



Results of Operations
for the First Half of the Fiscal Year Ending March 31, 2021

December 9, 2020



日本商業開発株式会社
Nippon Commercial Development Co., Ltd.

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

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

We would like to extend our deepest sympathies to those who have contracted COVID-19 and people around them, and everyone affected by the spread of the infection.

We have continued to operate during this crisis and associated changes in market conditions while placing priority on the health of our staff in order to enable customers to use our services with confidence.

All executives and staff
at Nippon Commercial Development Co., Ltd.

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1. 1H of FY3/21 Summary of Consolidated Financial Results

Economic activities were impacted by the spread of the COVID-19 infection, but sales and profits increased year on year. Net sales, operating profit and ordinary profit were ¥18,496 million, ¥1,637 million and ¥1,453 million, respectively.

The balance of real estate for sale at the end of 2Q was ¥44,966 million, an increase of ¥1,473 million from the end of FY3/20.

No tenants have vacated stores or asked for rent reductions during the COVID-19 crisis. Purchases of real estate have not been as planned, but there have been new sales of land to operating companies due to the increasing popularity of the JINUSHI Business.

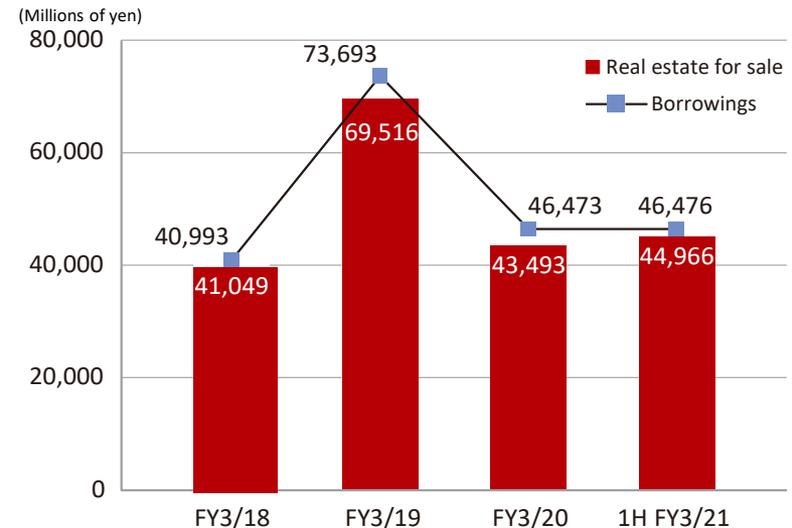
(Millions of yen, unless otherwise stated)

	1H FY3/20 (Previous fiscal year)	1H FY3/21 (Current fiscal year)	YoY Change
Net sales	16,039	18,496	+2,457
Operating profit	917	1,637	+720
Ordinary profit	559	1,453	+894
Profit attributable to owners of parent	496	1,196	+700
Total assets	102,931	73,967	(28,964)
of which cash and deposits	18,294	20,352	+2,058
Total liabilities	81,700	49,743	(31,957)
of which interest-bearing debt	78,517	46,585	(31,932)
Shareholders' equity	21,230	24,224	+2,994
Equity ratio (%)	20.6	32.7	+12.1
Net income per share (Yen)	27.42	65.45	+38.03

