*The figures for these Financial Statements are prepared in accordance with accounting principles generally accepted in Japan. Accordingly, they do not necessarily match the figures in the Annual Report issued by the Company, which present the same statements in a form that is more familiar to foreign readers through certain reclassifications or summarization of accounts. This English text is a translation of the Japanese original. The original is authoritative.*

# SUMMARY OF FINANCIAL STATEMENTS (Consolidated)
# For the Fiscal Year Ended March 31, 2010

May 12, 2010

**NTT URBAN DEVELOPMENT CORPORATION** Stock Exchange: Tokyo Stock Exchange
Code Number: 8933 URL: http://www.nttud.co.jp/
Representative: Masaki Mitsumura, President and Chief Executive Officer
Attn.: Masakazu Tsukamoto, Senior Executive Manager, Accounting and Finance DepartmentTel: +81–3–6811–6424
Scheduled date of the ordinary general meeting of shareholders: June 18, 2010
Scheduled date for commencing payment of dividend: June 21, 2010
Scheduled date of submission of the annual securities report: June 21, 2010

(Note that all amounts have been rounded down to the nearest million yen, unless otherwise specified.)

1. Consolidated Financial Results (April 1, 2009 through March 31, 2010)

(1) Consolidated Results of Operations (Figures in percentages denote the year–on–year change)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Year ended March 31, 2010 | 149,224 | 3.4 | 16,129 | (36.1) | 10,215 | (47.6) | 6,116 | (61.7) |
| Year ended March 31, 2009 | 144,277 | 4.4 | 25,244 | (12.1) | 19,504 | (25.5) | 15,989 | 8.3 |

| | Net income per share | Net income per share (fully diluted) | Return on equity | Ratio of ordinary income to total assets | Operating income margin |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| Year ended March 31, 2010 | 1,858.48 | – | 4.1 | 1.1 | 10.8 |
| Year ended March 31, 2009 | 4,858.34 | – | 11.2 | 2.1 | 17.5 |

(Reference) Equity in net income of affiliates Year ended March 31, 2010: 109 million yen
Year ended March 31, 2009: 66 million yen

(2) Consolidated Financial Position

| | Total assets | Net assets | Ratio of shareholders' equity to assets | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| Year ended March 31, 2010 | 916,725 | 185,537 | 16.4 | 45,646.72 |
| Year ended March 31, 2009 | 936,650 | 183,593 | 15.8 | 45,014.04 |

(Reference) Shareholders' equity: As of March 31, 2010: 150,232 million yen
As of March 31, 2009: 148,150 million yen

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of term |
|---|---|---|---|---|
| | Million yen | Million yen | Million yen | Million yen |
| Year ended March 31, 2010 | 35,168 | 6,695 | (30,028) | 20,508 |
| Year ended March 31, 2009 | (12,091) | (57,397) | 63,079 | 8,691 |

2. Dividends

| (Record Date) | Dividends per share | | | | | Total amount of dividends (annual) | Payout ratio (consolidated) | Dividends on equity (consolidated) |
|---|---|---|---|---|---|---|---|---|
| | End of the 1st quarter | Interim period end | End of the 3rd quarter | Year end | Annual | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Year ended March 31, 2009 | – | 600.00 | – | 600.00 | 1,200.00 | 3,949 | 24.7 | 2.8 |
| Year ended March 31, 2010 | – | 600.00 | – | 600.00 | 1,200.00 | 3,949 | 64.6 | 2.6 |
| (Forecast) Year ending March 31, 2011 | – | 600.00 | – | 600.00 | 1,200.00 | | 43.9 | |

3. Forecast of Consolidated Financial Results (April 1, 2010 through March 31, 2011)

(Figures in percentages denote the year–on–year change)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| First half | 70,000 | 3.5 | 12,800 | 231.1 | 9,800 | – | 5,500 | – | 1,671.12 |
| Annual | 141,000 | (5.5) | 24,000 | 48.8 | 18,000 | 76.2 | 9,000 | 47.1 | 2,734.56 |

4. Other

(1) Important Changes in Subsidiaries During the Fiscal Period
(Changes in specified subsidiaries resulting in change in scope of consolidation): Not applicable
New: –
Exception: –

(2) Changes in Accounting Principles and Procedures and Representation Method, Etc. Regarding Preparation of Quarterly Consolidated Financial Statements (Changes Presented as Changes in Important Items, Etc. That Are Used as Basic Materials for Preparation of Quarterly Consolidated Financial Statements)
(i) Changes due to amendment of accounting standards, etc.: Applicable
(ii) Changes other than (i): Not applicable
(Note) For details, see "Important Items Used as Basic Materials for Preparation of Consolidated Financial Statements" on page 26.

(3) Number of Shares Outstanding (Common Stock)
(i) Total number of shares outstanding (including treasury stock) as of the end of each period:
As of March 31, 2010: 3,291,200 shares
As of March 31, 2009: 3,291,200 shares
(ii) Total number of treasury stock as of the end of each period:
As of March 31, 2010: – shares
As of March 31, 2009: – shares
(Note) For the number of shares that is the basis for the calculation of net income per share (consolidated), see "Per–share information" on page 50.

(For reference) Outline of non–consolidated financial results

1. Non–consolidated financial results (April 1, 2009 through March 31, 2010)

(1) Non–consolidated results of operations (Figures in percentages denote the year–on–year change)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Year ended March 31, 2010 | 128,473 | 5.3 | 11,682 | (48.6) | 5,257 | (68.3) | 3,081 | (78.7) |
| Year ended March 31, 2009 | 122,000 | (5.2) | 22,721 | (18.7) | 16,562 | (34.8) | 14,460 | 2.0 |

| | Net income per share | Net income per share (fully diluted) |
|---|---|---|
| | Yen | Yen |
| Year ended March 31, 2010 | 936.25 | – |
| Year ended March 31, 2009 | 4,393.67 | – |

(2) Non–consolidated financial position

| | Total assets | Net assets | Ratio of shareholders' equity to assets | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| Year ended March 31, 2010 | 709,972 | 143,020 | 20.1 | 43,455.29 |
| Year ended March 31, 2009 | 725,604 | 143,951 | 19.8 | 43,738.19 |

(Reference) Shareholders' equity: As of March 31, 2010: 143,020 million yen
As of March 31, 2009: 143,951 million yen

(Cautionary note regarding use of the Forecast of Financial Results, and other special notations)

Descriptions regarding the future, such as the forecast of financial results herein, are calculated based on the information which is available to the Company as of the date hereof. Please note that actual results may be different due to various factors such as subsequent changes in business environment. For assumptions underlying the forecasts and notes to the forecasts, refer to 1. Operating Results, (1) Analysis of Operating Results on page 3.

# 1. Operating Results

(1) Analysis of Operating Results

(Operating results in the fiscal year ended March 31, 2010)

The Japanese economy continued to face challenging circumstances in the fiscal year under review, evident in high unemployment rates and the moderate deflation that produced lower prices. Still, some signs of a recovery did emerge in corporate earnings and personal spending. We expect employment conditions to remain difficult for the time being, but we also believe that the economic recovery will continue, backed by improvements in overseas economies as well as in corporate earnings.

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

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

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

As a consequence, net sales amounted to ¥149,224 million (up ¥4,947 million, or 3.4% year on year), operating income was ¥16,129 million (down ¥9,114 million, or 36.1%), and ordinary income was ¥10,215 million (down ¥9,288 million, or 47.6%). Net income was ¥6,116 million (down ¥9,873 million, or 61.7%), reflecting the posting of a gain on sales of fixed assets of ¥17,628 million in extraordinary income and an increase in adjustments for taxes of ¥5,051 million due to a reversal of deferred tax assets.

The table below shows net sales by business segment in the fiscal year ended March 31, 2010. Net sales in each segment in the text include inter–segment internal revenues and transfers.

(Million yen)

| Business segment | Year ended March 31, 2009 | Year ended March 31, 2010 |
|---|---|---|
| Leasing | 99,928 | 98,092 |
| Residential property sales | 32,688 | 41,643 |
| Other | 16,624 | 14,553 |
| Eliminations | (4,963) | (5,064) |
| Total | 144,277 | 149,224 |

(Notes) 1. The numbers do not include consumption tax. Net sales of each segment include inter–segment internal revenues and transfers.
2. "Eliminations" refers to internal revenues and transfers duplicated in more than one segment.

1) Leasing Business

In the leasing business, net sales fell from the fiscal year ended March 31, 2009, as factors including a decline in rent income from existing properties and the adverse effect of the sale of properties in the previous fiscal year more than offset the increase in rent income from new properties completed in the fiscal year under review and from new properties acquired in the previous fiscal year. Operating income was also down, principally because of a rise in operating expenses, which mainly reflected the posting of expenses associated with the completion of new properties. As the average vacancy rate for office buildings in the market rose, the vacancy rate for office buildings owned by the Group in the five wards of central Tokyo was 6.5%, and the rate nationwide was 6.4% at the end of March 2010.

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

The Otemachi 1–chome Urban Area Redevelopment Project Type 1 (Chiyoda–ku, Tokyo) and Urbannet Kotodai Building (Sendai–shi, Miyagi) were completed in the fiscal year under review.

As a result of these activities, the leasing business recorded net sales of ¥98,092 million (down ¥1,835 million, or 1.8% year on year), operating expenses of ¥66,570 million (up ¥2,203 million, or 3.4%), and operating income of ¥31,521 million (down ¥4,038 million, or 11.4%).

The table below shows sales etc. by use of property in the leasing business. All figures are consolidated results. (Million yen)

| Classification | Item | Year ended March 31, 2009 | Year ended March 31, 2010 |
|---|---|---|---|
| Office/Retail | Sales | 91,927 | 90,758 |
| | Leasable area | 1,154,905 $m^2$ (Of the above, sub–leases: 21,374 $m^2$) | 1,138,997 $m^2$ (Of the above, sub–leases: 21,159 $m^2$) |
| Residential/Other | Sales | 8,000 | 7,333 |
| Total net sales | | 99,928 | 98,092 |

(Notes) 1. "Leasable area" figures are as of March 31 and are the leasable area of properties in Japan.
2. The leasable 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 vacancy rate by area.

| Classification | March 2009 | June 2009 | September 2009 | December 2009 | March 2010 |
|---|---|---|---|---|---|
| Central Tokyo (Tokyo 5 wards) | 2.8% | 4.8% | 4.9% | 5.5% | 6.5% |
| Nationwide | 3.1% | 4.4% | 5.0% | 4.8% | 6.4% |

(Notes) 1. The numbers above are vacancy rates as of the end of each month and represent the vacancy rate of properties in Japan.
2. Tokyo 5 wards are Chiyoda–ku, Chuo–ku, Minato–ku, Shibuya–ku, and Shinjuku–ku.

The Group emphasizes net operating income, or NOI (see Note), as an indicator for judging the value of properties for the leasing business.

The nationwide NOI for the fiscal year ended March 31, 2010 was ¥61,480 million (down ¥2,796 million, or 4.4% year on year). In central Tokyo, Tokyo (excluding central Tokyo) and in the urban areas surrounding Tokyo, NOI declined to ¥39,589 million (down ¥1,449 million, or 3.5%) with the completion of the JA Building and Keidanren Kaikan (Chiyoda–ku, Tokyo) in Otemachi 1–Chome Urban Area Redevelopment Project Type 1 more than offset by a decrease in sales from the existing buildings. NOI also fell in regional urban areas to ¥21,891 million (down ¥1,346 million, or 5.8%).

NOI for the Group's principal property holdings is as follows.

(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))

(i) NOI on Principal Buildings (Million yen)

| Building | Location | Primary Use | Year ended March 31, 2009 | Year ended March 31, 2010 |
|---|---|---|---|---|
| Urbannet Otemachi Building | Chiyoda, Tokyo | Office | 6,498 | 5,920 |
| Otemachi First Square | Chiyoda, Tokyo | Office | 4,994 | 4,403 |
| NTT Makuhari Building | Mihama, Chiba | Office | 2,349 | 2,309 |
| Granpark Tower | Minato, Tokyo | Office | 4,069 | 4,727 |
| Seavans N Building | Minato, Tokyo | Office | 3,182 | 3,052 |
| Tokyo Opera City | Shinjuku, Tokyo | Office | 1,862 | 1,704 |
| Urbannet Ikebukuro Building | Toshima, Tokyo | Office | 1,106 | 1,016 |
| Akihabara UDX | Chiyoda, Tokyo | Office | 7,874 | 7,722 |
| JA Building, Keidanren Kaikan | Chiyoda, Tokyo | Office | – | 1,113 |
| Urbannet Oroshimachi Building | Wakabayashi, Sendai | Office | 457 | 548 |
| Urbannet Itsutsubashi Building | Aoba, Sendai | Office | 233 | 240 |
| Urbannet CS Building | Naka, Nagoya | Office | 363 | 347 |
| Urbannet Shizuoka Building | Aoi, Shizuoka | Office | 338 | 305 |
| Urbannet Shizuoka Otemachi Building | Aoi, Shizuoka | Office | 423 | 390 |
| Urbannet Kaminagoya Building | Nishi, Nagoya | Office | 107 | 109 |
| Urbannet Fushimi Building | Naka, Nagoya | Office | 457 | 450 |
| Urbannet Nagoya Building | Higashi, Nagoya | Office | 2,464 | 2,275 |
| NTT Osaka Chuo Building | Chuo, Osaka | Office | 410 | 374 |
| Urban Ace Kitahama Building | Chuo, Osaka | Office | 427 | 435 |
| Urban Ace Higobashi Building | Nishi, Osaka | Office | 334 | 336 |
| Urban Ace Sannomiya Building | Chuo, Kobe | Office | 436 | 437 |
| Urban Ace Awaza Building | Nishi, Osaka | Office | 376 | 351 |
| Urbannet Honmachi Building | Chuo, Osaka | Office | 376 | 375 |
| Tradepia Yodoyabashi | Chuo, Osaka | Office | 327 | 849 |
| NTT Cred Motomachi Building | Naka, Hiroshima | Commercial | 3,785 | 3,287 |
| NTT Cred Hakushima Building | Naka, Hiroshima | Office | 806 | 816 |
| NTT Cred Okayama Building | Okayama, Okayama | Office | 467 | 316 |
| NTT–T Building | Chuo, Fukuoka | Commercial | 2,220 | 2,127 |
| NTT–KF Building | Chuo, Fukuoka | Office | 324 | 323 |
| Urbannet Hakata Building | Hakata, Fukuoka | Office | 295 | 280 |
| Emuzu Odori Building | Chuo, Sapporo | Office | 415 | 367 |
| Emuzu Minami 22–jo Building | Chuo, Sapporo | Office | 119 | 114 |
| Urbannet Sapporo Building | Chuo, Sapporo | Office | 771 | 745 |
| Other properties, subtotal | | | 15,595 | 13,302 |
| Total | | | 64,277 | 61,480 |

(Notes)
1. Akihabara UDX (Chiyoda, Tokyo) is a property owned by a consolidated subsidiary of the Company.
2. Tradepia Yodoyabashi (Chuo-ku, Osaka ) was acquired in November 2008.
3. JA Building and Keidanren Kaikan (Chiyoda, Tokyo) were completed in April 2009.

(ii) NOI by area and use (Million yen)

<table>
<tr><th rowspan="2">Area</th><th colspan="3">Year ended March 31, 2009</th><th colspan="3">Year ended March 31, 2010</th></tr>
<tr><th>Total</th><th>Office/Retail</th><th>Residential/Other</th><th>Total</th><th>Office/Retail</th><th>Residential/Other</th></tr>
<tr><td>Central Tokyo</td><td rowspan="2">41,038</td><td>32,983</td><td rowspan="2">2,002</td><td rowspan="2">39,589</td><td>31,955</td><td rowspan="2">1,806</td></tr>
<tr><td>Other area of Tokyo and urban areas surrounding Tokyo</td><td>6,052</td><td>5,827</td></tr>
<tr><td>Regional urban areas</td><td>23,238</td><td>19,173</td><td>4,065</td><td>21,891</td><td>18,370</td><td>3,520</td></tr>
<tr><td>Total</td><td>64,277</td><td>58,209</td><td>6,068</td><td>61,480</td><td>56,153</td><td>5,327</td></tr>
</table>

(Note) Area classifications are defined as follows:
- Central Tokyo means five wards of Tokyo: Chiyoda, Chuo, Minato, Shibuya, and Shinjuku.
- The other area of Tokyo and urban areas surrounding Tokyo are Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma, and Tochigi prefectures excluding central Tokyo.
- Regional urban areas are urban areas excluding the areas above.

2) Residential Property Sales Business

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

A total of 843 condominiums were delivered in the fiscal year ended March 31, 2010, including Wellith Meguro Ookayama (Meguro–ku, Tokyo) and Wellith Narashino Okubo (Narashino–shi, Chiba), which were completed in the fiscal year. In terms of detached houses, Wellith Court Honfujisawa (Fujisawa–shi, Kanagawa) was sold. With respect to building lot sales, Wellith Park Akuragawa (Yokkaichi–shi, Mie) was delivered.

An operating loss was recorded, primarily reflecting the posting of a loss on valuation of inventory of ¥12,732 million in cost of sales.

