Annual Report 2013

NTT Urban Development Corporation

For the year ended March 31, 2013

Corporate Slogan

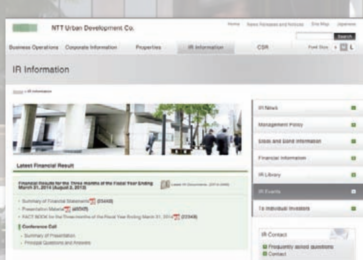
We create harmony.

NTT Urban Development pursues its paramount objective of creating harmony among people, cities and nature.

People create cities, cities energize people, and nature offers the environment a peaceful setting. 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.

IR Information and Online Access to Annual Reports

NTT Urban Development provides corporate information, including news releases on business activities and business performance, on its website as part of good investor relations. The Company's annual reports are also uploaded to the website and include interactive features available only online. Please visit our site.



IR information website:
http://ir.nttud.co.jp/english/

Online Annual Report 2013
http://ir.nttud.co.jp/english/library/ar.html
(Scheduled to be released in September 2013)

Photo: Forward Stroke Inc.

CONTENTS

Snapshot of NTT Urban Development

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

Operating revenue
¥163.1 billion
(Year ended March 31, 2013)

Operating income
¥27.4 billion
(Year ended March 31, 2013)

Net income
¥12.0 billion
(Year ended March 31, 2013)

Percentage of operating revenue

Leasing Business	Residential Property Sales Business	Other Business
56.1%	32.6%	11.2%

(Year ended March 31, 2013)

Long-term debt rating
A+
Rating and Investment Information, Inc.
(As of March 31, 2013)

Rentable floor space
1,199 thousand m²
Vacancy rate
(five wards of central Tokyo)
4.0%
(As of March 31, 2013)

NOI*
¥56.3 billion
(Year ended March 31, 2013)

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

Number of condominium units delivered
1,052
(Year ended March 31, 2013)

Dividend payout ratio
43.6%
(Year ended March 31, 2013)

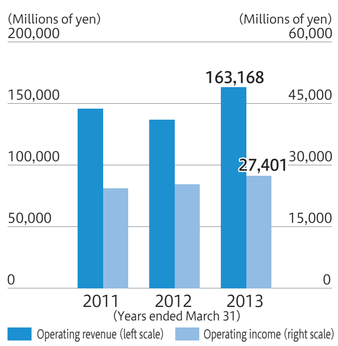
Consolidated Financial Highlights

Years ended March 31, 2011, 2012 and 2013

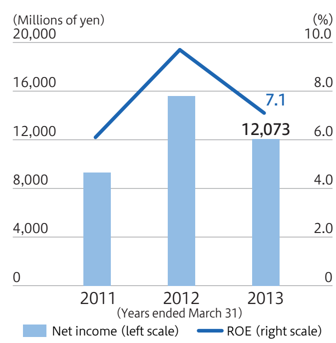
	Millions of yen			% change
	2011	2012	**2013**	2012/2013
For the year:				
Operating revenue	¥145,693	¥136,842	**¥163,168**	19.2%
Operating income	24,324	25,365	**27,401**	8.0
Net income	9,307	15,586	**12,073**	(22.5)
At year-end:				
Total assets	910,492	928,537	**941,050**	1.3
Net assets	190,783	203,727	**213,835**	5.0
Interest-bearing debt	487,780	505,805	**505,993**	0.0
Financial indicators:				
Net operating income (NOI)[1]	56,722	54,318	**56,397**	3.8
Return on equity (ROE) (%)	6.1	9.7	**7.1**	–
Equity ratio (%)	17.1	17.9	**18.7**	–
Net debt-to-equity (D/E) ratio (times)[2,3]	2.45	2.42	**2.30**	–
Net interest-bearing debt/EBITDA ratio (times)[2,4]	9.81	9.84	**9.60**	–
Dividend payout ratio (%)	42.4	29.6	**43.6**	–
Per-share data:	Yen			% change
Net assets[5]	¥47,257.78	¥50,441.30	**¥53,543.11**	–
Net income	2,827.98	4,735.67	**3,668.47**	–
Dividends	1,200	1,400	**1,600**	–

Notes:
1. Net operating income (NOI) = Property rent income – Property rental costs + Depreciation expenses (including long-term prepaid expenses)
2. Net interest-bearing debt = Net interest-bearing debt – Cash and cash equivalents – Time deposits held for 3 months or longer
3. Net D/E ratio = Net interest-bearing debt ÷ Net assets
4. Net interest-bearing debt/EBITDA ratio = Net interest-bearing debt ÷ (Operating income + Depreciation and amortization)
5. Net assets per share = (Net assets – Share warrants – Minority interests) ÷ Number of shares outstanding at end of period

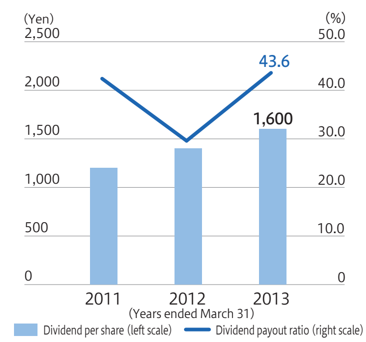
Operating Revenue/Operating Income



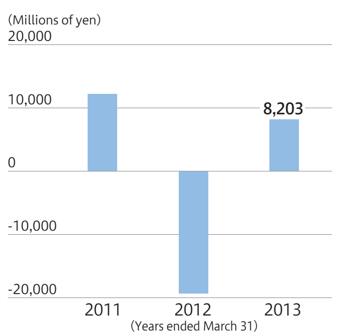
Net Income/ROE



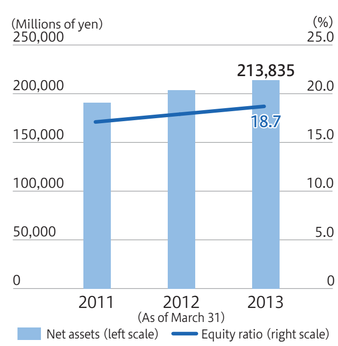
Dividend per Share/Dividend Payout Ratio



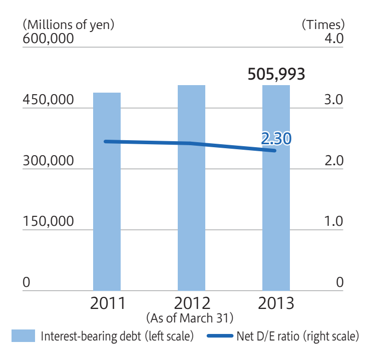
Free Cash Flow



Net Assets/Equity Ratio



Interest-Bearing Debt/Net D/E Ratio



Message from the President

Sadao Maki
President and Chief Executive Officer

Medium-Term Vision 2018—For Further Growth—and its stated strategies will lead us to achieve medium- to long-term growth and enhanced corporate value

Just recently, by resolution of the Board of Directors, following upon the General Meeting of Shareholders on June 18, 2013, I was formally appointed President and Chief Executive Officer.

I will do my very best to meet the expectations of all stakeholders, and I look forward to your support as I embark upon my new role at NTT Urban Development.

Business Results and the Operating Environment in Fiscal 2012

In fiscal 2012, the year ended March 31, 2013, the Japanese economy remained weak overall. However, noticeable signs of recovery appeared in the second half of the fiscal year against a backdrop of looser monetary and fiscal policies owing to the election of a new government under Prime Minister Shinzo Abe. The path ahead is not necessarily without challenges, and the domestic economy could still face downward pressure from such factors as sluggish economic growth overseas. Nevertheless, improving export demand accompanying correction of the strong yen along with positive trends precipitated by such measures as government initiatives to promote investment heralded a tangible shift toward recovery.

In the office leasing market, the vacancy rate began to decrease, albeit moderately, and the downward trend in market rents appeared to bottom out. In the condominium sales market, consumers were more inclined to make a purchase, encouraged by such factors as low mortgage rates. The rallying trend was substantiated by the official announcement on land prices, as of January 1, 2013, which noted that while land prices continued to drop nationwide, the rate of decline had narrowed overall and in some areas land prices were actually moving upward again.

In this environment, the NTT Urban Development Group worked to establish a resilient business base and derive stable profits by concentrating on office building development and boosting the number of condominiums transferred to owners. The efforts of the Company and its consolidated subsidiaries were rewarded with higher year-on-year revenue and income in the leasing and residential property sales businesses and, of note, an all-time record of 1,052 condominium units delivered. In addition, we established a stronger presence overseas with such acquisitions as 20 Finsbury Circus, an office building in London, England.

As a result, operating revenue rose 19.2% from fiscal 2011, to ¥163,168 million, operating income grew 8.0%, to ¥27,401 million, and ordinary income increased 14.5%, to ¥22,016 million. Net income, however, dropped ¥22.5%, to ¥12,073 million, primarily because fiscal 2011 net income was inflated by a tax cut following promulgation of a law pertaining to a revision of the corporate tax rate.

In regard to the return of profits to shareholders, we considered various factors, including fiscal 2012 profitability and medium- and long-term business plans. For fiscal 2012, management decided on an annual dividend of ¥1,600 per share, up ¥200 per share year-on-year. We expect to maintain this level for the fiscal 2013 dividend distribution as well.

Overview of the NTT Urban Development Group Medium-Term Management Plan 2012

Under the NTT Urban Development Group Medium-Term Management Plan 2012, our objective was to create a business base with a stable revenue structure and to pursue growth without impairing our financial health. Our efforts were highly successful. In Japan, we reinforced the leasing business revenue structure by promoting new development projects, and we generated steady profits in the residential property sales business by firmly establishing the WELLITH brand in the condominium market. Overseas, we enhanced our presence mainly through real estate operations in London. As a result, we posted operating income of ¥27.4 billion and a net D/E ratio of 2.3 times in fiscal 2012—the last year of the NTT Urban Development Group Medium-Term Management Plan 2012—and solidly met the financial targets originally set.

However, the operating environment of the Group has undergone rapid transformation during the span of the Plan. In the mature domestic market, we are finding that certain issues, particularly the continuing low birth rate and aging of the population and rising population density in urban areas, loom larger than before. In addition, corporate needs—that is, the needs of the companies in our customer base—are diversifying, and we must address such requirements, including the widespread use of IT in society. Of note, business continuity plans and environment- and energy-related issues have become priority topics since the events of the Great East Japan Earthquake.

Medium-Term Vision 2018 was formulated to build on the successes achieved under Medium-Term Management Plan 2012 and to enable the Group to turn changes in the operating environment into opportunities for growth. The new management plan will guide us from fiscal 2013, which began April 1, 2013, through fiscal 2018, ending March 31, 2019.

Building Blocks of the Medium-Term Vision 2018

Medium-Term Vision 2018—For Further Growth—is a blueprint for medium- to long-term growth. We will utilize this blueprint to develop new services aimed at evolving customer and market needs and to promote innovation in management, such as better administrative processes, and thereby capitalize on increasingly diverse market opportunities.

■ Growth in Two Stages

Medium-Term Vision 2018 takes into account the medium- to long-term growth period characteristic of real estate projects, and progress is therefore divided into two three-year stages. During Stage 1, which runs from April 1, 2013 through March 31, 2016, we will strengthen and expand the business base and sow the seeds for growth. We aim for an operating income of ¥30 billion during Stage 1. Stage 2 will run from April 1, 2016 through March 31, 2019, and our focus during this stage will be to utilize the enhanced business base established during Stage 1 to achieve further growth. Our operating income target for Stage 2 is ¥40 billion.

■ Business Strategies

We aim to achieve medium- to long-term growth by pinpointing changes in the operating environment and identifying the ever-widening range of business opportunities, and then accelerating the design of projects under the market-in concept of incorporating market needs into the solutions we offer.

Specifically, in the leasing business, we will intensify our customer- and market-centered approach and promote development strategies that reflect changes in the social environment. We will also strengthen sales capabilities and cost-competitiveness while diversifying our development methods and promoting asset replacement. These efforts will reinforce our revenue base.

In the residential property sales business, we will work to enhance the WELLITH brand and expand its business scale, mainly in the Tokyo metropolitan area, and derive stable profits from our business pursuits.

Overseas, we will pursue a stable revenue base in Europe and the United States while exploring business opportunities in growth markets, particularly in Southeast Asia.

■ Rigorous Financial Control

While we accelerate the process of growth-oriented investments, we will be careful in our selection and implement strategic asset replacement so as to maintain a healthy financial balance, and through measures such as control of interest-bearing debt, we will reinforce our financial footing. More to the point, we will assume an aggressive stance in our investment pursuits, but we will strive to keep the net interest-bearing debt to an EBITDA ratio of between 10 to 11 times during Stage 1 and then bring the ratio down to between 9 to 10 times by the end of March 2019, which is the last year of Stage 2. We will earmark ¥270 billion for investments in Stage 1, including land purchases by the residential property sales business. During Stage 2, we may use as much as ¥300 billion for investment purposes.

■ Reinforcing the Management Platform

In addition to efforts aimed at improving management resources, we will strive to enrich management resources by embracing the challenge of new project development, by reviewing administrative processes, including the use of IT, and by strengthening human resource management. We will also reinforce corporate governance and promote shareholder-oriented management. Through these steps, we will establish a management infrastructure appropriate to our expanded business scale.

All of the companies under the NTT Urban Development Group umbrella are fully committed to working as one to achieve the management targets stated in Medium-Term Vision 2018. Together, we aim “for further growth”—our catchphrase—and to boost business value.

I ask for the continued support of shareholders and investors as we forge a new path to success.

August 2013

Sadao Maki
President and Chief Executive Officer

Medium-Term Vision 2018 – For Further Growth –

Overview of the NTT Urban Development Group Medium-Term Management Plan 2012

Medium-Term Management Plan 2012

From the year ended March 31, 2011 to the year ended March 31, 2013

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

Results of the Medium-Term Management Plan 2012

Leasing Business: Strengthened the revenue base by promoting new development

Residential Property Sales Business: Established the WELLITH brand and created stable profits

Global Business: Promoted the real estate business in London

Real Estate Fund Business: Participated in the J-REIT Business (Premier Investment Corporation)
Continuously originated private placement funds

Achievement of Financial Targets

(Year ended March 31)

Financial Indicators	2013 Target	2013 Actual
Operating income	¥26.0 billion	¥27.4 billion
Net D/E ratio	Between 2.3 to 2.4 times	2.30 times

Medium-Term Vision 2018 – For Further Growth –

Medium-Term Vision 2018 – For Further Growth –

We aim to become the company of choice for our customers

Fully enforcing a customer and market-centered orientation | Pursuing innovation

The vision provides a two-step process for growth into the future and lays out growth strategies.

- **Stage 1** (From the year ending March 31, 2014 to the year ending March 31, 2016) Strengthen and expand the business base for future growth
- **Stage 2** (From the year ending March 31, 2017 to the year ending March 31, 2019) Further growth

Business Strategies

Leasing Business: **Steadily strengthen the revenue base**

- Fully enforce a customer-centered orientation and promote development strategies that reflect changes in the social environment
- Strengthen sales capabilities and cost competitiveness
- Diversify development methods and promote asset replacement

Residential Property Sales Business: **Enhance the WELLITH brand and expand business**

- Implement product planning in response to customer needs
- Improve customer satisfaction
- Expand business scale, mainly in Tokyo Metropolitan area

Global Business:

- Expand business base in Europe and the United States
- Pursue growth markets

Enforce Thorough Financial Control

- Set the interest-bearing debt/EBITDA ratio as a financial target
- Carefully select investments and implement asset replacement, while investing in future growth

Enhance the Management Platform

- Improve management resources
- Fully enforce corporate governance
- Shareholder-oriented management

(Years ended/ending March 31)

Financial Indicators	Actual	Stage 1 Quantitative Targets	Stage 2 Forecast
	2013	2016	2019
Operating income	¥27.4 billion	¥30.0 billion	Approx. ¥40.0 billion
Interest-Bearing Debt/EBITDA Ratio*	9.6 times	Between 10 to 11 times	Between 9 to 10 times

* Interest-bearing debt is on a net basis minus cash, etc.
Calculation methods: Interest-bearing debt – Cash and cash equivalents – Time deposits held for 3 months or longer
EBITDA = Operating income + Depreciation and amortization

Key Indicator Trends and Targets

Operating Income

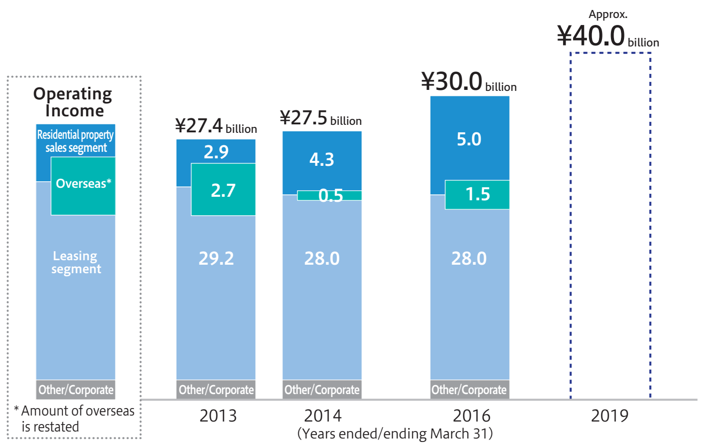
(Years ended/ending March 31)

Stage 1 (2014 – 2016)

Establish operating income of ¥30.0 billion as a financial target for the year ending March 31, 2016

Stage 2 (2017 – 2019)

Aim at an operating income of approx. ¥40.0 billion for the year ending March 31, 2019



Interest-Bearing Debt/EBITDA Ratio

(Years ended/ending March 31)

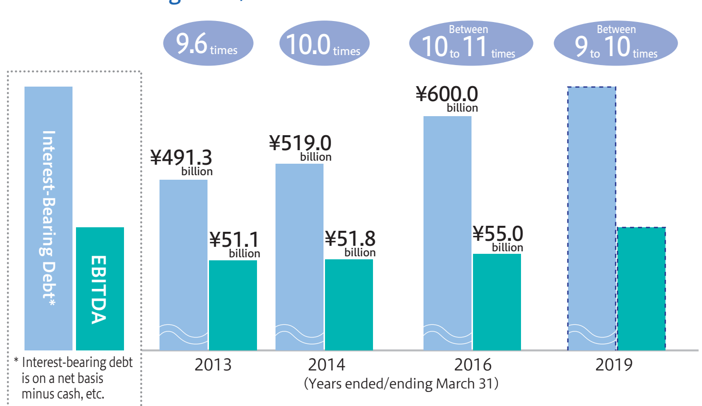
Stage 1 (2014 – 2016)

Despite an increase in the interest-bearing debt/EBITDA ratio paralleling investments for future growth, we will keep EBITDA ratio down to between 10 to 11 times in the year ending March 31, 2016

Stage 2 (2017 – 2019)

Improve the EBITDA ratio to between 9 to 10 times in the year ending March 31, 2019, by enhancing financial control

Interest-Bearing Debt/EBITDA Ratio



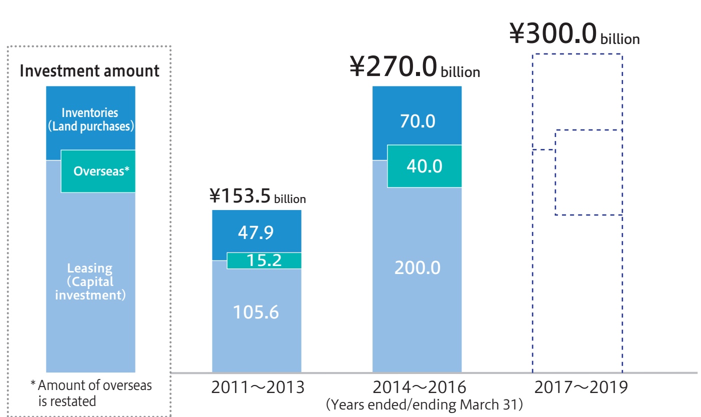
Investment Plan

Stage 1 (Sum total in three years)

Capital investments will be ¥200.0 billion, including those overseas. Land purchases in the Residential Property Sales Business will be ¥70.0 billion

Stage 2 (Sum total in three years)

Planned investments totaling ¥300.0 billion on a company-wide basis



Leasing Business

Assessment of the Operating Environment

In fiscal 2012, vacancy rates were down, albeit moderately so. The market vacancy rate* in five wards of central Tokyo averaged 8.6%, an improvement of 0.4 percentage point from fiscal 2011, while the national average* dropped to 10.7%, an improvement of 0.9 percentage point.

