

# Financial Results for the 2nd Quarter of FY 2017

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November 8, 2017

NTT Urban Development Corporation



# Financial Results for the 2nd Quarter of FY 2017

- Operating revenue and operating income were ¥72.7 billion and ¥15.5 billion respectively, both increased on a year-to-year basis
- The progress towards the forecast for FY2017 is going steadily in line with the plan

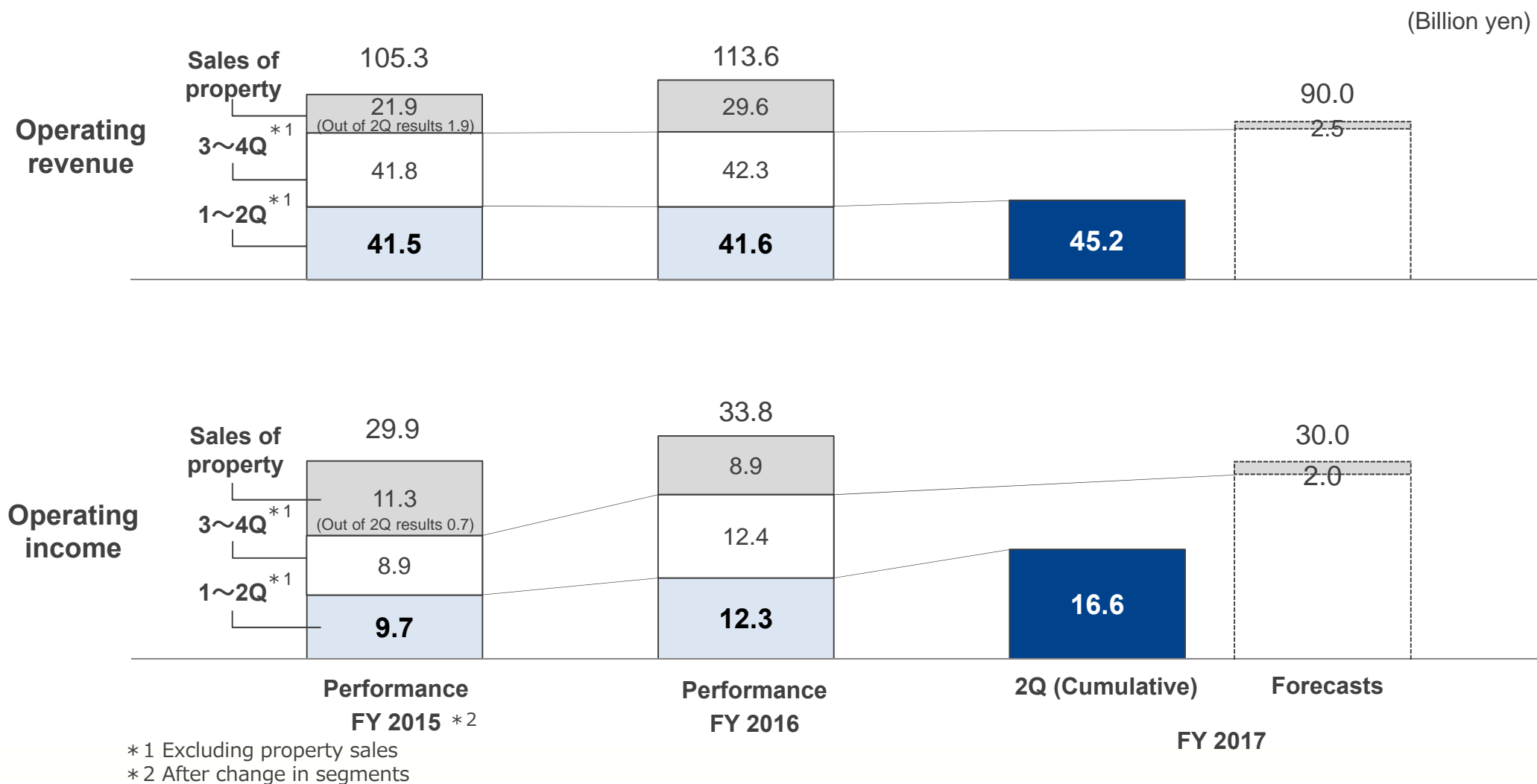
(Billion yen)

	FY 2016 2Q Performance ①	FY 2017 2Q Performance ②	Change in		Change from earnings progress ②/④	Forecasts For FY 2017 <After deduction of property sales> ④
			Figures ③ : ② - ①	Rate ③/①		
Operating revenue	¥68.5B	¥72.7B	+¥4.2B	+6.2%	44.7%	¥163.0B <¥159.0B>
Operating income	¥11.3B	¥15.5B	+¥4.2B	+37.3%	53.6%	¥29.0B <¥26.0B>
Ordinary income	¥9.7B	¥14.8B	+¥5.0B	+51.4%	54.9%	¥27.0B
Profit attributable to owners of parent	¥6.2B	¥9.6B	+¥3.3B	+53.7%	55.2%	¥17.5B
Investments	¥10.0B	¥38.7B	+¥28.6B	+284.5%	55.3%	¥70.0B

