

Financial Results for the 2nd Quarter of FY 2014

NTT Urban Development

November 6, 2014

1. Financial Highlights

- Operating revenue and operating income declined compared with 2Q FY2013.

(Billion yen)

Category	(i) 2Q FY2013	(ii) 2Q FY2014	(ii) - (i)		(iii) Original forecasts for FY2014 ^(*)	
			Change	Rate		Progress (ii) / (iii)
Operating revenue	82.0	74.3	(7.6)	(9.3%)	148.0	50.3%
Operating income	17.8	13.2	(4.5)	(25.5%)	20.0	66.4%
Ordinary income	14.6	11.1	(3.4)	(23.9%)	14.5	76.8%
Net income	8.8	6.9	(1.8)	(21.3%)	8.0	87.0%

*1 Based on figures projected on May 9, 2014

2. Revision of the Full-Year Results Forecast

- We revised full-year results forecast as we planned sale of properties associated with the launch of a private placement fund.

(Billion yen)

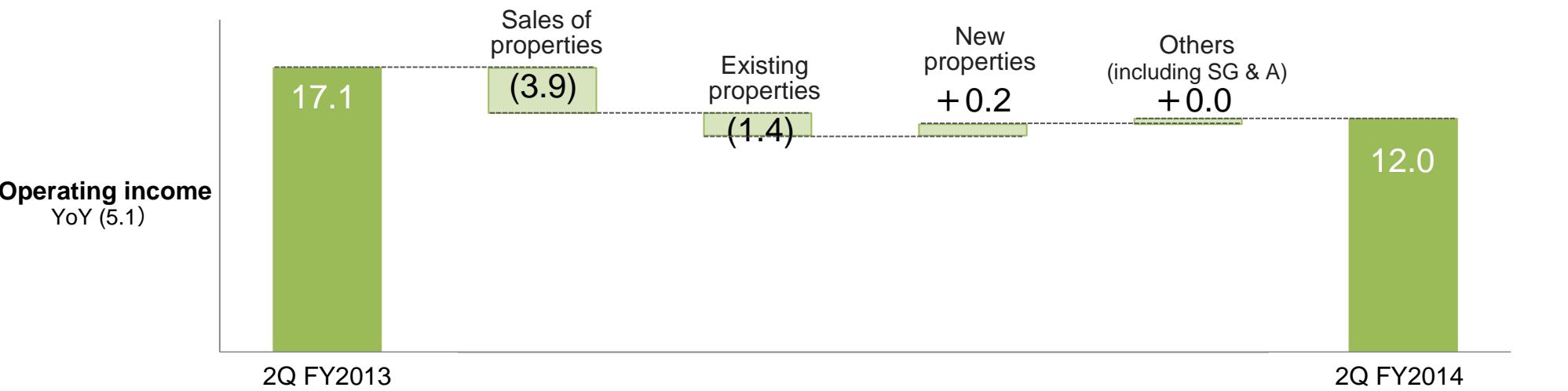
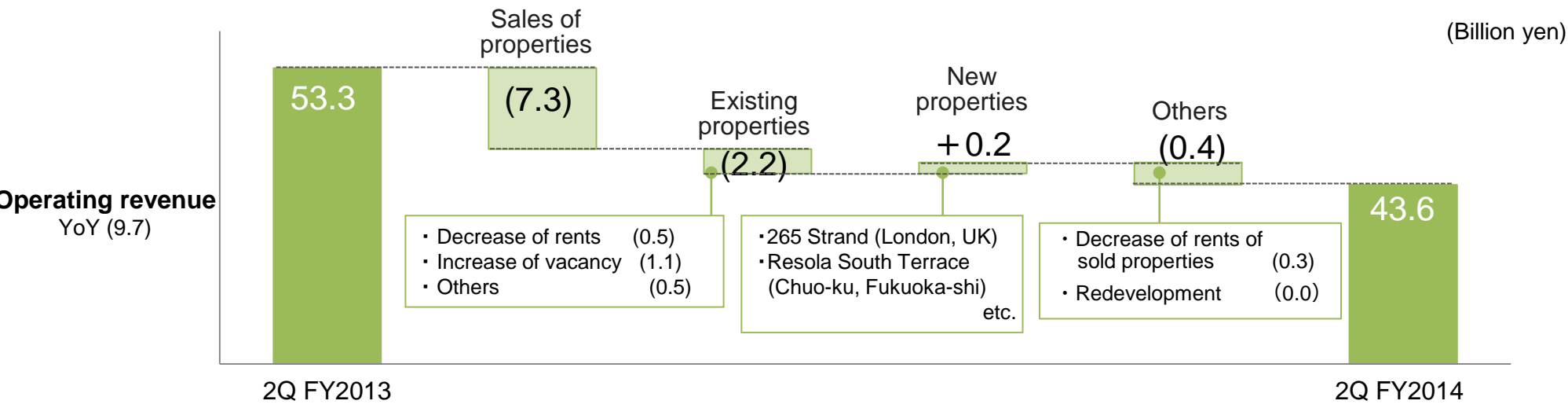
Category	Results	Forecasts		(iii) - (ii)	(iii) - (i)	
	(i) FY2013	(ii) Original FY2014 ^{*1}	(iii) Revised FY2014 ^{*2}	Change	Change	Rate
Operating revenue	189.1	148.0	153.0	5.0	(36.1)	(19.1%)
Operating income	30.4	20.0	23.0	3.0	(7.4)	(24.5%)
Ordinary income	24.8	14.5	18.5	4.0	(6.3)	(25.6%)
Net income	11.3	8.0	10.0	2.0	(1.3)	(11.8%)

