

The figures for these Financial Statements are prepared in accordance with accounting principles generally accepted in Japan. Accordingly, they do not necessarily match the figures in the Annual Report issued by the Company, which present the same statements in a form that is more familiar to foreign readers through certain reclassifications or summarization of accounts. This English text is a translation of the Japanese original. The original is authoritative.

SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

(Japanese Accounting Standards) For the First Three Quarters of the Year Ending March 31, 2011

February 3, 2011

NTT URBAN DEVELOPMENT CORPORATION

Code Number: 8933

Representative: Masaki Mitsumura, President and Chief Executive Officer

Attn.: Satoshi Shinoda, Senior Director, Senior Executive Manager, Accounting and Finance Department

Tel: +81-3-6811-6424

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Scheduled date for commencing payment of dividend: –

Supplementary documents for quarterly results: Yes

Quarterly results briefing: Yes (for institutional investors and analysts)

Stock Exchange: Tokyo Stock Exchange

URL: <http://www.nttud.co.jp/>

(Note that all amounts have been rounded down to the nearest million yen, unless otherwise specified.)

1. Consolidated Financial Results for the First Three Quarters of the Year Ending March 31, 2011

(April 1, 2010 through December 31, 2010)

(1) Consolidated Results of Operations (cumulative) (Figures in percentages denote the year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2010	104,520	0.3	21,236	77.9	16,921	123.8	9,079	–
Nine months ended December 31, 2009	104,199	0.1	11,936	(54.6)	7,559	(65.7)	(2,256)	–

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
Nine months ended December 31, 2010	2,758.82	–
Nine months ended December 31, 2009	(685.48)	–

(2) Consolidated Financial Position

	Total assets	Net assets	Ratio of shareholders' equity to assets	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2010	900,865	190,781	17.3	47,239.05
As of March 31, 2010	916,725	185,537	16.4	45,646.72

(Reference) Shareholders' equity: As of December 31, 2010: 155,473 million yen
As of March 31, 2010: 150,232 million yen

2. Dividends

	Dividends per share				
	End of the 1st quarter	Interim period end	End of the 3rd quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2010	–	600.00	–	600.00	1,200.00
Year ending March 31, 2011	–	600.00	–		
(Forecast) Year ending March 31, 2011				600.00	1,200.00

(Note) Revision to forecast of dividends during this quarter: No

3. Forecast of Consolidated Financial Results (April 1, 2010 through March 31, 2011)

(Figures in percentages denote the year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Annual	141,000	(5.5)	24,000	48.8	18,000	76.2	9,000	47.1	2,734.56

(Note) Revisions to forecast of consolidated business results during this quarter: No

4. Other (For details, please refer to “Other Information” on page 6 of the accompanying materials.)

(1) Important changes in subsidiaries during this quarter: Not applicable

New: —

Exception: —

(Note) Any changes in specific subsidiaries accompanied by a change in the scope of consolidation during the quarter under review

(2) Application of simplified accounting method and specific accounting treatment: Applicable

(Note) Adoption of simplified accounting methods or accounting methods unique to the preparation of quarterly consolidated financial statements

(3) Changes in accounting principles and procedures and representation method, etc.

(i) Changes due to amendment of accounting standards, etc.: Applicable

(ii) Changes other than (i): Not applicable

(Note) Any changes in accounting principles, procedures, or representation method of the accounting methods for the preparation of quarterly consolidated financial statements included in “Changes in Important Items, Etc. That Are Used as Basic Materials for Preparation of Quarterly Consolidated Financial Statements”

(4) Number of shares outstanding (common stock)

(i) Total number of shares outstanding (including treasury stock) as of the end of each period:

As of December 31, 2010: 3,291,200 shares

As of March 31, 2010: 3,291,200 shares

(ii) Total number of treasury stock as of the end of each period:

As of December 31, 2010: — shares

As of March 31, 2010: — shares

(iii) Average number of issued shares for each period (cumulative period):

As of December 31, 2010: 3,291,200 shares

As of December 31, 2009: 3,291,200 shares

* Status of a quarterly review

The quarterly consolidated financial statements under the Financial Instruments and Exchange Act have been reviewed at the time of the announcement of this financial summary.

