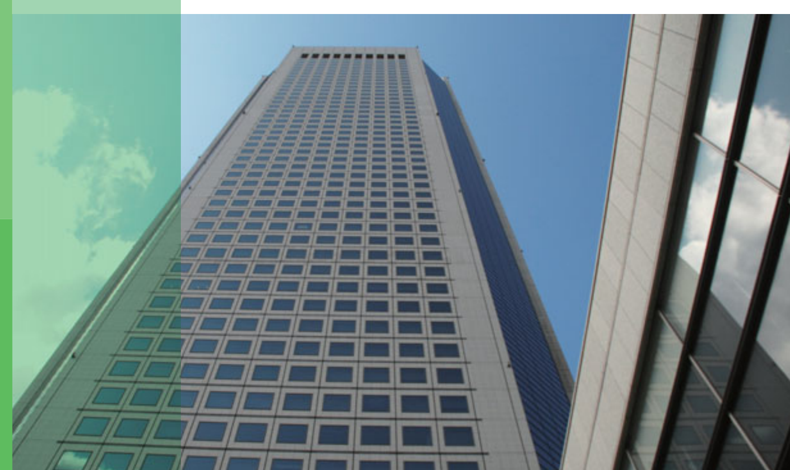
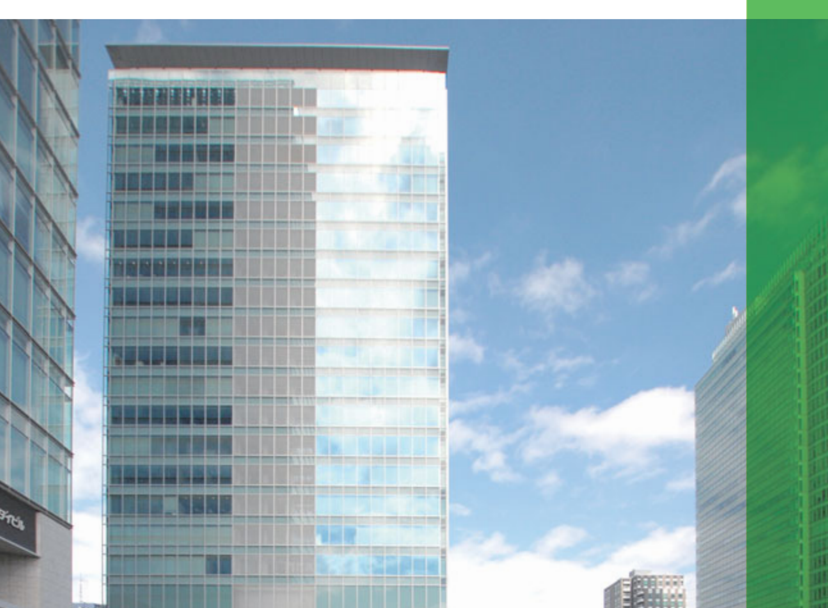
NTT Urban Development Co.

NTT Urban Development Co.
Annual Report 2012
For the year ended March 31, 2012

We build
for the future





Corporate Slogan

We create harmony.

NTT Urban Development pursues its paramount objective of creating harmony among people, living places and the environment.

People create living places, living places stimulate and energize people, and the environment rejuvenates people and provides cityscapes with their backdrop. When these components of the urban setting are harmoniously brought together, NTT Urban Development believes that its mission of creating ideal urban spaces and environments is complete. Leveraging our versatile development philosophy, superior construction standards, and IT infrastructure and other leading-edge technologies, we are committed to creating urban spaces that help people lead comfortable lives.

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Please visit NTT Urban Development's IR Information website:

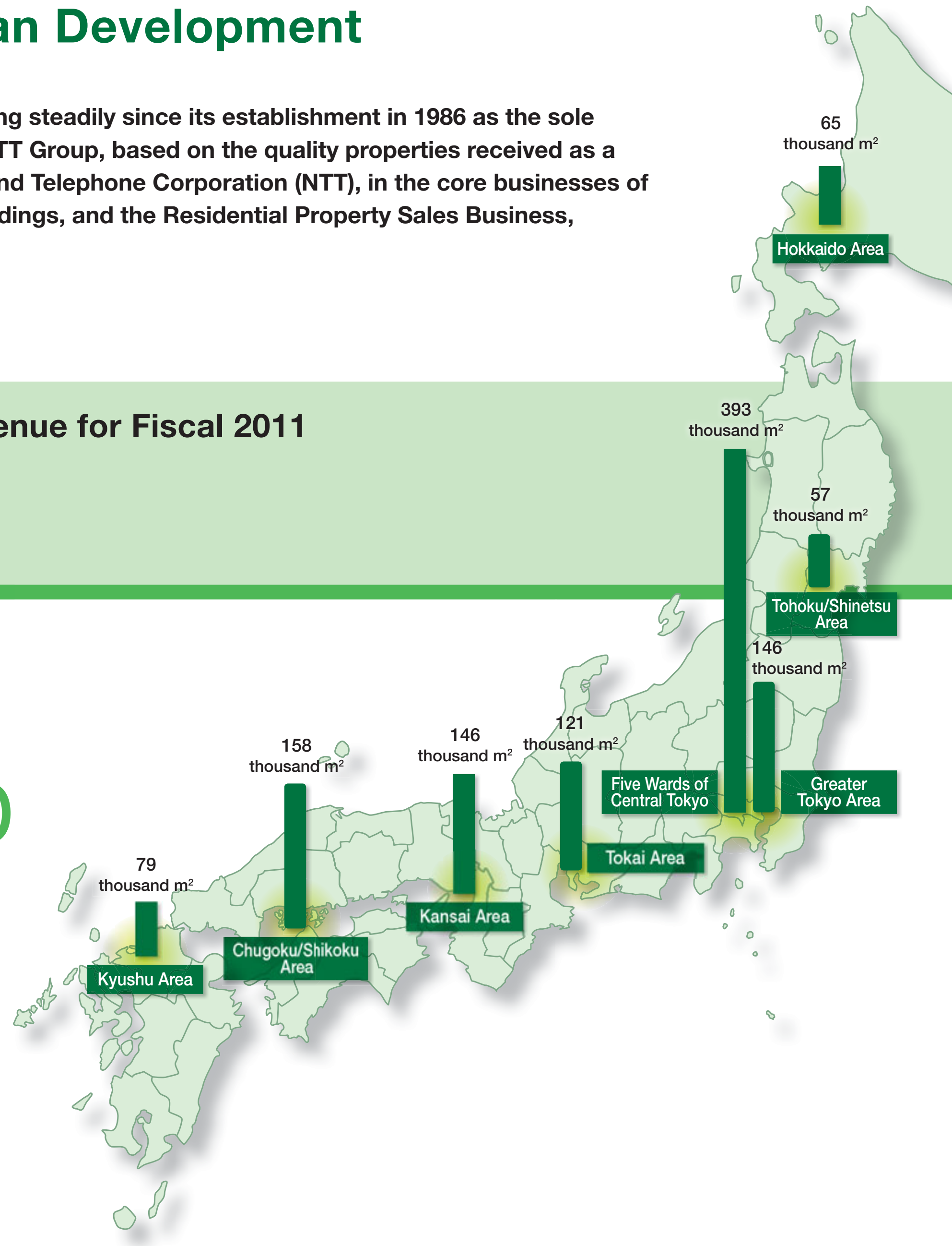
http://ir.nttud.co.jp/english/

NTT Urban Development proactively discloses information to shareholders and investors, including business and financial reports.

Financial results, annual reports and other IR materials are available for download. We look forward to your visit.

Snapshot of NTT Urban Development

NTT Urban Development Co. has been growing steadily since its establishment in 1986 as the sole comprehensive real estate company in the NTT Group, based on the quality properties received as a capital contribution from Nippon Telegraph and Telephone Corporation (NTT), in the core businesses of the Leasing Business, centered on office buildings, and the Residential Property Sales Business, centered on condominiums.



Percentage of Operating Revenue for Fiscal 2011

Leasing Business

63.8%

We develop and own office buildings, commercial facilities and other properties in major cities in Japan, mainly central Tokyo. The quality of the properties and the level of our management services are considered among the highest in the industry. The Leasing Business is our core business, accounting for more than 60% of the operating revenue of the NTT Urban Development Group.

Features of NTT Urban Development

Rentable Floor Space

We have been steadily adding development projects since our foundation to establish a strong revenue base centered on office buildings and commercial facilities.

1,168 thousand m²

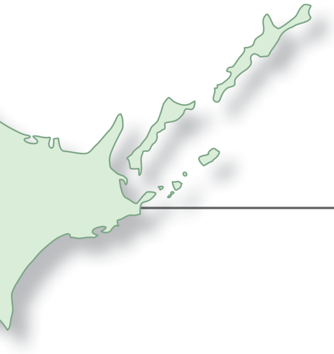
(As of March 31, 2012)

Net Operating Income (NOI)

NOI (Property rent income – Property rental costs + Depreciation expenses (including long-term prepaid expenses)) for the Leasing Business has grown to more than ¥50 billion.

¥54.3 billion

(Year ended March 31, 2012)



A Portfolio Covering All of Japan

Rentable Floor Space by Region

(As of March 31, 2012)

Residential Property Sales Business

20.0%

This business operates the "WELLITH" residential property brand, consisting mostly of condominiums in major metropolitan areas. Positioned as the second core business of the NTT Urban Development Group, it is steadily establishing the brand by offering high-quality housing acquired through office building development.

Other Business

16.3%

Building on the synergies between the two core businesses, we operate a property management business that conducts tenant remodeling and building management, a real-estate fund business including J-REITs and a private fund, and new businesses related to real estate.

Vacancy Rate
(Five Wards of Central Tokyo)

With our superior portfolio and effective leasing activities, the vacancy rate of our properties in the five wards of central Tokyo is considerably lower than the market average.

2.0%

(As of March 31, 2012)

Long-Term Debt Rating

The soundness of our financial position and financial management has been evaluated with a rating at a high level among domestic real estate companies.

Rating and Investment Information, Inc. **A+**

(As of March 31, 2012)

NTT Group

As the sole comprehensive real estate company in the NTT Group, we create a range of synergies and earn a high level of trust with the NTT brand.

Consolidated Financial Highlights

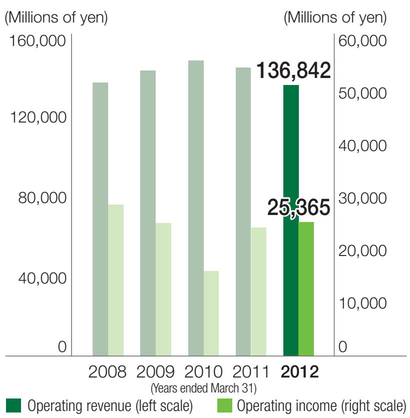
(Years ended March 31, 2010, 2011 and 2012)

- Operating revenue decreased 6.1% year on year to ¥136,842 million due to factors including a decline in rent income from existing properties in the leasing business and a decrease in the number of condominium units delivered in the residential property sales business. Operating income increased 4.3% to ¥25,365 million due to factors including an improved profit margin in the residential property sales business.
- Although interest-bearing debt increased ¥18,025 million from the end of the previous fiscal year, the net debt-to-equity (D/E) ratio improved 0.03 points from a year earlier to 2.42 times.
- The Company increased the annual dividend by ¥200 per share to ¥1,400 per share, considering factors including the income level for fiscal 2011 and its expectation of achieving the operating income target of the NTT Urban Development Group Medium-Term Management Plan 2012.

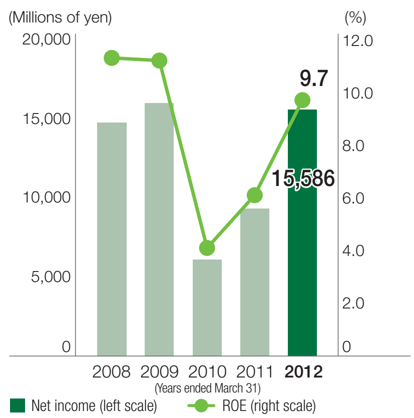
	Millions of yen			% Change
	2010.3	2011.3	**2012.3**	2012.3/2011.3
For the year:				
Operating revenue	¥149,224	¥145,693	**¥136,842**	(6.1)%
Operating income	16,129	24,324	**25,365**	4.3
Net income	6,116	9,307	**15,586**	67.5
At year-end:				
Total assets	916,725	910,492	**928,537**	2.0
Net assets	185,537	190,783	**203,727**	6.8
Interest-bearing debt	496,682	487,780	**505,805**	3.7
Management indicators:				
Net operating income (NOI)[1]	61,480	56,722	**54,318**	(4.2)
Return on equity (ROE) (%)	4.1	6.1	**9.7**	—
Equity ratio (%)	16.4	17.1	**17.9**	—
Net debt-to-equity (D/E) ratio (times)	2.55	2.45	**2.42**	—
Dividend payout ratio (%)	64.6	42.4	**29.6**	—
	Yen			% Change
Per-share data:				
Net assets[2]	¥45,646.72	¥47,257.78	**¥50,441.30**	—
Net income	1,858.48	2,827.98	**4,735.67**	—
Dividends	1,200	1,200	**1,400**	—

Notes: 1. Net operating income (NOI) = Property rent income - Property rental costs + Depreciation expenses (including long-term prepaid expenses)
2. Net assets per share = (Net assets - Share warrants - Minority interests) ÷ Number of shares outstanding at end of period

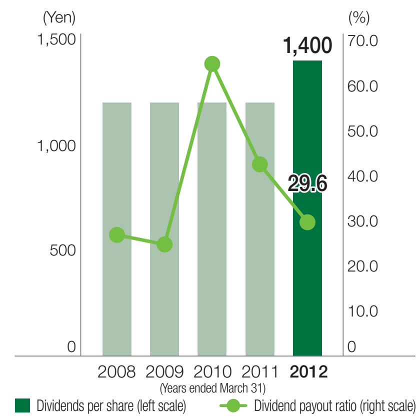
Operating Revenue / Operating Income



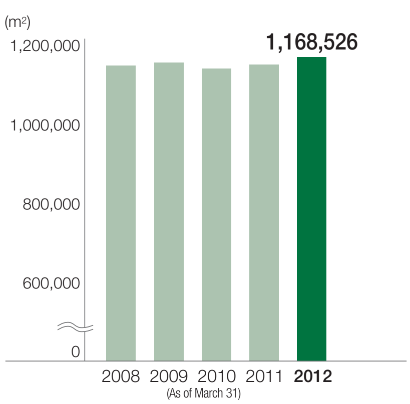
Net Income / ROE



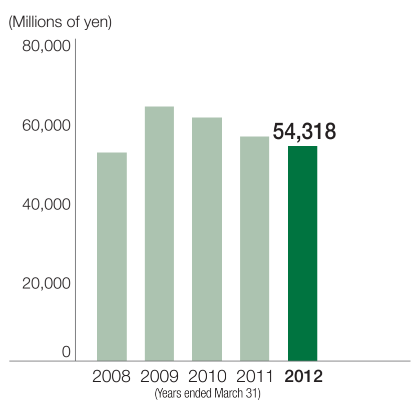
Dividends per Share / Dividend Payout Ratio



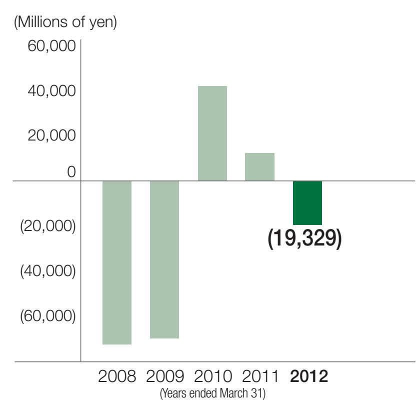
Rentable Floor Space (Offices and Commercial Facilities)



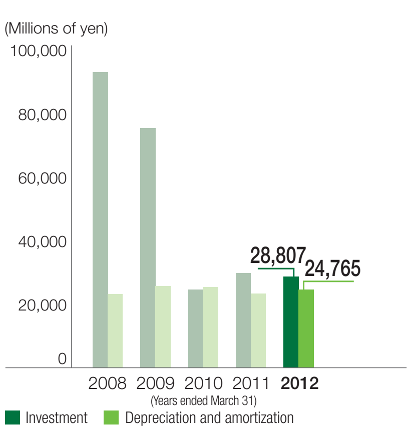
Net Operating Income (NOI)



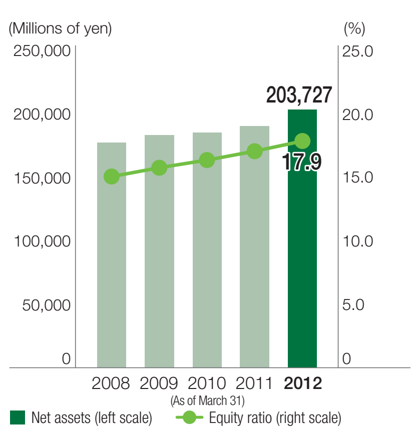
Free Cash Flow



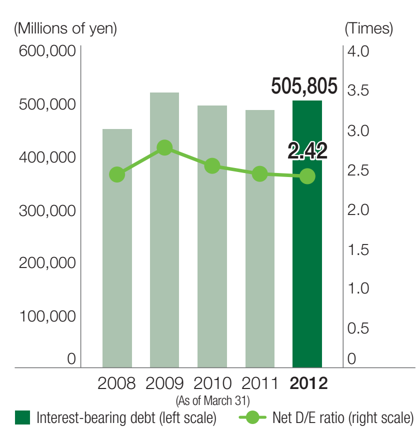
Investment / Depreciation and Amortization



Net Assets / Equity Ratio



Interest-Bearing Debt / Net D/E Ratio



To Our Shareholders

An Interview with the President

Although the business environment remains challenging, we will steadily implement our strategies and devote ourselves to achieving the targets of the NTT Urban Development Group Medium-Term Management Plan 2012.

Masaki Mitsumura
President and Chief Executive Officer

Question 1

The market environment of the real estate business remains challenging. What is your view of future trends?

Answer

While we need to keep a close watch on trends in the substantial new supply of office buildings, we expect conditions to improve steadily for prime properties.

In fiscal 2011, the year ended March 31, 2012, the Japanese economy showed signs of moderate recovery. However, conditions remained challenging due to the impact of the Great East Japan Earthquake and other factors.

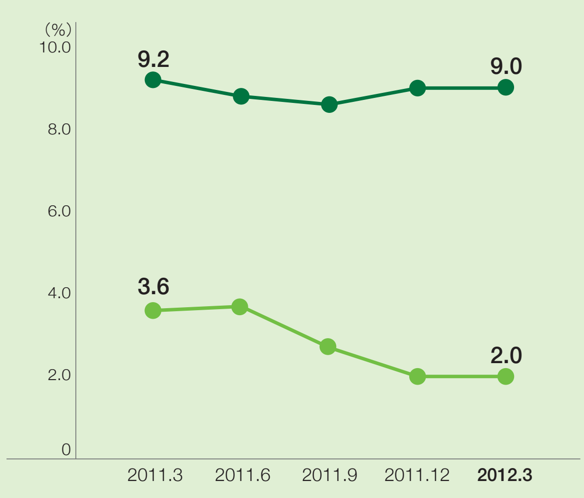
In the office leasing market, average vacancy rates remained high and market rents continued to be weak. However, the vacancy rate of office buildings held by the NTT Urban Development Group improved compared with the previous fiscal year-end because the Group accurately captured office relocation, increased space and other demand, mainly in the five wards of central Tokyo.

In the condominium sales market, sales declined temporarily due to the impact of the Great East Japan Earthquake. However, consumer sentiment remained firm, supported by factors including tax benefits, low interest rates and efforts among developers to stress the concepts of safety and security after the earthquake. Conditions for sales of the Group's condominiums also remained favorable.

In the office leasing market during fiscal 2012, the year ending March 31, 2013, the supply of new office buildings in Greater Tokyo is expected to expand and the outlook for Japan's economy and real estate market remains uncertain due to factors including an economic downturn overseas. Consequently, we believe that rents will require more time to bottom out. However, we believe that the decline in asking rents for new contracts is slowing, primarily at large-scale office buildings in the five wards of central Tokyo, and expect that rents at large-scale office buildings in central Tokyo are likely to bottom out in the second half of fiscal 2012.

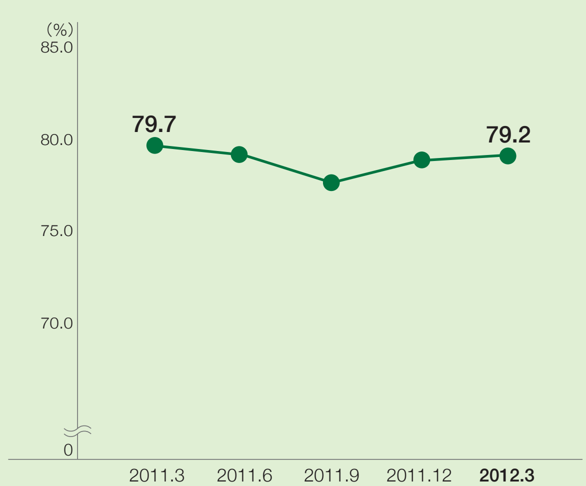
In the condominium sales market, year-on-year growth in the supply of condominiums in Greater Tokyo is expected for calendar 2012 due to factors including the supply lag caused by the earthquake. However, we believe demand will remain firm in an ongoing stable supply-and-demand environment, with favorable factors including tax benefits and low interest rates. Nonetheless, we need to keep a close watch on factors that impact our business such as rising construction costs.

Vacancy Rate in the Five Wards of Central Tokyo



(Source: Miki Shoji Co., Ltd.)

Initial Month Contract Rate for Greater Tokyo Condominiums



(Source: Real Estate Economic Institute Co., Ltd.)

Question 2

The external environment remained unstable in fiscal 2011. What is your assessment of the progress of the NTT Urban Development Group Medium-Term Management Plan 2012 during the fiscal year?

Answer

Operating revenue decreased because of factors including a fall in rent income from existing properties, but income increased because of factors including an improved profit margin in the residential property sales business. We are making steady progress in carrying out the NTT Urban Development Group Medium-Term Management Plan 2012.

Operating revenue for fiscal 2011 decreased 6.1% year on year to ¥136.8 billion due to factors such as lower rent levels in the leasing business and a decrease in condominium units delivered in the residential property sales business. However, operating income increased 4.3% to ¥25.3 billion due to factors including improvement in the profit margin in the residential property sales business. Net income increased 67.5% to ¥15.5 billion, in part because of the impact of the revision of corporate tax rates.

One of the core tenets of the NTT Urban Development Group Medium-Term Management Plan 2012 is restructuring the business base. From that standpoint, steady progress is apparent in each of our businesses.

First, in the leasing business, the Corporate Sales Department, which strengthens leasing to raise the occupancy rate of properties we own, continued to generate substantial results as it did in fiscal 2010. Higher occupancy rates in the five wards of central Tokyo are also contributing to improved profitability at existing properties. Moreover, new development projects are proceeding on schedule, which is building our future revenue base.

Second, in the residential property sales business, the profit margin dropped substantially following the bankruptcy of Lehman Brothers, but has been recovering steadily as we are seeing positive results from acquiring carefully selected condominium sites.

The other core tenet of the plan is pursuing growth in consideration of financial soundness. In that respect, we made steady progress through measures such as acquiring a new property in our international business and commencing a residential land sales business.

As per the above, our efforts during fiscal 2011 showed favorable results, giving us confidence that we can achieve the ultimate targets of the NTT Urban Development Group Medium-Term Management Plan 2012 as we enter its final year in fiscal 2012.

NTT Urban Development Group Medium-Term Management Plan 2012

① Restructuring the Business Base

Leasing Business Building a strong revenue base
- Improve the profitability of existing properties
- Promote investment using development expertise

Residential Property Sales Business Generate stable profits
- Establish the WELLITH brand
- Enhance profitability

② Pursuing Growth in Consideration of Financial Soundness

Applying the expertise developed in core businesses to new fields
- Development and sale of property business, Real-estate fund business, Commercial business, International business, and Solution business

Establishing managerial platform for growth
- Enhance corporate governance, promoting CSR
- Bolster management resources
- Ensure shareholder-oriented management

Financial Targets

	FY2010 (Actual) (Year ended March 31, 2011)	FY2011 (Actual) (Year ended March 31, 2012)	FY2012 (Target) (Year ending March 31, 2013)
Operating income	¥24.3 billion	¥25.3 billion	**¥26.0 billion**
Net D/E ratio[1]	2.45 times	2.42 times	**Between 2.3 and 2.4 times**

1. Net D/E ratio = (Interest-bearing debt – Cash and cash equivalents – Time deposits held for 3 months or longer) ÷ Net assets

Question 3

What direction will the Company take in its initiatives to rebuild the performance of the core leasing business?

Answer

We will work to improve profitability by strengthening tenant relations to maintain or increase occupancy rates and raise rents, and by promoting new development projects.

The vacancy rate for the Group's properties is lower than for the office leasing market, and we have gradually reduced the difference between market rents and our average rent by lowering rents for our buildings. We therefore believe the risk of further rent decreases is small.

However, this is not cause for optimism. We will put priority on accurately setting rents to maintain the occupancy rate while carrying out strategic renewal to raise tenant satisfaction with their buildings and enhancing service to increase satisfaction. Furthermore, we will look at acquiring income-producing properties to secure revenue to compensate for the drop in rent levels due to deterioration in the office leasing market.

