

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017

[Japanese GAAP]

Company name: Nippon Commercial Development Co., Ltd.

Listing: TSE/NSE, First Sections

Securities code: 3252

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

Representative: Tetsuya Matsuoka, President

Contact: Kenji Irie, Managing Director, General Manager of Finance and Accounting Division

Tel: +81-(0) 6-4706-7501

Scheduled date of Annual General Meeting of Shareholders: June 28, 2017

Scheduled date of filing of Annual Securities Report: June 29, 2017

Scheduled date of payment of dividend: June 29, 2017

Preparation of supplementary materials for financial results: Yes

Holding of 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 Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(1) Consolidated results of operations (Percentages shown for net sales and profits 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	%
Fiscal year ended Mar. 31, 2017	26,614	53.1	4,843	(18.7)	5,181	(7.9)	6,437	78.5
Fiscal year ended Mar. 31, 2016	17,378	6.9	5,955	67.9	5,626	88.3	3,605	93.5

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2017: 6,620 (up 187.2%)
Fiscal year ended Mar. 31, 2016: 3,536 (up 87.5%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2017	366.84	359.93	44.2	10.9	18.2
Fiscal year ended Mar. 31, 2016	209.09	203.09	36.0	17.9	34.3

Reference: Equity in earnings of associates (million yen) Fiscal year ended Mar. 31, 2017: 870 Fiscal year ended Mar. 31, 2016: 154

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2017	56,792	19,878	30.8	979.32
As of Mar. 31, 2016	38,690	11,700	30.1	665.31

Reference: Shareholders' equity (million yen) As of Mar. 31, 2017: 17,493 As of Mar. 31, 2016: 11,626

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2017	(2,908)	1,136	3,394	13,574
Fiscal year ended Mar. 31, 2016	(5,615)	(2,316)	9,584	11,968

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2016	-	0.00	-	45.00	45.00	786	21.5	7.7
Fiscal year ended Mar. 31, 2017	-	0.00	-	55.00	55.00	982	15.0	6.7
Fiscal year ending Mar. 31, 2018 (forecasts)	-	0.00	-	55.00	55.00		68.9	

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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
First half	-	-	-	-	-	-	-	-	-
Full year	31,100	16.9	2,600	(46.3)	2,000	(61.4)	1,400	(78.3)	79.78

Note: Nippon Commercial Development has decided not to announce forecasts for the first half of fiscal year ending March 31, 2018. For more details, please refer to "1. Overview of Results of Operations, (4) Outlook" on page 4 of the attachment.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): Yes

Newly added: 5 (New Real Property Corporation, Kumagai Australia Finance Pty. Ltd., Kumagai Australia Pty. Ltd., Kumagai International Limited, and KG Land New York Corporation)

Excluded: 1 (J Co., Ltd.)

(2) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

Note: Please refer to “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies” on page 13 of the attachments for further information.

(3) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Mar. 31, 2017: 17,862,800 shares As of Mar. 31, 2016: 17,475,800 shares

2) Number of treasury shares at the end of the period

As of Mar. 31, 2017: 141 shares As of Mar. 31, 2016: 141 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2017: 17,548,234 shares Fiscal year ended Mar. 31, 2016: 17,244,133 shares

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2017	23,894	327.8	4,220	-	3,753	-	7,154	-
Fiscal year ended Mar. 31, 2016	5,585	(56.1)	(62)	-	(427)	-	(342)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2017	407.70	400.02
Fiscal year ended Mar. 31, 2016	(19.84)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2017	43,865	13,871	31.6	775.19
As of Mar. 31, 2016	34,062	7,148	20.9	407.98

Reference: Shareholders' equity (million yen) As of Mar. 31, 2017: 13,846 As of Mar. 31, 2016: 7,129

The current financial report is not subject to the audit procedures.

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. Overview of Results of Operations, (4) Outlook” on page 4 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 Tuesday, June 6, 2017. Materials to be distributed at this event will be available on the Company's website immediately thereafter.

Contents of Attachments

1. Overview of Results of Operations	2
(1) Overview of Results of Operations for the Current Fiscal Year	2
(2) Overview of Financial Position for the Current Fiscal Year	3
(3) Overview of Cash Flows for the Current Fiscal Year	3
(4) Outlook	4
2. Basic Approach to the Selection of Accounting Standards	4
3. Consolidated Financial Statements and Notes	5
(1) Consolidated Balance Sheet	5
(2) Consolidated Statements of Income and Comprehensive Income	7
Consolidated Statement of Income	7
Consolidated Statement of Comprehensive Income	8
(3) Consolidated Statement of Changes in Equity	9
(4) Consolidated Statement of Cash Flows	11
(5) Notes to Consolidated Financial Statements	13
Going Concern Assumption	13
Changes in Accounting Policies	13
Segment and Other Information	13
Per Share Information	18
Subsequent Events	18
4. Non-consolidated Financial Statements	19
(1) Balance Sheet	19
(2) Statement of Income	21
(3) Statement of Changes in Equity	22

