

*English translation based on Japanese original*

# Quarterly report

(Third Quarter of 26th term)

From October 1, 2010 to December 31, 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	February 4, 2011
Quarterly accounting period	Third quarter of 26th term (from October 1, 2010 to December 31, 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 Consolidated first three quarters	26th term Consolidated first three quarters	25th term Consolidated third quarter	26th term Consolidated third quarter	25th term
Account period	(From April 1, 2009 to December 31, 2009)	(From April 1, 2010 to December 31, 2010)	(From October 1, 2009 to December 31, 2009)	(From October 1, 2010 to December 31, 2010)	(From April 1, 2009 to March 31, 2010)
Net Sales (million yen)	104,199	104,520	36,568	32,471	149,224
Ordinary income (million yen)	7,559	16,921	6,798	5,360	10,215
Net income/loss (million yen)	(2,256)	9,079	3,931	3,034	6,116
Net assets (million yen)	–	–	177,229	190,781	185,537
Total assets (million yen)	–	–	922,229	900,865	916,725
Net assets per share (yen)	–	–	43,112.16	47,239.05	45,646.72
Net income/loss per share (yen)	(685.48)	2,758.82	1,194.57	922.10	1,858.48
Net income per share (fully diluted) (yen)	–	–	–	–	–
Ratio of shareholders' equity to assets (%)	–	–	15.4	17.3	16.4
Cash flows from operating activities (million yen)	30,846	32,618	–	–	35,168
Cash flows from investing activities (million yen)	(14,711)	(22,447)	–	–	6,695
Cash flows from financing activities (million yen)	(11,224)	(20,463)	–	–	(30,028)
Cash and cash equivalents at the end of the term (million yen)	–	–	13,602	10,209	20,508
Number of employees	–	–	683	730	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

In the third quarter under review, there were no significant changes in the major operations managed by the NTT Urban Development Group (the Company and its affiliates). A significant change in a major affiliate is described in “3. Affiliates” below.

## 3. Affiliates

The liquidation of the consolidated subsidiary below was completed in the third quarter under review.

Name	Address	Capital (Million yen)	Major business	Ownership of voting rights in percentage	Relations
(Consolidated subsidiary) UD Fund III Tokutei Mokuteki Kaisha	Chuo-ku, Tokyo	350	Residential property sales	100.0	Development of 1-19-2 Masuishinmachi, Himeji-shi and two other land lots Concurrent officers: –

- (Notes)
1. The liquidation of UD Fund III Tokutei Mokuteki Kaisha was resolved on September 1, 2010 and completed on November 15, 2010.
  2. In the major business column, the names of segment information are entered.

## 4. Employees

### (1) Group employees

As of December 31, 2010

Number of employees	730 (251)
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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 third quarter under review, which is not included in the number of employees.

### (2) Employees of the submitting company

As of December 31, 2010

Number of employees	448 (18)
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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 third 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 third quarter under review. Net sales in each segment in the text include inter-segment internal revenues and transfers.

(Million yen)

Business segment	Consolidated third quarter (From October 1, 2010 to December 31, 2010)	Year on year (%)
Leasing	23,128	94.2
Residential Property Sales	7,132	74.9
Total net sales in reported segments	30,261	88.8
Other	3,412	91.7
Eliminations	(1,201)	–
Total	32,471	88.8

(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 third quarter (From October 1, 2009 to December 31, 2009)	Third quarter under review (From October 1, 2010 to December 31, 2010)
Office/Retail	Sales (million yen)	22,671	21,504
	Rentable area	1,170,552 m <sup>2</sup> (Of the above, sub-leases: 21,159 m <sup>2</sup> )	1,149,394 m <sup>2</sup> (Of the above, sub-leases: 16,326 m <sup>2</sup> )
Residential/Other	Sales (million yen)	1,870	1,623
Total net sales (million yen)		24,541	23,128

(Notes) 1. “Rentable areas” figures are as of December 31.

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	December 2009	March 2010	June 2010	September 2010	December 2010
Central Tokyo (Tokyo 5 wards)	5.5%	6.5%	4.9%	4.1%	3.7%
Nationwide	4.8%	6.4%	6.2%	6.0%	6.4%

(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.

