

*English translation based on Japanese original*

# Quarterly report

(First Quarter of 26th term)

From April 1, 2010 to June 30, 2010

**NTT Urban Development Corporation**

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

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Document submitted	Quarterly report
Applicable law clause	Article 24-4-7, Paragraph 1 of Financial Instruments and Exchange Act
Destination	Director General of the Kanto Finance Bureau
Date of submission	August 5, 2010
Quarterly accounting period	First quarter of 26th term (from April 1, 2010 to June 30, 2010)
Corporate name	NTT Toshi Kaihatsu Kabushiki Kaisha
Corporate name in English	NTT URBAN DEVELOPMENT CORPORATION
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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	25th term Cumulative period for consolidated first quarter	26th term Cumulative period for consolidated first quarter	25th term
Account period	(From April 1, 2009 to June 30, 2009)	(From April 1, 2010 to June 30, 2010)	(From April 1, 2009 to March 31, 2010)
Net Sales (million yen)	32,585	31,927	149,224
Ordinary income (million yen)	5,798	5,745	10,215
Net income (million yen)	3,314	2,761	6,116
Net assets (million yen)	184,861	186,299	185,537
Total assets (million yen)	938,714	901,759	916,725
Net assets per share (yen)	45,414.89	45,820.10	45,646.72
Net income per share (yen)	1,007.17	839.01	1,858.48
Net income per share (fully diluted) (yen)	–	–	–
Ratio of shareholders' equity to assets (%)	15.9	16.7	16.4
Cash flows from operating activities (million yen)	11,128	16,278	35,168
Cash flows from investing activities (million yen)	(7,992)	(11,815)	6,695
Cash flows from financing activities (million yen)	2,380	(12,990)	(30,028)
Cash and cash equivalents at the end of the term (million yen)	14,209	11,979	20,508
Number of employees	666	700	673

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

2. Net sales do not include consumption tax.

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

## 2. Businesses

The NTT Urban Development Group (NTT Urban Development and its affiliates) consists of 12 consolidated subsidiaries and six equity-method affiliates as of the first quarter. The main businesses of the Group are the Leasing business and the Residential Property Sales Business. The Group also engages in other businesses, including the management of office buildings, which are categorized as the Other Business.

NTT Urban Development is a company that engages in the real estate business nationwide in a corporate group whose parent company is NTT which primarily engages in regional communications, long-distance and international communications, mobile communications, and data communications.

There was no significant change in the major items pertaining to each business in the first quarter under review. Change in major affiliates in each business is as follows:

### (1) Leasing Business

No change in major affiliates

### (2) Residential Property Sales Business

No change in major affiliates

### (3) Other Business

Premier REIT Advisors Co., Ltd. became a consolidated subsidiary in May 2010.

## 3. Situations of affiliates

The following companies became affiliates of the submitting company in the first quarter under review:

Name	Address	Capital (Million yen)	Major business	Voting rights ownership percentage	Relations
(Consolidated subsidiary) Premier REIT Advisors Co., Ltd.	Minato-ku, Tokyo	300	Other	53.1	Asset management for REITs Number of Concurrent officers: 4

(Note) In the major business column, the names of segment information are entered.

## 4. Employees

### (1) Group employees

As of June 30, 2010

Number of employees	700 (264)
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(Note) The number of employees is the number of people employed by the consolidated companies (excluding workers on loan transferred out of the consolidated companies and including workers on loan transferred to the consolidated companies). The figure in parenthesis is the average number of temporary employees in the first quarter under review, which is not included in the number of employees.

### (2) Employees of the submitting company

As of June 30, 2010

Number of employees	441 (19)
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(Note) The number of employees is the number of people employed by the Company (excluding workers on loan transferred from the Company and including workers on loan transferred to the Company). The figure in parenthesis is the average number of temporary employees in the first quarter under review, which is not included in the number of employees.

## Section 2 Business situation

### 1. Net sales

The table below shows net sales by business segment in the first quarter under review. Net sales in each segment in the text include inter-segment internal revenues and transfers.

(Million yen)

Business segment	Consolidated first quarter (From April 1, 2010 to June 30, 2010)	Year on year (%)
Leasing Business	23,016	(6.6)
Residential Property Sales Business	7,142	19.7
Total net sales in reported segments	30,159	(1.5)
Other Business	3,090	(0.1)
Eliminations	(1,322)	–
Total	31,927	(2.0)

(Notes) 1. The numbers do not include consumption tax. Net sales 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 sales in the leasing business and residential property sales business, major businesses of the Group:

#### (1) Leasing Business

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

Classification		Previous first quarter (From April 1, 2009 to June 30, 2009)	First quarter under review (From April 1, 2010 to June 30, 2010)
Office/Retail	Sales (million yen)	22,923	21,567
	Rentable area	1,176,617 m <sup>2</sup> (Of the above, sub-leases: 21,374 m <sup>2</sup> )	1,140,147 m <sup>2</sup> (Of the above, sub-leases: 16,326 m <sup>2</sup> )
Residential/Other	Sales (million yen)	1,732	1,449
Total net sales (million yen)		24,655	23,016

(Notes) 1. “Rentable areas” figures are as of June 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	June 2009	September 2009	December 2009	March 2010	June 2010
Central Tokyo (Tokyo 5 wards)	4.8%	4.9%	5.5%	6.5%	4.9%
Nationwide	4.4%	5.0%	4.8%	6.4%	6.2%

(Note) 1. Vacancy rates are as of the end of each month.

