English translation based on Japanese original

Quarterly Report

(Second Quarter of 31st term)

From July 1, 2015
to September 30, 2015

NTT Urban Development Corporation

4-14-1, Sotokanda, Chiyoda-ku, Tokyo

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Document submitted	Quarterly Report
Applicable law clause	Article 24-4-7, Paragraph 1 of Financial Instruments and Exchange Act
Destination	Director General of the Kanto Finance Bureau
Date of submission	November 5, 2015
Quarterly accounting period	Second quarter of 31st term (from July 1, 2015 to September 30, 2015)
Corporate name	NTT Toshi Kaihatsu Kabushiki Kaisha
Corporate name in English	NTT URBAN DEVELOPMENT CORPORATION
Name and title of representative	Sadao Maki, President and Chief Executive Officer
Address of home office	4-14-1, Sotokanda, Chiyoda-ku, Tokyo
Telephone number	+81-3-6811-6300 (key number)
Contact person	Shigehito Katsuki, Senior Vice President, Accounting and Finance
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Telephone number	+81-3-6811-6424
Contact person	Shigehito Katsuki, Senior Vice President, Accounting and Finance
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Chapter 1 Corporate Information

Section 1 Overview of the Company's situation

1. Changes in major financial data

Term	30th term Six months ended September 30, 2014	31st term Six months ended September 30, 2015	30th term
Account period	From April 1, 2014 to September 30, 2014	From April 1, 2015 to September 30, 2015	From April 1, 2014 to March 31, 2015
Operating revenue (million yen)	74,379	71,168	152,052
Ordinary income (million yen)	11,142	10,521	20,395
Profit attributable to owners of parent (million yen)	6,959	5,756	16,235
Comprehensive income (million yen)	8,104	6,300	23,671
Net assets (million yen)	233,411	245,097	245,641
Total assets (million yen)	977,256	1,051,583	1,033,220
Net income per share (yen)	21.15	17.49	49.33
Net income per share (fully diluted) (yen)	—	—	—
Ratio of shareholders' equity to assets (%)	19.5	19.0	19.4
Net cash provided by (used in) operating activities (million yen)	19,787	(12,441)	36,988
Net cash provided by (used in) investing activities (million yen)	(17,901)	(18,573)	(67,778)
Net cash provided by (used in) financing activities (million yen)	(1,312)	32,614	31,777
Cash and cash equivalents at end of period (million yen)	19,319	21,779	20,153

Term	30th term Three months ended September 30, 2014	31st term Three months ended September 30, 2015
Account period	From July 1, 2014 to September 30, 2014	From July 1, 2015 to September 30, 2015
Net income per share (yen)	10.47	10.81

(Note 1) Since the Company has prepared quarterly consolidated financial statements, changes in major financial data of the submitting company are omitted.

(Note 2) Operating revenue does not include consumption tax.

(Note 3) Since there was no potential dilution, net income per share (fully diluted) is omitted.

(Note 4) The company has adopted "Revised Accounting Standard for Business Combination" (ASBJ Statement No.21, September 13, 2013), etc. and changed "Net income" to "Profit attributable to owners of parent" from the three months ended June 30, 2015.

2. Businesses

During the six months ended September 30, 2015, there were no significant changes in the major operations managed by the NTT Urban Development Group (the Company and its affiliates). Changes in major affiliates are as follows;

The following companies became affiliates of the submitting company in the second quarter under review.
(Consolidated Subsidiary)

Name	Address	Capitalization (million yen)	Main business	Voting rights ownership percentage	Relations
NS Boston Holdings Ⅱ LLC	Delaware, U.S.A.	(Dollar) 80,000,000	Leasing	98.0 (Note 4)	Investment in and management of real estate in the U.S.A.
NS Two Oliver LLC	Delaware, U.S.A.	(Dollar) 80,000,000	Leasing	98.0 (Note 4)	Investment in and management of real estate in the U.S.A.

(Note 1) Apart from the above, the Company established a consolidated subsidiary affiliated with UD USA Inc.. The end of the fiscal years of the three companies is December 31, which is different from the consolidated closing date.

(Note 2) There was no provisional settlement of accounts for creating the consolidated financial statements for the six months ended September 30, 2015. The consolidated financial statements have been adjusted for significant transactions that occurred from the foundation of the three companies to the quarterly consolidated closing date. (Other transactions will be recorded in the consolidated financial statements for the nine months ended December 31, 2015.)

(Note 3) In the major business column, the names of segment information are entered.

(Note 4) Shareholding ratios are provided in lieu of voting rights ownership percentage.

(Equity-Method Affiliates)

The company newly invest in two companies, and the two companies are accounted for by applying the equity method.

