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

SUMMARY OF FINANCIAL STATEMENTS (Consolidated)
For the Fiscal Year Ended March 31, 2013

May 9, 2013

NTT URBAN DEVELOPMENT CORPORATION Stock Exchange: Tokyo Stock Exchange
Code Number: 8933 URL: http://www.nttud.co.jp/
Representative: Masaki Mitsumura, President and Chief Executive Officer
Attn.: Satoshi Shinoda, Executive DirectorSenior Executive Manager, Accounting and Finance Department
Tel: +81–3–6811–6424

Scheduled date of the ordinary general meeting of shareholders: June 18, 2013
Scheduled date for commencing payment of dividend: June 19, 2013
Scheduled date of submission of the annual securities report: June 19, 2013
Supplementary documents for financial results: Yes
Financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results (April 1, 2012 through March 31, 2013)

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

	Operating revenue		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2013	163,168	19.2	27,401	8.0	22,016	14.5	12,073	(22.5)
Year ended March 31, 2012	136,842	(6.1)	25,365	4.3	19,229	3.6	15,586	67.5

(Note) Comprehensive income: Year ended March 31, 2013: 16,487 million yen (-9.5%)
Year ended March 31, 2012: 18,209 million yen (70.9%)

	Net income per share	Net income per share (fully diluted)	Return on equity	Ratio of ordinary income to total assets	Operating income margin
	Yen	Yen	%	%	%
Year ended March 31, 2013	3,668.47	–	7.1	2.4	16.8
Year ended March 31, 2012	4,735.67	–	9.7	2.1	18.5

(Reference) Equity in net income of affiliates Year ended March 31, 2013: 82 million yen
Year ended March 31, 2012: 77 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Ratio of shareholders' equity to assets	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2013	941,050	213,835	18.7	53,543.11
As of March 31, 2012	928,537	203,727	17.9	50,441.30

(Reference) Shareholders' equity: As of March 31, 2013: 176,221 million yen
As of March 31, 2012: 166,012 million yen

(3) Consolidated Cash Flows

	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 and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2013	48,089	(39,885)	(6,660)	12,809
Year ended March 31, 2012	3,704	(23,033)	12,650	10,960

2. Dividends

(Record Date)	Dividends per share: End of the 1st quarter	Interim period end	End of the 3rd quarter	Year end	Annual	Total amount of dividends (annual)	Payout ratio (consolidated)	Dividends on equity (consolidated)
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2012	–	600.00	–	800.00	1,400.00	4,607	29.6	2.9
Year ended March 31, 2013	–	700.00	–	900.00	1,600.00	5,265	43.6	3.1
(Forecast) Year ending March 31, 2014	–	800.00	–	8.00	–		45.8	

Year-end dividends for the fiscal year ending March 31, 2014 (forecast) take into account the effect of a 100-for-one stock split to be implemented with September 30, 2013 as the record date. For more details, refer to 1. Analysis of Operating Results and Financial Position, (3) Basic Dividend Policy and Dividends for Fiscal Years Ended March 2013 and Ending March 2014 on page 9.

3. Forecast of Consolidated Financial Results (April 1, 2013 through March 31, 2014)

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

	Operating revenue		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Annual	179,000	9.7	27,500	0.4	22,100	0.4	11,500	(4.8)	34.94

Net income per share takes into account the effect of a 100-for-one stock split to be implemented with September 30, 2013 as the record date. For more details, refer to 1.

* Notes
(1) Important Changes in Subsidiaries During the Fiscal Period
(Changes in specified subsidiaries resulting in change in scope of consolidation): Not applicable
New: –
Exception: –

(2) Changes in accounting principles and changes or restatement of accounting estimates
(i) Changes in accounting principles due to amendment of accounting standards, etc.: Applicable
(ii) Changes in accounting principles other than (i): Not applicable
(iii) Changes in accounting estimates: Applicable
(iv) Restatement: Not applicable
This corresponds to Article 14-7 (In the event that it is difficult to differentiate changes in accounting principles from changes in accounting estimates) of "Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements." For more details, see "4. Consolidated Financial Statements, Notes to Consolidated Financial Statements (Changes in Accounting Principles)" on page 26.

(3) Number of Shares Outstanding (Common Stock)
(i) Total number of shares outstanding (including treasury stock) as of the end of each period:
As of March 31, 2013: 3,291,200 shares
As of March 31, 2012: 3,291,200 shares
(ii) Total number of treasury stock as of the end of each period:
As of March 31, 2013: – shares
As of March 31, 2012: – shares
(iii) Average number of issued shares for each period:
As of March 31, 2013: 3,291,200 shares
As of March 31, 2012: 3,291,200 shares

(For reference) Outline of Non–consolidated Financial Results
1. Non-consolidated Financial Results (April 1, 2012 through March 31, 2013)
(1) Non-consolidated results of Operations (Figures in percentages denote the year-on-year change)

	Operating revenue		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2013	140,879	17.4	21,760	(2.7)	15,764	1.1	7,895	(8.0)
Year ended March 31, 2012	120,014	(4.5)	22,360	3.5	15,595	2.7	8,579	15.3

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
Year ended March 31, 2013	2,398.90	–
Year ended March 31, 2012	2,606.76	–

(2) Non-consolidated Financial Position

	Total assets	Net assets	Ratio of shareholders' equity to assets	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2013	733,602	155,110	21.1	47,128.97
As of March 31, 2012	727,865	151,101	20.8	45,910.72

(Reference) Shareholders' equity: As of March 31, 2013: 155,110 million yen
As of March 31, 2012: 151,101 million yen

(Status of auditing procedures)
This summary of financial statements is not subject to audit procedures under the Financial Instruments and Exchange Act. Audit procedures for consolidated financial statements are being performed at the time of disclosing this summary of financial statements.

(Cautionary note regarding use of the Forecast of Financial Results, and other special notations)
Descriptions regarding the future, such as the forecast of financial results herein, are calculated based on information that is available to the Company as of the date hereof and that the Company considers reasonable, and the Company makes no warranty as to the achievement of the descriptions. Please note that actual results may differ materially from forecasts due to various factors. For assumptions underlying the forecasts and notes to the forecasts, refer to 1. Analysis of Operating Results and Financial Position, (1) Analysis of Operating Results on page 2.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

(Operating results in the fiscal year ended March 31, 2013)

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

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

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

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

As a consequence, operating revenue amounted to ¥163,168 million (up ¥26,325 million, or 19.2% year on year), operating income was ¥27,401 million (up ¥2,036 million, or 8.0%), and ordinary income was ¥22,016 million (up ¥2,787 million, or 14.5%). Net income was ¥12,073 million (down ¥3,512 million, or 22.5%). This was primarily due to an increase in net income in the previous fiscal year as a result of the introduction of a law relating to a revision to corporate tax rate.

The table below shows operating revenue by business segment in the fiscal year ended March 31, 2013. Operating revenue in each segment in the text include inter-segment internal revenues and transfers.

(Million yen)

Business segment	Year ended March 31, 2012	Year ended March 31, 2013
Leasing	91,069	94,509
Residential property sales	28,484	54,939
Total operating revenue in reported segments	119,554	149,448
Other	23,223	18,930
Eliminations	(5,934)	(5,209)
Total	136,842	163,168

(Notes) 1. The numbers do not include consumption tax. Operating revenue of each segment include inter-segment internal revenues and transfers.

2. "Eliminations" refers to internal revenues and transfers duplicated in more than one segment.

1) Leasing Business

In the leasing business, although rent income from existing properties and other income declined, the Company did generate earnings, especially rent income from properties completed in the previous fiscal year, including Urbannet Tenjin Building (Fukuoka-shi, Fukuoka) and properties newly completed in the fiscal year under review. The Company also posted revenue from sales and penalty income from office buildings in London, United Kingdom during the fiscal year under review.

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

During the fiscal year under review, Urbannet Kanda Building (Chiyoda-ku, Tokyo), Otemachi Financial City North Tower (Chiyoda-ku, Tokyo) , Grand Front Osaka (Osaka-shi, Osaka), and other properties were competed.

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

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

Classification	Item	Year ended March 31, 2012	Year ended March 31, 2013
Office/Commercial	Operating revenue	84,713	88,621
	Rentable floor space	1,168,526 m^2 (Of the above, sub-leases: 16,326 m^2)	1,199,215 m^2 (Of the above, sub-leases: 23,135 m^2)
Residential/Other	Operating revenue	6,356	5,887
Total		91,069	94,509

(Notes) 1. "Rentable floor space" figures are as of the end of March.
2. The rentable area of sub-leases does not include the area of sub-leases that have been agreed upon between the Company and its consolidated subsidiaries.

The table below shows the quarterly vacancy rate by area.

Classification	March 2012	June 2012	September 2012	December 2012	March 2013
Five wards of central Tokyo	2.0%	2.5%	2.7%	3.9%	4.0%
Nationwide	5.4%	5.6%	5.3%	5.8%	6.5%

(Notes) 1. The numbers above are vacancy rates as of the end of each month.
2. Five wards of central Tokyo are Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku, and Shinjuku-ku.

The Group emphasizes net operating income, or NOI (see Note), as an indicator for judging the value of properties for the leasing business. The nationwide NOI for the fiscal year ended March 31, 2013 was ¥56,397 million (up ¥2,079 million, or 3.8% year on year). In the Tokyo metropolitan area, NOI declined to ¥33,180 million (down ¥880 million, or 2.6% year on year) mainly attributable to reduced revenue from existing buildings. In other regions including overseas, NOI increased to ¥23,216 million (up ¥2,959 million, or 14.6%) primarily thanks to properties completed in the previous fiscal year such as Urbannet Tenjin Building (Fukuoka-shi, Fukuoka) and the sale of the office building in London, United Kingdom.

(Note) The formula for calculating NOI (net operating income) is as follows:
(NOI = Property rental income – Property rental costs + Depreciation expenses (including prepaid long-term expenses))

(i) NOI on Principal Buildings (Million yen)

Building	Location	Primary Use	Year ended March 31, 2012	Year ended March 31, 2013
Urbannet Otemachi Building	Chiyoda, Tokyo	Office	5,053	4,131
Otemachi First Square	Chiyoda, Tokyo	Office	3,977	3,478
NTT Makuhari Building	Mihama, Chiba	Office	1,799	1,815
Granpark Tower	Minato, Tokyo	Office	4,285	4,224
Seavans N Building	Minato, Tokyo	Office	2,233	2,371
Tokyo Opera City	Shinjuku, Tokyo	Office	1,345	1,221
Akihabara UDX	Chiyoda, Tokyo	Office	7,272	7,462
JA Building, Keidanren Kaikan	Chiyoda, Tokyo	Office	1,893	2,287
Urbannet Oroshimachi Building	Wakabayashi, Sendai	Office	220	199
Urbannet Itsutsubashi Building	Aoba, Sendai	Office	199	191
Urbannet CS Building	Naka, Nagoya	Office	357	343
Urbannet Shizuoka Building	Aoi, Shizuoka	Office	283	284
Urbannet Shizuoka Otemachi Building	Aoi, Shizuoka	Office	363	296
Urbannet Kaminagoya Building	Nishi, Nagoya	Office	85	109
Urbannet Fushimi Building	Naka, Nagoya	Office	424	370
Urbannet Nagoya Building	Higashi, Nagoya	Office	2,192	2,121
Sumitomo Corporation Nagoya Building	Higashi, Nagoya	Office	237	191
NTT Osaka Chuo Building	Chuo, Osaka	Office	373	369
Urban Ace Kitahama Building	Chuo, Osaka	Office	394	377
Urban Ace Higobashi Building	Nishi, Osaka	Office	336	331
Urban Ace Sannomiya Building	Chuo, Kobe	Office	409	432
Urban Ace Awaza Building	Nishi, Osaka	Office	330	318
Urbannet Honmachi Building	Chuo, Osaka	Office	349	313
Tradepia Yodoyabashi	Chuo, Osaka	Office	503	548
NTT Cred Motomachi Building	Naka, Hiroshima	Commercial	3,069	3,232
NTT Cred Hakushima Building	Naka, Hiroshima	Office	760	717
NTT Cred Okayama Building	Kita, Okayama	Office	478	466
NTT–T Building	Chuo, Fukuoka	Commercial	2,001	2,039
NTT–KF Building	Chuo, Fukuoka	Office	279	260
Urbannet Hakata Building	Hakata, Fukuoka	Office	165	144
Emuzu Odori Building	Chuo, Sapporo	Office	351	335
Emuzu Minami 22-jo Building	Chuo, Sapporo	Office	121	114
Urbannet Sapporo Building	Chuo, Sapporo	Office	780	764
Other properties, subtotal			11,384	14,528
Total			54,318	56,397

(Note) Akihabara UDX (Chiyoda, Tokyo) is a property owned by a consolidated subsidiary of the Company.

