ANNUAL REPORT 2016

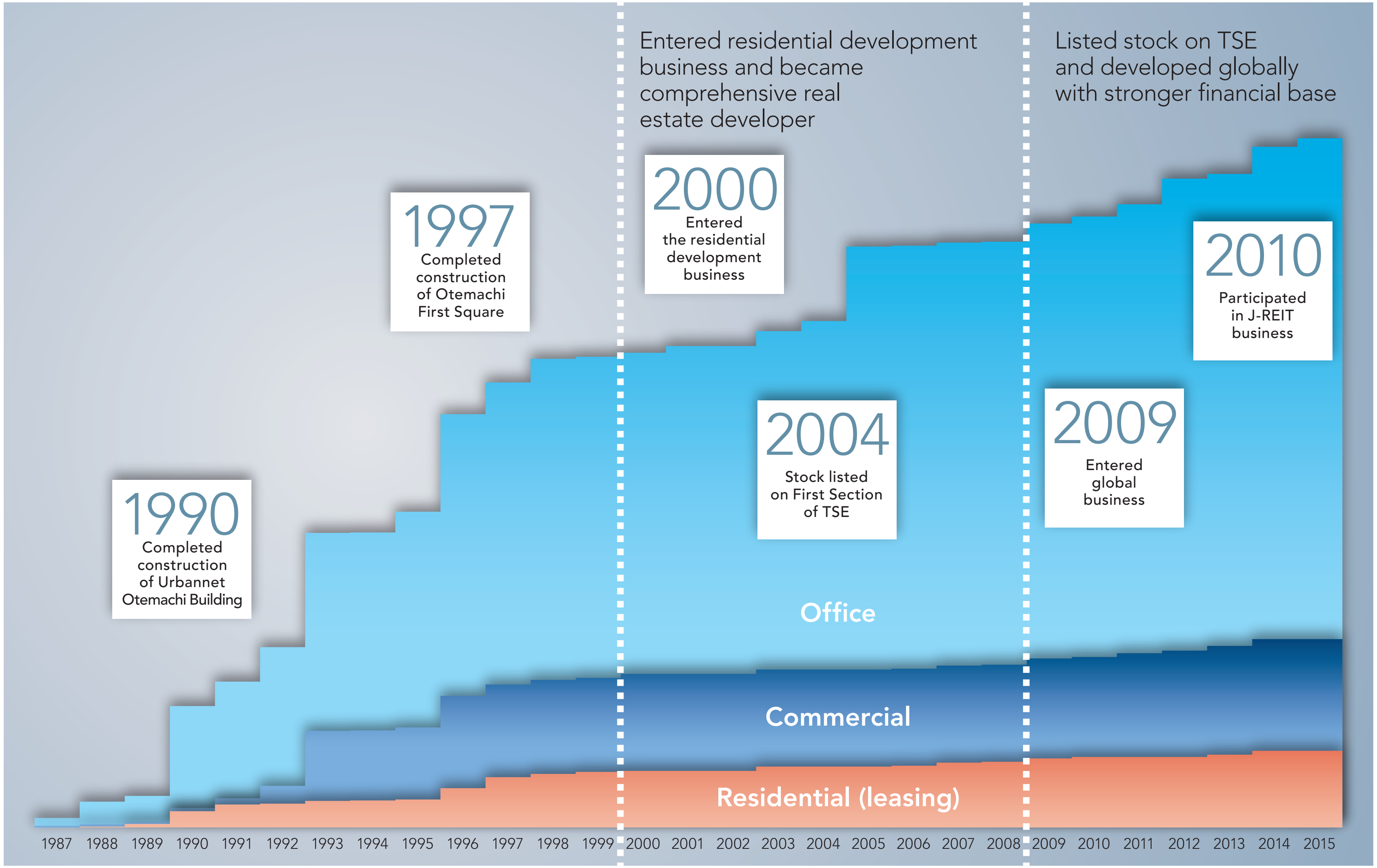
for the fiscal year ended 31 March, 2016

NTT UD

Contents

Understand the times, focus on creating a new future, and venture into businesses that support urban development

Total development area



NTT UD

Our corporate symbol has been renewed in commemoration of our 30th anniversary.
Based on our established principles of trust and performance, we will keep moving forward, always seeking to create high-value-added real estate services.

Blue Crystal

Crystal of Integrity and Innovation

Symbolizing trust, the blue color is a testament to our attitude of integrity toward customers.
The translucent polyhedral form, full of clarity, represents shining happiness and innovative urban development with an eye to the future.

Corporate Philosophy

UD Statement

Integrity and Innovation

connecting cities and people

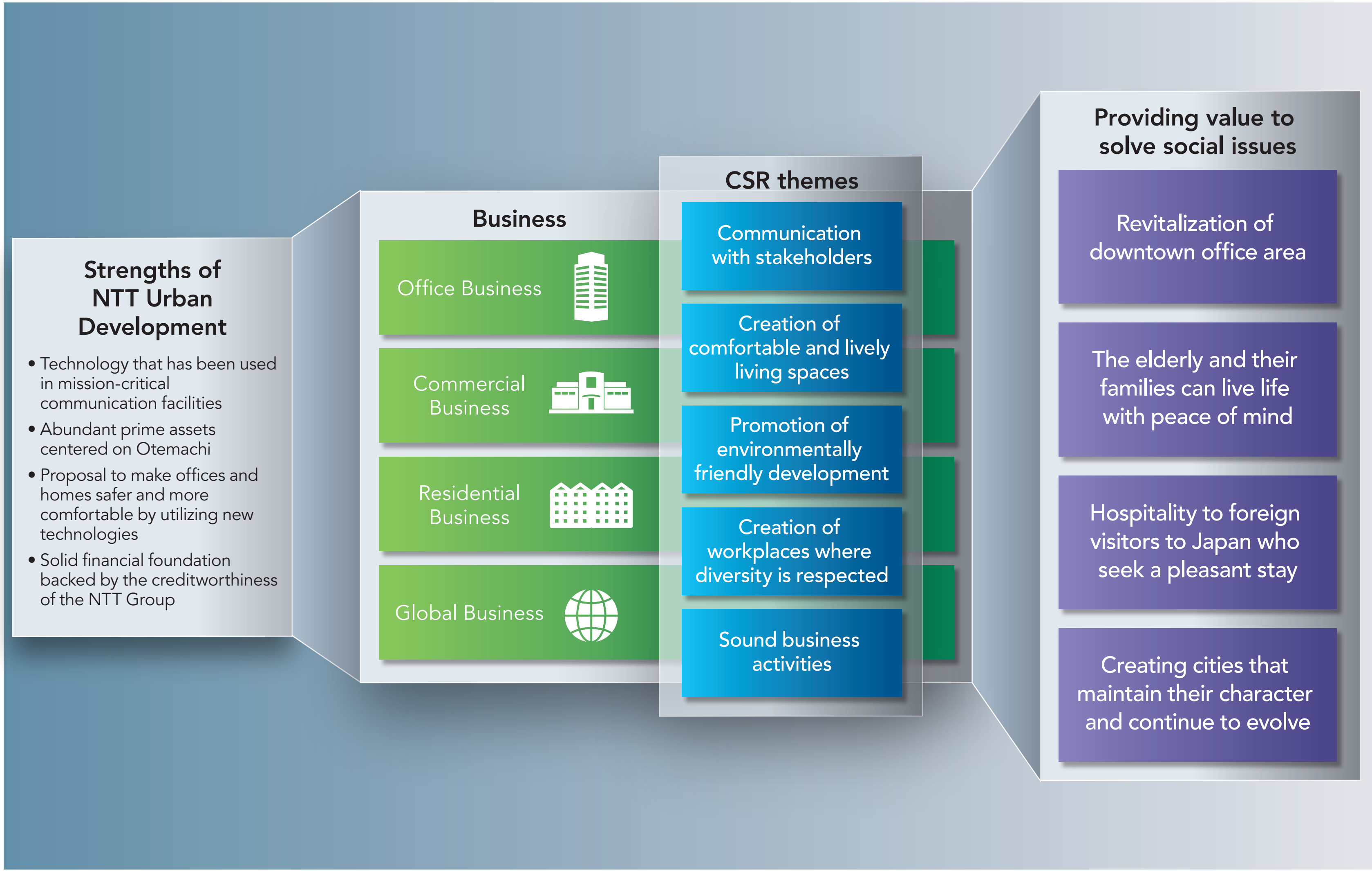
We will contribute to sustainable urban development through our real estate services.
What we value most is seeing the satisfaction of our customers and members of the wider public, and bringing smiles to their faces.

For this, we will pay close attention to the changing needs of our customers and society, and thoroughly understand our customers' perspectives.

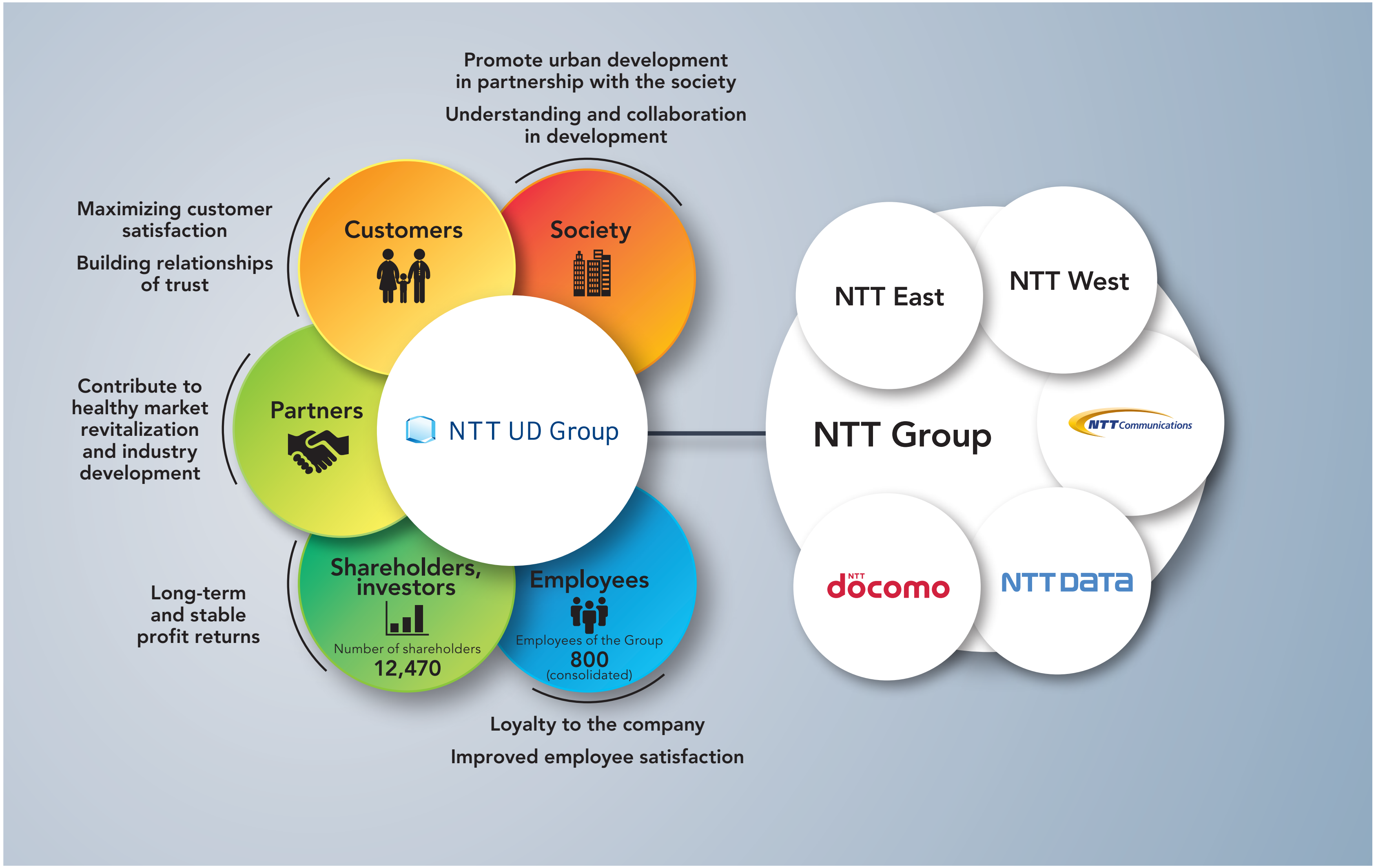
We make it a promise to continue our challenge of generating innovative services, where all of our management and employees will act with integrity and without fearing failure.

This challenge is fueled by a corporate culture conducive to all of our management and employees freely and proactively voicing opinions, where all of us may respect and value one another, and go about our jobs with a smile.

