

Consolidated Financial Statements
for the Second Quarter of the Fiscal Year Ending March 31, 2016 [J-GAAP]

November 5, 2015

NIPPON KANZAI Co., Ltd.

Listed exchanges: Tokyo Stock Exchange, First Section
 Code number: 9728 URL: <http://www.nkanzai.co.jp/>
 Representative: Shintaro Fukuda, President and Representative Director
 Contact: Yasuhiro Harada, General Manager of Finance Department and Director
 Telephone: 03-5299-0863
 Filing date of quarterly report: November 12, 2015
 Date to start dividends distribution: December 3, 2015
 Supplementary materials for quarterly results: Yes
 Quarterly results briefing meeting held: Yes (targeted at institutional investors and analysts)

*Amounts under one million yen have been rounded down.

1. Consolidated results for the second quarter ended September 30, 2015 (April 1, 2015 to September 30, 2015)

(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, 2015	43,954	3.3	2,713	3.5	3,116	5.9
Six months ended September 30, 2014	42,532	6.1	2,622	11.5	2,942	15.0

Note: Comprehensive income: Six months ended September 30, 2015: ¥2,330 million (-20.3%)
 Six months ended September 30, 2014: ¥2,924 million (65.7%)

	Profit Attributable to Owners of Parent		Net Income per Share		Diluted Net Income per Share	
	Millions of yen	%	Yen		Yen	
Six months ended September 30, 2015	2,261	16.4	66.39		—	
Six months ended September 30, 2014	1,943	29.8	57.28		—	

Note: NIPPON KANZAI (hereinafter “the Company”) conducted a 2-for-1 stock split which became effective as of October 1, 2015. The figures for net income per share have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of September 30, 2015	56,222	38,086	65.5
As of March 31, 2015	56,205	36,262	62.2

Note: Shareholders' equity: As of September 30, 2015: ¥36,815 million
 As of March 31, 2015: ¥34,964 million

2. Dividends

	Annual dividends				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2015	—	22.00	—	28.00	50.00
Fiscal year ending March 31, 2016	—	25.00			
Fiscal year ending March 31, 2016 (forecast)			—	22.00	—

Note: Revisions to the most recently announced forecast of cash dividends in the current quarter: None

The figure for Fiscal year ending March 31, 2016 (forecast) indicates an amount calculated in consideration of a 2-for-1 stock split effective October 1, 2015. The total annual dividends for Fiscal year ending March 31, 2016 (forecast) without considering the stock split is 69.00 yen.

3. Consolidated business forecasts for the fiscal year ending March 31, 2016 (April 1, 2015 to March 31, 2016)

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	89,000	1.9	5,500	1.4	6,200	2.7	4,100	5.3	120.47

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

The figure for Net Income per Share indicates an amount calculated in consideration of the 2-for-1 stock split effective October 1, 2015.

*** 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, 2015	41,180,306 shares	As of March 31, 2015	41,180,306 shares
2)	As of September 30, 2015	7,082,488 shares	As of March 31, 2015	7,145,600 shares
3)	First six months ended September 30, 2015	34,062,062 shares	First six months ended September 30, 2014	33,929,412 shares

Note: The Company conducted a 2-for-1 stock split of its common stock, with an effective date of October 1, 2015. The figures for "Number of shares issued and outstanding" have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

*** 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**

1. The business forecasts reported herein were prepared based on information the Company 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.
2. On Wednesday, November 25, the Company plans to hold a presentation on its financial results for institutional investors and analysts. Shortly thereafter, the Company plans to post explanatory details, along with the materials used at the presentation, on its website.

