

The figures for these Financial Statements are prepared in accordance with accounting principles generally accepted in Japan. Accordingly, they do not necessarily match the figures in the Annual Report issued by the Company, which present the same statements in a form that is more familiar to foreign readers through certain reclassifications or summarization of accounts. This English text is a translation of the Japanese original. The original is authoritative.

SUMMARY OF FINANCIAL STATEMENTS (Consolidated) For the Fiscal Year Ended March 31, 2016

May 11, 2016

NTT URBAN DEVELOPMENT CORPORATION

Stock Exchange: Tokyo Stock Exchange

Code Number: 8933

URL: <http://www.nttud.co.jp/english/>

Representative: Sadao Maki, President and Chief Executive Officer

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Scheduled date of the ordinary general meeting of shareholders: June 21, 2016

Scheduled date for commencing payment of dividend: June 22, 2016

Scheduled date of submission of the annual securities report: June 22, 2016

Supplementary documents for financial results: Yes

Financial results briefing: Yes (for institutional investors and analysts)

(Note that all amounts have been rounded down to the nearest million yen, unless otherwise specified.)

1. Consolidated Financial Results (April 1, 2015 through March 31, 2016)

(1) Consolidated Results of Operations

(Figures in percentages denote the year-on-year change)

	Operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2016	183,016	20.4	37,771	52.1	33,832	65.9	16,557	2.0
Year ended March 31, 2015	152,052	(19.6)	24,836	(18.5)	20,395	(18.0)	16,235	43.1

(Note) Comprehensive income: Year ended March 31, 2016: 16,399 million yen (30.7) %

Year ended March 31, 2015: 23,671 million yen 45.5%

	Net income per share	Net income per share (fully diluted)	Return on equity	Ratio of ordinary income to total assets	Operating income margin
	Yen	Yen	%	%	%
Year ended March 31, 2016	50.31	—	8.2	3.3	20.6
Year ended March 31, 2015	49.33	—	8.4	2.0	16.3

(Reference) Equity in earning of affiliates Year ended March 31, 2016: 251 million yen

Year ended March 31, 2015: 45 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Ratio of shareholders' equity to assets	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2016	1,033,557	251,905	19.9	626.02
As of March 31, 2015	1,033,220	245,641	19.4	610.45

(Reference) Shareholders' equity: As of March 31, 2016: 206,034 million yen

As of March 31, 2015: 200,910 million yen

(3) Consolidated Cash Flows

	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 and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2016	17,430	(14,570)	(6,781)	16,106
Year ended March 31, 2015	36,988	(67,778)	31,777	20,153

2. Dividends

	Dividends per share					Total amount of dividends (annual)	Payout ratio (consolidated)	Dividends on equity (consolidated)
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	Year end	Annual			
	Yen	Yen	Yen	Yen	Yen			
Year ended March 31, 2015	—	8.00	—	8.00	16.00	5,265	32.4	2.7
Year ended March 31, 2016	—	8.00	—	9.00	17.00	5,595	33.8	2.8
(Forecast) Year ending March 31, 2017	—	9.00		9.00	18.00		34.8	

3. Forecast of Consolidated Financial Results (April 1, 2016 through March 31, 2017)

(Figures in percentages denote the year-on-year change)

	Operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
Annual	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	190,000	3.8	31,000	(17.9)	28,000	(17.2)	17,000	2.7	51.65

* Notes

(1) Important Changes in Subsidiaries during the Fiscal Year

(Changes in specified subsidiaries resulting in change in scope of consolidation): Applicable

New: NS Boston Holdings II LLC, NS Two Oliver LLC

Exception: –

(2) Changes in accounting principles and changes or restatement of accounting estimates

(i) Changes in accounting principles due to amendment of accounting standards, etc.: Applicable

(ii) Changes in accounting principles other than (i): Not applicable

(iii) Changes in accounting estimates: Not applicable

(iv) Restatement: Not applicable

For more details, see “5. Consolidated Financial Statements, Notes to Consolidated Financial Statements (Changes in Accounting Principles)” on page 27.

(3) Number of Shares Outstanding (Common Stock)

(i) Total number of shares outstanding (including treasury stock) as of the end of each period:

As of March 31, 2016: 329,120,000 shares

As of March 31, 2015: 329,120,000 shares

(ii) Total number of treasury stock as of the end of each period:

As of March 31, 2016: 77 shares

As of March 31, 2015: – shares

(iii) Average number of issued shares for each period:

As of March 31, 2016: 329,119,966 shares

As of March 31, 2015: 329,120,000 shares

(For reference) Outline of Non-consolidated Financial Results

1. Non-consolidated Financial Results (April 1, 2015 through March 31, 2016)

(1) Non-consolidated results of Operations

(Figures in percentages denote the year-on-year change)

	Operating revenue		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2016	160,626	21.7	34,155	56.4	29,043	79.2	12,372	16.0
Year ended March 31, 2015	132,013	(21.7)	21,832	(19.3)	16,208	(21.7)	10,668	5.7

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
Year ended March 31, 2016	37.59	–
Year ended March 31, 2015	32.41	–

(2) Non-consolidated Financial Position

	Total assets	Net assets	Ratio of shareholders' equity to assets	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2016	793,489	174,143	21.9	529.12
As of March 31, 2015	806,545	166,871	20.7	507.02

(Reference) Shareholders' equity: As of March 31, 2016: 174,143 million yen
As of March 31, 2015: 166,871 million yen

(Status of auditing procedures)

This summary of financial statements is not subject to audit procedures under the Financial Instruments and Exchange Act. Audit procedures for consolidated financial statements are being performed at the time of disclosing this summary of financial statements.

(Cautionary note regarding use of the Forecast of Financial Results, and other special notations)

Descriptions regarding the future, such as the forecast of financial results herein, are calculated based on information that is available to the Company as of the date hereof and that the Company considers reasonable, and the Company makes no warranty as to the achievement of the descriptions. Please note that actual results may differ materially from forecasts due to various factors. For assumptions underlying the forecasts and notes to the forecasts, refer to 1. Analysis of Operating Results and Financial Position, (1) Analysis of Operating Results on page 2.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

(Operating results in the fiscal year ended March 31, 2016)

During the fiscal year under review, the Japanese economy continued to follow a moderate recovery trend, albeit with continued weakness. Looking ahead, the economy is expected to continue to recover modestly, reflecting the ongoing improvements in the employment and income environments, thanks partly to government policies. However, concerns remain in overseas economies, and weaker-than-expected economies in emerging countries in Asia, including China and resource-rich countries, could place downward pressure on the Japanese economy. Given these conditions, attention needs to be paid to rising uncertainty over political and economic situations overseas and the effects of negative interest rates adopted by the Bank of Japan and changes in the financial and capital markets.

In the office leasing market, the vacancy rate continued to improve, and market rents have bottomed out, with some rents showing an upward trend. In the condominium sales market, sales remained generally firm, despite concerns about the adverse effects of data manipulation problems in piling works of some condominiums.

In this environment, the Company and its subsidiaries (collectively, the Group) operated their business steadily, aiming for sustainable growth based on the Group's Medium-Term Vision 2018 – For Further Growth. In the leasing business, revenue and income increased, mainly due to a rise in rent income associated with the improved vacancy rate of existing buildings and the sales of buildings. In the residential property sales business, revenue and income also increased, primarily reflecting the contribution of high-end properties in central Tokyo.

As a consequence, operating revenue amounted to ¥183,016 million (up ¥30,964 million, or 20.4% year on year). Operating income was ¥37,771 million (up ¥12,934 million, or 52.1%), and ordinary income was ¥33,832 million (up ¥13,437 million, or 65.9%). Profit attributable to owners of parent was ¥16,557 million (up ¥322 million, or 2.0%).

The table below shows operating revenue by business segment in the fiscal year ended March 31, 2016. Operating revenue in each segment in the text includes inter-segment internal revenues and transfers.

(Million yen)

Business segment	Year ended March 31, 2015	Year ended March 31, 2016
Leasing	91,739	120,966
Residential property sales	46,626	48,865
Total operating revenue in reported segments	138,366	169,832
Other	18,825	19,600
Eliminations	(5,140)	(6,416)
Total	152,052	183,016

(Note 1) The numbers do not include consumption tax. Operating revenue of each segment include inter-segment internal revenues and transfers.

(Note 2) "Eliminations" refers to internal revenues and transfers duplicated in more than one segment.

1) Leasing Business

In the leasing business, the Company worked to acquire new properties, including Shinagawa Season Terrace (Minato-ku, Tokyo), and improve the vacancy rate of existing properties.

Operating revenue increased ¥29,226million, or 31.9% year on year, to ¥120,966 million, mainly due to the contribution of new properties, the improved vacancy rate of existing buildings and the expansion in sales of property. Operating income rose ¥13,155 million, or 55.8%, to ¥36,722 million, reflecting an improvement in revenue and expenditure of existing buildings and property sales, despite an increase in costs such as depreciation due to the completion of new buildings.

In the fiscal year under review, Urbannet Nihonbashi 2-Chome Building (Chuo-ku, Tokyo) and Urbannet Ginza 1-Chome Building (Chuo-ku, Tokyo), among others, were completed, and contracts have been settled on all the floors in the both buildings. Ongoing development projects include Otemachi 2-Chome Area Urban Redevelopment Project Type 1 Building A (Chiyoda-ku, Tokyo). For the hotel business for which demand is increasing, the Company strengthened its efforts for small luxury hotels based on the business alliance with Hiramatsu Inc. as well as measures for Universal City Station Project (Osaka-shi, Osaka) and Shinpukan Redevelopment Project (Kyoto-shi, Kyoto), etc.

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

(Million yen)

Classification		Year ended March 31, 2015	Year ended March 31, 2016
Office/Commercial	Operating revenue	80,083	98,047
	Rentable area	1,248,926 m ² (Of the above, sub-leases: 65,967 m ²)	1,134,869m ² (Of the above, sub-leases: 99,140 m ²)
Residential/Other	Operating revenue	11,656	22,918
Total		91,739	120,966

(Note 1) "Rentable area" figures are as of the end of March.

(Note 2) The rentable area of sub-leases does not include the area of sub-leases that have been agreed upon between the Company and its consolidated subsidiaries.

The table below shows the vacancy rate of the Group by area.

Classification	March 2015	June 2015	September 2015	December 2015	March 2016 (Note 5)
Five wards of central Tokyo	14.7%	14.2%	10.8%	9.2%	6.3%
	1.7%	2.2%	1.3%	1.3%	2.1%
Nationwide	10.9%	10.5%	8.7%	7.5%	5.7%
	6.2%	6.1%	5.3%	4.6%	4.1%

(Note 1) The numbers above are vacancy rates as of the end of each month.

(Note 2) 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.

(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.

(Note 5) For new buildings, the leased floors counted on contract base.

The NOI for the fiscal year ended March 31, 2016 was ¥48,170 million (up ¥660 million, or 1.4% year on year). In the Tokyo metropolitan area, NOI increased to ¥27,555 million (up ¥1,432 million, or 5.5% year on year) due to increase in rent revenue from existing buildings as a result of improve in vacancy rate. In other regions, including overseas, NOI came to ¥20,615 million (down ¥772 million, or 3.6% year on year) due to decline in revenue from existing buildings as a result of sale of properties, although increase in revenue from the newly acquired properties overseas.

(Note) The formula for calculating NOI (net operating income) is as follows:

(NOI = Property rental income – Property rental costs + Depreciation expenses (including prepaid long-term expenses))

NOI by area and use is as follows

(Million yen)

Area	Year ended March 31, 2015			Year ended March 31, 2016		
	Total	Office/ Commercial	Residential/ Other	Total	Office/ Commercial	Residential/ Other
Five wards of central Tokyo		22,170			23,389	
Tokyo metropolitan area (excluding five wards of central Tokyo)	26,122	2,663	1,289	27,555	2,660	1,504
Other regions	21,387	19,254	2,132	20,615	18,675	1,939
Total	47,509	44,088	3,421	48,170	44,725	3,444

(Note 1) Five wards of central Tokyo are Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku, and Shinjuku-ku.

(Note 2) Tokyo metropolitan area (excluding Five wards of central Tokyo) are Tokyo excluding the Five central wards, and Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

2) Residential Property Sales Business

In the residential property sales business, sales remained generally firm and both the number of condominiums delivered (1,054 units) and the average per-unit price (¥41 million) remained almost unchanged from the previous fiscal year, despite a rise in sales prices associated with higher construction costs and concerns about the adverse effects of data manipulation problems in the piling works of some condominiums

Operating revenue amounted to ¥48,865 million ((up ¥2,239 million, or 4.8% year on year) in the fiscal year under review. Operating income stood at ¥5,074 million, an increase of ¥669 million, or 15.2%, thanks to the impact of highly profitable properties in central Tokyo such as Wellith Ginza 2-Chome.

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

Classification		Year ended March 31, 2015		Year ended March 31, 2016	
		Units/Lots	Operating revenue (million yen)	Units/Lots	Operating revenue (million yen)
Condominiums					
Units delivered	Tokyo metropolitan area	503	24,368	621	28,664
	Other regions	576	21,036	433	18,252
Completed in inventories		219	–	470	–
Residential Lots, etc.					
Units/Lots delivered	Tokyo metropolitan area	2	50	18	618
	Other regions	69	1,169	67	1,330
Completed in inventories		19	–	47	–
Residential (Condominiums/ Residential lots, etc.)					
Units/Lots delivered	Tokyo metropolitan area	505	24,419	639	29,282
	Other regions	646	22,206	500	19,583
Completed in inventories		238	–	517	–
Other					
Units/Lots delivered	Tokyo metropolitan area	–	–	–	–
	Other regions	–	–	–	–
Completed in inventories		–	–	–	–
Operating revenue		–	46,626	–	48,865

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

(Note2) "Completed in inventories" figures are as of the end of each fiscal year. The condominiums completed in inventories for the fiscal year ended in March 2015 and the fiscal year ended in March 2016 include 25 units and 38 units, respectively, for which a contract has been completed but ownership has not yet been transferred. The residential lots completed in inventories for the fiscal year ended in March 2015 and the fiscal year ended in March 2016 include 16 lots and 29 lots, respectively, for which a contract has been completed but ownership has not yet been transferred.

(Note3) 1 lots (worth ¥151 million) of residential lots delivered for the fiscal year ended March 2016 were delivered through a sale of land.

(Note4) Tokyo metropolitan area includes Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

3) Other Business

Operating revenue in other business in the fiscal year under review increased ¥774 million, or 4.1% year on year, to ¥19,600 million, and operating income declined ¥285 million, or 11.5%, to ¥2,199 million chiefly due to a fall in consulting revenue.

(Forecast for the fiscal year ending March 2017)

The Company expects to post operating revenue of ¥190.0 billion, operating income of ¥31.0 billion, ordinary income of ¥28.0 billion, and profit attributable to owners of parent of ¥17.0 billion in the fiscal year ending March 31, 2017. Aiming to acquire new properties and developments, the Company plans to carry out capital expenditure of ¥60.0 billion for acquisition and development of new properties.

The following is the outlook for each business segment in the fiscal year ending March 2017:

1) Leasing Business

In the office leasing market, the office building vacancy rate continues to improve, and rent levels are also gradually showing signs of improvement.

The Company is endeavoring to strengthen its sales capabilities, including the reinforcement of relationships with existing tenants, and boost the competitiveness of existing buildings by enhancing their ability to accommodate the business continuity plans (BCP) of flagship buildings and improving the efficiency of building management operations. In response to increasing consumption linked to inbound tourism, the Company will strengthen its revenue base by developing a new business model for hotels in central Tokyo, Osaka and Kyoto, etc., mixed-use property development and regional redevelopment projects.