We will demonstrate the potential and creditworthiness of the NTT Group and create new value to solve social issues



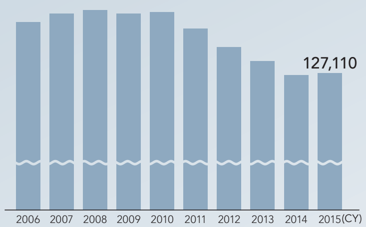
Seeking to maintain and develop relationships of trust with a wide range of stakeholders



Accurately perceive market needs and work for medium- to long-term growth

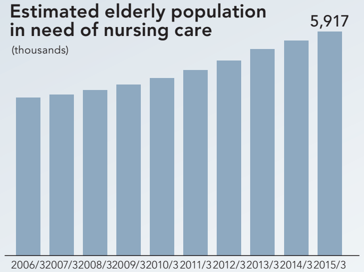
Market Conditions

Estimated population of Japan
(thousands)



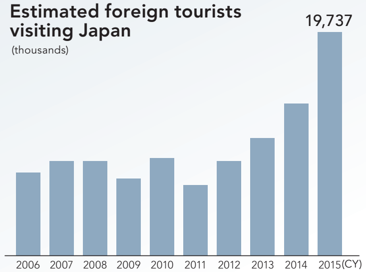
Source: Statistics Bureau, Ministry of Internal Affairs and Communications

Estimated elderly population in need of nursing care
(thousands)



Source: Cabinet Office, Government of Japan

Estimated foreign tourists visiting Japan
(thousands)



Source: Japan National Tourism Organization

Medium-Term Vision 2018

Basic Policy

Fully enforcing a customer and market-centered orientation
Provide real estate solutions that meet customer expectations both in terms of "tangible" and "intangible" aspects by accurately capturing customer needs and maximizing our expertise

Pursuing innovation
Strive for medium- and long-term growth by promoting business and developing a system of business operation based on flexible thinking without being bound by existing frameworks

Medium-term Growth

Office building development in urban areas

Shift to mixed-use development

Diversification of property utilization

Conversion

Renovation

Utilize REITs

Development of hotels with universal value

Development of senior serviced housing

Diversification of portfolio to overseas

Initiatives for NTT Group CRE

Financial Targets
FY2018

Operating Revenue
¥200 billion

Operating Income
¥30 billion

Investments
Approximately ¥360 billion
(FY2014-2018 cumulative)

Interest-bearing debt
Approximately ¥500 billion
(As of March 31, 2019)

With integrity and innovation, we will continue to create value that customers and society seek in every business field

Sadao Maki
President & Chief Executive Officer
NTT Urban Development Corporation

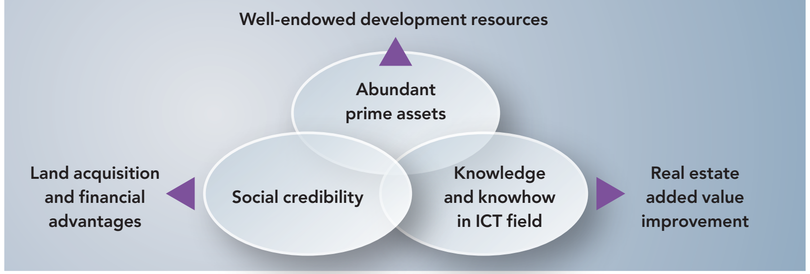
Q What are NTT Urban Development's strengths in the real estate industry?

A As a member of the NTT Group, our strengths are multifaceted.

NTT Urban Development was established in 1986 as a comprehensive urban development company and marked its 30th anniversary in January 2016. NTT Urban Development Corporation, a mid-sized company and a relatively late comer in the real estate industry, had a major advantage in creditworthiness in buying land and ability to raise capital because of the tremendous public confidence it enjoys as a member of the high-profile NTT Group. Needless to say, this helps it to operate business in this highly competitive industry.

The Company has expanded its business by developing office buildings and other real estate in prime locations centered on Otemachi and leasing them. Ownership of these prime assets and our ability to offer more secure and comfortable offices and homes that incorporate new technologies based on information and communication technology (ICT) are advantages that we have over all other competitors, and contributes in a major way to increasing the added value of development projects.

Advantages of NTT Urban Development



Q What is your future growth strategy?

A We will continue to show our presence in the intensely competitive real estate market by pursuing value creation that includes both material and abstract aspects.

As we face a depopulating society caused by a dwindling birth rate and an aging population, the aimless maintaining of the status quo fosters a sense of a crisis for survival in Japan's increasingly harsh real estate environment.

At times in our past, when goods could not be had, we were happy just to make them, but today, as goods are super abundant, such behavior can no longer be tolerated. The days of continued focus on only material aspects is over, we are now at a time where a more multifaceted value creation that embraces both the material and abstract, along with content, is called for. Based on this realization, we must create what customers and society demand. To do so, we need "integrity," which helps us discern customer needs, and "innovation," which boldly challenges urban development's uncharted horizons by breaking free of all precedents.

In June 2014, we came up with the new corporate slogan of "Integrity and Innovation," which perhaps expresses that sense of crisis. Under this slogan, we have promoted drastic change in all business areas, but in order to re-express this intention both inside and outside the Company, we have announced a new corporate logo.

Each and every employee is aware of the all the thought that has gone into the slogan and logo, and will continue to focus on a unique style of urban development that they alone are qualified to perform, and that rejects imitation. By taking this resolute stance, and with a totally unique and unparalleled presence not found in other large, small and diverse real estate companies, we will maintain stable growth without getting sidetracked by competition for scale and price.

Q What progress have you made on the medium-term business plan and what targets are you working to achieve?

A **We will achieve stable growth through portfolio diversification while focusing knowhow gained on mixed-use development projects.**

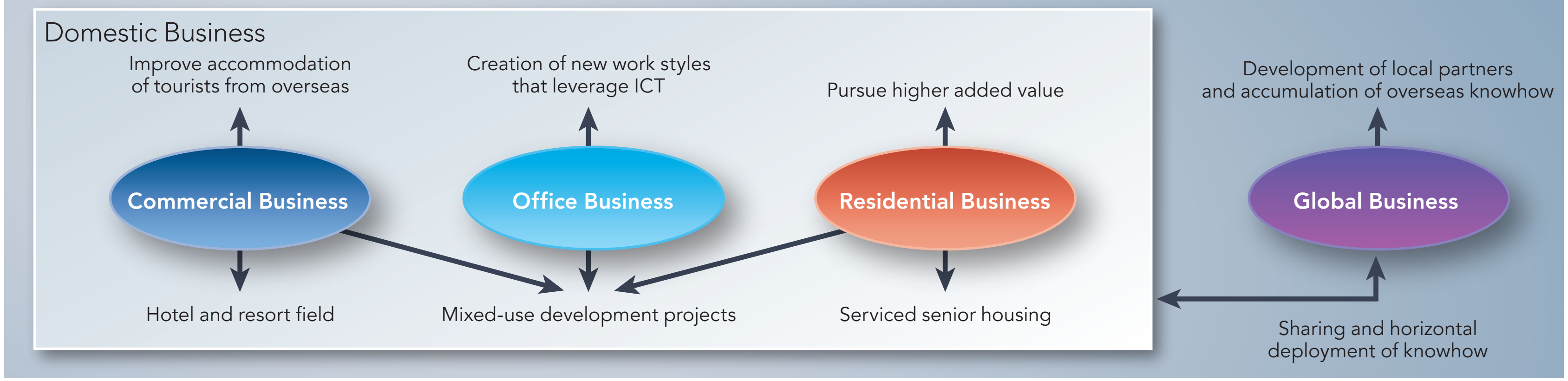
The Company is now promoting Medium-Term Vision 2018, its medium-term management plan for fiscal 2018. Under a basic strategy of "fully enforcing a customer and market-centered orientation" and "pursuing innovation," this plan aims for operating revenue of ¥200.0 billion and operating income of ¥30.0 billion by promoting various reforms in each business.

NTT Urban Development steadily promoted this plan in fiscal 2015 and achieved its operating income target ahead of schedule. However, this includes gains from property sales, but the goal of the medium-term management plan is to be a company that regularly generates ¥30.0 billion in operating income without depending on such temporary profit.

Therefore, it is essential that we secure new revenue sources and diversify our portfolio. In addition to office buildings, our traditional mainstay, the expansion of commercial facilities such as hotels, and our focus on asset acquisition in major overseas cities have been a part of this effort. The Company will continue to promote this diversification, and in combination with the knowhow gained in the development and management of a wide range of facilities, we will aggressively take on mixed-use development projects comprising office buildings combined with hotels and residential with commercial facilities, as well as new fields such as office to residential conversion.

Furthermore, assets held in Japan have been inventoried and classified as core, semi-core, and non-core assets. Based on this classification, not only will we hold and utilize these assets internally, we will optimize the balance sheet by promoting a diverse portfolio management that includes sales to J-REITs and private-placement REITs.

Portfolio Diversification and the Direction of Each Business



Development Pipeline

Development Project	Total Floor Area		FY2017	FY2018	FY2019	FY2020	FY2021 –
Office Business							
Otemachi 2-1 Project*	Approx. 202,000 m² (entire building A)			Completion			
Shimbashi 1-chome Project	Approx. 35,900 m²	Start of construction			Completion		
Commercial Business/Hotel and Resort Business							
Universal City Station Project	Approx. 20,808 m²		Opening				
Small Luxury Hotel Development	—	Hakone opening					
Okinawa Seragaki Project	Approx. 40,000 m²	Start of construction		Opening			
Kiyomizu Elementary School Conversion	—			Opening			
Shinpukan Redevelopment Project	—			Start of construction	Opening		
Harajuku Station Project	—			Start of construction		Opening	
Residential Business							
Serviced senior housing in collaboration with the NTT Group	—						
Condominium Renovation Business	—						
Global Business (renewal project)							
1 King William Street (London)	Approx. 100,000 sqf	Completion					
125 West 25th Street (New York)	Approx. 138,000 sqf	Completion					
1015 18th Street (Washington D.C.)	Approx. 106,000 sqf		Completion				
Redevelopment Projects and Others							
NTT Group CRE	—						
Minami-Aoyama Project	—						
Shimbashi Station West Exit Project	—						
Kanda Station West Exit Project	—						

*The abbreviated name for Otemachi 2-chome Area 1st Class Urban Redevelopment Project Building A

*Each project is in the planning stage and could change.

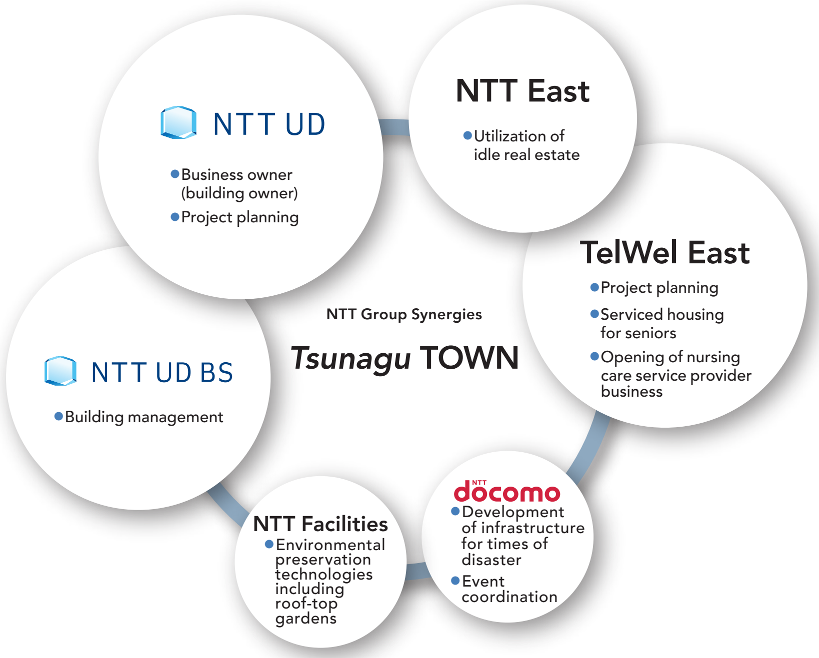
Q As a member of the NTT Group, what are your future policies?

A **While fulfilling our responsibility as a member of the Group's CRE strategy, we will continue to pursue optimum urban development for the Group as well as for the people in the surrounding region.**

As a result of the recent rapid evolution of ICT, the Group has reached a major turning point. For example, with communication facilities for traditional landline phones no longer needed, the question of how to effectively utilize those facilities and land has become a key management challenge. For example, leveraging the NTT Group's residential sites, we are carrying out the *Tsunagu* TOWN Project to simultaneously develop condominiums and senior serviced housing on adjacent sites.

In the redevelopment of this real estate, we place great importance on our relationship of trust with the local community that has been built up over a long period of time, and having a perspective on "urban development" that helps to increase value for the region as a whole is essential. As a member of the town, we want to evolve together with it by respecting its unique local history and culture and proposing optimal solutions from the point of view of residents and visitors.

***Tsunagu* TOWN Project Wellith Musashino Sekimachi**
Leveraging the NTT Group's synergies, we are working on the *Tsunagu* TOWN Project to simultaneously develop condominiums and senior serviced housing on adjacent sites. Please see the feature on page 19 for details.



