



**JINUSHI
REIT**



**JINUSHI
Business**

Results of Operations

for the Fiscal Year Ended March 31, 2018

June 5, 2018

Securities code: 3252 (TSE/NSE, First Sections)



Nippon Commercial Development Co., Ltd.

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FY3/18

Financial Highlights

Summary of Consolidated Financial Results

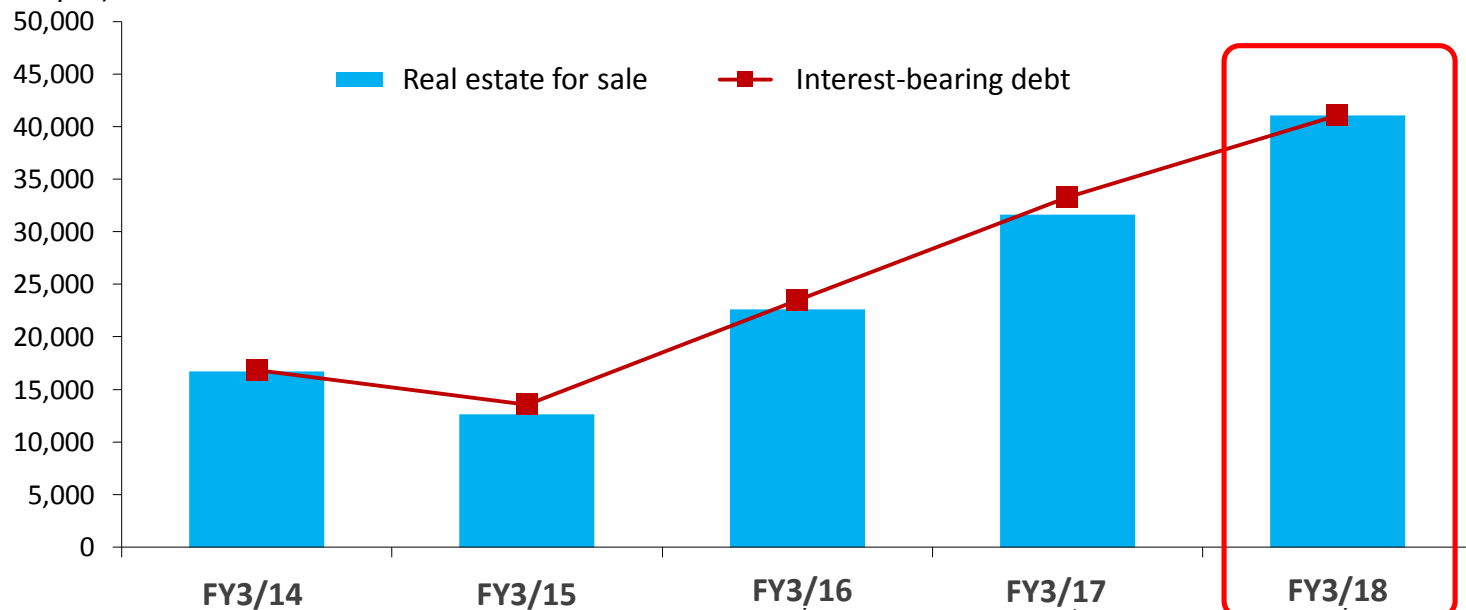
Net sales	Sales increased 17.5% to a new record high in part because of sales of properties to JINUSHI Private REIT Investment Corporation (JINUSHI REIT).
Operating profit	Operating profit decreased 23.9% because the profit margin on the properties sold in FY3/18 was slightly lower than that in FY3/17.
Ordinary profit	Ordinary profit decreased 41.2% because equity in earnings of associates decreased from ¥870 million in FY3/17 to ¥30 million in FY3/18. This was because an overseas subsidiary (in Australia) of New Real Property Corporation (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 this valuation loss.
Profit attributable to owners of parent (Profit)	Profit decreased 69.6% in comparison with FY3/17, when there was a one-time ¥2,790 million contribution to earnings from a gain on bargain purchase and other items associated with the NRP acquisition. There is no cash outflow.
Dividends	Pay a dividend of ¥55 per share, the same as the FY3/17 dividend (Consolidated dividend payout ratio: 50.2%)

(Millions of yen)	FY3/17	FY3/18	YoY change	
			Amount	%
Net sales	26,614	31,260	4,646	17.5%
Operating profit	4,843	3,684	(1,159)	(23.9)%
Ordinary profit	5,181	3,044	(2,137)	(41.2)%
Profit	6,437	1,958	(4,479)	(69.6)%
Dividends (yen)	55	55	-	-

Financial Position

(Millions of yen)	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Total assets	20,489	24,104	38,690	56,792	67,254
Real estate for sale	16,682	12,640	22,610	31,639	41,049
Total liabilities	18,256	15,593	26,989	36,914	46,950
Interest-bearing debt	16,834	13,529	23,464	33,265	41,063
Net assets	2,232	8,510	11,700	19,878	20,304

