

Medium-Term Vision 2018

– For Further Growth –

NTT Urban Development

May 9, 2013



Business Environment

What became reality in the Medium-Term Management Plan 2012

🌱 Achievement of financial targets

- Operating income [¥27.4 billion]
- Net D/E ratio [2.30 times]

[Leasing Business]

- Strengthened the revenue base by promoting new development

[Residential Property Sales Business]

- Established the WELLITH brand and created stable profits

[Global Business]

- Promoted the real estate business in London

[Real Estate Fund Business]

- Participated in the J-REIT Business (Premier Investment Corporation)
- Continuously originated private placement funds

Steadily built the revenue base

Changes in the market environment

🌱 Diversified and sophisticated needs

- The continuing low birth rate and aging of the population
- Population concentration in urban areas
- Matured domestic market
- Globalization
- Rising awareness of BCP and disaster prevention
- Environmental and energy problems

🌱 Signs of improvement in the market environment

- Expectations for a recovery in the Japanese economy
- Improving vacancy rate trends for office buildings
- Favorable trend in the contract rate for condominiums and a drop in sales inventories

It is necessary to respond to diversified business opportunities

Medium-Term Vision 2018 – For Further Growth –

We begin challenge
to become the company of choice for our customers.

Fully enforcing a customer and market-centered orientation

Provide real estate solutions that meet customer expectations in both on the “hard” and “soft” aspects by accurately capturing customer needs and maximizing the expertise we have cultivated

Pursuing innovation

Strive for medium and long term growth by promoting business and developing a system of business operation through flexible thinking without being obsessed with existing frameworks

Business policies

② Strengthen our revenue base and expand our business domain

- ◇ Leasing Business: Steadily strengthen our revenue base
- ◇ Residential Property Sales Business: Enhance the WELLITH brand and expand business
- ◇ Global Business: Expand our business base in Europe and the United States and challenge in growth markets

Financial control

② Pay attention to the balance between our outstanding interest-bearing debt and cash flows, while promoting investments for future growth

- ◇ Set the interest-bearing debt/EBITDA ratio as a financial target
- ◇ Select investments carefully and implement asset replacement
- ◇ Promote collaboration with Premier Investment Corporation and private placement funds

Management base

② Establish a management infrastructure that can keep pace with business expansion

- ◇ Improve management resources
- ◇ Fully enforce corporate governance
- ◇ Promote shareholder-oriented management

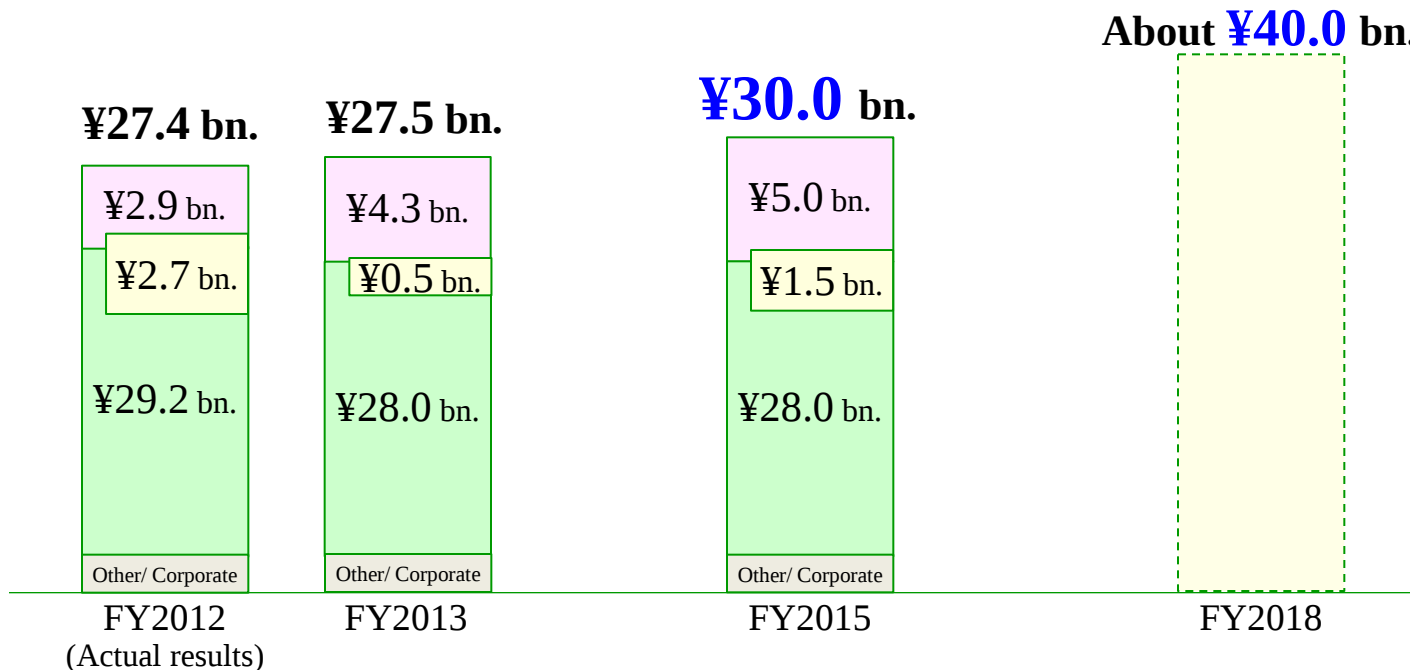
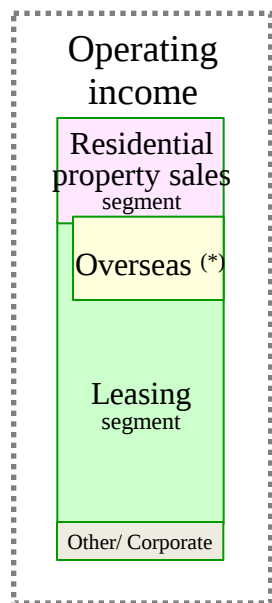
Operating Income

Stage 1
(FY2013 – FY2015)

Establish an operating income of **¥30.0 billion** for fiscal 2015 as a financial target

Stage 2
(FY2016 – FY2018)

Aim at an operating income of about **¥40.0 billion** for fiscal 2018



(*) Amount of overseas is restated

Stage 1 (2013 – 2015)
Strengthen and expand the
business base for future growth

Stage 2 (2016 – 2018)
Further growth

Interest-Bearing Debt/EBITDA Ratio

Stage 1
(FY2013 – FY2015)

Despite an increase in the interest-bearing debt/EBITDA ratio along with investments for future growth, kept it down to **10x** the range in fiscal 2015

Stage 2
(FY2016 – FY2018)

