Selected Financial Data

	2006.3	2007.3	2008.3
For the year:			
Operating revenue	¥110,833	¥128,215	¥138,206
Operating income	21,716	25,091	28,718
Net income	11,401	12,995	14,758
Net cash provided by (used in) operating activities	22,243	(5,076)	5,700
Net cash provided by (used in) investing activities	(45,157)	(32,995)	(77,893)
Net cash provided by (used in) financing activities	32,214	20,823	85,038
Free cash flow*1	(22,913)	(38,072)	(72,192)
Investment*2	54,622	48,595	93,367
Depreciation and amortization	23,828	23,657	23,246
EBITDA*3	45,544	48,748	51,964
At year-end:			
Total assets	543,792	581,848	900,325
Net assets	—	125,169	177,969
Net worth*4	115,696	125,091	136,395
Interest-bearing debt	268,942	293,069	451,849
Net interest-bearing debt*5	249,415	290,791	434,524
Financial indicators:			
Net operating income (NOI)*6	47,237	50,504	52,748
Return on assets (ROA) (%)*7	4.3	4.7	4.2
Return on equity (ROE) (%)*8	10.1	10.8	11.3
Equity ratio (%)	21.3	21.5	15.1
Dividend on equity (DOE) (%)*9	2.9	2.7	3.0
Dividend payout ratio (%)*10	29.1	25.3	26.8
Net debt-to-equity (D/E) ratio (times)*11	2.16	2.32	2.44
Interest coverage ratio (times)*12	6.9	—	1.2
Net interest-bearing debt/EBITDA ratio (times)	5.5	6.0	8.4

Per share data:			
Net assets*13	¥ —	¥380.08	¥414.43
Net income*14	34.40	39.49	44.84
Dividends	10.00	10.00	12.00

Notes:
1. The Company has applied “Accounting Standard for Presentation of Net Assets in the Balance Sheet” since the year ended March 31, 2007.
2. NOI is shown on a consolidated basis since the year ended March 31, 2007.
3. In calculating investment for the 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, and a 100-for-one stock split executed on October 1, 2013, which raised the total number of outstanding shares to 329,120,000 shares, and has been prepared based on figures adjusted to reflect the stock split.

(Millions of yen)

2009.3	2010.3	2011.3	2012.3	2013.3	2014.3	**2015.3**
¥144,277	¥149,224	¥145,693	¥136,842	¥163,168	¥189,186	**¥ 152,052**
25,244	16,129	24,324	25,365	27,401	30,458	**24,836**
15,989	6,116	9,307	15,586	12,073	11,343	**16,235**
(12,091)	35,168	40,417	3,704	48,089	51,870	**36,988**
(57,397)	6,695	(28,257)	(23,033)	(39,885)	(37,962)	**(67,778)**
63,079	(30,028)	(14,641)	12,650	(6,660)	(8,656)	**31,777**
(69,488)	41,863	12,159	(19,329)	8,203	13,907	**(30,789)**
75,638	24,714	29,925	28,807	46,856	62,778	**79,979**
25,762	25,520	23,388	24,765	23,766	24,566	**23,474**
51,006	41,649	47,713	50,130	51,168	55,025	**48,311**
936,650	916,725	910,492	928,537	941,050	985,507	**1,033,220**
183,593	185,537	190,783	203,727	213,835	228,591	**245,641**
148,150	150,232	155,534	166,012	176,221	185,616	**200,910**
521,070	496,682	487,780	505,805	505,993	507,253	**547,189**
510,155	473,951	467,992	493,034	491,373	488,345	**526,925**
64,277	61,480	56,722	54,318	53,499	51,489	**47,509**
3.0	2.0	2.9	3.0	3.1	3.4	**2.6**
11.2	4.1	6.1	9.7	7.1	6.3	**8.4**
15.8	16.4	17.1	17.9	18.7	18.8	**19.4**
2.8	2.6	2.6	2.9	3.1	2.9	**2.7**
24.7	64.6	42.4	29.6	43.6	46.4	**32.4**
2.78	2.55	2.45	2.42	2.30	2.14	**2.15**
—	4.3	5.1	0.5	6.2	7.3	**5.8**
10.0	11.4	9.8	9.8	9.6	8.9	**10.9**

(Yen)

¥450.14	¥456.47	¥472.58	¥504.41	¥535.43	¥563.98	**¥610.45**
48.58	18.58	28.28	47.36	36.68	34.46	**49.33**
12.00	12.00	12.00	14.00	16.00	16.00	**16.00**

Calculation of Financial Indicators:
*1. Free cash flow = Net cash provided by (used in) operating activities + Net cash provided by (used in) investing activities
*2. Investment = Capital expenditure + Purchases of investment securities (based on cash flow from investing activities)
*3. EBITDA = Operating income + Depreciation and amortization
*4. Net worth = Net assets – Stock acquisition rights – Minority interests in consolidated subsidiaries
*5. Net interest-bearing debt = Interest-bearing debt – Cash and cash equivalents – Time deposits held for 3 months or longer
*6. NOI = Property rent income – Property rental costs + Depreciation expenses (including long-term prepaid expenses)
Excluding the effects of property sales, etc.
*7. ROA = (Operating income + Equity in earnings of affiliates + Gain on amortization of negative goodwill) ÷ Average total assets
*8. ROE = Net income ÷ Average shareholders' equity
*9. DOE = Dividends (annual) ÷ Average shareholders' equity
*10. Dividend payout ratio = Dividends per share (annual) ÷ Net income per share
*11. Net D/E ratio = Net interest-bearing debt ÷ Net assets
*12. Interest coverage ratio = Net cash provided by (used in) operating activities ÷ Interest expense (based on cash flow from operating activities)
*13. Net assets per share = Net assets ÷ Number of shares outstanding
*14. Net income per share = Net income ÷ Number of shares outstanding

Segment Information

(Millions of yen)

	2010.3	2011.3	2012.3	2013.3	2014.3	**2015.3**
Operating revenue	¥149,224	¥145,693	¥136,842	¥163,168	¥189,186	**¥152,052**
Leasing	98,092	92,608	91,069	94,509	96,595	**91,739**
Residential Property Sales	41,643	41,725	28,484	54,939	79,537	**46,626**
Other	14,553	16,383	23,223	18,930	18,532	**18,825**
Eliminations	(5,064)	(5,022)	(5,934)	(5,209)	(5,478)	**(5,140)**
Operating income	16,129	24,324	25,365	27,401	30,458	**24,836**
Leasing	31,521	29,226	27,482	29,216	27,189	**23,566**
Residential Property Sales	(10,498)	533	1,374	2,914	8,222	**4,405**
Other	1,358	1,212	3,090	1,580	1,729	**2,485**
Eliminations / Corporate	(6,252)	(6,647)	(6,583)	(6,310)	(6,682)	**(5,620)**
Operating income margin (%)	10.8	16.7	18.5	16.8	16.1	**16.3**
Leasing (%)	32.1	31.6	30.2	30.9	28.1	**25.7**
Residential Property Sales (%)	(25.2)	1.3	4.8	5.3	10.3	**9.4**
Other (%)	9.3	7.4	13.3	8.3	9.3	**13.2**

Leasing Business

(Millions of yen)

	2010.3	2011.3	2012.3	2013.3	2014.3	**2015.3**
Operating revenue	¥ 98,092	¥ 92,608	¥ 91,069	¥ 94,509	¥ 96,595	**¥ 91,739**
Office, Commercial	90,758	85,807	84,713	88,621	90,833	**80,083**
Residential, Other	7,333	6,800	6,356	5,887	5,762	**11,656**
Rentable floor space (Office, Commercial) (m^2)	1,138,997	1,149,628	1,168,526	1,199,215	1,193,561	**1,248,926**
Nationwide vacancy rate (%)	6.4	5.7	5.4	6.5	7.4	**10.9**[*1]
Five wards of central Tokyo (%)	6.5	3.6	2.0	4.0	6.4	**14.7**[*1]
Nationwide NOI[*2]	61,480	56,722	54,318	53,499	51,489	**47,509**
Five wards of central Tokyo	33,445	31,305	29,907	29,121	25,617	**22,829**
Tokyo metropolitan area (excluding five wards of central Tokyo)	6,144	4,289	4,153	4,059	3,940	**3,292**
Other regions	21,891	21,128	20,257	20,318	21,932	**21,387**
Fair value of rental properties	—	1,180,817	1,155,467	1,159,902	1,210,052	**1,327,642**
Book value of rental properties	—	737,113	743,939	758,300	805,911	**845,486**

Residential Property Sales Business

(Millions of yen)

	2010.3	2011.3	2012.3	2013.3	2014.3	**2015.3**
Operating revenue	¥41,643	¥41,725	¥28,484	¥54,939	¥79,537	**¥46,626**
Condominiums						
Operating revenue	30,677	31,627	22,392	47,372	75,486	**45,405**
Tokyo metropolitan area	15,959	22,948	16,330	27,979	54,073	**24,368**
Other regions	14,718	8,678	6,062	19,392	21,413	**21,036**
Units delivered (units)	843	717	458	1,052	1,423	**1,080**
Tokyo metropolitan area (units)	421	463	351	564	876	**503**
Other regions (units)	422	253	107	488	547	**576**
Completed in inventory (units)	267	91	99	207	207	**219**
Residential lots, etc.						
Operating revenue	9,040	7,785	4,099	6,618	4,050	**1,220**
Units / lots delivered (units / lots)	254	326	48	63	136	**71**
Completed in inventory (units / lots)	42	27	14	37	33	**19**
Other						
Operating revenue	1,925	2,312	1,993	948	—	**—**
Units / lots delivered (units / lots)	2	1	1	1	—	**—**

Notes:
1. The five wards of central Tokyo refer to Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku, and Shinjuku-ku.
2. The Tokyo metropolitan area refers to 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.

*1. If Shinagawa Season Terrace, completed in February 2015, is not reflected in the calculation, the vacancy rates are 1.7% in the five wards of central Tokyo and 6.2% in Japan.
*2. NOI = Property rent income – Property rental costs + Depreciation expenses (including long-term prepaid expenses)
Excluding the effects of property sales, etc.

Management's Discussion and Analysis

Analysis of operating results

In the fiscal year under review, the Japanese economy continued to follow a trend of moderate recovery, despite weakness in consumer spending and in other areas. Looking ahead, although some weakness will remain for some time to come, the economy is expected to recover gradually, reflecting continued improvement in the employment and income environments thanks partly to government policies. However, the risk of downward pressure due to lower consumer confidence and weaker-than-expected overseas economies remains ever present.

In the office leasing market, the vacancy rate continued to improve, and market rents showed signs of bottoming out, with some rents rising. In the condominium sales market, the number of condominiums sold in 2014 was less than that of the previous year for the first time in five years, partly reflecting a decline in response to the consumption tax hike.

As of January 1, 2015, the decline in the national average for posted land prices for residential land began to subside, and posted prices also flattened for commercial land. In the three major Japanese metropolitan areas, the posted land price continued to rise on average for both residential land and commercial land, reflecting a continued recovery trend.

