English translation based on Japanese original

Quarterly Report

(Second Quarter of 33rd term)

From July 1, 2017
to September 30, 2017

NTT Urban Development Corporation

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

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Document submitted	Quarterly Report
Applicable law clause	Article 24-4-7, Paragraph 1 of Financial Instruments and Exchange Act
Destination	Director General of the Kanto Finance Bureau
Date of submission	November 9, 2017
Quarterly accounting period	Second quarter of 33rd term (from July 1, 2017 to September 30, 2017)
Corporate name	NTT Toshi Kaihatsu Kabushiki Kaisha
Corporate name in English	NTT URBAN DEVELOPMENT CORPORATION
Name and title of representative	Hiroshi Nakagawa, President and Chief Executive Officer
Address of home office	4-14-1, Sotokanda, Chiyoda-ku, Tokyo
Telephone number	+81-3-6811-6300 (key number)
Contact person	Yutaka Torigoe, Senior Vice President, Accounting and Finance
Nearest contact point	4-14-1, Sotokanda, Chiyoda-ku, Tokyo
Telephone number	+81-3-6811-6424
Contact person	Yutaka Torigoe, Senior Vice President, Accounting and Finance
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Chapter 1 Corporate Information

Section 1 Overview of the Company's situation

1. Changes in major financial data

Term	32nd term Six months ended September 30, 2016	33rd term Six months ended September 30, 2017	32nd term
Account period	From April 1, 2016 to September 30, 2016	From April 1, 2017 to September 30, 2017	From April 1, 2016 to March 31, 2017
Operating revenue (million yen)	68,545	72,792	188,633
Ordinary income (million yen)	9,790	14,819	28,710
Profit attributable to owners of parent (million yen)	6,286	9,659	16,682
Comprehensive income (million yen)	1,143	10,728	14,422
Net assets (million yen)	249,100	265,571	258,556
Total assets (million yen)	1,012,184	1,015,866	1,005,898
Net income per share (yen)	19.10	29.35	50.69
Net income per share (fully diluted) (yen)	—	—	—
Ratio of shareholders' equity to assets (%)	20.1	21.6	21.1
Net cash provided by (used in) operating activities (million yen)	17,114	16,671	71,910
Net cash provided by (used in) investing activities (million yen)	(14,987)	(40,504)	(36,710)
Net cash provided by (used in) financing activities (million yen)	(1,236)	22,778	(27,345)
Cash and cash equivalents at end of period (million yen)	16,722	22,877	23,954

Term	32nd term Three months ended September 30, 2016	33rd term Three months ended September 30, 2017
Account period	From July 1, 2016 to September 30, 2016	From July 1, 2017 to September 30, 2017
Net income per share (yen)	10.49	10.60

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

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

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

2. Businesses

During the six months ended September 30, 2017, there were no significant changes in the major operations managed by the NTT Urban Development Group (the Company and its affiliates). Changes in major affiliates are as follows;

(Consolidated Subsidiaries)

The following companies became affiliates of the Consolidated Subsidiaries in the first quarter under review.

Name	Address	Capitalization (million yen)	Main business	Voting rights ownership percentage	Relations
Stuart Street Holdings LLC	Massachusetts, U.S.A.	(Dollar) 98,520,000	Offices/Retail	98.0 (Note 3)	Investment in and management of real estate in the U.S.A.

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

(Note 2) In the major business column, the names of segment information are entered.

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

(Equity-Method Affiliates)

The six companies are accounted for by applying the equity method from the three months ended June 30, 2017. The company newly invested in one company, and the one company is accounted for by applying the equity method from the three months ended September 30, 2017.

Section 2 Business situation

1. Operating risks

During the six months ended September 30, 2017, no new operating risks emerged.
In addition, there were no significant changes in the operating risks described in the annual securities report for the previous fiscal year.

2. Significant management contracts

There were no significant management contracts determined or concluded during the six months ended September 30, 2017.

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

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

(1) Financial results

In the office leasing market for the six months ended September 30, 2017, the occupancy rates remained high, and market rents were rising in some areas. In the condominium sales market, demand remained firm for condominiums in central Tokyo, although sales prices remained high. In the suburbs, however, there were some condominiums for which sales were prolonged.
In this environment, operating revenue amounted to ¥72,792 million (up ¥4,246 million, or 6.2% year-on-year), operating income was ¥15,550 million (up ¥4,220 million, or 37.3%), and ordinary income was ¥14,819 million (up ¥5,028 million, or 51.4 %). Profit attributable to owners of parent was ¥9,659 million (up ¥3,373 million, or 53.7 %).