Improve the ratio to **9x** the EBITDA range in fiscal 2018 by enhancing financial control

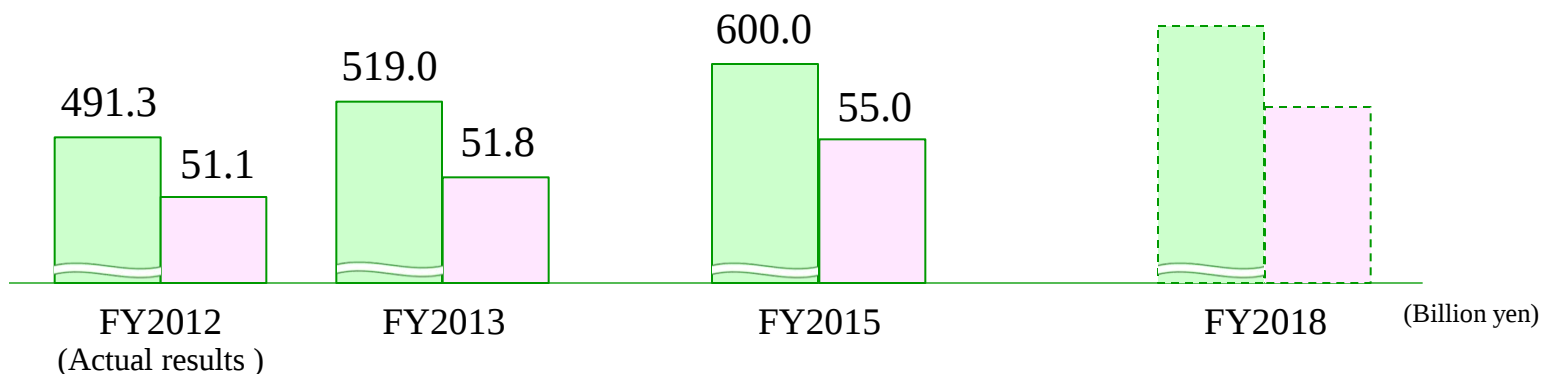
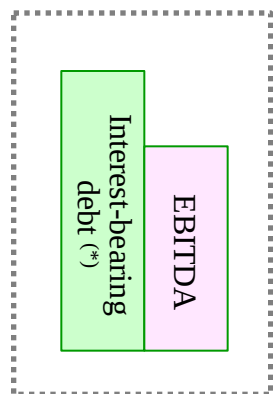
Interest-bearing debt(*)/
EBITDA ratio

9.6x

10.0x

10x

9x



(*) Interest-bearing debt is on a net basis minus cash, etc.

Stage 1 (2013 – 2015)
Strengthen and expand the
business base for future growth

Stage 2 (2016 – 2018)
Further growth

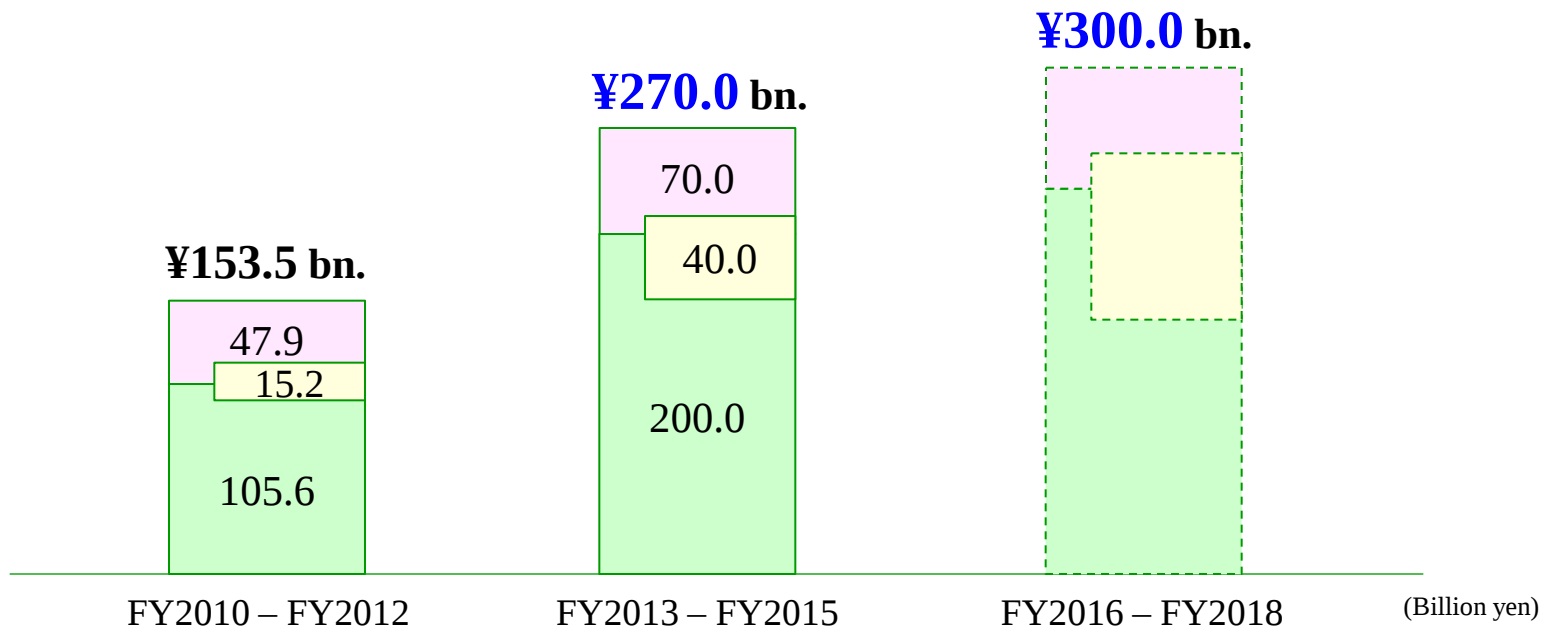
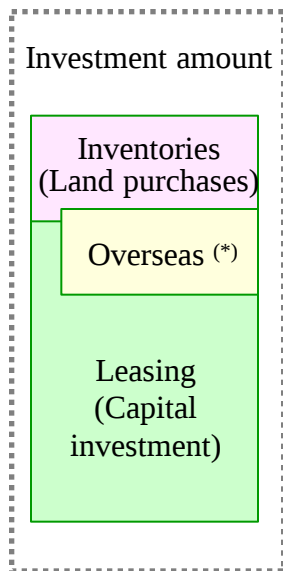
Investment Plan

Stage 1
(Sum total in three years)

Capital investments will be **¥200.0** billion, including those overseas
Land purchases in Residential Property Sales Business will be **¥70.0** billion

Stage 2
(Sum total in three years)

