English translation based on Japanese original

Annual Securities Report

(Report under Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)

Fiscal year (the 31st term) From April 1, 2015 to March 31, 2016

NTT URBAN DEVELOPMENT CORPORATION

4-14-1, Sotokanda, Chiyoda-ku, Tokyo

(E04030)

Contents

Page

Cover
Chapter 1. Corporate Information 1
Section 1. Overview of the Company's Situation 1
1. Changes in major financial data 1
2. Corporate history 3
3. Businesses 4
4. Situations of affiliates 6
5. Employees 8
Section 2. Business Situation 9
1. Overview of operating results 9
2. Operating revenue 11
3. Issues facing the Group 14
4. Operating risks 16
5. Significant management contracts 20
6. Research and development activities 20
7. Analysis of financial position, operating results and cash flows 20
Section 3. Facilities 23
1. Overview of capital investment 23
2. Major facilities 25
3. Equipment introduction and retirement plans 28
Section 4. Situation of Submitting Company 29
1. Shares of the Company 29
(1) Total number of shares and other information 29
(2) Stock acquisition rights 29
(3) Exercise of bonds with subscription rights to shares with amendments to exercise prices 29
(4) Features of rights plan 29
(5) Changes in the number of shares outstanding and capital 29
(6) Ownership of shares by owner 29
(7) Major shareholders 30
(8) Voting rights 32
(9) Stock option system 32
2. Acquisition of treasury shares 32
3. Dividend policy 34
4. Trends in stock prices 35
5. Officers 36
6. Corporate governance 41
(1) Corporate governance 41
(2) Audit fees 53
Section 5. Financial Status 54
1. Consolidated financial statements, etc. 55
(1) Consolidated financial statements 55
(2) Other 98
2. Non-consolidated financial statements, etc. 99
(1) Non-consolidated financial statements 99
(2) Details of major items in assets and liabilities 111
Section 6. Outline of Stock-Related Administration of Submitting Company 112
Section 7. Reference Information on Submitting Company 113
1. Information on the parent company of the submitting company 113
2. Other reference information 113
Chapter 2. Information on the Guarantee Company of the Submitting Company 114
Auditor's Report
Internal Control Report

[Cover]

Document submitted	Annual Securities Report
Applicable law clause	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Destination	Director General of the Kanto Finance Bureau
Date of submission	June 22, 2016
Fiscal year	The 31st term (from April 1, 2015 to March 31, 2016)
Corporate name	NTT URBAN DEVELOPMENT CORPORATION
Name and title of representative	Sadao Maki, President and Chief Executive Officer
Address of home office	4-14-1, Sotokanda, Chiyoda-ku, Tokyo
Telephone number	+81-3-6811-6300 (key number)
Contact person	Yutaka Torigoe, Senior Vice President, Accounting and Finance
Nearest contact point	4-14-1, Sotokanda, Chiyoda-ku, Tokyo
Telephone number	+81-3-6811-6424
Contact person	Yutaka Torigoe, Senior Vice President, Accounting and Finance
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Kabutocho, Nihonbashi, Chuo-ku, Tokyo)

Chapter 1. Corporate Information

Section 1. Overview of the Company's Situation

1. Changes in major financial data

(i) Consolidated financial data

Fiscal term	27th term	28th term	29th term	30th term	31st term
Closing month and year	March 2012	March 2013	March 2014	March 2015	March 2016
Operating revenue (million yen)	136,842	163,168	189,186	152,052	183,016
Ordinary income (million yen)	19,229	22,016	24,865	20,395	33,832
Net income (million yen)	15,586	12,073	11,343	16,235	16,557
Comprehensive income (million yen)	18,209	16,487	16,274	23,671	16,399
Net assets (million yen)	203,727	213,835	228,591	245,641	251,905
Total assets (million yen)	928,537	941,050	985,507	1,033,220	1,033,557
Net assets per share (yen)	50,441.30	535.43	563.98	610.45	626.02
Net income per share (yen)	4,735.67	36.68	34.46	49.33	50.31
Net income per share (fully diluted) (yen)	–	–	–	–	–
Ratio of shareholders' equity to assets (%)	17.9	18.7	18.8	19.4	19.9
Return on equity (%)	9.7	7.1	6.3	8.4	8.2
Price-earnings ratio (times)	14.2	30.3	28.2	24.4	21.9
Net cash provided by (used in) operating activities (million yen)	3,704	48,089	51,870	36,988	17,430
Net cash provided by (used in) investing activities (million yen)	(23,033)	(39,885)	(37,962)	(67,778)	(14,570)
Net cash provided by (used in) financing activities (million yen)	12,650	(6,660)	(8,656)	31,777	(6,781)
Cash and cash equivalents at end of year (million yen)	10,960	12,809	18,798	20,153	16,106
Number of employees [Average number of temporary employees in addition to the above]	734 [267]	748 [311]	776 [315]	785 [301]	800 [288]

(Note 1) Operating revenue does not include consumption taxes.

(Note 2) As a result of the application of the Accounting Standard for Business Combinations (ASBJ Statement No. 21 on September 13, 2013) and other rules, from the consolidated fiscal year under review, "net income" has been changed to the "profit attributable to owners of parent."

(Note 3) The Company implemented the 100-for-one stock split for its common shares with October 1, 2013 as the effective date and adopted the unit share system that sets one share unit at 100 shares. Net assets per share and net income per share are calculated as if the stock split had been implemented at the beginning of the 28th term.

(Note 4) Since there was no potential dilution, net income per share (fully diluted) is omitted.

(Note 5) A consolidated subsidiary and an equity-method affiliate were established in the 27th term, and two companies were liquidated and excluded from the scope of consolidated subsidiaries and equity-method affiliates, respectively.

A company was excluded from the scope of equity-method affiliates in the 28th term, following the sale of all of its shares.

Three consolidated subsidiaries were established, and four companies were made equity-method affiliates in the 29th term.

Five consolidated subsidiaries were established in the 30th term.

The Company conducted an absorption-type merger which the surviving company was NTT Urban Development Builservice Co., and the company that ceased to exist was NTT Urban Development West BS Co. on October 1, 2015. Four consolidated subsidiaries were established, and five companies were made equity-method affiliates in the 31th term.

(Note 6) The number of employees is the number of people employed by the consolidated companies (excluding workers on loan transferred out of the consolidated companies and including workers on loan transferred to the consolidated companies). The figure in parentheses is the annual average number of temporary employees, which is not included in the number of employees.

(ii) Financial data of the submitting company

Fiscal term	27th term	28th term	29th term	30th term	31st term
Closing month and year	March 2012	March 2013	March 2014	March 2015	March 2016
Operating revenue (million yen)	120,014	140,879	168,596	132,013	160,626
Ordinary income (million yen)	15,595	15,764	20,697	16,208	29,043
Net income (million yen)	8,579	7,895	10,093	10,668	12,372
Capital stock (million yen)	48,760	48,760	48,760	48,760	48,760
Number of shares outstanding (shares)	3,291,200	3,291,200	329,120,000	329,120,000	329,120,000
Net assets (million yen)	151,101	155,110	159,464	166,871	174,143
Total assets (million yen)	727,865	733,602	758,717	806,545	793,489
Net assets per share (yen)	45,910.72	471.29	484.52	507.02	529.12
Dividends per share [Of which, interim dividends per share] (yen)	1,400 [600]	1,600 [700]	808 [800]	16 [8]	17 [8]
Net income per share (yen)	2,606.76	23.99	30.67	32.41	37.59
Net income per share (fully diluted) (yen)	–	–	–	–	–
Ratio of shareholders' equity to assets (%)	20.8	21.1	21.0	20.7	21.9
Return on equity (%)	5.8	5.2	6.4	6.5	7.3
Price-earnings ratio (times)	25.9	46.4	31.7	37.1	29.3
Dividend payout ratio (%)	53.7	66.7	52.2	49.4	45.2
Number of employees [Average number of temporary employees in addition to the above]	446 [19]	438 [21]	443 [22]	407 [19]	402 [13]

(Note 1) Operating revenue does not include consumption taxes.

(Note 2) The Company implemented the 100-for-one stock split for its common shares with October 1, 2013 as the effective date and adopted the unit share system that sets one share unit at 100 shares. Net assets per share and net income per share are calculated as if the stock split had been implemented at the beginning of the 28th term. Dividends per share in the 29th term were the sum of interim dividends per share of ¥800 before the stock split and year-end dividends per share of ¥8 after the stock split. Dividends per share in the 29th term with taking into account the stock split are ¥16 (interim dividends of ¥8 and year-end dividends of ¥8)

(Note 3) Since there was no potential dilution, net income per share (fully diluted) is omitted.

(Note 4) The number of employees is the number of people employed by the Company (excluding workers on loan transferred from the Company and including workers on loan transferred to the Company). The figure in parentheses is the annual average number of temporary employees, which is not included in the number of employees.

2. Corporate history

The Company was established by Nippon Telegraph and Telephone Corporation ("NTT") in January 1986 as a real estate company that is intended to use the unused land owned by NTT. When the Company was founded, it received land and buildings that NTT owned as investments in kind (Note). The Company built new office buildings, commercial facilities, and residential facilities on the land and leased the properties. NTT established real estate companies across the country for the same purpose and by the same method. The Company has merged with the real estate companies and expanded its assets. The asset size of the Company reached the current level when it merged with real estate companies in five cities (Sapporo, Nagoya, Osaka, Hiroshima, and Fukuoka) in April 1999.

(Note) NTT established the Company in the form of subsequent incorporation (so-called irregular investment in kind): NTT established the Company through money contribution and then handed over properties that it had planned to contribute at book values. When founded, the Company took over land and buildings that NTT owned at book values.

Month and year	Event
January 1986	NTT Urban Development Co. established as a wholly owned subsidiary of NTT for effective use of the properties owned by NTT (capital: 3,043 million yen).
June 1987	Urbannet Kojimachi Building completed as the first property for rent.
September 1988	DHC Tokyo Co., Ltd. established for district heating and cooling services for Granpark Tower.
October 1988	Merger with NTT Building Co.
June 1990	Urbannet Otemachi Building completed.
June 1991	Otemachi First Square Inc. established for the management of Otemachi First Square.
February 1992	Stage I of Otemachi First Square completed.
April 1993	Merger with NTT Actif Co. and NTT Crais Co.
February 1995	Merger with NTT Estate Co.
February 1995	Acquires the shares of Knox Twenty-One Co., Ltd. held by NTT Estate Co. through the merger with NTT Estate Co.
October 1995	Tokyo Opera City Building Co., Ltd. established for the management of Tokyo Opera City Building.
July 1996	Tokyo Opera City Building (Office Building) completed.
August 1996	Granpark Tower completed.
May 1997	Stage II of Otemachi First Square completed.
April 1999	Merger with NTT Tokai Real Estate Co., NTT Kansai Building Co., NTT Cred Co., NTT Kyushu Real Estate Co., and NTT Hokkaido Estate Co.
June 2000	NTT Urban Development BuilService Co. established for building and building equipment design, construction, supervision of construction, and management in relation to the Company's properties.
November 2001	Established UDX Tokutei Mokuteki Kaisha with Kajima Corporation as a vehicle for bidding on Akihabara lots 1 and 3
February 2002	Bid on and acquired Akihabara lots 1 and 3 in cooperation with Daibiru Corporation and Kajima Corporation
August 2003	The construction of Akihabara UDX begins (Akihabara lot 3).
October 2004	Urbannet Sapporo Building completed.
November 2004	Company shares listed on the First Section of the Tokyo Stock Exchange.
September 2005	Urbannet Nagoya Building completed.
January 2006	Akihabara UDX completed.
December 2006	Established NTT Urban Development West BS Co.
March 2008	UDX Tokutei Mokuteki Kaisha, which develops and owns Akihabara UDX, becomes a consolidated subsidiary.
April 2009	JA Building, Keidanren Kaikan completed.
October 2009	UD EUROPE LIMITED established for the investment and management of real estate in the United Kingdom.
May 2010	Acquired the shares of Premier REIT Advisors Co., Ltd. (current consolidated subsidiary)
September 2011	UD AUSTRALIA PTY LIMITED established for investment and management of real estate in Australia.
July 2012	Urbannet Kanda Building completed.
October 2012	Otemachi Financial City North Tower completed.
March 2013	Grand Front Osaka completed.
October 2013	Established UD USA Inc. for the purpose of investing in and managing real estate in the United States.
October 2014	Established Shinagawa Season Terrace Building Management Corporation for the purpose of management of Shinagawa Season Terrace.
January 2015	Established NTT Urban Development Asset Management Corporation for the investment management business under the Financial Instruments and Exchange Act.
February 2015	Shinagawa Season Terrace completed.
February 2016	Management of a private placement REIT (an unlisted open-ended private placement real estate investment company) commenced.

3. Businesses

The NTT Urban Development Group (NTT Urban Development and its affiliates) consists of 22 consolidated subsidiaries and fourteen equity-method affiliates. The main businesses of the Group are the Leasing Business and the Residential Property Sales Business. The Group also engages in other businesses, including the management of office buildings, which are categorized as the Other Business.

NTT Urban Development is a company that engages in the real estate business nationwide in a corporate group whose parent company is NTT which primarily engages in regional, long–distance, and international communications, mobile communications, and data communications.

The following is outlines of each business segment of the Group and the positions of NTT Urban Development and its major affiliates in each segment:

(1) Leasing Business

The Group leases properties, including office buildings, commercial facilities, rental housing and others, that it has developed and owns. Main business fields are as follows:

a. Office buildings

Leases office buildings that it owns in metropolitan areas including Tokyo, Nagoya, Kyoto, Osaka, Hiroshima, Fukuoka, and Sapporo

b. Commercial facilities

Leases commercial facilities that it owns in metropolitan areas including Tokyo, Nagoya, Osaka, Hiroshima, Fukuoka and Sapporo

c. Rental housing

Leases rental condominiums, company housing and other rental housing that it owns in metropolitan areas including Tokyo, Nagoya, Osaka, and Sapporo

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

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

UD USA Inc. invests in and manages real estate in the United States.

(2) Residential Property Sales Business

The Group sells residential properties, especially condominiums.

In the sale of condominiums, the Company sells primarily condominiums under the brand name of Wellith. The Company also sells residential lots and other residential properties in accordance with the locational conditions of the land lots that it acquires.

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

(3) Other

In relation to the Leasing Business, the Group manages design of building and other, construction and supervision of construction, office building maintenance and provides air-conditioning services and operates restaurant facilities as incidental facilities of office buildings.

NTT Urban Development Builservice Co. remodels all rental buildings at the request of tenants in the Tokyo metropolitan and western Japan area. It also carries out property management operations including the management and operation of buildings.

NTT Urban Development Hokkaido Co. remodels rental buildings, manages and operates buildings, and manages parking lots in Hokkaido.

Otemachi First Square Inc. manages the Otemachi First Square Building and its land that the Company owns.

Shinagawa Season Terrace Building Management Corporation manages Shinagawa Season Terrace and its land.

Motomachi Parking Access Co., Ltd. maintains underground passages in Hiroshima's Motomachi area.

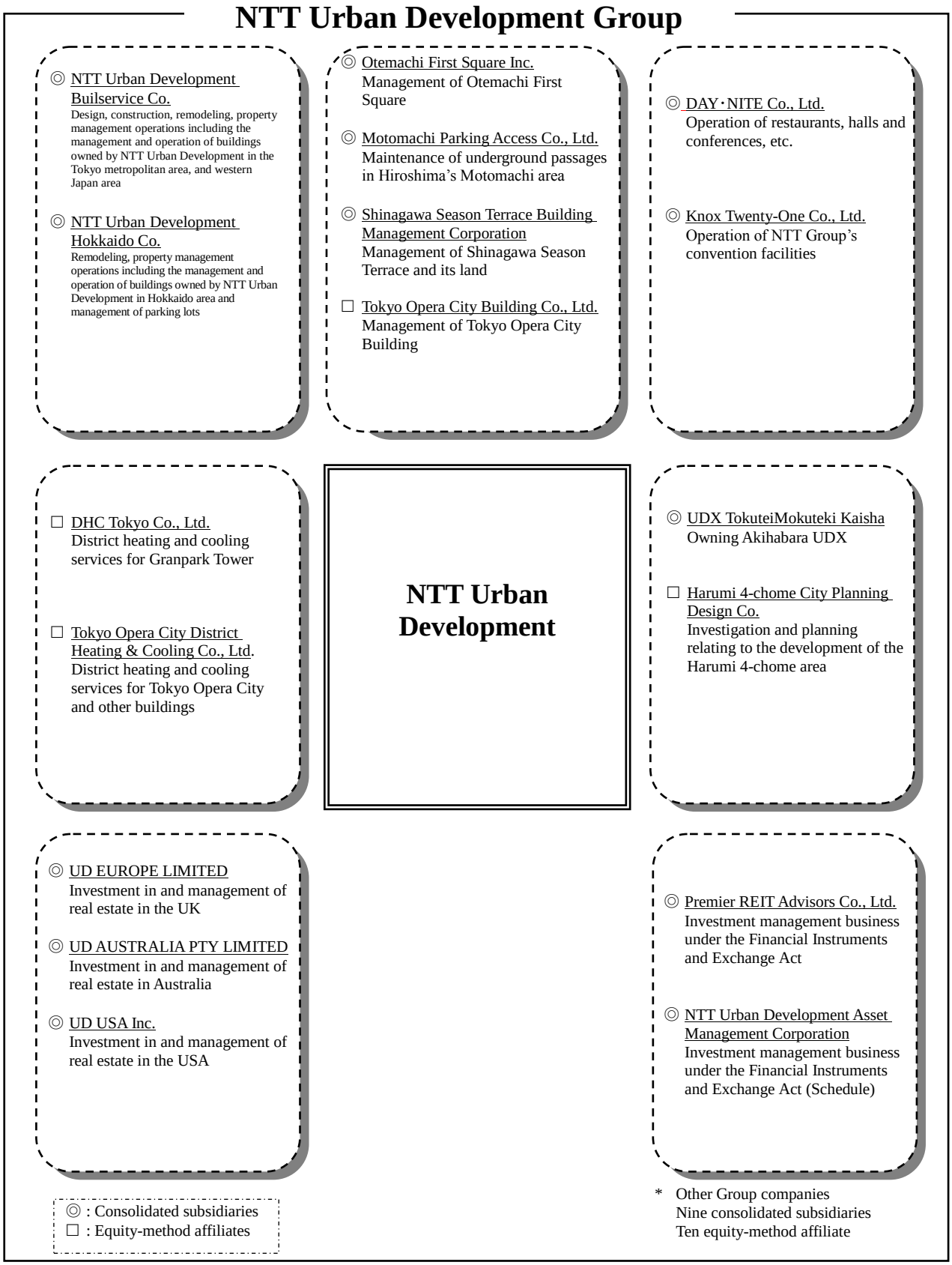
Premier REIT Advisors Co., Ltd. engages in the investment management business under the Financial Instruments and Exchange Act.

NTT Urban Development Asset Management Corporation engages in the investment management business under the Financial Instruments and Exchange Act.

DAY・NITE Co., Ltd. and Knox Twenty-One Co., Ltd. manage food and beverage facilities.

[Group Organization Chart]

The chart below is an organization chart of the Group showing the businesses of Group companies stated above.



4. Situation of Affiliates

Parent Company

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

Consolidated Subsidiaries

Name	Address	Capitalization (million yen)	Main business (Note 1)	Voting rights ownership percentage	Relations
NTT Urban Development Builservice Co. (Note 2)	Chiyoda, Tokyo	300	Others	(Owning) 100.0	Design, construction, remodeling, property management operations including the management and operation of buildings owned by NTT Urban Development in the greater Tokyo metropolitan area and western Japan Some concurrent officers
NTT Urban Development Hokkaido Co.	Chuo, Sapporo-shi	50	Leasing Others	100.0	Maintenance and management of buildings and condominiums and management of parking lots in Hokkaido area
Otemachi First Square Inc.	Chiyoda, Tokyo	50	Others	56.5	Management of Otemachi First Square and its land
DAY･NITE Co., Ltd.	Chiyoda, Tokyo	40	Others	100.0	Operation of restaurants, halls and conferences, etc.
Knox Twenty-One Co., Ltd.	Minato, Tokyo	24	Others	100.0	Operation of NTT Group's convention facilities
Motomachi Parking Access Co., Ltd.	Naka, Hiroshima-shi	60	Others	58.3	Maintenance of underground passages in Hiroshima's Motomachi area
UDX Tokutei Mokuteki Kaisha (Note 3)	Chuo, Tokyo	14,100	Leasing	61.0 (Note 4)	Owning Akihabara UDX
Premier REIT Advisors Co., Ltd.	Minato, Tokyo	300	Others	53.1	Investment management business under the Financial Instruments and Exchange Act
Shinagawa Season Terrace Building Management Corporation	Minato, Tokyo	10	Others	60.0	Management of Shinagawa Season Terrace and its land
NTT Urban Development Asset Management Corporation	Chiyoda, Tokyo	100	Others	100.0	Investment management business under the Financial Instruments and Exchange Act

Name	Address	Capitalization (million yen)	Main business	Voting rights ownership percentage	Relations
UD EUROPE LIMITED	London,UK	(Sterling pounds) 200 (Note 5)	Leasing	100.0	Investment in and management of real estate in the UK
UD AUSTRALIA PTY LIMITED	Melbourne, Australia	(Australian Dollar) 23,000,000	Residential Property Sales	100.0	Investment in and management of real estate in Australia
UD USA Inc.	Delaware, U.S.A.	(Dollar) 100 (Note 5)	Leasing	100.0	Investment in and management of real estate in the U.S.A.
Downtown Properties Owner, LLC (Note 3)	Delaware, U.S.A.	(Dollar) 123,763,047	Leasing	100.0 (Note 4)	Investment in and management of real estate in the U.S.A.
NS Boston Holdings LLC (Note 3)	Delaware, U.S.A.	(Dollar) 47,800,000	Leasing	98.0 (Note 4)	Investment in and management of real estate in the U.S.A.
NS Boston Holdings II LLC (Note 3)	Delaware, U.S.A.	(Dollar) 80,000,000	Leasing	98.0 (Note 4)	Investment in and management of real estate in the U.S.A.
NS Two Oliver LLC (Note 3)	Delaware, U.S.A.	(Dollar) 80,000,000	Leasing	98.0 (Note 4)	Investment in and management of real estate in the U.S.A.
Five consolidated subsidiaries under UD USA Inc.	Delaware, U.S.A.	—	Leasing	—	—

Equity-Method Affiliates

Name	Address	Capitalization (million yen)	Main business	Voting rights ownership percentage	Relations
Tokyo Opera City Building Co., Ltd.	Shinjuku, Tokyo	20	Others	(Owning) 23.7	Management of Tokyo Opera City
DHC Tokyo Co., Ltd.	Minato, Tokyo	200	Others	50.0	District heating and cooling services for Granpark Tower
Tokyo Opera City District Heating & Cooling Co., Ltd.	Shinjuku, Tokyo	980	Others	36.2	District heating and cooling services for Tokyo Opera City
Harumi 4-chome City Planning Design Co.	Chuo, Tokyo	50	Others	36.0	Investigation and planning relating to the development of the Harumi 4-chome area
335 GRICES ROAD PTY LTD	Melbourne, Australia	(Australian Dollar) 1	Residential Property Sales	50.0	Development and sales of residential land
Annadale Development Partners Pty Limited	Melbourne, Australia	(Australian Dollar) 2	Residential Property Sales	50.0	Development and sales of residential land
Other Seven UD USA Inc. company group One other company		—	—	—	—

(Note 1) In the main business column for the consolidated subsidiaries and equity-method affiliates, the names of business segments are provided.
(Note 2) The Company conducted an absorption-type merger which the surviving company was NTT Urban Development Builservice Co., and the company that ceased to exist was NTT Urban Development West BS Co. on October 1, 2015.
(Note 3) UDX Tokutei Mokuteki Kaisha, Downtown Properties Owner, LLC, NS Boston II Holdings LLC, and NS Two Oliver LLC are specified subsidiaries.
(Note 4) Shareholding ratios are provided in lieu of voting rights ownership percentage.
(Note 5) The total amount of capital and capital surplus of UD EUROPE LIMITED was 81,800,000 Sterling pounds and UD USA Inc. was 71,700,000 dollars.

5. Employees

(1) Group employees

As of March 31, 2016

Business segment	Number of employees	
Leasing	201	(10)
Residential property sales	95	(1)
Total reported segments	296	(11)
Other	400	(275)
Company-wide (common)	104	(2)
Total	800	(288)

(Note 1) The number of employees is the number of people employed by the consolidated companies (excluding workers on loan transferred out of the consolidated companies and including workers on loan transferred to the consolidated companies). The figure in parentheses is the annual average number of temporary employees, which is not included in the number of employees.

(Note 2) The employees classified into Company-wide (common) belong to administration departments that cannot be classified into any specific segment.

(2) Employees of the submitting company

As of March 31, 2016

Number of employees	Average age	Average service years	Average annual salary (yen)
402 (13)	43.3	17.3	8,670,299

Business segment	Number of employees	
Leasing	199	(10)
Residential property sales	93	(1)
Total reported segments	292	(11)
Other	6	(0)
Company-wide (common)	104	(2)
Total	402	(13)

(Note 1) The number of employees is the number of people employed by the Companies (excluding workers on loan transferred from the Company and including workers on loan transferred to the Company). The figure in parentheses is the annual average number of temporary employees, which is not included in the number of employees.

(Note 2) The average age and average annual salary are those of the employees of the submitting company.
The average annual salary includes bonuses and surplus wages.

(Note 3) In calculating the average length of service, the length of service at NTT or any other companies in the NTT Group was added to the length of service of the employees who have been transferred from these companies. The workers on loan transferred from other companies (10 workers) were excluded from the calculation.

(Note 4) The employees classified into Company-wide (common) belong to administration departments that cannot be classified into any specific segment.

(3) Labor union

Almost all employees in the Group who can be union members are members of the NTT labor union. The labor-management relations are stable.

Section 2. Business Situation

1. Overview of operating results

(1) Operating results

In the fiscal year under review, the Japanese economy continued to follow a moderate recovery trend, albeit with continued weakness. Looking ahead, the economy is expected to continue to recover modestly, reflecting the ongoing improvements in the employment and income environments, thanks partly to government policies. However, concerns remain in overseas economies, and weaker-than-expected economies in emerging countries in Asia, including China and resource-rich countries, could place downward pressure on the Japanese economy. Given these conditions, attention needs to be paid to rising uncertainty over political and economic situations overseas and the effects of negative interest rates adopted by the Bank of Japan and changes in the financial and capital markets.

In the office leasing market, the vacancy rate continued to improve, and market rents have bottomed out, with some rents showing an upward trend. In the condominium sales market, sales remained generally firm, despite concerns about the adverse effects of data manipulation problems in piling works of some condominiums.

In this environment, the Company and its subsidiaries (collectively, the Group) operated their business steadily, aiming for sustainable growth based on the Group's Medium-Term Vision 2018 – For Further Growth. In the leasing business, revenue and income increased, mainly due to a rise in rent income associated with the improved vacancy rate of existing buildings and the sales of buildings. In the residential property sales business, revenue and income also increased, primarily reflecting the contribution of high-end properties in central Tokyo.

As a consequence, operating revenue amounted to ¥183,016 million (up ¥30,964 million, or 20.4% year on year). Operating income was ¥37,771 million (up ¥12,934 million, or 52.1%), and ordinary income was ¥33,832 million (up ¥13,437 million, or 65.9%). Profit attributable to owners of parent was ¥16,557 million (up ¥322 million, or 2.0%).

The table below shows operating revenue by business segment in the fiscal year ended March 31, 2016. Operating revenue in each segment in the text includes inter-segment internal revenues and transfers.

1) Leasing Business

In the leasing business, the Company worked to acquire new properties, including Shinagawa Season Terrace (Minato-ku, Tokyo), and improve the vacancy rate of existing properties.

Operating revenue increased ¥29,226million, or 31.9% year on year, to ¥120,966 million, mainly due to the contribution of new properties, the improved vacancy rate of existing buildings and the expansion in sales of property. Operating income rose ¥13,155 million, or 55.8%, to ¥36,722 million, reflecting an improvement in revenue and expenditure of existing buildings and property sales, despite an increase in costs such as depreciation due to the completion of new buildings.

