

Financial Results for the 3rd Quarter of FY 2017

February 6, 2018

NTT Urban Development Corporation



Financial Results for the 3rd Quarter of FY 2017



- Operating revenue and operating income stood at ¥112.9 billion and ¥23.2 billion, showing a decrease in revenue and increase in income.
 - Revenue and profit rose in ordinary businesses, despite the decline in property sales and share-outs.
- Progress was made almost in line with the forecast for FY2017.

(Billion yen)

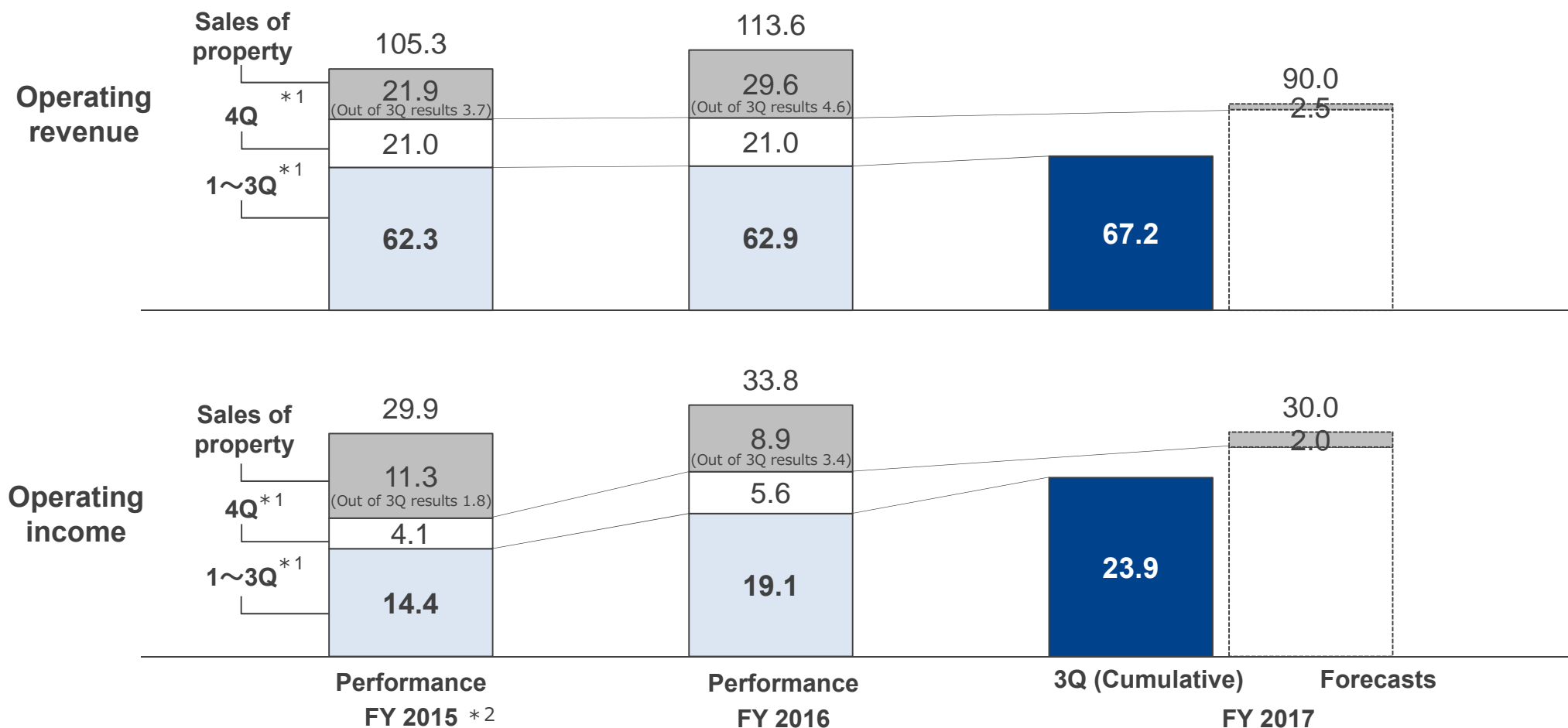
	FY 2016 3Q Performance ①	FY 2017 3Q Performance ②	Change in		Rate in progress ②/④	Forecasts For FY 2017 ④
			Figures ③ : ② - ①	Rate ③/①		
Operating revenue	¥118.2B	¥112.9B	(¥5.3B)	(4.5%)	69.3%	¥163.0B
<After deduction of property sales>	<¥113.6B>		<(¥ 0.7B)>	<(0.6%)>	<71.0%>	<¥159.0B>
Operating income	¥21.7B	¥23.2B	+¥1.4B	+6.8%	80.1%	¥29.0B
<After deduction of property sales>	<¥18.3B>		<+¥4.9B>	<+26.9%>	<89.3%>	<¥26.0B>
Ordinary income	¥19.6B	¥21.9B	+¥2.2B	+11.6%	81.3%	¥27.0B
Profit attributable to owners of parent	¥12.7B	¥15.1B	+¥2.3B	+18.2%	86.3%	¥17.5B
Investments	¥27.7B	¥56.4B	+¥28.7B	+103.4%	80.7%	¥70.0B

