

October 15, 2018

To Whom it may concern:

NTT URBAN DEVELOPMENT CORPORATION

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President and Chief Executive Officer

(Tokyo Stock Exchange (First Section) Code No.8933)

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**Announcement of Opinion to Support the Tender Offer for Our Shares By NTT-SH Corporation
which is a Subsidiary of Our Parent Company, Nippon Telegraph and Telephone Corporation, and the
Recommendation of the Tender thereto**

NTT Urban Development Corporation (the “**Company**”) hereby announces that, the Company resolved at the meeting of the board of directors held today to express an opinion supporting the tender offer (the “**Tender Offer**”) by NTT-SH Corporation (the “**Offeror**”) for common shares of the Company (the “**Company Shares**”) and to recommend the shareholders of the Company to tender in the Tender Offer as follows.

The aforementioned resolution at the meeting of the board of directors was adopted on the understanding that Nippon Telegraph and Telephone Corporation (“**NTT**”) (NTT and the Offeror are collectively referred to as the “**Offerors**”), the wholly-owning parent company of the Offeror, and the Offeror intend to make the Company a wholly-owned subsidiary of the Offerors through the Tender Offer by Offeror and a series of procedures to be implemented thereafter, and the Company Shares are to be delisted.

1. Overview of the Offeror

(1) Name	NTT-SH Corporation	
(2) Address	1-5-1 Otemachi, Chiyoda-ku, Tokyo	
(3) Name and title of representative	Katsumi Kuroda, President and Representative Director	
(4) Description of business	Holding and managing the Company Shares	
(5) Capital stock	JPY 3 million	
(6) Date of incorporation	August 29, 2007	
(7) Major shareholders and shareholding ratios (as of October 15, 2018)	Nippon Telegraph and Telephone Corporation	100.00%
(8) Relationship between the Company and the Offeror		
Capital relationship	Not applicable. As of today, NTT, the wholly-owning parent company of the Offeror, holds 221,481,500 shares of the Company Shares (Ownership Ratio (Note) of 67.30% (rounded off to two decimal places, and hereinafter the same as long as no other treatment is provided for in the calculation of that ratio)).	
Personal relationship	Not applicable. As of today, one director and one corporate auditor of the Company are concurrently employees of NTT, the wholly-owning parent company of the Offeror.	

Business relationship	Not applicable. The Company leases offices to NTT, the wholly-owning parent company of the Offeror. Transactions such as depositing and loaning of cash have been conducted with NTT Finance Corporation, whose parent company is NTT.
Status as related parties	NTT, the wholly-owning parent company of the Offeror, is a parent of the Company and the Offeror corresponds to a related party of the Company.

(Note) “Ownership Ratio” means the ratio of the shares owned to the number of shares (329,119,923 shares) obtained by deducting the number of the Company’s treasury shares owned by the Company as of June 30, 2018 as set out in the consolidated summary of accounts (IFRS) for the first quarter of the business period ending March 2019 submitted by the Company on August 3, 2018 (77 shares) from the total number of issued shares as of June 30, 2018 set out in the 34th First Quarterly Securities Report submitted by the Company on August 6, 2018 (329,120,000 shares).

2. Tender Offer Price

JPY 1,680 per share of common stock (the “**Tender Offer Price**”)

3. Details and Grounds and Reasons for, the Opinion Regarding the Tender Offer

(1) **Details of the Opinion**

Based on the grounds and reasons set out in “(2) Grounds and Reasons for the Opinion Regarding the Tender Offer” below, the Company resolved at the meeting of the board of directors held today to express an opinion supporting the Tender Offer and to recommend the shareholders of the Company to tender in the Tender Offer.

The aforementioned resolution at the meeting of the board of directors was resolved pursuant to the method set out in “e. Approval of all Directors who do not have an Interest in the Company and Opinion by all Corporate Auditors who do not have an Interest that there is no Objection” in “(6) Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest” below.

(2) **Grounds and Reasons for the Opinion Regarding the Tender Offer**

a. *Overview of the Tender Offer*

The Company received an explanation from the Offerors on the overview of the Tender Offer as follows.

The Offeror is a wholly-owned subsidiary of NTT, which holds all of the issued shares of the Offeror, and the Offeror is a stock company whose principal purpose is to acquire and own the Company Shares listed on the First Section of the Tokyo Stock Exchange Inc. (the “**TSE**”) through the Tender Offer. As stated in “(ii) Management Policy after Completion of the Tender Offer” in “b. Background Leading to the Decision to Implement the Tender Offer, Purpose and Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer” below, it is expected that the Offeror will be a holding company within the NTT Group (meaning, collectively, NTT and 922 consolidated subsidiaries, including the Company, and 118 affiliates of NTT (as of March 31, 2018), hereinafter the same) that promotes new urban solutions business (the “**Urban Solutions Business Promotion Company**”) in a manner unique to the NTT Group.

As of today, the Offeror does not own any Company Shares, but NTT, which is the wholly-owning parent company of the Offeror, owns 221,481,500 Company Shares (Ownership Ratio 67.30% (the “**Company Shares Held by the Parent Company of the Offeror**”) as of today, and the Company is treated as a consolidated subsidiary of NTT.

As stated in “(i) Background Leading to the Decision to Implement the Tender Offer and Purpose and Decision-Making Process of the Tender Offer” in “b. Background Leading to the Decision to Implement the Tender Offer, Purpose and Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer” below, NTT, which is the wholly-owning parent company of the Offeror, decided at its board of directors meeting held today to conduct a series of transactions for the purpose of making the Company a wholly-owned subsidiary of the Offerors by the Offeror acquiring all of the Company Shares (excluding the Company Shares Held by the Parent Company of the Offeror and the Company’s treasury shares owned by the Company), and the Offeror decided today to conduct the Tender Offer.

No maximum or minimum number of Share Certificates, Etc. to be purchased has been set in the Tender Offer, so the Offeror will purchase all of the Share Certificates, Etc. tendered in the Tender Offer.

Given that the Offeror intends to make the Company a wholly-owned subsidiary of the Offeror, if the Offeror is not able to acquire all of the Company Shares (excluding the Company Shares Held by the Parent Company of the Offeror and the Company’s treasury shares owned by the Company) through the Tender Offer, the Offeror will implement procedures for the purpose of making the Offeror the sole shareholder of the Company (the “**Squeeze-out Procedures**”). For details, see “(5) Policy of Restructuring, Etc. after the Tender Offer (Matters Concerning So-Called Two-Step Acquisition)” below.

NTT plans on making a contribution in kind to the Offeror of all of the Company Shares Held by the Parent Company of the Offeror (the “**Contribution In Kind**,” and together with the Tender Offer and the Squeeze-out Procedures, collectively, the “**Transaction**”) as consideration for the shares issued by the Offeror after the completion of the settlement of the Tender Offer and before the completion of the Squeeze-out Procedures. Details of the conditions of the Contribution In Kind have not been determined at this point, but it is expected the number of shares to be issued by the Offeror with respect to one Company Share as consideration for the Contribution In Kind will not be on conditions that are more favorable for NTT than the Tender Offer Price.

b. Background Leading to the Decision to Implement the Tender Offer, Purpose and Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer

The Company received an explanation from the Offerors on the background leading to the decision to implement the Tender Offer, the purpose and the decision-making process of the Tender Offer, and the management policy after the Tender Offer as follows.

(i) Background Leading to the Decision to Implement the Tender Offer and Purpose and Decision-Making Process of the Tender Offer

The Offeror is a stock company and all of its issued shares are owned by NTT. NTT, which is the wholly-owning parent company of the Offeror, was established under the Nippon Telegraph and Telephone Corporation Act (Act No. 85 of 1984) and was listed on the First Section of the TSE in February 1987. The contents of the principal businesses of the NTT Group are as follows.

- (a) Regional communications business: Providing intra-prefectural communications services in a domestic telecommunications business and businesses incidental thereto
- (b) Long distance and international communications business: Inter-prefectural communications service, international communications business, and solutions business in a domestic telecommunications business and businesses related thereto
- (c) Mobile communications business: Mobile telephone business and businesses related thereto

- (d) Data communications businesses: Businesses such as network system services and system integration
- (e) Other businesses: Real estate business, financial business, construction and electric power business, system development business, advanced technology development business, etc.

It is expected that in the information and telecommunications market, to which NTT belongs, the development of new technology such as the accelerated use of cloud services, the Internet of Things (IoT), big data, and AI (Artificial Intelligence). Furthermore, with the entrance of new player, market competition that surpasses existing business sector boundaries is expected to further intensify, and collaborative coordination and cooperation among businesses working to create new added value should also progress. From these changes, the required role of information and communications should both expand and become more important.

Under those circumstances, NTT formulated and announced a medium-term management strategy in May 2015 for the period from FY 2015 to FY 2017 called “Towards the New Stage 2.0.” Under that plan, NTT has worked to reform its business structure, utilized the management resources it had developed up to that point, and endeavored to continuously improve the corporate value of the NTT Group by using and applying information and communications technology (ICT). As a result, in the final consolidated fiscal year, the target fiscal year, EPS (earnings per share), the most important target, reached JPY 456, achieving the target of JPY 400 or more, and the operating revenue, operating income, and current net profits all reached record highs.

At the same time, in the three years since the formulation and announcement of above plan, business has continued to expand in and outside of Japan, but the external business environment is undergoing significant changes and competition has remained strong. NTT is, as an initiative towards expanding its current B2B2X business (Note 1), endeavoring to solve various social issues and create new social value by accumulating a large amount of data in terms of type and volume by connecting everything with networks through the IoT and utilizing the cloud, and then analyzing that data using AI. Specifically, NTT has a policy to utilize a cognitive foundation (Note 2) and other systems, and promote smartification such as Smart City, Smart Hospital, Smart Airport, Smart Stadium, and Smart Factory. In particular, by expanding collaborations with service providers such as businesses in other fields and local governments, and by supporting digital transformations of service providers, NTT will contribute to resolving social issues and accelerate the creation of new value.

(Note 1) Framework to solve social issues and provide new value creation to end users (X) together with service providers by expanding collaborations with service providers such as businesses in other fields and local governments (B) and supporting digital transformations of service providers

(Note 2) Framework that allows the integrated execution of the creation and configuration and the management and operation of not only cloud and network services, but also user ICT resources

The NTT Group is aiming to achieve continuous growth over the medium- to long-term by supporting transformation (digital transformation) of service providers and creating new businesses by utilizing the personnel, technologies, and assets held by the NTT Group as “Your Value Partner”, with its constant fundamental shared values of connect, trust, and integrity.

Meanwhile, in January 1986, the Company was established as a wholly-owned subsidiary of NTT for the purpose of utilizing unused land owned by NTT. When the Company was founded, the Company received land and buildings owned by NTT as investments in kind (Note 3). The Company built new office buildings, retail facilities and residential facilities on the land, and has mainly operated rental business of these real estate.

NTT established real estate companies across the country for the same purpose and by the same method. The Company has expanded its asset size while implementing absorption-type merger with these companies. In particular, the asset size of the Company reached the current level by implementing absorption-type merger with

real estate companies in five cities (Sapporo, Nagoya, Osaka, Hiroshima and Fukuoka) in April 1999.

In addition, the Company Shares were listed on the First Section of the TSE in November 2004, and then the Company has advanced into new business: large-scale redevelopment, fund business (management of REIT and Fund), retail business (real estate rental business concerning retail facilities and hotels developed and owned by the Company etc.), global business (investment and management of real estate in the United Kingdom and the United States etc.), and has grown and expanded as a comprehensive real estate developer.

As of today, the Company Group (meaning, collectively, the Company, its consolidated subsidiaries and its equity-method affiliates, hereinafter the same) consists of the Company, its 29 consolidated subsidiaries and its 26 equity-method affiliates. The main business of the Company Group is the Office/Retail Business (rental business concerning real estate such as office buildings, retail facilities, hotels etc. which are developed and owned by the Company) and the Residential Business (mainly for the sales of residential properties business, the rental housing business and the serviced senior housing business etc.), and the Company Group engages the other business such as building maintenance of office buildings. In addition, the Company Group engages in comprehensive real estate business nationwide in a corporate group whose parent company is NTT which primarily engages in regional communications business, long distance and international communications business, mobile communications and data communications business.

The Company Group aims to enhance its corporate value by providing customers with valuable real estate services, and to increase stakeholder satisfaction, in line with its corporate slogan of “Integrity of Innovation”. In May 2013, the Company formulated the Medium-Term Vision 2018 – For Further Growth – for the period from FY 2013 to FY 2018, based on environmental changes such as the continuation of development rush mainly on the city center, rising construction costs and land and building prices mainly in the metropolitan area. In this plan, the Company Group lists strengthening its revenue base in its each business and expanding the business territory as its business policy, and is steadily proceeding with achieving financial targets and expanding its management base.

While approaching the final fiscal year of this plan, the Company is concentrating on its each business to achieve operating income of 30 billion yen, which is the profit target for 2018 fiscal year, however, in addition to the uncertainty about the future of the real estate market in Japan because of the downward trend of population due to the declining birthrate and the aging population, there is a situation in which it is difficult to acquire land such as remained high price of land for business, mainly in metropolitan areas.

Regarding the rental office market, the capacity utilization maintains high rate and the rents are also steady, however, the large supply of buildings by the large-scale redevelopment continues in central Tokyo, for example, even in the metropolitan area there is concern regarding the future supply-demand relationship. Regarding the housing sales market, while the demand is strong mainly in properties in central Tokyo due to the financial environment with low interest rate etc., with the prediction that the domestic population will continue to decline in the future, it is necessary to keep an eye on its sustainability.

In these environment, the Company Group is proceeding with the following policy for its each business.

- (a) The Office/Retail Business: Because of the anticipated continuous large supply of office buildings, the Company Group will strengthen its relations with tenants, maintain stable business operation, and provide offices that accommodate new work styles such as shared office.
- (b) The Residential Business: The Company Group will carry out product planning from the customer’s perspective based on changes of lifestyle and demographics, and seeks further growth through the expansion of residential businesses for the elderly, the renovation business, and residential rentals business.

(c) New initiatives: In the Global business, the Company Group pursue to improve its assets value with the aim of sustainable growth and diversification of the portfolio. In the Hotel/Resort business, the Company Group aim to stabilize revenue early by accumulating know-how on hotel management and innovate it to composite development in the future. Regarding the NTT Group CRE (utilization of real estate owned by the NTT Group), the Company Group will further strengthen its growth strategy by developing redevelopment know-how accumulated since listing the Company Shares.

To realize sustainable growth in the future, the Company has promoted its business as stated (a) to (c) above in order to promote high value-added development without regard to the existing business framework, and has entered a stage of further strengthening the growth strategy mainly supported by NTT Group CRE, in which the Company has begun discussing urban development projects, including not only real estate owned by the NTT Group but also its surrounding land in order to expand the know-how on redevelopment accumulated since listing to the NTT Group CRE more than ever.

(Note 3) NTT established the Company in the form of subsequent incorporation (so-called irregular investment in kind): NTT established the Company through money contribution and then handed over properties that it had planned to contribute at book values. When founded, the Company took over land and building owned by NTT at book values.

According to NTT, the real estate business environment surrounding the NTT Group including the Company has, with respect to the office leasing market in particular, seen steady improvement with vacancy rates at a low level and a broad increase in rent against the backdrop of solid performances in the tenant business. At the same time, when making investments to start operations of new properties, with a favorable financing environment on the back of historically low interest rate levels resulting from the ongoing negative interest rate policy, competition in the environment for acquiring sites for new development and properties is intensifying and it appears that trend will continue in the future. Further, with respect to the residential property sales market, there has been an increase in condominium sales prices resulting from a rise in construction and site acquisition costs, demographic changes such as a decrease in the population of young people, an aging population, and an increase in one-person households and changes to peoples' lifestyles and work styles, and NTT believes it is necessary to respond to those changes.

In those business environments, NTT believes it is important to promote urban solutions that are in a manner unique to the NTT Group beyond its existing real estate development.

With the aim of realizing a smart city concept that aims to resolve a wide-range of urban problems such as preventing disasters and preventing crime, resolving traffic problems, and reducing the environmental impact by utilizing IoT and managing and controlling urban infrastructures with ICT, the NTT Group will work towards new urban solutions business (the “**Urban Solutions Business**”) with the overall ability of the NTT Group by utilizing to the maximum extent real estate, ICT, technology for energy efficiency, environmental technology and other resources held by the NTT Group other than the Company Group, and through those efforts, the NTT Group will aim to achieve profit growth for the entire NTT Group.

In aiming to achieve growth in the Urban Solutions Business, NTT believes it is important to have the Company, which plays a central role in the real estate business in the NTT Group, take the lead in promoting the Urban Solutions Business, combine the real estate held by the NTT Group and the strengths of each company such as ICT, technology for energy efficiency, and environmental technology, and take full advantage of those strengths. Specifically, NTT plans to unify the business strategies of the NTT Group and implement the following measures.

(a) Expand its business by utilizing real estate owned by telephone exchanges and offices, which are telecommunications bases in regional cities throughout Japan that are owned by the NTT Group other than

the Company Group

- (b) Expand its business by strengthening alliances with the Company, which operates businesses such as real estate development and management, and with NTT FACILITIES, INC. (“NTT FACILITIES”), which manages construction and energy businesses that support the NTT Group’s ICT platforms, and by actively utilizing resources connected with construction and energy
- (c) Contribute to new “urban solutions” by utilizing all the resources of the NTT Group and collaborating with enterprises and local governments

NTT believes that in order to swiftly promote the above initiatives and measures for the entire NTT Group, it is important to strengthen group alliances more than ever by making the Company a wholly-owned subsidiary of the Offeror and centralizing and streamlining decision making in the group management strategy, and it believes the Company Group and the companies in the NTT Group other than the Company Group promoting initiatives and measures swiftly in a unified manner is the ideal choice to improve the medium- to long-term corporate value of the Company Group and the NTT Group including the Company Group.

Further, NTT believes that, in executing the above initiatives and measures, upfront investments that do not automatically lead to maximizing the profits of the Company in the short term might arise and it might be necessary to swiftly carry out measures such as a concentration of the assets of the entire NTT Group, which would lead to a temporary cost increase, and although those measures will become necessary from the perspective of the medium- to long-term growth of the Company Group and the entire NTT Group including the Company Group, NTT has concerns from the perspective of flexible and agile decision-making about the implementation of those measures while the Company is still a listed company because those measures may harm the interests of existing shareholders of the Company in the short term.

Hence, NTT believes that, as a result of the Company becoming a wholly-owned subsidiary of the Offerors through the Transaction, any potential conflict of interest between the parent company and the minority shareholders resulting from parent-subsidary listings will be resolved and the Company’s decision making will be even more flexible and agile, and NTT is able to promote growth that is built on the medium- to long-term perspective of the Company Group and the NTT Group.

Based on that understanding, NTT determined that it would be desirable to make the Company a direct or indirect wholly-owned subsidiary of NTT, and it started considering the Transaction from early May 2018. In early July 2018, NTT appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (“**Mitsubishi UFJ Morgan Stanley Securities**”) as its financial advisor and third-party valuation agent, which is independent from the Offerors and the Company, and Mori Hamada & Matsumoto as its legal advisor and NTT made an initial request to the Company stating that it would like to consider and discuss the Transaction. Following that, NTT commenced due diligence of the Company with the approval of the Company from late July 2018, and it completed that due diligence in late August 2018.

As a result of receipt of the initial request for the Transaction from NTT in early July 2018, the Company appointed Nomura Securities as its financial advisor and third-party valuation agent, which is independent from the Offerors and the Company, and TMI Associates as its legal advisor, and the Company requested Nomura Securities, a third-party valuation agent, to calculate the value of the Company Shares and to express an opinion that the Tender Offer Price is reasonable from a financial point of view to shareholders of the Company excluding NTT (fairness opinion), in order to ensure the fairness of the Transaction including the Tender Offer such as fairness of the Tender Offer Price. Also, the Company established the third-party committee (for details of the composition and specific activities of the third-party committee, see “d. Establishment of a Third-Party Committee that is Independent from the Company and the Offerors” in “(6) Measures to Ensure Fairness in the

Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest” below in order to examine the proposal of the Transaction. The details of these measures are as stated in “(6) Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest” below.

Based on that, NTT and the Company have had multiple discussions and deliberations since early September 2018 on measures to improve the corporate value of both companies such as strengthening the Urban Solutions Business and streamlining their management by promoting further group management, as well as matters such as the purpose of the Transaction, the management system and policy after the Transaction, and the conditions of the Transaction.

As a result, NTT concluded at its board of directors meeting held today that making the Company a wholly-owned subsidiary of the Offerors is the best way to improve the corporate value of the entire NTT Group, and it decided to execute a series of transactions for the purpose of making the Company a wholly-owned subsidiary of the Offerors by the Offeror acquiring all of the Company Shares (excluding the Company Shares Held by the Parent Company of the Offeror and the Company’s treasury shares owned by the Company), and on the same date, the Offeror decided to conduct the Tender Offer.

