NTT Urban Development Co.

Consistently Creating Value for Stakeholders

NTT Urban Development Co.

Annual Report 2010

For the year ended March 31, 2010

Profile

NTT Urban Development Co. has grown steadily since its establishment in 1986 as the sole comprehensive real estate company in the NTT Group, based on the quality properties it received from Nippon Telegraph and Telephone Corporation (NTT), in the core businesses of the Leasing Business, centered on office buildings and commercial facilities, and the Residential Property Sales Business, centered on condominiums. Looking ahead, NTT Urban Development will participate in large-scale projects, undertake independent projects, enter the field of commercial facility development and expand the scope of its property management operations, as well as further its fee-based business through the utilization of real estate funds. Through the development of these activities, NTT Urban Development is transforming into an optimally balanced comprehensive real estate company boasting a superior business portfolio.

The Meaning of Our Logo

Our corporate logo, "Harmonious Stripe," represents our ideal of harmony among people, living places and the environment: the vertical lines depict people standing on land, the horizontal lines are the creation of living places, and the diagonal lines represent the environment among those places. Our corporate color, "Harmonious Green," shows spaces of harmony among people, living places and the environment, flexibility and universality in response to the changing times, and the intelligence, style and grace of NTT Urban Development.

Cautionary Note with Regard to Forward-Looking Statements

This annual report contains forward-looking statements which involve certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which are based on information available the date thereof. NTT Urban Development assumes no obligation to update and/or announce forward-looking statements to reflect events or circumstances after the date thereof or the occurrence of unanticipated events.

We create

NTT Urban Development pursues its paramount objective of creating harmony among people, living places and the environment.

Rentable Floor Space (Offices and Commercial Facilities)

1,138,997 m^2

(As of March 31, 2010)

Fair Value of Rental Properties

¥1,208.6 billion

(As of March 31, 2010)

Net Operating Income (NOI)

¥61.4 billion

(Year ended March 31, 2010)

harmony.

People create living places, living places stimulate and energize people, and the environment rejuvenates people and provides cityscapes with their backdrop. When these components of the urban setting are harmoniously brought together, NTT Urban Development believes that its mission of creating ideal urban spaces and environments is complete. Leveraging our versatile development philosophy, superior construction standards, and IT infrastructure and other leading-edge technologies, we are committed to creating urban spaces that help people lead comfortable lives.

Real Estate Fund Business (Total of Private Funds and J-REIT)

approximately

¥200.0 billion

(As of June 30, 2010)

Long-term Credit Ratings

Moody's Investors Service, Inc.	**Aa3**
Rating and Investment Information, Inc.	**AA-**

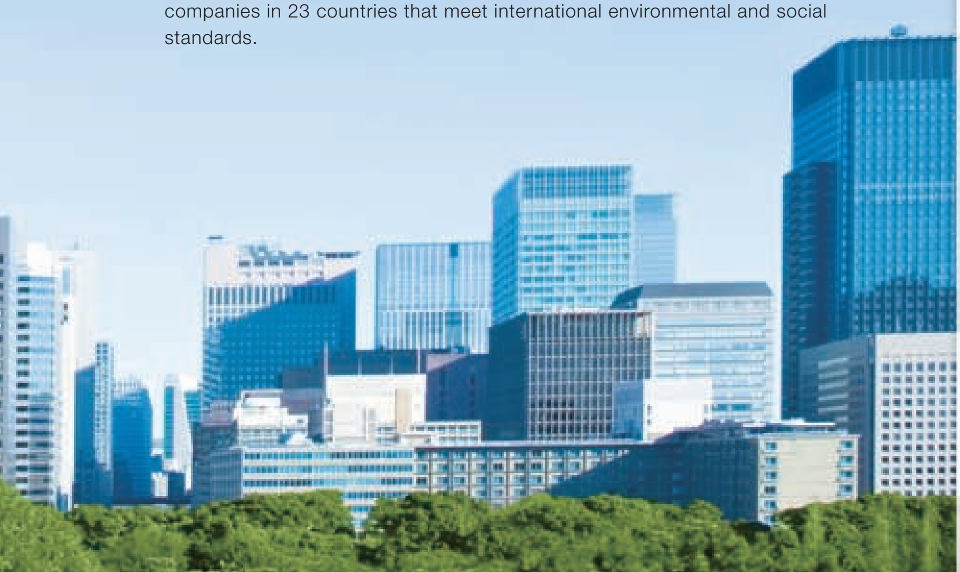
(As of June 30, 2010)

FTSE4Good Index

FTSE4Good

(As of June 30, 2010)

* FTSE4Good Index series selects stocks from approximately 2,400 listed companies in 23 countries that meet international environmental and social standards.



Contents

Cover photo: JA Building, Keidanren Kaikan

Consolidated Financial Highlights (Years ended March 31, 2010, 2009 and 2008)

In the residential property sales business, a recovery in condominium units delivered from the level of the previous fiscal year drove a 3.4% increase in net sales to ¥149,224 million. Operating income, on the other hand, was down 36.1% to ¥16,129 million due to factors including higher expenses related to new property construction in the leasing business and a loss on revaluation of inventories in the residential property sales business.

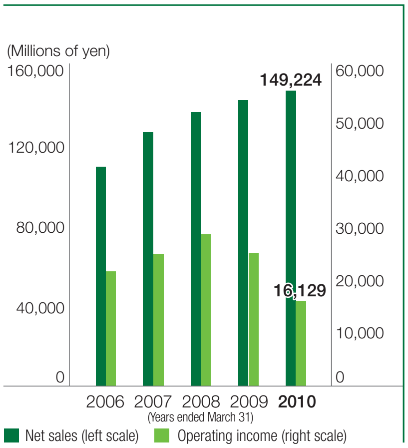
The net debt-to-equity (D/E) ratio was 2.55 times, an improvement of 0.23 points from a year earlier, reflecting a decrease in interest-bearing debt due to an asset reshuffle and other actions.

Cash dividends per share were ¥1,200, unchanged from the previous fiscal year.

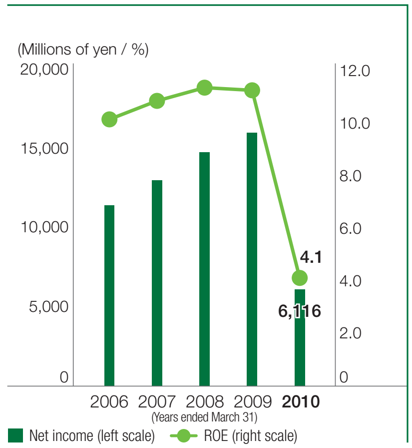
	Millions of yen			% Change
	2008	2009	**2010**	2010/2009
For the year:				
Net sales	¥138,206	¥144,277	**¥149,224**	3.4%
Operating income	28,718	25,244	**16,129**	(36.1)
Net income	14,758	15,989	**6,116**	(61.7)
At year-end:				
Total assets	900,325	936,650	**916,725**	(2.1)
Net assets	177,969	183,593	**185,537**	1.1
Interest-bearing debt	451,849	521,070	**496,682**	(4.7)
Management indicators:				
Net operating income (NOI)[1]	52,748	64,277	**61,480**	(4.4)
Return on equity (ROE) (%)	11.3	11.2	**4.1**	—
Equity ratio (%)	15.1	15.8	**16.4**	—
Net debt-to-equity (D/E) ratio[2] (times)	2.44	2.78	**2.55**	—
Dividend payout ratio (%)	26.8	24.7	**64.6**	—
	Yen			% Change
Per-share data:				
Net assets[3]	¥41,442.57	¥45,014.04	**¥45,646.72**	—
Net income	4,484.09	4,858.34	**1,858.48**	—
Dividends	1,200	1,200	**1,200**	—

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

Net Sales / Operating Income



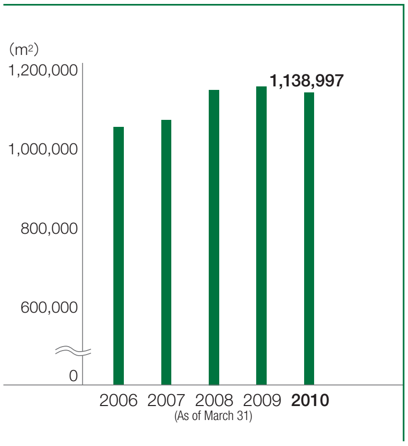
Net Income / ROE



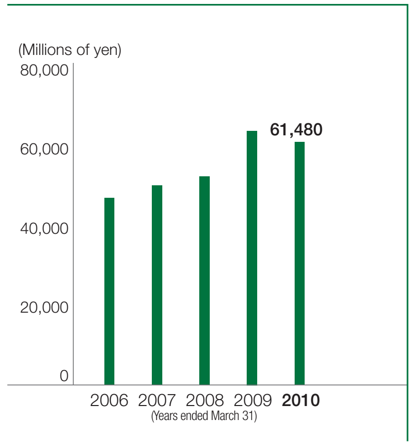
Dividends per Share / Dividend Payout Ratio

Note: On January 1, 2007, the Company completed a five-for-one stock split. Graph data for prior years have been restated accordingly.

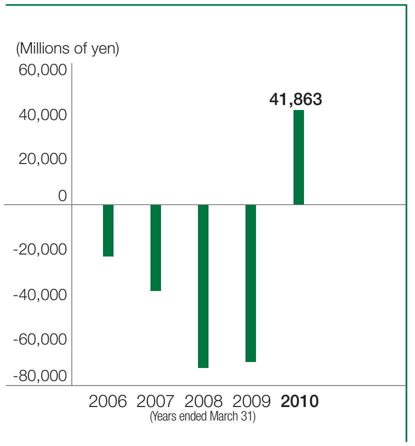
Rentable Floor Space (Offices and Commercial Facilities)



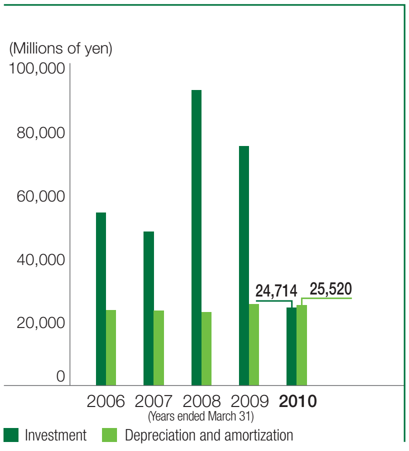
Net Operating Income (NOI)



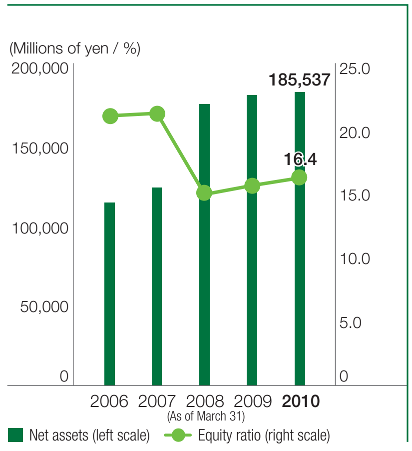
Free Cash Flow



Investment / Depreciation and Amortization

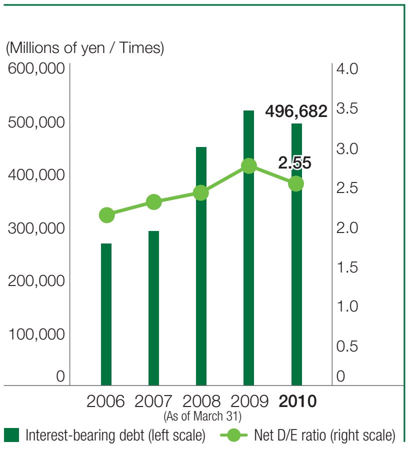


Net Assets / Equity Ratio



Note: The figure for 2006 shows shareholders' equity instead of net assets.

Interest-Bearing Debt / Net D/E Ratio



An Interview with the President

Masaki Mitsumura
President and Chief Executive Officer

Challenging conditions continue in the real estate market. What is your view of the current operating environment?

The worst appears to have passed, but the operating environment will remain unsettled for a while. We will therefore take a guarded, steady approach to managing our businesses.

The economy continued moving toward recovery during fiscal 2009, the year ended March 31, 2010, in contrast to fiscal 2008 and the profound impact of the financial crisis from autumn 2008. The operating environment of the real estate industry, however, did not recover quickly and remains challenging. In the office leasing market, factors such as reduced corporate demand for office space led to a continuing high level of vacancy rates nationwide, intensifying downward pressure on rental rates. Overall supply decreased in the condominium sales market, which started to improve with the support of government economic policies and steady demand. However, this market has not yet achieved a full-fledged recovery.

On the other hand, the worst appears to have passed and indicators that bode well for the future have appeared. We are receiving more inquiries about the availability of space in our prime office buildings in central Tokyo, and sales of condominiums that meet real demand in the family demographic have been steady.

Despite these bright signs, the future is difficult to predict because concerns persist that the international economy is becoming unstable again and the recovery of the domestic economy is slowing. Unsettled conditions are likely to continue in the real estate market for a while, so I am acutely aware that we will need to continue taking a guarded, steady approach to managing our businesses.

What is your objective assessment of the results and initiatives of fiscal 2009?

Net sales increased but income decreased. We strengthened our core businesses and developed new growth areas as we steadily worked to strengthen the base for stable earnings in the future.

The challenging operating environment impacted results. Net sales for fiscal 2009 increased 3.4% year on year to ¥149,224 million. Operating income decreased 36.1% to ¥16,129 million, and net income decreased 61.7% to ¥6,116 million. While income fell despite the increase in net sales, I am pleased that we successfully made a number of moves to strengthen the base for stable earnings in the future.

By business, we aimed to maintain and increase the occupancy rate of the properties we own in the leasing business. This entailed strengthening our sales organization to conduct strategic rent negotiations as part of our aggressive tenant leasing program. These efforts will contribute to higher occupancy rates during fiscal 2010, the year ending March 31, 2011. In large-scale development projects, we made steady progress toward the autumn 2010 start of operations at the Urbannet Shijo-Karasuma Building in Kyoto, and started construction at the Osaka Station North District Phase 1 Development Area Project and the Fukuoka Tenjin Project (tentative name) in Fukuoka. In the redevelopment of the Otemachi area, we completed the Otemachi 1-Chome Urban Area Redevelopment Project Type 1 in April 2009, and started construction for the Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 in April 2010.

In the residential property sales business, we recognized a significant loss on revaluation of inventories. We therefore became even more selective in purchasing land for development as we worked to reorient management of this business toward a stronger focus on profitability. We also strengthened our condominium brand "WELLITH" by adding to our product lineup to respond to the diversification of consumer lifestyles. As a result of energetic sales activities, completed units in inventory as of March 31, 2010 decreased from a year earlier, which was a sure step toward improving earnings.

The fund business is a new growth field for us. In March 2010 we structured the NU–6 Fund, a new real estate fund with assets under management of approximately ¥23.3 billion. This follows the NU-5 Fund, a real estate fund we structured in March 2009 with assets under management of approximately ¥29.0 billion. I believe we have been able to regularly and successfully structure funds even though financial and real estate markets have cooled because investors have appreciated the performance of our fund business. We also acted on our long-held desire to enter the international real estate business by acquiring an office building in London, which will serve as the starting point for further expansion in global markets.

All of these successful fiscal 2009 initiatives supported steady progress in our efforts to strengthen the base for stable earnings in the future.

What are the background and targets of the newly formulated NTT Urban Development Group Medium-Term Management Plan 2012?

We intend to restructure our business base and generate financially sound growth to achieve stable earnings while enhancing our revenue base by cultivating opportunities for future growth.

With the uncertain future of the real estate market, diversifying customer needs and the increasingly financial nature of the real estate business, our operating environment is changing dramatically. We formulated the NTT Urban Development Group Medium-Term Management Plan 2012 to adapt to these changes. Initiated in fiscal 2010, this plan is a revised version of our preceding medium-term management plan.

The core tenets of the new plan are restructuring the business base and pursuing growth in consideration of financial soundness. Despite our challenging operating environment, we aim to secure stable earnings while cultivating opportunities for future growth. Our previous medium-term management plan targeted aggressive revenue expansion in an expanding economy, while our new medium-term management plan focuses on generating stable profits and establishing a firm foundation for the next growth phase.

First, we aim to strengthen our core leasing and residential property sales businesses by restructuring our business base. In the leasing business, our theme is building a strong revenue base by placing top priority on improving the profitability of existing properties while simultaneously promoting investment using our development expertise. The keys to improving the profitability of existing properties are strengthening and expanding our sales organization, raising customer satisfaction by providing services that embrace safety and security, and promoting investment in environmentally friendly property renewals. We will also make steady progress in development projects now mainly under way

NTT Urban Development Group Medium-Term Management Plan 2012

① Restructuring the Business Base

Leasing Business Building a strong revenue base
- Improve the profitability of existing properties
- Promote investment using development expertise

Residential Property Sales Business Making stable profits
- Establish the WELLITH brand
- Enhance profitability

② Pursuing Growth in Consideration of Financial Soundness

Applying the expertise developed in core businesses to new fields
- Development and sale of property business, Real-estate fund business, Commercial business, International business, and Solutions business

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

Financial Targets

	FY2009 (Year ended March 31, 2010)	FY2010 (Plan) (Year ending March 31, 2011)	FY2012 (Target) (Year ending March 31, 2013)
Operating income	¥16.1 billion	¥24.0 billion	**¥26.0 billion**
Net D/E ratio[1]	2.55 times	2.50 times	**Between 2.3 and 2.4 times**

1. Net D/E ratio = (Interest-bearing debt – Cash and cash equivalents – Time deposits held for 3 months or longer) ÷ Net assets

in central Tokyo, while selectively making new investments with a tighter focus on profitability to promote investment that puts our development expertise to work to achieve solid future growth. In the residential property sales business, our theme will be making stable profits as we establish the WELLITH brand and enhance profitability. We will focus on prime sites in major metropolitan areas such as Tokyo, Nagoya and Osaka in optimizing the WELLITH brand, while selectively purchasing land for development with close attention to profitability. We will also precisely control inventory in order to ensure sustained, stable earnings.

Pursuing growth in consideration of financial soundness will involve using the experience and expertise we have accumulated in our core businesses to aggressively develop new businesses in our next growth fields, including the development and sale of property business, real estate fund business, commercial business, international business and solutions business. In addition to promoting corporate governance and corporate social responsibility (CSR), we will nurture the professionals who will support growth and further enhance management resources to establish a managerial platform for growth.

Our financial targets for fiscal 2012, the final year of the medium-term management plan, are operating income of ¥26.0 billion and a net debt-to-equity ratio (D/E) ratio between 2.3 times and 2.4 times.

In order to strengthen the fund business under the new medium-term management plan, the NTT Urban Development Group began participating in J-REITs in May 2010. What are your expectations for this business?

Participating in J-REITs gives us stable fee income and supports the development of a new business model that includes the development and sale of property business. I expect the NTT Urban Development Group to broaden its involvement in this business.

As I mentioned earlier, we have regularly structured private funds in working to expand our involvement in the fund business. We recognized that we needed to strengthen this initiative by participating in J-REITs, which can take a long-term approach to managing the assets they own. After studying this issue extensively, we decided to participate in J-REITs by acquiring a majority of the issued shares of Premier REIT Advisors Co., Ltd., which is the asset management firm of Premier Investment Corporation. This medium-size J-REIT has a portfolio of outstanding properties and excellent relationships with its financial institutions.

As a result of this move, the total of assets under management in funds and J-REITs increased to approximately ¥200.0 billion. We expect to further expand asset management fees as a base for stable earnings. Also, participating in J-REITs is one exit strategy option we can use to generate earnings by selling office buildings that we develop for investors. It will help us establish a business model that accelerates the cash-to-cash cycle of our investments.

We will take advantage of the respective merits of private funds, which allow flexibility in structure and management, and J-REITs, which have a greater scope of operation and no limits on how long they manage their assets, in aggressively expanding to achieve future growth.

What is NTT Urban Development's current financial condition, and what are its financial and investment policies for the future?

We have further strengthened our financial base by reducing interest-bearing debt. Going forward, we will accumulate profits and invest selectively to further enhance our financial soundness.

We reduced interest-bearing debt during fiscal 2009 by investing selectively, reducing inventories and reshuffling assets. As a result, we lowered the net D/E ratio as of March 31, 2010 to 2.55 times from 2.78 times a year

earlier. We will maintain and improve our solid financial base by accumulating profits to enhance shareholders' equity while keeping debt at an appropriate level with the target of a net D/E ratio between 2.3 times and 2.4 times at the end of the final year of our medium-term management plan. Moreover, we plan to invest approximately ¥40.0 billion in each of the three years of the medium-term management plan, mainly for development projects currently in progress and renewals of existing properties.

The fair value of our investment and rental properties as of March 31, 2010 was ¥1,208.6 billion. Unrealized gains, or the positive difference between carrying value and fair value, totaled ¥470.7 billion. We began disclosing this information in fiscal 2009. The unrealized gains are based on the quality properties we received from Nippon Telegraph and Telephone Corporation (NTT), which we have complemented since our establishment by steadily developing competitive properties.

Our credit ratings[2] are among the highest in the domestic real estate industry because of our strong financial position and stable earnings base, as well as our creditworthiness as a member of the NTT group. Our high credit ratings enable the procurement of low-cost funding, which is a significant benefit that allows us to aggressively capture excellent opportunities for future growth. We will continue to manage with attention to financial soundness to maintain our credit ratings.

2. Moody's Investors Service, Inc.: Aa3 (long-term credit rating, as of June 30, 2010); Rating and Investment Information, Inc.: AA- (long-term credit rating, as of June 30, 2010)

What are the NTT Urban Development Group's attitudes concerning shareholder returns and increasing corporate value?

We will provide stable shareholder returns while steadily implementing our new medium-term management plan in working to increase corporate value.

NTT Urban Development views increasing shareholder value as an important management issue. Based on a long-term perspective to management in the real estate business, our basic policy is to achieve stable, long-term distribution of profits while enhancing the internal capital resources required to increase corporate value in the future. In accordance with this policy, for fiscal 2009 we paid an interim cash dividend of ¥600 per share and a year-end dividend of ¥600 per share, for total cash dividends of ¥1,200 per share. In addition, we will allocate internal capital resources for investment that will contribute to raising corporate value. For fiscal 2010, we plan to pay cash dividends totaling ¥1,200 per share, the same as for fiscal 2009.

In executing our new medium-term management plan, we will work to increase corporate value by building a framework for generating steady earnings and cultivating opportunities for future growth. I would like to thank our shareholders for your continuing support.

August 2010

Masaki Mitsumura
President and Chief Executive Officer

Feature:

Consistently Creating Value for Stakeholders

The environment of the real estate industry is undergoing dramatic changes, but NTT Urban Development's outstanding business foundation remains steadfast. This feature covers how we continue to use this powerful foundation to deliver sustained value to stakeholders, how we will generate stable growth, and the policies of the new NTT Urban Development Group Medium-Term Management Plan 2012.

Value for Tenants and Customers P10

In our core leasing and residential property sales businesses, expertise acquired over many years allows us to deliver consistently high value to tenants and customers. This section explains experience in these businesses and our policies for sustained growth.

Value for Investors P12

The fund business is one area of focus under our new medium-term management plan. This section explains how we promote our existing fund business with participation in J-REITs to create value for investors.

Value as an NTT Group Member P13

NTT Urban Development is the sole comprehensive real estate company in the NTT Group. This section covers our win-win relationship with the NTT Group and how we are fully leveraging its foundation to generate sustained value.

Value for Tenants and Customers

NTT Urban Development will use the expertise it has accumulated in its core leasing and residential property sales businesses to continue to consistently display its value for tenants and customers.

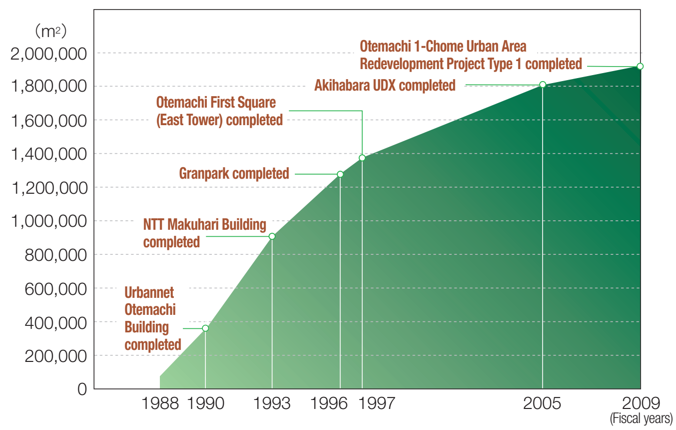
Leasing Business

Sophisticated Expertise Acquired over More Than 20 Years of Development

NTT Urban Development has developed more than 130 properties encompassing 1.87 million m² of floor space. In the 10 years after the company was established, NTT Urban Development completed flagship properties including the Urbannet Otemachi Building, Granpark and Otemachi First Square. More recently, NTT Urban Development has been revitalizing urban areas by participating in large-scale urban development projects including Akihabara UDX and the Otemachi 1–Chome Urban Area Redevelopment Project Type 1.

Over our first decade, we cultivated fundamental expertise as a developer, including coordinating the rights of related landowners, neighborhood relations and tenant leasing. During the past several years, we have developed our ability to manage complex, large-scale projects while building our ability to conceptualize entire neighborhoods. Just as Rome was not built in a day, we have accumulated our experience and expertise as a developer over more than two decades of commitment to the development business, working with landowners, business partners, tenants, government bodies and other stakeholders to consistently create value.