In addition, with a view to securing our future revenue base, we will make steady progress in projects currently in development while working to improve profitability. During fiscal 2012, Urbannet Kanda Building was completed in July 2012, and among other projects, we are scheduled to complete Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 Building A [Otemachi Financial City North Tower] in October 2012 and Umekita (Osaka Station North District) Phase 1 Development Area Project [Grand Front Osaka] in March 2013. Urbannet Kanda Building got off to a good start because all floors had contracts in place by the completion of construction.

Main Development Projects

Project Name	Commencement	Completion (Planned)
Urbannet Kanda Building	July 2010	July 2012
Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 Building A [Otemachi Financial City North Tower]	April 2010	October 2012
Kyoto Kiyomizu Project (Tentative Name)	January 2012	Autumn 2012
Umekita (Osaka Station North District) Phase 1 Development Area Project [Grand Front Osaka]	March 2010	March 2013
Imaizumi 1-Chome Building (Tentative Name)	April 2012	Spring 2013
Upper-level Section Redevelopment Project associated with the reconstruction of Shibaura Water Reclamation Center	February 2012	February 2015

Question 4

The profit margin is steadily recovering in the residential property sales business. What factors are driving the recovery and what is the outlook for this business?

Answer

We have succeeded in acquiring carefully selected condominium sites, and will expand the scale of this business against a background of steady penetration for the WELLITH brand.

The profit margin of the residential property sales business contracted temporarily due to the impact of land acquired prior to the bankruptcy of Lehman Brothers. However, the profit margin is steadily improving because we are clearly targeting business areas and customer segments and emphasizing selective purchases premised on product planning tailored to each site and customer needs. During fiscal 2011, operating revenue decreased because of factors including a substantial decrease in condominium units delivered, but operating income increased due to factors including the improved profit margin.

We are steadily strengthening profitability under the NTT Urban Development Group Medium-Term Management Plan 2012. In fiscal 2012, we forecast that operating revenue and operating income will increase because we will deliver approximately 1,000 condominium units.

We will maintain and increase profitability by further addressing concerns about safety, security and high quality brought on by the Great East Japan Earthquake and working to achieve differentiation by providing good residences that will maintain high asset value for a long time. We will also move to increase penetration of the WELLITH brand.

Residential Property Sales Business
Operating Revenue/Operating Income/Operating Income Margin

Question 5

What is the status of new business fields including the real-estate fund business and the international business, which are positioned as new growth drivers?

Answer

In the real-estate fund business, we advised a private fund to sell properties to a J-REIT as an exit strategy. In the international business, we sold our first overseas property, taking our first step in the development and sale of property business.

We are also steadily carrying out measures in pursuing growth in consideration of financial soundness, which is a core tenet of the NTT Urban Development Group Medium-Term Management Plan 2012.

First, in the real-estate fund business, we are participating fully in a J-REIT, and have been targeting business growth throughout a value chain that combines the J-REIT and private funds. During fiscal 2011, as an asset manager, we discussed exit strategies and advised the private NU-5 Fund to sell properties to Premier Investment Corporation. Going forward, we will conduct this business by making maximum use of the unique features of J-REITs and private funds.

In the international business, we acquired our second property in London, U.K. in June 2011. We also sold our first property after adding value to it by raising the occupancy rate and increasing rents. This transaction was symbolic as our first step in the development and sale of property business. In addition, we are steadily expanding the scope of operations in ways such as commencing a residential land sales business in the suburbs of Melbourne, Australia.

Question 6

What is the Group's policy on shareholder returns and increasing shareholder value?

Answer

In addition to our efforts to deliver stable, long-term returns to shareholders, we will increase shareholder value by accelerating initiatives to achieve further growth.

Increasing shareholder value is a key management priority at NTT Urban Development. Based on a long-term approach to management in the real estate business, our basic policy is to achieve stable, long-term distribution of profits while enhancing the internal capital resources necessary to increase corporate value in the future.

Under this policy, we decided to increase the dividend upon comprehensive consideration of the situation. First, our net income rose for fiscal 2011 in association with the introduction in December 2011 of laws relating to a corporate tax rate cut. Second, we will likely achieve operating income of ¥26.0 billion, a financial target in the NTT Urban Development Group Medium-Term Management Plan 2012, in fiscal 2012. Third, we expect that net income will increase proportionally with the corporate tax rate cut from the current fiscal year. We paid an interim dividend of ¥600 per share in December 2011 and a year-end dividend of ¥800 per share. We plan to pay an annual dividend of ¥1,400 yen for fiscal 2012, the same as for fiscal 2011.

We intend to succeed at increasing shareholder value by steadily implementing our management plan to strengthen our business base while accelerating expansion into new fields for future growth.

The Group will devote itself to achieving the targets of the NTT Urban Development Group Medium-Term Management Plan 2012.

I would like to ask our shareholders and investors for their continuing support of our efforts.

Dividends per Share/Dividend Payout Ratio

NTT Urban Development at a Glance

NTT Urban Development is centered on the leasing business and the residential property sales business, which are its core business, and conducts property management for office buildings and other activities through the other business.

Leasing Business

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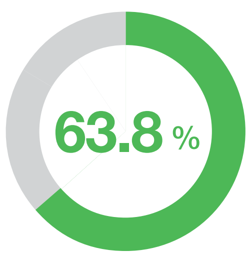
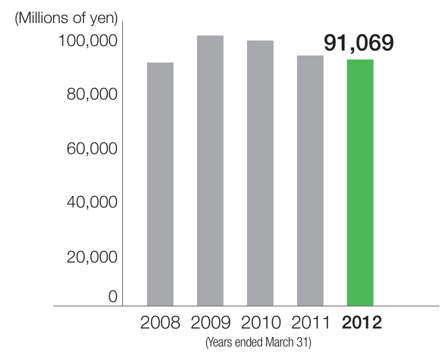
Percentage of Total Operating Revenue



(Year ended March 31, 2012)

Since the foundation of NTT Urban Development, the leasing business has developed, owned and collected rent income from office buildings, commercial facilities, residential housing, and other properties on prime locations in Tokyo, Nagoya, Osaka, Hiroshima, Fukuoka, Sapporo, and other major cities in Japan. As a core business, it serves as a stable earnings base.

Operating Revenue



Residential Property Sales Business

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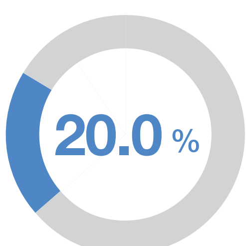
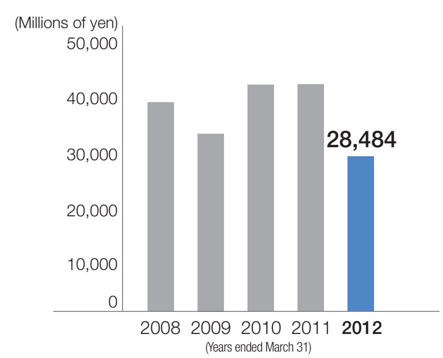
Percentage of Total Operating Revenue



(Year ended March 31, 2012)

The residential property sales business was launched in 2000 and centers on development and sales of condominiums. Led by the mainstay WELLITH brand of condominiums, the business also conducts various location-driven operations, including subdivided sales of building lots and others.

Operating Revenue



Other Business

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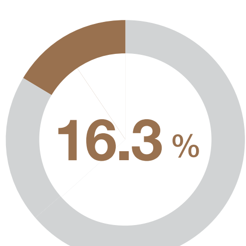
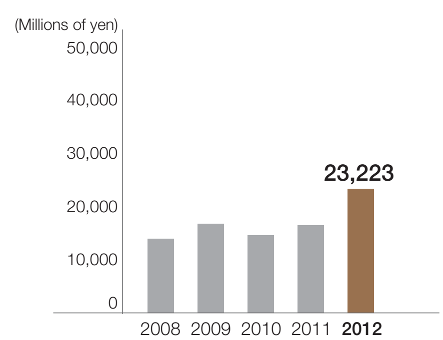
Percentage of Total Operating Revenue



(Year ended March 31, 2012)

This business conducts tenant remodeling, building management and operation of food service facilities that contribute to enhancing the added value of the leasing business. In addition, while promoting the real-estate fund business and solution business as new growth fields, we are working to develop new businesses focused on fields related to the real estate industry.

Operating Revenue



Leasing Business

Both operating revenue and operating income declined, chiefly reflecting a decrease in revenue from existing properties, despite rent income from new properties and other income. On the other hand, we made steady progress at new development projects that will contribute to our future revenue base.

Under the theme of building a strong revenue base, we will continue to concentrate on improving the profitability of existing properties and promoting investment using our development expertise.

Assessment of the Operating Environment

In fiscal 2011, ended March 31, 2012, the market vacancy rate in the five wards of central Tokyo improved to 9.0% as of March 31, 2012 from 9.2% as of March 31, 2011, but remained at a high level. Asking rents for new and existing contracts both trended downward moderately in a market that remained weak overall. The average asking rent per *tsubo* (approximately 3.3m^2) in the five wards of central Tokyo decreased from ¥17,495 as of March 31, 2011 to ¥16,716 as of March 31, 2012.

For fiscal 2012, ending March 31, 2013, due to the sovereign debt crisis in Europe and high crude oil prices, as well as concerns about an economic downturn overseas as a result of these factors, the outlook remains uncertain for Japan's economy and the office leasing market with no sign of a full-scale recovery. In addition, rents will require more time to bottom out and fully recover because of the ongoing completion of large-scale office buildings with total floor space of more than 10,000m^2 in the 23 wards of Tokyo.

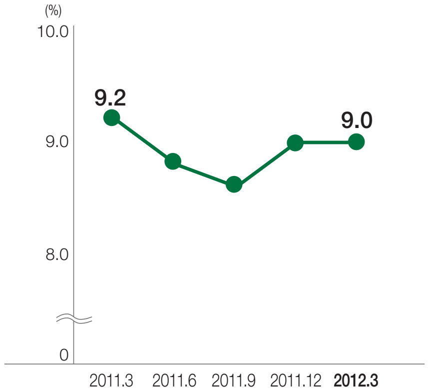
On the other hand, moderate rents at quality large-scale office buildings in central Tokyo have led to demand from companies moving to central Tokyo from peripheral areas and demand for increased space. The downward trend of asking rent for new contracts has therefore abated somewhat, and the Company expects that it will bottom out in the second half of fiscal 2012.

Fiscal 2011 Results

Despite the full-year contribution to rent income from properties including Urbannet Shijo-Karasuma Building (Kyoto-shi, Kyoto), which was completed in fiscal 2010, and additions to rent income from properties completed during fiscal 2011, a decline in rent levels for existing properties resulted in decreases in both operating revenue and operating income.

On the other hand, leasing activities generated steady results. As a result of a focus on improving the vacancy rate, the average vacancy rate of office buildings held by the Group fell from 3.6% at the end of fiscal 2010 to 2.0% at the end of fiscal 2011 in the five wards of central Tokyo, and from 5.7% to 5.4% nationwide.

Vacancy Rate in the Five Wards of Central Tokyo (Market Average)

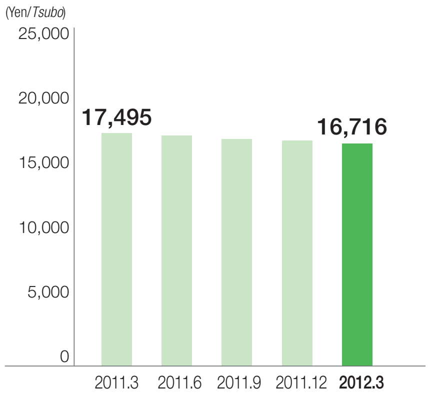


(Source: Miki Shoji Co., Ltd.)

Urbannet Uchihonmachi Building

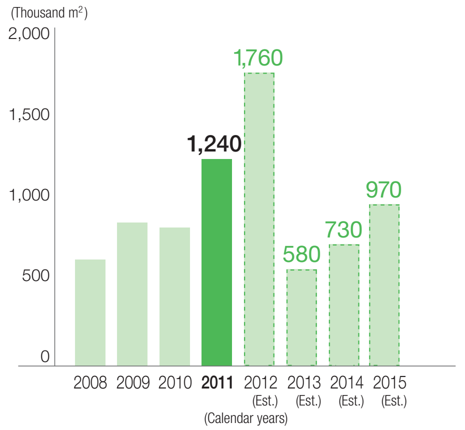
Urbannet Shijo-Karasuma Building

Rental Rate in the Five Wards of Central Tokyo (Market Average)



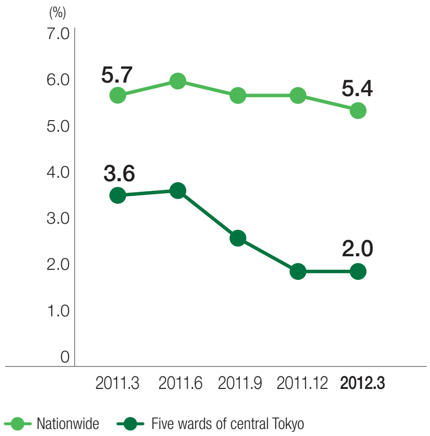
(Source: Miki Shoji Co., Ltd.)

Supply of Large-Scale Offices in the 23 Wards of Tokyo



(Source: MORI TRUST Co., Ltd.)

Vacancy Rate (NTT Urban Development)



Urbannet Kanda Building

Consequently, fiscal 2011 operating revenue in the leasing business decreased 1.7% year on year to ¥91,069 million, operating income decreased 6.0% to ¥27,482 million, and the operating income margin decreased 1.4 points to 30.2%. Nationwide net operating income (NOI) for fiscal 2011 decreased 4.2% year on year to ¥54,318 million. Fair value of rental properties was ¥1,155,467 million. Unrealized gains, or the positive difference between carrying value and fair value, totaled ¥411,528 million.

New building development projects that will form our future revenue base include Urbannet Uchihonmachi Building (Osaka-shi, Osaka), which was completed in June 2011; Urbannet Tenjin Building (Fukuoka-shi, Fukuoka), which was completed in August 2011; and Urbannet Kanda Building (Chiyoda-ku, Tokyo), which was completed in July 2012. Umekita (Osaka Station North District) Phase 1 Development Area Project [Grand Front Osaka] (Osaka-shi, Osaka), Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 Building A [Otemachi Financial City North Tower] (Chiyoda-ku, Tokyo), Upper-level Section Redevelopment Project associated with the reconstruction of Shibaura Water Reclamation Center (Minato-ku, Tokyo), and other development projects are progressing as planned.

Urbannet Tenjin Building

Future Initiatives

The average vacancy rate of properties held by the Group compares favorably with the market average. However, considering concerns including rent decreases for existing contracts and free rent offers for new leasing contracts, the Group will continue to put the highest priority on improving the profitability of existing properties. Specifically, we will enhance our sales and leasing capabilities to maintain or improve occupancy rates; strengthen tenant relations by enhancing tenant services (intangibles); and maintain or increase asset value with investment in strategic renewal.

In addition, we will also steadily move forward with development projects that are under way and work to acquire income-producing properties to cover declines in rent levels due to further deterioration of office leasing market conditions.

Interview with the Director in Charge

Our top priority is maintaining or increasing occupancy rates. We will raise satisfaction with both buildings (tangibles) and services (intangibles).

Yoshiharu Nishimura

Executive Director
Senior Executive Manager,
Building Service Headquarters

Rent levels continue to decline. How do you view future trends in rent levels?

Average rents for office buildings held by the Group have been trending downward due to the deterioration of the leasing market. However, the decrease has slowed and we expect little risk of further decreases in the future.

However, we need to keep a close watch on the market environment because of the large number of new office buildings that are becoming available in 2012. Above all, our immediate priority is securing tenants now and going forward.

In order to do so, we will handle new leasing flexibly in consideration of existing tenant rent levels. In addition, we will work to build better relations with existing tenants by raising satisfaction with both buildings (tangibles) and services (intangibles) through initiatives such as improving operations and strategic renewal based on customer satisfaction surveys and day-to-day tenant relations.

What are NTT Urban Development's competitive advantages in terms of tenant services (intangibles)?

In the current uncertain business environment, not only the quality of buildings (tangibles), but also the quality of services (intangibles) including building operation and management is extremely important from the perspective of keeping existing tenants.

As the sole comprehensive real estate developer in the NTT Group, NTT Urban Development has a background of experience and reliability in providing security and safety, and a track record of doing business in the centers of the major urban areas of Tokyo, Osaka, Nagoya, Fukuoka, Sapporo and Hiroshima. We take a long-term perspective in creating comfortable urban spaces while communicating with the various people who make up those spaces, and are proud of our comprehensive capabilities that range from construction to property management. These advantages, which are not found at other companies, enable collaborative efforts with the NTT Group.

Customer satisfaction surveys conducted during fiscal 2011 in greater Tokyo indicated high regard for NTT Urban Development. We will concentrate on raising the level of our services to increase the level of tenant satisfaction.

Main Development Projects

Major projects that will become our future revenue base are progressing steadily, further contributing to the development of comfortable urban spaces and enabling sustained growth.

A unique characteristic of many of NTT Urban Development's projects is that they do not simply involve the development of buildings, but take the perspective of creating neighborhoods. Such projects scheduled for completion in fiscal 2012, ending March 31, 2013, include Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 Building A [Otemachi Financial City North Tower] and Umekita (Osaka Station North District) Phase 1 Development Area Project [Grand Front Osaka]. We will steadily move forward with these projects to strengthen our business base and generate sustained, stable growth.

Completed in Fiscal 2012

Urbannet Kanda Building

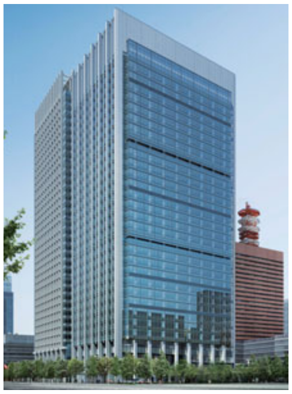
Urbannet Kanda Building creates a new business base and a new Kanda landmark.

The Kanda area is adjacent to Otemachi, Marunouchi and other major business areas in central Tokyo. The Akihabara area has recently undergone development, which also helps to enhance Kanda's potential as a new base for business. NTT Urban Development seeks to leverage that potential fully with Urbannet Kanda Building, which is located at a prime site one minute on foot from Kanda Station. Construction began in July 2010 and was completed in July 2012.

In an area with few high-rises, this 19-floor building stands out, but its design consciously creates a link with the area and tradition. It features reduced environmental impact, highly functional offices, rental meeting rooms, and a site surrounded with open spaces and walkways lined with flowers and trees where you can feel and enjoy the seasons. The building aims to create a space that provides a vibrant and pleasant neighborhood.

With many new large-scale office buildings coming onto the Greater Tokyo market, we strengthened leasing activities. As a result, the building's appealing features attracted solid interest, with all floors under contract by the completion of construction, making it a new landmark near the West Exit of Kanda Station.

Projects to be Completed in Fiscal 2012



Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 Building A [Otemachi Financial City North Tower]

Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 Building A [Otemachi Financial City North Tower] will establish a strategic base for international business.

In the redevelopment business, we completed the first phase of Otemachi 1-Chome Urban Area Redevelopment Project Type 1 in April 2009, and have initiated construction of the second phase. This phase involves a multipurpose commercial and office facility consisting of two buildings, A and B, with ample open space, greenery and other features to create a comfortable and verdant urban environment. The facilities are designed to conserve energy and enhance the environmental friendliness of the property. These and other elements aim to create urban space in the Otemachi area that is an ideal strategic base for international business. The project employs linked urban redevelopment, and has captured the attention of Japan. Urban redevelopment specialist NTT Urban Development is participating in the construction of Building A, which is scheduled for completion in October 2012.

Umekita (Osaka Station North District) Phase 1 Development Area Project [Grand Front Osaka]

Umekita (Osaka Station North District) Phase 1 Development Area Project [Grand Front Osaka] will create a leading transportation and economic center in Kansai.

The Osaka Station North District has been called the last prime parcel in districts throughout Japan. The project to redevelop it aims to help Osaka grow as a gateway to Asia and the world, making it an important project for the development of Kansai as a whole. To transform the site into a neighborhood with new functions appropriate for the gateway to Kansai, construction began in March 2010 on seven of the twenty-four total hectares. Completion is scheduled for March 2013.

The development encompasses a high-grade office building that will be among the largest in Kansai, commercial facilities that will offer quality lifestyles, a world-class hotel and serviced apartments that enhance the hospitality of the area, and residential condominiums that provide a new style of urban living. Thus the project will create a neighborhood with a wide array of urban amenities and support the city of Osaka's future development.

Kyoto Kiyomizu Project (Tentative Name)

Kyoto Kiyomizu Project (tentative name) is a commercial facility that will create new value along the approach to Kiyomizudera Temple, a World Heritage site.

This project is located along the approach to World Heritage site Kiyomizudera Temple in Kyoto, a center of international tourism and culture. The environs feature a neighborhood with a traditional atmosphere that is punctuated by retail establishments unique to Kyoto ranging from long-established shops to newly opened stores. The Kyoto Kiyomizu Project will be a wedding restaurant scheduled for completion in autumn 2012 in this uniquely valuable location. Designed for harmony with the surrounding area, the exterior of the building features pitched roofs.

Our objective for this project is to contribute to the revitalization of Kyoto, along with other Kyoto properties the Company has developed including Shin-Puh-Kan and LAQUE Shijo-Karasuma (Urbannet Shijo-Karasuma Building). Following the completion of construction, Styles Co., Ltd. plans to operate the KIYOMIZU wedding restaurant.

Projects to be Completed in Fiscal 2013 and Beyond

Upper-level Section Redevelopment Project associated with the reconstruction of Shibaura Water Reclamation Center

Upper-level Section Redevelopment Project associated with the reconstruction of Shibaura Water Reclamation Center will achieve ecological performance at Japan's highest standards.

Large-scale redevelopment in the Shinagawa area in Tokyo is moving forward, and with the area's outstanding transportation convenience, further development is expected in the future. Contributing to the area's development as a new international business base, this project using publicly owned land is constructing business and commercial buildings as an ecological model building in the upper-level section of a sewerage system that the Tokyo Metropolitan Bureau of Sewerage will establish below ground.

Encompassing a broad tract of greenery of about 3.5 hectares, the project involves initiatives such as securing wind paths, actively utilizing untapped, natural energy, and taking steps to conserve energy and reduce thermal loading to promote the creation of a sustainable neighborhood through coexistence with the environment. The project also features the use of one of the largest seismically isolated structures in Japan, emergency power generation facilities that can operate for 72 hours, and the ability to supply potable water. It therefore offers excellent disaster preparedness with the aim of being a safe, secure office building that can accommodate people rendered unable to return home in an emergency.

NTT Urban Development is leading this large-scale development project with total floor space exceeding 200,000m^2. Construction began in February 2012 and is scheduled for completion in February 2015.

Imaizumi 1-Chome Building (Tentative Name)

Imaizumi 1-Chome Building (tentative name) will create additional prosperity in the Tenjin area, the leading commercial district in Kyushu.

The Tenjin area of Fukuoka is the leading commercial district in Kyushu and a gateway to Asia. Its numerous stores including large-scale commercial facilities and brand-name outlets make it highly attractive for shoppers.

This project involves a commercial facility that makes maximum use of the Tenjin area's ability to attract customers. The core tenant will be bridal business operator ESCRIT INC., which plans to open its first store in the Kyushu area. In addition, we plan to solicit other stores that will synergistically enhance the prosperity of the surrounding area. Completion is scheduled for spring 2013.

The exterior of the building emphasizes affinity with the neighboring facilities and surroundings with an elegant design that is mindful of the abundant greenery of the adjacent urban oasis, Kego Park. It aims to create a comfortable urban space that creates harmony among people, living places and the environment along with existing adjacent NTT Urban Development properties, including NTT-T Building, Urbannet Tenjin Building (Resola Tenjin) and NTT-KF Building.

Residential Property Sales Business

Although operating revenue decreased because of a decline in the number of units delivered, an improved profit margin resulted in growth in operating income.

In fiscal 2012, ending March 31, 2013, we will steadily commercialize carefully selected sites with the aim of increasing operating revenue and operating income by delivering approximately 1,000 condominium units.

Assessment of the Operating Environment

The supply of new condominiums in Greater Tokyo in calendar 2011 was 44,499 units, essentially unchanged from the previous year despite the temporary drop in sales caused by the Great East Japan Earthquake. Inventories increased 566 units year on year to 6,166 units, but remained at a low level. The initial month contract rate was 77.8%, far exceeding the 70% benchmark for good sales. Thus conditions were favorable despite the impact of the earthquake.

In calendar 2012, the supply of condominium units in Greater Tokyo is forecast to increase compared with the previous year due to factors including the supply lag caused by the earthquake. However, the balance between supply and demand is expected to remain stable, with continuing firm demand due to factors including the post-earthquake emphasis among developers on specifications that enhance security and safety (such as disaster preparedness, disaster reduction, power generation and reserve power), tax benefits and low interest rates.

Fiscal 2011 Results

In fiscal 2011, the residential property sales business delivered a total of 458 condominium units, compared with 717 in the previous fiscal year, at properties completed during fiscal 2011, including WELLITH Tokiwadai and WELLITH Kyoto Shugakuin, and prior fiscal years. Completed units in inventories as of March 31, 2012 totaled 99 units, little changed from 91 units a year earlier. We also delivered a total of 42 detached houses and building lots, compared with 214 for the previous fiscal year, including WELLITH Park Minami-Nagasaki.