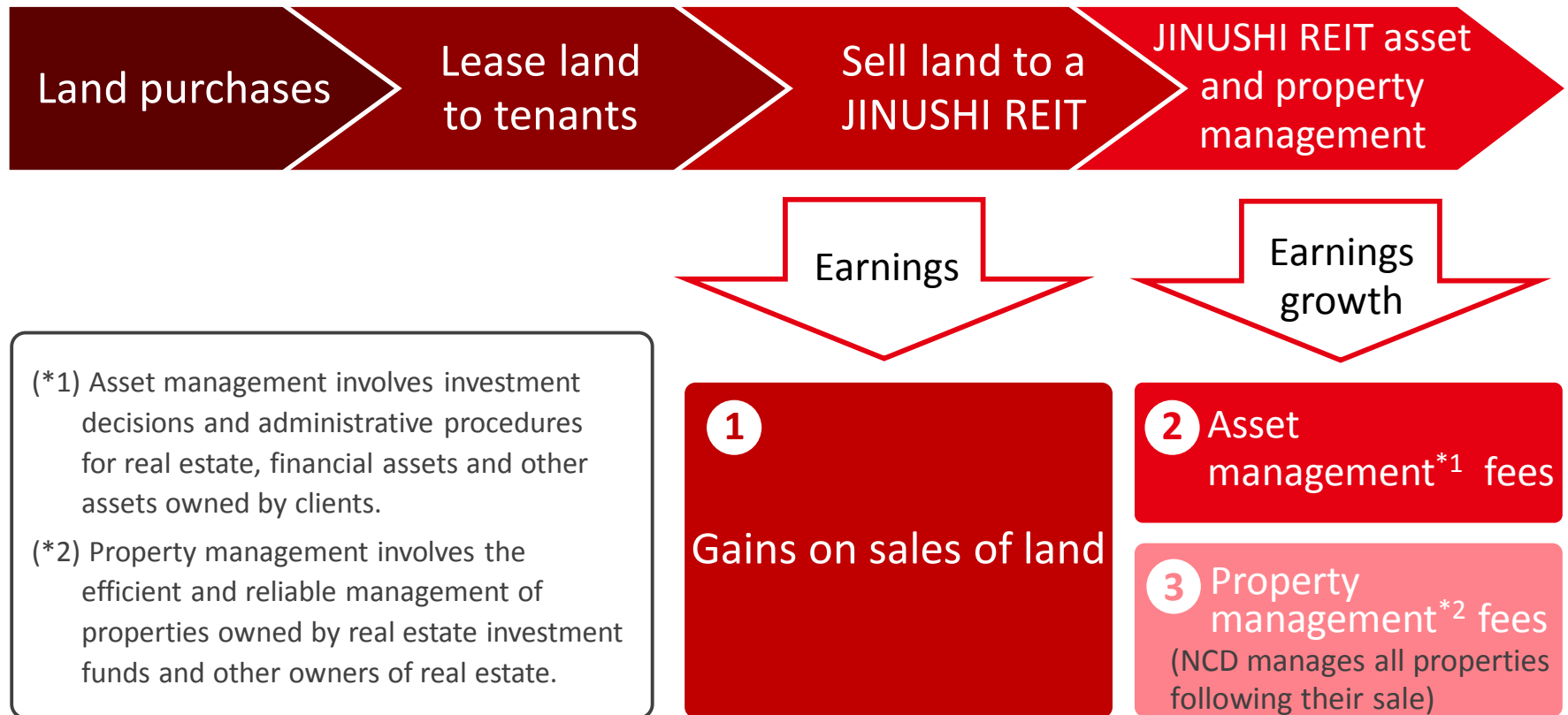
(Millions of yen)



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JINUSHI REIT

With the establishment of JINUSHI REIT, Nippon Commercial Development (NCD) Group now has a complete infrastructure for the JINUSHI Business



Properties Sold to JINUSHI REIT

NCD sold 16 properties to JINUSHI REIT in FY3/18 in accordance with a sponsor support agreement.

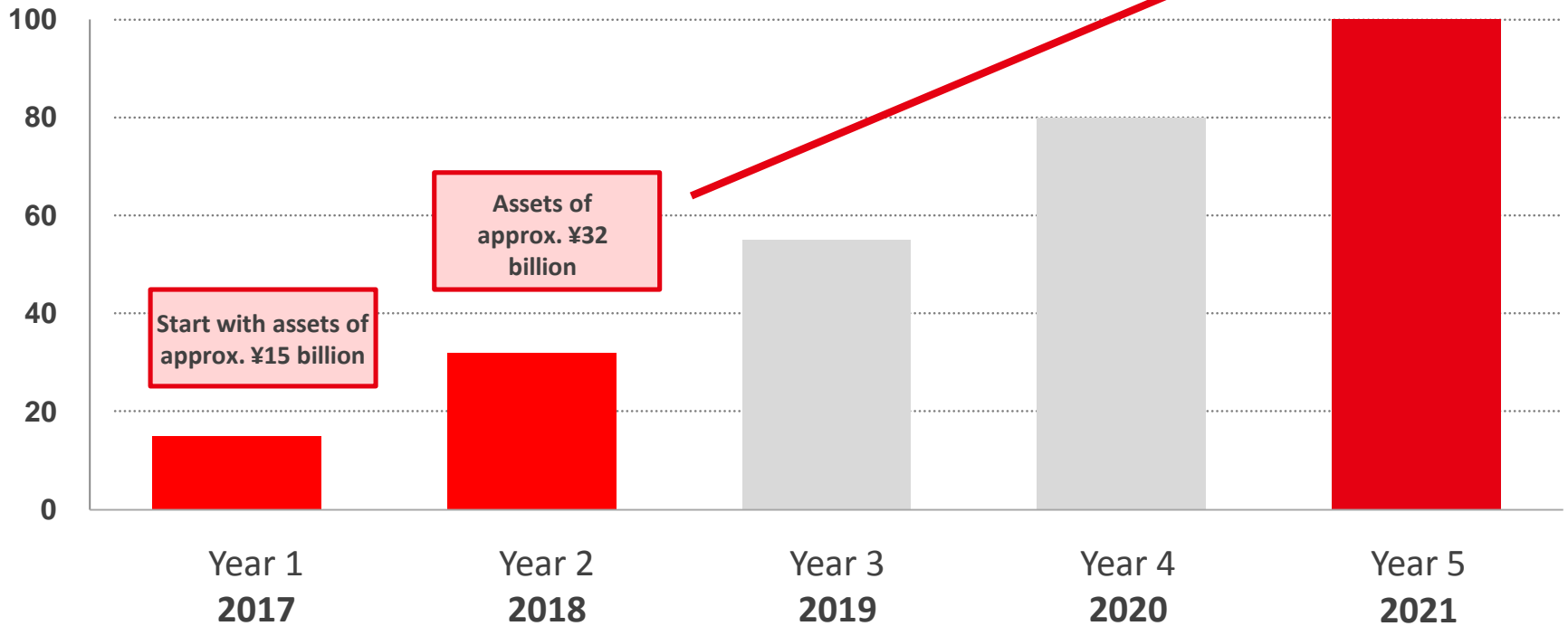
Project name (Note)	Location	Site area	Selling price
AOKI Konan	Konan, Aichi	3,056.95 m ²	¥16,924 million
AOKI Nagano	Nagano, Nagano	4,081.81 m ²	
Kahma Atsugi	Atsugi, Kanagawa	1,737.22 m ²	
CREATE Kawasaki	Kawasaki, Kanagawa	1,720.72 m ²	
KOHNAN Takatsuki	Takatsuki, Osaka	3,912.00 m ²	
KOHNAN Higashinakahama	Osaka, Osaka	3,532.44 m ²	
KOHNAN Houden	Kakogawa, Hyogo	8,236.82 m ²	
Sugi pharmacy Suzuka	Suzuka, Mie	3,645.00 m ²	
TEAR Koshigaya	Koshigaya, Saitama	1,059.35 m ²	
valor Inuyama	Inuyama, Aichi	10,795.68 m ²	
HANKYU OASIS Takadono	Osaka, Osaka	2,865.01 m ²	
FEEL Tomita	Nagoya, Aichi	10,743.85 m ²	
Yutaka Ogaki	Ogaki, Gifu	2,877.60 m ²	
LIFE Teradacho	Osaka, Osaka	2,828.91 m ²	
LAMBORGHINI Nakagawa	Nagoya, Aichi	1,702.47 m ²	
Losangeia Hiroo	Minato-ku, Tokyo	353.05 m ²	

