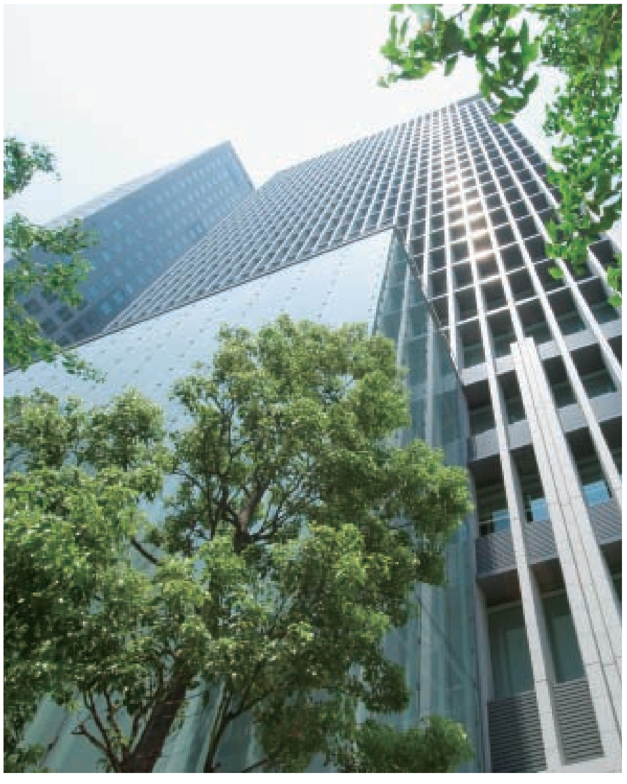
NTT Urban Development Co.

NTT Urban Development Co.
Annual Report 2011
For the year ended March 31, 2011

Growth from a Foundation of Quality

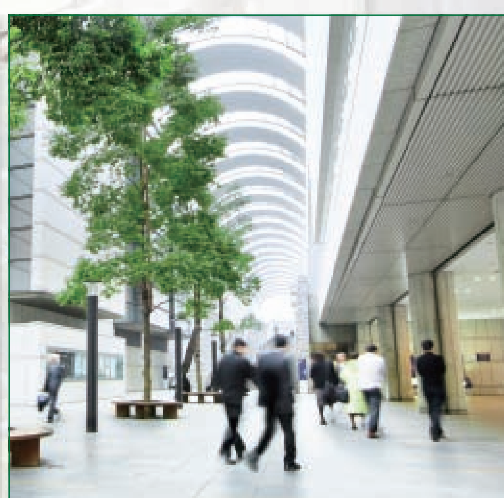


Corporate Slogan

We create harmony.

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

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.



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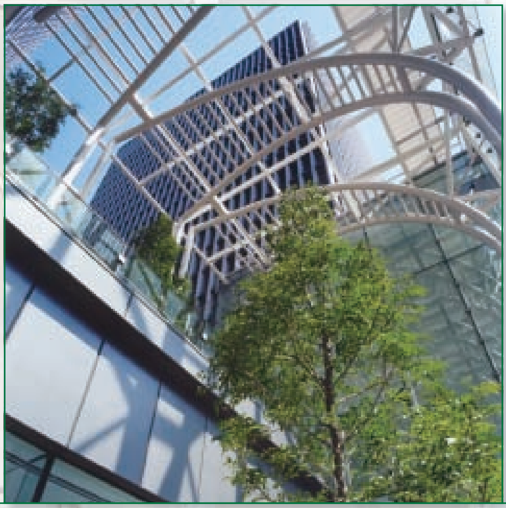


Snapshot of NTT Urban Development

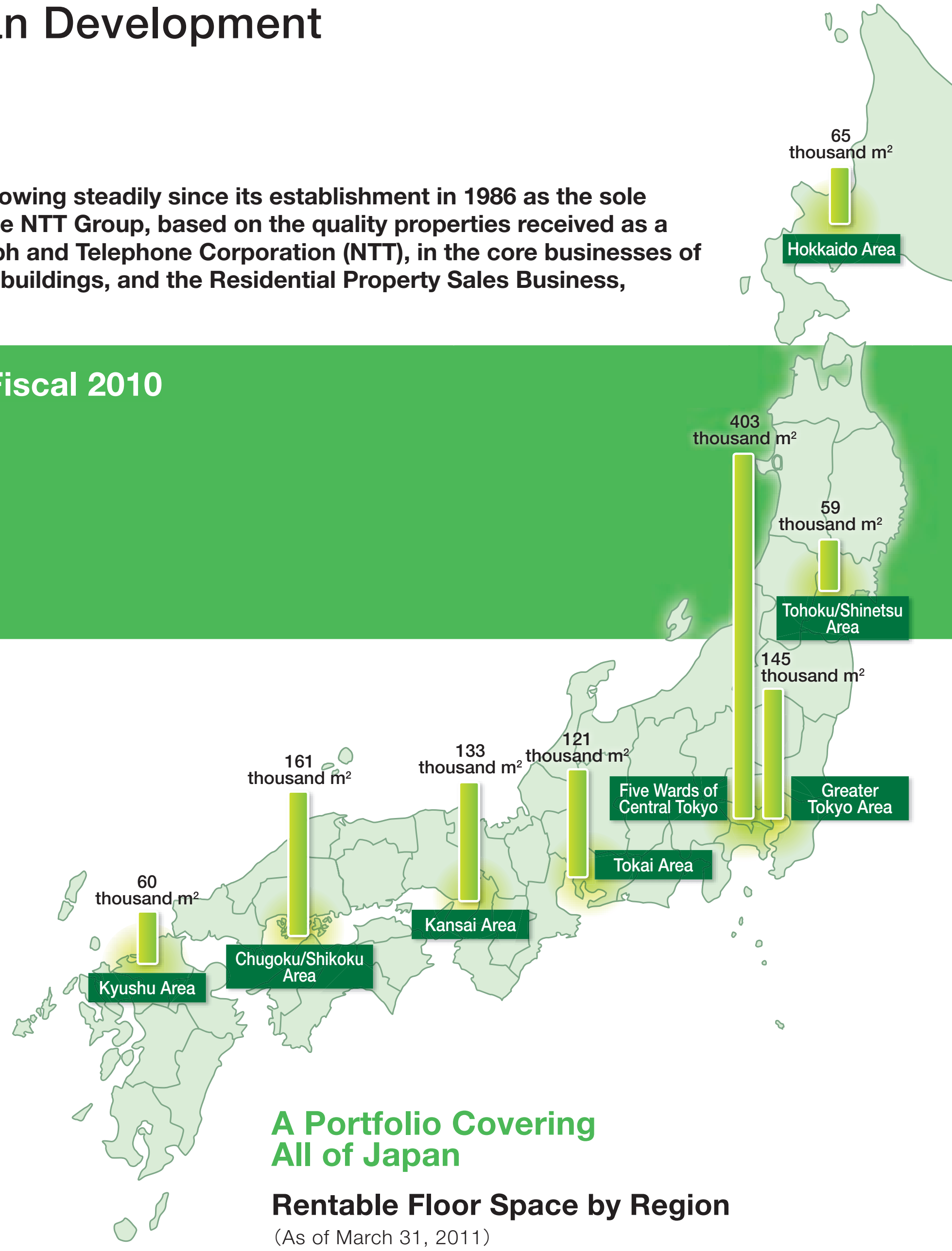
NTT Urban Development Co. has been growing steadily since its establishment in 1986 as the sole comprehensive real estate company in the NTT Group, based on the quality properties received as a capital contribution from Nippon Telegraph and Telephone Corporation (NTT), in the core businesses of the Leasing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

Percentage of Net Sales for Fiscal 2010

61.4%

Leasing Business

We develop and own office buildings, commercial facilities and other properties in major cities in Japan, mainly central Tokyo. The quality of the properties and the level of our management services are considered among the highest in the industry. The Leasing Business is our core business, accounting for more than 60% of the net sales of the NTT Urban Development Group.



A Portfolio Covering All of Japan

Rentable Floor Space by Region
(As of March 31, 2011)

Features of NTT Urban Development

Rentable Floor Space

We have been steadily adding development projects since our foundation to establish a strong revenue base centered on office buildings and commercial facilities.

1,149 thousand m²

(As of March 31, 2011)

Net Operating Income (NOI)

NOI (Property rental income – Property rental costs + Depreciation expenses (including prepaid long-term expenses)) for the Leasing Business has grown to more than ¥50 billion.

¥56.7 billion

(Year ended March 31, 2011)

27.7%

10.9%

Residential Property Sales Business

This business operates the "WELLITH" residential property brand, consisting mostly of condominiums in major metropolitan areas. Positioned as the second core business of the NTT Urban Development Group, it is steadily establishing the brand by offering high-quality housing acquired through office building development.

Other Business

Building on the synergies between the two core businesses, we operate a property management business that conducts tenant remodeling and building management, a fund business including J-REITs and a private fund, and new businesses related to real estate.

Vacancy Rate
(Five Wards of Central Tokyo)

With our superior portfolio and effective leasing activities, the vacancy rate of our properties in the five wards of central Tokyo is considerably lower than the market average.

3.6%

(As of March 31, 2011)

Long-Term Debt Ratings

The soundness of our financial position and financial management has been evaluated with ratings at a high level among domestic real estate companies.

Moody's **A1**

Rating and Investment Information, Inc. **AA-**

(As of March 31, 2011)

NTT Group

As the sole comprehensive real estate company in the NTT Group, we create a range of synergies and earn a high level of trust with the NTT brand.

NTT Group

Consolidated Financial Highlights

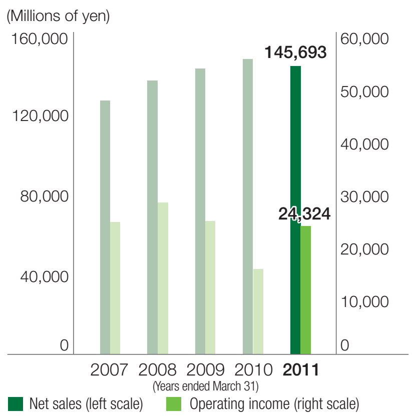
(Years ended March 31, 2009, 2010 and 2011)

- **Decrease in revenues including rental revenue from existing properties in the leasing business resulted in a 2.4% decrease in net sales from the previous year to ¥145,693 million. Operating income increased 50.8% year on year to ¥24,324 million due to factors including an improved profit margin in the residential property sales business.**
- **The net debt-to-equity (D/E) ratio was 2.45 times, an improvement of 0.1 points from a year earlier, reflecting decreased interest-bearing debt despite a year-on-year increase of ¥5,211 million in investment.**
- **Cash dividends per share were ¥1,200, unchanged from the previous fiscal year.**

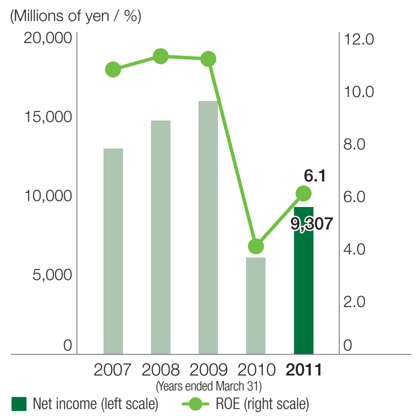
	Millions of yen			% Change
	2009	2010	**2011**	2011/2010
For the year:				
Net sales	¥144,277	¥149,224	**¥145,693**	(2.4)%
Operating income	25,244	16,129	**24,324**	50.8
Net income	15,989	6,116	**9,307**	52.2
At year-end:				
Total assets	936,650	916,725	**910,492**	(0.7)
Net assets	183,593	185,537	**190,783**	2.8
Interest-bearing debt	521,070	496,682	**487,780**	(1.8)
Management indicators:				
Net operating income (NOI)[1]	64,277	61,480	**56,722**	(7.7)
Return on equity (ROE) (%)	11.2	4.1	**6.1**	—
Equity ratio (%)	15.8	16.4	**17.1**	—
Net debt-to-equity (D/E) ratio (times)	2.78	2.55	**2.45**	—
Dividend payout ratio (%)	24.7	64.6	**42.4**	—
	Yen			% Change
Per-share data:				
Net assets[2]	¥45,014.04	¥45,646.72	**¥47,257.78**	—
Net income	4,858.34	1,858.48	**2,827.98**	—
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 assets per share = (Net assets - Share warrants - Minority interests) ÷ Number of shares outstanding at end of period

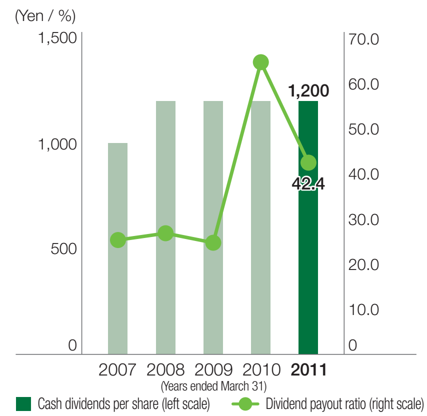
Net Sales / Operating Income



Net Income / ROE

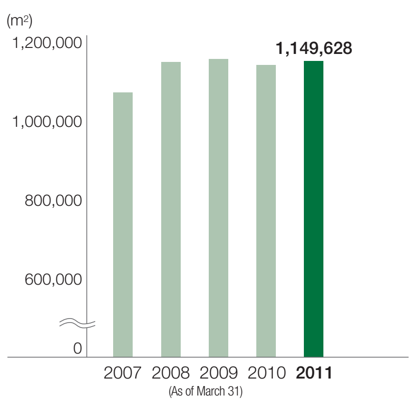


Dividends per Share / Dividend Payout Ratio

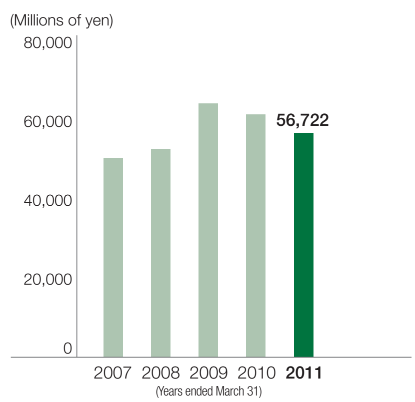


Note: On January 1, 2007, the Company completed a five-for-one stock split. Graph data for prior years have been restated accordingly.

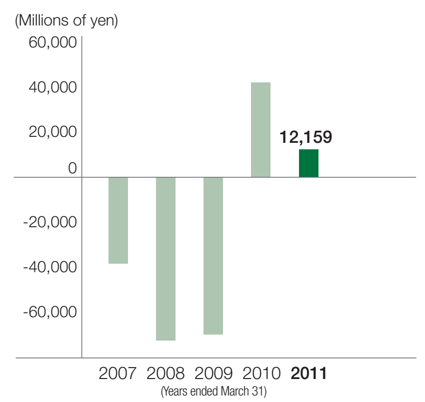
Rentable Floor Space (Offices and Commercial Facilities)



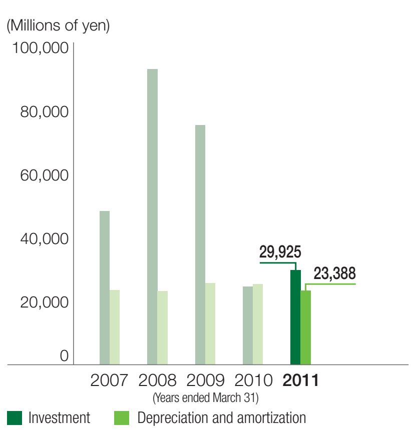
Net Operating Income (NOI)



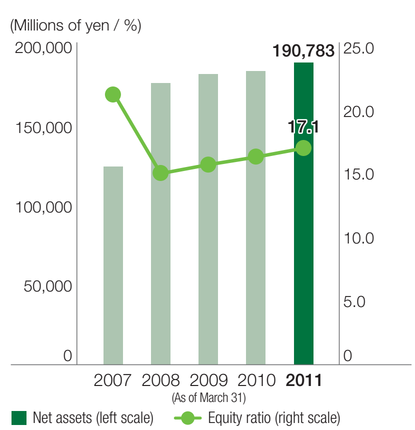
Free Cash Flow



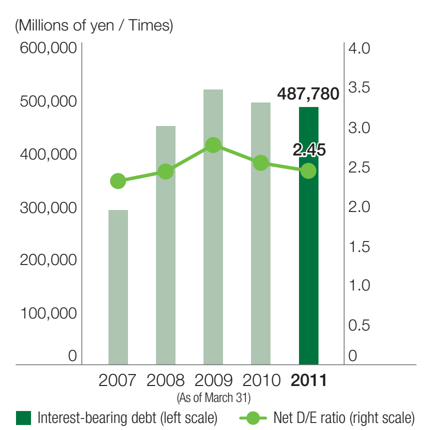
Investment / Depreciation and Amortization



Net Assets / Equity Ratio



Interest-Bearing Debt / Net D/E Ratio



An Interview with the President

We achieved results in line with our plan in fiscal 2010, the year ended March 31, 2011. While a major improvement in the operating environment appears unlikely in fiscal 2011, we are steadily carrying out the NTT Urban Development Group Medium-Term Management Plan 2012 to strengthen our earnings base for generating steady earnings and to establish a solid foundation for future growth.

Masaki Mitsumura
President and
Chief Executive Officer

Although it is hard to be optimistic, some positive signs are appearing in the real estate market environment. What is your view of the current market?

I expect any further deterioration to be limited, but I think market conditions will continue to seesaw with no major trend toward improvement in the near term.

In fiscal 2011, the Japanese economy showed some signs of a recovery, including slower falls in the industrial produce index. In the office building leasing market, average vacancy rates remained high and weak market rents persisted, but some positive signs emerged. For example, we began to see an upward trend in new lease agreements and increases in floor space at prime properties in central Tokyo. The condominium market was firm nationwide, aided by stable low mortgage rates and the effects of economic stimulus measures. Under these conditions, the Great East Japan Earthquake that struck on March 11, 2011 dampened demand and raised concerns about the indirect effects, such as higher construction costs. So the overall direction of the market became unclear.

A major improvement in the office building leasing market is unlikely in fiscal 2011, and I think market conditions will continue to seesaw. On the other hand, I believe the residential property sales market will be solid, buoyed by firm demand primarily from buyers who were born during the 1970s baby boom.

It is likely to take a while before we see an upturn in the economy or sustained growth in demand. However, we will continue working to ensure profits while keeping a close watch on market trends and the effects of the earthquake.

You have just finished the first year of the NTT Urban Development Group Medium-Term Management Plan 2012. What is your assessment of the past fiscal year, including the progress of the plan?

I am pleased with our performance for the year. We met our financial targets and achieved steady advances in our business operations.

Net sales for fiscal 2010 decreased 2.4% year on year to ¥145.6 billion, as the decline in rent levels had a substantial impact on our leasing business. Operating income, however, increased 50.8% to ¥24.3 billion and net income rose 52.2% to ¥9.3 billion due in part to improvement in the profit margin of the residential property sales business. As a result, we met the financial targets we had set at the beginning of the period. I'm also pleased that we made steady progress in our efforts to build a stable revenue base, and achieved some positive accomplishments during the year.

One of the core tenets of the NTT Urban Development Group Medium-Term Management Plan 2012 is restructuring the business base. From that standpoint, the Corporate Sales Department, which we established with the aim of strengthening leasing to raise the occupancy rate of properties we own in the leasing business, rapidly showed substantial results. We also made steady progress in large-scale development projects. Urbannet Shijo-Karasuma Building

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 Generate 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

	FY2010 (Actual) (Year ended March 31, 2011)	FY2011 (Plan) (Year ending March 31, 2012)	FY2012 (Target) (Year ending March 31, 2013)
Operating income	¥24.3 billion	¥24.5 billion	**¥26.0 billion**
Net D/E ratio[1]	2.45 times	2.42 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 Kyoto was completed in October 2010, and we commenced construction of Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1, Urbannet Kanda Building, Umekita Phase 1 Development Area Project (Grand Front Osaka), and other projects.