Section 2 Business situation

1. Operating risks

During the six months ended September 30, 2015, no new operating risks emerged.
In addition, there were no significant changes in the operating risks described in the annual securities report for the previous fiscal year.

2. Significant management contracts

There were no significant management contracts determined or concluded during the three months ended September 30, 2015.

3. Analysis of financial position, operating results, and cash flows

The forward-looking statements in the following text are based on the judgments of the Group as of the date of the submission of the quarterly report.

(1) Financial results

In the six months ended September 30, 2015, the Japanese economy continued to follow a moderate recover trend, although some sluggish movement was evident. Looking forward, the economy is expected to recover gradually, reflecting the continued improvement in the employment and income environments thanks in part to the effects of government policies. However, attention needs to be paid to the risk of downward pressure caused by a downturn in the overseas economies.
In the office leasing market, vacancy rates continued to improve and market rents showed signs of bottoming out, and some rents, in fact, raised. In the condominium sales market, sales remained generally strong with the support of strong consumer sentiment encouraged by low-interest rates, despite a decreasing number of units supplied.
As a consequence, operating revenue amounted to ¥71,168 million (down ¥3,210 million, or 4.3% year-on-year), operating income was ¥12,288 million (down ¥982 million, or 7.4%), and ordinary income was ¥10,521 million (down ¥621 million, or 5.6%). Profit attributable to owners of parent was ¥5,756 million (down ¥1,202 million, or 17.3%).

(i) Leasing business

In the leasing business for the six months ended September 30, 2015, the Company generates earnings from rent income of the property newly completed in the previous fiscal year, such as Trad Mejiro (Toshima-ku, Tokyo) and Shinagawa Season Terrace (Minato-ku, Tokyo), and the existing properties that were fairly filled by leasing activities in the previous fiscal year.
Operating revenue increased ¥1,348 million, to ¥44,962 million (up 3.1% year-on-year) due to an increase in rent income from new properties and lower vacancy rates in existing properties. Operating income decreased ¥924 million, or 7.7%, to ¥11,103 million.
Development projects currently under way include Urbannet Nihonbashi 2-Chome Building (Chuo-ku, Tokyo), Urbannet Ginza 1-Chome Building (Chuo-ku, Tokyo), Otemachi 2-Chome Area 1st class Urban Redevelopment Project Building A (Chiyoda-ku, Tokyo) and Universal City Station Project (Osaka-shi, Osaka), etc.

(ii) Residential business

In the residential business, the number of condominiums delivered amounted to 433 units, centering on newly completed condominiums. The average sales price per unit also rose to ¥43 million, reflecting the delivery of condominiums in central Tokyo, such as Wellith Ginza 2-Chome, in addition to suburban properties in the six months ended September 30, 2015.

As a result, for the six months ended September 30, 2015, operating revenue in the residential business declined ¥4,448 million, or 17.7%, to ¥20,625 million, and operating income was increased ¥239 million, or 7.6%, to ¥3,399 million.

In the six months ended September 30, 2015, the Company began distribution of Wellith Kayaba-Cho (Chuo-ku, Tokyo) and Wellith Minamisenju (Arakawa-ku, Tokyo).

(iii) Other

Operating revenue in other business for the six months ended September 30, 2015 was ¥8,520 million (up ¥488 million, or 6.1%), and operating income was ¥614 million (down ¥19 million, or 3.0%).

(2) Consolidated cash flows

The following is an explanation on the situation and factors for each category of cash flow for the six months ended September 30, 2015.

(Net cash provided by (used in) operating activities)

Cash flow in operating activities was a cash-out of ¥12,441 million (down ¥32,228 million from a cash-in of ¥19,787 million year-on-year). This mainly reflected a cash-in of ¥20,819 million (down ¥1,803 million from the six months ended September 30, 2014) attributable to income before income taxes and minority interests and depreciation and a cash-out of ¥18,125 million (rising ¥16,450 million from the six months ended September 30, 2014) due to an increase in inventories, a cash-out of ¥4,410 (rising ¥15,960 million from the six months ended September 30, 2014) due to an increase in notes and accounts receivable – trade, and cash-out of ¥4,345 million (shrinking ¥2,518 million from the six months ended September 30, 2014) of due to a decrease in notes and accounts payable – trade.

(Net cash provided by (used in) investing activities)

Cash flow in investing activities was a cash-out of ¥18,573 million, with the outflow increasing ¥671 million year-on-year. This was primarily because a cash-out of ¥23,196 million due to purchase of property, plant and equipment (rising ¥4,392 million year-on-year) and a cash-in of ¥5,603 million due to proceeds from sales of property, plant and equipment (rising ¥4,805 million year-on-year).

(Free cash flow)

Free cash flow was a cash-out of ¥31,014 million (down ¥32,900 million from a cash-in of ¥1,885 million year-on-year).

