

Financial Results for the 1st Quarter of FY2018

August 3, 2018

NTT Urban Development Corporation



Financial Results for the 1st Quarter of FY2018



- Revenue and income declined, mainly reflecting a decrease of units delivered attributable to the fact that there were no newly completed condominiums and a decrease in compensation revenue. Income and expenses are almost in line with assumptions in the annual forecasts.
- We aim to achieve the annual forecasts by enhancing leasing in the Offices/Retail business and strengthening sales of condominiums in anticipation of newly completed properties.

(Billion yen)

	FY2017 1Q Performance (IFRS)	FY2018 1Q Performance (IFRS)	Change	Forecasts For FY2018 (IFRS)	Progress	(Reference) FY2018 1Q Performance (J GAAP) *3
	(i)	(ii)	(ii) – (i)	(iii)	(ii) / (iii)	
Operating revenue <Base Operating revenue>*2	¥40.1B <¥37.5B>	¥29.9B <¥29.9B>	(¥10.2B) <(¥7.6B)>	¥167.5B <¥167.5B>	17.9% <17.9%>	¥30.8B <¥29.6B>
Operating expenses	¥27.8B	¥21.5B	(¥6.3B)	–	–	¥23.3B
Other Operating revenue and Operating expenses, etc.	¥0.1B	¥1.5B	+¥1.3B	–	–	–
Operating income <Base Operating income>*2	¥12.4B <¥9.9B>	¥9.9B <¥8.5B>	(¥2.5B) <(¥1.3B)>	¥28.0B <¥29.6B>	35.4% <28.9%>	¥7.5B <¥6.4B>
Profit attributable to owners of parent	¥7.7B	¥6.0B	(¥1.6B)	¥16.0B	38.1%	¥5.1B
Investments	¥31.5B	¥5.0B	(¥26.4B)	¥68.0B	7.4%	¥4.9B

*1 IFRS is adopted starting with FY2018. Figures for the first quarter of FY2017 were calculated based on IFRS

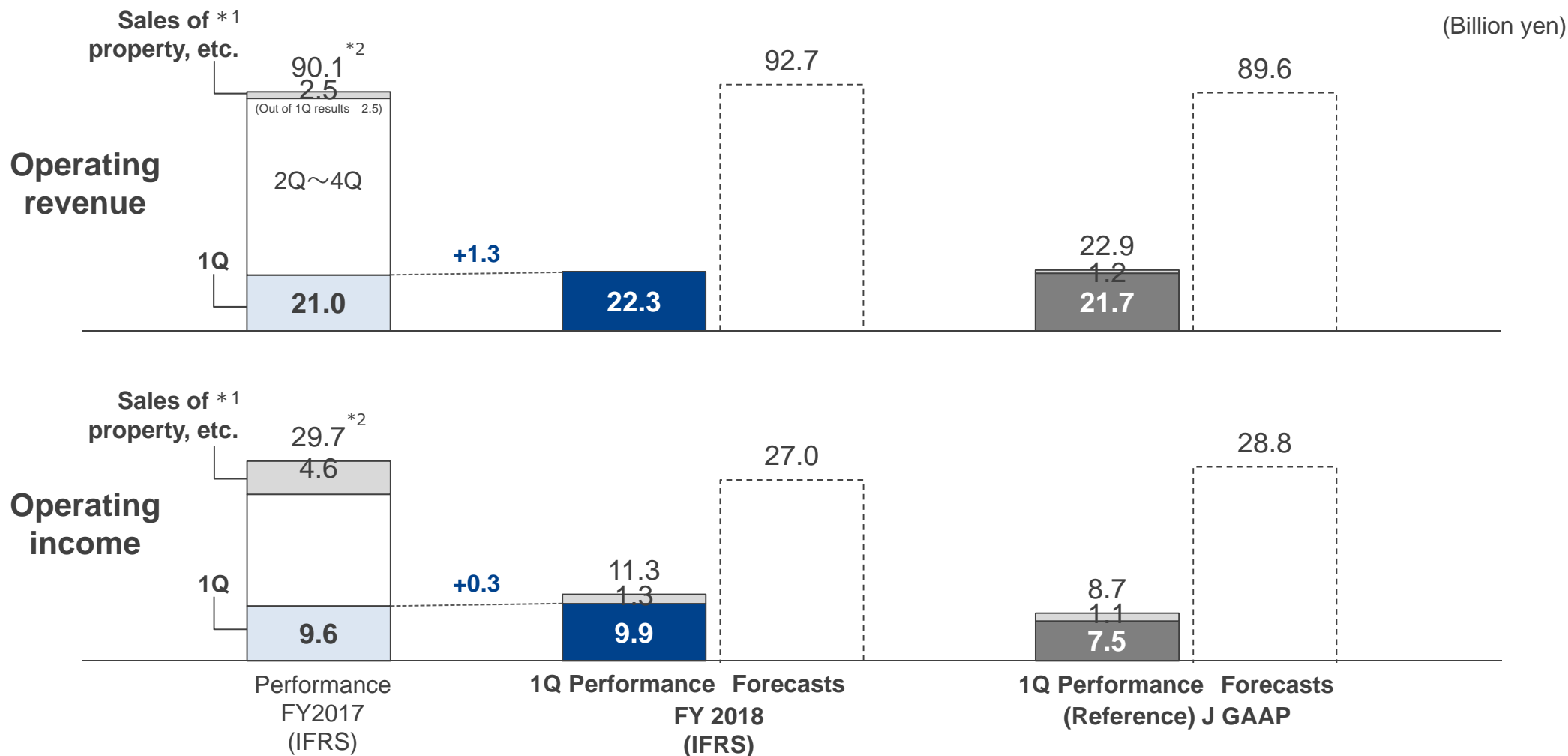
*2 Excluding transient effects (Sales of property, Urban Redevelopment Compensation, Extraordinary income and loss in J GAAP)

*3 Unaudited figures for reference

Offices/Retail Business • Operating Revenue / Income



- Excluding transient impacts^{*1}, the base businesses recorded an increase in both revenue and income due to an increase in rent income.
- Revenue and income are expected to keep rising in the second quarter and beyond