Offices/Retail Business • Operating Revenue / Income



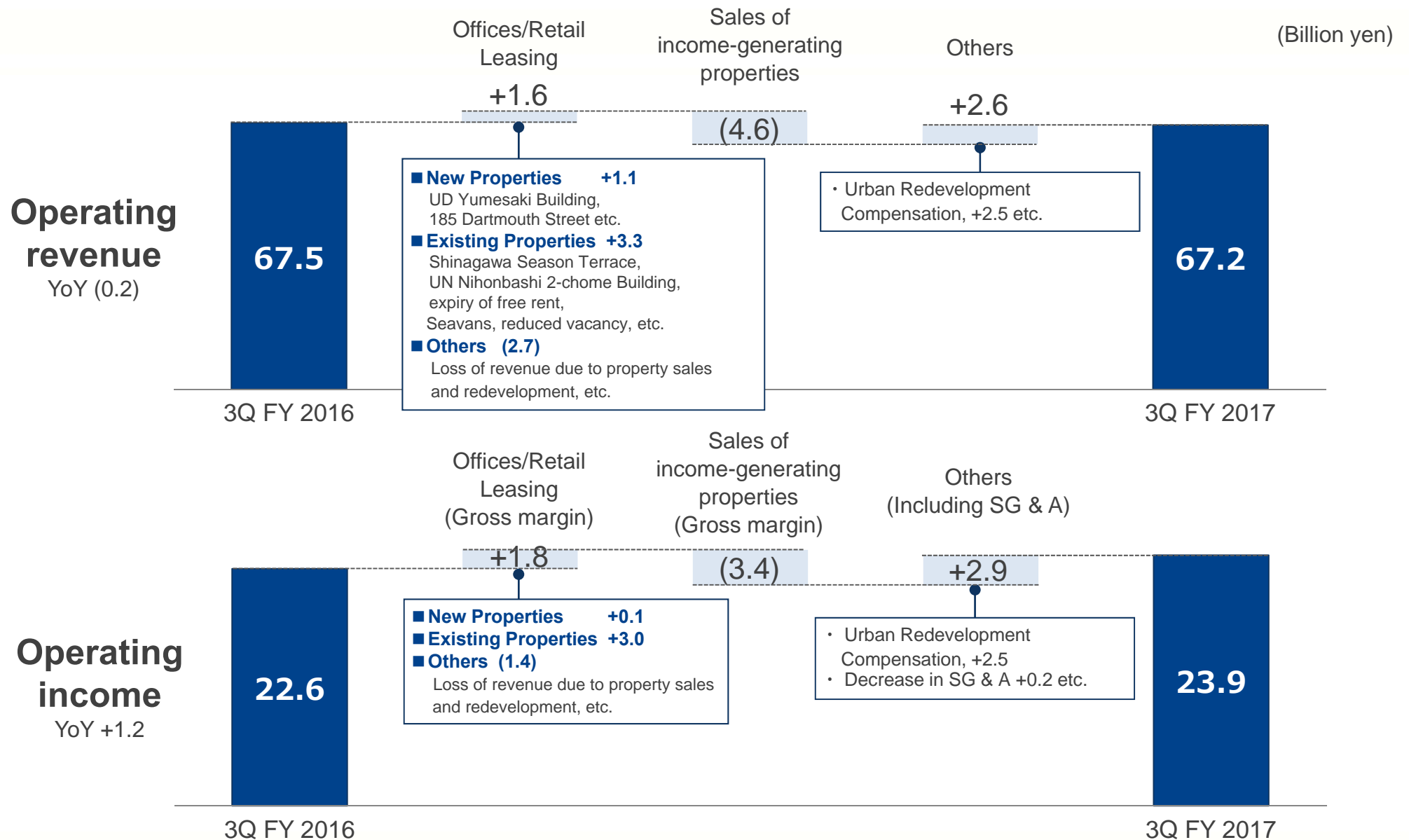
- Both revenue and income increased primarily due to the expiry of free rent in recently completed properties such as the Shinagawa Season Terrace and Urbannet Nihonbashi 2-chome Building.

(Billion yen)



