

Financial Results for FY2017 and Forecasts for FY2018

May 9, 2018

NTT Urban Development Corporation



Financial Results for FY2017(J GAAP)

- While operating revenue and income declined due to a fall in sales of property, revenue and income in the base businesses increased due to the expiry of free rent in Offices/Retail Business and an increase of units delivered in Residential Business.
- Financial results have achieved forecasts.

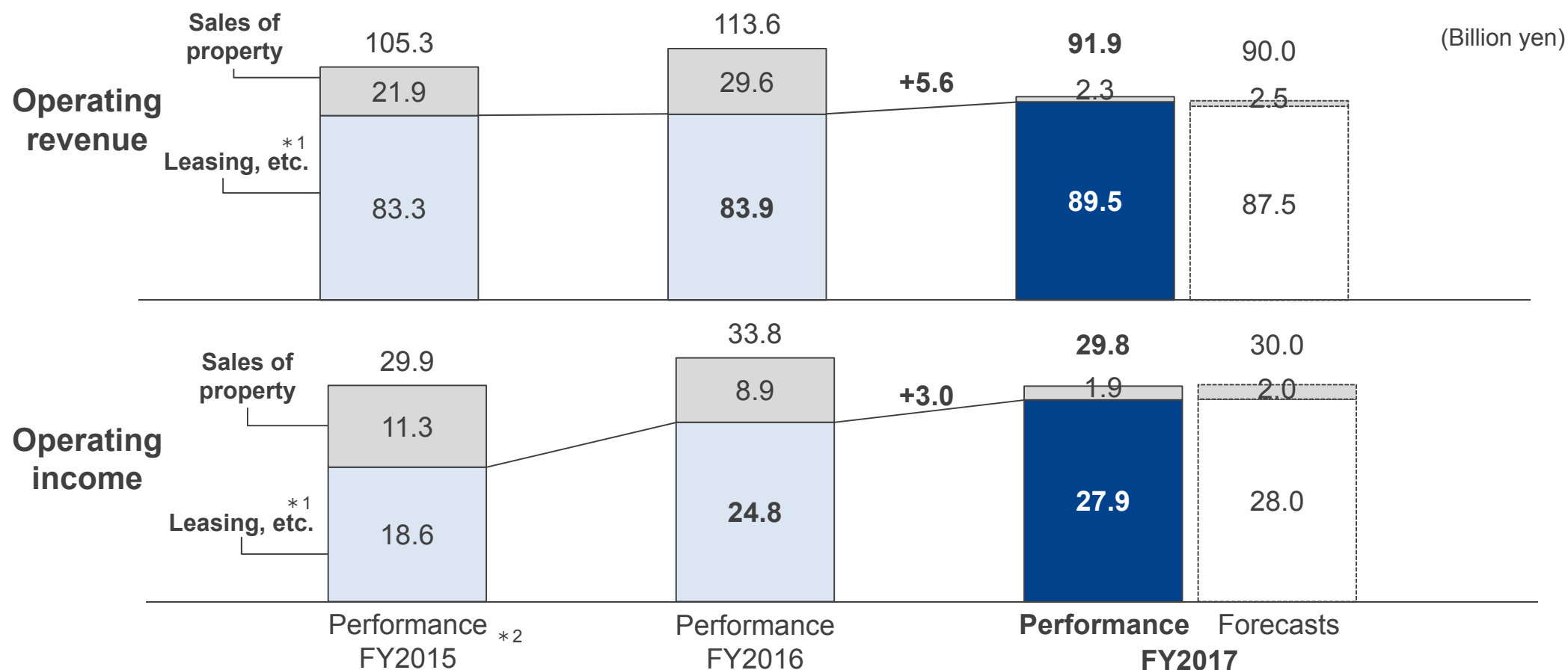
(Billion yen)

	FY2016 Performance	FY2017 Performance	YoY		Forecasts		Forecasts for FY2017
			Change in Figures	Rate	Change in Figures	Rate	
			(v) : (ii) – (i)	(iii) / (i)	(iv) : (ii) – (v)	(iv) / (v)	
	(i)	(ii)					(v)
Operating revenue	¥188.6B	¥166.8B	(¥21.8B)	(11.6%)	+¥3.8B	+2.3%	¥163.0B
<After deduction of property sales>	<¥158.9B>	<¥162.9B>	<+¥3.9B>	<+2.5%>	<+¥3.9B>	<+2.5%>	<¥159.0B>
Operating income	¥31.3B	¥29.6B	(¥1.7B)	(5.6%)	+¥0.6B	+2.2%	¥29.0B
<After deduction of property sales>	<¥22.4B>	<¥26.8B>	<+¥4.4B>	<+19.9%>	<+¥0.8B>	<+3.3%>	<¥26.0B>
Ordinary income	¥28.7B	¥27.4B	(¥1.2B)	(4.5%)	+¥0.4B	+1.6%	¥27.0B
Profit attributable to owners of parent	¥16.6B	¥18.7B	+¥2.0B	+12.1%	+¥1.2B	+6.9%	¥17.5B
Investments	¥38.6B	¥64.8B	+¥26.1B	+67.7%	(¥5.1B)	(7.3%)	¥70.0B

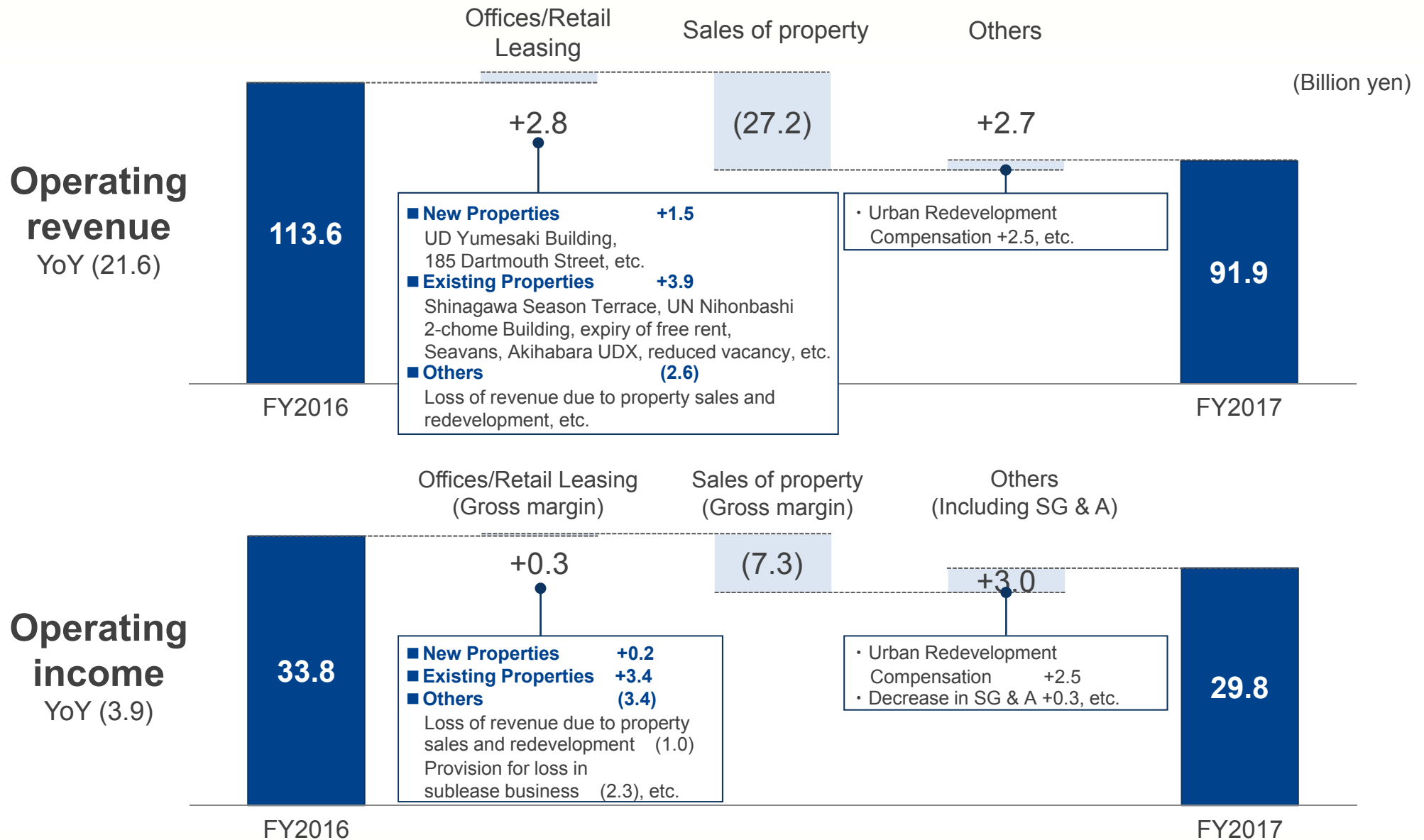
Offices/Retail Business • Operating Revenue/Income



- Excluding the impact of sales of property, revenue increased 5.6 billion yen, and income rose 3.0 billion yen due to the expiry of free rent in Shinagawa Season Terrace, etc.
- Operating revenue increased in comparison with the forecasts mainly due to a greater-than-expected improvement in the vacancy rate.
Operating income has nearly achieved forecasts while the posting of temporary expenses.