In the fiscal year under review, Urbannet Nihonbashi 2-Chome Building (Chuo-ku, Tokyo) and Urbannet Ginza 1-Chome Building (Chuo-ku, Tokyo), among others, were completed, and contracts have been settled on all the floors in the both buildings. Ongoing development projects include Otemachi 2-Chome Area Urban Redevelopment Project Type 1 Building A (Chiyoda-ku, Tokyo). For the hotel business for which demand is increasing, the Company strengthened its efforts for small luxury hotels based on the business alliance with Hiramatsu Inc. as well as measures for Universal City Station Project (Osaka-shi, Osaka) and Shinpukan Redevelopment Project (Kyoto-shi, Kyoto), etc.

2) Residential Property Sales Business

In the residential property sales business, sales remained generally firm and both the number of condominiums delivered (1,054 units) and the average per-unit price (¥41 million) remained almost unchanged from the previous fiscal year, despite a rise in sales prices associated with higher construction costs and concerns about the adverse effects of data manipulation problems in the piling works of some condominiums

Operating revenue amounted to ¥48,865 million ((up ¥2,239 million, or 4.8% year on year) in the fiscal year under review. Operating income stood at ¥5,074 million, an increase of ¥669 million, or 15.2%, thanks to the impact of highly profitable properties in central Tokyo such as Wellith Ginza 2-Chome.

3) Other Business

Operating revenue in other business in the fiscal year under review increased ¥774 million, or 4.1% year on year, to ¥19,600 million, and operating income declined ¥285 million, or 11.5%, to ¥2,199 million chiefly due to a fall in consulting revenue.

(2) Consolidated cash flows

The following is an explanation on the situation and factors for each category of cash flow for the fiscal year ended March 2015.

(Net cash provided by (used in) operating activities)

Cash flow in operating activities was a cash-in of ¥47,034 million (up ¥4,690 million from the fiscal year ended March 2015). This mainly reflected a cash-out of ¥29,294 million (expand ¥21,288 million from the fiscal year ended March 2015) due to an increase in inventories, offsetting a cash-in of ¥47,034 million (up ¥4,690 million from the fiscal year ended March 2015) attributable to income before income taxes and minority interests and depreciation.

(Net cash provided by (used in) investing activities)

Cash flow in investing activities was a cash-out of ¥14,570 million (shrinking ¥53,208 million from the fiscal year ended March 2015). This result was attributable to a cash-out with purchase of property, plant and equipment (¥47,400 million, down ¥27,234 million from the fiscal year ended March 2015) and a cash-out with acquisition of investment securities (¥6,764 million, up ¥6,052 million from the fiscal year ended March 2015), while there was a cash-in from sales of property, plant and equipment (¥41,519 million, up ¥34,915 million from the fiscal year ended March 2015).

(Free cash flow)

Free cash flow was a cash-in of ¥2,860 million (up ¥33,650 million, compared to a cash-out of ¥30,789 million in the fiscal year ended March 2015).

(Note) The calculating formula of the free cash flow is as follows:

Free cash flow = (Net cash provided by (used in) operating activities) + (Net cash provided by (used in) investing activities)

(Net cash provided by (used in) financing activities)

Cash flow in financing activities was a cash-out of ¥6,781 million (shrinking ¥38,558 million, compared to a cash-in of ¥31,777 million in the fiscal year ended March 2015). This was largely a reflection of cash dividends paid (¥5,266 million).

As a result, cash and cash equivalents at the end of the fiscal year ended March 2016 was ¥16,106 million, decreasing ¥4,046 million from the end of the fiscal year ended March 2015.

2. Operating revenue

The table below shows operating revenue by business segment in the fiscal year ended March 31, 2016.

Business segment	Current consolidated fiscal year (from April 1, 2015 to March 31, 2016) (million yen)	Year on year (%)
Leasing	120,966	131.9
Residential property sales	48,865	104.8
Total operating revenue in reported segments	169,832	122.7
Other	19,600	104.1
Eliminations	(6,416)	–
Total	183,016	120.4

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

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

The following shows breakdowns of revenue in the leasing business and residential property sales business, major businesses of the Group:

(1) Leasing Business

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

(Million yen)

Classification		Year ended March 31, 2015	Year ended March 31, 2016
Office/Commercial	Operating revenue	80,083	98,047
	Rentable floor space	1,248,926 m^2 (Of the above, sub-leases: 65,967 m^2)	1,134,869 m^2 (Of the above, sub-leases: 99,140 m^2)
Residential/Other	Operating revenue	11,656	22,918
Total Operating revenue		91,739	120,966

(Note 1) "Rentable floor space" figures are as of the end of March.

(Note 2) The rentable area of sub-leases does not include the area of sub-leases that have been agreed upon between the Company and its consolidated subsidiaries.

The table below shows the quarterly vacancy rate by area.

Classification	March 2015	June 2015	September 2015	December 2015	March 2016 (Note 5)
Five wards of central Tokyo	14.7% 1.7%	14.2% 2.2%	10.8% 1.3%	9.2% 1.3%	6.3% 2.1%
Nationwide	10.9% 6.2%	10.5% 6.1%	8.7% 5.3%	7.5% 4.6%	5.7% 4.1%

(Note 1) The numbers above are vacancy rates as of the end of each month.

(Note 2) Five wards of central Tokyo are Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku, and Shinjuku-ku.

(Note 3) Properties of which leases were suspended for future redevelopment, etc. are excluded.

(Note 4) The rate written above shows the vacancy rate including Shinagawa Season Terrace, which was completed February 2015. The rate written bellow shows that of excluding Shinagawa Season Terrace.

(Note 5) For new buildings, the leased floors counted on contract base.

The NOI for the fiscal year ended March 31, 2016 was ¥48,170 million (up ¥660 million, or 1.4% year on year). In the Tokyo metropolitan area, NOI increased to ¥27,555 million (up ¥1,432 million, or 5.5% year on year) due to increase in rent revenue from existing buildings as a result of improve in vacancy rate. In other regions, including overseas, NOI came to ¥20,615 million (down ¥772 million, or 3.6% year on year) due to decline in revenue from existing buildings as a result of sale of properties, although increase in revenue from the newly acquired properties overseas.

(Note) The formula for calculating NOI (net operating income) is as follows:

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

NOI by area and use is as follows.

(Million yen)

Area	Year ended March 31, 2015			Year ended March 31, 2016		
	Total	Office/ Commercial	Residential/ Other	Total	Office/ Commercial	Residential/ Other
Five wards of central Tokyo	26,122	22,170	1,289	27,555	23,389	1,504
Tokyo metropolitan area (excluding five wards of central Tokyo)		2,663			2,660	
Other regions	21,387	19,254	2,132	20,615	18,675	1,939
Total	47,509	44,088	3,421	48,170	44,725	3,444

(Note 1) Five wards of central Tokyo are Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku, and Shinjuku-ku.

(Note 2) Tokyo metropolitan area (excluding five wards of central Tokyo) are Tokyo excluding the Five central wards, and Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

(2) Residential Property Sales Business

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

Classification			Year ended March 31, 2015		Year ended March 31, 2016	
			Units/Lots	Operating revenue (million yen)	Units/Lots	Operating revenue (million yen)
Condominiums						
	Units delivered	Tokyo metropolitan area	503	24,368	621	28,664
		Other regions	576	21,036	433	18,252
	Completed in inventory		219	–	470	–
Residential lots, etc.						
	Units/Lots delivered	Tokyo metropolitan area	2	50	18	618
		Other regions	69	1,169	67	1,330
	Completed in inventory		19	–	47	–
Residential (condominiums/residential lots, etc.)						
	Units/Lots delivered	Tokyo metropolitan area	505	24,419	639	29,282
		Other regions	646	22,206	500	19,583
	Completed in inventory		238	–	517	–
Other						
	Units/Lots delivered	Tokyo metropolitan area	–	–	–	–
		Other regions	–	–	–	–
	Completed in inventory		–	–	–	–
Grand total			–	46,626	–	48,865

(Note 1) For joint projects, the number of units, corresponding to the Company's share in the project, is rounded down to the nearest unit.

(Note2) "Completed in inventories" figures are as of the end of each fiscal year. The condominiums completed in inventories for the fiscal year ended in March 2015 and the fiscal year ended in March 2016 include 25 units and 38 units, respectively, for which a contract has been completed but ownership has not yet been transferred. The residential lots completed in inventories for the fiscal year ended in March 2015 and the fiscal year ended in March 2016 include 16 lots and 29 lots, respectively, for which a contract has been completed but ownership has not yet been transferred.

(Note3) 1 (worth ¥151 million) of residential lots delivered for the fiscal year ended March 2016 were delivered through a sale of land.

(Note4) Tokyo metropolitan area includes Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

3. Issues facing the Group

(1) Basic Policy on Corporate Management and Management Strategy for medium- and long- term

In response to changes in the economic environment in Japan and overseas, the Group will aim to enhance its corporate value by providing customers with valuable real estate services by fully adopting a customer and market-centered orientation, pursuing innovation based on the Medium-Term Vision 2018 – For Further Growth – and increasing the satisfaction of stakeholders. The Group will also strive to improve and strengthen its management system in light of the corporate governance code.

i) Strengthening the revenue base in the leasing business

In the office business, the Group will continue working to strengthen the leasing sales capability and cost competitiveness, including the reinforcement of relationships with existing tenants in preparation for the expected supply of large volume of offices in central Tokyo. The Group will also seek to strengthen its revenue base by proposing corporate real estate (CRE) strategies to the NTT Group and implementing a strategic renewal to respond to business continuity plans (BCP) in flagship buildings. In addition, the Group will work actively on more diversified and sophisticated developments by participating in regional redevelopment projects, collaborating with other companies and undertaking the mixed-use property development of offices and commercial facilities.

ii) Strengthening and reviewing the residential business

In the residential business, the Group will review the business strategies and processes of the past to provide dependable condominiums of high quality that meet the needs of customers dealing with issues such as an increase in vacancies associated with the aging population combined with the declining birth rate, rising demand for high-quality condominiums as a result of the data manipulation issue in piling works of condominiums, and higher sales prices linked to increasing construction costs. In addition, the Group will continue working to expand its business domains by entering into business for senior citizens, such as serviced senior housing as represented by the Tsunagu (Connecting) Town Project in cooperation with the NTT Group and the used house renovation market.

iii) Further expanding the commercial property business

In the commercial property business, the Group will address new areas in response to the increasing consumption of the inbound tourism through collaboration with suitable partners for each project, including the provision of hotels in urban areas such as Osaka and Kyoto in addition to central Tokyo and small luxury hotels at resort spots such as Kashikojima and Atami. With respect to the operation of commercial facilities in office buildings, the Group will aim to create attractive facilities that satisfy customers by strengthening and expanding these facilities.

iv) Promoting the global business

In the global business, the Group will continue to work on diversifying its portfolio and increasing income by acquiring and enhancing the value of office buildings in New York, Boston and Washington in the United States, in addition to London in the United Kingdom, while maintaining a close watch on movements in the foreign exchange market and overseas markets. The Group will also seek to create business opportunities in Southeast Asian countries where future growth looks promising.

v) Enforcing comprehensive financial control

The Group intends to carefully select investments for future growth, giving due consideration to market trends. The Group will also implement asset replacement in accordance with the asset portfolio strategy set forth in the Medium-Term Vision 2018, including the sale of assets to a private REIT which the Group organized in February 2016 to secure funds for future development. The Group will strengthen its financial base by keeping tight control on interest-bearing debt, while taking into account the effects of negative interest rates adopted by the Bank of Japan, among others.

(2) Target indicators

To increase its enterprise value in the medium to long terms, the Company will control its businesses from multiple perspectives, using multiple indicators.

Specifically, the Company will work to improve the efficiency of assets and capital, paying attention to ROA and ROE, and will seek to secure creditworthiness and a sound financial standing, paying attention to the net interest-bearing debt to EBITDA ratio and the net debt/equity ratio.

(3) Basic policy on the control of the Stock Company

Since the parent company holds more than 50% of the voting rights, the Company has not established any basic policy relating to the Stock Company and has not introduced any takeover defense.

4. Operating risks

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

Risks concerning the businesses of the Group

(1) General risk

i) Leasing Business risk

In the fiscal year ended March 31, 2016, the leasing business accounted for 63.9% of consolidated operating revenue. The leasing business tends to be susceptible to changes in the operating environment, and the Company is considering action against falls in rents and an increase in vacancies, assuming business trends over the medium and long terms. However, a worsening supply-demand situation in the real estate market could cause vacancies to increase and the leasing rate to decline, which could substantially affect the operating performance of the NTT Urban Development Group. Moreover, changes in the financial status of the Group's major tenants, the departure of a major tenant, or changes in the conditions of property use could have repercussion for the overall occupancy rate of Group properties and consequently could significantly affect business real estate revenues.

ii) Residential Property Sales Business risk

The deterioration of the condominium market because of intensifying competition among sellers, rising interest rates for housing loans, and a downturn in consumer sentiment caused by elevating sales prices accompanying soaring land prices and construction costs could cause decreases in sales in relation to a prolonged selling process in the residential property sales business and increases in inventories, which could affect the Group's business performance.

iii) Asset devaluation risk

In fiscal 2005, the Company adopted impairment loss accounting for business real estate based on the "Opinion Regarding Accounting Standard for Impairment of Fixed Assets" issued by the Corporate Accounting Standards Committee on August 9, 2002. In fiscal 2008, the Company applied the "Accounting Standards for Measurement of Inventories" (ASBJ Statement No. 9 on July 5, 2006). A substantial deterioration of the real estate market could necessitate the recording of impairment losses of the properties for the leasing business and the revaluation of the inventory assets maintained for the residential property sales business, and this in turn could impact the Group's business performance.

The Group holds investment securities and other non-current assets and depreciation in the value of these assets from changes in economic and financial conditions in Japan and overseas could produce a revaluation loss that might impact the Group's business performance.

iv) Effects of interest-bearing debt

The Group raised funds in Japan and overseas, and the balance of the consolidated interest-bearing debt, which reached ¥546,021 million at the end of the fiscal year under review, is basically raised at a fixed interest rate. A significant rise in the market interest rates could, therefore, affect the business development of the Group.

In addition, the Group's capital procurement activities could be hampered by instability in capital markets, credit limits extended by financial institutions, business failures (including payoffs) of such institutions, or downgrades in the Company's debt ratings and other factors.

v) Risks Concerning Establishment of and Revisions to Real Estate-Related and Other Laws, ordinances, and other regulations

The Group is subject to real estate-related laws and regulations, the Act on the Protection of Personal Information, and other laws and regulations, and revisions to these laws and the establishment of new laws could impact the Group's business performance.

vi) Risks concerning selection and credit of business partner

The Company makes every effort to verify the credit standing of its business partners before entering into business relations. However, if unforeseen events lower a business partner's credit and the Company is unable to collect debts owed to the Company,

an economic loss could result that could impact the Group's business performance.

Depending on the selection of contractors for construction work, scandals, trouble, and financial difficulties, among other factors, in contractors performing their operations could cause economic losses for the Group or the erosion of the Group's credibility, which in turn could affect the Group's performance. To prevent and avoid the risks, the Company has set up an internal committee to choose contractors that investigates the creditworthiness of contractors and their ability to complete construction and has established termination criteria should contractors fail to meet standard quality or delivery periods or cause incidents or accidents.

(2) Business risk

i) Risks concerning development project investment decisions

The Company invests in quality properties for future development with the objective of further raising corporate value. Every effort is made to ensure the decisions to invest in new development projects which do not produce an economic loss or compromise society's trust in the Company. Relevant laws, rights, site conditions, market studies, and other subjects are thoroughly researched and verified. Construction plans and business revenue and expenditure plans are drawn up, and internal meetings are held to determine business viability. The final decisions to invest are made by the Board of Directors and other relevant groups. Despite careful preparation and consideration, fluctuations in demand arising from changes in the business climate or in the real estate market can reduce the profitability of investments and could impact the Group's business performance.

ii) Risks concerning sales transaction, construction contracts and design and construction

Inadequate contract documents, flawed contract stipulations or other deficiencies in sales transactions and construction contracts, as well as the lack of management in the design phase or the building construction, could produce an economic loss or liability for damages or compromise society's trust in the Company in a way that could impact the Company's business performance in the future. The Group seeks to prevent and avoid risks by checking contracts in advance, using contract check sheets.

iii) Risks concerning damage to and deterioration of buildings in building management operations

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

iv) Risks concerning the handling of large-scale disasters in building management operations

Risks including major earthquakes, floods or other natural disasters, or infectious diseases, fires, accidents or terrorist attacks could cause damage to, the loss of, or the deterioration of buildings the Group holds for leasing, or could interrupt the business operations of the Group, which in turn could affect the Group's performance. The Group will strive to minimize the damage and an economic loss at the time of disaster through business continuity management (BCM) activities, including preparations during normal times, in such a way as identifying the impact on tenants and the management of buildings based on damage estimates, developing an initial response systemand action procedures, preparing disaster prevention tools, and implementing emergency drills.

Relationships with NTT and its group companies

(1) Position of NTT Urban Development in NTT-centered corporate group (NTT Group)

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

NTT owns 67.3% of the stock of the Company as of March 31, 2016 and holds rights as the majority shareholder of the Company under the Corporate Law.

(2) Business relations with NTT Group

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

The Company has concluded a building lease agreement with the NTT Group and receives rent income from the Group. The Company determines rental prices for the NTT Group through mutual consultation, based on essentially the same conditions as those for general customers, considering market prices and prices for neighboring properties.

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

Transactions with the NTT Group in the Leasing Business (Consolidated)

Item		Previous fiscal year	Current fiscal year
Operating revenue in Leasing Business	(Million yen)	91,739	120,966
Operating revenue from NTT Group	(Million yen)	21,289	20,088
Operating revenue from NTT Group / Operating revenue in Leasing Business	(%)	23.2	16.6

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

Item		Previous fiscal year	Current fiscal year
Operating revenue in Leasing Business	(Million yen)	85,058	86,222
Operating revenue from NTT Group	(Million yen)	21,289	20,088
Operating revenue from NTT Group / Operating revenue in Leasing Business	(%)	25,0	23,3

(3) Personnel relationships with NTT Group

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

Concurrent officers As of June 24, 2016

Title	Name	Title in parent company or its group companies	Reason for appointment
Director	Koichi Takami	Vice President of Business Planning, Nippon Telegraph and Telephone Corporation	The Company appointed Mr. Takami and Mr. Takeda to gain access to broad management perspectives.
Corporate Auditor	Harunobu Takeda	Senior Manager, Finance and Accounting Department, Nippon Telegraph and Telephone Corporation	

(Note) Of the 14 Directors and four Corporate Auditors, only the two above hold a concurrent position at the parent company or its group companies.

(4) Independence from NTT Group

As a company engaging in a nationwide real estate business as part of the NTT Group, the Company manages its businesses independently, taking responsibility for management. As stated in (1), (2) and (3), we believe that the Company has a considerable degree of independence from the parent company.

5. Significant management contracts

Not applicable.

6. Research and development activities

There were no special activities to describe.

7. Analysis of financial position, operating results and cash flows

Forward-looking statements included in this section are judgments by the Group at the end of the fiscal year under review.

(1) Significant accounting policies and estimates

The consolidated financial statements of the Group are prepared under the generally accepted accounting principles in Japan. Estimates that affect the reported values of assets and liabilities at the closing date and the reported values of revenues and expenses during the reporting period in the preparation of the consolidated financial statements are primarily net sale values and corporate taxes relating to the valuation of deferred tax assets, allowance for doubtful receivables, accrued employees' retirement benefits, a recoverable amount relating to the impairment of fixed asset groups, and inventories. The operating revenue values and corporate taxes are continuously valuated reasonably.

Estimates, judgments, and valuations are made based on factors considered to be reasonable in accordance with past results and current situations. However, actual results may be different because of uncertainty inherent in estimates.

(2) Analysis of financial position

i) Consolidated balance sheet (Million yen)

	End of previous consolidated fiscal year	End of current consolidated fiscal year	Change
Assets	1,033,220	1,033,557	336
Liabilities	787,579	781,651	(5,927)
Net assets	245,641	251,905	6,264
(Restated) Minority interests	44,730	45,871	1,140

(Assets)

Total assets at the end of the fiscal year ended March 2016 was ¥1,033,557 million, up ¥336 million from the end of the fiscal year ended March 2015.

Current assets stood at ¥178,110 million, rising ¥49,598 million from the end of the fiscal year ended March 2015. This result was attributable to an increase of 47,761 million in inventories as a result of progress in acquisition of residential business.

Non-current assets amounted to ¥855,447 million, down ¥49,261 million from the end of the fiscal year ended March 2015. This decrease reflected declines in assets chiefly due to the sales of properties (¥44,860 million) as a result of asset replacement and depreciation (¥21,834 million), offsetting the acquisition of assets for ¥40,127 million as a result of the investment in oversea properties and new development properties.

(Liabilities)

Total liabilities at the end of the fiscal year ended March 2016 was ¥781,651 million, down ¥5,927 million from the end of the fiscal year ended March 2015. The main factors included a decrease of ¥7,146 million in accounts payable of construction cost included in "Others" of current and non-current liabilities.

Interest-bearing debts was ¥546,021 million and stood at almost same level as the end of fiscal year ended March 2015(down ¥1,167 million). Net interest-bearing debt, interest-bearing debt less cash and cash equivalents, etc., was ¥529,854 million and also stood at almost same level as the end of fiscal year ended March 2015(up ¥2,928 million).

(Net assets)

Net assets at the end of the fiscal year ended March 2016 was ¥251,905 million, up ¥6,264 million from the end of the fiscal year ended March 2015. This reflected increase in shareholders' equity (¥7,711 million) and minority interests (¥1,140 million) and decline of accumulated other comprehensive income (¥2,588 million).

ii) Consolidated cash flows (Million yen)

	Previous consolidated fiscal year	Current consolidated fiscal year	Change
Net cash provided by operating activities	36,988	17,430	(19,557)
Net cash provided by (used in) investing activities	(67,778)	(14,570)	53,208
Net cash provided by (used in) financing activities	31,777	(6,781)	(38,558)
Net increase (decrease) in cash and cash equivalents	1,354	(4,046)	(5,401)
Cash and cash equivalents at the end of the year	20,153	16,106	(4,046)

Cash and cash equivalents (hereinafter "cash") at the end of March 2016 increased ¥4,046 million from the end of March 2015, to ¥16,106 million.

For the situation of each category of cash flows at the end of the fiscal year under review, refer to 1. Overview of operating results, (2) Consolidated cash flows.

The commercial paper (short-term bond) and bond (long-term bond) of the Company are rated by Rating and Investment Information, Inc. as shown in the table below.

(As of March 31, 2016)

Item	Rating and Investment Information, Inc.
Commercial paper	a－1
Bond	A+

(3) Analysis of operating results

i) Operating revenue and operating income

Operating revenue in the fiscal year under review amounted to ¥183,016 million, up ¥30,964 million year on year. Operating cost stood at ¥127,078 million, up ¥17,744 million year on year. As a result, operating gross profit was ¥55,938 million, up ¥13,219 million year on year. Operating income came to ¥37,771 million, up ¥12,934 million year on year.

For the analysis of operating results by business segment in the fiscal year under review, refer to 1. Overview of operating results.

ii) Non-operating income and expenses and ordinary income

Non-operating income in the fiscal year ended March 31, 2016 stood at ¥2,635 million, up ¥486 million year on year. This mainly reflected increases of ¥205 million in equity in earnings of affiliates and ¥145 million in amortization of negative goodwill.

Non-operating expenses came to ¥6,573 million, limiting the extent of the year on year decline to ¥16 million, mainly attributable to the recording of debt prepayment charges, offsetting a fall of ¥364 million in interest expenses.

As a result, ordinary income in the fiscal year ended March 31, 2016 came to ¥33,832 million, up ¥13,437 million from the fiscal year ended March 31, 2015.

iii) Extraordinary income and loss and income before income taxes and minority interests

Extraordinary income in the fiscal year ended March 31, 2016 stood at ¥3,298 million (up ¥1,448 million year on year). This was mainly due to a gain on sales of non-current assets of ¥3,285 million yen (up ¥1,435 million year on year).

The extraordinary loss came to ¥14,011 million (up ¥10,635 million year on year). This was mainly attributable to a loss on sales of non-current assets of ¥8,020 million (up ¥7,321 million year on year), an impairment loss of ¥4,917 million (up ¥3,462 million year on year) and a loss on retirement of non-current assets of ¥1,073 million (down ¥147 million year on year).

As a result, income before income taxes and minority interests in the fiscal year ended March 31, 2016 stood at ¥23,120 million, up ¥4,250 million from the fiscal year ended March 31, 2015.

iv) Total income taxes and the profit attributable to owners of parent

Total income taxes in the fiscal year ended March 31, 2016 stood at ¥4,127 million, up ¥4,748 million year on year. This mainly reflected the effect of the increase of income before income taxes and minority interests (up ¥1,515 million year on year), as well as the effect of the reversal of some of the deferred tax liabilities, etc., due to the revision of corporate tax rates, etc. (up ¥2,916 million year on year; the effect of the decline of total income taxes: from ¥5,972 million to ¥3,056 million).

The profit attributable to non-controlling interests in the fiscal year ended March 31, 2016 stood at ¥2,435 million, down ¥819 million year on year.

Moreover, the profit attributable to owners of parent in the fiscal year ended March 31, 2016 stood at ¥16,557 million, up ¥322 million year on year.

(4) Factors significantly affecting operating results

For factors significantly affecting operating results, refer to 4. Operating Risks.

(5) Current status of and outlook for business strategy

Responding to changes in the economic environment both in Japan and overseas, the Group has been fully enforcing a customer and market-centered orientation and pursuing innovation without being obsessed with existing frameworks in line with its "Medium-Term Vision 2018 – For Further Growth –." Aiming to steadily achieve its medium-term vision, the Group will continue to work to strengthen its competitiveness by continuing with management reforms in accordance with these business policies in the future.

(6) Analysis of financial resources and liquidity of funds

During the fiscal year under review, the Company raised funds primarily through borrowings from financial institutions, in response to such capital needs as capital expenditures, investments, and the acquisition of inventory assets.

For the analysis of financial resources and the liquidity of funds, refer to 1. Overview of operating results, (2) Consolidated cash flows and 7. Analysis of financial position, operating results and cash flows, (2) Analysis of financial position.

Section 3. Facilities

1. Overview of capital investment

The NTT Urban Development Group, consisting of the Company and its consolidated subsidiaries, invests in new construction sites to increase the level of contribution to earnings provided by the leasing business while acquiring commercial land to expand its overall business activities.

Capital investment was distributed as follows in the fiscal year ended March 31, 2016.

Business segment	Current consolidated fiscal year (million yen)	Year on year (%)
Leasing	46,029	58.8
Residential Property Sales	12	40.2
Other	195	254.6
Total	46,237	59.0
Corporate	1,562	176.5
Total	47,799	60.3

(Note) The figures include the amounts of property, plant and equipment, and intangible assets and others.

Major capital investments in the Leasing Business included ¥9,659 million in Two Oliver Street(Boston, U.S.A.), ¥5,064 million in Otemachi 2-Chome Area 1st Class Urban Redevelopment Project Building A (Chiyoda, Tokyo), ¥4,412 million in Urbannet Nihonbashi 2-Chome Building(Chuo-ku, Tokyo), ¥3,730 million in Urbannet Ginza 1-Chome Building(Chuo-ku, Tokyo), and renewal investment of ¥ 5,561 million.

Significant changes in the Group's major facilities during the consolidated fiscal year under review are as follows.

The following facility has been completed during the consolidated fiscal year under review.

Name (Location)	Business segment	Primary use	Structure	Area (m^2)		Acquisition prices (million yen)				Completed
				Building	Land	Building, etc.	Land	Other	Total	
Urbannet Nihonbashi 2-Chome Building (Chuo-ku, Tokyo)	Leasing Business	Office	Steel structure; Partially reinforced concrete structure; 10 floors above ground and 1 below	14,795	1,687	4,527	13,090	174	17,791	January 2016

The following facilities were sold during the consolidated fiscal year under review.