(Note) The calculating formula of the free cash flow is as follows:

Free cash flow = (Net cash provided by (used in) operating activities) + (Net cash provided by (used in) investing activities)

(Net cash provided by (used in) financing activities)

Cash flow in financing activities was a cash-in of ¥32,614 million (up ¥33,927 million from the six months ended September 30, 2014). This was largely a reflection of financing (¥29,433 million of long-term loans payable and ¥51,191 million of short-term loans payable) in response to the cash-out due to the free cash flow described previously (a cash-out of ¥31,014 million), the repayment of long-term loans payable (¥44,718 million), and cash dividends paid (¥2,633 million).

As a result, cash and cash equivalents at the end of the six months ended September 30, 2015 was ¥21,779 million, increasing ¥2,459 million from the end of the previous fiscal year.

(3) Operational and financial challenges to meet

During the six months ended September 30, 2015, there were no significant changes in challenges facing the Company.

(4) Research and development

Not applicable

(5) Operating revenue

The table below shows operating revenue by business segment for the six months ended September 30, 2015. Operating revenue in each segment in the text includes inter-segment internal revenues and transfers.

(Million yen)

Business segment	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)	Year on year (%)
Leasing business	44,962	103.1
Residential business	20,625	82.3
Total operating revenue in the reported segments	65,587	95.5
Other	8,520	106.1
Eliminations	(2,939)	—
Total	71,168	95.7

(Note1) The numbers do not include consumption tax. Operating revenue in each segment include inter-segment internal revenues and transfers.

(Note2) "Eliminations" refers to internal revenues and transfers duplicated in more than one segment.

The following shows breakdowns of operating revenue, etc. in the leasing business and residential business, major businesses of the Group.

(Leasing business)

The table below shows operating revenue etc. by use of properties in the leasing business. All figures are consolidated results.

(Million yen)

Classification		Six months ended September 30, 2014	Six months ended September 30, 2015
Office/Commercial	Operating revenue	40,208	42,367
	Rentable area	1,203,491 m^2 (Of the above, sub-leases: 29,764 m^2)	1,214,213 m^2 (Of the above, sub-leases: 65,967 m^2)
Residential/Other	Operating revenue	3,405	2,595
Total operating revenue		43,613	44,962

(Note1) "Rentable areas" figures are as of the end of September of each fiscal year.

(Note2) The rentable area of sub-leases does not include the area that has been agreed upon between the Company and its consolidated subsidiaries.

The table below shows the vacancy rate by area.

Classification	September 2014	December 2014 (Note 3)	March 2015 (Note 4)	June 2015 (Note 4)	September 2015 (Note 4)
Five wards of central Tokyo	5.9%	2.9%	14.7% 1.7%	14.2% 2.2%	10.8% 1.3%
Nationwide	8.3%	6.7%	10.9% 6.2%	10.5% 6.1%	8.7% 5.3%

(Note1) The numbers above are vacancy rate as of the end of each month.

(Note2) Five wards of central Tokyo are Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku and Shinjuku-ku.

(Note 3) Properties of which leases were suspended for future redevelopment, etc. are excluded from the above calculation from December 31, 2014.

(Note 4) The rate written above shows the vacancy rate including Shinagawa Season Terrace, which was completed February 2015. The rate written below shows that of excluding Shinagawa Season Terrace.

(Residential business)

The table below shows operating revenue, etc. in the residential business by operation type and area.

Classification			Six months ended September 30, 2014		Six months ended September 30, 2015	
			Units/Lots	Operating revenue (million yen)	Units/Lots	Operating revenue (million yen)
Condominiums						
	Units delivered	Tokyo metropolitan area	328	17,241	352	15,707
		Other regions	199	7,316	80	4,154
	Completed in inventories		187	—	271	—
Residential Lots, etc.						
	Units/Lots delivered	Tokyo metropolitan area	2	50	1	151
		Other regions	29	464	30	611
	Completed in inventories		33	—	51	—
Residential (Condominiums/Residential Lots, etc.)						
	Units/Lots delivered	Tokyo metropolitan area	330	17,292	353	15,859
		Other regions	228	7,781	110	4,766
	Completed in inventories		220	—	323	—
Other						
	Units/Lots delivered	Tokyo metropolitan area	—	—	—	—
		Other regions	—	—	—	—
	Completed in inventories		—	—	—	—
Operating revenue			—	25,074	—	20,625

(Note1) For joint projects, the number of units, corresponding to the Company's share in the project, is rounded down to the nearest unit.

(Note2) "Completed in inventories" figures are as of the end of September of each fiscal year. The condominiums completed in inventories for the six months ended September 30, 2014 and for the six months ended September 30, 2015 include 15 units and 30 units, respectively, for which a contract has been completed but ownership has not yet been transferred. The residential lots, etc. completed in inventories for the six months ended September 30, 2014 and for the six months ended September 30, 2015 include 25 lots and 39 lots for which a contract has been completed but ownership has not yet been transferred.