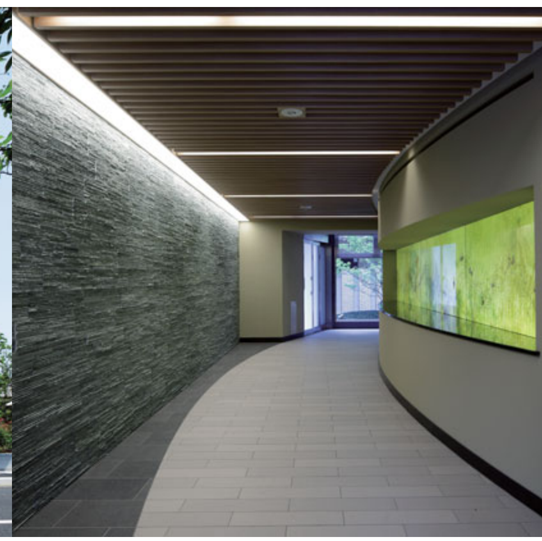
As a result, fiscal 2011 operating revenue in the residential property sales business decreased 31.7% year on year to ¥28,484 million because of the decrease in condominium units and other properties delivered. However, operating income increased 158.0% to ¥1,374 million, due to factors including an improved profit margin for condominium sales. The operating income margin recovered steadily to 4.8% from 1.3% for the previous fiscal year.

Future Initiatives

The profit margin has steadily improved since the bankruptcy of Lehman Brothers because we have been clearly targeting business areas and customer segments and emphasizing selective purchases premised on product planning tailored to each site and customer needs. Although fiscal 2011 operating revenue decreased because of a substantial decrease in the number of units delivered, operating income increased because the profit margin improved.

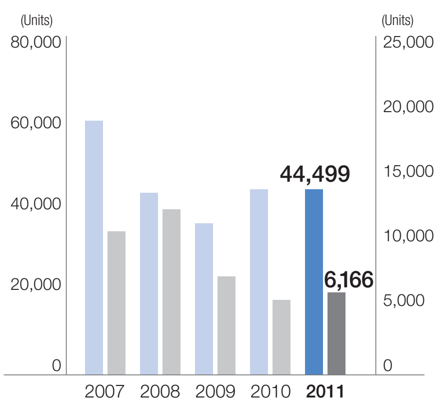
In fiscal 2012, ending March 31, 2013, as a result of the selective purchases mentioned above, we will steadily commercialize sites and plan to deliver approximately 1,000 condominium units. To achieve this plan, we will effectively implement sales promotion measures in collaboration with front-line sales operations and work with a sense of urgency to avoid sales opportunity costs. Moreover, we will use mass media and other channels for proactive advertising activities in working to increase penetration of the WELLITH brand.

WELLITH Tokiwadai



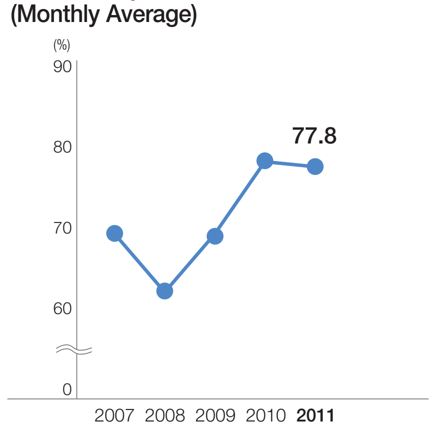
WELLITH Kyoto Shugakuin

Supply of New Condominiums in Greater Tokyo and Inventories of Units for Sale



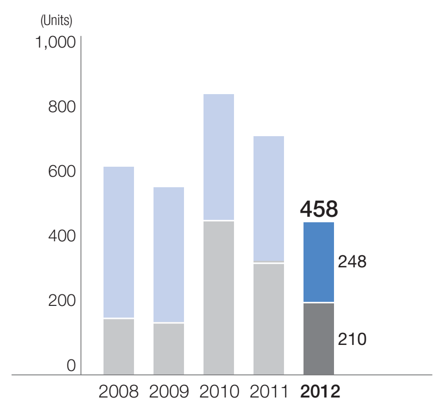
Supply of new condominium units (left scale)
Inventories of units for sale (right scale)
(Source: Real Estate Economic Institute Co., Ltd.)

Initial Month Contract Rate for Greater Tokyo Condominiums (Monthly Average)



(Source: Real Estate Economic Institute Co., Ltd.)

Condominium Units Delivered (NTT Urban Development)



WELLITH
Other than WELLITH
Note: Units are rounded down to the nearest whole number.

Interview with the Director in Charge

We will steadily promote our business based on site purchases that emphasize profit margins as we work to establish the WELLITH brand.

Akiyoshi Kitamura
Senior Director
Senior Executive Manager,
Residential Development Department

The residential property sales business is expected to reach a scale of about 1,000 condominium units delivered during fiscal 2012. What are your thoughts on the future scale of the business?

About half of the approximately 1,000 condominium units we plan to deliver during fiscal 2012 will be in properties developed on sites purchased according to our new investment approach since the bankruptcy of Lehman Brothers. We estimate that we will deliver about 1,000 units as a result of our outlook that development will proceed according to plan.

In fiscal 2013, ending March 31, 2014, and beyond, we intend to deliver about the same number of units annually as we proceed in line with our plan to develop sites purchased according to our new investment approach. However, our target for units delivered is based on the number of units the residential property sales segment must deliver to achieve its earnings targets, not on expanding the scale of units delivered. The NTT Urban Development Group is now examining its entire business portfolio, and the next medium-term management plan will reflect the details of the future structure and scale of the residential property sales business based on long-term goals the Group sets.

Our policy of selectively purchasing sites by setting targets for project profit margins will not change. We will make every effort to negotiate fair prices for the sites we acquire. When bidding, our offers will be premised on firm adherence to securing our segment profit targets after thorough review of area market prices and site characteristics.

Our policy for precluding sales risk involves a geographic balance in which 60% to 70% of our projects are in Greater Tokyo, 20% to 30% are in the Kansai region, and 10% are in other areas.

WELLITH

Brand Message

WELLITH = Sensible Quality

Well (comfort) + With (together) = WELLITH
(living together in comfort)

We aim to provide superior residences of distinctive quality that customers will live in comfortably.

Other Business

Application of the percentage-of-completion method to a large-scale project resulted in substantial growth in operating revenue and operating income.

New growth drivers, including the real-estate fund business, made steady progress as we strengthened the revenue base for the future.

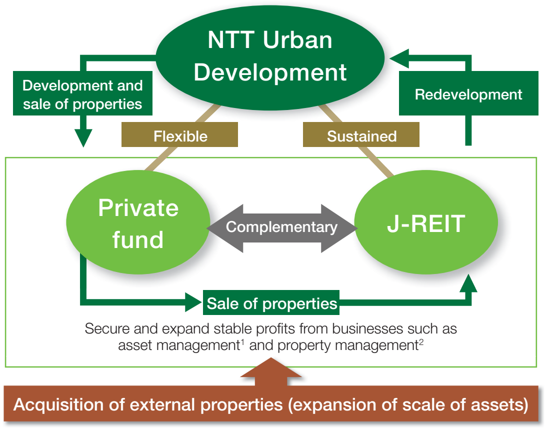
Fiscal 2011 Results and Future Initiatives

Operating revenue in the other business in fiscal 2011 increased 41.8% year on year to ¥23,223 million due to factors including operating revenue recognized as a result of application of the percentage-of-completion method for Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 Building A [Otemachi Financial City North Tower]. Operating income increased 154.9% to ¥3,090 million.

We aim to steadily increase floor space under management while energetically undertaking office remodeling and other work at the request of tenants.

In addition, in the real-estate fund business, we will promote business growth throughout a value chain that combines the J-REIT and private funds. During fiscal 2011, as an asset manager, we discussed exit strategies and advised the private NU-5 Fund to sell properties to Premier Investment Corporation.

J-REIT Participation Creates a Real Estate Value Chain



1. Income from acquiring, managing and selling assets
2. Income from serving tenants and operating properties

Steady Progress in the International Business

The international business is a growth area. The Group purchased its second office building in London, U.K. in June 2011, and also sold its first office building, purchased in October 2009, after increasing the property's value by raising the occupancy rate and increasing rents. These and other initiatives represent the Group's first steps in the development and sale of property business. In addition, we commenced a residential land sales business in the suburbs of Melbourne, Australia. We will make steady progress in the international business, which is a new growth driver.

1 King William Street, the second office building we acquired in London, U.K.

Principal Portfolio Properties

Office Buildings

Many of NTT Urban Development's properties are in prime locations suitable to conducting business. Completed after 1986, they are equipped with the latest air conditioning, security systems, information and communication infrastructure and other facilities, providing functional and comfortable office spaces complementing the creative atmosphere of business.

Photo by Kokyu Miwa Architectural Photography

Photo by Nacasa & Partners

Photo by Kaneaki Monma

Photo by Kawasumi Architectural Photograph Office

Photo by Kurumata Photography Office

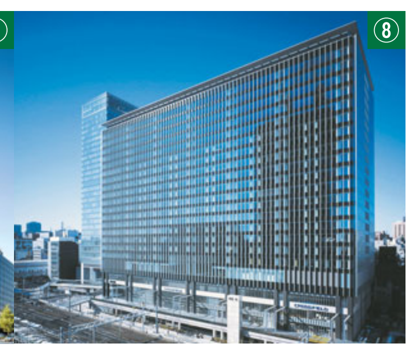


Photo by Forward Stroke

① Urbannet Otemachi Building

A base for business on the global stage, featuring 3,250m² of pillar-free floor space on each floor

- Location: Chiyoda-ku, Tokyo
- Footprint: 9,361m²; Floor space: 117,618m²
- Size: 22 floors above ground, five below
- Completed: June 1990
- Awards: '91 Illuminating Engineering Institute of Japan Award for Outstanding Lighting (Lighting Facilities Merit Award)
  '91 Japanese Society of Commercial Space Designers Awards (Merit Award)
  '91 Japan Sign Design Association (SDA) Awards (System Division Award)
  '92 Building Contractors Society (BCS) Award

② Otemachi First Square

Intelligent offices appropriate for the multimedia era — the Otemachi district's first twin tower, designed for maximum amenity

- Location: Chiyoda-ku, Tokyo
- Footprint: 6,236m²; Floor space: 54,284m² (Portion owned by NTT Urban Development)
- Size: 23 floors above ground, five below (West Tower);
  Size: 23 floors above ground, four below (East Tower)
- Completed: February 1992 (West Tower); May 1997 (East Tower)
- Awards: '97 Fire and Disaster Management Agency Secretary Prize for Fire Fighting and Disaster Preparedness System
  '98 Illuminating Engineering Society of North America's International Lighting Design Awards (Special Award for Outdoor Lighting)
  '98 Japan Sign Design Association (SDA) Awards (Second-place Prize, District Design Prize)

③ JA Building, Keidanren Kaikan (Otemachi 1-Chome Urban Area Redevelopment Project Type 1)

The first of the Otemachi linked urban redevelopment projects is designed to revitalize the Otemachi area as an energetic base for international business.

- Location: Chiyoda-ku, Tokyo
- Footprint: 1,506m² (Portion owned by NTT Urban Development; total of JA Building and Keidanren Kaikan); Floor space: 26,517m² (Portion owned by NTT Urban Development; total of JA Building and Keidanren Kaikan)
- Completed: April 2009

JA Building
- Size: 37 floors above ground, three below

Keidanren Kaikan
- Size: 23 floors above ground, four below

④ Tokyo Opera City

A dynamic "theater city" unparalleled anywhere in the world, this complex combines cultural facilities with a business zone

- Location: Shinjuku-ku, Tokyo
- Footprint: 3,831m² (Portion owned by NTT Urban Development); Floor space: 33,086m² (Portion owned by NTT Urban Development)
- Size: 54 floors above ground, four below
- Completed: July 1996
- Awards: '00 Building Contractors Society (BCS) Awards (Special Prize)
  '00 Japan Association for Real Estate Sciences Business Performance Award

⑤ Seavans N Building

An intelligent building with the NTT Group's most advanced technologies that respond to sophisticated information society needs

- Location: Minato-ku, Tokyo
- Footprint: 13,144m²; Floor space: 78,488m²
- Size: 24 floors above ground, two below
- Completed: January 1991
- Awards: '91 Japanese Society of Commercial Space Designers Award
  '91 Japan Sign Design Association (SDA) Encouragement Awards (System Division and Symbol Division)
  '91 Urban Design Center Cityscape Grand Prize (Landscape Design Division)
  '92 Building Contractors Society (BCS) Award
  '93 Society of Heating, Air Conditioning and Sanitary Engineers of Japan Awards (Technology Award for Building Mechanical Service System)

⑥ NTT Makuhari Building

A 26-story structure serving as an R&D base for sophisticated information and communications services in the 21st century

- Location: Mihama-ku, Chiba-shi
- Footprint: 40,602m²; Floor space: 170,499m²
- Size: 26 floors above ground, one below
- Completed: June 1993
- Awards: '94 Intelligent Awards (Merit Award)

⑦ Urbannet Nagoya Building

Highly comfortable work space with superior energy conservation features based on the concept of "a next-generation building with people-, community-, and earth-friendliness for the environmental protection era."

- Location: Higashi-ku, Nagoya-shi
- Footprint: 5,997 [950]m²; Floor space: 75,047m²
- Size: 22 floors above ground, three below
- Completed: September 2005
- Awards: '06 Good Design Awards (Architecture/Environment Design Division Merit Award)
  '06 Japan Sign Design Association (SDA) Awards (Chubu District Encouragement Prize)
  '06 Illuminating Engineering Institute of Japan Awards (Facilities Prize)
  '06 Aichi Prefecture Machinami Architecture Prize

Note: A portion of land for Urbannet Nagoya Building is a leased property. Accordingly, the figure in brackets represents the footprint for the leased portion.

⑧ Akihabara UDX

A new symbol of the Akihabara district designed to be a global IT center

- Location: Chiyoda-ku, Tokyo
- Footprint: 11,548m²; Floor space: 155,629m²
- Size: 22 floors above ground, three below
- Completed: January 2006
- Awards: '06 Japan Sign Design Association (Encouragement Prize)
  '07 Japan Sign Design Association (SDA) Awards (Grand Prize/METI Minister's Prize)

Note: Akihabara UDX is owned by the UDX Tokutei Mokuteki Kaisha, a Special Purpose Company (SPC) that is a consolidated subsidiary of NTT Urban Development.

Residential Properties

In the Residential Property Sales Business, NTT Urban Development offers the residential property brand "WELLITH," developed based on the concept of "Living together in comfort." The objective is to create locations for abundant lifestyles by building quality dwellings with high asset value.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① WELLITH Tokiwadai

- Location: Itabashi-ku, Tokyo
- Size: 77 residences
- Completed: September 2011

② WELLITH Kyoto Shugakuin

- Location: Sakyo-ku, Kyoto-shi, Kyoto
- Size: 36 residences
- Completed: April 2011

③ WELLITH Tezukayama

- Location: Sumiyoshi-ku, Osaka-shi, Osaka
- Size: 23 residences
- Completed: November 2011

Initiatives for Corporate Social Responsibility (CSR) Activities

CSR Basic Policy

People create living places, living places stimulate and energize people, and the environment provides the backdrop for the peaceful interplay between people and the urban landscape. NTT Urban Development has implemented many initiatives in its business activities under the belief that its social responsibility is to harmoniously bring these elements together to create ideal urban spaces.

The NTT Urban Development Group formulated its CSR Basic Policy to communicate its CSR message for society and its three specific themes for CSR activities.

NTT Urban Development Group CSR Basic Policy

(Formulated June 2009)

CSR Message

As a member of the NTT Group, NTT Urban Development helps to create a sustainable society that offers comfortable lifestyles through quality real estate development that fosters harmony among people, living places and the environment.

CSR Themes

Harmony between people and living places

- We see residents, corporate tenants, and visitors as important partners. By maintaining sincere communications with each of our partners, we strive to achieve harmony and the creation of superior spaces for work and life.
- We aim to develop residential spaces that offer safe and comfortable living, business spaces that offer convenience and functionality, and living places that bring work and life into harmony.

Harmony between living places and the environment

- Through urban development with light environmental footprints, we seek to develop comfortable spaces that are compatible with their surroundings, and where people can be in touch with nature.

Harmony between employees and society

- We respect the individuality of our employees, and seek to develop a lively workplace where they can enjoy success by trying new things without fear of failure.
- Retaining our sense of gratitude and upholding a high level of ethics, we commit to honest business practices and seek to contribute in building an affluent society.

Harmony between People and Living Places

Creating Community Vitality and Prosperity

Fukuoka has evolved as a gateway to Asia. In September 2011, Urbannet Tenjin Building (RESOLA Tenjin) opened in the heart of Tenjin, Kyushu's leading commercial district.

Seeking harmony and continuity with Kego Park, which gives the neighborhood a refreshing, relaxing feeling, we created a beautiful streetscape with broad, pleasant sidewalks.

After the property opened, we felt we had been able to contribute to the creation of vitality and prosperity in the Tenjin area, with the increase in passers-by enjoying the window display.

Our goal is to create a neighborhood that harmonizes with urban spaces incorporating people, living places and the environment, a place that is loved by all in the neighborhood and a joy to visit in order to add vitality to the community.

Urbannet Tenjin Building

Harmony between Living Places and the Environment

Environmental Initiatives

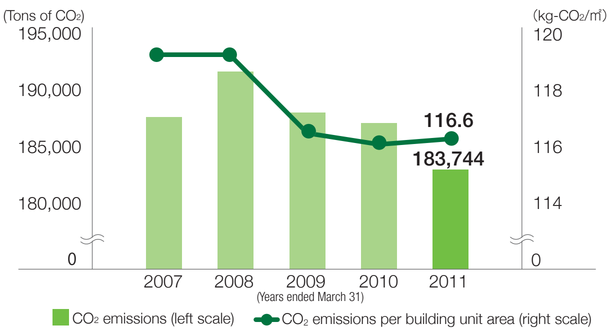
The NTT Urban Development Group takes a broad range of approaches to conserve energy in areas such as building design, equipment and control systems in order to reduce CO_2 emissions at the properties it owns. In fiscal 2010, we set the target of reducing CO_2 emissions to 116.7kg-CO_2/m^2 of floor area at our properties, which was 9% below the level in fiscal 2003. As a result of our initiatives, we reached our target by achieving 116.6kg-CO_2/m^2.

At Urbannet Uchihonmachi Building, which was completed in June 2011, we have introduced a succession of new measures, such as energy-saving air conditioning and lighting, while also installing solar panels on its roof to make use of natural energy.

Energy-saving equipment at Urbannet Uchihonmachi Building
(Above) Solar panels
(Below) LED lighting

We will continue to contribute to the realization of a low-carbon society by working to further deepen and broaden the potential to save energy and reduce CO_2 emissions.

CO_2 Emissions



Harmony between Employees and Society

Interaction with Local Communities

In the Karasuma area of Kyoto, following Shin-Puh-Kan, a commercial facility that was completed in 2001, Urbannet Shijo-Karasuma Building (LAQUE Shijo-Karasuma) opened in November 2010. The NTT Urban Development Group worked to link the two facilities, as it has been taking the approach of creating a neighborhood in the area, emphasizing broadly based planar development rather than single projects.

In addition, we participate in local communities and deepen interaction with residents as part of our activities to create affluent living places. Our proactive approach to deepening communication with local residents includes the annual participation of many employees in the Gion Festival, the liveliest of Kyoto's three festivals.

We will continue working to contribute to the creation of affluent living places and the development of communities by participating in various local events.

Employees participating in the Gion Festival

Please visit NTT Urban Development's CSR website:

http://www.nttud.co.jp/english/csr/

NTT Urban Development's website provides details on CSR activities for better communication with stakeholders.

Harmony with Our Investors

Establishment of Disclosure Policy

To make fair and impartial information disclosure and to help investors make appropriate decisions about their investments in the Group, we have a disclosure policy that clearly sets forth our position on disclosing Company information.

Posting of IR Information on Our Website

In addition to operating results, timely disclosure reports, annual securities reports and other information, we make available on our website presentation materials used at briefings and an IR event calendar. We also promptly publish English versions of various materials and IR news to provide our overseas investors with timely information.

Regular Briefings for Analysts and Investors

We hold briefings for analysts and investors when announcing interim and year-end operating results and telephone conferences for the announcement of first and third quarter results. Through these briefings, our management team provides explanations directly to analysts and institutional investors. We also take part in various conferences as part of our efforts to help more investors understand our Company.

Participation in Information Sessions for Individual Investors

To help individual investors better understand our company, we participate in individual investor briefings. In fiscal 2011, we took part in the Marunouchi Investment Seminar held in Tokyo and the Company Briefing for Individual Investors held in Osaka. We will continue to hold briefings to help investors familiarize themselves with our Company.

Briefing for individual investors

Continued Inclusion in the FTSE4Good Socially Responsible Investment (SRI) Index

In recognition of our environmental and social initiatives, since 2008 we have been consistently selected for the FTSE4Good Index, a leading index for socially responsible investment in publicly traded companies around the world.

FTSE4Good

Management Systems

Corporate Governance

Basic Policy on Corporate Governance

NTT Urban Development recognizes strong corporate governance as a fundamental management issue and views the implementation of governance measures as an essential element to maximizing corporate value. In order to deepen the trust-based relationships it maintains with stakeholders, including shareholders and other investors, as well as customers, business partners, and local communities, the Group's basic stance is to raise management efficiency by operating with full management transparency and accountability and giving its attention to establishing solid risk management, corporate ethics and compliance.

NTT Urban Development employs a system of corporate auditors. As stipulated in Japan's Companies Act, the Company has established governance organizations comprising the General Ordinary Meeting of Shareholders, the Board of Directors, the Board of Corporate Auditors, and the independent accounting auditor. The Company has also established the Management Council, which deliberates with the President on matters of management importance within his decision-making capacity with the goal of ensuring speedy decision making related to the execution of duties. In addition, full-time corporate auditors attend Management Council meetings to further enhance transparency in the decision-making process.

Moreover, for proposed investments, the interdisciplinary members of the Investment Deliberation Council conduct risk management by prudently considering investment and other risks ahead of Management Council meetings.

As of March 31, 2012, the Board of Directors comprised 14 Directors, one of whom was an outside Director. The Board decides important matters, sets basic policies regarding the Company's management and business execution, and supervises the execution of duties by Directors. In principle, the Board of Directors convenes regularly once a month with additional meetings as necessary to ensure speedy decision making, and met 29 times in fiscal 2011.

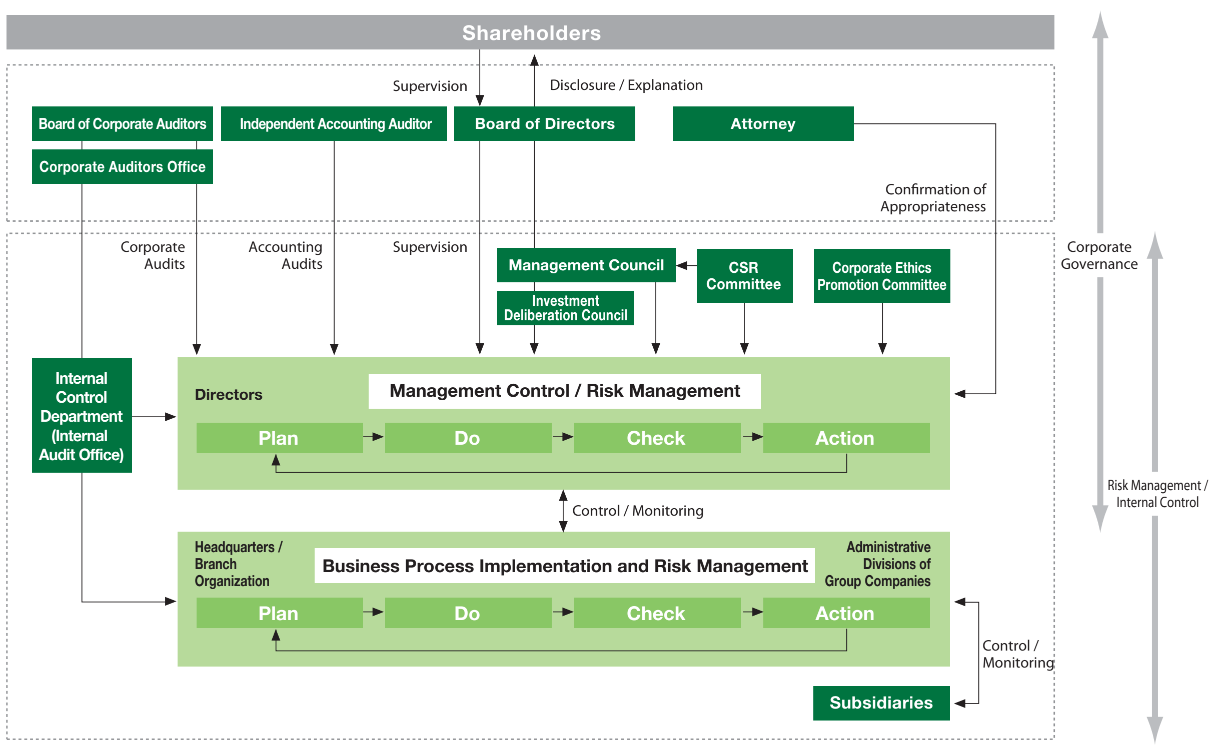
The Board of Corporate Auditors has four members, all of whom are outside corporate auditors. In principle, the Board of Corporate Auditors meets regularly once a month and holds additional meetings as necessary, and met 29 times in fiscal 2011. Corporate auditors conduct their duties according to the audit plan established by the Board of Corporate Auditors. The corporate auditors attend Board of Directors meetings and other important meetings, evaluate the Directors' execution of their duties, conduct management audits, and audit the status of the Company's assets.