(ii) NOI by area and use (Million yen)

<table>
<tr><th rowspan="2">Area</th><th colspan="3">Year ended March 31, 2012</th><th colspan="3">Year ended March 31, 2013</th></tr>
<tr><th>Total</th><th>Office/ Commercial</th><th>Residential/ Other</th><th>Total</th><th>Office/ Commercial</th><th>Residential/ Other</th></tr>
<tr><td>Five wards of central Tokyo</td><td rowspan="2">34,061</td><td>28,745</td><td rowspan="2">1,938</td><td rowspan="2">33,180</td><td>28,007</td><td rowspan="2">1,779</td></tr>
<tr><td>Tokyo metropolitan area (excluding five wards of central Tokyo)</td><td>3,376</td><td>3,393</td></tr>
<tr><td>Other regions</td><td>20,257</td><td>17,579</td><td>2,677</td><td>23,216</td><td>20,858</td><td>2,358</td></tr>
<tr><td>Total</td><td>54,318</td><td>49,702</td><td>4,615</td><td>56,397</td><td>52,259</td><td>4,137</td></tr>
</table>

(Note) Area classifications are defined as follows:

- Five wards of central Tokyo are Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku, and Shinjuku-ku.
- Tokyo metropolitan area (excluding Five wards of central Tokyo) are Tokyo excluding the Five central wards, and Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

2) Residential Property Sales Business

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

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

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

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

Classification			Year ended March 31, 2012		Year ended March 31, 2013	
			Units/Lots	Operating revenue (million yen)	Units/Lots	Operating revenue (million yen)
Condominiums						
	Units delivered	Tokyo metropolitan area	351	16,330	564	27,979
		Other regions	107	6,062	488	19,392
	Completed in inventories		99	–	207	–
Building Lots, etc.						
	Units/Lots delivered	Tokyo metropolitan area	6	281	6	4,195
		Other regions	42	3,817	57	2,423
	Completed in inventories		14	–	37	–
Residential (Condominiums/Building lots, etc)						
	Units/Lots delivered	Tokyo metropolitan area	357	16,611	570	32,175
		Other regions	149	9,879	545	21,815
	Completed in inventories		113	–	244	–
Other						
	Units/Lots delivered	Tokyo metropolitan area	–	–	1	948
		Other regions	1	1,993	–	–
	Completed in inventories		–	–	–	–
Grand total			–	28,484	–	54,939

(Note) 1. For joint projects, the number of units, corresponding to the Company's share in the project, is rounded down to the nearest unit.
2. "Completed in inventories" figures are as of the end of each fiscal year. The condominiums completed in inventories for the fiscal year ended in March 2012 and the fiscal year ended in March 2013 include 12 units and 30 units, respectively, for which a contract has been completed but ownership has not yet been transferred. The building lots completed in inventories for the fiscal year ended in March 2012 and the fiscal year ended in March 2013 include 2 lots and 5 lots, respectively, for which a contract has been completed but ownership has not yet been transferred.
3. 6 lots (worth ¥2,764 million) of building lots delivered for the fiscal year ended March 2012 and 2 lots (worth ¥5,276 million) of building lots delivered for the fiscal year ended March 2013 were delivered through a sale of land.
4. "Other" in the fiscal year ended March 2012 and the fiscal year ended March 2013 are the sale of a condominium (apartment building) and others.
5. Tokyo metropolitan area includes Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

3) Other Business

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

(Results forecast for the fiscal year ending March 2014)
The Company expects to post operating revenue of ¥179.0 billion, operating income of ¥27.5 billion, ordinary income of ¥22.1 billion, and net income of ¥11.5 billion in the fiscal year ending March 31, 2014. The Company plans to invest ¥67.0 billion in the acquisition and development of new properties and investments and others.
The following is the outlook for each business segment in the fiscal year ending March 2014:

1) Leasing Business
The rental office market is showing signs of improvement, as falling vacancy rate of office buildings and the deteriorated rent level after the collapse of Lehman Brothers are bottoming out.
The Company aims to strengthen its revenue base by fully enforcing customer-centered orientation and promoting development strategies capturing changes in the social environment, while striving to further strengthen sales capabilities and cost competitiveness and working on the diversification of development methods and the promotion of asset replacement.

2) Residential Property Sales Business
In the condominium sales market, although the effect of the higher consumption tax and other factors are uncertain, the first-month contract rate remained firm.
The Company will work to expand business mainly in the Tokyo metropolitan area by deepening the WELLITH brand.

3) Other
The Group will seek to expand businesses, particularly the operations of consolidated subsidiaries, including the remodeling of offices at the request of tenants in relation to the leasing business.

The consolidated financial results forecast for the fiscal year ending March 31, 2014 is as follows:

Consolidated Earnings Forecast for the fiscal year ending March 31, 2014 (Million yen)

Item	Year ended March 31, 2013	Year ending March 31, 2014	Change	Rate of change (%)
Operating revenue	163,168	179,000	15,831	9.7
Operating income	27,401	27,500	98	0.4
Ordinary income	22,016	22,100	83	0.4
Net income	12,073	11,500	(573)	(4.8)

Consolidated Segment Forecast for the fiscal year ending March 31, 2014 (Million yen)

Item	Year ended March 31, 2013	Year ending March 31, 2014	Change	Rate of change (%)
Operating revenue	163,168	179,000	15,831	9.7
Leasing	94,509	97,400	2,890	3.1
Residential property sales	54,939	70,800	15,860	28.9
Other	18,930	15,900	(3,030)	(16.0)
Eliminations	(5,209)	(5,100)	109	–
Operating income	27,401	27,500	98	0.4
Leasing	29,216	28,000	(1,216)	(4.2)
Residential property sales	2,914	4,300	1,385	47.5
Other	1,580	1,200	(380)	(24.1)
Eliminations/Corporate	(6,310)	(6,000)	310	–

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

(2) Analysis of Financial Position

1) Consolidated Balance Sheets
Assets, liabilities and net assets at the end of the fiscal year ended March 31, 2013 rose from the end of the previous fiscal year.

(Assets)
Total assets were ¥941,050 million (up ¥12,513 million year on year).
Current assets were ¥131,843 million (up ¥1,901 million), primarily reflecting a rise of ¥2,223 million in cash and deposits.
Non-current assets were ¥809,207 million (up ¥10,612 million). Principal factors included an increase of ¥14,980 million in buildings and structures (net), a rise of ¥7,768 million in land and a fall of ¥10,491 million in construction in progress.

(Liabilities)
Total liabilities were ¥727,215 million (up ¥2,405 million year on year).
Current liabilities were ¥177,439 million (up ¥88,711 million). Major factors included an increase of ¥60,512 million in current portion of bonds, a rise of ¥10,321 million in short-term loans payable, and an increase of ¥7,329 million in the current portion of long-term loans payable.
Non-current liabilities were ¥549,775 million (down ¥86,306 million).The main factors included a fall of ¥52,119 million in bonds payable and a decline of ¥25,856 million in long-term loans payable.

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

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

(Million yen)

	As of March 31, 2012	As of March 31, 2013	Change
Assets	928,537	941,050	12,513
Liabilities	724,810	727,215	2,405
Net assets	203,727	213,835	10,108
(Restated) Minority interests	37,714	37,614	(100)

2) Consolidated Cash Flows
Cash and cash equivalents (hereinafter “cash”) at the end of March 2013 increased ¥1,848 million from the end of March 2012, to ¥12,809 million. Free cash flow at the end of March 2013 were up ¥27,533 million from the end of March 2012, to ¥8,203 million plus.

(Note) The calculating formula of the free cash flow is as follows:
Free cash flow = Net cash provided by (used in) operating activities + Net cash provided by (used in) investing activities

The following is the situation and factors for each category of cash flow for the fiscal year ended March 31, 2013:

(Net cash provided by (used in) operating activities)
Net cash provided by operating activities of the Group was ¥48,089 million, with the inflow increasing ¥44,384 million year on year, although cash was in a volatile state influenced by the purchase of land in the residential property sales business and other factors. This is primarily attributable to an increase in cash mainly due to income before income taxes and minority interests of ¥18,969 million, depreciation and amortization of ¥23,766 million and a decline in inventories of ¥13,208 million.

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

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

(Million yen)

Item	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013
Net cash provided by (used in) operating activities	(12,091)	35,168	40,417	3,704	48,089
Net cash provided by (used in) investing activities	(57,397)	6,695	(28,257)	(23,033)	(39,885)
Net cash provided by (used in) financing activities	63,079	(30,028)	(14,641)	12,650	(6,660)

3) Trends in cash flow-related data

Item	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013
Equity ratio (%)	15.8	16.4	17.1	17.9	18.7
Value-based equity ratio (%)	27.7	28.4	25.2	23.9	38.9
Interest-bearing debt to cash flows (years)	–	14.1	12.1	136.5	10.5
Interest coverage ratio (times)	–	4.3	5.1	0.5	6.2

Equity ratio: Shareholders' equity / Total assets
Value-based equity ratio: Market capitalization / Total assets
Interest-bearing debt to cash flows: Interest-bearing debt / Cash flows
Interest coverage ratio: Cash flows / Interest payments

* All of the above are consolidated financial data.
* Interest-bearing debt denotes liabilities bearing interest (excluding lease obligations) of the liabilities posted on the consolidated balance sheets.
* Cash flows and interest payments are Net cash provided by (used in) operating activities and interest expenses paid posted on the Consolidated Statements of Cash Flows, respectively.
* The interest-bearing debt to cash flows and interest coverage ratio as of March 31, 2009 is omitted because Net cash provided by (used in) operating activities for the fiscal year were negative.

(3) Basic Dividend Policy and Dividends for Fiscal Years Ended March 2013 and Ending March 2014

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

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

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

For the fiscal year ending March 2014, the Company plans to pay an interim dividend per share of ¥800 based on the value calculation before the stock split and a year-end dividend per share of ¥8 based on the value calculation after the stock split (¥800 based on the value calculation before the stock split), which are dividends at effectively the same level as those in the fiscal year ended March 31, 2013 (an annual dividend of ¥1,600 per share).

For more details on the stock split and the adoption of the unit share, refer to "Notice of Stock Split, Adoption of Unit Share System and Partial Amendment of the Articles of Incorporation" (announced today).

(4) Operating Risks

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

[General Risk]

i) Leasing Business Risk

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

ii) Residential Property Sales Business Risk

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

iii) 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.

iv) Effects of Interest-Bearing Debt
The Group raises funds in Japan and overseas, and as of March 31, 2013, consolidated interest-bearing debt totaled ¥505,993 million, all of which was procured at fixed rates of interest. A significant rise in the market interest rates could, therefore, affect the business development of the Group.
In addition, the Group's capital procurement activities could be hampered by instability in capital markets, credit limits extended by financial institutions, business failures (including payoffs) of such institutions, or downgrades in the Company's debt ratings and other factors.

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

v) 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.

vi) Risks Concerning Selection and Credit of Business Partner
The Company makes every effort to verify the credit standing of its business partners before entering into business relations. However, if unforeseen events lower a business partner's credit and the Company is unable to collect debts owed to the Company, an economic loss could result that could impact the Group's business performance.
Depending on the selection of contractors for construction work, scandals, trouble, and financial difficulties, among other factors, in contractors 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 the risks, the Company has set up an internal committee to choose contractors that investigates the creditworthiness of contractors and their ability to complete construction and has established termination criteria should contractors fail to meet standard quality or delivery periods or cause incidents or accidents.

[Business Risk]
i) Risks Concerning Development Project Investment Decisions
The Company invests in quality properties for future development with the objective of further raising corporate value. Every effort is made to ensure the decisions to invest in new development projects which 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 groups. Despite careful preparation and consideration, fluctuations in demand arising from changes in the business climate or in the real estate market can reduce the profitability of investments and could impact the Group's business performance.

ii) Risks Concerning Sales Transaction and Construction Contracts
Inadequate contract documents, flawed contract stipulations, or other deficiencies in sales transaction and construction contracts could produce an economic loss or liability for damages, or compromise society's trust in the Company in a way that could impact the Company's business performance. The Group seeks to prevent and avoid risks by checking contracts in advance, using contract check sheets.

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

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

[Relationships with Parent Company and its Group Companies]

i) Position of NTT Urban Development in Corporate Group Including Parent Company

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

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

ii) Business Relations with Parent Company and its Group Companies

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

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

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

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

Item	Year ended March 31, 2012	Year ended March 31, 2013
Operating revenue in Leasing Business (Million yen)	82,603	82,208
Operating revenue from NTT Group (Million yen)	26,600	26,341
Operating revenue from NTT Group / Operating revenue in Leasing Business (%)	32.2	32.0

iii) Personnel Relationship with NTT Group

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

(Concurrent officers)

<table>
<tr><th>Title</th><th>Name</th><th>Title in parent company or its group companies</th><th>Reason for appointment</th></tr>
<tr><td>Senior director</td><td>Toyosei Sugimura</td><td>Senior Manager, General Affairs Department of Nippon Telegraph and Telephone Corporation</td><td rowspan="2">The Company appointed Mr. Sugimura and Mr. Ogiwara to gain access to broad management perspectives.</td></tr>
<tr><td>Corporate auditor</td><td>Takeshi Ogiwara</td><td>Senior Manager, Internal Control Office of General Affairs Department of Nippon Telegraph and Telephone Corporation</td></tr>
</table>

(Note) Of the 14 directors and four corporate auditors, only the two above hold a concurrent position at the parent company.

iv) Independence from the Parent Company and its Group Companies

As a company engaging in a nationwide real estate business as part of the NTT Group, the Company manages its businesses independently, taking responsibility for management. As stated in i), ii) and iii), we believe that the Company has a considerable degree of independence from the parent company.

2. Situation of the Corporate Group

The NTT Urban Development Group (NTT Urban Development and its affiliates) consists of 11 consolidated subsidiaries and five equity-method affiliates. The main businesses of the Group are the Leasing Business and the Residential Property Sales Business. The Group also engages in other businesses, including the management of office buildings, which are categorized as the Other Business. NTT Urban Development is a company that engages in the real estate business nationwide in a corporate group whose parent company is Nippon Telegraph and Telephone Corporation ("NTT") which primarily engages in regional, long–distance, and international communications, mobile communications, and data communications.
The following is outlines of each business segment of the Group and the positions of NTT Urban Development and its major affiliates in each segment:

(1) Leasing Business
The Group leases properties, including office buildings, commercial facilities, rental housing and others, that it has developed and owns. Main business fields are as follows:
a. Office buildings
Leases office buildings that it owns in metropolitan areas including Tokyo, Nagoya, Osaka, Hiroshima, Fukuoka, and Sapporo
b. Commercial facilities
Leases commercial facilities that it owns in metropolitan areas including Tokyo, Nagoya, Osaka, Hiroshima, and Fukuoka
c. Rental housing
Leases rental condominiums, company housing and other rental housing that it owns in metropolitan areas including Tokyo, Nagoya, Osaka, Fukuoka, and Sapporo

UDX Tokutei Mokuteki Kaisha leases parts of Akihabara UDX Building, which it has developed and owns.

UD EUROPE LIMITED invests in and manages real estate in the United Kingdom.

(2) Residential Property Sales Business
The Group sells residential properties, especially condominiums.
In the sale of condominiums, the Company sells primarily condominiums under the brand name of WELLITH. The Company also sells building lots and other residential properties in accordance with the locational conditions of the land lots that it acquires.

UD AUSTRALIA PTY LIMITED invests in and manages real estate in Australia.

(3) Other
In relation to the Leasing Business, the Group manages design of building and other, construction and supervision of construction, office building maintenance and provides air-conditioning services and operates restaurant facilities as incidental facilities of office buildings.
NTT Urban Development Builservice Co. remodels all rental buildings at the request of tenants in the Tokyo metropolitan area. It also carries out property management operations including the management and operation of buildings.
NTT Urban Development West BS Co. remodels rental buildings at the request of tenants in western Japan. It also engages in property management operations including the management and operation of buildings.
NTT Urban Development Hokkaido BS Co. remodels rental buildings, manages and operates buildings, and manages parking lots in Hokkaido.
Otemachi First Square Inc. manages the Otemachi First Square Building and its land that the Company owns.
Motomachi Parking Access Co., Ltd. maintains underground passages in Hiroshima's Motomachi area.
Premier REIT Advisors Co., Ltd. engages in the investment management business under the Financial Instruments and Exchange Act.
DAY・NITE Co., Ltd. and Knox Twenty–One Co., Ltd. manage food and beverage facilities.

