

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, 2018

May 9, 2018

NTT URBAN DEVELOPMENT CORPORATION

Stock Exchange: Tokyo Stock Exchange

Code Number: 8933

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

Representative: Hiroshi Nakagawa, President and Chief Executive Officer

Attn.: Yutaka Torigoe, Senior Vice President, Accounting and Finance

Tel: +81-3-6811-6424

Scheduled date of the ordinary general meeting of shareholders: June 21, 2018

Scheduled date for commencing payment of dividend: June 22, 2018

Scheduled date of submission of the annual securities report: June 22, 2018

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, 2017 through March 31, 2018)

(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, 2018	166,800	(11.6)	29,635	(5.6)	27,432	(4.5)	18,701	12.1
Year ended March 31, 2017	188,633	3.1	31,393	(16.9)	28,710	(15.1)	16,682	0.8

(Note) Comprehensive income: Year ended March 31, 2018: 20,937 million yen 45.2 %

Year ended March 31, 2017: 14,422 million yen (12.1) %

	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, 2018	56.82	—	8.5	2.7	17.8
Year ended March 31, 2017	50.69	—	8.0	2.8	16.6

(Reference) Equity in earning of affiliates: Year ended March 31, 2018: (121 million) yen

Year ended March 31, 2017: 1,072 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, 2018	1,019,659	271,810	22.1	685.80
As of March 31, 2017	1,005,898	258,556	21.1	646.18

(Reference) Shareholders' equity: As of March 31, 2018: 225,712 million yen

As of March 31, 2017: 212,671 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, 2018	46,273	(63,471)	14,068	20,825
Year ended March 31, 2017	71,910	(36,710)	(27,345)	23,954

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	Million yen	%	%
Year ended March 31, 2017	—	9.00	—	9.00	18.00	5,924	35.5	2.8
Year ended March 31, 2018	—	9.00	—	10.00	19.00	6,253	33.4	2.9
(Forecast) Year ending March 31, 2019	—	10.00	—	10.00	20.00		41.1	

3. Forecast of Consolidated Financial Results (April 1, 2018 through March 31, 2019)

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

	Operating revenue		Operating income		Profit for the Period attributable to owners of the Parent		Basic earnings per Share
	Million yen	%	Million yen	%	Million yen	%	Yen
Annual	167,500	—	28,000	—	16,000	—	48.61

(Note) The Group decided to voluntarily adopt International Financial Accounting Standards (IFRS) from the first quarter of FY2018. Consequently, the consolidated forecast for FY2018 was prepared based on IFRS. Increase/decrease (%) compared to results for FY2017, which were prepared based on J GAAP, is also not shown.

* Notes

(1) Important Changes in Subsidiaries during the Fiscal Year

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

New: 1 company Stuart Street Holdings 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.: Not applicable

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

(iii) Changes in accounting estimates: Not applicable

(iv) Restatement: Not applicable

(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, 2018: 329,120,000 shares

As of March 31, 2017: 329,120,000 shares

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

As of March 31, 2018: 77 shares

As of March 31, 2017: 77 shares

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

As of March 31, 2018: 329,119,923 shares

As of March 31, 2017: 329,119,923 shares

(For reference) Outline of Non-consolidated Financial Results

Non-consolidated Financial Results (April 1, 2017 through March 31, 2018)

(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, 2018	138,380	(14.6)	24,489	(7.8)	21,705	(1.2)	15,363	9.6
Year ended March 31, 2017	161,968	0.8	26,552	(22.3)	21,978	(24.3)	14,018	13.3

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
Year ended March 31, 2018	46.68	—
Year ended March 31, 2017	42.59	—

(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, 2018	785,475	190,555	24.3	578.98
As of March 31, 2017	775,102	181,825	23.5	552.46

(Reference) Shareholders' equity: As of March 31, 2018: 190,555 million yen
As of March 31, 2017: 181,825 million yen

*This summary of financial statements is not subject to the audit procedure by certified public accountants or auditing firm.

(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. Overview of operating results, etc., (4) Outlook for the future on page 7.