"*Tsunagu* TOWN"
NTT Group Formation

Q What kind of organization are you building to achieve the strategy we have discussed?

A We are training our employees in diversity and taking steps to reform how we work.

In order to create the value demanded by customers and society, we must raise the creativity of each and every employee, who are the source of that value. To that end, we are aggressively streamlining work that can be systematized, thereby creating an environment where employees can focus on more creative work.

Furthermore, our emphasis is on diversification of human resources. When speaking of diversity in Japan, gender differences tend to be the subject of focus, but we respect diversity in a broader sense that includes nationality, language, and expertise, and it is the fusion of these that leads to the creation of new and unprecedented values.

To achieve this, we provide employees with opportunities to experience diversity, such as by researching new urban planning based on People Flow Analysis in collaboration with the University of Tokyo, sending them to graduate schools and research institutes in Japan and abroad, and aggressively recruiting young employees for overseas projects. We expect personnel who have broad experience to act as catalysts who actively promote exchanges that transcend our divisional boundaries.

Topics

Work Reform Project

In fiscal 2015, we started the Work Reform Project with the Diversity and Inclusion Office as the Secretariat and reexamined how in-house trial teams work. We will continue this effort in fiscal 2016.

Joined IkuBoss Alliance

In January 2015, NTT Urban Development became a member of the IkuBoss Alliance. IkuBoss is a supervisor who performs by achieving results while being mindful of the work-life balance of team members, and is able to enjoy his or her own work and private life.

Raising corporate brand value through our unique and unparalleled urban development

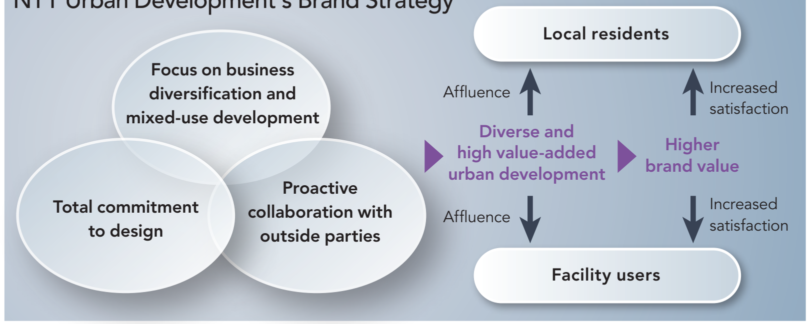
Masayuki Kusumoto
Executive Vice President
Commercial Business Headquarters
Chief Design Officer (CDO)

Mixed-use development, collaboration, and design Three keys to raising corporate brand value

When I think about the future of real estate developers in Japan, where the market is shrinking due to population decline, I am certain that the competitive environment will become even more intense. To maintain our presence in this environment, we must raise our brand value so that customers and society will appreciate our company.

The direction that NTT Urban Development—a medium-sized company and late-comer to this industry—must move toward is the "pursuit of quality, not quantity," and we emphasize three keys to achieve this. One is to accumulate business knowhow in many fields, in addition to office leasing, such as residential and commercial facilities, and focus on mixed-use development projects that combine these. The second is to compensate for knowledge and knowhow that cannot be obtained in-house by collaborating with various external partners and create synergies. The third is to raise the added value of buildings and the town as a whole through a total commitment to design.

NTT Urban Development's Brand Strategy



1st Key – Mixed-use development

Raise real estate value by combining various sought-after functions

The features that are sought after in buildings are growing increasingly complex as people's lifestyles diversify. To increase customer satisfaction, not only must we provide single functions such as offices and residences, we must combine diverse functions sought by users, including offices combined with hotels and residences with commercial facilities.

In addition to office leasing, our traditional core business, with mounting business diversification including residential and commercial facilities, hotels and resorts, we have accumulated knowhow to develop and operate a variety of facilities. We should be able to create high value-added facilities consistent with the diverse values of a wide range of customers through the well-balanced integration of these varied functions into one development project. We are working on distinctive mixed-use developments in central Tokyo as well as core regional cities such as Osaka, Nagoya, Kyoto and Fukuoka based on this idea.

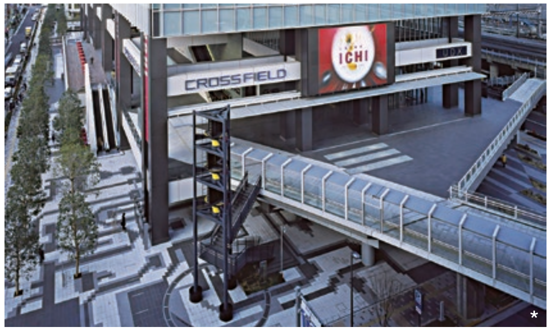
2nd Key – Collaboration

Create definite synergies through collaborative partnerships

Urban development is not something that is achieved by the real estate developer alone. In the development stage, it is essential that we cooperate not only with project partners and design offices, but with tenants in commercial facilities, and cooperation with the local community is important as well. Collaboration with operating companies with specialized expertise in hotels and facilities for the elderly is also required.

The Company will continue to build ongoing relationships of trust with various partners including with Hiramatsu Inc. on the development of small luxury hotels, and collaborate to provide a variety of knowledge and knowhow while respecting each other's ideas and identity.

Building these relationships of trust is the pursuit of "Integrity and Innovation," our corporate slogan. We also hope that they lead to the establishment of our own unique brand.



Akihabara UDX

Trad Mejiro

3rd Key – Design

Total commitment to design, including intangible aspects such as design services and operation

The design that I am referring to here is not simply the external shape of a building or its color, but a broader concept that includes abstract and intangible aspects such as harmony with the urban landscape, as well as facility functions, services and operation. We are totally committed to "design in its broadest sense" and seek to raise the value of buildings and communities by creating unique "one-of-a-kind" facilities that can never be imitated and performing urban development while differentiating ourselves from competitors.

To carry out this approach Companywide, from the project's initial stage to the operational stage, in 2015, we established the new "Design Strategy Office" that exhaustively discusses and reviews all project designs from a branding perspective and is fully committed to product planning and urban development that thrills customers.

Undertake urban development that is loved by local residents

The three keys that I have discussed thus far have each been factored into our projects, but from now on we will undertake urban development that not only meets customer expectations, but exceeds them through more strategic initiatives as a comprehensive real estate developer.

In doing so, I think we should emphasize respect for the identity of those communities and take advantage of it as the city's appeal. While the people living there want to further revitalize the community in response to changes in the environment, they are strongly committed to their culture, which has developed in a historical context. If we neglect to understand or take notice of these people, we cannot gain the community's trust.

Furthermore, the Company pursues urban development leveraging the real estate of the NTT Group nationwide, but that real estate is proof that the Group has been involved as a long-time member of the community. While carrying forward a relationship of trust with the local community, it is our responsibility to continue building attractive towns, including their surrounding areas, from a long-term perspective.

A typical case in the metropolitan area is the Otemachi 2-chome Area 1st Class Urban Redevelopment Project, which is currently underway. Otemachi is known as Japan's largest business district, but because the project's location was in a peripheral area, it was generally seen as having a relatively low real estate value. However, when viewed from a broader perspective, the location has unique features such as its being adjacent to an area with contrasting character, like Kanda and Nihonbashi.

Topics

Urbannet Nihonbashi 2-chome Building wins Good Design Award 2016

The Urbannet Nihonbashi 2-chome Building has a design theme that is based on the "tradition and style of Nihonbashi." Employing one of Japan's largest light ducts, the building has been praised for the changes in beautiful light that office workers can feel and see, and it won the Good Design Award 2016.

Because we have taken full advantage of the land's potential, we will continue to be involved in making the entire area appealing by planning and developing mixed-use facilities that combine offices, an international conference center, and commercial and other facilities while striving for a synergistic effect with the various features and elements of the surrounding area. We will continue to be involved in making the entire area attractive by taking charge of operation after completion.

In Kyoto, we are involved in redevelopment projects as a "member of the city" including the "Shinpukan Project," a hotel and commercial mixed-use development that makes use of a Taisho-era telephone switching station, and the "Kiyomizu Elementary School Conversion" to convert a historic building into a hotel. We will continue to contribute to making the community more attractive so that more people visit from Japan and abroad.

When I think of Japan in the world, the word "design," an increasingly important keyword that is rooted in a unique history and culture, comes to mind. We must focus on design, or we will only get lost in commoditization and ruined. Initiatives directed at the kind of design I am talking about will lead to a stronger competitive edge and to achieving an urban development that is loved by all people including residents, workers, and visitors. It will also lead to raising our brand value.

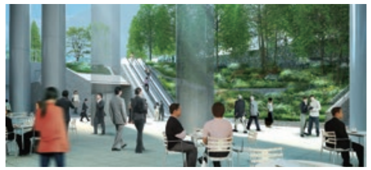
Topics

Promotion of the Otemachi 2-chome Area 1st Class Urban Redevelopment Project

This is an urban redevelopment project at a site of approximately two hectares that includes the Teishin Building. NTT Urban Development, a co-contractor, and the Urban Renaissance Agency, the lead contractor, seek to strengthen the international business center's functions through the development of a communications environment of Japan's very highest standard, improve the business continuity capability of the Otemachi district and create a pleasant and hospitable urban infrastructure.

Location Otemachi 2-chome 1-17 to 34, Chiyoda-ku, Tokyo
Use Office, commercial, conference rooms, local air conditioning and heating facilities for local district, parking, etc.
Site area Approx. 19,900 m²
Floor space Approx. 354,000 m²
Building A: Approx. 202,000 m² Building B: Approx. 152,000 m²
Structure Steel structure, partially steel-reinforced concrete structure, concrete-filled steel tube
Number of stories
Building A: 35 stories above ground and 3 below ground
Building B: 32 stories above ground and 3 below ground
Height Building A: Approx. 178 m
Building B: Approx. 163 m
Completion July, 2018 (scheduled)

*NTT Urban Development is responsible for construction of Building A (Otemachi 2-1 Project)



Maintaining and developing quality social assets based on a trusted brand

I. Kyoto Area Development

Urban planning that combines tradition with innovation

Kyoto is a historical and cultural city visited by tourists from Japan and abroad. NTT Urban Development wants to help raise real estate value while improving the attractiveness of the entire area from an urban development perspective through the redevelopment of real estate owned by the NTT Group.

The people of Kyoto are proud and deeply committed to their time-honored history and traditions and, in order to faithfully carry that on into the future, the landscape and other aspects of the city are strictly regulated, even new building construction. Real estate developed by the Company has been long and carefully maintained and managed by it as a "member of the city" ever since the time NTT was known as Nippon Telegraph and Telephone Public Corporation. Relationships of trust in the area that were developed within this historical context are a major asset that no other real estate developer shares.

As a member of the NTT Group, the Company has securely inherited those relationships of trust with the local community and it will continue to focus on real estate development befitting Kyoto while respecting the values and identity of its people. We seek to revitalize the area by creating high value-added facilities that blend ancient traditions with advanced technology to make the area more attractive so that more people will visit.

Shinpukan Redevelopment Project leverages historic building's charm

Kyoto's central telephone switching station, built in Karasuma Oike in 1926, is a historic building that was selected as the first designated and registered cultural asset of Kyoto City. The Company developed the Shinpukan in 2001 as a commercial facility that leverages this historic building's design. Along with operating the Laque Shijo Karasuma, opened in 2010, we have sought to revitalize the Karasuma area and build an attractive city. In March 2016, the Shinpukan was closed and we began to redevelop it as a commercial complex with hotel. We will develop a facility that takes advantage of this ancient city's charm with the aim of a 2019 opening.

Shinpukan (closed in March 2016)

Kiyomizu Elementary School Conversion Project – Meiji-era elementary school transformed into Kyoto-style hotel

Kyoto Municipal Kiyomizu Elementary School was opened in 1869 as a "program elementary school" in Japan's first school district system. Respecting its historical background, the Company leveraged the design and structure of the existing school building to developed high-quality accommodations that convey the spirit of Japan to the world. At the same time, leveraging advanced information communications technology, the Company proposed using a site to create a community space to deepen community bonds, and further increased the strength of the Kiyomizu area brand. As a result of deliberation via public proposal, we were chosen as a contracted eligible operator in May 2016 and signed a basic agreement with the city of Kyoto in July.

Old Kiyomizu Elementary School (today)

II. *Tsunagu* (Connecting) Town Project

Urban development that families can live with into the future with peace of mind

The Company has simultaneously developed condominiums and serviced housing for seniors on adjoining land and developed the *Tsunagu* Town Project, a new initiative that provides collaborative services.

The concept is that of a "multi-generational future subdivision" that entire families can live in much more comfortably generation after generation. Anticipating the family structure and lifestyles, which change over time, we came up with a scheme that enables us to respond in advance to changes in future needs. We have set our sights on residences and urban development that enables people to continue living in the way that they want, even if the stage of their life has changed.