^{*1} Based on figures projected on May 9, 2014

^{*2} Based on figures projected on November 6, 2014

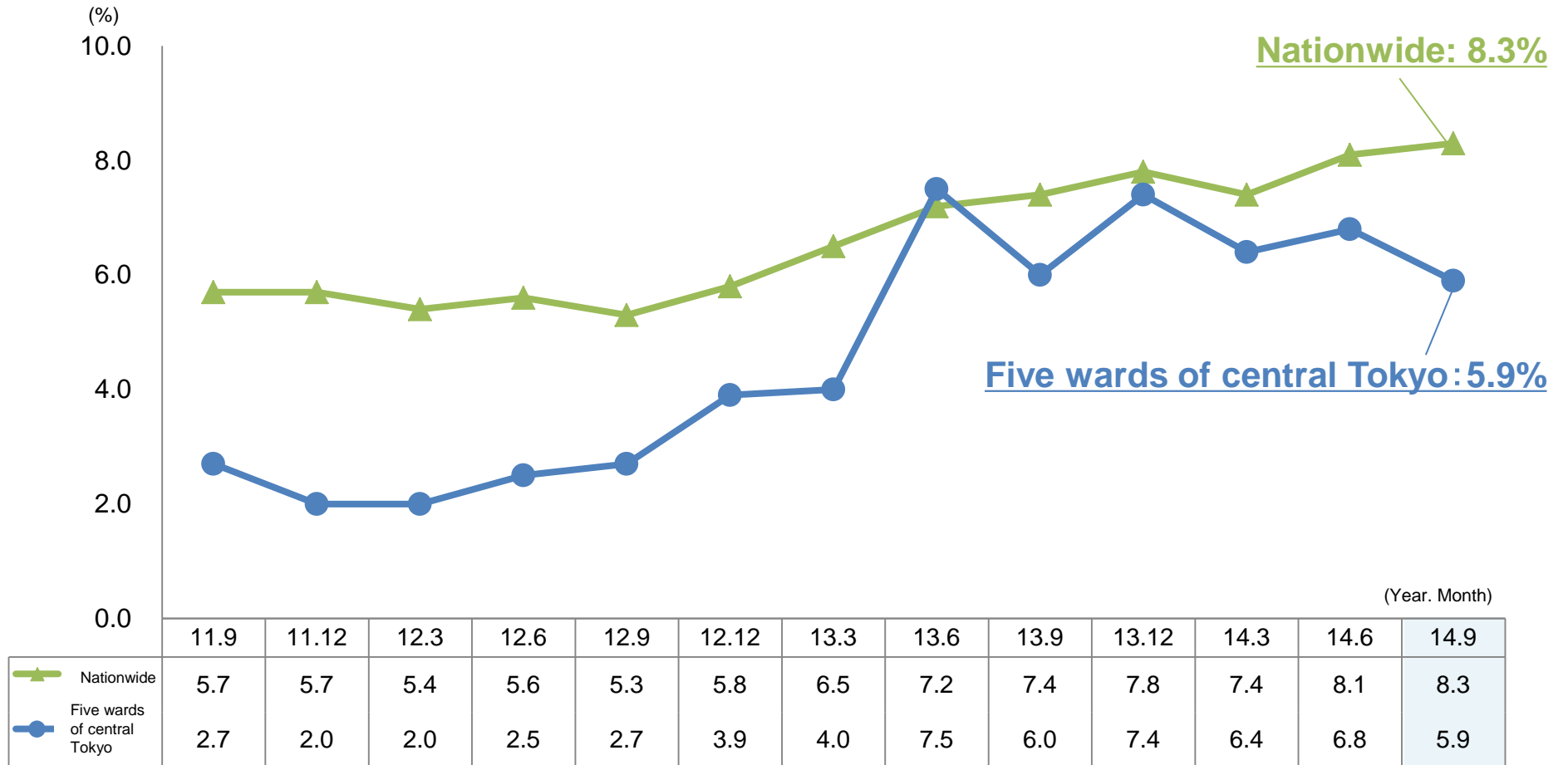
3. Leasing Business

■ Operating revenue and operating income decreased compared with 2Q FY2013, chiefly reflecting a decrease of revenue and income from sales of properties.



4. Vacancy Rate

- Vacancy rate of the five wards of central Tokyo and nationwide were 5.9% and 8.3% at the end of September 2014.



(cf.) Market :Five wards of central Tokyo*	8.6	9.0	9.0	9.4	8.9	8.7	8.6	8.5	7.9	7.3	6.7	6.5	5.7

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

5. Residential Business

- Both operating revenue and operating income increased compared with 2Q FY2013, primarily reflecting an increase in number of condominiums delivered.

(Billion yen)