2) Residential Property Sales Business

In the condominium sales market, although the number of condominiums released in the Tokyo metropolitan area in 2015 (January through December) declined about 10% from 2014, the average sales price increased about 9% from 2014, to approximately ¥55 million.

The Company will provide dependable condominiums of high quality and will continue working to strengthen and expand its business by entering into markets for serviced senior housing and used house renovation in cooperation with the NTT Group.

3) Other

As a new exit for properties developed by the Company, the Group intends to implement a reclassification of assets by creating a As a new exit for properties developed by the Company, the Group created a private REIT in February 2016 to implement the reclassification of assets. It is also striving to expand the fee business such as in the property management (PM) business.

The consolidated financial results forecast for the fiscal year ending March 31, 2017 is as follows;

Consolidated Earnings Forecast for the fiscal year ending March 31, 2017 (Million yen)

Item	Year ended March 31, 2016	Year ending March 31, 2017	Change	Rate of change (%)
Operating revenue	183,016	190,000	6,983	3.8
Operating income	37,771	31,000	(6,771)	(17.9)
Ordinary income	33,832	28,000	(5,832)	(17.2)
Profit attributable to owners of parent	16,557	17,000	442	2.7

Consolidated Segment Forecast for the fiscal year ending March 31, 2017 (Million yen)

Item	Year ended March 31, 2016	Year ending March 31, 2017	Change	Rate of change (%)
Operating revenue	183,016	190,000	6,983	3.8
Leasing	120,966	114,000	(6,966)	(5.8)
Residential property sales	48,865	62,000	13,134	26.9
Other	19,600	18,000	(1,600)	(8.2)
Eliminations	(6,416)	(4,000)	2,416	—
Operating income	37,771	31,000	(6,771)	(17.9)
Leasing	36,722	31,000	(5,722)	(15.6)
Residential property sales	5,074	5,000	(74)	(1.5)
Other	2,199	1,500	(699)	(31.8)
Eliminations/Corporate	(6,225)	(6,500)	(274)	—

(Note1) From FY 2016, all method of depreciation and amortization for property, plant and equipment will change to the straight-line method.

(Note2) Forward-looking statements in this section are based on judgments of the Group as of the date of the submission.

(2) Analysis of Financial Position

1) Consolidated Balance Sheets

(Assets)

Total assets at the end of the fiscal year ended March 2016 was ¥1,033,557 million, up ¥336 million from the end of the fiscal year ended March 2015.

Current assets stood at ¥178,110 million, rising ¥49,598 million from the end of the fiscal year ended March 2015. This result was attributable to an increase of 47,761 million in inventories as a result of progress in acquisition of residential business.

Non-current assets amounted to ¥855,447 million, down ¥49,261 million from the end of the fiscal year ended March 2015. This decrease reflected declines in assets chiefly due to the sales of properties (¥44,860 million) as a result of asset replacement and depreciation (¥21,834 million), offsetting the acquisition of assets for ¥40,127 million as a result of the investment in oversea properties and new development properties.

(Liabilities)

Total liabilities at the end of the fiscal year ended March 2016 was ¥781,651 million, down ¥5,927 million from the end of the fiscal year ended March 2015. The main factors included a decrease of ¥7,146 million in accounts payable of construction cost included in "Others" of current and non-current liabilities.

Interest-bearing debts was ¥546,021 million and stood at almost same level as the end of fiscal year ended March 2015 (down ¥1,167 million). Net interest-bearing debt, interest-bearing debt less cash and cash equivalents, etc., was ¥529,854 million and also stood at almost same level as the end of fiscal year ended March 2015 (up ¥2,928 million).

(Net assets)

Net assets at the end of the fiscal year ended March 2016 was ¥251,905 million, up ¥6,264 million from the end of the fiscal year ended March 2015. This reflected increase in shareholders' equity (¥7,711 million) and minority interests (¥1,140 million) and decline of accumulated other comprehensive income (¥2,588 million).

(Million yen)

	As of March 31, 2015	As of March 31, 2016	Change
Assets	1,033,220	1,033,557	336
Liabilities	787,579	781,651	(5,927)
Net assets	245,641	251,905	6,264
(Restated) Minority interests	44,730	45,871	1,140

2) Consolidated Cash Flows

The following is an explanation on the situation and factors for each category of cash flow for the fiscal year ended March 2016.

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

Cash flow in operating activities was a cash-in of ¥17,430 million (down ¥19,557 million from the fiscal year ended March 2015). This mainly reflected a cash-out of ¥29,294 million (expand ¥21,288 million from the fiscal year ended March 2015) due to an increase in inventories, offsetting a cash-in of ¥47,034 million (up ¥4,690 million from the fiscal year ended March 2015) attributable to income before income taxes and minority interests and depreciation.

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

Cash flow in investing activities was a cash-out of ¥14,570 million (shrinking ¥53,208 million from the fiscal year ended March 2015). This result was attributable to a cash-out with purchase of property, plant and equipment (¥47,400 million, down ¥27,234 million from the fiscal year ended March 2015) and a cash-out with acquisition of investment securities (¥6,764 million, up ¥6,052 million from the fiscal year ended March 2015), while there was a cash-in from sales of property, plant and equipment (¥41,519 million, up ¥34,915 million from the fiscal year ended March 2015).

(Free cash flow)

Free cash flow was a cash-in of ¥2,860 million (up ¥33,650 million, compared to a cash-out of ¥30,789 million in the fiscal year ended March 2015).

*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-out of ¥6,781 million (shrinking ¥38,558 million, compared to a cash-in of ¥31,777 million in the fiscal year ended March 2015). This was largely a reflection of cash dividends paid (¥5,266 million).

As a result, cash and cash equivalents at the end of the fiscal year ended March 2016 was ¥16,106 million, decreasing ¥4,046 million from the end of the fiscal year ended March 2015.

(Million yen)

Item	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Net cash provided by (used in) operating activities	3,704	48,089	51,870	36,988	17,430
Net cash provided by (used in) investing activities	(23,033)	(39,885)	(37,962)	(67,778)	(14,570)
Net cash provided by (used in) financing activities	12,650	(6,660)	(8,656)	31,777	(6,781)

3) Trends in cash flow-related data

Item	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Equity ratio (%)	17.9	18.7	18.8	19.4	19.9
Value-based equity ratio (%)	23.9	38.9	32.5	38.3	35.1
Interest-bearing debt to cash flows (years)	136.5	10.5	9.8	14.8	31.3
Interest coverage ratio (times)	0.5	6.2	7.3	5.8	2.9

Equity ratio: Shareholders' equity / Total assets

Value-based equity ratio: Market capitalization / Total assets

Interest-bearing debt to cash flows: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

* All of the above are consolidated financial data.

* Interest-bearing debt denotes liabilities bearing interest (excluding lease obligations) of the liabilities posted on the consolidated balance sheets.

* Cash flows and interest payments are net cash provided by (used in) operating activities and interest expenses paid posted on the Consolidated Statements of Cash Flows, respectively.

(3) Basic Dividend Policy and Dividends for Fiscal Years Ended March 2016 and Ending March 2017

In addition to increasing corporate value over the medium- and long-term, the Company has identified the return of profits to shareholders as an important management goal. In determining the level of dividends, the company, while giving consideration to stability and sustainability, takes into account a full range of factors, including business performance, financial standing and dividend payout ratio.

For the fiscal year ended March 31, 2016, the Company plans to pay an annual dividend of ¥17 per share. In addition to the interim dividend of ¥8 per share, increasing ¥1 per share, the year-end dividend will be ¥9 per share.

For the fiscal year ending March 31, 2017, increasing ¥1 per share from the fiscal year ended March 31, 2016, the Company plans to pay an annual dividend of ¥18 per share.

Consolidated payout ratio of the fiscal year ended March 31, 2016 and the fiscal year ending March 31, 2017 is 33.8% (plan) and about 34.8% (forecast), respectively.

While maintaining a good financial standing and considering capital efficiency, the Company intends to use internal funds for investments in new business opportunities, etc.

(4) Operating Risks

The following principal categories of business risks and other risks in Japan and overseas affecting the NTT Urban Development Group's businesses may have a material impact on investment decisions. Although the risks below are those currently recognized by the NTT Urban Development Group, it is not necessarily an exhaustive list of risks. These risk categories are presented in the interests of information disclosure to investors and should be given due importance in investment decisions or when construing the Company's business activities. The Group manages the operating risks under its risk management regulations. The forward-looking statements included in the following reflect judgments by the Group as of the date of submission of this document.

[General Risk]

i) Leasing Business Risk

In the fiscal year ended March 31, 2016, the leasing business accounted for 63.9% of consolidated operating revenue. The leasing business tends to be susceptible to changes in the operating environment, and the Company is considering action against falls in rents and an increase in vacancies, assuming business trends over the medium and long terms. However, a worsening supply-demand situation in the real estate market could cause vacancies to increase and the leasing rate to decline, which could substantially affect the operating performance of the NTT Urban Development Group. Moreover, changes in the financial status of the Group's major tenants, the departure of a major tenant, or changes in the conditions of property use could have repercussion for the overall occupancy rate of Group properties and consequently could significantly affect business real estate revenues.

ii) Residential Property Sales Business Risk

The deterioration of the condominium market because of intensifying competition among sellers, rising interest rates for housing loans, and a downturn in consumer sentiment caused by elevating sales prices accompanying soaring land prices and construction costs could cause decreases in sales in relation to a prolonged selling process in the residential property sales business and increases in inventories, which could affect the Group's business performance.

iii) Asset Devaluation Risk

In fiscal 2005, the Company adopted impairment loss accounting for business real estate based on the "Opinion Regarding Accounting Standard for Impairment of Fixed Assets" issued by the Corporate Accounting Standards Committee on August 9, 2002. In fiscal 2008, the Company applied the "Accounting Standards for Measurement of Inventories" (ASBJ Statement No. 9 on July 5, 2006). A substantial deterioration of the real estate market could necessitate the recording of impairment losses of the properties for the leasing business and the revaluation of the inventory assets maintained for the residential property sales business, and this in turn could impact the Group's business performance.

The Group holds investment securities and other non-current assets and depreciation in the value of these assets from changes in economic and financial conditions in Japan and overseas could produce a revaluation loss that might impact the Group's business performance.

iv) Effects of Interest-Bearing Debt

The Group raised funds in Japan and overseas, and the balance of the consolidated interest-bearing debt, which reached ¥546,021 million at the end of the fiscal year under review, is basically raised at a fixed interest rate. A significant rise in the market interest rates could, therefore, affect the business development of the Group.

In addition, the Group's capital procurement activities could be hampered by instability in capital markets, credit limits extended by financial institutions, business failures (including payoffs) of such institutions, or downgrades in the Company's debt ratings and other factors.

v) Risks Concerning Establishment of and Revisions to Real Estate-Related and Other Laws, ordinances, and other regulations

The Group is subject to real estate-related laws and regulations, the Act on the Protection of Personal Information, and other laws and regulations, and revisions to these laws and the establishment of new laws could impact the Group's business performance.

vi) Risks Concerning Selection and Credit of Business Partner

The Company makes every effort to verify the credit standing of its business partners before entering into business relations. However, if unforeseen events lower a business partner's credit and the Company is unable to collect debts owed to the Company, an economic loss could result that could impact the Group's business performance.

Depending on the selection of contractors for construction work, scandals, trouble, and financial difficulties, among other factors, in contractors performing their operations could cause economic losses for the Group or the erosion of the Group's credibility, which in turn could affect the Group's performance. To prevent and avoid the risks, the Company has set up an internal committee to choose contractors that investigates the creditworthiness of contractors and their ability to complete construction and has established termination criteria should contractors fail to meet standard quality or delivery periods or cause incidents or accidents.

[Business Risk]

i) Risks Concerning Development Project Investment Decisions

The Company invests in quality properties for future development with the objective of further raising corporate value. Every effort is made to ensure the decisions to invest in new development projects which do not produce an economic loss or compromise society's trust in the Company. Relevant laws, rights, site conditions, market studies, and other subjects are thoroughly researched and verified. Construction plans and business revenue and expenditure plans are drawn up, and internal meetings are held to determine business viability. The final decisions to invest are made by the Board of Directors and other relevant groups. Despite careful preparation and consideration, fluctuations in demand arising from changes in the business climate or in the real estate market can reduce the profitability of investments and could impact the Group's business performance.

ii) Risks Concerning Sales Transactions, Construction Contracts, and Design and Construction

Inadequate contract documents, flawed contract stipulations or other deficiencies in sales transactions and construction contracts, as well as the lack of management in the design phase or the building construction, could produce an economic loss or liability for damages or compromise society's trust in the Company in a way that could impact the Company's business performance in the future. The Group seeks to prevent and avoid risks by checking contracts in advance, using contract check sheets.

iii) Risks Concerning Damage to and Deterioration of Buildings in Building Management Operations

The Group regularly inspects and maintains the buildings that it holds for leasing. However, damage to or deterioration in the buildings, or accidents resulting from the deterioration or failures of the buildings could lead to increases in the financial burden in association with complaints and accidents caused by them, liability for damage, the erosion of society's trust in the Group, renovations, and rebuilding and could impact the Group's business performance.

iv) Risks Concerning the Handling of Large-Scale Disasters in Building Management Operations

Risks including major earthquakes, floods or other natural disasters, or infectious diseases, fires, accidents or terrorist attacks could cause damage to, the loss of, or the deterioration of buildings the Group holds for leasing, or could interrupt the business operations of the Group, which in turn could affect the Group's performance. The Group will strive to minimize the damage and an economic loss at the time of disaster through business continuity management (BCM) activities, including preparations during normal times, in such a way as identifying the impact on tenants and the management of buildings based on damage estimates, developing an initial response system, action procedures, preparing disaster prevention tools, and implementing emergency drills.

[Relationships with Parent Company and its Group Companies]

i) Positioning of the Company in the corporate group centering on NTT Corporation (the NTT Group), etc.

NTT Urban Development is the only comprehensive real estate company in the NTT Group and manages its businesses independently, taking responsibility for the management. The Company consults its parent company Nippon Telegraph and Telephone Corporation (hereinafter “NTT”) about important issues and reports to NTT. However, NTT does not prevent the Company from making its own decisions or does not bind the Company’s decision making.

NTT owns 67.3% of the stock of the Company as of March 31, 2016 and holds rights as the majority shareholder of the Company under the Corporate Law.

ii) Business Relations with NTT Group

The Company and NTT have concluded an agreement relating to the management of the NTT Group to respect each other’s independence and autonomy and to maximize the profits of each NTT Group company by maximizing the profits of the overall NTT Group. Based on this agreement, the Company pays the Group operating and managing expenses. In exchange for this payment, NTT provides the Company with comprehensive services and benefits, including advice on a range of issues, the use of the NTT brand, and Group publicity. We believe it enhances the creditworthiness and reliability of the Company and gives the Company advantages in the execution of operations.

The Company has concluded a building lease agreement with the NTT Group and receives rent income from the Group. The Company determines rental prices for the NTT Group through mutual consultation, based on essentially the same conditions as those for general customers, considering market prices and prices for neighboring properties.

The table below shows the status of transactions between the Company and the NTT Group in the Leasing Business.

(Transactions with the NTT Group in the Leasing Business (Consolidated))

Item	Year ended March 31, 2015	Year ended March 31, 2016
Operating revenue in Leasing Business (Million yen)	91,739	120,966
Operating revenue from NTT Group (Million yen)	21,289	20,088
Operating revenue from NTT Group / Operating revenue in Leasing Business (%)	23.2	16.6

iii) Personnel Relationship with NTT Group

The Company accepts employees from other NTT Group companies not as employees on loan but as employees who have been transferred. The Company had an outside director and an outside corporate auditor from NTT as of the date of the submission of this summary. They have taken up their appointments at the request of the Company, and the Company makes management judgments independently.

