Quarterly Report

(Third Quarter of 31st term)

From October 1, 2015
to December 31, 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	February 3, 2016
Quarterly accounting period	Third quarter of 31st term (from October 1, 2015 to December 31, 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
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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 Nine months ended December 31, 2014	31st term Nine months ended December 31, 2015	30th term
Account period	From April 1, 2014 to December 31, 2014	From April 1, 2015 to December 31, 2015	From April 1, 2014 to March 31, 2015
Operating revenue (million yen)	101,251	105,728	152,052
Ordinary income (million yen)	13,972	15,298	20,395
Profit attributable to owners of parent (million yen)	8,622	7,885	16,235
Comprehensive income (million yen)	11,458	7,717	23,671
Net assets (million yen)	233,757	243,633	245,641
Total assets (million yen)	1,029,705	1,062,129	1,033,220
Net income per share (yen)	26.20	23.96	49.33
Net income per share (fully diluted) (yen)	—	—	—
Ratio of shareholders' equity to assets (%)	18.5	18.7	19.4

Term	30th term Three months ended December 31, 2014	31st term Three months ended December 31, 2015
Account period	From October 1, 2014 to December 31, 2014	From October 1, 2015 to December 31, 2015
Net income per share (yen)	5.05	6.47

(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 nine months ended December 31, 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 nine months ended December 31, 2015.
(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 3)	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 3)	Investment in and management of real estate in the U.S.A.

(Note1) 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) In the major business column, the names of segment information are entered.

(Note 3) Shareholding ratios are provided in lieu of voting rights ownership percentage.

The Company conducted an absorption-type merger which the surviving company was NTT Urban Development Builservice Co., and the company that ceased to exist was NTT Urban Development West BS Co. on October 1, 2015.

(Equity-Method Affiliates)

Two companies are newly accounted for by applying the equity method in the nine months ended December 31, 2015.

Section 2 Business situation

1. Operating risks

During the nine months ended December 31, 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 December 31, 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 nine months ended December 31, 2015, the Japanese economy continued to follow a moderate recover trend, although some sluggish movement was evident. Looking forward, the Japanese economy is expected to be on a moderate expanding trend because domestic demand is likely to follow an uptrend, with a virtuous cycle from income to spending being maintained in both the household and corporate sectors, and because exports are expected to increase moderately on the back of emerging economies moving out of their deceleration phase. However, there is uncertainty regarding the global economy. It is difficult to deduce the pace of growth of economies in emerging countries, particularly China, and resource rich countries, and their impact on the global economy, given that the uncertainties surrounding those economies remain high and that there are negative effects of the declines in resource prices. In addition, there is a need to monitor the risks that could put downward pressure on the Japanese economy, such as development in the U.S. economy and other countries and the influence of its monetary policy response to them on the global financial markets.
In the office leasing market, the vacancy rate continued to improve, and it seems that market rents have bottomed out, with some rents rising. In the condominium sales market, despite the decreasing number of units supplied and concerns about the negative effect of a falsified data problem in piling work for condominiums and other buildings, sales remained strong overall, driven by strong consumer sentiment encouraged by low-interest rates.
As a consequence, operating revenue amounted to ¥105,728 million (up ¥4,477 million, or 4.4% year-on-year), operating income was ¥17,904 million (up ¥573 million, or 3.3%), and ordinary income was ¥15,298 million (up ¥1,326 million, or 9.5%). Profit attributable to owners of parent was ¥7,885 million (down ¥736 million, or 8.5%).
Non-operating income was ¥1,915 million, up ¥291 million year-on-year. This was due mainly to an increase of ¥109 million in amortization of negative goodwill. Non-operating expenses were ¥4,521 million, down ¥460 million. This was due mainly to a decrease of ¥269 million in interest expenses. As a result, ordinary income was ¥15,298 million, an increase of ¥1,326 million (up 9.5%).
Extraordinary income was ¥395 million, an increase of ¥16 million year-on-year. This was due mainly to ¥13 million recorded in gain on sales of investment securities. Extraordinary loss was ¥3,507 million, an increase of ¥2,875 million. This was due mainly to ¥1,759 million recorded in loss on sales of non-current assets and ¥1,043 million recorded in impairment loss. As a result, income before income taxes and minority interests was ¥12,168 million, a decrease of ¥1,533 million (down 11.2%), and profit attributable to owners of parent was ¥7,885 million, a decrease of ¥736 million (down 8.5%).

(i) Leasing business

In the leasing business for the nine months ended December 31, 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 ¥3,653 million, to ¥68,330 million (up 5.6% year-on-year) due to an increase in rent income from new properties and lower vacancy rates in existing properties. Operating income increased ¥227, million to ¥17,250 million (up 1.3% year-on-year) due to the improvement of earnings from existing buildings and sales of properties etc., despite of factors including the increase in depreciation etc. related to completion of new property.

