Financial Results for the FY 2014 and Forecast for the FY 2015

NTT Urban Development

May 12, 2015

1 – 1 Financial Highlights

- Operating revenue decreased mainly due to the residential property sales business.
- Operating income and ordinary income decreased, but exceeded the forecasts.
- Net income rose mainly due to the lowering of the corporate tax rate.

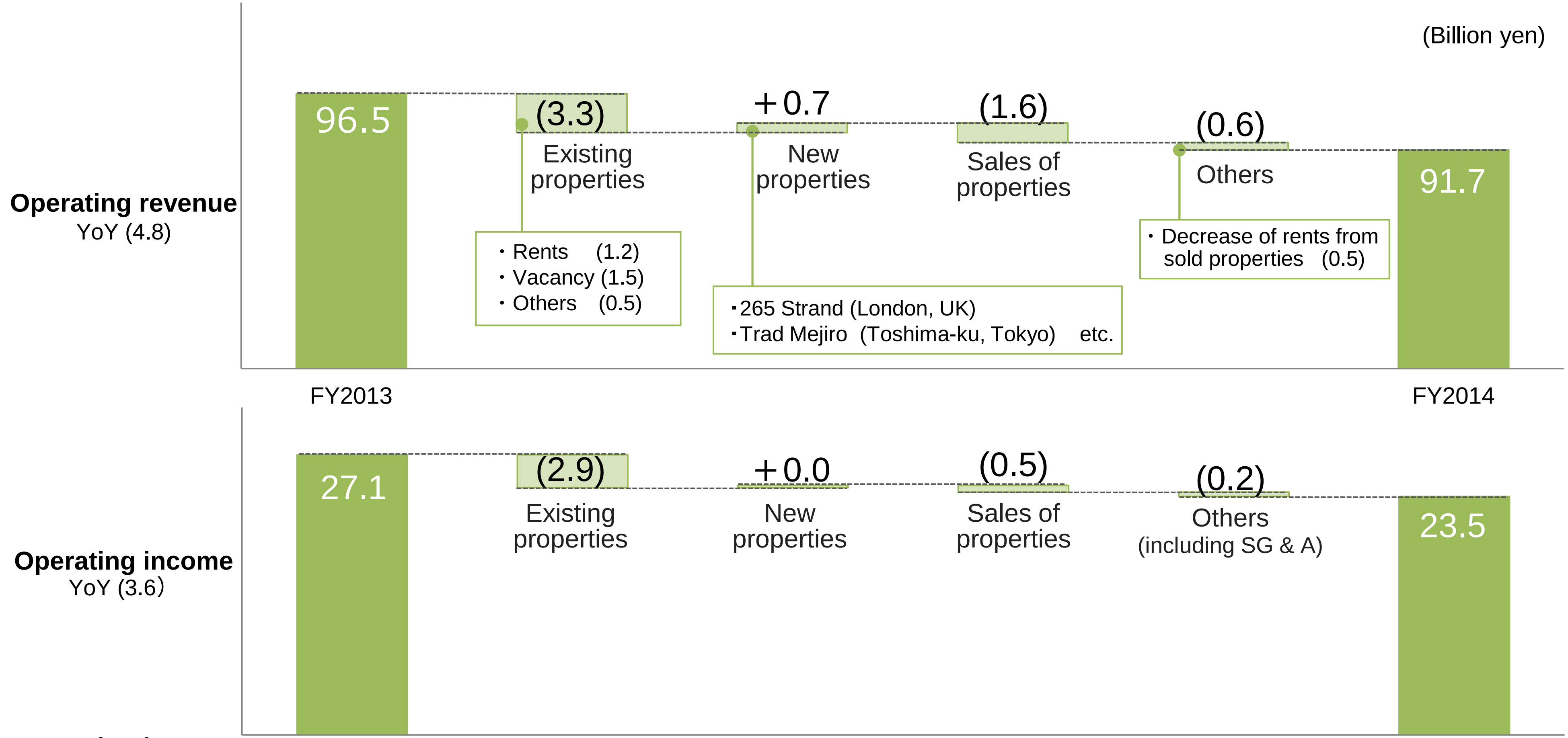
(Billion yen)

Category	(i) FY2013	(ii) FY2014	(ii) - (i)		(iii) Revised forecasts for FY2014 [*1]		
			Change	Rate		(ii) - (iii)	(ii) / (iii)
Operating revenue	189.1	152.0	(37.1)	(19.6%)	153.0	(0.9)	99.4%
Operating income	30.4	24.8	(5.6)	(18.5%)	23.0	+1.8	108.0%
Ordinary income	24.8	20.3	(4.4)	(18.0%)	18.5	+1.8	110.2%
Extraordinary income	8.5	1.8	(6.7)	(78.4%)			
Extraordinary loss	13.1	3.3	(9.7)	(74.2%)			
Income before income taxes and minority interests	20.3	18.8	(1.4)	(7.2%)			
Income taxes	7.5	(0.6)	[*2] (8.1)	—			
Net income	11.3	16.2	[*2] +4.8	+43.1%	10.0	+6.2	162.4%

[*1] Announced on November 6, 2014.
[*2] See page 20 for the effects of the lowing of the corporate tax rate.

1 – 2 Leasing Business

- Improvement in vacancy rate and halt in decline of rents are putting brakes on decline in operating revenues from existing properties. (Fourth quarter results stayed virtually flat compared to the same quarter a year ago.)
- Income from existing properties is also expected to bottom out in the fiscal year ended March 31, 2015.