Planned investments totaling **¥300.0** billion on a company-wide basis



Stage 1 (2013 – 2015)
Strengthen and expand the
business base for future growth

Stage 2 (2016 – 2018)
Further growth

(*) Amount of overseas is restated

Leasing Business: Steadily strengthen the revenue base

- Fully enforce a customer-centered orientation and promote development strategies that capture changes in the social environment
- Strengthen sales capabilities and cost competitiveness
- Diversify development methods and promote asset replacement

Residential Property Sales Business: Enhance the WELLITH brand and expand business

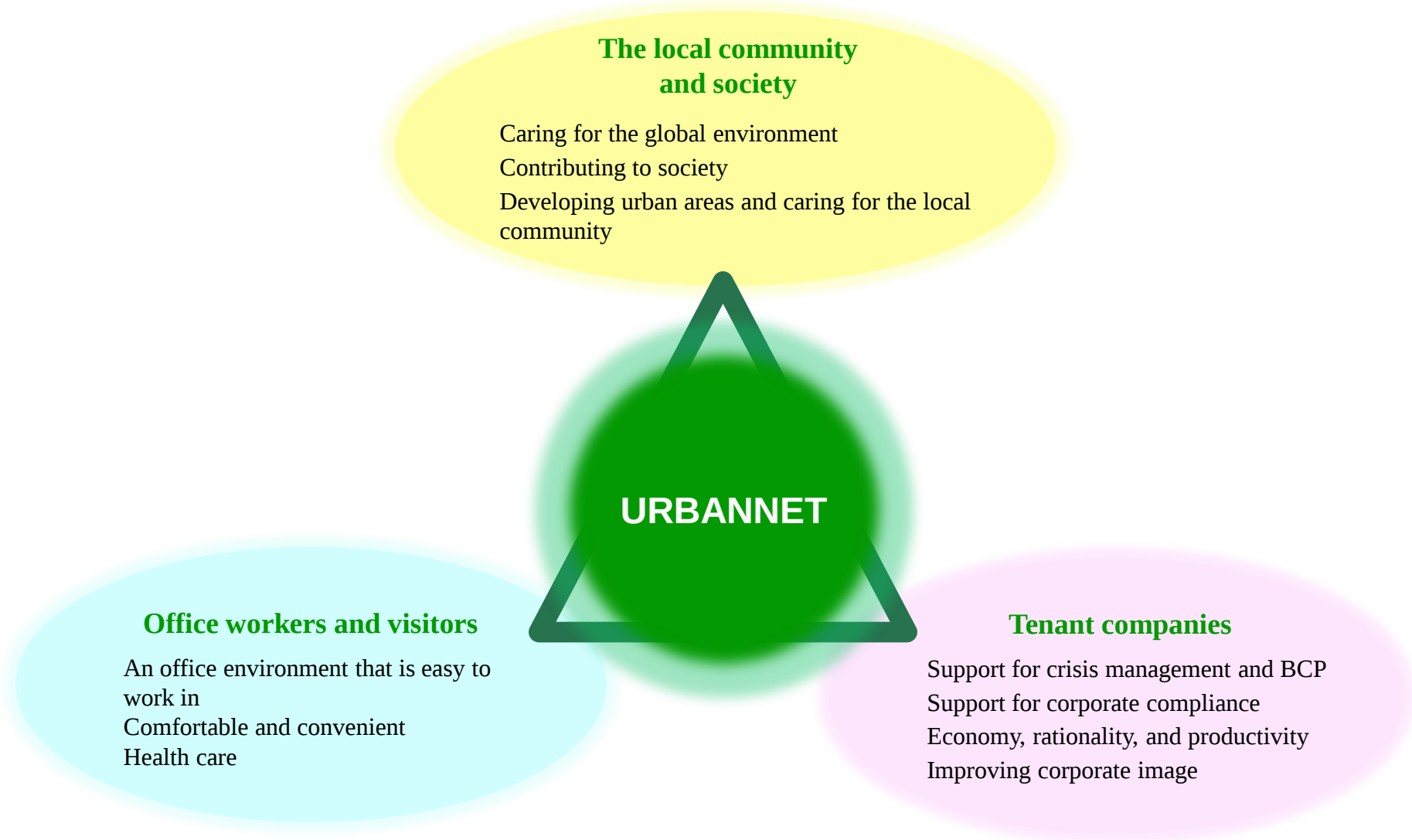
- Implement product planning in pursuit of customer needs
- Improve customer satisfaction
- Expand the business scale, mainly in Tokyo Metropolitan area

Global Business

- Expand the business base in Europe and the United States
- Challenge in growth markets

Leasing Business (1)

■ Urban areas development of NTT Urban Development



Leasing Business (2)

- Fully enforce a customer-centered orientation and promote a development strategy that captures changes in the social environment

- ◇ **Promote new development that considers eco-friendliness and extends the life of building by strengthening BCP measures**

Introduce vibration control and quake-absorbing structures, and coordinate health monitoring

Maintain functions during disasters (emergency power sources, water, stockpiling storehouse, etc.)

Use natural energy (introduce solar power generation, natural ventilation, natural lighting, etc.)

Introduce future technologies (next-generation technologies)

- ◇ **Provide customers with piece of mind by implementing the strategic renovation of pre-existing buildings**

Promote more effective renovation investment by strategically strengthening high-priority items such as BCP measures

- ◇ **Improve tenant services**

Improve customer satisfaction by improving office support functions and conscientiously managing operations

- ◇ **Contribute to urban development**

Help to develop the local environment (fire-fighting, waterworks, greening, etc.)

Cooperate in local disaster prevention efforts (accept commuters who can't get home, etc.)

Energize neighborhoods by creating complex communities

- ◇ **Expand collaboration with the NTT Group**

Use the management resources of the NTT Group

Leasing Business (3)

■ Strengthen sales capabilities and cost competitiveness

- ◇ Develop new customers by enhancing the ability to make proposals
- ◇ Bolster customer retention
- ◇ Strengthen cost competitiveness through business innovations

