

SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

For the First Quarter of FY2018

August 3, 2018

NTT URBAN DEVELOPMENT CORPORATION

Stock Exchange: Tokyo Stock Exchange

Code Number: 8933

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

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Scheduled date for commencing payment of dividend: —

Supplementary documents for quarterly results: Yes

Quarterly 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 for the First Three Months of the Fiscal Year Ending March 2019

(April 1, 2018 through June 30, 2018)

(1) Consolidated Results of Operations (cumulative)

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

	Operating revenue		Operating income		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2018	29,900	(25.5)	9,907	(20.3)	9,353	(20.3)	6,696	(19.3)	6,099	(21.0)	7,089	(18.1)
Three months ended June 30, 2017	40,148	—	12,428	—	11,742	—	8,296	—	7,721	—	8,660	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2018	18.53	—
Three months ended June 30, 2017	23.46	—

(2) Consolidated Financial Position

	Total Assets	Total Equity	Total equity attributable to owners of parent	Ratio of equity attributable to owners of the parent to total assets
	Million yen	Million yen	Million yen	%
As of June 30, 2018	991,811	279,827	235,900	23.8
As of March 31, 2018	997,154	272,419	228,636	22.9

2. Dividends

	Dividends per share				
	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, 2018	—	9.00	—	10.00	19.00
Year ending March 31, 2019	—	—	—	—	—
Year ending March 31, 2019 (Forecasts)	—	10.00	—	10.00	20.00

(Note) Revisions to dividends forecasts published most recently: No

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 2019 (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) Revisions to earnings forecasts published most recently: No

(Note) The Group decided to voluntarily adopt International Financial Accounting Standards (IFRS) from the first quarter of FY2018. Consequently, the consolidated forecasts 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 for the three months ended June 30, 2018 (changes in specified subsidiaries resulting in change in scope of consolidation): Not applicable

New: –

Exception: –

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

(i) Change in accounting policy due to IFIRS adoption: Applicable

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

(iii) Changes in accounting estimates: 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 June 30, 2018: 329,120,000 shares

As of March 31, 2018: 329,120,000 shares

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

As of June 30, 2018: 77 shares

As of March 31, 2018: 77 shares

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

As of June 30, 2018: 329,119,923 shares

As of June 30, 2017: 329,119,923 shares

* This summary is not subject to independent Auditor's review procedures.

* Cautionary note regarding use of the Forecasts of Financial Results, and other special notations

(Notes to forward-looking statements, etc.)

Descriptions regarding the future, such as the forecasts of financial results herein, are calculated based on the information which is available to the Company as of the date hereof. Therefore, they do not constitute a guarantee that they will be realized. Please note that actual results may be different due to various factors. For preconditions underlying the forecasts and notes to the forecasts, refer to "(3) Qualitative information on consolidated earnings forecasts" of "1. Qualitative Information on Consolidated Operating Results, etc. for the First Quarter of FY2018" on page 7 of the accompanying materials.

(Adoption of IFRS)

The Group decided to adopt IFRS from the first quarter of the consolidated fiscal year ending March 31, 2019. It also decided to present financial figures for the first quarter of the previous consolidated fiscal year and those for the previous fiscal year pursuant to IFRS. For the difference between IFRS and J GAAP, refer to "(6) Notes regarding quarterly consolidated financial statements (First-time Adoption) " of "2. Condensed Quarterly Consolidated Financial Statements and key notes" on page 17 in the accompanying materials.

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1. Qualitative Information on Consolidated Operating Results, etc. for the First Quarter of FY2018

(1) Qualitative information on consolidated financial results

In the three months ended June 30, 2018, 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 Offices/Retail business, revenue and income increased in base businesses that are not subject to transient impacts. Meanwhile, in the Residential business, the number of condominiums lots delivered decreased and the average price per unit declined.

Operating revenue amounted to ¥29,900 million (down ¥10,248 million, or 25.5% year-on-year), operating income was ¥9,907 million (down ¥2,521 million, or 20.3%), and profit before tax was ¥9,353 million (down ¥2,388 million, or 20.3%), and profit attributable to owners of the parent was ¥6,099 million (down ¥1,621 million, or 21.0%).

The table below shows operating revenue by business segment in the three months ended June 30, 2018. Operating revenue in each segment in the text includes inter-segment internal revenues and transfers.

(Million yen)

Business segment	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
Offices/Retail Business	23,591	22,378
Residential Business	13,513	3,473
Total operating revenue in reported segments	37,104	25,851
Other	4,282	5,357
Eliminations	(1,237)	(1,309)
Total	40,148	29,900

(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.

i) Offices/Retail Business

In the Offices/Retail business for the three months ended June 30, 2018, the Company strived to generate earnings in the fiscal year under review from the contribution of new properties, such as UD Yumesaki Building (Osaka-shi, Osaka), 185 Dartmouth Street (Boston, U.S.) . In addition, there were impacts from gains on sales of properties posted in the first quarter ended June 30, 2018 and a reactionary decline in transient compensation revenue and income in the urban redevelopment business posted in the first quarter of the previous consolidated fiscal year.

Operating revenue amounted to ¥22,378 million (down ¥1,212 million, or 5.1% year-on-year), operating income was ¥11,306 million (decrease ¥884 million, or 7.3%).

Development projects currently underway include OTEMACHI PLACE (Former name: Otemachi 2-chome Area 1st Class Urban Redevelopment Project, Chiyoda-ku, Tokyo), Urbannet Uchisaiwaicho Building (Former name: 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 in the Offices/Retail Business. All figures are consolidated results.

(Million yen)

Classification		Three months ended June 30, 2017	Three months ended June 30, 2018
Offices/ Retail leasing	Operating revenue	20,925	21,427
	Rentable floor space	1,104,272 m ² (Of the above, sub-leases: 92,750 m ²)	1,105,669m ² (Of the above, sub-leases: 91,700 m ²)
Sales of income-generating properties	Operating revenue	—	—
Other	Operating revenue	2,665	951
Total operating revenue		23,591	22,378

(Note1) “Rentable floor space” figures are as of the end of June 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	June 2017	September 2017	December 2017	March 2018	June 2018
Five wards of central Tokyo	2.1%	2.0%	1.2%	1.4%	0.5%
Nationwide	3.6%	3.3%	3.3%	3.4%	2.7%

(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.

ii) Residential Business

The number of units delivered decreased to 77 units in the first quarter of the consolidated fiscal year ended June 30, 2018 because there were no newly constructed properties. The average price per unit decreased to ¥37 million.

Operating revenue amounted to ¥3,473 million (down ¥10,040 million, or 74.3%) and operating loss was ¥351 million (decrease ¥1,837 million from operating income of ¥1,485 million in the three months ended June 30, 2017).

The table below shows operating revenue in the Residential Business. All figures are consolidated results.

