

**Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2018
(Three Months Ended June 30, 2017)**

[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 filing of Quarterly Report: August 14, 2017

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2017 (April 1, 2017 – June 30, 2017)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Jun. 30, 2017	3,466	(11.0)	224	27.9	275	(4.2)	183	(93.8)
Three months ended Jun. 30, 2016	3,893	(67.4)	175	(97.0)	287	(94.9)	2,966	(21.5)

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2017: 172 (down 93.9 %)

Three months ended Jun. 30, 2016: 2,837 (down 25.0 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2017	10.29	10.21
Three months ended Jun. 30, 2016	169.77	166.34

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2017	60,256	19,071	27.7
As of Mar. 31, 2017	56,792	19,878	30.8

Reference: Shareholders' equity (million yen) As of Jun. 30, 2017: 16,671 As of Mar. 31, 2017: 17,493

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2017	-	0.00	-	55.00	55.00
Fiscal year ending Mar. 31, 2018	-				
Fiscal year ending Mar. 31, 2018 (forecasts)		0.00	-	55.00	55.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	31,100	16.9	2,600	(46.3)	2,000	(61.4)	1,400	(78.3)	78.37

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

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

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

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of outstanding shares (common shares)

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

As of Jun. 30, 2017:	17,865,200 shares	As of Mar. 31, 2017:	17,862,800 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2017:	141 shares	As of Mar. 31, 2017:	141 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2017:	17,863,477 shares	Three months ended Jun. 30, 2016:	17,475,659 shares
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The current quarterly financial report is not subject to the quarterly review procedures.

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.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the fiscal year ending March 31, 2018 (hereafter, “the period under review”), the Japanese economy remained on a modest recovery trend against a backdrop of a recovery in domestic demand including consumer spending and capital expenditure. Furthermore, global markets have continued to grow moderately, though exposed to downward risk due to uncertainties that could increase depending on the U.S. government policy.

In the Japanese real estate and real estate finance industries, the real estate market is generally showing resilience particularly with demand for office space in the Tokyo metropolitan area and sales of new condominiums in the greater Osaka regions.

Under these circumstances, the Nippon Commercial Development Group (hereinafter “the Group”) during the period under review has focused on the purchase of real estate for sale with a view to strengthening our future earnings against a backdrop of increased workforce, enhanced brand recognition or other positive effects that were triggered by the start of operations of “JINUSHI Private REIT Investment Corporation (hereinafter “JINUSHI REIT”)", and expanded market of the JINUSHI business.

As a result, net sales for the period under review decreased 11.0% year on year to 3,466 million yen, operating profit increased 27.9% year on year to 224 million yen, ordinary profit decreased 4.2% year on year to 275 million yen, and profit attributable to owners of parent decreased 93.8% year on year to 183 million yen.

The significant year-on-year change in profit attributable to owners of parent can be explained by the one-time effect of making New Real Property Corporation (hereinafter “NRP”) a consolidated subsidiary during the same period of the previous fiscal year. As a result of this event, the Group reported a net gain of 2,790 million yen which consists of a gain on bargain purchase of 4,577 million yen (extraordinary income) and loss on step acquisitions of 1,787 million yen (extraordinary losses), while no such event took place during the period under review.

Results by business segment were as follows:

The Real Estate Investment Business segment reported sales of 3,259 million yen (down 5.9% year on year) with segment profit of 787 million yen (up 75.3% year on year).

The Subleasing, Leasing and Fund Fee Business segment reported sales of 97 million yen (up 23.3% year on year) with segment profit of 32 million yen (up 57.2% year on year).

The Planning and Brokerage Business segment reported neither sales nor segment profit for the period under review, while it reported sales of 138 thousand yen with segment profit of 138 thousand yen in the same period of the previous fiscal year.

The Other Businesses segment (*) reported sales of 123 million yen (down 65.9% year on year) with segment profit of 99 million yen (down 70.5% year on year).