2. 1H of FY3/21 Explanation of Financial Position

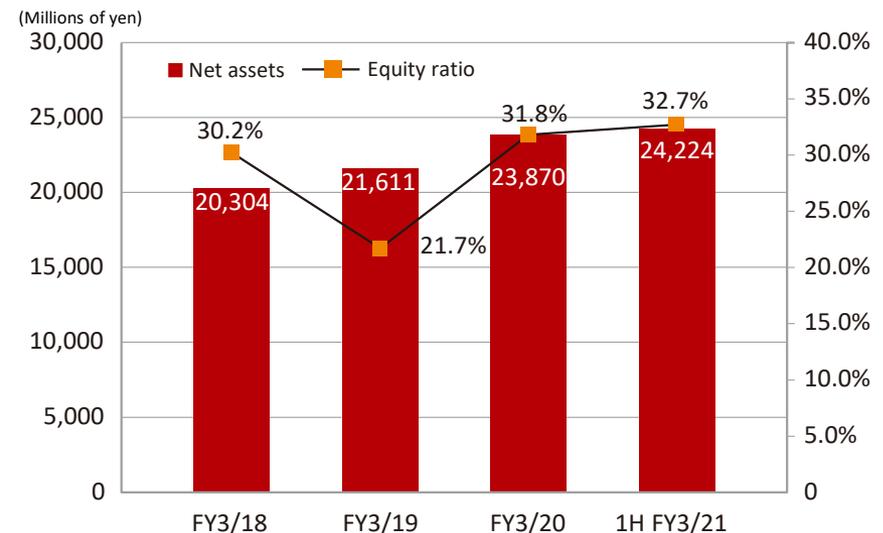
(1) Quick sales improved financial soundness

During the second quarter, several properties were sold due to the continuation of the policy of quickly selling real estate for sale and using the proceeds to reduce interest-bearing debt for greater financial soundness. Loan repayments totaled ¥7,539 million. Interest in the JINUSHI Business has been strongly increasing in the real estate market even during the COVID-19 crisis. As a result, properties sales were as planned. There was a big improvement in the equity ratio and other indicators of financial soundness. New loans totaled ¥5,971 million as planned in order to purchase real estate for sale, resulting in loans of ¥46,476 million at the end of the first half.



(2) Flexible and consistent procurement of funds

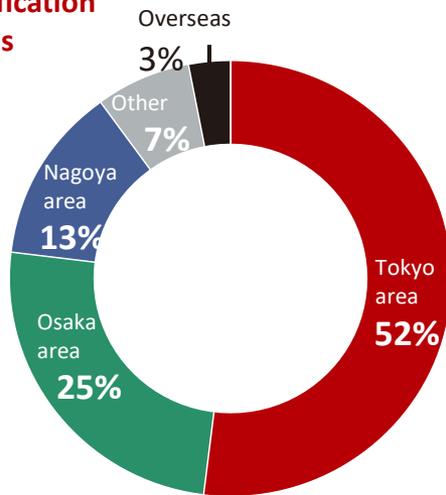
NCD uses long-term loans with no financial covenants or other restrictions. Furthermore, real estate for sales generates periodic and consistent leasing income, which results in cash flow and financial stability. There are committed credit lines of ¥5.5 billion in total with three financial institutions and credit line agreements of ¥21.8 billion in total with three financial institutions. This ensures the ability to obtain loans for acquiring properties with no demands for loan repayments even if there is an economic crisis like the global financial crisis that started in 2008.



3. Real Estate for Sale as of September 30, 2020—Diversification of Areas and Use

As of September 30, 2020, **about 80%** of the tenants of our “JINUSHI Business” **belong to the industry sectors (including the logistics sector) that handle daily necessities such as supermarkets, home improvement stores and drug stores**. Most of these tenants have been performing well by benefiting from demand associated with the need to stay home for safety during the COVID-19 crisis.

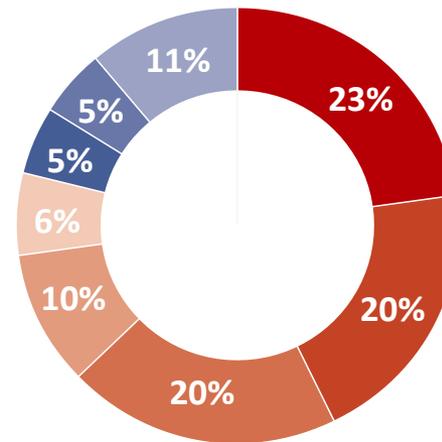
Diversification of Areas



■ Tokyo area ■ Osaka area ■ Nagoya area ■ Other ■ Overseas (U.S.)

