



JINUSHI
リート



JINUSHI
ビジネス

Results of Operations

for the First Half of the Fiscal Year Ending March 31, 2017

December 6, 2016

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

 **Nippon Commercial Development Co., Ltd.**

1. 1H of FY3/17 Financial Highlights
2. Business Model
3. JINUSHI REIT
4. Why Have No Competitors Appeared?
5. New Real Property Corporation
6. FY3/17 Earnings Forecast

1

1H of FY3/17
Financial Highlights

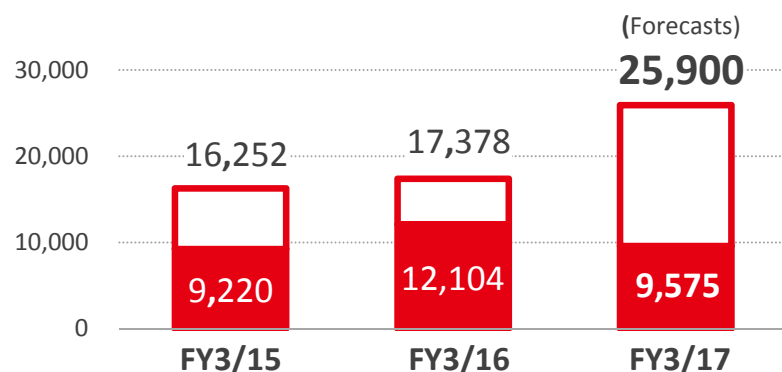
Highlights

- Sales and earnings were down due to the sale of a very large property in the first half of FY3/16.
- No FY3/17 forecast revision due to the outlook for property sales associated with the establishment of JINUSHI REIT funds. Forecast fifth consecutive year of sales and earnings growth to ¥25.9 billion and ¥4.4 billion, respectively.

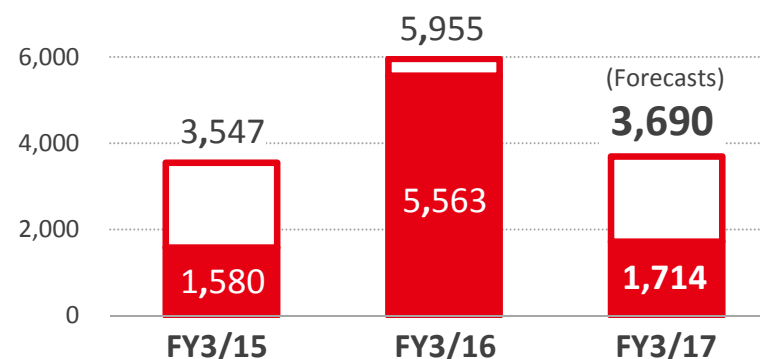
(Millions of yen)