(Note 3) 1 lot (worth ¥151 million) of residential lots delivered for the six months ended September 30, 2015 were delivered through a portion sale of land.

(Note 4) Tokyo metropolitan area includes Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

(6) Facilities

Major changes to the Group's main facilities during the six months ended September 30, 2015 are as follows.

The following facility was sold during the six months ended September 30, 2015.

Name (Location)	Business segment	Primary use	Structure	Area (m^2)		Book value (million yen)				Completed
				Building	Land	Building, etc.	Land	Other	Total	
NTT Cred Okayama Building (Kita, Okayama)	Leasing Business	Office	Steel structure; 21 floors above ground and 2 below	21,410	2,496	3,045	83	38	3,167	February 1999

(Note1) The property was sold in May 2015. The book value is as of April 30, 2015.

(Note2) 60% of trust beneficiary rights were sold.

(7) Factors affecting financial results and situation of and outlook for management strategy

The office market indicated lower vacancy rates and signs of a bottoming out in rent levels. The Company aims to increase its development capacity and earnings by shifting its focus away from conventional development on the assumption of long-term ownership to increase properties for sale. It also intends to focus on activities such as collaboration with other companies, combined development of commercial, residential, and other businesses, and participation in the regional redevelopment business.

The condominium sales market has remained generally strong. While facing challenges such as an increase in construction costs as well as in land and property prices, particularly in the Tokyo metropolitan area, the Company will continue to work on increasing added value and reducing costs to maintain earnings strength.

(8) Analysis of financial resources for capital and liquidity of funds

The Company raised funds primarily through borrowings from financial institutions during the six months ended September 30, 2015 in response to capital needs, including the repayment of borrowings, operating funds, and investments.

(9) Basic policy on the control of the stock company

Since the parent company holds more than 50% of the voting rights, the Company has not established any basic policy relating to the Stock Company and has not introduced any takeover defense.

Section 3 Situation of submitting company

1. Shares of the Company

(1) Total number of shares and other information

(i) Total number of shares

Type	Total number of shares authorized to be issued by the Company
Common stocks	1,050,000,000
Total	1,050,000,000

(ii) Shares issued

Type	Number of shares issued as of September 30, 2015	Number of shares issued on the date of the submission of the report (November 5, 2015)	Stock exchange or registered financial instruments dealers association	Remarks
Common stocks	329,120,000	329,120,000	The First Section of the Tokyo Stock Exchange	Number of shares of one share unit 100
Total	329,120,000	329,120,000	—	—

(Note) The number of shares issued includes 30,630,000 shares of an investment in kind (with buildings, etc. of ¥927 million and land (89,492 m^2) of ¥2,144 million yen).

(2) Stock acquisition rights

Not applicable.

(3) Exercise of bonds with subscription rights to shares with amendments to exercise prices

Not applicable.

(4) Features of rights plan

Not applicable.

(5) Changes in number of shares outstanding and capital

Date	Change in number of shares outstanding (shares)	Number of shares outstanding (shares)	Change in capital (million yen)	Capital (million yen)	Change in capital reserve (million yen)	Capital reserve (million yen)
From July 1, 2015 to September 30, 2015	—	329,120,000	—	48,760	—	34,109

(6) Major shareholders

As of September 30, 2015

Name	Address	Number of shares held	Ratio of holdings to the number of shares issued (%)
Nippon Telegraph and Telephone Corporation (NTT)	1-5-1, Otemachi, Chiyoda-ku, Tokyo	221,481,500	67.30
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo	6,329,600	1.92
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	6,083,200	1.85
GOLDMAN, SACHS & CO. REG (Standing agency: Goldman Sachs Japan Co., Ltd.)	200 West Street New York, NY, USA (Roppongi Hills Mori Tower, 6-10-1 Roppongi, Minato-ku, Tokyo)	5,186,797	1.58
THE BANK OF NEW YORK 133522 (Standing agency: Custody & Proxy Department, Mizuho Bank, Ltd.)	Rue Montoyerstraat 46, 1000 Brussels, Belgium (4-16-13, Tsukishima, Chuo-ku, Tokyo)	3,279,100	1.00
THE BANK OF NEW YORK – JASDEC TREATY ACCOUNT (Standing agency: Custody & Proxy Department, Mizuho Bank, Ltd.)	Avenue Des Arts 35 Kunstlaan, 1040 Brussels, Belguim (4-16-13, Tsukishima, Chuo-ku, Tokyo)	2,676,702	0.81
NORTHERN TRUST CO. (AVFC) RE 10PCT TREATY ACCOUNT (Standing agency: The Hongkong and Shanghai Banking Corporation Ltd. Tokyo Branch)	50 Bank Street Canary Wharf, London E14 5NT, UK (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	2,143,600	0.65
STATE STREET BANK WEST CLIENT-TREATY 505234 (Standing agency: Custody & Proxy Department, Mizuho Bank, Ltd.)	1776 Heritage Drive, North Quincy, MA 02171, U.S.A. (4-16-13, Tsukishima, Chuo-ku, Tokyo)	1,911,600	0.58
STATE STREET BANK AND TRUST COMPANY 505223 (Standing agency: Custody & Proxy Department, Mizuho Bank, Ltd.)	P. O. Box 351 Boston, Massachusetts 02101 U.S.A. (4-16-13, Tsukishima, Chuo-ku, Tokyo)	1,883,562	0.57
JP MORGAN CHASE BANK 380634 (Standing agency: Custody & Proxy Department, Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kimgdom (4-16-13, Tsukishima, Chuo-ku, Tokyo)	1,859,888	0.57
Total	–	252,835,549	76.82

