

English translation based on Japanese original

Quarterly Report

(Second Quarter of 27th term)

From July 1, 2011 to September 30, 2011

NTT Urban Development Corporation

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

Contents

	Page
Cover	
Chapter 1 Corporate Information	
Section 1 Overview of the Company's situation	
1. Changes in major financial data	1
2. Businesses.....	2
Section 2 Business situation	
1. Operating risks.....	3
2. Significant management contracts	3
3. Analysis of financial position, operating results, and cash flows	4
Section 3 Situation of submitting company	
1. Shares of the Company	
(1) Total number of shares and other information	9
(2) Stock acquisition rights	9
(3) Exercise of bonds with subscription rights to shares with amendments to exercise prices.....	9
(4) Features of rights plan	9
(5) Changes in number of shares outstanding and capital.....	9
(6) Major shareholders	10
(7) Voting rights.....	11
2. Officers	12
Section 4 Financial status.....	13
1. Quarterly financial statements	
(1) Quarterly consolidated balance sheets	14
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income	16
Quarterly consolidated statements of income.....	16
Quarterly consolidated statements of comprehensive income	17
(3) Quarterly consolidated statement of cash flows	18
2. Other	25
Chapter 2 Information on the Guarantee Company of the Submitting Company.....	26

Cover

Document submitted	Quarterly report
Applicable law clause	Article 24-4-7, Paragraph 1 of Financial Instruments and Exchange Act
Destination	Director General of the Kanto Finance Bureau
Date of submission	November 8, 2011
Quarterly accounting period	Second quarter of 27th term (from July 1, 2011 to September 30, 2011)
Corporate name	NTT Toshi Kaihatsu Kabushiki Kaisha
Corporate name in English	NTT URBAN DEVELOPMENT CORPORATION
Name and title of representative	Masaki Mitsumura, President and Chief Executive Officer
Address of home office	4-14-1, Sotokanda, Chiyoda-ku, Tokyo
Telephone number	+81-3-6811-6300 (key number)
Contact person	Satoshi Shinoda, Senior Director, Senior Executive Manager, Accounting and Finance Department
Nearest contact point	4-14-1, Sotokanda, Chiyoda-ku, Tokyo
Telephone number	+81-3-6811-6424
Contact person	Satoshi Shinoda, Senior Director, Senior Executive Manager, Accounting and Finance Department
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Chapter1 Corporate Information

Section 1 Overview of the Company's situation

1. Changes in major financial data

Term	26th term Consolidated first half	27th term Cumulative period for Consolidated first half	26th term
Account period	(From April 1, 2010 to September 30, 2010)	(From April 1, 2011 to September 30, 2011)	(From April 1, 2010 to March 31, 2011)
Operating revenue (million yen)	72,048	63,856	145,693
Ordinary income (million yen)	11,560	10,376	18,554
Net income (million yen)	6,045	5,561	9,307
Comprehensive income (million yen)	6,670	5,666	10,658
Net assets (million yen)	189,727	193,859	190,783
Total assets (million yen)	907,594	926,308	910,492
Net income per share (yen)	1,836.72	1,689.72	2,827.98
Net income per share (fully diluted) (yen)	—	—	—
Ratio of shareholders' equity to assets (%)	17.0	17.1	17.1
Cash flows from operating activities (million yen)	32,867	(7,329)	40,417
Cash flows from investing activities (million yen)	(18,135)	(13,660)	(28,257)
Cash flows from financing activities (million yen)	(15,734)	14,026	(14,641)
Cash and cash equivalents at the end of the period (million yen)	19,500	11,068	18,015

Term	26th term Consolidated second quarter	27th term Consolidated second quarter
Account period	(From July 1, 2010 to September 30, 2010)	(From July 1, 2011 to September 30, 2011)
Net income per share (yen)	997.71	864.24

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

2. Operating revenue does not include consumption tax.

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

4. For the calculation of comprehensive income for the first half of the 26th term, the Company retroactively applied the Accounting Standard for Presentation of Comprehensive Income (Accounting Standards Board of Japan (ASBJ) Statement No.25 issued on June 30, 2010).

2. Businesses

In the first half under review, there were no significant changes in the major operations managed by the NTT Urban Development Group (the Company and its affiliates). Changes in major affiliates are as follows.

In the first half under review, the following affiliates completed their liquidation:

Name	Address	Capitalization or investments (million yen)	Main business	Voting rights ownership percentage	Relations
Consolidated Subsidiaries Nagasaki Shintomachi New Town Development Tokutei Mokuteki Kaisha	Minato, Tokyo	200	Residential Property Sales	100.0	Development of Nagasaki Shintomachi New Town Concurrent officers: –
Equity-Method Affiliates Crossfield Management Corporation	Chiyoda, Tokyo	10	Others	38.0	Development and management of Akihabara Crossfield (IT Center of it) Concurrent officers: 1

- (Notes) 1. Nagasaki Shintomachi New Town Development Tokutei Mokuteki Kaisha resolved to dissolve on April 1, 2011 and completed its liquidation on August 30, 2011.
2. Crossfield Management Corporation resolved to dissolve on March 31, 2011 and completed its liquidation on September 26, 2011.
3. In main business, the names in segment information are written.