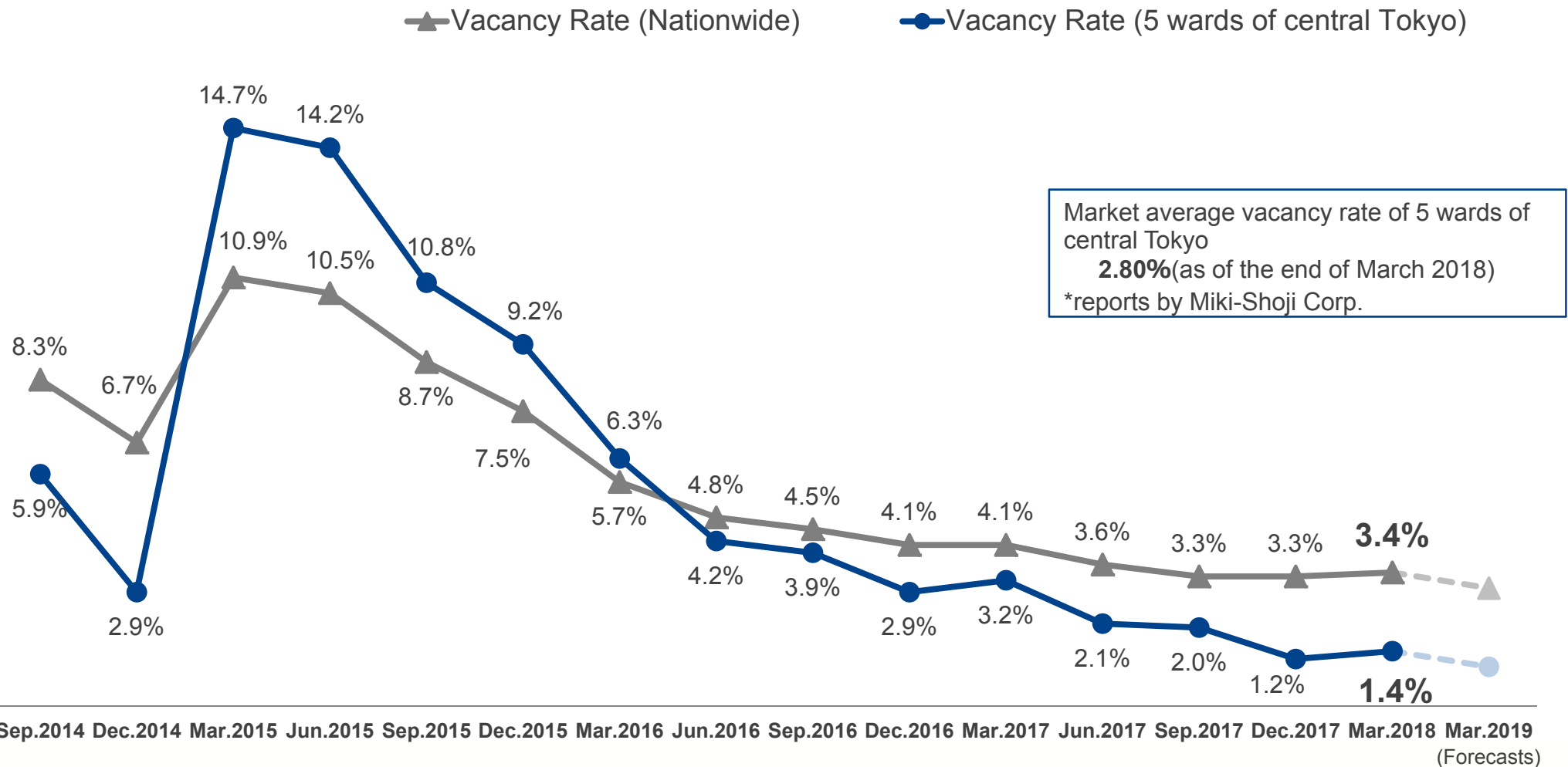


Offices/Retail Business • Factors



Offices/Retail Business • Vacancy Rate

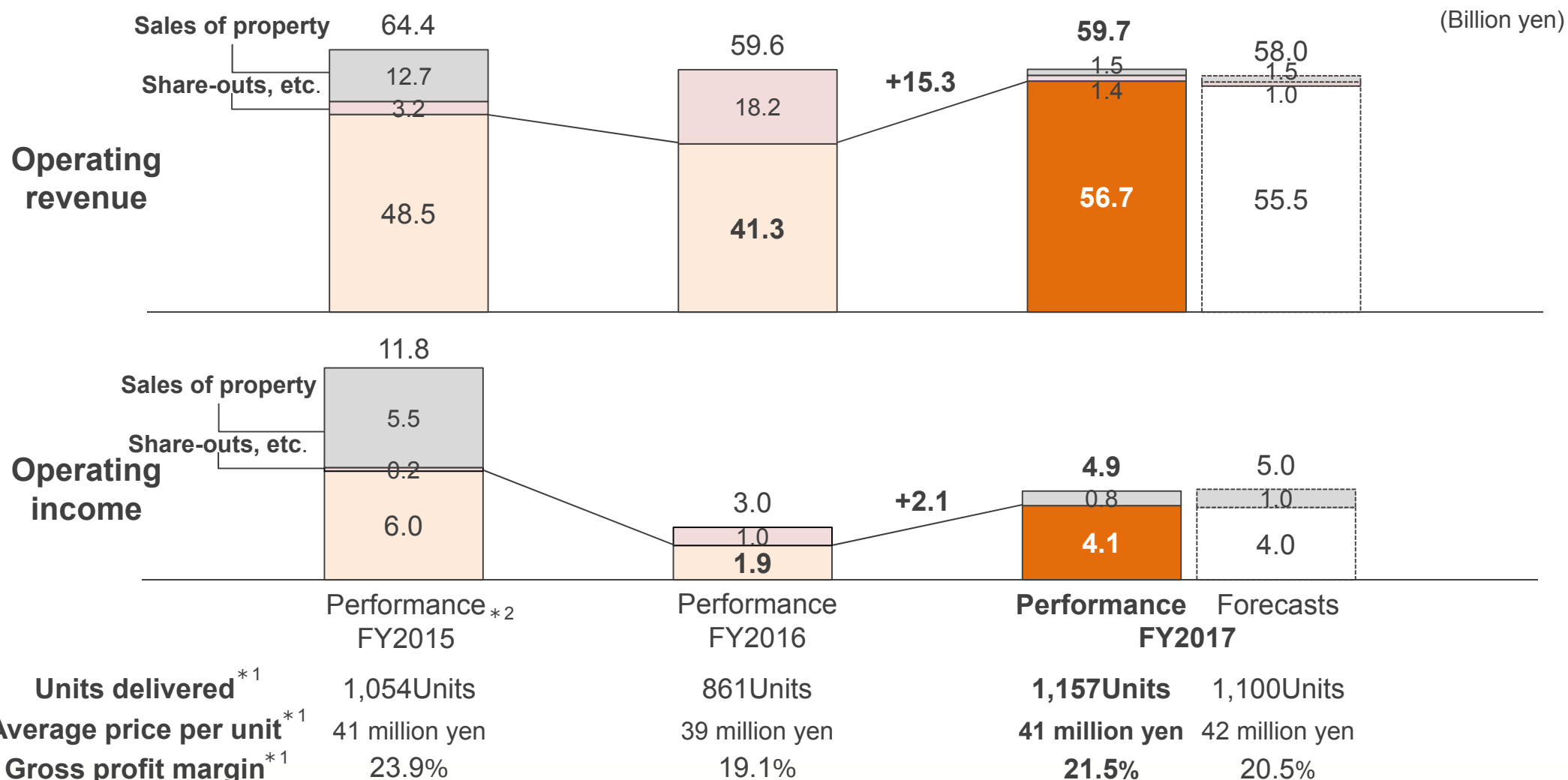
- The vacancy rate remained stable at 1.4% in 5 wards of central Tokyo, and we will continue to aim to maintain a high occupancy rate.



