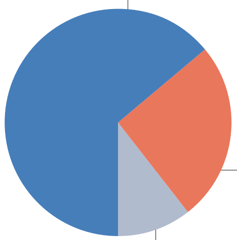
Operating revenue composition

(Year ended March 31, 2016)



Leasing business

63.9%

Residential property sales business

25.8%

Other business

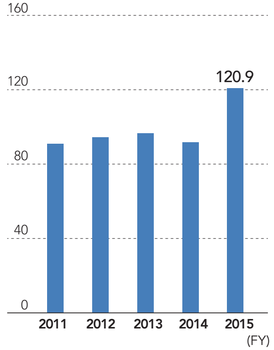
10.3%

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.

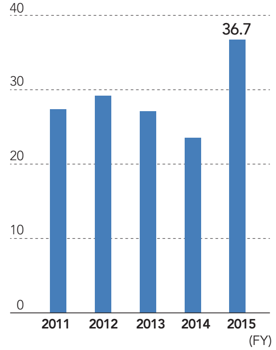
Operating revenue

(Billions of yen)



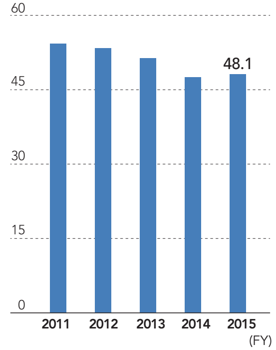
Operating income

(Billions of yen)



NOI*

(Billions of yen)

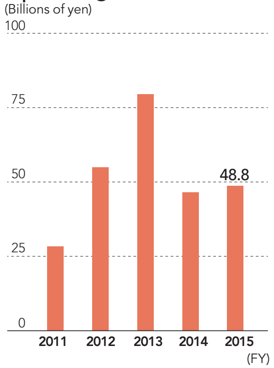


Performance for fiscal year ended March 31, 2016

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.

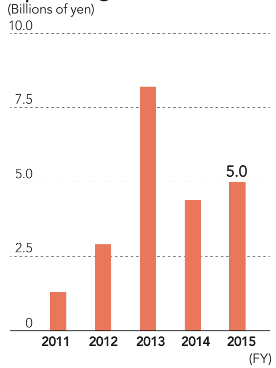
Operating revenue

(Billions of yen)



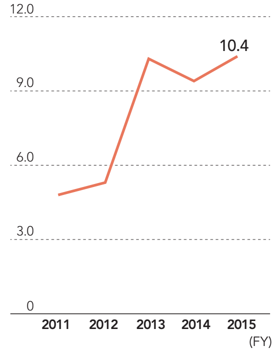
Operating income

(Billions of yen)



Operating margin

(%)



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)

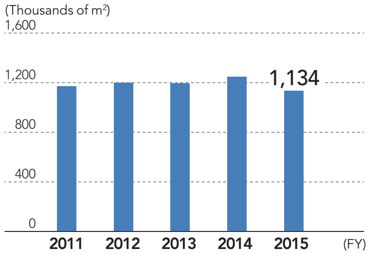
Implement growth strategy to increase revenue opportunities and build a solid revenue base

Business Indicators of NTT Urban Development

Total rentable floor space

1,134 thousand m²

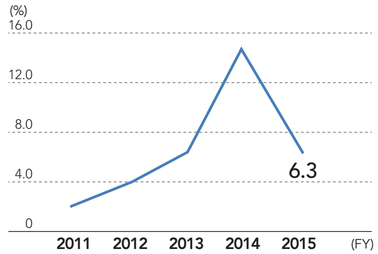
Rentable floor space



Vacancy rate (five wards of central Tokyo)*1

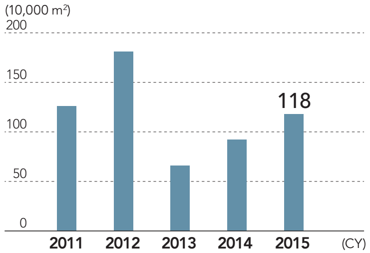
6.3%

Vacancy rate in five wards of central Tokyo



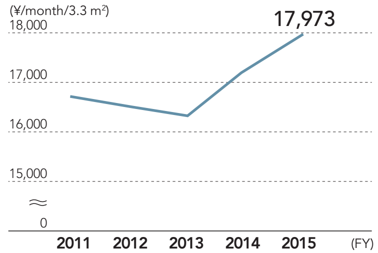
Key Market Data

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



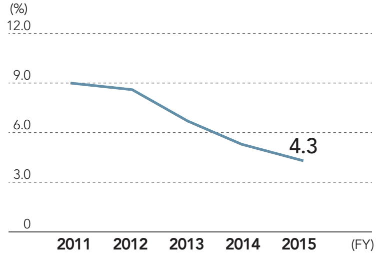
Source: Mori Trust Co., Ltd.