* Cautionary note regarding use of the Forecast of Financial Results, and other special notations

Descriptions regarding the future, such as the forecast of financial results herein, are calculated based on the information which is available to the Company as of the date hereof. Please note that actual results may be different due to various factors such as subsequent changes in business environment. For assumptions underlying the forecasts and notes to the forecasts, refer to “(3) Qualitative information on consolidated earnings forecast” of “Qualitative Information on Consolidated Operating Results, etc. for the First Three Quarters” on page 5 of the accompanying materials.

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1. Qualitative Information on Consolidated Operating Results, etc. for the First Three Quarters

(1) Qualitative information on consolidated financial results

During the first three quarters 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 registered a decrease in sales in the leasing business and an increase in sales in the residential property sales business during the first three quarters under review. Overall, net sales amounted to ¥104,520 million (up ¥320 million, or 0.3% year on year), operating income was ¥21,236 million (up 9,300 million, or 77.9%), and ordinary income was ¥16,921 million (up ¥9,361 million or 123.8%). Net income stood at ¥9,079 million (net loss of ¥2,256 million for the year-ago period).

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

Business segment	(Million yen)	
	Previous first nine months (From April 1, 2009 to December 31, 2009)	First nine months under review (From April 1, 2010 to December 31, 2010)
Leasing	74,192	69,667
Residential property sales	23,066	27,026
Total net sales in reported segments	97,258	96,694
Other	10,572	11,470
Eliminations	(3,631)	(3,644)
Total	104,199	104,520

(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.

1) 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 first three quarters under review.

As a result of these activities, in the first three quarters under review, net sales of ¥69,667 million (down ¥4,524 million, or 6.1%), operating expenses of ¥46,697 million (down ¥2,403 million, or 4.9%), and operating income of ¥22,970 million (down ¥2,120 million, or 8.5%) were recorded in the leasing business. The operating income margin ratio declined to 33.0%, from 33.8% for the year-ago period.

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

Classification		Previous first nine months (From April 1, 2009 to December 31, 2009)	First nine months under review (From April 1, 2010 to December 31, 2010)
Office/Retail	Sales	68,610	64,696
	Rentable area	1,170,552 m ² (Of the above, sub-leases: 21,159 m ²)	1,149,394 m ² (Of the above, sub-leases: 16,326 m ²)
Residential/Other	Sales	5,581	4,971
Total net sales		74,192	69,667

(Notes) 1. "Rentable area" 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%

(Notes) 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

With respect to the residential property sales business, a total of 428 condominiums were delivered in the first three quarters under review, including Wellith Takanawa (Minato-ku, Tokyo) and BELISTA Yuhigaoka (Osaka-shi, Osaka), which were completed in the first three quarters, and other properties completed in the first three quarters 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 fall in the number of units delivered offset by a rise in the average sales price, the sale of land and other factors, the Company posted net sales of ¥27,026 million (up ¥3,960 million, or 17.2% year on year) for the first three quarters under review. It also recorded operating expenses of ¥24,950 million (down ¥7,949 million, or 24.2%) and operating income of ¥2,076 million (operating loss of ¥9,833 million for the first three quarters of the preceding fiscal year).