Name (Location)	Business segment	Primary use	Structure	Area (m^2)		Book value (million yen)				Completed
				Building	Land	Building, etc.	Land	Other	Total	
NTT Cred Okayama Building (Note 1, 2) (Kita, Okayama)	Leasing Business	Office	Steel structure; 21 floors above ground and 2 below	21,410	2,496	3,045	83	38	3,167	February 1999
NTT Makuhari Building (Note 3) (Mihama, Chiba)	Leasing Business	Office	Steel structure; 26 floors above ground and 1 below	170,499	40,602	26,245	28	123	26,397	June 1993

(Note 1) The property was sold in May 2015. The book value is as of April 30, 2015.

(Note 2) 60% of the trust beneficiary rights were sold.

(Note 3) The properties was sold in March 2016. The book value is as of February 29, 2016.

The following facilities changed to real estate for sale during the consolidated fiscal year under review.

Name (Location)	Business segment	Primary use	Structure	Area (m^2)		Book value (million yen)				Completed
				Building	Land	Building, etc.	Land	Other	Total	
Urbannet Gotanda NN Building (Shinagawa, Tokyo)	Leasing Business	Office	Steel-reinforced concrete structure; 8 floors above ground and 1 below	9,446	1,825	875	586	17	1,479	August 1989
Hongo Center Building (Note 1) (Bunkyo, Tokyo)	Leasing Business	Office	Steel-reinforced concrete structure; 7 floors above ground and 2 below	3,233	701	429	8	2	440	October 1990
Emuzu Odori Building (Chuo, Sapporo)	Leasing Business	Office	Steel structure; 10 floors above ground and 1 below	13,387	2,275	1,017	407	42	1,467	July 1996
Emuzu Minami 6-jo Building (Chuo, Sapporo)	Leasing Business	Housing	Residence: Reinforced concrete structure Shops: Steel structure; 6 floors above ground and 1 floor below	6,671	4,622	332	26	3	362	March 1997
Tradepia Yodoyabashi (Chuo, Osaka)	Leasing Business	Office	Steel structure; Partially steel-reinforced concrete structure; 21 floors above ground and 3 below	48,795	– [6,517] (Note 2)	5,088	–	20	5,108	February 1975
Urban Ace Awaza Building (Nishi, Osaka)	Leasing Business	Office	Steel structure; 11 floors above ground and 1 below	12,202	1,576	1,172	106	0	1,279	May 1991
Urban Ace Higobashi Building (Note 1) (Nishi, Osaka)	Leasing Business	Office	Steel structure; 13 floors above ground and 2 below	11,623	1,521	1,130	37	28	1,196	January 1997

(Note 1) Because the building is a joint-ownership property, the area and the book value given are those corresponding to the share of ownership.

(Note 2) The building is sited on leased land.

2. Major facilities

The Group's major facilities are summarized as follows.

(1) Submitting company

As of March 31, 2016

Name (Location)	Business segment	Primary use	Structure	Area (m^2)		Book value (million yen)					Completed
				Building	Land	Building, etc.	Land	Lease assets	Other	Total	
Urbannet Otemachi Building (Chiyoda, Tokyo)	Leasing Business	Office	Steel structure; 22 floors above ground and 5 below	117,618	9,361	15,206	173	–	352	15,732	June 1990
Otemachi First Square (Note 1) (Chiyoda, Tokyo)	Leasing Business	Office	Steel structure; West Tower: 23 floors above ground and 5 below East Tower: 23 floors above ground and 4 below	54,284	6,236	12,330	265	–	124	12,719	First phase: February 1992; Second phase: May 1997
JA Building, Keidanren Kaikan (Notes 1, 2) (Chiyoda, Tokyo)	Leasing Business	Office	Steel structure; Partially steel-reinforced concrete structure; 37 floors above ground and 4 below	26,517	1,506	4,402	20,647	–	35	25,085	April 2009
Urbannet Kanda Building (Chiyoda, Tokyo)	Leasing Business	Office	Steel structure; Partially steel-reinforced concrete structure; 19 floors above ground and 1 below	14,266	1,855	3,210	17,048	–	80	20,339	July 2012
Otemachi Financial City North Tower (Note 1, 2) (Chiyoda, Tokyo)	Leasing Business	Office	Steel structure; Partially steel-reinforced concrete structure; Reinforced concrete structure; 31 floors above ground and 4 below	8,949	458	2,330	11,739	–	14	14,084	October 2012
Seavans N Building (Note 3) (Minato, Tokyo)	Leasing Business	Office	Steel structure; 24 floors above ground and 2 below	78,488	13,144	9,623	2,157	–	78	11,859	January 1991
Placeo Aoyama Building (Minato, Tokyo)	Leasing Business	Commercial	Steel-reinforced concrete structure; 11 floors above ground and 3 below	18,674	2,952	1,819	112	–	3	1,935	April 1992
Granpark (Note 1) (Minato, Tokyo)	Leasing Business	Office	Steel structure; Partially reinforced concrete structure; 34 floors above ground and 4 below	117,659	12,092	18,273	5,177	137	213	26,314	August 1996
Granpark Heights (Note 1) (Minato, Tokyo)	Leasing Business	Housing	Reinforced concrete structure; 28 floors above ground and 4 below			2,469		–	41		October 1996
Shinagawa Season Terrace (Note 4) (Minato, Tokyo)	Leasing Business	Office	Steel structure; Partially reinforced concrete structure; 32 floors above ground and 1 below	202,716	49,547 [11,130]	17,504	(Note 5)	–	329	17,834	February 2015
Urbannet Tsukiji 2 (Chuo, Tokyo)	Leasing Business	Office	Steel structure; 7 floors above ground	2,423	443	281	1,450	–	0	1,733	October 1998
Urbannet nihonbashi 2-Chome building (Chuo-ku, Tokyo)	Leasing Business	Office	Steel structure; Partially reinforced concrete structure; 10 floors above ground and 1 below	14,795	1,687	4,481	13,091	–	165	17,738	January 2016
Tokyo Opera City (Note 1) (Shinjuku, Tokyo)	Leasing Business	Office	Steel structure; 54 floors above ground and 4 below	33,086	3,831	7,335	1,094	–	83	8,513	July 1996
Harajuku Dai-Ichi Mansions (Note 1) (Shibuya, Tokyo)	Leasing Business	Housing	Steel-reinforced concrete structure; Reinforced Concrete Structure; 9 floors above ground and 3 below	7,432	1,836	622	39,912	–	0	40,535	March 1979
Harajuku Apartments (Shibuya, Tokyo)	Leasing Business	Housing	Reinforced concrete structure; 7 floors above ground and 1 below	4,680	1,814						December 1958
Annex (Shibuya, Tokyo)	Leasing Business	Commercial	Steel-reinforced concrete structure; 3 floors above ground and 1 below	330							September 2006
Urbannet Nakano Building (Nakano, Tokyo)	Leasing Business	Office	Reinforced concrete structure; 6 floors above ground	9,269	2,812	800	522	–	2	1,325	October 1988
Ariake Center Building (Note 1) (Koto, Tokyo)	Leasing Business	Office	Steel-reinforced concrete structure; 7 floors above ground and 2 below	7,322	2,348	871	492	–	9	1,372	April 1996

Name (Location)	Business segment	Primary use	Structure	Area (m^2)		Book value (million yen)					Completed
				Building	Land	Building, etc.	Land	Lease assets	Other	Total	
Emuzu Minami 22-jo Building (Chuo, Sapporo)	Leasing Business	Office	Reinforced concrete structure; 5 floors above ground and 1 floor below	8,898	5,772	675	321	–	17	1,015	June 1997
Urbannet Sapporo Building (Chuo, Sapporo)	Leasing Business	Office	Steel structure; Partially reinforced concrete structure; 10 floors above ground and 1 below	31,255	5,369	3,996	310	–	65	4,372	October 2004
Urbannet Oroshimachi Building (Wakabayashi, Sendai)	Leasing Business	Office	S Tower: Reinforced concrete structure; 4 floors above ground N Tower: Steel-reinforced concrete structure; 8 floors above ground	28,475	10,600	917	481	–	13	1,412	S Tower: December 1993; N Tower: September 1995
Urbannet CS Building (Note 1) (Naka, Nagoya)	Leasing Business	Office	Steel-reinforced concrete structure; 7 floors above ground and 3 below	11,059	1,925	1,079	316	–	1	1,397	February 1991
Urbannet Fushimi Building (Naka, Nagoya)	Leasing Business	Office	Steel structure; 11 floors above ground	14,092	1,791	1,535	2,702	2	19	4,259	June 2003
Urbannet Nagoya Building (Higashi, Nagoya)	Leasing Business	Office	Steel structure; 22 floors above ground and 3 below	75,047	5,997 [950] (Note 6)	11,590	3,109	–	238	14,938	September 2005
Urbannet Shijo-Karasuma Building (Shimogyo, Kyoto)	Leasing Business	Office	Steel structure; Partially steel-reinforced concrete structure; 7 floors above ground and 1 below	16,088	2,536	4,086	11,622	–	70	15,780	October 2010
Urban Ace Kizugawadai Pal (Kizugawa, Kyoto)	Leasing Business	Housing	Box frame type reinforced concrete structure; Tower 1: 5 floors above ground Tower 2: 4 floors above ground Tower 3: 5 floors above ground and 1 below	5,213	5,703	367	924	–	2	1,295	March 1998
UD Midosuji Building (Chuo, Osaka)	Leasing Business	Office	Steel-reinforced concrete structure; 8 floors above ground and 3 below	23,015	2,534	614	12,353	–	3	12,971	October 1967
Urban Ace Kitahama Building (Note 1) (Chuo, Osaka)	Leasing Business	Office	Steel structure; Partially steel-reinforced concrete structure; 15 floors above ground and 2 below	14,468	2,703	1,658	690	–	1	2,351	February 1993
NTT Osaka Chuo Building (Note 1) (Chuo, Osaka)	Leasing Business	Office	Steel structure; Partially steel-reinforced concrete structure; 14 floors above ground and 2 below	7,182	1,699	1,075	939	–	1	2,015	August 1993
Urbannet Honmachi Building (Chuo, Osaka)	Leasing Business	Office	Steel-reinforced concrete structure; 6 floors above ground and 1 below	14,748	2,980	1,066	27	–	3	1,097	February 2004 (Note 7)
Urban Ace Higashitenma Building (Kita, Osaka)	Leasing Business	Office	Steel structure; 10 floors above ground	10,256	1,815	1,416	28	–	5	1,450	January 1991
Grand Front Osaka (Note 8) (Kita, Osaka)	Leasing Business	Office	Steel structure; Partially steel-reinforced concrete structure; Reinforced concrete structure; 38 floors above ground and 3 below and others	481,628	33,251 [9,917]	13,405	33,867	–	218	47,492	March 2013
Urban Ace Sannomiya Building (Chuo, Kobe)	Leasing Business	Office	Steel structure; 14 floors above ground and 1 below	17,272	2,438	1,846	7	–	28	1,882	January 1997
NTT Cred Okayama Building (Kita, Okayama)	Leasing Business	Office	Steel structure; 21 floors above ground and 2 below	14,273	1,664	1,921	55	–	24	2,001	February 1999

Name (Location)	Business segment	Primary use	Structure	Area (m^2)		Book value (million yen)					Completed
				Building	Land	Building, etc.	Land	Lease assets	Other	Total	
NTT Cred Hakushima Building (Naka, Hiroshima)	Leasing Business	Office	Steel structure; 14 floors above ground and 1 below	38,813	7,052	3,307	965	–	20	4,294	April 1992
NTT Cred Motomachi Building (Naka, Hiroshima)	Leasing Business	Commercial	Steel structure; Partially steel-reinforced concrete structure; 35 floors above ground and 2 below	160,418	21,801	30,101	1,014	38	633	31,787	March 1994
NTT-KF Building (Chuo, Fukuoka)	Leasing Business	Office	Steel-reinforced concrete structure; 9 floors above ground and 1 below	9,510	2,051	1,055	64	–	6	1,125	September 1991
NTT-T Building (Chuo, Fukuoka)	Leasing Business	Commercial	Steel-reinforced concrete structure; 7 floors above ground and 3 below	61,506	8,526 [249] (Note 6)	5,479	11,871	–	64	17,416	September 1996
Urbannet Hakata Building (Hakata, Fukuoka)	Leasing Business	Office	Steel structure; 8 floors above ground	9,188	– [1,610] (Note 6)	1,009	–	–	21	1,031	May 2003
UD Nakasu Building (Hakata, Fukuoka)	Leasing Business	Commercial	Reinforced concrete structure; 14 floors above ground	9,515	1,738	1,473	138	–	23	1,636	September 2011

(Note 1) Because the building is a joint- or classification-ownership property, the area and the book value given are those corresponding to the share of ownership. The area of the joint-ownership part of the classification-ownership property is excluded.

(Note 2) The area of a building is floor space (appreciation for building permission) corresponding to the share of ownership, and the area of land is the site area (appreciation for building permission) corresponding to the share of ownership.

(Note 3) The Company singularly owns land, and only the building is a joint- or classification-ownership property. The area and the book value of the building given are those corresponding to the share of ownership. The area of the joint-ownership part of the classification-ownership property is excluded.

(Note 4) Because the building is a joint- and classification-ownership property, the area given is for the entire property, and the book value given corresponds to the share of ownership. Part of the building is on leased land, and the figure in brackets is the area of the leased land.

(Note 5) The book value, including intangible assets, such as leasehold right, is ¥36,572 million.

(Note 6) The building is sited on leased land (including a portion of leased land). The area and the book value of land given are those corresponding to the share of ownership, and the area of leased land is given in brackets.

(Note 7) The date given is the completion date of renewal work.

(Note 8) The property is jointly owned. The area given is for the entire property, and the book value given corresponds to the share of ownership. Part of the building is on leased land, and the figure in brackets is the area of the leased land.

(Note 9) "Other" of the book value includes lease investment assets.

(2) Consolidated subsidiaries As of March 31, 2016

Corporate name	Name (Location)	Business segment	Primary use	Structure	Area (m^2)		Book value (million yen)					Completed
					Building	Land	Building, etc.	Land	Lease assets	Other	Total	
UDX Tokutei Mokuteki Kaisha	Akihabara UDX (Chiyoda, Tokyo)	Leasing Business	Office	Steel structure; 22 floors above ground and 3 below	155,629	11,548	40,703	171,402	41	149	212,297	January 2006
UD EUROPE LIMITED	265 Strand (London, UK) (Note)	Leasing Business	Office	Reinforced concrete structure; 8 floors above ground and 1 floor below	Approx. 8,100	Approx. 1,500	4,921	9,323	–	–	14,244	1988

(Note) For the book value, the yen equivalent based on the exchange rate at the end of the year as of December 31, 2015 for UD EUROPE LIMITED is indicated.

3. Equipment introduction and retirement plans

Plans for significant new construction, renovations, and disposals, etc. of facilities as at the end of the fiscal year ended March 31, 2016 are as follows:

(1) Significant new construction of facilities

(NTT Urban Development) As of March 31, 2016

Name (Location)	Business segment	Primary use	Facilities	Planned investments (million yen)		Financing method	Planned start and completion date	
				Total	Amount paid		Start	Completion
Otemachi 2-Chome Urban Area Redevelopment Project Type1 Building A (Note 1,2, and 3) (Chiyoda, Tokyo)	Leasing Business	Office	Steel structure; Partially steel-reinforced concrete structure; 35 floors above ground and 3 below; Floor space: Approximately 35,000 m^2	57,485	6,859	Own funds and borrowings	May 2015	July 2018
Universal City Station Project (tentative name) (Konohana, Osaka)	Leasing Business	Commercial	Steel structure; Partially steel-reinforced concrete structure; 17 floors above ground and 1 below; Floor space: Approximately 20,808 m^2	11,065	634	Own funds and borrowings	October 2015	June 2017
Shimbashi 1-chomeProject (tentative name) (Note 4) (Minato-ku, Tokyo)	Leasing Business	Office	Steel structure; Partially steel-reinforced concrete structure; 27 floors above ground and 2 below; Floor space: Approximately 35,864 m^2	44,210	151	Own funds and borrowings	October 2016	June 2019

(Note 1) The Company participates in the project as a joint developer.

(Note 2) Because the building is a classification-ownership property (partially co-owned), the floor space and the planned investments are those corresponding to the share of ownership of the Company.

(Note 3) Land of ¥42,000 million is recorded in non-current assets at the end of the fiscal year under review in association with the conversion of rights to this project.

(Note 4) Certain land a part of changed to real estate for sale at the end of the fiscal year under review.

(2) Significant renovation As of March 31, 2016

Name (Location)	Primary use	Facilities	Planned investments (million yen)		Financing method	Planned start and completion date	
			Total	Amount paid		Start	Completion
Urbannet Otemachi Building,other (Chiyoda, Tokyo and other)	Leasing business	Renovation work of Existing buildings, etc	11,000	–	Own funds and borrowings	April 2016	March 2017

(Note) The renovation work is carried out for buildings owned by the Company, located in Chiyoda-ku, Tokyo and nationwide.

(3) Significant disposals, etc. of facilities As of March 31, 2016

Name (Location)	Primary use	Facilities	Planned start and completion date	
			Start	Completion
Shinpukan (Nakagyo, Kyoto)	Commercial	Steel structure; 3 floors above ground	April 2016	June 2016

Section 4. Situation of Submitting Company

1. Shares of the Company

(1) Total number of shares and other information

1) Total number of shares

Type	Number of shares issuable
Common shares	1,050,000,000
Total	1,050,000,000

2) Shares issued

Type	Number of shares issued at the end of fiscal year (March 31, 2016)	Number of shares issued on the date of the submission of the report (June 22, 2016)	Stock exchange or registered financial instruments dealers association	Remarks
Common shares	329,120,000	329,120,000	The First Section of the Tokyo Stock Exchange	Number of shares of one share unit 100
Total	329,120,000	329,120,000	–	–

(Note) The number of issued and outstanding shares includes 30,630,000 shares of an investment in kind (with buildings, etc. of ¥927 million and land (89,492 m^2) of ¥2,144 million yen).

(2) Stock acquisition rights

Not applicable.

(3) Exercise of bonds with subscription rights to shares with amendments to exercise prices

Not applicable.

(4) Features of rights plan

Not applicable.

(5) Changes in the number of shares outstanding and capital

Date	Change in number of shares outstanding (shares)	Number of shares outstanding (shares)	Change in capital (million yen)	Capital (million yen)	Change in capital reserve (million yen)	Capital reserve (million yen)
October 1, 2013	325,828,800	329,120,000	–	48,760	–	34,109

(Note) The increase was attributable to the 100-for-one stock split completed on October 1, 2013.

(6) Ownership of shares by owner As of March 31, 2016

Classification	Ownership of shares (the number of shares consisting one unit : 100)								Fractional shares (shares)
	Government and local governments	Financial institutions	Securities companies	Other corporations	Foreign corporations and individuals		Individuals and others	Total	
					Entities other than individuals	Individuals			
Number of shareholders	–	33	28	85	402	9	11,840	12,397	–
Number of shares held (unit)	–	260,758	17,181	2,227,898	695,009	18	90,270	3,291,134	6,600
Holdings (%)	–	7.92	0.52	67.69	21.12	0.00	2.74	100.00	–

(Note 1) Fractional shares include 77 shares of treasury shares.

(Note 2) Shares in the other corporations column includes 8 units under the name of the Japan Securities Depository Center.

(7) Major shareholders As of March 31, 2016

Name	Address	Number of shares held	Ratio of holdings to the number of shares issued (%)
Nippon Telegraph and Telephone Corporation (NTT)	1-5-1, Otemachi, Chiyoda-ku, Tokyo	221,481,500	67.30
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo	7,291,100	2.22
GOLDMAN, SACHS & CO. REG (Standing agency: Goldman Sachs Japan Co., Ltd.)	200 West Street New York, NY, USA (Roppongi Hills Mori Tower, 6-10-1 Roppongi, Minato-ku, Tokyo)	6,316,775	1.92
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	5,224,800	1.59
NORTHERN TRUST CO. (AVFC) RE U. S. TAX EXEMPTED PENSION FUNDS (Standing agency: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody and Clearing Division)	50 Bank Street Canary Wharf London E14 5NT,UK (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	3,746,700	1.14
STATE STREET BANK AND TRUST COMPANY 505223 (Standing agency: Custody & Proxy Department, Mizuho Corporate Bank, Ltd.)	P.O. BOX 351 Boston Massachusetts 02101 U.S.A. (Shinagawa Intercity Building A, 2-15-1, Konan, Minato-ku, Tokyo)	2,075,369	0.63
MELLON BANK, N. A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION (Standing agency: Custody & Proxy Department, Mizuho Corporate Bank, Ltd.)	One Boston Place Boston,MA 02108 (Shinagawa Intercity Building A, 2-15-1, Konan, Minato-ku, Tokyo)	1,985,400	0.60
STATE STREET BANK AND TRUST COMPANY 505225 (Standing agency: Custody & Proxy Department, Mizuho Corporate Bank, Ltd.)	P.O. BOX 351 Boston Massachusetts 02101 U.S.A. (Shinagawa Intercity Building A, 2-15-1, Konan, Minato-ku, Tokyo)	1,929,895	0.59
STATE STREET BANK - WEST PENSION FUND CLIENTS - EXEMPT 505233 (Standing agency: Custody & Proxy Department, Mizuho Corporate Bank, Ltd.)	1776 Heritage Drive, North Quincy, MA 02171,U.S.A (Shinagawa Intercity Building A, 2-15-1, Konan, Minato-ku, Tokyo)	1,888,600	0.57
THE BANK OF NEW YORK 133522 (Standing agency: Custody & Proxy Department, Mizuho Corporate Bank, Ltd.)	Rue Montoyerstraat 46, 1000 Brussels, Belgium (Shinagawa Intercity Building A, 2-15-1, Konan, Minato-ku, Tokyo)	1,883,473	0.57
Total	–	253,823,612	77.12

(Note 1) All shares held by Japan Trustee Services Bank, Ltd. (Trust account) and The Master Trust Bank of Japan, Ltd. (Trust account) are those held under their trust operations (including securities investment trusts). They include 5,056,800 shares under the management of investment trusts, 3,674,600 shares under the management of pension trusts, and 3,784,500 shares under the management of other trusts.

(Note 2) The following institutions manage custody operations of shares owned by foreign institutional investors, as well as act as owners of shares on behalf of the relevant institutional investors; they are GOLDMAN, SACHS & CO. REG,NORTHERN TRUST CO. (AVFC) RE U. S. TAX EXEMPTED PENSION FUNDS, STATE STREET BANK AND TRUST COMPANY 505223, MELLON BANK, N. A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION, STATE STREET BANK AND TRUST COMPANY 505225, STATE STREET BANK - WEST PENSION FUND CLIENTS - EXEMPT

505233, THE BANK OF NEW YORK 133522.

(8) Voting rights

1) Shares issued

As of March 31, 2016

Classification	Number of shares	Number of voting rights	Remarks
Nonvoting shares	–	–	–
Shares with limited voting rights (treasury share, etc.)	–	–	–
Shares with limited voting rights (other shares)	–	–	–
Shares with complete voting rights (treasury share, etc.)	–	–	–
Shares with complete voting rights (other shares)	Common shares 329,113,400	3,291,134	–
Fractional shares	Common shares 6,600	–	–
Total number of shares issued	329,120,000	–	–
Number of voting rights of all shareholders	–	3,291,134	–

(Note1) Shares with complete voting rights (other shares) include 800 shares under the name of the Japan Securities Depository Center.

The number of voting rights includes 8 complete voting rights under the name of the Japan Securities Depository Center.

(Note2) Fractional shares include 77 shares of treasury shares.

2) Treasury shares, etc.

As of March 31, 2016

Owner	Address of owner	Number of shares held under the owner's own name (shares)	Number of shares held under the name of any other person (shares)	Total number of shares held (shares)	Ratio of holdings to the number of shares issued (%)
–	–	–	–	–	–
Total	–	–	–	–	–

(9) Stock option system

Not applicable.

2. Acquisition of treasury shares

Type of shares

Acquisition of shares of common share under Article 155, Item 7, of the Companies Act of Japan.

(1) Acquisition based on resolutions at the shareholders meeting

Not applicable.

(2) Acquisition based on resolutions at Board of Directors meetings

Not applicable.

(3) Acquisition not based on resolutions at the shareholders meeting or Board of Directors meetings

Classification	Number of shares	Total amount（million yen）
Treasury share acquired during the current fiscal year	77	0
Treasury share acquired during the current period for acquisition	―	―

(Note) Treasury shares acquired during the current period for acquisition does not include the number of fractional shares purchased during theperiod from June 1, 2016 to the date of the submission of the annual securities report.

(4) Treatment of acquired treasury shares and treasury shares held

Classification	Current fiscal year		The period	
	Number of shares	Total disposition amount (million yen)	Number of shares	Total disposition amount (million yen)
Acquired treasury share for which subscribers were solicited	–	–	–	
Acquired treasury share that was disposed of	–	–	–	
Acquired treasury share for which transfer of shares was conducted in association with merger/share exchange/corporate separation	–	–	–	
Other (–)	–	–	–	
Number of share of treasury share held	77	–	77	–

(Note) Treasury shares acquired during the current period for acquisition does not include the number of fractional shares purchased during the period from June 1, 2016 to the date of the submission of the annual securities report.

3. Dividend policy

In addition to increasing corporate value over the medium- and long-term, the Company has identified the return of profits to shareholders as an important management goal. In determining the level of dividends, the company, while giving consideration to stability and sustainability, takes into account a full range of factors, including business performance, financial standing and dividend payout ratio.

For the fiscal year ended March 31, 2016, the Company has decided to pay an annual dividend of ¥17 per share.

For the fiscal year ending March 31, 2017, at this moment, the Company plans to pay an annual dividend of ¥18 per share.

Consolidated payout ratio of the fiscal year ended March 31, 2016 and the fiscal year ending March 31, 2017 is 33.8% and about 34.8% (forecast), respectively.

While maintaining a good financial standing and considering capital efficiency, the Company intends to use internal funds for investments in new business opportunities, etc.

These dividends are expected to be paid in two payments with year-end dividend payment and interim dividend payments. Decision-making bodies for the above payments will be a general shareholders' meeting for year-end dividend payment and a board of directors for interim dividend payments.

The Articles of Incorporation specifies that the Company may pay interim dividends whose record date is September 30 of every year by resolution of the Board of Directors.

The table below shows dividends for the fiscal year ended March 31, 2016

Resolution	Total amount of dividend (million yen)	Dividend per share (yen)
Resolution of Board of Directors on November 4, 2015	2,632	8
General shareholders' meeting on June 21, 2016	2,962	9

4. Trends in stock prices

(1) Highest and lowest stock prices in each of the past five years

Fiscal term	27th term	28th term	29th term	30th term	31st term
Closing month and year	March 2012	March 2013	March 2014	March 2015	March 2016
Highest (yen)	73,100	115,500	172,400 * 1,364	1,447	1,335
Lowest (yen)	47,800	53,800	100,800 * 872	823	944

(Note 1) The highest and lowest stock prices above are those on the First Section of the Tokyo Stock Exchange.

(Note 2) The Company implemented the 100-for-one stock split for its common shares with October 1, 2013 as the effective date and adopted the unit share system that sets one share unit at 100 shares. As to 29th term, the prices not marked with * are the highest and lowest prices from April 1, 2013 to September 30, 2013, and the prices marked with * are the highest and lowest prices from October 1, 2013 to March 31, 2014.

(2) Highest and lowest stock prices in each month of the past six months

Month	October 2015	November	December	January 2016	February	March
Highest (yen)	1,249	1,248	1,234	1,176	1,231	1,188
Lowest (yen)	1,101	1,130	1,135	1,020	944	1,087

(Note) The highest and lowest stock prices above are those on the First Section of the Tokyo Stock Exchange.