(Note 1) All shares held by Japan Trustee Services Bank, Ltd. (Trust account) and The Master Trust Bank of Japan, Ltd. (Trust account) are those held under their trust operations (including securities investment trusts). They include 6,018,500 shares under the management of investment trusts, 2,632,400 shares under the management of pension trusts, and 3,761,900 shares under the management of other trusts.

(Note 2) The following institutions manage custody operations of shares owned by foreign institutional investors, as well as act as owners of shares on behalf of the relevant institutional investors; they are GOLDMAN, SACHS & CO. REG, THE BANK OF NEW YORK 133522, THE BANK OF NEW YORK – JASDECTREATY ACCOUNT, NORTHERN TRUST CO. (AVFC) RE 10PCT TREATY ACCOUNT, STATE STREET BANK WEST CLIENT- TREATY 505234, STATE STREET BANK AND TRUST COMPANY 505223, and JP MORGAN CHASE BANK 380634.

(7) Voting rights

(i) Shares issued

As of September 30, 2015

Classification	Number of shares		Number of voting rights	Remarks
Nonvoting shares		–	–	–
Shares with limited voting rights (treasury share, etc.)		–	–	–
Shares with limited voting rights (other shares)		–	–	–
Shares with complete voting rights (treasury share, etc.)		–	–	–
Shares with complete voting rights (other shares)	Common shares	329,114,900	3,291,149	–
Fractional shares	Common shares	5,100	–	–
Total number of shares issued		329,120,000	–	–
Number of voting rights of all shareholders		–	3,291,149	–

(Note) Shares with complete voting rights (other shares) include 800 shares under the name of the Japan Securities Depository Center.
The number of voting rights includes 8 shares with complete voting rights under the name of the Japan Securities Depository Center.

(ii) Treasury stock

Not applicable

2. Officers

Change in the officers after the submission of the Annual Securities Report for the previous fiscal year up to the submission of this quarterly report is as follows:

Changes in titles

New titles	New job titles	Former titles	Former job titles	Name	Date of change
Senior Vice President	General Affairs, Real Estate Investment Department	Senior Vice President	General Affairs, Real Estate Investment	Yoshihito Kichijo	July 1, 2015
Senior Vice President	Project Management Aoyama Development	Senior Vice President	Project Management	Hirotoshi Shinohara	July 1, 2015

Section 4 Financial status

1 Methods of preparing quarterly consolidated financial statements

The quarterly consolidated financial statements of the Company are prepared under the Regulations Concerning the Terminology, Forms, and Preparation Methods of the Quarterly Consolidated Financial Statements (Cabinet Ordinance No. 64 of 2007).

2 Audit certification

Under the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the quarterly consolidated financial statements of the Company for the three months ended September 30, 2015 (from July 1, 2015 to September 30, 2015) and for the six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015) have received a quarterly review by KPMG AZSA LLC.

1. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Six months ended September 30, 2015 (As of September 30, 2015)
Assets		
Current assets		
Cash and deposits	17,891	21,015
Notes and operating accounts receivable	5,569	9,980
Real estate for sale	33,361	33,907
Real estate for sale in progress	59,987	77,528
Costs on uncompleted construction contracts	169	278
Raw materials and supplies	52	54
Lease investment assets	3,837	3,759
Deposits paid	2,412	863
Deferred tax assets	1,075	946
Other	4,189	5,909
Allowance for doubtful accounts	(35)	(22)
Total current assets	128,512	154,221
Non-current assets		
Property, plant and equipment		
Buildings and structures	714,920	710,145
Accumulated depreciation	(392,856)	(398,207)
Buildings and structures (net)	322,063	311,938
Machinery, equipment and vehicles	13,593	13,361
Accumulated depreciation	(11,777)	(11,718)
Machinery, equipment and vehicles (net)	1,815	1,643
Land	505,999	506,191
Lease assets	347	328
Accumulated depreciation	(219)	(221)
Lease assets (net)	128	107
Construction in progress	2,212	5,607
Other property, plant and equipment	15,486	15,385
Accumulated depreciation	(12,913)	(12,994)
Other property, plant and equipment (net)	2,573	2,390
Total property, plant and equipment	834,792	827,879
Intangible assets	24,556	24,953
Investments and other assets		
Investment securities	22,841	22,120
Long-term prepaid expenses	15,635	15,382
Net defined benefit asset	396	404
Deferred tax assets	354	375
Other	6,131	6,245
Total investments and other assets	45,359	44,528
Total non-current assets	904,708	897,361
Total assets	1,033,220	1,051,583

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Six months ended September 30, 2015 (As of September 30, 2015)
Liabilities		
Current liabilities		
Notes and operating accounts payable–trade	8,473	4,131
Short-term loans payable	—	51,215
Lease obligations	48	46
Current portion of long-term loans payable	53,200	26,200
Current portion of bonds	—	19,999
Income taxes payable	2,684	1,784
Deferred tax liabilities	405	427
Other	34,062	23,162
Total current liabilities	98,874	126,967
Non-current liabilities		
Bonds payable	130,968	110,972
Long-term loans payable	363,020	375,380
Lease obligations	123	99
Lease and guarantee deposits received	68,715	68,232
Negative goodwill	21,286	23,909
Deferred tax liabilities	59,555	59,539
Provision for directors' retirement benefits	23	21
Net defined benefit liability	6,335	6,496
Asset retirement obligations	3,267	3,310
Other	35,407	31,556
Total non-current liabilities	688,704	679,518
Total liabilities	787,579	806,485
Net assets		
Shareholders' equity		
Capital stock	48,760	48,760
Capital surplus	34,109	31,648
Retained earnings	108,264	110,269
Total shareholders' equity	191,134	190,678
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,837	2,039
Foreign currency translation adjustment	6,429	7,036
Remeasurements of defined benefit plans	509	477
Total accumulated other comprehensive income	9,776	9,553
Non-controlling interests	44,730	44,866
Total net assets	245,641	245,097
Total liabilities and net assets	1,033,220	1,051,583

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

(Quarterly consolidated Statements of Income)

(Six month ended September 30, 2014 and 2015)

(Million yen)

	Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Operating revenue	74,379	71,168
Operating cost	53,019	50,793
Operating gross profit	21,359	20,375
Selling, general and administrative expenses	8,089	8,087
Operating income	13,270	12,288
Non-operating income		
Interest income	11	7
Dividends income	50	65
Amortization of negative goodwill	890	963
Equity in earnings of affiliates	37	162
Other	102	80
Total non-operating income	1,091	1,279
Non-operating expenses		
Interest expenses	3,149	3,016
Other	70	29
Total non-operating expenses	3,219	3,045
Ordinary income	11,142	10,521
Extraordinary income		
Gain on sales of non-current assets	379	382
Total extraordinary income	379	382
Extraordinary loss		
Loss on sales of non-current assets	—	1,707
Loss on retirement of non-current assets	491	316
Total extraordinary losses	491	2,023
Income before income taxes and minority interests	11,030	8,880
Total income taxes	3,335	2,357
Profit	7,695	6,522
Profit attributable to non-controlling interests	735	766
Profit attributable to owners of parent	6,959	5,756

(Quarterly consolidated statements of comprehensive income)
(Six month ended September 30, 2014 and 2015)

(Million yen)

	Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Profit	7,695	6,522
Other comprehensive income		
Valuation difference on available-for-sale securities	588	(797)
Foreign currency translation adjustment	(160)	606
Remeasurements of defined benefit plans	(18)	(32)
Total other comprehensive income	409	(222)
Comprehensive income	8,104	6,300
(Breakdown)		
Comprehensive income attributable to owners of parent	7,368	5,534
Comprehensive income attributable to non-controlling interests	735	765

(3) Quarterly consolidated statements of cash flows

(Million yen)

	Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	11,030	8,880
Depreciation and amortization	11,592	11,938
Amortization of negative goodwill	(890)	(963)
Amortization of goodwill	65	5
Increase (decrease) in allowance for doubtful accounts	(0)	(13)
Increase (decrease) in provision for retirement benefits	132	113
Interest and dividends income	(62)	(72)
Interest expenses	3,149	3,016
Equity in (earnings) losses of affiliates	(37)	(162)
Gain on sales of non-current assets	(379)	(382)
Loss on retirement of non-current assets	491	316
Loss on sales of non-current assets	—	1,707
Decrease (increase) in lease investment assets	(154)	77
Decrease (increase) in notes and accounts receivable-trade	11,549	(4,410)
Decrease (increase) in inventories	(1,675)	(18,125)
Increase (decrease) in notes and accounts payable–trade	(6,864)	(4,345)
Increase (decrease) in lease and guarantee deposits received	(88)	193
Other, net	(3,248)	(4,371)
Subtotal	24,612	(6,598)
Interest and dividends income received	87	80
Interest expenses paid	(3,147)	(3,098)
Income taxes paid	(1,764)	(2,825)
Net cash provided by (used in) operating activities	19,787	(12,441)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(18,803)	(23,196)
Proceeds from sales of property, plant and equipment	798	5,603
Purchase of investment securities	(44)	(692)
Proceeds from repayment of investment securities	—	501
Other, net	147	(790)
Net cash provided by (used in) investing activities	(17,901)	(18,573)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	1,742	51,191
Proceeds from long-term loans payable	20,000	29,433
Repayments of long-term loans payable	(19,600)	(44,718)
Proceeds from share issuance to minority shareholders	—	93
Cash dividends paid	(2,632)	(2,633)
Cash dividends paid to minority shareholders	(795)	(726)
Other, net	(26)	(24)
Net cash provided by (used in) financing activities	(1,312)	32,614
Effect of exchange rate change on cash and cash equivalents	(51)	25
Net increase (decrease) in cash and cash equivalents	520	1,625
Cash and cash equivalents at beginning of year	18,798	20,153
Cash and cash equivalents at end of year	19,319	21,779

Notes

(Change in the scope of consolidation or the scope of application of the equity method)

(1) Significant changes in the scope of consolidation

The Company newly included three consolidated subsidiary affiliated with UD USA Inc. in the scope of consolidation from the three months ended September 30, 2015.

(2) Significant changes in the scope of application of the equity method

The company newly invested in two companies, and the two companies are accounted for by applying the equity method from the three months ended September 30, 2015.

(Change in accounting principles)

(Application of Revised Accounting Standard for Business Combination, etc.)

Effective from the fiscal year beginning on or after April1, 2014, "Revised Accounting Standard for Business Combination" (ASBJ Statement No.21, September 13, 2013 (hereinafter, "Statement No.21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013 (hereinafter, "Statement No.22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013 (hereinafter, "Statement No.7")) (together, the "Business Combination Accounting Standards"), are permitted to be applied. The Company and its subsidiaries adopted these accounting standards from this current fiscal year, as a result, changed the accounting policies: to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues control; and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed the accounting policies for the reallocation of acquisition costs due to the completion of the provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. In addition, the Company has changed the title of net income and other items and the title of minority interests to non-controlling interest. To reflect these changes, the quarterly consolidated financial statements and consolidated financial statements for three months ended June 30, 2014, and fiscal year ended March 31, 2015, have been replaced.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (3) of Statement No.21, article 44-5 (3) of Statement No.22 and article 57-4 (3) of Statement No.7 and recognized in capital surplus or retained earnings the cumulative effect as of the beginning of the current fiscal year that resulted from the retrospective application of the new accounting policies for all of the prior fiscal years.

As a result, goodwill, capital surplus and retained earnings as of the beginning of the current fiscal year decreased by ¥1,682 million, ¥2,461 million and ¥1,118 million, and negative goodwill increased ¥1,897 million respectively. For the six months ended September 30, 2015, Operating income increased by ¥60 million, and ordinary income and income before tax increased by ¥133 million respectively.

(Quarterly consolidated statements of income)

* Major items in selling, general and administrative expenses and their amounts are as follows:

(Million yen)

	Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Advertising expenses	1,256	1,295
Salaries, allowances and bonuses	2,550	2,302
Retirement benefit expenses	168	143
Provision for directors' retirement benefits	7	4
Business consignment expenses	1,590	1,569
Taxes and dues	465	684
Provision of allowance for doubtful accounts	0	(13)

(Quarterly consolidated statement of cash flows)

* Relationship between cash and cash equivalents at end of period and the accounts on the consolidated balance sheets are as follows:

(Million yen)

	Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Cash and bank deposits	18,993	21,015
Time deposits with a deposit period of over three months	(110)	(60)
Short-term (less than three months) investments included in “Deposits paid” in current assets	436	823
Cash and cash equivalents	19,319	21,779

(Shareholders' equity)

I. Six months ended September 30, 2014 (from April 1, 2014 to September 30, 2014)

1. Dividends paid

(Resolution)	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary shareholders' meeting held on June 24, 2014	Common stocks	2, 632	Retained earnings	8	March 31, 2014	June 25, 2014

2. Of dividends with a record date falling in six months ended September 30, 2014, those with an effective date falling after three months ended September 30, 2014

(Resolution)	Type of shares	Total dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on November 6, 2014	Common stocks	2,632	Retained earnings	8	September 30, 2014	December 1, 2014

II. Six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015)

1. Dividends paid

(Resolution)	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary shareholders' meeting held on June 23, 2015	Common stocks	2, 632	Retained earnings	8	March 31, 2015	June 24, 2015

2. Of dividends with a record date falling in six months ended September 30, 2015, those with an effective date falling after three months ended September 30, 2015

(Resolution)	Type of shares	Total dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on November 4, 2015	Common stocks	2,632	Retained earnings	8	September 30, 2015	December 1, 2015

(Segment information, etc.)