Table of Contents for the Attached Document

1. Qualitative information on financial statements	2
(1) Explanation regarding business results	2
(2) Explanation regarding financial position	3
(3) Explanation regarding information on future forecasts including consolidated business forecasts, etc.	3
2. Supplement to summary information (Notes).....	4
(1) Changes of significant subsidiaries during the term	4
(2) Adoption of specific accounting methods for preparation of the quarterly consolidated financial statements	4
(3) Changes in accounting policies, accounting estimates and restatement of revisions.....	4
3. Quarterly consolidated financial statements	5
(1) Quarterly consolidated balance sheets	5
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income.....	7
Quarterly consolidated statements of income	7
Quarterly consolidated statements of comprehensive income.....	9
(3) Quarterly consolidated statements of cash flows	10
(4) Notes on quarterly financial statements	12
(Notes on a going concern assumption).....	12
(Notes on significant changes in the amount of shareholders' equity)	12
(Segment information)	12

1. Qualitative information on financial statements

(1) Explanation regarding business results

The Japanese economy during the first six months of the fiscal year ending March 31, 2016 began to see a recovering trend in the corporate earnings, employment and income environment, supported by the government's economic measures. However, the outlook still remains uncertain amid growing concerns over slowdown of economies in emerging nations centering on China.

In the real estate service industry, a sign of improvement is seen in the office and commercial buildings vacancy rate mainly in central Tokyo but also in core regional cities, leading to the rents in some areas turning upward. In addition, the Company's target market indicates future expansion as there has been an increasing number of reconstruction projects of multi-purpose buildings in central Tokyo and other areas. Concerning new contracts for management business, we have been awarded contracts by focusing on management with added value that can clearly differentiate ourselves from competitors. As to existing contracts for management business, although strong cost-consciousness brought by the global financial crisis still remains among the clients, the Company has increased efforts on improving management quality and expansion of scope of management by offering better management services with evolved and improved contents to the clients from the viewpoint of maintaining and enhancing safety, security and asset value.

In such a business environment, NIPPON KANZAI Group (hereinafter "the Group") made efforts in proactive business development in related areas such as private finance initiatives (PFI), energy-saving and environmental businesses while working to further strengthen and improve our main business of building management.

Consolidated net sales for the first six months rose by 3.3% year on year to 43,954 million yen due to firm growth in winning new contracts and construction-related orders in addition to existing contracts remaining at a high level.

As for profit, operating income climbed 3.5% year on year to 2,713 million yen and ordinary income increased by 5.9% year on year to 3,116 million yen. These results are due to a review of outsourcing contract styles and extensive working hour management despite the decrease in revenue in line with the increased costs of major items such as labor costs and outsourcing costs as well as the disposition of real estate for sale in the previous year.

Furthermore, profit attributable to owners of parent increased by 16.4% year on year to 2,261 million yen, and this substantial growth was attributable to the contribution of earnings from the disposition of investment securities and real estate owned.

Stock split of 2-for-1 was conducted effective October 1, 2015 in commemoration of the 50th anniversary of the Company's foundation.

The following are earnings by segment and 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 focuses on building management and security services, we were well awarded with new contracts for new management services. As a result, net sales for the first six months of the fiscal year ending March 31, 2016 increased by 4.4% year on year to 38,405 million yen.

Segment income was 4,093 million yen, up 7.2% year on year due to revising price per unit for some existing management contracts with low profitability, etc.

(Environmental Facility Management Business)

In the Environmental Facility Management Business, which mainly comprises the management of water treatment, sewage disposal and other public facilities related to the overall living environment, we secured a firm number of new management contracts as well as renewals of existing management contracts, particularly for the management of incinerators. As a result, net sales for the segment amounted to 4,455 million yen, up 5.9% year on year, for the first six months of the fiscal year ending March 31, 2016. We consider the market has the potential to grow because the private sector's knowhow can be useful for local governments, the main customers for this segment, in meeting their tight budgets.

The Group has worked to reduce costs, focusing on efforts to rein in start-up costs for new contracts, to reduce procurement costs, and to realign personnel assignments to better match actual needs. As a result, segment income for the quarter was 549 million yen, up 36.6% year on year.

(Real Estate Fund Management Business)

In the Real Estate Fund Management Business mainly comprising the asset management business (i.e. arrangement and asset management of real estate funds) and handling investments in silent partnerships, although the asset management income was stable, income from the disposition of real estate for sale was lower than the same period in the previous year. As a result, net sales for the segment for the first six months of the fiscal year ending March 31, 2016 was 400 million yen, down 40.4% year on year.