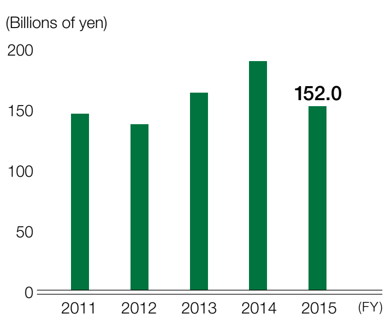
Against this background, the Company and its subsidiaries (collectively, the Group) steadily expanded their businesses, aiming toward sustainable growth based on the Group's Medium-Term Vision 2018 in the fiscal year under review. In the Leasing Business, while acquired rents from new buildings increased, those from existing buildings and revenue from buildings sold declined. In the Residential Property Sales Business, the number of condominium units delivered decreased, and the average per-unit price also moved down.

As a consequence, operating revenue amounted to ¥152,052 million, down ¥37,134 million, or 19.6% year on year; operating income was ¥24,836 million, down ¥5,621 million, or 18.5%; and ordinary income was ¥20,395 million, down ¥4,470 million, or 18.0%. Net income stood at ¥16,235 million, up ¥4,892 million, or 43.1%. The increase in net income was mainly due to a partial reversal of deferred tax liabilities in line with a revision of corporate tax rates, which accounted for ¥4,050 million of the total increase excluding minority interests.

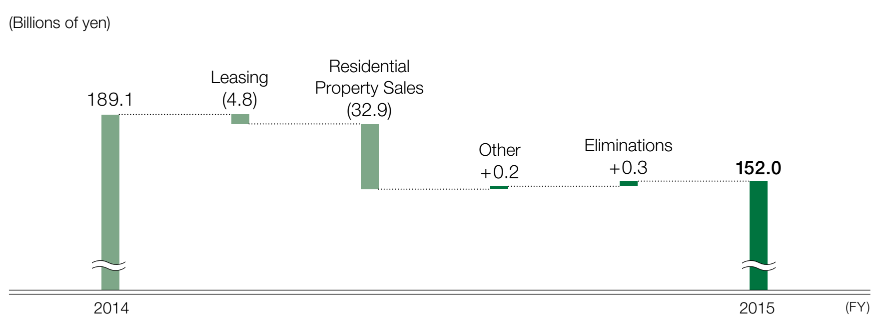
Operating revenue and operating income

Operating revenue in the fiscal year under review amounted to ¥152,052 million, down ¥37,134 million year on year. Operating cost registered ¥109,333 million, down ¥27,186 million from the previous fiscal year. As a result, operating income came to ¥24,836 million, down ¥5,621 million from a year earlier.

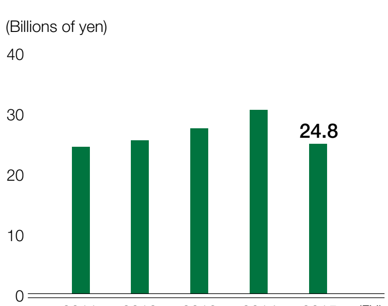
Operating revenue



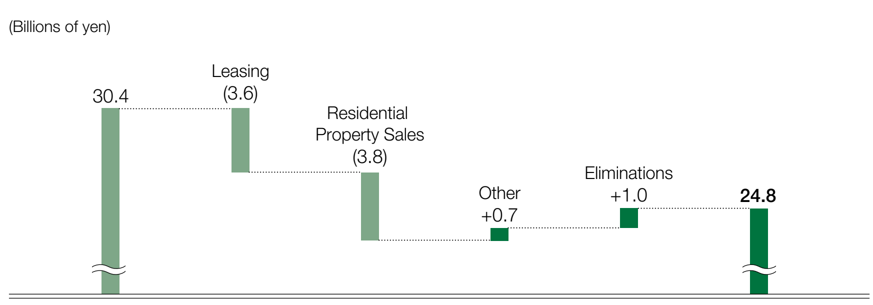
Operating revenue by segment



Operating income



Operating income by segment



Non-operating income and expenses and ordinary income

Non-operating income in the fiscal year ended March 31, 2015, stood at ¥2,148 million, down ¥178 million year on year, mainly because of a decrease of ¥72 million in amortization of negative goodwill. Non-operating expenses amounted to ¥6,590 million, down ¥1,329 million from a year earlier, primarily attributable to a decrease of ¥776 million in interest expenses.

As a result, ordinary income in the fiscal year ended March 31, 2015, came to ¥20,395 million, down ¥4,470 million from the fiscal year ended March 31, 2014.

Income before income taxes and minority interests

Extraordinary income in the fiscal year under review stood at ¥1,850 million, down ¥6,725 million from a year earlier, mainly due to a decrease of ¥4,583 million in gain on sales of non-current assets and the absence of a ¥2,142 million gain on sales of securities of subsidiaries and affiliates posted in the previous fiscal year.

Extraordinary loss declined ¥9,728 million year on year, to ¥3,375 million, primarily attributable to decreases of ¥8,080 million year on year in loss on sales of non-current assets associated with asset replacement, ¥1,392 million in impairment loss, and ¥255 million in loss on retirement of non-current assets.

As a result, income before income taxes and minority interests for the fiscal year ended March 31, 2015, stood at ¥18,869 million, down ¥1,468 million from the previous fiscal year.

Net income

Net income in the fiscal year ended March 31, 2015, was ¥16,235 million, up ¥4,892 million from the fiscal year ended March 31, 2014. The increase in net income was mainly due to a partial reversal of deferred tax liabilities in line with a revision of corporate tax rates, which accounted for ¥4,050 million of the total increase excluding minority interests.

Review by segment

Leasing Business

In the Leasing Business, Trad Mejiro (Toshima-ku, Tokyo) and Shinagawa Season Terrace (Minato-ku, Tokyo) were completed, and the Company acquired new properties for future development. In existing properties, the vacancy rate improved from the end of the previous fiscal year, as a result of efforts to strengthen the Company's leasing sales capability. Moreover, the Company sold Urban Court Minami Karasuyama (Setagaya-ku, Tokyo) and other properties.

While operating revenue from new properties increased ¥714 million from the previous term, operating revenue from existing properties declined ¥3,311 million, given that improved vacancy rates had yet to fully contribute to revenues and that the effect of declining rents remained. Operating revenue from selling properties declined ¥1,640 million, to ¥6,680 million.

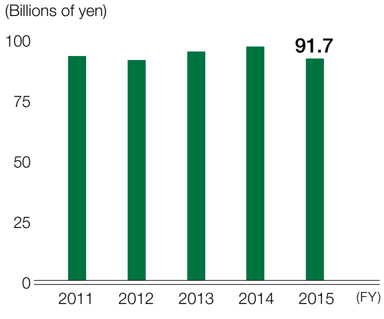
As a result of these activities, operating revenue in the Leasing Business declined ¥4,855 million year on year, or 5.0%, to ¥91,739 million, and operating income decreased ¥3,622 million, or 13.3%, to ¥23,566 million.

Development projects currently under way include the Urbannet Nihonbashi 2-chome Building (Chuo-ku, Tokyo), Urbannet Ginza 1-chome Building (Chuo-ku, Tokyo), and Otemachi 2-chome Area 1st Class Urban Redevelopment Project, Building A (Chiyoda-ku, Tokyo).

NOI by area and use

The Group uses net operating income, or NOI*, as an indicator for determining the value of properties for the Leasing Business. Excluding the effects of property sales and others in the fiscal year under review, NOI was ¥47,509 million, down ¥3,979 million, or 7.7% year on year. In the Tokyo metropolitan area, NOI decreased to ¥26,122 million, down ¥3,434 million from the previous year, or 11.6%, due to a decline in revenue from existing buildings, despite

Leasing Business: Operating income



Leasing Business: Operating income factor analysis

an increase in revenue from the buildings acquired and completed in the fiscal year under review, such as Trad Mejiro (Toshima-ku, Tokyo). In other regions, including overseas, NOI came to ¥21,387 million, down ¥545 million, or 2.5% year on year, due to a decline in revenue from existing buildings, despite an increase in revenue through the full-year contribution of the properties acquired overseas in the previous fiscal year.

* NOI = Property rental income – Property rental costs + Depreciation expenses (including prepaid long-term expenses)
Excluding the effects of property sales, etc.

NOI by area and use

(Millions of yen)

Area	Year ended March 31, 2014			**Year ended March 31, 2015**		
	Office / Commercial	Residential / Other	Total	Office / Commercial	Residential / Other	Total
Five wards of central Tokyo	28,901	1,535	33,809	**22,170**	**2,112**	**26,946**
Tokyo metropolitan area (excluding five wards of central Tokyo)	3,372			**2,663**		
Other regions	19,930	2,369	22,300	**19,254**	**5,398**	**24,652**
Total	52,204	3,905	56,109	**44,088**	**7,511**	**51,599**

NOI by area and use excluding the effects of property sales and others is as follows.

(Millions of yen)

Area	Year ended March 31, 2014			**Year ended March 31, 2015**		
	Office / Commercial	Residential / Other	Total	Office / Commercial	Residential / Other	Total
Five wards of central Tokyo	24,649	1,535	29,557	**22,170**	**1,289**	**26,122**
Tokyo metropolitan area (excluding five wards of central Tokyo)	3,372			**2,663**		
Other regions	19,611	2,320	21,932	**19,254**	**2,132**	**21,387**
Total	47,633	3,856	51,489	**44,088**	**3,421**	**47,509**

Notes:
1. The five wards of central Tokyo refers to Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku, and Shinjuku-ku.
2. The Tokyo metropolitan area (excluding the five wards of central Tokyo) refers to Tokyo, excluding the five central wards, Kanagawa, Chiba, Saitama, Ibaraki, Gunma, and Tochigi prefectures.

Consolidated balance sheet amount and fair value for rental properties

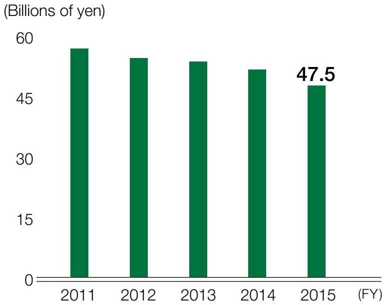
(Year ended March 31, 2015)

(Millions of yen)

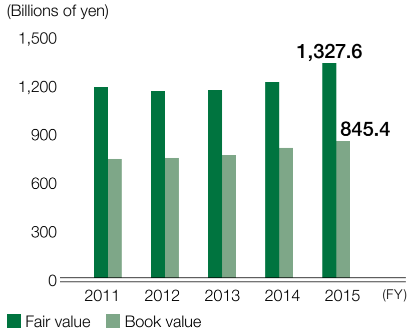
Consolidated balance sheet amount			
Amount at the beginning of fiscal year under review	Change during fiscal year under review	Amount at the end of fiscal year under review	Fair value at the end of fiscal year under review
805,911	39,574	845,486	1,327,642

Notes:
1. The consolidated balance sheet amount is the acquisition cost minus accumulated depreciation and accumulated impairment loss.
2. Of the change during the fiscal year under review, major items included the acquisition of real estate (representing an increase of ¥66,259 million) as well as the transfer of real estate for sale, the sale of real estate, and impairment losses (representing decreases of ¥6,438 million, ¥5,542 million, and ¥1,429 million, respectively).
3. The fair value of major properties at the end of the fiscal year under review is based on appraised values determined by outside real estate appraisers. The fair value of other properties was calculated by the Company, using indicators that it considered to appropriately reflect market prices.