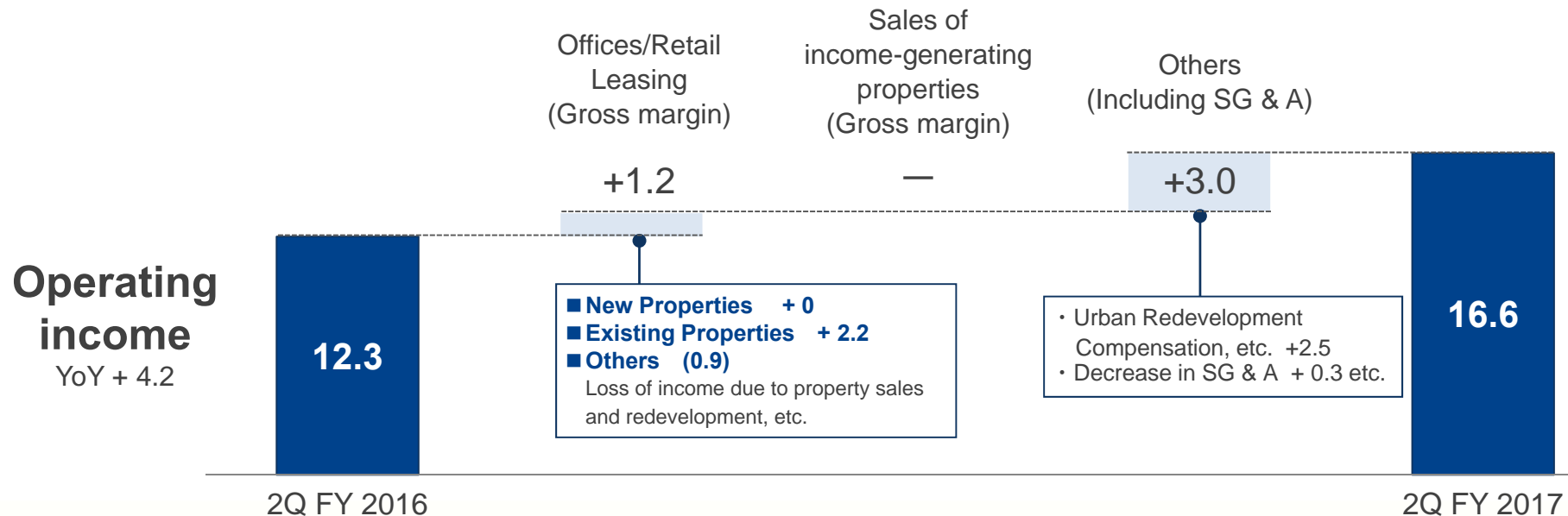
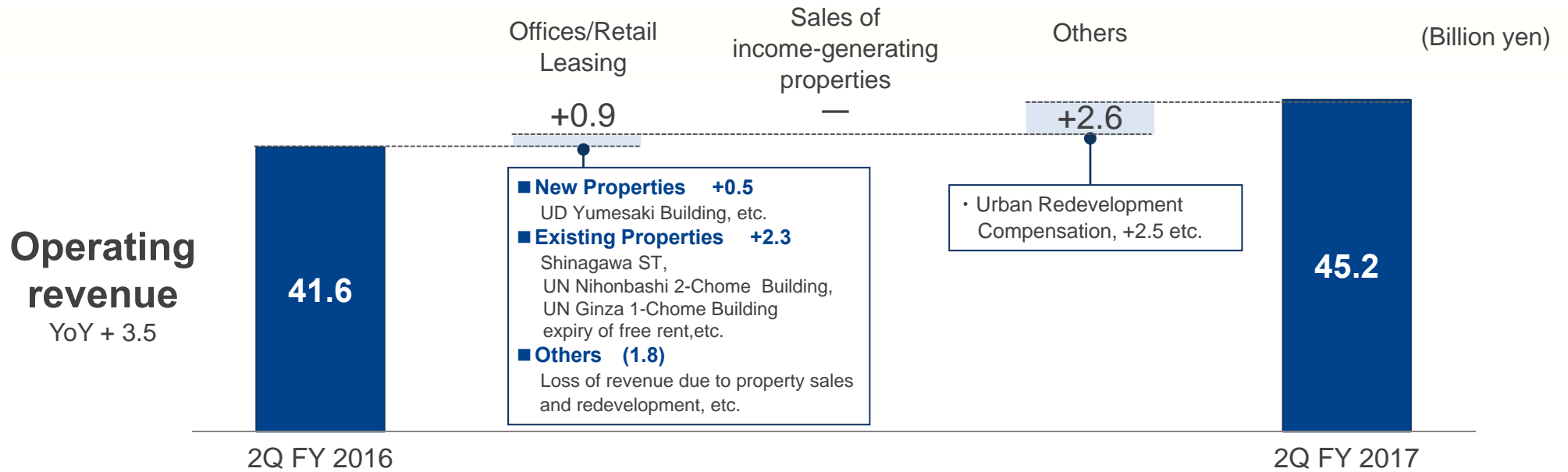
# Offices/Retail Business • Operating Revenue / Income



- Both revenue and income increased primarily due to the expiry of free rent in recently completed properties such as the Shinagawa Season Terrace and Urbannet Nihonbashi 2-Chome Building



