

SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

For the Second Quarter of FY2018

November 5, 2018

NTT Urban Development Corporation

Stock Exchange: Tokyo Stock Exchange

Code Number: 8933

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

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Supplementary documents for quarterly results: No

Quarterly results briefing: No

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

1. Consolidated Financial Results for the Second Quarter of FY2018

(April 1, 2018 through September 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	%
Six months ended September 30, 2018	71,921	0.8	19,837	(7.8)	18,449	(7.7)	13,002	(8.6)	11,813	(9.7)	14,507	(7.2)
Six months ended September 30, 2017	71,320	—	21,526	—	19,981	—	14,218	—	13,078	—	15,626	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2018	35.89	—
Six months ended September 30, 2017	39.74	—

(2) Consolidated Financial Position

	Total Assets	Total Equity	Total equity attributable to owners of parent	Ratio of total equity attributable to owners of parent
	Million yen	Million yen	Million yen	%
As of September 30, 2018	995,328	286,729	242,726	24.4
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	—	10.00			
Year ending March 31, 2019 (Forecasts)			—	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 attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Annual	167,500	—	28,000	—	16,000	—	48.61

(Note1) Revisions to earnings forecasts published most recently: No

(Note2) The Group decided to voluntarily adopt IFRS (International Financial Accounting Standards) from the first quarter of FY2018. Consequently, the consolidated forecasts for FY2018 were 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 six months ended September 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 IFRS 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 September 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 September 30, 2018:	121 shares
As of March 31, 2018:	77 shares
 - (iii) Average number of issued shares for each period (cumulative period):

As of September 30, 2018:	329,119,908 shares
As of September 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 Second 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 second 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 18 in the accompanying materials.

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

(1) Qualitative information on consolidated financial results

In the six months ended September 30, 2018, the office leasing market saw an 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 improved.

Operating revenue amounted to ¥71,921 million (up ¥601 million, or 0.8% year-on-year), operating income was ¥19,837 million (down ¥1,688 million, or 7.8%), and profit before tax was ¥18,449 million (down ¥1,531 million, or 7.7%), and profit attributable to owners of parent was ¥11,813 million (down ¥1,265 million, or 9.7%)

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

(Million yen)

Business segment	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
Offices/Retail Business	45,613	46,201
Residential Business	19,732	17,400
Total operating revenue in reported segments	65,345	63,601
Other	8,500	11,203
Eliminations	(2,525)	(2,883)
Total	71,320	71,921

(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 six months ended September 30, 2018, the Company strived to generate earnings in the fiscal year under review from the contribution of new properties, such as OTEMACHI PLACE (Former name : Otemachi 2-chome Area 1st Class Urban Redevelopment Project, Chiyoda-ku, Tokyo), 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 three months 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 ¥46,201 million (improve ¥587 million, or 1.3% year-on-year), operating income was ¥20,712 million (decrease ¥1,442 million, or 6.5%).

In the six months ended September 30, 2018, OTEMACHI PLACE (Chiyoda-ku, Tokyo) and Hyatt Regency Seragaki Island, Okinawa (Kunigami-gun, Okinawa), among others, were completed and started operation. Development projects currently underway include 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		Six months ended September 30, 2017	Six months ended September 30, 2018
Offices/ Retail leasing	Operating revenue	42,710	43,807
	Rentable floor space	1,118,459 m ² (Of the above, sub-leases: 92,685 m ²)	1,151,160 m ² (Of the above, sub-leases: 111,539 m ²)
Sales of income-generating properties	Operating revenue	—	—
Other	Operating revenue	2,903	2,393
Total operating revenue		45,613	46,201

(Note1) “Rentable floor space” figures are as of the end of September of each fiscal year.

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

The table below shows the vacancy rate by area.

Classification	September 2017	December 2017	March 2018	June 2018	September 2018
Five wards of central Tokyo	2.0%	1.2%	1.4%	0.5%	0.5%
Nationwide	3.3%	3.3%	3.4%	2.7%	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

In the Residential Business, the number of units delivered resulted in 305 units in the six months ended September 30, 2018, due to the completion of Wellith Shinjuku Wasedanomori (Shinjuku-ku, Tokyo) and Wellith Chiyoda Higashikanda (Chiyoda-ku, Tokyo), etc. The average price per unit improved to ¥52 million.

