



JINUSHI
Business

Results of Operations for the Fiscal Year Ended March 31, 2019



日本商業開発株式会社

Nippon Commercial Development Co., Ltd.

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

May 31, 2019

■ Contents

1. FY3/19 Summary of Consolidated Financial Results
2. FY3/19 Topics
3. FY3/19 Major Real Estate Purchases
4. FY3/20 Earnings Forecast
5. Appendix

1. (1) FY3/19 Summary of Consolidated Financial Results

■ Overview of FY3/19 Results of Operations

- The Nippon Commercial Development (NCD) Group accelerated the purchase of properties to further expand the market for “JINUSHI business” and also to cater for institutional investors’ need for the real estate investment. The Group strove to expand the scale of private REIT under management by selling 11 projects (with the total selling price of ¥15,354 million) on January 11, 2019 to JINUSHI Private REIT Investment Corporation (JINUSHI REIT) that started its operation in January 2017 as REIT specializing in land with leasehold interest.
- Total assets of JINUSHI REIT reached over ¥51 billion at the end of FY3/19. We expect the total assets will grow steadily to exceed ¥100 billion by the end of FY3/21.
- Overseas activities of the JINUSHI business took off by signing the first purchase agreement for land in the City of Torrance in Los Angeles County and the second in Chicago — the prime locations that can easily be converted to a different use.
- The main reasons for the year-on-year growth in net sales and profits are as follows:
 - 1) Net sales increased substantially thanks to the progress in sales of the properties located in Minato-ku, Tokyo; Chuo-ku, Kobe city; Koga city, Fukuoka prefecture; etc. in the Real Estate Investment Business during the first quarter of FY3/19; and
 - 2) Backed by a steady increase in purchase of real estate for sale, such newly purchased properties were additionally sold not only to JINUSHI REIT but also to firms other than JINUSHI REIT.

■ Dividends

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

(Millions of yen)	FY3/18 (Previous fiscal year)	FY3/19 (Current fiscal year)	YoY change	
			Amount	%
Net sales	31,260	39,834	↑ +8,573	+27.4%
Operating profit	3,684	4,446	↑ +762	+20.7%
Ordinary profit	3,044	4,327	↑ +1,283	+42.2%
Profit	1,958	2,684	↑ +726	+37.1%
Dividends (yen)	55	55	-	-

1. (2) FY3/19 Results of Operations by Segment

Net sales and operating profit increased as all business segments performed well.

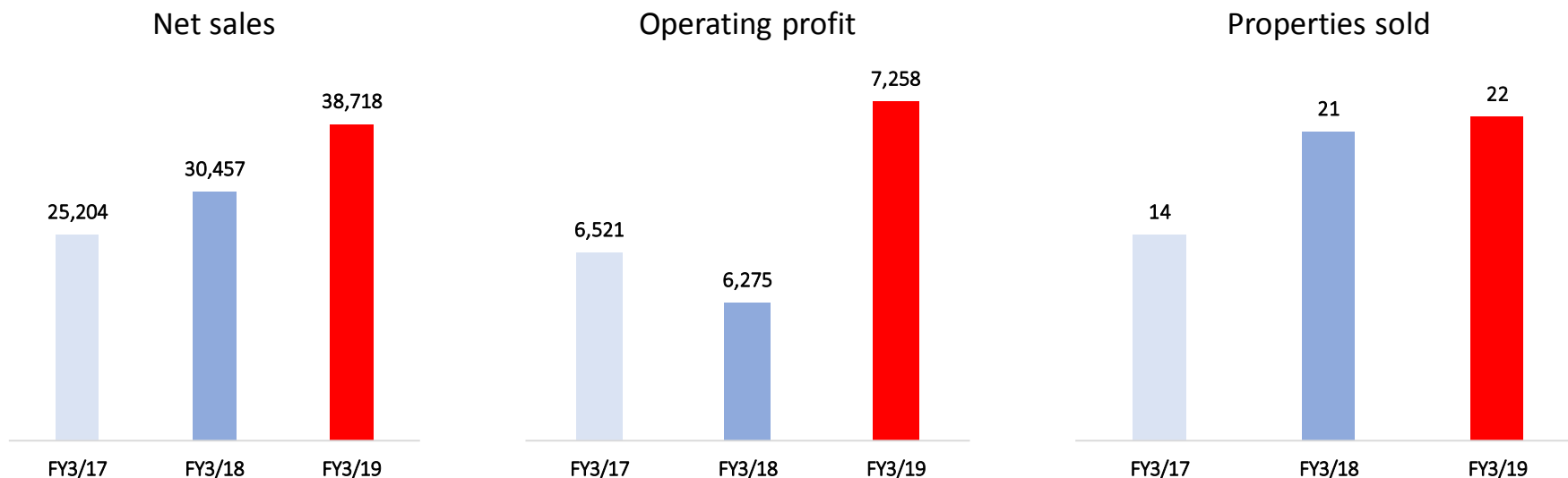
The Group is expanding the JINUSHI Business by focusing on the Real Estate Investment Business.

Sales of Real Estate Investment Business significantly increased due to strong real estate sales along with growth in assets of JINUSHI REIT.