Operating income margin
YoY (2.4pt)

FY2013 28.1%

FY2014 25.7%

Vacancy Rate

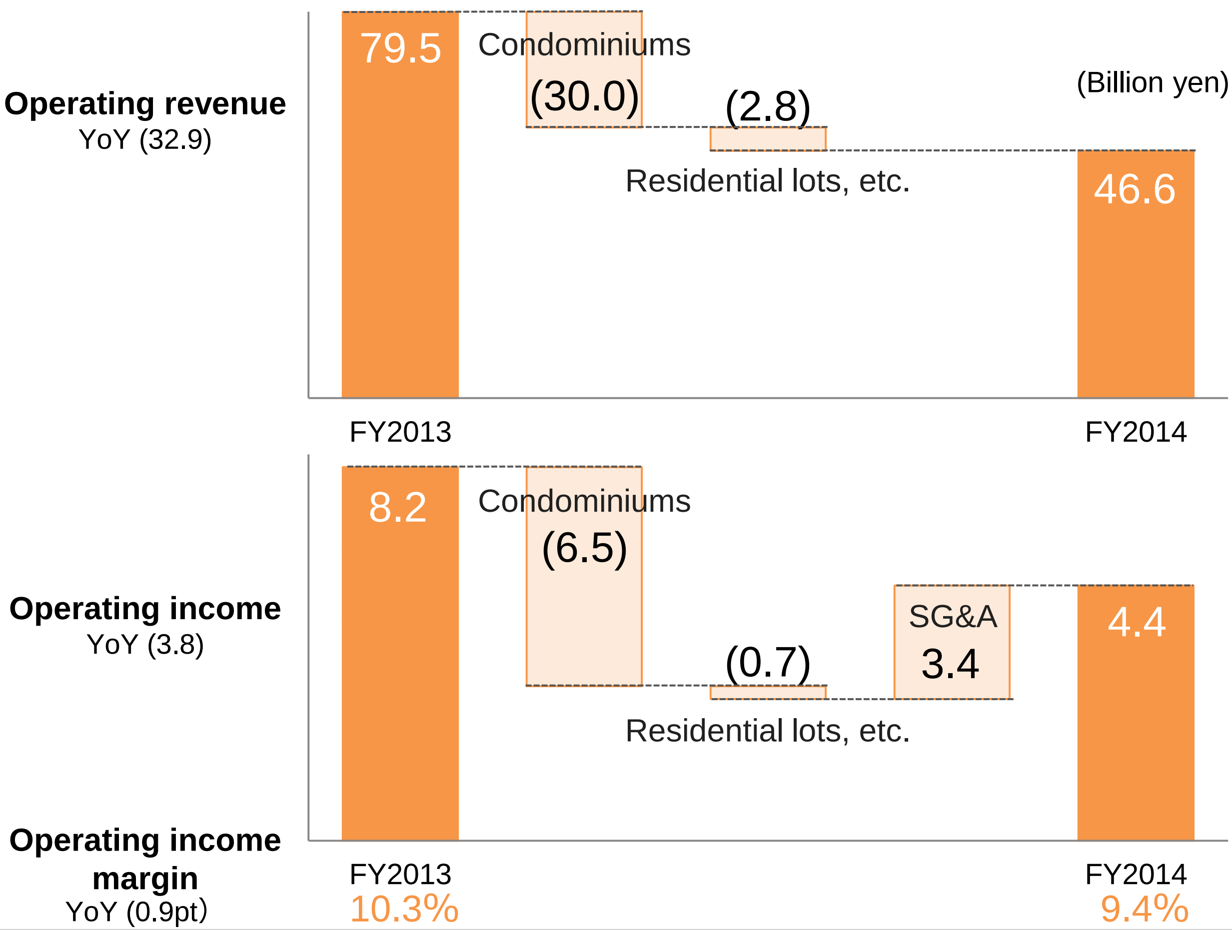
- The vacancy rate of existing properties improved mainly due to strengthening of the leasing sales capability (falling to 1.7% in the 5 wards of central Tokyo).
- The vacancy rate including Shinagawa Season Terrace was 14.7% in the 5 wards of central Tokyo and 10.9% nationwide.
  - Leasing contracts of Shinagawa Season Terrace shall be around 50% by the time of the grand opening (late May 2015).

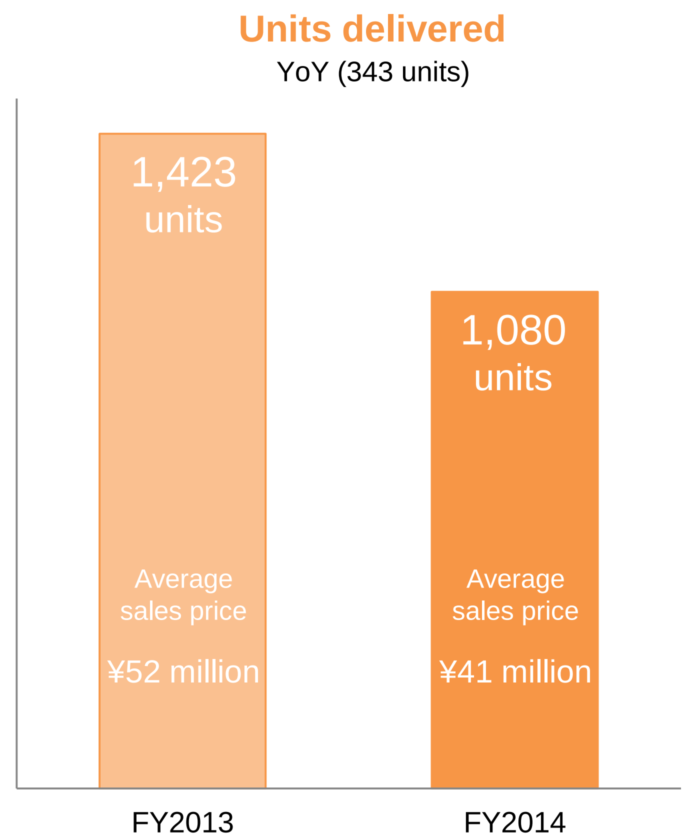
	12.3	12.6	12.9	12.12	13.3	13.6	13.9	13.12	14.3	14.6	14.9	14.12	15.3
Nationwide	5.4	5.6	5.3	5.8	6.5	7.2	7.4	7.8	7.4	8.1	8.3	6.7	10.9 〔6.2〕
5 wards of central Tokyo	2.0	2.5	2.7	3.9	4.0	7.5	6.0	7.4	6.4	6.8	5.9	2.9	14.7 〔1.7〕
(cf.) Market : 5 wards of central Tokyo*	9.0	9.4	8.9	8.7	8.6	8.5	7.9	7.3	6.7	6.5	5.7	5.5	5.3

* Source : Miki Shoji (Standard floor space of researched properties is more than 100 tsubo (approx. 330m²).)

1 – 4 Residential Business

- The number of condominium units delivered fell, reflecting a reactionary decline after the surge in demand in the fiscal year ended March 31, 2014 stemming from the consumption tax hike. Average sales price per unit also declined, especially in the second half, due to an increase in the proportion of suburban family condominiums.
- Although the number of condominium units delivered was less than planned (plan: 1,200 units), operating income reached ¥4.4 billion, exceeding the forecast of ¥4.2 billion.