Area	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
Other	Government-designed municipalities, core regional cities and nearby areas (excluding Tokyo area, Osaka area and Nagoya area)

Diversification of Use



■ Supermarkets ■ Home improvement stores ■ Drug stores
 ■ Large electronics stores ■ Distribution, Factories, Warehouses
 ■ Hotels ■ Automobile dealers ■ Other*

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

Note: Based on monetary value as of September 30, 2020 (including properties with preferential negotiation rights)

3. Current assets (Cash and Deposits) as of September 30, 2020

Current assets (Cash and Deposits)

Cash and deposits totaled ¥20.3 billion as of September 30, 2020.

We are placing priority on liquidity in order to purchase land as needed with flexibility. Due to this policy, cash and deposits were about ¥10 billion higher than on March 31, 2016.

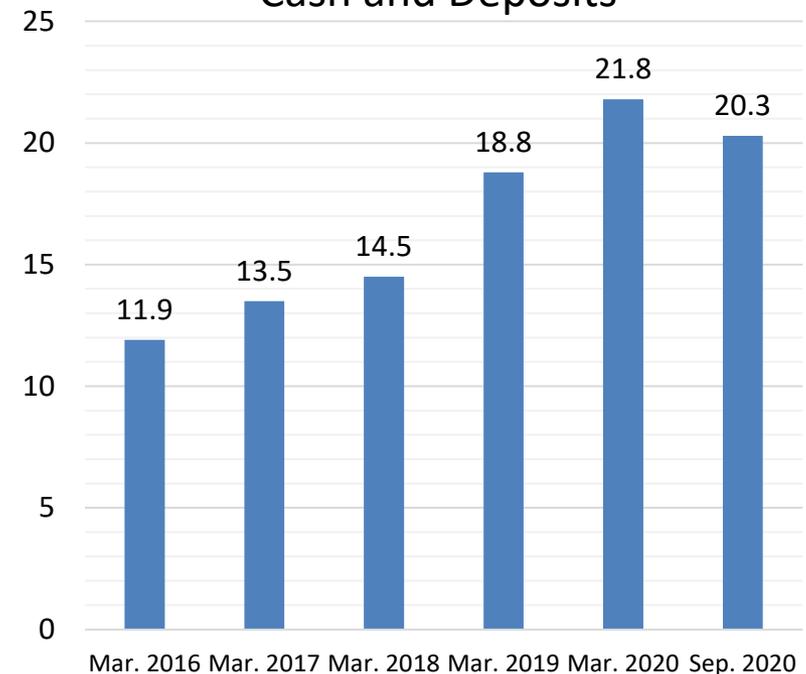
We will use this cash for purchasing land for the JINUSHI Business, which generates consistent income, and plan to become long-term owners of some of these properties.

(Millions of yen, unless otherwise stated)

	Mar. 31, 2020	Sep. 30, 2020
Total assets	75,054	73,967
of which cash and deposits	21,850	20,352
of which real estate for sale	43,493	44,966
Shareholders' equity	23,870	24,224
Equity ratio (%)	31.8	32.7

(Billions of yen)

Cash and Deposits



4. Partial Amendments to the Articles of Incorporation (1)

Change in fiscal year if approved by shareholders

- **Current fiscal period (21st): Ends December 2020**
April 1, 2020 to December 31, 2020 (Nine-month fiscal period)
- **Next fiscal period (22nd): Ends December 2021**
January 1, 2021 to December 31, 2021

(1) Planned change in the fiscal year

- At the extraordinary shareholders meeting on December 24, 2020, shareholders will be asked to approve the partial amendments to the Articles of Incorporation.
- The purpose of the amendments is to change the fiscal year to the calendar year ending on December 31.
- The 21st fiscal period will be a transitional period of nine months beginning on April 1 and ending on December 31.
- The fiscal periods of all consolidated subsidiaries will also be changed to the year ending on December 31.

(2) Reasons for the planned change in the fiscal year

- Most of NCD's real estate for sale is sold to JINUSHI Private REIT Investment Corporation ("JINUSHI REIT"). Most of these sales are in January, resulting in a large percentage of fiscal year sales and profits in the fourth quarter of fiscal years ending in March.
- Changing the fiscal year to the calendar year will result in earnings from sales to this REIT in the first quarter. This will make it easier to determine an outlook for the remaining three quarters of the year, which will allow allocating NCD's resources more efficiently.
- This change in the fiscal year will also make it possible to implement business strategies based on more suitable management decisions by monitoring business information properly and accurately.