Note: Project names may differ from the names of stores and facilities constructed at these locations.

Projection for the Growth of JINUSHI REIT

Start with assets of approx. ¥15 billion in the first year
Assets of approx. ¥32 billion in the second year
Goal is assets of approx. ¥100 billion in the fifth year

(Billions of yen)

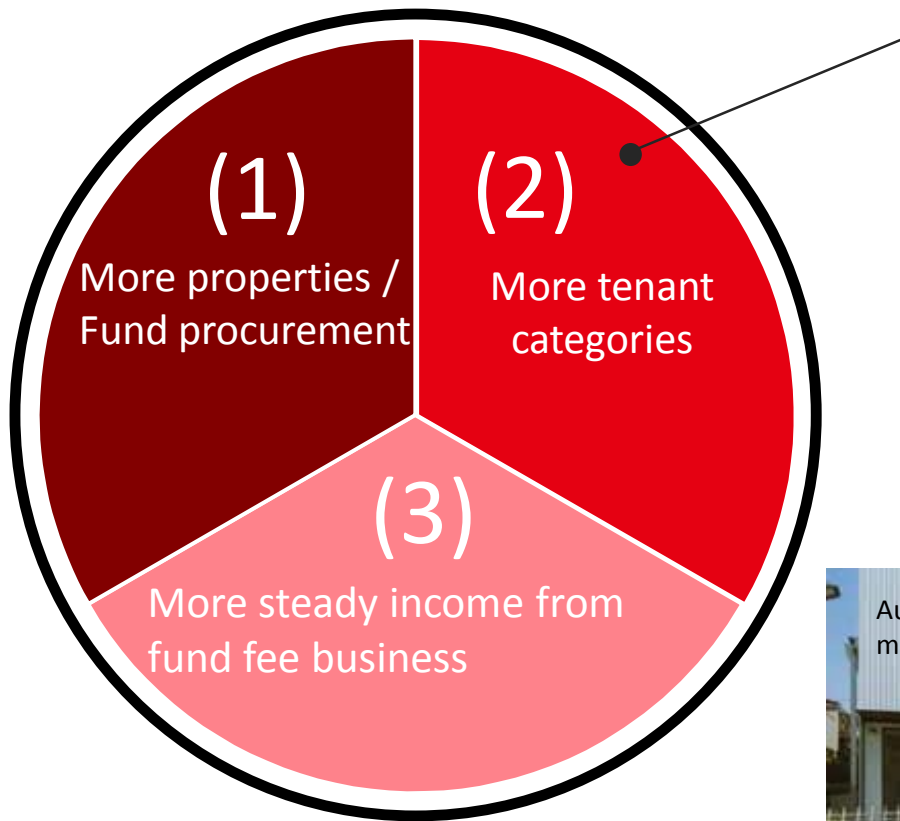


Note: This pattern for asset growth is a current outlook based on certain assumptions and a specific length of time. This is not a guarantee concerning asset growth. Actual asset growth may differ from this example due to changes in the real estate market and a variety of other reasons.