(Concurrent officers)

Title	Name	Title in parent company or its group companies	Reason for appointment
Director	Koichi Takami	Senior Manager, Corporate Strategy Planning Department of Nippon Telegraph and Telephone Corporation	The Company appointed Mr. Takami and Mr. Takeda to gain access to broad management perspectives.
Corporate auditor	Harunobu Takeda	Senior Manager, Finance and Accounting Department of Nippon Telegraph and Telephone Corporation	

(Note) Of the 14 directors and four corporate auditors, only the two above hold a concurrent position at the parent company.

iv) Independence from the Parent Company and its Group Companies

As a company engaging in a nationwide real estate business as part of the NTT Group, the Company manages its businesses independently, taking responsibility for management. As stated in i), ii) and iii), we believe that the Company has a considerable degree of independence from the parent company.

2. Situation of the Corporate Group

The NTT Urban Development Group (NTT Urban Development and its affiliates) consists of 22 consolidated subsidiaries and 14 equity-method affiliates. The main businesses of the Group are the Leasing Business and the Residential Property Sales Business. The Group also engages in other businesses, including the management of office buildings, which are categorized as the Other Business. NTT Urban Development is a company that engages in the real estate business nationwide in a corporate group whose parent company is Nippon Telegraph and Telephone Corporation which primarily engages in regional, long-distance, and international communications, mobile communications, and data communications.

The following is outlines of each business segment of the Group and the positions of NTT Urban Development and its major affiliates in each segment:

(1) Leasing Business

The Group leases properties, including office buildings, commercial facilities, rental housing and others, that it has developed and owns. Main business fields are as follows:

a. Office buildings

Leases office buildings that it owns in metropolitan areas including Tokyo, Nagoya, Kyoto, Osaka, Hiroshima, Fukuoka, and Sapporo

b. Commercial facilities

Leases commercial facilities that it owns in metropolitan areas including Tokyo, Nagoya, Osaka, Hiroshima, and Fukuoka

c. Rental housing

Leases rental condominiums, company housing and other rental housing that it owns in metropolitan areas including Tokyo, Nagoya, Osaka, and Sapporo

UDX Tokutei Mokuteki Kaisha leases parts of Akihabara UDX Building, which it has developed and owns.

UD EUROPE LIMITED invests in and manages real estate in the United Kingdom.

UD USA Inc. invests in and manages real estate in the United States.

(2) Residential Property Sales Business

The Group sells residential properties, especially condominiums.

In the sale of condominiums, the Company sells primarily condominiums under the brand name of Wellith. The Company also sells residential lots and other residential properties in accordance with the locational conditions of the land lots that it acquires.

UD AUSTRALIA PTY LIMITED invests in and manages real estate in Australia.

(3) Other

In relation to the Leasing Business, the Group manages design of building and other, construction and supervision of construction, office building maintenance and provides air-conditioning services and operates restaurant facilities as incidental facilities of office buildings.

NTT Urban Development Builservice Co. remodels all rental buildings at the request of tenants in the Tokyo metropolitan and western Japan area. It also carries out property management operations including the management and operation of buildings.

NTT Urban Development Hokkaido Co. remodels rental buildings, manages and operates buildings, and manages parking lots in Hokkaido.

Otemachi First Square Inc. manages the Otemachi First Square Building and its land that the Company owns.

Shinagawa Season Terrace Building Management Corporation manages Shinagawa Season Terrace and its land.

Motomachi Parking Access Co., Ltd. maintains underground passages in Hiroshima's Motomachi area.

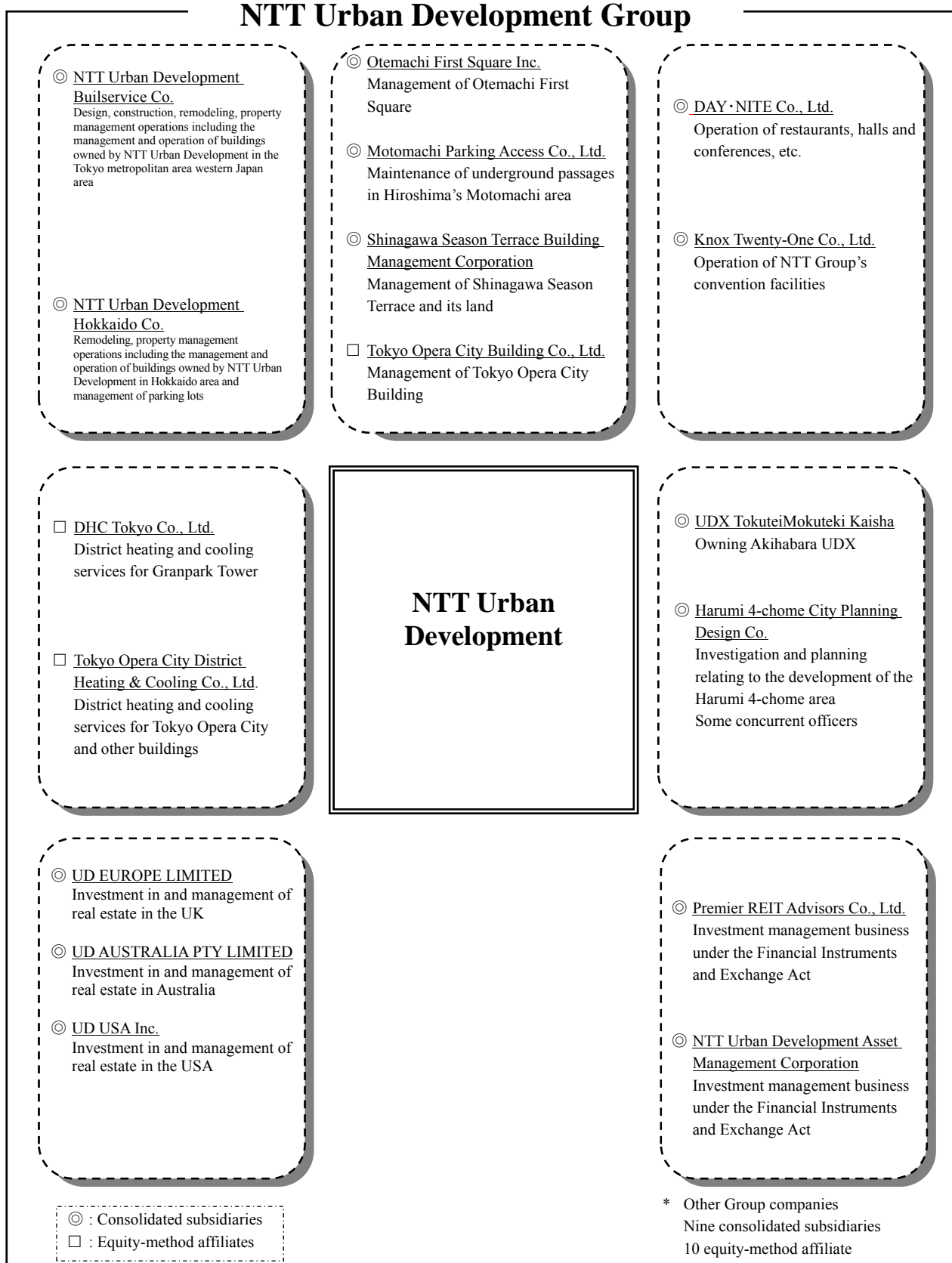
Premier REIT Advisors Co., Ltd. engages in the investment management business under the Financial Instruments and Exchange Act.

NTT Urban Development Asset Management Corporation engages in the investment management business under the Financial Instruments and Exchange Act.

DAY·NITE Co., Ltd. and Knox Twenty-One Co., Ltd. manage food and beverage facilities.

[Group Organization Chart]

The chart below is an organization chart of the Group showing the businesses of Group companies stated above.



Situation of Affiliates

Parent Company

(As of March 31, 2016)

Name	Address	Capitalization (million yen)	Main business	Voting rights ownership percentage	Relations
Nippon Telegraph and Telephone Corporation	Chiyoda, Tokyo	937,950	Basic research and development, the management of the Group	(Owned) 67.3	Transactions relating to the management of the Group and the rental of properties NTT Urban Development owns

Consolidated Subsidiaries

Name	Address	Capitalization (million yen)	Main business (Note 1)	Voting rights ownership percentage	Relations
NTT Urban Development Builservice Co. (Note 2)	Chiyoda, Tokyo	300	Others	(Owning) 100.0	Design, construction, remodeling, property management operations including the management and operation of buildings owned by NTT Urban Development in the greater Tokyo metropolitan area Some concurrent officers
NTT Urban Development Hokkaido Co.	Chuo, Sapporo-shi	50	Leasing Others	100.0	Maintenance and management of buildings and condominiums and management of parking lots in Hokkaido area
Otemachi First Square Inc.	Chiyoda, Tokyo	50	Others	56.5	Management of Otemachi First Square and its land
DAY·NITE Co., Ltd.	Chiyoda, Tokyo	40	Others	100.0	Operation of restaurants, halls and conferences, etc.
Knox Twenty-One Co., Ltd.	Minato, Tokyo	24	Others	100.0	Operation of NTT Group's convention facilities
Motomachi Parking Access Co., Ltd.	Naka, Hiroshima-shi	60	Others	58.3	Maintenance of underground passages in Hiroshima's Motomachi area
UDX Tokutei Mokuteki Kaisha (Note 3)	Chuo, Tokyo	14,100	Leasing	61.0 (Note 4)	Owning Akihabara UDX
Premier REIT Advisors Co., Ltd.	Minato, Tokyo	300	Others	53.1	Investment management business under the Financial Instruments and Exchange Act
Shinagawa Season Terrace Building Management Corporation	Minato, Tokyo	10	Others	60.0	Management of Shinagawa Season Terrace and its land Some concurrent officers
NTT Urban Development Asset Management Corporation	Chiyoda, Tokyo	100	Others	100.0	Investment management business under the Financial Instruments and Exchange Act (Schedule)
UD EUROPE LIMITED	London, UK	(Sterling pounds) 200 (Note 5)	Leasing	100.0	Investment in and management of real estate in the UK
UD AUSTRALIA PTY LIMITED	Melbourne, Australia	(Australian Dollar) 23,000,000	Residential Property Sales	100.0	Investment in and management of real estate in Australia
UD USA Inc.	Delaware, U.S.A.	(Dollar) 100 (Note 5)	Leasing	100.0	Investment in and management of real estate in the U.S.A.

Name	Address	Capitalization (million yen)	Main business (Note 1)	Voting rights ownership percentage	Relations
Downtown Properties Owner, LLC (Note 3)	Delaware, U.S.A.	(Dollar) 123,763,047	Leasing	100.0 (Note 4)	Investment in and management of real estate in the U.S.A.
NS Boston Holdings LLC (Note 3)	Delaware, U.S.A.	(Dollar) 47,800,000	Leasing	98.0 (Note 4)	Investment in and management of real estate in the U.S.A.
NS Boston Holdings II LLC (Note 3)	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 (Note 3)	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.
Five consolidated subsidiaries under UD USA Inc.	Delaware, U.S.A.	—	Leasing	—	—

Equity-Method Affiliates

Name	Address	Capitalization (million yen)	Main business (Note 1)	Voting rights ownership percentage	Relations
Tokyo Opera City Building Co., Ltd.	Shinjuku, Tokyo	20	Others	(Owning) 23.7	Management of Tokyo Opera City
DHC Tokyo Co., Ltd.	Minato, Tokyo	200	Others	50.0	District heating and cooling services for Granpark Tower
Tokyo Opera City District Heating & Cooling Co., Ltd.	Shinjuku, Tokyo	980	Others	36.2	District heating and cooling services for Tokyo Opera City
Harumi 4-chome City Planning Design Co.	Chuo, Tokyo	50	Others	36.0	Investigation and planning relating to the development of the Harumi 4-chome area Some concurrent officers
335 GRICES ROAD PTY LTD	Melbourne, Australia	(Australian Dollar) 1	Residential Property Sales	50.0	Development and sales of residential land
Annadale Development Partners Pty Limited	Melbourne, Australia	(Australian Dollar) 2	Residential Property Sales	50.0	Development and sales of residential land
Seven equity method affiliates under UD USA Inc.	Delaware, U.S.A.	—	Leasing	—	—
One other company	—	—	—	—	—

(Note 1) In the main business column for the consolidated subsidiaries and equity-method affiliates, the names of business segments are provided.

(Note 2) 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.

(Note 3) UDX Tokutei Mokuteki Kaisha, Downtown Properties Owner, LLC, NS Boston II Holdings LLC, and NS Two Oliver LLC are specified subsidiaries.

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

(Note 5) The total amount of capital and capital surplus of UD EUROPE LIMITED was 81,800,000 Sterling pounds and UD USA Inc. was 71,700,000 dollars.

3. Management Policy

(1) Basic Policy on Corporate Management and Management Strategy for medium- and long- term

In response to changes in the economic environment in Japan and overseas, the Group will aim to enhance its corporate value by providing customers with valuable real estate services by fully adopting a customer and market-centered orientation, pursuing innovation based on the Medium-Term Vision 2018 – For Further Growth and increasing the satisfaction of stakeholders. The Group will also strive to improve and strengthen its management system in light of the corporate governance code.

i) Strengthening the revenue base in the leasing business

In the office business, the Group will continue working to strengthen the leasing sales capability and cost competitiveness, including the reinforcement of relationships with existing tenants in preparation for the expected supply of large volume of offices in central Tokyo. The Group will also seek to strengthen its revenue base by proposing corporate real estate (CRE) strategies to the NTT Group and implementing a strategic renewal to respond to business continuity plans (BCP) in flagship buildings. In addition, the Group will work actively on more diversified and sophisticated developments by participating in regional redevelopment projects, collaborating with other companies and undertaking the mixed-use property development of offices and commercial facilities.

ii) Strengthening and reviewing the residential business

In the residential business, the Group will review the business strategies and processes of the past to provide dependable condominiums of high quality that meet the needs of customers dealing with issues such as an increase in vacancies associated with the aging population combined with the declining birth rate, rising demand for high-quality condominiums as a result of the data manipulation issue in piling works of condominiums, and higher sales prices linked to increasing construction costs. In addition, the Group will continue working to expand its business domains by entering into business for senior citizens, such as serviced senior housing as represented by the Tsunagu (Connecting) Town Project in cooperation with the NTT Group and the used house renovation market.

iii) Further expanding the commercial property business

In the commercial property business, the Group will address new areas in response to the increasing consumption of the inbound tourism through collaboration with suitable partners for each project, including the provision of hotels in urban areas such as Osaka and Kyoto in addition to central Tokyo and small luxury hotels at resort spots such as Kashikojima and Atami. With respect to the operation of commercial facilities in office buildings, the Group will aim to create attractive facilities that satisfy customers by strengthening and expanding these facilities.

vi) Promoting the global business

In the global business, the Group will continue to work on diversifying its portfolio and increasing income by acquiring and enhancing the value of office buildings in New York, Boston and Washington in the United States, in addition to London in the United Kingdom, while maintaining a close watch on movements in the foreign exchange market and overseas markets. The Group will also seek to create business opportunities in Southeast Asian countries where future growth looks promising.

v) Enforcing comprehensive financial control

The Group intends to carefully select investments for future growth, giving due consideration to market trends. The Group will also implement asset replacement in accordance with the asset portfolio strategy set forth in the Medium-Term Vision 2018, including the sale of assets to a private REIT which the Group organized in February 2016 to secure funds for future development. The Group will strengthen its financial base by keeping tight control on interest-bearing debt, while taking into account the effects of negative interest rates adopted by the Bank of Japan, among others.