## (2) Residential Property Sales Business

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

Classification		Previous third quarter (From October 1, 2009 to December 31, 2009)		Third quarter under review (From October 1, 2010 to December 31, 2010)	
		Units/Lots	Sales (million yen)	Units/Lots	Sales (million yen)
Condominiums					
Units delivered	Tokyo region	64	1,710	43	2,163
	Other regions	187	6,223	64	1,704
Completed in inventory		297	—	117	—
Building Lots					
Lots delivered	Tokyo region	—	0	0	26
	Other regions	39	1,593	179	2,871
Completed in inventory		94	—	23	—
Residential (Condominiums/Building lots)					
Units/Lots delivered	Tokyo region	64	1,711	43	2,189
	Other regions	226	7,816	243	4,575
Completed in inventory		391	—	140	—
Other					
Units/Lots delivered	Tokyo region	—	—	—	367
	Other regions	—	—	—	—
Completed in inventory		—	—	—	—
Grand total (Sales)		—	9,528	—	7,132

- (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 December of each fiscal year. The condominiums completed in inventories for the previous third quarter and the third quarter under review include 46 units and 29 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 third quarter include 44 lots, for which a contract has been completed but ownership has not yet been transferred.
  3. Of the building lots delivered in the previous third quarter, 7 lots (collectively worth ¥837 million) were delivered through sales of lands. Of the building lots delivered in the third quarter under review, 1 lot (collectively worth ¥456 million) were delivered through sales of lands.
  4. The Tokyo region includes Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

## 2. Operating risks

In the third 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 third 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

During the third quarter under review, the Japanese economy showed some signs of a recovery, including slower falls in industrial produce index, but continued to struggle with moderate deflation and high unemployment rates. The employment situation will remain harsh, and there are risks that could depress the economy, including concerns about declines in overseas economies and fluctuations in exchange rates. Nonetheless, the economy is expected to recover, with the support of government policy and other factors.

In the office leasing market, despite an improvement in the vacancy rate for large office buildings in the five wards of central Tokyo, the average vacancy rate remained high at a little less than 9%, and market rents were weak. The condominium sales market is expected to stage a solid rebound with a recovery in sales, especially in central Tokyo.

In these circumstances, the Company posted net sales of ¥32,471 million (down ¥4,096 million, or 11.2% year on year), operating income of ¥6,850 million (down ¥1,219 million, or 15.1%), and ordinary income of ¥5,360 million (down ¥1,437 million, or 21.1%). Net income stood at ¥3,034 million (down ¥896 million, or 22.8%).

Net sales by business segment in the third 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 existing properties and the effect of the sale of properties in the previous fiscal year, despite rent income from new properties completed or acquired in the first three quarters under review and new properties completed in the fiscal year ended March 31, 2010, including Otemachi 1-Chome Urban Area Redevelopment Project Type 1 (Chiyoda-ku, Tokyo).

With an improvement in the vacancy rate for large office buildings in the five wards of central Tokyo, the average vacancy rate for office buildings owned by the Group in the five wards of central Tokyo fell from 4.1% at the end of September 2010 to 3.7% at the end of December 2010. The average vacancy rate nationwide increased from 6.0% at the end of September 2010 to 6.4% at the end of December 2010.

In the new building development business, projects in progress include 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), Urbannet Kanda Building (Chiyoda-ku, Tokyo) and the Upper-Level Section Redevelopment Project associated with the reconstruction of the Shibaura Water Reclamation Center (Minato-ku, Tokyo). The Urbannet Shijo-Karasuma Building (Kyoto-shi, Kyoto) was completed in the third quarter under review. As a result of these activities, in the third quarter under review, net sales of ¥23,128 million (down ¥1,413 million, or 5.8%), operating expenses of ¥15,655 million (down ¥575 million, or 3.5%), and operating income of ¥7,473 million (down ¥837 million, or 10.1%) were recorded in the leasing business. The operating income margin ratio declined to 32.3%, from 33.9% for the year-ago period.

(ii) Residential Property Sales Business

With respect to the residential property sales business, a total of 108 condominiums were delivered in the third quarter under review, including BELISTA Yuhigaoka (Osaka-shi, Osaka), which was completed in the third quarter, and other properties completed in the third quarter or in previous fiscal years. During this period, the Company began sales of Wellith Tokumaru (Itabashi-ku, Tokyo) and other condominiums. In terms of detached houses, Wellith Court Honfujisawa (Fujisawa-shi, Kanagawa) was sold. With respect to building lot sales, part of the Nagasaki Shintomachi Project (Nagasaki-shi, Nagasaki) was delivered.

