

English translation based on Japanese original

Report for the 26th Fiscal Year

From April 1, 2010 to March 31, 2011

NTT Urban Development Corporation

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(Attached Materials)

Business Report (from April 1, 2010 to March 31, 2011)

1. Matters concerning the current state of the NTT Urban Development Group (the “Group”)

(1) Business development and results

In the fiscal year under review, the Japanese economy showed some signs of a recovery, including slower falls in industrial produce index, but is expected to remain weak for the foreseeable future given the repercussions of the Great East Japan Earthquake.

The office leasing market continued to see high average vacancy rates for office buildings and weak market rents. The condominium sales market generally enjoyed a favorable sales situation, particularly in central Tokyo partly thanks to the effects of economic policies.

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

In this environment, 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 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, 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 consequence, net sales amounted to ¥145,693 million (down ¥3,530 million, or 2.4% year on year), operating income was ¥24,324 million (up ¥8,195 million, or 50.8%), and ordinary income was ¥18,554 million (up ¥8,339 million, or 81.6%). Net income was ¥9,307 million (up ¥3,190 million, or 52.2%), despite the posting of loss on adjustment for changes of accounting standard for asset retirement obligations for prior years and losses associated with the Great East Japan Earthquake in extraordinary losses.

(2) Status of each segment

Leasing Business

In the leasing business, net sales and operating income fell from the fiscal year ended March 31, 2010, as factors including a decline in rent income from existing properties and the adverse effect of the sale of properties in the previous fiscal year more than offset the increase in rent income from new properties completed and acquired in the fiscal year under review and from properties completed in the previous fiscal year, such as JA Building and Keidanren Kaikan completed by the Otemachi 1-Chome Urban Area Redevelopment Project Type 1 (Chiyoda-ku, Tokyo).

In the new building development business, projects underway include the Urbannet Tenjin Building (Fukuoka-shi, Fukuoka), Umekita (Osaka Station North District) Phase 1 Development Area Project

(Osaka-shi, Osaka), Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1 (Chiyoda-ku, Tokyo), Urbannet Kanda Building (Chiyoda-ku, Tokyo) and Upper-Level Section Redevelopment Project associated with the reconstruction of the Shibaura Water Reclamation Center (Minato-ku, Tokyo).

The Urbannet Shijo-Karasuma Building (Kyoto-shi, Kyoto) and others were completed in fiscal year under review.

As a result of these activities, the leasing business recorded net sales of ¥92,608 million (down ¥5,484 million, or 5.6% year on year), operating expenses of ¥63,381 million (down ¥3,188 million, or 4.8%), and operating income of ¥29,226 million (down ¥2,295 million, or 7.3%).

Residential Property Sales Business

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

A total of 717 condominiums including those completed in prior years were delivered in the fiscal year ended March 31, 2011, including Wellith Takanawa (Minato-ku, Tokyo) and Wellith Lions The Central (Nagoya-shi, Aichi), which were completed in the fiscal year. In the fiscal year under review, new sales of condominiums such as Wellith Ueno Ikenohata (Taito-ku, Tokyo) and Wellith Tokumaru (Itabashi-ku, Tokyo) commenced. In terms of detached houses, Wellith Court Honfujisawa (Fujisawa-shi, Kanagawa) was sold. With respect to building lot sales, Common Stage Korigaoka (Hirakata-shi, Osaka) and others were delivered.

As a result, the Company posted net sales of ¥41,725 million (up ¥81 million, or 0.2% year on year), operating expenses of ¥41,192 million (down ¥10,950 million, or 21.0%), and operating income of ¥533 million (an operating loss of ¥10,498 million for the previous fiscal year).

Other Business

Net sales in other business were ¥16,383 million (up ¥1,829 million, or 12.6% year on year), operating expenses were ¥15,170 million (up ¥1,975 million, or 15.0%), and operating income was ¥1,212 million (down ¥146 million, or 10.8%).

Net sales by business

Business segment	Amount	Year-on-year	Percentage of Net Sales
Leasing	92,608 million yen	Down 5,484 million yen, or 5.6%	61.4%
Residential property sales	41,725 million yen	Up 81 million yen, or 0.2%	27.7%
Other	16,383 million yen	Up 1,829 million yen, or 12.6%	10.9%
Eliminations	(5,022 million yen)	–	–
Total	145,693 million yen	Down 3,530 million yen, or 2.4%	–

(Note) “Eliminations” refers to intra-group revenues and transfers of funds duplicated in more than one segment.

(3) Status of capital investments

Capital investment was ¥25,682 million for the fiscal year under review.

The main investments were ¥4,693 million in the leasing business for the Urbannet Shijo-Karasuma Building (Kyoto-shi, Kyoto), ¥3,338 million for the Sumitomo Corporation Nagoya Building (Nagoya-shi, Aichi), ¥1,915 million for the UD Midosuji Building and the UD Midosuji Annex Building (Osaka-shi, Osaka), and ¥6,560 million for building renovations.

(4) Status of financing

The Company raised long-term funds of ¥43.2 billion for the redemption of bonds, the repayment of borrowings, and capital investment.

The table below shows a breakdown of the long-term funds raised.

Section	Amount	Remarks
Corporate bonds	9.9 billion yen	NTT Urban Development Corporation 10th unsecured bonds 9.9 billion yen
Long-term borrowings	33.3 billion yen	
Total	43.2 billion yen	

(5) Issues Facing the Group

With respect to the future economic outlook, as the economy is expected to remain weak for the foreseeable future because of the aftermath of the Great East Japan Earthquake, there is a risk that the economy will deviate further below the projected outlook, reflecting the adverse effects of constraints on electric power supply, rising crude oil prices and other factors. The outlook for the real estate market is uncertain given the continuation of challenging circumstances, including high average vacancy rates in office buildings and continuing decline in rents.

The Group is taking steps to restructure its business base and pursue growth in consideration of financial soundness as described below, with the aim of nurturing buds for future growth, while securing stable

profits even in this difficult operating environment, operating under the NTT Urban Development Group Medium-Term Management Plan 2012 formulated in May 2010.

1) Restructuring the business base

In the leasing business, the Group is striving to improve vacancy rates by further strengthening the sales system and continues to promote development projects in central Tokyo and major cities in Kansai and Kyushu. We will improve the profitability of existing properties and promote investments using our development expertise to build a strong revenue base in the difficult real estate market.

In the residential property sales business, the overall market has yet to recover across all regions and price ranges although it is gradually rebounding with the support of preferential tax treatments and low interest rates. Given this operating environment, the Company is working to establish the WELLITH brand by providing quality residents that help maintain a high asset value permanently and it is enhancing profitability by promoting carefully selected site acquisition for condominiums, or other property development mainly in large urban areas such as Tokyo and Osaka, with the aim of generating stable profits.

In response to rising awareness of disaster-proof offices and housing reflecting the Great East Japan Earthquake, we will make efforts to provide more secure and safer high quality properties.

2) Pursuing growth in consideration of financial soundness

The Company invested in the asset management firm of Premier Investment Corporation in May 2010 and made it a consolidated subsidiary. In March 2011, the Company began managing a new real estate fund. We will continue to apply the expertise developed in our core businesses to new fields such as the development and sale of the property business, real estate fund business, commercial business, international business, and the solutions business.

We also aim to practice shareholder-oriented management, enhance corporate governance, promote corporate social responsibility (CSR), and bolster our management resources to establish a business foundation that supports growth.

(6) Financial position and results of operations in recent years

Section	23rd term (FY2007)	24th term (FY2008)	25th term (FY2009)	26th term (term under review) (FY2010)
Net sales (million yen)	138,206	144,277	149,224	145,693
Ordinary income (million yen)	26,196	19,504	10,215	18,554
Net income (million yen)	14,758	15,989	6,116	9,307
Net income per share (yen)	4,484.09	4,858.34	1,858.48	2,827.98
Total assets (million yen)	900,325	936,650	916,725	910,492
Net assets (million yen)	177,969	183,593	185,537	190,783
Net assets per share (yen)	41,442.57	45,014.04	45,646.72	47,257.78

(7) Status of material parent company and subsidiaries

(i) Relationship with the parent company

The Company's parent company is Nippon Telegraph and Telephone Corporation ("NTT"), which holds 2,214,815 shares in the Company (representing an ownership interest of 67.3%).

The Company operates the businesses described in section 1 (8) (principal businesses) below for the parent company.

(ii) Relationship with material subsidiaries

Company name	Capital	Principal business
UDX Tokutei Mokuteki Kaisha	14,100 million yen	Development and retention of Akihabara UDX

(iii) Other

The Company has eleven consolidated subsidiaries and six equity method affiliates.

The Company acquired shares in Premier REIT Advisors Co., Ltd. and made it its consolidated subsidiary during the fiscal year under review. The Company excluded UD Fund III Tokutei Mokuteki Kaisha from the scope of consolidated subsidiaries at the end of the fiscal year under review due to liquidation.