Operating revenue amounted to ¥17,400 million (down ¥2,331 million, or 11.8% year-on-year) and operating income was ¥1,037 million (decrease ¥593 million or 36.4%).

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

(Million yen)

Classification	Six months ended September 30, 2017	Six months ended September 30, 2018
Residential property sales	18,687	16,276
Residential rentals	1,044	1,124
Other	—	—
Total operating revenue	19,732	17,400

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

Classification		Six months ended September 30, 2017		Six months ended September 30, 2018	
		Units/Lots	Operating revenue (Million yen)	Units/Lots	Operating revenue (Million yen)
Condominiums					
Units delivered	Tokyo metropolitan area	346	13,950	234	13,442
	Other regions	62	2,575	70	2,715
Completed in inventories		510	—	501	—
Residential Lots, etc.					
Units/Lots delivered	Tokyo metropolitan area	27	877	—	0
	Other regions	45	533	10	118
Completed in inventories		45	—	20	—
Subtotal (Condominiums and Residential Lots, etc.)					
Units/Lots delivered	Tokyo metropolitan area	373	14,827	234	13,442
	Other regions	107	3,109	80	2,833
Completed in inventories		555	—	521	—
Residential property sales other					
Units/Lots delivered	Tokyo metropolitan area	—	—	—	—
	Other regions	1	750	—	—
Completed in inventories		—	—	—	—
Total operating revenue		—	18,687	—	16,276

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

(Note2) "Completed in inventories" figures are as of the end of September of each fiscal year. The condominiums completed in inventories for the six months ended September 30, 2017 and for the six months ended September 30, 2018 include 51 units

and 50 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 six months ended September 30, 2017 and for the six months ended September 30, 2018 include 15 lots and 13 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 second quarter of the previous consolidated fiscal year were 44 lots and 236 lots, respectively, and those for the second quarter for the consolidated fiscal year ended September 30, 2018 were 1 lot and 225 lots, respectively.

iii) Other

Operating revenue (interior construction management for tenants, property management of existing buildings, etc.) in other business for the six months ended September 30, 2018 was ¥11,203 million (up ¥2,702 million, or 31.8% year-on-year), and operating income was ¥1,272 million (increase ¥527 million, or 70.7%).

(2) Qualitative information on consolidated financial position

i) Assets, Liabilities and Equity

(Assets)

Total assets at the end of the three months ended September 30, 2018 were ¥995,328 million, down ¥1,825 million from the end of the previous consolidated fiscal year.

Current assets stood at ¥116,793 million, declining ¥16,170 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 ¥878,534 million, up ¥14,344 million from the end of the previous consolidated fiscal year.

This was mainly due to an increase of ¥8,719 million in other financial assets as a result of evaluation of the market prices of securities and an increase of ¥2,858 million in investment property as a result of the investment in new development properties.

(Liabilities)

Total liabilities at the end of the three months ended September 30, 2018 were ¥708,598 million reduce ¥16,136 million from the end of the previous consolidated fiscal year. This was mainly attributable to a decrease in interest-bearing debt (¥18,227 million). Net interest-bearing debt, interest-bearing debt less cash and cash equivalents, etc., decline ¥13,973 million from the end of the previous consolidated fiscal year.

(Equity)

Total equity at the end of the three months ended September 30, 2018 were ¥286,729 million, up ¥14,310 million from the end of the previous consolidated fiscal year. The increase reflected an increase in retained earnings (¥13,615 million), increase in other components of equity (¥475 million) and rise in non- controlling interests (¥219 million).

ii) Consolidated cash flows

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

(Cash flows from (used in) operating activities)

Cash flow from operating activities was a cash inflow of ¥20,380 million (rise ¥3,749 million year-on-year). This mainly reflected a cash-in of ¥27,178 million (down ¥1,234 million) attributable to profit before tax and depreciation and a cash-out of ¥1,575 million (contraction ¥472 million) attributable to increase of inventories, and ¥3,985 million (contraction ¥2,812 million) due to payment of income taxes paid.