Completion of Major Properties and Development Performance (Cumulative Building Floor Space)



Large-Scale Project Case Study

The Otemachi 1-Chome Urban Area Redevelopment Project Type 1

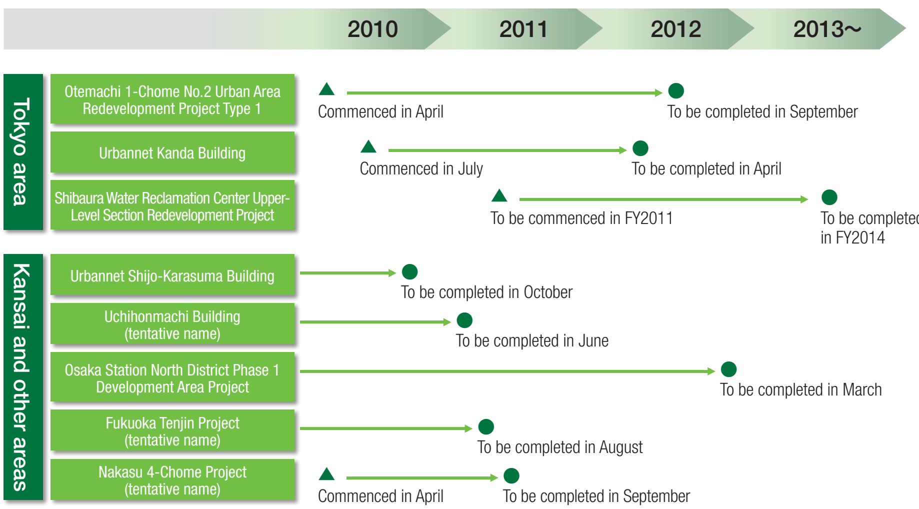
The Otemachi 1-Chome Urban Area Redevelopment Project Type 1 used the innovative linked urban redevelopment[1] method for the first time in Japan. This project was particularly challenging and complex because we had to take the needs of landowners, business partners and other related parties into account while also conforming to government policy for area redevelopment. The partners in the project, including NTT Urban Development, took the perspective of a coordinator to achieve the ultimate objective everyone involved in the project shared: revitalizing Otemachi as a whole while raising the value of the area. We completed the project in April 2009. The development encompasses approximately 236,000m² in Japan's leading business district, and the track record and confidence we have gained from this successful large-scale joint project will be an important asset we will use in undertaking other large-scale developments.

1. Linked urban redevelopment begins with replatting to assemble the parcel and transfer titles within the development area, followed by consecutive first, second and third phases of site redevelopment.

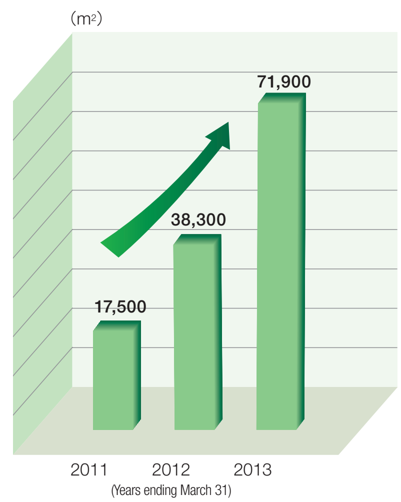
Energetically Undertaking Development Projects to Generate Sustained Growth

We will complete our new medium-term management plan in the year ending March 31, 2013. During these three years, we plan to complete development projects encompassing approximately 127,700m² of floor space. This plan includes the Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1, the Osaka Station North District Phase 1 Development Area Project, and other projects that will have a major impact on their surrounding neighborhoods. We will steadily move forward with these projects to strengthen our business base and generate sustained, stable growth.

Main Future Development Projects



Projected Annual New Supply (Floor Space)

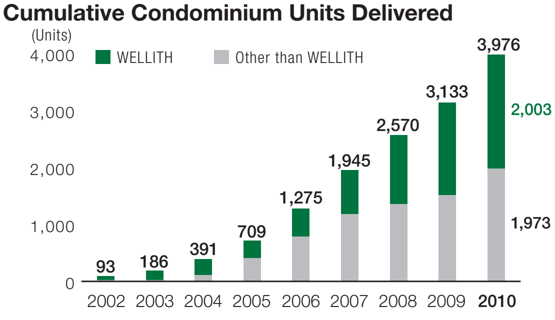


Residential Property Sales Business

The WELLITH Brand Demonstrates Our Reliability

NTT Urban Development entered the residential property sales business in 2000. Since then, we have delivered approximately 2,000 units in WELLITH-branded condominium properties, primarily in large urban areas. The WELLITH brand is based on the concept of living together in comfort. We construct these condominiums using sophisticated technologies and paying meticulous attention to detail. Consistent customer praise for the high quality and lasting value of WELLITH condominiums has underpinned growth.

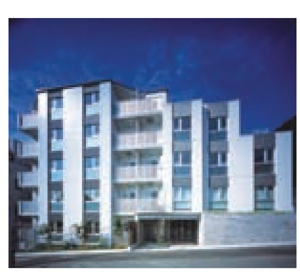
Cumulative Condominium Units Delivered



The WELLITH Brand: Evolving to Meet Diversifying Customer Needs

The WELLITH brand has steadily earned customer trust. The key to strengthening the brand will be adding to its lineup of products that respond to diversifying customer needs. During fiscal 2009, we enhanced our lineup with products including the Wellith i-S line of compact urban condominiums and the Wellith Olive[2] line of retail complexes for seniors. We will energetically add new products in the future.

2: Leasing income from Wellith Olive is included in the leasing business segment.


Wellith i-S Magome


Wellith Olive Shinkoiwa

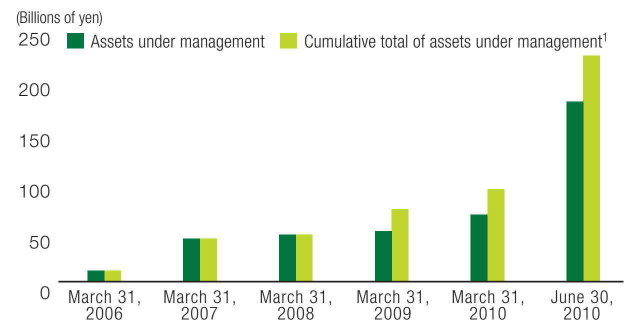
Value for Investors

NTT Urban Development has begun participating in J-REITs and is now working to achieve steady growth in the fund business from both private funds and J-REITs to generate stable value.

Experience and Reliability in the Fund Business to Date

NTT Urban Development entered the fund business in March 2006. Since then, we have structured six private funds in the NU series, with cumulative assets under management exceeding ¥100.0 billion as of March 31, 2010. Demonstrating the regard institutional investors have for our performance, we successfully launched the NU-5 and NU-6 funds in the cool financial and real estate markets subsequent to March 2009. NTT Urban Development has earned a solid reputation in the fund business in just four years because it has steadily structured funds each year and managed them with a focus on steady income. We believe the competitiveness of the properties in these funds and the sophistication of NTT Urban Development's asset management capabilities exemplify our asset management policies.

Assets under Management (Acquisition Cost Basis)



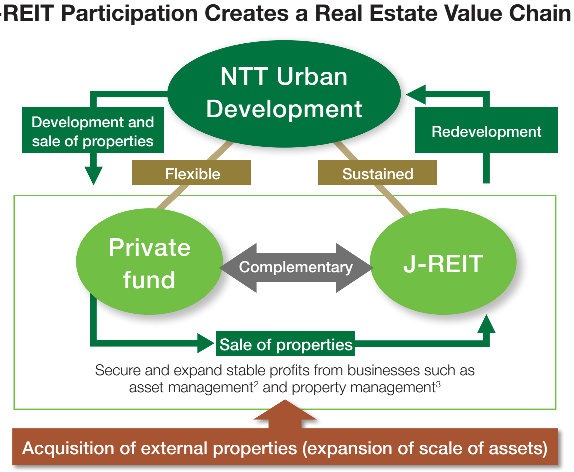
Note: J-REIT participation began in May 2010
1. Cumulative total of assets under management in private funds structured to date

Creating New Value through J-REIT Participation

In May 2010, NTT Urban Development initiated J-REIT participation by acquiring investment units in Premier Investment Corporation through a third-party allotment and acquiring shares in its asset management firm, Premier REIT Advisors Co., Ltd. Established in 2002, Premier Investment Corporation is a REIT that has been managing a comprehensive portfolio of outstanding office building and residential properties, primarily in the Tokyo Economic Bloc. The acquisition is a win-win transaction for both parties because it strengthens NTT Urban Development's fund business while also enhancing Premier Investment Corporation's creditworthiness and giving it a supplier of quality properties.

The acquisition of shares in this J-REIT increases the total of private fund and J-REIT assets under management to approximately ¥200.0 billion, which enhances our base for generating stable asset management[2] and property management[3] fees. It also supports the establishment of a new business model in which NTT Urban Development can accelerate the cash-to-cash cycle of investment in development using the exit strategies of either selling developed properties to investors to generate revenue or launching funds. Our objective is to optimize management of our private funds and J-REIT according to investor needs in order to steadily create value.

J-REIT Participation Creates a Real Estate Value Chain



2. Income from acquiring, managing and selling assets
3. Income from serving tenants and operating properties

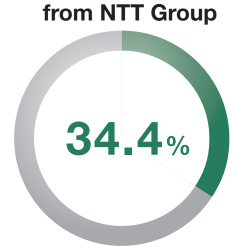
Value as an NTT Group Member

NTT Urban Development supports the overall real estate strategy of the NTT Group as its sole comprehensive real estate company. We also create sustained value by efficiently utilizing the real estate assets owned by NTT Group companies.

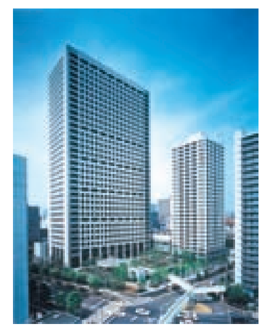
Creating Value as the NTT Group's Comprehensive Real Estate Company

NTT Urban Development enhances asset value by putting land owned by the NTT Group to effective use. We also create outstanding value as the sole comprehensive real estate company of the NTT Group in ways such as providing support for its office strategy to help Group companies cut costs, raise productivity and enhance their corporate image. Meanwhile, NTT Group companies are stable tenants that account for approximately 30% of our leasing revenue. Thus our operations have a win-win relationship with the NTT Group.

Share of Leasing Revenue from NTT Group



(Year ended March 31, 2010)
Note: Nonconsolidated basis



Granpark: NTT Group companies took the place of a key departing tenant, which has succeeded in reducing vacancy risk.

A Project that Puts NTT Group Assets to Effective Use

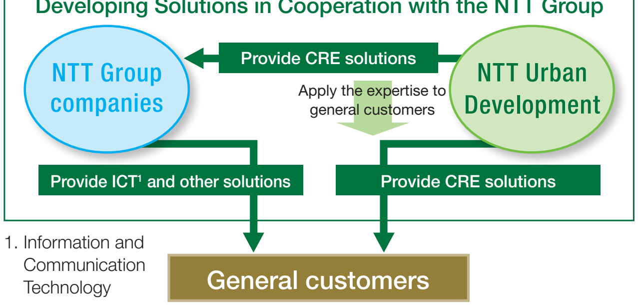
The Fukuoka Tenjin Project (Tentative Name)

The Fukuoka Tenjin Project (tentative name) exemplifies recent projects in cooperation with the NTT Group. Group companies NTT West and NTT Communications wanted to utilize assets they owned more effectively and the NTT Group added a parcel under a fixed-term leasehold. This restrained overall investment while allowing NTT Urban Development to develop and own office and commercial facilities in Kyushu's busiest urban center, making it a win-win project. Several buildings owned by NTT including the NTT-T Building and the NTT-KF Building are in the area surrounding the development, which we will complement in creating a beautiful skyline.

Offering CRE Solutions Developed by the NTT Group to General Customers

NTT Urban Development has focused on providing solutions for the key management resource of corporate real estate (CRE) owned by NTT Group companies. We will now use the experience and expertise we have acquired to energetically offer CRE solutions to companies outside the NTT Group. Our proposals will incorporate the information and communication services of the NTT Group with the aim of providing high-valued-added services unique to NTT Urban Development.

Developing Solutions in Cooperation with the NTT Group



1. Information and Communication Technology

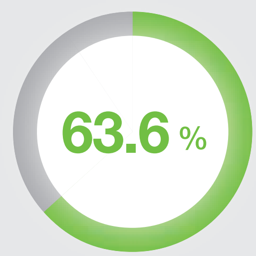
NTT Urban Development at a Glance

NTT Urban Development is centered on its core leasing business and the residential property sales business, and conducts property management for office buildings and other activities through the other business.

Leasing Business

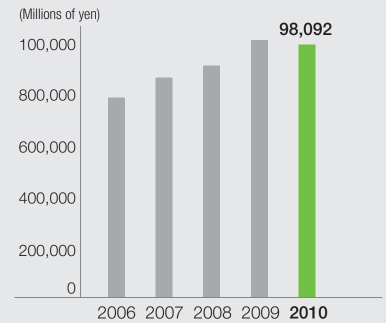
Since the foundation of NTT Urban Development, the business has developed, owned and collected rental revenue from office buildings, commercial facilities, residential housing, and other properties on prime locations in Tokyo, Nagoya, Osaka, Hiroshima, Fukuoka, Sapporo, and other major cities in Japan. As a core business, it serves as a stable earnings base.

Share of Net Sales



(Year ended March 31, 2010)

Net Sales

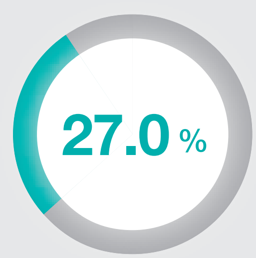


(Years ended March 31)

Residential Property Sales Business

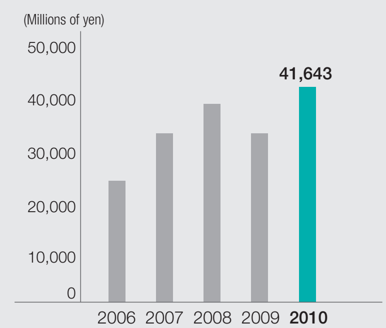
The residential property sales business was launched in 2000 and centers on development and sales of condominiums. Led by the mainstay WELLITH brand of condominiums, the business also conducts various location-driven operations, including subdivided sales of building lots and others.

Share of Net Sales



(Year ended March 31, 2010)

Net Sales

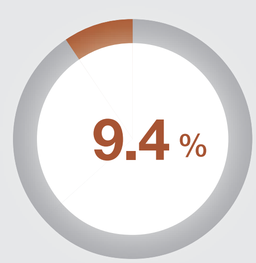


(Years ended March 31)

Other Business

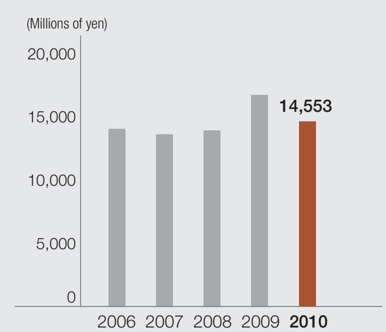
This business conducts tenant remodeling, building management and operation of food service facilities that contribute to enhancing the added value of the leasing business. In addition, while promoting the fund business and asset solutions business as new growth fields, we are working to develop new businesses and international business focused on fields related to the real estate industry.

Share of Net Sales



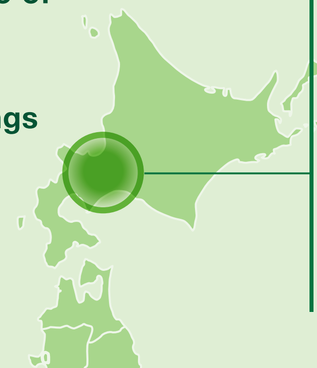
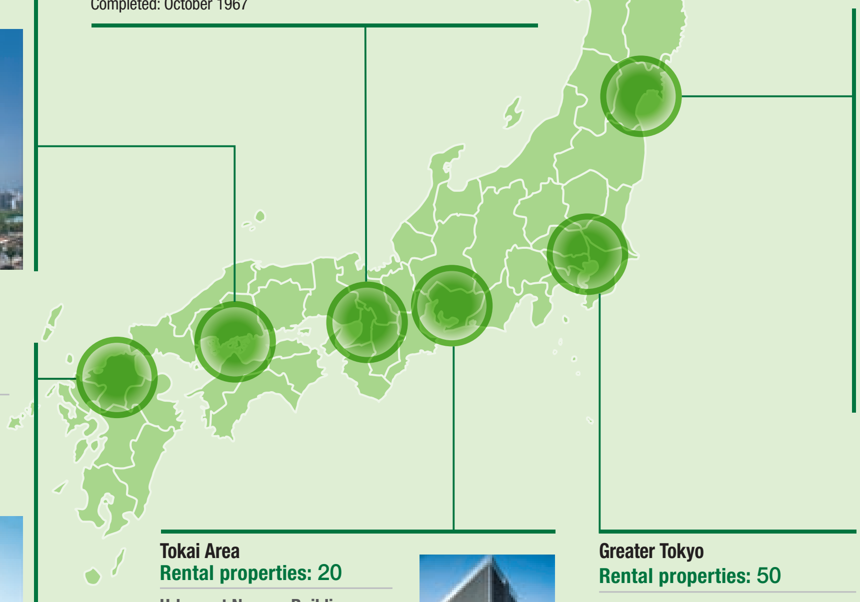
(Year ended March 31, 2010)

Net Sales



(Years ended March 31)

The leasing business maintains a balanced portfolio of properties in major cities across the country. The majority of the properties are in prime locations in high-revenue urban centers, including many buildings that are landmarks in their regions.

Hokkaido Area
Rental properties: 11

Urbannet Sapporo Building
Location: Chuo-ku, Sapporo-shi
Footprint: 5,369m^2
Floor space: 31,255m^2
Completed: October 2004

Photo by Forward Stroke

Chugoku/Shikoku Area
Rental properties: 6

NTT Cred Motomachi Building
Location: Naka-ku, Hiroshima-shi
Footprint: 21,801m^2
Floor space: 160,418m^2
Completed: March 1994

Photo by Kawasumi Architectural Photograph Office

Kansai Area
Rental properties: 40

UD Midosuji Building[1]
Location: Chuo-ku, Osaka-shi
Footprint: 2,097m^2
Floor space: 11,284m^2
Completed: October 1967

Tohoku/Shinetsu Area
Rental properties: 10

Urbannet Itsutsubashi Building
Location: Aoba-ku, Sendai-shi
Footprint: 3,902m^2
Floor space: 12,859m^2
Completed: April 1998

Photo by Forward Stroke

Kyushu Area
Rental properties: 8

NTT-T Building
Location: Chuo-ku, Fukuoka-shi
Footprint: 8,526m^2 [249m^2][2]
Floor space: 61,506m^2
Completed: September 1996

Photo by Hiroshi Ito

Tokai Area
Rental properties: 20

Urbannet Nagoya Building
Location: Higashi-ku, Nagoya-shi
Footprint: 5,997m^2 [950m^2] [2]
Floor space: 75,047m^2
Completed: September 2005

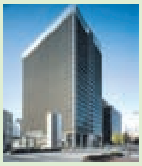


Photo by Kurumata Photography Office

Greater Tokyo
Rental properties: 50

Urbannet Otemachi Building
Location: Chiyoda-ku, Tokyo
Footprint: 9,361m^2
Floor space: 117,618m^2
Completed: June 1990

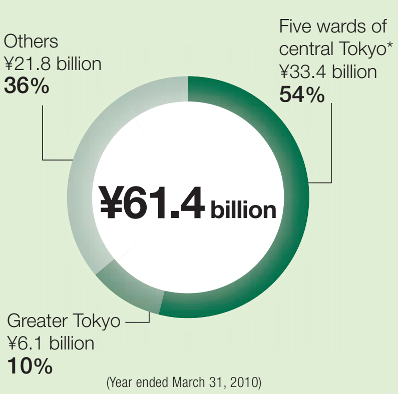
Photo by Kokyu Miwa Architectural Photography

* The number of rental properties held in each area is shown. Figures include properties held by NTT Urban Development's subsidiaries.
Notes: 1. Because this is a joint-ownership property, the share of floor space corresponding to the share of ownership is shown.
2. Because a portion of these structures are on leased land, the share of floor space corresponding to the share of owned land is shown. Accordingly, the figure in brackets represents the footprint for the leased portion.

Please refer to page 36 for information on the NOI of principal properties.

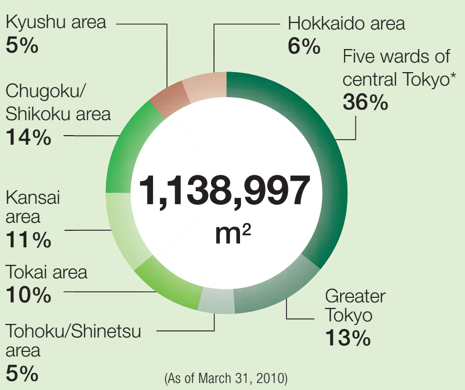
(As of March 31, 2010)

NOI by Region



(Year ended March 31, 2010)

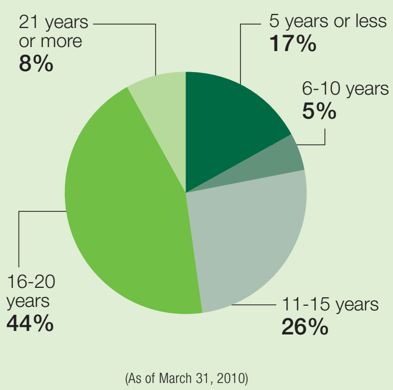
Rentable Floor Space by Region



(As of March 31, 2010)

Note: On a consolidated rentable floor space basis (offices and commercial facilities only)

Portfolio Age Range



(As of March 31, 2010)

* Five wards of central Tokyo: Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku and Shinjuku-ku

Leasing Business

Net sales and operating income decreased because additional leasing revenue from the start of operation at several new properties was unable to fully compensate for a decline in leasing revenue due to an increase in the vacancy rate and a decrease in rental revenue at existing properties. On the other hand, we made steady progress at several development projects that will contribute to our future earnings base.

In the leasing business, we develop and own competitive office buildings, commercial facilities and other properties in the five wards of central Tokyo and other prime locations in Japan to earn leasing revenue. As a core business of NTT Urban Development and a stable earnings base, the leasing business accounted for 63.6% of the Group's total net sales in fiscal 2009, ended March 31, 2010. Under the theme of building a strong foundation for earnings, we will concentrate on improving the profitability of existing buildings and promoting investments that leverage our strength in development.

Assessment of the Operating Environment

Demand for office space remains stagnant because the recession has adversely affected corporate earnings. The average vacancy rate in the five wards of central Tokyo increased from 6.1% as of March 31, 2009 to 8.8% as of March 31, 2010. In addition, the average rent per *tsubo* (approximately 3.3m^2) in the five wards of central Tokyo decreased from ¥15,110 as of March 31, 2009 to ¥13,850 as of March 31, 2010. Meanwhile, the supply of large-scale offices in the 23 wards of Tokyo in calendar 2009 was 840,000m^2, below the historical average of 1.09 million m^2, and is expected to be about the same in calendar 2010. Subsequently, however, the completion of several large-scale developments is expected to add substantially to supply.

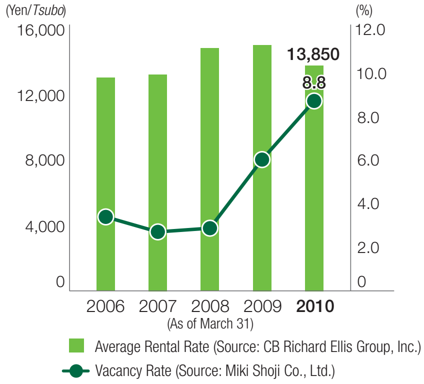
While NTT Urban Development expects improved corporate earnings to alleviate the worst of the pressure on office demand, it does not expect significant improvement in the market environment. Given the forecast for an increase in future supply, we expect operating conditions to remain weak.

Fiscal 2009 Results and Future Initiatives

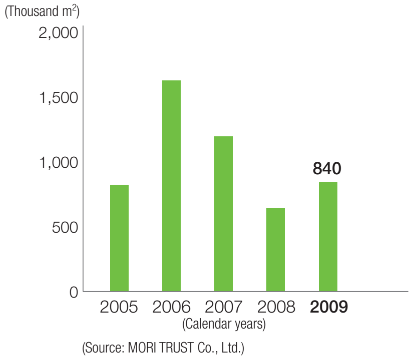
Additional rental revenue from the completion of the Otemachi 1-Chome Urban Area Redevelopment Project Type 1 (Chiyoda-ku, Tokyo) and Urbannet Kotodai Building (Sendai-shi, Miyagi) in fiscal 2009 and from new buildings acquired in the previous fiscal year did not fully compensate for the effect of the sale of properties in the previous fiscal year and a decline in leasing revenue due to an increase in vacancy rates and decrease in rental revenue from existing properties. In addition, operating income decreased because of increased operating expenses associated with the completion of new buildings.