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1. Overview of operating results, etc.

(1) Overview of operating results for the fiscal year under review

In the fiscal year under review, the office leasing market saw a occupancy rates continued to be high and market rents remained firm during. In the condominium sales market, demand remained firm for condominiums in central areas of Tokyo, although sales prices continued to rise due to rising land prices and the hovering of construction costs at a high level. In the suburbs, however, there were some condominiums for which sales were prolonged.

In this environment, the Company and its subsidiaries (collectively “the Group”) operated their businesses steadily, aiming for sustainable growth based on the Group’s Medium-Term Vision 2018 - For Further Growth. In the Office/Retail Business, operating revenue and income increased excluding sales of properties, mainly due to the termination of free-rent periods at existing properties. Meanwhile, the Residential Business performed strongly overall, with condominium unit sales recorded rising sharply.

Operating revenue amounted to ¥166,800 million (down ¥21,833 million, or 11.6% year on year) and operating income was ¥29,635 million (down ¥1,757 million, or 5.6%). However, excluding sales of properties, the Company recorded gains in revenue and income, with operating revenue of ¥162,906 million (up ¥3,942 million, or 2.5%) and operating income of ¥26,852 million (up ¥4,448 million, or 19.9%).

Ordinary income was ¥27,432 million (down ¥1,278 million, or 4.5%). Profit attributable to owners of parent was ¥18,701 million (up ¥2,019 million, or 12.1 %).

The table below shows operating revenue by business segment in the consolidated fiscal year under review. Operating revenue in each segment in the text includes inter-segment internal revenues and transfers.

(Million yen)

Business segment	Year ended March 31, 2017	Year ended March 31, 2018
Offices/Retail Business	113,613	91,964
Residential Business	59,607	59,758
Total operating revenue in reported segments	173,221	151,723
Other	21,534	21,226
Eliminations	(6,122)	(6,149)
Total	188,633	166,800

(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) Offices/Retail Business

In the Office/Retail Business, the Company strived to generate earnings in the fiscal year under review from the contribution of property newly completed and acquired, such as UD Yumesaki Building (Osaka-shi, Osaka), 185 Dartmouth Street (Boston, U.S.), among others. Expansion of operating revenue associated with the termination of free-rent periods at existing properties such as Shinagawa Season Terrace also contributed to business growth.

Operating revenue amounted to ¥91,964 million (down ¥21,649 million, or 19.1% year on year) and operating income was ¥29,880 million (down ¥3,921 million, or 11.6%). However, excluding sales of properties, the Company recorded gains in revenue and income, with operating revenue of ¥89,582 million (up ¥5,638 million, or 6.7%) and operating income of ¥27,912 million (up ¥3,099 million, or 12.5%). Development projects currently underway include OTEMACHI PLACE (Otemachi 2-Chome Area 1st Class Urban Redevelopment Project Building, Chiyoda-ku, Tokyo), Shimbashi 1-Chome Project (Minato-ku, Tokyo), Harajuku Station Front Project (Shibuya-ku, Tokyo), etc. For the Hotel/Resort Business, the Group enhanced initiatives for the Shinpukan Redevelopment Project (Kyoto-shi, Kyoto), Kiyomizu Elementary School Conversion Project (Kyoto-shi, Kyoto), etc.

The table below shows operating revenue etc. The Offices/retail business. All figures are consolidated results.

(Million yen)

Classification		Year ended March 31, 2017	Year ended March 31, 2018
Office/Retail leasing	Operating revenue	83,360	86,236
	Rentable area	1,108,644 m ² (Of the above, sub-leases: 99,126 m ²)	1,108,538 m ² (Of the above, sub-leases: 93,047 m ²)
Sales of revenue-generating real estate	Operating revenue	29,669	2,381
Other	Operating revenue	583	3,346
Total operating revenue		113,613	91,964

(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 2017	June 2017	September 2017	December 2017	March 2018
Five wards of central Tokyo	3.2%	2.1%	2.0%	1.2%	1.4%
Nationwide	4.1%	3.6%	3.3%	3.3%	3.4%

(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.