(Cash flows from (used in) investing activities)

Cash flow from investing activities was a cash-out of ¥2,662 million (contraction ¥35,818 million year-on-year). This result was attributable to a cash-out with purchase of investment property and property, plant and equipment of ¥14,300 million, (contraction ¥23,752 million) and a cash-in with sale of investment property and property, plant and equipment ¥13,551 million, (expand ¥13,551 million).

(Free cash flow)

Free cash flow was a cash-in of ¥17,718 million (up ¥39,567 million from a cash-out of ¥21,849 million in the six months ended September 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 ¥22,007 million (decline ¥42,983 million from a cash-in of ¥20,976 million in the six months ended September 2017). This was largely a reflection of a decrease in interest-bearing debt (¥17,698 million) and cash dividends paid (¥3,291 million).

As a result, cash and cash equivalents at the end of the six months ended September 30, 2018 was ¥15,973 million, a decrease of ¥4,214 million from the end of the previous fiscal year.

(3) Qualitative information on consolidated earnings forecasts

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

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

Consolidated Earnings Forecasts for the fiscal year ending March, 2019 (Million yen)

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

Consolidated Segment Forecasts for the fiscal year ending March, 2019 (Million yen)

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

(Note) Forward-looking statements in this section are based on 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 (Connecting) 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)

	The date of transition to IFRS (April 1, 2017)	The end of the previous fiscal year (March 31, 2018)	Three months ended September 30, 2018
(Assets)			
Current assets			
Cash and cash equivalents	22,471	20,187	15,973
Trade and other receivables	19,874	20,838	16,131
Other financial assets	202	160	268
Inventories	82,714	75,672	77,247
Other current assets	3,989	4,302	7,173
(subtotal)	129,252	121,160	116,793
Assets held for sale	—	11,803	—
Total current assets	129,252	132,964	116,793
Non-current assets			
Property, plant and equipment	13,317	18,635	20,991
Goodwill and intangible assets	2,844	2,550	2,302
Investment property	798,626	803,259	806,117
Investments accounted for using the equity method	12,366	11,820	13,765
Other financial assets	21,905	23,476	32,196
Deferred tax assets	1,996	2,211	333
Other non-current assets	1,874	2,236	2,827
Total non-current assets	852,931	864,189	878,534
Total assets	982,183	997,154	995,328

(Million yen)

	The date of transition to IFRS (April 1, 2017)	The end of the previous fiscal year (March 31, 2018)	Three months ended September 30, 2018
(Liabilities and equity)			
Current liabilities			
Short-term borrowings	57,155	100,688	65,383
Trade and other payables	41,154	22,996	19,711
Other financial liabilities	1,316	989	1,269
Income taxes payable	6,790	3,858	3,771
Provisions	130	683	717
Other current liabilities	19,828	20,046	18,044
(subtotal)	126,375	149,263	108,897
Liabilities directly related to assets held for sale	—	237	—
Total current liabilities	126,375	149,500	108,897
Non-current liabilities			
Long-term borrowings	465,718	443,010	460,089
Other financial liabilities	75,876	77,029	82,153
Defined benefit liability	7,731	8,128	8,626
Provisions	3,434	4,932	4,777
Deferred tax liabilities	42,018	41,922	43,534
Other non-current liabilities	245	209	520
Total non-current liabilities	595,025	575,234	599,701
Total liabilities	721,401	724,734	708,598
Equity			
Equity attributable to owners of parent			
Share capital	48,760	48,760	48,760
Share premium	31,442	31,443	31,443
Retained earnings	134,423	146,700	160,315
Treasury shares	(0)	(0)	(0)
Other components of equity	2,596	1,732	2,207
Total equity attributable to owners of parent	217,221	228,636	242,726
Non-controlling interests	43,560	43,783	44,002
Total equity	260,782	272,419	286,729
Total liabilities and equity	982,183	997,154	995,328