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

(2) Residential Property Sales Business

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

(Million yen /Units)

Classification		Previous first quarter (From April 1, 2009 to June 30, 2009)		First quarter under review (From April 1, 2010 to June 30, 2010)	
		Units/Lots	Sales	Units/Lots	Sales
Condominiums					
Units delivered	Tokyo region	31	987	40	1,684
	Other regions	50	1,738	27	966
Completed in inventory		287	—	198	—
Building Lots					
Lots delivered	Tokyo region	1	2,000	3	1,222
	Other regions	77	1,240	111	1,657
Completed in inventory		17	—	48	—
Residential (Condominiums/Building lots)					
Units/Lots delivered	Tokyo region	32	2,987	43	2,906
	Other regions	127	2,978	138	2,623
Completed in inventory		304	—	246	—
Other					
Units/Lots delivered	Tokyo region	—	—	—	—
	Other regions	—	—	1	1,612
Completed in inventory		—	—	—	—
Grand total (Sales)		—	5,966	—	7,142

- (Notes)
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 June of each fiscal year. The condominiums completed in inventories for the previous first quarter and the first quarter under review include 34 units and 40 units, respectively, for which a contract has been completed but ownership has not yet been transferred. The building lots completed in inventories for the first quarter under review include 12 lots, for which a contract has been completed but ownership has not yet been transferred.
  3. Of the building lots delivered in the previous first quarter, four lots (collectively worth ¥2,308 million) were delivered through sales of lands. Of the building lots delivered in the first quarter under review, 104 lots (collectively worth ¥2,580 million) were delivered through sales of lands.
  4. "Other" in the first quarter under review is the sale of a condominium (apartment building).
  5. The Tokyo region includes Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

## 2. Operating risks

In the first quarter 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.

## 3. Significant management contracts

There was no significant management contracts determined or concluded in the first quarter under review.

#### 4. Analysis of financial position, operating results, and cash flows

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

##### (1) Financial results

The Japanese economy continued to face challenging circumstances in the first quarter under review, evidenced by moderate deflation, which caused prices to fall, and high unemployment rates. However, the foundations of a self-sustaining recovery, including an improvement in corporate earnings and a recovery in personal spending, were being laid. The employment situation will remain harsh, but the economy is expected to experience a self-sustaining recovery as corporate earnings continue to improve, backed by improvements in overseas economies.

The office leasing market continued to face difficult circumstances as the average vacancy rate for office buildings in the five wards of central Tokyo rose to the 9% range, and market rents were weak. The condominium sales market is expected to pick up with a recovery in sales in the Tokyo metropolitan area and the progress of inventory adjustments.

In this environment, NTT Urban Development Corporation (the Company) and its subsidiaries (the Group) proceeded steadily with operations, with the goal of achieving sustainable growth while striving to bolster profitability. To create new growth areas, the Group acquired more than half of the issued shares in Premier REIT Advisors Co., Ltd., the asset management company for Premier Investment Corporation, and underwrote a capital increase through private placement by Premier Investment Corporation. As a result, the Company posted an increase in sales in the residential property sales business and a decrease in sales in the leasing business during the first quarter under review. Overall, net sales amounted to ¥31,927 million (down ¥658 million, or 2.0% year on year), operating income was ¥6,981 million (down ¥290 million, or 4.0%), and ordinary income was ¥5,745 million (down ¥53 million, or 0.9%). Net income stood at ¥2,761 million (down ¥553 million, or 16.7%), reflecting the posting of asset retirement obligations for previous years in extraordinary losses.

Net sales by business segment in the first quarter under review are as follows. Net sales in each segment in the text include inter-segment internal revenues and transfers.

##### (i) Leasing Business

In the leasing business, net sales and operating income declined from the year-ago period, reflecting a fall in rent income from pre-existing properties and the effect of the sale of properties in the previous fiscal year, despite rent income from new properties acquired in the first quarter under review and newly acquired properties completed in the fiscal year ended March 31, 2010, including Otemachi 1-Chome Urban Area Redevelopment Project Type 1 (Chiyoda-ku, Tokyo).

Although the average vacancy rate in the market for office buildings was trending upward, the average vacancy rate for office buildings owned by the Group in the five wards of central Tokyo fell from 6.5% at the end of March 2010 to 4.9% at the end of June 2010. The average vacancy rate nationwide decreased from 6.4% at the end of March 2010 to 6.2% at the end of June 2010.

