Financial Results for the 3rd Quarter of FY 2014

NTT Urban Development

February 4, 2015

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1. Financial Highlights

- Operating revenue and operating income declined compared with 3Q FY2013.
- Financial results were almost in line with the forecasts.

(Billion yen)

Category	(i) 3Q FY2013	(ii) 3Q FY2014	(ii) - (i) Change	(ii) - (i) Rate	(iii) Revised forecasts for FY2014 [*1]	Progress (ii) / (iii)
Operating revenue	130.2	101.2	(29.0)	(22.3%)	153.0	66.2%
Operating income	25.9	17.3	(8.6)	(33.2%)	23.0	75.4%
Ordinary income	21.5	13.9	(7.5)	(35.1%)	18.5	75.5%
Extraordinary income	8.5	0.3	(8.1)	(95.6%)		
Extraordinary loss	1.0	0.6	(0.3)	(37.7%)		
Income before income taxes and minority interests	29.0	13.7	(15.3)	(52.8%)		
Net income	17.7	8.6	(9.1)	(51.4%)	10.0	86.2%

[*1] As already announced on November 6, 2014.
Effects of the sales of properties in 4Q FY2014 are included in revised forecasts. (See page 12)

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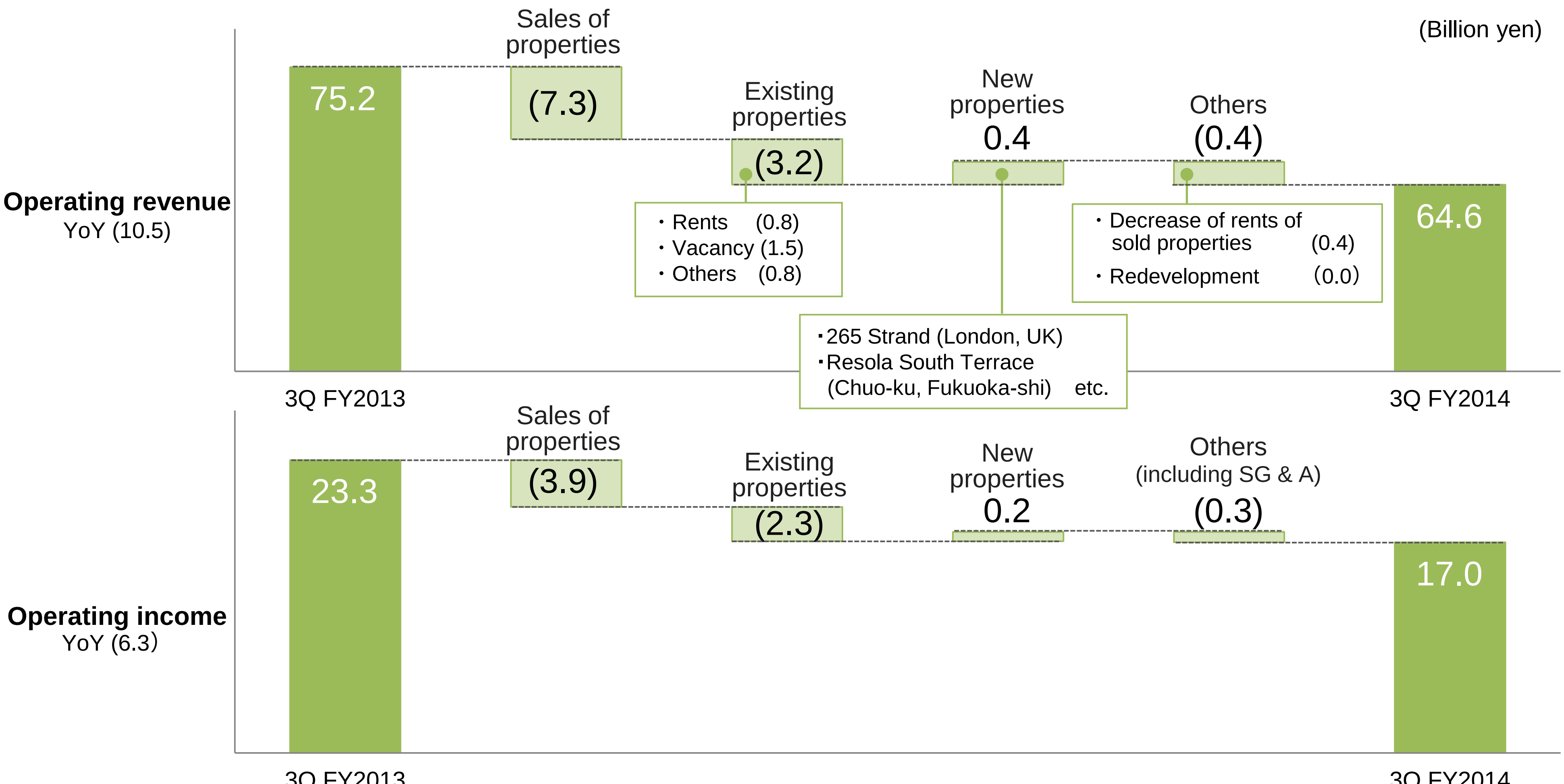
2. Leasing Business