■ 1H □ 2H

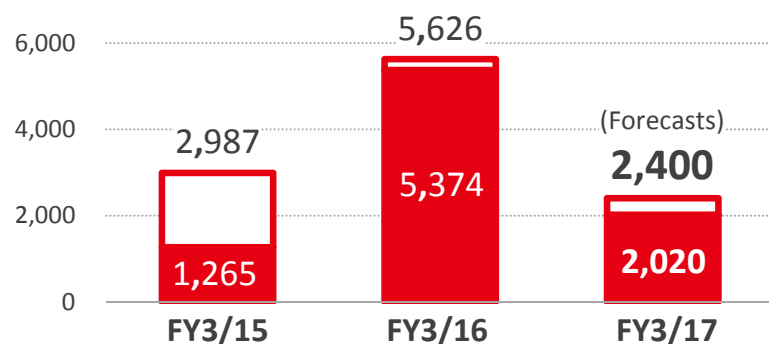
Net sales



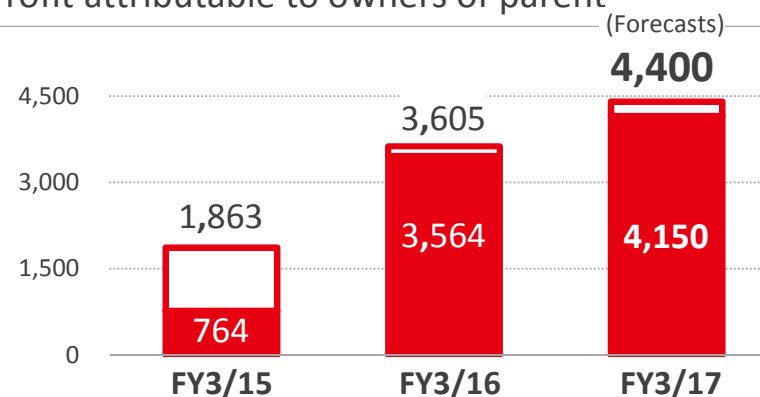
Operating income



Ordinary income



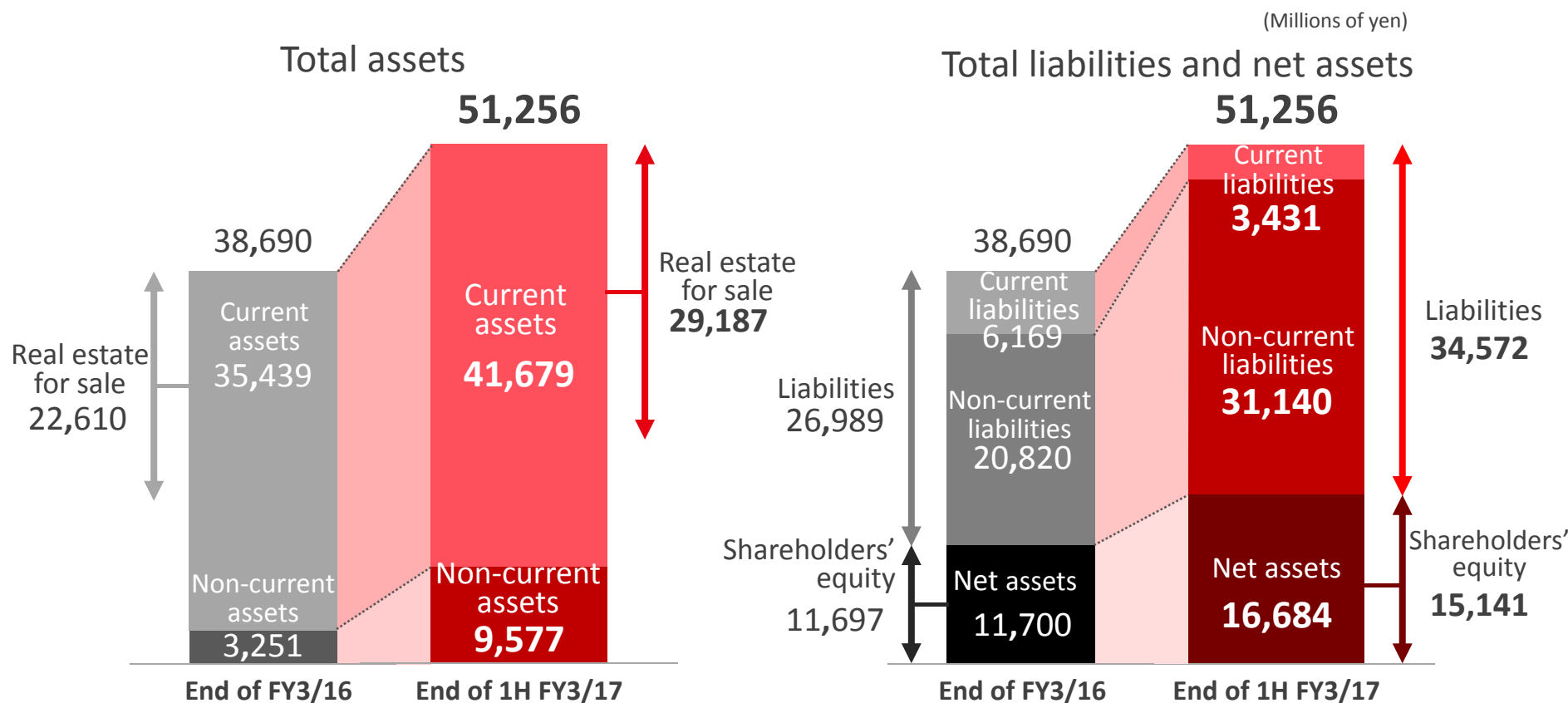
Profit attributable to owners of parent



Assets, Liabilities and Net Assets

Highlights

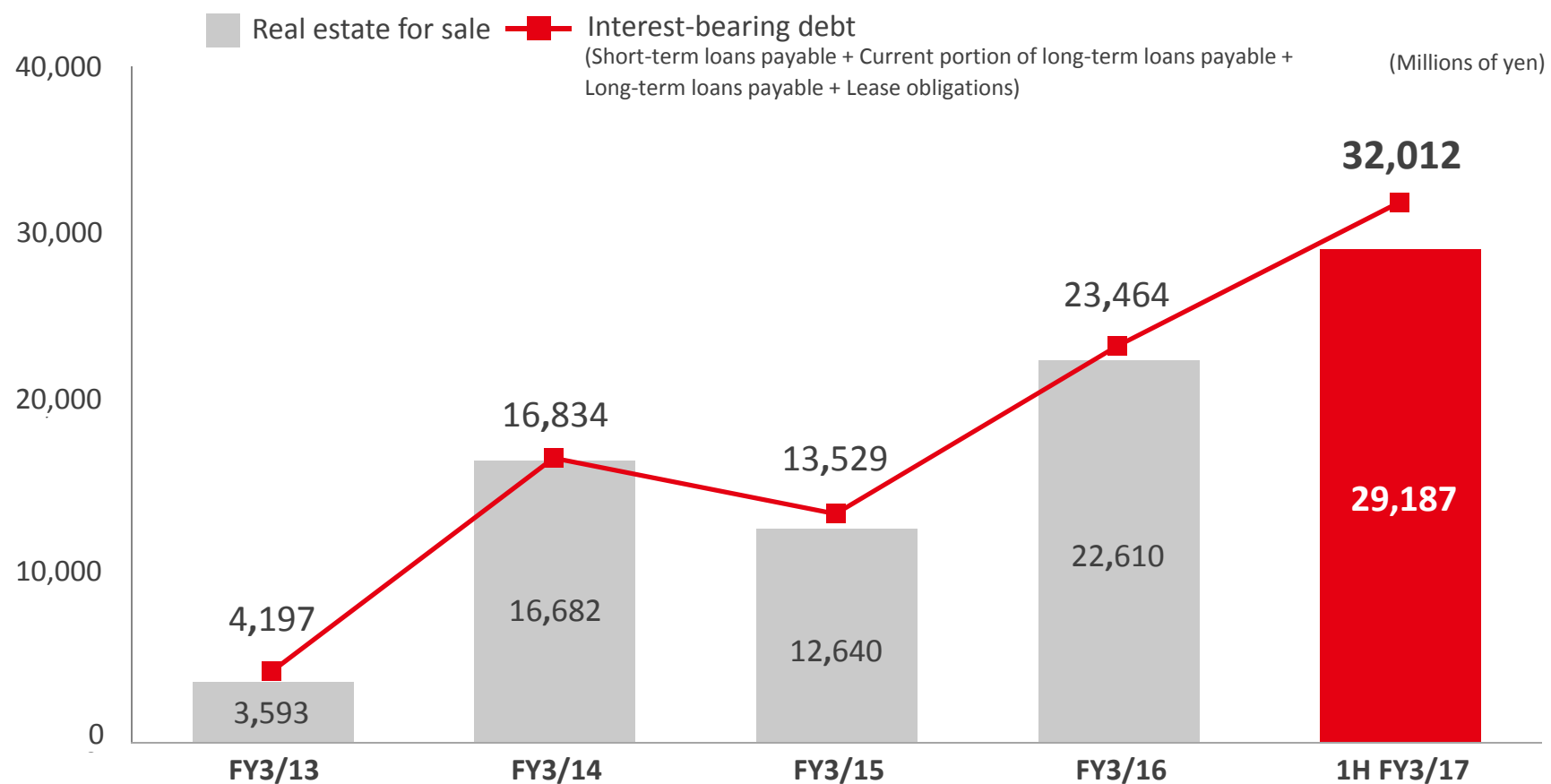
- Real estate for sale was ¥6.5 billion higher than FY3/16-end.
- Increase in shares of subsidiaries and associates of ¥6.4 billion was due to the acquisition of stock of an overseas equity method affiliate that has become a subsidiary.
- Assets increased ¥12.5 billion mainly as a result of these two items.



