

SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

For the First Quarter of FY 2017

August 3, 2017

NTT URBAN DEVELOPMENT CORPORATION

Stock Exchange: Tokyo Stock Exchange

Code Number: 8933

URL: <https://www.nttud.co.jp/english/>

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Filing of quarterly report: August 4, 2017

Scheduled date for commencing payment of dividend: —

Supplementary documents for quarterly results: Yes

Quarterly results briefing: Yes (for institutional investors and analysts)

(Note that all amounts have been rounded down to the nearest million yen, unless otherwise specified.)

1. Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 2018

(April 1, 2017 through June 30, 2017)

(1) Consolidated Results of Operations (cumulative)

(Figures in percentages denote the year-on-year change)

	Operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2017	40,776	22.6	9,321	78.4	9,287	109.2	6,172	117.9
Three months ended June 30, 2016	33,255	24.6	5,225	33.4	4,439	42.6	2,832	28.8

(Note) Comprehensive income: Three months ended June 30, 2017: 5,904 million yen 825.4%
Three months ended June 30, 2016: 638 million yen (55.8%)

	Net income per share		Net income per share (fully diluted)	
	Yen		Yen	
Three months ended June 30, 2017	18.75		—	
Three months ended June 30, 2016	8.61		—	

(2) Consolidated Financial Position

	Total assets	Net assets	Ratio of shareholders' equity to total assets
	Million yen	Million yen	%
As of June 30, 2017	1,017,837	261,020	21.1
As of March 31, 2017	1,005,898	258,556	21.1

(Reference) Shareholders' equity: As of June 30, 2017: 215,098 million yen
As of March 31, 2017: 212,671 million yen

2. Dividends

	Dividends per share				
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	—	9.00	—	9.00	18.00
Year ending March 31, 2018	—				
Year ending March 31, 2018 (Forecast)		9.00	—	9.00	18.00

(Note) Revisions to dividends forecast published most recently: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 2018 (April 1, 2017 through March 31, 2018)

(Figures in percentages denote the year-on-year change)

	Operating revenue		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Annual	163,000	(13.6)	29,000	(7.6)	27,000	(6.0)	17,500	4.9	53.17

(Note) Revisions to earnings forecast published most recently: No

* Notes

(1) Important changes in subsidiaries for the three months ended June 30, 2017 (changes in specified subsidiaries resulting in change in scope of consolidation): Applicable

New: 1 companies Stuart Street Holdings LLC

Exception: –

(2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: Not applicable

(3) Changes in accounting principles and changes or restatements of accounting estimates

(i) Changes in accounting principles due to amendment of accounting standards, etc.: Not applicable

(ii) Changes in accounting principles other than (i): Not applicable

(iii) Changes in accounting estimates: Not applicable

(iv) Restatement of accounting estimates: Not applicable

(4) Number of shares outstanding (common stock)

(i) Total number of shares outstanding (including treasury stock) as of the end of each period:

As of June 30, 2017: 329,120,000 shares

As of March 31, 2017: 329,120,000 shares

(ii) Total number of treasury stock as of the end of each period:

As of June 30, 2017: 77 shares

As of March 31, 2017: 77 shares

(iii) Average number of issued shares for each period (cumulative period):

As of June 30, 2017: 329,119,923 shares

As of June 30, 2016: 329,119,923 shares

* Status of a quarterly review

* Cautionary note regarding use of the Forecast of Financial Results, and other special notations

Descriptions regarding the future, such as the forecast of financial results herein, are calculated based on the information which is available to the Company as of the date hereof. Therefore, they do not constitute a guarantee that they will be realized. Please note that actual results may be different due to various factors. For preconditions underlying the forecasts and notes to the forecasts, refer to “(3) Qualitative information on consolidated earnings forecast” of “1. Qualitative Information on Consolidated Operating Results, etc. for the three months ended June 30, 2017” on page 6 of the accompanying materials.

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1. Qualitative Information on Consolidated Operating Results, etc. for the First Quarter of FY2017

(1) Qualitative information on consolidated financial results

In the office leasing market for the three months ended June 30, 2017, the vacancy rates continued to improve, and market rents were rising in some areas. In the condominium sales market, demand remained firm for condominiums in central areas of Tokyo, although sales prices continued to increase due. In the suburbs, however, there were some condominiums for which sales were prolonged.