In the residential property sales business, the number of units delivered decreased in comparison with the previous year. However, we achieved a high level of condominium units delivered and an improved profit margin, enabling us to turn an operating profit for the year. Moreover, we acquired carefully selected condominium sites, primarily in large urban areas such as Tokyo and Osaka.

The other core tenet of the plan is pursuing growth in consideration of financial soundness. In that respect, we made significant strides in our real estate fund business. For example, we diversified our exit strategies with full-scale participation in J-REITs, and began management of the NU-7 Fund, a new real estate fund for office buildings in Tokyo. We are also steadily developing our international business, and acquired our second office building in London, U.K. in June 2011.

So overall, fiscal 2010 was a very productive year in which we achieved steady progress not only toward our financial targets, but also in business initiatives.

Some investors have voiced concerns about the indirect impact of the Great East Japan Earthquake. What is your management policy for fiscal 2011, including your understanding of the effects of the earthquake?

While it bears watching, we expect the impact of the earthquake to be limited. We plan to further raise the level of quality, one of the Group's hallmarks, and use that to increase earnings.

I will go over the leasing business first, then the residential property sales business. In the leasing business, needs for safety and security have grown in the wake of the earthquake. In fact, inquiries about relocating for safety are emerging, and I believe this trend is advantageous for our company, which owns high-quality properties.

Rebuilding a stable revenue base is our fundamental strategy in the leasing business in fiscal 2011. That strategy entails three measures. First is strengthening sales. The Corporate Sales Department will lead efforts to maintain and raise the occupancy rate, primarily by setting appropriate rents based on our forecast of market trends and by finding prospective new corporate tenants. Second, we will enhance services for existing tenants. By increasing client satisfaction with measures such as providing services emphasizing safety and security, we will improve tenant relations. The third measure will be to implement strategic renewal. Considering the shift in needs after the earthquake, we will carry out environment- and safety-conscious renewal to maintain and increase asset value.

The earthquake has also increased interest in safety and security in the residential property sales business. However, safety alone does not sell properties. What is essentially important is offering products that are better suited to buyers' needs, with safety as the major premise. Therefore, we are clearly targeting business areas and customer segments and conducting product planning tailored to each site and customer segment. In this way, I believe we can achieve differentiation by providing good residences that will maintain high asset value for a long time in addition to safety, security and high quality.

In summary, we are focusing on strengthening our revenue base through not only the toughness of our buildings but also the intangible aspect of enhancement of service elements.

The Company recently acquired its second office building in London, U.K. What direction will it take in its international business?

To maintain and expand our international business, we will continue to make carefully selected investments aimed at generating steady earnings, primarily in the U.K., where stability is high, and the Asia region, which offers attractive growth potential.

In the NTT Urban Development Group Medium-Term Management Plan 2012, which is currently in progress, the Group is pursuing growth in consideration of financial soundness. One specific strategy for this is applying the expertise developed in core businesses to new fields.

Our international business is one such field. We will make full use of our expertise from the domestic leasing business as we continue to conduct market research and other activities with a focus on the U.K., which has a high level of market stability, and the Asia/Oceania region, where further growth is expected. We will also expand and enhance earnings opportunities by broadening our business area to overseas markets based on careful risk management, with an eye to business expansion in step with the advances of the NTT Group overseas.

We recently acquired our second office building in London, U.K. following the first acquisition in autumn 2009. We decided to purchase it because the property is in a good location, the entire building is leased to a highly creditworthy enterprise, and we judged that it would be very profitable.

In the future, we will work for steady growth under the primary strategy of investing in carefully selected, superior properties.

What is the Group's policy on shareholder returns and increasing shareholder value?

In addition to our efforts to deliver stable, long-term returns to shareholders, we will increase shareholder value by steadily executing the NTT Urban Development Group Medium-Term Management Plan 2012.

Increasing shareholder value is a key management priority at NTT Urban Development. Based on a long-term approach 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 necessary to increase corporate value in the future. In accordance with this policy, for fiscal 2010 we paid interim and year-end cash dividends of ¥600 per share each, 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 such as new development projects and renewal of existing buildings. For fiscal 2011, we plan to pay cash dividends totaling ¥1,200 per share, the same as for fiscal 2010.

To increase shareholder value, we want to produce results by further strengthening our business foundation while accelerating expansion into new fields for future growth in line with the NTT Urban Development Group Medium-Term Management Plan 2012. The operating environment going forward remains unclear in some respects, but the NTT Urban Development Group will continue to work in unison to take on the challenges we have set for ourselves.

I would like to ask our shareholders and investors for their continuing support of our efforts.

Feature

Growth from a Foundation of Quality

The office building leasing market has begun to show signs of recovery, although the outlook is uncertain. However, only players who are able to develop, own and manage high-quality properties can benefit from a market recovery from the early stages. This feature looks at three aspects of the advantages and growth potential of NTT Urban Development, which maintains a high-quality management base.

Quality Development Capabilities

Development capabilities drive growth in the real estate leasing business. This section describes the high-level development skills of NTT Urban Development, which bring out the potential of land in cooperation with the NTT Group and maximize property value.

P12

Quality Portfolio

A property portfolio is the foundation of earnings. This section describes the quality of the portfolio of NTT Urban Development, which takes a unique strategy of focusing on local areas while conducting business nationwide.

P14

Quality Finances

A sound financial base supports smooth financing. This section describes the financial base of NTT Urban Development, which maintains high credit ratings by appropriately managing interest-bearing debt and investments.

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Quality Development Capabilities

Urbannet Tenjin Building

Location:	Tenjin 2-chome, Chuo-ku, Fukuoka City, Fukuoka Prefecture
Footprint:	2,358m^2
Floor space:	14,796m^2
Size:	9 floors above ground, one below
Structure:	Steel above ground and steel-reinforced concrete below
Main use:	Stores, offices, etc.
Completed:	August 2011

Development capabilities are the source of value in a real estate leasing business. NTT Urban Development has built its expertise through numerous projects. This section describes the high-level development skills of NTT Urban Development using the example of Urbannet Tenjin Building, which was completed in August 2011.

Overview of Urbannet Tenjin Building

Fukuoka is an international city that functions as the gateway to Asia, and has long been a magnet for people, goods and information. The Tenjin area is considered the heart of Fukuoka, and is the largest entertainment, shopping and office district in Kyushu. In March 2011, the Kyushu Shinkansen and Sanyo Shinkansen lines began full operation, which is expected to encourage further concentration and development of commerce and business.

Developed in this appealing area, Urbannet Tenjin Building is located on a lively block surrounded by established department stores, large commercial facilities and brand-name outlets. Government and other public offices as well as financial institutions are within walking distance, while subway lines and bus terminals are also in close proximity, making the location ideal for business needs. In addition, the adjacent Kego Park adds comfort and serenity to the local townscape, providing a richly verdant environment that is rare for a metropolitan area.

The building has nine floors above ground and one below. The lower and middle floors, which are named RESOLA Tenjin, are a commercial zone that adds to the appeal of the Tenjin area with stores that act as the center of the community and RESOLA NTT Yume-Tenjin Hall, a place for communication and interchange. The upper floors are advanced office space with an exclusive entrance. The exterior of the building has three layers, with lower floors showing the lively activities of key tenants, middle floors revealing commercial activities from slit windows, and the sophisticated upper floors wrapped in glass curtain walls. The stone exterior walls of the middle floors add an accent to the refined design. Trees planted on the terraces and front road extend the greenery from neighboring Kego Park, creating a beautiful, harmonious streetscape.

Strengths of NTT Urban Development

Collaboration with the NTT Group

As the sole comprehensive real estate company in the NTT Group, we support the real estate strategy of the entire Group, aiming to create lasting value from the assets owned by NTT Group companies while making effective use of them.

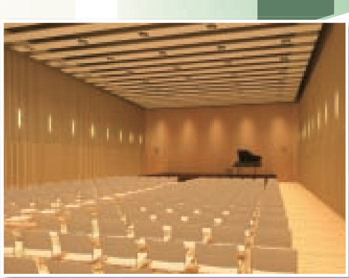
Urbannet Tenjin Building was a project that matched the needs of NTT West and NTT Communications to make effective use of their assets with our aim of developing and owning lease properties in prime locations while controlling the total invested amount. The area surrounding the development site includes NTT-T Building, NTT Tenjin Building, and other buildings owned by the NTT Group. Development from the perspective of the area, rather than the site alone, makes the area more attractive, which in turn helps to increase the value of all the assets held by the NTT Group there. We will continue to support the real estate strategy of the Group while creating new value.

Forming Project Teams to Bring Together Organizational Expertise

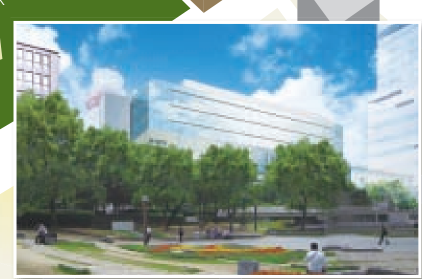
We carry out development projects by assembling cross-divisional teams to formulate the best development plans based on the location, scale and other characteristics of each project. For Urbannet Tenjin Building, three divisions from the head office and branches collaborated on the project by pooling their respective resources, including experience in executing development projects, expertise in each field, knowledge of local market and tenant trends, and relationships with local governments.

Our properties developed in this way have been highly evaluated by building tenants. The RESOLA Tenjin commercial facility will host such tenants as the world-famous brand Louis Vuitton, the first Barneys New York store in Kyushu, and Ristorante ASO, which is affiliated with a high-end Italian restaurant that has two Michelin stars.

We will continue to use our development capabilities to create added value by drawing on internal expertise as needed to formulate and implement plans that are tailored to the characteristics of each property.



Multipurpose hall with a ceiling two stories high



Neighboring Kego Park, where people enjoy relaxing

Feature

Growth from a Foundation of Quality

Quality Portfolio

Portfolio (As of March 31, 2011)

Occupancy rate: **94.3**%

NOI: **¥56.7** billion

Rentable floor space: **1,149** thousand m²

Properties built with our high-level development capabilities are located not only in greater Tokyo, but also in regional cities. This section describes the advantages of the property portfolio of NTT Urban Development created through geographical diversification and area focus.

Diversification for a Highly Risk-Resistant Portfolio

Regional Diversification

While our portfolio centers on properties in central Tokyo, overall our properties are located not only in Greater Tokyo, but also in major regional cities, spanning the entire country. The portfolio is dispersed regionally to increase our resistance to the risk of fluctuations in the office building leasing market. In fact, at the time of the so-called 2003 problem, in which a large number of new office buildings in central Tokyo in 2003 caused a spike in the vacancy rate, our stable earnings from other regions supported our performance, demonstrating the effect of risk management based on regional diversification.

We have also been able to respond to the needs of companies with a head office in Greater Tokyo that are planning to open or consolidate regional branches, as well as to demand for regional properties due to growing interest in relocation and regional diversification prompted by the Great East Japan Earthquake. This has been a considerable aid in our efforts to expand the scope of our leasing activities.

Diversification of Building Ages

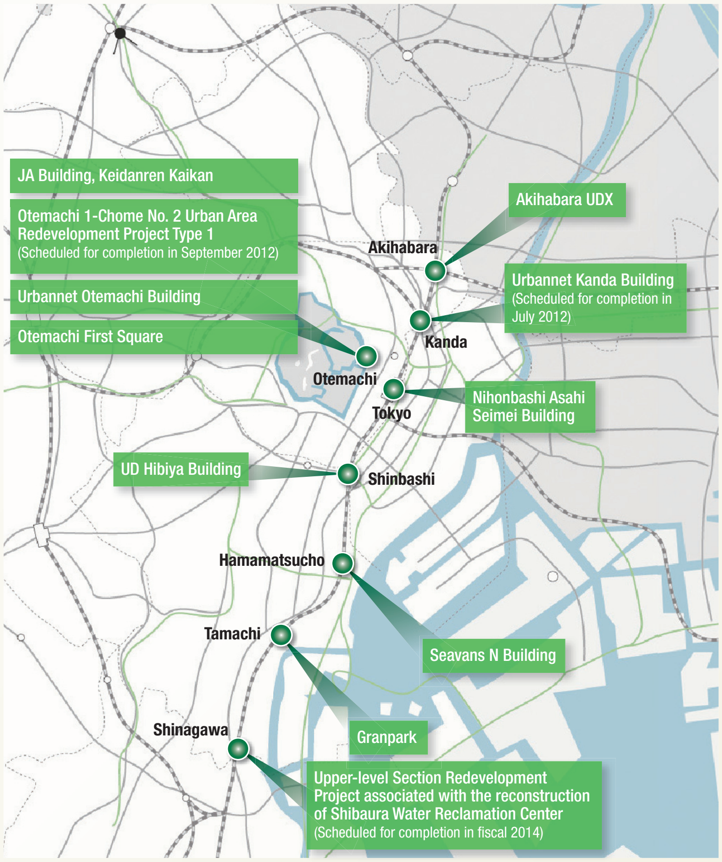
We also take care to diversify the ages of our properties. We have developed a diversified portfolio ranging from properties aged 21 years or more, which will become sites for future rebuilding or redevelopment, to those aged five years or less. This portfolio of properties with diversified ages allows scheduled renewal and rebuilding, which contributes to stable results and cash flow and provides benefits from the perspective of improving and maintaining the quality of the portfolio.

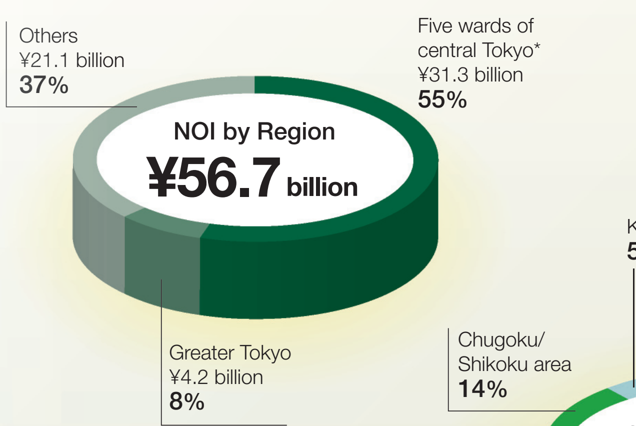
High Efficiency from Area Focus

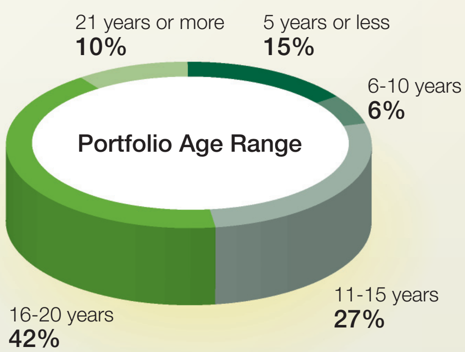
Our basic strategy is to regionally diversify our properties while narrowing our focus on areas within each region for investment. Narrowing our focus and holding multiple properties in the same area generates a high degree of synergy, such as the ability to offer neighboring properties to tenants in need of extended floor space or to efficiently renew buildings by rotating tenants in the same area.

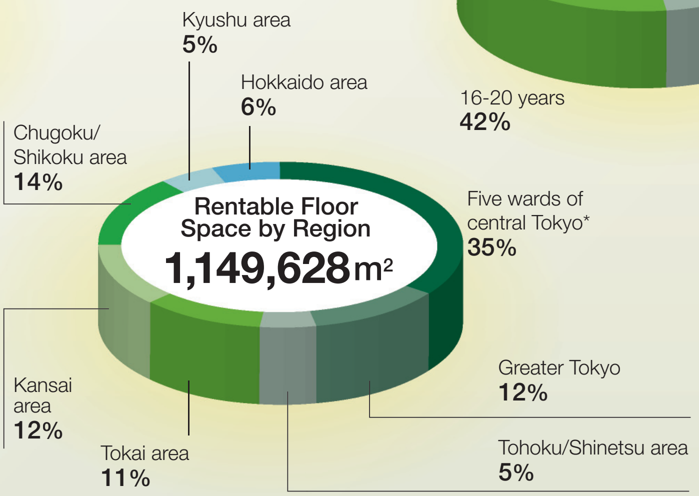
Demand for office buildings in central Tokyo is stable, and we have positioned the area along the Yamanote Line between Shinagawa and Akihabara as a priority investment area where we can expect synergy between our properties and those of the NTT Group. Properties in the area scheduled for completion include Urbannet Kanda Building in July 2012, Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 in September 2012, and Upper-level Section Redevelopment Project associated with reconstruction of Shibaura Water Reclamation Center in fiscal 2014. We plan to steadily step up our investment in this priority area and further exploit the benefits of narrowing our area focus.

Priority Investment Area in Central Tokyo









(Year ended / as of March 31, 2011)

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

Quality Finances

NTT Urban Development's credit ratings are at a high level in the domestic real estate industry. This section describes the solid financial base that helps us achieve continuous growth.

Solid Financial Base

A strong financial base is essential for a real estate leasing business to achieve sustained growth. Under the NTT Urban Development Group Medium-Term Management Plan 2012, we aim to further strengthen our financial base and have taken steps to lower interest-bearing debt by reducing inventory and reorganizing assets. As a result, our net D/E ratio has steadily improved, reaching 2.45 times as of March 31, 2011. The fair value of our rental properties as of March 31, 2011, was ¥1,180.8 billion, and unrealized gains, or the positive difference between carrying value and fair value, totaled ¥443.7 billion, demonstrating our sound financial standing.

In addition to this sound financial management and financial standing, the evaluation of the creditworthiness of the NTT Group by rating agencies has given us credit ratings at a high level in the domestic real estate industry. High ratings give us excellent advantages, including low-cost financing and flexibility in our investments for future growth.

We will continue to practice appropriate financial management, taking care to increase equity capital by securing profits and maintaining borrowings at an appropriate level. By doing so, we aim to achieve a net D/E ratio of between 2.3 times and 2.4 times by the end of fiscal 2012 (March 31, 2013), the final fiscal year of the current medium-term business plan.

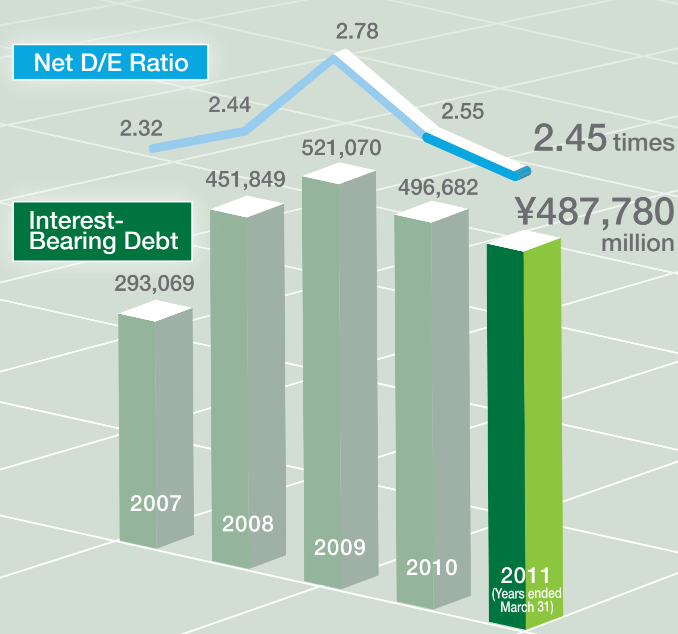
Investment Policy

Regarding investment, the basis of future growth, we will maintain our stance of investing in future growth while considering our financial soundness under our policy of "pursuing growth in consideration of financial soundness" in the current medium-term business plan. We expect investments in fiscal 2011 to be on a scale of about ¥40 billion, mainly for ongoing development projects and renewal of currently held properties.