1 – 5 Total Assets

- Rose ¥47.7 billion from March 31, 2014, mainly due to an increase in non-current assets.

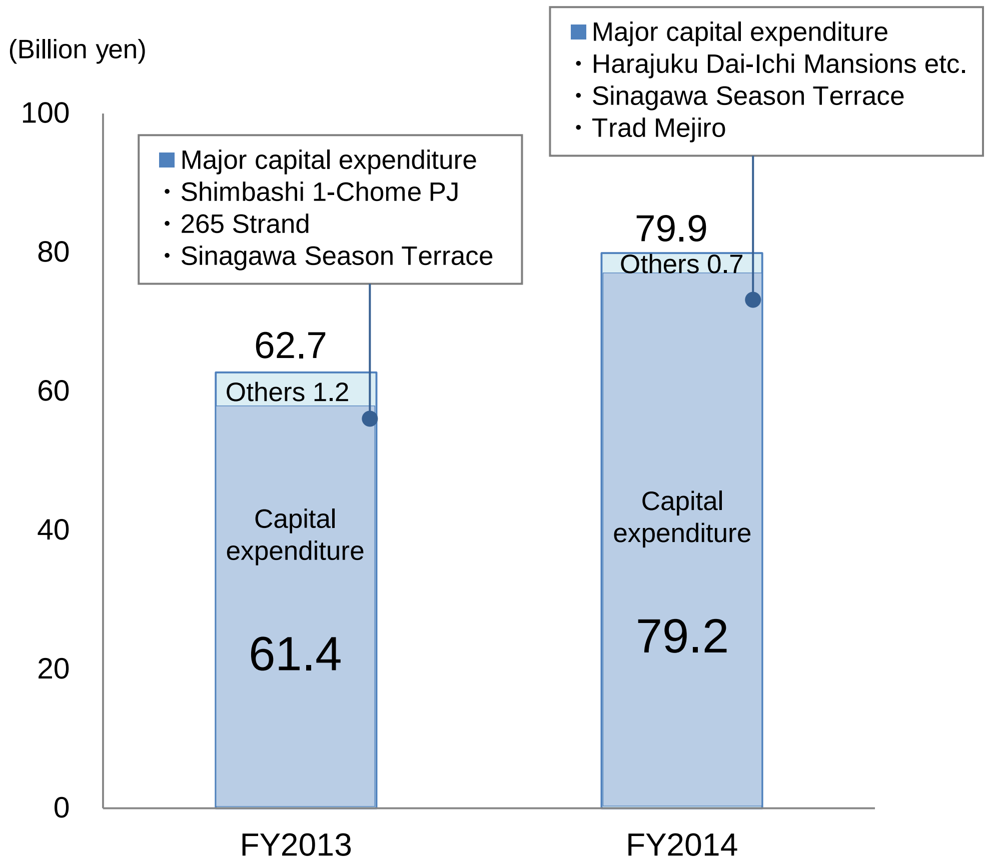
(Billion yen)

Category	As of March 31, 2015	From March 31, 2014		Key Factors
		Change	Rate	
Total assets	1,033.2	+47.7	+4.8%	
Current assets	128.5	+3.1	+2.5%	
Inventories	93.5	+15.0	+19.2%	
(Restated) Leasing business	34.3	+12.7	+59.3%	Acquisition of Iwamoto-cho building +7.1, Transfer from non-current assets +6.4
(Restated) Residential property sales business	58.9	+2.4	+4.3%	Purchase +38.8, Sales (36.1)
Other current assets	34.9	(11.9)	(25.4%)	Operating accounts receivable (12.4)
Non-current assets	904.7	+44.5	+5.2%	Acquisition +78.2, Depreciation (22.9), Sellout (5.5), Transfer to inventories (6.4)

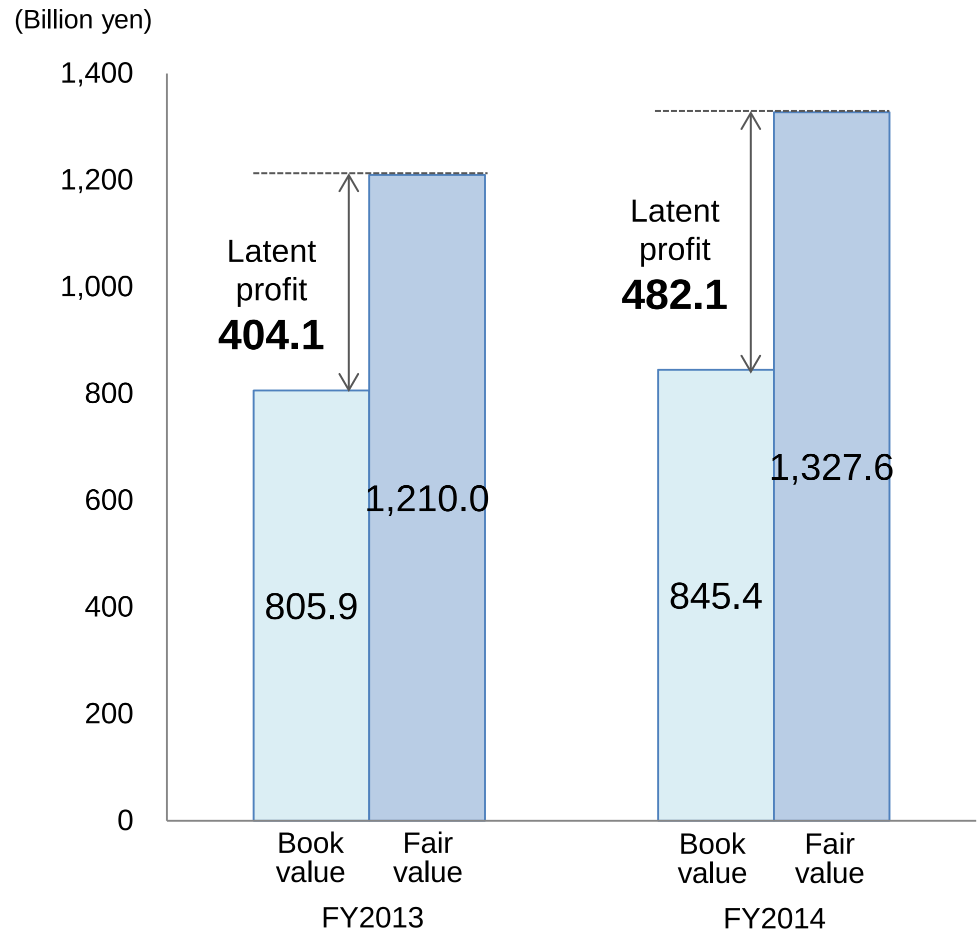
1 – 6 Investments and Fair Value of Rental Properties

- Capital expenditure expanded to ¥79.2 billion due to strategic investment (Harajuku Dai-Ichi Mansions) and newly developed properties (Shinagawa Season Terrace, etc.).
- The fair value of rental properties and latent profit rose owing to a fall in cap rates and new developments.