In this environment, operating revenue amounted to ¥40,776 million (up ¥7,521 million, or 22.6% year-on-year), operating income was ¥9,321 million (up ¥4,096 million, or 78.4%), and ordinary income was ¥9,287 million (up ¥4,848 million, or 109.2%). Profit attributable to owners of parent was ¥ 6,172 million (up ¥3,339 million, or 117.9%).

The segment classification was changed in the first quarter of the consolidated fiscal year under review. Operating revenue in each segment in the text includes inter-segment internal revenues and transfers.

(Million yen)

Business segment	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)
Offices/Retail Business	20,593	23,422
Residential Business	8,769	14,236
Total operating revenue in reported segments	29,362	37,659
Other	5,114	4,354
Eliminations	(1,221)	(1,237)
Total	33,255	40,776

(Note1) The numbers do not include consumption tax. Operating revenue in each segment include inter-segment internal revenues and transfers.

(Note2) “Eliminations” refers to internal revenues and transfers duplicated in more than one segment.

1) Offices/Retail Business

In the offices/ retail business for the three months ended June 30, 2017, operating revenue increased ¥2,829 million to ¥23,422 million (up 13.7% year-on-year), the result of posting transient compensation revenue from urban redevelopment projects, in addition to a contribution to revenue associated with the termination of free rent at existing properties such as Shinagawa Season Terrace (Minato-ku, Tokyo) , Urbannet Nihonbashi 2-Chome Building (Chuo-ku, Tokyo) and Urbannet Ginza 1-Chome Building (Chuo-ku, Tokyo).

Operating income increased ¥3,788 million to ¥9,616 million (up 65.0% year-on-year).

Development projects currently under way include Otemachi 2-Chome Area 1st class Urban Redevelopment Project Building A (Chiyoda-ku, Tokyo), Shimbashi 1-chome Project (Minato-ku, Tokyo) and Universal City Station Project (Osaka-shi, Osaka), etc.

The table below shows operating revenue in the Offices/Retail business. All figures are consolidated results.

(Million yen)

Classification		Three months ended June 30, 2016	Three months ended June 30, 2017
Offices/ Retail leasing	Operating revenue	20,566	20,757
	Rentable floor space	1,137,132 m ² (Of the above, sub-leases: 99,140 m ²)	1,104,272m ² (Of the above, sub-leases: 92,750 m ²)
Sales of income-generating properties	Operating revenue	—	—
Other	Operating revenue	27	2,665
Total operating revenue		20,593	23,422

(Note1) “Rentable floor space” figures are as of the end of June of each fiscal year.

(Note2) The rentable area of sub-leases does not include the area that has been agreed upon between the Company and its consolidated subsidiaries.

The table below shows the vacancy rate by area.

Classification	June 2016	September 2016	December 2016	March 2017	June 2017
Five wards of central Tokyo	4.2%	3.9%	2.9%	3.2%	2.1%
Nationwide	4.8%	4.5%	4.1%	4.1%	3.6%

(Note1) The numbers above are vacancy rate as of the end of each month.

(Note2) Five wards of central Tokyo are Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku and Shinjuku-ku.

2) Residential business

In the residential business, the number of condominiums delivered amounted to 292 units, newly completed condominiums of Wellith Musashino Sekimachi (Nerimaku, Tokyo), continuing sale property from the previous term of Wellith Urawamisono South Terrace (Saitama-shi, Saitama). The average sales price per unit was ¥39 million.

As a result, for the three months ended June 30, 2017, operating revenue in the residential business increased ¥5,467 million, or 62.4%, to ¥14,236 million, and operating income was increased ¥681 million, or 201.5%, to ¥1,020 million.

In the three months ended June 30, 2017, the Company began marketing of Wellith Kunitachi (Kunitachi-shi, Tokyo) and Wellith Shinjuku Wasedanomori (Shinjuku-ku, Tokyo).

The table below shows operating revenue in the residential business. All figures are consolidated results.

(Million yen)

Classification	Three months ended June 30, 2016	Three months ended June 30, 2017
Residential property sales	8,329	13,732
Residential rentals	439	503
Other	—	—
Total operating revenue	8,769	14,236

The table below shows operating revenue, etc. in the residential property sales business by operation type and area.