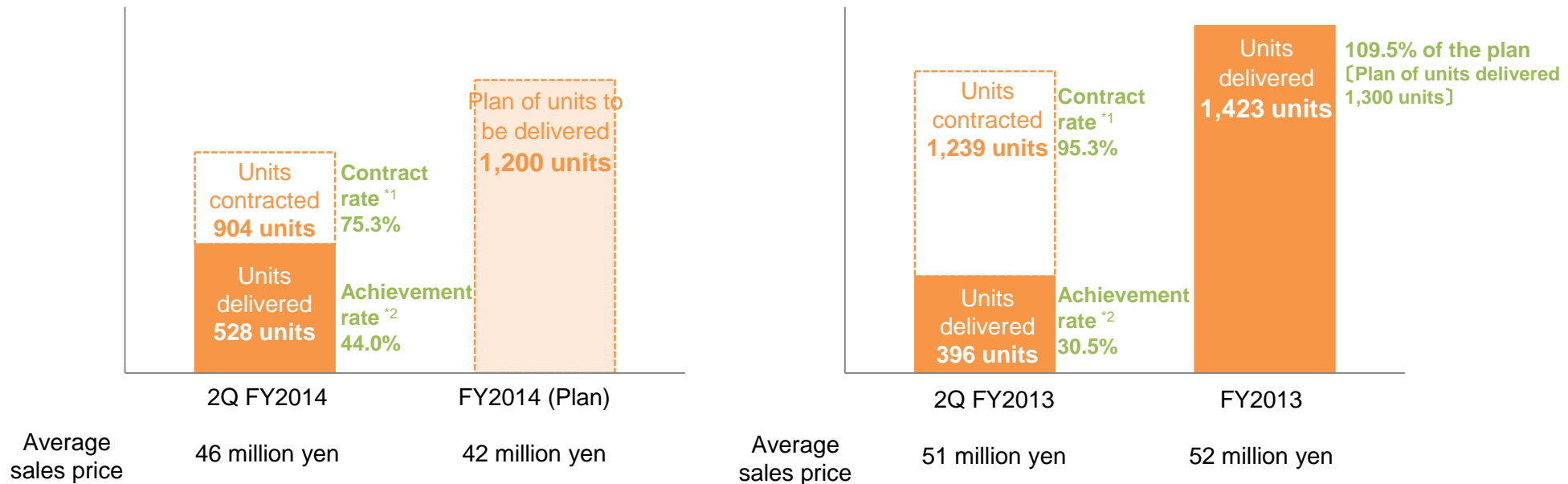


6. Condominium Units Delivered

- The number of condominiums delivered increased compared with 2Q FY2013, to 131(up 33.1%).
- The number of units contracted was 904, 75.3% of the planed 1,200 for FY2014.
- The average sales price was 46 million yen in the first six months. We assume the price to be 42 million yen in the full year, as sales of condominiums in the suburbs will increase toward the end of FY2014.

■ FY2014

(Reference) FY2013



*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)

7. Total Assets

- Total assets decreased 8.2 billion yen from the end of FY2013.

Total Assets

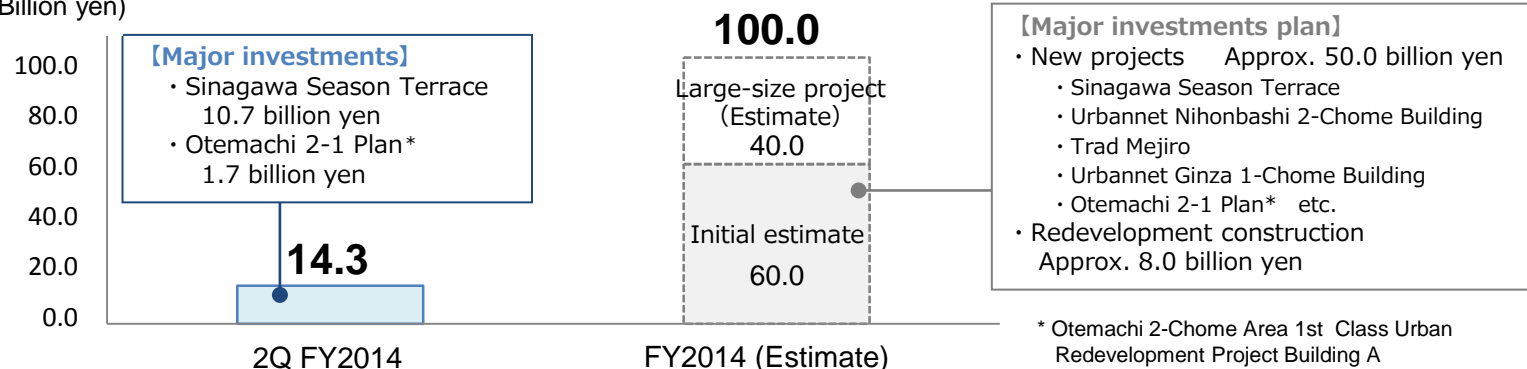
(Billion yen)

Category	As of September 30, 2014	From March 31, 2014		Key Factors
		Change	Rate	
Total assets	977.2	(8.2)	(0.8%)	
Current assets	115.6	(9.6)	(7.7%)	
Inventories	79.8	1.3	1.8%	
(Restated) Leasing business	28.1	6.6	30.7%	Acquisition of Iwamoto-cho building +7.0
(Restated) Residential property sales business	51.2	(5.3)	(9.5%)	Sales (19.2), Purchase +13.8
Other current assets	35.7	(11.0)	(23.6)	Operating accounts receivable (11.5)
Non-current assets	861.5	1.4	0.2%	Depreciation (11.2), Sellout (0.6), Investment +12.5

- Investments in FY2014 will exceed the initial estimate of 60.0 billion yen to 100.0 billion yen.

Investments

(Billion yen)



8. Liabilities and Net Assets

- Total liabilities decreased 13.0 billion yen from the end of FY2013.

