

**Summary of Consolidated Financial Results for the First Quarter
of the Fiscal Year Ending December 31, 2021 (Three Months Ended March 31, 2021)**

[Japanese GAAP]

Company name: Nippon Commercial Development Co., Ltd.

Listing: TSE/NSE, First Sections

Securities code: 3252

URL: <https://www.ncd-jp.com>

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Scheduled date of filing of Quarterly Report: May 14, 2021

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 Three Months Ended March 31, 2021

(January 1, 2021 – March 31, 2021)

(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	%
Three months ended Mar. 31, 2021	20,958	-	2,308	-	2,366	-	1,729	-
Three months ended Mar. 31, 2020	9,239	7.2	699	47.0	861	179.5	685	233.1

Note: Comprehensive income (million yen) Three months ended Mar. 31, 2021: 2,008 (-%)

Three months ended Mar. 31, 2020: 609 (up 123.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Mar. 31, 2021	94.56	-
Three months ended Mar. 31, 2020	37.49	-

From the fiscal year ended Dec. 31, 2020, Nippon Commercial Development Co., Ltd. (hereinafter, “the Company”) has changed its financial closing date from March 31 to December 31 upon approval of the proposal: Partial Amendments to the Articles of Incorporation at the extraordinary meeting of shareholders held on December 24, 2020. The Company has also changed the financial closing date of its domestic subsidiaries from March 31 to December 31. Accordingly, applicable period for the current fiscal year is different from that of the previous fiscal year: The first quarter consolidated accounting period and the consolidated cumulative first quarter of the previous fiscal year are from April 1, 2020 to June 30, 2020, and those of the current fiscal year are from January 1, 2021 to March 31, 2021. Therefore, the year-on-year changes of results of operations for the three months ended March 31, 2021 have been omitted.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Mar. 31, 2021	71,004	26,393	37.2
As of Dec. 31, 2020	71,220	24,841	34.9

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2021: 26,393

As of Dec. 31, 2020: 24,841

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Dec. 31, 2020	-	0.00	-	25.00	25.00
Fiscal year ending Dec. 31, 2021	-	-	-	-	-
Fiscal year ending Dec. 31, 2021 (forecasts)	-	0.00	-	50.00	50.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending December 31, 2021 (January 1, 2021 – December 31, 2021)

(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	51,000	-	5,400	-	4,200	-	2,900	-	158.59

Note: Revisions to the most recently announced consolidated forecast: None

The fiscal year ended December 31, 2020 covers the period of nine months as a transitional period for a change in the financial closing date. Therefore, we have omitted the year-on-year change figures

*** 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 Mar. 31, 2021:	18,285,800 shares	As of Dec. 31, 2020:	18,285,800 shares
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2) Number of treasury shares at the end of the period

As of Mar. 31, 2021:	141 shares	As of Dec. 31, 2020:	141 shares
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3) Average number of shares outstanding during the period

Three months ended Mar. 31, 2021:	18,285,659 shares	Three months ended Mar. 31, 2020:	18,285,659 shares
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* The current financial report is not subject to quarterly review by auditing firm.

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

Cautionary statement with respect to forecasts

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.

Change in presentation of monetary units

Amounts in the consolidated financial statements and segment information, presented in "thousands of yen" in prior periods, are presented in "millions of yen" effective from the first quarter of the current fiscal year. The aforementioned amounts for the first quarter and full year of the previous fiscal year are also restated in order to facilitate year-on-year comparisons.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

From the fiscal year ended December 31, 2020, Nippon Commercial Development Co., Ltd. (hereinafter “the Company”) has changed its financial closing date from March 31 to December 31 upon approval of the proposal: Partial Amendments to the Articles of Incorporation at the Extraordinary General Meeting of Shareholders held on December 24, 2020. The Company has also changed the financial closing date of its domestic subsidiaries from March 31 to December 31. Accordingly, applicable period for the current fiscal year is different from that of the previous fiscal year: The first quarter consolidated accounting period and the consolidated cumulative first quarter of the previous fiscal year are from April 1, 2020 to June 30, 2020, and those of the current fiscal year are from January 1, 2021 to March 31, 2021. Therefore, the year-on-year comparison of results of operations has been omitted.

In the first quarter of the fiscal year ending December 31, 2021 (hereinafter, “the period under review”), the Japanese economy remained challenging due to the sluggish social and economic activities, affected by the declaration of a state of emergency following the resurgence of the COVID-19 infection in Japan and the expansion of the infection in the world-wide scale. While the number of newly infected people once showed a declining trend, the economic outlook remains uncertain with the identification of mutant strains at home and abroad and the signs of increase in the number of newly infected people.

In the Japanese real estate and real estate finance industries, increase in vacancy rates and decline in rental rates in urban areas have become obvious, affected by the shrinkage in office space and the cancellation of lease contracts for stores due to the expansion of the COVID-19 infection. However, the overall market for real estate investment has remained stable backed by the continued positive mindset of investors and low interest rates.