(Millions of yen)	FY3/18 (Previous fiscal year)		FY3/19 (Current fiscal year)		YoY change	
	Amount	Composition	Amount	Composition	Amount	%
Net sales	31,260	100.0%	39,834	100.0%	↑ 8,573	↑ 27.4%
Real Estate Investment Business	30,457	97.4%	38,718	97.2%	↑ 8,261	↑ 27.1%
Subleasing, Leasing and Fund Fee Business	480	1.5%	555	1.4%	↑ 74	↑ 15.6%
Planning and Brokerage Business	21	0.1%	195	0.5%	↑ 174	↑ 828.5%
Other Businesses	356	1.1%	406	1.0%	↑ 49	↑ 13.8%
Adjustments (Inter-segment sales)	(56)	0.0%	(42)	0.0%	14	-
	Amount	% to sales	Amount	% to sales	Amount	%
Operating profit	3,684	11.8%	4,446	11.2%	↑ 762	↑ 20.7%
Real Estate Investment Business	6,275	20.1%	7,258	18.2%	↑ 983	↑ 15.7%
Subleasing, Leasing and Fund Fee Business	221	0.7%	303	0.8%	↑ 82	↑ 37.1%
Planning and Brokerage Business	19	0.1%	195	0.5%	↑ 176	↑ 906.9%
Other Businesses	273	0.9%	295	0.7%	↑ 22	↑ 8.2%
Adjustments (SG&A expenses)	(3,105)		(3,606)		(501)	

1. (3) Real Estate Investment Business Segment

In the Real Estate Investment Business, sales and the number of properties sold increased more than 50% and operating profit increased more than 10% compared to the results in FY3/17.



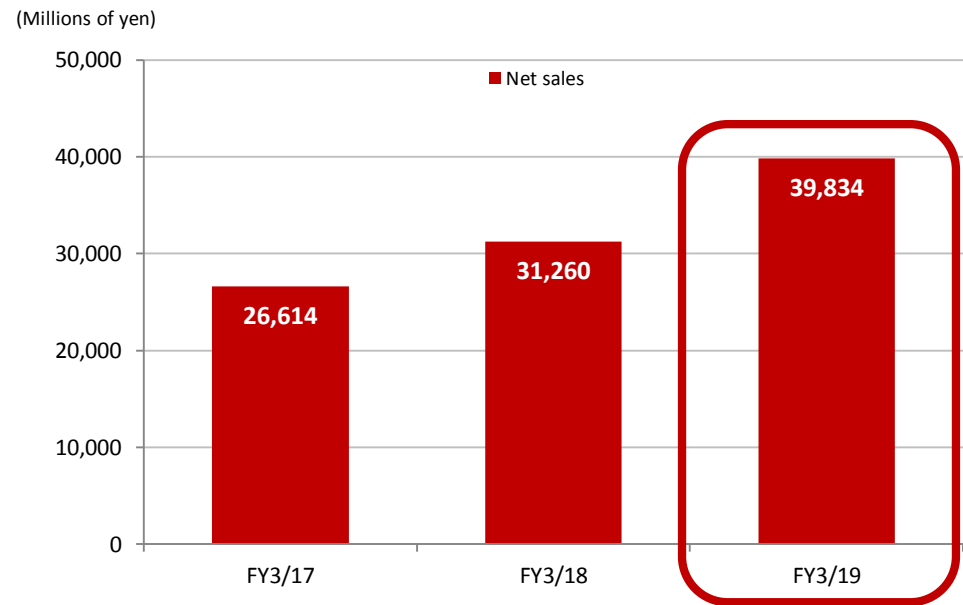
	FY3/17	FY3/18	FY3/19	Vs. FY3/17
Sales (Millions of yen)	25,204	30,457	38,718	↑ 53.6%
Operating profit (Millions of yen)	6,521	6,275	7,258	↑ 11.3%
Properties sold	14	21	22	↑ 57.1%

2. FY3/19 Topics

1) Net sales reached a record high

Net sales reached a record high because of the increasing number of properties sold, including properties sold to JINUSHI REIT, and other reasons.

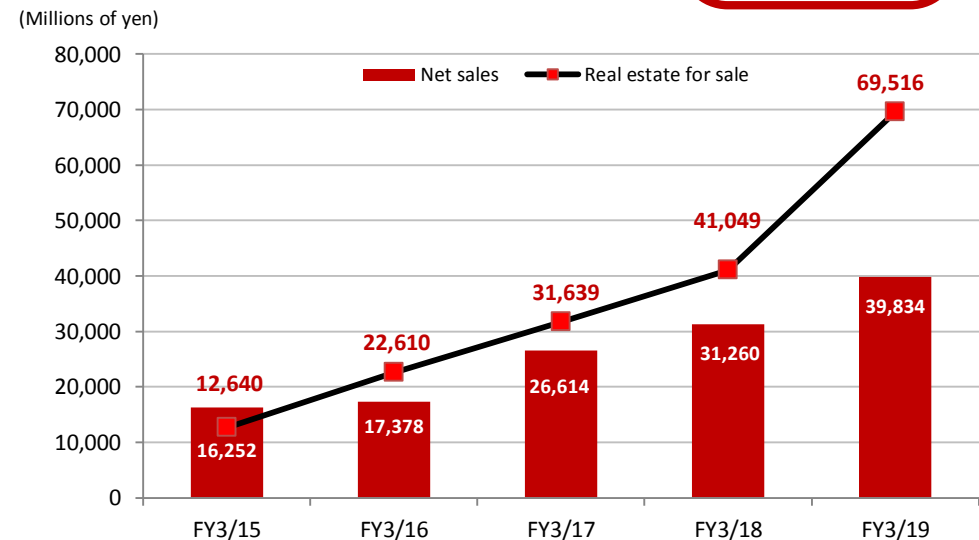
Profit increased ¥726 million year on year.