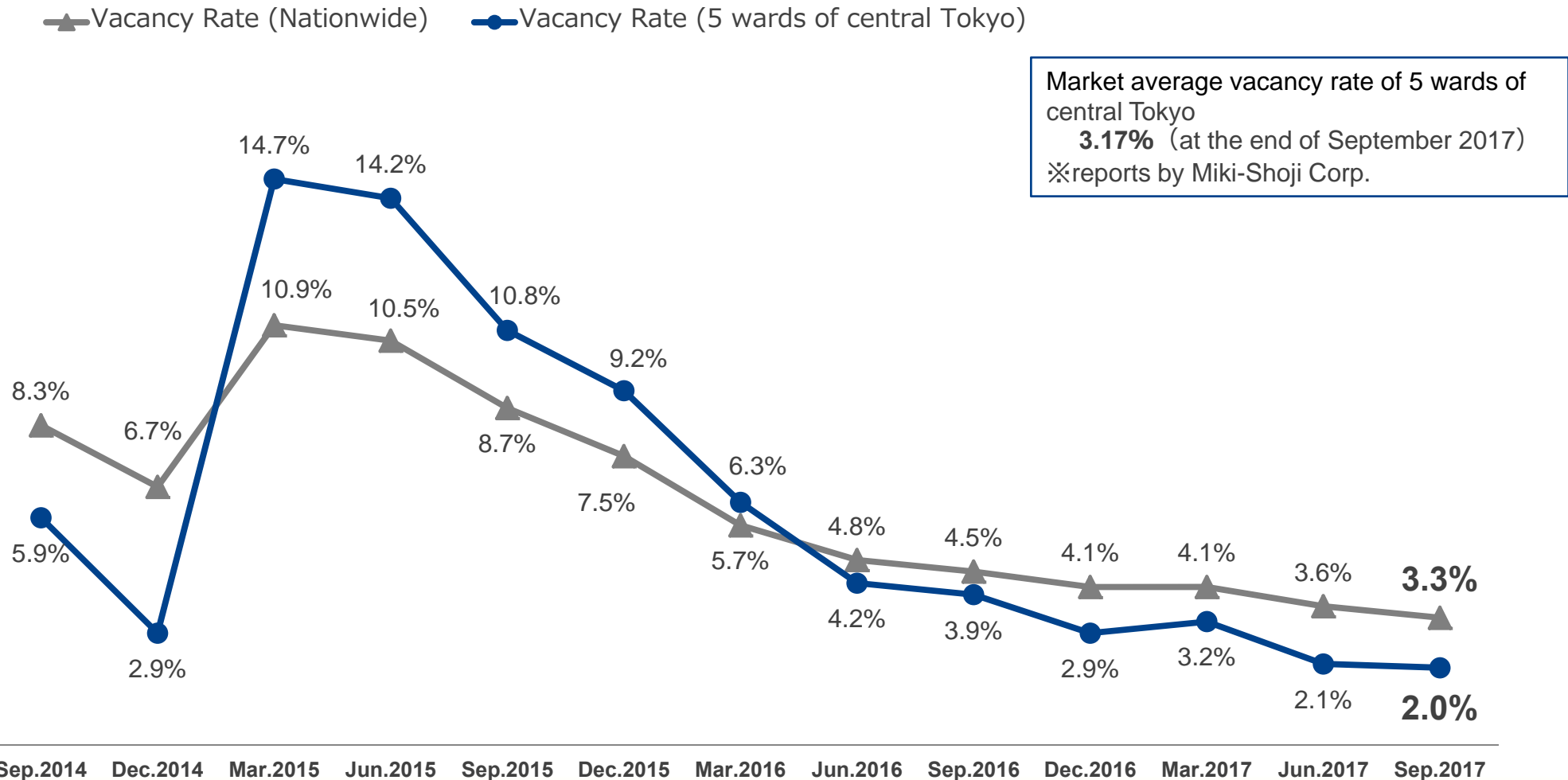
# Offices/Retail Business • Factors



# Offices/Retail Business • Vacancy Rate



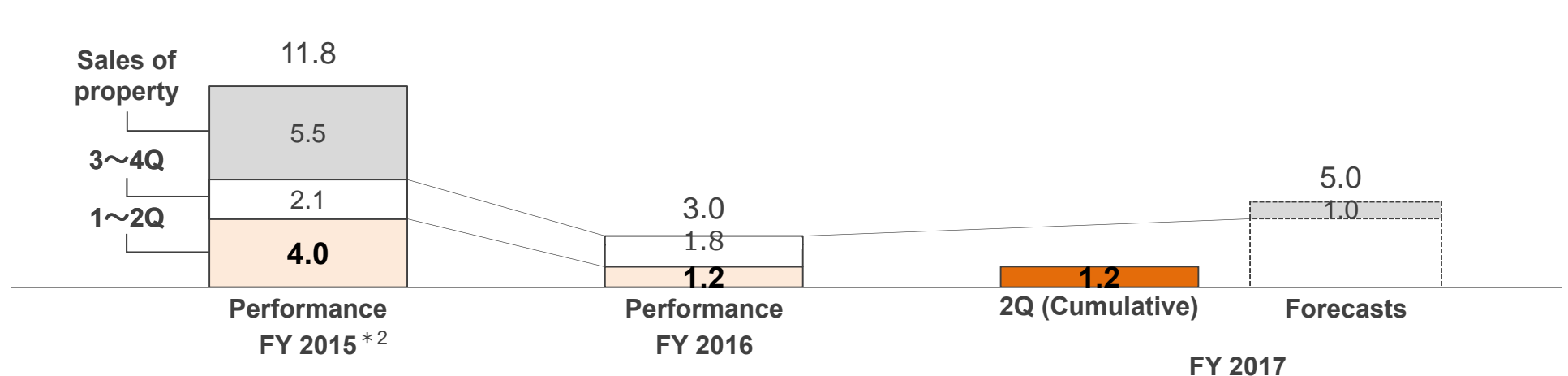
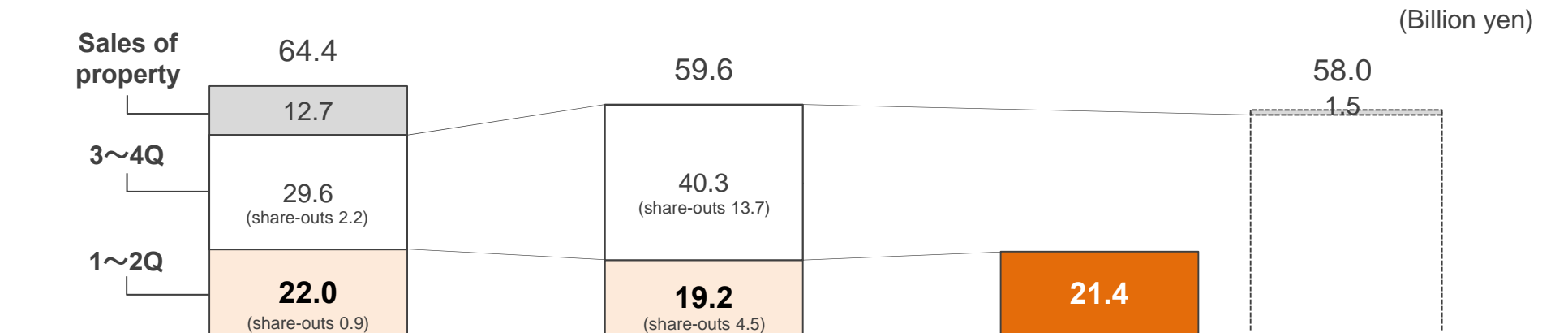
- Vacancy rates have decreased to 2.0% in the 5 wards of central Tokyo, with the prospect of being kept at low level going forward



