Quarterly Report

(First Quarter of 32nd term)

From April 1, 2016
to June 30, 2016

NTT Urban Development Corporation

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

Contents

Cover

Document submitted	Quarterly Report
Applicable law clause	Article 24-4-7, Paragraph 1 of Financial Instruments and Exchange Act
Destination	Director General of the Kanto Finance Bureau
Date of submission	August 3, 2016
Quarterly accounting period	First quarter of 32nd term (from April 1, 2016 to June 30, 2016)
Corporate name	NTT Toshi Kaihatsu Kabushiki Kaisha
Corporate name in English	NTT URBAN DEVELOPMENT CORPORATION
Name and title of representative	Sadao Maki, President and Chief Executive Officer
Address of home office	4-14-1, Sotokanda, Chiyoda-ku, Tokyo
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Telephone number	+81-3-6811-6424
Contact person	Yutaka Torigoe, Senior Vice President, Accounting and Finance
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Chapter 1 Corporate Information

Section 1 Overview of the Company’s situation

1. Changes in major financial data

Term	31st term Three months ended June 30, 2015	32nd term Three months ended June 30, 2016	31st term
Account period	From April 1, 2015 to June 30, 2015	From April 1, 2016 to June 30, 2016	From April 1, 2015 to March 31, 2016
Operating revenue (million yen)	26,681	33,255	183,016
Ordinary income (million yen)	3,113	4,439	33,832
Profit attributable to owners of parent (million yen)	2,918	2,832	16,557
Comprehensive income (million yen)	1,442	638	16,399
Net assets (million yen)	240,611	249,151	251,905
Total assets (million yen)	1,039,431	1,019,653	1,033,557
Net income per share (yen)	6.68	8.61	50.31
Net income per share (fully diluted) (yen)	―	―	―
Ratio of shareholders’ equity to assets (%)	18.8	19.9	19.9

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

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

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

2. Businesses

During the three months ended June 30, 2016, there were no significant changes in the major operations managed by the NTT Urban Development Group (the Company and its affiliates). In addition, there were no changes in major affiliates.

The segment classification was changed in the first quarter of the consolidated fiscal year under review. Details are described in Section 4 Financial status 1.Quarterly consolidated financial statements Notes (Segment information, etc.).

Section 2 Business situation

1. Operating risks

During the three months ended June 30, 2016, no new operating risks emerged.
In addition, there were no significant changes in the operating risks described in the annual securities report for the previous fiscal year.

2. Significant management contracts

There were no significant management contracts determined or concluded during the three months ended June 30, 2016.

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

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

(1) Financial results

The Japanese economy continued to follow a moderate recovery trend, albeit with continued weakness, during the three months ended June 30, 2016. Looking ahead, the economy is expected to continue to recover moderately, reflecting the ongoing improvements in the employment and income situation, thanks in part to government policies. However, concerns remain in overseas economies, and weaker-than-expected economies in emerging countries in Asia such as China and resource-rich countries could place downward pressure on the Japanese economy. Given these conditions, attention needs to be paid to rising uncertainty over international affairs, such as Brexit, and the effects of changes in the financial and capital markets.
In the office leasing market, the vacancy rates continued to improve, and market rents were rising in some areas. In the condominium sales market, demand remained firm for condominiums in central Tokyo areas, although sales prices continued to go up 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, operating revenue amounted to ¥33,255 million (up ¥6,573 million, or 24.6% year-on-year), operating income was ¥5,225 million (up ¥1,307 million, or 33.4%), and ordinary income was ¥4,439 million (up ¥1,326 million, or 42.6%). Profit attributable to owners of parent was ¥2,832 million (up ¥634 million, or 28.8%).

Hereinafter, the segment information has been reclassified into the segment classification that was changed in the first quarter of the consolidated fiscal year under review.

(i) Offices/Retail Business

In the offices/retail business for the three months ended June 30, 2016, the Company generates earnings from contribution of the property newly completed in the previous fiscal year, such as Urbannet Nihonbashi 2-Chome Building (Chuo-ku, Tokyo) and Urbannet Ginza 1-Chome Building (Chuo-ku, Tokyo), and the existing properties that were fairly filled by leasing activities.
Operating revenue increased ¥207 million to ¥20,593 million (up 1.0% year-on-year) due to an increase in rent income from new properties and lower vacancy rates in existing properties. Operating income increased ¥1,241 million to ¥5,828 million (up 27.1% year-on-year).
Development projects currently under way include Otemachi 2-Chome Area 1st class Urban Redevelopment Project Building A (Chiyoda-ku, Tokyo), (Tentative name) Shimbashi 1-chome Project (Minato-ku, Tokyo) and (Tentative name) Universal City Station Project (Osaka-shi, Osaka), etc.

