



NEWS RELEASE

Mar 5, 2010

R&I Affirms AA-, Changes Outlook Negative: NTT Urban Development Co.

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: NTT Urban Development Co. (Sec. Code: 8933)
Issuer Rating

R&I RATING: AA- (Affirmed)
RATING OUTLOOK: Negative (Changed from Stable)

Commercial Paper

R&I RATING a-1+ (Affirmed)

RATIONALE:

NTT Urban Development Co. is a real estate company of the NTT Group. The company is a consolidated subsidiary of NTT Group's holding company, which holds 67.3% of voting rights.

Due in part to in-kind investment by the NTT Group in the past, NTT Urban Development owns a number of office buildings that are located in prime areas of major cities nationwide, including large office buildings in Tokyo's Otemachi district. Although the vacancy rate of leasing buildings owned by NTT Urban Development is on the rise, it is below the market average at all districts thanks to its strong advantage of being able to attract NTT Group companies as tenants. R&I believes NTT Urban Development is capable of keeping future vacancy rates below market average levels.

However, NTT Urban Development's bases in businesses other than office building leasing are weak. Substantial valuation losses in the company's financial results show that property sales operations, which mainly supply apartment units, leave room for improvement, particularly in terms of project management.

Over the three-year period through the end of March 2009, NTT Urban Development acquired lands for condominiums, and aggressively moved ahead with urban development projects. As a result, debt grew significantly. Meanwhile, its ability to generate earnings and cash flow stagnated due to deterioration of the business environment. The balance between debt and cash flow and the liabilities to capital ratio worsened considerably than before. The rating on NTT Urban Development factors in tangible and intangible assistance the company can expect from the NTT Group to a certain extent, but the deterioration of the financial profile is beyond permissible levels R&I refers to when assessing creditworthiness.

In consideration of the relatively solid earnings base for leasing operations and the company's plan to reduce debt by scaling back investments for the time being, R&I has affirmed the AA- rating in this review. However, based on a view that it will very likely take a long time before the company achieves improvement of its financial profile amid the harshness of the real estate market, R&I has changed the Rating Outlook to Negative. If R&I determines that NTT Urban Development is not capable of making steady improvements of financial profile, the possibility of rating downgrade may heighten.

Rating and Investment Information, Inc. Nihonbashi 1-chome Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan
Investors Service Division TEL.03-3276-3511 FAX.03-3276-3413 <http://www.r-i.co.jp>

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The primary rating methodology applied to this rating is provided at "Basic Methodologies for R&I's Credit Rating". The methodology is available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/rating/rating/methodology.html>

R&I RATINGS:

ISSUER: NTT Urban Development Co. (Sec. Code: 8933)

ISSUER RATING: AA- (Affirmed)

RATING OUTLOOK: Negative (Changed from Stable)

| LONG-TERM ISSUE RATING: | Issue Date | Redemption | Issue Amount (mn) |
|--------------------------------|-------------------|-------------------|--------------------------|
| Unsec. Str. Bonds No.7 | Dec 04, 2006 | Sep 20, 2016 | Yen 20,000 |
| Unsec. Str. Bonds No.8 | Jun 05, 2008 | Mar 20, 2018 | Yen 20,000 |
| Unsec. Str. Bonds No.9 | Sep 17, 2009 | Sep 20, 2019 | Yen 10,000 |

R&I RATING: AA- (Affirmed)

PROGRAMME: Commercial Paper

Issue Limit: Yen 50,000 million

R&I RATING: a-1+ (Affirmed)

In principle, an Issuer Rating is R&I's opinion on an issuer's overall capacity to repay its financial obligations as agreed and is assigned to all issuers. The rating of individual obligations includes the prospect of recovery and reflects the terms and conditions of the agreement and it may be lower or higher than the Issuer Rating.

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