# Residential Business • Operating Revenue / Income



- Operating revenue increased due to the expansion in number of sales units for condominium, however operating income remains largely unchanged as a result of increase in cost of sales



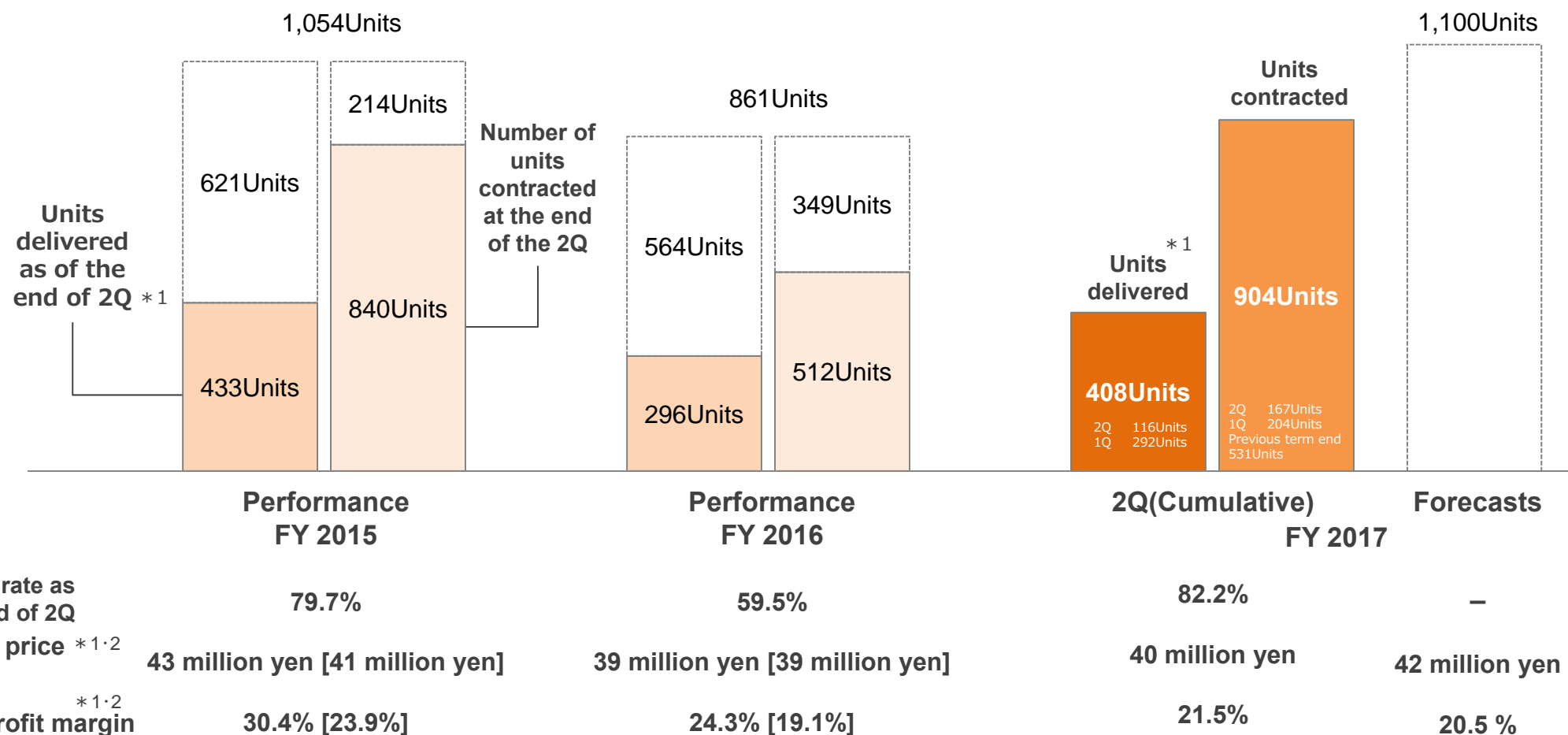
\* 1 Excluding sales by share-outs  
 \* 2 Changes in New Segment Divisions



# Residential Business • Condominiums Units Sales



- 167 units of new contracts has been acquired for the second quarter. The contract rate has progressed up to 82.2% towards the sales plan scheduled for FY2017