■ Diversify development methods and promote asset replacement

Diversify development methods

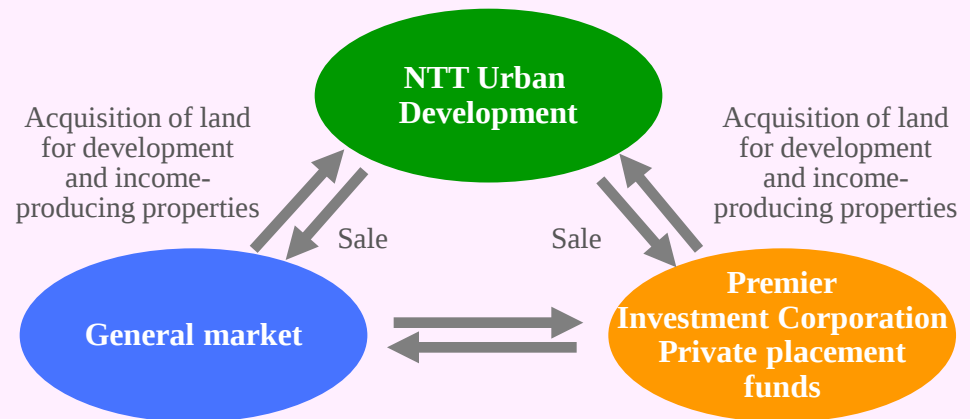
- Leased land-type
- SPC origination-type
- Collaboration with partners
- Sales-model



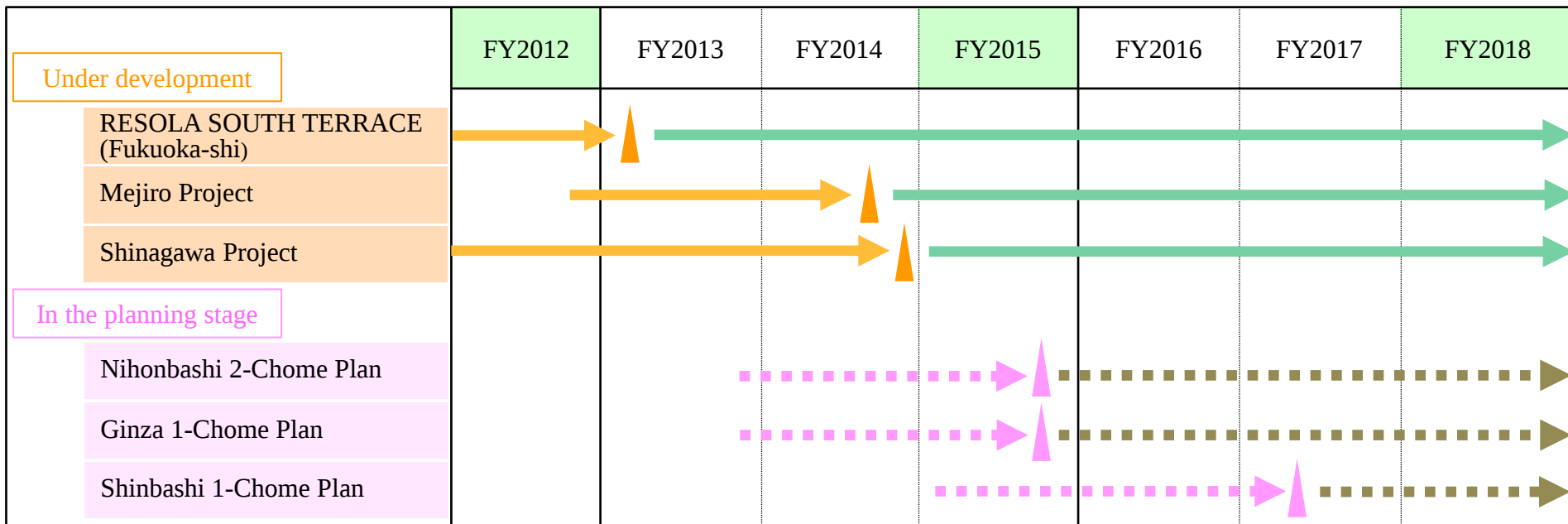
UD Kyoto Kiyomizu Building
Originated a private placement fund as a sales-tmodel business

Promote asset replacement

- Create an investment fund by selling assets
- Optimize the portfolio through asset replacement
- Acquire land for development and income-producing properties



New Development Projects (1)



Mejiro Project

Open in November 2014 (Schedule)

Lifestyle-theme commercial building



Shinagawa Project

(Upper-Level Section Redevelopment Project for the Shibaura Water Reclamation Center)

Open in spring 2015 (Schedule)