4. Partial Amendments to the Articles of Incorporation (2)

Revision to the shareholder gift program

- Shareholders of record on September 30, 2020 will receive in December JF Gourmet Cards with a value determined by the number of shares held.
- If shareholders approve the amendments to the Articles of Incorporation, the record date and distribution time for this gift will change as follows.

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

5. Revisions of FY12/20 Consolidated Forecast and Dividend Forecast (1)

Revisions to the Consolidated Forecast

Consolidated forecast and dividend forecast were revised, assuming that shareholders approve the partial amendments to the Articles of Incorporation at the extraordinary shareholders meeting on December 24, 2020.

The previous forecasts announced on May 14, 2020 are for the 12-month fiscal year ending on March 31, 2021. The revised forecasts are for the nine-month transitional fiscal period ending on December 31, 2020.

	Net sales (Millions of yen)	Operating profit (Millions of yen)	Ordinary profit (Millions of yen)	Profit attributable to owners of parent (Millions of yen)	Net income per share (Yen)
Previous forecasts April 1, 2020 to March 31, 2021 (12-month period)	75,000	5,600	4,600	3,200	175.82
Revised forecasts April 1, 2020 to December 31, 2020 (9-month period)	29,800	2,280	1,900	1,450	79.30

* Figures above are based on information currently available to NCD at the date of announcement. Actual results may differ significantly from these forecasts for a number of factors.

5. Revisions of FY12/20 Consolidated Forecast and Dividend Forecast (2)

Revisions to the Dividend Forecast

Our basic policy is to pay a stable dividend for the distribution of earnings to shareholders while increasing retained earnings as needed for a sound base for long-term growth. The revised dividend forecast is based on the same payout ratio as for the previous forecast for a 12-month fiscal year.

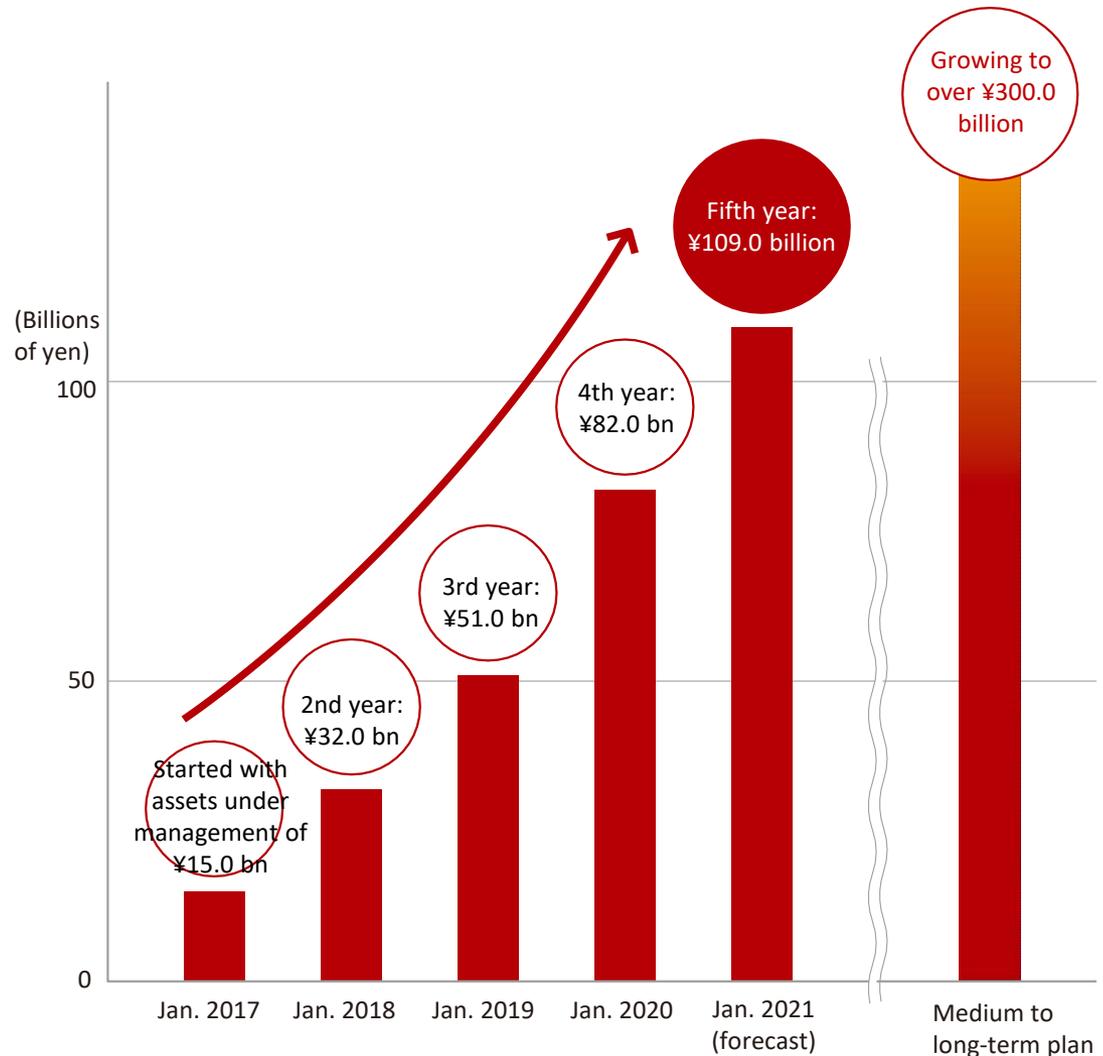
(Yen)

