

# **Overview of Operating Performance during the FY 2013 and Forecast for the FY 2014**

**NTT Urban Development**

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May 9, 2014

# 1-1. Financial Highlights

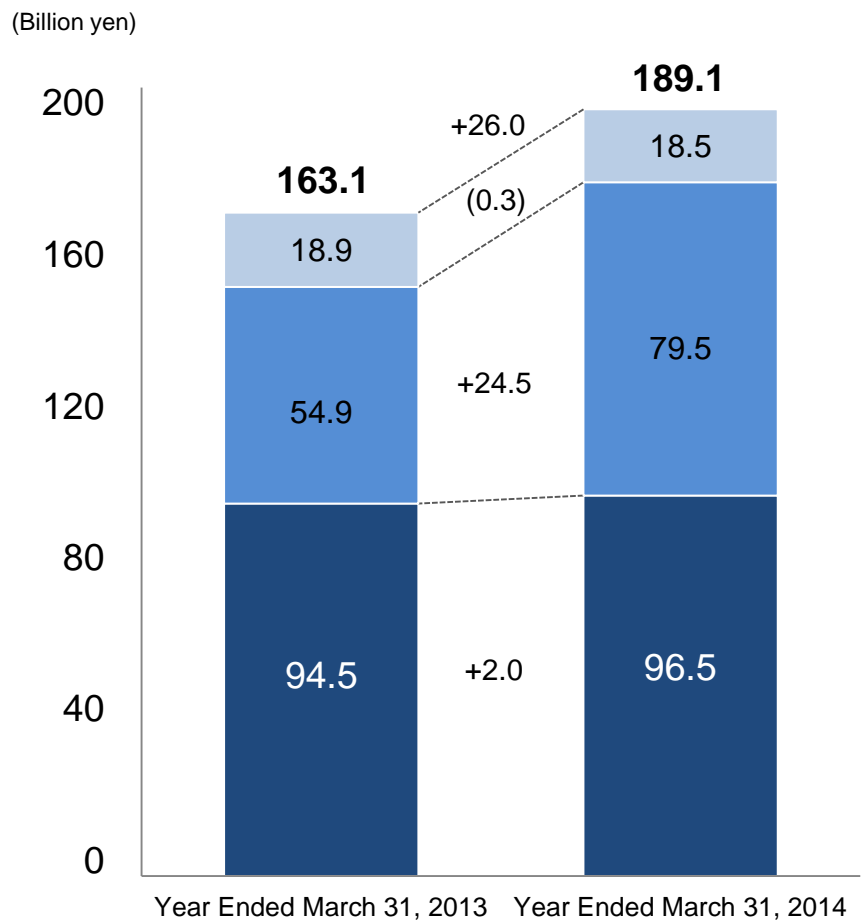
- Operating revenue and operating income rose mainly due to residential property sales business.
- Net income declined due to extraordinary items and the increase of income taxes.

(Billion yen)

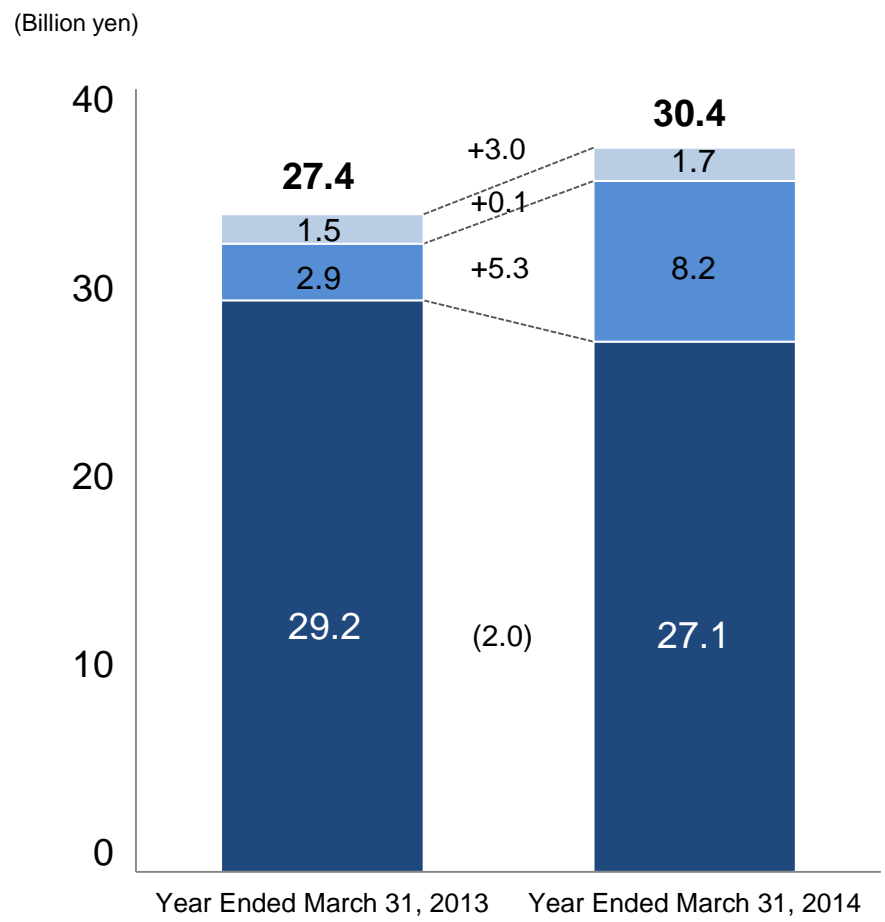
Category	Year Ended March 31, 2013	(i) Year Ended March 31, 2014	Year-on-year		(Cf.) (ii) Forecast for Year Ended March 31, 2014	
			Change	Rate	Progress (i) / (ii)	
Operating revenue	163.1	189.1	26.0	15.9%	179.0	105.7%
Operating income	27.4	30.4	3.0	11.2%	27.5	110.8%
Ordinary income	22.0	24.8	2.8	12.9%	22.1	112.5%
Extraordinary income	0.3	8.5	8.1	-		
Extraordinary loss	3.4	13.1	9.6	281.3%		
Income before income taxes and minority interests	18.9	20.3	1.3	7.2%		
Income taxes	5.5	7.5	1.9	35.9%		
Minority interests in income	1.3	1.4	0.1	8.1%		
Net income	12.0	11.3	(0.7)	(6.1%)	11.5	98.6%