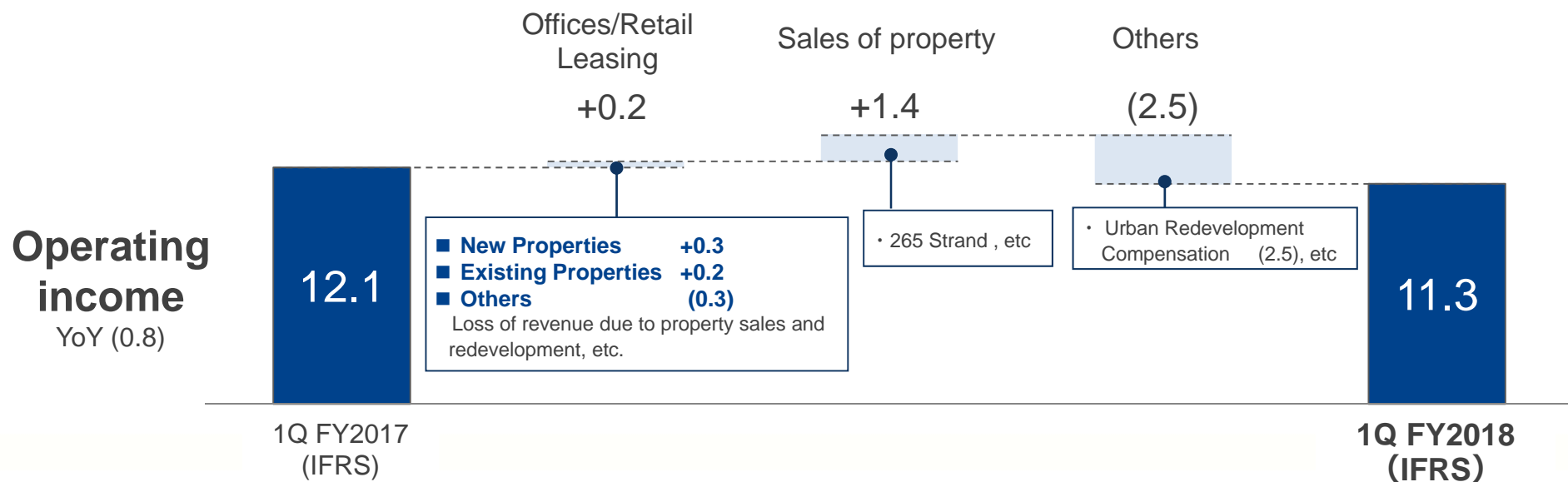
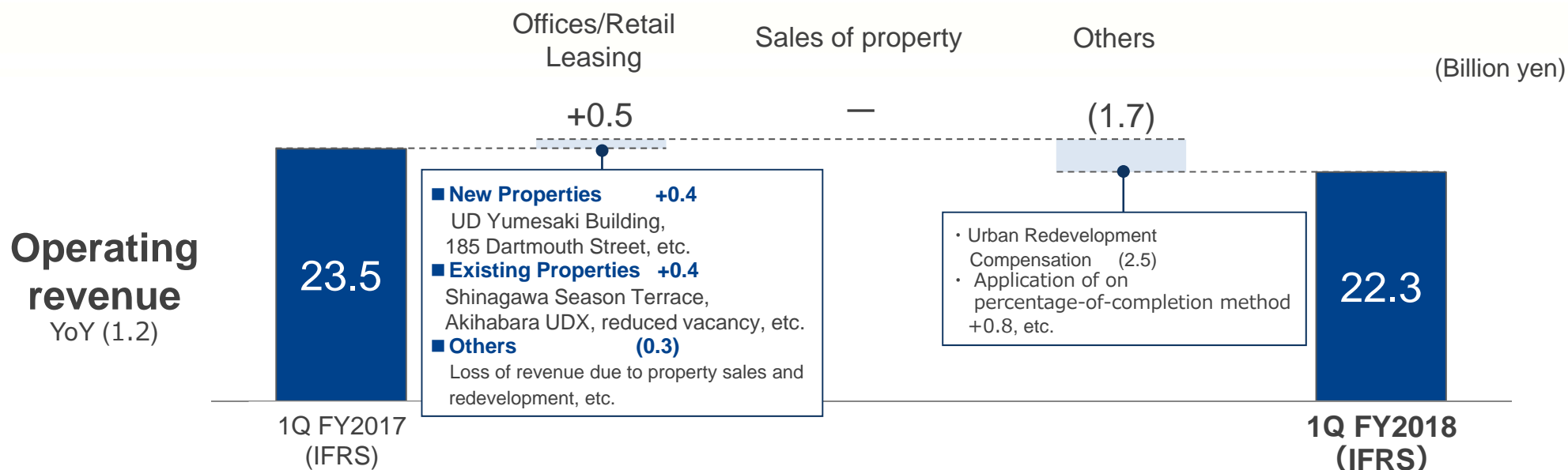


^{*1} Performance for the 1st Quarter of FY2017 : Urban Redevelopment Compensation, Extraordinary income and loss in J GAAP

