

**Consolidated Financial Statements**  
**for the Second Quarter of the Fiscal Year Ending March 31, 2015 [J-GAAP]**

November 6, 2014

**NIPPON KANZAI Co., Ltd.**

Listed Exchanges: Tokyo Stock Exchange, First Section  
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Filing date of quarterly report: November 12, 2014  
Date to start dividends distribution: December 3, 2014  
Supplementary materials for quarterly results: None  
Quarterly results briefing meeting held: None

\*Amounts under one million yen have been rounded down.

**1. Consolidated results for the second quarter ended September 30, 2014 (April 1, 2014 to September 30, 2014)**

**(1) Consolidated business results**

(Percentage figures indicate the rate of change from the same period in the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2014	42,532	6.1	2,622	11.5	2,942	15.0
Six months ended September 30, 2013	40,078	10.3	2,351	40.4	2,558	44.5

Note: Comprehensive income: Six months ended September 30, 2014: ¥2,924 million (65.7%)  
Six months ended September 30, 2013: ¥1,765 million (116.9%)

	Net Income		Net Income per Share		Diluted Net Income per Share	
	Millions of yen	%	Yen		Yen	
Six months ended September 30, 2014	1,943	29.8	114.55		—	
Six months ended September 30, 2013	1,497	47.2	88.96		—	

**(2) Consolidated financial position**

	Total Assets		Net Assets		Equity Ratio	
	Millions of yen	%	Millions of yen	%		
As of September 30, 2014	52,064		33,763		62.4	
As of March 31, 2014	51,448		31,634		58.0	

Note: Shareholders' equity: As of September 30, 2014: ¥32,477 million  
As of March 31, 2014: ¥29,862 million

**2. Dividends**

	Annual dividends				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Total
Fiscal year ended March 31, 2014	— Yen	20.00 Yen	— Yen	22.00 Yen	42.00 Yen
Fiscal year ending March 31, 2015	—	22.00			
Fiscal year ending March 31, 2015 (forecast)			—	22.00	44.00

Note: Revisions to the most recently announced forecast of cash dividends in the current quarter: Yes

**3. Consolidated business forecasts for the fiscal year ending March 31, 2015 (April 1, 2014 to March 31, 2015)**

(Percentage figures indicate the rate of change from the same period in the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	87,000	1.9	5,400	5.1	6,000	7.6	3,500	8.5	207.54

Note: Revisions to the most recently announced consolidated business forecasts in the current quarter: None

**\* Notes**

**(1) Changes of significant subsidiaries during the term (Changes in specific subsidiaries associated with changes in scope of consolidation):** None

**(2) Adoption of specific accounting methods for preparation of the quarterly consolidated financial statements:**  
None

**(3) Changes in accounting policies, accounting estimates and restatement of revisions**

- |   |      |
|---|------|
| 1) Changes in accounting policies due to revisions of accounting standards, etc.: | Yes  |
| 2) Changes in accounting policies other than 1) above:                            | None |
| 3) Changes in accounting estimates:   | None |
| 4) Restatement of revisions:  | None |

**(4) Number of shares issued and outstanding (common stock)**

- 1) Number of shares issued and outstanding (including treasury stock)
- 2) Number of treasury stock
- 3) Average number of shares issued and outstanding

1)	As of September 30, 2014	20,590,153 shares	As of March 31, 2014	20,590,153 shares
2)	As of September 30, 2014	3,605,281 shares	As of March 31, 2014	3,641,383 shares
3)	First six months ended September 30, 2014	16,964,706 shares	First six months ended September 30, 2013	16,830,874 shares

**\* Presentation of implementation status for quarterly review procedures**

This quarterly financial report is not covered by the Financial Instruments and Exchange Act and the quarterly consolidated financial statements review procedures called for by the Financial Instruments and Exchange Act have not been completed as of the release of this quarterly financial report.

**\* Explanation regarding the appropriate use of business forecasts and other notes**

The business forecasts reported herein were prepared based on information Nippon Kanzai had in its possession as of the time this report was prepared and on certain assumptions judged to be reasonable. Actual results may differ significantly from forecasts due to various factors. Please refer to the disclaimers, provided under "1. (3) Explanation regarding information on future forecasts including consolidated business forecasts, etc." on page 3 of the Attached Document of this quarterly financial report, regarding assumptions upon which forecasts are based and the use of forecasts.