# 1-2. Results by Segment

Operating Revenue by Segment\*1



Operating Income by Segment\*2

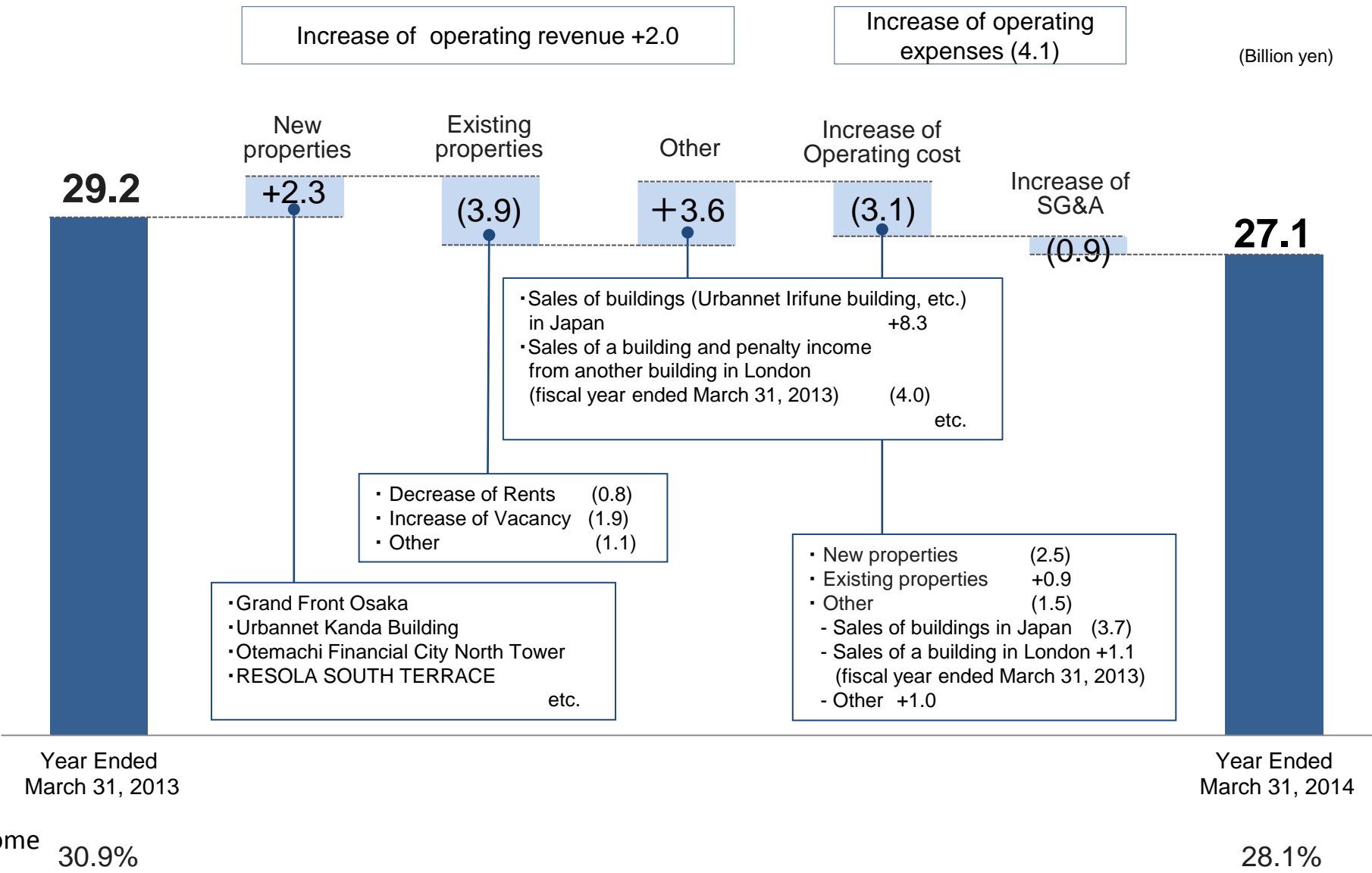


■ Leasing Business   
 ■ Residential Property Sales Business   
 ■ Other

\*1 Includes internal revenues and transfer of funds duplicated in more than one segment

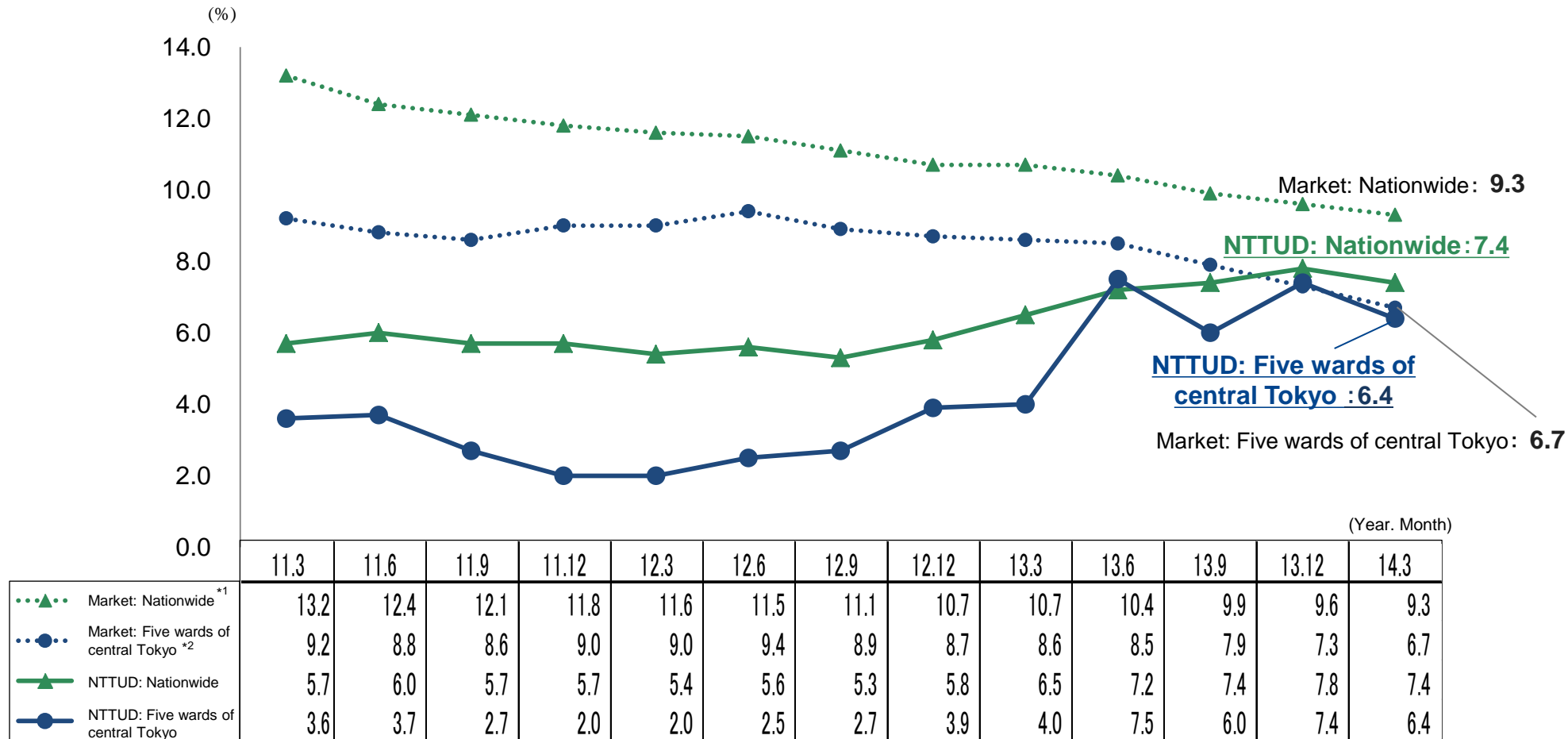
\*2 After the elimination of inter-segment internal revenues or company-wide expenses