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

Classification			Previous first nine months (From April 1, 2009 to December 31, 2009)		First nine months under review (From April 1, 2010 to December 31, 2010)	
			Units/Lots	Sales (million yen)	Units/Lots	Sales (million yen)
Condominiums						
Units delivered	Tokyo region		209	5,544	307	14,687
	Other regions		286	9,681	121	3,721
Completed in inventories			297	—	117	—
Building Lots						
Lots delivered	Tokyo region		1	2,004	12	1,604
	Other regions		198	5,835	300	4,700
Completed in inventories			94	—	23	—
Residential (Condominiums/Building lots)						
Units/Lots delivered	Tokyo region		210	7,548	319	16,292
	Other regions		484	15,517	421	8,421
Completed in inventories			391	—	140	—
Other						
Units/Lots delivered	Tokyo region		—	—	—	—
	Other regions		—	—	1	2,312
Completed in inventories			—	—	—	—
Grand total (Sales)			—	23,066	—	27,026

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

2. "Completed in inventories" figures are as of the end of December of each fiscal year. The condominiums completed in inventories for the previous first nine months and the first nine months 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 first nine months 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 first nine months, 47 lots (collectively worth ¥5,560 million) were delivered through sales of lands. Of the building lots delivered in the first nine months under review, 111 lots (collectively worth ¥3,092 million) were delivered through sales of lands.

4. "Other" in the first nine months under review includes the sale of a condominium (apartment building).

5. The Tokyo region includes Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

3) Other

Net sales in other business in the first three quarters under review, were ¥11,470 million (rose ¥897 million, or 8.5% year on year), and operating income was ¥827 million (down ¥79 million, or 8.8%).

(2) Qualitative information on consolidated financial position

1) Consolidated balance sheet

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

(Assets)

Total assets were ¥900,865 million (down ¥15,859 million from the end of the previous fiscal year).

Current assets were ¥105,638 million (down ¥19,561 million), primarily reflecting a decrease in notes and accounts receivable, trade of ¥9,866 million.

Fixed assets were ¥795,226 million (up ¥3,701 million).

(Liabilities)

Total liabilities were ¥710,084 million (down ¥21,103 million).

Current liabilities were ¥80,385 million (down ¥4,588 million). Major factors included an increase of ¥6,593 million in the current portion of long-term debt, a decrease of ¥4,999 million in commercial paper and a decrease of ¥3,472 million in accounts payable, trade.

Long-term liabilities were ¥629,699 million (down ¥16,514 million). The main factors included an increase of ¥8,788 million in corporate bonds and a decrease of ¥24,473 million in long-term debt.

Interest-bearing debt at the end of the first three quarters was ¥481,341 million (down ¥15,340 million).

(Net assets)

Net assets were ¥190,781 million (up ¥5,243 million), reflecting a rise of ¥5,143 million in retained earnings and other factors.

2) Consolidated cash flows

Cash and cash equivalents (hereinafter “cash”) at the end of the first three quarters under review declined ¥10,298 million from the end of the previous fiscal year, to ¥10,209 million. Free cash flows in the first three quarters under review fell ¥5,964 million from the year-ago level, to ¥10,171 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 three quarters of the fiscal year:

(Cash flows from operating activities)

Cash provided by operating activities was ¥32,618 million, up ¥1,771 million year on year. Decreases in cash, including interest expense of ¥5,856 million, a decrease in notes and accounts payable, trade of ¥3,472 million, were more than offset by increases in cash including income before income taxes and minority interests of ¥15,555 million, depreciation and amortization of ¥17,324 million, and a decrease in notes and accounts receivable, trade of ¥10,045 million.

(Cash flows from investing activities)

Cash used in investing activities was ¥22,447 million, with outflow increasing ¥7,736 million year on year, reflecting decreases in cash including purchases of property, plant and equipment of ¥19,625 million.

(Cash flows from financing activities)

Cash used in financial activities was ¥20,463 million, with outflow increasing ¥9,238 million year on year from the previous fiscal year. Increases in cash, including proceeds from long-term borrowings of ¥18,000 million and proceeds from issuance of corporate bonds of ¥9,994 million, were more than offset by decreases that included the repayments of long-term borrowings of ¥35,879 million, a decrease in commercial paper of ¥4,999 million, and cash dividends paid of ¥3,949 million.

(3) Qualitative information on consolidated earnings forecast

Results in the first three quarters under review were almost in line with the earnings forecast, and so the consolidated earnings forecast announced on May 12, 2010 has not been changed.

