

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



40th
Fiscal Period

Semiannual Report

Ended October 31, 2022

Forward Stroke Inc.

 NTT UD REIT Investment Corporation

1-5-1 Otemachi, Chiyoda Ward, Tokyo

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

Securities Code: 8956

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

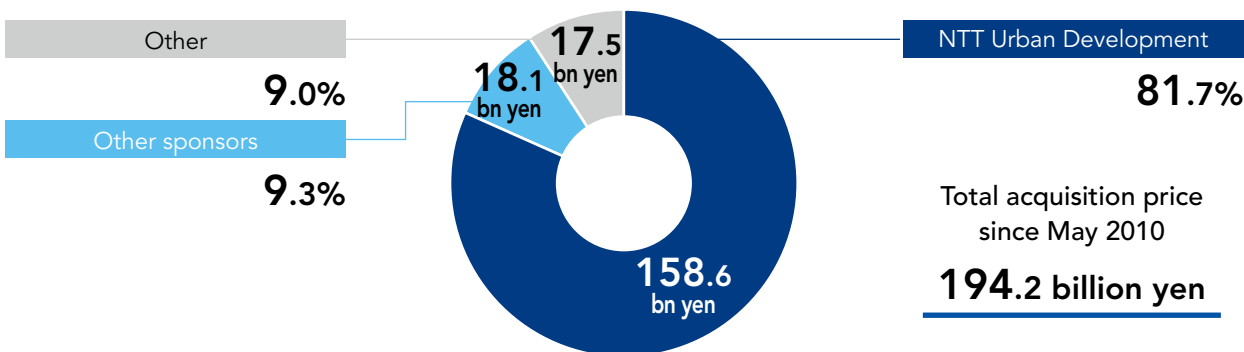
Since May 2010, when NTT Urban Development (NTT UD) participated as its sponsor, NTT UD REIT Investment Corporation (NUD) has received a broad range of support from NTT UD, including such pipeline support services as supply and information provision of new properties, as well as support for leasing activities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



NTT Urban Development

- 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

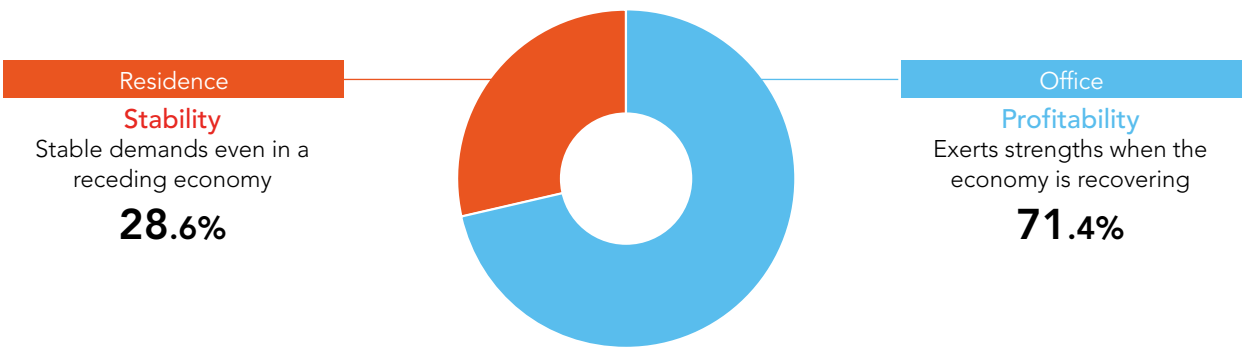
Results of Property Acquisitions through NTT UD's Pipelines
(As of end of October 2022)



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

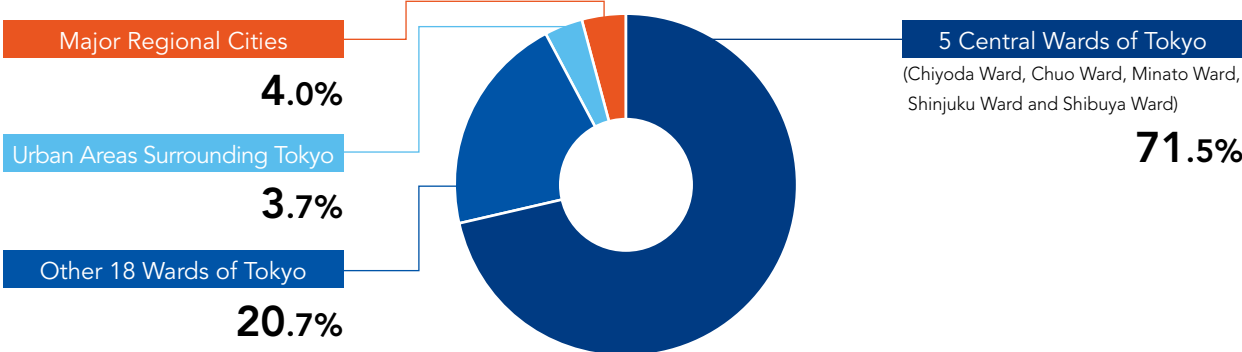
Portfolio Distribution by Asset Type
(As of end of October 2022)



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

- Focuses investments in the Tokyo Economic Bloc, 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
(As of end of October 2022)



MESSAGE TO OUR UNITHOLDERS



Takeshi Oodera

Executive Director

NTT UD REIT Investment Corporation (NUD)



Yutaka Torigoe

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.

The Investment Corporation was established on May 2, 2002, and listed on the Tokyo Stock Exchange on September 10 of the same year. As such, just twenty years have passed since our listing. We express our deepest gratitude to you, our unitholders, for your continued support that has allowed us to steadily navigate the years and celebrate the twentieth anniversary since listing.

In the 40th fiscal period that ended October 2022, NUD focused on internal growth of its owned properties, working to maintain and enhance occupancy rate, which had recovered in the 39th fiscal period, and promptly responding to changes in external environments such as rising utilities expenses, among other endeavors. As a result, NUD posted operating revenues of 10,618 million yen and net income of 3,907 million yen for the 40th fiscal period. Distribution per unit came to 2,787 yen, which surpassed the forecast of 2,730 yen for the period announced in “Financial Report for the Fiscal Period Ended April 30, 2022 (November 1, 2021 – April 30, 2022)” dated June 16, 2022. NUD’s owned assets as of October 31, 2022, comprise 59 properties with 27 office buildings and 32 residential properties amounting to 272.6 billion yen in total.

As for ESG initiatives, which we have conducted under a reinforced organizational structure since the merger of the asset management company, we are pleased to report that NUD was granted “5 Stars” in the GRESB Real Estate Assessment for 2022, the first such rating in the assessment for NUD, and was selected as a “Global/listed Sector Leader” and “Regional Sector Leader” in Asia for Diversified - Office/Residential.

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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40TH FISCAL PERIOD PERFORMANCE HIGHLIGHTS



Financial Results Highlights

Distribution per Unit (Note 1)	
39th Fiscal Period (ended April 2022)	¥ 4,054
40th Fiscal Period (ended October 2022)	¥ 2,787
41st Fiscal Period (ending April 2023) (Note 2)	¥ 2,680 (forecast)

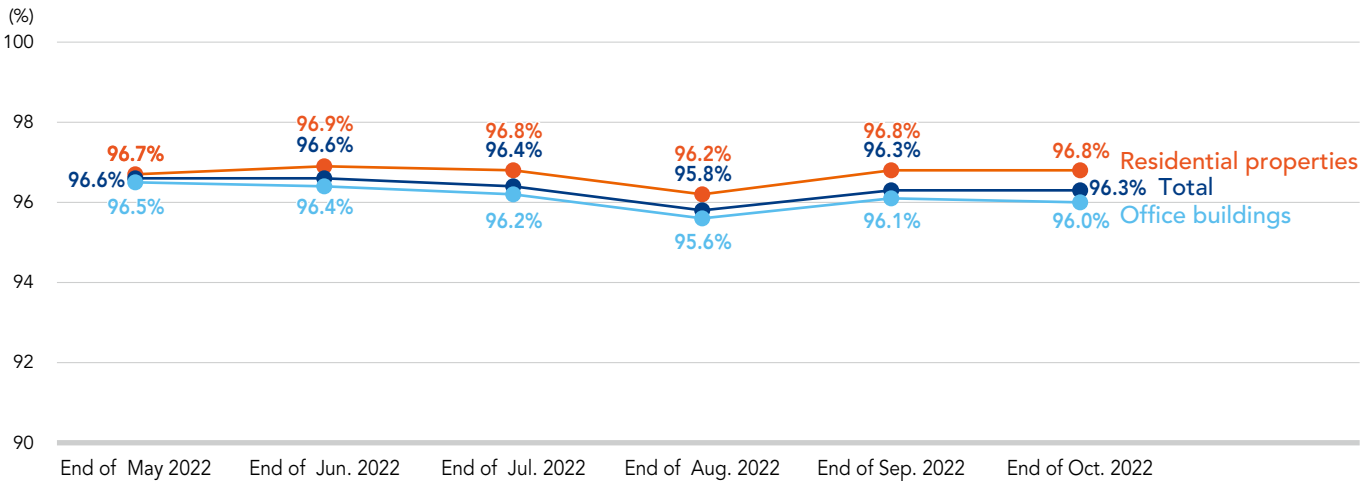
(Note 1) Number of outstanding investment units at end of period:
39th Fiscal Period: 1,401,635 units
40th Fiscal Period: 1,401,635 units
41st Fiscal Period: 1,401,635 units (forecast)

(Note 2) The figure is based on what was announced in the Financial Report for the 40th Fiscal Period Ended October 31, 2022 (May 1, 2022 – October 31, 2022) dated December 15, 2022.

	39th Fiscal Period (as of April 30, 2022)	40th Fiscal Period (as of October 31, 2022)
Operating Revenues	12,589 million yen	10,618 million yen
Operating Income	6,128 million yen	4,339 million yen
Ordinary Income	5,682 million yen	3,909 million yen
Net Income	5,681 million yen	3,907 million yen
Total Assets	280,999 million yen	277,449 million yen
Net Assets	139,431 million yen	137,656 million yen
Net Assets Ratio	49.6%	49.6%
Net Assets per Unit	99,477 yen	98,211 yen
LTV (Note)	Total assets basis	45.5%
	Market value basis	39.9%
		45.4%
		38.8%

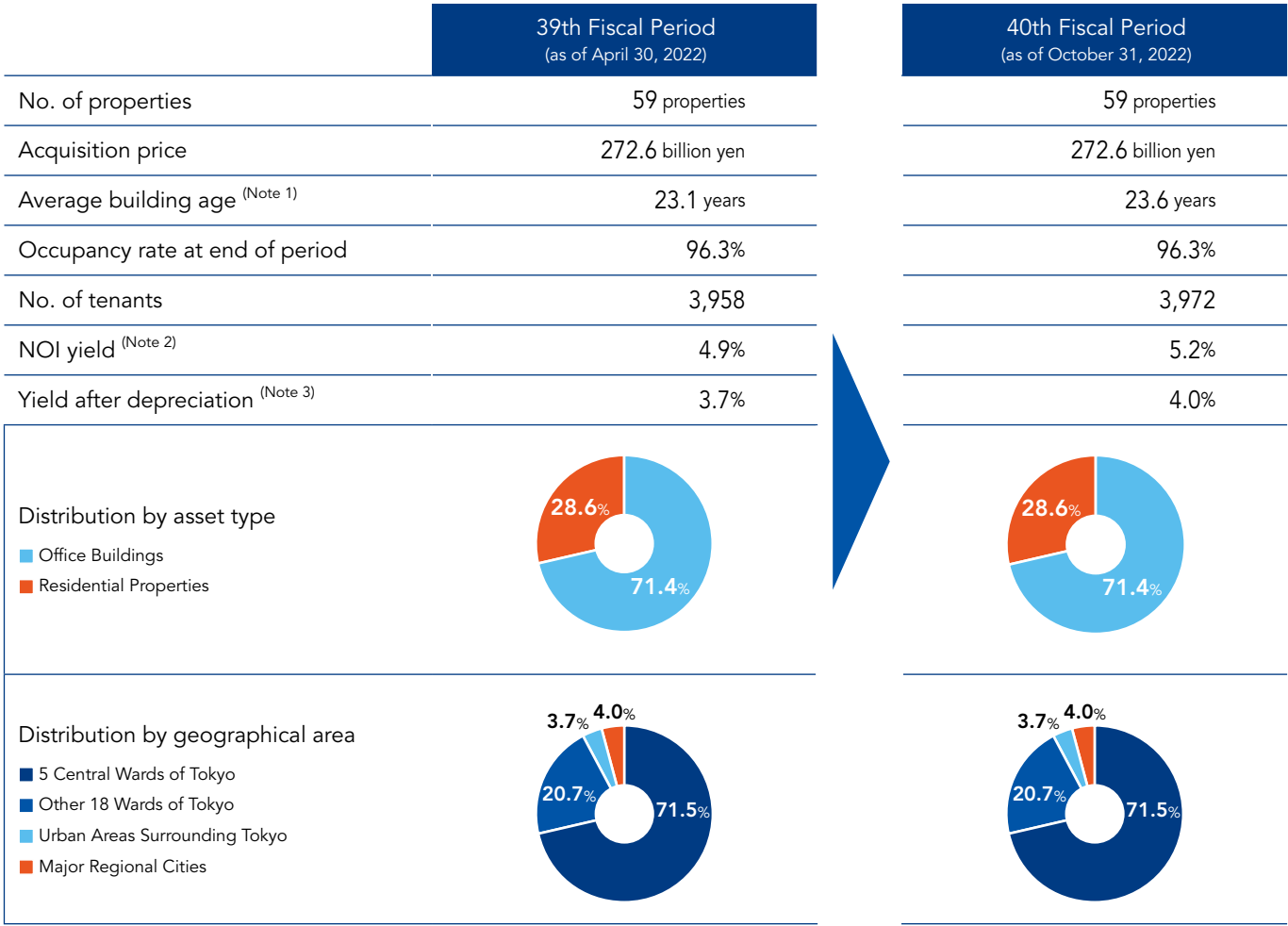
(Note) LTV (Total assets basis) = interest-bearing liabilities / total assets × 100
LTV (Market value basis) = interest-bearing liabilities / (appraisal value of owned properties and beneficiary interests in trust + book value of preferred securities) × 100

Monthly Occupancy Rate for the 40th 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



(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

NTT Urban Development

Asset Management

Yutaka Torigoe
President and CEO
(Asset management company)
NTT Urban Development Asset Management Corporation (UDAM)

You were appointed as President of the asset management company in June 2022. Please tell us your enthusiasm.

Torigoe The NTT Group is working to utilize the Group’s real estate assets and promote urban development projects by making NTT Urban Development Corporation a wholly-owned subsidiary in January 2019 and establishing NTT Urban Solutions, Inc. in July 2019. In addition, in order to balance the appropriate management of balance sheets and interest-bearing debt with proactive investment in new growth areas, we are promoting a revolving business model that leverages asset liquidation. The Investment Corporation, the only listed REIT of the NTT Group, is expected to be a receiver of real estate liquidation, and this is the background to the fact that the asset management company of the Investment Corporation became a wholly owned subsidiary of NTT Urban Development Corporation and the name of the Investment Corporation was changed to “NTT UD REIT Investment Corporation.”