* 1 Excluding property sales
 * 2 After change in segments

Offices/Retail Business • Factors

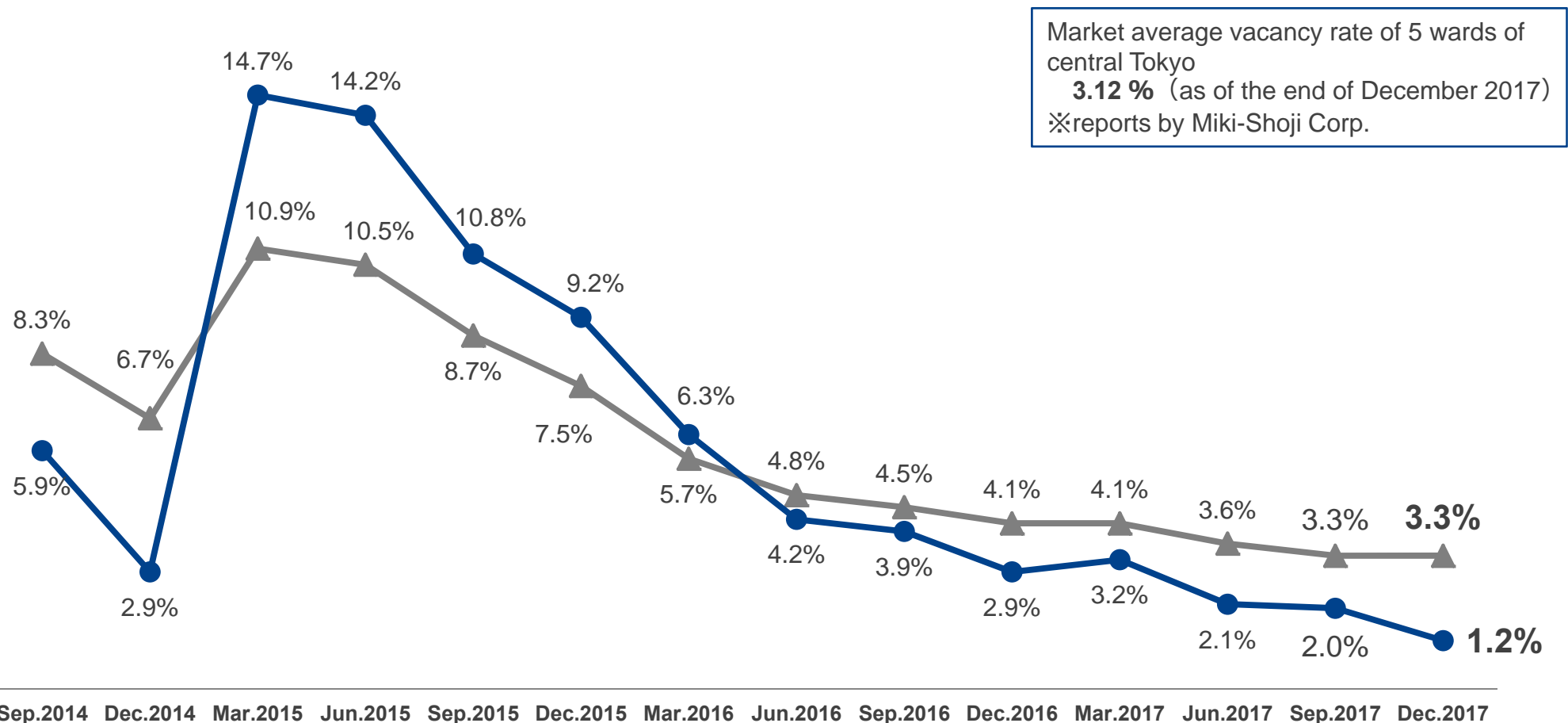


Offices/Retail Business • Vacancy Rate



- The occupancy rate continued to be high, reflecting steady progress in leasing, primarily in the five wards of central Tokyo.

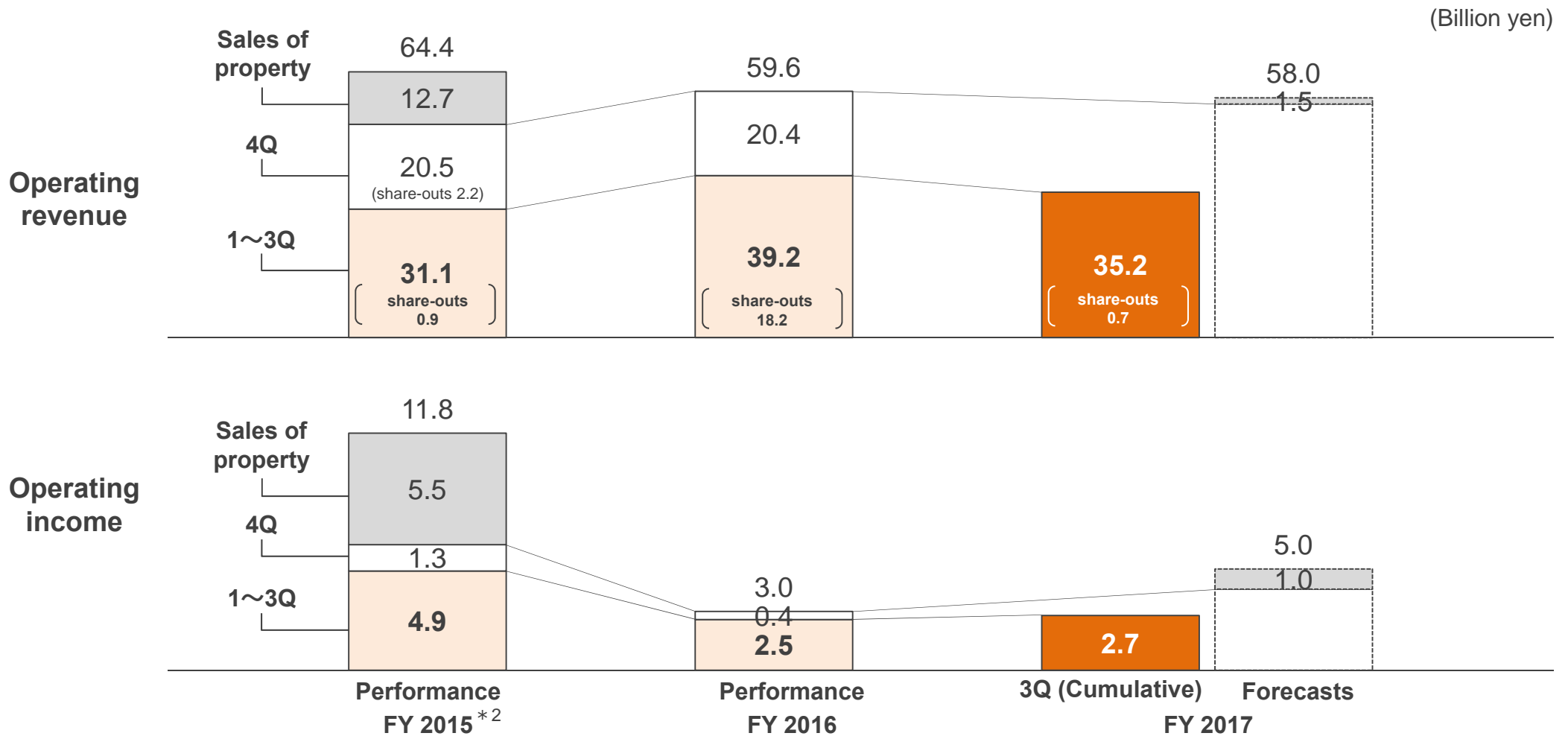
▲ Vacancy Rate (Nationwide) ● Vacancy Rate (5 wards of central Tokyo)