(8) Principal businesses

The table below shows the principal businesses of the Group

Classification		Principal businesses
The Company		(1) Acquisition, disposal and management of real estate (2) Leasing, brokerage and appraisal of real estate (3) Building design, construction and supervision of construction, and contracted business (4) Sale and leasing of office equipment, communication equipment, and other furniture and fixtures, and interior equipment for buildings and houses (5) Construction and sale of residential properties
Subsidiaries	NTT Urban Development Builservice Co.	(1) Building and building equipment design, construction and supervision of construction (2) Consulting relating to the management of buildings and building equipment
	NTT Urban Development West BS Co.	(1) Building and building equipment design, construction and supervision of construction (2) Consulting relating to the management of buildings and building equipment
	NTT Urban Development Hokkaido BS Co.	(1) Building and building equipment design, construction and supervision of construction (2) Consulting relating to the management of buildings and building equipment
	Otemachi First Square Inc.	Management of the Otemachi First Square building and its site
	DN Food Co., Ltd.	Operation of restaurants catering to tenants of buildings owned by the Company in Tokyo
	Knox Twenty-One Co., Ltd.	Operation of the NTT Group's convention facilities
	Motomachi Parking Access Co., Ltd.	Maintenance of underground passages in the Motomachi area of Hiroshima-shi
	Premier REIT Advisors Co., Ltd.	Investment management business under the Financial Instruments and Exchange Act

(9) Principal offices

The Company	Head Office	Chiyoda-ku, Tokyo
	Tokai Branch	Nagoya-shi, Aichi
	Kansai Branch	Osaka-shi, Osaka
	Chugoku Branch	Hiroshima-shi, Hiroshima
	Kyushu Branch	Fukuoka-shi, Fukuoka
	Hokkaido Branch	Sapporo-shi, Hokkaido
Subsidiaries	NTT Urban Development Builservice Co.	Chiyoda-ku, Tokyo
	NTT Urban Development West BS Co.	Osaka-shi, Osaka
	NTT Urban Development Hokkaido BS Co.	Sapporo-shi, Hokkaido
	Otemachi First Square Inc.	Chiyoda-ku, Tokyo
	DN Food Co., Ltd.	Chiyoda-ku, Tokyo
	Knox Twenty-One Co., Ltd.	Minato-ku, Tokyo
	Motomachi Parking Access Co., Ltd.	Hiroshima-shi, Hiroshima
	Premier REIT Advisors Co., Ltd.	Minato-ku, Tokyo

(10) Status of employees

(i) Group Employees

Business segment	Number of employees		Change from end of previous consolidated fiscal year	
Leasing	201	(11)	Up 13	(-)
Residential property sales	73	(1)	Down 2	(-)
Other	285	(242)	Up 34	(up 4)
Company-wide (common)	164	(3)	Up 5	(-)
Total	723	(257)	Up 50	(up 4)

(Note) The number of employees is the number of people employed by the Group. The number of temporary employees is shown in parentheses.

(ii) Company Employees

Number of employees	Change from end of previous fiscal year	Average age	Average length of service
450 (16)	Up 16 (up 1)	42.5 years old	17.7 years

(Note 1) The number of employees is the number of people employed by the Company. The number of temporary employees is shown in parentheses.

(Note 2) Workers seconded from other companies to the Company (32 workers) are included in the number of employees, while workers seconded from the Company (110 workers) are excluded.

(Note 3) Length of service at NTT or any other company in the NTT Group is added to the length of service of the employees who worked for these companies when calculating the average length of service. Workers seconded from other companies (32 workers) are excluded from the calculation.

(iii) Group Company Employees

Company name	Number of employees	Change from end of previous fiscal year
NTT Urban Development Builservice Co.	117 (99)	Up 9 (down 2)
NTT Urban Development West BS Co.	47 (40)	Up 6 (up 5)
NTT Urban Development Hokkaido BS Co.	15 (3)	Down 1 (up 1)
Otemachi First Square Inc.	10 (1)	Up 2 (down 1)
DN Food Co., Ltd.	43 (96)	Down 1 (up 1)
Knox Twenty-One Co., Ltd.	21 (1)	Down 1 (down 1)
Motomachi Parking Access Co., Ltd.	0 (1)	– (–)
Premier REIT Advisors Co., Ltd.	20 (0)	

(Note) The number of employees is the number of people employed by each Group company. The number of temporary employees is shown in parentheses.

(11) Principal lenders

Lenders	Amount borrowed
NTT Finance Corporation	56,700 million yen
Development Bank of Japan Inc.	50,062 million yen
Mizuho Corporate Bank, Ltd.	25,000 million yen
Sumitomo Mitsui Banking Corporation	21,000 million yen
Nippon Life Insurance Company	20,000 million yen
Mitsubishi UFJ Trust and Banking Corporation	17,000 million yen
Sumitomo Life Insurance Company	16,015 million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	16,000 million yen
Syndicated loan	15,300 million yen
The Nishi-Nippon City Bank, Ltd.	15,000 million yen
The Sumitomo Trust and Banking Co., Ltd.	10,000 million yen

(Note) The syndicated loan is a loan syndication led by Mizuho Corporate Bank, Ltd.

2. Matters concerning shares of the Company

(1) Total number of shares authorized to be issued by the Company: **10,500,000**

(2) Number of issued and outstanding shares: **3,291,200**

(3) Number of shareholders: **13,949**

(4) Status of top ten shareholders

Shareholder	Number of shares held	Shareholding ratio (%)
Nippon Telegraph and Telephone Corporation (NTT)	2,214,815	67.30
CB NEW YORK – 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 – JASDEC TREATY 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, TREATY JASDEC ACCOUNT	20,651	0.63

(5) Other material matters concerning shares

Not applicable

3. Matters concerning stock acquisition rights of the Company

Not applicable

4. Matters concerning officers of the Company

(1) Directors and Corporate Auditors

Title	Name	Responsibility	Major concurrent posts
President & CEO	Masaki Mitsumura		
Senior Executive Director	Hideo Osawa	Senior Executive Manager, Building Service Headquarters	President and Representative Director of NTT Urban Development Builservice Co. (assumed office on June 21, 2010)
Executive Director	Hiroto Miyake	Senior Executive Manager, Solution Business Headquarters and in charge of CSR	Director of DHC Tokyo Co., Ltd. Representative Director of Harumi Yonchome City Planning Design Co.
Executive Director	Akitoshi Ito	Senior Executive Manager, Residential Development Department	President & CEO of NTT Urban Development West BS Co. (resigned on June 21, 2010)
Executive Director	Yoshiharu Nishimura	Senior Executive Manager, Development Promotion Department	Representative Director of Crossfield Management Corporation (assumed office on June 25, 2010) Director of Premier REIT Advisors Co., Ltd. (assumed office on June 28, 2010)
Senior Director	Hideki Tokunaga	Deputy Senior Executive Manger, Solution Business Headquarters Senior Executive Manager, Solution Business Department 1 Senior Executive Manager, Solution Business Department 2 In charge of Commercial Properties Development Promotion Department and Tokai, Chugoku, Kyushu, and Hokkaido Branch Offices	
Senior Director	Takahiro Okuda	Senior Executive Manager, Corporate Planning Department	Director of Tokyo Opera City Heat Supply Co., Ltd. Corporate Auditor of Premier REIT Advisors Co., Ltd. (assumed office on June 28, 2010)
Senior Director	Satoshi Shinoda	Senior Executive Manager, Accounting and Finance Department	
Senior Director	Kazuhiro Hasegawa	Senior Executive Manager, Real Estate Investment Promotion Department	Director of Premier REIT Advisors Co., Ltd. (assumed office on June 28, 2010)
Senior Director	Hiroshi Iijima	Deputy Senior Executive Manager, Building Service Headquarters Senior Executive Manager, Disaster Risk Management Promotion Office	Director of Tokyo Opera City Building Co., Ltd.

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Title	Name	Responsibility	Major concurrent posts
Senior Director	Shiro Nakahara	Senior Executive Manager, General Affairs Department	
Senior Director	Masaru Yanagida	Executive Manager, Kansai Branch Office	President & CEO of NTT Urban Development West BS Co. (assumed office on June 21, 2010) Director of NTT Urban Development Builservice Co. (resigned on June 21, 2010)
Senior Director	Takanori Ito	Deputy Senior Executive Manager, Building Service Headquarters	Director of DN Food Co., Ltd.
Senior Director	Isao Yamauchi		Senior Manager of General Affairs Department of Nippon Telegraph and Telephone Corporation
Corporate Auditor	Hikozaemon Enoki		Corporate Auditor of Otemachi First Square Inc.
Corporate Auditor	Hitoshi Ikeda		
Corporate Auditor	Akio Enomoto		
Corporate Auditor (part-time)	Takeshi Ogiwara		Senior Manager of Internal Control Office of General Affairs Department of Nippon Telegraph and Telephone Corporation

(Note 1) Of the Senior Directors, Mr. Isao Yamauchi is an Outside Director as stipulated in Article 2, Item 15 of the Corporate Law.

