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

February 13, 2017

Summary of Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2017 (Nine Months Ended December 31, 2016)

[Japanese GAAP]

Company name: Nippon Commercial Development Co., Ltd. Listing: TSE/NSE, First Sections
Securities code: 3252 URL: http://www.ncd-jp.com
Representative: Tetsuya Matsuoka, President
Contact: Kenji Irie, Managing Director, General Manager of Finance and Accounting Division
Tel: +81-(0) 6-4706-7501

Scheduled date of filing of Quarterly Report: February 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 Nine Months Ended December 31, 2016 (April 1, 2016 – December 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 31, 2016	11,999	(15.7)	1,984	(64.0)	2,442	(53.8)	4,578	29.9
Nine months ended Dec. 31, 2015	14,228	52.7	5,507	296.7	5,287	473.0	3,526	554.4

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2016: 4,113 (up 20.4%)
Nine months ended Dec. 31, 2015: 3,415 (up 509.0 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2016	261.53	256.73
Nine months ended Dec. 31, 2015	205.38	184.65

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2016	57,805	17,134	25.9
As of Mar. 31, 2016	38,690	11,700	30.1

Reference: Shareholders' equity (million yen) As of Dec. 31, 2016: 14,949 As of Mar. 31, 2016: 11,626

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2016	-	0.00	-	45.00	45.00
Fiscal year ending Mar. 31, 2017	-	0.00	-		
Fiscal year ending Mar. 31, 2017 (forecasts)				55.00	55.00

Note: Revisions to the most recently announced dividend forecast: Yes

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	26,400	51.9	4,200	(29.5)	4,400	(21.8)	5,800	60.9	331.28

Note: Revisions to the most recently announced consolidated forecast: Yes

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): Yes

Newly added: 5 (New Real Property Corporation, Kumagai Australia Finance Pty. Ltd., Kumagai Australia Pty. Ltd., Kumagai International Limited, and KG Land New York Corporation)

Excluded: 1 (J Co., Ltd.)

Note: Please refer to “2. Matters Related to Summary Information (Notes), (1) Changes in Significant Subsidiaries during the Period” on page 4 of the attachments for further information.

(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: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Restatements: None

Note: Please refer to “2. Matters Related to Summary Information (Notes), (2) Changes in Accounting Policies and Accounting Estimates, and Restatements” on page 4 of the attachments for further information.

(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, 2016:	17,565,800 shares	As of Mar. 31, 2016:	17,475,800 shares
2) Number of treasury shares at the end of the period			
As of Dec. 31, 2016:	141 shares	As of Mar. 31, 2016:	141 shares
3) Average number of shares outstanding during the period			
Nine months ended Dec. 31, 2016:	17,507,972 shares	Nine months ended Dec. 31, 2015:	17,168,935 shares

* Information regarding the implementation of quarterly review procedures

The current quarterly financial summary is exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the review procedures for the quarterly consolidated financial statements have not been completed.

* Cautionary statement with respect to forward-looking statements, and other special items

Earnings forecasts regarding future performance in this material are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ significantly from these forecasts for a number of factors. Please refer to “1. 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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the fiscal year ending on March 31, 2017 (hereafter, "the period under review"), the Japanese economy seemed to remain on a modest recovery trend with improved business sentiment driven by a strong automotive industry, despite a lack in robust consumer spending. On the other hand, while the anti-global movement was prominent with Brexit followed by the unexpected victory of Donald Trump in the U.S., the global market was in an upward trend with the expectation for more aggressive fiscal policy under the new Trump administration. Furthermore, the U.S. economy remained firm, and emerging economies were gradually accelerating their growth.

In the real estate and real estate financing industry, all the three leading real estate companies seemed to have secured record high profit thanks to an increased gain on the sale of properties, which was caused by price hikes in the real estate market due to the drop in interest rates as a result of the Bank of Japan's negative interest rate policy. However, the demand for condominiums stayed low because their selling prices were already hovering at high levels, and consequently the number of new condominiums sold remained depressed.