Residential Business • Operating Revenue / Income

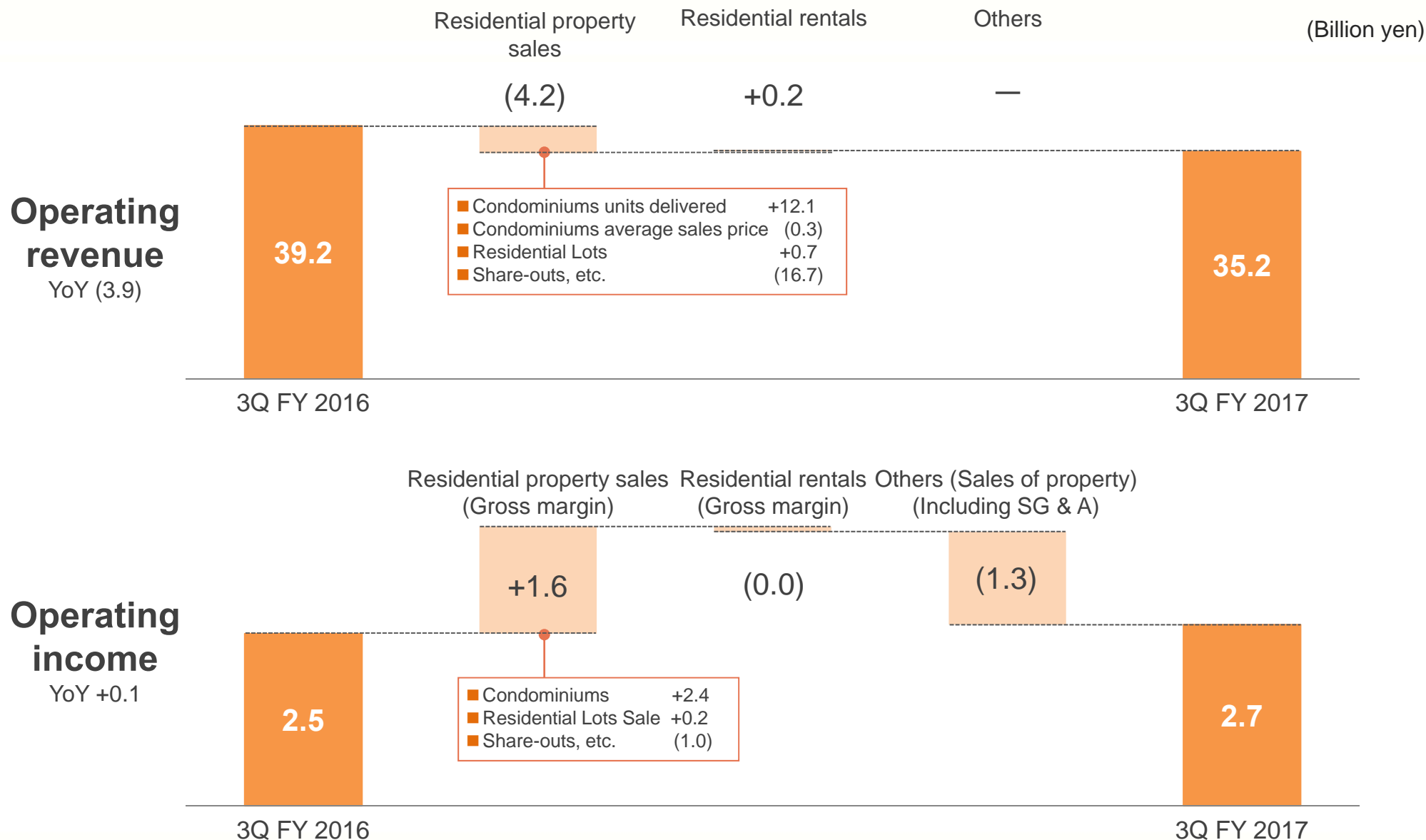


- Operating income rose attributable to an increase in the number of units sold supported by steady progress in sales of condominiums, although revenue declined due to a decrease in the scale of share-outs.



