

**Summary of Consolidated Financial Results for the Second Quarter
of the Fiscal Year Ending March 31, 2020 (Six Months Ended September 30, 2019)**

[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 filing of Quarterly Report: November 13, 2019
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, 2019

(April 1, 2019 – September 30, 2019)

(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, 2019	16,039	(14.3)	917	(42.3)	559	(67.6)	496	(60.9)
Six months ended Sep. 30, 2018	18,705	244.1	1,590	703.5	1,728	-	1,271	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2019: 334 (down 52.7%)
Six months ended Sep. 30, 2018: 706 (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2019	27.42	27.39
Six months ended Sep. 30, 2018	70.84	70.27

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2019	102,931	21,230	20.6
As of Mar. 31, 2019	99,597	21,611	21.7

Reference: Shareholders' equity (million yen) As of Sep. 30, 2019: 21,230 As of Mar. 31, 2019: 21,591

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	0.00	-	55.00	55.00
Fiscal year ending Mar. 31, 2020	-	0.00			
Fiscal year ending Mar. 31, 2020 (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, 2020 (April 1, 2019 – March 31, 2020)

(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	74,000	85.8	5,100	14.7	4,400	1.7	3,100	15.5	171.13

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): 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, 2019:	18,285,800 shares	As of Mar. 31, 2019:	18,039,200 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2019:	141 shares	As of Mar. 31, 2019:	141 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2019:	18,114,649 shares	Six months ended Sep. 30, 2018:	17,947,748 shares
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The current quarterly financial report is not subject to quarterly review 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. 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 4, 2019. 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, 2020 (hereinafter, “the period under review”), the Japanese economy remained on a modest recovery trend as personal spending picked up on the back of the resilient, high corporate earnings and the improved employment and income environment. On the other hand, the outlook for overseas economies has remained unclear due to factors requiring our attention such as heightened uncertainties over political and economic conditions caused by the U.S.-China trade friction and Brexit issues, as well as effects of rising crude oil prices and fluctuation in the financial and capital markets.

Backed by the strong inbound market, the Japanese real estate and real estate finance industries continued to see a resilient real estate market in the commercial area, a low average office vacancy rate in the business areas of Japan’s three major metropolitan cities, and a continued upward trend in rental rates.

Under these situations, the Nippon Commercial Development Group (hereinafter, “the Group”) is focusing on efforts to generate its future earnings by purchasing real estate for sale across a broader geographical area with the aims to further expand the market for “JINUSHI business” and cater for institutional investors’ needs for real estate asset management. Consequently, the balance of real estate for sale at the end of the period under review amounted to 75,453 million yen, up 5,937 million yen from the end of the previous fiscal year, reflecting a steady increase in the purchase of properties for future projects.

As a result, the Group reported net sales for the period under review of 16,039 million yen (down 14.3% year on year), operating profit of 917 million yen (down 42.3% year on year), ordinary profit of 559 million yen (down 67.6% year on year), and profit attributable to owners of parent of 496 million yen (down 60.9% year on year).

Results by business segment were as follows:

From the first quarter of the fiscal year ending March 31, 2020, the Group has changed the reportable segment classification. Accordingly, the prior-year figures have been reclassified into the new segments for comparison purposes.

i) Real Estate Investment Business

The segment reported sales of 15,804 million yen (down 12.7% year on year) with segment operating profit of 2,406 million yen (down 14.5% year on year).

ii) Subleasing, Leasing and Fund Fee Business

The segment reported sales of 234 million yen (up 7.9% year on year) with segment operating profit of 116 million yen (up 29.7% year on year).

iii) Planning and Brokerage Business

The segment reported sales of 277 thousand yen (down 99.8% year on year) with segment operating profit of 276 thousand yen (down 99.8% year on year).

The Group has reviewed the classification method of the reportable segment presented previously as “Other Businesses” and reclassified it into “Other (*)” as it is deemed immaterial.

(*) The “Other” segment represents the overseas PFI business.

(2) Explanation of Financial Position

Total assets increased 3,333 million yen from the end of the previous fiscal year to 102,931 million yen at the end of the period under review. This increase was attributable mainly to an increase of 5,937 million yen in real estate for sale as a result of the acquisition of properties and a decrease of 1,216 million yen in investment securities.