(Million yen)

Classification	Three months ended June 30, 2017	Three months ended June 30, 2018
Residential property sales	13,009	2,933
Residential rentals	503	540
Other	—	—
Total operating revenue	13,513	3,473

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

Classification		Three months ended June 30, 2017		Three months ended June 30, 2018	
		Units/Lots	Operating revenue (million yen)	Units/Lots	Operating revenue (million yen)
Condominiums					
Units delivered	Tokyo metropolitan area	260	10,392	49	1,896
	Other regions	31	1,306	27	1,024
Completed in inventories		627	—	535	—
Residential Lots, etc.					
Units/Lots delivered	Tokyo metropolitan area	13	448	—	—
	Other regions	9	112	1	11
Completed in inventories		60	—	44	—
Subtotal (Condominiums and Residential Lots, etc.)					
Units/Lots delivered	Tokyo metropolitan area	273	10,840	49	1,896
	Other regions	40	1,419	28	1,036
Completed in inventories		687	—	579	—
Residential property sales other					
Units/Lots delivered	Tokyo metropolitan area	—	—	—	—
	Other regions	1	750	—	—
Completed in inventories		—	—	—	—
Operating revenue		—	13,009	—	2,933

(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 June of each fiscal year. The condominiums completed in inventories for the three months ended June 30, 2017 and for the three months ended June 30, 2018 include 66 units and 58 units, respectively, for which a contract has been completed but ownership has not yet been delivered. The residential lots, etc. completed in inventories for the three months ended June 30, 2017 and for the three months ended June 30, 2018 include 25 lots and 10 lots, for which a contract has been completed but ownership has not yet been delivered.

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

(Note4) The group, which engages in sales of residential lots in Australia as well as the abovementioned locations, had posted operating revenue based on J GAAP during and prior to the previous consolidated fiscal year. With the introduction of IFRS, however, it decided to reflect such revenue in share of profit of entities accounted for using equity method. Lots delivered and lots completed in inventories in the quarter of the previous consolidated fiscal year were 76 lots and 223 lots, respectively, and those for the quarter for the consolidated fiscal year ended June 30, 2018 were 17 lots and 221 lots, respectively.

iii) Other

Operating revenue (interior construction management for tenants, property management of existing buildings, etc.) in other business for the three months ended June 30, 2018 was ¥5,357 million (up ¥1,075 million, or 25.1%), and operating income was ¥595 million (increase ¥261 million, or 78.2%).

(2) Qualitative information on consolidated financial position

i) Assets, Liabilities and Equity

(Assets)

Total assets at the end of the three months ended June 30, 2018 were ¥991,811 million, down ¥5,342 million from the end of the previous consolidated fiscal year.

Current assets stood at ¥120,703 million, declining ¥12,261 million from the end of the previous consolidated fiscal year. This was mainly attributable to a decrease of ¥11,803 million in assets held for disposal through the sale of properties.

Non-current assets amounted to ¥871,107 million, up ¥6,918 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥7,253 million in other financial assets as a result of evaluation of the market prices of securities.

(Liabilities)

Total liabilities at the end of the three months ended June 30, 2018 were ¥711,983 million, down ¥12,751 million from the end of the previous consolidated fiscal year. This was mainly attributable to a decline in accounts payable in trade and other as a result of payments of construction costs (¥9,841 million) and decrease in interest-bearing debt (¥3,424 million).

Net interest-bearing debt, interest-bearing debt less cash and cash equivalents, etc., down ¥4,631 million from the end of the previous consolidated fiscal year.

(Equity)

Total equity at the end of the three months ended June 30, 2018 were ¥279,827 million, up ¥7,408 million from the end of the previous consolidated fiscal year.

The increase reflected an increase in retained earnings (¥7,901 million), decrease in other components of capital (¥637 million) and rise in non-controlling equity (¥144 million).

ii) Consolidated cash flows

The following is an explanation on the situation and factors for each category of cash flow for the three months ended June 2018.

(Cash flows from (used in) operating activities)

Cash flow from operating activities was a cash inflow of ¥2,319 million (down ¥2,392 million year on year). This mainly reflected a cash-in of ¥13,646 million (down ¥2,399 million) attributable to income before taxes and depreciation and a cash-out of ¥5,120 million (expansion ¥5,067 million) attributable to increase of inventories, and ¥3,693 million (contraction ¥2,727 million) due to payment of income taxes paid.

(Cash flows from (used in) investing activities)

Cash flow from investing activities was a cash-in of ¥6,173 million (up ¥39,943 million from a cash-out of ¥33,770 million in the three months ended June 30, 2017). This result was attributable to a cash-out with purchase of investment property and property, plant and equipment of ¥5,942 million, (contraction ¥27,805 million from the three months ended June 30, 2017) and a cash-in with sale of investment property and property, plant and equipment ¥13,551 million, (up ¥13,551 million).

(Free cash flow)

Free cash flow was a cash-in of ¥8,493 million (up ¥37,550 million from a cash-out of ¥29,057 million in the three months ended June 30, 2017).

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

Free cash flow = Cash flows from (used in) operating activities + Cash flows from (used in) investing activities

(Cash flows from (used in) financing activities)

Cash flow in financing activities was a cash-out of ¥7,290 million (down ¥37,360 million from a cash-in of ¥30,069 million in the three months ended June 2017). This was largely a reflection of a decrease in interest-bearing debt (¥3,525 million) and cash dividends paid (¥3,291 million).

As a result, cash and cash equivalents at the end of the three months ended June 30, 2018 was ¥21,434 million, an increase of ¥1,246 million from the end of the previous fiscal year.

(3) Qualitative information on consolidated earnings forecasts

Results for the three months ended June 30, 2018 were almost in line with the earnings forecasts. Therefore, the consolidated earnings forecasts announced on May 9, 2018 has not been changed.

The consolidated earnings forecasts for the fiscal year ending March 2019 is as follows:

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

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 the judgments as of the date of the announcement.

The following is the outlook for each segment.:

i) 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 Hotel/Resort 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.

ii) 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.

iii) Other

The group 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. Condensed Quarterly Consolidated Financial Statements and key notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Million yen)

	Notes	The date of transition to IFRS (April 1, 2017)	The end of the previous fiscal year (March 31, 2018)	In the first quarter under review (June 30, 2018)
(Assets)				
Current assets				
Cash and cash equivalents		22,471	20,187	21,434
Trade and other receivables		19,874	20,838	12,778
Other financial assets	13	202	160	336
Inventories		82,714	75,672	80,793
Other current assets		3,989	4,302	5,361
(Subtotal)		129,252	121,160	120,703
Assets held for sale	8	—	11,803	—
Total current assets		129,252	132,964	120,703
Non-current assets				
Property, plant and equipment		13,317	18,635	20,073
Goodwill and intangible assets		2,844	2,550	2,412
Investment property	7	798,626	803,259	801,685
Investments accounted for using the equity method		12,366	11,820	13,525
Other financial assets	13	21,905	23,476	30,729
Deferred tax assets		1,996	2,211	248
Other non-current assets		1,874	2,236	2,431
Total non-current assets		852,931	864,189	871,107
Total assets		982,183	997,154	991,811

(Million yen)

	Notes	The date of transition to IFRS (April 1, 2017)	The end of the previous fiscal year (March 31, 2018)	In the first quarter under review (June 30, 2018)
(Liabilities and Equity)				
Current liabilities				
Short-term borrowings	13	57,155	100,688	108,212
Trade and other payables		41,154	22,996	13,155
Other financial liabilities	13	1,316	989	1,288
Income taxes payable		6,790	3,858	2,010
Provisions		130	683	700
Other current liabilities		19,828	20,046	19,919
(Subtotal)		126,375	149,263	145,286
Liabilities directly related to assets held for sale	8	—	237	—
Total current liabilities		126,375	149,500	145,286
Non-current liabilities				
Long-term borrowings	13	465,718	443,010	432,062
Other financial liabilities	13	75,876	77,029	78,616
Defined benefit liability		7,731	8,128	8,231
Provisions		3,434	4,932	4,854
Deferred tax liabilities		42,018	41,922	42,437
Other non-current liabilities		245	209	494
Total non-current liabilities		595,025	575,234	566,696
Total liabilities		721,401	724,734	711,983
Equity				
Total equity attributable to owners of parent				
Share capital	9	48,760	48,760	48,760
Share premium	9	31,442	31,443	31,443
Retained earnings		134,423	146,700	154,601
Treasury shares	9	(0)	(0)	(0)
Other components of equity	9	2,596	1,732	1,094
Total equity attributable to owners of parent		217,221	228,636	235,900
Non-controlling interests		43,560	43,783	43,927
Total equity		260,782	272,419	279,827
Total liabilities and equity		982,183	997,154	991,811