Investments



Fair Value of Rental Properties



1 – 7 Liabilities and Net Assets

- Interest-bearing debt increased as a result of expansion in capital expenditure.
- Cash inflows resulting from the replacement of assets contributed to control interest-bearing debt.
  - Gross: ¥547.1 billion (up ¥39.9 billion from March 31, 2014), Net: ¥526.9 billion (up ¥38.5 billion).

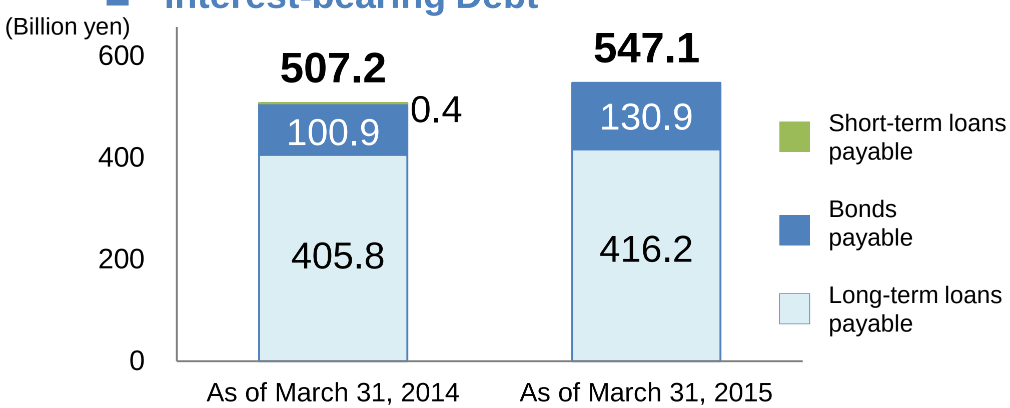
Liabilities and Net Assets

(Billion yen)

Category	As of March 31, 2015	From March 31, 2014		Key Factors
		Change	Rate	
Total liabilities	787.5	+30.6	+4.1%	
Interest-bearing debt *1	547.1	+39.9	+7.9%	
Other liabilities	240.3	(9.2)	(3.7%)	
Current liabilities	45.6	+2.5	+5.9%	Facilities accounts payable +7.1, Operating accounts payable (3.3)
Non-current liabilities	194.7	(11.8)	(5.7%)	Long-term accounts payable-facility investment (4.8), Deferred tax liabilities (4.2)
Net Assets	245.6	+17.0	+7.5%	