As of June 20, 2012, the Board of Directors comprised 14 Directors, including one outside Director, and the Board of Corporate Auditors comprised four corporate auditors, all of whom were outside corporate auditors.

Upgrade Status of the Internal Control System

The President is in charge of business execution involving the creation and upgrade of an internal control system, under the supervision of the Board of Directors and the audits of the Board of

Corporate Governance/CSR Management System



Corporate Auditors. In accordance with the May 1, 2006 enforcement of the Companies Act, the Board of Directors passed a resolution on May 11, 2006 on the Company's Internal Control System Basic Policy. The Company improves and operates the internal control system flexibly to respond to changes in social conditions, including subsequent revisions from the viewpoint of enhancing its content, clarifying the Company's stance on the elimination of antisocial forces, complying with the Financial Instruments and Exchange Law, and responding appropriately to disasters. During fiscal 2011, the Board of Directors took the Company's changing operating environment and new business initiatives into account to revise the Internal Control System Basic Policy at a meeting held on March 26, 2012 because the Company's risk management rules and regulations stipulate regular risk identification and evaluation.

NTT Urban Development has an Internal Audit Office that is independent of other operations and that objectively examines and evaluates the performance of business in each organization at the head office, branches, and Group companies. To verify on an ongoing basis the effectiveness of internal control and make improvements, the results of internal audits are submitted to the Management Council twice a year, and reports on the internal control system are presented to the Management Council and the Board of Directors once a year.

Upgrade Status of the Risk Management System

NTT Urban Development believes that it can carry out more appropriate and bolder management decisions in order to maintain and increase corporate value by understanding various internal and external risks and implementing appropriate initiatives for risk management as an essential part of its internal control system.

In March 2007, NTT Urban Development reviewed its Internal Control System Basic Policy and established its risk management rules and regulations. By appropriately administering them, the Company works to secure continuous and stable business development through appropriate management of a variety of risks.

Exemplifying its efforts to implement thorough risk management, for development project investment decisions the Company seeks to identify a broad range of potential risks associated with changes in the environment and the status of new business initiatives. Such risks include rent decreases, construction delays, neighborhood backlash, ground pollution or other environmental risks, and overseas risks.

The Company has a business continuity plan (BCP) in preparation for disasters such as a large-scale earthquake. The Group established the Disaster Risk Management Promotion Office in 2008, and executes measures such as upgrading organizational systems, creating guidelines and manuals, implementing anti-earthquake and anti-flooding measures for buildings, and conducting disaster drills. During fiscal 2011, the Company used existing disaster countermeasures and its experience with earthquakes as the base for creating an organization including the Disaster Management Headquarters that is tailored to emergencies, implementing practical emergency drills, enhancing disaster prevention education, and confirming and implementing countermeasures for buildings and facilities based on damage assumptions.

The Company complies thoroughly with the Organized Crime Elimination Ordinance enforced by all prefectures to eliminate antisocial forces through means such as stipulating contract clauses that exclude antisocial forces.

The Company works to disseminate its basic stance and measures for the above issues within the Company through an internal framework that encompasses corporate ethics and compliance rules, risk management rules, and a business risk management manual.

Corporate Ethics and Compliance

To maintain corporate ethics and ensure legal compliance, the Company has established the Corporate Ethics Promotion Committee, comprising the heads of administrative and sales promotion departments and business divisions. The committee discusses policies for corporate ethics and legal compliance, provides related training and consultation services, delivers information in the Company on the corporate ethics and compliance helpline as an advice desk for employees, and takes action as appropriate. Moreover, the Committee provides company-wide training on human rights and other issues, e-learning sessions on legal compliance, and a corporate ethics and legal compliance manual that incorporates a code of conduct for employees and others as part of its ongoing efforts to maintain and ensure corporate ethics and legal compliance.

Matters Relating to Outside Directors and Outside Corporate Auditors

The Company maintains one outside Director and four outside corporate auditors to provide a wide range of management perspectives. The Company has appointed an executive from Nippon Telegraph and Telephone Corporation (NTT) as an outside director and another as an outside corporate auditor. NTT maintains a shareholding ratio of 67.3% in the Company. However, the Company requested these appointments and conducts its management decisions independently. Moreover, the Company uses independent officer guidelines that are based on Tokyo Stock Exchange Group, Inc. rules under which an independent officer cannot be a former employee of the parent company or related companies, a major stockholder, or a former employee of a major customer. These are among the judgment criteria the Company uses to ensure its independent officers have no conflict of interest with shareholders in light of criteria for judging independence adopted by the Tokyo Stock Exchange Group, Inc.

The outside Director attends meetings of the Board of Directors and provides appropriate advice from a perspective that is independent of business execution. Such discussion enhances supervision.

The outside corporate auditors attend meetings of the Board of Corporate Auditors, which makes decisions regarding audit policies, plans and methods and other relevant issues, and also receives reports as needed on the status of audits each outside corporate auditor is conducting. According to the audit plan established by the

Board of Corporate Auditors, the outside corporate auditors attend Board of Directors meetings and other important meetings, evaluate the Directors' execution of their duties, conduct management audits, and audit the status of the Company's assets. All outside corporate auditors audit the execution of management duties from an independent perspective.

The outside Director and the outside corporate auditors attend meetings of the Board of Directors to strengthen the supervision of business execution.

In auditing the internal control system, the outside corporate auditors work with the departments responsible for systemic oversight, requesting reports, explanation and other cooperative input according to the basic policies of the internal control system. In addition, the outside Director supervises the execution of duties by internal control system departments through means such as receiving reports on the status of the internal control system during meetings of the Board of Directors.

Attendance of Outside Officers at Board of Directors Meetings and Board of Corporate Auditors Meetings in Fiscal 2011

Position	Board of Directors		Board of Corporate Auditors	
	Attendance	Attendance Rate	Attendance	Attendance Rate
Director	29 of 29	100.0%	–	–
Corporate Auditor (full-time)	22 of 22	100.0%	20 of 20	100.0%
Corporate Auditor (full-time)	29 of 29	100.0%	29 of 29	100.0%
Corporate Auditor (full-time)	29 of 29	100.0%	29 of 29	100.0%
Corporate Auditor	28 of 29	96.6%	29 of 29	100.0%

Officer Compensation

The Board of Directors determines Director remuneration, which comprises a monthly salary and bonus payments. The monthly salaries are determined based on each Director's role and level of responsibility. The bonus payments are largely determined in reference to the Company's performance results. In addition, a minimum specified amount of each Director's monthly salary is utilized to acquire Company stock, all of which is administered under a Directors' stock accumulation plan during a Director's term of service.

Corporate auditors only receive a monthly salary that is not linked to corporate performance to ensure a high level of independence.

Compensation Paid to Directors and Corporate Auditors in Fiscal 2011

Classification	Total Compensation (Millions of yen)	Compensation by Type (Millions of yen)		Number of Persons
		Base Salary	Bonus	
Directors (excluding one outside Director)	322	280	41	15
Corporate Auditors (excluding the outside corporate auditors)	—	—	—	—
Outside Director and Corporate Auditors	59	59	—	4

Notes:
1. By a resolution ratified at the Company's 22nd General Ordinary Meeting of Shareholders held on June 21, 2007, the maximum annual allowances for compensation of Directors and corporate auditors were set at ¥480 million and ¥80 million, respectively.
2. Included in the above are two Directors and one Corporate Auditor who retired as of the conclusion of the 26th General Ordinary Meeting of Shareholders held on June 21, 2011.
3. In addition to the above, ¥28 million in employee compensation was paid to nine employees who serve concurrently as Directors.

Message from an Outside Corporate Auditor

NTT Urban Development's corporate auditors are an independent group with a mandate from shareholders. We audit the execution of duties of Directors, including the status of establishment and administration of the internal control system. We also work to achieve sound corporate development and improve corporate value with a basic policy of establishing a quality corporate governance system that earns public confidence.

Although signs of a moderate recovery were apparent in the operating environment of the real estate industry in fiscal 2011, the outlook remains uncertain. Careful and prompt management decisions are required now more than ever.

Particularly in light of the Great East Japan Earthquake of March 2011, the need for countermeasures for large-scale disasters predicted for the future made NTT Urban Development's countermeasures for devastating disasters a key focus of audits in order to maintain and enhance security and safety.

In addition, frequent occurrences of fraud and misconduct at other companies have raised expectations for further enhancement of corporate governance. NTT Urban Development operates in the real estate business, which bears important social responsibilities. The corporate auditors will therefore execute their duties while routinely exchanging opinions with the management team to ensure prompt and appropriate management of the Company that accurately accommodates changes in its operating environment and business areas.

Akira Sakashita
Corporate Auditor (full-time)

Management Systems

Directors and Corporate Auditors (As of July 1, 2012)

President and Chief Executive Officer

Masaki Mitsumura

Senior Executive Director

Sadao Maki

Executive Directors

Yoshiharu Nishimura

Senior Executive Manager, Building Service Headquarters

Takahiro Okuda

Senior Executive Manager, Corporate Planning Department
In charge of CSR

Satoshi Shinoda

Senior Executive Manager, Accounting and Finance Department

Senior Directors

Kazuhiro Hasegawa

Senior Executive Manager, Real Estate Investment Promotion Department

Hiroshi Iijima

Deputy Senior Executive Manager, Building Service Headquarters
Senior Executive Manager, Disaster Risk Management Promotion Office

Shiro Nakahara

Senior Executive Manager, General Affairs Department

Masaru Yanagida

Senior Executive Manager, Development Promotion Department
In charge of Kansai Branch Office

Takanori Ito

Deputy Senior Executive Manager, Development Promotion Department
Senior Manager, Assets Solution Office, Development Promotion Department

Masayuki Kusumoto

Senior Executive Manager, Commercial Properties Development Promotion Department

Akiyoshi Kitamura

Senior Executive Manager, Residential Development Department

Ryuichi Tsushima

Senior Director
In charge of Tokai Branch, Chugoku Branch, Kyushu Branch, Hokkaido Branch Office

Toyosei Sugimura

Corporate Auditors (full-time)

Akira Sakashita

Akio Enomoto

Hiroshi Ikegawa

Corporate Auditor

Takeshi Ogiwara

Notes: 1. Mr. Toyosei Sugimura is an outside Director.
2. Mr. Akira Sakashita, Mr. Akio Enomoto, Mr. Hiroshi Ikegawa and Mr. Takeshi Ogiwara are outside corporate auditors.
3. The Company has designated outside corporate auditors Mr. Akio Enomoto and Mr. Hiroshi Ikegawa as independent officers as stipulated by Tokyo Stock Exchange, Inc., to which it has submitted a notification.

Six-Year Summary of Selected Financial Data

	Millions of yen					
	2007.3	2008.3	2009.3	2010.3	2011.3	**2012.3**
For the year:						
Operating revenue	¥128,215	¥138,206	¥144,277	¥149,224	¥145,693	**¥136,842**
Operating income	25,091	28,718	25,244	16,129	24,324	**25,365**
Net income	12,995	14,758	15,989	6,116	9,307	**15,586**
Net cash provided by (used in) operating activities	(5,076)	5,700	(12,091)	35,168	40,417	**3,704**
Net cash provided by (used in) investing activities	(32,995)	(77,893)	(57,397)	6,695	(28,257)	**(23,033)**
Net cash provided by (used in) financing activities	20,823	85,038	63,079	(30,028)	(14,641)	**12,650**
Free cash flow	(38,072)	(72,192)	(69,488)	41,863	12,159	**(19,329)**
Investment	48,595	93,367	75,638	24,714	29,925	**28,807**
Depreciation and amortization	23,657	23,246	25,762	25,520	23,388	**24,765**
At year-end:						
Total assets	581,848	900,325	936,650	916,725	910,492	**928,537**
Net assets	125,169	177,969	183,593	185,537	190,783	**203,727**
Net worth	125,091	136,395	148,150	150,232	155,534	**166,012**
Interest-bearing debt	293,069	451,849	521,070	496,682	487,780	**505,805**
Management indicators:						
Net operating income (NOI)	50,504	52,748	64,277	61,480	56,722	**54,318**
Return on equity (ROE) (%)	10.8	11.3	11.2	4.1	6.1	**9.7**
Equity ratio (%)	21.5	15.1	15.8	16.4	17.1	**17.9**
Dividend on equity (DOE) (%)	2.7	3.0	2.8	2.6	2.6	**2.9**
Dividend payout ratio (%)	25.3	26.8	24.7	64.6	42.4	**29.6**
Net debt-to-equity (D/E) ratio (times)	2.32	2.44	2.78	2.55	2.45	**2.42**
Interest coverage ratio (times)	—	1.2	—	4.3	5.1	**0.5**
	Yen					
Per share data:						
Net assets	¥38,007.98	¥41,442.57	¥45,014.04	¥45,646.72	¥47,257.78	**¥50,441.30**
Net income	3,948.64	4,484.09	4,858.34	1,858.48	2,827.98	**4,735.67**
Dividends	1,000	1,200	1,200	1,200	1,200	**1,400**

Notes

- In calculating investment for the fiscal years ended March 31, 2008 and 2009, purchases of investment securities include the amount necessary for the purchase of additional preferred equity securities of UDX Tokutei Mokuteki Kaisha.
- Per share data is calculated based on the number of issued and outstanding shares after a five-for-one stock split executed on January 1, 2007, which raised the total number of outstanding shares to 3,291,200 shares, and has been prepared based on figures adjusted to reflect the stock split.

Calculation Methods for Indicators

- Investment = Capital expenditure + Purchases of investment securities (based on cash flow from investing activities)
- Net worth = Net assets - Stock acquisition rights - Minority interests in consolidated subsidiaries
- Net operating income (NOI) = Property rent income - Property rental costs + Depreciation expenses (including long-term prepaid expenses)
- Return on equity = Net income ÷ ((Shareholders' equity at the beginning of the period + Shareholders' equity at the end of the period) ÷ 2)
- Dividend on equity = Dividends (annual) ÷ ((Shareholders' equity at the beginning of the period + Shareholders' equity at the end of the period) ÷ 2)
- Dividend payout ratio = Dividends per share (annual) ÷ Net income per share
- Net D/E ratio = (Interest-bearing debt - Cash and cash equivalents - Time deposits held for 3 months or longer) ÷ Net assets
- Interest coverage ratio = Net cash provided by (used in) operating activities ÷ Interest expense (based on cash flow from operating activities)
- Net income per share = Net income ÷ Number of shares outstanding

Financial Section

Management's Discussion and Analysis

1. Analysis of Operating Results

In fiscal 2011, the year ended March 31, 2012, the Japanese economy showed signs of moderate recovery despite the lingering impact of the Great East Japan Earthquake. Concerns about a downturn remain, however, because of factors including the deterioration of economies overseas.

In the office leasing market, the vacancy rate remained high despite signs of improvement, and market rents continued to be weak. In the condominium sales market, sales declined temporarily due to the impact of the earthquake. However, the buying motivation of consumers continued to rebound, supported by tax benefits and low interest rates.

According to the official announcement of land prices as of January 1, 2012, land prices continued to decline nationwide, albeit more modestly.

In this environment, the Company and its subsidiaries (collectively, the "Group") proceeded steadily with operations, with a target of achieving sustainable growth while striving to bolster profitability. In international operations, the Group developed operations in new fields, acquiring a new office building in London, United Kingdom and commencing a residential land sales business in the suburbs of Melbourne, Australia.

As a result, operating revenue in fiscal 2011 decreased ¥8,851 million from fiscal 2010, or 6.1%, to ¥136,842 million, and operating income increased ¥1,040 million, or 4.3%, to ¥25,365 million. Due to factors including the introduction of a law relating to a revision of corporate tax rates on December 2, 2011, net income increased ¥6,278 million, or 67.5%, to ¥15,586 million.

(1) Operating Revenue

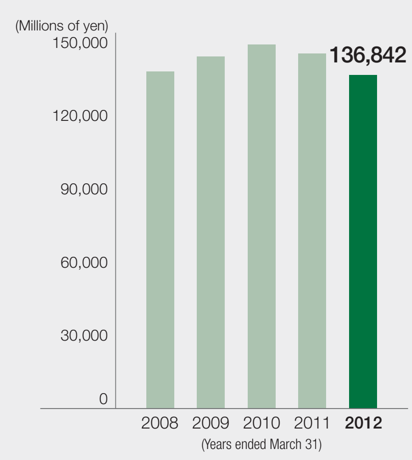
In fiscal 2011, operating revenue decreased ¥8,851 million from fiscal 2010, or 6.1%, to ¥136,842 million. This decrease was primarily the result of a decline in rent income from existing properties in the leasing business and a decrease in the number of condominium units delivered in the residential property sales business.

(2) Operating Gross Profit

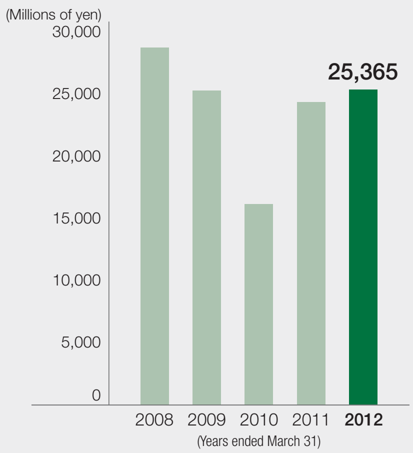
Operating cost decreased ¥8,008 million year on year, or 7.7%, to ¥96,433 million. This primarily reflected the decrease in condominium units delivered in the residential property sales business, although operating cost rose in the other business related to Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 Building A [Otemachi Financial City North Tower], for which the percentage-of-completion method is applied.

As a result, operating gross profit decreased ¥842 million year on year, or 2.0%, to ¥40,409 million.

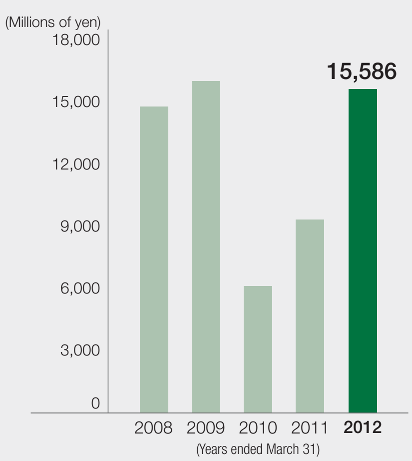
Operating Revenue



Operating Income



Net Income



(3) Operating Income

Selling, general and administrative expenses decreased ¥1,883 million year on year, or 11.1%, to ¥15,043 million. Primary factors included reduced selling expenses due to a lower number of condominium units delivered in the residential property sales business.

As a result, operating income increased ¥1,040 million year on year, or 4.3%, to ¥25,365 million.

(4) Income before Income Taxes and Minority Interests

Other expenses, net totaled ¥8,939 million, compared with other expenses, net totaling ¥8,201 million for the previous fiscal year. The consolidation of subsidiary UDX Tokutei Mokuteki Kaisha in fiscal 2007 resulted in amortization of negative goodwill totaling ¥1,926 million. Interest expense increased marginally to ¥7,938 million. However, loss on adjustment for changes of accounting standard for asset retirement obligations of ¥1,001 million recognized in the previous fiscal year did not recur. Other, net totaled expenses of ¥2,743 million, compared with expenses of ¥779 million in the previous fiscal year. As for the main components of other, net, which are presented in Note 12 of the Notes to Consolidated Financial Statements, loss on disposal of property, plant and equipment totaled ¥2,319 million, compared with ¥1,052 million in the previous fiscal year.

As a result, income before income taxes and minority interests increased ¥302 million year on year, or 1.9%, to ¥16,425 million.

(5) Net Income

Net income increased ¥6,278 million year on year, or 67.5%, to ¥15,586 million. This was mainly because net income increased ¥5,945 million due to the impact of the law relating to a revision of corporate tax rates.

(6) Review by Segment

Leasing Business

In the leasing business, operating revenue and operating income decreased compared with the previous fiscal year, as factors including a decline in rent income from existing properties more than offset the full year contribution to rent income from properties completed in the previous fiscal year, such as Urbannet Shijo-Karasuma Building (Kyoto-shi, Kyoto), and the increase in rent income generated by new properties completed in fiscal 2011.

While the vacancy rate in the office building market remained high, the vacancy rate for the Group's properties improved significantly, particularly in the five wards of central Tokyo. The vacancy rate for office buildings owned by the NTT Urban Development Group in the five wards of central Tokyo was 2.0% at the end of March 2012, compared with 3.6% at the end of March 2011. The vacancy rate for the Group's overall portfolio in Japan was 5.4% at the end of March 2012, compared with 5.7% at the end of March 2011.

In the new building development business, Urbannet Kanda Building (Chiyoda-ku, Tokyo) was completed in July 2012. Projects in progress include Umekita (Osaka Station North District) Phase 1 Development Area Project [Grand Front Osaka] (Osaka-shi, Osaka), Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 Building A [Otemachi Financial City North Tower] (Chiyoda-ku, Tokyo) and Upper-level Section Redevelopment Project associated with the reconstruction of Shibaura Water Reclamation Center (Minato-ku, Tokyo).

Projects completed during fiscal 2011 include Urbannet Uchihonmachi Building (Osaka-shi, Osaka), which is an office building, Urbannet Tenjin Building (Fukuoka-shi, Fukuoka), which is a commercial and office building, and UD Nakasu Building (Fukuoka-shi, Fukuoka), which is operated by a hotel operator.

As a result, fiscal 2011 operating revenue in the leasing business decreased ¥1,538 million from fiscal 2010, or 1.7%, to ¥91,069 million, operating expenses increased ¥205 million year on year, or 0.3%, to ¥63,586 million, and operating income decreased ¥1,743 million year on year, or 6.0%, to ¥27,482 million.

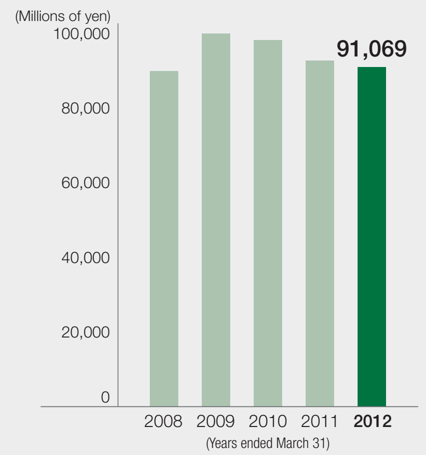
NOI by Principal Building and Region

The NTT Urban Development Group emphasizes net operating income, or NOI,* as an indicator of the value of properties in the leasing business.

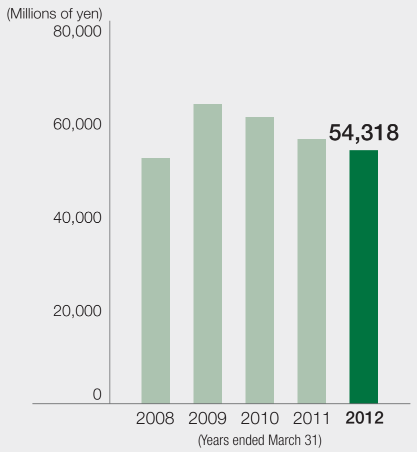
Nationwide NOI for fiscal 2011 decreased ¥2,404 million, or 4.2%, from fiscal 2010 to ¥54,318 million. NOI in central Tokyo, the other parts of Tokyo and the surrounding area decreased ¥1,533 million year on year, or 4.3%, to ¥34,061 million, mainly because of a decrease in sales from existing buildings. In addition, NOI in regional urban areas decreased ¥871 million year on year, or 4.1%, to ¥20,257 million, with the positive effect from the completion of Urbannet Uchihonmachi Building (Osaka-shi, Osaka) and Urbannet Tenjin Building (Fukuoka-shi, Fukuoka) more than offset by factors including a decrease in sales from existing buildings.