The vacancy rates for office buildings and other properties

Average Rental Rate and Vacancy Rate in the Five Wards of Central Tokyo (Market Average)



Supply of Large-Scale Offices in the 23 Wards of Tokyo (Market Average)



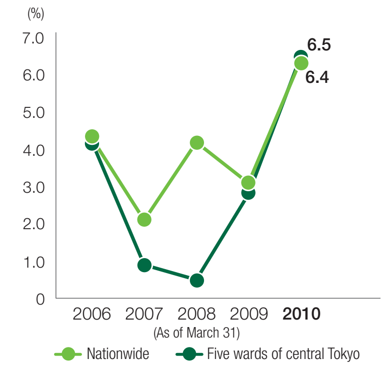
owned by the Group remained low compared to the average vacancy rate in the market. However, the average vacancy rate of the Group's buildings in the five wards of central Tokyo rose from 2.8% at the end of fiscal 2008 to a comparatively high 6.5% at the end of fiscal 2009. The average vacancy rate of the Group's buildings nationwide increased from 3.1% to 6.4%.

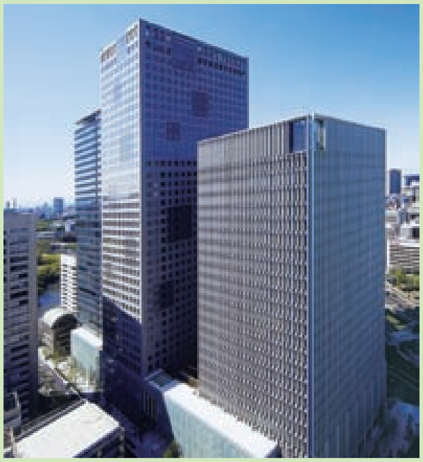
New development projects that we expect to contribute to the earnings foundation, including the Urbannet Shijo-Karasuma Building (Kyoto-shi, Kyoto), which is scheduled for completion in fall 2010, the Fukuoka Tenjin Project (tentative name) (Fukuoka-shi, Fukuoka), the Uchihonmachi Building (tentative name) (Osaka-shi, Osaka), and the Osaka Station North District Phase 1 Development Area Project (Osaka-shi, Osaka) are proceeding smoothly.

As a result, fiscal 2009 sales in the leasing business decreased 1.8% year on year to ¥98,092 million, operating income decreased 11.4% to ¥31,521 million, and the operating income margin decreased 3.5 points to 32.1%. Nationwide NOI for fiscal 2009 decreased 4.4% year on year to ¥61,480 million because of the sale of buildings, the increase in vacancy rates and the decrease in rental revenue. Fair value of rental properties, which NTT Urban Development has begun to disclose as of March 31, 2010, was ¥1,208,638 million. Unrealized gains, or the positive difference between carrying value and fair value, totaled ¥470,753 million.

Going forward, our top priority is improving the profitability of existing buildings while concurrently moving ahead with large-scale development projects. The former will entail further enhancing our leasing system, strengthening tenant relations and conducting strategic rent negotiations and improving customer satisfaction with the aim of increasing occupancy rates. For the latter, in addition to the projects mentioned above, construction began at the Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 (Chiyoda-ku, Tokyo) in April 2010 and at the Urbannet Kanda Building in July 2010, and we are steadily proceeding in line with our development plans.

Vacancy Rate for NTT Urban Development's Portfolio of Properties





JA Building and Keidanren Kaikan
(Otemachi 1-Chome Urban Area Redevelopment Project Type 1)

Urbannet Kotodai Building
(Sendai-shi, Miyagi)

Major Projects

Major projects that will become our base for future earnings are progressing steadily, further contributing to the development of comfortable urban spaces and enabling sustained growth.

Urbannet Shijo-Karasuma Building in Kyoto Progressing Steadily toward the Start of Operations in Fall 2010

The Urbannet Shijo-Karasuma Building is in a prime location at the intersection of Karasuma-dori, the center of finance and business in Kyoto, and Shijo-dori, which has become a flourishing commercial district. The convenience of direct access to two subway lines adds appeal to the property. Themed as a quality building in a refined neighborhood for adults, the building has commercial space on the basement floor and the first three floors above ground. Floors four through seven provide comfortable and functional office space, and development is steadily moving toward the planned start of operations in fall 2010.

We are working to ensure that the property fits in with the surrounding urban neighborhood as a landmark to add to its excitement and activity. Together with the nearby Shin-Puh-Kan commercial facility, another NTT Urban Development property that is adding vitality to the Karasuma area, the Urbannet Shijo-Karasuma Building will contribute to the creation of an appealing neighborhood.

The Fukuoka Tenjin Project (Tentative Name): A Landmark in Kyushu's Most Attractive Urban Center

The Fukuoka Tenjin Project (tentative name) is a multipurpose office and commercial property under development in the Tenjin area, which is Kyushu's busiest urban center and office district. The project is scheduled for completion in summer 2011. The property will have nine floors above ground and one basement floor. The commercial space will occupy the lower and mid floors to enhance the building's aura of activity and quality, while the offices on the upper floors will have a sweeping panorama of adjacent Kego Park. The property will therefore provide top-class, highly flexible space.

With all Kyushu shinkansen lines set to be in operation in March 2011, the Tenjin area will become even more attractive as a center for business and commerce. The Fukuoka Tenjin Project will be a new landmark that generates excitement and interest from a position of area leadership.

A New Base for Business and a New Symbol for Kanda: Construction Begins at the Urbannet Kanda Building

The Kanda area is adjacent to Otemachi and other major business areas. The Akihabara area has recently undergone development, which also helps to enhance Kanda's potential as a new base for business. NTT Urban Development seeks to leverage that potential fully with the Urbannet Kanda Building. Located at a prime site one minute on foot from Kanda Station, the building will bring a source of new value to the Kanda area. Construction began in July 2010 and completion is scheduled for April 2012.

With 19 floors, the building will stand out because the area has few high-rise buildings. The design consciously celebrates the area and its traditions, and reduces the environmental burden of this highly functional office building. Rental meeting rooms, shops that generate excitement, and the lush greenery of the site are among the elements that will make the property a landmark symbolizing the neighborhood.

Construction Begins in the Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 to Create a Strategic Base for International Business

In the redevelopment business, we completed the first phase of the Otemachi 1-Chome Urban Area Redevelopment Project Type 1 in April 2009, and have initiated construction of the second phase. This phase involves a multipurpose commercial and office facility consisting of two towers, A and B, with ample open space, greenery and other features to create a comfortable and verdant urban environment. The facilities are designed to conserve energy and enhance the environmental friendliness of the property. These and other elements aim to create urban space in the Otemachi area that is an ideal strategic base for international business. The project employs linked urban redevelopment, and has captured the attention of Japan. Urban redevelopment specialist NTT Urban Development is participating in the construction of Tower A, which was started in April 2010. Completion is scheduled for September 2012.

The Osaka Station North District Phase 1 Development Area Project: Creating a Leading Transportation and Economic Center in Kansai

The Osaka Station North District has been called the last prime parcel in districts throughout Japan. The project to redevelop it aims to help Osaka grow as a gateway to Asia and the world, making it an important project for the development of Kansai as a whole. To transform the site into a neighborhood with new functions appropriate for the gateway to Kansai, construction began in March 2010 on seven of the twenty-four total hectares. Completion is scheduled for March 2013.

The development encompasses a high-grade office building that will be among the largest in Kansai, commercial facilities that will offer quality lifestyles, a world-class hotel and serviced apartments that enhance the hospitality of the area, and residential condominiums that provide a new style of urban living. Thus the project will create a neighborhood with a wide array of urban amenities well suited to the city of Osaka.

An Ecological Model City of Japan's Highest Standards: Shibaura Water Reclamation Center Upper-Level Section Redevelopment Project

Using joint construction methods, business and commercial buildings will be constructed as an ecological model city in the upper-level section of a sewerage system that the Tokyo Metropolitan Bureau of Sewerage will establish below ground. Completion is scheduled for fiscal 2014.

The project makes use of the features of the upper-level section of the Shibaura Water Reclamation Center as well as the reclaimed water and the untapped heat and natural energy of sewerage to conserve energy and reduce the heat burden from the building while easing the heat island effect.

In addition, further development is expected to follow the superior transportation convenience that will result from large-scale redevelopment in progress in the area around the east exit of Tokyo's Shinagawa Station, the location of the planned construction. We look forward to taking part in enhancing the area's appeal.

Interview

NTT Urban Development plans to improve profitability by using its strengthened leasing system to maintain and improve occupancy rates while increasing customer satisfaction and consistently investing in optimal renewals.

Hideo Osawa
Senior Executive Director
Senior Executive Manager,
Building Service Headquarters

Conditions remain challenging in the office building leasing market. What is your impression of the current environment, and what are your strategies for the critical task of maintaining and improving occupancy rates?

Various statistical data show challenging numbers for vacancy rates and average rents at office buildings. However, signs of a recovery are gradually beginning to emerge. We have reached the end of the sudden tenant departures due to the impact of the financial crisis that began with the collapse of Lehman Brothers in fall 2008. More recently, the recovery in corporate performance has resulted in an increase in inquiries about proactively increasing floor space or moving. Worries about European credit instability stemming from the Greek financial crisis are cause for concern, but we believe that if the recovery remains steady, the office leasing market in the five wards of central Tokyo will bottom out and activity will pick up no later than 2011.

In this environment, the most important theme for NTT Urban Development is maintaining and improving the occupancy rate of existing properties. To this end, in April 2009 we assembled a project team for a large-scale leasing initiative, and in April 2010 we further strengthened our sales system by establishing the Corporate Sales Department as our specialized leasing organization. With the goal of enhancing tenant relationships, in April 2010 we made organizational changes to clarify the people responsible for each tenant in each property. We will use our enhanced system to hold strategic rent negotiations that anticipate market trends and to implement measures that take tenant needs into account in order to raise occupancy rates.

The new medium-term management plan includes improving the profitability of existing properties. How will NTT Urban Development do this?

The decisive factors in improving the profitability of existing buildings will be strengthening our sales system as I discussed earlier, and increasing customer satisfaction and consistently investing in renewals that take the environment into account.

In leasing real estate, stable profitability is a function of increasing tenant satisfaction and lowering departure risk. We therefore see ensuring customer safety and security at quality properties as our top priority. We will respond meticulously to customers as we continuously provide comfortable space in properties with outstanding durability, reliability and functionality.

We need to make systematic renewal investments to ensure safety and peace of mind for customers and enhance their convenience because buildings and equipment unavoidably deteriorate over time. Moreover, society is increasingly concerned about environmental protection, and customers are favoring buildings that place less of a burden on the environment in selecting a property. Given this emphasis, we will determine and execute optimal renewal plans according to property location and features, with the objective of improving profitability and asset value.

Residential Property Sales Business

Aggressive sales activities resulted in a record number of condominium units delivered. Although sales increased, the impact of loss on revaluation of inventories resulted in a decrease in income for the fiscal year. We aim to build our brands through enhancing product planning that responds to diversifying lifestyles.

In the residential property sales business, we focus on major cities in selling the condominium brand "WELLITH," and conduct various location-driven operations including sales of detached houses and subdivided building lots. As a core business of NTT Urban Development, residential property sales accounted for 27.0% of total net sales in fiscal 2009, ended March 31, 2010. Under the theme of generating stable earnings, we aim to build the WELLITH brand and strengthen profitability.

Assessment of the Operating Environment

The supply of new condominiums in Greater Tokyo in calendar 2009 was 36,376 units, below 40,000 units for the first time in 17 years. Inventory decreased year on year for the first time in four years to 7,389 units. Signs that consumers were becoming more willing to buy appeared as the perception emerged that prices had become more reasonable against a backdrop of government economic policies and low interest rates.

Regarding condominium market conditions, latent demand is particularly strong among people born during the 1970s baby boom and low interest rates are forecast to continue. Consumer willingness to buy is also expected to continue improving.

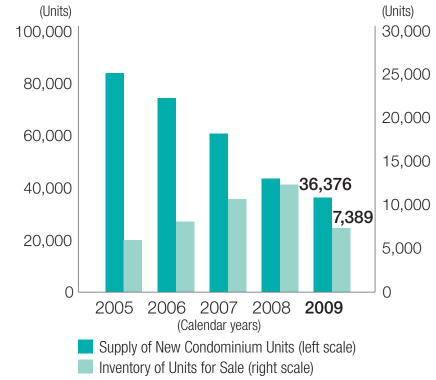
Fiscal 2009 Results and Future Initiatives

Aggressive sales activities in the residential property sales business resulted in the delivery of a record 843 condominiums, including Wellith Meguro Ookayama (Meguro-ku, Tokyo) and Wellith Narashino Okubo (Narashino-shi, Chiba). In addition, completed units in inventory as of March 31, 2010 decreased to 267 units from 335 units a year earlier. NTT Urban Development also delivered a total of 254 detached houses and building lots, including Wellith Court Honfujisawa (Fujisawa-shi, Kanagawa) and Wellith Park Akuragawa (Yokkaichi-shi, Mie).

Moving to build the WELLITH brand, we worked to increase awareness of the logo we created in December 2008. We also enhanced our product lineup with the Wellith i-S line of compact urban condominiums and the Wellith Olive line of rental housing specially adapted for seniors to respond to the diversifying lifestyles of consumers.

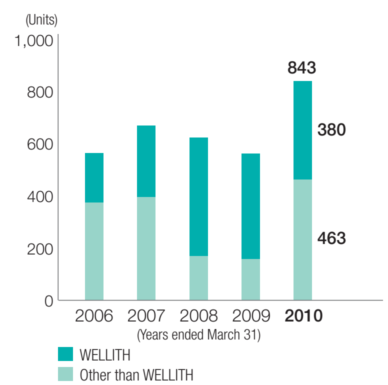
As a result, fiscal 2009 sales in the residential property sales

Supply of New Condominiums in Greater Tokyo and Inventory of Units for Sale (Market Average)



(Source: Real Estate Economic Institute Co., Ltd.)

Condominium Units Delivered (NTT Urban Development)



segment increased 27.4% year on year to ¥41,643 million. Loss on revaluation of inventory included in cost of sales was a primary factor that caused an operating loss of ¥10,498 million, compared with an operating loss of ¥6,018 million for the previous fiscal year.

The residential property sales business must generate stable earnings by building the WELLITH brand and strengthening profitability. We will concentrate on major metropolitan areas as we tailor brand development to location, and emphasize profitability in selectively purchasing land for development.

Brand Message

WELLITH = Sensible Quality

Well (comfort) + With (together) = WELLITH (living together in comfort)

We aim to provide superior residences of distinctive quality that customers will live in comfortably.

Interview

Our objective is to generate stable earnings by supplying products that actualize latent customer demand for quality housing while further strengthening the WELLITH brand.

Akitoshi Ito
Executive Director
Senior Executive Manager,
Residential Development Department

What is the current state of the condominium sales market, and how will the residential property sales business strengthen earnings?

Signs of recovery such as all units in a property selling in a single day are emerging in the condominium sales market, mainly in central Tokyo. NTT Urban Development is energetically conducting sales activities and its contract rate is steady, with a contract rate for profitable properties around 70% at the end of June 2010. While we cannot hope for a return to the strong, bubble-like market of three to four years ago, we expect it recover to a stable level supported by solid demand for quality housing.

A key task for the residential property sales business is structuring a system that can generate stable earnings, and that means we must fortify our WELLITH brand. First, during fiscal 2009 we introduced two new product types to strengthen our brand. As a result, our WELLITH brand concept now encompasses a lineup of five different product concepts, meaning we have successfully created a system for responding to diverse customer needs. Most important, we must earn strong market approval by steadily increasing the number of WELLITH-branded properties and satisfying customers. Uncompromising attention to detail will help us build high-quality products.

Other Business

Net sales and operating income decreased as the recession affected the office rental market. NTT Urban Development steadily strengthened its foundation for stable earnings in the future by expanding the scale of its asset management business with the creation of the NU-6 Fund and participating in J-REITs.

In the other business, we conduct tenant remodeling, building management, operation of food service facilities and other services related to the leasing business, and the fund business. This business has a stable foundation that is comparatively unaffected by economic changes. In addition, we see the fund business as a new growth field that we can develop using the expertise we have acquired in our core businesses as we work aggressively to create the foundation for stable earnings in the future.

Fiscal 2009 Results and Future Initiatives

Net sales in the other business decreased 12.5% year on year to ¥14,553 million because the recession affected the office rental market and revenues decreased in tenant remodeling and building management operations. Operating income decreased 9.4% to ¥1,358 million.

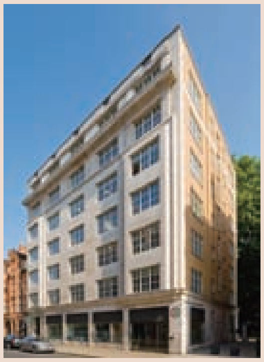
We aim to steadily increase floor space under management while energetically undertaking office remodeling and other work at tenant request. In addition, we see the fund business as a growth field, and the NU-6 Fund we established in March 2010 will contribute. With the aim of expanding fees from asset management and property management, we also began participating in J-REITs in May 2010, which we expect to help expand the scale of our asset management business and generate business in peripheral areas.

Tenant remodeling

Overseas Operations Initiated

Advancing into overseas operations, in October 2009 NTT Urban Development established a wholly owned subsidiary in London, UD EUROPE LIMITED. It acquired NTT Urban Development's first overseas property, a London office building. This property benefits from the high status of being in the well-known Mayfair area of prime office buildings near lush green parks and high-grade retail facilities and housing.

NTT Urban Development's new business development efforts will include using the expertise it gains in London to steadily promote overseas operations. We will consider specific projects that arise with an intended target area of the United Kingdom, where the real estate market is mature and highly stable, and Asia, where growth is expected. In addition, we will develop business in step with the overseas moves of the NTT Group.



Principal Portfolio Properties

Office Buildings

Many of NTT Urban Development's properties are in prime locations suitable to conducting business. Designed and completed after 1986, they are equipped with the latest air conditioning, security systems, information and communication infrastructure and other facilities, providing functional and comfortable office spaces complimenting the creative atmosphere of business.

Photo by Monma Kaneaki

Photo by Nacasa & Partners

Photo by Kokyu Miwa Architectural Photography

① Tokyo Opera City

A dynamic "theater city" unparalleled anywhere in the world, this complex combines cultural facilities with a business zone

- Location: Shinjuku-ku, Tokyo
- Footprint: 3,831m² (Portion owned by NTT Urban Development); Floor space: 33,086m² (Portion owned by NTT Urban Development)
- Size: 54 floors above ground, four below
- Completed: August 1996
- Awards: '00 Building Contractors Society (BCS) Awards (Special Prize)
  '00 Japan Association for Real Estate Sciences Business Performance Award

② Seavans N Building

An intelligent building with the NTT Group's most advanced technologies that respond to sophisticated information society needs

- Location: Minato-ku, Tokyo
- Footprint: 13,144m²; Floor space: 78,488m²
- Size: 24 floors above ground, two below
- Completed: January 1991
- Awards: '91 Japanese Society of Commercial Space Designers Award
  '91 Japan Sign Design Association (SDA) Encouragement Awards (System Division and Symbol Division)
  '91 Urban Design Center Cityscape Grand Prize (Landscape Design Division)
  '92 Building Contractors Society (BCS) Award
  '93 Society of Heating, Air Conditioning and Sanitary Engineers of Japan Awards (Technology Award for Building Mechanical Service System)

③ NTT Makuhari Building

A 26-story structure serving as an R&D base for sophisticated information and communications services in the 21st century

- Location: Mihama-ku, Chiba-shi
- Footprint: 40,602m²; Floor space: 170,499m²
- Size: 26 floors above ground, one below
- Completed: June 1993
- Awards: '94 Intelligent Awards (Merit Award)

④ Urbannet Nagoya Building

Highly comfortable work space with superior energy conservation features based on the concept of "a next-generation building with people-, community-, and earth-friendliness for the environmental protection era."

- Location: Higashi-ku, Nagoya-shi
- Footprint: 5,997 [950]m²; Floor space: 75,047m²
- Size: 22 floors above ground, three below
- Completed: September 2005
- Awards: '06 Good Design Awards (Architecture/Environment Design Division Merit Award)
  '06 Japan Sign Design Association (SDA) Awards (Chubu District Encouragement Prize)
  '06 Illuminating Engineering Institute of Japan Awards (Facilities Prize)
  '06 Aichi Prefecture Machinami Architecture Prize

* A portion of land for the Urbannet Nagoya Building is a leased property. Accordingly, the figure in brackets represents the footprint for the leased portion.

⑤ Otemachi First Square

Intelligent offices appropriate for the multimedia era — the Otemachi district's first twin tower, designed for maximum amenity

- Location: Chiyoda-ku, Tokyo
- Footprint: 6,236m²; Floor space: 54,284m² (Portion owned by NTT Urban Development)
- Size: 23 floors above ground, five below (West Tower)
  Size: 23 floors above ground, four below (East Tower)
- Completed: February 1992 (West Tower) / May 1997 (East Tower)
- Awards: '97 Fire and Disaster Management Agency Secretary Prize for Fire Fighting and Disaster Preparedness System
  '98 Illuminating Engineering Society of North America's International Lighting Design Awards (Special Award for Outdoor Lighting)
  '98 Japan Sign Design Association (SDA) Awards (Second-place Prize, District Design Prize)

⑥ JA Building, Keidanren Kaikan (Otemachi 1-Chome Urban Area Redevelopment Project Type 1)

The first of the Otemachi linked urban redevelopment projects is designed to revitalize the Otemachi area as an energetic base for international business.

- Location: Chiyoda-ku, Tokyo
- Footprint: 13,400 m² (Total of the Nikkei Building, JA Building and Keidanren Kaikan)
- Completed: April 2009

JA Building
- Floor space: 88,400 m²
- Size: 37 floors above ground, three below

Keidanren Kaikan
- Floor space: 71,200 m²
- Size: 23 floors above ground, four below

Photo by Kawasumi Architectural Photograph Office

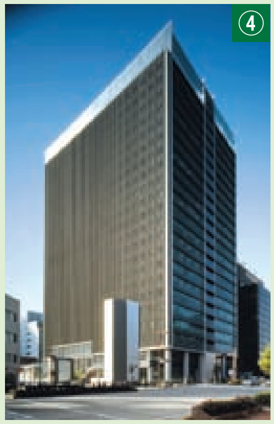


Photo by Kurumata Photography Office

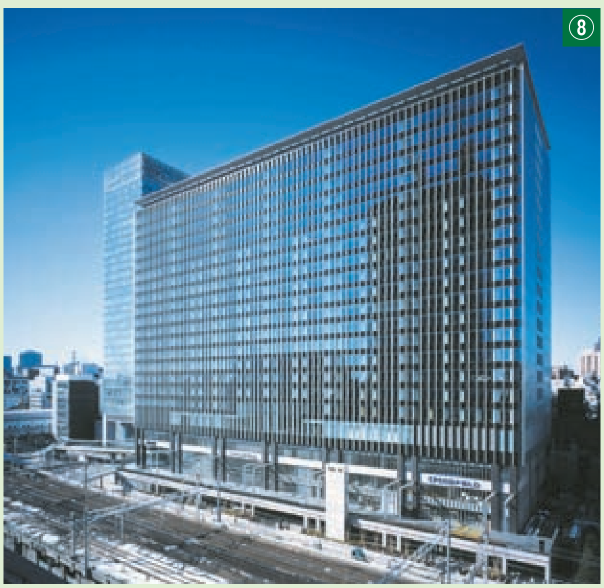


Photo by Forward Stroke

⑦ Urbannet Otemachi Building

A base for business on the global stage, featuring 3,250m² of pillar-free floor space on each floor

- Location: Chiyoda-ku, Tokyo
- Footprint: 9,361m²; Floor space: 117,618m²
- Size: 22 floors above ground, five below
- Completed: June 1990
- Awards: '91 Illuminating Engineering Institute of Japan Award for Outstanding Lighting (Lighting Facilities Merit Award)
  '91 Japanese Society of Commercial Space Designers Awards (Merit Award)
  '91 Japan Sign Design Association (SDA) Awards (System Division Award)
  '92 Building Contractors Society (BCS) Award

⑧ Akihabara UDX

A new symbol of the Akihabara district designed to be a global IT center

- Location: Chiyoda-ku, Tokyo
- Footprint: 11,547m²; Floor space: 155,629m²
- Size: 22 floors above ground, three below
- Completed: January 2006
- Awards: '06 Japan Sign Design Association (Encouragement Prize)
  '07 Japan Sign Design Association (SDA) Awards (Grand Prize/METI Minister's Prize)

* Akihabara UDX is owned by the UDX Tokutei Mokuteki Kaisha, a Special Purpose Company (SPC) that is a consolidated subsidiary of NTT Urban Development.

Residential Properties

In the Residential Property Sales Business, NTT Urban Development offers the residential property brand "WELLITH," developed based on the concept of "Creating perfect residences through customer-developer collaboration." The objective is to create locations for abundant lifestyles by building quality dwellings with high asset value.

Photo by Forward Stroke

① Wellith Narashino Okubo

- Location: Narashino-shi, Chiba
- Size: 65 residences
- Completed: March 2010

② Wellith Court Honfujisawa

- Location: Fujisawa-shi, Kanagawa
- Size: 63 residences
- Completed: September 2009
  (Phase I: 16 units; successive phases of construction to follow)

③ Wellith Meguro Ookayama

- Location: Meguro-ku, Tokyo
- Size: 29 residences
- Completed: March 2010

Initiatives for Corporate Social Responsibility (CSR) Activities

CSR Basic Policy

People create living places, living places stimulate and energize people, and the environment provides the backdrop for the peaceful interplay between people and the urban landscape. NTT Urban Development has implemented many initiatives in its business activities under the belief that its social responsibility is to harmoniously bring these elements together to create ideal urban spaces.

The NTT Urban Development Group formulated its CSR Basic Policy to communicate its CSR message for society and its three specific themes for CSR activities.

NTT Urban Development Group CSR Basic Policy

(Formulated June 2009)

CSR Message

As a member of the NTT Group, NTT Urban Development helps to create a sustainable society that offers comfortable lifestyles through quality real estate development that fosters harmony among people, living places and the environment.

