

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

[Japanese GAAP]

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Securities code: 3252
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Listing: TSE/NSE, First Sections
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Scheduled date of Annual General Meeting of Shareholders: June 27, 2018
Scheduled date of filing of Annual Securities Report: June 28, 2018
Scheduled date of payment of dividend: June 28, 2018
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, 2018 (April 1, 2017 – March 31, 2018)

(1) Consolidated results of operations (Percentages shown for net sales and profits 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	%
Fiscal year ended Mar. 31, 2018	31,260	17.5	3,684	(23.9)	3,044	(41.2)	1,958	(69.6)
Fiscal year ended Mar. 31, 2017	26,614	53.1	4,843	(18.7)	5,181	(7.9)	6,437	78.5

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2018: 2,191 (down 66.9%)
Fiscal year ended Mar. 31, 2017: 6,620 (up 187.2%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2018	109.61	108.69	10.4	4.9	11.8
Fiscal year ended Mar. 31, 2017	366.84	359.93	44.2	10.9	18.2

Reference: Equity in earnings of associates (million yen) Fiscal year ended Mar. 31, 2018: 30 Fiscal year ended Mar. 31, 2017: 870

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	67,254	20,304	30.2	1,135.12
As of Mar. 31, 2017	56,792	19,878	30.8	979.32

Reference: Shareholders' equity (million yen) As of Mar. 31, 2018: 20,278 As of Mar. 31, 2017: 17,493

(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, 2018	(5,639)	154	6,412	14,508
Fiscal year ended Mar. 31, 2017	(2,908)	1,136	3,394	13,574

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, 2017	-	0.00	-	55.00	55.00	982	15.0	6.7
Fiscal year ended Mar. 31, 2018	-	0.00	-	55.00	55.00	982	50.2	5.2
Fiscal year ending Mar. 31, 2019 (forecasts)	-	0.00	-	55.00	55.00		45.5	

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

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	-	-	-	-	-	-	-	-	-
Full year	32,500	4.0	3,740	1.5	3,240	6.4	2,160	10.3	120.91

Note: Nippon Commercial Development has decided not to announce forecasts for the first half of fiscal year ending March 31, 2019. For more details, please refer to "1. Overview of Results of Operations, (4) Outlook" on page 4 of the attachment.

*** 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) 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

(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, 2018: 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 Mar. 31, 2018: 141 shares As of Mar. 31, 2017: 141 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2018: 17,864,664 shares Fiscal year ended Mar. 31, 2017: 17,548,234 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2018	29,301	22.6	3,552	(15.8)	3,257	(13.2)	2,236	(68.7)
Fiscal year ended Mar. 31, 2017	23,894	327.8	4,220	-	3,753	-	7,154	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2018	125.21	124.16
Fiscal year ended Mar. 31, 2017	407.70	400.02

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	54,402	15,107	27.7	844.25
As of Mar. 31, 2017	43,865	13,871	31.6	775.19

Reference: Shareholders' equity (million yen) As of Mar. 31, 2018: 15,082 As of Mar. 31, 2017: 13,846

The current financial report is not subject to the audit by an auditing firm.

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. Overview of Results of Operations, (4) Outlook" on page 4 of the attachments for assumptions for forecasts and notes of caution for usage.

How to view presentation materials

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

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1. Overview of Results of Operations

(1) Overview of Results of Operations for the Current Fiscal Year

The Japanese economy during the fiscal year ended March 31, 2018 remained on a modest recovery trend backed by continued improvements in corporate earnings and employment situation as well as a pick-up in consumer spending. However, the business confidence of companies worsened over concerns of aggravated global trade friction and the stronger yen triggered by the decline in the U.S. stock market. Overall, uncertainties for the future were left undispelled. Moreover, looking across the world economy with a moderate recovery, the outlook for the global economy also remained uncertain due to the developments of U.S. economic policies and the rising geopolitical risks in the Middle East and Asian regions.

The Japanese real estate and real estate finance industries remained solid with the improving vacancy rate of office buildings centered on major cities, while demand for commercial land increased further against a backdrop of the strong inbound market.