The NOI for the consolidated fiscal year under review amounted to ¥50,189 million (up ¥2,867 million, or 6.1% year on year) nationwide. In the Tokyo metropolitan area, NOI increased to ¥31,730 million (up ¥3,108 million, or 10.9% year on year) due to rise in rent revenue from existing buildings as a result in the termination of free-rent periods. In other regions, including overseas, NOI fell to ¥18,459 million (down ¥240 million, or 1.3% year on year) mainly due to falls in rental revenue associated with sales of properties, offsetting increases due to the completion and acquisition of new properties.

(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, 2017			Year ended March 31, 2018		
	Total	Office/ Retail	Other	Total	Office/ Retail	Other
Five wards of central Tokyo	28,622	26,960	572	31,730	29,449	775
Tokyo metropolitan area (excluding five wards of central Tokyo)		1,089			1,506	
Other regions	18,699	18,699	0	18,459	18,384	74
Total	47,322	46,750	572	50,189	49,340	849

(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 Business

In the Residential Business, the Company delivered 1,157 units, centering on newly completed properties, and the number of unit sales recorded rose sharply in the fiscal year under review. The average sales price per unit climbed to ¥41 million. Operating revenue amounted to ¥59,758 million (up ¥151 million, or 0.3% year on year) and operating income stood at ¥4,960 million (up ¥1,892 million, or 61.7%), partly due to a reduction in share-outs.

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

(Million yen)

Classification	Year ended March 31, 2017	Year ended March 31, 2018
Residential property sales	57,803	55,169
Residential rentals	1,803	2,118
Other	—	2,471
Total operating revenue	59,607	59,758

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

Classification		Year ended March 31, 2017		Year ended March 31, 2018	
		Units/Lots	Operating revenue (million yen)	Units/Lots	Operating revenue (million yen)
Condominiums					
Units delivered	Tokyo metropolitan area	620	27,227	764	32,412
	Other regions	241	25,587	393	16,358
Completed in inventories		498	—	610	—
Residential Lots, etc.					
Lots delivered	Tokyo metropolitan area	73	2,404	34	1,049
	Other regions	169	2,584	337	4,599
Completed in inventories		304	—	285	—
Subtotal (Condominiums and Residential Lots, etc.)					
Units/Lots delivered	Tokyo metropolitan area	693	29,632	798	33,461
	Other regions	410	28,171	730	20,957
Completed in inventories		803	—	895	—
Other					
Units/Lots delivered	Tokyo metropolitan area	—	—	—	—
	Other regions	—	—	1	750
Completed in inventories		—	—	—	—
Operating revenue		—	57,803	—	55,169

(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 2017 and the fiscal year ended in March 2018 include 34 units and 39 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 2017 and the fiscal year ended in March 2018 include 254 lots and 203 lots, respectively, for which a contract has been completed but ownership has not yet been transferred.

(Note3) Tokyo metropolitan area includes Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

3) Other

Operating revenue in other business (interior construction management for tenants, property management of existing buildings, etc.) in the fiscal year under review amounted to ¥21,226 million (down ¥308 million, or 1.4% year on year) largely due to a decrease in interior construction management for tenants, while operating income stood at ¥1,819 million (up ¥3 million, or 0.2%).

(2) Overview of financial position for the fiscal year under review

(Assets)

Total assets at the end of the consolidated fiscal year under review was ¥1,019,659 million, up ¥13,761 million from the end of the previous consolidated fiscal year.

Current assets stood at ¥125,367 million, declining ¥12,449 million from the end of the previous consolidated fiscal year. This result was mainly attributable to a decrease of ¥9,707 million in inventories as a result.

Non-current assets amounted to ¥894,292 million, up ¥26,210 million from the end of the previous consolidated fiscal year. This rise primarily reflected an increase in property, plant and equipment as a result of the investment in new development properties of ¥21,766 million etc.

(Liabilities)

Total liabilities at the end of the consolidated fiscal year under review was ¥747,849 million, up ¥507 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥22,684 million in interest-bearing debt (As of March 31, 2018: ¥544,767 million) despite a fall of ¥20,048 million in current liabilities (other) as a result of a decline in accounts payable of construction costs.