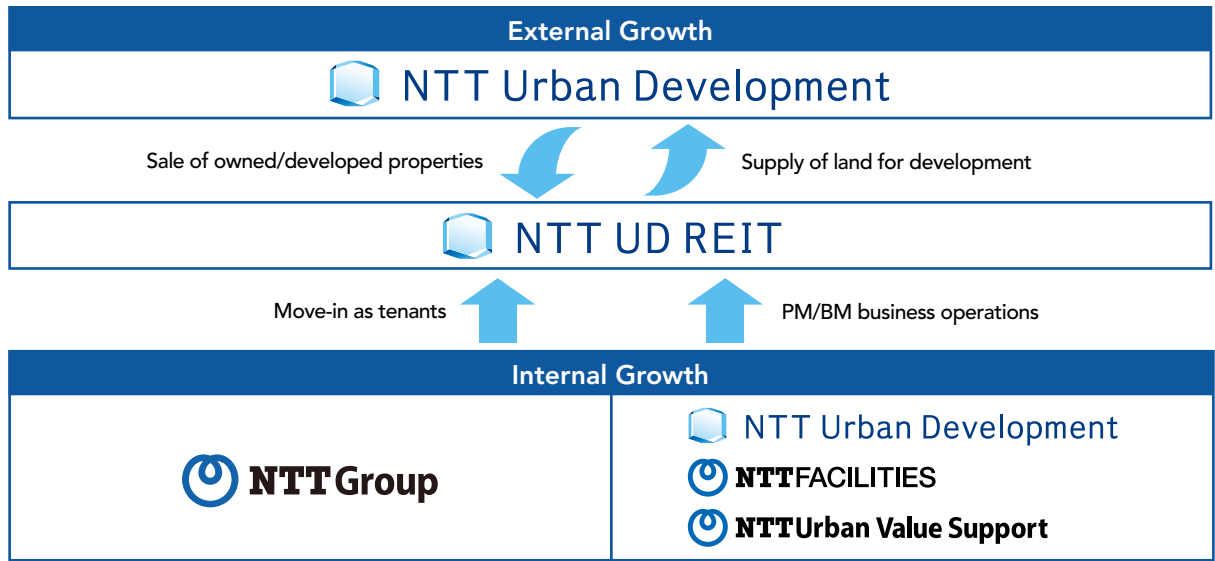
As President of the Asset Management Company, I see this environment as a great opportunity for further growth of the Investment Corporation, and I intend to significantly grow the profits of investors by leveraging the good relationship with the NTT Group. I served as the General Manager of the Accounting and Finance Department of NTT Urban Development until I joined the Asset Management Company, and I believe that my experience, knowledge, and personal connections there will be useful for such efforts at this company.

Recently, the Investment Corporation has been acquiring large-scale properties from sponsors; please tell us about the background.

Torigoe As I explained earlier, under the balance sheet and debt control efforts of the NTT Group, NTT Urban Development, the sponsor of the Investment Corporation, is liquidating some assets in order to promote investment in urban development projects and growth. The recent acquisition of large-scale properties from sponsors by the Investment Corporation is a concrete manifestation of these measures, and it acquired Tokyo Opera City Building in November 2021 and Urbannet Uchisaiwaicho Building in March 2022 from sponsors. The Investment Corporation has created a virtuous cycle in which the sponsors reinvest the proceeds from sale in new

development projects and the Investment Corporation contributes to increasing unitholder value by managing the high-quality real estate it acquired.

In recognition of this strengthened cooperation with sponsors, the outlook for a long-term issuer rating of the Investment Corporation has been upgraded to “positive.” We will continue to have a good relationship with our sponsors so that we can also enjoy financial benefits.



■ Examples of Property Replacement with NTT Urban Development after 2020



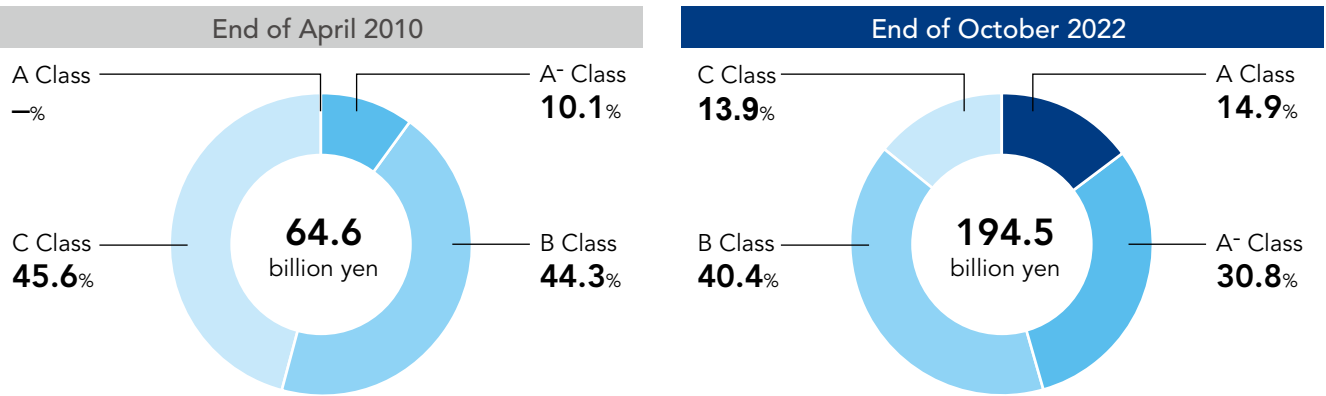
What are the strengths and characteristics of NTT UD REIT Investment Corporation?

Torigoe As of the end of the 40th fiscal year, of the 59 properties and 272.6 billion yen in assets managed by the Investment Corporation, 17 properties worth 138.2 billion yen were acquired using the pipeline support of NTT UD, the sponsor.

Before NTT UD joined as a sponsor, the portfolio was centered on B- and C-class buildings, but now the portfolio quality has improved with the addition of A-class buildings developed by the sponsor. Now underpinned by less volatile B- and C-class buildings and residences, the portfolio structure can also aim for upside rents for A-class buildings during the recovery phase of the office market environment.

Another feature of the Investment Corporation is that 30% of its office tenants are NTT Group companies. The NTT Group is transforming the current management style into a new one, and while utilizing remote work, the Group has positioned the office as a place for idea generation and co-creation, and has announced a policy of expanding the space per person who comes to the office. The Investment Corporation will respond appropriately to these changes in the needs of Group companies, strengthen relationships, and further work to encourage the Group companies currently housed in third-party buildings to relocate to buildings it owns.

■ Asset Classes for Office Properties (Note)



(Note) Office asset classes are classified according to the Asset Management Company's standards. For details, please refer to page 43 of the Earnings Presentation for the 40th Fiscal Period of the Investment Corporation.

I heard that the Investment Corporation is also strengthening ESG initiatives.
Could you be more specific?

Torigoe The Investment Corporation has been focusing on GRESB Real Estate Assessment, and in the 2022 evaluation, it was awarded its first 5 Stars in GRESB Rating, and was selected as a “Global/listed Sector Leader” and “Regional Sector Leader” in Asia for Diversified - Office/Residential. In addition, the Investment Corporation published qualitative analysis results on climate change, as a disclosure based on the TCFD recommendations for which the Asset Management Company declared support in April 2022. In order to further strengthen these initiatives, the Asset Management Company established the Engineering and Sustainability Management Office in November 2022.

The Investment Corporation and the Asset Management Company will continue to strive to manage its assets and strengthen governance in consideration of the environment and society, aiming for sustainable growth.

PROFILE Yutaka Torigoe

April 1988: Joined Nippon Telegraph and Telephone Corporation

June 2016: General Manager, Accounting and Finance Department of NTT Urban Development Corporation

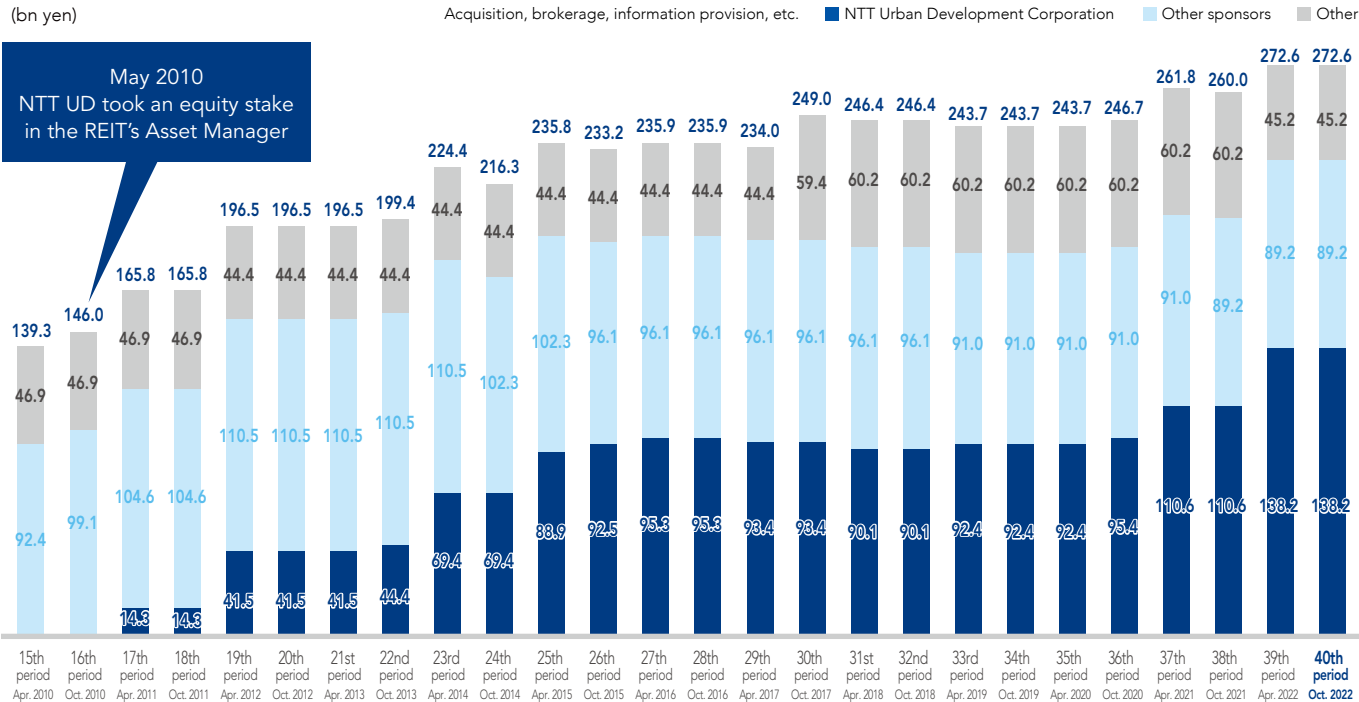
June 2018: Director and General Manager, Accounting and Finance Department of the said company

June 2021: Senior Executive Vice President of NTT Urban Development Asset Management Corporation

June 2022: President and CEO of the said company (current position)

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, 2022)

Rank	Tenant name	Leased floor space	Ratio (Note 1)	Property
1	NTT Facilities, Inc.	10,994m ²	5.9%	Urban Ace Higobashi Building, etc.
2	DOCOMO CS, Inc.	10,525m ²	5.7%	Urbannet Ikebukuro Building
3	NTT Business Associe East Co., Ltd.	7,488m ²	4.0%	Urbannet Omori Building
4	Sumitomo Osaka Cement Co., Ltd.	6,872m ²	3.7%	Rokubancho Building
5	NTT Finance Corporation	6,248m ²	3.4%	Urbannet Ikebukuro Building, etc.
6	MIRAIT ONE Corporation (Note 2)	5,325m ²	2.9%	Urbannet Gotanda NN Building, etc.
7	Nippon Telegraph and Telephone East Corporation	5,159m ²	2.8%	Tokyo Opera City Building
8	NTT Learning Systems Corporation	4,801m ²	2.6%	Urbannet Azabu Building
9	NTT DATA Corporation	3,552m ²	1.9%	Urbannet Mita Building
10	NTT Communications Corporation	2,998m ²	1.6%	Granpark, etc.
Total		63,967m ²	34.5%	

(Note 1) 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.

(Note 2) As of July 1, 2022, MIRAIT Corporation was changed to MIRAIT ONE Corporation in association with the reorganization of the MIRAIT group.

Environment

2022 GRESB Real Estate Assessment and GRESB Public Disclosure



Acquisition of Environmental Certifications

In the 40th fiscal period, NUD newly acquired DBJ Green Building Certification for 4 properties (3 Stars: Renai Shinjuku-Gyoen Tower / 2 Stars: Walk Akasaka, Storia Akasaka, Premier Stage Yushima), and had 3 properties selected as low-carbon small and medium-sized model building by the Tokyo Metropolitan Government (A3: Urbannet Omori Building / A2-: Takadanobaba Center Building / A1: Premier Toyochō Building).



Status of Acquisition of Environmental Certifications for Individual Properties (as of the end of October 2022)

	Number of properties acquiring certifications	Acquisition ratio (by number of properties)	Floor space of properties acquiring certifications (Note)	Acquisition ratio (by total floor space) (Note)
CASBEE for Real Estate	19	32.8%	184,989.11m ²	43.2%
DBJ Green Building Certification	17	29.3%	95,412.12m ²	22.3%
BELS	2	3.4%	21,258.18m ²	5.0%
Low-Carbon Model Building	6	10.3%	52,947.29m ²	12.4%

(Note) Calculated by taking into account NUD's substantial co-ownership interests in the buildings of respective properties.

■ Climate Change Initiatives

- Conducted qualitative scenario analysis based on the TCFD Recommendations and posted the results on NUD's website.

