



Sadao Maki  
President and  
Chief Executive Officer

*With integrity and through  
innovation,*  
we will continue to grow  
as a progressive company.

## Office Business

Conditions in the office leasing market have been improving as the economy has recovered steadily, with the vacancy rates in the five wards of central Tokyo reaching single digits. In these conditions, the NTT Urban Development Group's vacancy rates and rents are improving, evidence that advance efforts to strengthen leasing capabilities are bearing fruit.

We will step up leasing to rapidly increase the profitability of such new buildings as Shinagawa Season Terrace, officially opened in May 2015; Urbannet Nihonbashi 2-chome Building; and Urbannet Ginza 1-chome Building. Also, we are preparing to cater to medium-to-long-term demand for offices in the Otemachi area, where demand and our brand power are strong. For example, we have joined a project that exploits the NTT Group's resources, the Otemachi 2-1 Project.

As for existing buildings, we will heighten the competitiveness of flagship buildings by strengthening their ability to facilitate tenants' business continuity plans.

Not limiting ourselves to office buildings, we will tackle mixed-used property development projects that combine offices, commercial properties, and even residences to provide customers with comfortable, highly convenient office spaces.

## Residential Development Business

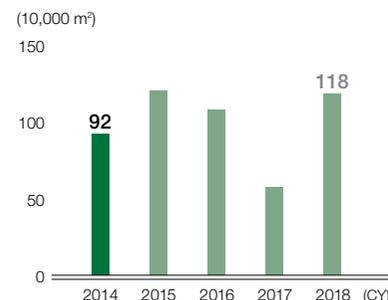
Demand dipped after the 2014 consumption tax increase; however, latent demand for condominiums remains solid. In particular, demand is trending upward in downtown areas. This reflects an expanding number of seniors in one- or two-person households looking to relocate because their household has become smaller, a rise in dual-income households that want highly convenient locations, and growth in investment from overseas.

In the year ended March 31, 2015, the residential development business recorded a decline in revenues and earnings because of a larger supply of suburban properties than in the previous fiscal year. Nevertheless, we kept the operating margin at approximately the same level year on year. We will continue to develop high-value-added properties with locations, specifications, and designs that match market demand.

To cater to the particularly strong demand in downtown areas, as well as developing new properties, we will realize the development of properties in prime locations by renovating old condominiums and converting office buildings into condominiums.

As for serviced housing for seniors, demand for which will become even stronger, in collaboration with the NTT Group, we are developing serviced housing for seniors as part of the *Tsunagu* (Connecting) Town Project. In this project, we are developing standard condominiums and serviced housing for seniors so that multiple generations of the same family can live together in the area long term. We will provide a residential environment in which seniors and their families can live comfortably and with peace of mind.

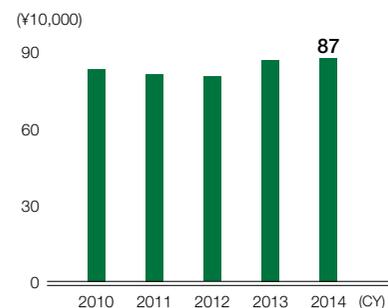
**Supply of large offices\* in the 23 wards of Tokyo**



Note: Figures for 2015–2018 are estimates.

\* Buildings with office floor space of at least 10,000 m²  
Source: Mori Trust Co., Ltd.

**Price trends of condominiums in the 23 wards of Tokyo (per m²)**



Source: Real Estate Economic Institute Co., Ltd.

## Commercial Properties Development Business

We opened Trad Mejiro in front of Mejiro Station as an addition to the commercial properties we have developed so far, such as Urbannet Tenjin Building, in Fukuoka, and Urbannet Shijo-Karasuma Building, in Kyoto. Located in an area that did not have many commercial properties, Trad Mejiro consists entirely of commercial tenants, thereby catering to the local community's needs. Meanwhile, many customers are using our existing commercial properties because we have tailored them to reflect the needs and characteristics of each location. These include retail facilities in areas that attract large numbers of affluent customers, commercial tenants in office buildings that are seeing rising demand for offices as vacancy rates decrease, and facilities catering to tourists from overseas that have strong purchasing power.

We will undertake mixed-used property development with an emphasis on residences and commercial properties. In these projects, Tokyo's Harajuku and Aoyama areas, where we have numerous commercial properties, will be priority areas.

In response to growing demand from visitors to Japan in recent years, the Group intends to develop hotels. We will develop these hotels with the 2020 Tokyo Summer Olympic and Paralympic Games in mind. However, to ensure they maintain their value after the event, we will develop them to suit the local needs of cities with stable markets, such as Kyoto, Fukuoka, and Osaka.

In October 2015, we plan to begin building a hotel directly connected to Universal City Station, in Osaka. As well as catering to burgeoning tourist demand, the hotel will cater to local needs by including a bridal center.

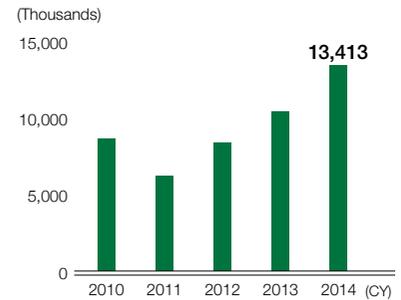
## Global Business

As part of efforts to sustain growth and ensure earnings stability through portfolio diversification, we intend to accelerate the development of the global business. We aim to spread investment across a range of countries and regions with higher growth rates and profit margins than Japan to optimize risk and return. At the same time, in Western countries with sophisticated real estate markets, we will acquire progressive expertise in overall building management, which we will use to increase efficiency and add value in domestic businesses.

In January 2015, we acquired two properties in Boston, in the United States. Also, in Southeast Asia's market, which promises to continue robust growth, we upgraded our Singapore Representative Office to a branch office. Currently, the office is working with a local partner to unearth projects.

We are adopting a medium-to-long-term approach to the global business, and we intend to proceed carefully, taking into consideration each country's particular risks. Our goal is to have earnings from the business account for about 10% of profits by the year ending March 31, 2019.

### Foreign visitors to Japan



Source: Japan National Tourism Organization

## Development Pipeline

To sustain growth, we must increase earnings from existing properties while developing properties with even higher added value. Therefore, we will focus development on properties in downtown areas because demand for them is likely to be strong and they promise high profit margins. In the year ended March 31, 2015, we invested strategically to develop properties in excellent locations in Otemachi, Nihonbashi, and Ginza and acquire a property, Harajuku Dai-ichi Mansions, in front of Harajuku Station. Regarding properties that we are currently using provisionally, we will build optimal models matching the needs in each situation and establish commercial businesses as soon as possible.

With respect to funding investment, we will control liabilities by using our own funds and by replacing assets through the use of Premier Investment Corporation, a Group company, and a private-placement REIT that we will establish in the current fiscal year.

While analyzing market trends from a long-term viewpoint, the NTT Urban Development Group will raise the quality and profitability of its portfolio to heighten corporate value and thereby provide shareholders with stable returns.

## Toward Further Growth

The Group's corporate slogan is *With Integrity, through Innovation*. While dealing with customers honestly and providing properties and services they can trust, we want to incorporate advanced technology and methods to offer solutions that meet society's current needs. By taking on the challenge of delivering high-value-added properties that satisfy customers, we will build an even stronger presence.

Realizing medium-to-long-term growth calls for steady business management, far-sightedness, technological capabilities, and the ability to execute plans. As a member of the NTT Group, we will continue to grow by realizing each initiative *with integrity* and *through innovation*.

September 2015



Sadao Maki  
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