\* 1 Excluding sales by share-outs

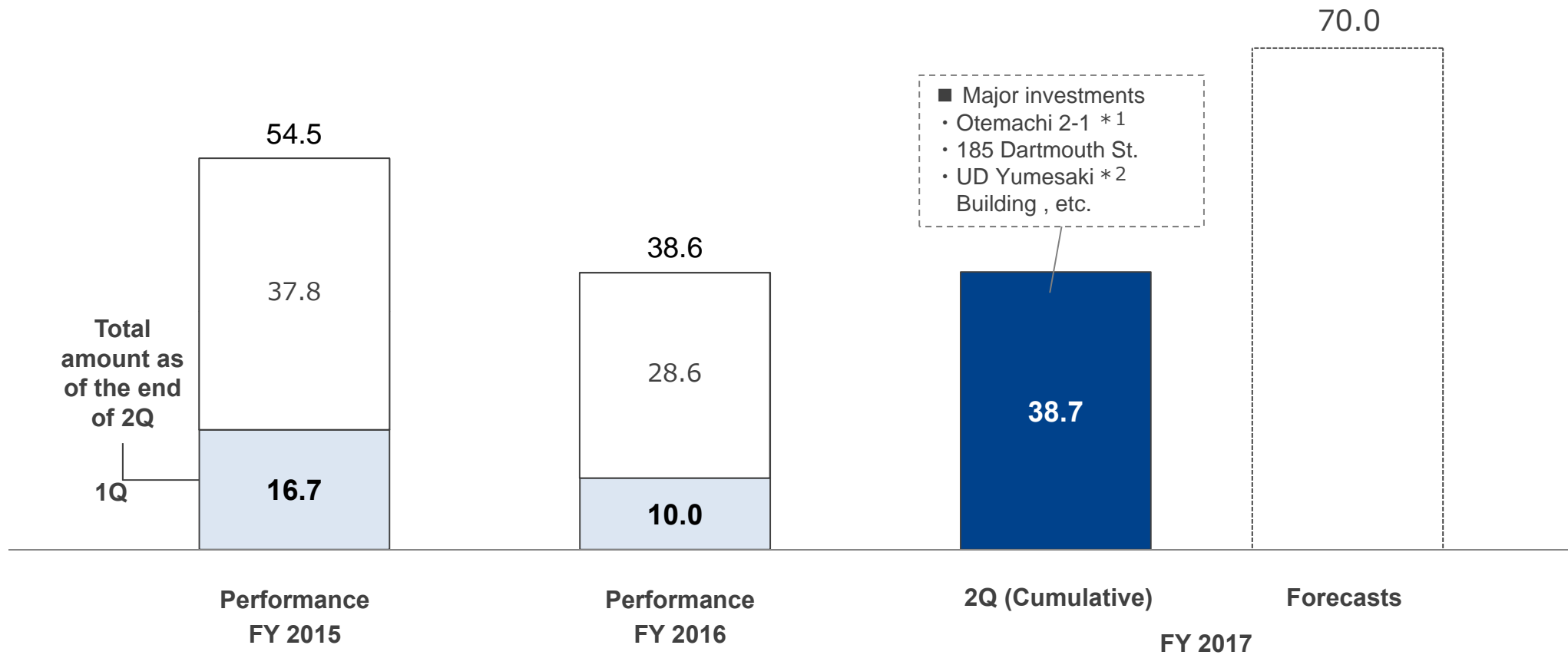
\* 2 First quarter results for the fiscal years ending March 2016, March 2017, In the[ ], the annual performance



# Investments

- Investment in existing projects, mainly in the Otemachi 2-1<sup>\*1</sup> and UD Yumesaki Building<sup>\*2</sup>, and the acquisition of 185 Dartmouth Street(Boston, U.S.) has been progressing as planned

(Billion yen)



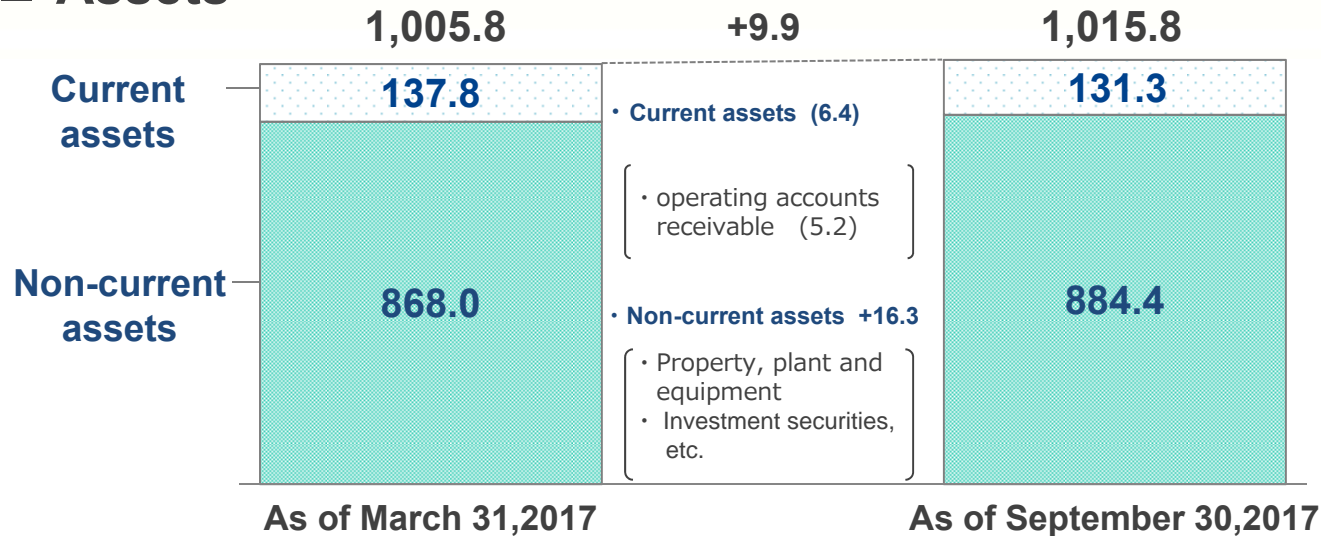
\* 1 Otemachi 2-Chome Area 1st Class Urban Redevelopment Project Building A