Residential Business • Operating Revenue/Income



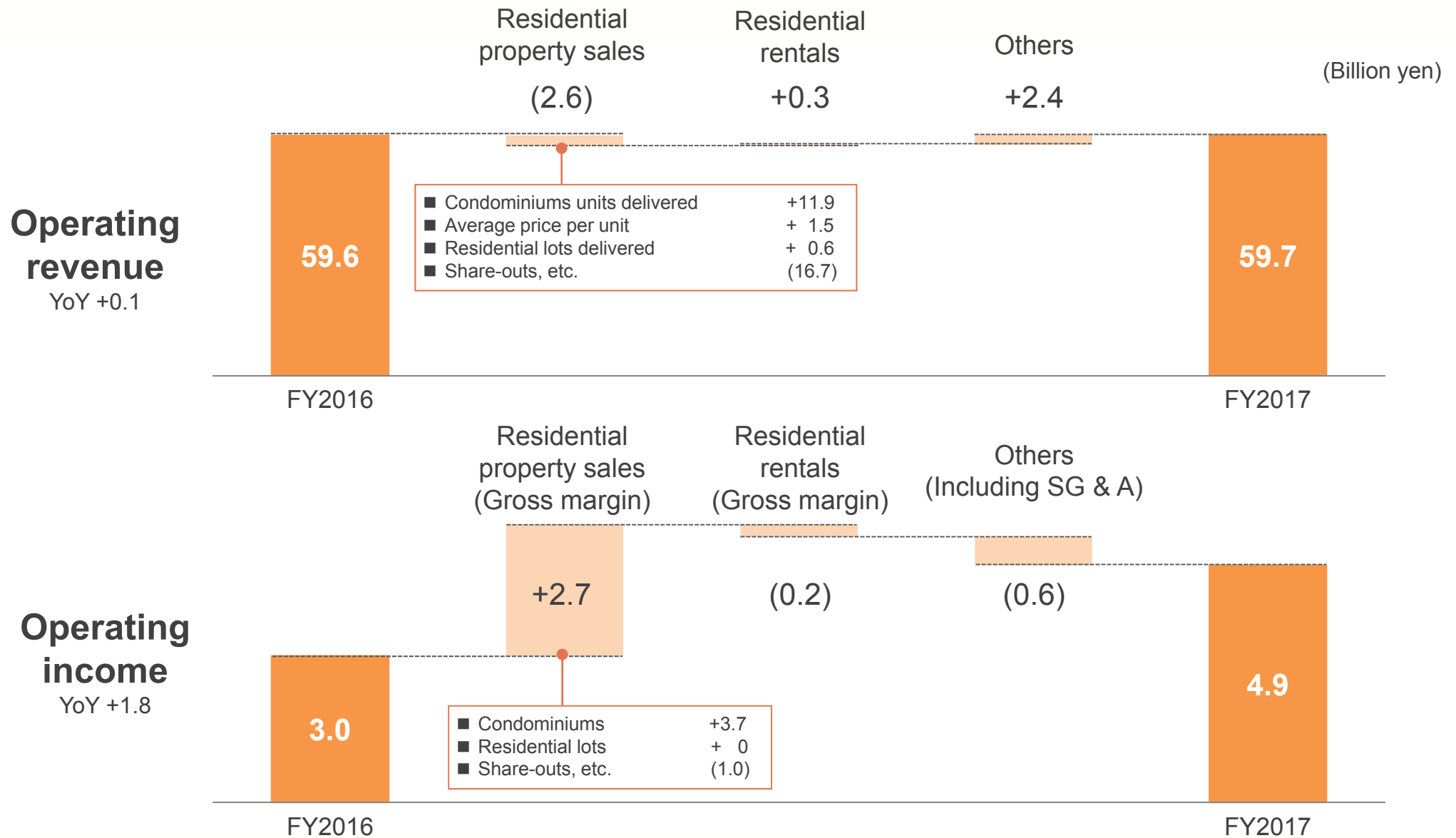
- Excluding the impact of share-outs, etc., operating revenue increased 15.3 billion yen, mainly due to an increase in the number of units delivered,^{*1} and income rose 2.1 billion yen.
- Operating income assumed in the forecasts was almost achieved.



* 1 Excluding sales by share-outs, etc.

* 2 After change in segments

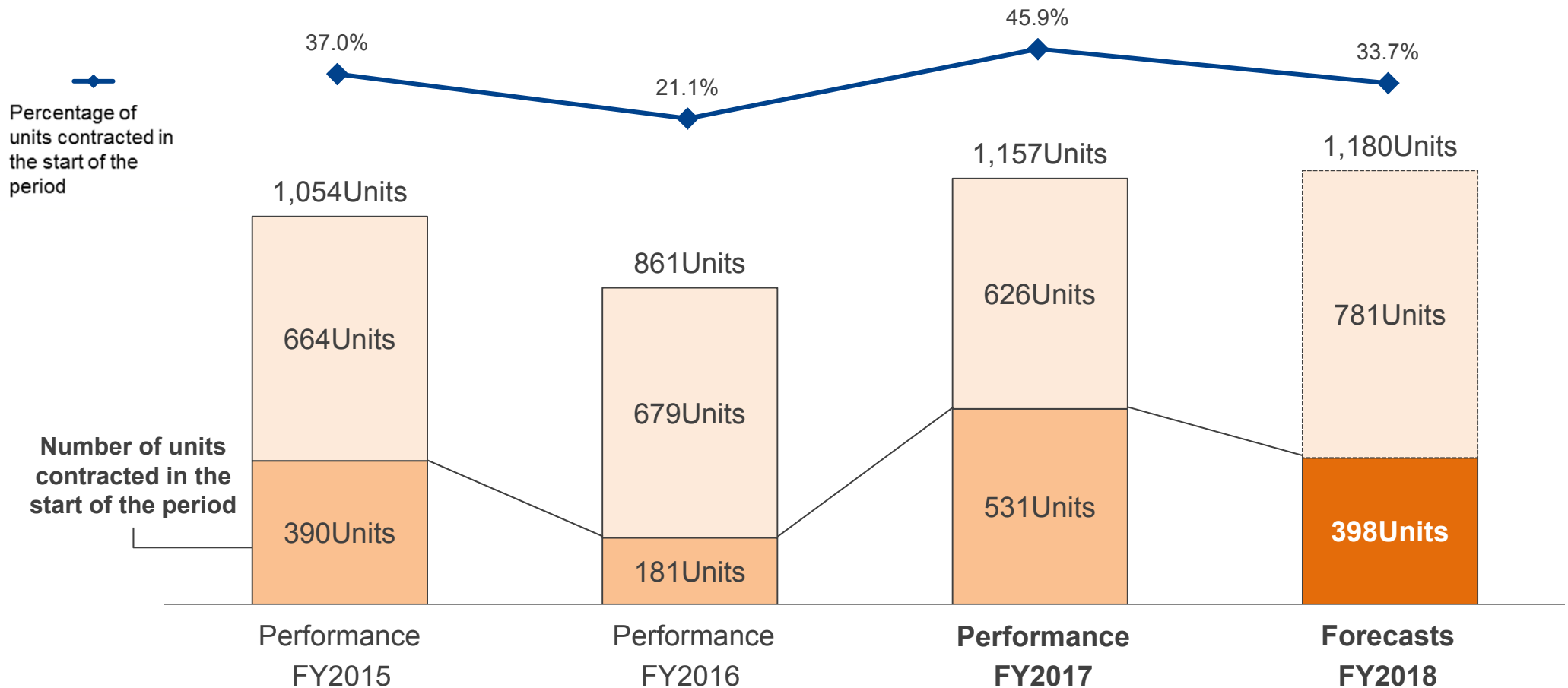
Residential Business • Factors



Residential Business • Condominiums Units Sales



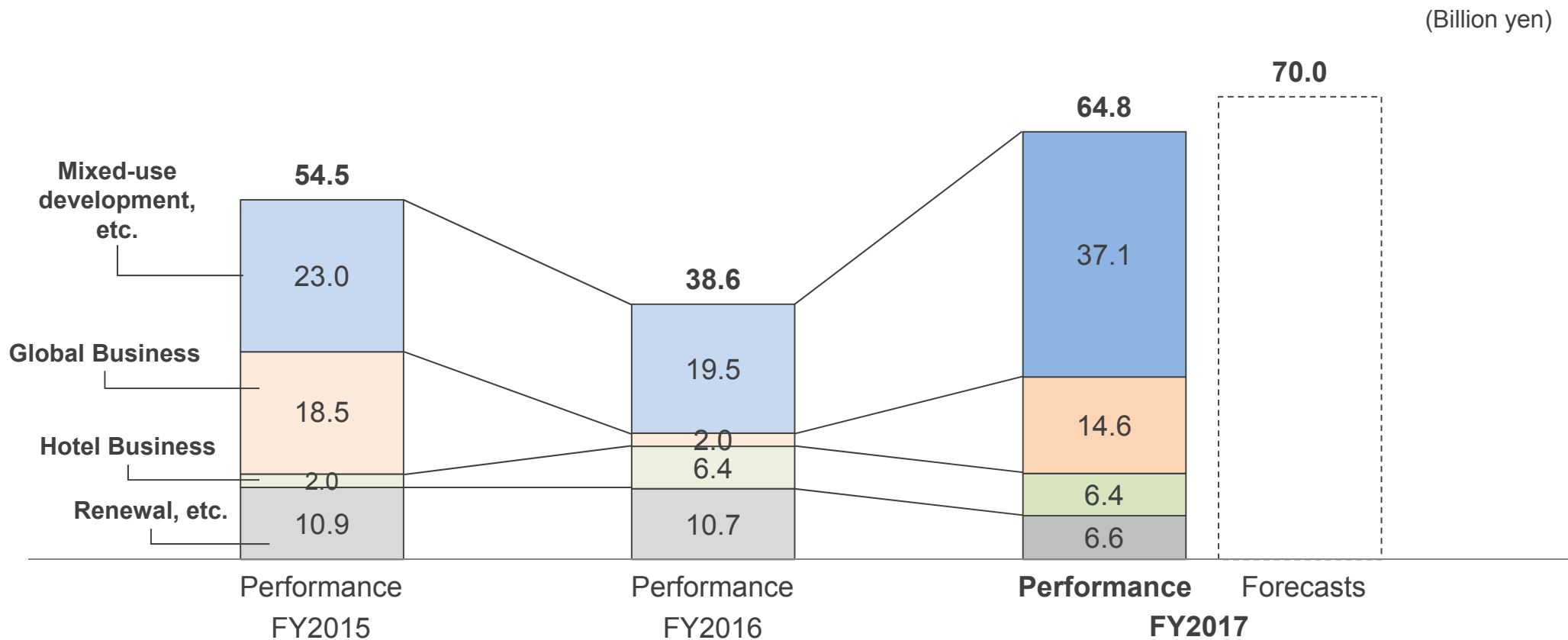
- The number of units delivered* in the fiscal year ended March 2018 increased to 1,157 Units, 57 units more than the forecasts.
- The number of units delivered* in the fiscal year ending March 2019 is expected to be at the same level as in the fiscal year ended March 2018, and the contract rate has progressed to 34%.



* Excluding sales by share-outs, etc.

Investments

- Investments of 26.1 billion yen more than the previous fiscal year were made primarily due to the acquisition of properties in Boston, the United States, in addition to generally steady progress in investments in existing projects such as OTEMACHI PLACE WEST TOWER.*



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

Forecasts for FY2018

- We aim to achieve operating income of 30.0 billion yen, the target in Medium-Term Vision 2018, on a JGAAP basis.
- Profit is expected to decline mainly due to an increase in Loss on retirement of non-current assets associated with the commencement of development of properties owned.
- In investment, we are planning new investment for future growth in addition to existing projects.
- We will implement IFRS in the account settlement in FY2018.