Real Estate for Sale and Interest-bearing Debt

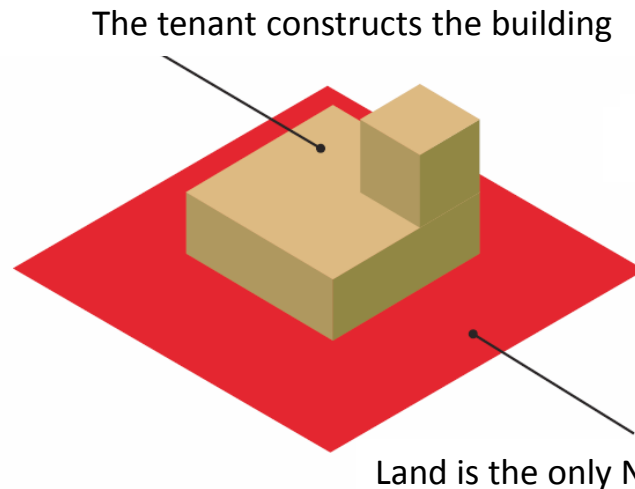
Highlights

- Real estate for sale rose to an all-time high of approx ¥36 billion, including purchase agreements that have not yet closed.
- Anticipate growth in new properties in real estate for sale mainly because of new development projects and sale/lease-back projects.



2

Business Model



Buy land. Lease land. Sell leased land.

||



Land is the only Nippon Commercial Development (NCD) investment

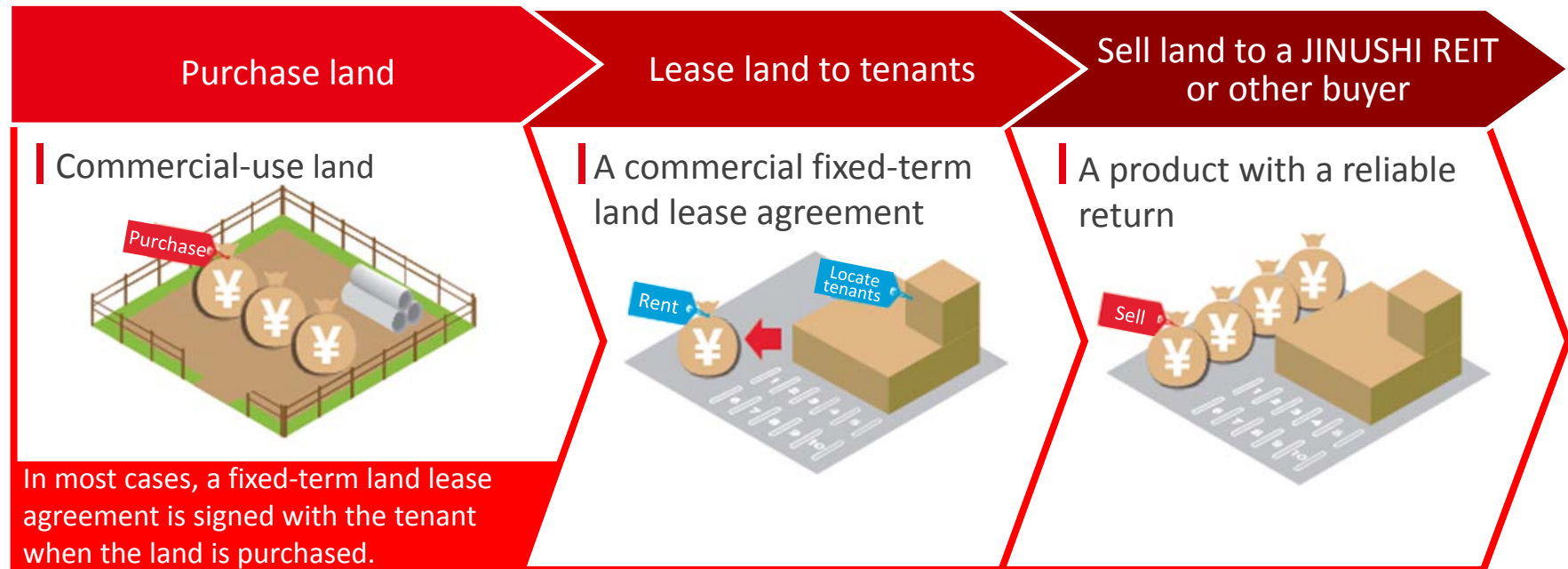
We call this **the JINUSHI Business** because our role is solely as the landowner.

