
Cost of sales	11,599,198	9,951,153
Gross profit	4,653,143	7,427,320
Selling, general and administrative expenses	*1 1,105,581	*1 1,471,778
Operating income	3,547,561	5,955,542
Non-operating income		
Interest income	349	244
Dividend income	234	381
Interest on securities	881	6,599
Gain on investments in partnership	307	-
Share of profit of entities accounted for using equity method	-	154,366
Other	272	622
Total non-operating income	2,045	162,214
Non-operating expenses		
Interest expenses	262,331	293,011
Financing expenses	236,371	183,487
Other	63,671	15,001
Total non-operating expenses	562,374	491,500
Ordinary income	2,987,232	5,626,256
Extraordinary income		
Gain on cancellation of leases	492	-
Gain on reversal of subscription rights to shares	166	-
Total extraordinary income	658	-
Extraordinary losses		
Loss on cancellation of interest rate swaps	15,232	-
Loss on cancellation of leases	130	-
Loss on retirement of non-current assets	-	*2 5,369
Office transfer expenses	-	29,433
Total extraordinary losses	15,363	34,803
Profit before income taxes	2,972,527	5,591,452
Income taxes-current	1,131,217	2,094,882
Income taxes-deferred	(52,909)	(105,927)
Total income taxes	1,078,307	1,988,954
Profit	1,894,219	3,602,497
Profit (loss) attributable to non-controlling interests	30,415	(3,149)
Profit attributable to owners of parent	1,863,804	3,605,646

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Profit	1,894,219	3,602,497
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,868)	(10,217)
Share of other comprehensive income of entities accounted for using equity method	-	(55,946)
Total other comprehensive income	* (7,868)	* (66,164)
Comprehensive income	1,886,351	3,536,333
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,855,936	3,539,482
Comprehensive income attributable to non-controlling interests	30,415	(3,149)

(3) Consolidated Statement of Changes in Equity

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	249,780	228,225	1,685,931	(79)	2,163,856
Changes of items during period					
Issuance of new shares	2,274,300	2,274,300			4,548,600
Dividends of surplus			(165,828)		(165,828)
Profit attributable to owners of parent			1,863,804		1,863,804
Net changes of items other than shareholders' equity					
Total changes of items during period	2,274,300	2,274,300	1,697,976	-	6,246,576
Balance at end of current period	2,524,080	2,502,525	3,383,907	(79)	8,410,432

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	2,713	-	2,713	225	65,477	2,232,272
Changes of items during period						
Issuance of new shares						4,548,600
Dividends of surplus						(165,828)
Profit attributable to owners of parent						1,863,804
Net changes of items other than shareholders' equity	(7,868)	-	(7,868)	18,675	20,965	31,772
Total changes of items during period	(7,868)	-	(7,868)	18,675	20,965	6,278,348
Balance at end of current period	(5,154)	-	(5,154)	18,900	86,442	8,510,620

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,524,080	2,502,525	3,383,907	(79)	8,410,432
Changes of items during period					
Issuance of new shares	94,920	94,920			189,840
Dividends of surplus			(507,943)		(507,943)
Profit attributable to owners of parent			3,605,646		3,605,646
Net changes of items other than shareholders' equity					
Total changes of items during period	94,920	94,920	3,097,703	-	3,287,543
Balance at end of current period	2,619,000	2,597,445	6,481,610	(79)	11,697,976

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	(5,154)	-	(5,154)	18,900	86,442	8,510,620
Changes of items during period						
Issuance of new shares						189,840
Dividends of surplus						(507,943)
Profit attributable to owners of parent						3,605,646
Net changes of items other than shareholders' equity	(27,125)	(39,038)	(66,164)	(180)	(31,149)	(97,493)
Total changes of items during period	(27,125)	(39,038)	(66,164)	(180)	(31,149)	3,190,049
Balance at end of current period	(32,280)	(39,038)	(71,319)	18,720	55,293	11,700,670