(ii) Residential business

In the residential business, the number of condominiums delivered amounted to 87 units, centering on newly completed condominiums.The average sales price per unit was ¥38 million because the delivery was carried out mainly in suburban area in the three months ended June 30, 2016.

As a result, for the three months ended June 30, 2016, operating revenue in the residential business increased ¥4,978 million, or 131.3%, to ¥8,769 million, and operating income was down ¥101 million, or 23.1%, to ¥338 million.

In the three months ended June 30, 2016, the Company began distribution of Wellith Funabashi Natsumi (Funabashi-shi, Chiba) and Wellith Azamino (Yokohama-shi, Kanagawa).

(iii) Other

Operating revenue in other business for the three months ended June 30, 2016 was ¥5,114 million (up ¥1,403 million, or 37.8%), and operating income was ¥395 million (up ¥199 million, or 102.0%).

(2) Operational and financial challenges to meet

During the three months ended June 30, 2016, there were no significant changes in challenges facing the Company.

(3) Research and development

Not applicable

(4) Operating revenue

The table below shows operating revenue by business segment classification that was changed in the first quater of 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	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)	Year-on-year (%)
Offices/Retail Business	20,593	101.0
Residential Business	8,769	231.3
Total operating revenue in the reported segments	29,362	121.4
Other	5,114	137.8
Eliminations	(1,221)	—
Total	33,255	124.6

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

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

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

(Offices/Retail Business)

The table below shows operating revenue in the Offices/Retail business. All figures are consolidated results.

(Million yen)

Classification		Three months ended June 30, 2015	Three months ended June 30, 2016
Offices/ Retail leasing	Operating revenue	20,344	20,566
	Rentable floor space	1,235,590 m^2 (Of the above, sub-leases: 65,967 m^2)	1,137,132 m^2 (Of the above, sub-leases: 99,140m^2)
Sales of revenue-generating real estate	Operating revenue	—	—
Other	Operating revenue	41	27
Total operating revenue		20,386	20,593

(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.

(Note3) Operating results for the first quarter of the previous consolidated fiscal year have been reclassified into the segment classification that was changed in the first quarter of the consolidated fiscal year under review.

The table below shows the vacancy rate by area.

Classification	June 2015	September 2015	December 2015	March 2016	June 2016
Five wards of central Tokyo	14.2%	10.8%	9.2%	6.3%	4.2%
Nationwide	10.5%	8.7%	7.5%	5.7%	4.8%

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

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

(Residential Business)

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

(Million yen)

Classification	Three months ended June 30, 2015	Three months ended June 30, 2016
Residential property sales	3,097	8,329
Residential rentals	693	439
Other	—	—
Total operating revenue	3,790	8,769

(Note) Operating results for the first quarter of the previous consolidated fiscal year have been reclassified into the segment classification that was changed in the first quarter of the consolidated fiscal year under review.

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

Classification			Three months ended June 30, 2015		Three months ended June 30, 2016	
			Units/Lots	Operating revenue (million yen)	Units/Lots	Operating revenue (million yen)
Condominiums						
	Units delivered	Tokyo metropolitan area	44	1,650	65	4,749
		Other regions	21	869	21	2,740
	Completed in inventories		153	—	382	—
Residential Lots, etc.						
	Units/Lots delivered	Tokyo metropolitan area	1	151	8	296
		Other regions	20	425	27	543
	Completed in inventories		42	—	35	—
Subtotal (Condominiums and Residential Lots, etc.)						
	Units/Lots delivered	Tokyo metropolitan area	45	1,802	73	5,045
		Other regions	41	1,294	49	3,284
	Completed in inventories		196	—	417	—
Residential property sales other						
	Units/Lots delivered	Tokyo metropolitan area	—	—	—	—
		Other regions	—	—	—	—
	Completed in inventories		—	—	—	—
Operating revenue			—	3,097	—	8,329

(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, 2015 and for the three months ended June 30, 2016 include 31 units and 64 units, respectively, for which a contract has been completed but ownership has not yet been transferred. The residential lots, etc. completed in inventories for the three months ended June 30, 2015 and for the three months ended June 30, 2016 include 30 lots and 20 lots, for which a contract has been completed but ownership has not yet been transferred.

(Note3) 1 lot (worth ¥151 million) of residential lots delivered for the three months ended June 30, 2015 was delivered through a portion sale of land.

