NTT URBAN DEVELOPMENT CORPORATION

Annual Report 2015

For the year ended March 31, 2015

Corporate Slogan

With Integrity, through Innovation
— connecting cities and people

Corporate Philosophy (UD Statement)

We will contribute to sustainable urban development through our real estate services.
What we value most is seeing the satisfaction of our customers and members of the wider public, and bringing smiles to their faces.

For this, we will pay close attention to the changing needs of our customers and society, and thoroughly understand our customers' perspectives.

We make it a promise to continue our challenge of generating innovative services, where all of our management and employees will act with integrity and without fearing failure.

This challenge is fueled by a corporate culture conducive to all of our management and employees freely and proactively voicing opinions, where all of us may respect and value one another, and go about our jobs with a smile.

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

Areas of growth cover a broad range of fields and are included in the real estate fund business and the global business.

Contents

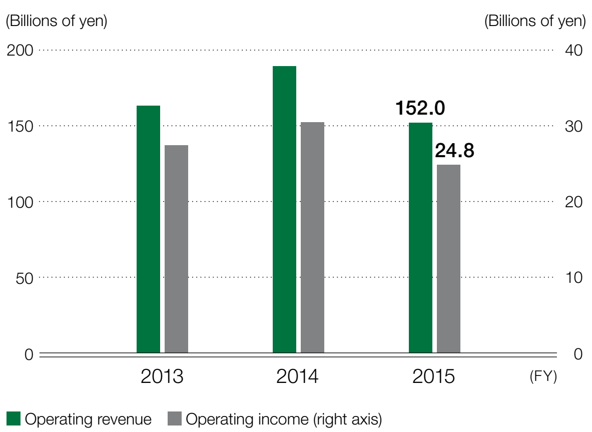
Highlights of Year Ended March 31, 2015

Operating revenue	Operating income	Net income
¥152.0 billion	¥24.8 billion	¥16.2 billion

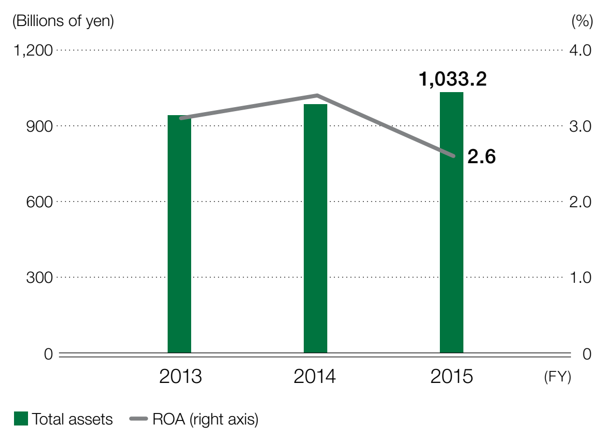
Operating revenue composition

Leasing Business	Residential Property Sales Business	Other Business
58.4%	29.7%	12.0%

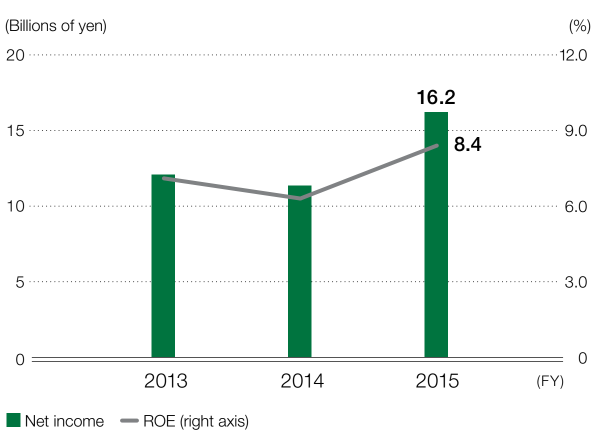
Operating revenue / Operating income



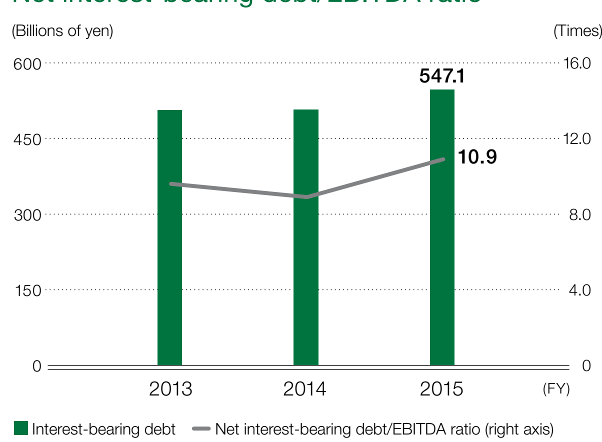
Total assets / ROA



Net income / ROE



Interest-bearing debt / Net interest-bearing debt/EBITDA ratio



Rentable floor space

1,248 thousand m²

(As of March 31, 2015)

Vacancy rate (five wards of central Tokyo)*1

1.7%

(As of March 31, 2015)

NOI*2

¥47.5 billion

Number of condominium units delivered

1,080

ROA

2.6%

(As of March 31, 2015)

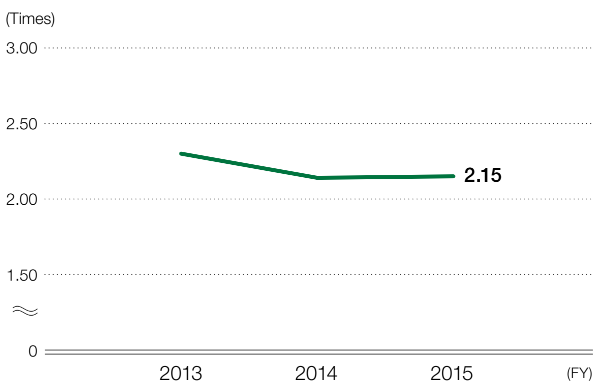
Long-term debt rating

A+

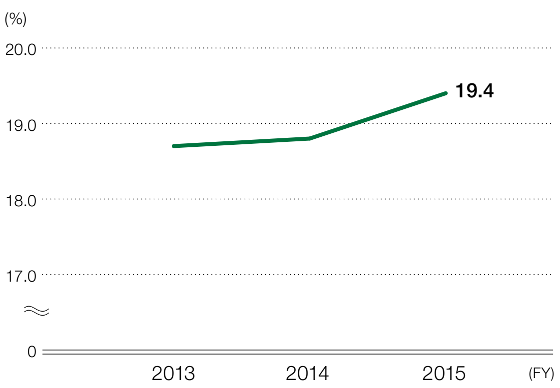
Rating and Investment Information, Inc.
(As of March 31, 2015)

*1. If Shinagawa Season Terrace, completed in February 2015, is reflected in the calculation, the figure is 14.7%.
*2. NOI = Property rent income − Property rental costs + Depreciation expenses (including long-term prepaid expenses)
Excluding the effects of property sales, etc.

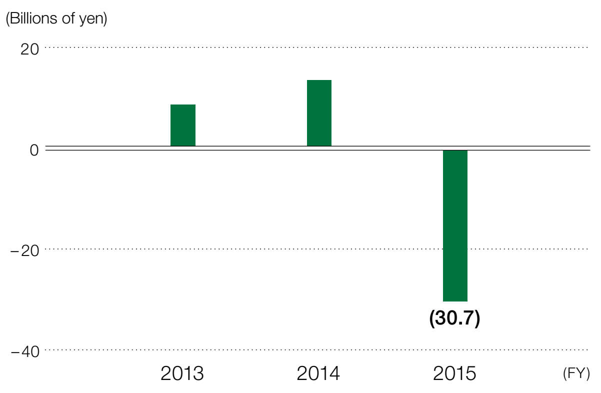
Net D/E ratio



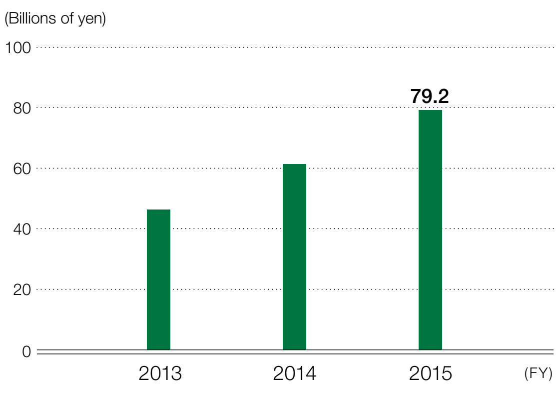
Equity ratio



Free cash flow



Capital expenditure



Sadao Maki

President and
Chief Executive Officer

With integrity and *through innovation,* we will continue to grow as a progressive company.

Office Business

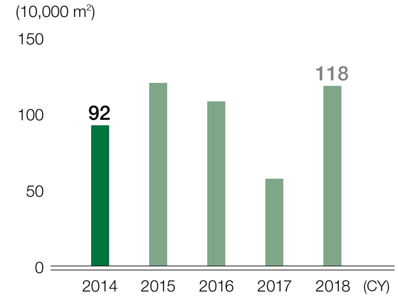
Conditions in the office leasing market have been improving as the economy has recovered steadily, with the vacancy rates in the five wards of central Tokyo reaching single digits. In these conditions, the NTT Urban Development Group's vacancy rates and rents are improving, evidence that advance efforts to strengthen leasing capabilities are bearing fruit.

We will step up leasing to rapidly increase the profitability of such new buildings as Shinagawa Season Terrace, officially opened in May 2015; Urbannet Nihonbashi 2-chome Building; and Urbannet Ginza 1-chome Building. Also, we are preparing to cater to medium-to-long-term demand for offices in the Otemachi area, where demand and our brand power are strong. For example, we have joined a project that exploits the NTT Group's resources, the Otemachi 2-1 Project.

As for existing buildings, we will heighten the competitiveness of flagship buildings by strengthening their ability to facilitate tenants' business continuity plans.

Not limiting ourselves to office buildings, we will tackle mixed-used property development projects that combine offices, commercial properties, and even residences to provide customers with comfortable, highly convenient office spaces.

Supply of large offices* in the 23 wards of Tokyo



Note: Figures for 2015–2018 are estimates.
* Buildings with office floor space of at least 10,000 m^2
Source: Mori Trust Co., Ltd.

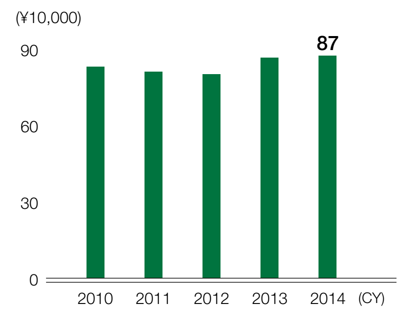
Residential Development Business

Demand dipped after the 2014 consumption tax increase; however, latent demand for condominiums remains solid. In particular, demand is trending upward in downtown areas. This reflects an expanding number of seniors in one- or two-person households looking to relocate because their household has become smaller, a rise in dual-income households that want highly convenient locations, and growth in investment from overseas.

In the year ended March 31, 2015, the residential development business recorded a decline in revenues and earnings because of a larger supply of suburban properties than in the previous fiscal year. Nevertheless, we kept the operating margin at approximately the same level year on year. We will continue to develop high-value-added properties with locations, specifications, and designs that match market demand. To cater to the particularly strong demand in downtown areas, as well as developing new properties, we will realize the development of properties in prime locations by renovating old condominiums and converting office buildings into condominiums.

As for serviced housing for seniors, demand for which will become even stronger, in collaboration with the NTT Group, we are developing serviced housing for seniors as part of the *Tsunagu* (Connecting) Town Project. In this project, we are developing standard condominiums and serviced housing for seniors so that multiple generations of the same family can live together in the area long term. We will provide a residential environment in which seniors and their families can live comfortably and with peace of mind.

Price trends of condominiums in the 23 wards of Tokyo (per m^2)



Source: Real Estate Economic Institute Co., Ltd.

Commercial Properties Development Business

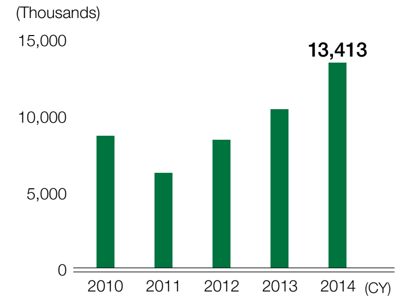
We opened Trad Mejiro in front of Mejiro Station as an addition to the commercial properties we have developed so far, such as Urbannet Tenjin Building, in Fukuoka, and Urbannet Shijo-Karasuma Building, in Kyoto. Located in an area that did not have many commercial properties, Trad Mejiro consists entirely of commercial tenants, thereby catering to the local community's needs. Meanwhile, many customers are using our existing commercial properties because we have tailored them to reflect the needs and characteristics of each location. These include retail facilities in areas that attract large numbers of affluent customers, commercial tenants in office buildings that are seeing rising demand for offices as vacancy rates decrease, and facilities catering to tourists from overseas that have strong purchasing power.

We will undertake mixed-used property development with an emphasis on residences and commercial properties. In these projects, Tokyo's Harajuku and Aoyama areas, where we have numerous commercial properties, will be priority areas.

In response to growing demand from visitors to Japan in recent years, the Group intends to develop hotels. We will develop these hotels with the 2020 Tokyo Summer Olympic and Paralympic Games in mind. However, to ensure they maintain their value after the event, we will develop them to suit the local needs of cities with stable markets, such as Kyoto, Fukuoka, and Osaka.

In October 2015, we plan to begin building a hotel directly connected to Universal City Station, in Osaka. As well as catering to burgeoning tourist demand, the hotel will cater to local needs by including a bridal center.

Foreign visitors to Japan



Source: Japan National Tourism Organization

Global Business

As part of efforts to sustain growth and ensure earnings stability through portfolio diversification, we intend to accelerate the development of the global business. We aim to spread investment across a range of countries and regions with higher growth rates and profit margins than Japan to optimize risk and return. At the same time, in Western countries with sophisticated real estate markets, we will acquire progressive expertise in overall building management, which we will use to increase efficiency and add value in domestic businesses.

