

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



37th
Fiscal Period

Semiannual Report

Ended April 30, 2021

 NTT UD REIT Investment Corporation

1-5-1 Otemachi, Chiyoda Ward, Tokyo

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

Securities Code: 8956

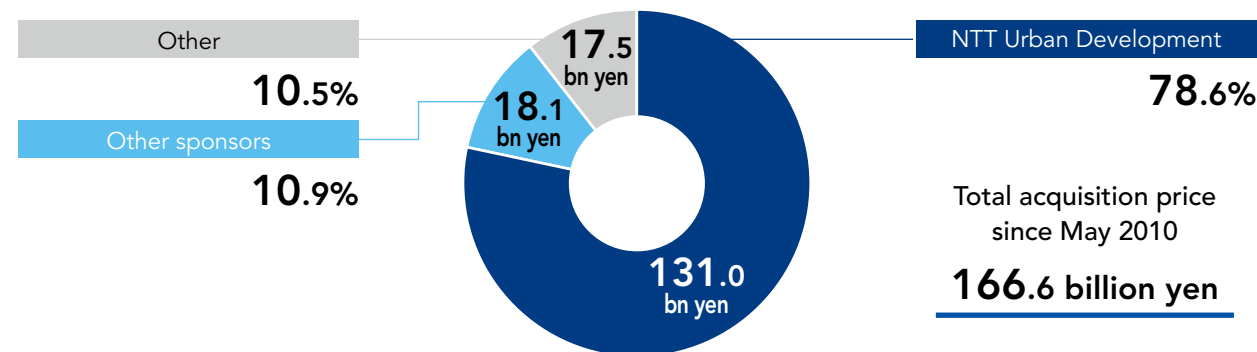
1 Comprehensive Support from NTT Urban Development, the Sole Comprehensive Real Estate Company in the NTT Group

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.



- 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

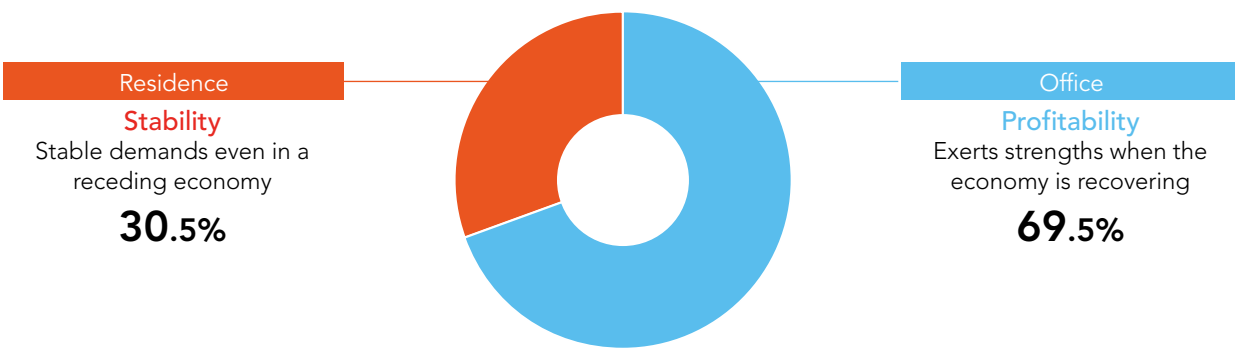
Results of Property Acquisitions through NTT UD's Pipelines
(April 2021)



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

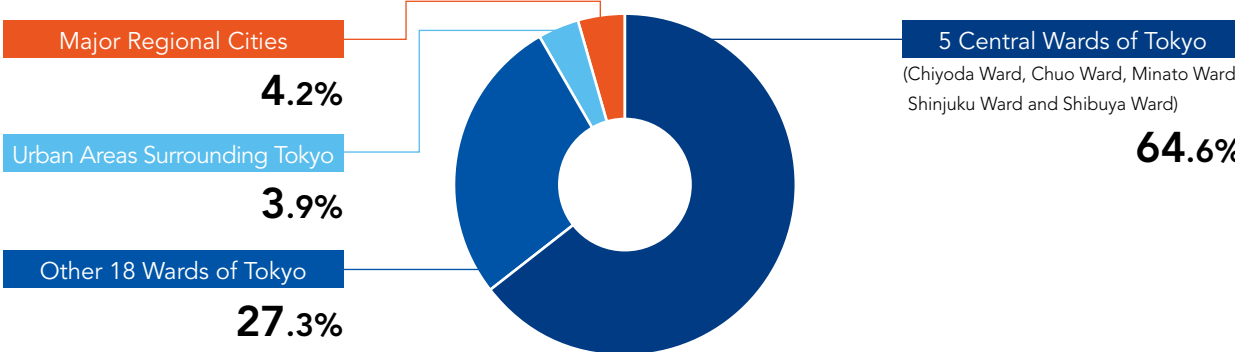
Portfolio Distribution by Asset Type
(April 2021)



3 Portfolio Focused in the Tokyo Economic Bloc

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

Portfolio Distribution by Geographical Area
(April 2021)



MESSAGE TO OUR UNITHOLDERS



Yuichi Kato

Executive Director

NTT UD REIT Investment Corporation (NUD)



Tomoyoshi Kosugi

President and CEO

(Asset management company)

NTT Urban Development Asset Management Corporation (UDAM)

On behalf of the Investment Corporation, I would like to express our sincere gratitude for the loyal patronage of our unitholders.

Since its establishment in May 2002, the Investment Corporation has steadily expanded its asset size for approximately 19 years under the corporate name of Premier Investment Corporation while enjoying strong support from our unitholders and stakeholders. Built on this achievement, the Investment Corporation changed its name to NTT UD REIT Investment Corporation (NUD) as of April 1, 2021, and I, Yuichi Kato, assumed the office of Executive Director on the same date.

As for Premier REIT Advisors Co., Ltd., to which the Investment Corporation had consigned its asset management since its inception, the company merged with NTT Urban Development Asset Management Corporation (UDAM), an asset management company belonging to the NTT Group, as of April 1, 2021, with UDAM succeeding the asset management agreement with the Investment Corporation.

Please also accept my greetings as I assumed the office of Director of UDAM as of the same date. By concurrently serving for these two organizations, I will work to promote even closer communication between them.

In the 37th fiscal period ended April 2021, the Investment Corporation acquired interests in Shinagawa Season Terrace, a Class S building located in Minato Ward, Tokyo, through a transaction for the reshuffling of properties with a third party on the market by utilizing the pipeline support of NTT Urban Development Corporation (NTT UD), the sponsor. With the acquisition, NUD's owned assets as of April 30, 2021, consist of 59 properties made up of 26 office buildings and 33 residential properties and amount to 261.8 billion yen in total. The period-average occupancy rate of the entire portfolio stood at 95.9%.

The transfer of a property in the transaction also contributed, and NUD posted operating revenues of 11,468 million yen, up 21.1%, and net income of 5,299 million yen, up 37.6%, both on a period-on-period basis, for the 37th fiscal period. As for distribution per unit, NUD secured 4,024 yen, which surpassed the forecast of 3,890 yen for the period announced in "Financial Report for the Fiscal Period Ended October 31, 2020 (May 1, 2020 – October 31, 2020)" dated December 16, 2020.

Given the situation in which there is no telling yet how the COVID-19 pandemic will turn out, we have embarked on something new under the government's state-of-emergency declaration. Nevertheless, we are determined to overcome this hardship by reinforcing the sponsorship of NTT UD and heightening the efficiency and stability of our management platform as well as strengthening our competitiveness through the merger of the asset management companies with an aim to further enhance unitholder value.