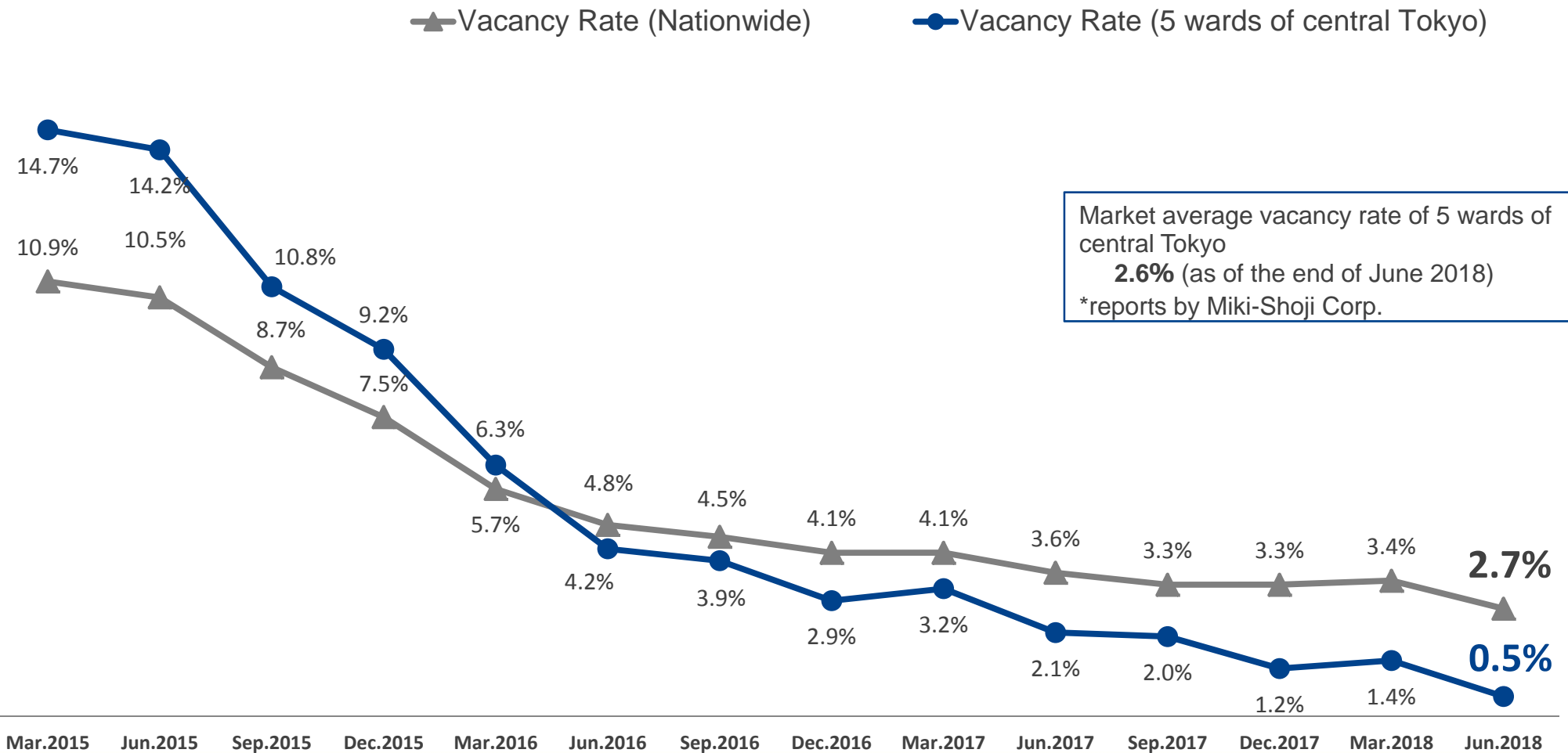
Performance for the 1st Quarter of FY2018 : Sales of property, Extraordinary income and loss in J GAAP

^{*2} Unaudited figures for reference

Offices/Retail Business • Factors



Offices/Retail Business • Vacancy Rate



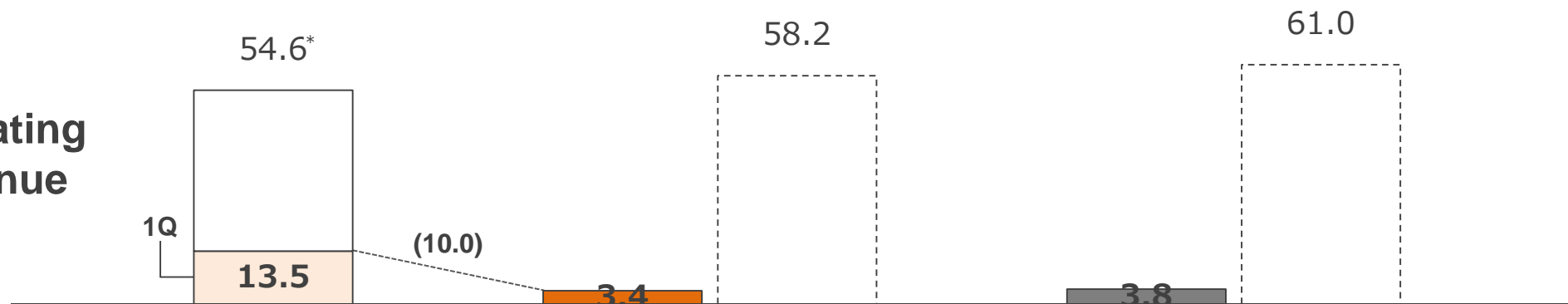
Residential Business • Operating Revenue / Income



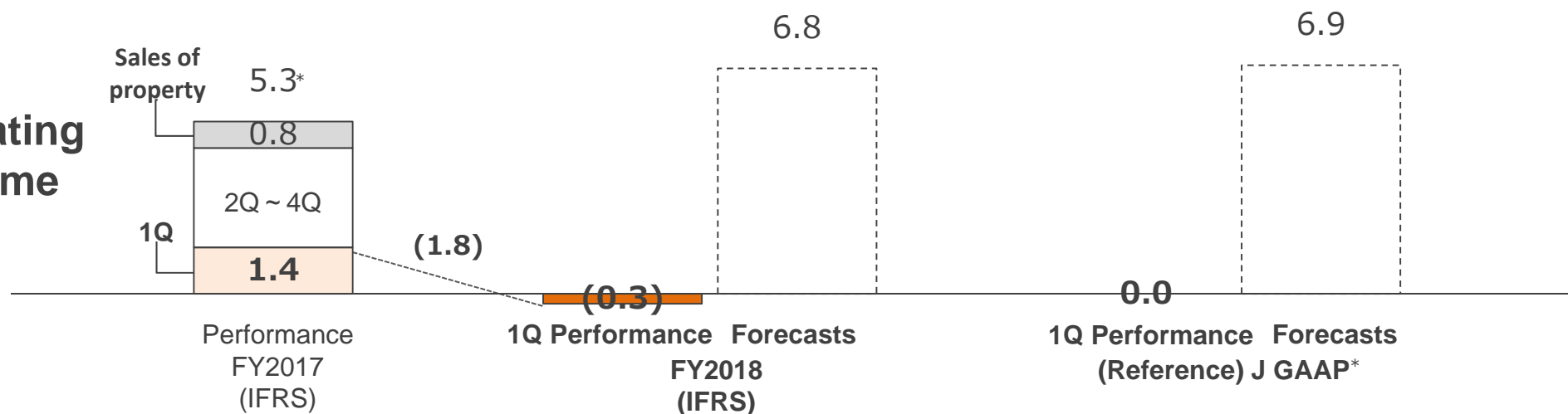
- Revenue and income decreased, mainly reflecting a decline in the number of units delivered attributable to the fact that there were no newly completed properties in the first quarter.
- Revenue and income are forecast to rise by strengthening sales efforts in anticipation of newly completed properties in the second quarter and beyond.