(ii) Management Policy after Completion of the Tender Offer

NTT has a policy where, after the Company has become a wholly-owned subsidiary, it will continue to conduct management aimed at further improving the corporate value of the Company, and NTT will conduct management that fully utilizes the Company’s business characteristics and strengths and endeavor to strengthen the Company’s business. In addition, in order to establish a robust cooperative framework between each company of the NTT Group other than the Company and the Company Group, and to achieve medium- to long-term growth of the Urban Solutions Business of the entire NTT Group, NTT will consider establishing a new structure in which the Company and NTT FACILITIES, which operates the construction and energy business that supports the ICT platforms of the NTT Group, will coordinate with each other closely under the Offeror as the Urban Solutions Business Promotion Company, by transferring NTT FACILITIES to under the control of the Offeror.

The management system of the Company after the Transaction has not been determined at this point, and it is expected an optimal system aimed at executing the measures set out in “(i) Background Leading to the Decision to Implement the Tender Offer and Purpose and Decision-Making Process of the Tender Offer” above and further strengthening the Company’s business foundation will be established after discussions with the Company.

c. Course of Decision-Making of the Company

As stated in “b. Background Leading to the Decision to Implement the Tender Offer, Purpose and Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer” above, as a result of receipt of the initial request for the Transaction from NTT in early July 2018, the Company appointed Nomura Securities as its financial advisor and third-party valuation agent, which is independent from the Offerors and the Company, and TMI Associates as its legal advisor, and the Company requested Nomura Securities, a third-party valuation agent, to calculate the value of the Company Shares and to express an opinion that the Tender Offer Price is reasonable from a financial point of view to shareholders of the Company excluding NTT (fairness opinion), in order to ensure the fairness of the Transaction including the Tender Offer such as fairness of the Tender Offer Price. Also, the Company established the third-party committee (for details of the composition and specific activities of the third-party committee, see “d. Establishment of a Third-Party Committee that is Independent from the Company and the Offerors” in “(6) Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest” below in order to examine the proposal of the

Transaction. The details of these measures are as stated in “(6) Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest” below. Based on that, the Company have had multiple discussions and deliberations with NTT since early September 2018 on measures to improve the corporate value of both companies such as strengthening the Urban Solutions Business and streamlining their management by promoting further group management, as well as matters such as the purpose of the Transaction, the management system and policy after the Transaction, and the conditions of the Transaction.

In addition, the Company received the legal advice from the legal advisor, TMI Associates, on the decision-making process, the decision-making method and other points to be noted in making decisions concerning the Transaction including the Tender Offer, and received the report from the Third-Party Committee on October 12, 2018 (the “**Report**”) (For the outline of the Report and the detail of activities of the Third Party Committee etc., please see "d. Establishment of a Third-Party Committee that is Independent from the Company and the Offerors " of "(6) Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest” below). Furthermore, based on the legal advice given by the legal advisor, TMI Associates and the share valuation report regarding the Company Shares (the “Company Share Valuation Report”) and the content of the opinion that the Tender Offer Price is reasonable from a financial point of view to shareholders of the Company excluding NTT (fairness opinion) provided by the third-party valuation agent, Nomura Securities on October 12, 2018, and respecting the contents of the Report provided by the third-party committee to the maximum extent, the Company carefully discussed and examined conditions of the Transaction from the viewpoints of whether it is possible to improve the corporate value of the Company through the Transaction, whether the Tender Offer Price and any other conditions in the Transaction are appropriate, etc.

As stated in "b. Background Leading to the Decision to Implement the Tender Offer, Purpose and Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer " above, at the stage of further strengthening the growth strategy mainly supported by NTT Group CRE, the Company believes that promoting business as a wholly-owned subsidiary of the Offerors will contribute to the increased corporate value over the mid-to long-term of the Company without the short-term risk of profit deterioration. Specifically, in case that the Transaction is executed, the Company believes that the following synergies can be realized by strengthening collaboration with the NTT Group.

(a) Increase of Opportunities to Participate in NTT Group’s Assets Utilization Business through the Urban Solutions Business

Although the Company is proceeding with acquisition of land for business centering on the metropolitan area, the price of land for business has remained high in the large metropolitan areas in recent years and the competition among business operators has become severer. The Company recognizes that it is not always easy to acquire land for business even in local cities through participation in central urban redevelopment projects, etc. The NTT Group owns many assets not only in the metropolitan area but also in local cities and if the Company participates in the Urban Solutions Business, the sharing of asset information owned by the NTT Group will proceed and the Company will be more likely to obtain such asset information, the Company believes that the Company will be able to have opportunities to acquire land for business and to expand Company’s revenue by increasing opportunities to participate in NTT Group’s assets utilization business.

(b) Strengthening New Growth Fields by Using NTT Group's Strengths

While each real estate developer company is trying to strengthen its growth field by developing new products and services that increase added value such as environmental performance and improvement of convenience and by expanding business area into the overseas markets etc., due to concern for long-term demand in the domestic real estate market on the background of the declining birthrate and aging population and the decrease

in the labor force population, etc., the Company believes that efforts for these growth field are an important issue. The Company believes that the Company's efforts to the Urban Solutions Business will be able to lead to the development of new real estate services that combine the real estates owned by the NTT Group and the strengths of each company such as ICT, energy efficiency improvement and environmental technology. In addition, the NTT Group has a global business foundation including providing ICT services around the world, and supports many Japanese companies' overseas expansion by ICT. The Company believes that the Company is able to strengthen efforts in developed countries markets of the United States, Europe, and Australia, where the Company has been striving to achieve stable growth and portfolio diversification so far, as well as to secure access to the growing market such as Southeast Asia, by further strengthening collaboration with the NTT Group.

(c) Effective Utilization of Management Resources through Cooperation with the NTT Group Companies of which Business Fields are Close to the Company's Business Field.

According to NTT, after the Transaction, NTT will strengthen the cooperation between the Company which operates development and management business of real estate, etc. and NTT FACILITIES which operates building and energy business that supports NTT Group's ICT foundation, actively utilize resources related to building, energy, etc., and expand business. NTT FACILITIES has advanced construction technology that follows the flow of historical Teishin building (telecommunication building) and is expanding various services that developed facility engineering and energy efficiency technology cultivated through the operation of communication facilities such as telephone stations, etc. NTT FACILITIES currently provides not only the NTT Group's ICT foundation, but also a wide range of advanced services of building and energy for the administrative and local governments, etc., universities, companies, etc. across the country, and is aiming for further expansion of these businesses. In addition, because NTT Group's ICT foundation is located all over Japan, NTT FACILITIES assigns specialized talented personnel with skills related to building, energy, etc. in the core city of the whole country.

The Company believes that the following business synergies can be expected by strengthening cooperation between the Company and NTT FACILITIES in the management system that NTT intends to consider establishing after the Transaction.

- ✓ The Company will be able to strengthen its business base in the local cities by collaborating with NTT FACILITIES which has customer base of administrative and local governments, etc. and a business location base in the core cities throughout the country.
- ✓ By effectively utilizing human resources with advanced expertise skills such as first-class architect, electrical chief engineer and qualified facility manager owned by NTT FACILITIES, the Company will be able to strengthen and expand growth areas including the Urban Solutions Business and existing businesses.
- ✓ Since the Company and NTT FACILITIES operate similar businesses such as property management, building management, facility management in their business fields, the Company will be able to increase business efficiency by effectively utilizing both companies' resources of these businesses.
- ✓ The Company will be able to strengthen efforts for PPP (Note 4) and PFI (See Note 5) and create business opportunities through effective utilization of know-how of businesses for administrative and local governments that NTT FACILITIES has a track record, and by establishing a sales system that the Company and NTT FACILITIES cooperates.
- ✓ It is expected that the expansion of earning base by mutual business collaboration on NTT FACILITIES and the Company's customer base, such as CRE strategy support for NTT FACILITIES' customer base of company and university, etc., and provision of solutions to tenants of buildings owned by the Company by NTT FACILITIES.

(d) Acceleration of the Company's Growth by Unifying and Accelerating Decision-making in Group Management Strategy

As a comprehensive real estate developer in the NTT Group, the Company has utilized various unused lands owned by the NTT Group so far. According to NTT, NTT believes that the Urban Solutions Business which is the purpose of implementation of the Transaction, includes the utilization of real estate such as the telephone offices which are the information communication bases of core cities nationwide owned by the NTT Group other than the Company Group.

The Company believes that when utilizing the telephone office etc., there is problem specific to such business, such as the occurrence of the upfront investment and the need to promptly implement asset consolidation, thus, in order to solve these problems, it is necessary to establish a framework to strengthen collaboration with the NTT Group more than ever.

In order to steadily promote the NTT Group CRE which is the pillar of our growth strategy, the Company believes that it is necessary to realize the unification and acceleration of decision-making in NTT Group's management strategy in the management structure that is considered to be constructed after the Transaction, which will allow the development of the Urban Solutions Business that the NTT Group is aiming for and will contribute to increasing the corporate value over the mid- to long-term of the NTT Group including the Company.

(Note 4) Scheme in which the public sector and the private sector cooperate to provide public services

(Note 5) Scheme which provides efficient and effective public services by utilizing private funds and know-how for the design, construction, maintenance and management of public facilities, etc., and by providing public services led by a private sector.

Moreover, the Company, as a listed company, has taken into consideration the trend of the market share price and has aimed to secure the interests of each fiscal year as one of the management objectives so far. Accordingly, when promoting the Urban Solutions Business, it was difficult to promptly and smoothly promote the utilization of telephone offices nationwide because there is concern that investment and cost burden not directly linked to the maximization of the Company's profits occurs in the short term due to its scale, as well as, there is concern about conflicts of interest between NTT and minority shareholders of the Company depending on the cost burden ratio with the NTT group. After the Transaction, the Company believes that the Company will be able to invest quickly and smoothly as necessary from the viewpoint of medium- to long-term growth with avoiding the impact on minority shareholders of the Company due to such short-term performance deterioration and conflicts of interest between NTT and minority shareholders of the Company, by becoming a wholly owned subsidiary of the Offerors, and to contribute to the vitality creation throughout Japan by the urban solutions from a long-term perspective.

Based on the above, the Company has concluded that becoming a wholly owned subsidiary of the Offerors through the Transaction is the best option to improve the corporate value of the Company.

Further, in light of the following facts, the Company determined that the Tender Offer would provide the shareholders of the Company with a reasonable opportunity to sell the Company Shares: (a) the Tender Offer Price exceeds the range of the calculation results based of the average market price method and the comparable company method and exceeds the midpoint of the range of the calculation result based on the discounted cash flow method ("DCF Method") among the calculation results for the share value of the Company Shares by Nomura Securities set out in "b. Overview of Calculation" in "(3) Matters Regarding Calculation" below and the Company obtained the opinion that the Tender Offer Price is reasonable from a financial point of view to shareholders of the Company excluding NTT (fairness opinion) from Nomura Securities; (b) the Tender Offer Price is a price with a 28.64% premium (rounded off at the second decimal place; this also applies to figures for premiums below) to the closing

price of JPY 1,306 of the Company Shares on the First Section of the TSE on October 12, 2018, which is the business day preceding the date of the public announcement of the Tender Offer, a 31.56% premium to the simple average closing prices of JPY 1,277 (rounded off decimal places; the same hereinafter regarding simple average closing prices) for the most recent month up to October 12, 2018, a 39.19% premium to the simple average closing prices of JPY 1,207 for the most recent three months up to October 12, 2018 and a 39.77% premium to the simple average closing prices of JPY 1,202 for the most recent six months up to October 12, 2018, respectively and the Tender Offer Price is considered to be the price with a reasonable premium in comparison with the premium level in other tender offer case for the purpose of making a target company a wholly owned subsidiary; (c) the measures to resolve conflicts of interest set out in “(6) Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest” below have been taken and the consideration has been given to the interests of minority shareholders; (d) the Tender Offer Price was offered as a result of discussion and negotiation between the Company and NTT equivalent to those under an arm’s length transaction, with measures to resolve conflicts of interest as stated above, more specifically, with sincere and continued discussions and negotiations conducted based on the calculation results of the Company Shares received from Nomura Securities and discussions with the third-party committee.

Based on the reasons stated above, the Company resolved at the meeting of the board of directors held today to express an opinion supporting the Tender Offer and to recommend the shareholders of the Company to tender in the Tender Offer.

(3) Matters Regarding Calculation

a. Names of the Valuation Agent and the Relationship between the Company and NTT, the wholly-owning parent company of the Offeror

For the purpose of expressing its opinion regarding the Tender Offer, the Company, in order to ensure the fairness in the decision-making process of the Company regarding the Tender Offer Price, the Company requested Nomura Securities, a third-party valuation agent that is independent from the Offerors and the Company, to calculate the value of the Company Shares and to express an opinion that the Tender Offer Price is reasonable from a financial point of view to shareholders of the Company excluding NTT (fairness opinion).

Nomura Securities, a third-party valuation agent, is not a related party of the Offerors or the Company, and has no material interest in the Tender Offer.

b. Overview of Calculation

Nomura Securities, based on its assessment of valuation methods in the Tender Offer, calculated the value of the Company Shares using (i) the average market price method, since the Company Shares are listed on the First Section of the TSE; (ii) the comparable company method, since there are listed companies for which comparison to the Company is possible, and, accordingly, it is possible to estimate the value of the Company Shares by comparing the Company with those similar companies; and (iii) the DCF Method, in order to reflect the performance of the Company’s future business activities on the valuation. The Company obtained the Company Share Valuation Report from Nomura Securities on October 12, 2018. Further, the Company obtained the opinion that the Tender Offer Price is reasonable from a financial point of view to shareholders of the Company excluding NTT (fairness opinion) from Nomura Securities.

According to Nomura Securities, the methods adopted for the calculation of the value of the Company Shares and the ranges of the per share values of the Company Shares, as calculated under each of the relevant methods, are as follows:

Average market price method: JPY 1,202– JPY 1,319

Comparable company method: JPY 698– JPY 1,393

DCF Method: JPY 945– JPY 1,970

In the average market price method, the calculation base date was set as of October 12, 2018, and the price range of per share value of the Company Shares was calculated to be JPY 1,202 to JPY 1,319 based on the closing price of JPY 1,306 of the Company Shares on the First Section of the TSE on the base date, the simple average closing prices of JPY 1,319 for the most recent five business days, the simple average closing prices of JPY 1,277 for the most recent month, the simple average closing price of JPY 1,207 for the most recent three months and the simple average closing price of JPY 1,202 for the most recent six months.

In the comparable company method, Nomura Securities selected Nomura Real Estate Holdings, Inc., Mitsui Fudosan Co., Ltd, Mitsubishi Estate Co., Ltd, Sumitomo Realty & Development Co., Ltd., Tokyo Tatemono Co., Ltd., Heiwa Real Estate Co., LTD. and Daibiru Corporation as comparable companies, and calculated the value of the Company Shares, applying multiples of the earnings before interest, taxes, depreciation and amortization with respect to the corporate value of those companies (the “**EBITDA Multiples**”) and multiples of the market net value (market net value taking into account tax on unrealized profits) with respect to the market capitalization of those companies (“**Adjusted Book Value Net Asset Multiples**”). As a result, the price range of per share value of the Company Shares was calculated to be JPY 698 to JPY 1,393.

In the DCF Method, Nomura Securities, after having considered the reasonable assumptions, including the profit forecast and investment projects based on the business plans prepared by the Company from the fiscal year ending March 31, 2019, to the fiscal year ending March 31, 2023, evaluated the corporate value by discounting the free cash flows that the Company is expected to generate in the future in and after the fiscal year ending March 31, 2019, to the present value by using a certain discount rate in proportion to the business risks. For the discount rate under the said analysis, 2.50% to 3.00% was applied, and, in calculating the eternal values, the exit multiples method and the perpetuity growth method were used, and the EBITDA Multiple was set at 19.0x to 21.0 x and the perpetuity growth rate was set at 0.30% to 0.50%. As a result, the price range of per share value of the Company Shares was calculated to be JPY 945 to JPY 1,970.

The financial forecasts on the basis of the Company’s business plan, based on which Nomura Securities calculated in the DCF Method, are as follows. The following financial forecasts do not include any fiscal year that are expected significant increase or decrease in profit. Further, the relevant financial forecasts were not prepared based on the assumption that the Transaction would be implemented.

(Unit: JPY million)

	fiscal year ending March 2019	fiscal year ending March 2020	fiscal year ending March 2021	fiscal year ending March 2022	fiscal year ending March 2023
Operating Revenue	168,240	169,638	158,064	159,041	169,275
Operating Income	30,000	30,000	32,005	32,850	34,911
EBITDA	48,260	50,228	53,509	54,614	57,256
Free Cash Flow	▲4,661	▲4,164	▲8,061	▲5,064	11,107

(Note 1) Although the Company Group has decided to voluntarily adopt International Financial Reporting

Standards (IFRS) from the fiscal year ending March 2019, the financial forecasts above were prepared based on J GAAP.

(Note 2) As for the main fluctuation factors of free cash flow, it is anticipated that free cash flow will decrease due to increasing in acquisition cost of rental assets in the fiscal year ending March 2019 to March 2022. In fiscal year ending March 2023, it is anticipated that free cash flow will increase due to decreasing in acquisition cost of rental assets.

(4) Likelihood of Delisting and Reasons for that Delisting

Although the Company Shares are listed on the First Section of the TSE as of this date, the Offeror has not set a maximum number of Share Certificates, Etc. to be purchased in the Tender Offer, so the Company Shares might be delisted through prescribed procedures in accordance with delisting criteria prescribed by the TSE depending on the result of the Tender Offer. Even if the Company Shares do not fall under those criteria upon the completion of the Tender Offer, as explained in “(5) Policy of Restructuring, Etc. after the Tender Offer (Matters Concerning So-Called Two-Step Acquisition)” below, if the Squeeze-out Procedures are implemented, the Company Shares will be delisted through prescribed procedures in accordance with the delisting criteria of the TSE. If the Company Shares are delisted, the Company Shares may not be traded on the TSE.

(5) Policy of Restructuring, Etc. after the Tender Offer (Matters Concerning So-Called Two-Step Acquisition)

As mentioned in “a. Overview of the Tender Offer” in “(2) Grounds and Reasons for the Opinion Regarding the Tender Offer” above, the Offeror has a policy to make the Company a wholly-owned subsidiary of the Offeror, and if the Offeror is not able to acquire all of the issued shares of the Company through the Tender Offer (excluding the Company Shares Held by the Parent Company of the Offeror and the Company’s treasury shares owned by the Company), the Offeror plans on conducting Squeeze-out Procedures so that it will acquire all of the issued shares of the Company by any of the following methods after the completion of the Tender Offer.

As stated in “a. Overview of the Tender Offer” in “(2) Grounds and Reasons for the Opinion Regarding the Tender Offer” above, the Offeror plans on acquiring the Company Shares Held by the Parent Company of the Offeror through the Contribution In Kind after the completion of the settlement of the Tender Offer and before the completion of the Squeeze-out Procedures, but details such as the transaction terms have not been determined at this point.

a. Demand for Share Cash-Out

If the Offeror and NTT own in total 90% or more of the voting rights of all shareholders of the Company as a result of the completion of the Tender Offer, as mentioned above, the Offeror will, promptly after the completion of the settlement of the Tender Offer, acquire the Company Shares Held by the Parent Company of the Offeror through the Contribution In Kind, and then make a demand to all of the shareholders of the Company (excluding the Offeror and the Company) that did not tender shares in the Tender Offer (the “**Cash-Out Shareholders**”) to sell all of the Company Shares they hold (the “**Share Cash-Out Demand**”) under the provisions of Article 179, paragraph (1) of the Companies Act (Act No. 86 of 2005, as amended, hereinafter the same). Cash equal to the amount of the Tender Offer Price is to be delivered to the Cash-Out Shareholders in the Share Cash-Out Demand as consideration for each share of the Company Shares. In that case, the Offeror will notify the Company to that effect and request approval from the Company for the Share Cash-Out Demand. If the Company approves that Share Cash-Out Demand by a resolution of a meeting of its board of directors, the Offeror will acquire all of the issued shares of the Company held by the Cash-Out Shareholders as of the acquisition date in the Share Cash-Out Demand without requiring any individual approval of a Cash-Out Shareholder in accordance with procedures prescribed in relevant laws and regulations. The Offeror is to deliver cash equal to the Tender Offer Price for each share of the Company Shares to each Cash-Out Shareholder as consideration for the Company Shares held by the Cash-Out Shareholders.

If the Company receives a notice of the Share Cash-Out Demand from the Offeror setting out matters stipulated in each item of Article 179-2, paragraph (1) of the Companies Act, the Company will approve the Share Cash-Out Demand by the Offeror at a meeting of the board of directors of the Company.