(Note 2) Corporate Auditors Hikozaemon Enoki, Hitoshi Ikeda, Akio Enomoto, and Takeshi Ogiwara are Outside Corporate Auditors as stipulated in Article 2, Item 16 of the Corporate Law.

(Note 3) Corporate Auditor Hikozaemon Enoki worked for the accounting division of Nippon Telegraph and Telephone Public Corporation and has substantial knowledge about finance and accounting.

(Note 4) The Company designated Outside Corporate Auditor Hitoshi Ikeda as an independent officer pursuant to the provisions of Tokyo Stock Exchange, Inc. ("TSE"), and notified the fact to TSE.

(Note 5) Mr. Masaru Yanagida and Mr. Takanori Ito were newly elected as Senior Directors at the Ordinary General Meeting of Shareholders for the 25th term held on June 18, 2010, and assumed office.

(Note 6) Mr. Takeshi Ogiwara was newly elected as a Corporate Auditor (part-time) at the Ordinary General Meeting of Shareholders for the 25th term held on June 18, 2010, and assumed office.

(Note 7) The table below shows changes in titles and the roles of Directors during the fiscal year under review.

Name	After change	Before change	Date of change
Hideo Osawa	Senior Executive Director Senior Executive Manager, Building Service Headquarters	Executive Director Senior Executive Manager, Residential Development Department	June 18, 2010
Hiroto Miyake	Executive Director Senior Executive Manager, Solution Business Headquarters and in charge of CSR	Executive Director Senior Executive Manager, Solution Business Headquarters	June 18, 2010
Akitoshi Ito	Executive Director Senior Executive Manager, Residential Development Department	Senior Director Executive Manager, Kansai Branch Office	June 18, 2010
Yoshiharu Nishimura	Executive Director Senior Executive Manager, Development Promotion Department	Senior Director Senior Executive Manager, Development Promotion Department	June 18, 2010

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Hideki Tokunaga	Senior Director In charge of Commercial Properties Development Promotion Department and Tokai, Chugoku, Kyushu, and Hokkaido Branch Offices	Senior Director In charge of Commercial Properties Development Promotion Department and Chugoku Branch Office	June 18, 2010
	Senior Director Deputy Senior Executive Manger, Solution Business Headquarters Senior Executive Manager, Solution Business Department 1 Senior Executive Manager, Solution Business Department 2 In charge of Commercial Properties Development Promotion Department and Tokai, Chugoku, Kyushu, and Hokkaido Branch Offices	Senior Director In charge of Commercial Properties Development Promotion Department and Tokai, Chugoku, Kyushu, and Hokkaido Branch Offices	July 1, 2010
Takahiro Okuda	Senior Director Senior Executive Manager, Corporate Planning Department	Senior Director Senior Executive Manager, Corporate Planning Department, in charge of Accounting and Finance Department	July 1, 2010
Satoshi Shinoda	Senior Director Senior Executive Manager, Accounting and Finance Department	Senior Director Deputy Senior Executive Manager, Solution Business Headquarters Senior Executive Manager, Solution Business Department 1 Senior Executive Manager, Solution Business Department 2	July 1, 2010

(Note 8) The table below shows Directors and Corporate Auditors who retired during the fiscal year under review.

Title at the time of resignation	Name	Date of retirement
Senior Executive Director	Kimito Muragishi	June 18, 2010 (term of office expired)
Executive Director	Seiya Wakaizumi	June 18, 2010 (term of office expired)
Executive Director	Michihiko Kaite	June 18, 2010 (term of office expired)
Corporate Auditor (part-time)	Hisakazu Tagawa	June 18, 2010 (resigned from office)

(2) Policies concerning remuneration of Directors and Corporate Auditors, and the amount

(i) Policies

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

The remuneration for Directors consists of monthly compensation and bonuses. The monthly compensation is provided based on the extent of roles and the scope of responsibilities for each position. The bonuses are provided by taking into account the Company's performance and other matters during the fiscal year under review.

In addition, from the perspective of reflecting the medium-to long-term performance of the Company, Directors purchase the Company shares through the Directors' stock accumulation plan by contributing over the certain amount of the monthly compensation, and hold all of the purchased shares during the term of office.

The remuneration for Corporate Auditors is decided upon discussion by the Corporate Auditors, and from the perspective of ensuring a high independency, only the monthly compensation is provided without gearing the amount for the Company's performance.

(ii) Remuneration of Directors and Corporate Auditors

Title	Number of people receiving remuneration	Amount of remuneration
Directors (Incl. Outside Directors)	16 (0)	327 million yen (-)
Corporate Auditors (Incl. Outside Corporate Auditors)	3 (3)	59 million yen (59 million yen)
Total	19	387 million yen

(Note 1) The Ordinary General Meeting of Shareholders for the 22nd term held on June 21, 2007 resolved that annual remuneration for Directors shall not exceed ¥480 million and annual remuneration for Corporate Auditors shall not exceed ¥80 million.

(Note 2) The numbers for Directors and Corporate Auditors include three Directors who retired as at the conclusion of the Ordinary General Meeting of Shareholders for the 25th term held on June 18, 2010.

(Note 3) The amount of Directors' remuneration includes bonuses of ¥42 million for the fiscal year under review.

(Note 4) Other than the above, executive bonuses in the amount of ¥28 million were paid to Directors who also hold executive management positions.

(3) Matters concerning outside officers

(i) Major partner companies for concurrent posts and their relationship with the Company

Title	Name	Concurrent post	Partner company	Relationship with the Company
Senior Director	Isao Yamauchi	Employee	Nippon Telegraph and Telephone Corporation	Parent company
Corporate Auditor (full-time)	Hikozaemon Enoki	Outside Corporate Auditor	Otemachi First Square Inc.	Subsidiary
Corporate Auditor (part-time)	Takeshi Ogiwara	Employee	Nippon Telegraph and Telephone Corporation	Parent company

(ii) Main activities in the fiscal year under review

a. Attendance at meetings of the Board of Directors and Board of Corporate Auditors

Title	Name	Board of Directors		Board of Corporate Auditors	
		Meetings attended	Attendance rate	Meetings attended	Attendance rate
Senior Director	Isao Yamauchi	24/25	96.0%	–	–
Corporate Auditor (full-time)	Hikozaemon Enoki	25/25	100.0%	27/27	100.0%
Corporate Auditor (full-time)	Hitoshi Ikeda	25/25	100.0%	27/27	100.0%
Corporate Auditor (full-time)	Akio Enomoto	24/25	96.0%	26/27	96.3%
Corporate Auditor (part-time)	Takeshi Ogiwara	19/19	100.0%	18/18	100.0%

(Note) Mr. Takeshi Ogiwara assumed the office of Corporate Auditor (part-time) on June 18, 2010.

b. Statements at Board of Directors and Board of Corporate Auditors meetings

- (a) Senior Director Isao Yamauchi made suggestions and proposals to ensure the adequacy and fairness of decisions made by the Board of Directors, and expressed opinions about agenda items and the deliberations relating thereto from an objective viewpoint independent of management.
- (b) Corporate Auditor Hikozaemon Enoki stated his opinions primarily from the perspective of an experienced business manager and made suggestions and proposals to ensure the adequacy and fairness of decisions made by the Board of Directors. In meetings of the Board of Corporate Auditors, he also made statements as necessary regarding the establishment and operation of a high quality corporate governance system that will enable the sound and sustainable growth of the Company.
- (c) Corporate Auditor Hitoshi Ikeda stated his opinions primarily from the perspective of an

experienced business manager and made suggestions and proposals to ensure the adequacy and fairness of decisions made by the Board of Directors. In meetings of the Board of Corporate Auditors, he also made statements as necessary regarding the establishment and operation of a high quality corporate governance system that will enable the sound and sustainable growth of the Company.

- (d) Corporate Auditor Akio Enomoto stated his opinions primarily from the perspective of an experienced business manager and made suggestions and proposals to ensure the adequacy and fairness of decisions made by the Board of Directors. In meetings of the Board of Corporate Auditors, he also made statements as necessary regarding the establishment and operation of a high quality corporate governance system that will enable the sound and sustainable growth of the Company.
- (e) Part-time Corporate Auditor Takeshi Ogiwara stated his opinions based on his considerable experience at Nippon Telegraph and Telephone Corporation and offered advice and proposals to ensure the adequacy and fairness of decisions made by the Board of Directors. At meetings of the Board of Corporate Auditors, he also made statements as necessary regarding the establishment and operation of a high quality corporate governance system that will enable the sound and sustainable growth of the Company.

(iii) Outline of agreements for the limitation of liability

The Company has concluded agreements with its Outside Directors and Outside Corporate Auditors pursuant to Article 427, Paragraph 1 of the Corporate Law for the limitation of liability as stipulated in Article 423, Paragraph 1 of the Corporate Law. For both Outside Directors and Outside Corporate Auditors, liability for damages under the agreements is limited to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Corporate Law.