Category	Assumed Phenomenon	Financial Impact on NUD	4.0 °C Scenario		1.5 °C Scenario		Risk Management, Countermeasures, and Initiatives
			Financial Impact		Financial Impact		
			Medium-term	Long-term	Medium-term	Long-term	
Transition Risks							
Policy and legal	Increased taxation on GHG emissions due to introduction of carbon tax	Increased tax burden on properties' GHG emissions	Small	Small	Large	Large	● Introducing renewable energy and becoming more energy-efficient, reducing waste (incinerator, landfill), promoting GHG emission reduction across the supply chain through green procurement ● Setting carbon reduction targets, EMS and monitoring GHG emissions for the entire portfolio
	Enhancement of energy-efficiency standards for existing properties	Increased burden of renovation costs for purpose of adaptation (fines also a possibility)	Small	Small	Medium	Large	
Technology	Promotion and spread of renewable energy and energy-efficient technology	Increased costs for introducing new technology to prevent obsolescence of equipment	Small	Small	Medium	Large	● Establishing construction budgets that anticipate technology introduction costs ● Selecting and acquiring properties that have introduced environmental technology ● Promoting green leases in collaboration with tenants
	Spread of energy creation	Increase in energy costs due to addition of energy-creation equipment costs	Small	Small	Large	Large	
Markets	Introduction of standards for environmental performance, etc. in real estate appraisal	Decrease in funds' NAV (Net Asset Value)	Small	Small	Small	Small	● Setting medium- to long-term targets for acquiring green building certifications and improving the certification acquisition rate by establishing a certification acquisition plan ● Switching to renewable energy-sourced and CO ₂ -free electric power ● Revising portfolio mix in response to changing asset type demand ● Financing based on environmentally friendly investment and lending ● Maintaining and enhancing brand power in collaboration with NTT Group
	Worsening of lending requirements for market participants who have not adapted to climate change	Increase in financing costs	Small	Small	Medium	Large	
	Increase in utility costs (including procurement of renewable energy)	Increase in overhead	Small	Small	Large	Large	
	Changing tenant demands	Difficulty in acquiring new tenants and decreased retention	Small	Small	Medium	Large	
Reputation	Decrease in brand value due to slow adaptation to climate change	Decrease in rent premium due to reduction of brand power	Small	Small	Medium	Medium	
Physical Risks							
Acute	Wind and water damage to properties due to typhoons	Increase in repair costs/insurance premiums	Medium	Large	Small	Medium	● Improving resilience through countermeasures for rising tides, supplementing portfolio with disaster supplies, comprehensive BCP facilities, etc.
	Inland flooding due to intense rainfall, inundation due to flooding of nearby waterways, etc.	Decrease in occupancy rate in addition to the above	Medium	Large	Small	Medium	
Chronic	Flooding damage due to sea level rise	Incurring major renovation costs (raising level)	Medium	Large	Small	Medium	● Avoiding chronic damage through acquisition focused on properties in areas unlikely to suffer flooding damage ● Developing power consumption peak distribution system in collaboration with tenants
	Increased HVAC demand due to increase in extreme weather (e.g., heat waves, intense cold)	Increase in HVAC operation, maintenance, and repair costs	Medium	Large	Small	Medium	
Opportunities							
Policy and legal	Introduction of renewable energy on premises	Reduction of externally procured utility costs	Small	Small	Medium	Large	● Establishing construction budgets that anticipate technology introduction costs ● Selecting and acquiring properties that have introduced environmental technology ● Revising portfolio mix in response to changing asset type demand ● Financing based on environmentally friendly investment and lending ● Improving resilience through countermeasures for rising tides, supplementing portfolio with disaster supplies, comprehensive BCP facilities, etc.
	Introduction of water-saving equipment and highly energy-efficient equipment	Increased resilience to water stress	Small	Small	Medium	Medium	
Technology	Appealing to tenants and users by offering low-emission facilities and services	Attracting tenants and maintaining occupancy	Small	Small	Medium	Medium	
	Offering rental properties aligned with changing tenant preferences Reaching new clientele	Increasing revenue by improving retention	Small	Small	Medium	Large	
Markets	Reaching new investors	Increase in financing based on green finance, reduction in financing costs	Small	Small	Medium	Large	
	Improving physical resilience of portfolio	Increased demand for safe properties that provide peace of mind	Medium	Large	Small	Medium	

<Details of the Climate Change Initiatives> <http://nud-reit.co.jp/en/esg/climate.html>

Society

■ Implementation of Tenant Satisfaction Surveys

- Conducted questionnaire surveys of tenants with the aim of improving tenant satisfaction
Shared the survey results with property management companies, etc., for use in improving services, such as renovating common areas and improving operation and management

Case 1: Storia Akasaka

Refurbished an infrequently-used training gym in the common area into a space for meeting with salespersons and dealers as well as a study corner



Case 2: Urbannet Ikebukuro Building

Part of the site was offered to food trucks to provide an ample lunch menu variety



■ Support for Artistic and Cultural Activities

- Sponsored “Music Picture Book with Pipe Organ” held at Tokyo Opera City Concert Hall



Tokyo Opera City Cultural Foundation

Governance

■ Changes to the Management Fee Structure

- The asset management fee structure was revised with the aim of further enhancing the linkage between unitholders' interests and the interests of the Asset Management Company.

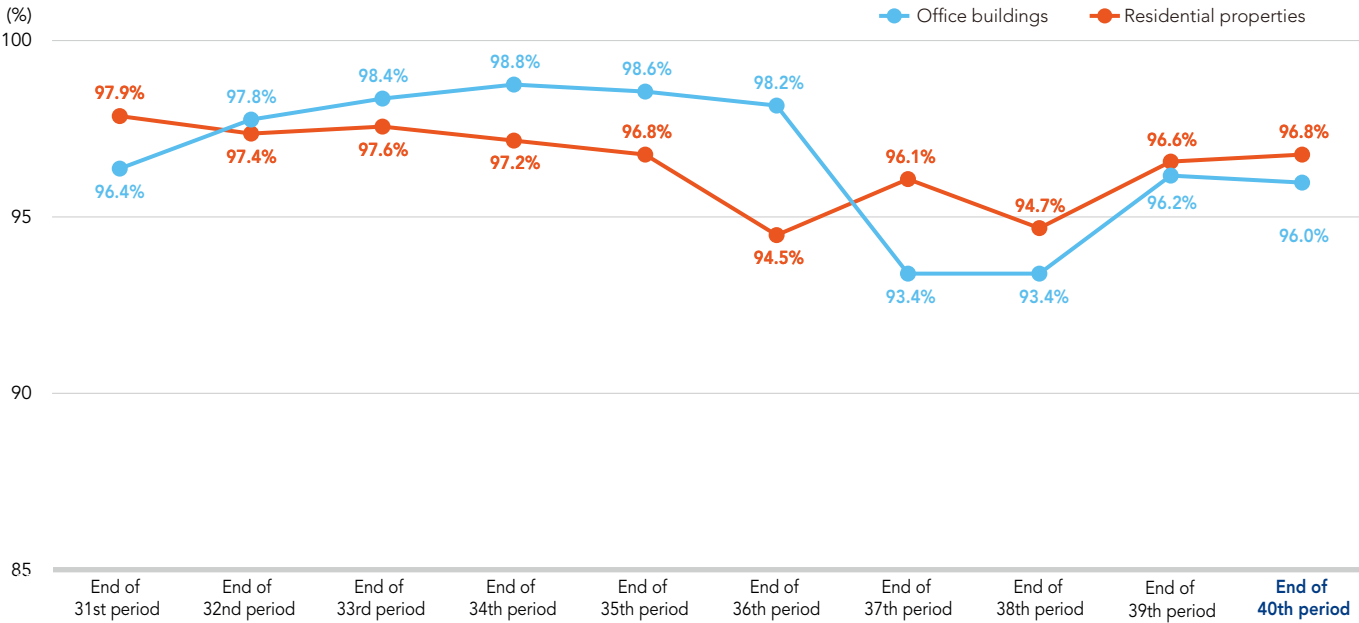
		Before the Change	After the Change
Performance-linked	Asset Management Fee 1 [Revenue-linked]	Operating revenue × 3% (Note 1)	Operating revenue × 2.5% (maximum) (Note 1)
	Asset Management Fee 2 [Profit-linked]	Income before income taxes × 3% (Note 2)	DPU × 1,000,000 × 10% (maximum) (Note 2)
Event-linked	Asset Management Fee 3 [Acquisition price-linked]	Acquisition price of real estate, etc. × 0.5% (maximum) * Tiered rates based on the acquisition price * Transaction with interested parties, etc.: Basic fee rate × ½	Acquisition price of real estate, etc. × 0.5% (maximum)
	Asset Management Fee 4 [Transfer price-linked]	Transfer price of real estate, etc. × 0.25% (maximum) * Tiered rates based on the transfer price	Transfer price of real estate, etc. × 0.25% (maximum)
	Asset Management Fee 5 [Merger valuation price-linked]	Appraised value of real estate, etc. held by the absorbed company × 0.5% (maximum)	Appraised value of real estate, etc. held by the absorbed company × 0.5% (maximum)

(Note 1) Excluding utility incomes and gain on sales of real estate, etc.

(Note 2) Before deduction of Asset Management Fee 2

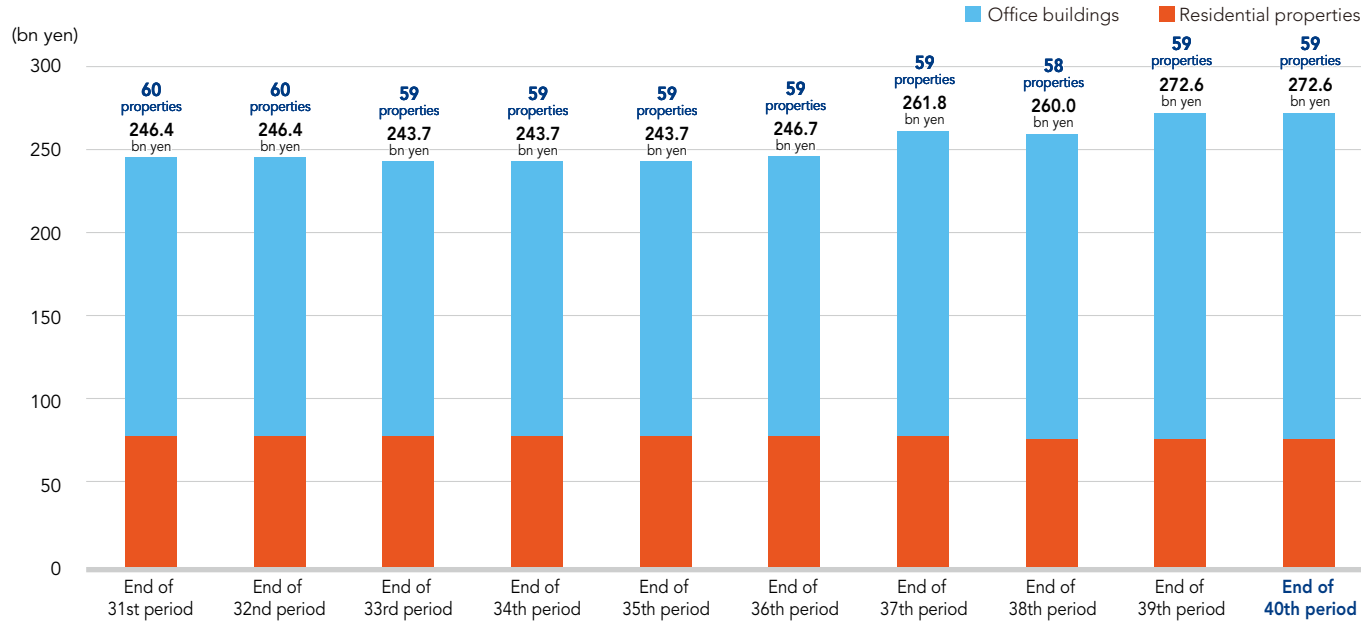
MANAGEMENT STATUS IN THE 40TH FISCAL PERIOD

Changes in Occupancy Rates

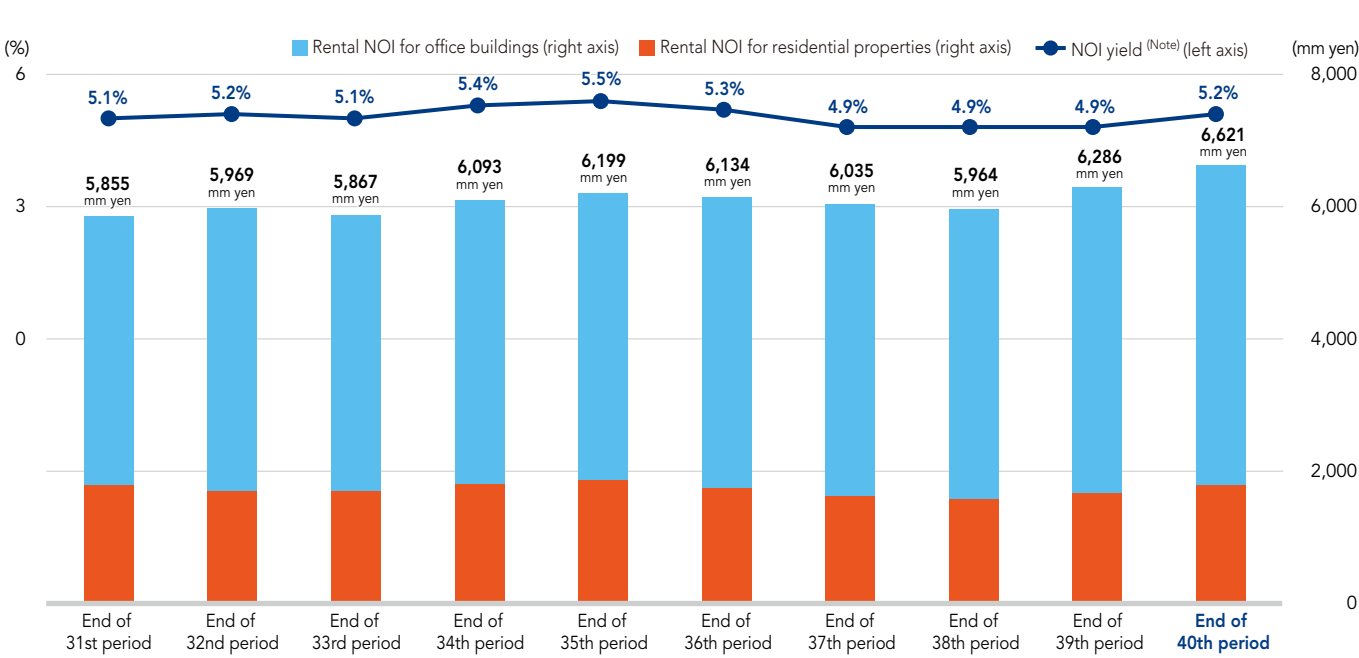


(Note) The occupancy rate at the end of the 37th Fiscal Period is calculated by excluding Bureau Kioicho, for which a transfer agreement was concluded on March 31, 2021.