The general downward trend in market rents is leveling off, substantiated by the mere ¥212, or 1.27% year-on-year drop in the average asking rent per tsubo* (approximately 3.3m^2) in the five wards of central Tokyo, from ¥16,716 at the end of March 2012, to ¥16,504 at the end of March 2013.

* The average market asking rent per tsubo and the average vacancy rate in five wards of central Tokyo are based on data from Miki Shoji Co., Ltd. The national market vacancy rate is a simple average of vacancy rates announced by Miki Shoji for Tokyo, Yokohama, Osaka, Nagoya, Fukuoka, Sendai and Sapporo. (Calculations are made by NTT Urban Development)

Results for the Year Ended March 31, 2013

Although rent income from existing properties declined, the leasing business achieved higher operating revenue and operating income. This is largely due to expanded rent income from buildings completed in fiscal 2011, such as Urbannet Tenjin Building, in Fukuoka, as well as buildings completed in fiscal 2012, plus proceeds from the sale of an office building in London, England.

Buildings completed in fiscal 2012 included Urbannet Kanda Building, in Chiyoda-ku, Tokyo; Otemachi Financial City North Tower, also in Chiyoda-ku, Tokyo; and Grand Front Osaka, in Osaka.

Market vacancy rates were influenced by decreased space for existing tenants in the five wards of central Tokyo and an increase in vacancies due to newly completed buildings with offices still empty. NTT Urban Development's vacancy rate was 4.0% in the five wards of central Tokyo, up 2.0 percentage points from the previous fiscal year, and 6.5% nationally, up 1.1 percentage points.

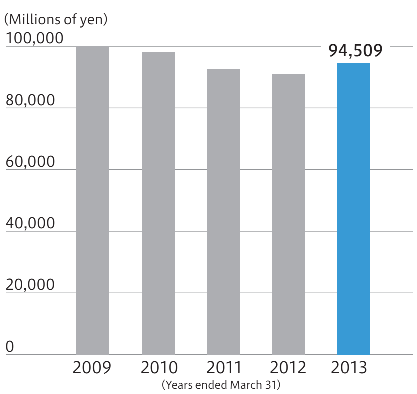
Consequently, the leasing business generated operating revenue of ¥94,509 million in fiscal 2012, up 3.8% from fiscal 2011, and operating income of ¥29,216 million, up 6.3%, year-on-year. National net operating income (NOI) for fiscal 2012 grew 3.8%, to ¥56,397 million. Fair value of rental properties was ¥1,159,902 million. Unrealized gains, or the positive difference between carrying value and fair value, came to ¥401,602 million.

Initiatives for the Year Ending March 31, 2014

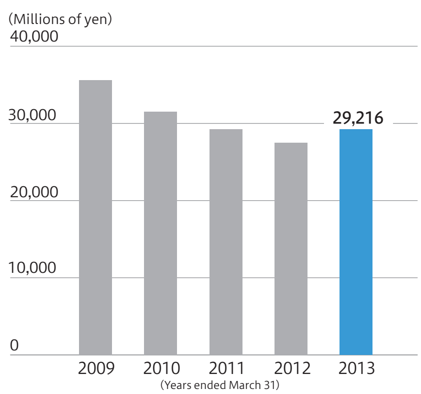
The leasing market in fiscal 2013, ending March 31, 2014, may see the vacancy rate improve and falling rents bottom out against a backdrop of economic recovery expectations.

NTT Urban Development will reinforce its marketing capabilities to fill empty spaces and boost income through the sale of buildings and through rent income from new buildings. These factors should underpin higher operating revenue. However, operating income is likely to decline, mainly because certain overseas properties will no longer contribute to results due to the sale of these properties in fiscal 2012 and also because time is needed for newly completed buildings to start generating stable results.

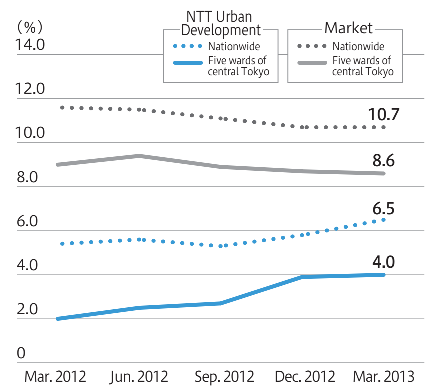
Operating Revenue



Operating Income



Vacancy Rate



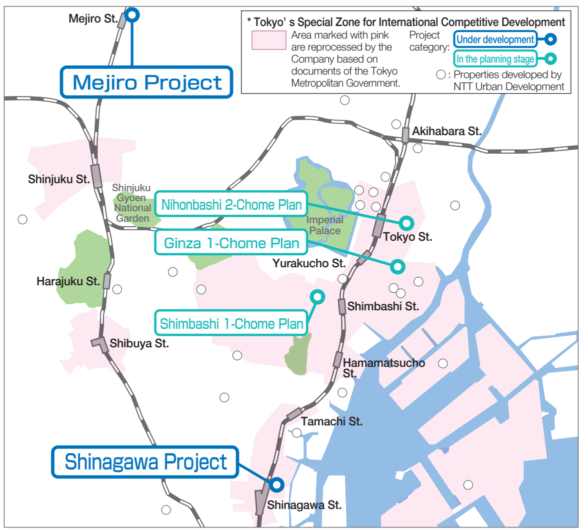
Source: Market data for the five wards of central Tokyo was announced by Miki Shoji Co., Ltd. Vacancy for the nationwide market is a simple average of vacancy rates (calculated by NTTUD) for Tokyo, Yokohama, Osaka, Nagoya, Fukuoka, Sendai and Sapporo announced by Miki Shoji Co., Ltd.

Business Strategies of the Medium-Term Vision 2018

Leasing Business: Steadily strengthen the revenue base

1. Fully enforce a customer-centered orientation and promote development strategies that reflect changes in the social environment
2. Strengthen sales capabilities and cost competitiveness
3. Diversify development methods and promote asset replacement

New Development Projects

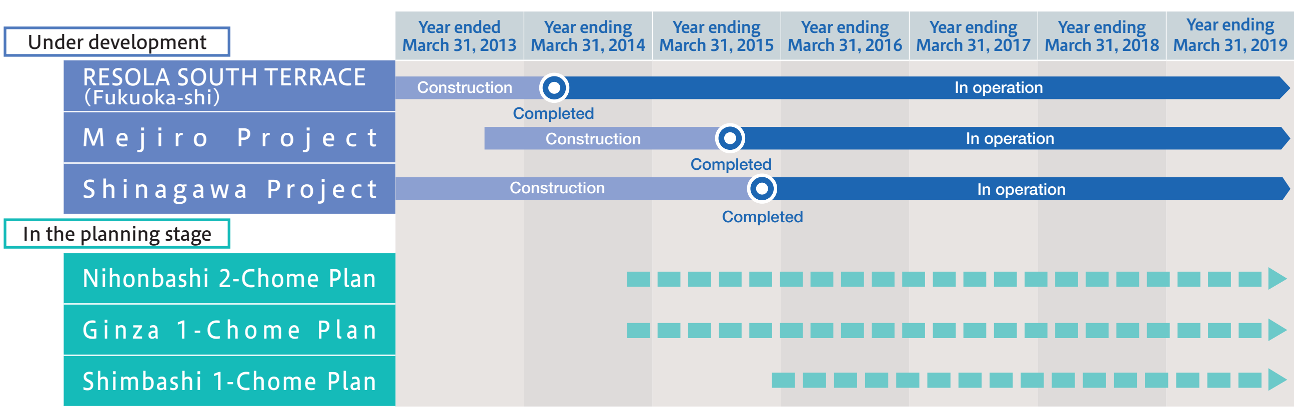


Accelerate business operations, mainly in Tokyo's Special Zone for Asian Headquarters

Emphasizing the stretch between Akihabara and Shinagawa as our core area, we have pursued many development projects designed to create comfortable spaces that bring people, communities and the environment together in harmony. Going forward, we will channel development activities into the Special Zone for Asian Headquarters, as designated by the Tokyo Metropolitan Government.

The special zone encompasses central Tokyo and the Harumi area, and NTT Urban Development already has several buildings, including Urbannet Otemachi Building, in the designated zone. We have contributed to the formation of a city environment by linking the Chain Renaissance Project in Otemachi to others in Otemachi.

We will continue to put this area into the development spotlight, with the Nihonbashi 2-chome, Ginza 1-chome and Shimbashi 1-chome projects. Also, the Shinagawa Project, in the vicinity of Shinagawa and Tamachi stations, is to be a landmark highlighting coexistence with the environment. The project is a redevelopment of the Shibaura Water Reclamation Center which remains as part of the building below ground while the upper levels will be commercial space and ready to welcome tenants by the spring of 2015.



Mejiro Project

Open in November 2014 (Schedule)

Lifestyle-theme commercial building

Shinagawa Project

(Upper-Level Section Redevelopment Project for the Shibaura Water Reclamation Center)

Open in spring 2015 (Schedule)

A landmark in the international business district of Shinagawa that coexists in harmony with the environment

- One of Japan's biggest office floors
- Quake-absorbing structure
- BCP for peace of mind (emergency power generator for 72 hours, water tank, etc.)
- One of the best environmental designs in Japan
- A vast 3.5-hectare green space

Residential Property Sales Business

Assessment of the Operating Environment

The condominium sales market was generally favorable in fiscal 2012, supported by steady demand against a backdrop of encouraging factors such as low mortgage rates. In calendar 2012, the supply of new condominiums* in the Tokyo metropolitan area reached 45,602 units, up 2.5%, or 1,103 units, from 44,499 units in calendar 2011.

The aggregate month-of-sale contract ratio* hit an all-time high of 90.0%, up 0.6 percentage point from 89.4% in 2011, and inventory for sale* decreased 819 units, to 5,347 units, from 6,166 units in 2011. Market trends such as these indicate that conditions are good.

* Information on the supply of new condominiums in the Tokyo metropolitan area, the aggregate month-of-sale contract ratio and inventory for sale was sourced from Real Estate Economic Institute Co., Ltd.

Results for the Year Ended March 31, 2013

In fiscal 2012, the residential property sales business delivered 1,052 units to new owners, marking a dramatic increase over fiscal 2011. Profitability improved, leading to substantial increases in revenue and income.

Properties in the spotlight in fiscal 2012 included WELLITH Ueno Ikenohata, in Taito-ku, Tokyo, WELLITH Miyamaedaira, in Kawasaki, Kanagawa Prefecture, WELLITH Rokko Shinohara, in Kobe, Hyogo Prefecture, and WELLITH Mochida Residence, in Matsuyama, Ehime Prefecture.

In addition, sales also began at newly completed properties, including WELLITH Arisugawa, in Minato-ku, Tokyo, WELLITH Tower Atago Toranomon, also in Minato-ku, Tokyo, and WELLITH Inage, in Chiba, Chiba Prefecture.

This business segment also delivered building lots and detached houses at such properties as WELLITH Court Kitakogane, in Matsudo, Chiba Prefecture.

As a result, operating revenue soared 92.9% year-on-year, to ¥54,939 million, and operating income skyrocketed 112.0%, to ¥2,914 million. The operating margin inched up 0.5 point, to 5.3%, substantiating enhanced profitability.

Initiatives for the Year Ending March 31, 2014

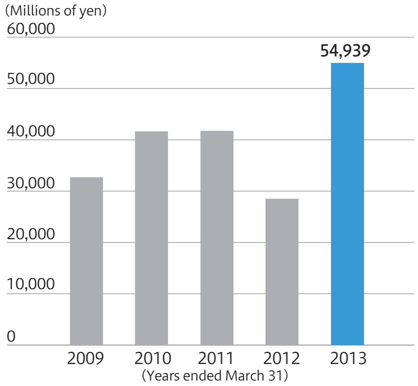
The expected rise in consumption tax in Japan causes some uncertainty about the market outlook. Nevertheless, other factors, such as a favorable shift in the first-month contract rate, indicate brisk demand.

NTT Urban Development aims to enhance the profile of its WELLITH brand and expand business, particularly in the Tokyo metropolitan area. The Company's goal is to deliver 1,300 condominium units in fiscal 2013, which would be more than the level reached in fiscal 2012. In addition to a higher number of units delivered and more urban center condominiums completed, we will take steps to improve profitability. These factors should underpin higher operating revenue as well as higher operating income in fiscal 2013.

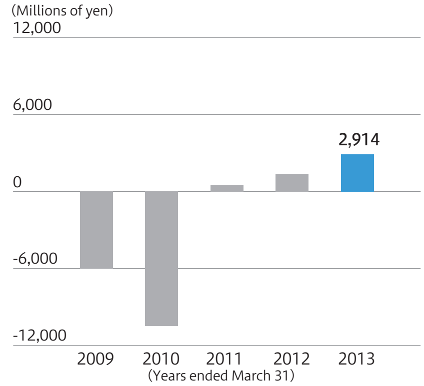
WELLITH

We seek to create quality residences that are attractive to families for generations to come, with a harmonious balance of innovation and peace of mind and sustained high asset value over the long term. This is the WELLITH brand.

Operating Revenue



Operating Income



Business Strategies of the Medium-Term Vision 2018

Residential Property Sales Business: Enhance the WELLITH brand and expand business

1. Implement product planning in response to customer needs
2. Improve customer satisfaction
3. Expand the business scale, mainly in Tokyo Metropolitan area

1. Product planning in response to customer needs

Provide different kinds of products in response to changes in the social environment and household composition, reflecting customer feedback

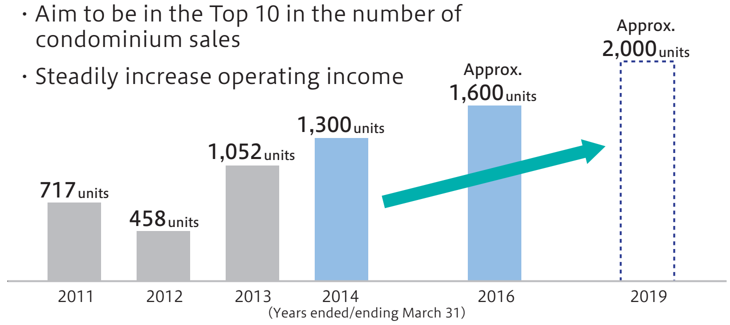
- WELLITH: Condominiums for sale
- WELLITH Park: Large-scale urban developments
- WELLITH Court: Small-scale streetscapes
- WELLITH i-S: Compact condominiums
- WELLITH Olive: Rental housing for the elderly
- Reconstruction business (Reconstruction support business for old condominiums)

2. Increase customer satisfaction

- Enhance quality control based on product-planning specifications (WELLITH code) and original quality performance standards
- Enhance after-sale service
- Improve and strengthen management services (improve resident support and support community formation, etc.)

3. Expand business scale, mainly in Tokyo Metropolitan area

- Aim to be in the Top 10 in the number of condominium sales
- Steadily increase operating income



Principal Properties to Be Completed in Fiscal 2013

1. WELLITH Daikanyama Sarugakucho
2. WELLITH Inage
3. WELLITH Tower Atago Toranomon
4. WELLITH Roppongi

Global Business Expansion

Global Business

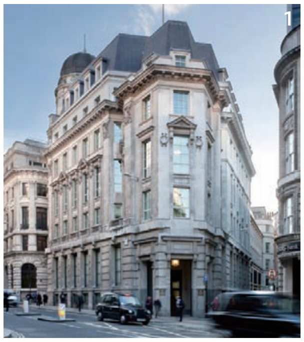
1. Expand the business base in Europe and the United States
2. Pursue growth markets

NTT Urban Development's first step abroad was in November 2009 with the purchase of an office building in London, England. In the years since then, we have worked to expand our overseas business presence, including the September 2011 establishment of a representative office in Australia and the start of building lot sales in the Melbourne area.

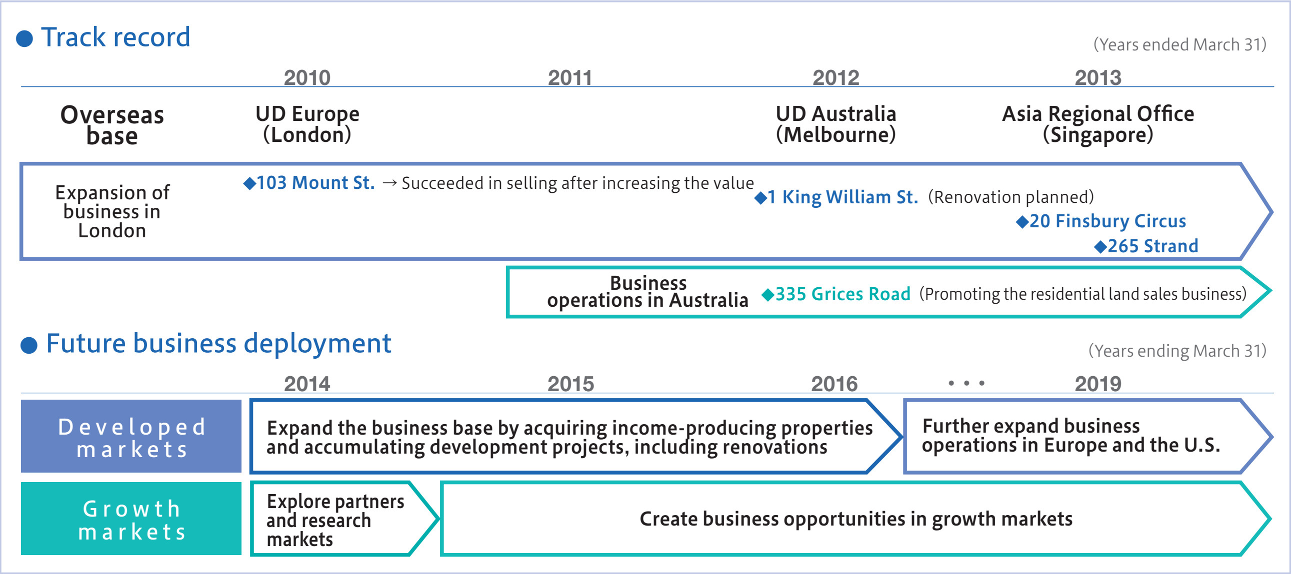
In fiscal 2012, our property portfolio was enhanced with the September 2012 purchase of 20 Finsbury Circus, in London, England. Earlier, in February 2012, we sold our first overseas property, 103 Mount Street, to capitalize on higher asset value and recorded the sale in the revenue of the leasing business. In April 2013, the London portfolio was reinforced with the purchase of a building at 265 Strand.