- Both operating revenue and operating income decreased mainly because sales of properties and rent income from existing properties were lower than 3Q FY2013.



	3Q FY2013	3Q FY2014
Operating income margin YoY (4.8pt)	31.1%	26.3%

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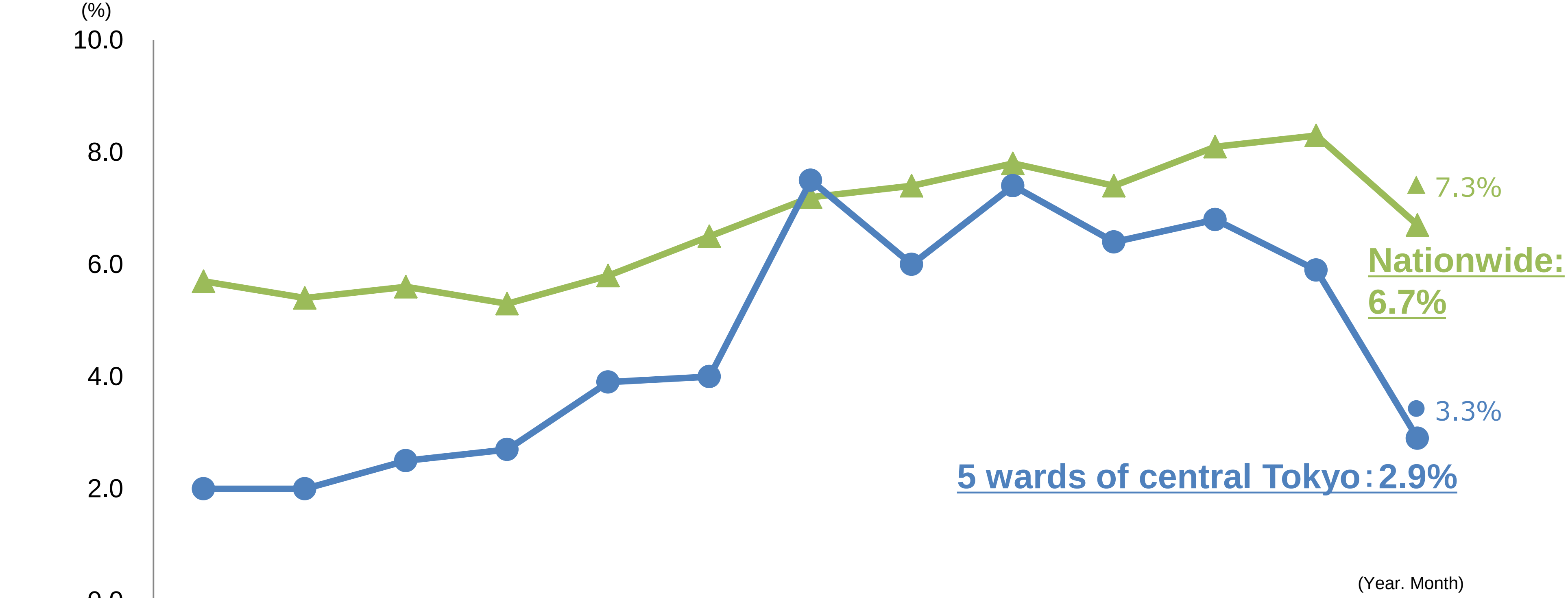
3. Vacancy Rate