It is provided in the Companies Act as a provision to protect the rights of minority shareholders in relation to the above procedures that a Cash-Out Shareholder may, in accordance with Article 179-8 of the Companies Act and the provisions of other relevant laws and regulations, file a petition to the court for a determination of the purchase price of the Company Shares it owns. If such a petition is filed, the purchase price will be ultimately determined by the court.

b. Share Consolidation

If the Offeror and NTT do not own in total 90% or more of the voting rights of all shareholders of the Company in spite of the completion of the Tender Offer, the Offeror will make a request to the Company promptly after the completion of the settlement of the Tender Offer to convene an extraordinary shareholders meeting of the Company (the “**Extraordinary Shareholders Meeting**”) and to propose as agenda items at the Extraordinary Shareholders Meeting a consolidation of the Company Shares (the “**Share Consolidation**”) and a partial amendment to its Articles of Incorporation to abolish the provisions on share units as a condition to the Share Consolidation taking effect, and the Offeror and (if NTT holds shares of the Company as of the record date pertaining to the Extraordinary Shareholders Meeting) NTT are to approve those proposals at the Extraordinary Shareholders Meeting. If the proposal for the Share Consolidation is approved at the Extraordinary Shareholders Meeting, on the day on which the Share Consolidation takes effect, each shareholder of the Company will own the Company Shares in a number that corresponds to the ratio of the Share Consolidation approved at the Extraordinary Shareholders Meeting. The date on which that Share Consolidation takes effect is to be set after the Contribution In Kind.

If a fraction less than one share arises in the number of shares as a result of the Share Consolidation, cash obtained from selling to the Company or the Offeror the Company Shares in a number that is equal to the total number of those fractions (if there is a fraction less than one share in that total number, that fraction is to be rounded down, hereinafter the same) is to be delivered to the shareholders of the Company in accordance with the procedures prescribed in Article 235 of the Companies Act and other relevant laws and regulations. With respect to the sale price of the Company Shares equivalent to the total of those fractions, a petition will be filed to a court for permission to make a sale by private contract after calculating the amount of cash to be delivered to each shareholder of the Company (excluding the Offeror and the Company) that did not tender shares in the Tender Offer as a result of that sale so that the amount of cash to be delivered is the same as the price obtained by multiplying the Tender Offer Price by the number of Company Shares owned by each of those shareholders. Further, although the ratio of the consolidation of the Company Shares has not been determined as of today, a decision is to be made so that the number of Company Shares owned by the shareholders of the Company (excluding the Offeror and the Company) that did not tender shares in the Tender Offer will be a fraction less than one share so that the Offeror owns all of the Company Shares (excluding the Company’s treasury shares owned by the Company).

It is provided in the Companies Act as a provision to protect the rights of minority shareholders in relation to the above procedures that if a fraction less than one share arises as a result of the Share Consolidation, any shareholder of the Company may, in accordance with Article 182-4 and Article 182-5 of the Companies Act and the provisions of other relevant laws and regulations, make a demand to the Company to purchase at a fair price all of the shares owned by that shareholder that will become a fraction less than one share and file a petition to the court for a determination of the price of the Company Shares. As explained above, given that the number of the Company Shares owned by the shareholders of the Company (excluding the Offeror and the Company) that did not tender shares in the Tender Offer will become a fraction less than one share in the Share Consolidation, the shareholders of

the Company that oppose the Share Consolidation will be able to file the above petition. If such a petition is filed, the purchase price will be ultimately determined by the court.

The procedures in (i) and (ii) above might change to another method that has essentially the same effect depending on circumstances such as any revision, enforcement, or interpretation by authorities of relevant laws and regulations and factors such as the Ownership Ratio of the Share Certificates, Etc. of the Offeror and NTT after the Tender Offer and the ownership status of the Company Shares by shareholders other than the Offeror. However, even in that case, the method of ultimately delivering cash to the shareholders of the Company (excluding the Offeror and the Company) that have not Tendered Share Certificates, Etc. in the Tender Offer will be used, and the amount of cash to be delivered to each of those shareholders in that case is to be calculated so that it is equal to the price obtained by multiplying the Tender Offer Price by the number of the Company Shares owned by that shareholder. Matters such as the specific procedures in the above case and the timing of the implementation of those procedures are to be publicly announced by the Company once they have been determined following discussions between the Company and the Offeror.

The Tender Offer is not intended to solicit the shareholders of the Company to approve the proposals at the Extraordinary Shareholders Meeting. Each shareholder should consult with a certified public tax accountant and other experts at its own responsibility on the handling of tax matters in relation to tendering shares in the Tender Offer and the above procedures.

(6) Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest

In light of the fact that the Company is a consolidated subsidiary of NTT as of today, which is the wholly-owning parent company of the Offeror, and the Transaction, which includes an expression of opinion regarding the Tender Offer, constitutes an important transaction with a controlling shareholder, and the fact that the Offerors have an inherent conflict of interests with the shareholders of the Company other than NTT, the Offerors and the Company have taken the following measures to ensure fairness in the Tender Offer and avoid any conflict of interest. The following measures that have been taken by the Offerors in the following statements are based on the explanations from the Offerors.

Although the Offeror has not set a minimum number of Share Certificates, Etc. to be purchased of the so-called “majority of minority” in the Tender Offer, the Offeror and the Company believes that because the measures set out in a. through f. below have been taken by the Offerors and the Company, the interests of the minority shareholders of the Company have been sufficiently considered.

a. Obtaining a Share Valuation Report from an Independent Third-Party Valuation Agent by NTT

NTT, the wholly-owning parent company of the Offeror, in the course of determining the Tender Offer Price, requested Mitsubishi UFJ Morgan Stanley Securities, which is NTT’s financial advisor, to analyze the share value of the Company as a third-party valuation agent that is independent from the Offerors and the Company. Further, Mitsubishi UFJ Morgan Stanley Securities is not a related party of the Offerors or the Company and does not have any material interest in the Tender Offer.

Mitsubishi UFJ Morgan Stanley Securities has, after considering the calculation method in the Tender Offer, analyzed the share value of the Company using a market share price analysis, a comparable companies analysis, and a discounted cash flow analysis (“**DCF Analysis**”), and NTT obtained a valuation report (the “**NTT Valuation Report**”) from Mitsubishi UFJ Morgan Stanley Securities on October 12, 2018. NTT has not obtained a fairness opinion on the Tender Offer Price from Mitsubishi UFJ Morgan Stanley Securities.

The ranges of the share value per share of the Company Shares analyzed using each of the above methods are as follows.

Market share price analysis: JPY 1,202 – JPY 1,306

Comparable companies analysis: JPY 531 – JPY 1,681

DCF Analysis: JPY 1,288 – JPY 1,865

The market share price analysis, in which the base date is October 12, 2018, resulted in a per share value of the Company Shares ranging from JPY 1,202 to JPY 1,306 based on the closing price of JPY 1,306 of the Company Shares on the First Section of the TSE on the base date, the simple average closing price of JPY 1,277 for the most recent month (September 13, 2018 to October 12, 2018), the simple average closing price of JPY 1,207 for the most recent three months (July 13, 2018 to October 12, 2018), and the simple average closing price of JPY 1,202 for the most recent six months (April 13, 2018 to October 12, 2018).

The comparable companies analysis resulted in a per share value of the Company Shares ranging from JPY 531 to JPY 1,681 after evaluating the share value of the Company by selecting of listed companies engaged in relatively similar businesses to those of the Company and using the EBITDA Multiples, multiples of the net profit for the period with respect to the market capitalization of those companies, and Adjusted Book Value Net Asset Multiples.

The DCF Analysis resulted in a per share value of the Company Shares ranging from JPY 1,288 to JPY 1,865 after evaluating the corporate value and share value by discounting the free cash flow the Company is expected to generate in the future to the present value at a certain discount rate based on earnings forecasts of the Company from the fiscal year ending March 2019 taking into consideration various factors such as the Company's business plan, the latest business performance, and publicly available information.

(Note) In calculating the share value of the shares of the Company, Mitsubishi UFJ Morgan Stanley Securities has, in principle, used such things as information provided to it by the Offerors and the Company and publicly available information as presented, and assumed that those materials, information and the like are entirely accurate and complete. It has not made an independent study of the accuracy or completeness thereof. Also, Mitsubishi UFJ Morgan Stanley Securities has not conducted an independent evaluation or assessment and has not requested an appraisal or assessment from a third-party organization in connection with any assets or liabilities (including off-balance-sheet assets and liabilities and other contingent liabilities) of any affiliate of the Company. In addition, Mitsubishi UFJ Morgan Stanley Securities assumed that information regarding the financial forecasts of the Company have been reasonably prepared based on the best forecasts and judgements of the management of the Company at that time. Mitsubishi UFJ Morgan Stanley Securities analyzed information regarding the financial forecasts of the Company assuming that it has been prepared based on the Japanese accounting standard, while the Company Group has announced that it will apply IFRS from the fiscal year ending March 2019 voluntarily. The calculation by Mitsubishi UFJ Morgan Stanley Securities reflects the above information up to October 12, 2018.

NTT, which is the wholly-owning parent company of the Offeror, ultimately determined by resolution of a meeting of its board of directors today that the Tender Offer Price is a per share value of JPY 1,680 in light of the results of discussions and negotiations with the Company by comprehensively considering factors such as the result of the calculation in the NTT Valuation Report obtained from Mitsubishi UFJ Morgan Stanley Securities, whether the Tender Offer is approved by the board of directors of the Company, examples of premiums that have been provided upon determination of the tender offer price in past tender offers by persons other than an issuer which are similar to the Tender Offer (tender offer by a parent company where its listed subsidiary was to become a wholly-owned

subsidiary of the parent company), trends in the market price of the Company Shares, the results of due diligence of the Company conducted from late July to late August 2018, and the prospect of shares being tendered in the Tender Offer.

The per share value of JPY 1,680, which is the Tender Offer Price, is an amount that was calculated by adding a premium of 28.64% to the closing price of the Company Shares of JPY 1,306 on the First Section of the TSE on October 12, 2018, which is the business day immediately preceding the day on which the Tender Offer is publicly announced by the Offeror, a premium of 31.56% on the simple average closing price of JPY 1,277 for the most recent month (September 13, 2018 to October 12, 2018), a premium of 39.19% on the simple average closing price of JPY 1,207 for the most recent three months (July 13, 2018 to October 12, 2018), and a premium of 39.77% on the simple average closing price of JPY 1,202 for the most recent six months (April 13, 2018 to October 12, 2018).

b. Obtaining a Share Valuation Report and a Fairness Report from an Independent Third-Party Valuation Agent by the Company

The Company, in order to ensure the fairness in the decision-making process of the Company regarding the Tender Offer Price, the Company requested Nomura Securities, a third-party valuation agent that is independent from the Offerors and the Company, to calculate the value of the Company Shares and to express an opinion that the Tender Offer Price is reasonable from a financial point of view to shareholders of the Company excluding NTT (fairness opinion) and obtained the Company Share Valuation Report and the fairness opinion from Nomura Securities on October 12, 2018.

For overview of the Company Share Valuation Report and the fairness opinion, see “b. Overview of Calculation” in “(3) Matters Regarding Calculation” above.

c. Advice from an Independent Law Office

The Company, in order to ensure the transparency and rationality in the decision-making process of the board of directors of the Company regarding the Transaction including the Tender Offer, selected TMI Associates as its legal advisor that is independent from the Offerors and the Company and received legal advice on the decision-making method and process and other issues regarding the Transaction including the Tender Offer. TMI Associates is not a related party of the Offerors or the Company, and has no material interest in the Tender Offer.

d. Establishment of a Third-Party Committee that is Independent from the Company and the Offerors

In light of the fact that the Company is a consolidated subsidiary of NTT, the wholly-owning parent company of the Offeror, and the Transaction including expressing an opinion regarding the Tender Offer falls under “important transactions, etc. with controlling shareholders”, the Company established a third-party committee on August 16, 2018, in order to carefully make decisions regarding the Transaction, to eliminate arbitrariness and concern of conflicts of interest and to ensure the fairness of the decision-making process regarding the Transaction. The third-party committee consists of members who is independent from the Offerors and the Company including outside experts: Akira Komatsu (outside and independent director of the Company), Shiro Tanikawa (outside and independent director of the Company), Eiji Masuda (attorney at Masuda & Partners law office) and Yuji Kato (a certified public accountant and representative director of Eichi Financial Advisory Inc.).

The Company consulted the third-party committee regarding (i) the Reasonableness of the purpose of the Transaction, (ii) the fairness of the terms of the Transaction including the Tender Offer Price, (iii) the sufficiency of consideration to be given to minority shareholders of the Company through the fair process regarding the Transaction, and (iv) whether the Transaction is disadvantageous to the minority shareholders of the Company based on (i) through (iii) and other factors (collectively, the “Reference Matters”).

The third-party committee convened a total of 7 times between August 16, 2018 and October 9, 2018, and carefully discussed and examined the Reference Matters. Specifically, the third-party committee examined required documents including documents received from the Company and NTT, interviewed officers and employees of the Company, Nomura Securities, TMI associates, officers and employees of NTT, Mitsubishi UFJ Morgan Stanley Securities and Mori Hamada & Matsumoto, received explanations on details, backgrounds, circumstances, significance and purposes of the Transaction, details, conditions and future prospectus of the Company's business, management issues of the Company, detail of business plan of the Company, impact of the Transaction for the Company and measures to ensure fairness and to avoid conflicts of interest taken by the Company and Offerors and held Q&A sessions with them.

The third-party committee also received an explanation from Nomura Securities regarding the process and the results of the calculation of the share value of the Company Shares, an explanation from TMI Associates on the decision-making methods and process of the Company's board of directors and other issues regarding the decision-making and held Q&A sessions with them.

Under the circumstances above, as a result of discussion with Nomura Securities and TMI Associates and having carefully discussed and examined the Reference Matters, the third-party committee submitted a report to the board of directors of the Company on October 12, 2018 in agreement of all the members on certain conditions such as that information received by the third-party committee are true and accurate, the Transaction including the Tender Offer is lawful and the matters concerning the procedure regarding the Transaction which was explained as being scheduled will be implemented as explained. The overview of the Report is as follows.

(a) Reasonableness of Purpose of Transaction

The measures specifically listed by the Offerors can be recognized to enable the Company to secure the opportunity to acquire land for business, to strengthen its revenue base by promoting high value-added development without regard to the existing business framework and to contribute promotion of the NTT Group CRE. Therefore, it can be said that those measures suit their purpose regarding management issues of the Company. In addition, the Transaction can be recognized to have a possibility of creating business synergies with the NTT Group involves, which is not easy for the Company to realize alone without the Transaction, such as creation of business opportunities by securing the opportunity to acquire land for business owned by the NTT Group and expansion of the business area by actively utilizing the resources related to buildings and energy owned by NTT FACILITIES. Based on the above, it can be said that the Transaction contributes to the solution of management issues of the Company.

Between NTT and the Company, there is no discrepancy in the recognition regarding the importance and various merits of strengthening group alliance more than ever by making the Company a wholly-owned subsidiary of the Offeror and centralizing and streamlining decision making in the group management strategy, and the content of their recognition is considered generally reasonable. Therefore, it can be recognized that there is the necessity to make the Company a wholly-owned subsidiary of the Offeror in order to solve management issues of the Company more effectively. In addition, in light of the fact that, due to the nature of disadvantages arising from the Company becoming a wholly-owned subsidiary of the Offerors, there is a possibility to overcome the disadvantages by various corporate efforts future by the Company, disadvantages arising from the Company becoming delisted is not considered to exceed merit arising from the Company becoming a wholly-owned subsidiary of the Offerors. Furthermore, regarding the timing of the Transaction, the transaction can be recognized to be reasonable and suitable for the time, and regarding the influence of the Transaction on employee of the Company, the Transaction can be recognized to have positive significance for employees of the Company.

In the Transaction, it is scheduled to squeeze-out minority shareholders of the Company. In executing the measures scheduled after the Transaction, upfront investments that do not necessarily lead to maximizing the

profits of the Company in the short term might arise and it might be necessary to swiftly carry out measures such as a concentration of the assets of the entire NTT Group, which would lead to a temporary cost increase, and although those measures will become necessary from the perspective of the medium- to long-term growth of the Company and the entire NTT Group including the Company Group, it will be difficult to implement those measures while the Company is still a listed company because those measures may harm the interests of existing shareholders of the Company in the short term. Based on the above and other factors, in case where the Offerors do not make the Company a wholly-owned subsidiary, there is a possibility that pursuit of short-term profits is prioritized rather than executing measures from the medium- to long-term perspective and it may hinder the executing measures that will contribute to the solution of management issues of the Company. In addition, in case where the Company executes those measures without the Offerors making the Company a wholly-owned subsidiary, it may result that the minority shareholders of the Company will bear the risk of stock price fluctuation arising from a decline in profits or temporary deterioration of business results of the Company. Therefore, the Transaction has a significance to increase the feasibility of executing measures scheduled after the Transaction and to prevent the minority shareholders of the Company from burdening the risk of stock price fluctuation, in this respect, it can be recognized that there is the necessity to make the Company a wholly-owned subsidiary of the Offerors and the Transaction contributes to increasing the corporate value of the Company. In addition to the above, in light of the fact that there are no factors to base any unfairness on the reason for executing the Transaction, in relation to minority shareholders of the Company, the purpose of the Transaction can be recognized legitimate.

As stated above, since the Transaction can be recognized to contribute to increasing the corporate value of the Company and, in relation to minority shareholders of the Company, the purpose of the Transaction can be recognized legitimate, it can be said that the purpose of the Transaction is reasonable.

(b) Fairness of the terms of the tender offer (including the Tender Offer Price) in the Transaction

The Tender Offer can be recognized to have adopted measures to ensure an objective status to secure the adequacy of the tender offer price, such as establishing the purchasing period of 30 business days, which is a relatively longer period than the minimum period of 20 business days that is established by the laws and regulations. In addition, according to the calculation results of the Company's share value by Nomura Securities, the Tender Offer Price is recognized to be a price within the range of the calculation result by the DCF Method (the perpetuity growth method and the exit multiples method), and exceeds the upper limit of the calculation result by the average market price method and the comparable company method. Furthermore, the Company can be recognized to have considered the reasonableness of the Tender Offer Price from the perspective of placing importance on protecting the interests of the minority shareholders of the Company and other matters, and engaged in negotiations with NTT, while taking into account the opinion of Nomura Securities, and it can be recognized that a premium has been ensured for the Tender Offer Price of the Transaction that compares favorably even when compared to the proportion of the premiums that have been attached in recent similar tender offers (tender offers by a consolidated parent company for the purpose of making its listed consolidated subsidiary a wholly-owned subsidiary disclosed in the past 3 years). Therefore, it can be said that fairness has been ensured in the formation process of the Tender Offer Price, and by taking into account that the Company obtained an opinion regarding the reasonableness of the tender offer price (fairness opinion) from Nomura Securities, the reasonableness and validity of The Tender Offer Price can be recognized. In addition, consideration of the same amount as the Tender Offer Price will be delivered to shareholders of the Company who do not tender in the Tender Offer upon the Share Cash-Out Demand or the Share Consolidation after the Tender Offer, and in light of such effect being scheduled to be disclosed by the disclosure materials and the purchasing period being set for a relatively longer period of time, nothing unfair can be seen in the terms of the Tender Offer besides the

Tender Offer Price.

Based on the above, it is recognized that fairness is ensured in the terms of the Transaction (including the Tender Offer Price), which includes the Tender Offer.

(c) Fairness of procedures in the Transaction

In light of (i) a disclosure that can be recognized to be sufficient in regards to the process leading up to the execution of the Transaction, being scheduled to be made, (ii) the Share Cash-Out Demand or the Share Consolidation being adopted for the Squeeze-out Procedures after the Tender Offer and the right to make a demand to the Company to purchase at a fair price and the right to file a petition to the court for a determination of the purchase price being entitled to shareholders of the Company, and (iii) the same price as the Tender Offer Price becoming the standard for the consideration delivered upon the Share Cash-Out Demand or the Share Consolidation, and that effect is scheduled to be disclosed by the disclosure materials, it can be recognized that measures to ensure opportunities for shareholders of the Company to make adequate determinations have been adopted. In addition, in light of (i) the third-party committee's report and result that are expected to be given serious consideration, (ii) a resolution by the approval of all of the directors excluding Masahiro Kajiwara, who is a director with special interest (and the expression of an opinion that there is no objection by all of the auditors excluding Takeshi Arimoto, who is concurrently a corporate officer of the purchaser) being scheduled to be made at the board of directors meeting scheduled to be held on October 15, 2018, (iii) independent advice regarding the decision-making process and decision-making methods, etc. for the Transaction having been obtained from TMI Associates, and (iv) the Company Share Valuation Report and an opinion regarding the reasonableness of the Tender Offer Price (fairness opinion) having been obtained from Nomura Securities, which is a third-party valuation agent that is independent, measures to eliminate arbitrariness can be recognized to have been used in the decision-making process. Furthermore, the period for the Tender Offer (the "**Tender Offer Period**") has been set to be a relatively longer period, and even if competing offerors actually appear, since the fact that an agreement or the like that restricts such competing offerors from making contact, etc. with the Company cannot be recognized, measures to ensure objective conditions to secure the adequacy of the price are recognized to have been taken.

Based on the above, it can be recognized that sufficient consideration has been given to the interests of shareholders of the Company through fair procedures, since, in the Transaction, which includes the Tender Offer, the Company's arbitrariness can be recognized to have been sufficiently eliminated by adopting various measures, and opportunities for adequate determinations have been ensured for shareholders of the Company.