We have realized a stable revenue base and aim to further cement this status by acquiring and operating revenue properties in Europe and the United States and utilizing a solid track record in boosting the value of properties through renovations and other value-creating approaches. At the same time, in growth markets—particularly in Southeast Asia where the economic outlook appears bright—we aim to create business opportunities by cultivating a wider network of partners and promoting joint activities in cooperation with other members of the NTT Group who are cultivating a local presence in such markets. As a cornerstone for business development, a regional office was set up in Singapore. The office is now open.

We will continue to prioritize investments targeting stable revenue and will promote further development of overseas operations as a new growth driver.



1. 1 King William Street
2. 20 Finsbury Circus
3. 265 Strand



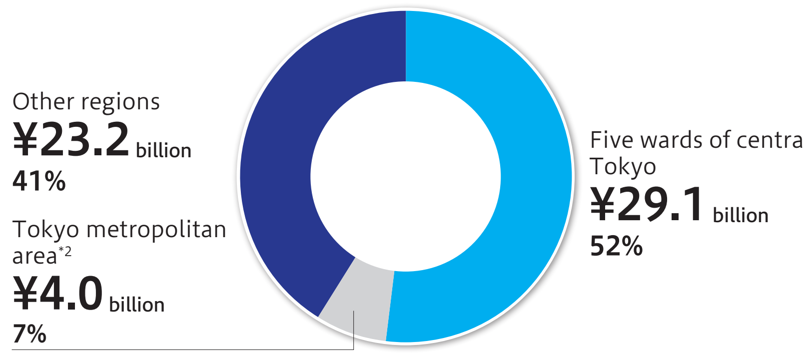
Development Projects and Results

NOI*1

¥56.3 billion

(Year ended March 31, 2013)

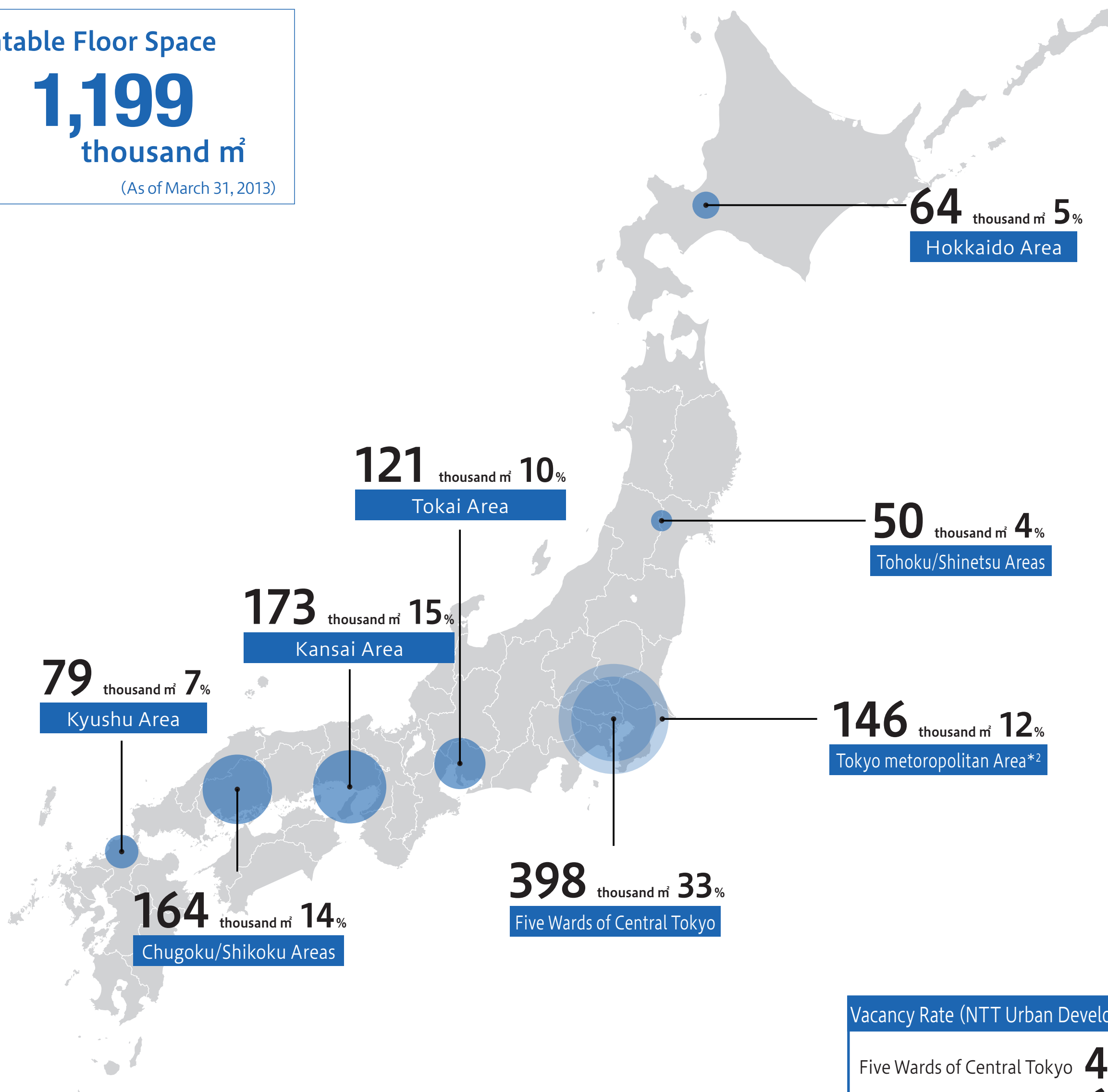
*1 : Net operating income (NOI) = Property rent income – Property rental costs + Depreciation expenses (including long-term prepaid expenses)



Rentable Floor Space

1,199 thousand ㎡

(As of March 31, 2013)



Vacancy Rate (NTT Urban Development)

Five Wards of Central Tokyo	4.0%
Nationwide	6.5%

(As of March 31, 2013)

*2 : Tokyo metropolitan area does not include five wards of central Tokyo

Principal Portfolio Properties (in the Five Wards of Central Tokyo)

Photo by Kokyu Miwa Architectural Photography

1. Urbannet Otemachi Building

Location: Chiyoda-ku, Tokyo
Footprint: 9,361m²
Floor space: 117,618m²
Size: 22 floors above ground, 5 below
Completed: June 1990

Photo by Nacasa & Partners

2. Otemachi First Square

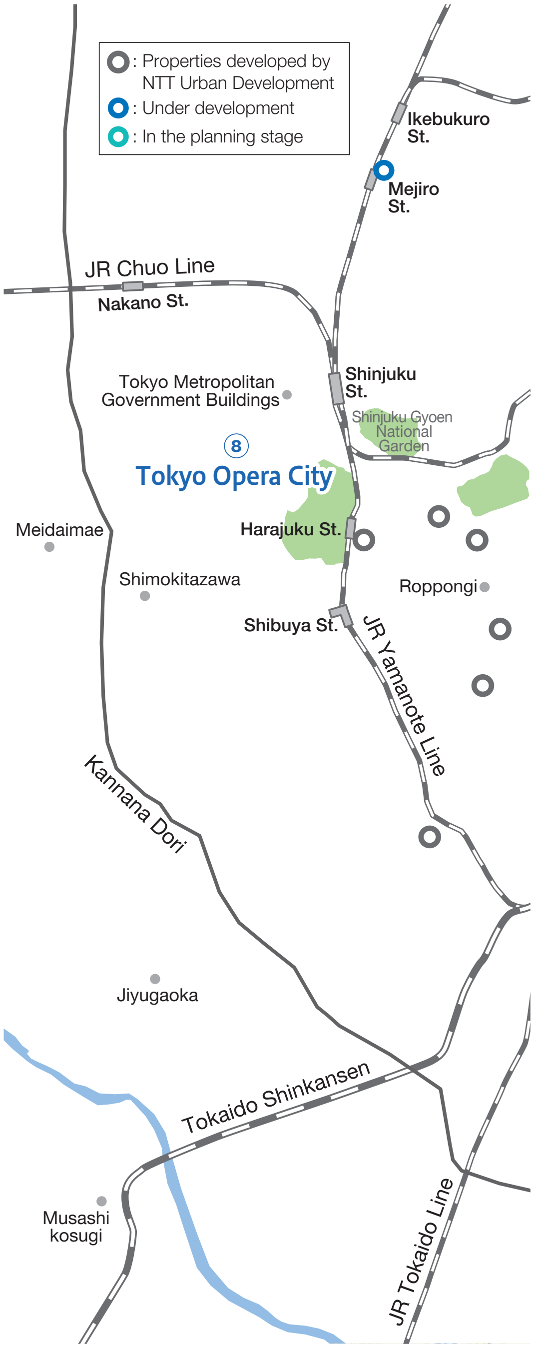
Location: Chiyoda-ku, Tokyo
Footprint: 6,236m² (portion owned by NTT Urban Development)
Floor space: 54,284m² (portion owned by NTT Urban Development)
Size: 23 floors above ground, 5 below (West Tower); 23 floors above ground, 4 below (East Tower)
Completed: February 1992 (West Tower); May 1997 (East Tower)

3. JA Building, Keidanren Kaikan

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)
Size: 37 floors above ground, 3 below (JA Building); 23 floors above ground, 4 below (Keidanren Kaikan)
Completed: April 2009

4. Otemachi Financial City North Tower

Location: Chiyoda-ku, Tokyo
Footprint: About 14,100 m² (North Tower and South Tower in total)
Floor space: About 110,000 m² (North Tower in total)
Size: 31 floors above ground, 4 below
Completed: October 2012



5. Akihabara UDX

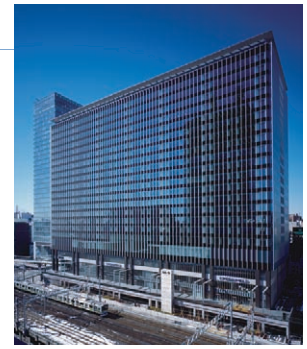


Photo by Forward Stroke

Location: Chiyoda-ku, Tokyo
Footprint: 11,548m²
Floor space: 155,629m²
Size: 22 floors above ground, 3 below
Completed: January 2006

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.

6. Seavans N Building

Photo by Kaneaki Monma

Location: Minato-ku, Tokyo
Footprint: 13,144m²
Floor space: 78,488m²
Size: 24 floors above ground, 2 below
Completed: January 1991

7. Granpark Tower

Photo by Kokyu Miwa Architectural Photography

Location: Minato-ku, Tokyo
Footprint: 14,227m² (tower and residences in total)
Floor space: 138,423m² (tower and residences in total)
Size: 34 floors above ground, 4 below
Completed: October 1996

8. Tokyo Opera City

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, 4 below
Completed: July 1996

Initiatives for Corporate Social Responsibility (CSR) Activities

NTT Urban Development Group's CSR

People create cities, cities stimulate and energize people, and nature 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.

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, cities and nature.

CSR Themes

Harmony between people and cities

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 cities that bring work and life into harmony.

Harmony between cities and nature

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 Cities

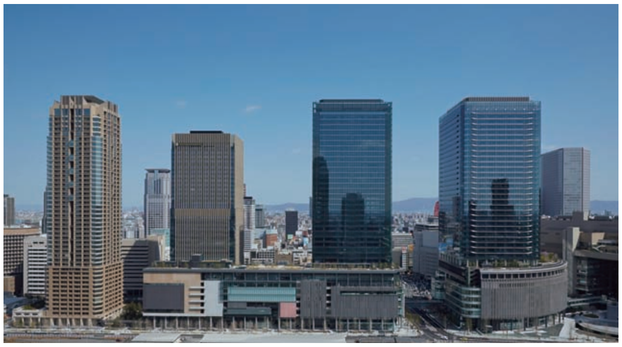
Creating Community Vitality and Prosperity

In April 2013, Grand Front Osaka opened in Umekita—the Umeda district north of Osaka Station. The megacomplex has all sorts of urban amenities including anchor facility Knowledge Capital—a large intellectual entertainment space designed to create new value from the fusion of human creativity and technology. Grand Front Osaka also features commercial space embellished with greenery and water views, an international hotel with luxury residences, and high-rise buildings with office space and condominiums.

The vision for this development project was a community built on diversity by bringing together many different people and nurturing an exchange of ideas. The project attracted considerable attention and prompted high expectations as a redevelopment plan that would promote growth not only in Osaka but throughout the Kansai region, with Osaka at its center. NTT Urban Development was involved in the project from the concept stage and worked steadily with 11 other companies on this joint effort to build a community that contributes to new value.

We played a key role in facilitating the project as it pertained to the hotel and luxury residences at Grand Front Osaka. We were instrumental in bringing in InterContinental Hotels & Resorts to establish a presence in Kansai and then in coordinating the design and construction of accommodations to international standards. The hotel, with 215 guest rooms and suites plus 57 luxury residences for long-term stays, enhances the area's hospitality and contributes to the lively ambience and bustle of the district. Since its June 2013 opening, the hotel has welcomed many guests from abroad and from across Japan.

Going forward, we will foster close communication among everyone in this landmark community and district and strive to contribute to Osaka's evolving presence as a vibrant gateway to Asia and the world.



From right, Tower A, Tower B, Tower C (InterContinental Hotel Osaka) and Grand Front Osaka Owner's Tower

Harmony Between Cities and Nature

Environmental Initiatives

New condominiums embodying the "eco-living" ideal of NTT Urban Development's WELLITH concept are popping up one after another. Urban Ace Gojo Koen Pal, a rental condominium complex in Tennoji-ku, Osaka, exemplifies our concept of creating pleasant living spaces in harmony with nature. Here, we applied an original design that promotes natural ventilation in all units and common areas and thereby achieves comfort and energy savings at the same time. We also opted for a system that complements municipal electric power with power generated from solar panels for use in common areas. Other features include water-permeable pavement as well as green walls and flowers and trees that capture the beauty of the four seasons. An additional feature of individual units is an energy consumption meter, which allows residents to easily see how their lifestyles are linked to energy consumption. We aimed for environmental friendliness in the smallest of details.

In Kansai, EnneVision smart meters, with visual cues on energy consumption, provided jointly by NTT FACILITIES, INC. and ENNET Corporation have been installed at three locations: WELLITH Senriyama Hills, in Suita, Osaka; WELLITH Maiko, in Tarumi-ku, Kobe; and WELLITH Tsurumi-Ryokuchi, in Tsurumi-ku, Osaka. EnneVision can also be used to support household energy-saving efforts in resident-owned condominiums. Furthermore, at WELLITH Tsurumi-Ryokuchi, we installed a photovoltaic power generation system and offer a service whereby residents share access to electric vehicles and electric motor–equipped bicycles.

At WELLITH Olive Shinkoiwa, a rental housing complex for seniors in Katsushika-ku, Tokyo, we took a new step to effectively shrink the carbon footprint of residents' daily activities to zero through carbon offsets. This measure reflects our ongoing commitment to enriching lives by designing a broad range of eco-living environments.

Urban Ace Gojo Koen Pal

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 with 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 2012, we took part in the Company Briefing for Individual Investors held in Tokyo and Nagoya. We will continue to hold briefings to help investors familiarize themselves with our Company.

Information Session 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

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 bodies 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 swift 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, 2013, the Board of Directors comprised 14 directors (one member was an outside director; all members were male). The Board decides on 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 swift decision making, and met 27 times in fiscal 2012.

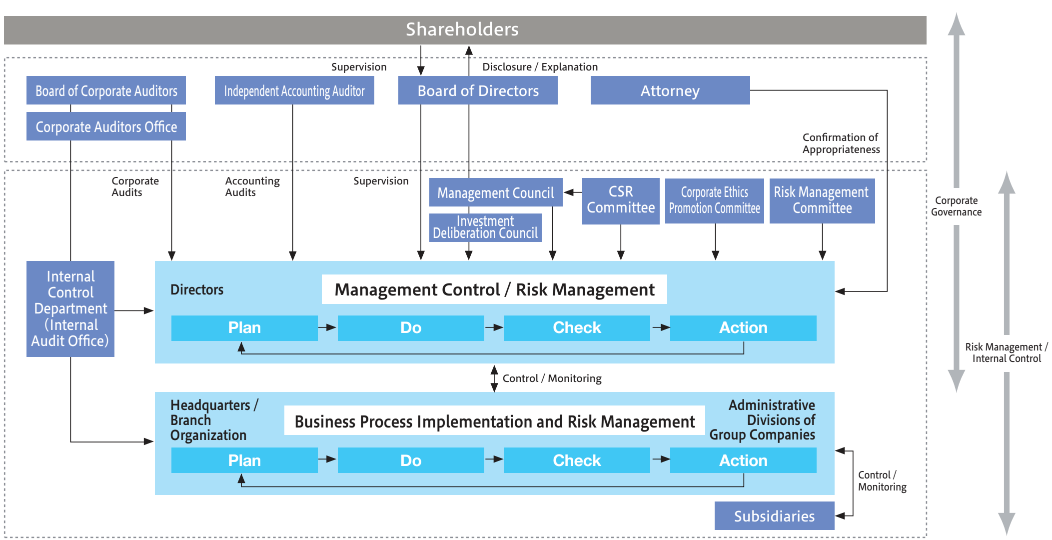
The Board of Corporate Auditors has four members (all members were outside corporate auditors and male). In principle, the Board of Corporate Auditors meets regularly once a month and holds additional meetings as necessary, and met 25 times in fiscal 2012. Corporate auditors conduct their duties according 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 19, 2013, the Board of Directors comprised 14 directors (two members were outside directors; all members were male), and the Board of Corporate Auditors comprised four members (all members were outside corporate auditors and male).

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 Auditors. In accordance with the May 1, 2006, enforcement of the Companies Act, the Board of Directors passed a resolution on May 11, 2006, in favor of an internal control system basic policy. Since then, the Company has improved the basic policy by flexibly responding to changing circumstances that includes revisions made to enhance the scope and content, clarification

◆ Corporate Governance/CSR Management System



of the Company's stand against antisocial forces, compliance with the Financial Instruments and Exchange Law, appropriate measures to deal with disasters, and proper risk management. In fiscal 2012, with further clarification of risk identification and assessment processes and the formation of a basic policy for risk management, the Company established the Risk Management Committee. This led to another round of revisions to the basic policy of the internal control system, which was undertaken at the March 11, 2013 meeting of the Board of Directors.

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 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 2012, 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 is in complete compliance 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 includes Corporate Ethics and Compliance Regulations, Risk Management Rules and Regulations, and the Crisis 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 companywide 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 two outside directors 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 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.

Outside directors attend meetings of the Board of Directors and provide 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 of each outside corporate auditor. 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 directors' execution of 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.