We will continue to conduct investments to achieve sustainable growth from our strong financial base.

Moody's (Long-Term Debt Rating) **A1**

Rating and Investment Information, Inc. (Long-Term Debt Rating) **AA-**

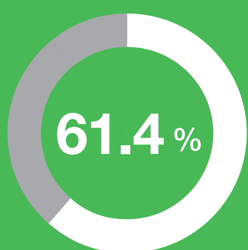


NTT Urban Development at a Glance

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

Leasing Business

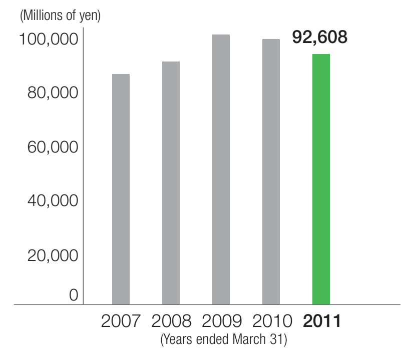
Share of Net Sales



(Year ended March 31, 2011)

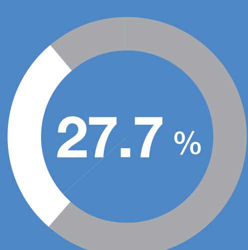
Since the foundation of NTT Urban Development, the leasing business has developed, owned and collected rental revenue from office buildings, commercial facilities, residential housing, and other properties on prime locations in Tokyo, Nagoya, Osaka, Hiroshima, Fukuoka, Sapporo, and other major cities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

Net Sales



Residential Property Sales Business

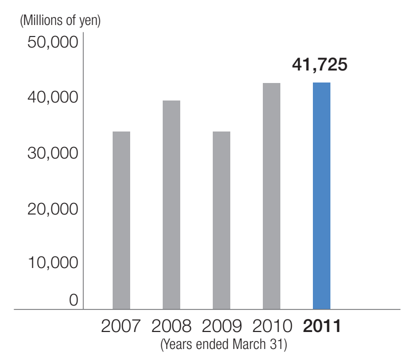
Share of Net Sales



(Year ended March 31, 2011)

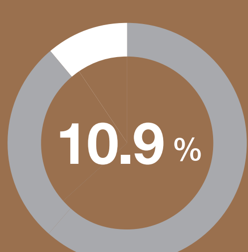
The residential property sales business was launched in 2000 and centers on development and sales of condominiums. Led by the mainstay WELLITH brand of condominiums, the business also conducts various location-driven operations, including subdivided sales of building lots and others.

Net Sales



Other Business

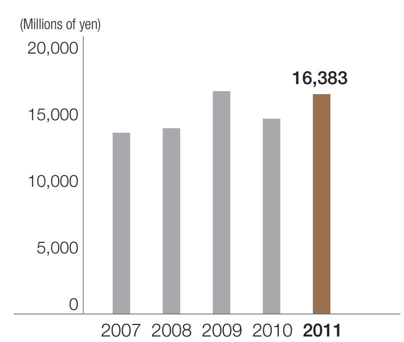
Share of Net Sales



(Year ended March 31, 2011)

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.

Net Sales



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 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.

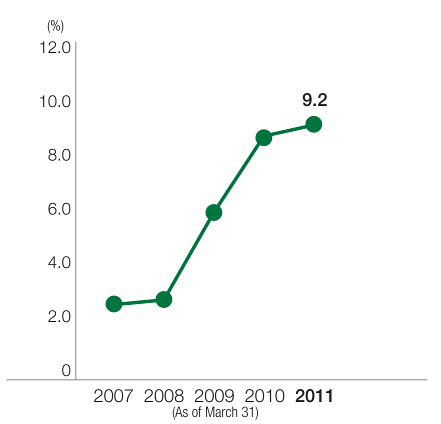
In the leasing business, we develop and own competitive office buildings, commercial facilities and other properties in the five wards of central Tokyo and other prime locations in Japan to earn leasing revenue. As a core business of NTT Urban Development and a stable earnings base, the leasing business accounted for 61.4% of the Group's total net sales in fiscal 2010, ended March 31, 2011. 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

The market vacancy rate in the five wards of central Tokyo increased from 8.8% as of March 31, 2010, to 9.2% as of March 31, 2011. The average rent per *tsubo* (approximately 3.3m^2) in the five wards of central Tokyo decreased from ¥18,264 as of March 31, 2010, to ¥17,495 as of March 31, 2011, as the market remained weak. In addition, the new supply of large office buildings is expected to increase from 2011 onward, which may worsen the balance of supply and demand.

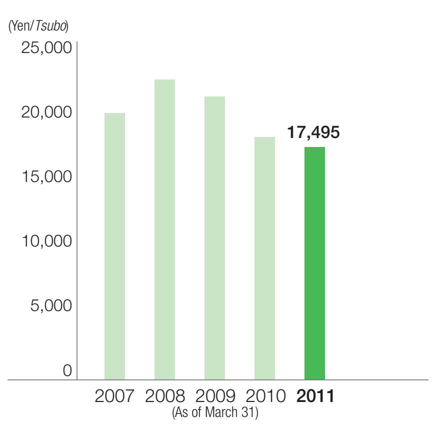
Meanwhile, signs of market recovery are beginning to appear, with new contracts and moves to increase floor space at some high-quality office buildings, and we expect these office buildings to generally maintain their current level. The effect of the Great East Japan Earthquake on the office building market in Greater Tokyo has been minor overall. Nevertheless, we recognize the need to continuously monitor any indirect effects that may arise in the future.

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



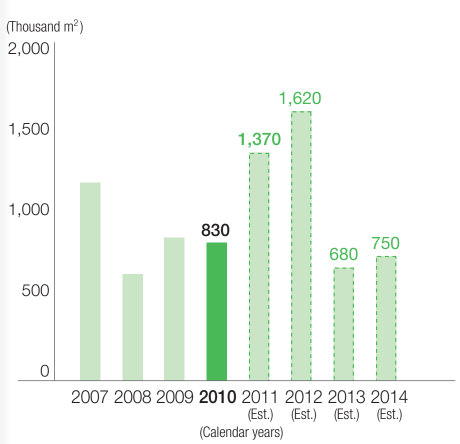
(Source: Miki Shoji Co., Ltd.)

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



(Source: Miki Shoji Co., Ltd.)

Supply of Large-Scale Offices in the 23 Wards of Tokyo



(Source: MORI TRUST Co., Ltd.)

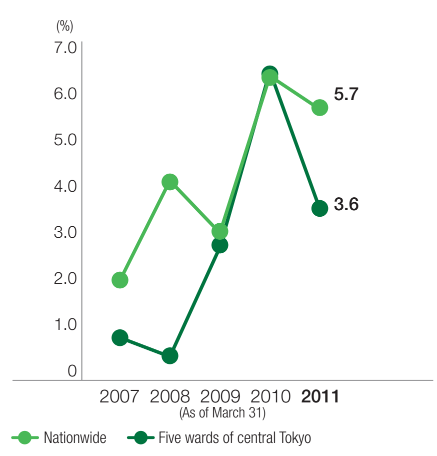
Fiscal 2010 Results

Despite rental revenue from Urbannet Shijo-Karasuma Building (Kyoto-shi, Kyoto), which was completed in fiscal 2010, Sumitomo Corporation Nagoya Building (Nagoya-shi, Aichi), which was acquired in fiscal 2010, and JA Building and Keidanren Kaikan (Chiyoda-ku, Tokyo), which were completed in fiscal 2009, a decline in rental revenue from existing properties because of lower rent levels and the effect of properties sold in fiscal 2009 resulted in decreases in both net sales and operating income.

On the other hand, although the market average vacancy rate for office buildings remains high, the average vacancy rate of office buildings held by the Group fell from 6.5% at the end of fiscal 2009 to 3.6% at the end of fiscal 2010 in the five wards of central Tokyo, and from 6.4% at the end of fiscal 2009 to 5.7% at the end of fiscal 2010 nationwide. These lower levels were due to success in maintaining existing tenants with enhancements to our leasing system and tenant relations.

As a result, fiscal 2010 net sales in the leasing business decreased 5.6% year on year to ¥92,608 million, operating income decreased 7.3% to ¥29,226 million, and the operating income margin decreased 0.5 points

Vacancy Rate (NTT Urban Development)



JA Building and Keidanren Kaikan

Urbannet Shijo-Karasuma Building


Urbannet Kanda Building


Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1

to 31.6%. Nationwide NOI for fiscal 2010 decreased 7.7% year on year to ¥56,722 million. Fair value of rental properties was ¥1,180,817 million. Unrealized gains, or the positive difference between carrying value and fair value, totaled ¥443,704 million.

New building development projects that will form our future earnings base include Urbannet Tenjin Building (Fukuoka-shi, Fukuoka), which was completed in August 2011, as well as Umekita Phase 1 Development Area Project (Grand Front Osaka) (Osaka-shi, Osaka), Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 (Chiyoda-ku, Tokyo), Urbannet Kanda Building (Chiyoda-ku, Tokyo), and Upper-level Section Redevelopment Project associated with the reconstruction of Shibaura Water Reclamation Center (Minato-ku, Tokyo), which are progressing as planned.

Future Initiatives

Going forward, our top priority is to improve the profitability of existing buildings while working to steadily execute development projects. We plan to achieve the former through three strategies: maintaining and improving occupancy rates by enhancing our sales capabilities; strengthening tenant relations by enhancing tenant services (intangibles); and maintaining and increasing asset value with investment in strategic renewal. We will carry out the latter while appropriately managing the above projects in line with our plans.

Umekita Phase 1 Development Area Project (Grand Front Osaka)

Interview with the Director in Charge

“We will accelerate the increase in occupancy rates through leasing activities with clear targets and expand the range of services in the office building leasing business to better retain existing tenants.”

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

Your top priority is to improve the profitability of existing buildings. What are some of your specific strategies?

Developments such as new contracts and moves to increase floor space that are beginning to appear in the office building leasing market are evidence of strong needs for office space in certain segments of the corporate sector.

To accurately capture this demand, we have identified blue-chip companies primarily in central Tokyo as the target of our leasing activities. We will find potential new corporate tenants for our buildings by continuously visiting the companies to collect and accumulate information on their needs for office relocation and increased space. Other proactive activities will include providing our branches throughout Japan with sales support.

We have already generated significant results from promoting these activities, including the activities of the Corporate Sales Department that was established in April 2010, which has contributed to new orders for approximately 13,000m^2 through its activities in fiscal 2010. With further improvements to our system in July 2011, we hope to continue to accelerate the signing of new contracts in order to maintain and improve occupancy rates.

I assume that the Great East Japan Earthquake increased interest in building quality. What are the advantages of the buildings owned by NTT Urban Development?

We have history of involvement in public buildings such as telephone exchanges dating back to the era of the Ministry of Communications. We also have a long tradition of insisting on safe, reliable performance that continues today. Actually, we have received some inquiries from potential tenants interested in moving into our buildings due to safety and reliability concerns after the Great East Japan Earthquake, which reconfirms that the high level of building quality is one of the Group’s strengths.

At the same time, we are aware that today’s leasing business will not survive based on the tangible aspect of building quality alone. Improving the intangible aspects of the quality of our services, such as building management, is becoming an important factor in ensuring our competitiveness. Consequently, we are working hard to improve our operations based on customer satisfaction surveys and daily tenant relations activities for better tenant retention. In addition, based on the needs that we identify and compile through our strengthened tenant relations, we will conduct strategic building renewal to maintain and improve asset value.

Development Pipeline

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.

We will complete our current medium-term management plan in the year ending March 31, 2013. During these two years, we plan to complete development projects exceeding approximately 110,000m^2 of floor space. This plan includes Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1, Umekita Phase 1 Development Area Project (Grand Front Osaka), 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.

Greater Tokyo

Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1

Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 establishes a strategic base for international business.

In the redevelopment business, we completed the first phase of 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 commenced in April 2010. Completion is scheduled for September 2012.

Main Future Development Projects

	2010	2011	2012	2013~
Greater Tokyo				
Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1	Commenced in April		To be completed in September	
Urbannet Kanda Building	Commenced in July		To be completed in July	
Upper-level Section Redevelopment Project associated with the reconstruction of Shibaura Water Reclamation Center		To be commenced in FY2011		To be completed in FY2014
Other Areas				
Umekita Phase 1 Development Area Project (Grand Front Osaka)	Commenced in March			To be completed in March
Nakasu 4-Chome Project	Commenced in April	To be completed in September		

Urbannet Kanda Building

Urbannet Kanda Building creates a new business base and a new Kanda landmark.

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 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 July 2012.

In an area with few high-rises, this 19-floor building will stand out, but its design consciously creates a link with the area and tradition. It features reduced environmental impact, highly functional offices, rental meeting rooms and a site surrounded by lush greenery. As a new landmark near the West Exit of Kanda Station, the building aims to create a space that provides a vibrant and pleasant neighborhood.

Upper-level Section Redevelopment Project associated with the reconstruction of Shibaura Water Reclamation Center

An Ecological Model Building of Japan's Highest Standards: Upper-level Section Redevelopment Project associated with the reconstruction of Shibaura Water Reclamation Center

Using joint construction methods, business and commercial buildings will be constructed as an ecological model building 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 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.

Other Areas

Umekita Phase 1 Development Area Project (Grand Front Osaka)

Umekita Phase 1 Development Area Project (Grand Front Osaka): 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.

Nakasu 4-Chome Project

Nakasu 4-Chome Project is centered on a modern urban hotel that will be a landmark of Nakasu, which has high commercial potential.

The Nakasu district in Kyushu is constantly bustling with visitors who come for business and sightseeing, and has high commercial potential. Construction for this project to build a hotel in an excellent location in the center of Nakasu started in April 2010. The project includes open space on the site to give extra room to the townscape, and is scheduled to be completed in September 2011 as a symbol of the community.

We envision this modern hotel as an urban oasis that will attract local residents as well as business people and tourists with its unique exterior designed as a community landmark and guest rooms that are insulated from noise and heat to provide spaces that relax the five senses. After completion, the entire building will be leased to Resort Solution Co., Ltd., which will operate the hotel business.

Residential Property Sales Business

Although the number of units delivered decreased compared with the previous fiscal year, an increase in unit selling prices and an improved profit margin resulted in growth in both net sales and operating income. By improving product planning with clear targets, we aim to restructure our business base to generate stable earnings.

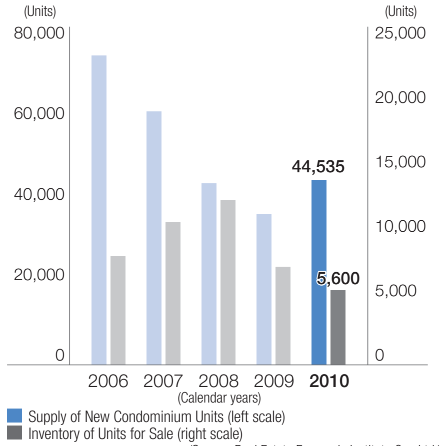
Wellith Takanawa

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, the residential property sales business accounted for 27.7% of total net sales in fiscal 2010, ended March 31, 2011. Under the theme of generating stable earnings, we aim to build the WELLITH brand and strengthen profitability.

Assessment of the Operating Environment

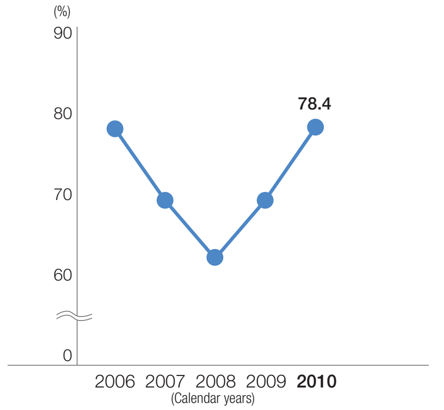
The supply of new condominiums in Greater Tokyo in calendar 2010 was 44,535 units, a significant increase from the previous year, and inventory decreased year on year to 5,600 units. Results were generally favorable, with an initial month contract rate of 78.4%, far exceeding the 70% benchmark for good sales. Although sales activities were suspended after the Great East Japan Earthquake in March 2011, the conditions generally returned to normal after April, and

Supply of New Condominiums in Greater Tokyo and Inventory of Units for Sale



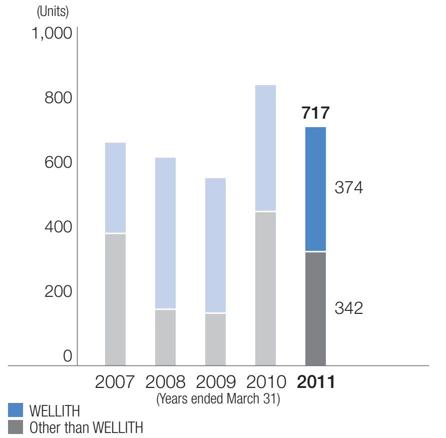
(Source: Real Estate Economic Institute Co., Ltd.)

Initial Month Contract Rate for Greater Tokyo Condominiums (Monthly Average)



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

Condominium Units Delivered (NTT Urban Development)



Note: Units are rounded down to the nearest whole number.

Wellith Takanawa

The Lions Omiya Wellith Residence

we expect that sales will continue to be stable nationwide. On the other hand, while the direct effects of the earthquake have been limited, we recognize the need to continuously monitor any indirect effects that may arise in the future.

Fiscal 2010 Results

In fiscal 2010, the residential property sales business delivered a total of 717 condominium units at seven properties completed during the fiscal year including Wellith Takanawa and The Lions Omiya Wellith Residence, as well as other properties that were completed in the prior year. Completed units in inventory as of March 31, 2011 totaled 91 units, a substantial decrease from 267 units a year earlier. We also delivered a total of 214 detached houses and building lots, including Wellith Court Honfujisawa and Common Stage Korigaoka. The number of canceled contracts due to the Great East Japan Earthquake was limited to a few, and the impact on operations was minimal.

As a result, fiscal 2010 net sales in the residential property sales business increased 0.2% year on year to ¥41,725 million, and operating income was ¥533 million, compared with an operating loss of ¥10,498 million for the previous fiscal year, as higher unit selling prices offset a decrease in units delivered.

Future Initiatives

Going forward, we focus on restructuring the business base to generate stable profits, an objective of the medium-term management plan. As a specific strategy, we will narrow our targets for business areas and customers to focus our management resources on them.

Our target areas are mainly Tokyo, Nagoya, and Osaka. Targets in Tokyo are areas with a large number of households in rented houses and company housing within 30 km or 60 minutes of the major terminal stations on the Yamanote Line. As for target customers, the main target is families with strong demand for changing their residence. We will offer them products matched to their needs.

Regarding the indirect effects of the Great East Japan Earthquake, there is a possibility that construction costs will rise, with concerns about increased steel prices and personnel expenses due to demand for recovery projects. We consult and work with construction companies while considering a range of cost control measures. In addition, we work to minimize the effect of delays in delivery due to a shortage of materials by revising work processes.

Interview with the Director in Charge

> “Under the concept that our foundation is to provide high-quality products that meet the needs of customers, we will further improve the quality of the WELLITH brand and aim to build a stable business base.”