As a result, the Company posted net sales of ¥41,643 million (up ¥8,955 million, or 27.4% year on year), operating expenses of ¥52,142 million (up ¥13,435 million, or 34.7%), and an operating loss of ¥10,498 million (an operating loss of ¥6,018 million for the previous fiscal year).

The table below shows net sales in the residential property sales business by operation type and area. (Million yen / units)

| Classification | | | Year ended March 31, 2009 | | Year ended March 31, 2010 | |
|---|---|---|---|---|---|---|
| | | | Units/Lots | Sales | Units/Lots | Sales |
| Condominiums | | | | | | |
| | Units delivered | Tokyo region | 342 | 14,731 | 421 | 15,959 |
| | | Other regions | 221 | 10,114 | 422 | 14,718 |
| | Completed in inventories | | 335 | – | 267 | – |
| Building Lots | | | | | | |
| | Lots delivered | Tokyo region | – | 550 | 12 | 2,481 |
| | | Other regions | 387 | 7,291 | 242 | 6,559 |
| | Completed in inventories | | 91 | – | 42 | – |
| Residential (Condominiums/Building lots) | | | | | | |
| | Units/Lots delivered | Tokyo region | 342 | 15,281 | 433 | 18,441 |
| | | Other regions | 608 | 17,406 | 664 | 21,277 |
| | Completed in inventories | | 426 | – | 309 | – |
| Other | | | | | | |
| | Units/Lots delivered | Tokyo region | – | – | – | – |
| | | Other regions | – | – | 2 | 1,925 |
| | Completed in inventories | | – | – | – | – |
| Grand total (Sales) | | | – | 32,688 | – | 41,643 |

(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.
2. "Completed in inventories" figures are as of the end of each fiscal year. The condominiums completed in inventories for the fiscal year ended in March 2009 and the fiscal year ended in March 2010 include 39 units and 42 units, respectively, for which a contract has been completed but ownership has not yet been transferred. The building lots completed in inventories for the fiscal year ended in March 2009 and the fiscal year ended in March 2010 include 72 lots and 6 lots, respectively, for which a contract has been completed but ownership has not yet been transferred.
3. Sales from residential building lots delivered in the Tokyo region in the fiscal year ended March 2009 (¥550 million) were not included because the building lots were sold to project partners. Of the building lots delivered in other regions, one lot (worth ¥19 million) was delivered through a block sale of land. Of the building lots delivered in the fiscal year ended March 2010, 48 lots (collectively worth ¥5,521 million) were delivered through a block sale of land.
4. The Tokyo region includes Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.
5. "Other" in the fiscal year ended March 2010 is the sale of a condominium (apartment building).

3) Other Business

Net sales in other business were ¥14,553 million (down ¥2,071 million, or 12.5% year on year), operating expenses were ¥13,194 million (down ¥1,929 million, or 12.8%), and operating income was ¥1,358 million (down ¥141 million, or 9.4%).

(Results forecast for the fiscal year ending March 2011)

The Company expects to post net sales of ¥141.0 billion, operating income of ¥24.0 billion, ordinary income of ¥18.0 billion, and net income of ¥9.0 billion in the fiscal year ending March 31, 2011. The Company plans to invest about ¥45.0 billion in the acquisition and development of new properties and renovations.

The following is the outlook for each business segment in the fiscal year ending March 2011:

1) Leasing Business

Although corporate earnings continued to improve, the outlook for the rental office market is uncertain given the continuation of challenging circumstances, including high average vacancy ratios in office buildings and a likely decline in rents.

The Company will seek to bolster its sales force by enhancing its leasing system and stepping up activities for improving relations with tenants. Meanwhile, the Company will develop initiatives for enhancing asset management for improving the value of the assets that it owns and for increasing customer satisfaction.

The Company aims to consistently expand operations by developing land steadily that it has already acquired, using its development expertise.

2) Residential Property Sales Business

Although a recovery in the condominium sales market is awaited, based on the advancement of inventory adjustments and the effect of the government's economic policy, the market has yet to see a full-scale recovery.

The Company will continue aiming to improve profitability and to achieve early paybacks, while striving to establish the WELLITH brand as the preferred choice of customers by providing superior housing.

3) Other Business

The Group will seek to expand businesses, particularly the operations of consolidated subsidiaries, including the remodeling of offices at the request of tenants in relation to the leasing business.

On April 26, 2010, the Company decided to acquire a majority of the issued shares in Premier REIT Advisors Co., Ltd., the asset management firm of Premier Investment Corporation and acquire investment units in Premier Investment Corporation through a private placement. The Company will promote its real estate fund business by expanding assets under management through participation in REITs.

The consolidated financial results forecast for the fiscal year ending March 31, 2011 is as follows:

Consolidated Earnings Forecast (Million yen)

| Item | Year ended March 31, 2010 | Year ending March 31, 2011 | Change | Rate of change (%) |
|---|---|---|---|---|
| Net sales | 149,224 | 141,000 | (8,224) | (5.5) |
| Operating income | 16,129 | 24,000 | 7,870 | 48.8 |
| Ordinary income | 10,215 | 18,000 | 7,784 | 76.2 |
| Net income | 6,116 | 9,000 | 2,883 | 47.1 |

Consolidated Segment Forecast (Million yen)

| Item | Year ended March 31, 2010 | Year ending March 31, 2011 | Change | Rate of change (%) |
|---|---|---|---|---|
| Net sales | 149,224 | 141,000 | (8,224) | (5.5) |
| Leasing | 98,092 | 92,700 | (5,392) | (5.5) |
| Residential property sales | 41,643 | 38,700 | (2,943) | (7.1) |
| Other | 14,553 | 15,000 | 446 | 3.1 |
| Eliminations | (5,064) | (5,400) | (335) | – |
| Operating income | 16,129 | 24,000 | 7,870 | 48.8 |
| Leasing | 31,521 | 29,100 | (2,421) | (7.7) |
| Residential property sales | (10,498) | 500 | 10,998 | – |
| Other | 1,358 | 1,100 | (258) | (19.0) |
| Eliminations/Corporate | (6,252) | (6,700) | (447) | – |

(Note) Forward–looking statements in this section are based on judgments of the Group as of the time they are made.

(2) Analysis of Financial Position

1) Consolidated Balance Sheet

Assets and liabilities at the end of the fiscal year ended March 31, 2010 fell from the end of the previous fiscal year, and net assets rose.

(Assets)

Total assets were ¥916,725 million (down ¥19,925 million year on year).

Current assets were ¥125,200 million (down ¥23,247 million), primarily reflecting a fall of ¥46,237 million in inventories, an increase of ¥11,169 million in deposits paid, and a rise of ¥9,235 million in notes and accounts receivable, trade.

Fixed assets were ¥791,525 million (up ¥3,322 million). Principal factors included an increase of ¥17,077 million in land, a rise of ¥2,500 million in investments and other assets, a decline of ¥13,706 million in buildings and structures (net), and a decrease of ¥2,734 million in construction in progress.

(Liabilities)

Total liabilities were ¥731,187 million (down ¥21,869 million year on year).

Current liabilities were ¥84,973 million (down ¥31,798 million). Major factors included a fall of ¥25,798 million in short-term borrowings and a decline of ¥4,995 million in commercial paper.

Long-term liabilities were ¥646,213 million (up ¥9,928 million). The main factors included a rise of ¥10,450 million in deferred tax liabilities, an increase of ¥8,133 million in corporate bonds, a decrease of ¥5,422 million in deposits from tenants, a fall of ¥1,839 million in long-term debt.

Interest-bearing debt at the end of the fiscal year under review was ¥496,682 million (down ¥24,388 million year on year).

(Net assets)

Net assets were ¥185,537 million (up ¥1,944 million year on year), primarily reflecting net income of ¥6,116 million and dividend payments of ¥3,949 million.

(Million yen)

| | End of fiscal year ended March 31, 2009 | End of fiscal year ended March 31, 2010 | Change |
|---|---|---|---|
| Assets | 936,650 | 916,725 | (19,925) |
| Liabilities | 753,056 | 731,187 | (21,869) |
| Net assets | 183,593 | 185,537 | 1,944 |
| Minority interests | 35,443 | 35,305 | (138) |

2) Consolidated Cash Flows

Cash and cash equivalents (hereinafter "cash") at the end of March 2010 increased ¥11,816 million from the end of March 2009, to ¥20,508 million. Free cash flows at the end of March 2010 were up ¥111,352 million from the end of March 2009, to ¥41,863 million.

(Note) The calculating formula of the free cash flow is as follows:
Free cash flow = Cash flow from operating activities + Cash flow from investing activities

The following is the situation and factors for each category of cash flow for the fiscal year ended March 31, 2010:

(Cash flows from operating activities)

Cash provided by operating activities was ¥35,168 million (up ¥47,259 million year on year). Decreases in cash, including an increase in notes and accounts receivable, trade of ¥9,235 million, interest paid of ¥8,222 million, and a decrease in deposits from tenants of ¥5,547 million, and a gain on sales of fixed assets of ¥17,628 million as a result of an asset reshuffle were more than offset by increases in cash, including income before income taxes and minority interests of ¥21,819 million, a decrease in inventories of ¥25,211 million, and depreciation and amortization of ¥25,520 million.

(Cash flows from investing activities)

Cash provided by investing activities was ¥6,695 million (up ¥64,093 million year on year). Decreases in cash, including purchases of property and equipment of ¥22,231 million, were more than offset by increases such as proceeds from the sale of property and equipment of ¥30,667 million.

(Cash flows from financing activities)

Cash used in financing activities was ¥30,028 million (down ¥93,107 million year on year). Increases in cash, including proceeds from long-term borrowings of ¥42,500 million and proceeds from the issuing of bonds of ¥10,966 million, were more than offset by decreases in cash, including repayments of long-term borrowings of ¥41,979 million, a net decrease in short-term borrowings of ¥25,798 million, redemption of bonds of ¥5,111 million, and cash dividends paid of ¥3,949 million.

(Million yen)

| Item | Year ended March 31, 2006 | Year ended March 31, 2007 | Year ended March 31, 2008 | Year ended March 31, 2009 | Year ended March 31, 2010 |
|---|---|---|---|---|---|
| Cash flows from operating activities | 22,243 | (5,076) | 5,700 | (12,091) | 35,168 |
| Cash flows from investing activities | (45,157) | (32,995) | (77,893) | (57,397) | 6,695 |
| Cash flows from financing activities | 32,214 | 20,823 | 85,038 | 63,079 | (30,028) |

3) Trends in cash flow–related data

| Item | Year ended March 31, 2006 | Year ended March 31, 2007 | Year ended March 31, 2008 | Year ended March 31, 2009 | Year ended March 31, 2010 |
|---|---|---|---|---|---|
| Equity ratio (%) | 21.3 | 21.5 | 15.1 | 15.8 | 16.4 |
| Value–based equity ratio (%) | 123.5 | 156.1 | 52.3 | 27.7 | 28.4 |
| Debt redemption years | 12.0 | – | 79.3 | – | 14.1 |
| Interest coverage ratio (times) | 6.9 | – | 1.2 | – | 4.3 |

Equity ratio: Shareholders' equity / Total assets
Value–based equity ratio: Market capitalization / Total assets
Debt redemption years: Interest–bearing debt / Cash flows from operating activities
Interest coverage ratio: Cash flows from operating activities / Interest payments

* All of the above are consolidated financial data.
* Interest–bearing debt denotes liabilities bearing interest (excluding lease liabilities) of the liabilities posted on the consolidated balance sheets.
* Cash flows from operating activities and interest payments are cash flows from operating activities and interest paid posted on the Consolidated Statements of Cash Flows, respectively.
* The debt redemption years and interest coverage ratio as of March 31, 2007 and March 31, 2009 are omitted because cash flows from operating activities for the fiscal year were negative.

(3) Basic Dividend Policy and Dividends for Fiscal Years Ended March 2010 and Ending March 2011

NTT Urban Development's basic policy on the distribution of profits is to maintain adequate internal reserves to contribute to ongoing growth in corporate value and to strengthen its ability to provide a stable and long–term profit return to shareholders by taking a long–term perspective on its business operations in the real estate industry. Internal reserves are primarily used to invest in quality properties for future development, with the objective of further raising corporate value.

Under this basic policy, the Company plans to pay an annual dividend per share of ¥1,200 for the fiscal year ended March 2010 and an annual dividend of the same amount for the fiscal year ending March 2011.

The Company plans to pay dividends twice a year, a year–end dividend and an interim dividend.

(4) Operating Risks

The following principal categories of business risks and other risks 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.

[General Risk]

i) Leasing Business Risk

In the fiscal year ended March 31, 2010, the leasing business accounted for 63.6% of consolidated net sales. 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 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" 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 fixed assets and depreciation in the value of these assets from changes in economic conditions could produce a revaluation loss that might impact the Group's business performance.

iv) Effects of Interest–Bearing Debt

As of March 31, 2010, consolidated interest–bearing debt totaled ¥496,682 million, the majority of which was procured at fixed rates of interest. A significant rise in the market interest rates could, therefore, affect the business development of the Group.

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

| Item | As of March 31, 2009 | As of March 31, 2010 |
|---|---:|---:|
| Total assets (Million yen) | 936,650 | 916,725 |
| Interest–bearing debt (Million yen) | 521,070 | 496,682 |
| Interest–bearing debt / Total assets (%) | 55.6 | 54.2 |
| Net sales (Million yen) | 144,277 | 149,224 |
| Interest expense (Million yen) | 7,780 | 8,267 |
| Interest expense / Net sales (%) | 5.4 | 5.5 |

v) Risks in Cash Flows from Operating Activities

Cash flows from operating activities are subject to fluctuations associated with purchases of land in the residential property sales business.

In the year ended March 31, 2010, net cash provided by operating activities was ¥35,168 million, a rise of ¥47,259 million from the previous fiscal year. The principal factors included a decrease in inventory assets. The increase in inventory assets and other factors create the potential for an outflow of cash flows from operating activities.

vi) Risks Concerning Establishment of and Revisions to Real Estate–Related and Other Laws and Regulations

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

vii) Risks Concerning Business Partner Credit

The Company makes every effort to verify the credit standing of its business partners before entering into business relations. However, if unforeseen events lower a business partner's credit and the Company is unable to collect debts owed to the Company, an economic loss could result that could impact the Group's business performance.

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

[Business Risk]

i) Risks Concerning Development Project Investment Decisions

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

ii) Risks Concerning Sales Transaction and Construction Contracts

Inadequate contract documents, flawed contract stipulations, or other deficiencies in sales transaction and construction agreements could produce an economic loss or liability for damages, or compromise society's trust in the Company in a way that could affect the Company's business performance. The Group seeks to prevent and avoid risks by checking contracts in advance, using contract check sheets.

iii) Risks Concerning Damage to and Deterioration of Buildings in Building Management Operations

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

iv) Risks Concerning the Handling of Large–Scale Disasters in Building Management Operations

Major earthquakes, floods or other natural disasters, or fires, accidents, or terrorist attacks could cause damage to, the loss of, or the deterioration of buildings the Group holds for leasing, which in turn could affect the Group's business performance. The Group has developed a business continuity plan (BCP) designed to protect against the spread of damage from possible large–scale disasters such as the above and to minimize any economic loss from them, identifying types of disasters and considering the effects of the disasters on tenants and the management of buildings, emergency communication systems, and emergency action in accordance with each type of disaster.

[Relationships with NTT and Its Group Companies]

i) Position of NTT Urban Development in Corporate Group Including Parent Company

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

NTT owns 67.3% of the stock of the Company as of March 31, 2010 and holds rights as the majority shareholder of the Company under the Corporate Law.

ii) Business Relations with Parent Company

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

The Company has concluded a building lease agreement with the NTT Group and receives rent income from the Group. The Company determines rental prices for the NTT Group through mutual consultation, based on essentially the same conditions as those for general customers, considering market prices and prices for neighboring properties. The Company acquires land, primarily land for the property sales business, from the NTT Group. Both parties determine acquisition prices through consultation, taking profitability into consideration, as in the acquisition of land from the general market.

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

(Transactions with the NTT Group in the Leasing Business (non–consolidated))

| Item | Year ended March 31, 2009 | Year ended March 31, 2010 |
|---|---|---|
| Net sales in Leasing Business (Million yen) | 91,744 | 90,573 |
| Net sales from NTT Group (Million yen) | 30,186 | 31,191 |
| Net sales from NTT Group / Total net sales (%) | 32.9 | 34.4 |

iii) Personnel Relationship with NTT Group

The Company accepts employees from other NTT Group companies not as employees on loan but as employees who have been transferred. The Company had an outside director and an outside corporate auditor from NTT as of the date of the 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)

| Title | Name | Title in parent company or its group companies | Reason for appointment |
|---|---|---|---|
| Senior director | Isao Yamauchi | Senior Manager, General Affairs Department of Nippon Telegraph and Telephone Corporation | The Company appointed Mr. Yamauchi and Mr. Tagawa to gain access to broad management perspectives. |
| Corporate auditor | Hisakazu Tagawa | Senior Manager, Internal Control Office of General Affairs Department of Nippon Telegraph and Telephone Corporation | |

(Note) 1. Of the 15 directors and four corporate auditors, only the two above hold a concurrent position at the parent company.

iv) Independence from the parent company

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

## 2. Situation of the Corporate Group

The NTT Urban Development Group (NTT Urban Development and its affiliates) consists of 11 consolidated subsidiaries and six equity–method affiliates. The main businesses of the Group are the Leasing Business and the Residential Property Sales Business. The Group also engages in other businesses, including the management of office buildings, which are categorized as the Other Business. NTT Urban Development is a company that engages in the real estate business nationwide in a corporate group whose parent company is Nippon Telegraph and Telephone Corporation ("NTT") which primarily engages in regional, long–distance, and international communications, mobile communications, and data communications.