(d) Whether the Transaction is disadvantageous to the minority shareholders of the Company

In light of it being recognized that the purpose of the Transaction is reasonable and that sufficient consideration can be recognized for the interests of shareholders of the Company through the ensuring of fairness of the terms of the tender offer of the Transaction and fair procedures, as stated in (a) to (c) above, the Transaction, which includes the Tender Offer, can be recognized to not be disadvantageous to the minority shareholders of the Company.

e. Approval of all Directors who do not have an Interest in the Company and Opinion by all Corporate Auditors who do not have an Interest that there is no Objection

At the meeting of the board of directors held today, all the directors other than Masahiro Kajiwara of 14 directors (including 2 outside directors) of the Company participated in the deliberations and resolutions and the Company

resolved unanimously by all the directors participated in the resolutions to express an opinion supporting the Tender Offer and to recommend the shareholders of the Company to tender in the Tender Offer based on the grounds and reasons set out in “c. Course of Decision-Making of the Company” in “(2) Grounds and Reasons for the Opinion Regarding the Tender Offer” above.

Further, at the aforementioned meeting of the board of directors, 3 company auditors other than Takeshi Arimoto of 4 company auditors (including 3 outside company auditors) of the Company participated in deliberations, and all of those company auditors stated that they had no objection to expressing an opinion supporting the Tender Offer and recommending the shareholders of the Company to tender in the Tender Offer by the Company’s board of directors.

For avoiding a suspicion of conflicts of interest, Masahiro Kajiwara, who serves concurrently as an employee of NTT, the wholly-owning parent company of the Offeror, did not participate in the deliberations and resolutions regarding the Tender Offer at the aforementioned meeting of the board of directors, nor did he participate in examination of the Transaction and discussions and negotiations with the Offerors on behalf of the Company.

Also, for avoiding a suspicion of conflicts of interest, Takeshi Arimoto, who serves concurrently as an employee of NTT, the wholly-owning parent company of the Offeror, did not participate in the deliberations regarding the Tender Offer at the aforementioned meeting of the board of directors.

f. Measures to Ensure an Opportunity to Purchase by Other Purchaser

While the statutory requirement of the tender offer period is 20 business days at minimum, the Offeror will set the Tender Offer Period as 30 business days. By setting the Tender Offer Period relatively long, the Offeror intends to ensure the fairness of the Tender Offer Price by providing the shareholders of the Company with an opportunity to properly determine whether to tender their shares in the Tender Offer and also by providing an opportunity for a third party other than the Offeror to purchase the Company Shares.

In addition, the Offerors and the Company have not entered into any agreement that would restrict competing offerors from contacting the Company such as an agreement with a deal protection provision that prohibits the Company from contacting competing offerors. In this way, the Offerors are giving consideration to securing fairness in the Tender Offer by setting the above the Tender Offer Period and ensuring an opportunity for competing offers.

4. Matters Regarding Material Agreements Regarding Tendering of Shares in the Tender Offer between the Offeror and the Shareholders of the Company

The Offeror has confirmed that NTT, which is its wholly-owning parent company, does not plan on tendering the Company Shares Held by the Parent Company of the Offeror in the Tender Offer.

As stated in “a. Overview of the Tender Offer” in “(2) Grounds and Reasons for the Opinion Regarding the Tender Offer” in “3. Details and Grounds and Reasons for, the Opinion Regarding the Tender Offer” above, the Company Shares Held by the Parent Company of the Offeror are to be acquired by the Offeror as consideration for the shares to be issued by the Offeror as a result of the Contribution In Kind after the completion of the settlement of the Tender Offer and before the completion of the Squeeze-out Procedures.

5. Matters Concerning Inappropriate Profits Received From the Offeror or its Specially Related Parties

Not applicable

6. Policy for Responses Regarding Basic Policies on the Control of the Company

Not applicable

7. Inquiries to the Offeror

Not applicable

8. Request for Extension of the Tender Offer Period

Not applicable

9. Future Prospects

Please see “(ii) Management Policy after Completion of the Tender Offer” in “(2) Grounds and Reasons for the Opinion Regarding the Tender Offer”, “(4) Likelihood of Delisting and Reasons for that Delisting” and “(5) Policy of Restructuring, Etc. after the Tender Offer (Matters Concerning So-Called Two-Step Acquisition)” in “3. Details and Grounds and Reasons for, the Opinion Regarding the Tender Offer” above.

10. Matters Concerning Transactions, etc. with the Controlling Shareholder

(1) Applicability of the Transactions, etc. with the Controlling Shareholder and Status of Compliance with the Policy on Measures to Protect Minority Shareholders

Since NTT, the wholly-owning parent company of the Offeror, is the controlling shareholder (the parent company) of the Company, the Transaction, which includes expressing an opinion regarding the Tender Offer, falls under “transactions, etc. with controlling shareholders”. The status of compliance with the “I. 4. Policy on measures to protect minority shareholders in conducting transactions with controlling shareholders” stated in the Corporate Governance Report which was disclosed by the Company on June 22, 2018 is as follows.

The Company has taken measures to ensure fairness and to avoid conflicts of interest as stated “(6) Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest” in “3. Details and Grounds and Reasons for, the Opinion Regarding the Tender Offer” above, and the Company believes that such measures are compliant with the contents of the Corporate Governance Report.

(2) Matters Concerning Measures to Ensure the Fairness and Avoid Conflicts of Interest

Please see “(6) Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest” in “3. Details and Grounds and Reasons for, the Opinion Regarding the Tender Offer” above.

(3) Outline of Opinion that the Transaction is not Disadvantageous to the Minority Shareholders of the Company obtained from Parties having no Conflicts of Interest with the Controlling Shareholder

The Company has obtained the Report, dated October 12, 2018, from the third-party committee and the Report contains the opinions that the third-party committee believes the Transaction can be recognized to not be disadvantageous to the minority shareholders of the Company. For details, see “d. Establishment of a Third-Party Committee that is Independent from the Company and the Offerors” in “(6) Measures to Ensure Fairness in the

Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest” in “3. Details and Grounds and Reasons for, the Opinion Regarding the Tender Offer” above.

End

[Reference] “Notice regarding Commencement of the Tender Offer for Shares of NTT Urban Development Corporation (Securities Code 8933)” as of today (Attachment)

This press release is to announce the Tender Offer to the public and has not been prepared for the purpose of soliciting an offer to sell shares. If shareholders wish to make an offer to sell their shares, they should first read the Tender Offer Explanatory Statement for the Tender Offer and make their own independent decision. This press release does not constitute, nor form part of, any offer to sell, solicitation of a sale of, or any solicitation of any offer to buy, any securities. In addition, neither this press release (or any part of it) nor the fact of its distribution shall form the basis of or be relied on in connection with any agreement thereof.

Although the Tender Offer will be conducted in accordance with the procedures and information disclosure standards prescribed in the Financial Instruments and Exchange Act, these procedures and standards may differ from the procedures and information disclosure standards in the United States. In particular, Sections 13(e) and 14(d) of the U.S. Securities Exchange Act of 1934 (as amended, the "U.S. Securities Exchange Act of 1934"), and the rules prescribed thereunder do not apply to the Tender Offer, and the Tender Offer does not conform to those procedures and standards. The financial information contained in this press release may not necessarily be comparable to the financial statements of U.S. companies. It may be difficult to enforce any right or claim arising under U.S. federal securities laws because the Offeror and the Company are incorporated outside the United States and their directors are non-U.S. residents. Shareholders may not be able to sue a company outside the United States and its directors in a non-U.S. court for violations of the U.S. securities laws. Furthermore, there is no guarantee that shareholders will be able to compel a company outside the United States or its subsidiaries and affiliates to subject themselves to the jurisdiction of a U.S. court.

Unless otherwise specified, all procedures relating to the Tender Offer shall be conducted entirely in Japanese. While some or all of the documentation relating to the Tender Offer will be prepared in English, if there is any inconsistency between the English documentation and the Japanese documentation, the Japanese documentation will prevail.

This press release contains "forward-looking statements" as defined in Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934. Known or unknown risks, uncertainties and other factors could cause actual results to differ substantially from the projections and other matters expressly or impliedly set forth herein as "forward-looking statements." None of the Offeror, the Company or any of their respective affiliates assures that such express or implied projections set forth herein as "forward-looking statements" will eventually prove to be correct. The "forward-looking statements" contained in this press release have been prepared based on the information held by the Offeror and the Company as of the date hereof and, unless otherwise required under applicable laws and regulations, none of the Offeror, the Company or any of their respective affiliates assumes any obligation to update or revise this press release to reflect any future events or circumstances.

Some countries or regions may impose restrictions on the announcement, issue or distribution of this press release. In such cases, please take note of such restrictions and comply with them. In countries or regions where the implementation of the Tender Offer is illegal, even upon receiving this press release, such receipt shall not constitute a solicitation of an offer to sell or an offer to buy shares relating to the Tender Offer and shall be deemed a distribution of materials for informative purposes only.

Each of the financial advisors (including their affiliates) to the Offeror and the Company may, in its ordinary course of business, purchase shares in the Company for its own account or for the account of its clients prior to the Tender Offer or during the Tender Offer Period outside the Tender Offer in accordance with the requirements of Rule 14e-5(b) of the U.S. Securities Exchange Act of 1934 or take actions for such purchase to the extent permitted by financial instruments and exchange related laws and regulations and other applicable laws and regulations of Japan. If any information concerning such purchase is disclosed in Japan, the relevant financial advisor will disclose such information on its English website (or by any other means of public disclosure).

Assumption and Disclaimer of Fairness Opinion provided by Nomura Securities Co., Ltd.

Nomura Securities Co., Ltd. (“Nomura”) has assumed and relied upon the accuracy and completeness of all public information reviewed by Nomura and all financial, legal, regulatory, tax, accounting and other information provided to Nomura for the purpose of rendering the fairness opinion (“Fairness Opinion”). Nomura did not independently verify the accuracy and completeness of such information, nor does Nomura assume any responsibility for doing so. Nomura has not made any independent valuation, appraisal or assessment of any of the assets or liabilities (including derivatives, off-balance sheet assets and liabilities, and other contingent liabilities) of NTT Urban Development Corporation (“NTT Urban Development”) and its affiliates, including analyses or valuations of individual assets or liabilities, nor has Nomura received any such valuation, appraisal, assessment or analysis from NTT Urban Development or a third party. Moreover, Nomura has not made any request to a third party for such valuation, appraisal or assessment. With respect to the financial projections and other forward-looking information concerning NTT Urban Development provided to Nomura, Nomura has assumed that such information was reasonably prepared or reviewed by the management of NTT Urban Development based on the best and bona fide estimates and judgments currently available, and that the future financial condition of NTT Urban Development will be consistent with such projections. In preparing Fairness Opinion, Nomura has relied upon such projections and other forward-looking information without independent verification. Nomura provides no assurance whatsoever concerning the achievability of such financial projections. Nomura has assumed, without independent verification and assumption of any responsibility thereof, that the Tender Offer (the “Proposed Transaction”) will be carried out lawfully and validly in accordance with the terms set forth in this press release and that the Proposed Transaction will not have any tax consequences different from the assumed consequences provided to Nomura. In addition, Nomura has assumed, without independent verification and assumption of any responsibility thereof, that all governmental, regulatory or other consents and approvals necessary for the consummation of the Proposed Transaction will be obtained without any adverse effect on the contemplated benefits of the Proposed Transaction and that the Proposed Transaction will be consummated in accordance with the terms of this press release, without waiver, modification or amendment of any material term or agreement therein. Nomura was not asked to provide, and has not provided, any opinion on any transaction other than the Proposed Transaction or on the relative merits of the Proposed Transaction as compared to any other transaction. Nomura is under no obligation to NTT Urban Development or its Board of Directors to solicit indications of interest from any third party in connection with the Proposed Transaction, nor did Nomura make any such solicitations.

Nomura has acted as the financial advisor to NTT Urban Development in connection with the Proposed Transaction and has been involved in a part of the negotiation thereto. Nomura expects to receive from NTT Urban Development fees for such services, including a fee contingent on submission of Fairness Opinion and the consummation of the Proposed Transaction. In addition, Nomura expects to receive from NTT Urban Development reimbursement of certain expenses incurred by Nomura and its affiliates. The waiver and indemnity clauses specified in the agreement between Nomura and NTT Urban Development are applicable in connection with the rendering of Fairness Opinion. Nomura and its affiliates may have provided in the past and may in the future provide investment banking, other financial instruments and financing services or other similar services to NTT Urban Development, Nippon Telegraph and Telephone Corporation (“NTT”), or their affiliates, for which Nomura and its affiliates would expect to receive compensation. In the ordinary course of business, Nomura and its affiliates may from time to time acquire, hold or sell certain equity, debt and other securities and various types of financial instruments, including derivatives, of NTT Urban Development, NTT, or their affiliates for Nomura’s own account or Nomura’s clients’ accounts.

Nomura’s opinion expressed in Fairness Opinion (“Nomura’s Opinion”) is provided for the information and assistance of the Board of Directors of NTT Urban Development in connection with the offer price per share of common stock of NTT Urban Development set forth in this press release (the “Tender Offer Price”). Nomura’s Opinion addresses only the fairness of the Tender Offer Price, from a financial point of view, under the conditions and assumptions set out in Fairness Opinion; Nomura was not asked to provide, and does not provide herein, any opinion on any of the premises or assumptions upon

which the determination of the Tender Offer Price was based on the underlying business decision of NTT Urban Development to proceed with the Proposed Transaction. Nomura's Opinion does not constitute a recommendation as to how any holder of the shares of NTT Urban Development common stock should vote or act on any matter relating to the Proposed Transaction. Furthermore, Fairness Opinion does not purport to provide any opinion on the past, current and future market prices of the common stock of NTT Urban Development. Nomura does not provide independent advice related to legal, regulatory, tax, accounting matters in connection with the Prospected Transaction, and has relied upon the judgment of NTT Urban Development or its third-party advisors concerning such matters.

Except as otherwise specially permitted under the agreement between NTT Urban Development and Nomura, Fairness Opinion may not be disclosed to any other person or used for any purpose other than as originally intended. NTT Urban Development may not disclose, refer to, transmit or use Fairness Opinion, in whole or in part, without Nomura's prior consent in writing.

Nomura's Opinion is based on financial, economic, market, business and other conditions as they exist on the date of Fairness Opinion, and relies upon information that Nomura has as of the date of Fairness Opinion. Although Nomura's Opinion may be affected by future changes in conditions, Nomura does not assume any responsibility to modify, change or supplement this opinion in the future.



October 15, 2018

For immediate release

Company Nippon Telegraph and Telephone Corporation
Representative Jun Sawada
President and Chief Executive Officer
(Securities Code 9432, First Section of the Tokyo Stock Exchange)

Company NTT-SH Corporation
Representative Katsumi Kuroda
President and Representative Director

Notice regarding Commencement of the Tender Offer for Shares of NTT Urban Development Corporation (Securities Code 8933)

The Company hereby announces as follows that NTT-SH Corporation (the “**Offeror**”), which is a wholly-owned subsidiary of Nippon Telegraph and Telephone Corporation (“**NTT**,” and the Offeror and NTT are collectively referred to as the “**Offerors**”) decided today to acquire the common shares of NTT Urban Development Corporation (the First Section of the Tokyo Stock Exchange Inc. (the “**TSE**”), Securities Code: 8933) (the “**Target**,” and those shares, the “**Target Shares**”) through a tender offer (the “**Tender Offer**”) under the Financial Instruments and Exchange Act (Act No. 25 of 1948 (as amended); the “**Act**”).

1. Purpose of the Tender Offer

(1) Overview of the Tender Offer

The Offeror is a wholly-owned subsidiary of NTT, which holds all of the issued shares of the Offeror, and the Offeror is a stock company whose principal purpose is to acquire and own the Target Shares through the Tender Offer. As stated in “(ii) Management Policy after Completion of the Tender Offer” in “(2) Background Leading to the Decision to Implement the Tender Offer, Purpose and Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer” below, it is expected that the Offeror will be a holding company within the NTT Group (meaning, collectively, NTT and 922 consolidated subsidiaries, including the Target, and 118 affiliates of NTT (as of March 31, 2018), hereinafter the same) that promotes new urban solutions business (the “**Urban Solutions Business Promotion Company**”) in a manner unique to the NTT Group.

As of today, the Offeror does not own any Target Shares, but NTT, which is the wholly-owning parent company of the Offeror, owns 221,481,500 Target Shares (Ownership Ratio (Note) 67.30% (rounded to two decimal places, and hereinafter the same as long as no other treatment is provided for in the calculation of that ratio) (the “**Target Shares Held by the Parent Company of the Offeror**”) as of today, and the Target is treated as a consolidated subsidiary of NTT.

(Note) “Ownership Ratio” means the ratio of the shares owned to the number of shares (329,119,923 shares) obtained by deducting the number of the Target’s treasury shares owned by the Target as of June 30, 2018 as set out in the consolidated summary of accounts (IFRS) for the first quarter of the business period ending March 2019 submitted by the Target on August 3, 2018 (the “**Target’s Summary of Accounts**”) (77 shares) from the total number of issued shares as of June 30, 2018 set

out in the 34th First Quarterly Securities Report submitted by the Target on August 6, 2018 (the “**Target’s Quarterly Securities Report**”) (329,120,000 shares).

As stated in “(i) Background Leading to the Decision to Implement the Tender Offer and Purpose and Decision-Making Process of the Tender Offer” in “(2) Background Leading to the Decision to Implement the Tender Offer, Purpose and Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer” below, NTT, which is the wholly-owning parent company of the Offeror, decided at its board of directors meeting held today to conduct a series of transactions for the purpose of making the Target a wholly-owned subsidiary of the Offerors by the Offeror acquiring all of the Target Shares (excluding the Target Shares Held by the Parent Company of the Offeror and the Target’s treasury shares owned by the Target), and the Offeror decided today to conduct the Tender Offer.

No maximum or minimum number of Share Certificates, Etc. to be purchased has been set in the Tender Offer, so the Offeror will purchase all of the Share Certificates, Etc. tendered in the Tender Offer (the “**Tendered Share Certificates, Etc.**”).

Given that the Offeror intends to make the Target a wholly-owned subsidiary of the Offeror, if the Offeror is not able to acquire all of the Target Shares (excluding the Target Shares Held by the Parent Company of the Offeror and the Target’s treasury shares owned by the Target) through the Tender Offer, the Offeror will implement procedures for the purpose of making the Offeror the sole shareholder of the Target (the “**Squeeze-out Procedures**”). For details, see “(5) Policy of Restructuring, Etc. after the Tender Offer (Matters Concerning So-Called Two-Step Acquisition)” below.

NTT plans on making a contribution in kind to the Offeror of all of the Target Shares Held by the Parent Company of the Offeror (the “**Contribution In Kind**,” and together with the Tender Offer and the Squeeze-out Procedures, collectively, the “**Transaction**”) as consideration for the shares issued by the Offeror after the completion of the settlement of the Tender Offer and before the completion of the Squeeze-out Procedures. Details of the conditions of the Contribution In Kind have not been determined at this point, but it is expected the number of shares to be issued by the Offeror with respect to one Target Share as consideration for the Contribution In Kind will not be on conditions that are more favorable for NTT than the purchase price pertaining to the Target Shares in the Tender Offer (the “**Tender Offer Price**”).

According to the “Announcement of Opinion to Support the Tender Offer for Our Shares By NTT-SH Corporation, which is a Subsidiary of Our Parent Company, Nippon Telegraph and Telephone Corporation, and the Recommendation of the Tender thereto” announced by the Target today (the “**Target Press Release**”), at its board of directors meeting held today, the Target has expressed an opinion endorsing the Tender Offer and made a recommendation to the shareholders of the Target to tender their shares in the Tender Offer.

For details of the decision-making process of the Target, see the Target Press Release and “(E) Approval of all Directors who do not have an Interest in the Target and Opinion by all Corporate Auditors who do not have an Interest that there is no Objection” in “(Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest)” in “(ii) Background of the Calculation” in “(4) Basis of Calculation of the Tender Offer Price” in “2 Overview of the Tender Offer” below.

(2) Background Leading to the Decision to Implement the Tender Offer, Purpose and Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer

(i) *Background Leading to the Decision to Implement the Tender Offer and Purpose and Decision-Making Process of the Tender Offer*

The Offeror is a stock company and all of its issued shares are owned by NTT. NTT, which is the wholly-owning parent company of the Offeror, was established under the Nippon Telegraph and Telephone Corporation Act (Act No. 85 of 1984) and was listed on the First Section of the TSE in February 1987. The contents of the principal businesses of the NTT Group are as follows.

- i) Regional communications business: Providing intra-prefectural communications services in a domestic telecommunications business and businesses incidental thereto
- ii) Long distance and international communications business: Inter-prefectural communications service, international communications business, and solutions business in a domestic telecommunications business and businesses related thereto
- iii) Mobile communications business: Mobile telephone business and businesses related thereto
- iv) Data communications businesses: Businesses such as network system services and system integration
- v) Other businesses: Real estate business, financial business, construction and electric power business, system development business, advanced technology development business, etc.

