Governance Structure

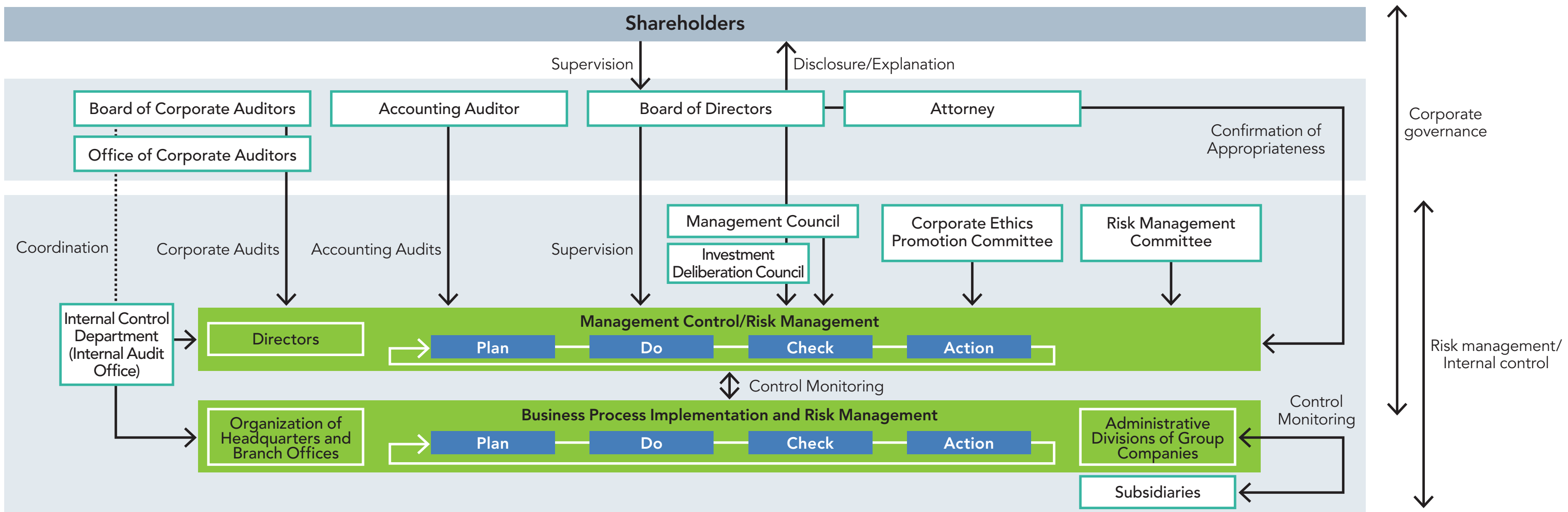
Basic Policy on Corporate Governance

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.

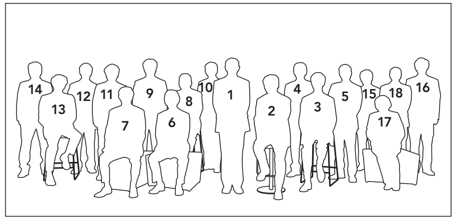
By establishing the Risk Management Committee and applying the risk management rules and regulations appropriately, the Company strives to address and manage a wide variety of risks and to secure business continuity and stable expansion.

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.