(Billion yen)

Operating revenue



Operating income



* Unaudited figures for reference

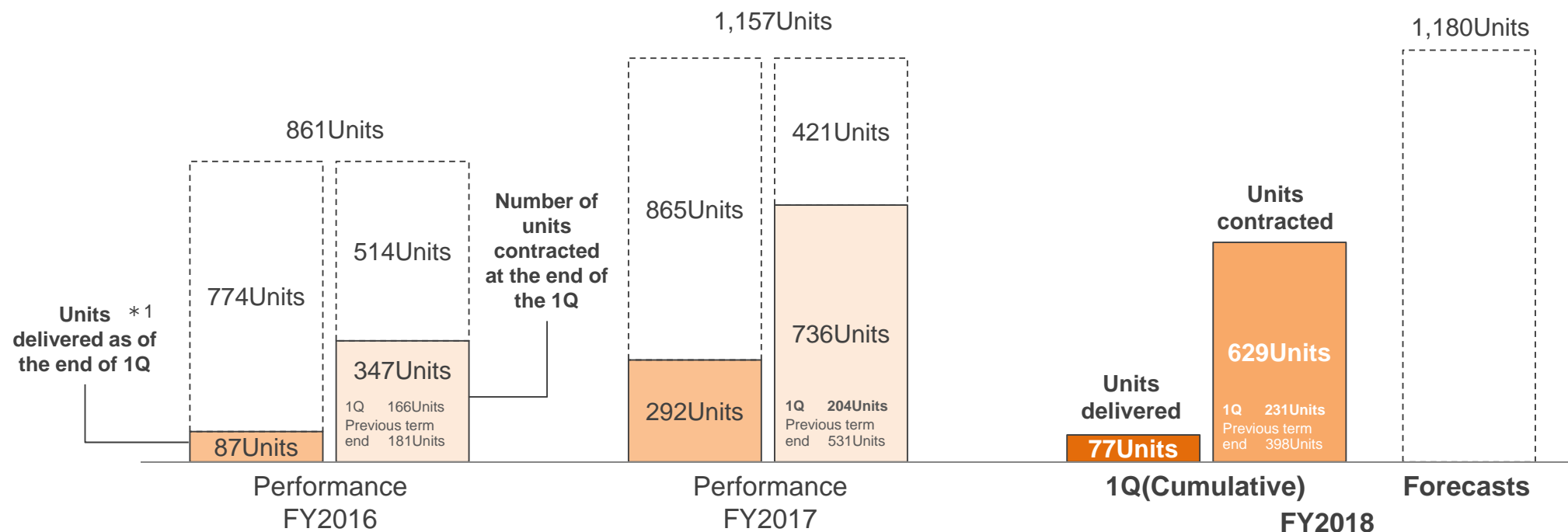
Residential Business • Factors



Residential Business • Condominiums Units Sales



- Sales of condominiums expanded year on year in the first quarter.
- We will improve the average price per unit by having the high-price properties which will complete the construction in the second quarter and beyond.



	Performance FY2016	Performance FY2017	1Q(Cumulative) FY2018	Forecasts
Contract rate as of the end of 1Q	40.3%	63.6%	53.4%	-
Average price per unit * 1·2	38 million yen [39 million yen]	39 million yen [41 million yen]	37 million yen	47 million yen
Gross profit margin * 1·2	22.0 % [19.1%]	24.3% [21.5%]	22.0%	20.8%

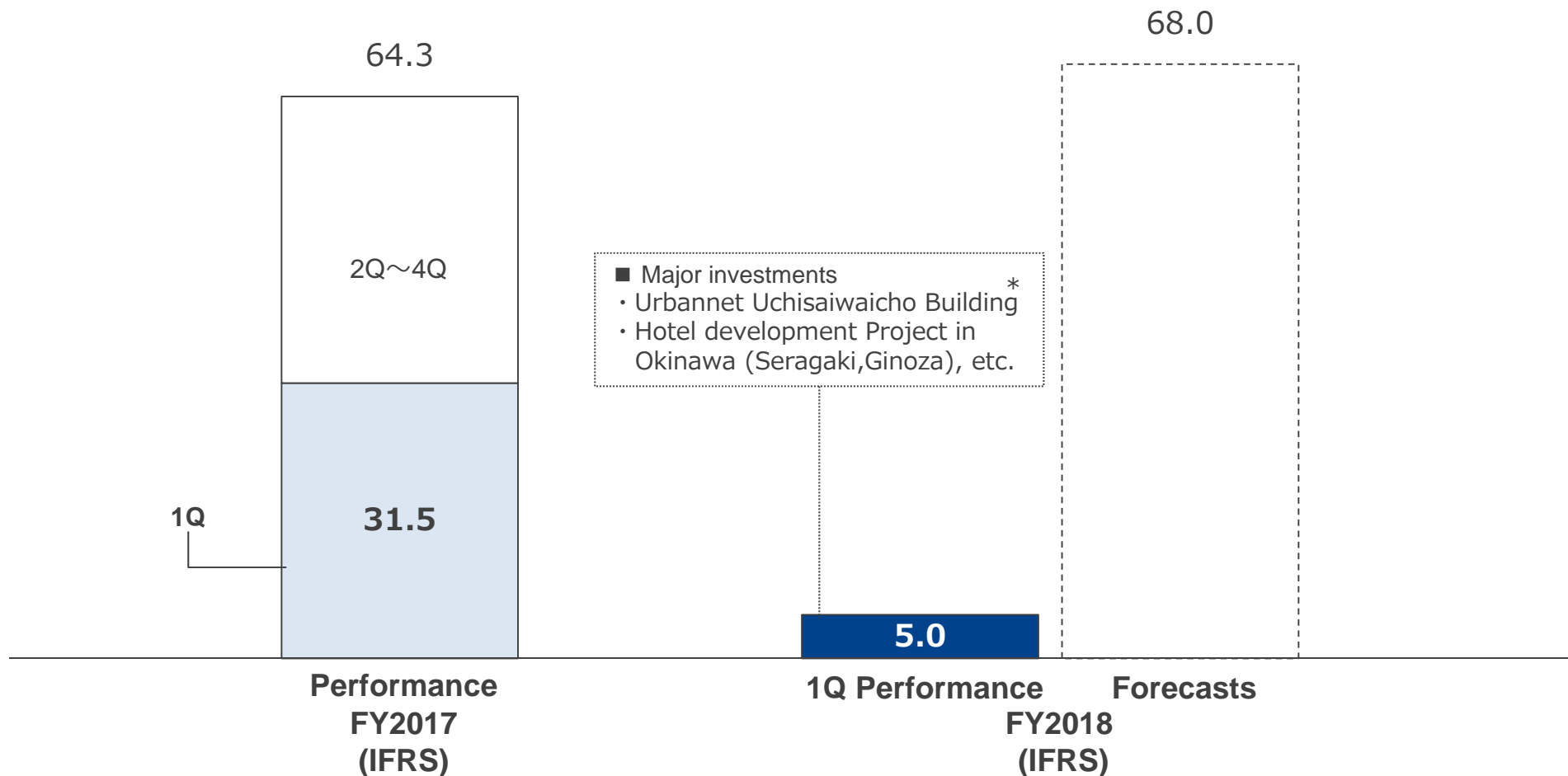
* 1 Excluding sales by share-outs

* 2 First quarter results for FY2016, FY2017. Refers the annual performance

Investments

- Investments were made primarily in the Urbannet Uchisaiwaicho Building* and the hotel development project in Okinawa.
- We will increase investments in mixed-use development and renewals over the second half.