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

(1) Leasing Business

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

a. Office buildings

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

b. Commercial facilities

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

c. Rental housing

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

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

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

(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 building lots and other residential properties in accordance with the locational conditions of the land lots that it acquires.

(3) Other Business

In relation to the Leasing Business, the Group manages office buildings, provides heating and cooling services to office buildings, office remodeling at the request of tenants, and operates restaurants catering to tenants of office buildings.

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

NTT Urban Development West BS remodels rental buildings at the request of tenants in western Japan. It also engages in property management operations.

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

Otemachi First Square manages the Otemachi First Square Building that the Company owns.

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

DN Food and Knox Twenty–One manage food and beverage facilities.

[Group Organization Chart]

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

## NTT Urban Development Group

◎ NTT Urban Development Hokkaido BS Co.
Remodeling, property management operations including the management and operation of buildings owned by NTT Urban Development in Hokkaido area and management of parking lots

◎ NTT Urban Development Builservice Co.
Design, construction, remodeling, property management operations including the management and operation of buildings owned by NTT Urban Development in the greater Tokyo metropolitan area

◎ NTT Urban Development West BS Co.
Design, construction, remodeling, property management operations including the management and operation of buildings owned by NTT Urban Development in western Japan area

◎ Otemachi First Square Inc.
Management of Otemachi First Square

◎ Motomachi Parking Access Co., Ltd.
Maintenance of underground passages in Hiroshima's Motomachi area

□ Tokyo Opera City Building Co., Ltd.
Management of Tokyo Opera City Building

◎ Knox Twenty-One Co., Ltd.
Operation of NTT Group's convention facilities

◎ DN Food Co., Ltd.
Operation of restaurants catering to tenants of buildings owned by NTT Urban Development

### NTT Urban Development Co.

□ DHC Tokyo Co., Ltd.
District heating and cooling services for Granpark Tower

□ Tokyo Opera City Heat Supply Co., Ltd.
District heating and cooling services for Tokyo Opera City

◎ UDX Tokutei Mokuteki Kaisha
Development and ownership of Akihabara UDX

□ Crossfield Management Corporation
Development and management of Akihabara Crossfield (IT Center of it)

◎ UD EUROPE LIMITED
Investment in and management of real estate in the UK

□ MOUNT STREET ADVISERS LIMITED
Advice on the management of real estate holdings

◎ :Consolidated subsidiaries
□ :Equity-method affiliates

* Other Group companies
Two consolidated subsidiaries
One equity-method affiliate

Affiliated Companies

Parent Compnay (As of March 31, 2010)

| Name | Address | Capitalization (million yen) | Main business | Voting rights ownership percentage | Relationship |
|---|---|---|---|---|---|
| Nippon Telegraph and Telephone Corporation | Chiyoda–ku, Tokyo | 937,950 | Basic research and development, the management of the Group | (Owned) 67.3 | Transactions relating to the management of the Group and the leasing of properties NTT Urban Development owns Concurrent officers: – |

Consolidated Subsidiaries

| Name | Address | Capitalization (million yen) | Main business | Voting rights ownership percentage | Relationship |
|---|---|---|---|---|---|
| NTT Urban Development Hokkaido BS Co. | Chuo–ku, Sapporo–shi | 50 | Leasing Others | (Owning) 100.0 | Maintenance and management of buildings and condominiums and management of parking lots in Hokkaido area Concurrent officers: 2 |
| Otemachi First Square Inc. | Chiyoda–ku, Tokyo | 50 | Others | 56.5 | Management of Otemachi First Square Concurrent officers: 1 |
| NTT Urban Development Builservice Co. | Chiyoda–ku, Tokyo | 300 | Others | 100.0 | Design, construction, remodeling, property management operations including the management and operation of buildings owned by NTT Urban Development in the greater Tokyo metropolitan area Concurrent officers: 3 |
| Knox Twenty–One Co., Ltd. | Minato–ku, Tokyo | 24 | Others | 100.0 | Operation of NTT Group's convention facilities Concurrent officers: 2 |
| DN Food Co., Ltd. | Chiyoda–ku, Tokyo | 40 | Others | 100.0 | Operation of restaurants catering to tenants of buildings owned by NTT Urban Development Concurrent officers: 3 |
| NTT Urban Development West BS Co. | Chuo–ku, Osaka–shi | 100 | Others | 100.0 | Design, construction, remodeling, property management operations including the management and operation of buildings owned by NTT Urban Development in Western Japan area Concurrent officers: 2 |
| Motomachi Parking Access Co., Ltd. | Naka–ku, Hiroshima–shi | 60 | Others | 58.3 | Maintenance of underground passages in Hiroshima's Motomachi area Concurrent officers: 3 |
| UDX Tokutei Mokuteki Kaisha | Chuo–ku, Tokyo | 14,100 | Leasing | 66.0 | Development and ownership of Akihabara UDX Interlocking officers: – |
| UD Fund III Tokutei Mokuteki Kaisha | Chuo–ku, Tokyo | 350 | Residential Property Sales | 100.0 | Development of 1–19–2 Masui–Shinmachi, Himeji, and two other land lots Concurrent officers: – |
| Nagasaki Shintomachi New Town Development Tokutei Mokuteki Kaisha | Minato–ku, Tokyo | 429 | Residential Property Sales | 46.6 | Development of Nagasaki Shintomachi New Town Concurrent officers: – |
| UD EUROPE LIMITED | London, UK | (sterling pounds) 10,000,000 | Leasing | 100.0 | Investment in and management of real estate in the UK Concurrent officers: 1 |

Equity–Method Affiliates

| Name | Address | Capitalization (million yen) | Main business | Voting rights ownership percentage | Relationship |
|---|---|---|---|---|---|
| Tokyo Opera City Building Co., Ltd. | Shinjuku–ku, Tokyo | 20 | Others | (Owning) 23.7 | Management of Tokyo Opera City<br>Concurrent officers: 1 |
| DHC Tokyo Co., Ltd. | Minato–ku, Tokyo | 200 | Others | 50.0 | District heating and cooling services for Granpark Tower<br>Concurrent officers: 2 |
| Tokyo Opera City Heat Supply Co., Ltd. | Shinjuku–ku, Tokyo | 980 | Others | 36.2 | District heating and cooling services for Tokyo Opera City<br>Interlocking officers: 1 |
| Crossfield Management Corporation | Chiyoda–ku, Tokyo | 10 | Others | 38.0 | Development and management of Akihabara Crossfield (IT Center of it)<br>Concurrentofficers: 1 |
| Harumi Yonchome City Planning Design Co. | Chuo–ku, Tokyo | 18 | Others | 36.1 | Investigation and planning relating to the development of the Harumi 4–chome area<br>Concurrent officers: 1 |
| MOUNT STREET ADVISERS LIMITED | London, UK | (sterling pounds) 1,000 | Others | 30.0 | Advice on the management of real estate holdings<br>Concurrent officers: 1 |

(Note) 1. In the main business column for the consolidated subsidiaries and equity–method affiliates, the names of business segments are provided.
2. UDX Tokutei Mokuteki Kaisha is a specified subsidiary.
3. UD Fund II Tokutei Mokuteki Kaisha, which had been a consolidated subsidiary, ceased to be a consolidated subsidiary at the end of the fiscal year ended March 31, 2010 following the completion of liquidation.
4. UD-4 Tokumei Kumiai, which had been a consolidated subsidiary, ceased to be a consolidated subsidiary at the end of the fiscal year ended March 31, 2010 through refunds of investments in the limited partnership.

## 3. Management Policy

(1) Basic Management Policy

Since it was established in January 1986, the NTT Urban Development Group, the core company in the real estate development business of the NTT Group, has focused on urban development in cities in Japan, especially in the Otemachi area of Tokyo. This focus has enabled consistent growth. The ultimate goal of the Group is to continue to create relaxing environments that effectively balance people, living spaces, and the environment. under its corporate slogan, “We create harmony.” In other words, we believe that we can create environments that offer comfortable living over the long term, through a harmony among creative people, stimulating, energizing living environments, and comfortable, fulfilling lifestyles. We also believe that we can achieve harmony by combining the high–quality structures and advanced technologies of the Group, and through our unshakeable commitment to functionality, convenience, and safety as the key components of comfortable living. Consistently offering comfortable living environments creates customer trust and, as a result, improves our corporate value.

(2) Medium– to Long–Term Management Strategies, Financial Targets, and Challenges to Address

The NTT Urban Development Group has sought to achieve sustainable growth, implementing an action plan included in business strategies based on its medium-term management plan for three years from FY2008 to FY2010.

However, Although FY2010 is the final year of the existing medium-term management plan with the business environment surrounding the Group still uncertain as a result of this particularly severe business downturn, the Group has developed a new medium-term management plan for the three years starting FY2010 to respond promptly to changes in the external environment.

1) Medium-term management plan

To achieve stable profits in challenging circumstances and cultivate growth possibilities, we will do the following:

(i) Restructure the business base

(ii) Pursue growth in consideration of financial soundness.

2) Initiatives

(i) Restructuring the business base

● Building a strong revenue base in the leasing business

- Improve the profitability of existing properties.
- Promote investment using our development expertise.

● Generate stable profits in the residential property sales business

- Establish the WELLITH brand.
- Enhance profitability.

(ii) Pursuing growth in consolidated of financial soundness

● Applying the expertise developed in core businesses to new fields

- The development and sale of the property business, real-estate fund business, commercial business, international business, and solutions business

● Establishing a management platform for growth

- Enhance corporate governance; promote CSR
- Bolster management resources
- Ensure shareholder-oriented management

3) Financial targets for FY2012

Operating income: 26.0 billion yen (Operating income in FY2009: 16.1 billion yen)

Net debt-to-equity ratio*: The 2.3 times level (Ratio in FY2009: 2.55 times)

*Net debt-to-equity ratio = (Interest-bearing debt – cash and cash equivalents – time deposits whose deposit terms exceed three months) / Net assets

Forward-looking statements and results forecasts included in this document and its attachments are analyses and judgments based on information available as of the date of the announcement. Actual results may differ materially from forecasts due to factors including changes in the business environment.

# 4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

| | Year ended March 31, 2009 (As of March 31, 2009) | Year ended March 31, 2010 (As of March 31, 2010) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and bank deposits | *2 8,954 | *2 9,601 |
| Notes and accounts receivable, trade | *2 5,167 | *2 14,403 |
| Property for sale | 11,133 | 11,767 |
| Property for sale in progress | *2, *4, *5 116,527 | *2, *4 69,622 |
| Uncompleted construction expenditure | 109 | 150 |
| Merchandise and finished goods | 0 | – |
| Raw materials and supplies | 60 | 52 |
| Lease investment assets | 488 | 1,799 |
| Deposits paid | – | 12,029 |
| Deferred tax assets | 1,411 | 1,507 |
| Other current assets | *2 *6 4,596 | *2, *5 4,272 |
| Less allowance for doubtful receivables | (1) | (6) |
| Total current assets | 148,447 | 125,200 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings and structures | *2 682,795 | *2 672,971 |
| Accumulated depreciation | (332,027) | (335,910) |
| Buildings and structures (net) | 350,767 | 337,061 |
| Machinery and vehicles | 13,731 | 13,480 |
| Accumulated depreciation | (11,116) | (11,062) |
| Machinery and vehicles (net) | 2,614 | 2,418 |
| Land | *2, *4, *5 378,620 | *2, *4 395,698 |
| Leased assets | 838 | 683 |
| Accumulated depreciation | (597) | (523) |
| Leased assets (net) | 241 | 160 |
| Construction in progress | 9,359 | 6,624 |
| Other fixed assets | *2 13,602 | *2 13,997 |
| Accumulated depreciation | (10,079) | (10,090) |
| Other fixed assets (net) | 3,523 | 3,907 |
| Total property, plant and equipment | 745,127 | 745,870 |
| Intangible assets | *2 3,338 | *2 3,416 |
| Investments and other assets | | |
| Investment securities | *1 16,391 | *1 17,535 |
| Long–term prepaid expenses | *2 18,920 | *2 18,410 |
| Deferred tax assets | 50 | 332 |
| Other assets | 4,379 | 5,961 |
| Less allowance for doubtful receivables | (3) | (0) |
| Total investments and other assets | 39,737 | 42,238 |
| Total fixed assets | 788,202 | 791,525 |
| Total assets | 936,650 | 916,725 |

(Million yen)

| | Year ended March 31, 2009 (As of March 31, 2009) | Year ended March 31, 2010 (As of March 31, 2010) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable, trade | 9,052 | 6,287 |
| Short–term borrowings | 25,798 | – |
| Lease liabilities | 179 | 130 |
| Current portion of long–term debt (payment within one year) | *2 41,979 | *2 44,339 |
| Corporate bonds (must redeem within one year) | *2 5,109 | *2 2,861 |
| Commercial paper | 9,994 | 4,999 |
| Accrued income taxes | 611 | 607 |
| Provision for loss on warranty | 143 | 553 |
| Other current liabilities | 23,902 | 25,194 |
| Total current liabilities | 116,772 | 84,973 |
| Long–term liabilities | | |
| Corporate bonds | *2 107,185 | *2 115,318 |
| Long–term debt | *2 331,003 | *2 329,163 |
| Financial lease obligations | 257 | 157 |
| Deposits from tenants | 97,857 | 92,434 |
| Negative goodwill | *3 34,032 | *3 32,234 |
| Deferred tax liabilities | 60,403 | 70,854 |
| Accrued employees' retirement benefits | 5,255 | 5,734 |
| Accrued directors' and corporate auditors' retirement benefits | 67 | 88 |
| Provision for loss on warranty | 60 | 60 |
| Other long–term liabilities | 160 | 166 |
| Total long–term liabilities | 636,284 | 646,213 |
| Total liabilities | 753,056 | 731,187 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 48,760 | 48,760 |
| Capital surplus | 34,109 | 34,109 |
| Retained earnings | 65,103 | 67,270 |
| Total shareholders' equity | 147,973 | 150,140 |
| Accumulated gains from revaluation and translation adjustments | | |
| Unrealized gain on securities | 176 | 113 |
| Foreign currency translation adjustment | – | (21) |
| Total valuation and translation adjustments | 176 | 91 |
| Minority interests | 35,443 | 35,305 |
| Total net assets | 183,593 | 185,537 |
| Total liabilities and net assets | 936,650 | 916,725 |

(2) Consolidated Statements of Income

(Million yen)

| | Year ended March 31, 2009 (From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010 (From April 1, 2009 to March 31, 2010) |
|---|---|---|
| Net sales | 144,277 | 149,224 |
| Cost of sales | *6 104,259 | *6 115,823 |
| Gross profit | 40,017 | 33,401 |
| Selling, general and administrative expenses | *1 14,773 | *1 17,271 |
| Operating income | 25,244 | 16,129 |
| Non–operating income | | |
| Interest income | 83 | 68 |
| Dividend income | 46 | 27 |
| Contributions | 92 | 3 |
| Gains from donated fixed assets | 33 | 4 |
| Amortization of negative goodwill | 1,926 | 1,926 |
| Equity in earnings of affiliates | 66 | 109 |
| Other | 124 | 424 |
| Total non–operating income | 2,373 | 2,564 |
| Non–operating expense | | |
| Interest expense | 7,780 | 8,267 |
| Other | 332 | 210 |
| Total non–operating expenses | 8,113 | 8,477 |
| Ordinary income | 19,504 | 10,215 |
| Extraordinary income | | |
| Gain on sales of fixed assets | *2 12,037 | *2 17,628 |
| Other | 0 | – |
| Total extraordinary income | 12,037 | 17,628 |
| Extraordinary losses | | |
| Loss on sales of fixed assets | *3 1,136 | *3 1,377 |
| Loss on disposals of fixed assets | *4 1,892 | *4 1,389 |
| Impairment loss | *5 457 | *5 3,086 |
| Extraordinary depreciation of fixed assets | 479 | – |
| Other | 181 | 171 |
| Total extraordinary losses | 4,147 | 6,025 |
| Income before income taxes and minority interests | 27,393 | 21,819 |
| Taxes | 6,547 | 4,247 |
| Adjustments for taxes | 3,208 | 10,119 |
| Total corporate income taxes | 9,755 | 14,367 |
| Minority interests | 1,648 | 1,335 |
| Net income | 15,989 | 6,116 |