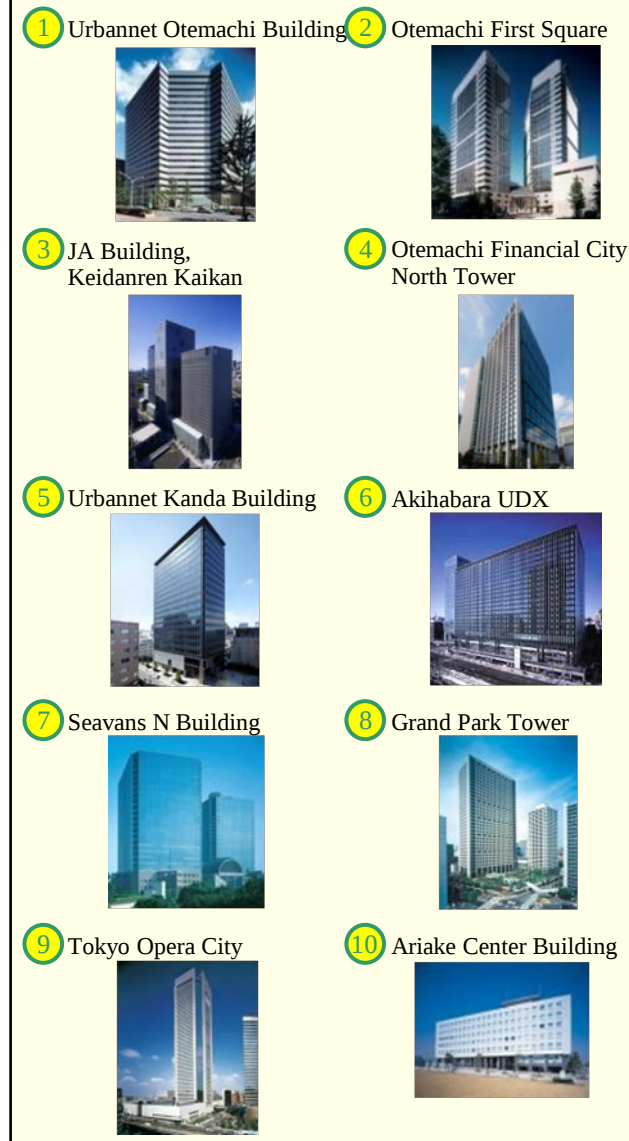
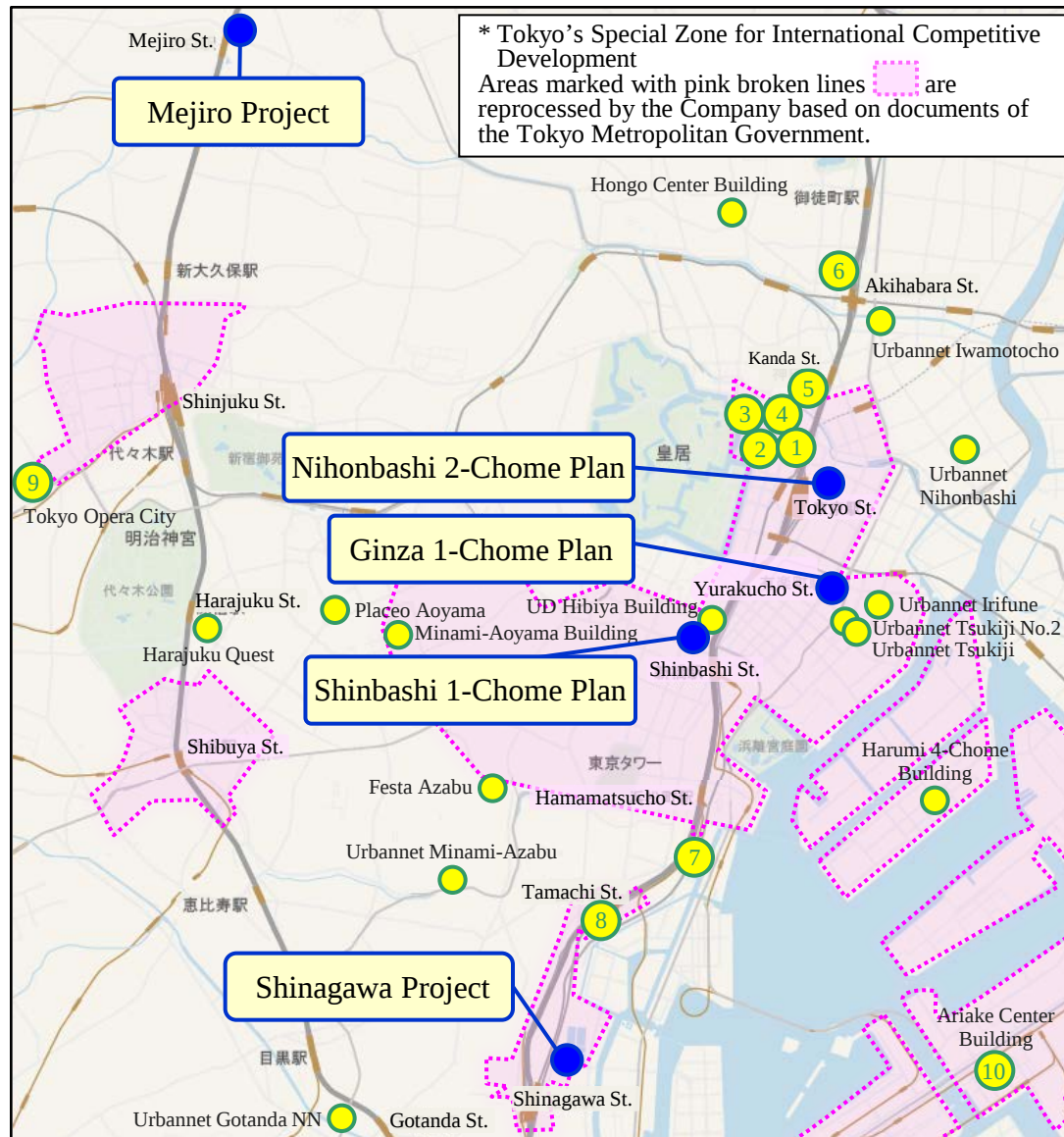
A landmark in the international business base of Shinagawa that harmoniously coexists with the environment

- ◇ One of Japan's biggest office floors
- ◇ Quake-absorbing structure
- ◇ BCP for peace of mind
(Emergency power generator for 72 hours, water tank, etc.)
- ◇ One of the best environmental designs in Japan
- ◇ A vast 3.5-hectare green space



New Development Projects (2)

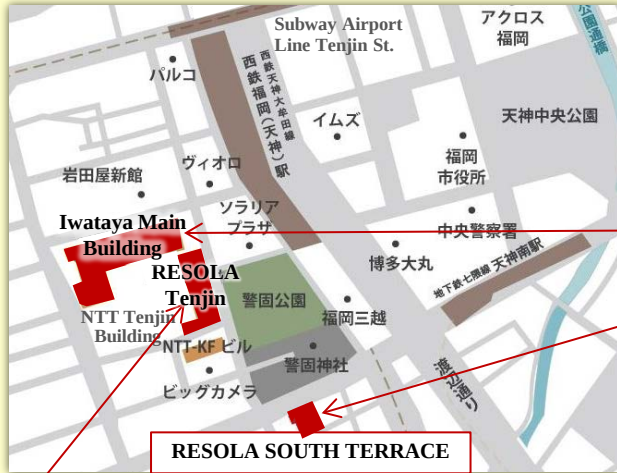
Accelerate business operations, mainly in Tokyo's Special Zone for Asian Headquarters*



Collaboration with the NTT Group

Extended development of commercial facilities in the Tenjin area, Fukuoka

Tenjin area, Chuo-ku, Fukuoka-shi



Promote urban development through extended development using both NTT and the Company sites

Commercial facility
Iwataya Main Building
Commercial facility
RESOLA SOUTH TERRACE

Commercial facility RESOLA Tenjin



Urbannet Tenjin Building (Completed in August 2011)



RESOLA SOUTH TERRACE
(Opened in spring 2013)

Ginza 1-Chome Plan

Plan to redevelop the NTT Group's accommodation and meeting facilities into a office building



UD Yamahana Building

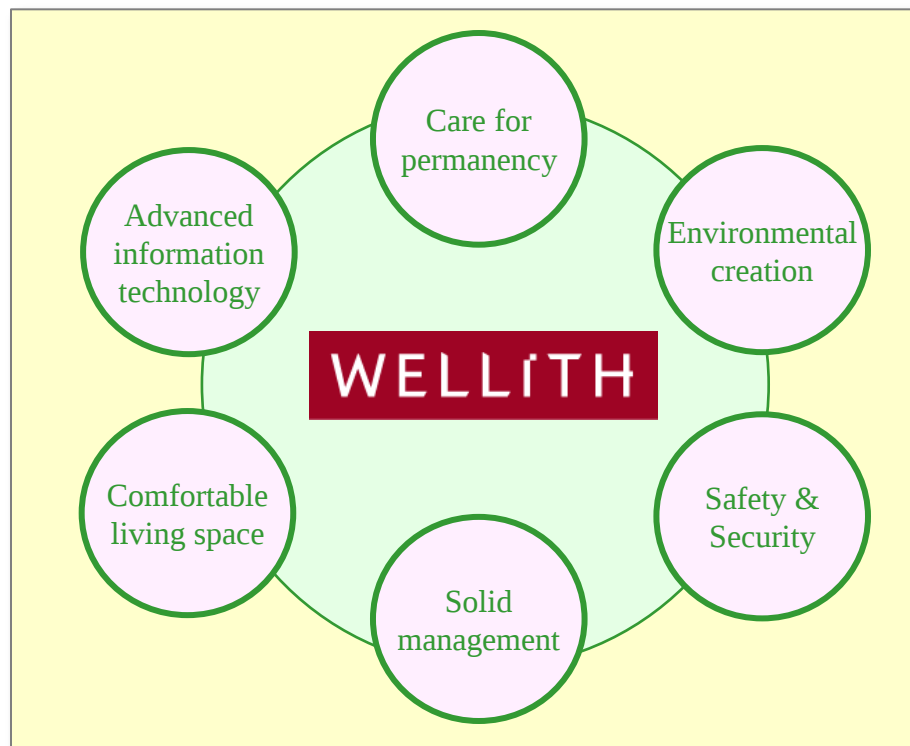
Built a commercial facility on the NTT Group's unused land in Sapporo-shi