(2) Condensed Quarterly Consolidated Statements of Income

	(Million yen)	
	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)
Operating revenue	71,320	71,921
Operating cost	41,157	43,911
Operating gross profit	30,162	28,010
Selling, general and administrative expense	8,894	8,682
Other operating revenue	14	1,655
Other operating expense	265	868
Share of profit of investments accounted for using the equity method	509	(276)
Operating income	21,526	19,837
Finance income	164	185
Finance costs	1,709	1,574
Profit before tax	19,981	18,449
Income taxes	5,762	5,447
Profit	<u>14,218</u>	<u>13,002</u>
Profit attributable to:		
Owners of parent	13,078	11,813
Non-controlling interests	1,140	1,188
Profit	<u>14,218</u>	<u>13,002</u>
Income per share attributable to owners of parent		
Basic earnings per share (Yen)	39.74	35.89

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

(Million yen)

	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)
Profit	14,218	13,002
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	—	184
Remeasurements of defined benefit plans	—	—
Items that may be reclassified subsequently to profit or loss		
Gains and losses on hedging instruments in a cash flow hedge	(0)	147
Valuation difference on available-for-sale securities	32	—
Exchange differences on translation of foreign operations	1,375	1,172
Total other comprehensive income (Net of tax)	1,407	1,505
Total comprehensive income	15,626	14,507
Comprehensive income attributable to:		
Owners of parent	14,486	13,318
Non-controlling interests	1,140	1,188
Total	15,626	14,507

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

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

(Million yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
April 1, 2017	48,760	31,442	134,423	(0)	2,596	217,221	43,560	260,782
Comprehensive income								
Profit			13,078			13,078	1,140	14,218
Other comprehensive income					1,407	1,407	—	1,407
Total comprehensive income	—	—	13,078	—	1,407	14,486	1,140	15,626
Transactions with owners								
Dividends of surplus			(2,962)			(2,962)		(2,962)
Transfer to retained earnings								—
Other							(738)	(738)
Total transactions with owners	—	—	(2,962)	—	—	(2,962)	(738)	(3,700)
September 30, 2017	48,760	31,442	144,539	(0)	4,004	228,746	43,962	272,708

Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

(Million yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
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			11,813			11,813	1,188	13,002
Other comprehensive income					1,505	1,505		1,505
Total comprehensive income	—	—	11,813	—	1,505	13,318	1,188	14,507
Transactions with owners								
Dividends of surplus			(3,291)			(3,291)		(3,291)
Purchase of treasury shares				(0)		(0)		(0)
Transfer to retained earnings								—
Other							(969)	(969)
Total transactions with owners	—	—	(3,291)	(0)	—	(3,291)	(969)	(4,260)
September 30, 2018	48,760	31,443	160,315	(0)	2,207	242,726	44,002	286,729

(5) Condensed Quarterly Consolidated Statement of Cash Flows

	(Million yen)	
	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)
Cash flows from (used in) operating activities		
Profit before tax	19,981	18,449
Depreciation and amortization expense	8,431	8,729
Finance income and costs	1,545	1,388
Share of profit of investments accounted for using the equity method	(509)	276
(Increase) decrease in trade and other receivables	6,276	4,715
(Increase) decrease in inventories	(2,047)	(1,575)
Increase (decrease) in trade and other payables	(4,560)	(1,022)
Other	(4,182)	(5,214)
(subtotal)	24,934	25,746
Interest and dividend income received	179	194
Interest expenses paid	(1,683)	(1,575)
Income taxes paid	(6,798)	(3,985)
Cash flows from (used in) operating activities	16,631	20,380
Cash flows from (used in) investing activities		
Purchase of investment property and property, plant and equipment	(38,052)	(14,300)
Proceeds from sales of investment property and property, plant and equipment	0	13,551
Purchase of other financial assets	(393)	(1,814)
Proceeds from sale and redemption of other financial assets	170	207
Other	(205)	(307)
Cash flows from (used in) investing activities	(38,480)	(2,662)
Cash flows from (used in) financing activities		
Net cash inflow (outflow) from short-term borrowings	1,618	148
Proceeds from increase in long-term borrowings	45,000	49,000
Repayments of long-term borrowings	(21,710)	(66,847)
Payments for purchase of treasury shares	—	(0)
Cash dividends paid	(2,962)	(3,291)
Dividends paid to non-controlling interests	(955)	(999)
Other	(13)	(17)
Cash flows from (used in) financing activities	20,976	(22,007)
Net increase (decrease) in cash and cash equivalents	(873)	(4,289)
Cash and cash equivalents, beginning of term	22,471	20,187
Effect of exchange rate change on cash and cash equivalents	(71)	75
Cash and cash equivalents, end of term	21,526	15,973

(6) Notes regarding condensed quarterly 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 of FY2018.