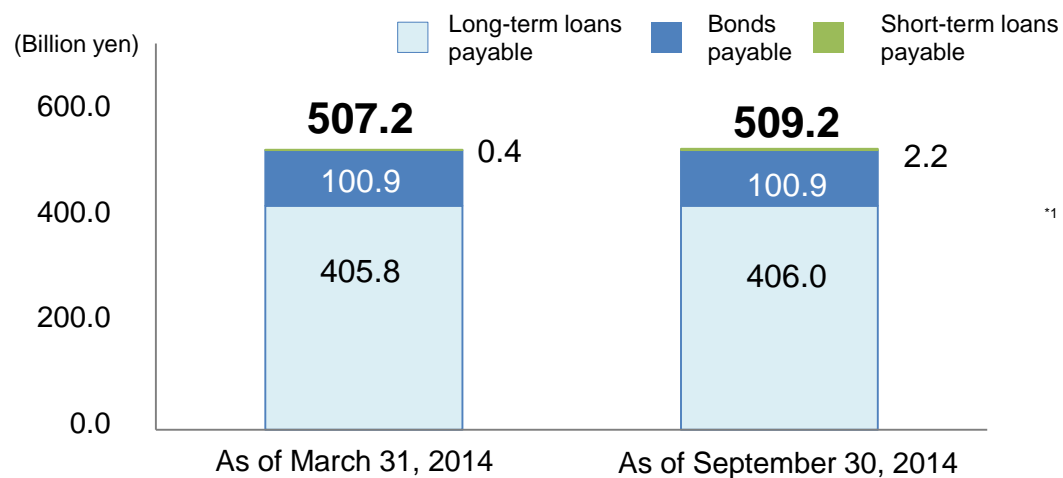
Liabilities and Net Assets

(Billion yen)

Category	As of September 30, 2014	From March 31, 2014		Key Factors
		Change	Rate	
Total liabilities	743.8	(13.0)	(1.7%)	
Current liabilities	117.8	16.7	16.6%	Interest-bearing debt (short-term) + 26.7, Others (9.9)
Non-current liabilities	626.0	(29.8)	(4.6%)	Interest-bearing debt (long-term) (24.6), Others (5.1)
Net Assets	233.4	4.8	2.1%	

- Interest-bearing debt increased 2.0 billion yen.

Interest-bearing debt



(Billion yen)

	As of March 31, 2014	As of September 30, 2014
Net interest-bearing debt *1	488.3	489.8
(Restated) Non-Consolidated	427.2	431.4
(Restated) UDX	48.9	47.7
(Restated) UD Europe	15.5	15.0

*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 16)

(Reference)

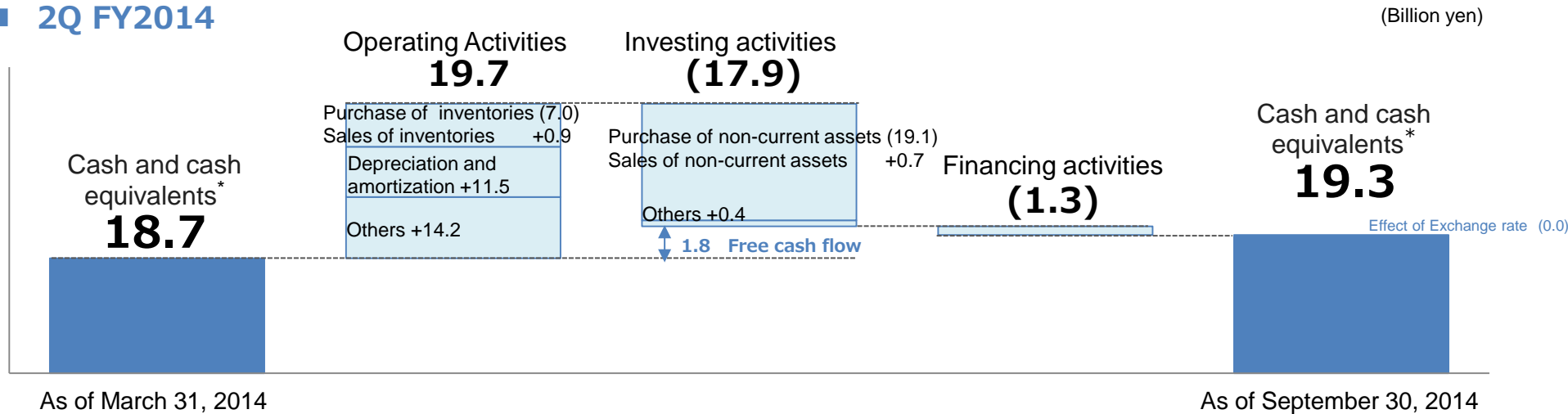
	As of March 31, 2014	As of September 30, 2014
Average interest rate *2	1.24%	1.22%
Maturities of debt	5.13 years	5.13 years