Changes in Asset Size



Changes in NOI and NOI Yields

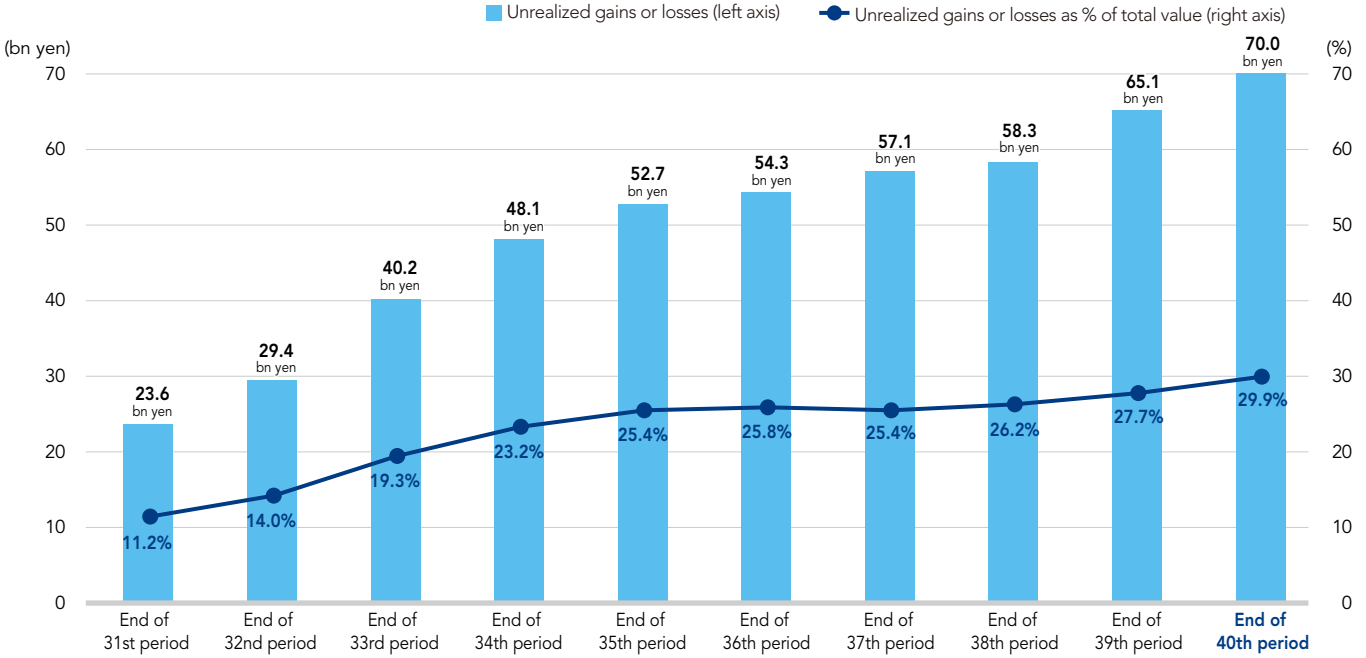


(Note) NOI yield = annualized rental NOI* / investment value**

* 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

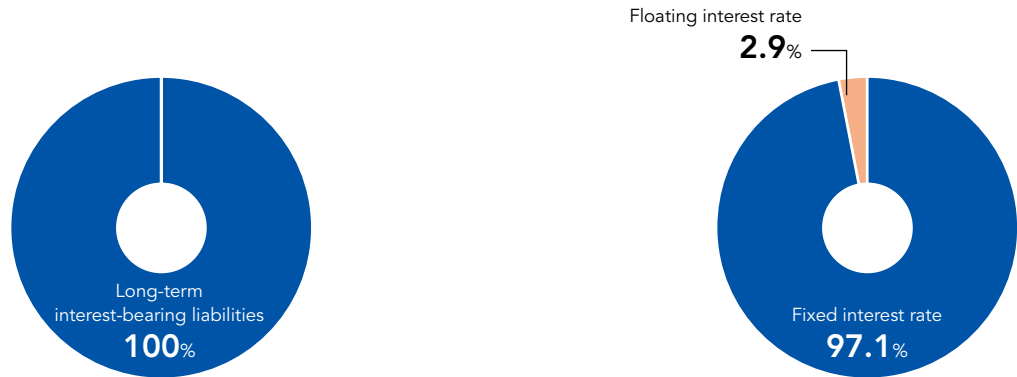
Changes in Unrealized Gains or Losses



FINANCIAL STATUS IN THE 40TH FISCAL PERIOD

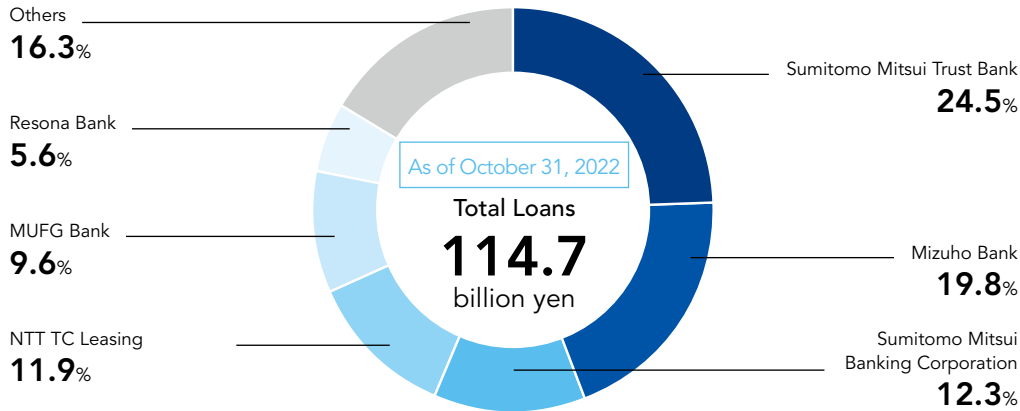
Status of Interest-Bearing Liabilities (as of October 31, 2022)

■ 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.

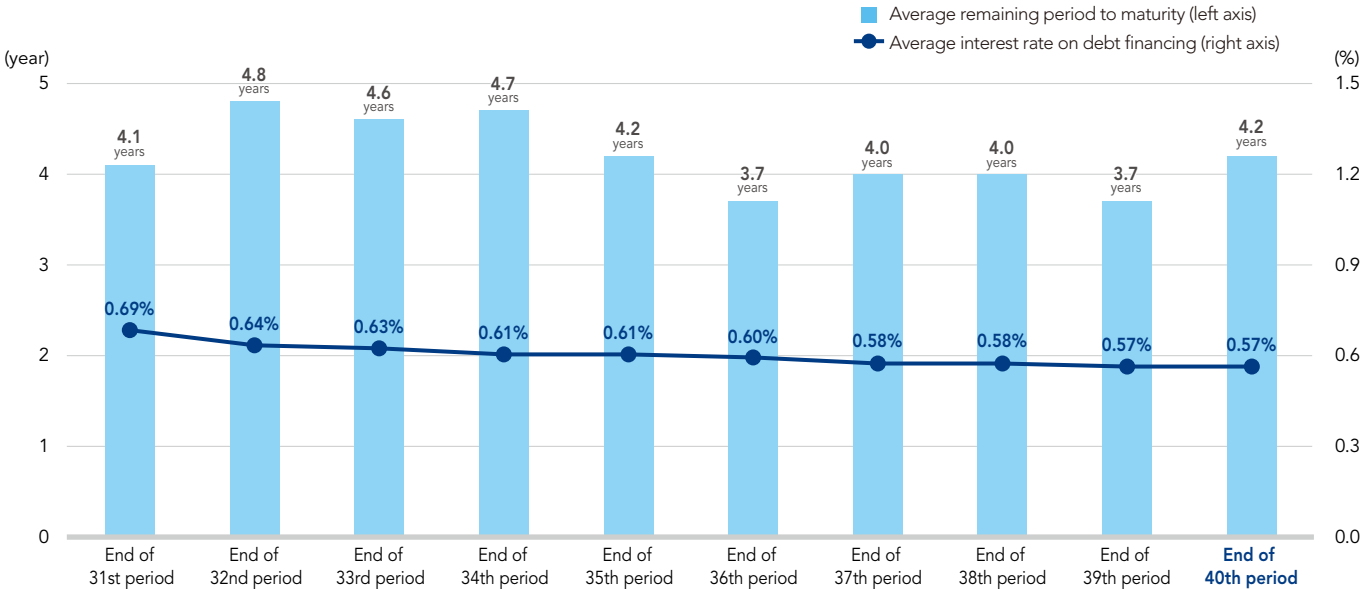
Breakdown of Lenders



Lenders	Long-term	Short-term	Total
Sumitomo Mitsui Trust Bank, Limited	28,140	—	28,140
Mizuho Bank, Ltd.	22,690	—	22,690
Sumitomo Mitsui Banking Corporation	14,150	—	14,150
NTT TC Leasing Co., Ltd. (Note)	13,700	—	13,700
MUFG Bank, Ltd.	11,070	—	11,070
Resona Bank, Limited	6,450	—	6,450
Aozora Bank, Ltd.	5,550	—	5,550
Development Bank of Japan Inc.	5,000	—	5,000
The Norinchukin Bank	2,500	—	2,500
The Bank of Fukuoka, Ltd.	2,000	—	2,000
Mitsui Sumitomo Insurance Company, Limited	1,000	—	1,000
The 77 Bank, Ltd.	1,000	—	1,000
The Nomura Trust and Banking Co., Ltd.	1,000	—	1,000
HIGASHI-NIPPON BANK, Ltd.	500	—	500
Total	114,750	—	114,750

(Note) NTT Finance Corporation transferred its loan claims to NTT TC Leasing Co., Ltd. on June 30, 2022.

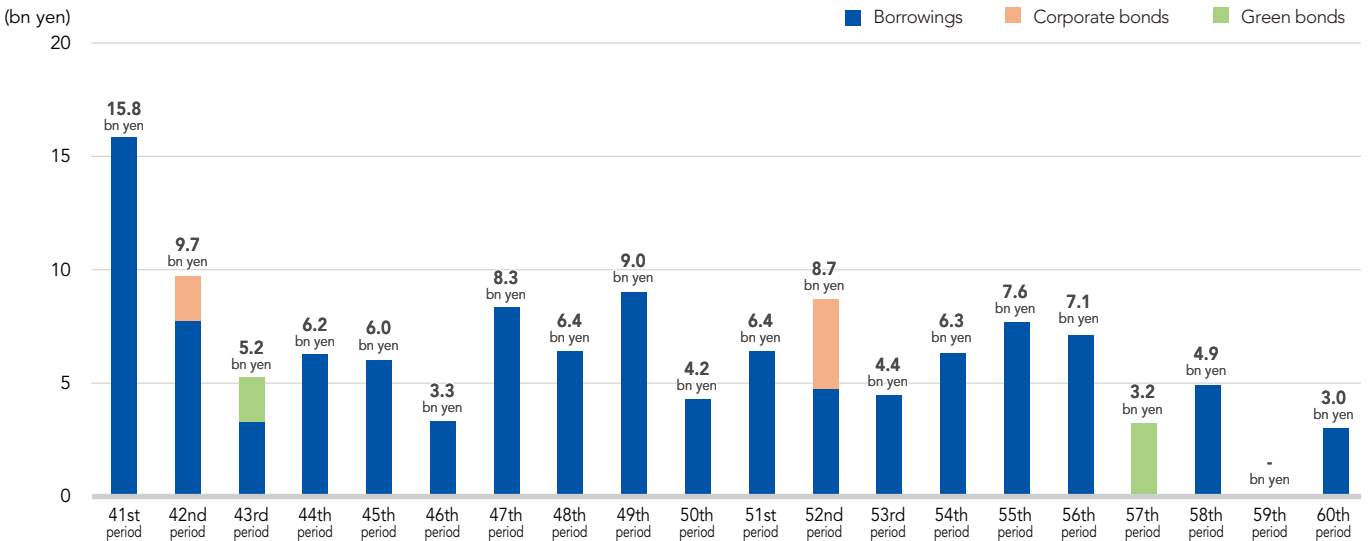
Changes in the Average Interest Rate and Average Remaining Period to Maturity



(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). The outlook for the rating was upgraded from "stable" to "positive" as of November 29, 2022.

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

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	2.3	100.0	194	94	100	10.6
A02		Landic Shimbashi 2 Building	7,045	2.6	88.1	243	88	154	12.9
A03		Premier Dogenzaka Building	1,727	0.6	100.0	89	31	57	5.5
A04		KN Shibuya No.3	5,348	2.0	100.0	279	107	171	10.6
A05		Takadanobaba Center Building	5,118	1.9	100.0	266	120	145	2.0
A06		Rokubancho Building	7,860	2.9	100.0	(Note 5)	(Note 5)	194	10.8
A10		Urbannet Mita Building	10,300	3.8	94.1	298	196	102	7.2
A11		Urbannet Azabu Building	5,000	1.8	100.0	(Note 5)	(Note 5)	74	10.5
A15		Granpark	11,490	4.2	96.2	468	227	241	12.0
A17		Otemachi Financial City Grand Cube	4,680	1.7	97.9	(Note 6)	(Note 6)	60	8.6
A18		Shinagawa Season Terrace	18,687	6.9	95.5	(Note 6)	(Note 6)	192	4.7
A19		Tokyo Opera City Building	22,000	8.1	92.7	(Note 6)	(Note 6)	518	9.0
A20		Urbannet Uchisaiwaicho Building	5,640	2.1	98.9	(Note 6)	(Note 6)	85	8.5
B02	Other 18 Wards of Tokyo	Premier Toyochō Building	4,310	1.6	100.0	99	52	46	16.2
B03		Ueno TH Building	4,380	1.6	87.1	126	80	45	12.8
B04		Gotanda NT Building	4,100	1.5	100.0	99	50	49	14.3
B05		Ueno Tosei Building	5,900	2.2	100.0	213	89	124	10.7
B06		Urbannet Ikebukuro Building	13,600	5.0	100.0	754	399	354	13.0
B07		Urbannet Omori Building	4,800	1.8	100.0	251	140	110	6.8
B09		Urbannet Gotanda NN Building	5,250	1.9	100.0	111	102	9	9.7
C01	Urban Areas Surrounding Tokyo	Premier Yokohama Nishiguchi Building	3,558	1.3	100.0	161	92	68	10.2
C02		The Kanagawa Science Park R&D Building	6,556	2.4	89.2	426	345	81	10.4
G02	Major Regional Cities	NTT CRED Okayama Building	3,600	1.3	87.9	271	241	30	14.4
G03		Urbannet Shizuoka Ote-machi Building	1,628	0.6	100.0	111	51	59	9.0
G04		Urbannet Shizuoka Building	1,119	0.4	100.0	79	35	44	9.0
G05		Urban Ace Higobashi Building	4,600	1.7	100.0	253	134	118	6.3
Subtotal		26 properties	174,637	64.1	96.0	7,483	4,239	3,244	-

(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	1.9	96.2	157	72	85	7.4
D02		Park Axis Meiji-Jingumae	2,604	1.0	93.9	58	20	38	9.9
D04		Cabin Arena Akasaka	1,330	0.5	97.4	41	16	24	10.1
D05		Cabin Arena Minami-Aoyama	1,070	0.4	93.1	36	16	20	11.2
D08		Roppongi Green Terrace	4,678	1.7	100.0	149	62	86	10.3
D09		Premier Stage Shibakoen II	2,181	0.8	98.0	54	26	27	11.5
D11		Langue Tower Kyobashi	927	0.3	96.5	35	14	20	12.5
D12		Premier Stage MitaKeidaimae	1,580	0.6	96.6	52	16	36	14.3
D13		Premier Rosso	1,662	0.6	96.9	57	23	33	14.0
D14		Premier Blanc Yoyogikouen	2,330	0.9	98.6	71	36	34	13.1
D15		Premier Stage Uchikanda	1,723	0.6	96.4	60	21	39	13.8
D16		Premier Stage Ichigayakawadacho	1,460	0.5	96.6	47	16	31	13.1
D17		Walk Akasaka	2,043	0.7	100.0	55	29	26	13.9
D18		Premier Stage Shibakoen	1,585	0.6	93.0	47	21	25	16.1
D19		MEW	1,556	0.6	100.0	39	18	21	13.9
D20		Shibaura Island Air Tower	7,590	2.8	97.2	367	269	98	11.2
D21		Storia Akasaka	3,930	1.4	98.4	89	50	39	11.7
D22		Renai Shinjuku-Gyoen Tower	6,500	2.4	96.4	188	111	77	7.2
D23		Shibaura Island Bloom Tower	5,500	2.0	96.8	293	187	105	10.0
D24		Questcourt Harajuku	4,500	1.7	98.4	159	50	109	12.7
D25		Urbancourt Ichigaya	1,385	0.5	97.4	65	33	32	12.0
D26		Premier Stage Azabu-Juban	1,420	0.5	97.2	38	12	26	14.6
D27		Premier Stage Sasazuka	1,080	0.4	96.5	32	10	22	10.5
E01	Other 18 Wards of Tokyo	Premier Stage Osaki	1,072	0.4	96.9	34	17	16	12.1
E02		Premier Garden Hongo	975	0.4	93.1	33	11	21	12.1
E03		Premier Grande Magome	1,560	0.6	90.6	43	18	25	15.7
E04		Premier Nozze Yutenji	1,525	0.6	94.4	42	17	24	13.6
E05		Premier Stage Yushima	1,803	0.7	95.5	51	29	22	17.2
E06		Premier Stage Komagome	1,830	0.7	93.4	51	33	18	18.0
E07		Premier Stage Otsuka	1,310	0.5	100.0	45	15	29	22.5
E08		Premier Stage Honjo-Azumabashi	2,640	1.0	99.4	80	45	35	14.7
E09		Premier Stage Ryogoku	1,496	0.5	92.1	47	24	23	12.8
Subtotal		32 properties	78,054	28.6	96.8	2,630	1,350	1,279	-

(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 7)	19,940	7.3	-	-	-	-	-
Subtotal		1 property	19,940	7.3	-	-	-	-	-
Total		59 properties	272,632	100.0	96.3	10,114	5,590	4,524	8.4

(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.