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Outlook

More JINUSHI Business Growth

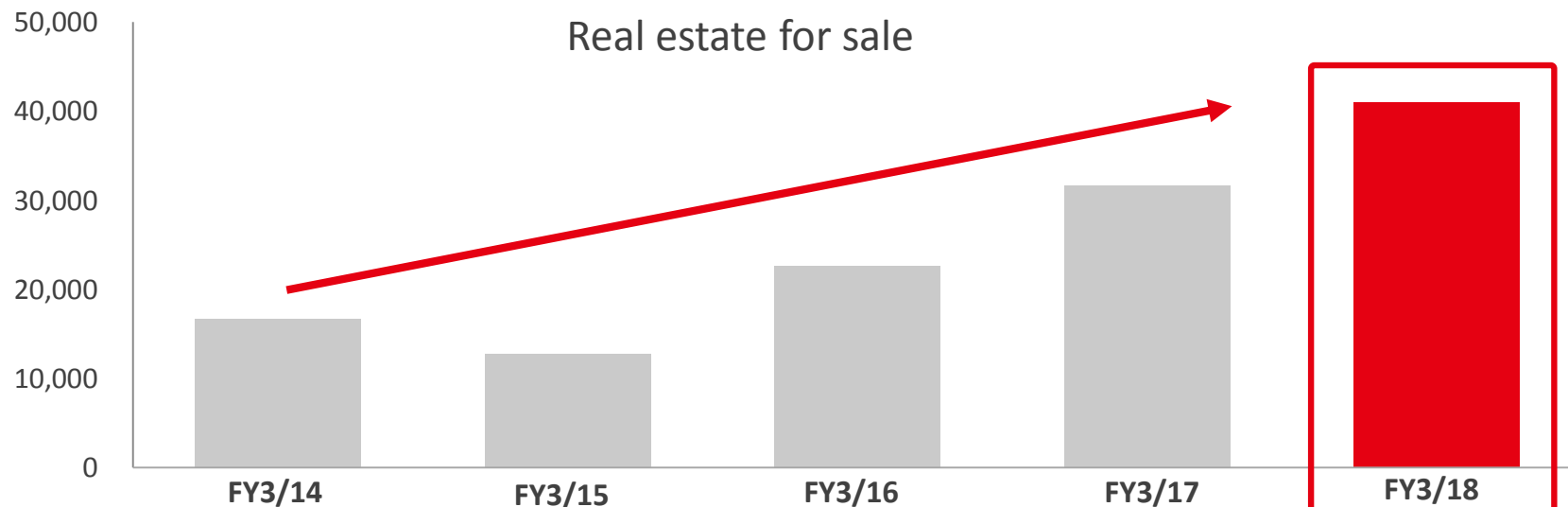


Real estate for sale

Due to growth of the market for the JINUSHI business, real estate for sale (including properties with preferential negotiating rights) was approx. ¥57 billion compared with approx. ¥40 billion at the end of FY3/17. 40 properties were purchased during FY3/18 compared with 26 during FY3/17.

(Millions of yen)	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Total assets	20,489	24,104	38,690	56,792	67,254
Real estate for sale	16,682	12,640	22,610	31,639	41,049
Total liabilities	18,256	15,593	26,989	36,914	46,950
Interest-bearing debt	16,834	13,529	23,464	33,265	41,063
Net assets	2,232	8,510	11,700	19,878	20,304

(Millions of yen)



(1)-2 More properties / Fund procurement

For the flexible and stable procurement of funds, NCD has commitment line agreements with two financial institutions and a credit line agreement with five financial institutions.

The balance of credit available under the commitment line agreements and the credit line agreements as of the end of FY3/18 is as follows.

(1) Commitment line agreements		(2) Credit line agreement	
Total amount of loan commitment	¥5,000 million	Total amount of credit line	¥18,300 million
Credit used	¥2,900 million	Credit used	¥737 million
Credit available	¥2,100 million	Credit available	¥17,562 million

(1) Obtained financing from more financial institutions and extended the length of loans to the 10 to 30 year range

(2) Eliminate financial covenants, acceleration clause and other restrictions in loan contracts

(3) Able to increase the credit line to ¥23.3 billion and total fund procurement to approx. ¥80 billion