- Vacancy rate improved in 3Q FY2014.



	11.12	12.3	12.6	12.9	12.12	13.3	13.6	13.9	13.12	14.3	14.6	14.9	14.12[*2]
Nationwide	5.7	5.4	5.6	5.3	5.8	6.5	7.2	7.4	7.8	7.4	8.1	8.3	6.7
5 wards of central Tokyo	2.0	2.0	2.5	2.7	3.9	4.0	7.5	6.0	7.4	6.4	6.8	5.9	2.9
(cf.) Market : 5 wards of central Tokyo[*1]	9.0	9.0	9.4	8.9	8.7	8.6	8.5	7.9	7.3	6.7	6.5	5.7	5.5

[*1] Source : Miki Shoji (Standard floor space of researched properties is more than 100 tsubo (approx. 330m²).)
[*2] Properties of which leases were suspended for future redevelopment, etc. are excluded from the above calculation.
Vacancy rates, including those properties, are 3.3% in the 5 wards of central Tokyo and 7.3% nationwide.

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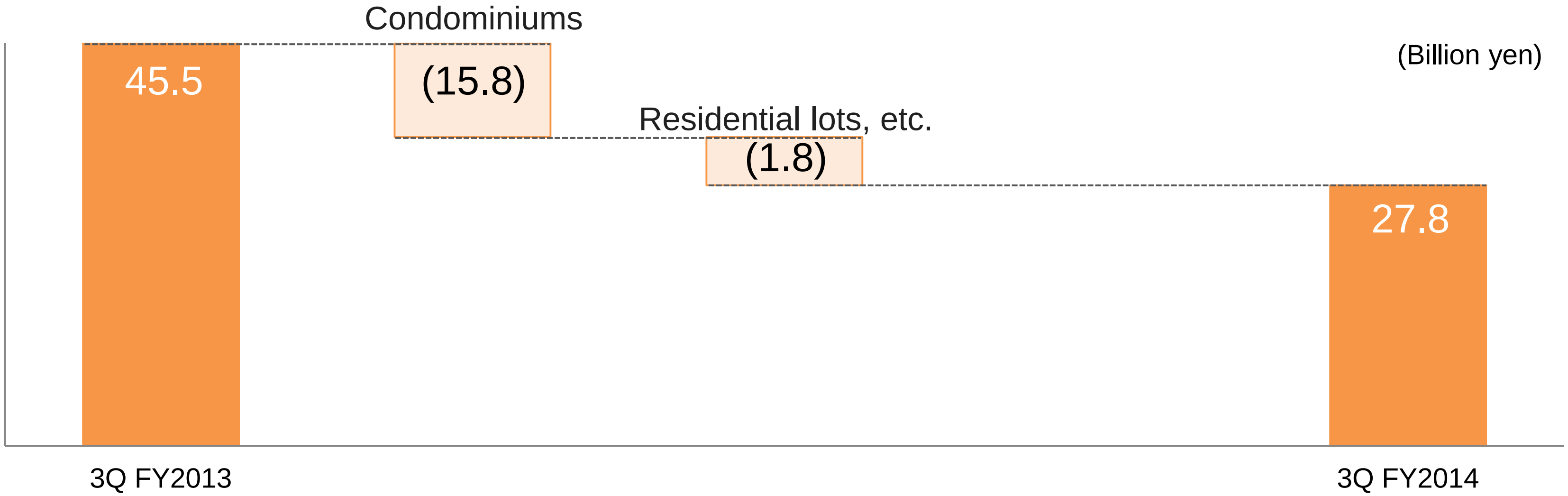
4. Residential Business

- Operating revenue and operating income decreased compared with 3Q FY2013, primarily reflecting a decrease in number of condominiums delivered from October to December 2014.