(2) Quarterly consolidated balance sheets
(Quarterly consolidated Statements of Income)

(Million yen)

	Notes	Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)
Operating revenue	11	40,148	29,900
Cost of sales		23,100	17,232
Gross profit		17,048	12,667
Selling, general and administrative expense		4,772	4,293
Other operating income	12	9	1,476
Other operating expense	12	82	61
Share of profit of entities accounted for using equity method		225	118
Operating income		12,428	9,907
Finance income		160	179
Finance costs		846	732
Profit before tax		11,742	9,353
Income taxes		3,446	2,656
Profit		8,296	6,696
Profit attributable to:			
Owners of parent		7,721	6,099
Non-controlling interests		574	597
Profit		8,296	6,696
Income per share attributable to owners of parent			
Basic net income per share (Yen)		23.46	18.53

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income
(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(Million yen)

	Notes	Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)
Profit		8,296	6,696
Other comprehensive income (Net of tax)			
Items that will not be reclassified to profit or loss			
Net gain (loss) on financial assets measured at fair value through other comprehensive income	9	—	176
Remeasurements of defined benefit plans	9	—	—
Items that may be reclassified subsequently to profit or loss			
Gains and losses on hedging instruments in a cash flow hedge	9	(3)	(2)
Valuation difference on available-for-sale securities	9	(218)	—
Exchange differences on translation of foreign operations	9	586	218
Total other comprehensive income (Net of tax)		364	392
Total comprehensive income		8,660	7,089
Comprehensive income attributable to:			
Owners of parent		8,085	6,492
Non-controlling interests		574	597
Total		8,660	7,089

(4) Condensed Quarterly Consolidated Statement of Changes in Equity
Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

(Million yen)

	Notes	Total equity attributable to owners of parent					Total	Non-controlling interests	Total equity
		Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity			
April 1, 2017		48,760	31,442	134,423	(0)	2,596	217,221	43,560	260,782
Comprehensive income									
Profit				7,721			7,721	574	8,296
Other comprehensive income						364	364	—	364
Total comprehensive income		—	—	7,721	—	364	8,085	574	8,660
Transactions with owners									
Dividends of surplus	10			(2,962)			(2,962)		(2,962)
Transfer to retained earnings									—
Other								(247)	(247)
Total transactions with owners		—	—	(2,962)	—	—	(2,962)	(247)	(3,210)
June 30, 2017		48,760	31,442	139,182	(0)	2,960	222,345	43,887	266,232

Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

(Million yen)

	Notes	Total equity attributable to owners of parent					Total	Non-controlling interests	Total equity
		Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity			
March 31, 2018		48,760	31,443	146,700	(0)	1,732	228,636	43,783	272,419
Cumulative effect of application of IFRS 9 “Financial Instruments”		—	—	5,093	—	(1,029)	4,063	—	4,063
April 1, 2018		48,760	31,443	151,793	(0)	702	232,699	43,783	276,482
Comprehensive income									
Profit				6,099			6,099	597	6,696
Other comprehensive income						392	392		392
Total comprehensive income		—	—	6,099	—	392	6,492	597	7,089
Transactions with owners									
Dividends of surplus	10			(3,291)			(3,291)		(3,291)
Transfer to retained earnings									—
Other								(453)	(453)
Total transactions with owners		—	—	(3,291)	—	—	(3,291)	(453)	(3,744)
June 30, 2018		48,760	31,443	154,601	(0)	1,094	235,900	43,927	279,827

(5) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)
Cash flows from (used in) operating activities		
Profit before tax	11,742	9,353
Depreciation and amortization expense	4,303	4,292
Finance income and finance costs	686	520
Share of profit of investments accounted for using the equity method	(225)	(118)
(Increase) decrease in trade and other receivables	1,238	8,045
(Increase) decrease in inventories	(53)	(5,120)
Increase (decrease) in trade and other payables, and personnel expenses payable	(1,675)	(7,367)
Other	(4,422)	(3,123)
Subtotal	11,594	6,482
Interest and dividend income received	175	190
Interest expenses paid	(637)	(659)
Income taxes paid	(6,420)	(3,693)
Cash flows from (used in) operating activities	4,712	2,319
Cash flows from (used in) investing activities		
Purchase of investment property and property, plant and equipment	(33,748)	(5,942)
Proceeds from sales of investment property and property, plant and equipment	0	13,551
Purchase of other financial assets	(219)	(1,141)
Proceeds from sale and redemption of other financial assets	324	66
Other	(126)	(360)
Cash flows from (used in) investing activities	(33,770)	6,173
Cash flows from (used in) financing activities		
Net cash inflow (outflow) from short-term borrowings	1,912	8,655
Proceeds from increase in long-term borrowings	45,000	—
Repayments of long-term borrowings	(13,410)	(12,180)
Cash dividends paid	(2,962)	(3,291)
Dividends paid to non-controlling interests	(464)	(465)
Other	(4)	(8)
Cash flows from (used in) financing activities	30,069	(7,290)
Net increase (decrease) in cash and cash equivalents	1,011	1,202
Cash and cash equivalents, beginning of term	22,471	20,187
Effect of exchange rate change on cash and cash equivalents	(81)	44
Cash and cash equivalents, end of term	23,402	21,434

(6) Notes regarding quarterly condensed consolidated financial statements

(Notes regarding the premise of a going concern)

Not applicable

(Changes to the Group's accounting policies)

The Group has applied IFRS 9 "Financial Instruments" (issued July 2014) (hereinafter referred to as "IFRS 9) from the first quarter under review (from April 1, 2018 to June 30, 2018).

The Company has not restated prior periods' financial statements in connection with the application of the provisions for exemption from IFRS 9 under IFRS 1. Financial figures for the transition date, the first quarter of the previous fiscal year and previous fiscal year conform with generally accepted accounting standards in Japan (hereinafter referred to as "J GAAP"), and any differences between the carrying amounts according to J GAAP at the beginning of the period and carrying amounts under IFRS 9 are recorded as adjustments to retained earnings other components of equity.

For details of significant accounting policies according to J GAAP in the first quarter of the previous fiscal year and the previous fiscal year and significant accounting policies in the fiscal year under review, see note "3. Significant Accounting Policies (4) Financial Instruments."

i) Impacts

These changes to accounting policies apply to financial assets and liabilities held by the Group at the beginning of the period.

Financial assets and liabilities that were disposed of in prior periods have been recorded in accordance with J GAAP. In addition, in connection with the application of the provisions for exemption from IFRS 9 under IFRS 1, the classification of financial assets/liabilities held at the beginning of the period under review has been determined based on the situation at that time. Under J GAAP, special treatment used to be adopted to account for interest rate swaps if the requirements for receiving special treatment were met. Under IFRS, however, changes in the fair value of interest rate swaps judged an effective hedge are recognized as other comprehensive income, and the accumulated amount is included in other components of equity according to the cash flow hedge accounting model. It is transferred from other components of equity to profit or loss for the financial period in which profit or loss in relation to the hedged items was recognized. In addition, under J GAAP, non-listed stocks, investments in anonymous associations and other investments in capital are assessed at cost using the moving average method because it is deemed to be extremely difficult to ascertain their market values, but they are measured at fair value under IFRS.