CSR Themes

Harmony between people and living places

- We see residents, corporate tenants, and visitors as important partners. By maintaining sincere communications with each of our partners, we strive to achieve harmony and the creation of superior spaces for work and life.
- We aim to develop residential spaces that offer safe and comfortable living, business spaces that offer convenience and functionality, and living places that bring work and life into harmony.

Harmony between living places and the environment

- Through urban development with light environmental footprints, we seek to develop comfortable spaces that are compatible with their surroundings, and where people can be in touch with nature.

Harmony between employees and society

- We respect the individuality of our employees, and seek to develop a lively workplace where they can enjoy success by trying new things without fear of failure.
- Retaining our sense of gratitude and upholding a high level of ethics, we commit to honest business practices and seek to contribute in building an affluent society.

Harmony between People and Living Places

Emergency Temporary Daycare Center Established by Minato-ku at the Granpark Multipurpose Complex

The growing number of children that existing daycare centers cannot accommodate has recently emerged as a social issue. Approximately 185,000 children are in daycare centers in Tokyo, and the number of children on waiting lists has grown to nearly 8,400. Tokyo's Minato-ku is facing the same problem, with 274 children waiting to get into daycare centers as of March 31, 2010. Granpark has helped by establishing the first emergency temporary daycare center at a general-purpose building in Minato-ku. NTT Urban Development's concept for Granpark is a multipurpose complex that comfortably integrates business and lifestyles. We will energetically undertake new efforts to fulfill this concept by making Granpark even better able to contribute to the community.

The exterior of the Granpark multipurpose complex

The emergency temporary daycare center at Granpark

Harmony between Living Places and the Environment

Rooftop Greenery

The heat island phenomenon in cities is an environmental problem that NTT Urban Development aims to alleviate. Since 2006, we have been working with NTT Facilities, Inc. in employing a hydroponic system* to raise sweet potatoes that add rooftop greenery to the Urbannet Mita Building (Minato-ku, Tokyo), Urbannet Nagoya Building (Nagoya-shi, Aichi) and NTT Cred Motomachi Building (Hiroshima-shi, Hiroshima). We are using rooftop greenery activities as part of education with the goal of raising awareness of environmental issues among employees. Employees plant sweet potato seedlings, tend to the growing plants and harvest the sweet potatoes. We also use this as an opportunity for communication with other stakeholders, inviting tenants and local elementary school children to take part in planting and harvesting the sweet potatoes.

Rooftop greening activities at the Urbannet Mita Building

* The hydroponic system involves cultivating plants by spraying a nutrient medium containing fertilizer on their roots using a basic pump-driven circulation system.

Installation of a Solar Power System at the Urbannet Hakata Building

NTT Urban Development participates in the Green NTT initiative, in which the NTT Group promotes the use of environmentally friendly renewable energy. As part of this initiative, in March 2010 we installed a solar power system on the roof of the Urbannet Hakata Building, the first of our properties to have one. It can generate approximately 15 kW of electricity, which is equivalent to annual electricity use for roughly three households. Moreover, a glass wall at the first-floor entrance to the property uses a background image that changes with the seasons to show real-time information such as the amount of electricity generated and the reduction in CO_2 emitted, which directs the attention of many people to renewable energy. In addition to measures to conserve energy, we will also implement measures to create energy in ways such as installing solar power systems, which will contribute to achieving a low carbon society.

Solar power system display screen

Solar panels

Harmony between Employees and Society

Social Contribution Activities

Mirroring its ability to contribute to comfortable living places, NTT Urban Development undertakes social contribution activities such as helping to keep the communities it serves clean and participating in a variety of events.

The Chugoku Branch (Hiroshima-shi, Hiroshima) conducts one such program, participating in the Green Otagawa River cleanup program. It is part of the Ministry of Land, Infrastructure, Transport and Tourism's National River Protection Month, which is a coordinated effort to clean up Japan's rivers. The branch works with local companies to clean up the banks of the Otagawa River in the city of Hiroshima in the vicinity of the A-Bomb Dome. In addition, the branch designates the nineteenth of every month as Cred Day, on which it cleans up the area near the NTT Cred Motomachi Building. More than 100 Cred Days to date are just one facet of the NTT Urban Development Group's contribution to society.

Green Otagawa River cleanup activities

Continued Inclusion in the FTSE4Good Socially Responsible Investment (SRI) Index

The FTSE4Good Index series was launched in 2001 by the FTSE Group, funded jointly by the The Financial Times Ltd. and the London Stock Exchange plc of the United Kingdom. It selects stocks from approximately 2,400 listed companies in 23 countries that meet international environmental and social standards, providing opportunities to invest in global companies that meet global standards in their CSR. NTT Urban Development's stock remains one of the approximately 900 included in the index.

FTSE4Good

Participation in Information Sessions for Individual Investors

On May 29, 2010, NTT Urban Development participated in the Marunouchi Investment Seminar. We presented an overview of the company to approximately 210 individual investors and explained the NTT Urban Development Group Medium-Term Management Plan 2012. We will continue to hold information sessions for individual investors so that they can better understand NTT Urban Development and feel familiar with the company.

Marunouchi Investment Seminar

Please visit NTT Urban Development's CSR website:

http://www.nttud.co.jp/english/csr/

NTT Urban Development's website provides details on CSR activities for better communication with stakeholders.

Corporate Governance

Basic Policy on Corporate Governance

NTT Urban Development recognizes strong corporate governance as a fundamental management issue and views the implementation of governance measures as an essential element to maximizing corporate value. In order to deepen the trust-based relationships it maintains with stakeholders, including shareholders and other investors, as well as customers, business partners, and local communities, the Group's basic stance is to raise management efficiency by operating with full management transparency and accountability and giving its attention to establishing solid risk management, corporate ethics and compliance.

NTT Urban Development employs a system of corporate auditors. As stipulated in Japan's Corporation Law, the Company has established governance organizations comprising the General Ordinary Meeting of Shareholders, the Board of Directors, the Board of Corporate Auditors, and the accounting auditor. The Company has also established the Management Council, which deliberates with the President on matters of management importance within his decision-making capacity with the goal of ensuring speedy decision making related to the execution of duties. In addition, full-time corporate auditors attend Management Council meetings to further enhance transparency in the decision-making process.

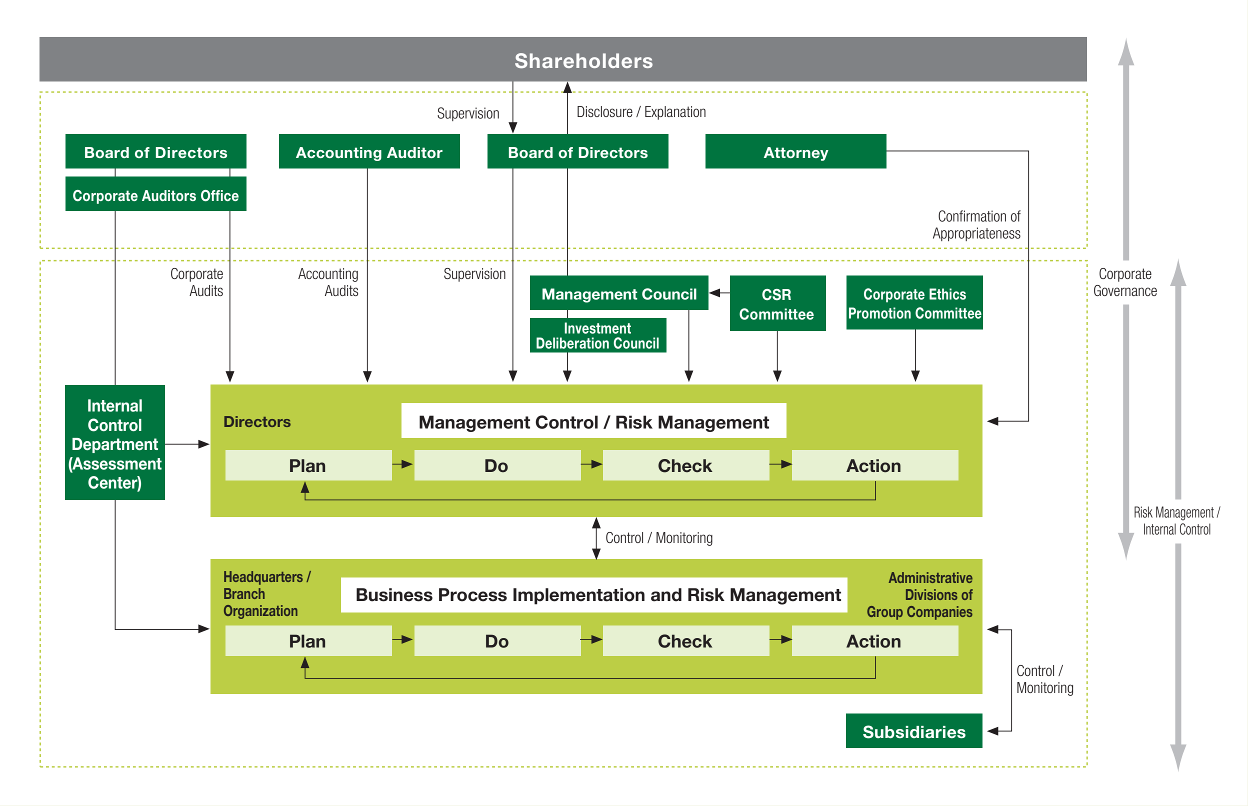
Moreover, for proposed investments, the interdisciplinary members of the Investment Deliberation Council conduct risk management by prudently considering investment and other risks ahead of Management Council meetings.

As of March 31, 2010, the Board of Directors comprised 15 Directors, one of whom was an outside Director. The Board decides important matters, sets basic policies regarding the Company's management and business execution, and supervises the execution of duties by Directors. In principle, the Board of Directors convenes regularly once a month with additional meetings as necessary to ensure speedy decision making, and met 25 times in fiscal 2009.

The Board of Corporate Auditors has four members, all of whom are outside corporate auditors. In principle, the Board of Corporate Auditors meets regularly once a month and holds additional meetings as necessary, and met 27 times in fiscal 2009. Corporate auditors conduct their duties according to the audit plan established by the Board of Corporate Auditors. The corporate auditors attend Board of Directors meetings and other important meetings, evaluate the Directors' execution of their duties, conduct management audits, and audit the status of the Company's assets.

As of June 21, 2010, the Board of Directors comprised 14 Directors, including one outside Director, and the Board of

Corporate Governance/CSR Management System



Corporate Auditors comprised four members, all of whom were outside corporate auditors.

Upgrade Status of the Internal Control System

The President is in charge of business execution involving the creation and upgrade of an internal control system, under the supervision of the Board of Directors and the Board of Corporate Auditors. In accordance with the May 1, 2006 enforcement of the Corporation Law, the Board of Directors passed a resolution on May 11, 2006 on the Company's Internal Control System Basic Policy. The Board of Directors revised it on March 26, 2007 with a view to improving it, and revised it again on March 28, 2008 with a view to clarifying how to preclude antisocial influences and comply with the Financial Instruments and Exchange Law.

In addition, following the establishment of the Disaster Response Committee and the Disaster Risk Management Promotion Office in order to enhance and upgrade a system to respond appropriately in the event of disaster, the Board of Directors revised the basic policy on March 30, 2009.

Composed of Management Council members, the Internal Control Committee was established to appropriately handle preparation and administration for the Financial Instruments and Exchange Law, including the internal control reporting system, which took effect from fiscal years beginning on or after April 1, 2008.

Upgrade Status of the Risk Management System

NTT Urban Development believes that it can carry out more appropriate and bolder management decisions in order to maintain and increase corporate value by understanding various internal and external risks and implementing appropriate initiatives for risk management as an essential part of its internal control system.

In March 2007, NTT Urban Development reviewed its Internal Control System Basic Policy to appropriately administer its risk management rules and regulations. In this manner, the Company works to secure continuous and stable business development through appropriate management of a variety of risks.

As an example of its efforts to implement thorough risk management, the Company seeks to identify all potential risks in development project investment decisions. Such risks include rent decreases, construction delays, neighborhood backlash, and ground pollution or other environmental risks.

NTT Urban Development has enhanced its basic stance toward precluding antisocial influences by clearly stating it in the Internal Control System Basic Policy and giving the General Affairs Department interdisciplinary, companywide authority to handle issues including illegal demands from antisocial influences.

In addition, NTT Urban Development cooperates with law enforcement organizations for smooth exchange of information under normal circumstances and rapid response during emergencies.

NTT Urban Development works to disseminate its basic stance and internal systems for handling the issues discussed above throughout the Company in accordance with its rules and regulations for corporate ethics and compliance and Business Risk Management Manual.

Corporate Ethics and Compliance

Composed of members including the heads of administrative and sales promotion departments and business divisions, the Corporate Ethics Promotion Committee has been established to discuss policies for corporate ethics and compliance. It also conducts training and provides consultation services and a helpline for employees to appropriately and assiduously inculcate and embed corporate ethics and compliance within NTT Urban Development.

Matters Relating to Outside Directors and Outside Corporate Auditors

The Company maintains one outside Director and four outside corporate auditors to provide a wide range of management perspective. The Company has appointed an executive from Nippon Telegraph and Telephone Corporation (NTT) as an outside director and another as an outside corporate auditor. NTT maintains a shareholding ratio of 67.3% in the Company. However, the Company requested these appointments and conducts its management decisions independently.

The outside Director attends meetings of the Board of Directors and provides appropriate advice from a perspective that is independent of business execution. Such discussion enhances supervision.

The outside corporate auditors attend meetings of the Board of Corporate Auditors, which makes decisions regarding audit policies, plans and methods and other relevant issues, and also reports when requested on the status of audits each outside corporate auditor is conducting. According to the audit plan established by the Board of Corporate Auditors, the outside corporate auditors attend Board of Directors meetings and other important meetings, evaluate the Directors' execution of their duties, conduct management audits, and audit the status of the Company's assets. All outside corporate auditors audit the execution of management duties from an independent perspective.

The outside Director and the outside corporate auditors attend meetings of the Board of Directors to strengthen the supervision of business execution.

In auditing the internal control system, the outside corporate auditors request reports, explanation and other cooperative input from the departments responsible for systemic oversight according to the basic policies of the internal control system. In addition, the outside Director supervises the execution of duties by internal control system departments through means such as receiving reports on the enhancement and administration of the internal control system during meetings of the Board of Directors.

Attendance of Outside Officers at Board of Directors Meetings and Board of Corporate Auditors Meetings in Fiscal 2009

Position	Board of Directors		Board of Corporate Auditors	
	Attendance	Attendance Rate	Attendance	Attendance Rate
Director	18 of 19	94.7%	—	—
Corporate Auditor	25 of 25	100.0%	27 of 27	100.0%
Corporate Auditor	18 of 19	94.7%	18 of 19	94.7%
Corporate Auditor	19 of 19	100.0%	19 of 19	100.0%
Corporate Auditor (part-time)	19 of 19	100.0%	19 of 19	100.0%

Officer Compensation

The Board of Directors determines Director remuneration, which comprises a monthly salary and bonus payments. The monthly salaries are determined based on each Director's role and level of responsibility. The bonus payments are largely determined in reference to the Company's performance results. In addition, a minimum specified amount of each Director's monthly salary is utilized to acquire Company stock, all of which is administered under a Directors' stock accumulation plan during a Director's term of service.

Corporate auditors only receive a monthly salary that is not linked to corporate performance to ensure a high level of independence.

Compensation Paid to Directors and Corporate Auditors in Fiscal 2009

Classification	Total compensation (Millions of yen)	Compensation by type (Millions of yen)		Number of persons
		Base salary	Bonus	
Directors (excluding one outside Director)	357	305	51	15
Corporate Auditors (excluding the outside corporate auditors)	—	—	—	—
Outside Director and Corporate Auditors	59	59	—	5

Notes:
1. By a resolution ratified at the Company's 22nd General Ordinary Meeting of Shareholders held on June 21, 2007, the maximum annual allowances for compensation of Directors and corporate auditors were set at ¥480 million and ¥80 million, respectively.
2. Included in the above are one Director and two corporate auditors who retired as of the conclusion of the 24th General Ordinary Meeting of Shareholders held on June 18, 2009.
3. In addition to the above, ¥13 million in employee compensation was paid to eight employees who serve concurrently as Directors.

Hikozaemon Enoki
Corporate Auditor

Message from an Outside Auditor

Securing sound management and corporate reliability is indispensable to solid development and fulfillment of a company's role as a public entity in order to respond to the expectations of its stakeholders, including shareholders. For that reason, a corporate auditor's role is to oversee the status of upgrading, operation and other aspects of corporate governance, compliance and the internal control system from a viewpoint independent of management.

NTT Urban Development was listed on the Tokyo Stock Exchange in 2004 as the comprehensive real estate company of the NTT Group, and has been growing steadily. In light of the enforcement of Japan's Corporation Law since then, I believe the Company has worked steadily to upgrade and operate corporate governance, compliance and its internal control system.

In fiscal 2009, ended March 31, 2010, conditions remained challenging, without a recovery in the operating environment of the real estate industry. Under these circumstances, management must respond with prudent judgment for sustainable growth and stable management. I will carry out my responsibility as a corporate auditor through exchange of opinion with management to promote appropriate risk management and other management activities.

Directors and Auditors (As of July 2010)

President and Chief Executive Officer

Masaki Mitsumura

Senior Executive Director

Hideo Osawa
Senior Executive Manager,
Building Service Headquarters

Executive Directors

Hiroto Miyake
Senior Executive Manager,
Solution Business Headquarters
and in charge of CSR

Akitoshi Ito
Senior Executive Manager,
Residential Development
Department

Yoshiharu Nishimura
Senior Executive Manager,
Development Promotion Department

Senior Directors

Hideki Tokunaga
Deputy Senior Executive Manager,
Solution Business Headquarters
Senior Executive Manager,
Solution Business Department 1
Senior Executive Manager,
Solution Business Department 2
In charge of Commercial Properties
Development Promotion
Department and
Tokai Branch, Chugoku Branch,
Kyushu Branch, Hokkaido Branch
Office

Takahiro Okuda
Senior Executive Manager,
Corporate Planning Department

Satoshi Shinoda
Senior Executive Manager,
Accounting and Finance Department

Kazuhiro Hasegawa
Senior Executive Manager,
Real Estate Investment
Promotion Department

Hiroshi Iijima
Deputy Senior Executive
Manager,
Building Service Headquarters
Senior Executive Manager,
Disaster Risk Management
Promotion Office

Shiro Nakahara
Senior Executive Manager,
General Affairs Department

Masaru Yanagida
Executive Manager,
Kansai Branch Office

Takanori Ito
Deputy Senior Executive
Manager,
Building Service Headquarters

Isao Yamauchi*

Corporate Auditors

Hikozaemon Enoki**

Hitoshi Ikeda**

Akio Enomoto**

Corporate Auditor (part-time)

Takeshi Ogiwara**

* Mr. Isao Yamauchi is an outside Director.
** Mr. Hikozaemon Enoki, Mr. Hitoshi Ikeda, Mr. Akio Enomoto and Mr. Takeshi Ogiwara are outside corporate auditors.

Six-Year Summary of Selected Financial Data

Years ended March 31	2005	2006	2007	2008	2009	2010
	Millions of yen					
For the year:						
Net sales	¥ 96,188	¥110,833	¥128,215	¥138,206	¥144,277	**¥149,224**
Operating income	17,335	21,716	25,091	28,718	25,244	**16,129**
Net income	7,182	11,401	12,995	14,758	15,989	**6,116**
Net cash provided by (used in) operating activities	24,572	22,243	(5,076)	5,700	(12,091)	**35,168**
Net cash provided by (used in) investing activities	(27,812)	(45,157)	(32,995)	(77,893)	(57,397)	**6,695**
Net cash provided by (used in) financing activities	7,081	32,214	20,823	85,038	63,079	**(30,028)**
Free cash flow	(3,240)	(22,913)	(38,072)	(72,192)	(69,488)	**41,863**
Investment	26,070	54,622	48,595	93,367	75,638	**24,714**
Depreciation and amortization	23,865	23,828	23,657	23,246	25,762	**25,520**
At year-end:						
Total assets	480,228	543,792	581,848	900,325	936,650	**916,725**
Net assets	–	–	125,169	177,969	183,593	**185,537**
Net worth	109,009	115,696	125,091	136,395	148,150	**150,232**
Interest-bearing debt	231,784	268,942	293,069	451,849	521,070	**496,682**
Management indicators:						
Net operating income (NOI)	45,887	47,237	50,504	52,748	64,277	**61,480**
Return on equity (ROE) (%)	9.2	10.1	10.8	11.3	11.2	**4.1**
Equity ratio (%)	22.7	21.3	21.5	15.1	15.8	**16.4**
Dividend on equity (DOE) (%)	4.2	2.9	2.7	3.0	2.8	**2.6**
Dividend payout ratio (%)	42.3	29.1	25.3	26.8	24.7	**64.6**
Net debt-to-equity (D/E) ratio (times)	2.03	2.16	2.32	2.44	2.78	**2.55**
Interest coverage ratio (times)	6.5	6.9	–	1.2	–	**4.3**
	Yen					
Per share data:						
Net assets	¥33,121.39	¥35,153.14	¥38,007.98	¥41,442.57	¥45,014.04	**¥45,646.72**
Net income	2,161.70	3,440.22	3,948.64	4,484.09	4,858.34	**1,858.48**
Dividends	1,000	1,000	1,000	1,200	1,200	**1,200**

Notes

- The Company applies “Accounting Standards for Presentation of Net Assets on the Balance Sheet” from the fiscal year ended March 31, 2007.
- NOI is presented on a consolidated basis from the fiscal year ended March 31, 2007.
- In calculating investment for the fiscal years ended March 31, 2008 and 2009, purchases of investment securities include the amount necessary for the purchase of additional preferred equity securities of UDX Tokutei Mokuteki Kaisha.
- Per share data is calculated based on the number of issued and outstanding shares after a five-for-one stock split executed on January 1, 2007, which raised the total number of outstanding shares to 3,291,200 shares, and has been prepared based on figures adjusted to reflect the stock split.

Calculation Methods for Indicators

- Investment = Capital expenditure + Purchases of investment securities (based on cash flow from investing activities)
- Net worth = Net assets - Stock acquisition rights - Minority interests in consolidated subsidiaries (Net worth is total shareholders’ equity up to and including the fiscal year ended March 31, 2006)
- Net operating income (NOI) = Property rental income - Property rental costs + Depreciation expenses (including prepaid long-term expenses)
- Return on equity = Net income ÷ ((Shareholders’ equity at the beginning of the period + Shareholders’ equity at the end of the period) ÷ 2)
- Dividend on equity = Dividends (annual) ÷ ((Shareholders’ equity at the beginning of the period + Shareholders’ equity at the end of the period) ÷ 2)
- Dividend payout ratio = Dividends per share (annual) ÷ Net income per share
- Net D/E ratio = (Interest-bearing debt - Cash and cash equivalents - Time deposits held for 3 months or longer) ÷ Net assets
- Interest coverage ratio = Cash flow from operating activities ÷ Interest expense (based on cash flow from operating activities)
- Net income per share = Net income ÷ Number of shares outstanding

Management's Discussion and Analysis

1. Analysis of Operating Results

In fiscal 2009, the year ended March 31, 2010, economic conditions remained challenging in Japan, with high unemployment rates and moderate deflation that produced lower prices. Still, some signs of a recovery did emerge in corporate earnings and personal spending. We expect employment conditions to remain difficult for the time being, but we also believe that the economic recovery will continue, backed by improvements in overseas economies as well as in corporate earnings.

The office leasing market also continued to struggle, given high average vacancy rates for office buildings and weak market rents. The condominium sales market was unable to stage a full recovery, although it is expected to improve with progress in inventory adjustments and the effects of economic policies.

According to the official announcement of land prices as of January 1, 2010, land prices continued to decline nationwide.

In this environment, the Company and its subsidiaries (collectively, the "Group") proceeded steadily with operations, with a target of achieving sustainable growth while striving to bolster profitability. To create new growth areas, the Group began managing the NU–6 Fund, a new real estate fund with assets under management of approximately ¥23.3 billion. It also established a subsidiary and acquired an office building in London. The Group meanwhile maintained its financial strength through optimization of its asset portfolio.

As a result, net sales in fiscal 2009 increased ¥4,947 million from fiscal 2008, or 3.4%, to ¥149,224 million, and operating income decreased ¥9,114 million, or 36.1%, to ¥16,129 million. However, other income, net totaled ¥5,689 million, compared to other income, net totaling ¥2,149 million for the previous fiscal year, with ¥17,628 million in gain on sales of property and equipment, and deferred income taxes increased with the reversal of deferred tax assets totaling ¥5,051 million. As a result, net income decreased ¥9,873 million, or 61.7%, to ¥6,116 million.

(1) Net Sales

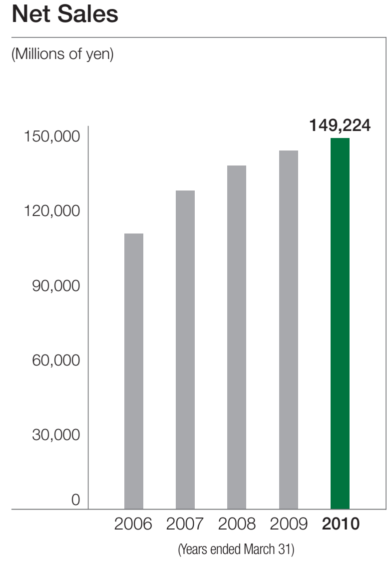
In fiscal 2009, net sales increased ¥4,947 million from fiscal 2008, or 3.4%, to ¥149,224 million. This increase was primarily the result of higher sales in the residential property sales segment due to a higher number of condominium units delivered.