Net interest-bearing debt, interest-bearing debt less cash and cash equivalents, etc., were ¥523,781 million, up ¥25,812 million from the end of the previous consolidated fiscal year.

(Net assets)

Net assets at the end of the consolidated fiscal year under review was ¥271,810 million, up ¥13,253 million from the end of the previous consolidated fiscal year. This was mainly increase in shareholders' equity of ¥12,778 million.

(Million yen)

	As of March 31, 2017	As of March 31, 2018	Change
Assets	1,005,898	1,019,659	13,761
Liabilities	747,341	747,849	507
Net assets	258,556	271,810	13,253
(Restated) Minority interests	45,884	46,098	213

(3) Overview of Cash Flows for the fiscal year under review

The following is an explanation on the situation and factors for each category of cash flow for the consolidated fiscal year under review.

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

Cash flow in operating activities was a cash-in of ¥46,273 million (down ¥25,637 million year-on-year). This mainly reflected a cash inflow attributable to income before income taxes and minority interests and depreciation and amortization of ¥45,966 million (up ¥654 million year on year) and a cash inflow due to a decrease in inventories of ¥9,902 million (down ¥15,516 million year on year), and a cash outflow due to the payment of income taxes of ¥10,631 million (up ¥10,628 million year on year).

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

Cash flow in investing activities was a cash-out of ¥63,471 million, with the outflow expansion ¥26,760 million year-on-year. This was primarily because a cash-out of ¥50,509 million due to purchase of property, plant and equipment (expansion ¥12,717 million year-on-year) and a cash-out of ¥10,532 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 ¥17,197 million (down ¥52,397 million from a cash-in of ¥35,200 million in previous term).

*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 ¥14,068 million (up ¥41,414 million from a cash-out of ¥27,345 million in previous term). This result was mainly attributable to the borrowing of funds (long-term loans payable of ¥65,000 million, short-term loans payable of ¥4,275 million) for the abovementioned free cash flow (cash outflow of ¥17,197 million), the repayment of long-term loans payable (¥27,321 million), the redemption of bonds (¥20,000 million), and the payment of dividends (¥5,925 million).

As a result, cash and cash equivalent at the end of the consolidated fiscal year under review was ¥20,825 million, decreasing ¥3,128 million from the end of the previous consolidated fiscal year.

(Million yen)

Item	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018
Net cash provided by (used in) operating activities	51,870	36,988	17,430	71,910	46,273
Net cash provided by (used in) investing activities	(37,962)	(67,778)	(14,570)	(36,710)	(63,471)
Net cash provided by (used in) financing activities	(8,656)	31,777	(6,781)	(27,345)	14,068

(4) Outlook for the future

At present, the consolidated earnings forecast for the fiscal year ending March 31, 2019 is as follows. The Company has decided to voluntarily adopt International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending March 31, 2019. As a result, the earnings forecast for the fiscal year ending March 31, 2019 is based on IFRS.

Consolidated Earnings Forecast for the fiscal year ending March 31, 2019

(Million yen)

Item	IFRS	(Reference) J GAAP
Operating revenue	167,500	168,000
Operating income	28,000	30,000
Profit attributable to owners of parent	16,000	17,000

Consolidated Segment Forecast for the fiscal year ending March 31, 2019

(Million yen)

Item	IFRS	(Reference) J GAAP
Operating revenue	167,500	168,000
Offices/Retail Business	92,700	89,600
Residential Business	58,200	61,000
Other	22,000	22,800
Eliminations	(5,400)	(5,400)
Operating income	28,000	30,000
Offices/Retail Business	27,000	28,800
Residential Business	6,800	6,900
Other	1,900	1,900
Eliminations/Corporate	(7,700)	(7,600)

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

The following is the outlook for each segment.:

1) Offices/Retail Business

In the Offices Business, the Company will cope with deterioration in the supply-demand balance stemming from the large-scale supply in central Tokyo by focusing on securing profitability, including working to reinforce relationships with customers that occupy its properties and increasing customer satisfaction. To address the risk of fluctuation in the rental offices market arising from an increase in vacancies, the Company will work to increase competitiveness through strategic renewals, including BCP (business continuity planning), and to strengthen property management through collaboration with partners. Furthermore, the Company will also grasp changes in society and focus on using ICT to providing high quality services and increase the efficiency of operations. It will also actively focus on expanding new business areas such of the LIFORK business (new shared office business which supports individual customers in realizing the workstyle and lifestyle that suits them).