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Cash flows from operating activities		
Profit before income taxes	2,972,527	5,591,452
Depreciation	16,343	15,999
Loss on retirement of non-current assets	-	5,369
Office transfer expenses	-	29,433
Increase (decrease) in allowance for doubtful accounts	-	(325)
Interest income	(349)	(244)
Dividend income	(234)	(381)
Interest income on securities	(881)	(6,599)
Loss (gain) on investments in partnership	(307)	-
Share of (profit) loss of entities accounted for using equity method	-	(154,366)
Interest expenses	262,331	293,011
Non-deductible consumption taxes	64,562	104,376
Decrease (increase) in notes and accounts receivable-trade	7,701	(4,267)
Decrease (increase) in inventories	4,041,355	(9,969,280)
Increase (decrease) in notes and accounts payable-trade	7,682	16,873
Decrease (increase) in advance payments	(33,137)	(170,236)
Decrease (increase) in prepaid expenses	122,121	(72,082)
Increase (decrease) in accrued expenses	4,655	(1,938)
Increase (decrease) in accounts payable-other	159,827	(103,722)
Increase (decrease) in accrued consumption taxes	9,421	(14,580)
Increase (decrease) in deposits received	17,770	(3,206)
Increase (decrease) in unearned revenue	14,637	33,944
Increase (decrease) in lease and guarantee deposits received	(327,762)	363,399
Other, net	(71,260)	(153,115)
Subtotal	7,267,005	(4,200,485)
Interest and dividend income received	580	9,589
Interest expenses paid	(264,652)	(297,850)
Income taxes paid	(394,824)	(1,126,955)
Net cash provided by (used in) operating activities	6,608,107	(5,615,702)
Cash flows from investing activities		
Decrease (increase) in time deposits	(11,501)	(5,518)
Purchase of property, plant and equipment	(1,432)	(91,770)
Purchase of investment securities	(311,253)	(2,027,959)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(103,657)
Payments for lease and guarantee deposits	(936)	(77,359)
Proceeds from redemption of investment securities	10,000	-
Proceeds from distribution of investment in partnerships	307	-
Other, net	(13,971)	(10,156)
Net cash provided by (used in) investing activities	(328,787)	(2,316,423)

(Thousands of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Cash flows from financing activities		
Proceeds from issuance of common shares	4,548,600	189,660
Net increase (decrease) in short-term loans payable	(809,000)	235,000
Proceeds from long-term loans payable	9,083,000	22,990,610
Repayments of long-term loans payable	(11,564,886)	(13,284,462)
Repayments of lease obligations	(12,862)	(10,901)
Cash dividends paid	(165,818)	(507,042)
Dividends paid to non-controlling interests	(9,450)	(28,000)
Other, net	18,841	-
Net cash provided by (used in) financing activities	1,088,423	9,584,863
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	7,367,744	1,652,737
Cash and cash equivalents at beginning of period	2,947,560	10,315,304
Cash and cash equivalents at end of period	* 10,315,304	* 11,968,041

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Accounting Policies for the Preparation of Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiary: 5

Names of consolidated subsidiary: Shin Nippon Commercial Development Co., Ltd.
J Co., Ltd.
Ichigaya Investment Limited Liability Company
Marunouchi Land Development Limited Liability Company
Jingumae Capital Limited Liability Company

During the fiscal year ended March 31, 2016, Ichigaya Investment Limited Liability Company, Marunouchi Land Development Limited Liability Company, and Jingumae Capital Limited Liability Company were included in the scope of consolidation as we acquired 100% equity interests of these companies.

2. Application of equity method

Number of equity method associate: 1

Name of equity method associate: New Real Property Corporation

From the fiscal year ended March 31, 2016, we included New Real Property Corporation in the scope of application of the equity method in conjunction with the consolidation of the three limited liability companies above.

3. Period end of consolidated subsidiary

The subsidiary whose closing date is different from that of the consolidated financial statements is as follows.

Name of the Subsidiary	Closing date
Ichigaya Investment Limited Liability Company	May 31*

(*) We provisionally close the accounts of the above subsidiary as of the consolidated balance sheet date in accordance with the procedures equivalent to the official closing in order to use such accounts as a basis for consolidation.

4. Significant accounting standards

(1) Valuation criteria and methods for significant assets

1) Securities

Available-for-sale securities

- Securities with market quotations

Valued at the market price, using a market value at the end of the fiscal year, differences in valuation to be included in net assets, and cost of securities sold being determined by the moving average method.

For securities with market quotations where the difference between the acquisition cost and bond value is caused by interest rate adjustments, cost is determined by the amortized cost method.

- Securities without market quotations

Moving average cost method.