With a decrease in the number of units delivered, the Company posted net sales of ¥7,132 million (down ¥2,395 million, or 25.1% year on year) for the third quarter under review. It also recorded operating expenses of ¥6,595 million (down ¥2,017 million, or 23.4%) and operating income of ¥537 million (down ¥378 million, or 41.3%).

(iii) Other

Net sales in other business in the third quarter under review, were ¥3,412 million (fell ¥309 million, or 8.3% year on year), and operating income was ¥329 million (down ¥3 million, or 0.9%).

(2) Qualitative Information on Consolidated Financial Position

1) Consolidated balance sheet

Assets and liabilities at the end of the third quarter under review declined from the end of the previous term. Net assets at the end of the third quarter under review rose from the end of the previous term.

(Assets)

Total assets were ¥900,865 million (down ¥6,728 million from the end of the previous term).

Current assets were ¥105,638 million (down ¥6,278 million), primarily reflecting a decrease of ¥10,355 million in deposits paid.

Fixed assets were ¥795,226 million (down ¥450 million).

(Liabilities)

Total liabilities were ¥710,084 million (down ¥7,782 million).

Current liabilities were ¥80,385 million (down ¥9,630 million). Major factors included a decrease of ¥4,980 million in accounts payable, trade, and a decrease of ¥4,048 million in current portion of long-term debt (payment within one year).

Long-term liabilities were ¥629,699 million (up ¥1,847 million).

Interest-bearing debt at the end of the third quarter under review was ¥481,341 million (down ¥2,367 million).

(Net assets)

Net assets were ¥190,781 million (up ¥1,053 million).

2) Consolidated cash flows

Cash and cash equivalents (hereinafter “cash”) at the end of the third quarter under review declined ¥9,290 million from the end of the previous term, to ¥10,209 million. Free cash flows in the third quarter under review fell ¥7,292 million from the year-ago level, to minus ¥4,561 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 third quarter of the fiscal year:

(Cash flows from operating activities)

Cash used in operating activities was ¥248 million, with outflow increasing ¥7,304 million year on year. Cash inflows, including income before income taxes and minority interests of ¥5,195 million and depreciation and amortization of ¥5,723 million, were more than offset by an increase in inventories of ¥2,642 million, a decrease in notes and accounts payable, trade of ¥4,980 million and other factors.

(Cash flows from investing activities)

Cash used in investing activities was ¥4,312 million, with outflow decreasing ¥12 million year on year, reflecting decreases in cash including purchases of property, plant and equipment of ¥4,619 million.

(Cash flows from financing activities)

Cash used in financing activities was ¥4,729 million, with outflow increasing ¥5,465 million year on year. This result is primarily because proceeds from issuance of corporate bonds of ¥9,994 million and proceeds from long-term borrowings of ¥8,000 million were outweighed by repayments of long-term borrowings of ¥18,960 million and cash dividends paid of ¥1,975 million.

(3) Operational and financial challenges to meet

In the third 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 five wards in central Tokyo, it worsened slightly nationwide in the third quarter under review. In addition, rents fell, and results were affected by the sale of properties in the previous fiscal year. As a result, net sales and operating income declined year on year in the leasing business. 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. The Company will continue to pay attention to the risk of falling sales associated with pressure to cut prices and rises in the vacancy rate.

In the residential property sales business, net sales and operating income fell year on year in the third quarter under review, reflecting a decline in the number of condominiums delivered and other factors. Although consumers are showing growing willingness to purchase condominiums and sales are strong, especially in urban areas, the overall condominium sales market has been unable to stage a full recovery. 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 issuance of corporate bonds and borrowings in the third quarter under review in response to capital needs, including the repayment of borrowings, redemption of bonds, 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 third 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	
(Tentative name) Shijo-Karasuma Building (Urbanet Shijo-Karasuma Building) (Shimogyo-ku, Kyoto)	Leasing	Office	Steel structure; Partially steel-reinforced concrete structure; 7 floors above ground and 1 below	16,088	2,536	6,160	11,622	333	18,116	October 2010

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

In the third quarter under review, there were no significant changes made in plans to build and remove important facilities from the end of the first half of this fiscal year. As described above, Shijo-Karasuma Building (tentative name) that was planned at the end of the previous consolidated fiscal year was completed in October 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 third quarter (December 31, 2010)	Number of shares issued on the date of submission (February 4, 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 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 October 1, 2010 to December 31, 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 third quarter under review.