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

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37TH FISCAL PERIOD
PERFORMANCE HIGHLIGHTS



Financial Results Highlights

	Distribution per Unit (Note 1)	
36th Fiscal Period (ended October 2020)	¥ 2,923	
37th Fiscal Period (ended April 2021)	¥ 4,024	
38th Fiscal Period (ending October 2021) (Note 2)	¥ 3,130 (forecast)	

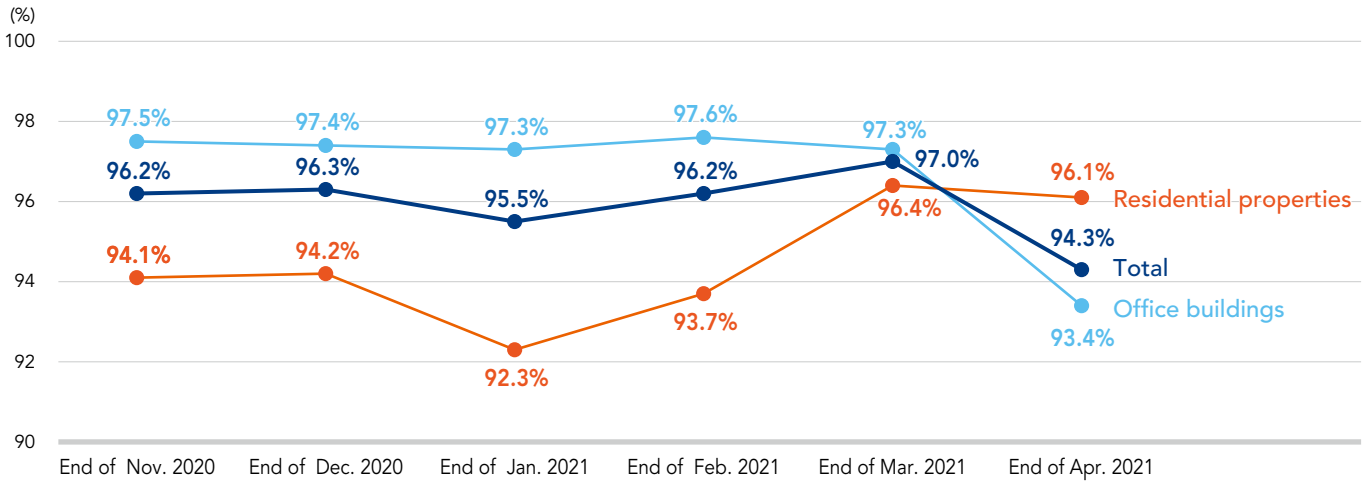
(Note 1) Number of outstanding investment units at end of period:
36th Fiscal Period: 1,316,995 units
37th Fiscal Period: 1,316,995 units
38th Fiscal Period: 1,316,995 units (forecast)

(Note 2) The figure is based on what was announced in the Financial Report for the 37th Fiscal Period Ended April 30, 2021 (November 1, 2020 – April 30, 2021) dated June 17, 2021.

	36th Fiscal Period (as of October 31, 2020)	37th Fiscal Period (as of April 30, 2021)
Operating Revenues	9,470 million yen	11,468 million yen
Operating Income	4,248 million yen	5,710 million yen
Ordinary Income	3,852 million yen	5,300 million yen
Net Income	3,850 million yen	5,299 million yen
Total Assets	249,237 million yen	265,361 million yen
Net Assets	124,962 million yen	126,412 million yen
Net Assets Ratio	50.1%	47.6%
Net Assets per Unit	94,884 yen	95,985 yen
LTV (Note)	Total assets basis	45.3%
	Market value basis	39.6%

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

Monthly Occupancy Rate for the 37th 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.
The occupancy rates as of the end of March and April 2021 are calculated by excluding Bureau Kioicho, for which a transfer agreement was concluded on March 31, 2021.

Portfolio Status

	36th Fiscal Period (as of October 31, 2020)	37th Fiscal Period (as of April 30, 2021)
No. of properties	59 properties	59 properties
Acquisition price	246.7 billion yen	261.8 billion yen
Average building age ^(Note 1)	23.6 years	22.6 years
Occupancy rate at end of period	96.8%	94.3%
No. of tenants	3,715	3,823
NOI yield ^(Note 2)	5.3%	4.9%
Yield after depreciation ^(Note 3)	4.1%	3.7%

Distribution by asset type

■ Office Buildings
■ Residential Properties

Distribution by geographical area

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

Distribution by asset type

■ Office Buildings
■ Residential Properties

Distribution by geographical area

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

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

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

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

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

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

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

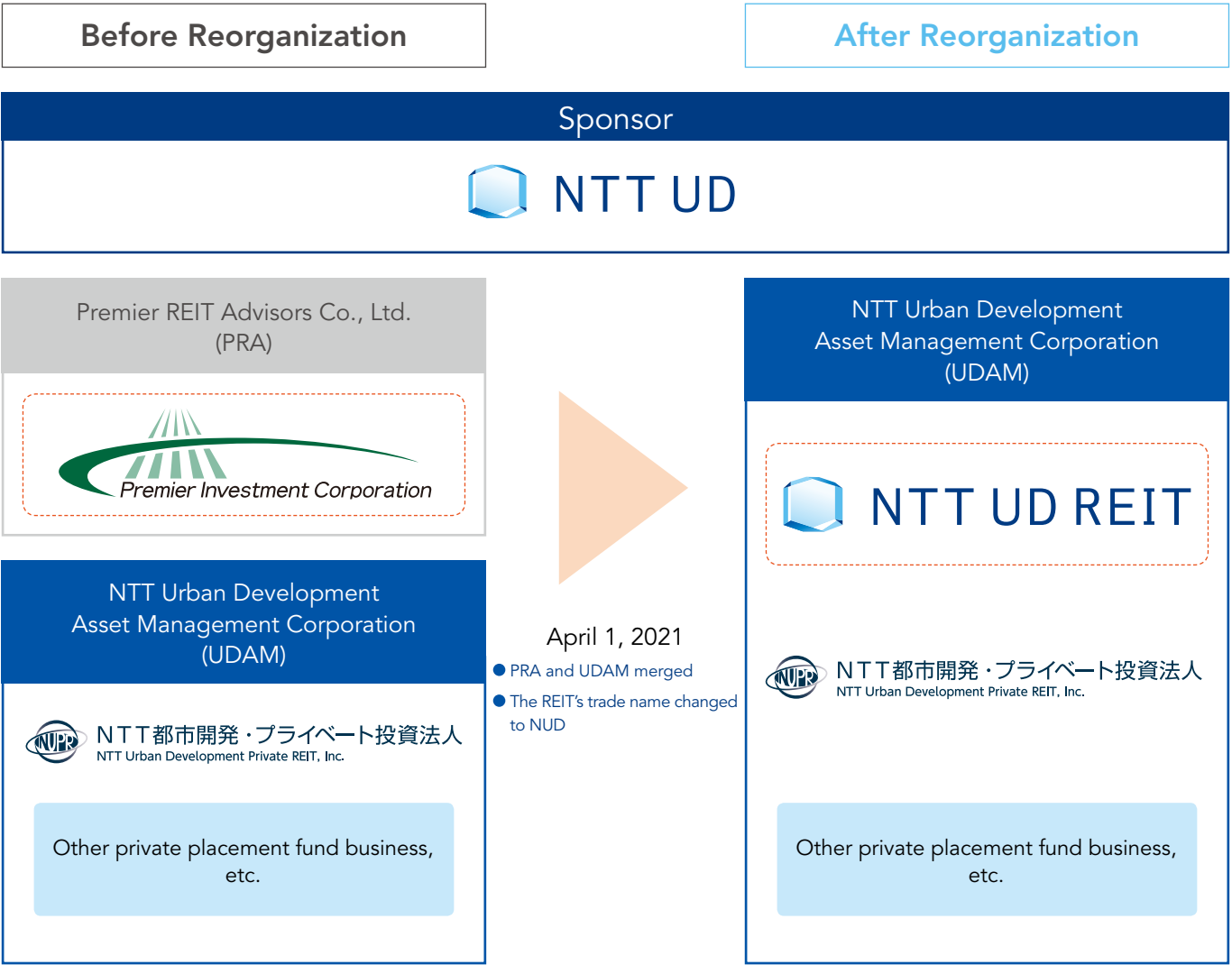
Yield after depreciation = annualized real estate rental income* / investment value**

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

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

Reorganization (Merger of Asset Managers/Change of REIT's Trade Name)

- NTT Urban Development Asset Management Corporation (UDAM), which became the sole asset manager in the NTT UD Group through the merger, has succeeded the entrusted operations of NUD.
- Asset management handled by UDAM, which has a stronger organization and staff as well as reinforced management know-how after the merger, is expected to help enhance unitholder value over the medium to long term.
- Moreover, the REIT's trade name was changed, clearly demonstrating to the market that NUD is the REIT representing the NTT UD Group.





NTT Urban Development Asset Management

Asset management company

Tomoyoshi Kosugi

President and CEO
NTT Urban Development Asset Management Corporation

As of April 1, 2021, the name of the Investment Corporation was changed to NTT UD REIT Investment Corporation (NUD), and its Asset Manager was merged and integrated to NTT Urban Development Asset Management Corporation (UDAM). Please tell us about the thinking behind the new name.

Kosugi: By unifying the names of the Investment Corporation and the Asset Manager under the “NTT UD” brand, which is the sponsor’s name, we want to be better recognized and exert a stronger presence as the access destination of the NTT Urban Development (NTT UD) Group for the capital market, both in name and reality, and further expand our investor base including retail investors.

What are the effects of the merger between Premier REIT Advisors, which served as the Asset Manager, and UDAM?

Kosugi: Before the merger, each of the asset management companies was engaged in consigned asset management services for listed REITs, private placement REITs and private placement funds, etc. as group companies of NTT UD. With the merger, UDAM became the sole asset management company in the NTT UD Group. By consolidating management resources that were dissipated before, we work to heighten the efficiency and stability of our management platform as well as strengthen our competitiveness, so that we aim to maximize the unitholder value of each investment corporation we are consigned. As for the specific effects of the merger, we expect the following points.