(3) Consolidated Statements of Changes in Net Assets (Million yen)

| | Year ended March 31, 2009 (From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010 (From April 1, 2009 to March 31, 2010) |
|---|---|---|
| Shareholders’ equity | | |
| Common stock | | |
| Balance at end of previous fiscal year | 48,760 | 48,760 |
| Change during the fiscal year | | |
| Total change during the fiscal year | – | – |
| Balance at end of the fiscal year | 48,760 | 48,760 |
| Capital surplus | | |
| Balance at end of previous fiscal year | 34,109 | 34,109 |
| Change during the fiscal year | | |
| Total change during the fiscal year | – | – |
| Balance at end of the fiscal year | 34,109 | 34,109 |
| Retained earnings | | |
| Balance at end of previous fiscal year | 53,392 | 65,103 |
| Change during the fiscal year | | |
| Dividends paid | (2,303) | (1,974) |
| Interim dividends paid | (1,974) | (1,974) |
| Net income | 15,989 | 6,116 |
| Total change during the fiscal year | 11,711 | 2,167 |
| Balance at end of the fiscal year | 65,103 | 67,270 |
| Total shareholders’ equity | | |
| Balance at end of previous fiscal year | 136,262 | 147,973 |
| Change during the fiscal year | | |
| Dividends paid | (2,303) | (1,974) |
| Interim dividends paid | (1,974) | (1,974) |
| Net income | 15,989 | 6,116 |
| Total change during the fiscal year | 11,711 | 2,167 |
| Balance at end of the fiscal year | 147,973 | 150,140 |
| Valuation and translation adjustments | | |
| Unrealized gain on securities | | |
| Balance at end of previous fiscal year | 133 | 176 |
| Change during the fiscal year | | |
| Changes in items other than shareholders’ equity during the fiscal year (net) | 43 | (63) |
| Total change during the fiscal year | 43 | (63) |
| Balance at end of the fiscal year | 176 | 113 |
| Foreign currency translation adjustment | | |
| Balance at end of previous fiscal year | – | – |
| Change during the fiscal year | | |
| Changes in items other than shareholders’ equity during the fiscal year (net) | – | (21) |
| Total change during the fiscal year | – | (21) |
| Balance at end of the fiscal year | – | (21) |

(Million yen)

| | Year ended March 31, 2009 (From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010 (From April 1, 2009 to March 31, 2010) |
|---|---|---|
| Total valuation and translation adjustments | | |
| Balance at end of previous fiscal year | 133 | 176 |
| Change during the fiscal year | | |
| Changes in items other than shareholders' equity during the fiscal year (net) | 43 | (84) |
| Total change during the fiscal year | 43 | (84) |
| Balance at end of the fiscal year | 176 | 91 |
| Minority interests in consolidated subsidiaries | | |
| Balance at end of previous fiscal year | 41,573 | 35,443 |
| Change during the fiscal year | | |
| Change in minority interests due to an increase in number of consolidated subsidiaries | 229 | – |
| Decrease in minority interests due to additional purchases of preferred equity securities | (6,213) | – |
| Changes in items other than shareholders' equity during the fiscal year (net) | (145) | (138) |
| Total change during the fiscal year | (6,129) | (138) |
| Balance at end of the fiscal year | 35,443 | 35,305 |
| Total net assets | | |
| Balance at end of previous fiscal year | 177,969 | 183,593 |
| Change during the fiscal year | | |
| Dividends paid | (2,303) | (1,974) |
| Interim dividends paid | (1,974) | (1,974) |
| Net income | 15,989 | 6,116 |
| Change in minority interests due to an increase in number of consolidated subsidiaries | 229 | – |
| Decrease in minority interests due to additional purchases of preferred equity securities | (6,213) | – |
| Changes in items other than shareholders' equity during the fiscal year (net) | (102) | (223) |
| Total change during the fiscal year | 5,624 | 1,944 |
| Balance at end of the fiscal year | 183,593 | 185,537 |

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

| | Year ended March 31, 2009 (From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010 (From April 1, 2009 to March 31, 2010) |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes and minority interests | 27,393 | 21,819 |
| Depreciation and amortization | 25,762 | 25,520 |
| Amortization of negative goodwill | (1,926) | (1,926) |
| Impairment loss | 457 | 3,086 |
| Amortization of goodwill | – | 128 |
| Increase (decrease) in allowance for doubtful receivables | (0) | 2 |
| Increase (decrease) in accrued employees' retirement benefits | 271 | 478 |
| Interest and dividends income | (129) | (95) |
| Interest expense | 7,780 | 8,267 |
| Equity in earnings of affiliates | (66) | (109) |
| Gain on sales of property and equipment | (12,037) | (17,628) |
| Loss on disposal of property and equipment | 1,892 | 1,389 |
| Loss on sales of property and equipment | 1,136 | 1,377 |
| Decrease (increase) in lease investment assets | (488) | (1,311) |
| Decrease (increase) in notes and accounts receivable, trade | 842 | (9,235) |
| Decrease (increase) in inventories | (12,822) | 25,211 |
| Increase (decrease) in notes and accounts payable, trade | (19,086) | (2,664) |
| Increase (decrease) in deposits from tenants | (8,586) | (5,547) |
| Other | (1,526) | (1,236) |
| Sub–total | 8,864 | 47,525 |
| Interest and dividends received | 166 | 124 |
| Interest paid | (7,758) | (8,222) |
| Income taxes paid | (13,363) | (4,258) |
| Net cash provided/used by operating activities | (12,091) | 35,168 |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (66,225) | (22,231) |
| Proceeds from sales of property and equipment | 19,629 | 30,667 |
| Purchases of investment securities | (952) | (1,023) |
| Proceeds from sales of investment securities | – | 537 |
| Additional purchases of preferred equity securities | (8,784) | – |
| Other | (1,064) | (1,254) |
| Net cash used in investing activities | (57,397) | 6,695 |
| Cash flows from financing activities | | |
| Net increase (decrease) in short–term borrowings | 25,798 | (25,798) |
| Net increase (decrease) in commercial paper | (5) | (4,995) |
| Proceeds from long–term borrowings | 76,500 | 42,500 |
| Repayments of long–term borrowings | (45,190) | (41,979) |
| Proceeds from issuance of corporate bonds | 23,664 | 10,966 |
| Payment of redemption of bonds | (11,611) | (5,111) |
| Payments of other long–term accounts payable | (21) | – |
| Cash dividends paid | (4,278) | (3,949) |
| Cash dividends paid to minority shareholders | (1,794) | (1,473) |
| Other | 18 | (186) |
| Net cash provided by financing activities | 63,079 | (30,028) |
| Valuation and translation adjustment on cash and cash equivalents | – | (19) |
| Net increase (decrease) in cash and cash equivalents | (6,409) | 11,816 |
| Cash and cash equivalents at the beginning of the year | *1 15,101 | *1 8,691 |
| Cash and cash equivalents at the end of the year | *1 8,691 | *1 20,508 |

Phenomena or situations raising significant questions about the premise of a going concern

Not applicable.

Important Items Used as Basic Materials for Preparation of Consolidated Financial Statements

| Item | Year ended March 31, 2009<br>(From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010<br>(From April 1, 2009 to March 31, 2010) |
|---|---|---|
| 1. Scope of consolidation | Number of consolidated subsidiaries: 12<br>All subsidiaries are consolidated.<br>Consolidated subsidiaries:<br>NTT Urban Development Hokkaido BS Co.<br>Otemachi First Square Inc.<br>Motomachi Parking Access Co., Ltd.<br>Knox Twenty–One Co., Ltd.<br>DN Food Co., Ltd.<br>NTT Urban Development Builservice Co.<br>NTT Urban Development West BS Co.<br>NU–4 Tokumei Kumiai<br>UD Fund II Tokutei Mokuteki Kaisha<br>UDX Tokutei Mokuteki Kaisha<br>UD Fund III Tokutei Mokuteki Kaisha<br>Nagasaki Shintomachi New Town Development Tokutei Mokuteki Kaisha<br>Because of the Company's acquisition of preferred equity securities, UD Fund III Tokutei Mokuteki Kaisha and Nagasaki Shintomachi New Town Development Tokutei Mokuteki Kaisha became consolidated subsidiaries in the fiscal year under review.<br>NU–3 Tokumei Kumiai was excluded from the scope of consolidated subsidiaries because of the refund of silent partnership contributions at the end of the fiscal year under review. | Number of consolidated subsidiaries: 11<br>All subsidiaries are consolidated.<br>Consolidated subsidiaries:<br>NTT Urban Development Hokkaido BS Co.<br>Otemachi First Square Inc.<br>Motomachi Parking Access Co., Ltd.<br>Knox Twenty–One Co., Ltd.<br>DN Food Co., Ltd.<br>NTT Urban Development Builservice Co.<br>NTT Urban Development West BS Co.<br>UDX Tokutei Mokuteki Kaisha<br>UD Fund III Tokutei Mokuteki Kaisha<br>Nagasaki Shintomachi New Town Development Tokutei Mokuteki Kaisha<br>UD EUROPE LIMITED<br><br>The Company established UD EUROPE LIMITED, which became a consolidated subsidiary in the fiscal year under review.<br>UD Fund II Tokutei Mokuteki Kaisha and NU-4 Tokumei Kumiai were excluded from the scope of consolidated subsidiaries at the end of the fiscal year under review because of the completion of liquidation and the refund of silent partnership contributions, respectively. |
| 2. Application of equity method | Number of equity method affiliates: 5<br>Equity method affiliates:<br>Tokyo Opera City Building Co., Ltd.<br>DHC Tokyo Co., Ltd.<br>Tokyo Opera City Heat Supply Co., Ltd.<br>Crossfield Management Corporation<br>Harumi Yonchome City Planning Design Co. | Number of equity method affiliates: 6<br>Equity method affiliates:<br>Tokyo Opera City Building Co., Ltd.<br>DHC Tokyo Co., Ltd.<br>Tokyo Opera City Heat Supply Co., Ltd.<br>Crossfield Management Corporation<br>Harumi Yonchome City Planning Design Co.<br>MOUNT STREET ADVISERS LIMITED<br>The Company invested in MOUNT STREET ADVISERS LIMITED, which became an equity method affiliate at the end of the fiscal year under review. |

| Item | Year ended March 31, 2009<br>(From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010<br>(From April 1, 2009 to March 31, 2010) |
|---|---|---|
| 3. Fiscal years of consolidated subsidiaries | The closing date of UD Fund II Tokutei Mokuteki Kaisha is December 31. In the preparation of the consolidated financial statements, the Company used the financial statements of UD Fund II Tokutei Mokuteki Kaisha as of December 31 and made the adjustments needed for consolidation in relation to significant transactions occurring after the date and before the consolidated closing date.<br>The closing date of NU–4 Tokumei Kumiai is January 31. The closing date of UD Fund III Tokutei Mokuteki Kaisha is September 30. In the preparation of the consolidated financial statements, the Company used financial statements based on a provisional statement of accounts on the consolidated closing date.<br>The end of the fiscal years of other consolidated subsidiaries is the same as the consolidated closing date. | The closing date of UD EUROPE LIMITED is December 31. In the preparation of the consolidated financial statements, the Company used the financial statements of UD EUROPE LIMITED 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.<br>The closing date of UD Fund III Tokutei Mokuteki Kaisha is September 30. In the preparation of the consolidated financial statements, the Company used financial statements based on a provisional statement of accounts on the consolidated closing date.<br>The end of the fiscal years of other consolidated subsidiaries is the same as the consolidated closing date. |
| 4. Accounting practices | (1) Standards and methods for the valuation of important assets<br>(i) Securities<br>Bonds held to maturity<br>The amortized cost method (fixed amount method) is applied.<br>Other securities<br>Securities having market values:<br>Market 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.)<br>Securities not having market values:<br>Cost determined by the moving average method is applied.<br>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.<br>(ii) Derivatives<br>In principle, the market value method is applied.<br>(iii) Inventories<br>The cost method based on the specific cost method (reduction of the carrying value—balance sheet value—based on a decline in profitability) is applied to properties for sale, properties for sale in progress, and uncompleted construction expenditure.<br>The cost method based on the specific cost method is applied to uncompleted construction expenditure.<br>The last cost method is applied to raw materials and stored goods. | (1) Standards and methods for the valuation of important assets<br>(i) Securities<br>Bonds held to maturity<br>Same as left<br>Other securities<br>Securities having market values:<br>Same as left<br>Securities not having market values:<br>Same as left<br>Same as left<br>.<br>(ii) Derivatives<br>Same as left<br>(iii) Inventories<br>Same as left<br>―――――― |

| Item | Year ended March 31, 2009<br>(From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010<br>(From April 1, 2009 to March 31, 2010) |
|---|---|---|
| | (Change in accounting practices)<br>The Company is applying the Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan Statement No. 9 issued on July 5, 2006) and is calculating inventories primarily by the cost method based on the specific cost method (reduction of the carrying value—balance sheet value—based on a decline in profitability).<br>In association with the change, operating income, ordinary income, and income before income taxes and minority interests each fell ¥7,932 million.<br>The effect of the change on segment information is described in the Segment Information section. | |
| | (2) Depreciation method for important depreciable assets<br>(i) Property and equipment (except leased assets)<br>The declining–balance method is primarily applied.<br>However, the straight–line method is applied to NTT Makuhari Building, Granpark Building, NTT Cred Motomachi Building, and buildings (except attached facilities) acquired on and after April 1, 1998.<br>Major useful lives are as follows:<br>Buildings and structures:<br>15 to 50 years<br>Machinery and vehicles:<br>5 to 17 years<br>(ii) Intangible assets (except leased assets)<br>The straight–line method is applied.<br>Software for internal use is amortized over its estimated useful life (five years).<br>(iii) Long–term prepaid expenses<br>The straight–line method is applied.<br>(iv) Leased assets<br>Leased assets relating to finance lease transactions without the transfer of ownership<br>The same depreciation methods as applied to the fixed assets owned by the Company and its subsidiaries are applied. | (2) Depreciation method for important depreciable assets<br>(i) Property and equipment (except leased assets)<br>Same as left<br>(ii) Intangible assets (except leased assets)<br>Same as left<br>(iii) Long–term prepaid expenses<br>Same as left<br>(iv) Leased assets<br>Same as left |

| Item | Year ended March 31, 2009<br>(From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010<br>(From April 1, 2009 to March 31, 2010) |
|---|---|---|
| | (3) Basis for calculating important allowances<br>(i) Allowance for doubtful receivables<br>In preparation for doubtful notes and 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.<br>(ii) Accrued employees' retirement benefits<br>In preparation for employees' retirement benefits, accrued employees' retirement benefits are posted based on the retirement benefit obligation and estimated pension plan assets at the end of the consolidated fiscal year.<br>The past service cost is amortized using the straight–line method over the eligible employees' average remaining period of service of the eligible employees at the time of occurrence.<br>Actuarial differences are amortized using the straight–line method over the eligible employees' average remaining period of service at the time of occurrence in each consolidated fiscal year from the following fiscal year.<br>——————<br>(iii) Allowance for officers' retirement bonuses<br>Certain consolidated subsidiaries post amounts to be paid on the balance sheet date under internal regulations in preparation for the payment of officers' retirement bonuses.<br>(iv) Allowance for warranty expenses<br>In preparation for warranty expenses in relation to the sale of real estate, the Company posts an estimated amount of future compensation. | (3) Basis for calculating important allowances<br>(i) Allowance for doubtful receivables<br>Same as left<br>(ii) Accrued employees' retirement benefits<br>Same as left<br>(Change in accounting practices)<br>The Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (Accounting Standards Board of Japan Statement No. 19 issued on July 31, 2008) are applied from the fiscal year under review.<br>The change does not have any effects on operating income, ordinary income, or income before income taxes and minority interests.<br>(iii) Allowance for officers' retirement bonuses<br>Same as left<br>(iv) Allowance for warranty expenses<br>Same as left |
| | (4) Basis for posting important revenues and expenses<br>(i) Basis for posting revenues relating to finance lease transactions<br>Sales and cost of sales are posted when lease fees are received. | (4) Basis for posting important revenues and expenses<br>(i) Basis for posting revenues relating to finance lease transactions<br>Same as left |

| Item | Year ended March 31, 2009<br>(From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010<br>(From April 1, 2009 to March 31, 2010) |
|---|---|---|
| | | (ii) Standard for recording amount of completed work and cost of completed work<br>a. Contracts whose outcome at the end of the fiscal year under review is deemed certain<br>Percentage-of-completion method (construction-cost-percentage method for estimating the progress of construction)<br>b. Other construction contracts<br>Completed-contract method |
| | | (Change in accounting practices)<br>The Company previously determined earnings from contract work based on the work completion standards. Starting the fiscal year under review, however, it adopted the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan (ASBJ) Standard No. 15, issued on December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, issued on December 27, 2007). Consequently, the Company adopted the percentage of completion basis for construction contracts (based on the cost method for the estimation of the progress of work) that commenced during the fiscal year under review and the progress of which can be confirmed at the end of the fiscal year. For other contracts, the Company adopted the completed contract method.<br>With this change, net sales rose ¥175 million, and operating income, ordinary income, and income before income taxes and minority interests each rose ¥41 million.<br>The effect of the change on segment information is described in the Segment Information section. |
| | (5) Significant hedge accounting method<br>(i) Hedge accounting method<br>In principle, deferred hedge accounting is applied.<br>A preferential procedure is employed for interest rate swaps that meet the criteria for the preferential procedure.<br>(ii) Hedging item and hedged item<br>Hedging item:<br>Interest rate swap contracts<br>Hedged item:<br>Borrowings<br>(iii) Hedging policy<br>Under the Company's internal rules on derivative transactions, interest rate risks relating to the hedged item are hedged against within a certain range.<br>(iv) Method of assessment of hedge effectiveness<br>Since the swaps are interest swaps to which special matching criteria are applied, the periodic assessment of hedge effectiveness is not performed. | (5) Significant hedge accounting method<br>(i) Hedge accounting method<br>Same as left<br>(ii) Hedging item and hedged item<br>Hedging item:<br>Same as left<br>Hedged item:<br>Same as left<br>(iii) Hedging policy<br>Same as left<br>(iv) Method of assessment of hedge effectiveness<br>Same as left |

| Item | Year ended March 31, 2009<br>(From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010<br>(From April 1, 2009 to March 31, 2010) |
|---|---|---|
| | (6) Other important matters that constitute the basis for preparation of consolidated financial statements<br>(i) Accounting treatment of consumption taxes<br>Consumption taxes and local consumption taxes are accounted for by the tax exclusion method. | (6) Other important matters that constitute the basis for preparation of consolidated financial statements<br>(i) Accounting treatment of consumption taxes<br>Same as left |
| 5. Valuation of assets and liabilities of consolidated subsidiaries | All assets and liabilities of the consolidated subsidiaries are valued using the market value method. | Same as left |
| 6. Amortization of goodwill and negative goodwill | Negative goodwill is amortized in 20 years by the straight–line method. | Goodwill and negative goodwill are amortized in 20 years by the straight-line method. |
| 7. 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. | Same as left |