*2 All loans were procured with fixed interest rates.

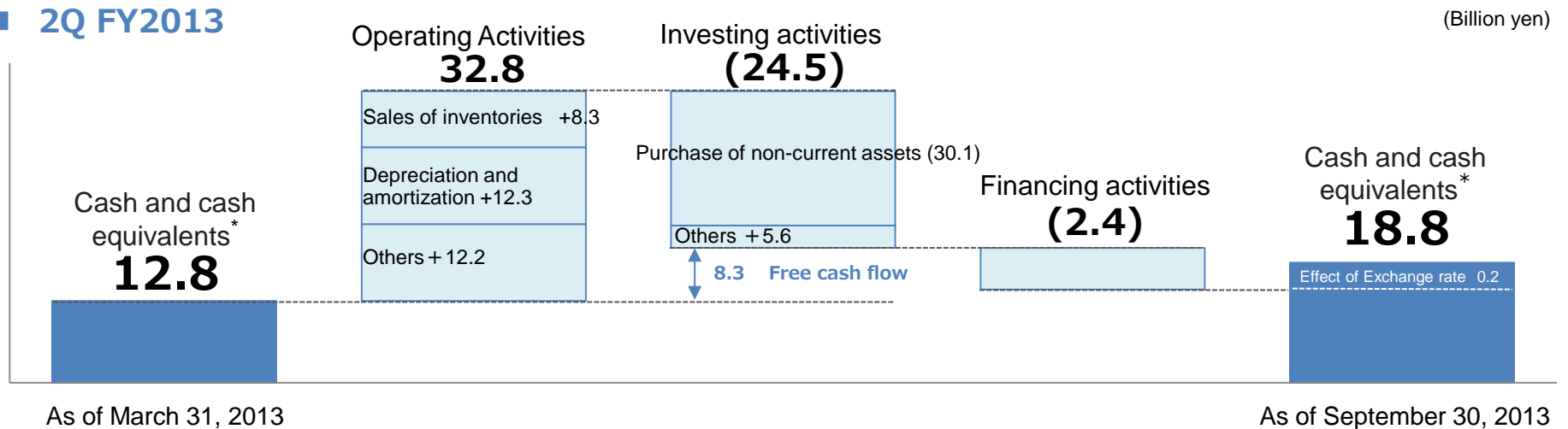
9. Cash Flows

- Free cash flow amounted to 1.8 billion yen.

2Q FY2014



2Q FY2013



* 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 16)

Appendices

Major properties in FY2014



Trad Mejiro

Location	Mejiro Toshima-ku, Tokyo
Main use	Commercial (16 stores)
Site area	1,676m ²
Total floor space	7,570m ²
Rentable space	Approx. 4,000m ²
Building scale	4 floors above ground and 2 below
Commencement	April 2013
Completion	October 2014 〔Opening : November 20, 2014 (schedule) 〕



Shinagawa Season Terrace

Location	Konan Minato-ku, Tokyo
Main use	Office and commercial
Site area	49,547m ² (in total)
Total floor space	205,785m ² (in total)
Rentable space	Approx. 130,000m ² (in office total)
Building scale	32 floors above ground and 1 below
Commencement	February 2012
Completion	February 2015 (schedule) 〔Opening of commercial zone : May 2015 (schedule) 〕