5. Status of accounting auditors

(1) Name of the accounting auditor

KPMG AZSA LLC

(Note) KPMG AZSA LLC changed the name from KPMG AZSA & Co. on July 1, 2010 due to the change of the type of the auditing corporation.

(2) Remuneration payable to accounting auditor in the fiscal year under review

¥80 million

(Note) The audit contract between the accounting auditor and the Company does not distinguish between remuneration for audits under the Corporate Law and remuneration for audits under the Financial Instruments and Exchange Act, as it is not practically possible to distinguish between the two types of remuneration. The amount above therefore is the sum of the amounts of the two types of remuneration.

(3) Total amount of cash and other income payable by the Company and subsidiaries

¥106 million

(4) Content of non-audit services

The Company compensates the accounting auditor for the preparation of comfort letters relating to the issuing of corporate bonds and the advisory service related to the International Financial Reporting Standards (IFRS) in addition to the services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(5) Policy concerning decisions to dismiss or change the accounting auditor

If it is determined that any of the conditions set out in items of Article 340, Paragraph 1 of the Corporate Law applies to the accounting auditor, the Board of Corporate Auditors shall dismiss the auditor upon unanimous consent of its members.

In other cases when it is deemed that the accounting auditor is no longer able to perform its duties in a fair manner, the Board of Directors shall submit its proposal to dismiss or change the accounting auditor to the general meeting of shareholders, with the approval of, or upon request from, the Board of Corporate Auditors.

6. Systems and policies of the Company

(1) Mechanisms to ensure appropriate business operations

The following is an outline of the Company's Internal Control Systems Basic Policy, which sets out systems and procedures to ensure that the Directors' performance of their duties will comply with laws and regulations and the Articles of Incorporation, and other systems to ensure appropriate operations of the Company:

- (i) Systems and procedures designed to ensure that Directors and employees adhere to laws and regulations and the Company's Articles of Incorporation in the execution of their duties
 - a. Employees are expected to carry out their respective duties in a diligent and conscientious manner in accordance with laws, regulations and official interpretations and notifications in an effort to ensure appropriate and efficient business operations as stipulated in the Company's Rules of Employment and related documents;
 - b. All Directors and employees of NTT Urban Development Group companies shall strive to promote the highest standards in corporate ethics and compliance in accordance with the NTT Group's Code of Corporate Ethics;
 - c. Establish a Corporate Ethics Promotion Committee and promulgation of compliance-related regulations promulgated as measures for the prevention of illegal acts or misconduct;
 - d. Provide the necessary corporate ethics and compliance support infrastructure to the Company's Directors and employees by setting up a corporate ethics and compliance helpline for consultation from both within and outside the Company;
 - e. Establish a framework that seeks to ensure information is collected by the relevant department and an appropriate response is formulated in the event of potential and actual non-compliance with ethics and compliance policies and rules;
 - f. Education and training with regard to corporate ethics and compliance are to be implemented on a regular basis for Directors and employees;
 - g. Establish the Internal Audit Office as a means to evaluate the efficacy and management of Internal Control Systems based on audit reviews and audits concerning particularly high risk matters, and to implement necessary corrective measures and improvements;
 - h. Legal review is to be carried out by the Legal Department to ensure that operations are conducted appropriately; in addition, legal consultation with lawyers is to be centrally coordinated by the Legal Department;
 - i. As an operator of financial instruments, the Company will maintain appropriate business management and human resource structures necessary to ensure compliance with laws and regulations, manage risks appropriately, and ensure appropriate protection of customers, and control of customer information.
 - j. The Company will seek to appropriately develop and implement internal controls over financial reporting to ensure the reliability of financial reports prepared in accordance with the

Financial Instruments and Exchange Act.

- k. The Company is committed to not being associated, by any means, with antisocial forces or organizations that pose a threat to the order and safety of society, and to acting decisively against these antisocial activities in cooperation with the appropriate authorities, such as the police.
- (ii) Systems and procedures for storing and managing information pertaining to the execution of duties by Directors.
 - a. Minutes of meetings, associated documents and other information relating to the execution by Directors of their duties are to be stored and managed by the relevant department in accordance with internal rules and regulations; and
 - b. Directors and Corporate Auditors can regularly review the aforementioned documentation and information.
 - (iii) Systems and procedures concerning the management of risk.
 - a. Careful consideration of investment risks associated with investment projects is to be carried out by the Investment Deliberation Council prior to deliberation by the Management Council;
 - b. Formulation of risk management rules and regulations to ensure appropriate risk prevention and response measures are implemented;
 - c. The Company shall conduct risk management education and training in order to raise awareness among Directors and employees; and
 - d. Develop a system to enable the Company to take appropriate measures in the event of disasters by: establishing the Disaster Risk Management Promotion Committee and Disaster Risk Management Promotion Office; defining a basic course of action to be taken in the event of a large-scale earthquake and other disasters and preparing necessary manuals; and implementing other necessary measures, such as training and drills.
 - (iv) A framework that seeks to ensure the efficient execution of duties by Directors.
 - a. Clarify departmental responsibilities, authority and decision-making procedures, based on internal rules and regulations that define the structure and scope of internal organizations as well as the division of duties, responsibilities and authority;
 - b. Formulate rules and regulations for the Board of Directors. In principle, the Board of Directors meets once a month to decide important matters relating to the management of the Company in accordance with related legal requirements, business judgment principles and the standard of care of a good manager (*zenryo naru kanrisha no chui gimu*). In addition, the Board of Directors periodically reports on the status of business execution. Moreover, the Company formulates rules and regulations for the Management Council, an organization that in principle meets once a week and reports to the Board of Directors; and
 - c. Strive to enhance efficiency in the execution of business; to this end, the Board of Directors

formulates medium-term management policies and business plans and closely reviews performance on a monthly and quarterly basis.

- (v) A system that seeks to ensure the appropriateness of operations of the Company and the entire Group, including its parent company and subsidiaries. This system seeks to ensure that:
 - a. Subsidiaries deliberate with, and report to, the Company in connection with important matters;
 - b. The internal control department periodically calls on subsidiaries with the aim of monitoring and supervising subsidiary operations;
 - c. Periodic meetings are convened at which subsidiaries report to the Company on the status of operations and financial. This process enables the Company to maintain an understanding of its subsidiaries' operations and financial condition and to ensure that subsidiary operations are conducted in an appropriate manner; and
 - d. Transactions are reviewed to confirm that contractual terms and conditions are consistent with those in third party contracts, so that transactions between the parent company and subsidiaries are conducted in an appropriate manner.

- (vi) Items pertaining to employees who are appointed to assist Corporate Auditors in their duties. These items provide for:
Establishment of a Corporate Auditors Office that reports directly to the Corporate Auditors and the appointment of full-time, specialist employees to assist Corporate Auditors in the conduct of their duties.

- (vii) Items concerning the independence from Directors of employees who are appointed to assist Corporate Auditors in their duties. These items seek to ensure that:
 - a. The opinions of Corporate Auditors are to be sought in determining personnel matters relating to employees appointed to support Corporate Auditors; and
 - b. Employees appointed to support Corporate Auditors are to work full-time and shall not engage in concurrent activities.

- (viii) A system for Directors and employees to report to Corporate Auditors and for other reporting to Corporate Auditors. Under this system:
 - a. A comprehensive reporting system is maintained in which Corporate Auditors attend not only Board of Directors meetings but also Management Council and other important meetings.
 - b. Directors and employees are required to report to Corporate Auditors on matters relating to the execution of their duties including the following:
 - Matters that have led to significant damage or have the potential to lead to significant damage to the Company
 - Monthly financial reports
 - The status of internal audits

- Any risk of a breach of laws and regulations, the Company's Articles of Incorporation and related rules and regulations
 - The status of reports made under the corporate ethics / compliance helpline
 - Important issues relating to corporate ethics and compliance other than those previously identified above
- c. Directors are required to report to the Board of Directors through the Internal Audit Office on the status of the establishment and management of the Internal Control Systems.
- (ix) Other structures designed to ensure that audits are performed effectively by Corporate Auditors.
- a. Corporate Auditors conduct meetings with Representative Directors and related personnel on a quarterly basis to promote an exchange of opinions and ensure appropriate communication channels are maintained, and;
 - b. When Corporate Auditors request the assistance of attorneys, certified public accountants, and other external advisors, the Company will respect the request to the utmost extent.

(2) Basic policy on the control of the Company

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

Amounts of money and volumes of sales in the Business Report are rounded down to the nearest unit. Ratios and other figures are rounded to the nearest unit.

