http://nud-reit.co.jp/en

Tokyo Opera City Cultural Foundation

38th Fiscal Period

Semiannual Report

Ended October 31, 2021

NTT UD REIT Investment Corporation
1-5-1 Otemachi, Chiyoda Ward, Tokyo
http://nud-reit.co.jp/en
Securities Code: 8956

FEATURES OF NTT UD REIT INVESTMENT CORPORATION

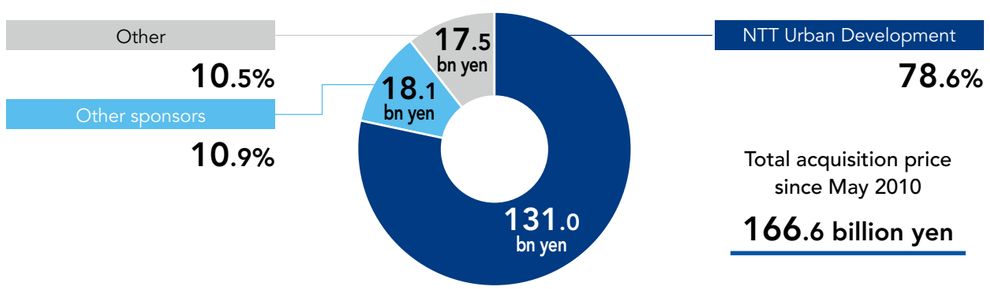
1 Comprehensive Support from **NTT Urban Development**, the Sole Comprehensive Real Estate Company in the NTT Group

Since May 2010, when NTT Urban Development (NTT UD) participated as its sponsor, NTT UD REIT Investment Corporation (NUD) has received a broad range of support from NTT UD, including such pipeline support services as supply and information provision of new properties, as well as support for leasing activities and provision of property management operations.

NTT UD

- Abundant track record of development and pipelines for office buildings
- Operating capability in real estate rental business
- Fund-raising capability based on its high credibility

Results of Property Acquisitions through NTT UD's Pipelines
(October 2021)

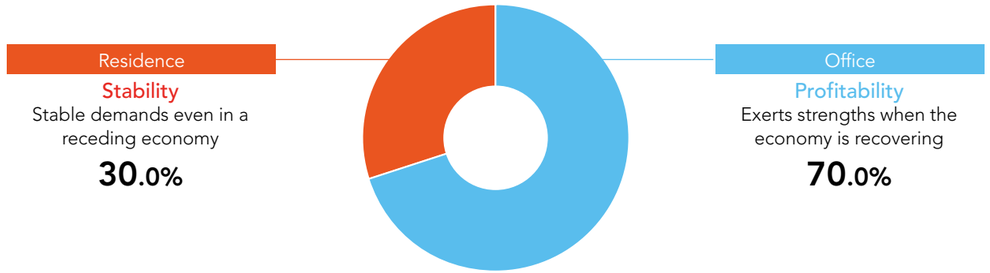


Total acquisition price since May 2010
166.6 billion yen

2 **Compound Portfolio** with Office Buildings and Residential Properties as Main Investment Targets

- Mitigates the impact of economic fluctuations by combining asset types that have low correlation to each other in terms of market rent fluctuations
- Diversifies the tenant base into different types such as corporations and individuals

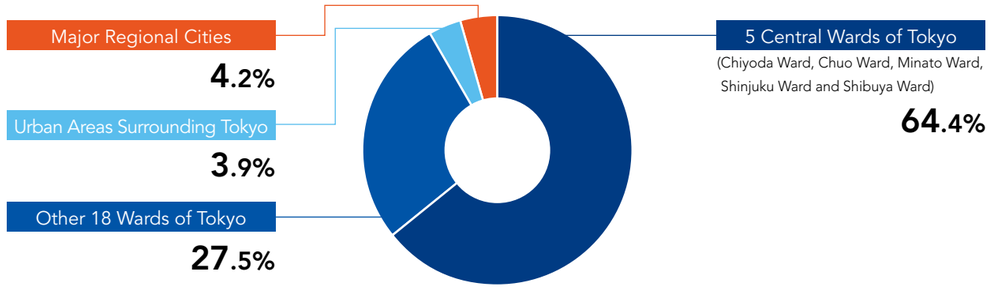
Portfolio Distribution by Asset Type
(October 2021)



3 Portfolio Focused in the **Tokyo Economic Bloc**

- Focuses investments in Greater Tokyo, which enjoys an established economic base due to a high concentration of population and industry
- Partially expands the target investment area to Major Regional Cities (strengthening ties with NTT UD)

Portfolio Distribution by Geographical Area
(October 2021)



MESSAGE TO OUR UNITHOLDERS

Yuichi Kato

Executive Director

NTT UD REIT Investment Corporation (NUD)

Tomoyoshi Kosugi

President and CEO

(Asset management company)
NTT Urban Development Asset Management Corporation (UDAM)

On behalf of NTT UD REIT Investment Corporation (NUD), I would like to express our sincere gratitude for the loyal patronage of our unitholders.

With NTT Urban Development Corporation becoming its sole sponsor at the end of October 2020, the Investment Corporation changed its name to NTT UD REIT Investment Corporation as of April 1, 2021. Since then, we have continued to ensure steady growth of the portfolio and secure stable earnings by further leveraging support from the sponsor.

In the 38th fiscal period ended October 2021, we sold Bureau Kioicho, which had operated at low occupancy following the move-out of a serviced apartment operator, to the sponsor. Consequently, NUD's owned assets as of October 31, 2021, comprise 58 properties with 26 office buildings and 32 residential properties amounting to 260.0 billion yen in total.

For the 38th fiscal period, NUD posted operating revenues of 10,738 million yen and net income of 4,470 million yen, with gain on sale decreasing from the previous fiscal period ended April 2021, among other factors. Distribution per unit came to 3,130 yen.

The period-average occupancy rate of the entire portfolio decreased to 93.5%, as the vacancy rate of office buildings in Central Tokyo rose due to proliferation of teleworking. Most recently, however, the occupancy rate has turned to a recovery trend both for office buildings and residential properties. As such, we will continue our efforts to further improve the occupancy rate.

At the beginning of the following 39th fiscal period ending April 2022, NUD issued new investment units through a public offering, the first such arrangement in approximately 6 years, to raise capital by 12.3 billion yen. The public offering successfully attracted about 13.6 times as much demand as the number of newly issued investment units. This reflects the appreciation provided by investors for the asset replacement transaction NUD conducted, in which we acquired Tokyo Opera City Building by using the proceeds from the capital increase and transferred Sphere Tower Tennozu, as well as for the endeavors we have made to date to enhance unitholder value.

Looking ahead, we at NUD will continue our utmost efforts to meet the expectations of our unitholders by realizing steady growth of assets and stable management over the medium to long term in line with the growth strategy of the NTT Group. We appreciate and request your continued support and encouragement.

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38TH FISCAL PERIOD PERFORMANCE HIGHLIGHTS

Financial Results Highlights

	Distribution per Unit (Note 1)
37th Fiscal Period (ended April 2021)	¥ 4,024
38th Fiscal Period (ended October 2021)	**¥ 3,130**
39th Fiscal Period (ending April 2022) (Note 2)	¥ 3,975 (forecast)

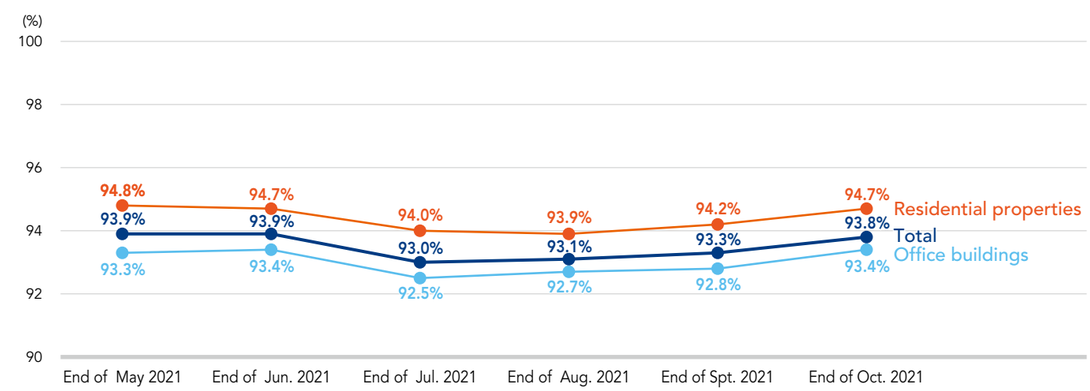
(Note 1) Number of outstanding investment units at end of period:
37th Fiscal Period: 1,316,995 units
38th Fiscal Period: 1,316,995 units
39th Fiscal Period: 1,401,635 units (forecast)

(Note 2) The figure is based on what was announced in the Financial Report for the 38th Fiscal Period Ended October 31, 2021 (May 1, 2021 – October 31, 2021) dated December 15, 2021.

		37th Fiscal Period (as of April 30, 2021)	38th Fiscal Period (as of October 31, 2021)
Operating Revenues		11,468 million yen	10,738 million yen
Operating Income		5,710 million yen	4,910 million yen
Ordinary Income		5,300 million yen	4,473 million yen
Net Income		5,299 million yen	4,470 million yen
Total Assets		265,361 million yen	266,706 million yen
Net Assets		126,412 million yen	125,583 million yen
Net Assets Ratio		47.6%	47.1%
Net Assets per Unit		95,985 yen	95,356 yen
LTV (Note)	Total assets basis	47.7%	47.4%
	Market value basis	41.9%	42.0%

(Note) LTV (Total assets basis) = interest-bearing liabilities / total assets × 100
LTV (Market value basis) = interest-bearing liabilities / (appraisal value of owned beneficiary interests in trust + book value of preferred securities) × 100

Monthly Occupancy Rate for the 38th Fiscal Period



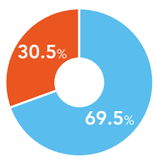
(Note) The value related to the property backing the preferred securities of an SPC is not included in the calculation of the occupancy rate.

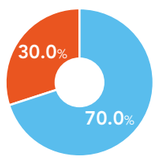
Portfolio Status

	37th Fiscal Period (as of April 30, 2021)	38th Fiscal Period (as of October 31, 2021)
No. of properties	59 properties	58 properties
Acquisition price	261.8 billion yen	260.0 billion yen
Average building age (Note 1)	22.6 years	23.2 years
Occupancy rate at end of period	94.3%	93.8%
No. of tenants	3,823	3,841
NOI yield (Note 2)	4.9%	4.9%
Yield after depreciation (Note 3)	3.7%	3.7%

Distribution by asset type

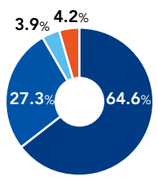
- Office Buildings
- Residential Properties

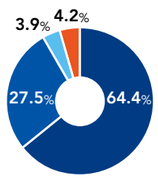




Distribution by geographical area

- 5 Central Wards of Tokyo
- Other 18 Wards of Tokyo
- Urban Areas Surrounding Tokyo
- Major Regional Cities





(Note 1) Average building age is calculated by adding the building age of Akihabara UDX (that backs the preferred securities in which NUD holds 19.0% ownership).

(Note 2) NOI yield is calculated by using the following formulas.

NOI yield = annualized rental NOI* / investment value**

* Annualized rental NOI = sum total of [(real estate rental income + depreciation + dividend income from preferred securities) x 2] of owned assets (including preferred securities) for each fiscal period

** Investment value = sum total of book value as of the end of each fiscal period of owned assets (including preferred securities) for each fiscal period

(Note 3) Yield after depreciation is calculated by using the following formulas.

Yield after depreciation = annualized real estate rental income* / investment value**

* Annualized real estate rental income = sum total of [(real estate rental income + dividend income from preferred securities) x 2] for owned assets (including preferred securities) for each fiscal period

** Investment value = sum total of book value as of the end of each fiscal period of owned assets (including preferred securities) for each fiscal period

STATUS OF EXTERNAL GROWTH

Overview of the 7th Public Offering

Offering method	Domestic offering
Issuance resolution date	October 18, 2021
Issue price finalization date	October 25, 2021
Payment date	November 1, 2021 (primary offering) November 29, 2021 (third-party allotment)
Number of new investment units issued	84,640 units (including third-party allotment) (Of which, 12,600 units for designated destination)

Number of investment units outstanding after the offering	1,401,635 units
Issue price (offer price)	150,023 yen per unit
Paid-in amount (issue amount)	145,176 yen per unit
Total paid-in amount (total issue amount)	12,287,696,640 yen (including third-party allotment)
Demand-to-offering ratio	13.6 times (general: 9.7 times, institutions: 19.6 times)

Property Replacement

- 38th fiscal period : Transferred a serviced apartment to NTT UD (part of revisions to the management strategy triggered by the expiration of a sublease agreement during the 37th fiscal period).
- 39th fiscal period : Acquired Tokyo Opera City Building from NTT UD by utilizing the proceeds from a public offering and transfer of Sphere Tower Tennozu.

Property transfer in 38th period (ended Oct. 2021)

Transferred property	Bureau Kioicho (Transfer on May 7, 2021)
Location	Hirakawacho, Chiyoda Ward, Tokyo
Buyer	**NTT Urban Development Corporation**
Use	Residence
Transfer price	2,850 million yen
Appraisal value upon transfer	1,520 million yen
Gain on sale	1,163 million yen
NOI (annual) (Note 1)	17 million yen
NOI yield (Note 1)	1.1%
Building age (Note 2)	18.4 years
Occupancy rate (Note 2)	6.8%

Property Replacement in 39th Period (ending Apr. 2022)

	Sphere Tower Tennozu (Transfer on December 10, 2021)	Tokyo Opera City Building (Acquired on November 2, 2021)
Acquired property		
Location	Higashishinagawa, Shinagawa Ward, Tokyo	Nishishinjuku, Shinjuku Ward, Tokyo
Seller	Domestic corporation	**NTT Urban Development Corporation**
Use	Office and retail	Office, store, concert hall, museum, exhibition hall
Acquisition price	18,000 million yen	22,000 million yen
Appraisal value upon acquisition	17,600 million yen	23,100 million yen
Appraisal NOI (annual)	2,228 million yen (estimate)	1,186 million yen
Appraisal NOI yield	672 million yen	5.4%
Building age (Note 2)	4.3%	25.3 years
Occupancy rate (Note 2)	28.6 years	95.2%
	98.6%	

(Note 1) The NOI and NOI yield of transferred properties are calculated on the basis of the annualized actual NOI and period-end book value of the fiscal period immediately preceding the fiscal period in which the respective properties were transferred.

(Note 2) The building age and the occupancy rate of Tokyo Opera City Building and Sphere Tower Tennozu are calculated with October 31, 2021, set as the base date. The building age and the occupancy rate of Bureau Kioicho are calculated with the conclusion date of the transfer agreement (as of March 31, 2021) set as the base date.

Property Acquired in the 39th Fiscal Period

Tokyo Opera City Building

A skyscraper office building at the core of Tokyo Opera City, a major cultural performance center in Japan

Location	Nishi-Shinjuku 3-chome, Shinjuku Ward, Tokyo
Nearest station	Directly connected to Hatsudai Station of the Keio (New) Line
Acquisition price	22,000 million yen
Appraisal NOI yield	5.4%
Total floor space	232,996.81m²
Construction completion	July 1996

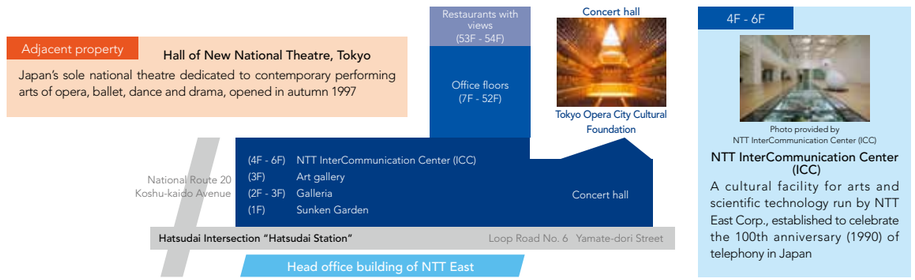
Feature 1 A landmark building, deeply connected with the NTT Group, responsible for presenting cultural performance in Japan

- Built on the land that includes the site of former Yodobashi Telephone Station at the time of Nippon Telegraph and Telephone Public Corporation (currently NTT) and adjacent to the head office building of NTT East, the property is a skyscraper office building at the core of Tokyo Opera City, a major cultural performance center in Japan.
- The property is a cultural complex functioning as a scarce cultural performance base in Japan along with the adjacent New National Theatre, Tokyo, having such facilities as Tokyo Opera City Concert Hall, which is famous for hosting a wide variety of performances.
- The office floors from 7F through 52F are occupied by tenants of various business types, including major insurance companies, pharmaceutical companies, health care companies and staffing service companies.

● Facility overview

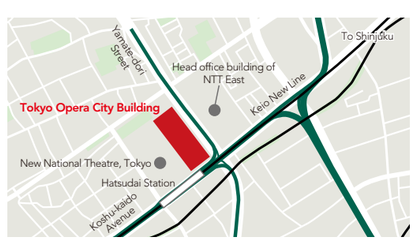
Sunken Garden

Galleria



Feature 2 Excellently located at the western gateway to the office areas of the 5 Central Wards of Tokyo and directly connected to station

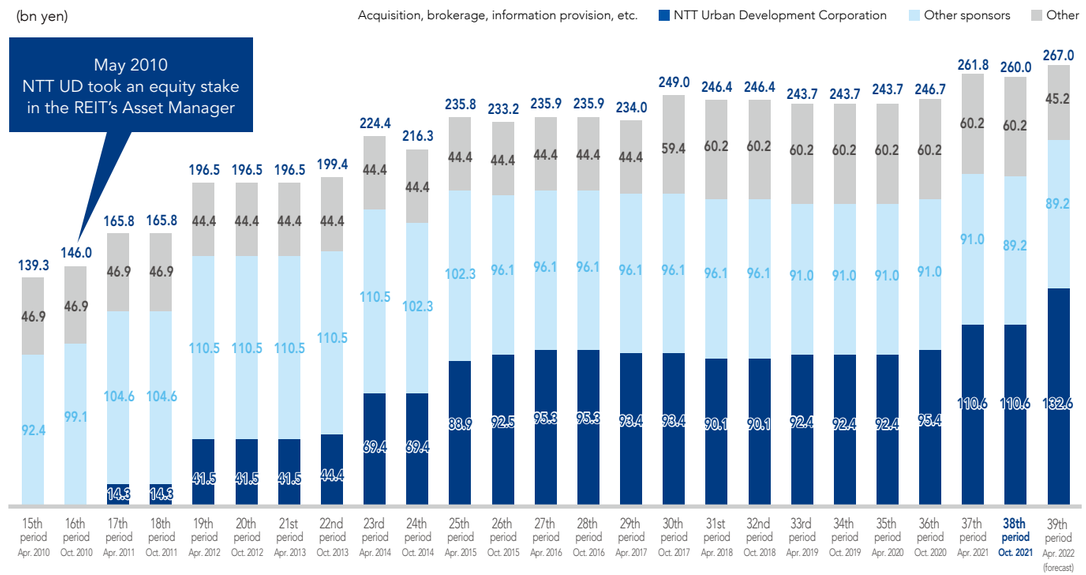
- The property is directly connected to Hatsudai station on the Keio (New) Line, the nearest station, from which it takes about one minute to Shinjuku Station by the said Line. The head office building of NTT East is also adjacent.
- Hatsudai Station, the nearest station, enjoys passengers of more than certain numbers, as the property itself is a purposeful facility combined with New National Theatre, Tokyo and as residential areas spread around it.
- The area's potential is growing, with the number of passengers using Hatsudai Station on an upward trend since fiscal 2012.



COLLABORATION WITH THE NTT GROUP

Changes in Asset Size

NUD has steadily expanded its asset size since NTT UD became its sponsor.



Top 10 Tenants Occupying NUD's Office Buildings (as of October 31, 2021)

NTT Group

Rank	Tenant name	Leased floor space (Note 1)	Ratio (Note 2)	Property
1	NTT Facilities, Inc.	10,994m²	6.5%	Urban Ace Higobashi Building, etc.
2	DOCOMO CS, Inc.	10,525m²	6.2%	Urbannet Ikebukuro Building
3	NTT Business Associe East Co., Ltd.	7,488m²	4.4%	Urbannet Omori Building
4	Sumitomo Osaka Cement Co., Ltd.	6,872m²	4.0%	Rokubancho Building
5	SoftBank Corp.	6,293m²	3.7%	Sphere Tower Tennozu
6	NTT Finance Corporation	6,248m²	3.7%	Urbannet Ikebukuro Building, etc.
7	NTT Learning Systems Corporation	4,801m²	2.8%	Urbannet Azabu Building
8	NTT DATA Corporation	3,552m²	2.1%	Urbannet Mita Building
9	FIELDS CORPORATION	3,106m²	1.8%	KN Shibuya No.3
10	NTT Communications Corporation	3,029m²	1.8%	Granpark, etc.
	Total	62,912m²	37.0%	

(Note 1) The leased floor space indicates the figure corresponding to the substantial ownership ratio of NUD for the building portion of the relevant properties.
(Note 2) The ratio represents the percentage of the leased floor space of the relevant tenants to the gross area under lease of floors practically used for offices.

