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, 2014

May 9, 2014

NTT URBAN DEVELOPMENT CORPORATION Stock Exchange: Tokyo Stock Exchange
Code Number: 8933 URL: http://www.nttud.co.jp/
Representative: Sadao Maki, President and Chief Executive Officer
Attn.: Shigehito Katsuki, Senior Vice President, Accounting and Finance
Tel: +81–3–6811–6424

Scheduled date of the ordinary general meeting of shareholders: June 24, 2014
Scheduled date for commencing payment of dividend: June 25, 2014
Scheduled date of submission of the annual securities report: June 25, 2014
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, 2013 through March 31, 2014)

(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, 2014	189,186	15.9	30,458	11.2	24,865	12.9	11,343	(6.1)
Year ended March 31, 2013	163,168	19.2	27,401	8.0	22,016	14.5	12,073	(22.5)

(Note) Comprehensive income: Year ended March 31, 2014: 16,274 million yen (-1.3%)
Year ended March 31, 2013: 16,487 million yen (-9.5%)

	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, 2014	34.46	–	6.3	2.6	16.1
Year ended March 31, 2013	36.68	–	7.1	2.4	16.8

(Reference) Equity in net income of affiliates Year ended March 31, 2014: 71 million yen
Year ended March 31, 2013: 82 million yen

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

(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, 2014	985,507	228,591	18.8	563.98
As of March 31, 2013	941,050	213,835	18.7	535.43

(Reference) Shareholders' equity: As of March 31, 2014: 185,616 million yen
As of March 31, 2013: 176,221 million yen

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

(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, 2014	51,870	(37,962)	(8,656)	18,798
Year ended March 31, 2013	48,089	(39,885)	(6,660)	12,809

2. Dividends

	Dividends per share					Total amount of dividends (annual)	Payout ratio (consolidated)	Dividends on equity (consolidated)
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	Year end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2013	–	700.00	–	900.00	1,600.00	5,265	43.6	3.1
Year ended March 31, 2014	–	800.00	–	8.00	–	5,265	46.4	2.9
(Forecast) Year ending March 31, 2015	–	8.00	–	8.00	16.00		65.8	

The Company implemented the 100-for-one stock split for its common shares with October 1, 2013 as the effective date and adopted the unit share system that sets one share unit at 100 shares. For dividends before the end of the second quarter of the fiscal year ended March 31, 2014, the amounts before the stock split are stated.

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.

3. Forecast of Consolidated Financial Results (April 1, 2014 through March 31, 2015)

(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	148,000	(21.8)	20,000	(34.3)	14,500	(41.7)	8,000	(29.5)	24.31

* Notes
(1) Important Changes in Subsidiaries during the Fiscal Year
(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: Not applicable
(iv) Restatement: Not applicable
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, 2014: 329,120,000 shares
As of March 31, 2013: 329,120,000 shares
(ii) Total number of treasury stock as of the end of each period:
As of March 31, 2014: – shares
As of March 31, 2013: – shares
(iii) Average number of issued shares for each period:
As of March 31, 2014: 329,120,000 shares
As of March 31, 2013: 329,120,000 shares
The Company implemented the 100-for-one stock split for its common shares with October 1, 2013 as the effective date and adopted the unit share system that sets one share unit at 100 shares. Number of Shares Outstanding (Common Stock) is calculated as if the stock split had been implemented at the beginning of the previous fiscal year.

(For reference) Outline of Non–consolidated Financial Results
1. Non-consolidated Financial Results (April 1, 2013 through March 31, 2014)
(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, 2014	168,596	19.7	27,060	24.4	20,697	31.3	10,093	27.8
Year ended March 31, 2013	140,879	17.4	21,760	(2.7)	15,764	1.1	7,895	(8.0)

	Net income per share	Net income per share (fully diluted)
	Yen	Yen
Year ended March 31, 2014	30.67	–
Year ended March 31, 2013	23.99	–

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

(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, 2014	758,717	159,464	21.0	484.52
As of March 31, 2013	733,602	155,110	21.1	471.29

(Reference) Shareholders' equity: As of March 31, 2014: 159,464 million yen
As of March 31, 2013: 155,110 million yen
The Company implemented the 100-for-one stock split for its common shares with October 1, 2013 as the effective date and adopted the unit share system that sets one share unit at 100 shares. Net asset per share is calculated as if the stock split had been implemented at the beginning of the previous fiscal year.

(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.

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

(Operating results in the fiscal year ended March 31, 2014)

In the fiscal year under review, the Japanese economy followed a moderate recovery trend. Looking forward, the economy is expected to recover gradually as the adverse effect of the consumption tax hike slowly fades and various policies produce an effect, although the weakness due to a reaction to last-minute demand before the consumption tax hike will remain for a while. However, there is a risk that the economy could be under downward pressure from weaker-than-expected growth in overseas economies.

In the office leasing market, the vacancy rate improved moderately, but market rents remained low. Sales in the condominium sales market remained strong, backed by the firm buying motivation of consumers due to low interest rates and other factors.

According to the official announcement as of January 1, 2014, land prices continued to decline nationally, but this rate of decline shrank over time and even showed the recovery in certain regions, as indicated by an upturn on the average prices for the three metropolitan areas.

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 rental buildings and an increase in the number of condominiums delivered. The Company also sought to promote its global operations by acquiring 265 Strand, an office building in London, United Kingdom; by establishing a local corporation and participating in the redevelopment project of an office and commercial complex building in New York City, United States.

As a consequence, operating revenue amounted to ¥189,186 million (up ¥26,017 million, or 15.9% year on year), operating income was ¥30,458 million (up ¥3,057 million, or 11.2%), and ordinary income was ¥24,865 million (up ¥2,848 million, or 12.9%). Net income was ¥11,343 million (down ¥730 million, or 6.1%). This was primarily due to gains and losses on sales of non-current assets and income taxes.

The table below shows operating revenue by business segment in the fiscal year ended March 31, 2014. Operating revenue in each segment in the text include inter-segment internal revenues and transfers.

(Million yen)

Business segment	Year ended March 31, 2013	Year ended March 31, 2014
Leasing	94,509	96,595
Residential property sales	54,939	79,537
Total operating revenue in reported segments	149,448	176,132
Other	18,930	18,532
Eliminations	(5,209)	(5,478)
Total	163,168	189,186

(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 Kanda Building (Chiyoda-ku, Tokyo), Otemachi Financial City North Tower (Chiyoda-ku, Tokyo), and Grand Front Osaka (Osaka-shi, Osaka) besides properties newly completed during the fiscal year under review. The Company also sold buildings including the Urbannet Irifune Building (Chuo-ku, Tokyo) during the fiscal year under review.

In the new building development business, the Company developed projects including the Upper-Level Section Redevelopment Project associated with the reconstruction of the Shibaura Water Reclamation Center [Shinagawa Season Terrace] (Minato-ku, Tokyo), Mejiro 2-Chome Project (tentative name) (Toshima-ku, Tokyo), Nihonbashi 2-Chome Project (tentative name) (Chuo-ku, Tokyo), and Ginza 1-Chome Project (tentative name) (Chuo-ku, Tokyo).

During the fiscal year under review, RESOLA SOUTH TERRACE (Fukuoka-shi, Fukuoka) and other buildings were completed.

As a result of these activities, the leasing business recorded operating revenue of ¥96,595 million (up ¥2,086 million, or 2.2% year on year), operating expenses of ¥69,406 million (up ¥4,113 million, or 6.3%), and operating income of ¥27,189 million (down ¥2,026 million, or 6.9%).

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, 2013	Year ended March 31, 2014
Office/Commercial	Operating revenue	88,621	90,833
	Rentable floor space	1,199,215 m^2 (Of the above, sub-leases: 23,135 m^2)	1,193,561 m^2 (Of the above, sub-leases: 26,980 m^2)
Residential/Other	Operating revenue	5,887	5,762
Total		94,509	96,595

(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 2013	June 2013	September 2013	December 2013	March 2014
Five wards of central Tokyo	4.0%	7.5%	6.0%	7.4%	6.4%
Nationwide	6.5%	7.2%	7.4%	7.8%	7.4%

(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, 2014 was ¥56,109 million (down ¥287 million, or 0.5% year on year). In the Tokyo metropolitan area, NOI increased to ¥33,809 million (up ¥628 million, or 1.9% year on year) mainly attributable to the posting of revenue from the sale of properties, despite a decline in revenue from existing buildings, etc. In other regions, including overseas, NOI came to ¥22,300 million (down ¥916 million, or 3.9% year on year) primarily due to the sale of office buildings in London, the United Kingdom in the previous fiscal year, although revenue from buildings completed in the previous fiscal year, such as the Grand Front Osaka (Osaka-shi, Osaka), increased.