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, six months ended September 30, 2017 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.

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 impacts 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 are insignificant.

(Million yen)

Account items (classified in accordance with J GAAP)	Balance at end of the previous fiscal year (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 in "Deferred tax assets," an increase of ¥5,093 million in "Retained earnings", and a decline of ¥1,029 million in "Other components of equity." The impacts on "Profit" and "Basic earnings per share" in the second quarter of the fiscal year under review are 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, retail 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 six months ended September 30, 2017 or six months ended September 30, 2018.

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

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

Six months ended September 30, 2017 (from April 1, 2017 to September 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	45,075	19,726	64,802	6,517	71,320	—	71,320
Inter-segment internal revenues and transfers	538	5	543	1,982	2,525	(2,525)	—
Total	45,613	19,732	65,345	8,500	73,845	(2,525)	71,320
Segment profits	22,154	1,631	23,786	745	24,531	(3,004)	21,526
Finance income	—	—	—	—	—	—	164
Finance costs	—	—	—	—	—	—	(1,709)
Profit before tax	—	—	—	—	—	—	19,981

(Note) Adjustment of - ¥3,004 million in segment profits includes elimination of inter-segment transactions of ¥7 million and company-wide expenses of - ¥3,012 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.

Six months ended September 30, 2018 (from April 1, 2018 to September 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	45,572	17,396	62,969	8,952	71,921	—	71,921
Inter-segment internal revenues and transfers	628	3	632	2,251	2,883	(2,883)	—
Total	46,201	17,400	63,601	11,203	74,804	(2,883)	71,921
Segment profits	20,712	1,037	21,750	1,272	23,022	(3,184)	19,837
Finance income	—	—	—	—	—	—	185
Finance costs	—	—	—	—	—	—	(1,574)
Profit before tax	—	—	—	—	—	—	18,449

(Note) Adjustment of - ¥3,184 million in segment profits includes elimination of inter-segment transactions of - ¥17 million and company-wide expenses of - ¥3,167 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.

(Significant subsequent events)

(Tender Offer for Our Shares)

The Company resolved at the meeting of the board of directors held on October 15, 2018 to express an opinion supporting the tender offer (the “Tender Offer”) by NTT-SH Corporation (the “Offeror”) for common shares of the Company (the “Company Shares”) and to recommend the shareholders of the Company to tender in the Tender Offer as follows.

The aforementioned resolution at the meeting of the board of directors was adopted on the understanding that Nippon Telegraph and Telephone Corporation (NTT), the wholly-owning parent company of the Offeror, and the Offeror intend to make the Company a wholly-owned subsidiary of the Offerors through the Tender Offer by Offeror and a series of procedures to be implemented thereafter, and the Company Shares are to be delisted.

1. Overview of the Offeror

(1)	Name	NTT-SH Corporation	
(2)	Address	1-5-1 Otemachi, Chiyoda-ku, Tokyo	
(3)	Name and title of representative	Katsumi Kuroda, President and Representative Director	
(4)	Description of business	Holding and managing the Company Shares	
(5)	Share capital	JPY 3 million	
(6)	Date of incorporation	August 29, 2007	
(7)	Major shareholders and shareholding ratios (as of October 15, 2018)	Nippon Telegraph and Telephone Corporation	100.00%
(8)	Relationship between the Company and the Offeror		
	Capital relationship	Not applicable. As of October 15, 2018, NTT, the wholly-owning parent company of the Offeror, holds 221,481,500 shares of the Company Shares (Ownership Ratio (Note) of 67.30% (rounded off to two decimal places)).	
	Personal relationship	Not applicable. As of October 15, 2018, one director and one audit & supervisory board member of the Company are concurrently employees of NTT, the wholly-owning parent company of the Offeror.	
	Business relationship	Not applicable. The Company leases offices to NTT, the wholly-owning parent company of the Offeror. Transactions such as depositing and loaning of cash have been conducted with NTT Finance Corporation, whose parent company is NTT.	
	Status as related parties	NTT, the wholly-owning parent company of the Offeror, is a parent of the Company and the Offeror corresponds to a related party of the Company.	