1. Overview of Results of Operations

(1) Overview of Results of Operations for the Current Fiscal Year

Japanese economy during the fiscal year ended March 31, 2017 continued the third-longest recovery since World War II. However, while many companies achieved record earnings, a limited wage increase as well as weak domestic and foreign demand made it difficult for many to feel the recovery. Looking at overseas economies, which are exposed to countless geopolitical risks such as political risks arising from the Trump administration's protectionist trade policy in the U.S. and the political confusion in Europe, corporate performance is nevertheless stable and capital expenditures are on a recovery trend. Overall, the world economy is showing signs of recovery with improved business confidence.

In the Japanese real estate and real estate finance industries, labor shortage is increasing within the Tokyo metropolitan area and prices of new condominiums remain high, creating a climate that discourages potential buyers. This leads to poor sales for new condominiums. While the land prices are expected to continue to rise modestly, this price hike is not expected to spread all over Japan like it did during the period of economic bubble.

Under these circumstances, the Nippon Commercial Development Group (hereinafter "the Group") sold eight properties (with aggregate selling price of 11,380 million yen) to Japan's first "JINUSHI Private REIT Investment Corporation (hereinafter "JINUSHI REIT")" specializing in land with leasehold interest to meet the demand from institutional investors in real estate management. In addition, as New Real Property Corporation (hereinafter "NRP"), which had been the Group's associate accounted for under the equity method, purchased its treasury shares, the Group now holds the majority of NRP's voting rights and added NRP together with its ten subsidiaries and one associate accounted for under the equity method to the Group's subsidiaries and associates. As a result, net sales for the current fiscal year increased 53.1% to 26,614 million yen, ordinary profit down 7.9% to 5,181 million yen and profit attributable to owners of parent up 78.5% to 6,437 million yen.

Results by business segment were as follows:

1) Real Estate Investment Business

The Real Estate Investment Business segment reported sales of 25,204 million yen (up 47.6% year on year) with segment profit of 6,521 million yen (down 10.0% year on year).

2) Subleasing, Leasing and Fund Fee Business

The Subleasing, Leasing and Fund Fee Business segment reported sales of 420 million yen (up 38.7% year on year) with segment profit of 175 million yen (up 146.3% year on year).

3) Planning and Brokerage Business

The Planning and Brokerage Business segment reported sales of 193 million yen (compared with 3 million yen for the same period of the previous fiscal year) with segment profit of 192 million yen (compared with 3 million yen for the same period of the previous fiscal year).

4) Other Businesses

The Other Businesses segment (*) reported sales of 851 million yen with segment profit of 753 million yen.

(*) As New Real Property Corporation (hereafter, "NRP"), which had been the Group's associate accounted for under the equity method, repurchased some of its own issued shares as treasury shares during the first quarter of the current fiscal year, the Group consequently held the majority of its voting rights and added NRP together with its ten subsidiaries and one associate accounted for under the equity method to our subsidiaries and associates.

Accordingly, we added the “Other Businesses” segment to the existing three reportable segments effective from the first quarter of the current fiscal year to have four reportable segments. In the other businesses segment, we are engaged in the overseas PFI business and entertainment business (golf course management).

(2) Overview of Financial Position for the Current Fiscal Year

Current assets

Current assets at the end of the current fiscal year increased 29.9% year on year to 46,022 million yen. This increase was attributable mainly to an increase of 1,732 million yen in cash and deposits as a result of selling properties to “JINUSHI REIT” and other investors, as well as an increase of 9,029 million yen in real estate for sale to reach a record high level as a result of making NRP a subsidiary and further accelerated purchase of properties.

Non-current assets

Non-current assets at the end of the current fiscal year increased 231.3% year on year to 10,770 million yen. This increase was mainly attributable to an increase of 500 million yen in investments in capital and also an increase of 7,083 million yen in shares of subsidiaries and associates, which were partially offset by a decrease of 216 million yen in investment securities mainly as a result of making NRP a subsidiary.

Current liabilities

Current liabilities at the end of the current fiscal year decreased 34.1% year on year to 4,068 million yen. This decrease was mainly attributable to a decrease in the sum of short-term loans payable and current portion of long-term loans payable by 1,810 million yen as a result of extending the borrowing period as part of our ongoing financing strategy.

Non-current liabilities

Non-current liabilities at the end of the current fiscal year increased 57.8% year on year to 32,845 million yen. This increase was attributable to an increase of 11,587 million yen in long-term loans payable due to purchase of properties at a record high level.

Net assets

Net assets at the end of the current fiscal year increased 69.9% year on year to 19,878 million yen, primarily due to booking of profit attributable to owners of parent of 6,437 million yen (up 78.5% year on year). As a result, the equity ratio was 30.8%.