# 1-3. Leasing Business : Operating Income



# 1-4. Vacancy Rate

■ Vacancy rate improved in the 4th quarter of FY 2013.



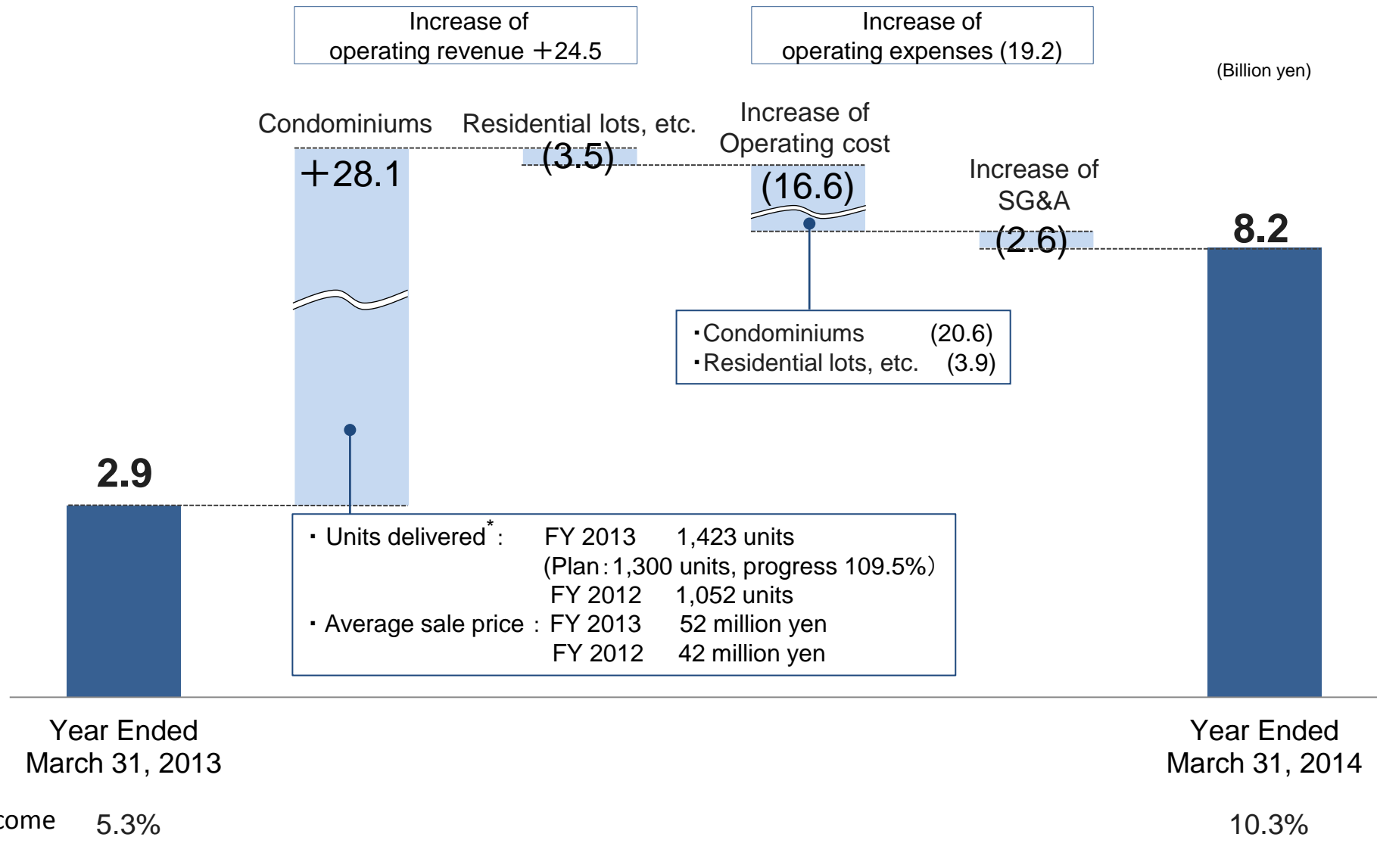
• NTTUD: NTT Urban Development.

<sup>1</sup> Vacancy for the market nationwide is a simple average (calculated by NTTUD) for Tokyo, Osaka, Nagoya, Sapporo, Sendai, Yokohama and Fukuoka announce by Miki Shoji.

<sup>2</sup> Vacancy rate in Sendai area as of March 31, 2011 was used the data as of February 28, 2011.