(Billion yen)

Operating revenue
YoY (17.7)



Operating income
YoY (2.7)

Operating income margin
YoY (1.6pt)

3Q FY2013 12.7%

3Q FY2014 11.1%

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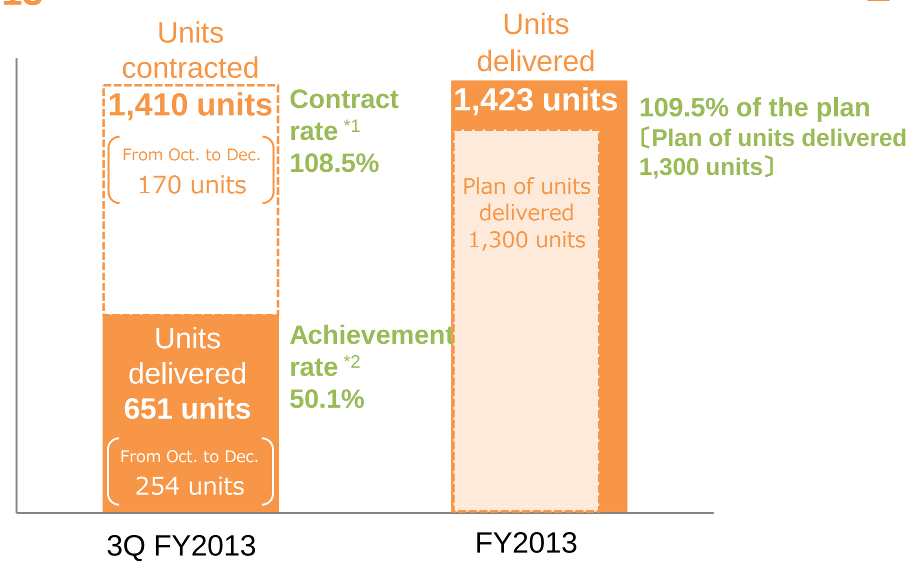
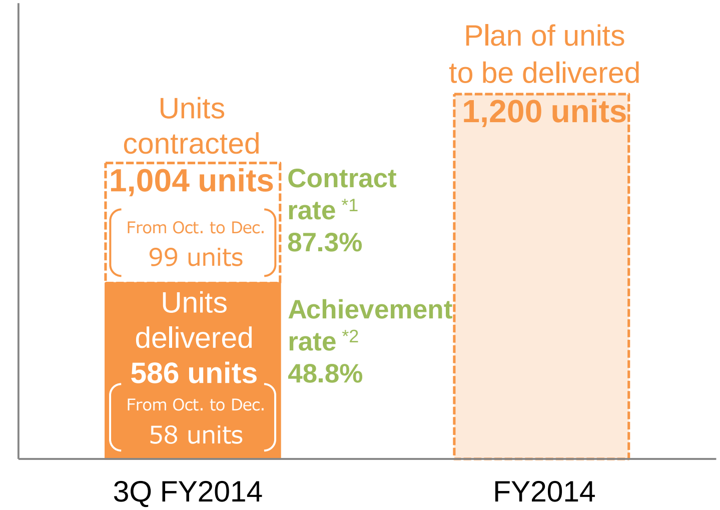
5. Condominium Units Delivered

- The number of units delivered decreased compared with 3Q FY2013, to 586 (down 65 units).
- The average sales price was 45 million yen (down 20 million yen), mainly because there were more high-end condominiums sold in 3Q FY2013.
- The number of units contracted[*1] was 1,004; 83.7% of the planed 1,200 for FY2014.