Change in presentation method

| Year ended March 31, 2009<br>(From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010<br>(From April 1, 2009 to March 31, 2010) |
|---|---|
| (Consolidated balance sheets)<br>With the application of the Cabinet Office Ordinance Partially Revising Regulations for Terminology, Forms and Preparation of Financial Statements (Cabinet Office Ordinance No. 50 of August 7, 2008), “Raw materials” and “Stores” in the balance sheets of the end of the previous consolidated fiscal year are presented as one item “Raw materials and stores” at the end of the fiscal year under review.<br>“Raw materials” and “Stores” included in “Raw materials and stores” at the end of the fiscal year under review are ¥26 million and ¥33 million, respectively. | (Consolidated balance sheets)<br>―――――――――― |
| ―――――――――― | “Deposits paid” included in “Other current assets” in the previous fiscal year is presented as a separate item in the fiscal year under review, since the amount of deposits paid exceeded 1% of total assets.<br>“Deposits paid” at the end of the previous consolidated fiscal year was ¥860 million. |

Notes to Consolidated Financial Statements

(Notes to consolidated balance sheets) (Million yen)

| Previous fiscal year (As of March 31, 2009) | | Fiscal year under review (As of March 31, 2010) | |
|---|---|---|---|
| (Consolidated balance sheets) | | (Consolidated balance sheets) | |
| *1 Investment securities relating to affiliates are as follows: | | *1 Investment securities relating to affiliates are as follows: | |
| Investment securities (shares) | 1,392 | Investment securities (shares) | 1,473 |
| Total | 1,392 | Total | 1,473 |
| *2 Assets pledged as collateral and secured debt | | *2 Assets pledged as collateral and secured debt | |
| (1) Mortgaged assets and secured debt | | (1) Mortgaged assets and secured debt | |
| (i) Assets pledged as collateral and their amounts | | (i) Assets pledged as collateral and their amounts | |
| Property for sale in process | 3,138 | Property for sale in process | – |
| Buildings and structures | 115,071 | Buildings and structures | 109,754 |
| Land | 13,189 | Land | 13,189 |
| Total | 131,399 | Total | 122,944 |
| (ii) Corresponding debt secured by the above collateral | | (ii) Corresponding debt secured by the above collateral | |
| Current portion of long–term debt (payment within one year) | 7,362 | Current portion of long–term debt (payment within one year) | 4,722 |
| Long–term debt | 24,327 | Long–term debt | 19,605 |
| Total | 31,689 | Total | 24,327 |
| (2) Mortgaged assets and the corresponding debt regarding debt with limited recourse | | (2) Mortgaged assets and the corresponding debt regarding debt with limited recourse | |
| (i) Assets pledged as collateral and their amounts | | (i) Assets pledged as collateral and their amounts | |
| Cash and deposits (within three months) | 4,887 | Cash and deposits (within three months) | 5,328 |
| Securities | 1,100 | Securities | 1,100 |
| Property for sale in process | 1,023 | Property for sale in process | 1,629 |
| Other current assets | 218 | Other current assets | 247 |
| Buildings and structures | 56,838 | Buildings and structures | 53,891 |
| Land | 173,947 | Land | 171,400 |
| Other property and equipment | 614 | Other property and equipment | 138 |
| Intangible assets | 3 | Intangible assets | 1 |
| Long–term prepaid expenses | 343 | Long–term prepaid expenses | 302 |
| Total | 238,978 | Total | 234,040 |
| (ii) Corresponding debt secured by the above collateral | | (ii) Corresponding debt secured by the above collateral | |
| Corporate bonds (must redeem within one year) | 5,109 | Corporate bonds (must redeem within one year) | 2,861 |
| Corporate bonds | 67,207 | Corporate bonds | 65,347 |
| Total | 72,317 | Total | 68,208 |
| *3 Negative goodwill is presented as an amount of negative goodwill offset by goodwill. Before the offsetting, goodwill and negative goodwill are ¥2,570 million and ¥36,603 million, respectively. | | *3 Negative goodwill is presented as an amount of negative goodwill offset by goodwill. Before the offsetting, goodwill and negative goodwill are ¥2,442 million and ¥34,677 million, respectively. | |
| *4 Of real estate projects in progress included in inventories, the purpose of holding ¥9,033 million is changed, and the amount is transferred to property and equipment in the fiscal year under review. | | *4 Of real estate projects in progress included in inventories, the purpose of holding ¥19,321 million is changed, and the amount is transferred to property and equipment in the fiscal year under review. | |
| *5 Due to the change in the purpose of holding, property and equipment of ¥1,381 million is transferred to inventories in the fiscal year under review. | | ――――――― | |
| *6 Breakdown of “Other current assets” | | *5 Breakdown of “Other current assets” | |
| Securities | 1,100 | Securities | 1,100 |
| Other | 3,496 | Other | 3,172 |

(Notes to consolidated statements of income) (Million yen)

| Year ended March 31, 2009<br>(From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010<br>(From April 1, 2009 to March 31, 2010) |
|---|---|
| *1 Major items in selling, general and administrative expenses and their amounts are as follows:<br>Advertising expenses 2,350<br>Salaries, allowances and bonuses 4,397<br>Employees' retirement benefits 280<br>Directors' and corporate auditors' retirement benefits 22<br>Transfer to allowance for doubtful receivables 1<br>Outsourcing 3,025<br>Dues and taxes 1,310<br>*2 Breakdown of gain on sales of fixed assets<br>Buildings and structures (1,280)<br>Land 13,318<br>Total 12,037<br>On the sale of a building with land, the Company recognized a gain on the building part, while a loss was recognized on the land part. A net gain resulted from this transaction and was recorded as a gain on sale of property and equipment.<br>*3 Breakdown of loss on sales of fixed assets<br>Buildings and structures 774<br>Land 362<br>Total 1,136<br>On the sale of a building with land, the Company recognizes a net gain resulting from the sum of a gain or loss on the building part and on the land part, which net gain is recorded as a gain on sale of property and equipment.<br>*4 Breakdown of loss on disposals of fixed assets<br>Buildings 844<br>Structures 125<br>Machinery 35<br>Removal cost 770<br>Tools, furniture and fixtures 116<br>Total 1,892 | *1 Major items in selling, general and administrative expenses and their amounts are as follows:<br>Advertising expenses 2,478<br>Salaries, allowances and bonuses 4,733<br>Employees' retirement benefits 333<br>Directors' and corporate auditors' retirement benefits 29<br>Transfer to allowance for doubtful receivables 6<br>Outsourcing 3,419<br>Dues and taxes 1,515<br>*2 Breakdown of gain on sales of fixed assets<br>Buildings and structures 2,174<br>Land 15,454<br>Total 17,628<br>On the sale of a building with land, the Company recognizes a net gain resulting from the sum of a gain or loss on the building part and on the land part, which net gain is recorded as a gain on sale of property and equipment.<br>*3 Breakdown of loss on sales of fixed assets<br>Buildings and structures 649<br>Land 728<br>Total 1,377<br>On the sale of a building with land, the Company recognizes a net gain resulting from the sum of a gain or loss on the building part and on the land part, which net gain is recorded as a gain on sale of property and equipment.<br>*4 Breakdown of loss on disposals of fixed assets<br>Buildings 595<br>Structures 34<br>Machinery 18<br>Removal cost 697<br>Tools, furniture and fixtures 41<br>Total 1,389 |
| *5 Impairment loss<br>The Group posted an impairment loss in the fiscal year ended March 31, 2009 for the following group of assets:<br>Main use: Office building / Type: Building / Location: Takamatsu, Kagawa / Impairment loss: 457 million yen<br>In principle, the Group examined an impairment loss for each property.<br>As a result, the Group reduced the carrying value of an office building that experienced a sharp decline in profitability with the worsening of market conditions to the recoverable amount of assets and posted the reduction as an impairment loss in extraordinary losses.<br>All of the impairment loss is related to the building.<br>The Group's recoverable amount is measured based on the net selling price or the value in use. The net selling price is primarily the appraised value determined by the real estate appraiser. The value in use is calculated by discounting the future cash flows 5%. | *5 Impairment loss<br>The Group posted an impairment loss in the fiscal year ended March 31, 2010 for the following group of assets:<br>Main use: Office building (eight buildings) / Type: Building, land / Location: Tachikawa, Tokyo and other places / Impairment loss: 3,086 million yen<br>In principle, the Group examined an impairment loss for each property.<br>As a result, the Group reduced the carrying value of eight office buildings that experienced a sharp decline in profitability with the worsening of market conditions to the recoverable amount of assets and posted the reduction as an impairment loss in extraordinary losses. The impairment loss consisted of a loss of ¥2,462 million on the building part and a loss of ¥623 million on the land part.<br>The Group's recoverable amount is measured based on the net selling price or the value in use. The net selling price is primarily the appraised value determined by the real estate appraiser. The value in use is calculated by discounting the future cash flows 5%. |

| Year ended March 31, 2009<br>(From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010<br>(From April 1, 2009 to March 31, 2010) |
|---|---|
| *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 cost of sales.<br>8,695 | *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 cost of sales.<br>12,732 |

(Notes to consolidated statements of changes in net assets)

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)

1. Type and number of outstanding shares (Shares)

| Type of shares | Number of shares at the end of previous fiscal year | Number of shares added during fiscal year under review | Number of shares subtracted during fiscal year under review | Number of shares at end of fiscal year under review |
|---|---|---|---|---|
| Common shares | 3,291,200 | – | – | 3,291,200 |
| Total | 3,291,200 | – | – | 3,291,200 |

2. Type and number of treasury stock

Not applicable.

3. Dividends

(1) Dividends

| (Resolution) | Type of shares | Total dividends (million yen) | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| General shareholders' meeting on June 19, 2008 | Common shares | 2,303 | 700 | March 31, 2008 | June 20, 2008 |
| Board of Directors meeting on November 4, 2008 | Common shares | 1,974 | 600 | September 30, 2008 | December 5, 2008 |

(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) | Money to pay dividends | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| General shareholders' meeting on June 18, 2009 | Common shares | 1,974 | Retained earnings | 600 | March 31, 2009 | June 19, 2009 |

Current consolidated fiscal year (from April 1, 2009 to March 31, 2010)

1. Type and number of outstanding shares

(Shares)

| Type of shares | Number of shares at the end of previous fiscal year | Number of shares added during fiscal year under review | Number of shares subtracted during fiscal year under review | Number of shares at end of fiscal year under review |
|---|---|---|---|---|
| Common shares | 3,291,200 | – | – | 3,291,200 |
| Total | 3,291,200 | – | – | 3,291,200 |

2. Type and number of treasury stock

Not applicable.

3. Dividends

(1) Dividends

| (Resolution) | Type of shares | Total dividends (million yen) | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| General shareholders' meeting on June 18, 2009 | Common shares | 1,974 | 600 | March 31, 2009 | June 19, 2009 |
| Board of Directors meeting on November 5, 2009 | Common shares | 1,974 | 600 | September 30, 2009 | December 4, 2009 |

(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) | Money to pay dividends | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| General shareholders' meeting on June 18, 2010 | Common shares | 1,974 | Retained earnings | 600 | March 31, 2010 | June 21, 2010 |

(Notes to consolidated statements of cash flows) (Million yen)

| Year ended March 31, 2009<br>(From April 1, 2008 to March 31, 2009) | | Year ended March 31, 2010<br>(From April 1, 2009 to March 31, 2010) | |
|---|---|---|---|
| *1 Relationship between cash and cash equivalents at the end of the year and the accounts on the consolidated balance sheets (As of March 31, 2009) | | *1 Relationship between cash and cash equivalents at the end of the year and the accounts on the consolidated balance sheets (As of March 31, 2010) | |
| Cash and bank deposits | 8,954 | Cash and bank deposits | 9,601 |
| Time deposits with a deposit period of over three months | (2,223) | Time deposits with a deposit period of over three months | (2,223) |
| Short–term (less than three months) investments included in other current assets | 1,960 | Short-term (less than three months) investments included in “Deposits paid” in current assets | 12,029 |
| Cash and cash equivalents | 8,691 | Short–term (less than three months) investments included in other current assets | 1,100 |
| | | Cash and cash equivalents | 20,508 |

(Notes to financial instruments)

Consolidated fiscal year (from April 1, 2009 to March 31, 2010)

1. Financial instruments

The Group raises fund (primarily through bank loans and bond issuance) necessary to meet financing needs mainly for investments and working capital to carry out the leasing business and the residential property sales business. If there are temporary idle funds on hand, they are invested only in short-term deposits or such.

In accordance with internal accounting rules, trade receivables are tracked for each business partner throughout their lifecycle and protection measures are taken to reduce risk in case they are not paid. As to securities and investment securities, fair values, market conditions, and financial standing of issuers (mainly business partners) are periodically assessed.

2. Market value of financial instruments

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

Financial instruments whose market 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 | Market value | Difference |
|---|---|---|---|
| (1) Cash and bank deposits | 9,601 | 9,601 | – |
| (2) Notes and accounts receivable, trade | 14,403 | 14,396 | (6) |
| (3) Securities and investment securities | | | |
| (i) Bonds held to maturity | 5,445 | 5,586 | 141 |
| (ii) Other securities | 2,997 | 2,906 | (91) |
| Total assets | 32,448 | 32,491 | 43 |
| (1) Notes and accounts payable, trade | 6,287 | 6,287 | – |
| (2) Commercial paper | 4,999 | 4,999 | – |
| (3) Accrued income taxes | 607 | 607 | – |
| (4) Corporate bonds (*1) | 118,180 | 119,983 | 1,803 |
| (5) Long-term borrowings (*2) | 373,503 | 380,212 | 6,709 |
| (6) Deposits from tenants | 21,127 | 20,378 | (749) |
| Total liabilities | 524,705 | 532,468 | 7,763 |

(*1) Corporate bonds that must be redeemed within one year are included.

(*2) The current portion of long-term debt (payment within one year) is included.

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

Assets

(1) Cash and bank deposits

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

(2) Notes and accounts receivable, trade

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

(3) Securities and investment securities

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

.

For matters relating to securities by purpose of holding, please refer to “Notes to securities.”

Liabilities

(1) Notes and accounts payable, trade, (2) Commercial paper, and (3) Accrued income taxes

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

(4) Corporate bonds

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

(5) Long-term borrowings

Fair values of long-term debt 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 debt and credit risk taken into account.

(6) Deposits from tenants

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

Derivatives trading

Disclosing derivatives trading in the summary of financial statements is not considered to be important, and therefore the disclosure is omitted.

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

(Million yen)

| Classification | Book value |
|---|---|
| Unlisted stocks (*1) | 338 |
| Investments in subsidiaries and affiliates (*1) | 1,473 |
| Investments in limited partnerships (*1) | 8,490 |
| Other investments (*1) | 25 |
| Deposits received (excluding those whose time of return is determined) (*2) | 77,792 |

(*1) Unlisted stocks, investments in subsidiaries and affiliates, investments in limited partnerships, and other investments are not included in "Assets (3) Securities and investment securities," since they do not have market prices, and it is very difficult to determine their market value.

(*2) Deposits received (excluding those whose time of return is determined) are not included in "Liabilities (6) Deposits from tenants," because their remaining period cannot be determined, and it is very difficult to determine their market 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 bank deposits | 9,601 | – | – | – |
| Notes and accounts receivable, trade | 14,403 | – | – | – |
| Securities and investment securities | | | | |
| Bonds held to maturity | 1,100 | 4,200 | – | 136 |
| Other securities having maturity dates | – | – | – | – |
| Total | 25,105 | 4,200 | – | 136 |

(Note 4) Scheduled amounts of repayment of corporate bonds and long-term borrowings 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 |
|---|---|---|---|---|
| Corporate bonds | 2,861 | 65,347 | 49,971 | – |
| Long-term borrowings | 44,339 | 223,012 | 105,751 | 400 |
| Total | 47,201 | 288,359 | 155,722 | 400 |

(Additional information)

Starting the fiscal year under review, the Company is applying the Accounting Standard for Financial Instruments (Accounting Standards Board of Japan Statement No. 10 issued on March 10, 2008) and the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 issued on March 10, 2008).