(1) Establishment of an efficient asset management structure

Improvement in the quality of asset management operations through the establishment of an efficient asset management structure by integrating and unifying overlapping businesses that were implemented at each asset management company, such as administrative operations.

(2) Sophistication of asset management operations

Integration of management know-how by unifying the same functional departments at each asset management company, and further sophistication of asset management and compliance structure through such integration.

(3) Expansion of opportunities to acquire property information

Diversification of property information and expansion of opportunities for property acquisition by enhancing the presence and recognition of the Asset Manager in the real estate market through the expansion of the balance of assets under management of the new company after the merger, and by sharing information channels related to property acquisitions by listed REITs, private placement REITs and private placement funds, etc.

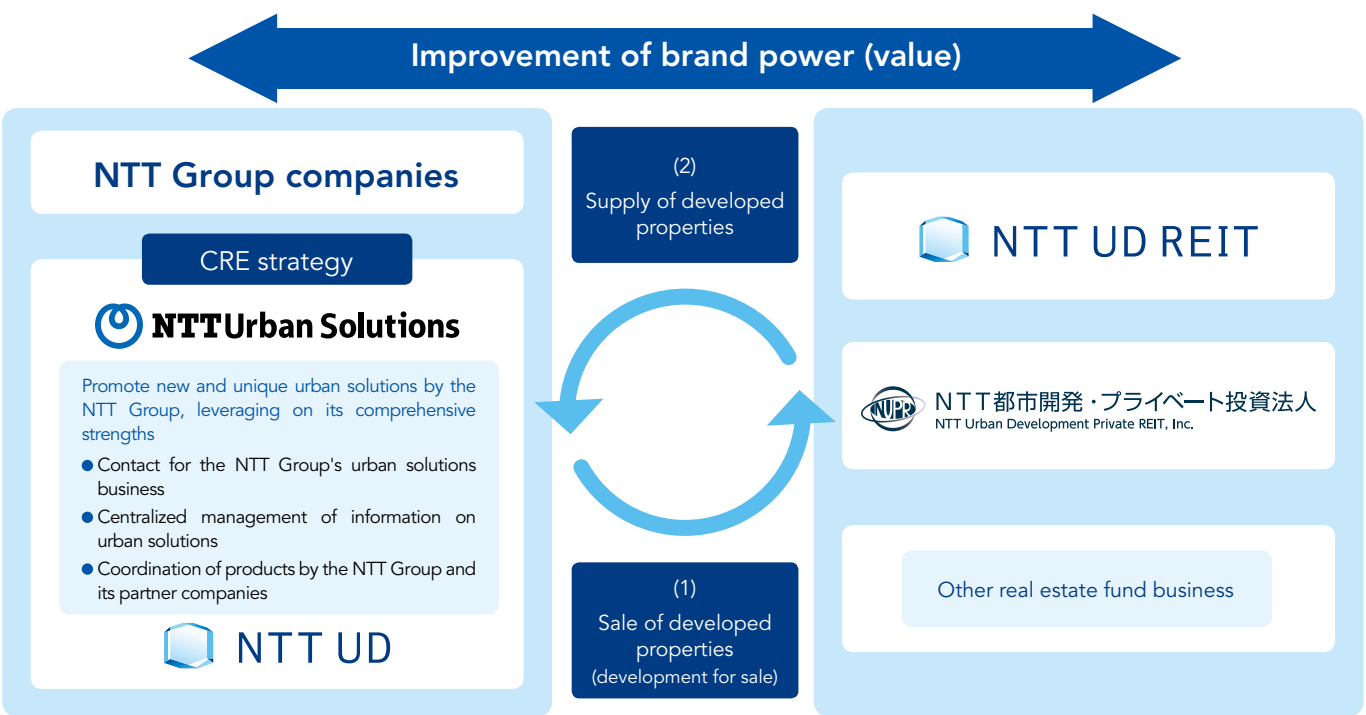
(4) Expansion of human resources

Development and expansion of human resources with advanced expertise and abundant management experience through the integration of the knowledge and experience of each asset management company.

How is UDAM positioned within the NTT UD Group?

Kosugi: NTT UD, the sponsor, positions early collection of invested capital by utilizing a fund scheme, etc. as an important assignment in conducting large-scale investments over the medium term as a member to promote urban solutions and other business of the NTT Group.

In this context, I understand that both UDAM and NUD are expected to make respective contributions to the urban solutions business promoted by the sponsor - UDAM as the sole asset management company of the sponsor group and NUD as one of the vehicles that supports the business from financial and financing aspects. As we participate in the urban solutions business of the sponsor, I hope we can expand the opportunities for the unitholders to make access to the highly value-added pipelines generated by the NTT Group.



Do you have any message to the unitholders of NUD?

Kosugi: The REIT’s name was changed to NTT UD REIT Investment Corporation, and a new support agreement was concluded between the sponsor NTT UD and UDAM to more clearly stipulate the details of the pipeline support regarding provision of property information and rights of first negotiation, etc.

Given such solid and strong sponsor support, we at UDAM will make our utmost efforts to meet the expectations of unitholders by realizing steady growth of NUD’s assets and stable management over the medium to long term in line with the growth strategy of the NTT UD Group. We appreciate and request your continued support and encouragement.



Sponsor of NUD

Hiroshi Tsujigami

President and Chief Executive Officer
NTT Urban Development Corporation

NTT UD became the sole sponsor of NUD.

What is the objective behind this decision in relation to the urban solutions business promoted by the NTT Group?

Tsujigami: As a member of the NTT Urban Solutions Group, which is responsible for the NTT Group's urban solutions business, NTT UD focuses on such priority measures as utilizing the assets owned by the NTT Group and diversifying asset solutions, in an effort to promote new urban solutions leveraging on the comprehensive strengths of the NTT Group. NTT UD is also responsible for the functions of real estate development as well as leasing and operations of owned real estate properties, etc., and aims to collect invested capital as early as possible and generate profits by expanding investments in, and establishing a sales scheme for, the projects that assume replacements of existing assets and sales after completion.

To accelerate such initiatives, it is essential to reinforce the platform of fund functions, including vitalization of J-REITs. Based on this thinking, we have integrated and reorganized the asset management companies within the Group, to significantly enhance the management system and sponsorship. The reorganization should also lead to enhanced unitholder value of NUD through expanding the opportunities for property acquisitions and promoting external growth. Moreover, we hope that, through NUD, the reorganization will help the unitholders better understand how the NTT Group is promoting the urban solutions business.

What effects will arise as NTT UD strengthens its sponsor support to NUD going forward?

Tsujigami: Strengthening our sponsorship for NUD will allow us to work on development projects from an early stage while assuming that they may be acquired by NUD, and that should lead to external growth of NUD and enhanced unitholder value more effectively than before. On the other hand, NTT UD will be able to collect invested capital as early as possible and re-invest it in new projects, and I expect this will result in NUD and NTT UD continuously growing as two driving forces.

Status of External Growth (Property Replacement)

37th Fiscal Period	Acquired Shinagawa Season Terrace through asset replacement transaction with a domestic corporation based on information provided by NTT UD and acquired additional interests in March 2021.
38th Fiscal Period	Transferred a serviced apartment to NTT UD. (part of revisions to the management strategy triggered by the expiration of sublease agreement during 37th fiscal period).

Acquisition

37th Fiscal Period (ended April 2021)

Shinagawa Season Terrace



(1) Acquired on Dec. 21, 2020
(2) Additional acquisition on Mar. 30, 2021

Location	Konan, Minato Ward, Tokyo
Seller	Domestic corporation
Use	Office and retail, etc.
Building age (as of Apr. 30, 2021)	6.2 years
Occupancy rate (as of Apr. 30, 2021)	97.5%

	(1) Initial acquisition	(2) Additional acquisition
Acquisition price	12,200 million yen	6,520 million yen
Appraisal value upon acquisition	12,200 million yen	6,630 million yen
Appraisal NOI (annual)	426 million yen	224 million yen
Appraisal NOI yield	3.5%	3.4%

Transfer

Urbannet Kojimachi Building



Transfer on Dec. 21, 2020

Location	Kojimachi, Chiyoda Ward, Tokyo
Buyer	Domestic corporation
Use	Office
Transfer price	5,550 million yen
Appraisal value upon transfer	5,530 million yen
Gain on sale	1,921 million yen
Building age (upon concluding transfer agreement)	33.6 years
Occupancy rate (upon concluding transfer agreement)	100.0%
Appraisal NOI (annual)	206 million yen
Appraisal NOI yield	3.7%

38th Fiscal Period (ending October 2021)