(2) Target indicators

To increase its enterprise value in the medium to long terms, the Company will control its businesses from multiple perspectives, using multiple indicators.

Specifically, the Company will work to improve the efficiency of assets and capital, paying attention to ROA and ROE, and will seek to secure creditworthiness and a sound financial standing, paying attention to the net interest-bearing debt to EBITDA ratio and the net debt/equity ratio.

* Descriptions regarding the future, such as the forecast of financial results herein, are calculated based on information that is available to the Company as of the date hereof and the Company considers reasonable, and the Company does not warrant the achievement of the descriptions. Please note that actual results may differ materially from forecasts due to various factors.

4. Basic Policy in the selection of accounting principles

The Group, as a member of the NTT Group, is considering adopting the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending March 2019. The primary aim for adopting these standards is to improve the international comparability of financial information in the capital market and streamline financial reports.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Assets		
Current assets		
Cash and deposits	*2 17,891	*2 14,846
Notes and operating accounts receivable	5,569	9,170
Real estate for sale	33,361	41,736
Real estate for sale in progress	*2 59,987	*2 99,374
Costs on uncompleted construction contracts	169	248
Raw materials and supplies	52	58
Lease investment assets	3,837	2,224
Deposits paid	2,412	1,360
Deferred tax assets	1,075	425
Other	*2 4,189	*2 8,665
Allowance for doubtful accounts	(35)	(0)
Total current assets	128,512	178,110
Non-current assets		
Property, plant and equipment		
Buildings and structures	*2 714,920	*2 617,052
Accumulated depreciation	(392,856)	(337,594)
Buildings and structures (net)	322,063	279,458
Machinery, equipment and vehicles	13,593	11,902
Accumulated depreciation	(11,777)	(10,345)
Machinery, equipment and vehicles (net)	1,815	1,557
Land	*2 505,999	*2 494,722
Lease assets	347	315
Accumulated depreciation	(219)	(222)
Lease assets (net)	128	92
Construction in progress	2,212	3,604
Other property, plant and equipment	*2 15,486	*2 13,675
Accumulated depreciation	(12,913)	(11,216)
Other property, plant and equipment (net)	2,573	2,459
Total property, plant and equipment	834,792	781,895
Intangible assets	*2 24,556	*2 25,994
Investments and other assets		
Investment securities	*1 22,841	*1 24,311
Long-term prepaid expenses	*2 15,635	*2 15,072
Net defined benefit asset	396	147
Deferred tax assets	354	556
Other	*2 6,131	*2 7,468
Total investments and other assets	45,359	47,557
Total non-current assets	904,708	855,447
Total assets	1,033,220	1,033,557

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Liabilities		
Current liabilities		
Notes and operating accounts payable–trade	8,473	9,182
Short-term loans payable	-	6,530
Lease obligations	48	40
Current portion of long-term loans payable	*2 53,200	*2 36,775
Current portion of bonds	—	19,999
Income taxes payable	2,684	1,064
Deferred tax liabilities	405	380
Other	34,062	41,488
Total current liabilities	98,874	115,462
Non-current liabilities		
Bonds payable	*2 130,968	*2 110,975
Long-term loans payable	*2 363,020	*2 371,739
Lease obligations	123	87
Lease and guarantee deposits received	68,715	69,424
Negative goodwill	*3 21,286	*3 22,951
Deferred tax liabilities	59,555	58,658
Provision for directors' retirement benefits	23	27
Net defined benefit liability	6,335	8,215
Asset retirement obligations	3,267	2,424
Other	35,407	21,684
Total non-current liabilities	688,704	666,189
Total liabilities	787,579	781,651
Net assets		
Shareholders' equity		
Capital stock	48,760	48,760
Capital surplus	34,109	31,648
Retained earnings	108,264	118,437
Treasury shares	—	(0)
Total shareholders' equity	191,134	198,846
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,837	3,003
Deferred gains or losses on hedges	—	(9)
Foreign currency translation adjustment	6,429	5,261
Remeasurements of defined benefit plans	509	(1,066)
Total accumulated other comprehensive income	9,776	7,187
Non-controlling interests	44,730	45,871
Total net assets	245,641	251,905
Total liabilities and net assets	1,033,220	1,033,557

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

(Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Operating revenue	152,052	183,016
Operating cost	*6 109,333	*6 127,078
Operating gross profit	42,718	55,938
Selling, general and administrative expenses	*1 17,881	*1 18,166
Operating income	24,836	37,771
Non-operating income		
Interest income	22	11
Dividends income	73	93
Contributions	93	262
Gain on donation of non-current assets	17	22
Amortization of negative goodwill	1,780	1,926
Equity in earnings of affiliates	45	251
Other	115	68
Total non-operating income	2,148	2,635
Non-operating expenses		
Interest expenses	6,300	5,936
Other	289	637
Total non-operating expenses	6,590	6,573
Ordinary income	20,395	33,832
Extraordinary income		
Gain on sales of non-current assets	*2 1,850	*2 3,285
Other	—	13
Total extraordinary income	1,850	3,298
Extraordinary loss		
Loss on sales of non-current assets	*3 699	*3 8,020
Loss on retirement of non-current assets	*4 1,220	*4 1,073
Impairment loss	*5 1,455	*5 4,917
Total extraordinary losses	3,375	14,011
Income before income taxes and minority interests	18,869	23,120
Income taxes-current	4,806	3,861
Income taxes-deferred	(5,426)	265
Total income taxes	(620)	4,127
Profit	19,490	18,993
Profit attributable to non-controlling interests	3,255	2,435
Profit attributable to owners of parent	16,235	16,557

(Consolidated Statements of Comprehensive Income)

(Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Net income	19,490	18,993
Other comprehensive income		
Valuation difference on available-for-sale securities	1,860	165
Deferred gains or losses on hedges	—	(9)
Foreign currency translation adjustment	1,982	(1,168)
Remeasurements of defined benefit plans	338	(1,581)
Total other comprehensive income	* 4,180	* (2,593)
Comprehensive income	23,671	16,399
(Breakdown)		
Comprehensive income attributable to owners of the parent	20,415	13,969
Comprehensive income attributable to non-controlling interests	3,256	2,429

(3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)

(Million yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of the year	48,760	34,109	97,150	180,020
Cumulative effects of changes in accounting policies			144	144
Restated balance	48,760	34,109	97,294	180,164
Total changes of items during the year				
Dividends from surplus			(2,632)	(2,632)
Interim dividends			(2,632)	(2,632)
Profit attributable to owners of parent			16,235	16,235
Net changes of items other than shareholders' equity				
Total changes of items during the year	-	-	10,969	10,969
Balance at the end of the year	48,760	34,109	108,264	191,134

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the year	976	4,447	171	5,596	42,975	228,591
Cumulative effects of changes in accounting policies						144
Restated balance	976	4,447	171	5,596	42,975	228,735
Total changes of items during the year						
Dividends from surplus						(2,632)
Interim dividends						(2,632)
Profit attributable to owners of parent						16,235
Net changes of items other than shareholders' equity	1,860	1,982	337	4,179	1,755	5,935
Total changes of items during the year	1,860	1,982	337	4,179	1,755	16,905
Balance at the end of the year	2,837	6,429	509	9,776	44,730	245,641

Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the year	48,760	34,109	108,264	-	191,134
Cumulative effects of changes in accounting policies		(2,461)	(1,118)		(3,579)
Restated balance	48,760	31,648	107,145	-	187,554
Total changes of items during the year					
Dividends from surplus			(2,632)		(2,632)
Interim dividends			(2,632)		(2,632)
Profit attributable to owners of parent			16,557		16,557
Acquisition of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the year	-	-	11,292	(0)	11,291
Balance at the end of the year	48,760	31,648	118,437	(0)	198,846

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deffered gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the year	2,837	-	6,429	509	9,776	44,730	245,641
Cumulative effects of changes in accounting policies							(3,579)
Restated balance	2,837	-	6,429	509	9,776	44,730	242,061
Total changes of items during the year							
Dividends from surplus							(2,632)
Interim dividends							(2,632)
Profit attributable to owners of parent							16,557
Acquisition of treasury stock							(0)
Net changes of items other than shareholders' equity	165	(9)	(1,168)	(1,575)	(2,588)	1,140	(1,447)
Total changes of items during the year	165	(9)	(1,168)	(1,575)	(2,588)	1,140	9,844
Balance at the end of the year	3,003	(9)	5,261	(1,066)	7,187	45,871	251,905

(4) Consolidated Statements of Cash Flows

(Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	18,869	23,120
Depreciation and amortization	23,474	23,914
Amortization of negative goodwill	(1,780)	(1,926)
Impairment loss	1,455	4,917
Amortization of goodwill	131	11
Increase (decrease) in allowance for doubtful accounts	34	(34)
Increase (decrease) in net defined benefit liability	644	(420)
Interest and dividends income	(95)	(104)
Interest expenses	6,300	5,936
Equity in (earnings) losses of affiliates	(45)	(251)
Gain on sales of non-current assets	(1,850)	(3,285)
Loss on retirement of non-current assets	1,220	1,073
Loss on sales of non-current assets	699	8,020
Decrease (increase) in lease investment assets	(80)	681
Decrease (increase) in notes and accounts receivable-trade	12,489	(3,600)
Decrease (increase) in inventories	(8,006)	(29,294)
Increase (decrease) in notes and accounts payable- trade	(3,407)	731
Increase (decrease) in lease and guarantee deposits received	(2,206)	307
Other	(855)	1,401
Subtotal	46,993	31,198
Interest and dividends income received	120	102
Interest expenses paid	(6,340)	(6,045)
Income taxes paid	(3,785)	(7,824)
Net cash provided by (used in) operating activities	36,988	17,430
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(74,635)	(47,400)
Proceeds from sales of property, plant and equipment	6,604	41,519
Purchase of investment securities	(711)	(6,764)
Proceeds from repayment of investment securities	855	505
Proceeds from sales of investment securities	—	26
Other	108	(2,457)
Net cash provided by (used in) investing activities	(67,778)	(14,570)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(473)	6,651
Proceeds from long-term loans payable	66,500	56,383
Repayments of long-term loans payable	(57,425)	(63,215)
Proceeds from issuance of bonds	29,996	—
Proceeds from share issuance to minority shareholders	14	264
Payment for acquisition of treasury stock	—	(0)
Cash dividends paid	(5,265)	(5,266)
Cash dividends paid to minority shareholders	(1,515)	(1,552)
Other	(53)	(46)

Net cash provided by (used in) financing activities	31,777	(6,781)
Effect of exchange rate change on cash and cash equivalents	367	(125)
Net increase (decrease) in cash and cash equivalents	1,354	(4,046)
Cash and cash equivalents at beginning of period	18,798	20,153
Cash and cash equivalents at end of period	* 20,153	* 16,106

(5) Notes to Consolidated Financial Statements

(Phenomena or situations raising significant questions about the premise of a going concern)

Not applicable.

(Important items used as basic materials for preparation of consolidated financial statements)

1. Scope of consolidation

Number of consolidated subsidiaries: 22

All subsidiaries are consolidated.

Consolidated subsidiaries:

NTT Urban Development Builservice Co.

NTT Urban Development Hokkaido Co.

Otemachi First Square Inc.

DAY·NITE Co., Ltd.

Knox Twenty-One Co., Ltd.

Motomachi Parking Access Co., Ltd.

UDX Tokutei Mokuteki Kaisha

Premier REIT Advisors Co., Ltd.

Shinagawa Season Terrace Building Management Corporation

NTT Urban Development Asset Management Corporation

UD EUROPE LIMITED

UD AUSTRALIA PTY LIMITED

UD USA Inc., and nine other consolidated subsidiaries

In the fiscal year under review, the Group established four consolidated subsidiaries affiliated with UD USA Inc. and made them consolidated subsidiaries of the Company.

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.

2. Application of equity method

Number of equity method affiliates: 14

Equity method affiliates

Tokyo Opera City Building Co., Ltd.

DHC Tokyo Co., Ltd.

Tokyo Opera City District Heating & Cooling Co., Ltd.

Harumi 4-chome City Planning Design Co.

335 GRICES ROAD PTY LTD

Annadale Development Partners Pty Limited

Seragaki Resort Tokutei Mokuteki Kaisha Seven other equity-method affiliates

During the fiscal year under review, the Group invested in Annadale Development Partners Pty Limited, Seragaki Resort Tokutei Mokuteki Kaisha, and three subsidiaries of UD USA Inc. and has made them equity-method affiliates.

3. Fiscal years of consolidated subsidiaries

The end of the fiscal years of UD EUROPE LIMITED, UD AUSTRALIA PTY LIMITED, UD USA Inc. and nine consolidated subsidiaries affiliated with UD USA Inc. are December 31. In the preparation of the consolidated financial statements, the Company used the financial statements as of December 31 and made the adjustments required for consolidation in relation to significant transactions occurring after the date and before the consolidated closing date.

The end of the fiscal year of other consolidated subsidiaries is the same as the consolidated closing date.

4. Accounting practices

(1) Standards and methods for the valuation of important assets

(i) Securities

Other securities

Securities having fair values:

Fair value method based on the market value on the consolidated closing date is applied. (The valuation difference is

recorded as a component of net assets. The cost of products sold is calculated by the moving average method.)

Securities not having fair values:

Cost method determined by the moving average method is applied.

With respect to investments in investment business limited partnerships and associations of a similar nature (investments deemed to be securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the net amount equivalent to equity based on the latest financial statements available is recorded.

(ii) Derivatives

In principle, the fair value method is applied.

(iii) Inventories

The cost method based on the specific cost method (reduction of the carrying value— balance sheet value—based on a decline in profitability) is applied to real estate for sale, real estate for sale in progress.

The cost method based on the specific cost method is applied to costs on uncompleted construction contracts.

The last purchase price method is applied to raw materials and supplies.

(2) Depreciation method for important depreciable assets

(i) Property, plant and equipment (except leased assets)

The declining-balance method is primarily applied.

However, the straight-line method is applied to Granpark Tower, NTT Cred Motomachi Building, and buildings (except attached facilities) acquired on and after April 1, 1998.

Major useful lives are as follows:

Buildings and structures: 15 to 50 years

Machinery, equipment and vehicles: 5 to 17 years

(ii) Intangible assets (except leased assets)

The straight-line method is applied.

Software for internal use is amortized over its estimated useful life (five years).

(iii) Long-term prepaid expenses

The straight-line method is applied.

(iv) Lease assets

Lease assets relating to finance lease transactions without the transfer of ownership

The same depreciation methods as applied to the non-current assets owned by the Company and its subsidiaries are applied.

(3) Basis for calculating important allowances

Allowance for doubtful accounts

In preparation for doubtful notes and operating accounts receivable and loans receivable, the Company and its consolidated subsidiaries post estimated uncollectible amounts, which are estimated from loan loss ratios for general reserves and from collectability for each of specific receivables including those with low collectability.

(4) Accounting method for retirement benefits

(i) Accounting method of attributing expected benefit to periods

As a method of attributing expected benefit to periods before the fiscal year under review, benefit formula basis is used to calculate retirement benefit obligations.

(ii) Accounting method for actuarial gains and losses and past service costs

The past service costs are amortized using the straight-line method over the average remaining working lives (from 10 years to 13 years) of the employees at the time of occurrence.

Actuarial gains and losses are amortized using the straight-line method over the average remaining working lives (from 8 years to 13 years) of the employees at the time of occurrence in each fiscal year from the following fiscal year.

(iii) Accounting method for unrecognized actuarial gains and losses and unrecognized past service costs

Unrecognized actuarial gains and losses and unrecognized past service costs are recorded in the remeasurements of defined benefit plans in accumulated other comprehensive income under net assets after making an adjustment for tax effect.