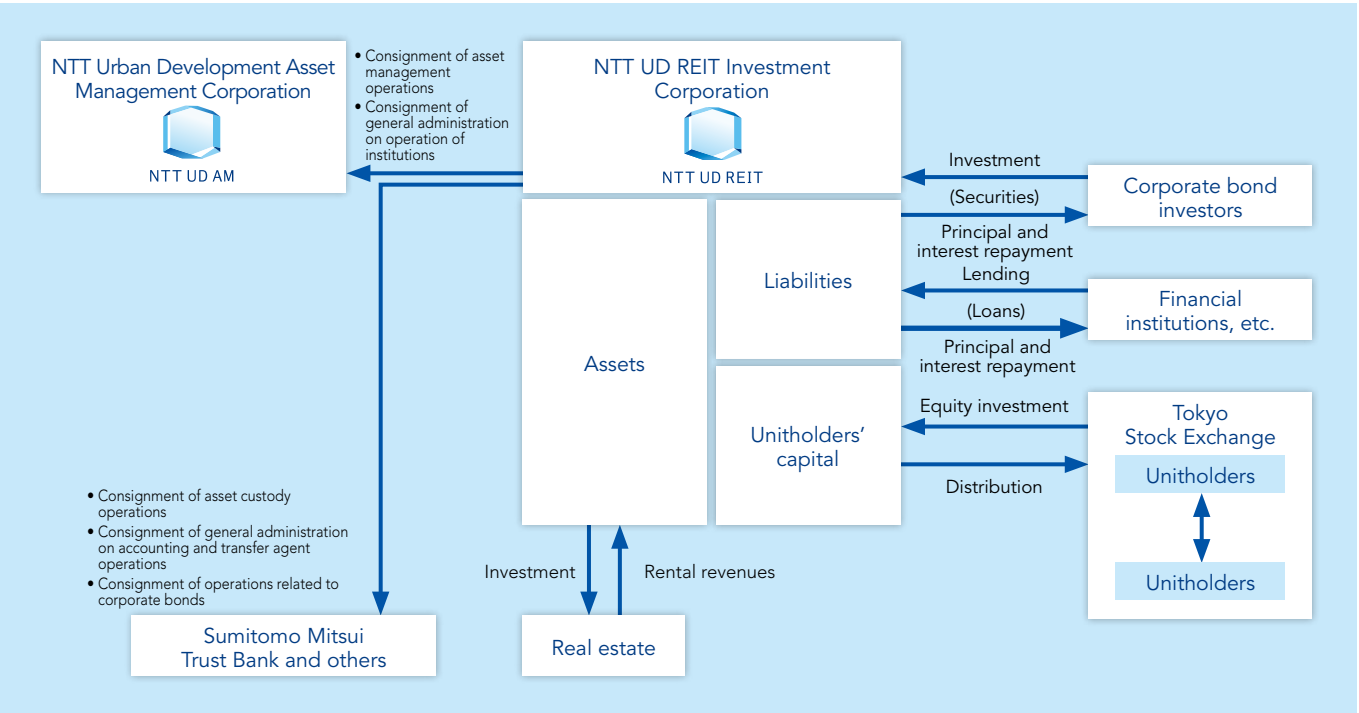
(Note 4) NUD acquired earthquake risk reports for real estate and real estate in trust in which NUD invests from Takenaka Corporation. However, the earthquake risk reports are only the expression of opinions, and do not guarantee the correctness of the statements. The Probable Maximum Loss (PML) values 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 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.

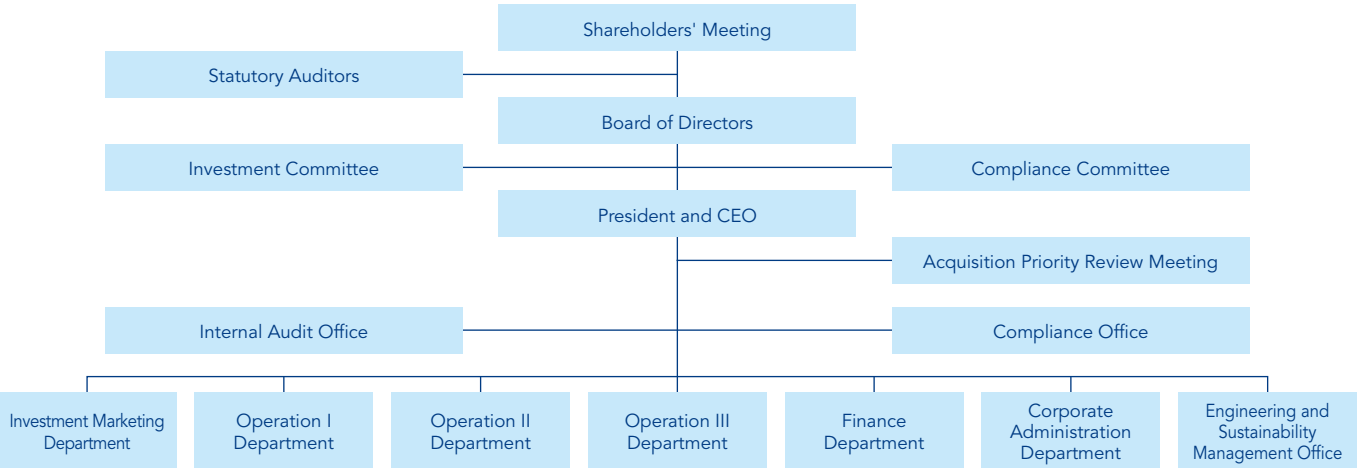
Structure of NUD



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

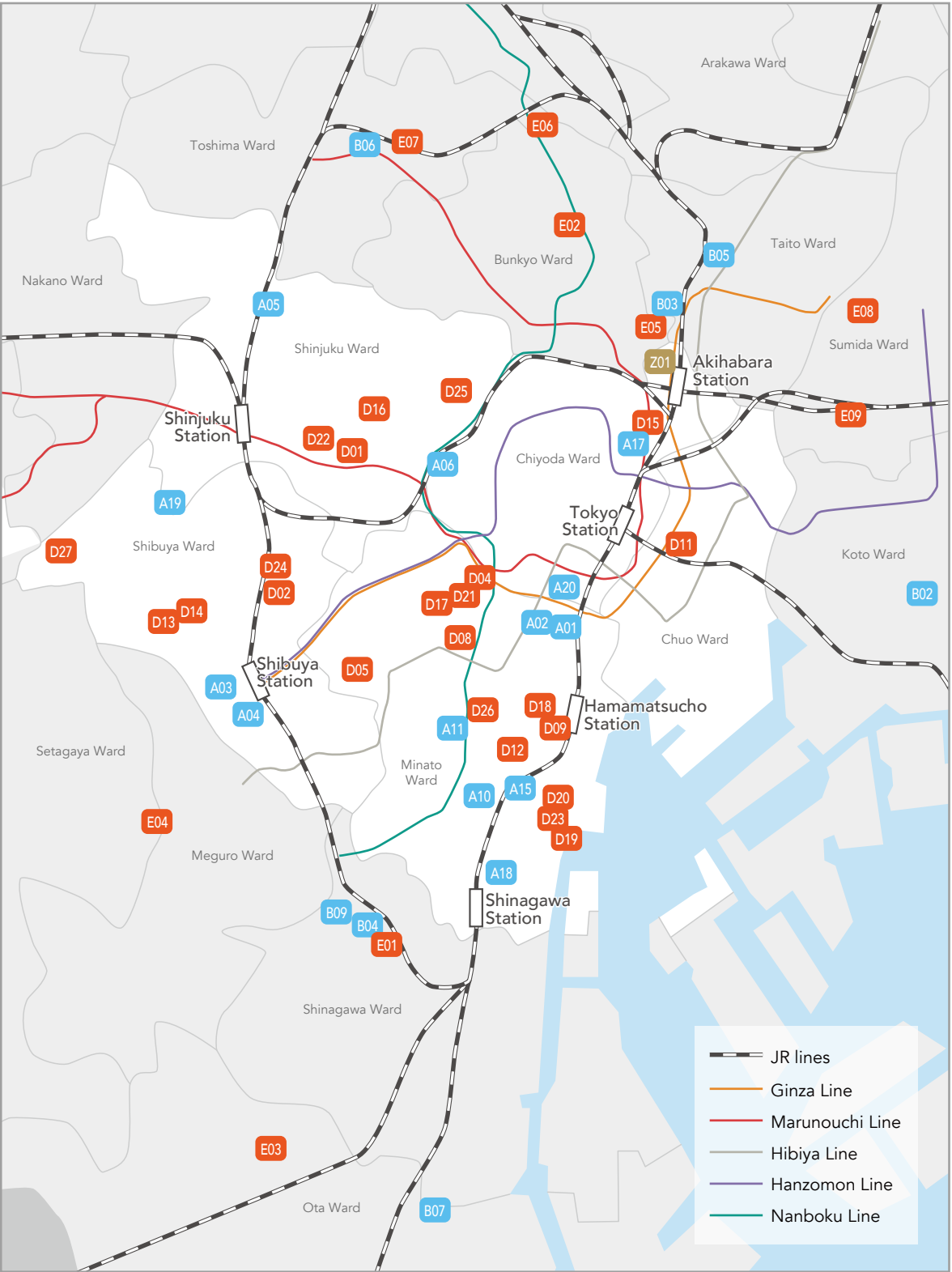
Overview of Asset Manager

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 40TH FISCAL PERIOD)

Distribution of Portfolio Properties



5 Central Wards of Tokyo

- | | | |
|---|--|--|
| <ul style="list-style-type: none">A01 Landic Shimbashi BuildingA02 Landic Shimbashi 2 BuildingA03 Premier Dogenzaka BuildingA04 KN Shibuya No.3A05 Takadanobaba Center BuildingA06 Rokubancho BuildingA10 Urbannet Mita BuildingA11 Urbannet Azabu BuildingA15 GranparkA17 Otemachi Financial City Grand CubeA18 Shinagawa Season TerraceA19 Tokyo Opera City Building | <ul style="list-style-type: none">A20 Urbannet Uchisaiwaicho BuildingD01 Park Axis Yotsuya StageD02 Park Axis Meiji-JingumaeD04 Cabin Arena AkasakaD05 Cabin Arena Minami-AoyamaD08 Roppongi Green TerraceD09 Premier Stage Shibakoen IID11 Langue Tower KyobashiD12 Premier Stage MitaKeidaimaeD13 Premier RossoD14 Premier Blanc YoyogikouenD15 Premier Stage UchikandaD16 Premier Stage Ichigayakawadacho | <ul style="list-style-type: none">D17 Walk AkasakaD18 Premier Stage ShibakoenD19 MEWD20 Shibaura Island Air TowerD21 Storia AkasakaD22 Renai Shinjuku-Gyoen TowerD23 Shibaura Island Bloom TowerD24 Questcourt HarajukuD25 Urbancourt IchigayaD26 Premier Stage Azabu-JubanD27 Premier Stage SasazukaZ01 UDX Special Purpose Company Preferred Securities (Akihabara UDX) |
|---|--|--|

Other 18 Wards of Tokyo

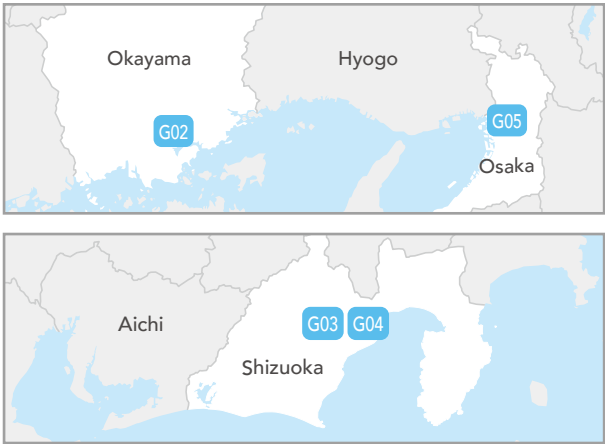
- | | | |
|---|---|--|
| <ul style="list-style-type: none">B02 Premier Toyochi BuildingB03 Ueno TH BuildingB04 Gotanda NT BuildingB05 Ueno Tosei BuildingB06 Urbannet Ikebukuro BuildingB07 Urbannet Omori Building | <ul style="list-style-type: none">B09 Urbannet Gotanda NN BuildingE01 Premier Stage OsakiE02 Premier Garden HongoE03 Premier Grande MagomeE04 Premier Nozze YutenjiE05 Premier Stage Yushima | <ul style="list-style-type: none">E06 Premier Stage KomagomeE07 Premier Stage OtsukaE08 Premier Stage Honjo-AzumabashiE09 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



Z01
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.