(3) Overview of Cash Flows for the Current Fiscal Year

Cash and cash equivalents (hereinafter “net cash”) at the end of the current fiscal year increased 1,606 million yen from the end of the previous fiscal year to 13,574 million yen, mainly due to the record high inventory level of real estate for sale attained through accelerated purchase of high-quality properties, sales of eight properties (with aggregate selling price of 11,380 million yen) with reasonable margin to Japan’s first “JINUSHI REIT” specializing in land with leasehold interest to meet the demand from institutional investors in real estate management, and the fact that we continued to raise funds successfully and smoothly from financial institutions.

The main changes in cash flow from operating, investing, and financing activities are described as below.

Cash flows from operating activities

Net cash used in operating activities totaled 2,908 million yen, compared with net cash used of 5,615 million yen one year earlier. The main factors were reporting of gain on bargain purchase of 4,577 million yen and an increase of 6,100 million yen in real estate for sale, which were partially offset by reporting of loss on step acquisitions of

1,787 million yen and profit before income taxes of 7,968 million yen.

Cash flows from investing activities

Net cash provided by investing activities totaled 1,136 million yen, compared with 2,316 million yen used one year earlier. This increase was mainly due to proceeds of 1,894 million yen from purchase of shares of subsidiaries resulting in the change in scope of consolidation.

Cash flows from financing activities

Net cash provided by financing activities totaled 3,394 million yen, compared with 9,584 million yen provided one year earlier. The main factors were the proceeds of 22,158 million yen from long-term loans payable to finance the accelerated purchase of properties, which were partially offset by repayment of 18,435 million yen of long-term loans payable due to successful sale of real estate for sale.

(4) Outlook

In regards to outlook for the global economy, modest recovery trend is expected to continue in both the U.S and Europe, despite the downside risk that may arise depending on changes in policies and principles taken by the world leaders. The domestic economy is picking up in general, and modest recovery is also expected to continue.

Under such business environment, our Group's policy for the next fiscal year is to make the JINUSHI business the Group's private brand as we completed the establishment of Japan's first "JINUSHI REIT" specializing in land with leasehold interest and started its operation during the current fiscal year. We aim to evolve the JINUSHI business to the next stage and make it a driver to the Group's further development.

Our basic policy for dividends is to make distributions consistently while taking into consideration earnings in each fiscal year, future business development, and other factors. For the fiscal year that ended in March 31, 2017, if approved by shareholders at the 17th Annual General Meeting of Shareholders, we plan to pay a year-end dividend of 55 yen per share. For the fiscal year ending in March 31, 2018, we also plan to pay a year-end dividend of 55 yen.

We are not announcing an earnings forecast for the first half of the fiscal year ending March 31, 2018. The reason is that we have a number of deals under negotiations and that the forecast figures will vary significantly depending on the timing of the deal-close and the contract prices.

For more details on the earnings forecast for the fiscal year ending March 31, 2018, please refer to "Results of Operations for the Fiscal Year Ended March 31, 2017" (available on our website (*)), which is the supplementary materials for the Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017.

* <http://www.ncd-jp.com/> (IR Information, IR News) (Japanese version only)

2. Basic Approach to the Selection of Accounting Standards

The Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being to permit comparisons with the financial data of other companies in Japan.

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

	(Thousands of yen)	
	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Assets		
Current assets		
Cash and deposits	12,062,588	13,794,754
Operating accounts receivable	4,799	77,448
Real estate for sale	22,610,077	31,639,283
Advance payments-trade	377,573	235,000
Prepaid expenses	159,513	131,749
Deferred tax assets	193,072	82,371
Other	31,481	61,412
Total current assets	35,439,106	46,022,019
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	83,604	150,838
Tools, furniture and fixtures, net	21,032	25,838
Land	3,758	3,758
Leased assets, net	26,903	50,688
Total property, plant and equipment	135,297	231,123
Intangible assets		
Trademark right	880	705
Other	6,857	10,543
Total intangible assets	7,737	11,249
Investments and other assets		
Investment securities	2,669,789	2,453,456
Shares of subsidiaries and associates	-	7,083,153
Investments in capital of subsidiaries and associates	-	4,000
Investments in capital	5,161	505,161
Lease and guarantee deposits	248,087	291,418
Long-term prepaid expenses	116,360	89,385
Other	69,320	454,083
Allowance for doubtful accounts	(300)	(352,409)
Total investments and other assets	3,108,419	10,528,248
Total non-current assets	3,251,454	10,770,621
Total assets	38,690,561	56,792,641