Under these circumstances, JINUSHI Asset Management Co., Ltd. (hereafter, "JINUSHI AM") established JINUSHI Private REIT Investment Corporation (hereafter, "JINUSHI REIT") in September 2016, and completed its registration in the following October. JINUSHI AM is a wholly-owned subsidiary established by Nippon Commercial Development Co., Ltd. (hereafter, "the Company") in April 2016 to conduct private REIT operations, and JINUSHI REIT is Japan's first REIT specializing in land with leasehold interest. During the period under review, the Company further accelerated the purchase of high-quality properties, and aggressively continued sales activities of properties as well.

Overall, net sales for the period under review decreased 15.7% year on year to 11,999 million yen. Operating income and ordinary income decreased 64.0% and 53.8% year on year to 1,984 million yen and 2,442 million yen respectively, while profit attributable to owners of the parent increased 29.9% year on year to 4,578 million yen.

As already announced on November 22, 2016 with "Notice of Sale of Real Estate for Sale to JINUSHI Private REIT Investment Corporation" (Japanese version only), the Company, JINUSHI AM and JINUSHI REIT concluded a "Sponsor Support Agreement," in which the Company became the sponsor. Based on this agreement, the Nippon Commercial Development Group (hereafter, "the Group") sold eight properties to JINUSHI REIT (with selling price of 11,380 million yen) on January 13, 2017, and has started operations of the Private REIT to meet the demand from institutional investors in real estate management.

Results by business segment were as follows:

1) Real estate investment business

The real estate investment business segment reported sales of 10,842 million yen (down 22.6% year on year) with segment profit of 3,050 million yen (down 52.0% year on year).

2) Subleasing, leasing and fund fee business

The subleasing, leasing and fund fee business segment reported sales of 242 million yen (up 7.6% year on year) with segment profit of 60 million yen (up 14.5% year on year).

3) Planning and brokerage business

The planning and brokerage business segment reported sales of 192 million yen (compared with 3 million yen for the same period of the previous fiscal year) with segment profit of 191 million yen (compared with 3 million yen for the same period of the previous fiscal year).

4) Other businesses

The other businesses segment (*) reported sales of 764 million yen with segment profit of 677 million yen.

(*) As New Real Property Corporation (hereafter, "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 the current fiscal year, the Group consequently held the majority of its voting rights and added NRP together with its ten 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 the current fiscal year, has been excluded from the scope of application of the equity method effective from the second quarter of the current fiscal year because its materiality has been reduced.

Accordingly, we added the "other businesses" segment to the existing three reportable segments effective from the first quarter of the current fiscal year to have four reportable segments. 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 19,115 million yen from the end of the previous fiscal year to 57,805 million yen at the end of the period under review. This increase was attributable mainly to an increase in real estate for sale by 12,830 million yen due to the accelerated purchase of high-quality properties, which was partially offset by sale of such properties, as well as an increase in shares of subsidiaries and associates by 6,608 million yen as a result of consolidating NRP and its subsidiaries with the Group.

Total liabilities increased 13,681 million yen from the end of the previous fiscal year to 40,671 million yen. This increase was mainly attributable to an increase in interest-bearing debt by 14,301 million yen due to the accelerated purchase of high-quality properties, which was partially offset by a decrease in income taxes payable by 1,862 million yen.

Net assets increased 5,433 million yen from the end of the previous fiscal year to 17,134 million yen, primarily due to booking of profit attributable to owners of parent of 4,578 million yen.

Consequently, the equity ratio at the end of the period under review was 25.9%, compared with 30.1% at the end of the previous fiscal year.

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

Both sales and earnings for the period under review have progressed at higher levels than those in our initial plan. As announced today in the "Notice of Revisions to Earnings and Dividend Forecast (Dividend Increase)" (Japanese version only), we have made an upward revision to the full-year consolidated forecast for the current fiscal year with record high sales, as well as earnings that are significantly higher than the initial plan. We will expect this trend to continue going forward.