The consolidated earnings forecast for the fiscal year ending March 2011 is as follows:

Consolidated Earnings Forecast for Fiscal Year Ending March 2011 (million yen)

Item	Annual
Net sales	141,000
Operating income	24,000
Ordinary income	18,000
Net income	9,000

Consolidated Segment Forecast for Fiscal Year Ending March 2011 (million yen)

Item	Annual
Net sales	141,000
Leasing	92,700
Residential property sales	38,700
Other	15,000
Eliminations	(5,400)
Operating income	24,000
Leasing	29,100
Residential property sales	500
Other	1,100
Eliminations/Corporate	(6,700)

Although the vacancy rate ceased to rise in the five wards in central Tokyo, it worsened slightly nationwide in the first three quarters 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 rose year on year in the first three quarters under review with a fall in the number of condominium units delivered offset by a rise in the average sales price, the sale of land 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.

(Note) Forward-looking statements in this section are based on judgments of the Group as of the date of the announcement of this summary.

2. Other Information

(1) Important changes in subsidiaries

Not applicable

(2) Application of simplified accounting method and specific accounting treatment

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 first three quarters.

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.

(3) Changes in accounting principles and procedures and the representation method

1) Changes in accounting practices

(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.

(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.

(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.

2) Changes in the method of presentation

(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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	At the end of first three quarters (December 31, 2010)	Previous consolidated fiscal year (March 31, 2010)
Assets		
Current assets		
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)
Total current assets	105,638	125,200
Fixed assets		
Property, plant and equipment		
Buildings and structures	683,785	672,971
Accumulated depreciation	(350,497)	(335,910)
Buildings and structures (net)	333,288	337,061
Machinery, equipment and vehicles	13,332	13,480
Accumulated depreciation	(11,168)	(11,062)
Machinery, equipment and vehicles (net)	2,163	2,418
Land	399,453	395,698
Leased assets	658	683
Accumulated depreciation	(477)	(523)
Leased assets (net)	180	160
Construction in progress	7,090	6,624
Other property, plant and equipment	14,710	13,997
Accumulated depreciation	(11,164)	(10,090)
Other property, plant and equipment (net)	3,546	3,907
Total property, plant and equipment	745,723	745,870
Intangible assets	3,731	3,416
Investments and other assets		
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)
Total investments and other assets	45,772	42,238
Total fixed assets	795,226	791,525
Total assets	900,865	916,725

(Million yen)

	At the end of first three quarters (December 31, 2010)	Previous consolidated fiscal year (March 31, 2010)
Liabilities		
Current liabilities		
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
Total current liabilities	80,385	84,973
Long-term liabilities		
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	30,633	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
Total long-term liabilities	629,699	646,213
Total liabilities	710,084	731,187
Net assets		
Shareholders' equity		
Common stock	48,760	48,760
Capital surplus	34,109	34,109
Retained earnings	72,413	67,270
Total shareholders' equity	155,283	150,140
Accumulated gains from revaluation and translation adjustments		
Unrealized gains on available-for-sale securities, net of taxes	348	113
Foreign currency translation adjustment	(159)	(21)
Total valuation and translation adjustments	189	91
Minority interests	35,308	35,305
Total net assets	190,781	185,537
Total liabilities and net assets	900,865	916,725

(2) 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	11,438	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	8,233	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	3,578	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	2,350	1,734
Income before minority interests	—	3,461
Minority interests	335	426
Net income	3,931	3,034

(3) Consolidated Statements 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	13,602	10,209

(4) Notes regarding the premise of a going concern

Not applicable

(5) Segment information

Segment information by business

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 previous first three quarters. With the change, operating income rose ¥4 million in the other business.

Geographical segment information

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

The Company has not disclosed geographical segment information, since none of the Company's consolidated subsidiaries or important branches are located outside Japan.

Overseas sales

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

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

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

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

(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 first three quarter consolidated statement of income	21,236

(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 this fiscal year.

(6) Note if there is a considerable change to shareholders' equity

Not applicable