Major condominiums in FY2014

■ Condominiums to be delivered starting in FY2013

Name	Location	Total units
WELLITH Tower Atago Toranomom	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 starting 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

Statements of Income

(Million yen)

Category	(i) 2Q FY2013	(ii) 2Q FY2014	(ii) - (i)		(iii) FY2013	(iv) Original forecasts for FY2014* ¹		(v) Revised forecasts for FY2014* ²		
			Change	Rate		Progress (ii) / (iv)		(v) - (iii)	(v) - (iv)	
Operating revenue	82,011	74,379	(7,631)	(9.3%)	189,186	148,000	50.3%	153,000	(36,186)	5,000
Operating expenses	64,190	61,108	(3,081)	(4.8%)	158,727	128,000	47.7%	130,000	(28,727)	2,000
Operating income	17,820	13,270	(4,550)	(25.5%)	30,458	20,000	66.4%	23,000	(7,458)	3,000
Non-operating income	1,303	1,091	(211)	(16.2%)	2,326					
Non-operating expenses	4,486	3,219	(1,266)	(28.2%)	7,919					
Ordinary income	14,637	11,142	(3,495)	(23.9%)	24,865	14,500	76.8%	18,500	(6,365)	4,000
Extraordinary income	—	379	379	—	8,576					
Extraordinary loss	255	491	236	92.6%	13,103					
Income before income taxes and minority interests	14,382	11,030	(3,351)	(23.3%)	20,338					
Income taxes	4,883	3,335	(1,547)	(31.7%)	7,534					
Income before minority interests	9,499	7,695	(1,804)	(19.0%)	12,803					
Minority interests in income	660	735	74	11.3%	1,460					
Net income	8,838	6,959	(1,879)	(21.3%)	11,343	8,000	87.0%	10,000	(1,343)	2,000
Comprehensive income	10,444	8,104	(2,339)	(22.4%)	16,274					

*1 Based on figures projected on May 9, 2014.

*2 Based on figures projected on November 6, 2014.

Statements of Income by Segment

(Million yen)

Category		(i) 2Q FY2013	(ii) 2Q FY2014	(ii) - (i)		(iii) FY2013	(iv) Original forecasts for FY2014* ¹		(v) Revised forecasts for FY2014* ²		
				Change	Rate			Progress (ii) / (iv)		(v) - (iii)	(v) - (iv)
Leasing	Operating revenue	53,339	43,613	(9,725)	(18.2%)	96,595	85,300	51.1%	90,300	(6,295)	5,000
	Operating income	17,157	12,028	(5,129)	(29.9%)	27,189	20,100	59.8%	23,100	(4,089)	3,000
	Operating income margin	32.2%	27.6%	(4.6pt)	—	28.1%	23.6%	—	25.6%	(2.5pt)	2.0pt
Residential Property Sales	Operating revenue	22,476	25,074	2,597	11.6%	79,537	50,500	49.7%	50,500	(29,037)	—
	Operating income	2,808	3,160	351	12.5%	8,222	4,200	75.2%	4,200	(4,022)	—
	Operating income margin	12.5%	12.6%	0.1pt	—	10.3%	8.3%	—	8.3%	(2.0pt)	—
Other	Operating revenue	8,679	8,031	(647)	(7.5%)	18,532	16,800	47.8%	16,800	(1,732)	—
	Operating income	772	634	(138)	(18.0%)	1,729	1,700	37.3%	1,700	(29)	—
	Operating income margin	8.9%	7.9%	(1.0pt)	—	9.3%	10.1%	—	10.1%	0.8pt	—

*¹ Based on figures projected on May 9, 2014.

*² Based on figures projected on November 6, 2014.