**Tsunagu* Town is a trademark of NTT Urban Development in Japan.

Wellith Olive Tsudanuma
The first *Tsunagu* Town Project has achieved secure living and multigenerational exchanges including a relocation priority service from the concurrently developed Wellith Tsudanuma condominium, and opened a *Tsunagu* Café locally.


Wellith Olive Tsudanuma


Tsunagu Café


Community event at *Tsunagu* Café

III. Renovation Business

Urban development that people can continue living in for generations to come

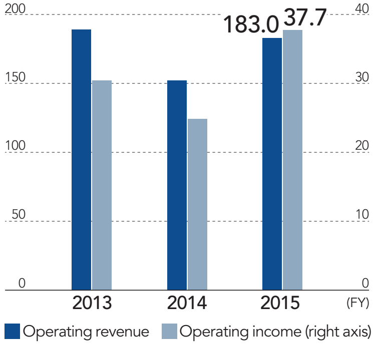
In maintaining and developing good quality social assets, renovation that upgrades pre-existing buildings and confers new value that meets the needs of the times is what attracts interest.

The Company is working on a renovation business as a brand new business. After a third party examines and diagnoses good-quality pre-existing buildings, this business then repairs common areas, and renovates and sells the buildings as condominiums with flexible designs in which the floor plans and designs can be changed to suit the customers' needs.

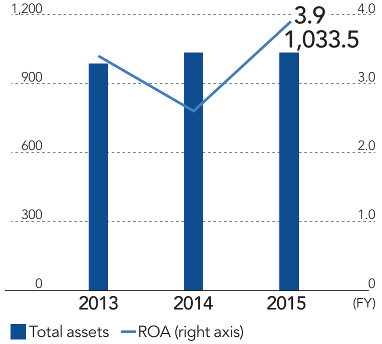
The business seeks to maintain and increase the asset value of the buildings and build homes that people can continue living in for generations to come.

IKSIKS Azabu Juban
Renovation work of the ISIKS Azabu Juban, which the renovation business is promoting jointly with NTT Urban Development and ReBITA Inc., was completed in July 2016.

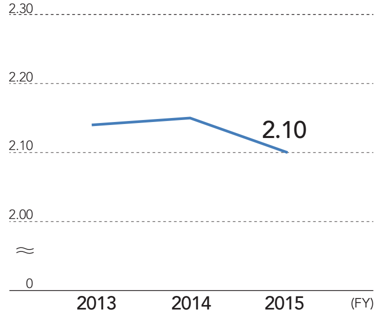
Operating revenue / Operating income



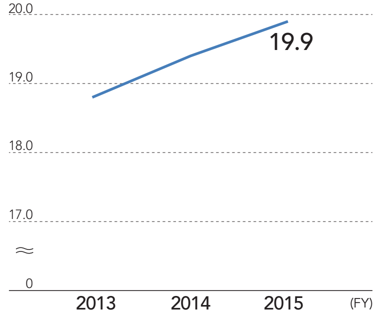
Total assets / ROA



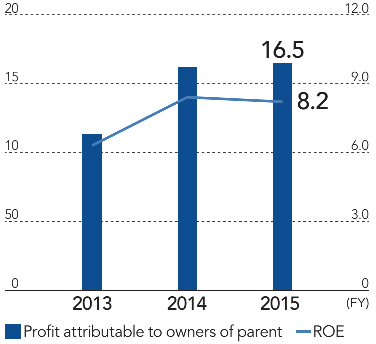
Net D/E ratio



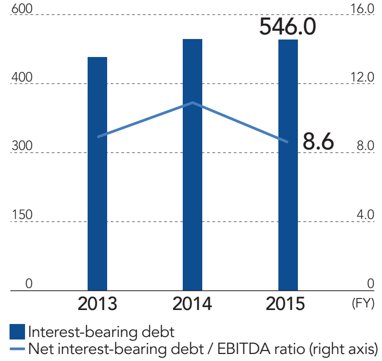
Equity ratio



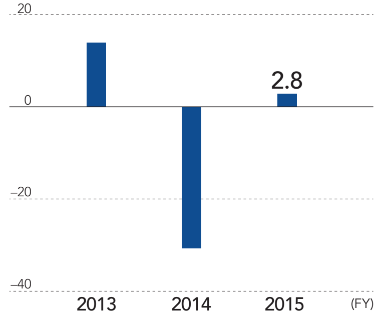
Profit attributable to owners of parent / ROE



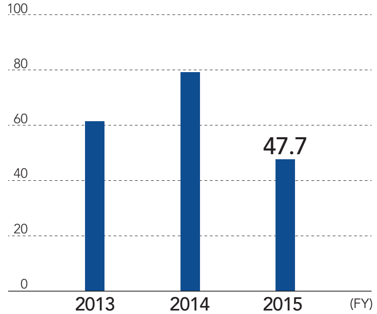
Interest-bearing debt Net interest-bearing debt / EBITDA ratio



Free cash flow



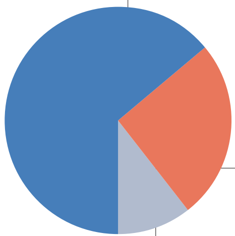
Capital expenditure



(Notes) ROA = (Operating income + Equity in earnings of affiliates + Gain on amortization of negative goodwill) / Average total assets
ROE = Profit attributable to owners of parent / Average shareholders' equity
Net interest-bearing debt = Interest-bearing debt − Cash and cash equivalents − Time deposits held for 3 months or longer
EBITDA = Operating income + Depreciation and amortization
Net D/E ratio = Net interest-bearing debt / Net assets
Shareholders' equity = Net assets − Stock acquisition rights − Minority interests in consolidated subsidiaries
Equity ratio = Shareholders' equity / Total assets at the end of current period × 100
Free cash flow = Net cash provided by (used in) operating activities + Net cash provided by (used in) investing activities

Operating revenue composition

(Year ended March 31, 2016)



Leasing business

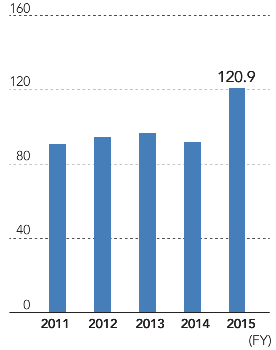
63.9%

Performance for fiscal year ended March 31, 2016

In the office leasing market during the fiscal year under review, the vacancy rate continued to improve while market rents showed signs of bottoming out and climbed upward. Against this backdrop, operating revenue increased 31.9% year on year due to revenue contributions of new properties including Shinagawa Season Terrace, an increase in leasing income owing to improved vacancy rates of existing properties, and increased property sales. Operating income increased 55.8% on improved balance of payments for existing buildings and property sales, and sales and profits increased.

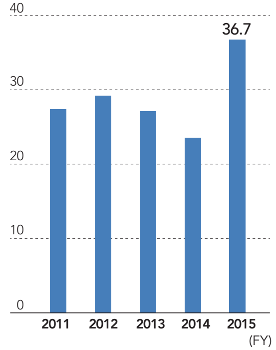
Operating revenue

(Billions of yen)



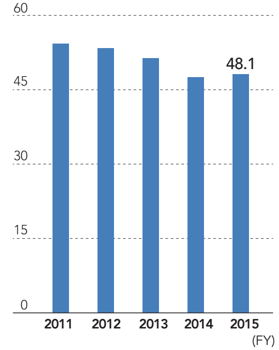
Operating income

(Billions of yen)



NOI*

(Billions of yen)



Residential property sales business

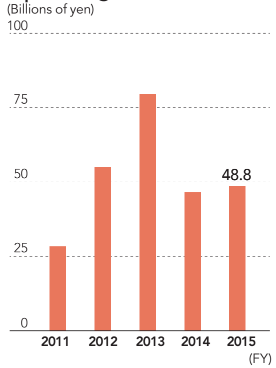
25.8%

Performance for fiscal year ended March 31, 2016

In the condominium sales market, condominium and home sales remained generally firm, despite concerns about the adverse effects of data manipulation problems in some condominiums. In addition, condominiums delivered and the average per-unit price were in line with those of the previous fiscal year. Operating revenue increased 4.8% year on year. Operating income increased 15.2% due to the sales effects of high profit margin downtown properties.

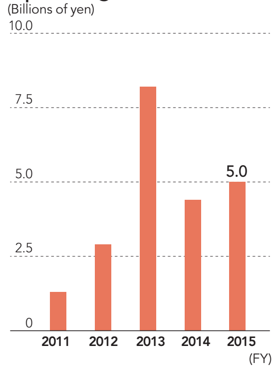
Operating revenue

(Billions of yen)



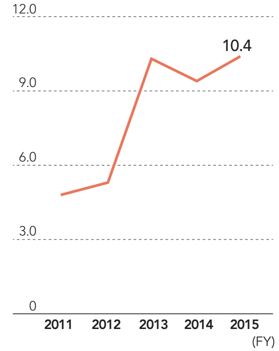
Operating income

(Billions of yen)



Operating margin

(%)



Other business

10.3%

Performance for fiscal year ended March 31, 2016

In other business (consigned interior construction work for corporate tenants, consigned building management, etc.) operating revenue increased 4.1% year on year, but operating income decreased 11.5% due to a decline in consulting revenue.

*Segment Changes
From the fiscal year ending March 31, 2017, we changed the management form of the balance of payments in line with business operations and changed from the previous reporting segment categories of "Leasing Business" and "Residential Property Sales Business" to "Office/Commercial Business" and "Residential Business." Accordingly, this report's following business strategy pages (from page 23) are reported in accordance with the new segments.

*NOI = Operating revenues from leasing business (excluding the effects of property sales, etc) − operating cost for leasing business + depreciation and amortization expense for leasing business (including long-term prepaid expenses)

Implement growth strategy to increase revenue opportunities and build a solid revenue base

Business Indicators of NTT Urban Development

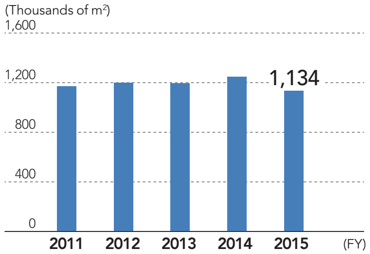
Total rentable floor space

1,134 thousand m²

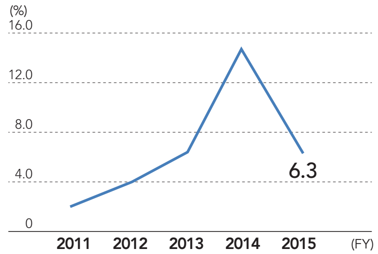
Vacancy rate (five wards of central Tokyo)*1

6.3%

Rentable floor space

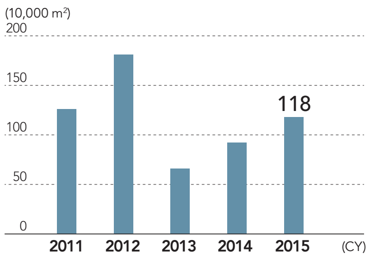


Vacancy rate in five wards of central Tokyo



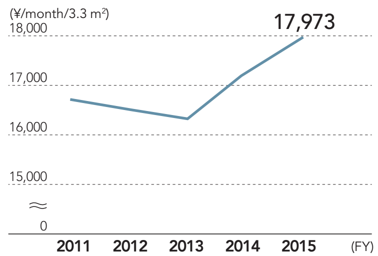
Key Market Data

Supply of large offices*2 in the 23 wards of Tokyo



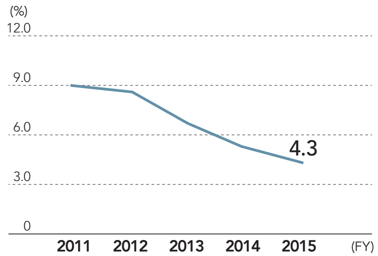
Source: Mori Trust Co., Ltd.

Market asking rents of office buildings*3 in five wards of central Tokyo



Source: Miki Shoji Co., Ltd.

Vacancy rates of office buildings*3 in five wards of central Tokyo



Source: Miki Shoji Co., Ltd.