Residential Property Sales Business (1)

■ Enhance the WELLITH brand

WELLITH (WELL + WITH = Comfortable together) = NTT Group = Security, safety, reliability



Product planning
in pursuit of
customer needs

Improving
customer
satisfaction

Expanding
business scale,
mainly in Tokyo
Metropolitan area



WELLITH Arisugawa (57 units)



WELLITH Inage (929 units)



WELLITH Park Singu Morinomiya (723 lots)

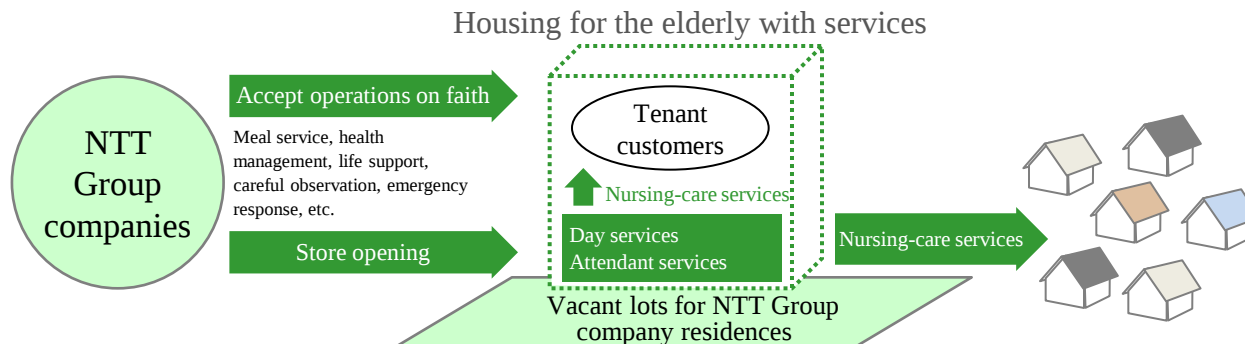
Residential Property Sales Business (2)

■ Product planning in pursuit of customer needs

◇ **Provide different kinds of products in response to changes in the social environment and household composition, reflecting customer feedback**

WELLITH:	Condominiums for sale	WELLITH i-S:	Compact condominiums
WELLITH Park:	Large-scale urban developments	WELLITH Olive:	Rental housing for the elderly
WELLITH Court:	Small-scale streetscapes		Reconstruction business (Reconstruction support business for old condominiums)

Collaboration with the NTT Group ~ Promote housing rental for the elderly ~



Collaboration products with the NTT Group

Energy saving
(NTT FACILITIES)
EnneVision
Packaged power-receiving service
Solar power-generation system

Amenities & anticrime measures
(NTT EAST/NTT WEST)
FLET'S HIKARI NEXT
(NTT DOCOMO)
Mobile phone home system
Rusu Mode Lite (home security support system)

Disaster-prevention equipment

Disaster-prevention storehouse/stockpile
Emergency earthquake alerts
Emergency oven
Preparation of emergency drinks/Fire prevention well
Emergency electric power generator
Installation of AED

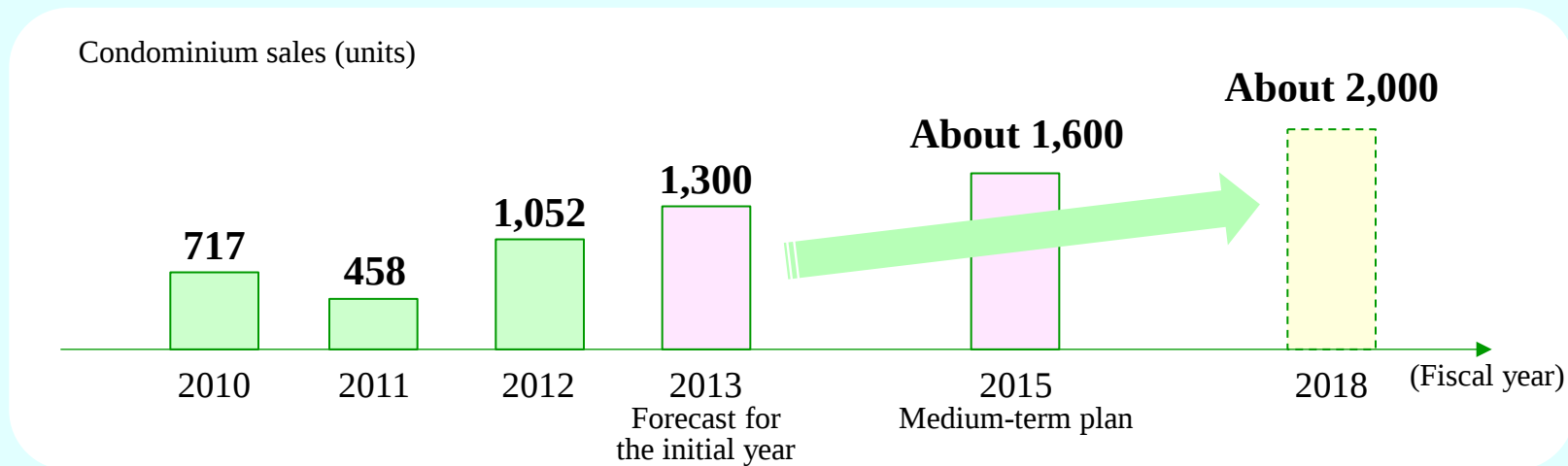
Residential Property Sales Business (3)

■ Increase customer satisfaction

- ◇ Enhance quality control based on product-planning specifications (WELLITH code) and original quality performance standards
- ◇ Enhance after-sale service
- ◇ Improve and strengthen management services (improve resident support and support community formation, etc.)