It is expected that in the information and telecommunications market, to which NTT belongs, the development of new technology such as the accelerated use of cloud services, the Internet of Things (IoT), big data, and AI (Artificial Intelligence). Furthermore, with the entrance of new player, market competition that surpasses existing business sector boundaries is expected to further intensify, and collaborative coordination and cooperation among businesses working to create new added value should also progress. From these changes, the required role of information and communications should both expand and become more important.

Under those circumstances, NTT formulated and announced a medium-term management strategy in May 2015 for the period from FY 2015 to FY 2017 called “Towards the New Stage 2.0.” Under that plan, NTT has worked to reform its business structure, utilized the management resources it had developed up to that point, and endeavored to continuously improve the corporate value of the NTT Group by using and applying information and communications technology (ICT). As a result, in the final consolidated fiscal year, the target fiscal year, EPS (earnings per share), the most important target, reached JPY 456, achieving the target of JPY 400 or more, and the operating revenue, operating income, and current net profits all reached record highs.

At the same time, in the three years since the formulation and announcement of above plan, business has continued to expand in and outside of Japan, but the external business environment is undergoing significant changes and competition has remained strong. NTT is, as an initiative towards expanding its current B2B2X business (Note 1), endeavoring to solve various social issues and create new social value by accumulating a large amount of data in terms of type and volume by connecting everything with networks through the IoT and utilizing the cloud, and then analyzing that data using AI. Specifically, NTT has a policy to utilize a cognitive foundation (Note 2) and other systems, and promote smartification such as Smart City, Smart Hospital, Smart Airport, Smart Stadium, and Smart Factory. In particular, by expanding collaborations with

service providers such as businesses in other fields and local governments, and by supporting digital transformations of service providers, NTT will contribute to resolving social issues and accelerate the creation of new value.

(Note 1) Framework to solve social issues and provide new value creation to end users (X) together with service providers by expanding collaborations with service providers such as businesses in other fields and local governments (B) and supporting digital transformations of service providers

(Note 2) Framework that allows the integrated execution of the creation and configuration and the management and operation of not only cloud and network services, but also user ICT resources

The NTT Group is aiming to achieve continuous growth over the medium- to long-term by supporting transformation (digital transformation) of service providers and creating new businesses by utilizing the personnel, technologies, and assets held by the NTT Group as “Your Value Partner”, with its constant fundamental shared values of connect, trust, and integrity.

Meanwhile, according to the Target Press Release, in January 1986, the Target was established as a wholly-owned subsidiary of NTT for the purpose of utilizing unused land owned by NTT. When the Target was founded, the Target received land and buildings owned by NTT as investments in kind (Note 3). The Target built new office buildings, retail facilities and residential facilities on the land, and has mainly operated rental business of these real estate.

NTT established real estate companies across the country for the same purpose and by the same method. The Target has expanded its asset size while implementing absorption-type merger with these companies. In particular, the asset size of the Target reached the current level by implementing absorption-type merger with real estate companies in five cities (Sapporo, Nagoya, Osaka, Hiroshima and Fukuoka) in April 1999.

In addition, the Target Shares were listed on the First Section of the TSE in November 2004, and then the Target has advanced into new business: large-scale redevelopment, fund business (Fund management of REIT and Fund), retail business (real estate rental business concerning retail facilities and hotels developed and owned by the Target etc.), global business (investment and management of real estate in the United Kingdom and the United States etc.), and has grown and expanded as a comprehensive real estate developer.

As of today, the Target Group (meaning, collectively, the Target, its consolidated subsidiaries and its equity-method affiliates, hereinafter the same) consists of the Target, its 29 consolidated subsidiaries and its 26 equity-method affiliates. The main business of the Target Group is the Office/Retail Business (rental business concerning real estate such as office buildings, retail facilities, hotels etc. which are developed and owned by the Target) and the Residential Business (mainly for the sales of residential properties business, the rental housing business and the serviced senior housing business etc.), and the Target Group engages the other business such as building maintenance of office buildings.

In addition, the Target Group engages in comprehensive real estate business nationwide in a corporate group

whose parent company is NTT which primarily engages in regional communications business, long distance and international communications business, mobile communications business, and data communications business.

The Target Group aims to enhance its corporate value by providing customers with valuable real estate services, and to increase stakeholder satisfaction, in line with its corporate slogan of “Integrity of Innovation”. In May 2013, the Target formulated the Medium-Term Vision 2018 – For Further Growth – for the period from FY 2013 to FY 2018, based on environmental changes such as the continuation of development rush mainly on the city center, rising construction costs and land and building prices mainly in the metropolitan area. In this plan, the Target Group lists strengthening its revenue base in its each business and expanding the business territory as its business policy, and is steadily proceeding with achieving financial targets and expanding its management base.

While approaching the final fiscal year of this plan, the Target is concentrating on its each business to achieve operating income of JPY 30 billion, which is the profit target for 2018 fiscal year, however, in addition to the uncertainty about the future of the real estate market in Japan because of the downward trend of population due to the declining birthrate and the aging population, there is a situation in which it is difficult to acquire land such as remained high price of land for business, mainly in metropolitan areas.

Regarding the rental office market, the capacity utilization maintains high rate and the rents are also steady, however, the large supply of buildings by the large-scale redevelopment continues in central Tokyo, for example, even in the metropolitan area there is concern regarding the future supply-demand relationship.

Regarding the housing sales market, while the demand is strong mainly in properties in central Tokyo due to the financial environment with low interest rate etc., with the prediction that the domestic population will continue to decline in the future, it is necessary to keep an eye on its sustainability.

In these environment, the Target Group is proceeding with the following policy for its each business.

- (a) The Office/Retail Business: Because of the anticipated continuous large supply of office buildings, the Target Group will strengthen its relations with tenants, maintain stable business operation, and provide offices that accommodate new work styles such as shared office.
- (b) The Residential Business: The Target Group will carry out product planning from the customer’s perspective based on changes of lifestyle and demographics, and seeks further growth through the expansion of residential businesses for the elderly, the renovation business, and residential rentals business.
- (c) New initiatives: In the Global business, the Target Group pursue to improve its assets value with the aim of sustainable growth and diversification of the portfolio. In the Hotel/Resort business, the Target Group aim to stabilize revenue early by accumulating know-how on hotel management and innovate it to composite development in the future. Regarding the NTT Group CRE (utilization of real estate owned by the NTT Group), the Target Group will further strengthen its growth strategy by developing redevelopment know-how accumulated since listing the Target Shares.

To realize sustainable growth in the future, the Target has promoted its business as stated (a) to (c) above in

order to promote high value-added development without regard to the existing business framework, and has entered a stage of further strengthening the growth strategy mainly supported by NTT Group CRE, in which the Target has begun discussing urban development projects, including not only real estate owned by the NTT Group but also its surrounding land in order to expand the know-how on redevelopment accumulated since listing to the NTT Group CRE more than ever.

(Note 3) NTT established the Target in the form of subsequent incorporation (so-called irregular investment in kind): NTT established the Target through money contribution and then handed over properties that it had planned to contribute at book values. When founded, the Target took over land and building owned by NTT at book values.

The real estate business environment surrounding the NTT Group including the Target has, with respect to the office leasing market in particular, seen steady improvement with vacancy rates at a low level and a broad increase in rent against the backdrop of solid performances in the tenant business. At the same time, when making investments to start operations of new properties, with a favorable financing environment on the back of historically low interest rate levels resulting from the ongoing negative interest rate policy, competition in the environment for acquiring sites for new development and properties is intensifying and it appears that trend will continue in the future. Further, with respect to the residential property sales market, there has been an increase in condominium sales prices resulting from a rise in construction and site acquisition costs, demographic changes such as a decrease in the population of young people, an aging population, and an increase in one-person households and changes to peoples' lifestyles and work styles, and NTT believes it is necessary to respond to those changes.

In those business environments, NTT believes it is important to promote urban solutions that are in a manner unique to the NTT Group beyond its existing real estate development. With the aim of realizing a smart city concept that aims to resolve a wide-range of urban problems such as preventing disasters and preventing crime, resolving traffic problems, and reducing the environmental impact by utilizing IoT and managing and controlling urban infrastructures with ICT, the NTT Group will work towards new urban solutions business (the “**Urban Solutions Business**”) with the overall ability of the NTT Group by utilizing to the maximum extent real estate, ICT, technology for energy efficiency, environmental technology and other resources held by the NTT Group other than the Target Group, and through those efforts, the NTT Group will aim to achieve profit growth for the entire NTT Group.

In aiming to achieve growth in the Urban Solutions Business, NTT believes it is important to have the Target, which plays a central role in the real estate business in the NTT Group, take the lead in promoting the Urban Solutions Business, combine the real estate held by the NTT Group and the strengths of each company such as ICT, technology for energy efficiency, and environmental technology, and take full advantage of those strengths. Specifically, NTT plans to unify the business strategies of the NTT Group and implement the following measures.

- i) Expand its business by utilizing real estate owned by telephone exchanges and offices, which are telecommunications bases in regional cities throughout Japan that are owned by the NTT Group other

than the Target Group

- ii) Expand its business by strengthening alliances with the Target, which operates businesses such as real estate development and management, and with NTT FACILITIES, INC. (“**NTT FACILITIES**”), which manages construction and energy businesses that support the NTT Group’s ICT platforms, and by actively utilizing resources connected with construction and energy
- iii) Contribute to new “urban solutions” by utilizing all the resources of the NTT Group and collaborating with enterprises and local governments

NTT believes that in order to swiftly promote the above initiatives and measures for the entire NTT Group, it is important to strengthen group alliances more than ever by making the Target a wholly-owned subsidiary of the Offeror and centralizing and streamlining decision making in the group management strategy, and it believes the Target Group and the companies in the NTT Group other than the Target Group promoting initiatives and measures swiftly in a unified manner is the ideal choice to improve the medium- to long-term corporate value of the Target Group and the NTT Group including the Target Group.

Further, NTT believes that, in executing the above initiatives and measures, upfront investments that do not automatically lead to maximizing the profits of the Target in the short term might arise and it might be necessary to swiftly carry out measures such as a concentration of the assets of the entire NTT Group, which would lead to a temporary cost increase, and although those measures will become necessary from the perspective of the medium- to long-term growth of the Target Group and the entire NTT Group including the Target Group, NTT has concerns from the perspective of flexible and agile decision-making about the implementation of those measures while the Target is still a listed company because those measures may harm the interests of existing shareholders of the Target in the short term.

Hence, NTT believes that, as a result of the Target becoming a wholly-owned subsidiary of the Offerors through the Transaction, any potential conflict of interest between the parent company and the minority shareholders resulting from parent-subsidary listings will be resolved and the Target’s decision making will be even more flexible and agile, and NTT is able to promote growth that is built on the medium- to long-term perspective of the Target Group and the NTT Group.

Based on that understanding, NTT determined that it would be desirable to make the Target a direct or indirect wholly-owned subsidiary of NTT, and it started considering the Transaction from early May 2018. In early July 2018, NTT appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (“**Mitsubishi UFJ Morgan Stanley Securities**”) as its financial advisor and third-party valuation agent, which is independent from the Offerors and the Target, and Mori Hamada & Matsumoto as its legal advisor and NTT made an initial request to the Target stating that it would like to consider and discuss the Transaction. Following that, NTT commenced due diligence of the Target with the approval of the Target from late July 2018, and it completed that due diligence in late August 2018.

NTT and the Target have had multiple discussions and deliberations since early September 2018 on measures to improve the corporate value of both companies such as strengthening the Urban Solutions Business and streamlining their management by promoting further group management, as well as matters such as the

purpose of the Transaction, the management system and policy after the Transaction, and the conditions of the Transaction.

As a result, NTT concluded at its board of directors meeting held today that making the Target a wholly-owned subsidiary of the Offerors is the best way to improve the corporate value of the entire NTT Group, and it decided to execute a series of transactions for the purpose of making the Target a wholly-owned subsidiary of the Offerors by the Offeror acquiring all of the Target Shares (excluding the Target Shares Held by the Parent Company of the Offeror and the Target's treasury shares owned by the Target), and on the same date, the Offeror decided to conduct the Tender Offer.

According to the Target Press Release, as stated in “B) Obtaining a Share Valuation Report and a Fairness Opinion from an Independent Third-Party Valuation Agent by the Target” in “(Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest)” in “(ii) Background of the Calculation” in “(4) Basis of Calculation of the Tender Offer Price” in “2 Overview of the Tender Offer” below, as a result of receipt of the initial request for the Transaction from NTT in early July 2018, the Target appointed Nomura Securities as its financial advisor and third-party valuation agent, which is independent from the Offerors and the Target, and TMI Associates as its legal advisor, and the Target requested Nomura Securities, a third-party valuation agent, to calculate the value of the Target Shares and to express an opinion that the Tender Offer Price is reasonable from a financial point of view to shareholders of the Target excluding NTT (fairness opinion), in order to ensure the fairness of the Transaction including the Tender Offer such as fairness of the Tender Offer Price. Also, the Target established the third-party committee (for details of the composition and specific activities of the third-party committee, see “D) Establishment of a Third-Party Committee that is Independent from the Offerors and the Target” in “(Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest)” in “(ii) Background of the Calculation” in “(4) Basis of Calculation of the Tender Offer Price” in “2 Overview of the Tender Offer” below) in order to examine the proposal of the Transaction.

Based on that, the Target have had multiple discussions and deliberations with NTT since early September 2018 on measures to improve the corporate value of both companies such as strengthening the Urban Solutions Business and streamlining their management by promoting further group management, as well as matters such as the purpose of the Transaction, the management system and policy after the Transaction, and the conditions of the Transaction.

In addition, the Target received the legal advice from the legal advisor, TMI Associates, on the decision-making process, the decision-making method and other points to be noted in making decisions concerning the Transaction including the Tender Offer, and received the report from the Third-Party Committee on October 12, 2018 (the “**Report**”) (For the outline of the Report and the detail of activities of the Third Party Committee etc., please see “D) Establishment of a Third-Party Committee that is Independent from the Offerors and the Target” in “(Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest)” in “(ii) Background of the Calculation” in “(4) Basis of Calculation of the Tender Offer Price” in “2 Overview of the Tender Offer”

below). Furthermore, based on the legal advice given by the legal advisor, TMI Associates and the share valuation report regarding the Target Shares (the “**Target Share Valuation Report**”) and the content of the opinion that the Tender Offer Price is reasonable from a financial point of view to shareholders of the Target excluding NTT (fairness opinion) provided by the third-party valuation agent, Nomura Securities on October 12, 2018, and respecting the contents of the Report provided by the third-party committee to the maximum extent, the Target carefully discussed and examined conditions of the Transaction from the viewpoints of whether it is possible to improve the corporate value of the Target through the Transaction, whether the Tender Offer Price and any other conditions in the Transaction are appropriate, etc.

At the stage of further strengthening the growth strategy mainly supported by NTT Group CRE, the Target believes that promoting business as a wholly-owned subsidiary of the Offerors will contribute to the increased corporate value over the mid- to long-term of the Target without the short-term risk of profit deterioration. Specifically, in case that the Transaction is executed, the Target believes that the following synergies can be realized by strengthening collaboration with the NTT Group.

(a) Increase of Opportunities to Participate in NTT Group’s Assets Utilization Business through the Urban Solutions Business

Although the Target is proceeding with acquisition of land for business centering on the metropolitan area, the price of land for business has remained high in the large metropolitan areas in recent years and the competition among business operators has become severer. The Target recognizes that it is not always easy to acquire land for business even in local cities through participation in central urban redevelopment projects, etc. The NTT Group owns many assets not only in the metropolitan area but also in local cities and if the Target participates in the Urban Solutions Business, the sharing of asset information owned by the NTT Group will proceed and the Target will be more likely to obtain such asset information, the Target believes that the Target will be able to have opportunities to acquire land for business and to expand Target’s revenue by increasing opportunities to participate in NTT Group’s assets utilization business.

(b) Strengthening New Growth Fields by Using NTT Group’s Strengths

While each real estate developer is trying to strengthen its growth field by developing new products and services that increase added value such as environmental performance and improvement of convenience and by expanding business area into the overseas markets etc., due to concern for long-term demand in the domestic real estate market on the background of the declining birthrate and aging population and the decrease in the labor force population, etc., the Target believes that efforts for these growth field are an important issue. The Target believes that the Target’s efforts to the Urban Solutions Business will be able to lead to the development of new real estate services that combine the real estates owned by the NTT Group and the strengths of each company such as ICT, energy efficiency improvement and environmental technology. In addition, the NTT Group has a global business foundation including providing ICT services around the world, and supports many Japanese companies’ overseas expansion by ICT. The Target believes that the Target is able to strengthen efforts in developed countries markets of the United States, Europe, and Australia, where the Target has been striving to achieve stable growth and portfolio diversification so far, as well as to secure access to the growing market such as Southeast Asia, by further strengthening collaboration with the NTT Group.

(c) Effective Utilization of Management Resources through Cooperation with the NTT Group Companies

of which Business Fields are Close to the Target's Business Field.

After the Transaction, NTT will strengthen the cooperation between the Target which operates development and management business of real estate, etc. and NTT FACILITIES which operates building and energy business that supports NTT Group's ICT foundation, actively utilize resources related to building, energy, etc., and expand business. NTT FACILITIES has advanced construction technology that follows the flow of historical Teishin building (telecommunication building) and is expanding various services that developed facility engineering and energy efficiency technology cultivated through the operation of communication facilities such as telephone stations, etc. NTT FACILITIES currently provides not only the NTT Group's ICT foundation, but also a wide range of advanced services of building and energy for the administrative and local governments, etc., universities, companies, etc. across the country, and is aiming for further expansion of these businesses. In addition, because NTT Group's ICT foundation is located all over Japan, NTT FACILITIES assigns specialized talented personnel with skills related to building, energy, etc. in the core city of the whole country.

The Target believes that the following business synergies can be expected by strengthening cooperation between the Target and NTT FACILITIES in the management system that NTT intends to consider establishing after the Transaction.

- ✓ The Target will be able to strengthen its business base in the local cities by collaborating with NTT FACILITIES which has customer base of administrative and local governments, etc. and a business location base in the core cities throughout the country.
- ✓ By effectively utilizing human resources with advanced expertise skills such as first-class architect, electrical chief engineer and qualified facility manager owned by NTT FACILITIES, the Target will be able to strengthen and expand growth areas including the Urban Solutions Business and existing businesses.
- ✓ Since the Target and NTT FACILITIES operate similar businesses such as property management, building management, facility management in their business fields, the Target will be able to increase business efficiency by effectively utilizing both companies' resources of these businesses.
- ✓ The Target will be able to strengthen efforts for PPP (Note 4) and PFI (See Note 5) and create business opportunities through effective utilization of know-how of businesses for administrative and local governments that NTT FACILITIES has a track record, and by establishing a sales system that the Target and NTT FACILITIES cooperates.
- ✓ It is expected that the expansion of earning base by mutual business collaboration on NTT FACILITIES and the Target's customer base, such as CRE strategy support for NTT FACILITIES' customer base of company and university, etc., and provision of solutions to tenants of buildings owned by the Target by NTT FACILITIES.

(d) Acceleration of the Target's Growth by Unifying and Accelerating Decision-making in Group Management Strategy

As a comprehensive real estate developer in the NTT Group, the Target has utilized various unused lands owned by the NTT Group so far. NTT believes that the Urban Solutions Business which is the purpose of implementation of the Transaction, includes the utilization of real estate such as the telephone offices which are the information communication bases of core cities nationwide owned by the NTT Group other than the Target Group.

The Target believes that when utilizing the telephone office etc., there is problem specific to such business, such as the occurrence of the upfront investment and the need to promptly implement asset consolidation, thus, in order to solve these problems, it is necessary to establish a framework to

strengthen collaboration with the NTT Group more than ever.

In order to steadily promote the NTT Group CRE which is the pillar of our growth strategy, the Target believes that it is necessary to realize the unification and acceleration of decision-making in NTT Group's management strategy in the management structure that is considered to be constructed after the Transaction, which will allow the development of the Urban Solutions Business that the NTT Group is aiming for and will contribute to increasing the corporate value over the mid- to long-term of the NTT Group including the Target.

(Note 4) Scheme in which the public sector and the private sector cooperate to provide public services

(Note 5) Scheme which provides efficient and effective public services by utilizing private funds and know-how for the design, construction, maintenance and management of public facilities, etc., and by providing public services led by a private sector.

Moreover, the Target, as a listed company, has taken into consideration the trend of the market share price and has aimed to secure the interests of each fiscal year as one of the management objectives so far. Accordingly, when promoting the Urban Solutions Business, it was difficult to promptly and smoothly promote the utilization of telephone offices nationwide because there is concern that investment and cost burden not directly linked to the maximization of the Target's profits occurs in the short term due to its scale, as well as, there is concern about conflicts of interest between NTT and minority shareholders of the Target depending on the cost burden ratio with NTT Group. After the Transaction, the Target believes that the Target will be able to invest quickly and smoothly as necessary from the viewpoint of medium- to long-term growth with avoiding the impact on minority shareholders of the Target due to such short-term performance deterioration and conflicts of interest between NTT and minority shareholders of the Target, by becoming a wholly owned subsidiary of the Offerors, and to contribute to the vitality creation throughout Japan by the urban solutions from a long-term perspective.