In the new building development business, projects in progress include the Urbannet Shijo-Karasuma Building (Kyoto-shi, Kyoto), the Fukuoka Tenjin Project (tentative name) (Fukuoka-shi, Fukuoka), the Osaka Station North District Phase 1 Development Area Project (Osaka-shi, Osaka), the Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 (Chiyoda-ku, Tokyo), and the Upper-Level Section Redevelopment Project associated with the reconstruction of the Shibaura Water Reclamation Center (Minato-ku, Tokyo). The Sumitomo Corporation Nagoya Building (Nagoya-shi, Aichi) was acquired in the first quarter under review.

As a result of these activities, net sales of ¥23,016 million (down ¥1,639 million, or 6.6%), operating expenses of ¥15,604 million (down ¥742 million, or 4.5%), and operating income of ¥7,412 million (down ¥896 million, or 10.8%) were recorded in the leasing business. The operating income margin ratio declined to 32.2%, from 33.7% for the year-ago period.

(ii) Residential Property Sales Business

With respect to the residential property sales business, a total of 68 condominiums completed in previous fiscal years were delivered in the first quarter under review.

Net sales and operating income rose year on year, reflecting the posting of sales of land and sales of a condominium building using securitization schemes for development through special purpose companies.

As a result, the Company posted net sales of ¥7,142 million (up ¥1,176 million, or 19.7% year on year), operating expenses of ¥6,158 million (up ¥170 million, or 2.8%), and operating income of ¥983 million (operating loss of ¥22 million for the first quarter of the preceding fiscal year).

(iii) Other

Net sales in other business in the first quarter under review were ¥3,090 million (down ¥3 million, or 0.1% year on year), and operating income was ¥182 million (down ¥171 million, or 48.5%).

(2) Qualitative Information on Consolidated Financial Position

1) Consolidated balance sheet

Assets and liabilities at the end of the first quarter under review declined from the end of the previous fiscal year, and net assets rose.

(Assets)

Total assets were ¥901,759 million (down ¥14,965 million from the end of the previous fiscal year).

Current assets were ¥106,332 million (down ¥18,867 million); primarily reflecting a decrease in notes and accounts receivable, trade of ¥12,166 million.

Fixed assets were ¥795,426 million (up ¥3,901 million).

(Liabilities)

Total liabilities were ¥715,459 million (down ¥15,727 million).

Current liabilities were ¥87,036 million (up ¥2,062 million). Major factors included an increase of ¥10,700 million in the current portion of long-term debt and a decrease of ¥4,204 million in accounts payable, trade.

Long-term liabilities were ¥628,423 million (down ¥17,790 million). The main factors included a decrease of ¥19,660 million in long-term debt.

Interest-bearing debt at the end of the fiscal quarter was ¥486,071 million (down ¥10,611 million).

(Net assets)

Net assets were ¥186,299 million (up ¥761 million), reflecting a rise of ¥786 million in retained earnings.

2) Consolidated cash flows

Cash and cash equivalents (hereinafter “cash”) at the end of the first quarter under review declined ¥8,529 million from the end of the previous fiscal year, to ¥11,979 million. Free cash flows in the first quarter under review rose ¥1,326 million from the year-ago level, to ¥4,463 million.

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

Free cash flow = Cash flow from operating activities + Cash flow from investing activities

The following is the situation for each category of cash flow and factors in the situation for the first quarter of the fiscal year:

(Cash flows from operating activities)

Cash provided by operating activities was ¥16,278 million, up ¥5,149 million year on year. Decreases in cash, including a decrease in notes and accounts payable, trade of ¥4,204 million and an increase in inventories of ¥1,342 million, were more than offset by increases in cash including a decrease in notes and accounts receivable, trade of ¥12,344 million, depreciation and amortization of ¥5,925 million, and income before income taxes and minority interests of ¥4,670 million.

(Cash flows from investing activities)

Cash used in investing activities was ¥11,815 million, with outflow increasing ¥3,823 million year on year, reflecting decreases in cash including purchases of property, plant and equipment of ¥9,623 million.

(Cash flows from financing activities)

Cash used in financial activities was ¥12,990 million, with outflow increasing ¥15,371 million year on year from a cash inflow in the previous fiscal year. Increases in cash, including proceeds from long-term borrowings of ¥7,000 million for investments, were more than offset by decreases in cash, including repayments of long-term borrowings of ¥15,960 million, cash dividends paid of ¥1,975 million, and a net decrease in commercial paper of ¥999 million.

(3) Operational and financial challenges to meet

In the first quarter under review, there were no significant changes in challenges facing the Company.

(4) Research and development

Not applicable.