*1 The five wards of central Tokyo refer to Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku and Shinjuku-ku.
*2 Building with office floor space of at least 10,000 m²
*3 Surveyed buildings: Office buildings with standard floor space of at least 330 m²

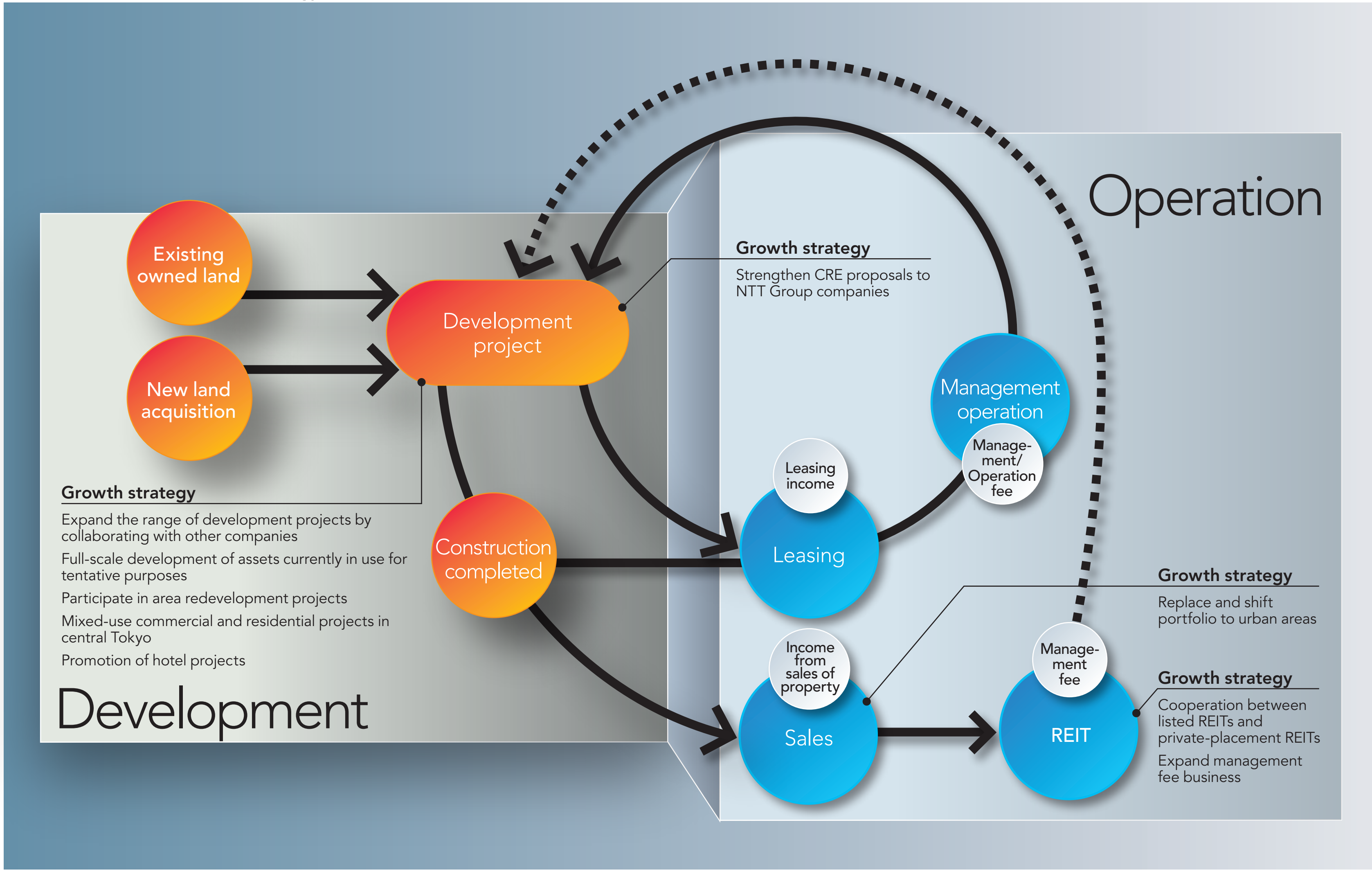
Business Environment and Strategy of Office/Commercial Business

In the office leasing market, we are strengthening our sales capabilities and cost competitiveness in preparation for the anticipated of the large supply of office space in downtown urban areas. On the other hand, we will strengthen the revenue base by conducting strategic renewal such as CRE strategy proposals for the NTT Group and improve the ability to facilitate tenants' business continuity plans for existing buildings.

In the commercial business, in light of rising inbound consumption, we are working in collaboration with the most appropriate partners in each project, such as in hotels in the urban areas of Tokyo, Osaka, and Kyoto and the development of small luxury hotels in resort areas such as Kashikojima.

In addition, we will reinforce management of commercial facilities in office buildings and boost complex development of office and commercial facilities. At the same time, we will actively participate in local redevelopment projects and collaborate with other companies.

Revenue Model and Growth Strategy



Major Projects

Progress of Leasing at Shinagawa Season Terrace

Shinagawa Season Terrace, opened in May 2015, is a large-scale project aimed at the creation of a next-generation sustainable city that has accompanied the redevelopment of the Shibaura Water Reclamation Center, which has supported the lives of residents for nearly 80 years, and makes effective use of the Center's vast upper-level section. This 32-story complex building—Japan's most environment-friendly—faces an expansive green space and consists of office, conference rooms, and retail facilities. The leasing offices are Japan's largest in scale at 1,500 tsubo (approx. 4950 m^2 or 53,280 sqf) per floor. As of September 30, 2016, the contract ratio had reached almost 95% (including tentative contract decisions).

Completion of Urbannet Nihonbashi 2-chome Building and Urbannet Ginza 1-chome Building

NTT Urban Development successively developed two office buildings in downtown urban areas from January to February 2016. Urbannet Nihonbashi 2-chome Building creates an office space that is comfortable and provides excellent intellectual productivity by offering the latest in environmental facilities, including light ducts, and BCP measures based on the "tradition and style of Nihonbashi." All floors are already under contract. On the other hand, the Urbannet Ginza 1-chome Building takes advantage of its location as a nodal point of the Ginza and Kyobashi areas with work spaces and a roof terrace based around the theme of the "openness of the urban downtown area," and one of its buildings has already been leased.


Shinagawa Season Terrace


Urbannet Nihonbashi 2-chome Building


Urbannet Ginza 1-chome Building

Major Projects

Promotion of Hotel and Resort Business

Perceiving the growth of inbound tourism demand, the Company has strategically worked on the hotel and resort business, which has been positioned as a future growth business. One of its projects is the Universal City Station Project, which involves the development of a hotel and wedding hall complex on a site directly connected to Universal City Station on the JR Yumesaki Line. In addition, we are promoting the development of small luxury hotels in Kashikojima and Hakone in collaboration with Hiramatsu Inc. Moreover, we are developing resort hotels with Tokyu Land Corporation and Milial Resort Hotels in the Serakaki district of Okinawa Prefecture's Onna Village.

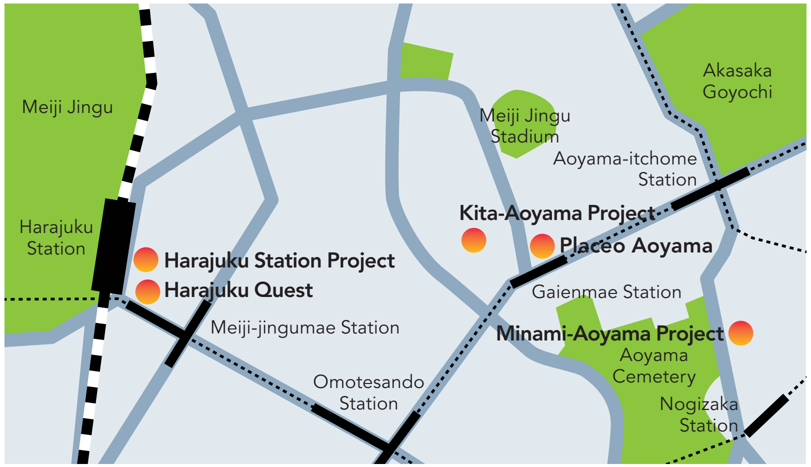
Universal City Station Project

Okinawa Serakaki Project

THE HIRAMATSU HOTELS & RESORTS Atami

Development of the Aoyama, Harajuku, and Omotesando Areas

The Aoyama, Harajuku, and Omotesando areas, where many young people throng, has the potential for additional future growth. In Medium-Term Vision 2018, we have positioned these areas as priority areas where we possess multiple assets such as the retail facilities of Harajuku Quest and Placeo Aoyama. We are also undertaking the Minami-Aoyama Project and the Harajuku Station Project, a mixed-use development of commercial and residential facilities. In fiscal 2015, we established the Aoyama Development Department to further boost projects in these areas. The department is responsible for drawing up integrated and innovative business promotions based on concepts suited to these areas.



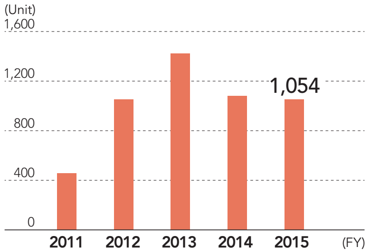
Striving for sustainable growth that increases property value by taking into account local characteristics

Business Indicators of NTT Urban Development

Number of condominium units delivered in Japan:

1,054

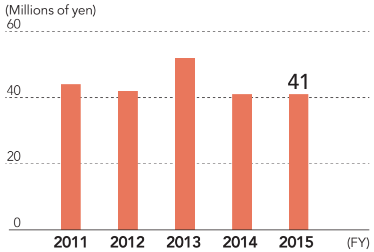
Number of condominium units delivered in Japan



Average sales price per unit:

¥41 million

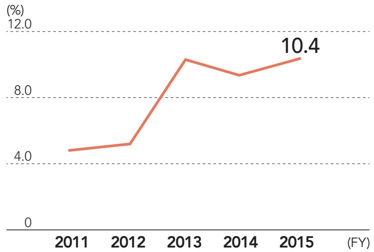
Average sales price per unit



Operating margin:

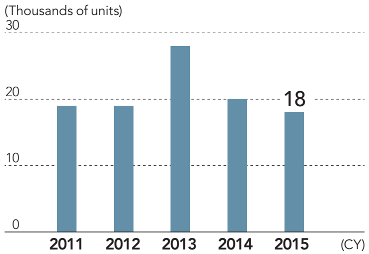
10.4%

Operating margin (Residential Property Sales)



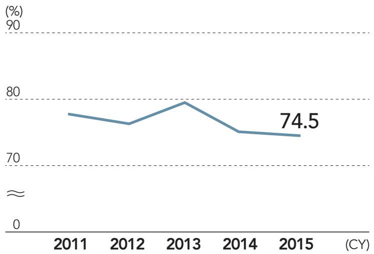
Key Market Data

Supply of condominiums in the 23 wards in Tokyo



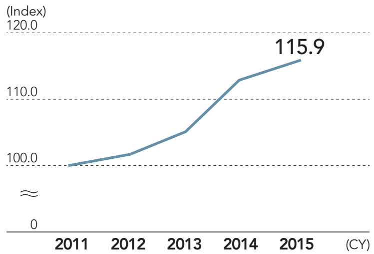
Source: Real Estate Economic Institute Co., Ltd.

Contract ratio of newly supplied condominiums in the Tokyo metropolitan area*1



Source: Real Estate Economic Institute Co., Ltd.

Construction costs of large housing complexes*2



Source: Calculated with 2011 assigned a numerical value of 100 based on data from the Construction Research Institute

*1. Survey areas: Tokyo, Chiba Prefecture, Saitama Prefecture, Kanagawa Prefecture, and Southern Ibaraki Prefecture
*2. Housing complexes with floor space of at least 10,000 m^2

Residential Business Operating Environment and Strategy

As the low birthrate and aging of the population progresses and disaster prevention awareness increases, society's needs are diversifying. With anticipated changes in people's lifestyles, such as the need to live in close proximity to one's work in downtown areas, the Company, in addition to developing the Wellith condominium brand, is entering new fields. Examples of this include mixed-use development, the *Tsunagu* TOWN Project, a parallel development of serviced housing for seniors and condominiums in collaboration with the NTT Group, and the renovation business.

Major Projects

Wellith Ginza 2-chome

Wellith Ginza 2-chome is a condominium with the rare and prestigious address of Ginza 2-chome, marking the first time that such a condominium has been launched in this area in 10 years*. In addition to our traditional brand, because of the large-scale development's tremendous potential as a condominium befitting the increasingly popular Ginza area, we established the concept of "owning a Ginza mansion" with the goal of creating a space where the quality and texture of its carefully selected materials grow more lustrous over time. As a result, both the enjoyment of the bustle of the city and the high-quality residences have been highly rated and all units sold out in two months after sales launch.

*Based on a study of the condominium data map (MRC) of the Tokyo metropolitan area (as of January, 2015)

Wellith Inage

With all blocks completed in January 2015, Wellith Inage, located between central Tokyo and Minami Boso, aims at creating a multi-generational community that emphasizes "casual connections" between people.

We have arranged the shared facilities with a focus on building plans that facilitate chance encounters between residents and supported the creation of "opportunities" for exchanges through various programs with disaster prevention awareness.

*The condominium was presented the Good Design Award 2015 (Regional/Community development and social contribution activities category).

Diversifying our portfolio and taking steps for new growth

Global Business Overview

With rising uncertainty in Japan's real estate market, the NTT Urban Development Group is accelerating its global business with the goal of continuous growth and a diversified portfolio.

Starting with the acquisition of a property in central London in 2009, we currently own three office buildings in London and seven office buildings and mixed office and commercial building complexes in New York City, Boston, and Washington D.C.

We will continue to diversify our portfolio and increase profitability while constantly monitoring trends in the foreign exchange market and overseas markets. In Europe and the United States as well as Australia and Southeast Asia, we will pursue efforts to expand business opportunities primarily in areas where future growth is expected.