(Note) “Ownership Ratio” means the ratio of the shares owned to the number of shares (329,119,923 shares) obtained by deducting the number of the Company’s treasury shares owned by the Company as of June 30, 2018 (77 shares) from the total number of issued shares as of June 30, 2018 (329,120,000 shares).

2. Period of the Tender Offer

October 16, 2018 (Tuesday) until November 27, 2018 (Tuesday) (30 Business Days)

3. Tender Offer Price

JPY 1,680 per share of common stock

4. Number of share certificates that will be purchased

Number of shares that will be purchased 107,638,423 (shares)

Minimum number of shares that will be purchased — (shares)

Maximum number of shares that will be purchased — (shares)

5. Commencement Date of the Settlement
December 4, 2018 (Tuesday)

(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 has 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
Investments and other assets		813,646	(15,020)	798,626	iii,v	Investment property
Investment securities	22,518	(15,336)	5,184	12,366		Investments accounted for using the equity method
Long-term prepaid expenses	14,571	(14,571)				Other financial assets
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	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						Equity attributable to owners of parent
Capital stock	48,760			48,760		Share 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 September 30, 2017 (September 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	18,026	4,851	(1,350)	21,526		Cash and cash equivalents
Notes and operating accounts receivable	3,759	3,876	6,001	13,636	i	Trade and other receivables
Real estate for sale	25,432	61,860	(2,531)	84,762	iv	Inventories
Real estate for sale in process	68,906	(68,906)				
Costs on uncompleted construction contracts	535	(535)				
Raw materials and supplies	57	(57)				
Lease investment assets	1,997	(1,997)				
Deposits paid	5,011	(4,851)	1	161		Other financial assets
Deferred tax assets	711	(711)				
Other	6,960	(1,879)	(2,629)	2,451	ii	Other current assets
Allowance for doubtful accounts	(0)	0				
Total current assets	131,397	(8,350)	(509)	122,538		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	808,248	(786,059)	(9,121)	13,068		Property, plant and equipment
Intangible assets	25,913	(21,809)	(1,485)	2,618		Goodwill and intangible assets
		826,696	(12,745)	813,951	iii,v	Investment property
Investments and other assets						
Investment securities	27,564	(17,745)	3,136	12,955		Investments accounted for using the equity method
		23,580	1,146	24,726		Other financial assets
Long-term prepaid expenses	14,334	(14,334)				
Net defined benefit asset	276	(276)				
Deferred tax assets	435	711	(640)	506	vi	Deferred tax assets
Other	8,497	(3,067)	(3,139)	2,290		Other non-current assets
Allowance for doubtful accounts	(802)	802				
Total non-current assets	884,468	8,498	(22,850)	870,117		Total non-current assets
Total Assets	1,015,866	148	(23,359)	992,655		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	3,286	16,990	(1,402)	18,875		Trade and other payables
Short-term loans payable	10,150	95,154	398	105,703		Short-term borrowings
Lease obligations	31	(31)				
Current portion of long-term loans payable	74,155	(74,155)				
Current portion of bonds	20,999	(20,999)				
Income taxes payable	3,877		165	4,043		Income taxes payable
Deferred tax liabilities	4	(4)				
						Other financial liabilities
						Provisions
Other	27,952	(18,080)	6,412	16,284	i,iv	Other current liabilities
Total current liabilities	140,456	(4)	5,599	146,052		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	89,984	353,416	49	443,450		Long-term borrowings
Long-term loans payable	353,416	(353,416)				
Lease obligations	39	(39)				
Lease and guarantee deposits received	76,150	40	686	76,877		Other financial liabilities
Negative goodwill	20,079	148	(20,228)		vii	
Deferred tax liabilities	59,399	4	(17,239)	42,164		Deferred tax liabilities
Provision for directors' retirement benefits	24	(24)				
Net defined benefit liability	8,057		19	8,076		Defined benefit liability
Asset retirement obligations	2,527		615	3,143		Provisions
Other	158	23	(0)	181		Other non-current liabilities
Total non-current liabilities	609,838	152	(36,095)	573,894		Total non-current liabilities
Total liabilities	750,294	148	(30,496)	719,947		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		Share capital
Capital surplus	31,648		(206)	31,442		Share premium
Retained earnings	135,893		8,645	144,539	x	Retained earnings
Treasury shares	(0)			(0)		Treasury shares
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	2,623	(2,623)				