INITIATIVES ON ESG AWARENESS

Environment

(1) GRESB Real Estate Assessment (Fiscal 2021 Assessment)

- Selected as a "Sector Leader" (Diversified - Office/Residential) in Asia.
- Acquired "4 Stars" in GRESB Rating, which is a relative evaluation based on total GRESB score.
- Acquired "Green Star" rating, the highest rank, for the fifth consecutive year.
- Acquired "A" assessment (highest level) in the GRESB Public Disclosure for the second consecutive year, in recognition of NUD's information disclosure on ESG initiatives.

GRESB REAL ESTATE sector leader 2021

GRESB ★★★★☆ 2021

GRESB Public Disclosure 2021

(2) Status of Acquisition of Environmental Certifications for Individual Properties (as of October 31, 2021)

	Number of properties acquiring certifications	Acquisition ratio (by number of properties)	Floor space of properties acquiring certifications (Note)	Acquisition ratio (by total floor area) (Note)
Certification for CASBEE for Real Estate	19	33.3%	209,711.93m²	52.1%
DBJ Green Building Certification	5	8.8%	49,380.66m²	12.3%
BELS	2	3.5%	21,258.18m²	5.3%
Low-Carbon Model Building	3	5.3%	26,048.89m²	6.5%

(Note) Calculated on the basis of substantial interests NUD owns in respective properties.

(3) Certification for CASBEE for Real Estate

- Acquired Rank S for 3 properties and Rank A for 2 properties in the 38th fiscal period, given high evaluation for reducing energy use mainly by switching to LED lamps.
- Has acquired rank S (for 9 properties) and rank A (for 10 properties) certifications as of the end of the 38th fiscal period.

CASBEE 不動産 2021 ★★★★★

CASBEE 不動産 2021 ★★★★

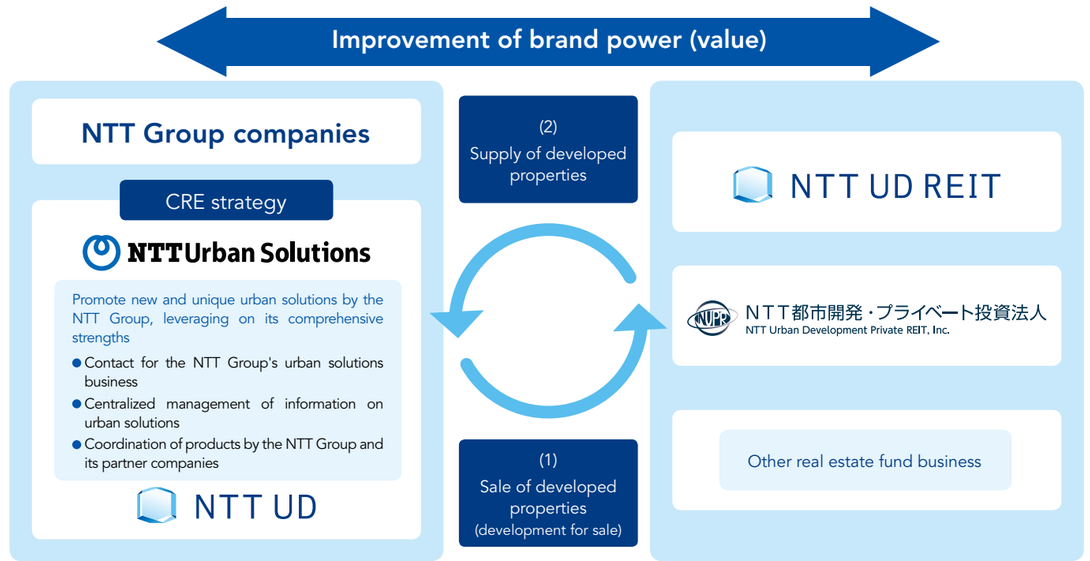
- Properties certified in the 38th fiscal period

Rank S	Landic Shimbashi Building Rokubancho Building Urbannet Mita Building
Rank A	Landic Shimbashi 2 Building Premier Dogenzaka Building

Society

Contribution to Urban Solutions of Regions

- The NTT Urban Solutions Group aims to contribute to solving social issues through new urban solutions, which are unique to the NTT Group and not limited to conventional real estate development. NUD will contribute to new urban solutions of the NTT Group by further strengthening ties with NTT UD, the core company of the NTT Urban Solutions Group.

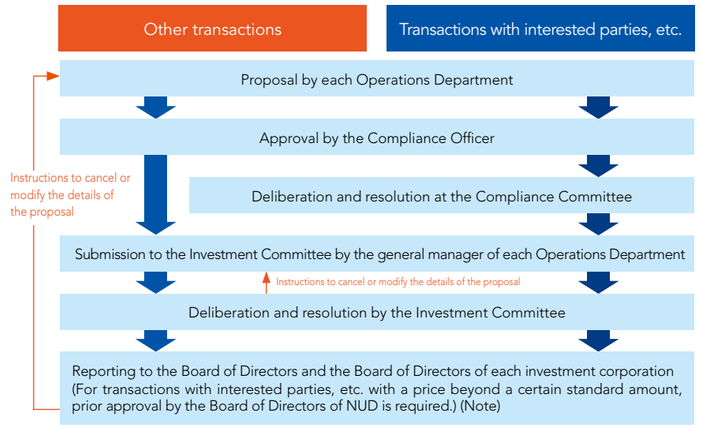


Governance

Decision-Making Flow on Investment Assets

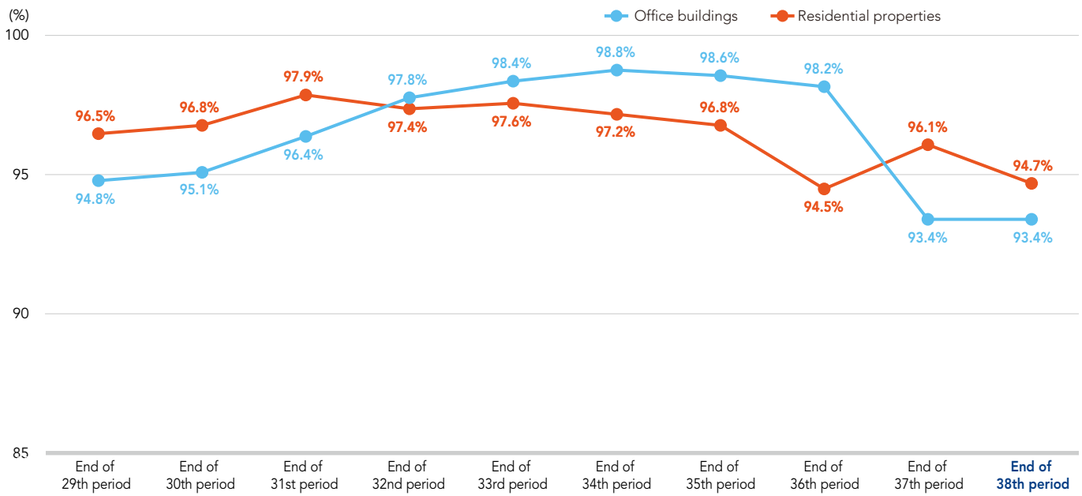
- Each Operation Department of the Asset Manager will prepare proposals on property transactions. After the Compliance Officer examines any legal compliance issues and approves them, the Investment Committee will deliberate on them and resolve.

(Note) For private placement funds, it is only required that a report is made to the Board of Directors of the asset management company.



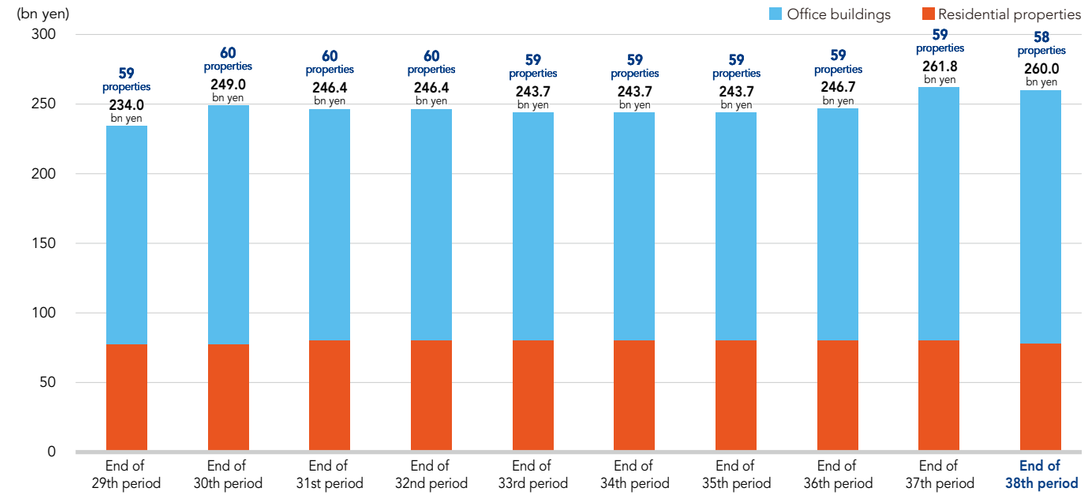
MANAGEMENT STATUS IN THE 38TH FISCAL PERIOD

Changes in Occupancy Rates

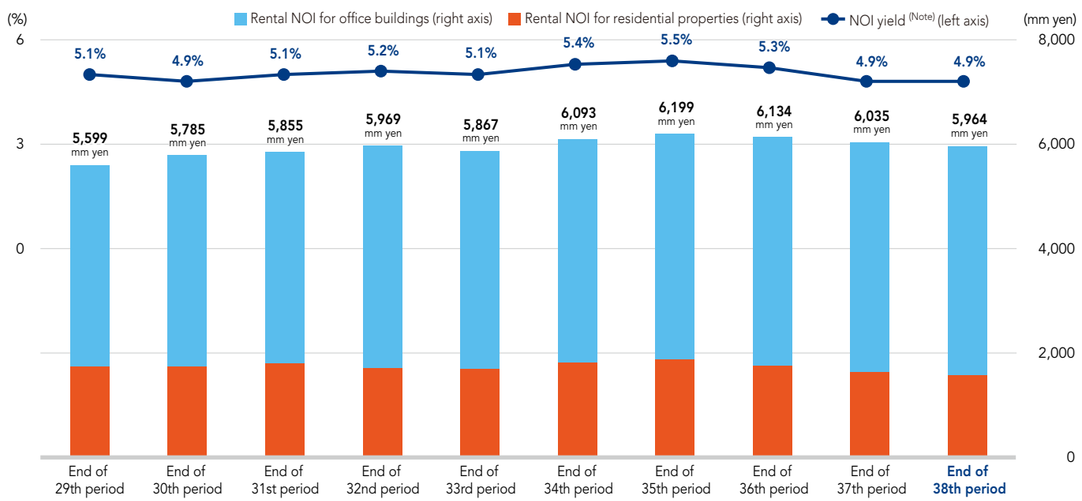


(Note) The occupancy rate at the end of the 37th fiscal period is calculated by excluding Bureau Kioicho, for which a transfer agreement was concluded on March 31, 2021.

Changes in Asset Size



Changes in NOI and NOI Yields

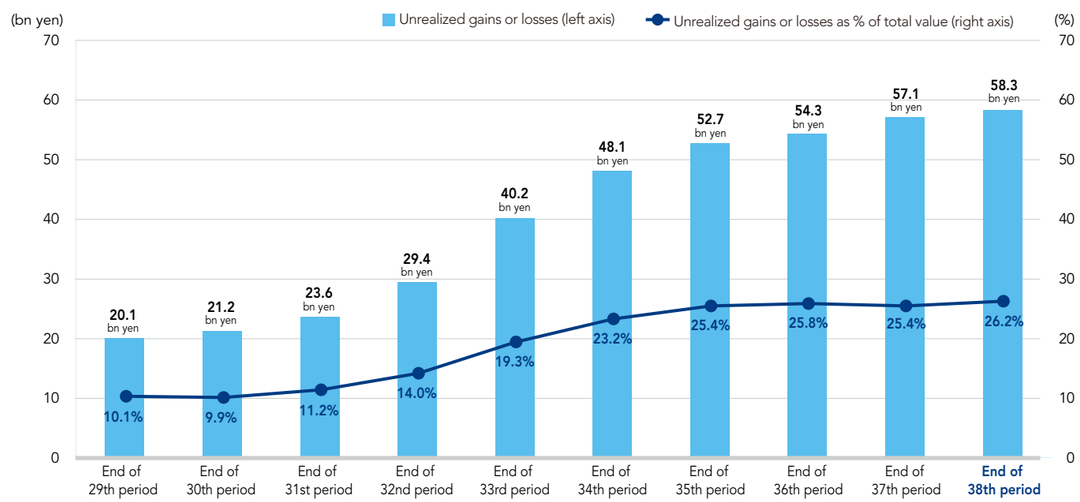


(Note) NOI yield = annualized rental NOI* / investment value**

* Annualized rental NOI = sum total of [(real estate rental income + depreciation + dividend income from preferred securities) x 2] of owned assets (including preferred securities) for each fiscal period

** Investment value = sum total of book value as of the end of each fiscal period of owned assets (including preferred securities) for each fiscal period

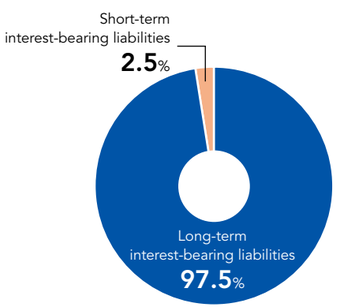
Changes in Unrealized Gains or Losses



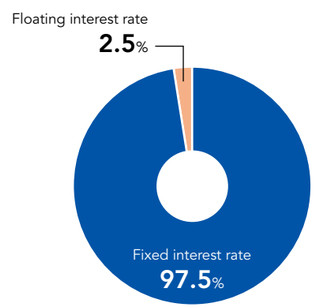
FINANCIAL STATUS IN THE 38TH FISCAL PERIOD

Status of Interest-Bearing Liabilities (as of October 31, 2021)

■ Ratios of Long-Term and Short-Term Borrowings (Note)

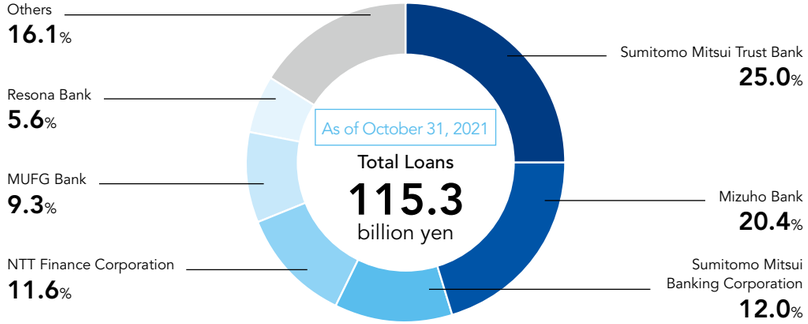


■ Ratios of Fixed and Floating Interest Rate Borrowings



(Note) Classification is made by using the periods from the drawdown dates for loans and from the issue dates for corporate bonds.

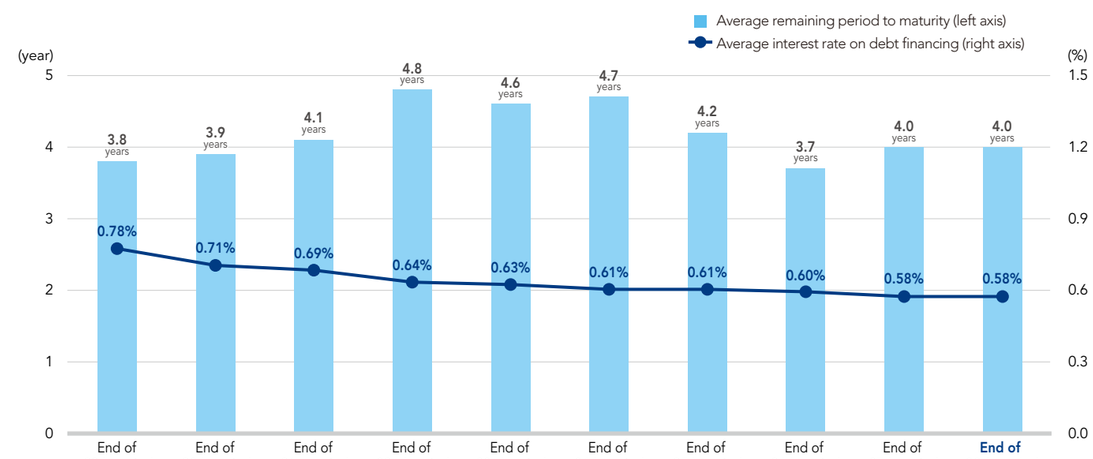
■ Breakdown of Lenders



(mm yen)

Lenders	Long-term	Shott-term	Total
Sumitomo Mitsui Trust Bank, Limited	28,090	700	28,790
Mizuho Bank, Ltd.	20,990	2,500	23,490
Sumitomo Mitsui Banking Corporation	13,850	0	13,850
NTT Finance Corporation	13,400	0	13,400
MUFG Bank, Ltd.	10,770	0	10,770
Resona Bank, Limited	6,450	0	6,450
Aozora Bank, Ltd.	5,550	0	5,550
Development Bank of Japan Inc.	5,000	0	5,000
The Norinchukin Bank	2,500	0	2,500
The Bank of Fukuoka, Ltd.	2,000	0	2,000
Mitsui Sumitomo Insurance Company, Limited	1,000	0	1,000
The 77 Bank, Ltd.	1,000	0	1,000
The Nomura Trust and Banking Co., Ltd.	1,000	0	1,000
HIGASHI-NIPPON BANK, Ltd.	500	0	500
Total	112,100	3,200	115,300

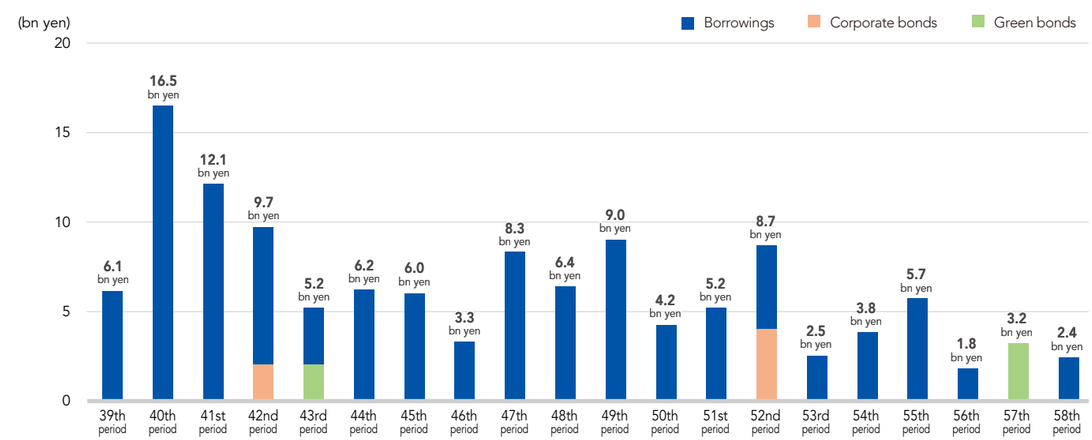
Changes in the Average Interest Rate and Average Remaining Period to Maturity



(Note) Average interest rate is an average weighted by balances outstanding as of the end of the period for each nominal interest rate

Repayment Schedule of Interest-Bearing Liabilities

NUD works to reduce the refinancing risk by diversifying repayment dates of interest-bearing liabilities.



Credit Rating Status

NUD has been granted an issuer rating of AA- by Japan Credit Rating Agency, Ltd. (JCR).