*1 Gross based interest-bearing debt

Interest-bearing Debt

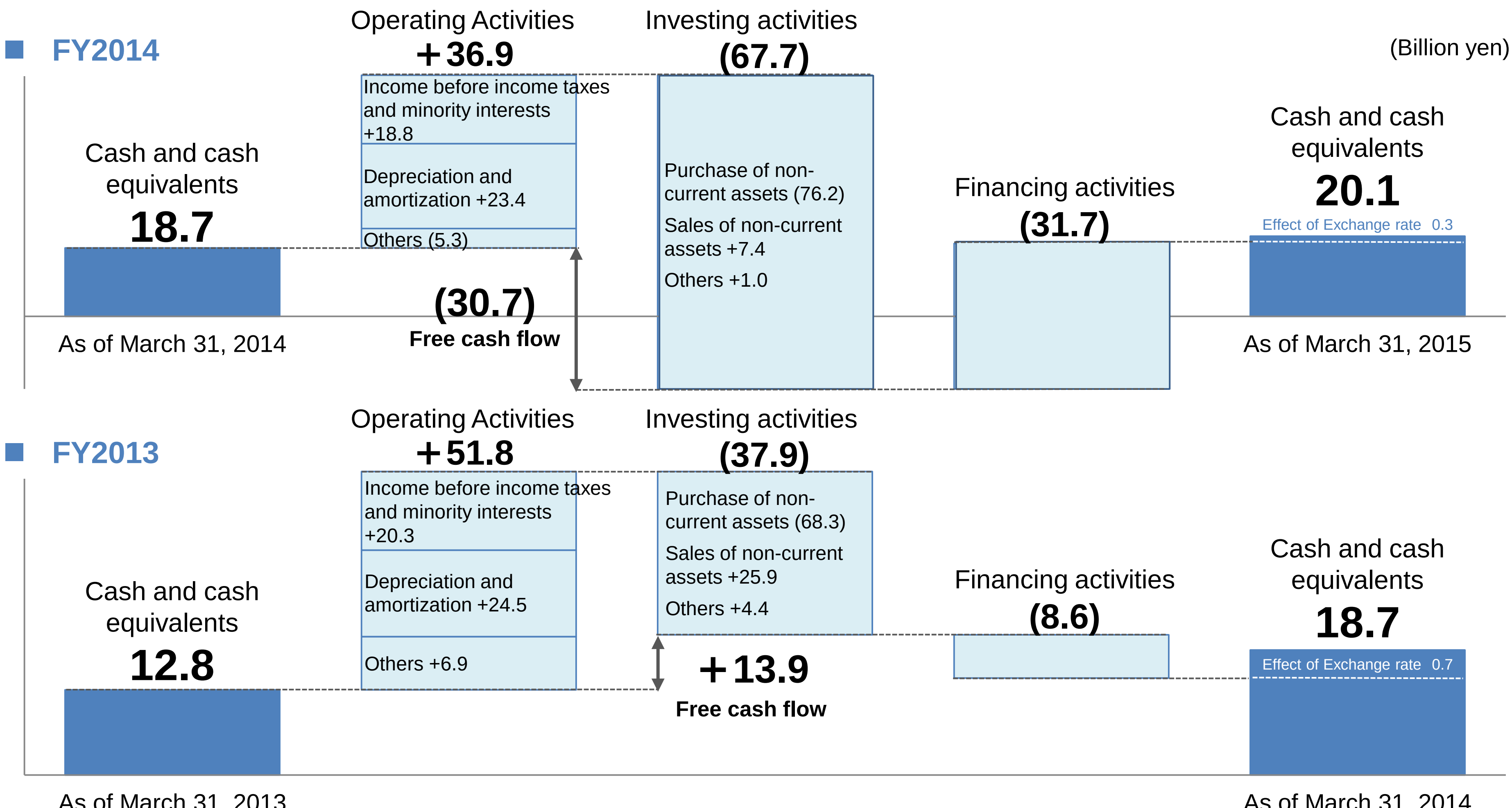


Category	As of March 31, 2014	As of March 31, 2015	Change
Net interest-bearing debt *2	¥ 488.3 billion	¥ 526.9 billion	¥ +38.5 billion
Average interest rate	1.24%	1.12%	(0.13)
Duration *3	5.13 years	5.37 years	+0.24 years

*2 Net interest-bearing debt = Interest-bearing debt – [Cash and deposit + Short-term (less than 3 months) investments included in other current assets]
*3 Interest-bearing debt excluding short-term loans payable

1 – 8 Cash Flows

- Free cash flow was negative ¥30.7 billion mainly due to the expansion of strategic investment and the investment in newly developed properties.
- Cash flow provided by financing activities was ¥31.7 billion, reflecting the increase in interest-bearing debt. As a result, cash and cash equivalents increased ¥1.3 billion from the end of the previous fiscal year, to ¥20.1 billion.



2 Forecasts for FY 2015

2 – 1 Forecasts

- Operating revenue, operating income and ordinary income for the fiscal year ending March 31, 2016 are expected to be higher than the fiscal year ended March 31, 2015, mainly due to the improvement of earnings in the leasing business.
- Net income is expected to be ¥12 billion or more in the fiscal year ending March 31, 2016.

(Billion yen)

	FY2013	FY2014	FY2015（Forecasts）
Operating revenue	189.1	152.0	168.0
Operating income	30.4	24.8	25.0
Ordinary income	24.8	20.3	21.0
Net income	11.3	16.2 *1	12.0
Investments	62.7	79.9	55.0
Capital expenditure	61.4	79.2	52.0

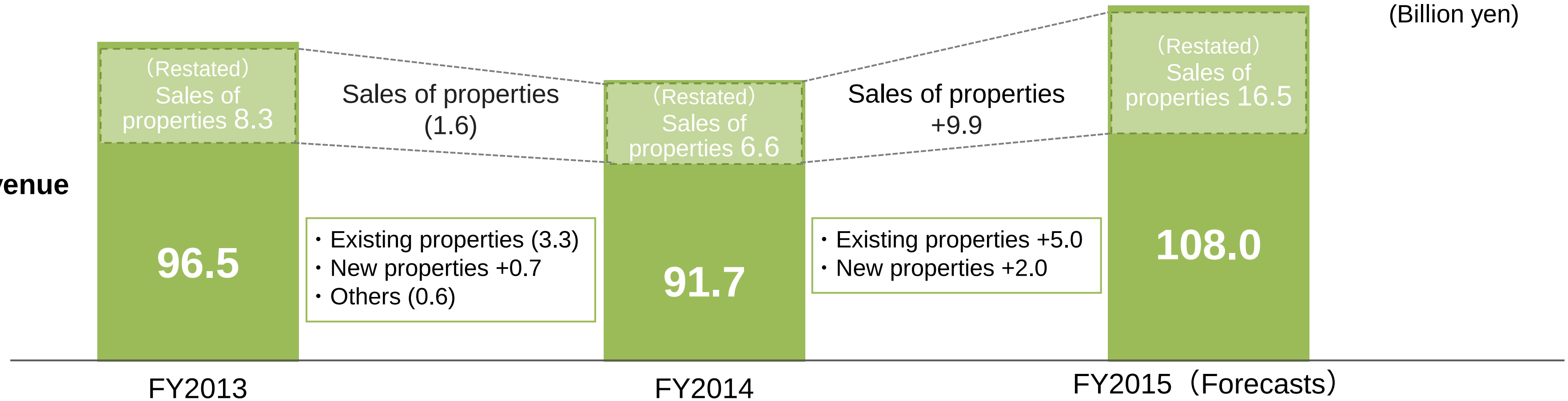
*1 Including impact on net income of reversal of deferred tax liabilities, etc. as a result of the lowering of the corporate tax rate: ¥4 billion (after deduction of minority interests).

2 – 2 Leasing Business

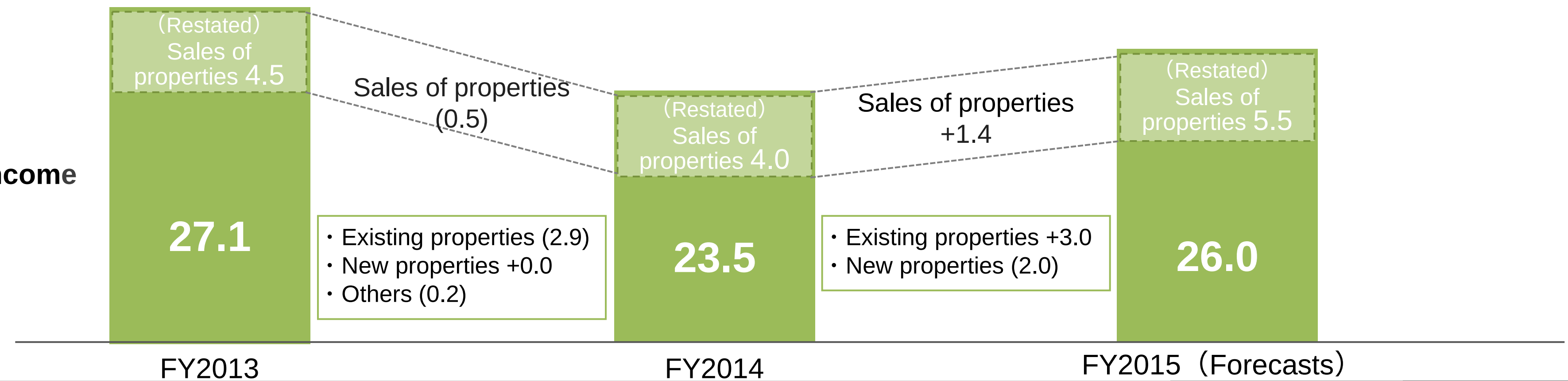
- Revenue and income from existing and new properties (excluding property sales) will return to growth in the fiscal year ending March 31, 2016.
  - Operating revenue will increase due to the improvement in the vacancy rate and a tendency for halt in decline of rents (existing properties: up ¥5 billion, new properties: up ¥2 billion).
  - Operating income will grow, since the rise of income from existing properties shall outweigh the declines largely due to opening costs for new properties (existing properties: up ¥3 billion, new properties: down ¥2 billion).
- The increase of operating revenue from sales of properties (up ¥9.9 billion) and operating income from those (up ¥1.4 billion) shall be attributed to the sales of properties to a new private placement REIT.