Total liabilities increased 3,715 million yen from the end of the previous fiscal year to 81,700 million yen. This increase was attributable mainly to an increase of 6,610 million yen in long-term borrowings (including the current portion).

Net assets decreased 381 million yen from the end of the previous fiscal year to 21,230 million yen. This decrease was attributable mainly to the booking of profit attributable to owners of parent of 496 million yen, which was more than offset by the distribution of dividends of surplus of 992 million yen. Consequently, the equity ratio at the end of the period under review was 20.6%.

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

Both of net sales and profits for the period under review have steadily progressed.

It is noted that we have revised the full-year consolidated forecast for the fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020). For more details, please refer to “Notice Regarding Revision to Consolidated Forecast” released today and “Results of Operations for the Second Quarter of the Fiscal Year Ending March 31, 2020,” which are the supplementary materials for Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020 (available on our website (*)).

(* <https://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)

	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	18,856,819	18,294,278
Trade accounts receivable	99,399	214,052
Real estate for sale	69,516,193	75,453,556
Advance payments-trade	1,300,963	796,554
Prepaid expenses	197,713	132,671
Other	49,279	21,281
Total current assets	90,020,368	94,912,395
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	334,414	264,869
Tools, furniture and fixtures, net	52,256	45,715
Land	3,758	3,758
Leased assets, net	65,505	89,291
Total property, plant and equipment	455,934	403,633
Intangible assets		
Other	9,347	8,934
Total intangible assets	9,347	8,934
Investments and other assets		
Investment securities	1,520,154	303,602
Shares of subsidiaries and associates	6,285,426	6,086,825
Investments in capital of subsidiaries and associates	4,000	4,000
Investments in capital	505,161	505,161
Leasehold and guarantee deposits	452,639	464,879
Long-term prepaid expenses	135,107	144,187
Other	421,832	299,388
Allowance for doubtful accounts	(212,582)	(201,959)
Total investments and other assets	9,111,738	7,606,083
Total non-current assets	9,577,020	8,018,652
Total assets	99,597,389	102,931,047

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
Liabilities		
Current liabilities		
Trade accounts payable	102,436	66,283
Short-term borrowings	4,967,800	3,087,000
Current portion of long-term borrowings	3,519,042	1,767,104
Accounts payable-other	447,211	290,134
Income taxes payable	919,968	166,927
Accrued consumption taxes	43,928	8,377
Advances received	30,648	-
Current portion of guarantee deposits received	1,385,877	1,595,477
Other	459,470	339,570
Total current liabilities	11,876,383	7,320,875
Non-current liabilities		
Long-term borrowings	65,207,001	73,569,105
Long-term leasehold and guarantee deposits received	178,055	163,955
Retirement benefit liability	43,367	-
Other	680,721	646,741
Total non-current liabilities	66,109,145	74,379,801
Total liabilities	77,985,528	81,700,677
Net assets		
Shareholders' equity		
Share capital	2,900,258	3,048,547
Capital surplus	4,509,668	4,657,957
Retained earnings	14,810,593	14,315,099
Treasury shares	(79)	(79)
Total shareholders' equity	22,220,441	22,021,525
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(24,217)	(27,184)
Foreign currency translation adjustment	(604,579)	(763,970)
Total accumulated other comprehensive income	(628,797)	(791,155)
Share acquisition rights	20,216	-
Total net assets	21,611,860	21,230,370
Total liabilities and net assets	99,597,389	102,931,047

(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 FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Net sales	18,705,399	16,039,067
Cost of sales	15,398,148	13,466,268
Gross profit	3,307,250	2,572,799
Selling, general and administrative expenses	1,716,326	1,655,001
Operating profit	1,590,923	917,797
Non-operating income		
Interest income	5,849	4,810
Interest on securities	3,004	2,929
Share of profit of entities accounted for using equity method	152,175	139,656
Foreign exchange gains	133,697	-
Gain on bad debts recovered	88,086	22,623
Outsourcing service income	51,333	49,068
Other	24,562	2,963
Total non-operating income	458,709	222,051
Non-operating expenses		
Interest expenses	270,846	393,105
Financing expenses	47,958	125,202
Foreign exchange losses	-	57,894
Other	2,310	4,244
Total non-operating expenses	321,115	580,446
Ordinary profit	1,728,517	559,402
Extraordinary income		
Gain on sales of investment securities	-	114,077
Gain on reversal of share acquisition rights	-	13,394
Total extraordinary income	-	127,471
Profit before income taxes	1,728,517	686,874
Income taxes-current	527,432	111,022
Income taxes-deferred	(70,365)	79,197
Total income taxes	457,066	190,219
Profit	1,271,450	496,654
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,271,450	496,654