2) Real estate for sale at the end of FY3/19 was the highest

In addition to the seventh consecutive year of record sales, real estate for sale at the end of FY3/19 reached a record high.

Real estate for sale, including preferential negotiating rights, at the end of FY3/19 amounted to about ¥88 billion compared with about ¥57 billion at the end of FY3/18. The number of properties increased from 40 to 59. There was a steady increase in purchases of real estate, a key source of future earnings.



2. FY3/19 Topics

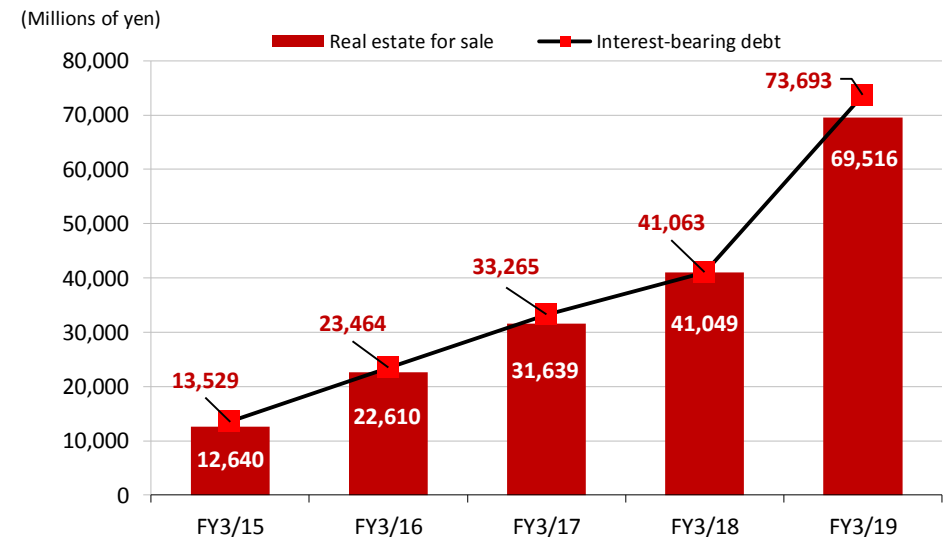
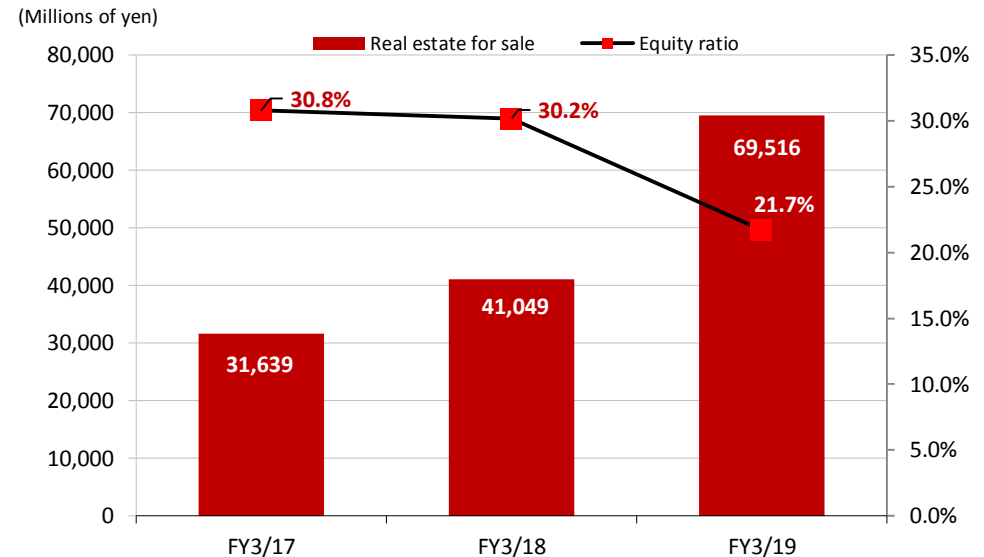
3) Safety of the JINUSHI Business scheme

There are fixed-term commercial land lease contracts with tenants for real estate for sale. Lease payments begin at the time designated in each contract. A tenant is obligated to start making these payments even if construction of a building on the site is not under way. As a result, this real estate is **a high-quality leased asset**.

The decline in the equity ratio in FY3/19 is the result of an increase in real estate for sale, which is a source of future earnings, and has no negative effect on the safety of business operations.