Classification		Three months ended June 30, 2016		Three months ended June 30, 2017	
		Units/Lots	Operating revenue (million yen)	Units/Lots	Operating revenue (million yen)
Condominiums					
Units delivered	Tokyo metropolitan area	65	4,749	260	10,392
	Other regions	21	2,740	31	1,306
Completed in inventories		382	—	627	—
Residential Lots, etc.					
Units/Lots delivered	Tokyo metropolitan area	8	296	13	448
	Other regions	27	543	56	835
Completed in inventories		35	—	304	—
Subtotal (Condominiums and Residential Lots, etc.)					
Units/Lots delivered	Tokyo metropolitan area	73	5,045	273	10,840
	Other regions	49	3,284	88	2,142
Completed in inventories		417	—	931	—
Residential property sales other					
Units/Lots delivered	Tokyo metropolitan area	—	—	—	—
	Other regions	—	—	1	750
Completed in inventories		—	—	—	—
Operating revenue		—	8,329	—	13,732

(Note1) For joint projects, the number of units, corresponding to the Company's share in the project, is rounded down to the nearest unit.

(Note2) "Completed in inventories" figures are as of the end of June of each fiscal year. The condominiums completed in inventories for the three months ended June 30, 2016 and for the three months ended June 30, 2017 include 64 units and 66 units, respectively, for which a contract has been completed but ownership has not yet been transferred. The residential lots, etc. completed in inventories for the three months ended June 30, 2016 and for the three months ended June 30, 2017 include 20 lots and 254 lots, for which a contract has been completed but ownership has not yet been transferred.

(Note3) Tokyo metropolitan area includes Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi prefectures.

3) Other

Operating revenue in other business for the three months ended June 30, 2017 was ¥4,354 million (down ¥759 million, or 14.8%), and operating income was ¥268 million (down ¥126 million, or 32.1%).

(2) Qualitative information on consolidated financial position

(Assets)

Total assets of June 30, 2017 were ¥1,017,837 million, up ¥11,939 million from the end of the fiscal year ended March 2017. Current assets stood at ¥146,188 million, increased ¥8,371 million from the end of the fiscal year ended March 2017. This was mainly due to an increase in cash and deposits such as investment funds by ¥10,059 million.

Non-current assets amounted to ¥871,649 million, up ¥3,567 million from the end of the fiscal year ended March 2017. This was mainly due to increase in investment securities of ¥3,920 million.

(Liabilities)

Total liabilities as of June 30, 2017 were ¥756,816 million, up ¥9,475 million from the end of the fiscal year ended March 2017.

This was mainly due to an increase of ¥33,492 million in interest-bearing debt (balance at the end of the three months under review ¥555,575 million) despite a fall of ¥20,318 million in current liabilities (other) as a result of a decline in accounts payable of construction costs.

Net interest-bearing debt, interest-bearing debt less cash and cash equivalents, etc., were ¥521,416 million, rising ¥23,447 million from the end of the fiscal year ended March 2017.

(Net assets)

Net assets as of June 30, 2017 were ¥261,020 million, up ¥2,464 million from the end of the fiscal year ended March 2017. This reflected increase in shareholders' equity (¥3,210 million) and decrease in accumulated other comprehensive income (¥783 million) and increase of minority interests (¥37 million).

(3) Qualitative information on consolidated earnings forecast

Results for the three months ended June 30, 2017 were almost in line with the earnings forecast. Therefore, the consolidated earnings forecast announced on May 11, 2017 has not been changed.

The consolidated earnings forecast for the fiscal year ending March 2018 is as follows:

Consolidated earnings forecast for fiscal year ending March 2018

(Million yen)

Item	Annual
Operating revenue	163,000
Operating income	29,000
Ordinary income	27,000
Profit attributable to owners of parent	17,500

Consolidated segment forecast for fiscal year ending March 2018

(Million yen)

Item	Annual
Operating revenue	163,000
Offices/Retail Business	90,000
Residential Business	58,000
Other	20,000
Eliminations	(5,000)
Operating income	29,000
Offices/Retail Business	30,000
Residential Business	5,000
Other	1,500
Eliminations/Corporate	(75,000)

In the Offices/Retail Business, the Company will focus on securing profitability by reinforcing its relationships with customers and will strengthen competitiveness by enhancing the efficiency and the quality of building services and by implementing strategic renewals, thereby seeking to ensure stable growth.