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## 1. Qualitative information on financial statements

### (1) Explanation regarding business results

During the first six months of the fiscal year ending March 31, 2015, the Japanese economy continued to show some modest signs of recovery, as improved corporate earnings, an upturn in the employment and income environment resulting from government-led economic and financial policies outweighed temporary weakness in consumption, itself due to the absence of a surge in demand seen prior to an increase in Japan's consumption tax rate.

In the real estate service industry, severe business conditions continue as clients remain highly cost-conscious and contracted buildings have been closed or decreased their services, although a slight improvement is seen in the office and commercial buildings vacancy rate in some areas.

In such business environment, NIPPON KANZAI Group (hereinafter "the Group") continued to work on expanding its area of businesses around the building maintenance business. The Group also made efforts in proactive business development by enhancing its property management business, private finance initiatives (PFI), and energy-saving business and making the best of the Group companies' strengths.

Consolidated net sales for the first six months rose by 6.1% year on year to 42,532 million yen. While construction-related orders struggled in the face of an absence of a surge in demand seen prior to an increase in Japan's consumption tax rate, sales were lifted by the continuation of existing contracts and firm growth in the receipt of new contracts. Other factors in sales growth included contributions to performance from NJK Holding K.K. (including its three subsidiaries), which became a new consolidated subsidiary at the end of the first quarter of the previous fiscal year, as well as one-off revenue posted from the sale of real estate for sale.

On the earnings front, operating income climbed 11.5% year on year to 2,622 million yen. While sluggish growth in contract prices put downward pressure on profitability, earnings were boosted by a review of procurement terms and conditions, extensive time management, and efforts to restrain and control administrative costs, coupled with a one-off contribution from the sale of highly profitable real estate for sale.

In other earnings, ordinary income increased by 15.0% year on year to 2,942 million yen, while quarterly net income rose by 29.8% year on year to 1,943 million yen. This substantial growth was attributable to the contribution of business performance by PICA\*, an Australian company that became an equity-method affiliate at the end of the fiscal year ended March 31, 2013, and to improvement in non-operating income, reflecting interest expense reduction by the newly consolidated subsidiary mentioned above.

\*PICA: Prudential Investment Company of Australia Pty Ltd., a strata management company whose head office is located in Sydney, Australia.

The following are earnings by segment.

Segment income (loss) has been adjusted to operating income described in quarterly consolidated statements of income.

#### (Building Management and Operation Business)

In our core Building Management and Operation Business, which includes building management and security services, while construction-related orders struggled, we enjoyed steady growth in new contracts for real estate services, in addition to the contribution of the results of the new consolidated subsidiary mentioned above. As a result, net sales for the first six months of the fiscal year ending March 31, 2015 increased by 6.2% year on year to 36,786 million yen.

Segment income was 3,819 million yen, up 6.1% year on year, due to tighter cost management overcoming a sluggish growth in price per contract and other factors.

#### (Environmental Facility Management Business)

In the Environmental Facility Management Business, which mainly comprises the management of water treatment, sewage disposal and other public facilities, while we secured an overall firm number of new contracts, particularly for the management of incinerators and recycling facilities, orders for large-scale construction were lower. As a result, net sales for the segment amounted to 4,206 million yen, down 0.3% year on year, for the first six months of the fiscal year ending March 31, 2015.

Although local governments—the main customers for this segment—continued to be on a tight budget, the Group has worked to reduce costs, focusing on efforts to rein in start-up costs for newly contracted facilities, review procurement costs, and realign personnel assignments to better match actual needs. As a result, segment income for the quarter was 402 million yen, up 4.7% year on year.

#### (Real Estate Fund Management Business)

In the Real Estate Fund Management Business, which mainly comprises asset management business (i.e. composition and asset management of real estate funds) and handling investments in a silent partnership, net sales for the segment for the first six months of the fiscal year ending March 31, 2015 were 671 million yen, up 26.7% compared to same period of the previous fiscal year. While asset management income is trending slightly lower, mainly reflecting the sale of assets under management, profits were recorded due to the sale of real estate for sale other than those under management.