<sup>2</sup> Source : Miki Shoji

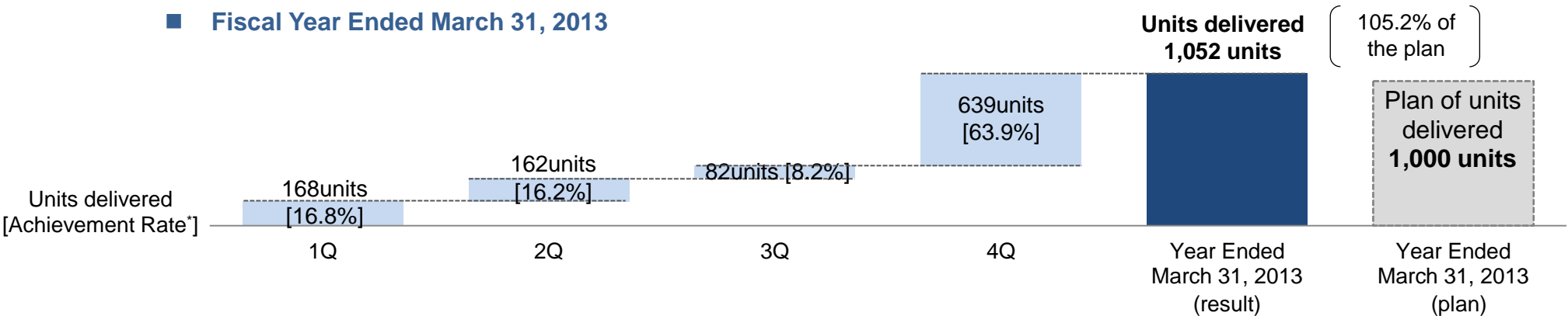
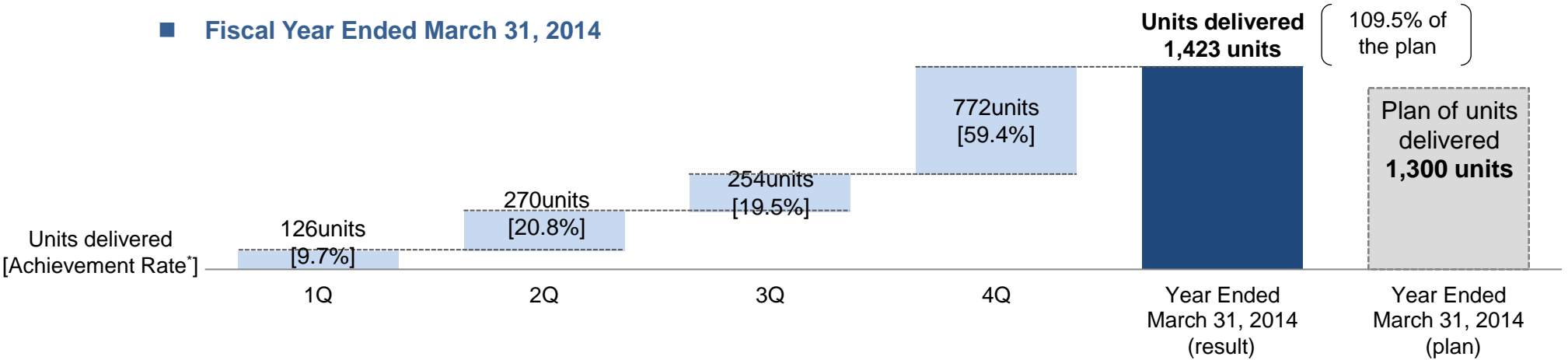
# 1-5. Residential Business : Operating Income



\* For joint projects, the number of units corresponds to the Company's share in the projects (rounded down to the nearest units)

# 1-6. Condominium Units Delivered

- The number of units delivered was 1,423, or 109.5% of the plan (1,300 units).
- For the fiscal year ending March 31, 2015, the plan of units delivered is 1,200. 51.1% of them was contracted at the beginning of the fiscal year.



\* Achievement Rate = units delivered / plan of units delivered

(Cf.) For joint projects, the number of units corresponded to the Company's share in the project (rounded down to the nearest units)

# 1-7. Extraordinary Income and Loss

(Billion yen)

Category	Year Ended March 31, 2014		(Cf.) Sales price	
Extraordinary income	Gain on sales of non-current assets (Shares of Granpark and UDX, etc.)	8.5	17.3	25.9
Extraordinary loss	Loss on sales of non-current assets (Interest in land of Tradepia Yodoyabashi, etc.)	8.7	8.5	
	Impairment loss	2.8		
	Loss on retirement of non-current assets	1.4		
(Cf.) Operating income	Gain on sales of inventories (Urbannet Irifune Building and the other 3 rental properties)	4.5	8.3	



# 1-8. Total Assets

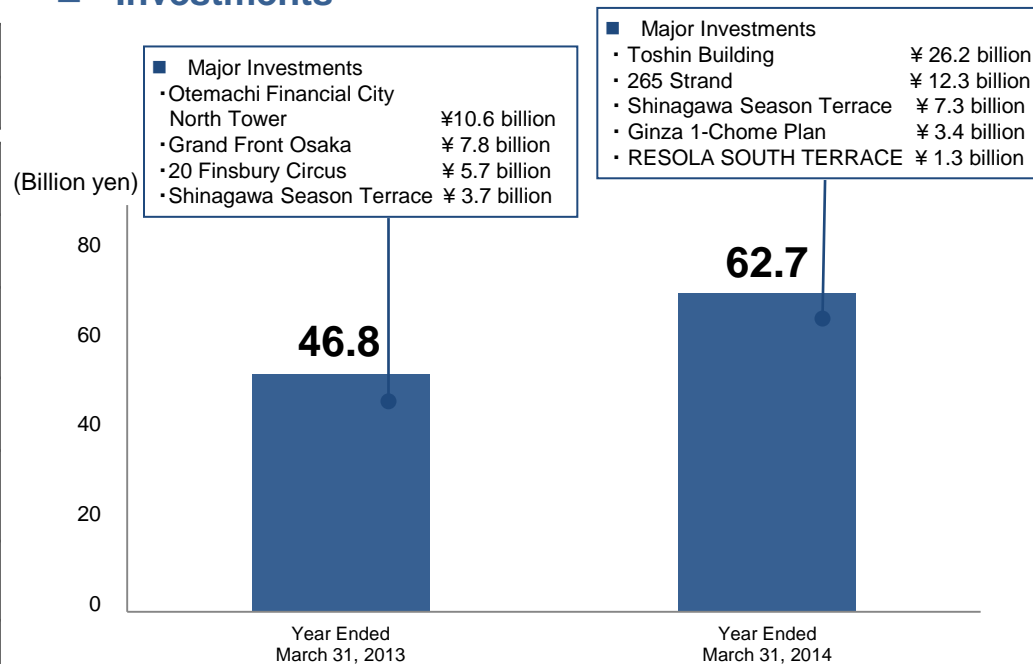
- Total assets rose ¥ 44.4 billion to ¥ 985.5 billion, mainly due to the increase in property, plant and equipment through new investment and acquisition of lands.
- The fair value of rental properties is ¥ 1,210 billion and unrealized gain is ¥ 404.1 billion.