In executing internal control system audits, the outside corporate auditors have the cooperation of relevant departments, including access to reports and commentaries, as necessary, from these departments, in line with the basic policy of the internal control system. Through such audits, the outside corporate auditors track the implementation of internal control measures. In addition, the outside directors supervise 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 2012

	Board of Directors		Board of Corporate Auditors	
	Attendance	Attendance Rate	Attendance	Attendance Rate
Outside Director Toyosei Sugimura	20 of 20	100.0%	—	—
Outside Corporate Auditor Akira Sakashita	27 of 27	100.0%	25 of 25	100.0%
Outside Corporate Auditor Akio Enomoto	27 of 27	100.0%	25 of 25	100.0%
Outside Corporate Auditor Hiroshi Ikegawa	20 of 20	100.0%	18 of 18	100.0%
Outside Corporate Auditor Takeshi Ogiwara	26 of 27	96.3%	24 of 25	96.0%

Note: Outside corporate auditor Takeshi Ogiwara resigned on June 18, 2013.

Officer Compensation

The Board of Directors determines director remuneration, which comprises a monthly salary and bonus payments. Monthly salaries are determined based on each director's role and level of responsibility. Bonus payments are largely tied 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 and it is not linked to corporate performance to ensure a high level of independence.

Compensation Paid to Directors and Corporate Auditors in Fiscal 2012

Classification	Total Compensation (Millions of yen)	Compensation by Type (Millions of yen) Base Salary	Compensation by Type (Millions of yen) Bonus	Number of Persons
Directors (excluding outside directors)	331	284	47	15
Corporate Auditors (excluding outside corporate auditors)	—	—	—	—
Outside Directors and Corporate Auditors	59	59	—	4

Notes: 1. By a resolution approved 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 27th General Ordinary Meeting of Shareholders held on June 19, 2012.
3. In addition to the above, ¥26 million in employee compensation was paid to eight employees who serve concurrently as directors.

Message from an Outside Director

Akira Komatsu

Outside Director

Amid market globalization and dramatic remapping of the competitive landscape, the best format for corporate management is often drawn into question. However, it is universally acknowledged that the key to corporate longevity is actually in how a company addresses its responsibility and contribution to society. For the Company to establish firm roots in society and constantly grow and contribute to the world now and into the future, I will take it upon myself to be the eyes and voice of society and provide guidance to management that underpins efforts to fulfill social responsibilities and contribute continuously to the Company.

Message from an Outside Corporate Auditor

Akira Sakashita

Outside Corporate Auditor (full-time)

Having an independent perspective, the Company's outside corporate auditors have received a mandate from shareholders to promote sound corporate development and boost corporate value by auditing the execution of duties by directors. The basic policy that guides audits hinges on the establishment of a solid corporate governance structure that reflects the trust that society places in the Company.

Going forward, I will continue to discharge my duties as I work to achieve more open lines of communication with management. This will enable management to execute decisions quickly and accurately, geared to changes in the operating environment and in the Company's business domains.

Directors and Corporate Auditors (As of July 1, 2013)

President and Chief Executive Officer

Sadao Maki

Senior Executive Vice President

Yoshiharu Nishimura

Executive Vice Presidents

Satoshi Shinoda

Executive Vice President, Corporate Strategy and Planning, Accounting and Finance

Kazuhiro Hasegawa

Executive Vice President, Office Building Business

Directors

Shiro Nakahara

Senior Vice President, General Affairs

Masaru Yanagida

Senior Vice President, Property Development

Takanori Ito

Senior Vice President, Property Development

Masayuki Kusumoto

Senior Vice President, Commercial Properties Development, Global Business, Regional Businesses (Chugoku and Kyushu)

Akiyoshi Kitamura

Senior Vice President, Residential Development

Ryuichi Tsushima

Senior Vice President, Regional Businesses (Tokai and Hokkaido)

Kanya Shiokawa

Senior Vice President, Kansai Regional Business (General Manager of Kansai Branch)

Masaki Mitsumura

Corporate Adviser

Akira Komatsu [1,3]

Independent Officer

Toyosei Sugimura [1]

Corporate Auditors (full-time)

Akira Sakashita [2]

Akio Enomoto [2,3]

Independent Officer

Hiroshi Ikegawa [2,3]

Independent Officer

Corporate Auditor

Takashi Hiroi [2]

Notes: 1. Of the Directors, Mr. Akira Komatsu and Mr. Toyosei Sugimura are Outside Directors.
2. Of the Corporate Auditors, Mr. Akira Sakashita, Mr. Akio Enomoto, Mr. Hiroshi Ikegawa, and Mr. Takashi Hiroi are Outside Auditors.
3. The Company has designated Outside Director Mr. Akira Komatsu, and 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.

Financial Section

Selected Financial Data

For the years ended and as of March 31

	2005	2006	2007
For the year:			
Operating revenue	¥96,188	¥110,833	¥128,215
Operating income	17,335	21,716	25,091
Net income	7,182	11,401	12,995
Net cash provided by (used in) operating activities	24,572	22,243	(5,076)
Net cash provided by (used in) investing activities	(27,812)	(45,157)	(32,995)
Net cash provided by (used in) financing activities	7,081	32,214	20,823
Free cash flow	(3,240)	(22,913)	(38,072)
Investment	26,070	54,622	48,595
Depreciation and amortization	23,865	23,828	23,657
EBITDA	41,200	45,544	48,748
At year-end:			
Total assets	480,228	543,792	581,848
Net assets	—	—	125,169
Net worth	109,009	115,696	125,091
Interest-bearing debt	231,784	268,942	293,069
Financial indicators:			
Net operating income (NOI)	45,887	47,237	50,504
Return on equity (ROE) (%)	9.2	10.1	10.8
Equity ratio (%)	22.7	21.3	21.5
Dividend on equity (DOE) (%)	4.2	2.9	2.7
Dividend payout ratio (%)	42.3	29.1	25.3
Net debt-to-equity (D/E) ratio (times)	2.03	2.16	2.32
Interest coverage ratio (times)	6.5	6.9	—
Net interest-bearing debt/EBITDA ratio (times)	5.38	5.48	5.97

Per share data:			
Net assets	—	—	¥38,007.98
Net income	¥2,454.30	¥3,440.21	3,948.64
Dividends	1,000	1,000	1,000

Notes: 1. The Company has applied "Accounting Standard for Presentation of Net Assets in the Balance Sheet" since the fiscal year ended March 31, 2007.
2. NOI is shown on a consolidated basis, since the fiscal year ended March 31, 2007.
3. 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.
4. 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.

(Millions of yen)

2008	2009	2010	2011	2012	**2013**
¥138,206	¥144,277	¥149,224	¥145,693	¥136,842	**¥163,168**
28,718	25,244	16,129	24,324	25,365	**27,401**
14,758	15,989	6,116	9,307	15,586	**12,073**
5,700	(12,091)	35,168	40,417	3,704	**48,089**
(77,893)	(57,397)	6,695	(28,257)	(23,033)	**(39,885)**
85,038	63,079	(30,028)	(14,641)	12,650	**(6,660)**
(72,192)	(69,488)	41,863	12,159	(19,329)	**8,203**
93,367	75,638	24,714	29,925	28,807	**46,856**
23,246	25,762	25,520	23,388	24,765	**23,766**
51,964	51,006	41,649	47,713	50,130	**51,168**
900,325	936,650	916,725	910,492	928,537	**941,050**
177,969	183,593	185,537	190,783	203,727	**213,835**
136,395	148,150	150,232	155,534	166,012	**176,221**
451,849	521,070	496,682	487,780	505,805	**505,993**
52,748	64,277	61,480	56,722	54,318	**56,397**
11.3	11.2	4.1	6.1	9.7	**7.1**
15.1	15.8	16.4	17.1	17.9	**18.7**
3.0	2.8	2.6	2.6	2.9	**3.1**
26.8	24.7	64.6	42.4	29.6	**43.6**
2.44	2.78	2.55	2.45	2.42	**2.30**
1.2	—	4.3	5.1	0.5	**6.2**
8.36	10.00	11.38	9.81	9.84	**9.60**
					(Yen)
¥41,442.57	¥45,014.04	¥45,646.72	¥47,257.78	¥50,441.30	**¥53,543.11**
4,484.09	4,858.34	1,858.48	2,827.98	4,735.67	**3,668.47**
1,200	1,200	1,200	1,200	1,400	**1,600**

Calculation Methods for Indicators:

- Investment = Capital expenditure + Purchases of investment securities (based on cash flow from investing activities)
- EBITDA = Operating income + Depreciation and amortization
- 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 = (Net 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 interest-bearing debt/EBITDA ratio = Net interest-bearing debt (Interest-bearing debt – Cash and cash equivalents – Time deposits held for 3 months or longer) ÷ EBITDA (Operating income + Depreciation and amortization)
- Net income per share = Net income ÷ Number of shares outstanding

Segment Information

For the years ended and as of March 31

(Millions of yen)

	2009	2010	2011	2012	**2013**
Operating revenue	144,277	149,224	145,693	136,842	**163,168**
Leasing	99,928	98,092	92,608	91,069	**94,509**
Residential property sales	32,688	41,643	41,725	28,484	**54,939**
Other	16,624	14,553	16,383	23,223	**18,930**
Eliminations	(4,963)	(5,064)	(5,022)	(5,934)	**(5,209)**
Operating income	25,244	16,129	24,324	25,365	**27,401**
Leasing	35,560	31,521	29,226	27,482	**29,216**
Residential property sales	(6,018)	(10,498)	533	1,374	**2,914**
Other	1,500	1,358	1,212	3,090	**1,580**
Eliminations/Corporate	(5,798)	(6,252)	(6,647)	(6,583)	**(6,310)**
Operating income margin (%)	17.5	10.8	16.7	18.5	**16.8**
Leasing (%)	35.6	32.1	31.6	30.2	**30.9**
Residential property sales (%)	(18.4)	(25.2)	1.3	4.8	**5.3**
Other (%)	9.0	9.3	7.4	13.3	**8.3**

Leasing Business

(Millions of yen)

	2009	2010	2011	2012	**2013**
Operating revenue	99,928	98,092	92,608	91,069	**94,509**
Office, Commercial	91,927	90,758	85,807	84,713	**88,621**
Residential, Other	8,000	7,333	6,800	6,356	**5,887**
Rentable floor space (Office, Commercial) (m^2)	1,154,905	1,138,997	1,149,628	1,168,526	**1,199,215**
Nationwide vacancy rate (%)	3.1	6.4	5.7	5.4	**6.5**
Five wards of central Tokyo (%)	2.8	6.5	3.6	2.0	**4.0**
Nationwide NOI	64,277	61,480	56,722	54,318	**56,397**
Five wards of central Tokyo	34,673	33,445	31,305	29,907	**29,121**
Tokyo metropolitan area (excluding five wards of central Tokyo)	6,365	6,144	4,289	4,153	**4,059**
Other regions	23,238	21,891	21,128	20,257	**23,216**
Fair value of rental properties	—	—	1,180,817	1,155,467	**1,159,902**
Book value of rental properties	—	—	737,113	743,939	**758,300**

Residential Property Sales Business

(Millions of yen)

	2009	2010	2011	2012	**2013**
Operating revenue	32,688	41,643	41,725	28,484	**54,939**
Condominiums					
Operating revenue	24,846	30,677	31,627	22,392	**47,372**
Tokyo metropolitan area	14,731	15,959	22,948	16,330	**27,979**
Other regions	10,114	14,718	8,678	6,062	**19,392**
Units delivered (units)	563	843	717	458	**1,052**
Tokyo metropolitan area (units)	342	421	463	351	**564**
Other regions (units)	221	422	253	107	**488**
Completed in inventory (units)	335	267	91	99	**207**
Building lots, etc.					
Operating revenue	7,842	9,040	7,785	4,099	**6,618**
Units/lots delivered (units/lots)	387	254	326	48	**63**
Completed in inventory (units/lots)	91	42	27	14	**37**
Other					
Operating revenue	—	1,925	2,312	1,993	**948**
Units/lots delivered (units/lots)	—	2	1	1	**1**

Notes: 1. Five wards of central Tokyo are Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku, and Shinjuku-ku.
2. Tokyo metropolitan area includes Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.
3. For units delivered and units completed in inventory on joint projects, the respective numbers correspond to the Company's share in such projects and are rounded down to the nearest unit.
4. "Other" includes the sale of condominiums (apartment buildings) and others.

Calculation Methods for Indicators

・Net operating income (NOI) = Property rent income – Property rental costs + Depreciation expenses (including long-term prepaid expenses)

Management's Discussion and Analysis

1. Analysis of Operating Results

In fiscal 2012, the year ended March 31, 2013, the Japanese economy showed some signs of recovery, although it remained generally weak. Looking forward, an economic recovery is expected against the backdrop of an improving environment for exports associated with the correction of the strong yen, the effect of monetary and fiscal policies and other factors, although there is a risk of downward pressure due to the deceleration of overseas economies and other negative factors.

In the office leasing market, the vacancy rate was improving, albeit moderately, and market rents stopped falling. In the condominium sales market, the buying motivation of consumers was firm, supported by low interest rate and other factors.

According to the official announcement on land prices as of January 1, 2013, land prices continued to decline nationwide, but the rate of decline slowed and was rebounding in some regions.

In this environment, the Company and its subsidiaries (collectively, the "Group") operated their business, aiming for sustainable growth, while working to strengthen earnings through the completion of new office buildings and an increase in the number of condominiums delivered. The Company also sought to promote overseas operations by acquiring 20 Finsbury Circus, an office building in London, United Kingdom, through its local subsidiary in the United Kingdom and by other means.

As a consequence, operating revenue amounted to ¥163,168 million (up ¥26,325 million, or 19.2% year on year), operating income was ¥27,401 million (up ¥2,036 million, or 8.0%). Net income was ¥12,073 million (down ¥3,512 million, or 22.5%). This was primarily due to an increase in net income in the previous fiscal year as a result of the introduction of a law relating to a revision to corporate tax rates.

(1) Operating revenue

Operating revenue amounted to ¥163,168 million (up ¥26,325 million, or 19.2% year on year), primarily reflecting an increase in the number of condominium units delivered in the residential property sales business.

(2) Operating gross profit

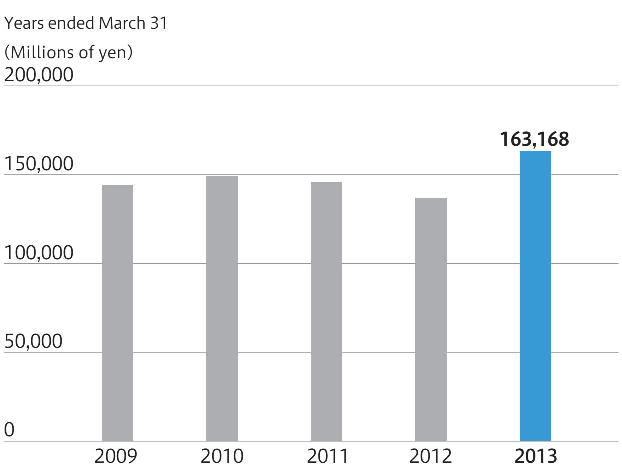
Operating cost stood at ¥117,163 million (up ¥20,730 million, or 21.5%), attributable chiefly to a rise in the number of condominium units delivered in the residential property sales business.

As a result, operating gross profit was ¥46,004 million (up ¥5,595 million, or 13.9%).

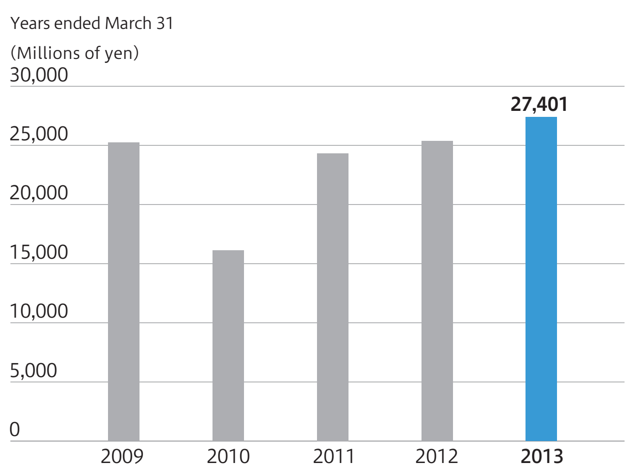
(3) Operating income

Selling, general, and administrative expenses were ¥18,603 million (up ¥3,559 million, or 23.7%) due mainly to an increase in selling expenses, including advertising expenses, in association with a rise in the number of

Operating revenue



Operating income



condominium units delivered.

As a consequence, operating income was ¥27,401 million (up ¥2,036 million, or 8.0%).

(4) Ordinary income

Ordinary income was ¥22,016 million (up ¥2,787 million, or 14.5%), attributable chiefly to an increase in operating income and a decline in interest expenses.

(5) Income before income taxes and minority interests

Extraordinary income was ¥389 million (up ¥329 million, or 549.4%), attributable to the posting of a gain on the sale of non-current assets of ¥389 million.

Extraordinary losses were ¥3,436 million (up ¥572 million, or 20.0%), chiefly due to an impairment loss of ¥800 million posted in fiscal 2012 compared with a loss on disaster of ¥323 million in fiscal 2011.

Consequently, income before income taxes and minority interests amounted to ¥18,969 million (up ¥2,544 million, or 15.5%).

(6) Net income

Net income was ¥12,073 million (down ¥3,512 million, or 22.5%), mainly reflecting a rise in net income in fiscal 2011 due to the introduction of a law relating to a revision to corporate tax rates.

(7) Review by Segment

Leasing Business

In the leasing business, although rent income from existing properties and other income declined, the Company did generate earnings, especially rent income from properties completed in fiscal 2011, including Urbannet Tenjin Building (Fukuoka-shi, Fukuoka) and properties newly completed in fiscal 2012. The Company also posted revenue from sales and a gain on lease termination penalties from office buildings in London, United Kingdom during fiscal 2012.

In the new building development business, projects in progress include the Shinagawa Project associated with the reconstruction of the Shibaura Water Reclamation Center (Minato-ku, Tokyo), RESOLA SOUTH TERRACE (Fukuoka-shi, Fukuoka), Mejiro 2-Chome Project (tentative name) (Toshima-ku, Tokyo) and other properties.

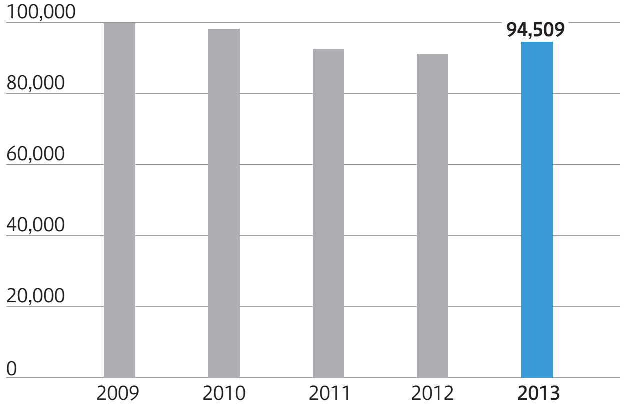
During fiscal 2012, Urbannet Kanda Building (Chiyoda-ku, Tokyo), Otemachi Financial City North Tower (Chiyoda-ku, Tokyo), Grand Front Osaka (Osaka-shi, Osaka), and other properties were completed.

As a result of these activities, the leasing business recorded operating revenue of ¥94,509 million (up ¥3,439 million, or 3.8% year on year), operating expenses of ¥65,293 million (up ¥1,706 million, or 2.7%), and operating income of ¥29,216 million (up ¥1,733 million, or 6.3%).