Turning to profits, segment income was 313 million yen, up 323.2% year on year. In addition to high profit margins associated with the sale of real estate for sale, this dramatic income growth reflected our ongoing efforts in expense reductions and steps to improve operational efficiency.

### **(Other Businesses)**

Other Businesses, which consist mainly of event planning and management, printing and design, saw steady growth in orders for all types of events and non-recurring work, lifting segment net sales by 26.7% year on year to 868 million yen, and segment income to 2 million yen, an improvement of 41 million yen from the same period of the previous fiscal year.

### **(2) Explanation regarding financial position**

#### **(Financial Position)**

Total assets at the end of the second quarter of the current fiscal year increased by 616 million yen, or 1.2%, from the previous fiscal year-end to 52,064 million yen, mainly due to a decline in cash and deposits accompanying the repayment of loans payable and an increase from the fair market valuation of investment securities.

Liabilities decreased by 1,512 million yen or 7.6% from the previous fiscal year end to 18,301 million yen mainly due to the decrease in accounts payable - trade and short-term loans payable.

Net assets increased by 2,128 million yen or 6.7% year on year to 33,763 million yen as the positive effect of the recording of quarterly net income and an increase of valuation difference on available-for-sale securities outweighed cash dividends paid. As a result, equity ratio as of September 30, 2014 increased by 4.4 percentage points to 62.4% from the previous fiscal year end.

#### **(Cash Flows)**

Cash and cash equivalents (hereinafter "cash") decreased by 1,181 million yen from the previous fiscal year end to 14,450 million yen.

The status and main factors of cash flows for the first six months of the current fiscal year were as follows:

##### **[Cash flows from operating activities]**

Net cash provided by operating activities for the first six months of the current fiscal year was 1,554 million yen, up 538 million yen year on year.

This is primarily due to the increase in quarterly income before income taxes and minority interests (386 million yen increase year on year), the increase in other liabilities (895 million yen decrease year on year).

##### **[Cash flows from investing activities]**

Net cash used in investing activities was 647 million yen, down 30 million yen year on year.

The main components of this decrease were a decline in proceeds from withdrawal of time deposits (200 million yen decrease year on year) and an increase in the purchase of property, plant and equipment and intangible assets (326 million yen increase year on year). These higher cash outflows were partially offset by a decrease in the purchase of stock investments in subsidiaries resulting in change in scope of consolidation (307 million yen decrease year on year) and a decline in payments of loans receivable (291 million yen decrease year on year).

##### **[Cash flows from financing activities]**

Net cash used in financing activities was 2,088 million yen, up 420 million yen year on year.

This primarily reflects the increase in cash outflow from the repayment to minority shareholders (524 million yen increase year on year).

### **(3) Explanation regarding information on future forecasts including consolidated business forecasts, etc.**

We expect that our business environment will continue to be severe.

The Company's business performance outlook remains largely in line with forecasts announced on May 8, 2014. Consequently, there are no changes to the full-year business outlook at this time.

Please note that as reported in the press release "Notice Regarding Payment of Dividends (Dividend Increase) from Retained Earnings" announced today, the Company has revised its interim and year-end dividend forecasts.

## **2. Supplement to summary information (Notes)**

### **(1) Changes of significant subsidiaries during the term**

There are no applicable matters to be reported.

While there was no transfer of specified subsidiaries, during the first quarter of the current fiscal year, NKS Co., Ltd. absorbed consolidated subsidiary Kanzai Facility Co., Ltd., with the trade name of the post-merger company changed to Nippon Kanzai Service Co., Ltd. In line with this change, Kanzai Facility Co., Ltd. was removed from the scope of consolidation.

### **(2) Adoption of specific accounting methods for preparation of the quarterly consolidated financial statements**

Not applicable.