(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))

(ii) NOI by area and use

(Million yen)

<table>
<tr><th rowspan="3">Area</th><th colspan="3">Year ended March 31, 2013</th><th colspan="3">Year ended March 31, 2014</th></tr>
<tr><th rowspan="2">Total</th><th colspan="2"></th><th rowspan="2">Total</th><th colspan="2"></th></tr>
<tr><th>Office/ Commercial</th><th>Residential/ Other</th><th>Office/ Commercial</th><th>Residential/ Other</th></tr>
<tr><td>Five wards of central Tokyo</td><td rowspan="2">33,180</td><td>28,007</td><td rowspan="2">1,779</td><td rowspan="2">33,809</td><td>28,901</td><td rowspan="2">1,535</td></tr>
<tr><td>Tokyo metropolitan area (excluding five wards of central Tokyo)</td><td>3,393</td><td>3,372</td></tr>
<tr><td>Other regions</td><td>23,216</td><td>20,858</td><td>2,358</td><td>22,300</td><td>19,930</td><td>2,369</td></tr>
<tr><td>Total</td><td>56,397</td><td>52,259</td><td>4,137</td><td>56,109</td><td>52,204</td><td>3,905</td></tr>
</table>

(Note) 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.

* NOI by major building, which was disclosed in the past, is not disclosed from a business strategic perspective.

2) Residential Property Sales Business

In the residential property sales business, the Company focused on sales of condominiums, aiming to create high-quality residences that complement residents' lifestyles and maintain asset values under the WELLITH brand.

A total of 1,423 condominiums were delivered, including WELLITH Daikanyama Sarugakucho (Shibuya-ku, Tokyo), WELLITH Arisugawa (Minato-ku, Tokyo), WELLITH Inage (Chiba-shi, Chiba), and WELLITH Maiko (Kobe-shi, Hyogo), with the annual number of condominiums delivered, including those completed in prior years, reaching a record high. In the fiscal year under review, new sales of condominiums such as WELLITH Tsukuba Kenkyugakuen Terrace (Tsukuba-shi, Ibaraki) and WELLITH Tsurumi-Ryokuchi (Osaka-shi, Osaka) started. With respect to residential lots and detached house sales, WELLITH Park Shingu Morinomiya (Kasuya-gun, Fukuoka) and other properties were delivered.

As a result, the Company posted operating revenue of ¥79,537 million (up ¥24,598 million, or 44.8% year on year), operating expenses of ¥71,315 million (up ¥19,290 million, or 37.1%), and operating income of ¥8,222 million (up ¥5,307 million, or 182.1%), reflecting an increase in the number of condominiums delivered, a rise in the average sales price 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, 2013		Year ended March 31, 2014	
			Units/Lots	Operating revenue (million yen)	Units/Lots	Operating revenue (million yen)
Condominiums						
	Units delivered	Tokyo metropolitan area	564	27,979	876	54,073
		Other regions	488	19,392	547	21,413
	Completed in inventories		207	–	207	–
Residential Lots, etc.						
	Units/Lots delivered	Tokyo metropolitan area	6	4,195	19	519
		Other regions	57	2,423	117	3,530
	Completed in inventories		37	–	33	–
Residential (Condominiums/ Residential lots, etc.)						
	Units/Lots delivered	Tokyo metropolitan area	570	32,175	895	54,593
		Other regions	545	21,815	664	24,943
	Completed in inventories		244	–	240	–
Other						
	Units/Lots delivered	Tokyo metropolitan area	1	948	–	–
		Other regions	–	–	–	–
	Completed in inventories		–	–	–	–
Grand total			–	54,939	–	79,537

(Note) 1. For joint projects, the number of units corresponded to the Company’s share in the projects 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 2013 and the fiscal year ended in March 2014 include 30 units and 76 units, respectively, for which a contract has been completed but ownership has not yet been transferred. The residential lots completed in inventories for the fiscal year ended in March 2013 and the fiscal year ended in March 2014 include 5 lots and 11 lots, respectively, for which a contract has been completed but ownership has not yet been transferred.
3. 2 lots (worth ¥5,276 million) of residential lots delivered for the fiscal year ended March 2013 and 2 lots (worth ¥1,714 million) of residential lots delivered for the fiscal year ended March 2014 were delivered through a sale of land.
4. “Other” in the fiscal year ended March 2013 is 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 ¥18,532 million (down ¥397 million, or 2.1% year on year), operating expenses stood at ¥16,802 million (down ¥546 million, or 3.2%), and operating income was ¥1,729 million (up ¥148 million, or 9.4%) primarily because Otemachi Financial City North Tower, which was subject to the percentage of completion method, was completed in the previous fiscal year and did not generate revenue during the fiscal year under review, although revenues from contract construction work at consolidated subsidiaries increased.

(Forecast for the fiscal year ending March 2015)
The Company expects to post operating revenue of ¥148.0 billion, operating income of ¥20.0 billion, ordinary income of ¥14.5 billion, and net income of ¥8.0 billion in the fiscal year ending March 31, 2015. The Company plans to invest ¥60.0 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 2015:

1) Leasing Business
The rental office market is showing signs of improvement, with the office building vacancy rate increasing since the collapse of Lehman Brothers and rent levels bottoming out.
The Company aims to strengthen its revenue base by fully enforcing customer-centered orientation, continuing to work to boost its leasing system and cost competitiveness, and promoting asset replacement, while focusing on developing strategies ahead of market needs and cultivating new business models.

2) Residential Property Sales Business
In the condominium sales market, both demand and supply remained strong as indicated by an increase in the number of condominiums sold in the Tokyo metropolitan area for the fourth consecutive year, recovering the 50,000 unit level for the first time in six years. This fact reflects the anticipation of a rise in sales prices and interest rates for housing loans as well as the last-minute demand before the consumption tax hike.
The Company will work to strengthen and expand its business by providing rental housing for the elderly in cooperation with the NTT Group in addition to promoting sales of condominiums.

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

The consolidated financial results forecast for the fiscal year ending March 31, 2015 is as follows:

Consolidated Earnings Forecast for the fiscal year ending March 31, 2015 (Million yen)

Item	Year ended March 31, 2014	Year ending March 31, 2015	Change	Rate of change (%)
Operating revenue	189,186	148,000	(41,186)	(21.8)
Operating income	30,458	20,000	(10,458)	(34.3)
Ordinary income	24,865	14,500	(10,365)	(41.7)
Net income	11,343	8,000	(3,343)	(29.5)

Consolidated Segment Forecast for the fiscal year ending March 31, 2015 (Million yen)

Item	Year ended March 31, 2014	Year ending March 31, 2015	Change	Rate of change (%)
Operating revenue	189,186	148,000	(41,186)	(21.8)
Leasing	96,595	85,300	(11,295)	(11.7)
Residential property sales	79,537	50,500	(29,037)	(36.5)
Other	18,532	16,800	(1,732)	(9.3)
Eliminations	(5,478)	(4,600)	878	–
Operating income	30,458	20,000	(10,458)	(34.3)
Leasing	27,189	20,100	(7,089)	(26.1)
Residential property sales	8,222	4,200	(4,022)	(48.9)
Other	1,729	1,700	(29)	(1.7)
Eliminations/Corporate	(6,682)	(6,000)	682	–

(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, 2014 rose from the end of the previous fiscal year.

(Assets)
Total assets were ¥985,507 million (up ¥44,456 million year on year).
Current assets were ¥125,351 million (down ¥6,491 million), primarily reflecting a fall of ¥19,016 million in real estate for sale in process and a rise of ¥9,851 million in real estate for sale.
Non-current assets were ¥860,155 million (up ¥50,948 million). Principal factors included an increase of ¥63,003 million in land and a fall of ¥19,089 million in buildings and structures (net).

(Liabilities)
Total liabilities were ¥756,915 million (up ¥29,700 million year on year).
Current liabilities were ¥101,021 million (down ¥76,417 million). Major factors included a decrease of ¥62,123 million in current portion of bonds, a fall of ¥9,848 million in short-term loans payable.
Non-current liabilities were ¥655,893 million (up ¥106,118 million). The main factors included a rise of ¥55,867 million in long-term loans payable and an increase of ¥15,995 million in bonds payable.

Interest-bearing debt at the end of the fiscal year under review was ¥507,253 million (up ¥1,260 million year on year).

(Net assets)
Net assets were ¥228,591 million (up ¥14,755 million year on year), primarily reflecting net income of ¥11,343 million and dividend payments of ¥5,595 million.