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

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

In the office and retail property leasing market, the vacancy rate is improving, and the rent level is bottoming out. The Company will place a higher emphasis on the “build-and-sell” approach than on the “build-and-own” approach and will strive to increase revenues by strengthening its development capabilities through efforts such as collaborations with other companies, launching mixed use property development projects of retail and residential properties, etc. and participating in the area redevelopment projects.

In the condominium sales market, demand remained firm for condominiums in central Tokyo areas, although sales prices continued to go up 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. The Company will strive to secure revenues by increasing added value and making efforts to reduce costs.

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

The Company raised funds primarily through borrowings from financial institutions during the three months ended June 30, 2016 in response to capital needs, including the repayment of borrowings, operating funds, and investments.

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

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

Section 3 Situation of submitting company

1. Shares of the Company

(1) Total number of shares and other information

(i) Total number of shares

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

(ii) Shares issued

Type	Number of shares issued as of June 30, 2016	Number of shares issued on the date of the submission of the report (August 3, 2016)	Stock exchange or registered financial instruments dealers association	Remarks
Common stocks	329,120,000	329,120,000	The First Section of the Tokyo Stock Exchange	Number of shares of one share unit 100
Total	329,120,000	329,120,000	—	—

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

(2) Stock acquisition rights

Not applicable

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

Not applicable

(4) Features of rights plan

Not applicable

(5) Changes in number of shares outstanding and capital

Date	Change in number of shares outstanding (shares)	Number of shares outstanding (shares)	Change in capital (million yen)	Capital (million yen)	Change in capital reserve (million yen)	Capital reserve (million yen)
From April 1, 2016 to June 30, 2016	—	329,120,000	—	48,760	—	34,109

(6) Major shareholders

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

(7) Voting rights

Since the Company cannot confirm the contents of the shareholder register as of June 30, 2016, it cannot describe voting rights as of that date. The Company describes voting rights based on the shareholder register as of the latest base date (March 31, 2016) instead.

(i) Shares issued

As of June 30, 2016

Classification	Number of shares		Number of voting rights	Remarks
Nonvoting shares		–	–	–
Shares with limited voting rights (treasury share, etc.)		–	–	–
Shares with limited voting rights (other shares)		–	–	–
Shares with complete voting rights (treasury share, etc.)		–	–	–
Shares with complete voting rights (other shares)	Common shares	329,113,400	3,291,134	–
Fractional shares	Common shares	6,600	–	–
Total number of shares issued		329,120,000	–	–
Number of voting rights of all shareholders		–	3,291,134	–

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

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

(ii) Treasury stock

As of June 30, 2016

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

2. Officers

Not applicable

Section 4 Financial status

1 Methods of preparing quarterly consolidated financial statements

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

2 Audit certification

Under the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the quarterly consolidated financial statements of the Company for the three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016) and for the three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016) have received a quarterly review by KPMG AZSA LLC.

1. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2016)	Three months ended June 30, 2016 (As of June 30, 2016)
Assets		
Current assets		
Cash and deposits	14,846	16,281
Notes and operating accounts receivable	9,170	3,188
Real estate for sale	41,736	38,218
Real estate for sale in progress	99,374	100,775
Costs on uncompleted construction contracts	248	294
Raw materials and supplies	58	44
Lease investment assets	2,224	2,187
Deposits paid	1,360	828
Deferred tax assets	425	440
Other	8,665	8,177
Allowance for doubtful accounts	(0)	(0)
Total current assets	178,110	170,437
Non-current assets		
Property, plant and equipment		
Buildings and structures	617,052	617,279
Accumulated depreciation	(337,594)	(341,427)
Buildings and structures (net)	279,458	275,852
Machinery, equipment and vehicles	11,902	11,923
Accumulated depreciation	(10,345)	(10,425)
Machinery, equipment and vehicles (net)	1,557	1,497
Land	494,722	495,629
Lease assets	315	201
Accumulated depreciation	(222)	(131)
Lease assets (net)	92	69
Construction in progress	3,604	2,380
Other property, plant and equipment	13,675	13,741
Accumulated depreciation	(11,216)	(11,342)
Other property, plant and equipment (net)	2,459	2,399
Total property, plant and equipment	781,895	777,829
Intangible assets	25,994	25,760
Investments and other assets		
Investment securities	24,311	22,023
Long-term prepaid expenses	15,072	14,888
Net defined benefit asset	147	168
Deferred tax assets	556	575
Other	7,468	7,968
Total investments and other assets	47,557	45,625
Total non-current assets	855,447	849,215
Total assets	1,033,557	1,019,653