## (7) Voting rights

Since the Company cannot confirm the contents of the shareholder register as of the end of the third 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 (September 30, 2010) instead.

### (i) Shares issued

As of December 31, 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 December 31, 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 prices

Highest and lowest stock prices of each month in the first three quarters under review

Month	April 2010	May	June	July	August	September	October	November	December
Highest (yen)	92,000	92,300	80,000	74,300	72,100	71,400	79,100	78,000	83,000
Lowest (yen)	71,200	73,100	69,500	66,700	65,200	61,700	67,100	71,000	69,700

(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 third quarter for the previous year (from October 1, 2009 to December 31, 2009) and for the first three quarters for the previous year (from April 1, 2009 to December 31, 2009) were prepared based on the Regulations for Quarterly Consolidated Financial Statements before the revision. Consolidated financial statements for the third quarter under review (from October 1, 2010 to December 31, 2010) and for the first three quarters under review (from April 1, 2010 to December 31, 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 third quarter for the previous year (from October 1, 2009 to December 31, 2009) and for the first three quarters for the previous year (from April 1, 2009 to December 31, 2009) have received a quarterly review by KPMG AZSA & Co. The quarterly consolidated financial statements of the Company for the third quarter under review (from October 1, 2010 to December 31, 2010) and for the first three quarters under review (from April 1, 2010 to December 31, 2010) have received a quarterly review by KPMG AZSA LLC.

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

# 1. Quarterly financial statements

## (1) Quarterly consolidated balance sheet

(Million yen)

	At the end of third quarter (December 31, 2010)	Previous consolidated fiscal year (March 31, 2010)
<b>Assets</b>		
<b>Current assets</b>		
Cash and bank deposits	11,015	9,601
Notes and accounts receivable, trade	4,536	14,403
Property for sale	7,947	11,767
Property for sale in progress	73,020	69,622
Uncompleted construction expenditure	303	150
Raw materials and supplies	47	52
Leased investment assets	2,399	1,799
Deposits paid	367	12,029
Deferred tax assets	1,380	1,507
Other current assets	4,627	4,272
Less allowance for doubtful receivables	(6)	(6)
<b>Total current assets</b>	<b>105,638</b>	<b>125,200</b>
<b>Fixed assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	683,785	672,971
Accumulated depreciation	(350,497)	(335,910)
<b>Buildings and structures (net)</b>	<b>333,288</b>	<b>337,061</b>
Machinery, equipment and vehicles	13,332	13,480
Accumulated depreciation	(11,168)	(11,062)
<b>Machinery, equipment and vehicles (net)</b>	<b>2,163</b>	<b>2,418</b>
Land	339,453	395,698
Leased assets	658	683
Accumulated depreciation	(477)	(523)
<b>Leased assets (net)</b>	<b>180</b>	<b>160</b>
Construction in progress	7,090	6,624
Other property, plant and equipment	14,710	13,997
Accumulated depreciation	(11,164)	(10,090)
<b>Other property, plant and equipment (net)</b>	<b>3,546</b>	<b>3,907</b>
<b>Total property, plant and equipment</b>	<b>745,723</b>	<b>745,870</b>
Intangible assets	3,731	3,416
<b>Investments and other assets</b>		
Investment securities	20,891	17,535
Long-term prepaid expenses	18,165	18,410
Deferred tax assets	364	332
Other	6,351	5,961
Less allowance for doubtful receivables	(0)	(0)
<b>Total investments and other assets</b>	<b>45,772</b>	<b>42,238</b>
<b>Total fixed assets</b>	<b>795,226</b>	<b>791,525</b>
<b>Total assets</b>	<b>900,865</b>	<b>916,725</b>

(Million yen)