Development projects currently under way include 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 684 units, centering on newly completed condominiums. The average sales price per unit also rose to ¥43 million, reflecting the delivery of high-priced condominiums, such as Wellith Ginza 2-Chome, etc., in the nine months ended December 31, 2015.

As a result, for the nine months ended December 31, 2015, operating revenue in the residential business increased ¥1,171 million, or 4.2%, to ¥28,985 million thanks to an increase in the number of condo deliveries, though the average sales price decreased year on year. Operating income was increased ¥838 million, or 27.2%, to ¥3,922 million due to deliveries of condominiums with high profit margin in central Tokyo.

In the three months ended December 31, 2015, the Company began distribution of Wellith Kamakura-yuigahama (Kamakura-shi, Kanagawa).

(iii) Other

Operating revenue in other business for the nine months ended December 31, 2015 was ¥12,830 million (up ¥469 million, or 3.8%), and operating income was ¥984 million (down ¥22 million, or 2.2%).

(2) Operational and financial challenges to meet

During the nine months ended December 31, 2015, there were no significant changes in challenges facing the Company.

(3) Research and development

Not applicable

(4) Operating revenue

The table below shows operating revenue by business segment for the nine months ended December 31, 2015. Operating revenue in each segment in the text includes inter-segment internal revenues and transfers.

(Million yen)

Business segment	Nine months ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	Year-on-year (%)
Leasing business	68,330	105.6
Residential business	28,985	104.2
Total operating revenue in the reported segments	97,316	105.2
Other	12,830	103.8
Eliminations	(4,417)	—
Total	105,728	104.4

(Note1) The numbers do not include consumption tax. Operating revenue in each segment includes 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		Nine months ended December 31, 2014	Nine months ended December 31, 2015
Office/Commercial	Operating revenue	60,144	64,516
	Rentable area	1,179,597 m^2 (Of the above, sub-leases: 28,901m^2)	1,211,517 m^2 (Of the above, sub-leases: 65,967 m^2)
Residential/Other	Operating revenue	4,532	3,814
Total operating revenue		64,676	68,330

(Note1) "Rentable areas" figures are as of the end of December 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	December 2014	March 2015	June 2015	September 2015	December 2015
Five wards of central Tokyo	2.9%	14.7% 1.7%	14.2% 2.2%	10.8% 1.3%	9.2% 1.3%
Nationwide	6.7%	10.9% 6.2%	10.5% 6.1%	8.7% 5.3%	7.5% 4.6%

(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.

(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			Nine months ended December 31, 2014		Nine months ended December 31, 2015	
			Units/Lots	Operating revenue (million yen)	Units/Lots	Operating revenue (million yen)
Condominiums						
	Units delivered	Tokyo metropolitan area	363	18,741	479	20,520
		Other regions	223	8,281	168	7,616
	Completed in inventories		161	—	368	—
Residential Lots, etc.						
	Units/Lots delivered	Tokyo metropolitan area	2	50	1	151
		Other regions	43	739	35	696
	Completed in inventories		40	—	62	—
Residential (Condominiums/Residential Lots, etc.)						
	Units/Lots delivered	Tokyo metropolitan area	365	18,792	480	20,672
		Other regions	266	9,021	204	8,312
	Completed in inventories		201	—	430	—
Other						
	Units/Lots delivered	Tokyo metropolitan area	—	—	—	—
		Other regions	—	—	—	—
	Completed in inventories		—	—	—	—
Operating revenue			—	27,813	—	28,985

(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 December of each fiscal year. The condominiums completed in inventories for the nine months ended December 31, 2014 and for the nine months ended December 31, 2015 include 23 units and 73 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 nine months ended December 31, 2014 and for the nine months ended December 31, 2015 include 31 lots and 55 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 nine months ended December 31, 2015 were delivered through a portion sale of land.

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

(5) Facilities

Major changes to the Group's main facilities during the nine months ended December 31, 2015 are as follows.

The following facility was sold during the nine months ended December 31, 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

(Note 1) The property was sold in May 2015. The book value is as of April 30, 2015.

(Note 2) 60% of the trust beneficiary rights were sold.

(6) 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.

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

The Company raised funds primarily through borrowings from financial institutions during the nine months ended December 31, 2015 in response to capital needs, including the repayment of borrowings, operating funds, and investments.

(8) 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 December 31, 2015	Number of shares issued on the date of the submission (February 3, 2016)	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 October 1, 2015 to December 31, 2015	—	329,120,000	—	48,760	—	34,109

(6) Major shareholders

There are no items to state as the quarter under review is the third quarter.

(7) Voting rights

Since the Company cannot confirm the contents of the shareholder register as of December 31, 2015, it cannot describe voting rights as of that date. The Company describes voting rights based on the shareholder register as of the latest base date (September 30, 2015) instead.