(2) Gross Profit

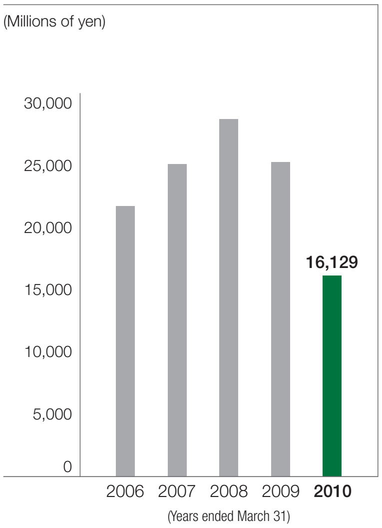
Cost of sales for fiscal 2009 increased ¥11,564 million year on year, or 11.1%, to ¥115,823 million. The primary factor in the increase was a ¥12,732 million loss on revaluation of inventories in the residential property sales business.

As a result, gross profit decreased ¥6,616 million year on year, or 16.5%, to ¥33,401 million.

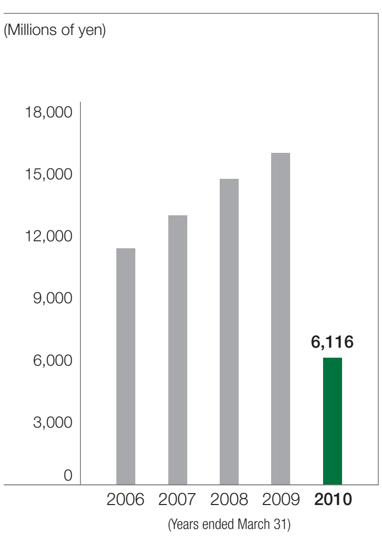
Net Sales



Operating Income



Net Income



(3) Operating Income

In fiscal 2009, selling, general and administrative expenses increased ¥2,498 million year on year, or 16.9%, to ¥17,271 million. Primary factors included the construction of new properties in the leasing business and sales promotion expenses for condominiums in the residential property sales business. As a result, operating income decreased ¥9,114 million year on year, or 36.1%, to ¥16,129 million.

(4) Income before Income Taxes and Minority Interests

Other income, net totaled ¥5,689 million, compared to other income, net totaling ¥2,149 million for the previous fiscal year. The consolidation of subsidiary UDX Tokutei Mokuteki Kaisha in fiscal 2007 resulted in amortization of negative goodwill totaling ¥1,926 million. Interest expense increased ¥487 million year on year, or 6.3%, to ¥8,267 million, while impairment loss increased substantially to ¥3,086 million. Other, net totaled income of ¥14,939 million, compared to income of ¥8,310 million in the previous fiscal year. As for the main components of other, net, which are presented in Note 13 of the Notes to Consolidated Financial Statements, the NTT Urban Development Group generated a nonrecurring gain on sales of property and equipment totaling ¥17,628 million, which was partially offset by loss on disposal of property and equipment totaling ¥1,389 million and loss on sales of property and equipment totaling ¥1,377 million.

As a result, income before income taxes and minority interests decreased ¥5,574 million year on year, or 20.3%, to ¥21,819 million.

(5) Net Income

Net income for fiscal 2009 decreased ¥9,873 million year on year, or 61.7%, to ¥6,116 million. This was mainly because of the decrease in income before income taxes and minority interests and ¥5,051 million in deferred income taxes as a result of reversal of deferred tax assets.

(6) Review by Segment

● Leasing Business

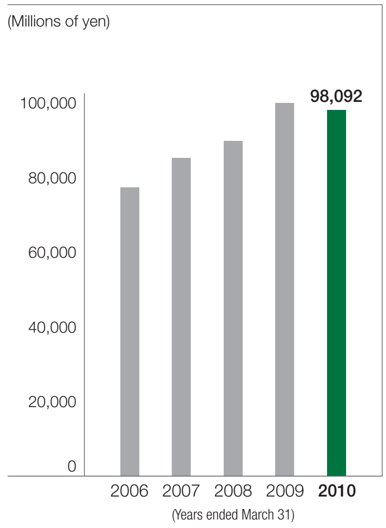
Net sales in the leasing business decreased year on year as factors including a decline in leasing income from existing properties and the sale of properties in the previous fiscal year more than offset the increase in leasing income from new properties completed in fiscal 2009 and from new properties acquired in the previous fiscal year. Operating income also decreased, principally because expenses associated with the completion of new properties caused operating expenses to increase. The average vacancy rate in the office building market rose, and the vacancy rate for office buildings owned by the Group in the five wards of central Tokyo increased to 6.5% at the end of March 2010 from 2.8% at the end of March 2009. The average vacancy rate on the Group's overall portfolio increased to 6.4% at the end of March 2010 from 3.1% at the end of March 2009.

Projects now in progress in the new building development business include the Urbannet Shijo-Karasuma Building (Kyoto-shi, Kyoto), Fukuoka Tenjin Project (tentative name) (Fukuoka-shi, Fukuoka), Osaka Station North District Phase 1 Development Area Project (Osaka-shi, Osaka), Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 (Chiyoda-ku, Tokyo), and Upper-Level Section Redevelopment Project associated with the reconstruction of the Shibaura Water Reclamation Center (Minato-ku, Tokyo).

The Otemachi 1-chome Urban Area Redevelopment Project Type 1 (Chiyoda-ku, Tokyo) and Urbannet Kotodai Building (Sendai-shi, Miyagi) were completed during fiscal 2009.

As a result, fiscal 2009 sales in the leasing business decreased ¥1,835 million from fiscal 2008, or 1.8%, to ¥98,092 million, operating expenses increased ¥2,203 million year on year, or 3.4%, to ¥66,570 million, and operating income decreased ¥4,038 million year on year, or 11.4%, to ¥31,521 million.

Leasing Business Sales



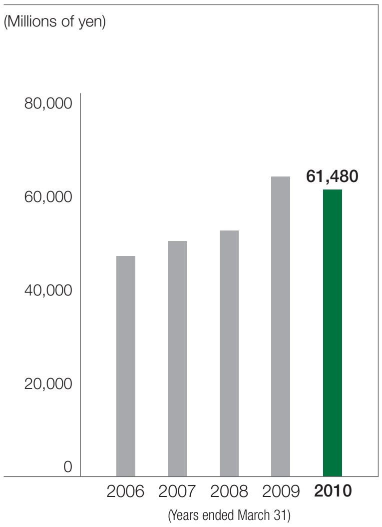
NOI by Principal Building and Region

The NTT Urban Development Group emphasizes net operating income, or NOI*, as an indicator of the value of properties in the leasing business.

Nationwide NOI for fiscal 2009 decreased ¥2,796 million, or 4.4%, from fiscal 2008 to ¥61,480 million. NOI in central Tokyo, the other parts of Tokyo and the surrounding area decreased ¥1,449 million year on year, or 3.5%, to ¥39,589 million, with the completion of the JA Building and Keidanren Kaikan (Chiyoda-ku, Tokyo) in the Otemachi 1-Chome Urban Area Redevelopment Project Type 1 more than offset by a decrease in sales from existing buildings. In addition, NOI in regional urban areas decreased ¥1,346 million year on year, or 5.8%, to ¥21,891 million.

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

NOI



NOI on Principal Buildings

(Years ended March 31)

Building	Location	Primary Use	2009 (Millions of yen)	**2010 (Millions of yen)**
Urbannet Otemachi Building	Chiyoda-ku, Tokyo	Office	6,498	**5,920**
Otemachi First Square	Chiyoda-ku, Tokyo	Office	4,994	**4,403**
NTT Makuhari Building	Mihama-ku, Chiba-shi	Office	2,349	**2,309**
Granpark	Minato-ku, Tokyo	Office	4,069	**4,727**
Seavans N Building	Minato-ku, Tokyo	Office	3,182	**3,052**
Tokyo Opera City	Shinjuku-ku, Tokyo	Office	1,862	**1,704**
Urbannet Ikebukuro Building	Toshima-ku, Tokyo	Office	1,106	**1,016**
Akihabara UDX	Chiyoda-ku, Tokyo	Office	7,874	**7,722**
JA Building, Keidanren Kaikan	Chiyoda-ku, Tokyo	Office	—	**1,113**
Urbannet Oroshimachi Building	Wakabayashi-ku, Sendai-shi	Office	457	**548**
Urbannet Itsutsubashi Building	Aoba-ku, Sendai-shi	Office	233	**240**
Urbannet CS Building	Naka-ku, Nagoya-shi	Office	363	**347**
Urbannet Shizuoka Building	Aoi-ku, Shizuoka-shi	Office	338	**305**
Urbannet Shizuoka Otemachi Building	Aoi-ku, Shizuoka-shi	Office	423	**390**
Urbannet Kaminagoya Building	Nishi-ku, Nagoya-shi	Office	107	**109**
Urbannet Fushimi Building	Naka-ku, Nagoya-shi	Office	457	**450**
Urbannet Nagoya Building	Higashi-ku, Nagoya-shi	Office	2,464	**2,275**
NTT Osaka Chuo Building	Chuo-ku, Osaka-shi	Office	410	**374**
Urban Ace Kitahama Building	Chuo-ku, Osaka-shi	Office	427	**435**
Urban Ace Higobashi Building	Nishi-ku, Osaka-shi	Office	334	**336**
Urban Ace Sannomiya Building	Chuo-ku, Kobe-shi	Office	436	**437**
Urban Ace Awaza Building	Nishi-ku, Osaka-shi	Office	376	**351**
Urbannet Honmachi Building	Chuo-ku, Osaka-shi	Office	376	**375**
Tradepia Yodoyabashi	Chuo-ku, Osaka-shi	Office	327	**849**
NTT Cred Motomachi Building	Naka-ku, Hiroshima-shi	Commercial	3,785	**3,287**
NTT Cred Hakushima Building	Naka-ku, Hiroshima-shi	Office	806	**816**
NTT Cred Okayama Building	Kita-ku, Okayama-shi	Office	467	**316**
NTT-T Building	Chuo-ku, Fukuoka-shi	Commercial	2,220	**2,127**
NTT-KF Building	Chuo-ku, Fukuoka-shi	Office	324	**323**
Urbannet Hakata Building	Hakata-ku, Fukuoka-shi	Office	295	**280**
Emuzu Odori Building	Chuo-ku, Sapporo-shi	Office	415	**367**
Emuzu Minami 22-jo Building	Chuo-ku, Sapporo-shi	Office	119	**114**
Urbannet Sapporo Building	Chuo-ku, Sapporo-shi	Office	771	**745**
Other properties, subtotal			15,595	**13,302**
Total			64,277	**61,480**

NOI by Region and Type of Property

(Years ended March 31)

<table>
<tr><th rowspan="2">Region</th><th colspan="3">2009</th><th colspan="3">2010</th></tr>
<tr><th>Total (Millions of yen)</th><th>Office, Commercial</th><th>Residential, Other</th><th>Total (Millions of yen)</th><th>Office, Commercial</th><th>Residential, Other</th></tr>
<tr><td>Central Tokyo</td><td rowspan="2">41,038</td><td>32,983</td><td rowspan="2">2,002</td><td rowspan="2">39,589</td><td>31,955</td><td rowspan="2">1,806</td></tr>
<tr><td>Other parts of Tokyo and the surrounding area</td><td>6,052</td><td>5,827</td></tr>
<tr><td>Regional cities</td><td>23,238</td><td>19,173</td><td>4,065</td><td>21,891</td><td>18,370</td><td>3,520</td></tr>
<tr><td>Total</td><td>64,277</td><td>58,209</td><td>6,068</td><td>61,480</td><td>56,153</td><td>5,327</td></tr>
</table>

Note: The above-stated regions are defined as:
- Central Tokyo: Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku and Shinjuku-ku
- Other parts of Tokyo and the surrounding area: Parts of Tokyo other than the five wards mentioned above, as well as Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures
- Regional cities: Locations other than those indicated above

●Residential Property Sales Business

In the residential property sales business, the NTT Urban Development Group focused on the condominium business with the aim of creating high-quality residences that maintain their asset value and enhance the lives of residents.

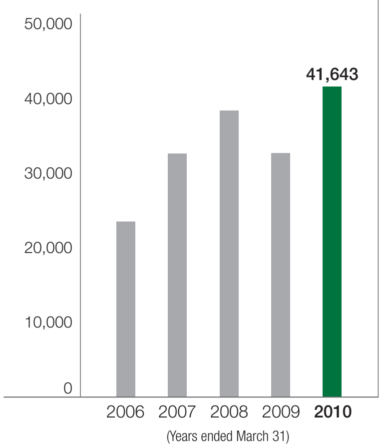
The Group delivered a total of 843 condominiums in fiscal 2009, including Wellith Meguro Ookayama (Meguro-ku, Tokyo) and Wellith Narashino Okubo (Narashino-shi, Chiba), which were completed during the fiscal year. The Group also delivered the Wellith Court Honfujisawa (Fujisawa-shi, Kanagawa) detached houses and the Wellith Park Akuragawa (Yokkaichi-shi, Mie) building lot.

However, the residential property sales business recorded an operating loss, due mainly to recognition of loss on revaluation of inventories totaling ¥12,732 million in cost of revenue from operations.

As a result, fiscal 2009 sales in the residential property sales segment increased ¥8,955 million from fiscal 2008, or 27.4%, to ¥41,643 million, operating expenses increased ¥13,435 million year on year, or 34.7%, to ¥52,142 million, and operating loss was ¥10,498 million, compared with an operating loss of ¥6,018 million for the previous fiscal year.

Residential Property Sales Business Sales

(Millions of yen)



(Years ended March 31)

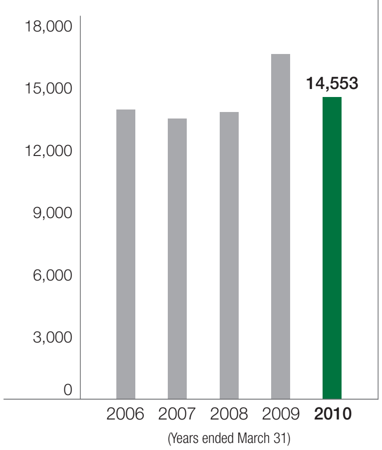
Classification		2009		**2010**	
		Units/Lots	Sales (Millions of yen)	**Units/Lots**	**Sales (Millions of yen)**
Condominiums					
Units delivered	Tokyo region	342	14,731	**421**	**15,959**
	Other regions	221	10,114	**422**	**14,718**
Completed in inventory		335	—	**267**	**—**
Building Lots					
Lots delivered	Tokyo region	—	550	**12**	**2,481**
	Other regions	387	7,291	**242**	**6,559**
Completed in inventory		91	—	**42**	**—**
Condominiums/ Building Lots (Total)					
Units/Lots delivered	Tokyo region	342	15,281	**433**	**18,441**
	Other regions	608	17,406	**664**	**21,277**
Completed in inventory		426	—	**309**	**—**
Other					
Units/Lots delivered	Tokyo region	—	—	**—**	**—**
	Other regions	—	—	**2**	**1,925**
Completed in inventory		—	—	**—**	**—**
Total (Sales)		—	32,688	**—**	**41,643**

●Other Business

Fiscal 2009 sales in the other business decreased ¥2,071 million from fiscal 2008, or 12.5%, to ¥14,553 million, operating expenses decreased ¥1,929 million year on year, or 12.8%, to ¥13,194 million, and operating income decreased ¥141 million year on year, or 9.4%, to ¥1,358 million.

Other Business Sales

(Millions of yen)



2. Analysis of Financial Position

(1) Consolidated Balance Sheets Highlights

● Assets

Total assets as of March 31, 2010 decreased ¥19,925 million from the previous fiscal year-end to ¥916,725 million.

Current assets decreased ¥23,247 million to ¥125,200 million, primarily reflecting a decrease of ¥46,237 million in inventories, an increase of ¥11,169 million in deposits paid, and an increase of ¥9,235 million in notes and accounts receivable, trade.

Fixed assets, the total of property and equipment and investments and other assets, increased ¥3,322 million to ¥791,525 million. Principal factors included an increase of ¥17,077 million in land, an increase of ¥2,500 million in investments and other assets, a decrease of ¥13,706 million in buildings and structures (net), and a decrease of ¥2,734 million in construction in progress.

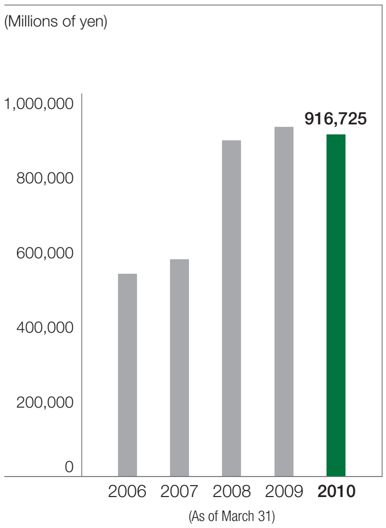
Change in rental and other real estate on the consolidated balance sheets and fair value as of March 31, 2010 is as follows.

(Millions of yen)

Consolidated Balance Sheet Amount			Fair value as of March 31, 2010
Balance as of March 31, 2009	Increase (decrease) during fiscal 2009	Balance as of March 31, 2010	
738,999	(1,114)	737,885	1,208,638

Notes:
1. The consolidated balance sheet amount is acquisition price minus accumulated depreciation and accumulated impairment.
2. Fair value as of March 31, 2010 is based on an appraisal by a real estate appraiser from outside the Company for main properties, and calculated by the Company using indicators it believes to accurately reflect market prices for other properties.

Total Assets



● Liabilities

Total liabilities as of March 31, 2010 decreased ¥21,869 million from the previous fiscal year-end to ¥731,187 million.

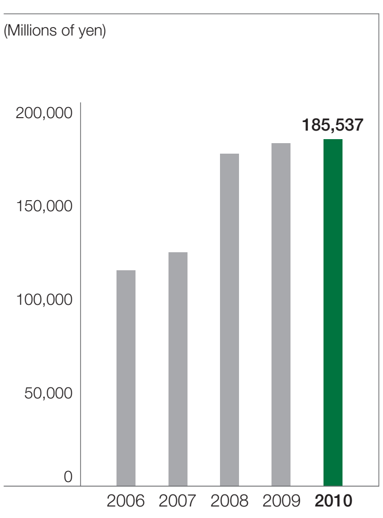
Current liabilities decreased ¥31,798 million to ¥84,973 million. Major factors included a decrease of ¥25,798 million in short-term debt and a decrease of ¥4,995 million in commercial paper.

Long-term liabilities increased ¥9,928 million to ¥646,213 million. The main factors included an increase of ¥10,450 million in deferred tax liabilities, an increase of ¥8,133 million in corporate bonds, a decrease of ¥5,422 million in deposits from tenants, and a decrease of ¥1,839 million in long-term debt. As of March 31, 2010, interest-bearing debt totaled ¥496,682 million, a decrease of ¥24,388 million from the end of the previous fiscal year.

● Net Assets

Net assets as of March 31, 2010 increased ¥1,944 million from the previous fiscal year-end to ¥185,537 million, primarily reflecting net income of ¥6,116 million and dividend payments of ¥3,949 million.

Net Assets



Note: The figure for 2006 shows shareholders' equity instead of net assets.

(2) Cash Flows

Cash and cash equivalents ("cash") as of March 31, 2010 increased ¥11,816 million from the previous fiscal year-end to ¥20,508 million. Free cash flow* totaled ¥41,863 million, compared to negative ¥69,488 million for the previous fiscal year.

*Free cash flow = Cash flows from operating activities + Cash flows from investing activities

(Net Cash Provided by Operating Activities)

Net cash provided by operating activities in fiscal 2009 totaled ¥35,168 million. In the previous fiscal year, net cash used by operating activities totaled ¥12,091 million. Income before income taxes and minority interests provided cash totaling ¥21,819 million, decrease in inventories provided cash totaling ¥25,211 million, and depreciation and amortization totaled ¥25,520 million. Uses of cash included an increase of ¥9,235 million in notes and accounts receivable, trade, interest paid of ¥8,222 million and a decrease in deposits from tenants of ¥5,547 million. Gain on sales of property and equipment of ¥17,628 million as a result of an asset reshuffle was deducted from cash flows from operating activities.

(Net Cash Provided by Investing Activities)

Net cash provided by investing activities totaled ¥6,695 million. In the previous fiscal year, net cash used by investing activities totaled ¥57,397 million. Sources of cash included proceeds from sales of property and equipment totaling ¥30,667 million. Uses of cash included ¥22,231 million for purchases of property and equipment.

(Net Cash Used in Financing Activities)

Net cash used in financing activities totaled ¥30,028 million. In the previous fiscal year, net cash provided by financing activities totaled ¥63,079 million. Additions to cash included proceeds from long-term borrowings of ¥42,500 million and proceeds from issuance of bonds of ¥10,966 million. Uses of cash included repayments of long-term borrowings of ¥41,979 million, a net decrease in short-term borrowings of ¥25,798 million, payments of redemption of bonds of ¥5,111 million and cash dividends paid of ¥3,949 million.

(3) Capital Policy and Dividend Policy

● Capital Policy

In fiscal 2009, the NTT Urban Development Group procured capital by borrowing from financial institutions, issuing bonds and reshuffling its portfolio to fund capital investment, equity participation, debt repayment and other financial activities.

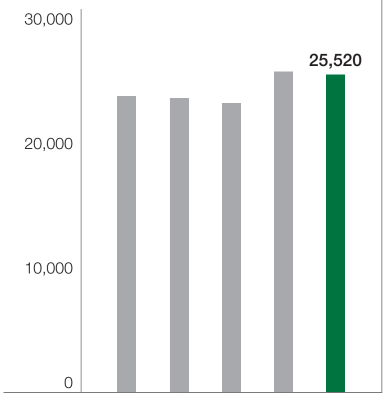
In accordance with its capital policy, the NTT Urban Development Group has acquired the ratings shown in the table below for its commercial paper (short-term debt) and corporate bonds (long-term debt) from Moody's Investors Service, Inc. and Rating and Investment Information, Inc. to support continued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

	Moody's Investors Service, Inc.	Rating and Investment Information, Inc.
Commercial paper	P-1	a-1+
Corporate bonds	Aa3	AA–

(As of June 30, 2010)

Depreciation and Amortization

(Millions of yen)



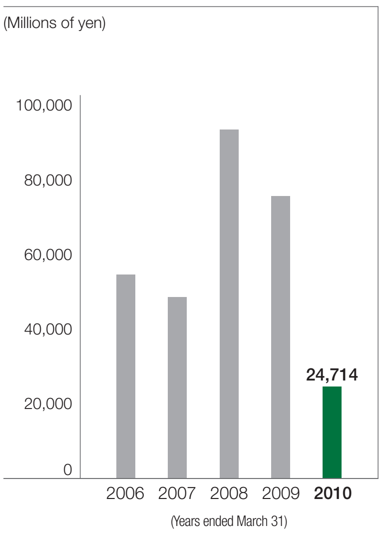
(Years ended March 31)

● **Dividend Policy**

NTT Urban Development's basic policy on the distribution of profits is to maintain adequate internal reserves to contribute to ongoing growth in corporate value and to strengthen its ability to provide stable and long-term shareholder returns 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. Based on this policy, the Company paid cash dividends totaling ¥1,200 per share for the year ended March 31, 2010.

The Company plans to pay dividends twice a year, a year-end dividend and an interim dividend, which are determined by the General Ordinary Meeting of Shareholders and the Board of Directors, respectively. The Company's articles of incorporation provide that the Board of Directors may resolve to pay an interim dividend with September 30 as the reference date.

Investment



3. Investment

The NTT Urban Development Group, comprising NTT Urban Development Corporation and its consolidated subsidiaries, focuses on expanding the revenue contributed by the leasing business by investing in the construction of new buildings, and also acquires business-use land to support business expansion.

Capital investment was as follows in fiscal 2009.

Business Segment	Year ended March 31, 2010 (Millions of yen)
Leasing	23,955
Residential property sales	4
Other	124
Subtotal	23,065
Group	626
Total	23,691

Capital investment in the leasing business consisted primarily of ¥2,381 million for the Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 (Chiyoda-ku, Tokyo), ¥1,860 million for the Urbannet Shijo-Karasuma Building (Kyoto-shi, Kyoto) with expected completion in October 2010, and ¥10,052 million for renewal.

Other investment consisted of ¥1,023 million for purchases of investment securities, resulting in total investment of ¥24,714 million.

4. Significant Management Contracts

None.

5. Operating Risks

Business and other risks affecting the NTT Urban Development Group's businesses that may have a material impact on investment decisions include, but are not limited to, the following. The Group provides this risk information to investors because it is material to investment decisions and understanding the Group's business activities. The Group manages operating risks according to its risk management regulations. The forward-looking statements included in the following reflect judgments by the Group as of June 21, 2010.

NTT Urban Development Group Risk

1) General Risk

1. Leasing Business Risk

In fiscal 2009, the leasing business accounted for 63.6% of consolidated net sales. The leasing business tends to be susceptible to changes in the operating environment. The Group therefore projects trends over the medium-to-long term in considering measures to counter decreases in rents and increases in the vacancy rate. However, a worsening supply-demand situation in the real estate market could substantially affect the operating performance of the NTT Urban Development Group by causing vacancy rates to increase and the leasing rate to decline. 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 affect the overall occupancy rate of Group properties and consequently could significantly affect revenues from real estate leased to businesses.