Japan Credit Rating Agency, Ltd. (JCR)
AA- Stable

PROPERTY PORTFOLIO (as of October 31, 2021)

No.	Area	Property Name (Note 1)	Acquisition Price (mm yen) (Note 2)	Share (%) (Note 3)	Period End Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) (Note 4)
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)	
Office Buildings									
A01	5 Central Wards of Tokyo	Landic Shimbashi Building	6,341	2.4	100.0	207	87	119	10.6
A02		Landic Shimbashi 2 Building	7,045	2.7	100.0	220	79	141	12.9
A03		Premier Dogenzaka Building	1,727	0.7	100.0	90	28	62	5.5
A04		KN Shibuya No.3	5,348	2.1	100.0	231	116	115	10.6
A05		Takadanobaba Center Building	5,118	2.0	100.0	265	108	156	2.0
A06		Rokubancho Building	7,860	3.0	100.0	(Note 5)	(Note 5)	184	10.8
A10		Urbannet Mita Building	10,300	4.0	77.1	283	173	109	7.2
A11		Urbannet Azabu Building	5,000	1.9	100.0	(Note 5)	(Note 5)	72	10.5
A15		Granpark	11,490	4.4	99.0	478	216	262	12.0
A17		Otemachi Financial City Grand Cube	4,680	1.8	95.7	(Note 6)	(Note 6)	64	8.6
A18		Shinagawa Season Terrace	18,720	7.2	90.0	(Note 6)	(Note 6)	235	4.7
B02	Other 18 Wards of Tokyo	Premier Toyocho Building	4,310	1.7	79.0	107	47	60	16.2
B03		Ueno TH Building	4,380	1.7	100.0	129	64	64	12.8
B04		Gotanda NT Building	4,100	1.6	100.0	94	50	43	14.3
B05		Ueno Tosei Building	5,900	2.3	100.0	145	103	42	10.7
B06		Urbannet Ikebukuro Building	13,600	5.2	100.0	761	376	384	13.0
B07		Urbannet Omori Building	4,800	1.8	100.0	249	133	115	6.8
B08		Sphere Tower Tennozu	15,000	5.8	98.6	579	312	266	8.3
B09		Urbannet Gotanda NN Building	5,250	2.0	24.4	61	73	-11	9.7
C01	Urban Areas Surrounding Tokyo	Premier Yokohama Nishiguchi Building	3,558	1.4	100.0	158	101	57	10.2
C02		The Kanagawa Science Park R&D Building	6,556	2.5	91.2	411	302	109	10.4
G02	Major Regional Cities	NTT CRED Okayama Building	3,600	1.4	90.8	269	213	56	14.4
G03		Urbannet Shizuoka Ote-machi Building	1,628	0.6	100.0	108	48	60	9.0
G04		Urbannet Shizuoka Building	1,119	0.4	96.1	76	35	41	9.0
G05		Urban Ace Higobashi Building	4,600	1.8	100.0	248	171	77	6.3
		Subtotal **25 properties**	**162,030**	**62.3**	**93.4**	**6,525**	**3,633**	**2,891**	**-**

(continued on next page)

(cont.)

No.	Area	Property Name (Note 1)	Acquisition Price (mm yen) (Note 2)	Share (%) (Note 3)	Period End Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) (Note 4)
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)	
Residential Properties									
D01	5 Central Wards of Tokyo	Park Axis Yotsuya Stage	5,208	2.0	93.2	159	67	92	7.4
D02		Park Axis Meiji-Jingumae	2,604	1.0	89.1	54	58	-4	9.9
D04		Cabin Arena Akasaka	1,330	0.5	94.8	35	18	16	10.1
D05		Cabin Arena Minami-Aoyama	1,070	0.4	89.0	32	18	13	11.2
D08		Roppongi Green Terrace	4,678	1.8	87.1	136	67	68	10.3
D09		Premier Stage Shibakoen II	2,181	0.8	96.8	54	29	24	11.5
D11		Langue Tower Kyobashi	927	0.4	87.8	35	14	20	12.5
D12		Premier Stage MitaKeidaimae	1,580	0.6	100.0	50	20	29	14.3
D13		Premier Rosso	1,662	0.6	97.8	57	113	-56	14.0
D14		Premier Blanc Yoyogikouen	2,330	0.9	93.9	68	33	34	13.1
D15		Premier Stage Uchikanda	1,723	0.7	98.7	57	23	34	13.8
D16		Premier Stage Ichigayakawadacho	1,460	0.6	96.7	46	18	28	13.1
D17		Walk Akasaka	2,043	0.8	97.2	52	25	27	13.9
D18		Premier Stage Shibakoen	1,585	0.6	97.7	47	20	27	16.1
D19		MEW	1,556	0.6	91.6	38	27	11	13.9
D20		Shibaura Island Air Tower	7,590	2.9	96.5	362	262	99	11.2
D21		Storia Akasaka	3,930	1.5	96.5	87	43	44	11.7
D22		Renai Shinjuku-Gyoen Tower	6,500	2.5	96.7	181	117	63	7.2
D23		Shibaura Island Bloom Tower	5,500	2.1	97.3	292	180	111	10.0
D24		Questcourt Harajuku	4,500	1.7	85.2	141	55	86	12.7
D25		Urbancourt Ichigaya	1,385	0.5	97.4	63	23	40	12.0
D26		Premier Stage Azabu-Juban	1,420	0.5	100.0	33	24	8	14.6
D27		Premier Stage Sasazuka	1,080	0.4	98.2	32	13	18	10.5
E01	Other 18 Wards of Tokyo	Premier Stage Osaki (Note 7)	1,072	0.4	60.9	24	14	9	12.1
E02		Premier Garden Hongo	975	0.4	93.1	31	18	12	12.1
E03		Premier Grande Magome	1,560	0.6	100.0	44	20	23	15.7
E04		Premier Nozze Yutenji	1,525	0.6	97.8	43	22	21	13.6
E05		Premier Stage Yushima	1,803	0.7	96.7	51	26	24	17.2
E06		Premier Stage Komagome	1,830	0.7	95.0	54	32	22	18.0
E07		Premier Stage Otsuka	1,310	0.5	96.8	44	13	30	22.5
E08		Premier Stage Honjo-Azumabashi	2,640	1.0	98.8	81	47	33	14.7
E09		Premier Stage Ryogoku	1,496	0.6	93.3	48	23	24	12.8
		Subtotal **32 properties**	**78,054**	**30.0**	**94.7**	**2,545**	**1,500**	**1,045**	**-**

(continued on next page)

(cont.)

No.	Area	Property Name (Note 1)	Acquisition Price (mm yen) (Note 2)	Share (%) (Note 3)	Period End Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) (Note 4)
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)	
Preferred Securities (Office Building)									
Z01	5 Central Wards of Tokyo	UDX Special Purpose Company Preferred Securities (Akihabara UDX) (Note 8)	19,940	7.7	-	-	-	-	-
		Subtotal 1 property	19,940	7.7	-	-	-	-	-
		Total 58 properties	260,024	100.0	93.8	9,071	5,134	3,937	8.2

(Note 1) NUD owns properties in the form of either beneficiary interests in real estate trust or preferred securities.

(Note 2) The acquisition price represents the transaction price before taxes, not including various expenses required for the acquisition of the property.

(Note 3) The indicated shares represent the ratio of the acquisition price of respective properties to the total acquisition price of all properties.

(Note 4) NUD acquired earthquake risk reports for real estate in trust from Takenaka Corporation. However, the earthquake risk reports are only the expression of opinions, and do not guarantee the correctness of the statements. The Probable Maximum Loss (PML) values of individual properties are defined as the loss rate from earthquake damage for individual properties, evaluated based on the strength of a probable earthquake of maximum magnitude that could cause the greatest damage to buildings and is assumed to happen once every 475 years. However, the PML values do not consider damage to equipment, furniture or inventories, damage by water or fire, compensation to victims, or losses due to work closures.
In assessing the PML of the portfolio, the correlation of damages to multiple properties is considered. As such, the loss rates as a whole (total damage/price to reacquire all buildings) are obtained from the sum of the damage generated simultaneously among buildings that comprise the portfolio when an earthquake that happens once every 475 years occurs at a certain epicenter, and the maximum figure of the values has been set as the PML value of the portfolio.

(Note 5) The rental revenues from a leasing contract with a single major tenant constitute more than 80% of the total rental revenues for this property, and the major tenant has not agreed to disclose the rental revenues. Accordingly, NUD does not indicate these figures due to this unavoidable reason.

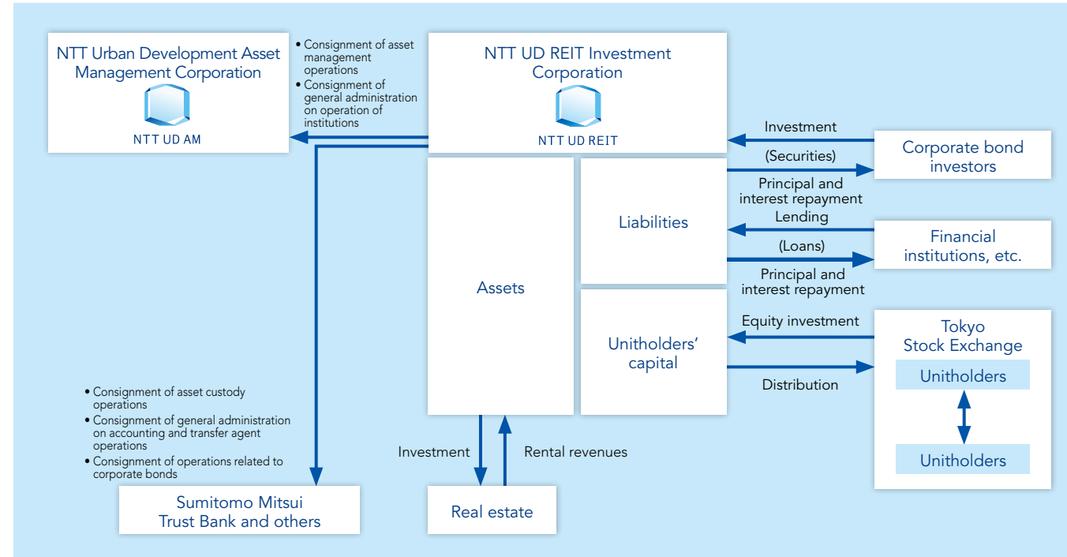
(Note 6) Detailed information on revenues and expenses is not indicated as no consent to disclosure has been obtained from co-ownership holders, etc.

(Note 7) The property was renamed from B-Site Osaki to Premier Stage Osaki on October 1, 2021.

(Note 8) The property owned by UDX Special Purpose Company, the issuer of the preferred securities, comprises an entire office building and its site, and the property name is Akihabara UDX.

ORGANIZATION OF NUD

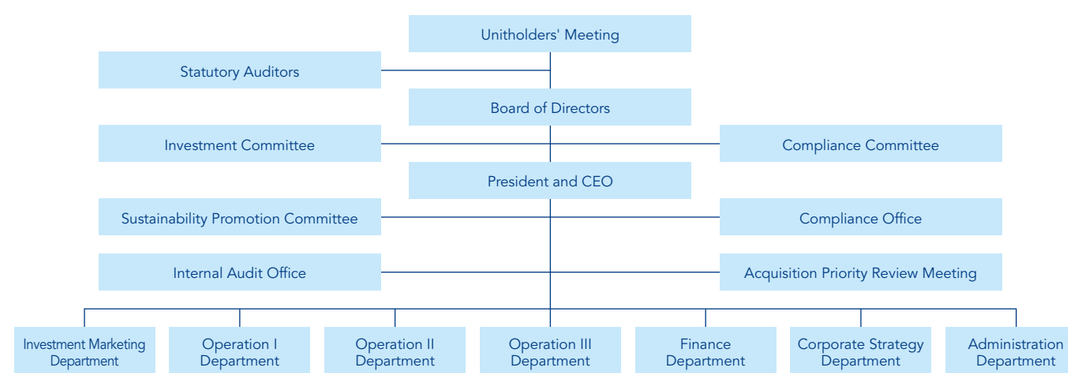
Structure of NUD (as of October 31, 2021)



(Note) The above chart shows the major part of NUD's structure

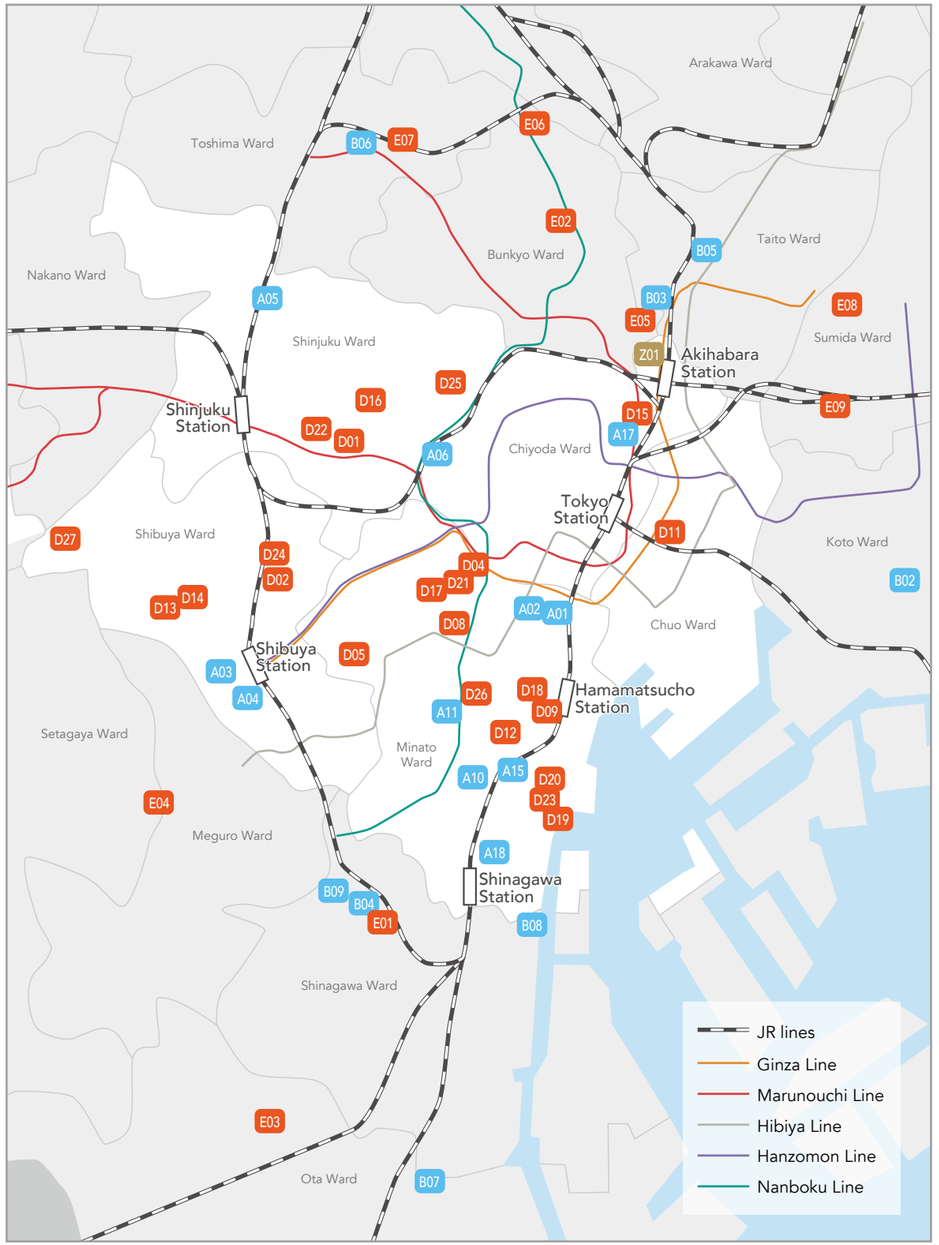
Overview of Asset Manager (as of October 31, 2021)

Trade name	NTT Urban Development Asset Management Corporation
Paid-in capital	100 million yen
Line of business	Investment management business in accordance with the Financial Instruments and Exchange Act
Shareholder composition	NTT Urban Development Corporation (100.0%)



OVERVIEW OF PROPERTIES OWNED
(AS OF THE END OF THE 38TH FISCAL PERIOD)

Distribution of Portfolio Properties



5 Central Wards of Tokyo

- A01 Landic Shimbashi Building
- A02 Landic Shimbashi 2 Building
- A03 Premier Dogenzaka Building
- A04 KN Shibuya No.3
- A05 Takadanobaba Center Building
- A06 Rokubancho Building
- A10 Urbannet Mita Building
- A11 Urbannet Azabu Building
- A15 Granpark
- A17 Otemachi Financial City Grand Cube
- A18 Shinagawa Season Terrace
- D01 Park Axis Yotsuya Stage
- D02 Park Axis Meiji-Jingumae
- D04 Cabin Arena Akasaka
- D05 Cabin Arena Minami-Aoyama
- D08 Roppongi Green Terrace
- D09 Premier Stage Shibakoen II
- D11 Langue Tower Kyobashi
- D12 Premier Stage MitaKeidaimae
- D13 Premier Rosso
- D14 Premier Blanc Yoyogikouen
- D15 Premier Stage Uchikanda
- D16 Premier Stage Ichigayakawadacho
- D17 Walk Akasaka
- D18 Premier Stage Shibakoen
- D19 MEW
- D20 Shibaura Island Air Tower
- D21 Storia Akasaka
- D22 Renai Shinjuku-Gyoen Tower
- D23 Shibaura Island Bloom Tower
- D24 Questcourt Harajuku
- D25 Urbancourt Ichigaya
- D26 Premier Stage Azabu-Juban
- D27 Premier Stage Sasazuka
- Z01 UDX Special Purpose Company Preferred Securities (Akihabara UDX)

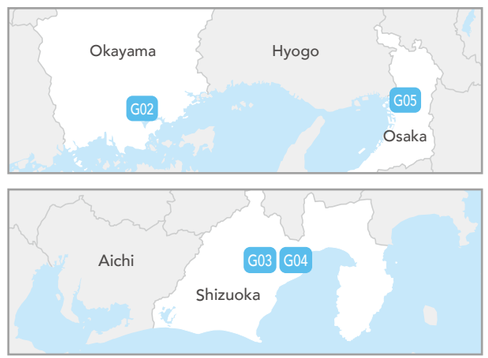
Other 18 Wards of Tokyo

- B02 Premier Toyocho Building
- B03 Ueno TH Building
- B04 Gotanda NT Building
- B05 Ueno Tosei Building
- B06 Urbannet Ikebukuro Building
- B07 Urbannet Omori Building
- B08 Sphere Tower Tennozu
- B09 Urbannet Gotanda NN Building
- E01 Premier Stage Osaki
- E02 Premier Garden Hongo
- E03 Premier Grande Magome
- E04 Premier Nozze Yutenji
- E05 Premier Stage Yushima
- E06 Premier Stage Komagome
- E07 Premier Stage Otsuka
- E08 Premier Stage Honjo-Azumabashi
- E09 Premier Stage Ryogoku

Urban Areas Surrounding Tokyo

- G01 Premier Yokohama Nishiguchi Building
- G02 The Kanagawa Science Park R&D Building

Major Regional Cities



- G02 NTT CRED Okayama Building
- G03 Urbannet Shizuoka Ote-machi Building
- G04 Urbannet Shizuoka Building
- G05 Urban Ace Higobashi Building

Preferred Securities (Office Building)

5 Central Wards of Tokyo

Photo by Kawasumi Architectural Office

UDX Special Purpose Company Preferred Securities (Akihabara UDX) (Note)

(Chiyoda Ward, Tokyo)

(Note) The property owned by UDX Special Purpose Company, the issuer of the preferred securities, comprises an entire office building and its site, and the property name is Akihabara UDX.