FY2013



FY2014



	3Q FY2013	FY2013	3Q FY2014	FY2014
Average sales price	65 million yen	52 million yen	45 million yen	42 million yen

*1 Contract rate = units contracted / plan of units delivered
*2 Achievement rate = units delivered / plan of units delivered
*3 For joint projects, the number of units corresponded to the Company's share in the project (rounded down to the nearest units)

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6. Total Assets

- Total assets increased 44.1 billion yen from the end of FY2013, mainly due to the investments from October to December 2014.

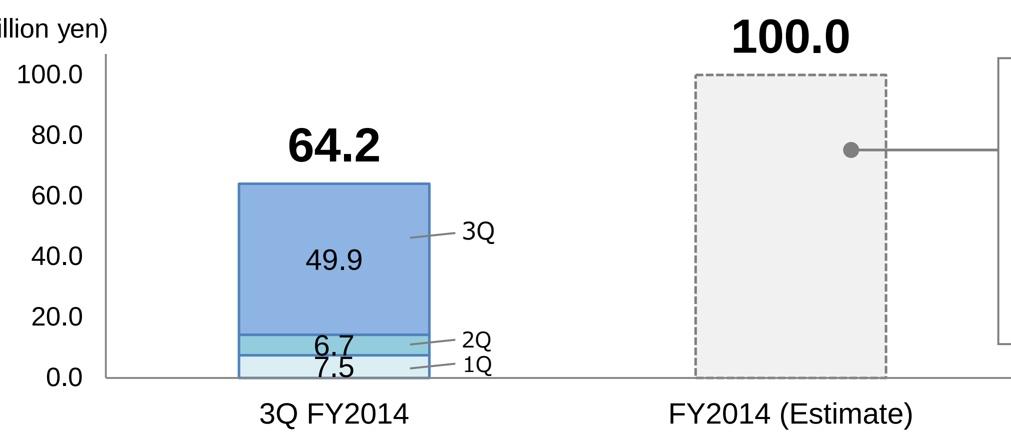
Total Assets

(Billion yen)

Category	As of December 31, 2014	From March 31, 2014 Change	From March 31, 2014 Rate	Key Factors
Total assets	**1,029.7**	**44.1**	**4.5%**	
Current assets	**121.7**	**(3.6)**	**(2.9%)**	
Inventories	**86.8**	**8.3**	**10.6%**	
(Restated) Leasing business	**29.0**	**7.4**	**34.7%**	Acquisition of Iwamoto-cho building +7.1
(Restated) Residential property sales business	**57.2**	**0.6**	**1.1%**	Purchase +22.0, Sales (21.4)
Other current assets	**34.8**	**(11.9)**	**(25.6%)**	Operating accounts receivable (14.9)
Non-current assets	**908.0**	**47.8**	**5.6%**	Acquisition +62.5, Depreciation (16.9), Sellout (0.6)

Investments

(Billion yen)



【Major investments】
- New projects
  - Sinagawa Season Terrace
  - Urbannet Nihonbashi 2-Chome Building
  - Urbannet Ginza 1-Chome Building
  - Otemachi 2-1 Plan*
  - Trad Mejiro
  - Harajuku Dai-Ichi Mansions etc.
- Redevelopment construction

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

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7. Liabilities and Net Assets