(Million yen)

	As of March 31, 2013	As of March 31, 2014	Change
Assets	941,050	985,507	44,456
Liabilities	727,215	756,915	29,700
Net assets	213,835	228,591	14,755
(Restated) Minority interests	37,614	42,975	5,360

2) Consolidated Cash Flows
Cash and cash equivalents (hereinafter “cash”) at the end of March 2014 increased ¥5,989 million from the end of March 2013, to ¥18,798 million. Free cash flow at the end of March 2014 were up ¥5,704 million from the end of March 2013, to ¥13,907 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, 2014:

(Net cash provided by (used in) operating activities)
Net cash provided by operating activities of the Group was ¥51,870 million, with the inflow increasing ¥3,780 million year on year. This is primarily attributable to an increase in cash mainly due to income before income taxes and minority interests of ¥20,338 million, depreciation and amortization of ¥24,566 million and a decline in inventories of ¥18,724 million.

(Net cash provided by (used in) investing activities)
Net cash used in investing activities was ¥37,962 million, with the inflow increasing ¥1,923 million year on year. This is primarily attributable to a decrease in cash, mainly due to the purchase of property, plant and equipment of ¥66,911 million, and an increase in cash chiefly due to proceeds from sales of property, plant and equipment of ¥20,271 million.

(Net cash provided by (used in) financing activities)
Net cash used in financing activities was ¥8,656 million, with inflow decreasing ¥1,995 million year on year. Major factors included an increase in cash due to proceeds from long-term loans payable of ¥119,222 million and proceeds from issuance of bonds payable of ¥15,990 million and a decrease in cash mainly due to repayments of long-term loans payable of ¥64,689 million and cash dividends paid of ¥5,594 million.

(Million yen)

Item	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014
Net cash provided by (used in) operating activities	35,168	40,417	3,704	48,089	51,870
Net cash provided by (used in) investing activities	6,695	(28,257)	(23,033)	(39,885)	(37,962)
Net cash provided by (used in) financing activities	(30,028)	(14,641)	12,650	(6,660)	(8,656)

3) Trends in cash flow-related data

Item	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014
Equity ratio (%)	16.4	17.1	17.9	18.7	18.8
Value-based equity ratio (%)	28.4	25.2	23.9	38.9	32.5
Interest-bearing debt to cash flows (years)	14.1	12.1	136.5	10.5	9.8
Interest coverage ratio (times)	4.3	5.1	0.5	6.2	7.3

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.

(3) Basic Dividend Policy and Dividends for Fiscal Years Ended March 2014 and Ending March 2015
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.
For the fiscal year ended March 31, 2014, the Company plans to pay an annual dividend of ¥16 per share. Since the Company paid an interim dividend of ¥8 per share, the year-end dividend will be ¥8 per share.
For the fiscal year ending March 31, 2015, the Company will decide an annual dividend considering the income level and business trend for the medium and long terms, among other factors. At this moment, the Company plans to pay an annual dividend of ¥16 per share.

(Note) The amounts stated above take into account the effect of the 100-for-one stock split of the Company's common shares conducted on September 30, 2013, as the record date and October 1, 2013, as the effective date.

(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, 2014, the leasing business accounted for 49.6% 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 and construction costs could cause decreases in sales in relation to a prolonged selling process in the residential property sales business and increases in inventories, which could affect the Group's business performance.

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, 2014, consolidated interest-bearing debt totaled ¥507,253 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, 2013	As of March 31, 2014
Total assets (Million yen)	941,050	985,507
Interest-bearing debt (Million yen)	505,993	507,253
Interest-bearing debt / Total assets (%)	53.8	51.5
Operating revenue (Million yen)	163,168	189,186
Interest expenses (Million yen)	7,665	7,077
Interest expenses / Operating revenue (%)	4.7	3.7

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 Transactions, Construction Contracts, and Design and Construction
Inadequate contract documents, flawed contract stipulations or other deficiencies in sales transactions and construction contracts, as well as the lack of management in the design phase or the building construction, 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 in the future. 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, 2014 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, 2013	Year ended March 31, 2014
Operating revenue in Leasing Business (Million yen)	82,208	87,730
Operating revenue from NTT Group (Million yen)	26,341	28,366
Operating revenue from NTT Group / Operating revenue in Leasing Business (%)	32.0	32.3

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>Director</td><td>Toyosei Sugimura</td><td>Senior Manager, General Affairs Department of Nippon Telegraph and Telephone Corporation</td><td rowspan="3">The Company appointed Mr. Sugimura and Mr. Hiroi to gain access to broad management perspectives.</td></tr>
<tr><td rowspan="2">Corporate auditor</td><td rowspan="2">Takashi Hiroi</td><td>Senior Manager, Corporate Strategy Planning Department of Nippon Telegraph and Telephone Corporation</td></tr>
<tr><td>Outside Director, Internet Initiative Japan Inc.</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 14 consolidated subsidiaries and nine 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.
UD USA Inc. invests in and manages real estate in the United States.

(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 residential 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 Group

◎ 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

◎ UD USA Inc.
Investment in and management of real estate in the USA

□ 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
Two consolidated subsidiaries
Five equity-method affiliate

Situation of Affiliates

Parent Company (As of March 31, 2014)

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
Otemachi First Square Inc.	Chiyoda, Tokyo	50	Others	56.5	Management of Otemachi First Square and its land
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 Some concurrent officers
Knox Twenty-One Co., Ltd.	Minato, Tokyo	24	Others	100.0	Operation of NTT Group's convention facilities
DAY･NITE Co., Ltd.	Chiyoda, Tokyo	40	Others	100.0	Operation of restaurants, halls and conferences, etc. Some concurrent officers
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 Some concurrent officers
Motomachi Parking Access Co., Ltd.	Naka, Hiroshima-shi	60	Others	58.3	Maintenance of underground passages in Hiroshima's Motomachi area
UDX Tokutei Mokuteki Kaisha (Note 2)	Chuo, Tokyo	14,100	Leasing	61.0	Development and ownership of Akihabara UDX
UD EUROPE LIMITED	London,UK	(Sterling pounds) 200	Leasing	100.0	Investment in and management of real estate in the UK
Premier REIT Advisors Co., Ltd.	Minato, Tokyo	300	Others	53.1	Investment management business under the Financial Instruments and Exchange Act
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
UD USA Inc.	Delaware, U.S.A.	(Dollar) 100	Leasing	100.0	Investment in and management of real estate in the U.S.A.
Two consolidated Subsidiaries under the UD USA Inc.	Delaware, U.S.A.	–	Leasing	–	–

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
DHC Tokyo Co., Ltd.	Minato, Tokyo	200	Others	50.0	District heating and cooling services for Granpark Tower
Tokyo Opera City District Heating & Cooling Co., Ltd.	Shinjuku, Tokyo	980	Others	36.2	District heating and cooling services for Tokyo Opera City
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 Some concurrent officers
335 GRICES ROAD PTY LTD	Melbourne, Australia	(Australian Dollar) 1	Residential Property Sales	50.0	Development and sales of residential land
Four equity method affiliates under the UD USA Inc.	Delaware, U.S.A.	–	Leasing	–	–

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

(Note 2) UDX Tokutei Mokuteki Kaisha is a specified subsidiary.

3. Management Policy

The economy continues to be uncertain, given economic precarious conditions overseas, but it is expected to benefit from positive factors such as the effects of government policy. The real estate market is showing signs of an improvement in the vacancy rate in office buildings, in addition to rents, which have bottomed out.

Meanwhile, in spite of achieving growth in both revenue and income in the fiscal year under review, the Group faces a challenging business environment, with rising construction costs and slower growth in land purchases in the residential sales business, in addition to falling rent levels and rising vacancy rates, and measures for future growth need to be taken.

Under such conditions, the Group is fully enforcing a customer and market-centered orientation and pursuing innovation without being obsessed with existing frameworks in line with its “Medium-Term Vision 2018 – For Further Growth,” and is taking measures for medium- and long-term growth as follows. The Group will continue to work on fundamental management reforms for the establishment of a stable management base, whilst taking action in accordance with these business policies.

i) Strengthening the revenue base in the leasing business

In the leasing business, the Group will fully enforce a customer- and market-centered orientation, and continue to strengthen the leasing system and cost competitiveness, The Group will also work to strengthen its revenue base, primarily through product planning and new business model development based on the strategies that anticipate market needs.

ii) Expanding the business scale for the future growth

In the residential property sales business, the Group sells condominiums under the WELLITH brand, and plans to focus on strengthening and expanding the business in the future, including the provision of rental housing for senior citizens in collaboration with the NTT Group.