We buy and lease land and sell leased land, **but do not construct buildings.**

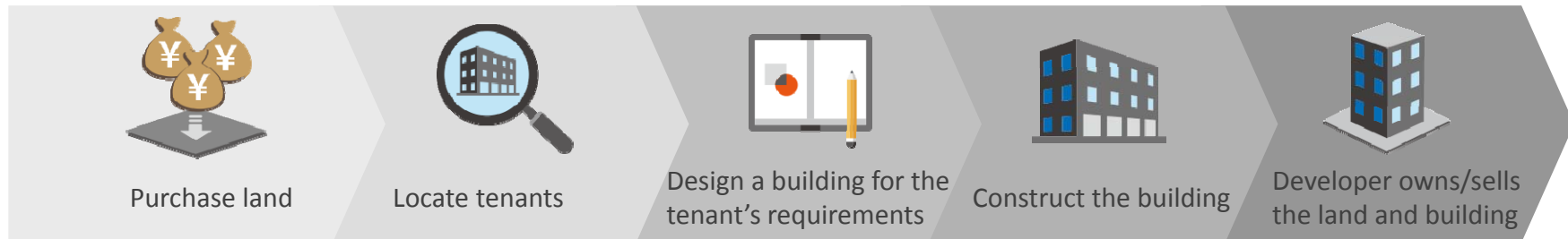
We buy land and then **lease the property to a tenant** using a commercial fixed-term land lease. The tenant may be a grocery store or any other business. **This**

business model enables us to sell safe real estate investment products with leasing income.

JINUSHI Business Flowchart



Conventional commercial real estate development project



Key Elements of the JINUSHI Business

Locations

- All properties are in Japan
- Properties are concentrated in the three major metro areas of Tokyo, Osaka and Nagoya or in or near major local cities with a population of at least 200,000.

Prime sites

Land is purchased in locations that can easily attract a new tenant if the original tenant withdraws.

Easy conversion

Land is in locations that can easily be switched to residential buildings.



Strict internal investment standards

Examples of JINUSHI Business Tenants



Supermarket
(LIFE CORPORATION)



Supermarket
(MANDAI Co.,Ltd)



Hotel
(TAKE AND GIVE NEEDS Co., Ltd.)

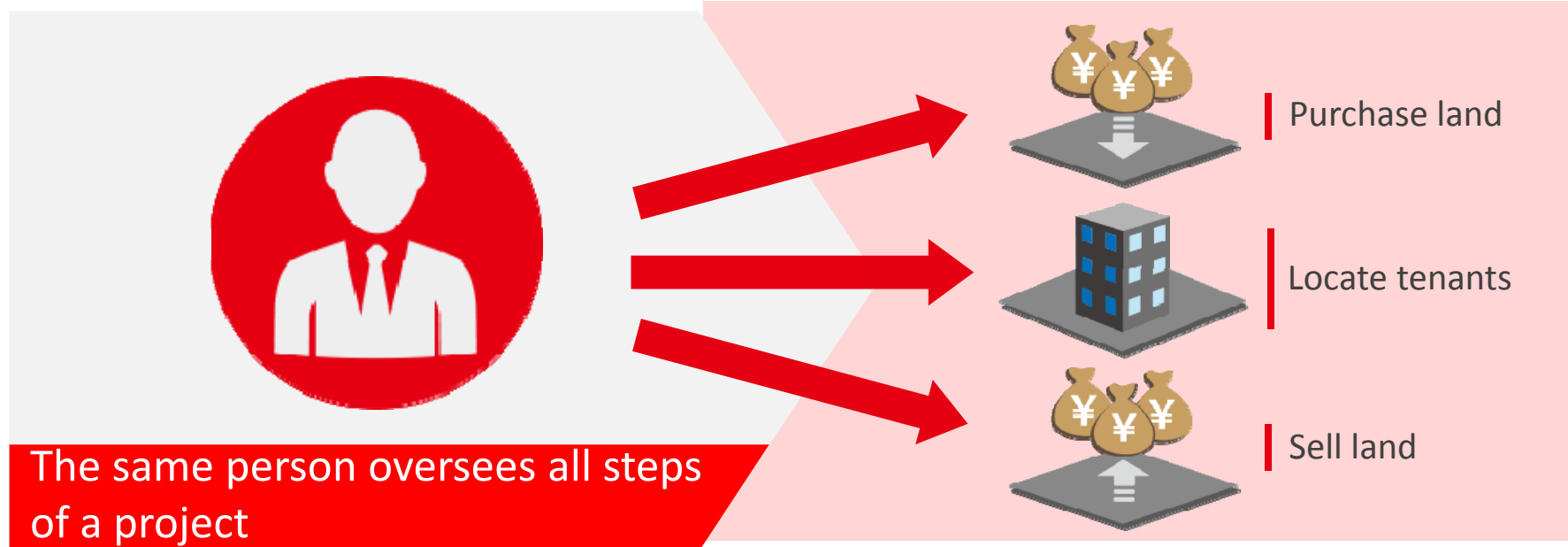


Wedding facility
(CRYSTAL INTERNATIONAL CORPORATION)