In addition, the Company will aim to strengthen its revenue sources by implementing hotel development in locations with universal value and mixed-use property development and will continue its efforts in the global business for the purpose of diversifying its asset portfolio.

In the Residential Business, the Company will focus on product planning to reflect changes in customer demands with an eye to the growing tendency to return to the city center in light of changing lifestyles and population dynamics and will expand initiatives for the renovation, etc. of used condos. Moreover, the Company will endeavor to expand its business domains, including the business for senior citizens, such as serviced senior housing, and the business for rental housing.

In the Other Business, The Company will seek to boost the value of the assets in which it is involved by implementing asset replacement, using the real estate investment trust (REIT) to which the Company is linked, and grow the fee business, including building management and property management operations.

(Note) Forward-looking statements in this section are based on judgments of the Group as of the date of the announcement of this document.

2. Quarterly consolidated financial statements and key notes

(1) Quarterly consolidated balance sheets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Three months ended June 30, 2017 (As of June 30, 2017)
Assets		
Current assets		
Cash and deposits	16,945	27,005
Notes and operating accounts receivable	9,026	8,505
Real estate for sale	25,156	29,891
Real estate for sale in progress	68,204	63,329
Costs on uncompleted construction contracts	423	467
Raw materials and supplies	81	53
Lease investment assets	2,074	2,035
Deposits paid	7,208	7,194
Deferred tax assets	572	511
Other	8,123	7,194
Allowance for doubtful accounts	(0)	(0)
Total current assets	137,816	146,188
Non-current assets		
Property, plant and equipment		
Buildings and structures	633,167	635,633
Accumulated depreciation	(348,630)	(352,520)
Buildings and structures (net)	284,536	283,113
Machinery, equipment and vehicles	11,731	11,741
Accumulated depreciation	(10,438)	(10,515)
Machinery, equipment and vehicles (net)	1,292	1,225
Land	501,023	500,674
Lease assets	201	201
Accumulated depreciation	(138)	(144)
Lease assets (net)	63	57
Construction in progress	7,998	9,876
Other property, plant and equipment	14,108	14,253
Accumulated depreciation	(11,465)	(11,611)
Other property, plant and equipment (net)	2,642	2,642
Total property, plant and equipment	797,557	797,589
Intangible assets	25,228	25,021
Investments and other assets		
Investment securities	22,518	26,439
Long-term prepaid expenses	14,571	14,507
Net defined benefit asset	276	279
Deferred tax assets	440	437
Other	8,292	8,177
Allowance for doubtful accounts	(802)	(802)
Total investments and other assets	45,296	49,039
Total non-current assets	868,081	871,649
Total assets	1,005,898	1,017,837

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2017)	Three months ended June 30, 2017 (As of June 30, 2017)
Liabilities		
Current liabilities		
Notes and operating accounts payable–trade	6,002	6,735
Short-term loans payable	6,611	8,040
Lease obligations	32	31
Current portion of long-term loans payable	27,364	17,116
Current portion of bonds	19,998	19,998
Income taxes payable	6,748	2,661
Deferred tax liabilities	4	4
Other	46,030	25,712
Total current liabilities	112,792	80,301
Non-current liabilities		
Bonds payable	90,982	90,983
Long-term loans payable	377,125	419,435
Lease obligations	49	43
Lease and guarantee deposits received	75,024	75,205
Negative goodwill	21,037	20,558
Deferred tax liabilities	59,367	59,233
Provision for directors' retirement benefits	34	26
Net defined benefit liability	7,731	7,762
Asset retirement obligations	2,803	3,057
Other	392	208
Total non-current liabilities	634,548	676,515
Total liabilities	747,341	756,816
Net assets		
Shareholders' equity		
Capital stock	48,760	48,760
Capital surplus	31,648	31,648
Retained earnings	129,195	132,406
Treasury shares	(0)	(0)
Total shareholders' equity	209,604	212,814
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,590	2,371
Deferred gains or losses on hedges	1	5
Foreign currency translation adjustment	1,100	517
Remeasurements of defined benefit plans	(625)	(611)
Total accumulated other comprehensive income	3,067	2,283
Non-controlling interests	45,884	45,922
Total net assets	258,556	261,020
Total liabilities and net assets	1,005,898	1,017,837

(2) Quarterly consolidated statements of income and quarterly statements of comprehensive income
(Quarterly consolidated Statements of Income)
(Three month ended June 30, 2016 and 2017)