Based on the above, the Target has concluded that becoming a wholly owned subsidiary of the Offerors through the Transaction is the best option to improve the corporate value of the Target.

Further, in light of the following facts, the Target determined that the Tender Offer would provide the shareholders of the Target with a reasonable opportunity to sell the Target Shares: (a) the Tender Offer Price exceeds the range of the calculation results based of the average market price method and the comparable company method and exceeds the midpoint of the range of the calculation result based on the discounted cash flow method ("DCF Method") among the calculation results for the share value of the Target Shares by Nomura Securities set out in "B) Obtaining a Share Valuation Report and a Fairness Opinion from an Independent Third-Party Valuation Agent by the Target" in "(Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest)" in "(ii) Background of the Calculation" in "(4) Basis of Calculation of the Tender Offer Price" in "2 Overview of the Tender Offer" below and the Target obtained the opinion that the Tender Offer Price is reasonable from a financial point of view to shareholders of the Target excluding NTT (fairness opinion) from Nomura Securities; (b) the Tender Offer Price is a price with a 28.64% premium (rounded off at the second decimal place; this also applies to figures for premiums below) to the closing price of JPY 1,306 of the Target Shares on the First Section of the TSE on October 12, 2018, which is the business day preceding the date of the public announcement of the Tender Offer, a 31.56% premium to the simple average closing prices of JPY

1,277 (rounded off decimal places; the same hereinafter regarding simple average closing prices) for the most recent month up to October 12, 2018, a 39.19% premium to the simple average closing prices of JPY 1,207 for the most recent three months up to October 12, 2018 and a 39.77% premium to the simple average closing prices of JPY 1,202 for the most recent six months up to October 12, 2018, respectively and the Tender Offer Price is considered to be the price with a reasonable premium in comparison with the premium level in other tender offer case for the purpose of making a target company a wholly owned subsidiary; (c) the measures to resolve conflicts of interest set out in “(Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest)” in “(ii) Background of the Calculation” in “(4) Basis of Calculation of the Tender Offer Price” in “2 Overview of the Tender Offer” below have been taken and the consideration has been given to the interests of minority shareholders; (d) the Tender Offer Price was offered as a result of discussion and negotiation between the Target and NTT equivalent to those under an arm’s length transaction, with measures to resolve conflicts of interest as stated above, more specifically, with sincere and continued discussions and negotiations conducted based on the calculation results of the Target Shares received from Nomura Securities and discussions with the third-party committee.

Based on the reasons stated above, the Target resolved at the meeting of the board of directors held today to express an opinion supporting the Tender Offer and to recommend the shareholders of the Target to tender in the Tender Offer.

(ii) Management Policy after Completion of the Tender Offer

NTT has a policy where, after the Target has become a wholly-owned subsidiary, it will continue to conduct management aimed at further improving the corporate value of the Target, and NTT will conduct management that fully utilizes the Target’s business characteristics and strengths and endeavor to strengthen the Target’s business. In addition, in order to establish a robust cooperative framework between each company of the NTT Group other than the Target and the Target Group, and to achieve medium- to long-term growth of the Urban Solutions Business of the entire NTT Group, NTT will consider establishing a new structure in which the Target and NTT FACILITIES, which operates the construction and energy business that supports the ICT platforms of the NTT Group, will coordinate with each other closely under the Offeror as the Urban Solutions Business Promotion Company, by transferring NTT FACILITIES to under the control of the Offeror.

The management system of the Target after the Transaction has not been determined at this point, and it is expected an optimal system aimed at executing the measures set out in “(i) Background Leading to the Decision to Implement the Tender Offer and Purpose and Decision-Making Process of the Tender Offer” above and further strengthening the Target’s business foundation will be established after discussions with the Target.

(3) Matters regarding Important Agreements pertaining to the Tender Offer

The Offeror has confirmed that NTT, which is its wholly-owning parent company, does not plan on tendering

the Target Shares Held by the Parent Company of the Offeror in the Tender Offer.

As stated in “(1) Overview of the Tender Offer” above, the Target Shares Held by the Parent Company of the Offeror are to be acquired by the Offeror as consideration for the shares to be issued by the Offeror as a result of the Contribution In Kind after the completion of the settlement of the Tender Offer and before the completion of the Squeeze-out Procedures.

(4) Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest

In light of the fact that the Target is a consolidated subsidiary of NTT, which is the wholly-owning parent company of the Offeror, and the Transaction, which includes an expression of opinion regarding the Tender Offer, constitutes an important transaction with a controlling shareholder, and the fact that the Offerors have an inherent conflict of interests with shareholders of the Target other than NTT, the Offerors and the Target have taken the following measures to ensure fairness in the Tender Offer and avoid any conflict of interest. The following measures that have been taken by the Target in the following statements are based on the Target Press Release and explanations from the Target.

Although the Offeror has not set a minimum number of Share Certificates, Etc. to be purchased of the so-called “majority of minority” in the Tender Offer, it believes that because the measures set out in (i) through (vi) below have been taken by the Offerors and the Target, the interests of the minority shareholders of the Target have been sufficiently considered.

- (i) Obtaining a share valuation report from an independent third-party valuation agent by NTT
- (ii) Obtaining a share valuation report and a fairness opinion from an independent third-party valuation agent by the Target
- (iii) Advice from an Independent law office
- (iv) Establishment of a third-party committee that is independent from the Offerors and the Target
- (v) Approval of all directors who do not have an interest in the Target and opinion by all corporate auditors who do not have an interest that there is no objection
- (vi) Measures to ensure an opportunity to purchases by other purchasers

For details of the above, see “(Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest)” in “(ii) Background of the Calculation” in “(4) Basis of Calculation of the Tender Offer Price” in “2 Overview of the Tender Offer” below.

(5) Policy of Restructuring, Etc. after the Tender Offer (Matters Concerning So-Called Two-Step Acquisition)

As mentioned in “(1) Overview of the Tender Offer” above, the Offeror has a policy to make the Target a

wholly-owned subsidiary of the Offeror, and if the Offeror is not able to acquire all of the issued shares of the Target through the Tender Offer (excluding the Target Shares Held by the Parent Company of the Offeror and the Target's treasury shares owned by the Target), the Offeror plans on conducting Squeeze-out Procedures so that it will acquire all of the issued shares of the Target by any of the following methods after the completion of the Tender Offer.

As stated in "(1) Overview of the Tender Offer" above, the Offeror plans on acquiring the Target Shares Held by the Parent Company of the Offeror through the Contribution In Kind after the completion of the settlement of the Tender Offer and before the completion of the Squeeze-out Procedures, but details such as the transaction terms have not been determined at this point.

(i) *Demand for Share Cash-Out*

If the Offeror and NTT own in total 90% or more of the voting rights of all shareholders of the Target as a result of the completion of the Tender Offer, as mentioned above, the Offeror will, promptly after the completion of the settlement of the Tender Offer, acquire the Target Shares Held by the Parent Company of the Offeror through the Contribution In Kind, and then make a demand to all of the shareholders of the Target (excluding the Offeror and the Target) that did not tender shares in the Tender Offer (the "**Cash-Out Shareholders**") to sell all of the Target Shares they hold (the "**Share Cash-Out Demand**") under the provisions of Article 179, paragraph (1) of the Companies Act (Act No. 86 of 2005, as amended, hereinafter the same). Cash equal to the amount of the Tender Offer Price is to be delivered to the Cash-Out Shareholders in the Share Cash-Out Demand as consideration for each share of the Target Shares. In that case, the Offeror will notify the Target to that effect and request approval from the Target for the Share Cash-Out Demand. If the Target approves that Share Cash-Out Demand by a resolution of a meeting of its board of directors, the Offeror will acquire all of the issued shares of the Target held by the Cash-Out Shareholders as of the acquisition date in the Share Cash-Out Demand without requiring any individual approval of a Cash-Out Shareholder in accordance with procedures prescribed in relevant laws and regulations. The Offeror is to deliver cash equal to the Tender Offer Price for each share of the Target Shares to each Cash-Out Shareholder as consideration for the Target Shares held by the Cash-Out Shareholders. According to the Target Press Release, if the Target receives a notice of the Share Cash-Out Demand from the Offeror setting out matters stipulated in each item of Article 179-2, paragraph (1) of the Companies Act, the Target will approve the Share Cash-Out Demand by the Offeror at a meeting of the board of directors of the Target.

It is provided in the Companies Act as a provision to protect the rights of minority shareholders in relation to the above procedures that a Cash-Out Shareholder may, in accordance with Article 179-8 of the Companies Act and the provisions of other relevant laws and regulations, file a petition to the court for a determination of the purchase price of the Target Shares it owns. If such a petition is filed, the purchase price will be ultimately determined by the court.

(ii) *Share Consolidation*

If the Offeror and NTT do not own in total 90% or more of the voting rights of all shareholders of the Target

in spite of the completion of the Tender Offer, the Offeror will make a request to the Target promptly after the completion of the settlement of the Tender Offer to convene an extraordinary shareholders meeting of the Target (the “**Extraordinary Shareholders Meeting**”) and to propose as agenda items at the Extraordinary Shareholders Meeting a consolidation of the Target Shares (the “**Share Consolidation**”) and a partial amendment to its Articles of Incorporation to abolish the provisions on share units as a condition to the Share Consolidation taking effect, and the Offeror and (if NTT holds shares of the Target as of the record date pertaining to the Extraordinary Shareholders Meeting) NTT are to approve those proposals at the Extraordinary Shareholders Meeting. If the proposal for the Share Consolidation is approved at the Extraordinary Shareholders Meeting, on the day on which the Share Consolidation takes effect, each shareholder of the Target will own the Target Shares in a number that corresponds to the ratio of the Share Consolidation approved at the Extraordinary Shareholders Meeting. The date on which that Share Consolidation takes effect is to be set after the Contribution In Kind.

If a fraction less than one share arises in the number of shares as a result of the Share Consolidation, cash obtained from selling to the Target or the Offeror the Target Shares in a number that is equal to the total number of those fractions (if there is a fraction less than one share in that total number, that fraction is to be rounded down, hereinafter the same) is to be delivered to the shareholders of the Target in accordance with the procedures prescribed in Article 235 of the Companies Act and other relevant laws and regulations. With respect to the sale price of the Target Shares equivalent to the total of those fractions, a petition will be filed to a court for permission to make a sale by private contract after calculating the amount of cash to be delivered to each shareholder of the Target (excluding the Offeror and the Target) that did not tender shares in the Tender Offer as a result of that sale so that the amount of cash to be delivered is the same as the price obtained by multiplying the Tender Offer Price by the number of Target Shares owned by each of those shareholders. Further, although the ratio of the consolidation of the Target Shares has not been determined as of today, a decision is to be made so that the number of Target Shares owned by the shareholders of the Target (excluding the Offeror and the Target) that did not tender shares in the Tender Offer will be a fraction less than one share so that the Offeror owns all of the Target Shares (excluding the Target’s treasury shares owned by the Target).

It is provided in the Companies Act as a provision to protect the rights of minority shareholders in relation to the above procedures that if a fraction less than one share arises as a result of the Share Consolidation, any shareholder of the Target may, in accordance with Article 182-4 and Article 182-5 of the Companies Act and the provisions of other relevant laws and regulations, make a demand to the Target to purchase at a fair price all of the shares owned by that shareholder that will become a fraction less than one share and file a petition to the court for a determination of the price of the Target Shares. As explained above, given that the number of the Target Shares owned by the shareholders of the Target (excluding the Offeror and the Target) that did not tender shares in the Tender Offer will become a fraction less than one share in the Share Consolidation, the shareholders of the Target that oppose the Share Consolidation will be able to file the above petition. If such a petition is filed, the purchase price will be ultimately determined by the court.

The procedures in (i) and (ii) above might change to another method that has essentially the same effect depending on circumstances such as any revision, enforcement, or interpretation by authorities of relevant laws and regulations and factors such as the Ownership Ratio of the Share Certificates, Etc. of the Offeror and

NTT after the Tender Offer and the ownership status of the Target Shares by shareholders other than the Offeror. However, even in that case, the method of ultimately delivering cash to the shareholders of the Target (excluding the Offeror and the Target) that have not tendered in the Tender Offer will be used, and the amount of cash to be delivered to each of those shareholders in that case is to be calculated so that it is equal to the price obtained by multiplying the Tender Offer Price by the number of the Target Shares owned by that shareholder. Matters such as the specific procedures in the above case and the timing of the implementation of those procedures are to be publicly announced by the Target once they have been determined following discussions between the Target and the Offeror.

The Tender Offer is not intended to solicit the shareholders of the Target to approve the proposals at the Extraordinary Shareholders Meeting. Each shareholder should consult with a certified public tax accountant and other experts at its own responsibility on the handling of tax matters in relation to tendering shares in the Tender Offer and the above procedures.

(6) Likelihood of Delisting and Reasons for that Delisting

Although the Target Shares are listed on the First Section of the TSE as of this date, the Offeror has not set a maximum number of Share Certificates, Etc. to be purchased in the Tender Offer, so the Target Shares might be delisted through prescribed procedures in accordance with delisting criteria prescribed by the TSE depending on the result of the Tender Offer. Even if the Target Shares do not fall under those criteria upon the completion of the Tender Offer, as explained in “(5) Policy of Restructuring, Etc. after the Tender Offer (Matters Concerning So-Called Two-Step Acquisition)” above, if the Squeeze-out Procedures are implemented, the Target Shares will be delisted through prescribed procedures in accordance with the delisting criteria of the TSE. If the Target Shares are delisted, the Target Shares may not be traded on the TSE.

2. Overview of the Tender Offer

(1) Overview of the Target

(i)	Name	NTT Urban Development Corporation	
(ii)	Address	4-14-1 Sotokanda, Chiyoda-ku, Tokyo	
(iii)	Name and title of representative	Hiroshi Nakagawa, President and CEO	
(iv)	Description of business	Leasing of offices and housing, sales of residential properties, etc.	
(v)	Stated Capital	JPY 48,760 million	
(vi)	Date of incorporation	January 21, 1986	
(vii)	Major shareholders and shareholding ratios (as of March 31, 2018)		
		Nippon Telegraph and Telephone Corporation	67.30%
		Japan Trustee Services Bank, Ltd. (trust account)	3.50%
		Goldman Sachs and Company regular account (Standing Proxy: Goldman Sachs Japan Co., Ltd.)	1.92%
		The Master Trust Bank of Japan, Ltd. (trust account)	1.83%
		CGML PB Client Account/Collateral (Standing Proxy: Citibank, N.A., Tokyo Branch)	1.21%
		State Street Bank and Trust Company 505001 (Standing Proxy: Mizuho Bank, Ltd., Corporate Financial Sales Division)	0.85%
		Northern Trust Company AVFC Re U.S. Tax-Exempted Pension Funds (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Business Department)	0.82%
		Japan Trustee Services Bank, Ltd. (Trust Account 5)	0.71%
		State Street Bank and Trust Company 505019 (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Business Department)	0.65%
		The Bank of New York Mellon 140044 (Standing Proxy: Mizuho Bank, Ltd., Corporate Financial Sales Division)	0.62%
(viii)	Relationship between the Listed Company and the Target		
	Capital relationship	As of today, NTT holds 221,481,500 shares of the Target Shares (Ownership Ratio of 67.30%).	
	Personnel relationship	As of today, one director and one corporate auditor of the Target are concurrently employees of NTT.	
	Business relationship	The Target leases offices to NTT. Transactions such as depositing and loaning of cash have been conducted with NTT Finance Corporation, whose parent company is NTT.	
	Status as related parties	The Target is a consolidated subsidiary of NTT.	

(Note) The shareholding ratios set out in “(vii) Major shareholders and shareholding ratios (as of March 31, 2018)” and “(viii) Relationship between the Listed Company and the Target” are based on the “Status of Major Shareholders” in the annual securities report for FY 2017 submitted by the Target on June 22, 2018.

(2) Schedule and related matters

(i) Schedule

Date of Public Notice of Commencement of the Tender Offer	October 16, 2018 (Tuesday) An electronic public notice will be made, the effect of which will then be published in the Nihon Keizai Shimbun. (Electronic public notice address: http://disclosure.edinet-fsa.go.jp/)
Date of Submission of the Tender Offer Statement	October 16, 2018 (Tuesday)

(ii) Initial Period of the Tender Offer in the Statement

October 16, 2018 (Tuesday) until November 27, 2018 (Tuesday) (30 Business Days)

(iii) Possibility of Extending the Above Period upon Request of the Target

There are no applicable matters.

(3) Tender Offer Price

JPY 1,680 per share of common stock

(4) Basis of Calculation of the Tender Offer Price

(i) Basis of the Calculation

NTT, the wholly-owning parent company of the Offeror, in the course of determining the Tender Offer Price, requested Mitsubishi UFJ Morgan Stanley Securities, which is NTT’s financial advisor, to analyze the share value of the Target as a third-party valuation agent that is independent from the Offerors and the Target. Further, Mitsubishi UFJ Morgan Stanley Securities is not a related party of the Offerors or the Target and does not have any material interest in the Tender Offer.

Mitsubishi UFJ Morgan Stanley Securities has, after considering the calculation method in the Tender Offer, analyzed the share value of the Target using a market share price analysis, a comparable companies analysis, and a discounted cash flow analysis (“**DCF Analysis**”), and NTT obtained a valuation report (the “**Valuation Report**”) from Mitsubishi UFJ Morgan Stanley Securities on October 12, 2018. NTT has not obtained a fairness opinion on the Tender Offer Price from Mitsubishi UFJ Morgan Stanley Securities.

The ranges of the share value per share of the Target Shares analyzed using each of the above methods are as follows.

Market share price analysis: JPY 1,202 – JPY 1,306

Comparable companies analysis: JPY 531 – JPY 1,681

DCF Analysis: JPY 1,288 – JPY 1,865

The market share price analysis, in which the base date is October 12, 2018, resulted in a per share value of the Target Shares ranging from JPY 1,202 to JPY 1,306 based on the closing price of JPY 1,306 of the Target Shares on the First Section of the TSE on the base date, the simple average closing price of JPY 1,277 (rounded to the nearest whole yen, hereinafter the same when calculating the share price) for the most recent month (September 13, 2018 to October 12, 2018), the simple average closing price of JPY 1,207 for the most recent three months (July 13, 2018 to October 12, 2018), and the simple average closing price of JPY 1,202 for the most recent six months (April 13, 2018 to October 12, 2018).

The comparable companies analysis resulted in a per share value of the Target Shares ranging from JPY 531 to JPY 1,681 after evaluating the share value of the Target by selecting listed companies engaged in relatively similar businesses to those of the Target and using multiples of the earnings before interest, taxes, depreciation and amortization with respect to the corporate value of those companies (the “**EBITDA Multiples**”), multiples of the net profit for the period with respect to the market capitalization of those companies, and multiples of the market net value (market net value taking into account tax on unrealized profits) with respect to the market capitalization of those companies (“**Adjusted Book Value Net Asset Multiples**”).

The DCF Analysis resulted in a per share value of the Target Shares ranging from JPY 1,288 to JPY 1,865 after evaluating the corporate value and share value by discounting the free cash flow the Target is expected to generate in the future to the present value at a certain discount rate based on earnings forecasts of the Target from the fiscal year ending March 2019 taking into consideration various factors such as the Target’s business plan, the latest business performance, and publicly available information.

(Note) In calculating the share value of the shares of the Target, Mitsubishi UFJ Morgan Stanley Securities has, in principle, used such things as information provided to it by the Offerors and the Target and publicly available information as presented, and assumed that those materials, information and the like are entirely accurate and complete. It has not made an independent study of the accuracy or completeness thereof. Also, Mitsubishi UFJ Morgan Stanley Securities has not conducted an independent evaluation or assessment and has not requested an appraisal or assessment from a third-party organization in connection with any assets or liabilities (including off-balance-sheet assets and liabilities and other contingent liabilities) of any affiliate of the Target. In addition, Mitsubishi UFJ Morgan Stanley Securities assumed that information regarding the financial forecasts of the Target have been reasonably prepared based on the best forecasts and judgements of the management of the Target at that time. Mitsubishi UFJ Morgan Stanley Securities analyzed information regarding the financial forecasts of the Target assuming that it has been prepared based on the Japanese accounting standard, while the Target Group has announced that it will apply IFRS from the fiscal year ending March 2019 voluntarily. The calculation by Mitsubishi UFJ Morgan Stanley Securities reflects the above information up to October 12, 2018.