	At the end of third quarter (December 31, 2010)	Previous consolidated fiscal year (March 31, 2010)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable, trade	2,814	6,287
Lease liabilities	107	130
Current portion of long-term debt (payment within one year)	50,933	44,339
Corporate bonds (must redeem within one year)	1,611	2,861
Commercial paper	–	4,999
Accrued income taxes	4,695	607
Provision for loss on warranty	–	553
Other current liabilities	20,222	25,194
<b>Total current liabilities</b>	<b>80,385</b>	<b>84,973</b>
<b>Long-term liabilities</b>		
Corporate bonds	124,106	115,318
Long-term debt	304,690	329,163
Financial lease obligations	175	157
Deposits from tenants	91,665	92,434
Negative goodwill	*1 30,633	*1 32,234
Deferred tax liabilities	69,394	70,854
Accrued employees' retirement benefits	6,001	5,734
Accrued directors' and corporate auditors' retirement benefits	111	88
Provision for loss on warranty	60	60
Other long-term liabilities	2,860	166
<b>Total long-term liabilities</b>	<b>629,699</b>	<b>646,213</b>
<b>Total liabilities</b>	<b>710,084</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	72,413	67,270
<b>Total shareholders' equity</b>	<b>155,283</b>	<b>150,140</b>
<b>Accumulated gains from revaluation and translation adjustments</b>		
Unrealized gains on available-for-sale securities, net of taxes	348	113
Foreign currency translation adjustment	(159)	(21)
<b>Total valuation and translation adjustments</b>	<b>189</b>	<b>91</b>
Minority interests	35,308	35,305
<b>Total net assets</b>	<b>190,781</b>	<b>185,537</b>
<b>Total liabilities and net assets</b>	<b>900,865</b>	<b>916,725</b>

(2) Quarterly consolidated statements of income  
(Consolidated first three quarters)

(Million yen)

	Previous consolidated first three quarters (From April 1, 2009 to December 31, 2009)	Consolidated first three quarters under review (From April 1, 2010 to December 31, 2010)
Net sales	104,199	104,520
Cost of sales	80,825	71,248
Gross profit	23,374	33,271
Selling, general and administrative expenses	*1 11,438	*1 12,035
Operating income	11,936	21,236
Non-operating income		
Interest income	49	47
Dividend income	27	36
Contributions	2	111
Amortization of negative goodwill	1,444	1,444
Equity in earnings of affiliates	130	136
Other	366	143
Total non-operating income	2,022	1,920
Non-operating expense		
Interest expense	6,215	5,982
Other	183	252
Total non-operating expenses	6,398	6,235
Ordinary income	7,559	16,921
Extraordinary income		
Gain on sales of fixed assets	226	204
Total extraordinary income	226	204
Extraordinary losses		
Loss on sales of fixed assets	57	8
Loss on disposals of fixed assets	740	560
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	1,001
Total extraordinary losses	798	1,570
Income before income taxes and minority interests	6,987	15,555
Corporate income taxes	*2 8,233	*2 5,370
Income before minority interests	–	10,185
Minority interests	1,010	1,105
Net income/loss	(2,256)	9,079

(Consolidated third quarter)

(Million yen)

	Previous consolidated third quarter (From October 1, 2009 to December 31, 2009)	Consolidated third quarter under review (From October 1, 2010 to December 31, 2010)
Net sales	36,568	32,471
Cost of sales	24,919	21,905
Gross profit	11,649	10,566
Selling, general and administrative expenses	*1 3,578	*1 3,715
Operating income	8,070	6,850
Non-operating income		
Interest income	16	15
Dividend income	10	10
Contributions	0	2
Amortization of negative goodwill	481	481
Equity in earnings of affiliates	58	54
Other	270	11
Total non-operating income	837	575
Non-operating expense		
Interest expense	2,094	2,002
Other	15	62
Total non-operating expenses	2,109	2,065
Ordinary income	6,798	5,360
Extraordinary income		
Gain on sales of fixed assets	175	–
Total extraordinary income	175	–
Extraordinary losses		
Loss on disposals of fixed assets	355	164
Total extraordinary losses	355	164
Income before income taxes and minority interests	6,617	5,195
Corporate income taxes	*2 2,350	*2 1,734
Income before minority interests	–	3,461
Minority interests	335	426
Net income	3,931	3,034