Record date	Dividend per share			(Reference)
	2Q-end	Year-end	Total	Dividend payout ratio
Previous forecasts (12-month fiscal period)	-	55.00	55.00	31.3%
Revised forecasts (9-month fiscal period)	-	25.00	25.00	31.5%
Reference: FY3/20 results	-	55.00	55.00	31.5%

6. Growth of JINUSHI REIT Assets

NCD has a sponsor support agreement with JINUSHI Asset Management Co., Ltd. and JINUSHI REIT. In accordance with this agreement, NCD has decided to sell 11 properties at an aggregate price of about ¥12,585 million to JINUSHI REIT in January 2021.

In January 2021, JINUSHI REIT will increase its capital for the fifth time, which will raise capital to about ¥109 billion. JINUSHI REIT therefore expects to surpass assets under management of ¥100 billion within five years of its establishment, which was this trust's initial goal. As the sponsor of JINUSHI REIT, NCD plans to continue providing support with the **medium to long-term goal of** raising assets under management to more than **¥300 billion**.



7. The Third Purchase of Property Overseas (U.S.)/Start of the Crowdfunding Business



Purchase of the Third Overseas Property

A company established by JINUSHI USA Inc. has purchased the land and buildings of Mission Plaza, a shopping mall in the city of Lompoc, California in September 2020. This is the third property that JINUSHI USA has purchased in the United States.

Lompoc is in an area of California with an economy supported by the military, agriculture and tourism. At Mission Plaza, which is currently unoccupied, the plan is to attract triple-net lease tenants in order to make this shopping mall an income-producing property that can be sold to a U.S. investor.

Location: Lompoc, California, U.S.

Area: 230,432 sf (6,452.09 tsubo)

*A triple-net lease is structured so that the tenants are responsible for paying taxes, insurance and maintenance fees.

Start of a crowdfunding business

JINUSHI Financial Advisors has used the platform of another company to launch the JINUSHI Business Fund, its first crowdfunding deal. Funds received from investors via the internet will be used by this fund to purchase land for the JINUSHI Business which will be leased to NCD. The fund succeeded in reaching its goal of procuring ¥70 million.



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ビジネス

● 日本商業開発株式会社
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