5. Officers

17 members are male and one member is female. (Percentage of female is 5.6% in total) As of June 22, 2016

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held
President and Chief Executive Officer		Sadao Maki	August 19, 1952	Apr. 1975 Joined Nippon Telegraph and Telephone Public Corporation Jun. 2004 Executive Manager, Corporate Planning, NTT Communications Corporation Jun. 2005 Senior Vice President, First Sales Division, NTT Communications Corporation Aug. 2006 Senior Vice President, First Sales Division of Enterprise Business Division, NTT Communications Corporation Apr. 2007 Senior Vice President, Enterprise Business Division, First Sales Division, NTT Communications Corporation Jun. 2007 Senior Vice President, Enterprise Business Division, First Sales Division, and Global Business Division, NTT Communications Corporation Jun. 2008 Executive Vice President, Global Business Division, NTT Communications Corporation Jun. 2010 Senior Executive Vice President, Global Business Division, in charge of Corporate Affairs, NTT Communications Corporation Aug. 2011 Senior Executive Vice President, in charge of Global Business Division, in charge of Corporate Affairs, NTT Communications Corporation Jun. 2012 Senior Executive Vice President, NTT Urban Development Corporation Jun. 2013 President and Chief Executive Officer, NTT Urban Development Corporation (present post)	(Note 3)	17,841
Senior Executive Vice President		Hiroshi Nakagawa	March 24, 1955	Apr. 1978 Joined Nippon Telegraph and Telephone Public Corporation Jul. 2006 Executive Manager, General Affairs and Personnel Department, Medical and Health Administration Center of General Affairs and Personnel, Nippon Telegraph and Telephone East Corporation Jun. 2007 Senior Vice President, General Affairs and Personnel Department, Medical and Health Administration Center of General Affairs and Personnel, Nippon Telegraph and Telephone East Corporation Jun. 2008 Senior Vice President, Corporate Strategy Planning Department, General Affairs and Personnel Department, Medical and Health Administration Center of General Affairs and Personnel, Nippon Telegraph and Telephone East Corporation Jun. 2009 Senior Vice President, Corporate Strategy Planning Department, Accounts and Finance Department, Nippon Telegraph and Telephone East Corporation (retired on Jul. 2010) Jun. 2011 Executive Vice President, Corporate Strategy Planning Department, Nippon Telegraph and Telephone East Corporation Jun. 2012 Senior Executive Vice President, Consumer Business Headquarters, Nippon Telegraph and Telephone East Corporation Jul. 2013 Senior Executive Vice President, Corporate Strategy Planning Department, Nippon Telegraph and Telephone East Corporation Jun. 2015 Senior Executive Vice President, Nippon Telegraph and Telephone East Corporation（scheduled to retire on June 17, 2016） Jun. 2016 Senior Executive Vice President, NTT Urban Development (present post)	(Note 3)	0

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held
Executive Vice President	Commercial Business Headquarters CDO (Chief Design Officer)	Masayuki Kusumoto	August 19, 1955	Apr. 1979 Joined Nippon Telegraph and Telephone Public Corporation Apr. 2004 Director, Property Development, NTT Urban Development Corporation Apr. 2009 Senior Vice President, Commercial Properties Development, NTT Urban Development Corporation Jun. 2011 Senior Vice President, Commercial Properties Development, NTT Urban Development Corporation (Member of the Board) Feb. 2013 Senior Vice President, Commercial Properties Development, Global Business, NTT Urban Development Corporation Jun. 2013 Senior Vice President, Commercial Properties Development, Global Business, Regional Businesses (Chugoku and Kyushu) Oct. 2014 Senior Vice President, Commercial Properties Development and Global Business, NTT Urban Development Jun. 2015 Executive Vice President, Commercial Properties Development, Global Business, NTT Urban Development Corporation Jun. 2016 Executive Vice President, Commercial Business Headquarters CDO (Chief Design Officer),NTT Urban Development Corporation (present post)	(Note 3)	15,202
Executive Vice President	Residential Business Headquarters	Akiyoshi Kitamura	May 26, 1957	Apr. 1981 Joined Nippon Telegraph and Telephone Public Corporation Jun. 2000 Senior Manager, Human Resource Management, NTT Communications Corporation Jun. 2006 General Manager, Kanto Hospital of Medical and Health Administration Center of General Affairs and Personnel, Nippon Telegraph and Telephone East Corporation Jun. 2011 Senior Vice President, Solution Business Headquarters, Solution Business 1 and 2 of the Solution Business Headquarters, Regional Businesses (Tokai, Chugoku, Kyushu and Hokkaido), NTT Urban Development Corporation Jul. 2011 Senior Vice President, Assets Solution Promotion, Regional Businesses (Tokai, Chugoku, Kyushu and Hokkaido) Jun. 2012 Senior Vice President, Residential Development, NTT Urban Development Corporation Oct. 2015 Senior Vice President, Residential Business Headquarters, NTT Urban Development Corporation Jun. 2016 Executive Vice President, Residential Business Headquarters, NTT Urban Development Corporation (present post)	(Note 3)	10,138
Executive Vice President	General Manager of Kansai Branch	Kanya Shiokawa	April 16, 1958	Apr. 1984 Joined Nippon Telegraph and Telephone Public Corporation Apr. 2003 Senior Manager, Real Estate Planning Office, General Affairs Department, Nippon Telegraph and Telephone West Corporation Apr. 2005 General Manager, Building Engineering, Kansai Regional Headquarters, NTT FACILITIES CO., LTD. Jul. 2008 General Manager, Real Estate Planning Office, Accounts and Finance Department, Nippon Telegraph and Telephone East Corporation Apr. 2010 Director, Property Development, NTT Urban Development Corporation Jun. 2012 Kansai Regional Business (General Manager of Kansai Branch), NTT Urban Development Corporation President and Chief Executive Officer, NTT Urban Development West BS Co. Jun. 2013 Senior Vice President, Kansai Regional Business (General Manager of Kansai Branch), NTT Urban Development Corporation Jun. 2016 Executive Vice President, General Manager of Kansai Branch, NTT Urban Development Corporation (present post)	(Note 3)	5,697
Senior Vice President	Corporate Strategy and Planning Department Accounting and Finance IT Innovation	Shigehito Katsuki	January 11, 1960	Apr. 1984 Joined Nippon Telegraph and Telephone Public Corporation May 2005 General Manager, Investor Relations Office, Department IV, Nippon Telegraph and Telephone Corporation Aug. 2007 General Manager, Strategic Technology Investment Department, International Business Department, NTT FINANCE CORPORATION Jul. 2010 Executive Manager, Accounts and Finance Department, Nippon Telegraph and Telephone East Corporation Jul. 2013 Senior Manager, Accounting and Finance Department, NTT Urban Development Corporation Jun. 2014 Senior Vice President, Accounting and Finance Department, NTT Urban Development Corporation Jun. 2016 Senior Vice President, Corporate Strategy and Planning Department Accounting and Finance IT Innovation, NTT Urban Development Corporation (present post)	(Note 3)	4,180

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held
Senior Vice President	General Affairs	Yoshihito Kichijo	May 14, 1960	Apr. 1984 Joined Nippon Telegraph and Telephone Public Corporation Jun. 2003 Senior Manager, Personnel, Nippon Telegraph and Telephone East Corporation (seconded to NTT Urban Development Corporation) Apr. 2004 Senior Vice President, Accounting Department, NTT Urban Development Corporation Jul. 2005 Director, Corporate Strategy and Planning Department, NTT Urban Development Corporation Sep. 2009 Director, Residential Development Department, NTT Urban Development Corporation Jun. 2013 Senior Manager, Real Estate Investment Department, NTT Urban Development Corporation Jun. 2014 Senior Vice President, General Affairs, Real Estate Investment Department, NTT Urban Development Corporation Oct. 2014 Senior Vice President, General Affairs, NTT Urban Development Corporation Jul. 2015 Senior Vice President, General Affairs, Real Estate Investment Department, NTT Urban Development Corporation Nov. 2015 Senior Vice President, General Affairs, NTT Urban Development Corporation (present post)	(Note 3)	13,891
Senior Vice President	Global Business	Hideyuki Yamasawa	April 17, 1960	Apr. 1983 Joined Nippon Telegraph and Telephone Public Corporation Oct. 2000 Senior Manager, Global Division, NTT Communications Corporation (second to NTT Europe Ltd.) Deputy Managing Director, NTT Europe Ltd. Jul. 2004 Vice President, Public Relations Office, NTT Communications Corporation Jul. 2007 Senior Vice president, General Affairs, NTT Communications Corporation Jul. 2010 Senior Manager, Global Business, NTT Communications Corporation (second to NTT America, Inc.) Senior Executive Director, NTT America, Inc. Apr. 2015 Senior Manager, Global Business, NTT Urban Development Corporation Jun. 2015 Senior Vice President, Global Business, NTT Urban Development Corporation (present post)	(Note 3)	2,181
Senior Vice President	Project Management Aoyama Development	Hirotoshi Shinohara	December 30, 1960	Apr. 1987 Joined Nippon Telegraph and Telephone Public Corporation Apr. 2008 Senior Manager, Real Estate Planning Office, Accounts and Finance Department, Nippon Telegraph and Telephone West Corporation Jul. 2010 General Manager, Chugoku Branch, NTT FACILITIES, INC. Jul. 2013 Senior Vice President, Office Building Business Headquarters and Disaster Risk Management Office, NTT Urban Development Corporation Jun. 2014 Senior Vice President, Office Building Business Headquarters, Disaster Risk Management Office and Project Management, NTT Urban Development Corporation Representative Director, Harumi 4-chome City Planning Design Co. (present post) May. 2015 Senior Vice President, Office Building Business Headquarters and Project Management, NTT Urban Development Corporation Jun. 2015 Senior Vice President, Project Management, , NTT Urban Development Jul. 2015 Senior Vice President, Project Management, Aoyama Development, NTT Urban Development Corporation (present post)	(Note 3)	1,395
Senior Vice President	Office Building Business	Nobuyuki Fukui	March 28, 1963	Apr. 1986 Joined Nippon Telegraph and Telephone Public Corporation Dec. 2006 Director, Financial Sales Department of First Sales Division of Enterprise Business Division, NTT Communications Corporation Jun. 2009 Director, Global Business Division, NTT Communications Corporation(second to NTT Singapore Pte LTD)President, NTT Singapore Pte Jul. 2010 Senior Manager, First Sales Department and Third sales Department of First Sales Division of Enterprise Business Division, First Sales Division of Enterprise Business Division Jul. 2012 Deputy Senior Vice President, Third Sales Division, NTT Communications Corporation Jul. 2013 Senior Vice President, Office Building Business Headquarters, NTT Urban Development Corporation Jun. 2016 Senior Vice President, Office Building Business, NTT Urban Development Corporation (present post)	(Note 3)	1,278

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held
Senior Vice President	Residential Business Headquarters, Management Director. Design Management office	Tomoyuki Sakaue	December 27,1964	Apr. 1989 Joined Nippon Telegraph and Telephone Public Corporation Oct. 2008 Director, Property Development, NTT Urban Development Corporation Apr. 2009 Senior Vice President, Property Development Department of Kansai Branch, NTT Urban Development Corporation Jul. 2011 Director, Property Development, NTT Urban Development Corporation Oct. 2013 Director, Project Management, NTT Urban Development Corporation Jul. 2014 Senior Vice President, Project Management, NTT Urban Development Corporation Oct. 2014 Senior Vice President, Project Management, Commercial Properties Development, NTT Urban Development Corporation Oct. 2015 Senior Vice President, Project Management, Design Management Office, NTT Urban Development Corporation Jun. 2016 Senior Vice President, Residential Business Headquarters, Management Director.Design Management office, NTT Urban Development Corporation (present post)	(Note 3)	0
Senior Vice President		Akira Komatsu	March 24, 1948	Apr. 1972 Research Associate, Faculty of Economics, Saitama University Jan. 1989 Professor, Faculty of Economics, Saitama University Apr. 1992 Professor, Faculty of Commerce and Management, Hitotsubashi University Apr. 2000 Professor, Graduate School of Commerce and Management, Hitotsubashi University Apr. 2011 Professor Emeritus, Hitotsubashi University (present post) Professor, Department of Political Science and Economics, Faculty of Political Science and Economics, Musashino University, Professor, Graduate School of Political Science and Economics, Musashino University (present post) Apr. 2012 Professor, Department of Business Administration, Faculty of Political Science and Economics, Musashino University Jun. 2013 Senior Vice President, NTT Urban Development Corporation (present post) Apr. 2014 Professor, Department of Business Administration, Faculty of Political Science and Economics, Musashino University (present post)	(Note 3)	0
Senior Vice President		Toshio Koujitani	March 7, 1944	Jun. 1982 Joined JGC CORPORATION Feb. 1994 Deputy General Manager, Construction Project, No.2 Business Division, JGC CORPORATION Jul. 1999 Chief Engineer, No.2 Business Division, JGC CORPORATION Jul. 2002 Chief Engineer, Industrial Project Management Division, JGC CORPORATION Jul. 2007 Principal Architect, No.2 Business Division, JGC CORPORATION Jun. 2011 Principal Architect, Project Division, JGC CORPORATION Jul. 2014 Principal Architect, Business Development Department, No.3 Business Division, JGC CORPORATION (resigned on Marchi,2016) Jun. 2015 Senior Vice President, NTT Urban Development Corporation (present post) Apr. 2016 Corporate Adviser, Principal Architect, CM Plus Corporation (present post)	(Note 3)	0
Senior Vice President		Koichi Takami	August 19, 1964	Apr. 1988 Joined Nippon Telegraph and Telephone Corporation Jun. 2007 Senior Manager, Corporate Management Strategy Division, Nippon Telegraph and Telephone Corporation Jun. 2008 Senior Manager, Corporate Strategy Planning Department, Nippon Telegraph and Telephone Corporation Jul. 2011 Senior Manager, General Affairs and Personnel Department, Nippon Telegraph and Telephone East Corporation (second to NTT Solco Corporation) Jun. 2012 Senior Vice President, Executive Manager, Corporate Strategy Planning Department, NTT Solco Corporation Jul. 2014 Vice President of Business Planning, Nippon Telegraph and Telephone Corporation（present post） Jun. 2015 Senior Vice President, NTT Urban Development Corporation (present post)	(Note 3)	0

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held
Corporate Auditor (full-time)		Mitsuhiro Watanabe	March 20, 1954	Apr. 1976 Joined Nippon Telegraph and Telephone Public Corporation Jun. 2004 Executive Manager, Personnel Department, Nippon Telegraph and Telephone East Corporation Jun. 2006 Senior Vice President, Tohoku Regional Business (General Manager of Miyagi Branch), President and Chief Executive Officer, NTT East-Miyagi Corporation Jun. 2008 Executive Director, Compliance Promotion, Nippon COMSYS Corporation Jun. 2009 Executive Director, General Affairs, Nippon COMSYS Corporation, Director, General Affairs Department, COMSYS Holdings Corporation Jun. 2011 Senior Executive Vice President, Corporate Strategy, CSR Promotion, Chuo Branch, NTT FACILITIES, INC. Jun. 2014 Corporate Auditor (full-time), NTT Urban Development Corporation (present post)	(Note 4)	2,783
Corporate Auditor (full-time)		Shunichi Okazaki	June 17, 1958	Apr. 1981 Joined to the Ministry of Posts and Telecommunications Jul. 2001 Counsellor, Cabinet Legislation Bureau (the 3rd Department) Aug. 2005 Director, Regional Broadcasting Division, Information and communication Policy Bureau, the Ministry of Internal Affairs and Communication (MIC) Apr. 2006 Director, Cabinet Secretariat(Postal Service Privatization Promotion Office)/Director, Secretariat of Postal Service Privatization Committee Jul. 2009 Senior Legal Advisor, Global ICT Strategy Bureau, MIC Apr.2010 Visiting Professor, Graduate School of Public Policy, the University of Tokyo Jul. 2011 Deputy Director-General for Policy Evaluation, Minister' s Secretariat, MIC /Director-General, Secretariat of Telecommunications Dispute Settlement Commission Jun. 2013 Director-General, Kanto Regional Bureau of Telecommunications, MIC (resigned Jul. 2014) Jun. 2015 Corporate Auditor (full-time), NTT Urban Development Corporation (present post)	(Note 4)	972
Corporate Auditor		Hisako Kato	October 18, 1948	Oct. 1972 Joined Tokai Daiichi Audit Co. Feb. 1983 Joined Deloitte Haskins & Sells (Deloitte LLP) Feb. 1985 Joined Ernst & Whinney International Tax (Ernst & Young Tax Co.) May 1994 Senior Partner, Ernst & Young Tax Co. (until Oct. 2008) Dec. 2008 Representative, Kato Accounting Office (present post) Jun. 2014 Corporate Auditor, JSR Corporation (present post) Corporate Auditor, NTT Urban Development Corporation (present post)	(Note 4)	0
Corporate Auditor		Harunobu Takeda	December 6, 1966	Apr. 1989 Joined Nippon Telegraph and Telephone Corporation Oct. 2004 Senior Manager, Department IV, Nippon Telegraph and Telephone Corporation Jul. 2005 General Manager, Strategy Planning, Aomori Branch, Nippon Telegraph and Telephone East Corporation Jul. 2007 Senior Manager, General Affairs and Personnel Department, Nippon Telegraph and Telephone East Corporation (seconded to NTT BUSINESS ASSOCIE Corporation) Jul. 2010 Senior Manager, Accounting Department, NTT FINANCE CORPORATION, Jul. 2014 Senior Manager, Finance and Accounting Department, Nippon Telegraph and Telephone Corporation (present post) Jun. 2015 Corporate Auditor, NTT Urban Development Corporation (present post)	(Note 4)	0
				Total		75,558

(Note 1) Of the Directors, Mr. Akira Komatsu, Mr. Toshio Koujitani and Mr. Koichi Takami are Outside Directors.

(Note 2) Of the Corporate Auditors, Mr. Mitsuhiro Watanabe, Mr. Shunichi Okazaki, Ms. Hisako Kato, and Mr. Harunobu Takeda are Outside Auditors.

(Note 3) Twoyears from the closing of the annual shareholders meeting held on June 21, 2016

(Note 4) Four years from the closing of the annual shareholders meeting held on June 23, 2015

6. Corporate governance

(1) Corporate governance

NTT Urban Development aims to achieve sustainable growth by working in line with its corporate slogan of "With integrity, through innovation—connecting cities and people." In doing this, NTT Urban Development seeks to gain the firm confidence of stakeholders, including shareholders and other investors, as well as customers, business partners and society as a whole. To achieve the aims of its slogan, the company is working actively to develop its business for office, residential and commercial properties.

Under this policy, based on a new management plan that started in fiscal year 2013, "Medium-Term Vision 2018 - For Further Growth -," the Group has been working to strengthen its revenue base, expand business domains, thoroughly carry out financial control and establish a management foundation by fully enforcing a customer and market-centered orientation and pursuing innovation. Moreover, bearing this in mind, in order to respond mainly to changes in the environment surrounding the Group, the Group has revised the Medium-Term Vision 2018 and developed new business strategies to achieve the medium-term targets.

In the area of corporate governance, in an effort to achieve the targets as described above, the Group has a basic corporate governance policy. The key components of this policy are efforts to ensure management soundness and transparency, to strengthen accountability through prompt and appropriate information disclosure and constructive dialogues with shareholders and investors, to strictly adhere to corporate ethics and compliance, and to enhance corporate value.

1) Corporate governance system

(i) Organizations of the Company

NTT Urban Development employs a system of Corporate Auditors. As stipulated in Japan's Companies Act, its internal organizations include the General Ordinary Meeting of Shareholders, the Board of Directors, the Board of Corporate Auditors and an independent accounting auditor. The Company has determined that audits by Corporate Auditors including Outside Corporate Auditors is effective for monitoring management and has employed a corporate auditor system.

The Company has also established the Management Council, consisting of full-time Directors, branch managers, operating department managers, and heads of staff departments, which advises the President on matters within his decision-making capacity. The Management Council deliberates matters of management importance, with the goal of ensuring the speedy execution of duties and decision making. Moreover, in an effort to further enhance transparency in the decision-making process, full-time Corporate Auditors attend Management Council Meetings. In addition, before the Management Council, investment risks and other matters associated with investment projects are considered by the Investment Deliberation Council, which consists of cross-functional members, they are closely examined at investment review meetings to ensure appropriate risk control.

The Board of Directors comprised 14 Directors (three members were Outside Director; all members were male). The Board decides important matters, sets basic policies regarding management and business execution, and supervises the execution of duties by Directors. In principle, the Board of Directors convenes once a month, with additional meetings as necessary for quick decision making. During the fiscal year ended March 31, 2016, the Board of Directors convened a meeting on 13 occasions.

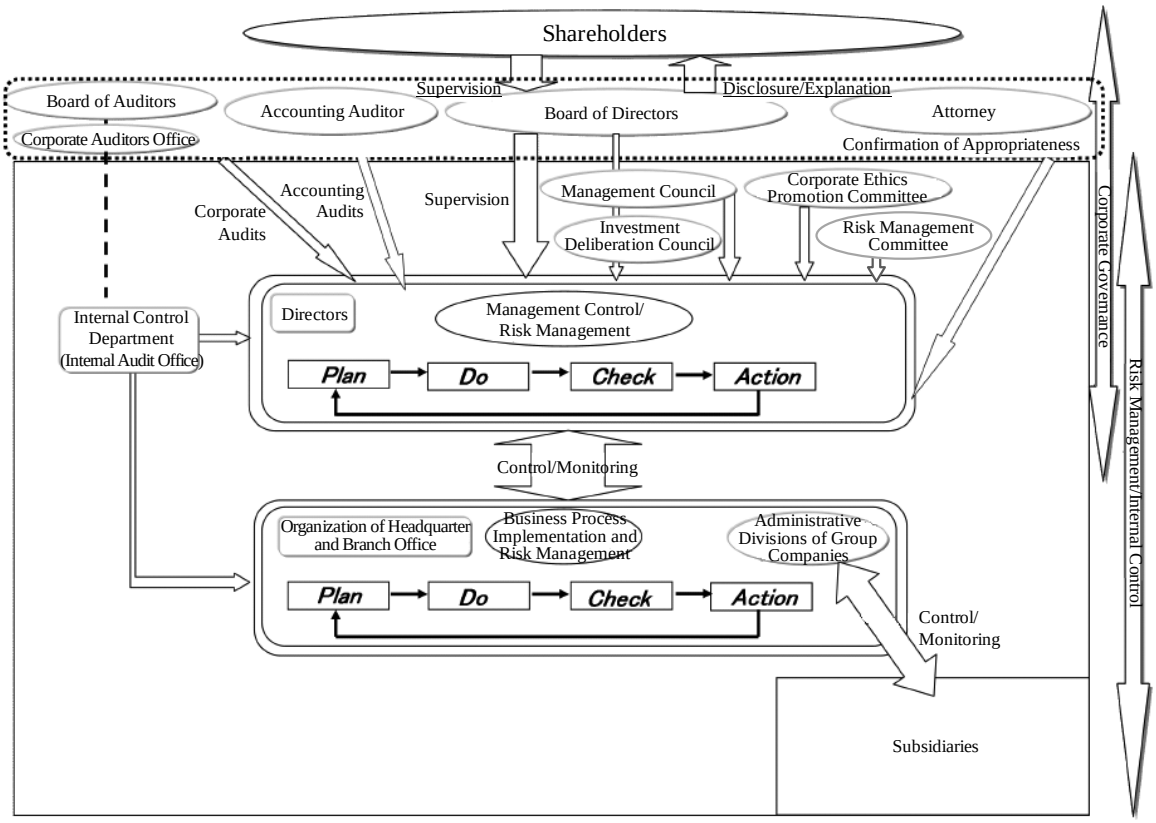
The Board of Corporate Auditors has four members, (all members were Outside Corporate Auditors; three members were male, and one member was female). In principle, it meets regularly once a month and holds additional meetings as necessary. During the fiscal year ended March 31, 2016, the Board of Corporate Auditors met on 17 occasions. Corporate Auditors carry out their duties according to the audit plan established by the Board of Corporate Auditors. Corporate Auditors attend meetings of the Board of Directors and other important meetings, and audit the execution of duties of Directors, and examine the status of operations and assets.

As of the date when this report was submitted, the Board of Directors consisted of 14 Directors, (two members were Outside Directors; all members were male), and the Board of Corporate Auditors consisted of four members, (Threemembers were Outside Corporate Auditors; two members were male, and one member was female)

The Company has determined in its Articles of Incorporation that the Company may, by resolution of the Board of Directors, release Directors and Corporate Auditors from liabilities, to the extent permitted by the Companies Act, so that they can fully demonstrate their roles expected in executing their duties.

The Company has concluded agreements with its Outside Directors and Outside Corporate Auditors for the limitation of liability for damages stipulated in Article 423, Paragraph 1 of the Companies Act under the provision of Article 427, Paragraph 1 of the Companies Act. The limit of liabilities for damage under the agreements is the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act for both Outside Directors and Outside Corporate Auditors.

The chart below shows the corporate governance system of the Company.



(ii) Development of internal control system

< Basic policy >

The President is charged with business execution involving the creation and development of an internal control system, under the supervision of the Board of Directors and the Board of Corporate Auditors. Resolution for a basic policy on the development of an internal control system passed by the Board of Directors is as follows.

Pursuant to the Companies Act and the Enforcement Regulations of the Companies Act, NTT Urban Development shall design internal systems to secure legal and ethical compliance in its Group business operations (hereinafter, the "Internal Control Systems"), as described below.

a. A system to ensure that Directors and employees adhere to laws and regulations and the Company's Articles of Association in the execution of their duties. This system requires that:

(a) Employees carry out their respective duties in a diligent and conscientious manner in accordance with laws, regulations and instructions 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 engage in activities that promote the highest standards in corporate ethics and compliance in accordance with the NTT Group's Code of Corporate Ethics;

(c) The Corporate Ethics Promotion Committee is established and preventive measures initiated with regard to illegalities and misconduct in accordance with compliance related regulations;

(d) The Company establishes a corporate ethics and compliance helpline to provide the necessary support infrastructure for all Directors and employees of the Group to report corporate ethics and compliance matters, anonymously or by name, both inside and outside the Company using attorneys. The Company will ensure that any person who makes reports to the corporate ethics and compliance helpline is not treated unfairly;

(e) NTT Urban Development establishes a framework to ensure information is concentrated in the relevant department and an appropriate response is formulated in the event of potential and actual non-compliance and unethical act;

(f) Education and training with regard to corporate ethics and compliance is implemented on a continuous basis for all Directors and employees of the Group;

(g) The Internal Audit Office is inaugurated as a means to evaluate the efficacy and management of the Internal Control Systems, and an audit review program is initiated for areas of particularly high risk to facilitate necessary and appropriate improvement;

(h) A legal structure and framework, coordinated by the Legal Department, is maintained to ensure the appropriate checks and balances are in place. In addition, the Legal Department shall centrally coordinate the Company's legal consultation with lawyers;

(i) As an operator of financial instruments, NTT Urban Development ensures appropriate business management and human resources structures, and develops structures to enforce the compliance with laws and ordinances, and risk management structures, and manages appropriate customer protection and customer information control;

(j) NTT Urban Development appropriately develops and manages internal control associated with financial reports to ensure the credibility of financial reports in accordance with the Financial Instruments and Exchange Act; and

(k) NTT Urban Development 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 act decisively against these antisocial activities in cooperation with the appropriate authorities, such as the police.

b. A structure for storing and managing information pertaining to the execution of duties by Directors. Under this structure:

(a) Minutes of meetings, associated documents and other information relating to the execution of duties by Directors are stored and managed by the relevant department in accordance with internal rules and regulations; and

(b) Directors and Corporate Auditors regularly review the aforementioned documentation and information.

c. Provisions and other structures concerning administration of the danger of losses. In this context:

(a) By establishing the Risk Management Committee and formulating regulations related to risk management, the Company shall regularly identify and assess the Group's risks as a whole and shall prevent and handle risks appropriately;

(b) Careful consideration of investment risks and other factors by the Management Council in connection with investment projects is preceded by due diligence by the Investment Deliberation Council;

(c) NTT Urban Development conducts risk management education and training in order to raise awareness among all Directors and employees of the Group; and

(d) NTT Urban Development develops systems that enable it to take appropriate measures in the event of disaster by taking the necessary measures, such as establishing the Disaster Risk Management Promotion Committee and the Disaster Risk Management Promotion Office, developing a basic policy and a manual to respond to the occurrence of a major earthquake, and holding seminars and training in disaster management.

d. A framework to ensure the efficient execution of duties by Directors. Under this framework, the Company:

(a) Clarifies department 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) Formulates rules and regulations for the Board of Directors. In principle, the Board of Directors meets once a month to decide on important matters relating to the management of the Company in accordance with related legal requirements, decision-making principles and recommendations based on due diligence. 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) Strives to enhance efficiency in the execution of business. To this end, the Board of Directors formulates medium-term management policies and business plans of the Group and closely reviews performance on a monthly and quarterly basis.

e. A statement concerning the establishment of a system to ensure that the corporate group conducts activities appropriately. This system ensures that:

(a) NTT Urban Development Group agreement Associated with the NTT Urban Development Group Agreement, etc., the Company requests that the Group companies deliberate with or report to the Company regarding important matters, including corporate ethics, compliance and risk management.