(i) Offices/Retail Business

In the offices/retail business for the six months ended September 30, 2017, operating revenue increased ¥3,591 million to ¥45,207 million (up 8.6% year-on-year), despite a contribution to revenue of the expiry of free rent at existing properties such as Shinagawa Season Terrace (Minato-ku, Tokyo) , Urbannet Nihonbashi 2-Chome Building (Chuo-ku, Tokyo) and Urbannet Ginza 1-Chome Building (Chuo-ku, Tokyo). Operating income increased ¥4,287 million to ¥16,611 million (up 34.8%).
In this quarter, UD Yumesaki Building (Osaka-shi, Osaka) was completed and started operation. Development projects currently under way include Otemachi 2-Chome Area 1st class Urban Redevelopment Project Building A (Chiyoda-ku, Tokyo), Shimbashi 1-chome Project (Minato-ku, Tokyo), etc.

(ii) Residential business

In the residential business, the number of condominiums delivered amounted to 408 units with the sales of Wellith Daizawa (Setagaya-ku, Tokyo) and Wellith Suitayamatecho West-East (Suita-shi, Osaka) completed upon the delivery. The average sales price per unit in the six months ended September 30, 2017 was ¥40 million.
As a result, for the six months ended September 30, 2017, operating revenue in the residential business increased ¥2,253 million, or 11.7%, to ¥ 21,468 million, and operating income was increased ¥21 million, or 1.7%, to ¥1,279 million.
In this quarter, the Company began distribution of Wellith Ōtakanomori south arena (Nagareyama-shi, Chiba).

(iii) Other

Operating revenue in other business for the six months ended September 30, 2017 was ¥8,642 million (down ¥1,923 million, or 18.2%), and operating income was ¥655 million (down ¥205 million, or 23.9%).

(ii) Consolidated Cash Flows

The following is an explanation on the situation and factors for each category of cash flow for the six months ended September 30, 2017.

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

Cash flow in operating activities was a cash-in of ¥16,671 million (down ¥443 million year-on-year). This mainly reflected a cash-in of ¥23,774 million (up ¥4,885 million) attributable to income before income taxes and minority interests and depreciation and a cash-out of ¥6,965 million (down ¥8,065 million from a cash-in of ¥1,100 million in the six months ended September 30, 2016) due to payment of income taxes paid.

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

Cash flow in investing activities was a cash-out of ¥40,504 million, with the outflow expansion ¥25,516 million. This was primarily because a cash-out of ¥27,158 million due to purchase of property, plant and equipment (expansion ¥11,771 million) and a cash-out of ¥10,549 million due to purchase of investments in subsidiaries resulting in charge in scope of consolidation.

(Free cash flow)

Free cash flow was a cash-out of ¥23,833 million (down ¥25,960 million from a cash-in of ¥2,127 million in the six months ended September 30, 2016).

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

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

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

Cash flow in financing activities was a cash-in of ¥22,778 million (up ¥24,015 million from a cash-out of ¥1,236 million in the six months ended September 30, 2016). This was largely a reflection of financing (¥45,000 million of long-term loans payable and ¥3,433 million of short-term loans payable) in response to the cash-out due to the free cash flow described previously (a cash-out of ¥23,833 million), the repayment of long-term loans payable (¥21,723 million), and cash dividends paid (¥2,962 million).

As a result, cash and cash equivalents at the end of the six months ended September 30, 2017 was ¥22,877 million, increasing ¥1,076 million from the end of the previous fiscal year.

(3) Operational and financial challenges to meet

During the six months ended September 30, 2017, there were no significant changes in challenges facing the Company.

(4) Research and development

Not applicable

(5) Operating revenue

The table below shows operating revenue by business segment for the six months ended September 30, 2017. Operating revenue in each segment in the text includes inter-segment internal revenues and transfers.