## (3) Quarterly consolidated statement of cash flows

	(Million yen)	
	Previous consolidated first three quarters (From April 1, 2009 to December 31, 2009)	Consolidated first three quarters under review (From April 1, 2010 to December 31, 2010)
Cash flows from operating activities		
Income before income taxes and minority interests	6,987	15,555
Depreciation and amortization	18,933	17,324
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	1,001
Amortization of negative goodwill	(1,444)	(1,444)
Amortization of goodwill	96	106
Decrease in allowance for doubtful receivables	(0)	(0)
Interest and dividends income	(76)	(84)
Interest expense	6,215	5,982
Equity in earnings of affiliates	(130)	(136)
Gain on sales of fixed assets	(168)	(196)
Loss on disposal of fixed assets	740	560
Increase in lease investment assets	(282)	(600)
Decrease in notes and accounts receivable, trade	22	10,045
Decrease in inventories	16,778	260
Decrease in notes and accounts payable, trade	(4,958)	(3,472)
Decrease in deposits from tenants	(1,150)	(1,797)
Other	(823)	(1,978)
Sub-total	40,737	41,125
Interest and dividends received	105	121
Interest paid	(5,919)	(5,856)
Income taxes paid	(4,076)	(2,771)
Net cash provided by operating activities	30,846	32,618
Cash flows from investing activities		
Purchases of property, plant and equipment	(15,688)	(19,625)
Proceeds from sales of property, plant and equipment	1,517	1,275
Purchases of investment securities	(23)	(3,139)
Proceeds from sales of investment securities	516	350
Purchase of investments in subsidiaries resulting in change in scope of consolidation	–	(294)
Other	(1,033)	(1,013)
Net cash used in investing activities	(14,711)	(22,447)
Cash flows from financing activities		
Net decrease in short-term borrowings	(23,798)	–
Decrease in commercial paper	(9,994)	(4,999)
Proceeds from long-term borrowings	35,500	18,000
Repayments of long-term borrowings	(14,519)	(35,879)
Proceeds from issuance of corporate bonds	10,966	9,994
Payment of redemption of bonds	(4,158)	(2,458)
Cash dividends paid	(3,949)	(3,949)
Cash dividends paid to minority shareholders	(1,116)	(1,072)
Other	(154)	(96)
Net cash used in financing activities	(11,224)	(20,463)
Valuation and translation adjustment on cash and cash equivalents	–	(6)
Net increase (decrease) in cash and cash equivalents	4,910	(10,298)
Cash and cash equivalents at the beginning of the term	8,691	20,508
Cash and cash equivalents at the end of the term	* <sup>1</sup> 13,602	* <sup>1</sup> 10,209

Change in the basis for preparing quarterly consolidated financial statements

	Consolidated first three quarters under review (From April 1, 2010 to December 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. The liquidation of UD Fund III Tokutei Mokuteki Kaisha was resolved on September 1, 2010 and completed on November 15, 2010. UD Fund III Tokutei Mokuteki Kaisha was therefore excluded from the scope of consolidation in the third quarter under review.</p> <p>(2) Number of consolidated subsidiaries after the change 11</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 of this fiscal year. As a result of the applications, operating income and ordinary income of the first three quarters under review decreased ¥112 million, and income before income taxes and minority interests declined ¥1,114 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 of this fiscal year. 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 of this fiscal year.</p>

Changes in presentation

Consolidated first three quarters under review (From April 1, 2010 to December 31, 2010)
<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 three quarters under review.</p>

Consolidated third quarter under review (From October 1, 2010 to December 31, 2010)
<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 third quarter under review.</p>

Application of simplified accounting treatment

	Consolidated first three quarters under review (From April 1, 2010 to December 31, 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)

At the end of third quarter (December 31, 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 ¥2,599 million and ¥33,232 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)

Previous consolidated first three quarters (From April 1, 2009 to December 31, 2009)	Consolidated first three quarters under review (From April 1, 2010 to December 31, 2010)
*1 Major expenses included in selling, general and administrative expenses are as follows: Advertising expenses ¥1,399 million Salaries, allowances and bonuses ¥3,517 million Employees' retirement benefits ¥249 million Directors' and corporate auditors' retirement benefits ¥21 million Outsourcing ¥2,056 million Dues and taxes ¥1,059 million Transfer to allowance for bad debt ¥3 million	*1 Major expenses included in selling, general and administrative expenses are as follows: Advertising expenses ¥1,308 million Salaries, allowances and bonuses ¥3,637 million Employees' retirement benefits ¥249 million Directors' and corporate auditors' retirement benefits ¥27 million Outsourcing ¥2,177 million Dues and taxes ¥1,082 million Transfer to allowance for bad debt ¥2 million
*2 Taxes consist of corporate, inhabitant and enterprise taxes, and income tax adjustments.	*2 Taxes consist of corporate, inhabitant and enterprise taxes, and income tax adjustments.