NOI



Fair value and book value of rental properties



Residential Property Sales Business

In the Residential Property Sales Business, the number of condominiums delivered declined 343 units from the previous fiscal year, to 1,080 units. This decrease was due to fewer newly completed condominiums than in the previous fiscal year, in addition to the rebound following the last-minute surge in demand in the previous fiscal year associated with the consumption tax hike. Although sales of high-priced condominiums in central Tokyo were strong in the previous fiscal year, many of the condominiums delivered in the fiscal year under review were suburban properties, leading to a decline in the average per-unit price of ¥11 million, to ¥41 million. In the fiscal year under review, the number of visitors to model rooms showed signs of picking up toward the end of the period, following a recovery in consumer confidence.

As a result, operating revenue in the Residential Property Sales Business declined ¥32,910 million, or 41.4%, to ¥46,626 million, and operating income was down ¥3,816 million, or 46.4%, to ¥4,405 million.

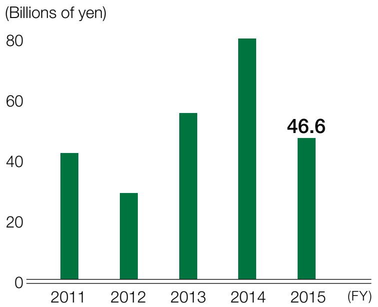
In the fiscal year under review, the Company launched sales of units at Wellith Tsudanuma (Funabashi-shi, Chiba), which is adjacent to serviced housing for seniors, in addition to commencing sales of units at Wellith Suita Yamatecho (Suita-shi, Osaka) and other condominiums. The Company rebuilt its brand concept and redesigned its logo with the aim of enhancing its brand image to be able to respond more deftly to diversifying customer values and lifestyles.

Operating revenue in the Residential Property Sales Business by type and area

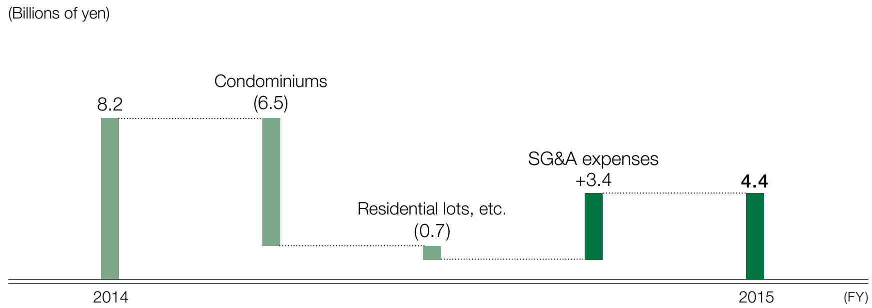
Classification		Year ended March 31, 2014		**Year ended March 31, 2015**	
		Units / Lots	Operating revenue (Millions of yen)	Units / Lots	Operating revenue (Millions of yen)
Condominiums					
Units delivered	Tokyo metropolitan area	876	54,073	**503**	**24,368**
	Other regions	547	21,413	**576**	**21,036**
Completed in inventory		207	—	**219**	**—**
Residential lots, etc.					
Units / Lots delivered	Tokyo metropolitan area	19	519	**2**	**50**
	Other regions	117	3,530	**69**	**1,169**
Completed in inventory		33	—	**19**	**—**
Residential (condominiums / residential lots, etc.)					
Units / Lots delivered	Tokyo metropolitan area	895	54,593	**505**	**24,419**
	Other regions	664	24,943	**646**	**22,206**
Completed in inventory		240	—	**238**	**—**
Other					
Units / Lots delivered	Tokyo metropolitan area	—	—	**—**	**—**
	Other regions	—	—	**—**	**—**
Completed in inventory		—	—	**—**	**—**
Grand total		—	79,537	**—**	**46,626**

Notes:
1. For joint projects, the number of units corresponds to the Company's share in the project and is rounded down to the nearest unit.
2. Completed in inventory figures are as of the end of each fiscal year. The condominiums completed in inventory for the fiscal year ended March 31, 2014, and the fiscal year ended March 31, 2015, include 76 units and 25 units, respectively, for which a contract has been completed but ownership has not yet been transferred. The residential lots completed in inventory for the fiscal year ended March 31, 2014, and the fiscal year ended March 31, 2015, include 11 lots and 16 lots, respectively, for which a contract has been completed but ownership has not yet been transferred.
3. In the fiscal year ended March 31, 2014, two residential lots were sold for a total of ¥1,714 million.
4. The Tokyo metropolitan area comprises Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma, and Tochigi prefectures.

Residential Property Sales Business: Operating revenue



Residential Property Sales Business: Operating income factor analysis



Other Business

Operating revenue in Other Business for the fiscal year under review increased ¥293 million, or 1.6% year on year, to ¥18,825 million, and operating income rose ¥755 million, or 43.7%, to ¥2,485 million, mainly reflecting increases in revenue from entrusted asset management related to private funds and revenue from entrusted consulting.

Analysis of financial position

Assets

Total assets at March 31, 2015, were ¥1,033,220 million, up ¥47,713 million from the previous fiscal year-end.

Total current assets stood at ¥128,512 million, rising ¥3,160 million from the end of the previous fiscal year. This result was attributable to a decline of ¥12,488 million in the outstanding balance of notes and operating accounts receivable at the end of the term, reflecting the delivery of condominiums. Another factor was the increase of ¥15,073 million in inventories, largely reflecting the purchase of properties for rent with consideration for potential redevelopment.

Total non-current assets amounted to ¥904,708 million, rising ¥44,552 million from the previous fiscal year-end. This increase reflected the acquisition of ¥78,213 million in assets, as a result of the expansion of strategic investments and investments in new development properties, offsetting declines in assets chiefly due to depreciation of ¥22,907 million and the sale of properties as a result of asset replacement of ¥5,549 million.

Liabilities

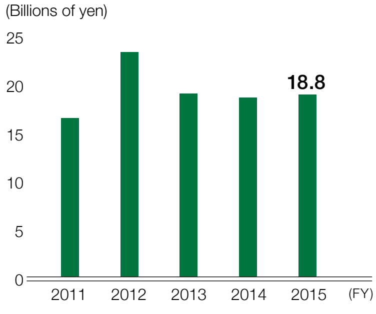
Total liabilities at the end of the fiscal year were ¥787,579 million, up ¥30,663 million from the end of the previous fiscal year. The main factors included a ¥39,935 million increase in interest-bearing debt, amounting to a total outstanding balance of ¥547,189 million at March 31, 2015, due to the expansion of investments, offsetting a ¥4,286 million decline in deferred tax liabilities from the previous fiscal year-end, due to the effects of tax reform related to the revision of corporate tax rates.

Net interest-bearing debt, interest-bearing debt less cash and cash equivalents, and others, were ¥526,925 million, rising ¥38,580 million from the end of the fiscal year ended March 2014.

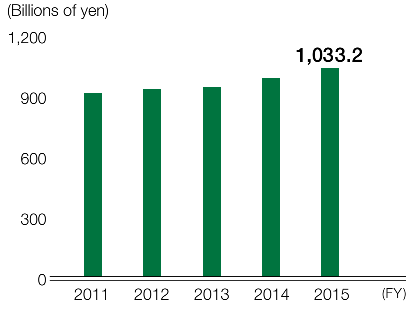
Net assets

Total net assets at the end of the fiscal year under review were ¥245,641 million, up ¥17,049 million from the end of the previous fiscal year. This rise reflected increases in total shareholders' equity of ¥11,114 million, accumulated other comprehensive income, which was largely attributable to foreign currency translation adjustments and the valuation difference on available-for-sale securities, of ¥4,179 million, and minority interests of ¥1,755 million.

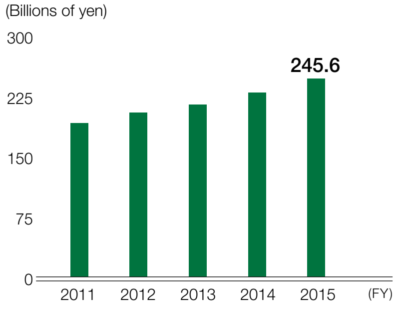
Other Business: Operating revenue



Total assets



Net assets



Consolidated cash flows

The following is an explanation of the conditions and factors for each category of cash flow for the fiscal year ended March 31, 2015.

Net cash provided by (used in) operating activities

Cash flow in operating activities provided cash of ¥36,988 million, down ¥14,881 million from the previous fiscal year. This mainly reflected a net inflow of ¥42,344 million, down ¥2,559 million from a year earlier, attributable to income before income taxes and minority interests and depreciation, and an outflow of ¥5,802 million, down ¥9,357 million from the previous year, due to an increase in inventories in the Leasing Business.

Net cash provided by (used in) investing activities

Cash flow in investing activities registered outflows of ¥67,778 million, up ¥29,815 million from a year earlier. Investments amounted to ¥79,979 million, up ¥17,201 million from the previous year, but the outstanding balance of accounts payable–other came to ¥8,818 million, up ¥3,822 million from the previous period. Consequently, cash outflows related to the acquisition of non-current assets was limited to ¥76,298 million, rising ¥7,922 million from a year earlier. Cash inflows related to the sales of non-current assets stood at ¥7,459 million, shrinking ¥18,453 million from the previous fiscal year.

Free cash flow*

Free cash flow was a cash outflow of ¥30,789 million, down ¥44,697 million from the fiscal year ended March 31, 2014.

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

Net cash provided by (used in) financing activities

Cash flow in financing activities provided cash of ¥31,777 million, compared with net cash used in financing activities of ¥8,656 recorded in the previous fiscal year. This change was largely a reflection of financing in response to the cash outflow related to the free cash flow of ¥30,789 million, the repayment of long-term loans payable of ¥57,425 million, and cash dividends paid of ¥5,265 million.

As a result, cash and cash equivalents at the end of the fiscal year stood at ¥20,153 million, an increase of ¥1,354 million from the end of the previous fiscal year.

Fund-raising, dividend policy, and investment

Fund-raising

During the fiscal year under review, the Company raised funds primarily through borrowings from financial institutions and the issuing of bonds, among other sources, in response to capital demand including capital expenditures, investments, and the acquisition of inventory assets.

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

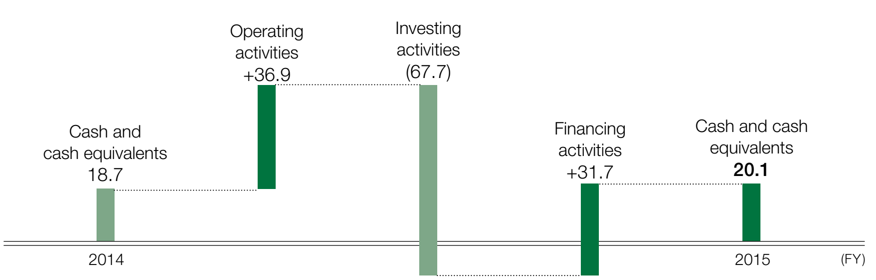
Rating and Investment Information, Inc.

(As of March 31, 2015)

Commercial paper	a –1
Bond	A+

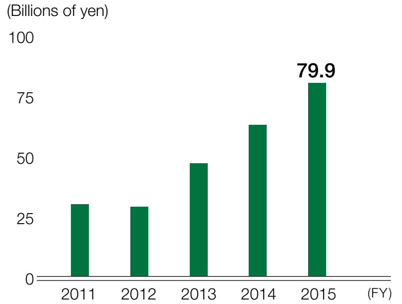
Consolidated cash flows

(Billions of yen)



Investment

(Billions of yen)



Dividend policy

In addition to increasing corporate value over the medium and long terms, the Company has identified the return of profits to shareholders as an important management goal. In determining the level of dividends, the Company, while giving consideration to stability and sustainability, takes into account a full range of factors, including business performance, financial standing, and the dividend payout ratio.