4) Flexible and stable procurement of funds

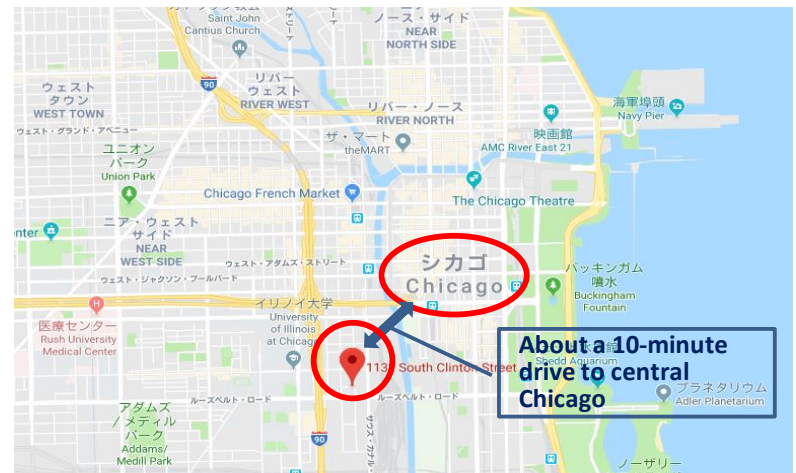
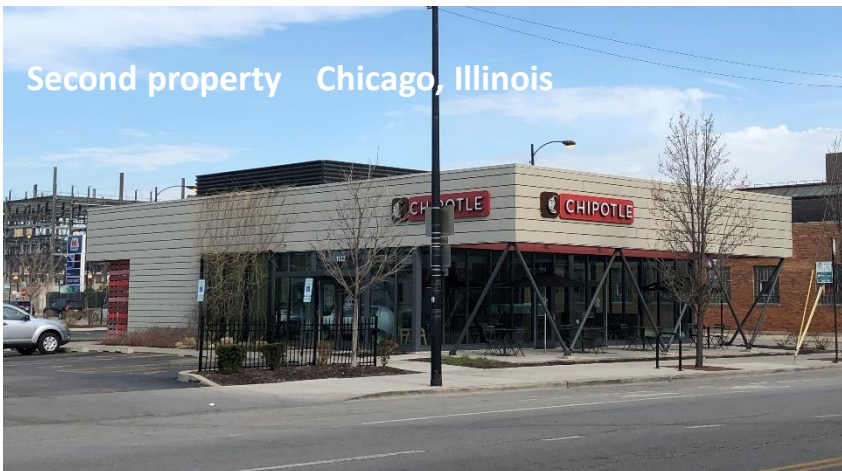
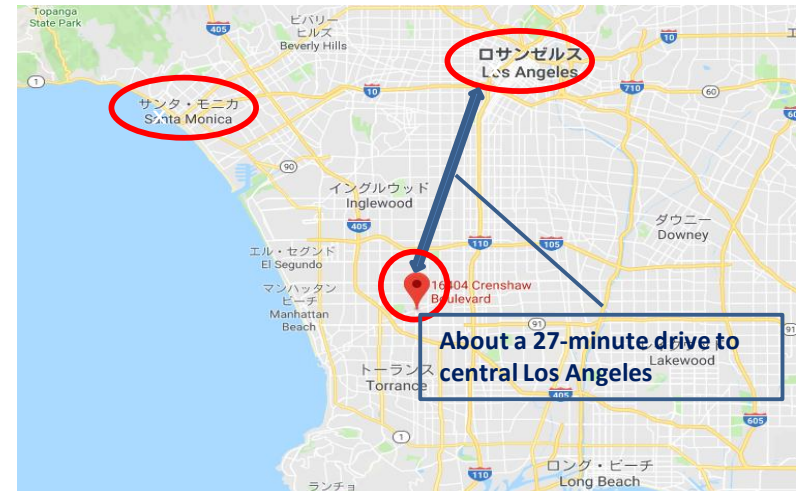
NCD has commitment line agreements with two financial institutions for the total of ¥5.7 billion at the end of FY3/19. NCD also has a ¥22 billion credit line agreement, which includes **a ¥20 billion syndicated loan**, arranged by Sumitomo Mitsui Banking Corporation. The first of its type arranged by this bank, this agreement allows NCD to take out multiple loans up to the total amount of the large credit line.



2. FY3/19 Topics


5) Start of JINUSHI Business outside Japan (United States)

NCD started the JINUSHI Business in the United States by purchasing the first property in Torrance, California, and the second in Chicago.



3. (1) FY3/19 Major Real Estate Purchases


Tenant name	Retail store and distribution center *Names of tenants cannot be disclosed
Location	Yarimizu, Hachioji city, Tokyo
Site area	119,452.90m² (36,134.50 tsubo)



Tenant name	Seio Kai UGUISUDANI MEDICAL CENTER
Location	Negishi, Taito-ku, Tokyo
Site area	1,153.34m² (348.88 tsubo)



Tenant name	Drug store *Names of tenants cannot be disclosed
Location	Toyotamakita, Nerima-ku, Tokyo
Site area	1,127.89m² (341.18 tsubo)



Tenant name	TOYOTA USEC (Used car logistics center)
Location	Shinminato, Mihama-ku, Chiba city, Chiba
Site area	16,912.71m² (5,116.09 tsubo)



Tenant name	K's Denki (Home appliance store)
Location	Kidoba, Kawarazuka, Matsudo city, Chiba
Site area	6,610.14m² (1,999.57 tsubo)



Tenant name	Drug store *Names of tenants cannot be disclosed
Location	Nishi-cho, Isogo-ku, Yokohama city, Kanagawa
Site area	793.32m² (239.99 tsubo)



3. (1) FY3/19 Major Real Estate Purchases

Tenant name	Laox Osaka Nippombashi store (land for hotel)
Location	Nippombashi 2-chome, Chuo-ku, Osaka
Site area	963.48m ² (291.45 tsubo)



Tenant name	Drug store *Names of tenants cannot be disclosed
Location	Syoken 2 cho-me, Chikusa-ku, Nagoya city, Aichi
Site area	1,847.18m ² (558.77 tsubo)



Tenant name	(Tentative name) LIFE Sakura Syukugawa Store
Location	Ochayashocho, Nishinomiya city, Hyogo
Site area	3,070.05m ² (928.69 tsubo)