2) Inventories

Real estate for sale

Stated at cost, cost being determined by the specific-identification method. (The carrying value on the balance sheet is written down to reflect declines in profitability).

(2) Depreciation and amortization method for principal depreciable assets

1) Property, plant and equipment (excluding lease assets)

Declining-balance method except for buildings (excluding attached structures), which are accounted for by the straight-line method. The useful lives of property, plant and equipment are summarized as follows:

Buildings	8 to 18 years
Tools, furniture and fixtures	5 to 20 years

2) Intangible assets (excluding lease assets)

Straight-line method.

Software for internal use is amortized over an expected useful life of five years by the straight-line method.

3) Lease assets

Lease assets associated with finance lease transactions where there is no transfer of ownership

The straight-line method with no residual value is applied over the lease period used as the useful life of the assets.

4) Long-term prepaid expenses

Straight-line method.

Land leasing rights are amortized in equal installments over the lease period.

(3) Accounting for significant allowance

Allowance for doubtful accounts

To prepare for credit losses on receivables, an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on the historical write-off ratio, and bad receivables based on a case-by-case determination of collectibility.

(4) Cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand and bank deposits which can be withdrawn at any time and short-term investments with the duration of three months or less which can be easily converted to cash and are exposed to little risk of change in value.

(5) Other significant items

1) Accounting for consumption taxes

The tax exclusion method is used and non-deductible and local consumption taxes are accounted for as expenses in the current fiscal year. However, non-deductible consumption taxes are associated with assets other than inventories are included in “Other” under investments and other assets as long-term prepaid consumption taxes and amortized in equal installments over five years.

2) Accounting for deferred assets

Share issuance cost

Charged to expenses as incurred.

Changes in Accounting Policies

Application of the Accounting Standard for Business Combinations, etc.

The Company has applied the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013, hereinafter “Business Combination Standard”), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013, hereinafter “Consolidated Financial Statements Standard”), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013, hereinafter “Business Divestitures Standard”), etc. from the current fiscal year. Accordingly, difference arising from changes in the Company’s ownership interests in subsidiaries in cases where control is retained is recognized in capital surplus, and the acquisition costs in connection with business combinations are recognized as expenses in the fiscal year in which they arise. Regarding business combinations that take place on or after the beginning of the current fiscal year, the Company has revised the method to reflect reviewed allocation of the acquisition costs arising from determination of the provisional accounting treatment on the quarterly consolidated financial statements to which the date of the business combination belongs. In addition, the presentation of profit for the current period and other items has been revised, and the minority interests item has been renamed non-controlling interests. For consistency with these changes, the consolidated financial statements for the previous fiscal year have been revised.

The Company has adopted these business combination standards, etc. prospectively from the beginning of the current fiscal year, in accordance with the transitional accounting treatments set forth in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

The application of these standards does not have a material effect on the consolidated financial statements.

Reclassifications

Consolidated statement of cash flows

“Purchase of property, plant, and equipment,” included in the “Other” under the “Cash flows from investing activities” in the previous fiscal year, is reclassified and presented as a separate line item in the current fiscal year due to an increase in its monetary materiality. The consolidated financial statements for the prior-period are reclassified to conform to the current-period presentation.

Accordingly, the minus 15,403 thousand yen presented in the “Other” under the “Cash flows from investing activities” in the previous fiscal year’s consolidated statement of cash flows has been reclassified into the minus1,432 thousand yen as “Purchase of property, plant, and equipment” and the minus 13,971 thousand yen as “Other.”

Notes to Consolidated Balance Sheet

*1. Assets pledged as collateral and liabilities with collateral

(1) Assets pledged as collateral

(Thousands of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Real estate for sale	12,640,797	22,561,268

(2) Liabilities with collateral

(Thousands of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Current portion of long-term loans payable	5,651,838	2,399,973
Long-term loans payable	7,078,868	20,176,561

*2. Accumulated depreciation on property, plant and equipment

(Thousands of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
	70,659	69,293

3. Commitment line agreements

FY3/15 (As of Mar. 31, 2015)

For the flexibility and reliability of fund procurement, the Nippon Commercial Development Group has a commitment line agreement with a financial institution and credit line agreements with three financial institutions.

The balance of credit available under the commitment line agreement and the credit line agreements as of the end of the fiscal year is as follows.