Please note that 80% of the tenants of our JINUSHI Business belong to the industry sectors (including the logistics industry) that deal in daily necessities. Such tenants are generally performing well due to the consumption from staying at home.

Under these circumstances, the Nippon Commercial Development Group (hereinafter “the Group”) made a steady progress in selling real estate for sale to major leasing companies, backed by the growing reputation among financial institutions and investors for JINUSHI Business as a real estate investment method to generate stable profits over the long-term without a risk of closure of tenants and decrease in rent even under the COVID-19 crisis.

The Company, JINUSHI Asset Management Co., Ltd. and JINUSHI Private REIT Investment Corporation (hereinafter “JINUSHI REIT”) are engaged in the Sponsor Support Agreement, in which the Company acts as the sponsor of JINUSHI REIT. On January 8, 2021, based on the Sponsor Support Agreement, the Company sold eleven real estate investment products of JINUSHI Business to JINUSHI REIT with the aggregate sales price of 12,585 million yen. JINUSHI REIT acquired the eleven properties through the issuance of new investment units (capital increase) to institutional investors and loans, and achieved the target scale at its foundation, “asset under management of over 100 billion yen within five years of its establishment” by the fifth capital increase.

As a result, the Group reported net sales for the period under review of 20,958 million yen, operating profit of 2,308 million yen, ordinary profit of 2,366 million yen, and profit attributable to owners of parent of 1,729 million yen.

Results by business segment were as follows:

- i) Real Estate Investment Business
The segment reported sales of 20,559 million yen with segment operating profit of 2,816 million yen.
- ii) Subleasing, Leasing and Fund Fee Business
The segment reported sales of 393 million yen with segment operating profit of 324 million yen.
- iii) Planning and Brokerage Business
The segment reported sales of 5 million yen with segment operating profit of 5 million yen.

(2) Explanation of Financial Position

Assets, Liabilities and Net Assets

Total assets decreased 216 million yen from the end of the previous fiscal year to 71,004 million yen at the end of the period under review. This decrease was attributable mainly to a decrease of 1,654 million yen in real estate for sale driven by the smooth sale of properties to JINUSHI REIT and others, while partly offset by increases of 1,179 million yen in cash and deposits, and 457 million yen in the valuation gain in shares of subsidiaries and associates.

Total liabilities decreased 1,767 million yen from the end of the previous fiscal year to 44,611 million yen. This decrease was attributable mainly to a decrease of 2,760 million yen in borrowings, which was partially offset by increases of 635 million yen in income taxes payable and 475 million yen in advances received.

Net assets increased 1,551 million yen from the end of the previous fiscal year to 26,393 million yen. This increase was attributable mainly to the profit attributable to owners of parent of 1,729 million yen, which was partially offset by the distribution of dividends of surplus of 457 million yen. Consequently, the equity ratio at the end of the period under review was 37.2%.

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

Both net sales and profits for the period under review have progressed as planned. As we expect that going forward net sales and profits will progress at the same level presented in “3. Consolidated Forecast for the Fiscal Year Ending December 31, 2021 (January 1, 2021 – December 31, 2021)” in “Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 [Japanese GAAP]” announced on February 10, 2021, we have left the forecast unchanged.

For more details on the consolidated forecast for the fiscal year ending December 31, 2021, please refer to “Results of Operations for the First Quarter of the Fiscal Year Ending December 31, 2021” (available on our website (*)), which is the supplementary materials for the Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2021.

(*) <https://www.ncd-jp.com/> (IR Information, IR News)

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	FY12/20 (As of Dec. 31, 2020)	First quarter of FY12/21 (As of Mar. 31, 2021)
Assets		
Current assets		
Cash and deposits	20,897	22,077
Trade accounts receivable	198	114
Real estate for sale	38,387	36,733
Advance payments-trade	371	22
Prepaid expenses	102	238
Other	116	67
Total current assets	60,074	59,252
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	390	383
Vehicles, tools, furniture and fixtures, net	60	65
Land	2,883	2,961
Leased assets, net	102	96
Total property, plant and equipment	3,436	3,506
Intangible assets		
Other	54	60
Total intangible assets	54	60
Investments and other assets		
Investment securities	293	310
Shares of subsidiaries and associates	6,175	6,633
Investments in capital of subsidiaries and associates	4	4
Investments in capital	505	505
Leasehold and guarantee deposits	497	509
Long-term prepaid expenses	91	78
Other	175	232
Allowance for doubtful accounts	(89)	(89)
Total investments and other assets	7,654	8,184
Total non-current assets	11,146	11,751
Total assets	71,220	71,004

(Millions of yen)