The impact of these changes to accounting policies on the statement of financial position are as follows. Except for the following, the impact of the changes to accounting policies is insignificant.

(Million yen)			
Account items (classified in accordance with J GAAP)	Balance at end of previous period (March 31, 2018)	Cause of restatement	Balance at beginning of period in accordance with IFRS 9 (April 1, 2018)
Non-current assets Other financial assets (Financial instruments whose fair value is very difficult to determine)	8,499	Impact of fair value measurement of non-listed stocks, investments in anonymous associations and other investments in capital	15,739
Current liabilities Other financial liabilities (Special treatment)	-	Fair value measurement of interest rate swaps used for hedging	6
Non-current liabilities Other financial liabilities (Special treatment)	-	Fair value measurement of interest rate swaps used for hedging	1,634

At the beginning of the period under review, the cumulative effects of application of IFRS 9 are a decrease of 1,793 million yen in "Deferred tax assets," an increase of 5,093 million yen in "Retained earnings", and a decrease of 1,029 million yen in "Other components of equity." The impact on "Profit" and "Basic earnings per share" in the first quarter of the fiscal year under review is insignificant.

(Segment information)

(1) Segment information by business

The business segments of the Group are those whose separate financial information can be obtained among the constituent units of the Group and that are periodically examined by the board of directors for decisions on the allocation of management resources and the evaluation of business performance. In addition, in reporting, the business segments are not consolidated.

The Group decides Offices/Retail Business and Residential Business are reported segments. The outline of each reported segment is as follows.

The Offices/Retail Business segment is mainly leases properties, including office buildings, commercial facilities and others that it has developed and owns.

The Residential Business segment is engaged in sales of residential properties, mainly sales of condominium units, and the rental housing business.

In addition, other business includes the design, construction and construction supervision of buildings, etc., the management of office buildings and the supply of air conditioning, the management of restaurants as ancillary service facilities of office buildings, and other business. None of these meet the quantitative standard values of the reporting segments for the first three months of the previous fiscal year or the first three months of the current consolidated fiscal year.

(2) Information about amounts of operating revenue, profit or loss by reportable segment

The accounting policies of the reported operating segments are largely the same as those described in Note “3. Significant accounting policies.”

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

Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

(Million yen)

	Reported segments			Other	Total	Adjustments	Amount stated in condensed consolidated financial statement
	Offices/ Retail Business	Residential Business	Total				
Operating revenue							
Operating revenue to third parties	23,320	13,510	36,831	3,317	40,148	—	40,148
Inter-segment internal revenues and transfers	270	2	273	964	1,237	(1,237)	—
Total	23,591	13,513	37,104	4,282	41,386	(1,237)	40,148
Segment profits	12,190	1,485	13,676	334	14,010	(1,581)	12,428
Finance income	—	—	—	—	—	—	160
Finance costs	—	—	—	—	—	—	(846)
Income before tax	—	—	—	—	—	—	11,742

(Note) Adjustment of - ¥1,581 million in segment profits includes elimination of inter-segment transactions of ¥4 million and company-wide expenses of - ¥1,586 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.

Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

(Million yen)

	Reported segments			Other	Total	Adjustments	Amount stated in condensed consolidated financial statement
	Offices/ Retail Business	Residential Business	Total				
Operating revenue							
Operating revenue to third parties	22,068	3,471	25,539	4,360	29,900	—	29,900
Inter-segment internal revenues and transfers	310	1	312	996	1,309	(1,309)	—
Total	22,378	3,473	25,851	5,357	31,209	(1,309)	29,900
Segment profits or losses	11,306	(351)	10,954	595	11,550	(1,642)	9,907
Finance income	—	—	—	—	—	—	179
Finance costs	—	—	—	—	—	—	(732)
Income before tax	—	—	—	—	—	—	9,353

(Note) Adjustment of - ¥1,642 million in segment profits or losses includes elimination of inter-segment transactions of - ¥1 million and company-wide expenses of - ¥1,641 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.

(First-time adoption)

(1) Transition to IFRS-based financial reporting

These Condensed Quarterly Financial Statements are the Group's first condensed quarterly financial statements prepared in accordance with IFRS.

IFRS 1 requires an entity that is adopting IFRS Standards for the first time to apply IFRS retrospectively. However, IFRS 1 prohibits retrospective application of some aspects of other IFRSs, requiring application from the IFRS transition date onwards. IFRS 1 also permits a first-time adopter to elect to use exemptions from some requirements of other IFRSs. The impact of applying these provisions is recognized on the IFRS transition date and impact values are adjusted in retained earnings or other components of equity. The main optional exemptions applied by the Group are as follows.

i) Business combinations

Under IFRS 1, an entity can elect to retrospectively restate all business combinations that took place before the IFRS transition date in accordance with IFRS 3 or to apply IFRS 3 from the IFRS transition date or from a specific business combination before the IFRS transition date. The Group has elected not to retrospectively apply IFRS 3 to business combinations that took place before the transition date. As a result, goodwill arising from business combinations that took place before the transition date has been recognized at carrying amount in accordance with J GAAP.

ii) Deemed cost

Under IFRS 1, an entity may elect to measure an item of investment real estate at the date of transition to IFRSs at its fair value and use that fair value as its deemed cost at that date. The Group used the fair value of some investment real estate as its deemed cost at that date.

iii) Translation differences for foreign operations

Under IFRS 1, an entity may elect to deem cumulative translation differences for all foreign operations to be zero. The Group as elected to deem cumulative translation differences for foreign operations to be zero at the transition date.

iv) Borrowing costs

Under IFRS 1, an entity can elect not to retrospectively apply IAS 23 "Borrowing costs" (IAS 23) for borrowing costs for eligible assets arising before the transition date. The Group has elected not to retrospectively apply IAS 23 for borrowing costs for eligible

assets arising before the transition date.

v) Revenue

Under IFRS 1, an entity may apply the transitional measure in paragraph C5 of IFRS 15. The Group has used the practical expedient in paragraph C5 (d) of IFRS 15 when retrospectively applying IFRS 15 and has not disclosed the amount of the transaction price allocated to remaining performance obligations or an explanation of when the Group expects to recognize this amount as revenue for any of the reporting periods before the start of the first IFRS reporting period (the current fiscal year).

vi) Exemption from requirement for retrospective restatement of comparative information due to IFRS 9

IFRS 1 does not require a first-time adopter that applies IFRS from an annual period beginning before January 1, 2019 and that applies the complete version of IFRS 9 (released 2014) to restate comparative information in the first IFRS consolidated financial statements in accordance with IFRS 7 or the complete version of IFRS 9 and permits an entity to apply the accounting standards that it previously adopted. The Group has applied this exemption and has recognized and measured the consolidated financial statements for the comparative previous fiscal year in accordance with J GAAP, which are the accounting standards it adopted previously.

(2) Reconciliations for transition from J GAAP to IFRS

On making the transition to IFRS, the Group has adjusted amounts reported in consolidated financial statements prepared based on J GAAP. The impact of transition from J GAAP to IFRS on the financial position, operating results and cash flows of the Company and its subsidiaries are shown Reconciliations and Notes to Reconciliations below.