(b) The internal control departments periodically call on the Group companies with the aim of monitoring and supervising the companies' operations;

(c) Periodic meetings are convened for the Group companies to report to the Company the status of operations and their financial standing. This process enables the Company to maintain a comprehensive understanding of the Group companies activities and statuses and to ensure that the Group companies activities are conducted in an appropriate manner; and

(d) Transactions between the parent company and the Group companies are conducted in an appropriate manner by examining contracts on the same terms and conditions as those with third parties.

f. Items concerning the independence from Directors of employees who are appointed to assist Corporate Auditors in their duties and to secure the effectiveness of instructions to the employees. These items provide for:

(a) The establishment of a Corporate Auditors Office that reports directly to the Corporate Auditors and the appointment of full-time, specialist employees to support Corporate Auditors in the conduct of their duties.

(b) Employees appointed to support Corporate Auditors do not engage in concurrent activities.

(c) Assistants to Corporate Auditors conduct their duties based on the directions and orders of Corporate Auditors.

(d) The opinions of Corporate Auditors are respected in handling the personnel changes, evaluations, and so on of employees who belong to the Corporate Auditors' Office.

g. A system for Directors and employees to report to Corporate Auditors and for other reporting to Corporate Auditors. Under this system:

(a) The opinions of Corporate Auditors are respected in handling the personnel changes, evaluation, and so on of employees who belong to the Corporate Auditors' Office.

(b) Directors and employees are required to report to Corporate Auditors on matters relating to the execution of their duties including the following; and

- Matters that have led to significant damage or have the potential to lead to significant damage to the Company
- Monthly business reports
- The status of internal audits
- Any risk of a breach of laws and regulations, the Company's Articles of Association and related rules and regulations
- The status of reports made under the corporate ethics and compliance helpline
- Important items reported by the Group companies
- Important issues relating to corporate ethics and compliance other than those previously identified

(c) Directors are required to report to the Board of Directors on the status of the establishment and management of the Internal Control Systems through the Internal Audit Office.

h. Other structures to ensure that audits are performed effectively by Corporate Auditors. Based on this structure:

(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) The Company will provide every support to Corporate Auditors in connection with any request for the use of external advisors including attorneys and certified public accountants.

(c) Corporate Auditors may charge expenses as necessary for the execution of their duties, and the Company shall make payments based on their expense claims.

< Development >

In accordance with the implementation of the Companies Act on May 1, 2006, the Board of Directors passed a resolution on the Company's Internal Control System Basic Policy on May 11, 2006.

This basic policy was revised by the Board of Directors on March 26, 2007 with the aim of enhancing its scope and content. The policy was further revised by the Board of Directors on March 28, 2008 to clearly state the Company's commitment in eradicating antisocial forces, and to comply with the Financial Instruments and Exchange Act.

Moreover, the Disaster Risk Management Promotion Committee and the Disaster Risk Management Promotion Office have been established as part of initiatives to develop and improve systems that enable the Company to take appropriate measures in the event of disaster. In addition, as a result, the Internal Control System Basic Policy was revised at the meeting of the Board of Directors held on March 30, 2009. As the Company stipulated in its risk management rules and regulations that risks shall be identified and evaluated regularly, taking into account changes in the environment surrounding the Company and its initiatives in new businesses, the Internal Control System Basic Policy was revised at the meeting of the Board of Directors held on March 26, 2012. With the establishment of the Risk Management Committee, the basic policy was revised at the meeting of the Board of Directors held on March 11, 2013. With the addition of the statement concerning the establishment of a system to ensure that the corporate group conducts activities appropriately and a system to support the audit of Corporate Auditors, the basic policy was revised at the meeting of the Board of Directors held on April 24, 2015 and November 4, 2015.

The Company is appropriately preparing and implementing internal control and other systems under the Financial Instruments and Exchange Act enacted from the fiscal year commencing on or after April 1, 2008 under the supervision of the Internal Control Office consisting of members of the Management Council.

With regard to corporate ethics and compliance, the Company has initiated a number of activities involving corporate ethics and compliance. The Company has created the Corporate Ethics Promotion Committee to deliberate compliance policies and conducted corporate ethics and compliance training. A corporate ethics and compliance help line to respond to employee questions concerning corporate ethics and compliance has been thoroughly disseminated within the Company and properly managed.

(iii) Status of the development of a risk management system

Risk management is an essential part of the Internal Control Systems. NTT Urban Development's risk management initiatives aim to promote and increase corporate value by understanding the internal and external risks borne by the Company's operations, implementing pertinent countermeasures and ensuring appropriate and bold management decisions.

By establishing the Risk Management Committee and applying a set of the Risk Management rules and regulations appropriately, the Company strives to address and manage a wide variety of risks and to secure continuous and stable operations.

For comprehensive risk management, when the Company makes investment decisions for development projects, it endeavors to identify a wide range of possible risks, including the risk of declines in rent, the risk of delays in construction, risk associated with dealing with the neighborhood, environmental risks, including soil contamination, and overseas risks, taking into account changes in the environment surrounding the Company and its initiatives in new businesses.

The Internal Control System Basic Policy clearly describes basic policies to eradicate antisocial forces and describes the status of the development of the policies. NTT Urban Development carries out cross-company measures to respond to unreasonable demands from antisocial forces. The General Affairs Department is designated as the department that oversees the implementation of the above measures.

In addition, NTT Urban Development maintains cooperation with relevant authorities, including the police, to ensure a smooth information exchange during normal circumstances, and an urgent response in emergencies.

These basic policies and the Company's internal structure to deal with business issues are set out in the Corporate Ethics and Compliance Regulations, Risk Management rules regulations and the Crisis Management Manual and Manual for eliminating anti-social forces. In this way, NTT Urban Development ensures that the basic policies and the internal structure are enforced across the company.

(iv) Status of internal audits, audits by Corporate Auditors, and accounting audits

a. Internal audits and audits by Corporate Auditors

With respect to internal audit, NTT Urban Development has established the Internal Audit Office as the department in charge of internal audits. It consists of more than one member, and carries out internal audits, reporting directly to the President, independent of business operations. Based on internal audit plans, the Internal Audit Office verifies that the company's operating activities conform to laws and ordinances, the Articles of Association, relevant regulations, and management policies and plans. The office is responsible for uncovering any issues that may exist, and proposing solutions. Such activities are designed to raise management efficiency and profitability, and to contribute to maintain the overall health of the Group.

Audits by Corporate Auditors are conducted in accordance with the audit policies and audit plans determined by the Board of Corporate Auditors. These audits concern the status of operations and the conditions of assets managed by the headquarters and its major offices. If necessary, Auditors may request the submission of subsidiaries' business reports. In addition, the Company has established a Corporate Auditors Office with assistants to the Corporate Auditors to facilitate the execution of their duties.

Corporate Auditor Mitsuhiro Watanabe once worked for the finance and accounting department of NTT, and has considerable knowledge about finance and accounting. Corporate Auditor Hisako Kato has work experience as a certified public accountant and a certified tax accountant and considerable knowledge about finance and accounting. Corporate Auditor Harunobu Takeda has worked at the finance and accounting department of NTT, and has considerable knowledge about finance and accounting.

b. Accounting audits

Because KPMG AZSA LLC has familiarity with the details of the Company’s operations, reflecting the high quality audits it has conducted as the Company’s independent accounting auditor based on its sound audits structure and a wide range of expertise, and taking into account audit continuity, KPMG AZSA LLC was reappointed the Company’s independent accounting auditor for the consolidated fiscal year under review.

Certified public accountants who carried out accounting audit operations for fiscal 2015 were as follows:

Designated limited liability partners and certified public accountants: Masashi Oki (1 years), Koji Fukai (3 year), and Yutaka Terada (1 year)

* Years in the brackets show the length of years when accounting audit operations were carried out.

Breakdown of assistants associated with audit operations were as follows:

Five certified public accountants and 15 other staff

c. Co-ordination among internal audits, audits by Corporate Auditors, and accounting audits, and relations between those audits and internal control departments

The Internal Audit Office (department in charge of internal audits), the Corporate Auditors, and the independent accounting auditor exchange views and information quarterly and when necessary and carry out audits in collaboration with each other.

The department in charge of internal audits, the Corporate Auditors, and the independent accounting auditor audit the Internal Control Systems and internal control departments in cooperation with the departments relevant to the systems stipulated in the Internal Control System Basic Policy, receiving reports and explanations from the relevant departments from time to time.

2) Matters concerning outside officers

(i) Outside Directors and Outside Corporate Auditors

As of the date of the submission of the report, the Company has two Outside Directors and three Outside Corporate Auditors.

In appointing independent officers based on the rules of Tokyo Stock Exchange, Inc., the Company appoints all outside officers who satisfy the requirements as described below, which are the Company' s own judgment criteria, in addition to the judgment criteria for independence set by Tokyo Stock Exchange, Inc., such that Outside Directors and Outside Corporate Auditors do not come from the parent company, fellow subsidiaries, major shareholders, or major business partners.

- Persons who are not eligible for executive roles or individuals as described below over the last three business years

(1) Executive persons of business partners that exceed the Company's criteria (*1)

(2) Executive persons of borrowers that exceed the Company's criteria (*2)

(3) Individuals, such as consultants, accounting professionals and legal professionals, who provide professional services and directly receive cash and other property benefits of at least ¥10 million per annum from the Company or its subsidiaries, in addition to remuneration for officers in any fiscal year of the last three fiscal years.

(4) Executive persons of organizations that have received donations that exceed the Company's criteria (*3)

Moreover, if a person falls into one of the categories described in (1) through (4) but it is judged that the person effectively has independence, the reasons for such judgment are explained and disclosed at the time of the appointment of independent officers.

*1 Business partners that exceed the Company's criteria mean business partners whose total transactions with the Company and its subsidiaries in any fiscal year of the last three fiscal years are 2% or more of the Company's consolidated operating revenue in the relevant fiscal year.

*2 Borrowers that exceed the Company's criteria mean borrowers whose borrowings in any fiscal year of the last three fiscal years on a consolidated basis are 2% or more of the Company's consolidated total assets in the relevant fiscal year.

*3 Organizations that have received donations that exceed the Company's criteria mean organizations whose total donations received from the Company and its subsidiaries in any fiscal year of the last three fiscal years exceed either ¥10 million per annum or 2% of the total annual income of the relevant organizations in the relevant fiscal year, whichever is larger.

At meetings of the Board of Directors, the Outside Director makes statements from time to time from a viewpoint independent of the performing of operations and performs a supervisory function through deliberations at the meetings.

We have judged that, in light of the criteria for independence set by Tokyo Stock Exchange, Inc. and the Company's own judgment criteria, the Outside Director Akira Komatsu poses no risk that a conflict of interest will arise with general shareholders, and we have appointed him as an independent officer pursuant to the rules of Tokyo Stock Exchange, Inc. and filed the appointment with Tokyo Stock Exchange, Inc.

We have judged that, in light of the criteria for independence set by Tokyo Stock Exchange, Inc. and the Company's own judgment criteria, the Outside Director Toshio Koujitani poses no risk that a conflict of interest will arise with general shareholders, and we have appointed him as an independent officer pursuant to the rules of Tokyo Stock Exchange, Inc. and filed the appointment with Tokyo Stock Exchange, Inc.

Outside Corporate Auditors attend Board of Corporate Auditors meetings, which make decisions on the policies, plans, and methods of audits and other important matters relating to audits. At the meetings, Outside Corporate Auditors report the status of audits as needed. Outside Corporate Auditors carry out their duties according to the audit plan established by the Board of Corporate Auditors. Corporate Auditors attend meetings of the Board of Directors and other important meetings, and audit the execution of duties of Directors, and examine the status of operations and assets. All outside auditors carry out audits independently from the management performing operations.

Corporate Auditor Mitsuhiro Watanabe worked for the parent company NTT and fellow subsidiaries, Nippon Telegraph and Telephone East Corporation, NTT LEARNING SYSTEMS CORPORATION and NTT FACILITIES, INC., but has no other personal, capital, or trading relationships with the Company, or other interests in the Company.

Outside Corporate Auditor Shunichi Okazaki has no personal, capital, or trading relationships with the Company, or other interests in the Company. We have judged that, in light of the criteria for independence set by Tokyo Stock Exchange, Inc. and the Company's own judgment criteria, the Outside Director Mr. Okazaki poses no risk that a conflict of interest will arise with general shareholders, and we have appointed him as an independent officer pursuant to the rules of Tokyo Stock Exchange, Inc. and filed the appointment with Tokyo Stock Exchange, Inc.

Outside Corporate Auditor Hisako Kato has no personal, capital, or trading relationships with the Company, or other interests in the Company. We have judged that, in light of the criteria for independence set by Tokyo Stock Exchange, Inc. and the

Company's own judgment criteria, the Outside Director Ms. Kato poses no risk that a conflict of interest will arise with general shareholders, and we have appointed him as an independent officer pursuant to the rules of Tokyo Stock Exchange, Inc. and filed the appointment with Tokyo Stock Exchange, Inc.

Outside Corporate Auditor Harunobu Takeda is currently an employee of the parent company NTT. Although Mr. Takeda has an experience of working at Nippon Telegraph And Telephone East Corporation, NTT BUSINESS ASSOCIE Corporation and NTT FINANCE CORPORATION, fellow subsidiaries of the Company, in the past, he has no other personal, capital, or trading relationships with the Company, or other interests in the Company.

The Outside Directors and Outside Corporate Auditors attend meetings of the Board of Directors, thereby bolstering their function of supervising the performance of operations.

The Outside Corporate Auditors audit the Internal Control Systems and internal control departments in cooperation with the departments relevant to the systems stipulated in the Internal Control System Basic Policy, receiving reports and explanations from the relevant departments from time to time. The Outside Director monitors the internal control departments' performance of their duties, receiving reports on the development and management of the Internal Control Systems at meetings of the Board of Directors that he attends.

(ii) Important concurrent positions and the relationships between the Company and the companies where the concurrent positions are held

Title	Name	Concurrent post	Partner Company	Relationship with the Company
Senior Vice President	Akira Komatsu	Professor emeritus	Hitotsubashi University	There is no special relationship.
		Professor, Department of Business Administration, Faculty of Economics Professor, Graduate School of Political Science and Economics	Musashino University	There is no special relationship.
Senior Vice President	Toshio Koujitani	Corporate Advisor, Adviser Principal Architect	CM Plus Corporation	There is no special relationship.
Corporate Auditor	Hisako Kato	Representative	Kato Accounting Office	There is no special relationship.
		Outside Corporate Auditor	JSR Corporation	There is no special relationship.

(iii) Main activities in the consolidated fiscal year under review

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

Title	Name	Meetings of the Board of Directors		Meetings of the Board of Corporate Auditors	
		Meetings attended	Attendance rate	Meetings attended	Attendance rate
Senior Vice President	Akira Komatsu	13/13	100.0 %	–	–
Senior Vice President	Toshio Koujitani	10/10	100.0 %	–	–
Corporate Auditor (full-time)	Mitsuhiro Watanabe	13/13	100.0 %	17/17	100.0 %
Corporate Auditor (full-time)	Shunichi Okazaki	10/10	100.0 %	11/11	100.0 %
Corporate Auditor	Hisako Kato	13/13	100.0 %	17/17	100.0 %

(Note 1) Senior Vice President Toshio Koujitani was appointed Senior Vice President on June 23, 2015. The denominators in the "Meetings attended" columns is the numbers of meetings of the Board of Directors that were held after his appointment.

(Note 2) Corporate Auditor Shunichi Okazaki was appointed Corporate Auditor on June 23, 2015. The denominators in the "Meetings attended" columns is the numbers of meetings of the Board of Directors and Board of Corporate Auditors that were held after their appointments.

b. Utterances in the Board of Directors and the Board of Corporate Auditors meetings

(a) Director, Mr. Akira Komatsu 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 the objective viewpoint of an Independent Officer, which is independent of management, making the most of his extensive knowledge and experience as a university professor of business administration.

(b) Director Toshio Kjitanii has participated in a number of projects both in Japan and overseas mainly as the Principal Architect of JGC CORPORATION. By making the most of his considerable expertise about software and hardware in the construction sector and his extensive knowledge and experience in planning and designing, Mr. Koujitani 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 the objective viewpoint of an Independent Officer, who is independent of the management who executes operations.

(c) Corporate Auditor (full-time), Mr. Mitsuhiro Watanabe 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 (full-time), Mr. Hiroshi Ikegawa stated his opinions primarily from the perspective of an Independent Officer, making the most of the broad insight that he developed mainly through his extensive experience in government administration 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) Corporate Auditor, Ms. Hisako Kato stated her opinions primarily from the perspective of an Independent Officer, with viewpoints of a certified public accountant and a certified tax accountant, 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, she 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.

3) Remuneration for directors

(i) Policy (policy and method for determining officers' remuneration and the method of calculating officers' remuneration)

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

The remuneration for Directors (excluding outside 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 outside Directors, from the perspective of ensuring a high independency, only the monthly compensation is provided without gearing the amount for the Company's performance.

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	Total amount of remuneration (million yen)	Remuneration by type (million yen)		Number of officers receiving remuneration
		Basic remuneration	Bonus	
Directors (excluding Outside Directors)	286	246	40	13
Corporate Auditors (excluding Outside Auditors)	–	–	–	–
Outside Directors and Outside Auditors	57	57	–	6

(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 number of officers includes two Directors and one Auditors who retired as at the conclusion of the Ordinary General Meeting of Shareholders for the 30th term held on June 23, 2015.

(Note 3) Apart from the above, bonuses of ¥21 million were paid to six people who work as employees and Directors.

4) Number of Directors

The Articles of Incorporation stipulate that the number of directors of the Company is 25 at maximum.

5) Requirements for a resolution to elect directors

The Articles of Incorporation stipulate that a resolution of a shareholders meeting to elect directors shall be made by a majority of the votes of the shareholders present at a meeting where shareholders holding one third or more of the votes of shareholders who are entitled to exercise their votes are present.

The Articles of Incorporation also stipulate that cumulative votes shall not be cast for a resolution to elect directors.

6) Requirements for a special resolution in shareholders meeting

The Company has determined in its Articles of Incorporation that special resolutions of the Ordinary General Meeting of Shareholders as stipulated in Article 309, Paragraph 2 of the Companies Act shall be made by a majority of two thirds or more of the votes of the shareholders present at the meeting where the shareholders holding one third or more of the votes of shareholders entitled to exercise their votes at such shareholders meetings are present. This decision was made to ensure the smooth management of Ordinary General Meetings of Shareholders by easing the quorum for special resolutions made by Ordinary General Meetings of Shareholders.

7) Decision-making organization for acquisition of the Company's shares

The Company has determined in its Articles of Incorporation that the Company may acquire its own shares through market transactions by resolution of the Board of Directors as stipulated in Article 165, Paragraph 2, of the Companies Act, so that the Company can conduct flexible and agile capital policies.

8) Decision-making organization for payment of dividends from surplus

The Company has determined in its Articles of Incorporation that the Company may distribute interim dividends based on the base date of September 30 every year by resolution of the Board of Directors as stipulated in Article 454, Paragraph 5, of the Companies Act, so that the Company may flexibly distribute profits to shareholders.

9) Holding of shares in other companies

(i) Number of stocks held for purposes other than pure investment and the total balance sheet amount of the stocks

18 stocks, ¥4,022 million

(ii) Stocks held for purposes other than pure investment, with the number of shares, balance sheet amount, and purpose of holding of each stock

Previous fiscal year

Specified shares invested

Stock	Number of shares	Balance sheet amount (million yen)	Purpose of holding
Hibiya Engineering, Ltd.	1,371,000	2,175	Holding of shares as a stable partner with outstanding capabilities in engineering/facilities management, etc. to boost the competitiveness of the PM operations of the buildings the Company and the Group companies hold or manage
Mizuho Financial Group, Inc.	104,328	22	The Company holds shares in Mizuho Financial Group to facilitate business succession associated with mergers with NTT Group companies

Deemed shares owned

Not applicable

Current fiscal year

Specified shares invested

Stock	Number of shares	Balance sheet amount (million yen)	Purpose of holding
Hibiya Engineering, Ltd.	1,371,000	2,160	Holding of shares as a stable partner with outstanding capabilities in engineering/facilities management, etc. to boost the competitiveness of the PM operations of the buildings the Company and the Group companies hold or manage
Hiramatsu Inc.	1,500,000	1,113	Holding of shares to establish a cooperative relationship as a strategic partner to enhance the added value and competitiveness of the Company's hotel business

Deemed shares owned

Not applicable

(iii) The total balance sheet amount of stocks held for pure investment purposes in the previous fiscal year and the fiscal year under review, and total dividends received, profit and loss on sale, and appraisal profit or loss associated with the stocks in the fiscal year under review

The Company does not hold shares for pure investment purposes.

(iv) Stocks that have changed from stocks held for pure investment purposes to stocks held for purposes other than pure investment or have changed from stocks held for purposes other than pure investment to stocks held for pure investment purposes in recent fiscal years, and the number of shares held and balance sheet amount of each of the stocks

There are no stocks that have changed from stocks held for pure investment purposes to stocks held for purposes other than pure investment or have changed from stocks held for purposes other than pure investment to stocks held for pure investment purposes in recent fiscal years.

(2) Audit fees

1) Breakdown of compensation to auditing certified public accountants (Million yen)

Classification	Previous fiscal year		Current fiscal year	
	Compensation for audit certification work	Compensation for nonaudit work	Compensation for audit certification work	Compensation for nonaudit work
Submitting company	84	13	88	31
Consolidated subsidiaries	3	–	5	1
Total	87	13	94	32

(Note) Audit certified public accountant, etc. is KPMG AZSA LLC

2) Other important compensation

Not applicable.

3) Non-audit work of auditing certified public accountants for the submitting company

Previous fiscal year

Non-audit operations conducted by an audit certified public accountant, etc., to which the Company paid remuneration, included the preparation of a comfort letter for the issuing of corporate bonds and advisory services related to the International Financial Reporting Standards (IFRS).

Current fiscal year

Non-audit operations conducted by an audit certified public accountant, etc., to which the Company paid remuneration, included the preparation of a comfort letter for the issuing of corporate bonds and advisory services related to the International Financial Reporting Standards (IFRS).

4) Policy for determining audit fees

There are no applicable items. Remuneration for audits is determined with the agreement of the Board of Corporate Auditors in accordance with laws and regulations, by taking into account factors including the size and specific features of the Company and its consolidated subsidiaries, and the length of audits.

Section 5. Financial Status

1. Preparation of consolidated financial statements and non-consolidated financial statements

(1) The Company's consolidated financial statements are prepared under the Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28 of 1976, hereinafter the "Regulations Concerning Consolidated Financial Statements").

(2) The Company's financial statements are prepared under the Regulations Concerning Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Ordinance No. 59 of 1963, hereinafter the "Regulations Concerning Financial Statements, etc.").

The Company falls under the company submitting special financial statements and prepares its financial statements under provisions in Article 127 of the Regulations Concerning Financial Statements, etc.

2. Audit certification

Under the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the consolidated fiscal year under review (from April 1, 2015 to March 31, 2016) and the financial statements for the fiscal year under review (from April 1, 2015 to March 31, 2016) were audited by KPMG AZSA LLC.

3. Special action to ensure the adequacy of consolidated financial statements

The Company has taken special action to ensure the adequacy of its consolidated financial statements. Specifically, to prepare a system for obtaining accurate information on accounting standards and responding appropriately to changes in accounting standards, the Company has joined the Financial Accounting Standards Foundation.