(1) Commitment line agreement (Thousands of yen)

	FY3/15 (As of Mar. 31, 2015)
Total amount of loan commitment	400,000
Credit used	-
Credit available	400,000

(2) Credit line agreements (Thousands of yen)

	FY3/15 (As of Mar. 31, 2015)
Total amount of credit line	20,000,000
Credit used	-
Credit available	20,000,000

FY3/16 (As of Mar. 31, 2016)

For the flexibility and reliability of fund procurement, the Nippon Commercial Development Group has commitment line agreements with three financial institution and credit line agreements with six financial institutions.

The balance of credit available under the commitment line agreement and the credit line agreements as of the end of the fiscal year is as follows.

(1) Commitment line agreements (Thousands of yen)

	FY3/16 (As of Mar. 31, 2016)
Total amount of loan commitment	4,400,000
Credit used	1,050,000
Credit available	3,350,000

(2) Credit line agreement (Thousands of yen)

	FY3/16 (As of Mar. 31, 2016)
Total amount of credit line	21,100,000
Credit used	3,741,133
Credit available	17,358,867

Notes to Consolidated Statement of Income

*1. Major items of selling, general and administrative expenses

(Thousands of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Directors' compensations	265,290	420,939
Salaries and allowances	193,162	218,448
Depreciation	16,343	15,999

*2. Breakdown of loss on retirement of non-current assets

(Thousands of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Buildings	-	3,889
Tools, furniture and fixtures	-	1,480
Total	-	5,369

Notes to Consolidated Statement of Comprehensive Income

* Reclassification adjustments and tax effect with respect to other comprehensive income

(Thousands of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Valuation difference on available-for-sale securities		
Amount incurred during the year	(13,375)	(18,974)
Reclassification adjustments	1,469	4,434
Before tax effect adjustments	(11,906)	(14,539)
Tax effect	4,038	4,322
Valuation difference on available-for-sale securities	(7,868)	(10,217)
Share of other comprehensive income of entities accounted for using equity method	-	(55,946)
Total other comprehensive income	(7,868)	(66,164)

Notes to Consolidated Statements of Changes in Equity

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

1. Type of stock, number of issued and outstanding shares and treasury shares (Shares)

	Number of shares as of Apr. 1, 2014	Increase	Decrease	Number of shares as of Mar. 31, 2015
Issued shares				
Common stock (Note 1)	4,738,000	12,193,600	-	16,931,600
Total	4,738,000	12,193,600	-	16,931,600
Treasury shares				
Common stock (Note 2)	47	94	-	141
Total	47	94	-	141

Notes: 1. The increase in the number of issued and outstanding shares of common stock (12,193,600 shares) is due to the public offering (2,000,000 shares), stock split (9,476,000 shares), and exercise of subscription rights to shares (717,600 shares).

2. The increase in the number of treasury shares of common stock (94 shares) is due to the stock split.

2. Items related to subscription rights to shares and treasury subscription rights to shares

Item	Subscription rights to shares (itemized)	Type of shares under subscription rights to shares	Number of shares under subscription rights to shares (Shares)				Balance as of Mar. 31, 2015 (Thousands of yen)
			As of Apr. 1, 2014	Increase	Decrease	As of Mar. 31, 2015	
Reporting company	Subscription rights to shares by way of stock options	-	-	-	-	-	18,900
Total		-	-	-	-	-	18,900

Note: Regarding the above subscription rights to shares as stock options, the exercisable period of rights has not yet arrived.

3. Dividends

(1) Dividend payment

Resolution	Type of stock	Total dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
Annual shareholders' meeting on June 26, 2014	Common stock	165,828	35	Mar. 31, 2014	Jun. 27, 2014

Note: The Company conducted a 3-for-1 stock split on September 1, 2014 under the August 11, 2014 Board of Directors' resolution. The year-end dividend for the fiscal year ended March 31, 2014 is based on the number of shares before the split. After adjusting for this split, the year-end dividend for the fiscal year ended March 31, 2014 was 11.67 yen.