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

(2) Explanation of Financial Position

Total assets increased 3,464 million yen from the end of the previous fiscal year to 60,256 million yen at the end of the period under review. This increase was attributable mainly to an increase of 5,240 million yen in real estate for sale as a result of the progress in purchase of high-quality properties, which was partially offset by a decrease of 1,999 million yen in cash and deposits as a result of payments of income taxes and dividends.

Total liabilities increased 4,270 million yen from the end of the previous fiscal year to 41,185 million yen. This increase was attributable mainly to an increase of 5,525 million yen in long-term loans payable as a result of the

progress in purchase of real estate for sale.

Net assets decreased 806 million yen from the end of the previous fiscal year to 19,071 million yen, primarily due to booking of profit attributable to owners of parent of 183 million yen, which was more than offset by the payment of dividends of 982 million yen. Consequently, the equity ratio at the end of the period under review was 27.7%.

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

Both of net sales and profits for the period under review have progressed as planned. We forecast that net sales and profits will remain at the same level presented in “3. Consolidated Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 - March 31, 2018)” in Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 [Japanese GAAP] that was announced on May 10, 2017. For these reasons, there are no revisions to the above consolidated forecast.

As we make projections to sell real estate for sale mainly to JINUSHI REIT in the current fiscal year, the timing of recognizing sales and profits for accounting purposes is expected to concentrate on the fourth quarter during which we sell the properties to JINUSHI REIT. Please refer to “Materials for Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2018,” which is the supplementary materials for Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2018 (available on our website (*)).

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

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	First quarter of FY3/18 (As of Jun. 30, 2017)
Assets		
Current assets		
Cash and deposits	13,794,754	11,795,742
Operating accounts receivable	77,448	165,617
Real estate for sale	31,639,283	36,879,671
Advance payments-trade	235,000	153,577
Prepaid expenses	131,749	126,224
Other	143,783	84,798
Total current assets	46,022,019	49,205,630
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	150,838	182,917
Tools, furniture and fixtures, net	25,838	23,951
Land	3,758	3,758
Leased assets, net	50,688	47,782
Total property, plant and equipment	231,123	258,409
Intangible assets		
Other	11,249	10,316
Total intangible assets	11,249	10,316
Investments and other assets		
Investment securities	2,453,456	2,450,767
Shares of subsidiaries and associates	7,083,153	7,347,981
Investments in capital of subsidiaries and associates	4,000	4,000
Investments in capital	505,161	505,161
Lease and guarantee deposits	291,418	292,596
Long-term prepaid expenses	89,385	79,583
Other	454,083	454,192
Allowance for doubtful accounts	(352,409)	(351,926)
Total investments and other assets	10,528,248	10,782,356
Total non-current assets	10,770,621	11,051,082
Total assets	56,792,641	60,256,713
Liabilities		
Current liabilities		
Operating accounts payable	121,511	72,175
Short-term loans payable	540,000	132,736
Current portion of long-term loans payable	614,992	831,632
Accounts payable-other	227,468	128,019
Income taxes payable	1,112,481	24,294
Accrued consumption taxes	33,510	10,387
Current portion of guarantee deposits received	963,286	889,501
Provision for bonuses	11,516	19,096
Other	443,780	685,183
Total current liabilities	4,068,548	2,793,027

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	First quarter of FY3/18 (As of Jun. 30, 2017)
Non-current liabilities		
Long-term loans payable	32,057,893	37,583,309
Long-term lease and guarantee deposited	182,555	179,555
Net defined benefit liability	68,570	73,620
Other	536,654	555,706
Total non-current liabilities	32,845,674	38,392,191
Total liabilities	36,914,223	41,185,219
Net assets		
Shareholders' equity		
Capital stock	2,794,183	2,795,626
Capital surplus	2,772,628	2,774,071
Retained earnings	12,132,529	11,333,955
Treasury shares	(79)	(79)
Total shareholders' equity	17,699,262	16,903,574
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(29,476)	8,203
Foreign currency translation adjustment	(176,446)	(240,504)
Total accumulated other comprehensive income	(205,923)	(232,301)
Subscription rights to shares	25,097	25,030
Non-controlling interests	2,359,982	2,375,190
Total net assets	19,878,418	19,071,494
Total liabilities and net assets	56,792,641	60,256,713