	FY12/20 (As of Dec. 31, 2020)	First quarter of FY12/21 (As of Mar. 31, 2021)
Liabilities		
Current liabilities		
Trade accounts payable	187	255
Short-term borrowings	797	1,000
Current portion of long-term borrowings	2,034	548
Accounts payable-other	383	397
Income taxes payable	5	641
Accrued consumption taxes	4	35
Advances received	20	495
Current portion of guarantee deposits received	1,634	1,419
Other	333	301
Total current liabilities	5,400	5,094
Non-current liabilities		
Long-term borrowings	40,357	38,880
Long-term leasehold and guarantee deposits received	163	266
Other	456	370
Total non-current liabilities	40,978	39,516
Total liabilities	46,379	44,611
Net assets		
Shareholders' equity		
Share capital	3,048	3,048
Capital surplus	4,657	4,657
Retained earnings	17,634	18,906
Treasury shares	(0)	(0)
Total shareholders' equity	25,341	26,613
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(32)	(7)
Foreign currency translation adjustment	(467)	(212)
Total accumulated other comprehensive income	(499)	(220)
Total net assets	24,841	26,393
Total liabilities and net assets	71,220	71,004

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

(Millions of yen)

	First three months of FY12/20 (Apr. 1, 2020 – Jun. 30, 2020)	First three months of FY12/21 (Jan. 1, 2021 – Mar. 31, 2021)
Net sales	9,239	20,958
Cost of sales	7,778	17,752
Gross profit	1,460	3,205
Selling, general and administrative expenses	761	896
Operating profit	699	2,308
Non-operating income		
Interest income	0	0
Interest on securities	1	1
Share of profit of entities accounted for using equity method	122	156
Recoveries of written off receivables	381	-
Outsourcing service income	22	29
Foreign exchange gains	-	20
Other	1	10
Total non-operating income	529	217
Non-operating expenses		
Interest expenses	134	97
Financing expenses	46	62
Foreign exchange losses	185	-
Other	0	0
Total non-operating expenses	367	160
Ordinary profit	861	2,366
Profit before distributions of profit or loss on silent partnerships and income taxes	861	2,366
Distributions of profit or loss on silent partnerships	-	0
Profit before income taxes	861	2,365
Income taxes-current	66	701
Income taxes-deferred	109	(65)
Total income taxes	175	636
Profit	685	1,729
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	685	1,729

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

(Millions of yen)

	First three months of FY12/20 (Apr. 1, 2020 – Jun. 30, 2020)	First three months of FY12/21 (Jan. 1, 2021 – Mar. 31, 2021)
Profit	685	1,729
Other comprehensive income		
Valuation difference on available-for-sale securities	6	24
Foreign currency translation adjustment	(82)	254
Total other comprehensive income	(75)	279
Comprehensive income	609	2,008
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	609	2,008
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 three months of FY12/20 (Apr. 1, 2020 – Jun. 30, 2020)

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

(Millions 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	9,100	137	1	9,239	-	-	9,239
(2) Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	9,100	137	1	9,239	-	-	9,239
Segment profit (loss)	1,335	82	1	1,419	(0)	(719)	699

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

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

3. Segment profit (loss) 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.

II. First three months of FY12/21 (Jan. 1, 2021 – Mar. 31, 2021)

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

(Millions 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	20,559	393	5	20,958	-	-	20,958
(2) Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	20,559	393	5	20,958	-	-	20,958
Segment profit (loss)	2,816	324	5	3,147	-	(838)	2,308

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

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

3. Segment profit (loss) 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.

Subsequent Events

Business combination through purchase

At the Board of Directors meeting held on April 15, 2021, the Company resolved to acquire all of the issued shares of Tsunoda Corporation Limited. (hereinafter “Tsunoda”) which was owned by Mercuria Japan Industrial Growth Fund to make it a subsidiary, and concluded the share transfer agreement with the Fund on April 30, 2021.

(1) Summary of business combination

a. Name of acquired company and nature of business

Name of acquired company: Tsunoda Corporation Limited.

Nature of business: Real estate business (leasing and management of apartments, buildings, and land); planning, development and sale of bicycles (product development agency)

b. Reasons for business combination

The Company has named the real estate investment method using fixed-term land lease rights for business as “JINUSHI Business.” Through investing only in land and leasing land without constructing buildings, the Company has developed a business to create safe real estate investment products which generate stable profits over a long period of time without additional investment.

Tsunoda, which used to run a bicycle manufacturing business at the forefront of sales and manufacturing with producing popular products, had grown to be listed on the Nagoya Stock Exchange in 1963. They are currently unlisted and have withdrawn from bicycle manufacturing, with majority of their operating revenue being generated in real estate leasing business through utilizing prime assets including former factory sites, etc.

This time, the Company resolved to acquire all of the issued shares of Tsunoda to acquire real estate owned by them.

c. Acquisition date

May 31, 2021 (tentative)

d. Legal form of business combination

Acquisition of shares

e. Company’s name after combination

There is no change in the company’s name.

f. Percentage of voting rights acquired

100%

g. Basis for deciding the acquiring company

The Company acquired the business in exchange for a cash payment.

(2) Acquisition cost of acquired company and breakdown by type of consideration

Payment for the acquisition:	Cash	4,080 million yen
Acquisition cost		4,080 million yen

(3) Details of acquisition-related costs and amount

Not yet determined.

(4) Goodwill resulting from the acquisition

Not yet determined.

(5) Breakdown of assets acquired and liabilities assumed on the acquisition date

Not yet determined.

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.