(Million yen)

Business segment	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	Year on year (%)
Offices/Retail Business	45,207	108.6
Residential business	21,468	111.7
Total operating revenue in the reported segments	66,675	109.6
Other	8,642	81.8
Eliminations	(2,525)	—
Total	72,792	106.2

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

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

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

(Offices/Retail Business)

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

(Million yen)

Classification		Six months ended September 30, 2016	Six months ended September 30, 2017
Offices/ Retail leasing	Operating revenue	41,387	42,303
	Rentable floor space	1,136,792 m^2 (Of the above, sub-leases: 99,140 m^2)	1,118,459 m^2 (Of the above, sub-leases: 92,685 m^2)
Sales of revenue-generating real estate	Operating revenue	—	—
Other	Operating revenue	228	2,903
Total operating revenue		41,615	45,207

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

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

The table below shows the vacancy rate by area.

Classification	September 2016	December 2016	March 2017	June 2017	September 2017
Five wards of central Tokyo	3.9%	2.9%	3.2%	2.1%	2.0%
Nationwide	4.5%	4.1%	4.1%	3.6%	3.3%

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

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

(Residential Business)

The table below shows operating revenue in the residential business. All figures are consolidated results.

(Million yen)

Classification	Six months ended September 30, 2016	Six months ended September 30, 2017
Residential property sales	18,325	20,423
Residential rentals	889	1,045
Other	—	—
Total operating revenue	19,215	21,468

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

Classification			Six months ended September 30, 2016		Six months ended September 30, 2017	
			Units/Lots	Operating revenue (million yen)	Units/Lots	Operating revenue (million yen)
Condominiums						
	Units delivered	Tokyo metropolitan area	232	11,845	346	13,950
		Other regions	64	4,514	62	2,575
	Completed in inventories		506	—	510	—
Residential Lots, etc.						
	Units delivered	Tokyo metropolitan area	40	1,292	27	877
		Other regions	37	673	168	2,269
	Completed in inventories		70	—	268	—
Subtotal (Condominiums/Residential Lots, etc.)						
	Units delivered	Tokyo metropolitan area	272	13,138	373	14,827
		Other regions	101	5,187	230	4,845
	Completed in inventories		576	—	779	—
Residential property sales other						
	Units delivered	Tokyo metropolitan area	—	—	—	—
		Other regions	—	—	1	750
	Completed in inventories		—	—	—	—
Operating revenue			—	18,325	—	20,423

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

(Note2) "Completed in inventories" figures are as of the end of September of each fiscal year. The condominiums completed in inventories for the six months ended September 30, 2016 and for the six months ended September 30, 2017 include 58 units and 51 units, respectively, for which a contract has been completed but ownership has not yet been transferred. The residential lots, etc. completed in inventories for the six months ended September 30, 2016 and for the six months ended September 30, 2017 include 27 lots and 227 lots for which a contract has been completed but ownership has not yet been transferred.

(Note 3) Tokyo metropolitan area includes Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

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

In the Offices/Retail Business, the Company will focus on securing profitability by reinforcing its relationships with customers and will strengthen competitiveness by enhancing the efficiency and the quality of building services and by implementing strategic renewals, thereby seeking to ensure stable growth.

In addition, the Company will aim to strengthen its revenue sources by implementing hotel development in locations with universal value and mixed-use property development and will continue its efforts in the global business for the purpose of diversifying its asset portfolio.

In the Residential Business, the Company will focus on product planning to reflect changes in customer demands with an eye to the growing tendency to return to the city center in light of changing lifestyles and population dynamics and will expand initiatives for the renovation, etc. of used condos. Moreover, the Company will endeavor to expand its business domains, including the business for senior citizens, such as serviced senior housing, and the business for rental housing.

In the Other Business, The Company will seek to boost the value of the assets in which it is involved by implementing asset replacement, using the real estate investment trust (REIT) to which the Company is linked, and grow the fee business, including building management and property management operations.

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

The Company raised funds primarily through borrowings from financial institutions during the six months ended September 30, 201 7 in response to capital needs, including the repayment of borrowings, operating funds, and investments.

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

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

Section 3 Situation of submitting company

1. Shares of the Company

(1) Total number of shares and other information

(i) Total number of shares

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

(ii) Shares issued

Type	Number of shares issued as of September 30, 2017	Number of shares issued on the date of the submission of the report (November 9, 2017)	Stock exchange or registered financial instruments dealers association	Remarks
Common stocks	329,120,000	329,120,000	The First Section of the Tokyo Stock Exchange	Number of shares of one share unit 100
Total	329,120,000	329,120,000	—	—

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

(2) Stock acquisition rights

Not applicable.

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

Not applicable.