(2) More tenant categories

Expansion to more categories of tenants

Current tenants

- Supermarkets
- Home improvement stores
- Drug stores, others

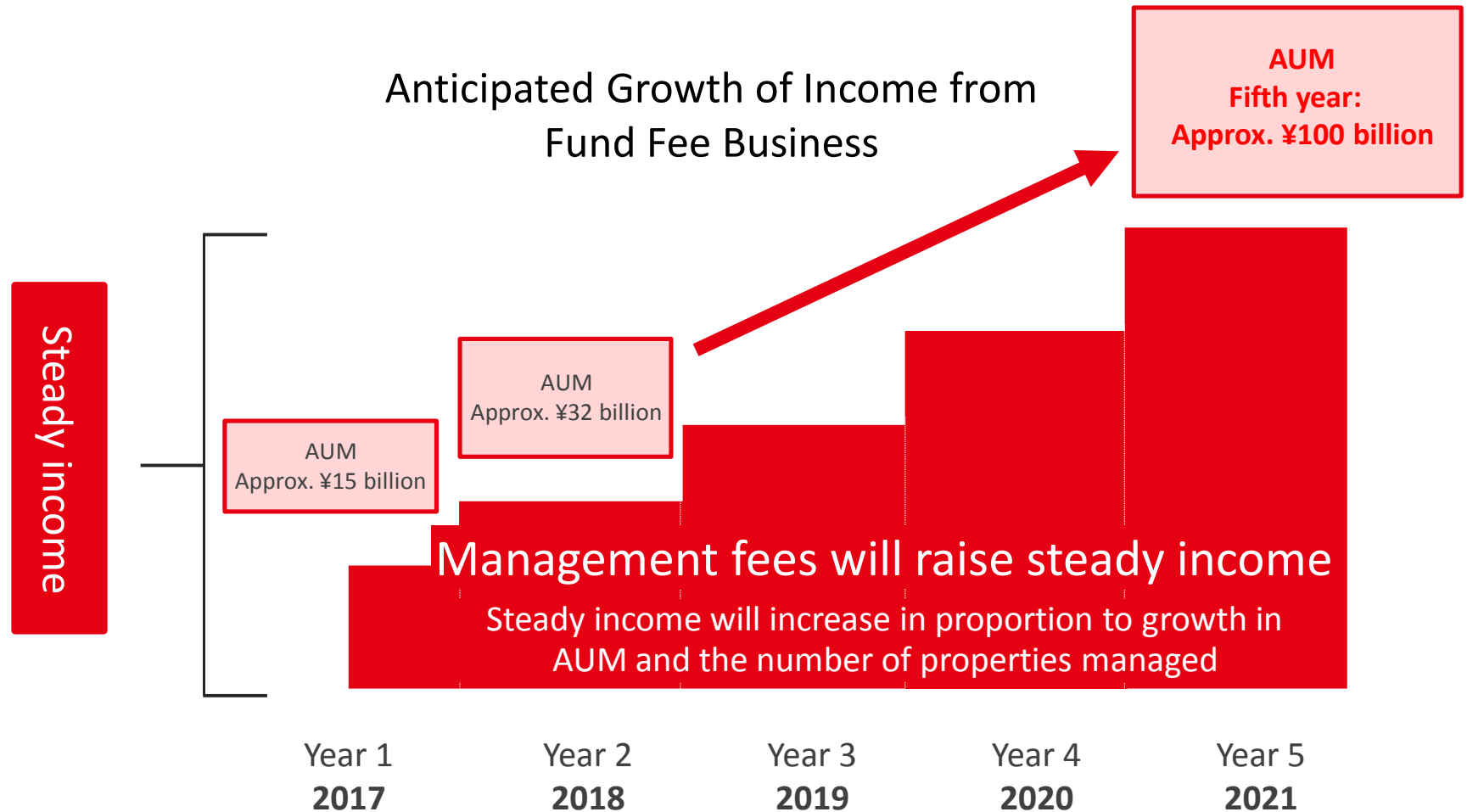


New tenant categories

- Wedding facilities
- Hotels
- Universities
- Certified nursery schools
- Memorial service facilities
- Factories, others

Growth of the JINUSHI Business

(3) More steady income from Fund Fee (JINUSHI REIT Management Fee) Business



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FY3/19 Earnings Forecast

Net sales

Forecast a **4.0% increase in sales** to a record high due to the rising number of property sales and sales to JINUSHI REIT, resulting from the growth in property purchases

Operating profit

Forecast a **1.5% increase**

Ordinary profit

Forecast a **6.4% increase** because of lower interest rates on funds procured and other reasons

Profit attributable to owners of parent

Forecast a **10.3% increase** because of higher sales, lower interest rates on funds procured and other reasons

Dividends

Plan to pay a dividend of **¥55 per share, the same as the FY3/18 dividend**

(Millions of yen)	FY3/18 Results	FY3/19 Forecasts (Announced on May 11)	YoY change	
			Amount	%
Net sales	31,260	32,500	1,240	4.0%
Operating profit	3,684	3,740	56	1.5%
Ordinary profit	3,044	3,240	196	6.4%
Profit attributable to owners of parent	1,958	2,160	202	10.3%
Dividends (yen)	55	55	-	-

■ Starting the JINUSHI Business in the United States

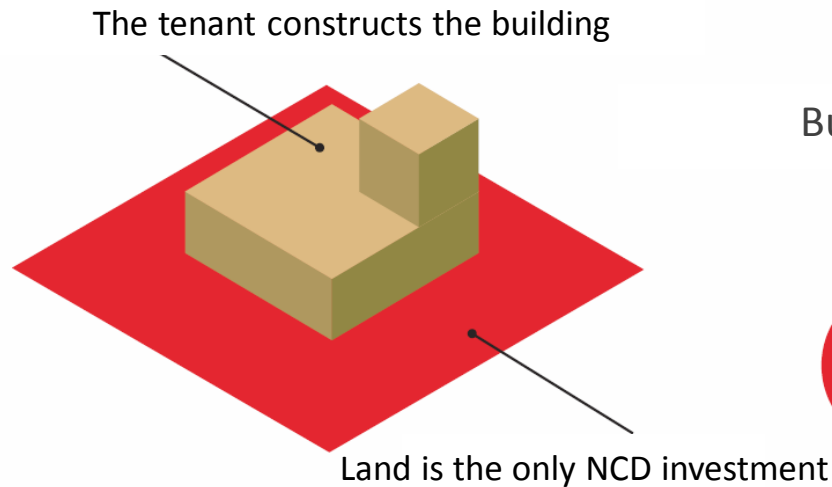
To continue the expansion of the JINUSHI business, NCD recently established a subsidiary with the goal of actively developing the real estate investment business in the United States.

Overview of new subsidiary

(1) Company name	JINUSHI USA INC.
(2) Representative	Tetsuya Matsuoka, President
(3) Location	Delaware, U.S.
(4) Establishment	May 1, 2018
(5) Business	Real estate investment business
(6) Fiscal year end	End of December
(7) Capital	500,000 US dollars
(8) Ownership	NCD 100%