Office Buildings

5 Central Wards of Tokyo

Landic Shimbashi Building
(Minato Ward, Tokyo)

Landic Shimbashi 2 Building
(Minato Ward, Tokyo)

Premier Dogenzaka Building
(Shibuya Ward, Tokyo)

KN Shibuya No.3
(Shibuya Ward, Tokyo)

5 Central Wards of Tokyo

Takadanobaba Center Building
(Shinjuku Ward, Tokyo)

Rokubancho Building
(Chiyoda Ward, Tokyo)

Urbannet Mita Building
(Minato Ward, Tokyo)

Urbannet Azabu Building
(Minato Ward, Tokyo)

5 Central Wards of Tokyo

Granpark
(Minato Ward, Tokyo)

Otemachi Financial City Grand Cube
(Chiyoda Ward, Tokyo)

Shinagawa Season Terrace
(Minato Ward, Tokyo)

Office Buildings

Other 18 Wards of Tokyo

Premier Toyocho Building
(Koto Ward, Tokyo)

Ueno TH Building
(Bunkyo Ward, Tokyo)

Gotanda NT Building
(Shinagawa Ward, Tokyo)

Ueno Tosei Building
(Taito Ward, Tokyo)

Other 18 Wards of Tokyo

Urbannet Ikebukuro Building
(Toshima Ward, Tokyo)

Urbannet Omori Building
(Ota Ward, Tokyo)

Sphere Tower Tennozu
(Shinagawa Ward, Tokyo)

Urbannet Gotanda NN Building
(Shinagawa Ward, Tokyo)

Office Buildings — Urban Areas Surrounding Tokyo

C01

Premier Yokohama Nishiguchi Building
(Yokohama City, Kanagawa)

C02

The Kanagawa Science Park R&D Building
(Kawasaki City, Kanagawa)

Office Buildings — Major Regional Cities

G02

NTT CRED Okayama Building
(Okayama City, Okayama)

G03

Urbannet Shizuoka Ote-machi Building
(Shizuoka City, Shizuoka)

G04

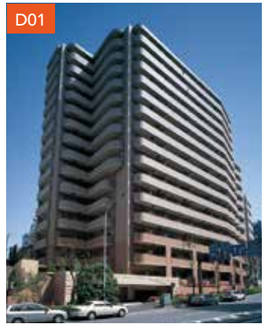
Urbannet Shizuoka Building
(Shizuoka City, Shizuoka)

G05

Urban Ace Higobashi Building
(Osaka City, Osaka)

Residential Properties — 5 Central Wards of Tokyo

D01



Park Axis Yotsuya Stage
(Shinjuku Ward, Tokyo)

D02

Park Axis Meiji-Jingumae
(Shibuya Ward, Tokyo)

D04

Cabin Arena Akasaka
(Minato Ward, Tokyo)

D05

Cabin Arena Minami-Aoyama
(Minato Ward, Tokyo)

Residential Properties — 5 Central Wards of Tokyo

D08

Roppongi Green Terrace
(Minato Ward, Tokyo)

D09

Premier Stage Shibakoen II
(Minato Ward, Tokyo)

D11

Langue Tower Kyobashi
(Chuo Ward, Tokyo)

D12

Premier Stage MitaKeidaimae
(Minato Ward, Tokyo)

5 Central Wards of Tokyo

D13

Premier Rosso
(Shibuya Ward, Tokyo)

D14

Premier Blanc Yoyogikouen
(Shibuya Ward, Tokyo)

D15

Premier Stage Uchikanda
(Chiyoda Ward, Tokyo)

D16

Premier Stage Ichigayakawadacho
(Shinjuku Ward, Tokyo)

5 Central Wards of Tokyo

D17

Walk Akasaka
(Minato Ward, Tokyo)

D18

Premier Stage Shibakoen
(Minato Ward, Tokyo)

D19

MEW
(Minato Ward, Tokyo)

D20

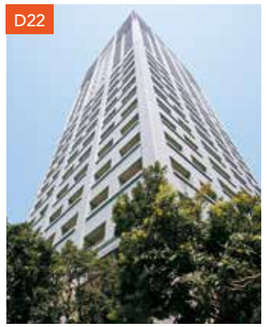
Shibaura Island Air Tower
(Minato Ward, Tokyo)

Residential Properties — 5 Central Wards of Tokyo

D21

Storia Akasaka
(Minato Ward, Tokyo)

D22



Renai Shinjuku-Gyoen Tower
(Shinjuku Ward, Tokyo)

D23

Shibaura Island Bloom Tower
(Minato Ward, Tokyo)

D24

Questcourt Harajuku
(Shibuya Ward, Tokyo)

5 Central Wards of Tokyo

D25

Urbancourt Ichigaya
(Shinjuku Ward, Tokyo)

D26

Premier Stage Azabu-Juban
(Minato Ward, Tokyo)

D27

Premier Stage Sasazuka
(Shibuya Ward, Tokyo)

Residential Properties — Other 18 Wards of Tokyo

E01

Premier Stage Osaki
(Shinagawa Ward, Tokyo)

E02

Premier Garden Hongo
(Bunkyo Ward, Tokyo)

E03

Premier Grande Magome
(Ota Ward, Tokyo)

E04

Premier Nozze Yutenji
(Setagaya Ward, Tokyo)

Other 18 Wards of Tokyo

E05

Premier Stage Yushima
(Bunkyo Ward, Tokyo)

E06

Premier Stage Komagome
(Toshima Ward, Tokyo)

E07

Premier Stage Otsuka
(Toshima Ward, Tokyo)

E08

Premier Stage Honjo-Azumabashi
(Sumida Ward, Tokyo)

Other 18 Wards of Tokyo

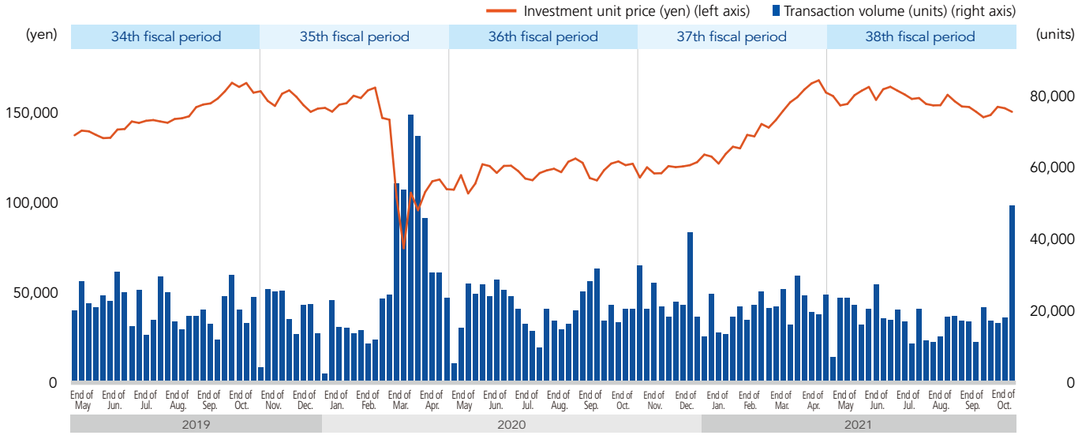
E09

Premier Stage Ryogoku
(Sumida Ward, Tokyo)

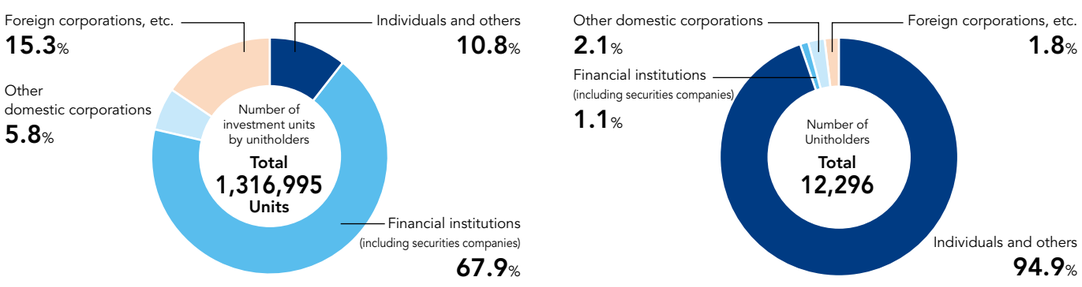
INFORMATION FOR UNITHOLDERS

Changes in Investment Unit Price of NUD

Market capitalization: 199,393 million yen
Investment unit price at the end of the 38th fiscal period: 151,400 yen
(as of October 31, 2021)

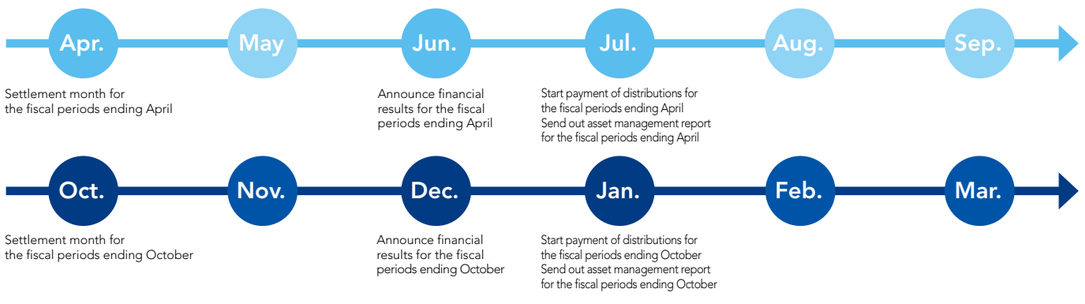


Number of Investment Units by Unitholders and Number of Unitholders (as of October 31, 2021)



(Note) The investment unit ratio has been rounded down to the first decimal place.

Annual Schedule



KPMG

Independent auditor's report

To the Board of Directors of NTT UD REIT Investment Corporation:

Opinion

We have audited the accompanying financial statements of NTT UD REIT Investment Corporation ("the Investment Corporation"), which comprise the balance sheet as at October 31, 2021, the profit and loss statement, statement of changes in unitholders' equity and cash flow statement for the six months period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Investment Corporation as at October 31, 2021, and its financial performance and its cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Investment Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note-22 to the financial statements, which states that the Investment Corporation issued new investment units, acquired a new property and sold a property subsequent to October 31, 2021. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Supervisory Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Investment Corporation's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Supervisory directors are responsible for overseeing the executive director's performance of his duties with regard to the design, implementation and maintenance of the Investment Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Investment Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Investment Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Investment Corporation to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the executive director regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the executive director with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Investment Corporation which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

田澤治郎

Jiro Tazawa

Designated Engagement Partner

Certified Public Accountant

松本大明

Hiroaki Matsumoto

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

January 27, 2022

BALANCE SHEETS

as of April 30, 2021 and October 31, 2021

		Thousands of yen	
		April 30, 2021	October 31, 2021
ASSETS			
CURRENT ASSETS			
Cash and deposits	(Note-6)	¥ 3,696,120	¥ 7,058,973
Cash and deposits held in trust	(Note-6)	14,136,558	14,583,472
Tenant receivables		552,164	705,909
Prepaid expenses		191,157	150,809
Income taxes refund receivables		105,238	102,643
Consumption taxes refund receivables		391,606	-
Other current assets		100	508
TOTAL CURRENT ASSETS		19,072,947	22,602,316
LONG-TERM ASSETS			
Property and equipment			
Buildings held in trust	(Note-7)	97,866,759	97,922,603
Structures held in trust	(Note-7)	2,139,158	2,170,496
Tools, furniture and fixtures held in trust	(Note-7)	680,328	753,395
Less accumulated depreciation	(Note-7)	(34,068,107)	(35,216,572)
Land held in trust	(Note-7)	143,305,754	142,114,509
Construction in progress held in trust	(Note-7)	-	505
Total property and equipment, net		209,923,893	207,744,937
Intangible fixed assets			
Leasehold held in trust	(Note-7)	15,031,048	15,031,048
Other intangible fixed assets held in trust	(Note-7)	308	284
Other intangible fixed assets	(Note-7)	6,652	5,975
Total intangible fixed assets		15,038,009	15,037,309
Investments and other assets			
Investment securities	(Note-17) (Note-18)	20,035,175	20,035,175
Deferred tax assets	(Note-13)	3,595	1,884
Other deposits		10,000	10,000
Long-term prepaid expenses		417,562	410,533
Other deposits held in trust		810,337	819,166
Total investment and other assets		21,276,670	21,276,759
TOTAL LONG-TERM ASSETS		246,238,573	244,059,006
Deferred assets			
Corporate bond issuance costs		49,663	44,694
Total deferred assets		49,663	44,694
TOTAL ASSETS		¥ 265,361,183	¥ 266,706,018

The accompanying notes are an integral part of these financial statements.

		Thousands of yen	
		April 30, 2021	October 31, 2021
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable		¥ 1,756,555	¥ 2,417,369
Short-term loans payable	(Note-10)	3,200,000	3,200,000
Long-term loans payable due within one year	(Note-10) (Note-17)	12,350,000	19,450,000
Accrued expenses		123,671	120,979
Distributions payable		16,798	11,917
Income taxes payable		1,357	605
Consumption taxes payable		-	383,649
Business office taxes payable		10,969	5,989
Contract liabilities	(Note-5)	-	1,800,000
Rents received in advance		1,088,603	1,114,511
Deposits received		452,844	100,385
Total current liabilities		19,000,799	28,605,405
LONG-TERM LIABILITIES			
Long-term loans payable	(Note-10) (Note-17)	99,750,000	92,650,000
Corporate bonds	(Note-9) (Note-17)	11,200,000	11,200,000
Tenant security deposits held in trust		8,997,643	8,666,629
Total long-term liabilities		119,947,643	112,516,629
TOTAL LIABILITIES		138,948,443	141,122,034
NET ASSETS			
UNITHOLDERS' EQUITY	(Note-8)		
Unitholders' capital		120,350,148	120,350,148
Units authorized – 10,000,000 units as of April 30, 2021			
– 10,000,000 units as of October 31, 2021			
Units issued and outstanding – 1,316,995 units as of April 30, 2021			
– 1,316,995 units as of October 31, 2021			
Surplus			
Reserve for reduction entry		762,316	762,316
Unappropriated retained earnings		5,300,276	4,471,518
Total unitholders' equity		126,412,740	125,583,983
TOTAL NET ASSETS		126,412,740	125,583,983
TOTAL LIABILITIES AND NET ASSETS		¥ 265,361,183	¥ 266,706,018

The accompanying notes are an integral part of these financial statements.

PROFIT AND LOSS STATEMENTS

For the six months ended April 30, 2021 and October 31, 2021

		Thousands of yen	
		April 30, 2021	October 31, 2021
OPERATING REVENUES AND EXPENSES			
Operating revenues			
Rental revenues	(Note-11)	¥ 8,118,160	¥ 8,135,355
Other rental revenues	(Note-11)	906,925	936,729
Gains from sale of properties	(Note-12)	1,921,560	1,163,393
Dividend income		522,193	502,592
Operating expenses			
Property operating expenses	(Note-11)	5,025,641	5,137,808
Asset management fees		439,480	413,325
Directors' compensation		4,200	4,200
Custodian fees		11,856	12,139
Administration fees		94,262	89,964
Audit fees		8,500	8,500
Other expenses		174,796	161,816
Operating income		5,710,101	4,910,317
NON-OPERATING REVENUES AND EXPENSES			
Non-operating revenues			
Interest income		90	94
Return of unclaimed distribution		798	1,760
Other non-operating revenues		95	1,063
Non-operating expenses			
Interest expenses		384,526	409,810
Interest expenses on corporate bonds		20,396	22,807
Amortization of corporate bond issuance costs		3,391	4,968
Other non-operating expenses		2,366	2,502
Ordinary income		5,300,405	4,473,146
Income before income taxes		5,300,405	4,473,146
Income taxes	(Note-13)		
Current		2,763	605
Deferred		(1,854)	1,711
Net income		5,299,495	4,470,830
Income carried forward		780	688
UNAPPROPRIATED RETAINED EARNINGS		¥ 5,300,276	¥ 4,471,518

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

NTT UD REIT

For the six months ended April 30, 2021 and October 31, 2021

	Thousands of yen						
	Unitholders' Equity						Total Net Assets
	Unitholders' Capital (Note-1)	Surplus				Total Unitholders' Equity	
		Voluntary Retained Earnings		Unappropriated Retained Earnings	Total Surplus		
		Reserve for Reduction Entry	Total Voluntary Retained Earnings				
BALANCE AT OCTOBER 31, 2020	¥ 120,350,148	¥ 762,316	¥ 762,316	¥ 3,850,356	¥ 4,612,672	¥ 124,962,821	¥ 124,962,821
Changes during the period							
Cash distributions paid				(3,849,576)	(3,849,576)	(3,849,576)	(3,849,576)
Net income				5,299,495	5,299,495	5,299,495	5,299,495
Total changes during the period	-	-	-	1,449,919	1,449,919	1,449,919	1,449,919
BALANCE AT APRIL 30, 2021	¥ 120,350,148	¥ 762,316	¥ 762,316	¥ 5,300,276	¥ 6,062,592	¥ 126,412,740	¥ 126,412,740
Changes during the period							
Cash distributions paid				(5,299,587)	(5,299,587)	(5,299,587)	(5,299,587)
Net income				4,470,830	4,470,830	4,470,830	4,470,830
Total changes during the period	-	-	-	(828,757)	(828,757)	(828,757)	(828,757)
BALANCE AT OCTOBER 31, 2021	¥ 120,350,148	¥ 762,316	¥ 762,316	¥ 4,471,518	¥ 5,233,834	¥ 125,583,983	¥ 125,583,983

The accompanying notes are an integral part of these financial statements.

CASH FLOW STATEMENTS

For the six months ended April 30, 2021 and October 31, 2021

	Thousands of yen	
	April 30, 2021	October 31, 2021
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 5,300,405	¥ 4,473,146
Depreciation	1,514,990	1,528,623
Amortization of corporate bond issuance costs	3,391	4,968
Interest income	(90)	(94)
Return of unclaimed distributions	(798)	(1,760)
Interest expenses	404,922	432,618
Decrease (increase) in tenant receivables	(423,758)	(153,745)
Increase (decrease) in accounts payable	197,676	374,363
Decrease (increase) in consumption taxes refund receivables	(391,606)	391,606
Increase (decrease) in consumption taxes payable	(75,437)	383,649
Increase (decrease) in rents received in advance	(199,592)	25,907
Increase (decrease) in contract liabilities	-	1,800,000
Increase (decrease) in deposits received	390,255	(352,459)
Decrease in carrying amounts of property and equipment held in trust due to sale	3,623,974	1,590,909
Other	(131,119)	48,873
SUBTOTAL	10,213,211	10,546,606
Interest received	90	94
Interest paid	(455,988)	(441,743)
Income taxes (paid) refund	(8,018)	1,238
Net cash provided by (used in) operating activities	9,749,294	10,106,196
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment held in trust	(7,001,780)	(650,534)
Payments for purchases of intangible fixed assets held in trust	(13,253,446)	-
Payments for purchases of intangible fixed assets	(6,765)	-
Payments of other deposits in trust	(179,639)	(8,828)
Proceeds from tenant security deposits held in trust	1,433,777	383,096
Payments of tenant security deposits held in trust	(482,051)	(714,111)
Net cash provided by (used in) investing activities	(19,489,905)	(990,377)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term loans payable	3,200,000	2,000,000
Repayments of short-term loans payable	(5,200,000)	(2,000,000)
Proceeds from long-term loans payable	15,000,000	7,400,000
Repayments of long-term loans payable	(2,000,000)	(7,400,000)
Proceeds from issuance of corporate bonds	5,200,000	-
Redemption of corporate bonds	(2,500,000)	-
Payments of corporate bond issuance costs	(25,961)	(3,343)
Payments of distributions	(3,846,750)	(5,302,708)
Net cash provided by (used in) financing activities	9,827,288	(5,306,052)
NET CHANGE IN CASH AND CASH EQUIVALENTS	86,677	3,809,766
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	17,746,001	17,832,679
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note-6)	¥ 17,832,679	¥ 21,642,445

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

For the six months ended April 30, 2021 and October 31, 2021

Note-1. Organization and basis of presentation

(a) **Organization -** NTT UD REIT Investment Corporation (hereinafter, "NUD") is an investment corporation established in May 2002 under the Act on Investment Trusts and Investment Corporations (hereinafter, "Investment Trusts Act") with an initial capital of 200,000 thousand yen (400 units), and it is listed on the Tokyo Stock Exchange. NTT Urban Development Asset Management Corporation (hereinafter, "UDAM") is the asset manager of NUD.

There was no change in the number of investment units outstanding or unitholders' capital for the six months ended October 31, 2021.

Furthermore, NUD made no equity financing in the past five years through the end of the 38th fiscal period (October 31, 2021).

As of October 31, 2021, NUD had total unitholders' capital of 120,350,148 thousand yen with 1,316,995 units outstanding.

As of October 31, 2021, NUD owned a portfolio of 25 office buildings, 32 residential properties and preferred securities of an SPC (58 properties in total). Total acquisition costs of those properties were 260,024 million yen, with the investment ratio by asset type standing at 62.3% for office buildings, 30.0% for residential properties and 7.7% for others (preferred securities).

(b) **Basis of presentation -** The financial statements of NUD have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act and other related regulations of Japan and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements are a translation of the audited financial statements that were prepared for Japanese domestic purposes from the accounts and records maintained by NUD and were filed with the Kanto Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain items presented in the financial statements have been reclassified for the convenience of readers outside Japan. NUD does not prepare consolidated financial statements as NUD has no subsidiaries.

NUD's fiscal period is six months, which respectively ends in April and October of each year.

Amounts less than 1 thousand yen have been omitted. As a result, the total shown in the financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

Note-2. Summary of significant accounting policies

(a) **Cash and cash equivalents -** Cash and cash equivalents consist of cash, demand deposits, cash and deposits held in trust, and short-term investments. Short-term investments are highly liquid, readily convertible to cash, have an insignificant risk of change in value, and an original maturity of three months or less.

(b) **Valuation standard and method for securities -**

Available-for-sale investment securities - Stocks and other securities with no market prices are stated at cost being determined by the moving average method.

(c) **Depreciation and amortization -**

Property and equipment - Property and equipment are carried at cost, less accumulated depreciation. Depreciation of property and equipment, except for land, is computed by using the straight-line method at rates based on estimated useful lives.