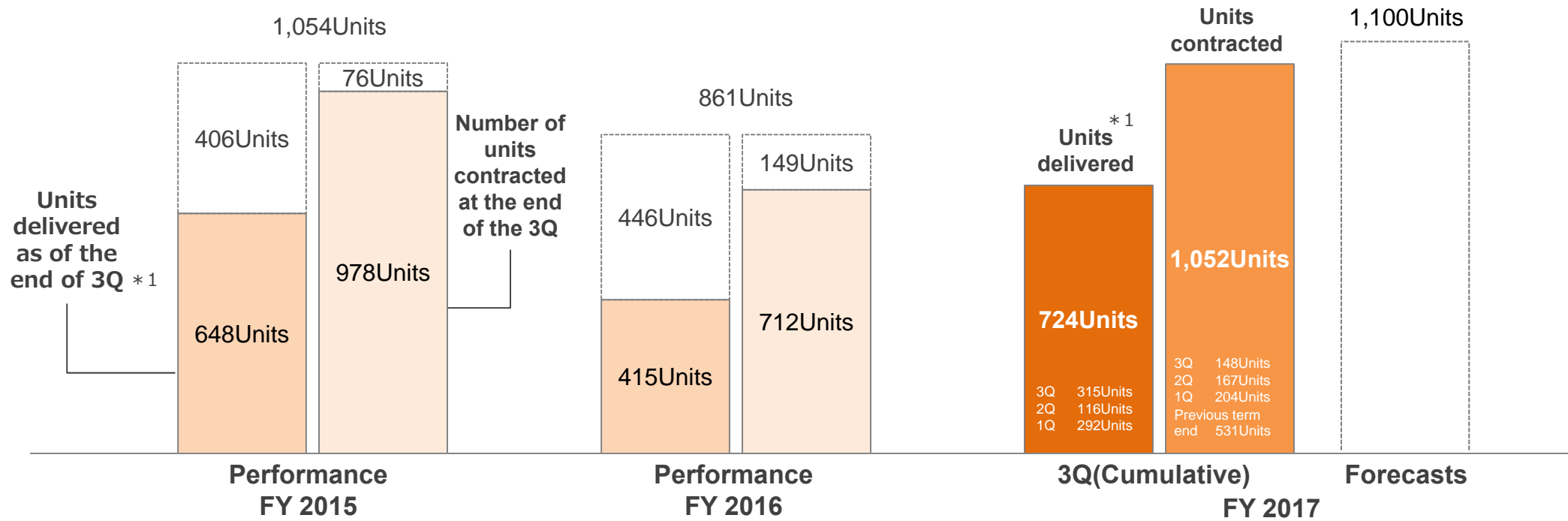
* 1 Excluding sales by share-outs
 * 2 Changes in New Segment Divisions

Residential Business • Factors



Residential Business • Condominiums Units Sales

- The number of units sold increased steadily with the completion of large properties for which contracts had been secured.
- The contract rate made progress up to 95.7% towards the FY2017 sales plan.



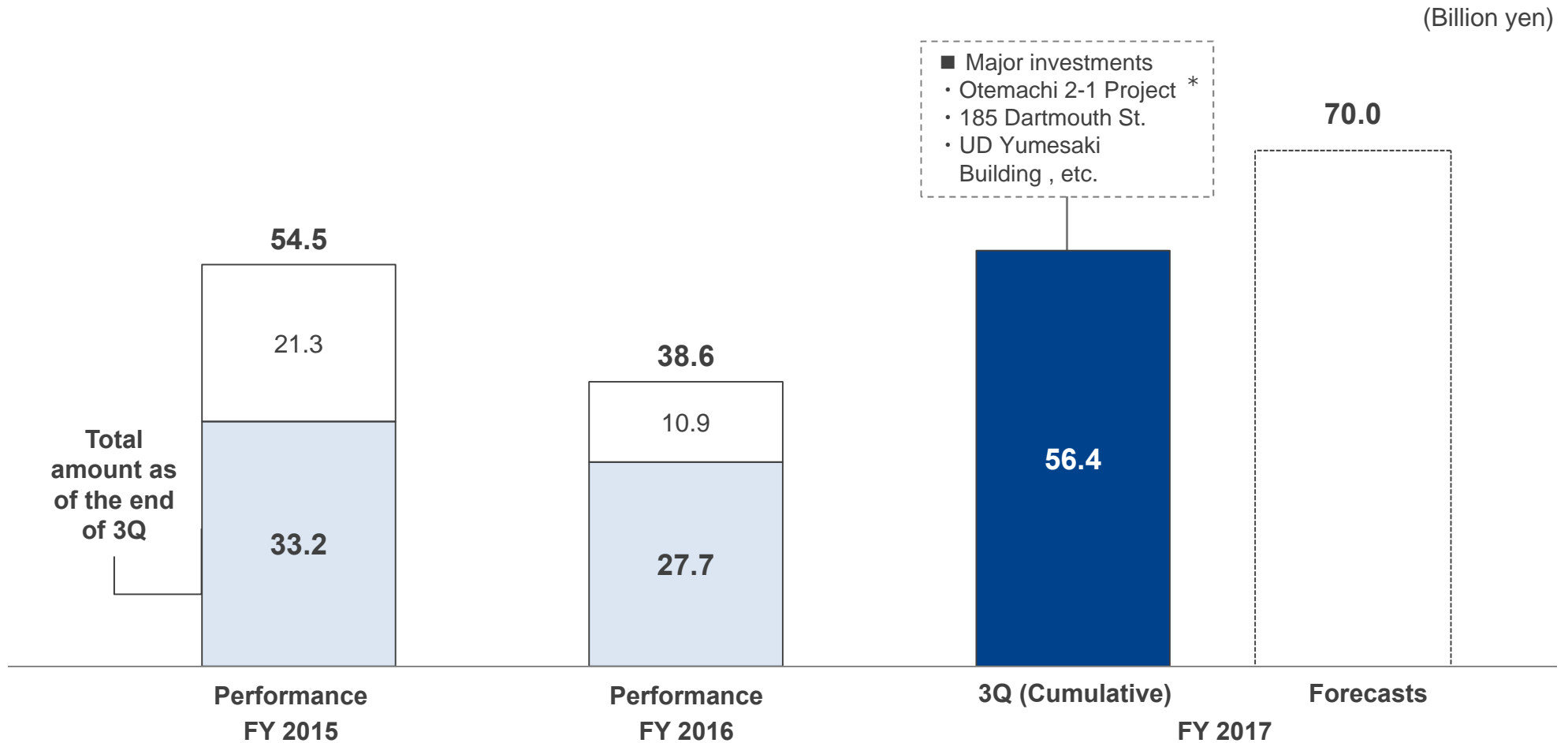
	Performance FY 2015	Performance FY 2016	3Q (Cumulative) FY 2017	Forecasts
Contract rate as of the end of 3Q	92.7%	82.7%	95.7%	—
Average price per unit	41 million yen [41 million yen]	39 million yen [39 million yen]	38 million yen	42 million yen
Gross profit margin	27.9 % [23.9%]	24.3% [19.1%]	22.3%	20.5 %

* 1 Excluding sales by share-outs

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

Investments

- Steady progress was made mainly due to investment in ongoing projects such as the Otemachi 2-1 Project* and the implementation of renewal work for existing properties.