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

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Profit	1,271,450	496,654
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,621)	(2,967)
Foreign currency translation adjustment	(563,093)	(159,390)
Total other comprehensive income	(564,714)	(162,357)
Comprehensive income	706,736	334,296
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	706,736	334,296
Comprehensive income attributable to non-controlling interests	-	-

(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 FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)

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

(Thousands of yen)

	Reportable segment				Other (Note)	Adjustment	Amount shown on the quarterly consolidated statement of income
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Total			
Net sales							
(1) Sales to external customers	18,065,455	217,267	183,267	18,465,990	239,408	-	18,705,399
(2) Inter-segment sales and transfers	28,000	-	-	28,000	-	(28,000)	-
Total	18,093,455	217,267	183,267	18,493,990	239,408	(28,000)	18,705,399
Segment profit (loss)	2,814,379	90,072	183,227	3,087,679	189,092	(1,685,847)	1,590,923

Note: The "Other" segment represents businesses not included in any of the reportable segments and includes the overseas PFI business and entertainment business (golf course management).

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

(Thousands of yen)

Profit	Amounts
Total of reportable segments	3,087,679
Other	189,092
Elimination of inter-segment transactions	(28,000)
Corporate expenses (Note)	(1,657,847)
Operating profit in the quarterly consolidated statement of income	1,590,923

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 six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)

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

(Thousands of yen)

	Reportable segment				Other (Note 1)	Adjustment (Note 2)	Amount shown on the quarterly consolidated statement of income (Note 3)
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Total			
Net sales							
(1) Sales to external customers	15,804,311	234,478	277	16,039,067	-	-	16,039,067
(2) Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	15,804,311	234,478	277	16,039,067	-	-	16,039,067
Segment profit (loss)	2,406,389	116,803	276	2,523,469	(679)	(1,604,991)	917,797

Notes: 1. The “Other” segment represents businesses not included in any of the reportable segments and includes the overseas PFI business.

2. The adjustment to segment profit includes corporate expenses that mainly consist of selling, general and administrative expenses that cannot be attributed to any reportable segments.

3. Segment profit is adjusted with operating profit shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Not applicable.

3. Changes in reportable segments

From the first quarter, the Group has changed the classification method of the reportable segment presented previously as “Other Businesses” and reclassified it into “Other” as it is deemed immaterial.

The segment information for the first half of the previous fiscal year was prepared based on the classification after the change.

Subsequent Events

Setting of comprehensive facility for trading

The Company resolved at the Board of Directors meeting held on November 12, 2019 that the comprehensive facility for trading (hereinafter, “the facility for trading”) of real estate for sale (including trust beneficiary rights; hereinafter collectively, “the real estate”) would be set under the agreement between SMFL MIRAI Partners Co., Ltd. (hereinafter, “SMFL MIRAI”), the Company, and JINUSHI Asset Management Co., Ltd. (hereinafter, “JINUSHI AM”)—the Company’s wholly owned subsidiary.

1. Overview of the facility for trading

SMFL MIRAI will set the facility for trading to acquire the real estate owned by the Company as follows:

- (1) Limit set for the facility for trading: 30.0 billion yen
- (2) Period set for the facility for trading: From the date of conclusion of the basic agreement (to be concluded on November 18, 2019) to January 31, 2025
- (3) Notes: When SMFL MIRAI sells the real estate acquired using the facility for trading, a third party designated by JINUSHI AM (assuming, but not limited to, JINUSHI Private REIT Investment Corporation) has a preferential negotiating right for the acquisition.

2. Purpose of setting the facility for trading

By utilizing the facility for trading, the Company will be able to improve financial indicators including the equity ratio and the total asset turnover (where improvement in the total asset turnover means reduction in the time period from property purchase until its sale), expand a new fund-raising capacity by decreasing interest-bearing debt, and further strengthen our financial foundation so as to realize gains at an earlier stage of development. Under this arrangement, we will also aim to drive the growth of JINUSHI Private REIT Investment Corporation and expand the scale of its assets.

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.