The ranges of useful lives used in the computation of depreciation are generally as follows:

Buildings held in trust ..... 3-68 years
Structures held in trust ..... 3-56 years
Tools, furniture and fixtures held in trust ..... 3-15 years

In accordance with the amended Japanese tax law, properties and equipment acquired on or after April 1, 2007 are depreciated with the residual value of 1 yen recognized at the end of the useful lives.

Properties and equipment acquired before March 31, 2007 are depreciated with the residual value of 5% of acquisition costs over useful lives based on the tax law at that time. However, in accordance with the amended Japanese tax law, such properties and equipment are depreciated with the residual value of 1 yen over five years from the following fiscal years after they are depreciated to the residual value of 5% of acquisition costs.

Long-term prepaid expenses - Prepaid expenses are amortized using the straight-line method.

Corporate bond issuance costs - Corporate bond issuance costs are amortized using the straight-line method over the period through the redemption of the bonds.

(d) **Income taxes -** Income taxes are accounted for financial reporting purposes. The tax effect of temporary differences for the carrying amount of assets and liabilities between accounting basis and tax basis is recognized as deferred taxes.

(e) Revenue recognition -

Sale of properties - NUD recognizes revenues from sale of properties when the purchaser who is a customer obtains control of the relevant property following the seller fulfilling its delivery obligations stipulated in the transaction agreement of the property. On the profit and loss statements, the amount obtained by deducting cost of properties, which is the book value of sold properties, and other expenses for sale, which are expenses directly related to the sale, from revenues from sale of properties, which are the proceeds from the sale of the properties, is indicated as gains (losses) from sale of properties.

Lease of properties - NUD owns and operates office buildings and residential properties that are rented to tenants. Revenues from leasing the office and residential spaces are recognized on an accrual basis based on the lease agreements. Rental revenues include fixed rental revenues, recoveries of utility charges, and other income.

(f) **Property-related taxes -** Property-related taxes (i.e., property tax, city planning tax and depreciable property tax) are imposed on properties on a calendar year basis. The amount of taxes paid in the period is charged to income as property operating expenses. In accordance with Japanese business practice, at the time of disposal, the seller of the property is generally liable for property-related taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser of the property for the accrued property-related tax liabilities, and the amount of the settlement reflects this adjustment. NUD is allocated the portion of the property-related taxes for the period from the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of those properties. Capitalized property-related taxes totaled 575 thousand yen for the six months ended April 30, 2021 and 8,536 thousand yen for the six months ended October 31, 2021.

(g) **Method of hedge accounting -** Special accounting is applied for interest rate swap transactions that satisfy the requirements for special accounting.

Hedging instruments and hedged items - Hedging instruments: interest rate swap transactions, Hedged items: interest expenses on loans payable.

Hedging policy - NUD conducts derivative transactions to hedge interest rate fluctuation risks for loans payable with floating interest rates based on the "Asset Management Target and Policy" provided in its Articles of Incorporation and the risk management regulations on derivative transactions.

Method for assessing the effectiveness of hedging - Assessment of the effectiveness of hedging is omitted as requirements are satisfied for special accounting for interest rate swap transactions.

(h) **Accounting treatment of beneficiary interest in trust accounts, including real estate -** For beneficiary interests in real estate trust, which are commonly utilized in the ownership of commercial properties in Japan and through which NUD holds all of its properties, all accounts of assets and liabilities held in trust, as well as all income generated and expenses incurred from assets in trust, are recognized in the relevant balance sheet and profit and loss statement.

Furthermore, the following material accounts are separately stated on the balance sheet for assets in trust recognized in relevant accounts.

(1) Cash and deposits held in trust
(2) Buildings held in trust, structures held in trust, tools, furniture and fixtures held in trust, land held in trust, and construction in progress held in trust
(3) Leasehold held in trust
(4) Other intangible fixed assets held in trust
(5) Other deposits held in trust
(6) Tenant security deposits held in trust

(i) **Accounting for consumption taxes -** The national and local consumption taxes are excluded from business transaction amounts. However, non-deductible consumption taxes on property acquisitions are capitalized with the acquisition costs of the individual properties.

Note-3. Significant accounting estimates

Impairment of long-term assets

(1) Amounts recorded on the financial statements

	Thousands of yen	
	April 30, 2021	October 31, 2021
Property and equipment	¥ 209,923,893	¥ 207,744,431
Intangible fixed assets	15,031,357	15,031,333

(2) Information on the details of the significant accounting estimates for identified items

In accordance with the Accounting Standard for Impairment of Fixed Assets, NUD has adopted the accounting treatment to reduce the book value of long-term assets to a recoverable amount when the invested amount is deemed to be unrecoverable due to lowered profitability.

In adopting the accounting treatment, the respective properties owned by NUD are regarded as a single asset group, and judgment is made whether it is required to recognize impairment losses when indications of impairment are deemed to exist for the group due to continuous operating losses, a significant drop in the market value and significant deterioration of the business environment, etc.

Future cash flow estimates are used to determine whether or not to recognize impairment losses. When it is determined that impairment losses should be recognized, the book value is reduced to the recoverable amount based on the real estate appraisal values by external appraisers, and the reduced amount is recorded as impairment losses.

In calculating the future cash flow, the underlying rent, occupancy rate and real estate rental expenses, etc. are determined by comprehensively taking into account the market trends and transaction cases of similar properties, etc.

The performance and the market value of each property may be affected by the trends in the real estate rental market and real estate transaction market. Accordingly, when changes arise to the assumptions of the estimate, they may affect the financial position and results of operation of NUD in the following fiscal period.

Note-4. Changes in accounting policies

(Application of Accounting Standard for Revenue Recognition, etc.)

NUD has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 (revised 2020) issued on March 31, 2020), etc. from the beginning of the six months ended October 31, 2021, and decided to recognize revenues at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer. The impact of the adoption of the Accounting Standard on financial statements is minimal.

However, in accordance with the transitional treatment as stipulated in the proviso of Paragraph 89-3 of the Accounting Standard, there is no information on revenue recognition to be disclosed for the six months ended April 30, 2021.

(Application of Accounting Standard for Fair Value Measurement, etc.)

NUD has adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued on July 4, 2019), etc. from the beginning of the six months ended October 31, 2021 and, in accordance with the transitional treatment as stipulated in Paragraph 19 of the Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10 (revised 2019) issued on July 4, 2019), NUD has prospectively decided to adopt the new accounting policies set forth by the Accounting Standard for Fair Value Measurement, etc. The impact of this change on the financial statements is minimal.

Note-5. Revenue recognition

Six months ended October 31, 2021 [May 1, 2021 - October 31, 2021]

1. Breakdown information on revenues from contracts with customers:

For the breakdown information on revenues from contracts with customers, refer to Note-11. Rental revenues and expenses and Note-12. Gains from sale of properties.

Note that Note-11. Rental revenues and expenses includes revenues in accordance with the Accounting Standard for Lease Transactions (ASBJ Statement No.13). Moreover, revenues generated from contracts with major customers comprise of gains from sale of properties and utilities income.

2. Information on relationship between fulfillment of performance obligations based on contracts with customers and cash flow generated from said contracts, and on amount and period of revenues expected to be recognized in the following fiscal period or thereafter from contracts with customers existing at the end of the current fiscal period:
(1) Balance of contract liabilities, etc.
Contract liabilities represent the advance received (balance at end of period: 1,800,000 thousand yen) including deposits received from the buyer upon sale of properties based on the real estate transaction agreement. Contract liabilities are reversed when the amount is recognized as revenues.

Note-6. Cash and cash equivalents

Cash and cash equivalents as of April 30, 2021 and October 31, 2021 consisted of the following:

	Thousands of yen	
	April 30, 2021	October 31, 2021
Cash and deposits	¥ 3,696,120	¥ 7,058,973
Cash and deposits held in trust	14,136,558	14,583,472
CASH AND CASH EQUIVALENTS	¥ 17,832,679	¥ 21,642,445

Note-7. Schedule of property and equipment and intangible fixed assets held in trust

Property and equipment and intangible fixed assets held in trust as of April 30, 2021 and October 31, 2021 consisted of the following:

	Thousands of yen					
	April 30, 2021			October 31, 2021		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 97,866,759	¥ 32,446,463	¥ 65,420,296	¥ 97,922,603	¥ 33,509,899	¥ 64,412,704
Structures	2,139,158	1,250,089	889,068	2,170,496	1,288,437	882,059
Tools, furniture and fixtures	680,328	371,555	308,773	753,395	418,235	335,159
Land	143,305,754	-	143,305,754	142,114,509	-	142,114,509
Construction in progress	-	-	-	505	-	505
SUBTOTAL	243,992,001	34,068,107	209,923,893	242,961,510	35,216,572	207,744,937
Intangible fixed assets held in trust						
Leasehold	15,031,048	-	15,031,048	15,031,048	-	15,031,048
Other intangible fixed assets	6,469	6,161	308	6,469	6,184	284
Other	41,604	34,952	6,652	41,604	35,628	5,975
SUBTOTAL	15,079,123	41,113	15,038,009	15,079,123	41,813	15,037,309
TOTAL	¥ 259,071,124	¥ 34,109,221	¥ 224,961,902	¥ 258,040,633	¥ 35,258,386	¥ 222,782,247

A government subsidy of 19,834 thousand yen, granted for the capital expenditures at The Kanagawa Science Park R&D Building in 2006, has been deducted from the acquisition cost of the building held in trust.

Note-8. Unitholders' equity

NUD issues investment units in accordance with the Investment Trusts Act. All the proceeds from the issuance of new units are designated as stated capital. NUD maintains minimum net assets of at least 50,000 thousand yen as required by the Investment Trusts Act.

Note-9. Corporate bonds

Corporate bonds for the six months ended April 30, 2021 and October 31, 2021 were as follows:

	Thousands of yen		Interest rate (%)
	April 30, 2021 (Amount)	October 31, 2021 (Amount)	
Unsecured bond No.7 (issued on July 24, 2018 and due on July 24, 2023)	¥ 2,000,000	¥ 2,000,000	0.25
Unsecured bond No.8 (issued on July 24, 2018 and due on July 24, 2028)	4,000,000	4,000,000	0.58
Unsecured bond No.9 (issued on April 27, 2021 and due on April 26, 2024) (green bond)	2,000,000	2,000,000	0.06
Unsecured bond No.10 (issued on April 27, 2021 and due on April 25, 2031) (green bond)	3,200,000	3,200,000	0.50
TOTAL	¥ 11,200,000	¥ 11,200,000	-

* The anticipated maturities of corporate bonds for the following five years beginning November 1, starting in 2021 are as follows:

(thousands of yen)

One year or less	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less
¥ -	2,000,000	2,000,000	-	-

Note-10. Short-term and long-term loans

Short-term and long-term loans as of April 30, 2021 and October 31, 2021 consisted of the following:

Lender	Thousands of yen				Average interest rate *1 (%)	Repay-ment	Use of funds	Remarks
	April 30, 2021 (Amount)	Increase	Decrease	October 31, 2021 (Amount)				
SHORT-TERM LOANS								
Mizuho Bank, Ltd.	2,000,000	-	2,000,000	-	0.24483	Jul. 30, 2021	*2	Unsecured and non-guaranteed Floating rate
Sumitomo Mitsui Trust Bank, Limited	700,000	-	-	700,000	0.24504	Mar. 31, 2022		Unsecured and non-guaranteed Floating rate
Mizuho Bank, Ltd.	500,000	-	-	500,000				
Mizuho Bank, Ltd.	-	2,000,000	-	2,000,000	0.24524	Jul. 29, 2022		Unsecured and non-guaranteed Floating rate
SUBTOTAL	3,200,000	2,000,000	2,000,000	3,200,000				
LONG-TERM LOANS*3 *4								
Mizuho Bank, Ltd.	2,400,000	-	2,400,000	-	0.91125	Sep. 30, 2021	*2	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	1,050,000	-	-	1,050,000	0.87000	Mar. 31, 2022		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	1,950,000	-	-	1,950,000	0.91375	Apr. 28, 2022		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	1,950,000	-	-	1,950,000				
Sumitomo Mitsui Trust Bank, Limited	3,500,000	-	-	3,500,000	0.86625	Jul. 29, 2022		Unsecured and non-guaranteed Fixed rate
MUFG Bank, Ltd.	1,800,000	-	-	1,800,000				
Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000				

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Lender	Thousands of yen				Average interest rate *1 (%)	Repay-ment	Use of funds	Remarks
	April 30, 2021 (Amount)	Increase	Decrease	October 31, 2021 (Amount)				
MUFG Bank, Ltd.	3,000,000	-	-	3,000,000	0.80125	Aug. 31, 2022	*2	Unsecured and non-guaranteed Fixed rate
The Norinchukin Bank	2,500,000	-	-	2,500,000				
Mizuho Bank, Ltd.	2,500,000	-	-	2,500,000				
Aozora Bank, Ltd.	3,000,000	-	-	3,000,000	0.73875	Nov. 30, 2022		Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	3,000,000	-	-	3,000,000	0.72875	Nov. 30, 2022		Unsecured and non-guaranteed Fixed rate
Resona Bank, Limited.	3,000,000	-	-	3,000,000				
Mitsui Sumitomo Insurance Company, Limited	1,000,000	-	-	1,000,000				
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000				
Sumitomo Mitsui Banking Corporation	1,000,000	-	-	1,000,000	0.52380	Aug. 30, 2024		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	550,000	-	-	550,000				
Aozora Bank, Ltd.	700,000	-	-	700,000	0.52380	Aug. 30, 2024		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	2,040,000	-	-	2,040,000	0.62380	Oct. 30, 2026		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	1,140,000	-	-	1,140,000				
MUFG Bank, Ltd.	1,220,000	-	-	1,220,000	0.62380	Oct. 30, 2026		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	4,000,000	-	-	4,000,000	0.73500	Nov. 30, 2026		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000				
Mizuho Bank, Ltd.	2,000,000	-	-	2,000,000				
Sumitomo Mitsui Banking Corporation	3,200,000	-	3,200,000	-	0.24000	May 31, 2021		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	1,800,000	-	1,800,000	-				
Mizuho Bank, Ltd.	2,700,000	-	-	2,700,000	0.42875	May 31, 2023		Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	4,000,000	-	-	4,000,000	0.53250	May 31, 2024		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	3,300,000	-	-	3,300,000	0.59880	May 30, 2025		Unsecured and non-guaranteed Fixed rate
The Bank of Fukuoka	2,000,000	-	-	2,000,000	0.28875	Aug. 31, 2023		Unsecured and non-guaranteed Fixed rate
The 77 Bank, Ltd.	1,000,000	-	-	1,000,000				
The Nomura Trust and Banking Co., Ltd.	1,000,000	-	-	1,000,000				
HIGASHI-NIPPON BANK, Ltd.	500,000	-	-	500,000				
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000				
Aozora Bank, Ltd.	1,100,000	-	-	1,100,000	0.40005	Mar. 27, 2023		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.54505	Mar. 27, 2025		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	2,600,000	-	-	2,600,000	0.61125	Mar. 27, 2026		Unsecured and non-guaranteed Fixed rate
Resona Bank, Limited	1,200,000	-	-	1,200,000				
MUFG Bank, Ltd.	1,500,000	-	-	1,500,000	0.61125	Mar. 27, 2026		Unsecured and non-guaranteed Fixed rate

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Lender	Thousands of yen				Average interest rate *1 (%)	Repay-ment	Use of funds	Remarks
	April 30, 2021 (Amount)	Increase	Decrease	October 31, 2021 (Amount)				
Development Bank of Japan Inc.	3,000,000	-	-	3,000,000	0.66649	Apr. 30, 2026	*2	Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000	0.76755	Jul. 24, 2028		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000				
Aozora Bank, Ltd.	750,000	-	-	750,000	0.49877	Feb. 29, 2024		Unsecured and non-guaranteed Fixed rate
MUFG Bank, Ltd.	1,250,000	-	-	1,250,000	0.76880	Aug. 31, 2027		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	1,500,000	-	-	1,500,000	0.76880	Aug. 31, 2027		Unsecured and non-guaranteed Fixed rate
Resona Bank, Limited	1,500,000	-	-	1,500,000				
Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	0.23375	Mar. 29, 2024		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	750,000	-	-	750,000	0.65125	Mar. 30, 2029		Unsecured and non-guaranteed Fixed rate
Resona Bank, Limited	750,000	-	-	750,000				
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.19520	Mar. 29, 2024		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.37880	Sep. 30, 2026		Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	1,200,000	-	-	1,200,000	0.45065	Mar. 31, 2028		Unsecured and non-guaranteed Fixed rate
Development Bank of Japan Inc.	2,000,000	-	-	2,000,000	0.45065	Mar. 31, 2028		Unsecured and non-guaranteed Fixed rate
MUFG Bank, Ltd.	2,000,000	-	-	2,000,000				
Sumitomo Mitsui Trust Bank, Limited	3,000,000	-	-	3,000,000	0.29755	Nov. 29, 2024		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.46500	Nov. 30, 2028		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	3,000,000	-	-	3,000,000	0.49755	Nov. 30, 2029		Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	2,000,000	-	-	2,000,000	0.51755	Nov. 30, 2029		Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	2,500,000	-	-	2,500,000	0.61304	Aug. 31, 2029		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	1,500,000	-	-	1,500,000	0.28380	Mar. 31, 2025		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	1,300,000	-	-	1,300,000	0.55943	Sep. 28, 2029		Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	700,000	-	-	700,000	0.61005	Mar. 29, 2030		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	-	3,200,000	-	3,200,000	0.41505	May 31, 2028		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	-	1,800,000	-	1,800,000	0.52375	May 31, 2030		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	-	2,400,000	-	2,400,000	0.57250	Sep. 30, 2031		Unsecured and non-guaranteed Fixed rate
SUBTOTAL	112,100,000	7,400,000	7,400,000	112,100,000				
TOTAL	¥ 115,300,000	¥ 9,400,000	¥ 9,400,000	¥ 115,300,000				

*1 Floating interest rates in the table above represent the weighted average interest rates for the period. For loans for which NUD conducted interest rate swap transactions in order to reduce the interest rate fluctuation risk, the fixed rate interests obtained by taking into account the effect of the interest rate swaps are indicated.

*2 All the loans are used for such purposes as purchasing beneficiary interests in real estate trust, repaying existing borrowings and redeeming corporate bonds.

*3 Long-term loans payable due within one year on the balance sheets are included in long-term loans in the table above for the purpose of indicating the loans in accordance with respective loan agreements.

*4 The anticipated maturities of long-term loans for the following five years beginning November 1, starting in 2021 are as follows:

(thousands of yen)

	One year or less	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less
¥	19,450,000	19,800,000	9,500,000	9,300,000	14,700,000

Note-11. Rental revenues and expenses

Rental revenues and expenses for the six months ended April 30, 2021 and October 31, 2021 were as follows:

	Thousands of yen	
	April 30, 2021	October 31, 2021
REAL ESTATE RENTAL REVENUES		
Rental revenues		
Rents	¥ 6,969,558	¥ 6,982,724
Common area charges	1,148,601	1,152,631
Subtotal	8,118,160	8,135,355
Other rental revenues		
Utilities income	459,518	493,187
Parking fees	225,768	229,917
Facility fees	59,280	57,515
Other incidental revenues	47,775	45,883
Miscellaneous income	114,582	110,226
Subtotal	906,925	936,729
TOTAL REAL ESTATE RENTAL REVENUES	9,025,085	9,072,085
REAL ESTATE RENTAL EXPENSES		
Property operating expenses		
Property management fees	1,087,155	1,109,987
Utilities	498,587	565,652
Real estate taxes	622,043	624,230
Insurance	15,343	14,495
Maintenance and repairs	869,818	699,234
Trust fees	29,036	29,630
Depreciation	1,513,507	1,527,946
Rent expenses	295,775	482,427
Miscellaneous expenses	94,374	84,202
TOTAL REAL ESTATE RENTAL EXPENSES	5,025,641	5,137,808
REAL ESTATE RENTAL INCOME	¥ 3,999,444	¥ 3,934,277

(Changes in presentation methods)
With regard to Utilities income, which was included in Incidental revenues for the six months ended April 30, 2021, NUD has presented it separately for the six months ended October 31, 2021 in order to enhance clarity of disclosure. Along with this, the accounting item has been changed from Incidental revenues to Other incidental revenues.
As a result, the 507,293 thousand yen as Incidental revenues for the six months ended April 30, 2021 was reclassified into 459,518 thousand yen as Utilities income and 47,775 thousand yen as Other incidental revenues.