Section 2 Business situation

1. Operating risks

In the first half under review, no new operating risks emerged.

In addition, there were no significant changes in the operating risks described in the annual securities report for the previous fiscal year.

2. Significant management contracts

There was no significant management contracts determined or concluded in consolidated second quarter under review.

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

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

(1) Financial results

The Japanese economy recovered more moderately in the first half under review, reflecting the flattening out of exports due to a weaker rebound in overseas economies and the slower recovery of production, despite evidence of a turnaround from the effects of the Great East Japan Earthquake. Looking ahead, although the economy is expected to be buoyed by the bounce back of production activities associated with progress in the restoration of supply chains, downside risks to the economy remain, including constraints on power supply, the effects of the nuclear disaster, the downturn of overseas economies, and fluctuations in foreign exchange rates and share prices.

In the office leasing market, the average vacancy rate remained high for office buildings in the five wards of central Tokyo, and market rents continued to be weak although the fall in rents was becoming smaller. In the condominium sales market, the buying motivation of consumers was rebounding, backed by tax benefits and low interest rates, although the impact of the economic uncertainty on sales was a concern.

As a result, the Company posted a decrease in sales in the leasing business and the residential property sales business during the first half under review. Overall, operating revenue amounted to ¥63,856 million (down ¥8,191 million, or 11.4% year on year), operating income was ¥13,224 million (down ¥1,160 million, or 8.1%), ordinary income was ¥10,376 million (down ¥1,183 million, or 10.2%), and net income was ¥5,561 million (down ¥483 million, or 8.0%).

Operating revenue by business segment in the first half under review is as follows. Operating revenue in each segment in the text include inter-segment internal revenues and transfers.

(i) Leasing Business

In the leasing business, operating revenue and operating income decreased from the year-ago period, due primarily to income including rent income from new properties such as Urbannet Shijo-Karasuma Building (Kyoto-shi, Kyoto) and other properties completed in the previous fiscal year and a fall in rent income from pre-existing properties.

Given that the average vacancy rate in the market for office buildings remained elevated, albeit trending downward, the average vacancy rate for office buildings owned by the Group in the five wards of central Tokyo fell from 3.6% at the end of March 2011 to 2.7% at the end of September 2011. The average vacancy rate nationwide was 5.7%, the same as the rate at the end of March 2011.

In the new building development business, projects in progress include Umekita (Osaka Station North District) Phase 1 Development Area Project (Osaka-shi, Osaka), Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 (Chiyoda-ku, Tokyo), Urbannet Kanda Building (Chiyoda-ku, Tokyo), and Upper-Level Section Redevelopment Project associated with the reconstruction of the Shibaura Water Reclamation Center (Minato-ku, Tokyo). In the first half under review, an office building Urbannet Uchihonmachi Building (Osaka-shi, Osaka), a commercial and office building Urbannet Tenjin Building (Fukuoka-shi, Fukuoka), and UD Nakasu Building (Fukuoka-shi, Fukuoka) operated by a hotel operator were completed.

As a result of these activities, in the first half under review, operating revenue of ¥45,724 million (down ¥814 million, or 1.7%), operating expenses of ¥31,106 million (up ¥63 million, or 0.2%), and operating income of ¥14,618 million (down ¥877 million, or 5.7%) were recorded in the leasing business. The operating margin decreased to 32.0%, down from 33.3% for the year-ago period.

(ii) Residential Property Sales Business

With respect to the residential property sales business, a total of 204 condominiums including those completed in previous fiscal years were delivered in the first half under review, including WELLITH Tokiwadai (Itabashi-ku, Tokyo) and WELLITH Kyoto Shugakuin (Kyoto-shi, Kyoto) completed in the first half under review. During this period, the Company also commenced sales of Brillia WELLITH Tsukishima (Chuo-ku, Tokyo) and other condominiums. In terms of detached houses, WELLITH Park Minami-Nagasaki (Nagasaki-shi, Nagasaki) and others were sold. With respect to building lot sales, Common Stage Korigaoka (Hirakata-shi, Osaka) and other lots were delivered.

In the residential property sales business, operating revenue and operating income declined from the year-ago period, mainly because of a decline in the number of condominiums delivered.

As a result, the Company posted operating revenue of ¥11,164 million (down ¥8,729 million, or 43.9% year on year), operating expenses of ¥10,416 million (down ¥7,938 million, or 43.3%), and operating income of ¥748 million (down ¥791 million, or 51.4%). The operating margin decreased to 6.7%, down from 7.7% for the year-ago period.

