

February 14, 2018

**Summary of Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2018
(Nine Months Ended December 31, 2017)**

[Japanese GAAP]

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Securities code: 3252
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Scheduled date of filing of Quarterly Report: February 14, 2018
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 Nine Months Ended December 31, 2017
(April 1, 2017 – December 31, 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 | % |
| Nine months ended Dec. 31, 2017 | 12,054 | 0.5 | 859 | (56.7) | 493 | (79.8) | 311 | (93.2) |
| Nine months ended Dec. 31, 2016 | 11,999 | (15.7) | 1,984 | (64.0) | 2,442 | (53.8) | 4,578 | 29.9 |

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2017: 384 (down 90.6 %)
Nine months ended Dec. 31, 2016: 4,113 (up 20.4%)

| | Net income per share | Diluted net income per share |
|---------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Nine months ended Dec. 31, 2017 | 17.46 | 17.32 |
| Nine months ended Dec. 31, 2016 | 261.53 | 256.73 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|---------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of Dec. 31, 2017 | 70,177 | 19,190 | 24.0 |
| As of Mar. 31, 2017 | 56,792 | 19,878 | 30.8 |

Reference: Shareholders' equity (million yen) As of Dec. 31, 2017: 16,841 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 | - | 0.00 | - | | |
| Fiscal year ending Mar. 31, 2018 (forecasts) | | | | 55.00 | 55.00 |

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 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 Dec. 31, 2017: | 17,865,200 shares | As of Mar. 31, 2017: | 17,862,800 shares |
|----------------------|-------------------|----------------------|-------------------|

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

| | | | |
|----------------------|------------|----------------------|------------|
| As of Dec. 31, 2017: | 141 shares | As of Mar. 31, 2017: | 141 shares |
|----------------------|------------|----------------------|------------|

3) Average number of shares outstanding during the period

| | | | |
|----------------------------------|-------------------|----------------------------------|-------------------|
| Nine months ended Dec. 31, 2017: | 17,864,535 shares | Nine months ended Dec. 31, 2016: | 17,507,972 shares |
|----------------------------------|-------------------|----------------------------------|-------------------|

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 nine months of the fiscal year ending March 31, 2018, (hereinafter, “the period under review”), the Japanese economy maintained a modest recovery trend with the continued improvement in employment and an income environment driven by strong corporate earnings which prompt a recovery in consumer spending. Looking across the world economy, the United States is steadily on the track of recovery although attention needs to be paid to the political developments and their impacts going forward. The rest of the major economies are also sustaining strong performance.

The Japanese real estate and real estate finance industries remained solid with continued firm demand for both office space and commercial land mainly in the urban areas.

Under these circumstances, the Nippon Commercial Development Group (hereinafter, “the Group”) further accelerated the purchase of high-quality properties and aggressively continued sales activities during the period under review against a backdrop of enhanced brand recognition and other positive effects triggered by the operations of JINUSHI Private REIT Investment Corporation (hereinafter, “JINUSHI REIT”), as well as a further expansion of the “JINUSHI business” market.

As a result, the Group reported net sales for the period under review of 12,054 million yen (up 0.5% year on year) with operating profit of 859 million yen (down 56.7% year on year), ordinary profit of 493 million yen (down 79.8% year on year), and profit attributable to owners of parent of 311 million yen (down 93.2% year on year).

The main reasons for the year-on-year decreases in profits are summarized as follows:

- i) Operating profit: 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 concentrates in the fourth quarter.
- ii) Ordinary profit: In addition to the reason above, we reported the share of profit of entities accounted for using the equity method of 30 million yen for the period under review, a decrease from 792 million yen for the same period of the previous fiscal year. This was because an overseas subsidiary (in Australia), New Real Property Corporation (hereinafter, “NRP”), recognized a loss on the valuation of shares of subsidiaries and associates due to a rise in borrowing interest rates.
- iii) Profit attributable to owners of parent: There are no factors other than those mentioned above for the period under review, as contrasted with the same period of the previous fiscal year when profit attributable to owners of parent was affected by the event of making NRP a consolidated subsidiary, which led to the Company reporting a net gain of 2,790 million yen consisting of a gain on bargain purchase of 4,577 million yen (extraordinary income) and a loss on step acquisitions of 1,787 million yen (extraordinary losses).

Regarding the “Sponsor Support Agreement” concluded between the Company, JINUSHI Asset Management Co., Ltd. and JINUSHI REIT, in which the Company acts as a sponsor company, the Company completed sale of 16 properties to JINUSHI REIT (with selling price of 16,924 million yen) on January 11, 2018 under this agreement, as announced on November 22, 2017 with “Notice of Sale of Real Estate for Sale to JINUSHI Private REIT Investment Corporation” (Japanese version only).

Results by business segment were as follows:

1) Real Estate Investment Business

The segment reported sales of 11,459 million yen (up 5.7% year on year) with segment profit of 2,710 million yen (down 11.1% year on year).

2) Subleasing, Leasing and Fund Fee Business

The segment reported sales of 287 million yen (up 18.4% year on year) with segment profit of 93 million yen (up 53.6% year on year).