Note-12. Gains from sale of properties

Gains from sale of properties for the six months ended April 30, 2021 were as follows:

	Thousands of yen
	April 30, 2021
	Urbannet Kojimachi Building
Revenues from sale of properties	¥ 5,550,000
Cost of properties	3,623,974
Other expenses for sale	4,465
GAINS FROM SALE OF PROPERTIES	¥ 1,921,560

Gains from sale of properties for the six months ended October 31, 2021 were as follows:

	Thousands of yen
	October 31, 2021
	Bureau Kioicho
Revenues from sale of properties	¥ 2,850,000
Cost of properties	1,590,909
Other expenses for sale	95,696
GAINS FROM SALE OF PROPERTIES	¥ 1,163,393

Note-13. Income taxes

Income taxes in Japan applicable to NUD consist of corporate income tax, enterprise tax, and inhabitant tax. The following is reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the six months ended April 30, 2021 and October 31, 2021:

	April 30, 2021	October 31, 2021
Statutory tax rate	31.46%	31.46%
Adjustments		
Deductible cash distributions	(31.46)	(28.97)
Other	0.01	(2.44)
EFFECTIVE TAX RATE	0.02%	0.05%

Under NUD's distribution policy, cash distributions are made in excess of 90% of distributable income as defined in the Special Taxation Measures Law of Japan for the fiscal period to qualify for conditions as set forth in the Special Taxation Measures Law to achieve a deduction of cash distributions for income tax purposes. Based on such policy, NUD treated the cash distributions as tax deductions allowed in the Special Taxation Measures Law.
The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of April 30, 2021 and October 31, 2021 were as follows:

	Thousands of yen	
	April 30, 2021	October 31, 2021
Deferred tax assets		
Enterprise taxes	¥ 3,595	¥ 1,884
Total of deferred tax assets	3,595	1,884
NET DEFERRED TAX ASSETS	¥ 3,595	¥ 1,884

Note-14. Per unit information

The following table summarizes the net assets per unit as of April 30, 2021 and October 31, 2021 and the net income per unit for the six months ended April 30, 2021 and October 31, 2021:

	April 30, 2021	October 31, 2021
Net assets per unit	¥ 95,985	¥ 95,356
Net income per unit	4,023	3,394

*1 The net income per unit is calculated by dividing the net income by the weighted-average number of units outstanding for the respective six-month period. Diluted net income per unit is not presented since no warrants and convertible bonds were outstanding during the six months ended April 30, 2021 and October 31, 2021.

*2 The basis for calculating net income per unit was as follows:

	Thousands of yen	
	April 30, 2021	October 31, 2021
Net income	¥ 5,299,495	¥ 4,470,830
Amount not attributable to ordinary unitholders	-	-
Net income related to ordinary units	5,299,495	4,470,830
Average number of units during the period	1,316,995 units	1,316,995 units

Note-15. Leases

NUD leases some properties to tenants under non-cancellable operating leases. As of April 30, 2021 and October 31, 2021, the future lease expenses and revenues under the non-cancellable operating leases were as follows:

Operating leases (as lessee)

	Thousands of yen	
	April 30, 2021	October 31, 2021
Due within one year	¥ 580,455	¥ 562,302
Due after one year	13,253,738	12,558,098
TOTAL	¥ 13,834,194	¥ 13,120,401

Operating leases (as lessor)

	Thousands of yen	
	April 30, 2021	October 31, 2021
Due within one year	¥ 972,584	¥ 1,210,735
Due after one year	3,130,373	4,037,952
TOTAL	¥ 4,102,957	¥ 5,248,688

Note-16. Distribution information

Pursuant to the distribution policy set forth in Article 13, Paragraph 1 of NUD's Article of Incorporation, the maximum distribution amount cannot exceed the unappropriated retained earnings, and this amount must exceed 90% of the "distributable income" which is defined in Article 67-15 of the Special Taxation Measures Law of Japan. No cash distributions exceeding the unappropriated retained earnings as set forth in Article 13, Paragraph 2 of the NUD's Article of Incorporation were made.

[April 30, 2021]

In accordance with this policy, NUD declared a total distribution of 5,299,587,880 yen as distribution of income for the 37th fiscal period (payment to start on July 16, 2021), which was the maximum value arrived at when the number of units outstanding (1,316,995 units) was multiplied by an integer, within the limit of the unappropriated retained earnings for the 37th fiscal period.

[October 31, 2021]

In accordance with this policy, NUD declared a total distribution of 4,122,194,350 yen as distribution of income for the 38th fiscal period (payment to start on January 20, 2022), which was the maximum value of unappropriated retained earnings after deducting provision of reserve for reduction entry, in application of the Special Provisions for Taxation in Cases of Repurchase of Specified Assets (Article 65-7 of the Special Taxation Measures Law of Japan), arrived at when the number of units outstanding (1,316,995 units) was multiplied by an integer.

Income carried forward after the distributions for the six months ended April 30, 2021 and October 31, 2021 were as follows:

	April 30, 2021	October 31, 2021
Unappropriated retained earnings	¥ 5,300,276,125	¥ 4,471,518,285
Cash distributions declared	5,299,587,880	4,122,194,350
(Cash distribution declared per unit)	(4,024)	(3,130)
Voluntary retained earnings		
(Provision of reserve for reduction entry)	-	349,323,935
INCOME CARRIED FORWARD	¥ 688,245	¥ -

Note-17. Financial instruments

(a) Items concerning the current status of financial instruments

Policies on financial instruments - NUD procures funds for acquiring properties, conducting maintenance and repairs, repaying interest-bearing liabilities and for other purposes primarily through borrowings from financial institutions, issuing corporate bonds or issuing new investment units.

With regard to temporary surplus funds, tenant security deposits held in trust, etc., NUD manages them as bank deposits in consideration of such factors as safety and liquidity.

Moreover, NUD owns investment securities (preferred securities backed by the cash flow gained from real estate) as part of its real estate investment.

As for derivative transactions, NUD may use them only to hedge against interest rate fluctuation risks arising from liabilities.

Description of financial instruments, their respective risks and risk management structure - Short-term loans, long-term loans and corporate bonds are means of fund procurement primarily for acquiring trust beneficiary interests and repaying interest-bearing liabilities. Although loans and corporate bonds are exposed to liquidity risk upon the arrival of repayment dates, NUD manages the risk by such measures as working to maintain and enhance its ability to procure funds from the capital market through issuing investment units, by controlling the ratio of interest-bearing liabilities to total assets within a range considered appropriate, creating fund procurement plans as early as possible by regularly checking liquidity on hand through making monthly cash payment schedules, etc., and preparing necessary funds based on such plans.

In addition, although loans with floating interest rates are exposed to interest rate fluctuation risk, NUD manages the risk by adjusting the ratio of the balance of loans with floating interest rates to the entire loans in accordance with the financing environment, as well as utilizing derivative transactions (interest rate swap transactions) as hedging instruments.

The investment securities (preferred securities backed by the cash flow gained from real estate) are exposed to liquidity risk, credit risk of the issuer, etc., in addition to investment risks specific to real estate. However, NUD will manage such risks by maintaining the ratio of the investment securities to its total assets at a certain level, and by employing such measures as assessing the financial status on a regular basis.

Supplemental explanation on items concerning fair value of financial instruments - Since calculation of the fair value of financial instruments

uses certain assumptions and conditions, the calculated prices may differ if different assumptions and conditions are used. As for the contract amount and other conditions of derivative transactions indicated in "(b) Items concerning fair value of financial instruments" below, the contract amount is not an indicator of the market risks related to such derivative transactions.

(b) **Items concerning fair value of financial instruments -** The book values recorded on the balance sheet, fair values and their difference as of April 30, 2021 and October 31, 2021 were as follows. Furthermore, notes on "Cash and deposits," "Cash and deposits held in trust" and "Short-term loans payable" are omitted as these are settled with cash and within a short period of time and thus the fair value approximates the book value. Notes on "Tenant security deposits held in trust" are also omitted as they lack materiality.

	Thousands of yen					
	April 30, 2021			October 31, 2021		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Long-term loans payable due within one year	12,350,000	12,398,058	48,058	19,450,000	19,550,070	100,070
(2) Long-term loans payable	99,750,000	100,313,691	563,691	92,650,000	92,920,622	270,622
(3) Corporate bonds	11,200,000	11,163,220	(36,780)	11,200,000	11,174,840	(25,160)
(4) Derivative Transactions	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -

*1 The following methods are used to estimate the fair value of financial instruments:

(1) **Long-term loans payable due within one year and (2) long-term loans payable -** For long-term loans payable with floating interest rates, book values are used to determine their fair values as the fair values are considered to approximate the book values because these instruments reflect market interest rates over the short term. However, fair values of certain long-term loans payable with floating interest rates that qualify for the special accounting of interest rate swaps (refer to Note-19. Derivative Transactions below) are based on the method of calculating by discounting the sum of their principal and interest payments net of any cash flows from the interest-rate swap by estimated rates assumed in the event that NUD borrows new loans corresponding to the remaining periods. Moreover, fair values of long-term loans payable with fixed interest rates are based on the method of calculating by discounting the sum of their principal and interest by the rates assumed in the event that NUD borrows new loans corresponding to the remaining periods.

(3) **Corporate bonds -** Fair values of these instruments are calculated based on their market prices.

(4) **Derivative Transactions -** Refer to Note-19. Derivative Transactions below.

*2 Stocks and other securities with no market prices:

Investment securities - The preferred securities (recorded on the Balance Sheets at 20,035,175 thousand yen as of April 30, 2021 and October 31, 2021, respectively) are excluded from the disclosure of fair value of financial instruments in accordance with Paragraph 5 of Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 (revised 2020) issued on March 31, 2020).

*3 Planned repayment and redemption amounts of loans and corporate bonds as of April 30, 2021 and October 31, 2021 are as follows:

	Thousands of yen					
	April 30, 2021					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
Long-term loans payable	¥ 12,350,000	¥ 26,600,000	¥ 10,950,000	¥ 12,250,000	¥ 11,600,000	¥ 38,350,000
Corporate bonds	-	-	4,000,000	-	-	7,200,000
TOTAL	¥ 12,350,000	¥ 26,600,000	¥ 14,950,000	¥ 12,250,000	¥ 11,600,000	¥ 45,550,000

	Thousands of yen					
	October 31, 2021					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
Long-term loans payable	¥ 19,450,000	¥ 19,800,000	¥ 9,500,000	¥ 9,300,000	¥ 14,700,000	¥ 39,350,000
Corporate bonds	-	2,000,000	2,000,000	-	-	7,200,000
TOTAL	¥ 19,450,000	¥ 21,800,000	¥ 11,500,000	¥ 9,300,000	¥ 14,700,000	¥ 46,550,000

Note-18. Investment securities

Investment securities represent the preferred securities issued by UDX Special Purpose Company, which are backed by cash flows from Real Estate Property managed by UDX Special Purpose Company. NUD owns 53,580 units (19.0% equity) of the preferred securities (282,000 units in total) as of April 30, 2021 and October 31, 2021, respectively.

These securities are excluded from the disclosure of fair value in accordance with Paragraph 5 of Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 (revised 2020) issued on March 31, 2020).

Note-19. Derivative transactions

(a) **Derivatives to which hedge accounting is not applied -** Not applicable for the six months ended April 30, 2021 and October 31, 2021.

(b) **Derivatives to which hedge accounting is applied -** For the six months ended April 30, 2021 and October 31, 2021, the following table shows the contract amount or amount equivalent to the principal provided in the contract as of the closing date for each method of hedge accounting.

Type of hedge accounting	Type of derivative transactions, etc.	Major hedged item	Thousands of yen			
			April 30, 2021			
			Contract amount, etc.	Of which, exceeding one year	Fair value	Calculation method for the fair value
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; payable fixed	Long-term loans payable	¥ 83,880,000	¥ 78,930,000	*	-

Type of hedge accounting	Type of derivative transactions, etc.	Major hedged item	Thousands of yen			
			October 31, 2021			
			Contract amount, etc.	Of which, exceeding one year	Fair value	Calculation method for the fair value
Special accounting for interest rate swaps	Interest rate swap transaction Receivable floating; payable fixed	Long-term loans payable	¥ 87,080,000	¥ 67,630,000	*	-

* Transactions for which special accounting for interest rate swaps is applied are combined with long-term loans payable for accounting purposes. Accordingly, their fair value is included in the fair value of the relevant long-term loans payable.

Note-20. Rental property

NUD owns office buildings and residential properties for rental purposes mainly in the 23 wards of Tokyo. The book values of these rental properties recorded on the balance sheets as of April 30, 2021 and October 31, 2021, the changes during the fiscal period and their fair values are as follows:

	Thousands of yen							
	April 30, 2021				October 31, 2021			
	*1 Book value at November 1, 2020	*2 Increase and Decrease during the period	*1 Book value at April 30 2021	*3*4 Fair value at April 30 2021	*1 Book value at May 1, 2021	*2 Increase and Decrease during the period	*1 Book value at October 31 2021	*3*5 Fair value at October 31 2021
Office buildings	¥ 142,426,628	¥ 15,132,425	¥ 157,559,053	¥ 195,978,400	¥ 157,559,053	¥ (246,038)	¥ 157,313,015	¥ 194,604,000
Residential properties	67,722,947	(326,750)	67,396,196	86,100,000	67,396,196	(1,933,445)	65,462,750	86,890,000
TOTAL	¥ 210,149,575	¥ 14,805,675	¥ 224,955,250	¥ 282,078,400	¥ 224,955,250	¥ (2,179,484)	¥ 222,775,765	¥ 281,494,000

*1 The book values recorded on the balance sheets represent the amounts obtained by deducting the accumulated depreciation from the acquisition prices (including incidental expenses accompanying the acquisitions).

*2 Of the increases and decreases in rental properties during the period, major increases in the six months ended April 30, 2021 are due to the acquisition of Shinagawa Season Terrace (18,824,893 thousand yen) and the capital expenditures (1,121,898 thousand yen) for owned properties, and major decreases are due to the sale of Urbannet Kojimachi Building (3,623,974 thousand yen) and the depreciation (1,513,507 thousand yen). Major increases in the six months ended October 31, 2021 are due to the capital expenditures (939,822 thousand yen) for owned properties, and major decreases are due to the sale of Bureau Kioicho (1,590,909 thousand yen) and the depreciation (1,527,946 thousand yen).

*3 The fair values at the end of the fiscal periods in the above table are appraisal values based on external real estate appraisers.

*4 The fair value at April 30, 2021 in the above table includes Bureau Kioicho, which NUD sold as of May 7, 2021, based on its appraisal value as of April 30, 2021.

*5 The appraisal value of Sphere Tower Tennozu, which NUD sold as of December 10, 2021, for the fair value at October 31, 2021 in the above table uses the sale price indicated in the trust beneficiary interests transaction agreement for the property.

In addition, the operating revenues and expenses of the rental properties for the six months ended April 30, 2021 and October 31, 2021 are as follows:

	Thousands of yen					
	April 30, 2021			October 31, 2021		
	Real estate rental revenues	Real estate rental expenses	Real estate rental income	Real estate rental revenues	Real estate rental expenses	Real estate rental income
Office buildings	¥ 6,449,279	¥ 3,527,878	¥ 2,921,401	¥ 6,525,803	¥ 3,633,849	¥ 2,891,954
Residential properties	2,575,806	1,497,763	1,078,042	2,546,281	1,503,958	1,042,322
TOTAL	¥ 9,025,085	¥ 5,025,641	¥ 3,999,444	¥ 9,072,085	¥ 5,137,808	¥ 3,934,277

* The real estate rental revenues and real estate rental expenses are rental revenues and corresponding expenses (depreciation, property management fees, utilities, etc.), and are recorded in "Operating revenues" and "Operating expense," respectively.

Note-21. Segment information

(a) Segment information - Description has been omitted because the real estate business constitutes NUD's sole business segment.

(b) Related information -

(i) Information by product/service category - Description has been omitted because operating revenues from external customers in a single product/service category account for over 90% of the operating revenues on the profit and loss statements.

(ii) Information on geographical area -

Operating revenues - Description has been omitted because operating revenues from external customers in Japan account for over 90% of the operating revenues on the profit and loss statements.

Property and equipment - Description has been omitted because the amount of property and equipment located in Japan accounts for over 90% of the amount of property and equipment on the balance sheets.

(iii) Information by major customer - Description has been omitted because the operating revenues from a single external customer accounts for less than 10% of the operating revenues on the profit and loss statements.

Note-22. Subsequent events

(a) Issuance of new investment units

At the board of directors' meetings held on October 18, 2021 and October 25, 2021, NUD resolved on the issuance of new investment units as described below, in order to use the proceeds for acquiring new properties, etc. Payment was completed on November 1, 2021 for new investment units issued through public offering, and on November 29, 2021 for new investment units issued through third-party allotment. As a result, unitholders' capital increased to 132,637,845 thousand yen as of November 29, 2021, with the number of investment units issued and outstanding totaling 1,401,635 units.

[Issuance of new investment units through public offering]

Number of new investment units issued: 80,600 units
Issue price (offer price): 150,023 yen per unit
(Paid-in amount (issue amount): 145,176 yen per unit)
Payment date: November 1, 2021
Total paid-in amount (total issue amount): 11,701,185,600 yen
Date of commencement of distribution calculation: November 1, 2021
Use of funds: To partially fund acquisitions of properties (refer to (b) Acquisition of Properties below)

[Issuance of new investment units through third-party allotment]

Number of new investment units issued: 4,040 units
Paid-in amount (issue amount): 145,176 yen per unit
Payment date: November 29, 2021
Total paid-in amount (total issue amount): 586,511,040 yen
Allottee: SMBC Nikko Securities Inc.
Date of commencement of distribution calculation: November 1, 2021
Use of funds: To partially fund repayment of loans

(b) Acquisition of Properties - Pursuant to the basic investment policy and other policies, NUD acquired the following property:

		Tokyo Opera City Building
OVERVIEW OF ACQUISITION OF PROPERTY		
Type of property*1		Real estate
Acquisition price*2		22,000 million yen
Appraisal value*3		23,100 million yen (as of August 1, 2021) [Appraiser] Japan Real Estate Institute
Seller		NTT Urban Development Corporation
Contract date		October 18, 2021
Acquisition date		November 2, 2021
OVERVIEW OF THE REAL ESTATE PROPERTY		
Location (residential indication)		3-20-2 Nishi-Shinjuku, Shinjuku Ward, Tokyo
Use of building		Office, store, concert hall, museum, exhibition hall
Area	Land*4	18,262.35m²
	Total floor space*4	232,996.81m²
	Total leasable space*5	26,521.27m²
Structure of building*4		Steel frame, steel-framed reinforced concrete, and reinforced concrete structure with a flat-topped roof and a galvanized steel plate roof; 54 floors with 4 basement floors
Construction completion*4		July 1996

*1 NUD acquired compartmentalized ownership of the exhibition hall on the 4th to 6th floors of the building, the offices on the 3rd basement to the 1st floors, the machine room, the co-ownership interest of compartmentalized ownership of the parking lot (182,484/1,000,000), co-ownership interest of compartmentalized ownership in the concert hall, museums, stores, and restaurants on the 3rd basement to 6th floors and the 53rd and 54th floors (23,823/100,000), and the co-ownership interest of compartmentalized ownership in the offices and dining rooms on the 7th to 52nd floors (20,707/100,000), and equipment and rights associated with these (including the site use rights based on the management rules, the rights related to the common areas provided by policies etc.), and the ownership of a parcel of land (3-20-13 Nishi-Shinjuku, Shinjuku Ward, Tokyo, the land area: 3,831.06m²).

*2 The acquisition price represents the transaction price before consumption taxes, not including various expenses (such as real estate taxes) required for the acquisition of the property.

*3 The appraisal value indicates the price equivalent to the co-ownership interest, etc. of the compartmentalized ownership of the land and building that NUD acquired.

*4 The descriptions for "Area" of the land, "Total floor space" of the building, "Structure of building" and "Construction completion" are based on the information indicated in the certificate of registered matters. "Total floor space" of the building refers to the total floor space of the entire building. "Area" of the land is the total area of land subject to the management rules of the property. Among the 22 parcels in total (the total number of the parcels of the land subject to the management rules for the property), the 21 parcels other than 3-20-13 Nishi-Shinjuku, Shinjuku Ward, Tokyo that NUD acquired are owned by other compartmentalized owners of the building.

*5 "Total leasable space" indicates the total area calculated by multiplying the total leasable space of the entire property by the ownership ratio of each compartmentalized ownership of the real estate (building) that NUD acquired.