(iii) Other

Operating revenue in other business in the first half under review were ¥9,505 million (up ¥1,448 million, or 18.0% year on year), and operating income was ¥1,128 million (up ¥630 million, or 126.6%), primarily reflecting the posting of sales from Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1, to which the percentage of completion method is applied.

(2) Consolidated cash flows

Cash and cash equivalents (hereinafter “cash”) at the end of the first half under review decreased ¥6,946 million from the end of the previous fiscal year, to ¥11,068 million. Free cash flows in the first half under review declined ¥35,722 million from the year-ago level, to negative ¥20,990 million.

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

$$\text{Free cash flow} = \text{Cash flow from operating activities} + \text{Cash flow from investing activities}$$

The following is the situation and factors for each category of cash flow for the first half under review:

(Cash flows from operating activities)

Cash used in operating activities was ¥7,329 million, with inflow decreasing ¥40,196 million year on year. This was primarily attributable to an increase in cash due to income before income taxes and minority interests of ¥9,435 million and depreciation and amortization of ¥11,976 million and a decrease in cash mainly due to an increase in inventories of ¥17,182 million, income taxes paid of ¥5,446 million and interest expenses paid of ¥3,958 million.

(Cash flows from investing activities)

Cash used in investing activities was ¥13,660 million, with inflow increasing ¥4,474 million year on year, primarily reflecting cash used for the purchase of property, plant and equipment of ¥13,178 million.

(Cash flows from financing activities)

Cash provided by financing activities was ¥14,026 million, with inflow increasing ¥29,760 million year on year. Major factors included an increase in cash due to proceeds from long-term loans payable of ¥45,000 million and a decrease in cash primarily owing to the repayment of long-term loans payable of ¥27,561 million and cash dividends paid of ¥1,974 million.

(3) Operational and financial challenges to meet

In the first half under review, there were no significant changes in challenges facing the Group.

(4) Research and development

Not applicable.

(5) Operating revenue

The table below shows operating revenue by business segment in the first half under review. Operating revenue in each segment in the text include inter-segment internal revenues and transfers. (Million yen)

Business segment	Consolidated first half (From April 1, 2011 to September 30, 2011)	Year on year (%)
Leasing Business	45,724	98.3
Residential Property Sales Business	11,164	56.1
Total operating revenue in reported segments	56,889	85.6
Other	9,505	118.0
Eliminations	(2,538)	—
Total	63,856	88.6

(Notes) 1. The numbers do not include consumption tax. Operating revenue of each segment include inter-segment internal revenues and transfers.

2. "Eliminations" refers to internal revenues and transfers duplicated in more than one segment.

The following shows breakdowns of operating revenue in the leasing business and residential property sales business, major businesses of the Group:

Leasing Business

The table below shows operating revenue etc. by use of property in the leasing business. All figures are consolidated results.

Classification		Previous consolidated first half (From April 1, 2010 to September 30, 2010)	Consolidated first half under review (From April 1, 2011 to September 30, 2011)
Office/Commercial	Sales (million yen)	43,191	42,545
	Rentable area	1,139,997 m ² (Of the above, sub-leases: 16,326 m ²)	1,184,898 m ² (Of the above, sub-leases: 16,326 m ²)
Residential/Other	Sales (million yen)	3,347	3,179
Total operating revenue (million yen)		46,539	45,724

(Notes) 1. "Rentable areas" figures are as of September 30.

2. The rentable area of sub-leases does not include the area of sub-leases that have been agreed upon between the Company and its consolidated subsidiaries.

The table below shows the vacancy rate by area.

Classification	September 2010	December 2010	March 2011	June 2011	September 2011
Central Tokyo (Tokyo 5 wards)	4.1%	3.7%	3.6%	3.7%	2.7%
Nationwide	6.0%	6.4%	5.7%	6.0%	5.7%

(Note) 1. The numbers above are vacancy rates as of the end of each month.

2. Tokyo 5 wards are Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku and Shinjuku-ku.

Residential Property Sales Business

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

Classification		Previous consolidated first half (From April 1, 2010 to September 30, 2010)		Consolidated first half under review (From April 1, 2011 to September 30, 2011)	
		Units/Lots	Sales (million yen)	Units/Lots	Sales (million yen)
Condominiums					
Units delivered	Tokyo region	263	12,524	157	7,559
	Other regions	56	2,017	47	2,026
Completed in inventory		163	—	100	—
Building Lots					
Lots delivered	Tokyo region	11	1,578	6	281
	Other regions	121	1,829	19	1,296
Completed in inventory		30	—	18	—
Residential (Condominiums/Building lots)					
Units/Lots delivered	Tokyo region	274	14,102	163	7,841
	Other regions	177	3,846	66	3,323
Completed in inventory		193	—	118	—
Other					
Units/Lots delivered	Tokyo region	—	—	—	—
	Other regions	1	1,944	—	—
Completed in inventory		—	—	—	—
Grand total (Sales)		—	19,893	—	11,164

(Note) 1. For joint projects, the number of units, corresponding to the Company's share in the project, is rounded down to the nearest unit.