### **(3) Changes in accounting policies, accounting estimates and restatement of revisions**

[Changes in accounting policies]

From the first quarter of the fiscal year ending March 31, 2015, the Company has applied the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012; hereinafter, the “Accounting Standard”) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012; hereinafter, the “Guidance”), specifically to contents stipulated in paragraph 35 of the Accounting Standard and in paragraph 67 of the Guidance. Following a review of its method for calculating retirement benefit obligation and service cost, the Company will continue to employ straight-line attribution as the method for imputing its retirement benefit estimates for a given period. For the period of corporate bonds—the basis of the methodology used to determine the discount rate—the Company has switched from a method of determination based on a number of years closely approximating employees’ average remaining period of service to a method that utilizes a single weighted average discount rate, reflecting the estimated period for payment of retirement benefits and the monetary value of each estimated period for payment.

For the application of the Accounting Standard and the Guidance, pursuant to past adjustments stipulated in paragraph 37 of the Accounting Standard (not applied retroactively to past periods in the financial statements), monetary effects accompanying changes in the method for calculating retirement benefit liability and service costs, are adjusted with retained earnings at the beginning of the period starting from the second quarter of the consolidated fiscal year ending March 31, 2015.

As a result, net defined benefit asset at the beginning of the period for the second quarter of the fiscal year ending March 31, 2015 increased by 26,807 thousand yen, while net defined benefit liability decreased by 90,058 thousand yen. In parallel, retained earnings increased by 63,909 thousand yen. Operating income, ordinary income and income before income taxes and minority interests for the second quarter of the fiscal year ending March 31, 2015 increased by 8,467 thousand yen, respectively.

**3. Quarterly consolidated financial statements****(1) Quarterly consolidated balance sheets**

(Thousands of yen)

	Fiscal year ended March 31, 2014 (As of March 31, 2014)	Second quarter ended September 30, 2014 (As of September 30, 2014)
<b>ASSETS</b>		
Current assets		
Cash and deposits	16,046,897	14,865,486
Notes and accounts receivable—trade	9,896,868	9,659,975
Investments in silent partnership for business purposes	288,029	286,742
Supplies	87,351	75,037
Real estate for sale	715,898	571,401
Income taxes receivable	2,367	29,088
Deferred tax assets	464,877	390,384
Other	1,016,014	1,283,524
Allowance for doubtful accounts	(15,756)	(13,326)
Total current assets	28,502,545	27,148,311
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	2,807,840	2,907,789
Machinery, equipment and vehicles, net	48,361	62,507
Tools, furniture and fixtures, net	377,970	413,081
Land	1,798,571	1,798,571
Lease assets, net	557,861	540,952
Construction in progress	81,285	152,703
Total property, plant and equipment	5,671,888	5,875,603
Intangible assets		
Telephone subscription right	45,467	45,435
Software	143,074	133,531
Goodwill	2,296,596	2,265,021
Lease assets	26,855	24,941
Software in progress	—	14,893
Other	13,809	10,953
Total intangible assets	2,525,801	2,494,774
Investments and other assets		
Investment securities	11,654,748	13,377,822
Long-term loans receivable	538,721	526,895
Long-term prepaid expenses	8,545	30,336
Lease and guarantee deposits	1,467,119	1,509,168
Membership	413,965	426,540
Net defined benefit asset	44,828	172,640
Deferred tax assets	272,583	184,695
Other	520,279	491,848
Allowance for doubtful accounts	(172,915)	(174,050)
Total investments and other assets	14,747,873	16,545,894
Total noncurrent assets	22,945,562	24,916,271
<b>TOTAL ASSETS</b>	<b>51,448,107</b>	<b>52,064,582</b>