Deferred gains or losses on hedges	2	(2)				
Foreign currency translation adjustment	1,097	(1,097)			viii	
Remeasurements of defined benefit plans	(597)	597				
		3,125	878	4,004		Other components of equity
				228,746		Total equity attributable to owners of parent
Non-controlling interests	46,143		(2,181)	43,962		Non-controlling interests
Total net assets	265,571		7,137	272,708		Total equity
Total liabilities and net assets	1,015,866	148	(23,359)	992,655		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	ii	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 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	iii, v	Investment property
Investments and other assets						
Investment securities	26,852	(16,822)	1,790	11,820		Investments accounted for using the equity method
		23,018	458	23,476		Other financial assets
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		Other financial liabilities
			433	250		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		Share 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 six months ended September 30, 2017
(from April 1, 2017 to September 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	72,792		(1,472)	71,320	i	Operating revenue
Operating cost	47,995		(6,838)	41,157	iii,iv,v	Operating cost
Operating gross profit	24,796		5,365	30,162		Operating gross profit
Selling, general and administrative expenses	9,246		(352)	8,894	ii,iv,v	Selling, general and administrative expense
		52	(38)	14		Other operating revenue
		243	22	265	iii	Other operating expense
		398	111	509		Share of profit of investments accounted for using the equity method
Operating income	15,550	207	5,768	21,526		Operating income
Non-operating income						
Interest income	4	162	(2)	164		Finance income
Dividend income	162	(162)				
Amortization of negative goodwill	963		(963)			
Share of profit of entities accounted for using equity method	398	(398)				
Other	52	(52)				
Total non-operating income	1,581	(451)	(965)			
Non-operating expenses						
Interest expenses	2,258		(549)	1,709		Finance costs
Other	53	(53)				
Total non-operating expenses	2,312	(53)	(549)			
Ordinary profit	14,819	(189)	5,351			
Extraordinary losses						
Loss on retirement of non-current assets	189	(189)				
Total extraordinary losses	189	(189)				
Profit before income taxes	14,629		5,351	19,981		Profit before tax
Total income taxes	3,959		1,802	5,762	vi	Income taxes
Profit	10,669		3,549	14,218		Profit
Profit attributable to non-controlling interests	1,009		130	1,140		Profit attributable to: Non-controlling interests
Profit attributable to owners of parent	9,659		3,418	13,078		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	10,669		3,549	14,218		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	28		(28)			Remeasurements of defined benefit plans
						Items that may be reclassified subsequently to profit or loss
Deferred gains or losses on hedges	0		(1)	(0)		Gains and losses on hedging instruments in a cash flow hedge
Valuation difference on available-for-sale securities	32			32		Valuation difference on available-for-sale securities
Foreign currency translation adjustment	(3)		1,379	1,375		Exchange differences on translation of foreign operations
Total other comprehensive income	58		1,349	1,407		Total other comprehensive income (Net of tax)
Comprehensive income	10,728		4,898	15,626		Total comprehensive income
(Breakdown)						Comprehensive income attributable to:
Comprehensive income attributable to owners of parent	9,718		4,768	14,486		Owners of parent
Comprehensive income attributable to non-controlling interests	1,009		130	1,140		Non-controlling interests
	10,728		4,898	15,626		Total

Reconciliation of profit or loss and comprehensive income at the previous fiscal year (from April 1, 2017 to March 31, 2018)
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 non-current assets	626	(626)				
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		Remeasurements of defined benefit plans
						Items that may be reclassified subsequently to profit or loss
Deferred gains or losses on hedges	13		6	19		Gains and losses on hedging instruments in a 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 owners of parent	18,962		(1,625)	17,336		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 September 30, 2017 (September 30, 2017)	The end of the previous fiscal year (March 31, 2018)
(Consolidated Statement of Financial Position)			
Trade and other receivables	5,446	5,793	5,899
Other current liabilities	67	98	71
Deferred tax liabilities	1,649	1,708	1,700
Non-controlling interests	193	185	176
Reconciliation of retained earnings	3,535	3,800	3,951