Previous consolidated third quarter (From October 1, 2009 to December 31, 2009)	Consolidated third quarter under review (From October 1, 2010 to December 31, 2010)
*1 Major expenses included in selling, general and administrative expenses are as follows: Advertising expenses ¥368 million Salaries, allowances and bonuses ¥1,196 million Employees' retirement benefits ¥82 million Directors' and corporate auditors' retirement benefits ¥7 million Outsourcing ¥743 million Dues and taxes ¥169 million Transfer to allowance for bad debt ¥1 million	*1 Major expenses included in selling, general and administrative expenses are as follows: Advertising expenses ¥328 million Salaries, allowances and bonuses ¥1,216 million Employees' retirement benefits ¥82 million Directors' and corporate auditors' retirement benefits ¥8 million Outsourcing ¥577 million Dues and taxes ¥393 million Transfer to allowance for bad debt ¥0 million
*2 Taxes consist of corporate, inhabitant and enterprise taxes, and income tax adjustments.	*2 Taxes consist of corporate, inhabitant and enterprise taxes, and income tax adjustments.

## (Quarterly consolidated statement of cash flows)

Previous consolidated first three quarters (From April 1, 2009 to December 31, 2009)		Consolidated first three quarters under review (From April 1, 2010 to December 31, 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 December 31, 2009)	*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 December 31, 2010)
	Cash and bank deposits		Cash and bank deposits
	¥12,231 million		¥11,015 million
	Time deposits deposited for more than three months		Time deposits deposited for more than three months
	(¥2,223 million)		(¥2,273 million)
	Short-term investments for less than three months included <u>in other current assets</u>		Short-term investment for less than three months included in "Deposits paid" in current assets
	¥3,594 million		367 million
	Cash and cash equivalents		Short-term investments for less than three months included <u>in other current assets</u>
	¥13,602 million		¥1,100 million
			Cash and cash equivalents
			¥10,209 million

## (Shareholders' equity)

End of consolidated third quarter under review (December 31, 2010) and consolidated first three quarters under review (from April 1, 2010 to December 31, 2010)

## 1. Type and number of issued shares

Common stocks 3,291,200 shares

## 2. Dividends

## 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
Board of Directors meeting held on November 8, 2010	Common shares	1,974	Retained earnings	600	September 30, 2010	December 3, 2010

(Segment information)

Segment information by business

Previous consolidated third quarter (from October 1, 2009 to December 31, 2009) (Million yen)

	Leasing	Residential property sales	Other	Total	Eliminations/Corporate	Consolidated
Sales						
(1) Sales to third parties	24,351	9,528	2,688	36,568	—	36,568
(2) Inter-segment internal revenues and transfers	190	—	1,033	1,223	(1,223)	—
Total	24,541	9,528	3,721	37,792	(1,223)	36,568
Operating income	8,310	915	332	9,559	(1,488)	8,070

Previous consolidated first three quarters (from April 1, 2009 to December 31, 2009) (Million yen)

	Leasing	Residential property sales	Other	Total	Eliminations/Corporate	Consolidated
Sales						
(1) Sales to third parties	73,625	23,066	7,507	104,199	—	104,199
(2) Inter-segment internal revenues and transfers	566	—	3,064	3,631	(3,631)	—
Total	74,192	23,066	10,572	107,831	(3,631)	104,199
Operating income/loss	25,090	(9,833)	907	16,164	(4,228)	11,936

(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: Contracted construction and contracted operation and management of real estate

3. Change in accounting method

Previous consolidated first three quarters

(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. With the change, operating income rose ¥4 million in the other business.

Information by geographical segment

Previous consolidated third quarter (from October 1, 2009 to December 31, 2009) and previous consolidated first three quarters (from April 1, 2009 to December 31, 2009)

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

Overseas sales

Previous consolidated third quarter (from October 1, 2009 to December 31, 2009) and previous consolidated first three quarters (from April 1, 2009 to December 31, 2009)

Not applicable because there were no overseas sales.