[Group Organization Chart]
The chart below is an organization chart of the Group showing the businesses of Group companies stated above.

NTT Urban Development GroupGroup

◎ NTT Urban Development Hokkaido BS Co.
Remodeling, property management operations including the management and operation of buildings owned by NTT Urban Development in Hokkaido area and management of parking lots

◎ NTT Urban Development Builservice Co.
Design, construction, remodeling, property management operations including the management and operation of buildings owned by NTT Urban Development in the greater Tokyo metropolitan area

◎ NTT Urban Development West BS Co.
Design, construction, remodeling, property management operations including the management and operation of buildings owned by NTT Urban Development in western Japan area

◎ Otemachi First Square Inc.
Management of Otemachi First Square

◎ Motomachi Parking Access Co., Ltd.
Maintenance of underground passages in Hiroshima's Motomachi area

☐ Tokyo Opera City Building Co., Ltd.
Management of Tokyo Opera City Building

◎ Knox Twenty-One Co., Ltd.
Operation of NTT Group's convention facilities

◎ DAY・NITE Co., Ltd.
Operation of restaurants, halls and conferences, etc.

☐ DHC Tokyo Co., Ltd.
District heating and cooling services for Granpark Tower

☐ Tokyo Opera City District Heating & Cooling Co., Ltd.
District heating and cooling services for Tokyo Opera City and other buildings

NTT Urban Development

◎ UDX TokuteiMokuteki Kaisha
Development and ownership of Akihabara UDX

◎ UD EUROPE LIMITED
Investment in and management of real estate in the UK

◎ UD AUSTRALIA PTY LIMITED
Investment in and management of real estate in Australia

☐ 335 GRICES ROAD PTY LTD
Development and sales of residential land

◎ Premier REIT Advisors Co., Ltd.
Investment management business under the Financial Instruments and Exchange Act

◎ : Consolidated subsidiaries
☐ : Equity-method affiliates

* Other Group companies
One equity-method affiliate

Situation of Affiliates

Parent Company (As of March 31, 2013)

Name	Address	Capitalization (million yen)	Main business	Voting rights ownership percentage	Relations
Nippon Telegraph and Telephone Corporation	Chiyoda, Tokyo	937,950	Basic research and development, the management of the Group	(Owned) 67.3	Transactions relating to the management of the Group and the leasing of properties NTT Urban Development owns Concurrent officers: –

Consolidated Subsidiaries

Name	Address	Capitalization (million yen)	Main business	Voting rights ownership percentage	Relations
NTT Urban Development Hokkaido BS Co.	Chuo, Sapporo-shi	50	Leasing Others	(Owning) 100.0	Maintenance and management of buildings and condominiums and management of parking lots in Hokkaido area Concurrent officers: 1
Otemachi First Square Inc.	Chiyoda, Tokyo	50	Others	56.5	Management of Otemachi First Square and its land Concurrent officers: 2
NTT Urban Development Builservice Co.	Chiyoda, Tokyo	300	Others	100.0	Design, construction, remodeling, property management operations including the management and operation of buildings owned by NTT Urban Development in the greater Tokyo metropolitan area Concurrent officers: 5
Knox Twenty-One Co., Ltd.	Minato, Tokyo	24	Others	100.0	Operation of NTT Group's convention facilities Concurrent officers: 4
DAY･NITE Co., Ltd. (Note 2)	Chiyoda, Tokyo	40	Others	100.0	Operation of restaurants, halls and conferences, etc. Concurrent officers: 4
NTT Urban Development West BS Co.	Nishi, Osaka-shi	100	Others	100.0	Design, construction, remodeling, property management operations including the management and operation of buildings owned by NTT Urban Development in Western Japan area Concurrent officers: 3
Motomachi Parking Access Co., Ltd.	Naka, Hiroshima-shi	60	Others	58.3	Maintenance of underground passages in Hiroshima's Motomachi area Concurrent officers: 3
UDX Tokutei Mokuteki Kaisha (Note 3)	Chuo, Tokyo	14,100	Leasing	66.0	Development and ownership of Akihabara UDX Concurrent officers: –
UD EUROPE LIMITED	London,UK	(Sterling pounds) 200	Leasing	100.0	Investment in and management of real estate in the UK Concurrent officers: 2
Premier REIT Advisors Co., Ltd.	Minato, Tokyo	300	Others	53.1	Investment management business under the Financial Instruments and Exchange Act Concurrent officers: 4
UD AUSTRALIA PTY LIMITED	Melbourne, Australia	(Australian Dollar) 17,000,000	Residential Property Sales	100.0	Investment in and management of real estate in Australia Concurrent officers: 3

Equity-Method Affiliates

Name	Address	Capitalization (million yen)	Main business	Voting rights ownership percentage	Relations
Tokyo Opera City Building Co., Ltd.	Shinjuku, Tokyo	20	Others	(Owning) 23.7	Management of Tokyo Opera City Concurrent officers: 1
DHC Tokyo Co., Ltd.	Minato, Tokyo	200	Others	50.0	District heating and cooling services for Granpark Tower Concurrent officers: 3
Tokyo Opera City District Heating & Cooling Co., Ltd.	Shinjuku, Tokyo	980	Others	36.2	District heating and cooling services for Tokyo Opera City Concurrent officers: 1
Harumi Yonchome City Planning Design Co.	Chuo, Tokyo	50	Others	36.0	Investigation and planning relating to the development of the Harumi 4-chome area Concurrent officers: 1
335 GRICES ROAD PTY LTD	Melbourne, Australia	(Australian Dollar) 1	Residential Property Sales	50.0	Development and sales of residential land Concurrent officers: 3

(Note 1) In the main business column for the consolidated subsidiaries and equity-method affiliates, the names of business segments are provided.

(Note 2) DAY・NITE Co., Ltd. was renamed from DN Food Co., Ltd. on February 1, 2013.

(Note 3) UDX Tokutei Mokuteki Kaisha is a specified subsidiary.

(Note 4) MOUNT STREET ADVISERS LIMITED, which had been an equity-method affiliate, ceased to be an equity-method affiliate following the sale of all shares in the affiliate.

3. Management Policy

(1) Basic Management Policy

Since it was established in January 1986, the NTT Urban Development Group, the core company in the real estate development business of the NTT Group, has focused on urban development in cities in Japan, especially in the Otemachi area of Tokyo. This focus has enabled consistent growth. The ultimate goal of the Group is to continue to create relaxing environments that effectively balance people, living spaces, and the environment, under its corporate slogan, "We create harmony." In other words, we believe that we can create environments that offer comfortable living over the long term, through a harmony among creative people, stimulating, energizing living environments, and comfortable, fulfilling lifestyles. We also believe that we can achieve harmony by combining the high-quality structures and advanced technologies of the Group, and through our unshakeable commitment to functionality, convenience, and safety as the key components of comfortable living. Consistently offering comfortable living environments creates customer trust and, as a result, improves our corporate value.

(2) Medium- to Long-Term Management Strategies, Financial Targets, and Challenges to Address

The economy continues to be uncertain, given the level of exchange rate and precarious economic conditions overseas, but is expected to benefit from positive factors such as a recovery from the difficult economic environment in Japan influenced by the Great East Japan Earthquake and the effects of economic and monetary policies. The real estate market is showing signs of an improvement in vacancy rate in office buildings, in addition to real estate prices and rents, which have bottomed out.

The Group has been taking steps to restructure its business base and pursue growth in consideration of financial soundness, with the aim of achieving the financial targets itinitially set, strengthening the revenue base in each business and creating stable income under the NTT Urban Development Group Medium-Term Management Plan 2012.

On the basis of these outcomes, the Group has developed the Medium-Term Vision 2018 – For Further Growth –, a new medium-term vision that begins in fiscal 2013. The Group will take measures for medium- and long-term growth through customer and market-centered orientation and the pursuit of innovations.

Specific steps to be taken in the new medium-term vision are as follows:

i) Strengthening the revenue base in the leasing business

The Group will strengthen its revenue base in the leasing business by fully enforcing customer-centered orientation and promoting development strategies that captures changes in the social environment, while further strengthening sales capabilities and cost competitiveness and working to diversify development methods and promote asset replacement.

ii) Expanding the business scale for the future growth

In the residential property sales business, the Group will strive to expand business mainly in Tokyo metropolitan area by deepening the WELLITH brand.

In global business, the Group will aim to achieve a stable income base through the acquisition of office buildings in Europe and the United States, centering on London, the United Kingdom. It will also step up efforts to create business opportunities in growth markets, mainly in Southeast Asia.

iii) Promoting thorough financial control

The Group aims to maintain its financial balance through the careful selection of investments and implement of strategic asset replacement, while investing in future growth. The Group will also strengthen its financial base by controlling interest-bearing debt.

vi) Enhancing the management platform

The Group will act to enhance its management resources and will fully enforce corporate governance to establish a management infrastructure that can be able to keep pace with business expansion.

It will also place management emphasis on shareholder value, as it has done in the past.

* Descriptions regarding the future, such as the forecast of financial results herein, are calculated based on information that is available to the Company as of the date hereof and the Company considers reasonable, and the Company does not warranty the achievement of the descriptions. Please note that actual results may differ materially from forecasts due to various factors.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets (Million yen)

	Previous consolidated fiscal year (As of March 31, 2012)	Current consolidated fiscal year (As of March 31, 2013)
Assets		
Current assets		
Cash and deposits	*2 9,924	*2 12,148
Notes and operating accounts receivable	15,480	13,786
Real estate for sale	14,854	21,706
Real estate for sale in progress	78,843	65,576
Costs on uncompleted construction contracts	448	346
Raw materials and supplies	60	55
Lease investment assets	3,172	3,617
Deposits paid	1,745	1,370
Deferred tax assets	427	1,141
Other	*2, *4 4,983	*2, *4 12,094
Allowance for doubtful accounts	(1)	(0)
Total current assets	129,941	131,843
Non-current assets		
Property, plant and equipment		
Buildings and structures	*2 692,937	*2 719,274
Accumulated depreciation	(368,740)	(380,097)
Buildings and structures (net)	324,196	339,176
Machinery, equipment and vehicles	13,766	14,027
Accumulated depreciation	(11,727)	(11,896)
Machinery, equipment and vehicles (net)	2,039	2,131
Land	*2 401,361	*2 409,130
Lease assets	512	399
Accumulated depreciation	(356)	(265)
Lease assets (net)	156	134
Construction in progress	17,503	7,012
Other property, plant and equipment	*2 15,603	*2 16,136
Accumulated depreciation	(12,097)	(12,815)
Other property, plant and equipment (net)	3,505	3,321
Total property, plant and equipment	748,763	760,907
Intangible assets	*2 4,562	*2 5,756
Investments and other assets		
Investment securities	*1 20,656	*1 19,056
Long-term prepaid expenses	*2 17,308	*2 16,765
Deferred tax assets	397	422
Other	6,906	6,299
Total investments and other assets	45,269	42,544
Total non-current assets	798,595	809,207
Total assets	928,537	941,050

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2012)	Current consolidated fiscal year (As of March 31, 2013)
Liabilities		
Current liabilities		
Notes and operating accounts payable–trade	13,175	10,742
Short-term loans payable	–	10,321
Lease obligations	68	45
Current portion of long-term loans payable	*2 48,712	*2 56,041
Current portion of bonds	*2 1,611	*2 62,123
Income taxes payable	458	3,351
Deferred tax liabilities	–	316
Other	24,699	34,495
Total current liabilities	88,727	177,439
Non-current liabilities		
Bonds payable	*2 137,091	84,971
Long-term loans payable	*2 318,389	*2 292,533
Lease obligations	151	133
Lease and guarantee deposits received	82,437	74,628
Negative goodwill	*3 28,402	*3 26,617
Deferred tax liabilities	60,305	61,116
Provision for retirement benefits	6,026	6,388
Provision for directors' retirement benefits	105	102
Asset retirement obligations	3,044	3,172
Other	128	110
Total non-current liabilities	636,082	549,775
Total liabilities	724,810	727,215
Net assets		
Shareholders' equity		
Capital stock	48,760	48,760
Capital surplus	34,109	34,109
Retained earnings	84,265	91,402
Total shareholders' equity	167,135	174,272
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	98	1,131
Foreign currency translation adjustment	(1,221)	817
Total accumulated other comprehensive income	(1,122)	1,948
Minority interests	37,714	37,614
Total net assets	203,727	213,835
Total liabilities and net assets	928,537	941,050

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income) (Million yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Current consolidated fiscal year (From April 1, 2012 to March 31, 2013)
Operating revenue	136,842	163,168
Operating cost	*6 96,433	*6 117,163
Operating gross profit	40,409	46,004
Selling, general and administrative expenses	*1 15,043	*1 18,603
Operating income	25,365	27,401
Non-operating income		
Interest income	61	79
Dividends income	63	85
Contributions	123	249
Gain on donation of non-current assets	0	1
Amortization of negative goodwill	1,926	1,926
Equity in earnings of affiliates	77	82
Other	68	76
Total non-operating income	2,321	2,500
Non-operating expenses		
Interest expenses	7,938	7,665
Other	518	220
Total non-operating expenses	8,457	7,885
Ordinary income	19,229	22,016
Extraordinary income		
Gain on sales of non-current assets	–	*2 389
Gain on reversal of provision for loss on warranty	60	–
Total extraordinary income	60	389
Extraordinary loss		
Loss on sales of non-current assets	*3 216	*3 508
Loss on retirement of non-current assets	*4 2,319	*4 2,119
Impairment loss	–	*5 800
Loss on disaster	323	–
Other	5	8
Total extraordinary losses	2,863	3,436
Income before income taxes and minority interests	16,425	18,969
Income taxes-current	3,991	5,747
Income taxes-deferred	(6,942)	(202)
Total income taxes	(2,951)	5,544
Income before minority interests	19,376	13,425
Minority interests in income	3,790	1,351
Net income	15,586	12,073

(Consolidated Statements of Comprehensive Income) (Million yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Current consolidated fiscal year (From April 1, 2012 to March 31, 2013)
Income before minority interests	19,376	13,425
Other comprehensive income		
Valuation difference on available-for-sale securities	(165)	1,022
Foreign currency translation adjustment	(1,000)	2,039
Total other comprehensive income	* (1,166)	* 3,062
Comprehensive income	18,209	16,487
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	14,427	15,145
Comprehensive income attributable to minority interests	3,782	1,341