(4) Features of rights plan

Not applicable.

(5) Changes in number of shares outstanding and capital

Date	Change in number of shares outstanding (shares)	Number of shares outstanding (shares)	Change in capital (million yen)	Capital (million yen)	Change in capital reserve (million yen)	Capital reserve (million yen)
From July 1, 2017 to September 30, 2017	—	329,120,000	—	48,760	—	34,109

(6) Major shareholders

As of September 30, 2017

Name	Address	Number of shares held	Ratio of holdings to the number of shares issued (%)
Nippon Telegraph and Telephone Corporation (NTT)	1-5-1, Otemachi, Chiyoda-ku, Tokyo	221,481,500	67.30
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo	10,551,800	3.21
GOLDMAN, SACHS& CO. REG (Standing agency: Goldman Sachs Japan Co., Ltd.)	200 West Street New York, NY, USA (Roppongi Hills Mori Tower, 6-10-1 Roppongi, Minato-ku, Tokyo)	6,039,496	1.84
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	5,484,000	1.67
NORTHERN TRUST CO. (AVFC) RE U. S. TAX EXEMPTED PENSION FUNDS (Standing agency: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody and Clearing Division)	50 Bank Street Canary Wharf London E14 5NT, UK (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	3,016,300	0.92
STATE STREET BANK AND TRUST COMPANY 505001 (Standing agency: Custody & Proxy Department, Mizuho Corporate Bank, Ltd.)	P.O. Box 351 Boston Massachusetts 02101 U.S.A. (Shinagawa Intercity Building A, 2-15-1, Konan, Minato-ku, Tokyo)	2,827,088	0.86
Japan Trustee Services Bank, Ltd. (Trust Account5)	1-8-11, Harumi, Chuo-ku, Tokyo	2,315,100	0.70
THE BANK OF NEW YORK 133522 (Standing agency: Custody & Proxy Department, Mizuho Corporate Bank, Ltd.)	Rue Montoyerstraat 46, 1000 Brussels, Belgium (Shinagawa Intercity Building A, 2-15-1, Konan, Minato-ku, Tokyo)	2,297,461	0.70
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A／C UK LONDON BRANCH CLIENTS－ UNITED KINGDOM (Standing agency: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody and Clearing Division)	One Lincoln Street, Boston MA USA 02111 (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	2,225,051	0.68
THE BANK OF NEW YORK MELLON 140044 (Standing agency: Custody & Proxy Department, Mizuho Corporate Bank, Ltd.)	255 Liberty Street, New York, New York, U.S.A. (Shinagawa Intercity Building A, 2-15-1, Konan, Minato-ku, Tokyo)	2,129,800	0.65
Total	－	258,367,596	78.50

(Note1) All shares held by Japan Trustee Services Bank, Ltd. (Trust account), and The Master Trust Bank of Japan, Ltd. (Trust account) and Japan Trustee Services Bank, Ltd. (Trust Account5) are those held under their trust operations (including securities investment trusts). They include 6,184,500 shares under the management of investment trusts, 1,685,800 shares under the management of pension trusts, and 10,480,600 shares under the management of other trusts.

(Note2) The following institutions manage custody operations of shares owned by foreign institutional investors, as well as act as owners of shares on behalf of the relevant institutional investors; they are GOLDMAN, SACHS& CO. REG, NORTHERN TRUST CO. (AVFC) RE U. S. TAX EXEMPTED PENSION FUNDS, STATE STREET BANK AND TRUST COMPANY 505001, THE BANK OF NEW YORK 133522, STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A／C UK LONDON BRANCH CLIENTS－ UNITED KINGDOM, and THE BANK OF NEW YORK MELLON 140044.

(Note 3) Change Report which was made available to the public on August 18, 2017 states that Marathon Asset Management LLP has the following shares as of August 15, 2017, the Company cannot confirm the number of shares held by beneficial owners as of September 30, 2017 and thus the following shares are not included in the statements of major shareholders.

The statements of the Report of Possession of Large Volume are as follows.