\* 2 Formerly named Universal City Station Project

# Balance Sheet 1

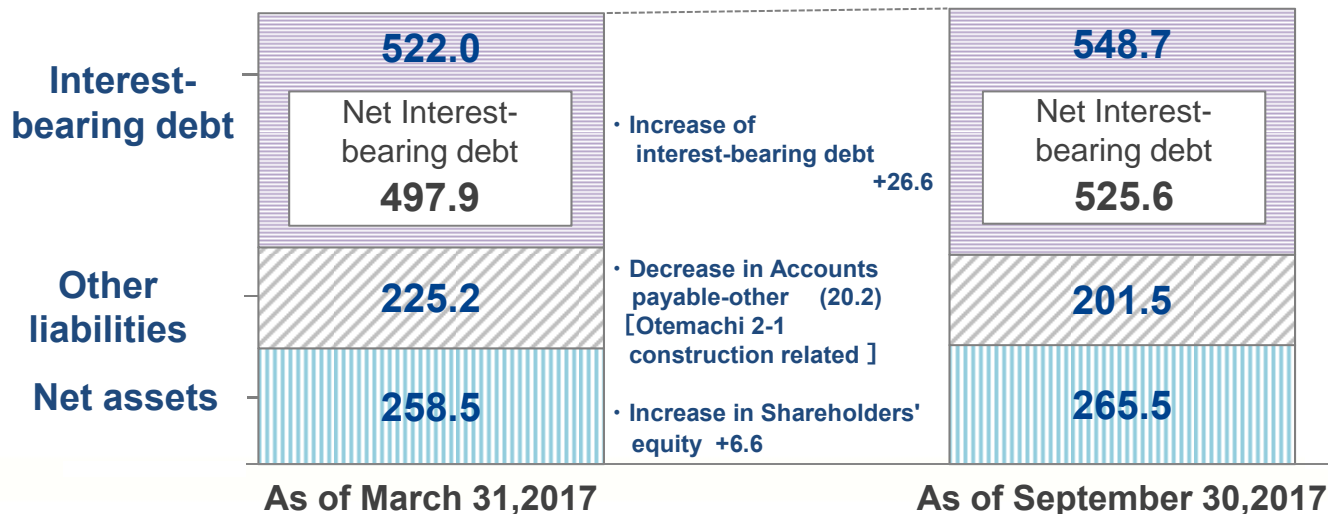
## ■ Assets

(Billion yen)



- Assets have expanded primarily due to acquisition of new properties, etc.

## ■ Liabilities/Net assets



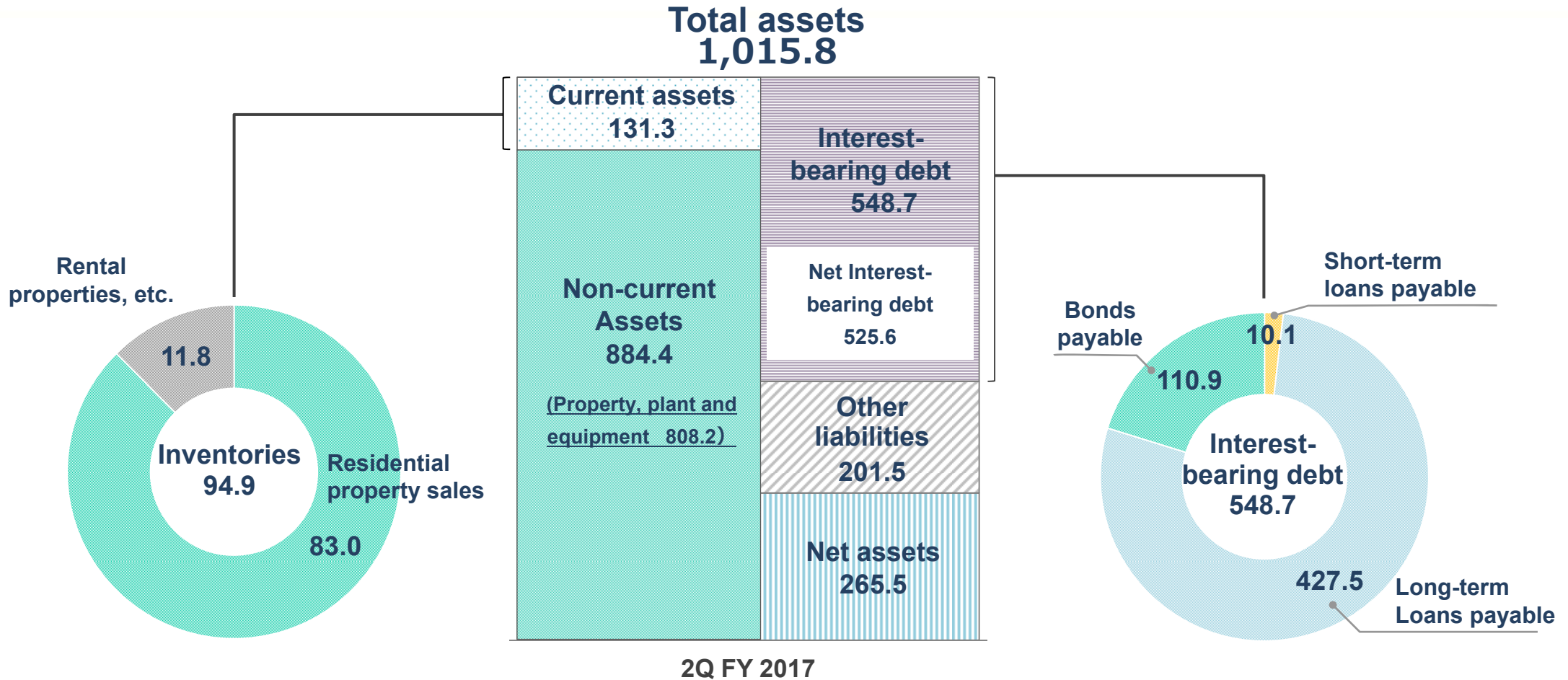
- Interest-bearing debt has increased in conjunction with the securing of investment funds.