■ Expand business scale, mainly in Tokyo Metropolitan area

◇ Aim to be in the Top 10 in the number of condominium sales



◇ Steadily increase operating income

Global Business (1)

Expand the business base in Europe and the United States

Achieve a stable income base
Acquire and manage income-producing properties
Increase value through renovation

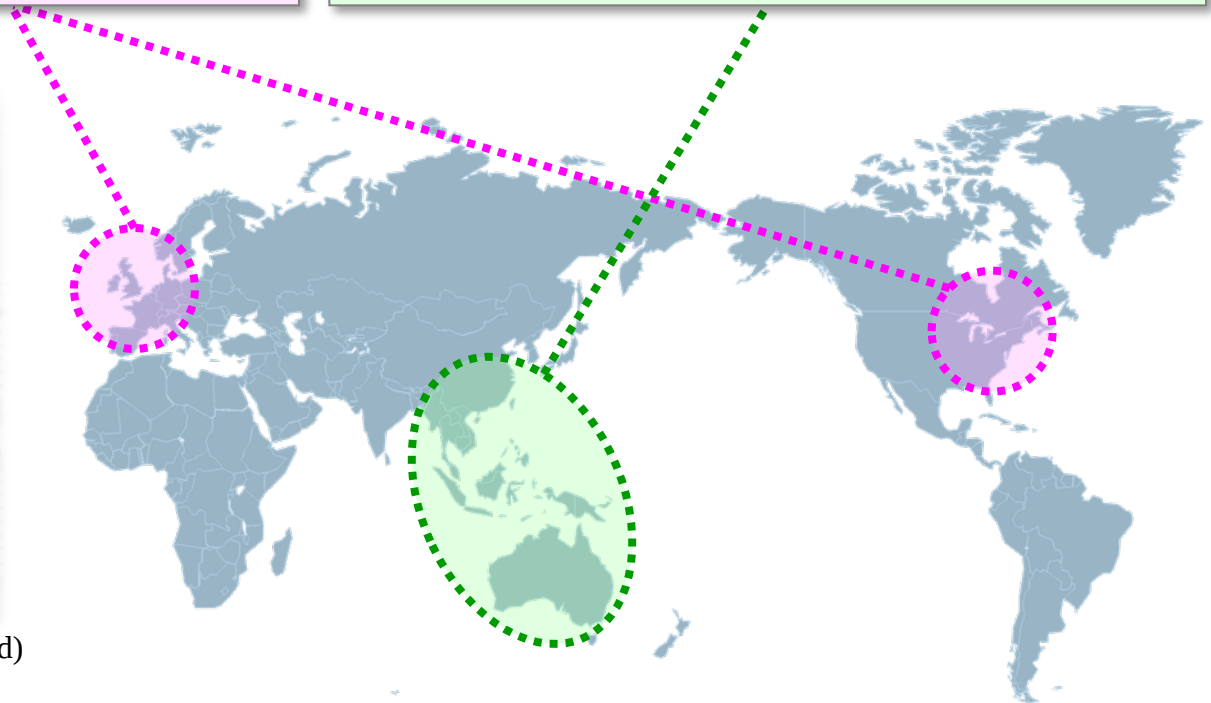
Challenge in growth markets

Create business opportunities in growth markets, mainly in Southeast Asia
Collaborate with the NTT Group's ITC infrastructure business



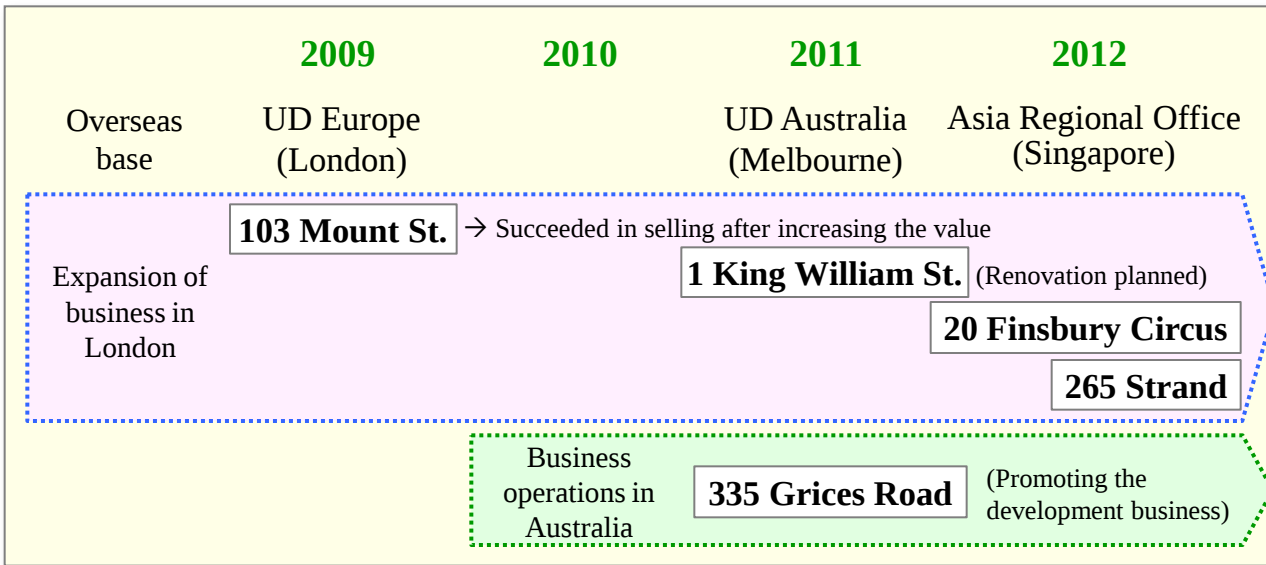
Second property in London (renovation planned)

1 King William Street



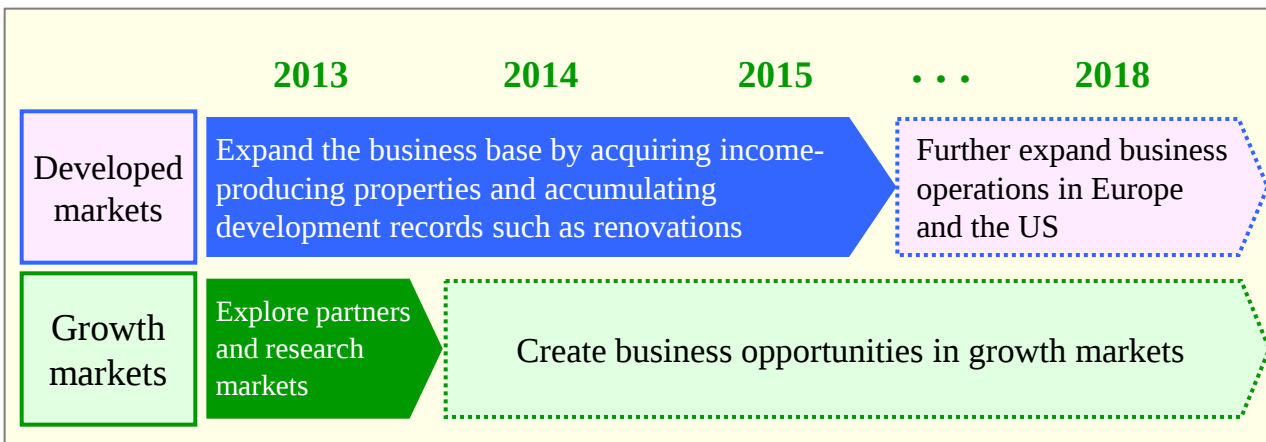
Global Business (2)