For the fiscal year ended March 31, 2015, the Company decided to pay an annual dividend of ¥16 per share. For the fiscal year ending March 31, 2016, the Company is currently planning to pay an annual dividend of ¥16 per share.

Consolidated payout ratios for the fiscal year ended March 31, 2015, and the fiscal year ending March 31, 2016, are expected to be approximately 32.4% and 43.0%, respectively.

While maintaining a sound financial standing and considering capital efficiency, the Company intends to use internal funds for investments in new business opportunities, among other areas.

Dividends comprise two payments: a year-end dividend payment and an interim dividend payment. Decision-making bodies for the payment of dividends are the General Ordinary Meeting of Shareholders for year-end dividend payments and the Board of Directors for interim dividend payments.

The Articles of Incorporation specify that the Company may pay interim dividends on September 30 of every year by resolution of the Board of Directors.

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 engaging in capital investments, primarily the acquisition of commercial land, to expand its overall business activities.

Capital investment was distributed as follows in the fiscal year ended March 31, 2015.

(Millions of yen)

Business segment	Year ended March 31, 2015
Leasing	78,275
Residential Property Sales	31
Other	76
Total	78,383
Corporate	885
Total	79,268

Note: The figures include the amounts of property, plant and equipment and intangible assets and others.

Major capital investments in the Leasing Business included ¥40,007 million in Harajuku Dai-Ichi Mansions, among others (Shibuya, Tokyo), ¥25,301 million in Shinagawa Season Terrace (Minato, Tokyo), and renewal investment of ¥6,045 million.

Operating risks

The following is a list of the principal categories of risk with the potential to impact the NTT Urban Development Group's businesses in Japan and overseas. In the interests of active information disclosure to investors, we have also included risks that are not necessarily applicable to the business operations of the Group but are considered to be important in making investment decisions or understanding its business activities. The Group manages these risks under its risk management regulations. Forward-looking statements included in the following statements reflect judgments by the Group as of June 24, 2015.

(1) Leasing Business risk

In the fiscal year under review, the Leasing Business accounted for 58.4% of consolidated operating revenue. The Leasing Business tends to be susceptible to changes in the operating environment, and the Company is considering action to prevent declines in rents and an increase in vacancies, assuming business trends continue 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 due to intensifying competition among sellers, rising interest rates for housing loans, or a downturn in consumer sentiment caused by elevating sales prices accompanying soaring land prices and construction costs 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.

(3) Asset devaluation risk

In fiscal 2005, 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 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 the 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 the balance of consolidated interest-bearing debt, which reached ¥547,189 million at the end of the fiscal year under review, is basically procured at a fixed interest rate. 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.

(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 partners

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, economic loss arising from this situation may impact the Group's business performance. Depending on the selection of contractors for construction work, scandals, trouble, or financial difficulties, among other factors, any obstacles for contractors in performing their operations 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, which investigates the creditworthiness of contractors and their ability to complete construction, and it has established termination criteria if contractors fail to meet quality standards or delivery periods or cause incidents or accidents.

(7) 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 that decisions to invest in new development projects do not produce an economic loss or compromise society's 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 decision-making bodies. Despite careful preparation and consideration, fluctuations in demand arising from changes in the business climate or in the real estate market may reduce the profitability of investments and could impact the Group's business performance.

(8) Risks concerning sales transactions, construction contracts, and design and construction

Inadequate contract documents, flawed contract stipulations, or other deficiencies in sales transactions and construction contracts, as well as any lack of management in the design phase or building construction, could produce an economic loss or liability for damages or compromise society's trust in the Company in a manner that could impact the Company's business performance in the future. The Group seeks to prevent and avoid risks by checking contracts in advance using contract check sheets.

(9) 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 of 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 and accidents caused by these buildings, liability for damage, the erosion of society's trust in the Group, renovations, and rebuilding and could impact the Group's business performance.

(10) 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 that 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 losses 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 conducts its businesses independently, taking responsibility for its own 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 and does not bind the Company's decision making.

NTT owned 67.3% of the stock of the Company as of March 31, 2015, and holds rights as the majority shareholder of the Company under the Corporate Law.

(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 name, and Group publicity. We believe these provisions enhance the creditworthiness and reliability of the Company and offer the Company advantages in the execution of its 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 for general customers, considering market prices and prices for neighboring properties.

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 (Consolidated)

(Millions of yen)

Item	Year ended March 31, 2014	**Year ended March 31, 2015**
Operating revenue in Leasing Business	96,595	**91,739**
Operating revenue from NTT Group	25,721	**21,289**
Operating revenue from NTT Group / Operating revenue in Leasing Business (%)	26.6	**23.2**

(3) Personnel relationships with the 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 has one outside director and one outside Audit & Supervisory Board member from NTT as of June 24, 2015. These officers have taken up their appointments at the request of the Company, and the Company makes management judgments independently.

(4) Independence from the 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 above, we believe the Company has a considerable degree of independence from the parent company.

Basic policy on the control of the Stock Company

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

Consolidated Balance Sheets

As of March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	**2015**	**2015**
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 8 and 17)	¥ 18,798	**¥ 20,153**	**$ 167,709**
Time deposits and short-term investments (Note 17)	1,210	**150**	**1,248**
Notes and operating accounts receivable (Note 17)	18,058	**5,569**	**46,350**
Inventories (Notes 5 and 8)	78,497	**93,571**	**778,660**
Lease investment assets (Note 9)	3,689	**3,837**	**31,931**
Deferred tax assets (Note 15)	933	**1,075**	**8,952**
Other (Note 8)	4,163	**4,189**	**34,863**
Allowance for doubtful accounts (Note 17)	(1)	**(35)**	**(293)**
Total current assets	125,351	**128,512**	**1,069,420**
Non-current assets:			
Property, plant and equipment (Notes 8 and 20)**:**			
Buildings and structures (Note 13)	703,758	**714,920**	**5,949,239**
Machinery, equipment and vehicles	13,630	**13,593**	**113,115**
Tools, furniture and fixtures	15,458	**15,486**	**128,875**
Land (Note 13)	472,133	**505,999**	**4,210,697**
Lease assets (Note 9)	332	**347**	**2,895**
Construction in progress	14,099	**2,212**	**18,408**
Subtotal	1,219,414	**1,252,559**	**10,423,229**
Accumulated depreciation	(408,378)	**(417,767)**	**(3,476,470)**
Total property, plant and equipment	811,035	**834,792**	**6,946,759**
Investments and other assets:			
Investment securities (Note 6)	19,986	**22,841**	**190,077**
Long-term prepaid expenses (Note 8)	16,176	**15,635**	**130,109**
Net defined benefit asset (Note 10)	—	**396**	**3,303**
Intangible assets (Notes 8 and 20)	5,427	**24,556**	**204,350**
Deferred tax assets (Note 15)	394	**354**	**2,951**
Other (Note 8)	7,136	**6,131**	**51,023**
Total investments and other assets	49,120	**69,916**	**581,813**
Total non-current assets	860,155	**904,708**	**7,528,572**
Total assets	¥ 985,507	**¥1,033,220**	**$ 8,597,992**

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

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	**2015**	**2015**
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current liabilities:			
Notes and operating accounts payable-trade (Note 17)	¥ 11,850	**¥ 8,473**	**$ 70,514**
Short-term debt (Notes 7, 17 and 21)	473	**—**	**—**
Current portion of lease obligations (Note 9)	48	**48**	**405**
Current portion of long-term debt (Notes 7, 8, 17 and 21)	57,412	**53,200**	**442,706**
Income taxes payable (Notes 15 and 17)	1,657	**2,684**	**22,339**
Other	29,578	**34,467**	**286,826**
Total current liabilities	101,021	**98,874**	**822,790**
Non-current liabilities:			
Long-term debt (Notes 7, 8, 17 and 21)	449,367	**493,989**	**4,110,752**
Lease obligations (Note 9)	143	**123**	**1,031**
Deferred tax liabilities (Note 15)	63,841	**59,555**	**495,590**
Provision for directors' retirement benefits	67	**23**	**192**
Net defined benefit liability (Notes 3 and 10)	6,404	**6,335**	**52,725**
Lease and guarantee deposits received (Note 17)	69,694	**68,715**	**571,820**
Negative goodwill (Notes 2 and 22)	22,935	**21,286**	**177,137**
Asset retirement obligations	3,180	**3,267**	**27,193**
Other	40,258	**35,407**	**294,646**
Total non-current liabilities	655,893	**688,704**	**5,731,086**
Total liabilities	¥756,915	**¥787,579**	**$6,553,876**
NET ASSETS			
Shareholders' equity (Note 11)**:**			
Capital stock (Note 16):			
Authorized – 1,050,000,000 shares			
Issued – 329,120,000 shares	48,760	**48,760**	**405,759**
Capital surplus	34,109	**34,109**	**283,846**
Retained earnings (Note 3)	97,150	**108,264**	**900,928**
Total shareholders' equity	180,020	**191,134**	**1,590,533**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 15)	976	**2,837**	**23,609**
Foreign currency translation adjustments	4,447	**6,429**	**53,505**
Remeasurements of defined benefit plans (Notes 10 and 15)	171	**509**	**4,238**
Total accumulated other comprehensive income	5,596	**9,776**	**81,352**
Minority interests	42,975	**44,730**	**372,231**
Total net assets	228,591	**245,641**	**2,044,116**
Total liabilities and net assets	¥985,507	**¥1,033,220**	**$8,597,992**

Consolidated Statements of Income

For the years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2015	2015
Operating revenue (Note 22)	¥189,186	**¥152,052**	**$1,265,309**
Operating cost (Note 5)	136,519	**109,333**	**909,823**
Operating gross profit	52,666	**42,718**	**355,486**
Selling, general and administrative expenses (Note 12)	22,207	**17,881**	**148,804**
Operating income (Notes 20 and 22)	30,458	**24,836**	**206,682**
Other income (expenses):			
Interest income	44	**22**	**184**
Interest expenses	(7,077)	**(6,300)**	**(52,434)**
Amortization of negative goodwill	1,853	**1,780**	**14,817**
Equity in earnings of affiliates	71	**45**	**382**
Impairment loss (Notes 13, 20 and 22)	(2,848)	**(1,455)**	**(12,116)**
Other, net (Notes 14 and 20)	(2,164)	**(58)**	**(488)**
	(10,120)	**(5,967)**	**(49,655)**
Income before income taxes and minority interests	20,338	**18,869**	**157,027**
Income taxes (Note 15)**:**			
Current	4,593	**4,806**	**39,994**
Deferred	2,940	**(5,426)**	**(45,161)**
Total income taxes	7,534	**(620)**	**(5,167)**
Income before minority interests	12,803	**19,490**	**162,194**
Minority interests in income	1,460	**3,255**	**27,088**
Net income (Note 16)	¥ 11,343	**¥ 16,235**	**$ 135,106**

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

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2015	2015
Income before minority interests	¥12,803	**¥19,490**	**$162,194**
Other comprehensive income (Note 18)			
Valuation difference on available-for-sale securities	(158)	**1,860**	**15,479**
Foreign currency translation adjustment	3,629	**1,982**	**16,493**
Remeasurements of defined benefit plans (Note 10)	—	**338**	**2,819**
Total other comprehensive income	3,470	**4,180**	**34,791**
Comprehensive income	¥16,274	**¥23,671**	**$196,985**
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥14,818	**¥20,415**	**$169,888**
Comprehensive income attributable to minority interests	¥ 1,455	**¥ 3,256**	**$ 27,097**