## Segment information

### 1. Overview of reported segments

Consolidated first three quarters under review (from April 1, 2010 to December 31, 2010) and consolidated third quarter under review (from October 1, 2010 to December 31, 2010)

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

Consolidated first three quarters under review (from April 1, 2010 to December 31, 2010)

(Million yen)

	Reported segments			Other (Note)	Total
	Leasing	Residential property sales	Total		
Sales					
(1) Sales to third parties	69,093	27,026	96,120	8,399	104,520
(2) Inter-segment internal revenues and transfers	573	–	573	3,070	3,644
Total	69,667	27,026	96,694	11,470	108,164
Segment profits	22,970	2,076	25,046	827	25,874

Consolidated third quarter under review (from October 1, 2010 to December 31, 2010)

(Million yen)

	Reported segments			Other (Note)	Total
	Leasing	Residential property sales	Total		
Sales					
(1) Sales to third parties	22,937	7,132	30,070	2,401	32,471
(2) Inter-segment internal revenues and transfers	191	–	191	1,010	1,201
Total	23,128	7,132	30,261	3,412	33,673
Segment profits	7,473	537	8,010	329	8,340

(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 the consolidated statement of income and important details in the difference (Difference adjustment)

Consolidated first three quarters under review (from April 1, 2010 to December 31, 2010) (Million yen)

Profit	Amount
Total profit in reported segments	25,046
Profit in Other Business	827
Elimination of inter-segment transactions	(3,644)
Company-wide expenses (Note)	(993)
Operating income in the consolidated statement of income	21,236

Consolidated third quarter under review (from October 1, 2010 to December 31, 2010) (Million yen)

Profit	Amount
Total profit in reported segments	8,010
Profit in Other Business	329
Elimination of inter-segment transactions	(1,201)
Company-wide expenses (Note)	(287)
Operating income in the consolidated statement of income	6,850

(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 of the fiscal year under review.

(Financial instruments)

Not applicable because there was no significant change.

(Information on securities)

End of the consolidated third quarter under review (as of December 31, 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	1,070	134
(2) Bonds			
(i) Government bonds and local bonds	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Other bonds	—	—	—
(3) Other securities	5,040	5,409	369
Total	5,976	6,480	503

(Rental properties)

Not applicable because there was no significant change.

(Per-share information)

1. Net assets per share

At the end of third quarter (December 31, 2010)	At the end of previous fiscal year (March 31, 2010)
Net assets per share ¥47,239.05	Net assets per share ¥45,646.72

2. Net income (loss) per share

Previous consolidated first three quarters (From April 1, 2009 to December 31, 2009)	Consolidated first three quarters under review (From April 1, 2010 to December 31, 2010)
Net loss per share (¥685.48) Since a net loss was posted and the Company does not hold any dilutive securities, diluted net income per share is not disclosed.	Net income per share ¥2,758.82 Since there is no potential dilution, diluted net income per share is omitted.

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

	Previous consolidated first three quarters (From April 1, 2009 to December 31, 2009)	Consolidated first three quarters under review (From April 1, 2010 to December 31, 2010)
Net income (loss) (million yen)	(2,256)	9,079
Amount not attributable to common stockholders (million yen)	—	—
Net income (loss) relating to common stock (million yen)	(2,256)	9,079
Number of shares during the period	3,291,200	3,291,200

Previous consolidated third quarter (From October 1, 2009 to December 31, 2009)	Consolidated third quarter under review (From October 1, 2010 to December 31, 2010)
Net income per share ¥1,194.57 Since there is no potential dilution, diluted net income per share is omitted.	Net income per share ¥922.10 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

	Previous consolidated third quarter (From October 1, 2009 to December 31, 2009)	Consolidated third quarter under review (From October 1, 2010 to December 31, 2010)
Net income (million yen)	3,931	3,034
Amount not attributable to common stockholders (million yen)	—	—
Net income relating to common stock (million yen)	3,931	3,034
Number of shares during the period	3,291,200	3,291,200

(Significant subsequent events)

Not applicable

## 2. Other

A Board of Directors meeting held on November 8, 2010 passed a resolution about interim dividends for the current fiscal year.

Details are as follows:

(i) Total amount of interim dividends: ¥1,974 million

(ii) Dividend per share: ¥600.00

(iii) Effective date of payment requests and start pay date: December 3, 2010

(Note) Dividends will be paid to shareholders listed on the shareholder register as of September 30, 2010.

**Chapter 2 Information on the Guarantee Company of the Submitting Company**

Not applicable.