Consolidated Balance Sheet

(As of March 31, 2011)

(Unit: million yen)

Account item	Amount	Account item	Amount
Assets		Liabilities	
Current assets		Current liabilities	
Cash and bank deposits	10,270	Notes and accounts payable, trade	8,083
Notes and accounts receivable, trade	6,458	Current portion of finance lease obligations	101
Property for sale	7,630	Current portion of long-term debt (payment within one year)	67,360
Property for sale in progress	72,648	Corporate bonds (must redeem within one year)	1,611
Uncompleted construction expenditure	269	Accrued income taxes	5,662
Raw materials and supplies	63	Provision for loss on disaster	574
Leased investment assets	2,394	Other current liabilities	21,428
Deposits paid	8,417	Total current liabilities	104,822
Deferred tax assets	1,723	Long-term liabilities	
Other current assets	3,887	Corporate bonds	123,704
Less allowance for doubtful receivables	(2)	Long-term debt	295,102
Total current assets	113,762	Finance lease obligations	196
Noncurrent assets		Deposits from tenants	88,081
Property and equipment		Negative goodwill	30,186
Buildings and structures	329,385	Deferred tax liabilities	68,644
Machinery and vehicles	2,132	Accrued employees' retirement benefits	5,889
Land	400,206	Accrued directors' and corporate auditors' retirement benefits	121
Leased assets	203	Provision for loss on warranty	60
Construction in progress	9,718	Asset retirement obligations	2,737
Other noncurrent assets	3,618	Other long-term liabilities	159
Total property and equipment	745,265	Total long-term liabilities	614,886
Intangible assets	4,969	Total liabilities	719,709
Investments and other assets		Net assets	
Investment securities	21,150	Shareholders' equity	
Long-term prepaid expenses	17,982	Common stock	48,760
Deferred tax assets	373	Capital surplus	34,109
Other assets	6,990	Retained earnings	72,628
Less allowance for doubtful receivables	(0)	Total shareholders' equity	155,498
Total investments and other assets	46,495	Accumulated other comprehensive income	
Total noncurrent assets	796,729	Valuation difference on available-for-sale securities	257
		Foreign currency translation adjustments	(221)
		Total accumulated other comprehensive income	36
		Minority interests	35,248
		Total net assets	190,783
Total assets	910,492	Total liabilities and net assets	910,492

(Note) All amounts have been rounded down to the nearest million yen.

Consolidated Statement of Income

(From April 1, 2010 to March 31, 2011)

(Unit: million yen)

Account item	Amount	
Net sales		145,693
Cost of sales		104,442
Gross profit		41,251
Selling, general and administrative expenses		16,926
Operating income		24,324
Non-operating income		
Interest income	56	
Dividend income	36	
Contributions	103	
Gains on donation of noncurrent assets	0	
Amortization of negative goodwill	1,926	
Equity in earnings of affiliates	110	
Other non-operating income	279	2,512
Non-operating expenses		
Interest expenses	7,928	
Other non-operating expenses	353	8,282
Ordinary income		18,554
Extraordinary income		
Gain on sales of noncurrent assets	212	
Other extraordinary income	8	220
Extraordinary losses		
Loss on sales of noncurrent assets	8	
Loss on disposals of noncurrent assets	1,052	
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,001	
Loss on disaster	585	
Other extraordinary losses	4	2,652
Income before income taxes and minority interests		16,122
Income taxes		
Current	7,996	
Deferred	(2,565)	5,431
Income before minority interests		10,691
Minority interests		1,384
Net income		9,307

(Note) All amounts have been rounded down to the nearest million yen.

Consolidated Statement of Changes in Net Assets

(From April 1, 2010 to March 31, 2011)

(Unit: million yen)

	Shareholders' equity				Accumulated other comprehensive income		Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustments		
Balance as of March 31, 2010	48,760	34,109	67,270	150,140	113	(21)	35,305	185,537
Changes in the consolidated fiscal year								
Dividend			(1,974)	(1,974)				(1,974)
Interim dividend			(1,974)	(1,974)				(1,974)
Net income for the period			9,307	9,307				9,307
Changes in items other than shareholders' equity in the consolidated fiscal year (net)					143	(199)	(57)	(112)
Total changes in the consolidated fiscal year	-	-	5,358	5,358	143	(199)	(57)	5,245
Balance as of March 31, 2011	48,760	34,109	72,628	155,498	257	(221)	35,248	190,783

(Note) All amounts have been rounded down to the nearest million yen.

Notes to Consolidated Financial Statements

Basis for preparation of consolidated financial statements

1. Scope of consolidation

Number of consolidated subsidiaries: 11

All subsidiaries are consolidated.

Consolidated subsidiaries

NTT Urban Development Builservice Co., NTT Urban Development West BS Co., NTT Urban Development Hokkaido BS Co., Otemachi First Square Inc., DN Food Co., Ltd., Knox Twenty-One Co., Ltd., Motomachi Parking Access Co., Ltd., UDX Tokutei Mokuteki Kaisha, Nagasaki Shintomachi New Town Development Tokutei Mokuteki Kaisha, UD EUROPE LIMITED, and Premier REIT Advisors Co., Ltd.

The Company acquired shares in Premier REIT Advisors Co., Ltd. and made it its consolidated subsidiary in the fiscal year under review.

UD Fund III Tokutei Mokuteki Kaisha was excluded from the scope of consolidated subsidiaries at the end of the fiscal year under review due to liquidation.

2. Application of equity method

Number of equity method affiliates: 6

Equity method affiliates

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

3. Fiscal years of consolidated subsidiaries

The fiscal year-end date of UD EUROPE LIMITED and MOUNT STREET ADVISERS LIMITED is December 31. In the preparation of the consolidated financial statements, the Company used the financial statements of UD EUROPE LIMITED and MOUNT STREET ADVISERS LIMITED as of December 31 and made adjustments necessary for consolidation in relation to significant transactions that occurred after December 31 and before the consolidated fiscal year-end date (March 31).

The ends of the fiscal years of other consolidated subsidiaries are the same as the consolidated fiscal year-end date.

Accounting practices

1. Standards and methods for the valuation of marketable securities

Other marketable securities

(i) Securities with market values:

Market value method based on the market value on the consolidated balance sheet date.

Valuation differences are recorded as a component of net assets. Cost of sales is calculated by the moving average method.

(ii) Securities without market values:

Cost method based on cost determined by the moving average method.

Investments in investment business limited partnerships (*toshi jigyo yugen sekinin kumiai*) and associations of similar nature (investments that are deemed to be marketable securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are recorded at the net amount attributed to the investment on the latest available financial statements of the investee.

2. Standards and methods for the valuation of derivatives

In principle, the market value method is applied.

3. Standards and methods for the valuation of inventories

The cost method based on the specific cost method is applied to property for sale and property for sale in progress (for purposes of determining the balance sheet carrying amount, book value is reduced to reflect declines in profitability).

The specific cost method is applied to the valuation of uncompleted construction expenditures.

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

(Additional information)

The valuation of inventories as at the end of the fiscal year under review reflects a ¥2,141 million reduction of book value due to a decline in profitability.

4. Depreciation method for noncurrent assets

(1) Property and equipment (except leased assets)

The declining-balance method is primarily applied.

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

Major useful lives are as follows:

Buildings and structures: 15 to 50 years

Machinery and vehicles: 5 to 17 years

(2) Intangible assets (except leased assets)

The straight-line method is applied.

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

(3) Long-term prepaid expenses

The straight-line method is applied.

(4) Leased assets

For finance lease transactions other than those deemed to transfer ownership to lessees:

The same depreciation methods that are applied to the noncurrent assets owned by the Company and its subsidiaries are applied.

5. Basis for calculating allowances

(1) Allowance for doubtful receivables

To cover expected losses from doubtful notes and accounts receivable and loans receivable, the Company and its consolidated subsidiaries record allowances for estimated uncollectible amounts, which are estimated based on actual default loss ratios for general receivables and based on collectability of each individual account for specific receivables, including those with a high probability of default.

(2) Provision for employees' retirement benefits

To account for future obligations for the payment of employees' retirement benefits, provision for accrued employees' retirement benefits is recorded based on the estimated amount of future retirement benefit obligations and the estimated future value of pension plan assets at the end of the consolidated fiscal year.

Past service cost is amortized using the straight-line method based on the average remaining period of service of the eligible employees at the time of recognition.

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

(3) Provision for loss on warranty obligation

Estimated amount of future compensation is reserved to provide for the anticipated costs of losses on warranty arising out of property sale transactions.

(4) Provision for loss on disaster

Estimated amount is reserved to provide for the anticipated payments for recovery of assets damaged by the Great East Japan Earthquake.

6. Hedge accounting method

In principle, deferred hedge accounting is applied.

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

7. Basis for calculating the amount of revenue and cost of completed work

For construction contracts, the percentage-of-completion method is applied to calculate construction contract revenues and costs if the outcome of the construction activity is deemed certain as of the end

of this fiscal year during the course of the activity (degree of progress in construction is estimated using the cost-to-cost method), otherwise the completed-contract method is applied.

8. Amortization of goodwill and negative goodwill

Goodwill, and negative goodwill occurred before March 31, 2010 are amortized over 20 years using the straight line method.