## ■ Total Assets

(Billion yen)

Category	As of March 31, 2014	Year-on-year	
		Change	Rate
Total assets	<b>985.5</b>	<b>44.4</b>	<b>4.7%</b>
Current assets	<b>125.3</b>	<b>(6.4)</b>	<b>(4.9%)</b>
Cash and deposits	<b>18.3</b>	<b>6.1</b>	<b>50.7%</b>
Inventories	<b>78.4</b>	<b>(9.1)</b>	<b>(10.5%)</b>
Other current assets	<b>28.5</b>	<b>(3.4)</b>	<b>(10.8%)</b>
(Restated) Operating accounts receivable	<b>18.0</b>	<b>4.2</b>	<b>31.0%</b>
Non-current assets	<b>860.1</b>	<b>50.9</b>	<b>6.3%</b>
Property, plant and equipment	<b>811.0</b>	<b>50.1</b>	<b>6.6%</b>
(Restated) Land	<b>472.1</b>	<b>63.0</b>	<b>15.4%</b>
Intangible assets	<b>5.4</b>	<b>(0.3)</b>	<b>(5.7%)</b>
Investments and other assets	<b>43.6</b>	<b>1.1</b>	<b>2.7%</b>

## ■ Investments



(Cf. )Year Ending March 31, 2015 (plan) : Approx. ¥ 60.0 billion.

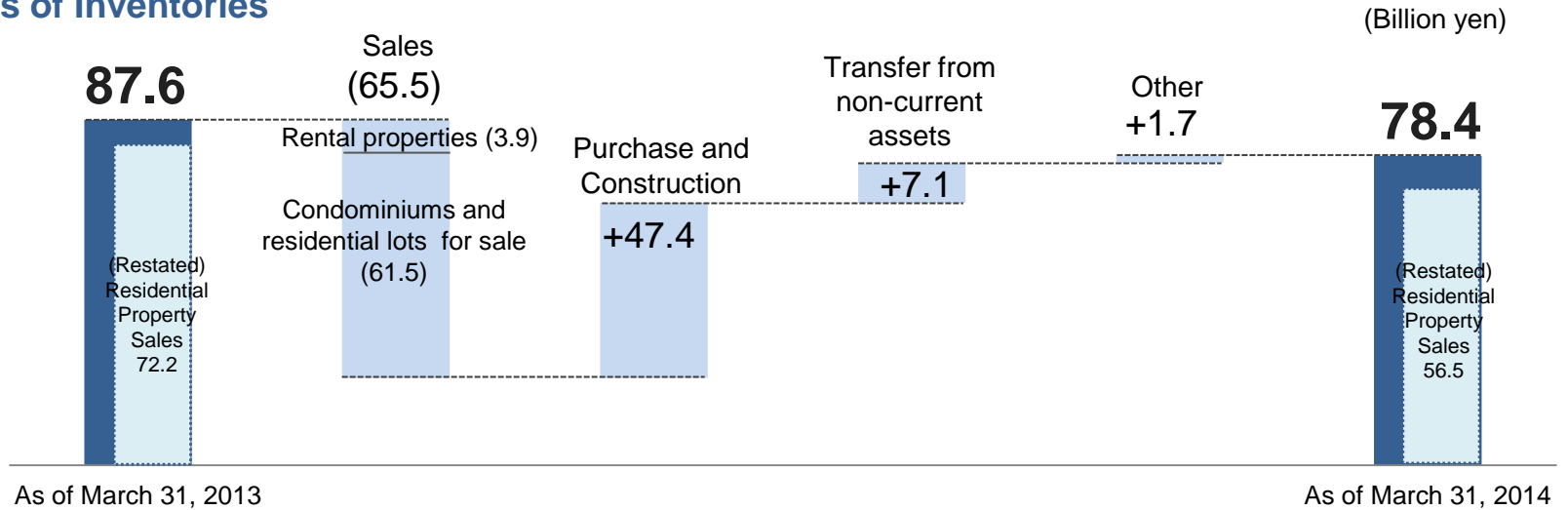
## ■ Fair Value of Rental Properties

(Billion yen)

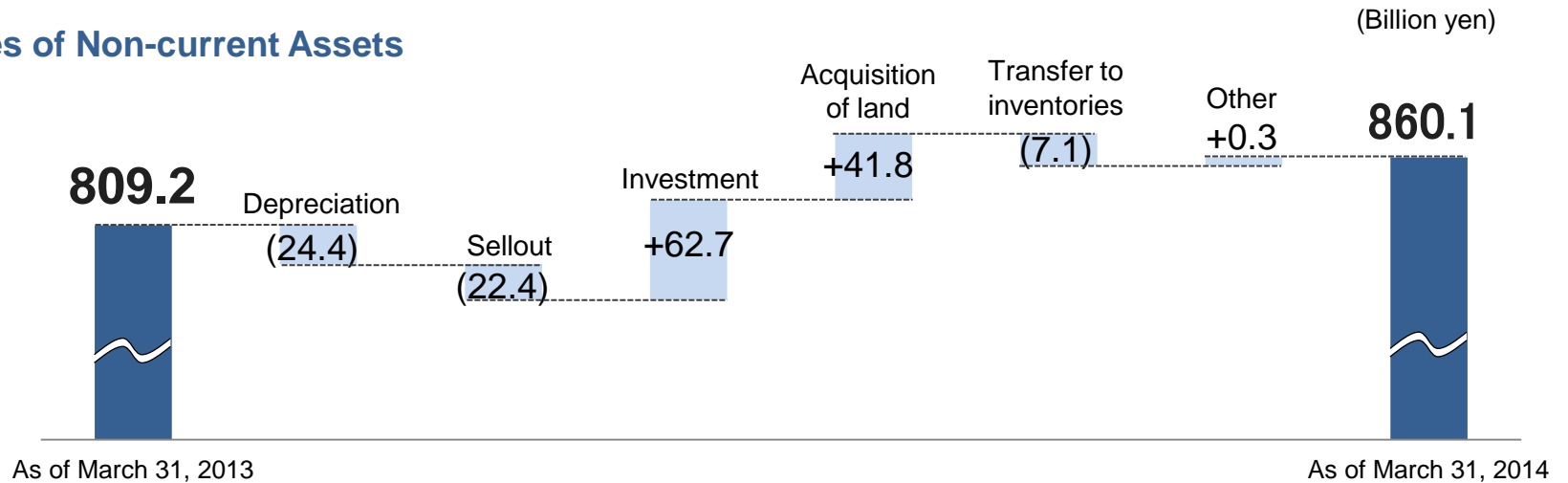
	Book value	Fair value	Unrealized gains
As of March 31, 2014	805.9	1,210.0	404.1
As of March 31, 2013	758.3	1,159.9	401.6

# 1-9. Inventories and Non-current Assets

## ■ Changes of Inventories



## ■ Changes of Non-current Assets



# 1-10. Liabilities and Net Assets

- Total liabilities rose ¥ 29.7 billion to ¥ 756.9 billion mainly due to the increase of long-term accounts payable through acquisition of lands. Interest-bearing debt is ¥ 507.2 billion, approximately equal to the amount in March 2013 (+ ¥ 1.2 billion) .
- Net assets rose ¥ 14.7 billion to ¥ 228.5 billion due to the increase in shareholder's equity, minority interests, and other net assets.