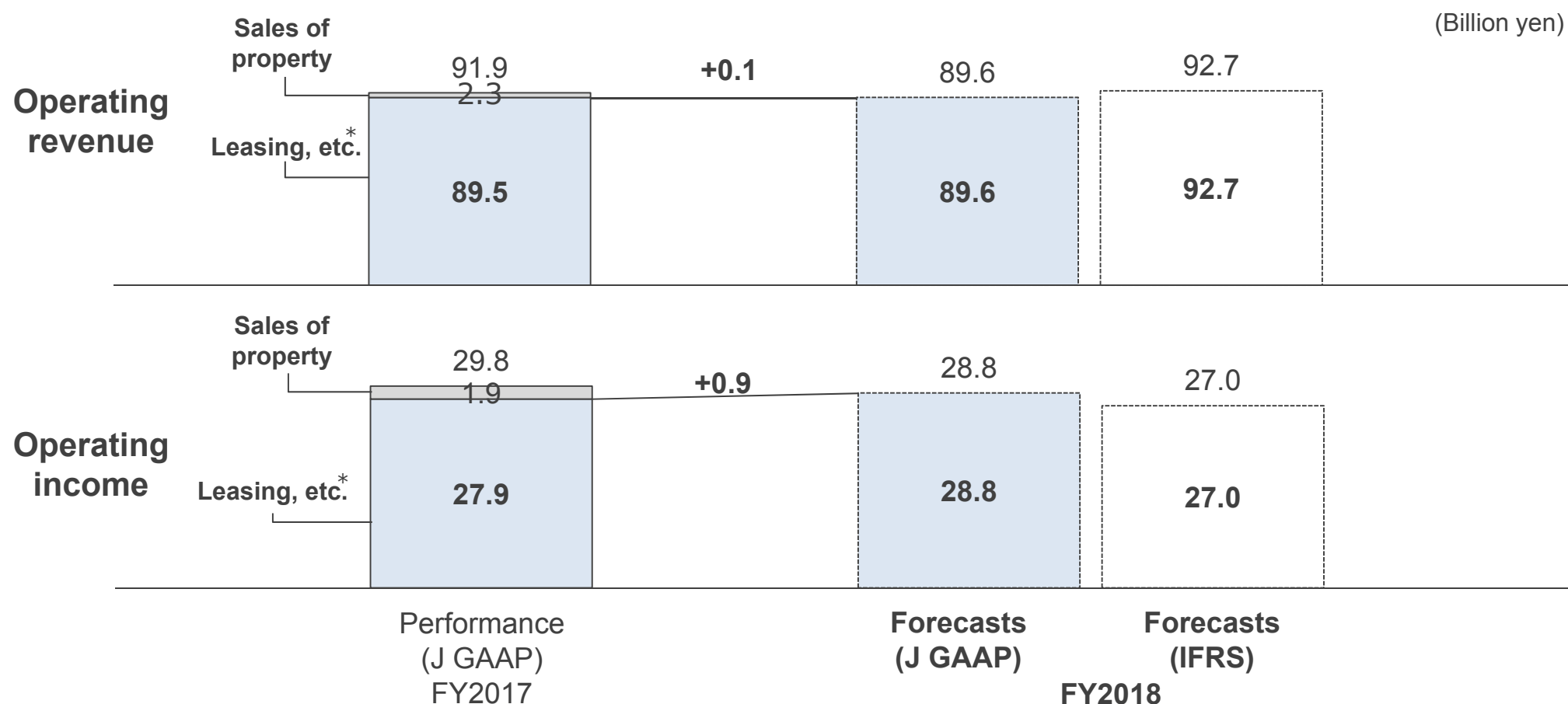
(Billion yen)

	J GAAP				IFRS
	FY2017 Performance	Forecasts for FY2018	YoY		Forecasts for FY2018
			Change in Figures	Rate	
	(i)	(ii)	(iii) : (ii) – (i)	(iv) : (iii) / (i)	(v)
Operating revenue	¥166.8B	¥168.0B	+¥1.1B	+0.7%	¥167.5B
<After deduction of property sales>	<¥162.9B>	<¥168.0B>	<+¥5.0B>	<+3.1%>	
Operating income	¥29.6B	¥30.0B	+¥0.3B	+1.2%	¥28.0B
<After deduction of property sales>	<¥26.8B>	<¥30.0B>	<+¥3.1B>	<+11.7%>	
Ordinary income	¥27.4B	¥27.8B	+¥0.3B	+1.3%	—
Profit attributable to owners of parent	¥18.7B	¥17.0B	(¥1.7B)	(9.1)%	¥16.0B
Investments	¥64.8B	¥67.0B	+¥2.1B	+3.3%	¥68.0B

Offices/Retail Business Forecasts for FY2018



- Aim for higher revenue and income through efforts for the renewal of rent for hike, in addition to the full-year operation of new properties and the expiry of free rent in existing properties.

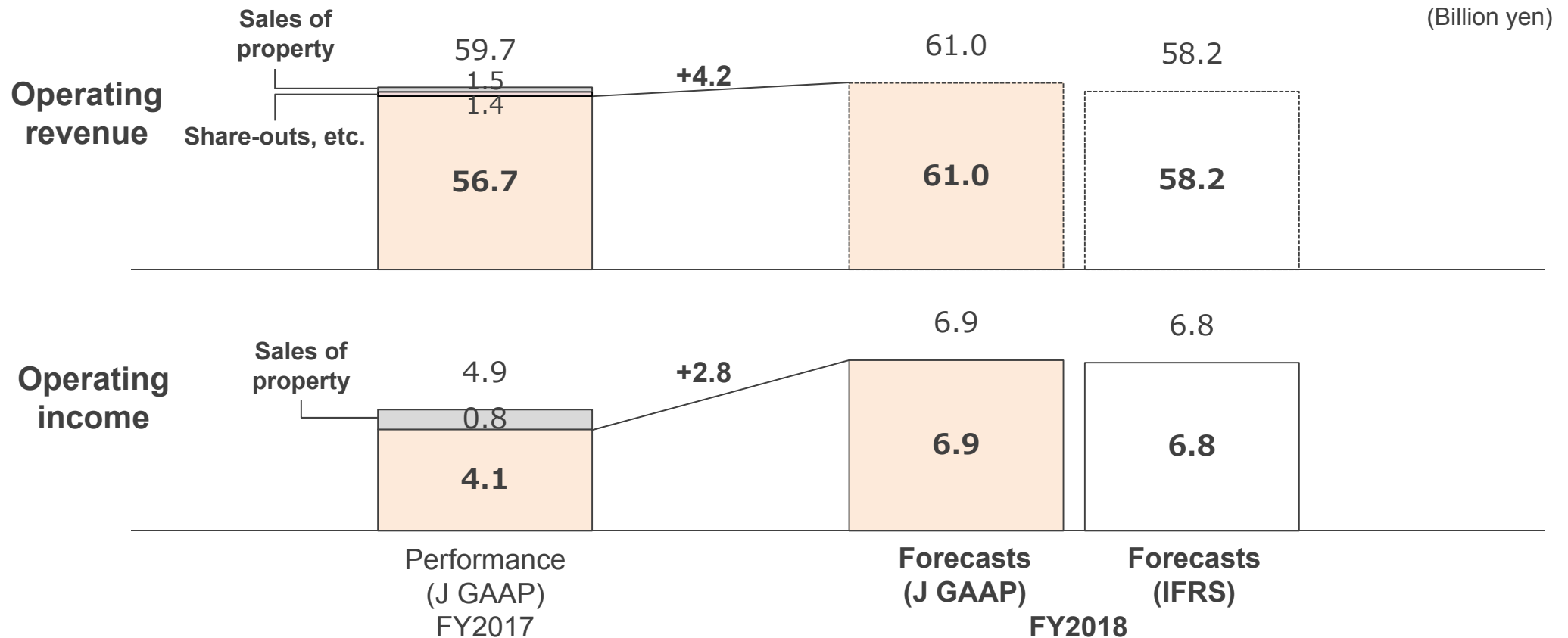


* Excluding property sales

Residential Business Forecasts for FY2018



- Aim for higher revenue and income through a rise in the average price per unit by increasing properties in central Tokyo and a fall in SG & A expenses.



Units delivered*	1,157Units	1,180Units
Average price per unit*	41 million yen	47 million yen
Gross profit margin*	21.5%	20.8%

* Excluding sales by share-outs, etc.

Review of the Current Medium-Term Plan and Future Efforts



Further strengthening of revenue sources in the office business

- Strengthen revenue sources by completing new properties including Shinagawa Season Terrace.
 - Promote new development such as OTEMACHI PLACE WEST TOWER and Shimbashi 1-chome Project.
- Strengthen the competitiveness of existing properties through strategic renewal including BCP measures.
 - Strengthen property management in collaboration with business partners.
 - Improve added value through the expansion of business domains that adapt changes in work styles (LIFORK business, ICT use, the utilization of telephone exchange buildings, etc.)

Further expansion of the retail business

- Acquire development know-how by promoting multiple hotel development projects including Shinpukan Redevelopment Project.
 - Embark on Harajuku Station Front Project as a flagship property.
- Stabilize revenue at an early stage by accumulating hotel operation know-how and introduce it into future mixed-use development.
 - Practice retail property development and operation in light of changes in consumption trends.

Diversification of business domains in the residential business

- Embark on the review of the business model in light of changes in the condominium sales market.
- Product design and careful selection of supply areas by adapting changes in customer lifestyles in the condominium sales business.
 - Diversification of business domains through efforts regarding the renovation business and rental housing, etc.