Tenant name	Hotel *Names of tenants cannot be disclosed
Location	Shimizu-cho, Kawaramachi-dori Nijo-agaru, Nakagyo-ku, Kyoto
Site area	1,664.98m ² (503.65 tsubo)



Tenant name	Overseas (U.S.) JINUSHI Business Starbucks
Location	Torrance, California, USA
Site area	15,454 sf (434.31 tsubo)



Tenant name	Overseas (U.S.) JINUSHI Business Chipotle Mexican Grill
Location	Chicago, Illinois, USA
Site area	20,948 sf (588.71 tsubo)

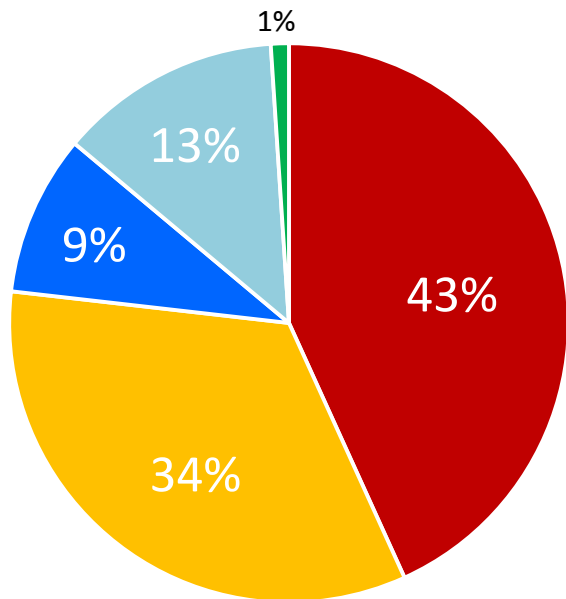


3. (2) Real Estate for Sale as of the End of FY3/19 —Diversification of Areas and Use

The JINUSHI Business is growing in the Tokyo area.

More than 40% of real estate for sale is in the Tokyo area and property acquisitions in this area in climbing steadily.

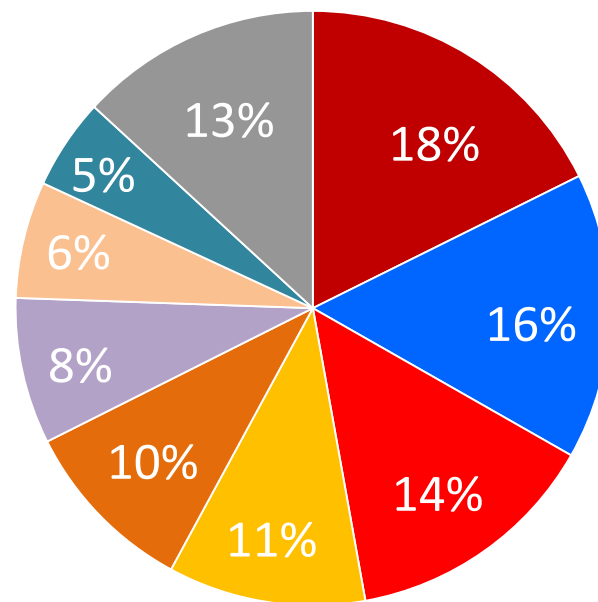
Diversification of Areas



■ Tokyo area ■ Osaka area ■ Nagoya area ■ Others ■ Overseas (North America)

Region	Definition
Tokyo area	Tokyo, Kanagawa, Saitama, Chiba and some areas of Ibaraki (Tsukuba city, Moriya city, etc.)
Osaka area	Osaka, Hyogo, Kyoto, Shiga and Nara
Nagoya area	Aichi, Mie and Gifu
Others	Government-designed municipalities, core regional cities and nearby areas (excluding Tokyo area, Osaka area and Nagoya area)

Diversification of Use



■ Supermarkets ■ Hotels
 ■ Home centers ■ Automobile dealers
 ■ Drug stores ■ Logistics facilities, factories, warehouses
 ■ Large electronics stores ■ Medical centers
 ■ Others

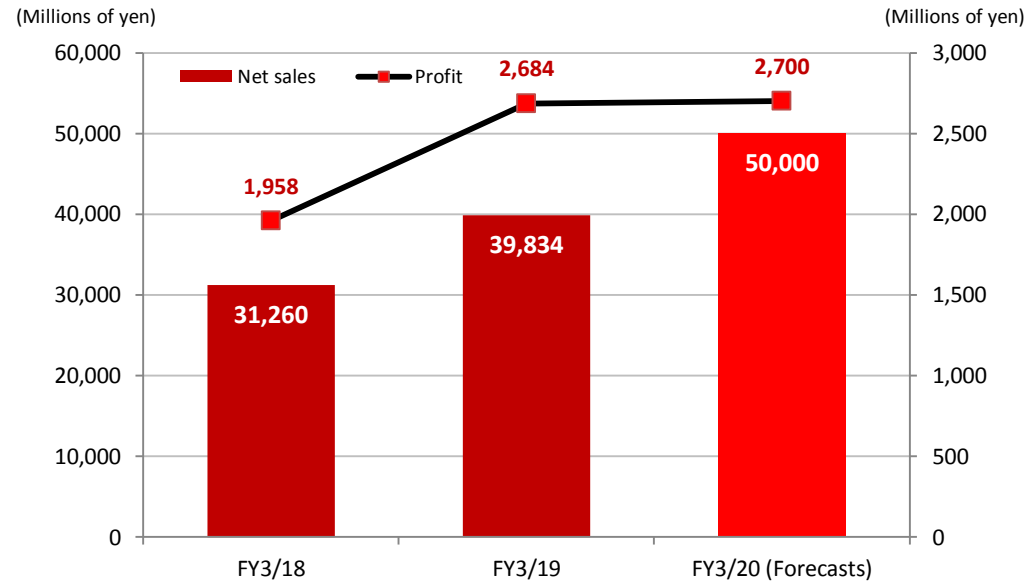
*Others: Restaurants, fitness clubs, nursery schools, memorial service facilities, etc.