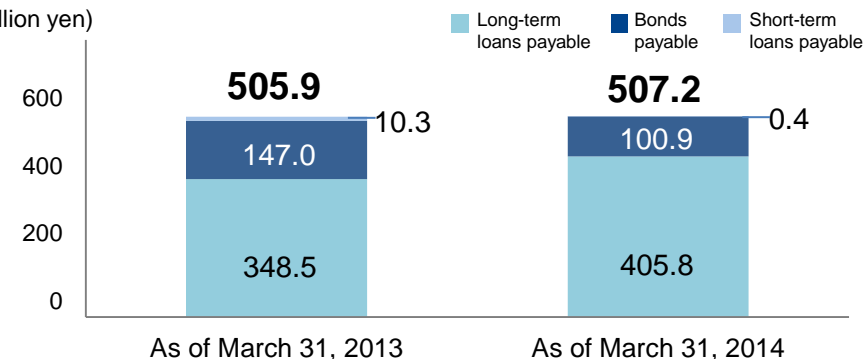
## ■ Liabilities and Net Assets

(Billion yen)

Category	As of March 31, 2014	Year-on-year	
		Change	Rate
Total liabilities	<b>756.9</b>	<b>29.7</b>	<b>4.1%</b>
Current liabilities	<b>101.0</b>	<b>(76.4)</b>	<b>(43.1%)</b>
Interest-bearing debt (short-term)	<b>57.8</b>	<b>(70.6)</b>	<b>(54.9%)</b>
Other current liabilities	<b>43.1</b>	<b>(5.8)</b>	<b>(11.9%)</b>
Non-current liabilities	<b>655.8</b>	<b>106.1</b>	<b>19.3%</b>
Interest-bearing debt (long-term)	<b>449.3</b>	<b>71.8</b>	<b>19.0%</b>
Other non-current liabilities	<b>206.5</b>	<b>34.2</b>	<b>19.9%</b>
(Restated) Long-term accounts payable	<b>40.1</b>	<b>40.1</b>	<b>—</b>
Net Assets	<b>228.5</b>	<b>14.7</b>	<b>6.9%</b>
Shareholders' equity	<b>180.0</b>	<b>5.7</b>	<b>3.3%</b>
Minority interests	<b>42.9</b>	<b>5.3</b>	<b>14.3%</b>
Other net assets	<b>5.5</b>	<b>3.6</b>	<b>187.1%</b>

## ■ Interest-bearing debt

(Billion yen)



	<b>491.3</b>	<b>488.3</b>
Net interest-bearing debt*		
(Restated) Non-Consolidated	439.5	427.2
(Restated) UDX	53.5	48.9
(Restated) UD Europe	1.5	15.5
Net interest-bearing debt / EBITDA ratio	<b>9.6 times</b>	<b>8.9 times</b>

\* Net interest-bearing debt = Interest-bearing debt – [ Cash and deposit + Short-term (less than 3 months) investments included in other current liabilities ] (cf. Page 18)

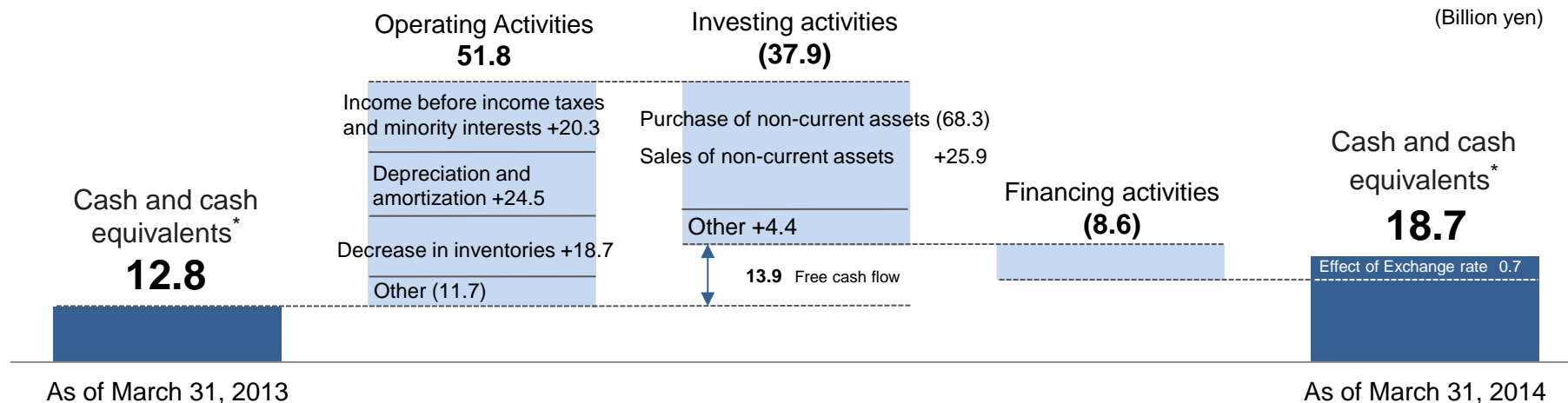
## ■ Cf.

	As of March 31, 2013	As of March 31, 2014
Average interest rate	1.48%	1.24%
Maturities of debt	4.08 years	5.13 years

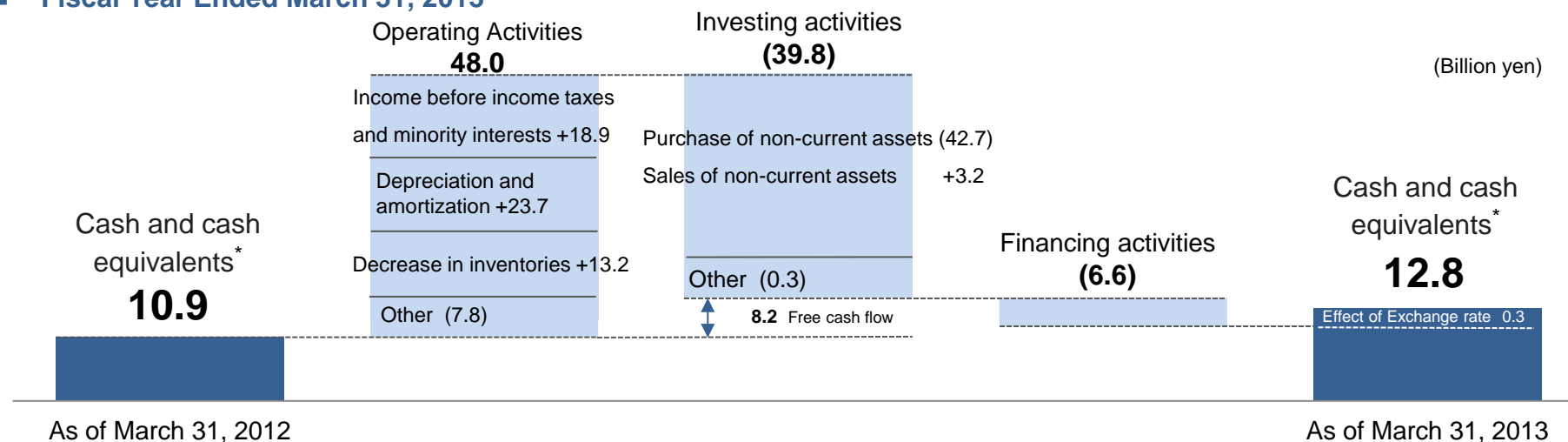
# 1-11. Cash Flows

- Free cash flow increased by ¥ 5.7 billion to ¥ 13.9 billion.

