

**Summary of Consolidated Financial Results for the Second Quarter
of the Fiscal Year Ending December 31, 2021 (Six Months Ended June 30, 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: August 13, 2021

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 June 30, 2021

(January 1, 2021 – June 30, 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	%
Six months ended Jun. 30, 2021	26,624	-	2,499	-	2,442	-	1,736	-
Six months ended Sep. 30, 2020	18,496	15.3	1,637	78.4	1,453	159.9	1,196	141.0

Note: Comprehensive income (million yen) Six months ended Jun. 30, 2021: 1,957 (-%)
Six months ended Sep. 30, 2020: 1,359 (up 306.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun. 30, 2021	94.98	-
Six months ended Sep. 30, 2020	65.45	-

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 second quarter consolidated accounting period and the consolidated cumulative second quarter of the previous fiscal year are from July 1, 2020 to September 30, 2020 and April 1, 2020 to September 30, 2020, respectively, and those of the current fiscal year are from April 1, 2021 to June 30, 2021 and January 1, 2021 to June 30, 2021, respectively. Therefore, the year-on-year changes of results of operations for the six months ended June 30, 2021 have been omitted.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2021	75,756	26,341	34.8
As of Dec. 31, 2020	71,220	24,841	34.9

Reference: Shareholders' equity (million yen) As of Jun. 30, 2021: 26,341 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	-	0.00	-	-	-
Fiscal year ending Dec. 31, 2021 (forecasts)	-	-	-	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 Jun. 30, 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 Jun. 30, 2021:	141 shares	As of Dec. 31, 2020:	141 shares
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3) Average number of shares outstanding during the period

Six months ended Jun. 30, 2021:	18,285,659 shares	Six months ended Sep. 30, 2020:	18,285,659 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 Monday, September 6, 2021. Materials to be distributed at this event will be available on the Company’s website immediately thereafter.

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 half 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 second quarter consolidated accounting period and the consolidated cumulative second quarter of the previous fiscal year are from July 1, 2020 to September 30, 2020 and April 1, 2020 to September 30, 2020, respectively, and those of the current fiscal year are from April 1, 2021 to June 30, 2021 and January 1, 2021 to June 30, 2021, respectively. Therefore, the year-on-year comparison of results of operations has been omitted.

In the first half of the fiscal year ending December 31, 2021 (hereinafter, “the period under review”), the Japanese economy remained weak as the stagnated social and economic activities and the deteriorated employment environment exerted downward pressure on personal consumption under the state of emergency re-declared following the resurgence of the COVID-19 infection in April. While widespread vaccinations against COVID-19 were expected to gradually resume economic activity and boost the economic recovery trend, the economic outlook remained uncertain with signs of an increase in the number of new infections caused primarily by the new variants found at home and abroad.

In the Japanese real estate and real estate finance industries, an increase in vacancy rates and a decline in rental rates in urban areas have become obvious, affected by the shrinkage of office space or consolidation or reduction of bases in the background of widespread teleworking 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.

In May this year, we accelerated purchase of real estates for JINUSHI Business through acquiring all the shares issued by Tsunoda Corporation Limited and making it a subsidiary to acquire excellent real estates it owned.

As a result, the Group reported net sales for the period under review of 26,624 million yen, operating profit of 2,499 million yen, ordinary profit of 2,442 million yen, and profit attributable to owners of parent of 1,736 million yen.

Results by business segment were as follows:

- i) Real Estate Investment Business
The segment reported sales of 26,029 million yen with segment operating profit of 3,798 million yen.
- ii) Subleasing, Leasing and Fund Fee Business
The segment reported sales of 590 million yen with segment operating profit of 404 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 increased 4,535 million yen from the end of the previous fiscal year to 75,756 million yen at the end of the period under review. This increase was attributable mainly to an increase of 6,028 million yen in real estate for sale, which was partially offset by a decrease of 1,982 million yen in cash and deposits, both as a result of acquiring Tsunoda Corporation Limited to make it a subsidiary. More specifically, the balance of real estates for sale was reduced by steady real estate sales to JINUSHI Private REIT Investment Corporation and others, and increased by 9,894 million yen as a result of making Tsunoda Corporation Limited a subsidiary.