(Billion yen)

Operating revenue

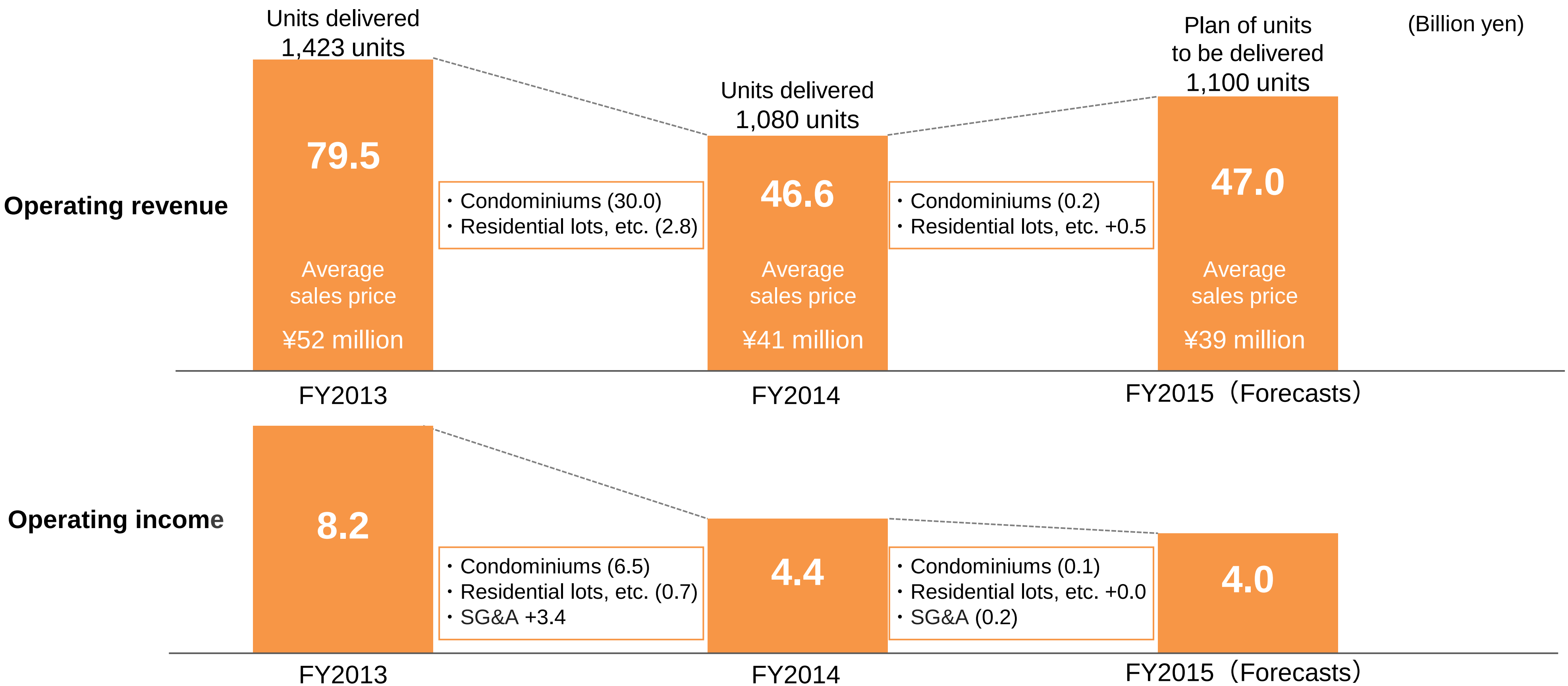


Operating income



2 – 3　Residential Business

- Operating results in the fiscal year ending March 31, 2016 will remain virtually flat (increased revenue and decreased income).
  - The number of units delivered will rise slightly.
  - Average sales price per unit will fall slightly due to a continuing rise in the proportion of suburban family type condominiums, which began in the second half of the previous fiscal year.
- Purchase and development of a portfolio of high-end condominiums (Kita-aoyama in Central Tokyo, etc.) have been underway since the second half of the previous fiscal year, and is expected to contribute to earnings in the fiscal year ending March 31, 2017.



2 – 4 Financial Indicators [*1]

Category	FY 2013	FY 2014	FY 2015 (Forecasts)
ROA (Return on assets) [*2]	3.4%	2.6%	Approx. 2.6%
ROE (Return on equity) [*3]	6.3%	8.4%	Approx. 6%
Net interest-bearing debt [*4] / EBITDA [*5]	8.9X	10.9X	Approx. 10.5X
Net D/E ratio [*6]	2.14X	2.15X	Approx. 2.0X
Dividend payout ratio [*7]	46.4%	32.4% (Forecasts)	Approx. 43%

[*1] See formulas for the financial indicators on page 25 and 26.
[*2] ROA (Return on assets) ＝ (Operating income + Equity in earnings of affiliates + Amortization of negative goodwill) / { (Total assets at the end of the previous fiscal year + Total assets at the end of the fiscal year under review) / 2 } ×100
[*3] ROE (Return on equity) ＝ Net income / { (Shareholders' equity at the end of the previous fiscal year ＋ Shareholders' equity at the end of the fiscal year under review) / 2 } ×100
[*4] Net interest-bearing debt = Interest-bearing debt - Cash and deposits - Short-term (less than 3 months) investments included in other current assets
[*5] EBITDA ＝ Operating income ＋ Depreciation and amortization
[*6] Net D/E ratio ＝ Net interest-bearing debt / Net assets
[*7] Dividend payout ratio ＝ (Full-year) Dividend per share / Net income per share

3 Progress of the Medium-Term Management Plan

3－1 Progress of the Medium-Term Management Plan (i)

Office / Retail Business

New project initiatives

- Urbannet Nihonbashi 2-Chome Building (scheduled for completion in December 2015)
- Urbannet Ginza 1-Chome Building (scheduled for completion in February 2016)
- Developing a hotel-and-bridal-complex in front of Universal City Station in Osaka (scheduled for completion in 2017)
- Examining a office-and-hotel-complex development in Shimbashi 1-Chome
- Examining development of a hotel-and-commercial-complex at Shin-puh-kan (commercial property in Kyoto) site
- Acquired Harajuku Dai-Ichi Mansions, etc., and strategically examining optimal utilization in Harajuku area as a whole

Participation in urban redevelopment projects

- Area of Shimbashi station redevelopment (under examination)
- Nakano ward office & Sunplaza (commercial complex property) district redevelopment (under proposal), etc.