2. Residential Property Sales Business Risk

Deterioration of the condominium market because of intensifying competition among sellers, rising interest rates for housing loans, or a downturn in consumer sentiment caused by higher selling prices due to an increase in land prices could affect the Group's business performance in ways such as causing revenues to fall due to slower sales or inventories to increase.

3. Asset Devaluation Risk

In fiscal 2005, the Company adopted impairment loss accounting for business-use 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 adopted the "Accounting Standards for Measurement of Inventories" (Accounting Standards Board of Japan Statement No. 9, issued July 5, 2006). A substantial deterioration of the real estate market could require the Group to recognize impairment losses on properties in the leasing business and devaluation of inventory assets associated with the residential property sales business, which could impact the Group's business performance. In addition, the Group's assets include investment securities. Reduction in the value of these assets due to changes in economic conditions could cause a devaluation loss that might impact the Group's business performance.

4. Effects of Interest-Bearing Debt

As of March 31, 2010, consolidated interest-bearing debt totaled ¥496,682 million, the majority of which was procured at fixed interest rates. A significant rise in market interest rates could, therefore, affect the Group's business operations. In addition, instability in capital markets, credit limits imposed by financial institutions, the failure of financial institutions (including guarantee payments), or downgrades in the Company's debt ratings could adversely affect the Group's ability to procure capital.

(Years ended/As of March 31)

	2009	2010
Total assets (Millions of yen)	936,650	**916,725**
Interest-bearing debt (Millions of yen)	521,070	**496,682**
Interest-bearing debt / Total assets (%)	55.6	**54.2**
Net sales (Millions of yen)	144,277	**149,224**
Interest expense (Millions of yen)	7,780	**8,267**
Interest expense / Net sales (%)	5.4	**5.5**

5. Risks in Cash Flows from Operating Activities

The Group's operating cash flow tends to be susceptible to fluctuation due to land acquisition activities in the residential property sales business.

In fiscal 2009, net cash provided by operating activities was ¥35,168 million, compared to net cash used in operating activities of ¥12,091 million for fiscal 2008. Future increases in inventory assets and other factors create the potential for operating activities to use cash instead of provide it.

6. Risks Concerning Establishment of and Revisions to Real Estate-Related and Other Laws and Regulations

The Group is subject to laws and regulations related to real estate, and revisions to these laws and the establishment of new laws could impact the Group's business performance.

7. Risks Concerning Business Partner Credit

The Company makes every effort to verify the creditworthiness of its business partners before entering into business with them. However, unforeseen events may lower a business partner's creditworthiness and cause economic losses in ways such as making debts owed to the Group uncollectible, which could impact the Group's business performance.

Moreover, misconduct, financial difficulties and other problems that may interfere with the execution of work by contractors selected for construction and other projects could cause economic losses for the Group or erode the Group's credibility, which in turn could affect the Group's performance. The Group works to preclude and avoid these risks by using an internal committee established to select contractors after investigating their creditworthiness and ability to complete construction, and has established criteria for terminating contractors due to issues including failure to meet quality and delivery standards, misconduct or accidents.

2) Business Risk

1. Risks Concerning Development Project Investment Decisions

The Group invests in quality properties for future development with the objective of further raising corporate value. Every effort is made to ensure that decisions to invest in new development projects do not produce an economic loss or compromise society's trust in the Group. 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 senior management organizations. Despite careful preparation and consideration, fluctuations in demand arising from changes in the operating environment or in the real estate market can reduce the profitability of investments and could impact the Group's business performance.

2. Risks Concerning Sales Transaction and Construction Contracts

Inadequate contract documents, flawed contract stipulations, or other deficiencies in sales transaction contracts and construction contracts could produce an economic loss, or liability for damage, or loss of credibility that could impact the Group's business performance. The Group seeks to preclude and avoid such risk by using means such as detailed contract check sheets.

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

The Group regularly inspects and maintains the buildings in its leasing portfolio. However, damage to or deterioration in the buildings, or accidents resulting from the deterioration or failures of the buildings could impact the Group's business performance by increasing the financial burden associated 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.

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

Major earthquakes, floods or other natural disasters, or fires, accidents, or terrorist attacks could cause damage to, the loss of, or the deterioration of buildings in the Group's leasing portfolio, which in turn could affect the Group's business 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.

Relationship between NTT and its Group Affiliates

1) Corporate Positioning in the Business Group Centered on NTT (NTT Group)

NTT Urban Development functions as the sole comprehensive real estate company in the NTT Group while conducting its business operations independently from the NTT Group and maintaining full management responsibility. Although important issues are discussed with or reported to the parent company, NTT, the Company is not restricted or constrained in terms of independent decision making.

As of March 31, 2010, NTT held 67.3% of NTT Urban Development Corporation shares, giving NTT the voting rights of a majority shareholder as stipulated in the Corporation Law.

2) Business Connection with the NTT Group

With mutual respect in terms of independence and autonomy, NTT Urban Development and NTT entered into a contract with regard to NTT Group management and operations for the purpose of maximizing the profits of all NTT Group companies through the maximization of the NTT Group's profit. Based on this contract, the Company submits payments for Group management and operation costs. In addition, the contract provides a wide range of benefits, including consultation, permission to use the "NTT" brand, and access to Group-wide services for public relations. The use of the NTT brand name is particularly beneficial in terms of raising the Company's credibility and trustworthiness.

The Company has also entered into building leasing agreements with NTT Group companies from which the Company receives leasing revenues. Leasing rates are determined based on the same terms and conditions as leasing agreements for general tenants and decided by mutual deliberation and with reference to neighboring property rates and market prices. The Company acquires land from the NTT Group for use mainly by the residential property sales business. Acquisition prices consistent with general market transactions are decided through mutual deliberation with due regard for issues such as profitability.

Revenues from business transactions with the NTT Group in the leasing business (non-consolidated) are as follows:

**Leasing Business (Non-Consolidated)
Transactions with the NTT Group**

(Years ended March 31)

	2009	2010
Revenues in the leasing business (Millions of yen)	91,744	**90,573**
Revenues from the NTT Group (Millions of yen)	30,186	**31,191**
Revenues from the NTT Group / Leasing business (%)	32.9	**34.4**

3) Relationships with Personnel of the NTT Group

Employees from the NTT Group are treated as permanently transferred workers, not as temporarily transferred workers. As of June 21, 2010, the Company had an executive from NTT as an outside director and another as an outside auditor. The Company requested these appointments and conducts its management decisions independent of the NTT Group.

4) Preservation of the Company's Independent Status from the NTT Group

The Company conducts real estate business throughout Japan as a member of the NTT Group while conducting its business operations independently from the NTT Group and maintaining full management responsibility. The conditions described in sections 1) to 3) above are intended to preserve the Company's independence from the parent company.

6. Basic Policy on the Control of the Company

The parent company holds more than 50% of the shareholder voting rights. Therefore, the Company has not established a detailed basic policy on control of the Company and, at present, does not maintain takeover defense measures.

Consolidated Balance Sheets

As of March 31, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2010	2010
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 2, 7 and 16)	¥ 8,691	¥ 20,508	$ 220,426
Time deposits and short-term investments (Note 16)	2,223	2,223	23,893
Notes and accounts receivable, trade (Note 16)	5,167	14,403	154,805
Less allowance for doubtful receivables (Note 16)	(1)	(6)	(73)
Inventories (Notes 4 and 7)	127,830	81,593	876,967
Leased investment assets (Note 8)	488	1,799	19,337
Deferred tax assets (Note 14)	1,411	1,507	16,206
Other current assets (Note 7)	2,635	3,172	34,097
Total current assets	148,447	125,200	1,345,658
Property and equipment (Notes 7 and 12)**:**			
Buildings and structures	682,795	672,971	7,233,143
Machinery and vehicles	13,731	13,480	144,893
Tools, furniture and fixtures	13,602	13,997	150,447
Land (Note 4)	378,620	395,698	4,252,995
Leased assets (Note 8)	838	683	7,346
Construction in progress (Note 4)	9,359	6,624	71,204
Subtotal	1,098,947	1,103,456	11,860,028
Less accumulated depreciation	(353,820)	(357,586)	(3,843,363)
Property and equipment, net	745,127	745,870	8,016,665
Investments and other assets:			
Investment securities (Note 5)	16,391	17,535	188,469
Long-term prepaid expenses (Note 7)	18,920	18,410	197,880
Intangible assets (Note 7)	3,338	3,416	36,719
Deferred tax assets (Note 14)	50	332	3,569
Other assets	4,379	5,961	64,071
Less allowance for doubtful receivables	(3)	(0)	(10)
Total investments and other assets	43,075	45,654	490,698
Total assets	¥ 936,650	¥ 916,725	$ 9,853,021

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2010	2010
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current liabilities:			
Short-term debt (Notes 6 and 16)	¥ 35,793	¥ 4,999	$ 53,730
Current portion of finance lease obligations (Note 8)	179	130	1,406
Current portion of long-term debt (Notes 6, 7 and 16)	47,089	47,201	507,322
Notes and accounts payable, trade (Note 16)	9,052	6,287	67,580
Accrued income taxes (Notes 14 and 16)	611	607	6,527
Allowance for defect warranty	143	553	5,952
Other current liabilities	23,902	25,194	270,788
Total current liabilities	116,772	84,973	913,305
Long-term liabilities:			
Long-term debt (Notes 6, 7 and 16)	438,188	444,482	4,777,325
Finance lease obligations (Note 8)	257	157	1,691
Deferred tax liabilities (Note 14)	60,403	70,854	761,549
Accrued employees' retirement benefits (Note 9)	5,255	5,734	61,635
Accrued directors' and corporate auditors' retirement benefits	67	88	951
Deposits from tenants (Note 16)	97,857	92,434	993,492
Negative goodwill (Note 2)	34,032	32,234	346,464
Allowance for defect warranty	60	60	645
Other long-term liabilities	160	166	1,792
Total long-term liabilities	636,284	646,213	6,945,544
Total liabilities	753,056	731,187	7,858,849
NET ASSETS			
Shareholders' equity (Notes 10 and 22)**:**			
Common stock:			
Authorized — 10,500,000 shares			
Issued — 3,291,200 shares	48,760	48,760	524,076
Capital surplus	34,109	34,109	366,614
Retained earnings	65,103	67,270	723,031
Total shareholders' equity	147,973	150,140	1,613,721
Accumulated gains from revaluation and translation adjustments:			
Unrealized gains on available-for-sale securities, net of taxes	176	113	1,222
Foreign currency translation adjustments	—	(21)	(235)
Total accumulated gains from revaluation and translation adjustments	176	91	987
Minority interests in consolidated subsidiaries	35,443	35,305	379,464
Total net assets	183,593	185,537	1,994,172
Total liabilities and net assets	¥936,650	¥916,725	$9,853,021

Consolidated Statements of Income

For the years ended March 31, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2010	2010
Net sales (Note 2)	¥144,277	¥149,224	$1,603,878
Cost of sales (Notes 2 and 4)	104,259	115,823	1,244,878
Gross profit	40,017	33,401	359,000
Selling, general and administrative expenses (Note 11)	14,773	17,271	185,639
Operating income (Note 18)	25,244	16,129	173,361
Other income (expenses):			
Interest income	83	68	730
Interest expense	(7,780)	(8,267)	(88,860)
Amortization of negative goodwill	1,926	1,926	20,706
Equity in earnings of affiliates	66	109	1,177
Impairment loss (Notes 12, 18 and 20)	(457)	(3,086)	(33,175)
Other, net (Notes 13 and 18)	8,310	14,939	160,575
	2,149	5,689	61,153
Income before income taxes and minority interests	27,393	21,819	234,514
Income taxes (Note 14)**:**			
Current	6,547	4,247	45,657
Deferred	3,208	10,119	108,765
Total income taxes	9,755	14,367	154,422
Minority interests	1,648	1,335	14,350
Net income (Note 15)	¥ 15,989	¥ 6,116	$ 65,742

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

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2010	2010
Changes in shareholders' equity			
Common stock:			
Balance at the beginning of the year	¥ 48,760	¥ 48,760	$ 524,076
Balance at the end of the year	¥ 48,760	¥ 48,760	$ 524,076
Capital surplus:			
Balance at the beginning of the year	¥ 34,109	¥ 34,109	$ 366,614
Balance at the end of the year	¥ 34,109	¥ 34,109	$ 366,614
Retained earnings:			
Balance at the beginning of the year	¥ 53,392	¥ 65,103	$ 699,738
Net income	15,989	6,116	65,742
Cash dividends paid	(4,278)	(3,949)	(42,449)
Balance at the end of the year	¥ 65,103	¥ 67,270	$ 723,031
Total shareholders' equity	¥147,973	¥150,140	$1,613,721
Changes in revaluation and translation adjustments:			
Unrealized gains on available-for-sale securities, net of taxes			
Balance at the beginning of the year	¥ 133	¥ 176	$ 1,900
Net change during the year	43	(63)	(678)
Balance at the end of the year	¥ 176	¥ 113	$ 1,222
Foreign currency translation adjustments			
Balance at the beginning of the year	¥ —	¥ —	$ —
Net change during the year	—	(21)	(235)
Balance at the end of the year	—	(21)	(235)
Total changes in revaluation and translation adjustments	¥ 176	¥ 91	$ 987
Minority interests in consolidated subsidiaries:			
Balance at the beginning of the year	¥ 41,573	¥ 35,443	$ 380,950
Change in minority interests due to increase in consolidated subsidiaries	229	—	—
Change in minority interests due to additional acquisitions of preferred equity securities	(6,213)	—	—
Other change during the year, net	(145)	(138)	(1,486)
Balance at the end of the year	¥ 35,443	¥ 35,305	$ 379,464
Total net assets	¥183,593	¥185,537	$1,994,172

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

Consolidated Statements of Cash Flows

For the years ended March 31, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2010	2010
Operating activities:			
Income before income taxes and minority interests	¥ 27,393	¥ 21,819	$ 234,514
Adjustment for:			
Depreciation and amortization	25,762	25,520	274,293
Amortization of negative goodwill	(1,926)	(1,926)	(20,706)
Impairment loss	457	3,086	33,175
Amortization of goodwill	—	128	1,382
(Decrease) increase in allowance for doubtful receivables	(0)	2	31
Increase in accrued employees' retirement benefits	271	478	5,147
Interest and dividend income	(129)	(95)	(1,029)
Interest expense	7,780	8,267	88,860
Equity in earnings of affiliates	(66)	(109)	(1,177)
Gain on sales of property and equipment	(12,037)	(17,628)	(189,473)
Loss on disposal of property and equipment	1,892	1,389	14,929
Loss on sales of property and equipment	1,136	1,377	14,810
Increase in leased investment assets	(488)	(1,311)	(14,099)
Decrease (increase) in notes and accounts receivable, trade	842	(9,235)	(99,264)
(Increase) decrease in inventories	(12,822)	25,211	270,971
Decrease in notes and accounts payable, trade	(19,086)	(2,664)	(28,642)
Decrease in deposits from tenants	(8,586)	(5,547)	(59,628)
Other	(1,526)	(1,236)	(13,288)
Subtotal	8,864	47,525	510,806
Interest and dividends received	166	124	1,335
Interest paid	(7,758)	(8,222)	(88,381)
Income taxes paid	(13,363)	(4,258)	(45,770)
Net cash (used in) provided by operating activities	(12,091)	35,168	377,990
Investing activities:			
Purchases of property and equipment	(66,225)	(22,231)	(238,940)
Proceeds from sales of property and equipment	19,629	30,667	329,614
Purchases of investment securities	(952)	(1,023)	(10,997)
Proceeds from refund of investment securities	—	537	5,772
Additional acquisition of preferred equity securities	(8,784)	—	—
Other	(1,064)	(1,254)	(13,482)
Net cash (used in) provided by investing activities	(57,397)	6,695	71,967
Financing activities:			
Net increase (decrease) in short-term borrowings	25,798	(25,798)	(277,289)
Net decrease in commercial paper	(5)	(4,995)	(53,689)
Proceeds from long-term borrowings	76,500	42,500	456,793
Repayments of long-term borrowings	(45,190)	(41,979)	(451,201)
Proceeds from issuance of bonds	23,664	10,966	117,870
Payments of redemption of bonds	(11,611)	(5,111)	(54,941)
Repayments of long-term accounts payable	(21)	—	—
Cash dividends paid	(4,278)	(3,949)	(42,449)
Cash dividends paid to minority shareholders	(1,794)	(1,473)	(15,836)
Other	18	(186)	(2,003)
Net cash provided by (used in) financing activities	63,079	(30,028)	(322,745)
Effect of exchange rate changes on cash and cash equivalents	—	(19)	(207)
Net (decrease) increase in cash and cash equivalents	(6,409)	11,816	127,005
Cash and cash equivalents at the beginning of the year	15,101	8,691	93,421
Cash and cash equivalents at the end of the year	¥ 8,691	¥ 20,508	$ 220,426

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

Notes to Consolidated Financial Statements

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of NTT Urban Development Corporation (the "Company") and its consolidated subsidiaries are prepared on the basis of generally accepted accounting principles in Japan, which differ in certain respects from the application and disclosure requirements of the International Financial Reporting Standards, and are compiled from consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The information disclosed in the accompanying consolidated financial statements is translated from the original Japanese text and the scope and nature of the information is limited to that disclosed therein. However, certain reclassifications have been made to present the accompanying consolidated financial statements in a format that is familiar to readers outside Japan.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in Japanese yen and U.S. dollars) do not necessarily agree with the sum of the individual accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all companies controlled directly or indirectly by the Company. All significant inter-company balances and transactions have been eliminated upon consolidation. Upon acquisition of a subsidiary, all assets and liabilities are revalued to their respective fair value at the date of acquisition including the portion charged to minority interest.

Consolidated subsidiaries as of March 31, 2009 and 2010 are as follows:

2009	2010
NTT Urban Development Hokkaido BS Co.	**NTT Urban Development Hokkaido BS Co.**
Otemachi First Square Inc.	**Otemachi First Square Inc.**
Motomachi Parking Access Co., Ltd.	**Motomachi Parking Access Co., Ltd.**
Knox Twenty-One Co., Ltd.	**Knox Twenty-One Co., Ltd.**
DN Food Co., Ltd.	**DN Food Co., Ltd.**
NTT Urban Development Builservice Co.	**NTT Urban Development Builservice Co.**
NTT Urban Development West BS Co.	**NTT Urban Development West BS Co.**
NU-4 Tokumei Kumiai	**—**
UD Fund II Tokutei Mokuteki Kaisha	**—**
UDX Tokutei Mokuteki Kaisha	**UDX Tokutei Mokuteki Kaisha**
UD Fund III Tokutei Mokuteki Kaisha	**UD Fund III Tokutei Mokuteki Kaisha**
Nagasaki Shintomachi New Town Development Tokutei Mokuteki Kaisha	**Nagasaki Shintomachi New Town Development Tokutei Mokuteki Kaisha**
—	**UD EUROPE LIMITED**

The Company's acquisition of preferred equity securities resulted in UD Fund III Tokutei Mokuteki Kaisha and Nagasaki Shintomachi New Town Development Tokutei Mokuteki Kaisha becoming consolidated effective year ended March 31, 2009. The Company newly established UD EUROPE LIMITED, which became consolidated effective year ended March 31, 2010.

NU-4 Tokumei Kumiai is excluded from the consolidation effective March 31, 2010 via repayment of the Company's investments in the subsidiary, and UD Fund II Tokutei Mokuteki Kaisha is excluded from the consolidation effective March 31, 2010 due to its liquidation.

The companies over which the Company exercises significant influence in terms of operating and financial policies are included in the consolidated financial statements on an equity basis.

The affiliated companies accounted for by the equity method as of March 31, 2009 and 2010 are as follows:

2009	2010
Tokyo Opera City Building Co., Ltd.	**Tokyo Opera City Building Co., Ltd.**
DHC Tokyo Co., Ltd.	**DHC Tokyo Co., Ltd.**
Tokyo Opera City Heat Supply Co., Ltd.	**Tokyo Opera City Heat Supply Co., Ltd.**
Crossfield Management Corporation	**Crossfield Management Corporation**
Harumi Yonchome City Planning Design Co.	**Harumi Yonchome City Planning Design Co.**
—	**MOUNT STREET ADVISERS LIMITED**

The Company newly invested in MOUNT STREET ADVISERS LIMITED, which became an affiliated company accounted for by the equity method effective year ended March 31, 2010.

The balance sheet date of UD EUROPE LIMITED is December 31. Financial statements for UD EUROPE LIMITED's fiscal period are used to prepare the consolidated financial statements, and significant transactions occurring within the Company's consolidated balance sheet date are taken into account for consolidation purposes. The balance sheet date of UD Fund III Tokutei Mokuteki Kaisha is September 30. Adjusted financial statements of the consolidated subsidiary as of the Company's consolidated balance sheet date are used in the preparation of consolidated financial statements. Aside from these two consolidated subsidiaries, all consolidated subsidiaries disclosed above use a fiscal year ending March 31, the same as that of the Company.

(b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand, bank deposits that can be withdrawn at any time, and short-term investments with an original maturity of three months or less that can be easily converted to cash and are subject to an insignificant risk of change in value.

Certain debt securities with original maturities of less than three months classified as held-to-maturity securities of ¥1,100 million ($11,823 thousand) at March 31, 2010 are included in cash and cash equivalents.

(c) Inventories

Real estate inventories are basically stated at cost determined mainly by the specific identification method, but effective year ended March 31, 2009, real estate for sale and real estate projects in progress are devaluated when the profitability of inventories declines.

(d) Investment Securities

Held-to-maturity securities are stated at amortized cost (straight-line method). Marketable securities are stated at fair value adjusted for changes in unrealized gain or loss, and net of applicable income taxes whose changes are recognized directly in net assets. Non-marketable securities are stated at cost. The cost of securities sold is determined by the moving average method.

Investments in limited liability investment partnerships and similar associations are evaluated based on the most recent financial information available, and the net amounts of equity in earnings for these entities are accounted for as additions to or deductions from the carrying amounts of these investments.

(e) Accounting for the Impairment of Fixed Assets

The Company and its consolidated subsidiaries follow the accounting standard for impairment of fixed assets (the Accounting Standard for Impairment of Fixed Assets (the "Standard") and implementation guidance for the Standard (the "Guidance")). The Standard and the Guidance require that fixed assets be reviewed for impairment when events or changes in circumstance indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized in statements of income by directly reducing the carrying value of impairment assets or a group of assets to the recoverable amount (either the net selling price or the value in use, whichever is higher).

(f) Property and Equipment (excluding Leased Assets)

Property and equipment are stated at cost. Depreciation of property and equipment is calculated principally using the declining balance method; however, the straight-line method is applied to all buildings acquired subsequent to April 1998 as well as three other buildings, based on their estimated useful lives (15 to 50 years for buildings and structures, 5 to 17 years for machinery and vehicles, and 2 to 20 years for tools, furniture and fixtures). Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income when incurred.

(g) Leased Assets

Depreciation of the leased assets by the finance leases without transfer of ownership is calculated the same as owned property and equipment.

(h) Intangible Assets

Intangible assets are stated at cost. Amortization of intangible assets is calculated using the straight-line method. Capitalized software for internal use is amortized over its estimated useful life of five years.

(i) Long-term Prepaid Expenses

Amortization of long-term prepaid expenses is calculated using the straight-line method.

(j) Bond Issuance Expenses

Expenses relating to bond issuance are charged to income when incurred.

(k) Allowance for Doubtful Receivables

The Company and its consolidated subsidiaries provide for an allowance for doubtful receivables to cover estimated probable losses on collection. The allowance consists of a general reserve calculated based on the historical write-off rate of each company, and a specific reserve that is the estimated uncollectible amount with respect to identified doubtful receivables.

(l) Retirement Benefits

Accrued employee retirement benefits have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of pension plan assets as of the balance sheet dates, adjusted for unrecognized actuarial differences and unrecognized prior service costs. The retirement benefit obligation is attributed, using the straight-line method, to each period over the estimated years of service of eligible employees.

When actuarial differences are recognized, they are amortized using the straight-line method over the average remaining service period for eligible employees from the following year.

Prior service costs are amortized using the straight-line method over the estimated years of service of eligible employees from the year when cost is incurred.

Directors and corporate auditors of certain subsidiaries are entitled to lump-sum payments under their respective unfunded severance benefits plans. Provision for the indemnity for such benefits represents the estimated amounts that would be payable if all such beneficiaries were to retire on the balance sheet date.

(m) Allowance for Defect Warranty

Effective year ended March 31, 2009, the Company has provided allowance for defect warranty to cover estimated probable future indemnification in relation to its sales of residential property.

(n) Negative Goodwill

Negative goodwill is the excess of the fair value of the identifiable net assets acquired over the cost of acquisition. The Company amortizes goodwill and negative goodwill over 20 years using the straight-line method.

Negative goodwill is offset by goodwill on the consolidated balance sheets. The amounts of goodwill as of March 31, 2009 and 2010 are ¥2,570 million and ¥2,442 million ($26,249 thousand), respectively. The amounts of negative goodwill before offsetting as of March 31, 2009 and 2010 are ¥36,603 million and ¥34,677 million ($372,713 thousand), respectively.

(o) Income Taxes

Deferred income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for estimated future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets and liabilities are measured using the enacted tax rates applicable to taxable income for the years in which those temporary differences are expected to be recovered or settled.

(p) Revenue Recognition

Revenues from the sale of land and residential homes are recognized when units are delivered and accepted by customers.

Revenues from leasing land and buildings are recognized as rent accrued over the lease term. Revenues from finance lease transactions and their costs are recognized when corresponding lease payments are made by customers.