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of stock	Total dividends (Thousands of yen)	Source of funds	Dividend per share (Yen)	Record date	Effective date
Annual shareholders' meeting on Jun. 25, 2015	Common stock	507,943	Retained earnings	30	Mar. 31, 2015	Jun. 26, 2015

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

1. Type of stock, number of issued and outstanding shares and treasury shares (Shares)

	Number of shares as of Apr. 1, 2015	Increase	Decrease	Number of shares as of Mar. 31, 2016
Issued shares				
Common stock (Note)	16,931,600	544,200	-	17,475,800
Total	16,931,600	544,200	-	17,475,800
Treasury shares				
Common stock	141	-	-	141
Total	141	-	-	141

Note: The increase in the number of issued and outstanding shares of common stock (544,200 shares) is due to the exercise of subscription rights to shares.

2. Items related to subscription rights to shares and treasury subscription rights to shares

Item	Subscription rights to shares (itemized)	Type of shares under subscription rights to shares	Number of shares under subscription rights to shares (Shares)				Balance as of Mar. 31, 2016 (Thousands of yen)
			As of Apr. 1, 2015	Increase	Decrease	As of Mar. 31, 2016	
Reporting company	Subscription rights to shares by way of stock options	-	-	-	-	-	18,720
Total		-	-	-	-	-	18,720

3. Dividends

(1) Dividend payment

Resolution	Type of stock	Total dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
Annual shareholders' meeting on June 25, 2015	Common stock	507,943	30	Mar. 31, 2015	Jun. 26, 2015

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of stock	Total dividends (Thousands of yen)	Source of funds	Dividend per share (Yen)	Record date	Effective date
Annual shareholders' meeting on Jun. 28, 2016	Common stock	786,404	Retained earnings	45	Mar. 31, 2016	Jun. 29, 2016

Notes to Consolidated Statement of Cash Flows

* Reconciliation between the cash and cash equivalents at end of the period and the amount booked in the consolidated balance sheet

(Thousands of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Cash and deposits	10,404,331	12,062,588
Long-term deposits under "Others" in "Investments and other assets"	30,000	30,000
Time deposits with maturities longer than three months	(119,027)	(124,546)
Cash and cash equivalents	10,315,304	11,968,041

Deferred Tax Accounting

1. Significant components of deferred tax assets and liabilities

(Thousands of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Deferred tax assets (current)		
Land lease rights not deductible	19,312	18,647
Loss on valuation of golf club membership	4,610	3,956
Deferred loss	-	107,618
Accrued enterprise tax	77,094	125,523
Estimated real estate acquisition tax	3,032	-
Other	13,890	91,074
Subtotal deferred tax assets	117,940	346,820
Valuation allowance	(26,588)	(145,533)
Total deferred tax assets	91,351	201,287
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(1,667)	(157,298)
Total deferred tax liabilities	(1,667)	(157,298)
Net deferred tax assets (liabilities)	89,683	43,988

Note: Net deferred tax assets are included in the following consolidated balance sheet accounts

(Thousands of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Current assets - Deferred tax assets	87,145	193,072
Non-current assets – Deferred tax assets under “Others” in “Investments and other assets”	2,538	6,861
Non-current liabilities - Deferred tax liabilities	-	155,945

2. Significant sources of differences between the statutory tax and effective tax rate

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Statutory tax rate	Difference between statutory and effective tax rate after tax effect accounting is not presented because the difference is less than 5/100 of statutory effective tax.	33.0%
(Adjustment)		
Items such as entertainment expenses that are permanently not qualified for deductions		0.6
Share of profit of entities accounted for using equity method		(0.9)
Inhabitant tax on per capita basis		0.1
Increase or decrease in the valuation allowance		2.3
Reduction in period-end deferred tax asset due to a change in tax rate		0.2
Other		0.2
Statutory tax rate after tax effect accounting		35.5

3. Revised amount of deferred tax assets and deferred tax liabilities following the change in the corporate tax rate, etc.

Following the enactment at the Diet on March 29, 2016 of the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 15 of 2016), and “Act for Partial Revision, etc. of the Local Tax Act, etc.” (Act No.13 of 2016), the corporation tax rate, etc. have been reduced for the fiscal years beginning on or after April 1, 2016. Consequently, the statutory effective tax rate that was used for the calculation of previous fiscal year’s deferred tax assets and deferred tax liabilities of 33.0% will be revised to 30.8% for temporary differences expected to be used for the fiscal year beginning from April 1, 2016 and April 1, 2017, and 30.5% for temporary differences expected to be used in the fiscal year beginning on April 1, 2018 and subsequent fiscal years.