2. "Completed in inventories" figures are as of the end of September of each fiscal year. The condominiums completed in inventories for the previous consolidated first half and the consolidated first half under review include 33 units and 18 units, respectively, for which a contract has been completed but ownership has not yet been transferred. The building lots completed in inventories for the previous consolidated first half and the consolidated first half under review include 1 lot each, for which a contract has been completed but ownership has not yet been transferred.
3. Of the building lots delivered in the previous consolidated first half, 110 lots (collectively worth ¥2,630 million) were delivered through sales of lands. Of the building lots delivered in the consolidated first half under review, 4 lots (collectively worth ¥847 million) were delivered through sales of lands.
4. "Other" in the previous consolidated first half includes the sale of a condominium (apartment building).
5. The Tokyo region includes Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

(6) Facilities

Major changes to the Group's main facilities during the consolidated first half under review are as follows.

The following facility has been completed during the consolidated first half under review.

Name (Location)	Business segment	Primary use	Structure	Area (m ²)		Acquisition prices (million yen)				Completed
				Building	Land	Building, etc.	Land	Other	Total	
Nakasu Project (tentative name) (UD Nakasu Building) (Hakata, Fukuoka)	Leasing Business	Commercial	Reinforced concrete structure; 14 floors above ground	9,515	1,738	2,217	138	105	2,461	September 2011

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

In the leasing business, operating revenue and operating income declined year on year in the first half under review, due primarily to a fall in rent income. In the leasing market, the vacancy rate remains high and the pressure to cut rents continues, although moves to relocate to younger buildings and more affordable buildings were observed. The sense of uncertainty about the future of the Japanese economy continues, given risks such as the downturn of overseas economies and the appreciation of the yen. Nonetheless, we will strive to secure sales through measures such as maintaining and improving the occupancy rate by strengthening our sales force, improving relations with tenants, and implementing strategic renewal.

In the residential property sales business, operating revenue and operating income fell year on year in the first half under review, mainly because of a decline in the number of condominiums delivered. Although the impact of the uncertain economy on sales is a concern in the overall condominium sales market, we believe that demand for condominiums for purchase and replacement is firm, underpinned by tax benefits and low interest rates. The Company will seek to create stable income through the acquisition of carefully selected sites for condominiums and other properties, and through the provision of high-quality housing in which high asset values can be maintained indefinitely.

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

The Company raised funds through borrowings from financial institutions in the first half under review in response to capital needs, including the repayment of borrowings, operating funds, and investments.

(9) Basic policy on the control of the Stock Company

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

Section 3 Situation of submitting company

1. Shares of the Company

(1) Total number of shares and other information

(i) Total number of shares

Type	Total number of shares authorized to be issued by the Company
Common stocks	10,500,000
Total	10,500,000

(ii) Shares issued

Type	Number of shares issued at end of first half (September 30, 2011)	Number of shares issued on the date of submission (November 8, 2011)	Stock exchange or registered financial instruments dealers association	Remarks
Common stocks	3,291,200	3,291,200	The First Section of the Tokyo Stock Exchange	The Company does not employ a share unit system.
Total	3,291,200	3,291,200	—	—

(Note) The number of shares issued includes 306,300 shares of an investment in kind (with buildings, etc. of ¥927 million and land (89,492 m²) of ¥2,144 million yen).

(2) Stock acquisition rights

Not applicable.

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

Not applicable.

(4) Features of rights plan

Not applicable.

(5) Changes in number of shares outstanding and capital

Date	Change in number of shares outstanding (shares)	Number of shares outstanding (shares) at end of period	Change in capital (million yen)	Capital at end of period (million yen)	Change in capital reserves (million yen)	Capital reserves at end of period (million yen)
From July 1, 2011 to September 30, 2011	—	3,291,200	—	48,760	—	34,109