(Billion yen)



* Former name : Shimbashi 1-chome Project

Latest Topics

Mixed-use development	<p style="text-align: center;">OTEMACHI PLACE *</p>	<ul style="list-style-type: none"> • Completion in August 2018 • The grand opening of Otemachi Place Shops & Restaurants and Otemachi Place Conference Center are scheduled for September 25, 2018. <p>* Former name : Otemachi 2-chome Area 1st Class Urban Redevelopment Project Building A</p>
Hotel/Resort Business	<p style="text-align: center;">Hyatt Regency Seragaki Island, Okinawa</p>	<ul style="list-style-type: none"> • Opening on August 21, 2018 has been decided under the concept of a “destination” hotel that motivates people to travel to Okinawa and enables people to enjoy their trips by just staying at the hotel.
Hotel/Resort Business	<p style="text-align: center;">Small Luxury Hotels</p>	<ul style="list-style-type: none"> • The 4th bullet "THE HIRAMATSU HOTELS & RESORTS Ginoza" opened on July 14, 2018
Residential	<p style="text-align: center;">Serviced Senior Housing</p>	<ul style="list-style-type: none"> • Wellith Olive Machida nakamachi (66 houses), Wellith Olive Musashino fujimicho (85 houses) opened and expanded to 8 properties in total
Residential	<p style="text-align: center;">Renovation Business</p>	<ul style="list-style-type: none"> • In addition to "IKSIKS Azabu-Juban" and "Woodville Azabu" under sale, we are currently planning 2 properties in central Tokyo

Latest Topics

Global Business	20 Finsbury Circus (London)	<ul style="list-style-type: none"> Renewal construction (completion scheduled for the end of 2019) is underway in sync with the opening of Cross Rail, a new subway service.
	335 Grices Road (Melbourne)	<ul style="list-style-type: none"> All the lots (348 lots) that we had been promoting in the urban development business in Australia were sold on a contract basis.
	Business scale	<ul style="list-style-type: none"> Operating revenue for the first quarter was ¥0.7 Billion, operating income was ¥0.5 Billion.
Others	Minami Aoyama 1-chome preliminary site utilization plan	<ul style="list-style-type: none"> A temporary utilization facility comprising cafes, shops and Office LIFORK Minami-aoyama is scheduled to be opened in October 2018.
	Establish hotel management company	<ul style="list-style-type: none"> UD Hospitality Management Co., Ltd., a company that undertakes the operation, supervision and operational management of hotels, was established in April 2018.
	Organization reform	<ul style="list-style-type: none"> We implemented organizational reform programs in July 2018 (in October for some programs) to strengthen our development promotion systems, integrate our property management services promotion systems, work on creating workplaces, etc. by utilizing IT, and strengthen the medium-term management strategies.

Pipeline

Development Project	Gross floor space	Our Stake Investments	2018.3	2020.3	2022.3
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. ¥56.0B	Completion → August 2018		
Urbannet Uchisaiwaicho Building (Former name : 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. ¥58.0B	Start of Construction	Opening → Spring 2020 (scheduled)	
Kobe Station Front Project	Approx.13,600㎡	n/a		Start of Construction	Completion → FY2020 (scheduled)
Urbannet Yokohama Rebuilding Project	Approx.13,500㎡	n/a		Start of Construction	Opening → FY2021 and later (scheduled)
Hotel/Resort Business					
Hyatt Regency Seragaki Island, Okinawa	Approx.38,200㎡	n/a	Opening → August 2018 (scheduled)		
Shinpuhan Redevelopment Project	Approx.25,700㎡	Approx. ¥20.0B	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)
Imaizumi Park Front Project	Approx. 3,200㎡	n/a		Start of Construction	Opening → FY2020 and later (scheduled)
Small Luxury Hotels (THE HIRAMATSU HOTELS & RESORTS)	-	-	Ginoza Kyoto (scheduled)		
Global Business (Value-add)					
1015 18th Street (Washington D.C.)	Approx.106,000sqf	Project cost of approx. \$70M * Equity stake 49%	Completion	Sale	FY2020 and later (scheduled)
799 Broadway (New York)	Approx.182,000sqf	n/a		Completion	Sale → FY2021 and later (scheduled)
175 Pearl Street (New York)	Approx.204,000sqf	n/a	Completion	Sale	FY2020 and later (scheduled)
20 Finsbury Circus (London)	Approx.86,000sqf	Project cost of approx. £76M		Completion	Sale → FY2020 and later (scheduled)

APPENDIX

(Reference) Financial Results for the 1st Quarter of FY2018 (J GAAP)