Under these circumstances, the Nippon Commercial Development Group (hereinafter, “the Group”) accelerated the purchase of high-quality properties to further expand the market for “JINUSHI business” and also to cater for institutional investors’ need for the real estate management. On the other hand, the Group strove to expand the scale of private REIT under management by selling 16 projects (with the total selling price of 16,924 million yen) to JINUSHI Private REIT Investment Corporation (hereinafter “JINUSHI REIT”) that started its operation in January 2017 as Japan’s first REIT specializing in land with leasehold interest.

As a result, the Group reported net sales for the current fiscal year of 31,260 million yen (up 17.5% year on year), operating profit of 3,684 million yen (down 23.9% year on year), ordinary profit of 3,044 million yen (down 41.2% year on year), and profit attributable to owners of parent of 1,958 million yen (down 69.6% year on year).

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

- i) Operating profit: The profit margin on the properties sold for the current fiscal year was slightly less than that for the previous fiscal year.
- ii) Ordinary profit: In addition to the aforementioned reason, we reported the equity in earnings of associates of 30 million yen for the current fiscal year, a decrease from 870 million yen for the same period of the previous fiscal year. This was because an overseas subsidiary (in Australia) of 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. There is no cash outflow due to the loss described above.
- iii) Profit attributable to owners of parent: There are no major factors other than those mentioned above for the current fiscal year, as contrasted with 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).

Results by business segment were as follows:

1) Real Estate Investment Business

The segment reported sales of 30,457 million yen (up 20.8% year on year) with segment profit of 6,275 million yen (down 3.8% year on year).

2) Subleasing, Leasing and Fund Fee Business

The segment reported sales of 480 million yen (up 14.4% year on year) with segment profit of 221 million yen (up 26.5% year on year).

3) Planning and Brokerage Business

The segment reported sales of 21 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 356 million yen (down 58.1% year on year) with segment profit of 273 million yen (down 63.7% year on year).

(2) Overview of Financial Position for the Current Fiscal Year

Current assets

Current assets at the end of the current fiscal year increased 22.9% year on year to 56,577 million yen. This increase was attributable mainly to an increase of 727 million yen in cash and deposits as a result of selling properties to JINUSHI REIT and other investors, as well as an increase of 9,410 million yen in real estate for sale to reach a record high level at the end of the current fiscal year as a result of further accelerated purchase of properties.

Non-current assets

Non-current assets at the end of the current fiscal year decreased 0.9% year on year to 10,677 million yen. This decrease was mainly attributable to a decrease of 29 million yen in investment securities.

Current liabilities

Current liabilities at the end of the current fiscal year increased 124.4% year on year to 9,131 million yen. This increase was mainly attributable to an increase in the sum of short-term loans payable and current portion of long-term loans payable by 2,938 million yen and also an increase in advances received by 1,145 million yen as a result of receiving money deposit associated with sale of real estate for sale.

Non-current liabilities

Non-current liabilities at the end of the current fiscal year increased 15.1% year on year to 37,819 million yen. This increase was attributable to an increase of 4,842 million yen in long-term loans payable due to purchase of properties at a record high level.

Net assets

Net assets at the end of the current fiscal year increased 2.1% year on year to 20,304 million yen, primarily due to booking of profit attributable to owners of parent of 1,958 million yen (down 69.6% year on year). As a result, the equity ratio was 30.2%.

(3) Overview of Cash Flows for the Current Fiscal Year

Cash and cash equivalents (hereinafter “net cash”) at the end of the current fiscal year increased 934 million yen from the end of the previous fiscal year to 14,508 million yen, mainly due to the record high inventory level of real estate for sale attained at the end of the current period through the accelerated purchase of high-quality properties, the sales of 16 properties (with the total selling price of 16,924 million yen) with reasonable margin to Japan’s first “JINUSHI REIT” specializing in land with leasehold interest to meet the demand from institutional investors in real estate management and the fact that we continued to raise funds successfully and 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 5,639 million yen, compared with net cash used of 2,908 million yen one year earlier. The main factor was an increase of 9,546 million yen in real estate for sale, which was partially offset by reporting of profit before income taxes of 2,973 million yen and an increase in advances received by 1,145 million yen as a result of receiving money deposit associated with sale of real estate for sale.