In the Retail Business, the Company will implement initiatives in response to the increase in foreign visitors to Japan and changes in consumption trends, while in the Hotels/Resorts Business, where market expansion is expected, the Company will continue to push ahead with competitive developments in attractive areas in response to the changing business environment. The Company will also work to create new value through developments that use existing buildings and blend with the historical and cultural cityscape. In its operation of retail facilities, the Company will attract tenants based on the shift in consumer values towards experiences over things and will work to create attractive facilities that meet with customer satisfaction.

2) Residential Business

In the Residential Business, the Company will review its existing business model and focus on diversifying its business domains in light of changing lifestyles and demographics. In the condominium sales business, the Company will focus on the selection of supply areas and product planning to meet changing customer needs, taking into consideration the resurgence in demand for homes close to the city center. The Company will also expand renovation and conversion (change of use) of used residential properties and increase initiatives for high added value business. It will also continue to focus on serviced senior housing and rental housing for senior citizens such as the Tsunagu TOWN Project.

3) Other

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.

2. Basic Policy in the selection of accounting principles

The Group, as a member of the NTT Group, has decided to voluntarily adopt International Financial Reporting Standards (IFRS) for its consolidated financial statements and consolidated financial reports starting from the first quarter of the fiscal year ending March 31, 2019 (from April 1, 2018 to June 30, 2018), in place of the Japanese Generally Accepted Accounting Principles (J GAAP) previously adopted. The primary aim for adopting these standards is to improve the international comparability of financial information in the capital market and streamline financial reports.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	16,945	18,073
Notes and operating accounts receivable	9,026	9,340
Real estate for sale	25,156	27,672
Real estate for sale in progress	68,204	55,614
Costs on uncompleted construction contracts	423	784
Raw materials and supplies	81	86
Lease investment assets	2,074	1,912
Deposits paid	7,208	2,912
Deferred tax assets	572	671
Other	8,123	8,298
Allowance for doubtful accounts	(0)	(0)
Total current assets	137,816	125,367
Non-current assets		
Property, plant and equipment		
Buildings and structures	633,167	656,693
Accumulated depreciation	(348,630)	(362,020)
Buildings and structures (net)	284,536	294,672
Machinery, equipment and vehicles	11,731	11,923
Accumulated depreciation	(10,438)	(10,737)
Machinery, equipment and vehicles (net)	1,292	1,185
Land	501,023	504,835
Lease assets	201	207
Accumulated depreciation	(138)	(145)
Lease assets (net)	63	62
Construction in progress	7,998	15,333
Other property, plant and equipment	14,108	15,013
Accumulated depreciation	(11,465)	(11,779)
Other property, plant and equipment (net)	2,642	3,234
Total property, plant and equipment	797,557	819,324
Intangible assets	25,228	25,818
Investments and other assets		
Investment securities	22,518	26,852
Long-term prepaid expenses	14,571	14,138
Net defined benefit asset	276	355
Deferred tax assets	440	237
Other	8,292	8,366
Allowance for doubtful accounts	(802)	(802)
Total investments and other assets	45,296	49,149
Total non-current assets	868,081	894,292
Total assets	1,005,898	1,019,659