- Average interest rate ... 0.80% (at the end of March 2017 ... 0.87 %)
- Weighted average tenor\* ... 5.02 years (at the end of March 2017 ... 5.07years)

\* Interest-bearing debt excluding short-term loans payable

# Balance Sheet 2

(Billion yen)



# Pipeline



Development Project	Gross floor space	Our Stake Investments	2017.3	2019.3	2021.3~
<b>Mixed-use development</b>					
Otemachi 2-1 Project	Approx.202,000㎡ (Building A total)	Approx. ¥57.0B	Completion → July 2018 (Scheduled)		
Shimbashi 1-chome Project	Approx.36,100㎡	Approx. ¥44.0B	Start of Construction → Completion → July 2019 (Scheduled)		
Harajuku Station Project	Approx.26,800㎡	Approx. ¥55.0B	Start of Construction → Opening → Spring 2020 (Scheduled)		
<b>Hotel/Resort Business</b>					
UD Yumesaki Building (Former name : Universal City Station Project)	Approx.20,600㎡	Approx. ¥11.0B	Opening → August 2017		
Small Luxury Hotels (THE HIRAMATSU HOTELS & RESORTS)	-	-	[Ongoing Project]		
Hyatt Regency Seragaki Island Okinawa	Approx.38,200㎡	n/a	Start of Construction → Opening → Summer 2018 (Scheduled)		
Shinpuhan redevelopment project	Approx.25,700㎡	n/a	Start of Construction → Completion → August 2019 (Scheduled)		
Kiyomizu Elementary School development Project	Approx. 6,900㎡	n/a	Start of Construction → Opening → summer 2019 (Scheduled)		
<b>Global Business (Value-add)</b>					
1015 18th Street (Washington D.C.)	Approx.106,000sqf	n/a	Completion → Sale → 2020 and later (Scheduled)		
799 Broadway (New York)	Approx.133,000sqf	n/a	Completion → Sale → 2020 and later (Scheduled)		

# Initiatives of new projects

Mixed-use development	<b>Shimbashi 1-chome Project</b>	<ul style="list-style-type: none"> <li>Construction has started in August, targeting the completion in July 2019, as mixed-used office/hotel facilities</li> </ul>
	<b>Harajuku Station Project</b>	<ul style="list-style-type: none"> <li>Construction has started in November, targeting the opening in spring of 2020, as mixed-use commercial/rental residential facilities</li> </ul>
Hotel, Resorts	<b>UD Yumesaki Building</b> (Former name :Universal City Station Project)	<ul style="list-style-type: none"> <li>Mixed-use hotel / bridal facilities commenced operations in August this year</li> </ul>
	<b>Small Luxury Hotels</b>	<ul style="list-style-type: none"> <li>Commercial operations are scheduled to commence in summer 2018 at 4 properties in the Ginoza area of Okinawa through business tie-ups with Hiramatsu</li> </ul>
	<b>Shinpuhan redevelopment project</b>	<ul style="list-style-type: none"> <li>Sinpuhan redevelopment project, a mixed-use hotel / retail facilities, is scheduled to start construction in October this year targeting the completion in August 2019</li> </ul>
	<b>Kiyomizu Elementary School development Project</b>	<ul style="list-style-type: none"> <li>In July 2017, we signed a letter of agreement with the Neighborhood Association and Kyoto Municipal Government and started development of the first directly-managed hotel (with operations commissioned to the Prince Hotel Co., Ltd.)</li> </ul>
Global	<b>185 Dartmouth Street (Boston)</b>	<ul style="list-style-type: none"> <li>Acquisition in May this year as a joint venture project with a local developer</li> </ul>
Residential	<b>Serviced Senior Housing</b>	<ul style="list-style-type: none"> <li>Wellith OLIVE Kamakura Iwase, and Musashino Sekimach were newly opened in the first half of this year</li> <li>New facility is expected to open in the second half, expanding Wellith OLIVE up to 7 locations in total</li> </ul>
New	<b>Share Office</b>	<ul style="list-style-type: none"> <li>Further examination made to commercialize the share office business, reflecting the changes in working styles among office workers</li> </ul>

# *APPENDIX*

# Statements of Income

(Million yen)

Category	(i) FY 2016 2Q	(ii) FY 2017 2Q	(ii) - (i) Change	Key Factors	(iii) FY 2017 Forecast (Announced in May 11, 2017)  (ii)/(iii) Progress
Operating revenue	68,545	72,792	+4,246		163,000 44.7%
Operating expenses	57,216	57,241	+25		
Operating income	11,329	15,550	+4,220		29,000 53.6%
Non-operating income	1,396	1,581	+184	■ Non-operating income +184 • Equity in earnings of affiliates +221 [177→398]	
Non-operating expenses	2,935	2,312	(623)	■ Non-operating expenses (623) • Interest expenses (324) [2,582→2,258]	
Ordinary income	9,790	14,819	+5,028		27,000 54.9%
Extraordinary loss	177	189	+11		
Income before income taxes and minority interests	9,612	14,629	+5,017		
Income taxes	2,331	3,959	+1,628		
Profit	7,280	10,669	+3,388		
Profit attributable to non-controlling interests	994	1,009	+14		
Profit attributable to owners of parent	6,286	9,659	+3,373		17,500 55.2%
Comprehensive income	1,143	10,728	+9,584	■ Comprehensive income +9,584 • Profit +3,388 • Foreign currency translation adjustment +5,870 [(5,873)→(3)]	

# Statements of Income by Segment



(Million yen)