List of propertie

Name	Location	Primary use	Rentable floor space	No. of stories
1 King William Street	City of London, UK	Office	Approx. 9,300 m^2 about 100,000 sqf	8 stories above ground, 1 below ground
20 Finsbury Circus	City of London, UK	Office	Approx. 8,000 m^2 86,427 sqf	7 stories above ground, 1 below ground
265 Strand	Midtown London, UK	Office, commercial	Approx. 7,000 m^2 75,883 sqf	8 stories above ground, 1 below ground
125 West 25th Street	New York City, USA	Office, commercial	Approx. 12,700 m^2 about 137,000 sqf	11 stories above ground, 1 below ground
141 Tremont Street	Boston, USA	Office	Approx. 6,300 m^2 68,645 sqf	13 stories above ground
27 School Street	Boston, USA	Office, commercial	Approx. 5,700 m^2 62,427 sqf	6 stories above ground, 1 below ground
Two Olive Street	Boston, USA	Office, commercial	Approx. 20,700 m^2 223,372 sqf	11 stories above ground, 1 below ground
575 Lexington Avenue	New York City, USA	Office, commercial	Approx. 69,200 m^2 745,336 sqf	35 stories above ground, 2 below ground
1015 18th Street	Washington D.C., USA	Office, commercial	Approx. 9,800 m^2 106,000 sqf	11 stories above ground, 3 below ground
799 Broadway	New York City, USA	Office, commercial	Approx. 12,300 m^2 132,627 sqf	6 stories above ground, 1 below ground


20 Finsbury Circus


141 Tremont Street


125 West 25th Street

Major Project

Renovation of 1 King William Street Property

In 2011, NTT Urban Development acquired 1 King William Street, an office building in central London, and completed renovation of the property in November 2016. In this area, where the standard for a building's outer appearance is strict, harmonization with the surrounding buildings is valued. Therefore, we renovated this building of great historical value to a specification suitable for a modern office while preserving the traditional skyline.

Location: 1 King William Street, London EC4, U.K.
Primary use: Office building
Rentable floor space: Approx. 100,000 sqf (about 9,300 m^2)
No. of stories: 8 stories above ground, 1 below ground

Governance Structure

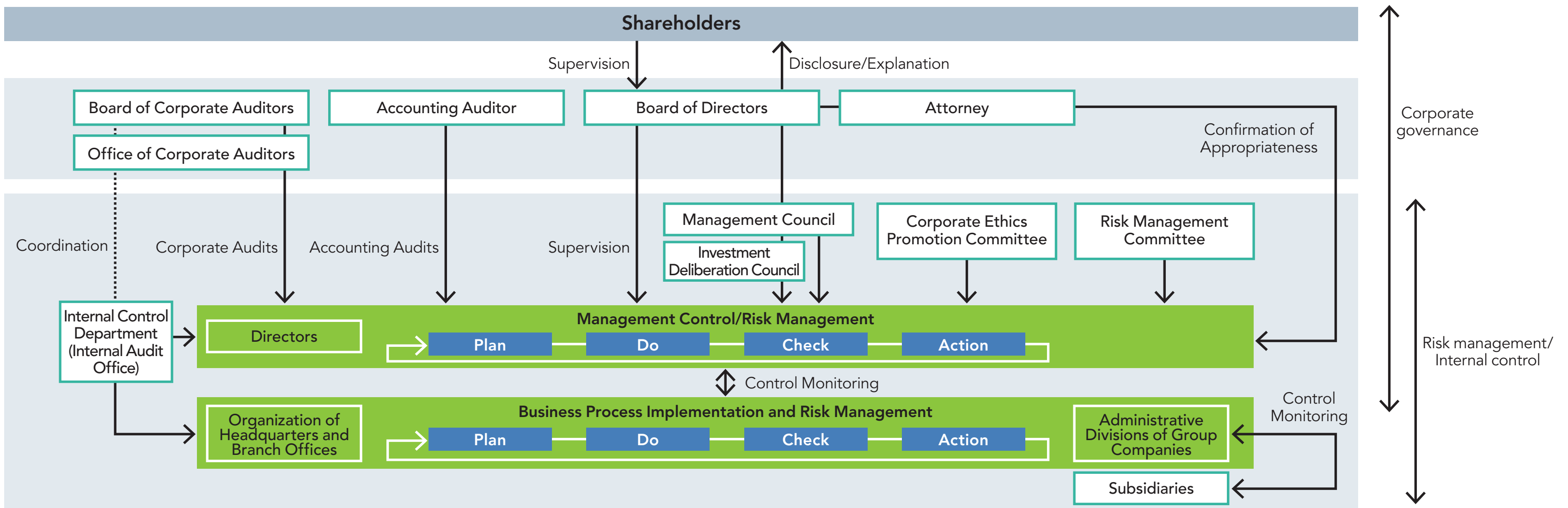
Basic Policy on Corporate Governance

NTT Urban Development aims for sustainable growth under its corporate slogan of *Integrity and Innovation — connecting cities and people.* To this end, NTT Urban Development seeks to gain the firm confidence of stakeholders, including shareholders and other investors, as well as customers, business partners, and society as a whole, while developing its office, residential, and commercial properties businesses.

In the area of corporate governance, the basic policy of the Company is to enhance accountability through timely information disclosure and constructive dialogue with shareholders and investors, and to raise its corporate value while fully taking into account corporate ethics and compliance.

The Company has several independent officers—both independent outside directors and independent outside corporate auditors. These officers supervise and audit the Board of Directors and the Board of Corporate Auditors to ensure management transparency. At the same time, the Company provides opportunities for management and independent officers to exchange opinions and, by receiving appropriate advice, maintains a sense of urgency in its business operations and management decisions.

To enhance accountability, the Company discloses information, including management, financial and non-financial information such as environmental and CSR-related information in a timely and appropriate manner. With the aim of continuously raising its corporate value, the Company also engages in constructive dialogue with investors through its IR and SR activities.



Corporate Governance Features

NTT Urban Development has implemented each of its corporate governance principles. For details, please refer to the Corporate Governance Report posted on the Company's IR site (https://www.nttud.co.jp/english/ir/index.html).

The Company employs a system with corporate auditor and, as stipulated in Japan's Companies Act, has established a General Ordinary Meeting of Shareholders, Board of Directors, Board of Corporate Auditors, and an independent accounting auditor. The Company has determined that audit by corporate auditors including outside members is effective for monitoring management and has adopted the structure of a company with Board of Corporate Auditors.

The Company has also established the Management Council, which consists of full-time directors, branch managers, operating department managers, and heads of staff departments, and advises the president on matters within his decision-making capacity. The Management Council is committed to speeding up decision making in the execution of business. Full-time corporate auditors attend Management Council meetings to further enhance transparency in the decision-making process. Moreover, prior to discussions at Management Council meetings, investment projects are carefully examined by the Investment Deliberation Council, which consists of cross-functional members within the Company, to identify potential investment risks and implement appropriate risk management.

As of March 31, 2016, the Board of Directors comprised 14 directors (of which three were outside directors; all members were male). The Board sets basic policies regarding management and business execution, makes decisions on important matters, and supervises the execution of duties by directors. In principle, the Board of Directors convenes once a month and endeavors to make decisions swiftly by holding additional meetings as necessary. During the fiscal year ended March 31, 2016, the Board of Directors convened on 13 occasions.

The Board of Corporate Auditors comprised four members (all members were outside members; three members were male and one was female). In principle, the Board of Corporate Auditors convenes regularly on a monthly basis and holds additional meetings as necessary. During the fiscal year ended March 31, 2016, the Board of Corporate Auditors convened on 17 occasions. Each corporate auditor attends important meetings of the Board of Directors and other meetings, audits and supervises the execution of duties by directors, and examines the Company's operational and financial standing in accordance with the audit plan established by the Board of Corporate Auditors.

As of June 22, 2016, the Board of Directors consisted of 14 directors (of which two were outside directors; all members were male), and the Board of Corporate Auditors consisted of four members (of which three were outside members; three members were male and one was female).

Attendance of Outside Officers at the Board of Directors and Board of Corporate Auditors Meetings

		Board of Directors		Board of Corporate Auditors	
Position	Name	Meetings attended	Attendance rate	Meetings attended	Attendance rate
Senior Vice President	Akira Komatsu	13/13	100.0%	—	—
Senior Vice President	Toshio Koujitani	10/10	100.0%	—	—
Senior Vice President	Koichi Takami	9/10	90.0%	—	—
Corporate Auditor (full time)	Mitsuhiro Watanabe	13/13	100.0%	17/17	100.0%
Corporate Auditor (full time)	Shunichi Okazaki	10/10	100.0%	11/11	100.0%
Corporate Auditor	Hisako Kato	13/13	100.0%	17/17	100.0%
Corporate Auditor	Harunobu Takeda	9/10	90.0%	10/11	90.9%

Notes:
1. As Toshio Koujitani and Koichi Takami assumed the position of director on June 23, 2015, attendance is stated as the number of Board of Directors meetings held since assuming that position.
2. As Shunichi Okazaki and Harunobu Takeda assumed the position of Corporate Auditor on June 23, 2015, attendance is stated as the number of Board of Directors meetings held since assuming that position.

To increase the effectiveness of the Board of Directors with the goal of raising corporate value, we conduct surveys with the assistance of outside consultants of all directors and corporate auditors on the effectiveness of the Board including its makeup, status of directors' activities, and its operational status. The survey's responses are evaluated, analyzed and discussed at the Board of Directors' meeting. Based on the survey results, the Board of Directors' effectiveness has been rated sufficient.

Internal Control System

Revision of the Internal Control System

At NTT Urban Development, the president has created and established an internal control system and executes his duties under the supervision of the Board of Directors and is audited by the Board of Corporate Auditors. In March 2013, the Company established the Risk Management Committee to clarify the risk and evaluation processes and draw up a basic policy on risk management.

NTT Urban Development's Internal Audit Office is independent of other business units and objectively examines and evaluates the business performance of each organization at the head office, branches, and Group companies. To verify the effectiveness of internal control and make continuous improvements, the results of internal audits are submitted to the Management Council twice a year, and reports on the internal control system are presented to the Management Council and the Board of Directors once a year.

Status of the Development of a Risk Management System

Risk management is an essential part of NTT Urban Development's internal control system. Through its risk management initiatives, the Company aims to promote and increase corporate value by understanding the various internal and external risks of its operations, so that pertinent countermeasures may be implemented and more appropriate and bolder management decisions are made.

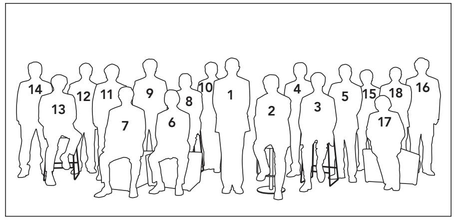
By establishing the Risk Management Committee and applying the risk management rules and regulations appropriately, the Company strives to address and manage a wide variety of risks and to secure business continuity and stable expansion.

For comprehensive risk management, when the Company makes investment decisions for development projects, it identifies, depending on the status of its efforts to change the environment and start new businesses, a wide range of possible risks, including decreases in rent, delays in construction, issues within the neighborhood, and environmental concerns, including soil contamination, as well as risks in conducting business overseas.

The Company has a business continuity plan (BCP) in preparation for disasters such as a large-scale earthquake. The Group established the Disaster Risk Management Promotion Office in 2008 and executes such measures as upgrading organizational systems, creating guidelines and manuals, implementing anti-earthquake and anti-flooding measures for buildings, and conducting disaster drills.

Corporate Ethics and Compliance

Corporate ethics and compliance policies are addressed by the Company's Corporate Ethics Promotion Committee. At the same time, we are engaged in the implementation of corporate ethics and compliance training, and the Company continues to implement initiatives aimed at the further establishment of corporate ethics and compliance. These efforts include the operation of the Corporate Ethics and Compliance Helpline, which we have implemented to raise awareness across the Company.



Directors

1 **Sadao Maki**
President and Chief Executive Officer

2 **Hiroshi Nakagawa**
Senior Executive Vice President

3 **Masayuki Kusumoto**
Executive Vice President
Commercial Business Headquarters
Chief Design Officer (CDO)

4 **Akiyoshi Kitamura**
Executive Vice President
Residential Business Headquarters

5 **Kanya Shiokawa**
Executive Vice President
Kansai Regional Business
(General Manager of Kansai Branch)

6 **Shigehito Katsuki**
Senior Vice President
Corporate Strategy and Planning Department
IT Innovation/Accounting and Finance

7 **Yoshihito Kichijo**
Senior Vice President
General Affairs

8 **Hideyuki Yamasawa**
Senior Vice President
Global Business Department

9 **Hirotoshi Shinohara**
Senior Vice President
Project Management Department
Aoyama Development

10 **Nobuyuki Fukui**
Senior Vice President
Office Building Business Headquarters

11 **Tomoyuki Sakaue**
Senior Vice President
Residential Business Headquarters
Design Strategy Office

12 **Akira Komatsu***
Senior Vice President
(Outside, independent)

13 **Toshio Koujitani***
Senior Vice President
(Outside, independent)

14 **Koichi Takami**
Senior Vice President

Corporate Auditors

15 **Mitsuhiro Watanabe**
Corporate Auditor
(Fulltime, outside)

16 **Okazaki Shunichi***
Corporate Auditor
(Outside, independent)

17 **Hisako Kato***
Corporate Auditor
(Outside, independent)

18 **Harunobu Takeda**
Corporate Auditor

*Appointed as independent officers pursuant to the rules of the Tokyo Stock Exchange, Inc., and the appointment has been filed with Tokyo Stock Exchange, Inc.
*As of November 30, 2016

Emphasizing an approach of active social contribution while focusing on society's future.