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Current consolidated fiscal year (As of March 31, 2018)
Liabilities		
Current liabilities		
Notes and operating accounts payable–trade	6,002	6,638
Short-term loans payable	6,611	11,232
Lease obligations	32	33
Current portion of long-term loans payable	27,364	89,064
Current portion of bonds	19,998	1,000
Income taxes payable	6,748	3,908
Deferred tax liabilities	4	0
Other	46,030	25,981
Total current liabilities	112,792	137,859
Non-current liabilities		
Bonds payable	90,982	89,986
Long-term loans payable	377,125	353,484
Lease obligations	49	42
Lease and guarantee deposits received	75,024	76,399
Negative goodwill	21,037	19,122
Provision for loss of subleasing business	—	2,350
Deferred tax liabilities	59,367	58,060
Provision for directors' retirement benefits	34	29
Net defined benefit liability	7,731	8,092
Asset retirement obligations	2,803	2,228
Other	392	193
Total non-current liabilities	634,548	609,989
Total liabilities	747,341	747,849
Net assets		
Shareholders' equity		
Capital stock	48,760	48,760
Capital surplus	31,648	31,650
Retained earnings	129,195	141,973
Treasury shares	(0)	(0)
Total shareholders' equity	209,604	222,383
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,590	1,881
Deferred gains or losses on hedges	1	15
Foreign currency translation adjustment	1,100	1,974
Remeasurements of defined benefit plans	(625)	(543)
Total accumulated other comprehensive income	3,067	3,328
Non-controlling interests	45,884	46,098
Total net assets	258,556	271,810
Total liabilities and net assets	1,005,898	1,019,659

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

(Million yen)

	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Operating revenue	188,633	166,800
Operating cost	137,084	115,978
Operating gross profit	51,548	50,821
Selling, general and administrative expenses	20,155	21,185
Operating income	31,393	29,635
Non-operating income		
Interest income	6	14
Dividends income	122	213
Contributions	66	319
Gain on donation of non-current assets	7	21
Amortization of negative goodwill	1,926	1,926
Equity in earnings of affiliates	1,072	—
Other	208	60
Total non-operating income	3,410	2,555
Non-operating expenses		
Interest expenses	4,894	4,493
Provision of allowance for doubtful accounts	802	—
Share of loss of entities accounted for using equity method	—	121
Other	396	144
Total non-operating expenses	6,093	4,759
Ordinary income	28,710	27,432
Extraordinary income		
Gain on sales of non-current assets	25	118
Gain on sales of investment securities	—	802
Total extraordinary income	25	920
Extraordinary loss		
Loss on retirement of non-current assets	2,150	626
Impairment loss	49	—
Loss on sales of investment securities	—	66
Loss on valuation of investment securities	95	99
Total extraordinary losses	2,296	792
Income before income taxes and minority interests	26,440	27,560
Income taxes-current	7,559	7,828
Income taxes-deferred	340	(942)
Total income taxes	7,899	6,886
Profit	18,540	20,673
Profit attributable to non-controlling interests	1,858	1,972
Profit attributable to owners of parent	16,682	18,701

(Consolidated Statements of Comprehensive Income)

(Million yen)

	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Net income	18,540	20,673
Other comprehensive income		
Valuation difference on available-for-sale securities	(412)	(708)
Deferred gains or losses on hedges	11	13
Foreign currency translation adjustment	(4,160)	874
Remeasurements of defined benefit plans	442	84
Total other comprehensive income	(4,118)	263
Comprehensive income	14,422	20,937
(Breakdown)		
Comprehensive income attributable to owners of the parent	12,561	18,962
Comprehensive income attributable to non-controlling interests	1,860	1,974

(3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the year	48,760	31,648	118,437	(0)	198,846
Total changes of items during the year					
Dividends from surplus			(2,962)		(2,962)
Interim dividends			(2,962)		(2,962)
Profit attributable to owners of parent			16,682		16,682
Change in ownership interest of parent due to transactions with non-controlling shareholders					
Net changes of items other than shareholders' equity					
Total changes of items during the year	-	-	10,758	-	10,758
Balance at the end of the year	48,760	31,648	129,195	(0)	209,604