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

	(Thousands of yen)	
	Fiscal year ended March 31, 2014 (As of March 31, 2014)	Second quarter ended September 30, 2014 (As of September 30, 2014)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable—trade	5,554,935	4,824,383
Short-term loans payable	1,100,000	—
Current portion of long-term loans payable	741,000	741,000
Current portion of long-term non-recourse loans payable	—	10,000
Lease obligations	222,499	207,541
Accrued expenses	2,210,788	2,384,496
Income taxes payable	1,359,010	686,094
Accrued consumption taxes	376,611	910,618
Deposits received	431,307	418,627
Advances received	45,709	202,736
Provision for bonuses	675,040	601,619
Provision for directors' bonuses	75,093	39,588
Asset retirement obligations	5,290	—
Other	41,772	83,604
<b>Total current liabilities</b>	<b>12,839,054</b>	<b>11,110,306</b>
Non-current liabilities		
Long-term loans payable	4,408,870	4,038,370
Long-term non-recourse loans payable	—	390,000
Lease obligations	380,415	372,044
Deferred tax liabilities	368,653	749,957
Provision for directors' retirement benefits	564,855	549,568
Net defined benefit liability	593,475	432,079
Long-term guarantee deposited	368,394	357,842
Asset retirement obligations	214,321	227,999
Liabilities from application of equity method	50,821	38,521
Other	24,550	34,664
<b>Total non-current liabilities</b>	<b>6,974,354</b>	<b>7,191,044</b>
<b>TOTAL LIABILITIES</b>	<b>19,813,408</b>	<b>18,301,350</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	3,000,000	3,000,000
Capital surplus	617,972	617,972
Retained earnings	30,516,725	32,145,722
Treasury stock	(5,390,831)	(5,326,891)
<b>Total shareholders' equity</b>	<b>28,743,866</b>	<b>30,436,803</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,490,447	2,258,560
Foreign currency translation adjustment	(233,942)	(117,672)
Remeasurements of defined benefit plans	(138,106)	(100,062)
<b>Total accumulated other comprehensive income</b>	<b>1,118,399</b>	<b>2,040,826</b>
Minority interests	1,772,434	1,285,603
<b>TOTAL NET ASSETS</b>	<b>31,634,699</b>	<b>33,763,232</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>51,448,107</b>	<b>52,064,582</b>

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.



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

	(Thousands of yen)	
	Six months ended September 30, 2013 (April 1, 2013 to September 30, 2013)	Six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)
Net sales	40,078,907	42,532,951
Cost of sales	32,241,990	33,895,302
Gross profit	7,836,917	8,637,649
Selling, general and administrative expenses		
Selling expenses	93,183	104,500
Personnel expenses	2,963,805	3,290,913
Provision for bonuses	271,814	294,022
Provision for directors' bonuses	41,367	40,588
Provision for directors' retirement benefits	54,142	57,831
Retirement benefit expenses	90,702	62,825
Transportation and communication expenses	437,562	496,686
Supplies expenses	193,404	196,469
Rent expenses	375,526	423,618
Insurance expenses	117,121	146,874
Depreciation	221,595	183,846
Taxes and dues	54,900	75,168
Enterprise tax	43,972	42,886
Provision of allowance for doubtful accounts	(2,555)	(1,168)
Amortization of goodwill	40,873	60,692
Other	487,571	539,537
Total selling, general and administrative expenses	5,484,982	6,015,287
Operating income	2,351,935	2,622,362
Non-operating income		
Interest and dividends income	104,417	103,226
Gain on sales of investment securities	—	25,499
Rent income	19,608	19,115
Share of profit of entities accounted for using equity method	116,503	239,240
Foreign exchange gains	74,250	—
Other	49,582	36,800
Total non-operating income	364,360	423,880
Non-operating expenses		
Interest expenses	96,798	34,488
Rent expenses	25,300	25,310
Loss on sales and retirement of noncurrent assets	10,988	9,659
Other	24,853	34,343
Total non-operating expenses	157,939	103,800
Ordinary income	2,558,356	2,942,442

	(Thousands of yen)	
	Six months ended September 30, 2013 (April 1, 2013 to September 30, 2013)	Six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)
Extraordinary losses		
Loss on valuation of membership	1,640	—
Provision of allowance for doubtful accounts	454	—
Total extraordinary losses	2,094	—
Quarterly income before income taxes and minority interests	2,556,262	2,942,442
Income taxes — current	1,074,011	839,926
Income taxes — deferred	(95,423)	112,118
Total income taxes	978,588	952,044
Quarterly income before minority interests	1,577,674	1,990,398
Minority interests in income	80,376	47,026
Quarterly net income	1,497,298	1,943,372

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

**Quarterly consolidated statements of comprehensive income**

(Thousands of yen)