Others

- BCP construction works* on flagship buildings in the Tokyo Metropolitan area shall be carried out by the fiscal year ending March 31, 2019

  * Total cost of construction work shall be ¥5 billion for 6 properties in the Tokyo Metropolitan area
- In April 2015, NTT CRE Office, a dedicated organization for strengthening CRE solutions for NTT Group companies, was established.

3－1 Progress of the Medium-Term Management Plan (ii)

Residential Business

- **Serviced senior housing, etc.**
  - Continuously developing in cooperation with NTT Group. (Currently around 10 properties are planed in total)
    - Decisions have already been made with respect 7 of these, including Tsudanuma and Nerima Sekimachi (planned)
      (4 of these have condominiums adjacent to their site)

- **Promotion of high added value projects**
  - Purchasing lands for sale in central Tokyo (Kita-aoyama, etc.), Kamakura, Kyoto, Ashiya and other areas
  - Acquiring high-end rental condominiums in the Tokyo Metropolitan area from Premier Investment Corporation (examining future use)

Global Business

- **Acquired 2 properties in Boston in January 2015**
  (will be consolidated in financial statements in the fiscal year ending March 31, 2016 due to differences in fiscal year ends from overseas subsidiaries)

- **Renovation projects**
  - 1 King William Street（London）
    Scheduled to be complete in August 2016
  - 119 West 25th Street（New York）
    Scheduled to be complete in April 2016

Appendices

Statements of Income by Segment

(Billion yen)

Category		(i) FY2013	(ii) FY2014	(ii) - (i)		(iii) Revised forecasts for FY2014*1			(iv) Revised forecasts for FY2015*1
				Change	Rate		(ii) - (iii)	(ii) / (iii)	
Leasing	Operating revenue	96.5	91.7	(4.8)	(5.0%)	90.3	+1.4	101.6%	108.0
	Operating income	27.1	23.5	(3.6)	(13.3%)	23.1	+0.4	102.0%	26.0
	Operating income margin	28.1%	25.7%	(2.4)	–	25.6%	+0.1	–	24.1%
Residential Property Sales	Operating revenue	79.5	46.6	(32.9)	(41.4%)	50.5	(3.8)	92.3%	47.0
	Operating income	8.2	4.4	(3.8)	(46.4%)	4.2	+0.2	104.9%	4.0
	Operating income margin	10.3%	9.4%	(0.9)	–	8.3%	+1.1	–	8.5%
Other	Operating revenue	18.5	18.8	+0.2	+1.6%	16.8	+2.0	112.1%	19.0
	Operating income	1.7	2.4	+0.7	+43.7%	1.7	+0.7	146.2%	2.0
	Operating income margin	9.3%	13.2%	+3.9	–	10.1%	+3.1	–	10.5%

*1 Announced on November 6, 2014.

Effects of the Sale of Properties

(Billion yen)

Category	(i) FY2013		(ii) 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）	**6.6**	**(1.6)**	**(19.7%)**
Operating income		**4.5**	Sales of inventories *〔4Q〕（Rental apartments in regional area etc.） *For a new private fund: “NU-9”	**4.0**	**(0.5)**	**(11.9%)**
Extraordinary income	Sales of non-current assets〔3Q〕 (Shares of Granpark and UDX etc.) 〔Supplementary information〕 Sales price of all: 17.5 billion yen	**8.5**	Sales of non-current assets〔1Q, 4Q〕（Rental apartments in Tokyo metropolitan area, Office buildings in regional area etc.） 〔Supplementary information〕 Sales price of all: 5.0 billion yen	**1.8**	**(6.7)**	**(78.4%)**
Extraordinary loss	Loss on sales of non-current assets〔3Q, 4Q〕 〔Supplementary information〕 Sales price of all: 8.6 billion yen	**8.7**	Loss on sales of non-current assets〔4Q〕 〔Supplementary information〕 Sales price of all: 1.8 billion yen	**0.6**	**(8.0)**	**(92.0%)**

〔Supplementary information〕

Category	(i) FY2013		(ii) FY2014		(ii) - (i) Change	(ii) - (i) Rate
Extraordinary loss (Except effects of sales of properties)	Impairment loss	**2.8**	Impairment loss	**1.4**	**(1.3)**	**(48.9%)**
	Loss on retirement of non-current assets	**1.4**	Loss on retirement of non-current assets	**1.2**	**(0.2)**	**(17.3%)**

Effects of the lowing of corporate tax rates

(Billion yen)

Category		(i) FY2013	(ii) FY2014	(ii) - (i)
Income taxes (a)		7.5	(0.6)	(8.1)
	Effects of the lowing of corporate tax rates (b) *1	—	(5.9)	(5.9)
	Except effects of the lowing of corporate tax rates (a)-(b)	7.5	5.3	(2.1)
Income before minority interests (a)		12.8	19.4	+6.6
	Effects of the lowing of corporate tax rates (b) *1	—	5.9	+5.9
	Except effects of the lowing of corporate tax rates (a)-(b)	12.8	13.5	+0.7
Minority interests in income (a)		1.4	3.2	+1.7
	Effects of the lowing of corporate tax rates (b) *2	—	1.9	+1.9
	Except effects of the lowing of corporate tax rates (a)-(b)	1.4	1.3	(0.1)
Net income (a)		11.3	16.2	+4.8
	Effects of the lowing of corporate tax rates (b) *3	—	4.0	+4.0
	Except effects of the lowing of corporate tax rates (a)-(b)	11.3	12.1	+0.8