Akitoshi Ito
Executive Director
Senior Executive Manager,
Residential Development Department

How do you view the competitive advantages of the WELLITH brand, given that its scale is not particularly large?

I believe that the competitive advantages of our WELLITH condominium brand are that it belongs to the NTT Group and its high quality.

In addition to the reliability the NTT brand has built up in the telecommunications business, I take pride in our results in continuously providing safe and secure, high-quality residences.

Besides the safety, security and high quality of the condominiums we offer, we believe that our properties should be quality residences that maintain their high asset value for a long time. Under this concept, we have specified the quality standards to be maintained in the basic performance of condominium buildings and facilities as our “core specs.” For specifications on features that maintain asset value into the future, we have defined more than 50 items in six categories, including “safety and security” and “permanence” as the WELLITH CODE, which is applied to each project.

In this way, by creating high-quality residences that maintain their asset value over the long term to provide a home that spans generations, we believe that continuing to create places that contribute to the quality of life of our customers will lead to the development of a stable business base. We will pursue further improvements in quality.

WELLITH

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.

WELLITH CODE

There is a reason for the comfort.

We at NTT Urban Development have developed a common language for creation in order to materialize the WELLITH brand concept, “sensible quality,” and aim to create a place for quality of life. We call it the WELLITH CODE.

The WELLITH CODE articulates more than 50 items of commitment, detailed work and thoughtfulness in six categories including “safety and security,” “create of landscape,” and “comfortability.”

The comfort can only be felt by customers when they live there.

Hoping that the customers will be happy in their home, we will comply with the WELLITH CODE carefully and faithfully as we promote its evolution.

Other Business

Despite increased revenue from remodeling work for a large-scale tenant, costs and expenses increased substantially, resulting in a decline in operating income. Following the start of our participation in J-REITs, we established the NU-7 Fund to steadily strengthen our earnings base.

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 2010 Results and Future Initiatives

Net sales in the other business in fiscal 2010 increased 12.6% year on year to ¥16,383 million due to remodeling work for a large-scale tenant in addition to stable revenue from building management. However, operating income decreased 10.8% to ¥1,212 million because of the substantial impact of increased operating expenses.

We aim to steadily increase floor space under management while energetically undertaking office remodeling and other work at the request of tenants. In addition, in the growing fund business, we will aim to increase fees from asset management and property management through the contribution of the NU-7 Fund established in March 2011 and participation in a J-REIT from May 2010.

Acquisition of Second Office Building in London, U.K.

In June 2011, NTT Urban Development acquired the office building located at 1 King William Street in London, U.K. through local company UD EUROPE LIMITED. This property is located in the City of London, the central district of London, home to a large number of banks, insurance companies, and other financial institutions, including the stock exchange. The favorable location is close to Bank Station and the Bank of England.

This acquisition is the second following another office building acquired in London in October 2009. London's real estate market is mature and highly stable, and we believe the benefits of holding multiple properties in one area include a better understanding of area characteristics and the market, enabling more effective asset management. We will continue to make investments to generate stable earnings as we steadily promote and expand our international business.

Principal Portfolio Properties

Office Buildings

Many of NTT Urban Development's properties are in prime locations suitable to conducting business. 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 complementing the creative atmosphere of business.

Photo by Nacasa & Partners

Photo by Kaneaki Monma

Photo by Kawasumi Architectural Photograph Office

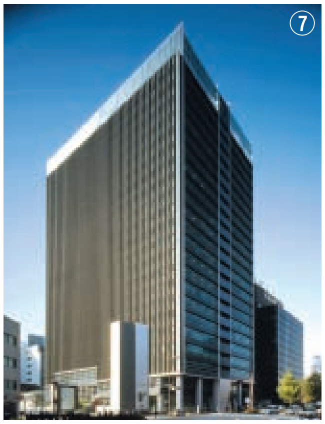


Photo by Kurumata Photography Office

Residential Properties

In the Residential Property Sales Business, NTT Urban Development offers the residential property brand "WELLITH," developed based on the concept of "Living together in comfort." The objective is to create locations for abundant lifestyles by building quality dwellings with high asset value.

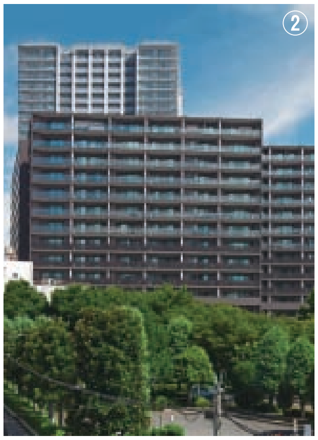


Photo by Kokyu Miwa Architectural Photography

Photo by Forward Stroke

① 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: 6,236m^2; Floor space: 54,284m^2 (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)

② 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 m^2 (Total of Nikkei Building, JA Building and Keidanren Kaikan)
- Completed: April 2009

JA Building
- Floor space: 88,400m^2
- Size: 37 floors above ground, three below

Keidanren Kaikan
- Floor space: 71,200m^2
- Size: 23 floors above ground, four below

③ Urbannet Otemachi Building

A base for business on the global stage, featuring 3,250m^2 of pillar-free floor space on each floor

- Location: Chiyoda-ku, Tokyo
- Footprint: 9,361m^2; Floor space: 117,618m^2
- 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

④ 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: 3,831m^2 (Portion owned by NTT Urban Development); Floor space: 33,086m^2 (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

⑤ 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: 13,144m^2; Floor space: 78,488m^2
- 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)

⑥ 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: 40,602m^2; Floor space: 170,499m^2
- Size: 26 floors above ground, one below
- Completed: June 1993
- Awards: '94 Intelligent Awards (Merit Award)

⑦ 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]m^2; Floor space: 75,047m^2
- 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

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

⑧ Akihabara UDX

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

- Location: Chiyoda-ku, Tokyo
- Footprint: 11,547m^2; Floor space: 155,629m^2
- 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)

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

① Wellith Takanawa

- Location: Minato-ku, Tokyo
- Size: 51 residences
- Completed: August 2010

② The Lions Omiya Wellith Residence

- Location: Saitama-shi, Saitama
- Size: 279 residences
- Completed: August 2010

③ Brillia Wellith Bunkyo Sendagi

- Location: Bunkyo-ku, Tokyo
- Size: 108 residences
- Completed: March 2011

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

Ensuring the Safety of the Community

To prepare for emergencies, we take disaster prevention and security measures on a daily basis in cooperation with the fire department and district and community groups. We aim to ensure the safety of our tenants and residents in surrounding areas.

In January 2011, 3,200 people from the area around Akihabara UDX, a property of NTT Urban Development, participated in an emergency drill assuming persons stranded in Chiyoda Ward following an earthquake with its epicenter in Tokyo that disrupted public transportation. We joined the executive committee of the event as a member of the Akihabara Station neighbor community support group. This event involved 350 participants from Akihabara UDX, including property tenants, and improved awareness of the need for disaster prevention and the need to examine and confirm preparation for disasters.

After the Great East Japan Earthquake struck on March 11, 2011, the commercial space and bathroom facilities of Akihabara UDX were made available to people who were stranded when public transportation stopped.

As a member of the local community, NTT Urban Development aims to work with residents in building better living spaces and to maintain safety and security.

Emergency drill for stranded commuters in Chiyoda Ward

Harmony between Living Places and the Environment

Rooftop Greenery

The heat island phenomenon in cities is one of the environmental problems that NTT Urban Development aims to alleviate. At Urbannet Mita Building (Minato-ku, Tokyo), Urbannet Kaminagoya Building (Nagoya-shi, Aichi), and NTT Cred

Rooftop greening activities at Urbannet Mita Building

Motomachi Building (Hiroshima-shi, Hiroshima) we have been continuously working since 2006 to add rooftop greenery by raising sweet potatoes with an aero-hydroponic system* and other activities.

At Urbannet Mita Building, wall greening using bitter melon plants began in fiscal 2009 in addition to the cultivation of sweet potatoes, followed by the addition of beekeeping activities in fiscal 2010 to help preserve biodiversity. Pollination of the bitter melons by the honey-bees on the rooftop has been observed, thus contributing not only to reducing the heat island effect, but also to maintaining biodiversity.

Our staff members are joined by building tenants and local children in planting sweet potato slips and in the autumn harvest festival.

Through this series of activities, we work to raise employee awareness of environmental issues and to further improve communication with tenants and the local community.

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

Harmony between Employees and Society

Social Contribution Activities

The entire NTT Urban Development Group participates in the Ecocap Movement. This campaign involves collecting plastic bottle caps, selling them to a recycling company and donating the proceeds to help fund vaccines for children around the world. We collected 44,000 caps through July 2011 – enough to pay for vaccines for 55 children.

We will continue to conduct initiatives linked to coexistence with local communities and the growth of each of our employees in order to contribute to building an affluent society.

Ecocap collection boxes are set up in our offices

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.

Harmony with Our Investors

Establishment of Disclosure Policy

To make fair and impartial information disclosure and to help investors make appropriate decisions about their investments in the Group, we have established a disclosure policy that clearly sets forth our position on disclosing Company information.

Posting of IR Information on Our Website

In addition to operating results, timely disclosure reports, annual securities reports and other information, we make available on our website presentation materials used at briefings, videos of presentations, and an IR event calendar. We also promptly publish English versions of various materials and IR news to provide our overseas investors with timely information.

Regular Briefings for Analysts and Investors

We hold briefings for analysts and investors when announcing interim and year-end operating results and telephone conferences for the announcement of first and third quarter results. Through these briefings, our management team provides explanations directly to analysts and institutional investors. We also take part in various conferences as part of our efforts to help more investors understand our Company.

Participation in Information Sessions for Individual Investors

To help individual investors better understand our company, we participate in individual investor briefings. In fiscal 2010, we took part in the Marunouchi Investment Seminar held in spring in Tokyo and the Company Briefing for Individual Investors held in winter in Osaka. We will continue to hold briefings to help investors familiarize themselves with our Company.

Briefing for individual investors

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

In recognition of our environmental and social initiatives, since 2008 we have been consistently selected for the FTSE4Good Index, a leading index for socially responsible investment in publicly traded companies around the world.

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.

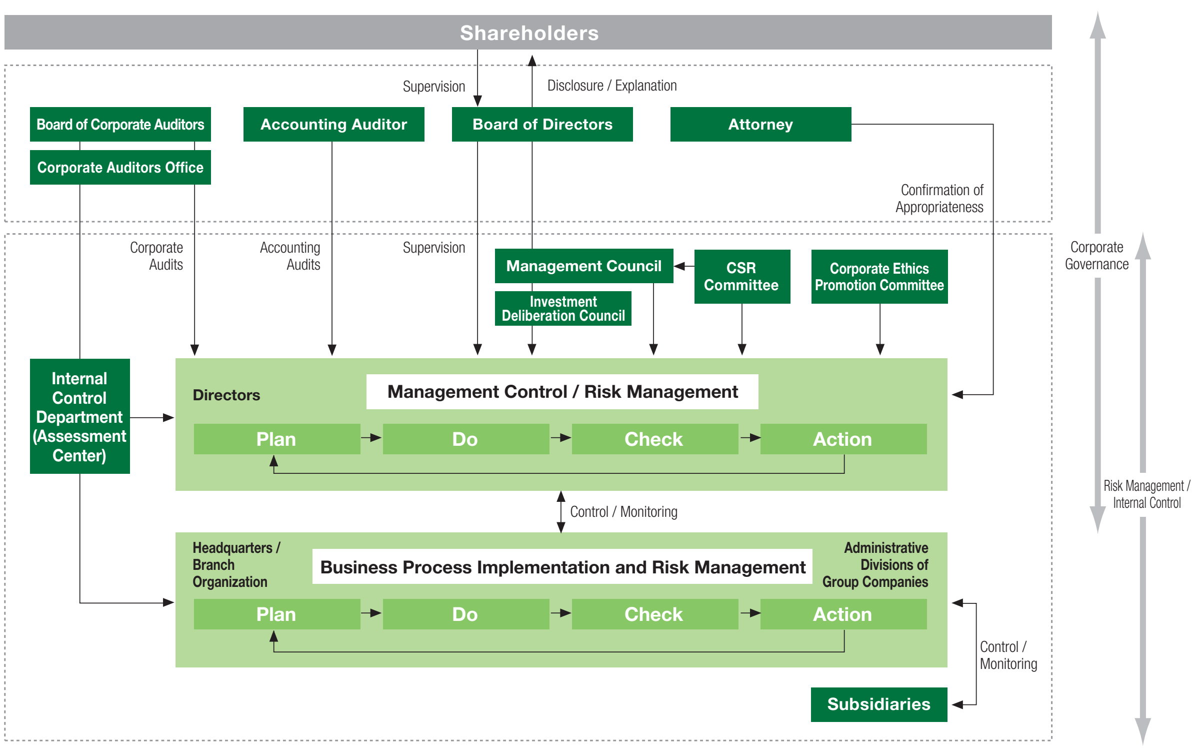
Moreover, for proposed investments, the interdisciplinary members of the Investment Deliberation Council conduct risk management by prudently considering investment and other risks ahead of Management Council meetings.

As of March 31, 2011, the Board of Directors comprised 14 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 2010.

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 2010. 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 22, 2011, the Board of Directors comprised 14 Directors, including one outside Director, and the Board of Corporate Auditors comprised four corporate auditors, all of whom were outside corporate auditors.

Corporate Governance/CSR Management System



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 Company improves and operates the internal control system flexibly to respond to changes in social conditions, including subsequent revisions from the viewpoint of enhancing its content, clarifying the Company's stance on the elimination of antisocial forces, complying with the Financial Instruments and Exchange Law, and responding appropriately to disasters.

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

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.

The Great East Japan Earthquake struck on March 11, 2011. Within ten minutes, the Disaster Risk Management Promotion Office, which had been established in March 2009 to address disaster risk, made calls to confirm the safety of the employees. Within 30 minutes, it had organized a disaster taskforce to respond to the situation. As a result, the Company was able to confirm the safety of employees and the status of damage to buildings, and take the action necessary, demonstrating its ability to respond quickly and appropriately to disasters.

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

To maintain corporate ethics and ensure legal compliance, the Company has established the Corporate Ethics Promotion Committee, comprising the heads of administrative and sales promotion departments and business divisions. The committee discusses policies for corporate ethics and legal compliance, provides related training and consultation services, delivers information in the Company on the corporate ethics and compliance helpline as an advice desk for employees, and takes action as appropriate. In fiscal 2010, the Committee provided company-wide training on human rights and other issues as well as e-learning sessions on legal compliance as part of its ongoing efforts to maintain and ensure corporate ethics and legal compliance.

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 perspectives. 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 2010

Position	Board of Directors		Board of Corporate Auditors	
	Attendance	Attendance Rate	Attendance	Attendance Rate
Director	24 of 25	96.0%	—	—
Corporate Auditor	25 of 25	100.0%	27 of 27	100.0%
Corporate Auditor	25 of 25	100.0%	27 of 27	100.0%
Corporate Auditor	24 of 25	96.0%	26 of 27	96.3%
Corporate Auditor (part-time)	19 of 19	100.0%	18 of 18	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 2010

Classification	Total Compensation (Millions of yen)	Compensation by Type (Millions of yen)		Number of Persons
		Base Salary	Bonus	
Directors (excluding one outside Director)	327	285	42	16
Corporate Auditors (excluding the outside corporate auditors)	—	—	—	—
Outside Director and Corporate Auditors	59	59	—	3

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 three Directors who retired as of the conclusion of the 25th General Ordinary Meeting of Shareholders held on June 18, 2010.
3. In addition to the above, ¥28 million in employee compensation was paid to ten employees who serve concurrently as Directors.

Message from an Outside Corporate Auditor

Efficient management and social credibility are essential in achieving sound corporate development and improving our corporate value to meet the expectations of our shareholders and other stakeholders.

Although signs of recovery began to appear in the operating environment of the real estate industry in fiscal 2010, ended March 31, 2011, the Great East Japan Earthquake in March 2011 clouded the business outlook. In these circumstances, the management team needs more than ever to take careful and prompt management decisions to achieve sustainable growth and business stability.

In light of these conditions, the corporate auditors have added recovery from the earthquake and measures in preparation for future disasters as important audit items in addition to the conventional items related to the strengthening of the management base, corporate ethics, and legal compliance. Through audits of these areas, the corporate auditors execute their duties while maintaining frequent communications with the management team to ensure prompt and appropriate management of the Company.

Akira Sakashita
Corporate Auditor

Directors and Corporate Auditors (As of July 1, 2011)

President and Chief Executive Officer

Masaki Mitsumura

Senior Executive Director

Hideo Osawa

Senior Executive Manager,
Building Service Headquarters

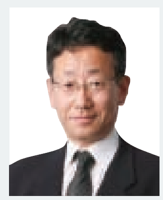
Executive Directors

Akitoshi Ito

Senior Executive Manager,
Residential Development Department

Yoshiharu Nishimura

Senior Executive Manager,
Development Promotion Department



Takahiro Okuda

Senior Executive Manager,
Corporate Planning Department
and in charge of CSR

Senior Directors

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

Masayuki Kusumoto

Senior Executive Manager,
Commercial Properties Development Promotion Department

Akiyoshi Kitamura

Senior Executive Manager,
Assets Solution Promotion Department
In charge of Tokai Branch, Chugoku Branch, Kyushu Branch, Hokkaido Branch Office

Isao Yamauchi

Corporate Auditors

Akira Sakashita

Hitoshi Ikeda

Akio Enomoto

Corporate Auditor (part-time)

Takeshi Ogiwara

Notes: 1. Mr. Isao Yamauchi is an outside Director.
2. Mr. Akira Sakashita, Mr. Hitoshi Ikeda, Mr. Akio Enomoto and Mr. Takeshi Ogiwara are outside corporate auditors.
3. The Company has designated outside corporate auditor Hitoshi Ikeda as an independent officer as stipulated by Tokyo Stock Exchange, Inc., to which it has submitted a notification.

Six-Year Summary of Selected Financial Data

	Millions of yen					
Years ended March 31	2006	2007	2008	2009	2010	**2011**
For the year:						
Net sales	¥110,833	¥128,215	¥138,206	¥144,277	¥149,224	**¥145,693**
Operating income	21,716	25,091	28,718	25,244	16,129	**24,324**
Net income	11,401	12,995	14,758	15,989	6,116	**9,307**
Net cash provided by (used in) operating activities	22,243	(5,076)	5,700	(12,091)	35,168	**40,417**
Net cash provided by (used in) investing activities	(45,157)	(32,995)	(77,893)	(57,397)	6,695	**(28,257)**
Net cash provided by (used in) financing activities	32,214	20,823	85,038	63,079	(30,028)	**(14,641)**
Free cash flow	(22,913)	(38,072)	(72,192)	(69,488)	41,863	**12,159**
Investment	54,622	48,595	93,367	75,638	24,714	**29,925**
Depreciation and amortization	23,828	23,657	23,246	25,762	25,520	**23,388**
At year-end:						
Total assets	543,792	581,848	900,325	936,650	916,725	**910,492**
Net assets	–	125,169	177,969	183,593	185,537	**190,783**
Net worth	115,696	125,091	136,395	148,150	150,232	**155,534**
Interest-bearing debt	268,942	293,069	451,849	521,070	496,682	**487,780**
Management indicators:						
Net operating income (NOI)	47,237	50,504	52,748	64,277	61,480	**56,722**
Return on equity (ROE) (%)	10.1	10.8	11.3	11.2	4.1	**6.1**
Equity ratio (%)	21.3	21.5	15.1	15.8	16.4	**17.1**
Dividend on equity (DOE) (%)	2.9	2.7	3.0	2.8	2.6	**2.6**
Dividend payout ratio (%)	29.1	25.3	26.8	24.7	64.6	**42.4**
Net debt-to-equity (D/E) ratio (times)	2.16	2.32	2.44	2.78	2.55	**2.45**
Interest coverage ratio (times)	6.9	–	1.2	–	4.3	**5.1**

	Yen					
Per share data:						
Net assets	¥35,153.14	¥38,007.98	¥41,442.57	¥45,014.04	¥45,646.72	**¥47,257.78**
Net income	3,440.22	3,948.64	4,484.09	4,858.34	1,858.48	**2,827.98**
Dividends	1,000	1,000	1,200	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 2010, the year ended March 31, 2011, Japan's economy showed signs of recovery in certain sectors, including indications that industrial production had bottomed out. However, future economic conditions remain unclear because of the impact of the Great East Japan Earthquake.