(3) Consolidated Statements of Changes in Net Assets (Million yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Current consolidated fiscal year (From April 1, 2012 to March 31, 2013)
Shareholders' equity		
Capital stock		
Balance at the beginning of the year	48,760	48,760
Changes of items during the year		
Total changes of items during the year	–	–
Balance at the end of the year	48,760	48,760
Capital surplus		
Balance at the beginning of the year	34,109	34,109
Changes of items during the year		
Total changes of items during the year	–	–
Balance at the end of the year	34,109	34,109
Retained earnings		
Balance at the beginning of the year	72,628	84,265
Changes of items during the year		
Dividends from surplus	(1,974)	(2,632)
Interim dividends	(1,974)	(2,303)
Net income	15,586	12,073
Total changes of items during the year	11,636	7,136
Balance at the end of the year	84,265	91,402
Total shareholders' equity		
Balance at the beginning of the year	155,498	167,135
Changes of items during the year		
Dividends from surplus	(1,974)	(2,632)
Interim dividends	(1,974)	(2,303)
Net income	15,586	12,073
Total changes of items during the year	11,636	7,136
Balance at the end of the year	167,135	174,272
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of the year	257	98
Changes of items during the year		
Net changes of items other than shareholders' equity	(158)	1,032
Total changes of items during the year	(158)	1,032
Balance at the end of the year	98	1,131
Foreign currency translation adjustment		
Balance at the beginning of the year	(221)	(1,221)
Changes of items during the year		
Net changes of items other than shareholders' equity	(1,000)	2,039
Total changes of items during the year	(1,000)	2,039
Balance at the end of the year	(1,221)	817

(Million yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Current consolidated fiscal year (From April 1, 2012 to March 31, 2013)
Total accumulated other comprehensive income		
Balance at the beginning of the year	36	(1,122)
Changes of items during the year		
Net changes of items other than shareholders' equity	(1,158)	3,071
Total changes of items during the year	(1,158)	3,071
Balance at the end of the year	(1,122)	1,948
Minority interests		
Balance at the beginning of the year	35,248	37,714
Changes of items during the year		
Net changes of items other than shareholders' equity	2,466	(100)
Total changes of items during the year	2,466	(100)
Balance at the end of the year	37,714	37,614
Total net assets		
Balance at the beginning of the year	190,783	203,727
Changes of items during the year		
Dividends from surplus	(1,974)	(2,632)
Interim dividends	(1,974)	(2,303)
Net income	15,586	12,073
Net changes of items other than shareholders' equity	1,307	2,971
Total changes of items during the year	12,944	10,108
Balance at the end of the year	203,727	213,835

(4) Consolidated Statements of Cash Flows (Million yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Current consolidated fiscal year (From April 1, 2012 to March 31, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	16,425	18,969
Depreciation and amortization	24,765	23,766
Loss on disaster	323	–
Amortization of negative goodwill	(1,926)	(1,926)
Impairment loss	–	800
Amortization of goodwill	141	141
Increase (decrease) in allowance for doubtful accounts	(2)	(0)
Increase (decrease) in provision for retirement benefits	136	362
Interest and dividends income	(125)	(164)
Interest expenses	7,938	7,665
Equity in (earnings) losses of affiliates	(77)	(82)
Gain on sales of non-current assets	–	(389)
Loss on retirement of non-current assets	2,319	2,119
Loss on sales of non-current assets	216	508
Decrease (increase) in lease investment assets	(778)	(444)
Decrease (increase) in notes and accounts receivable-trade	(9,032)	1,702
Decrease (increase) in inventories	(14,306)	13,208
Increase (decrease) in notes and accounts payable–trade	5,092	(2,433)
Increase (decrease) in lease and guarantee deposits received	(6,196)	(3,691)
Other, net	(4,091)	(1,629)
Subtotal	20,822	58,483
Interest and dividends income received	161	189
Interest expenses paid	(8,028)	(7,804)
Income taxes paid	(9,250)	(2,779)
Net cash provided by (used in) operating activities	3,704	48,089
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(24,305)	(40,689)
Proceeds from sales of property, plant and equipment	681	3,228
Purchase of investment securities	(13)	(465)
Proceeds from repayment of investment securities	1,052	–
Other, net	(447)	(1,958)
Net cash provided by (used in) investing activities	(23,033)	(39,885)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	–	10,321
Proceeds from long-term loans payable	72,000	29,793
Repayments of long-term loans payable	(67,360)	(48,712)
Proceeds from issuance of bonds	14,993	10,000
Redemption of bonds	(1,611)	(1,611)
Cash dividends paid	(3,949)	(4,936)
Cash dividends paid to minority shareholders	(1,316)	(1,441)
Other, net	(104)	(72)
Net cash provided by (used in) financing activities	12,650	(6,660)
Effect of exchange rate change on cash and cash equivalents	(375)	305
Net increase (decrease) in cash and cash equivalents	(7,054)	1,848
Cash and cash equivalents at beginning of period	18,015	10,960
Cash and cash equivalents at end of period	* 10,960	* 12,809

Notes to Consolidated Financial Statements

(Phenomena or situations raising significant questions about the premise of a going concern)

Not applicable.

(Important items used as basic materials for preparation of consolidated financial statements)

1. Scope of consolidation

Number of consolidated subsidiaries: 11

All subsidiaries are consolidated.

Consolidated subsidiaries:

NTT Urban Development Builservice Co.
NTT Urban Development West BS Co.
NTT Urban Development Hokkaido BS Co.
Otemachi First Square Inc.
DAY･NITE Co., Ltd.
Knox Twenty–One Co., Ltd.
Motomachi Parking Access Co., Ltd.
UDX Tokutei Mokuteki Kaisha
UD EUROPE LIMITED
Premier REIT Advisors Co., Ltd.
UD AUSTRALIA PTY LIMITED

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

2. Application of equity method

Number of equity method affiliates: 5

Equity method affiliates:

Tokyo Opera City Building Co., Ltd.
DHC Tokyo Co., Ltd.
Tokyo Opera City District Heating & Cooling Co., Ltd.
Harumi Yonchome City Planning Design Co.
335 GRICES ROAD PTY LTD

MOUNT STREET ADVISERS LIMITED, which had been an equity-method affiliate, ceased to be an equity method affiliate following the sale of all shares in the affiliate.

3. Fiscal years of consolidated subsidiaries

The closing date of UD EUROPE LIMITED and UD AUSTRALIA PTY LIMITED are December 31. In the preparation of the consolidated financial statements, the Company used the financial statements as of December 31 and made the adjustments required for consolidation in relation to significant transactions occurring after the date and before the consolidated closing date.

The end of the fiscal years of other consolidated subsidiaries is the same as the consolidated closing date.

4. Accounting practices

(1) Standards and methods for the valuation of important assets

(i) Securities

Other securities

Securities having fair values:

Fair value method based on the fair value on the consolidated closing date is applied. (The valuation difference is recorded as a component of net assets. The cost of products sold is calculated by the moving average method.)

Securities not having fair values:

Cost determined by the moving average method is applied.

With respect to investments in investment business limited partnerships and associations of a similar nature (investments deemed to be securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the net amount equivalent to equity based on the latest financial statements available is recorded.

(ii) Derivatives

In principle, the fair value method is applied.

(iii) Inventories

The cost method based on the specific cost method (reduction of the carrying value— balance sheet value—based on a decline in profitability) is applied to properties for sale, properties for sale in progress.

The cost method based on the specific cost method is applied to costs on uncompleted construction contracts.

The last purchase price method is applied to raw materials and stored goods.

(2) Depreciation method for important depreciable assets

(i) Property, plant and equipment (except leased assets)

The declining-balance method is primarily applied.

However, the straight-line method is applied to NTT Makuhari Building, Granpark Tower, NTT Cred Motomachi Building, and buildings (except attached facilities) acquired on and after April 1, 1998.

Major useful lives are as follows:

Buildings and structures: 15 to 50 years

Machinery, equipment and vehicles: 5 to 17 years

(ii) Intangible assets (except leased assets)

The straight-line method is applied.

Software for internal use is amortized over its estimated useful life (five years).

(iii) Long-term prepaid expenses

The straight-line method is applied.

(iv) Lease assets

Lease assets relating to finance lease transactions without the transfer of ownership

The same depreciation methods as applied to the non-current assets owned by the Company and its subsidiaries are applied.

(3) Basis for calculating important allowances

(i) Allowance for doubtful accounts

In preparation for doubtful notes and operating accounts receivable and loans receivable, the Company and its consolidated subsidiaries post estimated uncollectible amounts, which are estimated from loan loss ratios for general reserves and from collectability for each of specific receivables including those with low collectability.

(ii) Provision for retirement benefits

In preparation for employees retirement benefit, provision for retirement benefits are posted based on the retirement benefit obligation and estimated pension plan assets at the end of the consolidated fiscal year.

The past service cost is amortized using the straight–line method over the eligible employees' average remaining period of service of the eligible employees at the time of occurrence.

Actuarial differences are amortized using the straight–line method over the eligible employees' average remaining period of service at the time of occurrence in each consolidated fiscal year from the following fiscal year.

(4) Basis for posting important revenues and expenses

(i) Basis for posting revenues relating to finance lease transactions

Sales and cost of sales are posted when lease fees are received.

(ii) Standard for recording amount of completed work and cost of completed work

a. Contracts whose outcome at the end of the fiscal year under review is deemed certain

Percentage-of-completion method (construction-cost-percentage method for estimating the progress of construction)

b. Other construction contracts

Completed-contract method

(5) Significant hedge accounting method

(i) Hedge accounting method

In principle, deferred hedge accounting is applied.

A preferential procedure is employed for interest rate swaps that meet the criteria for the preferential procedure.

(ii) Hedging item and hedged item

Hedging item: Interest rate swap contracts

Hedged item: Borrowings

(iii) Hedging policy

Under the Company's internal rules on derivative transactions, interest rate risks relating to the hedged item are hedged against within a certain range.

(iv) Method of assessment of hedge effectiveness

Since the swaps are interest swaps to which special matching criteria are applied, the periodic assessment of hedge effectiveness is not performed.

(6) Amortization method and amortization period of goodwill and negative goodwill

Goodwill and negative goodwill that was generated on or before March 31, 2010 are amortized in 20 years by the straight-line method.

(7) Scope of cash and cash equivalents in the consolidated statements of cash flows

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 readily converted into cash and that are subject to only an insignificant risk of change in value.

(8) Other important matters that constitute the basis for preparation of consolidated financial statements

Accounting treatment of consumption taxes

Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

(Changes in accounting principles)

(Change of depreciation method)

In the fiscal year under review, the Company and its consolidated subsidiaries in Japan have changed the depreciation method for property, plant and equipment that were acquired on or after April 1, 2012 to the method under the revised Corporate Tax Act, in association with the amendments to the Corporate Tax Act.

As a result of this change, operating income, ordinary income and income before income taxes and minority interests each increased by ¥173 million in the fiscal year under review, compared to those before the change.

The impact on segment information is written in relevant sections.

(Accounting standards yet to be applied, etc.)

(Accounting standard for retirement benefits, etc.)

The Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 on May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 on May 17, 2012)

(1) Overview

The method of recording actuarial differences and prior service costs has been changed to a method of recording the amount that shows the state of reserves as a liability or asset by recognizing these items after making an adjustment to the tax effect in net assets in consolidated balance sheets. For the period attribution method of the projected amount of retirement benefits, it has become possible to apply the fixed amount per period standard or the attribution based on benefit formula, and the method of calculating the discount rate has been revised.

(2) Planned date of application

These accounting standards will be applied to consolidated financial statements pertaining to the end of the fiscal year ending March 31, 2014. However, the revision of the period attribution method of the projected amount of retirement benefits will be applied from the beginning of the fiscal year ending March 31, 2015. As the transitional treatment is set forth in the accounting standards, they will not be applied retroactively to consolidated financial statements in prior periods.

(3) Impact of applying these accounting standards

The impact of applying these accounting standards on the consolidated financial statements when they are prepared is currently under review.

(Notes to consolidated balance sheets)

*1. Investment securities relating to affiliates are as follows. (Million yen)

	Previous consolidated fiscal year (As of March 31, 2012)	Current consolidated fiscal year (As of March 31, 2013)
Investment securities (shares)	1,595	1,648

*2. Assets pledged as collateral and secured debt

(1) Mortgaged assets and secured debt

(i) Assets pledged as collateral and their amounts (Million yen)

	Previous consolidated fiscal year (As of March 31, 2012)	Current consolidated fiscal year (As of March 31, 2013)
Buildings and structures	100,326	92,612
Land	13,189	9,769
Total	113,516	102,382

(ii) Corresponding debt secured by the above collateral (Million yen)

	Previous consolidated fiscal year (As of March 31, 2012)	Current consolidated fiscal year (As of March 31, 2013)
Current portion of long-term loans payable	3,909	2,988
Long-term loans payable	11,036	8,048
Total	14,945	11,036

(2)Mortgaged assets and the corresponding debt regarding debt with limited recourse

(i) Assets pledged as collateral and their amounts (Million yen)

	Previous consolidated fiscal year (As of March 31, 2012)	Current consolidated fiscal year (As of March 31, 2013)
Cash and deposits (within three months)	5,608	4,771
Securities	1,099	1,099
Other current assets	267	149
Buildings and structures	49,293	47,087
Land	171,402	171,402
Other property, plant and equipment	170	172
Intangible assets	1	0
Long-term prepaid expenses	237	326
Total	228,081	225,011

(ii) Corresponding debt secured by the above collateral (Million yen)

	Previous consolidated fiscal year (As of March 31, 2012)	Current consolidated fiscal year (As of March 31, 2013)
Current portion of bonds	1,611	62,123
Bonds payable	62,123	–
Total	63,735	62,123

*3. Goodwill and negative goodwill (Million yen)

	Previous consolidated fiscal year (As of March 31, 2012)	Current consolidated fiscal year (As of March 31, 2013)
Goodwill	2,422	2,280
Negative goodwill	30,824	28,897
Net amount	28,402	26,617

*4. Breakdown of “Other current assets” (Million yen)

	Previous consolidated fiscal year (As of March 31, 2012)	Current consolidated fiscal year (As of March 31, 2013)
Securities	1,099	5,024
Other	3,883	7,070
Total	4,983	12,094

(Notes to consolidated statements of income)

*1. Major items in selling, general and administrative expenses and their amounts are as follows. (Million yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Current consolidated fiscal year (From April 1, 2012 to March 31, 2013)
Advertising expenses	1,962	3,676
Salaries, allowances and bonuses	5,019	4,990
Retirement benefit expenses	333	326
Provision for directors' retirement benefits	17	14
Provision of allowance for doubtful accounts	1	0
Business consignment expenses	2,631	3,535
Taxes and dues	622	1,565

*2. Breakdown of gain on sales of non-current assets (Million yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Current consolidated fiscal year (From April 1, 2012 to March 31, 2013)
Buildings and structures	–	(187)
Land	–	576
Total	–	389

On the sale of a building and structures with land, the Company recognized a loss on the building and structures component, while a gain was recognized on the land component. A net gain resulted from this transaction and was recorded as a gain on sales of non-current assets.