(Notes to securities)

Previous consolidated fiscal year (As of March 31, 2009)

1. Bonds with market value and held to maturity

(Million yen)

| | Type | Book value | Market value | Difference |
|---|---|---|---|---|
| Market value is more than the book value | (1) Bonds | | | |
| | (i) Government bonds and local bonds | 4,211 | 4,322 | 110 |
| | (ii) Corporate bonds | – | – | – |
| | (iii) Other bonds | – | – | – |
| | Subtotal | 4,211 | 4,322 | 110 |
| Market value is equal to or less than book value | (1) Bonds | | | |
| | (i) Government bonds and local bonds | – | – | – |
| | (ii) Corporate bonds | – | – | – |
| | (iii) Other bonds | – | – | – |
| | Subtotal | – | – | – |
| Total | | 4,211 | 4,322 | 110 |

2. Other securities with market value

(Million yen)

| | Type | Acquisition cost | Book value | Difference |
|---|---|---|---|---|
| Book value is more than acquisition cost | (1) Shares | 936 | 1,234 | 298 |
| | (2) Bonds | | | |
| | (i) Government bonds and local bonds | – | – | – |
| | (ii) Corporate bonds | – | – | – |
| | (iii) Other bonds | – | – | – |
| | (3) Other securities | – | – | – |
| | Subtotal | 936 | 1,234 | 298 |
| Book value is equal to or less than acquisition cost | (1) Shares | – | – | – |
| | (2) Bonds | | | |
| | (i) Government bonds and local bonds | – | – | – |
| | (ii) Corporate bonds | – | – | – |
| | (iii) Other bonds | – | – | – |
| | (3) Other securities | – | – | – |
| | Subtotal | – | – | – |
| Total | | 936 | 1,234 | 298 |

3. Securities without market value

(Million yen)

| | Book value |
|---|---|
| Other securities | |
| Unlisted stocks | 338 |
| Investments in limited partnerships | 9,211 |
| Other securities | 2 |

4. Scheduled amounts of redemption of other securities having maturity dates and bonds held to maturity

(Million yen)

| | Due within one year | Due after one year within five years | Due after five years within ten years | Due after ten years |
|---|---|---|---|---|
| 1. Bonds | | | | |
| (1) Government bonds and local bonds | – | 4,200 | – | – |
| (2) Corporate bonds | – | – | – | – |
| (3) Other bonds | – | – | – | – |
| 2. Other securities | – | – | – | – |
| Total | – | 4,200 | – | – |

Current consolidated fiscal year (from April 1, 2009 to March 31, 2010)

1. Bonds with market value and held to maturity (Million yen)

| | Type | Book value | Market value | Difference |
|---|---|---|---|---|
| Market value is more than the book value | (1) Government bonds and local bonds | 5,309 | 5,453 | 143 |
| | (2) Corporate bonds | – | – | – |
| | (3) Other bonds | – | – | – |
| | Subtotal | 5,309 | 5,453 | 143 |
| Market value is equal to or less than book value | (1) Government bonds and local bonds | 136 | 133 | (2) |
| | (2) Corporate bonds | – | – | – |
| | (3) Other bonds | – | – | – |
| | Subtotal | 136 | 133 | (2) |
| Total | | 5,445 | 5,586 | 141 |

(Note) No bonds with market value and held to maturity were sold during the consolidated fiscal year under review.

2. Other securities with market value (Million yen)

| | Type | Book value | Acquisition cost | Difference |
|---|---|---|---|---|
| Book value is more than acquisition cost or amortized cost | (1) Shares | 1,124 | 936 | 188 |
| | (2) Bonds | | | |
| | (i) Government bonds and local bonds | – | – | – |
| | (ii) Corporate bonds | – | – | – |
| | (iii) Other bonds | – | – | – |
| | (3) Other securities | – | – | – |
| | Subtotal | 1,124 | 936 | 188 |
| Book value is equal to or less than acquisition cost or amortized cost | (1) Shares | – | – | – |
| | (2) Bonds | | | |
| | (i) Government bonds and local bonds | – | – | – |
| | (ii) Corporate bonds | – | – | – |
| | (iii) Other bonds | – | – | – |
| | (3) Other securities | 1,873 | 1,924 | (51) |
| | Subtotal | 1,873 | 1,924 | (51) |
| Total | | 2,997 | 2,860 | 137 |

(Note) Unlisted stocks (¥338 million posted on the consolidated balance sheets), shares in subsidiaries and affiliates (¥1,473 million on the consolidated balance sheets), investments in limited partnerships (¥8,490 million posted on the consolidated balance sheets), and other investments (¥25 million on the balance sheets) do not have market prices, and it is very difficult to determine their market value. They are not therefore included in “Other securities.” No other securities were sold during the consolidated fiscal year under review.

3. No impairment losses were recorded in securities in the fiscal year under review. There were no changes in the purposes of holding securities in the fiscal year under review.

(Notes to retirement benefits)

1. Outline of retirement benefit plans

| Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009) | Consolidated fiscal year (from April 1, 2009 to March 31, 2010) |
|---|---|
| The Company and its consolidated subsidiaries have a corporate pension fund, contract–type corporate pension, and lump–sum payment plans as defined benefit plans. | Same as left |

2. Retirement benefit obligation (Million yen)

| | Previous consolidated fiscal year (As of March 31, 2009) | Consolidated fiscal year (As of March 31, 2010) |
|---|---|---|
| (1) Retirement benefit obligation | (9,076) | (9,969) |
| (2) Pension assets | 4,139 | 4,932 |
| (3) Unfunded retirement benefit obligation (1) + (2) | (4,936) | (5,036) |
| (4) Unrecognized net actuarial gains | (318) | (698) |
| (5) Unrecognized prior service costs | (0) | (0) |
| (6) Accrued employees' retirement benefits (3) + (4) + (5) | (5,255) | (5,734) |

3. Retirement benefit expenses (Million yen)

| | Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009) | Consolidated fiscal year (from April 1, 2009 to March 31, 2010) |
|---|---|---|
| (1) Service costs | 353 | 375 |
| (2) Interest costs | 213 | 221 |
| (3) Expected return on plan assets | (116) | (103) |
| (4) Amortization of net actuarial gains | (69) | (25) |
| (5) Amortization of prior service costs | 0 | (0) |
| (6) Employees' contribution | (15) | (17) |
| (7) Retirement benefit expenses | 366 | 451 |

4. Basis of calculation of retirement benefit obligation

| | Previous consolidated fiscal year (As of March 31, 2009) | Consolidated fiscal year (As of March 31, 2010) |
|---|---|---|
| (1) Term distribution method of expected retirement benefits | Fixed amount per period standard | Fixed amount per period standard |
| (2) Discount rates | 2.5% | 2.5% |
| (3) Expected rate of return on assets | 2.5% | 2.5% |
| (4) Amortization period of unrecognized prior service costs | 11.2 to 11.5 years | 11.2 to 11.5 years |
| (5) Amortization period of unrecognized actuarial differences | 9.3 to 13.2 years | 9.2 to 13.6 years |

(Notes to stock options)

Not applicable.

(Notes to deferred tax accounting) (Million yen)

| Previous consolidated fiscal year (As of March 31, 2009) | | Consolidated fiscal year (As of March 31, 2010) | |
|---|---|---|---|
| 1. Breakdown of deferred tax assets and deferred tax liabilities by major cause | | 1. Breakdown of deferred tax assets and deferred tax liabilities by major cause | |
| Deferred tax (current) assets | | Deferred tax (current) assets | |
| Accrued bonuses in excess of the limit for | 174 | Accrued bonuses in excess of the limit for | 184 |
| Accrued enterprise taxes | 116 | Accrued enterprise taxes | 120 |
| Accrued real estate acquisition tax | 188 | Accrued real estate acquisition tax | 314 |
| Denial of loss on valuation of inventory | 552 | Denial of loss on valuation of inventory | 474 |
| Other | 379 | Other | 416 |
| Total | 1,411 | Sub Total | 1,510 |
| | | Valuation reserve | (2) |
| | | Total | 1,507 |
| Deferred tax (fixed) assets | | Deferred tax (fixed) assets | |
| Denial of evaluation loss on land | 2,865 | Denial of evaluation loss on land | 4,371 |
| Denial of depreciation of unused building volume | 1,653 | Denial of depreciation of unused building volume | 1,785 |
| Accrued employees’ retirement benefits | 2,136 | Accrued employees’ retirement benefits | 2,332 |
| Denial of impairment loss | 778 | Denial of impairment loss | 1,831 |
| Compensation for loss | 734 | Compensation for loss | 146 |
| Other | 693 | Other | 498 |
| Total | 8,860 | Total | 10,967 |
| | | Valuation reserve | (6,825) |
| | | Total | 4,141 |
| Deferred tax (long–term) liabilities | | Deferred tax (long–term) liabilities | |
| Reserve for advanced depreciation of fixed assets | (7,935) | Reserve for advanced depreciation of fixed assets | (11,165) |
| Fixed assets valuation difference | (60,983) | Fixed assets valuation difference | (60,775) |
| Other | (295) | Reserve for special account for advanced depreciation of fixed | (2,462) |
| Total | (69,214) | Other | (260) |
| Net deferred tax (long–term) liabilities | (60,353) | Total | (74,664) |
| | | Net deferred tax (long–term) liabilities | (70,522) |
| 2. Breakdown of difference between the legally 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 | | 2. Breakdown of difference between the legally 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 | |
| Legally effective tax rate | 40.7% | Legally effective tax rate | 40.7% |
| (Adjustment) | | (Adjustment) | |
| Amortization of negative goodwill | (2.9%) | Amortization of negative goodwill | (3.6%) |
| Earnings of subsidiaries (tokutei mokuteki kaisha) attributable to minority interests | (2.5%) | Earnings of subsidiaries (tokutei mokuteki kaisha) attributable to minority interests | (2.7%) |
| Other | 0.3% | Valuation reserve | 31.3% |
| Actual effective tax rate after the application of tax effect accounting | 35.6% | Other | 0.1% |
| | | Actual effective tax rate after the application of tax effect accounting | 65.8% |

(Notes to business combination)

Not applicable.

(Notes to rental properties)

The Company and certain consolidated subsidiaries own rental office buildings, rental commercial facilities and residential rental housing in Tokyo and other areas. In the fiscal year under review, the results of operation of those rental properties were ¥29,789 million (leasing revenue is accounted for in net sales and rental expenses in cost of sales and in selling, general and administrative expenses ), with gains on the sale of fixed assets of ¥17,628 million (in extraordinary income), losses on the sale of fixed assets of ¥1,377 million (in extraordinary losses), losses on the disposal of fixed assets ¥1,338 million (in extraordinary losses) and impairment losses of ¥3,086 million (in extraordinary losses).

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

(Million yen)

| Consolidated balance sheet amount | | | Market value at end of fiscal year under review |
|---|---|---|---|
| Amount at end of previous fiscal year | Change during fiscal year under review | Amount at end of fiscal year under review | |
| 738,999 | (1,114) | 737,885 | 1,208,638 |

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

(Note 2) The market 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 market value of other properties was calculated by the Company, which used indicators that it considered reflected market prices appropriately.

(Additional information)

Starting the consolidated fiscal year under review, the Company is applying the Accounting Standard for Disclosures about Fair Value of Investment and Rental Property (Accounting Standards Board of Japan Statement No. 20 issued on November 28, 2008) and the Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property (ASBJ Guidance No. 23 issued on November 28, 2008).

(Segment Information)

a. Segment information by business

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009) (Million yen)

| | Leasing | Residential property sales | Other | Total | Eliminations/ Corporate | Consolidated |
|---|---|---|---|---|---|---|
| I. Sales and operating loss/ income | | | | | | |
| Sales | | | | | | |
| (1) Sales to third parties | 99,210 | 32,688 | 12,377 | 144,277 | – | 144,277 |
| (2) Inter–segment internal revenues and transfers | 717 | – | 4,246 | 4,963 | (4,963) | – |
| Total | 99,928 | 32,688 | 16,624 | 149,241 | (4,963) | 144,277 |
| Operating expense | 64,367 | 38,706 | 15,123 | 118,198 | 834 | 119,032 |
| Operating income/loss | 35,560 | (6,018) | 1,500 | 31,042 | (5,798) | 25,244 |
| II. Assets, depreciation, impairment loss, and capital expenditures | | | | | | |
| Assets | 795,286 | 133,099 | 7,322 | 935,707 | 942 | 936,650 |
| Depreciation | 25,476 | 8 | 76 | 25,560 | 201 | 25,762 |
| Impairment loss | 457 | – | – | 457 | – | 457 |
| Capital expenditures | 63,380 | 0 | 169 | 63,550 | 1,451 | 65,002 |

(Notes) 1. Operating segments:
Operating segmentation is determined based on operations in each segment.
2. Major products in each segment:
Leasing: Leasing of land and buildings
Residential property sales: Sale of residential land and buildings (condominiums and detached houses)
Other: Contracted construction and contracted operation and management of real estate
3. Operating expenses not attributable to business segments, but included in Eliminations or Corporate amounted to ¥5,798 million. The main component is expenses for administration.
4. Assets included in Eliminations and Corporate are ¥6,411 million. These are mainly idle funds managed (cash and deposits), investment securities, and assets for administration.
5. Depreciation and capital expenditures include long–term prepaid expenses and the related amortization expense.
6. As stated in the Important Items Used as Basic Materials for Preparation of Consolidated Financial Statements, the Company is applying the Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan Statement No. 9 issued on July 5, 2006) from the fiscal year ended March 31, 2009. In association with the change, operating income declined ¥7,932 million in the residential property sales business.
7. Because of a change in the purpose for which they are held, of assets included in the residential property sales segment, ¥9,033 million was transferred to the leasing segment in the fiscal year ended March 31, 2010. The increase in assets in the leasing segment associated with the transfer is not included in capital expenditures.
Of assets included in the leasing segment, ¥1,381 million was transferred to the residential property sales segment.

Consolidated fiscal year (from April 1, 2009 to March 31, 2010) (Million yen)

| | Leasing | Residential property sales | Other | Total | Eliminations/ Corporate | Consolidated |
|---|---|---|---|---|---|---|
| I. Sales and operating loss/ income | | | | | | |
| Sales | | | | | | |
| (1) Sales to third parties | 97,333 | 41,643 | 10,247 | 149,224 | – | 149,224 |
| (2) Inter–segment internal revenues and transfers | 758 | – | 4,305 | 5,064 | (5,064) | – |
| Total | 98,092 | 41,643 | 14,553 | 154,289 | (5,064) | 149,224 |
| Operating expense | 66,570 | 52,142 | 13,194 | 131,907 | 1,187 | 133,095 |
| Operating income/loss | 31,521 | (10,498) | 1,358 | 22,382 | (6,252) | 16,129 |
| II. Assets, depreciation, impairment loss, and capital expenditures | | | | | | |
| Assets | 800,739 | 96,039 | 7,618 | 904,398 | 12,326 | 916,725 |
| Depreciation | 24,874 | 14 | 89 | 24,978 | 541 | 25,520 |
| Impairment loss | 3,086 | – | – | 3,086 | – | 3,086 |
| Capital expenditures | 22,935 | 4 | 124 | 23,065 | 626 | 23,691 |

(Notes) 1. Operating segments:
Operating segmentation is determined based on operations in each segment.
2. Major products in each segment:
Leasing: Leasing of land and buildings
Residential property sales: Sale of residential land and buildings (condominiums and detached houses)
Other: Contracted construction and contracted operation and management of real estate
3. Operating expenses not attributable to business segments, but included in Eliminations or Corporate amounted to ¥6,252 million. The main component is expenses for administration.
4. Assets included in Eliminations and Corporate are ¥13,823 million. These are mainly idle funds managed (cash and deposits), investment securities, and assets for administration.
5. Depreciation and capital expenditures include long–term prepaid expenses and the related amortization expense.
6. As stated in the Important Items Used as Basic Materials for Preparation of Consolidated Financial Statements, the Company is applying the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan Statement No. 15; December 27, 2007) and Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18; December 27, 2007) from the fiscal year under review. With the change, operating income in the “other business” increased ¥41 million.
7. Because of a change in the purpose for which they are held, of assets included in the residential property sales segment, ¥19,321 million was transferred to the leasing segment in the fiscal year ended March 31, 2010. The increase in assets in the leasing segment associated with the transfer is not included in capital expenditures.

b. Geographical segment information

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)

The Company has not disclosed geographical segment information, since none of the Company’s consolidated subsidiaries or important branches are located outside Japan.

Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)

Net sales and assets in Japan accounting for more than 90% of net sales and assets in all geographical segments respectively, geographical segment information is omitted.

c. Overseas sales

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)

There were no overseas sales.

Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)

Overseas sales being less than 10% of consolidated net sales, the description of overseas sales is omitted.