(6) Major shareholders

As of September 30, 2011

Name	Address	Number of shares held (thousand shares)	Ratio of holdings to the number of shares issued (%)
Nippon Telegraph and Telephone Corporation (NTT)	2-3-1, Otemachi, Chiyoda-ku, Tokyo	2,214,815	67.30
CBNY – ORBIS SICAV (Standing agency: Citibank Japan Ltd.)	31, Z. A. Bourmicht, L-8070 Bertrangen Luxembourg (2-3-14, Higashi Shinagawa, Shinagawa-ku, Tokyo)	115,507	3.51
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	85,895	2.61
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo	77,529	2.36
THE BANK OF NEW YORK – JASDEC TREATY ACCOUNT (Standing agency: Custody & Proxy Department, Mizuho Corporate Bank, Ltd.)	Avenue Des Arts, 35 Kunstlaan, 1040 Brussels, Belgium (4-16-13, Tsukishima, Chuo-ku, Tokyo)	50,055	1.52
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1-8-11, Harumi, Chuo-ku, Tokyo	26,186	0.80
BBH (LUX) FIDELITY FUNDS – JAPAN ADVANTAGE (Standing agency: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	2A Rue Albert Borschette Luxembourg L-1246 (Transaction Services Division, 2-7-1, Marunouchi, Chiyoda-ku, Tokyo)	24,049	0.73
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT (Standing agency: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	Avenue Des Arts, 35 Kunstlaan, 1040 Brussels, Belgium (Transaction Services Division, 2-7-1, Marunouchi, Chiyoda-ku, Tokyo)	21,960	0.67
BNY FOR TAX TREATY JASDEC OMNIBUS NO. 2 (Standing agency: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	The Bank of New York Brussels Br. 35 Avenue Des Arts B-1040 Brussels, Belgium (Transaction Services Division, 2-7-1, Marunouchi, Chiyoda-ku, Tokyo)	19,538	0.59
MELLON BANK ABN AMRO GLOBAL CUSTODY N. V. (Standing agency: Custody & Proxy Department, Mizuho Corporate Bank, Ltd.)	One Boston Place Boston, MA 02108 (4-16-13, Tsukishima, Chuo-ku, Tokyo)	16,897	0.51
Total	—	2,652,431	80.59

(Note) 1. All shares held by The Master Trust Bank of Japan, Ltd. (Trust account), Japan Trustee Services Bank, Ltd. (Trust account), and Japan Trustee Services Bank, Ltd. (Trust Account 9) are those held under their trust operations (including securities investment trusts). They include 63,390 shares under the management of investment trusts, 61,425 shares under the management of pension trusts, and 64,795 shares under the management of other trusts.

2. The following institutions manage custody operations of shares mainly owned by Western institutional investors, as well as act as owners of shares on behalf of the relevant institutional investors; they are CBNY – ORBIS SICAV, THE BANK OF NEW YORK – JASDEC TREATY ACCOUNT, BBH (LUX) FIDELITY FUNDS – JAPAN ADVANTAGE, THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT, BNY FOR TAX TREATY JASDEC OMNIBUS NO. 2, MELLON BANK ABN AMRO GLOBAL CUSTODY N. V..

(7) Voting rights

(i) Shares issued

As of September 30, 2011

Classification	Number of shares	Number of voting rights	Remarks
Nonvoting shares	—	—	—
Shares with limited voting rights (treasury stock)	—	—	—
Shares with limited voting rights (other shares)	—	—	—
Shares with complete voting rights (treasury stock)	—	—	—
Shares with complete voting rights (other shares)	Common stocks 3,291,200	3,291,200	—
Fractional shares	—	—	—
Total number of shares issued	3,291,200	—	—
Number of voting rights of all shareholders	—	3,291,200	—

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

(ii) Treasury stock

As of September 30, 2011

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

2. Officers

Change in the officers after the submission of the Annual Securities Report for the previous fiscal year up to the submission of this quarterly report is as follows:

Changes in titles

New titles	New job titles	Former titles	Former job titles	Name	Date of change
Senior Executive Director	Senior Executive Manager of the Building Service Headquarters	Senior Executive Director	Senior Executive Manager of the Building Service Headquarters and Senior Executive Manager of the Solution Business Headquarters	Hideo Osawa	July 1, 2011
Senior Director	Senior Executive Manager of the Assets Solution Promotion Department, and in charge of the Tokai Branch Office, the Chugoku Branch Office, the Kyushu Branch Office, and the Hokkaido Branch Office	Senior Director	Deputy Senior Executive Manager of the Solution Business Headquarters, and the Senior Executive Manager of the Solution Business Department 1 and 2 of the Solution Business Headquarters, and in charge of the Tokai Branch Office, the Chugoku Branch Office, the Kyushu Branch Office, and the Hokkaido Branch Office	Akiyoshi Kitamura	July 1, 2011

Section 4 Financial status

1. Methods of preparing quarterly consolidated financial statements

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

2. Audit certification

Under the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the quarterly consolidated financial statements of the Company for the second quarter under review (from July 1, 2011 to September 30, 2011) and for the first half under review (from April 1, 2011 to September 30, 2011) have received a quarterly review by KPMG AZSA LLC.

1. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Million yen)