Large volume holder : Marathon Asset Management LLP

Address : Orion House, 5 Upper St. Martin' s Lane, London WC2H 9EA, UK

Number of share certificates, etc. held : 13,587,000

Holding ratio of share certificates, etc. : 4.13%

(7) Voting rights

(i) Shares issued

As of September 30, 2017

Classification	Number of shares		Number of voting rights	Remarks
Nonvoting shares		–	–	–
Shares with limited voting rights (treasury share, etc.)		–	–	–
Shares with limited voting rights (other shares)		–	–	–
Shares with complete voting rights (treasury share, etc.)		–	–	–
Shares with complete voting rights (other shares)	Common shares	329,114,000	3,291,140	–
Fractional shares	Common shares	6,000	–	–
Total number of shares issued		329,120,000	–	–
Number of voting rights of all shareholders		–	3,291,140	–

(Note1) Shares with complete voting rights (other shares) include 800 shares under the name of the Japan Securities Depository Center.
The number of voting rights includes 8 shares with complete voting rights under the name of the Japan Securities Depository Center.

(Note2) Fractional shares include 77 shares of treasury shares.

(ii) Treasury stock

As of September 30, 2017

Owner	Address of owner	Number of shares held under the owner's own name (shares)	Number of shares held under the name of any other person (shares)	Total number of shares held (shares)	Ratio of holdings to the number of shares issued (%)
–	–	–	–	–	–
Total	–	–	–	–	–

2. Officers

Not applicable

Section 4 Financial status

1 Methods of preparing quarterly consolidated financial statements

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

2 Audit certification

Under the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the quarterly consolidated financial statements of the Company for the three months ended September 30, 2017 (from July 1, 2017 to September 30, 2017) and for the six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017) have received a quarterly review by KPMG AZSA LLC.

1. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Six months ended September 30, 2017 (As of September 30, 2017)
Assets		
Current assets		
Cash and deposits	16,945	18,026
Notes and operating accounts receivable	9,026	3,759
Real estate for sale	25,156	25,432
Real estate for sale in progress	68,204	68,906
Costs on uncompleted construction contracts	423	535
Raw materials and supplies	81	57
Lease investment assets	2,074	1,997
Deposits paid	7,208	5,011
Deferred tax assets	572	711
Other	8,123	6,960
Allowance for doubtful accounts	(0)	(0)
Total current assets	137,816	131,397
Non-current assets		
Property, plant and equipment		
Buildings and structures	633,167	652,109
Accumulated depreciation	(348,630)	(356,382)
Buildings and structures (net)	284,536	295,727
Machinery, equipment and vehicles	11,731	11,867
Accumulated depreciation	(10,438)	(10,591)
Machinery, equipment and vehicles (net)	1,292	1,276
Land	501,023	503,656
Lease assets	201	199
Accumulated depreciation	(138)	(143)
Lease assets (net)	63	55
Construction in progress	7,998	4,476
Other property, plant and equipment	14,108	14,801
Accumulated depreciation	(11,465)	(11,745)
Other property, plant and equipment (net)	2,642	3,056
Total property, plant and equipment	797,557	808,248
Intangible assets	25,228	25,913
Investments and other assets		
Investment securities	22,518	27,564
Long-term prepaid expenses	14,571	14,334
Net defined benefit asset	276	276
Deferred tax assets	440	435
Other	8,292	8,497
Allowance for doubtful accounts	(802)	(802)
Total investments and other assets	45,296	50,306
Total non-current assets	868,081	884,468
Total assets	1,005,898	1,015,866

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Six months ended September 30, 2017 (As of September 30, 2017)
Liabilities		
Current liabilities		
Notes and operating accounts payable–trade	6,002	3,286
Short-term loans payable	6,611	10,150
Lease obligations	32	31
Current portion of long-term loans payable	27,364	74,155
Current portion of bonds payable	19,998	20,999
Income taxes payable	6,748	3,877
Deferred tax liabilities	4	4
Other	46,030	27,952
Total current liabilities	112,792	140,456
Non-current liabilities		
Bonds payable	90,982	89,984
Long-term loans payable	377,125	353,416
Lease obligations	49	39
Lease and guarantee deposits received	75,024	76,150
Negative goodwill	21,037	20,079
Deferred tax liabilities	59,367	59,399
Provision for directors' retirement benefits	34	24
Net defined benefit liability	7,731	8,057
Asset retirement obligations	2,803	2,527
Other	392	158
Total non-current liabilities	634,548	609,838
Total liabilities	747,341	750,294
Net assets		
Shareholders' equity		
Capital stock	48,760	48,760
Capital surplus	31,648	31,648
Retained earnings	129,195	135,893
Treasury shares	(0)	(0)
Total shareholders' equity	209,604	216,302
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,590	2,623
Deferred gains or losses on hedges	1	2
Foreign currency translation adjustment	1,100	1,097
Remeasurements of defined benefit plans	(625)	(597)
Total accumulated other comprehensive income	3,067	3,125
Non-controlling interests	45,884	46,143
Total net assets	258,556	265,571
Total liabilities and net assets	1,005,898	1,015,866