*1 Decreasing corporate taxes etc. of reversal of deferred tax liabilities, etc. as a result of the lowering of the corporate tax rate.
*2 Portion of impact of ¥5.9 billion that is income allocated to minority shareholders
*3 Portion of impact of ¥5.9 billion that is income allocated to the Company

Major properties completed in FY2014

Trad Mejiro

Location	Mejiro Toshima-ku, Tokyo
Main use	Commercial（16 stores）
Site area	1,676㎡
Total floor space	7,570㎡
Rentable space	Approx. 4,000㎡
Building scale	4 floors above ground and 2 below
Commencement	April 2013
Completion	October 2014〔Opened：November 2014〕

Shinagawa Season Terrace

Location	Konan Minato-ku, Tokyo
Main use	Office and commercial
Site area	49,547㎡（in total）
Total floor space	202,666㎡（in total）
Rentable space	Approx. 130,000㎡（in office total）
Building scale	32 floors above ground and 1 below
Commencement	February 2012
Completion	February 2015〔Grand opening：May 2015（schedule）〕

Major properties to be completed in FY2015

Urbannet Nihonbashi 2-Chome Building

Location	Nihonbashi Chuo-ku, Tokyo
Main use	Office
Site area	1,687㎡
Total floor space	14,795㎡
Rentable space	Approx. 9,400㎡
Building scale	10 floors above ground and 1 below
Commencement	June 2014
Completion	December 2015 (Schedule)

Urbannet Ginza 1-Chome Building

Location	Ginza Chuo-ku, Tokyo
Main use	Office
Site area	1,737㎡
Total floor space	11,720㎡
Rentable space	Approx. 7,500㎡
Building scale	8 floors above ground and 1 below
Commencement	November 2014
Completion	February 2016 (Schedule)

Major condominiums delivered in FY2014

■ Condominiums completed 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
WELLITH Inage （Lucent）	Chiba-shi, Chiba	466 units
ZEO Nisinomiya Kitaguchi Gardens	Nishinomiya-shi, Hyogo	414 units

■ Condominiums completed in FY2014

Name	Location	Total units
WELLITH Kinshi-cho Hokusai-dori	Sumida-ku, Tokyo	56 units
WELLITH Kawasaki Daishi	Kawasaki-shi, Kanagawa	62 units
WELLITH Inage （Oasis / Grow）	Chiba-shi, Chiba	463 units
WELLITH Tsukuba Kenkyu Gakuen Terrace	Tsukuba-shi, Ibaraki	86 units
ZEO Shinmachi	Osaka-shi, Osaka	382 units
WELLITH Tsurumi Ryokuchi	Osaka-shi, Osaka	272 units
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

* The number of units is the total number of units before consideration of share, etc.

Major condominiums to be delivered in FY2015

Condominiums completed in FY2014

Name	Location	Total units
WELLITH Inage（Oasis / Grow）	Chiba-shi, Chiba	463 units
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

Condominiums to be completed in FY2015

Name	Location	Total units
Wellith Ginza 2-Chome	Chuo-ku, Tokyo	54 units
Wellith Kayaba-cho	Chuo-ku, Tokyo	27 units
Wellith Minami Senjyu	Arakawa-ku, Tokyo	52 units
Wellith Adel Koganei Midori-cho	Koganei-shi, Tokyo	24 units
Wellith Kamakura Yuigahama	Kamakura-shi, Kanagawa	20 units
Wellith Kashiwa	Kashiwa-shi, Chiba	52 units
Wellith Tsudanuma	Funabashi-shi, Chiba	58 units
Wellith Kemi Gawahama Residence	Chiba-shi, Chiba	98 units
WELLITH Minami Nagareyama	Nagareyama-shi, Chiba	345 units
Wellith Tsukuba Kenkyu Gakuen Residence	Tsukuba-shi, Ibaraki	149 units
WELLITH Naniwanomiya Uemachi	Osaka-shi, Osaka	56 units

＊The number of units is the total number of units before consideration of share, etc.

Financial Indicators (i)

（million yen）

		FY2013	FY2014	FY2015 (Forecasts)
ROA [(a+b+c)÷｛(d+e)÷2｝×100]	%	3.4	2.6	Approx. 2.6%
a. Operating income		30,458	24,836	25,000
b. Equity in earnings (losses) of affiliates		71	45	100
c. Amortization of negative goodwill		1,853	1,780	2,000
d. Total assets at the end of the previous fiscal year		941,050	985,507	1,033,220
e. Total assets at the end of the fiscal year under review		985,507	1,033,220	1,016,000

	FY2013	FY2014	FY2015 (Forecasts)
Shareholders' equity [a-b]	185,616	200,910	208,000
a. Net assets	228,591	245,641	254,000
b. Minority interests	42,975	44,730	46,000

		FY2013	FY2014	FY2015 (Forecasts)
ROE [a÷｛(b＋c)÷2｝×100]	%	6.3	8.4	Approx. 6%
a. Net income		11,343	16,235	12,000
b. Shareholders' equity at the end of the previous fiscal year		176,221	185,616	200,910
c. Shareholders' equity at the end of the fiscal year under review		185,616	200,910	208,000

Financial Indicators (ii)

（million yen）

		FY2013	FY2014	FY2015 (Forecasts)
Net interest-bearing debt [a-b-c]		488,345	526,925	509,000
a. Interest-bearing debt		507,253	547,189	529,000
b. Cash and deposits		18,313	17,891	18,000
c. Short-term (less than 3 months) investments included in other current liabilities		595	2,372	2,000
EBITDA [a+b]		55,025	48,311	49,000
a. Operating income		30,458	24,836	25,000
b. Depreciation and amortization		24,566	23,474	24,000
Net interest-bearing debt / EBITDA [a÷b]	X	8.9	10.9	Approx. 10.5X
a. Net interest-bearing debt		488,345	526,925	509,000
b. EBITDA		55,025	48,311	49,000
Net D/E ratio [a÷b]	X	2.14	2.15	Approx. 2.0X
a. Net interest-bearing debt		488,345	526,925	509,000
b. Net assets		228,591	245,641	254,000

Dividend payout ratio [a÷b×100]	%	46.4	32.4	Approx. 43%
a. (Full-year) Dividend per share	yen	16.00	16.00	16.00
b. Net income per share	yen	34.46	49.33	Approx. 37 yen

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.

The information on this document is not a solicitation to buy securities of NTT Urban Development. Any investment in securities of NTT Urban Development must be based upon the independent investment judgment of the investor, and must not depend upon the information on this document.

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