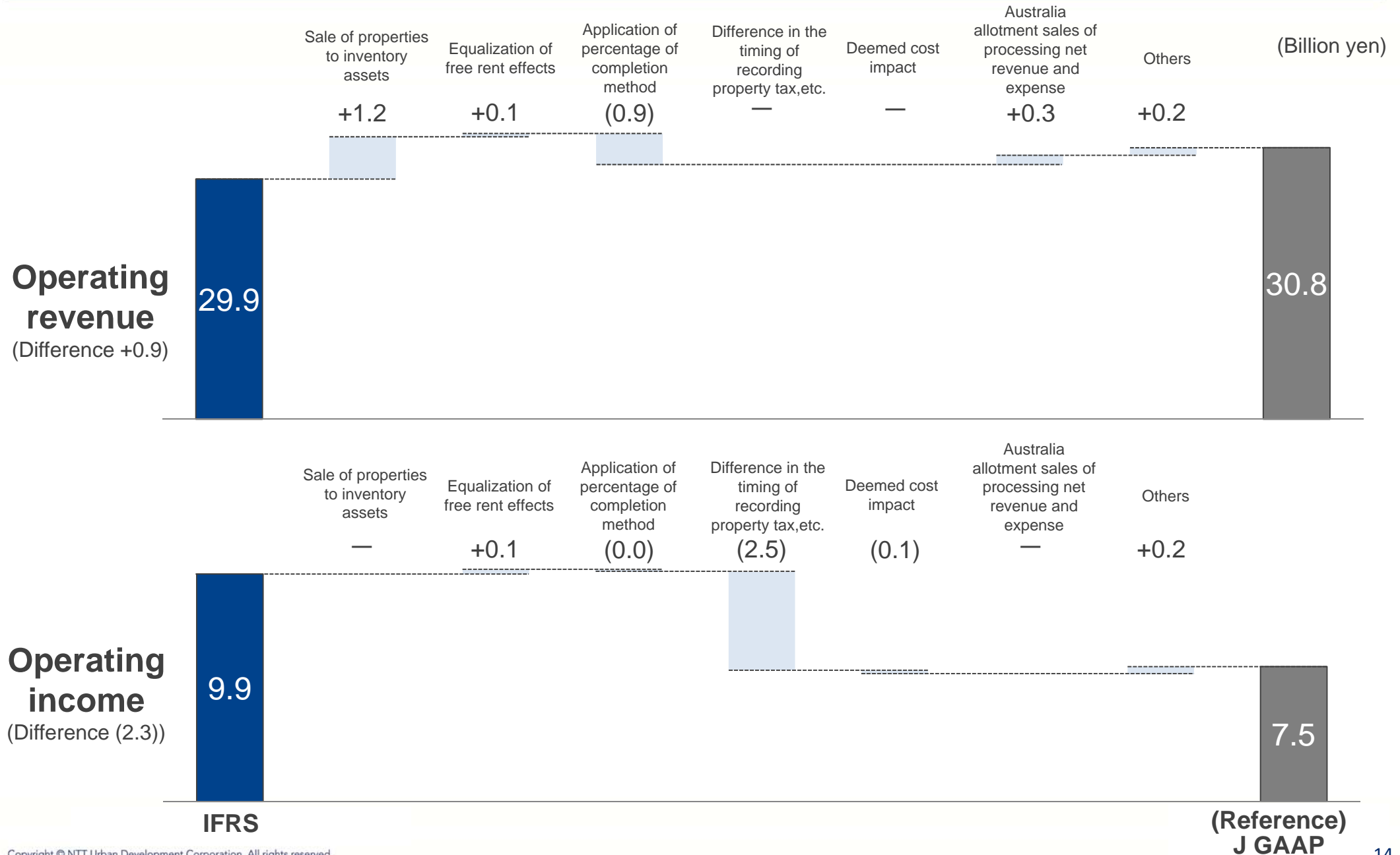
(Billion yen)

	FY2017 1Q Performance	FY2018 1Q Performance ^{*1}	Change	Forecasts For FY2018	Change from earnings progress
	(i)	(ii)	(ii) – (i)	(iii)	(ii) / (iii)
Operating revenue	¥40.7B	¥30.8B	(¥9.8B)	¥168.0B	18.4%
<Base Operating revenue> ^{*2}	<¥38.1B>	<¥29.6B>	<(¥8.5B)>	<¥168.0B>	<17.7%>
Operating income	¥9.3B	¥7.5B	¥(1.7B)	¥30.0B	25.3%
<Base Operating income> ^{*2}	<¥6.7>	<¥6.4B>	<(¥0.2B)>	<¥30.0B>	<21.5%>
Ordinary income	¥9.2B	¥7.4B	(¥1.8B)	¥27.8B	26.9%
Profit attributable to owners of parent	¥6.1B	¥5.1B	(¥1.0B)	¥17.0B	30.2%
Investments	¥31.3B	¥4.9B	(¥26.4B)	¥67.0B	7.4%