	Six months ended September 30, 2013 (April 1, 2013 to September 30, 2013)	Six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)
Quarterly income before minority interests	1,577,674	1,990,398
Other comprehensive income		
Valuation difference on available-for-sale securities	530,159	768,824
Remeasurements of defined benefit plans, net of tax	—	49,249
Share of other comprehensive income of entities accounted for using equity method	(342,522)	116,269
Total other comprehensive income	187,637	934,342
Quarterly comprehensive income	1,765,311	2,924,740
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,684,850	2,865,800
Comprehensive income attributable to minority interests	80,461	58,940

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

**(3) Quarterly consolidated statements of cash flows**

	(Thousands of yen)	
	Six months ended September 30, 2013 (April 1, 2013 to September 30, 2013)	Six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)
<b>Cash flows from operating activities</b>		
Quarterly income before income taxes and minority interests	2,556,262	2,942,442
Depreciation and amortization	330,761	309,965
Amortization of goodwill	40,873	60,692
Increase (decrease) in provision for bonuses	328	(73,420)
Increase (decrease) in provision for directors' bonuses	(34,428)	(35,505)
Increase (decrease) in provision for retirement benefits	88,258	—
Increase (decrease) in defined benefit liability	—	(111,742)
Increase (decrease) in provision for directors' retirement benefits	31,142	(15,287)
Increase (decrease) in allowance for doubtful accounts	(2,321)	(1,295)
Shares of (profit) loss of entities accounted for using equity method	(116,503)	(239,240)
Interest and dividends income	(104,417)	(103,226)
Interest expenses	96,798	34,488
Foreign exchange losses (gains)	(74,250)	—
Loss (gain) on sales and retirement of non-current assets	10,988	9,659
Loss (gain) on sales of short-term and long-term investment securities	—	(25,499)
Decrease (increase) in notes and accounts receivable—trade	168,210	392,395
(Increase) decrease in investments in silent partnership for business purposes	11,627	1,674
Decrease (increase) in inventories	107,090	156,811
Decrease (increase) in other assets	103,815	70,291
Increase (decrease) in notes and accounts payable—trade	(703,257)	(1,115,888)
Increase (decrease) in accrued consumption taxes	(11,371)	534,007
Increase (decrease) in other liabilities	(678,379)	217,121
Loss on valuation of membership	1,640	—
Other, net	(7,363)	14,793
Subtotal	1,815,503	3,023,236
Interest and dividends income received	106,305	105,572
Interest expenses paid	(96,798)	(34,488)
Income taxes paid	(809,207)	(1,539,562)
Net cash provided by operating activities	1,015,803	1,554,758

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

(Thousands of yen)

	Six months ended September 30, 2013 (April 1, 2013 to September 30, 2013)	Six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)
<b>Cash flows from investing activities</b>		
Payments into time deposits	(300,000)	(300,000)
Proceeds from withdrawal of time deposits	500,000	300,000
Purchase of property, plant and equipment and intangible assets	(89,267)	(415,830)
Proceeds from sales of property, plant and equipment and intangible assets	573	5,496
Purchase of investment securities	(194,157)	(381,368)
Proceeds from sales of investment securities	54,974	155,728
Proceeds from redemption of investment securities	100,000	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(307,922)	—
Payments of loans receivable	(300,400)	(8,814)
Collection of loans receivable	32,167	19,266
Decrease (increase) in lease and guarantee deposits of leasehold estate	(147,377)	(29,134)
Increase (decrease) in guarantee deposits received	(12,481)	(10,553)
Other, net	(14,801)	17,273
Net cash used in investing activities	(678,691)	(647,936)
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	1,400,000	200,000
Decrease in short-term loans payable	(880,000)	(1,300,000)
Proceeds from long-term loans payable	3,350,000	—
Repayment of long-term loans payable	(4,760,918)	(370,500)
Proceeds from long-term non-recourse loans payable	—	400,000
Repayment of long-term non-recourse loans payable	(355,800)	—
Repayments of lease obligations	(113,750)	(128,029)
Proceeds from disposal of treasury stock	78,289	64,683
Purchase of treasury stock	(66)	(743)
Repayment to minority shareholders	—	(524,889)
Cash dividends paid	(335,309)	(378,755)
Cash dividends paid to minority shareholders	(50,000)	(50,000)
Net cash used in financing activities	(1,667,554)	(2,088,233)
Net increase (decrease) in cash and cash equivalents	(1,330,442)	(1,181,411)
Cash and cash equivalents at beginning of period	14,472,733	15,631,897
Cash and cash equivalents at end of period	13,142,291	14,450,486

\*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

**(4) Notes on quarterly financial statements****(Notes on a going concern assumption)**

Not applicable.