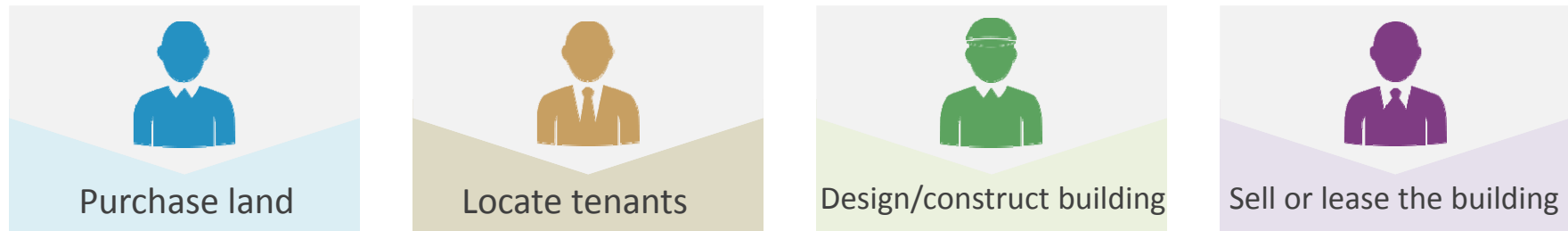
We only purchase land in outstanding locations that can satisfy our strict standards for new investments.

Key Elements of the JINUSHI Business

JINUSHI Business Flowchart



At conventional commercial development projects, a different person is responsible for each step.

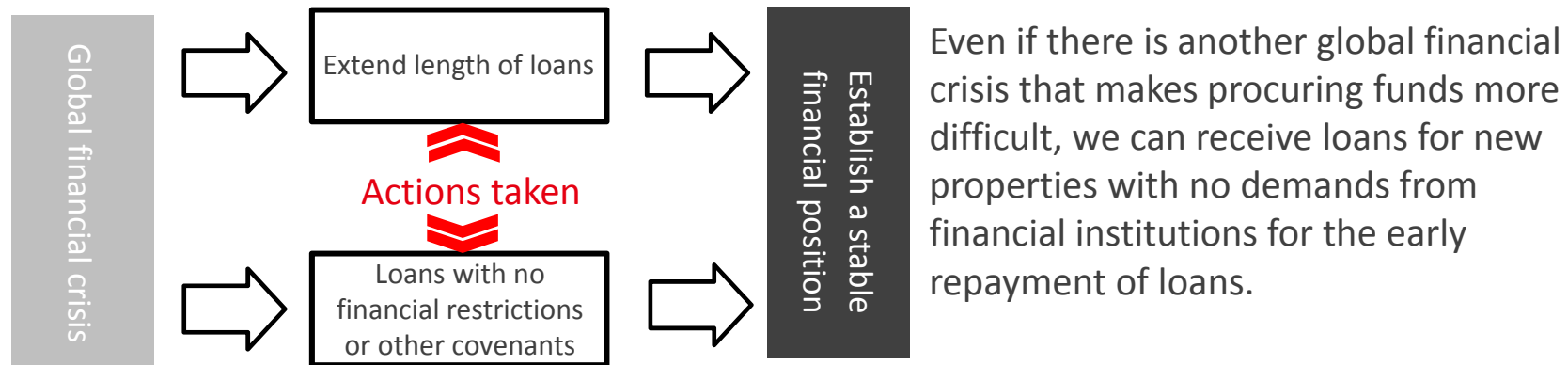


Financial Strategy

(More loans, switch to more favorable borrowing terms, etc.)

11

Building an even sounder financial position



Financial strategy for total loans of up to about ¥80 billion

- (1) Establish large credit lines by using commitment lines and other measures backed by a large number of banks.
- (2) Obtain all loans with no financial covenants.
- (3) Minimize refinancing risk by obtaining ultra-long-term loans.

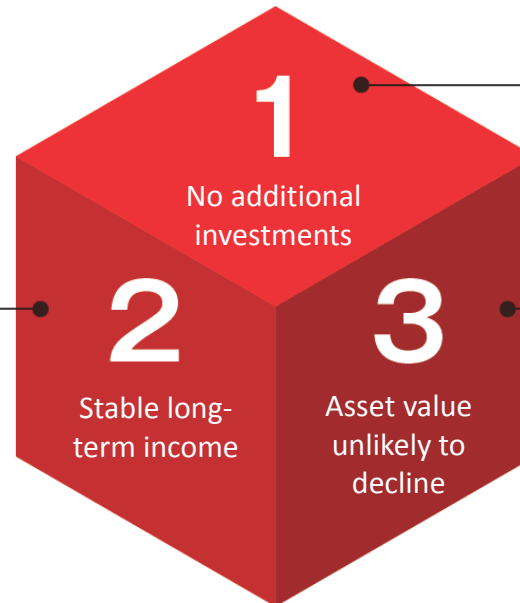
*Other actions to strengthen ties with these institutions include the signing of new loan agreements with financial institutions and an increase in credit lines.

Three Strengths of a JINUSHI Fund for Investors



JINUSHI
Business

Tenants invest in buildings through fixed-term land lease agreements, so **the risk of tenants leaving is small, and land can be expected to generate stable, long-term income.**



Tenants construct and own buildings, so there are **no additional investments for maintenance, repairs, renovations and other activities.**

No building ownership, so no exposure to aging structures and equipment. When the fixed-term land lease ends, the site is returned to its original state, which means the maximum asset value is returned to the owner.

3

JINUSHI REIT

Why JINUSHI Business x Private REIT?

Real estate needs of institutional investors



**JINUSHI
Business**

× Private REIT

Reliable source of long-term income

- Rising expectations for financial products able to generate a return higher than government bonds amid today's low interest rates.



- Reliable long-term income stream due to a commercial fixed-term land lease agreement.
- No additional investments for maintenance, repairs, renovations and other activities.
- The tenant makes the substantial expenditures for constructing a building, so there is very little risk of losing a tenant.
- A JINUSHI Fund invests only in the land, so there are only minimal risks involving fires and other disasters and the building's construction (compliance with laws and regulations).