	(Thousands of yen)	
	FY3/16	FY3/17
	(As of Mar. 31, 2016)	(As of Mar. 31, 2017)
Liabilities		
Current liabilities		
Operating accounts payable	49,446	121,511
Short-term loans payable	426,000	540,000
Current portion of long-term loans payable	2,539,653	614,992
Accounts payable-other	81,257	227,468
Accrued expenses	6,672	16,232
Lease obligations	13,575	11,587
Income taxes payable	2,043,747	1,112,481
Accrued consumption taxes	1,724	33,510
Deposits received	25,156	74,535
Unearned revenue	79,825	112,673
Current portion of guarantee deposits received	892,687	963,286
Provision for bonuses	-	11,516
Other	10,000	228,752
Total current liabilities	6,169,747	4,068,548
Non-current liabilities		
Long-term loans payable	20,470,581	32,057,893
Lease obligations	15,061	40,596
Deferred tax liabilities	155,945	496,058
Long-term lease and guarantee deposited	178,555	182,555
Net defined benefit liability	-	68,570
Total non-current liabilities	20,820,143	32,845,674
Total liabilities	26,989,890	36,914,223
Net assets		
Shareholders' equity		
Capital stock	2,619,000	2,794,183
Capital surplus	2,597,445	2,772,628
Retained earnings	6,481,610	12,132,529
Treasury shares	(79)	(79)
Total shareholders' equity	11,697,976	17,699,262
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(32,280)	(29,476)
Foreign currency translation adjustment	(39,038)	(176,446)
Total accumulated other comprehensive income	(71,319)	(205,923)
Subscription rights to shares	18,720	25,097
Non-controlling interests	55,293	2,359,982
Total net assets	11,700,670	19,878,418
Total liabilities and net assets	38,690,561	56,792,641

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

(Thousands of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net sales	17,378,474	26,614,078
Cost of sales	9,951,153	18,903,831
Gross profit	7,427,320	7,710,247
Selling, general and administrative expenses	1,471,778	2,866,760
Operating profit	5,955,542	4,843,487
Non-operating income		
Interest income	244	7,827
Dividend income	381	12,115
Interest on securities	6,599	5,877
Share of profit of entities accounted for using equity method	154,366	870,794
Gain on bad debts recovered	-	106,561
Other	622	150,711
Total non-operating income	162,214	1,153,888
Non-operating expenses		
Interest expenses	293,011	609,799
Financing expenses	183,487	178,944
Other	15,001	27,440
Total non-operating expenses	491,500	816,184
Ordinary profit	5,626,256	5,181,191
Extraordinary income		
Gain on bargain purchase	-	4,577,713
Total extraordinary income	-	4,577,713
Extraordinary losses		
Loss on retirement of non-current assets	5,369	3,119
Office transfer expenses	29,433	-
Loss on step acquisitions	-	1,787,271
Total extraordinary losses	34,803	1,790,390
Profit before income taxes	5,591,452	7,968,514
Income taxes-current	2,094,882	1,024,615
Income taxes-deferred	(105,927)	136,977
Total income taxes	1,988,954	1,161,592
Profit	3,602,497	6,806,921
Profit (loss) attributable to non-controlling interests	(3,149)	369,597
Profit attributable to owners of parent	3,605,646	6,437,323

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY3/16	FY3/17
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Profit	3,602,497	6,806,921
Other comprehensive income		
Valuation difference on available-for-sale securities	(10,217)	4,301
Share of other comprehensive income of entities accounted for using equity method	(55,946)	-
Foreign currency translation adjustment	-	(190,617)
Total other comprehensive income	(66,164)	(186,316)
Comprehensive income	3,536,333	6,620,605
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	3,539,482	6,302,719
Comprehensive income attributable to non-controlling interests	(3,149)	317,885

(3) Consolidated Statement of Changes in Equity

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,524,080	2,502,525	3,383,907	(79)	8,410,432
Changes of items during period					
Issuance of new shares	94,920	94,920			189,840
Dividends of surplus			(507,943)		(507,943)
Profit attributable to owners of parent			3,605,646		3,605,646
Net changes of items other than shareholders' equity					
Total changes of items during period	94,920	94,920	3,097,703	-	3,287,543
Balance at end of current period	2,619,000	2,597,445	6,481,610	(79)	11,697,976

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	(5,154)	-	(5,154)	18,900	86,442	8,510,620
Changes of items during period						
Issuance of new shares						189,840
Dividends of surplus						(507,943)
Profit attributable to owners of parent						3,605,646
Net changes of items other than shareholders' equity	(27,125)	(39,038)	(66,164)	(180)	(31,149)	(97,493)
Total changes of items during period	(27,125)	(39,038)	(66,164)	(180)	(31,149)	3,190,049
Balance at end of current period	(32,280)	(39,038)	(71,319)	18,720	55,293	11,700,670