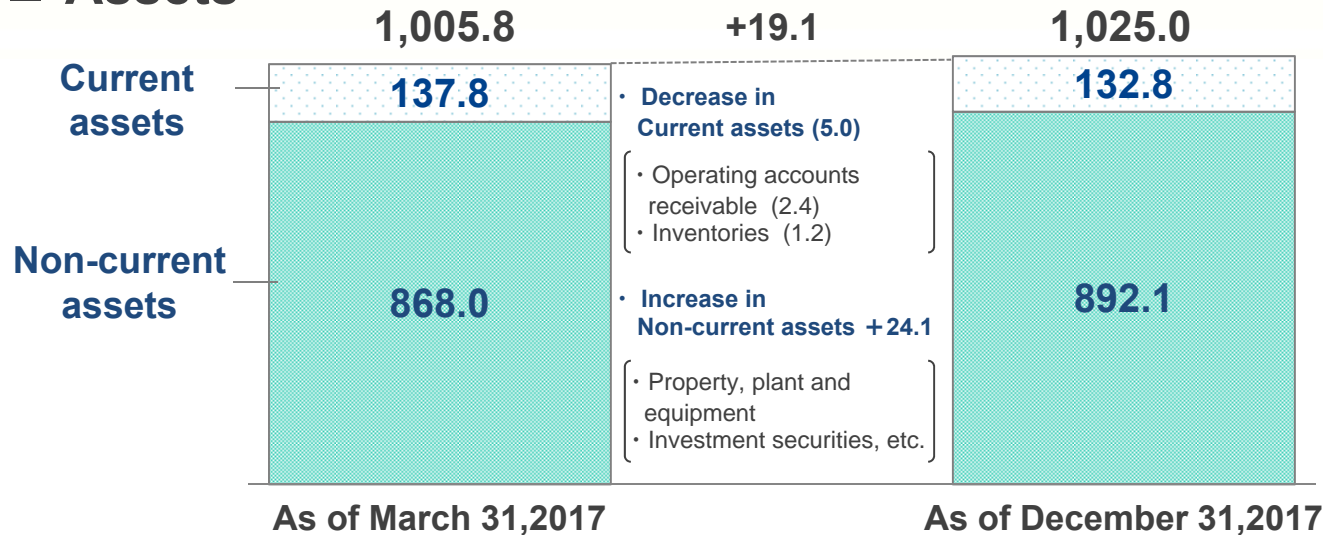


* Otemachi 2-chome Area 1st Class Urban Redevelopment Project Building A

Balance Sheet 1

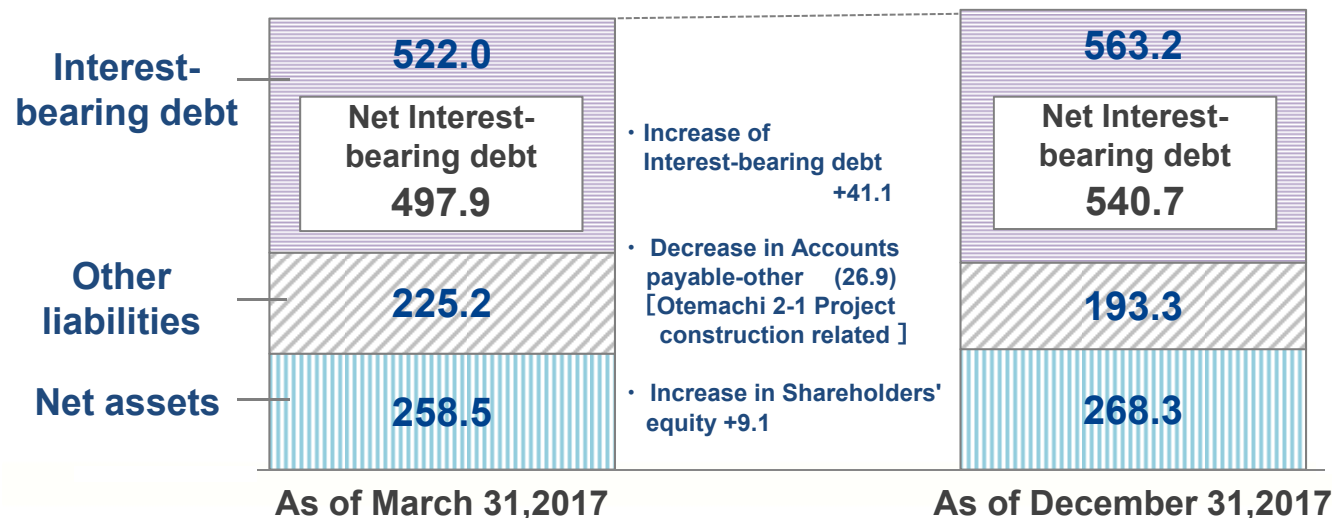
Assets

(Billion yen)



- Assets rose due to an increase in non-current assets supported by progress in investment