No big swings in value of the original investment

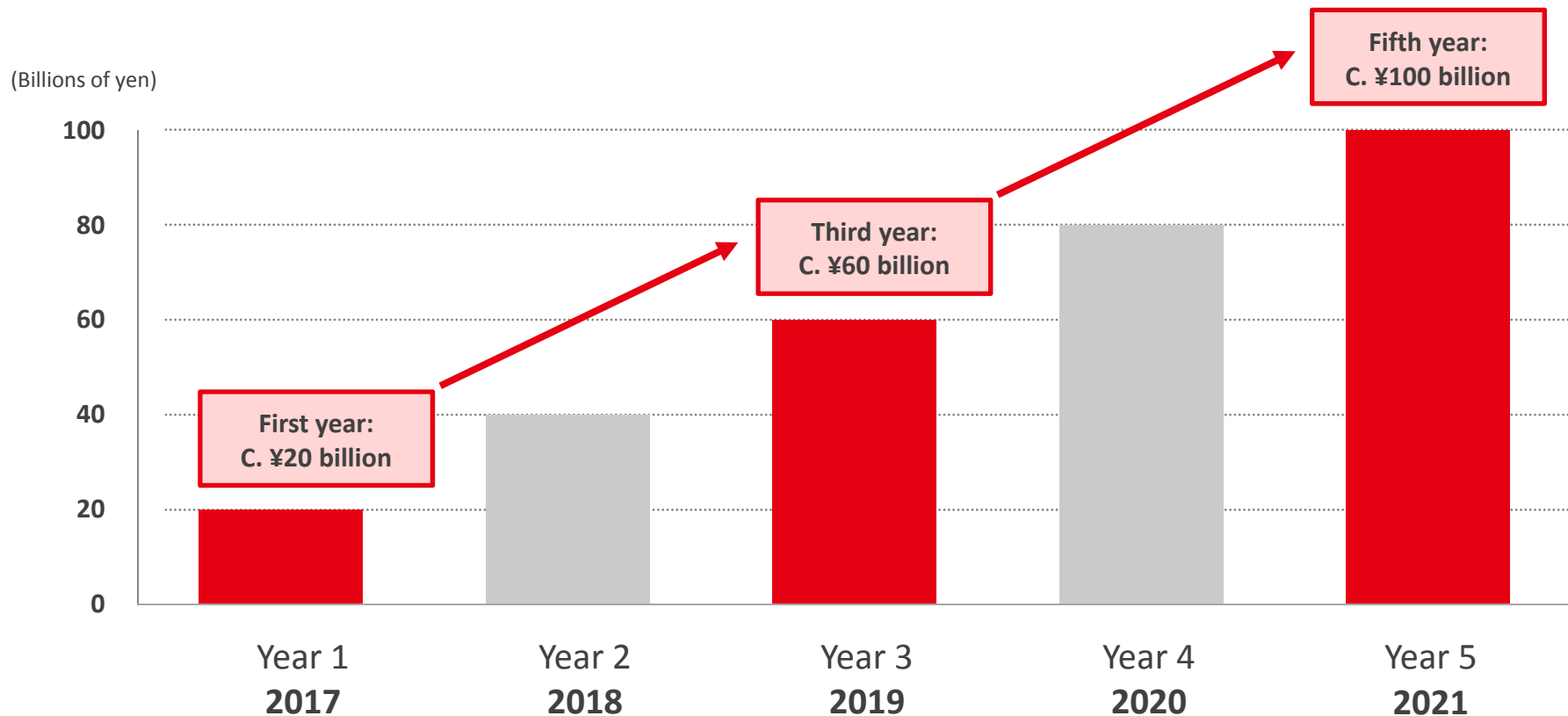
- Prices of many types of investments fell sharply during the global financial crisis and many institutional investors had to sell at losses and write down holdings. This is why investors like using a JINUSHI Fund to greatly reduce exposure to price volatility risk.



- Investment is only land, which does not age like a building and income is based on lease payments that do not fluctuate. The result is only negligible changes in the appraised value.
- When the fixed-term land lease ends, the site is returned to its original state, which means high liquidity is ensured. (There may be a capital gain, too.)
- Using a private REIT shields investments from capital market movements and allows valuing funds based on the value of real estate holdings.