* NOI (net operating income) = Property rent income - Property rental costs + Depreciation expenses (including long-term prepaid expenses)

Leasing Business Operating Revenue



NOI



NOI on Principal Buildings

(Years ended March 31)

Building	Location	Primary Use	2011 (Millions of yen)	**2012 (Millions of yen)**
Urbannet Otemachi Building	Chiyoda-ku, Tokyo	Office	5,371	**5,053**
Otemachi First Square	Chiyoda-ku, Tokyo	Office	3,972	**3,977**
NTT Makuhari Building	Mihama-ku, Chiba-shi	Office	1,979	**1,799**
Granpark Tower	Minato-ku, Tokyo	Office	4,521	**4,285**
Seavans N Building	Minato-ku, Tokyo	Office	2,465	**2,233**
Tokyo Opera City	Shinjuku-ku, Tokyo	Office	1,512	**1,345**
Akihabara UDX	Chiyoda-ku, Tokyo	Office	7,530	**7,272**
JA Building, Keidanren Kaikan	Chiyoda-ku, Tokyo	Office	1,989	**1,893**
Urbannet Oroshimachi Building	Wakabayashi-ku, Sendai-shi	Office	216	**220**
Urbannet Itsutsubashi Building	Aoba-ku, Sendai-shi	Office	217	**199**
Urbannet CS Building	Naka-ku, Nagoya-shi	Office	343	**357**
Urbannet Shizuoka Building	Aoi-ku, Shizuoka-shi	Office	307	**283**
Urbannet Shizuoka Otemachi Building	Aoi-ku, Shizuoka-shi	Office	359	**363**
Urbannet Kaminagoya Building	Nishi-ku, Nagoya-shi	Office	106	**85**
Urbannet Fushimi Building	Naka-ku, Nagoya-shi	Office	439	**424**
Urbannet Nagoya Building	Higashi-ku, Nagoya-shi	Office	2,131	**2,192**
Sumitomo Corporation Nagoya Building	Higashi-ku, Nagoya-shi	Office	287	**237**
NTT Osaka Chuo Building	Chuo-ku, Osaka-shi	Office	373	**373**
Urban Ace Kitahama Building	Chuo-ku, Osaka-shi	Office	413	**394**
Urban Ace Higobashi Building	Nishi-ku, Osaka-shi	Office	328	**336**
Urban Ace Sannomiya Building	Chuo-ku, Kobe-shi	Office	441	**409**
Urban Ace Awaza Building	Nishi-ku, Osaka-shi	Office	330	**330**
Urbannet Honmachi Building	Chuo-ku, Osaka-shi	Office	362	**349**
Tradepia Yodoyabashi	Chuo-ku, Osaka-shi	Office	742	**503**
NTT Cred Motomachi Building	Naka-ku, Hiroshima-shi	Commercial	3,269	**3,069**
NTT Cred Hakushima Building	Naka-ku, Hiroshima-shi	Office	775	**760**
NTT Cred Okayama Building	Kita-ku, Okayama-shi	Office	309	**478**
NTT-T Building	Chuo-ku, Fukuoka-shi	Commercial	2,068	**2,001**
NTT-KF Building	Chuo-ku, Fukuoka-shi	Office	234	**279**
Urbannet Hakata Building	Hakata-ku, Fukuoka-shi	Office	248	**165**
Emuzu Odori Building	Chuo-ku, Sapporo-shi	Office	365	**351**
Emuzu Minami 22-jo Building	Chuo-ku, Sapporo-shi	Office	116	**121**
Urbannet Sapporo Building	Chuo-ku, Sapporo-shi	Office	767	**780**
Other properties, subtotal			11,820	**11,384**
Total			56,722	**54,318**

NOI by Region and Type of Property

(Years ended March 31)

<table>
<tr><th rowspan="2">Region</th><th colspan="3">2011</th><th colspan="3">2012</th></tr>
<tr><th>Total (Millions of yen)</th><th>Office, Commercial</th><th>Residential, Other</th><th>Total (Millions of yen)</th><th>Office, Commercial</th><th>Residential, Other</th></tr>
<tr><td>Central Tokyo</td><td rowspan="2">35,594</td><td>30,207</td><td rowspan="2">1,634</td><td rowspan="2">34,061</td><td>28,745</td><td rowspan="2">1,938</td></tr>
<tr><td>Other parts of Tokyo and the surrounding area</td><td>3,752</td><td>3,376</td></tr>
<tr><td>Regional cities</td><td>21,128</td><td>17,852</td><td>3,275</td><td>20,257</td><td>17,579</td><td>2,677</td></tr>
<tr><td>Total</td><td>56,722</td><td>51,812</td><td>4,909</td><td>54,318</td><td>49,702</td><td>4,615</td></tr>
</table>

Note: The above-stated regions are defined as:

- Central Tokyo: Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku and Shinjuku-ku
- Other parts of Tokyo and the surrounding area: Parts of Tokyo other than the five wards mentioned above, as well as Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures
- Regional cities: Locations other than those indicated above

Residential Property Sales Business

In the residential property sales business, the NTT Urban Development Group focused on the condominium sales business with the aim of creating high-quality residences that maintain their asset value and enhance the lives of residents.

The Group delivered a total of 458 condominium units, compared with 717 in the previous fiscal year. Properties included WELLITH Tokiwadai (Itabashi-ku, Tokyo) and WELLITH Kyoto Shugakuin (Kyoto-shi, Kyoto). The Group also delivered detached houses and building lots, including WELLITH Park Minami-Nagasaki (Nagasaki-shi, Nagasaki).

As a result, fiscal 2011 operating revenue in the residential property sales business decreased ¥13,240 million from fiscal 2010, or 31.7%, to ¥28,484 million due to factors including the decrease in condominium units delivered. On the other hand, operating expenses decreased ¥14,082 million year on year, or 34.2%, to ¥27,109 million, and operating income increased ¥841 million, or 158.0%, to ¥1,374 million.

Residential Property Sales Business Operating Revenue by Type of Property and Region

(Years ended March 31)

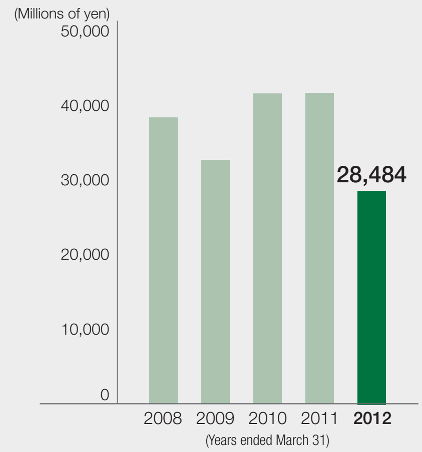
Classification		2011		**2012**	
		Units/Lots	Operating revenue (Millions of yen)	**Units/Lots**	**Operating revenue** (Millions of yen)
Condominiums					
Units delivered	Tokyo region	463	22,948	**351**	**16,330**
	Other regions	253	8,678	**107**	**6,062**
Completed in inventories		91	—	**99**	**—**
Building Lots					
Lots delivered	Tokyo region	20	1,957	**6**	**281**
	Other regions	306	5,828	**42**	**3,817**
Completed in inventories		27	—	**14**	**—**
Condominiums/ Building Lots (Total)					
Units/Lots delivered	Tokyo region	483	24,906	**357**	**16,611**
	Other regions	559	14,507	**149**	**9,879**
Completed in inventories		118	—	**113**	**—**
Other					
Units/Lots delivered	Tokyo region	—	—	**—**	**—**
	Other regions	1	2,312	**1**	**1,993**
Completed in inventories		—	—	**—**	**—**
Total (Operating revenue)		—	41,725	**—**	**28,484**

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 each fiscal year. Condominiums completed in inventories for the fiscal years ended March 31, 2011 and 2012 included 16 units and 12 units, respectively, for which a contract has been completed but ownership has not yet been transferred. Building lots completed in inventories for the fiscal years ended March 31, 2011 and 2012 included 10 lots and 2 lots, respectively, for which a contract has been completed but ownership has not yet been transferred.
3. Of the building lots delivered in the fiscal years ended March 31, 2011 and 2012, 112 lots (¥4,119 million) and 6 lots (¥2,764 million), respectively, were delivered through sales of land.
4. In the fiscal years ended March 31, 2011 and 2012, "other" includes sales of condominium buildings.
5. "Tokyo region" refers to Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

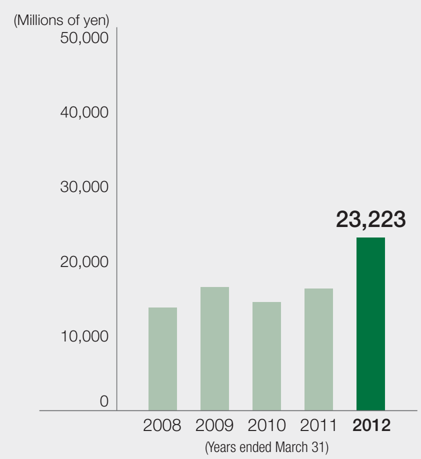
Other Business

Fiscal 2011 operating revenue in the other business increased ¥6,840 million from fiscal 2010, or 41.8%, to ¥23,223 million as a result of factors including operating revenue recognized from Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 Building A [Otemachi Financial City North Tower] (Chiyoda-ku, Tokyo), for which the percentage-of-completion method is applied. Operating expenses increased ¥4,962 million year on year, or 32.7%, to ¥20,132 million, and operating income increased ¥1,877 million year on year, or 154.9%, to ¥3,090 million.

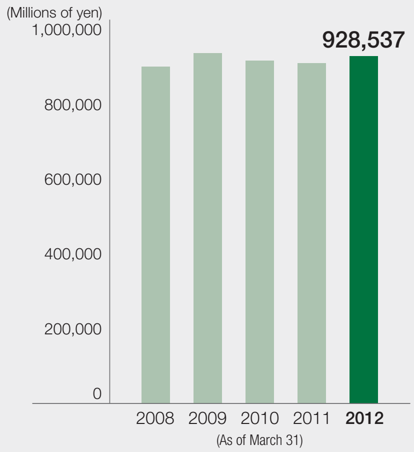
Residential Property Sales Business Operating Revenue



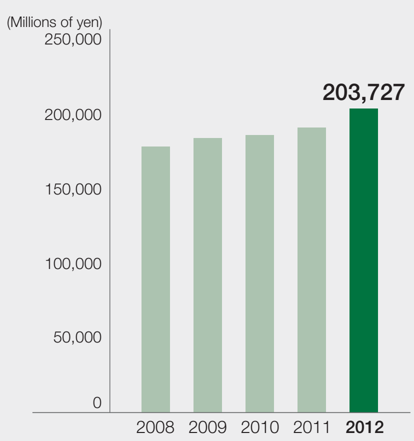
Other Business Operating Revenue



Total Assets



Net Assets



2. Analysis of Financial Position

(1) Consolidated Balance Sheets Highlights

●**Assets**

Total assets as of March 31, 2012 increased ¥18,044 million from the previous fiscal year-end to ¥928,537 million.

Current assets increased ¥16,179 million to ¥129,941 million, primarily reflecting an increase of ¥13,593 million in inventories, an increase of ¥9,022 million in notes and operating accounts receivable, and a decrease of ¥6,671 million in cash and cash equivalents.

Non-current assets, the total of property, plant and equipment and investments and other assets, increased ¥1,865 million to ¥798,595 million. Principal factors included an increase of ¥7,785 million in construction in progress, a decrease of ¥5,189 million in buildings and structures, and a decrease of ¥673 million in long-term prepaid expenses.

Change in rental and other real estate on the consolidated balance sheets and fair value as of March 31, 2012 is as follows.

(Millions of yen)

Consolidated Balance Sheet Amount			Fair value as of March 31, 2012
Balance as of April 1, 2011	Increase (decrease) during fiscal 2011	Balance as of March 31, 2012	
737,113	6,826	743,939	1,155,467

Notes:
1. The consolidated balance sheet amount is acquisition price minus accumulated depreciation and accumulated impairment loss.
2. Increase during fiscal 2011 primarily resulted from acquisition of real estate totaling ¥6,534 million. Decrease primarily resulted from sales of real estate totaling ¥912 million.
3. Fair value as of March 31, 2012 is based on an appraisal by a real estate appraiser from outside the Company for main properties, and calculated by the Company using indicators it believes to accurately reflect market prices for other properties.

●**Liabilities**

Total liabilities as of March 31, 2012 increased ¥5,100 million from the previous fiscal year-end to ¥724,810 million.

Current liabilities decreased ¥16,095 million to ¥88,727 million. Major factors included a decrease of ¥18,648 million in current portion of long-term debt.

Non-current liabilities increased ¥21,196 million to ¥636,082 million. The main factors included an increase of ¥23,287 million in long-term debt, an increase of ¥13,386 million in bonds payable, a decrease of ¥8,338 million in deferred tax liabilities, and a decrease of ¥5,643 million in lease and guarantee deposits received.

As of March 31, 2012, interest-bearing debt totaled ¥505,805 million, an increase of ¥18,025 million from the end of the previous fiscal year. The net debt-to-equity (D/E) ratio was 2.42 times, compared with 2.45 times a year earlier.

●**Net Assets**

Net assets as of March 31, 2012 increased ¥12,944 million from the previous fiscal year-end to ¥203,727 million, primarily reflecting net income of ¥15,586 million and dividend payments of ¥3,949 million.

(2) Cash Flows

Cash and cash equivalents (“cash”) as of March 31, 2012 decreased ¥7,054 million from the previous fiscal year-end to ¥10,960 million. Free cash flow* was negative ¥19,329 million, compared with ¥12,159 million for the previous fiscal year.

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

(Net Cash Provided by Operating Activities)

Net cash provided by operating activities in fiscal 2011 totaled ¥3,704 million, a decrease of ¥36,713 million from the previous fiscal year. Income before income taxes and minority interests provided cash totaling ¥16,425 million and depreciation and amortization totaled ¥24,765 million, while uses of cash included increase in inventories of ¥14,306 million and increase in notes and accounts receivable – trade of ¥9,032 million.

(Net Cash Used in Investing Activities)

Net cash used in investing activities decreased ¥5,224 million to ¥23,033 million. Uses of cash included purchases of property, plant and equipment totaling ¥24,305 million. Additions to cash included proceeds from repayment of investment securities totaling ¥1,052 million.

(Net Cash Provided by Financing Activities)

Net cash provided by financing activities totaled ¥12,650 million. In the previous fiscal year, net cash used in financing activities totaled ¥14,641 million. Additions to cash included proceeds from long-term loans payable of ¥72,000 million and proceeds from issuance of bonds of ¥14,993 million. Uses of cash included repayments of long-term loans payable of ¥67,360 million and cash dividends paid of ¥3,949 million.

(3) Capital Policy and Dividend Policy

●Capital Policy

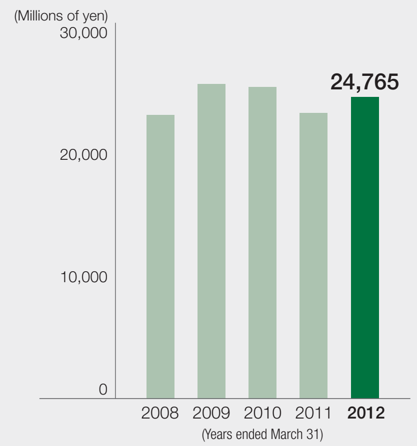
In fiscal 2011, the NTT Urban Development Group procured capital by borrowing from financial institutions and issuing bonds to fund capital investment, equity participation, acquisition of inventory assets, and other financial activities.

In accordance with its capital policy, the NTT Urban Development Group has acquired the ratings shown in the table below for its commercial paper (short-term debt) and corporate bonds (long-term debt) from Rating and Investment Information, Inc. to support continued flexibility in procuring funds for future capital investment, purchase of inventories, and other activities. The NTT Urban Development Group will work to maintain or improve its current ratings.

	Rating and Investment Information, Inc.
Commercial paper	a-1
Corporate bonds	A+

(As of March 31, 2012)

Depreciation and Amortization



● **Dividend Policy**

NTT Urban Development's basic policy on the distribution of profits is to maintain adequate internal reserves to contribute to ongoing growth in corporate value and to strengthen its ability to provide stable and long-term shareholder returns by taking a long-term perspective on its business operations in the real estate industry. Internal reserves are primarily used to invest in quality properties for future development, with the objective of further raising corporate value.

For fiscal 2011, the Company decided to increase the annual dividend by ¥200 per share to ¥1,400 per share as part of its shareholder-oriented management, taking into account factors including the income level for the fiscal year, its expectation of achieving the operating income target of ¥26 billion of the NTT Urban Development Group Medium-Term Management Plan 2012 (announced in May 2010) in fiscal 2012, the final year of the plan, and business trends for the medium-to-long term.

The Company plans to pay dividends twice a year, a year-end dividend and an interim dividend, which are determined by the General Ordinary Meeting of Shareholders and the Board of Directors, respectively.

The Company's articles of incorporation provide that the Board of Directors may resolve to pay an interim dividend with September 30 as the reference date.

3. Investment

The NTT Urban Development Group, comprising NTT Urban Development Corporation and its consolidated subsidiaries, focuses on expanding the revenue contributed by the leasing business by investing in the construction of new buildings, and also acquires business-use land to support business expansion

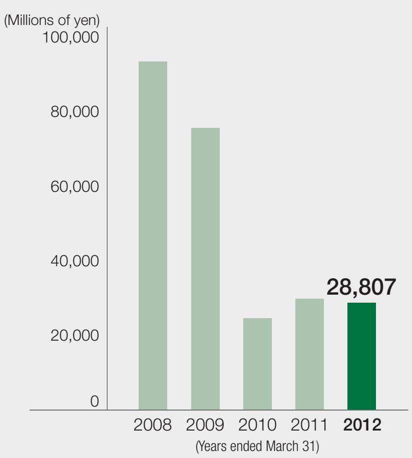
Capital investment was as follows in fiscal 2011.

Business Segment	Year ended March 31, 2012 (Millions of yen)
Leasing	28,325
Residential property sales	5
Other	40
Subtotal	28,371
Group	421
Total	28,793

Capital investment in the leasing business consisted primarily of ¥7,284 million for Umekita (Osaka Station North District) Phase 1 Development Area Project [Grand Front Osaka] (Osaka-shi, Osaka), ¥2,657 million for Urbannet Tenjin Building (Fukuoka-shi, Fukuoka), ¥1,913 million for UD Nakasu Building (Fukuoka-shi, Fukuoka), ¥1,458 million for Urbannet Kanda Building (Chiyoda-ku, Tokyo), ¥1,448 million for Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 Building A [Otemachi Financial City North Tower] (Chiyoda-ku, Tokyo), and ¥9,613 million for renewal.

Other investment consisted of ¥13 million for purchases of investment securities, resulting in total investment of ¥28,807 million.

Investment



4. Significant Management Contracts

None.

5. Operating Risks

Business and other risks affecting the NTT Urban Development Group's businesses that may have a material impact on investment decisions include, but are not limited to, the following. The Group provides this risk information to investors because it is material to investment decisions and understanding the Group's business activities. The Group manages operating risks according to its risk management regulations. The forward-looking statements included in the following reflect judgments by the Group as of June 20, 2012.

NTT Urban Development Group Risk

(1) General Risk

1. Leasing Business Risk

In fiscal 2011, the leasing business accounted for 63.8% of consolidated operating revenue. The leasing business tends to be susceptible to changes in the operating environment. The Group therefore projects trends over the medium-to-long term in considering measures to counter decreases in rents and increases in the vacancy rate. However, a worsening supply-demand situation in the real estate market could substantially affect the operating performance of the NTT Urban Development Group by causing vacancy rates to increase and the leasing rate to decline. Moreover, changes in the financial status of the Group's major tenants, the departure of a major tenant, or changes in the conditions of property use could affect the overall occupancy rate of Group properties and consequently could significantly affect revenues from real estate leased to businesses.

2. Residential Property Sales Business Risk

Deterioration of the condominium market because of intensifying competition among sellers, rising interest rates for housing loans, or a downturn in consumer sentiment caused by higher selling prices due to an increase in land prices could affect the Group's business performance in ways such as causing revenues to fall due to slower sales or inventories to increase. The effects of a large-scale disaster could include construction delays due to shortages of building materials and equipment, which could necessitate the extension of construction periods.

3. Asset Devaluation Risk

In fiscal 2005, the Company adopted impairment loss accounting for business-use real estate based on the "Opinion Regarding Accounting Standard for Impairment of Fixed Assets" issued by the Corporate Accounting Standards Committee on August 9, 2002. In fiscal 2008, the Company adopted the "Accounting Standards for Measurement of Inventories" (Accounting Standards Board of Japan Statement No. 9, issued July 5, 2006). A substantial deterioration of the real estate market could require the Group to recognize impairment losses on properties in the leasing business and devaluation of inventory assets associated with the residential property sales business, which could impact the Group's business performance. In addition, the Group's assets include investment securities. Reduction in the value of these assets due to changes in economic conditions could cause a devaluation loss that might impact the Group's business performance.

4. Effects of Interest-Bearing Debt

As of March 31, 2012, consolidated interest-bearing debt totaled ¥505,805 million, all of which was procured at fixed interest rates. A significant rise in market interest rates could, therefore, affect the Group's business operations. In addition, instability in capital markets, credit limits imposed by financial institutions, the failure of financial institutions (including guarantee payments), or downgrades in the Company's debt ratings could adversely affect the Group's ability to procure capital.

(Years ended/As of March 31)

	2011	2012
Total assets (Millions of yen)	910,492	**928,537**
Interest-bearing debt (Millions of yen)	487,780	**505,805**
Interest-bearing debt / Total assets (%)	53.6	**54.5**
Operating revenue (Millions of yen)	145,693	**136,842**
Interest expense (Millions of yen)	7,928	**7,938**
Interest expense / Operating revenue (%)	5.4	**5.8**

5. Risks in Net Cash Provided by (Used in) Operating Activities

The Group's operating cash flow tends to be susceptible to fluctuation due to land acquisition activities in the residential property sales business.

In fiscal 2011, net cash provided by operating activities decreased ¥36,713 million from the previous fiscal year to ¥3,704 million. Future increases in inventory assets and other factors create the potential for operating activities to use cash instead of provide it.

6. Risks Concerning Establishment of and Revisions to Real Estate-Related Laws and Regulations

The Group is subject to laws and regulations related to real estate, and revisions to these laws and the establishment of new laws could impact the Group's business performance.

7. Risks Concerning Business Partner Credit

The Company makes every effort to verify the creditworthiness of its business partners before entering into business with them. However, unforeseen events may lower a business partner's creditworthiness and cause economic losses in ways such as making debts owed to the Group uncollectible, which could impact the Group's business performance.

Moreover, misconduct, financial difficulties and other problems that may interfere with the execution of work by contractors selected for construction and other projects could cause economic losses for the Group or erode the Group's credibility, which in turn could affect the Group's performance. The Group works to preclude and avoid these risks by using an internal committee established to select contractors after investigating their creditworthiness and ability to complete construction, and has established criteria for terminating contractors due to issues including failure to meet quality and delivery standards, misconduct or accidents.

(2) Business Risk

1. Risks Concerning Development Project Investment Decisions

The Group invests in quality properties for future development with the objective of further raising corporate value. Every effort is made to ensure that decisions to invest in new development projects do not produce an economic loss or in any way compromise society's trust in the Group. Relevant laws, rights, site conditions, market studies, and other subjects are thoroughly researched and verified. Construction plans and business revenue and expenditure plans are drawn up, and internal meetings are held to determine business viability. The final decisions to invest are made by the Board of Directors and other senior management organizations. Despite careful preparation and consideration, fluctuations in demand arising from changes in the operating environment or in the real estate market can reduce the profitability of investments and could impact the Group's business performance.

2. Risks Concerning Sales Transaction and Construction Contracts

Inadequate contract documents, flawed contract stipulations, or other deficiencies in sales transaction contracts and construction contracts could produce an economic loss, or liability for damage, or loss of credibility that could impact the Group's business performance. The Group seeks to preclude and avoid such risk by using means such as detailed contract check sheets.

3. Risks Concerning Damage to and Deterioration of Buildings in Building Management Operations

The Group regularly inspects and maintains the buildings in its leasing portfolio. However, damage to or deterioration in the buildings, or accidents resulting from the deterioration or failures of the buildings could impact the Group's business performance by increasing the financial burden associated with complaints about damage to or the deterioration of the buildings and accidents caused by them, liability for damage, the erosion of society's trust in the Group, renovations, and rebuilding.

4. Risks Concerning the Handling of Large-Scale Disasters in Building Management Operations

Risks including major earthquakes, floods or other natural disasters, or fires, accidents, or terrorist attacks could cause damage to, the loss of, or the deterioration of buildings in the Group's leasing portfolio, which in turn could affect the Group's business performance. The Group has developed a business continuity plan (BCP) designed to protect against the spread of damage from possible large-scale disasters such as the above and to minimize any economic loss from them, identifying types of disasters and considering the effects of the disasters on tenants and the management of buildings, emergency communication systems, and emergency action in accordance with each type of disaster.

Relationship between NTT and its Group Affiliates

(1) Corporate Positioning in the Business Group Centered on NTT (NTT Group)

NTT Urban Development functions as the sole comprehensive real estate company in the NTT Group while conducting its business operations independently from the NTT Group and maintaining full management responsibility. Although important issues are discussed with or reported to the parent company, NTT, the Company is not restricted or constrained in terms of independent decision making.

As of March 31, 2012, NTT held 67.3% of NTT Urban Development Corporation shares, giving NTT the voting rights of a majority shareholder as stipulated in the Companies Act.

(2) Business Connection with the NTT Group

With mutual respect in terms of independence and autonomy, NTT Urban Development and NTT entered into a contract with regard to NTT Group management and operations for the purpose of maximizing the profits of all NTT Group companies through the maximization of the NTT Group's profit. Based on this contract, the Company submits payments for Group management and operation costs. In addition, the contract provides a wide range of benefits, including consultation, permission to use the "NTT" brand, and access to Group-wide services for public relations. The use of the NTT brand name is particularly beneficial in terms of raising the Company's credibility and trustworthiness.

The Company has also entered into building leasing agreements with NTT Group companies from which the Company receives leasing revenues. Leasing rates are determined based on the same terms and conditions as leasing agreements for general tenants and decided by mutual deliberation and with reference to neighboring property rates and market prices. The Company acquires land from the NTT Group for use mainly by the residential property sales business. Acquisition prices consistent with general market transactions are decided through mutual deliberation with due regard for issues such as profitability.