(5) Basis for posting important revenues and expenses

(i) Basis for posting revenues relating to finance lease transactions

Sales and cost of sales are posted when lease fees are received.

(ii) Standard for recording amount of completed work and cost of completed work

a. Contracts whose outcome at the end of the fiscal year under review is deemed certain

Percentage-of-completion method (construction-cost-percentage method for estimating the progress of construction)

- b. Other construction contracts
 - Completed-contract method
- (6) Significant hedge accounting method
 - (i) Hedge accounting method
 - In principle, deferred hedge accounting is applied.
 - A preferential procedure is employed for interest rate swaps that meet the criteria for the preferential procedure.
 - (ii) Hedging item and hedged item
 - Hedging item: Interest rate swap contracts
 - Hedged item: Borrowings
 - (iii) Hedging policy
 - Under the Company's internal rules on derivative transactions, interest rate risks relating to the hedged item are hedged against within a certain range.
 - (iv) Method of assessment of hedge effectiveness
 - Since the swaps are interest swaps to which specific matching criteria are applied, the periodic assessment of hedge effectiveness is not performed.
- (7) Amortization method and amortization period of goodwill and negative goodwill
 - Goodwill and negative goodwill that was generated on or before March 31, 2010 are amortized in 20 years by the straight-line method.
- (8) Scope of cash and cash equivalents in the consolidated statements of cash flows
 - Cash and cash equivalents consist of cash in hand, bank deposits that can be withdrawn at any time, and short-term investments with an original maturity of three months or less that can be readily converted into cash and that are subject to only an insignificant risk of change in value.
- (9) Other important matters that constitute the basis for preparation of consolidated financial statements
 - Accounting treatment of consumption taxes
 - Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

(Changes in accounting principles)

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 current fiscal year, Operating income increased by ¥120 million, and ordinary income and income before tax increased by ¥266 million respectively.

Since the cumulative effect is reflected in net assets as of the beginning of the current fiscal year, the beginning balance of capital surplus and retained earnings in the consolidated statement of changes in net assets decreased by ¥2,461 million and ¥1,118 million respectively.

Net assets per share decreased ¥10.07 and Net income per share increased ¥0.81.

(Accounting standards yet to be applied, etc.)

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Statement No.26, December 28, 2015)

(1) Overview

The Implementation Guidance on Recoverability of Deferred Tax Assets are guidelines on the application of the Accounting Standards for Tax Effect Accounting (Business Accounting Council) to the recoverability of deferred tax assets. The practical accounting guidelines and practical audit guidelines (related to accounting) of The Japanese Institute of Certified Public Accountants (JICPA) on tax effect accounting are being handed over to the Accounting Standards Board of Japan. Of the practical guidelines, the guidelines on the recoverability of deferred tax assets specified in the accounting treatments for recoverability of deferred tax assets prescribed within the Auditing Guidance No. 66, Auditing Treatment for Judgment of Recoverability of Deferred Assets, issued by JICPA stipulate that companies shall be classified into five categories and the amount of deferred tax assets to be posted shall be estimated in accordance with the classification. The Accounting Standards Board of Japan has fundamentally adhered to this framework and has revised the requirements for classifications and treatment related to the amount of deferred tax assets to be posted as needed.

(Revision to the requirements for classifications and treatment related to the amount of deferred tax assets to be posted)

- Treatment of companies that do not meet the requirements for any of the five categories
- The requirements for Category 2 and for Category 3
- Treatment of unscheduled deductible temporary difference at companies falling under Category 2
- Treatment of the period when the reasonable estimate of taxable income before addition and subtraction of deductible temporary difference at companies falling under Category 3 is possible
- Treatment of cases where companies meeting the requirements for Category 4 fall under Category 2 or Category 3

(2) Planned date of application

The company plans to apply the implementation guidance from the beginning of the fiscal year that will begin on April 1, 2016.

(3) Impact of applying the implementation guidance

The amount of the impact that application of the Implementation Guidance on Recoverability of Deferred Tax Assets will have on consolidated financial statements is currently being evaluated.

(Notes to consolidated balance sheets)

*1. Investment securities relating to affiliates are as follows.

(Million yen)

	Current consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Investment securities (shares)	3,643	7,287
Investment securities (Other securities)	-	376

*2. Assets pledged as collateral and secured debt

Mortgaged assets and the corresponding debt regarding debt with limited recourse

(i) Assets pledged as collateral and their amounts

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Cash and deposits (within three months)	5,399	6,009
Real estate for sale in progress	1,383	1,386
Other current assets	160	174
Buildings and structures	42,842	44,727
Land	171,402	171,402
Other property, plant and equipment	122	461
Intangible assets	0	14
Long-term prepaid expenses	285	264
Other in investments and other asset	0	0
Total	221,596	224,441

(ii) Corresponding debt secured by the above collateral

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Current portion of long-term loans payable	1,200	1,200
Bonds payable	1,000	1,000
Long-term loans payable	56,017	54,800
Total	58,217	57,000

*3. Goodwill and negative goodwill

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Goodwill	1,860	166
Negative goodwill	23,147	23,118
Net amount	21,286	22,951

(Notes to consolidated statements of income)

*1. Major items in selling, general and administrative expenses and their amounts are as follows. (Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Advertising expenses	3,037	3,303
Salaries, allowances and bonuses	5,053	4,666
Retirement benefit expenses	343	281
Provision for directors' retirement benefits	13	11
Provision of allowance for doubtful accounts	34	(34)
Business consignment expenses	3,402	3,663
Taxes and dues	1,899	1,975

*2. Breakdown of gain on sales of non-current assets (Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Buildings and structures	(102)	(216)
Land	1,952	3,501
Total	1,850	3,285

On the sale of a building and structures with land, the Company recognized a loss on the building and structures component, while a gain was recognized on the land component. A net gain resulted from this transaction and was recorded as a gain on sales of non-current assets.

*3. Breakdown of loss on sales of non-current assets (Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Buildings and structures	-	14,310
Land	697	(6,290)
Other	1	-
Total	699	8,020

For the current consolidated fiscal year, on the sale of a building and structures with land, the Company recognized a loss on the building and structures component, while a gain was recognized on the land component. A net gain resulted from this transaction and was recorded as a gain on sales of non-current assets

*4. Breakdown of loss on retirement of non-current assets (Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Buildings and structures	521	354
Machinery, equipment and vehicles	3	0
Removal cost	676	678
Other	19	39
Total	1,220	1,073

*5. Impairment loss

The Company recorded an impairment loss for the following asset group.

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

Primary use	Type	Location	Impairment loss
Two office buildings in total	Land, Buildings and structures	Sendai-shi, Miyagi, etc.	1,455 million yen

As a general rule, the Group examined an impairment loss for individual property.

As a result, we reduced the book value of the above assets to the recoverable value as a sharp decline in profitability with the worsening of market condition, and recorded the reduction as an impairment loss under extraordinary losses. The breakdown of the assets is ¥862 million of land and ¥593 million of building and structures.

The recoverable value of the assets above is measured by net sales value, and an appraisal value by a real estate appraiser is used for the net sales value.

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

Primary use	Type	Location	Impairment loss
Seven office buildings in total	Land, Buildings and structures	Osaka-shi, Osaka, etc.	4,917 million yen

As a general rule, the Group examined an impairment loss for individual property.

As a result, we reduced the book value of the above assets to the recoverable value as a sharp decline in profitability with the worsening of market condition, and recorded the reduction as an impairment loss under extraordinary losses. The breakdown of the assets is ¥1,607 million of building and structures and ¥3,310 million of land.

The recoverable value of the assets above is measured by net sales value, and an appraisal value by a real estate appraiser is used for the net sales value.

*6. Inventories at the end of the fiscal year are an amount after reductions in carrying values associated with declines in profitability.

The following loss on valuation of inventory is included in the operating cost. (Million yen)

Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
1,188	828

(Notes to consolidated statements of comprehensive income)

*Recycling and tax effect relating to other comprehensive income (Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Valuation difference on available-for-sale securities:		
Amount arising during fiscal year	2,670	159
Recycling	–	(13)
Before tax effect adjustment	2,670	146
Tax effect	(810)	19
Valuation difference on available-for-sale securities	1,860	165
Deferred gains or losses on hedges		
Amount arising during fiscal year	–	(9)
Foreign currency translation adjustment:		
Amount arising during fiscal year	1,982	(1,168)
Remeasurements of defined benefit plans, before tax		
Amount arising during fiscal year	546	(2,205)
Recycling	(57)	(94)
Before tax effect adjustment	488	(2,300)
Tax effect	(150)	718
Remeasurements of defined benefit plans, net of tax	338	(1,581)
Total other comprehensive income	4,180	(2,593)

(Notes to consolidated statements of changes in net assets)

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

1. Type and number of outstanding shares

(Shares)

Type of shares	Number of shares at the beginning of fiscal year under review	Number of shares added during fiscal year under review	Number of shares subtracted during fiscal year under review	Number of shares at end of fiscal year under review
Common shares (Note)	329,120,000	–	–	329,120,000
Total	329,120,000	–	–	329,120,000

2. Type and number of treasury stock

Not applicable.

3. Dividends

(1) Dividends

(Resolution)	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary shareholders' meeting held on June 24, 2014	Common shares	2,632	8	March 31, 2014	June 25, 2014
Board of Directors meeting held on November 6, 2014	Common shares	2,632	8	September 30, 2014	December 1, 2014

(2) Of dividends with a record date falling in the consolidated fiscal year under review, those with an effective date falling in the following consolidated fiscal year

Following resolution is planned to be made.

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

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

1. Type and number of outstanding shares and type and number of treasury shares

(Shares)

Type of shares	Number of shares at the beginning of fiscal year under review	Number of shares added during fiscal year under review	Number of shares subtracted during fiscal year under review	Number of shares at end of fiscal year under review
Outstanding shares				
Common shares	329,120,000	–	–	329,120,000
Total	329,120,000	–	–	329,120,000
Treasury shares				
Common shares (Note)	–	77	–	77
Total	–	77	–	77

(Note) The number of shares of common treasury stock increased by 77 due to a purchase of shares less than one unit.

2. Dividends

(1) Dividends

(Resolution)	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary shareholders' meeting held on June 23, 2015	Common shares	2,632	8	March 31, 2015	June 24, 2015
Board of Directors meeting held on November 4, 2015	Common shares	2,632	8	September 30, 2015	December 1, 2015

(2) Of dividends with a record date falling in the consolidated fiscal year under review, those with an effective date falling in the following consolidated fiscal year

Following resolution is planned to be made.

(Resolution)	Type of shares	Total dividends (million yen)	Money to pay dividends	Dividend per share (yen)	Record date	Effective date
Ordinary shareholders' meeting held on June 21, 2016	Common shares	2,962	Retained earnings	9	March 31, 2016	June 22, 2016

(Notes to consolidated statements of cash flows)

* Relationship between cash and cash equivalents at the end period and the accounts on the consolidated balance sheets

(Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Cash and deposits	17,891	14,846
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	2,372	1,320
Cash and cash equivalents	20,153	16,106

(Notes to financial instruments)

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

1. Financial instruments

The Group raises fund (primarily through bank loans and bond issuance) necessary to meet financing needs mainly for investments and working capital to carry out the leasing business and the residential property sales business. If there are temporary idle funds on hand, they are invested only in short-term deposits or such.

In accordance with internal accounting rules, trade receivables are tracked for each business partner throughout their lifecycle and protection measures are taken to reduce risk in case they are not paid. As to securities and investment securities, fair values, market conditions, and financial standing of issuers (mainly business partners) are periodically assessed.

Derivatives transactions are interest rate swap transactions to hedge the volatility risk of interests paid on borrowings, and the Company carries out derivatives transactions in accordance with the risk management guidelines for financial instruments, as long as actual demand exists.

2. Fair value of financial instruments

The table below shows the book value and fair value of financial instruments and the difference between them at the end of the fiscal year.

Financial instruments whose fair value is very difficult to determine (please refer to (Note 2)) and financial instruments that are not significant are not included in the table.

(Million yen)

	Book value	Fair value	Difference
(1) Cash and deposits	17,891	17,891	–
(2) Notes and operating accounts receivable	5,569	5,534	(35)
(3) Short-term and long term investment securities Other securities	9,272	9,344	71
Total assets	32,734	32,770	36
(1) Notes and operating accounts payable–trade	8,473	8,473	–
(2) Income taxes payable	2,684	2,684	–
(3) Bonds payable	130,968	135,781	4,812
(4) Long-term loans payable (*)	416,220	427,095	10,875
(5) Lease and guarantee deposits received	10,315	10,061	(254)
Total liabilities	568,663	584,096	15,433

(*) The current portion of long-term loans payable is included.

(Note 1) Methods used to calculate the fair value of financial instruments and matters relating to securities and derivatives trading

Assets

(1) Cash and deposits

As cash and deposits are short-term accounts, fair values are close to book values. Thus, they are recorded at book value.

(2) Notes and operating accounts receivable

As notes and operating accounts receivable are settled in a short term, fair values are close to book values. Thus, they are recorded at book value. When an allowance for doubtful accounts is recognized for operating accounts receivable, however, the fair value is determined by subtracting the estimated uncollectible amount (the amount of the allowance) from the receivable.

(3) Short-term and long-term investment securities

Fair values of stocks and bonds having market prices refer to prices set by exchange market.

Liabilities

(1) Notes and operating accounts payable-trade and (2) Income taxes payable

As these accounts are settled in a short term, fair values are close to book values. Thus, they are recorded at book value.

(3) Bonds payable

Fair values of bonds payable refer to market prices if market prices are available. If market prices are not available, fair values are determined at present values, calculated by discounting the combined total of principal and interest at a rate with the remaining period of the bond and credit risk taken into account.

(4) Long-term loans payable

Fair values of long-term loans payable are determined at present values, calculated by discounting the combined total of principal

and interest at a rate with the remaining period of the long-term loans payable and credit risk taken into account.

(5) Lease and guarantee deposits received

Fair values of lease and guarantee deposits received are determined at present values, calculated by discounting deposits at a rate with the remaining periods of the security deposits (those with confirmed refund timing) and guarantee deposits and credit risk taken into account.

Derivatives trading

Disclosing derivatives trading in the summary of financial statements is not considered to be important, and therefore the disclosure is omitted.

(Note 2) Financial instruments whose fair value is very difficult to determine

(Million yen)

Classification	Book value
Unlisted stocks (*1)	778
Stocks of subsidiaries and affiliates (*1)	3,643
Investments in limited partnerships (*1)	9,298
Other investments in capital (*1)	50
Deposits received (excluding those whose time of return is determined) (*2)	60,922

(*1) Unlisted stocks, stocks of subsidiaries and affiliates, investments in limited partnerships, and other investments in capital are not included in “Assets (3) Short-term and long term investment securities,” since they do not have market prices, and it is very difficult to determine their fair value.

(*2) Deposits received (excluding those whose time of return is determined) are not included in “Liabilities (6) Lease and guarantee deposits received,” because their remaining period cannot be determined, and it is very difficult to determine their fair value.

(Note 3) Scheduled amounts of redemption of pecuniary claims and securities having maturity dates after the consolidated closing date

(Million yen)

	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Cash and deposits	17,891	–	–	–
Notes and operating accounts receivable	5,569	–	–	–
Short-term and long term investment securities				
Other securities having maturity dates	–	–	–	201
Total	23,461	–	–	201

(Note 4) Scheduled amounts of repayment of bonds payable and long-term loans payable after the consolidated closing date

(Million yen)

	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Bonds payable	–	61,000	55,000	15,000
Long-term loans payable	53,200	169,720	157,300	36,000
Total	53,200	230,720	212,300	51,000

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

1. Financial instruments

The Group raises fund (primarily through bank loans and bond issuance) necessary to meet financing needs mainly for investments and working capital to carry out the leasing business and the residential property sales business. If there are temporary idle funds on hand, they are invested only in short-term deposits or such.