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
(Quarterly consolidated Statements of Income)
(Six month ended September 30, 2016 and 2017)

(Million yen)

	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Operating revenue	68,545	72,792
Operating cost	48,215	47,995
Operating gross profit	20,330	24,796
Selling, general and administrative expenses	* 9,000	* 9,246
Operating income	11,329	15,550
Non-operating income		
Interest income	3	4
Dividends income	74	162
Amortization of negative goodwill	963	963
Equity in earnings of affiliates	177	398
Other	178	52
Total non-operating income	1,396	1,581
Non-operating expenses		
Interest expenses	2,582	2,258
Other	353	53
Total non-operating expenses	2,935	2,312
Ordinary income	9,790	14,819
Extraordinary income		
Loss on retirement of non-current assets	177	189
Total extraordinary income	177	189
Income before income taxes and minority interests	9,612	14,629
Total income taxes	2,331	3,959
Profit	7,280	10,669
Profit attributable to non-controlling interests	994	1,009
Profit attributable to owners of parent	6,286	9,659

(Consolidated statements of comprehensive income)
(Six month ended September 30, 2016 and 2017)

(Million yen)

	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Profit	7,280	10,669
Other comprehensive income		
Valuation difference on available-for-sale securities	(246)	32
Deferred gains or losses on hedges	(61)	0
Foreign currency translation adjustment	(5,873)	(3)
Remeasurements of defined benefit plans	45	28
Total other comprehensive income	(6,137)	58
Comprehensive income	1,143	10,728
(Breakdown)		
Comprehensive income attributable to owners of the parent	148	9,718
Comprehensive income attributable to non-controlling interests	995	1,009

(3) Quarterly consolidated statements of cash flows

(Million yen))

	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	9,612	14,629
Depreciation and amortization	9,276	9,144
Amortization of negative goodwill	(963)	(963)
Amortization of goodwill	5	5
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in net defined benefit liability	74	367
Interest and dividends income	(77)	(166)
Interest expenses	2,582	2,258
Equity in (earnings) losses of affiliates	(177)	(398)
Loss on retirement of non-current assets	177	189
Decrease (increase) in lease investment assets	73	77
Decrease (increase) in notes and accounts receivable-trade	4,345	5,278
Decrease (increase) in inventories	(1,032)	(1,139)
Increase (decrease) in notes and accounts payable–trade	(4,710)	(3,024)
Increase (decrease) in lease and guarantee deposits received	1,472	570
Other	(1,990)	(1,127)
Subtotal	18,669	25,700
Interest and dividends income received	95	184
Interest expenses paid	(2,750)	(2,248)
Income taxes paid or refunded	1,100	(6,965)
Net cash provided by (used in) operating activities	17,114	16,671
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(15,387)	(27,158)
Proceeds from sales of property, plant and equipment	-	0
Purchase of investment securities	-	(2,653)
Proceeds from repayment of investment securities	1,594	33
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(10,549)
Other	(1,194)	(176)
Net cash provided by (used in) investing activities	(14,987)	(40,504)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	29,285	3,433
Proceeds from long-term loans payable	17,000	45,000
Repayments of long-term loans payable	(23,600)	(21,723)
Redemption of bonds	(20,000)	-
Cash dividends paid	(2,961)	(2,962)
Cash dividends paid to minority shareholders	(942)	(955)
Other	(17)	(13)
Net cash provided by (used in) financing activities	(1,236)	22,778
Effect of exchange rate change on cash and cash equivalents	(275)	(22)
Net increase (decrease) in cash and cash equivalents	615	(1,076)
Cash and cash equivalents at beginning of year	16,106	23,954
Cash and cash equivalents at end of period	* 16,722	* 22,877

Notes

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

(1) Significant changes in the scope of consolidation

The Company newly included three consolidated subsidiary affiliated with UD USA Inc. in the scope of consolidation from the three months ended June 30, 2017.