1. Consolidated financial statements, etc.

(1) Consolidated financial statements

1) Consolidated balance sheets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Assets		
Current assets		
Cash and deposits	*2 17,891	*2 14,846
Notes and operating accounts receivable	5,569	9,170
Real estate for sale	33,361	41,736
Real estate for sale in progress	*2 59,987	*2 99,374
Costs on uncompleted construction contracts	169	248
Raw materials and supplies	52	58
Lease investment assets	3,837	2,224
Deposits paid	2,412	1,360
Deferred tax assets	1,075	425
Other	*2 4,189	*2 8,665
Allowance for doubtful accounts	(35)	(0)
Total current assets	128,512	178,110
Non-current assets		
Property, plant and equipment		
Buildings and structures	*2 714,920	*2 617,052
Accumulated depreciation	(392,856)	(337,594)
Buildings and structures (net)	322,063	279,458
Machinery, equipment and vehicles	13,593	11,902
Accumulated depreciation	(11,777)	(10,345)
Machinery, equipment and vehicles (net)	1,815	1,557
Land	*2 505,999	*2 494,722
Lease assets	347	315
Accumulated depreciation	(219)	(222)
Lease assets (net)	128	92
Construction in progress	2,212	3,604
Other property, plant and equipment	*2 15,486	*2 13,675
Accumulated depreciation	(12,913)	(11,216)
Other property, plant and equipment (net)	2,573	2,459
Total property, plant and equipment	834,792	781,895
Intangible assets	*2 24,556	*2 25,994
Investments and other assets		
Investment securities	*1 22,841	*1 24,311
Long-term prepaid expenses	*2 15,635	*2 15,072
Net defined benefit asset	396	147
Deferred tax assets	354	556
Other	*2 6,131	*2 7,468
Total investments and other assets	45,359	47,557
Total non-current assets	904,708	855,447
Total assets	1,033,220	1,033,557

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Liabilities		
Current liabilities		
Notes and operating accounts payable–trade	8,473	9,182
Short-term loans payable	-	6,530
Lease obligations	48	40
Current portion of long-term loans payable	*2 53,200	*2 36,775
Current portion of bonds payable	―	19,999
Income taxes payable	2,684	1,064
Deferred tax liabilities	405	380
Other	34,062	41,488
Total current liabilities	98,874	115,462
Non-current liabilities		
Bonds payable	*2 130,968	*2 110,975
Long-term loans payable	*2 363,020	*2 371,739
Lease obligations	123	87
Lease and guarantee deposits received	68,715	69,424
Negative goodwill	*3 21,286	*3 22,951
Deferred tax liabilities	59,555	58,658
Provision for directors' retirement benefits	23	27
Net defined benefit liability	6,335	8,215
Asset retirement obligations	3,267	2,424
Other	35,407	21,684
Total non-current liabilities	688,704	666,189
Total liabilities	787,579	781,651
Net assets		
Shareholders' equity		
Capital stock	48,760	48,760
Capital surplus	34,109	31,648
Retained earnings	108,264	118,437
Treasury shares	―	(0)
Total shareholders' equity	191,134	198,846
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,837	3,003
Deferred gains or losses on hedges	―	(9)
Foreign currency translation adjustment	6,429	5,261
Remeasurements of defined benefit plans	509	(1,066)
Total accumulated other comprehensive income	9,776	7,187
Non-controlling interests	44,730	45,871
Total net assets	245,641	251,905
Total liabilities and net assets	1,033,220	1,033,557

2) Consolidated statements of income and consolidated statements of comprehensive income

(Consolidated statements of income)

(Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Operating revenue	152,052	183,016
Operating cost	*6 109,333	*6 127,078
Operating gross profit	42,718	55,938
Selling, general and administrative expenses	*1 17,881	*1 18,166
Operating income	24,836	37,771
Non-operating income		
Interest income	22	11
Dividends income	73	93
Contributions	93	262
Gain on donation of non-current assets	17	22
Amortization of negative goodwill	1,780	1,926
Equity in earnings of affiliates	45	251
Other	115	68
Total non-operating income	2,148	2,635
Non-operating expenses		
Interest expenses	6,300	5,936
Other	289	637
Total non-operating expenses	6,590	6,573
Ordinary income	20,395	33,832
Extraordinary income		
Gain on sales of non-current assets	*2 1,850	*2 3,285
Other	—	13
Total extraordinary income	1,850	3,298
Extraordinary loss		
Loss on sales of non-current assets	*3 699	*3 8,020
Loss on retirement of non-current assets	*4 1,220	*4 1,073
Impairment loss	*5 1,455	*5 4,917
Total extraordinary losses	3,375	14,011
Income before income taxes and minority interests	18,869	23,120
Income taxes-current	4,806	3,861
Income taxes-deferred	(5,426)	265
Total income taxes	(620)	4,127
Profit	19,490	18,993
Profit attributable to non-controlling interests	3,255	2,435
Profit attributable to owners of parent	16,235	16,557

(Consolidated statements of comprehensive income)

(Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Net income	19,490	18,993
Other comprehensive income		
Valuation difference on available-for-sale securities	1,860	165
Deferred gains or losses on hedges	—	(9)
Foreign currency translation adjustment	1,982	(1,168)
Remeasurements of defined benefit plans	338	(1,581)
Total other comprehensive income	* 4,180	* (2,593)
Comprehensive income	23,671	16,399
(Breakdown)		
Comprehensive income attributable to owners of the parent	20,415	13,969
Comprehensive income attributable to non-controlling interests	3,256	2,429

3) Consolidated statements of changes in net assets

Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)

(Million yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of the year	48,760	34,109	97,150	180,020
Cumulative effects of changes in accounting policies			144	144
Restated balance	48,760	34,109	97,294	180,164
Total changes of items during the year				
Dividends from surplus			(2,632)	(2,632)
Interim dividends			(2,632)	(2,632)
Profit attributable to owners of parent			16,235	16,235
Net changes of items other than shareholders' equity				
Total changes of items during the year	-	-	10,969	10,969
Balance at the end of the year	48,760	34,109	108,264	191,134

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the year	976	4,447	171	5,596	42,975	228,591
Cumulative effects of changes in accounting policies						144
Restated balance	976	4,447	171	5,596	42,975	228,735
Total changes of items during the year						
Dividends from surplus						(2,632)
Interim dividends						(2,632)
Profit attributable to owners of parent						16,235
Net changes of items other than shareholders' equity	1,860	1,982	337	4,179	1,755	5,935
Total changes of items during the year	1,860	1,982	337	4,179	1,755	16,905
Balance at the end of the year	2,837	6,429	509	9,776	44,730	245,641

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

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the year	48,760	34,109	108,264	-	191,134
Cumulative effects of changes in accounting policies		(2,461)	(1,118)		(3,579)
Restated balance	48,760	31,648	107,145	-	187,554
Total changes of items during the year					
Dividends from surplus			(2,632)		(2,632)
Interim dividends			(2,632)		(2,632)
Profit attributable to owners of parent			16,557		16,557
Acquisition of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the year	-	-	11,292	(0)	11,291
Balance at the end of the year	48,760	31,648	118,437	(0)	198,846

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deffered gains or losses on hedges	Foreign currency translation adjustment	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the year	2,837	-	6,429	509	9,776	44,730	245,641
Cumulative effects of changes in accounting policies							(3,579)
Restated balance	2,837	-	6,429	509	9,776	44,730	242,061
Total changes of items during the year							
Dividends from surplus							(2,632)
Interim dividends							(2,632)
Profit attributable to owners of parent							16,557
Acquisition of treasury stock							(0)
Net changes of items other than shareholders' equity	165	(9)	(1,168)	(1,575)	(2,588)	1,140	(1,447)
Total changes of items during the year	165	(9)	(1,168)	(1,575)	(2,588)	1,140	9,844
Balance at the end of the year	3,003	(9)	5,261	(1,066)	7,187	45,871	251,905

4) Consolidated statements of cash flows

(Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	18,869	23,120
Depreciation and amortization	23,474	23,914
Amortization of negative goodwill	(1,780)	(1,926)
Impairment loss	1,455	4,917
Amortization of goodwill	131	11
Increase (decrease) in allowance for doubtful accounts	34	(34)
Increase (decrease) in net defined benefit liability	644	(420)
Interest and dividends income	(95)	(104)
Interest expenses	6,300	5,936
Equity in (earnings) losses of affiliates	(45)	(251)
Gain on sales of non-current assets	(1,850)	(3,285)
Loss on retirement of non-current assets	1,220	1,073
Loss on sales of non-current assets	699	8,020
Decrease (increase) in lease investment assets	(80)	681
Decrease (increase) in notes and accounts receivable-trade	12,489	(3,600)
Decrease (increase) in inventories	(8,006)	(29,294)
Increase (decrease) in notes and accounts payable–trade	(3,407)	731
Increase (decrease) in lease and guarantee deposits received	(2,206)	307
Other	(855)	1,401
Subtotal	46,993	31,198
Interest and dividends income received	120	102
Interest expenses paid	(6,340)	(6,045)
Income taxes paid	(3,785)	(7,824)
Net cash provided by (used in) operating activities	36,988	17,430
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(74,635)	(47,400)
Proceeds from sales of property, plant and equipment	6,604	41,519
Purchase of investment securities	(711)	(6,764)
Proceeds from repayment of investment securities	855	505
Proceeds from sales of investment securities	—	26
Other	108	(2,457)
Net cash provided by (used in) investing activities	(67,778)	(14,570)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(473)	6,651
Proceeds from long-term loans payable	66,500	56,383
Repayments of long-term loans payable	(57,425)	(63,215)
Proceeds from issuance of bonds	29,996	—
Proceeds from share issuance to minory shareholders	14	264
Payment for acquisition of treasury stock	—	(0)
Cash dividends paid	(5,265)	(5,266)
Cash dividends paid to minority shareholders	(1,515)	(1,552)
Other	(53)	(46)

Net cash provided by (used in) financing activities	31,777	(6,781)
Effect of exchange rate change on cash and cash equivalents	367	(125)
Net increase (decrease) in cash and cash equivalents	1,354	(4,046)
Cash and cash equivalents at beginning of period	18,798	20,153
Cash and cash equivalents at end of period	* 20,153	* 16,106

Notes

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

1. Scope of consolidation

Number of consolidated subsidiaries: 22

All subsidiaries are consolidated.

Consolidated subsidiaries:

NTT Urban Development Builservice Co.

NTT Urban Development Hokkaido Co.

Otemachi First Square Inc.

DAY・NITE Co., Ltd.

Knox Twenty–One Co., Ltd.

Motomachi Parking Access Co., Ltd.

UDX Tokutei Mokuteki Kaisha

Premier REIT Advisors Co., Ltd.

Shinagawa Season Terrace Building Management Corporation

NTT Urban Development Asset Management Corporation

UD EUROPE LIMITED

UD AUSTRALIA PTY LIMITED

UD USA Inc., and nine other consolidated subsidiaries

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

The Company conducted an absorption-type merger which the surviving company was NTT Urban Development Builservice Co., and the company that ceased to exist was NTT Urban Development West BS Co. on October 1, 2015.

2. Application of equity method

Number of equity method affiliates: 14

Equity method affiliates

Tokyo Opera City Building Co., Ltd.

DHC Tokyo Co., Ltd.

Tokyo Opera City District Heating & Cooling Co., Ltd.

Harumi 4-chome City Planning Design Co.

335 GRICES ROAD PTY LTD.

Annadale Development Partners Pty Limited

Seragaki Resort Tokutei Mokuteki Kaisha　Seven other equity-method affiliates

During the fiscal year under review, the Group invested in Annadale Development Partners Pty Limited, Seragaki Resort Tokutei Mokuteki Kaisha, and three subsidiaries of UD USA Inc. and has made them equity-method affiliates.

3. Fiscal years of consolidated subsidiaries

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

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

4. Accounting practices

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

(i) Securities

Other securities

Securities having fair values:

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

Securities not having fair values:

Cost method determined by the moving average method is applied.

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

(ii) Derivatives

In principle, the fair value method is applied.

(iii) Inventories

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

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

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

(2) Depreciation method for important depreciable assets

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

The declining-balance method is primarily applied.

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

Major useful lives are as follows:

Buildings and structures: 15 to 50 years

Machinery, equipment and vehicles: 5 to 17 years

(ii) Intangible assets (except leased assets)

The straight-line method is applied.

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

(iii) Long-term prepaid expenses

The straight-line method is applied.

(iv) Lease assets

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

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

(3) Basis for calculating important allowances

Allowance for doubtful accounts

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

(4) Accounting method for retirement benefits

(i) Accounting method of attributing expected benefit to periods

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

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

The past service costs are amortized using the straight-line method over the average remaining working lives (from 10 years to 13 years) of the employees at the time of occurrence.

Actuarial gains and losses are amortized using the straight-line method over the average remaining working lives (from 8 years to 13 years) of the employees at the time of occurrence in each fiscal year from the following fiscal year.

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

Unrecognized actuarial gains and losses and unrecognized past service costs are recorded in the remeasurements of defined

benefit plans in accumulated other comprehensive income under net assets after making an adjustment for tax effect.

(5) Basis for posting important revenues and expenses

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

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

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

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

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

b. Other construction contracts

Completed-contract method

(6) Significant hedge accounting method

(i) Hedge accounting method

In principle, deferred hedge accounting is applied.

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

(ii) Hedging item and hedged item

Hedging item: Interest rate swap contracts

Hedged item: Borrowings

(iii) Hedging policy

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

(iv) Method of assessment of hedge effectiveness

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

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

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

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

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

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

Accounting treatment of consumption taxes

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

(Changes in accounting principles)

Effective from the fiscal year beginning on or after April 1, 2014, “Revised Accounting Standard for Business Combination” (ASBJ Statement No.21, September 13, 2013 (hereinafter, “Statement No.21”)), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, September 13, 2013 (hereinafter, “Statement No.22”)) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, September 13, 2013 (hereinafter, “Statement No.7”)) (together, the “Business Combination Accounting Standards”), are permitted to be applied. The Company and its subsidiaries adopted these accounting standards from this current fiscal year, as a result, changed the accounting policies: to recognize in capital surplus the differences arising from the changes in the Company’s ownership interest of subsidiaries over which the Company continues control; and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed the accounting policies for the reallocation of acquisition costs due to the completion of the provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. In addition, the Company has changed the title of net income and other items and the title of minority interests to non-controlling interest. To reflect these changes, the consolidated financial statements for fiscal year ended March 31, 2015, and fiscal year ended March 31, 2016, have been replaced.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (3) of Statement No.21, article 44-5 (3) of Statement No.22 and article 57-4 (3) of Statement No.7 and recognized in capital surplus or retained earnings the cumulative effect as of the beginning of the current fiscal year that resulted from the retrospective application of the new accounting policies for all of the prior fiscal years.

As a result, goodwill, capital surplus and retained earnings as of the beginning of the current fiscal year decreased by ¥1,682 million, ¥2,461 million and ¥1,118 million, and negative goodwill increased ¥1,897 million respectively. For the current fiscal year, Operating income increased by ¥120 million, and ordinary income and income before tax increased by ¥266 million respectively.

Since the cumulative effect is reflected in net assets as of the beginning of the current fiscal year, the beginning balance of capital surplus and retained earnings in the consolidated statement of changes in net assets decreased by ¥2,461 million and ¥1,118 million respectively.

Net assets per share decreased ¥10.07 and Net income per share increased ¥0.81.

(Accounting Standard for Business Combinations, etc.)

Implementation Guidance on Recoverability of Deferred Tax Assets（ASBJ Statement No.26, March 28, 2016)

(1) Overview

The Implementation Guidance on Recoverability of Deferred Tax Assets are guidelines on the application of the Accounting Standards for Tax Effect Accounting (Business Accounting Council) to the recoverability of deferred tax assets. The practical accounting guidelines and practical audit guidelines (related to accounting) of The Japanese Institute of Certified Public Accountants (JICPA) on tax effect accounting are being handed over to the Accounting Standards Board of Japan. Of the practical guidelines, the guidelines on the recoverability of deferred tax assets specified in the accounting treatments for recoverability of deferred tax assets prescribed within the Auditing Guidance No. 66, Auditing Treatment for Judgment of Recoverability of Deferred Assets, issued by JICPA stipulate that companies shall be classified into five categories and the amount of deferred tax assets to be posted shall be estimated in accordance with the classification. The Accounting Standards Board of Japan has fundamentally adhered to this framework and has revised the requirements for classifications and treatment related to the amount of deferred tax assets to be posted as needed.

(Revision to the requirements for classifications and treatment related to the amount of deferred tax assets to be posted)

- Treatment of companies that do not meet the requirements for any of the five categories
- The requirements for Category 2 and for Category 3
- Treatment of unscheduled deductible temporary difference at companies falling under Category 2
- Treatment of the period when the reasonable estimate of taxable income before addition and subtraction of deductible temporary difference at companies falling under Category 3 is possible
- Treatment of cases where companies meeting the requirements for Category 4 fall under Category 2 or Category 3

(2) Planned date of application

The company plans to apply the implementation guidance from the beginning of the fiscal year that will begin on April 1, 2016.

(3) Impact of applying these accounting standards

The amount of the impact that application of the Implementation Guidance on Recoverability of Deferred Tax Assets will have on consolidated financial statements is currently being evaluated.

(Notes to consolidated balance sheets)

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

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Investment securities (shares)	3,643	7,287
Investment securities (Other securities)	-	376

*2. Assets pledged as collateral and secured debt

Mortgaged assets and the corresponding debt regarding debt with limited recourse

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

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Cash and deposits (within three months)	5,399	6,009
Real estate for sale in progress	1,383	1,386
Other current assets	160	174
Buildings and structures	42,842	44,727
Land	171,402	171,402
Other property, plant and equipment	122	461
Intangible assets	0	14
Long-term prepaid expenses	285	264
Other investment and other asset	0	0
Total	221,596	224,441

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

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Current portion of long-term loans payable	1,200	1,200
Bonds payable	1,000	1,000
Long-term loans payable	56,017	54,800
Total	58,217	57,000

*3 Goodwill and negative goodwill (Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Goodwill	1,860	166
Negative goodwill	23,147	23,118
Net amount	21,286	22,951

(Notes to consolidated statements of income)

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

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Advertising expenses	3,037	3,303
Salaries, allowances and bonuses	5,053	4,666
Retirement benefit expenses	343	281
Provision for directors' retirement benefits	13	11
Provision of allowance for doubtful accounts	34	(34)
Business consignment expenses	3,402	3,663
Taxes and dues	1,899	1,975

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

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Buildings and structures	(102)	(216)
Land	1,952	3,501
Total	1,850	3,285

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

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

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Buildings and structures	–	14,310
Land	697	(6,290)
Other	1	-
Total	699	8,020

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

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

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Buildings and structures	521	354
Machinery, equipment and vehicles	3	0
Removal cost	676	678
Other	19	39
Total	1,220	1,073

*5. Impairment loss

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

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

Primary use	Type	Location	Impairment loss
Two office buildings in total	Land, Buildings and structures	Sendai-shi, Miyagi, etc.	1,455 million yen

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

As a result, we reduced the book value of the above assets to the recoverable value as a sharp decline in profitability with the worsening of market condition, and recorded the reduction as an impairment loss under extraordinary losses. The breakdown of the assets is ¥862 million of land and ¥593 million of building and structures.

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

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

Primary use	Type	Location	Impairment loss
Seven commercial / office buildings in total	Land, Buildings and structures	Osaka-shi, Osaka etc.	4,917 million yen

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

As a result, we reduced the book value of the above assets to the recoverable value as a sharp decline in profitability with the worsening of market condition, and recorded the reduction as an impairment loss under extraordinary losses. The breakdown of the assets is ¥1,607 million of building and structures and ¥3,310 million of land.

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

*6. Inventories at the end of the fiscal year are an amount after reductions in carrying values associated with declines in profitability.

The following loss on valuation of inventory is included in the operating cost. (Million yen)

Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
1,188	828

(Notes to consolidated statements of comprehensive income)

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

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Valuation difference on available-for-sale securities:		
Amount arising during fiscal year	2,670	159
Recycling	–	(13)
Before tax effect adjustment	2,670	146
Tax effect	(810)	19
Valuation difference on available-for-sale securities	1,860	165
Deferred gains or losses on hedges		
Amount arising during fiscal year	–	(9)
Foreign currency translation adjustment:		
Amount arising during fiscal year	1,982	(1,168)
Remeasurements of defined benefit plans		
Amount arising during fiscal year	546	(2,205)
Recycling	(57)	(94)
Before tax effect adjustment	488	(2,300)
Tax effect	(150)	718
Remeasurements of defined benefit plans	338	(1,581)
Total other comprehensive income	4,180	(2,593)

(Notes to consolidated statements of changes in net assets)

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

1. Type and number of outstanding shares (Shares)

Type of shares	Number of shares at the beginning of fiscal year under review	Number of shares added during fiscal year under review	Number of shares subtracted during fiscal year under review	Number of shares at end of fiscal year under review
Common shares (Note)	329,120,000	–	–	329,120,000
Total	329,120,000	–	–	329,120,000

2. Type and number of treasury stock

Not applicable.

3. Dividends

(1) Dividends

(Resolution)	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of shareholders held on June 24, 2014	Common shares	2,632	8	March 31, 2014	June 25, 2014
Board of Directors meeting held on November 6, 2014	Common shares	2,632	8	September 30, 2014	December 1, 2014

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

(Resolution)	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of shareholders held on June 23, 2015	Common shares	2,632	Retained earnings	8	March 31, 2015	June 24, 2015

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

1. Type and number of outstanding shares (Shares)

Type of shares	Number of shares at the beginning of fiscal year under review	Number of shares added during fiscal year under review	Number of shares subtracted during fiscal year under review	Number of shares at end of fiscal year under review
Common shares				
Common shares	329,120,000	–	–	329,120,000
Total	329,120,000	–	–	329,120,000
Treasury shares				
Common shares (Note)	–	77	–	77
Total	–	77	–	77

(Note) The number of shares of common treasury stock increased by 77 shares due to a purchase of shares less than one unit.

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 held on June 23, 2015	Common shares	2,632	8	March 31, 2015	June 24, 2015
Board of Directors meeting held on November 4, 2015	Common shares	2,632	8	September 30, 2015	December 1, 2015

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

(Resolution)	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of shareholders held on June 21, 2016	Common shares	2,962	Retained earnings	9	March 31, 2016	June 22, 2016

(Notes to consolidated statements of cash flows)

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

(Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Cash and deposits	17,891	14,846
Time deposits with a deposit period of over three months	(110)	(60)
Short-term (less than three months) investments included in “Deposits paid” in current assets	2,372	1,320
Cash and cash equivalents	20,153	16,106

(Lease transactions)

1. Finance lease transactions without the transfer of ownership (lessee)

(1) Lease assets

a. Property, plant and equipment

Primarily servers and computer terminals (tools, furniture and fixtures) in the leasing business

b. Intangible assets

Software

(2) Depreciation and amortization methods for leased assets

The methods described in “Important Items Used as Basic Materials for Preparation of Consolidated Financial Statements, 4.

Accounting practices, (2) Depreciation method for important depreciable assets" apply.

2. Finance lease transactions without the transfer of ownership (Lessor)

(1) Breakdown of lease investment assets

Current assets (Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Lease fees receivable	7,556	3,510
Estimated remaining value	–	–
Interest income equivalent	(3,719)	(1,286)
Lease investment assets	3,837	2,224

(2) Lease fees receivable relating to lease receivables and lease investment assets that are expected to be collected after the closing date

Current assets (Million yen)

Previous consolidated fiscal year (As of March 31, 2015)						
	Due within one year	Due after 1 year, within 2 years	Due after 2 years, within 3 years	Due after 3 years, within 4 years	Due after 4 years, within 5 years	Due after 5 years
Lease investment assets	466	466	466	466	444	5,247

(Million yen)

Current consolidated fiscal year (As of March 31, 2016)						
	Due within one year	Due after 1 year, within 2 years	Due after 2 years, within 3 years	Due after 3 years, within 4 years	Due after 4 years, within 5 years	Due after 5 years
Lease investment assets	317	317	317	296	296	1,965

3. Operating lease transactions

Unexpired lease fees relating to no cancellable operating lease transactions

(Lessee) (Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Due within one year	1,488	3,252
Due after 1 year	16,100	29,108
Total	17,589	32,360

(Lessor) (Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Due within one year	16,084	19,996
Due after 1 year	51,940	119,543
Total	68,025	139,540

(Notes to financial instruments)

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

1. Financial instruments

(1) Policy on financial instruments

The Group raises fund (primarily through bank loans and bond issuance) necessary to meet financing needs mainly for investments and working capital to carry out the leasing business and the residential property sales business. The Company and certain consolidated subsidiaries participate in the NTT Group's cash management system. They obtain short-term operating funds from the system and deposit temporary idle funds to the system. The Group uses derivatives to avoid the risks described below and will not conduct any speculative transactions.

(2) Financial instruments and their risks

Notes and operating accounts receivable are exposed to client credit risk. Short-term and long-term investment securities are investments in Japanese government bonds, shares in companies or anonymous associations that the Group has business relations with and are exposed to the issuers' credit risk and the risk of market price fluctuations.

Most notes and operating accounts payable-trade are payable within a year. Loans payable and bonds payable are primarily intended to raise the funds necessary to meet capital needs, including investments and operating funds, and their redemption dates are 16 years and six months from the closing date at longest. Some are with variable interest rates and are exposed to the volatility risk of interest rates. The Group hedges the risk using derivatives transactions (interest rate swap transactions).

Derivatives transactions are interest rate swap transactions to hedge the volatility risk of rates of interest paid on borrowings. For the hedge accounting method, please refer to 4. Accounting practices, (6) Significant hedge accounting method of the Important items used as basic materials for preparation of consolidated financial statements.

(3) Risk management structure relating to financial instruments

i) Management of credit risk (risk relating to non-performance of contracts by business partners)

The Company and certain consolidated subsidiaries manage operating receivables under their accounting regulations. They have persons in charge of risk management at operating departments monitor the situation at business partners and manage receivables from generation to termination by the business partner. If receivables are not collected within predetermined periods, they take appropriate steps for credit preservation.

With regard to securities and investment securities, the Company and certain consolidated subsidiaries regularly assess the financial situation of issuers (primarily business partners) and continuously review their holdings, except their holdings of Japanese government bonds, considering relations with the issuers. The Group considers that Japanese government bonds have hardly any credit risk.

The Group conducts derivatives trading only with highly rated financial institutions and considers there is little credit risk involved.

ii) Management of market risk (exchange fluctuation risk and interest rate fluctuation risk)

Most loans payable of the Company and certain consolidated subsidiaries have fixed interest rates. To curb the volatility risk of variable rates of interest paid, they use interest rate swap transactions.

The Company and certain consolidated subsidiaries regularly assess the fair values of the securities and investment securities they hold, market conditions, and the financial standing of issuers.

Derivatives trading is carried out by the accounting and finance department with the approval of people having decision-making authority under risk management guidelines relating to financial instruments that stipulate hedging instruments, trading authority, and maximum transaction amounts.

iii) Management of liquidity risk relating to financing (risk of not being able to pay by the due date)

The Company and certain consolidated subsidiaries manage liquidity risk by having the accounting and finance department work out and revise financing plans in a timely manner, based on reports from operating departments and by securing liquidity on hand flexibly by participating in the NTT Group's cash management system.

(4) Supplementary explanation about the current prices of financial instruments

The current prices of financial instruments are based on market prices or, if there are no market prices, prices reasonably assessed. Assessed prices involve variation factors and vary when different assumptions are used. The amounts of contracts relating to derivatives trading described in the notes to "derivatives trading" relations do not show the market risks of the derivatives transactions.

2. Fair values of financial instruments

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

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

(Million yen)

	Book value	Fair value	Difference
(1) Cash and deposits	17,891	17,891	–
(2) Notes and operating accounts receivable	5,569	5,534	(35)
(3) Short-term and long-term investment securities			
Other securities	9,272	9,344	71
Total assets	32,734	32,770	36
(1) Notes and operating accounts payable-trade	8,473	8,473	–
(2) Income taxes payable	2,684	2,684	–
(3) Bonds payable	130,968	135,781	4,812
(4) Long-term loans payable (*)	416,220	427,095	10,875
(5) Lease and guarantee deposits received	10,315	10,061	(254)
Total liabilities	568,663	584,096	15,433

(*) Current portion of long-term loans payable is included.

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

Assets

(1) Cash and deposits

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

(2) Notes and operating accounts receivable

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

(3) Short-term and long-term investment securities

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

Liabilities

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

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

(3) Bonds payable

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

(4) Long-term loans payable

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

(5) Lease and guarantee deposits received

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

Derivatives trading

Please refer to “Derivatives trading,” below.

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

(Million yen)

Classification	Book value
Unlisted stocks (*1)	778
Investment in subsidiaries and affiliates (*1)	3,643
Investments in limited partnerships (*1)	9,298
Other investments in capital (*1)	50
Deposits received (excluding those whose time of return is determined) (*2)	60,922

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

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

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

(Million yen)

	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Cash and deposits	17,891	–	–	–
Notes and operating accounts receivable	5,569	–	–	–
Short-term and long-term investment securities				
Other securities having maturity dates	–	–	–	201
Total	23,461	–	–	201

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

(Million yen)

	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Bonds payable	–	61,000	55,000	15,000
Long-term loans payable	53,200	169,720	157,300	36,000
Total	53,200	230,720	212,300	51,000

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

1. Financial instruments

(1) Policy on financial instruments

The Group raises fund (primarily through bank loans and bond issuance) necessary to meet financing needs mainly for investments and working capital to carry out the leasing business and the residential property sales business. The Company and certain consolidated subsidiaries participate in the NTT Group's cash management system. They obtain short-term operating funds from the system and deposit temporary idle funds to the system. The Group uses derivatives to avoid the risks described below and will not conduct any speculative transactions.

(2) Financial instruments and their risks

Notes and operating accounts receivable are exposed to client credit risk. Short-term and long-term investment securities are investments in Japanese government bonds, shares in companies or anonymous associations that the Group has business relations with and are exposed to the issuers' credit risk and the risk of market price fluctuations.

Most notes and operating accounts payable-trade are payable within a year. Loans payable and bonds payable are primarily intended to raise the funds necessary to meet capital needs, including investments and operating funds, and their redemption dates are 15 years and six months from the closing date at longest. Some are with variable interest rates and are exposed to the volatility risk of interest rates. The Group hedges the risk using derivatives transactions (interest rate swap transactions).

Derivatives transactions are interest rate swap transactions to hedge the volatility risk of rates of interest paid on borrowings. For the hedge accounting method, please refer to 4. Accounting practices, (6) Significant hedge accounting method of the Important items used as basic materials for preparation of consolidated financial statements.

(3) Risk management structure relating to financial instruments

i) Management of credit risk (risk relating to non-performance of contracts by business partners)

The Company and certain consolidated subsidiaries manage operating receivables under their accounting regulations. They have persons in charge of risk management at operating departments monitor the situation at business partners and manage receivables from generation to termination by the business partner. If receivables are not collected within predetermined periods, they take appropriate steps for credit preservation.

With regard to securities and investment securities, the Company and certain consolidated subsidiaries regularly assess the financial situation of issuers (primarily business partners) and continuously review their holdings, except their holdings of Japanese government bonds, considering relations with the issuers. The Group considers that Japanese government bonds have hardly any credit risk.

The Group conducts derivatives trading only with highly rated financial institutions and considers there is little credit risk involved.

ii) Management of market risk (exchange fluctuation risk and interest rate fluctuation risk)

Most loans payable of the Company and certain consolidated subsidiaries have fixed interest rates. To curb the volatility risk of variable rates of interest paid, they use interest rate swap transactions.