## Fiscal Year Ended March 31, 2014



## Fiscal Year Ended March 31, 2013



\* Cash and cash equivalents = [ Cash and deposits – Time deposits whose deposit terms exceed 3 months ] + [ Short-term (less than 3 months) investments included in other current liabilities ] (cf. Page 18)

## 2. Forecasts for FY 2014

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# 2-1. Forecasts

(Billion yen)

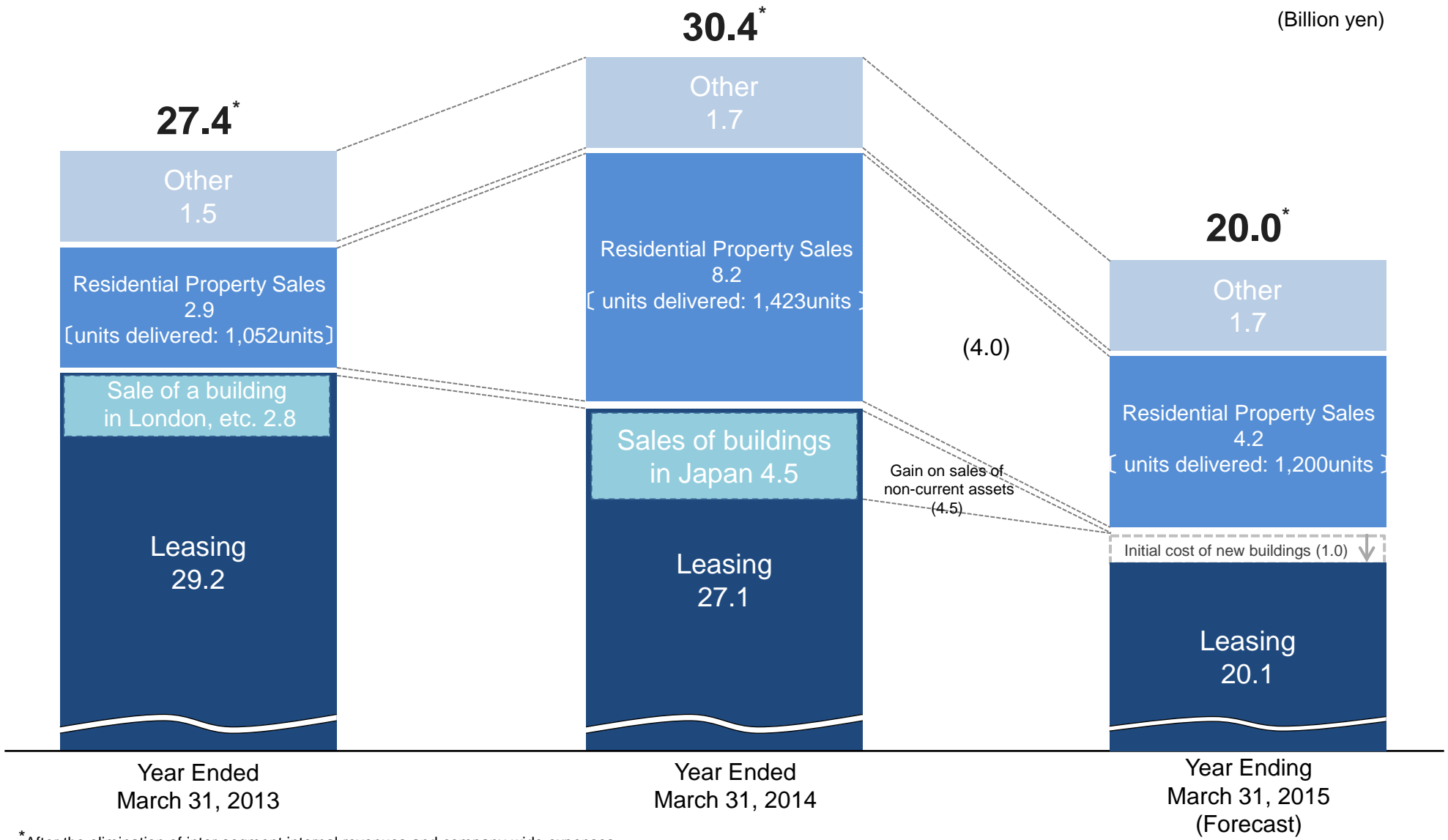
Category	Year Ended March 31, 2014 Results	Year Ending March 31, 2015 Forecasts	Year-on-year
			Change
Operating revenue <sup>*1</sup>	189.1	148.0	(41.1)
Leasing	96.5	85.3	(11.2)
Residential property sales	79.5	50.5	(29.0)
Other	18.5	16.8	(1.7)
Operating income <sup>*2</sup>	30.4	20.0	(10.4)
Leasing	27.1	20.1	(7.0)
Residential property sales	8.2	4.2	(4.0)
Other	1.7	1.7	(0.0)
Ordinary income	24.8	14.5	(10.3)
Net income	11.3	8.0	(3.3)

<sup>\*1</sup> Includes internal revenues and transfer of funds duplicated in more than one segment

<sup>\*2</sup> After the elimination of inter-segment internal revenues or company-wide expenses

# 2-2. Changes in Operating Income

(Billion yen)



\* After the elimination of inter-segment internal revenues and company-wide expenses

# Appendices

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# Overview

(Million yen)