(Related party transactions)

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)

(Additional information)

Starting the consolidated fiscal year under review, the Company is applying the Accounting Standard for Related Party Disclosures (Accounting Standards Board of Japan Statement No. 11 issued on October 17, 2006) and the Guidance on Accounting Standard for Related Party Disclosures (ASBJ Guidance No. 13 issued on October 17, 2006). The scope of disclosures has not changed.

1. Related party transactions

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

| Type | Company name | Location | Capital (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 Communications Corporation | Chiyoda–ku,Tokyo | 211,763 | Long-distance and international telecommunications | – | Business transactions | Purchase of land for sale | 18,110 | – | – |
| Company having the same parent company | NTT Finance Corporation | Minato–ku, Tokyo | 16,770 | Comprehensive leasing business | (Owned by the company) 1.0 | Borrowing | Short–term debt | – | Short–term debt | 13,798 |
| | | | | | | | | | Current portion of long–term debt | 18,600 |
| | | | | | | | Long–term debt | 23,000 | Long–term debt | 78,200 |

(Notes) 1. Purchase prices of land are determined based on market prices.

2. Borrowings from NTT Finance Corporation are based on 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)

(2) Important subsidiaries and affiliates

Not applicable.

Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)

1. Related party transactions

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

| Type | Company name | Location | Capital (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 | Comprehensive leasing business | (Owned by the company) 1.0 | Deposits | Deposits paid | – | Deposits paid | 12,029 |
| | | | | | | | | | Current portion of long–term debt | 29,500 |
| | | | | | | Borrowing | Long–term debt | 5,000 | Long–term debt | 53,700 |

(Notes) 1. 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)

(2) Important subsidiaries and affiliates

Not applicable.

(Per–share information)

| Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009) | Consolidated fiscal year (from April 1, 2009 to March 31, 2010) |
|---|---|
| Net assets per share 45,014.04 yen<br>Net income per share 4,858.34 yen<br>Diluted net income per share is not disclosed because the Company does not hold any dilutive securities. | Net assets per share 45,646.72 yen<br>Net income per share 1,858.48 yen<br>Diluted net income per share is not disclosed because the Company does not hold any dilutive securities. |

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

| | Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009) | Consolidated fiscal year (from April 1, 2009 to March 31, 2010) |
|---|---|---|
| Net income (million yen) | 15,989 | 6,116 |
| Amounts not attributable to shareholders of common stock (million yen) | – | – |
| Net income attributable to common stock (million yen) | 15,989 | 6,116 |
| Average number of common shares outstanding during the fiscal year | 3,291,200 | 3,291,200 |

(Significant subsequent events)

Not applicable.

(Omission)

Notes to lease transactions and derivative transactions are omitted, since their disclosure in the summary of financial statements is not considered significant.

## 5. Financial Statements (Non–consolidated)

(1) Balance Sheets

(Million yen)

| | Year ended March 31, 2009 | Year ended March 31, 2010 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and bank deposits | 46 | 320 |
| Accounts receivable | 4,253 | 13,439 |
| Property for sale | 11,133 | 11,773 |
| Property for sale in progress | *2, *3 112,057 | *2 67,921 |
| Uncompleted construction expenditure | 84 | 132 |
| Raw materials and supplies | 29 | 30 |
| Prepaid expenses | 458 | 553 |
| Lease investment assets | 488 | 1,799 |
| Deposits paid | – | 9,740 |
| Deferred tax assets | 785 | 1,410 |
| Other current assets | 2,306 | 2,731 |
| Less allowance for doubtful receivables | (1) | (6) |
| Total current assets | 131,642 | 109,846 |
| Fixed assets | | |
| Property and equipment | | |
| Buildings | *1 604,825 | *1 593,925 |
| Accumulated depreciation | (315,188) | (316,716) |
| Buildings (net) | 289,637 | 277,209 |
| Structures | 15,408 | 15,084 |
| Accumulated depreciation | (10,564) | (10,525) |
| Structures (net) | 4,844 | 4,558 |
| Machinery | 13,731 | 13,480 |
| Accumulated depreciation | (11,116) | (11,062) |
| Machinery (net) | 2,614 | 2,418 |
| Tools, furniture and fixtures | 13,317 | 13,649 |
| Accumulated depreciation | (9,988) | (9,948) |
| Tools, furniture and fixtures (net) | 3,328 | 3,700 |
| Land | *1, *2, *3 204,672 | *1, *2 224,420 |
| Leased assets | 621 | 524 |
| Accumulated depreciation | (439) | (400) |
| Leased assets (net) | 182 | 123 |
| Construction in progress | 8,864 | 6,618 |
| Total property, plant and equipment | 514,143 | 519,048 |
| Intangible assets | | |
| Leasehold | 1,442 | 1,456 |
| Software | 329 | 1,517 |
| Software in progress | 1,348 | 261 |
| Leased assets | 16 | 11 |
| Other assets | 163 | 135 |
| Total intangible assets | 3,300 | 3,382 |

| | Year ended March 31, 2009 | Year ended March 31, 2010 |
|---|---|---|
| Investments and other assets | | |
| Investment securities | 10,786 | 11,851 |
| Shares of affiliated companies | 1,035 | 2,522 |
| Other securities of affiliated companies | 35,141 | 32,824 |
| Contribution to capital | 15 | 11 |
| Bankruptcy and reorganization claim | 1 | 0 |
| Long–term prepaid expenses | 18,583 | 18,071 |
| Lease deposits paid | 10,206 | 11,603 |
| Deferred tax assets | 579 | – |
| Other assets | 169 | 810 |
| Less allowance for doubtful receivables | (1) | (0) |
| Total investments and other assets | 76,517 | 77,695 |
| Total fixed assets | 593,962 | 600,126 |
| Total assets | 725,604 | 709,972 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 8,378 | 5,659 |
| Short–term borrowings | 25,798 | – |
| Lease liabilities | 118 | 99 |
| Current portion of long–term debt (payment within one year) | *1 39,128 | *1 44,088 |
| Commercial paper | 9,994 | 4,999 |
| Accrued amount payable | 6,245 | 7,404 |
| Accrued expenses | 1,616 | 1,683 |
| Accrued income taxes | 299 | 476 |
| Advances received | 7,631 | 7,405 |
| Deposits received | 2,511 | 1,541 |
| Provision for loss on warranty | 143 | 553 |
| Other current liabilities | 6,299 | 5,990 |
| Total current liabilities | 108,165 | 79,902 |
| Long–term liabilities | | |
| Corporate bonds | 39,977 | 49,971 |
| Long–term debt | *1 330,527 | *1 328,938 |
| Finance lease obligations | 213 | 127 |
| Long–term accrued amount payable | 433 | 209 |
| Deposits from tenants | 97,481 | 92,648 |
| Deferred tax liabilities | – | 9,902 |
| Accrued employees' retirement benefits | 4,778 | 5,164 |
| Provision for loss on warranty | 60 | 60 |
| Other long–term liabilities | 16 | 26 |
| Total long–term liabilities | 473,487 | 487,049 |
| Total liabilities | 581,653 | 566,952 |

| | Year ended March 31, 2009 | Year ended March 31, 2010 |
|---|---|---|
| Net assets | | |
| Shareholders’ equity | | |
| Common stock | 48,760 | 48,760 |
| Capital surplus | | |
| Capital reserve | 34,109 | 34,109 |
| Total capital surplus | 34,109 | 34,109 |
| Retained earnings | | |
| Earned reserve | 3,437 | 3,437 |
| Other retained earnings | | |
| Contingent reserve | 5,000 | 5,000 |
| Depreciation reserve for tax purposes | 11,526 | 16,260 |
| Reserve for special account for advanced depreciation of noncurrent assets | – | 3,589 |
| Reserve for special depreciation | – | 17 |
| Retained earnings carried over | 40,940 | 31,731 |
| Total retained earnings | 60,904 | 60,036 |
| Total shareholders’ equity | 143,774 | 142,906 |
| Accumulated gains from revaluation and translation adjustments | | |
| Unrealized gains on available–for–sale securities, net of taxes | 176 | 113 |
| Total accumulated gains from revaluation and translation adjustments | 176 | 113 |
| Total net assets | 143,951 | 143,020 |
| Total liabilities and net assets | 725,604 | 709,972 |

(2) Statements of Income

(Million yen)

| | Year ended March 31, 2009 (From April 1, 2008 to March 31, 2009 | Year ended March 31, 2010 (From April 1, 2009 to March 31, 2010) |
|---|---|---|
| Net sales | | |
| Operating revenues from leasing business | 91,744 | 90,573 |
| Operating revenues from residential property sales business | 29,094 | 36,505 |
| Operating revenues from other businesses | 1,160 | 1,394 |
| Total net sales | 122,000 | 128,473 |
| Cost of sales | | |
| Cost of sales for leasing business | 55,780 | 57,108 |
| Cost of sales for residential property sales business | *6 28,808 | *6 42,595 |
| Cost of sales for other businesses | 489 | 639 |
| Total cost of sales | 85,078 | 100,343 |
| Gross profit | 36,921 | 28,129 |
| Selling, general and administrative expenses | *1 14,199 | *1 16,446 |
| Operating income | 22,721 | 11,682 |
| Non–operating income | | |
| Interest income | 2 | 4 |
| Dividend income | 112 | 86 |
| Contributions | 92 | 3 |
| Gains from donated fixed assets | 33 | 4 |
| Other | 82 | 400 |
| Total non–operating income | 323 | 498 |
| Non–operating expense | | |
| Interest expense | 5,339 | 5,917 |
| Interest on bonds | 887 | 881 |
| Other | 254 | 125 |
| Total non–operating expense | 6,481 | 6,923 |
| Ordinary income | 16,562 | 5,257 |
| Extraordinary income | | |
| Gain on sales of fixed assets | *2 12,037 | *2 17,628 |
| Total extraordinary income | 12,037 | 17,628 |
| Extraordinary losses | | |
| Loss on sales of fixed assets | *3 1,136 | *3 1,377 |
| Loss on disposals of fixed assets | *4 1,889 | *4 1,384 |
| Impairment loss | *5 457 | *5 3,086 |
| Extraordinary depreciation of fixed assets | 479 | – |
| Other | 181 | 171 |
| Total extraordinary losses | 4,145 | 6,020 |
| Income before income taxes | 24,454 | 16,865 |
| Income taxes | 6,052 | 3,880 |
| Adjustments for taxes | 3,942 | 9,904 |
| Total corporate income taxes | 9,994 | 13,784 |
| Net income | 14,460 | 3,081 |

Schedule of cost of sales for leasing business (Million yen)

| Classification | Note number | Year ended March 31, 2009 (From April 1, 2008 to March 31, 2009 Amount | Breakdown (%) | Year ended March 31, 2010 (From April 1, 2009 to March 31, 2010) Amount | Breakdown (%) |
|---|---|---|---|---|---|
| I. Personnel cost | | 346 | 0.6 | 371 | 0.6 |
| II. Depreciation and amortization | | 21,700 | 38.9 | 21,500 | 37.6 |
| III. Dues and taxes | | 7,269 | 13.0 | 7,798 | 13.7 |
| IV. Outsourcing | | 10,526 | 18.9 | 10,826 | 19.0 |
| V. Other | | 15,937 | 28.6 | 16,611 | 29.1 |
| Total | | 55,780 | 100.0 | 57,108 | 100.0 |

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

| Classification | Note number | Year ended March 31, 2009 (From April 1, 2008 to March 31, 2009 Amount | Breakdown (%) | Year ended March 31, 2010 (From April 1, 2009 to March 31, 2010) Amount | Breakdown (%) |
|---|---|---|---|---|---|
| I. Land cost | | 6,951 | 24.1 | 10,914 | 25.6 |
| II. Personnel cost | | 24 | 0.1 | 20 | 0.1 |
| III. Miscellaneous expense | | 21,832 | 75.8 | 31,661 | 74.3 |
| Total | | 28,808 | 100.0 | 42,595 | 100.0 |

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

Schedule for cost of sales for other business (Million yen)

| Classification | Note number | Year ended March 31, 2009 (From April 1, 2008 to March 31, 2009 Amount | Breakdown (%) | Year ended March 31, 2010 (From April 1, 2009 to March 31, 2010) Amount | Breakdown (%) |
|---|---|---|---|---|---|
| I. Personnel cost | | 59 | 12.3 | 82 | 12.8 |
| II. Miscellaneous expense | | 429 | 87.7 | 557 | 87.2 |
| Total | | 489 | 100.0 | 639 | 100.0 |

(3) Statements of Changes in Net Assets (Million yen)

| | Year ended March 31, 2009 (From April 1, 2008 to March 31, 2009 | Year ended March 31, 2010 (From April 1, 2009 to March 31, 2010) |
|---|---|---|
| Shareholders' equity | | |
| Common stock | | |
| Balance at end of previous fiscal year | 48,760 | 48,760 |
| Change during the fiscal year | | |
| Total change during the fiscal year | – | – |
| Balance at end of the fiscal year | 48,760 | 48,760 |
| Capital surplus | | |
| Capital reserve | | |
| Balance at end of previous fiscal year | 34,109 | 34,109 |
| Change during the fiscal year | | |
| Total change during the fiscal year | – | – |
| Balance at end of the fiscal year | 34,109 | 34,109 |
| Total capital surplus | | |
| Balance at end of previous fiscal year | 34,109 | 34,109 |
| Change during the fiscal year | | |
| Total change during the fiscal year | – | – |
| Balance at end of the fiscal year | 34,109 | 34,109 |
| Retained earnings | | |
| Earned reserve | | |
| Balance at end of previous fiscal year | 3,437 | 3,437 |
| Change during the fiscal year | | |
| Total change during the fiscal year | – | – |
| Balance at end of the fiscal year | 3,437 | 3,437 |
| Other retained earnings | | |
| Contingent reserve | | |
| Balance at end of previous fiscal year | 5,000 | 5,000 |
| Change during the fiscal year | | |
| Total change during the fiscal year | – | – |
| Balance at end of the fiscal year | 5,000 | 5,000 |
| Depreciation reserve for tax purposes | | |
| Balance at end of previous fiscal year | 5,526 | 11,526 |
| Change during the fiscal year | | |
| Increase in depreciation reserve for tax purposes | 6,017 | 4,827 |
| Decrease in depreciation reserve for tax purposes | (17) | (93) |
| Total change during the fiscal year | 5,999 | 4,733 |
| Balance at end of the fiscal year | 11,526 | 16,260 |
| Reserve for special account for advanced depreciation of noncurrent assets | | |
| Balance at end of previous fiscal year | – | – |
| Change during the fiscal year | | |
| Provision of reserve for special account for advanced depreciation of noncurrent assets | – | 3,589 |
| Total change during the fiscal year | – | 3,589 |
| Balance at end of the fiscal year | – | 3,589 |

| | Year ended March 31, 2009 (From April 1, 2008 to March 31, 2009 | Year ended March 31, 2010 (From April 1, 2009 to March 31, 2010) |
|---|---|---|
| Reserve for special depreciation | | |
| Balance at end of previous fiscal year | – | – |
| Change during the fiscal year | | |
| Provision of reserve for special depreciation | – | 17 |
| Total change during the fiscal year | – | 17 |
| Balance at end of the fiscal year | – | 17 |
| Retained earnings brought forward | | |
| Balance at end of previous fiscal year | 36,758 | 40,940 |
| Change during the fiscal year | | |
| Dividends paid | (2,303) | (1,974) |
| Interim dividends paid | (1,974) | (1,974) |
| Provision of reserve for advanced depreciation of noncurrent assets | (6,017) | (4,827) |
| Reversal of reserve for advanced depreciation of noncurrent assets | 17 | 93 |
| Provision of reserve for special account for advanced depreciation of noncurrent assets | - | (3,589) |
| Provision of reserve for special depreciation | - | (17) |
| Net income | 14,460 | 3,081 |
| Total change during the fiscal year | 4,182 | (9,208) |
| Balance at end of the fiscal year | 40,940 | 31,731 |
| Total retained earnings | | |
| Balance at end of previous fiscal year | 50,722 | 60,904 |
| Change during the fiscal year | | |
| Dividends paid | (2,303) | (1,974) |
| Interim dividends paid | (1,974) | (1,974) |
| Net income | 14,460 | 3,081 |
| Total change during the fiscal year | 10,181 | (868) |
| Balance at end of the fiscal year | 60,904 | 60,036 |
| Total shareholders' equity | | |
| Balance at end of previous fiscal year | 133,592 | 143,774 |
| Change during the fiscal year | | |
| Dividends paid | (2,303) | (1,974) |
| Interim dividends paid | (1,974) | (1,974) |
| Net income | 14,460 | 3,081 |
| Total change during the fiscal year | 10,181 | (868) |
| Balance at end of the fiscal year | 143,774 | 142,906 |
| Valuation and translation adjustments | | |
| Unrealized gain on securities | | |
| Balance at end of previous fiscal year | 133 | 176 |
| Change during the fiscal year | | |
| Changes in items other than shareholders' equity during the fiscal year (net) | 43 | (63) |
| Total change during the fiscal year | 43 | (63) |
| Balance at end of the fiscal year | 176 | 113 |

| | Year ended March 31, 2009 (From April 1, 2008 to March 31, 2009 | Year ended March 31, 2010 (From April 1, 2009 to March 31, 2010) |
|---|---|---|
| Total valuation and translation adjustments | | |
| Balance at end of previous fiscal year | 133 | 176 |
| Change during the fiscal year | | |
| Changes in items other than shareholders' equity during the fiscal year (net) | 43 | (63) |
| Total change during the fiscal year | 43 | (63) |
| Balance at end of the fiscal year | 176 | 113 |
| Total net assets | | |
| Balance at end of previous fiscal year | 133,726 | 143,951 |
| Change during the fiscal year | | |
| Dividends paid | (2,303) | (1,974) |
| Interim dividends paid | (1,974) | (1,974) |
| Net income | 14,460 | 3,081 |
| Changes in items other than shareholders' equity during the fiscal year (net) | 43 | (63) |
| Total change during the fiscal year | 10,225 | (931) |
| Balance at end of the fiscal year | 143,951 | 143,020 |

Phenomena or situations raising significant questions about the premise of a going concern

Not applicable.