In January 2015, we acquired two properties in Boston, in the United States. Also, in Southeast Asia's market, which promises to continue robust growth, we upgraded our Singapore Representative Office to a branch office. Currently, the office is working with a local partner to unearth projects.

We are adopting a medium-to-long-term approach to the global business, and we intend to proceed carefully, taking into consideration each country's particular risks. Our goal is to have earnings from the business account for about 10% of profits by the year ending March 31, 2019.

Development Pipeline

To sustain growth, we must increase earnings from existing properties while developing properties with even higher added value. Therefore, we will focus development on properties in downtown areas because demand for them is likely to be strong and they promise high profit margins. In the year ended March 31, 2015, we invested strategically to develop properties in excellent locations in Otemachi, Nihonbashi, and Ginza and acquire a property, Harajuku Dai-ichi Mansions, in front of Harajuku Station. Regarding properties that we are currently using provisionally, we will build optimal models matching the needs in each situation and establish commercial businesses as soon as possible.

With respect to funding investment, we will control liabilities by using our own funds and by replacing assets through the use of Premier Investment Corporation, a Group company, and a private-placement REIT that we will establish in the current fiscal year.

While analyzing market trends from a long-term viewpoint, the NTT Urban Development Group will raise the quality and profitability of its portfolio to heighten corporate value and thereby provide shareholders with stable returns.

Toward Further Growth

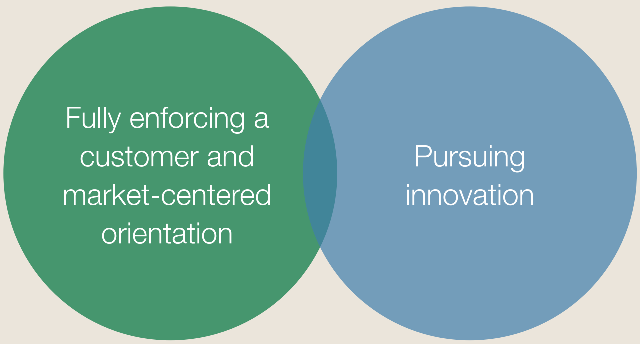
The Group's corporate slogan is *With Integrity, through Innovation*. While dealing with customers honestly and providing properties and services they can trust, we want to incorporate advanced technology and methods to offer solutions that meet society's current needs. By taking on the challenge of delivering high-value-added properties that satisfy customers, we will build an even stronger presence.

Realizing medium-to-long-term growth calls for steady business management, far-sightedness, technological capabilities, and the ability to execute plans. As a member of the NTT Group, we will continue to grow by realizing each initiative *with integrity* and *through innovation*.

September 2015

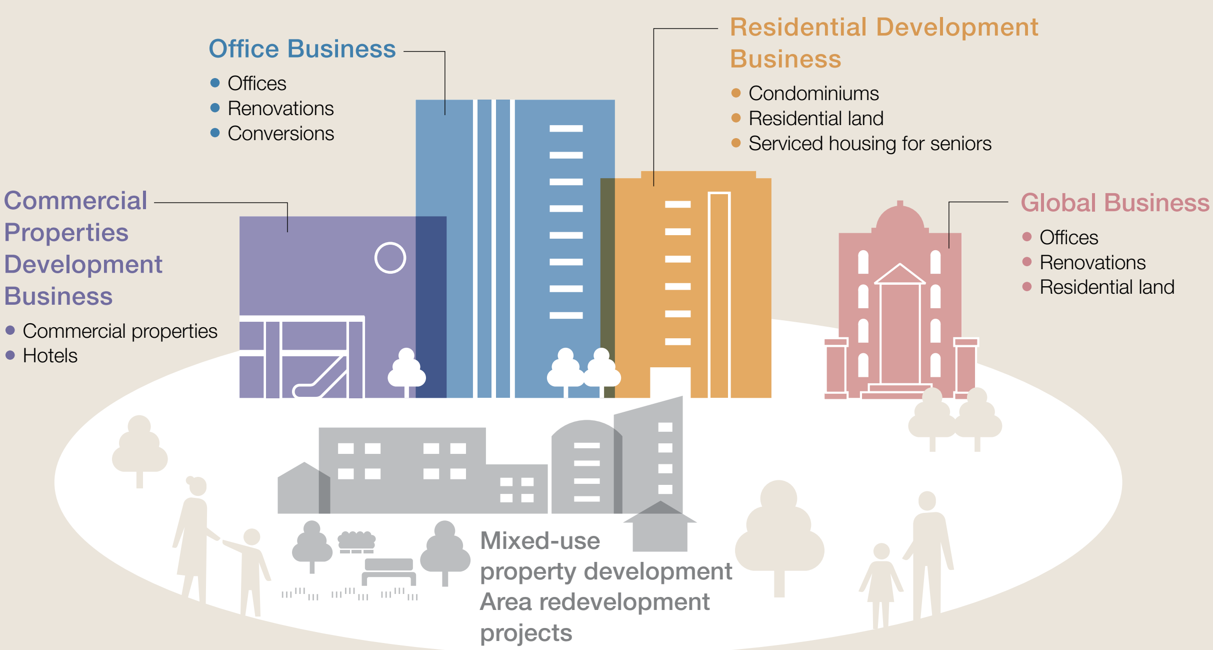
Sadao Maki
President and Chief Executive Officer

Medium-Term Vision 2018
—For Further Growth—



In November 2014, we revised the strategies of each business to reflect changes in market conditions, including the ongoing rush to develop new A-class buildings, particularly in downtown areas; rising land and property prices mainly in the Tokyo metropolitan area; and increasing construction costs. We will continue to reform business management based on the basic strategies set out in Medium-Term Vision 2018: *fully enforcing a customer and market-centered orientation* and *pursuing innovation.*

With Integrity, through Innovation
—connecting cities and people



Revisions of Business Strategies

Office Business

- Shift from emphasis on “build-and-own” to “build-and-sell” approach
- Expand the range of development projects by collaborating with other companies (enhance collaboration, such as rebuilding properties owned by Kenedix, Inc., and J-REIT, etc.)
- Strengthen corporate real estate (CRE) proposals in various fields to NTT Group companies
- Participate in area redevelopment projects
- Start feasibility studies for development of assets currently in use for tentative purposes
- Launch private-placement REITs, scheduled in year ending March 31, 2016, to utilize as a potential buyer of our developed property; expand the amount of assets under management (AUM) to generate management fees
- Strategic renewal, such as business continuity plan (BCP) of flagship buildings

Residential Development Business

- Shift away from delivery-oriented strategy to profit-oriented strategies and maintain level of supply at about 1,300 units per year
  (Before revision: Year ending March 31, 2016–1,600 units; Year ending March 31, 2019–2,000 units)
- Place greater weight on developing higher-value units, such as high-grade condominiums for sale and mixed-use development
- Collaborate with NTT Group to develop serviced housing for seniors
- Enter new business areas, such as conversion of office buildings to residential use

Commercial Properties Development Business

- Undertake hotel projects in Kyoto and Osaka areas targeting primarily tourists from overseas
- Launch mixed-use (such as retail and residential use) property development projects in central Tokyo

Global Business

- Increase profits from global business to about 10% of total profits by year ending March 31, 2019
- Accumulate practical experience in progressive property management and real estate overseas
- Diversify portfolio by investing in major cities overseas

Financial Targets

	Year ended March 31, 2015 (result)	Years ending March 31, 2016 – 2018	Year ending March 31, 2019
Operating revenue	¥152.0 billion	About ¥160.0 – ¥190.0 billion	¥200.0 billion
Operating income	¥24.8 billion	About ¥25.0 – ¥26.0 billion	¥30.0 billion

Note: Operating revenue and operating income above include revenue and income from asset sales.

Investment and Land Acquisition
(Year ended March 31, 2015, to year ending March 31, 2019)

- Investment*: Set the investment target for the five-year period from year ended March 31, 2015, to year ending March 31, 2019, at around ¥360.0 billion
  * Including land-bank investment for “build-and-sell” model
- Condominium land acquisition: Plan to spend about ¥20.0 billion per year to acquire land for condo development

Acceleration of Capital Cycle

- Plan to sell assets totaling ¥150.0–200.0 billion in the five-year period starting year ended March 31, 2015, to J-REITs, private-placement funds, and others and use as a part of the proceeds for investment

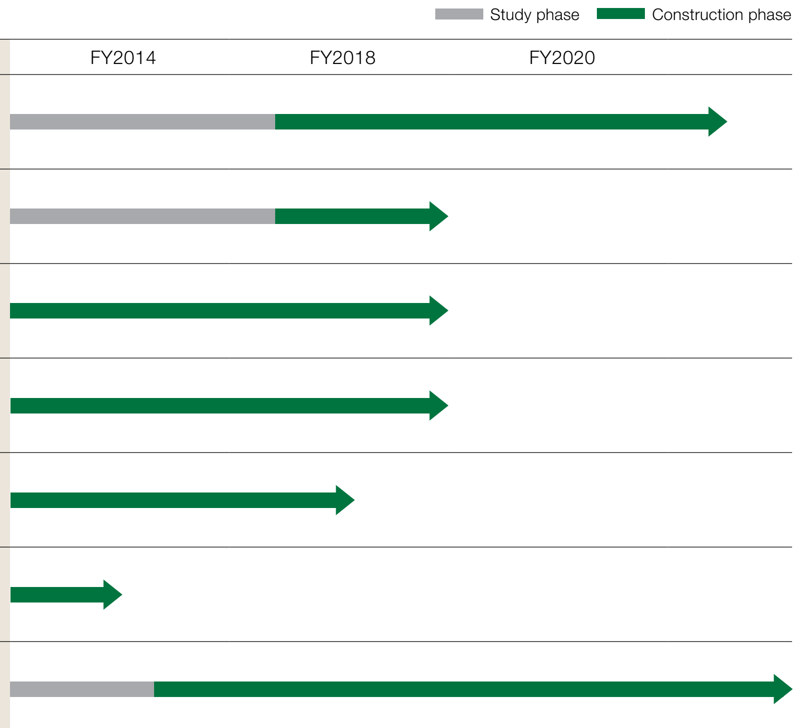
Control of Interest-Bearing Debt

- Maintain interest-bearing debt at the end of year ending March 31, 2019, at the current level of about ¥500.0 billion

Manage businesses with focus on key indicators (ROE, ROA, Net debt/equity ratio, Net interesting-bearing debt to EBITDA ratio, etc.)

Development Pipeline

Development Projects	Areas	Number
Mixed-use property development (including retail and residential use)	Aoyama, Daikanyama, Harajuku areas, etc.	Approx. 6 projects
Hotel projects (tie-up with operating companies)	Kyoto, Osaka, Fukuoka areas, etc.	Approx. 3 projects
Central Tokyo office projects	Shinagawa, Nihonbashi, Ginza, Otemachi, etc.	
Conversion and renovation projects	Tokyo metropolitan area and overseas (including London and New York)	Approx. 6 projects
Serviced housing for seniors	Central Tokyo and suburbs	Approx. 10 projects
Rental residential projects	Tokyo and Osaka areas, etc.	Approx. 3 projects
Development of tentative-use and partnered properties	Tokyo metropolitan area, Nagoya and Osaka areas, etc.	Approx. 10 projects



Note: The above projects are subject to change.

Urbannet Nihonbashi 2-chome Building

Location: Chuo-ku, Tokyo
Footprint: 1,687 m^2
Floor space: 14,795 m^2
Size: 10 floors aboveground, 1 belowground
Primary use: Offices
Timeline: Construction commenced June 2014, completion in December 2015 (scheduled)

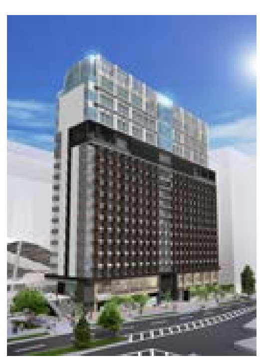
Urbannet Ginza 1-chome Building

Location: Chuo-ku, Tokyo
Footprint: 1,737 m^2
Floor space: 11,720 m^2
Size: 8 floors aboveground, 1 belowground
Primary use: Offices
Timeline: Construction commenced November 2014, completion in February 2016 (scheduled)

Otemachi 2-chome Area 1st Class Urban Redevelopment Project, Building A

Location: Chiyoda-ku, Tokyo
Footprint: About 19,900 m^2 (both buildings A and B)
Floor space: Building A, approx. 202,000 m^2 (NTT UD share: approx. 35,000 m^2*)
Size: Building A, 35 floors aboveground, 3 belowground
Primary use: Offices and commercial
Timeline: Construction commenced May 2015, completion in July 2018 (scheduled)

* Including co-owned area



Universal City Station Project

Location: Konohana-ku, Osaka
Footprint: 2,639 m^2
Floor space: 20,808 m^2
Size: 17 floors aboveground, 1 belowground
Primary use: Commercial (hotel, bridal center)
Timeline: Construction commences October 2015 (scheduled), completion in June 2017 (scheduled)

Office and Commercial Properties Development Businesses

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This refers to a business that leases office buildings and a business that leases commercial properties and facilities. They have well-balanced portfolios that are centered on the Tokyo metropolitan area and include properties in major cities across Japan.

Residential Development Business

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As well as selling condominiums planned and developed in-house under the Wellith brand, this business sells residential land.

Global Business

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Launched in 2009, the global business has operations in the United Kingdom, Australia, Southeast Asia, and the United States. We will exploit expertise acquired in Japan to advance this business steadily and establish it as a new growth driver.

Office and Commercial Properties Development Businesses

Photo by Forward Stroke

In the office leasing market, vacancy rates continued to improve. At the same time, market rents showed signs of bottoming out, with rents rising in some sectors.

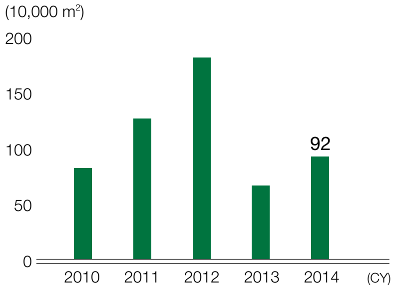
At March 31, 2015, the average market vacancy rate*1 in the five wards of central Tokyo was 5.30%, down 1.40 percentage points from the previous fiscal year-end. Furthermore, asking rents are rising in central Tokyo. The average market asking rent*1 in the five wards of central Tokyo was ¥17,195 per 3.3 square meters, up 5.33% from the previous fiscal year-end.