3) Planning and Brokerage Business

The segment reported sales of 20 million yen (down 89.1% year on year) with segment profit of 19 million yen (down 89.9% year on year).

4) Other Businesses

The segment (*) reported sales of 328 million yen (down 57.0% year on year) with segment profit of 254 million yen (down 62.4% 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 13,385 million yen from the end of the previous fiscal year to 70,177 million yen at the end of the period under review. This increase was attributable mainly to an increase of 18,431 million yen in real estate for sale as a result of the steady progress in purchase of high-quality properties, which was partially offset by a decrease of 5,092 million yen in cash and deposits as a result of the purchase of real estate for sale and payment of dividends.

Total liabilities increased 14,073 million yen from the end of the previous fiscal year to 50,987 million yen. This increase was attributable mainly to an increase of 14,585 million yen in loans payable for the purchase of real estate for sale. Net assets decreased 688 million yen from the end of the previous fiscal year to 19,190 million yen. This decrease was attributable to the resolution of dividend payment of 982 million yen, which was partly offset by the booking of profit attributable to owners of parent of 311 million yen.

Consequently, the equity ratio at the end of the period under review was 24.0%, compared with 30.8% at the end of the previous fiscal year.

(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 concentrates in the fourth quarter. Please refer to “Results of Operations for the First Nine Months of the Fiscal Year Ending March 31, 2018,” which is the supplementary materials for Summary of Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2018 (available on our website (*)).

* <http://ir.ncd-jp.com/en/> (Investor Relations)

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

| | (Thousands of yen) | |
|---|---------------------------------|--|
| | FY3/17 (As of Mar. 31, 2017) | Third quarter of FY3/18 (As of Dec. 31, 2017) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 13,794,754 | 8,702,555 |
| Operating accounts receivable | 77,448 | 190,017 |
| Real estate for sale | 31,639,283 | 50,070,511 |
| Advance payments-trade | 235,000 | 66,800 |
| Prepaid expenses | 131,749 | 93,671 |
| Other | 143,783 | 114,477 |
| Total current assets | 46,022,019 | 59,238,033 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 150,838 | 173,683 |
| Tools, furniture and fixtures, net | 25,838 | 20,824 |
| Land | 3,758 | 3,758 |
| Leased assets, net | 50,688 | 70,916 |
| Total property, plant and equipment | 231,123 | 269,183 |
| Intangible assets | | |
| Other | 11,249 | 9,015 |
| Total intangible assets | 11,249 | 9,015 |
| Investments and other assets | | |
| Investment securities | 2,453,456 | 2,408,124 |
| Shares of subsidiaries and associates | 7,083,153 | 7,259,255 |
| Investments in capital of subsidiaries and associates | 4,000 | 4,000 |
| Investments in capital | 505,161 | 505,161 |
| Lease and guarantee deposits | 291,418 | 292,296 |
| Long-term prepaid expenses | 89,385 | 92,692 |
| Other | 454,083 | 452,806 |
| Allowance for doubtful accounts | (352,409) | (352,705) |
| Total investments and other assets | 10,528,248 | 10,661,631 |
| Total non-current assets | 10,770,621 | 10,939,830 |
| Total assets | 56,792,641 | 70,177,863 |
| Liabilities | | |
| Current liabilities | | |
| Operating accounts payable | 121,511 | 90,875 |
| Short-term loans payable | 540,000 | 1,602,800 |
| Current portion of long-term loans payable | 614,992 | 1,024,054 |
| Accounts payable-other | 227,468 | 45,935 |
| Income taxes payable | 1,112,481 | 96,275 |
| Accrued consumption taxes | 33,510 | 6,114 |
| Current portion of guarantee deposits received | 963,286 | 1,056,106 |
| Provision for bonuses | 11,516 | 7,630 |
| Other | 443,780 | 1,078,362 |
| Total current liabilities | 4,068,548 | 5,008,156 |

| | (Thousands of yen) | |
|---|---------------------------------|--|
| | FY3/17 (As of Mar. 31, 2017) | Third quarter of FY3/18 (As of Dec. 31, 2017) |
| Non-current liabilities | | |
| Long-term loans payable | 32,057,893 | 45,171,627 |
| Long-term lease and guarantee deposited | 182,555 | 179,555 |
| Net defined benefit liability | 68,570 | 65,757 |
| Other | 536,654 | 562,685 |
| Total non-current liabilities | 32,845,674 | 45,979,625 |
| Total liabilities | 36,914,223 | 50,987,781 |
| 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 | 11,461,993 |
| Treasury shares | (79) | (79) |
| Total shareholders' equity | 17,699,262 | 17,031,613 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (29,476) | (10,229) |
| Foreign currency translation adjustment | (176,446) | (179,664) |
| Total accumulated other comprehensive income | (205,923) | (189,893) |
| Subscription rights to shares | 25,097 | 25,030 |
| Non-controlling interests | 2,359,982 | 2,323,331 |
| Total net assets | 19,878,418 | 19,190,081 |
| Total liabilities and net assets | 56,792,641 | 70,177,863 |