Note: Based on monetary value as of March 31, 2019

4. (1) FY3/20 Earnings Forecast

1) Forecast record sales

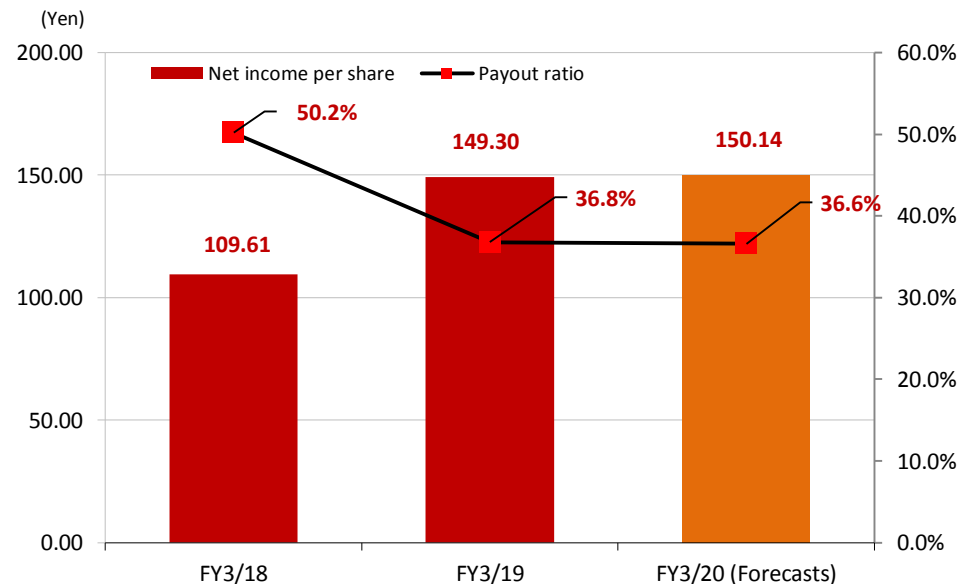
We forecast another year of record sales in FY3/20 due to the outlook for an increase in property sales and the continuation of sales of properties to JINUSHI REIT.



2) Continue a stable dividend of ¥55 per share

Our basic policy is to continue paying a stable dividend in order to distribute earnings to shareholders while increasing retained earnings as needed to establish a stronger base that is consistent for a long-term.

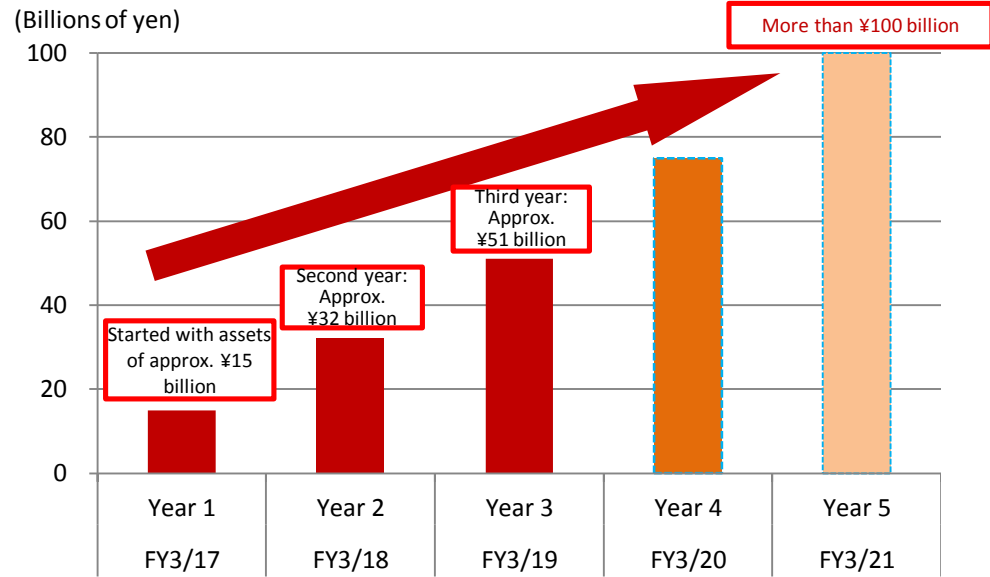
We also place importance on paying a dividend that reflects results of operations in each fiscal year.