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,619,000	2,597,445	6,481,610	(79)	11,697,976
Changes of items during period					
Issuance of new shares	175,183	175,183			350,367
Dividends of surplus			(786,404)		(786,404)
Profit attributable to owners of parent			6,437,323		6,437,323
Net changes of items other than shareholders' equity					
Total changes of items during period	175,183	175,183	5,650,918	-	6,001,285
Balance at end of current period	2,794,183	2,772,628	12,132,529	(79)	17,699,262

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	(32,280)	(39,038)	(71,319)	18,720	55,293	11,700,670
Changes of items during period						
Issuance of new shares						350,367
Dividends of surplus						(786,404)
Profit attributable to owners of parent						6,437,323
Net changes of items other than shareholders' equity	2,803	(137,408)	(134,604)	6,377	2,304,688	2,176,461
Total changes of items during period	2,803	(137,408)	(134,604)	6,377	2,304,688	8,177,747
Balance at end of current period	(29,476)	(176,446)	(205,923)	25,097	2,359,982	19,878,418

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from operating activities		
Profit before income taxes	5,591,452	7,968,514
Depreciation	15,999	122,279
Gain on bargain purchase	-	(4,577,713)
Loss (gain) on step acquisitions	-	1,787,271
Loss on retirement of non-current assets	5,369	3,119
Office transfer expenses	29,433	-
Increase (decrease) in allowance for doubtful accounts	(325)	(3,216)
Share of (profit) loss of entities accounted for using equity method	(154,366)	(545,096)
Gain on bad debts recovered	-	(106,561)
Interest income	(244)	(7,827)
Dividend income	(381)	(12,115)
Interest income on securities	(6,599)	(5,877)
Interest expenses	293,011	609,799
Non-deductible consumption taxes	104,376	154,656
Decrease (increase) in notes and accounts receivable-trade	(4,267)	21,983
Decrease (increase) in inventories	(9,969,280)	(6,100,801)
Increase (decrease) in notes and accounts payable-trade	16,873	24,317
Decrease (increase) in advance payments	(170,236)	142,573
Decrease (increase) in prepaid expenses	(72,082)	42,203
Increase (decrease) in accrued expenses	(1,938)	6,008
Increase (decrease) in accounts payable-other	(103,722)	145,735
Increase (decrease) in accrued consumption taxes	(14,580)	17,134
Increase (decrease) in deposits received	(3,206)	(8,451)
Increase (decrease) in unearned revenue	33,944	(5,995)
Increase (decrease) in lease and guarantee deposits received	363,399	(32,980)
Other, net	(153,115)	48,895
Subtotal	(4,200,485)	(312,144)
Interest and dividend income received	9,589	28,871
Interest expenses paid	(297,850)	(594,530)
Income taxes paid	(1,126,955)	(2,030,332)
Net cash provided by (used in) operating activities	(5,615,702)	(2,908,136)
Cash flows from investing activities		
Decrease (increase) in time deposits	(5,518)	(85,515)
Purchase of property, plant and equipment	(91,770)	(100,583)
Purchase of investment securities	(2,027,959)	-
Payments for investments in capital	-	(504,000)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(103,657)	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	1,894,986
Payments for lease and guarantee deposits	(77,359)	(22,693)
Other, net	(10,156)	(45,253)
Net cash provided by (used in) investing activities	(2,316,423)	1,136,940

	(Thousands of yen)	
	FY3/16	FY3/17
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from financing activities		
Proceeds from issuance of common shares	189,660	343,350
Net increase (decrease) in short-term loans payable	235,000	114,000
Proceeds from long-term loans payable	22,990,610	22,158,000
Repayments of long-term loans payable	(13,284,462)	(18,435,426)
Repayments of lease obligations	(10,901)	(12,274)
Cash dividends paid	(507,042)	(785,619)
Dividends paid to non-controlling interests	(28,000)	-
Other, net	-	12,782
Net cash provided by (used in) financing activities	9,584,863	3,394,811
Effect of exchange rate change on cash and cash equivalents	0	(16,964)
Net increase (decrease) in cash and cash equivalents	1,652,737	1,606,651
Cash and cash equivalents at beginning of period	10,315,304	11,968,041
Cash and cash equivalents at end of period	11,968,041	13,574,693

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

Following the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the current fiscal year, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

As a result, operating profit, ordinary profit and profit before income taxes for the current fiscal year equally increased by 4 million yen.

Segment and Other Information

Segment information

1. Overview of reportable segment

Segments used for financial reporting are the Group’s constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group is primarily engaged in the real estate business with four reportable segments: Real Estate Investment Business, Subleasing, Leasing and Fund Fee Business, Planning and Brokerage Business, and Other Businesses.

The Real Estate Investment Business segment includes activities involving real estate investments.

The Subleasing, Leasing and Fund Fee Business segment includes activities involving subleasing, leasing and fund fees.

The Planning and Brokerage Business segment includes activities involving planning and brokerage services.

The Other Businesses segment includes activities involving the overseas PFI business and entertainment business (golf course management).