The Company and certain consolidated subsidiaries regularly assess the fair values of the securities and investment securities they hold, market conditions, and the financial standing of issuers.

Derivatives trading is carried out by the accounting and finance department with the approval of people having decision-making authority under risk management guidelines relating to financial instruments that stipulate hedging instruments, trading authority, and maximum transaction amounts.

iii) Management of liquidity risk relating to financing (risk of not being able to pay by the due date)

The Company and certain consolidated subsidiaries manage liquidity risk by having the accounting and finance department work out and revise financing plans in a timely manner, based on reports from operating departments and by securing liquidity on hand flexibly by participating in the NTT Group's cash management system.

(4) Supplementary explanation about the current prices of financial instruments

The current prices of financial instruments are based on market prices or, if there are no market prices, prices reasonably assessed. Assessed prices involve variation factors and vary when different assumptions are used. The amounts of contracts relating to derivatives trading described in the notes to "derivatives trading" relations do not show the market risks of the derivatives transactions.

2. Fair values of financial instruments

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

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

(Million yen)

	Book value	Fair value	Difference
(1) Cash and deposits	14,846	14,846	–
(2) Notes and operating accounts receivable	9,170	9,169	(0)
(3) Short-term and long-term investment securities			
Other securities	9,881	9,944	63
Total assets	33,897	33,961	63
(1) Notes and operating accounts payable-trade	9,182	9,182	–
(2) Short-term loans payable	6,530	6,530	–
(3) Income taxes payable	1,064	1,064	–
(4) Bonds payable (*1)	130,975	136,348	5,373
(5) Long-term loans payable (*2)	408,515	424,241	15,726
(6) Lease and guarantee deposits received	12,058	11,950	(107)
Total liabilities	568,326	589,318	20,992

(*1) Current portion of bonds payable is included.

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

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

Assets

(1) Cash and deposits

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

(2) Notes and operating accounts receivable

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

(3) Short-term and long-term investment securities

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

Liabilities

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

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

(4) Bonds payable

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

(5) Long-term loans payable

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

(6) Lease and guarantee deposits received

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

Derivatives trading

Please refer to “Derivatives trading,” below.

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

(Million yen)

Classification	Book value
Unlisted stocks (*1)	765
Stocks of subsidiaries and affiliates (*1)	7,663
Investments in limited partnerships (*1)	4,189
Other investments in capital (*1)	2,027
Deposits received (excluding those whose time of return is determined) (*2)	59,486

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

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

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

(Million yen)

	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Cash and deposits	14,846	–	–	–
Notes and operating accounts receivable	9,170	–	–	–
Short-term and long-term investment securities				
Other securities having maturity dates	–	–	–	214
Total	24,016	–	–	214

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

(Million yen)

	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Bonds payable	20,000	51,000	45,000	15,000
Long-term loans payable	36,775	191,739	149,000	31,000
Total	56,775	242,739	194,000	46,000

(Notes to securities)

Previous consolidated fiscal year (as of March 31, 2015)

1. Other securities (Million yen)

	Type	Book value	Acquisition cost	Difference
Book value is more than acquisition cost or amortized cost	(1) Shares	2,197	936	1,261
	(2) Bonds			
	(i) Government bonds and local bonds	201	170	30
	(ii) Bonds payable	–	–	–
	(iii) Other bonds	–	–	–
	(3) Other securities	6,011	3,116	2,895
	Subtotal	8,411	4,223	4,187
Book value is equal to or less than acquisition cost or amortized cost	(1) Shares	–	–	–
	(2) Bonds			
	(i) Government bonds and local bonds	–	–	–
	(ii) Bonds payable	–	–	–
	(iii) Other bonds	–	–	–
	(3) Other securities	861	985	(124)
	Subtotal	861	985	(124)
Total		9,272	5,209	4,063

(Note) Unlisted stocks (¥778 million posted on the consolidated balance sheets), shares in subsidiaries and affiliates (¥3,463 million on the consolidated balance sheets), investments in limited partnerships (¥9,298 million posted on the consolidated balance sheets), and other investments (¥50 million on the consolidated balance sheets) do not have market prices, and it is very difficult to determine their fair value. They are not therefore included in "Other securities." No other securities were sold during the consolidated fiscal year under review.

2. No impairment losses were recorded in securities in the fiscal year ended fiscal year ended March 31, 2015.

Current consolidated fiscal year (as of March 31, 2016)

1. Other securities (Million yen)

	Type	Book value	Acquisition cost	Difference
Book value is more than acquisition cost or amortized cost	(1) Shares	3,273	1,903	1,370
	(2) Bonds			
	(i) Government bonds and local bonds	214	173	41
	(ii) Bonds payable	–	–	–
	(iii) Other bonds	–	–	–
	(3) Other securities	6,050	3,116	2,934
	Subtotal	9,539	5,192	4,346
Book value is equal to or less than acquisition cost or amortized cost	(1) Shares	–	–	–
	(2) Bonds			
	(i) Government bonds and local bonds	–	–	–
	(ii) Bonds payable	–	–	–
	(iii) Other bonds	–	–	–
	(3) Other securities	341	385	(44)
	Subtotal	341	385	(44)
Total		9,881	5,578	4,302

(Note) Unlisted stocks (¥765 million posted on the consolidated balance sheets), shares in subsidiaries and affiliates (¥7,663 million on the consolidated balance sheets), investments in limited partnerships (¥4,189 million posted on the consolidated balance sheets), and other investments (¥2,027 million on the consolidated balance sheets) do not have market prices, and it is very difficult to determine their fair value. They are not therefore included in "Other securities.

2. Available-for-sale securities sold during the consolidated fiscal year under review (Million yen)

Classification	Sales price	Total amount of the gain on sale	Total amount of the loss on sale
Shares	26	13	–
Total	26	13	–

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

(Derivatives trading)

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

(i) Hedge accounting is applied to all derivatives trading.

(ii) Derivatives trading to which hedge accounting is applied

(Million yen)

Hedge accounting method	Type of derivatives trading	Hedged item	Amount of contract		Fair value
				Over one year	
Preferential procedure for interest rate swaps	Interest rate swaps Fixed payment, floating receipt	Long-term loans payable	57,740	54,740	(*)

(*) When the preferential procedures apply, the fair value of an interest rate swap is processed together with the long-term loans payable hedged by the swap and is thus included in the fair value of the long-term loans payable.

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

Hedge accounting is applied to all derivative transactions, and the amount of contract or the amount equivalent to the principal specified in contract on the date of consolidated settlement of account by hedge accounting method are as follows.

(Million yen)

Hedge accounting method	Type of derivatives trading	Hedged item	Amount of contract		Fair value
				Over one year	
Deferred hedge	Interest rate swaps Fixed payment, floating receipt	Long-term loans payable	4,341	4,341	(9) (*1)
Preferential procedure for interest rate swaps	Interest rate swaps Fixed payment, floating receipt	Long-term loans payable	54,575	49,000	(*2)

(*1) The fair value is calculated based on the price presented by the financial institution, etc.

(*2) When the preferential procedures apply, the fair value of an interest rate swap is processed together with the long-term loans payable hedged by the swap and is thus included in the fair value of the long-term loans payable.

(Notes to retirement benefits)

1. Outline of retirement benefit plans

The company submitting the consolidated financial statements and its consolidated subsidiaries have a corporate pension fund, a contract-type corporate pension, and lump-sum payment plans as defined benefit plans.

Three consolidated subsidiaries of the company submitting the consolidated financial statements joined the NTT Corporate Defined Benefit Pension Plan in the fiscal year under review.

The company submitting the consolidated financial statements has shifted the accumulated funds (for the future) of a contract-type corporate pension on or after April 1, 2014 to the defined contribution pension plan. The accumulated funds before March 31, 2014 are be maintained as the current contract-type corporate pension.

2. Defined benefit plans

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

(Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Retirement benefit obligations at the beginning of the period	(13,270)	(13,381)
Cumulative effects of changes in accounting policies	224	-
Restated balance at the beginning of the year	(13,045)	(13,381)
Service costs	(435)	(443)
Interest costs	(191)	(194)
Amount of actuarial gains and losses accrued during the period	124	(2,134)
Amount of retirement benefits paid	378	749
Acceptance of employees transferred, etc.	(211)	(117)
Retirement benefit obligations at the end of the period	(13,381)	(15,521)

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

(Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Plan assets at the beginning of the period	6,865	7,442
Expected return on plan assets	156	166
Amount of actuarial gains and losses accrued during the period	427	(70)
Amount of contributions from the employer	103	104
Amount of retirement benefits paid	(188)	(224)
Acceptance of employees transferred, etc.	78	34
Plan assets at the end of the period	7,442	7,454

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

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Retirement benefit obligations in the funded system	(8,453)	(10,307)
Plan assets	7,442	7,454
	(1,010)	(2,852)
Retirement benefit obligations in the unfunded system	(4,928)	(5,214)
Net amount of liabilities and assets recorded in the balance sheet	(5,938)	(8,067)
Net defined benefit liability	(6,335)	(8,215)
Net defined benefit asset	396	147
Net amount of liabilities and assets recorded in the balance sheet	(5,938)	(8,067)

(4) Retirement benefit expenses and the amount of their sub-items

(Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Service costs	435	443
Interest costs	191	194
Expected return on plan assets	(156)	(166)
Amortization of actuarial gains and losses during the period	(24)	(58)
Amortization of prior service costs during the period	(37)	(35)
Retirement benefit expenses for the defined contribution plan	408	376

(5) Remeasurements of defined benefit plans

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

(Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Previous Service costs	(35)	(42)
Actuarial gains and losses	524	(2,257)
Total	488	(2,300)

(6) Accumulated remeasurements of defined benefit plans

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

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Unrecognized prior service costs	330	288
Unrecognized actuarial gains and losses	426	(1,830)
Total	757	(1,542)

(7) Matters related to plan assets

(i) The breakdown of major items of the plan assets

The ratio by major classification of the total plan asset is as follows.

(%)

	Previous consolidated fiscal year (As of March 31, 2015)		Current consolidated fiscal year (As of March 31, 2016)	
	NTT Corporate Defined Benefit Pension Plan	NTT Group Contract-type Corporate Pension	NTT Corporate Defined Benefit Pension Plan	NTT Group Contract-type Corporate Pension
Cash and cash equivalents	0.77	0.46	0.66	3.07
Debt securities	42.73	46.10	41.02	57.20
Equity securities	29.08	17.79	18.18	8.83
Securities investment trusts beneficiary certificates	7.51	4.09	20.55	5.78
Pooled fund	8.12	12.26	7.50	6.36
Life insurance company general accounts	11.58	19.30	11.94	18.76
Other	0.21	—	0.15	—
Total	100	100	100	100

(ii) Method of setting the long-term rate of expected return on plan assets

When determining the long-term rate of return on plan assets, the Company takes into account the current and future portfolio of the plan assets and the expected return and risks based on the analysis of actual yields in the past of various long-term investments.

(8) Matters related to the actuarial assumption

Major actuarial assumptions at the end of the period

(%)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Discount rate	1.5%	0.5%
Long-term rate of return on plan assets		
NTT Corporate Defined Benefit Pension Plan	2.5%	2.5%
Contract-type corporate pension	2.0%	2.0%

3. Defined contribution plan

The amount the company submitting the consolidated financial statements is required to contribute to the defined contribution plan is ¥63 million for previous consolidated fiscal year and ¥60 million for the fiscal year under review..

(Notes to deferred tax accounting)

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

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Deferred tax (current) assets		
Accrued bonuses in excess of the limit for income tax deduction	169	153
Accrued enterprise taxes	222	148
Accrued real estate acquisition tax	169	93
Denial of loss on valuation of inventory	9	-
Other	775	580
Subtotal	1,345	975
Valuation allowance	(11)	-
Total	1,334	975
Deferred tax (current) liabilities		
Other	(664)	(929)
Total	(664)	(929)
Net deferred tax (current) assets	670	45
Deferred tax (non-current) assets		
Denial of evaluation loss on land	2,962	2,811
Denial of depreciation of unused building volume	1,962	1,968
Net defined benefit liability	1,988	2,559
Denial of impairment loss	1,668	2,536
Other	2,169	2,965
Subtotal	10,751	12,841
Valuation allowance	(6,108)	(6,446)
Total	4,643	6,394
Deferred tax (non-current) liabilities		
Reserve for advanced depreciation of non-current assets	(14,245)	(17,607)
Non-current assets valuation difference	(47,375)	(44,812)
Other	(2,223)	(2,077)
Total	(63,843)	(64,497)
Net deferred tax (non-current) liabilities	(59,200)	(58,102)

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

	Previous fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Effective tax rate	35.6%	33.0%
(Adjustment)		
Reduction in year-end deferred tax liabilities due to tax rate change	(31.6%)	(13.2%)
Amortization of negative goodwill	(3.4%)	(2.8%)
Earnings of subsidiaries (tokutei mokuteki kaisha) attributable to minority interests	(2.6%)	(2.2%)
Valuation allowance	(0.8%)	2.9%
Other	(0.5%)	0.0%
Actual effective tax rate after the application of tax effect accounting	(3.3%)	17.8%

3. Correction of the amount of deferred tax assets and deferred tax liabilities due to the change of corporate tax rates, etc.

The Act on Partial Revision of the Income Tax Act (Act No. 15 of 2016) and the Act on Partial Revision of the Local Tax Act (Act No. 13 of 2016) were passed by the Diet on March 29, 2016, and the corporate tax rates are lowered from fiscal years starting on or after April 1, 2016. With the amendments, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities has changed from 32.2%, to 30.8% for temporary differences expected to be eliminated in the consolidated fiscal years starting April 1, 2016 and April 1, 2017 and to 30.6% for temporary differences expected to be eliminated in and after the consolidated fiscal year starting April 1, 2018.

Given these tax rate changes, deferred tax liabilities (netted against deferred tax assets), income taxes-deferred, and remeasurements of defined benefit plans declined ¥3,102 million, ¥3,056 million, and ¥24 million, respectively, and the valuation difference on available-for-sale securities rose ¥71 million.

(Notes to rental properties)

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

The Company and certain consolidated subsidiaries own rental office buildings, rental commercial facilities and residential rental housing in Tokyo and other areas. In the fiscal year under review, the results of operation of those rental properties were ¥19,206 million (leasing revenue is accounted for in operating revenue and rental expenses in operating cost and in selling, general and administrative expenses), with gain on the sales of non-current assets of ¥1,848 million (in extraordinary gain), loss on the sale of non-current assets of ¥697 million (in extraordinary loss), loss on the retirement of non-current assets of ¥1,080 million (in extraordinary loss) and impairment loss of ¥1,429 million (in extraordinary loss).

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

(Million yen)

Consolidated balance sheet amount			Fair value at the end of fiscal year under review
Amount at the beginning of fiscal year under review	Change during fiscal year under review	Amount at the end of fiscal year under review	
805,911	39,574	845,486	1,327,642

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

(Note 2) Of the change during the fiscal year under review, major items included the acquisition of real estate (providing an increase of ¥66,259 million) as well as the transfer to real estate for sale, the sale of real estate, and impairment losses (providing decreases of ¥6,438 million, ¥5,542 million and ¥1,429 million, respectively).

(Note 3) The fair value of major properties at the end of the fiscal year under review is based on appraised values determined by outside real estate appraisers. The fair value of other properties is calculated by the Company, which used indicators that it considered reflected market prices appropriately.

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

The Company and certain consolidated subsidiaries own rental office buildings, rental commercial facilities and residential rental housing in Tokyo and other areas. In the fiscal year under review, the results of operation of those rental properties were ¥19,289 million (leasing revenue is accounted for in operating revenue and rental expenses in operating cost and in selling, general and administrative expenses), with gains on the sales of non-current assets of ¥3,281 million (in extraordinary gain), losses on the sale of non-current assets of ¥8,020 million (in extraordinary loss), losses on the retirement of non-current assets of ¥937 million (in extraordinary loss) and impairment losses of ¥4,911 million (in extraordinary loss).

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

(Million yen)

Consolidated balance sheet amount			Fair value at the end of fiscal year under review
Amount at the beginning of fiscal year under review	Change during fiscal year under review	Amount at the end of fiscal year under review	
845,486	(49,616)	795,870	1,357,982

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

(Note 2) Of the change during the fiscal year under review, major items included the acquisition of real estate (providing an increase of ¥38,288 million) as well as the transfer of real estate for sale, the sale of real estate, and impairment losses (providing decreases of ¥20,104 million, ¥44,648 million and ¥4,911 million, respectively).

(Note 3) The fair value of major properties at the end of the fiscal year under review is based on appraised values determined by outside real estate appraisers. The fair value of other properties was calculated by the Company, which used indicators that it considered reflected market prices appropriately.

(Segment information)

Segment information by business

I. Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

1. Overview of reported segments

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

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

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

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

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

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

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

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustments (Note 2, 3)	Amount stated in consolidated financial statement (Note 5)
	Leasing	Residential property sales	Total				
Operating revenue							
(1) Operating revenue to third parties	90,819	46,620	137,439	14,612	152,052	–	152,052
(2) Inter-segment internal revenues and transfers	920	5	926	4,213	5,140	(5,140)	–
Total	91,739	46,626	138,366	18,825	157,192	(5,140)	152,052
Segment profits	23,566	4,405	27,972	2,485	30,457	(5,620)	24,836
Segment assets	954,681	64,530	1,019,211	12,519	1,031,731	1,489	1,033,220
Other items (Note 4)							
Depreciation	22,695	7	22,703	68	22,771	702	23,474
Increases in property, plant and equipment and intangible assets	76,589	31	76,621	76	76,698	885	77,583

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

(Note 2) Adjustment in segment profits of - ¥5,620 million includes the elimination of inter-segment transactions of ¥17 million and company-wide expenses of - ¥5,637 million that are not attributable to reported segments. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments.

(Note 3) Adjustment in segment assets of ¥1,489 million includes the elimination of inter-segment transactions of - ¥51,393 million and company-wide assets of ¥52,882 million that are not attributable to reported segments. Company-wide assets are mainly idle funds managed by the Company (cash and deposits), investment securities and assets relating to the administrative division.

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

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

II. Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

1. Overview of reported segments

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

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

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

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

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

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

(Adaption of "Revised Accounting Standard for Business Combination", etc.)

As written in "Changes in accounting principles", the Company and its domestic subsidiaries adopted these accounting standards from this current fiscal year and, as a result, changed the accounting policies: to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues control; and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed the accounting policies for the reallocation of acquisition costs due to the completion of the provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place.

As a result, Compared to the previous accounting method, profits in reported segments of the current fiscal year increase ¥118 million in leasing business and ¥1 million in other business respectively.

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

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustments (Note 2, 3)	Amount stated in consolidated financial statement (Note 5)
	Leasing	Residential property sales	Total				
Operating revenue							
(1) Operating revenue to third parties	120,083	48,859	168,942	14,073	183,016	—	183,016
(2) Inter-segment internal revenues and transfers	883	6	889	5,527	6,416	(6,416)	—
Total	120,966	48,865	169,832	19,600	189,433	(6,416)	183,016
Segment profits	36,722	5,074	41,797	2,199	43,996	(6,225)	37,771
Segment assets	898,143	110,280	1,008,424	14,223	1,022,648	10,909	1,033,557
Other items (Note 4)							
Depreciation	23,237	9	23,247	69	23,316	598	23,914
Increases in property, plant and equipment and intangible assets	40,964	12	40,977	195	41,172	1,562	42,735

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

(Note 2) Adjustment in segment profits of - ¥6,225 million includes the elimination of inter-segment transactions of - ¥8 million and company-wide expenses of - ¥6,216 million that are not attributable to reported segments. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments.

(Note 3) Adjustment in segment assets of ¥10,909 million includes the elimination of inter-segment transactions of - ¥57,212 million and company-wide assets of ¥68,121 million that are not attributable to reported segments. Company-wide assets are mainly idle funds managed by the Company (cash and deposits), investment securities and assets relating to the administrative division.

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

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

Related information

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

1. Information by product and service

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

2. Information by region

(1) Operating revenue

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

(2) Property, plant and equipment

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

3. Information by main customer

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

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

1. Information by product and service

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

2. Information by region

(1) Operating revenue

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

(2) Property, plant and equipment

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

3. Information by main customer

(Million yen)

Name	Operating revenue	Related segment
NTT Urban Development Asset Management Corporation	20,179	Leasing

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

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015) (Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Impairment loss	1,455	–	–	–	1,455

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016) (Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Impairment loss	4,917	—	—	—	4,917

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

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

(Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	118	–	13	–	131
Year-end balance	1,663	–	197	–	1,860

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

(Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	1,780	–	–	–	1,780
Year-end balance	23,147	–	–	–	23,147

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

(Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	―	―	11	―	11
Year-end balance	―	―	166	―	166

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

(Million yen)

	Leasing	Residential property sales	Other	Corporate / Eliminations	Total
Amortized amount	1,926	―	―	―	1,926
Year-end balance	23,118	―	―	―	23,118

Information on gains on negative goodwill in reported segments

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

Not applicable.

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

Not applicable.

Related party transactions

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

1. Related party transactions

(1) Transactions between the company submitting the consolidated financial statements and related parties

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

Type	Company name	Location	Capital stock (million yen)	Business	Ownership of voting rights in percentage	Relationship	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Company having the same parent company	NTT FINANCE CORPORATION	Minato-ku, Tokyo	16,770	General leasing activities	(Owned by the company) Direct: 1.0	Deposits	Deposits paid	–	Deposits paid	1,282
						Borrowing	Long-term loans payable	–	Current portion of long-term loans payable	24,000
									Long-term loans payable	9,000

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

(2) Transactions between consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

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

Type	Company name	Location	Capital stock (million yen)	Business	Ownership of voting rights in percentage	Relationship	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Company having the same parent company	NTT FINANCE CORPORATION	Minato-ku, Tokyo	16,770	General leasing activities	–	Deposit	Deposits paid	–	Deposits paid	1,130
						Borrowing	Long-term loans payable	–	Current portion of long-term loans payable	400
									Long-term loans payable	33,962

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

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

(1) Parent company

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

(2) Important subsidiaries and affiliates

Not applicable.

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

1. Related party transactions

(1) Transactions between the company submitting the consolidated financial statements and related parties

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

Type	Company name	Location	Capital stock (million yen)	Business	Ownership of voting rights in percentage	Relationship	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Company having the same parent company	NTT FINANCE CORPORATION	Minato-ku, Tokyo	16,770	General leasing activities	(Owned by the company) Direct: 1.0	Borrowing	Short-term loans payable	–	Short-term loans payable	2,459
							Long-term loans payable	25,000	Long-term loans payable	31,000

(Note) Borrowings are based on loan agreements. The Company and NTT FINANCE CORPORATION determined interest rates, considering market money rates.

(2) Transactions between consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

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

Type	Company name	Location	Capital stock (million yen)	Business	Ownership of voting rights in percentage	Relationship	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Company having the same parent company	NTT FINANCE CORPORATION	Minato-ku, Tokyo	16,770	General leasing activities	–	Deposits	Deposits paid	–	Deposits paid	1,360
						Borrowing	Short-term loans payable	–	Short-term loans payable	4,071
							Long-term loans payable	2,170	Current portion of long-term loans payable	400
									Long-term loans payable	35,073

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

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

(1) Parent company

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

(2) Important subsidiaries and affiliates

Not applicable.

(Per-share information)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Net assets per share	610.45 yen	626.02 yen
Net income per share	49.33 yen	50.31 yen

(Note1) Diluted net income per share is not disclosed because the Company does not hold any dilutive securities.

(Note2) The basis for the calculation of net income per share is shown in the table below.

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)
Profit attributable to owners of parent (million yen)	16,235	16,557
Amounts not attributable to shareholders of common stock (million yen)	–	–
Profit attributable to owners of parent of common stock (million yen)	16,235	16,557
Average number of common shares outstanding during the fiscal year	329,120,000	329,119,966

(Significant subsequent events)

Not applicable.

5) Consolidated supplementary schedule

Schedule of bonds

Corporate name	Issue	Issue date	Balance at the beginning of current year (million yen)	Balance at the end of current year (million yen)	Interest rate (%)	Collateral	Maturity period
NTT Urban Development Corporation	7th unsecured bond	December 4, 2006	19,998	19,999 (19,999)	1.9	None	September 20, 2016
	8th unsecured bond	June 5, 2008	19,994	19,996	2.0	None	March 20, 2018
	9th unsecured bond	September 17, 2009	9,995	9,996	1.5	None	September 20, 2019
	10th unsecured bond	October 29, 2010	9,996	9,997	1.0	None	September 18, 2020
	11th unsecured bond	October 28, 2011	9,997	9,997	1.1	None	September 17, 2021
	12th unsecured bond	October 28, 2011	4,997	4,998	2.0	None	September 19, 2031
	13th unsecured bond	October 26, 2012	10,000	10,000	0.9	None	September 20, 2022
	14th unsecured bond	October 31, 2013	9,995	9,996	0.8	None	September 20, 2023
	15th unsecured bond	October 31, 2013	4,995	4,995	1.3	None	September 20, 2028
	16th unsecured bond	October 31, 2014	9,996	9,997	0.2	None	September 20, 2019
	17th unsecured bond	October 31, 2014	15,000	15,000	0.6	None	September 20, 2024
	18th unsecured bond	October 31, 2014	5,000	5,000	1.1	None	September 20, 2029
UDX Tokutei Mokuteki Kaisha	3rd specific general mortgage bond	September 20, 2013	1,000	1,000	0.5	Yes	September 20, 2018
Total	–	–	130,968	130,975 (19,999)	–	–	–

(Note 1) Figures in parentheses are amounts to be redeemed within a year.

(Note 2) The table below shows scheduled redemption amounts in the five years following the consolidated closing date.

(Million yen)

Due within one year	Due after 1 year, within 2 years	Due after 2 years, within 3 years	Due after 3 years, within 4 years	Due after 4 years, within 5 years
20,000	20,000	1,000	20,000	10,000

Schedule of borrowings

Classification	Balance at the beginning of current year (million yen)	Balance at the end of current year (million yen)	Average interest rate (%)	Repayment term
Short-term loans payable	–	6,530	1.1	–
Current portion of long-term loans payable	53,200	36,775	1.7	–
Current portion of lease obligations	48	40	10.9	–
Long-term loans payable (excluding those to be repaid within one year)	(Note 2) 363,020	(Note 2) 371,739	0.9	April 13, 2017 – June 29, 2029
Lease obligations (excluding those to be repaid within one year)	123	87	7.7	June 9, 2017 – September 30, 2023
Total	416,392	415,174	–	–

(Note 1) The average interest rate is the weighted average interest rate for loans at the end of the term.

(Note 2) Long-term loans payable (excluding those to be repaid within one year) includes syndicated loans (¥66,300 million of balance at the beginning of current year, ¥71,300 million of balance at the end of current year) for which Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, and the Bank of Tokyo-Mitsubishi UFJ, Ltd. acts as the managers.

(Note 3) The table below shows the scheduled amounts of long-term loans payable and lease obligations (excluding those to be repaid within one year) in the five years following the consolidated closing date.

(Million yen)

	Due after 1 year, within 2 years	Due after 2 years, within 3 years	Due after 3 years, within 4 years	Due after 4 years, within 5 years
Long-term loans payable	33,406	91,332	25,500	41,501
Lease obligations	34	29	14	8

Schedule of asset retirement obligations

As the amounts of asset retirement obligations at the beginning of the fiscal year under review and at the end of the fiscal year under review are less than one hundredth of total liabilities or net assets, the statement of the amounts of asset retirement obligations is omitted in accordance with the provision in Article 92-2 of the Regulations for Consolidated Financial Statements.

(2) Other

1) Quarterly information, etc. for the fiscal year under review

Cumulative period	Three months ended June 30, 2015	Six months ended September 30, 2015	Nine months ended December 31, 2015	Current consolidated fiscal year
Operating revenue (million yen)	26,681	71,168	105,728	183,016
Income before income taxes and minority interests (million yen)	3,441	8,880	12,186	23,120
Profit attributable to owners of parent(million yen)	2,198	5,756	7,885	16,557
Net income per share (yen)	6.68	17.49	23.96	50.31

Accounting period	Three months ended June 30, 2015	Three months ended September 30, 2015	Three months ended December 31, 2015	Three months ended March 31, 2016
Net income (loss) per share (yen)	6.68	10.81	6.47	26.35

2) Situation after the closing date

There are no specific events.