Bureau Kioicho

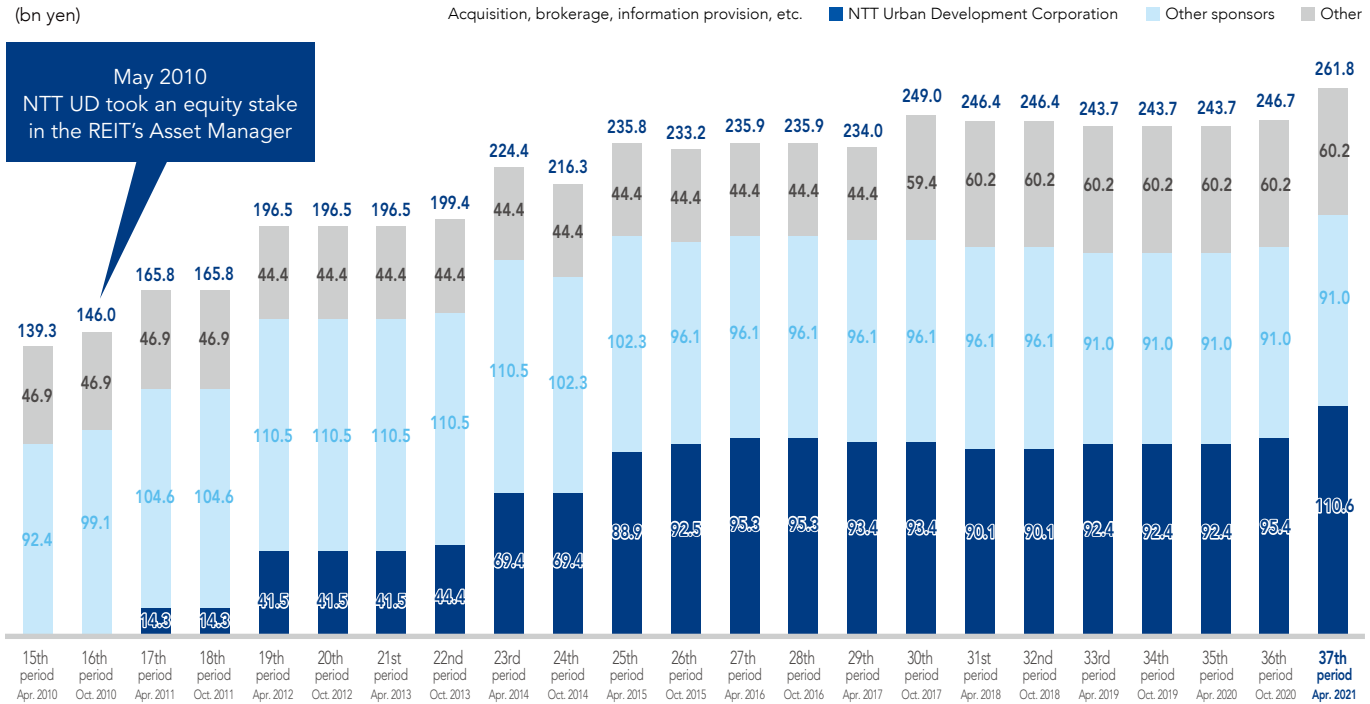


Transfer on May 7, 2021

Location	Hirakawacho, Chiyoda Ward, Tokyo
Buyer	NTT Urban Development Corporation
Use	Residence
Transfer price	2,850 million yen
Appraisal value upon transfer	1,520 million yen
Gain on sale (estimate)	1,163 million yen
Building age (upon concluding transfer agreement)	18.4 years
Occupancy rate (upon concluding transfer agreement)	6.8%
Appraisal NOI (annual)	68 million yen
Appraisal NOI yield	2.4%

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 April 30, 2021)

Rank	Tenant name	Leased floor space	Ratio (Note 1)	Property
1	NTT Facilities, Inc.	10,671m ²	6.3%	Urban Ace Higobashi Building, etc.
2	DOCOMO CS, Inc.	10,525m ²	6.2%	Urbannet Ikebukuro Building
3	NTT Business Associe East Co., Ltd.	7,488m ²	4.4%	Urbannet Omori Building
4	Sumitomo Osaka Cement Co., Ltd.	6,872m ²	4.0%	Rokubancho Building
5	SoftBank Corp.	6,293m ²	3.7%	Sphere Tower Tennozu (Note 2)
6	NTT Finance Corporation	6,082m ²	3.6%	Urbannet Ikebukuro Building, etc.
7	NTT DATA Corporation	5,871m ²	3.4%	Urbannet Mita Building
8	NTT Learning Systems Corporation	4,801m ²	2.8%	Urbannet Azabu Building
9	FIELDS CORPORATION	3,106m ²	1.8%	KN Shibuya No.3
10	NTT Communications Corporation	3,029m ²	1.8%	Granpark, etc.
Total		64,742m ²	38.0%	

(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) The leased floor space of Sphere Tower Tennozu indicates the figure corresponding to the substantial ownership ratio of NUD for the building portion of the property.

Environment

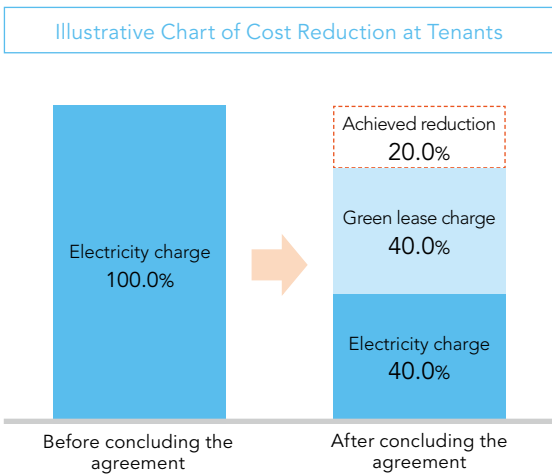
(1) Issuance of Green Bonds

- NUD issued its first green bonds (April 27, 2021).
- NUD aims to further expand the investor base strongly interested in ESG investment and diversity fund-raising methods.

Criteria for Assets that can be Funded by Green Bonds (Green Eligible Assets)	Overview of the Green Bonds	
1. Green Buildings Properties that have acquired or are scheduled to acquire either one of the certifications from the third-party institutions in (1) to (4) below (1) 3 to 5 Stars of the DBJ Green Building Certification (2) Rank B+ to Rank S of CASBEE for Buildings (New Construction, Existing Buildings, and Renovation) or Certification for CASBEE for Real Estate (3) 3 to 5 Stars of BELS Certification (4) Silver to Platinum levels of LEED Certification *Includes properties that have been certified by BOMA360 Performance Program (BOMA360), assuming that above certifications can be obtained.	No. 9 Unsecured Corporate Bonds	No. 10 Unsecured Corporate Bonds
2. Energy-Saving Performance Properties with an energy reduction rate (ERR) of 30% or more	Bond maturity	3 years
	Total issue price	2.0 billion yen
	Interest rate	0.060%
	Use of funds	To fund the acquisition (including refinancing thereafter) of Otemachi Financial City Grand Cube, Urbanet Shizuoka Ote-machi Building and Urbanet Shizuoka Building
	Rating agency	Obtained Green 1(F) rating, the highest rank, in "Evaluation of Green Finance Framework" by Japan Credit Rating Agency, Ltd. (JCR)

(2) Conclusion of Green Lease Agreements

- NUD has concluded green lease agreements with tenants housed in some of its office buildings and conducted work to replace the lighting equipment with LED lamps in tenant-exclusive areas.
- The buildings have better environmental performance through more efficient energy use. The tenants can expect a reduction in electricity charges, while NUD as the owner collected part of the work expenses as green lease charge.
- Properties for which green lease agreements have been concluded:
Gotanda NT Building Landic Shimbashi Building
Landic Shimbashi 2 Building Premier Toyochi Building



(3) Status of Acquisition of Environmental Certifications (as of April 30, 2021)

	Number of properties acquiring certifications	Acquisition ratio (by number of properties)	Floor space of properties acquiring certifications (Note)	Acquisition ratio (by total floor area) (Note)
Certification for CASBEE for Real Estate	16	27.6%	183,663.04m ²	45.4%
DBJ Green Building Certification	5	8.6%	49,380.66m ²	12.2%
BELS	2	3.4%	21,258.18m ²	5.3%
Low-Carbon Model Building	3	5.2%	26,048.89m ²	6.4%