*1. The average market vacancy rate in the five wards of central Tokyo and the average market asking rent are based on data from Miki Shoji Co., Ltd.

Key Market Data

Supply of large offices*2 in the 23 wards of Tokyo

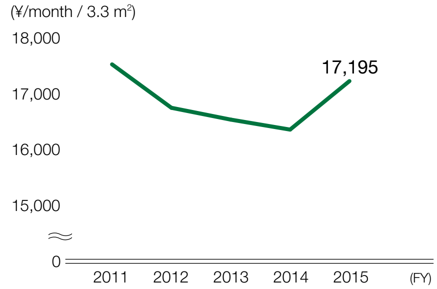
(10,000 m²)



*2. Buildings with office floor space of at least 10,000 m²
Source: Mori Trust Co., Ltd.

Market asking rents of office buildings*3 in five wards of central Tokyo

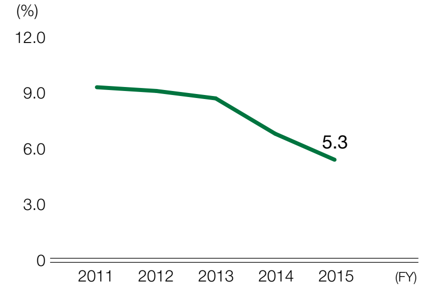
(¥/month / 3.3 m²)



*3. Surveyed buildings: Office buildings with standard floor space of at least 330 m²
Source: Miki Shoji Co., Ltd.

Vacancy rates of office buildings*3 in five wards of central Tokyo

(%)

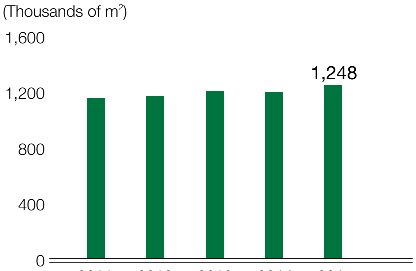


*3. Surveyed buildings: Office buildings with standard floor space of at least 330 m²
Source: Miki Shoji Co., Ltd.

KPI of NTT Urban Development

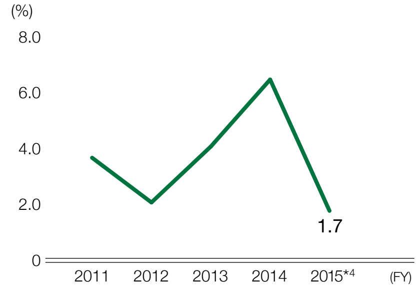
Rentable floor space

(Thousands of m²)



Vacancy rates in five wards of central Tokyo

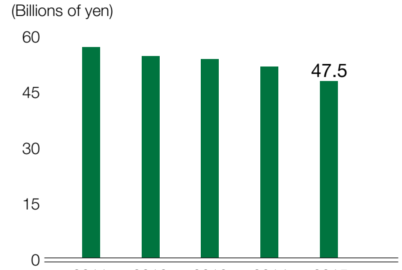
(%)



*4. If Shinagawa Season Terrace, completed in February 2015, is reflected in the calculation, the figure is 14.7%.

Net operating income (NOI)*5

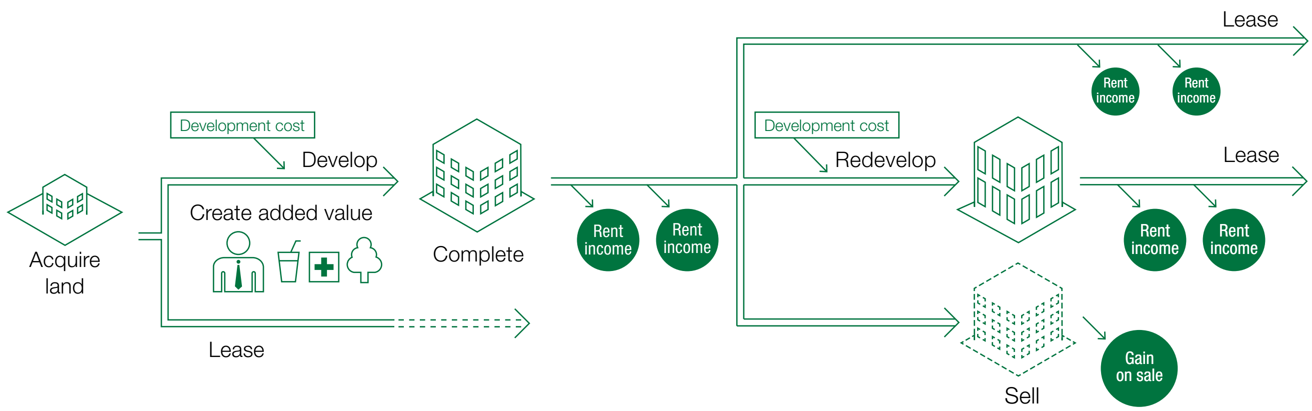
(Billions of yen)



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

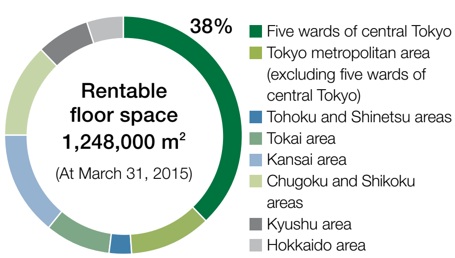
Operational Flow of Office and Commercial Properties Development Businesses

These businesses plan and develop properties, heighten their value, lease them to tenants, and receive rent income. Because the businesses own properties on a long-term basis, they maintain and redevelop them to increase their value, which affects rents. Sometimes, the businesses reinvest income from the sale of properties.

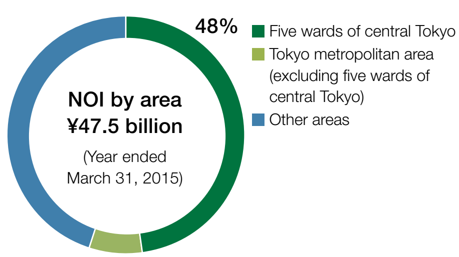


Strengths of the NTT Urban Development Group

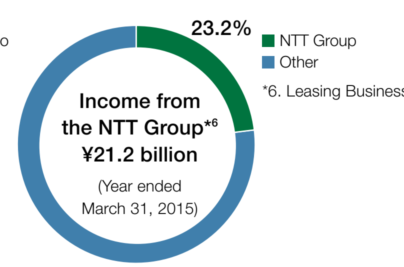
Location portfolio



Income portfolio



Synergies with the NTT Group



*6. Leasing Business

Capabilities to Sustain Growth

Identifying favorable properties	**Information-gathering capabilities**
Adding value to property	**Planning and development capabilities**
	Favorable-tenant-attraction capabilities
Maintaining and enhancing asset values constantly	**Favorable-tenant-attraction capabilities**

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Complex Building Meeting Japan's Strictest Environmental Standards

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

One of Japan's largest complex buildings, Shinagawa Season Terrace is a six-minute walk from the Minato South Exit (east exit) of JR Shinagawa Station, which is fast becoming a focus of attention as Tokyo's new gateway. For this project, we used the land of the upper-level section of the Shibaura Water Reclamation Center. February 2015 saw the completion of our environment-friendly complex building, incorporating the latest systems for the efficient use of natural energy. Furthermore, the structure and facilities of the building enable it to withstand major natural disasters. It officially opened in May 2015.

Commercial zone summary (Shinagawa Station)

- Average number of passengers per day: 342,475 (year ended March 31, 2015; source: East Japan Railway Company)
- Takes approx. 7 minutes to travel to Tokyo Station (using JR Tokaido Line)
- Takes approx. 20 minutes to travel to Haneda Airport (using the Keikyu Line)
- Takes approx. 2 hours 20 minutes to travel to Shin-Osaka Station (using Tokaido Shinkansen Line)

Photo by Forward Stroke

Project Overview

Location: Minato-ku, Tokyo

Footprint: 49,547 m^2 (total)

Floor space: 202,716 m^2 (total)

Size: 32 floors aboveground, 1 belowground

Primary use: Offices and commercial

Project History

July 2008: Tokyo Metropolitan Government's Bureau of Sewerage began the public invitation for applications from prospective users of the upper-level section, which was to become available following redevelopment of the Shibaura Water Reclamation Center.

March 2009: The group that the NTT Urban Development Group represented was selected as the operator.

February 2012: Began construction

February 2015: Completed construction

May 2015: Opened building officially

Future International Business Hub, Attracting Attention as a New Gateway

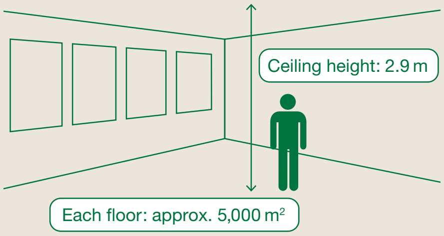
Shinagawa is an appealing area that promises to grow and develop as Tokyo's new gateway and as an international business hub. In addition to accumulating office buildings, the area is experiencing an influx of global companies, partly because it boasts one of Tokyo's main concentrations of major hotels.

Other attributes making the area a favorable location include Tokaido Shinkansen Line services that begin and end at Shinagawa Station and link eastern and western Japan and proximity to Haneda Airport, which is served by many international routes. Also, the area promises to become even more convenient. Plans call for the establishment of a new railway station on the Yamanote Line nearby, and services of the Linear Chuo Shinkansen will originate from Shinagawa Station.

Shinagawa Season Terrace is in the Shinagawa area, which is increasingly viewed as a location that will prosper going forward. We developed the complex building by making effective use of the upper-level section of the Shibaura Water Reclamation Center, which is under the management of the Tokyo Metropolitan Government's Bureau of Sewerage. The building meets Japan's strictest environmental standards.

With 32 floors aboveground, the first to third floors include a commercial zone, a conference hall, and a clinic. The fifth to 31st floors are offices. In addition, the building has an adjoining 3.5 hectare green space. Each office floor is approximately 5,000 square meters and has a 2.9 meter-high ceiling, thus these are some of the most spacious offices in Tokyo. Consequently, the office floors are ideal for companies looking to consolidate operations or improve the efficiency of their office layout. Further, each office floor can be subdivided into up to 10 areas. In this way, the building can cater to a wide range of office requirements. The commercial zone accommodates 22 establishments, most of which are restaurants. We hope office workers and local residents will use these floors. In the green space, we have laid paths suitable for jogging so that office workers can exercise in their free time. On weekends, residents from the many condominiums in the surrounding area visit the green space. Also, with a view to attracting more visitors, we have invited a company to establish a restaurant that offer wedding-related services.

Aiming to realize urban planning that sustainably integrates human activities with light, wind, water, and greenery, this project enables office workers and other users to experience workstyles and lifestyles that offer a glimpse into the near future.



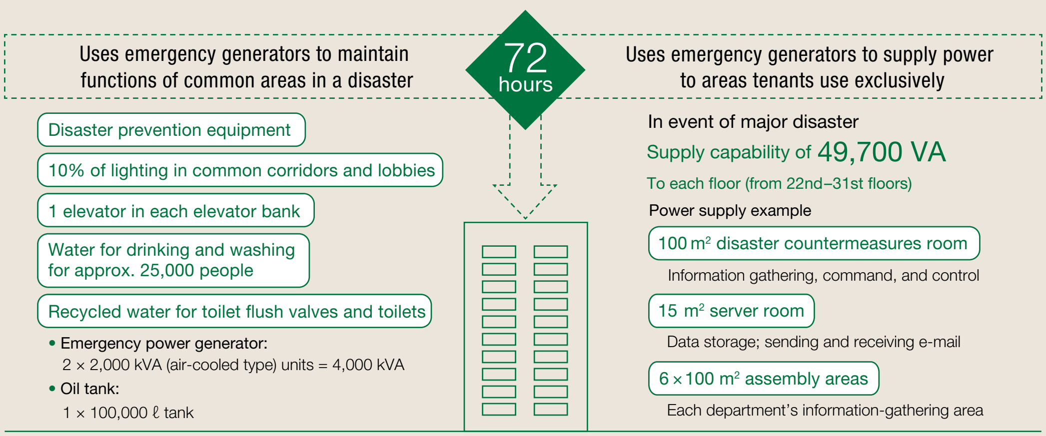
Safety and Peace of Mind: Building Functions Able to Last for 72 Hours in an Emergency

The period after the Great East Japan Earthquake brought to light a range of problems for large buildings in central Tokyo. In response to the growing focus on office buildings' disaster countermeasures, we ensured that Shinagawa Season Terrace incorporates numerous functions that will help tenants continue their businesses in the event of a disaster.

One of the largest seismically isolated structures in Japan, the building mitigates the impact of earthquakes and can withstand long periods of ground motion. This not only ensures the safety of people but also protects functions within the building. In light of a flood hazard map of Minato ward, we set a highly safe anti-flooding level of Tokyo Peil (TP)* + 4.30 meters. Consequently, the highest tsunami that the Tokyo Metropolitan Government's Disaster Prevention Council envisions for Minato ward would not reach the building.

Also, in preparation for widespread stoppages of power or water supplies during emergencies, the building has an emergency power generator capable of operating for 72 hours and water storage tanks that hold 630,000 liters of domestic water, including drinking water and general service water. Furthermore, the building can supply power to areas of the building that tenants use exclusively.

* Denotes the Japanese system of measuring elevation based on the mean sea level in Tokyo Bay.

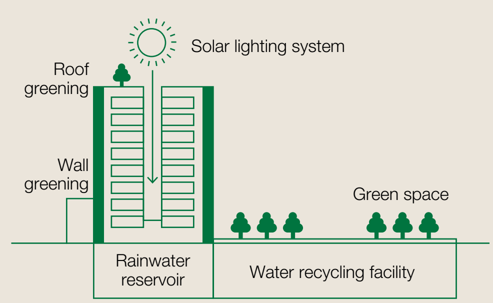


Anticipating that tenants and other users of the building may be unable to return home in the event of a disaster, we have included a waiting area for them and a storeroom with stockpiles of drinking water, food, and blankets.