Photo by Kawasumi Architectural Office

Office Buildings 5 Central Wards of Tokyo



A01
Landic Shimbashi Building
(Minato Ward, Tokyo)



A02
Landic Shimbashi 2 Building
(Minato Ward, Tokyo)

5 Central Wards of Tokyo



A18
Shinagawa Season Terrace
(Minato Ward, Tokyo)



A19
Tokyo Opera City Building
(Shinjuku Ward, Tokyo)



A20
Urbannet Uchisaiwaicho Building
(Minato Ward, Tokyo)

5 Central Wards of Tokyo



A03
Premier Dogenzaka Building
(Shibuya Ward, Tokyo)



A04
KN Shibuya No.3
(Shibuya Ward, Tokyo)



A05
Takadanobaba Center Building
(Shinjuku Ward, Tokyo)



A06
Rokubancho Building
(Chiyoda Ward, Tokyo)

Office Buildings Other 18 Wards of Tokyo



B02
Premier Toyokocho Building
(Koto Ward, Tokyo)



B03
Ueno TH Building
(Bunkyo Ward, Tokyo)



B04
Gotanda NT Building
(Shinagawa Ward, Tokyo)



B05
Ueno Tosei Building
(Taito Ward, Tokyo)

5 Central Wards of Tokyo



A10
Urbannet Mita Building
(Minato Ward, Tokyo)



A11
Urbannet Azabu Building
(Minato Ward, Tokyo)



A15
Granpark
(Minato Ward, Tokyo)



A17
Otemachi Financial City Grand Cube
(Chiyoda Ward, Tokyo)

Other 18 Wards of Tokyo



B06
Urbannet Ikebukuro Building
(Toshima Ward, Tokyo)



B07
Urbannet Omori Building
(Ota Ward, Tokyo)



B09
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)

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

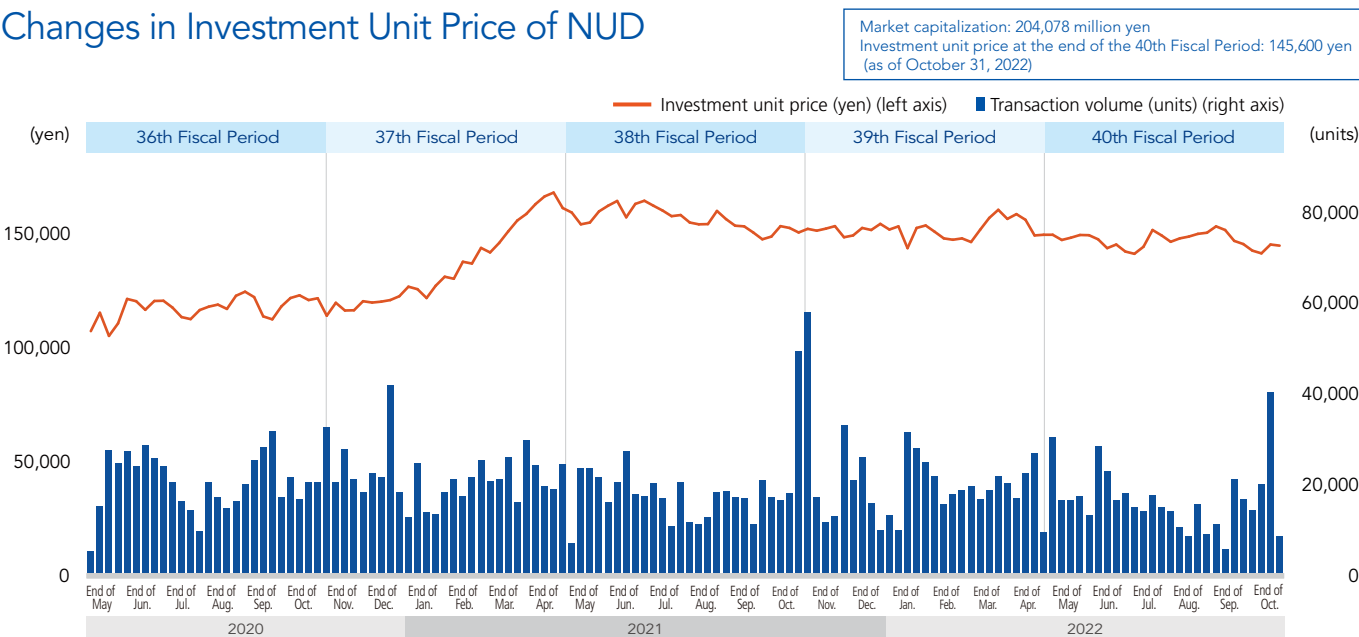
E09



Premier Stage Ryogoku
(Sumida Ward, Tokyo)

INFORMATION FOR UNITHOLDERS

Changes in Investment Unit Price of NUD

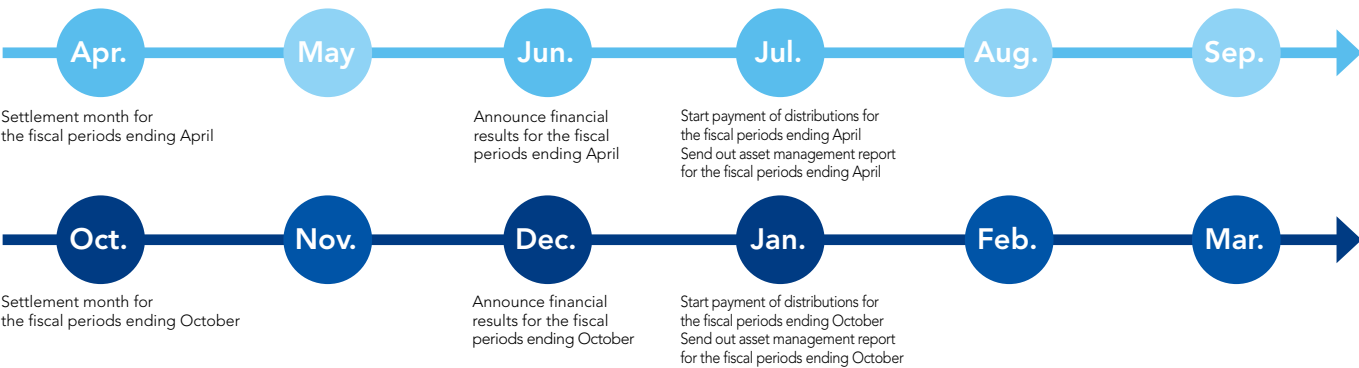


Number of Investment Units by Unitholders and Number of Unitholders (as of October 31, 2022)



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

Annual Schedule



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, 2022, 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, 2022, 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.

Other Information

The other information comprises the information included in the Semiannual Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. The supervisory directors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.



Koji Fukai

Designated Engagement Partner

Certified Public Accountant



Hirofumi Hanyu

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

January 27, 2023

BALANCE SHEETS

as of April 30, 2022 and October 31, 2022

	Thousands of yen	
	April 30, 2022	October 31, 2022
ASSETS		
CURRENT ASSETS		
Cash and deposits (Note-5)	¥ 9,116,039	¥ 6,762,774
Cash and deposits held in trust (Note-5)	14,104,665	13,862,777
Tenant receivables	799,125	979,906
Prepaid expenses	172,586	158,899
Income taxes refund receivables	102,384	102,893
Consumption taxes refund receivables	385,085	-
Other current assets	4,424	30,402
TOTAL CURRENT ASSETS	24,684,311	21,897,654
LONG-TERM ASSETS		
Property and equipment		
Buildings (Note-6)	6,499,752	6,499,874
Structures (Note-6)	19,760	19,760
Machinery and equipment (Note-6)	-	6,363
Tools, furniture and fixtures (Note-6)	-	4,439
Land (Note-6)	16,273,040	16,273,040
Construction in progress (Note-6)	3,144	7,308
Buildings held in trust (Note-6)	95,357,554	96,064,538
Structures held in trust (Note-6)	2,190,563	2,203,004
Tools, furniture and fixtures held in trust (Note-6)	812,066	852,932
Land held in trust (Note-6)	135,082,735	135,083,204
Less accumulated depreciation (Note-6)	(36,246,595)	(37,839,150)
Total property and equipment, net	219,992,022	219,175,316
Intangible fixed assets		
Leasehold held in trust (Note-6)	14,998,573	14,998,573
Other intangible fixed assets held in trust (Note-6)	261	238
Other intangible fixed assets (Note-6)	7,407	6,555
Total intangible fixed assets	15,006,242	15,005,367
Investments and other assets		
Investment securities (Note-16) (Note-17)	20,035,175	20,035,175
Deferred tax assets (Note-12)	3,665	2,292
Other deposits	17,252	17,252
Other deposits held in trust	819,166	819,166
Long-term prepaid expenses	379,792	444,489
Total investment and other assets	21,255,051	21,318,375
TOTAL LONG-TERM ASSETS	256,253,316	255,499,060
DEFERRED ASSETS		
New investment unit issuance costs	22,087	17,670
Corporate bond issuance costs	39,726	34,758
TOTAL DEFERRED ASSETS	61,814	52,428
TOTAL ASSETS	¥ 280,999,443	¥ 277,449,143

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

	Thousands of yen	
	April 30, 2022	October 31, 2022
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	¥ 2,481,786	¥ 2,315,439
Long-term loans payable due within one year (Note-9) (Note-16)	32,100,000	23,500,000
Corporate bonds due within one year (Note-8) (Note-16)	-	2,000,000
Accrued expenses	114,874	118,707
Distributions payable	11,065	12,873
Income taxes payable	1,422	605
Consumption taxes payable	-	377,419
Business office taxes payable	11,145	7,286
Rents received in advance	1,107,382	1,011,124
Deposits received	138,180	55,246
TOTAL CURRENT LIABILITIES	35,965,857	29,398,703
LONG-TERM LIABILITIES		
Long-term loans payable (Note-9) (Note-16)	84,450,000	91,250,000
Corporate bonds (Note-8) (Note-16)	11,200,000	9,200,000
Tenant security deposits	1,526,402	1,474,296
Tenant security deposits held in trust	8,425,984	8,470,137
TOTAL LONG-TERM LIABILITIES	105,602,387	110,394,433
TOTAL LIABILITIES	141,568,244	139,793,136
NET ASSETS		
UNITHOLDERS' EQUITY (Note-7)		
Unitholders' capital	132,637,845	132,637,845
Units authorized – 10,000,000 units as of April 30, 2022 – 10,000,000 units as of October 31, 2022		
Units issued and outstanding – 1,401,635 units as of April 30, 2022 – 1,401,635 units as of October 31, 2022		
Surplus		
Reserve for reduction entry	1,111,640	1,110,784
Unappropriated retained earnings	5,681,712	3,907,377
TOTAL UNITHOLDERS' EQUITY	139,431,198	137,656,006
TOTAL NET ASSETS	139,431,198	137,656,006
TOTAL LIABILITIES AND NET ASSETS	¥ 280,999,443	¥ 277,449,143

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

PROFIT AND LOSS STATEMENTS

For the six months ended April 30, 2022 and October 31, 2022

		Thousands of yen	
		April 30, 2022	October 31, 2022
OPERATING REVENUES AND EXPENSES			
Operating revenues			
Rental revenues	(Note-10)	¥ 8,826,310	¥ 8,967,739
Other rental revenues	(Note-10)	1,022,667	1,147,076
Gains from sale of properties	(Note-11)	2,231,845	-
Dividend income		508,698	503,805
Operating expenses			
Property operating expenses	(Note-10)	5,661,797	5,590,235
Losses from sale of properties	(Note-11)	15,199	-
Asset management fees		475,247	423,775
Directors' compensation		4,200	4,200
Custodian fees		12,680	12,716
Administration fees		93,146	105,199
Audit fees		8,925	9,350
Other expenses		189,574	134,043
Operating income		6,128,750	4,339,102
NON-OPERATING REVENUES AND EXPENSES			
Non-operating revenues			
Interest income		113	110
Return of unclaimed distribution		773	1,155
Other non-operating revenues		40	1,040
Non-operating expenses			
Interest expenses		400,994	397,650
Interest expenses on corporate bonds		22,544	22,855
Amortization of corporate bond issuance costs		4,968	4,968
Amortization of new investment unit issuance costs		4,417	4,417
Public listing related costs of new investment units		11,410	-
Other non-operating expenses		2,479	2,502
Ordinary income		5,682,862	3,909,015
Income before income taxes			
Income taxes	(Note-12)		
Current		2,931	605
Deferred		(1,781)	1,373
Net income		5,681,712	3,907,037
Income carried forward		-	340
UNAPPROPRIATED RETAINED EARNINGS		¥ 5,681,712	¥ 3,907,377

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

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

For the six months ended April 30, 2022 and October 31, 2022

	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, 2021	¥ 120,350,148	¥ 762,316	¥ 762,316	¥ 4,471,518	¥ 5,233,834	¥ 125,583,983	¥ 125,583,983
Changes during the period							
Issuance of new investment units	12,287,696	-	-	-	-	12,287,696	12,287,696
Provision of reserve for reduction entry		349,323	349,323	(349,323)	-	-	-
Cash distributions paid				(4,122,194)	(4,122,194)	(4,122,194)	(4,122,194)
Net income				5,681,712	5,681,712	5,681,712	5,681,712
Total changes during the period	12,287,696	349,323	349,323	1,210,194	1,559,518	13,847,215	13,847,215
BALANCE AT APRIL 30, 2022	¥ 132,637,845	¥ 1,111,640	¥ 1,111,640	¥ 5,681,712	¥ 6,793,352	¥ 139,431,198	¥ 139,431,198
Changes during the period							
Reversal of reserve for reduction entry		(855)	(855)	855	-	-	-
Cash distributions paid				(5,682,228)	(5,682,228)	(5,682,228)	(5,682,228)
Net income				3,907,037	3,907,037	3,907,037	3,907,037
Total changes during the period	-	(855)	(855)	(1,774,335)	(1,775,191)	(1,775,191)	(1,775,191)
BALANCE AT OCTOBER 31, 2022	¥ 132,637,845	¥ 1,110,784	¥ 1,110,784	¥ 3,907,377	¥ 5,018,161	¥ 137,656,006	¥ 137,656,006

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

CASH FLOW STATEMENTS

For the six months ended April 30, 2022 and October 31, 2022

	Thousands of yen	
	April 30, 2022	October 31, 2022
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 5,682,862	¥ 3,909,015
Depreciation	1,590,929	1,593,488
Amortization of corporate bond issuance costs	4,968	4,968
Amortization of new investment unit issuance costs	4,417	4,417
Interest income	(113)	(110)
Return of unclaimed distributions	(773)	(1,155)
Interest expenses	423,539	420,505
Decrease (increase) in tenant receivables	(93,215)	(180,780)
Increase (decrease) in accounts payable	333,899	(353,933)
Decrease (increase) in consumption taxes refund receivables	(385,085)	385,085
Increase (decrease) in consumption taxes payable	(383,649)	377,419
Increase (decrease) in rents received in advance	(7,128)	(96,257)
Increase (decrease) in contract liabilities	(1,800,000)	-
Increase (decrease) in deposits received	37,795	(82,934)
Decrease in carrying amounts of property and equipment held in trust due to sale	15,551,444	-
Decrease in intangible fixed assets held in trust due to sale	32,475	-
Other	(16,026)	5,230
SUBTOTAL	20,976,340	5,984,958
Interest received	113	110
Interest paid	(403,430)	(489,252)
Income taxes (paid) refund	(1,855)	(1,931)
Net cash provided by (used in) operating activities	20,571,167	5,493,885
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment	(22,795,083)	(11,238)
Payments for purchases of property and equipment held in trust	(6,865,267)	(588,472)
Payments for purchases of intangible fixed assets	-	(2,108)
Payments of other deposits	(7,252)	-
Proceeds from tenant security deposits	1,565,554	9,130
Payments of tenant security deposits	(39,151)	(61,236)
Proceeds from tenant security deposits held in trust	717,865	373,727
Payments of tenant security deposits held in trust	(958,493)	(329,574)
Net cash provided by (used in) investing activities	(28,381,827)	(609,773)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term loans payable	11,000,000	-
Repayments of short-term loans payable	(14,200,000)	-
Proceeds from long-term loans payable	9,400,000	14,500,000
Repayments of long-term loans payable	(4,950,000)	(16,300,000)
Payments of distributions	(4,122,273)	(5,679,264)
Proceeds from issuance of new investment units	12,287,696	-
Payments of new investment unit issuance costs	(26,505)	-
Net cash provided by (used in) financing activities	9,388,918	(7,479,264)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,578,258	(2,595,152)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	21,642,445	23,220,704
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note-5)	¥ 23,220,704	¥ 20,625,552

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

NOTES TO FINANCIAL STATEMENTS



For the six months ended April 30, 2022 and October 31, 2022

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, 2022.