Revenues from business transactions with the NTT Group in the leasing business (non-consolidated) are as follows:

Leasing Business (Non-Consolidated) Transactions with the NTT Group

(Years ended March 31)

	2011	2012
Revenues in the leasing business (Millions of yen)	84,996	**82,603**
Revenues from the NTT Group (Millions of yen)	28,236	**26,600**
Revenues from the NTT Group / Revenues in the leasing business (%)	33.2	**32.2**

(3) Relationships with Personnel of the NTT Group

Employees from the NTT Group are treated as permanently transferred workers, not as temporarily transferred workers. As of June 20, 2012, the Company had an executive from NTT as an outside director and another as an outside auditor. The Company requested these appointments and conducts its management decisions independent of the NTT Group.

(4) Preservation of the Company's Independent Status from the NTT Group

The Company conducts real estate business throughout Japan as a member of the NTT Group while conducting its business operations independently from the NTT Group and maintaining full management responsibility. The conditions described in sections 1) to 3) above are intended to preserve the Company's independence from the parent company.

6. Basic Policy on the Control of the Company

The parent company holds more than 50% of the shareholder voting rights. Therefore, the Company has not established a detailed basic policy on control of the Company and, at present, does not maintain takeover defense measures.

Financial Section

Consolidated Balance Sheets

As of March 31, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2012	2012
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 2, 7 and 15)	¥ 18,015	¥ 10,960	$ 133,359
Time deposits and short-term investments (Note 15)	1,773	1,810	22,022
Notes and operating accounts receivable (Note 15)	6,458	15,480	188,356
Inventories (Note 4)	80,613	94,206	1,146,205
Lease investment assets (Note 8)	2,394	3,172	38,603
Deferred tax assets (Note 13)	1,723	427	5,207
Other (Note 7)	2,787	3,883	47,254
Allowance for doubtful accounts (Note 15)	(2)	(1)	(16)
Total current assets	113,762	129,941	1,580,990
Non-current assets:			
Property, plant and equipment (Note 7)**:**			
Buildings and structures	683,708	692,937	8,430,922
Machinery, equipment and vehicles	13,500	13,766	167,494
Tools, furniture and fixtures	14,823	15,603	189,851
Land	400,206	401,361	4,883,341
Lease assets (Note 8)	651	512	6,238
Construction in progress	9,718	17,503	212,967
Subtotal	1,122,610	1,141,685	13,890,813
Accumulated depreciation	(377,345)	(392,922)	(4,780,657)
Total property, plant and equipment	745,265	748,763	9,110,156
Investments and other assets:			
Investment securities (Note 5)	21,150	20,656	251,331
Long-term prepaid expenses (Note 7)	17,982	17,308	210,593
Intangible assets (Note 7)	4,969	4,562	55,510
Deferred tax assets (Note 13)	373	397	4,833
Other	6,990	6,906	84,033
Allowance for doubtful accounts	(0)	—	—
Total investments and other assets	51,464	49,831	606,300
Total non-current assets	796,729	798,595	9,716,456
Total assets	¥ 910,492	¥ 928,537	$11,297,446

The accompanying notes are an integral part of the financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2012	2012
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current liabilities:			
Notes and operating accounts payable-trade (Note 15)	¥ 8,083	¥ 13,175	$ 160,309
Current portion of lease obligations (Note 8)	101	68	837
Current portion of long-term debt (Notes 6, 7 and 15)	68,972	50,324	612,294
Income taxes payable (Notes 13 and 15)	5,662	458	5,583
Provision for loss on disaster	574	–	–
Other	21,428	24,699	300,518
Total current liabilities	104,822	88,727	1,079,541
Non-current liabilities:			
Long-term debt (Notes 6, 7 and 15)	418,807	455,481	5,541,806
Lease obligations (Note 8)	196	151	1,837
Deferred tax liabilities (Note 13)	68,644	60,305	733,736
Provision for retirement benefits (Note 9)	5,889	6,026	73,322
Provision for directors' retirement benefits	121	105	1,288
Lease and guarantee deposits received (Note 15)	88,081	82,437	1,003,011
Negative goodwill (Notes 2 and 20)	30,186	28,402	345,566
Provision for loss on warranty	60	–	–
Asset retirement obligations	2,737	3,044	37,041
Other	159	128	1,565
Total non-current liabilities	614,886	636,082	7,739,172
Total liabilities	719,709	724,810	8,818,713
NET ASSETS			
Shareholders' equity (Note 10)**:**			
Capital stock:			
Authorized – 10,500,000 shares			
Issued – 3,291,200 shares	48,760	48,760	593,260
Capital surplus	34,109	34,109	415,011
Retained earnings	72,628	84,265	1,025,252
Total shareholders' equity	155,498	167,135	2,033,523
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	257	98	1,204
Foreign currency translation adjustments	(221)	(1,221)	(14,865)
Total accumulated other comprehensive income	36	(1,122)	(13,661)
Minority interests	35,248	37,714	458,871
Total net assets	190,783	203,727	2,478,733
Total liabilities and net assets	¥910,492	¥928,537	$11,297,446

Consolidated Statements of Income

For the years ended March 31, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2012	2012
Operating revenue (Notes 2 and 20)	¥145,693	¥136,842	$1,664,957
Operating cost (Notes 2 and 4)	104,442	96,433	1,173,302
Operating gross profit	41,251	40,409	491,655
Selling, general and administrative expenses (Note 11)	16,926	15,043	183,038
Operating income (Note 18)	24,324	25,365	308,617
Other income (expenses):			
Interest income	56	61	752
Interest expenses	(7,928)	(7,938)	(96,589)
Amortization of negative goodwill	1,926	1,926	23,440
Equity in earnings of affiliates	110	77	939
Loss on adjustment for changes of accounting standard for asset retirement obligations	(1,001)	—	—
Loss on disaster	(585)	(323)	(3,930)
Other, net (Notes 12 and 18)	(779)	(2,743)	(33,383)
	(8,201)	(8,939)	(108,771)
Income before income taxes and minority interests	16,122	16,425	199,846
Income taxes (Note 13)**:**			
Current	7,996	3,991	48,559
Deferred	(2,565)	(6,942)	(84,465)
Total income taxes	5,431	(2,951)	(35,906)
Income before minority interests	10,691	19,376	235,752
Minority interests in income	1,384	3,790	46,118
Net income (Note 14)	¥ 9,307	¥ 15,586	$ 189,634

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2012	2012
Income before minority interests	¥10,691	¥19,376	$235,752
Other comprehensive income (Note 16)			
Valuation difference on available-for-sale securities	165	(165)	(2,018)
Foreign currency translation adjustment	(199)	(1,000)	(12,176)
Total other comprehensive income	(33)	(1,166)	(14,194)
Comprehensive income	¥10,658	¥18,209	$221,558
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	¥ 9,251	¥14,427	$175,533
Comprehensive income attributable to minority interests	¥ 1,406	¥ 3,782	$ 46,025

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2012	2012
Changes in shareholders' equity			
Capital stock:			
Balance at the beginning of the year	¥ 48,760	¥ 48,760	$ 593,260
Balance at the end of the year	¥ 48,760	¥ 48,760	$ 593,260
Capital surplus:			
Balance at the beginning of the year	¥ 34,109	¥ 34,109	$ 415,011
Balance at the end of the year	¥ 34,109	¥ 34,109	$ 415,011
Retained earnings:			
Balance at the beginning of the year	¥ 67,270	¥ 72,628	$ 883,670
Net income	9,307	15,586	189,634
Dividends from surplus	(3,949)	(3,949)	(48,052)
Balance at the end of the year	¥ 72,628	¥ 84,265	$1,025,252
Total shareholders' equity	¥155,498	¥167,135	$2,033,523
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities			
Balance at the beginning of the year	¥ 113	¥ 257	$ 3,129
Net change of items other than shareholders' equity	143	(158)	(1,925)
Balance at the end of the year	¥ 257	¥ 98	$ 1,204
Foreign currency translation adjustment			
Balance at the beginning of the year	¥ (21)	¥ (221)	$ (2,689)
Net change of items other than shareholders' equity	(199)	(1,000)	(12,176)
Balance at the end of the year	(221)	(1,221)	(14,865)
Total accumulated other comprehensive income	¥ 36	¥ (1,122)	$ (13,661)
Minority interests in consolidated subsidiaries:			
Balance at the beginning of the year	¥ 35,305	¥ 35,248	$ 428,863
Net change of items other than shareholders' equity	(57)	2,466	30,008
Balance at the end of the year	¥ 35,248	¥ 37,714	$ 458,871
Total net assets	¥190,783	¥203,727	$2,478,733

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2012	2012
Operating activities:			
Income before income taxes and minority interests	¥ 16,122	**¥ 16,425**	**$ 199,846**
Adjustment for:			
Depreciation and amortization	23,388	**24,765**	**301,317**
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,001	**—**	**—**
Loss on disaster	585	**323**	**3,930**
Amortization of negative goodwill	(1,926)	**(1,926)**	**(23,440)**
Amortization of goodwill	141	**141**	**1,724**
Decrease in allowance for doubtful accounts	(4)	**(2)**	**(27)**
Increase in provision for retirement benefits	151	**136**	**1,660**
Interest and dividends income	(93)	**(125)**	**(1,528)**
Interest expenses	7,928	**7,938**	**96,589**
Equity in earnings of affiliates	(110)	**(77)**	**(939)**
Gain on sales of property, plant and equipment	(212)	**—**	**—**
Loss on disposal of property, plant and equipment	1,052	**2,319**	**28,218**
Loss on sales of property, plant and equipment	8	**216**	**2,633**
Increase in lease investment assets	(595)	**(778)**	**(9,472)**
Decrease (increase) in notes and accounts receivable-trade	8,122	**(9,032)**	**(109,894)**
Decrease (increase) in inventories	1,987	**(14,306)**	**(174,062)**
Increase in notes and accounts payable-trade	1,795	**5,092**	**61,960**
Decrease in lease and guarantee deposits received	(5,708)	**(6,196)**	**(75,390)**
Other, net	(2,411)	**(4,091)**	**(49,784)**
Subtotal	51,225	**20,822**	**253,341**
Interest and dividends income received	128	**161**	**1,965**
Interest expenses paid	(7,996)	**(8,028)**	**(97,683)**
Income taxes paid	(2,940)	**(9,250)**	**(112,552)**
Net cash provided by operating activities	40,417	**3,704**	**45,071**
Investing activities:			
Purchase of property, plant and equipment	(24,533)	**(24,305)**	**(295,726)**
Proceeds from sales of property, plant and equipment	1,470	**681**	**8,293**
Purchases of investment securities	(3,739)	**(13)**	**(167)**
Proceeds from repayment of investment securities	350	**1,052**	**12,800**
Proceeds from sales of investment securities	308	**—**	**—**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(294)	**—**	**—**
Other, net	(1,820)	**(447)**	**(5,451)**
Net cash used in investing activities	(28,257)	**(23,033)**	**(280,251)**
Financing activities:			
Net decrease in commercial papers	(4,999)	**—**	**—**
Proceeds from long-term loans payable	33,300	**72,000**	**876,019**
Repayments of long-term loans payable	(44,339)	**(67,360)**	**(819,575)**
Proceeds from issuance of bonds	9,994	**14,993**	**182,425**
Redemption of bonds	(2,861)	**(1,611)**	**(19,610)**
Cash dividends paid	(3,949)	**(3,949)**	**(48,058)**
Cash dividends paid to minority shareholders	(1,433)	**(1,316)**	**(16,016)**
Other, net	(352)	**(104)**	**(1,267)**
Net cash provided by (used in) financing activities	(14,641)	**12,650**	**153,918**
Effect of exchange rate change on cash and cash equivalents	(11)	**(375)**	**(4,567)**
Net decrease in cash and cash equivalents	(2,493)	**(7,054)**	**(85,829)**
Cash and cash equivalents at the beginning of the year	20,508	**18,015**	**219,188**
Cash and cash equivalents at the end of the year	¥ 18,015	**¥ 10,960**	**$ 133,359**

The accompanying notes are an integral part of the financial statements.

Notes to Consolidated Financial Statements

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of NTT Urban Development Corporation (the "Company") and its consolidated subsidiaries are prepared on the basis of generally accepted accounting principles in Japan, which differ in certain respects from the application and disclosure requirements of the International Financial Reporting Standards, and are compiled from consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The information disclosed in the accompanying consolidated financial statements is translated from the original Japanese text and the scope and nature of the information is limited to that disclosed therein. However, certain reclassifications have been made to present the accompanying consolidated financial statements in a format that is familiar to readers outside Japan.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in Japanese yen and U.S. dollars) do not necessarily agree with the sum of the individual accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all companies controlled directly or indirectly by the Company. All significant inter-company balances and transactions have been eliminated upon consolidation.

Consolidated subsidiaries as of March 31, 2011 and 2012 are as follows:

2011	2012
NTT Urban Development Builservice Co.	NTT Urban Development Builservice Co.
NTT Urban Development West BS Co.	NTT Urban Development West BS Co.
NTT Urban Development Hokkaido BS Co.	NTT Urban Development Hokkaido BS Co.
Otemachi First Square Inc.	Otemachi First Square Inc.
DN Food Co., Ltd.	DN Food Co., Ltd.
Knox Twenty-One Co., Ltd.	Knox Twenty-One Co., Ltd.
Motomachi Parking Access Co., Ltd.	Motomachi Parking Access Co., Ltd.
UDX Tokutei Mokuteki Kaisha	UDX Tokutei Mokuteki Kaisha
Nagasaki Shintomachi New Town Development Tokutei Mokuteki Kaisha	—
UD EUROPE LIMITED	UD EUROPE LIMITED
Premier REIT Advisors Co., Ltd.	Premier REIT Advisors Co., Ltd.
—	UD AUSTRALIA PTY LIMITED

The Company's acquisition of stocks resulted in Premier REIT Advisors Co., Ltd. becoming consolidated effective year ended March 31, 2011. The Company established UD AUSTRALIA PTY LIMITED, which became a consolidated subsidiary from the effective year ended March 31, 2012.

Nagasaki Shintomachi New Town Development Tokutei Mokuteki Kaisha was excluded from the consolidation effective March 31, 2012 due to its liquidation.

The companies over which the Company exercises significant influence in terms of operating and financial policies are included in the consolidated financial statements on an equity basis.

The affiliated companies accounted for by the equity method as of March 31, 2011 and 2012 are as follows:

2011	2012
Tokyo Opera City Building Co., Ltd.	**Tokyo Opera City Building Co., Ltd.**
DHC Tokyo Co., Ltd.	**DHC Tokyo Co., Ltd.**
Tokyo Opera City District Heating & Cooling Co., Ltd.	**Tokyo Opera City District Heating & Cooling Co., Ltd.**
Crossfield Management Corporation	**—**
Harumi Yonchome City Planning Design Co.	**Harumi Yonchome City Planning Design Co.**
MOUNT STREET ADVISERS LIMITED	**MOUNT STREET ADVISERS LIMITED**
—	**335 GRICES ROAD PTY LTD**

The Company invested in 335 GRICES ROAD PTY LTD, which became an affiliated company accounted for by the equity method, effective for the year ended March 31, 2012.

Crossfield Management Corporation was excluded from the affiliates due to its liquidation as of March 31, 2012.

The balance sheet date of UD EUROPE LIMITED and UD AUSTRALIA PTY LIMITED is December 31. Financial statements for their financial periods are used to prepare the consolidated financial statements, and any significant subsequent transactions for the period from January 1 to March 31 are reflected in the consolidated financial statements. Aside from these consolidated subsidiaries, all consolidated subsidiaries disclosed above use a fiscal year ending March 31, the same as that of the Company.

(b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand, bank deposits that can be withdrawn at any time, and short-term investments with an original maturity of three months or less that can be easily converted to cash and are subject to an insignificant risk of change in value.

Certain debt securities with original maturities of less than three months as of March 31, 2011 and 2012 are ¥1,099 million and ¥1,099 million ($13,383 thousand), respectively. These securities are included in cash and cash equivalents.

(c) Inventories

Real estate inventory is basically stated at cost determined mainly by the specific identification method, but real estate for sale and real estate for sale in process is written down when the profitability of inventories declines.

(d) Investment Securities

Marketable securities are stated at fair value adjusted for changes in unrealized gain or loss, whose changes, net of applicable income taxes, are recognized directly in net assets. Non-marketable securities are stated at cost. The cost of securities sold is determined by the moving average method.

Investments in limited liability investment partnerships and similar associations are evaluated based on the most recent financial information available, and the net amounts of equity in earnings for these entities are accounted for as additions to or deductions from the book values of these investments.

(e) Accounting for the Impairment of Fixed Assets

The Company and its consolidated subsidiaries follow the accounting standard for impairment of fixed assets (the Accounting Standard for Impairment of Fixed Assets ("the Standard") and implementation guidance for the Standard ("Guidance")). The Standard and Guidance require that fixed assets be reviewed for impairment when events or changes in circumstance indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized in the statements of income by directly reducing the carrying value of impairment assets or a group of assets to the recoverable amount (either the net selling price or the value in use, whichever is higher).

For the year ended March 31, 2011 and 2012, there were no impairment losses recognized by the Company or its consolidated subsidiaries.

(f) Property, Plant and Equipment (excluding Lease Assets)

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is calculated principally using the declining balance method; however, the straight-line method is applied to NTT Makuhari Building, Granpark Building, NTT Cred Motomachi Building, and buildings (except attached facilities) acquired on and after April 1, 1998, based on their estimated useful lives (15 to 50 years for buildings and structures, 5 to 17 years for machinery, equipment and vehicles, and 2 to 20 years for tools, furniture and fixtures). Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income when incurred.

(g) Lease Assets

Depreciation of lease assets, held under finance leases without transfer of ownership, is calculated using the same method as owned property, plant and equipment.

(h) Intangible Assets

Intangible assets are stated at cost. Amortization of intangible assets is calculated using the straight-line method. Capitalized software for internal use is amortized over its estimated useful life of five years.

(i) Long-term Prepaid Expenses

Amortization of long-term prepaid expenses is calculated using the straight-line method.

(j) Bond Issuance Expenses

Expenses relating to bond issuance are charged to income when incurred.

(k) Allowance for Doubtful Accounts

The Company and its consolidated subsidiaries provide for an allowance for doubtful accounts to cover estimated probable losses on collection. The allowance consists of a general reserve calculated based on the historical write-off rate of each company, and a specific reserve that is the estimated uncollectible amount with respect to identified doubtful accounts.

(l) Retirement Benefits

Provision for retirement benefits has been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of pension plan assets as of the balance sheet date, adjusted for unrecognized actuarial differences and unrecognized prior service costs. The retirement benefit obligation is attributed, using the straight-line method, to each period over the estimated years of service of eligible employees.

When actuarial differences are recognized, they are amortized using the straight-line method over the average remaining service period for eligible employees from the following year.

Prior service costs are amortized using the straight-line method over the average remaining service period for eligible employees from the fiscal year in which cost is incurred.

Directors and corporate auditors of certain subsidiaries are entitled to lump-sum payments under their respective unfunded severance benefit plans. Provision for directors’ retirement benefits represents the estimated amounts that would be payable if all such beneficiaries were to retire on the balance sheet date.

(m) Provision for Loss on Warranty

The Company has recognized a provision for loss on warranty to cover estimated probable future indemnification in relation to its sales of real estate properties.

(n) Provision for Loss on Disaster

The Company has recognized provision for loss on disaster, in preparation for expenditures on the restoration of assets damaged by the Great East Japan Earthquake.

(o) Goodwill and Negative Goodwill

Negative goodwill is the excess of the fair value of the identifiable net assets acquired over the cost of acquisition. The Company amortizes goodwill and negative goodwill that was recognized on or before March 31, 2010 over 20 years using the straight-line method.

Negative goodwill recognized on or before March 31, 2010 is offset by goodwill on the consolidated balance sheets. The amounts of goodwill before offsetting as of March 31, 2011 and 2012 are ¥2,563 million and ¥2,422 million ($29,470 thousand), respectively. The amounts of negative goodwill before offsetting as of March 31, 2011 and 2012 are ¥32,750 million and ¥30,824 million ($375,035 thousand), respectively.

(p) Income Taxes

Deferred income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for estimated future tax consequences attributable to temporary differences between the financial statement book values and the tax bases of assets and liabilities.

Deferred tax assets and liabilities are measured using the enacted tax rates applicable to taxable income for the years in which those temporary differences are expected to be recovered or settled.

(q) Revenue Recognition

Revenues from the sale of land and residential homes are recognized when units are delivered and accepted by customers.

Revenues from leasing land and buildings are recognized as rent is accrued over the lease term. Revenues from finance lease transactions and their costs are recognized when corresponding lease payments are made by customers.

Revenue from construction contracts is recognized based on the percentage-of-completion method, based on the percentage of cost incurred in relation to the estimated total cost, as long as the activity is expected to be profitable. Otherwise, the completed-contract method is applied.

(r) Consumption Tax

Transactions subject to consumption tax are recorded at amounts exclusive of the tax.

(s) Derivatives

The Company and certain subsidiaries have entered into derivative transactions in order to manage certain risks arising from adverse fluctuations in interest rates. Derivative financial instruments are stated at fair value, with changes in unrealized gains or losses charged to income, except for those that meet the criteria for deferral hedge accounting, in which case unrealized gains or losses are deferred as a component of net assets. Interest rate swaps that meet the specific criteria are not re-measured at market value but the differences paid or received under swap agreements are recognized as interest expenses or income.

(t) Appropriation of Retained Earnings

In accordance with the Companies Act of Japan, distribution of capital surplus and retained earnings can be made at any time provided that certain conditions are met, by resolution of the shareholders or by the board of directors.

(u) Additional Information

The Company applied the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24 issued on December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24 issued on December 4, 2009), to reflect accounting changes made after the beginning of this fiscal year and the correction of past errors.

(v) Reclassification

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

3. U.S. DOLLAR AMOUNTS

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, and uses the exchange rate as of March 31, 2012, which was ¥82.19 to U.S.$1. This translation should not be construed as a representation that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollars at this or any other rate of exchange.

4. INVENTORIES

Inventories as of March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Real estate for sale	¥ 7,630	**¥14,854**	**$ 180,729**
Real estate for sale in process	72,648	**78,843**	**959,287**
Costs on uncompleted construction contracts	269	**448**	**5,457**
Raw materials and supplies	63	**60**	**732**
Total	¥80,613	**¥94,206**	**$1,146,205**

Losses on valuation of inventories of ¥2,141 million and ¥1,194 million ($14,539 thousand) were included in operating cost for the years ended March 31, 2011 and 2012, respectively.

5. SECURITIES

(a) The acquisition cost, carrying value and unrealized gains and losses of marketable available-for-sale securities as of March 31, 2011 and 2012 are as follows:

	Unrealized gains		
	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Acquisition cost:			
Equity securities	¥ 936	**¥ 936**	**$11,391**
Debt securities	3,899	**5,157**	**62,753**
Other	3,116	**—**	**—**
Total	¥7,951	**¥6,093**	**$74,144**
Carrying value:			
Equity securities	¥1,133	**¥1,264**	**$15,384**
Debt securities	4,011	**5,246**	**63,831**
Other	3,279	**—**	**—**
Total	¥8,424	**¥6,510**	**$79,215**
Unrealized gains:			
Equity securities	¥ 196	**¥ 328**	**$ 3,994**
Debt securities	112	**88**	**1,078**
Other	163	**—**	**—**
Total	¥ 472	**¥ 416**	**$ 5,072**

	Unrealized losses		
	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Acquisition cost:			
Debt securities	¥1,258	**¥ —**	**$ —**
Other	2,200	**4,716**	**57,380**
Total	¥3,458	**¥4,716**	**$57,380**
Carrying value:			
Debt securities	¥1,258	**¥ —**	**$ —**
Other	2,101	**4,360**	**53,053**
Total	¥3,359	**¥4,360**	**$53,053**
Unrealized losses:			
Debt securities	¥ (0)	**¥ —**	**$ —**
Other	(98)	**(355)**	**(4,327)**
Total	¥ (98)	**¥ (355)**	**$ (4,327)**

Fair value is the market price on stock markets or financial instrument exchanges.
No marketable available-for-sale securities were sold in the years ended March 31, 2011 and 2012.

(b) The redemption schedule for securities with maturity dates as of March 31, 2011 and 2012, all of which are Japanese government bonds, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Due within one year	¥1,100	¥1,100	$13,384
Due after one year and within five years	3,900	3,900	47,451
Due after five years and within ten years	—	—	—
Due after ten years	203	203	2,478
Total	¥5,203	¥5,203	$63,313

(c) The aggregate book value of securities with no available fair value as of March 31, 2011 and 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Unlisted stocks	¥ 355	¥ 363	$ 4,418
Investments in limited partnerships	8,674	9,057	110,206
Other investments	34	41	503
Total	¥9,064	¥9,462	$115,127

(d) Investments in affiliates as of March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Capital stock	¥1,559	¥1,595	$19,418
Total	¥1,559	¥1,595	$19,418

Unlisted stocks, investments in limited partnerships, other investments and investments in affiliates have no quoted market prices available and it is extremely difficult to determine the fair value. Therefore, fair values of these securities are not disclosed.

There were no securities on which impairment losses were recognized for the years ended March 31, 2011 and 2012.