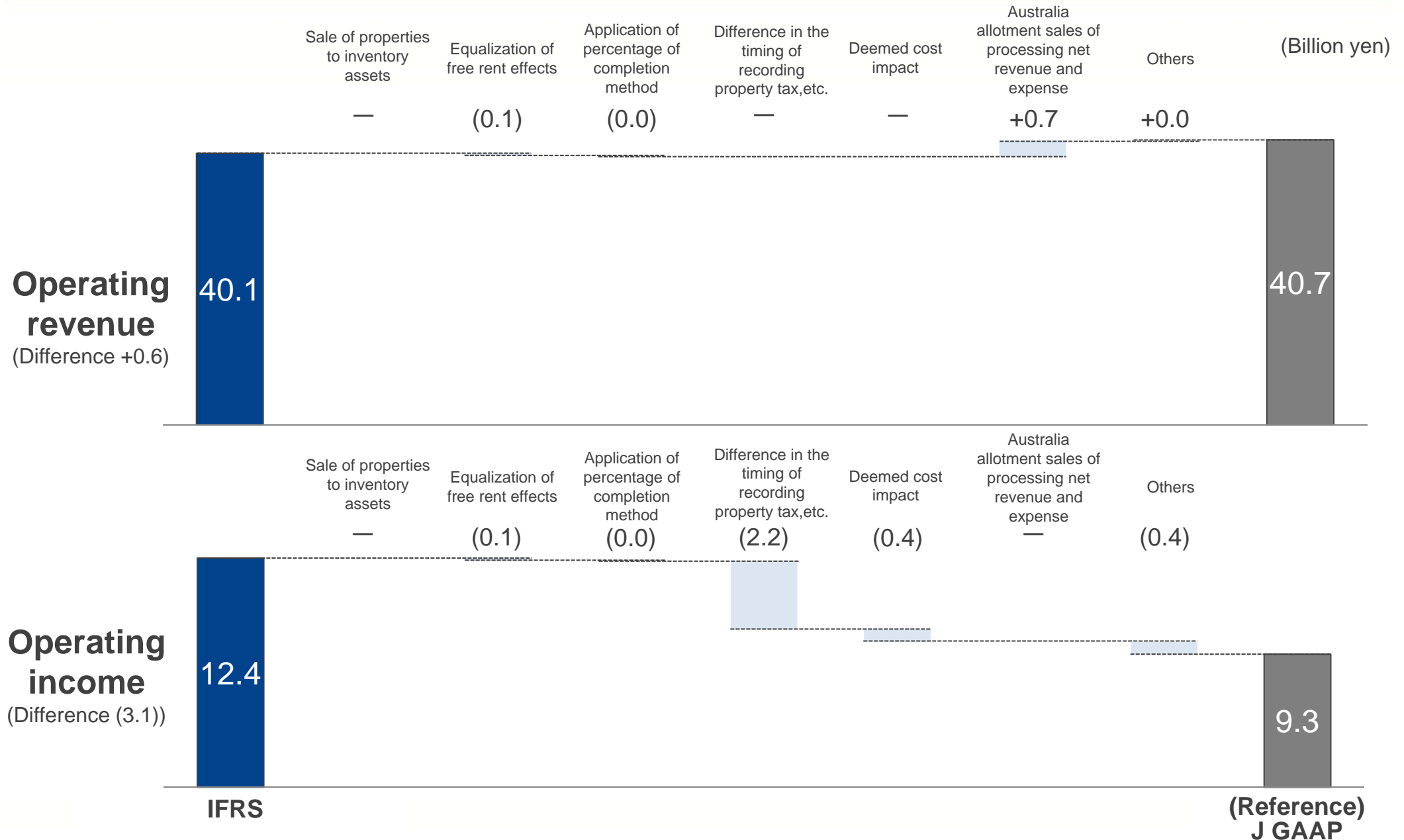
^{*1} Unaudited figures for reference

^{*2} Excluding transient effects (Sales of property, Urban Redevelopment Compensation)

Accounting standard difference (FY2018 1Q)



Accounting standard difference (FY2017 1Q)

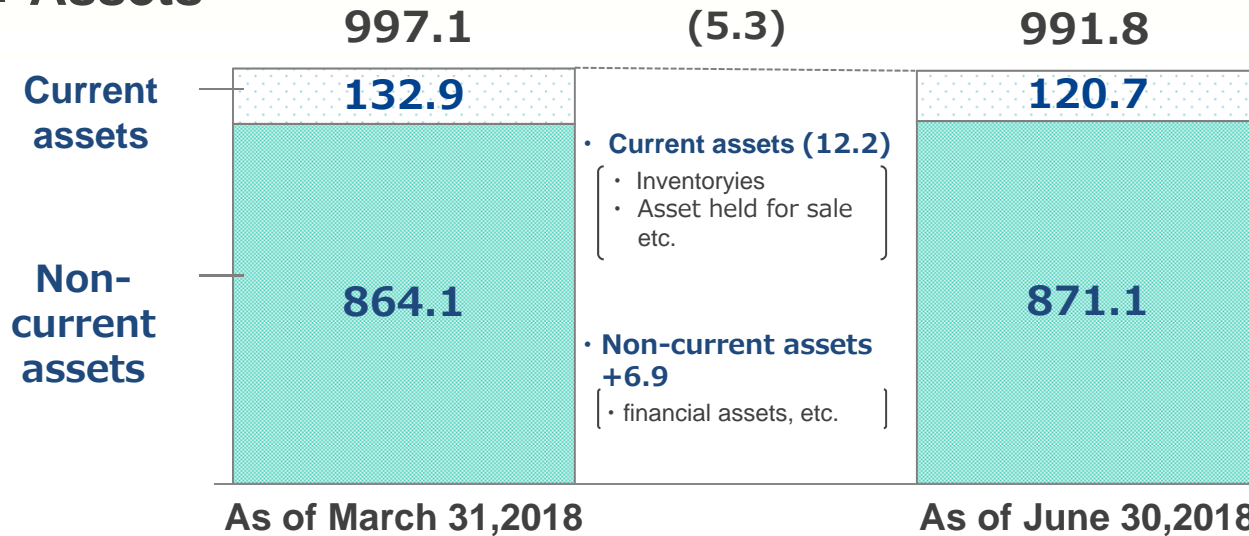


Statement of financial position

Compared with the end of the previous term (IFRS)

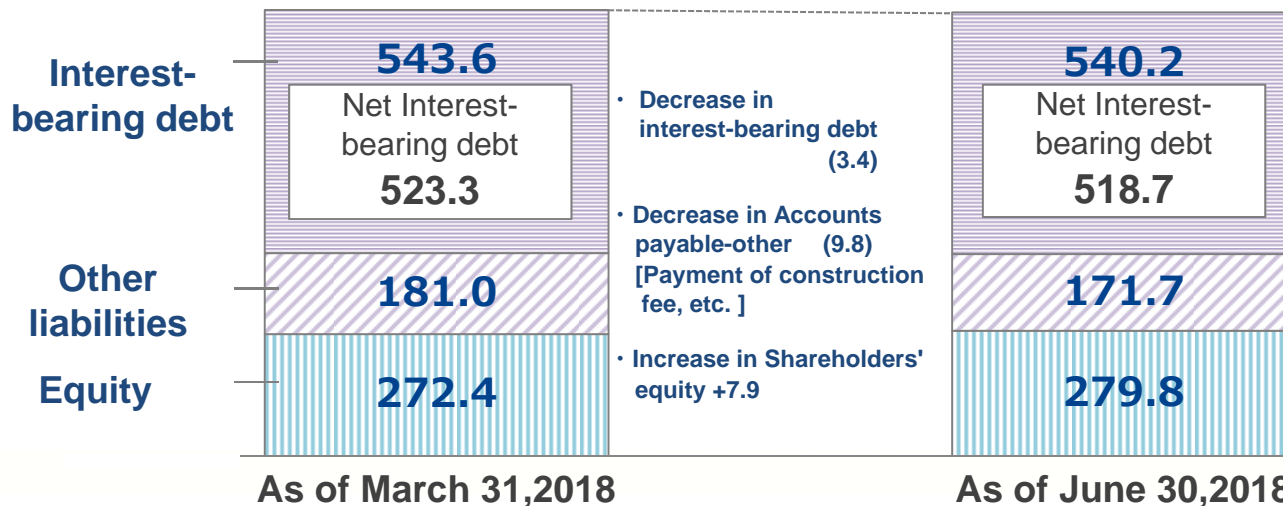
■ Assets

(Billion yen)



- Non-current assets and equity increased as a result of evaluating financial assets at market value
- Interest-bearing debt decreased due to disposal of assets held

■ Liabilities/Equity



- Average interest rate ... 0.73%
(at the end of March 2018 ... 0.75 %)
- Weighted average tenor* ... 5.00years
(at the end of March 2018 ... 5.13years)

* Interest-bearing debt excluding short-term loans payable

Statements of Income

(Million yen)