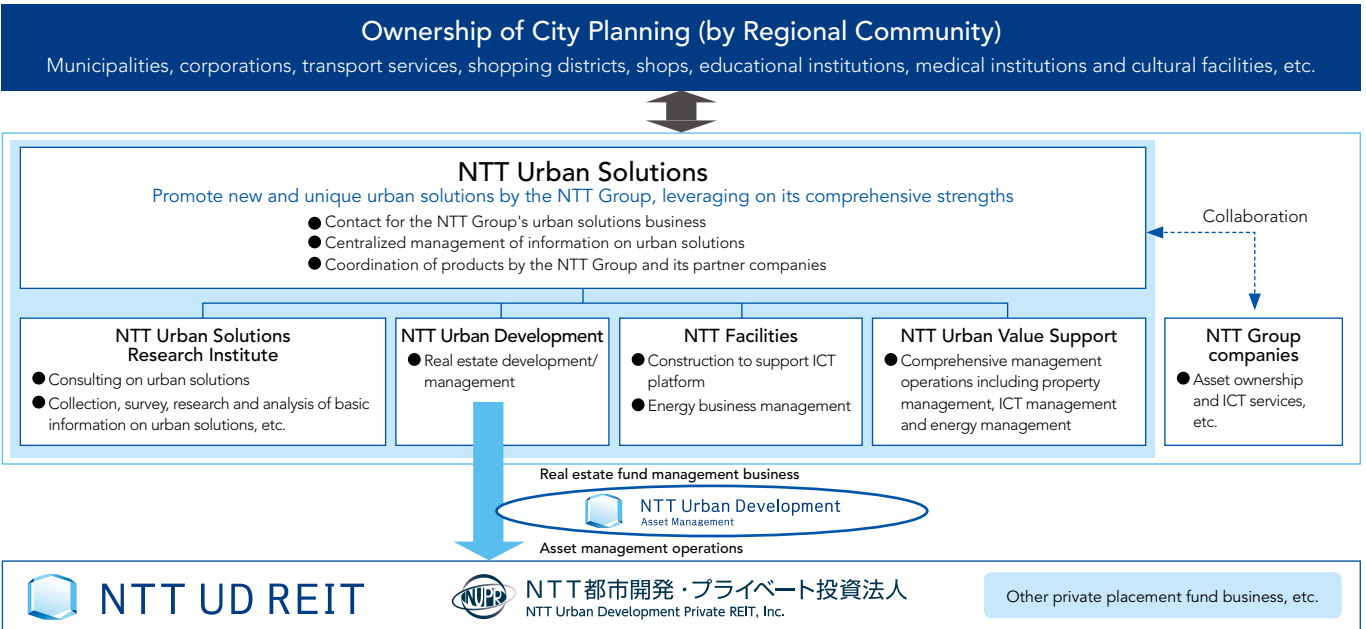
(Note) Calculated on the basis of substantial interests NUD owns in respective properties.

Society

■ Contribution to Urban Solutions of Regions

- NUD's sponsor NTT UD is the core company of the NTT Urban Solutions Group which promotes the urban solutions business of the NTT Group, while the Asset Manager UDAM works under the umbrella of NTT UD to manage various real estate funds including listed REITs, private placement REITs and private placement funds.
- The NTT Urban Solutions Group aims to contribute to solving social issues through new urban solutions, which are unique to the NTT Group and not limited to conventional real estate development. Given such a direction, NUD will endeavor to maintain and enhance earnings over a medium to long term and expand its asset size by further strengthening ties with NTT UD, while working in line with the new urban solutions strategy of the NTT Group to maximize unitholder value.

[Reference] Organizational Structure of the NTT Urban Solutions Group for Urban Solutions (July 1, 2021 onward)

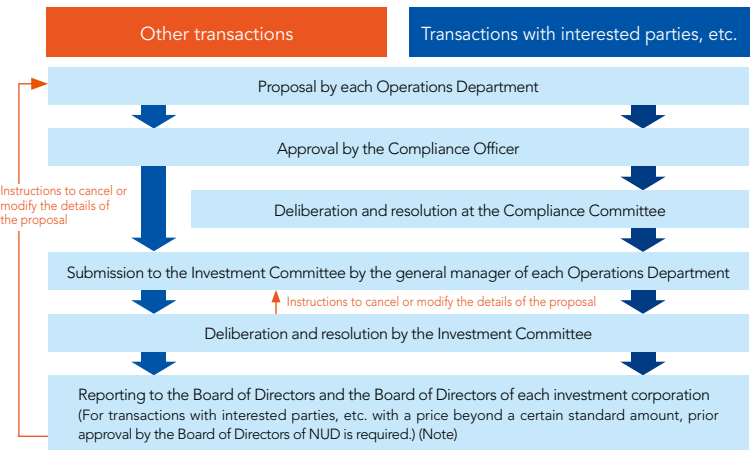


Governance

■ Decision-Making Flow on Investment Assets

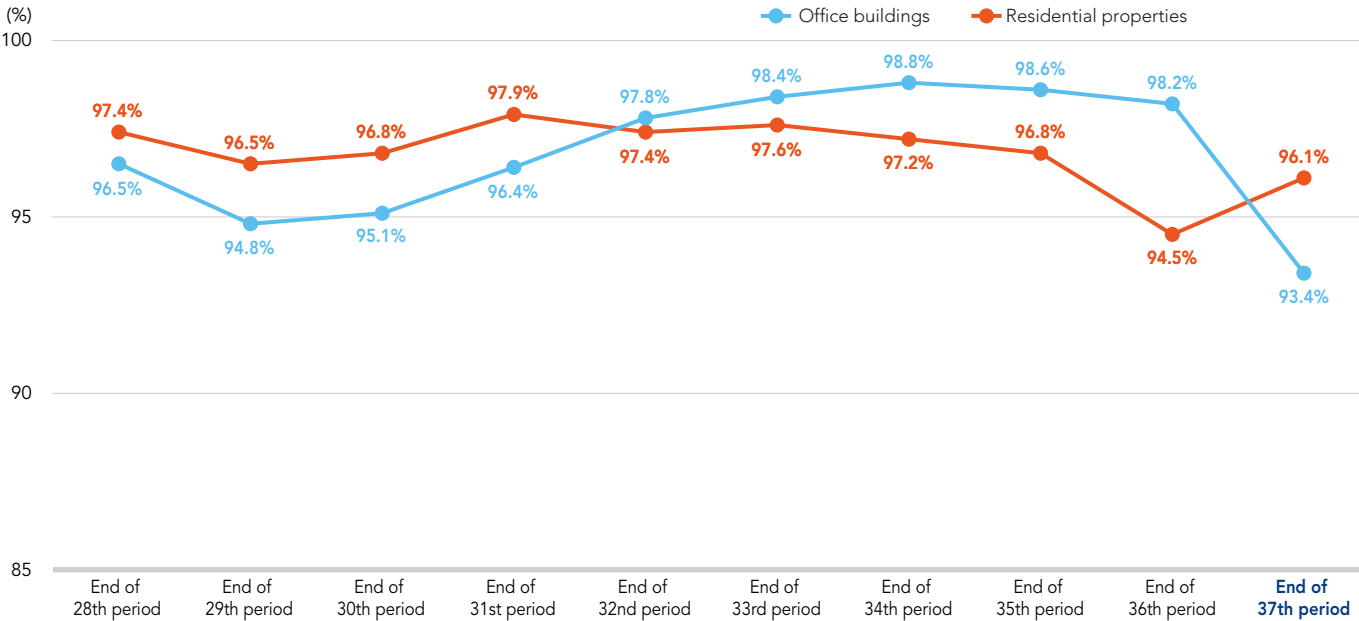
- Each Operations Department will prepare proposals for property transactions. After the Compliance Officer examines if there are any legal compliance issues in the proposals and approves them, the Investment Committee will deliberate on them and make a resolution.

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



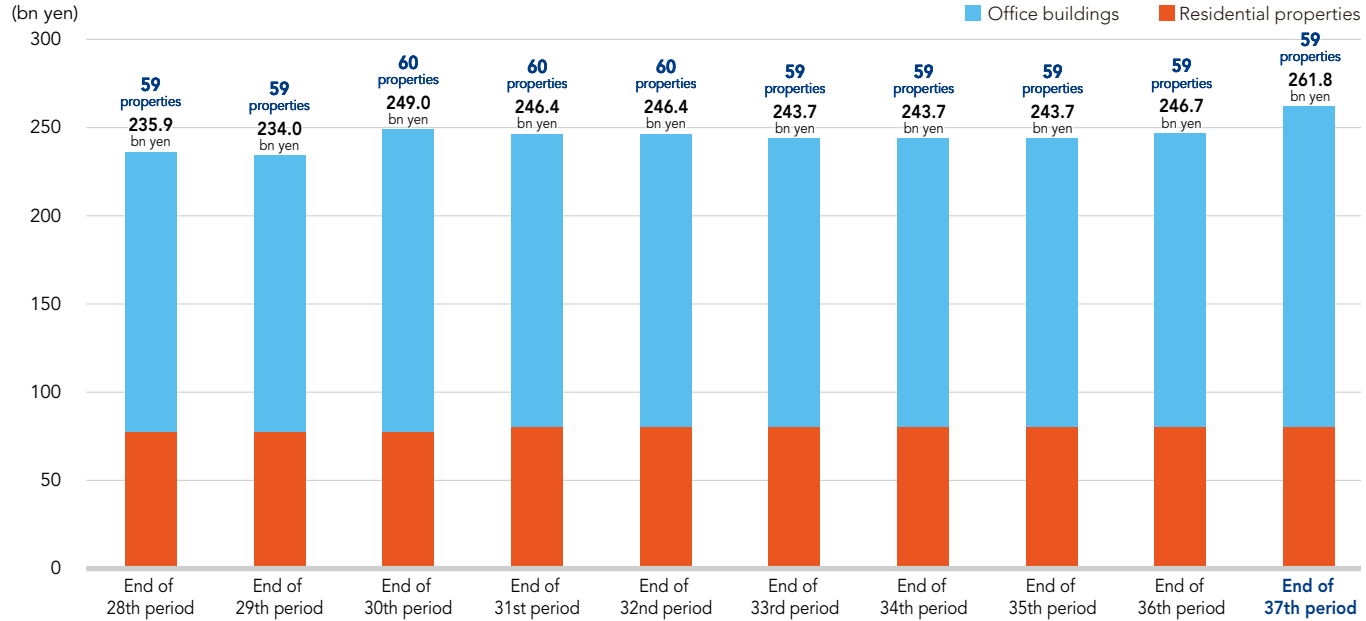
MANAGEMENT STATUS IN THE 37TH FISCAL PERIOD