In global business, the Group will strive to achieve a stable revenue base through the acquisition of office buildings in the United States, in addition to London in the United Kingdom, which was previously the focus of its activities. The Group will also use its representative office in Singapore, established in the fiscal year under review, as its information base for growth markets, mainly in Southeast Asia, and will make efforts to create business opportunities.

iii) Enforcing thorough financial control

The Group intends to carefully select investments for future growth, giving due consideration to market trends. The Group will also implement systematic asset replacement in accordance with its asset portfolio strategy to secure funds for future development, and will 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, 2013)	Current consolidated fiscal year (As of March 31, 2014)
Assets		
Current assets		
Cash and deposits	*2 12,148	*2 18,313
Notes and operating accounts receivable	13,786	18,058
Real estate for sale	21,706	31,558
Real estate for sale in progress	65,576	46,559
Costs on uncompleted construction contracts	346	300
Raw materials and supplies	55	80
Lease investment assets	3,617	3,689
Deposits paid	1,370	1,695
Deferred tax assets	1,141	933
Other	*2, *4 12,094	*2, *4 4,163
Allowance for doubtful accounts	(0)	(1)
Total current assets	131,843	125,351
Non-current assets		
Property, plant and equipment		
Buildings and structures	*2 719,274	*2 703,758
Accumulated depreciation	(380,097)	(383,671)
Buildings and structures (net)	339,176	320,087
Machinery, equipment and vehicles	14,027	13,630
Accumulated depreciation	(11,896)	(11,799)
Machinery, equipment and vehicles (net)	2,131	1,831
Land	*2 409,130	*2 472,133
Lease assets	399	332
Accumulated depreciation	(265)	(185)
Lease assets (net)	134	147
Construction in progress	7,012	14,099
Other property, plant and equipment	*2 16,136	*2 15,458
Accumulated depreciation	(12,815)	(12,722)
Other property, plant and equipment (net)	3,321	2,736
Total property, plant and equipment	760,907	811,035
Intangible assets	*2 5,756	*2 5,427
Investments and other assets		
Investment securities	*1 19,056	*1 19,986
Long-term prepaid expenses	*2 16,765	*2 16,176
Deferred tax assets	422	394
Other	6,299	*2 7,136
Total investments and other assets	42,544	43,692
Total non-current assets	809,207	860,155
Total assets	941,050	985,507

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2013)	Current consolidated fiscal year (As of March 31, 2014)
Liabilities		
Current liabilities		
Notes and operating accounts payable–trade	10,742	11,850
Short-term loans payable	10,321	473
Lease obligations	45	48
Current portion of long-term loans payable	*2 56,041	*2 57,412
Current portion of bonds	*2 62,123	-
Income taxes payable	3,351	1,657
Deferred tax liabilities	316	377
Other	34,495	29,201
Total current liabilities	177,439	101,021
Non-current liabilities		
Bonds payable	84,971	*2 100,967
Long-term loans payable	*2 292,533	*2 348,400
Lease obligations	133	143
Lease and guarantee deposits received	74,628	69,694
Negative goodwill	*3 26,617	*3 22,935
Deferred tax liabilities	61,116	63,841
Provision for retirement benefits	6,388	-
Provision for directors' retirement benefits	102	67
Net defined benefit liability	-	6,404
Asset retirement obligations	3,172	3,180
Other	110	40,258
Total non-current liabilities	549,775	655,893
Total liabilities	727,215	756,915
Net assets		
Shareholders' equity		
Capital stock	48,760	48,760
Capital surplus	34,109	34,109
Retained earnings	91,402	97,150
Total shareholders' equity	174,272	180,020
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,131	976
Foreign currency translation adjustment	817	4,447
Remeasurements of defined benefit plans	-	171
Total accumulated other comprehensive income	1,948	5,596
Minority interests	37,614	42,975
Total net assets	213,835	228,591
Total liabilities and net assets	941,050	985,507

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

(Consolidated Statements of Income) (Million yen)

	Previous consolidated fiscal year (From April 1, 2012 to March 31, 2013)	Current consolidated fiscal year (From April 1, 2013 to March 31, 2014)
Operating revenue	163,168	189,186
Operating cost	*6 117,163	*6 136,519
Operating gross profit	46,004	52,666
Selling, general and administrative expenses	*1 18,603	*1 22,207
Operating income	27,401	30,458
Non-operating income		
Interest income	79	44
Dividends income	85	76
Contributions	249	138
Gain on donation of non-current assets	1	60
Amortization of negative goodwill	1,926	1,853
Equity in earnings of affiliates	82	71
Other	76	82
Total non-operating income	2,500	2,326
Non-operating expenses		
Interest expenses	7,665	7,077
Other	220	842
Total non-operating expenses	7,885	7,919
Ordinary income	22,016	24,865
Extraordinary income		
Gain on sales of non-current assets	*2 389	*2 6,434
Gain on reversal of provision for loss on warranty	–	2,142
Total extraordinary income	389	8,576
Extraordinary loss		
Loss on sales of non-current assets	*3 508	*3 8,779
Loss on retirement of non-current assets	*4 2,119	*4 1,476
Impairment loss	*5 800	*5 2,848
Other	8	-
Total extraordinary losses	3,436	13,103
Income before income taxes and minority interests	18,969	20,338
Income taxes-current	5,747	4,593
Income taxes-deferred	(202)	2,940
Total income taxes	5,544	7,534
Income before minority interests	13,425	12,803
Minority interests in income	1,351	1,460
Net income	12,073	11,343

(Consolidated Statements of Comprehensive Income) (Million yen)

	Previous consolidated fiscal year (From April 1, 2012 to March 31, 2013)	Current consolidated fiscal year (From April 1, 2013 to March 31, 2014)
Income before minority interests	13,425	12,803
Other comprehensive income		
Valuation difference on available-for-sale securities	1,022	(158)
Foreign currency translation adjustment	2,039	3,629
Total other comprehensive income	* 3,062	* 3,470
Comprehensive income	16,487	16,274
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	15,145	14,818
Comprehensive income attributable to minority interests	1,341	1,455

(3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (From April 1, 2012 to March 31, 2013)

(Million yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of the year	48,760	34,109	84,265	167,135
Total changes of items during the year				
Dividends from surplus			(2,632)	(2,632)
Interim dividends			(2,303)	(2,303)
Net income			12,073	12,073
Net changes of items other than shareholders' equity				
Total changes of items during the year	—	—	7,136	7,136
Balance at the end of the year	48,760	34,109	91,402	174,272

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the year	98	(1,221)	—	(1,122)	37,714	203,727
Total changes of items during the year						
Dividends from surplus						(2,632)
Interim dividends						(2,303)
Net income						12,073
Net changes of items other than shareholders' equity	1,032	2,039	—	3,071	(100)	2,971
Total changes of items during the year	1,032	2,039	—	3,071	(100)	10,108
Balance at the end of the year	1,131	817	—	1,948	37,614	213,835

Current consolidated fiscal year (From April 1, 2013 to March 31, 2014)

(Million yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of the year	48,760	34,109	91,402	174,272
Total changes of items during the year				
Dividends from surplus			(2,962)	(2,962)
Interim dividends			(2,632)	(2,632)
Net income			11,343	11,343
Net changes of items other than shareholders' equity				
Total changes of items during the year	—	—	5,747	5,747
Balance at the end of the year	48,760	34,109	97,150	180,020

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the year	1,131	817	—	1,948	37,614	213,835
Total changes of items during the year						
Dividends from surplus						(2,962)
Interim dividends						(2,632)
Net income						11,343
Net changes of items other than shareholders' equity	(154)	3,629	171	3,647	5,360	9,007
Total changes of items during the year	(154)	3,629	171	3,647	5,360	14,755
Balance at the end of the year	976	4,447	171	5,596	42,975	228,591

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

	Previous consolidated fiscal year (From April 1, 2012 to March 31, 2013)	Current consolidated fiscal year (From April 1, 2013 to March 31, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	18,969	20,338
Depreciation and amortization	23,766	24,566
Amortization of negative goodwill	(1,926)	(1,835)
Impairment loss	800	2,848
Amortization of goodwill	141	136
Increase (decrease) in allowance for doubtful accounts	(0)	0
Increase (decrease) in provision for retirement benefits	362	(6,388)
Increase (decrease) in net defined benefit liability	-	6,404
Interest and dividends income	(164)	(120)
Interest expenses	7,665	7,077
Equity in (earnings) losses of affiliates	(82)	(71)
Gain on sales of non-current assets	(389)	(6,434)
Loss on retirement of non-current assets	2,119	1,476
Loss on sales of non-current assets	508	8,779
Gain on sales of securities of subsidiaries and affiliates	-	(2,142)
Decrease (increase) in lease investment assets	(444)	(72)
Decrease (increase) in notes and accounts receivable-trade	1,702	(4,270)
Decrease (increase) in inventories	13,208	18,724
Increase (decrease) in notes and accounts payable–trade	(2,433)	1,104
Increase (decrease) in lease and guarantee deposits received	(3,691)	(9,362)
Other, net	(1,629)	4,344
Subtotal	58,483	65,084
Interest and dividends income received	189	146
Interest expenses paid	(7,804)	(7,073)
Income taxes paid	(2,779)	(6,287)
Net cash provided by (used in) operating activities	48,089	51,870
Net cash provided by (used in) investing activities		
Proceeds from repayment of securities	-	3,900
Purchase of property, plant and equipment	(40,689)	(66,911)
Proceeds from sales of property, plant and equipment	3,228	20,271
Purchase of investment securities	(465)	(1,282)
Proceeds from sales of securities of subsidiaries and affiliates	-	5,639
Other, net	(1,958)	420
Net cash provided by (used in) investing activities	(39,885)	(37,962)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	10,321	(9,848)
Proceeds from long-term loans payable	29,793	119,222
Repayments of long-term loans payable	(48,712)	(64,689)
Proceeds from issuance of bonds	10,000	15,990
Redemption of bonds	(1,611)	(62,123)
Cash dividends paid	(4,936)	(5,594)
Cash dividends paid to minority shareholders	(1,441)	(1,559)
Other, net	(72)	(53)
Net cash provided by (used in) financing activities	(6,660)	(8,656)
Effect of exchange rate change on cash and cash equivalents	(305)	737
Net increase (decrease) in cash and cash equivalents	1,848	5,989
Cash and cash equivalents at beginning of period	10,960	12,809
Cash and cash equivalents at end of period	* 12,809	* 18,798

(5) 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: 14

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
UD USA Inc. Two other consolidated subsidiaries

In the fiscal year under review, the Company established UD USA Inc. and two consolidated subsidiaries affiliated with UD USA Inc. and made them consolidated subsidiaries of the Company.