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

The company newly invested in six companies, and the six companies are accounted for by applying the equity method from the three months ended June 30, 2017. The company newly invested in one company, and the one company is accounted for by applying the equity method from the three months ended September 30, 2017.

(Quarterly consolidated statements of income)

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

(Million yen)

	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Advertising expenses	1,367	1,744
Salaries, allowances and bonuses	2,293	2,325
Retirement benefit expenses	217	226
Provision for directors' retirement benefits	4	5
Business consignment expenses	1,675	1,744
Taxes and dues	1,446	907
Provision of allowance for doubtful accounts	(0)	(0)

(Quarterly consolidated statement of cash flows)

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

(Million yen)

	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Cash and bank deposits	15,553	18,026
Time deposits with a deposit period of over three months	(160)	(160)
Short-term (less than three months) investments included in “Deposits paid” in current assets	1,328	5,011
Cash and cash equivalents	16,722	22,877

(Shareholders' equity)

I. Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

1. Dividends paid

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

2. Of dividends with a record date falling in six months ended September 30, 2016, those with an effective date falling after three months ended September 30, 2016

(Resolution)	Type of shares	Total dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on November 8, 2016	Common stocks	2,962	Retained earnings	9	September 30, 2016	December 1, 2016

II. Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

1. Dividends paid

(Resolution)	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary shareholders' meeting held on June 22, 2017	Common stocks	2,962	Retained earnings	9	March 31, 2017	June 23, 2017

2. Of dividends with a record date falling in six months ended September 30, 2017, those with an effective date falling after three months ended September 30, 2017

(Resolution)	Type of shares	Total dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on November 8, 2017	Common stocks	2,962	Retained earnings	9	September 30, 2017	December 1, 2017

(Segment information, etc.)

Segment information

I. Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

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

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount stated in consolidated financial statement (Note 3)
	Offices/ Retail Business	Residential Business	Total				
Operating revenue							
(1) Operating revenue to third parties	41,119	19,205	60,324	8,220	68,545	—	68,545
(2) Inter-segment internal revenues and transfers	496	10	506	2,344	2,851	(2,851)	—
Total	41,615	19,215	60,831	10,565	71,396	(2,851)	68,545
Segment profits	12,323	1,258	13,581	861	14,442	(3,113)	11,329

(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, and management of restaurant facilities as incidental facilities of office buildings.

(Note 2) Adjustment of -¥3,113 million in segment profits includes elimination of inter-segment transactions of -¥17 million and company-wide expenses of -¥3,095 million which is not allotted to the reported segments and other. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments and other.

(Note 3) Segment profits are adjustment of operating income reported on quarterly consolidated statement of income.

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

Not applicable

II. Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

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

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount stated in consolidated financial statement (Note 3)
	Offices/ Retail Business	Residential Business	Total				
Operating revenue							
(1) Operating revenue to third parties	44,669	21,463	66,132	6,659	72,792	—	72,792
(2) Inter-segment internal revenues and transfers	538	5	543	1,982	2,525	(2,525)	—
Total	45,207	21,468	66,675	8,642	75,317	(2,525)	72,792
Segment profits	16,611	1,279	17,891	655	18,546	(2,995)	15,550

(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, and management of restaurant facilities as incidental facilities of office buildings.

(Note 2) Adjustment of -¥2,995 million in segment profits includes elimination of inter-segment transactions of -¥21 million and company-wide expenses of -¥3,017 million which is not allotted to the reported segments and other. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments and other.

(Note 3) Segment profits are adjustment of operating income reported on quarterly consolidated statement of income.

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

Not applicable

(Per-share information)

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

	Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Net income per share	¥19.10	¥29.35
(Basis for calculation)		
Profit attributable to owners of parent (million yen)	6,286	9,659
Amount not attributable to common stockholders (million yen)	―	―
Net income relating to common stock (million yen)	6,286	9,659
Average number of shares during the period	329,119,923	329,119,923

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

(Significant subsequent events)

Not applicable

2. Other

The Company decided on interim dividends for the current fiscal year at the meeting of the Board of Directors held on November 8, 2017 as follows:

(a) Total amount of interim dividends	¥ 2,962 million
(b) Dividend per share	¥ 9
(c) Effective date of payment requests and first payment date	December 1, 2017

(Note) Dividends will be paid to shareholders listed or recorded on the shareholder register as of September 30, 2017.

Chapter 2　Information on the Guarantee Company of the Submitting Company

Not applicable