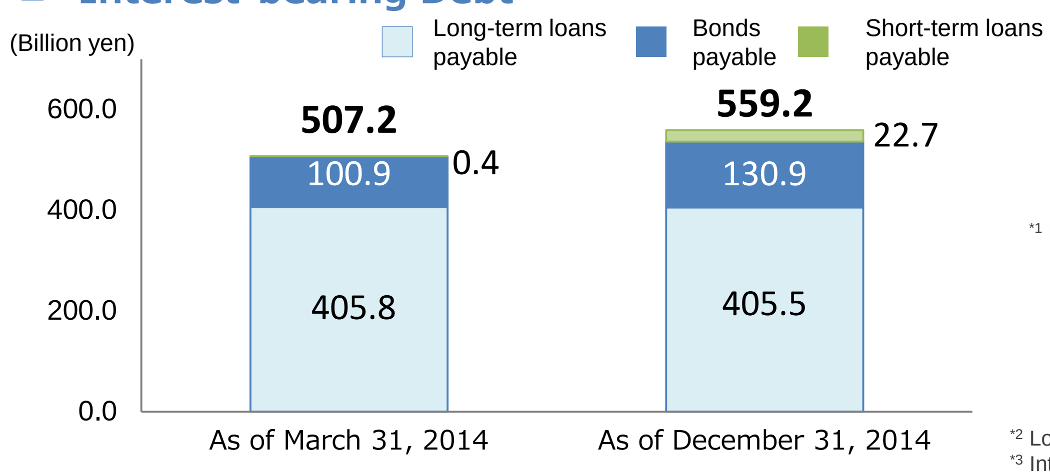
- Total liabilities rose 39.0 billion yen to 795.9 billion yen.
- Interest-bearing debt rose 52.0 billion yen to 559.2 billion yen. Other liabilities decreased 12.9 billion yen to 236.6 billion yen.

Liabilities and Net Assets

(Billion yen)

Category	As of December 31, 2014	From March 31, 2014 Change	Rate	Key Factors
Total liabilities	**795.9**	**39.0**	**5.2%**	
Interest-bearing debt	**559.2**	**52.0**	**10.3%**	
Other liabilities	**236.6**	**(12.9)**	**(5.2%)**	
Current liabilities	**34.6**	**(8.5)**	**(19.8%)**	Operating accounts receivable (7.7)
Non-current liabilities	**202.0**	**(4.4)**	**(2.2%)**	Long-term accounts payable-facility investment (4.9)
Net Assets	**233.7**	**5.1**	**2.3%**	

Interest-bearing Debt



(Billion yen)

	As of March 31, 2014	As of December 31, 2014
Net interest-bearing debt *1	**488.3**	**537.6**
(Restated) Non-Consolidated	428.6	479.1
(Restated) UDX	48.9	47.7
(Restated) UD Europe	15.5	15.4

*1 Net interest-bearing debt = Interest-bearing debt – [Cash and deposit + Short-term (less than 3 months) investments included in other current assets] (cf. Page 13)

	As of March 31, 2014	As of December 31, 2014
Average interest rate *2	1.24%	1.15%
Maturities of debt *3	5.13 years	5.20 years

*2 Loans were with fixed interest rates.
*3 Interest-bearing debt excluding short-term loans payable

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Appendices

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Major Condominiums in FY2014

Condominiums started to be delivered in FY2013

Name	Location	Total units
WELLITH Tower Atago Toranomon	Minato-ku, Tokyo	110 units
WELLITH Roppongi	Minato-ku, Tokyo	94 units
WELLITH Arisugawa	Minato-ku, Tokyo	57 units
WELLITH Daikanyama Sarugaku-cho	Shibuya-ku, Tokyo	44 units (Including one residential unit of a business co-operator)
WELLITH Inage (Lucent)	Chiba-shi, Chiba	466 units (Before taking the share into account)
ZEO Nisinomiya Kitaguchi Gardens	Nishinomiya-shi, Hyogo	414 units (Before taking the share into account)