2. Application of equity method

Number of equity method affiliates: 9

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 Four other equity method affiliates

In the fiscal year under review, the Company newly invested in four subsidiaries of UD USA Inc. and made them equity method affiliates.

3. Fiscal years of consolidated subsidiaries

The end of the fiscal years of UD EUROPE LIMITED, UD AUSTRALIA PTY LIMITED, UD USA Inc. and two consolidated subsidiaries affiliated with UD USA Inc. 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

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.

(4) Accounting method for retirement benefits

(i) Accounting method of attributing expected benefit to periods

As a method of attributing expected benefit to periods before the fiscal year under review, the straight-line basis is used to calculate retirement benefit obligations.

(ii) Accounting method for actuarial gains and losses and past service costs

Past service costs are amortized using the straight-line method over the average remaining working lives of the employees at the time of occurrence.

Actuarial gains and losses are amortized using the straight-line method over the average remaining working lives of the employees at the time of occurrence in each fiscal year from the following fiscal year.

(iii) Accounting method for unrecognized actuarial gains and losses and unrecognized past service costs

Unrecognized actuarial gains and losses and unrecognized past service costs are recorded in the remeasurements of defined benefit plans in accumulated other comprehensive income under net assets after making an adjustment for tax effect.

(5) 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

(6) 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.

(7) 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.

(8) 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.

(9) 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)

From the fiscal year under review, the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 on May 17, 2012. Hereinafter the “Accounting Standard for Retirement Benefits”) and the Guideline on Accounting Standard for Retirement Benefits (ASBJ Guideline No. 25 on May 17, 2012. Hereinafter the “Guideline on Accounting Standard for Retirement Benefits”) have been applied (excluding, however, the provisions set forth in the text of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guideline on Accounting Standard for Retirement Benefits).

We have changed the accounting method so that the amount obtained by subtracting plan assets from retirement benefit obligations will be recorded as net defined benefit liability, and unrecognized actuarial gains and losses and unrecognized past service costs will be recorded as net defined benefit liability.

As the application of the Accounting Standard for Retirement Benefits, etc. follows the transitional treatment as provided for in Paragraph 37 of the Accounting Standard for Retirement Benefits, we have made an adjustment for the amount affected by the said change to the remeasurements of defined benefit plans in accumulated other comprehensive income in the fiscal year under review.

As a result, ¥6,404 million of net defined benefit liability was recorded at the end of the fiscal year under review, and accumulated other comprehensive income increased ¥171 million.

Net assets per share increased ¥0.52 yen.

(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)

Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 on May 17, 2012)

(1) Overview

The accounting method for unrecognized actuarial gains and losses and unrecognized past service costs, the calculation method for retirement benefit obligations and service costs, and the enhancement of disclosure, etc. have been revised.

(2) Planned date of application

The revised calculation method for retirement benefit obligations and service costs will be applied from the beginning of the fiscal year ending March 31, 2015. As the transitional treatment is set forth in these accounting standards, etc., the revision will not be applied retroactively to consolidated financial statements in past periods.

(3) Impact of applying these accounting standards

The impact of applying the revised calculation method for retirement benefit obligations and service costs on consolidated financial statement is currently under review.

(Accounting Standard for Business Combinations, etc.)

・The Accounting Standard for Business Combinations (ASBJ Statement No. 21 on September 13, 2013)
・The Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 on September 13, 2013)
・The Accounting Standard for Business Divestitures (ASBJ Statement No. 7 on September 13, 2013)
・The Accounting Standard for Earnings Per Share (ASBJ Statement No. 2 on September 13, 2013)
・The Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guideline No. 10 on September 13, 2013)
・The Guidance on Accounting Standard for Earnings Per Share (ASBJ Guideline No. 4 on September 13, 2013)

(1) Overview

In these accounting standards, the revision was made primarily in (i) the treatment of changes in equity of a parent company in its subsidiary when the control over the subsidiary continues in the additional acquisition of shares in the subsidiary, (ii) the treatment of expenses related to the acquisition, (iii) the presentation of net income and the change from minority interests to non-controlling interests, and (iv) the handling of provisional accounting treatments.

(2) Planned date of application

We plan to apply these accounting standards from the beginning of the fiscal year ending March 31, 2016. The handling of provisional accounting treatments is planned to be applied to business combinations conducted after the beginning of the fiscal year ending March 31, 2016.

(3) Impact of applying these accounting standards

The amount of impact from applying these accounting standards had not been yet determined at the time of preparing the consolidated financial statements for the fiscal year 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, 2013)	Current consolidated fiscal year (As of March 31, 2014)
Investment securities (shares)	1,648	3,031

*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, 2013)	Current consolidated fiscal year (As of March 31, 2014)
Buildings and structures	92,612	-
Land	9,769	-
Total	102,382	-

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

	Previous consolidated fiscal year (As of March 31, 2013)	Current consolidated fiscal year (As of March 31, 2014)
Current portion of long-term loans payable	2,988	-
Long-term loans payable	8,048	-
Total	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, 2013)	Current consolidated fiscal year (As of March 31, 2014)
Cash and deposits (within three months)	4,771	5,299
Securities	1,099	-
Other current assets	149	142
Buildings and structures	47,087	44,960
Land	171,402	171,402
Other property, plant and equipment	172	163
Intangible assets	0	0
Long-term prepaid expenses	326	308
Other in investments and other asset	-	0
Total	225,011	222,277

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

	Previous consolidated fiscal year (As of March 31, 2013)	Current consolidated fiscal year (As of March 31, 2014)
Current portion of long-term loans payable	–	1,200
Current portion of bonds	62,123	–
Bonds payable	–	1,000
Long-term loans payable	–	57,200
Total	62,123	59,400

*3. Goodwill and negative goodwill (Million yen)

	Previous consolidated fiscal year (As of March 31, 2013)	Current consolidated fiscal year (As of March 31, 2014)
Goodwill	2,280	1,992
Negative goodwill	28,897	24,927
Net amount	26,617	22,935

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

	Previous consolidated fiscal year (As of March 31, 2013)	Current consolidated fiscal year (As of March 31, 2014)
Securities	5,024	–
Other	7,070	4,163
Total	12,094	4,163

(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, 2012 to March 31, 2013)	Current consolidated fiscal year (From April 1, 2013 to March 31, 2014)
Advertising expenses	3,676	5,138
Salaries, allowances and bonuses	4,990	5,227
Retirement benefit expenses	326	385
Provision for directors' retirement benefits	14	11
Provision of allowance for doubtful accounts	0	0
Business consignment expenses	3,535	4,565
Taxes and dues	1,565	1,929

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

	Previous consolidated fiscal year (From April 1, 2012 to March 31, 2013)	Current consolidated fiscal year (From April 1, 2013 to March 31, 2014)
Buildings and structures	(187)	(1,715)
Land	576	8,149
Total	389	6,434

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, 2012 to March 31, 2013)	Current consolidated fiscal year (From April 1, 2013 to March 31, 2014)
Buildings and structures	111	9
Land	396	8,770
Total	508	8,779

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

	Previous consolidated fiscal year (From April 1, 2012 to March 31, 2013)	Current consolidated fiscal year (From April 1, 2013 to March 31, 2014)
Buildings and structures	963	698
Machinery, equipment and vehicles	27	11
Removal cost	1,109	743
Other	17	23
Total	2,119	1,476

*5. Impairment loss

The Company recorded an impairment loss for the following asset group.

Previous consolidated fiscal year (From April 1, 2012 to March 31, 2013)

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.