Review of the Current Medium-Term Plan and Future Efforts



Promotion of mixed-use development

- Create business opportunities through participation in area redevelopment projects and the consideration of the use of assets that are provisionally utilized, etc.
- Materialize sales-oriented projects and establish a private REIT as an exit for development properties.

- Promote mixed-use development including the proposal of the corporate real estate (CRE) strategy to the NTT Group, taking advantage of accumulated development know-how (application, method).
- Contribute to the revitalization and development of the entire area where the Company can exercise its advantages through efforts for area management.

Promotion of the global business

- Accumulate business know-how through efforts for the renewal and development projects (value-up, sales) of properties owned.
- Build and strengthen relationships with reliable local partners.
- Steadily expand the asset size through the continuous acquisition of properties.

- Strengthen revenue sources and promote future development in Japan and overseas by expanding business in global markets such as Europe and the United States with high growth potential.
- In terms of development areas and assets, make flexible investments and operation based on a comprehensive analysis of the market size and economic growth, etc.

Pipeline



Development Project	Gross floor space	Our Stake Investments	2017.3	2019.3	2021.3~
Mixed-use development					
OTEMACHI PLACE WEST TOWER (Former name : Otemachi 2-chome Area 1st Class Urban Redevelopment Project Building A)	Approx.202,000㎡ (WEST TOWER total)	Approx. ¥57.0B	Completion → August 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)	-	-	-		
Hyatt Regency Seragaki Island, Okinawa	Approx.38,200㎡	n/a	Start of Construction → Opening → Late August 2018 (scheduled)		
Shinpuhan Redevelopment Project	Approx.25,700㎡	n/a	Start of Construction → Opening → The end of 2019 (scheduled)		
Kiyomizu Elementary School Conversion Project	Approx. 6,900㎡	n/a	Start of Construction → Opening → Fall 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)		

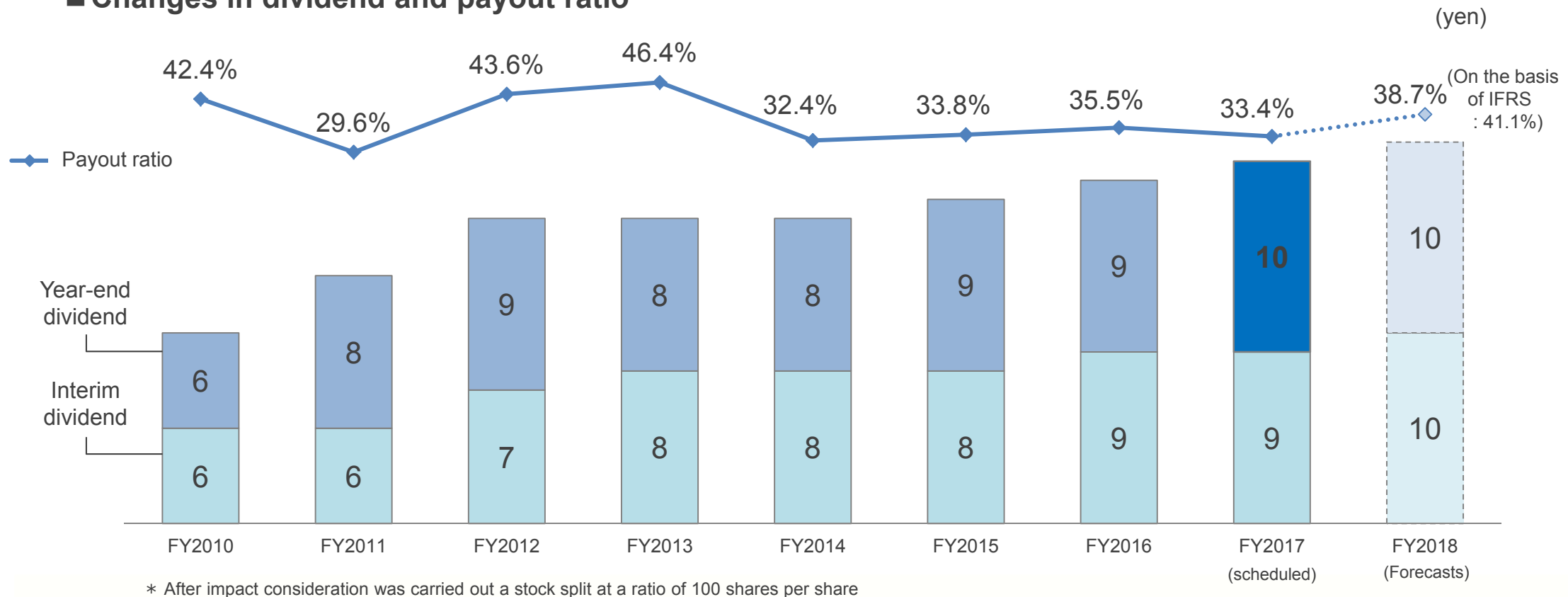
Latest Topics

Mixed-use development	OTEMACHI PLACE WEST TOWER (Former name : Otemachi 2-chome Area 1st Class Urban Redevelopment Project Building A)	<ul style="list-style-type: none"> • Development is making steady progress toward completion in August 2018. • The name of a new block that will become a new business center, which will be one of the largest in Otemachi, has been decided to be “OTEMACHI PLACE.”
	Strengthening of relationships with business partners	<ul style="list-style-type: none"> • Promote future development and urban development by strengthening the system through the enhancement of property management operations. • Concluded a capital and business partnership agreement with O-ENCE Co., Ltd., whose main business is building maintenance on a nationwide scale.
Hotel	Shinpuhan Redevelopment Project	<ul style="list-style-type: none"> • It has been decided to open Ace Hotel Kyoto, the first advancement of Ace Hotel in Asia. • A management contract has been concluded with Ace Hotel.
Residential	Serviced Senior Housing	<ul style="list-style-type: none"> • TSUNAGU (Connected) TOWN Project will expand to 4 properties due to the opening of Wellith Olive Musashino Fujimicho in May 2018 (scheduled).
New businesses	LIFORK	<ul style="list-style-type: none"> • Develop a new style shared office business that supports each customer in realizing their own work and life style. • Opened in April 2018 at Otemachi First Square and Akihabara UDX. • Open WAINA Kids Nursery School, a company-sponsored nursery school, consecutively at the two facilities.

Shareholder return

- Along with the growth of the company towards the medium and long term future, the company will be concentrating on making the steady and continuous return to shareholders.
- The annual dividend for FY2017 is expected to total 19 yen per share, with the year-end dividend amount forecast to be 10yen.
(Subject to approval of the Ordinary General Meeting of Shareholders on 21 June, 2018)

Changes in dividend and payout ratio



APPENDIX

Main Differences Between J GAAP and IFRS

Main Items	J GAAP	IFRS	Financial impact			
			P/L			(Refer- ence) B/S
			Oper- ating re- ve- nue	Oper- ating in- co- me	Net in- co- me	
A. Netting of revenue and expenses						
[A-1] Profit or loss from the sale of inventory assets not associated with development activities	Total amount of revenue and expenses is reported even when assets are not associated with development activities	Profit or loss is reported as a net amount when not associated with development activities (total amount of revenue and expenses is reported when associated with development activities)	○	-	-	-
[A-2] Reporting revenue and expense for trust beneficiary rights (unit trusts) (allotment sales)	Total amount of revenue and expenses is reported	Equity in earnings of affiliated companies is reported as a net amount				○
B. Reclassification						
[B] Non-operating income and expenses, extraordinary income and loss	Non-operating income and expenses, ordinary income, and extraordinary income and loss are presented after operating income	Items included in non-operating income and expenses and extraordinary income and loss other than items related to financial profit and loss are all presented above operating income as other income and loss and equity in earning of affiliates of entities accounted for using equity method (The company chooses to display these entries above operating income)	-	○	-	-

Main Differences Between J GAAP and IFRS

Main Items	J GAAP	IFRS	Financial impact			
			P/L			(Refer- ence) B/S
			Oper- ating re- ve- nue	Oper- ating in- co- me	Net in- co- me	
C. Cases where timing of recognition or treatment differs due to differences in accounting standards						
[C-1] Free rent periods	Revenue is not recorded during free rent periods. Revenue is recorded based on the amount charged	The total amount of lease payments over the lease period, including any free rent period, is divided equally over the life of the lease				
[C-2] Percentage-of-completion method	The percentage of completion method applies only to construction contracts if certain requirements are met, and revenue and expenses is reported as work progressed	The percentage of completion method applies if certain requirements are met regardless of construction contract, and revenue and expenses is reported as work progresses	○			
[C-3] Capitalization of borrowing costs	Borrowing costs (interest expenses) are treated as non-operating expenses	A portion of borrowing costs (interest expenses) is treated as the cost of acquiring development properties		○	○	○
[C-4] Reduction of depreciation expenses through the application of deemed cost	No such standard exists	A portion of real estate investments are transferred on the basis that fair value (such as appraised value) on the date of transfer is taken as book value, and depreciated is reported in accordance with a book value substitute at a later date	—			
[C-5] Amortization of negative goodwill	Negative goodwill is amortized equally over a 20-year period as non-operating revenue	Treated as lump-sum revenue at time of occurrence (treated as increased shareholder equity on date of transfer without appearing on P/L)		—		

Forecasts for FY2018 (J GAAP→IFRS)



(Billion yen)