Furthermore, equity financing NUD made in the past five years through the end of the 40th fiscal period (October 31, 2022) is summarized below.

Date	Description	Total Number of Investment Units Issued and Outstanding (units)		Unitholders' Capital (millions of yen)	
		Increase (Decrease)	Balance	Increase (Decrease)	Balance
November 1, 2021	Public offering	80,600	1,397,595	11,701	132,051
November 29, 2021	Third-party allotment	4,040	1,401,635	586	132,637

As of October 31, 2022, NUD had total unitholders’ capital of 132,637,845 thousand yen with 1,401,635 units outstanding.

As of October 31, 2022, NUD owned a portfolio of 26 office buildings, 32 residential properties and preferred securities of an SPC (59 properties in total).

Total acquisition costs of those properties were 272,632 million yen, with the investment ratio by asset type standing at 64.1% for office buildings, 28.6% for residential properties and 7.3% 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 (including those held in trust) - 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	3-68 years
Structures	3-58 years
Machinery and equipment	11 years
Tools, furniture and fixtures	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.

New investment unit issuance costs - New investment unit issuance costs are amortized using the straight-line method over three years.

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 54,805 thousand yen for the six months ended April 30, 2022 and 469 thousand yen for the six months ended October 31, 2022.

(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** - 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, 2022	October 31, 2022
Property and equipment	¥ 219,988,877	¥ 219,168,008
Intangible fixed assets	14,998,835	14,998,812

(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. Revenue recognition

Six months ended April 30, 2022 [November 1, 2021 - April 30, 2022]

1. Breakdown information on revenues from contracts with customers:

For the breakdown information on revenues from contracts with customers, refer to Note-10 and Note-11.

Note that Note-10 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 39th fiscal period:

(1) Balance of contract liabilities, etc.

Contract liabilities represent the advance received (balance at beginning 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.

Of the revenues recognized in the six months period ended April 30, 2022, the amount included in the contract liabilities at the beginning of the period is 1,800,000 thousand yen.

Six months ended October 31, 2022 [May 1, 2022 - October 31, 2022]

1. Breakdown information on revenues from contracts with customers:

For the breakdown information on revenues from contracts with customers, refer to Note-10 and Note-11.

Note that Note-10 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.

Note-5. Cash and cash equivalents

Cash and cash equivalents as of April 30, 2022 and October 31, 2022 consisted of the following:

	Thousands of yen	
	April 30, 2022	October 31, 2022
Cash and deposits	¥ 9,116,039	¥ 6,762,774
Cash and deposits held in trust	14,104,665	13,862,777
CASH AND CASH EQUIVALENTS	¥ 23,220,704	¥ 20,625,552

Note-6. Schedule of property and equipment and intangible fixed assets

Property and equipment and intangible fixed assets as of April 30, 2022 and October 31, 2022 consisted of the following:

	Thousands of yen					
	April 30, 2022			October 31, 2022		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment						
Buildings and structures						
Buildings	¥ 6,499,752	¥ 91,033	¥ 6,408,719	¥ 6,499,874	¥ 204,164	¥ 6,295,709
Structures	19,760	276	19,483	19,760	573	19,187
Machinery and equipment	-	-	-	6,363	292	6,070
Tools, furniture and fixtures	-	-	-	4,439	124	4,314
Land	16,273,040	-	16,273,040	16,273,040	-	16,273,040
Construction in progress	3,144	-	3,144	7,308	-	7,308
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 95,357,554	¥ 34,360,025	¥ 60,997,528	¥ 96,064,538	¥ 35,746,125	¥ 60,318,413
Structures	2,190,563	1,324,615	865,947	2,203,004	1,362,986	840,018
Tools, furniture and fixtures	812,066	470,643	341,422	852,932	524,883	328,049
Land	135,082,735	-	135,082,735	135,083,204	-	135,083,204
SUBTOTAL	256,238,617	36,246,595	219,992,022	257,014,467	37,839,150	219,175,316
Intangible fixed assets held in trust						
Leasehold	14,998,573	-	14,998,573	14,998,573	-	14,998,573
Other intangible fixed assets	6,469	6,207	261	6,469	6,230	238
Other	43,713	36,305	7,407	43,713	37,157	6,555
SUBTOTAL	15,048,756	42,513	15,006,242	15,048,756	43,388	15,005,367
TOTAL	¥ 271,287,373	¥ 36,289,108	¥ 234,998,265	¥ 272,063,223	¥ 37,882,538	¥ 234,180,684

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-7. 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-8. Corporate bonds

Corporate bonds for the six months ended April 30, 2022 and October 31, 2022 were as follows:

	Thousands of yen		Interest rate (%)
	April 30, 2022 (Amount)	October 31, 2022 (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 2022 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-9. Short-term and long-term loans

Short-term and long-term loans as of April 30, 2022 and October 31, 2022 consisted of the following:

Lender	Thousands of yen				Average interest rate ^{*1} (%)	Repay-ment	Use of funds	Remarks
	April 30, 2022 (Amount)	Increase	Decrease	October 31, 2022 (Amount)				
LONG-TERM LOANS ^{*2*3}								
Sumitomo Mitsui Trust Bank, Limited	3,500,000	-	3,500,000	-	0.86625	Jul. 29, 2022	*4	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	-				
MUFG Bank, Ltd.	3,000,000	-	3,000,000	-	0.80125	Aug. 31, 2022		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 TC Leasing Co., Ltd. ^{*5}	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				

(continued on next page)

(cont.)

Lender	Thousands of yen				Average interest rate ^{*1} (%)	Repay-ment	Use of funds	Remarks
	April 30, 2022 (Amount)	Increase	Decrease	October 31, 2022 (Amount)				
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				
Mizuho Bank, Ltd.	2,700,000	-	-	2,700,000	0.42875	May 31, 2023		Unsecured and non-guaranteed Fixed rate
NTT TC Leasing Co., Ltd. ^{*5}	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	
Development Bank of Japan Inc.	3,000,000	-	-	3,000,000	0.66649	Apr. 30, 2026	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				

(continued on next page)

(cont.)

Lender	Thousands of yen				Average interest rate ^{*1} (%)	Repay-ment	Use of funds	Remarks	
	April 30, 2022 (Amount)	Increase	Decrease	October 31, 2022 (Amount)					
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.19520	Mar. 29, 2024	*4	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 TC Leasing Co., Ltd. ^{*5}	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 TC Leasing Co., Ltd. ^{*5}	2,000,000	-	-	2,000,000	0.51755	Nov. 30, 2029		Unsecured and non-guaranteed Fixed rate	
NTT TC Leasing Co., Ltd. ^{*5}	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 TC Leasing Co., Ltd. ^{*5}	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	
Mizuho Bank, Ltd.	2,400,000	-	700,000	1,700,000	0.21502	Mar. 31, 2023		Unsecured and non-guaranteed Floating rate	
Sumitomo Mitsui Trust Bank, Limited	1,600,000	-	500,000	1,100,000					
Sumitomo Mitsui Banking Corporation	500,000	-	200,000	300,000	0.23502	Mar. 31, 2023		Unsecured and non-guaranteed Floating rate	
NTT TC Leasing Co., Ltd. ^{*5}	500,000	-	200,000	300,000					
MUFG Bank, Ltd.	500,000	-	200,000	300,000					
Sumitomo Mitsui Trust Bank, Limited	1,950,000	-	-	1,950,000	0.78500	Apr. 30, 2030		Unsecured and non-guaranteed Fixed rate	
Sumitomo Mitsui Banking Corporation	1,950,000	-	-	1,950,000	0.71625	Apr. 27, 2029		Unsecured and non-guaranteed Fixed rate	
Sumitomo Mitsui Banking Corporation	-	1,200,000	-	1,200,000	0.54204	Jan. 31, 2028		Unsecured and non-guaranteed Fixed rate	
Sumitomo Mitsui Trust Bank, Limited	-	3,500,000	-	3,500,000	0.75625	Jul. 31, 2030		Unsecured and non-guaranteed Fixed rate	
The Norinchukin Bank	-	2,500,000	-	2,500,000	0.73000	Aug. 31, 2029		Unsecured and non-guaranteed Fixed rate	
MUFG Bank, Ltd.	-	1,800,000	-	1,800,000	0.77969	May 31, 2030		Unsecured and non-guaranteed Fixed rate	
Mizuho Bank, Ltd.	-	2,500,000	-	2,500,000	0.86250	Aug. 29, 2031		Unsecured and non-guaranteed Fixed rate	
MUFG Bank, Ltd.	-	3,000,000	-	3,000,000	0.92875	Aug. 31, 2032		Unsecured and non-guaranteed Fixed rate	
SUBTOTAL	116,550,000	14,500,000	16,300,000	114,750,000					
TOTAL	¥ 116,550,000	¥ 14,500,000	¥ 16,300,000	¥ 114,750,000					

*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 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.

*3 The anticipated maturities of long-term loans for the following five years beginning November 1, starting in 2022 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
¥	23,500,000	9,500,000	9,300,000	14,700,000	13,250,000
					44,500,000

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

*5 Pursuant to the loan claim transfer agreement concluded on June 28, 2022 between NTT Finance Corporation and NTT TC Leasing Co., Ltd., NTT Finance Corporation transferred all of its loan claims based on the relevant loan agreement and all of its contractual position, rights and obligations under the said loan agreement as the transferor, to NTT TC Leasing Co., Ltd. as of June 30, 2022.

Note-10. Rental revenues and expenses

Rental revenues and expenses for the six months ended April 30, 2022 and October 31, 2022 were as follows:

	Thousands of yen	
	April 30, 2022	October 31, 2022
REAL ESTATE RENTAL REVENUES		
Rental revenues		
Rents	¥ 7,569,695	¥ 7,730,716
Common area charges	1,256,615	1,237,022
Subtotal	8,826,310	8,967,739
Other rental revenues		
Utilities income	471,749	583,120
Parking fees	249,133	241,934
Facility fees	123,576	122,326
Other incidental revenues	51,336	49,997
Miscellaneous income	126,872	149,696
Subtotal	1,022,667	1,147,076
TOTAL REAL ESTATE RENTAL REVENUES	9,848,978	10,114,816
REAL ESTATE RENTAL EXPENSES		
Property operating expenses		
Property management fees	1,308,530	1,258,433
Utilities	672,964	814,695
Real estate taxes	615,344	694,015
Insurance	16,558	17,005
Maintenance and repairs	821,894	581,096
Trust fees	31,430	28,598
Depreciation	1,590,252	1,592,636
Rent expenses	475,321	476,433
Miscellaneous expenses	129,500	127,321
TOTAL REAL ESTATE RENTAL EXPENSES	5,661,797	5,590,235
REAL ESTATE RENTAL INCOME	¥ 4,187,180	¥ 4,524,580

Note-11. Gains and losses from sale of properties

Gains and losses from sale of properties for the six months ended April 30, 2022 were as follows:

	Thousands of yen	
	April 30, 2022	
	Sphere Tower Tennozu	
Revenues from sale of properties	¥	18,000,000
Cost of properties		15,551,444
Other expenses for sale		216,710
GAINS FROM SALE OF PROPERTIES	¥	2,231,845
	Shinagawa Season Terrace	
	¥	17,275
		32,475
		-
	¥	15,199

* The losses from sale of properties for Shinagawa Season Terrace are due to its partial sale in accordance with the expropriation of leasehold held in trust for the property.

There were no gains and losses from sale of properties for the six months ended October 31, 2022.

Note-12. 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, 2022 and October 31, 2022:

	April 30, 2022	October 31, 2022
Statutory tax rate	31.46%	31.46%
Adjustments		
Deductible cash distributions	(31.46)	(31.43)
Other	0.02	0.02
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, 2022 and October 31, 2022 were as follows:

	Thousands of yen	
	April 30, 2022	October 31, 2022
Deferred tax assets		
Enterprise taxes	¥ 3,665	¥ 2,292
Total of deferred tax assets	3,665	2,292
NET DEFERRED TAX ASSETS	¥ 3,665	¥ 2,292

Note-13. Per unit information

The following table summarizes the net assets per unit as of April 30, 2022 and October 31, 2022 and the net income per unit for the six months ended April 30, 2022 and October 31, 2022:

	April 30, 2022	October 31, 2022
Net assets per unit	¥ 99,477	¥ 98,211
Net income per unit	4,055	2,787

*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, 2022 and October 31, 2022.

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

	Thousands of yen	
	April 30, 2022	October 31, 2022
Net income	¥ 5,681,712	¥ 3,907,037
Amount not attributable to ordinary unitholders	-	-
Net income related to ordinary units	5,681,712	3,907,037
Average number of units during the period	1,401,010 units	1,401,635 units

Note-14. Leases

NUD leases some properties to tenants under non-cancellable operating leases. As of April 30, 2022 and October 31, 2022, the future lease expenses and revenues under the non-cancellable operating leases were as follows:

Operating leases (as lessee)

	Thousands of yen	
	April 30, 2022	October 31, 2022
Due within one year	¥ 550,264	¥ 550,264
Due after one year	12,014,113	11,738,980
TOTAL	¥ 12,564,377	¥ 12,289,245

Operating leases (as lessor)

	Thousands of yen	
	April 30, 2022	October 31, 2022
Due within one year	¥ 2,047,485	¥ 2,229,691
Due after one year	5,175,527	5,268,154
TOTAL	¥ 7,223,012	¥ 7,497,846

Note-15. 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, 2022]

In accordance with this policy, NUD declared a total distribution of 5,682,228,290 yen as distribution of income for the 39th fiscal period (payment to start on July 15, 2022), which was the maximum value of unappropriated retained earnings after adding reversal of existing reserve for reduction entry, arrived at when the number of units outstanding (1,401,635 units) was multiplied by an integer.

[October 31, 2022]

In accordance with this policy, NUD declared a total distribution of 3,906,356,745 yen as distribution of income for the 40th fiscal period (payment to start on January 20, 2023), which was the maximum value arrived at when the number of units outstanding (1,401,635 units) was multiplied by an integer, within the limit of the unappropriated retained earnings for the 40th fiscal period.

Income carried forward after the distributions for the six months ended April 30, 2022 and October 31, 2022 were as follows:

	April 30, 2022	October 31, 2022
Unappropriated retained earnings	¥ 5,681,712,731	¥ 3,907,377,517
Voluntary retained earnings		
(Reversal of reserve for reduction entry)	855,968	-
Cash distributions declared	5,682,228,290	3,906,356,745
(Cash distribution declared per unit)	(4,054)	(2,787)
INCOME CARRIED FORWARD	¥ 340,409	¥ 1,020,772

Note-16. 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 sheets, fair values and their difference as of April 30, 2022 and October 31, 2022 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.