Turning to profits, segment income was 138 million yen, down 55.9% year on year. This significant decrease was attributable to decrease in income from the disposition of real estate for sale mentioned above, exceeding our efforts in expense reductions and improvements on operational efficiency.

(Other Businesses)

In the Other Businesses, which consist mainly of event planning & management, printing and design, we placed efforts in thorough cost management but there were adverse impacts from various events being downsized and clients' cost reductions. As a result, net sales for the segment for the first six months of the fiscal year ending March 31, 2016

NIPPON KANZAI Co., Ltd. (9728) Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2016 was 693 million yen, down 20.2 % year on year and segment income was 4 million yen, up 65.4% year on year.

(2) Explanation regarding financial position

Total assets at the end of the second quarter of the current fiscal year was 56,222 million yen, up 17 million yen from the previous fiscal year-end, remaining at almost the same level as the previous fiscal year-end. This was due to the increase in cash and deposits, etc. despite the decrease in assets by the disposition of noncurrent assets and investment securities.

Liabilities decreased by 1,807 million yen, or 9.1 %, from the previous fiscal year-end to 18,135 million yen due to the effect of paying accounts payable, accrued consumption taxes, etc.

Net assets increased by 1,824 million yen, or 5.0%, from the previous fiscal year-end to 38,086 million yen after being decreased by cash dividends payout and increased by profit attributable to owners of parent. As a result, the equity ratio as of September 30, 2015 increased by 3.3 percentage points from the previous fiscal year-end to 65.5%.

(Cash Flows)

Cash and cash equivalents (hereinafter “cash”) increased by 1,431 million yen from the previous fiscal year end to 17,763 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 730 million yen, down 824 million yen year on year. This is primarily due to the decrease in accrued consumption taxes (a larger outflow by 1,492 million yen year on year), etc.

[Cash flows from investing activities]

Net cash used in investing activities was 1,684 million yen, up 2,332 million yen year on year.

The main components of this increase were the increase in proceeds from sales of property, plant and equipment and intangible assets (1,160 million yen increase year on year) and the increase in proceeds from sales of investment securities (815 million yen increase year on year), etc.

[Cash flows from financing activities]

Net cash used in financing activities was 984 million yen, a smaller outflow by 1,104 million yen year on year.

This primarily reflects the drop in decrease in short-term loans payable (a smaller outflow by 1,150 million yen year on year), etc.

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

The Group’s business performance has been generally in line with forecasts announced on May 8, 2015. Consequently, there are no changes to the full-year business outlook at this time.

The year-end cash dividends forecast has been revised as announced on August 27, 2015 in “Notice Regarding Stock Split and Partial Amendment to the Articles of Incorporation and Revision to Cash Dividends Forecast in Line With the Stock Split.”

2. Supplement to summary information (Notes)

(1) Changes of significant subsidiaries during the term

There are no applicable matters.

While there was no transfer of specified subsidiaries, during the first quarter of the current fiscal year, OKINAWA NIPPON KANZAI Co., Ltd. was newly established and included in the scope of consolidation.

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

There are no applicable matters.

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

[Changes in accounting policies]

(Application of Accounting Standard for Business Combinations, etc.)

The Company adopted Accounting Standard for Business Combinations (ASBJ Statement No.21 of September 13, 2013; hereafter the "Business Combinations Accounting Standard"), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22 of September 13, 2013; hereafter the "Consolidated Accounting Standard"), Accounting Standard for Business Divestitures (ASBJ Statement No.7 of September 13, 2013; hereafter the "Business Divestitures Accounting Standard"), etc. starting from the first quarter of the current fiscal year. As such, the difference due to change in the Company's equity interest in its subsidiaries under its continuous control was posted as capital surplus. We also changed the method of posting acquisition-related costs to post it as an expense in the fiscal year in which such expense is incurred. As for the business combinations on or after the beginning of the second quarter of the current fiscal year, we review the allotted acquisition cost by determining provisional accounting treatment and reflect such reviewed amount in the financial statements of the quarterly accounting period in which the business combination occurred. In addition, the Group changed the terminology for net income, etc. and for minority interests to non-controlling interests. In order to reflect such changes, the financial statements for the previous fiscal year's second quarter and full year have been adjusted.