*3. Breakdown of loss on sales of non-current assets (Million yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Current consolidated fiscal year (From April 1, 2012 to March 31, 2013)
Buildings and structures	249	111
Land	(32)	396
Total	216	508

On the sale of a building and structures with land in the previous consolidated fiscal year, the Company recognized a loss on the building and structures component, while a gain was recognized on the land component. A net loss resulted from this transaction and was recorded as a loss on sales of non-current assets.

*4. Breakdown of loss on retirement of non-current assets (Million yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Current consolidated fiscal year (From April 1, 2012 to March 31, 2013)
Buildings and structures	1,187	963
Machinery, equipment and vehicles	9	27
Removal cost	1,085	1,109
Other	36	17
Total	2,319	2,119

*5. Impairment loss

In the fiscal year under review, the Company recorded an impairment loss for the following asset group.

Primary use	Type	Location	Impairment loss
Land for development	Land	Taito-ku, Tokyo	800 million yen

As a general rule, the Group examined an impairment loss for individual property.

As a result, we reduced the book value of the above assets to the recoverable value as we changed the purpose of ownership from leasing to sale, and recorded the reduction as an impairment loss under extraordinary losses. The breakdown of the assets is land entirely.

The recoverable value of the assets above is measured by net sales value, and an appraisal value by a real estate appraiser is used for the net sales value.

*6. Inventories at the end of the fiscal year are an amount after reductions in carrying values associated with declines in profitability.
The following loss on valuation of inventory is included in the operating cost. (Million yen)

Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Current consolidated fiscal year (From April 1, 2012 to March 31, 2013)
1,194	1,934

(Notes to consolidated statements of comprehensive income)

*Recycling and tax effect relating to other comprehensive income (Million yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Current consolidated fiscal year (From April 1, 2012 to March 31, 2013)
Valuation difference on available-for-sale securities:		
Amount arising during fiscal year	(296)	1,585
Recycling	–	–
Before tax effect adjustment	(296)	1,585
Tax effect	130	(563)
Valuation difference on available-for-sale securities	(165)	1,022
Foreign currency translation adjustment:		
Amount arising during fiscal year	(1,000)	2,039
Total other comprehensive income	(1,166)	3,062

(Notes to consolidated statements of changes in net assets)

Previous consolidated fiscal year (from April 1, 2011 to March 31, 2012)

1. Type and number of outstanding shares (Shares)

Type of shares	Number of shares at the beginning of fiscal year under review	Number of shares added during fiscal year under review	Number of shares subtracted during fiscal year under review	Number of shares at end of fiscal year under review
Common shares	3,291,200	–	–	3,291,200
Total	3,291,200	–	–	3,291,200

2. Type and number of treasury stock

Not applicable.

3. Dividends

(1) Dividends

(Resolution)	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary shareholders' meeting held on June 21, 2011	Common shares	1,974	600	March 31, 2011	June 22, 2011
Board of Directors meeting held on November 7, 2011	Common shares	1,974	600	September 30, 2011	December 5, 2011

(2) Of dividends with a record date falling in the consolidated fiscal year under review, those with an effective date falling in the following consolidated fiscal year

(Resolution)	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Ordinary shareholders' meeting held on June 19, 2012	Common shares	2,632	Retained earnings	800	March 31, 2012	June 20, 2012

Current consolidated fiscal year (from April 1, 2012 to March 31, 2013)

1. Type and number of outstanding shares (Shares)

Type of shares	Number of shares at the beginning of fiscal year under review	Number of shares added during fiscal year under review	Number of shares subtracted during fiscal year under review	Number of shares at end of fiscal year under review
Common shares	3,291,200	–	–	3,291,200
Total	3,291,200	–	–	3,291,200

2. Type and number of treasury stock

Not applicable.

3. Dividends

(1) Dividends

(Resolution)	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary shareholders' meeting held on June 19, 2012	Common shares	2,632	800	March 31, 2012	June 20, 2012
Board of Directors meeting held on November 5, 2012	Common shares	2,303	700	September 30, 2012	December 3, 2012

(2) Of dividends with a record date falling in the consolidated fiscal year under review, those with an effective date falling in the following consolidated fiscal year

Following resolution is planned to be made.

(Resolution)	Type of shares	Total dividends (million yen)	Money to pay dividends	Dividend per share (yen)	Record date	Effective date
Ordinary shareholders' meeting held on June 18, 2013	Common shares	2,962	Retained earnings	900	March 31, 2013	June 19, 2013

(Notes to consolidated statements of cash flows)

* Relationship between cash and cash equivalents at the end period and the accounts on the consolidated balance sheets

(Million yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Current consolidated fiscal year (From April 1, 2012 to March 31, 2013)
Cash and deposits	9,924	12,148
Time deposits with a deposit period of over three months	(1,810)	(1,810)
Short-term (less than three months) investments included in "Deposits paid" in current assets	1,745	1,370
Short-term (less than three months) investments included in other	1,099	1,099
Cash and cash equivalents	10,960	12,809

(Notes to financial instruments)

Previous consolidated fiscal year (from April 1, 2011 to March 31, 2012)

1. Financial instruments

The Group raises fund (primarily through bank loans and bond issuance) necessary to meet financing needs mainly for investments and working capital to carry out the leasing business and the residential property sales business. If there are temporary idle funds on hand, they are invested only in short-term deposits or such.

In accordance with internal accounting rules, trade receivables are tracked for each business partner throughout their lifecycle and protection measures are taken to reduce risk in case they are not paid. As to securities and investment securities, fair values, market conditions, and financial standing of issuers (mainly business partners) are periodically assessed.

Derivatives transactions are interest rate swap transactions to hedge the volatility risk of interests paid on borrowings, and the Company carries out derivatives transactions in accordance with the risk management guidelines for financial instruments, as long as actual demand exists.

2. Fair value of financial instruments

The table below shows the book value and fair value of financial instruments and the difference between them at the end of the fiscal year.

Financial instruments whose fair value is very difficult to determine (please refer to (Note 2)) and financial instruments that are not significant are not included in the table.

(Million yen)

	Book value	Fair value	Difference
(1) Cash and deposits	9,924	9,924	–
(2) Notes and operating accounts receivable	15,480	15,479	(1)
(3) Short-term and long term investment securities			
Other securities	10,871	10,966	95
Total assets	36,277	36,371	94
(1) Notes and operating accounts payable–trade	13,175	13,175	–
(2) Income taxes payable	458	458	–
(3) Bonds payable (*1)	138,702	142,255	3,552
(4) Long-term loans payable (*2)	367,102	376,301	9,198
(5) Lease and guarantee deposits received	14,010	13,703	(306)
Total liabilities	533,450	545,894	12,444

(*1) Current portion of bonds are included.

(*2) The current portion of long-term loans payable is included.

(Note 1) Methods used to calculate the fair value of financial instruments and matters relating to securities and derivatives trading

Assets

(1) Cash and deposits

As cash and deposits are short-term accounts, fair values are close to book values. Thus, they are recorded at book value.

(2) Notes and operating accounts receivable

As notes and accounts receivable are settled in the short term, fair values are close to book values. Thus, they are recorded at book value. When an allowance for doubtful receivables is created for an account receivable, the fair value is determined by subtracting the estimated uncollectible amount (the amount of the allowance) from the said receivable.

(3) Short-term and long term investment securities

Fair values of stocks and bonds having market prices refer to prices set by exchange markets.

Liabilities

(1) Notes and operating accounts payable–trade and (2) Income taxes payable

As these accounts are settled in the short term, fair values are close to book values. Thus, they are recorded at book value.

(3) Bonds payable

Fair values of bonds payable refer to market prices if market prices are available. If market prices are not available, fair values are determined at present values, calculated by discounting the combined total of principal and interest at a rate with the remaining period of the bond and credit risk taken into account.

(4) Long-term loans payable

Fair values of long-term loans payable are determined at present values, calculated by discounting the combined total of principal and interest at a rate with the remaining period of the long-term loans payable and credit risk taken into account.

(5) Lease and guarantee deposits received

Fair values of lease and guarantee deposits received are determined at present values, calculated by discounting deposits at a rate with the remaining periods of the security deposits (those with confirmed refund timing) and guarantee deposits and credit risk taken into account.

<u>Derivatives trading</u>

Disclosing derivatives trading in the summary of financial statements is not considered to be important, and therefore the disclosure is omitted.

(Note 2) Financial instruments whose fair value is very difficult to determine

(Million yen)

Classification	Book value
Unlisted stocks (*1)	363
Stocks of subsidiaries and affiliates (*1)	1,595
Investments in limited partnerships (*1)	9,057
Other investments in capital (*1)	41
Deposits received (excluding those whose time of return is determined) (*2)	72,488

(*1) Unlisted stocks, investments in subsidiaries and affiliates, investments in limited partnerships, and other investments are not included in “Assets (3) Short-term and long term investment securities,” since they do not have market prices, and it is very difficult to determine their fair value.

(*2) Deposits received (excluding those whose time of return is determined) are not included in “Liabilities (5) Lease and guarantee deposits received,” because their remaining period cannot be determined, and it is very difficult to determine their fair value.

(Note 3) Scheduled amounts of redemption of pecuniary claims and securities having maturity dates after the consolidated closing date

(Million yen)

	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Cash and deposits	9,924	–	–	–
Notes and operating accounts receivable	15,480	–	–	–
Short-term and long term investment securities				
Other securities having maturity dates	1,100	3,900	–	203
Total	26,505	3,900	–	203

(Note 4) Scheduled amounts of repayment of bonds payable and long-term loans payable after the consolidated closing date

(Million yen)

	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Bonds payable	1,611	82,123	50,000	5,000
Long-term loans payable	48,712	197,093	117,296	4,000
Total	50,324	279,217	167,296	9,000

Current consolidated fiscal year (from April 1, 2012 to March 31, 2013)

1. Financial instruments

The Group raises fund (primarily through bank loans and bond issuance) necessary to meet financing needs mainly for investments and working capital to carry out the leasing business and the residential property sales business. If there are temporary idle funds on hand, they are invested only in short-term deposits or such.

In accordance with internal accounting rules, trade receivables are tracked for each business partner throughout their lifecycle and protection measures are taken to reduce risk in case they are not paid. As to securities and investment securities, fair values, market conditions, and financial standing of issuers (mainly business partners) are periodically assessed.

Derivatives transactions are interest rate swap transactions to hedge the volatility risk of interests paid on borrowings, and the Company carries out derivatives transactions in accordance with the risk management guidelines for financial instruments, as long as actual demand exists.

2. Fair value of financial instruments

The table below shows the book value and fair value of financial instruments and the difference between them at the end of the fiscal year.

Financial instruments whose fair value is very difficult to determine (please refer to (Note 2)) and financial instruments that are not significant are not included in the table.

(Million yen)

	Book value	Fair value	Difference
(1) Cash and deposits	12,148	12,148	–
(2) Notes and operating accounts receivable	13,786	13,785	(0)
(3) Short-term and long term investment securities			
Other securities	12,415	12,508	93
Total assets	38,349	38,442	92
(1) Notes and operating accounts payable–trade	10,742	10,742	–
(2) Short-term loans payable	10,321	10,321	–
(3) Income taxes payable	3,351	3,351	–
(4) Bonds payable (*1)	147,095	152,317	5,222
(5) Long-term loans payable (*2)	348,575	359,491	10,915
(6) Lease and guarantee deposits received	17,218	16,996	(222)
Total liabilities	537,305	553,220	15,915

(*1) Current portion of bonds are included.

(*2) The current portion of long-term loans payable is included.

(Note 1) Methods used to calculate the fair value of financial instruments and matters relating to securities and derivatives trading

Assets

(1) Cash and deposits

As cash and deposits are short-term accounts, fair values are close to book values. Thus, they are recorded at book value.

(2) Notes and operating accounts receivable

As notes and operating accounts receivable are settled in the short term, fair values are close to book values. Thus, they are recorded at book value. When an allowance for doubtful receivables is created for an account receivable, the fair value is determined by subtracting the estimated uncollectible amount (the amount of the allowance) from the said receivable.

(3) Short-term and long term investment securities

Fair values of stocks and bonds having market prices refer to prices set by exchange markets.

Liabilities

(1) Notes and operating accounts payable–trade, (2) Short-term loans payable and (3) Income taxes payable

As these accounts are settled in the short term, fair values are close to book values. Thus, they are recorded at book value.

(4) Bonds payable

Fair values of bonds payable refer to market prices if market prices are available. If market prices are not available, fair values are determined at present values, calculated by discounting the combined total of principal and interest at a rate with the remaining period of the bond and credit risk taken into account.

(5) Long-term loans payable

Fair values of long-term loans payable are determined at present values, calculated by discounting the combined total of principal and interest at a rate with the remaining period of the long-term loans payable and credit risk taken into account.

(6) Lease and guarantee deposits received

Fair values of lease and guarantee deposits received are determined at present values, calculated by discounting deposits at a rate with the remaining periods of the security deposits (those with confirmed refund timing) and guarantee deposits and credit risk taken into account.

Derivatives trading

Disclosing derivatives trading in the summary of financial statements is not considered to be important, and therefore the disclosure is omitted.

(Note 2) Financial instruments whose fair value is very difficult to determine

(Million yen)

Classification	Book value
Unlisted stocks (*1)	500
Stocks of subsidiaries and affiliates (*1)	1,648
Investments in limited partnerships (*1)	9,646
Other investments in capital (*1)	57
Deposits received (excluding those whose time of return is determined) (*2)	65,588

(*1) Unlisted stocks, investments in subsidiaries and affiliates, investments in limited partnerships, and other investments are not included in "Assets (3)Short-term and long term investment securities," since they do not have market prices, and it is very difficult to determine their fair value.