2. Non-consolidated financial statements, etc.

(1) Non-consolidated financial statements

1) Non-consolidated balance sheets

(Million yen)

	Previous fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Assets		
Current assets		
Cash and deposits	1,043	53
Operating accounts receivable	3,544	6,500
Real estate for sale	20,402	29,359
Real estate for sale in progress	56,822	91,208
Costs on uncompleted construction contracts	117	225
Raw materials and supplies	25	22
Prepaid expenses	605	954
Lease investment assets	3,837	2,159
Deposits paid	1,282	―
Deferred tax assets	1,138	515
Other	3,916	7,930
Allowance for doubtful accounts	(35)	(0)
Total current assets	92,700	138,929
Non-current assets		
Property, plant and equipment		
Buildings	264,355	214,074
Structures	4,077	3,586
Machinery and equipment	1,811	1,542
Tools, furniture and fixtures	2,404	2,250
Land	324,964	310,813
Lease assets	59	40
Construction in progress	1,633	3,602
Total property, plant and equipment	599,306	535,910
Intangible assets		
Leasehold right	20,119	20,110
Software	905	375
Software in progress	727	2,002
Lease assets	0	0
Other	119	100
Total intangible assets	21,873	22,588
Investments and other assets		
Investment securities	19,181	16,630
Stocks of subsidiaries and affiliates	17,309	22,774
Investments in other securities of subsidiaries and affiliates	29,829	30,222
Investments in capital	0	0
Long-term prepaid expenses	15,337	14,787
Prepaid pension cost	210	288
Lease and guarantee deposits paid	8,639	9,414
Other	2,157	1,942
Total investments and other assets	92,665	96,060
Total non-current assets	713,845	654,560
Total assets	806,545	793,489

(Million yen)

	Previous fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Liabilities		
Current liabilities		
Operating accounts payable	6,681	6,907
Short-term loans payable	—	2,459
Lease obligations	29	20
Current portion of long-term loans payable	52,000	32,000
Current portion of bonds	—	19,999
Accounts payable-other	18,548	25,272
Accrued expenses	1,351	1,163
Income taxes payable	2,267	572
Advances received	6,656	5,477
Deposits received	6,134	8,477
Other	2,536	3,052
Total current liabilities	96,206	105,403
Non-current liabilities		
Bonds payable	129,968	109,975
Long-term loans payable	288,300	291,300
Lease obligations	60	41
Long-term accounts payable-other	35,313	21,345
Lease and guarantee deposits received	68,126	68,245
Deferred tax liabilities	12,311	14,582
Provision for retirement benefits	6,069	5,981
Asset retirement obligations	3,267	2,408
Other	49	62
Total non-current liabilities	543,467	513,942
Total liabilities	639,673	619,346
Net assets		
Shareholders' equity		
Capital stock	48,760	48,760
Capital surplus		
Legal capital surplus	34,109	34,109
Total capital surplus	34,109	34,109
Retained earnings		
Legal retained earnings	3,437	3,437
Other retained earnings	77,727	84,833
Voluntary retained earnings	35,606	45,815
Retained earnings brought forward	42,121	39,018
Total retained earnings	81,164	88,270
Treasury shares	—	(0)
Total retained earnings	164,034	171,140
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,837	3,003
Total valuation and translation adjustments	2,837	3,003
Total net assets	166,871	174,143
Total liabilities and net assets	806,545	793,489

2) Non-consolidated statements of income

(Million yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Operating revenue		
Operating revenues from leasing business	83,348	111,535
Operating revenues from residential property sales business	46,601	47,968
Operating revenues from other businesses	2,063	1,121
Total operating revenue	132,013	160,626
Operating cost		
Operating cost for leasing business	56,259	71,650
Operating cost for residential property sales business	36,558	36,978
Operating cost for other businesses	752	590
Total operating cost	93,570	109,219
Operating gross profit	38,443	51,406
Selling, general and administrative expenses	*2 16,610	*2 17,251
Operating income	21,832	34,155
Non-operating income		
Interest income	4	2
Dividends income	*1 147	*1 424
Contributions	92	254
Gain on donation of non-current assets	17	22
Other	104	70
Total non-operating income	367	774
Non-operating expense		
Interest expenses	*1 4,217	*1 3,604
Interest on bonds	1,550	1,648
Other	222	633
Total non-operating expenses	5,990	5,886
Ordinary income	16,208	29,043
Extraordinary income		
Gain on sales of non-current assets	*3 1,850	*3 3,285
Other	—	13
Total extraordinary income	1,850	3,298
Extraordinary loss		
Loss on sales of non-current assets	*4 697	*4 8,034
Loss on retirement of non-current assets	*5 1,214	*5 1,058
Impairment loss	1,455	4,917
Total extraordinary losses	3,368	14,010
Income before income taxes	14,690	18,330
Income taxes-current	4,162	3,045
Income taxes-deferred	(139)	2,913
Total income taxes	4,022	5,958
Net income	10,668	12,372

Schedules of Cost

Schedule of operating cost for leasing business (Million yen)

Classification	Note number	Previous fiscal year (From April 1, 2014 to March 31, 2015) Amount	Previous fiscal year (From April 1, 2014 to March 31, 2015) Breakdown (%)	Current fiscal year (From April 1, 2015 to March 31, 2016) Amount	Current fiscal year (From April 1, 2015 to March 31, 2016) Breakdown (%)
I. Personal expenses		371	0.7	399	0.6
II. Depreciation and amortization		19,358	34.4	19,532	27.3
III. Taxes and dues		8,129	14.4	8,256	11.5
IV. Business consignment expenses		10,347	18.4	10,342	14.4
V. Other		18,052	32.1	33,119	46.2
Total		56,259	100.0	71,650	100.0

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

Classification	Note number	Previous fiscal year (From April 1, 2014 to March 31, 2015) Amount	Previous fiscal year (From April 1, 2014 to March 31, 2015) Breakdown (%)	Current fiscal year (From April 1, 2015 to March 31, 2016) Amount	Current fiscal year (From April 1, 2015 to March 31, 2016) Breakdown (%)
I. Land cost		13,951	38.2	13,794	37.3
II. Personal expenses		0	0.0	0	0.0
III. Sundry expenses		22,606	61.8	23,184	62.7
Total		36,558	100.0	36,978	100.0

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

Schedule for operating cost for other businesses (Million yen)

Classification	Note number	Previous fiscal year (From April 1, 2014 to March 31, 2015) Amount	Previous fiscal year (From April 1, 2014 to March 31, 2015) Breakdown (%)	Current fiscal year (From April 1, 2015 to March 31, 2016) Amount	Current fiscal year (From April 1, 2015 to March 31, 2016) Breakdown (%)
I. Personal expenses		245	32.6	74	12.6
II. Sundry expenses		507	67.4	515	87.4
Total		752	100.0	590	100.0

3) Non-consolidated statements of changes in net assets

Previous fiscal year (From April 1, 2014 to March 31, 2015) (Million yen)

	Shareholders' equity						Valuation and translation adjustments	Total net assets
	Capital stock	Capital surplus	Retained earnings			Total shareholders' equity	Valuation difference on available-for-sale securities	
		Legal capital surplus	Legal etained earnings	Other retained earnings				
				Voluntary retained earnings	Retained earnings brought forward			
Balance at the beginning of the year	48,760	34,109	3,437	30,838	41,342	158,487	976	159,464
Cumulative effects of changes in accounting policies					144	144		144
Restated balance	48,760	34,109	3,437	30,838	41,486	158,632	976	159,609
Total changes of items during the year								
Dividends from surplus					(2,632)	(2,632)		(2,632)
Interim dividends					(2,632)	(2,632)		(2,632)
Provision of reserve for advanced depreciation of non-current assets				4,619	(4,619)	—		—
Reversal of reserve for advanced depreciation of non-current assets				(139)	139	—		—
Provision of reserve for special depreciation				352	(352)	—		—
Reversal of reserve for special depreciation				(64)	64	—		—
Profit					10,668	10,668		10,668
Net changes of items other than shareholders' equity							1,860	1,860
Total changes of items during the year	—	—	—	4,767	634	5,402	1,860	7,262
Balance at the end of the year	48,760	34,109	3,437	35,606	42,121	164,034	2,837	166,871

Current fiscal year (From April 1, 2015 to March 31, 2016) (Million yen)

	Shareholders' equity							Valuation and translation adjustments	Total net assets
	Capital stock	Capital surplus	Retained earnings			Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	
		Legal capital surplus	Legal retained earnings	Other retained earnings					
				Voluntary retained earnings	Retained earnings brought forward				
Balance at the beginning of the year	48,760	34,109	3,437	35,606	42,121	—	164,034	2,837	166,871
Total changes of items during the year									
Dividends from surplus					(2,632)		(2,632)		(2,632)
Interim dividends					(2,632)		(2,632)		(2,632)
Provision of reserve for advanced depreciation of non-current assets				12,120	(12,120)		—		—
Reversal of reserve for advanced depreciation of non-current assets				(2,138)	2,138		—		—
Provision of reserve for special account for advanced depreciation of non-curreut assets				1	(1)		—		—
Provision of reserve for special depreciation				341	(341)		—		—
Reversal of reserve for special depreciation				(116)	116		—		—
Profit					12,372		12,372		12,372
Acquisition of treasury stock						(0)	(0)		(0)
Net changes of items other than shareholders' equity								165	165
Total changes of items during the year	—	—	—	10,209	(3,103)	(0)	7,106	165	7,272
Balance at the end of the year	48,760	34,109	3,437	45,815	39,018	(0)	171,140	3,003	174,143

Notes

(Significant accounting policies)

1. Standards and methods for the valuation of securities

(1) Shares in subsidiaries and affiliates

Cost method determined by the moving average method is applied.

(2) Other securities

(i) Securities having fair values:

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

(ii) Securities not having fair values:

Cost method determined by the moving average method is applied.

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

2. Standards and methods for the valuation of derivatives

In principle, the fair value method is applied.

3. Standards and methods for the valuation of inventories

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

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

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

4. Depreciation method for non-current assets

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

The declining-balance method is primarily applied.

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

Major useful lives are as follows:

Buildings: 15 to 50 years

Structures: 15 to 50 years

Machinery and equipment: 5 to 17 years

Tools, furniture and fixtures: 2 to 20 years

(2) Intangible assets (except lease assets)

The straight-line method is applied.

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

(3) Long-term prepaid expenses

The straight-line method is applied.

(4) Lease assets

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

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

5. Basis for calculating allowances

(1) Allowance for doubtful accounts

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

(2) Provision for retirement benefits

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

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

Past service costs are amortized using the straight-line method over the average remaining working lives (from 10 years to 13 years) of the employees at the time of occurrence.

Actuarial gains and losses are amortized using the straight-line method over the average remaining working lives (from 8 years to 13 years) of the employees at the time of occurrence in each fiscal year from the following fiscal year.

6. Basis for posting revenues and expenses

(1) Basis for posting revenues and expenses

Basis for posting revenues relating to finance lease transactions

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

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

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

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

b. Other construction contracts

Completed-contract method

7.Hedge accounting method

(1) Hedge accounting method

In principle, deferred hedge accounting is applied.

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

(2) Hedging item and hedged item

Hedging item: Interest rate swap contracts

Hedged item: Borrowings

(3) Hedging policy

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

(4) Method of assessment of hedge effectiveness

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

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

(1) Accounting method for retirement benefits

The accounting method for unrecognized actuarial gains and losses and unrecognized past service costs for retirement benefits is different from the accounting method for these items on the consolidated financial statements.

(2) Accounting treatment of consumption taxes

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

(Notes to balance sheets)

Guaranteed obligation

The Company is providing a loan guarantee to the affiliate below for a loan from financial institutions. (Million yen)

	Previous fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
UD USA Inc. (debt obligation)	4,326 (36 million US dollar)	10,591 (94 million US dollar)

(Notes to statements of income)

*1 Volume of transactions with affiliates (Million yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Non-operating transactions	77	343

*2. The approximate percentage of expenses that belong to selling expense is 29.2% in the previous fiscal year and 30.2% in the fiscal year under review, and the approximate percentage of expenses that belong to general, selling and administrative expenses is 70.8% in the previous fiscal year and 69.8% in the fiscal year under review.

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

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Advertising expenses	3,022	3,293
Salaries, allowances and bonuses	4,003	3,858
Business consignment expenses	3,586	3,835
Taxes and dues	1,865	1,931
Depreciation and amortization	793	689

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

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Buildings	(102)	(216)
Land	1,952	3,501
Total	1,850	3,285

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

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

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Buildings	–	14,299
Land	697	(6,264)
Total	697	8,034

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

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

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Buildings	514	332
Structures	6	10
Machinery and equipment	3	0
Removal cost	673	678
Tools, furniture and fixtures	17	36
Total	1,214	1,058

(Notes to securities)

The shares of subsidiaries and affiliates (¥22,295 million and ¥478 million, respectively, on the balance sheets for the fiscal year under review and ¥16,831 million and ¥478 million, respectively, on the balance sheets for the previous fiscal year) have no market prices, and it is very difficult to determine their fair values. Their fair values are therefore omitted.

(Notes to deferred tax accounting)

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

	Previous fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Deferred tax (current) assets		
Accrued bonuses in excess of the limit for income tax deduction	125	107
Accrued enterprise taxes	199	117
Denial of loss on valuation of inventory	9	―
Other	903	649
Subtotal	1,236	873
Valuation allowance	(11)	―
Total	1,225	873
Deferred tax (current) liabilities		
Other	(87)	(358)
Total	(87)	(358)
Net deferred tax (current) liabilities	1,138	515
Deferred tax (non-current) assets		
Denial of impairment loss	1,668	2,536
Denial of evaluation loss on land	2,962	2,811
Denial of depreciation of unused building volume	1,962	1,968
Provision for retirement benefits	1,960	1,831
Other	1,640	2,304
Subtotal	10,194	11,453
Valuation allowance	(6,055)	(6,392)
Total	4,138	5,060
Deferred tax (non-current) liabilities		
Reserve for advanced depreciation of non-current assets	(14,245)	(17,607)
Other	(2,205)	(2,035)
Total	(16,450)	(19,643)
Net deferred tax (non-current) liabilities	(12,311)	(14,582)

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

	Previous fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Effective tax rate	35.6%	Since the difference between the effective tax rate and the actual effective tax rate after applying tax effect accounting is equal to or less than 5% of the effective tax rate, notes are omitted.
(Adjustment)		
Reduction in year-end deferred tax liabilities due to tax rate change	(7.2)	
Valuation allowance	(1.1)	
Other	0.0	
Actual effective tax rate after the application of tax effect accounting	27.3	

3. Correction of the amount of deferred tax assets and deferred tax liabilities due to the change of corporate tax rates, etc.

The Act on Partial Revision of the Income Tax Act (Act No. 15 of 2016) and the Act on Partial Revision of the Local Tax Act (Act No. 13 of 2016) were passed by the Diet on March 29, 2016, and the corporate tax rates are lowered from fiscal years starting on or after April 1, 2016. With the amendments, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities has changed from 32.2%, to 30.8% for temporary differences expected to be eliminated in the consolidated fiscal years starting April 1, 2016 and April 1, 2017 and to 30.6% for temporary differences expected to be eliminated from the consolidated fiscal year starting April 1, 2018.

Given these tax rate changes, deferred tax liabilities (netted against deferred tax assets) and income taxes-deferred declined ¥755 million yen and ¥684 million yen, respectively, and the valuation difference on available-for-sale securities rose ¥71 million yen.

(Significant subsequent events)

Not applicable.

4) Supplementary schedules

Schedule of property, plant and equipment and other assets (Million yen)

Classification	Asset type	Assets at beginning of fiscal year under review	Increase in fiscal year under review	Decrease in fiscal year under review	Depreciation or amortization in fiscal year under review	Assets at end of fiscal year under review	Accumulated depreciation or amortization at end of fiscal year under review
Property, plant and equipment	Buildings	264,355	15,778	48,517 (1,606)	17,541	214,074	308,857
	Structures	4,077	215	332 (1)	373	3,586	9,509
	Machinery and equipment	1,811	217	130	356	1,542	10,337
	Tools, furniture and fixtures	2,404	752	220	685	2,250	10,797
	Land	324,964	7,005	21,157 (3,310)	―	310,813	4,036
	Lease assets	59	2	1	20	40	128
	Construction in progress	1,633	25,814	23,845	―	3,602	―
	Total	599,306	49,787	94,204	18,978	535,910	343,666
Intangible assets	Leasehold right	20,119	―	―	9	20,110	–
	Software	905	92	1	621	375	–
	Software in progress	727	1,371	96	―	2,002	–
	Lease assets	0	―	0	0	0	–
	Other intangible assets	119	6	17	7	100	–
	Total	21,873	1,469	116	638	22,588	–

(Note 1) Major property of increase in fiscal year under review in buildings was Urbannet Nihonbashi 2-Chome Building of ¥4,510 million, and Urbannet Ginza 1-Chome Building of ¥3,941 million.

(Note 2) Major properties of increase in fiscal year under review in construction in progress were Urbannet Nihonbashi 2-Chome Building of ¥4,404 million and Urbannet Ginza 1-Chome Building of ¥3,725 million.

(Note 3) Major factors of decrease in buildings in fiscal year under review was ¥36,145 million of sales of office buildings etc., and ¥10,350 million of transfer to real estate for sales with change in owing purpose

(Note 4) Major factors of decrease in land in fiscal year under review was ¥8,208 million of sales of office buildings etc., and ¥9,613 million of transfer to real estate for sales with change in owing purpose

(Note 5) Accumulated depreciation or amortization at end of fiscal year under review included ¥4,271 million accumulated impairment loss of buildings, ¥1 million accumulated impairment loss of structure, and ¥4,036 million accumulated impairment loss of land.

(Note 6) The figures in parentheses in the "Decrease in fiscal year under review" column are amount of impairment losses accounted in the fiscal year under review, which are included in the decrease.

Schedule of allowances (Million yen)

Classification	Assets at beginning of fiscal year under review	Increase in fiscal year under review	Decrease in fiscal year under review	Assets at end of fiscal year under review
Allowance for doubtful accounts	35	0	35	0

(2) Details of major items in assets and liabilities

The description is omitted as the consolidated financial statements are prepared.

Section 6. Outline of Stock-Related Administration of Submitting Company

Fiscal year	From April 1 to March 31
Ordinary shareholders' meeting	Within three months of the day following the closing day of each fiscal year
Record date	March 31
Record dates for dividends	September 30 March 31
Number of shares per unit	100
Fractional share repurchase Handling place Administrator of shareholders' list Contact place Repurchase fee	 (Special account) Mizuho Trust & Banking Co., Ltd., Stock Transfer Agency Department of the Head Office 1-2-1 Yaesu, Chuo-ku, Tokyo (Special account) Mizuho Trust & Banking Co., Ltd. 1-2-1 Yaesu, Chuo-ku, Tokyo – Free of charge
Publication of announcements	Public announcements shall be made electronically. However, if accidents or other unavoidable circumstances prevent the Company from making electronic announcements, announcements shall be published on the *Nihon Keizai Shimbun*. URL to post public announcements: http://www.nttud.co.jp/
Benefits to shareholders	Not applicable.

(Note) At the ordinary general meeting of shareholders held on June 18, 2013, the Company resolved to amend the Articles of Incorporation. The amended Articles of Incorporation stipulate that effective on October 1, 2013, shareholders may not exercise rights with respect to shares representing less than one unit other than the following rights:

(i) Rights set forth in Article 189, Paragraph 2 of the Companies Act of Japan;

(ii) Right of request pursuant to the provisions of Article 166, Paragraph 1 of the Companies Act of Japan; and

(iii) Right to receive allocation of offered shares and offered stock acquisition rights in proportion to the number of shares owned by the shareholder.

Section 7. Reference Information on Submitting Company

1. Information on the parent company of the submitting company

The Company does not have any parent company stipulated in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

The Company has submitted the following documents from the beginning of the fiscal year under review to the date of submission of the annual securities report:

(1) Annual securities report, its attached documents and confirmation documents

30th fiscal year (from April 1, 2014 to March 31, 2015) Submitted to the director general of the Kanto Finance Bureau on June 24, 2015

(2) Internal control report and its attached documents

Submitted to the director general of the Kanto Finance Bureau on June 24, 2015

(3) Quarterly reports and confirmation documents

1st quarter of the 31st fiscal year (from April 1, 2015 to June 30, 2015) Submitted to the director general of the Kanto Finance Bureau on August 3, 2015

2nd quarter of the 31st fiscal year (from July 1, 2015 to September 30, 2015) Submitted to the director general of the Kanto Finance Bureau on November 5, 2015

3rd quarter of the 31st fiscal year (from October 1, 2015 to December 31, 2015) Submitted to the director general of the Kanto Finance Bureau on February 3, 2016

(4) Amended self-registration statements

Submitted to the director general of the Kanto Finance Bureau on June 24, 2015

Submitted to the director general of the Kanto Finance Bureau on July 27, 2015

Submitted to the director general of the Kanto Finance Bureau on August 3, 2015

Submitted to the director general of the Kanto Finance Bureau on November 5, 2015

Submitted to the director general of the Kanto Finance Bureau on February 3, 2016

Submitted to the director general of the Kanto Finance Bureau on March 22, 2016

(5) Extraordinary report

Submitted to the director general of the Kanto Finance Bureau on July 27, 2015

An extraordinary report under the provisions of Article 19, Paragraph 2, Item 3 (Changes in specified subsidiaries) of the Cabinet Office

Submitted to the director general of the Kanto Finance Bureau on March 22, 2016

An extraordinary report under the provisions of Article 19, Paragraph 2, Item 12 and 19 (events that have a material impact on financial position, operating results and cash flows) of the Cabinet Office Ordinance on Disclosure of Company Information

Submitted to the director general of the Kanto Finance Bureau on June 22, 2016

An extraordinary report under the provisions of Article 19, Paragraph 2, Item 9-2 (Results of exercise of voting rights) of the Cabinet Office Ordinance on Disclosure of Company Information

Chapter 2. Information on the Guarantee Company of the Submitting Company

Not applicable.

Independent Auditor's Report on the Financial Statements
and
Internal Control Over Financial Reporting

June 21, 2016

To the Board of Directors of NTT Urban Development Corporation

KPMG AZSA LLC

Masashi Oki (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Koji Fukai (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yutaka Terada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Financial Statement Audit

We have audited the accompanying consolidated financial statements of NTT Urban Development Corporation and its consolidated subsidiaries provided in the "Financial Information" section in the company's Annual Report, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated income statement, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies, other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Law of Japan.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to independently express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud

or error. In making those risk assessments, we consideres internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NTT Urban Development Corporation and its consolidated subsidiaries as at March 31, 2016, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Internal Control Audit

We also have audited the accompanying internal control report of NTT Urban Development Corporation as at March 31, 2016, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Law of Japan.

Management's Responsibility for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibility

Our responsibility is to independently express an opinion on the internal control report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the internal control report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the assessment of internal control over financial reporting in the internal control report. The procedures selected depend on the auditor's judgement, including significance of effect on the reliability of financial reporting. Also, an internal control audit includes evaluating the appropriateness of the scope, procedures and result of the assessment determined and presented by management, and the overall internal control report presentation.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the internal control report, in which NTT Urban Development Corporation states that internal control over financial reporting was effective as at March 31, 2016, presents fairly, in all material respects, the assessment of internal control over financial reporting in accordance with assessment standards for internal

control over financial reporting generally accepted in Japan**.**

Other Matter

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.

Notes to the reader of audit report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Law of Japan.

Independent Auditor's Report on the Financial Statements

June 21, 2016

To the Board of Directors of NTT Urban Development Corporation

KPMG AZSA LLC

Masashi Oki (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Koji Fukai (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yutaka Terada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the accompanying non-consolidated financial statements of NTT Urban Development Corporation provided in the "Financial Information" section in the company's Annual Report, which comprise the non-consolidated balance sheet as at March 31, 2016 and the non-consolidated statement of income , non-consolidated statement of changes in net assets, significant accounting policies, other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Law of Japan.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to independently express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consideres internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of NTT Urban Development Corporation as at March 31, 2016, and their financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Other Matter

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.

Notes to the reader of audit report:
The Independent Auditor’s Report herein is the English translation of the Independent Auditor’s Report as required by the Financial Instruments and Exchange Law of Japan.

[Cover]

Document submitted	Confirmation document
Applicable law clause	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act
Destination	Director General of the Kanto Finance Bureau
Date of submission	June 22, 2016
Corporate name	NTT URBAN DEVELOPMENT CORPORATION
Name and title of representative	Sadao Maki, President and Chief Executive Officer
Name and title of chief financial officer	Yutaka Torigoe, Senior Vice President, Accounting and Finance
Address of home office	4-14-1, Sotokanda, Chiyoda-ku, Tokyo
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Kabutocho, Nihonbashi, Chuo-ku, Tokyo)

1. Matters relating to the appropriateness of the content of the annual securities report

Sadao Maki, President and Chief Executive Officer and Yutaka Torigoe, Chief Financial Officer, Senior Vice President, Accounting and Finance of the Company, have confirmed that the content of the annual securities report for the fiscal year of the 31th term (from April 1, 2015 to March 31, 2016) is appropriate in accordance with the Financial Instruments and Exchange Act.

2. Special notes

Not applicable

[Cover]

Document submitted	Internal Control Report
Applicable law clause	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
Destination	Director General of the Kanto Finance Bureau
Date of submission	June 22, 2016
Corporate name	NTT URBAN DEVELOPMENT CORPORATION
Name and title of representative	Sadao Maki, President and Chief Executive Officer
Name and title of chief financial officer	Yutaka Torigoe, Senior Vice President, Accounting and Finance
Address of home office	4-14-1, Sotokanda, Chiyoda-ku, Tokyo
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Kabutocho, Nihonbashi, Chuo-ku, Tokyo)

1. Matters relating to the basic framework for internal control over financial reporting

Sadao Maki, President and Chief Executive Officer and Yutaka Torigoe, Chief Financial Officer, Senior Vice President, Accounting and Finance of the Company, are responsible for designing and operating effective internal control over the financial reporting of the Company, and has designed and operated internal control over financial reporting in accordance with the basic framework for internal control presented in the "On the Setting of the Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control Over Financial Reporting (Council Opinions)," published by the Business Accounting Council.

Internal control is designed to achieve its objectives to the extent reasonable through organic links and the functioning in unison of the basic elements of internal control. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, base date of assessment and assessment procedures

The assessment of internal control over financial reporting was performed, with March 31, 2016, the last day of this fiscal year, as the base date. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls that may have a material effect on overall financial reporting on a consolidation basis ("entity-level internal controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Group's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Group.

We determined the scope of assessment of internal control over financial reporting from the perspective of the materiality that may affect the reliability of their financial reporting for the Company and its consolidated subsidiaries and equity-method affiliates. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting, and the scope of assessment of internal control over business processes is determined taking into account the assessment results of the entity-level internal controls conducted on the Company and its two consolidated subsidiaries. 20 consolidated subsidiaries and 14 equity-method affiliates are not included in the scope of the entity-level internal control, as we determined that their materiality of quantitative and qualitative impacts on financial reporting is insignificant.

Regarding the scope of assessment of internal control over business processes, we selected only the Company as a "significant business location," as operating revenue of the Company accounted for roughly two thirds of total operating revenue at each business location in the previous fiscal year (after the elimination of intercompany transactions). At the selected significant business location, we included in the scope of assessment business processes leading to operating revenue, accounts receivable, trade, properties for sale, and properties for sale in progress as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to the selected significant business location, within a scope that included other business locations we also selected business processes relating to (i) a greater likelihood of material misstatements, (ii) significant accounts involving estimates and forecasts or (iii) a business or operation dealing with high-risk transactions, as business processes having greater materiality for testing, taking their impact on the financial reporting into account.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of the fiscal year under review, we concluded that the internal control over financial reporting of the Company was effectively maintained.

4. Additional notes

Not applicable

5. Special notes

Not applicable