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

Although the vacancy rate ceased to rise in the first quarter under review, net sales and operating income declined year on year in the leasing business, reflecting falls in rents and the effect of the sale of properties in the previous fiscal year. With rents falling, some tenants started to show a willingness to move or expand their leased spaces. However, the average vacancy rate in the market remains high, and the Company will pay attention to the risk of falling sales associated with pressure to cut prices and other factors.

In the residential property sales business, net sales and operating income rose year on year in the first quarter under review, attributable to the sales of land and a condominium building. Despite the progress in inventory adjustments, the condominium sales market was unable to stage a full recovery due to concerns about the worsening of the employment situation. The Company will continue to take steps to reduce inventories by selling properties for sale early and developing business using land it owns. In purchasing new land and properties, the Company will seek to improve profitability by carefully assessing areas and target customers.

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

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

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

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

## Section 3 Facilities

### (1) Situation of significant facilities

The following facility was completed in the first quarter under review.

(NTT Urban Development Corporation)

Name (Location)	Business segment	Main use	Structure	Area (m <sup>2</sup> )		Acquisition price (Million yen)				Completion
				Building	Land	Building, etc.	Land	Other	Total	
Mita Oyamacho Urban Area Redevelopment Project Type 1 (Park Court Azabu-Juban The Tower) (Note) (Minato, Tokyo)	Leasing	Office	Reinforced concrete structure; Partially steel-reinforced concrete structure; 36 floors above ground and 1 below	989	179	135	157	2	295	May 2010

(Note) This facility is a jointly owned property. The area and the acquisition value are presented based on the portion owned by the Company.

### (2) Plans to build and remove facilities

In the first quarter under review, there were no significant changes made in plans to build and remove important facilities at the end of the previous consolidated fiscal year. As described above, Mita Oyamacho Urban Area Redevelopment Project Type 1 that was planned at the end of the previous consolidated fiscal year was completed in May 2010.

## Section 4 Situation of submitting company

### 1. Shares of the Company

#### (1) Total number of shares and other information

##### (i) Total number of shares

Type	Number of shares issuable
Common stocks	10,500,000
Total	10,500,000

##### (ii) Shares issued

Type	Number of shares issued at end of first quarter (June 30, 2010)	Number of shares issued on the date of submission (August 5, 2010)	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	—
Total	3,291,200	3,291,200	—	—

(Note) The number of issued and outstanding shares includes 306,300 shares of an investment in kind (with buildings, etc. of ¥927 million and land (89,492 m<sup>2</sup>) 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 April 1, 2010 to June 30, 2010	—	3,291,200	—	48,760	—	34,109

#### (6) Major shareholders

Since the Company did not receive any copies of reports on large shareholders, it did not obtain any information on changes in large shareholders in the first quarter under review.

(7) Voting rights

Since the Company cannot confirm the contents of the shareholder register as of the end of the first quarter under review, it cannot describe voting rights as of that date. The Company describes voting rights based on the shareholder register as of the latest base date (March 31, 2010) instead.

(i) Shares issued

As of June 30, 2010

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 June 30, 2010

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. Trends in stock price

Highest and lowest stock prices of each month in the first quarter under review (cumulative period)

Month	April 2010	May	June
Highest (yen)	92,000	92,300	80,000
Lowest (yen)	71,200	73,100	69,500

(Note) The highest and lowest stock prices above are those on the First Section of the Tokyo Stock Exchange.

### 3. 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 officers

New titles	New job titles	Former title	Former job titles	Name	Date of change
Senior Director	Deputy Senior Executive Manager, Solution Business Headquarters Senior Executive Manager, Solution Business Department 1 and 2 In charge of Commercial Properties Development Promotion Department and Tokai Branch, Chugoku Branch, Kyushu Branch, Hokkaido Branch Office	Senior Director	In charge of Commercial Properties Development Promotion Department and Tokai Branch, Chugoku Branch, Kyushu Branch, Hokkaido Branch Office	Hideki Tokunaga	July 1, 2010
Senior Director	Senior Executive Manager, Corporate Planning Department	Senior Director	Senior Executive Manager, Corporate Planning Department In charge of Accounting and Finance Department	Takahiro Okuda	July 1, 2010
Senior Director	Senior Executive Manager, Accounting and Finance Department	Senior Director	Deputy Senior Executive Manager, Solution Business Headquarters Senior Executive Manager, Solution Business Department 1 and 2	Satoshi Shinoda	July 1, 2010

## Section 5 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; hereinafter “Regulations for Quarterly Consolidated Financial Statements”).

Consolidated financial statements for the first quarter for the previous year (from April 1, 2009 to June 30, 2009) and for the first cumulative quarter for the previous year (from April 1, 2009 to June 30, 2009) were prepared based on the Regulations for Quarterly Consolidated Financial Statements before the revision. Consolidated financial statements for the first quarter under review (from April 1, 2010 to June 30, 2010) and for the first cumulative quarter under review (from April 1, 2010 to June 30, 2010) were prepared based on the revised Regulations for Quarterly Consolidated Financial Statements.