2. Calculation methods for net sales, profits or losses, assets, liabilities, and other items for each reportable segment

The accounting methods used for reportable segments are generally the same as those adopted for preparation of the consolidated financial statements.

Profits for reportable segments are operating profit figures.

3. Information related to net sales, profits or losses, assets, liabilities and other items for each reportable segment

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Thousands of yen)

	Reportable segment				Adjustments (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Subtotal		
Net sales						
Sales to external customers	17,071,948	302,970	3,555	17,378,474	-	17,378,474
Inter-segment sales and transfers	-	-	-	-	-	-
Total	17,071,948	302,970	3,555	17,378,474	-	17,378,474
Segment profits	7,245,351	71,102	3,555	7,320,009	(1,364,467)	5,955,542
Segment assets	23,126,319	170,228	1,080	23,297,627	15,392,933	38,690,561
Other items						
Depreciation and amortization	-	-	-	-	15,999	15,999
Increase in property, plant and equipment and intangible assets	-	-	-	-	99,027	99,027

Notes: 1. The above adjustments are as follows.

To segment profits		(Thousands of yen)
Corporate expenses *		1,364,467
Total		1,364,467

* Corporate expenses mainly include selling, general and administrative expenses that cannot be attributed to reportable segments.

To segment assets		(Thousands of yen)
Corporate assets *		15,392,933
Total		15,392,933

* Corporate assets mainly include assets which belong to administration department of the Company.

To depreciation and amortization		(Thousands of yen)
Corporate expenses *		15,999
Total		15,999

* Corporate expenses mainly include expenses which belong to administration department of the Company that cannot be attributed to reportable segments.

2. Segment profit is adjusted to be consistent with operating profit shown on the consolidated financial statements.

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Reportable segment					Adjustments (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Other Businesses	Subtotal		
Net sales							
Sales to external customers	25,148,212	420,367	193,804	851,694	26,614,078	-	26,614,078
Inter-segment sales and transfers	56,000	-	-	-	56,000	(56,000)	-
Total	25,204,212	420,367	193,804	851,694	26,670,078	(56,000)	26,614,078
Segment profits	6,521,075	175,127	192,313	753,152	7,641,669	(2,798,181)	4,843,487
Segment assets	32,060,767	206,189	-	9,604,244	41,871,201	14,921,439	56,792,641
Other items							
Depreciation and amortization	69,721	2,758	-	14,729	87,208	35,070	122,279
Increase in property, plant and equipment and intangible assets	-	48,000	-	-	48,000	52,583	100,583

Notes: 1. The above adjustments are as follows.

(Thousands of yen)	
To segment profits	
Elimination of inter-segment transactions	(56,000)
Corporate expenses *	(2,742,181)
Total	(2,798,181)

* Corporate expenses mainly include selling, general and administrative expenses that cannot be attributed to reportable segments.

(Thousands of yen)	
To segment assets	
Corporate assets *	14,921,439
Total	14,921,439

* Corporate assets mainly include assets which belong to administration department of the Company.

(Thousands of yen)	
To depreciation and amortization	
Corporate expenses *	35,070
Total	35,070

* Corporate expenses mainly include expenses which belong to administration department of the Company that cannot be attributed to reportable segments.

2. Segment profit is adjusted to be consistent with operating profit shown on the consolidated financial statements.

4. Information related to assets for each reportable segment

(Significant change in assets due to acquisition of subsidiaries)

As NRP, which had been the Group's associate accounted for under the equity method, repurchased some of its own issued shares as treasury shares during the FY3/17, the Group consequently held the majority of its voting rights and added NRP, as well as its ten subsidiaries and two associates accounted for under the equity method, to our subsidiaries and associates.

Meanwhile, Wakasa Kanko Kaihatsu K.K., which had been one of our associates accounted for under the equity method in the FY3/17, has been excluded from the scope of application of the equity method effective from the FY3/17 because its materiality has been reduced.

As a result, the assets of the Real Estate Investment Business segment and the Other Businesses segment at the end of FY3/17 have increased by 4,153 million yen and 9,604 million yen, respectively, from the end of FY3/16.

5. Changes in reportable segments

As NRP, which had been the Group's associate accounted for under the equity method, repurchased some of its own issued shares as treasury shares, the Group consequently held the majority of its voting rights and added NRP, as well as its ten subsidiaries and two associates accounted for under the equity method, to our subsidiaries and associates.

Meanwhile, Wakasa Kanko Kaihatsu K.K., which had been one of our associates accounted for under the equity method in the FY3/17, has been excluded from the scope of application of the equity method effective from the FY3/17 because its materiality has been reduced.

Accordingly, we added the "Other Businesses" segment (*) to the existing three reportable segments effective from the FY3/17 to have four reportable segments.

(*) In the Other Businesses segment, we are engaged in the overseas PFI business and entertainment business (golf course management).