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Appendix

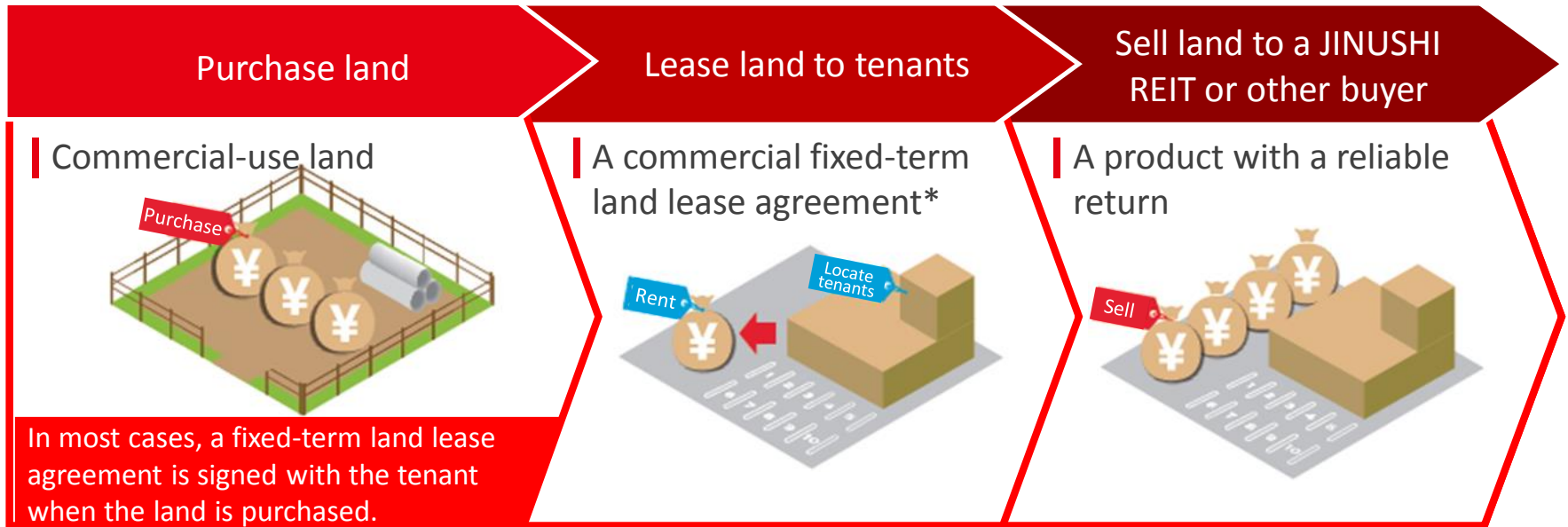


Buy land. Lease land. Sell leased land.



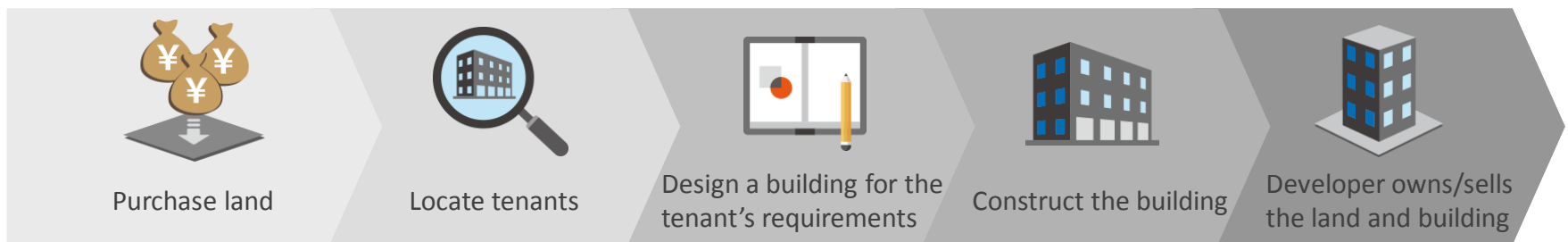
We call this **the JINUSHI Business** because our role is solely as the landowner. We buy and lease land and sell leased land, **but do not construct buildings.** We buy land and then **lease the property to a tenant** using a commercial fixed-term land lease. The tenant may be a grocery store or any other business. **This business model enables us to sell safe real estate investment products with leasing income.**

JINUSHI Business Flowchart



* The fixed-term land lease is a system created to protect the rights of landowners. The JINUSHI Business is a real estate investment scheme that is based on this land lease system.

Conventional commercial real estate development project



Locations

Properties are concentrated in the three major metro areas of Tokyo, Osaka and Nagoya or in or near major local cities with a population of at least 200,000.

Prime sites

Land is purchased in locations that can easily attract a new tenant if the original tenant withdraws.

Easy conversion

Land is in locations that can easily be converted to residential or another different use.