	Previous consolidated fiscal year (March 31, 2011)	Consolidated first half (September 30, 2011)
Assets		
Current assets		
Cash and deposits	10,270	9,017
Notes and operating accounts receivable	6,458	10,278
Real estate for sale	7,630	16,334
Real estate for sale in process	72,648	80,931
Costs on uncompleted construction contracts	269	313
Raw materials and supplies	63	49
Leased investment assets	2,394	2,383
Deposits paid	8,417	2,761
Deferred tax assets	1,723	1,661
Other	3,887	5,494
Allowance for doubtful accounts	(2)	(2)
Total current assets	113,762	129,222
Non-current assets		
Property, plant and equipment		
Buildings and structures	683,708	692,970
Accumulated depreciation	(354,323)	(362,417)
Buildings and structures (net)	329,385	330,553
Machinery, equipment and vehicles	13,500	13,717
Accumulated depreciation	(11,368)	(11,603)
Machinery, equipment and vehicles (net)	2,132	2,113
Land	400,206	400,279
Lease assets	651	608
Accumulated depreciation	(448)	(425)
Lease assets (net)	203	183
Construction in progress	9,718	9,690
Other property, plant and equipment	14,823	15,185
Accumulated depreciation	(11,205)	(11,714)
Other property, plant and equipment (net)	3,618	3,470
Total property, plant and equipment	745,265	746,291
Intangible assets	4,969	4,977
Investments and other assets		
Investment securities	21,150	20,899
Long-term prepaid expenses	17,982	17,704
Deferred tax assets	373	386
Other	6,990	6,827
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	46,495	45,817
Total non-current assets	796,729	797,085
Total assets	910,492	926,308

(Million yen)

	Previous consolidated fiscal year (March 31, 2011)	Consolidated first half (September 30, 2011)
Liabilities		
Current liabilities		
Notes and operating accounts payable-trade	8,083	6,411
Lease obligations	101	86
Current portion of long-term loans payable	67,360	68,127
Current portion of bonds	1,611	1,611
Income taxes payable	5,662	3,267
Provision for loss on disaster	574	651
Other	21,428	23,290
Total current liabilities	104,822	103,447
Non-current liabilities		
Bonds payable	123,704	122,901
Long-term loans payable	295,102	311,774
Lease obligations	196	172
Lease and guarantee deposits received	88,081	86,975
Negative goodwill	30,186	29,294
Deferred tax liabilities	68,644	68,566
Provision for retirement benefits	5,889	6,012
Provision for directors' retirement benefits	121	95
Provision for loss on warranty	60	60
Asset retirement obligations	2,737	3,010
Other	159	138
Total non-current liabilities	614,886	629,001
Total liabilities	719,709	732,448
Net assets		
Shareholders' equity		
Capital stock	48,760	48,760
Capital surplus	34,109	34,109
Retained earnings	72,628	76,215
Total shareholders' equity	155,498	159,085
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	257	(80)
Foreign currency translation adjustment	(221)	(370)
Total accumulated other comprehensive income	36	(451)
Minority interests	35,248	35,225
Total net assets	190,783	193,859
Total liabilities and net assets	910,492	926,308

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

Quarterly consolidated statements of income

Consolidated first half	(Million yen)	
	Previous consolidated first half (From April 1, 2010 to September 30, 2010)	Consolidated first half under review (From April 1, 2011 to September 30, 2011)
Operating revenue	72,048	63,856
Operating cost	49,342	43,257
Operating gross profit	22,705	20,598
Selling, general and administrative expenses	* 8,319	* 7,373
Operating income	14,385	13,224
Non-operating income		
Interest income	32	33
Dividends income	26	42
Amortization of negative goodwill	963	963
Equity in earnings of affiliates	81	51
Other	241	122
Total non-operating income	1,344	1,214
Non-operating expenses		
Interest expenses	3,979	3,950
Other	189	111
Total non-operating expenses	4,169	4,062
Ordinary income	11,560	10,376
Extraordinary income		
Gain on sales of non-current assets	204	—
Total extraordinary income	204	—
Extraordinary loss		
Loss on sales of non-current assets	8	—
Loss on retirement of non-current assets	396	663
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,001	—
Loss on disaster	—	276
Total extraordinary losses	1,406	940
Income before income taxes and minority interests	10,359	9,435
Income taxes	3,635	3,277
Income before minority interests	6,723	6,158
Minority interests in income	678	597
Net income	6,045	5,561

Quarterly consolidated statements of comprehensive income

Consolidated first half

(Million yen)

	Previous consolidated first half (From April 1, 2010 to September 30, 2010)	Consolidated first half under review (From April 1, 2011 to September 30, 2011)
Income before minority interests	6,723	6,158
Other comprehensive income		
Valuation difference on available-for-sale securities	80	(342)
Foreign currency translation adjustment	(133)	(149)
Total other comprehensive income	(53)	(491)
Comprehensive income	6,670	5,666
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,991	5,073
Comprehensive income attributable to minority interests	678	593

(3) Quarterly consolidated statements of cash flows

(Million yen)