(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
Executive Vice President	Commercial Business Headquarters, Hotel and Resort Business Department, Design Management Office (CDO), Global Business	Executive Vice President	Commercial Business, Global Business	Masayuki Kusumoto	October 1, 2015
Senior Vice President	Residential Business Headquarters	Senior Vice President	Residential Business	Akiyoshi Kitamura	October 1, 2015
Senior Vice President	General Affairs	Senior Vice President	General Affairs, Real Estate Investment Department	Yoshihito Kichijo	November 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 December 31, 2015 (from October 1, 2015 to December 31, 2015) and for the nine months ended December 31, 2015 (from April 1, 2015 to December 31, 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)	Nine months ended December 31, 2015 (As of December 31, 2015)
Assets		
Current assets		
Cash and deposits	17,891	18,134
Notes and operating accounts receivable	5,569	4,815
Real estate for sale	33,361	35,160
Real estate for sale in progress	59,987	87,764
Costs on uncompleted construction contracts	169	313
Raw materials and supplies	52	51
Lease investment assets	3,837	3,785
Deposits paid	2,412	504
Deferred tax assets	1,075	979
Other	4,189	6,039
Allowance for doubtful accounts	(35)	(9)
Total current assets	128,512	157,538
Non-current assets		
Property, plant and equipment		
Buildings and structures	714,920	712,648
Accumulated depreciation	(392,856)	(400,559)
Buildings and structures (net)	322,063	312,088
Machinery, equipment and vehicles	13,593	13,361
Accumulated depreciation	(11,777)	(11,803)
Machinery, equipment and vehicles (net)	1,815	1,557
Land	505,999	507,210
Lease assets	347	320
Accumulated depreciation	(219)	(220)
Lease assets (net)	128	100
Construction in progress	2,212	7,845
Other property, plant and equipment	15,486	15,288
Accumulated depreciation	(12,913)	(13,009)
Other property, plant and equipment (net)	2,573	2,278
Total property, plant and equipment	834,792	831,080
Intangible assets	24,556	25,430
Investments and other assets		
Investment securities	22,841	25,842
Long-term prepaid expenses	15,635	15,217
Net defined benefit asset	396	409
Deferred tax assets	354	404
Other	6,131	6,204
Total investments and other assets	45,359	48,079
Total non-current assets	904,708	904,590
Total assets	1,033,220	1,062,129

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Nine months ended December 31, 2015 (As of December 31, 2015)
Liabilities		
Current liabilities		
Notes and operating accounts payable–trade	8,473	4,194
Short-term loans payable	—	60,917
Lease obligations	48	44
Current portion of long-term loans payable	53,200	31,293
Current portion of bonds	—	19,999
Income taxes payable	2,684	659
Deferred tax liabilities	405	402
Other	34,062	35,706
Total current liabilities	98,874	153,218
Non-current liabilities		
Bonds payable	130,968	110,974
Long-term loans payable	363,020	370,702
Lease obligations	123	93
Lease and guarantee deposits received	68,715	68,752
Negative goodwill	21,286	23,430
Deferred tax liabilities	59,555	59,622
Provision for directors' retirement benefits	23	24
Net defined benefit liability	6,335	6,573
Asset retirement obligations	3,267	3,338
Other	35,407	21,765
Total non-current liabilities	688,704	665,277
Total liabilities	787,579	818,495
Net assets		
Shareholders' equity		
Capital stock	48,760	48,760
Capital surplus	34,109	31,648
Retained earnings	108,264	109,765
Treasury shares	—	(0)
Total shareholders' equity	191,134	190,173
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,837	2,550
Deferred gains or losses on hedges	—	(37)
Foreign currency translation adjustment	6,429	5,489
Remeasurements of defined benefit plans	509	461
Total accumulated other comprehensive income	9,776	8,463
Non-controlling interests	44,730	44,996
Total net assets	245,641	243,633
Total liabilities and net assets	1,033,220	1,062,129

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

(Quarterly consolidated Statements of Income)

(Nine month ended December 31, 2014 and 2015)

(Million yen)

	Nine months ended December 31, 2014 (From April 1, 2014 to December 31, 2014)	Nine months ended December 31, 2015 (From April 1, 2015 to December 31, 2015)
Operating revenue	101,251	105,728
Operating cost	72,157	75,383
Operating gross profit	29,093	30,345
Selling, general and administrative expenses	11,762	12,440
Operating income	17,330	17,904
Non-operating income		
Interest income	17	8
Dividends income	73	93
Amortization of negative goodwill	1,335	1,444
Equity in earnings of affiliates	73	253
Other	124	114
Total non-operating income	1,624	1,915
Non-operating expenses		
Interest expenses	4,751	4,481
Other	230	39
Total non-operating expenses	4,982	4,521
Ordinary income	13,972	15,298
Extraordinary income		
Gain on sales of non-current assets	379	382
Other	—	13
Total extraordinary income	379	395
Extraordinary loss		
Loss on sales of non-current assets	—	1,759
Loss on retirement of non-current assets	632	705
Impairment loss	—	1,043
Total extraordinary losses	632	3,507
Income before income taxes and minority interests	13,719	12,186
Total income taxes	4,053	3,155
Profit	9,665	9,030
Profit attributable to non-controlling interests	1,043	1,145
Profit attributable to owners of parent	8,622	7,885