Efficient Use of Valuable Light, Wind, Water, and Other Types of Natural Energy

Shinagawa Season Terrace is an environment-friendly building that achieves some of the best environmental performance in Japan by taking advantage of new technology. As well as using sewage heat to provide air-conditioning, the building uses large-air-volume outdoor air-cooling to reduce the energy burden of air-conditioning. Also, recycled water is used for flushing toilets. Moreover, to help tenants manage energy, we have established a building energy management system that monitors and controls the energy usage volumes of the whole building.

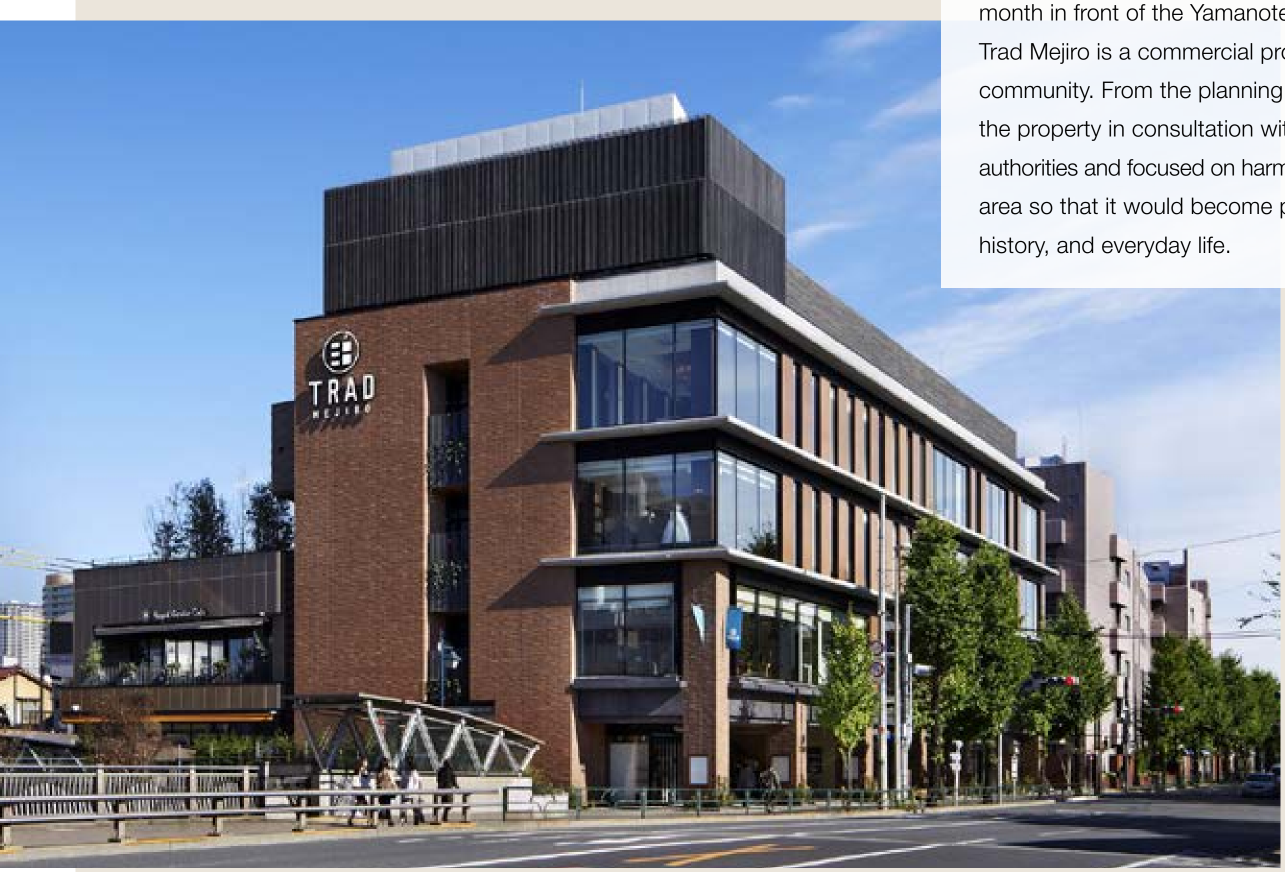
By introducing systems that efficiently use light, wind, water, and other types of natural energy, we are contributing to the establishment of an environment-friendly society.



Commercial Property Rooted in the Local Community

Trad Mejiro

Completed in October 2014 and opened in the following month in front of the Yamanote Line's Mejiro Station, Trad Mejiro is a commercial property rooted in the local community. From the planning stage, we developed the property in consultation with local residents and authorities and focused on harmony with the surrounding area so that it would become part of the area's culture, history, and everyday life.



Project Overview

Location: Toshima-ku, Tokyo

Footprint: 1,676 m^2

Floor space: 7,575 m^2

Size: 4 floors aboveground, 2 belowground

Primary use: Commercial

New Landmark for Mejiro Celebrates the Area's Culture

Located in front of Mejiro Station, Trad Mejiro is a commercial property that symbolizes the area. In designing the building's business format, we strategically combined stores and restaurants befitting Mejiro with properties for cultural functions and life events, such as a ballet academy and a wedding venue. As a result, the building was fully occupied when it opened in November 2014.

Since then, the building has catered to the needs of local residents and visitors. The event space on the second floor has become a hub of the local community for workshops, concerts, and exhibitions held in collaboration with, for example, JR East and other local organizations such as schools.

We will enhance our brand value by taking advantage of our expertise in commercial property management to create a new landmark for Mejiro that is a much loved part of the local community.

Principal Portfolio Properties (Five wards of central Tokyo)

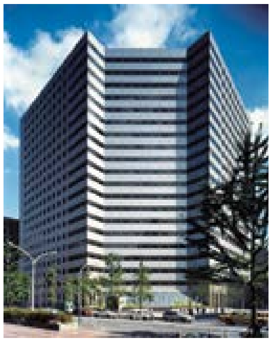


Photo by Kokyu Miwa Architectural Photography

1. Urbannet Otemachi Building

Location: Chiyoda-ku, Tokyo

Footprint: 9,361 m^2

Floor space: 117,618 m^2

Size: 22 floors aboveground, 5 belowground

Completed: June 1990

Photo by Nacasa & Partners

2. Otemachi First Square

Location: Chiyoda-ku, Tokyo

Footprint: 6,236 m^2 (portion owned by NTT Urban Development)

Floor space: 54,284 m^2 (portion owned by NTT Urban Development)

Size: West Tower, 23 floors aboveground, 5 belowground; East Tower, 23 floors aboveground, 4 belowground

Completed: West Tower, February 1992; East Tower, May 1997

3. JA Building, Keidanren Kaikan

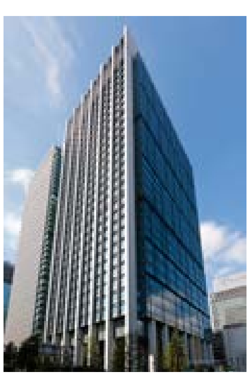
Location: Chiyoda-ku, Tokyo

Footprint: 1,506 m^2 (portion owned by NTT Urban Development; total of JA Building and Keidanren Kaikan)

Floor space: 26,517 m^2 (portion owned by NTT Urban Development; total of JA Building and Keidanren Kaikan)

Size: JA Building, 37 floors aboveground, 3 belowground; Keidanren Kaikan, 23 floors aboveground, 4 belowground

Completed: April 2009



4. Otemachi Financial City North Tower

Location: Chiyoda-ku, Tokyo

Footprint: North Tower and South Tower in total, about 14,100 m^2

Floor space: North Tower, approx. 110,000 m^2

Size: 31 floors aboveground, 4 belowground

Completed: October 2012

Photo by Forward Stroke

5. Akihabara UDX

Location: Chiyoda-ku, Tokyo

Footprint: 11,548 m^2

Floor space: 155,629 m^2

Size: 22 floors aboveground, 3 belowground

Completed: January 2006

Note: Akihabara UDX is owned by UDX Tokutei Mokuteki Kaisha, a special-purpose company (SPC) that is a consolidated subsidiary of NTT Urban Development.

Photo by Kaneaki Monma

6. Seavans N Building

Location: Minato-ku, Tokyo

Footprint: 13,144 m^2

Floor space: 78,488 m^2

Size: 24 floors aboveground, 2 belowground

Completed: January 1991

Photo by Kokyu Miwa Architectural Photography

7. Granpark Tower

Location: Minato-ku, Tokyo

Footprint: 12,092 m^2 (portion owned by NTT Urban Development; tower and residences in total)

Floor space: 117,659 m^2 (portion owned by NTT Urban Development; tower and residences in total)

Size: 34 floors aboveground, 4 belowground

Completed: October 1996

Photo by Forward Stroke

8. Shinagawa Season Terrace

Location: Minato-ku, Tokyo

Footprint: 49,547 m^2 (total)

Floor space: 202,716 m^2 (total)

Size: 32 floors aboveground, 1 belowground

Completed: February 2015

Residential Development Business

Photo by Kawasumi Kobayashi Kenji Photograph Office

In 2014, the condominium sales market saw a year-on-year decline in condominiums sold for the first time in five years, partly reflecting the effect of a consumption tax increase.

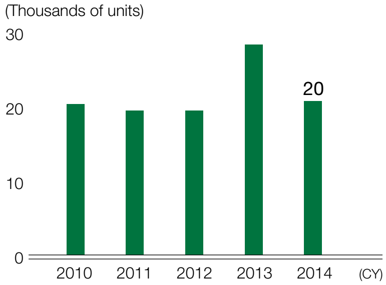
In the Tokyo metropolitan area, the supply of new condominiums*[1] declined 20.5% year on year, to 44,913 in 2014. Further, at March 31, 2015, the aggregate month-of-sale contract ratio*[1] was 87.6%, down 4.1 percentage points. Meanwhile, inventory for sale*[1] amounted to 6,042 units, comprising 474 units from the previous year and inventory of 5,568 units from 2014.

*1. The supply of new condominiums in the Tokyo metropolitan area, the aggregate month-of-sale contract ratio, and condominiums sold are based on data from Real Estate Economic Institute Co., Ltd.

Key Market Data

Supply of condominiums in the 23 wards of Tokyo

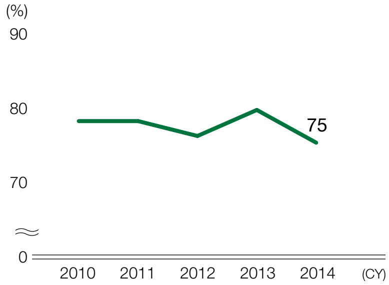
(Thousands of units)



Source: Real Estate Economic Institute Co., Ltd.

Contract ratio of newly supplied condominiums in the Tokyo metropolitan area*[2]

(%)

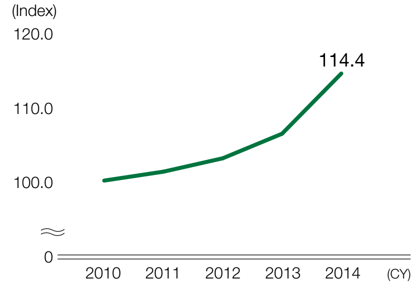


*2. Surveyed areas: Tokyo, Chiba Prefecture, Saitama Prefecture, Kanagawa Prefecture, and southern Ibaraki Prefecture

Source: Real Estate Economic Institute Co., Ltd.

Construction costs of large*[3] housing complexes

(Index)



Note: The value for 2010 is 100.

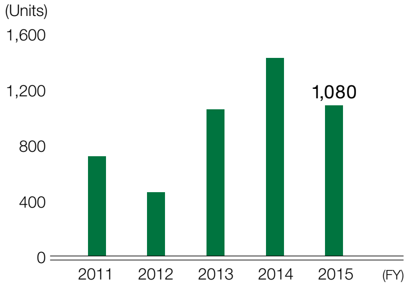
*3. Housing complexes with floor space of at least 10,000 m^2

Source: Prepared based on data from the Construction Research Institute

KPI of NTT Urban Development

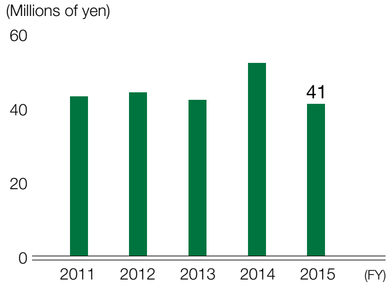
Number of condominium units delivered in Japan

(Units)



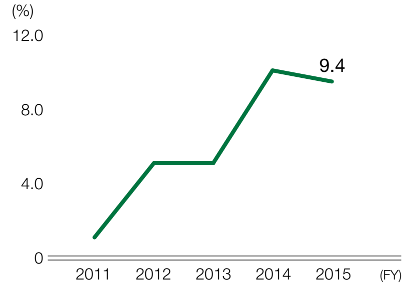
Average sales price per unit

(Millions of yen)



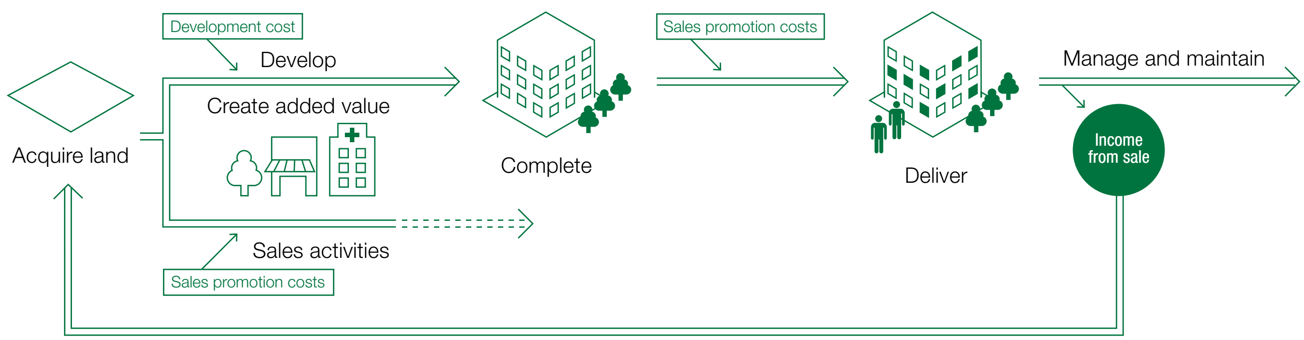
Operating margin (Residential Property Sales Business)

(%)



Operational Flow of Residential Development Business

This business acquires land, on which it develops high-value-added properties that are sold to generate income. In recent years, changing lifestyles and diversifying residential needs have led to demand for a broad range of different products and services.