Changes in Occupancy Rates

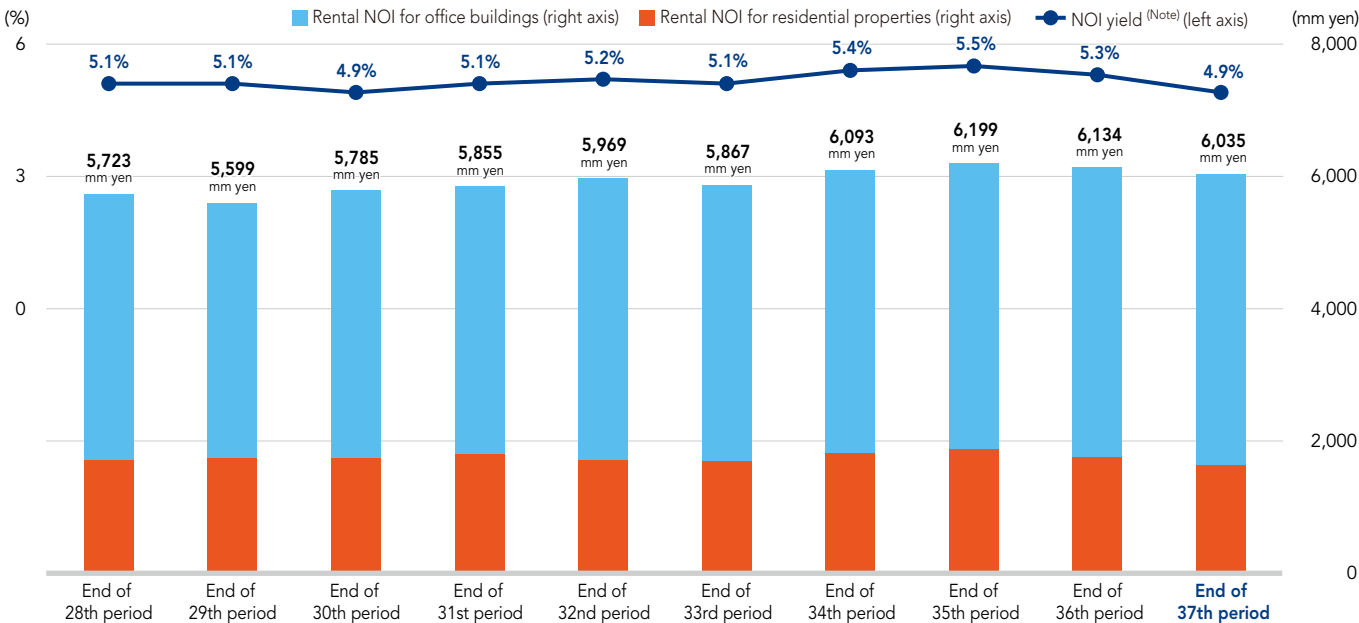


(Note) The occupancy rate at the end of the 37th fiscal period is calculated by excluding Bureau Kioicho, for which a transfer agreement was concluded on March 31, 2021.

Changes in Asset Size



Changes in NOI and NOI Yields

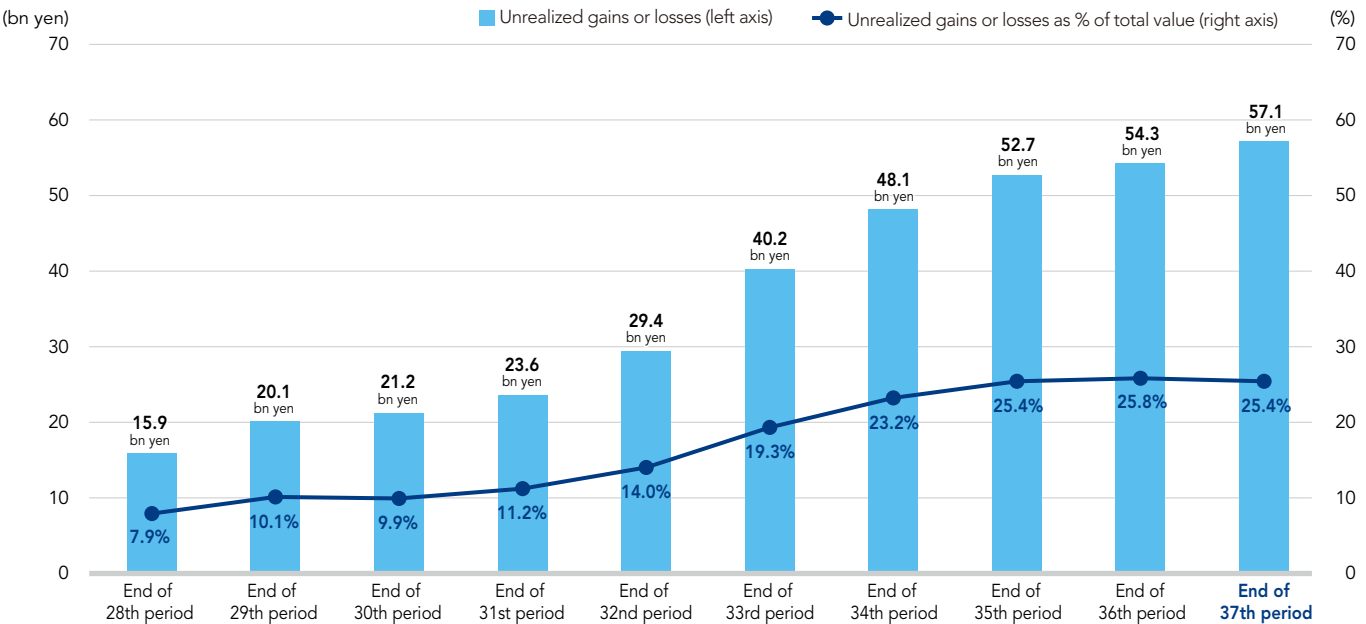


(Note) NOI yield = annualized rental NOI* / investment value**

* 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 37TH FISCAL PERIOD

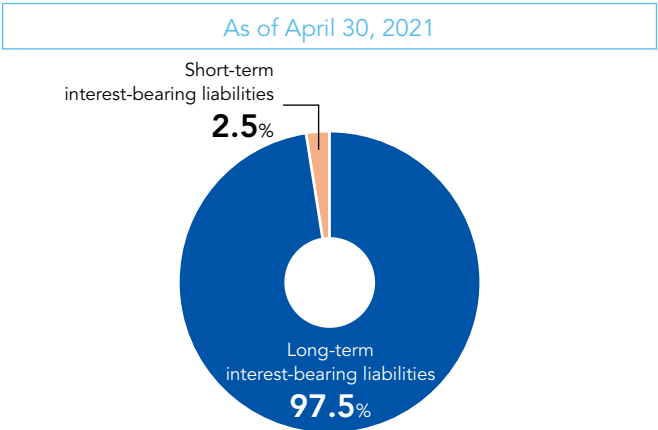
Issuance of Green Bonds

- NUD issued its first green bonds with an aim to further expand the investor base and secure stable fund-raising methods.
- NUD will continue financial operations giving considerations to further distribution of repayment dates, diversification of fund-raising methods and ESG awareness.

