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Document submitted	Extraordinary Report
Destination	Director General of Kanto Finance Bureau
Date of submission	December 17, 2018
Corporate name	NTT URBAN DEVELOPMENT CORPORATION
Name and title of representative	Hiroshi Nakagawa, President and Chief Executive Officer
Address of home office	4-14-1 Sotokanda, Chiyoda-ku, Tokyo
Telephone number	+81-3-6811-6300 (Representative)
Contact person	Hideyuki Yamasawa, Executive Vice President, Corporate Strategy Department
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Contact person	Hideyuki Yamasawa, Executive Vice President, Corporate Strategy Department
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Kabutocho, Nihonbashi, Chuo-ku, Tokyo)

1. Reason for Submission

NTT Urban Development Corporation (the “Company”) received from NTT-SH Corporation (“NTT-SH” or the “Special Controlling Shareholder”), which is a special controlling shareholder provided for in the provisions of Article 179, paragraph 1 of the Companies Act (Act No. 86 of 2005, as amended, hereinafter the same), a notice to make a demand for share cash-out (the “Share Cash-Out Demand”) under the provisions of Article 179-3, paragraph 1 of the Companies Act. In response to receiving that notice, the Company resolved, at the meeting of the board of directors held on December 17, 2018, to approve the Share Cash-Out Demand. Therefore, the Company submits this report based on Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, item 4-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs.

2. Details of Report

1. Matters related to Notice regarding the Share Cash-Out Demand

(1) Date of the Notice

December 17, 2018

(2) Name, Address and Name of Representative of the Special Controlling Shareholder

Name	NTT-SH Corporation
Address	1-5-1 Otemachi, Chiyoda-ku, Tokyo
Name of representative	Katsumi Kuroda

(3) Details of the Notice regarding the Share Cash-Out Demand

The Company, as of December 17, 2018, received from NTT-SH a notice to make a demand to all of the shareholders of the Company (excluding NTT-SH and the Company) (the “Shareholders Subject to the Cash-Out”) to sell all of common shares of the Company (the “Company Shares”) they hold (the “Shares Subject to the Cash-Out”) under the provisions of Article 179-3, paragraph 1 of the Companies Act. The details of the notice are as follows.

- a. When choosing not to make a demand for share cash-out to a wholly-owned subsidiary of the special controlling shareholder, to that effect and the name of such wholly-owned subsidiary of the special controlling shareholder (Article 179-2, Paragraph 1, Item 1 of the Companies Act)
Not applicable.

- b. Matters related to the amount and allotment of money to be delivered to the Shareholders Subject to the Cash-Out as the consideration for the Shares Subject to the Cash-Out (Article 179-2, Paragraph 1, Item 2 and 3 of the Companies Act)

NTT-SH will pay JPY 1,680 per share of the Shares Subject to the Cash-Out to the Shareholders Subject to the Cash-Out as the consideration for the Shares Subject to the Cash-Out (the “Cash-Out Consideration”).

- c. Matters related to a Demand for share option cash-out (Article 179-2, Paragraph 1, Item 4 of the Companies Act)

Not applicable.

- d. Date of acquiring the Shares Subject to the Cash-Out by NTT-SH (the “Acquisition Date”) (Article 179-2, Paragraph 1, Item 5 of the Companies Act)

January 11, 2019

- e. The means to secure funds for payment of the Cash-Out Consideration (Article 179-2, Paragraph 1, Item 6 of the Companies Act, Article 33-5, Paragraph 1, Item 1 of the Ordinance for Enforcement of the Companies Act)

NTT-SH will pay the Cash-Out Consideration with cash or deposits it holds. NTT-SH has bank deposits equivalent to the amount of funds to pay for the Cash-Out Consideration as of December 17, 2018. Furthermore, there are no events which affect the payment of the Cash-Out Consideration, and NTT-SH does not currently recognize any possibility that such events will occur in the future.

- f. Other transaction terms concerning the Share Cash-Out Demand (Article 179-2, Paragraph 1, Item 6 of the Companies Act, and Article 33-5, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Companies Act)

The Cash-Out Consideration will be delivered, during a reasonable period after the Acquisition Date, pursuant to the method of delivering dividend by the Company at the address of the Shareholders Subject to the Cash-Out which is listed or recorded in the shareholder registry as of the last time of the day before the Acquisition Date or at the location designated by Shareholders Subject to the Cash-Out to the Company. However, if the delivery by this method can not be performed, at the location of the head office of the Company and in accordance with the method designated by the Company (when there are other locations and methods designated by NTT-SH for the delivery of the Cash-Out Consideration, at such the location and by such method), the payment of the Cash-Out Consideration to the Shareholders Subject to the Cash-Out will be delivered.

2. Matters related to Decision to Approve the Share Cash-Out Demand

(1) Date of the Notice

December 17, 2018

(2) Date of the Decision

December 17, 2018

(3) Details of the Decision

The Company approves the Share Cash-Out Demand as of the notice received from NTT-SH.

(4) Reasons for and Course of the Decision

As stated in “(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” in the opinion statement regarding the tender offer (the “Opinion Statement Regarding the Tender Offer”), which is submitted by the Company as of October 16, 2018 regarding the tender offer commenced on October 16, 2018 by NTT-SH (the “Tender Offer”), the Share Cash-Out Demand will be conducted as a part of series of transaction for the purpose of making the Company a wholly-owned subsidiary of NTT-SH by acquiring all of the Company Shares (excluding the Company Shares held by NTT-SH and the Company’s treasury shares owned by the Company) (the “Transaction”), therefore the Cash-Out Consideration is set to the price equal to the purchase price per share of the Company Shares in the Tender Offer (the “Tender Offer Price”).