Strengths of the NTT Urban Development Group

Main Good Design Awards received

GOOD DESIGN

2003	Grand WELLITH Tetsugakudo Koen
2007	Akihabara UDX, Grand WELLITH Seta
2008	UD Hibiya Bldg., WELLITH Azabu Mamiana
2014	WELLITH Tower Atago Toranomon

Wellith brand

今も、未来も、心地いい

Wellith

ウエリス

We renewed the brand's logo and concept in January 2015. We will continue offering customers homes that provide *comfort now and in the future*.

Capabilities to Sustain Growth

- Identifying favorable properties **Information-gathering capabilities**
- Adding value to property **Planning and development capabilities**
- Reflecting local characteristics **Project advancement capabilities**

P. 22 CASE STUDY

Creation of Permanent Residences for Multiple Generations

Tsunagu (Connecting) Town Project Phase 1
—Parallel Development of Wellith Tsudanuma and Wellith Olive Tsudanuma

We have created a new system that gives people peace of mind in their daily lives by catering to the needs of an aging society. Specifically, we are developing a condominium building while developing serviced housing for seniors on an adjacent lot. Moreover, residents of both buildings will have access to common care services. We have been able to realize the *Tsunagu* Town Project thanks to collaboration with the NTT Group and our early involvement in serviced housing for seniors.

Residences Catering to Changes in Families and Allowing Them to Always Be Together Comfortably

The *Tsunagu* Town Project allows residents to adjust their way of living in step with any future lifestyle or health changes, thereby enabling residents to stay long term in a familiar area. As the first phase of this project, we developed a condominium building, Wellith Tsudanuma, and serviced housing for seniors, Wellith Olive Tsudanuma.

Wellith Tsudanuma has layouts that can accommodate residents in their 30s to 50s who are bringing up children or a wide range of living styles suited to seniors. The condominiums include equipment for seniors, such as emergency call buttons and IH cooking heaters.

Wellith Olive Tsudanuma has a day-care facility for seniors and a restaurant that not only residents but also those living in Wellith Tsudanuma can use. Furthermore, by submitting an application, Wellith Tsudanuma residents can use services that provide daily monitoring of the condominium's residents and rapid responses in an emergency. Also, because Wellith Tsudanuma condominium buyers and their families have priority residence rights for Wellith Olive Tsudanuma, they can invite their parents to live there or relocate there themselves.

We sold all of the condominium units of Wellith Tsudanuma within six months of the December 2014 launch, testifying to its unique location, living environment, and quality. Wellith Olive Tsudanuma is scheduled to open in March 2016.

Project summary

Location: Funabashi, Chiba Prefecture (former site of NTT dormitory)

Wellith Tsudanuma

Footprint: 2,472 m^2

Floor space: 5,086 m^2

Size: 6 floors aboveground, 58 units

Primary use: Condominium

Wellith Olive Tsudanuma

Footprint: 1,997 m^2

Floor space: 3,822 m^2 (scheduled)

Size: 6 floors aboveground, 74 units (scheduled)

Primary use: Serviced housing for seniors (includes day-care facility, home-visit nursing-care service provider, and in-home nursing-care support service provider)

Global Business

As part of an investment diversification strategy, the NTT Urban Development Group is developing its global businesses. We intend to advance this business steadily. In North America and Europe, we will exploit expertise garnered in Japan to build stable earnings foundations. As for Asia, efforts will focus on such growing markets as Southeast Asia, where we will take on new initiatives and create business opportunities.

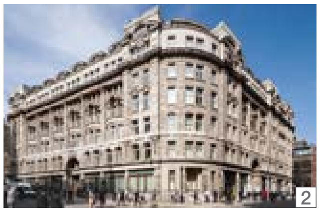
United Kingdom

Acquiring a property in the United Kingdom in 2009 launched our global business. Subsequently, we acquired an additional three properties in the country. Currently, we own three properties in London. In the year ended March 31, 2015, we began renovating our property at 1 King William Street, in London's financial district, and we plan to complete the renovation in August 2016. This is the Group's first renovation of an office building overseas. We intend to install the latest facilities in the interior of the building, which is in a district where historic buildings are protected.

Location	Rentable floor space	Size	Primary use
1 1 King William Street (London)	Approx. 9,222 m²* (Approx. 99,265 sqf)	8 floors aboveground, 1 belowground*	Offices
2 20 Finsbury Circus (London)	Approx. 8,029 m² (86,427 sqf)	7 floors aboveground, 1 belowground	Offices
3 265 Strand (London)	Approx. 7,049 m² (75,883 sqf)	8 floors aboveground, 1 belowground	Offices

* After renovation


1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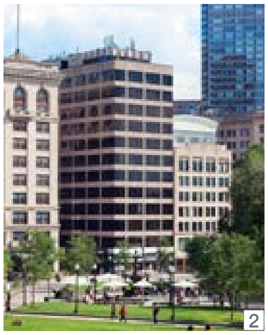
3

United States


1


2


3

In the United States, we acquired two properties in Boston in January 2015. Both buildings are located in historically and culturally appealing areas that promise growth. Meanwhile, in New York we are participating in the redevelopment of an office and commercial complex in Manhattan's Midtown South area—next to an area that is growing markedly due to a rising number of technology companies. The renovation is due for completion in April 2016.

Location	Rentable floor space	Size	Primary use
1 119 West 25th Street (New York)	Approx. 12,700 m²* (Approx. 137,000 sqf)	11 floors aboveground, 1 belowground	Offices and commercial
2 141 Tremont Street (Boston)	Approx. 6,377 m² (68,645 sqf)	13 floors aboveground	Offices
3 27 School Street (Boston)	Approx. 5,799 m² (62,427 sqf)	6 floors aboveground, 1 belowground	Offices and commercial

* After renovation

Outlook

The Group will continue developing the global business to diversify investment, meet global standards, and accumulate a range of expertise in relation to properties and return on investment.

Directors and Audit & Supervisory Board Members (As of July 1, 2015)

Directors

1. **Sadao Maki**
President and
Chief Executive Officer

2. **Yoshiharu Nishimura**
Senior Executive Vice President

3. **Satoshi Shinoda**
Executive Vice President,
Corporate Strategy and Planning

4. **Kazuhiro Hasegawa**
Executive Vice President,
Office Building Business

9. **Yoshihito Kichijo**
Senior Vice President,
General Affairs,
Real Estate Investment

10. **Hideyuki Yamasawa**
Senior Vice President,
Global Business

11. **Hirotoshi Shinohara**
Senior Vice President,
Project Management,
Aoyama Development

12. **Akira Komatsu***
Senior Vice President
(Outside, independent)

Audit & Supervisory Board Members

15. **Mitsuhiro Watanabe**
Audit & Supervisory
Board Member
(Full-time, outside)

16. **Shunichi Okazaki***
Audit & Supervisory
Board Member
(Full-time, outside, independent)

17. **Hisako Kato***
Audit & Supervisory
Board Member
(Outside, independent)

18. **Harunobu Takeda**
Audit & Supervisory
Board Member
(Outside)

5. Masayuki Kusumoto

Executive Vice President, Commercial Properties Development, Global Business

6. Akiyoshi Kitamura

Senior Vice President, Residential Development

7. Kanya Shiokawa

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

8. Shigehito Katsuki

Senior Vice President, Accounting and Finance

13. Toshio Koujitani*

Senior Vice President (Outside, independent)

14. Koichi Takami

Senior Vice President (Outside)

* Appointed as independent officers pursuant to the rules of Tokyo Stock Exchange, Inc., and the appointment has been filed with Tokyo Stock Exchange, Inc.

Governance Structure

Basic Policy on Corporate Governance

NTT Urban Development aims to achieve sustainable growth by working in line with its corporate slogan of *With Integrity, through Innovation—connecting cities and people*. To this end, NTT Urban Development seeks to gain the firm confidence of stakeholders, including shareholders and other investors, as well as customers, business partners, and society as a whole, while developing its office, residential, and commercial properties businesses.

In the area of corporate governance, the basic policy of the Company is to strengthen its corporate value going forward by emphasizing the maintenance of management transparency, enhancing accountability, and thoroughly considering risk management, corporate ethics, and compliance.

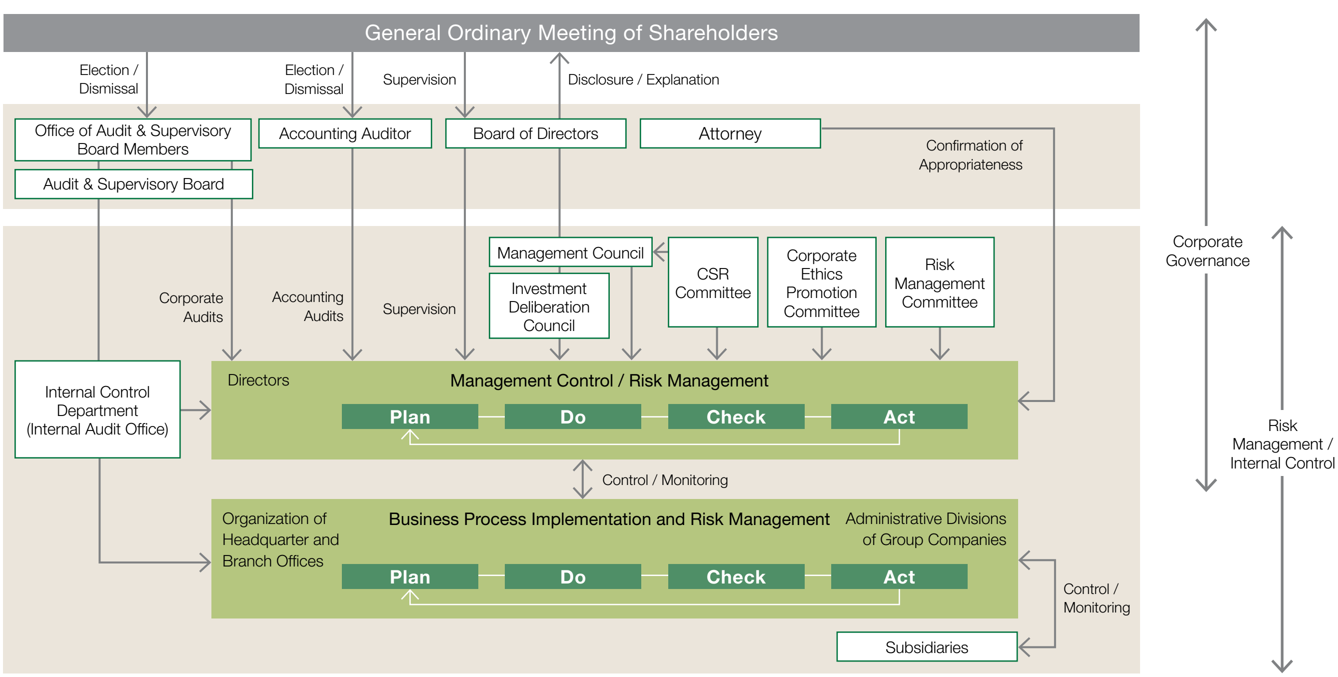
As a concrete example of these initiatives, the Company has several independent officers—both independent outside directors and independent outside Audit & Supervisory Board members. These officers supervise and audit the Board of Directors and the Audit & Supervisory Board to ensure management transparency. At the same time, the Company provides opportunities for management and independent officers to exchange opinions and, by receiving appropriate advice, maintains a sense of urgency in its business operations and management decisions. Moreover, the Company aims to enhance accountability by striving to disclose Company information, including non-financial information, in accordance with the disclosure policy in a timely and appropriate manner. Furthermore, the Company aims to further enhance its IR activities and improve sustainable corporate value and, going forward, strengthen dialogue and communication with investors.

NTT Urban Development employs a system with Audit & Supervisory Board members and, as stipulated in Japan's Companies Act, has established a General Ordinary Meeting of Shareholders, Board of Directors, Audit & Supervisory Board, and an independent accounting auditor. The Company has determined that audit by Audit & Supervisory Board members including outside Audit & Supervisory Board members is effective for monitoring management and has adopted the structure of a company with an Audit & Supervisory Board.

The Company has also established the Management Council, which consists of full-time directors, branch managers, operating department managers, and heads of staff departments, and advises the president on matters within his decision-making capacity. The Management Council is committed to speeding up decision making in the execution of business. Full-time Audit & Supervisory Board members attend Management Council meetings in an effort to further enhance transparency in the decision-making process. Moreover, prior to discussions at Management Council meetings, investment projects are carefully examined by the Investment Deliberation Council, which consists of cross-functional members from within the Company, to identify potential investment risks and implement appropriate risk management.

As of the end of the fiscal year under review, the Board of Directors comprised 13 directors (two members were outside directors; all members were male). The Board sets basic policies regarding management and business execution, makes decisions on important matters, and supervises the execution of duties by directors. In principle, the Board of Directors convenes once a month

Corporate Governance / CSR Management System



and endeavors to make decisions swiftly by holding additional meetings as necessary. During the fiscal year ended March 31, 2015, the Board of Directors convened on 17 occasions.

The Audit & Supervisory Board comprised four members (all members were outside Audit & Supervisory Board members; three members were male and one was female). In principle, the Audit & Supervisory Board convenes regularly on a monthly basis and holds additional meetings as necessary. During the fiscal year ended March 31, 2015, the Audit & Supervisory Board convened on 20 occasions. Each Audit & Supervisory Board member attends important meetings of the Board of Directors and other meetings, audits and supervises the execution of duties by directors, and examines the Company's operational and financial standing in accordance with the audit plan established by the Audit & Supervisory Board.

As of June 24, 2015, the Board of Directors consisted of 14 directors (three members were outside directors; all members were male), and the Audit & Supervisory Board consisted of four members (all members are outside Audit & Supervisory Board Members; three members were male and one was female).