Cash flows from investing activities

Net cash provided by investing activities totaled 154 million yen, compared with 1,136 million yen provided one year earlier. This increase was caused mainly by the withdrawal of time deposits.

Cash flows from financing activities

Net cash provided by financing activities totaled 6,412 million yen, compared with 3,394 million yen provided one year earlier. The main factors were a net increase of 2,788 million yen in short-term loans payable and the proceeds of 26,232 million yen from long-term loans payable to finance the accelerated purchase of properties, which were partially offset by repayment of 21,453 million yen of long-term loans payable due to successful sale of real estate for sale.

(4) Outlook

Going forward, we expect the modest recovery trend to continue in Japan thanks to the effects of various policy measures taken in the circumstance where the employment and income situation continues to improve. However, we need to pay attention to uncertainties in the global economy triggered by a rise in U.S. interest rates and repercussions caused by fluctuations in money and capital markets.

Under such a business environment, the Group has set a policy for the next fiscal year to continue to focus on purchasing real estate for sale mainly for “JINUSHI business,” further expand the scale of assets under management of JINUSHI Private REIT Investment Corporation, and aim for achieving growth in both sales and profits.

Our basic policy for dividends is to make distributions consistently while taking into consideration earnings in each fiscal year, future business development, and other factors. For the fiscal year that ended March 31, 2018, if approved by shareholders at the 18th Annual General Meeting of Shareholders, we plan to pay a year-end dividend of 55 yen per share. For the fiscal year ending March 31, 2019, we also plan to pay a year-end dividend of 55 yen.

We are not announcing an earnings forecast for the first half of the fiscal year ending March 31, 2019. The reason is that we have deals under negotiations and that the forecast figures will vary significantly depending on the timing of the closure of these deals and their contract prices.

For more details on the earnings forecast for the fiscal year ending March 31, 2019, please refer to “Results of Operations for the Fiscal Year Ended March 31, 2018” (available on our website (*)), which is the supplementary materials for the Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018.

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

2. Basic Approach to the Selection of Accounting Standards

The 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 our peer companies in Japan.

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

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	13,794,754	14,521,977
Operating accounts receivable	77,448	193,652
Real estate for sale	31,639,283	41,049,532
Advance payments-trade	235,000	553,732
Prepaid expenses	131,749	81,123
Deferred tax assets	82,371	101,854
Other	61,412	75,396
Total current assets	46,022,019	56,577,268
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	150,838	104,228
Tools, furniture and fixtures, net	25,838	13,345
Land	3,758	3,758
Leased assets, net	50,688	66,556
Total property, plant and equipment	231,123	187,888
Intangible assets		
Trademark right	705	853
Other	10,543	11,274
Total intangible assets	11,249	12,128
Investments and other assets		
Investment securities	2,453,456	2,423,951
Shares of subsidiaries and associates	7,083,153	7,088,432
Investments in capital of subsidiaries and associates	4,000	4,000
Investments in capital	505,161	505,161
Lease and guarantee deposits	291,418	282,292
Long-term prepaid expenses	89,385	76,510
Other	454,083	457,860
Allowance for doubtful accounts	(352,409)	(360,757)
Total investments and other assets	10,528,248	10,477,451
Total non-current assets	10,770,621	10,677,469
Total assets	56,792,641	67,254,738

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Liabilities		
Current liabilities		
Operating accounts payable	121,511	139,789
Short-term loans payable	540,000	3,328,800
Current portion of long-term loans payable	614,992	764,215
Accounts payable-other	227,468	818,887
Accrued expenses	16,232	29,530
Lease obligations	11,587	13,583
Income taxes payable	1,112,481	1,061,170
Accrued consumption taxes	33,510	8,111
Deposits received	74,535	585,855
Advances received	-	1,145,000
Unearned revenue	112,673	95,893
Current portion of guarantee deposits received	963,286	904,206
Provision for bonuses	11,516	14,760
Other	228,752	221,534
Total current liabilities	4,068,548	9,131,338
Non-current liabilities		
Long-term loans payable	32,057,893	36,900,557
Lease obligations	40,596	55,873
Deferred tax liabilities	496,058	515,652
Long-term lease and guarantee deposited	182,555	179,555
Net defined benefit liability	68,570	69,247
Other	-	98,492
Total non-current liabilities	32,845,674	37,819,378
Total liabilities	36,914,223	46,950,716
Net assets		
Shareholders' equity		
Capital stock	2,794,183	2,795,626
Capital surplus	2,772,628	4,405,036
Retained earnings	12,132,529	13,108,175
Treasury shares	(79)	(79)
Total shareholders' equity	17,699,262	20,308,759
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(29,476)	(19,922)
Foreign currency translation adjustment	(176,446)	(9,845)
Total accumulated other comprehensive income	(205,923)	(29,768)
Share acquisition rights	25,097	25,030
Non-controlling interests	2,359,982	-
Total net assets	19,878,418	20,304,021
Total liabilities and net assets	56,792,641	67,254,738