Revenues from construction contracts were recognized on the completed-contract method. Effective the year ended March 31, 2010, the percentage-of-completion method, which is estimated based on the percentage of the cost incurred to the estimated total cost, is applied to construction contracts commenced in the year ended March 31, 2010 and thereafter, if the outcome of the construction activity is deemed certain during the course of the activity by March 31, 2010, otherwise the completed-contact method is applied.

(q) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of these taxes.

(r) Derivatives

The Company and certain subsidiaries have entered into derivative transactions in order to manage certain risks arising from adverse fluctuations in interest rates. Derivative financial instruments are stated at fair value, with changes in unrealized gains or losses charged to income, except for those that meet the criteria for deferral hedge accounting in which case unrealized gains or losses are deferred as a component of net assets. Interest rate swaps that meet specific criteria are not re-measured at market value but the differences paid or received under swap agreements are recognized as interest expense or income.

(s) Appropriation of Retained Earnings

In accordance with the Corporation Law of Japan, distribution of capital surplus and retained earnings can be made at any time provided that certain conditions are met, by resolution of the shareholders or by the board of directors.

(t) Accounting Changes

In the year ended March 31, 2009, the Company and its consolidated subsidiaries adopted the new accounting standard for the measurement of inventories (the Accounting Standard for the Measurement of Inventories (Statement No. 9)). Adopting this new standard, real estate for sale and real estate projects in progress for which profitability has declined are stated at devaluated book value. As a result of this change in measurement of inventories, Operating income and Income before income taxes and minority interests decreased by ¥7,932 million for the year ended March 31, 2009.

In the year ended March 31, 2009, the Company and its consolidated subsidiaries adopted the new accounting standard for disclosure of related party transactions (the Accounting Standard for Related Party Disclosures (Statement No. 11) and Guidance on Accounting Standard for Related Party Disclosures (Guidance No. 13)). There was no impact on the disclosure of the related party transactions as a result of the adoption.

In the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted the partial amendments to accounting standard for retirement benefits (Partial Amendments to the Accounting Standard for Retirement Benefits (Part 3) (Statement No. 19)). There was no impact in Operating income and Income before income taxes and minority interests.

In the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted the new accounting standard for construction contracts and its implementation guidance (the Accounting Standard for Construction Contracts (Statement No. 15) and the Guidance on Accounting Standard for Construction Contracts (Guidance No. 18)). The Company and its consolidated subsidiaries had applied the completed-contract method with respect to revenue recognition to construction contracts until the year ended March 31, 2009. Adopting this new standard, the percentage-of-completion method, which is estimated based on the percentage of the cost incurred to the estimated total cost, is applied to construction contracts commenced in the year ended March 31, 2010 and thereafter, if the outcome of the construction activity is deemed certain during the course of the activity by March 31, 2010, otherwise the completed-contact method is applied. As a result of this change in construction contracts, Net sales increased by ¥175 million ($1,888 thousand) for the year ended March 31, 2010, while Operating income and Income before income taxes and minority interests increased by ¥41 million ($447 thousand), respectively.

(u) Reclassification

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

3. U.S. DOLLAR AMOUNTS

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, and uses the exchange rate as of March 31, 2010, which was ¥93.04 to U.S.$1. This translation should not be construed as a representation that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollars at this or any other rate of exchange.

4. INVENTORIES

Inventories as of March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	**2010**	**2010**
Real estate for sale	¥ 11,133	**¥11,767**	**$126,476**
Real estate projects in progress	116,527	**69,622**	**748,305**
Raw materials, supplies and others	169	**203**	**2,186**
Total	¥127,830	**¥81,593**	**$876,967**

Real estate projects in progress valued at ¥9,033 million and ¥19,321 million ($207,665 thousand) were transferred to property and equipment in the year ended March 31, 2009 and 2010, respectively, and property and equipment valued at ¥1,381 million was transferred to inventories in the year ended March 31, 2009, due to changes in the use of these assets.

Loss on devaluation of inventories of ¥8,695 million and ¥12,732 million ($136,855 thousand) were included in Cost of sales for the year ended March 31, 2009 and 2010, respectively.

5. SECURITIES

(a) The acquisition cost, carrying value and unrealized gains and losses of marketable available-for-sale securities as of March 31, 2009 and 2010 are as follows:

	Unrealized gains		
	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Acquisition cost:			
Equity securities	¥ 936	¥ 936	$10,062
Total	¥ 936	¥ 936	$10,062
Carrying value:			
Equity securities	¥1,234	¥1,124	$12,087
Total	¥1,234	¥1,124	$12,087
Unrealized gains:			
Equity securities	¥ 298	¥ 188	$ 2,025
Total	¥ 298	¥ 188	$ 2,025

	Unrealized losses		
	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Acquisition cost:			
Other	¥ —	¥1,924	$20,686
Total	¥ —	¥1,924	$20,686
Carrying value:			
Other	¥ —	¥1,873	$20,134
Total	¥ —	¥1,873	$20,134
Unrealized losses:			
Other	¥ —	¥ (51)	$ (552)
Total	¥ —	¥ (51)	$ (552)

Fair value is the market price on stock markets or financial instrument exchanges.
No marketable available-for-sale securities were sold in the year ended March 31, 2010.

(b) The carrying value, fair value and unrealized gains and losses of marketable held-to-maturity debt securities as of March 31, 2009 and 2010 are as follows:

	Unrealized gains		
	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Carrying value	¥4,211	¥5,309	$57,065
Fair value	¥4,322	¥5,453	$58,613
Unrealized gains	¥ 110	¥ 143	$ 1,548

	Unrealized losses		
	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Carrying value	¥ —	**¥136**	**$1,462**
Fair value	¥ —	**¥133**	**$1,432**
Unrealized losses	¥ —	**¥ (2)**	**$ (30)**

Fair value is the market price on stock markets or financial instrument exchanges.
No held-to-maturity securities were sold in the year ended March 31, 2010.

(c) The redemption schedule for securities with maturity dates as of March 31, 2009 and 2010, all of which are Japanese government bonds, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Due within one year	¥ —	**¥1,100**	**$11,823**
Due after one year and within five years	4,200	**4,200**	**45,142**
Due after five years and within ten years	—	**—**	**—**
Due after ten years	—	**136**	**1,467**
Total	¥4,200	**¥5,436**	**$58,432**

(d) The aggregate book values of securities with no available fair value as of March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Unlisted stocks	¥ 338	**¥ 338**	**$ 3,633**
Investments in limited partnerships	9,211	**8,490**	**91,253**
Other investments	2	**25**	**279**
Total	¥9,552	**¥8,854**	**$95,165**

(e) Investments in affiliates as of March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Common stock	¥1,392	**¥1,473**	**$15,841**
Total	¥1,392	**¥1,473**	**$15,841**

Unlisted stocks, investments in limited partnerships, other investments and investments in affiliates have no quoted market prices available and it is extremely difficult to determine the fair value. Therefore, fair values of these securities are not disclosed.

There were no investment securities on which impairment losses or reclassification were recognized for the year ended March 31, 2010.

6. SHORT-TERM AND LONG-TERM DEBT

Short-term debt and their weighted average interest rates as of March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars	Weighted average interest rate	
	2009	2010	2010	2009	2010
Short-term bank loans	¥25,798	**¥ —**	**$ —**	0.9%	**—**
Commercial paper	9,994	**4,999**	**53,730**	0.5%	**0.1%**
Total	¥35,793	**¥4,999**	**$53,730**		

As of March 31, 2009 and 2010, long-term debt consists of the following:

Description	Interest rate	Maturity	Millions of yen 2009	Millions of yen 2010	Thousands of U.S. dollars 2010
Unsecured bonds	1.9%	2016	¥ 19,993	¥ 19,994	$ 214,904
Unsecured bonds	2.0%	2018	19,983	19,985	214,804
Unsecured bonds	1.5%	2019	—	9,991	107,390
Secured bonds	2.1%	2013	68,570	66,958	719,679
Secured bonds	1.4%	2009	2,950	—	—
Secured bonds	1.6%	2010	796	249	2,685
Secured bonds	2.3%	2011	—	1,000	10,748
Borrowings from banks and other financial institutions:					
Secured	0.9-4.4%	2010-2022	31,689	24,327	261,468
Unsecured	0.6-2.9%	2010-2019	341,293	349,176	3,752,969
			485,277	491,683	5,284,647
Less current portion			47,089	47,201	507,322
Total			¥438,188	¥444,482	$4,777,325

The maturities of long-term debt as of March 31, 2010 are summarized as follows:

Fiscal years ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 47,201	$ 507,322
2012	68,972	741,322
2013	50,324	540,891
2014	115,165	1,237,809
2015	53,897	579,288
2016 to 2020	155,722	1,673,717
2021 and thereafter	400	4,298
Total	¥491,683	$5,284,647

7. MORTGAGED ASSETS

Mortgaged assets and corresponding debt as of March 31, 2009 and 2010 are as follows:

(a) Mortgaged assets:

	Millions of yen 2009	Millions of yen 2010	Thousands of U.S. dollars 2010
Inventories	¥ 3,138	¥ —	$ —
Buildings and structures	115,071	109,754	1,179,648
Land	13,189	13,189	141,765
Total	¥131,399	¥122,944	$1,321,413

(b) Corresponding debt secured by the above collateral:

	Millions of yen 2009	Millions of yen 2010	Thousands of U.S. dollars 2010
Current portion of long-term debt	¥ 7,362	¥ 4,722	$ 50,752
Long-term debt	24,327	19,605	210,716
Total	¥31,689	¥24,327	$261,468

Mortgaged assets and corresponding debt regarding debt with limited recourse as of March 31, 2009 and 2010 are as follows:

(a) Mortgaged assets:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Cash and cash equivalents	¥ 5,987	¥ 6,428	$ 69,092
Real estate projects in progress	1,023	1,629	17,516
Other current assets	218	247	2,666
Buildings and structures	56,838	53,891	579,227
Land	173,947	171,400	1,842,218
Other property and equipment	614	138	1,491
Intangible assets	3	1	20
Long-term prepaid expenses	343	302	3,249
Total	¥238,978	¥234,040	$2,515,479

(b) Corresponding debt secured by the above collateral:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Current portion of bonds	¥ 5,109	¥ 2,861	$ 30,756
Bonds	67,207	65,347	702,357
Total	¥72,317	¥68,208	$733,113

Debt with limited recourse corresponds to bonds issued by UDX Tokutei Mokuteki Kaisha, UD Fund III Tokutei Mokuteki Kaisha and Nagasaki Shintomachi New Town Development Tokutei Mokuteki Kaisha; repayment of debt is limited to assets of these companies such as the above-mentioned mortgaged assets.

8. LEASE TRANSACTIONS

(Finance lease transactions)

(a) Lessee — Leased assets under finance leases as of March 31, 2010 mainly consist of servers, computers (included in "Tools, furniture and fixtures") and software, all of which are used for the leasing business.

The maturities of finance lease obligations as of March 31, 2010 are summarized as follows:

Fiscal years ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥130	$1,406
2012	83	898
2013	44	474
2014	15	168
2015 and thereafter	14	151
Total	¥288	$3,097

(b) Lessor — Finance lease investments as of March 31, 2010 consist of the following:

	Millions of yen	Thousands of U.S. dollars
Current assets:		
Lease receivables portion	¥ 4,906	$ 52,734
Estimated residual value of leased assets	—	—
Interests receivable equivalent	(3,107)	(33,397)
Finance lease investments	¥ 1,799	$ 19,337

The maturities of finance lease receivables and the lease receivables portion of finance lease investments as of March 31, 2010 are summarized as follows:

	Finance lease receivables		Finance lease investments	
Fiscal years ending March 31,	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2011	¥ 204	$ 2,193	¥ 18	$ 195
2012	204	2,193	20	217
2013	204	2,193	22	241
2014	204	2,193	24	268
2015	204	2,193	27	298
2016 and thereafter	3,886	41,768	1,685	18,117

(Operating lease transactions)

(a) Lessee — The amounts of outstanding future minimum lease payments of non-cancelable operating leases as of March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	**2010**	**2010**
Due within one year	¥ 1,562	**¥ 1,475**	**$ 15,858**
Due after one year	21,657	**21,904**	**235,426**
Total	¥23,220	**¥23,379**	**$251,284**

(b) Lessor — The amounts of outstanding future minimum lease receipts of non-cancelable operating leases as of March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	**2010**	**2010**
Due within one year	¥ 9,860	**¥10,276**	**$110,452**
Due after one year	62,247	**58,347**	**627,119**
Total	¥72,107	**¥68,623**	**$737,571**

9. RETIREMENT BENEFIT PLANS

The Company and its consolidated subsidiaries have defined benefit plans for employees, consisting of corporate defined benefit pension plan, contract-type corporate pension plans and lump-sum payment plans. These plans are based on an employee's base salary, length of service, and conditions under which termination of employment occurs.

The following table sets forth the plan's funding and accrual status and amounts recognized in consolidated balance sheets as of March 31, 2009 and 2010 for defined benefit plans of the Company and its consolidated subsidiaries:

	Millions of yen		Thousands of U.S. dollars
	2009	**2010**	**2010**
Retirement benefit obligation	¥(9,076)	**¥(9,969)**	**$(107,148)**
Plan assets at fair value	4,139	**4,932**	**53,019**
Unfunded retirement benefit obligation	(4,936)	**(5,036)**	**(54,129)**
Unrecognized net actuarial gains	(318)	**(698)**	**(7,504)**
Unrecognized prior service costs	(0)	**(0)**	**(2)**
Accrued employees' retirement benefits	¥(5,255)	**¥(5,734)**	**$ (61,635)**

The components of retirement benefit expenses for the years ended March 31, 2009 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Service costs	¥ 353	**¥ 375**	**$ 4,033**
Interest costs	213	**221**	**2,382**
Expected return on plan assets	(116)	**(103)**	**(1,110)**
Amortization of net actuarial gains	(69)	**(25)**	**(270)**
Amortization of prior service costs	0	**(0)**	**(1)**
Employees' contribution	(15)	**(17)**	**(184)**
Retirement benefit expenses	¥ 366	**¥ 451**	**$ 4,850**

The assumptions used in accounting for the above plans as of March 31, 2009 and 2010 are as follows:

	2009	2010
Discount rates	2.5%	**2.5%**
Expected rate of return on assets	2.5%	**2.5%**
Amortization period of unrecognized actuarial differences	9.3~13.2 years	**9.2~13.6 years**
Amortization period of unrecognized prior service costs	11.2~11.5 years	**11.2~11.5 years**

10. SHAREHOLDERS' EQUITY

The Corporation Law provides that an amount equal to 10% of distribution of surplus (aggregate of capital surplus and retained earnings) must be appropriated as a legal reserve or as additional paid-in capital depending on which surplus is distributed, until the total of such reserve and additional paid-in capital equals 25% of common stock. The Company has appropriated retained earnings to the legal reserve in relation to the distribution of retained earnings. The legal reserve amounted to ¥3,437 million ($36,945 thousand) as of March 31, 2009 and 2010, which is included in retained earnings.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2009 and 2010 consist primarily of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Salaries, allowances and bonuses	¥4,397	**¥4,733**	**$50,871**
Outsourcing	3,025	**3,419**	**36,748**
Advertising expenses	2,350	**2,478**	**26,643**
Dues and taxes	1,310	**1,515**	**16,294**
Employees' retirement benefits	280	**333**	**3,581**
Directors' and corporate auditors' retirement benefits	22	**29**	**312**
Allowance for doubtful receivables	1	**6**	**69**

12. IMPAIRMENT LOSS ON FIXED ASSETS

The Company and its consolidated subsidiaries reviewed impairment of fixed assets for each piece of real estate. As a result, the office buildings were recognized as impaired due to a decline in profitability caused by the weak market condition. The carrying amounts of the impaired assets were reduced to the recoverable amounts, and the reduced values were recorded as "Impairment loss" which is included in "Other income (expenses)." The Company and its consolidated subsidiaries assess the recoverability of assets based on their net selling prices or values in use. Net selling prices are determined mainly by the appraisal value calculated by real estate appraisers, while values in use are calculated based on the present values of future cash flow using a 5% discount rate.

In the year ended March 31, 2009, the Company and its consolidated subsidiaries recognized impairment losses on the following groups of assets:

Description	Classification	Location	Millions of yen
Office building	Building	Takamatsu-shi, Kagawa	¥457

In the year ended March 31, 2010, the Company and its consolidated subsidiaries recognized impairment losses on the following groups of assets:

Description	Classification	Location	Millions of yen	Thousands of U.S. dollars
8 office buildings	Land / Buildings	Tachikawa-shi, Tokyo and others	¥3,086	$33,175

The impairment loss recorded in "Other income (expenses)" for the year ended March 31, 2010 consists of ¥2,462 million ($26,469 thousand) and ¥623 million ($6,706 thousand) for buildings and land, respectively.

13. OTHER INCOME (EXPENSES)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Dividend income	¥ 46	¥ 27	$ 298
Contributions received in aid of construction	92	3	34
Gain on donated fixed assets	33	4	51
Gain on sales of property and equipment	12,037	17,628	189,473
Loss on sales of property and equipment	(1,136)	(1,377)	(14,810)
Loss on disposal of property and equipment	(1,892)	(1,389)	(14,929)
Extraordinary depreciation of fixed assets	(479)	—	—
Other	(389)	43	458
Total	¥ 8,310	¥14,939	$160,575

The components of "Gain on sales of property and equipment" and "Loss on sales of property and equipment" in "Other income (expenses)" for the years ended March 31, 2009 and 2010 are as follows:

(a) Gain on sales of property and equipment

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Buildings and structures	¥ (1,280)	¥ 2,174	$ 23,372
Land	13,318	15,454	166,101
Total	¥12,037	¥17,628	$189,473

At the sales of fixed assets comprising a building with attached land, the Company offsets the gains and losses from the transactions. A net gain or loss resulted from the transactions was recorded as “Gain (Loss) on sales of property and equipment.”

(b) Loss on sales of property and equipment

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Buildings and structures	¥ (774)	¥ (649)	$ (6,980)
Land	(362)	(728)	(7,830)
Total	¥(1,136)	¥(1,377)	$(14,810)

The components of “Loss on disposal of property and equipment” in “Other income (expenses)” for the years ended March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Buildings	¥ (844)	¥ (595)	$ (6,405)
Structures	(125)	(34)	(371)
Machinery	(35)	(18)	(204)
Removal cost	(770)	(697)	(7,500)
Tools, furniture and fixtures	(116)	(41)	(449)
Total	¥(1,892)	¥(1,389)	$(14,929)

14. INCOME TAXES

Income taxes in Japan applicable to the Company and its consolidated subsidiaries consist of corporation tax, inhabitant taxes and enterprise taxes, which, in aggregate, resulted in a statutory tax rate of 40.7% in both 2009 and 2010.

The table below presents a reconciliation of the difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2009 and 2010.

	2009	2010
Statutory tax rate	40.7%	40.7%
Adjustments:		
Amortization of negative goodwill	(2.9)	(3.6)
Loss of a consolidated subsidiary (Tokutei Mokuteki Kaisha) attributable to minority interests	(2.5)	(2.7)
Valuation allowance recognized	—	31.3
Other	0.3	0.1
Effective tax rate	35.6%	65.8%

The significant components of deferred tax assets and liabilities as of March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Deferred tax assets:			
Accrued bonuses	¥ 174	¥ 184	$ 1,978
Enterprise taxes payable	116	120	1,298
Real estate acquisition taxes payable	188	314	3,384
Loss on devaluation of inventories	552	474	5,098
Loss on land devaluation	2,865	4,371	46,983
Depreciation	1,653	1,785	19,190
Accrued employees' retirement benefits	2,136	2,332	25,074
Loss on impairment of fixed assets	778	1,831	19,687
Compensation for loss	734	146	1,579
Other	1,073	915	9,836
	10,273	12,477	134,107
Less valuation allowance	—	(6,827)	(73,386)
Total	10,273	5,649	60,721
Deferred tax liabilities:			
Depreciation reserve for tax purposes	(7,935)	(11,165)	(120,004)
Unrealized gains on evaluation of newly consolidated subsidiary's assets	(60,983)	(60,775)	(653,224)
Special account for depreciation reserve for tax purposes		(2,462)	(26,470)
Other	(295)	(260)	(2,797)
Total	(69,214)	(74,664)	(802,495)
Net deferred tax assets (liabilities)	¥(58,941)	¥(69,014)	$(741,774)

15. AMOUNTS PER SHARE

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Net income	¥15,989	¥6,116	$65,742
Amounts not attributable to common stock	—	—	—
Net income attributable to common stock	¥15,989	¥6,116	$65,742
Average amount of common stock outstanding during the year	3,291,200 shares	3,291,200 shares	

	Yen		U.S. dollars
	2009	2010	2010
Basic net income per share	¥4,858.34	¥1,858.48	$19.98
Cash dividends per share	1,200	1,200	12.90

	Yen		U.S. dollars
	2009	2010	2010
Net assets per share	¥45,014.04	¥45,646.72	$490.61

Diluted net income per share is not disclosed because the Company does not have any dilutive securities. Basic net income per share was computed by dividing the net income available for distribution to shareholders of common stock by the weighted average number of shares of common stock outstanding during the year. Cash dividends per share represent cash dividends proposed by the board of directors as applicable to the respective years plus interim cash dividends paid. Net assets per share were computed by dividing net assets available for distribution to shareholders of common stock by the number of shares of common stock outstanding at the year end.

16. FINANCIAL INSTRUMENTS

In the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted the revised edition of the Accounting Standard for Financial Instruments (Statement No.10) and the Guidance on Disclosures about Fair Value of Financial Instruments (Guidance No.19).

Overview

(a) Policy for financial instruments

The Company and its subsidiaries raise funds required mainly for investment in and operation of the leasing business and residential property sales business mainly through bank borrowings and bond issuances. The Company and certain subsidiaries also raise short-term operating funds by participating in the cash management system of NTT group. When temporary cash surpluses are realized, such surpluses are invested to the cash management system. The Company and its subsidiaries use derivatives to hedge fluctuation risk of the interest rate and never use derivatives for speculative purposes.

(b) Types of financial instruments and related risks

Notes and accounts receivable, trade, is exposed to the credit risk in relation to customers. Investment securities, consisting of held-to-maturity debt securities, stocks of enterprises with which the Company has business relationships and investments in limited liability partnerships, are exposed to the credit risk in relation to issuers and the fluctuation risk of the quoted market price.

Most of the payment due of notes and accounts payable, trade is within 1 year. Short-term and long-term debts are mainly aimed to raise funds for investments and its operation, and the longest redemption period is 11 years and 10 months as of March 31, 2010. However, as some debts bearing interest at variable rates are exposed to interest rate risk, the Company and its consolidated subsidiaries utilize derivatives (interest rate swaps) as hedging instruments.

Interest rate swaps transactions are designated to hedge the interest rate risk arising from adverse fluctuation of the interest expense. Please refer to Note 2 (r), Derivatives, for the hedge accounting.

(c) Risk Management for financial instruments

(1) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the Company's accounting manual for managing credit risk of the Company and certain subsidiaries arising from trade receivables, a responsible person of each related division of the Company and certain subsidiaries monitors the condition of individual customer, manages trade receivables during the period from recognition until derecognition and takes provisional measures on receivables which have been uncollected over the certain period.

For investment securities, financial conditions of issuers (mainly customers) are periodically monitored. Taking the business relationships with issuers into account, continuance of investments is continuously reviewed for all investments other than held-to-maturity debt securities. Credit risk is hardly recognized for held-to-maturity securities because those securities consist of Japanese government bonds.

The Company's management believes that credit risk deriving from derivative transactions would be immaterial because the counterparties of such transactions are limited to banks with high credit ratings.

(2) Monitoring of market risk (the risk arising from fluctuations in interest rates)

The Company and certain subsidiaries raise funds mainly through bank borrowings bearing interest at fixed rates. For some borrowings bearing interest at variable rates, interest rate swaps transactions are utilized to reduce the risk related to adverse fluctuation of the interest expense.

For investment securities, their quoted market prices, market conditions and financial conditions of issuers are periodically monitored.

Derivative transactions are executed by the financial department of the Company with approval of the authorized person in accordance with the risk management guideline related to financial instruments which prescribe hedging items, authorized persons and limit for transaction amounts.

(3) Monitoring of liquidity risk (the risk that the Company and its subsidiaries may not be able to meet its obligations on scheduled due dates)
The Company and certain subsidiaries manage the liquidity risk by securing flexibility in liquidity with the cash flow plan prepared timely and updated by the financial department of the Company based on related reports from each relevant division and with participation in the cash management system of NTT group.

(d) Supplemental information of the fair value of financial instruments
The fair value of financial instruments is measured by the quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated using certain valuation techniques such as discounting the future cash flows. Since variable assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 17, Derivative transactions, are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

The carrying amount, fair value and its difference of financial instruments as of March 31, 2010 are as follows. Financial assets and liabilities whose fair values are extremely difficult to determine or insignificant are not included in the table below.

	Millions of yen		
Financial assets (liabilities):	Carrying amount	Fair value	Difference
Cash and cash equivalents	¥ 20,508	¥ 20,508	¥ —
Time deposits and short-term investments	2,223	2,223	—
Notes and accounts receivable, trade	14,403	14,396	(6)
Short-term debt	(4,999)	(4,999)	—
Notes and accounts payable, trade	(6,287)	(6,287)	—
Accrued income taxes	(607)	(607)	—
Long-term debt	(491,683)	(500,196)	(8,512)
Deposits from tenants	(21,127)	(20,378)	749

	Thousands of U.S. dollars		
Financial assets (liabilities):	Carrying amount	Fair value	Difference
Cash and cash equivalents	$ 220,426	$ 220,426	$ —
Time deposits and short-term investments	23,893	23,893	—
Notes and accounts receivable, trade	154,805	154,732	(73)
Short-term debt	(53,730)	(53,730)	—
Notes and accounts payable, trade	(67,580)	(67,580)	—
Accrued income taxes	(6,527)	(6,527)	—
Long-term debt	(5,284,647)	(5,376,142)	(91,495)
Deposits from tenants	(227,082)	(219,030)	8,052

Long-term debt includes its current portion.