Internal Control System

Revision of the Internal Control System

At NTT Urban Development, the president has created and established an internal control system and executes duties under the supervision of the Board of Directors and auditing by the Audit & Supervisory Board. In accordance with the Companies Act, which came into effect on May 1, 2006, the Board of Directors passed a resolution on May 11, 2006, in favor of establishing the internal control system basic policy. Since then, the Company has improved the basic policy by flexibly responding to changing societal circumstances through revisions to enhance the scope and content, including clarification of the Company's policy on antisocial forces, compliance with the Financial Instruments and Exchange Law, appropriate measures to deal with natural disasters, and proper risk management. In March 2013, the Company established the Risk Management Committee to further clarify the risk identification and evaluation processes and draw up a basic policy on risk management.

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

Status of the Development of a Risk Management System

Risk management is an essential part of NTT Urban Development's internal control system. Through its risk management initiatives, the Company aims to promote and increase corporate value by understanding the various internal and external risks borne in its operations, so that pertinent countermeasures may be implemented and appropriate and bold management decisions are ensured.

By establishing the Risk Management Committee and applying the risk management rules and regulations appropriately, the Company strives to address and manage a wide variety of risks and to secure business continuity and stable expansion.

For comprehensive risk management, when the Company makes investment decisions for development projects, it endeavors to identify a wide range of possible risks, including those involving declines in rent, delays in construction, issues within the neighborhood, and environmental concerns, including soil contamination, as well as risks in conducting business overseas, taking into account changes in the environment surrounding the Company and its initiatives in new businesses.

The Company has a business continuity plan (BCP) in preparation for disasters such as a large-scale earthquake. The Group established the Disaster Risk Management Promotion Office in 2008 and executes such measures as upgrading organizational systems, creating guidelines and manuals, implementing anti-earthquake and anti-flooding measures for buildings, and conducting disaster drills.

The internal control system basic policy clearly describes efforts to eradicate antisocial forces and describes the status of the development of these policies. NTT Urban Development carries out measures across the Company to respond to unreasonable demands from antisocial forces. The General Affairs Department is designated as the department that oversees the implementation of the above measures.

In addition, NTT Urban Development cooperates with relevant authorities, including the police, to ensure a smooth exchange of information under normal circumstances and an urgent response in emergencies.

These basic policies and the Company's internal structure to deal with business issues are set out in the Corporate Ethics and Compliance Regulations, the Risk Management rules and regulations, and the *Crisis Management Manual*. In this way, NTT Urban Development ensures that these basic policies and the internal structure are enforced across the Company.

Corporate Ethics and Compliance

Corporate ethics and compliance policies are addressed by the Company's Corporate Ethics Promotion Committee. At the same time, we are engaged in the implementation of corporate ethics and compliance training, and the Company continues to implement initiatives aimed at the further establishment of corporate ethics and compliance. These efforts include the operation of the Corporate Ethics and Compliance Helpline, which we have implemented to raise awareness across the Company.

Matters concerning Outside Officers

Through its three outside directors and four outside Audit & Supervisory Board members, the Company aims to gain a wide range of management perspectives. The Company has appointed two executives from Nippon Telegraph and Telephone Corporation (NTT), one as an outside director and the other as an outside Audit & Supervisory Board member. NTT maintains a shareholding ratio of 67.3% in the Company; however, the Company requested these appointments and conducts its management decisions independently. Moreover, the Company uses independent officer guidelines that are based on the rules of Tokyo Stock Exchange, Inc., under which an independent officer cannot be a former employee of the parent company or related companies, a major stockholder, or a former employee of a major customer. These are among the criteria the Company draws on to ensure that its independent officers do not have any conflict of interest with shareholders in light of criteria for judging independence adopted by Tokyo Stock Exchange, Inc.

Outside directors attend meetings of the Board of Directors and dispense advice at their discretion from a perspective that is independent of business execution, demonstrating their supervisory function through these discussions.

Outside Audit & Supervisory Board members attend meetings of the Audit & Supervisory Board, which makes decisions on the policies, plans, and methods of audits and other important matters relating to audits. At the meetings, outside Audit & Supervisory Board members report on the status of audits as required. Outside Audit & Supervisory Board members carry out their duties according to the audit plan established by the Audit & Supervisory Board and attend meetings of the Board of Directors and other important meetings, audit the execution of duties of directors, and examine the status of operations and assets. All outside Audit & Supervisory Board members carry out audits independently from business execution implemented by management.

The outside Audit & Supervisory Board members audit and supervise the internal control system and internal control departments in cooperation with the departments relevant to the systems stipulated in the internal control system basic policy, receiving reports and explanations from the relevant departments from time to time. The outside directors monitor the internal control departments' performance of their duties, receiving reports on the development and management of the internal control system at meetings of the Board of Directors that they attend.

Remuneration for Directors

The matters concerning remuneration for directors are decided at the meeting of the Board of Directors.

Remuneration for directors, excluding outside directors, consists of monthly compensation and bonuses. The monthly compensation is provided based on the extent of roles and the scope of responsibilities for each position. The bonuses are provided by taking into account the Company's performance and other matters during the fiscal year under review. In addition, from the perspective of reflecting the medium-to-long-term performance of the Company, directors purchase Company shares through the directors' stock accumulation plan by contributing an amount that exceeds a predetermined figure from their monthly compensation, and they hold all shares purchased throughout their term in office.

Message from an Outside Director

As economic globalization advances, companies face increasingly fierce competition. Against this backdrop, the total assets of NTT Urban Development have surpassed ¥1 trillion, and the number of its overseas properties is rising gradually. This enlargement has led to commensurate growth of the Company's presence in and responsibilities to society. Meanwhile, for most businesses or organizations such an expansion is generally accompanied with the risk of becoming like a dinosaur. Although dinosaurs evolved bigger bodies, their brains did not follow suit. Consequently, they were unable to cope with environmental changes after the Earth was assailed by a catastrophe.

The current international environment's heightened volatility and uncertainty demands higher-quality corporate management. "Quality" corporate management emphasizes social contribution and fundamental earning power as a business. Nothing is stronger than a company that garners society's support consistently. Society is the aggregate of a company's stakeholders. For NTT Urban Development, this means shareholders, creditors, condominium purchasers, office tenants, suppliers and business clients, local communities, and employees. I intend to discharge my duties as an outside director to help the Company benefit society, and retain its support, by conducting businesses *with integrity* and *through innovation*.

Akira Komatsu

Professor Emeritus,
Hitotsubashi University
Professor, Department of Business Administration, Faculty of Economics,
Musashino University
Professor, Graduate School of Political Science and Economics,
Musashino University

Remuneration for outside directors is, from the perspective of ensuring a high level of autonomy, provided solely by monthly compensation and is not influenced by the Company's performance.

Remuneration for Audit & Supervisory Board members is decided upon discussion by the Audit & Supervisory Board members and, from the perspective of ensuring a high level of autonomy, is provided solely by monthly compensation and is not influenced by the Company's performance.

Attendance at Meetings of the Board of Directors and the Audit & Supervisory Board in the Year Ended March 31, 2015

Name	Meetings of the Board of Directors		Meetings of the Audit & Supervisory Board	
	Meetings attended	Attendance rate	Meetings attended	Attendance rate
Akira Komatsu	17/17	100.0%	—	—
Kou Ikeda*	12/13	92.3%	—	—
Mitsuhiro Watanabe	13/13	100.0%	13/13	100.0%
Hiroshi Ikegawa*	17/17	100.0%	20/20	100.0%
Hisako Kato	13/13	100.0%	13/13	100.0%
Shinji Kume*	12/13	92.3%	12/13	92.3%

* Senior Vice President Kou Ikeda, Corporate Auditor (full-time) Hiroshi Ikegawa, and Corporate Auditor (full-time) Shinji Kume resigned on June 23, 2015.

Remuneration of Directors and Audit & Supervisory Board Members in the Year Ended March 31, 2015

Title	Total amount of remuneration (Millions of yen)	Remuneration by type (Millions of yen)		Number of officers receiving remuneration
		Basic remuneration	Bonus	
Directors (excluding outside directors)	290	255	35	14
Audit & Supervisory Board members (excluding outside auditors)	—	—	—	—
Outside directors and outside auditors	56	56	—	6

Notes:
1. The General Ordinary Meeting of Shareholders for the 22nd term held on June 21, 2007, resolved that annual remuneration for directors shall not exceed ¥480 million, and annual remuneration for Audit & Supervisory Board members shall not exceed ¥80 million.
2. The number of officers includes three directors and two auditors who retired as at the conclusion of the General Ordinary Meeting of Shareholders for the 29th term held on June 24, 2014.
3. Apart from the above, bonuses of ¥16 million were paid to five people who work as employees and directors.

Message from an Outside Audit & Supervisory Board Member

The basic auditing policy of NTT Urban Development's Audit & Supervisory Board, as an independent body entrusted by shareholders, is to audit directors' execution of duties while establishing sound corporate governance that befits society's trust, contributes to sound development of the Company, and enhances corporate value.

Given Japan's enforcement of the amended Companies Act on May 1, 2015, and the adoption of the Corporate Governance Code on June 1, 2015, stronger corporate governance is required. Of course, as previously, Audit & Supervisory Board members and the Audit & Supervisory Board are expected to fulfill such roles and responsibilities as the auditing of operations and accounts. However, in addition to these "defensive functions," I think Audit & Supervisory Board members must exercise the authority of their positions more dynamically and actively and provide opinions to senior management teams in a timely, appropriate manner.

As an outside Audit & Supervisory Board member, I will meet my responsibilities by providing opinions from an independent position that reflects the interests of shareholders even more closely while intensifying communication with the independent auditor in light of my specialist perspective as a certified public accountant and certified tax accountant.

Hisako Kato

Representative,
Kato Accounting Office
Outside Audit & Supervisory Board Member, JSR Corporation

Through urban development that satisfies the needs of customers and members of the wider public and brings smiles to their faces, we will help create a sustainable society that offers comfortable lifestyles.

The NTT Urban Development Group's CSR

The Group has set out a basic approach to and policy for CSR. We have established five CSR themes, which we always keep in mind when providing real estate services. Our ambition is to help create a sustainable society that offers comfortable lifestyles.

Another important theme is inculcating CSR among all employees and advancing CSR initiatives through employee education. Accordingly, our employee training encompasses customer satisfaction activities, disaster countermeasures, environmental activities, and corporate ethics.

We examine our approach to CSR initiatives at regular meetings of the CSR Committee, chaired by the officer responsible for CSR (the senior executive vice president). Further, at the head office the CSR Office works closely with divisions, branch offices, and Group companies to advance a range of CSR initiatives. Moreover, the CSR Office promotes Groupwide initiatives.

The NTT Urban Development Group's Basic CSR Policy (Revised September 2014)

CSR Message

As a member of the NTT Group, we will help create a sustainable society that offers comfortable lifestyles. We will achieve this by providing quality real estate services that realize urban planning that satisfies the needs of customers and members of the wider public and brings smiles to their faces.

CSR Themes

Communication with stakeholders	We view customers, members of the wider public, and every person and company involved in urban planning as important partners. By communicating with these partners sincerely, we will realize better urban planning.
Creation of comfortable and lively living spaces	By creating living spaces that are safe and comfortable for everyone and business spaces that are functional and convenient, we will develop appealing, lively urban areas.
Promotion of environmentally friendly development	We will reduce the environmental burden associated with urban planning. Furthermore, we will innovate to develop comfortable urban areas that incorporate nature.
Creation of workplaces where diversity is respected	We will respect employees' individuality and emphasize diversity to create vibrant workplaces.
Sound business activities	Maintaining a strong sense of gratitude, ethics, and human rights, we will conduct business activities responsibly to enrich society.

Communication with Stakeholders

The NTT Urban Development Group will realize better urban planning by communicating sincerely with a broad range of urban planning stakeholders.

At the development stage, our plans focus on harmony with landscapes and catering to the needs of members of the wider public. Upon completion, we manage properties in ways that are useful to members of the wider public.

We cultivate customer loyalty by responding to feedback from leasing properties' tenants and users in a manner that satisfies and impresses them. For condominiums, we have established a Customer Satisfaction Office, which collects customer feedback and provides carefully prepared solutions.

Creation of Comfortable and Lively Living Spaces

In the optimal locations of Japan's major cities, the Group develops and manages office buildings that offer outstanding quality and reliability. We provide convenient, comfortable, and safe environments that help customers enhance their operational productivity.

Condominiums are the mainstay of the residential development business. Under the Wellith brand, the business builds residences that maintain their asset value for long periods. Also, the business provides meticulous support to help protect and enhance residences as important assets.

Further, we work with local residents, customers, and tenants to develop appealing, vibrant commercial properties that make a lasting impression on visitors. This approach is based on our commercial properties development business vision, which calls for Creating New Properties for Life—Personal and Unique.

Promotion of Environmentally Friendly Development

We advance Groupwide initiatives to ensure environmental preservation, which we view as an important management task. We have established an environmental policy that emphasizes the reduction of resource consumption, environmental burden, and waste; coexistence with the natural environment; and consideration for health and comfort. At our properties and in-house offices, we implement a wide range of environmental preservation activities, including global warming and waste countermeasures.

Photo by Forward Stroke

Green Building Accreditation for Two Buildings

In recognition of their advanced environmental and social features, two properties in downtown Tokyo have received DBJ Green Building certificates from Development Bank of Japan Inc. Urbannet Nihonbashi 2-chome Building and Urbannet Ginza 1-chome Building are situated in Tokyo's Chuo-ku and are scheduled for completion in October 2015 and February 2016, respectively.

Creation of Workplaces where Diversity Is Respected

As a member of the NTT Group, we are creating systems that enable diverse personnel to contribute to our operations regardless of gender, age, race, nationality, or disability.

Employing diverse personnel is one of our management strategies. Therefore, we have systems in place that help employees realize a work-life balance, work flexibly, cope with major life events, and rejoin us after retirement. In October 2014, we established the Diversity and Inclusion Office, which is tasked with heightening employees' awareness of the importance of diversity.

To ensure the physical and mental health of employees, we have systems that help employees realize a work-life balance and manage their health and systems for occupational health and safety.