Leasing Business Operating Revenue

Years ended March 31

(Millions of yen)



NOI by Principal Building and Region

The Group emphasizes net operating income, or NOI*, as an indicator for estimating the value of properties for the leasing business. The nationwide NOI for fiscal 2012 was ¥56,397 million (up ¥2,079 million, or 3.8% year on year). In the Tokyo metropolitan area, NOI declined to ¥33,180 million (down ¥880 million, or 2.6% year on year) mainly attributable to reduced revenue from existing buildings. In other regions including overseas, NOI increased to ¥23,216 million (up ¥2,959 million, or 14.6%) primarily thanks to properties completed in fiscal 2011 such as Urbannet Tenjin Building (Fukuoka-shi, Fukuoka) and the sale of the office building in London, United Kingdom.

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

(Years ended March 31)

<table>
<tr><th rowspan="2">Area</th><th colspan="3">2012</th><th colspan="3">2013</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>Five wards of central Tokyo</td><td rowspan="2">34,061</td><td>28,745</td><td rowspan="2">1,938</td><td rowspan="2">33,180</td><td>28,007</td><td rowspan="2">1,779</td></tr>
<tr><td>Tokyo metropolitan area (excluding five wards of central Tokyo)</td><td>3,376</td><td>3,393</td></tr>
<tr><td>Other regions</td><td>20,257</td><td>17,579</td><td>2,677</td><td>23,216</td><td>20,858</td><td>2,358</td></tr>
<tr><td>Total</td><td>54,318</td><td>49,702</td><td>4,615</td><td>56,397</td><td>52,259</td><td>4,137</td></tr>
</table>

Notes: 1. Five wards of central Tokyo = Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku, and Shinjuku-ku

2. Tokyo metropolitan area (excluding Five wards of central Tokyo) = Tokyo excluding the Five central wards, and Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures

The consolidated balance sheet amount and the fair value for rental properties

(Millions of yen)

Consolidated balance sheet amount			Fair value at the end of fiscal 2012
Amount at the beginning of fiscal 2012	Change during fiscal 2012	Amount at the end of fiscal 2012	
743,939	14,360	758,300	1,159,902

Notes: 1. The consolidated balance sheet amount is the acquisition cost less the accumulated depreciation and the accumulated impairment loss.

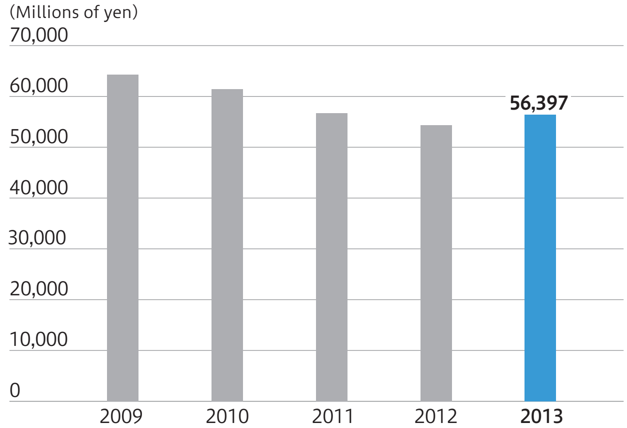
2. Of the change during fiscal 2012, major items included the acquisition of real estate (providing an increase of ¥28,002 million) as well as the transfer of real estate for sale to real estate for sale in progress, the sale of real estate, and impairment losses (providing decreases of ¥5,378 million, ¥3,381 million and ¥800 million, respectively).

3. The fair value of major properties at the end of fiscal 2012 is based on appraised values determined by outside real estate appraisers. The fair value of other properties is calculated by the Company, which used indicators that it considered reflected market prices appropriately.

NOI

Years ended March 31

(Millions of yen)



Residential Property Sales Business

In the residential property sales business, the Company focused on the sale of condominiums, aiming to create high-quality residences that add value residents' lives and maintain asset values by working to establish the WELLITH brand.

A total of 1,052 condominiums were delivered, including WELLITH Ueno Ikenohata (Taito-ku, Tokyo), WELLITH Miyamaedaira (Kawasaki-shi, Kanagawa), WELLITH Rokko Shinohara (Kobe-shi, Hyogo), and WELLITH Mochida Residence (Matsuyama-shi, Ehime), with the annual number of condominiums delivered exceeding 1,000 for the first time since the commencement of the condominium sales business. In fiscal 2012, the year ended March 31, 2013, new sales of condominiums such as WELLITH Arisugawa (Minato-ku, Tokyo), WELLITH Tower Atago Toranomon (Minato-ku, Tokyo) and WELLITH Inage (Chiba-shi, Chiba) commenced. With respect to building lots and detached house sales, WELLITH Court Kitakogane (Matsudo-shi, Chiba) and

Operating revenue in the residential property sales business by type and area

(Years ended March 31)

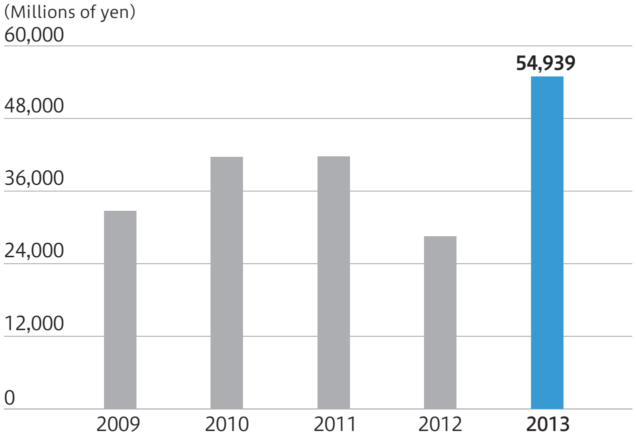
		2012		**2013**	
		Units/Lots	Operating revenue (Millions of yen)	**Units/Lots**	**Operating revenue (Millions of yen)**
Condominiums					
Units delivered	Tokyo metropolitan area	351	16,330	**564**	**27,979**
	Other regions	107	6,062	**488**	**19,392**
Completed in inventory		99	—	**207**	**—**
Building lots, etc					
Units/Lots delivered	Tokyo metropolitan area	6	281	**6**	**4,195**
	Other regions	42	3,817	**57**	**2,423**
Completed in inventory		14	—	**37**	**—**
Residential Subtotal (Condominiums/Building lots, etc)					
Units/Lots delivered	Tokyo metropolitan area	357	16,611	**570**	**32,175**
	Other regions	149	9,879	**545**	**21,815**
Completed in inventory		113	—	**244**	**—**
Other					
Units/Lots delivered	Tokyo metropolitan area	—	—	**1**	**948**
	Other regions	1	1,993	**—**	**—**
Completed in inventory		—	—	**—**	**—**
Grand total (Operating revenue)		—	28,484	**—**	**54,939**

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. The condominiums completed in inventories for the year ended March 31, 2012 and the year ended March 31, 2013 include 12 units and 30 units, respectively, for which a contract has been completed but ownership has not yet been transferred. The building lots completed in inventories for the year ended March 31, 2012 and the year ended March 31, 2013 include 2 lots and 5 lots, respectively, for which a contract has been completed but ownership has not yet been transferred.
3. Six lots (worth ¥2,764 million) of building lots delivered for the year ended March 31, 2012 and two lots (worth ¥5,276 million) of building lots delivered for the year ended March 31, 2013 were delivered through a sale of land.
4. "Other" in the year ended March 31, 2012 and the year ended March 31, 2013 are the sale of a condominium (apartment building) and others.
5. Tokyo metropolitan area includes Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

Residential Property Sales Business Operating Revenue

Years ended March 31

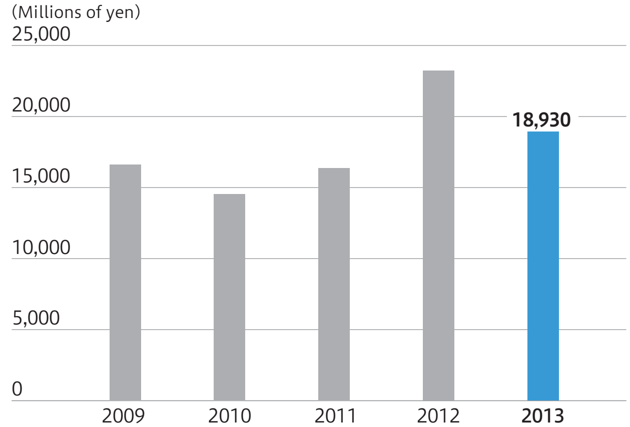
(Millions of yen)



Other Business Operating Revenue

Years ended March 31

(Millions of yen)



other properties were delivered.

As a result, the Company posted operating revenue of ¥54,939 million (up ¥26,454 million, or 92.9% year on year), operating expenses of ¥52,024 million (up ¥24,914 million, or 91.9%), and operating income of ¥2,914 million (up ¥1,539 million, or 112.0%), reflecting an increase in the number of condominiums delivered and other factors.

Other Business

Operating revenue in other business in fiscal 2012 was ¥18,930 million (down ¥4,293 million, or 18.5% year on year), operating expenses stood at ¥17,349 million (down ¥2,783 million, or 13.8%), and operating income was ¥1,580 million (down ¥1,510 million, or 48.9%) primarily because sales posted based on progress in construction were lower than those in the previous fiscal year, given that Otemachi Financial City North Tower, which was subject to the percentage of completion method, was completed during the year.

2. Analysis of financial position

(1) Consolidated balance sheet

● Assets

Total assets were ¥941,050 million (up ¥12,513 million year on year).

Current assets were ¥131,843 million (up ¥1,901 million), primarily reflecting a rise of ¥2,223 million in cash and deposits.

Non-current assets were ¥809,207 million (up ¥10,612 million). Principal factors included an increase of ¥14,980 million in buildings and structures (net), a rise of ¥7,768 million in land and a fall of ¥10,491 million in construction in progress.

● Liabilities

Total liabilities were ¥727,215 million (up ¥2,405 million year on year).

Current liabilities were ¥177,439 million (up ¥88,711 million). Major factors included an increase of ¥60,512 million in current portion of bonds, a rise of ¥10,321 million in short-term loans payable, and an increase of ¥7,329 million in the current portion of long-term loans payable.

Non-current liabilities were ¥549,775 million (down ¥86,306 million). The main factors included a fall of ¥52,119 million in bonds payable and a decline of ¥25,856 million in long-term loans payable.

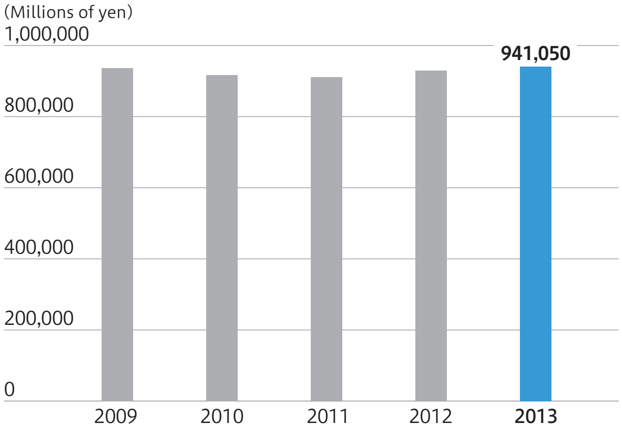
Interest-bearing debt at the end of fiscal 2012 was ¥505,993 million (up ¥187 million).

● Net assets

Net assets were ¥213,835 million (up ¥10,108 million year on year), primarily reflecting net income of ¥12,073 million and dividend payments of ¥4,936 million.

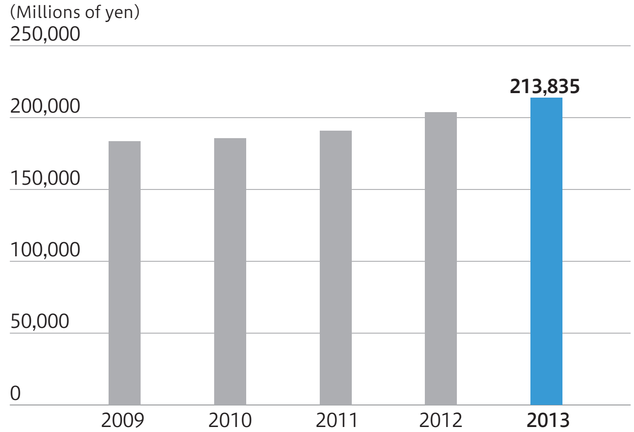
Total Assets

Years ended March 31



Net Assets

Years ended March 31



(2) Consolidated cash flows

Cash and cash equivalents (hereinafter "cash") at the end of March 2013 increased ¥1,848 million from the end of March 2012, to ¥12,809 million. Free cash flows* at the end of March 2013 were up ¥27,533 million from the end of March 2012, to ¥8,203 million plus.

*Free cash flows = Net cash provided by (used in) operating activities + Net cash provided by (used in) investing activities

● Net cash provided by (used in) operating activities

Net cash provided by operating activities of the Group was ¥48,089 million, with the inflow increasing ¥44,384 million year on year, although cash was volatile influenced by the purchase of land in the residential property sales business and other factors.

This is primarily attributable to an increase in cash mainly due to income before income taxes and minority interests of ¥18,969 million, depreciation and amortization of ¥23,766 million and a decline in inventories of ¥13,208 million.

● Net cash provided by (used in) investing activities

Net cash used in investing activities was ¥39,885 million, with the inflow decreasing ¥16,851 million year on year. This is primarily attributable to an increase in cash, mainly due to proceeds from the sale of property, plant and equipment of ¥3,228 million and a decrease in cash chiefly due to the purchase of property, plant and equipment of ¥40,689 million.

● Net cash provided by (used in) financing activities

Net cash used in financing activities was ¥6,660 million, with inflow decreasing ¥19,311 million year on year. Major factors included an increase in cash due to proceeds from long-term loans payable of ¥29,793 million and proceeds from issuance of bonds payable of ¥10,000 million and a decrease in cash mainly due to repayments of long-term loans payable of ¥48,712 million and cash dividends paid of ¥4,936 million.

(3) Capital Policy and Dividend Policy

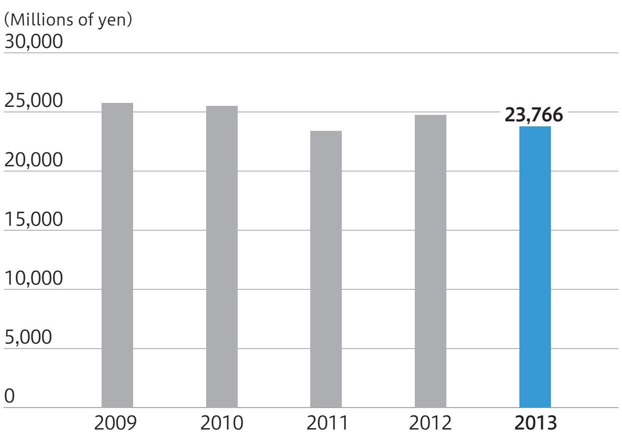
● Capital Policy

During fiscal 2012, the year ended March 31, 2013, the Company raised funds primarily through borrowings from financial institutions and the issuing of bonds, among other sources, in response to such capital needs as capital expenditures, investments, and the acquisition of inventory assets.

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 rating.

Depreciation and Amortization

Years ended March 31



As of March 31, 2013	Rating and Investment Information, Inc.
Commercial paper	a − 1
Bonds	A+

● 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 a stable and long-term profit return to shareholders 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.

With respect to annual dividends for the year ended March 31, 2013, the Company has decided to increase the dividend by ¥200 per share, to ¥1,600 per share, as part of its shareholder-oriented management as expressed in the "Medium-Term Vision 2018 – For Further Growth –," a new vision with fiscal 2013 as the first year, as well as considering the income level in fiscal 2012 and business trends in the medium to long terms, among other factors. Since the Company paid an interim dividend of ¥700 per share, the year-end dividend was ¥900 per share.

The Company also implements a 100-for-one stock split for its common shares with September 30, 2013 as the record date and October 1, 2013 as the effective date and, at the same time, adopted a unit share system that will set the unit share at 100 shares.

For fiscal 2013, the Company plans to pay an interim dividend per share of ¥800 based on the value calculation before the stock split and a year-end dividend per share of ¥8 based on the value calculation after the stock split (¥800 based on the value calculation before the stock split), which are dividends at effectively the same level as those in fiscal 2012 (an annual dividend of ¥1,600 per share).

These dividends are expected to be paid in two payments with a year-end dividend payment and interim dividend payments. Decision-making bodies for the above payments will be a general shareholders' meeting for the year-end dividend payment and a Board of Directors for interim dividend payments.

The Articles of Incorporation specifies that the Company may pay interim dividends on September 30 (record date) of every year by resolution of the Board of Directors.

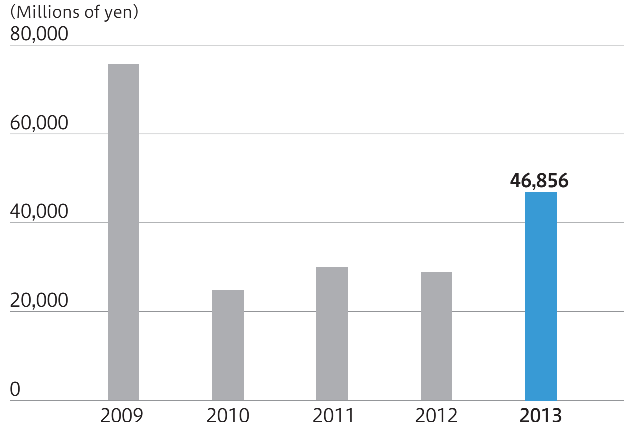
3. Investment

The NTT Urban Development Group, consisting of the Company and its consolidated subsidiaries, invests in new construction sites to increase the level of contribution to earnings provided by the leasing business while acquiring commercial land to expand its overall business activities.

Investment

Years ended March 31

(Millions of yen)



Capital investment was distributed as follows in fiscal 2012.

Business Segment	(Millions of yen)
Leasing	**46,136**
Residential property sales	**3**
Other	**160**
Total	**46,299**
Corporate	**90**
Total	**46,390**

The main investments in the leasing business were ¥10,626 million for the Otemachi Financial City North Tower (Chiyoda-ku, Tokyo), ¥7,876 million for the Grand Front Osaka (Osaka-shi, Osaka), ¥5,762 million (GBP 45 million) for 20 Finsbury Circus (London, UK), and ¥12,574 million for building renovations.

In other, the Company used ¥465 million to purchase investment securities, pushing total investments to ¥46,856 million.

4. Significant Management Contracts

None.

5. Operating Risks

The following principal categories of business risks and other risks in Japan and overseas affecting the NTT Urban Development Group's businesses may have a material impact on investment decisions. Although the risks below are those currently recognized by the NTT Urban Development Group, it is not necessarily an exhaustive list of risks. These risk categories are presented in the interest of information disclosure to investors and should be given due importance in investment decisions or when analyzing the Company's business activities. The Group manages the operating risks under its risk management regulations. The forward-looking statements included in the following reflect judgments by the Group as of June 19, 2013.

Risks concerning the businesses of the Group

(1) General Risk

1. Leasing Business Risk

In fiscal 2012, the year ended March 31, 2013, the leasing business accounted for 56.1% of consolidated operating revenue. The leasing business tends to be susceptible to changes in the operating environment, and the Company is considering action against falls in rents and an increase in vacancies, assuming business trends over the medium and long terms. However, a worsening supply-demand situation in the real estate market could cause vacancies to increase and the leasing rate to decline, which could substantially affect the operating performance of the NTT Urban Development Group. 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 have repercussions for the overall occupancy rate of Group properties and consequently could significantly affect business real estate revenues.