	Thousands of yen					
	April 30, 2022			October 31, 2022		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Long-term loans payable due within one year	32,100,000	32,187,737	87,737	23,500,000	23,524,164	24,164
(2) Corporate bonds due within one year	-	-	-	2,000,000	1,999,580	(420)
(3) Long-term loans payable	84,450,000	84,060,879	(389,120)	91,250,000	90,436,297	(813,702)
(4) Corporate bonds	11,200,000	11,117,680	(82,320)	9,200,000	9,086,212	(113,788)
(5) 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 (3) 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-18. 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.
(2) **Corporate bonds due within one year and (4) Corporate bonds** - Fair values of these instruments are calculated based on their market prices.
(5) **Derivative Transactions** - Refer to Note-18. 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, 2022 and October 31, 2022, 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, 2022 and October 31, 2022 are as follows:

	Thousands of yen					
	April 30, 2022					
	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	¥ 32,100,000	¥ 10,950,000	¥ 12,250,000	¥ 11,600,000	¥ 15,400,000	¥ 34,250,000
Corporate bonds	-	4,000,000	-	-	-	7,200,000
TOTAL	¥ 32,100,000	¥ 14,950,000	¥ 12,250,000	¥ 11,600,000	¥ 15,400,000	¥ 41,450,000

	Thousands of yen					
	October 31, 2022					
	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	¥ 23,500,000	¥ 9,500,000	¥ 9,300,000	¥ 14,700,000	¥ 13,250,000	¥ 44,500,000
Corporate bonds	2,000,000	2,000,000	-	-	-	7,200,000
TOTAL	¥ 25,500,000	¥ 11,500,000	¥ 9,300,000	¥ 14,700,000	¥ 13,250,000	¥ 51,700,000

Note-17. 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, 2022 and October 31, 2022, 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-18. Derivative transactions

(a) **Derivatives to which hedge accounting is not applied** - Not applicable for the six months ended April 30, 2022 and October 31, 2022.

(b) **Derivatives to which hedge accounting is applied** - For the six months ended April 30, 2022 and October 31, 2022, 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, 2022			
			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	¥ 82,130,000	¥ 59,630,000	*	-

Type of hedge accounting	Type of derivative transactions, etc.	Major hedged item	Thousands of yen			
			October 31, 2022			
			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	¥ 67,630,000	¥ 51,930,000	*	-

* 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-19. 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, 2022 and October 31, 2022, the changes during the fiscal period and their fair values are as follows:

	Thousands of yen							
	April 30, 2022				October 31, 2022			
	Book value at November 1, 2021 ^{*1}	Increase and Decrease during the period ^{*2}	Book value at April 30 2022 ^{*1}	Fair value at April 30 2022 ^{*3}	Book value at May 1, 2022 ^{*1}	Increase and Decrease during the period ^{*2}	Book value at October 31, 2022 ^{*1}	Fair value at October 31, 2022 ^{*3}
Office buildings	¥ 157,313,015	¥ 12,569,513	¥ 169,882,528	¥ 210,334,000	¥ 169,882,528	¥ (470,321)	¥ 169,412,207	¥ 212,108,000
Residential properties	65,462,750	(357,566)	65,105,184	89,840,000	65,105,184	(350,570)	64,754,613	92,060,000
TOTAL	¥ 222,775,765	¥ 12,211,947	¥ 234,987,712	¥ 300,174,000	¥ 234,987,712	¥ (820,892)	¥ 234,166,820	¥ 304,168,000

*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). Note that construction in progress and construction in progress held in trust are not included.

*2 Of the increases and decreases in rental properties during the period, major increases in the six months ended April 30, 2022 are due to the acquisition of Tokyo Opera City Building and Urbannet Uchisaiwaicho Building (28,188,122 thousand yen) and the capital expenditures (1,174,519 thousand yen) for owned properties, and major decreases are due to the sale of Sphere Tower Tennozu and the partial sale of Shinagawa Season Terrace in accordance with the expropriation of leasehold held in trust for the property (15,583,920 thousand yen) and the depreciation (1,590,252 thousand yen). Major increases in the six months ended October 31, 2022 are due to the capital expenditures (784,773 thousand yen) for owned properties, and major decreases are due to the depreciation (1,592,636 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.

In addition, the operating revenues and expenses of the rental properties for the six months ended April 30, 2022 and October 31, 2022 are as follows:

	Thousands of yen					
	April 30, 2022			October 31, 2022		
	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	¥ 7,247,298	¥ 4,200,010	¥ 3,047,288	¥ 7,483,887	¥ 4,239,285	¥ 3,244,601
Residential properties	2,601,679	1,461,786	1,139,892	2,630,929	1,350,950	1,279,978
TOTAL	¥ 9,848,978	¥ 5,661,797	¥ 4,187,180	¥ 10,114,816	¥ 5,590,235	¥ 4,524,580

* 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-20. Segment information

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

(b) Related information -

Six months ended April 30, 2022 [November 1, 2021 - April 30, 2022]

(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 -

Customer's name	Operating revenues (thousands of yen)	Related segment
Not disclosed *	¥ 2,231,845	Real estate rental business

* The name, etc. of the customer, which is a domestic corporation, are not disclosed as no consent to disclosure has been obtained from the buyer. Note that the customer does not fall under the category of related parties of NUD.

Six months ended October 31, 2022 [May 1, 2022 - October 31, 2022]

(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-21. Subsequent events

Not applicable

OTHER INFORMATION (UNAUDITED)

For the six months ended April 30, 2022 and October 31, 2022

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 40th Fiscal Period	Amount Paid before the 40th Fiscal Period
Urban Ace Higobashi Building	Nishi Ward, Osaka City, Osaka	Renovation of elevator equipment	July 2022 – April 2023	75,528	-	-
Takadanobaba Center Building	Shinjuku Ward, Tokyo	Renovation of elevator equipment	November 2022 – May 2023	65,737	-	-
Urbannet Ikebukuro Building	Toshima Ward, Tokyo	Renovation of elevator equipment	June 2022 – March 2023	60,119	-	-
NTT CRED Okayama Building	Kita Ward, Okayama City, Okayama	Renovation of heat source equipment and facilities	July 2022 – March 2023	50,373	-	-
Granpark	Minato Ward, Tokyo	Renovation of air-conditioning systems	June 2022 – March 2023	29,677	-	-
Takadanobaba Center Building	Shinjuku Ward, Tokyo	Renovation of mechanical parking system	August 2022 – April 2023	26,242	-	-
Urbannet Ikebukuro Building	Toshima Ward, Tokyo	Renovation of mechanical parking system	July 2022 – April 2023	25,039	-	-
Questcourt Harajuku	Shibuya Ward, Tokyo	Renovation of mechanical parking system	April 2023 – April 2023	22,295	-	-

2. Capital Expenditures during the 40th Fiscal Period

The following is an overview of major construction classified as capital expenditures during the 40th fiscal period (May 1, 2022 - October 31, 2022) for the portfolio owned by NUD. Capital expenditures during the period totaled 784,773 thousand yen. This amount, combined with maintenance and repair expenditures of 581,096 thousand yen, was classified as operating expenses for the period, aggregating a total of 1,365,869 thousand yen representing renovation expenditures.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Urbannet Ikebukuro Building	Toshima Ward, Tokyo	Renovation of elevator equipment	April 2022 - October 2022	60,042
Urbannet Azabu Building	Minato Ward, Tokyo	Renovation of air-conditioning systems	July 2022 - October 2022	54,740
Urbannet Mita Building	Minato Ward, Tokyo	Renovation of sanitary facilities	June 2022 - October 2022	40,022
Urban Ace Higobashi Building	Nishi Ward, Osaka City, Osaka	Renovation of air-conditioning systems	June 2022 - October 2022	39,041

(continued on next page)

(cont.)

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
The Kanagawa Science Park R&D Building	Takatsu Ward, Kawasaki City, Kanagawa	Renovation of air-conditioning systems	May 2022 - August 2022	37,529
The Kanagawa Science Park R&D Building	Takatsu Ward, Kawasaki City, Kanagawa	Renovation of elevator equipment	May 2022 - August 2022	36,639
Renai Shinjuku-Gyoen Tower	Shinjuku Ward, Tokyo	Renovation of electric equipment	September 2022 - October 2022	34,155
Landic Shimbashi 2 Building	Minato Ward, Tokyo	Renovation of disaster prevention equipment	July 2022 - September 2022	32,080
NTT CRED Okayama Building	Kita Ward, Okayama City, Okayama	Renovation and construction work	July 2022 - October 2022	31,608
NTT CRED Okayama Building	Kita Ward, Okayama City, Okayama	Renovation of air-conditioning systems	June 2022 - October 2022	28,933
The Kanagawa Science Park R&D Building	Takatsu Ward, Kawasaki City, Kanagawa	Renovation of air-conditioning systems	May 2022 - June 2022	26,716
Urbannet Ikebukuro Building	Toshima Ward, Tokyo	Renovation of air-conditioning systems	September 2022 - October 2022	20,297
Other construction				342,968
TOTAL				784,773

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

Item \ Fiscal Period	Thousands of yen	
	39th Fiscal Period (November 1, 2021 – April 30, 2022)	40th Fiscal Period (May 1, 2022 – October 31, 2022)
Deposits at end of the preceding period	650,886	622,224
Deposits made during the period	18,883	14,323
Amounts used from deposits during the period	47,545	-
Deposits carried forward to the next period	622,224	636,547

OVERVIEW OF FUND PROCUREMENT

1. Borrowing of Funds, etc.

(1) Of the 6,500 million yen in a long-term loan borrowed on July 29, 2015, NUD refinanced 4,700 million yen into long-term loans and repaid the remaining 1,800 million yen using cash on hand on July 29, 2022. The breakdown of lenders, etc. of the 4,700 million yen in these long-term loans is as follows:

Lenders	Sumitomo Mitsui Banking Corporation	Sumitomo Mitsui Trust Bank, Limited
Amount of Debt Finance	1,200 million yen	3,500 million yen
Drawdown Date	July 29, 2022	
Principal Repayment Date	January 31, 2028	July 31, 2030
Principal Repayment Method	Lump-sum repayment upon maturity	
Interest Rate	Fixed rate: (0.54204%)	Fixed rate: (0.75625%)
Collateral/Guarantee	Unsecured and non-guaranteed	

(2) NUD refinanced the 8,000 million yen in a long-term loan borrowed on September 4, 2015 into long-term loans on August 31, 2022. The breakdown of lenders, etc. of the 8,000 million yen in these long-term loans is as follows:

Lenders	The Norinchukin Bank	Mizuho Bank, Ltd.	MUFG Bank, Ltd.
Amount of Debt Finance	2,500 million yen	2,500 million yen	3,000 million yen
Drawdown Date	August 31, 2022		
Principal Repayment Date	August 31, 2029	August 29, 2031	August 31, 2032
Principal Repayment Method	Lump-sum repayment upon maturity		
Interest Rate	Fixed rate: (0.73000%)	Fixed rate: (0.86250%)	Fixed rate: (0.92875%)
Collateral/Guarantee	Unsecured and non-guaranteed		

(3) NUD borrowed 1,800 million yen in a long-term loan on August 31, 2022 to fund the partial early repayment of 1,800 million yen for the 5,500 million yen in long-term loans borrowed on March 28, 2022. The following table shows the overview, including the lender, of the 1,800 million yen in the long-term loan:

Lender	MUFG Bank, Ltd.
Amount of Debt Finance	1,800 million yen
Drawdown Date	August 31, 2022
Principal Repayment Date	May 31, 2030
Principal Repayment Method	Lump-sum repayment upon maturity
Interest Rate	Fixed rate: (0.77969%)
Collateral/Guarantee	Unsecured and non-guaranteed

As a result of the above, NUD's interest-bearing liabilities totaled 125,950 million yen as of October 31, 2022. The breakdown is as follows: 114,750 million yen in long-term loans (including long-term loans due within one year) and 11,200 million yen in corporate bonds (including corporate bonds due within one year). Of the total interest-bearing liabilities, the ratio of long-term interest-bearing liabilities* was 100.0%

* 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- (Positive) *1	AA- *2

*1 Japan Credit Rating Agency, Ltd. (JCR) announced that it changed NUD's rating outlook as described below as of November 29, 2022.

• Issuer rating (Rating outlook): AA- (Stable) → AA- (Positive)

*2 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 deteriora-

tion 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 58](#)

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 58, 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 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 59](#)

a. As noted earlier, 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 con-

sidering the balance between those categories while concentrating on the 5 Central Wards of Tokyo, NUD seeks to achieve a portfolio diversified by asset type comprising office buildings and residential properties. NUD diversifies its investment targeting to achieve a geographical split as indicated in the table on page 59 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 59](#)

a. Office buildings

In principle, office buildings with leasable floor space of approximately 2,000m² (approximately 700 tsubos) or more, and standard floor sizes of approximately 300m² (approximately 90 tsubos) or more, are the investment targets.

b. Residential properties

In principle, residential properties of the sizes indicated in the table on page 59 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 60](#)

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

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)	a. 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.
Wide	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).

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 of-
fice buildings and residential properties is usually two years. Moreover, many agree-
ments include provisions that allow tenants to cancel the agreement by providing no-
tice 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 ef-
ficiency of asset and real estate manage-
ment, 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, ac-
quisition expenses, etc.) as a rule.
- b. On the other hand, the maximum ratio of
the investment amount of a single invest-
ment asset will, in principle, be 25% of the
total amount invested in the investment as-
sets after investing in that single asset, and
an investment decision shall be made after

considering the overall portfolio structure
and effects of diversification investments.

3. Sales Policy

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 in-
vestment 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 obso-
lescence of the real estate. Moreover, while
the sales policy for each investment asset will
basically be determined in the annual asset
management plan, this plan may be revised
as necessary.

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.

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.

Asset Size per Property

	Dedicated Use Area per Rental Unit	Number of Rental Units
Wide	80m ² or more	10 or more
Family	60m ² or more	20 or more
DINKs	40-80m ²	20 or more
Single	25-40m ²	30 or more

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 2. 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 performance 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 ^(Note)) 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	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).	
	Title, etc.	1. Completion or incompleteness 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

(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.

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.

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] 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 4 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.

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.

of the business characteristics of healthcare facilities, either by receiving advice from the outside experts or consign the relevant operations to the outside experts.

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) (hereinafter referred to as "loan-to-value ratio") 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 real estate and beneficial interests calculated on the basis of the appraisals by real estate appraisers as of the 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.

F) 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, etc.

quired by the Act on Investment Trusts and Investment Corporations, the Financial Instruments and Exchange Act, the Tokyo Stock Exchange, the Investment Trusts Association, etc.

II. CASH DISTRIBUTION POLICY

1. Distribution of Profits

In principle, NUD shall make distributions based on the following policies (Article 13-1 of the Articles of Incorporation):

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 sheets 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, etc. (Article 13-2 of the Articles of Incorporation).

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 (Article 13-3 of the Articles of Incorporation).

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 (Article 13-4 of the Articles of Incorporation).

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

MEMO

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The financial statements of NUD have been prepared in accordance with generally accepted accounting principles in Japan (Japanese

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