Further, we help employees who want to improve their skills. As well as systems supporting the acquisition of business-related qualifications, we provide correspondence and online courses for languages, related laws, and finance. Also, with a view to encouraging personal growth, we enable employees to participate in social contribution activities linked to the development and enrichment of urban areas.

Designation as a Nadeshiko Brand

In March 2015, we became the first company in Japan's real estate industry to be designated as a Nadeshiko Brand. This brand is part of efforts that enable women to contribute more to the workforce and assume positions of greater responsibility—a key facet of the government's growth strategy. A government ministry and Tokyo Stock Exchange, Inc., designate Nadeshiko Brand companies jointly by selecting listed companies that make outstanding efforts to empower women and that are, as a consequence, attractive to investors who emphasize medium-to-long-term corporate value enhancement.

NADESHIKO BRAND 2015

Sound Business Activities

Based on a strong sense of ethics and human rights, we conduct business activities responsibly to enrich society.

Through the Corporate Ethics Promotion Committee, initiatives for corporate ethics and compliance are determined. In addition, we conduct training annually to heighten employees' awareness of these issues. Other efforts include giving employees regular reminders about the Corporate Ethics and Compliance Helpline.

Also, we ensure officers and employees have an appropriate attitude toward and full understanding of human rights. At the same time, we have established a corporate stance that respects human rights and does not tolerate discrimination in any form. In each head office organization and branch office, we appoint personnel responsible for promoting human rights awareness. Moreover, the Group conducts human rights training for employees, including those of Group companies. Another initiative is the inclusion of case studies related to human rights in our monthly e-mail magazine. During Human Rights Week in December, our president posts a message on the in-house website. Further, we organize a slogan and poster competition among employees and their families and award prizes for the best entries.

Communication with Shareholders

We aim to maintain and develop the relationships of trust that we have with a broad range of stakeholders. To this end, we undertake appropriate disclosure, encourage dialogue, and use websites, corporate brochures, annual reports, and other communication tools to disseminate information.

Communication with Investors

Disclosure Policy

With a view to fair disclosure that contributes to appropriate decisions by investors and other stakeholders, the Group has established a disclosure policy clearly stating its stance on the public announcement of corporate information.

Posting of Investor Relations Information on Our Website

In addition to reports on the settlement of accounts, securities reports, and other documents requiring timely disclosure, our website includes briefing materials and videos and a calendar of investor relations events. Also, we promptly issue these documents and news releases of interest to investors in English.

Regular Briefings for Analysts and Investors

To explain the settlement of accounts to analysts and investors, we hold interim and year-end briefings as well as first-quarter and third-quarter telephone conferences. At the briefings and telephone conferences, the management team explains results directly to analysts and institutional investors. Further, we promote dialogue with investors by taking part in conferences.

Briefings for Individual Investors

To increase dialogue with individual investors, we participate in briefings about the Group for individual investors in Tokyo and Osaka and online.

Long-Term Inclusion in a Socially Responsible Investment Index

In recognition of our environmental and social initiatives, since 2008 we have been included in the FTSE4Good Index, a flagship index for socially responsible investment that comprises listed companies from around the world.

FTSE4Good

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.

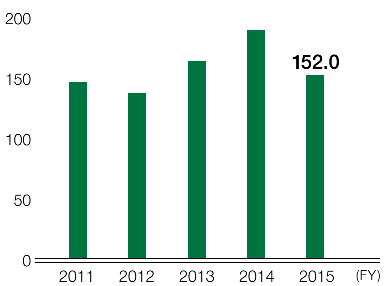
As a consequence, operating revenue amounted to ¥152,052 million, down ¥37,134 million, or 19.6% year on year; operating income was ¥24,836 million, down ¥5,621 million, or 18.5%; and ordinary income was ¥20,395 million, down ¥4,470 million, or 18.0%. Net income stood at ¥16,235 million, up ¥4,892 million, 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.

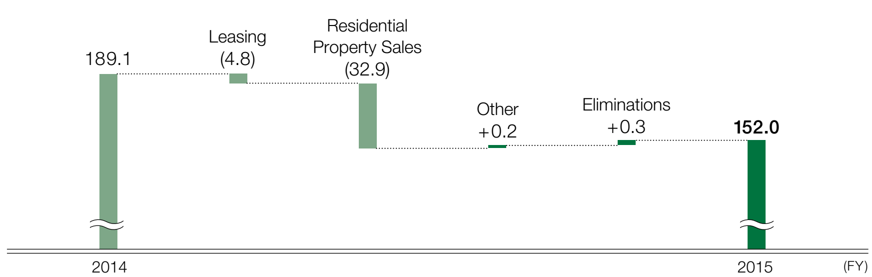
Operating revenue

(Billions of yen)



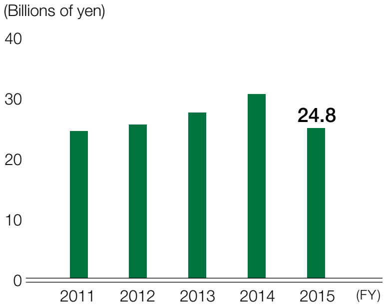
Operating revenue by segment

(Billions of yen)



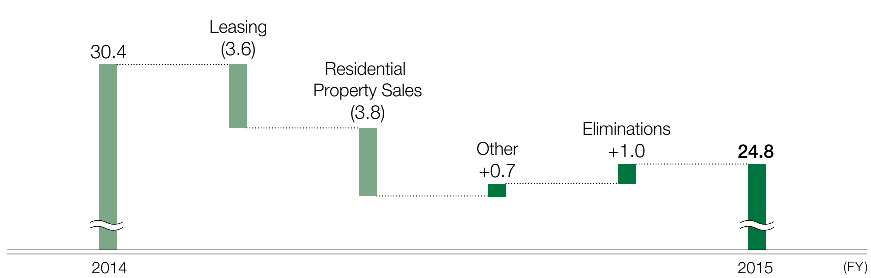
Operating income

(Billions of yen)



Operating income by segment

(Billions of yen)



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.

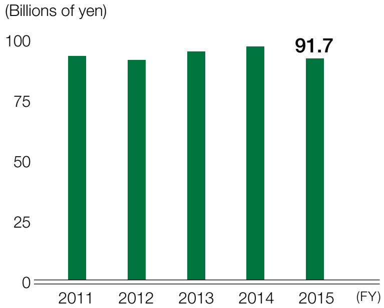
As a result of these activities, operating revenue in the Leasing Business declined ¥4,855 million year on year, or 5.0%, to ¥91,739 million, and operating income decreased ¥3,622 million, or 13.3%, to ¥23,566 million.

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

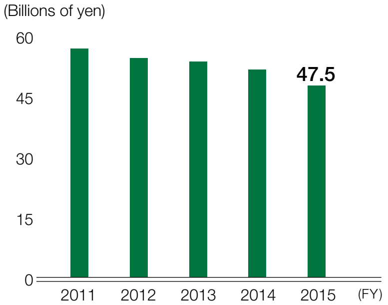
(Year ended March 31, 2015)

(Millions of yen)

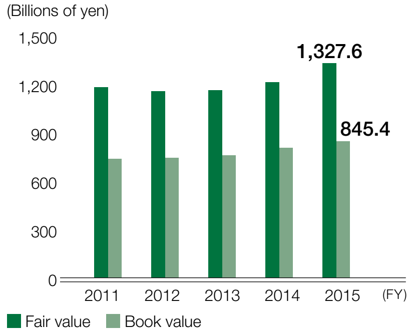
Consolidated balance sheet amount			
Amount at the beginning of fiscal year under review	Change during fiscal year under review	Amount at the end of fiscal year under review	Fair value at the end of fiscal year under review
805,911	39,574	845,486	1,327,642

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.

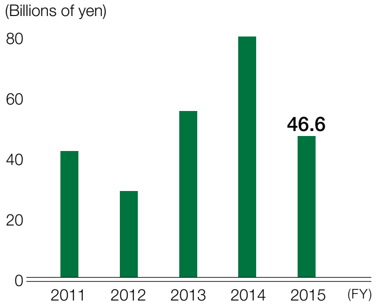
In the fiscal year under review, the Company launched sales of units at Wellith Tsudanuma (Funabashi-shi, Chiba), which is adjacent to serviced housing for seniors, in addition to commencing sales of units at Wellith Suita Yamatecho (Suita-shi, Osaka) and other condominiums. The Company rebuilt its brand 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

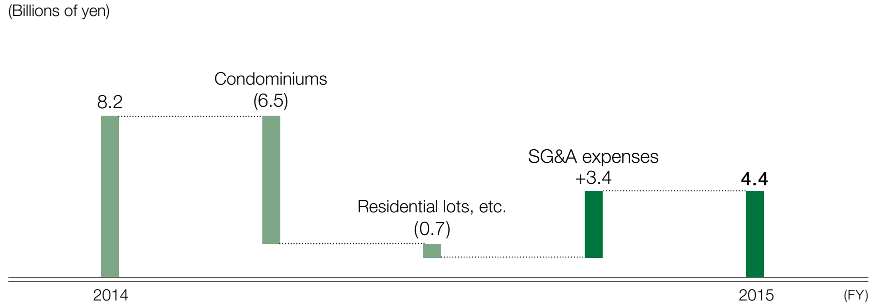
Classification		Year ended March 31, 2014		**Year ended March 31, 2015**	
		Units / Lots	Operating revenue (Millions of yen)	Units / Lots	Operating revenue (Millions of yen)
Condominiums					
Units delivered	Tokyo metropolitan area	876	54,073	**503**	**24,368**
	Other regions	547	21,413	**576**	**21,036**
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

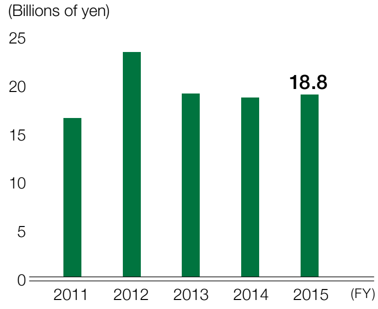
Total liabilities at the end of the fiscal year were ¥787,579 million, up ¥30,663 million from the end of the previous fiscal year. The main factors included a ¥39,935 million increase in interest-bearing debt, amounting to a total outstanding balance of ¥547,189 million at March 31, 2015, due to the 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.

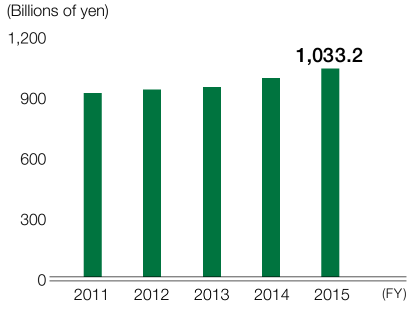
Net assets

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.

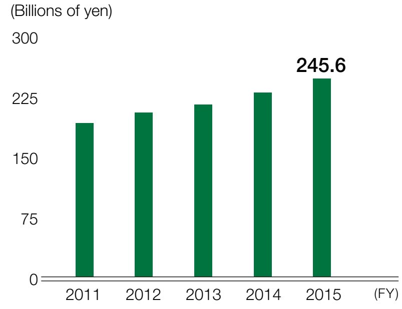
Other Business: Operating revenue



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.

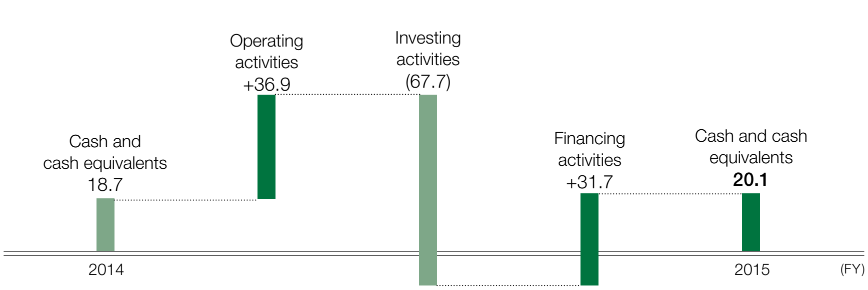
In accordance with its capital policy, the NTT Urban Development Group has acquired the credit ratings shown in the table below for its commercial paper (short-term debt) and bonds (long-term debt) from Rating and Investment Information, Inc., to support continued flexibility in procuring funds for future 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.