6. LONG-TERM DEBT

As of March 31, 2011 and 2012, long-term debt consists of the following:

			Millions of yen		Thousands of U.S. dollars
Description	Interest rate	Maturity	2011	2012	2012
Unsecured bonds	1.9%	2016	¥ 19,995	¥ 19,996	$ 243,294
Unsecured bonds	2.0%	2018	19,987	19,989	243,205
Unsecured bonds	1.5%	2019	9,992	9,993	121,588
Unsecured bonds	1.0%	2020	9,994	9,994	121,607
Unsecured bonds	1.1%	2021	—	9,996	121,623
Unsecured bonds	2.0%	2031	—	4,997	60,805
Secured bonds	2.1%	2013	65,347	63,735	775,466
Borrowings from banks and other financial institutions:					
Secured	0.9-4.4%	2012-2022	¥ 19,605	¥ 14,945	$ 181,835
Unsecured	0.2-2.9%	2012-2024	342,858	352,157	4,284,677
			487,780	505,805	6,154,100
Less current portion			68,972	50,324	612,294
Total			¥418,807	¥455,481	$5,541,806

The contractual repayment schedule of long-term debt as of March 31, 2012 is summarized as follows:

Fiscal years ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 50,324	$ 612,294
2014	118,165	1,437,714
2015	53,897	655,761
2016	53,901	655,810
2017	53,254	647,938
2018 and thereafter	176,296	2,144,981
Total	¥505,838	$6,154,498

7. MORTGAGED ASSETS

Mortgaged assets and corresponding debt as of March 31, 2011 and 2012 are as follows:

(a) Mortgaged assets:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Buildings and structures	¥104,483	¥100,326	$1,220,666
Land	13,189	13,189	160,480
Total	¥117,673	¥113,516	$1,381,146

(b) Corresponding debt secured by the above collateral:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Current portion of long-term debt	¥ 4,660	¥ 3,909	$ 47,561
Long-term debt	14,945	11,036	134,274
Total	¥19,605	¥14,945	$181,835

Mortgaged assets, and corresponding debt, regarding debt with limited recourse(*) as of March 31, 2011 and 2012 are as follows:

(a) Mortgaged assets:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Cash and cash equivalents	¥ 6,121	¥ 6,708	$ 81,625
Other current assets	251	267	3,260
Buildings and structures	51,669	49,293	599,748
Land	171,400	171,402	2,085,446
Other property, plant and equipment	151	170	2,075
Intangible assets	0	1	13
Long-term prepaid expenses	269	237	2,888
Total	¥229,863	¥228,081	$2,775,055

(b) Corresponding debt secured by the above collateral:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Current portion of bonds	¥ 1,611	**¥ 1,611**	**$ 19,610**
Bonds payable	63,735	**62,123**	**755,856**
Total	¥65,347	**¥63,735**	**$775,466**

(*) Debt with limited recourse includes bonds issued by UDX Tokutei Mokuteki Kaisha and Nagasaki Shintomachi New Town Development Tokutei Mokuteki Kaisha as of March 31, 2011, and UDX Tokutei Mokuteki Kaisha as of March 31, 2012. Repayment of debt is limited to assets of these companies such as the above-mentioned mortgaged assets.

8. LEASE TRANSACTIONS

Finance lease transactions

(a) Lessee — Lease assets under finance leases as of March 31, 2012 mainly consist of servers, computers (included in "Tools, furniture and fixtures") and software, all of which are used for the leasing business.

The contractual repayment schedule of lease obligations in the five years as of March 31, 2012 is summarized as follows:

Fiscal years ending March 31	Millions of yen	Thousands of U.S. dollars
2013	**¥ 78**	**$ 957**
2014	**46**	**561**
2015	**36**	**449**
2016	**32**	**393**
2017	**20**	**244**
2018 and thereafter	**37**	**452**
Total	**¥251**	**$3,056**

(b) Lessor — Lease investment assets as of March 31, 2011 and 2012 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Current assets:			
Lease receivables portion	¥ 6,927	**¥ 7,302**	**$ 88,846**
Estimated residual value of lease assets	—	**—**	**—**
Interests receivable equivalent	(4,533)	**(4,129)**	**(50,244)**
Lease investment assets	¥ 2,394	**¥ 3,172**	**$ 38,603**

The contractual receipt schedule of finance lease receivables and the lease receivables portion of lease investment assets as of March 31, 2012 are summarized as follows:

	Finance lease receivables		Lease investment assets	
Fiscal years ending March 31,	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2013	**¥ 368**	**$ 4,481**	**¥ 97**	**$ 1,184**
2014	**368**	**4,481**	**102**	**1,252**
2015	**368**	**4,481**	**108**	**1,326**
2016	**368**	**4,481**	**115**	**1,406**
2017	**368**	**4,481**	**122**	**1,492**
2018 and thereafter	**5,460**	**66,441**	**2,625**	**31,943**
Total	**¥7,302**	**$88,846**	**¥3,172**	**$38,603**

Operating lease transactions

(a) Lessee — The amounts of outstanding future minimum lease payments of non-cancelable operating leases as of March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Due within one year	¥ 1,599	**¥ 1,646**	**$ 20,027**
Due after one year	21,054	**21,206**	**258,012**
Total	¥22,654	**¥22,852**	**$278,039**

(b) Lessor — The amounts of outstanding future minimum lease receipts of non-cancelable operating leases as of March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Due within one year	¥10,529	**¥12,847**	**$156,309**
Due after one year	56,472	**59,769**	**727,214**
Total	¥67,001	**¥72,616**	**$883,523**

9. RETIREMENT BENEFIT PLANS

The Company and its consolidated subsidiaries have defined benefit plans for employees, consisting of a corporate defined benefit pension plan, contract-type corporate pension plans and lump-sum payment plans. These plans are based on an employee's base salary, length of service, and conditions under which termination of employment occurs.

The following table sets forth the plan's funding and accrual status and the amounts recognized in the consolidated balance sheets as of March 31, 2011 and 2012 for defined benefit plans of the Company and its consolidated subsidiaries:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Retirement benefit obligation	¥(10,388)	**¥(10,789)**	**$(131,280)**
Plan assets	5,052	**5,284**	**64,299**
Unfunded retirement benefit obligation	(5,335)	**(5,505)**	**(66,981)**
Unrecognized net actuarial gains	(554)	**(521)**	**(6,340)**
Unrecognized prior service costs	(0)	**(0)**	**(1)**
Provision for retirement benefits	¥ (5,889)	**¥ (6,026)**	**$ (73,322)**

The components of retirement benefit expenses for the years ended March 31, 2011 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Service costs	¥ 361	**¥ 362**	**$ 4,407**
Interest costs	241	**254**	**3,099**
Expected return on plan assets	(119)	**(117)**	**(1,426)**
Amortization of net actuarial gains	(59)	**(45)**	**(553)**
Amortization of prior service costs	(0)	**(0)**	**(1)**
Employees' contribution	(18)	**(18)**	**(220)**
Retirement benefit expenses	¥ 405	**¥ 436**	**$ 5,306**

The assumptions used in accounting for the above plans as of March 31, 2011 and 2012 are as follows:

	2011	2012
Discount rates	2.5%	**2.5%**
Expected rate of return on assets	2.25~2.5%	**2.0~2.5%**
Amortization period of unrecognized actuarial differences	8.5~13.7 years	**8.5~13.7 years**
Amortization period of unrecognized prior service costs	11.2~11.5 years	**11.2~11.5 years**

10. SHAREHOLDERS' EQUITY

The Companies Act provides that an amount equal to 10% of a distribution of surplus (aggregate of capital surplus and retained earnings) must be appropriated as legal reserve or as additional paid-in capital depending on which surplus is distributed, until the total of such a reserve and additional paid-in capital equals 25% of capital stock. The Company has appropriated retained earnings to the legal reserve in relation to the distribution of retained earnings. The legal reserves amounted to ¥3,437 million and ¥3,437 million ($41,822 thousand) as of March 31, 2011 and 2012, respectively, which are included in retained earnings.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2011 and 2012 consist primarily of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Salaries, allowances and bonuses	¥4,912	**¥5,019**	**$61,069**
Business consignment expenses	3,344	**2,631**	**32,013**
Advertising expenses	1,985	**1,962**	**23,880**
Taxes and dues	1,578	**622**	**7,574**
Retirement benefit expenses	331	**333**	**4,055**
Provision for directors' retirement benefits	36	**17**	**212**
Provision of allowance for doubtful accounts	5	**1**	**15**

12. OTHER INCOME (EXPENSES)

The components of “Other, net” in “Other income (expenses)” for the years ended March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Dividends income	¥ 36	¥ 63	$ 776
Contributions received in aid of construction	103	123	1,504
Gain on reversal of provision for loss on warranty	—	60	730
Gain on donated fixed assets	0	0	5
Gain on sales of property, plant and equipment	212	—	—
Loss on sales of property, plant and equipment	(8)	(216)	(2,633)
Loss on disposal of property, plant and equipment	(1,052)	(2,319)	(28,218)
Gain on sales of investment securities	8	—	—
Other	(79)	(455)	(5,547)
Total	¥ (779)	¥(2,743)	$(33,383)

The components of “Gain on sales of property, plant and equipment” and “Loss on sales of property, plant and equipment” in “Other income (expenses)” for the years ended March 31, 2011 and 2012 are as follows.

For sales of fixed assets comprising a building with attached land, the Company offsets the gains and losses from the transactions. A net gain or loss resulting from such transactions was recorded as “Gain (Loss) on sales of property, plant and equipment.”

(a) Gain on sales of property, plant and equipment

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Buildings and structures	¥ (23)	¥—	$—
Land	236	—	—
Total	¥212	¥—	$—

(b) Loss on sales of property, plant and equipment

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Buildings and structures	¥(1)	¥(249)	$(3,030)
Land	(7)	32	397
Total	¥(8)	¥(216)	$(2,633)

The components of “Loss on disposal of property, plant and equipment” in “Other income (expenses)” for the years ended March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Buildings	¥ (513)	¥(1,184)	$(14,411)
Structures	(6)	(2)	(36)
Machinery and equipment	(11)	(9)	(120)
Removal cost	(492)	(1,085)	(13,211)
Tools, furniture, fixtures and others	(28)	(36)	(440)
Total	¥(1,052)	¥(2,319)	$(28,218)

13. INCOME TAXES

Income taxes in Japan applicable to the Company and its consolidated subsidiaries consist of corporation tax, inhabitant taxes and enterprise taxes, which, in aggregate, resulted in a statutory tax rate of 40.7% in both 2011 and 2012.

The table below presents a reconciliation of the difference between the statutory tax rate and the effective tax rate after the application of tax effect accounting by major cause for the years ended March 31, 2011 and 2012.

	2011	2012
Statutory tax rate	40.7%	**40.7%**
Adjustments:		
Reduction in year-end deferred tax liabilities due to tax rate change	—	**(51.6)**
Amortization of negative goodwill	(4.9)	**(4.8)**
Earnings of subsidiaries (tokutei mokuteki kaisha) attributable to minority interests	(3.5)	**(3.1)**
Valuation allowance	0.5	**0.6**
Other	0.9	**0.2**
Effective tax rate after the application of tax effect accounting	33.7%	**(18.0)%**

The significant components of deferred tax assets and liabilities as of March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Deferred tax assets:			
Accrued bonuses in excess of the limit for income tax deduction	¥ 196	**¥ 190**	**$ 2,323**
Accrued enterprise taxes	495	**73**	**900**
Accrued real estate acquisition tax	374	**56**	**690**
Loss on valuation of inventory	240	**124**	**1,510**
Evaluation loss on land	4,371	**3,828**	**46,584**
Depreciation of unused building volume	1,917	**1,801**	**21,923**
Provision for retirement benefits	2,396	**2,160**	**26,287**
Impairment loss	1,327	**848**	**10,321**
Compensation for loss	1,317	**683**	**8,320**
Other	2,137	**1,892**	**23,022**
Subtotal	14,773	**11,661**	**141,880**
Valuation allowance	(6,918)	**(6,148)**	**(74,811)**
Total	7,854	**5,512**	**67,069**
Deferred tax liabilities:			
Reserve for advanced depreciation of non-current assets for tax purposes	(12,766)	**(11,115)**	**(135,243)**
Valuation difference on available-for-sale securities	(60,569)	**(52,907)**	**(643,721)**
Reserve for special account for advanced depreciation of non-current assets for tax purposes	(13)	**(30)**	**(366)**
Other	(1,053)	**(939)**	**(11,437)**
Total	(74,402)	**(64,993)**	**(790,767)**
Net deferred tax liabilities	¥(66,547)	**¥(59,480)**	**$(723,698)**

Following the introduction on December 2, 2011 of the Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures (Act No. 114 of 2011) and the Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for

Reconstruction following the Great East Japan Earthquake (Act No. 117 of 2011), corporate tax rates were reduced and a special reconstruction corporate tax was imposed for fiscal years beginning on or after April 1, 2012. In line with these changes, the statutory tax rate used to measure deferred tax assets and liabilities was changed from 40.7% to 38.0% for temporary differences expected to be eliminated from the fiscal year beginning April 1, 2012 to the fiscal beginning April 1, 2014. The rate will be changed to 35.6% for temporary differences expected to be eliminated in or after the fiscal year beginning April 1, 2015. As a result of this change, the amount of deferred tax liabilities (after deducting the amount of deferred tax assets) decreased ¥8,486 million ($103,250 thousand), income taxes—deferred decreased ¥8,476 million ($103,135 thousand), and the valuation difference on available-for-sale securities increased ¥9 million ($115 thousand).

14. AMOUNTS PER SHARE

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Net income	¥9,307	**¥15,586**	**$189,634**
Amounts not attributable to common stock	—	**—**	**—**
Net income attributable to common stock	¥9,307	**¥15,586**	**$189,634**
Average number of common stock outstanding during the fiscal year	3,291,200 shares	**3,291,200 shares**	

	Yen		U.S. dollars
	2011	**2012**	**2012**
Net income per share	¥2,827.98	**¥4,735.67**	**$57.62**
Cash dividends per share	1,200	**1,400**	**17.03**

	Yen		U.S. dollars
	2011	**2012**	**2012**
Net assets per share	¥47,257.78	**¥50,441.30**	**$613.72**

Diluted net income per share is not disclosed because the Company does not have any dilutive securities. Net income per share was computed by dividing the net income available for distribution to shareholders of common stock by the weighted average number of shares of common stock outstanding during the year. Cash dividends per share represent cash dividends proposed by the board of directors as applicable to the respective years plus interim dividends from surplus. Net assets per share were computed by dividing net assets available for distribution to shareholders of common stock by the number of shares of common stock outstanding at the end of the consolidated fiscal year.

15. FINANCIAL INSTRUMENTS

Overview

(a) Policy for financial instruments

The Company and its subsidiaries raise funds required mainly for investment in and operation of the leasing business and residential property sales business mainly through bank borrowings and bond issuances. The Company and certain subsidiaries also raise short-term operating funds by participating in the cash management system of the NTT group. When temporary cash surpluses are realized, such surpluses are invested in the cash management system. The Company and its subsidiaries use derivatives to hedge the fluctuation risk of interest rates and never use derivatives for speculative purposes.

(b) Types of financial instruments and related risks

Notes and operating accounts receivable are exposed to credit risk in relation to customers. Short-term and long-term investment securities, consisting of Japanese government bonds, stocks of enterprises with which the Company has business relationships and investments in limited liability partnerships, are exposed to credit risk in relation to issuers and the fluctuation risk of the quoted market price.

Most of the payment due for notes and operating accounts payable-trade is within 1 year. Long-term debts are mainly for the purpose of raising funds for investments and the operation of the Company. The longest redemption periods of long-term debts as of March 31, 2011 and 2012 are 11 years and 2 months, and 19 years and 6 months, respectively. However, as some debts bearing interest at variable rates are exposed to interest rate risk, the Company and its consolidated subsidiaries utilize derivatives (interest rate swaps) as hedging instruments.

Interest rate swap transactions are designated to hedge the interest rate risk arising from adverse fluctuations in floating interest rates. Please refer to Note 2 (s), Derivatives, for information about hedge accounting.

(c) Risk management for financial instruments

(1) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the Company's accounting manual for managing the credit risk of the Company and certain subsidiaries arising from trade receivables, a responsible person from each related division of the Company and certain subsidiaries monitors the condition of individual customers, manages trade receivables during the period from recognition until derecognition and takes provisional measures on receivables which have been uncollected over a certain period.

For short-term and long-term investment securities, financial conditions of issuers (mainly customers) are periodically monitored. Taking the business relationships with issuers into account, continuance of investments is continuously reviewed for all investments other than Japanese government bonds. Credit risk is hardly recognized for Japanese government bonds.

The Company's management believes that credit risk arising from derivative transactions would be immaterial because the counterparties of such transactions are limited to banks with high credit ratings.

(2) Monitoring of market risk (the risk arising from fluctuations in interest rates)

The Company and certain subsidiaries raise funds mainly through bank borrowings bearing interest at fixed rates. For some borrowings bearing interest at variable rates, interest rate swap transactions are utilized to reduce the risk related to adverse fluctuations in the interest expenses.

For short-term and long-term investment securities, their quoted market prices, market conditions and the financial conditions of issuers are periodically monitored.

Derivative transactions are executed by the accounting and finance department of the Company with approval of an authorized person in accordance with the risk management guidelines related to financial instruments which prescribe hedging items, authorized persons and limits for transaction amounts.

(3) Monitoring of liquidity risk (the risk that the Company and its subsidiaries may not be able to meet their obligations on scheduled payment due dates)

The Company and certain subsidiaries manage liquidity risk by securing flexibility in liquidity, using a cash flow plan which is prepared on a timely basis and updated by the accounting and finance department of the Company based on related reports from each relevant division and with participation in the cash management system of the NTT group.

(d) Supplemental information of the fair value of financial instruments

The fair value of financial instruments is measured using the quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated using certain valuation techniques such as discounting the future cash flows. Since variable assumptions and factors are reflected in estimating fair value, different assumptions and factors could result in a different fair value. In addition, the notional amounts of derivatives in Note 17, Derivative transactions, are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

The carrying amount, fair value and its difference of financial instruments as of March 31, 2011 and 2012 are as follows. Financial assets and liabilities whose fair values are extremely difficult to determine or insignificant are not included in the table below.

	Millions of yen		
	2011		
Financial assets (liabilities):	Book value	Fair value	Difference
Cash and cash equivalents	¥ 18,015	¥ 18,015	¥ —
Time deposits and short-term investments	1,773	1,773	—
Notes and operating accounts receivable	6,458	6,456	(2)
Notes and operating accounts payable-trade	(8,083)	(8,083)	—
Income taxes payable	(5,662)	(5,662)	—
Long-term debt	(487,780)	(499,594)	(11,814)
Lease and guarantee deposits received	(16,360)	(16,002)	358

	Millions of yen		
	2012		
Financial assets (liabilities):	Book value	Fair value	Difference
Cash and cash equivalents	**¥ 10,960**	**¥ 10,960**	**¥ —**
Time deposits and short-term investments	**1,810**	**1,810**	**—**
Notes and operating accounts receivable	**15,480**	**15,479**	**(1)**
Notes and operating accounts payable-trade	**(13,175)**	**(13,175)**	**—**
Income taxes payable	**(458)**	**(458)**	**—**
Long-term debt	**(505,805)**	**(518,556)**	**(12,751)**
Lease and guarantee deposits received	**(14,010)**	**(13,703)**	**306**

	Thousands of U.S. dollars		
	2012		
Financial assets (liabilities):	Book value	Fair value	Difference
Cash and cash equivalents	**$ 133,359**	**$ 133,359**	**$ —**
Time deposits and short-term investments	**22,022**	**22,022**	**—**
Notes and operating accounts receivable	**188,356**	**188,340**	**(16)**
Notes and operating accounts payable-trade	**(160,309)**	**(160,309)**	**—**
Income taxes payable	**(5,583)**	**(5,583)**	**—**
Long-term debt	**(6,154,100)**	**(6,309,244)**	**(155,144)**
Lease and guarantee deposits received	**(170,460)**	**(166,727)**	**3,733**

Long-term debt includes its current portion.

Deposits received of ¥76,334 million and ¥72,488 million ($881,961 thousand) (excluding the deposits for which the timing of return has been determined) are not included in "Lease and guarantee deposits received" in the year ended March 31, 2011 and 2012, respectively, because their remaining terms are not identifiable and it is extremely difficult to determine fair values.

Please refer to Note 5 and Note 17 for investment securities and derivative transactions, respectively.

(a) Measurement method of fair value of financial instruments

(Financial Assets)

Since cash and cash equivalents and time deposits and short-term investments are settled in a short period of time, their book values approximate fair value.

Since notes and operating accounts receivable are settled in a short period of time, their book values approximate fair value. For accounts receivable for which allowance for doubtful accounts are specifically recorded, however, their fair values are regarded as their book values less the estimated uncollectible amount (allowance).

For short-term and long-term investment securities, fair values of stocks and bonds having market prices refer to prices set by exchange markets.

(Financial Liabilities)

Since notes and operating accounts payable, and income taxes payable are settled in a short period of time, their book values approximate fair value.

The fair value of long-term debt with a quoted market price is based on the quoted market price. The fair value of long-term debt without a market price is estimated based on the present value of the total of principal and interest discounted using their remaining term and interest rates, for which the credit risk has been taken into account.

The fair value of lease and guarantee deposits received is estimated based on the present value of deposits received (for which the timing of return has been determined) and guarantee deposits discounted using their remaining term and interest rates, for which the credit risk has been taken into account.

(b) The future redemption schedule of financial assets and liabilities with maturities as of March 31, 2011 and 2012 is as follows:

	Millions of yen			
	2011			
Financial assets:	Due within one year	Due after one year within five years	Due after five years within ten years	Due afte ten years
Cash and cash equivalents	¥18,015	¥ —	¥ —	¥ —
Time deposits and short-term investments	1,773	—	—	—
Notes and operating accounts receivable	6,458	—	—	—

	Millions of yen			
	2012			
Financial assets:	Due within one year	Due after one year within five years	Due after five years within ten years	Due afte ten years
Cash and cash equivalents	**¥10,960**	**¥ —**	**¥ —**	**¥ —**
Time deposits and short-term investments	**1,810**	**—**	**—**	**—**
Notes and operating accounts receivable	**15,480**	**—**	**—**	**—**

	Thousands of U.S. dollars			
	2012			
Financial assets:	Due within one year	Due after one year within five years	Due after five years within ten years	Due afte ten years
Cash and cash equivalents	**$133,359**	**$ —**	**$ —**	**$ —**
Time deposits and short-term investments	**22,022**	**—**	**—**	**—**
Notes and operating accounts receivable	**188,356**	**—**	**—**	**—**

Please refer to Note 6 for the future contractual repayment schedule of long-term debts.

16. SUPPLEMENTARY COMPREHENSIVE INCOME INFORMATION

The table below presents recycling adjustment, and the tax effect, relating to comprehensive income for the year ended March 31, 2012.

	Millions of yen	Thousands of U.S. dollars
	2012	**2012**
Valuation difference on available-for-sale securities:		
Amount arising during current fiscal year	**¥ (296)**	**¥ (3,609)**
Recycling	**—**	**—**
Before tax effect adjustment	**(296)**	**(3,609)**
Tax effect	**130**	**1,591**
Valuation difference on available-for-sale securities	**(165)**	**(2,018)**
Foreign currency translation adjustment:		
Amount arising during current fiscal year	**(1,000)**	**(12,176)**
Total other comprehensive income	**¥(1,166)**	**¥(14,194)**

17. DERIVATIVE TRANSACTIONS

Derivative transactions into which the Company and certain subsidiaries have entered are as follows:

Hedging items: Interest rate swap (interest expenses at fixed rate – interest income at variable rate)

Hedged items: Long-term borrowings

Hedge accounting: Special matching criteria method for interest rate swap

A periodic assessment of hedge effectiveness is not performed because the special matching criteria are met for the Group's interest rate swap transactions.

The notional amounts of derivative transactions as of March 31, 2011 and 2012 are as follows. The interest rate swap transactions for which the special matching criteria method is applied are treated together with the long-term borrowings (which are hedged items), and the fair value of such interest rate swaps is included in the fair value of the long-term borrowings.

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Notional amounts	¥10,000	**¥29,000**	**$352,841**
Due over 1 year of notional amounts above	¥ 9,000	**¥28,000**	**$340,674**

18. RENTAL PROPERTIES

The Company and certain subsidiaries own rental properties including office buildings, rental commercial facilities, and residential rental housing in Tokyo and other areas. For the years ended March 31, 2011 and 2012, the results of operation of those rental properties were ¥26,688 million and ¥25,184 million ($306,412 thousand), respectively. In addition, loss on sales of property, plant and equipment, and loss on disposal of property, plant and equipment amounted to ¥8 million and ¥216 million ($2,633 thousand), and ¥1,024 million and ¥2,298 million ($27,962 thousand), respectively, and the amount of gain on sales of property, plant and equipment for the year ended March 31, 2011 was ¥212 million.

The book value, net changes during the years ended March 31, 2011 and 2012, and fair value of rental properties as of March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
Book value:	2011	**2012**	**2012**
Amount at the beginning of fiscal year under review	¥ 737,885	**¥ 737,113**	**$ 8,968,408**
Change during fiscal year under review	(771)	**6,826**	**83,058**
Amount at the end of fiscal year under review	¥ 737,113	**¥ 743,939**	**$ 9,051,466**
Market value at the end of fiscal year under review	¥1,180,817	**¥1,155,467**	**$14,058,493**

The book value is the acquisition cost less accumulated depreciation and impairment losses.