Due to this revision in tax rates, there were a decrease of 4,687 thousand yen in deferred tax assets (net of deferred tax liabilities) and increases of 13,535 thousand yen in income taxes-deferred and 8,847 thousand yen in valuation difference on available-for-sale securities.

Segment and Other Information

Segment information

1. Overview of reportable segment

Segments used for financial reporting are the Group's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

Real estate is the primary business activity of group companies and there are three reportable segments: Real Estate Investment Business, Subleasing, Leasing and Fund Fee Business, and Planning and Brokerage Business.

The Real Estate Investment Business includes activities involving real estate investments.

The Subleasing, Leasing and Fund Fee Business includes activities involving subleasing, leasing and fund fees.

The Planning and Brokerage Business includes activities involving planning and brokerage services.

2. Calculation methods for net sales, profits or losses, assets, liabilities, and other items for each reportable segment

The accounting method used for reportable business segments is generally the same as the methods listed in "Significant Accounting Policies in the Preparation of Consolidated Financial Statements."

Profits for reportable segments are operating income figures.

3. Information related to net sales, profits or losses, assets, liabilities and other items for each reportable segment

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015) (Thousands of yen)

	Reportable segment				Adjustments (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Subtotal		
Net sales						
Sales to external customers	15,707,493	292,688	252,160	16,252,341	-	16,252,341
Inter-segment sales and transfers	-	-	-	-	-	-
Total	15,707,493	292,688	252,160	16,252,341	-	16,252,341
Segment profits	4,318,290	48,672	248,785	4,615,748	(1,068,186)	3,547,561
Segment assets	12,915,571	165,971	-	13,081,542	11,022,626	24,104,169
Other items						
Depreciation and amortization	-	-	-	-	16,343	16,343
Increase in property, plant and equipment and intangible assets	-	-	-	-	20,237	20,237

Notes: 1. The above adjustments are as follows.

To segment profits (Thousands of yen)

Corporate expenses *	1,068,186
Total	1,068,186

* Corporate expenses mainly include general and administrative expenses that cannot be attributed to reportable segments.

To segment assets (Thousands of yen)

Corporate assets *	11,022,626
Total	11,022,626

* Corporate assets mainly include assets which belong to administration department of the Company.

To depreciation and amortization (Thousands of yen)

Corporate expenses *	16,343
Total	16,343

* Corporate expenses mainly include general and administrative expenses that cannot be attributed to reportable segments.

2. Segment profit is adjusted to be consistent with operating income shown on the consolidated statement of income.

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016) (Thousands of yen)

	Reportable segment				Adjustments (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Subtotal		
Net sales						
Sales to external customers	17,071,948	302,970	3,555	17,378,474	-	17,378,474
Inter-segment sales and transfers	-	-	-	-	-	-
Total	17,071,948	302,970	3,555	17,378,474	-	17,378,474
Segment profits	7,245,351	71,102	3,555	7,320,009	(1,364,467)	5,955,542
Segment assets	23,126,319	170,228	1,080	23,297,627	15,392,933	38,690,561
Other items						
Depreciation and amortization	-	-	-	-	15,999	15,999
Increase in property, plant and equipment and intangible assets	-	-	-	-	99,027	99,027

Notes: 1. The above adjustments are as follows.

To segment profits (Thousands of yen)

Corporate expenses *	1,364,467
Total	1,364,467

* Corporate expenses mainly include general and administrative expenses that cannot be attributed to reportable segments.

To segment assets (Thousands of yen)

Corporate assets *	15,392,933
Total	15,392,933

* Corporate assets mainly include assets which belong to administration department of the Company.

To depreciation and amortization (Thousands of yen)

Corporate expenses *	15,999
Total	15,999

* Corporate expenses mainly include general and administrative expenses that cannot be attributed to reportable segments.

2. Segment profit is adjusted to be consistent with operating income shown on the consolidated statement of income.

Related information

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

1. Information by product or service

This information is omitted because the same information is presented in “Segment information, 3. Information related to net sales, profits or losses, assets, liabilities and other items for each reportable segment.”

2. Information by region

(1) Net sales

Not applicable because there are no sales outside Japan.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major client (Thousands of yen)

Company name	Net sales	Business segment
Sumitomo Mitsui Finance and Leasing Company, Limited	7,768,000	Real Estate Investment Business
Godo Kaisha JINUSHI CSF	3,400,000	Real Estate Investment Business
Kenedix Retail REIT Corporation	2,685,000	Real Estate Investment Business

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

1. Information by product or service

This information is omitted because the same information is presented in “Segment information, 3. Information related to net sales, profits or losses, assets, liabilities and other items for each reportable segment.”