Method of classification has been changed so that in the quarterly consolidated statements of cash flows for the first six months of the fiscal year ending March 31, 2016, cash flows pertaining to purchase or disposition of shares of subsidiaries not resulting in change in scope of consolidation are classified under "cash flows from financing activities" and cash flows pertaining to costs related to purchase of shares of subsidiaries resulting in change in scope of consolidation or costs accrued from purchase or disposition of shares of subsidiaries not resulting in change in scope of consolidation are classified under "cash flows from operating activities."

Application of the Business Combinations Accounting Standard is pursuant to transitional handling set forth in paragraph 58-2 (4) of the Business Combinations Accounting Standard, paragraph 44-5 (4) of the Consolidated Accounting Standard and paragraph 57-4 (4) of the Business Divestitures Accounting Standard, and it is applied from the beginning of the first quarter of the current fiscal year into the future.

There were no monetary effects on the financial statements for the second quarter of the current fiscal year.

(Additional information)

(Abolition of directors' retirement benefit program)

The Company used to record the necessary amount based on its internal rules at fiscal year-end in order to prepare for the payment of directors' retirement benefits. However, payment of the accrued amount consequent to abolition of the directors' retirement benefit program was resolved at the annual general meeting of shareholders held on June 26, 2015.

In accordance with this, the Company reversed the entire allowance for directors' retirement benefits and posted the payable amount of payment for discontinuance in Others under noncurrent liabilities as long-term accounts payable.

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

(Thousands of yen)

	Fiscal year ended March 31, 2015 (As of March 31, 2015)	Second quarter ended September 30, 2015 (As of September 30, 2015)
ASSETS		
Current assets		
Cash and deposits	16,726,902	18,158,104
Notes and accounts receivable — trade	11,331,252	10,417,812
Securities	10,042	10,013
Investments in silent partnership for business purposes	285,058	284,227
Supplies	72,955	75,500
Real estate for sale	567,641	561,103
Income taxes receivable	60,697	138,756
Deferred tax assets	385,265	407,431
Other	966,356	1,485,963
Allowance for doubtful accounts	(12,081)	(10,551)
Total current assets	30,394,087	31,528,358
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	2,739,183	2,572,471
Machinery, equipment and vehicles, net	65,630	70,321
Tools, furniture and fixtures, net	422,657	415,038
Land	1,672,757	1,051,127
Lease assets, net	475,006	409,395
Construction in progress	156,342	-
Total property, plant and equipment	5,531,575	4,518,352
Intangible assets		
Telephone subscription right	45,435	45,435
Software	185,016	325,871
Goodwill	2,203,290	2,141,558
Lease assets	23,837	18,977
Software in progress	100,015	-
Total intangible assets	2,557,593	2,531,841
Investments and other assets		
Investment securities	14,047,667	13,788,026
Long-term loans receivable	504,013	450,843
Long-term prepaid expenses	26,478	24,584
Lease and guarantee deposits	1,441,509	1,450,667
Membership	425,754	426,150
Net defined benefit asset	591,912	771,527
Deferred tax assets	16,962	5,935
Other	848,501	846,959
Allowance for doubtful accounts	(180,978)	(120,748)
Total investments and other assets	17,721,818	17,643,943
Total noncurrent assets	25,810,986	24,694,136
TOTAL ASSETS	56,205,073	56,222,494

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

(Thousands of yen)