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

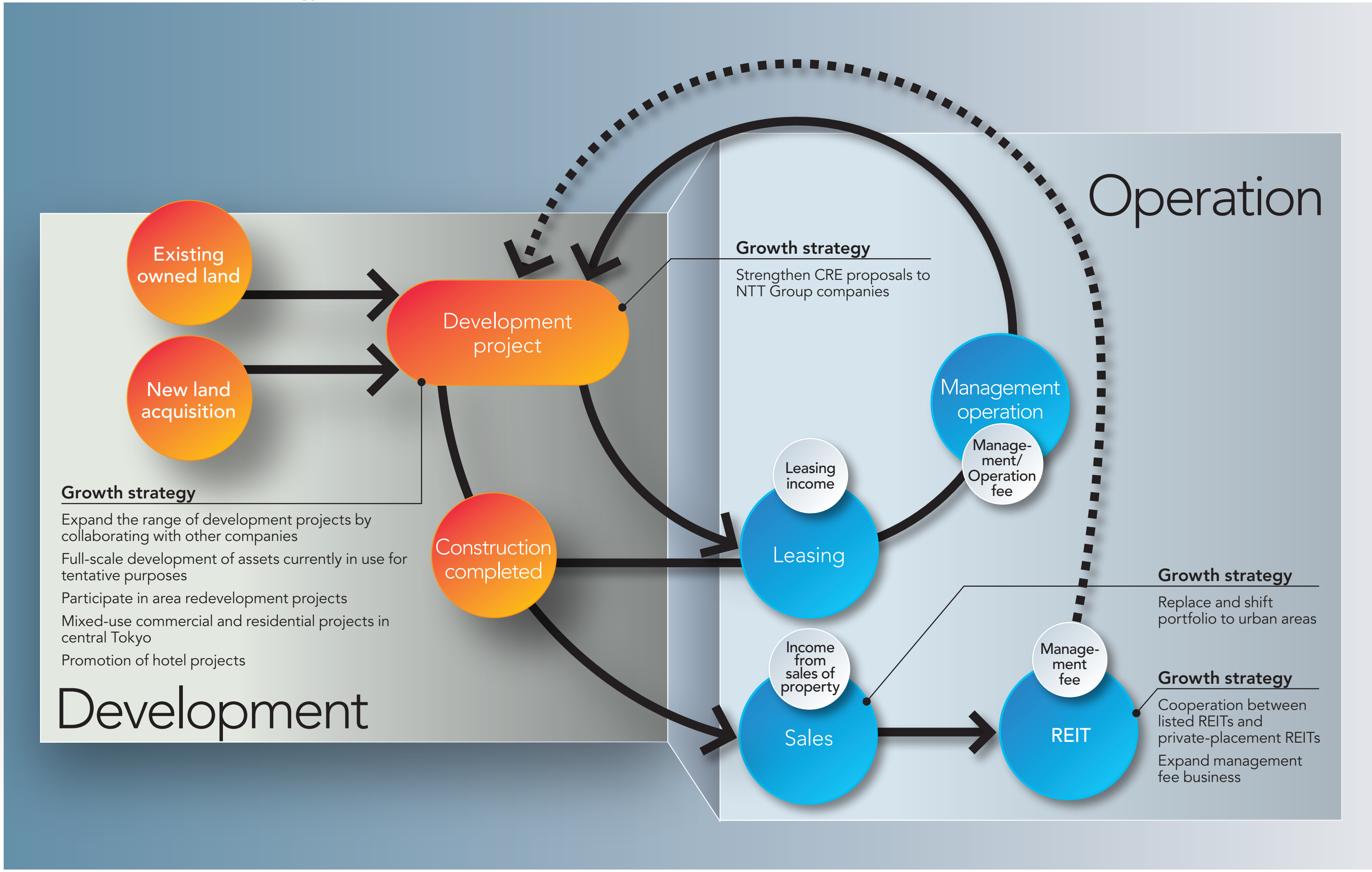
Business Environment and Strategy of Office/Commercial Business

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 *2

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.