Significant accounting policies

| Item | Year ended March 31, 2009<br>(From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010<br>(From April 1, 2009 to March 31, 2010) |
|---|---|---|
| 1. Standards and methods for the valuation of securities | (1) Shares in subsidiaries and affiliates<br>The cost determined by the moving average method is applied.<br>(2) Other securities<br>(i) Securities having market values:<br>Market 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.)<br>(ii) Securities not having market values:<br>Cost determined by the moving average method is applied.<br>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. | (1) Shares in subsidiaries and affiliates<br>Same as left<br>(2) Other securities<br>(i) Securities having market values:<br>Same as left<br>(ii) Securities not having market values:<br>Same as left<br>Same as left |
| 2. Standards and methods for the valuation of derivatives | In principle, the market value method is applied. | Same as left |
| 3. Standards and methods for the valuation of inventories | The cost method based on the specific cost method (reduction of the carrying value—balance sheet value—based on a decline in profitability) is applied to properties for sale, properties in progress, and uncompleted construction expenditure.<br>The last cost method is applied to stored goods.<br>(Change in accounting practices)<br>The Company is applying the Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan Statement No. 9 issued on July 5, 2006) and is calculating inventories primarily by the cost method based on the specific cost method (reduction of the carrying value—balance sheet value—based on a decline in profitability).<br>In association with the change, operating income, ordinary income, and income before income taxes and minority interests each fell ¥6,574 million. | Same as left<br>—————— |

| Item | Year ended March 31, 2009<br>(From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010<br>(From April 1, 2009 to March 31, 2010) |
|---|---|---|
| 4. Depreciation method for fixed assets | (1) Property and equipment (except leased assets)<br>The declining–balance method is primarily applied.<br>However, the straight–line method is applied to NTT Makuhari Building, Granpark Building, NTT Cred Motomachi Building, and buildings (except attached facilities) acquired on and after April 1, 1998.<br>Major useful lives are as follows:<br>Buildings:<br>15 to 50 years<br>Structures:<br>15 to 50 years<br>Machinery and vehicles:<br>5 to 17 years<br>Tools, furniture and fixtures:<br>2 to 20 years<br>(2) Intangible assets (except leased assets)<br>The straight–line method is applied.<br>Software for internal use is amortized over its estimated useful life (five years).<br>(3) Long–term prepaid expenses<br>The straight–line method is applied.<br>(4) Leased assets<br>Leased assets relating to finance lease transactions without the transfer of ownership<br>The same depreciation methods as applied to the fixed assets owned by the Company and its subsidiaries are applied. | (1) Property and equipment (except leased assets)<br>Same as left<br>(2) Intangible assets (except leased assets)<br>Same as left<br>(3) Long–term prepaid expenses<br>Same as left<br>(4) Leased assets<br>Same as left |
| 5. Basis for calculating allowances | (1) Allowance for doubtful receivables<br>In preparation for doubtful notes and 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.<br>(2) Accrued employees' retirement benefits<br>In preparation for employees' retirement benefits, accrued employees' retirement benefits are posted based on the retirement benefit obligation and estimated pension plan assets at the end of the fiscal year.<br>The past service cost is amortized using the straight–line method over the eligible employees' average remaining period of service of the eligible employees at the time of occurrence.<br>Actuarial differences are amortized using the straight–line method over the eligible employees' average remaining period of service at the time of occurrence in each fiscal year from the following fiscal year. | (1) Allowance for doubtful receivables<br>Same as left<br>(2) Accrued employees' retirement benefits<br>Same as left |

| Item | Year ended March 31, 2009<br>(From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010<br>(From April 1, 2009 to March 31, 2010) |
|---|---|---|
| | ——————————<br><br>(3) Allowance for warranty expenses<br>In preparation for warranty expenses in relation to the sale of real estate, the Company posts an estimated amount of future compensation. | (Change in accounting practices)<br>The Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (Accounting Standards Board of Japan Statement No. 19 issued on July 31, 2008) are applied from the fiscal year under review.<br>The change does not have any effects on operating income, ordinary income, or income before income taxes and minority interests.<br>(3) Allowance for warranty expenses<br>Same as left |
| 6. Basis for posting revenues and expenses | (1) Basis for posting revenues and expenses<br>Basis for posting revenues relating to finance lease transactions<br>Sales and cost of sales are posted when lease fees are received.<br>—————————— | (1) Basis for posting revenues and expenses<br>Same as left<br><br>(2) Standard for recording amount of completed work and cost of completed work<br>a. Contracts whose outcome at the end of the fiscal year under review is deemed certain<br>Percentage-of-completion method (construction-cost-percentage method for estimating the progress of construction)<br>b. Other construction contracts<br>Completed-contract method<br><br>(Change in accounting practices)<br>The Company previously determined earnings from contract work based on the work completion standards. Starting the fiscal year under review, however, it adopted the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan (ASBJ) Standard No. 15, issued on December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, issued on December 27, 2007). Consequently, the Company adopted the percentage of completion basis for construction contracts (based on the cost method for the estimation of the progress of work) that commenced during the fiscal year under review and the progress of which can be confirmed at the end of the fiscal year. For other contracts, the Company adopted the completed contract method.<br>With this change, net sales rose ¥168 million, and operating income, ordinary income, and income before income taxes and minority interests each rose ¥40 million. |

| Item | Year ended March 31, 2009<br>(From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010<br>(From April 1, 2009 to March 31, 2010) |
|---|---|---|
| 7. Significant hedge accounting method | (1) Hedge accounting method<br>In principle, deferred hedge accounting is applied.<br>A preferential procedure is employed for interest rate swaps that meet the criteria for the preferential procedure.<br>(2) Hedging item and hedged item<br>Hedging item:<br>Interest rate swap contracts<br>Hedged item:<br>Borrowings<br>(3) Hedging policy<br>Under the Company's internal rules on derivative transactions, interest rate risks relating to the hedged item are hedged against within a certain range.<br>(4) Method of assessment of hedge effectiveness<br>Since the swaps are interest swaps to which special matching criteria are applied, the periodic assessment of hedge effectiveness is not performed. | (1) Hedge accounting method<br>Same as left<br>(2) Hedging item and hedged item<br>Hedging item:<br>Same as left<br>Hedged item:<br>Same as left<br>(3) Hedging policy<br>Same as left<br>(4) Method of assessment of hedge effectiveness<br>Same as left |
| 8. Other important matters that constitute the basis for preparation of financial statements | (1) Accounting treatment of consumption taxes<br>Consumption taxes and local consumption taxes are accounted for by the tax exclusion method. | (1) Accounting treatment of consumption taxes<br>Same as left |

Notes to Financial Statements

(Notes to balance sheets) (Million yen)

| Previous fiscal year<br>(As of March 31, 2009) | | Fiscal year under review<br>(As of March 31, 2010) | |
|---|---|---|---|
| *1 Mortgaged assets and secured debt | | *1 Mortgaged assets and secured debt | |
| (1) Assets pledged as collateral and their amounts | | (1) Assets pledged as collateral and their amounts | |
| Buildings | 115,071 | Buildings | 109,754 |
| Land | 13,189 | Land | 13,189 |
| Total | 128,261 | Total | 122,944 |
| (2) Corresponding debt secured by the above collateral | | (2) Corresponding debt secured by the above collateral | |
| Current portion of long–term debt (payment within one year) | 4,762 | Current portion of long–term debt (payment within one year) | 4,722 |
| Long–term debt | 24,327 | Long–term debt | 19,605 |
| Total | 29,089 | Total | 24,327 |
| *2 Of real estate projects in progress included in inventories, the purpose of holding ¥5,529 million is changed, and the amount is transferred to property and equipment in the fiscal year under review. | | *2 Of real estate projects in progress included in inventories, the purpose of holding ¥19,005 million is changed, and the amount is transferred to property and equipment in the fiscal year under review. | |
| *3 Due to the change in purpose of holding, property and equipment of ¥1,381 million is transferred to inventories in the fiscal year under review. | | ――――――― | |

(Notes to statements of income) (Million yen)

**Year ended March 31, 2009**
**(From April 1, 2008 to March 31, 2009)**

*1 Selling expenses account for about 25.5% of selling, general and administrative expenses, and general and administrative expenses account for about 74.5%.

| | |
|---|---:|
| Advertising expenses | 2,344 |
| Salaries, allowances and bonuses | 3,783 |
| Outsourcing | 3,146 |
| Dues and taxes | 1,277 |

*2 Breakdown of gain on sales of fixed assets

| | |
|---|---:|
| Buildings and structures | (1,280) |
| Land | 13,318 |
| Total | 12,037 |

On the sale of a building with land, the Company recognized a gain on the building part, while a loss was recognized on the land part. A net gain resulted from this transaction and was recorded as a gain on sale of property and equipment.

*3 Breakdown of loss on sales of fixed assets

| | |
|---|---:|
| Buildings and structures | 774 |
| Land | 362 |
| Total | 1,136 |

On the sale of a building with land, the Company recognizes a net gain resulting from the sum of a gain or loss on the building part and on the land part, which net gain is recorded as a gain on sale of property and equipment.

*4 Breakdown of loss on disposals of fixed assets

| | |
|---|---:|
| Buildings | 844 |
| Structures | 125 |
| Machinery | 35 |
| Removal cost | 770 |
| Tools, furniture and fixtures | 114 |
| Total | 1,889 |

*5 Impairment loss

The Group posted an impairment loss in the fiscal year ended March 31, 2009 for the following group of assets:

| Main use | Type | Location | Impairment loss |
|---|---|---|---|
| Office building | Building | Takamatsu, Kagawa | 457 million yen |

In principle, the Group examined an impairment loss for each property.

As a result, the Group reduced the carrying value of an office building that experienced a sharp decline in profitability with the worsening of market conditions to the recoverable amount of assets and posted the reduction as an impairment loss in extraordinary losses.

All of the impairment loss is related to the building.

The Group's recoverable amount is measured based on the net selling price or the value in use. The net selling price is primarily the appraised value determined by the real estate appraiser. The value in use is calculated by discounting the future cash flows 5%.

*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 cost of sales.

6,695

**Year ended March 31, 2010**
**(From April 1, 2009 to March 31, 2010)**

*1 Selling expenses account for about 25.7% of selling, general and administrative expenses, and general and administrative expenses account for about 74.3%.

| | |
|---|---:|
| Advertising expenses | 2,475 |
| Salaries, allowances and bonuses | 3,956 |
| Outsourcing | 3,629 |
| Dues and taxes | 1,458 |

*2 Breakdown of gain on sales of fixed assets

| | |
|---|---:|
| Buildings and structures | 2,174 |
| Land | 15,454 |
| Total | 17,628 |

On the sale of a building with land, the Company recognizes a net gain resulting from the sum of a gain or loss on the building part and on the land part, which net gain is recorded s a gain on sale of property and equipment.

*3 Breakdown of loss on sales of fixed assets

| | |
|---|---:|
| Buildings and structures | 649 |
| Land | 728 |
| Total | 1,377 |

On the sale of a building with land, the Company recognizes a net gain resulting from the sum of a gain or loss on the building part and on the land part, which net gain is recorded as a gain on sale of property and equipment.

*4 Breakdown of loss on disposals of fixed assets

| | |
|---|---:|
| Buildings | 592 |
| Structures | 34 |
| Machinery | 18 |
| Removal cost | 697 |
| Tools, furniture and fixtures | 41 |
| Total | 1,384 |

*5 Impairment loss

The Group posted an impairment loss in the fiscal year ended March 31, 2010 for the following group of assets:

| Main use | Type | Location | Impairment loss |
|---|---|---|---|
| Office building (eight buildings) | Building, land | Tachikawa, Tokyo and other places | 3,086 million yen |

In principle, the Group examined an impairment loss for each property.

As a result, the Group reduced the carrying value of eight office buildings that experienced a sharp decline in profitability with the worsening of market conditions to the recoverable amount of assets and posted the reduction as an impairment loss in extraordinary losses. The impairment loss consisted of a loss of ¥2,462 million on the building part and a loss of ¥623 million on the land part.

The Group's recoverable amount is measured based on the net selling price or the value in use. The net selling price is primarily the appraised value determined by the real estate appraiser. The value in use is calculated by discounting the future cash flows 5%.

*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 cost of sales.

12,483

(Notes to statements of changes in net assets)

Type and number of treasury stock in the previous fiscal year (from April 1, 2008 to March 31, 2009) and fiscal year under review (from April 1, 2009 to March 31, 2010)

Not applicable.

(Notes to securities)

There were no shares of subsidiaries or affiliates having market values in the previous fiscal year (from April 1, 2008 to March 31, 2009) and fiscal year under review (from April 1, 2009 to March 31, 2010).

(Notes to deferred tax accounting)

**Previous fiscal year (March 31, 2009)**

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

| | |
|---|---|
| Deferred tax (current) assets | |
| Accrued bonuses in excess of the limit for income tax deduction | 135 |
| Accrued enterprise taxes | 90 |
| Other | 559 |
| Total | 785 |
| | |
| Deferred tax (fixed) assets | |
| Denial of impairment loss | 778 |
| Denial of evaluation loss on land | 2,865 |
| Denial of depreciation of unused building volume | 1,653 |
| Accrued employees' retirement benefits | 1,944 |
| Compensation for loss | 734 |
| Other | 671 |
| Total | 8,646 |
| | |
| Deferred tax (long–term) liabilities | |
| Reserve for advanced depreciation of fixed assets | (7,935) |
| Other | (131) |
| Total | (8,067) |
| Net deferred tax (long–term) liabilities | 579 |

2. Breakdown of difference between the legally 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

Since the difference between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting is equal to or less than 5% of the legally effective tax rate, notes are omitted.

**Fiscal year under review (March 31, 2010)**

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

| | |
|---|---|
| Deferred tax (current) assets | |
| Accrued bonuses in excess of the limit for income tax deduction | 142 |
| Accrued enterprise taxes | 108 |
| Denial of loss on valuation of inventory | 432 |
| Other | 728 |
| Sub Total | 1,412 |
| Valuation reserve | (2) |
| Total | 1,410 |
| | |
| Deferred tax (fixed) assets | |
| Denial of impairment loss | 1,831 |
| Denial of evaluation loss on land | 4,371 |
| Denial of depreciation of unused building volume | 1,785 |
| Accrued employees' retirement benefits | 2,101 |
| Compensation for loss | 146 |
| Other | 458 |
| Total | 10,694 |
| Valuation reserve | (6,879) |
| Total | 3,815 |
| | |
| Deferred tax (long–term) liabilities | |
| Reserve for advanced depreciation of fixed assets | (11,165) |
| Reserve for advanced depreciation of fixed assets special account | (2,462) |
| Other | (89) |
| Total | (13,717) |
| Net deferred tax (long–term) liabilities | (9,902) |

2. Breakdown of difference between the legally 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

| | |
|---|---|
| Legally effective tax rate | 40.7% |
| (Adjustment) | |
| Valuation reserve | 40.8% |
| Other | 0.2% |
| Actual effective tax rate after the application of tax effect accounting | 81.7% |

(Per–share information)

| Year ended March 31, 2009<br>(From April 1, 2008 to March 31, 2009) | Year ended March 31, 2010<br>(From April 1, 2009 to March 31, 2010) |
|---|---|
| Net assets per share 43,738.19 yen<br>Net income per share 4,393.67 yen<br>Diluted net income per share is not disclosed because the Company does not hold any dilutive securities. | Net assets per share 43,455.29 yen<br>Net income per share 936.25 yen<br>Diluted net income per share is not disclosed because the Company does not hold any dilutive securities. |

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

| | Year ended March 31, 2009<br>(From April 1, 2008<br>to March 31, 2009) | Year ended March 31, 2010<br>(From April 1, 2009<br>to March 31, 2010) |
|---|---|---|
| Net income (million yen) | 14,460 | 3,081 |
| Amounts not attributable to shareholders of common stock (million yen) | – | – |
| Net income attributable to common stock (million yen) | 14,460 | 3,081 |
| Average number of common shares outstanding during the fiscal year | 3,291,200 | 3,291,200 |

(Significant subsequent events)

Not applicable.

## 6. Other

(1) Changes in Officers

Changes in officers will be disclosed when they are determined.

(2) Other

Litigation

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