“Reclassifications” included in Reconciliations represents items that do not have any impact on equity and comprehensive income, while “Gains or losses from recognition and measurement” represent items that have an impact on equity and comprehensive income.

Reconciliation of equity at date of transition (April 1, 2017)
Consolidated Statement of Financial Position

(Million yen)

Accounting titles of J GAAP	J GAAP	Reclassifications	Gains or losses from recognition and measurement	IFRS	Note No.	Accounting titles of IFRS
Assets						(Assets)
Current assets						Current assets
Cash and deposits	16,945	7,008	(1,483)	22,471		Cash and cash equivalents
Notes and operating accounts receivable	9,026	4,901	5,946	19,874	i	Trade and other receivables
Real estate for sale	25,156	60,942	(3,383)	82,714	iv	Inventories
Real estate for sale in process	68,204	(68,204)				
Costs on uncompleted construction contracts	423	(423)				
Raw materials and supplies	81	(81)				
Lease investment assets	2,074	(2,074)				
Deposits paid	7,208	(7,005)	(0)	202		Other financial assets
Deferred tax assets	572	(572)				
Other	8,123	(2,830)	(1,303)	3,989	ii	Other current assets
Allowance for doubtful accounts	(0)	0				
Total current assets	137,816	(8,339)	(224)	129,252		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	797,557	(772,736)	(11,503)	13,317		Property, plant and equipment
Intangible assets	25,228	(21,775)	(608)	2,844		Goodwill and intangible assets
		813,646	(15,020)	798,626	iii,v	Investment property
Investments and other assets						
Investment securities	22,518	(15,336)	5,184	12,366		Investments accounted for using the equity method
		21,654	251	21,905		Other financial assets
Long-term prepaid expenses	14,571	(14,571)				
Net defined benefit asset	276	(276)				
Deferred tax assets	440	572	983	1,996	vi	Deferred tax assets
Other	8,292	(3,486)	(2,931)	1,874		Other non-current assets
Allowance for doubtful accounts	(802)	802				
Total non-current assets	868,081	8,493	(23,644)	852,931		Total non-current assets
Total assets	1,005,898	154	(23,868)	982,183		Total assets

(Million yen)

Accounting titles of J GAAP	J GAAP	Reclassifications	Gains or losses from recognition and measurement	IFRS	Note No.	Accounting titles of IFRS
Liabilities						(Liabilities and equity)
Current liabilities						Current liabilities
Notes and operating accounts payable - trade	6,002	35,285	(133)	41,154		Trade and other payables
Short-term loans payable	6,611	47,363	3,180	57,155		Short-term borrowings
Lease obligations	32	(32)				
Current portion of long-term loans payable	27,364	(27,364)				
Current portion of bonds	19,998	(19,998)				
Income taxes payable	6,748		41	6,790		Income taxes payable
Deferred tax liabilities	4	(4)				
		1,316	(0)	1,316		Other financial liabilities
		130		130		Provisions
Other	46,030	(36,700)	10,498	19,828	i,iv	Other current liabilities
Total current liabilities	112,792	(4)	13,587	126,375		Total Current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	90,982	377,125	(2,389)	465,718		Long-term borrowings
Long-term loans payable	377,125	(377,125)				
Lease obligations	49	(49)				
Lease and guarantee deposits received	75,024	49	802	75,876		Other financial liabilities
Negative goodwill	21,037	154	(21,191)		vii	
Deferred tax liabilities	59,367	4	(17,352)	42,018		Deferred tax liabilities
Provision for directors' retirement benefits	34	(34)				
Net defined benefit liability	7,731			7,731		Defined benefit liability
Asset retirement obligations	2,803		631	3,434		Provisions
Other	392	34	(181)	245		Other non-current liabilities
Total non-current liabilities	634,548	158	(39,681)	595,025		Total non-current liabilities
Total liabilities	747,341	154	(26,094)	721,401		Total liabilities

(Million yen)

Accounting titles of J GAAP	J GAAP	Reclassifications	Gains or losses from recognition and measurement	IFRS	Note No.	Accounting titles of IFRS
Net assets						Equity
Shareholders' equity						Total equity attributable to owners of parent
Capital stock	48,760			48,760		Capital
Capital surplus	31,648		(206)	31,442		Share premium
Retained earnings	129,195		5,227	134,423	x	Retained earnings
Treasury shares	(0)			(0)		Treasury shares
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	2,590	(2,590)				
Deferred gains or losses on hedges	1	(1)				
Foreign currency translation adjustment	1,100	(1,100)			viii	
Remeasurements of defined benefit plans	(625)	625				
		3,067	(471)	2,596		Other components of equity
				217,221		Total equity attributable to owners of parent
Non-controlling interests	45,884		(2,324)	43,560		Non-controlling interests
Total net assets	258,556		2,225	260,782		Total equity
Total liabilities and net assets	1,005,898	154	(23,868)	982,183		Total liabilities and equity

Reconciliation of equity at date of the three months ended June 30, 2017 (June 30, 2017)
Consolidated Statement of Financial Position

(Million yen)

Accounting titles of J GAAP	J GAAP	Reclassifications	Gains or losses from recognition and measurement	IFRS	Note No.	Accounting titles of IFRS
Assets						(Assets)
Current assets						Current assets
Cash and deposits	27,005	6,994	(10,597)	23,402		Cash and cash equivalents
Notes and operating accounts receivable	8,505	4,016	6,138	18,660	i	Trade and other receivables
Real estate for sale	29,891	56,152	(3,276)	82,768	iv	Inventories
Real estate for sale in process	63,329	(63,329)				
Costs on uncompleted construction contracts	467	(467)				
Raw materials and supplies	53	(53)				
Lease investment assets	2,035	(2,035)				
Deposits paid	7,194	(6,994)	2	202		Other financial assets
Deferred tax assets	511	(511)				
Other	7,194	(1,981)	(2,836)	2,376	ii	Other current assets
Allowance for doubtful accounts	(0)	0				
Total current assets	146,188	(8,209)	(10,569)	127,408		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	797,589	(785,596)	1,182	13,175		Property, plant and equipment
Intangible assets	25,021	(21,733)	(543)	2,744		Goodwill and intangible assets
		826,307	(13,901)	812,405	iii,v	Investment property
Investments and other assets						Investments accounted for using the equity method
Investment securities	26,439	(17,846)	3,784	12,376		Other financial assets
		23,688	1,171	24,860		
Long-term prepaid expenses	14,507	(14,507)				
Net defined benefit asset	279	(279)				
Deferred tax assets	437	511	252	1,200	vi	Deferred tax assets
Other	8,177	(2,984)	(3,057)	2,136		Other non-current assets
Allowance for doubtful accounts	(802)	802				
Total non-current assets	871,649	8,361	(11,110)	868,899		Total non-current assets
Total assets	1,017,837	151	(21,680)	996,308		Total assets

(Million yen)