(*2) Deposits received (excluding those whose time of return is determined) are not included in "Liabilities (6) Lease and guarantee deposits received," because their remaining period cannot be determined, and it is very difficult to determine their fair value.

(Note 3) Scheduled amounts of redemption of pecuniary claims and securities having maturity dates after the consolidated closing date

(Million yen)

	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Cash and deposits	12,148	–	–	–
Notes and operating accounts receivable	13,786	–	–	–
Short-term and long term investment securities				
Other securities having maturity dates	5,000	–	–	203
Total	30,934	–	–	203

(Note 4) Scheduled amounts of repayment of bonds payable and long-term loans payable after the consolidated closing date

(Million yen)

	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Bonds payable	62,123	40,000	40,000	5,000
Long-term loans payable	56,041	177,322	113,211	2,000
Total	118,165	217,322	153,211	7,000

(Notes to securities)

Previous consolidated fiscal year (as of March 31, 2012)

1. Other securities

(Million yen)

	Type	Book value	Acquisition cost	Difference
Book value is more than acquisition cost or amortized cost	(1) Shares	1,264	936	328
	(2) Bonds			
	(i) Government bonds and local bonds	5,246	5,157	88
	(ii) Bonds payable	–	–	–
	(iii) Other bonds	–	–	–
	(3) Other securities	–	–	–
	Subtotal	6,510	6,093	416
Book value is equal to or less than acquisition cost or amortized cost	(1) Shares	–	–	–
	(2) Bonds			
	(i) Government bonds and local bonds	–	–	–
	(ii) Bonds payable	–	–	–
	(iii) Other bonds	–	–	–
	(3) Other securities	4,360	4,716	(355)
	Subtotal	4,360	4,716	(355)
Total		10,871	10,809	61

(Note) Unlisted stocks (¥363 million posted on the consolidated balance sheets), shares in subsidiaries and affiliates (¥1,595 million on the consolidated balance sheets), investments in limited partnerships (¥9,057 million posted on the consolidated balance sheets), and other investments (¥41 million on the consolidated balance sheets) do not have market prices, and it is very difficult to determine their fair value. They are not therefore included in “Other securities.” No other securities were sold during the consolidated fiscal year under review.

2. No impairment losses were recorded in securities in the fiscal year under review.

Current consolidated fiscal year (as of March 31, 2013)

1. Other securities

(Million yen)

	Type	Book value	Acquisition cost	Difference
Book value is more than acquisition cost or amortized cost	(1) Shares	1,327	936	391
	(2) Bonds			
	(i) Government bonds and local bonds	4,112	4,066	45
	(ii) Bonds payable	–	–	–
	(iii) Other bonds	–	–	–
	(3) Other securities	4,445	3,116	1,329
	Subtotal	9,885	8,119	1,765
Book value is equal to or less than acquisition cost or amortized cost	(1) Shares	–	–	–
	(2) Bonds			
	(i) Government bonds and local bonds	1,099	1,100	(0)
	(ii) Bonds payable	–	–	–
	(iii) Other bonds	–	–	–
	(3) Other securities	1,429	1,600	(170)
	Subtotal	2,529	2,700	(170)
Total		12,415	10,819	1,595

(Note) Unlisted stocks (¥500 million posted on the consolidated balance sheets), shares in subsidiaries and affiliates (¥1,648 million on the consolidated balance sheets), investments in limited partnerships (¥9,646 million posted on the consolidated balance sheets), and other investments (¥57 million on the consolidated balance sheets) do not have market prices, and it is very difficult to determine their fair value. They are not therefore included in “Other securities.” No other securities were sold during the consolidated fiscal year under review.

2. No impairment losses were recorded in securities in the fiscal year under review.

(Notes to retirement benefits)

1. Outline of retirement benefit plans

The Company and its consolidated subsidiaries have a corporate pension fund, contract–type corporate pension, and lump–sum payment plans as defined benefit plans.

2. Retirement benefit obligation (Million yen)

	Previous consolidated fiscal year (As of March 31, 2012)	Current consolidated fiscal year (As of March 31, 2013)
(1) Retirement benefit obligation	(10,789)	(13,138)
(2) Pension assets	5,284	6,069
(3) Unfunded retirement benefit obligation (1) + (2)	(5,505)	(7,068)
(4) Unrecognized net actuarial gains	(521)	680
(5) Unrecognized prior service costs	(0)	(0)
(6) Provision for retirement benefits (3) + (4) + (5)	(6,026)	(6,388)

3. Retirement benefit expenses (Million yen)

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Current consolidated fiscal year (From April 1, 2012 to March 31, 2013)
(1) Service costs	362	412
(2) Interest costs	254	264
(3) Expected return on plan assets	(117)	(121)
(4) Amortization of net actuarial gains	(45)	(62)
(5) Amortization of prior service costs	(0)	(0)
(6) Employees' contribution	(18)	(18)
(7) Retirement benefit expenses	436	474

4. Basis of calculation of retirement benefit obligation

	Previous consolidated fiscal year (As of March 31, 2012)	Current consolidated fiscal year (As of March 31, 2013)
(1) Term distribution method of expected retirement benefits	Fixed amount per period standard	Fixed amount per period standard
(2) Discount rates	2.5%	1.5%
(3) Expected rate of return on assets	2.0% to 2.5%	2.0% to 2.5%
(4) Amortization period of unrecognized prior service costs	11.2 to 11.5 years	11.2 to 11.5 years
(5) Amortization period of unrecognized actuarial differences	8.5 to 13.7 years	8.5 to 13.7 years

(Notes to stock options)

Not applicable.

(Notes to deferred tax accounting)

1.Breakdown of deferred tax assets and deferred tax liabilities by major cause (Million yen)

	Previous consolidated fiscal year (As of March 31, 2012)	Current consolidated fiscal year (As of March 31, 2013)
Deferred tax (current) assets		
Accrued bonuses in excess of the limit for income tax deduction	190	191
Accrued enterprise taxes	73	316
Accrued real estate acquisition tax	56	204
Denial of loss on valuation of inventory	124	94
Other	213	667
Sub Total	661	1,474
Valuation reserve	(0)	(0)
Total	660	1,474
Deferred tax (current) liabilities		
Other	(232)	(649)
Total	(232)	(649)
Net deferred tax (current) liabilities	427	825
Deferred tax assets (non-current)		
Denial of evaluation loss on land	3,828	3,684
Denial of depreciation of unused building volume	1,801	1,924
Provision for retirement benefits	2,160	2,284
Denial of impairment loss	848	716
Compensation for loss	683	128
Other	1,676	1,747
Total	10,999	10,485
Valuation reserve	(6,148)	(6,088)
Total	4,851	4,397
Deferred tax liabilities (non-current)		
Reserve for advanced depreciation of non-current assets	(11,115)	(11,102)
Non-current assets valuation difference	(52,907)	(52,715)
Reserve for special account for advanced depreciation of non-current assets	(30)	–
Other	(706)	(1,272)
Total	(64,760)	(65,090)
Net deferred tax liabilities (non-current)	(59,908)	(60,693)

2. Breakdown of difference between the effective tax rate and the actual effective tax rate after applying tax effect accounting by major cause if there is a significant difference between them

	Previous consolidated fiscal year (As of March 31, 2012)	Current consolidated fiscal year (As of March 31, 2013)
Effective tax rate	40.7%	38.0%
(Adjustment)		
Reduction in year-end deferred tax liabilities due to tax rate change	(51.6%)	–
Amortization of negative goodwill	(4.8%)	(3.9%)
Earnings of subsidiaries (tokutei mokuteki kaisha) attributable to minority interests	(3.1%)	(2.7%)
Valuation reserve	0.6%	(0.3%)
Other	0.2%	(1.9%)
Actual effective tax rate after the application of tax effect accounting	(18.0%)	29.2%

(Notes to rental properties)

Previous consolidated fiscal year (from April 1, 2011 to March 31, 2012)

The Company and certain consolidated subsidiaries own rental office buildings, rental commercial facilities and residential rental housing in Tokyo and other areas. In the fiscal year under review, the results of operation of those rental properties were ¥25,184 million (leasing revenue is accounted for in operating revenue and rental expenses in operating cost and in selling, general and administrative expenses), with losses on the sale of non-current assets of ¥216 million (in extraordinary loss) and losses on the retirement of non-current assets ¥2,298 million (in extraordinary loss).

Amounts recognized in the consolidated balance sheet, the change in the fiscal year under review and the fair value as of the end of the year for rental properties are as follows.

(Million yen)

Consolidated balance sheet amount			Fair value at the end of fiscal year under review
Amount at the beginning of fiscal year under review	Change during fiscal year under review	Amount at the end of fiscal year under review	
737,113	6,826	743,939	1,155,467

(Note 1) The consolidated balance sheet amount is the acquisition cost less the accumulated depreciation and the accumulated impairment loss.

(Note 2) Of the change during fiscal year under review, major items included the acquisition of real estate (providing an increase of ¥6,534million) and the sale of real estate (providing a decrease of ¥912million).

(Note 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, which used indicators that it considered reflected market prices appropriately.

Current consolidated fiscal year (from April 1, 2012 to March 31, 2013)

The Company and certain consolidated subsidiaries own rental office buildings, rental commercial facilities and residential rental housing in Tokyo and other areas. In the fiscal year under review, the results of operation of those rental properties were ¥24,914 million (leasing revenue is accounted for in operating revenue and rental expenses in operating cost and in selling, general and administrative expenses), with gains on the sales of non-current assets of ¥388 million (in extraordinary gain), losses on the sale of non-current assets of ¥508 million (in extraordinary loss), losses on the retirement of non-current assets of ¥2,065 million (in extraordinary loss) and impairment losses of ¥800 million (in extraordinary loss).

Amounts recognized in the consolidated balance sheet, the change in the fiscal year under review and the fair value as of the end of the year for rental properties are as follows.

(Million yen)

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

(Note 1) The consolidated balance sheet amount is the acquisition cost less the accumulated depreciation and the accumulated impairment loss.

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

(Note 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, which used indicators that it considered reflected market prices appropriately.

(Segment information)

a. Segment information by business

I. Previous consolidated fiscal year (from April 1, 2011 to March 31, 2012)

1. Overview of reported segments

The reported segments of the Company are constituent units of the Company for which separate financial information is available. The Board of Directors conducts a regular review to decide the allocation of management resources and evaluate business performance.

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

In the leasing business, the Company leases properties, including office buildings, commercial facilities and rental housing, that it has developed and owns. In the residential property sales business, the Company sells residential properties, especially condominiums.

2. Methods used to calculate the amounts of operating revenue, profits or losses, assets, liabilities and other items in reported segments

The accounting methods of the reported business segments are generally the same as those stated in the Important Items Used as Basic Materials for Preparation of Consolidated Financial Statements.

Profits in the reported segments are values based on operating income. Inter-segment internal sales or transfers are based on current fair values.

3. Information on the amounts of sales, profits or losses, assets, liabilities and other items in reported segments

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustments (Note 2, 3)	Amount stated in consolidated financial statement (Note 5)
	Leasing	Residential property sales	Total				
Sales							
(1) Sales to third parties	90,323	28,484	118,807	18,034	136,842	–	136,842
(2) Inter-segment internal revenues and transfers	746	–	746	5,188	5,934	(5,934)	–
Total	91,069	28,484	119,554	23,223	142,777	(5,934)	136,842
Segment profits	27,482	1,374	28,857	3,090	31,948	(6,583)	25,365
Segment assets	816,254	90,959	907,213	21,251	928,465	71	928,537
Other items (Note 4)							
Depreciation	23,664	6	23,670	78	23,749	1,015	24,765
Increases in property, plant and equipment and intangible assets (investment amount)	28,325	5	28,330	40	28,371	421	28,793

(Note 1) Other is the business segment that is not included in the reported segments and other business activities that generate revenue. It includes design of building and other, construction and supervision of construction, office building maintenance and air-conditioning services associated with the leasing segment, and management of restaurant facilities as incidental facilities of office buildings.

(Note 2) Adjustment in segment profits of -¥6,583 million includes the elimination of inter-segment transactions of -¥139 million and company-wide expenses of -¥6,443 million that are not attributable to reported segments. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments.

(Note 3) Adjustment in segment assets of ¥71 million includes the elimination of inter-segment transactions of -¥50,151 million and company-wide assets of ¥50,222 million that are not attributable to reported segments. Company-wide assets are mainly idle funds managed by the Company (cash and deposits), investment securities and assets relating to the administrative division.

(Note 4) Depreciation and increases in property, plant and equipment and intangible assets (investment amount) include long-term prepaid expenses and the amortization thereof.

(Note 5) Segment profits are adjusted to operating income in consolidated financial statements.

II. Current consolidated fiscal year (from April 1, 2012 to March 31, 2013)

1. Overview of reported segments

The reported segments of the Company are constituent units of the Company for which separate financial information is available. The Board of Directors conducts a regular review to decide the allocation of management resources and evaluate business performance.

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

In the leasing business, the Company leases properties, including office buildings, commercial facilities and rental housing, that it has developed and owns. In the residential property sales business, the Company sells residential properties, especially condominiums.

2. Methods used to calculate the amounts of operating revenue, profits or losses, assets, liabilities and other items in reported segments

The accounting methods of the reported business segments are generally the same as those stated in the Important Items Used as Basic Materials for Preparation of Consolidated Financial Statements.

Profits in the reported segments are values based on operating income. Inter-segment internal sales or transfers are based on current fair values.

(Change of depreciation method)

In the fiscal year under review, the Company and its consolidated subsidiaries in Japan have changed the depreciation method for property, plant and equipment that were acquired on or after April 1, 2012 to the method under the revised Corporate Tax Act, in association with the amendments to the Corporate Tax Act.

As a result of this change, segment profits in reported segments increased ¥171 million in the leasing business in the fiscal year under review, compared to those before the change.

3. Information on the amounts of sales, profits or losses, assets, liabilities and other items in reported segments

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustments (Note 2, 3)	Amount stated in consolidated financial statement (Note 5)
	Leasing	Residential property sales	Total				
Sales							
(1) Sales to third parties	93,745	54,939	148,684	14,483	163,168	–	163,168
(2) Inter-segment internal revenues and transfers	763	–	763	4,446	5,209	(5,209)	–
Total	94,509	54,939	149,448	18,930	168,378	(5,209)	163,168
Segment profits	29,216	2,914	32,131	1,580	33,711	(6,310)	27,401
Segment assets	841,527	88,306	929,834	11,099	940,934	116	941,050
Other items (Note 4)							
Depreciation	22,751	5	22,756	52	22,809	957	23,766
Increases in property, plant and equipment and intangible assets (investment amount)	46,136	3	46,139	160	46,299	90	46,390

(Note 1) Other is the business segment that is not included in the reported segments and other business activities that generate revenue. It includes design of building and other, construction and supervision of construction, office building maintenance and air-conditioning services associated with the leasing segment, and management of restaurant facilities as incidental facilities of office buildings.