4. (2) Growth of JINUSHI REIT Assets

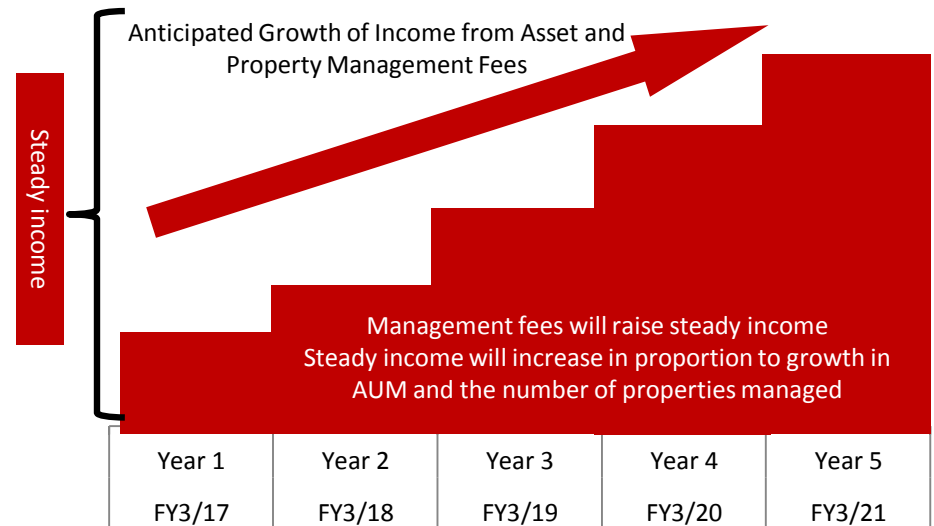
1) Assets expected to surpass ¥100 billion in FY3/21

By utilizing the sponsor support agreement, JINUSHI REIT plans to continue steadily increasing assets and surpass ¥100 billion only five years after the start of operations.



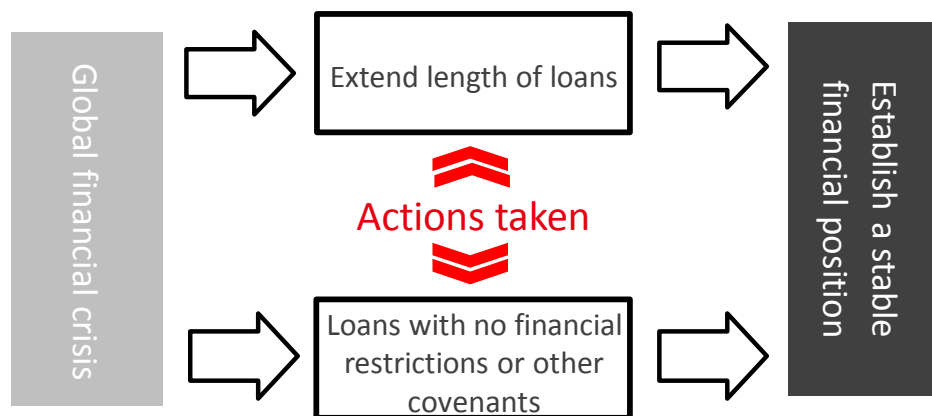
2) Growth of the NCD Group's steady income

Asset management and property management fee income is increasing as assets under management and the number of properties managed climb along with the assets of JINUSHI REIT. This results in growth of steady income.



4. (3) Financial Strategy (More Loans, Switch to More Favorable Borrowing Terms, etc.) 14

Building an even stronger financial position



Even if there is another global financial crisis that makes procuring funds more difficult, we can receive loans for new properties with no demands from financial institutions for the early repayment of loans.

◇ Commitment line agreements

Total amount of loan commitment ¥5,700 million

Credit used ¥3,651 million

Credit available ¥2,049 million

◇ Credit line agreement

Total amount of credit line ¥22,000 million

Credit used ¥5,978 million

Credit available ¥16,021 million

(1) Obtain financing from more financial institutions

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

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

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

5. Appendix (1) Social Contribution Activities: Support for Sports Activities

NCD was the naming sponsor of the 2018 All Japan Veteran Tennis Championship of the Japan Tennis Association that took place in Nagoya and Fukuoka in October.



Nagoya venue	Higashiyama Park Tennis Center
Fukuoka venue	Hakata no Mori Tennis Stadium
Period	Oct. 1 – Oct. 9, 2018

Highlight 1

A significant event as the 80th time this tournament was held

The tournament is divided into five-year age brackets for men and women beginning with age 35 and ending with age 85 and above. Winners are crowned national champions.

Highlight 2

NCD supports the Japan Tennis Association's goal of increasing the number of tennis players

Interest in tennis is increasing in Japan as a number of Japanese players participate in tournaments worldwide. This is a sport that people of all ages can enjoy. NCD plans to continue providing support for the advancement of tennis in Japan.

5. Appendix (2) Social Contribution Activities: Support for Cultural Activities 16

Special sponsor of the Japan Century Symphony Orchestra, a group based in Osaka with performances throughout Japan



Name	Japan Century Symphony Orchestra
Location	Toyonaka City, Osaka
Founded	1989
Principal conductor	Norichika Iimori
Official website	http://www.century-orchestra.jp/

Highlight 1 The orchestra has close community ties and educational programs

The orchestra, which is based in Toyonaka, holds regular concerts at The Symphony Hall in central Osaka, one of Japan's premier concert halls, and has a number of community programs as well as educational activities for young people.

Highlight 2 One of Japan's preeminent orchestras; celebrating its 30th anniversary in 2019

2019 is the 30th year anniversary of the start of this orchestra in 1989. The orchestra has 50 members and is led by principal conductor Norichika Iimori.

5. Appendix (3) Shareholder Benefits

Twice each year (record date: March and September), 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.