### 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 first quarter for the previous year (from April 1, 2009 to June 30, 2009) and for the first cumulative quarter for the previous year (from April 1, 2009 to June 30, 2009) have received a quarterly review by KPMG AZSA & Co. The quarterly consolidated financial statements of the Company for the first quarter under review (from April 1, 2010 to June 30, 2010) and for the first cumulative quarter under review (from April 1, 2010 to June 30, 2010) have received a quarterly review by KPMG AZSA LLC.

KPMG AZSA & Co. became KMPG AZSA LLC, a limited liability audit corporation, on July 1, 2010.

# 1. Quarterly financial statements

## (1) Quarterly consolidated balance sheets

(Million yen)

	Consolidated first quarter (June 30, 2010)	Previous consolidated fiscal year (March 31, 2010)
<b>Assets</b>		
<b>Current assets</b>		
Cash and bank deposits	10,053	9,601
Notes and accounts receivable, trade	2,236	14,403
Property for sale	10,831	11,767
Property for sale in progress	71,639	69,622
Uncompleted construction expenditure	404	150
Raw materials and supplies	55	52
Lease investment assets	1,794	1,799
Deposits paid	3,048	12,029
Deferred tax assets	1,567	1,507
Other current assets	4,707	4,272
Less allowance for doubtful receivables	(6)	(6)
<b>Total current assets</b>	<b>106,332</b>	<b>125,200</b>
<b>Fixed assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	675,904	672,971
Accumulated depreciation	(341,424)	(335,910)
<b>Buildings and structures (net)</b>	<b>334,480</b>	<b>337,061</b>
Machinery, equipment and vehicles	13,479	13,480
Accumulated depreciation	(11,190)	(11,062)
<b>Machinery, equipment and vehicles (net)</b>	<b>2,289</b>	<b>2,418</b>
Land	397,319	395,698
Leased assets	726	683
Accumulated depreciation	(512)	(523)
<b>Leased assets (net)</b>	<b>214</b>	<b>160</b>
Construction in progress	8,807	6,624
Other property, plant and equipment	14,047	13,997
Accumulated depreciation	(10,339)	(10,090)
<b>Other property, plant and equipment (net)</b>	<b>3,707</b>	<b>3,907</b>
<b>Total property, plant and equipment</b>	<b>746,817</b>	<b>745,870</b>
<b>Intangible assets</b>	<b>3,472</b>	<b>3,416</b>
<b>Investments and other assets</b>		
Investment securities	20,618	17,535
Long-term prepaid expenses	18,214	18,410
Deferred tax assets	357	332
Other	5,946	5,961
Less allowance for doubtful receivables	(0)	(0)
<b>Total investments and other assets</b>	<b>45,135</b>	<b>42,238</b>
<b>Total fixed assets</b>	<b>795,426</b>	<b>791,525</b>
<b>Total assets</b>	<b>901,759</b>	<b>916,725</b>

(Million yen)

	Consolidated first quarter (June 30, 2010)	Previous consolidated fiscal year (March 31, 2010)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable, trade	2,082	6,287
Lease liabilities	123	130
Current portion of long-term debt (payment within one year)	55,039	44,339
Corporate bonds (must redeem within one year)	2,611	2,861
Commercial paper	3,999	4,999
Accrued income taxes	1,561	607
Provision for loss on warranty	480	553
Other current liabilities	21,137	25,194
<b>Total current liabilities</b>	<b>87,036</b>	<b>84,973</b>
<b>Long-term liabilities</b>		
Corporate bonds	114,916	115,318
Long-term debt	309,503	329,163
Financial lease obligations	204	157
Deposits from tenants	93,022	92,434
Negative goodwill	*1 31,525	*1 32,234
Deferred tax liabilities	70,760	70,854
Accrued employees' retirement benefits	5,753	5,734
Accrued directors' and corporate auditors' retirement benefits	97	88
Provision for loss on warranty	60	60
Other long-term liabilities	2,579	166
<b>Total long-term liabilities</b>	<b>628,423</b>	<b>646,213</b>
<b>Total liabilities</b>	<b>715,459</b>	<b>731,187</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	48,760	48,760
Capital surplus	34,109	34,109
Retained earnings	68,057	67,270
<b>Total shareholders' equity</b>	<b>150,927</b>	<b>150,140</b>
<b>Accumulated gains from revaluation and translation adjustments</b>		
Unrealized gains on available-for-sale securities, net of taxes	(41)	113
Foreign currency translation adjustment	(82)	(21)
<b>Total valuation and translation adjustments</b>	<b>(124)</b>	<b>91</b>
Minority interests	35,496	35,305
<b>Total net assets</b>	<b>186,299</b>	<b>185,537</b>
<b>Total liabilities and net assets</b>	<b>901,759</b>	<b>916,725</b>