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

(Thousands of yen)

| | First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016) | First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017) |
|---|---|---|
| Net sales | 11,999,689 | 12,054,296 |
| Cost of sales | 8,029,429 | 8,985,657 |
| Gross profit | 3,970,260 | 3,068,638 |
| Selling, general and administrative expenses | 1,985,672 | 2,209,064 |
| Operating profit | 1,984,587 | 859,573 |
| Non-operating income | | |
| Interest income | 5,480 | 4,949 |
| Interest on securities | 4,339 | 4,544 |
| Share of profit of entities accounted for using equity method | 792,229 | 30,886 |
| Gain on bad debts recovered | 89,880 | 17,500 |
| Fiduciary obligation fee | 70,684 | 82,830 |
| Other | 121,739 | 30,814 |
| Total non-operating income | 1,084,354 | 171,524 |
| Non-operating expenses | | |
| Interest expenses | 461,863 | 422,650 |
| Financing expenses | 129,030 | 81,163 |
| Other | 35,338 | 34,207 |
| Total non-operating expenses | 626,231 | 538,021 |
| Ordinary profit | 2,442,710 | 493,076 |
| 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 | 5,233,152 | 493,076 |
| Income taxes-current | 146,320 | 82,622 |
| Income taxes-deferred | 169,203 | 45,186 |
| Total income taxes | 315,524 | 127,809 |
| Profit | 4,917,628 | 365,267 |
| Profit attributable to non-controlling interests | 338,724 | 53,356 |
| Profit attributable to owners of parent | 4,578,904 | 311,910 |

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

| | (Thousands of yen) | |
|--|---|---|
| | First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016) | First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017) |
| Profit | 4,917,628 | 365,267 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 17,372 | 24,071 |
| Foreign currency translation adjustment | (821,055) | (4,463) |
| Total other comprehensive income | (803,682) | 19,608 |
| Comprehensive income | 4,113,945 | 384,875 |
| Comprehensive income attributable to: | | |
| Comprehensive income attributable to owners of parent | 4,000,985 | 327,940 |
| Comprehensive income attributable to non-controlling interests | 112,960 | 56,935 |

(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 nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)

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

(Thousands of yen)

| | Reportable segment | | | | | Adjustments | Amounts shown on the quarterly consolidated statement of income |
|---------------------------------------|---------------------------------|---|---------------------------------|------------------|------------|-------------|---|
| | Real Estate Investment Business | Subleasing, Leasing and Fund Fee Business | Planning and Brokerage Business | Other Businesses | Total | | |
| Net sales | | | | | | | |
| (1) Sales to external customers | 10,800,146 | 242,866 | 192,573 | 764,103 | 11,999,689 | - | 11,999,689 |
| (2) Inter-segment sales and transfers | 42,000 | - | - | - | 42,000 | (42,000) | - |
| Total | 10,842,146 | 242,866 | 192,573 | 764,103 | 12,041,689 | (42,000) | 11,999,689 |
| Segment profit (loss) | 3,050,246 | 60,619 | 191,084 | 677,119 | 3,979,070 | (1,994,483) | 1,984,587 |

2. Information related to assets for each reportable segment

Significant change in assets due to acquisition of subsidiaries

As NRP, which had been the Group's associate accounted for under the equity method, repurchased some of its own issued shares as treasury shares during the first quarter of FY3/17, the Group consequently held the majority of its voting rights and added NRP, as well as its 10 subsidiaries and two associates accounted for under the equity method, to our subsidiaries and associates.

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

As a result, the assets of the Real Estate Investment Business segment and the Other Businesses segment increased by 3,095 million yen and 8,751 million yen, respectively, at the end of the first nine months of FY3/17 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 | 3,979,070 |
| Elimination of inter-segment transactions | (42,000) |
| Corporate expenses (Note) | (1,952,483) |
| Operating profit in the quarterly consolidated statement of income | 1,984,587 |

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

Not applicable.

II. First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)

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

(Thousands of yen)

| | Reportable segment | | | | | Adjustments | Amounts shown on the quarterly consolidated statement of income |
|---------------------------------------|---------------------------------|---|---------------------------------|------------------|------------|-------------|---|
| | Real Estate Investment Business | Subleasing, Leasing and Fund Fee Business | Planning and Brokerage Business | Other Businesses | Total | | |
| Net sales | | | | | | | |
| (1) Sales to external customers | 11,417,195 | 287,669 | 20,916 | 328,514 | 12,054,296 | - | 12,054,296 |
| (2) Inter-segment sales and transfers | 42,000 | - | - | - | 42,000 | (42,000) | - |
| Total | 11,459,195 | 287,669 | 20,916 | 328,514 | 12,096,296 | (42,000) | 12,054,296 |
| Segment profit (loss) | 2,710,401 | 93,092 | 19,282 | 254,837 | 3,077,613 | (2,218,039) | 859,573 |

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

(Thousands of yen)

| Profit | Amounts |
|--|-------------|
| Total reportable segment | 3,077,613 |
| Elimination of inter-segment transactions | (42,000) |
| Corporate expenses (Note) | (2,176,039) |
| Operating profit in the quarterly consolidated statement of income | 859,573 |

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.