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

(Thousands of yen)

	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)
Net sales	3,893,162	3,466,414
Cost of sales	3,089,535	2,561,686
Gross profit	803,627	904,728
Selling, general and administrative expenses	627,907	679,984
Operating profit	175,719	224,743
Non-operating income		
Interest income	2,377	1,756
Interest on securities	1,458	1,495
Share of profit of entities accounted for using equity method	254,437	167,388
Gain on bad debts recovered	76,600	1,600
Other	41,023	42,137
Total non-operating income	375,897	214,377
Non-operating expenses		
Interest expenses	154,889	126,517
Financing expenses	52,619	28,277
Other	56,751	9,026
Total non-operating expenses	264,261	163,821
Ordinary profit	287,355	275,299
Extraordinary income		
Gain on bargain purchase	4,577,713	-
Total extraordinary income	4,577,713	-
Extraordinary losses		
Loss on step acquisitions	1,787,271	-
Total extraordinary losses	1,787,271	-
Profit before income taxes	3,077,797	275,299
Income taxes-current	3,342	3,428
Income taxes-deferred	(9,567)	61,441
Total income taxes	(6,224)	64,870
Profit	3,084,022	210,429
Profit attributable to non-controlling interests	117,262	26,557
Profit attributable to owners of parent	2,966,759	183,872

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

	(Thousands of yen)	
	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)
Profit	3,084,022	210,429
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,974)	51,383
Foreign currency translation adjustment	(237,454)	(88,863)
Total other comprehensive income	(246,429)	(37,480)
Comprehensive income	2,837,592	172,949
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,785,308	157,494
Comprehensive income attributable to non-controlling interests	52,283	15,454

(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 three months of FY3/17 (Apr. 1, 2016 – Jun. 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 statement of income
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Other Businesses	Total		
Net sales							
(1) Sales to external customers	3,450,347	78,850	138	363,825	3,893,162	-	3,893,162
(2) Inter-segment sales and transfers	14,000	-	-	-	14,000	(14,000)	-
Total	3,464,347	78,850	138	363,825	3,907,162	(14,000)	3,893,162
Segment profit (loss)	449,105	20,539	138	336,462	806,247	(630,527)	175,719

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 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. As a result, the assets of the Real Estate Investment Business segment and the Other Businesses segment have increased by 3,148 million yen and 9,561 million yen, respectively, from the end of FY3/16.

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

(Thousands of yen)

Profit	Amounts
Total reportable segment	806,247
Elimination of inter-segment transactions	(14,000)
Corporate expenses (Note)	(616,527)
Operating profit of quarterly consolidated statement of income	175,719

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

4. 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

As NRP, which had been the Group's associate accounted for under the equity method, repurchased some of its issued shares as treasury shares, the Group consequently held majority of its voting rights and added NRP and its subsidiaries to the scope of consolidation. As a result, we posted gain on bargain purchase of 4,577 million yen.

We recognize this gain on bargain purchase as corporate-level profit because it is not attributable to a specific reportable segment.

II. First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)

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

(Thousands of yen)

	Reportable segment					Adjustments	Amounts shown on 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	3,245,301	97,185	-	123,926	3,466,414	-	3,466,414
(2) Inter-segment sales and transfers	14,000	-	-	-	14,000	(14,000)	-
Total	3,259,301	97,185	-	123,926	3,480,414	(14,000)	3,466,414
Segment profit (loss)	787,153	32,285	-	99,289	918,728	(693,984)	224,743

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

(Thousands of yen)

Profit	Amounts
Total reportable segment	918,728
Elimination of inter-segment transactions	(14,000)
Corporate expenses (Note)	(679,984)
Operating profit of quarterly consolidated statement of income	224,743

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

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

Not applicable.

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