(C) Sale of Properties - Pursuant to the basic investment policy and other policies, NUD sold the following property:

		Sphere Tower Tennozu
OVERVIEW OF SALE OF PROPERTY		
Type of property*1		Beneficiary interest in a real estate trust
Sale price*2		18,000 million yen
Acquisition date		June 21, 2017
Acquisition price*3		15,000 million yen
Book value		15,543 million yen (as of October 31, 2021)
Impact on income		NUD plans to record 2,228 million yen in gain on sale of properties as operating revenues for the six months ending April 30, 2022.
Appraisal value*4		17,600 million yen (as of September 30, 2021) [Appraiser] Aoyama Realty Advisors Inc.
Buyer*5		A domestic corporation
Contract Date		October 18, 2021
Sale date		December 10, 2021
OVERVIEW OF THE PROPERTY HELD IN TRUST		
Location (residential indication)		2-2-8 Higashi-Shinagawa, Shinagawa Ward, Tokyo
Use of building*6		(1) Office, store, parking lot (2) Machine room (heating and cooling facility for the region)
Area	Land*6	6,106.11m²
	Total floor space*6	(1) 43,477.68m² (2) 3,674.04m²
	Total leasable space*7	17,909.32m²
Structure of building*6		(1) Steel frame, reinforced concrete and steel-framed reinforced concrete structure with a flat-topped roof; 27 floors with 2 basement floors (2) Reinforced concrete structure with a flat roof: 4 basement floors
Construction completion*6		(1) April 1993 (2) June 1991

*1 The transferred property is quasi co-ownership interest (ownership ratio: 67/100) of trust beneficiary interest with the ownership and co-ownership interests of the following land and buildings as trust property.
(Land) Ownership
(Building) (1) Ownership
(2) Co-ownership interest (ownership ratio: 3,444/10,000) related to the assets co-owned by the owner of the adjacent land on the north side and the trustee.
*2 The sale price represents the transaction price before consumption taxes, not subtracting various expenses (such as real estate taxes) required for the transfer of the property.
*3 The acquisition price represents the transaction price before consumption taxes, not including various expenses (such as real estate taxes) required for the acquisition of the property.
*4 The appraisal value indicates the price equivalent to the quasi co-ownership interest (ownership ratio: 67/100) of the trust beneficiary interest that NUD transferred.
*5 The name, etc. of the buyer are not disclosed as no consent to disclosure has been obtained from the domestic corporation.
*6 The descriptions for "Use of building," "Area" of the land, "Total floor space" of the building, "Structure of building" and "Construction completion" are based on the information indicated in the certificate of registered matters. "Area" of the land refers to the total area of the entire land, and "Total floor space" of the building refers to the total floor space of the entire buildings.
*7 "Total leasable space" indicates the figure calculated by multiplying the figure of the entire property by the quasi co-ownership interest ratio (ownership ratio: 67/100) of the trust beneficiary interest that NUD transferred.

For the six months ended April 30, 2021 and October 31, 2021

CAPITAL EXPENDITURES

1. Capital Expenditures

NUD plans to incur capital expenditures for scheduled renovations, etc. of the portfolio it owns, including the following material expenditures. Please note that the planned construction expenditures shown below may include portions that will be recorded as expenses for accounting purposes.

Name	Address	Purpose	Scheduled Period	Planned Construction Expenditures (thousands of yen)		
				Total	Amount Paid during the 38th Fiscal Period	Amount Paid before the 38th Fiscal Period
Urbannet Ikebukuro Building	Toshima Ward, Tokyo	Renovation of elevator equipment	February 2021 – April 2022	119,318	60,076	60,076
Urban Ace Higobashi Building	Nishi Ward, Osaka City, Osaka	Renovation of air-conditioning units and systems	October 2021 – April 2022	53,625	-	-
KN Shibuya No.3	Shibuya Ward, Tokyo	Renovation of elevator equipment	October 2021 – April 2022	49,487	-	-
Premier Yokohama Nishiguchi Building	Nishi Ward, Yokohama City, Kanagawa	Renovation of sanitary facilities	November 2021 – April 2022	47,394	-	-
Granpark	Minato Ward, Tokyo	Renovation of air-conditioning units and systems	September 2021 – March 2022	28,983	-	-
Urbannet Gotanda NN Building	Shinagawa Ward, Tokyo	Renovation of substation equipment	December 2021 – February 2022	28,938	-	-
Urbannet Mita Building	Minato Ward, Tokyo	Renovation of sanitary facilities	November 2021 – January 2022	27,324	-	-
KN Shibuya No.3	Shibuya Ward, Tokyo	Replacement of blinds	November 2021 – April 2022	22,246	-	-

2. Capital Expenditures during the 38th Fiscal Period

The following is an overview of major construction classified as capital expenditures during the 38th fiscal period (May 1, 2021 - October 31, 2021) for the portfolio owned by NUD. Capital expenditures during the period totaled 939,822 thousand yen. This amount, combined with maintenance and repair expenditures of 699,234 thousand yen, was classified as operating expenses for the period, aggregating a total of 1,639,057 thousand yen representing renovation expenditures.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Sphere Tower Tennozu	Shinagawa Ward, Tokyo	Renovation of piping facilities	June 2021 - October 2021	63,706
Urbannet Ikebukuro Building	Toshima Ward, Tokyo	Renovation of elevator equipment	February 2021 - October 2021	60,076
The Kanagawa Science Park R&D Building	Takatsu Ward, Kawasaki City, Kanagawa	Renovation of air-conditioning units and systems, etc.	December 2020 - July 2021	52,409
KN Shibuya No.3	Shibuya Ward, Tokyo	Renovation of power boards	June 2021 - October 2021	46,469
Urbannet Azabu Building	Minato Ward, Tokyo	Renovation of facilities related to air-conditioning equipment	August 2021 - October 2021	40,282
Urbannet Mita Building	Minato Ward, Tokyo	Renovation of water supply and drainage facilities	August 2021 - October 2021	40,102
Urban Ace Higobashi Building	Nishi Ward, Osaka City, Osaka	Renovation of air-conditioning units and systems	June 2021 - October 2021	38,564
The Kanagawa Science Park R&D Building	Takatsu Ward, Kawasaki City, Kanagawa	Renovation of air-conditioning units and systems, etc.	April 2021 - October 2021	29,778
Premier Yokohama Nishiguchi Building	Nishi Ward, Yokohama City, Kanagawa	Renovation of sanitary facilities	July 2021 - October 2021	28,334
Premier Dogenzaka Building	Shibuya Ward, Tokyo	Renovation of elevator equipment	March 2021 - September 2021	22,253
Other construction				517,843
TOTAL				939,822

3. Amounts Reserved for Long-Term Maintenance and Repair Plans

Item / Fiscal Period	Thousands of yen	
	37th Fiscal Period (November 1, 2020 – April 30, 2021)	38th Fiscal Period (May 1, 2021 – October 31, 2021)
Deposits at end of the preceding period	623,440	637,763
Deposits made during the period	14,323	14,323
Amounts used from deposits during the period	-	1,200
Deposits carried forward to the next period	637,763	650,886

OVERVIEW OF FUND PROCUREMENT

1. Borrowing of Funds, etc.

(1) NUD refinanced the 5,000 million yen in total in long-term loans borrowed on June 21, 2017 into long-term loans on May 31, 2021. The following table shows the overview, including the lenders, of the 5,000 million yen in the long-term loans:

Lenders	Sumitomo Mitsui Banking Corporation	Mizuho Bank, Ltd.
Amount of Debt Finance	3,200 million yen	1,800 million yen
Drawdown Date	May 31, 2021	
Principal Repayment Date	May 31, 2028	May 31, 2030
Principal Repayment Method	Lump-sum repayment upon maturity	
Interest Rate	Fixed rate * (0.41505%)	Fixed rate (0.52375%)
Collateral/Guarantee	Unsecured and non-guaranteed	

* As NUD has conducted an interest rate swap transaction for the balance of the loan in order to reduce the interest rate fluctuation risk, the fixed rate interest obtained by taking into account the effect of the interest rate swap transaction is indicated.

(2) NUD refinanced the 2,000 million yen in a short-term loan borrowed on July 31, 2020 into a short-term loan on July 30, 2021. The following table shows the overview, including the lender, of the 2,000 million yen in the short-term loan:

Lenders	Mizuho Bank, Ltd.
Amount of Debt Finance	2,000 million yen
Drawdown Date	July 30, 2021
Principal Repayment Date	July 29, 2022
Principal Repayment Method	Lump-sum repayment upon maturity
Interest Rate	Floating rate (1-month TIBOR + 0.16%)
Collateral/Guarantee	Unsecured and non-guaranteed

(3) NUD refinanced the 2,400 million yen in a long-term loan borrowed on November 18, 2014 into a long-term loan on September 30, 2021. The following table shows the overview, including the lender, of the 2,400 million yen in the long-term loan:

Lenders	Mizuho Bank, Ltd.
Amount of Debt Finance	2,400 million yen
Drawdown Date	September 30, 2021
Principal Repayment Date	September 30, 2031
Principal Repayment Method	Lump-sum repayment upon maturity
Interest Rate	Fixed rate (0.57250%)
Collateral/Guarantee	Unsecured and non-guaranteed

As a result of the above, NUD's interest-bearing liabilities totaled 126,500 million yen as of October 31, 2021. The breakdown is as follows: 3,200 million yen in short-term loans, 112,100 million yen in long-term loans (including long-term loans due within one year) and 11,200 million yen in corporate bonds. Of the total interest-bearing liabilities, long-term interest-bearing liabilities accounted for 97.5%.

* Ratio of long-term interest-bearing liabilities = total long-term interest-bearing liabilities/total interest-bearing liabilities x 100%

2. Credit Ratings

NUD has been granted the following issuer and bond credit ratings.

Rating Agency	Rating	
	Issuer rating (Rating outlook)	Bond rating
Japan Credit Rating Agency, Ltd. (JCR)	AA- (Stable)	AA- *

* The bond rating has been granted to the 7th Unsecured Corporate Bonds, the 8th Unsecured Corporate Bonds, the 9th Unsecured Corporate Bonds (with pari passu conditions among specified investment corporation bonds) (green bonds) (total issue price: 2,000 million yen) and the 10th Unsecured Corporate Bonds (with pari passu conditions among specified investment corporation bonds) (green bonds) (total issue price: 3,200 million yen).

I. INVESTMENT POLICY

1. Basic Policy

NTT UD REIT Investment Corporation (NUD) shall invest in real estate located primarily in the Tokyo metropolitan area, comprising buildings and land which are primarily for office and residential uses, as well as in securities and other assets that are backed by such real estate. NUD shall conduct management with an aim to ensure solid growth of its assets and to secure stable earnings from medium- to long-term perspectives.

NTT Urban Development Asset Management (UDAM), the asset manager of NUD, has established Asset Management Guidelines as its internal rules for conducting asset management of NUD.

UDAM has established such Asset Management Guidelines based on the belief that they should be most suited to the basic policy for managing the assets of NUD in light of the existing market environment and economic conditions. The following is a summary of the Guidelines:

2. Portfolio Management Standards Based on Basic Policy

1. Holding Period

In principle, all investment assets are held for the medium to long term. No assets will be acquired solely for the purpose of divestiture after a short period of time.

2. Acquisition Standards

A) Acquisition Standards

In acquiring investment assets in which NUD invests, UDAM shall comprehensively investigate the real estate market situation over the medium to long term, the investment returns assumed from the acquisition prices of and the expected income from relevant investment assets, fluctuations in asset values and their forecasted fluctuations, prospects and stability of areas where the properties are located, building size, building and facility specifications, earthquake resistance performance, status of rights, tenants, property management conditions, environment and soil quality, current responses to deterioration or obsolescence of real estate, projected future capital expenditures thereof, status of insurance and other factors, and select investments after considering the importance of these assets in the portfolio structure. In doing so, steps shall be taken to construct a portfolio that clearly classifies the strategic position of these investment assets.

B) Use see table on page 57

a. NUD shall invest in real estate, its leasehold interest or surface rights (chijo-ken), real estate in trust underlying its beneficial interests, its leasehold interest or surface rights, and real estate underlying equity investments in real estate backed securities or anonymous partnerships (hereinafter, "Real Estate Backed Securities, etc."), its leasehold interests or surface rights (collectively referred to as "Investment Real Estate"), all of which shall be primarily for office and residential uses. However, such properties may in some cases be used partially for retail or other purposes. Consequently, the office buildings and residential properties acquired by NUD may include properties that are partially used for retail or other purposes.

b. In consideration of the characteristics of each real estate use indicated in the table on page 57, NUD works to ensure diversification of property uses by investing primarily in both office buildings and residential properties while assigning a relatively high importance to office buildings, aiming to minimize the adverse effects of changes in economic and social conditions on NUD's earnings and ensure creation of stable cash flow over the medium to long term.

C) Areas see table on page 58

a. As noted above, NUD's investments are focused primarily in the Tokyo Economic Bloc, which is characterized by high concentrations of people and industries and an established economic foundation, and in Major Regional Cities.

b. Specifically, by dividing the investment target areas into the categories of the 5 Central Wards of Tokyo, the Other 18 Wards of Tokyo, the Urban Areas Surrounding Tokyo and the Major Regional Cities, and by considering the balance between those categories while concentrating on the 5 Central Wards, NUD seeks to achieve a portfolio diversified by asset type comprising office buildings and residential properties. The targeted ratio of office buildings to residential properties is stated above. Based on the abovementioned basic policy, NUD diversifies its investment targeting to achieve a geographical split as indicated in the table on page 58 for both office buildings and residential properties (each of which is set at 100% in the table).

D) Asset Size per Property see table on page 58

a. Office buildings

In principle, office buildings with leasable floor space of approximately 2,000m² or more, and standard floor sizes of approximately 300m² or more, are the investment targets.

b. Residential properties

In principle, residential properties of the sizes indicated in the table on page 58 are the investment targets (in accordance with the classifications by unit type).

For both office buildings and residential properties, NUD will determine the appropriate size of each property based on the standards above and by considering the regional characteristics of the location and the compatibility of asset size with the location.

E) Due Diligence see table on page 59

NUD decides on whether or not it will acquire investment assets in a comprehensive manner after conducting economic, physical and legal inspections of the assets. The table on page 59 lists the items that are, in principle, investigated in conducting such economic, physical and legal inspections. However, since the importance of each item listed in the table in deciding on the acquisition of investment assets may differ depending on the use of the Investment Real Estate or the type and nature of the investment assets, NUD will not necessarily examine all of the said items before acquiring the investment assets. In addition, the investment assets acquired by NUD may not in the end satisfy all of the standards of such items, which are intended for

Use

Use	Key Investment Points (Note 1)
Office Buildings	a. In the real estate market of Japan, office buildings are relatively less individualized and are available in a greater stock compared to real estate provided for other uses, and therefore may be considered relatively superior with respect to market scale and liquidity. For these reasons, NUD has positioned office buildings as its primary investment target. b. Demand from tenants (lessees) for office buildings may fluctuate, due to business cycles and other economic trends. Consequently, this might adversely affect NUD's profitability with regard to its office buildings. However, compared to real estate for other uses, office buildings are generally expected to generate relatively higher levels of profitability. c. NUD will consider acquisition of large-scale office buildings with great care, after thoroughly investigating future supply and demand trends and location characteristics.
Residential Properties	a. NUD invests in Japanese rental residential properties commanding relatively high quality in terms of designs of exteriors, entrances and other areas, specifications of story height, exterior walls and other items, total floor space, floor plans and other aspects. b. Rental residential properties are relatively resistant to adverse changes in economic and social conditions compared to real estate for other uses, and thus are expected to yield relatively stable earnings. Due to such characteristics, NUD has positioned rental residential properties as part of the main investment target for the purpose of stabilizing cash flow and diversifying investment assets. c. As of the date of this document, UDAM expects that the market for rental residential properties in the Tokyo Economic Bloc will expand and diversify over the medium to long term due to the effects of the recent demand for returning to city centers and lifestyle changes. However, if UDAM determines that the aforementioned characteristics have been damaged due to changes in the market or other reasons, different investment decisions may be made. d. Since tenants of rental residential properties are particularly selective about geographical areas, and different markets are formed for different types of residential properties, NUD invests in said properties based on the following analyses and understandings of the future supply and demand trends and other factors in accordance with the characteristics of respective property types.
(Classification by type of residential properties) Wide	c. This type refers to residential properties specially planned and designed for expatriates (i.e., persons dispatched or set off from abroad to offices established in the Tokyo Economic Bloc by Western and multinational companies) under limited location conditions in accordance with their lifestyles. b. Recently, the tenant demand for these properties has increased among wealthy Japanese families as well. Like those described in a. above, these tenants have higher creditworthiness than those of other types of residences, and the risk of delinquent rent and similar problems with regard to such tenants appears to be low. c. Because the properties with this type of units are in shorter supply than office buildings, residential properties intended for Japanese residents and real estate for other uses, stable income is expected due to its scarcity and other features. Also, depending on the quality of management performance, differences in profitability may arise regarding investments in these properties.
Family	a. This type refers to residential properties intended for mean-income Japanese families (especially families with three or more members, including children), and are designed to meet their lifestyles. b. Generally, these families tend to place emphasis on neighborhood scenes and living environments; thus, they tend to prefer locations away from the center of Tokyo. These properties are expected to yield relatively high levels of profitability.
DINKs	a. This type refers to residential properties intended for young households (without children) where both partners work, and are designed to meet their lifestyles. (DINK is the acronym for "Double Income, No Kids.") b. Demand of these tenants tends to focus on areas with convenient commuter access to the center of Tokyo. Since those properties appear to be in short supply in such areas and said households of DINKs earn high levels of income, these properties have a scarcity value, and are expected to yield relatively high profitability.
Single	a. This type refers to residential properties intended for persons living alone, and are designed to meet their lifestyles. b. Together with diversifying lifestyles, the market for more spacious and higher-quality residential properties targeting singles is growing steadily, and such properties are expected to continue yielding stable profitability going forward. c. Since the 5 Central Wards of Tokyo (Note 2), especially Minato, Shinjuku and Shibuya Wards, enjoy higher average rents and more stable demand with respect to these properties compared to other areas, investments in properties located in these wards may increase cash flow.

(Note 1) The "Key Investment Points" in the table above reflect the current views of UDAM as of the date of this document. These points may change due to future economic and real estate market trends. Moreover, they provide no guarantee of future trends regarding the degree of importance of properties for different uses, future earnings yield thereon or other considerations.

(Note 2) The 5 Central Wards of Tokyo in this Semiannual Report refer to Chiyoda, Chuo, Minato, Shinjuku and Shibuya Wards (hereinafter the same).

the inspections and investigations for deciding on the acquisition of the investment assets.

F) Standards for Tenant Selection

see table below

a. Credit, as well as other information, is checked regarding prospective tenants in line with the attribute classifications indicated in the table below. With respect to checks of corporate tenants, when their credit status cannot be determined from the materials obtained or when otherwise deemed necessary, databases of outside research agencies and other materials will be used. When examination results of credit checks and other matters are recognized to be satisfactory, judgment will be made on the appropriateness of executing a lease agreement after comprehensively considering rent level, term of lease, amount of deposit, type of tenant business, balance with other tenants in the subject property, size and configuration of desired space, and other matters.

b. Concerning current tenants and new tenants with whom lease agreements have been concluded, NUD as a rule intends to maintain long-term relationships to the fullest extent possible. However, in Japan, the term of a lease agreement for both office buildings and residential properties is usually two years. Moreover, many agreements include provisions that allow tenants to cancel the agreement by providing notice in advance for a certain period of time. Such provisions are also included in many of the lease agreements for the investment assets of NUD.

G) Amount of Investment

a. From the standpoint of increasing the efficiency of asset and real estate management, the smallest amount of investment in each investment asset will be one billion yen (¥1,000,000,000) (which only covers the purchase price and excludes taxes, acquisition fees, etc.) as a rule.

b. On the other hand, the maximum ratio of the investment amount of a single investment asset will, in principle, be 25% of the total amount invested in the investment assets after investing in that single asset, and an investment decision shall be made after considering the overall portfolio structure and effects of investments for diversification.

3. Sales Standards

A) The basic policy is to hold the investment assets acquired by NUD over the medium to long term. In principle, NUD does not plan to sell the acquired investment assets over the short term.

B) Considered in the medium to long term, however, NUD may investigate sales of its investment assets after the portfolio structure is strategically classified, comprehensively taking into consideration such factors as real estate market conditions, projected future earnings, current fluctuations and forecasted fluctuations in asset values, future prospects and stability of areas where the properties are located, and projected capital expenditures, etc. arising from the deterioration or obsolescence of the real estate. Moreover, while

Areas

Area	5 Central Wards of Tokyo	Other 18 Wards of Tokyo	Urban Areas Surrounding Tokyo (Note 1)	Major Regional Cities (Note 2)
Office buildings	50% or more	0% - 20%	0% - 40%	0% - 20%
Residential properties	50% or more	0% - 40%	0% - 20%	0% - 20%

(Note 1) The Urban Areas Surrounding Tokyo refers to Tokyo Prefecture excluding the 23 wards of Tokyo, Kanagawa Prefecture (Yokohama City, Kawasaki City and other cities), Saitama Prefecture (Saitama City and other cities) and Chiba Prefecture (Chiba City and other cities) (hereinafter the same).