2. Information by region

(1) Net sales

Not applicable because there are no sales outside Japan.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major client (Thousands of yen)

Company name	Net sales	Business segment
MG Leasing Corporation	11,750,000	Real Estate Investment Business
IBJ Leasing Company, Limited	2,910,440	Real Estate Investment Business Subleasing, Leasing and Fund Fee Business
Kenedix Retail REIT Corporation	1,929,000	Real Estate Investment Business

Information related to impairment losses on non-current assets for each reportable segment

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

Not applicable.

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

Not applicable.

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

Not applicable.

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

Not applicable.

Information related to gain on bargain purchase for each reportable segment

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

Not applicable.

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

Not applicable.

Per Share Information

(Yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Net assets per share	496.43	665.31
Net income per share	125.91	209.09
Diluted net income per share	106.33	203.09

Notes: 1. The Company conducted a 3-for-1 stock split on September 1, 2014 under the August 11, 2014 Board of Directors' resolution. Net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of FY3/15.

2. Basis for the calculation of net income per share and diluted net income per share are as follows.

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Profit attributable to owners of parent (Thousands of yen)	1,863,804	3,605,646
Profit not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent applicable to common shares (Thousands of yen)	1,863,804	3,605,646
Average number of common shares outstanding during the period (Shares)	14,802,799	17,244,133
Diluted net income per share Adjustment to profit attributable to owners of parent (Thousands of yen)	-	-
Increase in the number of common shares (Shares) [Of which, subscription rights to shares]	2,725,773 [2,725,773]	510,024 [510,024]
Summary of potentially dilutive shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect	-	-

Subsequent Events

Not applicable.

6. Non-consolidated Financial Statements

(1) Balance Sheet

(Thousands of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Assets		
Current assets		
Cash and deposits	9,008,389	7,911,404
Operating accounts receivable	531	4,799
Real estate for sale	7,077,221	22,239,248
Advance payments-trade	190,500	377,573
Prepaid expenses	54,907	158,894
Deferred tax assets	63,682	189,502
Short-term loans receivable from subsidiaries and associates	-	1,739,000
Other	2,443	220,878
Total current assets	16,397,675	32,841,301
Non-current assets		
Property, plant and equipment		
Buildings	17,534	83,604
Tools, furniture and fixtures	5,710	21,032
Land	3,758	3,758
Leased assets	32,413	26,903
Total property, plant and equipment	59,416	135,297
Intangible assets		
Trademark right	1,055	880
Software	106	6,857
Other	0	0
Total intangible assets	1,161	7,737
Investments and other assets		
Investment securities	307,837	318,863
Shares of subsidiaries and associates	124,000	124,000
Investments in capital	4,461	5,161
Investments in capital of subsidiaries and associates	-	219,429
Lease and guarantee deposits	159,327	228,087
Long-term prepaid expenses	77,880	113,265
Deferred tax assets	2,538	6,861
Other	48,395	62,459
Allowance for doubtful accounts	(625)	(300)
Total investments and other assets	723,815	1,077,827
Total non-current assets	784,393	1,220,862
Total assets	17,182,069	34,062,164

(Thousands of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Liabilities		
Current liabilities		
Operating accounts payable	31,564	49,446
Short-term loans payable	175,000	426,000
Short-term loans payable to subsidiaries and associates	-	2,500,000
Current portion of long-term loans payable	241,518	2,539,653
Lease obligations	9,707	13,575
Accounts payable-other	182,754	81,122
Accrued expenses	8,273	20,542
Income taxes payable	755,192	14,170
Accrued consumption taxes	16,305	1,724
Deposits received	21,786	25,134
Unearned revenue	28,881	78,725
Current portion of guarantee deposits received	189,187	879,487
Other	-	10,000
Total current liabilities	1,660,170	6,639,583
Non-current liabilities		
Long-term loans payable	7,512,568	20,080,581
Long-term lease and guarantee deposited	165,455	178,555
Lease obligations	24,867	15,061
Total non-current liabilities	7,702,891	20,274,198
Total liabilities	9,363,061	26,913,781
Net assets		
Shareholders' equity		
Capital stock	2,524,080	2,619,000
Capital surplus		
Legal capital surplus	2,502,525	2,597,445
Total capital surpluses	2,502,525	2,597,445
Retained earnings		
Other retained earnings		
Retained earnings brought forward	2,778,736	1,928,669
Total retained earnings	2,778,736	1,928,669
Treasury shares	(79)	(79)
Total shareholders' equity	7,805,262	7,145,035
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(5,154)	(15,372)
Total valuation and translation adjustments	(5,154)	(15,372)
Subscription rights to shares	18,900	18,720
Total net assets	7,819,007	7,148,383
Total liabilities and net assets	17,182,069	34,062,164