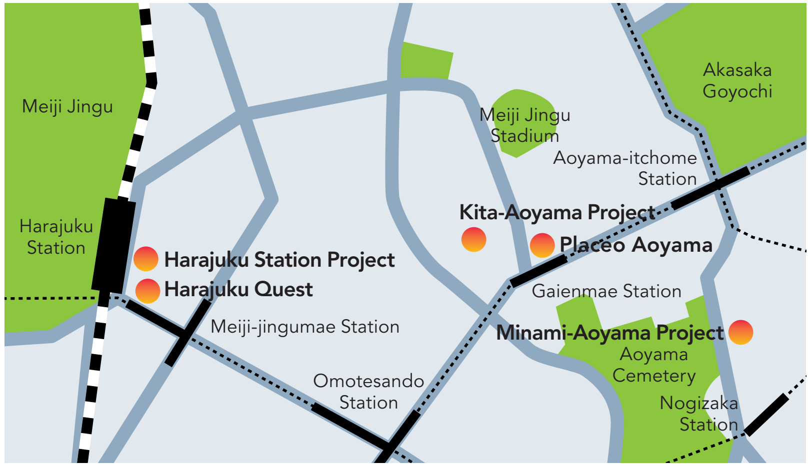
Universal City Station Project

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.



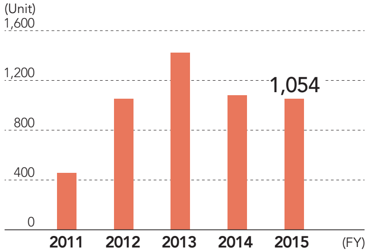
Striving for sustainable growth that increases property value by taking into account local characteristics

Business Indicators of NTT Urban Development

Number of condominium units delivered in Japan:

1,054

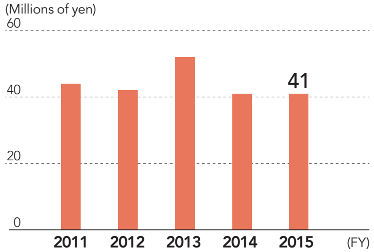
Number of condominium units delivered in Japan



Average sales price per unit:

¥41 million

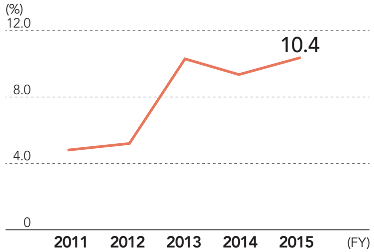
Average sales price per unit



Operating margin:

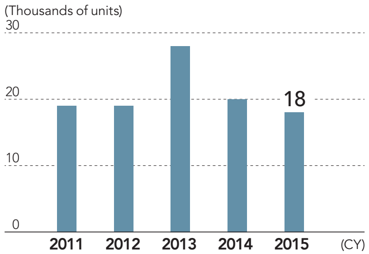
10.4%

Operating margin (Residential Property Sales)



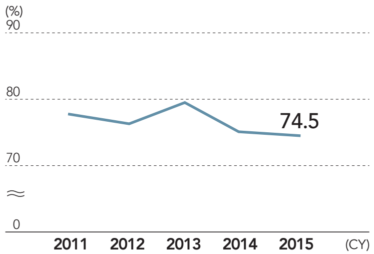
Key Market Data

Supply of condominiums in the 23 wards in Tokyo



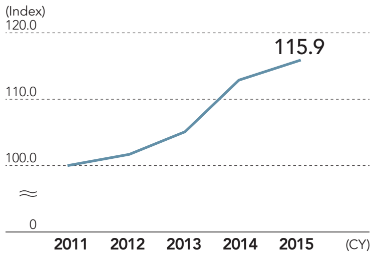
Source: Real Estate Economic Institute Co., Ltd.

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 Image

With all blocks completed in January 2015, Wellith Image, 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 m² about 100,000 sqf	8 stories above ground, 1 below ground
20 Finsbury Circus	City of London, UK	Office	Approx. 8,000 m² 86,427 sqf	7 stories above ground, 1 below ground
265 Strand	Midtown London, UK	Office, commercial	Approx. 7,000 m² 75,883 sqf	8 stories above ground, 1 below ground
125 West 25th Street	New York City, USA	Office, commercial	Approx. 12,700 m² about 137,000 sqf	11 stories above ground, 1 below ground
141 Tremont Street	Boston, USA	Office	Approx. 6,300 m² 68,645 sqf	13 stories above ground
27 School Street	Boston, USA	Office, commercial	Approx. 5,700 m² 62,427 sqf	6 stories above ground, 1 below ground
Two Olive Street	Boston, USA	Office, commercial	Approx. 20,700 m² 223,372 sqf	11 stories above ground, 1 below ground
575 Lexington Avenue	New York City, USA	Office, commercial	Approx. 69,200 m² 745,336 sqf	35 stories above ground, 2 below ground
1015 18th Street	Washington D.C., USA	Office, commercial	Approx. 9,800 m² 106,000 sqf	11 stories above ground, 3 below ground
799 Broadway	New York City, USA	Office, commercial	Approx. 12,300 m² 132,627 sqf	6 stories above ground, 1 below ground


20 Finsbury Circus


141 Tremont Street


125 West 25th Street

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