NTT, which is the wholly-owning parent company of the Offeror, ultimately determined by resolution of a meeting of its board of directors today that the Tender Offer Price is a per share value of JPY 1,680 in light of the results of discussions and negotiations with the Target by comprehensively considering factors such as the result of the calculation in the Valuation Report obtained from Mitsubishi UFJ Morgan Stanley Securities, whether the Tender Offer is approved by the board of directors of the Target, examples of premiums that have been provided upon determination of the tender offer price in past tender offers by persons other than an issuer which are similar to the Tender Offer (tender offer by a parent company where its listed subsidiary was to become a wholly-owned subsidiary of the parent company), trends in the market price of the Target Shares, the results of due diligence of the Target conducted from late July to late August 2018, and the prospect of shares being tendered in the Tender Offer.

The per share value of JPY 1,680, which is the Tender Offer Price, is an amount that was calculated by adding a premium of 28.64% to the closing price of the Target Shares of JPY 1,306 on the First Section of the TSE on October 12, 2018, which is the business day immediately preceding the day on which the Tender Offer is publicly announced by the Offeror, a premium of 31.56% on the simple average closing price of JPY 1,277 for the most recent month (September 13, 2018 to October 12, 2018), a premium of 39.19% on the simple average closing price of JPY 1,207 for the most recent three months (July 13, 2018 to October 12, 2018), and a premium of 39.77% on the simple average closing price of JPY 1,202 for the most recent six months (April 13, 2018 to October 12, 2018).

(ii) *Background of the Calculation*

(Background Leading to Determination of the Tender Offer Price)

NTT determined that it would be desirable to make the Target a direct or indirect wholly-owned subsidiary of NTT, and it started considering the Transaction from early May 2018. In early July 2018, NTT appointed Mitsubishi UFJ Morgan Stanley Securities as its financial advisor and third-party valuation agent, which is independent from the Offerors and the Target, and Mori Hamada & Matsumoto as its legal advisor and NTT made an initial request to the Target stating that it would like to consider and discuss the Transaction. Following that, NTT commenced due diligence of the Target with the approval of the Target from late July 2018, and it completed that due diligence in late August 2018. NTT and the Target have had multiple discussions and deliberations since early September 2018 on measures to improve the corporate value of both companies such as strengthening the Urban Solutions Business and streamlining their management by promoting further group management, as well as the purpose of the Transaction, the management system and policy after the Transaction, and the conditions of the Transaction.

As a result, NTT concluded at the board of directors meeting held today that making the Target a wholly-owned subsidiary of the Offerors is the best way to improve the corporate value of the entire NTT Group, and it decided to execute a series of transactions for the purpose of making the Target a wholly-owned subsidiary of the Offeror by the Offeror acquiring all of the Target Shares (excluding the Target Shares Held by the Parent Company of the Offeror and the Target's treasury shares owned by the Target), and on the same date, the Offeror decided to conduct the Tender Offer.

The Offerors also determined the Tender Offer Price based on the following background.

- i) Name of the Third Party from Which an Opinion was Obtained upon Calculation of the Tender Offer Price

To ensure fairness in the Tender Offer Price, in the course of determining the Tender Offer Price, NTT requested Mitsubishi UFJ Morgan Stanley Securities, which is NTT's financial advisor, to analyze the share value of the Target as a third-party valuation agent that is independent from the Offerors and the Target, and NTT obtained from Mitsubishi UFJ Morgan Stanley Securities the Valuation Report on October 12, 2018. Mitsubishi UFJ Morgan Stanley Securities is not a related party of the Offerors or the Target and does not have any material interest in the Tender Offer.

- ii) Overview of the Opinion

According to the Valuation Report, the methods used and the ranges of the per share value of the Target Shares calculated based on those methods are as follows.

Market share price analysis: JPY 1,202 – JPY 1,306

Comparable companies analysis: JPY 531 – JPY 1,681

DCF Analysis: JPY 1,288 – JPY 1,865

- iii) Background Leading to the Determination of the Tender Offer Price Based on that Opinion

NTT, which is the wholly-owning parent company of the Offeror, ultimately determined by resolution of a meeting of its board of directors today that the Tender Offer Price is a per share value of JPY 1,680 in light of the results of discussions and negotiations with the Target by comprehensively considering factors such as the result of the calculation in the Valuation Report obtained from Mitsubishi UFJ Morgan Stanley Securities, whether the Tender Offer is approved by the board of directors of the Target, examples of premiums that have been provided upon determination of the tender offer price in past tender offers by persons other than an issuer which are similar to the Tender Offer (tender offer by a parent company where its listed subsidiary was to become a wholly-owned subsidiary of the parent company), trends in the market price of the Target Shares, the results of due diligence of the Target conducted from late July to late August 2018, and the prospect of shares being tendered in the Tender Offer.

(Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest)

In light of the fact that the Target is a consolidated subsidiary of NTT, which is the wholly-owning parent company of the Offeror, and the Transaction, which includes an expression of opinion regarding the Tender

Offer, constitutes an important transaction with a controlling shareholder, and the fact that the Offerors have a structural conflict of interests with shareholders of the Target other than NTT, the Offerors and the Target have taken the following measures to ensure fairness in the Tender Offer and avoid any conflict of interest. The measures that have been taken by the Target in the following statements are based on the Target Press Release and explanations from the Target.

Note that although the Offeror has not set a minimum number of Share Certificates, Etc. to be purchased of the so-called “majority of minority” in the Tender Offer, it believes that because the measures set out in (A) through (F) below have been taken by the Offerors and the Target, the interests of the minority shareholders of the Target have been fully considered.

A) Obtaining a Share Valuation Report from an Independent Third-Party Valuation Agent by NTT

To ensure fairness in the Tender Offer Price, in the course of determining the Tender Offer Price, NTT requested Mitsubishi UFJ Morgan Stanley Securities, which is NTT’s financial advisor, to analyze the share value of the Target as a third-party valuation agent that is independent from the Offerors and the Target, and NTT obtained from Mitsubishi UFJ Morgan Stanley Securities the Valuation Report on October 12, 2018. Further, Mitsubishi UFJ Morgan Stanley Securities is not a related party of the Offerors or the Target and does not have any material interest in the Tender Offer. NTT has not obtained a fairness opinion on the Tender Offer Price from Mitsubishi UFJ Morgan Stanley Securities.

For an overview of the Valuation Report, see “Basis of the Calculation” and “(Background Leading to Determination of the Tender Offer Price)” in “Background of the Calculation” above.

B) Obtaining a Share Valuation Report and a Fairness Opinion from an Independent Third-Party Valuation Agent by the Target

According to the Target Press Release, for the purpose of expressing its opinion regarding the Tender Offer, the Target, in order to ensure the fairness in the decision-making process of the Target regarding the Tender Offer Price, the Target requested Nomura Securities, a third-party valuation agent that is independent from the Offerors and the Target, to calculate the value of the Target Shares and to express an opinion that the Tender Offer Price is reasonable from a financial point of view to shareholders of the Target excluding NTT (fairness opinion).

Nomura Securities, a third-party valuation agent, is not a related party of the Offerors or the Target, and has no material interest in the Tender Offer.

Nomura Securities, based on its assessment of valuation methods in the Tender Offer, calculated the value of the Target Shares using (i) the average market price method, since the Target Shares are listed on the First Section of the TSE; (ii) the comparable company method, since there are listed companies for which comparison to the Target is possible, and, accordingly, it is possible to estimate the value of the Target Shares by comparing the Target with those similar companies; and (iii) the DCF Method, in order to reflect the

performance of the Target's future business activities on the valuation. The Target obtained the Target Share Valuation Report from Nomura Securities on October 12, 2018. Further, the Target obtained the opinion that the Tender Offer Price is reasonable from a financial point of view to shareholders of the Target excluding NTT (fairness opinion) from Nomura Securities.

According to Nomura Securities, the methods adopted for the calculation of the value of the Target Shares and the ranges of the per share values of the Target Shares, as calculated under each of the relevant methods, are as follows:

Average market price method: JPY 1,202 – JPY 1,319

Comparable company method: JPY 698 – JPY 1,393

DCF Method: JPY 945 – JPY 1,970

In the average market price method, the calculation base date was set as of October 12, 2018, and the price range of per share value of the Target Shares was calculated to be JPY 1,202 to JPY 1,319 based on the closing price of JPY 1,306 of the Target Shares on the First Section of the TSE on the base date, the simple average closing prices of JPY 1,319 for the most recent five business days, the simple average closing prices of JPY 1,277 for the most recent month, the simple average closing price of JPY 1,207 for the most recent three months and the simple average closing price of JPY 1,202 for the most recent six months.

In the comparable company method, Nomura Securities selected Nomura Real Estate Holdings, Inc., Mitsui Fudosan Co., Ltd, Mitsubishi Estate Co., Ltd, Sumitomo Realty & Development Co., Ltd., Tokyo Tatemono Co., Ltd., Heiwa Real Estate Co., LTD. and Daibiru Corporation as comparable companies, and calculated the value of the Target Shares, applying the multiple of EBITDA to the enterprise value (the “**EBITDA Multiple**”) and the Adjusted Book Value Net Asset Multiples. As a result, the price range of per share value of the Target Shares was calculated to be JPY 698 to JPY 1,393.

In the DCF Method, Nomura Securities, after having considered the reasonable assumptions, including the profit forecast and investment projects based on the business plans prepared by the Target from the fiscal year ending March 31, 2019, to the fiscal year ending March 31, 2023, evaluated the corporate value by discounting the free cash flows that the Target is expected to generate in the future in and after the fiscal year ending March 31, 2019, to the present value by using a certain discount rate in proportion to the business risks. For the discount rate under the said analysis, 2.50% to 3.00% was applied, and, in calculating the eternal values, the exit multiples method and the perpetuity growth method were used, and the EBITDA Multiple was set at 19.0x to 21.0x and the perpetuity growth rate was set at 0.30% to 0.50%. As a result, the price range of per share value of the Target Shares was calculated to be JPY 945 to JPY 1,970.

The financial forecasts on the basis of the Target's business plan, based on which Nomura Securities calculated in the DCF Method, are as follows. The following financial forecasts do not include any fiscal year that are expected significant increase or decrease in profit. Further, the relevant financial forecasts were not prepared based on the assumption that the Transaction would be implemented.

(Unit: JPY million)

	fiscal year ending March 2019	fiscal year ending March 2020	fiscal year ending March 2021	fiscal year ending March 2022	fiscal year ending March 2023
Operating Revenue	168,240	169,638	158,064	159,041	169,275
Operating Income	30,000	30,000	32,005	32,850	34,911
EBITDA	48,260	50,228	53,509	54,614	57,256
Free Cash Flow	▲4,661	▲4,164	▲8,061	▲5,064	11,107

(Note 1) Although the Target Group has decided to voluntarily adopt International Financial Reporting Standards (IFRS) from the fiscal year ending March 2019, the financial forecasts above were prepared based on J GAAP.

(Note 2) As for the main fluctuation factors of free cash flow, it is anticipated that free cash flow will decrease due to increasing in acquisition cost of rental assets in the fiscal year ending March 2019 to March 2022. In fiscal year ending March 2023, it is anticipated that free cash flow will increase due to decreasing in acquisition cost of rental assets.

C) Advice from an Independent Law Office

According to the Target Press Release, the Target, in order to ensure the transparency and rationality in the decision-making process of the board of directors of the Target regarding the Transaction including the Tender Offer, selected TMI Associates as its legal advisor that is independent from the Offerors and the Target and received legal advice on the decision-making method and process and other issues regarding the Transaction including the Tender Offer. TMI Associates is not a related party of the Offerors or the Target, and has no material interest in the Tender Offer.

D) Establishment of a Third-Party Committee that is Independent from the Offerors and the Target

According to the Target Press Release, In light of the fact that the Target is a consolidated subsidiary of NTT, the wholly-owning parent company of the Offeror, and the Transaction including expressing an opinion regarding the Tender Offer falls under “important transactions, etc. with controlling shareholders”, the Target established a third-party committee on August 16, 2018, in order to carefully make decisions regarding the Transaction, to eliminate arbitrariness and concern of conflicts of interest and to ensure the fairness of the decision-making process regarding the Transaction. The third-party committee consists of members who is independent from the Offerors and the Target including outside experts: Akira Komatsu (outside and independent director of the Target), Shiro Tanikawa (outside and independent director of the Target), Eiji Masuda (attorney at Masuda & Partners law office) and Yuji Kato (a certified public accountant and representative director of Eichi Financial Advisory Inc.).

The Target consulted the third-party committee regarding (i) the Reasonableness of the purpose of the Transaction, (ii) the fairness of the terms of the Transaction including the Tender Offer Price, (iii) the sufficiency of consideration to be given to minority shareholders of the Target through the fair process regarding the Transaction, and (iv) whether the Transaction is disadvantageous to the minority shareholders of

the Target based on (i) through (iii) and other factors (collectively, the “**Reference Matters**”).

The third-party committee convened a total of 7 times between August 16, 2018 and October 9, 2018, and carefully discussed and examined the Reference Matters. Specifically, the third-party committee examined required documents including documents received from the Target and NTT, interviewed officers and employees of the Target, Nomura Securities, TMI associates, officers and employees of NTT, Mitsubishi UFJ Morgan Stanley Securities and Mori Hamada & Matsumoto, received explanations on details, backgrounds, circumstances, significance and purposes of the Transaction, details, conditions and future prospectus of the Target’s business, management issues of the Target, detail of business plan of the Target, impact of the Transaction for the Target and measures to ensure fairness and to avoid conflicts of interest taken by the Target and Offerors and held Q&A sessions with them.

The third-party committee also received an explanation from Nomura Securities regarding the process and the results of the calculation of the share value of the Target Shares, an explanation from TMI Associates on the decision-making methods and process of the Target’s board of directors and other issues regarding the decision-making and held Q&A sessions with them.

Under the circumstances above, as a result of discussion with Nomura Securities and TMI Associates and having carefully discussed and examined the Reference Matters, the third-party committee submitted a report to the board of directors of the Target on October 12, 2018 in agreement of all the members on certain conditions such as that information received by the third-party committee are true and accurate, the Transaction including the Tender Offer is lawful and the matters concerning the procedure regarding the Transaction which was explained as being scheduled will be implemented as explained. The overview of the Report is as follows.

(a) Reasonableness of Purpose of Transaction

The measures specifically listed by the Offerors can be recognized to enable the Target to secure the opportunity to acquire land for business, to strengthen its revenue base by promoting high value-added development without regard to the existing business framework and to contribute promotion of the NTT Group CRE. Therefore, it can be said that those measures suit their purpose regarding management issues of the Target. In addition, the Transaction can be recognized to have a possibility of creating business synergies with the NTT Group involves, which is not easy for the Target to realize alone without the Transaction, such as creation of business opportunities by securing the opportunity to acquire land for business owned by the NTT Group and expansion of the business area by actively utilizing the resources related to buildings and energy owned by NTT FACILITIES. Based on the above, it can be said that the Transaction contributes to the solution of management issues of the Target. Between NTT and the Target, there is no discrepancy in the recognition regarding the importance and various merits of strengthening group alliance more than ever by making the Target a wholly-owned subsidiary of the Offeror and centralizing and streamlining decision making in the group management strategy, and the content of their recognition is considered generally reasonable. Therefore, it can be recognized that there is the necessity to make the Target a wholly-owned subsidiary of the Offeror in order to solve management issues of the Target more effectively. In addition, in light of the fact that, due to the nature of disadvantages arising from the Target becoming a wholly-owned subsidiary of the Offerors, there is a possibility to overcome the disadvantages by various corporate efforts future by the Target, disadvantages arising from the Target becoming delisted is not considered to exceed merit

arising from the Target becoming a wholly-owned subsidiary of the Offerors. Furthermore, regarding the timing of the Transaction, the transaction can be recognized to be reasonable and suitable for the time, and regarding the influence of the Transaction on employee of the Target, the Transaction can be recognized to have positive significance for employees of the Target.

In the Transaction, it is scheduled to squeeze-out minority shareholders of the Target. In executing the measures scheduled after the Transaction, upfront investments that do not necessarily lead to maximizing the profits of the Target in the short term might arise and it might be necessary to swiftly carry out measures such as a concentration of the assets of the entire NTT Group, which would lead to a temporary cost increase, and although those measures will become necessary from the perspective of the medium- to long-term growth of the Target and the entire NTT Group including the Target Group, it will be difficult to implement those measures while the Target is still a listed company because those measures may harm the interests of existing shareholders of the Target in the short term. Based on the above and other factors, in case where the Offerors do not make the Target a wholly-owned subsidiary, there is a possibility that pursuit of short-term profits is prioritized rather than executing measures from the medium- to long-term perspective and it may hinder the executing measures that will contribute to the solution of management issues of the Target. In addition, in case where the Target executes those measures without the Offerors making the Target a wholly-owned subsidiary, it may result that the minority shareholders of the Target will bear the risk of stock price fluctuation arising from a decline in profits or temporary deterioration of business results of the Target. Therefore, the Transaction has a significance to increase the feasibility of executing measures scheduled after the Transaction and to prevent the minority shareholders of the Target from burdening the risk of stock price fluctuation, in this respect, it can be recognized that there is the necessity to make the Target a wholly-owned subsidiary of the Offerors and the Transaction contributes to increasing the corporate value of the Target. In addition to the above, in light of the fact that there are no factors to base any unfairness on the reason for executing the Transaction, in relation to minority shareholders of the Target, the purpose of the Transaction can be recognized legitimate.

As stated above, since the Transaction can be recognized to contribute to increasing the corporate value of the Target and, in relation to minority shareholders of the Target, the purpose of the Transaction can be recognized legitimate, it can be said that the purpose of the Transaction is reasonable.

(b) Fairness of the terms of the tender offer (including the Tender Offer Price) in the Transaction

The Tender Offer can be recognized to have adopted measures to ensure an objective status to secure the adequacy of the tender offer price, such as establishing the purchasing period of 30 business days, which is a relatively longer period than the minimum period of 20 business days that is established by the laws and regulations. In addition, according to the calculation results of the Target's share value by Nomura Securities, the Tender Offer Price is recognized to be a price within the range of the calculation result by the DCF Method (the perpetuity growth method and the exit multiples method), and exceeds the upper limit of the calculation result by the average market price method and the comparable company method. Furthermore, the Target can be recognized to have considered the reasonableness of the Tender Offer Price from the perspective of placing importance on protecting the interests of the minority shareholders of the Target and other matters, and engaged in negotiations with NTT, while taking into account the opinion of Nomura Securities, and it can be recognized that a premium has been ensured for the Tender Offer Price of the Transaction that compares favorably even when compared to the proportion of the premiums that have been attached in recent similar tender offers (tender offers by a consolidated parent company for the purpose of making its listed consolidated subsidiary a wholly-owned subsidiary disclosed in the past 3 years). Therefore, it can be said that fairness has been ensured in the formation process of the Tender Offer Price, and by taking into account

that the Target obtained an opinion regarding the reasonableness of the tender offer price (fairness opinion) from Nomura Securities, the reasonableness and validity of The Tender Offer Price can be recognized. In addition, consideration of the same amount as the Tender Offer Price will be delivered to shareholders of the Target who do not tender in the Tender Offer upon the Share Cash-Out Demand or the Share Consolidation after the Tender Offer, and in light of such effect being scheduled to be disclosed by the disclosure materials and the purchasing period being set for a relatively longer period of time, nothing unfair can be seen in the terms of the Tender Offer besides the Tender Offer Price.

Based on the above, it is recognized that fairness is ensured in the terms of the Transaction (including the Tender Offer Price), which includes the Tender Offer.

(c) Fairness of procedures in the Transaction

In light of (i) a disclosure that can be recognized to be sufficient in regards to the process leading up to the execution of the Transaction, being scheduled to be made, (ii) the Share Cash-Out Demand or the Share Consolidation being adopted for the Squeeze-out Procedures after the Tender Offer and the right to make a demand to the Target to purchase at a fair price and the right to file a petition to the court for a determination of the purchase price being entitled to shareholders of the Target, and (iii) the same price as the Tender Offer Price becoming the standard for the consideration delivered upon the Share Cash-Out Demand or the Share Consolidation, and that effect is scheduled to be disclosed by the disclosure materials, it can be recognized that measures to ensure opportunities for shareholders of the Target to make adequate determinations have been adopted. In addition, in light of (i) the third-party committee's report and result that are expected to be given serious consideration, (ii) a resolution by the approval of all of the directors excluding Masahiro Kajiwara, who is a director with special interest (and the expression of an opinion that there is no objection by all of the auditors excluding Takeshi Arimoto, who is concurrently a corporate officer of the purchaser) being scheduled to be made at the board of directors meeting scheduled to be held on October 15, 2018, (iii) independent advice regarding the decision-making process and decision-making methods, etc. for the Transaction having been obtained from TMI Associates, and (iv) the Target Share Valuation Report and an opinion regarding the reasonableness of the Tender Offer Price (fairness opinion) having been obtained from Nomura Securities, which is a third-party valuation agent that is independent, measures to eliminate arbitrariness can be recognized to have been used in the decision-making process. Furthermore, the period for the Tender Offer (the "**Tender Offer Period**") has been set to be a relatively longer period, and even if competing offerors actually appear, since the fact that an agreement or the like that restricts such competing offerors from making contact, etc. with the Target cannot be recognized, measures to ensure objective conditions to secure the adequacy of the price are recognized to have been taken.