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

As already presented in Changes in Accounting Policies, the Company has applied the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (ASBJ Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the FY3/17, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. Consequently, the depreciation method for business segments have been revised as well.

While this change has no effect on the segment profit for the FY3/17 under review, corporate expenses that are not attributed to any reportable segments decreased by 4 million yen.

Related information

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

1. Information by product or service

This information is omitted because the same information is presented in "Segment information, 3. Information related to net sales, profits or losses, assets, liabilities and other items for each reportable segment."

2. Information by region

(1) Net sales

Not applicable because there are no sales outside Japan.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major client

(Thousands of yen)

Company name	Net sales	Business segment
MG Leasing Corporation	11,750,000	Real Estate Investment Business
IBJ Leasing Company, Limited	2,910,440	Real Estate Investment Business Subleasing, Leasing and Fund Fee Business
Kenedix Retail REIT Corporation	1,929,000	Real Estate Investment Business

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

1. Information by product or service

This information is omitted because the same information is presented in "Segment information, 3. Information related to net sales, profits or losses, assets, liabilities and other items for each reportable segment."

2. Information by region

(1) Net sales

This information is omitted because sales to external customers in Japan exceeded 90% of net sales presented in the consolidated statement of income.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major client

(Thousands of yen)

Company name	Net sales	Business segment
JINUSHI Private REIT Investment Corporation	11,473,144	Real Estate Investment Business Subleasing, Leasing and Fund Fee Business
IBJ Leasing Company, Limited	4,513,960	Real Estate Investment Business Subleasing, Leasing and Fund Fee Business

Information related to impairment losses on non-current assets for each reportable segment

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

Not applicable.

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

Not applicable.

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

Not applicable.

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

Not applicable.

Information related to gain on bargain purchase for each reportable segment

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

Not applicable.

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

As NRP, which had been the Group's associate accounted for by the equity method, repurchased some of its issued shares as treasury shares, the Group consequently held majority of its voting rights and added NRP and its subsidiaries to the scope of consolidation. As a result, we posted gain on bargain purchase of 4,577 million yen.

We recognize this gain on bargain purchase as corporate-level profit because it is not attributable to a specific reportable segment.

Per Share Information

(Yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net assets per share	665.31	979.32
Net income per share	209.09	366.84
Diluted net income per share	203.09	359.93

Note: Basis for the calculation of net income per share and diluted net income per share are as follows.

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net income per share		
Profit attributable to owners of parent (Thousands of yen)	3,605,646	6,437,323
Profit not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent applicable to common shares (Thousands of yen)	3,605,646	6,437,323
Average number of common shares outstanding during the period (Shares)	17,244,133	17,548,234
Diluted net income per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in the number of common shares (Shares)	510,024	336,517
[Of which, subscription rights to shares]	[510,024]	[336,517]
Summary of potentially dilutive shares not included in the calculation of diluted net income per share due to their anti-dilutive effect	-	-

Subsequent Events

Not applicable.

4. Non-consolidated Financial Statements

(1) Balance Sheet

	(Thousands of yen)	
	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Assets		
Current assets		
Cash and deposits	7,911,404	10,893,411
Operating accounts receivable	4,799	17,381
Real estate for sale	22,239,248	27,579,354
Advance payments-trade	377,573	235,000
Prepaid expenses	158,894	103,767
Deferred tax assets	189,502	81,032
Short-term loans receivable from subsidiaries and associates	1,739,000	-
Other	220,878	15,609
Total current assets	32,841,301	38,925,557
Non-current assets		
Property, plant and equipment		
Buildings	83,604	105,597
Structures	-	45,241
Tools, furniture and fixtures	21,032	25,838
Land	3,758	3,758
Leased assets	26,903	50,688
Total property, plant and equipment	135,297	231,123
Intangible assets		
Trademark right	880	705
Software	6,857	5,405
Other	0	0
Total intangible assets	7,737	6,111
Investments and other assets		
Investment securities	318,863	313,448
Shares of subsidiaries and associates	124,000	404,000
Investments in capital	5,161	505,161
Investments in capital of subsidiaries and associates	219,429	223,459
Long-term loans receivable from subsidiaries and associates	-	2,884,055
Lease and guarantee deposits	228,087	229,789
Long-term prepaid expenses	113,265	84,985
Deferred tax assets	6,861	7,212
Other	62,459	50,453
Allowance for doubtful accounts	(300)	(300)
Total investments and other assets	1,077,827	4,702,265
Total non-current assets	1,220,862	4,939,500
Total assets	34,062,164	43,865,058