In accordance with internal accounting rules, trade receivables are tracked for each business partner throughout their lifecycle and protection measures are taken to reduce risk in case they are not paid. As to securities and investment securities, fair values, market conditions, and financial standing of issuers (mainly business partners) are periodically assessed.

Derivatives transactions are interest rate swap transactions to hedge the volatility risk of interests paid on borrowings, and the Company carries out derivatives transactions in accordance with the risk management guidelines for financial instruments, as long as actual demand exists.

2. Fair value of financial instruments

The table below shows the book value and fair value of financial instruments and the difference between them at the end of the fiscal year.

Financial instruments whose fair value is very difficult to determine (please refer to (Note 2)) and financial instruments that are not significant are not included in the table.

(Million yen)

	Book value	Fair value	Difference
(1) Cash and deposits	14,846	14,846	–
(2) Notes and operating accounts receivable	9,170	9,169	(0)
(3) Short-term and long term investment securities Other securities	9,881	9,944	63
Total assets	33,897	33,961	63
(1) Notes and operating accounts payable–trade	9,182	9,182	–
(2) Short-term loans payable	6,530	6,530	–
(3) Income taxes payable	1,064	1,064	–
(4) Bonds payable	130,975	136,348	5,373
(5) Long-term loans payable (*)	408,515	424,241	15,726
(6) Lease and guarantee deposits received	12,058	11,950	(107)
Total liabilities	568,326	589,318	20,992

(*) The current portion of long-term loans payable is included.

(Note 1) Methods used to calculate the fair value of financial instruments and matters relating to securities and derivatives trading

Assets

(1) Cash and deposits

As cash and deposits are short-term accounts, fair values are close to book values. Thus, they are recorded at book value.

(2) Notes and operating accounts receivable

As notes and operating accounts receivable are settled in a short term, fair values are close to book values. Thus, they are recorded at book value. When an allowance for doubtful accounts is recognized for operating accounts receivable, however, the fair value is determined by subtracting the estimated uncollectible amount (the amount of the allowance) from the receivable.

(3) Short-term and long-term investment securities

Fair values of stocks and bonds having market prices refer to prices set by exchange market.

Liabilities

(1) Notes and operating accounts payable-trade, (2) Short-term loans payable (3) Income tax payable

As these accounts are settled in a short term, fair values are close to book values. Thus, they are recorded at book value.

(4) Bonds payable

Fair values of bonds payable refer to market prices if market prices are available. If market prices are not available, fair values are determined at present values, calculated by discounting the combined total of principal and interest at a rate with the remaining period of the bond and credit risk taken into account.

(5) Long-term loans payable

Fair values of long-term loans payable are determined at present values, calculated by discounting the combined total of principal

and interest at a rate with the remaining period of the long-term loans payable and credit risk taken into account.

(6) Lease and guarantee deposits received

Fair values of lease and guarantee deposits received are determined at present values, calculated by discounting deposits at a rate with the remaining periods of the security deposits (those with confirmed refund timing) and guarantee deposits and credit risk taken into account.

Derivatives trading

Disclosing derivatives trading in the summary of financial statements is not considered to be important, and therefore the disclosure is omitted.

(Note 2) Financial instruments whose fair value is very difficult to determine

(Million yen)

Classification	Book value
Unlisted stocks (*1)	765
Stocks of subsidiaries and affiliates (*1)	7,663
Investments in limited partnerships (*1)	4,189
Other investments in capital (*1)	2,027
Deposits received (excluding those whose time of return is determined) (*2)	59,486

(*1) Unlisted stocks, stocks of subsidiaries and affiliates, investments in limited partnerships, and other investments in capital are not included in “Assets (3) Short-term and long term investment securities,” since they do not have market prices, and it is very difficult to determine their fair value.

(*2) Deposits received (excluding those whose time of return is determined) are not included in “Liabilities (6) Lease and guarantee deposits received,” because their remaining period cannot be determined, and it is very difficult to determine their fair value.

(Note 3) Scheduled amounts of redemption of pecuniary claims and securities having maturity dates after the consolidated closing date

(Million yen)

	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Cash and deposits	14,846	–	–	–
Notes and operating accounts receivable	9,170	–	–	–
Short-term and long term investment securities				
Other securities having maturity dates	–	–	–	214
Total	24,016	–	–	214

(Note 4) Scheduled amounts of repayment of bonds payable and long-term loans payable after the consolidated closing date

(Million yen)

	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Bonds payable	20,000	51,000	45,000	15,000
Long-term loans payable	36,775	191,739	149,000	31,000
Total	56,775	242,739	194,000	46,000

(Notes to securities)

Previous consolidated fiscal year (as of March 31, 2015)

1. Other securities

(Million yen)

	Type	Book value	Acquisition cost	Difference
Book value is more than acquisition cost or amortized cost	(1) Shares	2,197	936	1,261
	(2) Bonds			
	(i) Government bonds and local bonds	201	170	30
	(ii) Bonds payable	–	–	–
	(iii) Other bonds	–	–	–
	(3) Other securities	6,011	3,116	2,895
	Subtotal	8,411	4,223	4,187
Book value is equal to or less than acquisition cost or amortized cost	(1) Shares	–	–	–
	(2) Bonds			
	(i) Government bonds and local bonds	–	–	–
	(ii) Bonds payable	–	–	–
	(iii) Other bonds	–	–	–
	(3) Other securities	861	985	(124)
	Subtotal	861	985	(124)
Total		9,272	5,209	4,063

(Note) Unlisted stocks (¥778 million posted on the consolidated balance sheets), shares in subsidiaries and affiliates (¥3,463 million on the consolidated balance sheets), investments in limited partnerships (¥9,298 million posted on the consolidated balance sheets), and other investments (¥50 million on the consolidated balance sheets) do not have market prices, and it is very difficult to determine their fair value. They are not therefore included in “Other securities.” No other securities were sold during the consolidated fiscal year under review.

2. No impairment losses were recorded in securities in the fiscal year ended March 31, 2015.

Current consolidated fiscal year (as of March 31, 2016)

1. Other securities

(Million yen)

	Type	Book value	Acquisition cost	Difference
Book value is more than acquisition cost or amortized cost	(1) Shares	3,273	1,903	1,370
	(2) Bonds			
	(i) Government bonds and local bonds	214	173	41
	(ii) Bonds payable	–	–	–
	(iii) Other bonds	–	–	–
	(3) Other securities	6,050	3,116	2,934
	Subtotal	9,539	5,192	4,346
Book value is equal to or less than acquisition cost or amortized cost	(1) Shares	–	–	–
	(2) Bonds			
	(i) Government bonds and local bonds	–	–	–
	(ii) Bonds payable	–	–	–
	(iii) Other bonds	–	–	–
	(3) Other securities	341	385	(44)
	Subtotal	341	385	(44)
Total		9,881	5,578	4,302

(Note) Unlisted stocks (¥765 million posted on the consolidated balance sheets), shares in subsidiaries and affiliates (¥7,663 million on the consolidated balance sheets), investments in limited partnerships (¥4,189 million posted on the consolidated balance sheets), and other investments (¥2,027 million on the consolidated balance sheets) do not have market prices, and it is very difficult to determine their fair value. They are not therefore included in “Other securities.” No other securities were sold during the consolidated fiscal year under review.

2. Available-for-sale securities sold during the consolidated fiscal year under review

(Million yen)

Classification	Sales price	Total amount of the gain on sale	Total amount of the loss on sale
Shares	26	13	–
Total	26	13	–

3. No impairment losses were recorded in securities in the fiscal year under review.

(Notes to retirement benefits)

1. Outline of retirement benefit plans

The company submitting the consolidated financial statements and its consolidated subsidiaries have a corporate pension fund, a contract-type corporate pension, and lump-sum payment plans as defined benefit plans.

Three consolidated subsidiaries of the company submitting the consolidated financial statements joined the NTT Corporate Defined Benefit Pension Plan in the fiscal year under review.

The company submitting the consolidated financial statements also has a defined contribution pension plan.

The company submitting the consolidated financial statements has shifted the accumulated funds (for the future) of a contract-type corporate pension on or after April 1, 2014 to the defined contribution pension plan. The accumulated funds before March 31, 2014 are to be maintained as the current contract-type corporate pension.

2. Retirement benefit plans

(1) Reconciliation statement for the beginning balance and the end balance of retirement benefit obligations

	(Million yen)	
	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Retirement benefit obligations at the beginning of the period	(13,270)	(13,381)
Cumulative effects of changes in accounting policies	224	-
Restated balance	(13,045)	(13,381)
Service costs	(435)	(443)
Interest costs	(191)	(194)
Amount of actuarial gains and losses accrued during the period	124	(2,134)
Amount of retirement benefits paid	378	749
Acceptance of employees transferred, etc.	(211)	(117)
Retirement benefit obligations at the end of the period	(13,381)	(15,521)

(2) Reconciliation statement for the beginning balance and the end balance of plan assets

	(Million yen)	
	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Plan assets at the beginning of the period	6,865	7,442
Expected return on plan assets	156	166
Amount of actuarial gains and losses accrued during the period	427	(70)
Amount of contributions from the employer	103	104
Amount of retirement benefits paid	(188)	(224)
Acceptance of employees transferred, etc.	78	34
Plan assets at the end of the period	7,442	7,454

(3) Reconciliation statement for the end balance of retirement benefit obligations and plan assets and net defined benefit liability and net defined benefit asset recorded in the consolidated financial statements

	(Million yen)	
	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Retirement benefit obligations in the funded system	(8,453)	(10,307)
Plan assets	7,442	7,454
	(1,010)	(2,852)
Retirement benefit obligations in the non-funded system	(4,928)	(5,214)
Net amount of liabilities and assets recorded in the balance sheet	(5,938)	(8,067)
Net defined benefit liability	(6,335)	(8,215)
Net defined benefit asset	396	147
Net amount of liabilities and assets recorded in the balance sheet	(5,938)	(8,067)

(4) Profits and losses related to retirement benefits

(Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Service costs	435	443
Interest costs	191	194
Expected return on plan assets	(156)	(166)
Amortization of actuarial gains and losses during the period	(24)	(58)
Amortization of prior service costs during the period	(37)	(35)
Retirement benefit expenses for the defined contribution plan	408	376

(5) Remeasurements of defined benefit plans

The breakdown of items (before the tax effect) recorded in remeasurements of defined benefit plans are as follows:

(Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Previous Service costs	(35)	(42)
Actuarial gains and losses	524	(2,257)
Total	488	(2,300)

(6) Breakdown of items recorded in accumulated other comprehensive income

The breakdown of items (before the tax effect) recorded in remeasurements of defined benefit plans are as follows:

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Unrecognized prior service costs	330	288
Unrecognized actuarial gains and losses	426	(1,830)
Total	757	(1,542)

(7) Matters related to the actuarial assumption

Major actuarial assumptions

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Discount rate	1.5%	0.5%
Long-term rate of return on plan assets		
NTT Corporate Defined Benefit Pension Plan	2.5%	2.5%
Contract-type corporate pension	2.0%	2.0%

3. Defined contribution plan

The amount the company submitting the consolidated financial statements is required to contribute to the defined contribution plan is ¥63 million for previous consolidated fiscal year and ¥60 million for the fiscal year under review.

(Notes to deferred tax accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Deferred tax (current) assets		
Accrued bonuses in excess of the limit for income tax deduction	169	153
Accrued enterprise taxes	222	148
Accrued real estate acquisition tax	169	93
Denial of loss on valuation of inventory	9	-
Other	775	580
Sub Total	1,345	975
Valuation reserve	(11)	-
Total	1,334	975
Deferred tax (current) liabilities		
Other	(664)	(929)
Total	(664)	(929)
Net deferred tax (current) assets	670	45
Deferred tax assets (non-current)		
Denial of evaluation loss on land	2,962	2,811
Denial of depreciation of unused building volume	1,962	1,968
Net defined benefit liability	1,988	2,559
Denial of impairment loss	1,668	2,536
Other	2,169	2,965
Total	10,751	12,841
Valuation reserve	(6,108)	(6,446)
Total	4,643	6,394
Deferred tax liabilities (non-current)		
Reserve for advanced depreciation of non-current assets	(14,245)	(17,607)
Non-current assets valuation difference	(47,375)	(44,812)
Other	(2,223)	(2,077)
Total	(63,843)	(64,497)
Net deferred tax liabilities (non-current)	(59,200)	(58,102)

2. Breakdown of difference between the effective tax rate and the actual effective tax rate after applying tax effect accounting by major cause if there is a significant difference between them

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Effective tax rate	35.6%	33.0%
(Adjustment)		
Correction of the amount of deferred tax assets and deferred tax liabilities due to the change of corporate tax rates	(31.6%)	(13.2%)
Amortization of negative goodwill	(3.4%)	(2.8%)
Earnings of subsidiaries (tokutei mokuteki kaisha) attributable to minority interests	(2.6%)	(2.2%)
Genus minute		
Valuation reserve	(0.8%)	2.9%
Other	(0.5%)	0.0%
Actual effective tax rate after the application of tax effect accounting	(3.3%)	17.8%

3. Correction of the amount of deferred tax assets and deferred tax liabilities due to the change of corporate tax rates, etc.

The Act on Partial Revision of the Income Tax Act (Act No. 15 of 2016) and the Act on Partial Revision of the Local Tax Act (Act No. 13 of 2016) were passed by the Diet on March 29, 2016, and the corporate tax rates are lowered from fiscal years starting on or after April 1, 2016. With the amendments, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities has changed from 32.2%, to 30.8% for temporary differences expected to be eliminated in the consolidated fiscal years starting April 1, 2016 and April 1, 2017 and to 30.6% for temporary differences expected to be eliminated in and after the consolidated fiscal year starting April 1, 2018.

Given these tax rate changes, deferred tax liabilities (netted against deferred tax assets), income taxes-deferred, and remeasurements of defined benefit plans declined ¥3,102 million yen, ¥3,056 million yen, and ¥24 million yen, respectively, and the valuation difference on available-for-sale securities rose ¥71 million yen.

(Notes to rental properties)

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

The Company and certain consolidated subsidiaries own rental office buildings, rental commercial facilities and residential rental housing in Tokyo and other areas. In the fiscal year under review, the results of operation of those rental properties were ¥19,206 million (leasing revenue is accounted for in operating revenue and rental expenses in operating cost and in selling, general and administrative expenses), with gain on the sales of non-current assets of ¥1,848 million (in extraordinary gain), loss on the sale of non-current assets of ¥697 million (in extraordinary loss), loss on the retirement of non-current assets of ¥1,080 million (in extraordinary loss) and impairment loss of ¥1,429 million (in extraordinary loss).

Amounts recognized in the consolidated balance sheet, the change in the fiscal year under review and the fair value as of the end of the year for rental properties are as follows.

(Million yen)

Consolidated balance sheet amount			Fair value at the end of fiscal year under review
Amount at the beginning of fiscal year under review	Change during fiscal year under review	Amount at the end of fiscal year under review	
805,911	39,574	845,486	1,327,642

(Note 1) The consolidated balance sheet amount is the acquisition cost less the accumulated depreciation and the accumulated impairment loss.

(Note 2) Of the change during the fiscal year under review, major items included the acquisition of real estate (providing an increase of ¥66,259 million) as well as the transfer of real estate for sale, the sale of real estate, and impairment losses (providing decreases of ¥6,438 million, ¥5,542 million and ¥1,429 million, respectively).