On January 13, 2017, JINUSHI AM, a wholly-owned subsidiary of the Company, started operations of JINUSHI REIT, Japan's first private REIT specializing in land with leasehold interest. Our JINUSHI Business will provide the investors with the following benefits:

1) Additional investments are not required,

2) Stable earnings can be expected for a long term, and

3) The risk of a decline in asset value is relatively small.

Given the backdrop that the above benefits have now become widely acknowledged and expectations have been further growing on our products, we will strive to further expand JINUSHI REIT with an aim to make a 100 billion yen business in five years.

For more details on these matters, please refer to “Results of Operations for the Third Quarter of the Fiscal Year Ending March 31, 2017” (available on our website (*)), which is the supplementary materials for the Summary of Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2017 (Nine Months Ended December 31, 2016).

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

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

During the first quarter of the current fiscal year, NRP, which had been the Group’s associate accounted for under the equity method, repurchased some of its own issued shares as treasury shares.

Consequently, the Group held the majority of its voting rights and added NRP and its ten subsidiaries to the scope of consolidation.

For the financial reporting purpose, five companies consisting of NRP and its subsidiaries, namely, Kumagai Australia Finance Pty. Ltd., Kumagai Australia Pty. Ltd., Kumagai International Limited, and KG Land New York Corporation, are treated as the specified subsidiaries of the Company.

For the period under review, J Co., Ltd., our wholly-owned and specified subsidiary, has been excluded from the scope of consolidation because it was dissolved on October 1, 2016 as a result of an absorption-type merger with the Company as the surviving company.

(2) Changes in Accounting Policies and Accounting Estimates, and Restatements

Changes in Accounting Policies

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

Following the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter of the current fiscal year, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

As a result, operating income, ordinary income and profit before income taxes for the period under review equally increased by 3 million yen.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/16 (As of Mar. 31, 2016)	Third quarter of FY3/17 (As of Dec. 31, 2016)
Assets		
Current assets		
Cash and deposits	12,062,588	11,928,672
Operating accounts receivable	4,799	54,245
Real estate for sale	22,610,077	35,440,112
Advance payments-trade	377,573	319,158
Prepaid expenses	159,513	136,065
Other	224,554	114,084
Total current assets	35,439,106	47,992,338
Non-current assets		
Property, plant and equipment		
Buildings, net	83,604	158,170
Tools, furniture and fixtures, net	21,032	27,000
Land	3,758	3,758
Leased assets, net	26,903	40,768
Total property, plant and equipment	135,297	229,696
Intangible assets		
Other	7,737	9,966
Total intangible assets	7,737	9,966
Investments and other assets		
Investment securities	2,669,789	2,251,710
Shares of subsidiaries and associates	-	6,608,781
Investments in capital	5,161	159,161
Lease and guarantee deposits	248,087	291,791
Long-term prepaid expenses	116,360	119,395
Other	69,320	470,690
Allowance for doubtful accounts	(300)	(327,808)
Total investments and other assets	3,108,419	9,573,721
Total non-current assets	3,251,454	9,813,384
Total assets	38,690,561	57,805,723

(Thousands of yen)

	FY3/16 (As of Mar. 31, 2016)	Third quarter of FY3/17 (As of Dec. 31, 2016)
Liabilities		
Current liabilities		
Operating accounts payable	49,446	62,911
Short-term loans payable	426,000	4,724,000
Current portion of long-term loans payable	2,539,653	787,601
Accounts payable-other	81,257	17,442
Income taxes payable	2,043,747	181,511
Accrued consumption taxes	1,724	25,840
Current portion of guarantee deposits received	892,687	1,330,229
Provision for bonuses	-	5,781
Other	135,230	542,658
Total current liabilities	6,169,747	7,677,976
Non-current liabilities		
Long-term loans payable	20,470,581	32,211,819
Long-term lease and guarantee deposited	178,555	182,555
Net defined benefit liability	-	67,114
Other	171,006	531,744
Total non-current liabilities	20,820,143	32,993,233
Total liabilities	26,989,890	40,671,210
Net assets		
Shareholders’ equity		
Capital stock	2,619,000	2,673,120
Capital surplus	2,597,445	2,651,565
Retained earnings	6,481,610	10,274,110
Treasury shares	(79)	(79)
Total shareholders’ equity	11,697,976	15,598,715
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(32,280)	(18,335)
Foreign currency translation adjustment	(39,038)	(630,902)
Total accumulated other comprehensive income	(71,319)	(649,238)
Subscription rights to shares	18,720	29,624
Non-controlling interests	55,293	2,155,411
Total net assets	11,700,670	17,134,513
Total liabilities and net assets	38,690,561	57,805,723