9. Accounting treatment of consumption taxes

Consumption taxes are accounted for by the tax exclusion method.

10. Change in accounting procedure

The Accounting Standard for Asset Retirement Obligations (Accounting Standards Board of Japan (ASBJ) Statement No. 18 on March 31, 2008) and the Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No. 21 on March 31, 2008) were applied from the fiscal year under review. As a result of the applications, operating income and ordinary income decreased by ¥148 million, and income before income taxes and minority interests decreased by ¥1,150 million.

11. Changes in presentation

Under the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 on December 26, 2008), the Company and its consolidated subsidiaries applied the Ordinance of the Ministry of Justice on Partial Revision of Regulations for Enforcement of the Corporate Law, the Corporate Calculation Regulations and Other Regulations (Ordinance of the Ministry of Justice No. 7 on March 27, 2009) from the fiscal year under review. As a result, “income before minority interests” is included in the consolidated statements of income.

12. Additional information

The Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25 on June 30, 2010) was applied from the fiscal year under review, and “Accumulated gains from revaluation and translation adjustments” was changed into “Accumulated other comprehensive income” in the consolidated balance sheet and the consolidated statement of changes in net assets.

Notes to consolidated balance sheet

1. Accumulated depreciation of property and equipment: 380,906 million yen
The amount above includes an accumulated loss on the impairment of buildings of ¥2,698 million and an accumulated loss on the impairment of land of ¥863 million.

2. Assets pledged as collateral and liabilities relating to collateral

(1) Mortgaged assets and secured debt

Assets pledged as collateral

Buildings and structures:	104,483 million yen
Land:	<u>13,189 million yen</u>
Total:	117,673 million yen

Liabilities relating to collateral

Current portion of long-term debt: (payment within one year)	4,660 million yen
Long-term debt:	<u>14,945 million yen</u>
Total:	19,605 million yen

(2) Pledged assets and corresponding liabilities regarding limited recourse obligations

Assets pledged as collateral

Cash and bank deposits (within three months):	5,021 million yen
Marketable securities:	1,099 million yen
Other current assets:	251 million yen
Buildings and structures:	51,669 million yen
Land:	171,400 million yen
Other property and equipment:	151 million yen
Intangible assets:	0 million yen
Long-term prepaid expenses:	<u>269 million yen</u>
Total:	229,863 million yen

Liabilities relating to collateral

Corporate bonds (must redeem within one year):	1,611 million yen
Corporate bonds:	<u>63,735 million yen</u>
Total:	65,347 million yen

3. Breakdown of other current assets

Marketable securities:	1,099 million yen
Other current assets:	<u>2,787 million yen</u>
Total:	3,887 million yen

4. Negative goodwill

The value of negative goodwill occurred before March 31, 2010 is offset against positive goodwill. The values before the offset are ¥2,563 million for positive goodwill and ¥32,750 million for negative goodwill.

Notes to consolidated statement of changes in net assets

1. Type and number of issued shares at the end of the consolidated fiscal year

Common stock 3,291,200 shares

2. Dividends

(1) Dividends

Resolution	Type of shares	Total dividends (Million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 18, 2010	Common stock	1,974	600	March 31, 2010	June 21, 2010
Board of Directors meeting on November 8, 2010	Common stock	1,974	600	September 30, 2010	December 3, 2010

(2) Dividends with a record date falling in the fiscal year under review but for which the effective date falls in the current fiscal year

The resolution described below is planned to be adopted in relation to the dividends described above.

Resolution	Type of shares	Source of dividends	Total dividends (Million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 21, 2011	Common stock	Retained earnings	1,974	600	March 31, 2011	June 22, 2011

Notes to financial instruments

1. Financial instrument status

The Group raises the funds (primarily through bank loans and bond issuance) necessary to meet its financing needs, which mainly consist of funds for investments in and working capital for the leasing business and the residential property sales business. Temporarily idle funds are invested only in short-term deposits or the like.

In accordance with internal accounting rules, trade receivables are tracked for each business partner throughout their lifecycle and protective measures are taken to reduce risk of non-payment. As to marketable securities and investment securities, fair values, market conditions, and financial standing of issuers (mainly business partners) are periodically assessed.

Derivative transactions are interest rate swaps to hedge the risk of fluctuations in interest rates on debt obligations, and they are entered into only to the extent of actual demand and in line with the risk management guidelines pertaining to financial instruments.

2. Fair values of financial instruments

English translation based on Japanese original

Amounts recognized in the consolidated balance sheet, fair values and the difference at the end of the fiscal year under review are summarized below. Financial instruments for which fair values are deemed extremely difficult to assess (refer to Note 2) and those that lack importance are not included in the table.

(Unit: million yen)

	Amount in consolidated balance sheet	Fair value	Difference
(1) Cash and bank deposits	10,270	10,270	–
(2) Notes and accounts receivable, trade	6,458	6,456	(2)
(3) Marketable securities and investment securities Other securities	11,784	11,854	70
Total assets	28,513	28,580	67
(1) Notes and accounts payable, trade	8,083	8,083	–
(2) Accrued income taxes	5,662	5,662	–
(3) Corporate bonds ^{*1}	125,316	127,713	2,396
(4) Long-term debt ^{*2}	362,463	371,881	9,417
(5) Deposits from tenants	16,360	16,002	(358)
Total liabilities	517,886	529,342	11,456
Derivative transactions	–	–	–

(*1) Corporate bonds with maturity dates within one year are included.

(*2) Portion of long-term debt to be repaid within one year is included.

(Note 1) Financial instrument fair values and matters concerning marketable securities and derivative transactions are calculated as described below.

Assets

(1) Cash and bank deposits

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

(2) Notes and accounts receivable, trade

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

English translation based on Japanese original

(3) Marketable securities and investment securities

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

Liabilities

(1) Notes and accounts payable, trade and (2) Accrued income taxes

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

(3) Corporate bonds

Fair values of corporate bonds refer to market prices if market prices are available. If market prices are not available, fair values are determined based on present values, calculated by discounting the combined total of remaining principal and interest payments at a discount rate that reflects the remaining term of the corporate bond and credit risk.

(4) Long-term debt

Fair values of long-term debt are determined based on present values, calculated by discounting the combined total of remaining principal and interest payments at a discount rate that reflects the remaining term of the long-term debt and credit risk. Special procedures apply for the treatment of interest rate swaps on long-term debt with floating interest rates (refer to “Derivatives” below). In such cases, fair values are determined based on present values, calculated by discounting the combined total of the remaining principal and interest payments that are processed together with the related interest rate swap at a discount rate that reflects the remaining term of the long-term debt and credit risk.

(5) Deposits from tenants

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

Derivatives

When the special procedures apply, the fair value of an interest rate swap is processed together with the long-term debt hedged by the swap and is thus included in the fair value of the long-term debt.

(Note 2) Unlisted stocks, shares of affiliated companies, investments in silent partnerships (*tokumei kumiai*) and other investments are not included in “(3) Marketable securities and investment securities” under “Assets” since their market prices are not available and assessing their fair values is deemed extremely difficult.

In addition, security deposits (excluding those with confirmed refund timing) are not included in “(5) Deposits from tenants” under “Liabilities” above since their residual periods cannot be specified and assessing their fair values is deemed extremely difficult.

Notes to rental properties

The Company and certain consolidated subsidiaries own rental office buildings, rental commercial facilities and residential rental housing in Tokyo and other areas. In the fiscal year under review, net leasing revenue from rental properties were ¥26,688 million (leasing revenue is accounted for in net sales and rental expenses in cost of sales and in selling, general and administrative expenses), gain on sales of noncurrent assets was ¥212 million (accounted for in extraordinary income), loss on sales of noncurrent assets was ¥8 million (accounted for in extraordinary losses), and loss on disposals of noncurrent assets was ¥1,024 million (accounted for in extraordinary losses).

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

(Unit: million yen)

Amount in the consolidated balance sheet			Market value at end of fiscal year under review
Balance at end of previous fiscal year	Change in fiscal year under review	Balance at end of fiscal year under review	
737,885	(771)	737,113	1,180,817

(Note 1) Amount recognized in the consolidated balance sheet is defined as acquisition cost less accumulated depreciation and accumulated impairment loss.

(Note 2) Market values at the end of the fiscal year under review were assessed by the Company based on appraisal reports by external real estate appraisers for major properties and on indices deemed to reflect market prices adequately for other properties.

Notes to per-share information

1. Net assets per share: 47,257.78 yen
2. Net income per share: 2,827.98 yen

Notes to significant subsequent events

There were no significant subsequent events.