	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	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the year	3,003	(9)	5,261	(1,066)	7,187	45,871	251,905
Total changes of items during the year							
Dividends from surplus							(2,962)
Interim dividends							(2,962)
Profit attributable to owners of parent							16,682
Change in ownership interest of parent due to transactions with non-controlling shareholders							
Net changes of items other than shareholders' equity	(412)	11	(4,160)	440	(4,120)	13	(4,106)
Total changes of items during the year	(412)	11	(4,160)	440	(4,120)	13	6,651
Balance at the end of the year	2,590	1	1,100	(625)	3,067	45,884	258,556

Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the year	48,760	31,648	129,195	(0)	209,604
Total changes of items during the year					
Dividends from surplus			(2,962)		(2,962)
Interim dividends			(2,962)		(2,962)
Profit attributable to owners of parent			18,701		18,701
Change in ownership interest of parent due to transactions with non-controlling shareholders		1			1
Net changes of items other than shareholders' equity					
Total changes of items during the year	-	1	12,777	-	12,778
Balance at the end of the year	48,760	31,650	141,973	(0)	222,383

	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	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the year	2,590	1	1,100	(625)	3,067	45,884	258,556
Total changes of items during the year							
Dividends from surplus							(2,962)
Interim dividends							(2,962)
Profit attributable to owners of parent							18,701
Change in ownership interest of parent due to transactions with non-controlling shareholders							1
Net changes of items other than shareholders' equity	(708)	13	874	82	261	213	474
Total changes of items during the year	(708)	13	874	82	261	213	13,253
Balance at the end of the year	1,881	15	1,974	(543)	3,328	46,098	271,810

(4) Consolidated Statements of Cash Flows

(Million yen)

	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	26,440	27,560
Depreciation and amortization	18,871	18,405
Amortization of negative goodwill	(1,926)	(1,926)
Impairment loss	49	—
Amortization of goodwill	11	11
Increase (decrease) in allowance for doubtful accounts	801	0
Increase (decrease) on provision for loss of subleasing business	—	2,350
Increase (decrease) in net defined benefit liability	154	483
Interest and dividends income	(128)	(228)
Interest expenses	4,894	4,493
Equity in (earnings) losses of affiliates	(1,072)	121
Gain on sales of non-current assets	(25)	(118)
Loss on retirement of non-current assets	2,150	626
Loss (gain) on sales of investment securities	—	(736)
Loss (gain) on valuation of investment securities	95	99
Decrease (increase) in lease investment assets	150	162
Decrease (increase) in notes and accounts receivable-trade	142	(303)
Decrease (increase) in inventories	25,418	9,902
Increase (decrease) in notes and accounts payable-trade	(2,794)	314
Increase (decrease) in lease and guarantee deposits received	4,139	819
Other	(507)	(885)
Subtotal	76,864	61,153
Interest and dividends income received	141	238
Interest expenses paid	(5,092)	(4,486)
Income taxes paid	(3)	(10,631)
Net cash provided by (used in) operating activities	71,910	46,273
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(37,792)	(50,509)
Proceeds from sales of property, plant and equipment	431	652
Purchase of investment securities	(2,636)	(3,812)
Proceeds from repayment of investment securities	4,837	135
Proceeds from sales of investment securities	—	1,122
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(10,532)
Other	(1,551)	(526)
Net cash provided by (used in) investing activities	(36,710)	(63,471)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	592	4,275
Proceeds from long-term loans payable	42,000	65,000
Repayments of long-term loans payable	(42,151)	(27,321)
Redemption of bonds	(20,000)	(20,000)
Cash dividends paid	(5,924)	(5,925)

Cash dividends paid to minority shareholders	(1,830)	(1,931)
Other	(32)	(28)
Net cash provided by (used in) financing activities	(27,345)	14,068
Effect of exchange rate change on cash and cash equivalents	(6)	0
Net increase (decrease) in cash and cash equivalents	7,847	(3,128)
Cash and cash equivalents at beginning of period	16,106	23,954
Cash and cash equivalents at end of period	23,954	20,825

(5) Notes to Consolidated Financial Statements

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

Not applicable.