(Quarterly consolidated statements of comprehensive income)
(Nine month ended December 31, 2014 and 2015)

(Million yen)

	Nine months ended December 31, 2014 (From April 1, 2014 to December 31, 2014)	Nine months ended December 31, 2015 (From April 1, 2015 to December 31, 2015)
Profit	9,665	9,030
Other comprehensive income		
Valuation difference on available-for-sale securities	1,207	(286)
Deferred gains or losses on hedges	—	(37)
Foreign currency translation adjustment	613	(940)
Remeasurements of defined benefit plans	(27)	(48)
Total other comprehensive income	1,792	(1,312)
Comprehensive income	11,458	7,717
(Breakdown)		
Comprehensive income attributable to owners of parent	10,415	6,572
Comprehensive income attributable to non-controlling interests	1,043	1,145

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 April 1, 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 the nine months ended December 31, 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 nine months ended December 31, 2015, Operating income increased by ¥90 million, and ordinary income and income before tax increased by ¥199 million respectively.

(Quarterly consolidated statement of cash flows)

The consolidated statement of cash flows for the nine months ended December 31, 2015 has not been prepared. Depreciation and amortization (including the depreciation and amortization of intangible assets other than goodwill) and the amortization of goodwill and negative goodwill for the nine months ended December 31, 2015 are as follows:

(Million yen)

	Nine months ended December 31, 2014 (From April 1, 2014 to December 31, 2014)	Nine months ended December 31, 2015 (From April 1, 2015 to December 31, 2015)
Depreciation and amortization	17,361	17,976
Amortization of goodwill	98	8
Amortization of negative goodwill	1,335	1,444

(Shareholders' equity)

I. Nine months ended December 31, 2014 (from April 1, 2014 to December 31, 2014)

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
Board of Directors meeting held on November 6, 2014	Common stocks	2,632	Retained earnings	8	September 30, 2014	December 1, 2014

II. Nine months ended December 31, 2015 (from April 1, 2015 to December 31, 2015)

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
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. Nine months ended December 31, 2014 (from April 1, 2014 to December 31, 2014)

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

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in consolidated financial statement (Note 3)
	Leasing	Residential	Total				
Operating revenue							
(1) Operating revenue to third parties	63,980	27,809	91,790	9,460	101,251	—	101,251
(2) Inter-segment internal revenues and transfers	695	4	700	2,900	3,600	(3,600)	—
Total	64,676	27,813	92,490	12,361	104,851	(3,600)	101,251
Segment profits	17,022	3,083	20,106	1,006	21,112	(3,781)	17,330

(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 -¥3,781 million in segment profits includes elimination of inter-segment transactions of ¥21 million and company-wide expenses of -¥3,803 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. Nine months ended December 31, 2015 (from April 1, 2015 to December 31, 2015)

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

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in consolidated financial statement (Note 3)
	Leasing	Residential	Total				
Operating revenue							
(1) Operating revenue to third parties	67,667	28,980	96,647	9,081	105,728	—	105,728
(2) Inter-segment internal revenues and transfers	663	4	668	3,749	4,417	(4,417)	—
Total	68,330	28,985	97,316	12,830	110,146	(4,417)	105,728
Segment profits	17,250	3,922	21,172	984	22,156	(4,252)	17,904

(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 -¥4,252 million in segment profits includes elimination of inter-segment transactions of ¥7 million and company-wide expenses of -¥4,260 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
(Significant Asset Impairment Losses)

(Million yen)

	Leasing business	Residential business	Other	Eliminations	Total
Impairment losses	1,043	—	—	—	1,043

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 nine months ended December 31, 2015, increased by ¥89 million and ¥0 million, respectively.

(Per-share information)

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

	Nine months ended December 31, 2014 (From April 1, 2014 to December 31, 2014)	Nine months ended December 31, 2015 (From April 1, 2015 to December 31, 2015)
Net income per share	¥26.20	¥23.96
(Basis for calculation)		
Profit attributable to owners of parent (million yen)	8,622	7,885
Amount not attributable to common stockholders (million yen)	―	―
Profit attributable to owners of parent relating to common stock (million yen)	8,622	7,885
Average number of shares during the period	329,120,000	329,119,979

(Note) 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