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

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2015	2015
Changes in shareholders' equity			
Capital stock:			
Balance at the beginning of the year	¥ 48,760	**¥ 48,760**	**$ 405,759**
Balance at the end of the year	¥ 48,760	**¥ 48,760**	**$ 405,759**
Capital surplus:			
Balance at the beginning of the year	¥ 34,109	**¥ 34,109**	**$ 283,846**
Balance at the end of the year	¥ 34,109	**¥ 34,109**	**$ 283,846**
Retained earnings:			
Balance at the beginning of the year	¥ 91,402	**¥ 97,150**	**$ 808,440**
Cumulative effect of change in accounting policies (Notes 3 and 10)	—	**144**	**1,203**
Restated balance at the beginning of the year	91,402	**97,294**	**809,643**
Net income	11,343	**16,235**	**135,106**
Dividends from surplus	(5,595)	**(5,265)**	**(43,821)**
Balance at the end of the year	¥ 97,150	**¥108,264**	**$ 900,928**
Total shareholders' equity	¥180,020	**¥191,134**	**$1,590,533**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 15)			
Balance at the beginning of the year	¥ 1,131	**¥ 976**	**$ 8,130**
Net change of items other than shareholders' equity	(154)	**1,860**	**15,479**
Balance at the end of the year	¥ 976	**¥ 2,837**	**$ 23,609**
Foreign currency translation adjustment			
Balance at the beginning of the year	¥ 817	**¥ 4,447**	**$ 37,011**
Net change of items other than shareholders' equity	3,629	**1,982**	**16,494**
Balance at the end of the year	¥ 4,447	**¥ 6,429**	**$ 53,505**
Remeasurements of defined benefit plans (Notes 10 and 15)			
Balance at the beginning of the year	¥ —	**¥ 171**	**$ 1,429**
Net change of items other than shareholders' equity	171	**337**	**2,809**
Balance at the end of the year	171	**509**	**4,238**
Total accumulated other comprehensive income	¥ 5,596	**¥ 9,776**	**$ 81,352**
Minority interests in consolidated subsidiaries:			
Balance at the beginning of the year	¥ 37,614	**¥ 42,975**	**$ 357,619**
Net change of items other than shareholders' equity	5,360	**1,755**	**14,612**
Balance at the end of the year	¥ 42,975	**¥ 44,730**	**$ 372,231**
Total net assets	¥228,591	**¥245,641**	**$2,044,116**

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

Consolidated Statements of Cash Flows

For the years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	**2015**	**2015**
Operating activities:			
Income before income taxes and minority interests	¥ 20,338	**¥ 18,869**	**$ 157,027**
Adjustment for:			
Depreciation and amortization	24,566	**23,474**	**195,347**
Amortization of negative goodwill	(1,853)	**(1,780)**	**(14,817)**
Impairment loss	2,848	**1,455**	**12,116**
Amortization of goodwill	136	**131**	**1,098**
Increase in allowance for doubtful accounts	0	**34**	**284**
Increase in net defined benefit liability	16	**644**	**5,361**
Interest and dividends income	(120)	**(95)**	**(792)**
Interest expenses	7,077	**6,300**	**52,434**
Equity in earnings of affiliates	(71)	**(45)**	**(382)**
Gain on sales of non-current assets	(6,434)	**(1,850)**	**(15,396)**
Loss on disposal of non-current assets	1,476	**1,220**	**10,156**
Loss on sales of non-current assets	8,779	**699**	**5,818**
Gain on sales of securities of subsidiaries and affiliates	(2,142)	**—**	**—**
Increase in lease investment assets	(72)	**(80)**	**(667)**
Decrease (increase) in notes and accounts receivable-trade	(4,270)	**12,489**	**103,930**
Decrease (increase) in inventories	18,724	**(8,006)**	**(66,623)**
Increase (decrease) in notes and accounts payable-trade	1,104	**(3,407)**	**(28,358)**
Decrease in lease and guarantee deposits received	(9,362)	**(2,206)**	**(18,358)**
Other, net	4,344	**(855)**	**(7,119)**
Subtotal	65,084	**46,993**	**391,059**
Interest and dividends income received	146	**120**	**1,006**
Interest expenses paid	(7,073)	**(6,340)**	**(52,764)**
Income taxes paid	(6,287)	**(3,785)**	**(31,501)**
Net cash provided by operating activities	51,870	**36,988**	**307,800**
Investing activities:			
Proceeds from repayment of securities	3,900	**—**	**—**
Purchase of property, plant and equipment	(66,911)	**(74,635)**	**(621,083)**
Proceeds from sales of property, plant and equipment	20,271	**6,604**	**54,958**
Purchase of investment securities	(1,282)	**(711)**	**(5,917)**
Proceeds from repayment of investment securities	—	**855**	**7,120**
Proceeds from sales of securities of subsidiaries and affiliates	5,639	**—**	**—**
Other, net	420	**108**	**903**
Net cash used in investing activities	(37,962)	**(67,778)**	**(564,019)**
Financing activities:			
Net decrease in short-term loans payable	(9,848)	**(473)**	**(3,939)**
Proceeds from long-term loans payable	119,222	**66,500**	**553,385**
Repayments of long-term loans payable	(64,689)	**(57,425)**	**(477,868)**
Proceeds from issuance of bonds	15,990	**29,996**	**249,613**
Redemption of bonds	(62,123)	**—**	**—**
Proceeds from share issuance to minority shareholders	—	**14**	**118**
Cash dividends paid	(5,594)	**(5,265)**	**(43,817)**
Cash dividends paid to minority shareholders	(1,559)	**(1,515)**	**(12,615)**
Other, net	(53)	**(53)**	**(443)**
Net cash provided by (used in) financing activities	(8,656)	**31,777**	**264,434**
Effect of exchange rate change on cash and cash equivalents	737	**367**	**3,059**
Net increase in cash and cash equivalents	5,989	**1,354**	**11,274**
Cash and cash equivalents at the beginning of the year	12,809	**18,798**	**156,435**
Cash and cash equivalents at the end of the year	¥ 18,798	**¥ 20,153**	**$ 167,709**

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 in Japanese yen 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 intercompany balances and transactions have been eliminated upon consolidation.

Consolidated subsidiaries as of March 31, 2014 and 2015 are as follows:

2014	**2015**
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 Co.**
Otemachi First Square Inc.	**Otemachi First Square Inc.**
DAY·NITE 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**
Premier REIT Advisors Co., Ltd.	**Premier REIT Advisors Co., Ltd.**
UD EUROPE LIMITED	**UD EUROPE LIMITED**
UD AUSTRALIA PTY LIMITED	**UD AUSTRALIA PTY LIMITED**
UD USA Inc.	**UD USA Inc.**
Two other consolidated subsidiaries	**Shinagawa Season Terrace Building Management Corporation**
	NTT Urban Development Asset Management Corporation
	Five other consolidated subsidiaries

The Company established Shinagawa Season Terrace Building Management Corporation, NTT Urban Development Asset Management Corporation and three consolidated subsidiaries affiliated with UD USA Inc., which became consolidated subsidiaries from the year ended March 31, 2015.

NTT Urban Development Hokkaido BS Co. was renamed NTT Urban Development Hokkaido Co. on October 1, 2014.

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, 2014 and 2015 are as follows:

2014	**2015**
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 4-chome City Planning Design Co.	**Harumi 4-chome City Planning Design Co.**
335 GRICES ROAD PTY LTD	**335 GRICES ROAD PTY LTD**
Four other equity method affiliates	**Four other equity method affiliates**

The balance sheet date of UD EUROPE LIMITED, UD AUSTRALIA PTY LIMITED, UD USA Inc. and five consolidated subsidiaries affiliated with UD USA Inc. 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.

(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 Tower, 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

Net defined benefit liability and net defined benefit asset have been provided mainly at an amount calculated based on the retirement benefit obligations and the fair value of pension plan assets as of the balance sheet date, adjusted for unrecognized actuarial gains and losses and unrecognized prior service costs. The retirement benefit obligations are attributed, using the benefit formula method, to each period over the estimated years of service of eligible employees.

When actuarial gains and losses are recognized, they are amortized using the straight-line method over the average remaining service period (8 years through 13 years) for eligible employees from the following year.

Prior service costs are amortized using the straight-line method over the average remaining service period (10 years through 13 years) for eligible employees from the fiscal year in which cost is incurred.

Unrecognized actuarial gains and losses and unrecognized prior service costs are recorded in the remeasurements of defined benefit plans within the net asset section (accumulated other comprehensive income), after adjusting for tax effects.

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 were 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, 2014 and 2015 were ¥1,992 million and ¥1,860 million ($15,484 thousand), respectively. The amounts of negative goodwill before offsetting as of March 31, 2014 and 2015 were ¥24,927 million and ¥23,147 million ($192,621 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

Accounting standards for business combinations

On September 13, 2013, the Accounting Standards Board of Japan (ASBJ) issued "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7), "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for

Business Divestitures” (ASBJ Guidance No. 10) and “Revised Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4). The major changes are as follows:

(1) Overview

In these accounting standards, revisions were made in the treatment of changes in a parent’s ownership interest in its subsidiary when control over the subsidiary continues, the treatment of acquisition-related costs, the presentation method of net income and the change from minority interests to non-controlling interests, and the handling of provisional accounting treatments.

(2) Planned date of application

These accounting standards and guidance will be applied from the beginning of the fiscal year ending March 31, 2016. The handling of provisional accounting treatments will be applied to business combinations conducted after the beginning of the fiscal year ending March 31, 2016.

(3) Impact of applying these accounting standards

The Company and its consolidated domestic subsidiaries are currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

(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

From the beginning of the fiscal year ended March 31, 2015, the Company and its consolidated domestic subsidiaries applied Article 35 of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 on May 17, 2012 (hereinafter, “Statement No. 26”)) and Article 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 on March 26, 2015 (hereinafter, “Guidance No. 25”)), and have changed the determination of retirement benefit obligations and service costs. In addition, the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefit to periods from the straight-line method to a benefit formula method, and have changed the method of determining the discount rate from a rate based on the average estimated timing of benefit payments to a single weighted-average discount rate reflecting the expected timing and amount of benefit payments (i.e., a discount rate in consideration of duration).

In accordance with Article 37 of Statement No. 26, the effect of changing the determination of retirement benefit obligations and service costs has been recognized in retained earnings at the beginning of the fiscal year ended March 31, 2015.

As a result of the application, net defined benefit liability decreased by ¥224 million ($1,868 thousand) and retained earnings increased by ¥144 million ($1,203 thousand) at the beginning of the fiscal year ended March 31, 2015. In addition, the impacts on operating income and income before income taxes and minority interests for the fiscal year ended March 31, 2015 are considered insignificant.

Net assets per share increased by ¥0.44 ($0.00).

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, 2015, which was ¥120.17 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, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Real estate for sale	¥31,558	¥33,361	$277,623
Real estate for sale in process	46,559	59,987	499,187
Costs on uncompleted construction contracts	300	169	1,411
Raw materials and supplies	80	52	439
Total	¥78,497	¥93,571	$778,660

Losses on valuation of inventories of ¥688 million and ¥1,188 million ($9,887 thousand) were included in operating cost for the years ended March 31, 2014 and 2015, respectively.