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

(Thousands of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net sales	26,614,078	31,260,663
Cost of sales	18,903,831	24,402,427
Gross profit	7,710,247	6,858,235
Selling, general and administrative expenses	2,866,760	3,174,186
Operating profit	4,843,487	3,684,048
Non-operating income		
Interest income	7,827	7,023
Dividend income	12,115	13,698
Interest on securities	5,877	6,068
Share of profit of entities accounted for using equity method	870,794	30,809
Gain on bad debts recovered	106,561	33,650
Fiduciary obligation fee	103,944	110,533
Other	46,766	27,350
Total non-operating income	1,153,888	229,133
Non-operating expenses		
Interest expenses	609,799	541,767
Financing expenses	178,944	178,738
Foreign exchange losses	-	127,331
Other	27,440	21,170
Total non-operating expenses	816,184	869,008
Ordinary profit	5,181,191	3,044,174
Extraordinary income		
Gain on bargain purchase	4,577,713	-
Total extraordinary income	4,577,713	-
Extraordinary losses		
Loss on retirement of non-current assets	3,119	-
Loss on step acquisitions	1,787,271	-
Impairment loss	-	70,275
Total extraordinary losses	1,790,390	70,275
Profit before income taxes	7,968,514	2,973,898
Income taxes-current	1,024,615	992,416
Income taxes-deferred	136,977	(29,966)
Total income taxes	1,161,592	962,450
Profit	6,806,921	2,011,448
Profit attributable to non-controlling interests	369,597	53,356
Profit attributable to owners of parent	6,437,323	1,958,092

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Profit	6,806,921	2,011,448
Other comprehensive income		
Valuation difference on available-for-sale securities	4,301	14,378
Foreign currency translation adjustment	(190,617)	165,355
Total other comprehensive income	(186,316)	179,733
Comprehensive income	6,620,605	2,191,182
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	6,302,719	2,134,246
Comprehensive income attributable to non-controlling interests	317,885	56,935

(3) Consolidated Statement of Changes in Equity

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,619,000	2,597,445	6,481,610	(79)	11,697,976
Changes of items during period					
Issuance of new shares	175,183	175,183			350,367
Dividends of surplus			(786,404)		(786,404)
Profit attributable to owners of parent			6,437,323		6,437,323
Net changes of items other than shareholders' equity					
Total changes of items during period	175,183	175,183	5,650,918	-	6,001,285
Balance at end of current period	2,794,183	2,772,628	12,132,529	(79)	17,699,262

	Accumulated other comprehensive income			Share acquisition rights	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	(32,280)	(39,038)	(71,319)	18,720	55,293	11,700,670
Changes of items during period						
Issuance of new shares						350,367
Dividends of surplus						(786,404)
Profit attributable to owners of parent						6,437,323
Net changes of items other than shareholders' equity	2,803	(137,408)	(134,604)	6,377	2,304,688	2,176,461
Total changes of items during period	2,803	(137,408)	(134,604)	6,377	2,304,688	8,177,747
Balance at end of current period	(29,476)	(176,446)	(205,923)	25,097	2,359,982	19,878,418