The JINUSHI REIT Growth Strategy

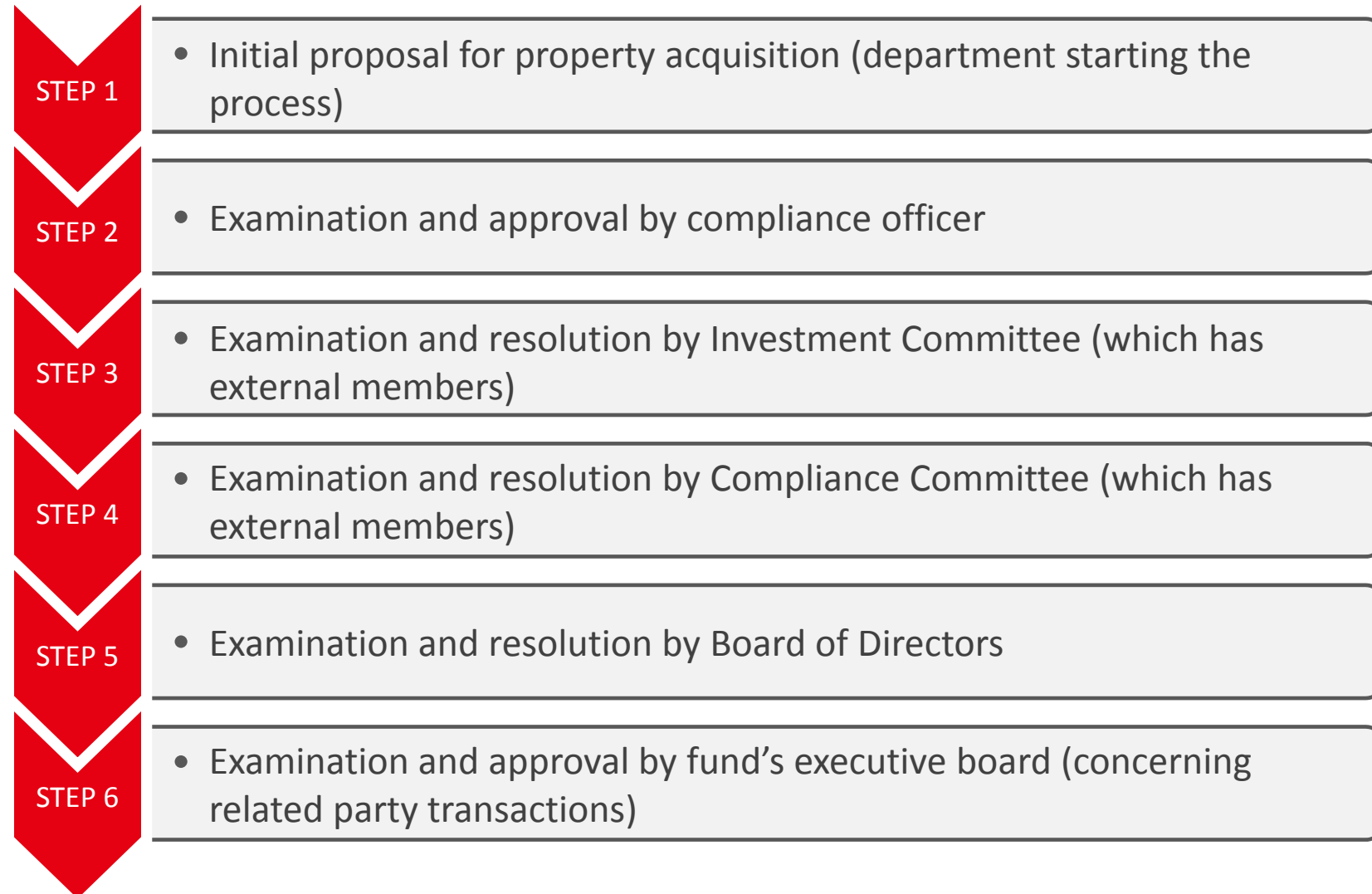
Assets of approx ¥20 billion in the first year
Goal is assets of approx ¥100 billion in the fifth year



Note: This pattern for asset growth is a current outlook based on certain assumptions and a specific length of time. This is not a guarantee concerning asset growth. Actual asset growth may differ from this example due to changes in the real estate market and a variety of other reasons.

Prevention of Conflicts of Interest between NCD and JINUSHI REIT

A highly transparent decision-making process for the asset manager



4

Why Have No Competitors
Appeared?

Why Have No Competitors Appeared?

Reason 1

Conventional real estate development projects usually construct buildings with many special facilities and features.

Reason 2

Very few real estate developers specialize in leased land. NCD is the pioneer in this category of real estate development.

Reason 3

NCD has strict standards for the acquisition of land and a single person oversees all steps of the purchasing and development process.

Reason 4

NCD has participated in many private funds, J-REITs and other investment schemes. The JINUSHI REIT structure facilitates property sales with greater stability and reliability.

For these reasons, NCD can retain its superiority even if competitors appear, continuing to make the JINUSHI Business even more competitive.

5

New Real Property Corporation (NRP)

NRP consists of three businesses: Real estate business, Overseas PFI business, and Entertainment business.

Real estate business

Japan

- Sale of housing sites, etc.
- Operation of leased properties, other activities

Overseas

- Operation of leased properties

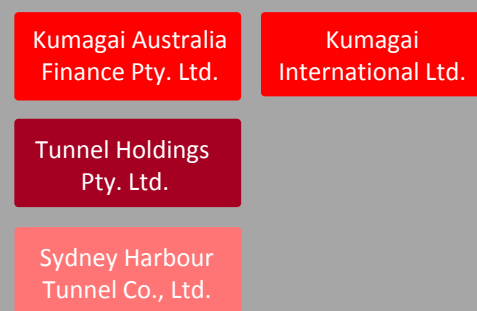
Affiliated companies



Overseas PFI business

- Ownership and operation of Sydney Harbour Tunnel
 - Operation of Hong Kong Eastern Harbour Crossing
- * In a private finance initiative, a private-sector company's funds and management and technical expertise are used to construct, own, maintain and operate a public-service infrastructure facility.