As stated in “C. Course of Decision-Making of the Company” 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” in the Opinion Statement Regarding the Tender Offer, at the stage of further strengthening the growth strategy mainly supported by NTT Group CRE (utilization of real estate owned by the NTT Group), the Company believes that promoting business as a wholly-owned subsidiary of NTT and NTT-SH, which is a wholly-owned subsidiary of NTT (collectively, “NTTs”) 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 (Information and Communication Technology), 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, INC. ("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 1) and PFI (See Note 2) 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 1) Scheme in which the public sector and the private sector cooperate to provide public services

(Note 2) 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 NTTs, 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 NTTs 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 among the calculation results for the share value of the Company Shares by Nomura Securities Co.,Ltd. (“Nomura Securities”) set out in “*b. Overview of Calculation*” in “(3) Matters Regarding Calculation” in “3. Details and Grounds and Reasons for, the Opinion Regarding the Tender Offer” in the Opinion Statement Regarding the Tender Offer 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 Tokyo Stock Exchange Inc. 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” in “3. Details and Grounds and Reasons for, the Opinion Regarding the Tender Offer” in the Opinion Statement Regarding the Tender Offer 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 on October 15, 2018 to express an opinion supporting the Tender Offer and to recommend the shareholders of the Company to tender in the Tender Offer.

Thereafter, the Company, as of November 28, received from NTT-SH a report on the result of the Tender Offer that 91,854,482 shares of the Company Shares were tendered in the Tender Offer and that all of those shares would be acquired by NTT-SH. As a result of that, the Ownership Ratio of Voting Rights (Note) of the Company Shares owned by NTT-SH became 27.91% as of December 4, 2018 (commencement date of settlement of the Tender Offer). Furthermore, as a result of that NTT, which is a wholly-owning parent company of NTT-SH, made a contribution in kind of all the Company Shares (221,481,500 shares) which were owned by NTT to NTT-SH, the Ownership Ratio of Voting Rights of the Company Shares owned by NTT-SH became 95.20% as of December 13, 2018 (the effective date of the contribution in kind) and NTT-SH became a special controlling shareholder of the Company.

(Note) “Ownership Ratio of Voting Rights” means the ratio to the number of voting rights (3,291,198 voting rights) pertaining to the shares (329,119,879 shares) obtained by deducting the number of the Company’s treasury shares owned by the Company as of September 30, 2018 (121 shares) from the total number of issued shares as of the same date set out in the 34th Second Quarterly Securities Report submitted by the Company on November 6, 2018 (329,120,000 shares) (rounded off to two decimal places, and hereinafter the same as in the calculation of that ratio).

Through such circumstances, the Company, as of December 17, 2018, received from NTT-SH a notice that as stated in “(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” in the Opinion Statement Regarding the Tender Offer, as a part of the Transaction, NTT-SH makes the Share Cash-Out Demand.

After the receiving the notice, the Company carefully discussed and examined whether the Company shall approve the Share Cash-Out Demand or not.

As a result of that, in light of the following facts, the Company determined at the meeting of the board of directors held on December 17, 2018 that the Share Cash-Out Demand is taken into consideration of the interests of the Shareholders Subject to the Cash-Out and the terms and conditions of the Share Cash-Out Demand are appropriate : (a) the Share Cash-Out Demand will be conducted as a part of the Transaction and as mentioned above, the Company has concluded at the meeting of the board of directors held on October 15, 2018 that becoming a wholly owned subsidiary of NTTs through the Transaction is the best option to improve the corporate value of the Company, and there is no circumstances to change these conclusion of the Company, (b) based on that the Cash-Out Consideration is set to the price equal to the Tender Offer Price, and the measures

to ensure fairness for the Transaction 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” in “3. Details and Grounds and Reasons for, the Opinion Regarding the Tender Offer” in the Opinion Statement Regarding the Tender Offer etc., the Cash-Out Consideration is considered as reasonable price for the Shareholders Subject to the Cash-Out and is taken into enough consideration of the interests of the Shareholders Subject to the Cash-Out, (c) as a result of confirming NTT's investment certificate etc. submitted as an attached document of the tender offer registration statement regarding the Tender Offer by NTT-SH, it is recognized that NTT has invested to NTT-SH funds for payment of the Cash-Out Consideration, and according to NTT-SH, there are no events that could have a harmful influence on the payment of the Cash-Out Consideration and NTT-SH does not currently recognize any possibility that such events will occur in the future, so it is considered that there is a prospect of payment of the Cash-Out Consideration by NTT-SH, (d) there is no unreasonable point regarding the period until the date and method of payment of the Cash-Out Consideration, so it is considered that the terms and conditions of the Share Cash-Out Demand are appropriate, (e) there is no material change in the corporate value of the Company during the period from the commencement date of the Tender Offer until December 17, 2018.

And the Company, at the aforementioned meeting of the board of directors, resolved unanimously by all the directors excluding Masahiro Kajiwara who did not participated in the deliberations and resolutions that the Company approves the Share Cash-Out Demand as of the notice received from NTT-SH. For avoiding a suspicion of conflicts of interest, Masahiro Kajiwara, who serves concurrently as an employee of NTT, the wholly-owning parent company of NTT-SH, did not participate in the deliberations and resolutions regarding the Transaction including the approval of the Share Cash-Out Demand at the aforementioned meeting of the board of directors, nor did he participate in examination of the Transaction and discussions and negotiations with NTTs on behalf of the Company.

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 the resolution above. For avoiding a suspicion of conflicts of interest, Takeshi Arimoto, who serves concurrently as an employee of NTT, the wholly-owning parent company of NTT-SH, did not participate in the deliberations regarding the Transaction including the approval of the Share Cash-Out Demand at the aforementioned meeting of the board of directors.

End