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,794,183	2,772,628	12,132,529	(79)	17,699,262
Changes of items during period					
Issuance of new shares	1,443	1,443			2,886
Change in ownership interest of parent due to transactions with non-controlling interests		1,630,964			1,630,964
Dividends of surplus			(982,446)		(982,446)
Profit attributable to owners of parent			1,958,092		1,958,092
Net changes of items other than shareholders' equity					
Total changes of items during period	1,443	1,632,408	975,646	-	2,609,497
Balance at end of current period	2,795,626	4,405,036	13,108,175	(79)	20,308,759

	Accumulated other comprehensive income			Share acquisition rights	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	(29,476)	(176,446)	(205,923)	25,097	2,359,982	19,878,418
Changes of items during period						
Issuance of new shares						2,886
Change in ownership interest of parent due to transactions with non-controlling interests						1,630,964
Dividends of surplus						(982,446)
Profit attributable to owners of parent						1,958,092
Net changes of items other than shareholders' equity	9,553	166,600	176,154	(66)	(2,359,982)	(2,183,894)
Total changes of items during period	9,553	166,600	176,154	(66)	(2,359,982)	425,603
Balance at end of current period	(19,922)	(9,845)	(29,768)	25,030	-	20,304,021

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	7,968,514	2,973,898
Depreciation	122,279	159,519
Impairment loss	-	70,275
Gain on bargain purchase	(4,577,713)	-
Loss (gain) on step acquisitions	1,787,271	-
Loss on retirement of non-current assets	3,119	-
Increase (decrease) in allowance for doubtful accounts	(3,216)	7,662
Share of loss (profit) of entities accounted for using equity method	(545,096)	292,162
Gain on bad debts recovered	(106,561)	(33,650)
Interest income	(7,827)	(7,023)
Dividend income	(12,115)	(13,698)
Interest income on securities	(5,877)	(6,068)
Interest expenses	609,799	541,767
Foreign exchange losses (gains)	(10,485)	127,331
Non-deductible consumption taxes	154,656	178,135
Decrease (increase) in notes and accounts receivable-trade	21,983	(116,203)
Decrease (increase) in inventories	(6,100,801)	(9,546,942)
Increase (decrease) in notes and accounts payable-trade	24,317	18,277
Decrease (increase) in advance payments	142,573	(318,732)
Decrease (increase) in prepaid expenses	42,203	49,663
Increase (decrease) in accrued expenses	6,008	3,872
Increase (decrease) in accounts payable-other	145,735	23,742
Increase (decrease) in accrued consumption taxes	17,134	(25,399)
Increase (decrease) in deposits received	(8,451)	511,320
Increase (decrease) in advances received	-	1,145,000
Increase (decrease) in unearned revenue	(5,995)	(16,779)
Increase (decrease) in lease and guarantee deposits received	(32,980)	(62,080)
Other, net	59,381	(49,782)
Subtotal	(312,144)	(4,093,734)
Interest and dividend income received	28,871	28,795
Interest expenses paid	(594,530)	(533,661)
Income taxes paid	(2,030,332)	(1,041,331)
Net cash provided by (used in) operating activities	(2,908,136)	(5,639,932)
Cash flows from investing activities		
Decrease (increase) in time deposits	(85,515)	207,061
Purchase of property, plant and equipment	(100,583)	(37,757)
Payments for investments in capital	(504,000)	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	1,894,986	-
Payments for lease and guarantee deposits	(22,693)	(4,537)
Other, net	(45,253)	(10,344)
Net cash provided by (used in) investing activities	1,136,940	154,422

	(Thousands of yen)	
	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from financing activities		
Proceeds from issuance of common shares	343,350	2,820
Net increase (decrease) in short-term loans payable	114,000	2,788,800
Proceeds from long-term loans payable	22,158,000	26,232,839
Repayments of long-term loans payable	(18,435,426)	(21,453,513)
Repayments of lease obligations	(12,274)	(14,390)
Cash dividends paid	(785,619)	(981,917)
Liquidation dividends paid to non-controlling interests	-	(35,879)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(126,165)
Other, net	12,782	-
Net cash provided by (used in) financing activities	3,394,811	6,412,593
Effect of exchange rate change on cash and cash equivalents	(16,964)	7,200
Net increase (decrease) in cash and cash equivalents	1,606,651	934,284
Cash and cash equivalents at beginning of period	11,968,041	13,574,693
Cash and cash equivalents at end of period	13,574,693	14,508,977

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

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.