Category	(i)	(ii)	(ii) – (i)	Key Factors	(iii) FY2018 Forecast	
	FY2017 1Q	FY2018 1Q	Change		(ii)/(iii) Progress	
Operating revenue	40,148	29,900	(10,248)		167,500	17.9%
Operating expenses	27,873	21,526	(6,346)			
Other operating income	9	1,476	+1,466	<ul style="list-style-type: none"> ■ Other operating income <ul style="list-style-type: none"> · Gain on sales of investment real estate +1,403 		
Other Operating expense	82	61	(20)	<ul style="list-style-type: none"> ■ Other Operating expense <ul style="list-style-type: none"> · Loss on retirement of investment real estate (19) 		
Share of profit of entities accounted for using equity method	225	118	(107)			
Operating income	12,428	9,907	(2,521)		28,000	35.4%
Finance income	160	179	+18			
Finance costs	846	732	(113)			
Profit before tax	11,742	9,353	(2,388)			
Income tax	3,446	2,656	(789)			
Profit	8,296	6,696	(1,599)			
Profit attributable to owners of parent	7,721	6,099	(1,621)		16,000	38.1%
Profit attributable to Non-controlling interests	574	597	+22			
Comprehensive income	8,660	7,089	(1,570)			

Statements of Income by Segment



(Million yen)

Category		(i) FY2017 1Q	(ii) FY2018 1Q	(ii) – (i) Change	Key Factors	(iii) FY2018 Forecast	(ii)/(iii) Progress
Offices/Retail Business	Operating revenue	23,591	22,378	(1,212)	<ul style="list-style-type: none"> ■ Operating revenue (1,212) • Offices/Retail Business +501 <li style="padding-left: 20px;">New properties +462, Existing properties +438, Others (399) • Others : Urban Redevelopment Compensation, etc. (1,714) ■ Operating income (884) • Offices/Retail Business +298 <li style="padding-left: 20px;">(Gross margin) New properties +322, Existing properties +233, Others (307) • Gain on sales of investment real estate +1,403 • Others : Urban Redevelopment Compensation, etc. (2,585) 	92,700	24.1%
	Operating income	12,190	11,306	(884)		27,000	41.9%
	Operating income margin	51.7%	50.5%	(1.2pt)		29.1%	–
Residential Business	Operating revenue	13,513	3,473	(10,040)	<ul style="list-style-type: none"> ■ Operating revenue (10,040) • Residential property sales (10,076) <li style="padding-left: 20px;">Condominiums (8,777), Residential lots, etc. (549), Others (750) • Residential rentals +36 ■ Operating income (1,837) • Residential property sales (1,807) • Residential rentals +18 • Others (48) 	58,200	6.0%
	Operating income	1,485	(351)	(1,837)		6,800	–
	Operating income margin	11.0%	(10.1%)	(21.1pt)		11.7%	–
Others	Operating revenue	4,282	5,357	+1,075		22,000	24.4%
	Operating income	334	595	+261		1,900	31.3%
	Operating income margin	7.8%	11.1%	+3.3pt		8.6%	–

Statement of financial position

(Million yen)

Category	(i)March 31, 2018	(ii)FY 2018 1Q	(ii) – (i) Change
Total assets	997,154	991,811	(5,342)
Current assets	132,964	120,703	(12,261)
Cash and cash equivalents	20,187	21,434	+1,246
Inventories	75,672	80,793	+5,120
Others	37,104	18,475	(18,628)
Non-current assets	864,189	871,107	+6,918
Property, plant and equipment	18,635	20,073	+1,438
Investment property	803,259	801,685	(1,573)
Others	42,295	49,348	+7,053
Total liabilities	724,734	711,983	(12,751)
Current liabilities	149,500	145,286	(4,214)
Short-term borrowing	100,688	108,212	+7,523
Others	48,811	37,073	(11,737)
Non-current liabilities	575,234	566,696	(8,537)
Long-term borrowing	443,010	432,062	(10,948)
Others	132,223	134,634	+2,411
Equity	272,419	279,827	+7,408
Equity attributable to owners of parent	228,636	235,900	+7,264
Equity attributable to non-controlling interests	43,783	43,927	+144
Total liabilities and equity	997,154	991,811	(5,342)

Key Factors

- Inventories +5,120
 - Residential property sales +5,476
- Others (18,628)
 - Assets held for sale (11,803)
 - Trade and other receivables (8,060)
- Others +7,053
 - Other financial assets +7,253
- Interest-bearing debt (3,424)
 - Net interest-bearing debt (4,631)
- Others (11,737)
 - Trade and other payables (9,841)
- Equity attributable to owners of parent +7,264
 - Profit +6,099
 - Dividend (3,291)
 - Financial assets Market value evaluation +5,093
 - Other Capital Components (637)

Statements of Cash Flows

(Million yen)

Category	(i) FY2017 1Q	(ii) FY2018 1Q	(ii) – (i) Change	Key Factors
Cash provided by (used in) operating activities (A)	4,712	2,319	(2,392)	
Profit before tax	11,742	9,353	(2,388)	
Depreciation and amortisation expense	4,303	4,292	(10)	
(Increase) decrease in trade and other receivables	1,238	8,045	+6,806	
(Increase) decrease in Inventories	(53)	(5,120)	(5,067)	■ Inventories (5,120)
Increase (decrease) in trade and other payables, and personnel expenses payable	(1,675)	(7,367)	(5,691)	• Residential property sales (5,476)
Income taxes paid	(6,420)	(3,693)	+2,727	
Other operating activities	(4,422)	(3,190)	+1,231	
Cash provided by (used in) investing activities (B)	(33,770)	6,173	+39,943	
Purchase of investment property and property, plant and equipment	(33,748)	(5,942)	+27,805	■ Purchase of investment property and property, plant and equipment (5,942)
Proceeds from sales of investment property and property, plant and equipment	0	13,551	+13,551	• Major capital investments : Urbannet Uchisaiwaicho Building
Purchase of other financial assets	(219)	(1,141)	(921)	
Proceeds from sale and redemption of other financial assets	324	66	(258)	
Other investing activities	(126)	(360)	(233)	
Free cash flow (A) + (B)	(29,057)	8,493	+37,550	
Cash provided by (used in) financing activities	30,069	(7,290)	(37,360)	
Decrease (increase) in borrowings	33,501	(3,525)	(37,026)	
Cash dividends paid	(2,962)	(3,291)	(328)	
Other financing activities	(469)	(474)	(4)	
Net increase (decrease) in cash and cash equivalents	1,011	1,202	+190	
Cash and cash equivalents, beginning of term	22,471	20,187	(2,283)	
Effect of exchange rate change on cash and cash equivalents	(81)	44	+125	
Cash and cash equivalents, end of term	23,402	21,434	(1,967)	

Disclaimer

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

* The actual finished construction may differ due to planning going forward