Name	Total issue price (mm yen)	Interest rate	Issue date	Redemption date	Use of funds
No. 9 Unsecured Corporate Bonds (Green Bond)	2,000	0.060%	April 27, 2021	April 26, 2024	To fund the acquisition (including refinancing thereafter) of Otemachi Financial City Grand Cube, Urbannet Shizuoka Ote-machi Building and Urbannet Shizuoka Building
No. 10 Unsecured Corporate Bonds (Green Bond)	3,200	0.500%	April 27, 2021	April 25, 2031	

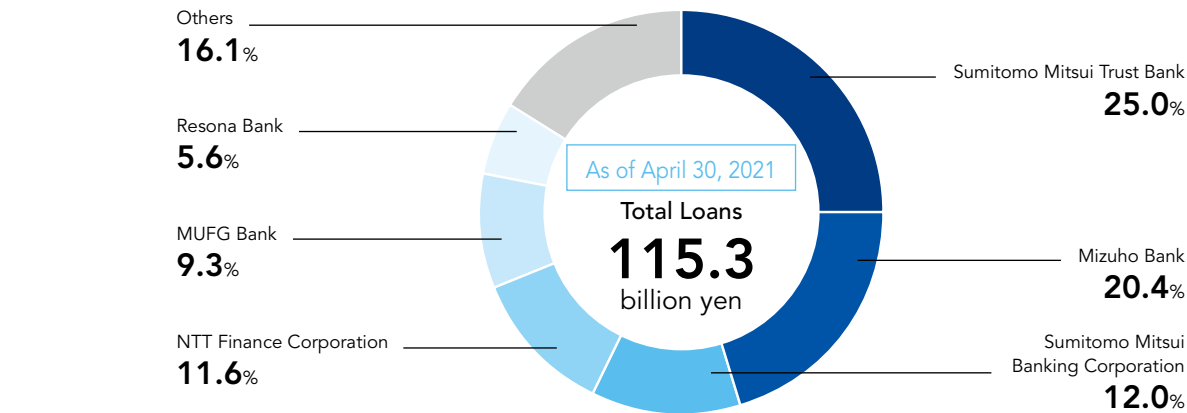
Status of Interest-Bearing Liabilities

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

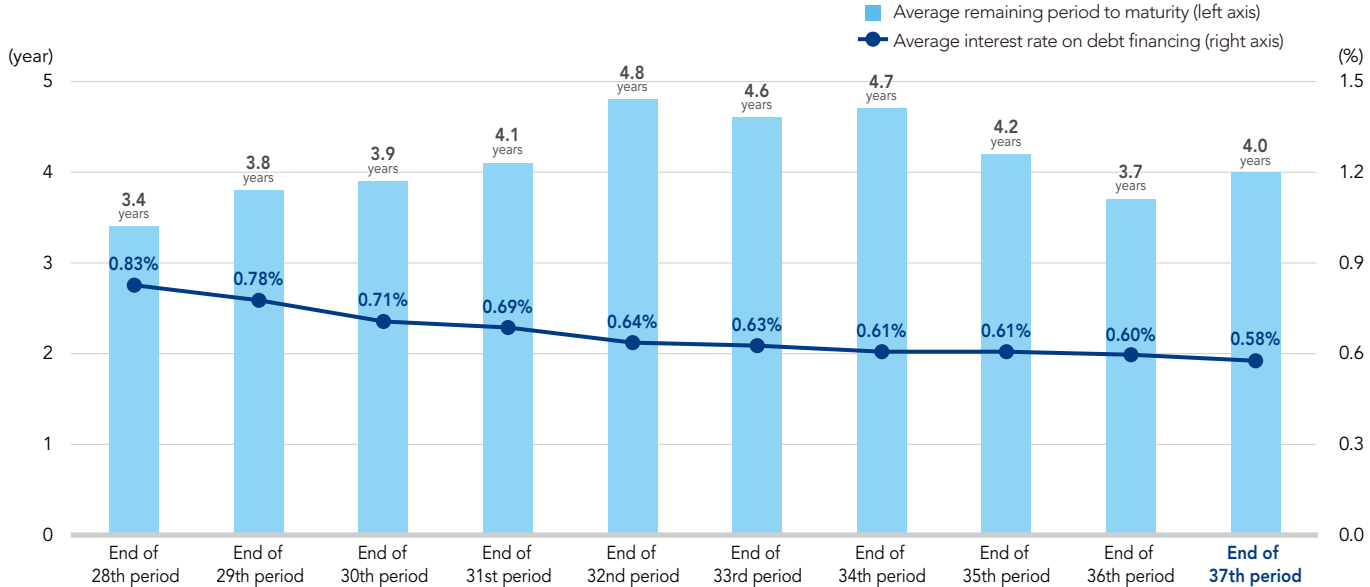


(Note) Classification is made by the periods from the drawdown dates for loans and from the issue dates for corporate bonds.

■ Breakdown of Lenders



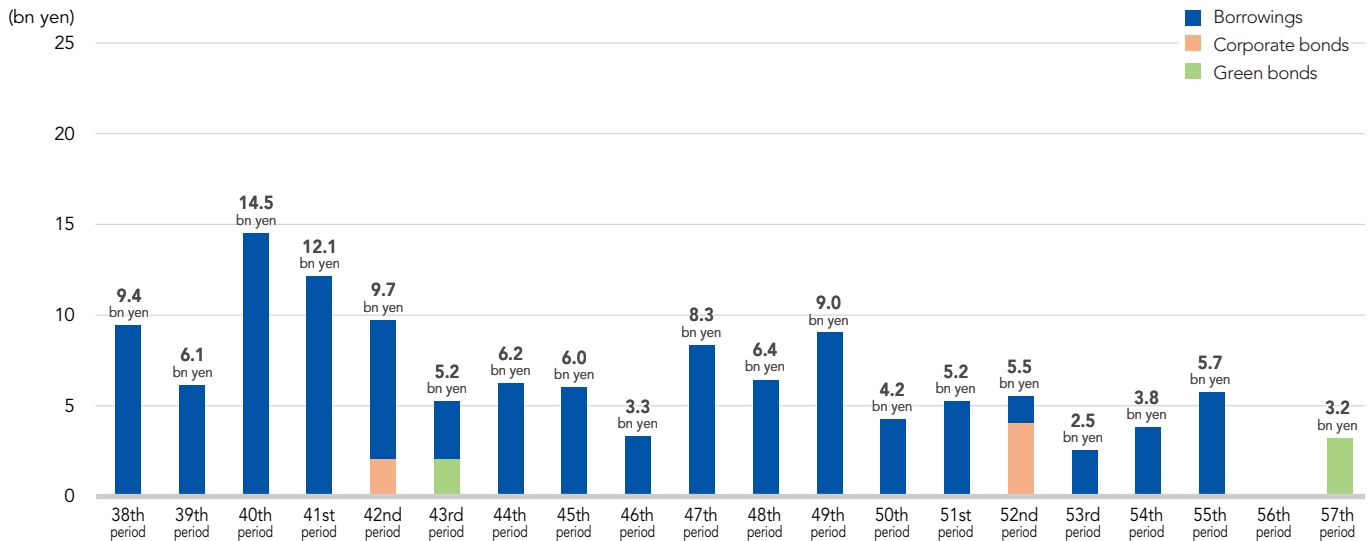
Changes in the Average Interest Rate and Average Remaining Period to Maturity



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

Repayment Schedule of Interest-Bearing Liabilities

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



Credit Rating Status

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

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

No.	Area	Property Name (Note 1)	Acquisition Price (mm yen) (Note 2)	Share (%) (Note 3)	Period End Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) (Note 4)	
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)		
Office Buildings										
A01	5 Central Wards of Tokyo	Landic Shimbashi Building	6,341	2.4	100.0	206	86	119	10.6	
A02		Landic Shimbashi 2 Building	7,045	2.7	88.1	239	91	147	12.9	
A03		Premier Dogenzaka Building	1,727	0.7	100.0	85	26	59	5.5	
A04		KN Shibuya No.3	5,348	2.0	89.5	210	94	116	10.6	
A05		Takadanobaba Center Building	5,118	2.0	100.0	263	119	143	2.0	
A06		Rokubancho Building	7,860	3.0	100.0	(Note 5)	(Note 5)	181	10.8	
A10		Urbannet Mita Building	10,300	3.9	100.0	314	197	117	7.2	
A11		Urbannet Azabu Building	5,000	1.9	100.0	(Note 5)	(Note 5)	82	10.5	
A15		Granpark	11,490	4.4	98.3	468	241	226	12.0	
A17		Otemachi Financial City Grand Cube	4,680	1.8	100.0	(Note 6)	(Note 6)	76	8.6	
A18		Shinagawa Season Terrace	18,720	7.1	97.5	(Note 6)	(Note 6)	121	4.7	
B02	Other 18 Wards of Tokyo	Premier Toyochō Building	4,310	1.6	100.0	113	65	47	16.2	
B03		Ueno TH Building	4,380	1.7	100.0	127	89	38	12.8	
B04		Gotanda NT Building	4,100	1.6	93.8	97	47	50	14.3	
B05		Ueno Tosei Building	5,900	2.3	68.3	203	107	95	10.7	
B06		Urbannet Ikebukuro Building	13,600	5.2	100.0	749	366	383	13.0	
B07		Urbannet Omori Building	4,800	1.8	100.0	248	112	135	6.8	
B08		Sphere Tower Tennozu	15,000	5.7	98.6	608	319	288	8.3	
B09		Urbannet Gotanda NN Building	5,250	2.0	24.4	236	152	84	9.7	
C01	Urban Areas Surrounding Tokyo	Premier Yokohama Nishiguchi Building	3,558	1.4	100.0	154	72	82	10.2	
C02		The Kanagawa Science Park R&D Building	6,556	2.5	88.7	395	331	64	10.4	
G02	Major Regional Cities	NTT CRED Okayama Building	3,600	1.4	89.3	267	238	28	14.4	
G03		Urbannet Shizuoka Ote-machi Building	1,628	0.6	100.0	108	47	60	9.0	
G04		Urbannet Shizuoka Building	1,119	0.4	97.5	77	32	45	9.0	
G05		Urban Ace Higobashi Building	4,600	1.8	100.0	243	132	111	6.3	
		Subtotal	25 properties	162,030	61.9	93.4	6,401	3,492	2,909	-

(continued on next page)

(cont.)