Balance Sheet (Non-consolidated)

(As of March 31, 2011)

(Unit: million yen)

Account item	Amount	Account item	Amount
Assets		Liabilities	
Current assets		Current liabilities	
Cash and bank deposits	1,496	Accounts payable	7,175
Accounts receivable	5,170	Current portion of finance lease obligations	71
Property for sale	6,447	Current portion of long-term debt (payment within one year)	67,226
Property for sale in progress	72,663	Accrued amount payable	5,632
Uncompleted construction expenditure	226	Accrued expenses	1,641
Raw materials and supplies	40	Accrued income taxes	5,537
Prepaid expenses	490	Advances received	6,837
Leased investment assets	2,394	Deposits received	3,354
Deposits paid	7,333	Provision for loss on disaster	564
Deferred tax assets	1,599	Other current liabilities	4,623
Other current assets	2,403	Total current liabilities	102,665
Less allowance for doubtful receivables	(2)	Long-term liabilities	
Total current assets	100,264	Corporate bonds	59,969
Noncurrent assets		Long-term debt	295,011
Property and equipment		Finance lease obligations	86
Buildings	273,157	Long-term accrued amount payable	87
Structures	4,617	Deposits from tenants	88,302
Machinery and equipment	2,131	Deferred tax liabilities	7,822
Tools, furniture and fixtures	3,416	Accrued employees' retirement benefits	5,256
Land	228,928	Provision for loss on warranty	60
Leased assets	78	Asset retirement obligations	2,733
Construction in progress	9,718	Other long-term liabilities	23
Total property and equipment	522,048	Total long-term liabilities	459,354
Intangible assets		Total liabilities	562,019
Leasehold	1,433	Net assets	
Software	1,589	Shareholders' equity	
Software in progress	1,791	Common stock	48,760
Leased assets	6	Capital surplus	
Other intangible assets	116	Capital reserve	34,109
Total intangible assets	4,936	Total capital surplus	34,109
Investments and other assets		Retained earnings	
Investment securities	15,562	Earned reserve	3,437
Shares of affiliated companies	3,037	Other retained earnings	60,093
Other securities of affiliated companies	32,474	Unappropriated reserve	23,627
Contribution to capital	0	Retained earnings carried over	36,465
Bankruptcy and reorganization claim	0	Total retained earnings	63,530
Long-term prepaid expenses	17,651	Total shareholders' equity	146,400
Lease deposits paid	10,864	Accumulated gains from revaluation and translation adjustments	
Other assets	1,794	Valuation difference on available-for-sale securities	214
Less allowance for doubtful receivables	(0)	Total accumulated gains from revaluation and translation adjustments	214
Total investments and other assets	81,385	Total net assets	146,614
Total noncurrent assets	608,370	Total liabilities and net assets	708,634
Total assets	708,634		

(Note) All amounts have been rounded down to the nearest million yen.

Statement of Income (Non-consolidated)

(From April 1, 2010 to March 31, 2011)

(Unit: million yen)

Account item	Amount	
Net sales		
Operating revenues from leasing business	84,996	
Operating revenues from residential property sales business	38,014	
Operating revenues from other businesses	2,627	125,639
Cost of sales		
Cost of sales for leasing business	53,046	
Cost of sales for residential property sales business	33,346	
Cost of sales for other businesses	1,859	88,252
Gross profit		37,386
Selling, general and administrative expenses		15,786
Operating income		21,600
Non-operating income		
Interest income	3	
Dividend income	102	
Contributions	103	
Gains from donated noncurrent assets	0	
Other non-operating income	249	458
Non-operating expenses		
Interest expenses	5,568	
Interest on bonds	988	
Other non-operating expenses	313	6,870
Ordinary income		15,187
Extraordinary income		
Gain on sales of noncurrent assets	212	212
Extraordinary losses		
Loss on sales of noncurrent assets	8	
Loss on disposals of noncurrent assets	1,044	
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,001	
Loss on disaster	575	
Other extraordinary losses	4	2,634
Income before income taxes		12,765
Income taxes		
Current	7,663	
Deferred	(2,341)	5,322
Net income		7,443

(Note) All amounts have been rounded down to the nearest million yen.

Statement of Changes in Net Assets (Non-consolidated)

(From April 1, 2010 to March 31, 2011)

(Unit: million yen)

	Shareholders' equity						Accumulated gains from revaluation and translation adjustments	Total net assets
	Common stock	Capital surplus	Earned reserve	Retained earnings		Total shareholders' equity	Valuation difference on available-for-sale securities	
		Capital reserve		Other retained earnings				
				Unappropriated reserve	Retained earnings carried over			
Balance as of March 31, 2010	48,760	34,109	3,437	24,867	31,731	142,906	113	143,020
Changes in the fiscal year								
Dividend					(1,974)	(1,974)		(1,974)
Interim dividend					(1,974)	(1,974)		(1,974)
Reserve for advanced depreciation of noncurrent assets				2,439	(2,439)	–		–
Reversal of reserve for advanced depreciation of noncurrent assets				(105)	105	–		–
Reserve for special account for advanced depreciation of noncurrent assets				18	(18)	–		–
Reversal of reserve for special account for advanced depreciation of noncurrent assets				(3,589)	3,589	–		–
Reversal of reserve for special depreciation				(2)	2	–		–
Net income for the period					7,443	7,443		7,443
Changes in items other than shareholders' equity in the fiscal year (net)							100	100
Total changes in the fiscal year	–	–	–	(1,239)	4,734	3,494	100	3,594
Balance as of March 31, 2011	48,760	34,109	3,437	23,627	36,465	146,400	214	146,614

(Note) All amounts have been rounded down to the nearest million yen.

Notes to Financial Statements (Non-consolidated)

Significant accounting policies

1. Standards and methods for the valuation of marketable securities

(1) Shares in subsidiaries and affiliates:

Cost method based on cost determined by the moving average method.

(2) Other marketable securities

(i) Securities with market values:

Market value method based on the market value at the end of the fiscal year.

Valuation differences are recorded as a component of net assets. Cost of sales is calculated by the moving average method.

(ii) Securities without market values:

Cost method based on cost determined by the moving average method.

Investments in investment business limited partnerships (*toshi jigyo yugen sekinin kumiai*) and associations of similar nature (investments that are deemed to be marketable securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are recorded at the net amount attributed to the investment on the latest available financial statements of the investee.

2. Standards and methods for the valuation of derivatives

In principle, the market value method is applied.

3. Standards and methods for the valuation of inventories

The cost method based on the specific cost method is applied to property for sale and property for sale in progress (for purposes of determining balance sheet carrying amount, book value is reduced to reflect declines in profitability).

The specific cost method is applied to the valuation of uncompleted construction expenditure.

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

(Additional information)

The valuation of inventories as at the end of the fiscal year under review reflects a ¥2,141 million reduction of the book value due to the decline of profitability.

4. Depreciation method for noncurrent assets

(1) Property and equipment (except leased assets)

The declining-balance method is applied.

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

Major useful lives are as follows:

English translation based on Japanese original

Buildings:	15 to 50 years
Structures:	15 to 50 years
Machinery and equipment:	5 to 17 years
Tools, furniture and fixtures:	2 to 20 years

(2) Intangible assets (except leased assets)

The straight-line method is applied.

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

(3) Long-term prepaid expenses

The straight-line method is applied.

(4) Leased assets

For finance lease transactions other than those deemed to transfer ownership to the lessee:

The same depreciation methods that are applied to the noncurrent assets owned by the Company are applied.

5. Basis for calculating allowances

(1) Allowance for doubtful receivables accounts

To cover expected losses from doubtful notes and accounts receivable and loans receivable, the Company records allowances for estimated uncollectible amounts, which are estimated based on actual default loss ratios for general receivables and based on collectability of each individual account for specific receivables, including those with a high probability of default.

(2) Provision for employees' retirement benefits

To account for future obligations for the payment of employees' retirement benefits, provision for accrued employees' retirement benefits is recorded based on the estimated amount of future retirement benefit obligations and the estimated future value of pension plan assets at the end of the fiscal year under review.

Past service cost is amortized using the straight-line method based on the average remaining period of service of the eligible employees at the time of recognition.

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

(3) Provision for loss on warranty obligation

Estimated amount of future compensation is reserved to provide for the anticipated costs of losses on warranty arising out of property sale transactions.

(4) Provision for loss on disaster

Estimated amount is reserved to provide for the anticipated payments for recovery of assets damaged by the Great East Japan Earthquake.

6. Hedge accounting method

In principle, deferred hedge accounting is applied.

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

7. Basis for calculating the amount of revenue and cost of completed work

For construction contracts, the percentage-of-completion method is applied to calculate construction contract revenues and costs if the outcome of the construction activity is deemed certain as of the end of this fiscal year during the course of the activity (degree of progress in construction is estimated using the cost-to-cost method), otherwise the completed-contract method is applied.

8. Accounting treatment of consumption taxes

Consumption taxes are accounted for by the tax exclusion method.

9. Change in accounting procedure

The Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18 on March 31, 2008) and the Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No. 21 on March 31, 2008) were applied from the fiscal year under review. As a result of the applications, operating income and ordinary income decreased by ¥147 million, and income before income taxes by ¥1,149 million.