Condominiums to be delivered in FY2014

Name	Location	Total units
WELLITH Kinshi-cho Hokusai-dori	Sumida-ku, Tokyo	56 units (Including one office unit)
WELLITH Kawasaki Daishi	Kawasaki-shi, Kanagawa	62 units
WELLITH Inage（Oasis・Grow）	Chiba-shi, Chiba	463 units (Before taking the share into account)
WELLITH Tsukuba Kenkyu Gakuen Terrace	Tsukuba-shi, Ibaraki	86 units
ZEO Shinmachi	Osaka-shi, Osaka	382 units (Before taking the share into account)
WELLITH Tsurumi Ryokuchi	Osaka-shi, Osaka	272 units (Before taking the share into account)
WELLITH Nishitenman	Osaka-shi, Osaka	56 units
WELLITH Mondoyakujin	Nishinomiya-shi, Hyogo	29 units
WELLITH Nisinomiya-Kitaguchi Con-fu-re Hayashida	Nishinomiya-shi, Hyogo	29 units
WELLITH Minami Mochida Ryokusaien	Matsuyama-shi, Ehime	128 units
WELLITH Hirao Sansou	Fukuoka-shi, Fukuoka	63 units

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Statements of Income

(Million yen)

Category	(i) 3Q FY2013	(ii) 3Q FY2014	(ii) - (i) Change	(ii) - (i) Rate	(iii) FY2013	(iv) Revised forecasts for FY2014[*1]	Progress (ii) / (iv)
Operating revenue	**130,289**	**101,251**	**(29,038)**	**(22.3%)**	**189,186**	**153,000**	**66.2%**
Operating expenses	**104,353**	**83,920**	**(20,433)**	**(19.6%)**	**158,727**	**130,000**	**64.6%**
Operating income	**25,935**	**17,330**	**(8,604)**	**(33.2%)**	**30,458**	**23,000**	**75.4%**
Non-operating income	**1,839**	**1,624**	**(215)**	**(11.7%)**	**2,326**		
Non-operating expenses	**6,254**	**4,982**	**(1,271)**	**(20.3%)**	**7,919**		
Ordinary income	**21,521**	**13,972**	**(7,548)**	**(35.1%)**	**24,865**	**18,500**	**75.5%**
Extraordinary income	**8,576**	**379**	**(8,196)**	**(95.6%)**	**8,576**		
Extraordinary loss	**1,015**	**632**	**(383)**	**(37.7%)**	**13,103**		
Income before income taxes and minority interests	**29,081**	**13,719**	**(15,362)**	**(52.8%)**	**20,338**		
Income taxes	**10,219**	**4,053**	**(6,166)**	**(60.3%)**	**7,534**		
Income before minority interests	**18,861**	**9,665**	**(9,195)**	**(48.8%)**	**12,803**		
Minority interests in income	**1,123**	**1,043**	**(80)**	**(7.1%)**	**1,460**		
Net income	**17,737**	**8,622**	**(9,115)**	**(51.4%)**	**11,343**	**10,000**	**86.2%**
Comprehensive income	**20,454**	**11,458**	**(8,995)**	**(44.0%)**	**16,274**		

[*1] As already announced projected on November 6, 2014.

Statements of Income by Segment

(Million yen)

Category		(i) 3Q FY2013	(ii) 3Q FY2014	(ii) - (i) Change	(ii) - (i) Rate	(iii) FY2013	(iv) Revised forecasts for FY2014[*1]	Progress (ii) / (iv)
Leasing	Operating revenue	**75,275**	**64,676**	**(10,598)**	**(14.1%)**	**96,595**	**90,300**	**71.6%**
	Operating income	**23,375**	**17,022**	**(6,352)**	**(27.2%)**	**27,189**	**23,100**	**73.7%**
	Operating income margin	**31.1%**	**26.3%**	**(4.8pt)**	**–**	**28.1%**	**25.6%**	**–**
Residential Property Sales	Operating revenue	**45,542**	**27,813**	**(17,728)**	**(38.9%)**	**79,537**	**50,500**	**55.1%**
	Operating income	**5,797**	**3,083**	**(2,714)**	**(46.8%)**	**8,222**	**4,200**	**73.4%**
	Operating income margin	**12.7%**	**11.1%**	**(1.6pt)**	**–**	**10.3%**	**8.3%**	**–**
Other	Operating revenue	**13,201**	**12,361**	**(839)**	**(6.4%)**	**18,532**	**16,800**	**73.6%**
	Operating income	**1,203**	**1,006**	**(196)**	**(16.3%)**	**1,729**	**1,700**	**59.2%**
	Operating income margin	**9.1%**	**8.1%**	**(1.0pt)**	**–**	**9.3%**	**10.1%**	**–**

[*1] As already announced projected on November 6, 2014.