(Notes to rental properties)

Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)

The Company and certain consolidated subsidiaries own rental office buildings, rental retail 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 ¥ 24,015 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 ¥25 million (in extraordinary gain), losses on the retirement of non-current assets of ¥2,090 million (in extraordinary loss) and impairment losses of ¥49 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	
795,870	17,776	813,646	1,422,649

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

(Note 2) Of the changes during the consolidated fiscal year under review, major items included the acquisition of real estate and the transfer from real estate for sale (providing increase of ¥24,462 million and ¥17,046 million, respectively), as well as the sale of real estate and impairment losses (providing decreases of ¥424 million and ¥49 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, 2017 to March 31, 2018)

The Company and certain consolidated subsidiaries own rental office buildings, rental retail 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 ¥26,157 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 ¥118 million (in extraordinary gain), losses on the retirement of non-current assets of ¥2,090 million (in extraordinary loss) and impairment losses of ¥600 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	
813,646	13,910	827,557	1,504,103

(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 ¥37,003 million) as well as the transfer of real estate for sale and the sale of real estate (providing decreases of ¥344 million and ¥533 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)

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 Offices/Retail Business and the Residential Business.

The Offices/Retail business consists of leasing properties, including office buildings and retail facilities that the Company has developed and owns. The Residential business consists of sales of residential properties, especially condominiums and rental housing.

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 adopted in preparing the Group's 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

Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustments (Note 2, 3)	Amount stated in consolidated financial statement (Note 5)
	Offices/Retail Business	Residential Business	Total				
Sales							
(1) Sales to third parties	112,589	59,595	172,185	16,448	188,633	–	188,633
(2) Inter-segment internal revenues and transfers	1,024	11	1,036	5,086	6,122	(6,122)	–
Total	113,613	59,607	173,221	21,534	194,755	(6,122)	188,633
Segment profits	33,801	3,068	36,870	1,816	38,686	(7,293)	31,393
Segment assets	869,444	113,300	982,744	15,474	998,218	7,679	1,005,898
Other items (Note 4)							
Depreciation	17,933	414	18,347	63	18,411	460	18,871
Increases in property, plant and equipment and intangible assets (investment amount)	19,112	2,313	21,425	107	21,533	727	22,260

(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 - ¥7,293 million includes the elimination of inter-segment transactions of - ¥29 million and company-wide expenses of - ¥7,263 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 ¥7,679 million includes the elimination of inter-segment transactions of - ¥58,132 million and company-wide assets of ¥65,812 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.

Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)

	Reported segments			Other (Note 1)	Total	Adjustments (Note 2, 3)	Amount stated in consolidated financial statement (Note 5)
	Offices/Retail Business	Residential Business	Total				
Sales							
(1) Sales to third parties	90,876	59,747	150,624	16,175	166,800	–	166,800
(2) Inter-segment internal revenues and transfers	1,087	10	1,098	5,051	6,149	(6,149)	–
Total	91,964	59,758	151,723	21,226	172,949	(6,149)	166,800
Segment profits	29,880	4,960	34,841	1,819	36,660	(7,025)	29,635
Segment assets	895,306	105,824	1,001,131	17,786	1,018,917	742	1,019,659
Other items (Note 4)							
Depreciation	17,149	583	17,732	70	17,802	602	18,405
Increases in property, plant and equipment and intangible assets (investment amount)	35,598	3,882	39,480	177	39,658	174	39,833

(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 - ¥7,025 million includes the elimination of inter-segment transactions of - ¥14 million and company-wide expenses of - ¥7,010 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 ¥742 million includes the elimination of inter-segment transactions of - ¥69,258 million and company-wide assets of ¥70,000 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.

(Per-share information)

	Previous consolidated fiscal year (From April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Net assets per share	646.18 yen	685.80 yen
Net income per share	50.69 yen	56.82 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, 2016 to March 31, 2017)	Current consolidated fiscal year (From April 1, 2017 to March 31, 2018)
Net income (million yen)	16,682	18,701
Amounts not attributable to shareholders of common stock (million yen)	–	–
Profit attributable to common stock (million yen)	16,682	18,701
Average number of common shares outstanding during the fiscal year	329,119,923	329,119,923

(Significant subsequent events)

Not applicable.