Deposits received of ¥77,792 million ($836,124 thousand) (excluding the deposits for which the timing of return has been determined) are not included in "Deposits from tenants" because their remaining terms are not identifiable and it is extremely difficult to determine fair values.

Please refer to Note 5 and Note 17 for investment securities and derivative transactions, respectively.

(a) Measurement method of fair value of financial instruments
(Financial Assets)
Since cash and cash equivalents and time deposits and short-term investments are settled in a short period of time, their carrying amounts approximate fair value.

To Our Shareholders
Feature
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Principal Portfolio Properties
Management Systems
Financial Section
Corporate Data

Since notes and accounts receivable, trade is settled in a short period of time, their carrying amounts approximate fair value. For the accounts receivable for which allowance for doubtful receivables are specifically recorded, however, their fair values are regarded as their carrying amounts less estimated uncollectible amount (allowance).

(Financial Liabilities)
Since notes and accounts payable, trade, short-term debt and accrued income taxes are settled in a short period of time, their carrying amounts approximate fair value.

The fair value of long-term debt with a quoted market price is based on the quoted market price. The fair value of long-term debt without a market price is estimated based on the present value of the total of principal and interest discounted by their remaining term and interest rates for which the credit risk is taken into account.

The fair value of deposits from tenants is estimated based on the present value of deposits received (for which the timing of return has been determined) and guarantee deposits discounted by their remaining term and interest rates for which the credit risk is taken into account.

(b) The future redemption schedule of financial assets and liabilities with maturities as of March 31, 2010 are as follows:

	Millions of yen			
Financial assets	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
Cash and cash equivalents	**¥20,508**	¥ —	¥ —	¥ —
Time deposits and short-term investments	**2,223**	—	—	—
Notes and accounts receivable, trade	**14,403**	—	—	—

	Thousands of U.S. dollars			
Financial assets	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	Over 10 years
Cash and cash equivalents	**$220,426**	$ —	$ —	$ —
Time deposits and short-term investments	**23,893**	—	—	—
Notes and accounts receivable, trade	**154,805**	—	—	—

Please refer to Note 6 for the future redemption schedule of long-term debt.

17. DERIVATIVE TRANSACTIONS

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

Hedging items: Interest rate swap (interest expense at fixed rate – interest income at variable rate)
Hedged items: Long-term borrowings
Hedge accounting: Special matching criteria method for interest rate swap

Periodic assessment of hedge effectiveness is not performed because the special matching criteria are met for its interest rate swap transactions.

For the year ended March 31, 2009, the notional amounts and estimated fair value of outstanding derivative transactions are omitted because the hedge accounting is applied for all interest rate swap transactions.

The notional amounts of derivative transactions for the year ended March 31, 2010 are as follows. The interest rate swap transactions to which special matching criteria method is applied are treated together with the long-term borrowings which are hedged items, and the fair value of such interest rate swap is included in the fair value of the long-term borrowings.

Notional amounts: ¥10,000 million ($107,481 thousand) with due over 1 year

18. RENTAL PROPERTIES

In the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted the new accounting standard for disclosures about fair value of investment and rental property and its implementation guidance (Accounting Standard for Disclosures about Fair Value of Investment and Rental Property (Statement No. 20) and the Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property (Guidance No. 23)).

The Company and certain subsidiaries own rental properties including office buildings, commercial facilities, and residential properties in Tokyo and other cities. For the year ended March 31, 2010, operating income related to such properties amounted to ¥29,789 million ($320,179 thousand). In addition, the gain on sale, loss on sale, loss on disposal, and impairment loss of such properties amounted to ¥17,628 million ($189,473 thousand), ¥1,377 million ($14,810 thousand), ¥1,338 million ($14,391 thousand), and ¥3,086 million ($33,175 thousand), respectively.

The carrying amount, net changes during the year ended March 31, 2010, and fair value of rental properties as of March 31, 2010 are as follows:

Carrying amount:	Millions of yen	Thousands of U.S. dollars
Balance at the end of the previous year	¥ 738,999	$ 7,942,815
Net changes during the year	(1,114)	(11,978)
Balance at the end of the year	¥ 737,885	$ 7,930,837
Fair value at the end of the year	¥1,208,638	$12,990,527

The carrying amount is the acquisition cost less accumulated depreciation and impairment losses.

The components of net change in carrying amounts included increases mainly due to acquisitions in the amount of ¥4,257 million ($45,757 thousand) and decreases mainly due to sales in the amount of ¥14,552 million ($156,414 thousand).

The fair values for main properties were estimated by licensed third-party real estate appraisal agents. The fair values for the other properties were calculated using indexes which are considered to reasonably reflect market prices.

19. RELATED PARTY TRANSACTIONS

The Company has in the ordinary course of business engaged in transactions with NTT, NTT's other consolidated subsidiaries, and its affiliated companies.

Related party transactions for the year ended March 31, 2009 are as follows:

	2009	
Nature of relationship	Subsidiary of parent company	Subsidiary of parent company
Name of related party	NTT Communications Corporation	NTT Finance Corporation
Equity ownership percentage	—	(Owned) 1.0%
Description of transaction	Purchase of land for sale	Long-term borrowing
Transaction amount	¥18,110 million	¥23,000 million
Balance at year-end	—	Short-term borrowing ¥13,798 million Current portion of long-term borrowing ¥18,600 million Long-term borrowing ¥78,200 million

Related party transactions for the year ended March 31, 2010 are as follows:

	2010
Nature of relationship	**Subsidiary of parent company**
Name of related party	**NTT Finance Corporation**
Equity ownership percentage	**(Owned) 1.0%**
Description of transaction	**Long-term borrowing**
Transaction amount	**¥5,000 million ($53,740 thousand)**
Balance at year-end	**Deposit paid ¥12,029 million ($129,294 thousand)**
	Current portion of long-term borrowing ¥29,500 million ($317,068 thousand)
	Long-term borrowing ¥53,700 million ($577,171 thousand)

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

20. SEGMENT INFORMATION

The Company and its consolidated subsidiaries are primarily engaged in the real estate business. Business is principally classified into the following three segments in terms of type, nature and business market: leasing, residential property sales, and other. The leasing segment engages mainly in the leasing of building space. The residential property sales segment engages mainly in the sale of residential housing, primarily condominiums and houses. The other segment engages mainly in property management.

The business segment information for the Company and its consolidated subsidiaries for years ended March 31, 2009 and 2010 is as follows:

	Millions of yen					
	2009					
	Leasing	Residential property sales	Other	Total	Eliminations or Corporate	Consolidated
Sales and operating income:						
Sales to third parties	¥ 99,210	¥ 32,688	¥12,377	¥144,277	¥ —	¥144,277
Inter-segment sales and transfers	717	—	4,246	4,963	(4,963)	—
Total sales	99,928	32,688	16,624	149,241	(4,963)	144,277
Operating expenses	64,367	38,706	15,123	118,198	834	119,032
Operating income	¥ 35,560	¥ (6,018)	¥ 1,500	¥ 31,042	¥(5,798)	¥ 25,244
Assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:						
Total assets	¥795,286	¥133,099	¥ 7,322	¥935,707	¥ 942	¥936,650
Depreciation and amortization	25,476	8	76	25,560	201	25,762
Loss on impairment of fixed assets	457	—	—	457	—	457
Capital expenditures	63,380	0	169	63,550	1,451	65,002

	Millions of yen					
	2010					
	Leasing	Residential property sales	Other	Total	Eliminations or Corporate	Consolidated
Sales and operating income:						
Sales to third parties	¥ 97,333	¥ 41,643	¥10,247	¥149,224	¥ —	¥149,224
Inter-segment sales and transfers	758	—	4,305	5,064	(5,064)	—
Total sales	98,092	41,643	14,553	154,289	(5,064)	149,224
Operating expenses	66,570	52,142	13,194	131,907	1,187	133,095
Operating income	¥ 31,521	¥(10,498)	¥ 1,358	¥ 22,382	¥ (6,252)	¥ 16,129
Assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:						
Total assets	¥800,739	¥ 96,039	¥ 7,618	¥904,398	¥12,326	¥916,725
Depreciation and amortization	24,874	14	89	24,978	541	25,520
Loss on impairment of fixed assets	3,086	—	—	3,086	—	3,086
Capital expenditures	22,935	4	124	23,065	626	23,691

	Thousands of U.S. dollars					
	2010					
	Leasing	Residential property sales	Other	Total	Eliminations or Corporate	Consolidated
Sales and operating income:						
Sales to third parties	$1,046,148	$ 447,591	$110,139	$1,603,878	$ —	$1,603,878
Inter-segment sales and transfers	8,155	—	46,280	54,435	(54,435)	—
Total sales	1,054,303	447,591	156,419	1,658,313	(54,435)	1,603,878
Operating expenses	715,503	560,430	141,815	1,417,748	12,769	1,430,517
Operating income	$ 338,800	$ (112,839)	$ 14,604	$ 240,565	$ (67,204)	$ 173,361
Assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:						
Total assets	$8,606,406	$1,032,239	$ 81,886	$9,720,531	$132,490	$9,853,021
Depreciation and amortization	267,349	155	967	268,471	5,822	274,293
Loss on impairment of fixed assets	33,175	—	—	33,175	—	33,175
Capital expenditures	246,513	50	1,343	247,906	6,733	254,639

Operating expenses not attributable to business segments are included in Eliminations or Corporate. These amounted to ¥5,798 million and ¥6,252 million ($67,204 thousand) for the years ended March 31, 2009 and 2010, respectively.

Assets not attributable to the business segments, but included in Eliminations or Corporate, are mainly cash and cash equivalents, investment securities and assets for administration. The balances of assets not attributable to the business segments amounted to ¥6,411 million and ¥13,823 million ($148,580 thousand) as of March 31, 2009 and 2010, respectively.

Capital expenditures and depreciation include payment for long-term prepaid expenses and the related amortization expense.

As described in Note 2. (t) Accounting Changes, the Company and its consolidated subsidiaries adopted the new accounting standard for the measurement of inventories in the year ended March 31, 2009. As a result of this change in measurement, Operating income of "Residential property sales" decreased by ¥7,932 million when compared to the corresponding amount under the previous method. Additionally, the Company and its consolidated subsidiaries adopted the new accounting standard for revenue recognition of construction contracts and its implementation guidance in the year ended March 31, 2010. As a result of this new accounting standard, Operating income of "Other" increased by ¥41 million ($447 thousand) when compared to the corresponding amount under the previous method.

In the year ended March 31, 2009, assets of ¥9,033 million that had been included in "Residential property sales" were transferred to "Leasing", and assets of ¥1,381 million that had been included in "Leasing" were transferred to "Residential property sales" due to the change in use of these assets. Additionally, in the year ended March 31, 2010, assets of ¥19,321 million ($207,665 thousand) that had been included in "Residential property sales" were transferred to "Leasing. An increase in Total assets of "Leasing" segment resulted from these transfers is not included in Capital expenditures of "Leasing" segment.

For the year ended March 31, 2009, because none of the Company's consolidated subsidiaries or important branches were located outside Japan, nor did the Company engage in overseas sales, the Company had not disclosed geographic segment information regarding overseas sales.

Because sales and assets in the domestic segment constituted more than 90% of total sales and assets for the year ended March 31, 2010, geographic segment information has not been presented.

Because overseas sales constituted less than 10% of the consolidated sales for the year ended March 31, 2010, overseas sales information has not been presented.

21. LITIGATION

The Company received a claim for the return of a deposit of ¥223 million paid by a tenant, reserved for a penalty receivable on breach of a fixed period lease contract, which was cancelled because of the bankruptcy of the tenant under the Corporate Rehabilitation Law. The plaintiff submitted a discontinuance form to the Tokyo District Court on October 29, 2009, and the lawsuit was concluded after the Company submitted a consent form to the court on November 9, 2009.

22. SUBSEQUENT EVENTS

The following appropriation of retained earnings for the Company (which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2010) was approved at the general shareholders' meeting held on June 18, 2010:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥600 per share (U.S.$6.45))	¥1,974	$21,224

Independent Auditors' Report

To the Board of Directors of
NTT Urban Development Corporation:

We have audited the accompanying consolidated balance sheets of NTT Urban Development Corporation and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NTT Urban Development Corporation and subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
As discussed in the note 2(t) to the consolidated financial statements titled "Accounting Changes", effective for the year ended March 31, 2009, NTT Urban Development Corporation and its subsidiaries adopted a new accounting standard for measurement of inventories.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 18, 2010

Affiliated Companies and Branch Network

Affiliated Companies (As of March 31, 2010)

Consolidated Subsidiaries

Consolidated Subsidiaries		Capitalization (Millions of yen)	Ownership Including Voting Rights (%)	Fields of Operation
NTT Urban Development Hokkaido BS Co.	Chuo, Sapporo	50	100.0	Maintenance and management of buildings and condominiums and management of parking lots in Hokkaido area
Otemachi First Square Inc.	Chiyoda, Tokyo	50	56.5	Management and operation of Otemachi First Square
NTT Urban Development Builservice Co.	Chiyoda, Tokyo	300	100.0	Design, construction, remodeling and property management operations including the management and operation of buildings owned by NTT Urban Development in the greater Tokyo metropolitan area
Knox Twenty-One Co., Ltd.	Minato, Tokyo	24	100.0	Operation of NTT Group's convention facilities
DN Food Co., Ltd.	Chiyoda, Tokyo	40	100.0	Operation of restaurants catering to tenants of buildings owned by NTT Urban Development
NTT Urban Development West BS Co.	Chuo, Osaka	100	100.0	Design, construction, remodeling and property management operations including the management and operation of buildings owned by NTT Urban Development in the Western Japan area
Motomachi Parking Access Co., Ltd.	Naka, Hiroshima	60	58.3	Maintenance of underground passages in Hiroshima's Motomachi area
UDX Tokutei Mokuteki Kaisha	Chuo, Tokyo	14,100	66.0	Development and ownership of Akihabara UDX
UD Fund III Tokutei Mokuteki Kaisha	Chuo, Tokyo	350	100.0	Development of 1-19-2 Masui-Shinmachi, Himeji-shi and two other land lots
Nagasaki Shintomachi New Town Tokutei Mokuteki Kaisha	Minato, Tokyo	429	46.6	Development of Nagasaki Shintomachi New Town
UD EUROPE LIMITED	London, UK	(sterling pounds) 10,000,000	100.0	Investment in and management of real estate in the UK

Equity-Method Affiliates

Equity-Method Affiliates		Capitalization (Millions of yen)	Ownership Including Voting Rights (%)	Fields of Operation
Tokyo Opera City Building Co., Ltd.	Shinjuku, Tokyo	20	23.7	Management of Tokyo Opera City Building
DHC Tokyo Co., Ltd.	Minato, Tokyo	200	50.0	District heating and cooling services for Granpark
Tokyo Opera City Heat Supply Co., Ltd.	Shinjuku, Tokyo	980	36.2	District heating and cooling services for Tokyo Opera City
Crossfield Management Corporation	Chiyoda, Tokyo	10	38.0	Development and management of Akihabara Crossfield
Harumi Yonchome City Planning Design Co.	Chuo, Tokyo	18	36.1	Investigation and planning relating to the development of the Harumi 4-chome area
MOUNT STREET ADVISERS LIMITED	London, UK	(sterling pounds) 1,000	30.0	Advice on management of real estate holdings

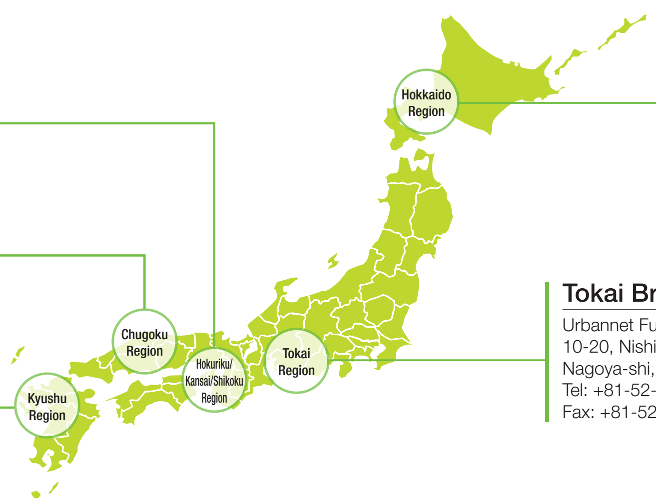
Note: UDX Tokutei Mokuteki Kaisha is a specified subsidiary.

Branch Network

Kansai Branch
UD Midousuji Building
2-15, Awajimachi 4-chome, Chuo-ku, Osaka-shi,
Osaka 541-0047, Japan
Tel: +81-6-6208-3939 Fax: +81-6-6208-3888

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

Kyushu Branch
NTT-KF Building
1-2-16, Imaizumi, Chuo-ku, Fukuoka-shi,
Fukuoka 810-0021, Japan
Tel: +81-92-731-6633 Fax: +81-92-731-0978



Hokkaido Branch
Nostel Sapporo Building
7-3, Kita 1-jo Nishi,
Chuo-ku, Sapporo-shi,
Hokkaido 060-0001, Japan
Tel: +81-11-261-6750
Fax: +81-11-261-5008

Tokai Branch
Urbannet Fushimi Building
10-20, Nishiki 1-chome, Naka-ku,
Nagoya-shi, Aichi 460-0003, Japan
Tel: +81-52-232-1011
Fax: +81-52-232-1012

History

Information on Operations		Completed Construction
• May: Formulated "NTT Urban Development Group Medium-Term Management Plan 2012" • May: Began participation in a J-REIT by acquiring investment units in Premier Investment Corporation through a third-party allotment and acquiring the shares of Premier REIT Advisors Co., Ltd. • March: Commenced operation of real estate fund "NU-6 Fund"	2010	• April: Wellith Olive Shinkoiwa, first in a line of retail complexes for seniors, completed
• November: Established a local subsidiary in London, UK and acquired an office building • March: Commenced operation of real estate fund "NU-5 Fund"	2009	• October: Wellith i-S Magome compact urban condominium completed • May: Urbannet Kotodai Building completed • April: JA Building and Keidanren Kaikan (Otemachi 1-Chome Urban Area Redevelopment Project Type 1) completed
• December: Established brand logo mark for condominium brand "WELLITH"	2008	• February: Wellith Azabu Mamiana completed
• November: Formulated "Medium-Term Management Plan 2010" • April: Commenced new graduate recruitment	2007	• October: Wellith Garden Urawa Kishimachi completed
• December: Established NTT Urban Development West BS Co. • November: Won joint bid with Mitsubishi Estate Co., Ltd., for the Osaka Station North District Phase 1 Development Area Project Blocks A and C • May: Won joint bid with ORIX Real Estate Corporation for the Osaka Station North District Phase 1 Development Area Project Block B • March: Commenced operation of real estate fund "NU-1 Fund"	2006	• March: Grand Wellith Seta completed • March: Akihabara UDX completed
• June: Announced participation in the Otemachi redevelopment project • May: Formulated Medium-term management plan, "Change & Proceed to 2007 (C&P07)"	2005	• September: Urbannet Nagoya Building completed
• November: Company shares listed on the First Section of the Tokyo Stock Exchange	2004	• October: Urbannet Sapporo Building completed • January: Quest Court Harajuku completed
	2003	• May: Urbannet Hakata Building completed • February: Grand Wellith Tetsugakudo Koen completed
• March: Formulated Long-term vision, "Change & Proceed to 2015 (C&P15)" • February: Bid on and acquired "Akihabara lots 1 and 3" in cooperation with Daibiru Corporation and Kajima Corporation	2002	
	2001	• August: Wellith Nagatsuda completed • January: Shin-Puh-Kan completed
• September: Condominium brand "WELLITH" launched • June: NTT Urban Development BuilService Co. established • April: Residential property sales business began	2000	
• April: Merger with NTT Tokai Real Estate Co., NTT Kansai Building Co., NTT Cred Co., NTT Kyushu Real Estate Co., and NTT Hokkaido Estate Co., Creation of a New Foundation for NTT Urban Development Co.	1999	
	1997	• May: Stage II of Otemachi First Square (East Tower) completed
	1996	• October: Granpark completed • July: Tokyo Opera City completed
• February: Merger with NTT Estate Co.	1995	
	1994	• April: NTT Cred Motomachi Building (Pacela) completed
• April: Merger with NTT Actif Co. and NTT Crais Co.	1993	• June: NTT Makuhari Building completed
	1992	• February: Stage I of Otemachi First Square (West Tower) completed
	1991	• January: Seavans Building completed
	1990	• June: Urbannet Otemachi Building completed
• October: Merger with NTT Building Co.	1988	• April: Harajuku Quest completed
	1987	• September: Urbannet Mita Building completed • June: Urbannet Kojimachi Building completed
• January: NTT Urban Development Co. established	1986	• Construction began on Urbannet Kojimachi Building, the Company's first building

• Leasing Business • Residential Property Sales Business

Investor Information (As of March 31, 2010)

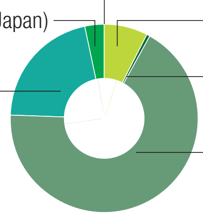
Company Information

Official Name	NTT Urban Development Corporation
Headquarters	14-1, Sotokanda 4-chome, Chiyoda-ku, Tokyo 101-0021, Japan
Established	January 21, 1986
Paid-in Capital	¥48,760 million
Employees	673 (consolidated basis)
Branches	Tokai, Kansai, Chugoku, Kyushu, Hokkaido

Share Information

Common Stock:	
Number of authorized shares	10,500,000
Number of issued and outstanding shares	3,291,200
Shareholders	15,392

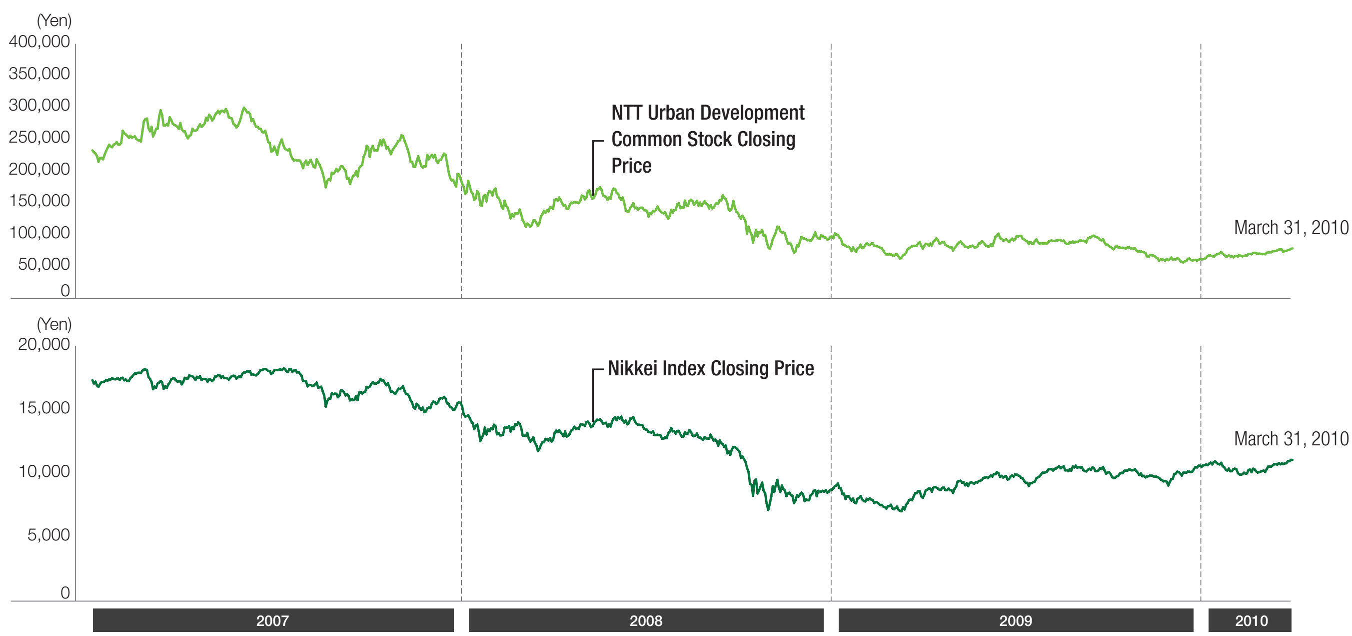
Shareholder Distribution (Percentage investment)



Principal Shareholders (Top 10)

Name of Shareholders	Number of Shares Held	Equity Position (%)
Nippon Telegraph and Telephone Corporation (NTT)	2,214,815	67.30
Japan Trustee Services Bank, Ltd. (Trust Account)	63,032	1.92
The Master Trust Bank of Japan, Ltd. (Trust Account)	60,500	1.84
THE BANK OF NEW YORK - JASDECTREATY ACCOUNT	51,270	1.56
CBNY – ORBIS SICAV	37,059	1.13
JP MORGAN CHASE BANK 380084	26,523	0.81
BNY FOR TAX TREATY JASDEC OMNIBUS NO. 2	26,327	0.80
STATE STREET BANK AND TRUST COMPANY 505225	21,360	0.65
JP MORGAN CHASE BANK 380055	17,364	0.53
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	17,040	0.52

Stock Price



NTT Urban Development Co.

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