(2) Quarterly consolidated statements of income  
(Cumulative period for consolidated first quarter)

(Million yen)

	Cumulative period for previous consolidated first quarter (From April 1, 2009 to June 30, 2009)	Cumulative period for consolidated first quarter under review (From April 1, 2010 to June 30, 2010)
Net sales	32,585	31,927
Cost of sales	21,645	20,875
Gross profit	10,940	11,051
Selling, general and administrative expenses	*1 3,668	*1 4,069
Operating income	7,272	6,981
Non-operating income		
Interest income	15	15
Dividend income	17	26
Contributions	2	77
Amortization of negative goodwill	481	481
Equity in earnings of affiliates	48	60
Other	63	111
Total non-operating income	629	772
Non-operating expense		
Interest expense	2,026	1,983
Other	76	26
Total non-operating expenses	2,103	2,009
Ordinary income	5,798	5,745
Extraordinary income		
Gain on sales of fixed assets	–	204
Total extraordinary income	–	204
Extraordinary losses		
Loss on sales of fixed assets	–	8
Loss on disposals of fixed assets	238	269
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	1,001
Total extraordinary losses	238	1,279
Income before income taxes and minority interests	5,559	4,670
Corporate income taxes	*2 1,906	*2 1,565
Income before minority interests	–	3,104
Minority interests	338	343
Net income	3,314	2,761

## (3) Quarterly consolidated statements of cash flows

	(Million yen)	
	Cumulative period for previous consolidated first quarter (From April 1, 2009 to June 30, 2009)	Cumulative period for consolidated first quarter under review (From April 1, 2010 to June 30, 2010)
Cash flows from operating activities		
Income before income taxes and minority interests	5,559	4,670
Depreciation and amortization	6,344	5,925
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	1,001
Amortization of negative goodwill	(481)	(481)
Amortization of goodwill	32	35
Increase (decrease) in allowance for doubtful receivables	0	(0)
Interest and dividends income	(33)	(42)
Interest expense	2,026	1,983
Equity in earnings of affiliates	(48)	(60)
Loss (gain) on sales of fixed assets	–	(196)
Loss on disposal of fixed assets	238	269
Decrease in notes and accounts receivable, trade	2,242	12,344
Decrease (increase) in inventories	2,969	(1,342)
Decrease in notes and accounts payable, trade	(5,828)	(4,204)
Increase (decrease) in deposits from tenants	2,969	(688)
Other	(2,420)	(588)
Sub-total	13,570	18,625
Interest and dividends received	61	78
Interest paid	(1,770)	(1,866)
Income taxes paid	(733)	(559)
Net cash provided/used by operating activities	11,128	16,278
Cash flows from investing activities		
Purchases of property, plant and equipment	(7,695)	(9,623)
Proceeds from sales of property, plant and equipment	–	1,275
Purchases of investment securities	–	(3,127)
Proceeds from sales of investment securities	514	–
Purchase of investments in subsidiaries resulting in change in scope of consolidation	–	(294)
Other	(810)	(45)
Net cash used in investing activities	(7,992)	(11,815)
Cash flows from financing activities		
Net Decrease in short-term borrowings	(13,798)	–
Net increase (decrease) in commercial paper	5	(999)
Proceeds from long-term borrowings	20,000	7,000
Repayments of long-term borrowings	(1,980)	(15,960)
Proceeds from issuance of corporate bonds	983	–
Payment of redemption of bonds	(402)	(652)
Cash dividends paid	(1,974)	(1,975)
Cash dividends paid to minority shareholders	(389)	(364)
Other	(61)	(37)
Net cash provided/used by financing activities	2,380	(12,990)
Valuation and translation adjustment on cash and cash equivalents	–	(2)
Net increase (decrease) in cash and cash equivalents	5,517	(8,529)
Cash and cash equivalents at the beginning of the term	8,691	20,508
Cash and cash equivalents at the end of the term	*1 14,209	*1 11,979

Change in the basis for preparing quarterly consolidated financial statements

	Consolidated first quarter under review (From April 1, 2010 to June 31, 2010)
1. Change in the scope of consolidation	<p>(1) Change in the scope of consolidation The Company acquired shares in Premier REIT Advisors Co., Ltd. and made it a consolidated subsidiary in the first quarter under review.</p> <p>(2) Number of consolidated subsidiaries after the change 12</p>
2. Change in accounting methods	<p>(1) Application of the Accounting Standards for Asset Retirement Obligations) The Accounting Standards for Asset Retirement Obligations (Accounting Standards Board of Japan (ASBJ) Statement No. 18 on March 31, 2008) and the Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No. 21 on March 31, 2008) were applied from the first quarter under review. As a result of the applications, operating income and ordinary income decreased ¥28 million, and income before income taxes and minority interests declined ¥1,030 million. The amount of change in asset retirement obligations due to the application of these accounting standards was ¥2,428 million.</p> <p>(2) Application of the Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method) The Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16 on March 10, 2008) and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (ASBJ Practical Issues Task Force (PITF) No. 24 on March 10, 2008) were applied from the first quarter under review. The applications do not affect ordinary income or income before income taxes and minority interests.</p> <p>(3) Application of the Accounting Standard for Business Combinations and other standards) The Accounting Standard for Business Combinations (ASBJ Statement No. 21 on December 26, 2008), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 on December 26, 2008), Partial Amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No. 23 on December 26, 2008), Accounting Standard for Business Divestitures (ASBJ Statement No. 7 on December 26, 2008), Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16 on December 26, 2008), and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 on December 26, 2008) were applied from the first quarter under review.</p>