	Fiscal year ended March 31, 2015 (As of March 31, 2015)	Second quarter ended September 30, 2015 (As of September 30, 2015)
LIABILITIES		
Current liabilities		
Notes and accounts payable—trade	5,814,957	5,404,139
Current portion of long-term loans payable	741,000	741,000
Current portion of long-term non-recourse loans payable	10,000	10,000
Lease obligations	191,857	170,704
Accrued expenses	2,556,003	2,139,583
Income taxes payable	703,309	921,809
Accrued consumption taxes	1,577,934	619,583
Deposits received	434,300	398,750
Advances received	140,950	272,409
Provision for bonuses	673,763	602,899
Provision for directors' bonuses	6,047	3,408
Asset retirement obligations	-	6,755
Other	216,119	153,529
Total current liabilities	13,066,239	11,444,568
Noncurrent liabilities		
Long-term loans payable	3,667,870	3,297,370
Long-term non-recourse loans payable	385,000	380,000
Lease obligations	321,284	270,711
Deferred tax liabilities	907,882	1,040,716
Provision for directors' retirement benefits	562,223	-
Net defined benefit liability	319,161	297,662
Long-term guarantee deposited	340,875	314,016
Asset retirement obligations	229,356	254,213
Liabilities from application of equity method	68,383	13,963
Other	74,617	822,515
Total noncurrent liabilities	6,876,651	6,691,166
TOTAL LIABILITIES	19,942,890	18,135,734
NET ASSETS		
Shareholders' equity		
Capital stock	3,000,000	3,000,000
Capital surplus	617,972	617,972
Retained earnings	33,716,122	35,496,257
Treasury stock	(5,270,659)	(5,215,018)
Total shareholders' equity	32,063,435	33,899,211
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,719,708	2,963,158
Foreign currency translation adjustment	4,735	(216,313)
Remeasurements of defined benefit plans	176,955	169,883
Total accumulated other comprehensive income	2,901,398	2,916,728
Minority interests	1,297,350	1,270,821
TOTAL NET ASSETS	36,262,183	38,086,760
TOTAL LIABILITIES AND NET ASSETS	56,205,073	56,222,494

*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, 2014 (April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)
Net sales	42,532,951	43,954,795
Cost of sales	33,895,302	35,043,967
Gross profit	8,637,649	8,910,828
Selling, general and administrative expenses		
Selling expenses	104,500	108,686
Personnel expenses	3,290,913	3,425,159
Provision for bonuses	294,022	281,015
Provision for directors' bonuses	40,588	2,790
Provision for directors' retirement benefits	57,831	6,413
Retirement benefit expenses	62,825	62,968
Transportation and communication expenses	496,686	485,381
Supplies expenses	196,469	189,455
Rent expenses	423,618	434,636
Insurance expenses	146,874	152,512
Depreciation	183,846	181,953
Taxes and dues	75,168	80,948
Enterprise tax	42,886	81,635
Provision of allowance for doubtful accounts	(1,168)	(6,871)
Amortization of goodwill	60,692	61,732
Other	539,537	649,084
Total selling, general and administrative expenses	6,015,287	6,197,496
Operating income	2,622,362	2,713,332
Non-operating income		
Interest and dividends income	103,226	111,480
Gain on sales of investment securities	25,499	-
Rent income	19,115	19,198
Share of profit of entities accounted for using equity method	239,240	334,396
Other	36,800	50,909
Total non-operating income	423,880	515,983
Non-operating expenses		
Interest expenses	34,488	23,907
Loss on sales of investment securities	-	3,015
Rent expenses	25,310	25,418
Loss on sales and retirement of noncurrent assets	9,659	10,533
Other	34,343	49,860
Total non-operating expenses	103,800	112,733
Ordinary income	2,942,442	3,116,582

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

(Thousands of yen)

	Six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)
Extraordinary income		
Gain on sales of noncurrent assets	-	156,134
Gain on sales of investment securities	-	207,892
Total extraordinary income	-	364,026
Quarterly income before income taxes and minority interests	2,942,442	3,480,608
Income taxes – current	839,926	1,145,115
Income taxes – deferred	112,118	21,630
Total income taxes	952,044	1,166,745
Quarterly net income	1,990,398	2,313,863
Profit attributable to non-controlling interests	47,026	52,325
Profit attributable to owners of parent	1,943,372	2,261,538

*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, 2014 (April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)
Quarterly net income	1,990,398	2,313,863
Other comprehensive income		
Valuation difference on available-for-sale securities	768,824	243,949
Remeasurements of defined benefit plans, net of tax	49,249	(6,724)
Share of other comprehensive income of entities accounted for using equity method	116,269	(221,048)
Total other comprehensive income	934,342	16,177
Quarterly comprehensive income	2,924,740	2,330,040
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,865,800	2,276,869
Comprehensive income attributable to non-controlling interests	58,940	53,171