Based on the above, it can be recognized that sufficient consideration has been given to the interests of shareholders of the Target through fair procedures, since, in the Transaction, which includes the Tender Offer, the Target's arbitrariness can be recognized to have been sufficiently eliminated by adopting various measures, and opportunities for adequate determinations have been ensured for shareholders of the Target.

(d) Whether the Transaction is disadvantageous to the minority shareholders of the Target

In light of it being recognized that the purpose of the Transaction is reasonable and that sufficient consideration can be recognized for the interests of shareholders of the Target through the ensuring of fairness of the terms of the tender offer of the Transaction and fair procedures, as stated in (a) to (c) above, the Transaction, which includes the Tender Offer, can be recognized to not be disadvantageous to the minority shareholders of the Target.

- E) Approval of all Directors who do not have an Interest in the Target and Opinion by all Corporate Auditors who do not have an Interest that there is no Objection

According to the Target Press Release, at the meeting of the board of directors held today, all the directors other than Masahiro Kajiwara of 14 directors (including 2 outside directors) of the Target participated in the deliberations and resolutions and the Target resolved unanimously by all the directors participated in the resolutions to express an opinion supporting the Tender Offer and to recommend the shareholders of the Target to tender in the Tender Offer based on the grounds and reasons set out in “Background Leading to the Decision to Implement the Tender Offer and Purpose and Decision-Making Process of the Tender Offer” in “(2) Background Leading to the Decision to Implement the Tender Offer, Purpose and Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer” in “1 Purpose of the Tender Offer” above.

Further, at the aforementioned meeting of the board of directors, 3 company auditors other than Takeshi Arimoto of 4 company auditors (including 3 outside company auditors) of the Target participated in deliberations, and all of those company auditors stated that they had no objection to expressing an opinion supporting the Tender Offer and recommending the shareholders of the Target to tender in the Tender Offer by the Target’s board of directors.

For avoiding a suspicion of conflicts of interest, Masahiro Kajiwara, who serves concurrently as an employee of NTT, the wholly-owning parent company of the Offeror, did not participate in the deliberations and resolutions regarding the Tender Offer at the aforementioned meeting of the board of directors, nor did he participate in examination of the Transaction and discussions and negotiations with the Offerors on behalf of the Target.

Also, for avoiding a suspicion of conflicts of interest, Takeshi Arimoto, who serves concurrently as an employee of NTT, the wholly-owning parent company of the Offeror, did not participate in the deliberations regarding the Tender Offer at the aforementioned meeting of the board of directors.

- F) Measures to Ensure an Opportunity to Purchases by Other Purchasers

While the statutory requirement of the tender offer period is 20 business days at minimum, the Offeror will set the Tender Offer Period as 30 business days. By setting a relatively long tender offer period, the Offeror intends to ensure the fairness of the Tender Offer Price by providing the shareholders of the Target with an opportunity to properly determine whether to tender their shares in the Tender Offer and also by providing an opportunity for a third party other than the Offeror to purchase the Target Shares.

In addition, the Offerors and the Target have not entered into any agreement that would restrict competing offerors from contacting the Target such as an agreement with a deal protection provision that prohibits the Target from contacting competing offerors. In this way, the Offerors are giving consideration to securing fairness in the Tender Offer by setting the above tender offer period and ensuring an opportunity for competing offers.

(iii) *Relationship with the Valuation Agent*

Mitsubishi UFJ Morgan Stanley Securities, which is the financial advisor (valuation agent) of NTT, which is the wholly-owning parent company of the Offeror, is not a related party of the Offerors or the Target and does not have any material interest in the Transaction including the Tender Offer.

(5) Number of Share Certificates, Etc. to Be Purchased

Number of Share Certificates, Etc. to be Purchased	Minimum Number of Share Certificates, Etc. to be Purchased	Maximum Number of Share Certificates, Etc. to be Purchased
107,638,423 (shares)	— (shares)	— (shares)

(Note 1) No minimum or maximum number of Share Certificates, Etc. to be purchased has been set in the Tender Offer, so the Offeror will purchase all of the Tendered Share Certificates, Etc. The number of Share Certificates, Etc. to be purchased sets out the maximum number of Share Certificates, Etc. of the Target to be acquired by the Offeror in the Tender Offer (107,638,423 shares). That maximum number of share certificates is the number of shares (107,638,423 shares) obtained by deducting the number of Target's treasury shares owned by the Target as of June 30, 2018 set out in the Target's Summary of Accounts (77 shares) and the number of the Target Shares Held by the Parent Company of the Offeror (221,481,500 shares) from the total number of issued shares as of August 6, 2018 set out in the Target's Quarterly Securities Report (329,120,000 shares).

(Note 2) Shares less than one unit are also eligible for the Tender Offer. In addition, the Target will purchase shares of the Target during the Tender Offer Period in accordance with procedures set out in laws and regulations if a shareholder exercises its right to request the purchase of shares less than one unit in accordance with the Companies Act.

(Note 3) The Offeror does not intend to acquire the Target's treasury shares owned by the Target through the Tender Offer.

(6) Changes in Ownership of Share Certificates, Etc. due to the Tender Offer

Number of voting rights represented by Share Certificates, Etc. held by the Offeror before the Tender Offer	— voting rights	(Ratio of ownership of Share Certificates, Etc. of —% before the Tender Offer)
Number of voting rights represented by Share Certificates, Etc. held by specially related parties before the Tender Offer	2,214,815 voting rights	(Ratio of ownership of Share Certificates, Etc. of 67.30% before the Tender Offer)
Number of voting rights represented by Share Certificates, Etc. held by the Offeror after the Tender Offer	1,076,384 voting rights	(Ratio of ownership of Share Certificates, Etc. of 32.70% after the Tender Offer)
Number of voting rights represented by Share Certificates, Etc. held by specially related parties after the	2,214,815 voting rights	(Ratio of ownership of Share Certificates, Etc. of 67.30% after the Tender Offer)

Tender Offer		
Number of voting rights of all of the shareholders of the Target	3,291,145 voting rights	

(Note 1) “Number of voting rights represented by Share Certificates, Etc. held by the Offeror after the Tender Offer” sets out the number of voting rights pertaining to the number of Share Certificates, Etc. to be purchased in the Tender Offer (107,638,423 shares).

(Note 2) The “Number of voting rights of all of the shareholders of the Target” is the number of voting rights of all shareholders set out in the Target’s Quarterly Securities Report. However, given that shares less than one unit are also to be purchased in the Tender Offer, in the calculation of the “ownership ratio of Share Certificates, Etc. before the Tender Offer” and the “ownership ratio of Share Certificates, Etc. after the Tender Offer”, the number of voting rights (3,291,199 voting rights) pertaining to the number of shares (329,119,923 shares) obtained by deducting the number of shares owned by the Target as of June 30, 2018 set out in the Target’s Summary of Accounts (77 shares) from the total number of issued shares as of August 6, 2018 set out in the Target’s Quarterly Securities Report (329,120,000 shares) was used as the “Number of voting rights of all of the shareholders of the Target.”

(Note 3) The figures in the “ownership ratio of Share Certificates, Etc. before the Tender Offer” and the “ownership ratio of Share Certificates, Etc. after the Tender Offer” are rounded to two decimal places.

(7) Purchase Price: JPY 180,832,550,640

(Note) The purchase price is an amount obtained by multiplying the Tender Offer Price (JPY 1,680 per share) by the number of shares to be purchased in the Tender Offer (107,638,423 shares).

(8) Method of Settlement

(i) *Name and Location of Head Office of Financial Instruments Business Operator or Bank, etc. in Charge of Settlement of the Tender Offer*

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., 2-5-2 Marunouchi, Chiyoda-ku, Tokyo

kabu.com Securities Co., Ltd. (subagent), 1-3-2 Otemachi, Chiyoda-ku, Tokyo

(ii) *Commencement Date of the Settlement*

December 4, 2018 (Tuesday)

(iii) *Method of Settlement*

A written notice of the purchase is to be sent to the address or location of each Tendering Shareholder (in the case of a foreign shareholder, its standing proxy) without delay after the completion of the Tender Offer Period. Delivery by the subagent is to be made by electronic or magnetic means via the screen after logging in.

The purchases are to be made in cash. The sale proceeds pertaining to the Share Certificates, Etc. that have been purchased are to be remitted from the tender offer agent or the subagent to a location specified by each Tendering Shareholder (in the case of a foreign shareholder, its standing proxy) without delay after the

commencement date of the settlement as instructed by the Tendering Shareholder (in the case of a foreign shareholder, its standing proxy).

(iv) *Method of Returning Share Certificates, Etc.*

If all of the Tendered Share Certificates, Etc. are not purchased under the conditions set out in “(ii) Conditions for Withdrawal of the Tender Offer, Details Thereof and Method of Disclosing the Withdrawal” in “(9) Other Conditions and Methods of the Tender Offer” below, the Share Certificates, Etc. that are to be returned will be returned by restoring the record to the status immediately preceding the tendering of those Share Certificates, Etc. promptly after the day that is two business days after the last day of the Tender Offer Period (if the Tender Offer has been withdrawn, the date of that withdrawal).

(9) Other Conditions and Methods of the Tender Offer

(i) *Conditions Listed in the Items of Article 27-13, Paragraph (4) of the Act and the Details of Those Conditions*

Because no minimum or maximum number of Share Certificates, Etc. to be purchased has been set in the Tender Offer, the Offeror will purchase all of the Tendered Share Certificates, Etc.

(ii) *Conditions for Withdrawal of the Tender Offer, Details Thereof and Method of Disclosing the Withdrawal*

Upon the occurrence of any event falling under the provisions of Article 14, paragraph (1), item (i), subitems (a) through (i) and subitems (l) through (r), item (iii), subitems (a) through (h) and subitem (j), and Article 14, paragraph (2), items (iii) through (vi) of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965 (as amended); the **Order**”), the Offeror may withdraw the Tender Offer. In the Tender Offer, “facts equivalent to those set forth in (a) through (i)” prescribed in Article 14, paragraph (1), item (iii), subitem (j) of the Order means (i) where it is discovered that there is a false statement about a material particular or an omission of a statement about a material particular that is required to be stated with respect to any statutory disclosure documents submitted by the Target in the past, and the Offeror does not know about that false statement or omission, or could not become aware of that false statement or omission despite having used reasonable care, and (ii) where an event listed in subitems (a) through (g) of that item occurs with respect to a major subsidiary of the Target.

If the Offeror decides to withdraw the Tender Offer, the Offeror will make a public notice electronically and publish a notice in the *Nihon Keizai Shimbun*. However, if it is difficult to make a public notice by the final day of the Tender Offer Period, the Offeror will make an announcement by the method prescribed in Article 20 of the Cabinet Office Order on Disclosure Required for Tender Offer for Share Certificates by Persons Other Than Issuers (Ministry of Finance Order No. 38 of 1990 (as amended); the “**Cabinet Office Order**”) and thereafter give public notice without delay.

(iii) *Conditions for Reducing the Tender Offer Price, Details thereof and Method of Disclosing the Reduction*

If the Target conducts any act prescribed in Article 13, paragraph (1) of the Order during the Tender Offer Period, the purchase price may be reduced in accordance with the standards prescribed in Article 19, paragraph (1) of the Cabinet Office Order pursuant to the provisions of Article 27-6, paragraph (1), item (i) of the Act.

If the Offeror decides to reduce the purchase price, the Offeror will make a public notice electronically and publish a notice in the *Nihon Keizai Shimbun*. However, if it is difficult to make a public notice by the final day of the Tender Offer Period, the Offeror will make an announcement by the method prescribed in Article 20 of the Cabinet Office Order and thereafter give public notice without delay.

If the purchase price is reduced, the Tendered Share Certificates, Etc. that were tendered before the date of that public notice will also be purchased at the reduced purchase price.

(iv) *Matters concerning the Tendering Shareholders' Rights to Cancel Agreements*

Any Tendering Shareholder may cancel any agreement relating to the Tender Offer at any time during the Tender Offer Period. If an agreement is to be cancelled through the tender offer agent, the relevant Tendering Shareholder is to deliver or send a Tender Offer Application Receipt and a document stating that the agreement pertaining to the Tender Offer will be cancelled (the “**Cancellation Documents**”) to the head office or any branch in Japan of the tender offer agent that received an application of tender no later than 16:00 on the last day of the Tender Offer Period. The cancellation of the agreement will take effect when the Cancellation Documents have been delivered or have reached the person specified below. However, if the Cancellation Documents are sent, they must reach the person specified below no later than 16:00 on the last day of the Tender Offer Period. If an agreement that was tendered through kabu.com Securities Co., Ltd., which is the subagent, is to be cancelled, please conduct cancellation procedures no later than 16:00 on the last day of the Tender Offer Period via the screen after logging in by the method set out on the “Tender Offer (TOB)” page (<https://kabu.com/item/tob/>) on that company’s website (<https://kabu.com/>).

Person with authority to receive the Cancellation Documents

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

2-5-2 Marunouchi, Chiyoda-ku, Tokyo

(or any branch in Japan of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)

The Offeror will not make any claim for damages or the payment of a penalty to a Tendering Shareholder in connection with the cancellation of an agreement by that Tendering Shareholder. In addition, the Offeror will bear the costs of returning the Tendered Share Certificates, Etc.

If a request for cancellation is submitted, the Tendered Share Certificates, Etc. will be returned by the method set out in “(iv) Method of Returning Share Certificates, Etc.” in “(8) Method of Settlement” above promptly after completion of the procedures .

(v) *Method of Disclosure if Conditions, etc., of the Tender Offer are Changed*

The Offeror may change the conditions of the Tender Offer during the Tender Offer Period, except for any change prohibited by Article 27-6, paragraph (1) of the Act or Article 13 of the Order.

If the Offeror intends to change the Tender Offer conditions, etc., the Offeror will make a public notice electronically and publish a notice in the *Nihon Keizai Shimbun* detailing those changes. However, if it is difficult to make a public notice by the final day of the Tender Offer Period, the Offeror will make an announcement by the method prescribed in Article 20 of the Cabinet Office Order and thereafter give public

notice without delay.

If the Tender Offer conditions, etc., are changed, the Tendered Share Certificates, Etc. that were tendered before the date of that public notice will also be purchased under those changed conditions.

(vi) *Method of Disclosure When Submitting an Amended Statement*

If an amended statement is submitted to the Director-General of the Kanto Local Finance Bureau (excluding the case prescribed in the proviso of Article 27-8, paragraph (11) of the Act), the Offeror will immediately announce the details set out in that amended statement that relate to the contents of the public notice of the commencement of the Tender Offer by the method prescribed in Article 20 of the Cabinet Office Order. The Offeror will also immediately amend the tender offer explanation and deliver the amended tender offer explanation to each Tendering Shareholder that has received a tender offer explanation. However, if an amendment is only minor in nature, the Offeror will prepare a document stating the reasons for that amendment, the items that have been amended and the amended contents, and deliver that document to the Tendering Shareholders.

(vii) *Method of Disclosing the Results of the Tender Offer*

The Offeror will publicly announce the results of the Tender Offer the day immediately following the last day of the Tender Offer Period, in accordance with the provisions of Article 9-4 of the Order and Article 30-2 of the Cabinet Office Order.

(10) Date of Public Notice of Commencement of the Tender Offer

October 16, 2018 (Tuesday)

(11) Tender Offer Agent

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. 2-5-2 Marunouchi, Chiyoda-ku, Tokyo

kabu.com Securities Co., Ltd. (subagent) 1-3-2 Otemachi, Chiyoda-ku, Tokyo

3. Policy after the Tender Offer and Future Outlook

See “(2) Background Leading to the Decision to Implement the Tender Offer, Purpose and Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer,” “(5) Policy of Restructuring, Etc. after the Tender Offer (Matters Concerning So-Called Two-Step Acquisition),” and “(6) Likelihood of Delisting and Reasons for that Delisting” in “1 Purpose of the Tender Offer” above.

4. Other Matters

(1) Agreements between the Offeror and the Target or its Officers, and the Terms Thereof

(i) *Agreements Between the Offeror and the Target*

According to the Target Press Release, at the meeting of its board of directors held today, the Target expressed

an opinion endorsing the Tender Offer and resolved to recommend the Tender Offer to the Target's shareholders.

For details of the above resolution of the board of directors of the Target, see the Target Press Release and "E) Approval of all Directors who do not have an Interest in the Target and Opinion by all Corporate Auditors who do not have an Interest that there is no Objection" in "(Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest)" in "(ii) Background of the Calculation" in "(4) Basis of Calculation of the Tender Offer Price" in "2 Overview of the Tender Offer" above.

(ii) *Agreements Between the Offeror and Officers of the Target*

There are no applicable matters.

(iii) *Background Leading to the Decision to Implement the Tender Offer, Purpose and Decision-Making Process of the Tender Offer, and Management Policy After the Tender Offer*

See "(2) Background Leading to the Decision to Implement the Tender Offer, Purpose and Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer" in "1 Purpose of the Tender Offer" above.

(iv) *Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest*

For details of the above, see "(Measures to Ensure Fairness in the Tender Offer Such as Measures to Ensure Fairness in the Tender Offer Price and Measures to Avoid Conflicts of Interest)" in "(ii) Background of the Calculation" in "(4) Basis of Calculation of the Tender Offer Price" in "2 Overview of the Tender Offer" above.

(2) Other Information Necessary for Investors to Decide whether to Accept the Tender Offer

Not applicable

5. Overview of NTT-SH Corporation

Location	1-5-1 Otemachi, Chiyoda-ku, Tokyo
Name and title of representative	Katsumi Kuroda, President and Representative Director
Description of business	Holding and managing the Target Shares
Stated Capital	JPY 3 million

End

<Inquiries regarding this matter>

For further inquiries, please contact:

Takumi Matsumoto or Takayuki Kimura
Investor Relations Office
Finance and Accounting Department
Nippon Telegraph and Telephone Corporation
TEL: +81-3-6838-5481

This press release is to announce the Tender Offer to the public and has not been prepared for the purpose of soliciting an offer to sell shares. If shareholders wish to make an offer to sell their shares, they should first read the Tender Offer Explanatory Statement for the Tender Offer and make their own independent decision. This press release does not constitute, nor form part of, any offer to sell, solicitation of a sale of, or any solicitation of any offer to buy, any securities. In addition, neither this press release (or any part of it) nor the fact of its distribution shall form the basis of or be relied on in connection with any agreement thereof.

Although the Tender Offer will be conducted in accordance with the procedures and information disclosure standards prescribed in the Financial Instruments and Exchange Act, these procedures and standards may differ from the procedures and information disclosure standards in the United States. In particular, Sections 13(e) and 14(d) of the U.S. Securities Exchange Act of 1934 (as amended, the "U.S. Securities Exchange Act of 1934"), and the rules prescribed thereunder do not apply to the Tender Offer, and the Tender Offer does not conform to those procedures and standards. The financial information contained in this press release may not necessarily be comparable to the financial statements of U.S. companies. It may be difficult to enforce any right or claim arising under U.S. federal securities laws because the Offeror and the Company are incorporated outside the United States and their directors are non-U.S. residents. Shareholders may not be able to sue a company outside the United States and its directors in a non-U.S. court for violations of the U.S. securities laws. Furthermore, there is no guarantee that shareholders will be able to compel a company outside the United States or its subsidiaries and affiliates to subject themselves to the jurisdiction of a U.S. court.

Unless otherwise specified, all procedures relating to the Tender Offer shall be conducted entirely in Japanese. While some or all of the documentation relating to the Tender Offer will be prepared in English, if there is any inconsistency between the English documentation and the Japanese documentation, the Japanese documentation will prevail.

This press release contains "forward-looking statements" as defined in Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934. Known or unknown risks, uncertainties and other factors could cause actual results to differ substantially from the projections and other matters expressly or impliedly set forth herein as "forward-looking statements." None of the Offeror, the Company or any of their respective affiliates assures that such express or implied projections set forth herein as "forward-looking statements" will eventually prove to be correct. The "forward-looking statements" contained in this press release have been prepared based on the information held by the Offeror and the Company as of the date hereof and, unless otherwise required under applicable laws and regulations, none of the Offeror, the Company or any of their respective affiliates assumes any obligation to update or revise this press release to reflect any future events or circumstances.

Some countries or regions may impose restrictions on the announcement, issue or distribution of this press release. In such cases, please take note of such restrictions and comply with them. In countries or regions where the implementation of the Tender Offer is illegal, even upon receiving this press release, such receipt shall not constitute a solicitation of an offer to sell or an offer to buy shares relating to the Tender Offer and shall be deemed a distribution of materials for informative purposes only.

Each of the financial advisors (including their affiliates) to the Offeror and the Company may, in its ordinary course of business, purchase shares in the Company for its own account or for the account of its clients prior to the Tender Offer or during the Tender Offer Period outside the Tender Offer in accordance with the requirements of Rule 14e-5(b) of the U.S. Securities Exchange Act of 1934 or take actions for such purchase to the extent permitted by financial instruments and exchange related laws and regulations and other applicable laws and regulations of Japan. If any information concerning such purchase is disclosed in Japan, the relevant financial advisor will disclose such information on its English website (or by any other means of public disclosure).