(2) Statement of Income

(Thousands of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Net sales	12,731,829	5,585,580
Cost of sales	9,065,588	4,250,165
Gross profit	3,666,241	1,335,414
Selling, general and administrative expenses	1,071,837	1,398,349
Operating income (loss)	2,594,403	(62,935)
Non-operating income		
Interest income	11,817	11,270
Dividend income	17,784	52,381
Interest on securities	881	6,599
Commission fee	2,400	2,400
Gain on investments in partnership	307	-
Other	272	598
Total non-operating income	33,463	73,249
Non-operating expenses		
Interest expenses	165,655	274,068
Financing expenses	149,038	162,660
Other	63,671	904
Total non-operating expenses	378,365	437,632
Ordinary income (loss)	2,249,501	(427,318)
Extraordinary income		
Gain on cancellation of leases	492	-
Gain on reversal of subscription rights to shares	166	-
Total extraordinary income	658	-
Extraordinary losses		
Loss on cancellation of interest rate swaps	15,232	-
Loss on cancellation of leases	130	-
Loss on retirement of non-current assets	-	5,369
Office transfer expenses	-	29,433
Total extraordinary losses	15,363	34,803
Profit (loss) before income taxes	2,234,796	(462,121)
Income taxes-current	845,580	5,821
Income taxes-deferred	(39,357)	(125,819)
Total income taxes	806,222	(119,998)
Profit (loss)	1,428,574	(342,123)

(3) Statement of Changes in Equity

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance at beginning of current period	249,780	228,225	228,225	1,515,990	1,515,990	(79)	1,993,916
Changes of items during period							
Issuance of new shares	2,274,300	2,274,300	2,274,300				4,548,600
Dividends of surplus				(165,828)	(165,828)		(165,828)
Profit (loss)				1,428,574	1,428,574		1,428,574
Net changes of items other than shareholders' equity							
Total changes of items during period	2,274,300	2,274,300	2,274,300	1,262,745	1,262,745	-	5,811,345
Balance at end of current period	2,524,080	2,502,525	2,502,525	2,778,736	2,778,736	(79)	7,805,262

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	2,713	2,713	225	1,996,855
Changes of items during period				
Issuance of new shares				4,548,600
Dividends of surplus				(165,828)
Profit (loss)				1,428,574
Net changes of items other than shareholders' equity	(7,868)	(7,868)	18,675	10,806
Total changes of items during period	(7,868)	(7,868)	18,675	5,822,152
Balance at end of current period	(5,154)	(5,154)	18,900	7,819,007

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	2,524,080	2,502,525	2,502,525	2,778,736	2,778,736	(79)	7,805,262
Changes of items during period							
Issuance of new shares	94,920	94,920	94,920				189,840
Dividends of surplus				(507,943)	(507,943)		(507,943)
Profit (loss)				(342,123)	(342,123)		(342,123)
Net changes of items other than shareholders' equity							
Total changes of items during period	94,920	94,920	94,920	(850,066)	(850,066)	-	(660,226)
Balance at end of current period	2,619,000	2,597,445	2,597,445	1,928,669	1,928,669	(79)	7,145,035

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(5,154)	(5,154)	18,900	7,819,007
Changes of items during period				
Issuance of new shares				189,840
Dividends of surplus				(507,943)
Profit (loss)				(342,123)
Net changes of items other than shareholders' equity	(10,217)	(10,217)	(180)	(10,397)
Total changes of items during period	(10,217)	(10,217)	(180)	(670,624)
Balance at end of current period	(15,372)	(15,372)	18,720	7,148,383

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.