	Previous consolidated first half (From April 1, 2010 to September 30, 2010)	Consolidated first half under review (From April 1, 2011 to September 30, 2011)
Cash flows from operating activities		
Income before income taxes and minority interests	10,359	9,435
Depreciation and amortization	11,601	11,976
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,001	—
Loss on disaster	—	276
Amortization of negative goodwill	(963)	(963)
Amortization of goodwill	70	70
Increase (decrease) in allowance for doubtful accounts	(0)	(1)
Interest and dividends income	(58)	(76)
Interest expenses	3,979	3,950
Equity in (earnings) losses of affiliates	(81)	(51)
Loss (gain) on sales of non-current assets	(196)	—
Loss on retirement of non-current assets	396	663
Decrease (increase) in notes and accounts receivable-trade	8,850	(3,822)
Decrease (increase) in inventories	2,903	(17,182)
Increase (decrease) in notes and accounts payable-trade	1,507	(1,671)
Increase (decrease) in lease and guarantee deposits received	(1,030)	(49)
Others, net	(650)	(590)
Subtotal	37,689	1,965
Interest and dividends income received	95	110
Interest expenses paid	(4,046)	(3,958)
Income taxes paid	(869)	(5,446)
Net cash provided by (used in) operating activities	32,867	(7,329)
Cash flows from investing activities		
Purchases of property, plant and equipment	(15,006)	(13,178)
Proceeds from sales of property, plant and equipment	1,275	—
Purchases of investment securities	(3,127)	(8)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(294)	—
Others, net	(982)	(474)
Net cash provided by (used in) investing activities	(18,135)	(13,660)
Cash flows from financing activities		
Net increase (decrease) in commercial papers	(4,999)	—
Proceeds from long-term loans payable	10,000	45,000
Repayments of long-term loans payable	(16,919)	(27,561)
Redemption of bonds	(1,055)	(805)
Cash dividends paid	(1,974)	(1,974)
Cash dividends paid to minority shareholders	(718)	(615)
Others, net	(67)	(16)
Net cash provided by (used in) financing activities	(15,734)	14,026
Effect of exchange rate change on cash and cash equivalents	(6)	17
Net increase (decrease) in cash and cash equivalents	(1,008)	(6,946)
Cash and cash equivalents at the beginning of period	20,508	18,015
Cash and cash equivalents at the end of period	* 19,500	* 11,068

Changes in the scope of consolidation or the scope of application of the equity method

Consolidated first half under review (From April 1, 2011 to September 30, 2011)
(1) Significant changes in the scope of consolidation As Nagasaki Shintomachi New Town Development Tokutei Mokuteki Kaisha resolved to dissolve on April 1, 2011 and completed its liquidation on August 30, 2011, it was eliminated from the scope of consolidation in the consolidated first half under review.
(2) Significant changes in the scope of application of the equity method As Crossfield Management Corporation resolved to dissolve on March 31, 2011 and completed its liquidation on September 26, 2011, it was eliminated from the scope of application of the equity method in the consolidated first half under review.

Additional information

Consolidated first half under review (From April 1, 2011 to September 30, 2011)
(Application of the Accounting Standard for Accounting Changes and Error Corrections, etc.) The Company applied the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No.24 issued on December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No.24 issued on December 4, 2009) to reflect accounting changes made after the beginning of the first quarter of this fiscal year and the correction of past errors.

Notes

(Quarterly consolidated statements of income)

(Million yen)

Previous consolidated first half (From April 1, 2010 to September 30, 2010)	Consolidated first half under review (From April 1, 2011 to September 30, 2011)
* Major items in selling, general and administrative expenses and their amounts are as follows:	* Major items in selling, general and administrative expenses and their amounts are as follows:
Advertising expenses 980	Advertising expenses 715
Salaries, allowances and bonuses 2,420	Salaries, allowances and bonuses 2,462
Retirement benefit expenses 166	Retirement benefit expenses 166
Provision for directors' retirement benefits 18	Provision for directors' retirement benefits 9
Business consignment expenses 1,600	Business consignment expenses 1,375
Tax and dues 689	Tax and dues 525
Provision for allowance for doubtful accounts 2	Provision for allowance for doubtful accounts 0

(Quarterly consolidated statements of cash flows)

(Million yen)

Previous consolidated first half (From April 1, 2010 to September 30, 2010)	Consolidated first half under review (From April 1, 2011 to September 30, 2011)
* Relationship between cash and cash equivalents at the end of period and the accounts on the consolidated balance sheets (As of September 30, 2010)	* Relationship between cash and cash equivalents at the end of period and the accounts on the consolidated balance sheets (As of September 30, 2011)
Cash and bank deposits 9,950	Cash and bank deposits 9,017
Time deposits with a deposit period of over three months (2,273)	Time deposits with a deposit period of over three months (1,810)
Short-term (less than three months) investments included in "Deposits paid" in current assets 10,722	Short-term (less than three months) investments included in "Deposits paid" in current assets 2,761
Short-term (less than three months) investments included in other current assets 1,100	Short-term (less than three months) investments included in other current assets 1,100
Cash and cash equivalents 19,500	Cash and cash equivalents 11,068

(Shareholders' equity)

I. Previous consolidated first half (from April 1, 2010 to September 30, 2010)

1. Dividends paid

(Resolution)	Type of shares	Total dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary shareholders' meeting held on June 18, 2010	Common stocks	1,974	Retained earnings	600	March 31, 2010	June 21, 2010