6. Securities

(a) The acquisition cost, book value and unrealized gains and losses of marketable available-for-sale securities as of March 31, 2014 and 2015 are as follows:

	Unrealized gains		
	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Acquisition cost:			
Equity securities	¥ 936	¥ 936	$ 7,791
Debt securities	168	170	1,422
Other	3,116	3,116	25,930
Total	¥4,220	¥4,223	$35,143
Book value:			
Equity securities	¥2,062	¥2,197	$18,289
Debt securities	191	201	1,677
Other	3,484	6,011	50,027
Total	¥5,738	¥8,411	$69,993
Unrealized gains:			
Equity securities	¥1,126	¥1,261	$10,498
Debt securities	22	30	255
Other	368	2,895	24,097
Total	¥1,517	¥4,187	$34,850

	Unrealized losses		
	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Acquisition cost:			
Other	¥1,909	¥ 985	$ 8,204
Total	¥1,909	¥ 985	$ 8,204
Book value:			
Other	¥1,663	¥ 861	$ 7,172
Total	¥1,663	¥ 861	$ 7,172
Unrealized losses:			
Other	¥ (246)	¥(124)	$(1,032)
Total	¥ (246)	¥(124)	$(1,032)

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, 2014 and 2015.

(b) The redemption schedule for securities with maturity dates as of March 31, 2014 and 2015, all of which are Japanese government bonds, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Due within one year	¥ —	¥ —	$ —
Due after one year and within five years	—	—	—
Due after five years and within ten years	—	—	—
Due after ten years	191	201	1,677
Total	¥191	¥201	$1,677

(c) The aggregate book value of securities with no available fair value as of March 31, 2014 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unlisted stocks	¥ 500	¥ 778	$ 6,478
Investments in limited partnerships	9,189	9,298	77,376
Other investments	53	50	420
Total	¥9,743	¥10,127	$84,274

(d) Investments in affiliates as of March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Capital stock	¥3,031	¥3,643	$30,316
Total	¥3,031	¥3,643	$30,316

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, 2014 and 2015.

7. Short-term and Long-term Debt

Short-term debt and the corresponding weighted average interest rates as of March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars	Weighted average interest rate	
	2014	**2015**	**2015**	2014	**2015**
Borrowings	¥473	**¥—**	**$—**	0.20%	**—**
Total	¥473	**¥—**	**$—**		

As of March 31, 2014 and 2015, long-term debt consisted of the following:

			Millions of yen		Thousands of U.S. dollars
Description	Interest rate	Maturity	2014	**2015**	**2015**
Unsecured bonds	1.9%	2016	¥ 19,997	**¥ 19,998**	**$ 166,421**
Unsecured bonds	2.0%	2018	19,992	**19,994**	**166,385**
Unsecured bonds	1.5%	2019	9,995	**9,995**	**83,182**
Unsecured bonds	1.0%	2020	9,996	**9,996**	**83,188**
Unsecured bonds	1.1%	2021	9,997	**9,997**	**83,194**
Unsecured bonds	2.0%	2031	4,997	**4,997**	**41,591**
Unsecured bonds	0.9%	2022	10,000	**10,000**	**83,215**
Unsecured bonds	0.8%	2023	9,995	**9,995**	**83,180**
Unsecured bonds	1.3%	2028	4,995	**4,995**	**41,570**
Unsecured bonds	0.2%	2019	—	**9,996**	**83,185**
Unsecured bonds	0.6%	2024	—	**15,000**	**124,823**
Unsecured bonds	1.1%	2029	—	**5,000**	**41,608**
Secured bonds	0.5%	2018	1,000	**1,000**	**8,322**
Borrowings from banks and other financial institutions:					
Secured	0.5 – 4.1%	2015 – 2018	58,400	**57,217**	**476,135**
Unsecured	0.1 – 2.1%	2015 – 2029	347,413	**359,003**	**2,987,459**
			506,780	**547,189**	**4,553,458**
Less current portion			57,412	**53,200**	**442,706**
Total			¥449,367	**¥493,989**	**$4,110,752**

The contractual repayment schedule of long-term debt as of March 31, 2015 is summarized as follows:

Fiscal years ending March 31	Millions of yen	Thousands of U.S. dollars
2016	**¥ 53,200**	**$ 442,706**
2017	**56,957**	**473,977**
2018	**52,200**	**434,385**
2019	**93,062**	**774,423**
2020	**28,500**	**237,164**
2021 and thereafter	**263,300**	**2,191,063**
Total	**¥547,220**	**$4,553,718**

8. Mortgaged Assets

Mortgaged assets and corresponding debt, regarding debt with limited recourse, * as of March 31, 2014 and 2015 are as follows:
(a) Mortgaged assets:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Cash and cash equivalents	¥ 5,299	**¥ 5,399**	**$ 44,931**
Real estate for sale in progress	—	**1,383**	**11,517**
Other current assets	142	**160**	**1,334**
Buildings and structures	44,960	**42,842**	**356,515**
Land	171,402	**171,402**	**1,426,336**
Other property, plant and equipment	163	**122**	**1,017**
Intangible assets	0	**0**	**0**
Long-term prepaid expenses	308	**285**	**2,375**
Other	0	**0**	**1**
Total	¥222,277	**¥221,596**	**$1,844,026**

(b) Corresponding debt secured by the above collateral:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Current portion of long-term loans payable	¥ 1,200	**¥ 1,200**	**$ 9,986**
Bonds payable	1,000	**1,000**	**8,322**
Long-term loans payable	57,200	**56,017**	**466,149**
Total	¥59,400	**¥58,217**	**$484,457**

* Debt with limited recourse includes bonds issued by UDX Tokutei Mokuteki Kaisha as of March 31, 2014, and UDX Tokutei Mokuteki Kaisha as of March 31, 2015. Repayment of debt is limited to assets of these companies such as the abovementioned mortgaged assets.

9. Lease Transactions

Finance lease transactions

(a) Lessee – Lease assets under finance leases as of March 31, 2015 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, 2015 is summarized as follows:

Fiscal years ending March 31	Millions of yen	Thousands of U.S. dollars
2016	**¥ 59**	**$ 496**
2017	**41**	**347**
2018	**33**	**279**
2019	**28**	**235**
2020	**15**	**125**
2021 and thereafter	**17**	**148**
Total	**¥195**	**$1,630**

(b) Lessor – Lease investment assets as of March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Current assets:			
Lease receivables portion	¥ 7,551	**¥ 7,556**	**$ 62,885**
Estimated residual value of lease assets	—	**—**	**—**
Interests receivable equivalent	(3,862)	**(3,719)**	**(30,954)**
Lease investment assets	¥ 3,689	**¥ 3,837**	**$ 31,931**

The contractual receipt schedule of finance lease receivables and the lease receivables portion of lease investment assets as of March 31, 2015 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
2016	**¥ 466**	**$ 3,880**	**¥ 157**	**$ 1,311**
2017	**466**	**3,880**	**168**	**1,402**
2018	**466**	**3,880**	**181**	**1,513**
2019	**466**	**3,880**	**198**	**1,655**
2020	**444**	**3,700**	**193**	**1,613**
2021 and thereafter	**5,247**	**43,665**	**2,936**	**24,437**
Total	**¥7,556**	**$62,885**	**¥3,837**	**$31,931**

Operating lease transactions

(a) Lessee – The amounts of outstanding future minimum lease payments of non-cancelable operating leases as of March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Due within one year	¥ 1,389	**¥ 1,488**	**$ 12,386**
Due after one year	15,844	**16,100**	**133,984**
Total	¥17,234	**¥17,589**	**$146,370**

(b) Lessor – The amounts of outstanding future minimum lease receipts of non-cancelable operating leases as of March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Due within one year	¥14,533	**¥16,084**	**$133,852**
Due after one year	53,940	**51,940**	**432,224**
Total	¥68,473	**¥68,025**	**$566,076**

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 Company and four consolidated subsidiaries are covered by the NTT Corporate Defined Benefit Pension Plan.

The Company has shifted the accumulated funds (future portion) of its contract-type corporate pension effective April 1, 2014 to the defined contribution plan. The accumulated funds up to March 31, 2014 will be maintained as the current contract-type corporate pension.

(a) Defined Benefit Plans

The changes in the retirement benefit obligations during the years ended March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Retirement benefit obligations at the beginning of the year	¥(13,138)	**¥(13,270)**	**$(110,428)**
Cumulative effect of change in accounting policies	—	**224**	**1,868**
Restated balance at the beginning of the year	(13,138)	**(13,045)**	**(108,560)**
Service costs	(509)	**(435)**	**(3,624)**
Interest costs	(191)	**(191)**	**(1,594)**
Actuarial gains and losses	58	**124**	**1,034**
Retirement benefits paid	598	**378**	**3,146**
Prior service costs	383	**—**	**—**
Other (costs of employees transferred, etc.)	(470)	**(211)**	**(1,757)**
Retirement benefit obligations at the end of the year	¥(13,270)	**¥(13,381)**	**$(111,355)**

The changes in plan assets during the years ended March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Plan assets at the beginning of the year	¥6,069	**¥6,865**	**$57,128**
Expected return on plan assets	139	**156**	**1,301**
Actuarial gains and losses	496	**427**	**3,554**
Contributions by the employer	174	**103**	**862**
Retirement benefits paid	(187)	**(188)**	**(1,565)**
Other (costs of employees transferred, etc.)	171	**78**	**652**
Plan assets at the end of the year	¥6,865	**¥7,442**	**$61,932**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2014 and 2015 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Retirement benefit obligations in the funded system	¥(5,746)	¥(8,453)	$(70,345)
Plan assets at fair value	3,966	7,442	61,932
	(1,780)	(1,010)	(8,413)
Other retirement benefit obligations in the unfunded system	(7,523)	(4,928)	(41,009)
Plan assets at fair value	2,898	—	—
	(4,624)	(4,928)	(41,009)
Total net liability for retirement benefits	(6,404)	(5,938)	(49,422)
Net defined benefit liability	(6,404)	(6,335)	(52,725)
Net defined benefit asset	—	396	3,303
Total net liability for retirement benefits	¥(6,404)	¥(5,938)	$(49,422)

The components of retirement benefit expenses for the years ended March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Service costs	¥ 509	¥ 435	$ 3,624
Interest costs	191	191	1,594
Expected return on plan assets	(139)	(156)	(1,301)
Amortization of actuarial gains and losses	36	(24)	(207)
Amortization of prior service costs	(13)	(37)	(313)
Retirement benefit expenses	¥ 585	¥ 408	$ 3,397

Prior service costs and actuarial gains and losses included in other comprehensive income (before tax effect) for the years ended March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Prior service costs	¥—	¥ (35)	$ (299)
Actuarial gains and losses	—	524	4,367
Total	¥—	¥488	$4,068

Unrecognized prior service costs and unrecognized actuarial gains and losses included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrecognized prior service costs	¥366	¥330	$2,752
Unrecognized actuarial gains and losses	(97)	426	3,553
Total	¥268	¥757	$6,305

The fair values of plan assets, by major category, as a percentage of total plan assets as of March 31, 2014 and 2015 are as follows:

	NTT Corporate Defined Benefit Pension Plan		Contract-type Corporate Pension	
	2014	**2015**	2014	**2015**
Cash and cash equivalents	0.74%	**0.77%**	0.45%	**0.46%**
Debt securities	43.15	**42.73**	40.20	**46.10**
Equity securities	28.41	**29.08**	16.36	**17.79**
Securities investment trusts beneficiary certificates	7.41	**7.51**	3.65	**4.09**
Pooled funds	8.78	**8.12**	19.84	**12.26**
Life insurance company general accounts	11.22	**11.58**	19.50	**19.30**
Other	0.29	**0.21**	—	**—**
Total	100.00%	**100.00%**	100.00%	**100.00%**

The expected return on plan assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on plan assets held in each category.