Accounting titles of J GAAP	J GAAP	Reclassifications	Gains or losses from recognition and measurement	IFRS	Note No.	Accounting titles of IFRS
Liabilities						(Liabilities and equity)
Current liabilities						Current liabilities
Notes and operating accounts payable - trade	6,735	14,827	49	21,613		Trade and other payables
Short-term loans payable	8,040	37,115	12,647	57,803		Short-term borrowings
Lease obligations	31	(31)				
Current portion of long-term loans payable	17,116	(17,116)				
Current portion of bonds	19,998	(19,998)				
Income taxes payable	2,661		(175)	2,486		Income taxes payable
Deferred tax liabilities	4	(4)				
		1,252	(12)	1,239		Other financial liabilities
		130		130		Provisions
Other	25,712	(16,178)	8,262	17,795	i, ii	Other current liabilities
Total current liabilities	80,301	(4)	20,771	101,068		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	90,983	419,435	(11,219)	499,199		Long-term borrowings
Long-term loans payable	419,435	(419,435)				
Lease obligations	43	(43)				
Lease and guarantee deposits received	75,205	44	879	76,129		Other financial liabilities
Negative goodwill	20,558	151	(20,709)		vii	
Deferred tax liabilities	59,233	4	(17,195)	42,042		Deferred tax liabilities
Provision for directors' retirement benefits	26	(26)				
Net defined benefit liability	7,762		9	7,772		Defined benefit liability
Asset retirement obligations	3,057		625	3,682		Provisions
Other	208	24	(53)	179		Other non-current liabilities
Total non-current liabilities	676,515	155	(47,663)	629,007		Total non-current liabilities
Total liabilities	756,816	151	(26,892)	730,075		Total liabilities

(Million yen)

Accounting titles of J GAAP	J GAAP	Reclassifications	Gains or losses from recognition and measurement	IFRS	Note No.	Accounting titles of IFRS
Net assets						Equity
Shareholders' equity						Equity attributable to owners of parent
Capital stock	48,760			48,760		Capital
Capital surplus	31,648		(206)	31,442		Share premium
Retained earnings	132,406		6,775	139,182	x	Retained earnings
Treasury shares	(0)			(0)		Treasury shares
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	2,371	(2,371)				
Deferred gains or losses on hedges	5	(5)				
Foreign currency translation adjustment	517	(517)			viii	
Remeasurements of defined benefit plans	(611)	611				
		2,283	676	2,960		Other components of equity
				222,345		Total equity attributable to owners of parent
Non-controlling interests	45,922		(2,034)	43,887		Non-controlling interests
Total net assets	261,020		5,211	266,232		Total equity
Total liabilities and net assets	1,017,837	151	(21,680)	996,308		Total liabilities and equity

Reconciliation of equity at date of the end of the previous fiscal year (March 31, 2018)

Consolidated Statement of Financial Position

(Million yen)

Accounting titles of J GAAP	J GAAP	Reclassifications	Gains or losses from recognition and measurement	IFRS	Note No.	Accounting titles of IFRS
Assets						(Assets)
Current assets						Current assets
Cash and deposits	18,073	2,752	(638)	20,187		Cash and cash equivalents
Notes and operating accounts receivable	9,340	5,448	6,048	20,838	i	Trade and other receivables
Real estate for sale	27,672	49,974	(1,975)	75,672	iv	Inventories
Real estate for sale in process	55,614	(55,614)				
Costs on uncompleted construction contracts	784	(784)				
Raw materials and supplies	86	(86)				
Lease investment assets	1,912	(1,912)				
Deposits paid	2,912	(2,752)		160		Other financial assets
Deferred tax assets	671	(671)				
Other	8,298	(3,544)	(451)	4,302		Other current assets
Allowance for doubtful accounts	(0)	0				
		(7,189)	2,983	121,160		Current assets (Subtotal)
		11,803		11,803		Assets held for sale
Total current assets	125,367	4,613	2,983	132,964		Total non-current assets
Non-current assets						Non-current assets
Property, plant and equipment	819,324	(799,934)	(754)	18,635		Property, plant and equipment
Intangible assets	25,818	(21,892)	(1,375)	2,550		Goodwill and intangible assets
		827,557	(24,298)	803,259		Investment property
Investments and other assets						Investments accounted for using the equity method
Investment securities	26,852	(16,822)	1,790	11,820		Other financial assets
		23,018	458	23,476		
Long-term prepaid expenses	14,138	(14,138)				
Net defined benefit asset	355	(355)				
Deferred tax assets	237	671	1,302	2,211	vi	Deferred tax assets
Other	8,366	(3,376)	(2,753)	2,236		Other non-current assets

Allowance for doubtful accounts	(802)	802			
Total non-current assets	894,292	(4,471)	(25,631)	864,189	Total non-current assets
Total assets	1,019,659	142	(22,647)	997,154	Total assets

(Million yen)

Accounting titles of J GAAP	J GAAP	Reclassifications	Gains or losses from recognition and measurement	IFRS	Note No.	Accounting titles of IFRS
Liabilities						(Liabilities and equity)
Current liabilities						Current liabilities
Notes and operating accounts payable - trade	6,638	15,272	1,085	22,996		Trade and other payables
Short-term loans payable	11,232	90,064	(607)	100,688		Short-term borrowings
Lease obligations	33	(33)				
Current portion of long-term loans payable	89,064	(89,064)				
Current portion of bonds	1,000	(1,000)				
Income taxes payable	3,908		(50)	3,858		Income taxes payable
Deferred tax liabilities	0	(0)				
		975	13	989		Other financial liabilities
		433	250	683		Provisions
Other	25,981	(16,885)	10,951	20,046	i,iv	Other current liabilities
		(237)	11,641	149,263		Current liabilities (Subtotal)
		237		237		Liabilities directly related to assets held for sale
Total current liabilities	137,859	(0)	11,641	149,500		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	89,986	353,484	(459)	443,010		Long-term borrowings
Long-term loans payable	353,484	(353,484)				
Lease obligations	42	(42)				
Lease and guarantee deposits received	76,399	44	586	77,029		Other financial liabilities
Negative goodwill	19,122	142	(19,265)		vii	
Deferred tax liabilities	58,060	0	(16,137)	41,922		Deferred tax liabilities
Provision for loss of subleasing business	2,350	(2,350)				
Provision for directors' retirement benefits	29	(29)				
Net defined benefit liability	8,092		35	8,128		Defined benefit liability
Asset retirement obligations	2,228	2,350	353	4,932		Provisions
Other	193	28	(12)	209		Other non-current liabilities
Total non-current liabilities	609,989	142	(34,898)	575,234		Total non-current liabilities
Total liabilities	747,849	142	(23,256)	724,734		Total liabilities

(Million yen)

Accounting titles of J GAAP	J GAAP	Reclassifications	Gains or losses from recognition and measurement	IFRS	Note No.	Accounting titles of IFRS
Net assets						Equity
Shareholders' equity						Equity attributable to owners of parent
Capital stock	48,760			48,760		Capital
Capital surplus	31,650		(206)	31,443		Share premium
Retained earnings	141,973		4,727	146,700	x	Retained earnings
Treasury shares	(0)			(0)		Treasury shares
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	1,881	(1,881)				
Deferred gains or losses on hedges	15	(15)				
Foreign currency translation adjustment	1,974	(1,974)			viii	
Remeasurements of defined benefit plans	(543)	543				
		3,328	(1,596)	1,732		Other components of equity
				228,636		Total equity attributable to owners of parent
Non-controlling interests	46,098		(2,315)	43,783		Non-controlling interests
Total net assets	271,810		608	272,419		Total equity
Total liabilities and net assets	1,019,659	142	(22,647)	997,154		Total liabilities and equity

Reconciliation of profit or loss and comprehensive income at date of the three months ended June 30, 2017
(from April 1, 2017 to June 30, 2017)
Consolidated Statement of Income

(Million yen)