Changes in presentation

	Consolidated first quarter under review (From April 1, 2010 to June 30, 2010)
Change in the presentation method	<p>(Quarterly consolidated statements of income) Under the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 on December 26, 2008), the Company has applied the Cabinet Office Ordinance Partially Revising Regulations on Terminology, Forms and Preparation of Financial Statements (Cabinet Office Ordinance No. 5 on March 24, 2009). As a result, “income before minority interests” is included in the consolidated statements of income for the first quarter under review. (cumulative period)</p>

Application of simplified accounting treatment

	Consolidated first quarter under review (From April 1, 2010 to June 30, 2010)
1. Inventory valuation method	A net sale value is estimated only for inventory assets whose profitability obviously fell, and the book value is reduced accordingly at the end of the quarter.
2. Basis for calculating income taxes, deferred tax assets, and deferred tax liabilities	In the calculation of the amount of income taxes to be paid, taxable additions and subtractions and tax deduction items are limited to important ones. The collectability of deferred tax assets is measured based on the earnings forecast and tax planning used at the end of the previous fiscal year if there is considered to be no significant change in the business environment and occurrence of temporary differences.

Notes

(Quarterly consolidated balance sheet)

Consolidated first quarter (June 30, 2010)	Previous consolidated fiscal year (March 31, 2010)
*1. Negative goodwill is presented as an amount of negative goodwill offset by goodwill. Before the offsetting, goodwill and negative goodwill are ¥2,670 million and ¥34,195 million, respectively.	*1. Negative goodwill is presented as an amount of negative goodwill offset by goodwill. Before the offsetting, goodwill and negative goodwill are ¥2,442 million and ¥34,677 million, respectively.

(Quarterly consolidated statements of income)

Cumulative period for previous consolidated first quarter (From April 1, 2009 to June 30, 2009)	Cumulative period for consolidated first quarter under review (From April 1, 2010 to June 30, 2010)
*1 Major expenses included in selling, general and administrative expenses are as follows: Advertising expenses ¥307 million Salaries, allowances and bonuses ¥1,168 million Employees' retirement benefits ¥84 million Directors' and corporate auditors' retirement benefits ¥6 million Outsourcing ¥541 million Dues and taxes ¥473 million Transfer to allowance for bad debt ¥1 million	*1 Major expenses included in selling, general and administrative expenses are as follows: Advertising expenses ¥228 million Salaries, allowances and bonuses ¥1,219 million Employees' retirement benefits ¥85 million Directors' and corporate auditors' retirement benefits ¥8 million Outsourcing ¥835 million Dues and taxes ¥352 million
*2 Taxes consist of corporate, inhabitant and enterprise taxes, and income tax adjustments.	*2 Same as left

(Quarterly consolidated statements of cash flows)

Cumulative period for previous consolidated first quarter (From April 1, 2009 to June 30, 2009)	Cumulative period for consolidated first quarter under review (From April 1, 2010 to June 30, 2010)
*1 Relationship between cash and cash equivalents at the end of the term and amounts in accounts included in quarterly consolidated balance sheets (as of June 30, 2009) Cash and bank deposits ¥12,844 million Time deposits deposited for more than three months (¥2,223 million) Short-term investments for less than three months included <u>in other current assets</u> ¥3,588 million Cash and cash equivalents ¥14,209 million	*1 Relationship between cash and cash equivalents at the end of the term and amounts in accounts included in quarterly consolidated balance sheets (as of June 30, 2010) Cash and bank deposits ¥10,053 million Time deposits deposited for more than three months (¥2,223 million) Short-term investment for less than three months included in "Deposits paid" in current assets 3,048 million Short-term investments for less than three months included <u>in other current assets</u> ¥1,100 million Cash and cash equivalents ¥11,979 million

(Shareholders' equity)

End of consolidated first quarter under review (June 30, 2010) and cumulative period for consolidated first quarter under review (from April 1, 2010 to June 30, 2010)

1. Type and number of issued shares

Common stocks 3,291,200 shares

2. Dividends

(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

(Segment information)

Segment information by business

Cumulative period for previous consolidated first quarter (from April 1, 2009 to June 30, 2009)

(Million yen)

	Leasing	Residential property sales	Other	Total	Eliminations/Corporate	Consolidated
Sales						
(1) Sales to third parties	24,471	5,966	2,147	32,585	—	32,585
(2) Inter-segment internal revenues and transfers	183	—	946	1,130	(1,130)	—
Total	24,655	5,966	3,094	33,716	(1,130)	32,585
Operating income/loss	8,308	(22)	354	8,640	(1,368)	7,272

(Notes) 1. Operating segments:

Operating segmentation is determined based on operations in each segment.