Affiliated companies



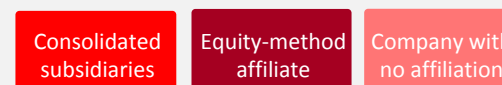
Entertainment business

- Operation of the Yamashiro Golf Club in Ishikawa prefecture

Affiliated companies



Legend



6

FY3/17 Earnings Forecast

Consolidated Forecasts

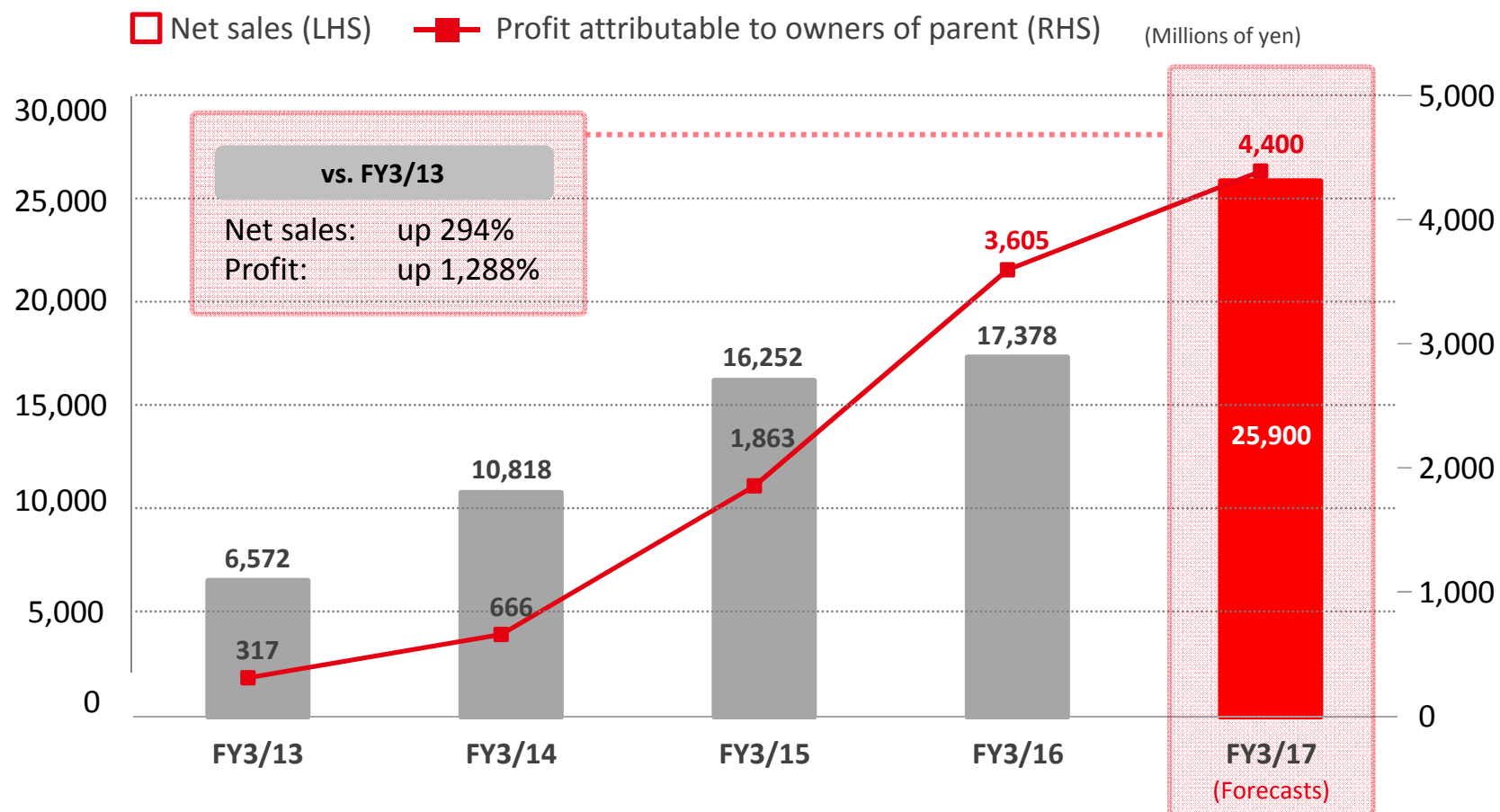
Net sales	Sales up 49.0% to an all-time high due to growth in purchases of real estate for sale and in the number of buyers of these properties.
Operating income	Down 38.0% because FY3/16 earnings included a gain from the sale of the highly profitable Jingumae 5-chome Project in Tokyo's Shibuya ward.
Ordinary income	Down 57.3% as interest expenses tripled to ¥1.3 billion due to debt raised for funding an expected large increase in land purchases; these investments are expected to generate earnings in subsequent years.
Profit attributable to owners of parent	Up 22.0% to an all-time high; includes a net extraordinary gain of ¥2.7 billion due in part to making NRP a subsidiary.
Dividends	Plan to raise the dividend ¥5 to a new all-time high of ¥50.

(Millions of yen)	FY3/16 Results	FY3/17 forecasts (Announced on May 10)	YoY change	
			Amount	%
Net sales	17,378	25,900	8,522	49.0%
Operating income	5,955	3,690	(2,265)	(38.0)%
Ordinary income	5,626	2,400	(3,226)	(57.3)%
Profit attributable to owners of parent	3,605	4,400	795	22.0%
Dividends (yen)	45	50	5	11.1%

Consolidated Operating Results

Net sales Forecast fifth consecutive year of record sales

Profit attributable to owners of parent Forecast fifth consecutive year of record profit



This presentation was prepared for the purpose of providing information to investors about the operations of Nippon Commercial Development Co., Ltd.

This presentation includes forward-looking statements about the financial condition, results of operations, businesses and other items of the Nippon Commercial Development Group. These statements incorporate risks and other uncertainties because events that may occur in the future could affect the group's performance. Consequently, the group's actual financial condition, results of operations, business activities and other aspects of operations may differ significantly from these forward-looking statements.

Information in this presentation about companies other than members of the Nippon Commercial Development Group is based on information available to the public and other sources. Nippon Commercial Development has not verified in any way the accuracy or suitability of this information and makes no guarantees about the accuracy or suitability of this information.



JINUSHI
ビジネス

 Nippon Commercial Development Co., Ltd.