Liabilities/Net assets



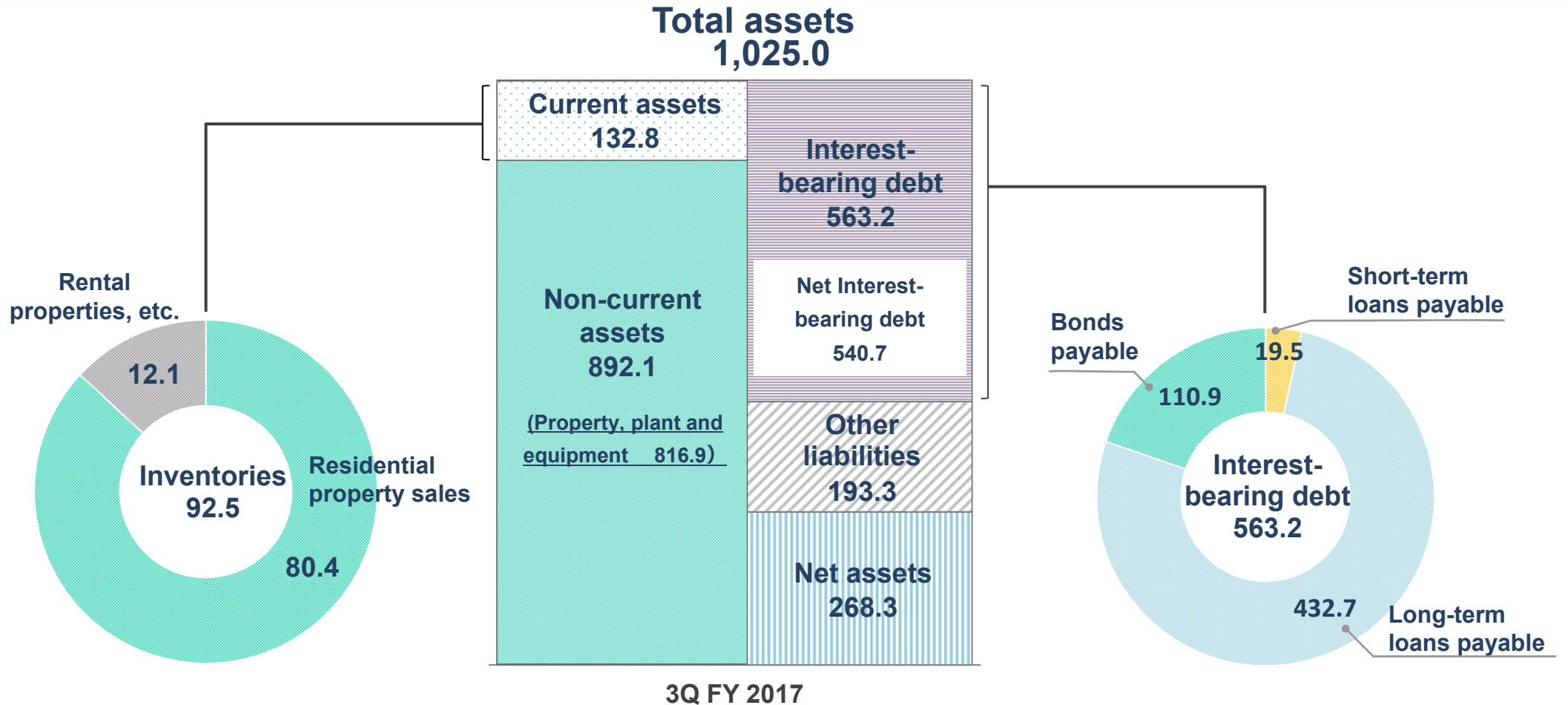
- Interest-bearing debt has increased due to the securing of investment funds.

- Average interest rate ... 0.79 % (at the end of March 2017 ... 0.87 %)
- Weighted average tenor* ... 4.99 years (at the end of March 2017 ... 5.07 years)

* 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~
Mixed-use development					
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 Front Project	Approx.26,800㎡	Approx. ¥55.0B	Start of Construction	Opening → Spring 2020 (scheduled)	
Kobe Station Front Project	Approx.13,600㎡	n/a	Start of Construction	Completion → 2020 (scheduled)	
Hotel/Resort Business					
UD Yumesaki Building	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 → August 2018 (scheduled)	
Shinpuhan Redevelopment Project	Approx.25,700㎡	n/a	Start of Construction	Opening → Fall 2019 (scheduled)	
Kiyomizu Elementary School Conversion Project	Approx. 6,900㎡	n/a	Start of Construction	Opening → Summer 2019 (scheduled)	
Global Business (Value-add)					
1015 18th Street (Washington D.C.)	Approx.106,000sqf	Project cost of approx. \$70M ※Equity stake 49%	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	Projects in which construction has been commenced	<ul style="list-style-type: none"> Construction of new properties for the Otemachi 2-1 Project, Shimbashi 1-chome Project, and Harajuku station-front project is in progress as scheduled.
	Kobe Station Front Project	<ul style="list-style-type: none"> Discussions with SUN TELEVISION Co., Ltd. and JURAKU Corporation commenced for the mixed-use development of a broadcasting station and a hotel. (Construction is scheduled to be completed in 2020.)
Hotel, Resorts	Development of hotels in the Kyoto area	<ul style="list-style-type: none"> Development is underway for the commencement of operation in 2019 in the Shinpukan Redevelopment Project and Kiyomizu Elementary School Conversion Project.
	Development of serviced residences	<ul style="list-style-type: none"> An agreement was made with the Ascott Limited regarding business cooperation Discussion was commenced for the commercialization of the future development of serviced residences in Fukuoka City and Yokohama City.
Global	1015 18th Street (Washington D.C., U.S.)	<ul style="list-style-type: none"> Renewal work of the existing building was completed in January 2018.
Residential	Serviced Senior Housing	<ul style="list-style-type: none"> The Wellith OLIVE Machida Nakamachi will start operation in March this year as the third property developed in the Tsunagu Town project.