For the years ended March 31, 2011 and 2012, the components of net change in book values included increases mainly due to acquisitions in the amount of ¥7,019 million and ¥6,534 million ($79,499 thousand) and decreases mainly due to sales in the amount of ¥1,270 million and ¥912 million ($11,096 thousand), respectively.

The fair values for main properties were estimated by licensed third-party real estate appraisal agents. The fair values for the other properties were calculated by the Company using indices which are considered to reasonably reflect market prices.

19. RELATED PARTY TRANSACTIONS

The Company has, in the ordinary course of business, engaged in transactions with NTT, NTT's other consolidated subsidiaries, and its affiliated companies.

Related party transactions for the year ended March 31, 2011 are as follows:

	2011
Nature of relationship	Subsidiary of parent company
Name of related party	NTT Finance Corporation
Equity ownership percentage	(Owned) 1.0%
Description of transaction	Long-term loans payable
Transaction amount	¥3,000 million
Balance at year-end	Deposit paid: ¥8,417 million Current portion of long-term loans payable: ¥20,700 million Long-term loans payable: ¥36,000 million

Related party transactions for the year ended March 31, 2012 are as follows:

	2012
Nature of relationship	**Subsidiary of parent company**
Name of related party	**NTT Finance Corporation**
Equity ownership percentage	**(Owned) 1.0%**
Description of transaction	**Long-term loans payable**
Transaction amount	**¥10,000 million ($121,669 thousand)**
Balance at year-end	**Deposit paid:** **¥1,745 million ($21,242 thousand)** **Current portion of long-term loans payable:** **¥10,000 million ($121,669 thousand)** **Long-term loans payable:** **¥36,000 million ($438,009 thousand)**

The terms and conditions of the above related party transactions were the same as those for general third-party transactions.

20. SEGMENT INFORMATION

The segment information for the Company and its consolidated subsidiaries for years ended March 31, 2011 and 2012 is as follows.

(a) Overview of reported segments

The reported segments of the Company and its consolidated subsidiaries are components for which discrete financial information is available and reviewed regularly by the Board of Directors to decide the allocation of management resources and assess business performance.

The reported segments of the Company and its consolidated subsidiaries are the leasing business and the residential property sales business.

In the leasing business, the Company and its consolidated subsidiaries lease properties, including office buildings, commercial facilities and rental housing, which the Company and its consolidated subsidiaries have developed and/or own. In the residential property sales business, the Company and its consolidated subsidiaries sell residential properties, which are mainly condominiums.

(b) Calculation methods of operating revenue, operating income, total assets and other items by reported segments

The accounting treatment of the reported business segments is generally the same as those stated in the Summary of Significant Accounting Policies.

Operating revenue from inter-segment transactions and transfers is based on the price in arms-lengths transactions.

(c) Information about the amounts of operating revenue, operating income, total assets and other items by reported segments

	Millions of yen				
	2011				
	Reported segments				
	Leasing	Residential property sales	Total	Other	Total
Operating revenue:					
Outside customers	¥ 91,844	¥41,725	¥133,569	¥12,124	¥145,693
Inter-segment transactions and transfers	764	—	764	4,258	5,022
Total operating revenue	92,608	41,725	134,333	16,383	150,716
Operating income:	¥ 29,226	¥ 533	¥ 29,759	¥ 1,212	¥ 30,972
Total assets:	¥805,609	¥85,726	¥891,335	¥ 9,814	¥901,149
Other items:					
Depreciation and amortization	¥ 22,725	¥ 4	¥ 22,730	¥ 67	¥ 22,798
Increases in property, plant and equipment and intangible assets (investment amount)	23,520	0	23,521	38	23,560

	Millions of yen				
	2012				
	Reported segments				
	Leasing	Residential property sales	Total	Other	Total
Operating revenue:					
Outside customers	**¥ 90,323**	**¥28,484**	**¥118,807**	**¥18,034**	**¥136,842**
Inter-segment transactions and transfers	**746**	**—**	**746**	**5,188**	**5,934**
Total operating revenue	**91,069**	**28,484**	**119,554**	**23,223**	**142,777**
Operating income:	**¥ 27,482**	**¥ 1,374**	**¥ 28,857**	**¥ 3,090**	**¥ 31,948**
Total assets:	**¥816,254**	**¥90,959**	**¥907,213**	**¥21,251**	**¥928,465**
Other items:					
Depreciation and amortization	**¥ 23,664**	**¥ 6**	**¥ 23,670**	**¥ 78**	**¥ 23,749**
Increases in property, plant and equipment and intangible assets (investment amount)	**28,325**	**5**	**28,330**	**40**	**28,371**

	Thousands of U.S. dollars				
	2012				
	Reported segments				
	Leasing	Residential property sales	Total	Other	Total
Operating revenue:					
Outside customers	**$1,098,960**	**$ 346,568**	**$ 1,445,528**	**$219,429**	**$ 1,664,957**
Inter-segment transactions and transfers	**9,078**	**—**	**9,078**	**63,127**	**72,205**
Total operating revenue	**1,108,038**	**346,568**	**1,454,606**	**282,556**	**1,737,162**
Operating income:	**$ 334,381**	**$ 16,728**	**$ 351,109**	**$ 37,604**	**$ 388,713**
Total assets:	**$9,931,309**	**$1,106,699**	**$11,038,008**	**$258,570**	**$11,296,578**
Other items:					
Depreciation and amortization	**$ 287,928**	**$ 75**	**$ 288,003**	**$ 956**	**$ 288,959**
Increases in property, plant and equipment and intangible assets (investment amount)	**344,638**	**62**	**344,700**	**499**	**345,199**

"Other" consists of transactions that are not included in reported segments. In relation to the leasing segment, it includes office building maintenance and air-conditioning services, construction for leasing buildings upon requests from tenants for office renovation, and management of restaurant facilities as incidental facilities of office buildings.

Depreciation and amortization, and increases in property, plant and equipment and intangible assets (investment amount) include long-term prepaid expenses and related amortization.

(d) Differences between the total amount in reported segments and the amount in the consolidated financial statements, and details of the differences

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Operating revenue:			
Total amounts for reported segments	¥134,333	**¥119,554**	**$1,454,606**
Other	16,383	**23,223**	**282,556**
Elimination of inter-segment transactions	(5,022)	**(5,934)**	**(72,205)**
Operating revenue in consolidated financial statements	¥145,693	**¥136,842**	**$1,664,957**

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Operating income:			
Total amounts for reported segments	¥29,759	**¥28,857**	**$351,109**
Other	1,212	**3,090**	**37,604**
Elimination of inter-segment transactions	(50)	**(139)**	**(1,693)**
Company-wide expenses	(6,597)	**(6,443)**	**(78,403)**
Operating income in consolidated financial statements	¥24,324	**¥25,365**	**$308,617**

Company-wide expenses are primarily selling, general and administrative expenses which are not allocable to reported segments.

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
Total assets:			
Total amounts for reported segments	¥891,335	**¥907,213**	**$11,038,008**
Other	9,814	**21,151**	**258,570**
Elimination of inter-segment transactions	(38,015)	**(50,151)**	**(610,185)**
Company-wide assets	47,358	**50,222**	**611,053**
Total assets in consolidated financial statements	¥910,492	**¥928,537**	**$11,297,446**

Company-wide assets are mainly surplus funds (cash and deposits), investment securities and assets for administration.

	Millions of yen			
	2011			
	Total amounts for reported segments	Other	Adjustments	Amounts stated in consolidated financial statements
Other items:				
Depreciation and amortization	¥22,730	¥67	¥ 590	¥23,388
Increases in property, plant and equipment and intangible assets (investment amount)	23,521	38	2,122	25,682

	Millions of yen			
	2012			
	Total amounts for reported segments	Other	Adjustments	Amounts stated in consolidated financial statements
Other items:				
Depreciation and amortization	**¥23,670**	**¥78**	**¥1,015**	**¥24,765**
Increases in property, plant and equipment and intangible assets (investment amount)	**28,330**	**40**	**421**	**28,793**

	Thousands of U.S. dollars			
	2012			
	Total amounts for reported segments	Other	Adjustments	Amounts stated in consolidated financial statements
Other items:				
Depreciation and amortization	**$288,003**	**$955**	**$12,358**	**$301,317**
Increases in property, plant and equipment and intangible assets (investment amount)	**344,700**	**499**	**5,131**	**350,329**

(e) Related information

(1) Information by product and service

Similar information is disclosed in the segment Information, and therefore information by product and service has been omitted.

(2) Information by region

The segment information by region has been omitted, because operating revenue and property, plant and equipment in the domestic segment constituted more than 90% of total operating revenue and property, plant and equipment.

(3) Information by main customers

The segment information by main customers has been omitted for the years ended March 31, 2011 and 2012, because operating revenue for each specific customer account is for less than 10% of operating revenue in the consolidated financial statements.

(f) Information about impairment loss on fixed assets by reported segments

For the years ended March 31, 2011 and 2012, there was no impairment loss recognized in reported segments by the Company and its consolidated subsidiaries.

(g) Information on the amortized amount and unamortized balance of goodwill as of and for the years ended March 31, 2011 and 2012 in reported segments.

The table below presents the amortized amount and unamortized balance of goodwill as of and for the years ended March 31, 2011 and 2012 in reported segments.

	Millions of yen				
	2011				
	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	¥ 128	¥ —	¥ 13	¥ —	¥ 141
Balance as of March 31	2,313	—	250	—	2,563

	Millions of yen				
	2012				
	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	**¥ 128**	**¥—**	**¥ 13**	**¥—**	**¥ 141**
Balance as of March 31	**2,185**	**—**	**237**	**—**	**2,422**

	Thousands of U.S. dollars				
	2012				
	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	**$ 1,564**	**$ —**	**$ 160**	**$ —**	**$ 1,724**
Balance as of March 31	**26,586**	**—**	**2,884**	**—**	**29,470**

(h) Information on the amortized amount and unamortized balance of negative goodwill in reported segments

The table below presents the amortized amount and unamortized balance of negative goodwill as of and for the years ended March 31, 2011 and 2012 in reported segments.

	Millions of yen				
	2011				
	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	¥ 1,926	¥ —	¥ —	¥ —	¥ 1,926
Balance as of March 31	32,750	—	—	—	32,750

	Millions of yen				
	2012				
	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	**¥ 1,926**	**¥ —**	**¥ —**	**¥ —**	**¥ 1,926**
Balance as of March 31	**30,824**	**—**	**—**	**—**	**30,824**

	Thousands of U.S. dollars				
	2012				
	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	**$ 23,440**	**$ —**	**$ —**	**$ —**	**$ 23,440**
Balance as of March 31	**375,035**	**—**	**—**	**—**	**375,035**

21. SUBSEQUENT EVENTS

The following appropriation of retained earnings for the Company (which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2012) was approved at the general shareholders' meeting held on June 19, 2012:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥800 per share ($9.73))	¥2,632	$32,035

Independent Auditors' Report

To the Board of Directors of
NTT Urban Development Corporation:

We have audited the accompanying consolidated financial statements of NTT Urban Development Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets and the consolidated statements of cash flows for the years then ended , and the notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NTT Urban Development Corporation and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA LLC

July 10, 2012
Tokyo, Japan

Corporate Data

Affiliated Companies and Branch Network

Affiliated Companies (As of March 31, 2012)

Consolidated Subsidiaries

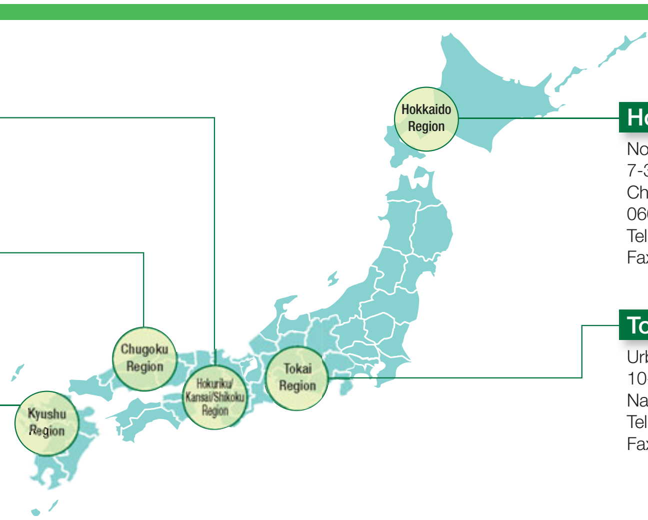
		Capitalization (Millions of yen)	Ownership Including Voting Rights (%)	Fields of Operation
NTT Urban Development Hokkaido BS Co.	Chuo-ku, Sapporo-shi	50	100.0	Remodeling, property management operations including the management and operation of buildings owned by NTT Urban Development in Hokkaido area and management of parking lots
Otemachi First Square Inc.	Chiyoda-ku, Tokyo	50	56.5	Management of Otemachi First Square and its site
NTT Urban Development Builservice Co.	Chiyoda-ku, Tokyo	300	100.0	Design, construction, remodeling and property management operations including the management and operation of buildings owned by NTT Urban Development in the greater Tokyo metropolitan area
Knox Twenty-One Co., Ltd.	Minato-ku, Tokyo	24	100.0	Operation of NTT Group's convention facilities
DN Food Co., Ltd.	Chiyoda-ku, Tokyo	40	100.0	Operation of restaurants catering to tenants of buildings owned by NTT Urban Development
NTT Urban Development West BS Co.	Nishi-ku, Osaka-shi	100	100.0	Design, construction, remodeling and property management operations including the management and operation of buildings owned by NTT Urban Development in the Western Japan area
Motomachi Parking Access Co., Ltd.	Naka-ku, Hiroshima-shi	60	58.3	Maintenance of underground passages in Hiroshima's Motomachi area
UDX Tokutei Mokuteki Kaisha	Chuo-ku, Tokyo	14,100	66.0	Development and ownership of Akihabara UDX
UD EUROPE LIMITED	London, U.K.	(sterling pounds) 200	100.0	Investment in and management of real estate in the U.K.
Premier REIT Advisors Co., Ltd.	Minato-ku, Tokyo	300	53.1	Investment management business under the Financial Instruments and Exchange Act
UD AUSTRALIA PTY LIMITED	Melbourne, Australia	(AUD) 17,000,000	100.0	Investment in and management of real estate in Australia

Equity-Method Affiliates

Tokyo Opera City Building Co., Ltd.	Shinjuku-ku, Tokyo	20	23.7	Management of Tokyo Opera City Building
DHC Tokyo Co., Ltd.	Minato-ku, Tokyo	200	50.0	District heating and cooling services for Granpark Tower
Tokyo Opera City District Heating & Cooling Co., Ltd.	Shinjuku-ku, Tokyo	980	36.2	District heating and cooling services for Tokyo Opera City and other buildings
Harumi Yonchome City Planning Design Co.	Chuo-ku, Tokyo	50	36.0	Investigation and planning relating to the development of the Harumi 4-chome area
MOUNT STREET ADVISERS LIMITED	London, U.K.	(sterling pounds) 1,000	30.0	Advice on the management of real estate holdings
335 GRICES ROAD PTY LTD	Melbourne, Australia	(AUD) 1	50.0	Development and sales of residential land

Note: 1. UDX Tokutei Mokuteki Kaisha is a specified subsidiary.

Branch Network



Kansai Branch

Higobashi Shimizu Building
3-7, Tosabori 1-chome, Nishi-ku, Osaka-shi,
Osaka 550-0001, Japan
Tel: +81-6-6441-0022 Fax: +81-6-6441-0026

Chugoku Branch

NTT Cred Motomachi Building
6-78, Motomachi, Naka-ku, Hiroshima-shi,
Hiroshima 730-0011, Japan
Tel: +81-82-222-8623 Fax: +81-82-222-8620

Kyushu Branch

1-2-16, Imaizumi, Chuo-ku, Fukuoka-shi,
Fukuoka 810-0021, Japan
Tel: +81-92-731-6633 Fax: +81-92-731-0978

Hokkaido Branch

Nostel Sapporo Building
7-3, Kita 1-jo Nishi,
Chuo-ku, Sapporo-shi, Hokkaido
060-0001, Japan
Tel: +81-11-261-6750
Fax: +81-11-261-5008

Tokai Branch

Urbannet Fushimi Building
10-20, Nishiki 1-chome, Naka-ku,
Nagoya-shi, Aichi 460-0003, Japan
Tel: +81-52-232-1011
Fax: +81-52-232-1012

Corporate Data

History

Information on Operations		Completed Construction
● January: Established a corporation in Australia and commenced the residential land sales business in the suburbs of Melbourne	2012	● July: Urbannet Kanda Building completed
● November: Package sale of the real estate fund "NU-5 Fund" to Premier Investment Corporation ● June: Acquired 1 King William Street, an office building in London, U.K. ● March: Commenced operation of real estate fund "NU-7 Fund"	2011	● September: UD Nakasu Building completed ● August: Urbannet Tenjin Building completed ● June: Urbannet Uchihonmachi Building completed
● May: Formulated "NTT Urban Development Group Medium-Term Management Plan 2012" ● May: Began participation in a J-REIT by acquiring investment units in Premier Investment Corporation through a third-party allotment and acquiring the shares of Premier REIT Advisors Co., Ltd. ● March: Commenced operation of real estate fund "NU-6 Fund"	2010	● October: Urbannet Shijo-Karasuma Building completed ● April: WELLITH Olive Shinkoiwa, residences for elderly people with service, completed
● November: Established a local subsidiary in London, U.K. and acquired an office building ● March: Commenced operation of real estate fund "NU-5 Fund"	2009	● October: WELLITH i-S Magome compact urban condominium completed ● April: JA Building and Keidanren Kaikan (Otemachi 1-Chome Urban Area Redevelopment Project Type 1) completed
● December: Established brand logo mark for condominium brand "WELLITH"	2008	● February: WELLITH Azabu Mamiana completed
● November: Formulated "Medium-Term Management Plan 2010" ● April: Commenced new graduate recruitment	2007	● October: WELLITH Garden Urawa Kishicho completed
● December: Established NTT Urban Development West BS Co. ● November: Won joint bid with Mitsubishi Estate Co., Ltd., for the Osaka Station North District Phase 1 Development Area Project Blocks A and C ● May: Won joint bid with ORIX Real Estate Corporation for the Osaka Station North District Phase 1 Development Area Project Block B ● March: Commenced operation of real estate fund "NU-1 Fund"	2006	● March: Grand WELLITH Seta completed ● January: Akihabara UDX completed
● June: Announced participation in the Otemachi redevelopment project ● May: Formulated Medium-term management plan, "Change & Proceed to 2007 (C&P07)"	2005	● September: Urbannet Nagoya Building completed
● November: Company shares listed on the First Section of the Tokyo Stock Exchange	2004	● October: Urbannet Sapporo Building completed ● January: Quest Court Harajuku completed
	2003	● May: Urbannet Hakata Building completed ● February: Grand WELLITH Tetsugakudo Koen completed
● March: Formulated Long-term vision, "Change & Proceed to 2015 (C&P15)" ● February: Bid on and acquired "Akihabara lots 1 and 3" in cooperation with Daibiru Corporation and Kajima Corporation	2002	
	2001	● August: WELLITH Nagatsuda completed ● January: Shin-Puh-Kan completed
● September: Condominium brand "WELLITH" launched ● June: NTT Urban Development BuilService Co. established ● April: Residential property sales business began	2000	
● April: Merger with NTT Tokai Real Estate Co., NTT Kansai Building Co., NTT Cred Co., NTT Kyushu Real Estate Co., and NTT Hokkaido Estate Co.,	1999	
	1997	● May: Stage II of Otemachi First Square (East Tower) completed
	1996	● August: Granpark Tower completed ● July: Tokyo Opera City completed
● February: Merger with NTT Estate Co.	1995	
	1994	● March: NTT Cred Motomachi Building (Pacela) completed
● April: Merger with NTT Actif Co. and NTT Crais Co.	1993	● June: NTT Makuhari Building completed
	1992	● February: Stage I of Otemachi First Square (West Tower) completed
	1991	● January: Seavans Building completed
	1990	● June: Urbannet Otemachi Building completed
● October: Merger with NTT Building Co.	1988	● April: Harajuku Quest completed
	1987	● June: Urbannet Kojimachi Building completed
● January: NTT Urban Development Co. established	1986	● March: Construction began on Urbannet Kojimachi Building, the Company's first building

● Leasing Business ● Residential Property Sales Business

Corporate Data

Investor Information (As of March 31, 2012)

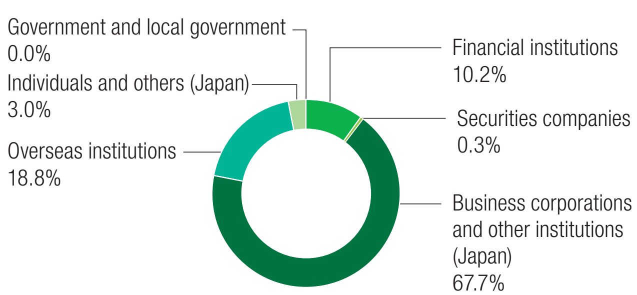
Company Information

Official Name	NTT Urban Development Corporation
Headquarters	14-1, Sotokanda 4-chome, Chiyoda-ku, Tokyo 101-0021, Japan
Established	January 21, 1986
Paid-in Capital	¥48,760 million
Employees	734 (consolidated basis)
Branches	Tokai, Kansai, Chugoku, Kyushu, Hokkaido

Share Information

Common Stock:	
Number of authorized shares	10,500,000
Number of issued and outstanding shares	3,291,200
Shareholders	13,485

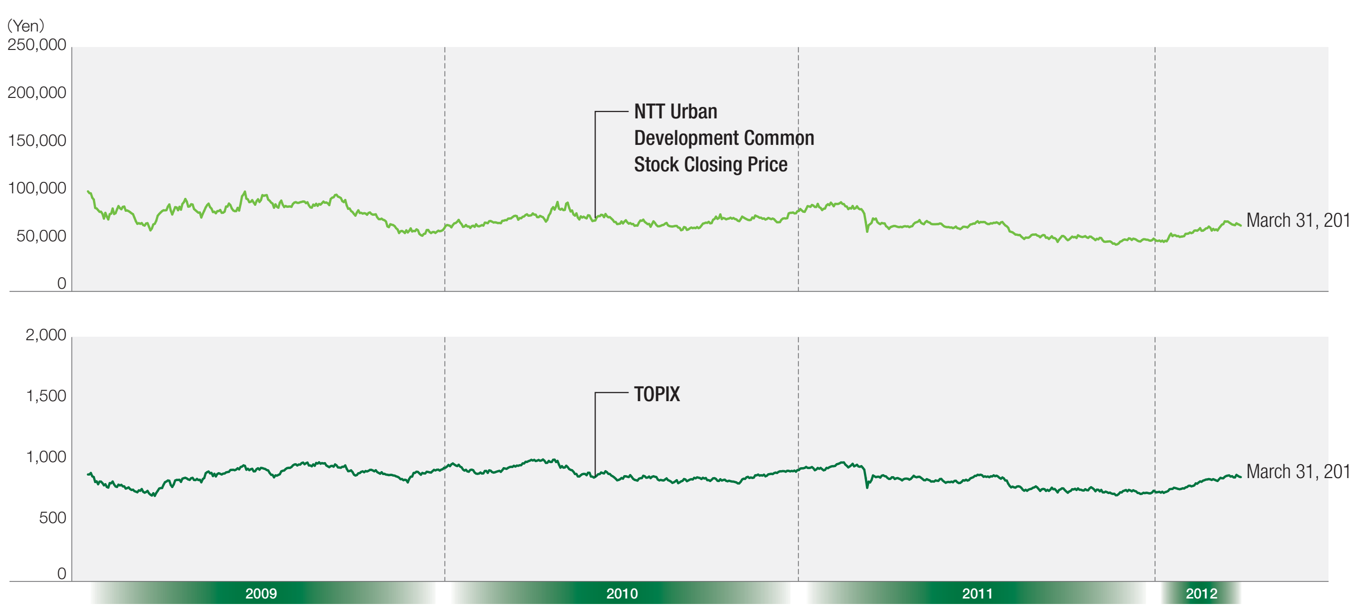
Shareholder Distribution (Percentage investment)



Principal Shareholders (Top 10)

Name of Shareholders	Number of Shares Held	Equity Position (%)
Nippon Telegraph and Telephone Corporation (NTT)	2,214,815	67.30
CBNY – ORBIS SICAV	133,593	4.06
The Master Trust Bank of Japan, Ltd. (Trust Account)	90,233	2.74
Japan Trustee Services Bank, Ltd. (Trust Account)	89,668	2.72
THE BANK OF NEW YORK – JASDECTREATY ACCOUNT	48,049	1.46
Japan Trustee Services Bank, Ltd. (Trust Account 9)	35,488	1.08
BBH (LUX) FIDELITY FUNDS – JAPAN ADVANTAGE	28,382	0.86
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	25,184	0.77
SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS	21,606	0.66
Japan Trustee Services Bank, Ltd. (Trust Account 4)	18,241	0.55

Stock Price



NTT Urban Development Co.

14-1, Sotokanda 4-chome, Chiyoda-ku, Tokyo 101-0021, Japan
Tel: +81-3-6811-6300 Fax: +81-3-5294-8500

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

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