Notes to balance sheets

1. Loans receivable from and loans payable to affiliates	
(1) Short-term loans receivable	310 million yen
(2) Short-term loans payable	2,744 million yen
(3) Long-term loans receivable	6,077 million yen
(4) Long-term loans payable	428 million yen
2. Accumulated depreciation of property and equipment:	369,437 million yen
The amount above includes an accumulated loss on the impairment of buildings of ¥2,698 million and an accumulated loss on the impairment of land of ¥863 million.	
3. Assets pledged as collateral and liabilities relating to collateral	
(1) Assets pledged as collateral	
Buildings:	104,483 million yen
Land:	<u>13,189 million yen</u>
Total:	117,673 million yen
(2) Liabilities relating to collateral	
Current portion of long-term debt: (payment within one year)	4,660 million yen
Long-term debt:	<u>14,945 million yen</u>
Total:	19,605 million yen

Notes to statements of income

Value of transactions with affiliates

(1) Value of operating transactions	
(i) Net sales	4,065 million yen
(ii) Operating expenses	5,241 million yen
(2) Value of transactions excluding operating transactions	8 million yen

Notes to deferred tax accounting

1. Breakdown of deferred tax assets and deferred tax liabilities by major source	
Deferred tax (current) assets	
Accrued bonuses in excess of the limit for income tax deduction	148 million yen
Accrued enterprise taxes	483 million yen
Denial of loss on revaluation of inventories	201 million yen
Other	<u>766 million yen</u>
Subtotal	1,600 million yen
Valuation allowance	<u>(1 million yen)</u>
Total deferred tax (current) assets	1,599 million yen

English translation based on Japanese original

Deferred tax (fixed) assets	
Denial of impairment loss	1,327 million yen
Denial of evaluation loss on land	4,371 million yen
Denial of depreciation of unused building volume	1,917 million yen
Accrued employees' retirement benefits	2,139 million yen
Compensation for loss	1,317 million yen
Other	1,637 million yen
Subtotal	12,709 million yen
Valuation allowance	(6,948 million yen)
Total deferred tax (fixed) assets	5,761 million yen

Deferred tax (fixed) liabilities	
Reserve for advanced depreciation of noncurrent assets	(12,766 million yen)
Reserve for special account for advanced depreciation of noncurrent assets	(13 million yen)
Other	(804 million yen)
Total deferred tax (fixed) liabilities	(13,583 million yen)
Net deferred tax (fixed) liabilities	(7,822 million yen)

2. Breakdown of difference between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting by major source

Since the difference between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting is not more than 5% of the legally effective tax rate, notes are omitted.

Notes to related party transactions

Type	Company name	Location	Capital (million yen)	Business	Ownership of voting rights in percentage	Business relationship with the related party	Transactions	Transaction amount (million yen)	Account	Balance at end of fiscal year (million yen)
Subsidiary of the parent company	NTT Finance Corporation	Minato-ku, Tokyo	16,770	Comprehensive leasing business	(Owned by the Company) Direct 1.0%	Deposit	Deposits paid	-	Deposits paid	7,333
						Borrowing	Long-term debt	3,000	Current portion of long-term debt (payment within one year)	20,700
									Long-term debt	36,000

(Note) Deposits paid to and loans from NTT Finance Corporation are made pursuant to a deposit agreement and a loan agreement, respectively. The Company and NTT Finance Corporation determined interest rates, considering money market rates.

Notes to per-share information

1. Net assets per share:	44,547.53 yen
2. Net income per share:	2,261.69 yen

Notes to significant subsequent events

There were no significant subsequent events

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

Date May 6, 2011

The Board of Directors of
NTT Urban Development Corporation

KPMG AZSA LLC

Takuji Kanai(Seal)
Designated Limited Liability Partner
Certified Public Accountant

Hideki Yoshida(Seal)
Designated Limited Liability Partner
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of NTT Urban Development Corporation as of March 31, 2011 and for the year from April 1, 2010 to March 31, 2011 in accordance with Article 444(4) of the Corporate Law. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statutory report referred to above presents fairly, in all material respects, the financial position and the results of operations of NTT Urban Development Corporation and its consolidated subsidiaries for the period, for which the consolidated statutory report was prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

Date May 6, 2011

The Board of Directors of
NTT Urban Development Corporation

KPMG AZSA LLC

Takuji Kanai(Seal)
Designated Limited Liability Partner
Certified Public Accountant

Hideki Yoshida(Seal)
Designated Limited Liability Partner
Certified Public Accountant

We have audited the statutory report, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and its supporting schedules of NTT Urban Development Corporation as of March 31, 2011 and for the 26th business year from April 1, 2010 to March 31, 2011 in accordance with Article 436(2)(i) of the Corporate Law. The statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statutory report and supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of NTT Urban Development Corporation for the period, for which the statutory report and supporting schedules were prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

BOARD OF CORPORATE AUDITORS' REPORT

(English Translation)

Based on reports from each Corporate Auditor, and following discussion at meetings, the Board of Corporate Auditors has prepared this report regarding the execution of the duties of the Board of Directors in the 26th fiscal year from April 1, 2010, to March 31, 2011.

The Board of Corporate Auditors reports as follows:

1. Outline of Audit Methodology

The Board of Corporate Auditors established auditing policies, assignment of duties, etc., and received reports from each Corporate Auditor on the status of the implementation of audits and the results thereof, as well as reports from the Board of Directors and the Independent Auditors regarding the execution status of their duties, and requested explanations as necessary.

On the basis of the Board of Corporate Auditors Rules, and in accordance with its auditing policies, assignment of duties and other relevant matters, the Corporate Auditors sought mutual understanding with the Directors, the internal auditing department and employees and other persons in their efforts to collect information and achieve an environment conducive to audits, attended meetings of the Board of Directors and other important meetings, received reports from Directors, employees and other persons regarding performance of their duties, requested explanations as necessary, perused important statements regarding decisions and approvals made and investigated the status of operations and assets at the head office and other principal business locations.

The Board of Corporate Auditors also carried out an audit and verification of the particulars of Board of Directors resolutions relating to the establishment, as set forth in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Corporate Law, of structures necessary to ensure that Directors' performance of their duties is in conformity with laws and regulations and their company's Articles of Incorporation and to otherwise ensure the appropriateness of the business of a *kabushiki kaisha*, as well as the structures established pursuant to such resolutions (internal control system).

Regarding the subsidiaries, the Board of Corporate Auditors sought to achieve a mutual understanding and exchange of information with directors and corporate auditors and other persons of the subsidiaries, and where necessary received business reports from the subsidiaries.

Based on the above methodology, the Board of Corporate Auditors evaluated the business report and supplementary schedules for the fiscal year under review.

In addition, the Board of Corporate Auditors audited and verified whether the Independent Auditor maintained its independence and carried out its audits appropriately, received reports from the Independent Auditor regarding the execution of its duties and, where necessary, requested explanations.

Also, the Board of Corporate Auditors received notification from the Independent Auditors to the effect that a "structure to ensure that duties are executed appropriately" (the matters listed in Article 131 of the Accounting Principles for Enterprises) had been established in accordance with "Quality Control Standards for Auditing" (Business Accounting Council, October 28, 2005), and where necessary requested

explanations.

Based on the above methodology, the Board of Corporate Auditors audited the non-consolidated financial statements related to the fiscal year under review (the Balance Sheet, Income Statement, Statement of Changes in Net Assets, and the individual notes thereto), related supplementary statements, as well as the consolidated financial statements (Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Changes in Net Assets and the consolidated notes thereto).

2. Audit Results

(1) Results of the audit of the Business Report

- i. We find that the Business Report and its supplementary statements accurately reflect the conditions of the Company in accordance with law and the Articles of Incorporation.
- ii. No inappropriate conduct concerning the execution of duties by Directors or material facts in violation of law or the Articles of Incorporation were found.
- iii. We find that the particulars of Board of Directors' resolutions concerning the internal control system are appropriate. Further, no matters worthy of note were found with respect to Directors' execution of duties in regards to the internal control system.

(2) Results of the audit of performance of the duties by the Independent Auditor

No matters worthy of note were found with respect to the structure for ensuring the proper execution of duties by the Independent Auditor, KPMG AZSA LLC

(3) Results of the audit of the financial statements and supplementary statements

We find that the methodology and results of the audit by the Independent Auditor, KPMG AZSA LLC are appropriate.

(4) Results of the audit of the consolidated financial statements

We find that the methodology and results of the audits conducted by the Independent Auditor, KPMG AZSA LLC are appropriate.

May 11, 2011

NTT Urban Development Co.

Board of Corporate Auditors

Corporate Auditor	Hikozaemon Enoki
Corporate Auditor	Hitoshi Ikeda
Corporate Auditor	Akio Enomoto
Part-time Corporate Auditor	Takeshi Ogiwara

Note: Corporate Auditors are Outside Corporate Auditors as prescribed in Article 2, Item 16, and Article 335, Paragraph 3 of the Corporate Law.

END

English translation based on Japanese original

NTT Urban Development Co.

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

<http://www.nttud.co.jp/>