Total liabilities increased 3,035 million yen from the end of the previous fiscal year to 49,414 million yen. This increase was attributable mainly to an increase of 2,875 million yen in deferred tax liabilities as a result of consolidating Tsunoda Corporation Limited.

Net assets increased 1,500 million yen from the end of the previous fiscal year to 26,341 million yen. This increase was attributable mainly to the profit attributable to owners of parent of 1,736 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 34.8%.

(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 Half 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 Second 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)	Second quarter of FY12/21 (As of Jun. 30, 2021)
Assets		
Current assets		
Cash and deposits	20,897	18,915
Trade accounts receivable	198	175
Real estate for sale	38,387	44,416
Advance payments-trade	371	181
Prepaid expenses	102	195
Other	116	12
Total current assets	60,074	63,896
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	390	377
Vehicles, tools, furniture and fixtures, net	60	61
Land	2,883	2,961
Leased assets, net	102	92
Total property, plant and equipment	3,436	3,493
Intangible assets		
Other	54	288
Total intangible assets	54	288
Investments and other assets		
Investment securities	293	308
Shares of subsidiaries and associates	6,175	6,537
Investments in capital of subsidiaries and associates	4	4
Investments in capital	505	505
Leasehold and guarantee deposits	497	505
Long-term prepaid expenses	91	75
Other	175	229
Allowance for doubtful accounts	(89)	(89)
Total investments and other assets	7,654	8,077
Total non-current assets	11,146	11,859
Total assets	71,220	75,756

	(Millions of yen)	
	FY12/20 (As of Dec. 31, 2020)	Second quarter of FY12/21 (As of Jun. 30, 2021)
Liabilities		
Current liabilities		
Trade accounts payable	187	398
Short-term borrowings	797	1,196
Current portion of long-term borrowings	2,034	774
Accounts payable-other	383	418
Income taxes payable	5	845
Accrued consumption taxes	4	40
Advances received	20	825
Current portion of guarantee deposits received	1,634	1,807
Other	333	359
Total current liabilities	5,400	6,665
Non-current liabilities		
Long-term borrowings	40,357	39,190
Long-term leasehold and guarantee deposits received	163	307
Deferred tax liabilities	234	3,109
Other	222	142
Total non-current liabilities	40,978	42,749
Total liabilities	46,379	49,414
Net assets		
Shareholders' equity		
Share capital	3,048	3,048
Capital surplus	4,657	4,657
Retained earnings	17,634	18,914
Treasury shares	(0)	(0)
Total shareholders' equity	25,341	26,620
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(32)	(9)
Foreign currency translation adjustment	(467)	(270)
Total accumulated other comprehensive income	(499)	(279)
Total net assets	24,841	26,341
Total liabilities and net assets	71,220	75,756

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

(Millions of yen)

	First six months of FY12/20 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY12/21 (Jan. 1, 2021 – Jun. 30, 2021)
Net sales	18,496	26,624
Cost of sales	15,209	22,287
Gross profit	3,286	4,336
Selling, general and administrative expenses	1,649	1,837
Operating profit	1,637	2,499
Non-operating income		
Interest income	0	0
Interest on securities	2	2
Foreign exchange gains	-	40
Share of profit of entities accounted for using equity method	-	153
Recoveries of written off receivables	381	-
Outsourcing service income	49	57
Other	4	12
Total non-operating income	438	267
Non-operating expenses		
Interest expenses	265	209
Financing expenses	81	113
Foreign exchange losses	248	-
Share of loss of entities accounted for using equity method	17	-
Other	9	0
Total non-operating expenses	622	324
Ordinary profit	1,453	2,442
Profit before distributions of profit or loss on silent partnerships and income taxes	1,453	2,442
Distributions of profit or loss on silent partnerships	-	0
Profit before income taxes	1,453	2,442
Income taxes-current	389	770
Income taxes-deferred	(132)	(65)
Total income taxes	257	705
Profit	1,196	1,736
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,196	1,736

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

(Millions of yen)

	First six months of FY12/20 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY12/21 (Jan. 1, 2021 – Jun. 30, 2021)
Profit	1,196	1,736
Other comprehensive income		
Valuation difference on available-for-sale securities	1	23
Foreign currency translation adjustment	160	196
Total other comprehensive income	162	220
Comprehensive income	1,359	1,957
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,359	1,957
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.