The Group is primarily engaged in the real estate business with four reportable segments: Real Estate Investment Business, Subleasing, Leasing and Fund Fee Business, Planning and Brokerage Business, and Other Businesses.

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

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

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

The Other Businesses segment includes activities involving the overseas PFI business and entertainment business (golf course management).

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

The accounting methods used for reportable segments are generally the same as those adopted for preparation of the consolidated financial statements.

Profits for reportable segments are operating profit figures.

Inter-segment sales and transfers between the segments are based on prevailing market prices.

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

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(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	Other Businesses	Subtotal		
Net sales							
Sales to external customers	25,148,212	420,367	193,804	851,694	26,614,078	-	26,614,078
Inter-segment sales and transfers	56,000	-	-	-	56,000	(56,000)	-
Total	25,204,212	420,367	193,804	851,694	26,670,078	(56,000)	26,614,078
Segment profits	6,521,075	175,127	192,313	753,152	7,641,669	(2,798,181)	4,843,487
Segment assets	32,060,767	206,189	-	9,604,244	41,871,201	14,921,439	56,792,641
Other items							
Depreciation and amortization	69,721	2,758	-	14,729	87,208	35,070	122,279
Increase in property, plant and equipment and intangible assets	-	48,000	-	-	48,000	52,583	100,583

Notes: 1. The above adjustments are as follows:

To segment profits		(Thousands of yen)
Elimination of inter-segment transactions		(56,000)
Corporate expenses *		(2,742,181)
Total		(2,798,181)

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

To segment assets		(Thousands of yen)
Corporate assets *		14,921,439
Total		14,921,439

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

To depreciation and amortization		(Thousands of yen)
Corporate expenses *		35,070
Total		35,070

* Corporate expenses mainly include expenses which belong to administration department of the Company that cannot be attributed to reportable segments.

2. Segment profit is adjusted to be consistent with operating profit shown on the consolidated financial statements.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(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	Other Businesses	Subtotal		
Net sales							
Sales to external customers	30,401,848	480,861	21,055	356,897	31,260,663	-	31,260,663
Inter-segment sales and transfers	56,000	-	-	-	56,000	(56,000)	-
Total	30,457,848	480,861	21,055	356,897	31,316,663	(56,000)	31,260,663
Segment profits	6,275,710	221,467	19,410	273,155	6,789,743	(3,105,694)	3,684,048
Segment assets	42,014,983	202,986	-	9,309,854	51,527,824	15,726,914	67,254,738
Other items							
Depreciation and amortization	111,297	7,175	-	6,268	124,740	34,778	159,519
Increase in property, plant and equipment and intangible assets	-	30,000	-	-	30,000	42,571	72,571

Notes: 1. The above adjustments are as follows:

To segment profits		(Thousands of yen)
Elimination of inter-segment transactions		(56,000)
Corporate expenses *		(3,049,694)
Total		(3,105,694)

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

To segment assets		(Thousands of yen)
Corporate assets *		15,726,914
Total		15,726,914

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

To depreciation and amortization		(Thousands of yen)
Corporate expenses *		34,778
Total		34,778

* Corporate expenses mainly include expenses which belong to administration department of the Company that cannot be attributed to reportable segments.

2. Segment profit is adjusted to be consistent with operating profit shown on the consolidated financial statements.

Related information

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

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

This information is omitted because sales to external customers in Japan exceeded 90% of net sales presented in the consolidated statement of income.

(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
JINUSHI Private REIT Investment Corporation	11,473,144	Real Estate Investment Business Subleasing, Leasing and Fund Fee Business
IBJ Leasing Company, Limited	4,513,960	Real Estate Investment Business Subleasing, Leasing and Fund Fee Business

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

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

This information is omitted because sales to external customers in Japan exceeded 90% of net sales presented in the consolidated statement of income.

(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
JINUSHI Private REIT Investment Corporation	17,069,044	Real Estate Investment Business Subleasing, Leasing and Fund Fee Business
Kanden Realty & Development Co., Ltd.	5,300,000	Real Estate Investment Business

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

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

Not applicable.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

We reported 70 million yen of an impairment loss on corporate assets which cannot be attributable to reportable segments.