Segment information

I. Six months ended September 30, 2014 (from April 1, 2014 to September 30, 2014)

1. Information on operating revenue and profits or losses by reported segment

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount stated in consolidated financial statement (Note 3)
	Leasing	Residential	Total				
Operating revenue							
(1) Operating revenue to third parties	43,082	25,071	68,154	6,225	74,379	—	74,379
(2) Inter-segment internal revenues and transfers	531	2	533	1,806	2,340	(2,340)	—
Total	43,613	25,074	68,687	8,031	76,719	(2,340)	74,379
Segment profits	12,028	3,160	15,188	634	15,822	(2,551)	13,270

(Note1) Other is the business segment that is not included in the reported segments and other business activities that generate revenue. It includes design of building and other, construction and supervision of construction, office building maintenance and air-conditioning services, and management of restaurant facilities as incidental facilities of office buildings.

(Note2) Adjustment of -¥2,551 million in segment profits includes elimination of inter-segment transactions of ¥18 million and company-wide expenses of -¥2,569 million which is not allotted to the reported segments and other. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments and other.

(Note3) Segment profits are adjustment of operating income reported on quarterly consolidated statement of income.

2. Information on impairment loss of non-current assets, goodwill and other information in reported segments

Not applicable

II. Six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015)

1. Information on operating revenue and profits or losses by reported segment

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount stated in consolidated financial statement (Note 3)
	Leasing	Residential	Total				
Operating revenue							
(1) Operating revenue to third parties	44,525	20,622	65,147	6,020	71,168	—	71,168
(2) Inter-segment internal revenues and transfers	436	3	439	2,499	2,939	(2,939)	—
Total	44,962	20,625	65,587	8,520	74,108	(2,939)	71,168
Segment profits	11,103	3,399	14,502	614	15,117	(2,829)	12,288

(Note1) Other is the business segment that is not included in the reported segments and other business activities that generate revenue. It includes design of building and other, construction and supervision of construction, office building maintenance and air-conditioning services, and management of restaurant facilities as incidental facilities of office buildings.

(Note2) Adjustment of -¥2,829 million in segment profits includes elimination of inter-segment transactions of -¥0 million and company-wide expenses of -¥2,829 million which is not allotted to the reported segments and other. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments and other.

(Note3) Segment profits are adjustment of operating income reported on quarterly consolidated statement of income.

2. Information on impairment loss of non-current assets, goodwill and other information in reported segments

Not applicable

3. Change in reported segments

(Application of Revised Accounting Standard for Business Combination, etc.)

As stated in “Change in accounting principles”, the Company and its subsidiaries adopted the accounting standards from this current fiscal year, and as a result, changed the accounting policies: to recognize in capital surplus the differences arising from the changes in the Company’s ownership interest of subsidiaries over which the Company continues control; and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed the accounting policies for the reallocation of acquisition costs due to the completion of the provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place.

As a result, the segment profit in “Leasing business” and in “Other” for the six months ended September 30, 2015, increased by ¥59 million and ¥0 million, respectively.

(Per-share information)

The amount of net income per share and the basis for calculation are as follows:

	Six months ended September 30, 2014 (From April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Net income per share	¥21.15	¥17.49
(Basis for calculation)		
Profit attributable to owners of parent (million yen)	6,959	5,756
Amount not attributable to common stockholders (million yen)	―	―
Net income relating to common stock (million yen)	6,959	5,756
Average number of shares during the period	329,120,000	329,120,000

(Note 1) Since there is no potential dilution, diluted net income per share is omitted.

(Significant subsequent events)

Not applicable

2. Other

The Company decided on interim dividends for the current fiscal year at the meeting of the Board of Directors held on November 4, 2015 as follows:

(a) Total amount of interim dividends ¥ 2,632 million

(b) Dividend per share ¥ 8.00

(c) Effective date of payment requests and first payment date December 1, 2015

(Note) Dividends will be paid to shareholders listed or recorded on the shareholder register as of September 30, 2015.

Chapter 2　Information on the Guarantee Company of the Submitting Company

Not applicable