Current consolidated fiscal year (From April 1, 2013 to March 31, 2014)

Primary use	Type	Location	Impairment loss
Three commercial / office buildings in total	Land, Buildings and structures	Kumamoto-shi, Kumamoto, etc.	2,848 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 a sharp decline in profitability with the worsening of market condition, and recorded the reduction as an impairment loss under extraordinary losses. The breakdown of the assets is ¥1,994 million of land and ¥853million of building and structures.

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, 2012 to March 31, 2013)	Current consolidated fiscal year (From April 1, 2013 to March 31, 2014)
1,934	688

(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, 2012 to March 31, 2013)	Current consolidated fiscal year (From April 1, 2013 to March 31, 2014)
Valuation difference on available-for-sale securities:		
Amount arising during fiscal year	1,585	(248)
Recycling	–	–
Before tax effect adjustment	1,585	(248)
Tax effect	(563)	89
Valuation difference on available-for-sale securities	1,022	(158)
Foreign currency translation adjustment:		
Amount arising during fiscal year	2,039	3,629
Total other comprehensive income	3,062	3,470

(Notes to consolidated statements of changes in net assets)

Previous 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

(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 18, 2013	Common shares	2,962	Retained earnings	900	March 31, 2013	June 19, 2013

Current consolidated fiscal year (from April 1, 2013 to March 31, 2014)

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	325,828,800	–	329,120,000
Total	3,291,200	325,828,800	–	329,120,000

(Note) As the Company implemented the 100-for-one stock split for its common shares with October 1, 2013 as the effective date, number of shares added during fiscal year under review was 325,828,800.

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 18, 2013	Common shares	2,962	900	March 31, 2013	June 19, 2013
Board of Directors meeting held on November 6, 2013	Common shares	2,632	800	September 30, 2013	December 2, 2013

(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 24, 2014	Common shares	2,632	Retained earnings	8	March 31, 2014	June 25, 2014

(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, 2012 to March 31, 2013)	Current consolidated fiscal year (From April 1, 2013 to March 31, 2014)
Cash and deposits	12,148	18,313
Time deposits with a deposit period of over three months	(1,810)	(110)
Short-term (less than three months) investments included in "Deposits paid" in current assets	1,370	595
Short-term (less than three months) investments included in other	1,099	–
Cash and cash equivalents	12,809	18,798

(Notes to financial instruments)

Previous 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 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, stocks of subsidiaries and affiliates, investments in limited partnerships, and other investments in capital 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

Current consolidated fiscal year (from April 1, 2013 to March 31, 2014)

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	18,313	18,313	–
(2) Notes and operating accounts receivable	18,058	18,057	(1)
(3) Short-term and long term investment securities			
Other securities	7,401	7,586	184
Total assets	43,774	43,957	183
(1) Notes and operating accounts payable–trade	11,850	11,850	–
(2) Short-term loans payable	473	473	–
(3) Income taxes payable	1,657	1,657	–
(4) Bonds payable	100,967	105,225	4,257
(5) Long-term loans payable (*)	405,813	413,318	7,504
(6) Lease and guarantee deposits received	9,899	9,610	(288)
Total liabilities	530,661	542,136	11,474

(*) 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)	3,031
Investments in limited partnerships (*1)	9,189
Other investments in capital (*1)	53
Deposits received (excluding those whose time of return is determined) (*2)	63,544

(*1) Unlisted stocks, stocks of subsidiaries and affiliates, investments in limited partnerships, and other investments in capital 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	18,313	–	–	–
Notes and operating accounts receivable	18,050	–	–	–
Short-term and long term investment securities				
Other securities having maturity dates	–	–	–	191
Total	36,372	–	–	191

(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	–	41,000	50,000	10,000
Long-term loans payable	57,412	189,600	138,800	20,000
Total	54,412	230,600	188,000	30,000

(Notes to securities)

Previous 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.

Current consolidated fiscal year (as of March 31, 2014)

1. Other securities (Million yen)

	Type	Book value	Acquisition cost	Difference
Book value is more than acquisition cost or amortized cost	(1) Shares	2,062	936	1,126
	(2) Bonds			
	(i) Government bonds and local bonds	191	168	22
	(ii) Bonds payable	–	–	–
	(iii) Other bonds	–	–	–
	(3) Other securities	3,484	3,116	368
	Subtotal	5,738	4,220	1,517
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	1,663	1,909	(246)
	Subtotal	1,663	1,909	(246)
Total		7,401	6,130	1,271

(Note) Unlisted stocks (¥500 million posted on the consolidated balance sheets), shares in subsidiaries and affiliates (¥3,031 million on the consolidated balance sheets), investments in limited partnerships (¥9,189 million posted on the consolidated balance sheets), and other investments (¥53 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)

Previous consolidated fiscal year (From April 1, 2012 to March 31, 2013)

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, 2013)
(1) Retirement benefit obligation	(13,138)
(2) Pension assets	6,069
(3) Unfunded retirement benefit obligation (1) + (2)	(7,068)
(4) Unrecognized actuarial gains and losses	680
(5) Unrecognized past service liabilities	(0)
(6) Provision for retirement benefits (3) + (4) + (5)	(6,338)

3. Retirement benefit expenses

(Million yen)

	Previous consolidated fiscal year (From April 1, 2012 to March 31, 2013)
(1) Service costs	412
(2) Interest costs	264
(3) Expected return on plan assets	(121)
(4) Amortization of actuarial gains and losses	(62)
(5) Amortization of past service liabilities	(0)
(6) Employees' contribution	(18)
(7) Retirement benefit expenses	474

4. Basis of calculation of retirement benefit obligation

	Previous consolidated fiscal year (As of March 31, 2013)
(1) Term distribution method of expected retirement benefits	Straight-line basis
(2) Discount rates	1.5%
(3) Expected rate of return on assets	2.0% to 2.5%
(4) Amortization period of unrecognized past service liabilities	11.2 to 11.5 years
(5) Amortization period of unrecognized actuarial gains and losses	8.5 to 13.7 years

Current consolidated fiscal year (From April 1, 2013 to March 31, 2014)

1. Outline of retirement benefit plans

The company submitting the consolidated financial statements and its consolidated subsidiaries have a corporate pension fund, a contract-type corporate pension, and lump-sum payment plans as defined benefit plans.
Four consolidated subsidiaries of the company submitting the consolidated financial statements joined the NTT Corporate Defined Benefit Pension Plan in the fiscal year under review.
The company submitting the consolidated financial statements has shifted its contract-type corporate pension plan to a defined contribution pension plan since April 2014.

2. Retirement benefit plans

(1) Reconciliation statement for the beginning balance and the end balance of retirement benefit obligations

	(Million yen)
Retirement benefit obligations at the beginning of the period	(13,138)
Service costs	(509)
Interest costs	(191)
Amount of actuarial gains and losses accrued during the period	58
Amount of retirement benefits paid	598
Amount of past service costs accrued during the period	383
Acceptance of employees transferred, etc.	(470)
Retirement benefit obligations at the end of the period	(13,270)

(2) Reconciliation statement for the beginning balance and the end balance of plan assets

	(Million yen)
Plan assets at the beginning of the period	6,069
Expected return on plan assets	139
Amount of actuarial gains and losses accrued during the period	496
Amount of contributions from the employer	174
Amount of retirement benefits paid	(187)
Acceptance of employees transferred, etc.	171
Plan assets at the end of the period	6,865

(3) Reconciliation statement for the end balance of retirement benefit obligations and plan assets and net defined benefit liability recorded in the consolidated financial statements

	(Million yen)
Retirement benefit obligations of the NTT Corporate Defined Benefit Pension Plan	(5,746)
Plan assets	3,966
	(1,780)
Other retirement benefit obligations (of an unfunded pension plan, etc.)	(7,523)
Plan assets	2,898
	(4,624)
Net amount of liabilities and assets recorded in the balance sheet	(6,404)
Net defined benefit liability	(6,404)
Net amount of liabilities and assets recorded in the balance sheet	(6,404)

(4) Profits and losses related to retirement benefits

	(Million yen)
Service costs	509
Interest costs	191
Expected return on plan assets	(139)
Amortization of actuarial gains and losses during the period	36
Amortization of prior service costs during the period	(13)
Retirement benefit expenses for the defined contribution plan	585

(5) Breakdown of items recorded in accumulated other comprehensive income

The breakdown of items (before the tax effect) recorded in remeasurements of defined benefit plans are as follows:

	(Million yen)
Unrecognized prior service costs	366
Unrecognized actuarial gains and losses	(97)
Total	268

(6) Matters related to the actuarial assumption

Major actuarial assumptions at the end of the period

Discount rate	1.5%
Long-term rate of return on plan assets	
NTT Corporate Defined Benefit Pension Plan	2.5%
Contract-type corporate pension	2.0%