(Note 2) Adjustment in segment profits of - ¥6,310 million includes the elimination of inter-segment transactions of ¥48 million and company-wide expenses of - ¥6,358 million that are not attributable to reported segments. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments.

(Note 3) Adjustment in segment assets of ¥116 million includes the elimination of inter-segment transactions of - ¥49,493 million and company-wide assets of ¥49,610 million that are not attributable to reported segments. Company-wide assets are mainly idle funds managed by the Company (cash and deposits), investment securities and assets relating to the administrative division.

(Note 4) Depreciation and increases in property, plant and equipment and intangible assets (investment amount) include long-term prepaid expenses and the amortization thereof.

(Note 5) Segment profits are adjusted to operating income in consolidated financial statements.

b. Related information

I. Previous consolidated fiscal year (from April 1, 2011 to March 31, 2012)

1. Information by product and service

Similar information is disclosed in the Segment Information, and therefore the statement is omitted.

2. Information by region

(1) Operating revenue

Operating revenue to external customers in Japan account for more than 90% of operating revenue in consolidated statements of income, and therefore the statement is omitted.

(2) Property, plant and equipment

The amount of property, plant and equipment located in Japan accounts for more than 90% of the amount of property, plant and equipment in consolidated balance sheet, and therefore the statement is omitted.

3. Information by main customer

Of sales to external customers, sales to a specific customer account for less than 10% of operating revenue in consolidated statements of income, and therefore the statement is omitted.

II. Current consolidated fiscal year (from April 1, 2012 to March 31, 2013)

1. Information by product and service

Similar information is disclosed in the Segment Information, and therefore the statement is omitted.

2. Information by region

(1) Operating revenue

Operating revenue to external customers in Japan account for more than 90% of operating revenue in consolidated statements of income, and therefore the statement is omitted.

(2) Property, plant and equipment

The amount of property, plant and equipment located in Japan accounts for more than 90% of the amount of property, plant and equipment in consolidated balance sheet, and therefore the statement is omitted.

3. Information by main customer

Of sales to external customers, sales to a specific customer account for less than 10% of operating revenue in consolidated statements of income, and therefore the statement is omitted.

c. Information on impairment loss of non-current assets in reported segments

Previous consolidated fiscal year (from April 1, 2011 to March 31, 2012)

Not applicable.

Current consolidated fiscal year (from April 1, 2012 to March 31, 2013) (Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Impairment loss	800	–	–	–	800

d. Information on the amortized amount and unamortized balance of goodwill in reported segments

Previous consolidated fiscal year (from April 1, 2011 to March 31, 2012)

(Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	128	–	13	–	141
Year-end balance	2,185	–	237	–	2,422

The amortized amount and unamortized balance of negative goodwill generated on or before March 31, 2010 are as shown below.

(Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	1,926	–	–	–	1,926
Year-end balance	30,824	–	–	–	30,824

Current consolidated fiscal year (from April 1, 2012 to March 31, 2013)

(Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	128	–	13	–	141
Year-end balance	2,056	–	223	–	2,280

The amortized amount and unamortized balance of negative goodwill generated on or before March 31, 2010 are as shown below.

(Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	1,926	–	–	–	1,926
Year-end balance	28,897	–	–	–	28,897

e. Information on gains on negative goodwill in reported segments

Previous consolidated fiscal year (from April 1, 2011 to March 31, 2012)

Not applicable.

Current consolidated fiscal year (from April 1, 2012 to March 31, 2013)

Not applicable.

(Related party transactions)

Previous consolidated fiscal year (from April 1, 2011 to March 31, 2012)

1. Related party transactions

Companies whose parent company is the same as the parent company of the company submitting the consolidated financial statements

Type	Company name	Location	Capital stock (million yen)	Business	Ownership of voting rights in percentage	Relationship	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Company having the same parent company	NTT Finance Corporation	Minato-ku, Tokyo	16,770	Comprehensive leasing business	(Owned by the company) Direct: 1.0	Deposits	Deposits paid	–	Deposits paid	1,745
						Borrowing	Long-term loans payable	10,000	Current portion of long-term loans payable	10,000
									Long-term loans payable	36,000

(Note) Deposits paid and borrowings are based on deposit agreements and loan agreements. The Company and NTT Finance Corporation determined interest rates, considering market money rates.

2. Notes to the parent company, and important subsidiaries and affiliates

(1) Parent company

Nippon Telegraph and Telephone Corporation (listed on the Tokyo Stock Exchange and others)

(2) Important subsidiaries and affiliates

Not applicable.

Current consolidated fiscal year (from April 1, 2012 to March 31, 2013)

1. Related party transactions

Companies whose parent company is the same as the parent company of the company submitting the consolidated financial statements

Type	Company name	Location	Capital stock (million yen)	Business	Ownership of voting rights in percentage	Relationship	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Company having the same parent company	NTT Finance Corporation	Minato-ku, Tokyo	16,770	Comprehensive leasing business	(Owned by the company) Direct: 1.0	Deposits	Deposits paid	–	Deposits paid	1,370
						Borrowing	Short-term loans payable	–	Short-term loans payable	10,321
							Long-term loans payable	5,000	Current portion of long-term loans payable	3,000
									Long-term loans payable	38,000

(Note) Deposits paid and borrowings are based on deposit agreements and loan agreements. The Company and NTT Finance Corporation determined interest rates, considering market money rates.

2. Notes to the parent company, and important subsidiaries and affiliates

(1) Parent company

Nippon Telegraph and Telephone Corporation (listed on the Tokyo Stock Exchange and others)

(2) Important subsidiaries and affiliates

Not applicable.

(Per-share information)

Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)		Current consolidated fiscal year (From April 1, 2012 to March 31, 2013)	
Net assets per share	50,441.30 yen	Net assets per share	53,543.11 yen
Net income per share	4,735.67 yen	Net income per share	3,668.47 yen

(Notes) 1. Diluted net income per share is not disclosed because the Company does not hold any dilutive securities.
2. The basis for the calculation of net income per share is shown in the table below.

	Previous consolidated fiscal year (From April 1, 2011 to March 31, 2012)	Current consolidated fiscal year (From April 1, 2012 to March 31, 2013)
Net income (million yen)	15,586	12,073
Amounts not attributable to shareholders of common stock (million yen)	–	–
Net income attributable to common stock (million yen)	15,586	12,073
Average number of common shares outstanding during the fiscal year	3,291,200	3,291,200

(Significant subsequent events)

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

(1)Purpose

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

(2)Details of the stock split

(i) Method of the split

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

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

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

(iii)Schedule for the split

Public announcement date for record date	September 13, 2013 (Friday)
Record date	September 30, 2013 (Monday)
Effective date	October 1, 2013 (Tuesday)

(3)Adoption of the unit share system

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

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

(ii)Schedule for the establishment of the unit share system

Effective date October 1, 2013 (Tuesday)

2. Acquisition of material assets

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

(1)Purpose

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

(2)Date of acquisition

April 4, 2013

(3)Details of the acquired property

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

Use: Office

(4)Acquisition value

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

5. Financial Statements (Non-Consolidated)

(1) Balance Sheets (Million yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Assets		
Current assets		
Cash and deposits	95	111
Operating accounts receivable	13,002	11,951
Real estate for sale	5,302	11,923
Real estate for sale in progress	77,837	64,360
Costs on uncompleted construction contracts	347	315
Raw materials and supplies	34	28
Prepaid expenses	659	666
Lease investment assets	3,172	3,617
Deposits paid	945	–
Deferred tax assets	539	1,307
Other	3,249	6,849
Allowance for doubtful accounts	(1)	(0)
Total current assets	105,184	101,131
Non-current assets		
Property, plant and equipment		
Buildings	* 615,025	* 636,639
Accumulated depreciation	(344,415)	(353,290)
Buildings (net)	270,609	283,349
Structures	15,330	15,440
Accumulated depreciation	(10,901)	(11,012)
Structures (net)	4,428	4,428
Machinery and equipment	13,760	14,022
Accumulated depreciation	(11,723)	(11,891)
Machinery and equipment (net)	2,037	2,130
Tools, furniture and fixtures	15,165	15,642
Accumulated depreciation	(11,869)	(12,536)
Tools, furniture and fixtures (net)	3,295	3,106
Land	* 230,080	* 237,848
Lease assets	286	156
Accumulated depreciation	(236)	(114)
Lease assets (net)	50	42
Construction in progress	17,516	7,012
Total property, plant and equipment	528,018	537,917
Intangible assets		
Leasehold right	1,429	1,419
Software	2,975	2,191
Software in progress	13	–
Lease assets	2	0
Other	96	108
Total intangible assets	4,516	3,720

(Million yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Investments and other assets		
Investment securities	15,070	17,390
Stocks of subsidiaries and affiliates	13,903	13,903
Investments in other securities of subsidiaries and affiliates	32,274	32,274
Investments in capital	0	0
Long-term prepaid expenses	17,020	16,390
Lease and guarantee deposits paid	10,412	9,927
Other	1,464	945
Total investments and other assets	90,145	90,832
Total non-current assets	622,680	632,470
Total assets	727,865	733,602
Liabilities		
Current liabilities		
Operating accounts payable	10,892	9,510
Short-term loans payable	–	10,321
Lease obligations	47	28
Current portion of long-term loans payable	* 48,652	* 56,011
Accounts payable-other	9,038	13,120
Accrued expenses	1,573	1,467
Income taxes payable	177	3,042
Advances received	7,714	8,391
Deposits received	3,477	3,607
Other	4,061	8,083
Total current liabilities	85,636	113,584
Non-current liabilities		
Bonds payable	74,967	84,971
Long-term loans payable	* 318,359	* 288,348
Lease obligations	55	48
Long-term accounts payable-other	31	5
Lease and guarantee deposits received	81,868	74,157
Deferred tax liabilities	7,452	8,533
Provision for retirement benefits	5,332	5,657
Asset retirement obligations	3,040	3,168
Other	20	17
Total non-current liabilities	491,127	464,906
Total liabilities	576,763	578,491

(Million yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Net assets		
Shareholders' equity		
Capital stock	48,760	48,760
Capital surplus		
Legal capital surplus	34,109	34,109
Total capital surplus	34,109	34,109
Retained earnings		
Legal retained earnings	3,437	3,437
Other retained earnings		
General reserve	5,000	5,000
Reserve for advanced depreciation of non-current assets	20,031	20,017
Reserve for special account for advanced depreciation of non-current assets	49	–
Reserve for special depreciation	13	27
Retained earnings brought forward	39,629	42,636
Total retained earnings	68,160	71,119
Total shareholders' equity	151,030	153,988
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	70	1,121
Total valuation and translation adjustments	70	1,121
Total net assets	151,101	155,110
Total liabilities and net assets	727,865	733,602

(2) Statements of Income (Million yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Operating revenue		
Operating revenues from leasing business	82,603	82,208
Operating revenues from residential property sales business	28,484	54,939
Operating revenues from other businesses	8,926	3,731
Total operating revenue	120,014	140,879
Operating cost		
Operating cost for leasing business	53,961	53,467
Operating cost for residential property sales business	*6 23,392	*6 45,596
Operating cost for other businesses	6,499	2,860
Total operating cost	83,854	101,924
Operating gross profit	36,160	38,955
Selling, general and administrative expenses	*1 13,799	*1 17,194
Operating income	22,360	21,760
Non-operating income		
Interest income	6	2
Dividends income	145	159
Contributions	123	249
Gain on donation of non-current assets	0	1
Other	44	65
Total non-operating income	320	478
Non-operating expense		
Interest expenses	5,483	5,074
Interest on bonds	1,131	1,291
Other	471	107
Total non-operating expenses	7,085	6,473
Ordinary income	15,595	15,764
Extraordinary income		
Gain on sales of non-current assets	–	*2 389
Gain on reversal of provision for loss on warranty	60	–
Total extraordinary income	60	389
Extraordinary loss		
Loss on sales of non-current assets	*3 216	*3 508
Loss on retirement of non-current assets	*4 2,228	*4 2,108
Impairment loss	–	*5 800
Loss on disaster	318	–
Other	5	8
Total extraordinary losses	2,768	3,425
Income before income taxes	12,886	12,729
Income taxes-current	3,509	5,104
Income taxes-deferred	798	(270)
Total income taxes	4,307	4,834
Net income	8,579	7,895

Schedules of Cost

Schedule of operating cost for leasing business (Million yen)

		Previous fiscal year (From April 1, 2011 to March 31, 2012)		Current fiscal year (From April 1, 2012 to March 31, 2013)	
Classification	Note number	Amount	Breakdown (%)	Amount	Breakdown (%)
I. Personal expenses		494	0.9	479	0.9
II. Depreciation and amortization		20,142	37.3	19,550	36.5
III. Taxes and dues		8,413	15.6	8,164	15.3
IV. Business consignment expenses		10,255	19.0	10,478	19.6
V. Other		14,656	27.2	14,795	27.7
Total		53,961	100.0	53,467	100.0

Schedule of operating cost for residential property sales business (Million yen)

		Previous fiscal year (From April 1, 2011 to March 31, 2012)		Current fiscal year (From April 1, 2012 to March 31, 2013)	
Classification	Note number	Amount	Breakdown (%)	Amount	Breakdown (%)
I. Land cost		10,804	46.2	20,930	45.9
II. Personal expenses		18	0.1	11	0.0
III. Sundry expenses		12,570	53.7	24,654	54.1
Total		23,392	100.0	45,596	100.0

(Note) The job order cost system is applied for calculating costs.