Accounting titles of J GAAP	J GAAP	Reclassifications	Gains or losses from recognition and measurement	IFRS	Note No.	Accounting titles of IFRS
Operating revenue	40,776		(627)	40,148	i	Operating revenue
Operating cost	26,261		(3,161)	23,100	iii,iv,v	Operating cost
Operating gross profit	14,514		2,533	17,048		Operating gross profit
Selling, general and administrative expenses	5,192		(420)	4,772	ii,iv,v	Selling, general and administrative expense
		63	(53)	9		Other operating revenue
		82	(0)	82	iii	Other operating expense
		386	(160)	225		Share of profit of investments accounted for using the equity method
Operating income	9,321	367	2,739	12,428		Operating income
Non-operating income						
Interest income	2	159	(1)	160		Finance income
Dividend income	159	(159)				
Amortization of negative goodwill	481		(481)			
Share of profit of entities accounted for using equity method	386	(386)				
Other	63	(63)				
Total non-operating income	1,093	(449)	(483)			
Non-operating expenses						
Interest expenses	1,111		(264)	846		Finance costs
Other	16	(16)				
Total non-operating expenses	1,127	(16)	(264)			
Ordinary profit	9,287	(66)	2,520			
Extraordinary losses						
Loss on retirement of non-current assets	66	(66)				
Total extraordinary losses	66	(66)				
Profit before income taxes	9,221		2,520	11,742		Profit before tax
Total income taxes	2,534		912	3,446	vi	Income taxes
Profit	6,687		1,608	8,296		Profit
Profit attributable to non-controlling interests	515		59	574		Profit attributable to: Non-controlling interests
Profit attributable to owners of parent	6,172		1,548	7,721		Owners of parent

Consolidated Statement of Comprehensive Income

(Million yen)

Accounting titles of J GAAP	J GAAP	Reclassifications	Gains or losses from recognition and measurement	IFRS	Note No.	Accounting titles of IFRS
Profit	6,687		1,608	8,296		Profit
Other comprehensive income						Other comprehensive income (Net of tax)
						Items that will not be reclassified to profit or loss
Remeasurements of defined benefit plans	14		(14)			Remeasurements of defined benefit plan
						Items that may be reclassified to profit or loss
Deferred gains or losses on hedges	4		(7)	(3)		Net changes in fair value of cash flow hedge
Valuation difference on available-for-sale securities	(218)			(218)		Valuation difference on available-for-sale securities
Foreign currency translation adjustment	(583)		1,169	586		Exchange differences on translation of foreign operations
Total other comprehensive income	(783)		1,147	364		Total Other comprehensive income
Comprehensive income	5,904		2,756	8,660		Total other comprehensive income (Net of tax)
(Breakdown)						Comprehensive income attributable to:
Comprehensive income attributable to owners of parent	5,388		2,696	8,085		Owners of parent
Comprehensive income attributable to non-controlling interests	515		59	574		Non-controlling interests
	5,904		2,756	8,660		Total

Reconciliation of profit or loss and comprehensive income at date of the three months ended June 30, 2017
(from April 1, 2017 to June 30, 2017)
Consolidated Statement of Income

(Million yen)

Accounting titles of J GAAP	J GAAP	Reclassifications	Gains or losses from recognition and measurement	IFRS	Note No.	Accounting titles of IFRS
Operating revenue	166,800		(6,145)	160,654	i	Operating revenue
Operating cost	115,978		(3,722)	112,256	iii,iv,v	Operating cost
Operating gross profit	50,821		(2,423)	48,398		Operating gross profit
Selling, general and administrative expenses	21,185		(653)	20,531	ii,iv,v	Selling, general and administrative expense
		519	2,468	2,987		Other operating revenue
		770	451	1,221	iii	Other operating expense
		(121)	899	778		Share of profit of investments accounted for using the equity method
Operating income	29,635	(372)	1,147	30,410		Operating income
Non-operating income						
Interest income	14	1,016	(4)	1,026		Finance income
Dividend income	213	(213)				
Contribution	319	(319)				
Gain on donation of non-current assets	21	(21)				
Amortization of negative goodwill	1,926		(1,926)			
Other	60	(60)				
Total non-operating income	2,555	401	(1,930)			
Non-operating expenses						
Interest expenses	4,493	166	(1,160)	3,499		Finance costs
Share of loss of entities accounted for using equity method	121	(121)				
Other	144	(144)				
Total non-operating expenses	4,759	(99)	(1,160)			
Ordinary profit	27,432	128	377			
Extraordinary income						
Gain on sales of non-current assets	118	(118)				
Gain on sales of investment securities	802	(802)				
Total extraordinary income	920	(920)				
Extraordinary losses						
Loss on retirement of	626	(626)				

non-current assets						
Loss on sales of investment securities	66	(66)				
Loss on valuation of investment securities	99	(99)				
Total extraordinary losses	792	(792)				
Profit before income taxes	27,560		377	27,938		Profit before tax
Total income taxes	6,886		893	7,780	vi	Income taxes
Profit	20,673		(515)	20,157		Profit
Profit attributable to non-controlling interests	1,972		30	2,002		Profit attributable to: Non-controlling interests
Profit attributable to owners of parent	18,701		(546)	18,155		Owners of parent

Consolidated Statement of Comprehensive Income

(Million yen)

Accounting titles of J GAAP	J GAAP	Reclassifications	Gains or losses from recognition and measurement	IFRS	Note No.	Accounting titles of IFRS
Profit	20,673		(515)	20,157		Profit
Other comprehensive income						Other comprehensive income (Net of tax)
						Items that will not be reclassified to profit or loss
Remeasurements of defined benefit plans	84		(37)	47		Rmeasurements of defined benefit plan
						Items that may be reclassified to profit or loss
Deferred gains or losses on hedges	13		6	19		Net changes in fair value of cash flow hedge
Valuation difference on available-for-sale securities	(708)			(708)		Valuation difference on available-for-sale securities
Foreign currency translation adjustment	874		(1,048)	(174)		Exchange differences on translation of foreign operations
Total other comprehensive income	263		(1,080)	(816)		Total other comprehensive income (Net of tax)
Comprehensive income	20,937		(1,595)	19,341		Total comprehensive income
(Breakdown)						Comprehensive income attributable to:
Comprehensive income attributable to	18,962		(1,625)	17,336		Owners of parent

owners of parent					
Comprehensive income attributable to non-controlling interests	1,974		29	2,004	Non-controlling interests
	20,937		(1,595)	19,341	Total

(3) Notes to reconciliations of equity and comprehensive income

i) Trade and other receivables

Under J GAAP, the Group used to recognize operating leases with incentives (such as free rent periods) based on the amount receivable specified in the contract. However, under IFRS, an entity recognizes total lease payments receivable including incentives on a straight-line basis over the lease term and, as a result, operating and other receivables have increased.

The impact of the change is as follows.

	(Million yen)		
	The transition date (April 1, 2017)	Three months ended June 30, 2017 (June 30, 2017)	The end of the previous fiscal year (March 31, 2018)
(Consolidated Statement of Financial Position)			
Trade and other receivables	5,446	5,634	5,899
Other current liabilities	67	78	71
Deferred tax liabilities	1,649	1,685	1,700
Non-controlling interests	193	184	176
Reconciliation of retained earnings	3,535	3,685	3,951

	(Million yen)	
	Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	The previous fiscal year (One-year period ended March 31, 2018)
(Consolidated Statement of Income)		
Operating revenue	170	437
Reconciliation of pre-tax profit	170	437

ii) Advertising expense

Under J GAAP, The Group used to capitalize assets used for advertising. However, under IFRS, some assets used for advertising are expensed and “Other non-current assets” have, therefore, decreased.