Strict internal investment standards

Examples of JINUSHI Business Tenants



Supermarket



Drug store



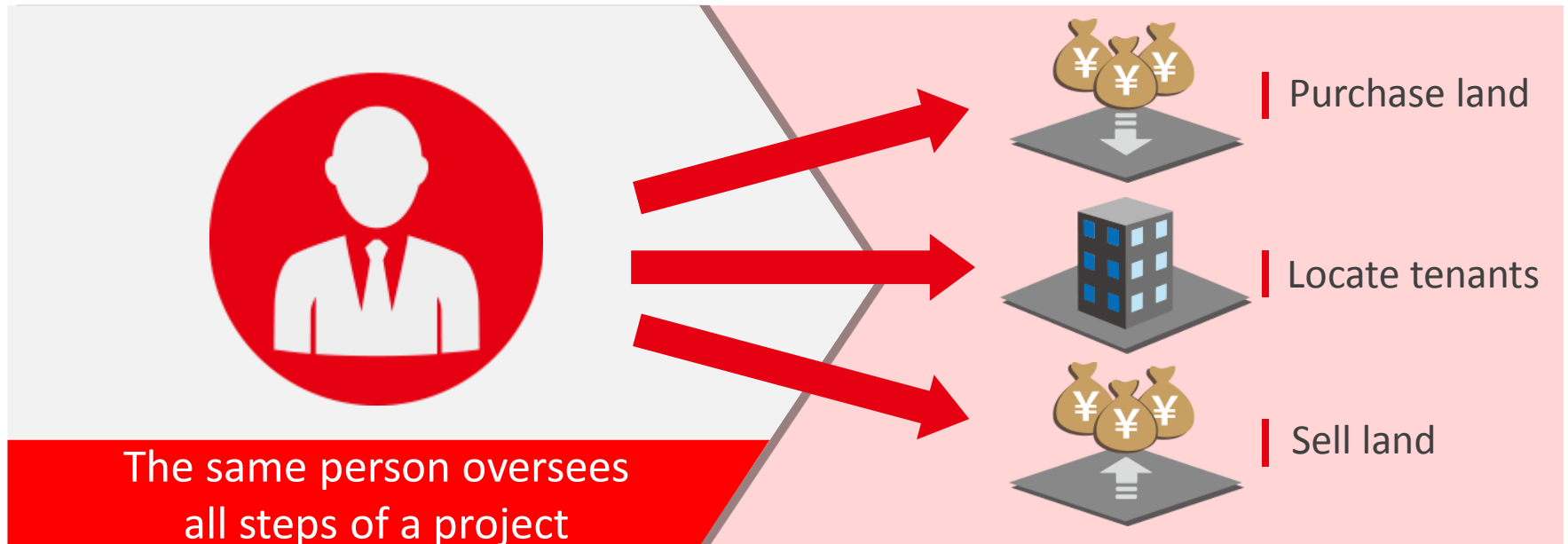
Hotel



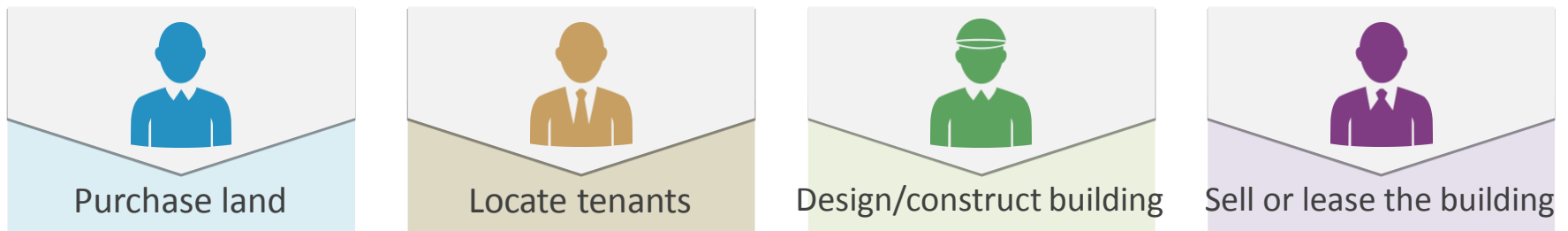
Home improvement stores

We only purchase land in outstanding locations that can satisfy our strict standards for new investments.

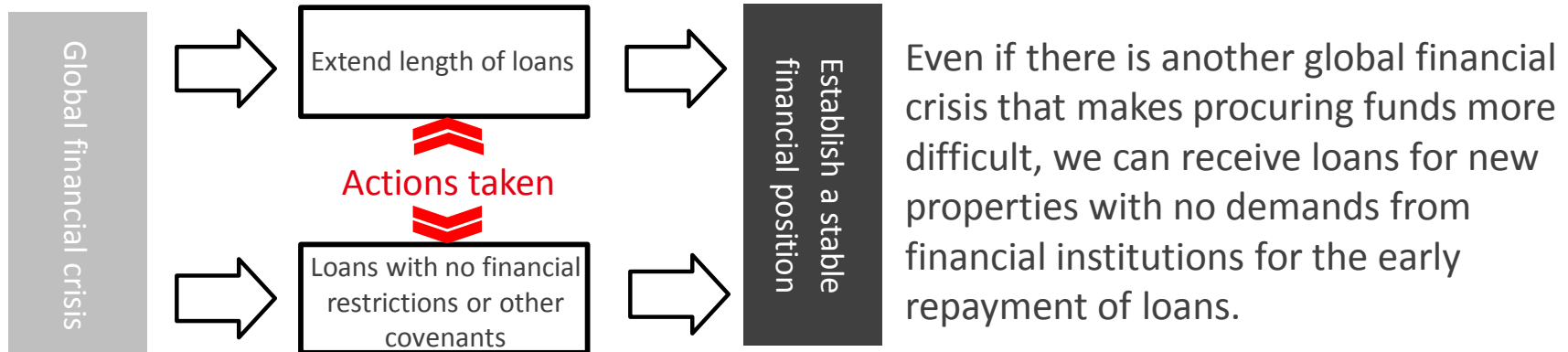
JINUSHI Business Flowchart



At conventional commercial development projects, a different person is responsible for each step.



Building an even sounder financial position



(1) Establish large credit lines by using commitment lines and other measures backed by a large number of banks

(2) Eliminate financial covenants, acceleration clause and other restrictions in loan contracts

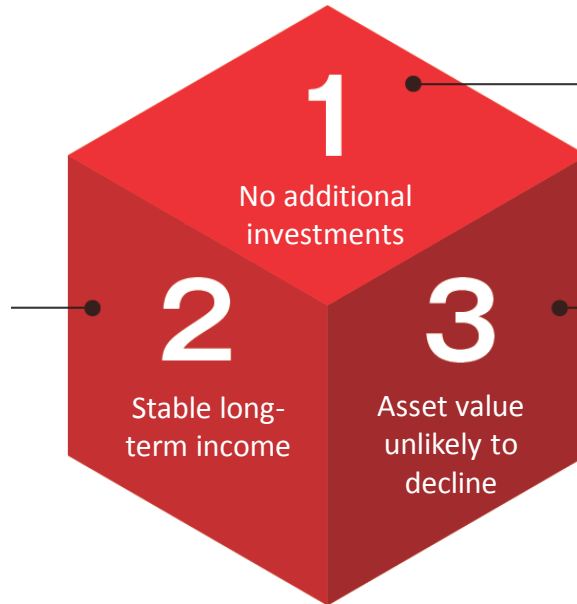
(3) Extend length of loans (10 to 30 years)

(4) Obtain financing from more financial institutions



JINUSHI Business

The risk of tenants leaving is small, and land can be expected to generate stable, long-term income because tenants invest in buildings using contracts with long terms of about 20 to 30 years.



Tenants construct and own buildings, so there are **no additional investments** for maintenance, repairs, renovations and other activities.

When the fixed-term land lease ends, **the site is returned to its original state, which means the maximum asset value is returned to the owner.**

Real estate needs of institutional investors



**JINUSHI
Business**

× Private REIT

Reliable source
of long-term
income

- Rising expectations for financial products able to generate a return higher than government bonds amid today's low interest rates.