(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 FY3/16 (Apr. 1, 2015 – Dec. 31, 2015)	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)
Net sales	14,228,551	11,999,689
Cost of sales	7,707,835	8,029,429
Gross profit	6,520,715	3,970,260
Selling, general and administrative expenses	1,012,886	1,985,672
Operating income	5,507,829	1,984,587
Non-operating income		
Interest income	153	5,480
Interest on securities	5,007	4,339
Share of profit of entities accounted for using equity method	114,859	792,229
Gain on bad debts recovered	-	89,880
Other	944	192,423
Total non-operating income	120,965	1,084,354
Non-operating expenses		
Interest expenses	210,708	461,863
Financing expenses	123,622	129,030
Other	7,098	35,338
Total non-operating expenses	341,429	626,231
Ordinary income	5,287,364	2,442,710
Extraordinary income		
Gain on bargain purchase	-	4,577,713
Total extraordinary income	-	4,577,713
Extraordinary losses		
Impairment loss	5,369	-
Office transfer expenses	19,429	-
Loss on step acquisitions	-	1,787,271
Total extraordinary losses	24,799	1,787,271
Profit before income taxes	5,262,565	5,233,152
Income taxes-current	2,097,583	146,320
Income taxes-deferred	(358,678)	169,203
Total income taxes	1,738,904	315,524
Profit	3,523,660	4,917,628
Profit (loss) attributable to non-controlling interests	(2,575)	338,724
Profit attributable to owners of parent	3,526,236	4,578,904

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

(Thousands of yen)

	First nine months of FY3/16 (Apr. 1, 2015 – Dec. 31, 2015)	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)
Profit	3,523,660	4,917,628
Other comprehensive income		
Valuation difference on available-for-sale securities	(261)	17,372
Share of other comprehensive income of entities accounted for using equity method	(107,894)	-
Foreign currency translation adjustment	-	(821,055)
Total other comprehensive income	(108,156)	(803,682)
Comprehensive income	3,415,504	4,113,945
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	3,418,079	4,000,985
Comprehensive income attributable to non-controlling interests	(2,575)	112,960

(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 FY3/16 (Apr. 1, 2015 – Dec. 31, 2015)

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	Total		
Net sales						
(1) Sales to external customers	13,999,328	225,806	3,416	14,228,551	-	14,228,551
(2) Inter-segment sales and transfers	-	-	-	-	-	-
Total	13,999,328	225,806	3,416	14,228,551	-	14,228,551
Segment profit	6,359,185	52,952	3,416	6,415,554	(907,725)	5,507,829

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

(Thousands of yen)

Profit	Amounts
Total reportable segment	6,415,554
Corporate expenses (Note)	(907,725)
Operating income of quarterly consolidated statement of income	5,507,829

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.

II. 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 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	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	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 ten 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 at the end of the first nine months of FY3/17 have increased by 3,095 million yen and 8,751 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	3,979,070
Elimination of intersegment transactions	(42,000)
Corporate expenses (Note)	(1,952,483)
Operating income of 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. Changes in reportable segments

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, 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.

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.

Accordingly, we added the "other businesses" segment (*) to the existing three reportable segments effective from the first quarter of FY3/17 to have four reportable segments.

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

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

As already presented in Changes in Accounting Policies, the Company has applied the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (ASBJ Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter of FY3/17, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. Consequently, the depreciation method for business segments have been revised as well.

While this change has no effect on the segment profit for the period under review, corporate expenses that are not attributed to any reporting segments decreased by 3 million yen.

5. 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

Not applicable.