Effects of the Sale of Properties

(Billion yen)

Category	(i) 3Q FY2013		(ii) 3Q FY2014		(ii) - (i) Change	(ii) - (i) Rate
Operating revenue	Sales of inventories〔1Q〕（Urbannet Irifune building etc.）	**8.3**	Sales of inventories〔2Q〕（Rental apartments in regional area）	**0.9**	**(7.3)**	**(88.1%)**
Operating income		**4.5**		**0.6**	**(3.9)**	**(86.5%)**
Extraordinary income	Sales of non-current assets〔3Q〕(Three properties; Shares of Granpark and UDX etc.) 〔Reference〕 Sales price of all: 17.5 billion yen	**8.5**	Sales of non-current assets〔1Q〕（Rental apartments in Tokyo metropolitan area） 〔Reference〕 Sales price: 1.0 billion yen	**0.3**	**(8.1)**	**(95.6%)**
Extraordinary loss	Loss on sales of non-current assets〔3Q〕 〔Reference〕 Sales price of all: 2.1 billion yen	**0.4**	–	**–**	**(0.4)**	**–**

〔Note〕 Sales of properties in 4Q FY2014 (for a new private fund: "NU-9")[*1]

- Start of fund management: January 9, 2015
- Operating revenue: 5.6 billion yen
- Operating income: 3.3 billion yen
- Properties: Urban Court Minami-karasuyama, Urban Ace Nipponbashi Pal, Urban Ace Taishibashi Pal, Urban Citio Atago, Kyoto Enmachi (interest in land)

[*1] The effect was already included in revised forecasts announced on November 6, 2014.

Balance Sheets

(Million yen)

Category	(i) As of March 31, 2014	(ii) As of December 31, 2014	(ii) - (i) Change	Rate
Total current assets	985,507	1,029,705	44,198	4.5%
Current assets	125,351	121,702	(3,648)	(2.9%)
Cash and deposits	18,313	21,097	2,783	15.2%
(Restated) Time deposits whose deposit terms exceed 3 months	110	110	–	–
Inventories	78,497	86,817	8,320	10.6%
Other currents assets	28,539	13,787	(14,752)	(51.7%)
(Restated) Operating accounts receivable	18,058	3,115	(14,943)	(82.7%)
(Restated) Short-term (less than 3 months) investments included in other current assets	595	563	(31)	(5.4%)
Non-current assets	860,155	908,003	47,847	5.6%
Property, plant and equipment	811,035	856,164	45,129	5.6%
Intangible assets	5,427	5,555	127	2.4%
Investments and other assets	43,692	46,283	2,590	5.9%
Total liabilities	756,915	795,947	39,032	5.2%
Currents liabilities	101,021	135,533	34,511	34.2%
Interest-bearing debt (short-term)	57,886	100,926	43,040	74.4%
Other current liabilities	43,135	34,606	(8,529)	(19.8%)
Non-current liabilities	655,893	660,414	4,520	0.7%
Interest-bearing debt (long-term)	449,367	458,341	8,973	2.0%
Other non-current liabilities	206,525	202,073	(4,452)	(2.2%)
Net Assets	228,591	233,757	5,166	2.3%
Shareholders' equity	180,020	183,520	3,500	1.9%
Total accumulated comprehensive income	5,596	7,389	1,793	32.0%
Minority interests	42,975	42,847	(127)	(0.3%)
Total liabilities and net assets	985,507	1,029,705	44,198	4.5%

・ Net interest-bearing debt = Interest-bearing debt – [Cash and deposit + Short-term (less than 3 months) investments included in other current liabilities] (See page 7)

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