2. Of dividends with a record date falling in the consolidated first half under review, those with an effective date falling in the second half of this consolidated fiscal year

(Resolution)	Type of shares	Total dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on November 8, 2010	Common stocks	1,974	Retained earnings	600	September 30, 2010	December 3, 2010

II. Consolidated first half under review (from April 1, 2011 to September 30, 2011)

1. Dividends paid

(Resolution)	Type of shares	Total dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary shareholders' meeting held on June 21, 2011	Common stocks	1,974	Retained earnings	600	March 31, 2011	June 22, 2011

2. Of dividends with a record date falling in the consolidated first half under review, those with an effective date falling in the second half of this consolidated fiscal year

(Resolution)	Type of shares	Total dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on November 7, 2011	Common stocks	1,974	Retained earnings	600	September 30, 2011	December 5, 2011

(Segment information, etc.)

Segment information

I. Previous consolidated first half (from April 1, 2010 to September 30, 2010)

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

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statement of income (Note 3)
	Leasing	Residential property sales	Total				
Operating revenue							
(1) Operating revenue from third parties	46,156	19,893	66,050	5,997	72,048	—	72,048
(2) Inter-segment internal revenues and transfers	382	—	382	2,059	2,442	(2,442)	—
Total	46,539	19,893	66,433	8,057	74,490	(2,442)	72,048
Total segment profits	15,496	1,539	17,036	498	17,534	(3,148)	14,385

(Note) 1. Other is the business segment that is not included in the reported segments. It includes office building maintenance and air-conditioning services associated with the leasing segment, construction for leasing buildings upon requests from tenants for office renovation, and management of restaurant facilities as incidental facilities of office buildings.

2. Adjustment of ¥3,148 million in segment profits includes elimination of inter-segment transactions of ¥27 million and company-wide expenses of ¥3,121 million which is not allotted to the reported segments. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments.

3. Segment profits are adjustment of operating income reported on consolidated statement of income.

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

Not applicable

II. Consolidated first half under review (from April 1, 2011 to September 30, 2011)

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

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statement of income (Note 3)
	Leasing	Residential property sales	Total				
Operating revenue							
(1) Operating revenue from third parties	45,348	11,164	56,512	7,343	63,856	—	63,856
(2) Inter-segment internal revenues and transfers	376	—	376	2,162	2,538	(2,538)	—
Total	45,724	11,164	56,889	9,505	66,395	(2,538)	63,856
Total segment profits	14,618	748	15,367	1,128	16,495	(3,270)	13,224

(Note) 1. Other is the business segment that is not included in the reported segments. It includes office building maintenance and air-conditioning services associated with the leasing segment, construction for leasing buildings upon requests from tenants for office renovation, and management of restaurant facilities as incidental facilities of office buildings.

2. Adjustment of ¥3,270 million in segment profits includes elimination of inter-segment transactions of ¥52 million and company-wide expenses of ¥3,218 million which is not allotted to the reported segments. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments.

3. Segment profits are adjustment of operating income reported on consolidated statement of income.

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

Not applicable

(Per-share information)

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

	Previous consolidated first half (From April 1, 2010 to September 30, 2010)	Consolidated first half under review (From April 1, 2011 to September 30, 2011)
Net income per share	¥1,836.72	¥1,689.72
(Basis for calculation)		
Net income (million yen)	6,045	5,561
Amount not attributable to common stockholders (million yen)	—	—
Net income relating to common stock (million yen)	6,045	5,561
Average number of shares during the period	3,291,200	3,291,200

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

(Significant subsequent events)

Consolidated second quarter under review (From July 1, 2011 to September 30, 2011)	
(Issue of domestic straight bonds)	
The Company issued domestic straight bonds as described below by resolution approved at a Board of Directors meeting held on September 26, 2011.	
11th series of unsecured bonds (with special agreement on limited equal priority among bonds)	
(1) Issue date	October 28, 2011
(2) Total amount issued	10,000 million yen
(3) Issue price	¥ 99.96 per face value of ¥100
(4) Interest rate	1.12%
(5) Maturity date	September 17, 2021
(6) Use	Repayment of borrowings
12th series of unsecured bonds (with special agreement on limited equal priority among bonds)	
(1) Issue date	October 28, 2011
(2) Total amount issued	5,000 million yen
(3) Issue price	¥99.95 per face value of ¥100
(4) Interest rate	1.99%
(5) Maturity date	September 19, 2031
(6) Use	Repayment of borrowings

2. Other

The Company decided on interim dividends for the current fiscal year at a meeting of the Board of Directors held on November 7, 2011 as follows:

(a) Total amount of interim dividends	1,974 million yen
(b) Amount per share	¥600.00
(c) Effective date of payment requests and first payment date:	December 5, 2011

(Note) Dividends will be paid to shareholders listed or recorded on the shareholder register as of September 30, 2011.

Chapter 2 Information on the Guarantee Company of the Submitting Company

Not applicable.