(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, 2013)	Current consolidated fiscal year (As of March 31, 2014)
Deferred tax (current) assets		
Accrued bonuses in excess of the limit for income tax deduction	191	181
Accrued enterprise taxes	316	164
Accrued real estate acquisition tax	204	220
Denial of loss on valuation of inventory	94	23
Other	667	610
Sub Total	1,474	1,198
Valuation reserve	(0)	(0)
Total	1,474	1,198
Deferred tax (current) liabilities		
Other	(649)	(641)
Total	(649)	(641)
Net deferred tax (current) assets	825	556
Deferred tax assets (non-current)		
Denial of evaluation loss on land	3,684	3,684
Denial of depreciation of unused building volume	1,924	2,046
Provision for retirement benefits	2,284	–
Net defined benefit liability	–	2,280
Denial of impairment loss	716	1,462
Compensation for loss	128	–
Other	1,747	1,859
Total	10,485	11,332
Valuation reserve	(6,088)	(6,820)
Total	4,397	4,511
Deferred tax liabilities (non-current)		
Reserve for advanced depreciation of non-current assets	(11,102)	(14,079)
Non-current assets valuation difference	(52,715)	(52,513)
Other	(1,272)	(1,367)
Total	(65,090)	(67,959)
Net deferred tax liabilities (non-current)	(60,693)	(63,447)

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, 2013)	Current fiscal year (As of March 31, 2014)
Effective tax rate	38.0%	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)		
Amortization of negative goodwill	(3.9%)	
Earnings of subsidiaries (tokutei mokuteki kaisha) attributable to minority interests	(2.7%)	
Valuation reserve	(0.3%)	
Other	(1.9%)	
Actual effective tax rate after the application of tax effect accounting	29.2%	

(Notes to rental properties)

Previous 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 gain on sales of non-current assets of ¥388 million (in extraordinary income), losses on sale of non-current assets of ¥508 million (in extraordinary loss), losses on retirement of non-current assets ¥2,065 million (in extraordinary loss) and impairment loss 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.

Current consolidated fiscal year (from April 1, 2013 to March 31, 2014)

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 ¥21,791 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 ¥6,386 million (in extraordinary gain), losses on the sale of non-current assets of ¥8,739 million (in extraordinary loss), losses on the retirement of non-current assets of ¥1,317 million (in extraordinary loss) and impairment losses of ¥2,838 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	
758,300	47,611	805,911	1,210,052

(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 ¥83,412 million) as well as the transfer of real estate for sale, the sale of real estate, and impairment losses (providing decreases of ¥5,078 million, ¥22,559 million and ¥2,838 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, 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.

II. Current consolidated fiscal year (from April 1, 2013 to March 31, 2014)

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	95,709	79,527	175,237	13,949	189,186	–	189,186
(2) Inter-segment internal revenues and transfers	855	10	895	4,583	5,478	(5,478)	–
Total	96,595	79,537	176,132	18,532	194,665	(5,478)	189,186
Segment profits	27,189	8,222	35,411	1,729	37,140	(6,682)	30,458
Segment assets	898,408	74,258	972,666	12,079	984,745	761	958,507
Other items (Note 4)							
Depreciation	23,560	5	23,565	61	23,627	938	24,566
Increases in property, plant and equipment and intangible assets (investment amount)	103,146	13	103,160	85	103,245	140	103,385

(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 - ¥6,682 million includes the elimination of inter-segment transactions of ¥5 million and company-wide expenses of - ¥6,687 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 ¥761 million includes the elimination of inter-segment transactions of - ¥50,048 million and company-wide assets of ¥50,810 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, 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.

II. Current consolidated fiscal year (from April 1, 2013 to March 31, 2014)

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, 2012 to March 31, 2013)

(Million yen)

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

Current consolidated fiscal year (from April 1, 2013 to March 31, 2014)

(Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Impairment loss	2,848	–	–	–	2,848

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

Previous 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

Current consolidated fiscal year (from April 1, 2013 to March 31, 2014)

(Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	123	–	13	–	136
Year-end balance	1,781	–	210	–	1,992

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	1,853	–	–	–	1,853
Year-end balance	24,927	–	–	–	24,927

e. Information on gains on negative goodwill in reported segments

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

Not applicable.

Current consolidated fiscal year (from April 1, 2013 to March 31, 2014)

Not applicable.

(Related party transactions)

Previous 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	Comprehen-sive 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.

Current consolidated fiscal year (from April 1, 2013 to March 31, 2014)

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	Comprehen-sive leasing business	(Owned by the company) Direct: 1.0	Deposits	Deposits paid	–	Deposits paid	1,695
						Borrowing	Short-term loans payable	–	Short-term loans payable	473
							Long-term loans payable	33,900	Current portion of long-term loans payable	5,400
									Long-term loans payable	66,300

(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, 2012 to March 31, 2013)		Current consolidated fiscal year (From April 1, 2013 to March 31, 2014)	
Net assets per share	535.43 yen	Net assets per share	563.98 yen
Net income per share	36.68 yen	Net income per share	34.46 yen

(Notes) 1. Diluted net income per share is not disclosed because the Company does not hold any dilutive securities.

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

3. The basis for the calculation of net income per share is shown in the table below.

	Previous consolidated fiscal year (From April 1, 2012 to March 31, 2013)	Current consolidated fiscal year (From April 1, 2013 to March 31, 2014)
Net income (million yen)	12,073	11,343
Amounts not attributable to shareholders of common stock (million yen)	–	–
Net income attributable to common stock (million yen)	12,073	11,343
Average number of common shares outstanding during the fiscal year	329,120,000	329,120,000

(Significant subsequent events)

Not applicable.

5. Financial Statements (Non-Consolidated)

(1) Balance Sheets (Million yen)

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)
Assets		
Current assets		
Cash and deposits	111	97
Operating accounts receivable	11,951	15,321
Real estate for sale	11,923	19,469
Real estate for sale in progress	64,360	44,839
Costs on uncompleted construction contracts	315	276
Raw materials and supplies	28	49
Prepaid expenses	666	671
Lease investment assets	3,617	3,689
Deferred tax assets	1,307	1,060
Other	6,849	4,002
Allowance for doubtful accounts	(0)	(1)
Total current assets	101,131	89,476
Non-current assets		
Property, plant and equipment		
Buildings	* 283,349	261,060
Structures	4,428	3,870
Machinery and equipment	2,130	1,830
Tools, furniture and fixtures	3,106	2,518
Land	* 237,848	291,790
Lease assets	42	66
Construction in progress	7,012	14,099
Total property, plant and equipment	537,917	575,237
Intangible assets		
Leasehold right	1,419	1,410
Software	2,191	1,409
Lease assets	0	1
Other	108	98
Total intangible assets	3,720	2,920
Investments and other assets		
Investment securities	17,390	16,937
Stocks of subsidiaries and affiliates	13,903	17,103
Investments in other securities of subsidiaries and affiliates	32,274	29,829
Investments in capital	0	0
Long-term prepaid expenses	16,390	15,822
Lease and guarantee deposits paid	9,927	9,494
Other	945	1,896
Total investments and other assets	90,832	91,084
Total non-current assets	632,470	669,241
Total assets	733,602	758,717

(Million yen)

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)
Liabilities		
Current liabilities		
Operating accounts payable	9,510	10,179
Short-term loans payable	10,321	473
Lease obligations	28	31
Current portion of long-term loans payable	* 56,011	51,000
Accounts payable-other	13,120	12,089
Accrued expenses	1,467	1,427
Income taxes payable	3,042	1,272
Advances received	8,391	7,712
Deposits received	3,607	3,852
Other	8,083	3,750
Total current liabilities	113,584	91,788
Non-current liabilities		
Bonds payable	84,971	99,967
Long-term loans payable	* 288,348	277,300
Lease obligations	48	68
Long-term accounts payable-other	5	40,138
Lease and guarantee deposits received	74,157	69,392
Deferred tax liabilities	8,533	11,483
Provision for retirement benefits	5,657	5,895
Asset retirement obligations	3,168	3,175
Other	17	43
Total non-current liabilities	464,906	507,464
Total liabilities	578,491	599,253

(Million yen)

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)
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	67,681	72,180
Voluntary retained earnings	25,044	30,838
Retained earnings brought forward	42,636	41,342
Total retained earnings	71,119	75,617
Total shareholders' equity	153,988	158,487
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,121	976
Total valuation and translation adjustments	1,121	976
Total net assets	155,110	159,464
Total liabilities and net assets	733,602	758,717

(2) Statements of Income (Million yen)