	(Thousands of yen)	
	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Liabilities		
Current liabilities		
Operating accounts payable	49,446	66,175
Short-term loans payable	426,000	540,000
Short-term loans payable to subsidiaries and associates	2,500,000	-
Current portion of long-term loans payable	2,539,653	614,992
Lease obligations	13,575	11,587
Accounts payable-other	81,122	227,464
Accrued expenses	20,542	13,732
Income taxes payable	14,170	1,017,537
Accrued consumption taxes	1,724	18,237
Deposits received	25,134	25,523
Unearned revenue	78,725	73,291
Current portion of guarantee deposits received	879,487	862,306
Other	10,000	-
Total current liabilities	6,639,583	3,470,848
Non-current liabilities		
Long-term loans payable	20,080,581	26,299,066
Long-term lease and guarantee deposited	178,555	182,555
Lease obligations	15,061	40,596
Total non-current liabilities	20,274,198	26,522,218
Total liabilities	26,913,781	29,993,066
Net assets		
Shareholders' equity		
Capital stock	2,619,000	2,794,183
Capital surplus		
Legal capital surplus	2,597,445	2,772,628
Total capital surpluses	2,597,445	2,772,628
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,928,669	8,296,597
Total retained earnings	1,928,669	8,296,597
Treasury shares	(79)	(79)
Total shareholders' equity	7,145,035	13,863,329
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(15,372)	(16,435)
Total valuation and translation adjustments	(15,372)	(16,435)
Subscription rights to shares	18,720	25,097
Total net assets	7,148,383	13,871,991
Total liabilities and net assets	34,062,164	43,865,058

(2) Statement of Income

	(Thousands of yen)	
	FY3/16	FY3/17
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Net sales	5,585,580	23,894,094
Cost of sales	4,250,165	17,807,499
Gross profit	1,335,414	6,086,595
Selling, general and administrative expenses	1,398,349	1,865,678
Operating profit (loss)	(62,935)	4,220,917
Non-operating income		
Interest income	11,270	33,938
Dividend income	52,381	2,585
Interest on securities	6,599	5,877
Commission fee	2,400	2,700
Other	598	252
Total non-operating income	73,249	45,354
Non-operating expenses		
Interest expenses	274,068	330,109
Financing expenses	162,660	175,230
Other	904	7,896
Total non-operating expenses	437,632	513,237
Ordinary profit (loss)	(427,318)	3,753,035
Extraordinary income		
Gain on extinguishment of tie-in shares	-	4,453,058
Total extraordinary income	-	4,453,058
Extraordinary losses		
Loss on retirement of non-current assets	5,369	3,119
Office transfer expenses	29,433	-
Total extraordinary losses	34,803	3,119
Profit (loss) before income taxes	(462,121)	8,202,974
Income taxes-current	5,821	940,172
Income taxes-deferred	(125,819)	108,469
Total income taxes	(119,998)	1,048,642
Profit (loss)	(342,123)	7,154,331

(3) Statement of Changes in Equity

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	2,524,080	2,502,525	2,502,525	2,778,736	2,778,736	(79)	7,805,262
Changes of items during period							
Issuance of new shares	94,920	94,920	94,920				189,840
Dividends of surplus				(507,943)	(507,943)		(507,943)
Profit (loss)				(342,123)	(342,123)		(342,123)
Net changes of items other than shareholders' equity							
Total changes of items during period	94,920	94,920	94,920	(850,066)	(850,066)	-	(660,226)
Balance at end of current period	2,619,000	2,597,445	2,597,445	1,928,669	1,928,669	(79)	7,145,035

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(5,154)	(5,154)	18,900	7,819,007
Changes of items during period				
Issuance of new shares				189,840
Dividends of surplus				(507,943)
Profit (loss)				(342,123)
Net changes of items other than shareholders' equity	(10,217)	(10,217)	(180)	(10,397)
Total changes of items during period	(10,217)	(10,217)	(180)	(670,624)
Balance at end of current period	(15,372)	(15,372)	18,720	7,148,383

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Balance at beginning of current period	2,619,000	2,597,445	2,597,445	1,928,669	1,928,669	(79)	7,145,035
Changes of items during period							
Issuance of new shares	175,183	175,183	175,183				350,367
Dividends of surplus				(786,404)	(786,404)		(786,404)
Profit (loss)				7,154,331	7,154,331		7,154,331
Net changes of items other than shareholders' equity							
Total changes of items during period	175,183	175,183	175,183	6,367,927	6,367,927	-	6,718,294
Balance at end of current period	2,794,183	2,772,628	2,772,628	8,296,597	8,296,597	(79)	13,863,329

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(15,372)	(15,372)	18,720	7,148,383
Changes of items during period				
Issuance of new shares				350,367
Dividends of surplus				(786,404)
Profit (loss)				7,154,331
Net changes of items other than shareholders' equity	(1,063)	(1,063)	6,377	5,313
Total changes of items during period	(1,063)	(1,063)	6,377	6,723,608
Balance at end of current period	(16,435)	(16,435)	25,097	13,871,991

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.