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

(3) Quarterly consolidated statements of cash flows

	Six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)
Cash flows from operating activities		
Quarterly income before income taxes and minority interests	2,942,442	3,480,608
Depreciation and amortization	309,965	292,879
Amortization of goodwill	60,692	61,732
Increase (decrease) in provision for bonuses	(73,420)	(70,864)
Increase (decrease) in provision for directors' bonuses	(35,505)	(2,638)
Increase (decrease) in defined benefit liability	(111,742)	(210,814)
Increase (decrease) in provision for directors' retirement benefits	(15,287)	(562,223)
Increase (decrease) in allowance for doubtful accounts	(1,295)	(2,978)
Shares of (profit) loss of entities accounted for using equity method	(239,240)	(334,396)
Interest and dividends income	(103,226)	(111,480)
Interest expenses	34,488	23,907
Loss (gain) on sales and retirement of non-current assets	9,659	(145,601)
Loss (gain) on sales of short-term and long-term investment securities	(25,499)	(204,877)
Decrease (increase) in notes and accounts receivable — trade	392,395	1,050,041
(Increase) decrease in investments in silent partnership for business purposes	1,674	1,030
Decrease (increase) in inventories	156,811	3,993
Decrease (increase) in other assets	70,291	(79,751)
Increase (decrease) in notes and accounts payable — trade	(1,115,888)	(833,257)
Increase (decrease) in accrued consumption taxes	534,007	(958,352)
Increase (decrease) in other liabilities	217,121	238,327
Other, net	14,793	9,388
Subtotal	3,023,236	1,644,674
Interest and dividends income received	105,572	114,579
Interest expenses paid	(34,488)	(23,907)
Income taxes paid	(1,539,562)	(1,004,675)
Net cash provided by operating activities	1,554,758	730,671

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

	Six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)
Cash flows from investing activities		
Payments into time deposits	(300,000)	(280,000)
Proceeds from withdrawal of time deposits	300,000	280,000
Purchase of property, plant and equipment and intangible assets	(415,830)	(270,899)
Proceeds from sales of property, plant and equipment and intangible assets	5,496	1,166,495
Purchase of investment securities	(381,368)	(143,925)
Proceeds from sales of investment securities	155,728	970,801
Payments of loans receivable	(8,814)	(24,966)
Collection of loans receivable	19,266	19,858
Decrease (increase) in lease and guarantee deposits of leasehold estate	(29,134)	(10,848)
Increase (decrease) in guarantee deposits received	(10,553)	(26,859)
Other, net	17,273	5,074
Net cash used in investing activities	(647,936)	1,684,731
Cash flows from financing activities		
Increase in short-term loans payable	200,000	150,000
Decrease in short-term loans payable	(1,300,000)	(150,000)
Repayment of long-term loans payable	(370,500)	(370,500)
Proceeds from long-term non-recourse loans payable	400,000	-
Repayment of long-term non-recourse loans payable	-	(5,000)
Repayments of lease obligations	(128,029)	(102,925)
Proceeds from disposal of treasury stock	64,683	56,597
Purchase of treasury stock	(743)	(957)
Repayment to minority shareholders	(524,889)	-
Cash dividends paid	(378,755)	(481,715)
Cash dividends paid to minority shareholders	(50,000)	(79,700)
Net cash used in financing activities	(2,088,233)	(984,200)
Net increase (decrease) in cash and cash equivalents	(1,181,411)	1,431,202
Cash and cash equivalents at beginning of period	15,631,897	16,331,902
Cash and cash equivalents at end of period	14,450,486	17,763,104

*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, 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	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.

II Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)**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	38,405,302	4,455,936	400,259	693,298	43,954,795	—	43,954,795
Inter-segment net sales and transfer	—	—	—	—	—	—	—
Total	38,405,302	4,455,936	400,259	693,298	43,954,795	—	43,954,795
Segment income	4,093,321	549,960	138,206	4,149	4,785,636	(2,072,304)	2,713,332

Notes: 1. Adjustments to segment income consist of (2,072,304) thousand yen in unallocated general administrative expenses.

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