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2016)	Three months ended June 30, 2016 (As of June 30, 2016)
Liabilities		
Current liabilities		
Notes and operating accounts payable–trade	9,182	3,474
Short-term loans payable	6,530	30,670
Lease obligations	40	29
Current portion of long-term loans payable	36,775	31,438
Current portion of bonds	19,999	19,999
Income taxes payable	1,064	537
Deferred tax liabilities	380	374
Other	41,488	45,014
Total current liabilities	115,462	131,539
Non-current liabilities		
Bonds payable	110,975	110,977
Long-term loans payable	371,739	358,345
Lease obligations	87	65
Lease and guarantee deposits received	69,424	70,827
Negative goodwill	22,951	22,473
Deferred tax liabilities	58,658	58,641
Provision for directors’ retirement benefits	27	24
Net defined benefit liability	8,215	8,108
Asset retirement obligations	2,424	2,136
Other	21,684	7,362
Total non-current liabilities	666,189	638,962
Total liabilities	781,651	770,501
Net assets		
Shareholders’ equity		
Capital stock	48,760	48,760
Capital surplus	31,648	31,648
Retained earnings	118,437	118,308
Treasury shares	(0)	(0)
Total shareholders’ equity	198,846	198,717
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,003	2,699
Deferred gains or losses on hedges	(9)	(64)
Foreign currency translation adjustment	5,261	2,857
Remeasurements of defined benefit plans	(1,066)	(1,044)
Total accumulated other comprehensive income	7,187	4,448
Non-controlling interests	45,871	45,985
Total net assets	251,905	249,151
Total liabilities and net assets	1,033,557	1,019,653

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

(Quarterly consolidated Statements of Income)

(Three month ended June 30, 2015 and 2016)

(Million yen)

	Three months ended June 30, 2015 (From April 1, 2015 to June 30, 2015)	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)
Operating revenue	26,681	33,255
Operating cost	19,181	23,814
Operating gross profit	7,500	9,440
Selling, general and administrative expenses	3,581	4,214
Operating income	3,918	5,225
Non-operating income		
Interest income	14	2
Dividends income	62	71
Amortization of negative goodwill	481	481
Equity in earnings of affiliates	88	99
Other	76	154
Total non-operating income	723	808
Non-operating expenses		
Interest expenses	1,521	1,312
Other	7	282
Total non-operating expenses	1,529	1,594
Ordinary income	3,113	4,439
Extraordinary income		
Gain on sales of non-current assets	382	－
Total extraordinary income	382	－
Extraordinary loss		
Loss on retirement of non-current assets	54	42
Total extraordinary losses	54	42
Income before income taxes and minority interests	3,441	4,396
Total income taxes	874	1,019
Profit	2,567	3,377
Profit attributable to non-controlling interests	368	544
Profit attributable to owners of parent	2,198	2,832

(Quarterly consolidated statements of comprehensive income)

(Three month ended June 30, 2015 and 2016)

(Million yen)

	Three months ended June 30, 2015 (From April 1, 2015 to June 30, 2015)	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)
Profit	2,567	3,377
Other comprehensive income		
Valuation difference on available-for-sale securities	(43)	(303)
Deferred gains or losses on hedges	—	(54)
Foreign currency translation adjustment	(1,065)	(2,404)
Remeasurements of defined benefit plans	(16)	22
Total other comprehensive income	(1,125)	(2,739)
Comprehensive income	1,442	638
(Breakdown)		
Comprehensive income attributable to owners of parent	1,073	93
Comprehensive income attributable to non-controlling interests	368	544

Notes

(Change in accounting principles)

(Change of Depreciation Method and Useful Life)

Although the Company and its consolidated subsidiaries in Japan applied the declining-balance method as the depreciation method for property, plant and equipment in the past, it switched to the straight-line method in the first quarter of the consolidated fiscal year under review.

The Group is reviewing the strategies for its businesses in the Revision of the Medium-Term Vision 2018 to respond to changes in the environment surrounding the Group. It believes the occupancy rate of office buildings will remain more stable by promoting investment in strategic renewal for existing flagship buildings and the future development pipeline.

Because the stable use of property, plant and equipment is expected in the future as a result of the review, we changed the depreciation method for property, plant and equipment, believing that is better to apply the straight-line method.

The Company and its consolidated subsidiaries in Japan have also revised the useful life for some property, plant and equipment based on their actual utilization from the first quarter of the consolidated fiscal year under review.

As a result, operating income, ordinary income, and income before income taxes and minority interests have increased ¥547 million. The impact of this change on segment information is stated in the corresponding sections.

(Additional information)

(Apply of Implementation Guidance on Recoverability of Deferred Tax Assets)

The company applied Implementation Guidance on Recoverability of Deferred Tax Assets（ASBJ Statement No.26, March 28, 2016) from the first quarter of the consolidated fiscal year under review.

