

November 10, 2017

**Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2018
(Six Months Ended September 30, 2017)**

[Japanese GAAP]

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Securities code: 3252
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Listing: TSE/NSE, First Sections
URL: <http://www.ncd-jp.com>

Scheduled date of filing of Quarterly Report: November 13, 2017
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)
(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Six Months Ended September 30, 2017
(April 1, 2017 – September 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	%
Six months ended Sep. 30, 2017	5,436	(43.2)	198	(88.5)	(246)	-	(202)	-
Six months ended Sep. 30, 2016	9,575	(20.9)	1,714	(69.2)	2,020	(62.4)	4,150	16.5

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2017: (297) (- %)
Six months ended Sep. 30, 2016: 3,691 (up 3.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2017	(11.36)	-
Six months ended Sep. 30, 2016	237.37	233.23

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2017	67,601	18,508	24.1
As of Mar. 31, 2017	56,792	19,878	30.8

Reference: Shareholders' equity (million yen) As of Sep. 30, 2017: 16,273 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 Sep. 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 Sep. 30, 2017:	141 shares	As of Mar. 31, 2017:	141 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2017:	17,864,272 shares	Six months ended Sep. 30, 2016:	17,486,839 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.

How to view presentation materials

The Company plans to hold a financial results meeting for institutional investors and analysts on Wednesday, December 6, 2017. Materials to be distributed at this event will be available on the Company's website immediately thereafter.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the fiscal year ending March 31, 2018 (hereinafter, “the period under review”), the Japanese economy remained on a modest recovery trend as corporate activities picked up in a wide range of industries. Looking across the world, the U.S. economy remained strong both in manufacturing and non-manufacturing sectors and the euro zone economy also stayed solid driven primarily by domestic demand. This was despite the possibility of the U.S. government’s policy trends and geopolitical risks exerting downward pressures on global markets.

In the Japanese real estate and real estate finance industries, a rise in the standard land price in 2017 spread to local cities. In particular, the rise in prices of commercial land was driven primarily by the government ordinance designated cities (*seirei shitei toshi*) to the extent that the growth rates exceeded those for the three major metropolitan areas. Demand for office space also remained strong, especially in urban areas.

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 in a wide range of areas with a view to strengthening our future earnings against a backdrop of an increased workforce, enhanced brand recognition and other positive effects that were triggered by the 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 43.2% year on year to 5,436 million yen, operating profit decreased 88.5% year on year to 198 million yen, ordinary loss was 246 million yen (compared with an ordinary profit of 2,020 million yen during the same period of the previous fiscal year) and loss attributable to owners of parent was 202 million yen (compared with profit attributable to owners of parent of 4,150 million yen for the same period of the previous fiscal year). These results are generally in line with our plan.

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

- i) Net sales and 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 is expected to concentrate in the fourth quarter.
- ii) Ordinary profit or loss: In the period under review, we reported share of loss of entities accounted for using equity method of 133 million yen (compared with share of profit of entities accounted for using equity method of 648 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 valuation loss due to a rise in borrowing interest rates.
- iii) Profit or loss attributable to owners of parent: There are no factors other than those mentioned above for the period under review, as contracted 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).

Results by business segment were as follows:

1) Real Estate Investment Business

The segment reported sales of 5,021 million yen (down 43.5% year on year) with segment profit of 1,439 million yen (down 42.5% year on year).

2) Subleasing, Leasing and Fund Fee Business

The segment reported sales of 192 million yen (up 20.2% year on year) with segment profit of 63 million yen (up 57.2% year on year).

3) Planning and Brokerage Business

The segment reported sales of 19 million yen (compared with 277 thousand yen for the same period of the previous fiscal year) with segment profit of 18 million yen (compared with 277 thousand yen for the same period of the previous fiscal year).

4) Other Businesses

The segment (*) reported sales of 231 million yen (down 58.9% year on year) with segment profit of 183 million yen (down 63.6% 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 10,808 million yen from the end of the previous fiscal year to 67,601 million yen at the end of the period under review. This increase was attributable mainly to an increase of 14,935 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 4,041 million yen in cash and deposits as a result of the purchase of real estate for sale and payment of dividends.

Total liabilities increased 12,178 million yen from the end of the previous fiscal year to 49,092 million yen. This increase was attributable mainly to an increase of 13,055 million yen in loans payable as a result of the purchase of real estate for sale.

Net assets decreased 1,370 million yen from the end of the previous fiscal year to 18,508 million yen, primarily due to a decrease of 1,185 million yen in retained earnings, which was resulted from the resolution of dividend payment of 982 million yen and booking of loss attributable to owners of parent of 202 million yen.