(Note 2) The Major Regional Cities refers to such cities as Sapporo, Sendai, Shizuoka, Nagoya, Osaka, Kyoto, Kobe, Hiroshima, Okayama and Fukuoka, etc. (hereinafter the same).

(Note 3) Diversification ratios by area show the respective ratios of office buildings and residential properties. Since the figures in the table represent ranges, the total of such figures is not necessarily 100%. Although NUD makes investments by aiming to achieve the ratios above, the actual ratios may differ in the course of acquiring the investment assets.

Asset Size per Property

	Dedicated Use Area per Rental Unit	Number of Rental Units
Wide	80m² or more	10 or more
Family	60m² or more	20 or more
DINKs	40-80m²	20 or more
Single	25-40m²	30 or more

Standards for Tenant Selection

Classification	Check Items (Details)
Corporations	1. Business types, business history, financial details (i.e., financial soundness), etc. 2. Purpose of lease (e.g., purpose of use, period) 3. Existence or non-existence of joint and several guarantors and attributes of such guarantors
Individuals	1. Office and details of employment, service years, etc. 2. Annual income (and the proportion of the total amount of rent to annual income, etc.) 3. Purpose of lease (e.g., purpose of use, period and number of residents) 4. Existence or non-existence of joint and several guarantors and attributes of such guarantors (e.g., relationship with such individuals) 5. Age, gender, family structure, etc.

Due Diligence

Item		Details
Economic Inspection	Tenant inspection	1. Financial credibility, status of rent collection, etc. of tenants 2. Tenants' business types, number of tenants, purposes of use, etc. (including household conditions for residential properties) 3. Past occupancy rates, rent trends and future expectations 4. Proportion occupied by each tenant, diversification of tenants, etc.
	Market research	1. Market rents, occupancy rates, trends in competing properties and tenant demand, etc.
	Income-related	1. Inspection of competitive strength, including ability to attract tenants and resale potential 2. Lease agreement levels, lease agreement structures, and possibility of renewal of such agreements 3. Expense levels, structures of agreements related to expenses, and possibility of renewal of such agreements 4. Inspection of appropriate levels of rents and expenses, and possibility of projected future expense burdens 5. Comparison of maintenance and repair plans with actual funds accumulated
Physical Inspection	Location	1. Condition of roadways, access to primary means of transport (e.g., passenger trains), numbers of users of primary means of transport 1. Location and accessibility of convenience facilities, commercial facilities, public offices, and recreational facilities, status of usage of neighboring and nearby land, and future indicators (all of which are specific to residential properties) 3. Status of sunlight, vistas, views, noise, etc. (all of which are specific to residential properties) 4. Area's name value, reputation, scale, etc.
	Construction, facilities and specifications	1. For both office buildings and residential properties: Design, primary structure, building age, construction companies, etc. 2. Conditions of interior and exterior components Office buildings: Configuration of rental floors, free-access floors (e.g., OA floors), subdivision measures, ceiling heights, electrical capacity, air-conditioning system, floor load, illuminance, security measures, water supply and drainage facilities, elevator facilities, parking, other common facilities, etc. Residential properties: Configuration of rental rooms, floor plans, ceiling heights, security measures, broadcast reception equipment, water supply and drainage facilities, elevator facilities, parking for cars and bicycles, assembly rooms, other common facilities, etc.
	Earthquake resistance	1. Achievement of abilities in line with new earthquake-resistant construction standards (the earthquake-resistant construction standards based on the Building Standards Act revised in 1981) or equivalent or higher standards 2. In principle, the probable maximum loss (PML) value caused by an earthquake should be less than 20%. Reinforcement work for earthquake resistance or other similar measures must be taken for a property with a PML of 20% or more for acquiring the property.
	Property management	1. Compliance with applicable laws and regulations (specifically, the Fire Service Act, City Planning Act and other building-related laws and regulations), etc. 2. Estimates of future maintenance and repair expenses (for the next ten years or so) based on building condition reports 3. Quality of property management, existence or non-existence of and terms of management bylaws, and the quality and financial credibility of a property management company
	Environment, ground characteristics, etc.	1. Status of use and management of hazardous materials such as asbestos, chlorofluorocarbons, and PCBs 2. Soil quality, land use history, status of soil contamination, etc.
Legal Inspection	Title, etc.	Matters relating to rights in a property, including the following items, will be carefully investigated, considering the reliability of titles of former owners and other parties. Particularly careful investigations are required with regard to properties with complex title arrangements such as those for which NUD does not hold any ownership or not hold ownership independently (e.g., properties for which NUD holds co-ownership or compartmentalized ownership or leased land). 1. Completion or incompletion of the perfection of a leasehold interest and review of other interests or rights superseding the leasehold interest 2. Existence or non-existence of registration of rights for a site where the building is located, existence or non-existence of (i) restrictions on separate disposition of a building and the right for a site where a property is located and (ii) registrations thereof, and (iii) proportions of ownership shares 3. Measures for securing the repayment of deposit money, and policies and measures concerning reserve funds accumulated for long-term maintenance and repair plans 4. Existence or non-existence of (i) special agreements prohibiting separation of co-ownership interest and (ii) registration thereof, appropriate measures concerning such matters as requests for separation of co-ownership interest and sales of said co-ownership interests, and obligations and rights between such owners 5. Compartmentability of compartmentalized ownership 6. Status of collateral established before acquisition of the property by NUD, terms of such collateral agreement, and whether any such collateral agreement is to be succeeded 7. Terms of agreements, special agreements, etc. which are executed with lessors of leasehold interests, compartmentalized owners, co-owners and other related parties (particularly, existence or non-existence of first refusal right, and details of such right) 8. Attributes of lessors of leasehold interests, compartmentalized owners, co-owners and other related parties (including whether they are corporations or individuals) 9. Terms of trust agreements in the case of trust beneficial interests of real estate in trust
	Property line inspection	1. Status of confirmation of boundaries, existence or non-existence of any assets extending beyond boundaries, and related circumstances
	Tenant attributes	1. Purpose of use by tenants, and formats of agreements with tenants 2. Existence or non-existence of any disputes with tenants

the sales policy for each investment asset will basically be determined in the annual asset management plan, this plan may be revised as necessary.

a. Strategic classifications

Classification	Strategic Significance
Core Assets	Assets with respect to which the basic policy is to carry over in the long term for the purpose of ensuring medium- to long-term stability of earnings.
Active Assets	The investment assets with higher liquidity, from which earnings based mainly on medium- to long-term rent income (income gains) are obtained, provided that the total returns (income gains plus capital gains) including earnings from sale (capital gains) based on the increased asset values (value enhancement) from the increase in the income gains after acquisition, are also intentionally and proactively sought.

1) The targets of the investment assets classified by NUD as active assets are as follows: The amount of investment per investment asset is four billion yen (¥4,000,000,000) or less for an office building and two billion yen (¥2,000,000,000) or less for a residential property.
2) The upper limit on active assets as a proportion of the portfolio shall be 20% as a rule.

b. Specific cases where sale will be considered

1) When a strategic sale would contribute to earnings of NUD:
[Example] When the property value increases through improved profitability resulting from measures such as lower vacancy rates, higher rent income, or reduced expenses.
2) When an investor offers an attractive purchase price:
[Example] When the prospective purchaser indicates a strong intent to purchase, for instance, by making an attractive bid that exceeds appraisal value by 10% or more or otherwise exceeds the estimated value in the surrounding area due to such prospective purchaser's special circumstances.
3) When the property has lost strategic importance:
[Example 1] When the age of the property reduces its profitability, and it is determined that the targeted earnings will not be achieved even with additional allocation of capital.
[Example 2] When another investment asset with higher profitability has been acquired in the same area, or the fact that the marketability in the surrounding area has remarkably declined or other circumstances are judged to have led the asset to lose importance in the portfolio structure.
4) When the property is sold from a financial viewpoint:
[Example 2] When a reduction in the interest-bearing liabilities ratio is intended.

C) The Investment Real Estate related to the investment assets to be sold will be sold through measures such as the acceptance of competitive bids over a limited period and use of competitive real estate brokers and specialized agents, so that sales at high prices can be realized.

4. Policy for Investment in Development Projects

NUD shall, in principle, acquire investment assets that provide or promise stable rental income or similar earnings. NUD does not intend to acquire undeveloped land and construct buildings thereon. However, with regard to an investment property being constructed by a third party, NUD may decide on investing in it even before completion if, for example, it is determined that such property under construction is capable enough to securely attract tenants after completion and risks regarding completion and delivery have been minimized. In this case, the investment determination shall be made by comparing the benefits of acquiring such an investment asset with the negative impact of not earning rental income over the period until the asset begins to generate such income, as well as other risks possibly borne by NUD in connection with acquiring the investment asset.

5. Investment Policy for Real Estate Backed Securities, etc.

When NUD invests in the Real Estate Backed Securities, etc., the investment decision shall be made after additionally investigating the following items.

A) The Investment Real Estate underlying the Real Estate Backed Securities, etc. shall be assets compliant with the Targets and Policies of Asset Management stipulated in the Attachment to the Articles of Incorporation of NUD.

B) In principle, NUD shall be given an opportunity to acquire the underling Investment Real Estate when it is being sold.

C) The same policy as indicated in the above subparagraph shall be followed when NUD invests in the Real Estate Backed Securities, etc. of which the underlying Investment Real Estate is development properties.

6. Insurance Policy

Determination as to whether or not the investment assets should be insured against earthquake damage will be made by comparing the effects of such a disaster with the cost of casualty insurance premiums, using the PML value of the entire portfolio as a basis. If any individual property has a high PML value, taking out an earthquake insurance policy on such individual property will be considered.

(Note) Probable Maximum Loss (PML) refers to the maximum estimated rate of loss resulting from an earthquake. Although there is no single precise definition of PML, as used here, PML refers to the ratio (in terms of percentage) of projected construction costs to restore the damaged building to the state before suffering damage to total reconstruction work costs (replacement price) for the said building when there occurs the strongest earthquake (Probable Maximum Earthquake (PME): a major earthquake occurring once every 475 years with a 10% probability of occurrence during every fifty-year period) expected to occur in the area where the building is located. Furthermore, the PML value does not consider the impact of destruction of neighboring buildings or damages by water, fire or other causes.

7. Investment Policy for Healthcare Facilities

A) Investment Policy for Healthcare Facilities

When NUD invests in "serviced apartments for the elderly" as defined in the Act on Securement of Stable Supply of Elderly Persons' Housing (Act No. 26 of 2001, as amended) and "fee-based homes for the elderly" and "group homes for the elderly with dementia" as defined in the Act on Social Welfare for the Elderly (Act No. 133 of 1963, as amended) (hereinafter, collectively referred

to as "healthcare facilities"), it shall refer to the "Guideline related to the utilization of healthcare REITs targeting housing for the elderly, etc." announced by the Ministry of Land, Infrastructure, Transport and Tourism on June 27, 2014; receive advice from outside experts who, based on their experience in investment, financing, due diligence, real estate appraisal and operations of healthcare facilities, fully understand the business characteristics of healthcare facilities where living services and nursing services are provided (hereinafter, the "outside experts"); and pay attention to the following points.

a. Due diligence in consideration of the business characteristics
When acquiring relevant healthcare facilities, business due diligence (including investigations on the operational ability of the operators for the facilities and the stability of their business management, tours to the facilities conducted as needed, and hearing from the facility heads) shall be implemented to analyze the durability and stability of their business in consideration of the business characteristics of healthcare facilities, either by receiving advice from the outside experts or consign the relevant operations to the outside experts.

b. Publicity of the healthcare REIT scheme
NUD shall encourage the operators to let the facility users fully understand the scheme of the investment corporation system and performance results and initiatives by investment corporations, etc. When necessary, UDAM shall also work to make the users familiar with these matters.

c. Confirmation of appropriate operations of healthcare facilities
In order to ensure that facility users feel secure, confirmation shall be made as to legal compliance and responses to notifications, etc. from local governments regarding such matters as the conditions and use fees of the facilities and contract details. For fee-based homes for the elderly (excluding those registered as serviced apartments for the elderly), in particular, it shall be noted that local governments have prepared guidelines for guiding principles that suit the local situations, in reference to the Standard Guidelines for the Establishment and Operation of Fee-Based Homes for the Elderly (Rouhatsu 0718003, Notice by the Director of Health and Welfare Bureau for the Elderly dated July 18, 2002), and conduct administrative guidance based on the principles.

d. Securing appropriate operations of healthcare facilities
In order to ensure that facility users feel secure, NUD shall request the operators to express in the lease contracts or alternative agreements and memorandums between NUD and the operators that, with regard to the use fees and contract details, they will comply with relevant laws and regulations that are applicable to the healthcare facilities that may be managed by NUD and that they will operate such facilities in response to the administrative guidance.

e. Other
With regard to a through d above, regulations on real estate investment trusts and real estate investment corporations designated by The Investment Trusts Association, Japan ("Investment Trusts Association"), etc. shall be abided by so that the users do not feel uneasy.

8. Financial Policy

A) Loans and Corporate Bonds

a. In order to achieve the steady growth of management assets and efficient and stable operation of investments, NUD may borrow funds or issue corporate bonds to raise funds to acquire or repair assets, pay distributions, fund NUD's operation, or repay debts (including repayment of deposit money, loans and obligations of its corporate bonds (including short-term corporate bonds; hereinafter referred to as "Corporate Bonds"). However, the respective maximum limit of the loans and bond issuances shall be one trillion yen (¥1,000,000,000,000) and the combined amount shall not exceed one trillion yen (¥1,000,000,000,000) (Articles 14-1 and 14-3 of the Articles of Incorporation).

b. In the case of borrowing funds in accordance with above a., NUD shall select effective means of funding from the perspective of the term of the loan and the fixed or floating interest rate structures, and aim to raise funds at low costs after comprehensively considering the capital market and the financial environment, and after making projections concerning future changes in economic and social climates. Moreover, in order to flexibly respond to the capital needs for the acquisition of new investment assets, repayment of security deposits or other monies in custody for tenants, or other events, NUD may enter into agreements (e.g., commitment line agreements) by which a credit line will be established in advance or NUD may conclude agreements on the reservation of loans at any time it requires.

c. When borrowing funds in accordance with above a., the said funds shall only be borrowed from qualified institutional investors designated by the Financial Instruments and Exchange Act (hereinafter referred to as "FIEA") (on the condition, however, that they are the institutional investors designated in the "Special Tax Measures for an Investment Corporation" under the Act on Special Measures Concerning Taxation).

d. NUD may offer its investment assets as collateral for borrowed funds or the issuance of corporate bonds.

e. NUD shall aim to maintain the ratio of the balance of loans and issued corporate bonds to total assets (Note) at 60% or less. However, in connection with the acquisition of new investment assets and other circumstances, this ratio may tentatively exceed 60% for a short period of time.

(Note) Total assets shall be the amount obtained by adding the book value of the preferred securities as of the end of the most recent fiscal period to the value of the beneficial interests calculated on the basis of the appraisals by real estate appraisers as of end of the said fiscal period.

B) Issuance of Investment Units for Subscription

a. To raise funds, NUD may, upon approval of the Board of Directors, issue investment units for subscription.

b. Issuance of investment units for subscription shall be determined by considering NUD's financial situation, including the loan-to-value ratio, and the dilution of the investment units.

3. Property Management Policy

A) In managing real estate, NUD intends to maintain and enhance the value and competitiveness of its assets through continuous capital expenditures made from a medium to long-term perspective, and aims to achieve steady growth in investment returns through higher earnings (e.g., increases in rents, decreases in vacancy rates, and prolonging and fixing the terms of agreements) and reduced expenses (e.g., reduction in outsourcing fees, utility expenses and other fees and expenses).

B) UDAM shall select an appropriate party to contract with for the provision of property management services for each acquired investment property by considering the details of the items listed below. If such a party falls under the category of interested parties as stipulated in the Regulations on Transactions with Interested Parties, UDAM shall consign the property management services to the party only when the standards and procedures stipulated in the said Regulations are satisfied, on top of the following requirements.
In renewing the property management agreement, NUD shall consider the details of the following items, in addition to (1) through (7) listed below, to make comprehensive judgment. Furthermore, UDAM will periodically check the quality of the services provided by the consigned property management companies, not limited to the time of renewing the contract.

A. No material breach of the property management agreement is made by the consigned party during the consigned period.
B. No inappropriate fact must occur during the consigned period as to reporting of important matters and settlement of monies.
C. The party must be recognized to have the structure and capability to appropriately implement the services.

C) NUD may accumulate a long-term maintenance and repair reserve, a reserve for payments, a reserve for distributions and other similar reserves and allowances as deemed necessary to maintain the investment assets or enhance their value.

D) NUD will endeavor to take measures such as maintaining appropriate allocation rates of investments and taking out insurance against losses (e.g., fire and general liability insurance) in order to avoid major declines and fluctuations in earnings caused by disasters, move-outs of tenants and other factors.

E) To secure stable earnings over the medium to long term, NUD shall, in principle, lease all of its Investment Real Estate (including facilities such as parking lots and signage). At the time of leasing, NUD may collect deposits and guarantees and other similar monies. The said monies shall be invested pursuant to the provisions of the Targets and Policies of Asset Management stipulated in the Attachment to the Articles of Incorporation of NUD.

Standards for Selection of Property Manager

Item	Details
(1) Business history	1. Deemed to be capable of appropriately implementing operations due to such reasons as having been engaged in property management services for at least three years or having been in charge of property management services for the relevant individual properties or facilities and residences for the elderly so as to have a thorough knowledge of the situation and characteristics of such properties.
(2) Financial standing	1. Not generating net loss continuously for the most recent three fiscal periods 2. Not in a state of insolvency in any of the most recent three fiscal periods
(3) Organizational structure	1. Preparation of internal regulations 2. Number of employees 3. Establishment of compliance structure and business audit system 4. Track record related to the subject investment assets, feasibility of implementing operations in accordance with management plans, and continuity of management operations 5. Establishment of a system to avoid conflicts of interests
(4) Level of knowledge and experience regarding the relevant properties and relationship with the tenants (or operators of the facilities and residences for the elderly)	1. Consigned period for the relevant properties 2. Any trouble with the tenants or operators
(5) Ability to report on the relevant properties	1. Capable of preparing management plans and monthly reports
(6) Level of compensation and fees	1. Level of compensation to be in the scope of market levels
(7) Social attributes	1. No fact of conducting material breach of laws and regulations or causing misconduct, etc. in the most recent three years, and no problem found in the legal compliance structure 2. Not belonging to or having a relationship with any anti-social forces

The occurrence of unforeseen events, such as drastic changes in funding conditions, general market conditions, and real estate market conditions, may prevent the operations described above.

4. Disclosure Policy

A) NUD shall make efforts to provide appropriate information for making investment decisions at all times by disclosing, to the greatest extent possible, information that is considered useful for unitholders/investors to understand NUD.
B) NUD shall make efforts to establish a system which enables prompt transmission of accurate and unbiased information to unitholders/investors.
C) NUD shall disclose information in accordance with the contents and the formats required by the Act on Investment Trusts and Investment Corporations, the Financial Instruments and Exchange Act, the Tokyo Stock Exchange, The Investment Trusts Association, Japan, etc.

II. CASH DISTRIBUTION POLICY

1. Distribution of Profits

In principle, NUD shall make distributions based on the following policies:

1) Of the total cash amount to be distributed to unitholders, profits (the amount obtained by subtracting the sum total of unitholders' capital and surplus from the net assets amount appearing on the balance sheet of NUD; hereinafter the same) shall be calculated based on the Investment Trusts Act, corporate accounting standards generally accepted in Japan and other corporate accounting practices.
2) Where it is approved by tax-related laws and regulations in Japan to include the cash distributions to unitholders of NUD in deductible expenses under certain conditions, NUD must make cash distributions to its unitholders in a way that meets the requirements provided by the tax-related laws and regulations in Japan for approving the inclusion in deductible expenses.

2. Distributions in Excess of Earnings

When it is possible to reduce imposition of corporate tax and other taxes for NUD or is otherwise determined by the Board of Directors as appropriate, NUD shall be able to make cash distributions in excess of earnings based on the Statements of Cash Distributions approved by the Board of Directors, pursuant to the provisions of the Investment Trusts Act, on the condition that, however, the distribution amount shall not exceed the amount designated by the rules of The Investment Trusts Association, Japan, etc.

3. Distribution Method

Distributions provided in 1. and 2. above shall be paid in cash and, in principle, distributed within three months from the settlement date to the unitholders or registered investment unit pledgees who are listed or registered or recorded in the latest unitholders registry as of the settlement date, in accordance with the number of investment units held by the unitholders or the number of investment units subject to the registered pledges of investment units.

4. Limitation on Cash Distributions

If the distributions specified in 1. and 2. above are unclaimed for a period of three full years after the date on which such distributions first became payable, NUD shall be discharged from its payment obligation thereof. Furthermore, any distributions remaining unpaid shall bear no interest.

MEMO

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