Akira Komatsu Senior Vice President (Outside, Independent)

Born in 1948, Mr. Komatsu has been a professor at Saitama University and Hitotsubashi University and currently serves as professor in the Faculty of Economics, Department of Business Administration at Musashino University. As an outside director at the Company since June 2013, he supervises the execution of business by leveraging his extensive knowledge.

In recent years, the operating environment surrounding Japan's companies has grown increasingly harsh. We must strengthen our response to a number of issues including the constantly declining birthrates and aging population as well as earthquake disasters. The uncertainty wrought by the international situation, such as the British exit (Brexit) from the EU and Japan-China relations over territorial waters, have contributed to increasing management risk for all Japanese companies. Under these circumstances, the roles and responsibilities that NTT Urban Development must fulfill in the real estate industry is constantly growing, but for now the Company is actively globalizing and working to improve the investment efficiency of its total assets, which exceed 1 trillion yen, and is steadily achieving positive results.

The success of the 2020 Tokyo Olympics and Paralympics is one of the external challenges that Japan now faces. However, economically speaking, the period after the Olympics and Paralympics will likely be a critical phase. The Company will continue to respond to social expectations including those of long-time shareholders. In order to remain a socially trusted company, it is important that we take an approach that is long-term and forward-looking, and take the initiative in contributing to society. To the best of my ability, I will fulfill my responsibilities to sustain the rapid progress the Company has made.

I want to help to accurately forecast the city's future and improve our ability to execute business in response to that future.

Toshio Koujitani Senior Vice President (Outside, Independent)

Born in 1944, Mr. Koujitani has participated in numerous projects in Japan and overseas as principal architect at JGC Corporation and has developed extensive knowledge of both tangible and intangible elements. He was appointed a director of the Company in June 2015.

My mission is to leverage my experience and ability to positively influence company management. The Company has been conducting business on the basis of the so far relatively stable domestic market, but due to the declining population and sluggish consumption economy caused by a dwindling population, further growth and development in the Japanese market alone will not be easy, so globalization is essential. The development of a business model for growth in response to economic globalization is a challenge for many companies. Globalization of the economy promotes the internationalization of cities, and that is where we should find growth opportunities.

Competition between companies is competition for the ability to more accurately forecast the future. A business model that can accurately forecast the future could generate big profits. The development of a business model for sustained growth and increasing returns requires forecasting a city's future with greater accuracy and the ability to execute business in response to that. Forecasting the future relies on the ability to analyze information and the capacity for creativity. Although it is difficult to accurately forecast the future, increasing the accuracy of a forecast is possible. Actions and not slogans are needed in the development of the business model. It is the creative action of our employees that leads to shareholder prosperity. I will do my best to contribute to achieving that.

We will continue to promote the healthy development of the Company, raise corporate value, and contribute to establishing a superior quality corporate governance system that earns society's trust.

Shunichi Okazaki Corporate Auditor (Outside, independent)

Born in 1958, Mr. Okazaki entered the Ministry of Posts and Telecommunications (now the Ministry of Internal Affairs and Communications) and later gained a wealth of administrative experience in the Cabinet Secretariat, the Cabinet Legislation Bureau, and other positions. Further, he has developed extensive insight through teaching at Chiba University, the University of Tokyo, and other schools. He was appointed an outside corporate auditor of the Company in June 2015.

One year has passed since I was appointed an outside corporate auditor. Immediately prior to assuming this position, the revised Companies Act had taken effect and the corporate governance code had been applied. With the realization of effective corporate governance becoming a social requirement, not only we have strengthened the Board of Directors' supervisory function and ensured the effectiveness of audits, we have taken active, positive action and conducted meaningful exchanges of opinions with management and strengthened collaboration with outside directors.

Under Medium-Term Vision 2018, the Company has shifted from traditional development for the purpose of the long-term holding of office buildings to development for the purpose of sales. At the same time, we have started to address new business fields such as the hotel business, mixed-use development including retail and residential facilities, the conversion of existing office buildings to residential use, and expansion of global business. As a corporate auditor, when entering new business fields, we need to continue to check whether risk management is being sufficiently implemented in management decision-making in order to achieve sustainable growth.

As an outside corporate auditor in an independent position that is closer to the shareholders' point of view, I will fulfill my responsibility to promote the healthy development of the Company, raise corporate value, and contribute to establishing a corporate governance system that earns society's trust.

I will continue to contribute to the healthy development of the Company by offering my candid opinions from the same perspective as shareholders.

Hisako Kato Corporate Auditor (Outside, independent)

Born in 1948, Ms. Kato has gained experience in Japanese and overseas auditing firms and tax accounting firms and currently serves as the representative of a tax accounting firm. From June 2014, as an outside corporate auditor, she has provided advice utilizing her expertise as a certified public accountant and tax accountant.

The Company's Board of Corporate Auditors audit the execution of duties by directors as an independent body that receives its mandate from shareholders. At the same time, they strive to promote the healthy development of the Company and raise corporate value. As a basic policy, they have established a superior quality corporate governance system that earns society's trust.

Based on this policy, we outside corporate auditors are advancing toward the Company's goal of "sustainable urban development" and "seeing the satisfaction of our customers and members of the wider public, and bringing smiles to their faces." We have conducted monitoring from an objective point of view as independent outside corporate auditors while going to development sites and locales.

Furthermore, as corporate auditors, we have been asked to proactively exercise authority and express our opinions. We have expressed our candid opinions from the same point of view as shareholders in venues for exchanging opinions with the Board of Directors and the CEO, including knowledge gained through monitoring and other means. Fortunately, the Company's management listens to our opinions, and because of this, we believe that corporate governance is working.

Leveraging my specialized knowledge as CPAs and tax accountants, I will continue to fulfill my responsibility while closely communicating with accounting auditors.

Policy and System

The Group has summed up its basic CSR approach and policy as "The NTT Urban Development Group's Basic CSR Policy" and has disclosed it within and outside the Company. We have established five CSR themes, which we always keep in mind when providing real estate services. Our ambition is to help create a sustainable society that offers comfortable lifestyles.

Under this policy, we have educated all Group employees through training in order to promote CSR activities including customer satisfaction activities, disaster countermeasures, environmental activities, corporate ethics and social contribution activities.

We examine our approach to CSR initiatives at regular meetings of the CSR Committee, chaired by the senior executive vice president responsible for CSR. Further, at the head office the CSR Office works closely with divisions, branch offices, and Group companies to advance a range of CSR initiatives. Moreover, the CSR Office promotes Groupwide initiatives.

Inclusion in SRI Index

In recognition of our environmental and social initiatives, since 2008 we have been included in the FTSE4Good Index, a flagship index for socially responsible investment that comprises listed companies from around the world.

FTSE4Good

The NTT Urban Development Group's Basic CSR Policy (Revised September 2014)

CSR Message

As a member of the NTT Group, we will help create a sustainable society that offers comfortable lifestyles. We will achieve this by providing quality real estate services that realize urban planning that satisfies the needs of customers and members of the wider public and brings smiles to their faces.

CSR Themes

Communication with stakeholders

We view customers, members of the wider public, and every person and company involved in urban planning as important partners. By communicating with these partners sincerely, we will realize better urban planning.

Creation of comfortable and lively living spaces

By creating living spaces that are safe and comfortable for everyone and business spaces that are functional and convenient, we will develop appealing, lively urban areas.

Promotion of environmentally friendly development

We will reduce the environmental burden associated with urban planning. Furthermore, we will innovate to develop comfortable urban areas that incorporate nature.

Creation of workplaces where diversity is respected

We will respect employees' individuality and emphasize diversity to create vibrant workplaces.

Sound business activities

Maintaining a strong sense of gratitude, ethics, and human rights, we will conduct business activities responsibly to enrich society.

Topics

Fostering community with the aim of raising the area's value (Shinagawa Season Terrace)

In recent years, in large-scale redevelopment, the Group has focused on "Area Management" to proactively work with local residents and landowners so as to maintain and improve the local environment as well as value.

For example, at the Shinagawa Season Terrace, which opened in May 2015, we are holding seasonal events that local people, including those who work at companies near Shinagawa Season Terrace, can easily attend. We are also holding regular lectures on sports and health. Shina Tech Marche, a participant interactive event that merges the latest technologies with play, was held on May 2016 in cooperation with neighboring technology companies. The event was well-received by locals including the 6,500 people who attended.

Received DBJ Green Building Accreditation (Urbannet Ginza 1-chome Building)

The Urbannet Ginza 1-chome Building, completed in February 2016, has taken a number of measures out of concern for recent social issues including environmental preservation and disaster prevention.

For example, on the environmental side, we actively adopted initiatives, such as LED lighting and BEMS*. On the disaster prevention side, taking into account business continuity, we achieved outstanding anti-earthquake performance and provided 72-hour emergency power capability. Also, we created an open rooftop terrace and helped achieve a new work style.

As a result, in the Development Bank of Japan's "DBJ Green Building Accreditation," we obtained a 5-star accreditation, the highest rank, as a "Superior domestic top-class building that is environmentally and socially conscious."

*Building Energy Management System


*2

Seeking a harmonious relationship with nature by nurturing local vegetation (Wellith Toyonaka Momoyamadai)

At Wellith Toyonaka Momoyamadai, a condominium scheduled for completion in February 2017, we are promoting urban development to take advantage of local vegetation. Komorebi Terrace, developed as a part of the outer structure, drafted a management plan for maintaining and improving biodiversity, such as by including the planting of plants unique to the region.

These initiatives have been well-received, and as a condominium-only development, it was the first in Japan to receive the "AAA" rating, the very highest rating, in the Japan Habitat Evaluation and Certification Program (JHEP) implemented by the Ecosystem Conservation Society – Japan.

Selected Financial Data

(Millions of yen)

	2006	2007	2008	2009	2010	2011	2012
For the year:							
Operating revenue	128,215	138,206	144,277	149,224	145,693	136,842	163,168
Operating income	25,091	28,718	25,244	16,129	24,324	25,365	27,401
Profit attributable to owners of parent	12,995	14,758	15,989	6,116	9,307	15,586	12,073
Net cash provided by (used in) operating activities	(5,076)	5,700	(12,091)	35,168	40,417	3,704	48,089
Net cash provided by (used in) investing activities	(32,995)	(77,893)	(57,397)	6,695	(28,257)	(23,033)	(39,885)
Net cash provided by (used in) financing activities	20,823	85,038	63,079	(30,028)	(14,641)	12,650	(6,660)
Free cash flow*1	(38,072)	(72,192)	(69,488)	41,863	12,159	(19,329)	8,203
Investment*2	48,595	93,367	75,638	24,714	29,925	28,807	46,856
Depreciation and amortization	23,657	23,246	25,762	25,520	23,388	24,765	23,766
EBITDA*3	48,748	51,964	51,006	41,649	47,713	50,130	51,168
At year-end:							
Total assets	581,848	900,325	936,650	916,725	910,492	928,537	941,050
Net assets	125,169	177,969	183,593	185,537	190,783	203,727	213,835
Shareholder's equity*4	125,091	136,395	148,150	150,232	155,534	166,012	176,221
Interest-bearing debt	293,069	451,849	521,070	496,682	487,780	505,805	505,993
Net interest-bearing debt*5	290,791	434,524	510,155	473,951	467,992	493,034	491,373
Financial indicators:							
Net operating income (NOI)*6	50,504	52,748	64,277	61,480	56,722	54,318	53,499
Return on assets (ROA)(%)*7	4.7	4.2	3.0	2.0	2.9	3.0	3.1
Return on equity (ROE)(%)*8	10.8	11.3	11.2	4.1	6.1	9.7	7.1
Equity ratio (%)	21.5	15.1	15.8	16.4	17.1	17.9	18.7
Dividend on equity (DOE) (%)*9	2.7	3.0	2.8	2.6	2.6	2.9	3.1
Dividend payout ratio (%)*10	25.3	26.8	24.7	64.6	42.4	29.6	43.6
Net debt to equity (D/E) ratio (times)*11	2.32	2.44	2.78	2.55	2.45	2.42	2.30
Interest coverage ratio (times)*12	—	1.2	—	4.3	5.1	0.5	6.2
Net interest-bearing debt/EBITDA ratio (times)	6.0	8.4	10.0	11.4	9.8	9.8	9.6