- Reliable long-term income stream due to a commercial fixed-term land lease agreement.
- No additional investments for maintenance, repairs, renovations and other activities.
- The tenant makes the substantial expenditures for constructing a building, so there is very little risk of losing a tenant.
- Investment is only in the land, so there are only minimal risks involving fires and other disasters and the building's construction (compliance with laws and regulations).

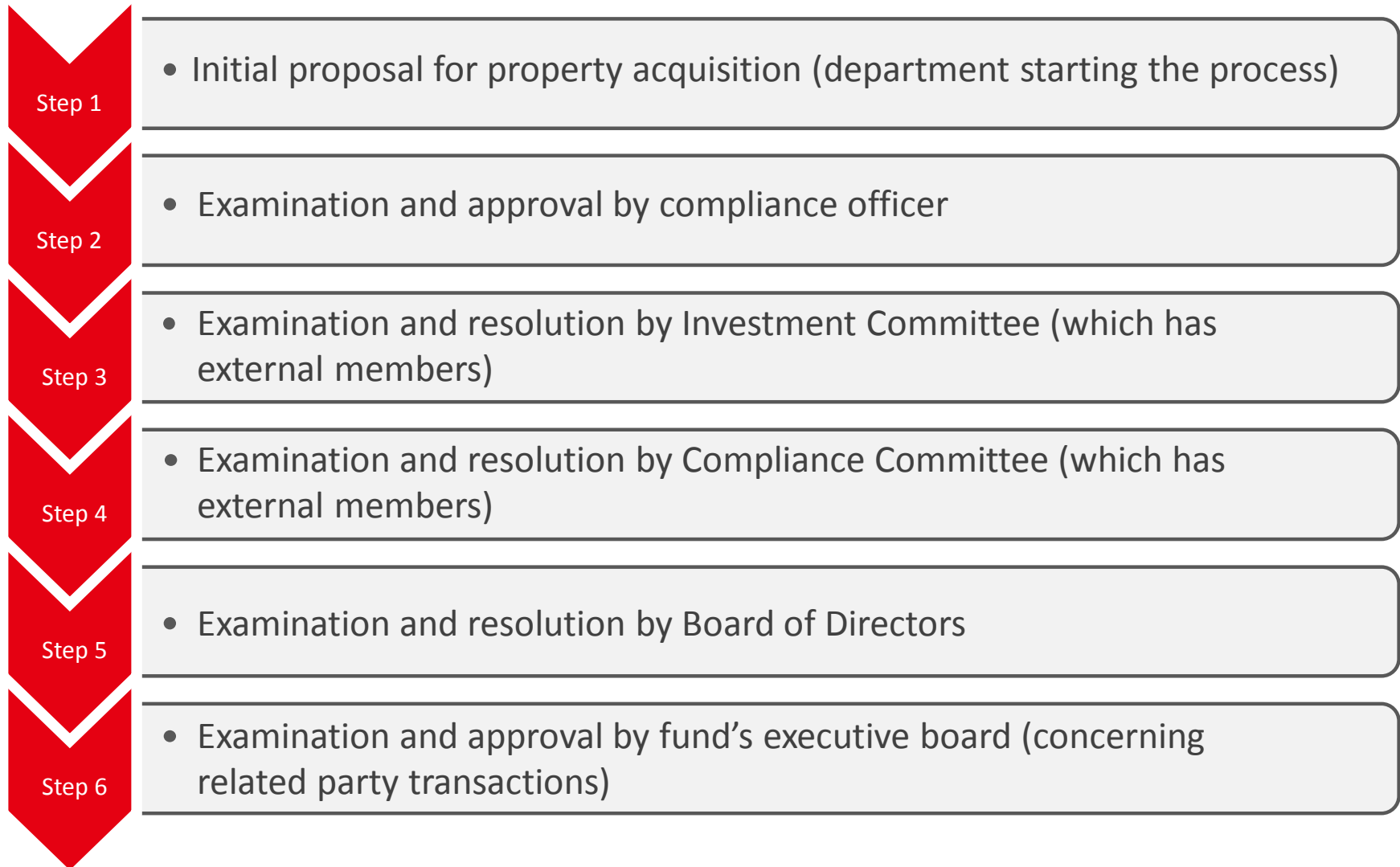
No big swings in
value of the
original
investment

- Prices of many types of investments fell sharply during the global financial crisis and many institutional investors had to sell at losses and write down holdings. This is why investors aim to greatly reduce exposure to price volatility risk.



- Investment is only land, which does not age like a building and income is based on lease payments that do not fluctuate. The result is only negligible changes in the appraised value.
- When the fixed-term land lease ends, the site is returned to its original state, which means high liquidity is ensured. (There may be a capital gain, too.)
- Using a private REIT shields investments from capital market movements and allows valuing funds based on the value of real estate holdings.

A highly transparent decision-making process for JINUSHI Asset Management Co., Ltd.



■ Shareholder Benefits

Twice each year, shareholders receive JF Gourmet Cards with a total value determined by the number of shares held. These cards can be used at about 35,000 restaurants throughout Japan and have following features.

- Restaurants are in all prefectures of Japan and many are in suburban locations.
- **Restaurants give change for the unused portion of a card.**
- **There is no expiration date.**

For more information (member stores, etc.), please see the website of JF GOURMET CARD.
[\(http://www.jfcard.co.jp/\)](http://www.jfcard.co.jp/)

	Record date	March 31	September 30	Total
	Distribution time	Late June	Early December	
Number of shares held	300 to 699 shares	¥3,000	¥3,000	¥6,000
	700 shares or more	¥6,000	¥6,000	¥12,000

This presentation was prepared for the purpose of providing information to investors about the operations of Nippon Commercial Development Co., Ltd.

This presentation includes forward-looking statements about the financial condition, results of operations, businesses and other items of the Nippon Commercial Development Group. These statements incorporate risks and other uncertainties because events that may occur in the future could affect the group's performance. Consequently, the group's actual financial condition, results of operations, business activities and other aspects of operations may differ significantly from these forward-looking statements.

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