Schedule for operating cost for other businesses (Million yen)

		Previous fiscal year (From April 1, 2011 to March 31, 2012)		Current fiscal year (From April 1, 2012 to March 31, 2013)	
Classification	Note number	Amount	Breakdown (%)	Amount	Breakdown (%)
I. Personal expenses		41	0.6	133	4.7
II. Sundry expenses		6,457	99.4	2,727	95.3
Total		6,499	100.0	2,860	100.0

(3) Statements of Changes in Net Assets (Million yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Shareholders' equity		
Capital stock		
Balance at the beginning of the year	48,760	48,760
Changes of items during the year		
Total changes of items during the year	–	–
Balance at the end of the year	48,760	48,760
Capital surplus		
Legal capital surplus		
Balance at the beginning of the year	34,109	34,109
Changes of items during the year		
Total changes of items during the year	–	–
Balance at the end of the year	34,109	34,109
Total capital surplus		
Balance at the beginning of the year	34,109	34,109
Changes of items during the year		
Total changes of items during the year	–	–
Balance at the end of the year	34,109	34,109
Retained earnings		
Legal retained earnings		
Balance at the beginning of the year	3,437	3,437
Changes of items during the year		
Total changes of items during the year	–	–
Balance at the end of the year	3,437	3,437
Other retained earnings		
General reserve		
Balance at the beginning of the year	5,000	5,000
Changes of items during the year		
Total changes of items during the year	–	–
Balance at the end of the year	5,000	5,000
Reserve for advanced depreciation of non-current assets		
Balance at the beginning of the year	18,593	20,031
Changes of items during the year		
Provision of reserve for advanced depreciation of non-current assets	1,576	221
Reversal of reserve for advanced depreciation of non-current assets	(138)	(236)
Total changes of items during the year	1,437	(14)
Balance at the end of the year	20,031	20,017
Reserve for special account for advanced depreciation of non-current assets		
Balance at the beginning of the year	18	49
Changes of items during the year		
Provision of reserve for special account for advanced depreciation of non-current assets	30	–
Reversal of reserve for special account for advanced depreciation of non-current assets	–	(49)
Total changes of items during the year	30	(49)
Balance at the end of the year	49	–

(Million yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Reserve for special depreciation		
Balance at the beginning of the year	14	13
Changes of items during the year		
Provision of reserve for special depreciation	0	17
Reversal of reserve for special depreciation	(2)	(2)
Total changes of items during the year	(1)	14
Balance at the end of the year	13	27
Retained earnings brought forward		
Balance at the beginning of the year	36,465	39,629
Changes of items during the year		
Dividends from surplus	(1,974)	(2,632)
Interim dividends	(1,974)	(2,303)
Provision of reserve for advanced depreciation of non-current assets	(1,576)	(221)
Reversal of reserve for advanced depreciation of non-current assets	138	236
Provision of reserve for special account for advanced depreciation of non-current assets	(30)	–
Reversal of reserve for special account for advanced depreciation of non-current assets	–	49
Provision of reserve for special depreciation	(0)	(17)
Reversal of reserve for special depreciation	2	2
Net income	8,579	7,895
Total changes of items during the year	3,163	3,007
Balance at the end of the year	39,629	42,636
Total retained earnings		
Balance at the beginning of the year	63,530	68,160
Changes of items during the year		
Dividends from surplus	(1,974)	(2,632)
Interim dividends	(1,974)	(2,303)
Net income	8,579	7,895
Total changes of items during the year	4,629	2,958
Balance at the end of the year	68,160	71,119
Total shareholders' equity		
Balance at the beginning of the year	146,400	151,030
Changes of items during the year		
Dividends from surplus	(1,974)	(2,632)
Interim dividends	(1,974)	(2,303)
Net income	8,579	7,895
Total changes of items during the year	4,629	2,958
Balance at the end of the year	151,030	153,988

(Million yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of the year	214	70
Changes of items during the year		
Net changes of items other than shareholders’ equity	(143)	1,051
Total changes of items during the year	(143)	1,051
Balance at the end of the year	70	1,121
Total valuation and translation adjustments		
Balance at the beginning of the year	214	70
Changes of items during the year		
Net changes of items other than shareholders’ equity	(143)	1,051
Total changes of items during the year	(143)	1,051
Balance at the end of the year	70	1,121
Total net assets		
Balance at the beginning of the year	146,614	151,101
Changes of items during the year		
Dividends from surplus	(1,974)	(2,632)
Interim dividends	(1,974)	(2,303)
Net income	8,579	7,895
Net changes of items other than shareholders’ equity	(143)	1,051
Total changes of items during the year	4,486	4,009
Balance at the end of the year	151,101	155,110

Notes to Financial Statements

(Phenomena or situations raising significant questions about the premise of a going concern)

Not applicable.

(Significant accounting policies)

1. Standards and methods for the valuation of securities

(1) Shares in subsidiaries and affiliates

Cost determined by the moving average method is applied.

(2) Other securities

(i) Securities having fair values:

Fair value method based on the fair value on the closing date is applied. (The valuation difference is recorded as a component of net assets. The cost of products sold is calculated by the moving average method.)

(ii) Securities not having fair values:

Cost determined by the moving average method is applied.

With respect to investments in investment business limited partnerships and associations of a similar nature (investments deemed to be securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the net amount equivalent to equity based on the latest financial statements available is recorded.

2. Standards and methods for the valuation of derivatives

In principle, the fair value method is applied.

3. Standards and methods for the valuation of inventories

The cost method based on the specific cost method (reduction of the carrying value—balance sheet value—based on a decline in profitability) is applied to properties for sale, properties in progress.

The cost method based on the specific cost method is applied to uncompleted construction expenditure.

The last cost method is applied to raw materials and supplies.

4. Depreciation method for non-current assets

(1) Property, plant and equipment (except leased assets)

The declining-balance method is primarily applied.

However, the straight-line method is applied to NTT Makuhari Building, Granpark Tower, NTT Cred Motomachi Building, and buildings (except attached facilities) acquired on and after April 1, 1998.

Major useful lives are as follows:

Buildings: 15 to 50 years

Structures: 15 to 50 years

Machinery and equipment: 5 to 17 years

Tools, furniture and fixtures: 2 to 20 years

(2) Intangible assets (except lease assets)

The straight-line method is applied.

Software for internal use is amortized over its estimated useful life (five years).

(3) Long-term prepaid expenses

The straight-line method is applied.

(4) Lease assets

Lease assets relating to finance lease transactions without the transfer of ownership

The same depreciation methods as applied to the non-current assets owned by the Company and its subsidiaries are applied.

5. Basis for calculating allowances

(1) Allowance for doubtful accounts

In preparation for doubtful notes and operating accounts receivable and loans receivable, the Company posts estimated uncollectible amounts, which are estimated from loan loss ratios for general reserves and from collectability for each of specific receivables including those with low collectability.

(2) Provision for retirement benefits

In preparation for employees retirement benefit, provision for retirement benefits are posted based on the retirement benefit obligation and estimated pension plan assets at the end of the fiscal year.

The past service cost is amortized using the straight-line method over the eligible employees' average remaining period of service of the eligible employees at the time of occurrence.

Actuarial differences are amortized using the straight-line method over the eligible employees' average remaining period of service at the time of occurrence in each fiscal year from the following fiscal year.

6. Basis for posting revenues and expenses

(1) Basis for posting revenues and expenses

Basis for posting revenues relating to finance lease transactions

Sales and cost of sales are posted when lease fees are received.

(2) Standard for recording amount of completed work and cost of completed work

a. Contracts whose outcome at the end of the fiscal year under review is deemed certain

Percentage-of-completion method (construction-cost-percentage method for estimating the progress of construction)

b. Other construction contracts

Completed-contract method

7. Significant hedge accounting method

(1) Hedge accounting method

In principle, deferred hedge accounting is applied.

A preferential procedure is employed for interest rate swaps that meet the criteria for the preferential procedure.

(2) Hedging item and hedged item

Hedging item: Interest rate swap contracts

Hedged item: Borrowings

(3) Hedging policy

Under the Company's internal rules on derivative transactions, interest rate risks relating to the hedged item are hedged against within a certain range.

(4) Method of assessment of hedge effectiveness

Since the swaps are interest swaps to which special matching criteria are applied, the periodic assessment of hedge effectiveness is not performed.

8. Other important matters that constitute the basis for preparation of financial statements

Accounting treatment of consumption taxes

Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

(Changes in accounting principles)

(Change of depreciation method)

In the fiscal year under review, the Company has changed the depreciation method for property, plant and equipment that were acquired on or after April 1, 2012 to the method under the revised Corporate Tax Act, in association with the amendments to the Corporate Tax Act.

As a result of this change, operating income, ordinary income and income before income taxes each increased by ¥172 million in the fiscal year under review, compared to those before the change.

(Notes to balance sheets)

*Mortgaged assets and secured debt

(1) Assets pledged as collateral and their amounts (Million yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Buildings	100,326	92,612
Land	13,189	9,769
Total	113,516	102,382

(2) Corresponding debt secured by the above collateral (Million yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Current portion of long-term loans payable	3,909	2,988
Long-term loans payable	11,036	8,048
Total	14,945	11,036

(Notes to statements of income)

*1. The approximate percentage of expenses that belong to selling expense is 22.0% in the previous fiscal year and 28.0% in the fiscal year under review, and the approximate percentage of expenses that belong to general, selling and administrative expenses is 78.0% in the previous fiscal year and 72.0% in the fiscal year under review.

Major expense items and their amounts are as follows. (Million yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Advertising expenses	1,960	3,673
Salaries, allowances and bonuses	4,015	3,999
Business consignment expenses	2,764	3,547
Taxes and dues	591	1,533
Depreciation and amortization	1,129	1,059

*2. Breakdown of gain on sales of non-current assets (Million yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Buildings	–	(187)
Land	–	576
Total	–	389

On the sale of a building with land, the Company recognized a loss on the building component, while a gain was recognized on the land component. A net gain resulted from this transaction and was recorded as a gain on sales of non-current assets.

*3. Breakdown of loss on sales of non-current assets (Million yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Buildings	249	111
Land	(32)	396
Total	216	508

On the sale of a building with land in the previous fiscal year, the Company recognized a loss on the building component, while a gain was recognized on the land component. A net loss resulted from this transaction and was recorded as a loss on sales of non-current assets.

*4. Breakdown of loss on retirement of non-current assets (Million yen)

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Buildings	1,099	939
Structures	2	14
Machinery and equipment	9	27
Removal cost	1,085	1,109
Tools, furniture and fixtures	29	16
Total	2,228	2,108

*5. Impairment loss

In the fiscal year under review, the Company recorded an impairment loss for the following asset group.

Primary use	Type	Location	Impairment loss
Land for development	Land	Taito-ku, Tokyo	800 million yen

As a general rule, the Company examined an impairment loss for individual property.

As a result, we reduced the book value of the above assets to the recoverable value as we changed the purpose of ownership from leasing to sale, and recorded the reduction as an impairment loss under extraordinary losses. The breakdown of the assets is land entirely.

The recoverable value of the assets above is measured by net sales value, and an appraisal value by a real estate appraiser is used for the net sales value.

*6. Inventories at the end of the fiscal year are an amount after reductions in carrying values associated with declines in profitability. The following loss on valuation of inventory is included in the operating cost for residential property sales business.

(Million yen)

Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
1,194	1,934

(Notes to statements of changes in net assets)

Type and number of treasury stock in the previous fiscal year (from April 1, 2011 to March 31, 2012) and fiscal year under review (from April 1, 2012 to March 31, 2013)

Not applicable.

(Notes to securities)

The shares of subsidiaries and affiliates (¥13,424 million and ¥478 million, respectively, on the balance sheets for the fiscal year under review and ¥13,424 million and ¥478 million, respectively, on the balance sheets for the previous fiscal year) have no market prices, and it is very difficult to determine their fair fair values. Their fair values are therefore omitted.

(Notes to deferred tax accounting)

1.Breakdown of deferred tax assets and deferred tax liabilities by major cause (Million yen)

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Deferred tax (current) assets		
Accrued bonuses in excess of the limit for income tax deduction	142	142
Accrued enterprise taxes	54	300
Denial of loss on valuation of inventory	124	94
Other	217	847
Sub Total	539	1,386
Valuation reserve	(0)	(0)
Total	539	1,385
Deferred tax (current) liabilities		
Other	–	(78)
Total	–	(78)
Net deferred tax (current) liabilities	539	1,307
Deferred tax assets (non-current)		
Denial of impairment loss	848	716
Denial of evaluation loss on land	3,828	3,684
Denial of depreciation of unused building volume	1,801	1,924
Provision for retirement benefits	1,911	2,023
Compensation for loss	683	128
Other	1,479	1,491
Sub Total	10,553	9,967
Valuation reserve	(6,182)	(6,126)
Total	4,370	3,840
Deferred tax liabilities (non-current)		
Reserve for advanced depreciation of non-current assets	(11,115)	(11,102)
Reserve for special account for advanced depreciation of non-current assets	(30)	–
Other	(677)	(1,271)
Total	(11,823)	(12,373)
Net deferred tax liabilities (non-current)	(7,452)	(8,533)

2. Breakdown of difference between the effective tax rate and the actual effective tax rate after applying tax effect accounting by major cause if there is a significant difference between them

	Previous fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2013)
Effective tax rate	40.7%	Since the difference between the effective tax rate and the actual effective tax rate after applying tax effect accounting is equal to or less than 5% of the effective tax rate, notes are omitted.
(Adjustment)		
Reduction in year-end deferred tax liabilities due to tax rate change	(8.2%)	
Other	0.9%	
Actual effective tax rate after the application of tax effect accounting	33.4%	

(Per-share information)

Previous fiscal year (From April 1, 2011 to March 31, 2012)		Current fiscal year (From April 1, 2012 to March 31, 2013)	
Net assets per share	45,910.72 yen	Net assets per share	47,128.97 yen
Net income per share	2,606.76 yen	Net income per share	2,398.90 yen

(Note 1) Diluted net income per share is not disclosed because the Company does not hold any dilutive securities.
(Note 2) The basis for the calculation of net income per share is shown in the table below.

	Previous fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2012 to March 31, 2013)
Net income (million yen)	8,579	7,895
Amounts not attributable to shareholders of common stock (million yen)	–	–
Net income attributable to common stock (million yen)	8,579	7,895
Average number of common shares outstanding during the fiscal year	3,291,200	3,291,200

(Significant subsequent events)

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

(1)Purpose

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

(2)Details of the stock split

(i) Method of the split

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

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

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

(iii)Schedule for the split

Public announcement date for record date	September 13, 2013 (Friday)
Record date	September 30, 2013 (Monday)
Effective date	October 1, 2013 (Tuesday)

(3)Adoption of the unit share system

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

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

(ii)Schedule for the establishment of the unit share system

Effective date	October 1, 2013 (Tuesday)

6. Other

(1) Changes in Officers

Changes in officers will be disclosed when they are determined.