Consequently, the equity ratio at the end of the period under review was 24.1%, 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 is expected to concentrate on the fourth quarter. Please refer to “Materials for Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2018,” which is the supplementary materials for Summary of Financial Results for the Second 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)	Second quarter of FY3/18 (As of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposits	13,794,754	9,753,125
Operating accounts receivable	77,448	188,786
Real estate for sale	31,639,283	46,574,833
Advance payments-trade	235,000	238,247
Prepaid expenses	131,749	83,439
Other	143,783	164,424
Total current assets	46,022,019	57,002,857
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	150,838	178,181
Tools, furniture and fixtures, net	25,838	22,346
Land	3,758	3,758
Leased assets, net	50,688	70,438
Total property, plant and equipment	231,123	274,724
Intangible assets		
Other	11,249	9,816
Total intangible assets	11,249	9,816
Investments and other assets		
Investment securities	2,453,456	2,424,399
Shares of subsidiaries and associates	7,083,153	6,906,895
Investments in capital of subsidiaries and associates	4,000	4,000
Investments in capital	505,161	505,161
Lease and guarantee deposits	291,418	292,408
Long-term prepaid expenses	89,385	81,021
Other	454,083	451,390
Allowance for doubtful accounts	(352,409)	(351,562)
Total investments and other assets	10,528,248	10,313,714
Total non-current assets	10,770,621	10,598,255
Total assets	56,792,641	67,601,112
Liabilities		
Current liabilities		
Operating accounts payable	121,511	167,809
Short-term loans payable	540,000	1,218,400
Current portion of long-term loans payable	614,992	996,453
Accounts payable-other	227,468	52,005
Income taxes payable	1,112,481	45,110
Accrued consumption taxes	33,510	7,500
Current portion of guarantee deposits received	963,286	1,138,206
Provision for bonuses	11,516	14,031
Other	443,780	518,751
Total current liabilities	4,068,548	4,158,269

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	Second quarter of FY3/18 (As of Sep. 30, 2017)
Non-current liabilities		
Long-term loans payable	32,057,893	44,053,672
Long-term lease and guarantee deposited	182,555	179,555
Net defined benefit liability	68,570	73,006
Other	536,654	628,254
Total non-current liabilities	32,845,674	44,934,488
Total liabilities	36,914,223	49,092,757
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	10,947,197
Treasury shares	(79)	(79)
Total shareholders' equity	17,699,262	16,516,816
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(29,476)	1,325
Foreign currency translation adjustment	(176,446)	(245,122)
Total accumulated other comprehensive income	(205,923)	(243,797)
Subscription rights to shares	25,097	25,030
Non-controlling interests	2,359,982	2,210,305
Total net assets	19,878,418	18,508,354
Total liabilities and net assets	56,792,641	67,601,112

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

(Thousands of yen)

	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)
Net sales	9,575,988	5,436,599
Cost of sales	6,528,240	3,758,928
Gross profit	3,047,748	1,677,671
Selling, general and administrative expenses	1,332,755	1,479,668
Operating profit	1,714,992	198,002
Non-operating income		
Interest income	3,656	3,254
Interest on securities	2,866	3,020
Share of profit of entities accounted for using equity method	648,453	-
Gain on bad debts recovered	88,280	18,200
Fiduciary obligation fee	46,619	53,431
Other	33,366	19,170
Total non-operating income	823,242	97,076
Non-operating expenses		
Interest expenses	313,317	270,558
Financing expenses	106,810	68,281
Share of loss of entities accounted for using equity method	-	133,579
Other	97,776	69,095
Total non-operating expenses	517,904	541,513
Ordinary profit (loss)	2,020,330	(246,434)
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 (loss) before income taxes	4,810,772	(246,434)
Income taxes-current	213,105	2,698
Income taxes-deferred	213,442	(6,714)
Total income taxes	426,548	(4,016)
Profit (loss)	4,384,224	(242,418)
Profit (loss) attributable to non-controlling interests	233,401	(39,532)
Profit (loss) attributable to owners of parent	4,150,823	(202,886)

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

	(Thousands of yen)	
	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)
Profit (loss)	4,384,224	(242,418)
Other comprehensive income		
Valuation difference on available-for-sale securities	(32,526)	40,355
Foreign currency translation adjustment	(659,891)	(95,269)
Total other comprehensive income	(692,418)	(54,914)
Comprehensive income	3,691,806	(297,332)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	3,646,901	(240,759)
Comprehensive income attributable to non-controlling interests	44,905	(56,572)

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment information

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

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

(Thousands of yen)

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

2. Information related to assets for each reportable segment

Significant change in assets due to acquisition of subsidiaries

As NRP, which had been the Group's associate accounted for under the equity method, repurchased some of its own issued shares as treasury shares during the first quarter of FY3/17, the Group consequently held the majority of its voting rights and added NRP, as well as its 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, has been excluded from the scope of application of the equity method effective from the second quarter of FY3/17 because its materiality has been reduced.

As a result, the assets of the Real Estate Investment Business segment and the Other Businesses segment have increased by 3,042 million yen and 8,758 million yen, respectively, at the end of the period under review from the end of FY3/17.

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	3,049,067
Elimination of inter-segment transactions	(28,000)
Corporate expenses (Note)	(1,306,075)
Operating profit in the quarterly consolidated statement of income	1,714,992

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 six months of FY3/18 (Apr. 1, 2017 – Sep. 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 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	4,993,056	192,577	19,524	231,441	5,436,599	-	5,436,599
(2) Inter-segment sales and transfers	28,000	-	-	-	28,000	(28,000)	-
Total	5,021,056	192,577	19,524	231,441	5,464,599	(28,000)	5,436,599
Segment profit (loss)	1,439,794	63,199	18,539	183,177	1,704,711	(1,506,708)	198,002

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	1,704,711
Elimination of inter-segment transactions	(28,000)
Corporate expenses (Note)	(1,478,708)
Operating profit in the quarterly consolidated statement of income	198,002

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.