2. Residential Property Sales Business Risk

The deterioration of the condominium market because of intensifying competition among sellers, rising interest rates for housing loans, and a downturn in consumer sentiment caused by elevating sales prices accompanying soaring land prices could cause decreases in sales in relation to a prolonged selling process in the residential property sales business and increases in inventories, which could affect the Group's business performance. The process of work could be delayed given the shortage of construction materials, equipment, and other materials due to the effect of large-scale disasters.

3. Asset Devaluation Risk

In fiscal 2005, the year ended March 31, 2006, the Company adopted impairment loss accounting for business 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 year ended March 31, 2009, the Company applied the "Accounting Standards for Measurement of Inventories" (ASBJ Statement No. 9 on July 5, 2006). A substantial deterioration of the real estate market could necessitate the recording of impairment losses of the properties for the leasing business and the revaluation of inventory assets maintained for the residential property sales business, and this in turn could impact the Group's business performance.

The Group holds investment securities and other non-current assets and depreciation in the value of these assets from changes in economic and financial conditions in Japan and overseas could produce a revaluation loss that might impact the Group's business performance.

4. Effects of Interest-Bearing Debt

The Group raises funds in Japan and overseas, and as of March 31, 2013, consolidated interest-bearing debt totaled ¥505,993 million, all of which was procured at fixed rates of interest. A significant rise in the market interest rates could, therefore, affect the business development of the Group.

In addition, the Group's capital procurement activities could be hampered by instability in capital markets, credit limits extended by financial institutions, business failures (including payoffs) of such institutions, or downgrades in the Company's debt ratings and other factors.

Years ended and as of March 31	2012	**2013**
Total assets (Millions of yen)	928,537	**941,050**
Interest-bearing debt (Millions of yen)	505,805	**505,993**
Interest-bearing debt / Total assets (%)	54.5	**53.8**
Operating revenue (Millions of yen)	136,842	**163,168**
Interest expenses (Millions of yen)	7,938	**7,665**
Interest expenses / Operating revenue (%)	5.8	**4.7**

5. Risks Concerning Establishment of and Revisions to Real Estate-Related and Other Laws, Ordinances, and Other Regulations

The Group is subject to real estate-related laws and regulations, the Act on the Protection of Personal Information, and other laws and regulations, and revisions to these laws and the establishment of new laws could impact the Group's business performance.

6. Risks Concerning Selection and Credit of Business Partner

The Company makes every effort to verify the credit standing of its business partners before entering into business relations. However, if unforeseen events lower a business partner's credit and the Company is unable to collect debts owed to the Company, an economic loss could result that could impact the Group's business performance.

Selected contractors for construction work, could be involved in scandals, conflicts, or financial difficulties, among others and could cause economic losses for the Group or the erosion of the Group's credibility, which in turn could affect the Group's performance. To prevent and avoid such risks, the Company has set up an internal committee to choose contractors that investigates the creditworthiness of contractors and their ability to complete construction and has established termination criteria should contractors fail to meet standard quality or delivery periods or cause incidents or accidents.

(2) Business Risk

1. Risks Concerning Development Project Investment Decisions

The Company invests in quality properties for future development with the objective of further raising corporate value. Every effort is made to ensure the decisions to invest in new development projects do not produce an economic loss or compromise trust in the Company. 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 relevant groups. Despite careful preparation and consideration, fluctuations in demand arising from changes in the business climate 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 and construction contracts could produce an economic loss or liability for damages, or compromise trust in the Company in a way that could impact the Company's business performance. The Group seeks to prevent and avoid risks by checking contracts in advance, using contract check sheets.

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

The Group regularly inspects and maintains the buildings that it holds for leasing. However, damage to or deterioration in the buildings, or accidents resulting from the deterioration or failures of the buildings could lead to increases in the financial burden in association with complaints about damage to or the deterioration of the buildings and accidents caused by them, liability for damage, the erosion of trust in the Group, renovations, and rebuilding and could impact the Group's business performance.

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

Risks including major earthquakes, floods or other natural disasters, or infectious diseases, fires, accidents or terrorist attacks could cause damage to, the loss of, or the deterioration of buildings the Group holds for leasing, or could interrupt the business operations of the Group, which in turn could affect the Group's 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.

Relationships with NTT and its Group Companies

(1) Position of NTT Urban Development in NTT-Centered Corporate Group (NTT Group)

NTT Urban Development is the only comprehensive real estate company in the NTT Group and manages its businesses independently, taking responsibility for management. The Company consults its parent company Nippon Telegraph and Telephone Corporation (hereinafter NTT) about important issues and reports to NTT. However, NTT does not prevent the Company from making its own decisions or does not make the Company's decisions legally binding.

NTT owns 67.3% of the stock of the Company as of March 31, 2013 and holds rights as the majority shareholder of the Company under the Companies Act.

(2) Business Relations with NTT Group

The Company and NTT have concluded an agreement relating to the management of the NTT Group to respect each other's independence and autonomy and to maximize the profits of each NTT Group company by maximizing the profits of the overall NTT Group. Based on this agreement, the Company pays the Group operating and managing expenses. In exchange for this payment, NTT provides the Company with comprehensive services and benefits, including advice on a range of issues, the use of the NTT brand, and Group publicity. In particular, we believe using the NTT brand as a member of the NTT Group enhances the creditworthiness and reliability of the Company and gives the Company advantages in the execution of operations.

The Company has concluded a building lease agreement with the NTT Group and receives rent income from the Group. The Company determines rental prices for the NTT Group through mutual consultation, based on essentially the same conditions as those for general customers, considering market prices and prices for neighboring properties. The Company acquires land, primarily land for the property sales business, from the NTT Group. Both parties determine acquisition prices through consultation, taking profitability into consideration, as in the acquisition of land from the general market.

The table below shows the status of transactions between the Company and the NTT Group in the Leasing Business.

Transactions with the NTT Group in the Leasing Business (non-consolidated)

Years ended March 31	2012	2013
Operating revenue of Leasing Business (Millions of yen)	83,603	**82,208**
Operating revenue from NTT Group (Millions of yen)	26,600	**26,341**
Operating revenue from NTT Group / Operating revenue of Leasing Business (%)	32.2	**32.0**

(3) Personnel relationships with NTT Group

The Company accepts employees from other NTT Group companies not as employees on loan but as employees who have been transferred. The Company had an outside director and an outside corporate auditor from NTT as of June 19, 2013. They have taken up their appointments at the request of the Company, and the Company makes management decisions independently.

(4) Independence from NTT Group

As a company engaging in a nationwide real estate business as part of the NTT Group, the Company manages its businesses independently, taking responsibility for management. As stated in (1), (2) and (3), we believe that the Company has a considerable degree of 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.

Consolidated Balance Sheets

As of March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2012	2013	2013
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 2, 8 and 17)	¥ 10,960	¥ 12,809	$ 136,197
Time deposits and short-term investments (Note 17)	1,810	1,810	19,245
Notes and operating accounts receivable (Note 17)	15,480	13,786	146,584
Inventories (Note 5)	94,206	87,684	932,322
Lease investment assets (Note 9)	3,172	3,617	38,465
Deferred tax assets (Note 15)	427	1,141	12,134
Other (Note 8)	3,883	10,994	116,902
Allowance for doubtful accounts (Note 17)	(1)	(0)	(9)
Total current assets	129,941	131,843	1,401,840
Non-current assets:			
Property, plant and equipment (Note 8):			
Buildings and structures	692,937	719,274	7,647,784
Machinery, equipment and vehicles	13,766	14,027	149,154
Tools, furniture and fixtures	15,603	16,136	171,578
Land	401,361	409,130	4,350,136
Lease assets (Note 9)	512	399	4,251
Construction in progress	17,503	7,012	74,559
Subtotal	1,141,685	1,165,981	12,397,462
Accumulated depreciation	(392,922)	(405,074)	(4,307,009)
Total property, plant and equipment	748,763	760,907	8,090,453
Investments and other assets:			
Investment securities (Note 6)	20,656	19,056	202,620
Long-term prepaid expenses (Note 8)	17,308	16,765	178,266
Intangible assets (Note 8)	4,562	5,756	61,208
Deferred tax assets (Note 15)	397	422	4,494
Other	6,906	6,299	66,975
Total investments and other assets	49,831	48,300	513,563
Total non-current assets	798,595	809,207	8,604,016
Total assets	¥ 928,537	¥ 941,050	$10,005,856

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2012	2013	2013
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current liabilities:			
Notes and operating accounts payable-trade (Note 17)	¥ 13,175	¥ 10,742	$ 114,221
Short-term debt (Notes 7 and 17)	–	10,321	109,748
Current portion of lease obligations (Note 9)	68	45	489
Current portion of long-term debt (Notes 7, 8 and 17)	50,324	118,165	1,256,414
Income taxes payable (Notes 15 and 17)	458	3,351	35,636
Other	24,699	34,811	370,141
Total current liabilities	88,727	177,439	1,886,649
Non-current liabilities:			
Long-term debt (Notes 7, 8 and 17)	455,481	377,505	4,013,882
Lease obligations (Note 9)	151	133	1,419
Deferred tax liabilities (Note 15)	60,305	61,116	649,826
Provision for retirement benefits (Note 10)	6,026	6,388	67,931
Provision for directors' retirement benefits	105	102	1,092
Lease and guarantee deposits received (Note 17)	82,437	74,628	793,496
Negative goodwill (Notes 2 and 22)	28,402	26,617	283,011
Asset retirement obligations	3,044	3,172	33,735
Other	128	110	1,177
Total non-current liabilities	636,082	549,775	5,845,569
Total liabilities	¥724,810	¥727,215	$ 7,732,218
NET ASSETS			
Shareholders' equity (Note 11):			
Capital stock:			
Authorized – 10,500,000 shares			
Issued – 3,291,200 shares	48,760	48,760	518,448
Capital surplus	34,109	34,109	362,677
Retained earnings	84,265	91,402	971,848
Total shareholders' equity	167,135	174,272	1,852,973
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	98	1,131	12,028
Foreign currency translation adjustments	(1,221)	817	8,695
Total accumulated other comprehensive income	(1,122)	1,948	20,723
Minority interests	37,714	37,614	399,942
Total net assets	203,727	213,835	2,273,638
Total liabilities and net assets	¥928,537	¥941,050	$10,005,856

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

Consolidated Statements of Income

For the years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2012	2013	2013
Operating revenue (Note 22)	¥136,842	**¥163,168**	**$1,734,914**
Operating cost (Note 5)	96,433	**117,163**	**1,245,761**
Operating gross profit	40,409	**46,004**	**489,153**
Selling, general and administrative expenses (Note 12)	15,043	**18,603**	**197,802**
Operating income (Notes 3, 20 and 22)	25,365	**27,401**	**291,351**
Other income (expenses):			
Interest income	61	**79**	**842**
Interest expenses	(7,938)	**(7,665)**	**(81,505)**
Amortization of negative goodwill	1,926	**1,926**	**20,484**
Equity in earnings of affiliates	77	**82**	**873**
Impairment loss (Notes 13, 20 and 22)	–	**(800)**	**(8,506)**
Loss on disaster	(323)	**–**	**–**
Other, net (Notes 14 and 20)	(2,743)	**(2,053)**	**(21,839)**
	(8,939)	**(8,431)**	**(89,651)**
Income before income taxes and minority interests (Note 3)	16,425	**18,969**	**201,700**
Income taxes (Note 15):			
Current	3,991	**5,747**	**61,107**
Deferred	(6,942)	**(202)**	**(2,153)**
Total income taxes	(2,951)	**5,544**	**58,954**
Income before minority interests	19,376	**13,425**	**142,746**
Minority interests in income	3,790	**1,351**	**14,371**
Net income (Note 16)	¥ 15,586	**¥ 12,073**	**$ 128,375**

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

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2012	2013	2013
Income before minority interests	¥19,376	**¥13,425**	**$142,746**
Other comprehensive income (Note 18)			
Valuation difference on available-for-sale securities	(165)	**1,022**	**10,873**
Foreign currency translation adjustment	(1,000)	**2,039**	**21,686**
Total other comprehensive income	(1,166)	**3,062**	**32,559**
Comprehensive income	¥18,209	**¥16,487**	**$175,305**
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥14,427	**¥15,145**	**$161,036**
Comprehensive income attributable to minority interests	¥ 3,782	**¥ 1,341**	**$ 14,269**

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

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2012	2013	2013
Changes in shareholders' equity			
Capital stock:			
Balance at the beginning of the year	¥ 48,760	¥ 48,760	$ 518,448
Balance at the end of the year	¥ 48,760	¥ 48,760	$ 518,448
Capital surplus:			
Balance at the beginning of the year	¥ 34,109	¥ 34,109	$ 362,677
Balance at the end of the year	¥ 34,109	¥ 34,109	$ 362,677
Retained earnings:			
Balance at the beginning of the year	¥ 72,628	¥ 84,265	$ 895,964
Net income	15,586	12,073	128,375
Dividends from surplus	(3,949)	(4,936)	(52,491)
Balance at the end of the year	¥ 84,265	¥ 91,402	$ 971,848
Total shareholders' equity	¥167,135	¥174,272	$1,852,973
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities			
Balance at the beginning of the year	¥ 257	¥ 98	$ 1,052
Net change of items other than shareholders' equity	(158)	1,032	10,976
Balance at the end of the year	¥ 98	¥ 1,131	$ 12,028
Foreign currency translation adjustment			
Balance at the beginning of the year	¥ (221)	¥ (1,221)	$ (12,990)
Net change of items other than shareholders' equity	(1,000)	2,039	21,685
Balance at the end of the year	¥ (1,221)	¥ 817	$ 8,695
Total accumulated other comprehensive income	¥ (1,122)	¥ 1,948	$ 20,723
Minority interests in consolidated subsidiaries:			
Balance at the beginning of the year	¥ 35,248	¥ 37,714	$ 401,006
Net change of items other than shareholders' equity	2,466	(100)	(1,064)
Balance at the end of the year	¥ 37,714	¥ 37,614	$ 399,942
Total net assets	¥203,727	¥213,835	$2,273,638

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

Consolidated Statements of Cash Flows

For the years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2012	**2013**	**2013**
Operating activities:			
Income before income taxes and minority interests	¥ 16,425	**¥ 18,969**	**$ 201,700**
Adjustment for:			
Depreciation and amortization	24,765	**23,766**	**252,701**
Loss on disaster	323	**–**	**–**
Amortization of negative goodwill	(1,926)	**(1,926)**	**(20,484)**
Impairment loss	–	**800**	**8,506**
Amortization of goodwill	141	**141**	**1,507**
Decrease in allowance for doubtful accounts	(2)	**(0)**	**(4)**
Increase in provision for retirement benefits	136	**362**	**3,855**
Interest and dividends income	(125)	**(164)**	**(1,753)**
Interest expenses	7,938	**7,665**	**81,505**
Equity in earnings of affiliates	(77)	**(82)**	**(873)**
Gain on sales of property, plant and equipment	–	**(389)**	**(4,143)**
Loss on disposal of property, plant and equipment	2,319	**2,119**	**22,537**
Loss on sales of property, plant and equipment	216	**508**	**5,404**
Increase in lease investment assets	(778)	**(444)**	**(4,730)**
Decrease (increase) in notes and accounts receivable-trade	(9,032)	**1,702**	**18,107**
Decrease (increase) in inventories	(14,306)	**13,208**	**140,443**
Increase (decrease) in notes and accounts payable-trade	5,092	**(2,433)**	**(25,873)**
Decrease in lease and guarantee deposits received	(6,196)	**(3,691)**	**(39,251)**
Other, net	(4,091)	**(1,629)**	**(17,325)**
Subtotal	20,822	**58,483**	**621,829**
Interest and dividends income received	161	**189**	**2,019**
Interest expenses paid	(8,028)	**(7,804)**	**(82,982)**
Income taxes paid	(9,250)	**(2,779)**	**(29,549)**
Net cash provided by operating activities	3,704	**48,089**	**511,317**
Investing activities:			
Purchase of property, plant and equipment	(24,305)	**(40,689)**	**(432,639)**
Proceeds from sales of property, plant and equipment	681	**3,228**	**34,323**
Purchase of investment securities	(13)	**(465)**	**(4,954)**
Proceeds from repayment of investment securities	1,052	**–**	**–**
Other, net	(447)	**(1,958)**	**(20,821)**
Net cash used in investing activities	(23,033)	**(39,885)**	**(424,091)**
Financing activities:			
Net increase in short-term loans payable	–	**10,321**	**109,748**
Proceeds from long-term loans payable	72,000	**29,793**	**316,780**
Repayments of long-term loans payable	(67,360)	**(48,712)**	**(517,945)**
Proceeds from issuance of bonds	14,993	**10,000**	**106,326**
Redemption of bonds	(1,611)	**(1,611)**	**(17,137)**
Cash dividends paid	(3,949)	**(4,936)**	**(52,491)**
Cash dividends paid to minority shareholders	(1,316)	**(1,441)**	**(15,332)**
Other, net	(104)	**(72)**	**(772)**
Net cash provided by financing activities	12,650	**(6,660)**	**(70,823)**
Effect of exchange rate change on cash and cash equivalents	(375)	**305**	**3,252**
Net increase (decrease) in cash and cash equivalents	(7,054)	**1,848**	**19,655**
Cash and cash equivalents at the beginning of the year	18,015	**10,960**	**116,542**
Cash and cash equivalents at the end of the year	¥ 10,960	**¥ 12,809**	**$ 136,197**

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 are different 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 Act 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 Act 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, 2012 and 2013 are as follows:

2012	**2013**
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.	**DAY・NITE 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**
UD EUROPE LIMITED	**UD EUROPE LIMITED**
Premier REIT Advisors Co., Ltd.	**Premier REIT Advisors Co., Ltd.**
UD AUSTRALIA PTY LIMITED	**UD AUSTRALIA PTY LIMITED**

DAY・NITE Co., Ltd. was renamed from DN Food Co., Ltd. on February 1, 2013.

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, 2012 and 2013 are as follows:

2012	**2013**
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.**
Harumi Yonchome City Planning Design Co.	**Harumi Yonchome City Planning Design Co.**
MOUNT STREET ADVISERS LIMITED	—
335 GRICES ROAD PTY LTD	**335 GRICES ROAD PTY LTD**

MOUNT STREET ADVISERS LIMITED, which had been an equity-method affiliate, was excluded from affiliated companies following the sale of all its shares in the year ended March 31, 2013.

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, 2012 and 2013 are ¥1,099 million and ¥1,099 million ($11,696 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 value 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 (the "Guidance"). The Standard and Guidance require that fixed assets be reviewed for impairment when events or changes in circumstance indicate that the book value of an asset may not be recoverable. An impairment loss is recognized in the statements of income by directly reducing the book 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).

(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 or 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) 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, 2012 and 2013 are ¥2,422 million and ¥2,280 million ($24,247 thousand), respectively. The amounts of negative goodwill before offsetting as of March 31, 2012 and 2013 are ¥30,824 million and ¥28,897 million ($307,258 thousand), respectively.

(n) 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.

(o) 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.

(p) Consumption Tax

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

(q) 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.

(r) 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.