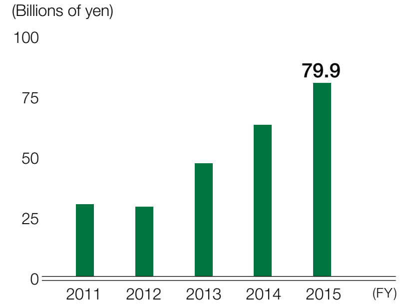
(As of March 31, 2015)

Commercial paper	a –1
Bond	A+

Consolidated cash flows



Investment



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

Affiliated Companies and Domestic Branch Network

Affiliated Companies (As of March 31, 2015)

Consolidated Subsidiaries		Capitalization (Millions of yen)	Voting rights Ownership Percentage	Operations
NTT Urban Development Builservice Co.	Chiyoda-ku, Tokyo	300	100.0	Design, construction, remodeling, and property management operations, including the management and operation of buildings owned by NTT Urban Development in the Tokyo metropolitan area
NTT Urban Development West BS Co.	Nishi-ku, Osaka-shi	100	100.0	Design, construction, remodeling, and property management operations, including the management and operation of buildings owned by NTT Urban Development in western Japan
NTT Urban Development Hokkaido Co.*1	Chuo-ku, Sapporo-shi	50	100.0	Maintenance and management of buildings and condominiums and management of parking lots in Hokkaido
Otemachi First Square Inc.	Chiyoda-ku, Tokyo	50	56.5	Management of Otemachi First Square and its land
DAY·NITE Co., Ltd.	Chiyoda-ku, Tokyo	40	100.0	Operation of restaurants, halls, and conference facilities, etc.
Knox Twenty-One Co., Ltd.	Minato-ku, Tokyo	24	100.0	Operation of NTT Group's convention facilities
Motomachi Parking Access Co., Ltd.	Naka-ku, Hiroshima-shi	60	58.3	Maintenance of underground passages in Hiroshima's Motomachi area
UDX Tokutei Mokuteki Kaisha*2	Chuo-ku, Tokyo	14,100	61.0*3	Ownership of Akihabara UDX
Premier REIT Advisors Co., Ltd.	Minato-ku, Tokyo	300	53.1	Investment management business under the Financial Instruments and Exchange Act
Shinagawa Season Terrace Building Management Corporation	Minato-ku, Tokyo	10	60.0	Management of Shinagawa Season Terrace and its land
NTT Urban Development Asset Management Corporation	Chiyoda-ku, Tokyo	100	100.0	Investment management business under the Financial Instruments and Exchange Act (scheduled)
UD EUROPE LIMITED	London, United Kingdom	GBP 200	100.0	Investment in and management of real estate in the United Kingdom
UD AUSTRALIA PTY LIMITED	Melbourne, Australia	AUD 17,000,000	100.0	Investment in and management of real estate in Australia
UD USA Inc.	Delaware, United States	USD 100	100.0	Investment in and management of real estate in the United States
Downtown Properties Owner, LLC*2	Delaware, United States	USD 47,184,047	100.0*3	Investment in and management of real estate in the United States
NS Boston Holdings LLC*2	Delaware, United States	USD 47,800,000	98.0*3	Investment in and management of real estate in the United States
Three consolidated subsidiaries of UD USA Inc.	Delaware, United States	—	—	—
Equity Method Affiliates				
Tokyo Opera City Building Co., Ltd.	Shinjuku-ku, Tokyo	20	23.7	Management of Tokyo Opera City
DHC Tokyo Co., Ltd.	Minato-ku, Tokyo	200	50.0	District heating and cooling services for Granpark Tower
Tokyo Opera City District Heating & Cooling Co., Ltd.	Shinjuku-ku, Tokyo	980	36.2	District heating and cooling services for Tokyo Opera City
Harumi 4-Chome City Planning Design Co.	Chuo-ku, Tokyo	50	36.0	Research and planning relating to the development of the Harumi 4-chome area
335 GRICES ROAD PTY LTD	Melbourne, Australia	AUD 1	50.0	Development and sales of residential land
Four equity method affiliates of UD USA Inc.	Delaware, United States	—	—	—

*1 On October 1, 2014, NTT Urban Development Hokkaido BS Co. changed its corporate name to NTT Urban Development Hokkaido Co.
*2 UDX Tokutei Mokuteki Kaisha, Downtown Properties Owner, LLC, and NS Boston Holdings LLC are specified subsidiaries.
*3 Shareholding ratios are provided in lieu of voting rights ownership percentage.

Domestic Branch Network (As of July 1, 2015)

Hokuriku / Kansai / Shikoku area

Kansai Branch
Higobashi Shimizu Building, 3-7, Tosabori 1-chome,
Nishi-ku, Osaka-shi, Osaka 550-0001
TEL: +81-6-6441-0022 FAX: +81-6-6441-0026

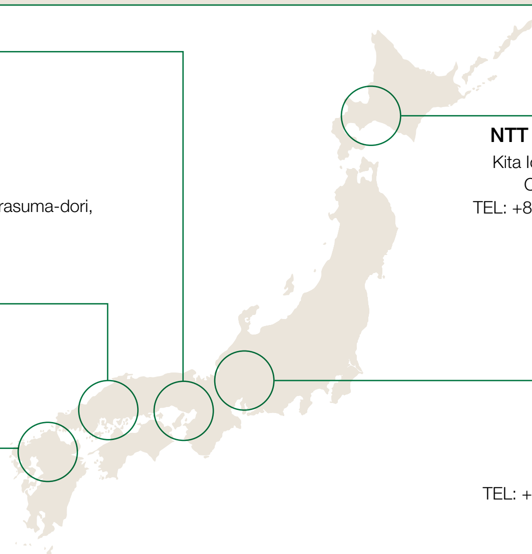
Kyoto Branch
SHIN-PUH-KAN, 586-2, Bano-cho, Anenokoji-dori Sagaru, Karasuma-dori,
Nakagyo-ku, Kyoto 604-8172
TEL: +81-75-213-7199 FAX: +81-75-213-6060

Chugoku area

Chugoku Branch
NTT Cred Motomachi Building, 6-78, Motomachi,
Naka-ku, Hiroshima-shi, Hiroshima 730-0011
TEL: +81-82-222-8623 FAX: +81-82-222-8620

Kyushu area

Kyushu Branch
2-16, Imaizumi 1-chome, Chuo-ku, Fukuoka-shi,
Fukuoka 810-0021
TEL: +81-92-731-6633 FAX: +81-92-731-0978



Hokkaido area

NTT Urban Development Hokkaido Co.
Kita Ichijo Ohwada Building, 7-3, Kita 1-jo Nishi,
Chuo-ku, Sapporo-shi, Hokkaido 060-0001
TEL: +81-11-223-8026 FAX: +81-50-3730-4152

Tokai area

Tokai Branch
Sumitomo Syoji Nagoya Building,
1-6, Higashi-sakura 1-chome,
Higashi-ku, Nagoya-shi, Aichi 461-0005
TEL: +81-52-684-5100 FAX: +81-52-684-5102

History

● Operating Information ■ Leasing Business ■ Residential Property Sales Business

1986	● NTT Urban Development Corporation established ■ Construction begun on Urbannet Kojimachi Building, the Company's first building
1987	■ Completed Urbannet Kojimachi Building
1988	■ Completed Harajuku Quest ● Merger with NTT Building Co.
1990	■ Completed Urbannet Otemachi Building
1991	■ Completed Seavans N Building
1992	■ Completed Stage I of Otemachi First Square (West Tower)
1993	● Merger with NTT Actif Co. and NTT Crais Co. ■ Completed NTT Makuhari Building
1994	■ Completed NTT Cred Motomachi Building (Pacela)
1995	● Merger with NTT Estate Co.
1996	■ Completed Tokyo Opera City ■ Completed Granpark Tower
1997	■ Completed Stage II of Otemachi First Square (East Tower)
1999	● Merger with NTT Tokai Real Estate Co., NTT Kansai Building Co., NTT Cred Co., NTT Kyushu Real Estate Co., and NTT Hokkaido Estate Co.
2000	● Began Residential Property Sales Business ● Established NTT Urban Development Builservice Co. ● Launched WELLITH condominium brand
2001	■ Completed SHIN-PUH-KAN ■ Completed WELLITH Nagatsuda
2002	● Bid on and acquired "Akihabara Lots 1 and 3" in cooperation with Daibiru Corporation and Kajima Corporation ● Formulated long-term vision, Change & Proceed to 2015 (C&P15)
2003	■ Completed Grand WELLITH Tetsugakudo Koen ■ Completed Urbannet Hakata Building
2004	■ Completed Quest Court Harajuku ■ Completed Urbannet Sapporo Building ● Company shares listed on the First Section of the Tokyo Stock Exchange
2005	● Formulated medium-term management plan, Change & Proceed to 2007 (C&P07) ● Announced participation in the Otemachi redevelopment project ■ Completed Urbannet Nagoya Building
2006	■ Completed Akihabara UDX ■ Completed Grand WELLITH Seta ● Commenced operation of real estate fund NU-1 Fund ● Won joint bid with ORIX Real Estate Corporation for the Osaka Station North District Phase 1 Development Area Project, Block B ● Won joint bid with Mitsubishi Estate Co., Ltd., for the Osaka Station North District Phase 1 Development Area Project, Blocks A and C
2007	● Commenced new graduate recruitment ■ Completed WELLITH Garden Urawa Kishicho ● Formulated Medium-Term Management Plan 2010
2008	■ Completed WELLITH Azabu Mamiana ● Established logo mark for the WELLITH brand of residences
2009	● Commenced operation of real estate fund NU-5 Fund ■ Completed JA Building and Keidanren Kaikan (Otemachi 1-chome Urban Area Redevelopment Project Type 1) ■ Completed WELLITH i-S Magome compact urban condominium ● Established a subsidiary in London, U.K., and acquired an office building
2010	● Commenced operation of real estate fund NU-6 Fund ■ Completed WELLITH Olive Shinkoiwa, with serviced housing for seniors ● Began participation in J-REIT business by acquiring investment units in Premier Investment Corporation through a third-party allotment and acquiring the shares of Premier REIT Advisors Co., Ltd. ● Formulated NTT Urban Development Group Medium-Term Management Plan 2012 ■ Completed Urbannet Shijo-Karasuma Building
2011	● Commenced operation of real estate fund NU-7 Fund ■ Completed Urbannet Uchihonmachi Building ■ Completed Urbannet Tenjin Building ■ Completed UD Nakasu Building ● Package sale of the real estate fund NU-5 Fund to Premier Investment Corporation
2012	● Established a corporation in Australia and commenced the residential land sales business in the suburbs of Melbourne ■ Completed Urbannet Kanda Building ■ Completed Otemachi Financial City North Tower
2013	■ Completed Grand Front Osaka ● Developed Medium-Term Vision 2018 –For Further Growth–, a new medium-term vision ● Established a subsidiary in the United States ● Began participation in a redevelopment project in New York City
2014	● Revision of Medium-Term Vision 2018 –For Further Growth–
2015	● Established NTT Urban Development Asset Management Corporation ● Renewed Wellith brand of the residences ■ Completed Shinagawa Season Terrace ● Upgrade of Singapore Representative Office to local branch status

Corporate Information and Stock Information (As of March 31, 2015)

Corporate name NTT Urban Development Corporation

Headquarters Akihabara UDX, 14-1, Sotokanda 4-chome, Chiyoda-ku, Tokyo 101-0021, Japan

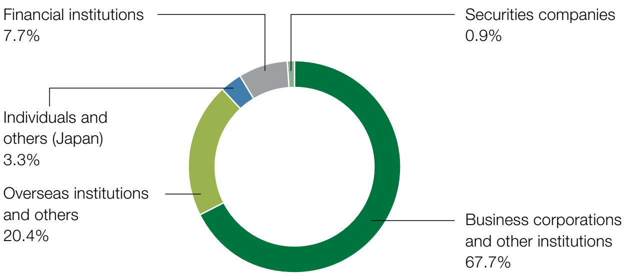
Established January 21, 1986

Paid-in Capital ¥48,760 million

Employees 785 (consolidated basis)

Number of authorized shares	1,050,000,000
Number of issued and outstanding shares	329,120,000
Shareholders	14,336
	(Number of shareholders with less than one unit: 71)

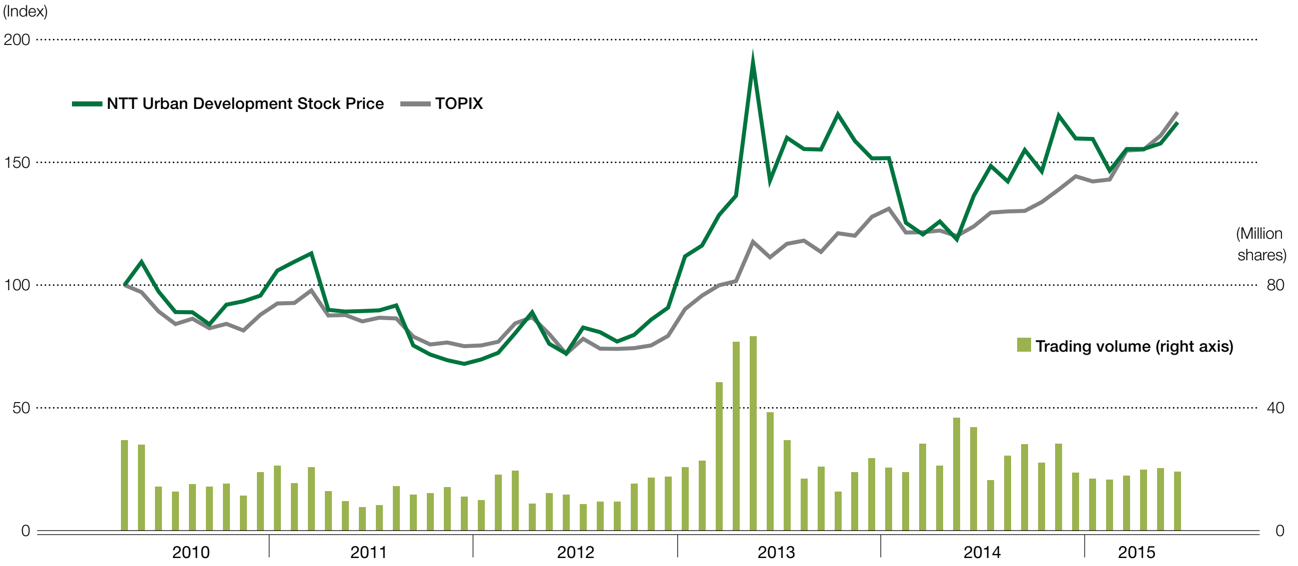
Shareholder Distribution (Percentage of investment)



Major Shareholders (Top 10)

Name of Shareholder	Number of Shares Held	Equity Position (%)
Nippon Telegraph and Telephone Corporation (NTT)	221,481,500	67.30%
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,347,900	1.93%
Japan Trustee Services Bank, Ltd. (Trust Account)	5,526,900	1.68%
GOLDMAN, SACHS & CO. REG	3,397,552	1.03%
THE BANK OF NEW YORK MELON SA/NV 10	3,136,800	0.95%
STATE STREET BANK AND TRUST COMPANY 505223	2,785,550	0.85%
THE BANK OF NEW YORK 133522	2,764,700	0.84%
MORGAN STANLEY & CO. LLC	2,662,226	0.81%
RBC IST-OMNIBUS 15.315 NON LENDING-CLIENT ACCOUNT	2,599,000	0.79%
THE BANK OF NEW YORK — JASDECTREATY ACCOUNT	2,495,200	0.76%

NTT Urban Development Common Stock (Closing Price) and TOPIX (Value at April 1, 2010 = 100)



Note: The Company implemented a 100-for-one stock split of its common shares with October 1, 2013, as the effective date. The stock price has been retroactively adjusted to reflect the stock split.

NTT URBAN DEVELOPMENT CORPORATION Annual Report 2015

NTT URBAN DEVELOPMENT CORPORATION

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