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

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

Not applicable.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

Not applicable.

Information related to gain on bargain purchase for each reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

As NRP, which had been the Group’s associate accounted for by 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.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

Not applicable.

Per Share Information

(Yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net assets per share	979.32	1,135.12
Net income per share	366.84	109.61
Diluted net income per share	359.93	108.69

Note: The basis for the calculation of net income per share and diluted net income per share is as follows.

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net income per share		
Profit attributable to owners of parent (Thousands of yen)	6,437,323	1,958,092
Profit not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent applicable to common shares (Thousands of yen)	6,437,323	1,958,092
Average number of common shares outstanding during the period (Shares)	17,548,234	17,864,664
Diluted net income per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in the number of common shares (Shares)	336,517	151,377
[Of which, share acquisition rights]	[336,517]	[151,377]
Summary of potentially dilutive shares not included in the calculation of diluted net income per share due to their anti-dilutive effect	—	—

Subsequent Events

Not applicable.

4. Non-consolidated Financial Statements**(1) Balance Sheet**

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	10,893,411	11,800,278
Operating accounts receivable	17,381	98,054
Real estate for sale	27,579,354	37,097,525
Advance payments-trade	235,000	553,732
Prepaid expenses	103,767	51,627
Deferred tax assets	81,032	101,053
Short-term loans receivable from subsidiaries and associates	-	2,104,055
Other	15,609	69,394
Total current assets	38,925,557	51,875,723
Non-current assets		
Property, plant and equipment		
Buildings	105,597	36,162
Structures	45,241	68,066
Tools, furniture and fixtures	25,838	13,345
Land	3,758	3,758
Leased assets	50,688	66,556
Total property, plant and equipment	231,123	187,888
Intangible assets		
Trademark right	705	853
Software	5,405	7,869
Other	0	0
Total intangible assets	6,111	8,723
Investments and other assets		
Investment securities	313,448	298,543
Shares of subsidiaries and associates	404,000	300,000
Investments in capital	505,161	505,161
Investments in capital of subsidiaries and associates	223,459	232,898
Long-term loans receivable from subsidiaries and associates	2,884,055	650,000
Lease and guarantee deposits	229,789	232,676
Long-term prepaid expenses	84,985	73,110
Deferred tax assets	7,212	-
Other	50,453	38,121
Allowance for doubtful accounts	(300)	(300)
Total investments and other assets	4,702,265	2,330,212
Total non-current assets	4,939,500	2,526,824
Total assets	43,865,058	54,402,547

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Liabilities		
Current liabilities		
Operating accounts payable	66,175	107,816
Short-term loans payable	540,000	3,328,800
Current portion of long-term loans payable	614,992	764,215
Lease obligations	11,587	13,583
Accounts payable-other	227,464	237,776
Accrued expenses	13,732	23,889
Income taxes payable	1,017,537	1,014,009
Accrued consumption taxes	18,237	-
Deposits received	25,523	533,739
Advances received	-	1,145,000
Unearned revenue	73,291	63,787
Current portion of guarantee deposits received	862,306	770,855
Total current liabilities	3,470,848	8,003,472
Non-current liabilities		
Long-term loans payable	26,299,066	30,954,005
Long-term lease and guarantee deposited	182,555	179,555
Lease obligations	40,596	55,873
Other	-	102,038
Total non-current liabilities	26,522,218	31,291,472
Total liabilities	29,993,066	39,294,945
Net assets		
Shareholders' equity		
Capital stock	2,794,183	2,795,626
Capital surplus		
Legal capital surplus	2,772,628	2,774,071
Total capital surpluses	2,772,628	2,774,071
Retained earnings		
Other retained earnings		
Retained earnings brought forward	8,296,597	9,550,961
Total retained earnings	8,296,597	9,550,961
Treasury shares	(79)	(79)
Total shareholders' equity	13,863,329	15,120,580
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(16,435)	(38,009)
Total valuation and translation adjustments	(16,435)	(38,009)
Share acquisition rights	25,097	25,030
Total net assets	13,871,991	15,107,602
Total liabilities and net assets	43,865,058	54,402,547