(s) Standards Issued but Not Yet Effective

On May 17, 2012, the Accounting Standards Board of Japan (ASBJ) revised accounting standard for retirement benefits, and issued “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25). The major changes are as follows:

Under the Accounting Standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss would be recognized within the net asset section (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus would be recognized as liability or asset without any adjustments. Also, the Accounting Standard allowed the choice of the method of attributing expected benefit to periods to apply the straight-line basis or the benefit formula basis, and the method of calculating the discount rate has been revised as well.

This standard and related guidance are effective as of the end of fiscal years beginning on or after April 1, 2013. However, the revision of the method of attributing expected benefit to periods is applied as of the beginning of fiscal years beginning on or after April 1, 2014. The Company is now evaluating the effects of these modifications on its consolidated results of operations and financial position.

(t) Reclassification

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

3. Change in Accounting Policies

In accordance with an amendment to the Corporate Tax Act effective April 1, 2012, the Company and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment acquired on or after April 1, 2012. As a result of this change, operating income and income before income taxes and minority interests increased by ¥173 million ($1,839 thousand) for the year ended March 31, 2013, respectively.

Please refer to Note 22 for the impact on segment information.

4. 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, 2013, which was ¥94.05 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.

5. Inventories

Inventories as of March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Real estate for sale	¥14,854	**¥21,706**	**$230,802**
Real estate for sale in process	78,843	**65,576**	**697,246**
Costs on uncompleted construction contracts	448	**346**	**3,680**
Raw materials and supplies	60	**55**	**594**
Total	¥94,206	**¥87,684**	**$932,322**

Losses on valuation of inventories of ¥1,194 million and ¥1,934 million ($20,571 thousand) were included in operating cost for the years ended March 31, 2012 and 2013, respectively.

6. Securities

(a) The acquisition cost, book value and unrealized gains and losses of marketable available-for-sale securities as of March 31, 2012 and 2013 are as follows:

	Unrealized gains		
	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Acquisition cost:			
Equity securities	¥ 936	¥ 936	$ 9,954
Debt securities	5,157	4,066	43,242
Other	–	3,116	33,133
Total	¥6,093	¥8,119	$ 86,329
Book value:			
Equity securities	¥1,264	¥1,327	$ 14,113
Debt securities	5,246	4,112	43,722
Other	–	4,445	47,270
Total	¥6,510	¥9,885	$105,105
Unrealized gains:			
Equity securities	¥ 328	¥ 391	$ 4,159
Debt securities	88	45	480
Other	–	1,329	14,137
Total	¥ 416	¥1,765	$ 18,776

	Unrealized losses		
	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Acquisition cost:			
Debt securities	¥ –	¥1,100	$11,696
Other	4,716	1,600	17,012
Total	¥4,716	¥2,700	$28,708
Book value:			
Debt securities	¥ –	¥1,099	$11,696
Other	4,360	1,429	15,203
Total	¥4,360	¥2,529	$26,899
Unrealized losses:			
Debt securities	¥ –	¥ (0)	$ (0)
Other	(355)	(170)	(1,809)
Total	¥ (355)	¥ (170)	$ (1,809)

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, 2012 and 2013.

(b) The redemption schedule for securities with maturity dates as of March 31, 2012 and 2013, all of which are Japanese government bonds, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Due within one year	¥1,100	**¥5,000**	**$53,163**
Due after one year and within five years	3,900	**–**	**–**
Due after five years and within ten years	–	**–**	**–**
Due after ten years	203	**203**	**2,166**
Total	¥5,203	**¥5,203**	**$55,329**

(c) The aggregate book value of securities with no available fair value as of March 31, 2012 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Unlisted stocks	¥ 363	**¥ 500**	**$ 5,317**
Investments in limited partnerships	9,057	**9,646**	**102,573**
Other investments	41	**57**	**610**
Total	¥9,462	**¥10,203**	**$108,500**

(d) Investments in affiliates as of March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Capital stock	¥1,595	**¥1,648**	**$17,533**
Total	¥1,595	**¥1,648**	**$17,533**

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, 2012 and 2013.

7. Short-term and Long-term Debt

Short-term debt and the corresponding weighted average interest rates as of March 31, 2013 are as follows:

	Millions of yen	Thousands of U.S. dollars	Weighted average interest rate
Borrowings	¥10,321	**$109,748**	**0.22%**
Total	¥10,321	**$109,748**	

As of March 31, 2012 and 2013, long-term debt consists of the following:

Description	Interest rate	Maturity	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars 2013
Unsecured bonds	1.9 %	2016	¥ 19,996	**¥ 19,997**	**$ 212,622**
Unsecured bonds	2.0 %	2018	19,989	**19,990**	**212,556**
Unsecured bonds	1.5 %	2019	9,993	**9,994**	**106,265**
Unsecured bonds	1.0 %	2020	9,994	**9,995**	**106,279**
Unsecured bonds	1.1 %	2021	9,996	**9,996**	**106,290**
Unsecured bonds	2.0 %	2031	4,997	**4,997**	**53,139**
Unsecured bonds	0.9 %	2022	–	**10,000**	**106,326**
Secured bonds	2.1 %	2013	63,735	**62,123**	**660,540**
Borrowings from banks and other financial institutions:					
Secured	1.1-4.4 %	2013-2022	¥ 14,945	**¥ 11,036**	**$ 117,342**
Unsecured	0.2-2.1 %	2013-2024	352,157	**337,539**	**3,588,937**
			505,805	**495,671**	**5,270,296**
Less current portion			50,324	**118,165**	**1,256,414**
Total			¥455,481	**¥377,505**	**$4,013,882**

The contractual repayment schedule of long-term debt as of March 31, 2013 is summarized as follows:

Fiscal years ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	**¥118,165**	**$1,256,414**
2015	**58,082**	**617,571**
2016	**53,901**	**573,110**
2017	**53,254**	**566,231**
2018	**52,085**	**553,801**
2019 and thereafter	**160,211**	**1,703,466**
Total	**¥495,699**	**$5,270,593**

8. Mortgaged Assets

Mortgaged assets and corresponding debt as of March 31, 2012 and 2013 are as follows:

(a) Mortgaged assets:

	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars 2013
Buildings and structures	¥100,326	**¥ 92,612**	**$ 984,715**
Land	13,189	**9,769**	**103,876**
Total	¥113,516	**¥102,382**	**$1,088,591**

(b) Corresponding debt secured by the above collateral:

	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars 2013
Current portion of long-term debt	¥ 3,909	**¥ 2,988**	**$ 31,770**
Long-term debt	11,036	**8,048**	**85,572**
Total	¥14,945	**¥11,036**	**$117,342**

Mortgaged assets, and corresponding debt, regarding debt with limited recourse(*) as of March 31, 2012 and 2013 are as follows:

(a) Mortgaged assets:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Cash and cash equivalents	¥ 6,708	¥ 5,871	$ 62,427
Other current assets	267	149	1,591
Buildings and structures	49,293	47,087	500,668
Land	171,402	171,402	1,822,465
Other property, plant and equipment	170	172	1,839
Intangible assets	1	0	9
Long-term prepaid expenses	237	326	3,469
Total	¥228,081	¥225,011	$2,392,468

(b) Corresponding debt secured by the above collateral:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Current portion of bonds	¥ 1,611	¥62,123	$660,540
Bonds payable	62,123	–	–
Total	¥63,735	¥62,123	$660,540

(*) Debt with limited recourse includes bonds issued by UDX Tokutei Mokuteki Kaisha as of March 31, 2012, and UDX Tokutei Mokuteki Kaisha as of March 31, 2013. Repayment of debt is limited to assets of these companies such as the above-mentioned mortgaged assets.

9. Lease Transactions

Finance lease transactions

(a) Lessee—Lease assets under finance leases as of March 31, 2013 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, 2013 is summarized as follows:

Fiscal years ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥ 54	$ 581
2015	45	483
2016	38	406
2017	24	263
2018	19	206
2019 and thereafter	21	226
Total	¥203	$2,165

(b) Lessor—Lease investment assets as of March 31, 2012 and 2013 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Current assets:			
Lease receivables portion	¥ 7,302	¥ 7,690	$ 81,774
Estimated residual value of lease assets	–	–	–
Interests receivable equivalent	(4,129)	(4,073)	(43,309)
Lease investment assets	¥ 3,172	¥ 3,617	$ 38,465

The contractual receipt schedule of finance lease receivables and the lease receivables portion of lease investment assets as of March 31, 2013 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
2014	¥ 406	$ 4,320	¥ 120	$ 1,283
2015	406	4,320	127	1,355
2016	406	4,320	134	1,433
2017	406	4,320	142	1,517
2018	406	4,320	151	1,608
2019 and thereafter	5,659	60,174	2,940	31,269
Total	¥7,690	$81,774	¥3,617	$38,465

Operating lease transactions

(a) Lessee—The amounts of outstanding future minimum lease payments of non-cancelable operating leases as of March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Due within one year	¥ 1,646	¥ 1,612	$ 17,141
Due after one year	21,206	19,750	209,996
Total	¥22,852	¥21,362	$227,137

(b) Lessor—The amounts of outstanding future minimum lease receipts of non-cancelable operating leases as of March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Due within one year	¥12,847	¥14,543	$154,641
Due after one year	59,769	58,159	618,394
Total	¥72,616	¥72,703	$773,035

10. 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, 2012 and 2013 for defined benefit plans of the Company and its consolidated subsidiaries:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Retirement benefit obligation	¥(10,789)	¥(13,138)	$(139,697)
Plan assets	5,284	6,069	64,535
Unfunded retirement benefit obligation	(5,505)	(7,068)	(75,162)
Unrecognized net actuarial gains	(521)	680	7,231
Unrecognized prior service costs	(0)	(0)	(0)
Provision for retirement benefits	¥ (6,026)	¥ (6,388)	$ (67,931)

The components of retirement benefit expenses for the years ended March 31, 2012 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Service costs	¥ 362	¥ 412	$ 4,387
Interest costs	254	264	2,810
Expected return on plan assets	(117)	(121)	(1,297)
Amortization of net actuarial gains	(45)	(62)	(660)
Amortization of prior service costs	(0)	(0)	(1)
Employees' contribution	(18)	(18)	(192)
Retirement benefit expenses	¥ 436	¥ 474	$ 5,047

The assumptions used in accounting for the above plans as of March 31, 2012 and 2013 are as follows:

	2012	2013
Discount rates	2.5 %	1.5 %
Expected rate of return on assets	2.0~2.5 %	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

11. 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 ($36,548 thousand) as of March 31, 2012 and 2013, respectively, which are included in retained earnings.

12. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2012 and 2013 consist primarily of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Salaries, allowances and bonuses	¥5,019	¥4,990	$53,067
Business consignment expenses	2,631	3,535	37,595
Advertising expenses	1,962	3,676	39,088
Taxes and dues	622	1,565	16,642
Retirement benefit expenses	333	326	3,470
Provision for directors' retirement benefits	17	14	156
Provision of allowance for doubtful accounts	1	0	2

13. Impairment Loss on Fixed Assets

In the year ended March 31, 2013, the Company and its consolidated subsidiaries recognized an impairment loss on the following asset group:

Description	Classification	Location	Millions of yen	Thousands of U.S. dollars
Land for development	Land	Taito-ku, Tokyo	¥800	$8,506

As a general rule, the Company and its consolidated subsidiaries examine individual properties for impairment. As a result, its land above was recognized as impaired due to the change in purpose of ownership from leasing to sale. The book value of the land was reduced to the recoverable amounts, and the reduced values were recorded as "Impairment loss," which is included in "Other income (expenses)." The recoverable value of the assets above is measured at their net selling value appraised by an external real estate appraiser.

14. Other Income (Expenses)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Dividends income	¥ 63	¥ 85	$ 911
Contributions received in aid of construction	123	249	2,648
Gain on reversal of provision for loss on warranty	60	–	–
Gain on donated fixed assets	0	1	11
Gain on sales of property, plant and equipment	–	389	4,136
Loss on sales of property, plant and equipment	(216)	(508)	(5,401)
Loss on disposal of property, plant and equipment	(2,319)	(2,119)	(22,531)
Other	(455)	(152)	(1,613)
Total	¥(2,743)	¥(2,053)	$(21,839)

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, 2012 and 2013 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
	2012	2013	2013
Buildings and structures	¥ –	¥(187)	$(1,990)
Land	–	576	6,133
Total	¥ –	¥ 389	$ 4,143

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

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Buildings and structures	¥(249)	¥(111)	$(1,187)
Land	32	(396)	(4,217)
Total	¥(216)	¥(508)	$(5,404)

The components of "Loss on disposal of property, plant and equipment" in "Other income (expenses)" for the years ended March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Buildings and structures	¥(1,187)	¥ (963)	$(10,248)
Machinery and equipment	(9)	(27)	(296)
Removal cost	(1,085)	(1,109)	(11,801)
Tools, furniture, fixtures and others	(36)	(17)	(192)
Total	¥(2,319)	¥(2,119)	$(22,537)

15. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitant taxes and enterprise taxes, which, in aggregate, resulted in statutory tax rates of 40.7% and 38.0% for the years ended March 31, 2012 and 2013, respectively.

The following table presents a reconciliation of the difference between the statutory tax rate and the effective tax rate after the application of tax effect accounting for the years ended March 31, 2012 and 2013.

	2012	**2013**
Statutory tax rate	40.7%	**38.0%**
Adjustments:		
Reduction in year-end deferred tax liabilities due to tax rate change	(51.6)	–
Amortization of negative goodwill	(4.8)	**(3.9)**
Earnings of subsidiaries (tokutei mokuteki kaisha) attributable to minority interests	(3.1)	**(2.7)**
Valuation allowance	0.6	**(0.3)**
Other	0.2	**(1.9)**
Effective tax rate after the application of tax effect accounting	(18.0)%	**29.2%**

The significant components of deferred tax assets and liabilities as of March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Deferred tax assets:			
Accrued bonuses in excess of the limit for income tax deduction	¥ 190	**¥ 191**	**$ 2,035**
Accrued enterprise taxes	73	**316**	**3,366**
Accrued real estate acquisition tax	56	**204**	**2,179**
Loss on valuation of inventory	124	**94**	**999**
Valuation loss on land	3,828	**3,684**	**39,177**
Depreciation of unused building volume	1,801	**1,924**	**20,458**
Provision for retirement benefits	2,160	**2,284**	**24,296**
Impairment loss	848	**716**	**7,618**
Compensation for loss	683	**128**	**1,363**
Other	1,892	**2,414**	**25,677**
Subtotal	11,661	**11,960**	**127,168**
Valuation allowance	(6,148)	**(6,088)**	**(64,735)**
Total	5,512	**5,871**	**62,433**
Deferred tax liabilities:			
Reserve for advanced depreciation of non-current assets for tax purposes	(11,115)	**(11,102)**	**(118,045)**
Non-current assets valuation difference	(52,907)	**(52,715)**	**(560,508)**
Reserve for special account for advanced depreciation of non-current assets for tax purposes	(30)	–	–
Other	(939)	**(1,922)**	**(20,439)**
Total	(64,993)	**(65,740)**	**(698,992)**
Net deferred tax liabilities	¥(59,480)	**¥(59,868)**	**$(636,559)**

16. Amounts per Share

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Net income	¥15,586	¥12,073	$128,375
Amounts not attributable to common stock	–	–	–
Net income attributable to common stock	¥15,586	¥12,073	$128,375
Average number of common stock outstanding during the fiscal year	3,291,200 shares	3,291,200 shares	

	Yen		U.S. dollars
	2012	2013	2013
Net income per share	¥4,735.67	¥3,668.47	$39.01
Cash dividends per share	1,400	1,600	17.01

	Yen		U.S. dollars
	2012	2013	2013
Net assets per share	¥50,441.30	¥53,543.11	$569.30

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 fiscal year.

17. 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. Short-term and 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, 2012 and 2013 are 19 years and 6 months, and 18 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 (q), 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 19, Derivative transactions, are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

The book value, fair value and its difference of financial instruments as of March 31, 2012 and 2013 are as follows. Financial assets and liabilities whose fair values are extremely difficult to determine or insignificant are not included in the following table.

	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

	Millions of yen		
	2013		
Financial assets (liabilities):	Book value	Fair value	Difference
Cash and cash equivalents	¥ 12,809	¥ 12,809	¥ –
Time deposits and short-term investments	1,810	1,810	–
Notes and operating accounts receivable	13,786	13,785	(0)
Notes and operating accounts payable-trade	(10,742)	(10,742)	–
Short-term debt	(10,321)	(10,321)	–
Income taxes payable	(3,351)	(3,351)	–
Long-term debt	(495,670)	(511,808)	(16,137)
Lease and guarantee deposits received	(17,218)	(16,996)	222

	Thousands of U.S. dollars		
	2013		
Financial assets (liabilities):	Book value	Fair value	Difference
Cash and cash equivalents	$ 136,197	$ 136,197	$ –
Time deposits and short-term investments	19,245	19,245	–
Notes and operating accounts receivable	146,584	146,575	(9)
Notes and operating accounts payable-trade	(114,221)	(114,221)	–
Short-term debt	(109,748)	(109,748)	–
Income taxes payable	(35,636)	(35,636)	–
Long-term debt	(5,270,295)	(5,441,882)	(171,587)
Lease and guarantee deposits received	(183,079)	(180,713)	2,366

Long-term debt includes its current portion.

Deposits received of ¥72,488 million and ¥65,588 million ($697,378 thousand) (excluding the deposits for which the timing of return has been determined) are not included in "Lease and guarantee deposits received" for the years ended March 31, 2012 and 2013, respectively, because their remaining terms are not identifiable and it is extremely difficult to determine fair values.

Please refer to Note 6 and Note 19 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, short-term debt, 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, 2012 and 2013 is as follows:

	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 after ten years
Cash and cash equivalents	¥10,960	¥ –	¥ –	¥ –
Time deposits and short-term investments	1,810	–	–	–
Notes and operating accounts receivable	15,480	–	–	–

	Millions of yen			
	2013			
Financial assets:	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Cash and cash equivalents	**¥12,809**	**¥ –**	**¥ –**	**¥ –**
Time deposits and short-term investments	**1,810**	**–**	**–**	**–**
Notes and operating accounts receivable	**13,786**	**–**	**–**	**–**

	Thousands of U.S. dollars			
	2013			
Financial assets:	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Cash and cash equivalents	**$136,197**	**$ –**	**$ –**	**$ –**
Time deposits and short-term investments	**19,245**	**–**	**–**	**–**
Notes and operating accounts receivable	**146,584**	**–**	**–**	**–**

Please refer to Note 7 for the future contractual repayment schedule of long-term debts.

18. Other Comprehensive Income

Recycling adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Valuation difference on available-for-sale securities:			
Amount arising during fiscal year	¥ (296)	**¥1,585**	**$16,863**
Recycling	–	**–**	**–**
Before tax effect adjustment	(296)	**1,585**	**16,863**
Tax effect	130	**(563)**	**(5,990)**
Valuation difference on available-for-sale securities	(165)	**1,022**	**10,873**
Foreign currency translation adjustment:			
Amount arising during fiscal year	(1,000)	**2,039**	**21,686**
Total other comprehensive income	¥(1,166)	**¥3,062**	**$32,559**

19. Derivative Transactions

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

Hedging instruments: 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, 2012 and 2013 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
	2012	2013	2013
Notional amounts	¥29,000	**¥42,185**	**$448,544**
Due after 1 year	28,000	**39,185**	**416,646**

20. 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 year ended March 31, 2012, the operating income of those rental properties was ¥25,184 million. In addition, loss on sales of property, plant and equipment, and loss on disposal of property, plant and equipment amounted to ¥216 million and ¥2,298 million, respectively. For the year ended March 31, 2013, the result of operation of those rental properties was ¥24,914 million ($264,902 thousand). In addition, gain and loss on sales of property, plant and equipment, loss on disposal of property, plant and equipment, and impairment loss amounted to ¥388 million ($4,127 thousand), ¥508 million ($5,404 thousand), ¥2,065 million ($21,961 thousand) and ¥800 million ($8,506 thousand), respectively.