The office leasing market also continued to struggle because high average vacancy rates for office buildings and weak market rents continued. In the condominium sales market, economic stimulus measures helped to create a generally favorable sales environment, mainly in city centers.

According to the official announcement of land prices as of January 1, 2011, land prices continued to decline nationwide, but signs of a turnaround were evident, including reduced rates of decline.

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. The Group also entered new fields by acquiring a majority of the issued shares in Premier REIT Advisors Co., Ltd., the asset management firm of Premier Investment Corporation, and by acquiring investment units in Premier Investment Corporation through a third-party allotment. The Company also began managing the NU–7 Fund, a new real estate fund.

With respect to the effect of the Great East Japan Earthquake, overall damage was light. The Group did not suffer any loss of life and had no difficulty in continuing to operate facilities, despite damage to some facilities.

As a result, net sales in fiscal 2010 decreased ¥3,530 million from fiscal 2009, or 2.4%, to ¥145,693 million, and operating income increased ¥8,195 million, or 50.8%, to ¥24,324 million. After factors including loss on adjustment for the newly applied accounting standard for asset retirement obligations and loss on disaster in connection with the Great East Japan Earthquake, net income increased ¥3,190 million, or 52.2%, to ¥9,307 million.

(1) Net Sales

In fiscal 2010, net sales decreased ¥3,530 million from fiscal 2009, or 2.4%, to ¥145,693 million. This decrease was primarily the result of a decline in leasing income from existing properties and the sale of properties in the previous fiscal year.

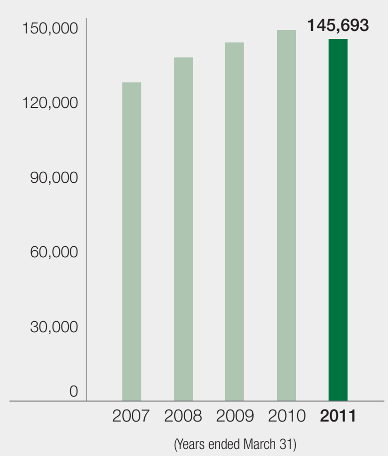
(2) Gross Profit

Cost of sales for fiscal 2010 decreased ¥11,380 million year on year, or 9.8%, to ¥104,442 million. This primarily reflected a year-on-year decrease in loss on revaluation of inventory in the residential property sales business included in cost of sales.

As a result, gross profit increased ¥7,850 million year on year, or 23.5%, to ¥41,251 million.

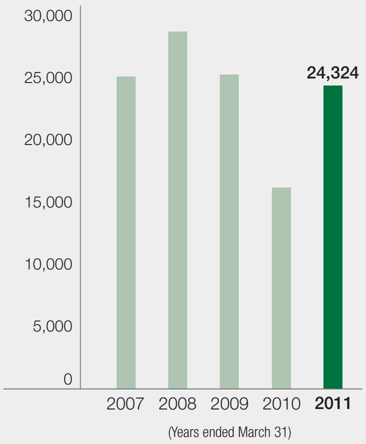
Net Sales

(Millions of yen)



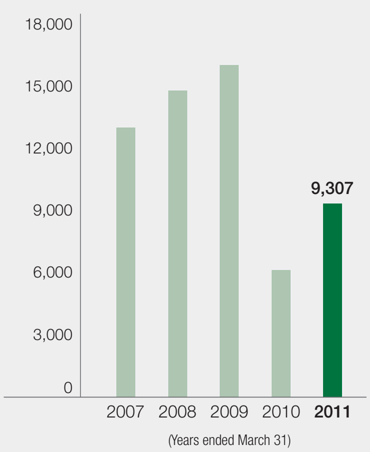
Operating Income

(Millions of yen)



Net Income

(Millions of yen)



(3) Operating Income

In fiscal 2010, selling, general and administrative expenses decreased ¥344 million year on year, or 2.0%, to ¥16,926 million. Primary factors included reduced sales promotion expenses for condominiums in the residential property sales business due to a lower number of condominium units delivered.

As a result, operating income increased ¥8,195 million year on year, or 50.8%, to ¥24,324 million.

(4) Income before Income Taxes and Minority Interests

Other expenses, net totaled ¥8,201 million, compared with other income, net totaling ¥5,689 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 decreased ¥339 million year on year, or 4.1%, to ¥7,928 million. Other, net totaled expenses of ¥779 million, compared with income of ¥14,939 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, loss on disposal of property and equipment totaled ¥1,052 million, compared with ¥1,389 million in the previous fiscal year. In addition, gain on sales of property and equipment was ¥212 million, compared with ¥17,628 million in the previous fiscal year.

As a result, income before income taxes and minority interests decreased ¥5,696 million year on year, or 26.1%, to ¥16,122 million.

(5) Net Income

Net income for fiscal 2010 increased ¥3,190 million year on year, or 52.2%, to ¥9,307 million. This was mainly because the net change in deferred taxes was ¥12,684 million compared with the previous fiscal year.

(6) Review by Segment

Leasing Business

In the leasing business, net sales and operating income decreased compared with the previous fiscal year, as factors including a decline in leasing income from existing properties and the adverse effect of the sale of properties in the previous fiscal year more than offset the increase in leasing income from new properties completed and acquired in fiscal 2010 and the full year contribution to leasing income from properties completed in the previous fiscal year, such as JA Building and Keidanren Kaikan (Chiyoda-ku, Tokyo), which is the completed Otemachi 1-Chome Urban Area Redevelopment Project Type 1.

While the average vacancy rate in the office building market remained high, the average vacancy rate for the Group's properties improved significantly, particularly in central Tokyo. The vacancy rate for office buildings owned by the Group in the five wards of central Tokyo was 3.6% at the end of March 2011, compared with 6.5% at the end of March 2010. The average vacancy rate for the Group's overall portfolio was 5.7% at the end of March 2011, compared with 6.4% at the end of March 2010.

Projects now in progress in the new building development business include Urbannet Tenjin Building (Fukuoka-shi, Fukuoka), Umekita Phase 1 Development Area Project (Grand Front Osaka) (Osaka-shi, Osaka), Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 (Chiyoda-ku, Tokyo), Urbannet Kanda Building (Chiyoda-ku, Tokyo) and Upper-level Section Redevelopment Project associated with the reconstruction of Shibaura Water Reclamation Center (Minato-ku, Tokyo).

Urbannet Shijo-Karasuma Building (Kyoto-shi, Kyoto) and others were completed in fiscal 2010.

As a result, fiscal 2010 net sales in the leasing business decreased ¥5,484 million from fiscal 2009, or 5.6%, to ¥92,608 million, operating expenses decreased ¥3,188 million year on year, or 4.8%, to ¥63,381 million, and operating income decreased ¥2,295 million year on year, or 7.3%, to ¥29,226 million.

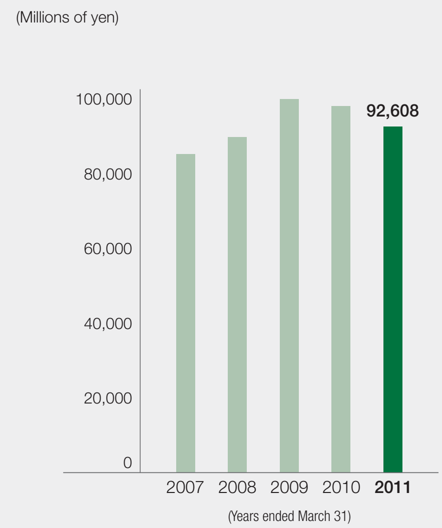
NOI by Principal Building and Region

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 2010 decreased ¥4,758 million, or 7.7%, from fiscal 2009 to ¥56,722 million. NOI in central Tokyo, the other parts of Tokyo and the surrounding area decreased ¥3,994 million year on year, or 10.1%, to ¥35,594 million because of a decrease in sales from existing buildings. In addition, NOI in regional urban areas decreased ¥763 million year on year, or 3.5%, to ¥21,128 million, with the positive effect from the completion of Urbannet Shijo-Karasuma Building (Kyoto-shi, Kyoto) more than offset by factors including a decrease in sales from existing buildings.

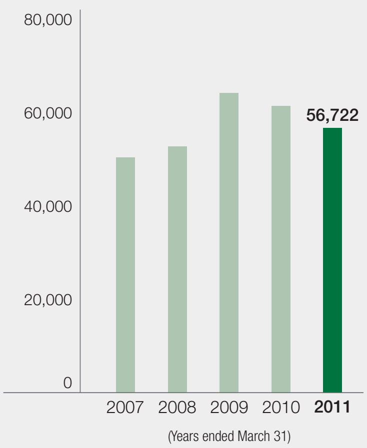
*NOI (net operating income) = Property rental income - Property rental costs + Depreciation expenses (including prepaid long-term expenses)

Leasing Business Net Sales



NOI

(Millions of yen)



NOI on Principal Buildings

(Years ended March 31)

Building	Location	Primary Use	2010 (Millions of yen)	**2011 (Millions of yen)**
Urbannet Otemachi Building	Chiyoda-ku, Tokyo	Office	5,920	**5,371**
Otemachi First Square	Chiyoda-ku, Tokyo	Office	4,403	**3,972**
NTT Makuhari Building	Mihama-ku, Chiba-shi	Office	2,309	**1,979**
Granpark	Minato-ku, Tokyo	Office	4,727	**4,521**
Seavans N Building	Minato-ku, Tokyo	Office	3,052	**2,465**
Tokyo Opera City	Shinjuku-ku, Tokyo	Office	1,704	**1,512**
Urbannet Ikebukuro Building	Toshima-ku, Tokyo	Office	1,016	**—**
Akihabara UDX	Chiyoda-ku, Tokyo	Office	7,722	**7,530**
JA Building, Keidanren Kaikan	Chiyoda-ku, Tokyo	Office	1,113	**1,989**
Urbannet Oroshimachi Building	Wakabayashi-ku, Sendai-shi	Office	548	**216**
Urbannet Itsutsubashi Building	Aoba-ku, Sendai-shi	Office	240	**217**
Urbannet CS Building	Naka-ku, Nagoya-shi	Office	347	**343**
Urbannet Shizuoka Building	Aoi-ku, Shizuoka-shi	Office	305	**307**
Urbannet Shizuoka Otemachi Building	Aoi-ku, Shizuoka-shi	Office	390	**359**
Urbannet Kaminagoya Building	Nishi-ku, Nagoya-shi	Office	109	**106**
Urbannet Fushimi Building	Naka-ku, Nagoya-shi	Office	450	**439**
Urbannet Nagoya Building	Higashi-ku, Nagoya-shi	Office	2,275	**2,131**
Sumitomo Corporation Nagoya Building	Higashi-ku, Nagoya-shi	Office	—	**287**
NTT Osaka Chuo Building	Chuo-ku, Osaka-shi	Office	374	**373**
Urban Ace Kitahama Building	Chuo-ku, Osaka-shi	Office	435	**413**
Urban Ace Higobashi Building	Nishi-ku, Osaka-shi	Office	336	**328**
Urban Ace Sannomiya Building	Chuo-ku, Kobe-shi	Office	437	**441**
Urban Ace Awaza Building	Nishi-ku, Osaka-shi	Office	351	**330**
Urbannet Honmachi Building	Chuo-ku, Osaka-shi	Office	375	**362**
Tradepia Yodoyabashi	Chuo-ku, Osaka-shi	Office	849	**742**
NTT Cred Motomachi Building	Naka-ku, Hiroshima-shi	Commercial	3,287	**3,269**
NTT Cred Hakushima Building	Naka-ku, Hiroshima-shi	Office	816	**775**
NTT Cred Okayama Building	Kita-ku, Okayama-shi	Office	316	**309**
NTT-T Building	Chuo-ku, Fukuoka-shi	Commercial	2,127	**2,068**
NTT-KF Building	Chuo-ku, Fukuoka-shi	Office	323	**234**
Urbannet Hakata Building	Hakata-ku, Fukuoka-shi	Office	280	**248**
Emuzu Odori Building	Chuo-ku, Sapporo-shi	Office	367	**365**
Emuzu Minami 22-jo Building	Chuo-ku, Sapporo-shi	Office	114	**116**
Urbannet Sapporo Building	Chuo-ku, Sapporo-shi	Office	745	**767**
Other properties, subtotal			13,302	**11,820**
Total			61,480	**56,722**

NOI by Region and Type of Property

(Years ended March 31)

<table>
<tr><th rowspan="2">Region</th><th colspan="3">2010</th><th colspan="3">2011</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">39,589</td><td>31,955</td><td rowspan="2">1,806</td><td rowspan="2">35,594</td><td>30,207</td><td rowspan="2">1,634</td></tr>
<tr><td>Other parts of Tokyo and the surrounding area</td><td>5,827</td><td>3,752</td></tr>
<tr><td>Regional cities</td><td>21,891</td><td>18,370</td><td>3,520</td><td>21,128</td><td>17,852</td><td>3,275</td></tr>
<tr><td>Total</td><td>61,480</td><td>56,153</td><td>5,327</td><td>56,722</td><td>51,812</td><td>4,909</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.

In fiscal 2010, the Group delivered a total of 717 condominiums, including those completed in prior years. Properties included Wellith Takanawa (Minato-ku, Tokyo) and Wellith Lions The Central (Nagoya-shi, Aichi), which were completed during fiscal 2010. The Group also delivered Wellith Court Honfujisawa (Fujisawa-shi, Kanagawa) detached houses and Common Stage Korigaoka (Hirakata-shi, Osaka) building lots.

As a result, fiscal 2010 net sales in the residential property sales segment increased ¥81 million from fiscal 2009, or 0.2%, to ¥41,725 million, operating expenses decreased ¥10,950 million year on year, or 21.0%, to ¥41,192 million, and operating income was ¥533 million, compared with an operating loss of ¥10,498 million for the previous fiscal year.

Residential Property Sales by Type of Property and Region

(Years ended March 31)

Classification		2010		2011	
		Units/Lots	Sales (Millions of yen)	**Units/Lots**	**Sales (Millions of yen)**
Condominiums					
Units delivered	Tokyo region	421	15,959	**463**	**22,948**
	Other regions	422	14,718	**253**	**8,678**
Completed in inventory		267	—	**91**	**—**
Building Lots					
Lots delivered	Tokyo region	12	2,481	**20**	**1,957**
	Other regions	242	6,559	**306**	**5,828**
Completed in inventory		42	—	**27**	**—**
Condominiums/ Building Lots (Total)					
Units/Lots delivered	Tokyo region	433	18,441	**483**	**24,906**
	Other regions	664	21,277	**559**	**14,507**
Completed in inventory		309	—	**118**	**—**
Other					
Units/Lots delivered	Tokyo region	—	—	**—**	**—**
	Other regions	2	1,925	**1**	**2,312**
Completed in inventory		—	—	**—**	**—**
Total (Sales)		—	41,643	**—**	**41,725**

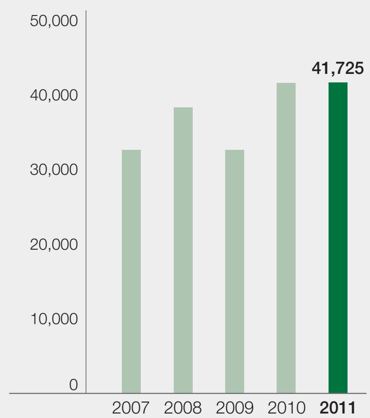
Notes: 1. For joint projects, the number of units, corresponding to the Company's share in the project, is rounded down to the nearest unit.
2. "Completed in inventory" figures are as of the end of each fiscal year. Condominiums completed in inventory for the fiscal years ended March 31, 2010 and 2011 included 42 units and 16 units, respectively, for which a contract has been completed but ownership has not yet been transferred. Building lots completed in inventory for the fiscal years ended March 31, 2010 and 2011 included 6 lots and 10 lots, respectively, for which a contract has been completed but ownership has not yet been transferred.
3. Of the building lots delivered in the fiscal years ended March 31, 2010 and 2011, 48 lots (¥5,521 million) and 112 lots (¥4,119 million), respectively, were delivered through sales of land.

Other Business

Fiscal 2010 net sales in the other business increased ¥1,829 million from fiscal 2009, or 12.6%, to ¥16,383 million, operating expenses increased ¥1,975 million year on year, or 15.0%, to ¥15,170 million, and operating income decreased ¥146 million year on year, or 10.8%, to ¥1,212 million.

Residential Property Sales Business Net Sales

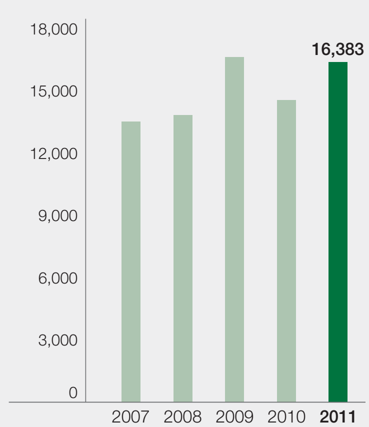
(Millions of yen)



(Years ended March 31)

Other Business Net Sales

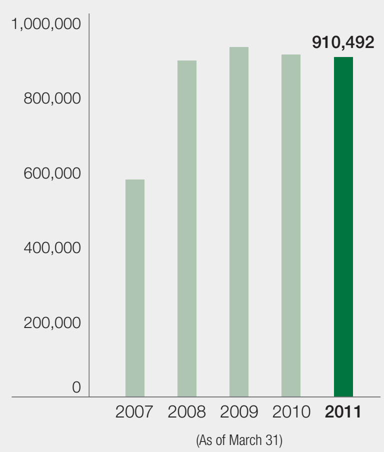
(Millions of yen)



(Years ended March 31)

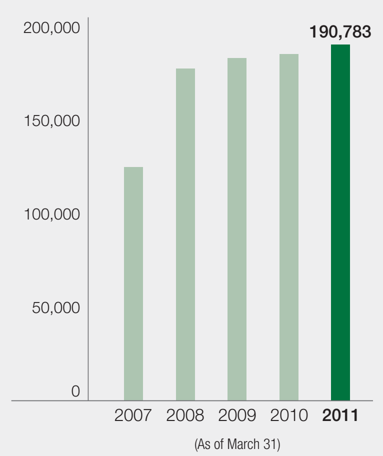
Total Assets

(Millions of yen)



Net Assets

(Millions of yen)



2. Analysis of Financial Position

(1) Consolidated Balance Sheets Highlights

● Assets

Total assets as of March 31, 2011 decreased ¥6,232 million from the previous fiscal year-end to ¥910,492 million.

Current assets decreased ¥11,437 million to ¥113,762 million, primarily reflecting a decrease of ¥7,944 million in notes and accounts receivable, trade, and a decrease of ¥979 million in inventories.