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)
Operating revenue		
Operating revenues from leasing business	82,208	87,730
Operating revenues from residential property sales business	54,939	79,537
Operating revenues from other businesses	3,731	1,328
Total operating revenue	140,879	168,596
Operating cost		
Operating cost for leasing business	53,467	57,407
Operating cost for residential property sales business	45,596	62,282
Operating cost for other businesses	2,860	691
Total operating cost	101,924	120,381
Operating gross profit	38,955	48,215
Selling, general and administrative expenses	*1 17,194	*1 21,154
Operating income	21,760	27,060
Non-operating income		
Interest income	2	4
Dividends income	159	150
Contributions	249	138
Gain on donation of non-current assets	1	60
Other	65	72
Total non-operating income	478	426
Non-operating expense		
Interest expenses	5,074	4,745
Interest on bonds	1,291	1,400
Other	107	643
Total non-operating expenses	6,473	6,789
Ordinary income	15,764	20,697
Extraordinary income		
Gain on sales of non-current assets	*2 389	*2 6,434
Gain on sales of securities of subsidiaries and affiliates	–	3,194
Total extraordinary income	389	9,628
Extraordinary loss		
Loss on sales of non-current assets	*3 508	*3 8,779
Loss on retirement of non-current assets	*4 2,108	*4 1,359
Impairment loss	800	2,848
Other	8	–
Total extraordinary losses	3,425	12,986
Income before income taxes	12,729	17,339
Income taxes-current	5,104	3,968
Income taxes-deferred	(270)	3,278
Total income taxes	4,834	7,246
Net income	7,895	10,093

Schedules of Cost

Schedule of operating cost for leasing business (Million yen)

Classification	Note number	Previous fiscal year (From April 1, 2012 to March 31, 2013) Amount	Breakdown (%)	Current fiscal year (From April 1, 2013 to March 31, 2014) Amount	Breakdown (%)
I. Personal expenses		479	0.9	461	0.8
II. Depreciation and amortization		19,550	36.5	20,205	35.2
III. Taxes and dues		8,164	15.3	8,034	14.0
IV. Business consignment expenses		10,478	19.6	10,447	18.2
V. Other		14,795	27.7	18,257	31.8
Total		53,467	100.0	57,407	100.0

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

Classification	Note number	Previous fiscal year (From April 1, 2012 to March 31, 2013) Amount	Breakdown (%)	Current fiscal year (From April 1, 2013 to March 31, 2014) Amount	Breakdown (%)
I. Land cost		20,930	45.9	26,670	42.8
II. Personal expenses		11	0.0	4	0.0
III. Sundry expenses		24,654	54.1	35,606	57.2
Total		45,596	100.0	62,282	100.0

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

Schedule for operating cost for other businesses (Million yen)

Classification	Note number	Previous fiscal year (From April 1, 2012 to March 31, 2013) Amount	Breakdown (%)	Current fiscal year (From April 1, 2013 to March 31, 2014) Amount	Breakdown (%)
I. Personal expenses		133	4.7	132	19.2
II. Sundry expenses		2,727	95.3	558	80.8
Total		2,860	100.0	691	100.0

(3) Statements of Changes in Net Assets

Previous fiscal year (From April 1, 2012 to March 31, 2013)

(Million yen)

	Shareholders' equity						Valuation and translation adjustments	Total net assets
	Capital stock	Capital surplus	Retained earnings			Total shareholders' equity	Valuation difference on available-for-sale securities	
		Legal capital surplus	Legal retained earnings	Other retained earnings				
				Voluntary retained earnings	Retained earnings brought forward			
Balance at the beginning of the year	48,760	34,109	3,437	25,093	39,629	151,030	70	151,101
Total changes of items during the year								
Dividends from surplus					(2,632)	(2,632)		(2,632)
Interim dividends					(2,303)	(2,303)		(2,303)
Provision of reserve for advanced depreciation of non-current assets				221	(221)	—		—
Reversal of reserve for advanced depreciation of non-current assets				(236)	236	—		—
Reversal of reserve for special account for advanced depreciation of non-current assets				(49)	49	—		—
Provision of reserve for special depreciation				17	(17)	—		—
Reversal of reserve for special depreciation				(2)	2	—		—
Net income					7,895	7,895		7,895
Net changes of items other than shareholders' equity							1,051	1,051
Total changes of items during the year	—	—	—	(48)	3,007	2,958	1,051	4,009
Balance at the end of the year	48,760	34,109	3,437	25,044	42,636	153,988	1,121	155,110

Current fiscal year (From April 1, 2013 to March 31, 2014)

(Million yen)

	Shareholders' equity: Capital stock	Shareholders' equity: Capital surplus: Legal capital surplus	Shareholders' equity: Retained earnings: Legal retained earnings	Shareholders' equity: Retained earnings: Other retained earnings: Voluntary retained earnings	Shareholders' equity: Retained earnings: Other retained earnings: Retained earnings brought forward	Shareholders' equity: Total shareholders' equity	Valuation and translation adjustments: Valuation difference on available-for-sale securities	Total net assets
Balance at the beginning of the year	48,760	34,109	3,437	25,044	42,636	153,988	1,121	155,110
Total changes of items during the year								
Dividends from surplus					(2,962)	(2,962)		(2,962)
Interim dividends					(2,632)	(2,632)		(2,632)
Provision of reserve for advanced depreciation of non-current assets				5,789	(5,789)	—		—
Reversal of reserve for advanced depreciation of non-current assets				(380)	380	—		—
Reversal of reserve for special account for advanced depreciation of non-current assets						—		—
Provision of reserve for special depreciation				389	(389)	—		—
Reversal of reserve for special depreciation				(4)	4	—		—
Net income					10,093	10,093		10,093
Net changes of items other than shareholders' equity							(144)	(144)
Total changes of items during the year	—	—	—	5,793	(1,294)	4,498	(144)	4,353
Balance at the end of the year	48,760	34,109	3,437	30,838	41,342	158,487	976	159,464

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 plan assets at the end of the fiscal year.

As a method of attributing expected benefit to periods before the fiscal year under review, straight-line basis is used to calculate retirement benefit obligations.

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

Actuarial gains and losses are amortized using the straight-line method over the average remaining working lives of the employees 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

(1) Accounting method for retirement benefits

The method used to record unrecognized actuarial gains and losses and unrecognized past service costs is different from the method used to record them in the consolidated financial statements.

(2) Accounting treatment of consumption taxes

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

(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, 2013)	Current fiscal year (As of March 31, 2014)
Buildings	92,612	–
Land	9,769	–
Total	102,382	–

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

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)
Current portion of long-term loans payable	2,988	–
Long-term loans payable	8,048	–
Total	11,036	–

(Notes to statements of income)

*1. The approximate percentage of expenses that belong to selling expense is 28.0% in the previous fiscal year and 38.6% in the fiscal year under review, and the approximate percentage of expenses that belong to general, selling and administrative expenses is 72.0% in the previous fiscal year and 61.4% in the fiscal year under review.

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

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)
Advertising expenses	3,673	5,131
Salaries, allowances and bonuses	3,999	4,159
Business consignment expenses	3,547	4,907
Taxes and dues	1,533	1,897
Depreciation and amortization	1,059	1,043

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

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)
Buildings	(187)	(1,715)
Land	576	8,149
Total	389	6,434

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, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)
Buildings	111	9
Land	396	8,770
Total	508	8,779

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

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)
Buildings	939	633
Structures	14	7
Machinery and equipment	27	11
Removal cost	1,109	688
Tools, furniture and fixtures	16	18
Total	2,108	1,359

(Notes to securities)

The shares of subsidiaries and affiliates (¥16,625 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, 2013)	Current fiscal year (As of March 31, 2014)
Deferred tax (current) assets		
Accrued bonuses in excess of the limit for income tax deduction	142	137
Accrued enterprise taxes	300	142
Denial of loss on valuation of inventory	94	23
Other	847	816
Sub Total	1,386	1,118
Valuation reserve	(0)	(0)
Total	1,385	1,118
Deferred tax (current) liabilities		
Other	(78)	(58)
Total	(78)	(58)
Net deferred tax (current) liabilities	1,307	1,060
Deferred tax assets (non-current)		
Denial of impairment loss	716	1,462
Denial of evaluation loss on land	3,684	3,684
Denial of depreciation of unused building volume	1,924	2,046
Provision for retirement benefits	2,023	2,101
Compensation for loss	128	–
Other	1,491	1,487
Sub Total	9,967	10,781
Valuation reserve	(6,126)	(6,863)
Total	3,840	3,917
Deferred tax liabilities (non-current)		
Reserve for advanced depreciation of non-current assets	(11,102)	(14,079)
Other	(1,271)	(1,321)
Total	(12,373)	(15,401)
Net deferred tax liabilities (non-current)	(8,533)	(11,483)

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, 2013)	Current fiscal year (As of March 31, 2014)
Effective tax rate	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	38.0%
(Adjustment)		
Reduction in year-end deferred tax liabilities due to tax rate change		4.5
Other		(0.7)
Actual effective tax rate after the application of tax effect accounting		41.8

(Significant subsequent events)

Not applicable.

6. Other

(1) Changes in Officers

Changes in officers will be disclosed when they are determined.