(Million yen)

	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)
Operating revenue	33,255	40,776
Operating cost	23,814	26,261
Operating gross profit	9,440	14,514
Selling, general and administrative expenses	4,214	5,192
Operating income	5,225	9,321
Non-operating income		
Interest income	2	2
Dividends income	71	159
Amortization of negative goodwill	481	481
Equity in earnings of affiliates	99	386
Other	154	63
Total non-operating income	808	1,093
Non-operating expenses		
Interest expenses	1,312	1,111
Other	282	16
Total non-operating expenses	1,594	1,127
Ordinary income	4,439	9,287
Extraordinary loss		
Loss on retirement of non-current assets	42	66
Total extraordinary losses	42	66
Income before income taxes and minority interests	4,396	9,221
Total income taxes	1,019	2,534
Profit	3,377	6,687
Profit attributable to non-controlling interests	544	515
Profit attributable to owners of parent	2,832	6,172

(Quarterly consolidated statements of comprehensive income)
(Three month ended June 30, 2016 and 2017)

(Million yen)

	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)
Profit	3,377	6,687
Other comprehensive income		
Valuation difference on available-for-sale securities	(303)	(218)
Deferred gains or losses on hedges	(54)	4
Foreign currency translation adjustment	(2,404)	(583)
Remeasurements of defined benefit plans	22	14
Total other comprehensive income	(2,739)	(783)
Comprehensive income	638	5,904
(Breakdown)		
Comprehensive income attributable to owners of parent	93	5,388
Comprehensive income attributable to non-controlling interests	544	515

(3) Notes regarding quarterly consolidated financial statements
 (Notes regarding the premise of a going concern)
 Not applicable

(Note if there is a considerable change to shareholders' equity)
 Not applicable

(Segment information)
 Segment information

I. Three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016)

1. Information on operating revenue and profits or losses by reported segment

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount stated in consolidated financial statement (Note 3)
	Offices/ Retail Business	Residential Business	Total				
Operating revenue							
(1) Operating revenue to third parties	20,345	8,763	29,109	4,146	33,255	—	33,255
(2) Inter-segment internal revenues and transfers	248	5	253	967	1,221	(1,221)	—
Total	20,593	8,769	29,362	5,114	34,476	(1,221)	33,255
Segment profits	5,828	338	6,166	395	6,562	(1,336)	5,225

(Note1) Other is the business segment that is not included in the reported segments and other business activities that generate revenue. It includes design of building and other, construction and supervision of construction, office building maintenance and air-conditioning services, and management of restaurant facilities as incidental facilities of office buildings.

(Note2) Adjustment of - ¥1,336 million in segment profits includes elimination of inter-segment transactions of ¥7 million and company-wide expenses of - ¥1,343 million which is not allotted to the reported segments and other. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments and other.

(Note3) Segment profits are adjustment of operating income reported on quarterly consolidated statement of income.

2. Information on impairment loss of non-current assets, goodwill and other information in reported segments
 Not applicable

II. Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

1. Information on operating revenue and profits or losses by reported segment

(Million yen)

	Reported segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount stated in consolidated financial statement (Note 3)
	Offices/ Retail Business	Residential Business	Total				
Operating revenue							
(1) Operating revenue to third parties	23,152	14,233	37,386	3,390	40,776	—	40,776
(2) Inter-segment internal revenues and transfers	270	2	273	964	1,237	(1,237)	—
Total	23,422	14,236	37,659	4,354	42,014	(1,237)	40,776
Segment profits	9,616	1,020	10,637	268	10,905	(1,583)	9,321

(Note1) Other is the business segment that is not included in the reported segments and other business activities that generate revenue. It includes design of building and other, construction and supervision of construction, office building maintenance and air-conditioning services, and management of restaurant facilities as incidental facilities of office buildings.

(Note2) Adjustment of - ¥1,583 million in segment profits includes elimination of inter-segment transactions of ¥10 million and company-wide expenses of - ¥1,594 million which is not allotted to the reported segments and other. Company-wide expenses are primarily selling, general and administrative expenses that are not attributable to reported segments and other.

(Note3) Segment profits are adjustment of operating income reported on quarterly consolidated statement of income.

2. Information on impairment loss of non-current assets, goodwill and other information in reported segments

Not applicable

(Significant subsequent events)
Not applicable