	Forecasts for FY2018			Major fluctuating factor
	(Reference) J GAAP	IFRS	Difference	
	(i)	(ii)	(ii) – (i)	
Operating revenue	¥168.0B	¥167.5B	(¥0.5B)	[A-2] Processing net revenue and expenses (allotment sales) (2.8) [C-1] Equalization of free rent effects (0.2) [C-2] Application of percentage of completion method +2.8
Operating expenses	¥138.0B	¥137.9B	(¥0.1B)	[A-2] Processing net revenue and expenses (allotment sales) (2.0) [C-2] Application of percentage of completion method +2.9 [C-4] Reduction of depreciation expenses through the application of deemed costs (0.4)
Other revenue and expenses, etc.	–	(¥1.6B)	(¥1.6B)	[A-2] Processing net revenue and expenses (allotment sales) +0.8 [B] Changeover from Non-operating income and expenses (0.8) [B] Changeover from Extraordinary income and loss (1.6)
Operating income	¥30.0B	¥28.0B	(¥2.0B)	
Non-operating income and expenses (excluding financial income and expenses)	¥1.6B	–	(¥1.6B)	[B] Changeover to other operating expenses (share of profit (loss) of entities accounted for using equity method) +0.8 [C-5] Amortization of negative goodwill (1.9)
Financial income and expenses	(¥3.8B)	(¥2.9B)	+¥0.9B	[C-3] Capitalization of borrowing costs +0.9
Extraordinary income and loss	(¥1.6B)	–	+¥1.6B	[B] Changeover to Other revenue and expenses, etc. +1.6
Profit attributable to owners of parent	¥17.0B	¥16.0B	(¥1.0B)	

FY2017 Performance (J GAAP→IFRS)



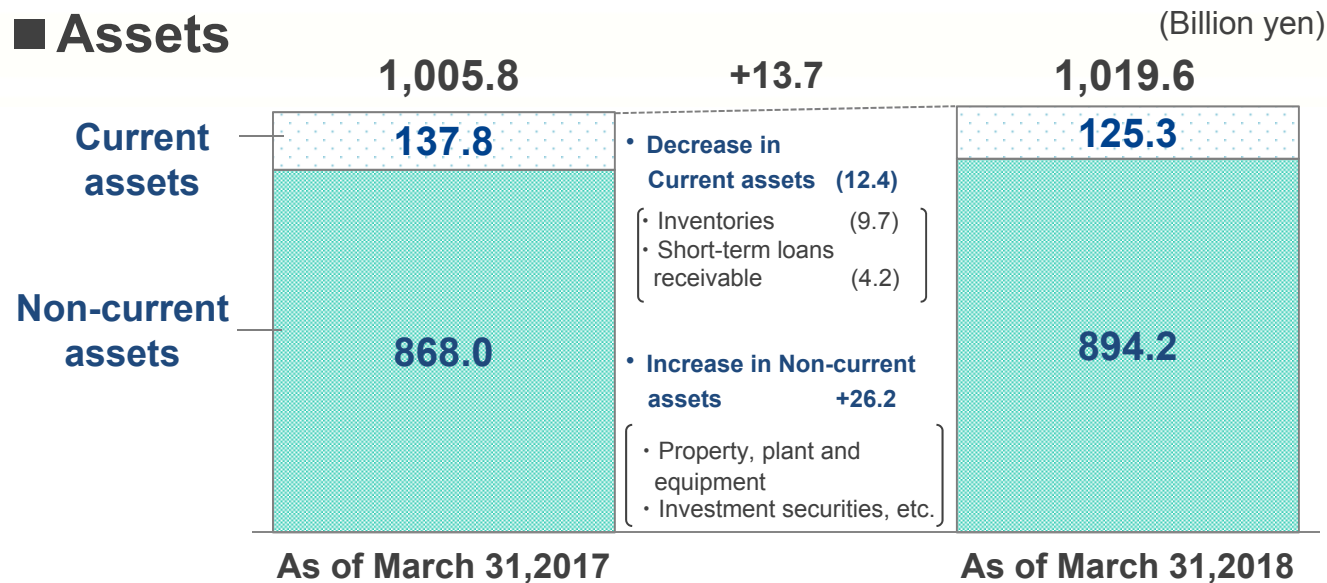
(Billion yen)

	FY2017 Performance			Major fluctuating factor
	J GAAP (i)	(Reference) IFRS*1 (ii)	Difference (ii) – (i)	
Operating revenue	¥166.8B	¥160.6B	(¥6.1B)	[A-1,2] Processing net revenue and expenses (Sales of property, allotment sales) (7.5) [C-1] Equalization of free rent effects +0.2 [C-2] Application of percentage of completion method +1.5
Operating expenses	¥137.1B	¥133.0B	(¥4.0B)	[A-1,2] Processing net revenue and expenses (Sales of property, allotment sales) (3.9) [C-2] Application of percentage of completion method +1.4 [C-4] Reduction of depreciation expenses through the application of deemed costs (1.2)
Other revenue and expenses, etc.	–	¥2.5B	+¥2.5B	[A-1,2] Processing net revenue and expenses (Sales of property, allotment sales) +3.5 [B] Changeover from Non-operating income and expenses +0.2 [B] Changeover from Extraordinary income and loss (0.5)
Operating income	¥29.6B	¥30.1B	+¥0.4B	
Non-operating income and expenses (excluding financial income and expenses)	¥2.1B	–	(¥2.1B)	[B] Changeover to Other revenue and expenses, etc. (0.2) [C-5] Amortization of negative goodwill (1.9)
Financial income and expenses	(¥4.3B)	(¥2.4B)	+¥1.8B	[B] Changeover from Extraordinary income and loss +0.6 [C-3] Capitalization of borrowing costs +1.3
Extraordinary income and loss	¥0.1B	–	(¥0.1B)	[B] Changeover to Financial income and expenses (0.6) [B] Changeover to Other revenue and expenses, etc. +0.5
Profit attributable to owners of parent	¥18.7B	¥17.9B	(¥0.7B)	

*1 Financial results based on IFRS are unaudited reference values and may change due to the result of the accounting audit.

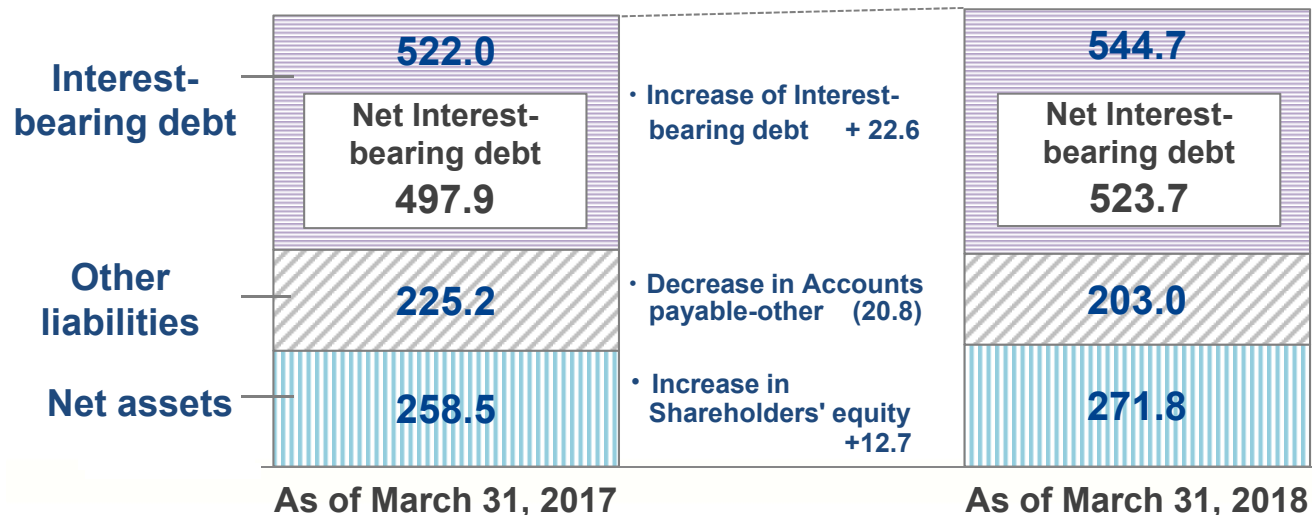
Balance Sheet 1

■ Assets



- Assets rose due to an increase in non-current assets supported by progress in investment.
- Interest-bearing debt has increased due to the securing of investment funds.