(Note 3) The fair value of major properties at the end of the fiscal year under review is based on appraised values determined by outside real estate appraisers. The fair value of other properties was calculated by the Company, which used indicators that it considered reflected market prices appropriately.

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

The Company and certain consolidated subsidiaries own rental office buildings, rental commercial facilities and residential rental housing in Tokyo and other areas. In the fiscal year under review, the results of operation of those rental properties were ¥19,289 million (leasing revenue is accounted for in operating revenue and rental expenses in operating cost and in selling, general and administrative expenses), with gains on the sales of non-current assets of ¥3,281 million (in extraordinary gain), losses on the sale of non-current assets of ¥8,020 million (in extraordinary loss), losses on the retirement of non-current assets of ¥937 million (in extraordinary loss) and impairment losses of ¥4,911 million (in extraordinary loss).

Amounts recognized in the consolidated balance sheet, the change in the fiscal year under review and the fair value as of the end of the year for rental properties are as follows.

(Million yen)

Consolidated balance sheet amount			Fair value at the end of fiscal year under review
Amount at the beginning of fiscal year under review	Change during fiscal year under review	Amount at the end of fiscal year under review	
845,486	(49,616)	795,870	1,357,982

(Note 1) The consolidated balance sheet amount is the acquisition cost less the accumulated depreciation and the accumulated impairment loss.

(Note 2) Of the change during the fiscal year under review, major items included the acquisition of real estate (providing an increase of ¥38,288 million) as well as the transfer of real estate for sale, the sale of real estate, and impairment losses (providing decreases of ¥20,104 million, ¥44,648 million and ¥4,911 million, respectively).

(Note 3) The fair value of major properties at the end of the fiscal year under review is based on appraised values determined by outside real estate appraisers. The fair value of other properties was calculated by the Company, which used indicators that it considered reflected market prices appropriately.

(Segment information)

a. Segment information by business

I. Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

1. Overview of reported segments

The reported segments of the Company are constituent units of the Company for which separate financial information is available. The Board of Directors conducts a regular review to decide the allocation of management resources and evaluate business performance.

The reported segments of the Company are the leasing business and the residential property sales business.

In the leasing business, the Company leases properties, including office buildings, commercial facilities and rental housing, that it has developed and owns. In the residential property sales business, the Company sells residential properties, especially condominiums.

2. Methods used to calculate the amounts of operating revenue, profits or losses, assets, liabilities and other items in reported segments

The accounting methods of the reported business segments are generally the same as those stated in the Important Items Used as Basic Materials for Preparation of Consolidated Financial Statements.

Profits in the reported segments are values based on operating income. Inter-segment internal revenues or transfers are based on current fair values.

3. Information on the amounts of sales, profits or losses, assets, liabilities and other items in reported segments

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustments (Note 2, 3)	Amount stated in consolidated financial statement (Note 5)
	Leasing	Residential property sales	Total				
Sales							
(1) Sales to third parties	90,819	46,620	137,439	14,612	152,052	–	152,052
(2) Inter-segment internal revenues and transfers	920	5	926	4,213	5,140	(5,140)	–
Total	91,739	46,626	138,366	18,825	157,192	(5,140)	152,052
Segment profits	23,566	4,405	27,972	2,485	30,457	(5,620)	24,836
Segment assets	954,681	64,530	1,019,211	12,519	1,031,731	1,489	1,033,220
Other items (Note 4)							
Depreciation	22,695	7	22,703	68	22,771	702	23,474
Increases in property, plant and equipment and intangible assets (investment amount)	76,589	31	76,621	76	76,698	885	77,583

(Note 1) 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 associated with the leasing segment, and management of restaurant facilities as incidental facilities of office buildings.

(Note 2) Adjustment in segment profits of - ¥5,620 million includes the elimination of inter-segment transactions of ¥17 million and company-wide expenses of - ¥5,637 million that are not attributable to reported segments. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments.

(Note 3) Adjustment in segment assets of ¥1,489 million includes the elimination of inter-segment transactions of - ¥51,393 million and company-wide assets of ¥52,882 million that are not attributable to reported segments. Company-wide assets are mainly idle funds managed by the Company (cash and deposits), investment securities and assets relating to the administrative division.

(Note 4) Depreciation and increases in property, plant and equipment and intangible assets (investment amount) include long-term prepaid expenses and the amortization thereof.

(Note 5) Segment profits are adjusted to operating income in consolidated financial statements.

II. Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

1. Overview of reported segments

The reported segments of the Company are constituent units of the Company for which separate financial information is available. The Board of Directors conducts a regular review to decide the allocation of management resources and evaluate business performance.

The reported segments of the Company are the leasing business and the residential property sales business.

In the leasing business, the Company leases properties, including office buildings, commercial facilities and rental housing, that it has developed and owns. In the residential property sales business, the Company sells residential properties, especially condominiums.

2. Methods used to calculate the amounts of operating revenue, profits or losses, assets, liabilities and other items in reported segments

The accounting methods of the reported business segments are generally the same as those stated in the Important Items Used as Basic Materials for Preparation of Consolidated Financial Statements.

Profits in the reported segments are values based on operating income. Inter-segment internal revenues or transfers are based on current fair values.

(Adaption of “Revised Accounting Standard for Business Combination”, etc.)

As written in “Changes in accounting principles”, the Company and its domestic subsidiaries adopted these accounting standards from this current fiscal year, except for article 39 of Statement No.22 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, Compared to the previous accounting method, profits in reported segments of the current fiscal year increase ¥118 million in leasing business and ¥1 million in other business respectively.

3. Information on the amounts of sales, profits or losses, assets, liabilities and other items in reported segments

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustments (Note 2, 3)	Amount stated in consolidated financial statement (Note 5)
	Leasing	Residential property sales	Total				
Sales							
(1) Sales to third parties	120,083	48,859	168,942	14,073	183,016	—	183,016
(2) Inter-segment internal revenues and transfers	883	6	889	5,527	6,416	(6,416)	—
Total	120,966	48,865	169,832	19,600	189,433	(6,416)	183,016
Segment profits	36,722	5,074	41,797	2,199	43,996	(6,225)	37,771
Segment assets	898,143	110,280	1,008,424	14,223	1,022,648	10,909	1,033,557
Other items (Note 4)							
Depreciation	23,237	9	23,247	69	23,316	598	23,914
Increases in property, plant and equipment and intangible assets (investment amount)	40,964	12	40,977	195	41,172	1,562	42,735

(Note 1) 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 associated with the leasing segment, and management of restaurant facilities as incidental facilities of office buildings.

(Note 2) Adjustment in segment profits of - ¥6,225 million includes the elimination of inter-segment transactions of - ¥8 million and company-wide expenses of - ¥6,216 million that are not attributable to reported segments. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments.

(Note 3) Adjustment in segment assets of ¥10,909 million includes the elimination of inter-segment transactions of - ¥57,212 million and company-wide assets of ¥68,121 million that are not attributable to reported segments. Company-wide assets are mainly idle funds managed by the Company (cash and deposits), investment securities and assets relating to the administrative division.

(Note 4) Depreciation and increases in property, plant and equipment and intangible assets (investment amount) include long-term prepaid expenses and the amortization thereof.

(Note 5) Segment profits are adjusted to operating income in consolidated financial statements.

b. Related information

I. Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

1. Information by product and service

Similar information is disclosed in the Segment Information, and therefore the statement is omitted.

2. Information by region

(1) Operating revenue

Operating revenue to external customers in Japan account for more than 90% of operating revenue in consolidated statements of income, and therefore the statement is omitted.

(2) Property, plant and equipment

The amount of property, plant and equipment located in Japan accounts for more than 90% of the amount of property, plant and equipment in consolidated balance sheet, and therefore the statement is omitted.

3. Information by main customer

Of sales to external customers, sales to a specific customer account for less than 10% of operating revenue in consolidated statements of income, and therefore the statement is omitted.

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

1. Information by product and service

Similar information is disclosed in the Segment Information, and therefore the statement is omitted.

2. Information by region

(1) Operating revenue

Operating revenue to external customers in Japan account for more than 90% of operating revenue in consolidated statements of income, and therefore the statement is omitted.

(2) Property, plant and equipment

The amount of property, plant and equipment located in Japan accounts for more than 90% of the amount of property, plant and equipment in consolidated balance sheet, and therefore the statement is omitted.

3. Information by main customer

(Million yen)

Name	Operating revenue	Related segment
NTT Urban Development Asset Management Corporation	20,179	Leasing

c. Information on impairment loss of non-current assets in reported segments

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

(Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Impairment loss	1,455	—	—	—	1,455

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

(Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Impairment loss	4,917	—	—	—	4,917

d. Information on the amortized amount and unamortized balance of goodwill in reported segments

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

(Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	118	—	13	—	131
Year-end balance	1,663	—	197	—	1,860

The amortized amount and unamortized balance of negative goodwill generated on or before March 31, 2010 are as shown below.

(Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	1,780	—	—	—	1,780
Year-end balance	23,147	—	—	—	23,147

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

(Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	—	—	11	—	11
Year-end balance	—	—	166	—	166

The amortized amount and unamortized balance of negative goodwill generated on or before March 31, 2010 are as shown below.

(Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	1,926	—	—	—	1,926
Year-end balance	23,118	—	—	—	23,118

e. Information on gains on negative goodwill in reported segments

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

Not applicable.

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

Not applicable.

(Related party transactions)

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

1. Related party transactions

(1) Transactions between the company submitting the consolidated financial statements and related parties

Companies whose parent company is the same as the parent company of the company submitting the consolidated financial statements

Type	Company name	Location	Capital stock (million yen)	Business	Ownership of voting rights in percentage	Relationship	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)	
Company having the same parent company	NTT Finance Corporation	Minato-ku, Tokyo	16,770	Comprehensive leasing business	(Owned by the company) Direct: 1.0	Deposits	Deposits paid	–	Deposits paid	1,282	
							Borrowing	Long-term loans payable	–	Current portion of long-term loans payable	24,000
									–	Long-term loans payable	9,000

(Note) Deposits paid and borrowings are based on deposit agreements and loan agreements. The Company and NTT Finance Corporation determined interest rates, considering market money rates.

(2) Transactions between consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

Companies whose parent company is the same as the parent company of the company submitting the consolidated financial statements

Type	Company name	Location	Capital stock (million yen)	Business	Ownership of voting rights in percentage	Relationship	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Company having the same parent company	NTT Finance Corporation	Minato-ku, Tokyo	16,770	Comprehensive leasing business	–	Borrowing	Deposits paid	–	Deposits paid	1,130
							Long-term loans payable	–	Current portion of long-term loans payable	400
								–	Long-term loans payable	33,962

(Note) Deposits paid and borrowings are based on deposit agreements and loan agreements. The Company and NTT Finance Corporation determined interest rates, considering market money rates.

2. Notes to the parent company, and important subsidiaries and affiliates

(1) Parent company

Nippon Telegraph and Telephone Corporation (listed on the Tokyo Stock Exchange and others)

(2) Important subsidiaries and affiliates

Not applicable.

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

1. Related party transactions

(1) Transactions between the company submitting the consolidated financial statements and related parties

Companies whose parent company is the same as the parent company of the company submitting the consolidated financial statements

Type	Company name	Location	Capital stock (million yen)	Business	Ownership of voting rights in percentage	Relationship	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Company having the same parent company	NTT Finance Corporation	Minato-ku, Tokyo	16,770	Comprehensive leasing business	(Owned by the company) Direct: 1.0	Deposits	Deposits paid	–	Deposits paid	2,459
						Borrowing	Long-term loans payable	25,000	Long-term loans payable	31,000

(Note) Borrowings are based on loan agreements. The Company and NTT Finance Corporation determined interest rates, considering market money rates.

(2) Transactions between consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

Companies whose parent company is the same as the parent company of the company submitting the consolidated financial statements

Type	Company name	Location	Capital stock (million yen)	Business	Ownership of voting rights in percentage	Relationship	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Company having the same parent company	NTT Finance Corporation	Minato-ku, Tokyo	16,770	Comprehensive leasing business	–	Deposits	Deposits paid	–	Deposits paid	1,360
							Short-term loans payable	–	Short-term loans payable	4,071
						Borrowing	Long-term loans payable	2,170	Current portion of long-term loans payable	400
									Long-term loans payable	35,073

(Note) Deposits paid and borrowings are based on deposit agreements and loan agreements. The Company and NTT Finance Corporation determined interest rates, considering market money rates.

2. Notes to the parent company, and important subsidiaries and affiliates

(1) Parent company

Nippon Telegraph and Telephone Corporation (listed on the Tokyo Stock Exchange and others)

(2) Important subsidiaries and affiliates

Not applicable.

(Per-share information)

Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)		Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)	
Net assets per share	610.45 yen	Net assets per share	626.02 yen
Net income per share	49.33 yen	Net income per share	50.31 yen

(Note 1) Diluted net income per share is not disclosed because the Company does not hold any dilutive securities.

(Note 2) The basis for the calculation of net income per share is shown in the table below.

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Net income (million yen)	16,235	16,557
Amounts not attributable to shareholders of common stock (million yen)	–	–
Profit attributable to common stock (million yen)	16,235	16,557
Average number of common shares outstanding during the fiscal year	329,120,000	329,119,966

(Significant subsequent events)

Not applicable.

6. Financial Statements (Non-Consolidated)

(1) Balance Sheets

(Million yen)

	Previous fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Assets		
Current assets		
Cash and deposits	1,043	53
Operating accounts receivable	3,544	6,500
Real estate for sale	20,402	29,359
Real estate for sale in progress	56,822	91,208
Costs on uncompleted construction contracts	117	225
Raw materials and supplies	25	22
Prepaid expenses	605	954
Lease investment assets	3,837	2,159
Deposits paid	1,282	—
Deferred tax assets	1,138	515
Other	3,916	7,930
Allowance for doubtful accounts	(35)	(0)
Total current assets	92,700	138,929
Non-current assets		
Property, plant and equipment		
Buildings	264,355	214,074
Structures	4,077	3,586
Machinery and equipment	1,811	1,542
Tools, furniture and fixtures	2,404	2,250
Land	324,964	310,813
Lease assets	59	40
Construction in progress	1,633	3,602
Total property, plant and equipment	599,306	535,910
Intangible assets		
Leasehold right	20,119	20,110
Software	905	375
Software in progress	727	2,002
Lease assets	0	0
Other	119	100
Total intangible assets	21,873	22,588
Investments and other assets		
Investment securities	19,181	16,630
Stocks of subsidiaries and affiliates	17,309	22,774
Investments in other securities of subsidiaries and affiliates	29,829	30,222
Investments in capital	0	0
Long-term prepaid expenses	15,337	14,787
Prepaid pension cost	210	288
Lease and guarantee deposits paid	8,639	9,414
Other	2,157	1,942
Total investments and other assets	92,665	96,060
Total non-current assets	713,845	654,560
Total assets	806,545	793,489

(Million yen)