Effects of the sale of properties

(Billion yen)

Category	(i) 2Q FY2013		(ii) 2Q FY2014		(ii) - (i)	
					Change	Rate
Operating revenue	Sales of inventories [1Q] (Urbannet Irifune building etc.)	8.3	Sales of inventories [2Q] (Rental residence 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 [1Q] (Rental residence in Tokyo metropolitan area)	0.3	0.3	-

(Reference)

Sales price of rental residence in Tokyo metropolitan area : 1 billion yen

Extraordinary loss	Loss on retirement of non-current assets	0.2	Loss on retirement of non-current assets	0.4	0.2	92.6%
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Balance Sheets

(Million yen)

Category	(i) As of March 31, 2014	(ii) As of September 30, 2014	(ii) - (i)	
			Change	Rate
Total current assets	985,507	977,256	(8,250)	(0.8%)
Current assets	125,351	115,676	(9,674)	(7.7%)
Cash and deposits	18,313	18,993	679	3.7%
(Restated) Time deposits whose deposit terms exceed 3 months	110	110	—	—
Inventories	78,497	79,889	1,392	1.8%
Other currents assets	28,539	16,793	(11,746)	(41.2%)
(Restated) Operating accounts receivable	18,058	6,509	(11,549)	(64.0%)
(Restated) Short-term (less than 3 months) investments included in other current assets	595	436	(158)	(26.7%)
Non-current assets	860,155	861,580	1,424	0.2%
Property, plant and equipment	811,035	811,686	650	0.1%
Intangible assets	5,427	5,303	(124)	(2.3%)
Investments and other assets	43,692	44,590	897	2.1%
Total liabilities	756,915	743,845	(13,070)	(1.7%)
Currents liabilities	101,021	117,821	16,799	16.6%
Interest-bearing debt (short-term)	57,886	84,594	26,708	46.1%
Other current liabilities	43,135	33,227	(9,908)	(23.0%)
Non-current liabilities	655,893	626,023	(29,869)	(4.6%)
Interest-bearing debt (long-term)	449,367	424,680	(24,687)	(5.5%)
Other non-current liabilities	206,525	201,343	(5,182)	(2.5%)
Net Assets	228,591	233,411	4,820	2.1%
Shareholders' equity	180,020	184,490	4,470	2.5%
Total accumulated comprehensive income	5,596	6,005	409	7.3%
Minority interests	42,975	42,915	(59)	(0.1%)
Total liabilities and net assets	985,507	977,256	(8,250)	(0.8%)

• Net interest-bearing debt = Interest-bearing debt – [Cash and deposit + Short-term (less than 3 months) investments included in other current liabilities] (cf. Page 8)

• 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 9)

Statements of Cash Flows

(Million yen)

Category	(i) 2Q FY2013	(ii) 2Q FY2014	(ii) - (i)
Net cash provided by (used in) operating activities (A)	32,880	19,787	(13,093)
Income before income taxes and minority interests	14,382	11,030	(3,351)
Depreciation and amortization	12,330	11,592	(738)
Other operating activities	6,167	(2,836)	(9,003)
Decrease (increase) in notes and accounts receivable-trade	10,225	11,549	1,324
Decrease (increase) in inventories	8,549	(1,675)	(10,224)
Increase (decrease) in notes and accounts payable-trade	(6,511)	(6,864)	(352)
Increase (decrease) in lease and guarantee deposits	(2,726)	(88)	2,637
Income taxes paid	(3,637)	(1,764)	1,873
Other extraordinary loss (income)	255	111	(143)
Other, net	12	(4,105)	(4,117)
Net cash provided by (used in) investing activities (B)	(24,580)	(17,901)	6,678
Purchases of property, plant and equipment	(30,180)	(19,170)	11,010
Proceeds from sales of property, plant and equipment	—	798	798
Other investing activities	5,600	469	(5,130)
Free cash flow (A) + (B)	8,300	1,885	(6,414)
Net cash provided by (used in) financing activities	(2,441)	(1,312)	1,129
Increase (decrease) in interest-bearing debt	1,277	2,142	864
Cash dividends paid	(3,692)	(3,428)	264
Other financing activities	(27)	(26)	0
Effect of exchange rate change on cash and cash equivalents	210	(51)	(262)
Cash and cash equivalents at beginning of period	12,809	18,798	5,989
Cash and cash equivalents at end of period	18,877	19,319	441

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