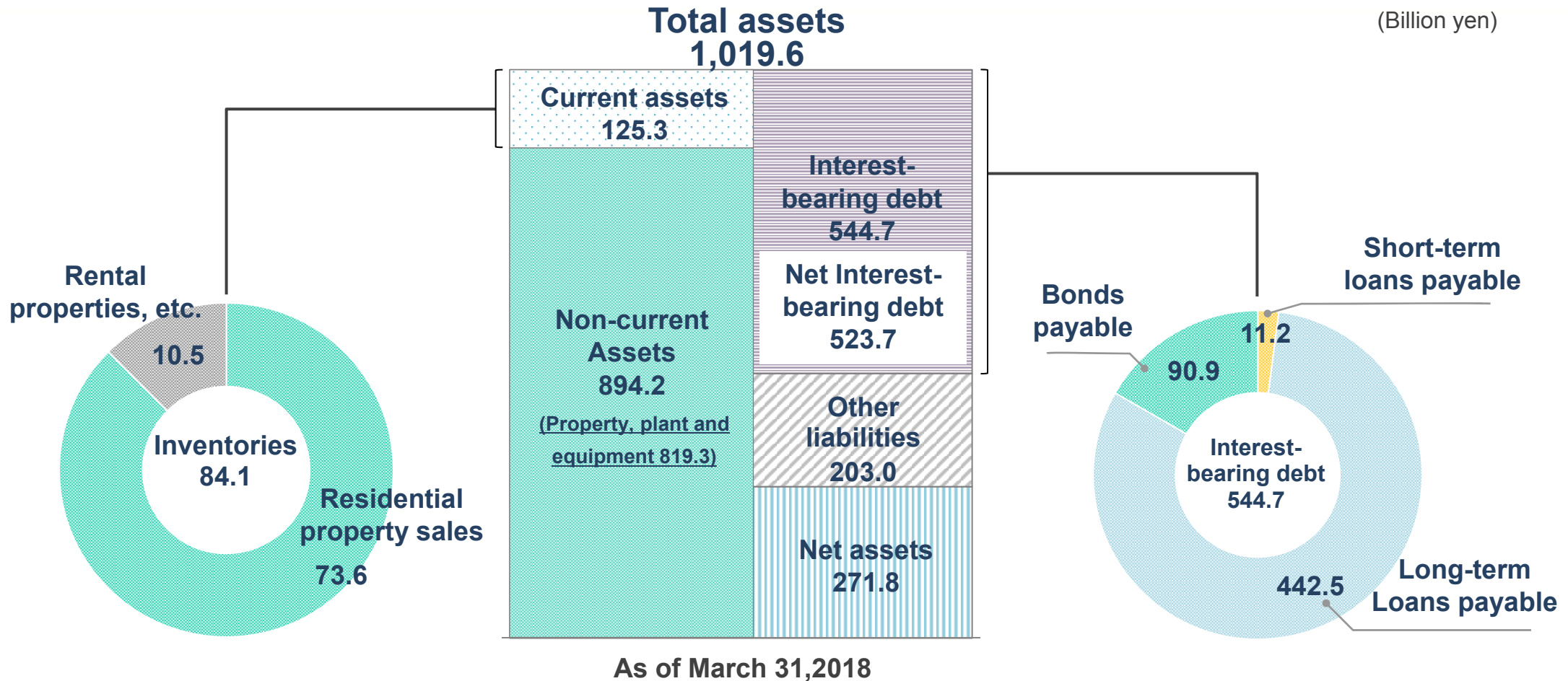
■ Liabilities/Net assets



- Average interest rate : 0.75% (at the end of March 2017 : 0.87%)
- Weighted average tenor* : 5.11years (at the end of March 2017 : 5.07years)

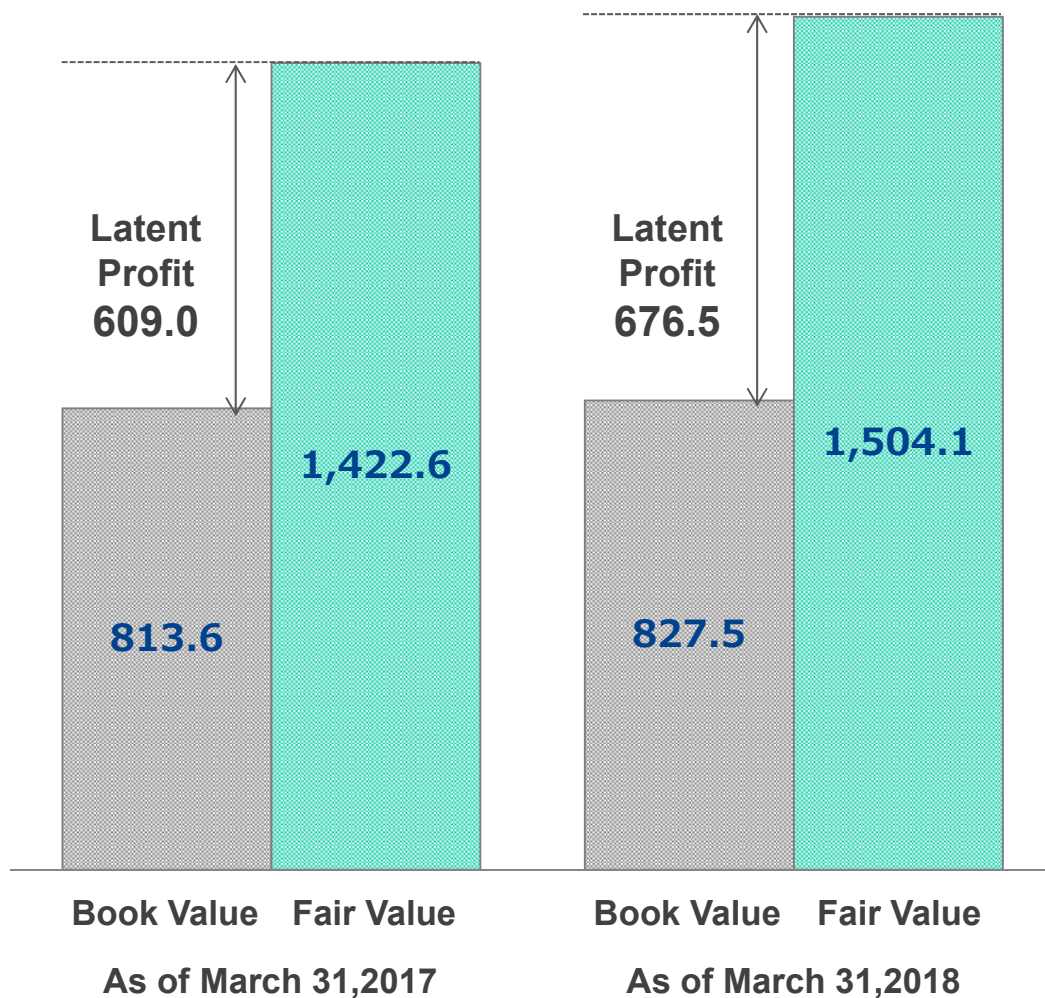
* Interest-bearing debt excluding short-term loans payable

Balance Sheet 2



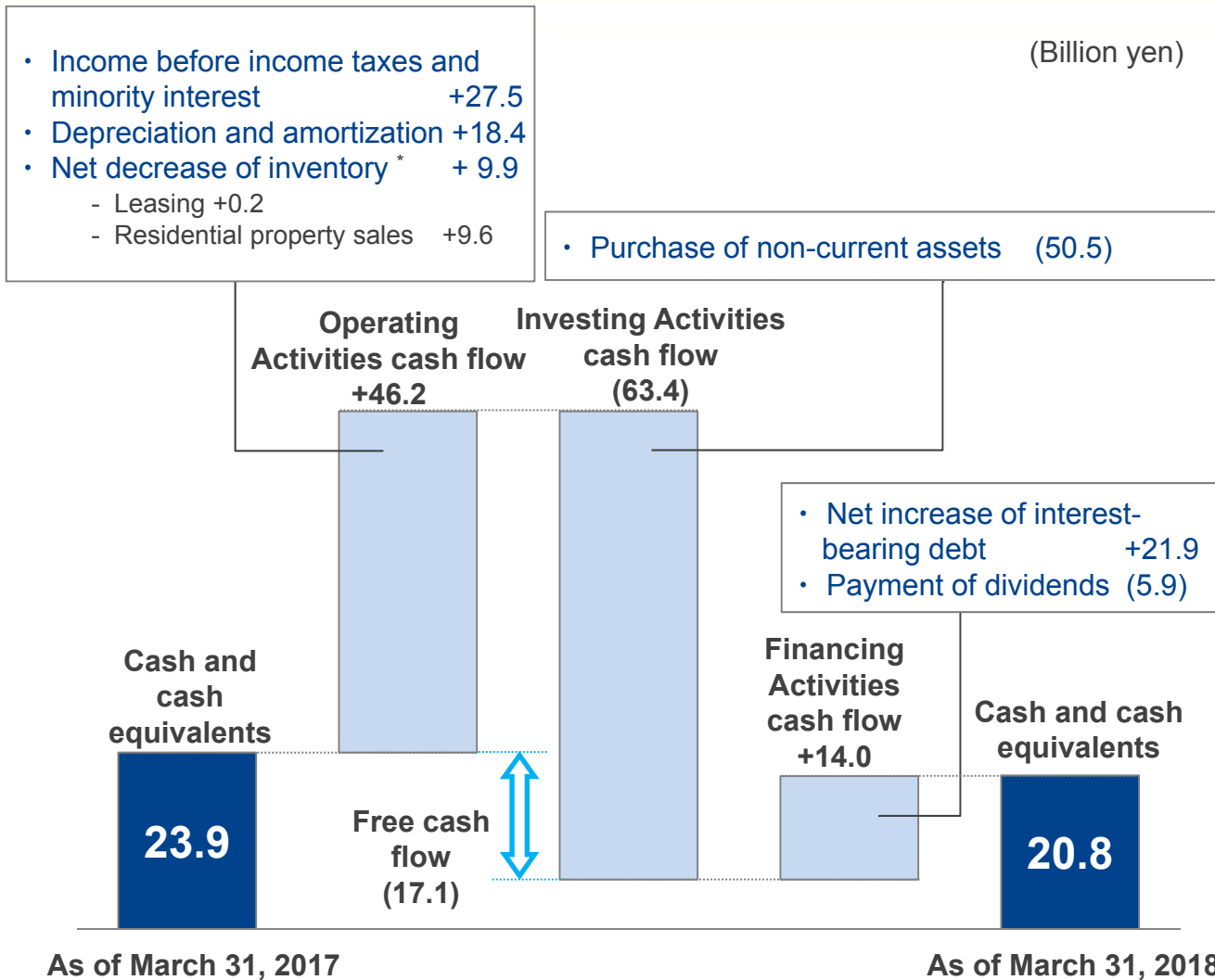
Fair Value of Rental Properties

(Billion yen)



- Latent Profit increased to 675.5 billion yen, mainly due to a fall in the cap rate (up 67.5 billion yen year on year).