■ Track record



Third property in London
20 Finsbury Circus

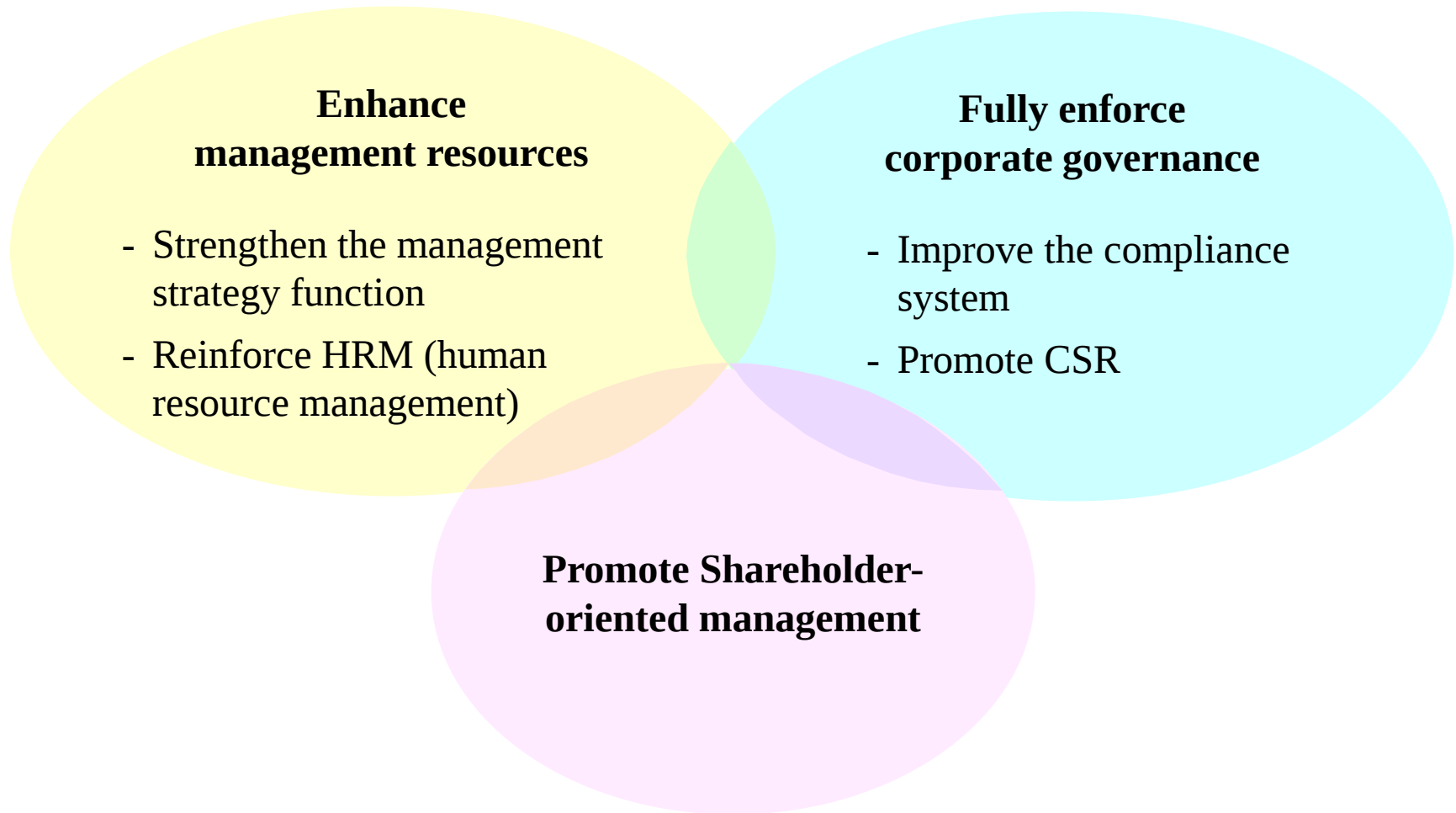
■ Future business deployment



Fourth property in London
265 Strand

Management Platform

- Establish a management infrastructure that can keep pace with business expansion



(Reference)

Track Record for the NTT Urban Development Group
Medium-Term Management Plan 2012

Development Projects



Otemachi Financial City North Tower
(Completed in October 2012)



Daikanyama T-SITE GARDEN
(Completed in December 2011)



Grand Front Osaka
(North Block completed in February 2013,
South Block completed in March 2013)



Urbannet Kanda Building
(Completed in July 2012)

Energy Saving and Lighting Design Award 2012



Urbannet Shijo-Karasuma Building
(Completed in October 2010)



Urbannet Uchihonmachi Building
(Completed in June 2011)
Good Design Award 2012



UD Nakasu Building
(Completed in September 2011)

In collaboration with the NTT Group

Utilizing land owned by the NTT Group as commercial facilities and rental condominiums by leasing them through a term leasehold contracts



Urbannet Tenjin Building
(Completed in August 2011)
Energy Saving and Lighting Design Award 2012



Urban Ace Gojo Koen Pal
(Completed in February 2013)



Grace Season Shimodaita
Company residences for the NTT Group renovated into rental condominiums

Nationwide development of the condominium and detached house business

WELLITH

Renovated vacant lots for NTT Group company residences



WELLITH Park Singu Morinomiya
(August 2012 First construction zone
October 2012 Second construction zone)



WELLITH Nishinomiya Kitaguchi, Takagi Residence
(Completed in October 2012)



WELLITH Sakurayama
(Completed in August 2012)



WELLITH Ueno Ikenohata
(Completed in April 2012)



WELLITH Miyamaedaira
(Completed in March 2013)



WELLITH Takinogawa
(Completed in February 2013)

Disclaimer

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Unless otherwise noted, this document is prepared in compliance with generally accepted accounting policies in Japan.