	(Million yen)	
	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)	The previous fiscal year (One-year period ended March 31, 2018)
(Consolidated Statement of Income)		
Operating revenue	316	437
Reconciliation of pre-tax profit	316	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 September 30, 2017 (September 30, 2017)	The end of the previous fiscal year (March 31, 2018)
(Consolidated Statement of Financial Position)			
Other current assets	(2,730)	(2,783)	(2,577)
Deferred tax assets	842	859	789
Reconciliation of retained earnings	(1,887)	(1,924)	(1,788)

	(Million yen)	
	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)	The previous fiscal year (One-year period ended March 31, 2018)
(Consolidated Statement of Income)		
Selling, general and administrative expense	53	(152)
Reconciliation of pre-tax profit	(53)	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 and ¥329,331 million respectively.

	(Million yen)		
	The transition date (April 1, 2017)	Three months ended September 30, 2017 (September 30, 2017)	The end of the previous fiscal year (March 31, 2018)
(Consolidated Statement of Financial Position)			
Investment property	(36,265)	(35,467)	(35,049)
Deferred tax assets	11,104	10,860	10,732
Non-controlling interests	(2,293)	(2,262)	(2,230)
Reconciliation of retained earnings	(22,866)	(22,345)	(22,086)

	(Million yen)	
	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)	The previous fiscal year (One-year period ended March 31, 2018)
(Consolidated Statement of Income)		
Operating cost	(797)	(1,210)
Other operating expense	—	(5)
Reconciliation of pre-tax profit	797	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 September 30, 2017 (September 30, 2017)	The end of the previous fiscal year (March 31, 2018)
(Consolidated Statement of Financial Position)			
Inventories	160	53	136
Deferred tax assets	2,955	1,523	3,101
Other current liabilities	9,642	4,911	10,183
Non-controlling interests	(223)	(111)	(234)
Reconciliation of retained earnings	(6,304)	(3,223)	(6,711)

	(Million yen)	
	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)	The previous fiscal year (One-year period ended March 31, 2018)
(Consolidated Statement of Income)		
Operating cost	(4,377)	453
Selling, general and administrative expense	(246)	112

Reconciliation of pre-tax profit

4,624

(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 September 30, 2017 (September 30, 2017)	The end of the previous fiscal year (March 31, 2018)
(Consolidated Statement of Financial Position)			
Investment property	3,140	3,249	3,622
Deferred tax liabilities	961	994	1,109
Reconciliation of retained earnings	2,179	2,254	2,513

	(Million yen)	
	Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)	The previous fiscal year (One-year period ended March 31, 2018)
(Consolidated Statement of Income)		
Operating cost	28	61
Selling, general and administrative expense	(136)	(547)
Reconciliation of pre-tax profit	108	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.

	(Million yen)		
	The transition date (April 1, 2017)	Three months ended September 30, 2017 (September 30, 2017)	The end of the previous fiscal year (March 31, 2018)
(Consolidated Statement of Financial Position)			
Deferred tax assets	7,086	7,111	6,873
Non-controlling interests	1	0	0
Reconciliation of retained earnings	7,084	7,110	6,872

Due to the abovementioned reconciliation, "Income taxes" in the six months ended September 30, 2017 of income have decreased ¥25 million, in the consolidated statement of income have increased ¥213 million 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 September 30, 2017 (September 30, 2017)	The end of the previous fiscal year (March 31, 2018)
Trade and other receivables	i	3,535	3,800	3,951
Advertising expense	ii	(1,887)	(1,924)	(1,788)
Deemed cost	iii	(22,866)	(22,345)	(22,086)
Levies	iv	(6,304)	(3,223)	(6,711)
Tax and public dues	v	2,179	2,254	2,513
Deferred tax assets	vi	7,084	7,110	6,872
Reconciliation of negative goodwill	vii	21,191	20,228	19,265
Exchange differences on translation of foreign operations	viii	1,100	1,100	1,100
Other	ix	1,194	1,162	1,610
Total		5,227	8,164	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) Six months ended September 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.