Cash Flows



- Operating cash flow showed a 46.2 billion yen cash inflow. This is mainly due to decreased inventory assets attributable to the sales of properties and share-outs (+9.9 billion yen), as well as profit.
- Investment cash flow remained at cash outflow of 63.4 billion yen, primarily due to purchase of property, plant and equipment (50.5 billion yen).
- As a result, free cash flow was (17.1) billion yen.

* Excluding non-cash items

Financial Indicators

Category	FY2015	FY2016	FY2017
ROA (Return on assets) ^{*1}	3.9%	3.4%	3.1%
ROE (Return on equity) ^{*2}	8.2%	8.0%	8.5%
Net interest-bearing Debt ^{*3} /EBITDA ^{*4}	8.6X	9.9X	10.9X
Net D/E ratio ^{*5}	2.10X	1.93X	1.93X
Dividend payout ratio ^{*6}	33.8%	35.5%	33.4% (scheduled)

^{*1} ROA (Return on assets) = (Operating income + Equity in earnings of affiliates + Amortization of negative goodwill) / { (Total assets at the beginning of the fiscal year under review + Total assets at the end of the fiscal year under review) / 2 } × 100

^{*2} ROE (Return on equity) = Net income / { (Shareholders' equity at the beginning of the fiscal year under review + Shareholders' equity at the end of the fiscal year under review) / 2 } × 100

^{*3} Net interest-bearing debt = Interest-bearing debt - Cash and deposits - Short-term (less than 3 months) investments included in other current assets

^{*4} EBITDA = Operating income + Depreciation and amortization

^{*5} Net D/E ratio = Net interest-bearing debt / Net assets

^{*6} Dividend payout ratio = (Full-year) Dividend per share / Net income per share

Statements of Income

(Million yen)

Category	(i) FY 2016	(ii) FY 2017	(ii) – (i) Change	Key Factors	(iii) FY 2017 Forecasts (ii)/(iii) Progress
Operating revenue	188,633	166,800	(21,833)		163,000 102.3%
Operating expenses	157,240	137,164	(20,075)		
Operating income	31,393	29,635	(1,757)	<ul style="list-style-type: none"> ■ Non-operating income (854) <ul style="list-style-type: none"> • Share of profit of entities accounted for using equity method (1,072)[1,072→–] ■ Non-operating expenses (1,333) <ul style="list-style-type: none"> • Interest expenses (400)[4,894→4,493] • Provision of allowance for doubtful accounts (802)[802→–] 	29,000 102.2%
Non-operating income	3,410	2,555	(854)		
Non-operating expenses	6,093	4,759	(1,333)		
Ordinary income	28,710	27,432	(1,278)		27,000 101.6%
Extraordinary income	25	920	+895	<ul style="list-style-type: none"> ■ Extraordinary income +895 <ul style="list-style-type: none"> • Gain on sales of investment securities +802 [–→802] 	
Extraordinary loss	2,296	792	(1,503)	<ul style="list-style-type: none"> ■ Extraordinary loss (1,503) <ul style="list-style-type: none"> • Loss on retirement of non-current assets (1,524)[2,150→626] 	
Income before income taxes and minority interests	26,440	27,560	+1,120		
Income taxes	7,899	6,886	(1,013)		
Profit	18,540	20,673	+2,133		
Profit attributable to non-controlling interests	1,858	1,972	+113	<ul style="list-style-type: none"> ■ Comprehensive income +6,514 <ul style="list-style-type: none"> • Profit +2,133 	
Profit attributable to owners of parent	16,682	18,701	+2,019	<ul style="list-style-type: none"> • Foreign currency translation adjustment +5,034[(4,160)→874] 	17,500 106.9%
Comprehensive income	14,422	20,937	+6,514		

Statements of Income by Segment



(Million yen)

Category	(i)	(ii)	(ii) - (i)	Key Factors	(iii) FY 2017 Forecasts		
	FY 2016	FY 2017	Change		(ii)/(iii) Progress		
Offices/Retail Business	Operating revenue	113,613	91,964	(21,649)	<ul style="list-style-type: none"> ■ Operating revenue (21,649) · Rental revenue +2,875 · New properties +1,599, Existing properties +3,963, Others (2,687) · Sales of revenue-generating real estate(Gross margin) (27,287) · Others : Urban Redevelopment Compensation, etc. +2,763 ■ Operating income (3,921) · Rental income(Gross margin) +316 · New properties +299, Existing properties +3,448, Others(3,430) · Sales of revenue-generating real estate(Gross margin) (7,328) · Others (Gross margin) : Urban Redevelopment Compensation, etc. +2,774 	90,000	102.2%
	Operating income	33,801	29,880	(3,921)		30,000	99.6%
	Operating income margin	29.8%	32.5%	+2.7 pt		33.3%	-
Residential Business	Operating revenue	59,607	59,758	+151	<ul style="list-style-type: none"> ■ Operating revenue +151 · Residential property sales (2,634) · Condominiums (4,044), Residential lots, etc. +660, Others +750 · Residential rentals +314 · Others +2,471 ■ Operating income +1,892 · Residential property sales (Gross margin) +2,747 · Residential rentals (Gross margin) (255) · Others (Gross margin) +892 · Increased SG & A (1,493) 	58,000	103.0%
	Operating income	3,068	4,960	+1,892		5,000	99.2%
	Operating income margin	5.1%	8.3%	+3.2 pt		8.6%	-
Others	Operating revenue	21,534	21,226	(308)		20,000	106.1%
	Operating income	1,816	1,819	+3		1,500	121.3%
	Operating income margin	8.4%	8.6%	+0.1 pt		7.5%	-

Balance Sheets

(Million yen)

Category	(i) March 31, 2017	(ii) March 31, 2018	(ii) – (i) Change	Key Factors
Total assets	1,005,898	1,019,659	+13,761	
Current assets	137,816	125,367	(12,449)	
Cash and deposits	16,945	18,073	+1,127	
Inventories	93,865	84,158	(9,707)	■ Inventories (9,707)
Other currents assets	27,004	23,135	(3,869)	• Residential property sales (9,211)
(Restated) Operating accounts receivable	9,026	9,340	+314	• Leasing (861)
Non-current assets	868,081	894,292	+26,210	
Property, plant and equipment	797,557	819,324	+21,766	■ Property, plant and equipment +21,766
Intangible assets	25,228	25,818	+590	• Acquisition +38,203, Depreciation (17,013)
Investments and other assets	45,296	49,149	+3,852	
Total liabilities	747,341	747,849	+507	
Current liabilities	112,792	137,859	+25,066	
Interest-bearing debt (short-term)	53,974	101,296	+47,321	■ Interest-bearing debt +22,684
Other current liabilities	58,817	36,562	(22,255)	Net interest-bearing debt +25,812
Non-current liabilities	634,548	609,989	(24,558)	
Interest-bearing debt (long-term)	468,108	443,470	(24,637)	■ Other current liabilities (22,255)
Other non-current liabilities	166,440	166,519	+78	• Decrease of accounts payable-other
Total net assets	258,556	271,810	+13,253	
Shareholders' equity	209,604	222,383	+12,778	■ Shareholders' equity +12,778
Accumulated other comprehensive income	3,067	3,328	+261	• Profit attributable to owners of parent +18,701
Non-controlling interests	45,884	46,098	+213	• Dividend (5,924)
Total liabilities and net assets	1,005,898	1,019,659	+13,761	

Statements of Cash Flows



(Million yen)

Category	(i) FY 2016	(ii) FY 2017	(ii)–(i) Change	Key Factors
Net cash provided by (used in) operating activities (A)	71,910	46,273	(25,637)	
Income before income taxes and minority interests	26,440	27,560	+1,120	
Depreciation and amortization	18,871	18,405	(465)	
Other operating activities	26,599	307	(26,291)	
Decrease (increase) in notes and accounts receivable-trade	142	(303)	(445)	
Decrease (increase) in inventories	25,418	9,902	(15,516)	■ Inventories +9,902
Increase (decrease) in notes and accounts payable-trade	(2,794)	314	+3,108	· Residential property sales +9,663
Increase (decrease) in lease and guarantee deposits	4,139	819	(3,319)	
Income taxes paid	(3)	(10,631)	(10,628)	
Other extraordinary loss (income)	(303)	205	+508	
Net cash provided by (used in) investing activities (B)	(36,710)	(63,471)	(26,760)	
Purchases of property, plant and equipment	(37,792)	(50,509)	(12,717)	■ Cash outflow due to acquisition of property, plant, and equipment (50,509)
Proceeds from sales of property, plant and equipment	(2,636)	(3,812)	(1,176)	· Major capital investments OTEMACHI PLACE WEST TOWER, UD Yumesaki Building
Purchase of investment securities	(4,837)	1,258	(3,579)	
Proceeds from repayment of investment securities	—	(10,532)	(10,532)	
Other investing activities	(1,119)	125	+1,244	
Free cash flow (A) + (B)	35,200	(17,197)	(52,397)	
Net cash provided by (used in) financing activities	(27,345)	14,068	+41,414	
Increase (decrease) in interest-bearing debt	(19,558)	21,954	+41,512	■ Purchase of shares of subsidiaries resulting in change in scope of consolidation (10,532)
Cash dividends paid	(5,924)	(5,925)	(1)	· 185 Dartmouth St.
Other financing activities	(1,863)	(1,959)	(96)	
Effect of exchange rate change on cash and cash equivalents	(6)	0	+7	
Cash and cash equivalents at beginning of period	16,106	23,954	+7,847	
Cash and cash equivalents at end of period	23,954	20,825	(3,128)	

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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