The book value, net changes during the years ended March 31, 2012 and 2013, and fair value of rental properties as of March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
Book value:	2012	2013	2013
Amount at the beginning of fiscal year	¥ 737,113	**¥ 743,939**	**$ 7,910,047**
Change during fiscal year	6,826	**14,360**	**152,691**
Amount at the end of fiscal year	¥ 743,939	**¥ 758,300**	**$ 8,062,738**
Market value at the end of fiscal year	¥1,155,467	**¥1,159,902**	**$12,332,833**

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

For the year ended March 31, 2012, the components of net change in book values included increases mainly due to acquisitions in the amount of ¥6,534 million and decreases mainly due to sales in the amount of ¥912 million. For the year ended March 31, 2013, the components of net change in book values included increases mainly due to acquisitions in the amount of ¥28,002 million

($297,743 thousand) and decreases mainly due to the transfer to real estate for sale and to real estate for sale in progress, the sales of real estate, and impairment loss in the amounts of ¥5,378 million ($57,192 thousand), ¥3,381 million ($35,593 thousand) and ¥800 million ($8,506 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.

21. 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, 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
Balance at year-end	Deposit paid: ¥1,745 million
	Current portion of long-term loans payable: ¥10,000 million
	Long-term loans payable: ¥36,000 million

Related party transactions for the year ended March 31, 2013 are as follows:

	2013
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	**¥5,000 million ($53,163 thousand)**
Balance at year-end	**Deposit paid: ¥1,370 million ($14,574 thousand)**
	Short-term loans payable: ¥10,321 million ($109,748 thousand)
	Current portion of long-term loans payable: ¥3,000 million ($31,898 thousand)
	Long-term loans payable: ¥38,000 million ($404,040 thousand)

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

22. Segment Information

The segment information for the Company and its consolidated subsidiaries for years ended March 31, 2012 and 2013 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 arm's-length transactions.

(Change in depreciation method)

As discussed in Note 3, effective the year ended March 31, 2013, the Company and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment acquired on or after April 1, 2012. As a result of this change, operating income of the leasing segment increased by ¥171 million ($1,818 thousand).

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

	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

	Millions of yen				
	2013				
	Reported segments				
	Leasing	Residential property sales	Total	Other	Total
Operating revenue:					
Outside customers	¥ 93,745	¥54,939	¥148,684	¥14,483	¥163,168
Inter-segment transactions and transfers	763	–	763	4,446	5,209
Total operating revenue	94,509	54,939	149,448	18,930	168,378
Operating income	¥ 29,216	¥ 2,914	¥ 32,131	¥ 1,580	¥ 33,711
Total assets	¥841,527	¥88,306	¥929,834	¥11,099	¥940,934
Other items:					
Depreciation and amortization	¥ 22,751	¥ 5	¥ 22,756	¥ 52	¥ 22,809
Increases in property, plant and equipment and intangible assets (investment amount)	46,136	3	46,139	160	46,299

	Thousands of U.S. dollars				
	2013				
	Reported segments				
	Leasing	Residential property sales	Total	Other	Total
Operating revenue:					
Outside customers	$ 996,762	$584,149	$1,580,911	$154,002	$ 1,734,913
Inter-segment transactions and transfers	8,120	–	8,120	47,275	55,395
Total operating revenue	1,004,882	584,149	1,589,031	201,277	1,790,308
Operating income	$ 310,645	$ 30,993	$ 341,638	$ 16,805	$ 358,443
Total assets	$8,947,663	$938,934	$9,886,597	$118,020	$10,004,617
Other items:					
Depreciation and amortization	$ 241,906	$ 55	$ 241,961	$ 560	$ 242,521
Increases in property, plant and equipment and intangible assets (investment amount)	490,550	38	490,588	1,701	492,289

"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
	2012	2013	2013
Operating revenue:			
Total amounts for reported segments	¥119,554	¥149,448	$1,589,031
Other	23,223	18,930	201,278
Elimination of inter-segment transactions	(5,934)	(5,209)	(55,395)
Operating revenue in consolidated financial statements	¥136,842	¥163,168	$1,734,914

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Operating income:			
Total amounts for reported segments	¥28,857	**¥32,131**	**$341,638**
Other	3,090	**1,580**	**16,806**
Elimination of inter-segment transactions	(139)	**48**	**511**
Company-wide expenses	(6,443)	**(6,358)**	**(67,604)**
Operating income in consolidated financial statements	¥25,365	**¥27,401**	**$291,351**

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
	2012	2013	2013
Total assets:			
Total amounts for reported segments	¥907,213	**¥929,834**	**$ 9,886,597**
Other	21,151	**11,099**	**118,021**
Elimination of inter-segment transactions	(50,151)	**(49,493)**	**(526,248)**
Company-wide assets	50,222	**49,610**	**527,486**
Total assets in consolidated financial statements	¥928,537	**¥941,050**	**$10,005,856**

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

	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

	Millions of yen **2013**			
	Total amounts for reported segments	Other	Adjustments	Amounts stated in consolidated financial statements
Other items:				
Depreciation and amortization	**¥22,756**	**¥ 52**	**¥957**	**¥23,766**
Increases in property, plant and equipment and intangible assets (investment amount)	**46,139**	**160**	**90**	**46,390**

	Thousands of U.S. dollars **2013**			
	Total amounts for reported segments	Other	Adjustments	Amounts stated in consolidated financial statements
Other items:				
Depreciation and amortization	**$241,961**	**$ 560**	**$10,180**	**$252,701**
Increases in property, plant and equipment and intangible assets (investment amount)	**490,588**	**1,702**	**960**	**493,250**

(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, 2012 and 2013, because operating revenue for each specific customer account is less than 10% of operating revenue in the consolidated financial statements.

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

For the year ended March 31, 2012, there was no impairment loss recognized in reported segments by the Company and its consolidated subsidiaries. For the year ended March 31, 2013, the Company and its consolidated subsidiaries recognized impairment loss of ¥800 million ($8,506 thousand) in the leasing segment.

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

The following table presents the amortized amount and unamortized balance of goodwill as of and for the years ended March 31, 2012 and 2013 in reported segments.

	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

	Millions of yen				
	2013				
	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	¥ 128	¥ –	¥ 13	¥ –	¥ 141
Balance as of March 31	2,056	–	223	–	2,280

	Thousands of U.S. dollars				
	2013				
	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	$ 1,367	$ –	$ 140	$ –	$ 1,507
Balance as of March 31	21,867	–	2,380	–	24,247

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

The following table presents the amortized amount and unamortized balance of negative goodwill as of and for the years ended March 31, 2012 and 2013 in reported segments.

	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

	Millions of yen				
	2013				
	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	**¥ 1,926**	**¥ –**	**¥ –**	**¥ –**	**¥ 1,926**
Balance as of March 31	**28,897**	**–**	**–**	**–**	**28,897**

	Thousands of U.S. dollars				
	2013				
	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	**$ 20,484**	**$ –**	**$ –**	**$ –**	**$ 20,484**
Balance as of March 31	**307,258**	**–**	**–**	**–**	**307,258**

23. Subsequent Events

Dividends

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, 2013) was approved at the general shareholders' meeting held on June 18, 2013:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥900 per share ($9.57))	¥2,962	$31,495

Stock split and adoption of unit share system

At a meeting of the Board of Directors held on May 9, 2013, the Company resolved to conduct a stock split and adopt the unit share system.

(a) Purpose

The Securities Listing Regulations of the Tokyo Stock Exchange were revised in April 2012 to stipulate that listed companies whose trading units do not consist of 100 or 1,000 shares are required to consolidate their trading units into 100 shares by April 1, 2014. In response to this revision, the Company decided to conduct the stock split in which each of the Company's common stock shares will be split into 100 shares, and at the same time adopt the unit share system to set the number of shares constituting one unit as 100 shares. There will be no substantial change in investment units with this stock split and adoption of unit share system.

(b) Details of the stock split

(1) Method of the stock split

Each share of common stock of the Company owned by shareholders recorded in the final shareholder register as of Monday, September 30, 2013, will be split into 100 shares.

(2) Number of shares to be increased by the split

Total number of issued shares before the stock split	3,291,200 shares
Number of shares to be increased by the stock split	325,828,800 shares
Total number of issued shares after the stock split	329,120,000 shares
Total number of authorized shares to be issued after the stock split	1,050,000,000 shares

(3) Schedule of the stock split

Public announcement date of the record date	Friday, September 13, 2013
Record date	Monday, September 30, 2013
Effective date	Tuesday, October 1, 2013

(c) Adoption of the unit share system

(1) Number of shares constituting one unit to be newly established

The Company will adopt the unit share system and set the number of shares constituting one unit as 100 shares.

(2) Schedule of the establishment of the new unit share system

Effective date	Tuesday, October 1, 2013

Acquisition of material assets

At a meeting of the Board of Directors held on March 25, 2013, the Company resolved to acquire the office building below, through its U.K. subsidiary UD EUROPE LIMITED.

(a) Purpose

The Company acquired the office building to strengthen the real estate business in the United Kingdom.

(b) Date of acquisition

April 4, 2013

(c) Details of acquired property

Location: 265 Strand, London WC2R 1BH, U.K.

Use: Office

(d) Acquisition value

£77 million (equivalent to approx. ¥11.55 billion)

Independent Auditor’s 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, 2013 and 2012, 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, 2013 and 2012, 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, 2013 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 4 to the consolidated financial statements.

KPMG AZSA LLC

July 8, 2013
Tokyo, Japan

Affiliated Companies and Branch Network

Affiliated Companies (As of March 31, 2013)

Consolidated Subsidiaries

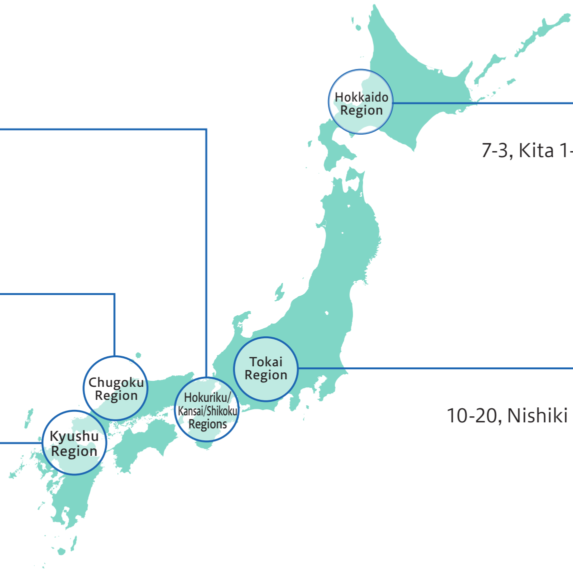
		Capitalization (Millions of yen)	Ownership Including Voting Rights (%)	Fields of Operation
NTT Urban Development Hokkaido BS Co.	Chuo-ku, Sapporo-shi	50	100.0	Maintenance and management of buildings and condominiums and management of parking lots in Hokkaido area
Otemachi First Square Inc.	Chiyoda-ku, Tokyo	50	56.5	Management of Otemachi First Square and its land
NTT Urban Development Builservice Co.	Chiyoda-ku, Tokyo	300	100.0	Design, construction, remodeling, 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
DAY･NITE Co., Ltd.	Chiyoda-ku, Tokyo	40	100.0	Operation of restaurants, halls and conferences, etc.
NTT Urban Development West BS Co.	Nishi-ku, Osaka-shi	100	100.0	Design, construction, remodeling, property management operations including the management and operation of buildings owned by NTT Urban Development in western Japan
Motomachi Parking Access Co., Ltd.	Naka-ku, Hiroshima-shi	60	58.3	Maientenance 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.	GBP 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
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
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
335 GRICES ROAD PTY LTD	Melbourne, Australia	AUD 1	50.0	Development and sales of residential land

Notes: 1. DAY･NITE Co., Ltd. was renamed from DN Food Co., Ltd. on February 1, 2013.
2. 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

2-16, Imaizumi 1-chome, 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
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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

History

Information on Operations		Year	Completed Construction	
May:	Developed the Medium-Term Vision 2018 –For Further Growth–, a new medium-term vision	2013	● March:	Grand Front Osaka completed
January:	Established a corporation in Australia and commenced the residential land sales business in the suburbs of Melbourne	2012	● October: ● July:	Otemachi Financial City North Tower completed Urbannet Kanda Building completed
November: March:	Package sale of the real estate fund "NU-5 Fund" to Premier Investment Corporation Commenced operation of real estate fund "NU-7 Fund"	2011	● September: ● August: ● June:	UD Nakasu Building completed Urbannet Tenjin Building completed Urbannet Uchihonmachi Building completed
May: May: March:	Formulated "NTT Urban Development Group Medium-Term Management Plan 2012" Began participation in 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. Commenced operation of real estate fund "NU-6 Fund"	2010	● October: ● April:	Urbannet Shijo-Karasuma Building completed WELLITH Olive Shinkoiwa, residences for elderly people with services, completed
November: March:	Established a local subsidiary in London, U.K. and acquired an office building Commenced operation of real estate fund "NU-5 Fund"	2009	● October: ● April:	WELLITH i-S Magome compact urban condominium completed JA Building and Keidanren Kaikan (Otemachi 1-Chome Urban Area Redevelopment Project Type 1) completed
December:	Established brand logo for condominium brand "WELLITH"	2008	● February:	WELLITH Azabu Mamiana completed
November: April:	Formulated "Medium-Term Management Plan 2010" Commenced new graduate recruitment	2007	● October:	WELLITH Garden Urawa Kishicho completed
December: November: May: March:	Established NTT Urban Development West BS Co. Won joint bid with Mitsubishi Estate Co., Ltd., for the Osaka Station North District Phase 1 Development Area Project Blocks A and C Won joint bid with ORIX Real Estate Corporation for the Osaka Station North District Phase 1 Development Area Project Block B Commenced operation of real estate fund "NU-1 Fund"	2006	● March: ● January:	Grand WELLITH Seta completed Akihabara UDX completed
June: May:	Announced participation in the Otemachi redevelopment project 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: ● January:	Urbannet Sapporo Building completed Quest Court Harajuku completed
		2003	● May: ● February:	Urbannet Hakata Building completed Grand WELLITH Tetsugakudo Koen completed
March: February:	Formulated Long-term vision, "Change & Proceed to 2015 (C&P15)" Bid on and acquired "Akihabara lots 1 and 3" in cooperation with Daibiru Corporation and Kajima Corporation	2002		
		2001	● August: ● January:	WELLITH Nagatsuda completed Shin-Puh-Kan completed
September: June: April:	Condominium brand "WELLITH" launched NTT Urban Development BuilService Co. established 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: ● July:	Granpark Tower completed 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 Corporation established	1986	● March:	Construction began on Urbannet Kojimachi Building, the Company's first building

● Leasing Business ● Residential Property Sales Business

Investor Information (As of March 31, 2013)

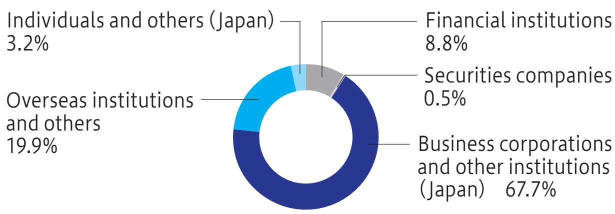
Company Information

Corporate 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	748 (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	14,056

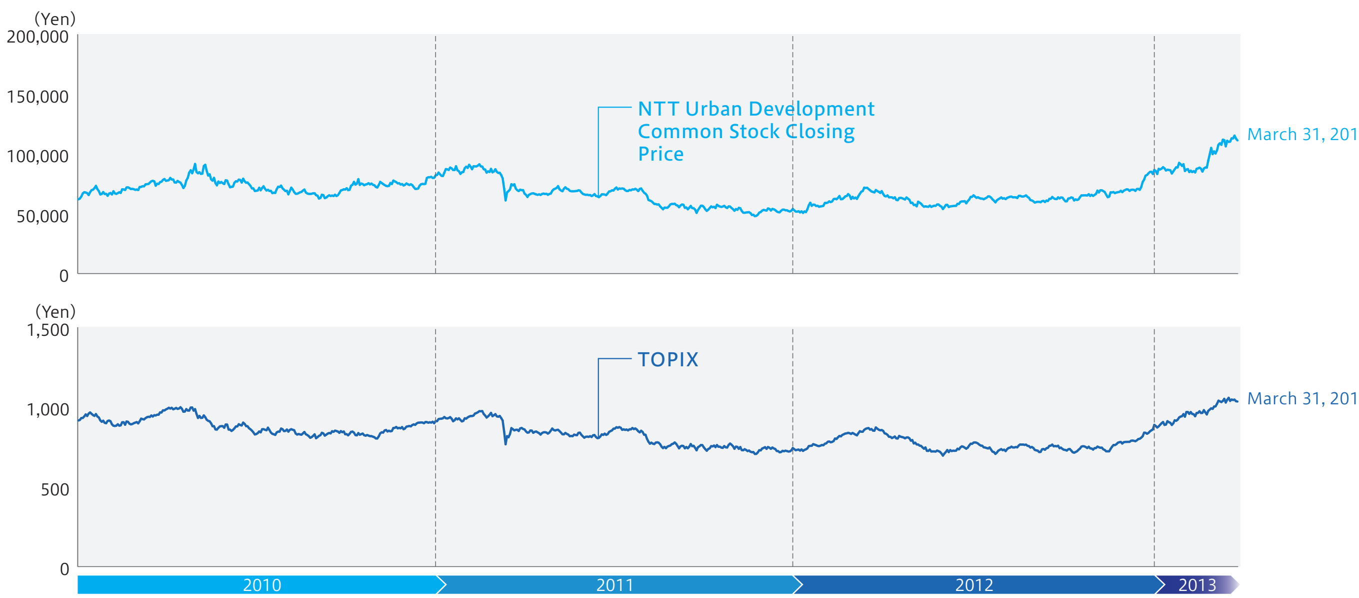
Shareholder Distribution (Percentage investment)



Major Shareholders (Top 10)

Name of Shareholders	Number of Shares Held	Equity Position (%)
Nippon Telegraph and Telephone Corporation (NTT)	2,214,815	67.30%
The Master Trust Bank of Japan, Ltd. (Trust Account)	75,887	2.31%
Japan Trustee Services Bank, Ltd. (Trust Account)	73,387	2.23%
CBNY – ORBIS SICAV	46,206	1.40%
THE BANK OF NEW YORK – JASDEC TREATY ACCOUNT	35,792	1.09%
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	35,315	1.07%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	27,469	0.83%
STATE STREET BANK AND TRUST COMPANY	27,166	0.83%
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	22,847	0.69%
GOLDMAN, SACHS & CO. REG	21,877	0.66%

Stock Price



NTT Urban Development Corporation
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