Category	Year ended March 31, 2014	Year –on-year Year ended March 31, 2013		Results against Forecast		Forecast for Year ending March 31, 2015	Year-on-year Year ended March 31, 2014	
		Change	Rate	Change	Progress		Change	Rate
Operating revenue	189,186	26,017	15.9%	10,186	105.7%	148,000	(41,186)	(21.8%)
Operating expenses	158,727	22,960	16.9%	7,227	104.8%	128,000	(30,727)	(19.4%)
Operating income	30,458	3,057	11.2%	2,958	110.8%	20,000	(10,458)	(34.3%)
Non-operating income	2,326	(174)	(7.0%)	—	—			
Non-operating expenses	7,919	33	0.4%	—	—			
Ordinary income	24,865	2,848	12.9%	2,765	112.5%	14,500	(10,365)	(41.7%)
Extraordinary income	8,576	8,186	—	—	—			
Extraordinary loss	13,103	9,666	281.3%	—	—			
Income before income taxes and minority interests	20,338	1,368	7.2%	—	—			
Income taxes	7,534	1,990	35.9%	—	—			
Income before minority interests	12,803	(621)	(4.6%)	—	—			
Minority interests in income	1,460	109	8.1%	—	—			
Net income	11,343	(730)	(6.1%)	(156)	98.6%	8,000	(3,343)	(29.5%)
Comprehensive income	16,274	(212)	(1.3%)					

# Results by Segment

(Million yen)

Category		Year ended March 31, 2014	Year –on-year Year ended March 31, 2013		Results against Forecast		Forecast for Year ending March 31, 2015	Year-on-year Year ended March 31, 2014	
			Change	Rate	Change	Progress		Change	Rate
Leasing	Operating revenue	96,595	2,086	2.2%	(804)	99.2%	85,300	(11,295)	(11.7%)
	Operating income	27,189	(2,026)	(6.9%)	(810)	97.1%	20,100	(7,089)	(26.1%)
	Operating income margin	28.1%	(2.8)	—	(0.6)	—	23.6%	(4.6)	—
Residential Property Sales	Operating revenue	79,537	24,598	44.8%	8,737	112.3%	50,500	(29,037)	(36.5%)
	Operating income	8,222	5,307	182.1%	3,922	191.2%	4,200	(4,022)	(48.9%)
	Operating income margin	10.3%	5.0	—	4.3	—	8.3%	(2.0)	—
Other	Operating revenue	18,532	(397)	(2.1%)	2,632	116.6%	16,800	(1,732)	(9.3%)
	Operating income	1,729	148	9.4%	529	144.1%	1,700	(29)	(1.7%)
	Operating income margin	9.3%	1.0	—	1.8	—	10.1%	0.8	—

# Balance Sheets

(Million yen)

Category	As of March 31, 2013	As of March 31, 2014	Year-on-year	
			Change	Rate
<b>Total current assets</b>	<b>941,050</b>	<b>985,507</b>	<b>44,456</b>	<b>4.7%</b>
Current assets	131,843	125,351	(6,491)	(4.9%)
Cash and deposits	12,148	18,313	6,164	50.7%
(Restated) Time deposits whose deposit terms exceed 3 months	1,810	110	(1,700)	(93.9%)
Inventories	87,684	78,497	(9,187)	(10.5%)
Other currents assets	32,009	28,539	(3,469)	(10.8%)
(Restated) Operating accounts receivable	13,786	18,058	4,272	31.0%
(Restated) Short-term (less than 3 months) investments included in other current liabilities	2,470	595	(1,875)	(75.9%)
Non-current assets	809,207	860,155	50,948	6.3%
Property, plant and equipment	760,907	811,035	50,128	6.6%
(Restated) Land	409,130	472,133	63,003	15.4%
Intangible assets	5,756	5,427	(328)	(5.7%)
Investments and other assets	42,544	43,692	1,148	2.7%
<b>Total liabilities</b>	<b>727,215</b>	<b>756,915</b>	<b>29,700</b>	<b>4.1%</b>
Currents liabilities	177,439	101,021	(76,417)	(43.1%)
Interest-bearing debt (short-term)	128,487	57,886	(70,601)	(54.9%)
Other current liabilities	48,951	43,135	(5,816)	(11.9%)
Non-current liabilities	549,775	655,893	106,118	19.3%
Interest-bearing debt (long-term)	377,505	449,367	71,862	19.0%
Other non-current liabilities	172,270	206,525	34,255	19.9%
(Restated) Long-term accounts payable-other	5	40,138	40,133	—
<b>Net Assets</b>	<b>213,835</b>	<b>228,591</b>	<b>14,755</b>	<b>6.9%</b>
Shareholders' equity	174,272	180,020	5,747	3.3%
Total accumulated comprehensive income	1,948	5,596	3,647	187.1%
Minority interests	37,614	42,975	5,360	14.3%
<b>Total liabilities and net assets</b>	<b>941,050</b>	<b>985,507</b>	<b>44,456</b>	<b>4.7%</b>

• Net interest-bearing debt = Interest-bearing debt – [ Cash and deposit + Short-term (less than 3 months) investments included in other current liabilities ] (cf. Page 10)

• Cash and cash equivalents = [ Cash and deposits – Time deposits whose deposit terms exceed 3 months ] + [ Short-term (less than 3 months) investments included in other current liabilities ] (cf. Page 11)

# Statements of Cash Flows

(Million yen)

Category	Year ended March 31, 2013	Year ended March 31, 2014	Year-on-year Change
Net cash provided by (used in) operating activities (A)	48,089	51,870	3,780
Income before income taxes and minority interests	18,969	20,338	1,368
Depreciation and amortization	23,766	24,566	799
Other operating activities	5,352	6,965	1,612
Decrease (increase) in notes and accounts receivable-trade	1,702	(4,270)	(5,973)
Decrease (increase) in inventories	13,208	18,724	5,515
Increase (decrease) in notes and accounts payable-trade	(2,433)	1,104	3,537
Increase (decrease) in lease and guarantee deposits	(3,691)	(9,362)	(5,671)
Income taxes paid	(2,779)	(6,287)	(3,508)
Other extraordinary loss (income)	3,046	4,527	1,480
Other, net	(3,701)	2,530	6,231
Net cash provided by (used in) investing activities (B)	(39,885)	(37,962)	1,923
Purchases of property, plant and equipment	(42,779)	(68,375)	(25,595)
Proceeds from sales of property, plant and equipment	3,228	25,913	22,685
Other investing activities	(333)	4,499	4,833
Free cash flow (A) + (B)	8,203	13,907	5,704
Net cash provided by (used in) financing activities	(6,660)	(8,656)	(1,995)
Increase (decrease) in interest-bearing debt	(209)	(1,449)	(1,240)
Cash dividends paid	(6,378)	(7,153)	(774)
Other financing activities	(72)	(53)	19
Effect of exchange rate change on cash and cash equivalents	305	737	432
Cash and cash equivalents at beginning of period	10,960	12,809	1,848
Cash and cash equivalents at end of period	12,809	18,798	5,989

# 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.