**(Notes on significant changes in the amount of shareholders' equity)**

Not applicable.

**(Segment information)****I Six months ended September 30, 2013 (April 1, 2013 to September 30, 2013)****1. Information on net sales, and income or losses for each reportable segment**

(Thousands of yen)

	Reportable segment					Adjustments (Note 1)	Amount recorded on quarterly consolidated statements of income (Note 2)
	Building Management and Operation Business	Environmental Facility Management Business	Real Estate Fund Management Business	Other Businesses	Total		
Net sales							
Net sales to external customers	34,643,109	4,220,197	530,128	685,473	40,078,907	—	40,078,907
Inter-segment net sales and transfer	—	—	—	—	—	—	—
Total	34,643,109	4,220,197	530,128	685,473	40,078,907	—	40,078,907
Segment income (loss)	3,601,528	384,336	74,084	(38,764)	4,021,184	(1,669,249)	2,351,935

Notes: 1. Adjustments to segment income consist of (1,669,249) thousand yen in unallocated general administrative expenses.

2. Segment income (loss) has been adjusted to operating income described in quarterly consolidated statements of income.

**2. Information on assets for each reportable segment**

Assets by reportable segment for the first six months have changed significantly from the previous fiscal year end as follows:

During the first six months of the fiscal year ended March 31, 2014, the Company acquired all shares in NJK Holding K.K. and included the company and its three subsidiaries in the consolidation scope. As a result, assets of the Building Management and Operation Business segment increased by 2,582,929 thousand yen.

**3. Information on impairment losses of noncurrent assets and goodwill for each reportable segment**

(Significant changes in the amount of goodwill)

During the first six months of the fiscal year ended March 31, 2014, the Company acquired all shares in NJK Holding K.K. and included the company and its three subsidiaries in the consolidation scope. As a result, goodwill of the Building Management and Operation Business segment increased.

Due to the acquisition, the amount of goodwill increased by 2,356,247 thousand yen during the first six months of the fiscal year ended March 31, 2014.

**II Six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)****1. Information on net sales, and income or losses for each reportable segment**

(Thousands of yen)

	Reportable segment					Adjustments (Note 1)	Amount recorded on quarterly consolidated statements of income (Note 2)
	Building Management and Operation Business	Environmental Facility Management Business	Real Estate Fund Management Business	Other Businesses	Total		
Net sales							
Net sales to external customers	36,786,548	4,206,403	671,438	868,562	42,532,951	—	42,532,951
Inter-segment net sales and transfer	—	—	—	—	—	—	—
Total	36,786,548	4,206,403	671,438	868,562	42,532,951	—	42,532,951
Segment income (loss)	3,819,603	402,551	313,491	2,508	4,538,153	(1,915,791)	2,622,362

Notes: 1. Adjustments to segment income consist of (1,915,791) thousand yen in unallocated general administrative expenses.

2. Segment income (loss) has been adjusted to operating income described in quarterly consolidated statements of income.

2. Matters regarding changes to reporting segments, etc.

As noted previously under changes to accounting policies, in line with changes to the method for calculating retirement benefit obligation and service cost from the first quarter of the fiscal year ending March 31, 2015, the Company has also made the same changes to the method for calculating retirement benefit obligation and service cost in each business segment.

Due to this change, compared to the previous method used, segment income in the Building Management and Operation Business for the second quarter of the consolidated fiscal year ending March 31, 2015 increased by 8,756 thousand yen. The impact of this change on segment income was negligible for the Environmental Facility Management Business and the Real Estate Fund Management Business.