Changes in the Scope of Consolidation or Application of the Equity Method**Changes in the Scope of Consolidation**

In the second quarter of the current fiscal year, Tsunoda Corporation Limited was included in the scope of consolidation following the acquisition of all of its shares by the Company.

Segment and Other Information

Segment information

I. First six months of FY12/20 (Apr. 1, 2020 – Sep. 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	18,219	275	1	18,496	-	-	18,496
(2) Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	18,219	275	1	18,496	-	-	18,496
Segment profit (loss)	3,011	165	1	3,178	(0)	(1,541)	1,637

- 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 six months of FY12/21 (Jan. 1, 2021 – Jun. 30, 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	26,029	590	5	26,624	-	-	26,624
(2) Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	26,029	590	5	26,624	-	-	26,624
Segment profit (loss)	3,798	404	5	4,208	-	(1,709)	2,499

- 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

Significant change in goodwill

In the second quarter of FY12/21, Tsunoda Corporation Limited was included in the scope of consolidation as the Company acquired all of its issued shares. Accordingly, goodwill in the “Real Estate Investment Business” increased by 225 million yen.

Business Combinations

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. Based on this, on May 31, 2021, the Company acquired all of the shares of Tsunoda and made it a subsidiary.

(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 (stock acquisition date)

June 30, 2021 (assumed acquisition date)

d. Method 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 all of the issued shares of Tsunoda in exchange for a cash payment.

(2) Period of the acquired company’s performance included in the quarterly consolidated statement of income for the period under review

Because June 30, 2021 is assumed as the acquisition date of Tsunoda, this company’s results of operations are not included in the consolidated statement of income for the period under review

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

Payment for the acquisition: Cash	4,080 million yen
Acquisition of shares by subscription of capital increase through third-party allotment	60 million yen
Acquisition cost	4,140 million yen

(4) Details of acquisition-related costs and amount

Advisory fees, etc.: 11 million yen

(5) Goodwill resulting from the acquisition

a. Value of goodwill:

225 million yen

b. Source of goodwill

Since the net amount of assets was less than the acquisition cost when the Company and Tsunoda were combined.

c. Amortization method and amortization period

Goodwill is amortized over two years by the straight-line method.

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

Current assets:	10,901 million yen
Non-current assets:	1 million yen
Total assets:	10,902 million yen
Current liabilities:	902 million yen
Non-current liabilities:	6,084 million yen
Total liabilities:	6,987 million yen

Transaction under common control

Additional acquisition of interests in a subsidiary

On June 30, 2021, the Company has subscribed a capital increase by JINUSHI USA INC., a wholly owned subsidiary of the Company.

(1) Summary of transaction

a. Name and business activities of companies involving business combination

Company being merged: JINUSHI USA INC. (consolidated subsidiary of the Company)

Business activities: Real estate investment business

b. Date of business combination

June 30, 2021

c. Method of business combination

Cash payment to acquire stock

d. Company's name after business combination

There is no change in the company's name.

e. Other information concerning the business combination

There is no change in the shareholding ratio as a result of the transaction.

(2) Summary of accounting method

Accounting methods as a transaction under common control are based on "Accounting Standard for Business Combination" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." (ASBJ Statement No. 10, January 16, 2019).

(3) Additional purchase of shares of consolidated subsidiaries

Acquisition cost of acquired company and breakdown by type of consideration

Payment for the acquisition: Cash 553 million yen (US\$5 million)

Acquisition cost: 553 million yen

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.