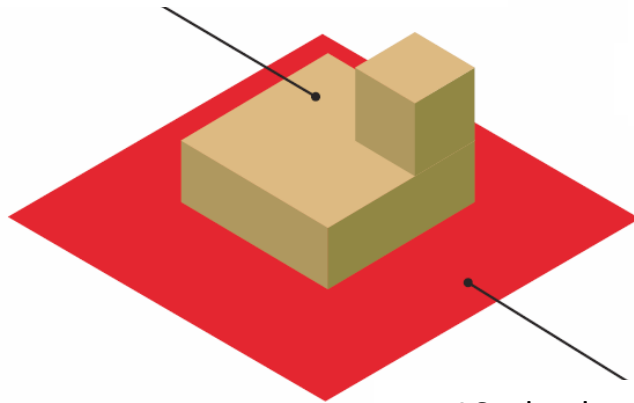
For more information (member stores, etc.), please see the website of JF GOURMET CARD.

(<http://www.jfcard.co.jp/>)

	Record date	March 31	September 30	Total
	Distribution time	Late June	Mid December	
Number of shares held	300 to 699 shares	¥3,000 (Gourmet Card worth ¥500 × 6)	¥3,000 (Gourmet Card worth ¥500 × 6)	¥6,000 (Gourmet Card worth ¥500 × 12)
	700 shares or more	¥6,000 (Gourmet Card worth ¥500 × 12)	¥6,000 (Gourmet Card worth ¥500 × 12)	¥12,000 (Gourmet Card worth ¥500 × 24)

The JINUSHI Business

The tenant pays for the constructing and ownership of building.



AS a landowner,
NCD owns only land.

Purchase land.
Lease land.
Sell the land being leased.

||



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We call this **the JINUSHI Business** because our role is solely as the landowner.

We purchase and lease land and sell leased land, **but do not construct buildings.**

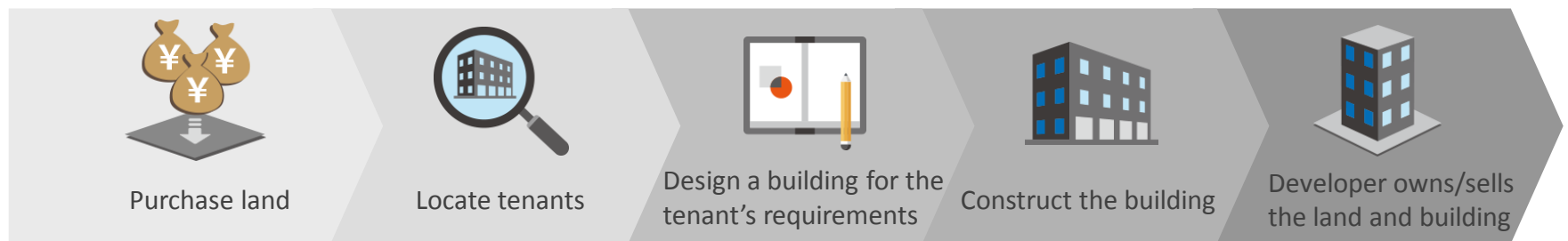
We purchase land and then **lease the property to a tenant** using a fixed-term commercial land leases. Our tenants are mainly involved in lifestyle convenience business such as supermarkets and drugstores, and business categories of tenants have been expanding into hotels, educational corporations and other social infrastructure businesses. **This business model enables us to sell safe real estate investment products with stable long-term 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



Key Elements of the JINUSHI Business

Locations

Focusing on areas where populations will not fall sharply: Tokyo area, Osaka area and core regional cities

Prime sites

Land suitable for many uses so that a new tenant can be found easily when an existing tenant leaves

Easy conversion

Land that can be converted to residential or another different use



Strict internal investment standards

Examples of JINUSHI Business Tenants



Supermarket



Drug store



Hotel



Home improvement stores

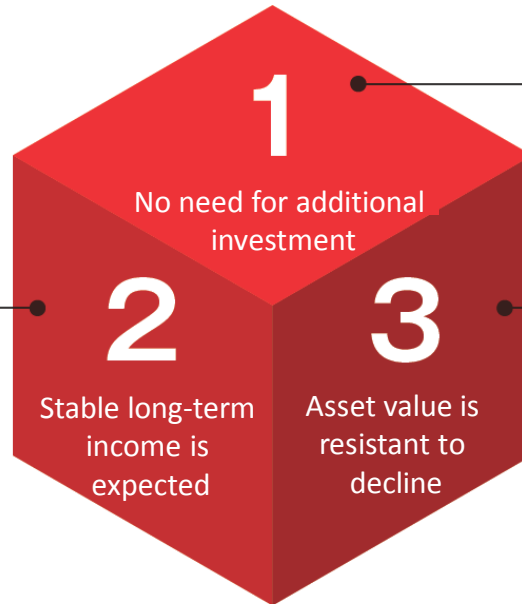
We only purchase land in outstanding locations that can satisfy our strict standards for new investments.

Three Strengths of the JINUSHI Business



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Business

During the long-term contract period of 20 to 30 years, tenants invest in buildings on the property. **This reduces the risk of the property being vacated and creates expectations for stable long-term income.**



Since tenants pay for construction and ownership of buildings, there is **no need for additional investment such as maintenance, repair, renovation, etc.**

After the period of the fixed-term leasing contract expires, **the land is returned as a vacant lot. This ensures that assets are returned at their maximum value.**

Why JINUSHI Business x Private REIT?

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 fixed-term commercial land lease contract.
- 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.



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