(Yen)

	2006	2007	2008	2009	2010	2011	2012
Per share data:							
Net assets*13	380.08	414.43	450.14	456.47	472.58	504.41	535.43
Net income*14	39.49	44.84	48.58	18.58	28.28	47.36	36.68
Dividends	10.00	12.00	12.00	12.00	12.00	14.00	16.00

(Millions of yen)

	2013	2014	**2015**
For the year:			
Operating revenue	189,186	152,052	**183,016**
Operating income	30,458	24,836	**37,771**
Profit attributable to owners of parent	11,343	16,235	**16,557**
Net cash provided by (used in) operating activities	51,870	36,988	**17,430**
Net cash provided by (used in) investing activities	(37,962)	(67,778)	**(14,570)**
Net cash provided by (used in) financing activities	(8,656)	31,777	**(6,781)**
Free cash flow*1	13,907	(30,789)	**2,860**
Investment*2	62,778	79,979	**54,563**
Depreciation and amortization	24,566	23,474	**23,914**
EBITDA*3	55,025	48,311	**61,686**
At year-end:			
Total assets	985,507	1,033,220	**1,033,557**
Net assets	228,591	245,641	**251,905**
Shareholder's equity*4	185,616	200,910	**206,034**
Interest-bearing debt	507,253	547,189	**546,021**
Net interest-bearing debt*5	488,345	526,925	**529,854**
Financial indicators:			
Net operating income (NOI)*6	51,489	47,509	**48,170**
Return on assets (ROA)(%)*7	3.4	2.6	**3.9**
Return on equity (ROE)(%)*8	6.3	8.4	**8.2**
Equity ratio (%)	18.8	19.4	**19.9**
Dividend on equity (DOE) (%)*9	2.9	2.7	**2.8**
Dividend payout ratio (%)*10	46.4	32.4	**33.8**
Net debt to equity (D/E) ratio (times)*11	2.14	2.15	**2.10**
Interest coverage ratio (times)*12	7.3	5.8	**2.9**
Net interest-bearing debt/EBITDA ratio (times)	8.9	10.9	**8.6**

(Yen)

	2013	2014	**2015**
Per share data:			
Net assets*13	563.98	610.45	**626.02**
Net income*14	34.46	49.33	**50.31**
Dividends	16.00	16.00	**17.00**

Notes:
1. The Company has applied "Accounting Standard for Presentation of Net Assets in the Balance Sheet" since the year ended March 31, 2007.
2. NOI is shown on a consolidated basis since the year ended March 31, 2007.
3. In calculating investment for the years ended March 31, 2008 and 2009, purchases of investment securities include the amount necessary for the purchase of additional preferred equity securities of UDX Tokutei Mokuteki Kaisha.
4. Per share data is calculated based on the number of issued and outstanding shares after a five-for-one stock split executed on January 1, 2007, and a 100-for-one stock split executed on October 1, 2013, which raised the total number of outstanding shares to 329,120,000 shares, and has been prepared based on figures adjusted to reflect the stock split.
5. From the first quarter of the fiscal year ending March 31, 2016, the Company began applying "Accounting Standard for Business Combinations" and changed the items presented in the consolidated financial statements.

Calculation of financial indicators:
*1. Free cash flow = Net cash provided by (used in) operating activities + Net cash provided by (used in) investing activities
*2. Investment = Capital expenditure + Purchases of investment securities (based on cash flow from investing activities)
*3. EBITDA = Operating income + Depreciation and amortization
*4. Shareholder's equity = Net assets – Stock acquisition rights – Minority interests in consolidated subsidiaries
*5. Net interest-bearing debt = Interest-bearing debt – Cash and cash equivalents – Time deposits held for 3 months or longer
*6. NOI = Operating revenues from leasing business (excluding the effects of property sales, etc.) – operating cost for leasing business + depreciation and amortization expense for the leasing business (including long-term prepaid expenses)
*7. ROA = (Operating income + Equity in earnings of affiliates + Gain on amortization of negative goodwill) / Average total assets
*8. ROE = Profit attributable to owners of parent / Average shareholder's equity
*9. DOE = Dividends (annual) / Average shareholder's equity
*10. Dividend payout ratio = Dividends per share (annual) / Net income per share
*11. Net D/E ratio = Net interest-bearing debt / Net assets
*12. Interest coverage ratio = Net cash provided by (used in) operating activities / Interest expense (based on cash flow from operating activities)
*13. Net assets per share = Net assets / Number of shares outstanding
*14. Net income per share = Profit attributable to owners of parent / Number of shares outstanding

Segment Information

(Millions of yen)

	2010	2011	2012	2013	2014	2015
Operating revenue	145,693	136,842	163,168	189,186	152,052	**183,016**
Leasing	92,608	91,069	94,509	96,595	91,739	**120,966**
Residential Property Sales	41,725	28,484	54,939	79,537	46,626	**48,865**
Other	16,383	23,223	18,930	18,532	18,825	**19,600**
Eliminations	(5,022)	(5,934)	(5,209)	(5,478)	(5,140)	**(6,416)**
Operating income	24,324	25,365	27,401	30,458	24,836	**37,771**
Leasing	29,226	27,482	29,216	27,189	23,566	**36,722**
Residential Property Sales	533	1,374	2,914	8,222	4,405	**5,074**
Other	1,212	3,090	1,580	1,729	2,485	**2,199**
Eliminations / Corporate	(6,647)	(6,583)	(6,310)	(6,682)	(5,620)	**(6,225)**
Operating income margin (%)	16.7	18.5	16.8	16.1	16.3	**20.6**
Leasing (%)	31.6	30.2	30.9	28.1	25.7	**30.4**
Residential Property Sales (%)	1.3	4.8	5.3	10.3	9.4	**10.4**
Other (%)	7.4	13.3	8.3	9.3	13.2	**11.2**

Notes:
1. The five wards of central Tokyo refer to Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku, and Shinjuku-ku.
2. The Tokyo metropolitan area (except five wards of central Tokyo) refers to Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma, and Tochigi prefectures.
3. For joint projects, units / lots delivered and completed in inventories are corresponding to the Company's share in the project. It is rounded down to the nearest unit / lot.
4. "Other" includes the sales of condominiums (apartment buildings) and others.
*NOI = Operating revenues from leasing business (excluding the effects of property sales, etc.) – operating cost for leasing business + depreciation and amortization expense for the leasing business (including long-term prepaid expenses)

(Millions of yen)

Leasing Business	2010	2011	2012	2013	2014	2015
Operating revenue	92,608	91,069	94,509	96,595	91,739	**120,966**
Office, Commercial	85,807	84,713	88,621	90,833	80,083	**98,047**
Residential, Other	6,800	6,356	5,887	5,762	11,656	**22,918**
Rentable floor space (Office, Commercial) (m^2)	1,149,628	1,168,526	1,199,215	1,193,561	1,248,926	**1,134,869**
Nationwide vacancy rate (%)	5.7	5.4	6.5	7.4	10.9	**5.7**
Five wards of central Tokyo (%)	3.6	2.0	4.0	6.4	14.7	**6.3**
Nationwide NOI*	56,722	54,318	53,499	51,489	47,509	**48,170**
Five wards of central Tokyo	31,305	29,907	29,121	25,617	22,829	**24,427**
Tokyo metropolitan area (excluding five wards of central Tokyo)	4,289	4,153	4,059	3,940	3,292	**3,127**
Other regions	21,128	20,257	20,318	21,932	21,387	**20,615**
Fair value of leasing properties	1,180,817	1,155,467	1,159,902	1,210,052	1,327,642	**1,357,982**
Book value of leasing properties	737,113	743,939	758,300	805,911	845,486	**795,870**

Residential Property Sales Business

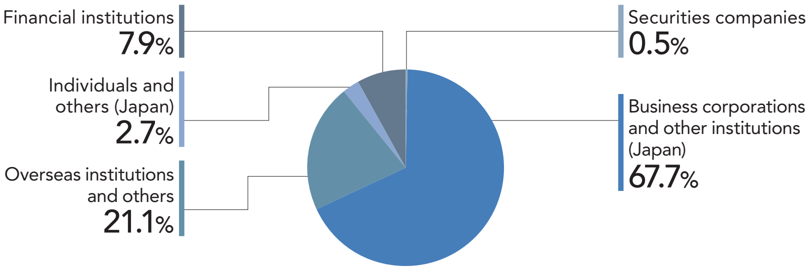
(Millions of yen)

	2010	2011	2012	2013	2014	2015
Operating revenue	41,725	28,484	54,939	79,537	46,626	**48,865**
Condominiums						
Operating revenue	31,627	22,392	47,372	75,486	45,405	**46,916**
Tokyo metropolitan area	22,948	16,330	27,979	54,073	24,368	**28,664**
Other regions	8,678	6,062	19,392	21,413	21,036	**18,252**
Units delivered (units)	717	458	1,052	1,423	1,080	**1,054**
Tokyo metropolitan area (units)	463	351	564	876	503	**621**
Other regions (units)	253	107	488	547	576	**433**
Completed in inventory (units)	91	99	207	207	219	**470**
Residential lots, etc.						
Operating revenue	7,785	4,099	6,618	4,050	1,220	**1,949**
Units / lots delivered (units / lots)	326	48	63	136	71	**85**
Completed in inventory (units / lots)	27	14	37	33	19	**47**
Other						
Operating revenue	2,312	1,993	948	—	—	**—**
Units / lots delivered (units / lots)	1	1	1	—	—	**—**

Corporate Information and Stock Information (As of March 31, 2016)

Corporate name	NTT Urban Development Corporation
Headquarters	Akihabara UDX, 14-1, Sotokanda 4-chome, Chiyoda-ku, Tokyo 101-0021, Japan
Established	January 21, 1986
Paid-in capital	48,760 million yen
Employees	800 (consolidated basis)
Number of authorized shares	1,050,000,000
Number of issued and outstanding shares	329,120,000
Shareholders	12,470 (Number of shareholders with less than one unit: 73)

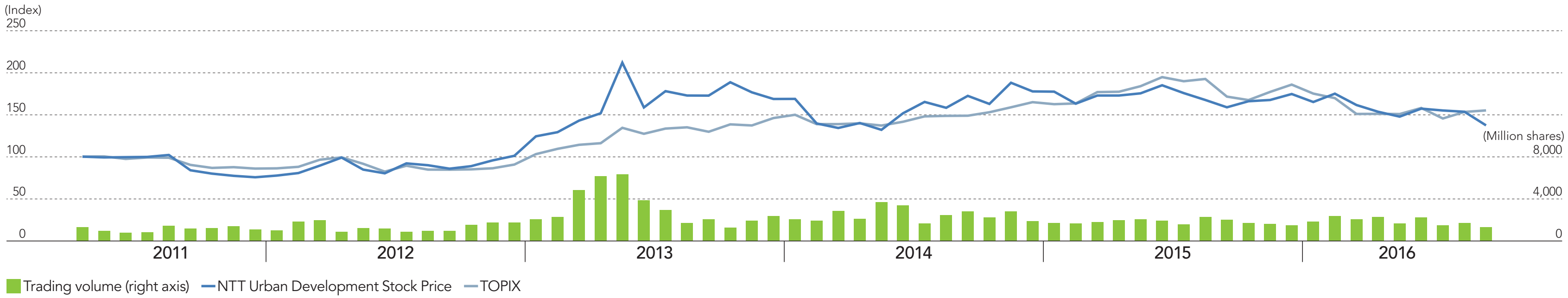
Shareholder Distribution (Percentage of investment)



Major shareholders (Top 10)

Names of Shareholder	Number of Shares Held	Equity Position
Nippon Telegraph and Telephone Corporation (NTT)	221,481,500	67.30%
Japan Trustee Services Bank, Ltd. (Trust Account)	7,291,100	2.22%
GOLDMAN, SACHS & CO. REG	6,316,775	1.92%
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,224,800	1.59%
NORTHERN TRUST CO.(AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	3,746,700	1.14%
STATE STREET BANK AND TRUST COMPANY 505223	2,075,369	0.63%
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	1,985,400	0.60%
STATE STREET BANK AND TRUST COMPANY 505225	1,929,895	0.59%
STATE STREET BANK - WEST PENSION FUND CLIENTS - EXEMPT 505233	1,888,600	0.57%
THE BANK OF NEW YORK 133522	1,883,473	0.57%

NTT Urban Development Common Stock (Closing Price) and TOPIX (Value at April 1, 2010 = 100)



Notes: The Company implemented a 100-for-one stock split of its common shares with October 1, 2013, as the effective date. The stock price has been retroactively adjusted to reflect the stock split.

NTT Urban Development Corporation

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(Photos)
* Forward Stroke: P14, P15, P17, P25
*2 SS Tokyo Co., Ltd.: Cover, P25, P38

*The computer rendered image is of the current planning stage and could change based on future discussions.

*The information presented is as of November 30, 2016.