(2) Statement of Income

(Thousands of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net sales	23,894,094	29,301,320
Cost of sales	17,807,499	23,647,009
Gross profit	6,086,595	5,654,310
Selling, general and administrative expenses	1,865,678	2,101,366
Operating profit	4,220,917	3,552,944
Non-operating income		
Interest income	33,938	44,794
Dividend income	2,585	67,802
Interest on securities	5,877	6,068
Gain on investments in partnership	-	9,180
Commission fee	2,700	1,200
Other	252	246
Total non-operating income	45,354	129,292
Non-operating expenses		
Interest expenses	330,109	273,096
Financing expenses	175,230	151,415
Other	7,896	424
Total non-operating expenses	513,237	424,936
Ordinary profit	3,753,035	3,257,300
Extraordinary income		
Gain on extinguishment of tie-in shares	4,453,058	-
Total extraordinary income	4,453,058	-
Extraordinary losses		
Loss on retirement of non-current assets	3,119	-
Impairment loss	-	70,275
Total extraordinary losses	3,119	70,275
Profit before income taxes	8,202,974	3,187,024
Income taxes-current	940,172	970,234
Income taxes-deferred	108,469	(20,021)
Total income taxes	1,048,642	950,213
Profit	7,154,331	2,236,810

(3) Statement of Changes in Equity

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(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	2,619,000	2,597,445	2,597,445	1,928,669	1,928,669	(79)	7,145,035
Changes of items during period							
Issuance of new shares	175,183	175,183	175,183				350,367
Dividends of surplus				(786,404)	(786,404)		(786,404)
Profit				7,154,331	7,154,331		7,154,331
Net changes of items other than shareholders' equity							
Total changes of items during period	175,183	175,183	175,183	6,367,927	6,367,927	-	6,718,294
Balance at end of current period	2,794,183	2,772,628	2,772,628	8,296,597	8,296,597	(79)	13,863,329

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(15,372)	(15,372)	18,720	7,148,383
Changes of items during period				
Issuance of new shares				350,367
Dividends of surplus				(786,404)
Profit				7,154,331
Net changes of items other than shareholders' equity	(1,063)	(1,063)	6,377	5,313
Total changes of items during period	(1,063)	(1,063)	6,377	6,723,608
Balance at end of current period	(16,435)	(16,435)	25,097	13,871,991

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(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	2,794,183	2,772,628	2,772,628	8,296,597	8,296,597	(79)	13,863,329
Changes of items during period							
Issuance of new shares	1,443	1,443	1,443				2,886
Dividends of surplus				(982,446)	(982,446)		(982,446)
Profit				2,236,810	2,236,810		2,236,810
Net changes of items other than shareholders' equity							
Total changes of items during period	1,443	1,443	1,443	1,254,364	1,254,364	-	1,257,251
Balance at end of current period	2,795,626	2,774,071	2,774,071	9,550,961	9,550,961	(79)	15,120,580

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(16,435)	(16,435)	25,097	13,871,991
Changes of items during period				
Issuance of new shares				2,886
Dividends of surplus				(982,446)
Profit				2,236,810
Net changes of items other than shareholders' equity	(21,574)	(21,574)	(66)	(21,640)
Total changes of items during period	(21,574)	(21,574)	(66)	1,235,610
Balance at end of current period	(38,009)	(38,009)	25,030	15,107,602

5. Others

Changes in directors

Change of representative directors

Not applicable.

Changes of other directors and corporate auditors

(1) Candidate for Director (to be appointed on June 27, 2018)

Outside Director:Kensuke Shiwa, Attorney at Law and Representative Partner of Shiwa Law Office (current position)

* Mr. Kensuke Shiwa is a candidate for an outside director as stipulated in Article 2, Item 15 of the Companies Act. In addition, as he satisfies the requirements for Independent Director as provided in the rules of Tokyo Stock Exchange and Nagoya Stock Exchange, the Company intend to register him as Independent Director with the said exchanges.

(2) Retiring Directors (to be retired on June 27, 2018)

Managing Director: Takashi Nishioka

Outside Director: Yoshinari Matsuda

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.