Fixed assets, the total of property and equipment and investments and other assets, increased ¥5,204 million to ¥796,729 million. Principal factors included an increase of ¥4,508 million in land, an increase of ¥3,615 million in investment securities, an increase of ¥3,093 million in construction in progress, and a decrease of ¥7,675 million in buildings and structures (net).

Change in rental and other real estate on the consolidated balance sheets and fair value as of March 31, 2011 is as follows.

(Millions of yen)

Consolidated Balance Sheet Amount			Fair value as of March 31, 2011
Balance as of March 31, 2010	Increase (decrease) during fiscal 2010	Balance as of March 31, 2011	
737,885	(771)	737,113	1,180,817

Notes:
1. The consolidated balance sheet amount is acquisition price minus accumulated depreciation and accumulated impairment.
2. Increase during fiscal 2010 primarily resulted from acquisition of real estate totaling ¥7,019 million. Decrease primarily resulted from sales of real estate totaling ¥1,270 million.
3. Fair value as of March 31, 2011 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.

● Liabilities

Total liabilities as of March 31, 2011 decreased ¥11,477 million from the previous fiscal year-end to ¥719,709 million.

Current liabilities increased ¥19,848 million to ¥104,822 million. Major factors included an increase of ¥23,021 million in current portion of long-term debt and a decrease of ¥4,999 million in commercial paper.

Long-term liabilities decreased ¥31,326 million to ¥614,886 million. The main factors included a decrease of ¥34,060 million in long-term debt, a decrease of ¥4,353 million in deposits from tenants, and an increase of ¥8,386 million in corporate bonds.

As of March 31, 2011, interest-bearing debt totaled ¥487,780 million, a decrease of ¥8,902 million from the end of the previous fiscal year. The net debt-to-equity (D/E) ratio was 2.45 times, compared with 2.55 times a year earlier.

● Net Assets

Net assets as of March 31, 2011 increased ¥5,245 million from the previous fiscal year-end to ¥190,783 million, primarily reflecting net income of ¥9,307 million and dividend payments of ¥3,949 million.

(2) Cash Flows

Cash and cash equivalents ("cash") as of March 31, 2011 decreased ¥2,493 million from the previous fiscal year-end to ¥18,015 million. Free cash flow* decreased ¥29,704 million from the previous fiscal year to ¥12,159 million.

* 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 2010 totaled ¥40,417 million, an increase of ¥5,249 million from the previous fiscal year. Income before income taxes and minority interests provided cash totaling ¥16,122 million, depreciation and amortization totaled ¥23,388 million, and decrease in notes and accounts receivable, trade provided cash totaling ¥8,122 million.

(Net Cash Used in Investing Activities)

Net cash used in investing activities totaled ¥28,257 million. In the previous fiscal year, net cash provided by investing activities totaled ¥6,695 million. Uses of cash included purchases of property and equipment totaling ¥24,533 million and purchases of investment securities totaling ¥3,739 million.

(Net Cash Used in Financing Activities)

Net cash used in financing activities totaled ¥14,641 million, a decrease of ¥15,386 million from the previous fiscal year. Additions to cash included proceeds from long-term borrowings of ¥33,300 million and proceeds from issuance of bonds of ¥9,994 million. Uses of cash included repayments of long-term borrowings of ¥44,339 million, a net decrease in commercial paper of ¥4,999 million, and cash dividends paid of ¥3,949 million.

(3) Capital Policy and Dividend Policy

● Capital Policy

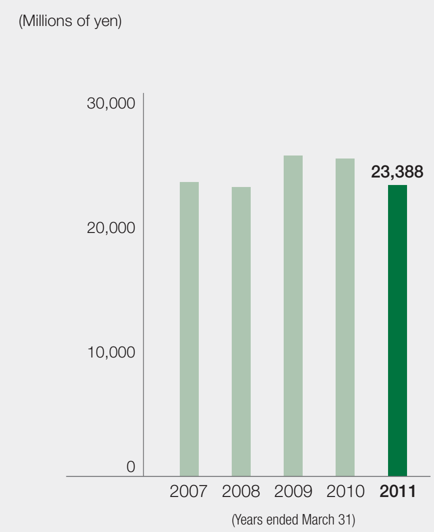
In fiscal 2010, the NTT Urban Development Group procured capital by borrowing from financial institutions and issuing bonds to fund capital investment, equity participation, acquisition of inventory assets, and other financial activities.

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 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	Rating and Investment Information, Inc.
Commercial paper	P-1	a-1+
Corporate bonds	A1	AA–

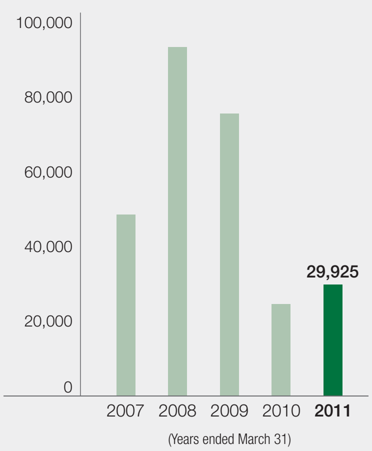
(As of March 31, 2011)

Depreciation and Amortization



Investment

(Millions of yen)



● **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, 2011.

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.

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 2010.

Business Segment	**Year ended March 31, 2011** (Millions of yen)
Leasing	**23,520**
Residential property sales	**0**
Other	**38**
Subtotal	**23,560**
Group	**2,122**
Total	**25,682**

Capital investment in the leasing business consisted primarily of ¥4,693 million for Urbannet Shijo-Karasuma Building (Kyoto-shi, Kyoto), completed in October 2010, ¥3,338 million for the April 2010 acquisition of Sumitomo Corporation Nagoya Building (Nagoya-shi, Aichi), ¥1,915 million for the September 2010 acquisition of equity interests in UD Midosuji Building and UD Midosuji Annex Building (Osaka-shi, Osaka), and ¥6,560 million for renewal.

Other investment consisted of ¥3,739 million for purchases of investment securities, resulting in total investment of ¥29,925 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 22, 2011.

NTT Urban Development Group Risk

(1) General Risk

1. Leasing Business Risk

In fiscal 2010, the leasing business accounted for 61.4% 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. The effects of the Great East Japan Earthquake are expected to include construction delays due to shortages of building materials and equipment, which could necessitate the extension of construction periods.

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, 2011, consolidated interest-bearing debt totaled ¥487,780 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)

	2010	2011
Total assets (Millions of yen)	916,725	**910,492**
Interest-bearing debt (Millions of yen)	496,682	**487,780**
Interest-bearing debt / Total assets (%)	54.2	**53.6**
Net sales (Millions of yen)	149,224	**145,693**
Interest expense (Millions of yen)	8,267	**7,928**
Interest expense / Net sales (%)	5.5	**5.4**

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 2010, net cash provided by operating activities increased ¥5,249 million from the previous fiscal year to ¥40,417 million. 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 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

Risks including 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, 2011, 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)

	2010	2011
Revenues in the leasing business (Millions of yen)	90,573	**84,996**
Revenues from the NTT Group (Millions of yen)	31,191	**28,236**
Revenues from the NTT Group / Revenues in the leasing business (%)	34.4	**33.2**

(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 22, 2011, 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, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2011	2011
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 2, 7 and 16)	¥ 20,508	¥ 18,015	$ 216,658
Time deposits and short-term investments (Note 16)	2,223	1,773	21,323
Notes and accounts receivable, trade (Note 16)	14,403	6,458	77,674
Less allowance for doubtful receivables (Note 16)	(6)	(2)	(31)
Inventories (Notes 4 and 7)	81,593	80,613	969,489
Leased investment assets (Note 8)	1,799	2,394	28,794
Deferred tax assets (Note 14)	1,507	1,723	20,728
Other current assets (Note 7)	3,172	2,787	33,525
Total current assets	125,200	113,762	1,368,160
Property and equipment (Notes 7 and 12)**:**			
Buildings and structures	672,971	683,708	8,222,596
Machinery and vehicles	13,480	13,500	162,364
Tools, furniture and fixtures	13,997	14,823	178,277
Land (Note 4)	395,698	400,206	4,813,071
Leased assets (Note 8)	683	651	7,838
Construction in progress (Note 4)	6,624	9,718	116,880
Subtotal	1,103,456	1,122,610	13,501,026
Less accumulated depreciation	(357,586)	(377,345)	(4,538,125)
Property and equipment, net	745,870	745,265	8,962,901
Investments and other assets:			
Investment securities (Note 5)	17,535	21,150	254,362
Long-term prepaid expenses (Note 7)	18,410	17,982	216,260
Intangible assets (Note 7)	3,416	4,969	59,765
Deferred tax assets (Note 14)	332	373	4,493
Other assets	5,961	6,990	84,068
Less allowance for doubtful receivables	(0)	(0)	(11)
Total investments and other assets	45,654	51,464	618,937
Total assets	¥ 916,725	¥ 910,492	$10,949,998

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2011	2011
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current liabilities:			
Short-term debt (Notes 6 and 16)	¥ 4,999	**¥ —**	**$ —**
Current portion of finance lease obligations (Note 8)	130	**101**	**1,222**
Current portion of long-term debt (Notes 6, 7 and 16)	47,201	**68,972**	**829,496**
Notes and accounts payable, trade (Note 16)	6,287	**8,083**	**97,214**
Accrued income taxes (Notes 14 and 16)	607	**5,662**	**68,101**
Allowance for defect warranty	553	**—**	**—**
Allowance for loss on disaster	—	**574**	**6,910**
Other current liabilities	25,194	**21,428**	**257,704**
Total current liabilities	84,973	**104,822**	**1,260,647**
Long-term liabilities:			
Long-term debt (Notes 6, 7 and 16)	444,482	**418,807**	**5,036,772**
Finance lease obligations (Note 8)	157	**196**	**2,366**
Deferred tax liabilities (Note 14)	70,854	**68,644**	**825,552**
Accrued employees' retirement benefits (Note 9)	5,734	**5,889**	**70,835**
Accrued directors' and corporate auditors' retirement benefits	88	**121**	**1,466**
Deposits from tenants (Note 16)	92,434	**88,081**	**1,059,305**
Negative goodwill (Note 2)	32,234	**30,186**	**363,040**
Allowance for defect warranty	60	**60**	**722**
Asset retirement obligations (Note 2)	—	**2,737**	**32,927**
Other long-term liabilities	166	**159**	**1,922**
Total long-term liabilities	646,213	**614,886**	**7,394,907**
Total liabilities	731,187	**719,709**	**8,655,554**
NET ASSETS			
Shareholders' equity (Notes 10 and 21)**:**			
Common stock:			
Authorized — 10,500,000 shares			
Issued — 3,291,200 shares	48,760	**48,760**	**586,410**
Capital surplus	34,109	**34,109**	**410,220**
Retained earnings	67,270	**72,628**	**873,468**
Total shareholders' equity	150,140	**155,498**	**1,870,098**
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities, net of taxes	113	**257**	**3,093**
Foreign currency translation adjustments	(21)	**(221)**	**(2,658)**
Total accumulated other comprehensive income	91	**36**	**435**
Minority interests in consolidated subsidiaries	35,305	**35,248**	**423,911**
Total net assets	185,537	**190,783**	**2,294,444**
Total liabilities and net assets	¥916,725	**¥910,492**	**$10,949,998**

Consolidated Statements of Income

For the years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2011	2011
Net sales (Note 2)	¥149,224	**¥145,693**	**$1,752,182**
Cost of sales (Notes 2 and 4)	115,823	**104,442**	**1,256,073**
Gross profit	33,401	**41,251**	**496,109**
Selling, general and administrative expenses (Note 11)	17,271	**16,926**	**203,571**
Operating income (Note 18)	16,129	**24,324**	**292,538**
Other income (expenses):			
Interest income	68	**56**	**681**
Interest expense	(8,267)	**(7,928)**	**(95,356)**
Amortization of negative goodwill	1,926	**1,926**	**23,169**
Equity in earnings of affiliates	109	**110**	**1,325**
Impairment loss (Notes 12, 18 and 20)	(3,086)	**—**	**—**
Loss on adjustment for the newly applied accounting standard for asset retirement obligations (Note 2)	—	**(1,001)**	**(12,045)**
Loss on disaster	—	**(585)**	**(7,038)**
Other, net (Notes 13 and 18)	14,939	**(779)**	**(9,373)**
	5,689	**(8,201)**	**(98,637)**
Income before income taxes and minority interests	21,819	**16,122**	**193,901**
Income taxes (Note 14)**:**			
Current	4,247	**7,996**	**96,170**
Deferred	10,119	**(2,565)**	**(30,852)**
Total income taxes	14,367	**5,431**	**65,318**
Income before minority interests	7,451	**10,691**	**128,583**
Minority interests	1,335	**1,384**	**16,647**
Net income (Note 15)	¥ 6,116	**¥ 9,307**	**$ 111,936**

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

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2011	2011
Income before minority interests	¥7,451	**¥10,691**	**$128,583**
Other comprehensive income			
Net change of unrealized gain on available-for-sale securities, net of taxes	(63)	**165**	**1,991**
Net change of foreign currency translation adjustment	(21)	**(199)**	**(2,395)**
Total other comprehensive income	(84)	**(33)**	**(405)**
Comprehensive income	¥7,366	**¥10,658**	**$128,178**
(Breakdown)			
Comprehensive income attributable to owners of the parent company	¥6,031	**¥ 9,251**	**$111,266**
Comprehensive income attributable to minority interests	¥1,335	**¥ 1,406**	**$ 16,912**

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

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2011	2011
Changes in shareholders' equity			
Common stock:			
Balance at the beginning of the year	¥ 48,760	¥ 48,760	$ 586,410
Balance at the end of the year	¥ 48,760	¥ 48,760	$ 586,410
Capital surplus:			
Balance at the beginning of the year	¥ 34,109	¥ 34,109	$ 410,220
Balance at the end of the year	¥ 34,109	¥ 34,109	$ 410,220
Retained earnings:			
Balance at the beginning of the year	¥ 65,103	¥ 67,270	$ 809,030
Net income	6,116	9,307	111,936
Cash dividends paid	(3,949)	(3,949)	(47,498)
Balance at the end of the year	¥ 67,270	¥ 72,628	$ 873,468
Total shareholders' equity	¥150,140	¥155,498	$1,870,098
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities, net of taxes			
Balance at the beginning of the year	¥ 176	¥ 113	$ 1,368
Net change during the year	(63)	143	1,725
Balance at the end of the year	¥ 113	¥ 257	$ 3,093
Foreign currency translation adjustments			
Balance at the beginning of the year	¥ —	¥ (21)	$ (263)
Net change during the year	(21)	(199)	(2,395)
Balance at the end of the year	(21)	(221)	(2,658)
Total accumulated other comprehensive income	¥ 91	¥ 36	$ 435
Minority interests in consolidated subsidiaries:			
Balance at the beginning of the year	¥ 35,443	¥ 35,305	$ 424,598
Other change during the year, net	(138)	(57)	(687)
Balance at the end of the year	¥ 35,305	¥ 35,248	$ 423,911
Total net assets	¥185,537	¥190,783	$2,294,444

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

Consolidated Statements of Cash Flows

For the years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2011	2011
Operating activities:			
Income before income taxes and minority interests	¥ 21,819	**¥ 16,122**	**$ 193,901**
Adjustment for:			
Depreciation and amortization	25,520	**23,388**	**281,286**
Loss on adjustment for the newly applied accounting standard for asset retirement obligations	—	**1,001**	**12,045**
Loss on disaster	—	**585**	**7,038**
Amortization of negative goodwill	(1,926)	**(1,926)**	**(23,169)**
Impairment loss	3,086	**—**	**—**
Amortization of goodwill	128	**141**	**1,704**
Increase (decrease) in allowance for doubtful receivables	2	**(4)**	**(51)**
Increase in accrued employees' retirement benefits	478	**151**	**1,819**
Interest and dividend income	(95)	**(93)**	**(1,122)**
Interest expense	8,267	**7,928**	**95,356**
Equity in earnings of affiliates	(109)	**(110)**	**(1,325)**
Gain on sales of property and equipment	(17,628)	**(212)**	**(2,556)**
Loss on disposal of property and equipment	1,389	**1,052**	**12,657**
Loss on sales of property and equipment	1,377	**8**	**102**
Increase in leased investment assets	(1,311)	**(595)**	**(7,157)**
(Increase) decrease in notes and accounts receivable, trade	(9,235)	**8,122**	**97,687**
Decrease in inventories	25,211	**1,987**	**23,906**
(Decrease) increase in notes and accounts payable, trade	(2,664)	**1,795**	**21,596**
Decrease in deposits from tenants	(5,547)	**(5,708)**	**(68,653)**
Other	(1,236)	**(2,411)**	**(28,998)**
Subtotal	47,525	**51,225**	**616,066**
Interest and dividends received	124	**128**	**1,540**
Interest paid	(8,222)	**(7,996)**	**(96,167)**
Income taxes paid	(4,258)	**(2,940)**	**(35,360)**
Net cash provided by operating activities	35,168	**40,417**	**486,079**
Investing activities:			
Purchases of property and equipment	(22,231)	**(24,533)**	**(295,049)**
Proceeds from sales of property and equipment	30,667	**1,470**	**17,689**
Purchases of investment securities	(1,023)	**(3,739)**	**(44,974)**
Proceeds from refund of investment securities	537	**350**	**4,209**
Proceeds from sales of investment securities	—	**308**	**3,712**
Purchases of subsidiary's stocks resulting in changes in the scope of consolidation	—	**(294)**	**(3,541)**
Other	(1,254)	**(1,820)**	**(21,889)**
Net cash (used in) provided by investing activities	6,695	**(28,257)**	**(339,843)**
Financing activities:			
Net decrease in short-term borrowings	(25,798)	**—**	**—**
Net decrease in commercial paper	(4,995)	**(4,999)**	**(60,121)**
Proceeds from long-term borrowings	42,500	**33,300**	**400,481**
Repayments of long-term borrowings	(41,979)	**(44,339)**	**(533,250)**
Proceeds from issuance of bonds	10,966	**9,994**	**120,192**
Payments of redemption of bonds	(5,111)	**(2,861)**	**(34,416)**
Cash dividends paid	(3,949)	**(3,949)**	**(47,493)**
Cash dividends paid to minority shareholders	(1,473)	**(1,433)**	**(17,244)**
Other	(186)	**(352)**	**(4,239)**
Net cash used in financing activities	(30,028)	**(14,641)**	**(176,090)**
Effect of exchange rate changes on cash and cash equivalents	(19)	**(11)**	**(132)**
Net (decrease) increase in cash and cash equivalents	11,816	**(2,493)**	**(29,986)**
Cash and cash equivalents at the beginning of the year	8,691	**20,508**	**246,644**
Cash and cash equivalents at the end of the year	¥ 20,508	**¥ 18,015**	**$ 216,658**

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.

Consolidated subsidiaries as of March 31, 2010 and 2011 are as follows:

2010	**2011**
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.**
UDX Tokutei Mokuteki Kaisha	**UDX 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	**UD EUROPE LIMITED**
—	**Premier REIT Advisors Co., Ltd.**

The Company established UD EUROPE LIMITED, which became consolidated effective year ended March 31, 2010. The Company's acquisition of stocks resulted in Premier REIT Advisors Co., Ltd. becoming consolidated effective year ended March 31, 2011.