The assumptions used in accounting for the above plans as of March 31, 2014 and 2015 are as follows:

	2014	**2015**
Discount rates	1.5%	**1.5%**
Expected rate of return on plan assets		
NTT Corporate Defined Benefit Pension Plan	2.5%	**2.5%**
Contract-type Corporate Pension	2.0%	**2.0%**

(b) Defined Benefit Contribution Plan

The contributions made by the Company to the defined benefit contribution plan for the year ended March 31, 2015 were ¥63 million ($530 thousand).

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 a 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 ($28,604 thousand) as of March 31, 2014 and 2015, respectively, which are included in retained earnings.

12. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2014 and 2015 consisted primarily of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Salaries, allowances and bonuses	¥5,227	**¥5,053**	**$42,050**
Business consignment expenses	4,565	**3,402**	**28,315**
Advertising expenses	5,138	**3,037**	**25,275**
Taxes and dues	1,929	**1,899**	**15,803**
Retirement benefit expenses	385	**343**	**2,855**
Provision for directors' retirement benefits	11	**13**	**115**
Provision of allowance for doubtful accounts	0	**34**	**290**

13. Impairment Loss on Fixed Assets

In the year ended March 31, 2014, the Company and its consolidated subsidiaries recognized impairment losses on the following asset group:

Description	Classification	Location	Millions of yen
Three commercial / office buildings in total	Land, buildings and structures	Kumamoto-shi, Kumamoto, etc.	¥2,848

As a general rule, the Company and its consolidated subsidiaries examine individual properties for impairment. As a result, its three commercial / office buildings in total above were recognized as impaired due to the sharp decline in profitability with the worsening of market conditions. The book value of the land, buildings and structures was reduced to the recoverable amounts, and the reduced values were recorded as "Impairment loss," which is included in "Other income (expenses)." The breakdown of the impairment loss is as follows: ¥1,994 million of land and ¥853 million of buildings and structures. The recoverable value of the assets above is measured at their net selling value appraised by an external real estate appraiser.

In the year ended March 31, 2015, the Company and its consolidated subsidiaries recognized impairment losses on the following asset group:

Description	Classification	Location	Millions of yen	Thousands of U.S. dollars
Two office buildings in total	Land, buildings and structures	Sendai-shi, Miyagi, etc.	**¥1,455**	**$12,116**

As a general rule, the Company and its consolidated subsidiaries examine individual properties for impairment. As a result, its two office buildings in total above were recognized as impaired due to the sharp decline in profitability with the worsening of market conditions. The book value of the land, buildings and structures was reduced to the recoverable amounts, and the reduced values were recorded as "Impairment loss," which is included in "Other income (expenses)." The breakdown of the impairment loss is as follows: ¥862 million ($7,178 thousand) of buildings and structures and ¥593 million ($4,938 thousand) of land. 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, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Dividends income	¥ 76	**¥ 73**	**$ 608**
Contributions received in aid of construction	138	**93**	**780**
Gain on donation of non-current assets	60	**17**	**149**
Gain on sales of non-current assets	6,434	**1,850**	**15,396**
Gain on sales of securities of subsidiaries and affiliates	2,142	**—**	**—**
Loss on sales of non-current assets	(8,779)	**(699)**	**(5,818)**
Loss on disposal of non-current assets	(1,476)	**(1,220)**	**(10,156)**
Other	(759)	**(173)**	**(1,447)**
Total	¥(2,164)	**¥ (58)**	**$ (488)**

The components of "Gain on sales of non-current assets" and "Loss on sales of non-current assets" in "Other income (expenses)" for the years ended March 31, 2014 and 2015 are as follows.

For sales of non-current 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 is recorded as "Gain (loss) on sales of non-current assets."

(a) Gain on Sales of Non-current Assets

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Buildings and structures	¥(1,715)	**¥ (102)**	**$ (855)**
Land	8,149	**1,952**	**16,251**
Total	¥ 6,434	**¥1,850**	**$15,396**

(b) Loss on Sales of Non-current Assets

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Buildings and structures	¥ (9)	**¥ —**	**$ —**
Land	(8,770)	**(697)**	**(5,806)**
Other	—	**(1)**	**(12)**
Total	¥(8,779)	**¥(699)**	**$(5,818)**

The components of "Loss on disposal of non-current assets" in "Other income (expenses)" for the years ended March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Buildings and structures	¥ (698)	**¥ (521)**	**$ (4,336)**
Machinery and equipment	(11)	**(3)**	**(29)**
Removal cost	(743)	**(676)**	**(5,629)**
Tools, furniture, fixtures and others	(23)	**(19)**	**(162)**
Total	¥(1,476)	**¥(1,220)**	**$(10,156)**

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 38.0% and 35.6% for the years ended March 31, 2014 and 2015, respectively.

For the year ended March 31, 2014, notes are omitted since the difference between the effective tax rate and the actual effective tax rate after applying tax effect accounting is equal to or varies by less than 5% as compared to the effective tax rate. 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 year ended March 31, 2015.

	2015
Statutory tax rate	35.6%
Adjustments:	
Reduction in year-end deferred tax liabilities due to tax rate change	(31.6)
Amortization of negative goodwill	(3.4)
Earnings of subsidiaries (UDX Tokutei Mokuteki Kaisha) attributable to minority interests	(2.6)
Valuation allowance	(0.8)
Other	(0.5)
Effective tax rate after the application of tax effect accounting	(3.3)%

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 9 of 2015) and the “Act for Partial Amendment of the Local Tax Act, etc.” (Act No. 2 of 2015) were promulgated on March 31, 2015. As a result, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 were changed from 35.6% for the fiscal year ended March 31, 2015 to 33.0% and 32.2%, respectively, as of March 31, 2015.

Due to these changes in statutory income tax rates, net deferred tax liabilities (after deducting the deferred tax assets) decreased by ¥6,138 million ($51,078 thousand) as of March 31, 2015, deferred income tax expense recognized for the fiscal year ended March 31, 2015 decreased by ¥5,972 million ($49,697 thousand), valuation difference on available-for-sale securities increased by ¥141 million ($1,177 thousand) and accumulated remeasurements of defined benefit plans increased by ¥24 million ($204 thousand).

The significant components of deferred tax assets and liabilities as of March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Deferred tax assets:			
Accrued bonuses in excess of the limit for income tax deduction	¥ 181	**¥ 169**	**$ 1,412**
Accrued enterprise taxes	164	**222**	**1,851**
Accrued real estate acquisition tax	220	**169**	**1,408**
Loss on valuation of inventory	23	**9**	**76**
Valuation loss on land	3,684	**2,962**	**24,650**
Depreciation of unused building volume	2,046	**1,962**	**16,334**
Net defined benefit liability	2,280	**1,988**	**16,547**
Impairment loss	1,462	**1,668**	**13,887**
Other	2,468	**2,944**	**24,505**
Subtotal	12,531	**12,097**	**100,670**
Valuation allowance	(6,820)	**(6,119)**	**(50,926)**
Total	5,710	**5,977**	**49,744**
Deferred tax liabilities:			
Reserve for advanced depreciation of non-current assets for tax purposes	(14,079)	**(14,245)**	**(118,543)**
Non-current assets valuation difference	(52,513)	**(47,375)**	**(394,237)**
Other	(2,008)	**(2,887)**	**(24,027)**
Total	(68,600)	**(64,508)**	**(536,807)**
Net deferred tax liabilities	¥(62,890)	**¥(58,530)**	**$(487,063)**

16. Amounts Per Share

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Net income	¥11,343	**¥16,235**	**$135,106**
Amounts not attributable to common stock	—	**—**	**—**
Net income attributable to common stock	¥11,343	**¥16,235**	**$135,106**
Average number of common stock outstanding during the fiscal year	329,120,000 shares	**329,120,000 shares**	

	Yen		U.S. dollars
	2014	2015	2015
Net income per share	¥34.46	**¥49.33**	**$0.41**
Cash dividends per share	16	**16**	**0.13**

	Yen		U.S. dollars
	2014	2015	2015
Net assets per share	¥563.98	**¥610.45**	**$5.08**

Diluted net income per share is not disclosed because the Company does not have any dilutive securities.

The Company implemented a 100-for-one stock split for its common shares with October 1, 2013 as the effective date and adopted the unit share system that sets one share unit at 100 shares. Net income per share is calculated as if the stock split had been implemented at the beginning of the fiscal year ended March 31, 2014.

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, 2014 and 2015 are 17 years and 6 months, and 16 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 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, 2014 and 2015 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
		2014	
	Book value	Fair value	Difference
Financial assets (liabilities):			
Cash and cash equivalents	¥ 18,798	¥ 18,798	¥ —
Time deposits and short-term investments	1,210	1,210	—
Notes and operating accounts receivable	18,058	18,057	(1)
Notes and operating accounts payable-trade	(11,850)	(11,850)	—
Short-term debt	(473)	(473)	—
Income taxes payable	(1,657)	(1,657)	—
Long-term debt	(506,780)	(518,543)	(11,762)
Lease and guarantee deposits received	(9,899)	(9,610)	288

			Millions of yen
		2015	
	Book value	Fair value	Difference
Financial assets (liabilities):			
Cash and cash equivalents	¥ 20,153	¥ 20,153	¥ —
Time deposits and short-term investments	150	150	—
Notes and operating accounts receivable	5,569	5,534	(35)
Notes and operating accounts payable-trade	(8,473)	(8,473)	—
Income taxes payable	(2,684)	(2,684)	—
Long-term debt	(547,188)	(562,876)	(15,688)
Lease and guarantee deposits received	(10,315)	(10,061)	254

			Thousands of U.S. dollars
		2015	
	Book value	Fair value	Difference
Financial assets (liabilities):			
Cash and cash equivalents	$ 167,709	$ 167,709	$ —
Time deposits and short-term investments	1,248	1,248	—
Notes and operating accounts receivable	46,350	46,057	(293)
Notes and operating accounts payable-trade	(70,514)	(70,514)	—
Income taxes payable	(22,339)	(22,339)	—
Long-term debt	(4,553,458)	(4,684,006)	(130,548)
Lease and guarantee deposits received	(85,844)	(83,728)	2,116

Long-term debt includes its current portion.