2. Major products in each segment:

Leasing: Leasing of land and buildings

Residential property sales: Sale of residential land and buildings (condominiums and detached houses)

Other: Contract construction and contracted operation and management of real estate

3. Change in accounting method

Cumulative period for previous consolidated first quarter

(Change in standard for recording amount of completed work and cost of completed work)

The Accounting Standard for Construction Contracts (Accounting Standards Board of Japan Statement No. 15; December 27, 2007) and Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18; December 27, 2007) are applied beginning the first quarter. The effect of the change on the other business was minor.

Information by geographical segment

Cumulative period for previous consolidated first quarter (from April 1, 2009 to June 30, 2009)

Not applicable because there were no consolidated subsidiaries or important branches outside Japan.

Overseas sales

Cumulative period for previous consolidated first quarter (from April 1, 2009 to June 30, 2009)

Not applicable because there were no overseas sales.

## Segment information

### 1. Overview of reported segments

The reported segments of the Company are those units for which separate financial statements can be obtained among the constituent units of the Company and which are regularly examined by the Board of Directors for decisions on the allocation of management resources and for assessing business performance.

The Company has two reported segments: the leasing segment and the residential property sales segment.

In the leasing segment, the Company leases properties, including office buildings, commercial facilities, and rental housing, that it has developed and owns. In the residential property sales segment, the Company sells residential properties, especially condominiums.

### 2. Information on sales and profits or losses by reported segment

Cumulative period for consolidated first quarter under review (from April 1, 2010 to June 30, 2010) (Million yen)

	Reported segments			Other (Note)	Total
	Leasing	Residential property sales	Total		
Sales					
(1) Sales to third parties	22,824	7,142	29,967	1,960	31,927
(2) Inter-segment internal revenues and transfers	192	–	192	1,130	1,322
Total	23,016	7,142	30,159	3,090	33,249
Segment profits	7,412	983	8,395	182	8,578

(Note) 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.

### 3. Total profits or losses in reported segments, difference from the amount posted in first-quarter consolidated statement of income and important details in the difference (Difference adjustment)

(Million yen)

Profit	Amount
Total profit in reported segments	8,395
Profit in Other Business	182
Elimination of inter-segment transactions	(1,322)
Company-wide expenses (Note)	(274)
Operating income in the first-quarter consolidated statement of income	6,981

(Note) Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments.

### 4. Impairment losses in fixed assets or goodwill by reported segment

Not applicable

### (Additional information)

The Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17 on March 27, 2009) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20 on March 21, 2008) were applied from the first quarter under review.

(Financial instruments)

Not applicable because there was no significant change.

(Information on securities)

Consolidated first quarter under review (as of June 30, 2010)

Other securities having fair values have become important in running the businesses of the Group and have changed materially from the end of the previous fiscal year.

(Million yen)

Type	Acquisition cost	Book value	Difference
(1) Shares	936	1,027	91
(2) Bonds			
(i) Government bonds and local bonds	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Other bonds	—	—	—
(3) Other securities	5,040	4,820	(220)
Total	5,976	5,848	(128)

(Rental properties)

Not applicable because there was no significant change.

(Per-share information)

1. Net assets per share

At the end of first quarter (June 30, 2010)	At the end of previous fiscal year (March 31, 2010)
Net assets per share ¥45,820.10	Net assets per share ¥45,646.72

2. Net income per share

Cumulative period for previous consolidated first quarter (From April 1, 2009 to June 30, 2009)	Cumulative period for consolidated first quarter under review (From April 1, 2010 to June 30, 2010)
Net income per share ¥1,007.17	Net income per share ¥839.01
Since there is no potential dilution, diluted net income per share is omitted.	Since there is no potential dilution, diluted net income per share is omitted.

(Note) The table below shows the basis for computing net income per share

	Cumulative period for previous consolidated first quarter (From April 1, 2009 to June 30, 2009)	Cumulative period for consolidated first quarter under review (From April 1, 2010 to June 30, 2010)
Net income (Million yen)	3,314	2,761
Amount not attributable to common stockholders (Million yen)	—	—
Net income relating to common stock (Million yen)	3,314	2,761
Number of shares during the period	3,291,200	3,291,200

(Significant subsequent events)

Not applicable.

2. Other

Not applicable.

**Chapter 2 Information on the guarantee company of the submitting company**

Not applicable.