	Previous fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Liabilities		
Current liabilities		
Operating accounts payable	6,681	6,907
Short-term loans payable	—	2,459
Lease obligations	29	20
Current portion of long-term loans payable	52,000	32,000
Current portion of bonds	—	19,999
Accounts payable-other	18,548	25,272
Accrued expenses	1,351	1,163
Income taxes payable	2,267	572
Advances received	6,656	5,477
Deposits received	6,134	8,477
Other	2,536	3,052
Total current liabilities	96,206	105,403
Non-current liabilities		
Bonds payable	129,968	109,975
Long-term loans payable	288,300	291,300
Lease obligations	60	41
Long-term accounts payable-other	35,313	21,345
Lease and guarantee deposits received	68,126	68,245
Deferred tax liabilities	12,311	14,582
Provision for retirement benefits	6,069	5,981
Asset retirement obligations	3,267	2,408
Other	49	62
Total non-current liabilities	543,467	513,942
Total liabilities	639,673	619,346
Net assets		
Shareholders' equity		
Capital stock	48,760	48,760
Capital surplus		
Legal capital surplus	34,109	34,109
Total capital surplus	34,109	34,109
Retained earnings		
Legal retained earnings	3,437	3,437
Other retained earnings	77,727	84,833
Voluntary retained earnings	35,606	45,815
Retained earnings brought forward	42,121	39,018
Total retained earnings	81,164	88,270
Treasury shares	—	(0)
Total retained earnings	164,034	171,140
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,837	3,003
Total valuation and translation adjustments	2,837	3,003
Total net assets	166,871	174,143
Total liabilities and net assets	806,545	793,489

(2) Statements of Income

(Million yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Operating revenue		
Operating revenues from leasing business	83,348	111,535
Operating revenues from residential property sales business	46,601	47,968
Operating revenues from other businesses	2,063	1,121
Total operating revenue	132,013	160,626
Operating cost		
Operating cost for leasing business	56,259	71,650
Operating cost for residential property sales business	36,558	36,978
Operating cost for other businesses	752	590
Total operating cost	93,570	109,219
Operating gross profit	38,443	51,406
Selling, general and administrative expenses	*2 16,610	*2 17,251
Operating income	21,832	34,155
Non-operating income		
Interest income	4	2
Dividends income	*1 147	*1 424
Contributions	92	254
Gain on donation of non-current assets	17	22
Other	104	70
Total non-operating income	367	774
Non-operating expense		
Interest expenses	*1 4,217	*1 3,604
Interest on bonds	1,550	1,648
Other	222	633
Total non-operating expenses	5,990	5,886
Ordinary income	16,208	29,043
Extraordinary income		
Gain on sales of non-current assets	*3 1,850	*3 3,285
Other	—	13
Total extraordinary income	1,850	3,298
Extraordinary loss		
Loss on sales of non-current assets	*4 697	*4 8,034
Loss on retirement of non-current assets	*5 1,214	*5 1,058
Impairment loss	1,455	4,917
Total extraordinary losses	3,368	14,010
Income before income taxes	14,690	18,330
Income taxes-current	4,162	3,045
Income taxes-deferred	(139)	2,913
Total income taxes	4,022	5,958
Net income	10,668	12,372

Schedules of Cost

Schedule of operating cost for leasing business

(Million yen)

Classification	Note number	Previous fiscal year (From April 1, 2014 to March 31, 2015)		Current fiscal year (From April 1, 2015 to March 31, 2016)	
		Amount	Breakdown (%)	Amount	Breakdown (%)
I. Personal expenses		371	0.7	399	0.6
II. Depreciation and amortization		19,358	34.4	19,532	27.3
III. Taxes and dues		8,129	14.4	8,256	11.5
IV. Business consignment expenses		10,347	18.4	10,342	14.4
V. Other		18,052	32.1	33,119	46.2
Total		56,259	100.0	71,650	100.0

Schedule of operating cost for residential property sales business

(Million yen)

Classification	Note number	Previous fiscal year (From April 1, 2014 to March 31, 2015)		Current fiscal year (From April 1, 2015 to March 31, 2016)	
		Amount	Breakdown (%)	Amount	Breakdown (%)
I. Land cost		13,951	38.2	13,794	37.3
II. Personal expenses		0	0.0	0	0.0
III. Sundry expenses		22,606	61.8	23,184	62.7
Total		36,558	100.0	36,978	100.0

(Note) The job order cost system is applied for calculating costs.

Schedule for operating cost for other businesses

(Million yen)

Classification	Note number	Previous fiscal year (From April 1, 2014 to March 31, 2015)		Current fiscal year (From April 1, 2015 to March 31, 2016)	
		Amount	Breakdown (%)	Amount	Breakdown (%)
I. Personal expenses		245	32.6	74	12.6
II. Sundry expenses		507	67.4	515	87.4
Total		752	100.0	590	100.0

(3) Statements of Changes in Net Assets

Previous fiscal year (From April 1, 2014 to March 31, 2015)

(Million yen)

	Shareholders' equity						Valuation and translation adjustments	Total net assets
	Capital stock	Capital surplus	Retained earnings			Total shareholders' equity	Valuation difference on available-for-sale securities	
		Legal capital surplus	Legal retained earnings	Other retained earnings				
				Voluntary retained earnings	Retained earnings brought forward			
Balance at the beginning of the year	48,760	34,109	3,437	30,838	41,342	158,487	976	159,464
Cumulative effects of changes in accounting policies					144	144		144
Restated balance	48,760	34,109	3,437	30,838	41,486	158,632	976	159,609
Total changes of items during the year								
Dividends from surplus					(2,632)	(2,632)		(2,632)
Interim dividends					(2,632)	(2,632)		(2,632)
Provision of reserve for advanced depreciation of non-current assets				4,619	(4,619)	—		—
Reversal of reserve for advanced depreciation of non-current assets				(139)	139	—		—
Provision of reserve for special depreciation				352	(352)	—		—
Reversal of reserve for special depreciation				(64)	64	—		—
Profit					10,668	10,668		10,668
Net changes of items other than shareholders' equity							1,860	1,860
Total changes of items during the year	—	—	—	4,767	634	5,402	1,860	7,262
Balance at the end of the year	48,760	34,109	3,437	35,606	42,121	164,034	2,837	166,871

	Shareholders' equity							Valuation and translation adjustments	Total net assets
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholder's equity	Valuation difference on available-for-sale securities	
		Legal capital surplus	Legal retained earnings	Other retained earnings					
				Voluntary retained earnings	Retained earnings brought forward				
Balance at the beginning of the year	48,760	34,109	3,437	35,606	42,121	—	164,034	2,837	166,871
Total changes of items during the year									
Dividends from surplus					(2,632)		(2,632)		(2,632)
Interim dividends					(2,632)		(2,632)		(2,632)
Provision of reserve for advanced depreciation of non-current assets				12,120	(12,120)		—		—
Reversal of reserve for advanced depreciation of non-current assets				(2,138)	2,138		—		—
Provision of reserve for special account for advanced depreciation of non-current assets				1	(1)		—		—
Provision of reserve for special depreciation				341	(341)		—		—
Reversal of reserve for special depreciation				(116)	116		—		—
Profit					12,372		12,372		12,372
Acquisition of treasury stock						(0)	(0)		(0)
Net changes of items other than shareholders' equity								165	165
Total changes of items during the year	—	—	—	10,209	(3,103)	(0)	7,106	165	7,272
Balance at the end of the year	48,760	34,109	3,437	45,815	39,018	(0)	171,140	3,003	174,143

(4) Notes to Financial Statements

(Phenomena or situations raising significant questions about the premise of a going concern)

Not applicable.

(Significant accounting policies)

1. Standards and methods for the valuation of securities

(1) Shares in subsidiaries and affiliates

Cost method determined by the moving average method is applied.

(2) Other securities

(i) Securities having fair values:

Fair value method based on the market value on the closing date is applied. (The valuation difference is recorded as a component of net assets. The cost of products sold is calculated by the moving average method.)

(ii) Securities not having fair values:

Cost method determined by the moving average method is applied.

With respect to investments in investment business limited partnerships and associations of a similar nature (investments deemed to be securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the net amount equivalent to equity based on the latest financial statements available is recorded.

2. Standards and methods for the valuation of derivatives

In principle, the fair value method is applied.

3. Standards and methods for the valuation of inventories

The cost method based on the specific cost method (reduction of the carrying value—balance sheet value—based on a decline in profitability) is applied to real estate for sale, real estate in progress.

The cost method based on the specific cost method is applied to cost on uncompleted construction contracts.

The last purchase price method is applied to raw materials and supplies.

4. Depreciation method for non-current assets

(1) Property, plant and equipment (except leased assets)

The declining-balance method is primarily applied.

However, the straight-line method is applied to Granpark Tower, NTT Cred Motomachi Building, and buildings (except attached facilities) acquired on and after April 1, 1998.

Major useful lives are as follows:

Buildings: 15 to 50 years

Structures: 15 to 50 years

Machinery and equipment: 5 to 17 years

Tools, furniture and fixtures: 2 to 20 years

(2) Intangible assets (except lease assets)

The straight-line method is applied.

Software for internal use is amortized over its estimated useful life (five years).

(3) Long-term prepaid expenses

The straight-line method is applied.

(4) Lease assets

Lease assets relating to finance lease transactions without the transfer of ownership

The same depreciation methods as applied to the non-current assets owned by the Company and its subsidiaries are applied.

5. Basis for calculating allowances

(1) Allowance for doubtful accounts

In preparation for doubtful notes and operating accounts receivable and loans receivable, the Company posts estimated uncollectible amounts, which are estimated from loan loss ratios for general reserves and from collectability for each of specific receivables including those with low collectability.

(2) Provision for retirement benefits

In preparation for employees retirement benefit, provision for retirement benefits are posted based on the retirement benefit obligation and estimated pension plan assets at the end of the fiscal year.

As a method of attributing expected benefit to periods before the fiscal year under review, straight-line basis is used to calculate retirement benefit obligations.

Past service costs are amortized using the straight-line method over the average remaining working lives (from 10 years to 13 years) of the employees at the time of occurrence.

Actuarial gains and losses are amortized using the straight-line method over the average remaining working lives (from 8 years to 13 years) of the employees at the time of occurrence in each fiscal year from the following fiscal year.

6. Basis for posting revenues and expenses

(1) Basis for posting revenues and expenses

Basis for posting revenues relating to finance lease transactions

Sales and cost of sales are posted when lease fees are received.

(2) Standard for recording amount of completed work and cost of completed work

a. Contracts whose outcome at the end of the fiscal year under review is deemed certain

Percentage-of-completion method (construction-cost-percentage method for estimating the progress of construction)

b. Other construction contracts

Completed-contract method

7. Hedge accounting method

(1) Hedge accounting method

In principle, deferred hedge accounting is applied.

A preferential procedure is employed for interest rate swaps that meet the criteria for the preferential procedure.

(2) Hedging item and hedged item

Hedging item: Interest rate swap contracts

Hedged item: Borrowings

(3) Hedging policy

Under the Company's internal rules on derivative transactions, interest rate risks relating to the hedged item are hedged against within a certain range.

(4) Method of assessment of hedge effectiveness

Since the swaps are interest swaps to which specific matching criteria are applied, the periodic assessment of hedge effectiveness is not performed.

8. Other important matters that constitute the basis for preparation of financial statements

(1) Accounting method for retirement benefits

The accounting method for unrecognized actuarial gains and losses and unrecognized past service costs for retirement benefits is different from the accounting method for these items on the consolidated financial statements.

(2) Accounting treatment of consumption taxes

Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

(Notes to balance sheets)

Guaranteed obligation

The Company is providing a loan guarantee to the affiliate below for a loan from financial institutions. (Million yen)

	Previous fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
UD USA Inc. (Guarantee obligation)	4,326	10,591
	USD 36 million	USD 94 million

(Notes to statements of income)

*1. Volume of transactions with affiliates (Million yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Non-operating transactions	77	343

*2. The approximate percentage of expenses that belong to selling expense is 29.2% in the previous fiscal year and 30.2% in the fiscal year under review, and the approximate percentage of expenses that belong to general, selling and administrative expenses is 70.8% in the previous fiscal year and 69.8% in the fiscal year under review.

Major expense items and their amounts are as follows. (Million yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Advertising expenses	3,022	3,293
Salaries, allowances and bonuses	4,003	3,858
Business consignment expenses	3,586	3,835
Taxes and dues	1,865	1,931
Depreciation and amortization	793	689

*3. Breakdown of gain on sales of non-current assets (Million yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Buildings	(102)	(216)
Land	1,952	3,501
Total	1,850	3,285

On the sale of a building with land, the Company recognized a loss on the building component, while a gain was recognized on the land component. A net gain resulted from this transaction and was recorded as a gain on sales of non-current assets.

*4. Breakdown of loss on sales of non-current assets (Million yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Buildings	–	14,299
Land	697	(6,264)
Total	697	8,034

For the current fiscal year, on the sale of a building with land, the Company recognized a loss on the building component, while a gain was recognized on the land component. A net gain resulted from this transaction and was recorded as a gain on sales of non-current assets.

*5. Breakdown of loss on retirement of non-current assets (Million yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Buildings	514	332
Structures	6	10
Machinery and equipment	3	0
Removal cost	673	678
Tools, furniture and fixtures	17	36
Total	1,214	1,058

(Notes to securities)

The shares of subsidiaries and affiliates (¥22,295 million and ¥478 million, respectively, on the balance sheets for the fiscal year under review and ¥16,831 million and ¥478 million, respectively, on the balance sheets for the previous fiscal year) have no market prices, and it is very difficult to determine their fair values. Their fair values are therefore omitted.

(Notes to deferred tax accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Million yen)

	Previous fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Deferred tax (current) assets		
Accrued bonuses in excess of the limit for income tax deduction	125	107
Accrued enterprise taxes	199	117
Denial of loss on valuation of inventory	9	—
Other	903	649
Sub Total	1,236	873
Valuation reserve	(11)	—
Total	1,225	873
Deferred tax (current) liabilities		
Other	(87)	(358)
Total	(87)	(358)
Net deferred tax (current) liabilities	1,138	515
Deferred tax assets (non-current)		
Denial of impairment loss	1,668	2,536
Denial of evaluation loss on land	2,962	2,811
Denial of depreciation of unused building volume	1,962	1,968
Provision for retirement benefits	1,960	1,831
Other	1,640	2,304
Sub Total	10,194	11,453
Valuation reserve	(6,055)	(6,392)
Total	4,138	5,060
Deferred tax liabilities (non-current)		
Reserve for advanced depreciation of non-current assets	(14,245)	(17,607)
Other	(2,205)	(2,035)
Total	(16,450)	(19,643)
Net deferred tax liabilities (non-current)	(12,311)	(14,582)

2. Breakdown of difference between the effective tax rate and the actual effective tax rate after applying tax effect accounting by major cause if there is a significant difference between them

	Previous fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Effective tax rate	35.6%	
(Adjustment)		
Reduction of deferred tax liabilities at the term end due to the change in tax rates	(7.2)	Legal difference between the effective tax rate and after the application of income tax burden rate of has been omitted note 100 minutes 5 or less is because of the statutory effective tax rate.
Change in year-end deferred tax liabilities due to tax rate change	(1.1)	
Other	0.0	
Actual effective tax rate after the application of tax effect accounting	27.3	

3. Correction of the amount of deferred tax assets and deferred tax liabilities due to the change of corporate tax rates, etc.

The Act on Partial Revision of the Income Tax Act (Act No. 15 of 2016) and the Act on Partial Revision of the Local Tax Act (Act No. 13 of 2016) were passed by the Diet on March 29, 2016, and the corporate tax rates are lowered from fiscal years starting on or after April 1, 2016. With the amendments, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities has changed from 32.2%, to 30.8% for temporary differences expected to be eliminated in the consolidated fiscal years starting April 1, 2016 and April 1, 2017 and to 30.6% for temporary differences expected to be eliminated from the consolidated fiscal year starting April 1, 2018.

Given these tax rate changes, deferred tax liabilities (netted against deferred tax assets) and income taxes-deferred declined ¥755 million yen and ¥684 million yen, respectively, and the valuation difference on available-for-sale securities rose ¥71 million yen.

(Significant subsequent events)

Not applicable.

7. Other

(1) Changes in Officers

Changes in officers will be disclosed when they are determined.