Deposits received of ¥63,544 million and ¥60,922 million ($506,968 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, 2014 and 2015, 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, 2014 and 2015 is as follows:

Millions of yen

	2014			
	Due within 1 year	Due after 1 year within 5 years	Due after 5 years within 10 years	Due after 10 years
Financial assets:				
Cash and cash equivalents	¥18,798	¥—	¥—	¥—
Time deposits and short-term investments	1,210	—	—	—
Notes and operating accounts receivable	18,058	—	—	—

Millions of yen

	2015			
	Due within 1 year	Due after 1 year within 5 years	Due after 5 years within 10 years	Due after 10 years
Financial assets:				
Cash and cash equivalents	**¥20,153**	**¥—**	**¥—**	**¥—**
Time deposits and short-term investments	**150**	**—**	**—**	**—**
Notes and operating accounts receivable	**5,569**	**—**	**—**	**—**

Thousands of U.S. dollars

	2015			
	Due within 1 year	Due after 1 year within 5 years	Due after 5 years within 10 years	Due after 10 years
Financial assets:				
Cash and cash equivalents	**$167,709**	**$—**	**$—**	**$—**
Time deposits and short-term investments	**1,248**	**—**	**—**	**—**
Notes and operating accounts receivable	**46,350**	**—**	**—**	**—**

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

18. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Valuation difference on available-for-sale securities:			
Amount arising during fiscal year	¥ (248)	¥2,670	$22,222
Reclassification adjustments for gains and losses included in net income	—	—	—
Amount before tax effect	(248)	2,670	22,222
Tax effect	89	(810)	(6,743)
Valuation difference on available-for-sale securities	(158)	1,860	15,479
Foreign currency translation adjustments:			
Amount arising during fiscal year	3,629	1,982	16,493
Remeasurements of defined benefit plans:			
Amount arising during fiscal year	—	546	4,548
Reclassification adjustments for gains and losses included in net income	—	(57)	(480)
Amount before tax effect	—	488	4,068
Tax effect	—	(150)	(1,249)
Remeasurements of defined benefit plans	—	338	2,819
Total other comprehensive income	¥3,470	¥4,180	$34,791

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, 2014 and 2015 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
	2014	2015	2015
Notional amounts	¥55,212	¥57,740	$480,491
Due after 1 year	50,000	54,740	455,526

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, 2014, the result of operation of those rental properties was ¥21,791 million. In addition, gain and loss on sales of non-current assets, loss on disposal of non-current assets, and impairment loss amounted to ¥6,386 million, ¥8,739 million, ¥1,317 million and ¥2,838 million, respectively. For the year ended March 31, 2015, the result of operation of those rental properties was ¥19,206 million ($159,824 thousand). In addition, gain and loss on sales of non-current assets, loss on disposal of non-current assets, and impairment loss amounted to ¥1,848 million ($15,383 thousand), ¥697 million ($5,806 thousand), ¥1,080 million ($8,994 thousand) and ¥1,429 million ($11,898 thousand), respectively.

The book value, net changes during the years ended March 31, 2014 and 2015, and fair value of rental properties as of March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Book Value:			
Amount at the beginning of fiscal year	¥ 758,300	**¥ 805,911**	**$ 6,706,428**
Change during fiscal year	47,611	**39,574**	**329,324**
Amount at the end of fiscal year	¥ 805,911	**¥ 845,486**	**$ 7,035,752**
Market value at the end of fiscal year	¥1,210,052	**¥1,327,642**	**$11,048,035**

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

For the year ended March 31, 2014, the components of net change in book value included increases mainly due to acquisitions in the amount of ¥83,412 million and decreases mainly due to the transfer to real estate for sale, the sales of real estate, and impairment loss in the amounts of ¥5,078 million, ¥22,559 million and ¥2,838 million, respectively. For the year ended March 31, 2015, the components of net change in book value included increases mainly due to acquisitions in the amount of ¥66,259 million ($551,385 thousand) and decreases mainly due to the transfer to real estate for sale, the sales of real estate, and impairment loss in the amounts of ¥6,438 million ($53,575 thousand), ¥5,542 million ($46,121 thousand) and ¥1,429 million ($11,898 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, 2014 are as follows:

	2014
Nature of relationship	Subsidiary of parent company
Name of related party	NTT FINANCE CORPORATION
Equity ownership percentage	(Owned) 1.0%
Description of transaction	Deposit paid and long-term loans payable
Transaction amount	¥33,900 million
Balance at year-end	Deposit paid: ¥1,695 million Short-term loans payable: ¥473 million Current portion of long-term loans payable: ¥5,400 million Long-term loans payable: ¥66,300 million

Related party transactions for the year ended March 31, 2015 are as follows:

	2015
Nature of relationship	**Subsidiary of parent company**
Name of related party	**NTT FINANCE CORPORATION**
Equity ownership percentage	**(Owned) 1.0%**
Description of transaction	**Deposit paid and long-term loans payable**
Transaction amount	**—**
Balance at year-end	**Deposit paid: ¥2,412 million ($20,074 thousand)**
	Current portion of long-term loans payable: ¥24,400 million ($203,046 thousand)
	Long-term loans payable: ¥42,962 million ($357,514 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 the years ended March 31, 2014 and 2015 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.

(c) Information about the Amounts of Operating Revenue, Operating Income, Total Assets and Other Items by Reported Segments

Millions of yen

	2014				
	Reported segments			Other	Total
	Leasing	Residential Property Sales	Total		
Operating revenue:					
External customers	¥ 95,709	¥79,527	¥175,237	¥13,949	¥189,186
Inter-segment transactions and transfers	885	10	895	4,583	5,478
Total operating revenue	96,595	79,537	176,132	18,532	194,665
Operating income	¥ 27,189	¥ 8,222	¥ 35,411	¥ 1,729	¥ 37,140
Total assets	¥898,408	¥74,258	¥972,666	¥12,079	¥984,745
Other items:					
Depreciation and amortization	¥ 23,560	¥ 5	¥ 23,565	¥ 61	¥ 23,627
Increases in property, plant and equipment and intangible assets (investment amount)	103,146	13	103,160	85	103,245

					Millions of yen
	2015				
	Reported segments			Other	Total
	Leasing	Residential Property Sales	Total		
Operating revenue:					
External customers	¥ 90,819	¥46,620	¥ 137,439	¥14,612	¥ 152,052
Inter-segment transactions and transfers	920	5	926	4,213	5,140
Total operating revenue	91,739	46,626	138,366	18,825	157,192
Operating income	¥ 23,566	¥ 4,405	¥ 27,972	¥ 2,485	¥ 30,457
Total assets	¥954,681	¥64,530	¥1,019,211	¥12,519	¥1,031,731
Other items:					
Depreciation and amortization	¥ 22,695	¥ 7	¥ 22,703	¥ 68	¥ 22,771
Increases in property, plant and equipment and intangible assets (investment amount)	76,589	31	76,621	76	76,698

					Thousands of U.S. dollars
	2015				
	Reported segments			Other	Total
	Leasing	Residential Property Sales	Total		
Operating revenue:					
External customers	$ 755,755	$387,955	$1,143,710	$121,599	$1,265,309
Inter-segment transactions and transfers	7,662	49	7,711	35,062	42,773
Total operating revenue	763,417	388,004	1,151,421	156,661	1,308,082
Operating income	$ 196,111	$ 36,662	$ 232,773	$ 20,681	$ 253,454
Total assets	$7,944,425	$536,989	$8,481,414	$104,185	$8,585,599
Other items:					
Depreciation and amortization	$ 188,865	$ 63	$ 188,928	$ 570	$ 189,498
Increases in property, plant and equipment and intangible assets (investment amount)	637,346	262	637,608	638	638,246

"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
	2014	2015	2015
Operating revenue:			
Total amounts for reported segments	¥176,132	**¥138,366**	**$1,151,421**
Other	18,532	**18,825**	**156,661**
Elimination of inter-segment transactions	(5,478)	**(5,140)**	**(42,773)**
Operating revenue in consolidated financial statements	¥189,186	**¥152,052**	**$1,265,309**

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Operating income:			
Total amounts for reported segments	¥35,411	**¥27,972**	**$232,773**
Other	1,729	**2,485**	**20,681**
Elimination of inter-segment transactions	5	**17**	**143**
Company-wide expenses	(6,687)	**(5,637)**	**(46,915)**
Operating income in consolidated financial statements	¥30,458	**¥24,836**	**$206,682**

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
	2014	2015	2015
Total assets:			
Total amounts for reported segments	¥972,666	**¥1,019,211**	**$8,481,414**
Other	12,079	**12,519**	**104,185**
Elimination of inter-segment transactions	(50,048)	**(51,393)**	**(427,674)**
Company-wide assets	50,810	**52,882**	**440,067**
Total assets in consolidated financial statements	¥985,507	**¥1,033,220**	**$8,597,992**

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

	Millions of yen			
	2014			
	Total amounts for reported segments	Other	Adjustments	Amounts stated in consolidated financial statements
Other items:				
Depreciation and amortization	¥ 23,565	¥61	¥938	¥ 24,566
Increases in property, plant and equipment and intangible assets (investment amount)	103,160	85	140	103,385

	Millions of yen			
	2015			
	Total amounts for reported segments	Other	Adjustments	Amounts stated in consolidated financial statements
Other items:				
Depreciation and amortization	**¥22,703**	**¥68**	**¥702**	**¥23,474**
Increases in property, plant and equipment and intangible assets (investment amount)	**76,621**	**76**	**885**	**77,583**

	Thousands of U.S. dollars			
	2015			
	Total amounts for reported segments	Other	Adjustments	Amounts stated in consolidated financial statements
Other items:				
Depreciation and amortization	**$188,928**	**$570**	**$5,849**	**$195,347**
Increases in property, plant and equipment and intangible assets (investment amount)	**637,608**	**638**	**7,369**	**645,615**

(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, 2014 and 2015, 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, 2014, the Company and its consolidated subsidiaries recognized impairment loss of ¥2,848 million in the Leasing segment. For the year ended March 31, 2015, the Company and its consolidated subsidiaries recognized impairment loss of ¥1,455 million ($12,116 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, 2014 and 2015 in reported segments.

	Millions of yen				
	2014				
	Leasing	Residential Property Sales	Other	Corporate / Eliminations	Total
Amortized amount	¥ 123	¥—	¥ 13	¥—	¥ 136
Balance as of March 31	1,781	—	210	—	1,992

	Millions of yen				
	2015				
	Leasing	Residential Property Sales	Other	Corporate / Eliminations	Total
Amortized amount	**¥ 118**	**¥—**	**¥ 13**	**¥—**	**¥ 131**
Balance as of March 31	**1,663**	**—**	**197**	**—**	**1,860**

	Thousands of U.S. dollars				
	2015				
	Leasing	Residential Property Sales	Other	Corporate / Eliminations	Total
Amortized amount	**$ 989**	**$—**	**$ 109**	**$—**	**$ 1,098**
Balance as of March 31	**13,840**	**—**	**1,644**	**—**	**15,484**

(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, 2014 and 2015 in reported segments.

Millions of yen

	2014				
	Leasing	Residential Property Sales	Other	Corporate / Eliminations	Total
Amortized amount	¥ 1,853	¥—	¥—	¥—	¥ 1,853
Balance as of March 31	24,927	—	—	—	24,927

Millions of yen

	2015				
	Leasing	Residential Property Sales	Other	Corporate / Eliminations	Total
Amortized amount	**¥ 1,780**	**¥—**	**¥—**	**¥—**	**¥ 1,780**
Balance as of March 31	**23,147**	**—**	**—**	**—**	**23,147**

Thousands of U.S. dollars

	2015				
	Leasing	Residential Property Sales	Other	Corporate / Eliminations	Total
Amortized amount	**$ 14,817**	**$—**	**$—**	**$—**	**$ 14,817**
Balance as of March 31	**192,621**	**—**	**—**	**—**	**192,621**

23. Subsequent Event

(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, 2015) was approved at the General Ordinary Meeting of Shareholders held on June 23, 2015:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥8 per share ($0.07))	**¥2,632**	**$21,910**

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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 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, 2015
Tokyo, Japan