(Quarterly consolidated statement of cash flows)

The consolidated statement of cash flows for the three months ended June 30, 2016 has not been prepared. Depreciation and amortization (including the depreciation and amortization of intangible assets other than goodwill) and the amortization of goodwill and negative goodwill for the three months ended June 30, 2016 are as follows:

(Million yen)

	Three months ended June 30, 2015 (From April 1, 2015 to June 30, 2015)	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)
Depreciation and amortization	5,967	4,663
Amortization of goodwill	2	2
Amortization of negative goodwill	481	481

(Shareholders' equity)

I. Three months ended June 30, 2015 (from April 1, 2015 to June 30, 2015)

Dividends paid

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

II. Three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016)

Dividends paid

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

(Segment information, etc.)

Segment information

I. Three months ended June 30, 2015 (from April 1, 2015 to June 30, 2015)

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

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount stated in consolidated financial statement (Note 3)
	Offices/ Retail Business	Residential Business	Total				
Operating revenue							
(1) Operating revenue to third parties	20,160	3,788	23,949	2,732	26,681	—	26,681
(2) Inter-segment internal revenues and transfers	225	1	227	978	1,205	(1,205)	—
Total	20,386	3,790	24,176	3,710	27,887	(1,205)	26,681
Segment profits	4,586	440	5,027	195	5,222	(1,303)	3,918

(Note1) Other is the business segment that is not included in the reported segments and other business activities that generate revenue. It includes design of building and other, construction and supervision of construction, office building maintenance and air-conditioning services, and management of restaurant facilities as incidental facilities of office buildings.

(Note2) Adjustment of - ¥1,303 million in segment profits includes elimination of inter-segment transactions of ¥8 million and company-wide expenses of - ¥1,312 million which is not allotted to the reported segments and other. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments and other.

(Note3) Segment profits are adjustment of operating income reported on quarterly consolidated statement of income.

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

Not applicable

II. Three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016)

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

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount stated in consolidated financial statement (Note 3)
	Offices/ Retail Business	Residential Business	Total				
Operating revenue							
(1) Operating revenue to third parties	20,345	8,763	29,109	4,146	33,255	—	33,255
(2) Inter-segment internal revenues and transfers	248	5	253	967	1,221	(1,221)	—
Total	20,593	8,769	29,362	5,114	34,476	(1,221)	33,255
Segment profits	5,828	338	6,166	395	6,562	(1,336)	5,225

(Note1) Other is the business segment that is not included in the reported segments and other business activities that generate revenue. It includes design of building and other, construction and supervision of construction, office building maintenance and air-conditioning services, and management of restaurant facilities as incidental facilities of office buildings.

(Note2) Adjustment of - ¥1,336 million in segment profits includes elimination of inter-segment transactions of ¥7 million and company-wide expenses of - ¥1,343 million which is not allotted to the reported segments and other. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments and other.

(Note3) Segment profits are adjustment of operating income reported on quarterly consolidated statement of income.

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

Not applicable

3. Change in reported segments

(Change of Reported Segments)

Starting with the first quarter of the consolidated fiscal year under review, we changed the reported segments from the old Leasing Business and the Residential Property Sales Business to the Offices/Retail Business and the Residential Business, considering current status of market environment and the Group’s organization.

Based on this change, we also transferred the residential rental business, which was included in the Leasing Business until the previous consolidated fiscal year, to the Residential Business segment for the purpose of integrated business management with residential property sales business.

Segment information of three months ended June 30, 2015, has been reclassified into the new segment classification from three months ended June 30, 2016.

(Change of Depreciation Method and Useful Life)

As stated in the “Change in accounting principles,” we changed the depreciation method for property, plant and equipment to the straight-line method in the first quarter of the consolidated fiscal year under review. We also revised the useful life for some property, plant and equipment.

As a result, segment income increased ¥510 million in the Offices/Retail Business, ¥27 million in the Residential Business, and ¥2 million in Other. Corporate-wide expenses that are not attributable to reported segment and included in "Adjustments" decrease ¥6 million.

(Per-share information)

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

	Three months ended June 30, 2015 (From April 1, 2015 to June 30, 2015)	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)
Net income per share	¥6.68	¥8.61
(Basis for calculation)		
Profit attributable to owners of parent (million yen)	2,198	2,832
Amount not attributable to common stockholders (million yen)	—	—
Profit attributable to owners of parent relating to common stock (million yen)	2,198	2,832
Average number of shares during the period	329,120,000	329,119,923

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

(Significant subsequent events)

Not applicable

2. Other

Not applicable

Chapter 2 Information on the Guarantee Company of the Submitting Company

Not applicable