Category		(i)	(ii)	(ii) - (i)	Key Factors	(iii) FY 2017 Forecast (Announced in May 11, 2017)	
		FY 2016 2Q	FY 2017 1Q	Change		(ii)/(iii) Progress	
Offices/Retail Business	Operating revenue	41,615	45,207	+3,591	<ul style="list-style-type: none"> <li>■ Operating revenue +3,591</li> <li>• Rental revenue +916</li> <li>• New properties +503, Existing properties +2,302, Others (1,889)</li> <li>• Others : Dividend income +2,674</li> <li>■ Operating income +4,287</li> <li>• Rental income(Gross margin) +1,254</li> <li>• New properties +19, Existing properties +2,228, Others (993)</li> <li>• Others (Gross margin) : Dividend income +2,674</li> </ul>	90,000	50.2%
	Operating income	12,323	16,611	+4,287		30,000	55.4%
	Operating income margin	29.6%	36.7%	+7.1pt		33.3%	—
Residential Business	Operating revenue	19,215	21,468	+2,253	<ul style="list-style-type: none"> <li>■ Operating revenue + 2,253</li> <li>• Residential property sales +2,098</li> <li>• Condominiums +166, Residential lots, etc. +1,181, Others +750</li> <li>• Residential rentals +155</li> <li>■ Operating income + 21</li> <li>• Residential property sales (Gross margin) +858</li> <li>• Residential rentals (Gross margin) (170)</li> <li>• Increased SG &amp; A (666)</li> </ul>	58,000	37.0%
	Operating income	1,258	1,279	+21		5,000	25.6%
	Operating income margin	6.5%	6.0%	(0.5pt)		8.6%	—
Others	Operating revenue	10,565	8,642	(1,923)		20,000	43.2%
	Operating income	861	655	(205)		1,500	43.7%
	Operating income margin	8.2%	7.6%	(0.6pt)		7.5%	—



# Balance Sheets

(Million yen)

Category	(i) March 31, 2017	(ii) Sep 30, 2017	(ii) - (i) Change
<b>Total assets</b>	<b>1,005,898</b>	<b>1,015,866</b>	<b>+9,968</b>
<b>Current assets</b>	<b>137,816</b>	<b>131,397</b>	<b>(6,418)</b>
Cash and deposits	16,945	18,026	+1,080
Inventories	93,865	94,931	+1,066
Other currents assets	27,004	18,439	(8,565)
(Restated) Operating accounts receivable	9,026	3,759	(5,267)
<b>Non-current assets</b>	<b>868,081</b>	<b>884,468</b>	<b>+16,386</b>
Property, plant and equipment	797,557	808,248	+10,691
Intangible assets	25,228	25,913	+685
Investments and other assets	45,296	50,306	+5,010
<b>Total liabilities</b>	<b>747,341</b>	<b>750,294</b>	<b>+2,953</b>
<b>Current liabilities</b>	<b>112,792</b>	<b>140,456</b>	<b>+27,664</b>
Interest-bearing debt (short-term)	53,974	105,304	+51,329
Other current liabilities	58,817	35,152	(23,665)
<b>Non-current liabilities</b>	<b>634,548</b>	<b>609,838</b>	<b>(24,710)</b>
Interest-bearing debt (long-term)	468,108	443,400	(24,707)
Other non-current liabilities	166,440	166,437	(3)
<b>Total net assets</b>	<b>258,556</b>	<b>265,571</b>	<b>+7,014</b>
Shareholders' equity	209,604	216,302	+6,697
Accumulated other comprehensive income	3,067	3,125	+58
Non-controlling interests	45,884	46,143	+258
<b>Total liabilities and net assets</b>	<b>1,005,898</b>	<b>1,015,866</b>	<b>+9,968</b>

## Key Factors

- Operating accounts receivable (5,267)
  - Decrease due to such factors as deposits from the proceeds of condominium sales
- Property, plant and equipment +10,691
  - Acquisition +19,308, Depreciation (8,717)
- Interest-bearing debt +26,622
  - Net interest-bearing debt +27,699
- Other current liabilities (23,665)
  - Decrease of accounts payable-other
- Shareholders' equity +6,697
  - Profit attributable to owners of parent +9,659
  - Dividend (2,962)

# Statements of Cash Flows



(Million yen)

Category	(i) FY 2016 2Q	(ii) FY 2017 2Q	(ii) – (i) Change	Key Factors
<b>Net cash provided by (used in) operating activities (A)</b>	<b>17,114</b>	<b>16,671</b>	<b>(443)</b>	
Income before income taxes and minority interests	9,612	14,629	+5,017	
Depreciation and amortization	9,276	9,144	(131)	
<b>Other operating activities</b>	<b>(1,773)</b>	<b>(7,103)</b>	<b>(5,329)</b>	
Decrease (increase) in notes and accounts receivable-trade	4,345	5,278	+933	
Decrease (increase) in inventories	(1,032)	(1,139)	(107)	
Increase (decrease) in notes and accounts payable-trade	(4,710)	(3,024)	+1,686	
Increase (decrease) in lease and guarantee deposits	1,472	570	(902)	
Income taxes paid	1,100	(6,965)	(8,065)	
Other extraordinary loss (income)	(2,948)	(1,822)	+1,126	
<b>Net cash provided by (used in) investing activities (B)</b>	<b>(14,987)</b>	<b>(40,504)</b>	<b>(25,516)</b>	
Purchases of property, plant and equipment	(15,387)	(27,158)	(11,771)	• Cash outflow due to acquisition of property, plant, and equipment (27,158) Major capital investments: Otemachi 2-1 Project, UD Yumesaki Building, etc.
Purchase of investment securities	—	(2,653)	(2,653)	
Proceeds from repayment of investment securities	1,594	33	(1,560)	
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(10,549)	(10,549)	• Purchase of investments in subsidiaries resulting in change in scope of consolidation (10,549) [185 Dartmouth Street]
Other investing activities	(1,194)	(175)	+1,018	
<b>Free cash flow (A) + (B)</b>	<b>2,127</b>	<b>(23,833)</b>	<b>(25,960)</b>	
<b>Net cash provided by (used in) financing activities</b>	<b>(1,236)</b>	<b>22,778</b>	<b>+24,015</b>	
Increase (decrease) in interest-bearing debt	2,685	26,710	+24,024	
Cash dividends paid	(2,961)	(2,962)	(1)	
Other financing activities	(960)	(968)	(7)	
Effect of exchange rate change on cash and cash equivalents	(275)	(22)	+252	
Cash and cash equivalents at beginning of period	16,106	23,954	+7,847	
Cash and cash equivalents at end of period	16,722	22,877	+6,154	

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