UD Fund III Tokutei Mokuteki Kaisha is excluded from the consolidation effective March 31, 2011 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, 2010 and 2011 are as follows:

2010	**2011**
Tokyo Opera City Building Co., Ltd.	**Tokyo Opera City Building Co., Ltd.**
DHC Tokyo Co., Ltd.	**DHC Tokyo Co., Ltd.**
TOKYO OPERA CITY DISTRICT HEATING & COOLING CO., LTD.	**TOKYO OPERA CITY DISTRICT HEATING & COOLING CO., LTD.**
Crossfield Management Corporation	**Crossfield Management Corporation**
Harumi Yonchome City Planning Design Co.	**Harumi Yonchome City Planning Design Co.**
MOUNT STREET ADVISERS LIMITED	**MOUNT STREET ADVISERS LIMITED**

The Company 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. Aside from this consolidated subsidiary, 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 as of March 31, 2010 and 2011 are ¥1,100 million and ¥1,099 million ($13,228 thousand), respectively. These securities 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 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 employees' 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 date, 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 average remaining service period for eligible employees from the fiscal year when cost is incurred.

Directors and corporate auditors of certain subsidiaries are entitled to lump-sum payments under their respective unfunded severance benefit 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

The Company has recognized allowance for defect warranty to cover estimated probable future indemnification in relation to its sales of residential property.

(n) Allowance for Loss on Disaster

Effective year ended March 31, 2011, the Company has recognized allowance for loss on disaster in preparation for expenditures on the restoration of assets damaged by the Great East Japan Earthquake.

(o) Goodwill and Negative Goodwill

Negative goodwill is the excess of the fair value of the identifiable net assets acquired over the cost of acquisition. The Company amortizes goodwill and negative goodwill that was recognized on or before March 31, 2010 over 20 years using the straight-line method.

Negative goodwill recognized on or before March 31, 2010 is offset by goodwill on the consolidated balance sheets. The amounts of goodwill as of March 31, 2010 and 2011 are ¥2,442 million and ¥2,563 million ($30,834 thousand), respectively. The amounts of negative goodwill before offsetting as of March 31, 2010 and 2011 are ¥34,677 million and ¥32,750 million ($393,874 thousand), respectively.

(p) Income Taxes

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

(q) 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.

With regards to revenues from construction contracts, 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.

(r) Consumption Taxes

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

(s) Derivatives

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

(t) 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.

(u) Accounting Changes

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 for the year ended March 31, 2010, while Operating income and Income before income taxes and minority interests increased by ¥41 million, respectively.

In the year ended March 31, 2011, the Company and its consolidated subsidiaries adopted the Accounting Standard for Asset Retirement Obligations (Statement No. 18) and the Implementation Guidance on Accounting Standard for Asset Retirement Obligations (Guidance No. 21). As a result, for the year ended March 31, 2011, Operating income and Income before income taxes and minority interests decreased by ¥148 million ($1,790 thousand) and ¥1,150 million ($13,836 thousand), respectively.

In the year ended March 31, 2011, the Company and its consolidated subsidiaries adopted the Accounting Standard for Business Combinations (Statement No. 21), Accounting Standard for Consolidated Financial Statements (Statement No. 22), the Partial Amendments to Accounting Standard for Research and Development Costs (Statement No. 23), the Accounting Standard for Business Divestitures (Statement No. 7), the Accounting Standard for Equity Method of Accounting for Investment (Statement No.16), and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Guidance No.10).

(v) Additional Information

In the year ended March 31, 2011, the Company and its consolidated subsidiaries adopted the Accounting Standard for Presentation of Comprehensive Income (Statement No. 25). The amount of Accumulated gains from revaluation and translation adjustments and Total accumulated gains from revaluation and translation adjustments of the last fiscal year are presented as Accumulated other comprehensive income and Total accumulated other comprehensive income, respectively.

(w) 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, 2011, which was ¥83.15 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, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Real estate for sale	¥11,767	¥ 7,630	$ 91,770
Real estate projects in progress	69,622	72,648	873,710
Raw materials, supplies and others	203	333	4,009
Total	¥81,593	¥80,613	$969,489

Real estate projects in progress valued at ¥19,321 million was transferred to property and equipment in the year ended March 31, 2010 due to changes in the use of these assets.

Loss on devaluation of inventories of ¥12,732 million and ¥2,141 million ($25,757 thousand) were included in Cost of sales for the years ended March 31, 2010 and 2011, respectively.

5. SECURITIES

(a) The acquisition cost, carrying value and unrealized gains and losses of marketable available-for-sale securities as of March 31, 2010 and 2011 are as follows:

	Unrealized gains		
	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Acquisition cost:			
Equity securities	¥ 936	¥ 936	$ 11,259
Debt securities	—	3,899	46,897
Other	—	3,116	37,476
Total	¥ 936	¥7,951	$ 95,632
Carrying value:			
Equity securities	¥1,124	¥1,133	$ 13,627
Debt securities	—	4,011	48,246
Other	—	3,279	39,445
Total	¥1,124	¥8,424	$101,318
Unrealized gains:			
Equity securities	¥ 188	¥ 196	$ 2,368
Debt securities	—	112	1,349
Other	—	163	1,970
Total	¥ 188	¥ 472	$ 5,687

	Unrealized losses		
	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Acquisition cost:			
Debt securities	¥ —	**¥1,258**	**$15,132**
Other	1,924	**2,200**	**26,458**
Total	¥1,924	**¥3,458**	**$41,590**
Carrying value:			
Debt securities	¥ —	**¥1,258**	**$15,132**
Other	1,873	**2,101**	**25,277**
Total	¥1,873	**¥3,359**	**$40,409**
Unrealized losses:			
Debt securities	¥ —	**¥ (0)**	**$ (1)**
Other	(51)	**(98)**	**(1,181)**
Total	¥ (51)	**¥ (98)**	**$ (1,182)**

Fair value is the market price on stock markets or financial instrument exchanges.
No marketable available-for-sale securities were sold in the years ended March 31, 2010 and 2011.

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

	Unrealized gains
	Millions of yen
	2010
Carrying value	¥5,309
Fair value	¥5,453
Unrealized gains	¥ 143

	Unrealized losses
	Millions of yen
	2010
Carrying value	¥136
Fair value	¥133
Unrealized losses	¥ (2)

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. In the year ended March 31, 2011, certain held-to-maturity securities were sold before its maturity, and all the remaining securities of ¥5,269 million ($63,377 thousand) were reclassified to available-for-sale securities. The effect of this change on the consolidated financial statements is immaterial.

(c) The redemption schedule for securities with maturity dates as of March 31, 2010 and 2011, all of which are Japanese government bonds, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Due within one year	¥1,100	**¥1,100**	**$13,229**
Due after one year and within five years	4,200	**3,900**	**46,903**
Due after five years and within ten years	—	**—**	**—**
Due after ten years	136	**203**	**2,450**
Total	¥5,436	**¥5,203**	**$62,582**

(d) The aggregate book values of securities with no available fair value as of March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Unlisted stocks	¥ 338	**¥ 355**	**$ 4,271**
Investments in limited partnerships	8,490	**8,674**	**104,328**
Other investments	25	**34**	**419**
Total	¥8,854	**¥9,064**	**$109,018**

(e) Investments in affiliates as of March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Common stock	¥1,473	**¥1,559**	**$18,749**
Total	¥1,473	**¥1,559**	**$18,749**

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

There were no securities on which impairment losses were recognized for the years ended March 31, 2010 and 2011.

6. SHORT-TERM AND LONG-TERM DEBT

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

	Millions of yen	Weighted average interest rate
	2010	2010
Commercial paper	¥4,999	0.1%
Total	¥4,999	

As of March 31, 2010 and 2011, long-term debt consists of the following:

			Millions of yen		Thousands of U.S. dollars
Description	Interest rate	Maturity	2010	**2011**	**2011**
Unsecured bonds	1.9%	2016	¥ 19,994	**¥ 19,995**	**$ 240,475**
Unsecured bonds	2.0%	2018	19,985	**19,987**	**240,375**
Unsecured bonds	1.5%	2019	9,991	**9,992**	**120,173**
Unsecured bonds	1.0%	2020	—	**9,994**	**120,196**
Secured bonds	2.1%	2013	66,958	**65,347**	**785,896**
Secured bonds	1.6%	2010	249	**—**	**—**
Secured bonds	2.3%	2011	1,000	**—**	**—**
Borrowings from banks and other financial institutions:					
Secured	0.9-4.4%	2011-2022	24,327	**19,605**	**235,779**
Unsecured	0.6-2.9%	2011-2022	349,176	**342,858**	**4,123,374**
			491,683	**487,780**	**5,866,268**
Less current portion			47,201	**68,972**	**829,496**
Total			¥444,482	**¥418,807**	**$5,036,772**

The maturities of long-term debt as of March 31, 2011 are summarized as follows:

Fiscal years ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 68,972	$ 829,496
2013	50,324	605,225
2014	118,165	1,421,115
2015	53,897	648,190
2016	43,901	527,974
2017 and thereafter	152,519	1,834,268
Total	¥487,780	$5,866,268

7. MORTGAGED ASSETS

Mortgaged assets and corresponding debt as of March 31, 2010 and 2011 are as follows:

(a) Mortgaged assets:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Buildings and structures	¥109,754	¥104,483	$1,256,567
Land	13,189	13,189	158,627
Total	¥122,944	¥117,673	$1,415,194

(b) Corresponding debt secured by the above collateral:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Current portion of long-term debt	¥ 4,722	¥ 4,660	$ 56,043
Long-term debt	19,605	14,945	179,736
Total	¥24,327	¥19,605	$235,779

Mortgaged assets and corresponding debt regarding debt with limited recourse as of March 31, 2010 and 2011 are as follows:

(a) Mortgaged assets:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Cash and cash equivalents	¥ 6,428	¥ 6,121	$ 73,614
Real estate projects in progress	1,629	—	—
Other current assets	247	251	3,020
Buildings and structures	53,891	51,669	621,399
Land	171,400	171,400	2,061,335
Other property and equipment	138	151	1,827
Intangible assets	1	0	9
Long-term prepaid expenses	302	269	3,245
Total	¥234,040	¥229,863	$2,764,449

(b) Corresponding debt secured by the above collateral:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Current portion of bonds	¥ 2,861	**¥ 1,611**	**$ 19,383**
Bonds	65,347	**63,735**	**766,513**
Total	¥68,208	**¥65,347**	**$785,896**

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 as of March 31, 2010, and UDX Tokutei Mokuteki Kaisha and Nagasaki Shintomachi New Town Development Tokutei Mokuteki Kaisha as of March 31, 2011. 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, 2011 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, 2011 are summarized as follows:

Fiscal years ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	**¥101**	**$1,222**
2013	**62**	**755**
2014	**33**	**399**
2015	**26**	**321**
2016 and thereafter	**74**	**891**
Total	**¥298**	**$3,588**

(b) Lessor — Finance lease investments as of March 31, 2010 and 2011 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Current assets:			
Lease receivables portion	¥ 4,906	**¥ 6,927**	**$ 83,316**
Estimated residual value of leased assets	—	**—**	**—**
Interests receivable equivalent	(3,107)	**(4,533)**	**(54,522)**
Finance lease investments	¥ 1,799	**¥ 2,394**	**$ 28,794**

The maturities of finance lease receivables and the lease receivables portion of finance lease investments as of March 31, 2011 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
2012	**¥ 279**	**$ 3,356**	**¥ 22**	**$ 271**
2013	**279**	**3,356**	**25**	**302**
2014	**279**	**3,356**	**27**	**336**
2015	**279**	**3,356**	**31**	**374**
2016	**279**	**3,356**	**34**	**417**
2017 and thereafter	**5,532**	**66,536**	**2,252**	**27,093**

(Operating lease transactions)

(a) Lessee — The amounts of outstanding future minimum lease payments of non-cancelable operating leases as of March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Due within one year	¥ 1,475	**¥ 1,599**	**$ 19,241**
Due after one year	21,904	**21,054**	**253,210**
Total	¥23,379	**¥22,654**	**$272,451**

(b) Lessor — The amounts of outstanding future minimum lease receipts of non-cancelable operating leases as of March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Due within one year	¥10,276	**¥10,529**	**$126,628**
Due after one year	58,347	**56,472**	**679,161**
Total	¥68,623	**¥67,001**	**$805,789**

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, 2010 and 2011 for defined benefit plans of the Company and its consolidated subsidiaries:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Retirement benefit obligation	¥(9,969)	**¥(10,388)**	**$(124,933)**
Plan assets at fair value	4,932	**5,052**	**60,798**
Unfunded retirement benefit obligation	(5,036)	**(5,335)**	**(64,165)**
Unrecognized net actuarial gains	(698)	**(554)**	**(6,668)**
Unrecognized prior service costs	(0)	**(0)**	**(2)**
Accrued employees' retirement benefits	¥(5,734)	**¥(5,889)**	**$ (70,835)**

The components of retirement benefit expenses for the years ended March 31, 2010 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Service costs	¥ 375	**¥ 361**	**$ 4,346**
Interest costs	221	**241**	**2,902**
Expected return on plan assets	(103)	**(119)**	**(1,432)**
Amortization of net actuarial gains	(25)	**(59)**	**(721)**
Amortization of prior service costs	(0)	**(0)**	**(1)**
Employees' contribution	(17)	**(18)**	**(219)**
Retirement benefit expenses	¥ 451	**¥ 405**	**$ 4,875**

The assumptions used in accounting for the above plans as of March 31, 2010 and 2011 are as follows:

	2010	2011
Discount rates	2.5%	**2.5%**
Expected rate of return on assets	2.5%	**2.25~2.5%**
Amortization period of unrecognized actuarial differences	9.2~13.6 years	**8.5~13.7 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 ($41,339 thousand) as of March 31, 2010 and 2011, which is included in retained earnings.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2010 and 2011 consist primarily of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Salaries, allowances and bonuses	¥4,733	**¥4,912**	**$59,085**
Outsourcing	3,419	**3,344**	**40,228**
Advertising expenses	2,478	**1,985**	**23,874**
Dues and taxes	1,515	**1,578**	**18,988**
Employees' retirement benefits	333	**331**	**3,988**
Directors' and corporate auditors' retirement benefits	29	**36**	**437**
Allowance for doubtful receivables	6	**5**	**60**

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, office buildings were recognized as impaired due to declines 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, 2010, the Company and its consolidated subsidiaries recognized impairment losses on the following groups of assets:

Description	Classification	Location	Millions of yen
8 office buildings	Land / Buildings	Tachikawa-shi, Tokyo and others	¥3,086

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

In the year ended March 31, 2011, there was no impairment loss recognized by the Company or its consolidated subsidiaries.

13. OTHER INCOME (EXPENSES)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Dividend income	¥ 27	¥ 36	$ 441
Contributions received in aid of construction	3	103	1,243
Gain on donated fixed assets	4	0	3
Gain on sales of property and equipment	17,628	212	2,556
Loss on sales of property and equipment	(1,377)	(8)	(102)
Loss on disposal of property and equipment	(1,389)	(1,052)	(12,657)
Gain on sales of investment securities	—	8	98
Other	43	(79)	(955)
Total	¥14,939	¥ (779)	$ (9,373)

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, 2010 and 2011 are as follows.

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."

(a) Gain on sales of property and equipment

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Buildings and structures	¥ 2,174	¥ (23)	$ (283)
Land	15,454	236	2,839
Total	¥17,628	¥212	$2,556

(b) Loss on sales of property and equipment

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Buildings and structures	¥ (649)	¥(1)	$ (17)
Land	(728)	(7)	(85)
Total	¥(1,377)	¥(8)	$(102)

The components of "Loss on disposal of property and equipment" in "Other income (expenses)" for the years ended March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Buildings	¥ (595)	**¥ (513)**	**$ (6,181)**
Structures	(34)	**(6)**	**(76)**
Machinery	(18)	**(11)**	**(136)**
Removal cost	(697)	**(492)**	**(5,926)**
Tools, furniture, fixtures and others	(41)	**(28)**	**(338)**
Total	¥(1,389)	**¥(1,052)**	**$(12,657)**

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 2010 and 2011.

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, 2010 and 2011.

	2010	**2011**
Statutory tax rate	40.7%	**40.7%**
Adjustments:		
Amortization of negative goodwill	(3.6)	**(4.9)**
Minority interests in earnings of a consolidated subsidiary (Tokutei Mokuteki Kaisha)	(2.7)	**(3.5)**
Change in valuation allowance	31.3	**0.5**
Other	0.1	**0.9**
Effective tax rate	65.8%	**33.7%**

The significant components of deferred tax assets and liabilities as of March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Deferred tax assets:			
Accrued bonuses	¥ 184	**¥ 196**	**$ 2,358**
Enterprise taxes payable	120	**495**	**5,956**
Real estate acquisition taxes payable	314	**374**	**4,500**
Loss on devaluation of inventories	474	**240**	**2,891**
Loss on land devaluation	4,371	**4,371**	**52,571**
Depreciation	1,785	**1,917**	**23,063**
Accrued employees' retirement benefits	2,332	**2,396**	**28,820**
Loss on impairment of fixed assets	1,831	**1,327**	**15,963**
Compensation for loss	146	**1,317**	**15,846**
Other	915	**2,137**	**25,703**
	12,477	**14,773**	**177,671**
Less valuation allowance	(6,827)	**(6,918)**	**(83,209)**
Total	5,649	**7,854**	**94,462**
Deferred tax liabilities:			
Depreciation reserve for tax purposes	(11,165)	**(12,766)**	**(153,531)**
Unrealized gains on evaluation of newly consolidated subsidiary's assets	(60,775)	**(60,569)**	**(728,433)**
Special account for depreciation reserve for tax purposes	(2,462)	**(13)**	**(156)**
Other	(260)	**(1,053)**	**(12,674)**
Total	(74,664)	**(74,402)**	**(894,794)**
Net deferred tax liabilities	¥(69,014)	**¥(66,547)**	**$(800,332)**

15. AMOUNTS PER SHARE

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Net income	¥6,116	**¥9,307**	**$111,936**
Amounts not attributable to common stock	—	**—**	**—**
Net income attributable to common stock	¥6,116	**¥9,307**	**$111,936**
Average amount of common stock outstanding during the year	3,291,200 shares	**3,291,200 shares**	

	Yen		U.S. dollars
	2010	**2011**	**2011**
Basic net income per share	¥1,858.48	**¥2,827.98**	**$34.01**
Cash dividends per share	1,200	**1,200**	**14.43**

	Yen		U.S. dollars
	2010	**2011**	**2011**
Net assets per share	¥45,646.72	**¥47,257.78**	**$568.34**

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 end of the consolidated fiscal year.

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. Securities and investment securities, consisting of Japanese government bonds, stocks of enterprises with which the Company has business relationships and investments in limited liability partnerships, are exposed to 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. Long-term debts are mainly aimed to raise funds for investments and its operation. The longest redemption periods of Long-term debts as of March 31, 2010 and 2011 are 11 years and 10 months and 11 years and 2 months, respectively. However, as some debts bearing interest at variable rates are exposed to interest rate risk, the Company and its consolidated subsidiaries utilize derivatives (interest rate swaps) as hedging instruments.

Interest rate swaps transactions are designated to hedge the interest rate risk arising from adverse fluctuation of the interest expense. Please refer to Note 2 (s), 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 securities and investment securities, financial conditions of issuers (mainly customers) are periodically monitored. Taking the business relationships with issuers into account, continuance of investments is continuously reviewed for all investments other than Japanese government bonds. Credit risk is hardly recognized for Japanese government bonds.