The impact of the change is as follows.

	(Million yen)		
	The transition date (April 1, 2017)	Three months ended June 30, 2017 (June 30, 2017)	The end of the previous fiscal year (March 31, 2018)
(Consolidated Statement of Financial Position)			
Other current assets	(2,730)	(2,373)	(2,577)
Deferred tax assets	842	732	789
Reconciliation of retained earnings	(1,887)	(1,641)	(1,788)

	(Million yen)	
	Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	The previous fiscal year (One-year period ended March 31, 2018)
(Consolidated Statement of Income)		
Selling, general and administrative expense	(356)	(152)
Reconciliation of profit before tax	356	152

iii) Deemed cost

The Group has elected to use the fair value of some of its investment real estate at the date of transition as the deemed cost of the investment real estate in accordance with IFRS 1.

The impact of the change is as follows.

The fair value of investment real estate at the transition date using deemed cost and its carrying amount under J GAAP is 293,066 million yen and 329,331 million yen respectively.

	(Million yen)		
	The transition date (April 1, 2017)	Three months ended June 30, 2017 (June 30, 2017)	The end of the previous fiscal year (March 31, 2018)
(Consolidated Statement of Financial Position)			
Investment property	(36,265)	(35,866)	(35,049)
Deferred tax assets	11,104	10,982	10,732
Non-controlling interests	(2,293)	(2,278)	(2,230)
Reconciliation of retained earnings	(22,866)	(22,606)	(22,086)

	(Million yen)	
	Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	The previous fiscal year (One-year period ended March 31, 2018)
Consolidated Statement of Income		
Operating cost	(398)	(1,210)
Other operating expense	—	(5)
Reconciliation of profit before tax	398	1,215

iv) Levies

Under J GAAP, the Group used to expense property tax levied in Japan over the fiscal year in which it was paid. However, under IFRS, property tax is recorded in a lump sum as a liability on the base date and is included in “Other current liabilities.”

The impact of the change is as follows.

	(Million yen)		
	The transition date (April 1, 2017)	Three months ended June 30, 2017 (June 30, 2017)	The end of the previous fiscal year (March 31, 2018)
(Consolidated Statement of Financial Position)			
Inventories	160	93	136
Deferred tax assets	2,955	2,262	3,101
Other current liabilities	9,642	7,317	10,183
Non-controlling interests	(223)	(167)	(234)
Reconciliation of retained earnings	(6,304)	(4,795)	(6,711)

	(Million yen)	
	Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	The previous fiscal year (One-year period ended March 31, 2018)
(Consolidated Statement of Income)		
Operating cost	(2,132)	453
Selling, general and administrative expense	(142)	112
Reconciliation of profit before tax	2,274	(565)

v) Tax and public dues

Under J GAAP, real estate acquisition tax and other tax and public dues incurred on the acquisition of an asset was expensed as SG&A expenses in the fiscal year in which they were incurred. However, under IFRS, they are included in the acquisition cost of the asset.

The impact of the change is as follows.

	(Million yen)		
	The transition date (April 1, 2017)	Three months ended June 30, 2017 (June 30, 2017)	The end of the previous fiscal year (March 31, 2018)
(Consolidated Statement of Financial Position)			
Investment property	3,140	3,153	3,622
Deferred tax liabilities	961	965	1,109
Reconciliation of retained earnings	2,179	2,187	2,513

	(Million yen)	
	Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)	The previous fiscal year (One-year period ended March 31, 2018)
(Consolidated Statement of Income)		
Operating cost	13	61
Selling, general and administrative expense	(26)	(547)
Reconciliation of profit before tax	12	486

vi) Deferred tax assets

Regarding the recoverability of deferred tax assets, the Group assessed the probability that taxable profit will be available against which the deductible temporary differences can be utilized in accordance with IFRS and, as a result, deferred tax assets have increased.

The impact of the change is as follows.

	The transition date to IFRS (April 1, 2017)	Three months ended June 30, 2017 (June 30, 2017)	(Million yen) The end of the previous fiscal year (March 31, 2018)
(Consolidated Statement of Financial Position)			
Deferred tax assets	7,086	7,094	6,873
Non-controlling interests	1	1	0
Reconciliation of retained earnings	7,084	7,092	6,872

Due to the abovementioned reconciliation, "Income taxes" in the three months ended June 30, 2017 of income have decreased 8 million yen, in the consolidated statement of income have increased 213 million yen for the previous fiscal year.

vii) Reconciliation of negative goodwill

Under J GAAP, negative goodwill arising in a business combination that took place before April 1, 2010 was recognized as a liability when it arose and amortized on a straight-line basis. However, under IFRS, since negative good will is recognized as a gain when it arises, the adjustment is reflected in retained earnings.

viii) Exchange differences on translation of foreign operations

The Group has elected to apply the exemption specified in IFRS 1 and has deemed the cumulative translation differences for foreign operations (included in other components of equity) to be zero and transferred them all to retained earnings.

ix) Other

Adjustments to equity and comprehensive other than those from i) to viii) are mainly as follows.

Under J GAAP, when the closing date of a subsidiary or affiliated company accounted for using the equity method is different from the closing date of the parent company, important events or transactions occurring during the different period are disclosed in notes or adjusted in the main document of the consolidated financial statements.

On the other hand, under IFRS, when the closing date of a subsidiary or affiliated company and company under common control is different from the closing date of the parent company, unless it is practically impossible, additional financial statements are made by using the unified closing date or the closing date of the parent company. In addition, if it is practically impossible to use the unified closing date or prepare additional financial statements, important events or transactions occurring during the different period are adjusted.

x) Retained earnings

The impact of the abovementioned reconciliation on retained earnings is as follows.

(Million yen)

Adjustment item	Note No.	The transition date (April 1, 2017)	Three months ended June 30, 2017 (June 30, 2017)	The end of the previous fiscal year (March 31, 2018)
Trade and other receivables	i	3,535	3,685	3,951
Advertising expense	ii	(1,887)	(1,641)	(1,788)
Deemed cost	iii	(22,866)	(22,606)	(22,086)
Levies	iv	(6,304)	(4,795)	(6,711)
Tax and public dues	v	2,179	2,187	2,513
Deferred tax assets	vi	7,084	7,092	6,872
Reconciliation of negative goodwill	vii	21,191	20,709	19,265
Exchange differences on translation of foreign operations	viii	1,100	1,100	1,100
Other	ix	1,194	1,041	1,610
Total		5,227	6,775	4,727

(4) Notes to changes in presentation in the consolidated statement of financial position

i) Representation of deferred tax assets and Deferred tax liabilities

Under J GAAP, deferred tax assets and deferred tax liabilities are presented as current assets and current liabilities or non-current assets and non-current liabilities. Under IFRS, however, presentation as current assets and current liabilities is not permitted, and thus all of them are presented as non-current assets and non-current liabilities.

(5) Significant reconciliations of consolidated statements of cash flows

i) Three months ended June 30, 2017

There are no significant differences between the consolidated statement of cash flows prepared in conformity with IFRS and the consolidated statement of cash flows prepared in conformity with J GAAP.

ii) The previous fiscal year

There are no significant differences between the consolidated statement of cash flows prepared in conformity with IFRS and the consolidated statement of cash flows prepared in conformity with J GAAP.