APPENDIX

Statements of Income



(Million yen)

Category	(i)	(ii)	(ii) – (i)	Key Factors	(iii) FY 2017 Forecast (Announced in May 11, 2017)	
	FY 2016 3Q	FY 2017 3Q	Change		(ii)/(iii) Progress	
Operating revenue	118,239	112,917	(5,321)		163,000	69.3%
Operating expenses	96,496	89,700	(6,795)			
Operating income	21,743	23,217	+1,473		29,000	80.1%
Non-operating income	2,037	2,179	+141	■ Non-operating income +141 · Share of profit of entities accounted for using equity method +160 [281→441]		
Non-operating expenses	4,117	3,458	(658)	■ Non-operating expenses (658) · Interest expenses (369) [3,757→3,387]	27,000	81.3%
Ordinary income	19,663	21,938	+2,274			
Extraordinary income	—	802	+802	■ Extraordinary income +802 · Gain on sales of investment securities +802		
Extraordinary losses	447	318	(129)			
Income before income taxes and minority interests	19,216	22,422	+3,205			
Income taxes	4,981	5,798	+816			
Profit	14,234	16,623	+2,389			
Profit attributable to non-controlling interests	1,451	1,517	+66			
Profit attributable to owners of parent	12,783	15,106	+2,322		17,500	86.3%
Comprehensive income	7,443	16,951	+9,507	■ Comprehensive income +9,507 · Profit +2,389 · Foreign currency translation adjustment +7,584 [(6,811)→772]		

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 3Q	FY 2017 3Q	Change		(ii)/(iii) Progress		
Offices/Retail Business	Operating revenue	67,501	67,280	(221)	<ul style="list-style-type: none"> ■ Operating revenue (221) • Rental revenue +1,686 • Sales of revenue-generating real estate(Gross margin) (4,601) • Others : Urban Redevelopment Compensation, etc. +2,693 ■ Operating income +1,269 • Rental income(Gross margin) +1,820 • Sales of revenue-generating real estate(Gross margin) (3,461) • Others (Gross margin) : • Urban Redevelopment Compensation +2,705 	90,000	74.8%
	Operating income	22,631	23,901	+1,269		30,000	79.7%
	Operating income margin	33.5%	35.5%	+2.0pt		33.3%	—
Residential Business	Operating revenue	39,203	35,228	(3,975)	<ul style="list-style-type: none"> ■ Operating revenue (3,975) • Residential property sales (4,238) • Condominiums (5,756), • Residential lots, etc. +767, Others +750 • Residential rentals +263 ■ Operating income +134 • Residential property sales (Gross margin) +1,601 • Residential rentals (Gross margin) (81) • Increased SG & A +1,385 	58,000	60.7%
	Operating income	2,571	2,705	+134		5,000	54.1%
	Operating income margin	6.6%	7.7%	+1.1pt		8.6%	—
Others	Operating revenue	15,779	14,289	(1,489)		20,000	71.4%
	Operating income	1,258	1,140	(118)		1,500	76.0%
	Operating income margin	8.0%	8.0%	+0.0pt		7.5%	—

Balance Sheets

(Million yen)

Category	(i) March 31, 2017	(ii) Sep 30, 2017	(ii) - (i) Change
Total assets	1,005,898	1,025,002	+19,104
Current assets	137,816	132,806	(5,009)
Cash and deposits	16,945	20,065	+3,119
Inventories	93,865	92,587	(1,277)
Other currents assets	27,004	20,152	(6,851)
(Restated) Operating accounts receivable	9,026	6,601	(2,425)
Non-current assets	868,081	892,196	+24,114
Property, plant and equipment	797,557	816,907	+19,350
Intangible assets	25,228	25,907	+679
Investments and other assets	45,296	49,380	+4,084
Total liabilities	747,341	756,653	+9,312
Current liabilities	112,792	137,230	+24,438
Interest-bearing debt (short-term)	53,974	109,818	+55,843
Other current liabilities	58,817	27,412	(31,405)
Non-current liabilities	634,548	619,423	(15,125)
Interest-bearing debt (long-term)	468,108	453,451	(14,656)
Other non-current liabilities	166,440	165,971	(468)
Total net assets	258,556	268,348	+9,792
Shareholders' equity	209,604	218,786	+9,182
Accumulated other comprehensive income	3,067	3,394	+327
Non-controlling interests	45,884	46,167	+282
Total liabilities and net assets	1,005,898	1,025,002	+19,104

Key Factors

- Operating accounts receivable (2,425)
 - Decrease due to such factors as cash income from the proceeds of condominium sales
- Property, plant and equipment +19,350
 - Acquisition +31,116, Depreciation (13,009)
- Interest-bearing debt +41,187
 - Net interest-bearing debt +42,744
- Other current liabilities (31,405)
 - Decrease of accounts payable-other
- Shareholders' equity +9,182
 - Profit attributable to owners of parent +15,106
 - Dividend (5,924)

Disclaimer

Plans, strategies, opinions and other statements by and for the Company presented in this document, excluding historical facts, are forward-looking statements about its operating performance in the future. As such, they contain risks and uncertainties. The contents stated above are based on the assumptions and opinions of the Company using information available at the time of writing. Changes in the environment and other factors may cause actual results to differ substantially from these forecasts.

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Unless otherwise noted, this document is prepared in conformity with Japan generally accepted accounting principles.