The Company's management believes that credit risk 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 securities and 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 their obligations on scheduled payment 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 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 and 2011 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		
	2010		
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

	Millions of yen		
	2011		
Financial assets (liabilities):	Carrying amount	Fair value	Difference
Cash and cash equivalents	**¥ 18,015**	**¥ 18,015**	**¥ —**
Time deposits and short-term investments	**1,773**	**1,773**	**—**
Notes and accounts receivable, trade	**6,458**	**6,456**	**(2)**
Notes and accounts payable, trade	**(8,083)**	**(8,083)**	**—**
Accrued income taxes	**(5,662)**	**(5,662)**	**—**
Long-term debt	**(487,780)**	**(499,594)**	**(11,814)**
Deposits from tenants	**(16,360)**	**(16,002)**	**358**

Financial assets (liabilities):	Thousands of U.S. dollars 2011 Carrying amount	 Fair value	 Difference
Cash and cash equivalents	$ 216,658	$ 216,658	$ —
Time deposits and short-term investments	21,323	21,323	—
Notes and accounts receivable, trade	77,674	77,643	(31)
Notes and accounts payable, trade	(97,214)	(97,214)	—
Accrued income taxes	(68,101)	(68,101)	—
Long-term debt	(5,866,268)	(6,008,352)	(142,084)
Deposits from tenants	(196,757)	(192,451)	4,306

Long-term debt includes its current portion.

Deposits received of ¥77,792 million and ¥76,334 million ($918,034 thousand) (excluding the deposits for which the timing of return has been determined) are not included in "Deposits from tenants" in the years ended March 31, 2010 and 2011, respectively, 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.

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, 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 and 2011 are as follows:

Financial assets:	Millions of yen 2010 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	—	—	—

Financial assets:	Millions of yen 2011 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	¥18,015	¥ —	¥ —	¥ —
Time deposits and short-term investments	1,773	—	—	—
Notes and accounts receivable, trade	6,458	—	—	—

	Thousands of U.S. dollars			
	2011			
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	**$216,658**	**$ —**	**$ —**	**$ —**
Time deposits and short-term investments	**21,323**	**—**	**—**	**—**
Notes and accounts receivable, trade	**77,674**	**—**	**—**	**—**

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.

The notional amounts of derivative transactions as of March 31, 2010 and 2011 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.

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Notional amounts	¥10,000	**¥10,000**	**$120,265**
Due over 1 year of notional amounts above	¥10,000	**¥ 9,000**	**$108,238**

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 years ended March 31, 2010 and 2011, operating income related to such properties amounted to ¥29,789 million and ¥26,688 million ($320,959 thousand), respectively. In addition, the gain on sale, loss on sale, and loss on disposal of such properties amounted to ¥17,628 million and ¥212 million ($2,556 thousand), ¥1,377 million and ¥8 million ($102 thousand), and ¥1,338 million and ¥1,024 million ($12,324 thousand), respectively, and the amount of impairment loss of such properties for the year ended March 31, 2010 was ¥3,086 million.

The carrying amount, net changes during the years ended March 31, 2010 and 2011, and fair value of rental properties as of March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
Carrying amount:	2010	**2011**	**2011**
Balance at the end of the previous year	¥ 738,999	**¥ 737,885**	**$ 8,874,144**
Net changes during the year	(1,114)	**(771)**	**(9,279)**
Balance at the end of the year	¥ 737,885	**¥ 737,113**	**$ 8,864,865**
Fair value at the end of the year	¥1,208,638	**¥1,180,817**	**$14,201,049**

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

For the years ended March 31, 2010 and 2011, the components of net change in carrying amounts included increases mainly due to acquisitions in the amount of ¥4,257 million and ¥7,019 million ($84,415 thousand) and decreases mainly due to sales in the amount of ¥14,552 million and ¥1,270 million ($15,279 thousand), respectively.

The fair values for main properties were estimated by licensed third-party real estate appraisal agents. The fair values for the other properties were calculated 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, 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
Balance at year-end	Deposit paid: ¥12,029 million Current portion of long-term borrowing: ¥29,500 million Long-term borrowing: ¥53,700 million

Related party transactions for the year ended March 31, 2011 are as follows:

	2011
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	**¥3,000 million ($36,079 thousand)**
Balance at year-end	**Deposit paid: ¥8,417 million ($101,236 thousand) Current portion of long-term borrowing: ¥20,700 million ($248,948 thousand) Long-term borrowing: ¥36,000 million ($432,952 thousand)**

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

20. SEGMENT INFORMATION

In the year ended March 31, 2011, the Company and its consolidated subsidiaries adopted the new accounting standard for disclosures about segments of an enterprise and related information and its implementation guidance (Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Statement No. 17) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Guidance No. 20)).

The segment information for the Company and its consolidated subsidiaries for years ended March 31, 2010 and 2011 is as follows.

(a) Overview of reportable segments

The reportable segments of the Company and its consolidated subsidiaries are components for which discrete financial information is available and reviewed regularly by the Board of Directors to decide the allocation of management resources and assess business performance.

The reportable segments of the Company and its consolidated subsidiaries are the leasing business and the residential property sales business.

In the leasing business, the Company and its consolidated subsidiaries lease properties, including office buildings, commercial facilities and rental housing which the Company and its consolidated subsidiaries have developed and/or own. In the residential property sales business, the Company and its consolidated subsidiaries sell residential houses which are mainly condominium buildings.

(b) Calculation methods of sales, profits or losses, assets and other items by reportable segments

The accounting treatments of the reportable business segments are generally the same as those stated in the Summary of Significant Accounting Policies.

The segment profits are based on operating income. Inter-segment sales or transfers are based on the price in arms-lengths transactions.

(c) Information about the amounts of sales, profits or losses, assets and other items by reportable segments

	Millions of yen				
	2010				
	Reportable segments				
	Leasing	Residential property sales	Total	Other	Total
Sales:					
Sales to third parties	¥ 97,333	¥ 41,643	¥138,977	¥10,247	¥149,224
Inter-segment sales and transfers	758	—	758	4,305	5,064
Total sales	98,092	41,643	139,736	14,553	154,289
Segment profits or losses:	¥ 31,521	¥(10,498)	¥ 21,023	¥ 1,358	¥ 22,382
Segment assets:	¥800,739	¥ 96,039	¥896,779	¥ 7,618	¥904,398
Other items:					
Depreciation and amortization	¥ 24,874	¥ 14	¥ 24,888	¥ 89	¥ 24,978
Increases in property, plant and equipment and intangible assets (investment amount)	22,935	4	22,940	124	23,065

	Millions of yen				
	2011				
	Reportable segments				
	Leasing	Residential property sales	Total	Other	Total
Sales:					
Sales to third parties	¥ 91,844	¥41,725	¥133,569	¥12,124	¥145,693
Inter-segment sales and transfers	764	—	764	4,258	5,022
Total sales	92,608	41,725	134,333	16,383	150,716
Segment profits or losses:	¥ 29,226	¥ 533	¥ 29,759	¥ 1,212	¥ 30,972
Segment assets:	¥805,609	¥85,726	¥891,335	¥ 9,814	¥901,149
Other items:					
Depreciation and amortization	¥ 22,725	¥ 4	¥ 22,730	¥ 67	¥ 22,798
Increases in property, plant and equipment and intangible assets (investment amount)	23,520	0	23,521	38	23,560

	Thousands of U.S. dollars				
	2011				
	Reportable segments				
	Leasing	Residential property sales	Total	Other	Total
Sales:					
Sales to third parties	$1,104,560	$ 501,809	$ 1,606,369	$145,813	$ 1,752,182
Inter-segment sales and transfers	9,188	—	9,188	51,217	60,405
Total sales	1,113,748	501,809	1,615,557	197,030	1,812,587
Segment profits or losses:	$ 351,492	$ 6,410	$ 357,902	$ 14,584	$ 372,486
Segment assets:	$9,688,628	$1,030,982	$10,719,610	$118,029	$10,837,639
Other items:					
Depreciation and amortization	$ 273,309	$ 59	$ 273,368	$ 817	$ 274,185
Increases in property, plant and equipment and intangible assets (investment amount)	282,868	10	282,878	469	283,347

Other is the business segment that is not included in the reportable segments. In relation to the leasing segment, it includes office building maintenance and air-conditioning services, construction for leasing buildings upon requests from tenants for office renovation, and management of restaurant facilities as incidental facilities of office buildings.

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

(d) Difference between the total amount in reportable segments and the amount in consolidated financial statements and details of the difference (Difference adjustment)

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Net sales:			
Total sales in reportable segments	¥139,736	¥134,333	$1,615,557
Other	14,553	16,383	197,030
Elimination of inter-segment transactions	(5,064)	(5,022)	(60,405)
Net sales in consolidated financial statements	¥149,224	¥145,693	$1,752,182

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Operating income:			
Total profits in reportable segments	¥21,023	¥29,759	$357,902
Other	1,358	1,212	14,584
Elimination of inter-segment transactions	(42)	(50)	(606)
Corporate general administration expenses	(6,210)	(6,597)	(79,342)
Operating income in consolidated financial statements	¥16,129	¥24,324	$292,538

Corporate general administration expenses are primarily selling, general and administrative expenses which are not allocable to reportable segments.

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Assets:			
Total assets in reportable segments	¥896,779	¥891,335	$10,719,610
Other	7,618	9,814	118,028
Elimination of inter-segment transactions	(36,372)	(38,015)	(457,193)
Corporate assets	48,699	47,358	569,553
Total assets in consolidated financial statements	¥916,725	¥910,492	$10,949,998

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

	Millions of yen			
	2010			
	Reportable segments	Other	Adjustments	Consolidated
Other items:				
Depreciation and amortization	¥24,888	¥ 89	¥541	¥25,520
Increases in property, plant and equipment and intangible assets (investment amount)	22,940	124	626	23,691

	Millions of yen			
	2011			
	Reportable segments	Other	Adjustments	Consolidated
Other items:				
Depreciation and amortization	¥22,730	¥67	¥ 590	¥23,388
Increases in property, plant and equipment and intangible assets (investment amount)	23,521	38	2,122	25,682

	Thousands of U.S. dollars			
	2011			
	Reportable segments	Other	Adjustments	Consolidated
Other items:				
Depreciation and amortization	$273,368	$817	$ 7,101	$281,286
Increases in property, plant and equipment and intangible assets (investment amount)	282,878	469	25,523	308,870

(e) Related information

(1) Information by product and service

Similar information is disclosed in the Segment Information, and therefore the information by product and service has been omitted.

(2) Information by region

The segment information by region has been omitted, because sales and property and equipment in the domestic segment constituted more than 90% of total sales and property and equipment.

(3) Information by main customer

The segment information by main customers has been omitted for the year ended March 31, 2011, because sales to a specific customer account for less than 10% of net sales in the consolidated financial statements.

(f) Information about impairment loss of fixed assets by reportable segments

For the year ended March 31, 2011, there was no impairment loss recognized in reportable segments by the Company and its consolidated subsidiaries.

(g) Information about the amortization and balance of goodwill by reportable segments

	Millions of yen				
	2011				
	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortization	**¥ 128**	**¥—**	**¥ 13**	**¥—**	**¥ 141**
Balance as of March 31	**2,313**	**—**	**250**	**—**	**2,563**

	Thousands of U.S. dollars				
	2011				
	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortization	**$ 1,546**	**$—**	**$ 158**	**$—**	**$ 1,704**
Balance as of March 31	**27,825**	**—**	**3,009**	**—**	**30,834**

(h) Information about the amortization and balance of negative goodwill by reportable segments

	Millions of yen				
	2011				
	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortization	**¥ 1,926**	**¥—**	**¥—**	**¥—**	**¥ 1,926**
Balance as of March 31	**32,750**	**—**	**—**	**—**	**32,750**

	Thousands of U.S. dollars				
	2011				
	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortization	**$ 23,169**	**$—**	**$—**	**$—**	**$ 23,169**
Balance as of March 31	**393,874**	**—**	**—**	**—**	**393,874**

21. SUBSEQUENT EVENTS

(a) Dividends

The following appropriation of retained earnings for the Company (which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2011) was approved at the general shareholders' meeting held on June 21, 2011.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥600 per share (U.S.$7.22))	¥1,974	$23,749

(b) Property acquisition

The board of directors resolved the acquisition of the office building on May 23, 2011 and the Company acquired the property on June 15, 2011.

(1) Purpose

Enhancement of the real estate business in the UK

(2) Seller

King William Property Limited

(3) Date of acquisition

June 15, 2011

(4) Property overview

Name	1 King William Street
Location	1 King William Street, London EC4
Building type	Office

(5) Acquisition cost

Ten thousands of British pounds	Billions of yen	Millions of U.S. dollars
£6,750	¥8.9	$107

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, 2011 and 2010, and the related consolidated statements of income, comprehensive 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, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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 LLC

Tokyo, Japan
June 21, 2011

Affiliated Companies and Branch Network

Affiliated Companies (As of March 31, 2011)

Consolidated Subsidiaries

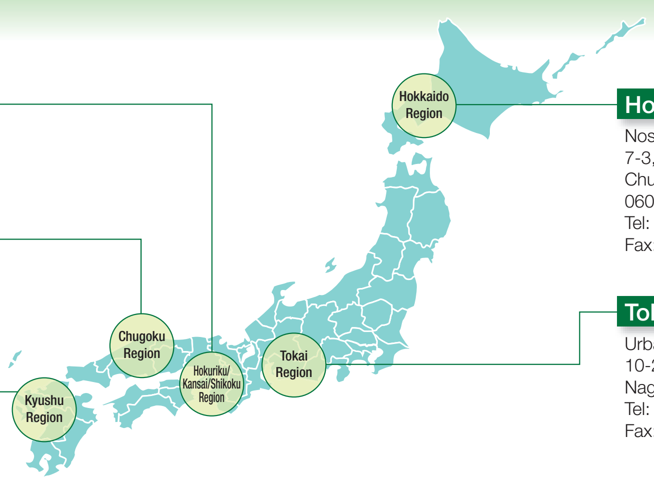
		Capitalization (Millions of yen)	Ownership Including Voting Rights (%)	Fields of Operation
NTT Urban Development Hokkaido BS Co.	Chuo, Sapporo	50	100.0	Remodeling, property management operations including the management and operation of buildings owned by NTT Urban Development in Hokkaido area and management of parking lots
Otemachi First Square Inc.	Chiyoda, Tokyo	50	56.5	Management of Otemachi First Square and its site
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
Nagasaki Shintomachi New Town Tokutei Mokuteki Kaisha	Minato, Tokyo	200	100.0	Development of Nagasaki Shintomachi New Town
UD EUROPE LIMITED	London, U.K.	(sterling pounds) 100	100.0	Investment in and management of real estate in the UK
Premier REIT Advisors Co., Ltd.	Minato, Tokyo	300	53.1	Investment management business under the Financial Instruments and Exchange Act

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 DISTRICT HEATING & COOLING CO., LTD.	Shinjuku, Tokyo	980	36.2	District heating and cooling services for Tokyo Opera City and other buildings
Crossfield Management Corporation	Chiyoda, Tokyo	10	38.0	Development and management of Akihabara Crossfield (IT Center)
Harumi Yonchome City Planning Design Co.	Chuo, Tokyo	50	36.0	Investigation and planning relating to the development of the Harumi 4-chome area
MOUNT STREET ADVISERS LIMITED	London, U.K.	(sterling pounds) 1,000	30.0	Advice on management of real estate holdings

Note: 1. UDX Tokutei Mokuteki Kaisha is a specified subsidiary.
2. The Company invested in Premier REIT Advisors Co., Ltd. in May 2010 and made it a consolidated subsidiary.

Branch Network



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Corporate Data

History

Information on Operations	Year	Completed Construction
• June: Acquired 1 King William Street, an office building in London, U.K. • March: Commenced operation of real estate fund “NU-7 Fund”	2011	• August: Urbannet Tenjin Building completed • June: Urbannet Uchihonmachi Building completed
• 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	• October: Urbannet Shijo-Karasuma Building completed • April: Wellith Olive Shinkoiwa, first in a line of retail complexes for seniors, completed
• November: Established a local subsidiary in London, U.K. 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 • January: 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	• March: Construction began on Urbannet Kojimachi Building, the Company’s first building

● Leasing Business ● Residential Property Sales Business

Investor Information (As of March 31, 2011)

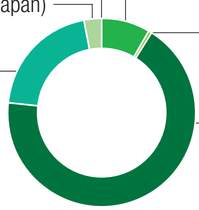
Company Information

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	723 (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	13,949

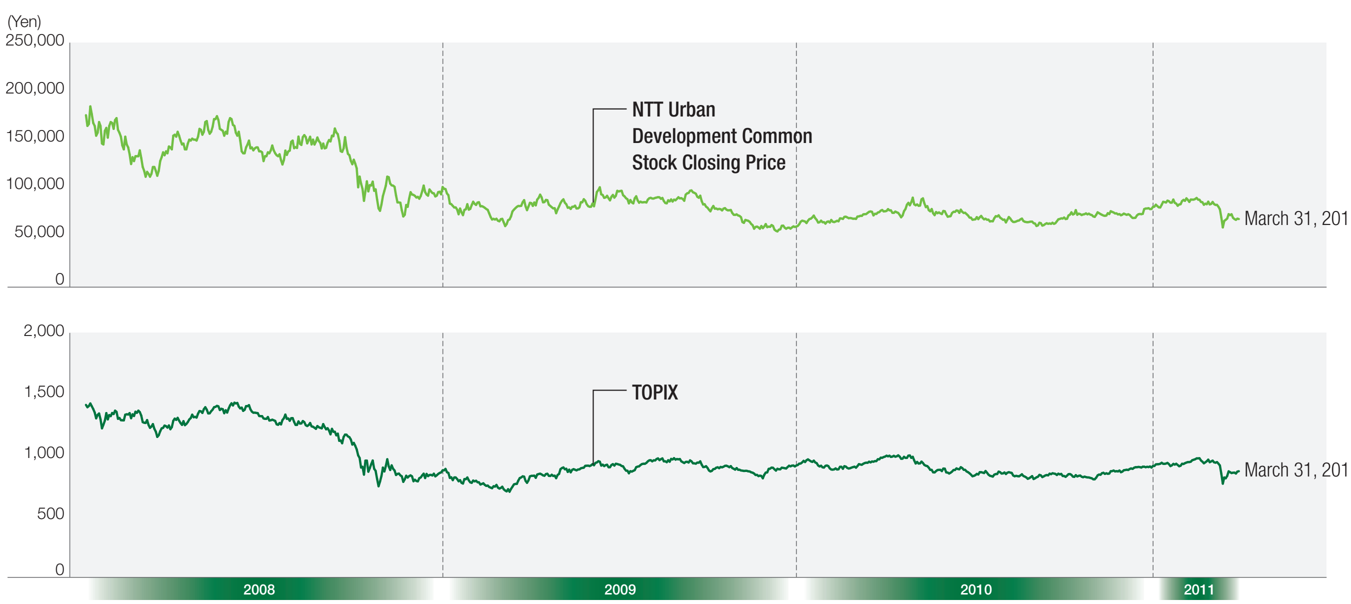
Shareholder Distribution (Percentage investment)



Principal Shareholders (Top 10)

Name of Shareholders	Number of Shares Held	Equity Position (%)
Nippon Telegraph and Telephone Corporation (NTT)	2,214,815	67.30
CBNY – ORBIS SICAV	89,861	2.73
Japan Trustee Services Bank, Ltd. (Trust Account)	75,645	2.30
The Master Trust Bank of Japan, Ltd. (Trust Account)	72,571	2.21
THE BANK OF NEW YORK – JASDECTREATY ACCOUNT	55,028	1.67
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/HENDERSON HHF SICAV	26,156	0.79
JP MORGAN CHASE BANK 380055	25,055	0.76
BBH LUX FIDELITY FUNDS JAPAN – ADVANTAGE	23,188	0.70
Japan Trustee Services Bank, Ltd. (Trust Account 9)	21,061	0.64
THE BANK OF NEW YORK – TREATYJASDEC ACCOUNT	20,651	0.63

Stock Price



NTT Urban Development Co.

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