No.	Area	Property Name (Note 1)	Acquisition Price (mm yen) (Note 2)	Share (%) (Note 3)	Period End Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) (Note 4)
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)	
Residential Properties									
D01	5 Central Wards of Tokyo	Park Axis Yotsuya Stage	5,208	2.0	98.4	159	66	92	7.4
D02		Park Axis Meiji-Jingumae	2,604	1.0	93.8	55	38	16	9.9
D04		Cabin Arena Akasaka	1,330	0.5	89.6	40	16	23	10.1
D05		Cabin Arena Minami-Aoyama	1,070	0.4	92.6	35	15	19	11.2
D06		Bureau Kioicho (Note 7)	1,840	0.7	-	14	12	1	11.6
D08		Roppongi Green Terrace	4,678	1.8	100.0	142	52	89	10.3
D09		Premier Stage Shibakoen II	2,181	0.8	95.6	48	48	0	11.5
D11		Langue Tower Kyobashi	927	0.4	94.8	35	65	-30	12.5
D12		Premier Stage MitaKeidaimae	1,580	0.6	96.8	53	18	35	14.3
D13		Premier Rosso	1,662	0.6	98.2	56	23	32	14.0
D14		Premier Blanc Yoyogikouen	2,330	0.9	93.5	69	38	31	13.1
D15		Premier Stage Uchikanda	1,723	0.7	96.6	57	23	34	13.8
D16		Premier Stage Ichigayakawadacho	1,460	0.6	100.0	47	19	27	13.1
D17		Walk Akasaka	2,043	0.8	100.0	52	30	21	13.9
D18		Premier Stage Shibakoen	1,585	0.6	95.3	45	18	27	16.1
D19		MEW	1,556	0.6	94.0	37	24	13	13.9
D20		Shibaura Island Air Tower	7,590	2.9	96.0	355	252	102	11.2
D21		Storia Akasaka	3,930	1.5	87.8	87	40	47	11.7
D22		Renai Shinjuku-Gyoen Tower	6,500	2.5	92.4	183	112	71	7.2
D23		Shibaura Island Bloom Tower	5,500	2.1	97.8	291	172	118	10.0
D24		Questcourt Harajuku	4,500	1.7	95.5	145	53	92	12.7
D25	Urbancourt Ichigaya	1,385	0.5	100.0	63	30	33	12.0	
D26	Premier Stage Azabu-Juban	1,420	0.5	86.1	39	18	20	14.6	
D27	Premier Stage Sasazuka	1,080	0.4	98.1	33	11	21	10.5	
E01	Other 18 Wards of Tokyo	B-Site Osaki	1,072	0.4	79.7	22	43	-21	12.1
E02		Premier Garden Hongo	975	0.4	100.0	35	9	25	12.1
E03		Premier Grande Magome	1,560	0.6	100.0	43	22	21	15.7
E04		Premier Nozze Yutenji	1,525	0.6	100.0	41	21	19	13.6
E05		Premier Stage Yushima	1,803	0.7	97.1	52	30	22	17.2
E06		Premier Stage Komagome	1,830	0.7	94.7	55	30	25	18.0
E07		Premier Stage Otsuka	1,310	0.5	100.0	43	20	23	22.5
E08		Premier Stage Honjo-Azumabashi	2,640	1.0	96.4	82	87	-5	14.7
E09		Premier Stage Ryogoku	1,496	0.6	95.5	47	23	24	12.8
Subtotal		33 properties	79,894	30.5	96.1	2,575	1,497	1,078	-

(continued on next page)

(cont.)

No.	Area	Property Name (Note 1)	Acquisition Price (mm yen) (Note 2)	Share (%) (Note 3)	Period End Occupancy Rate (%)	Real Estate Rental Income			PML Value (%) (Note 4)
						Revenues (mm yen)	Expenses (mm yen)	Income (mm yen)	
Preferred Securities (Office Building)									
Z01	5 Central Wards of Tokyo	UDX Special Purpose Company Preferred Securities (Akihabara UDX) (Note 8)	19,940	7.6	-	-	-	-	-
Subtotal		1 property	19,940	7.6	-	-	-	-	-
Total		59 properties	261,864	100.0	94.3	8,977	4,989	3,987	8.2

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

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

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

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

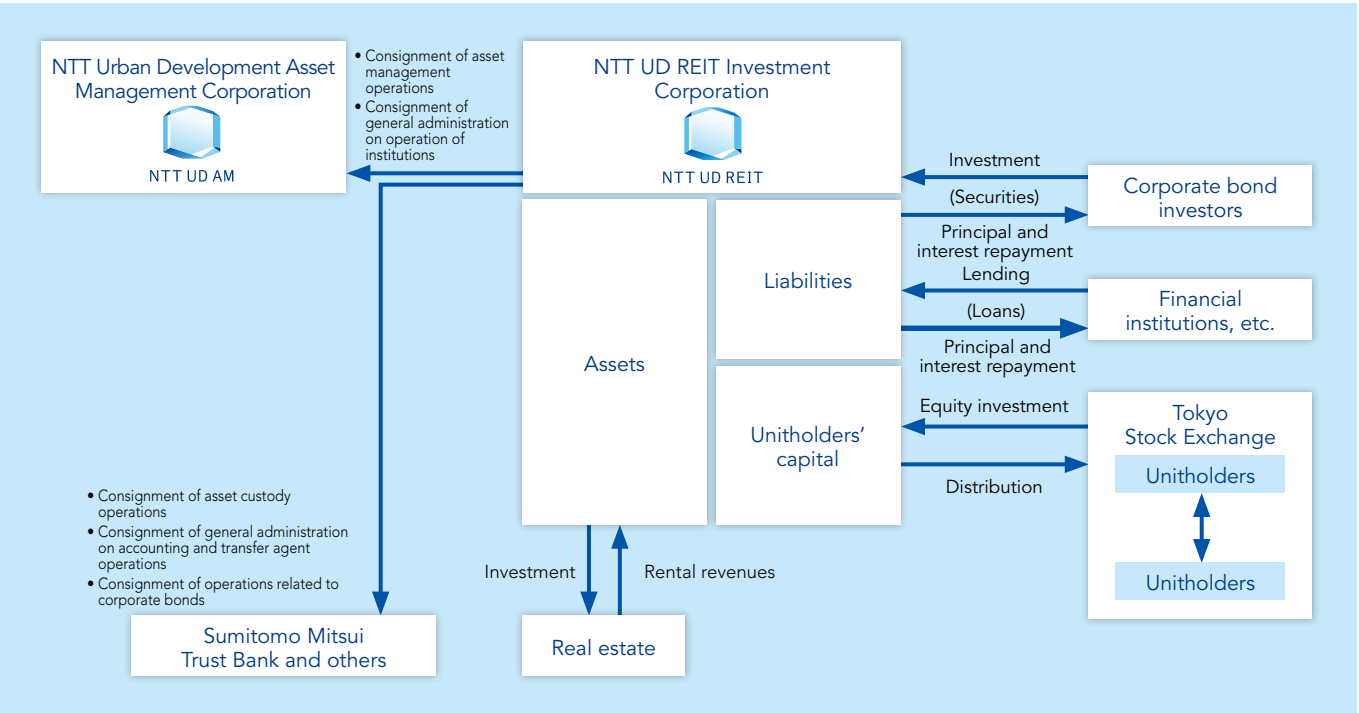
(Note 5) The rental revenues from a leasing contract with a single major tenant constitute more than 80% of the total rental revenues for this property, and the major tenant has not agreed to disclose the rental revenues. Accordingly, NUD does not indicate these figures due to this unavoidable reason.

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

(Note 7) For Bureau Kioicho, a transfer agreement was concluded as of March 31, 2021. Accordingly, the period end occupancy rate for the entire residential properties and the entire portfolio is calculated by excluding this property (the occupancy rate of the property is also not indicated).

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

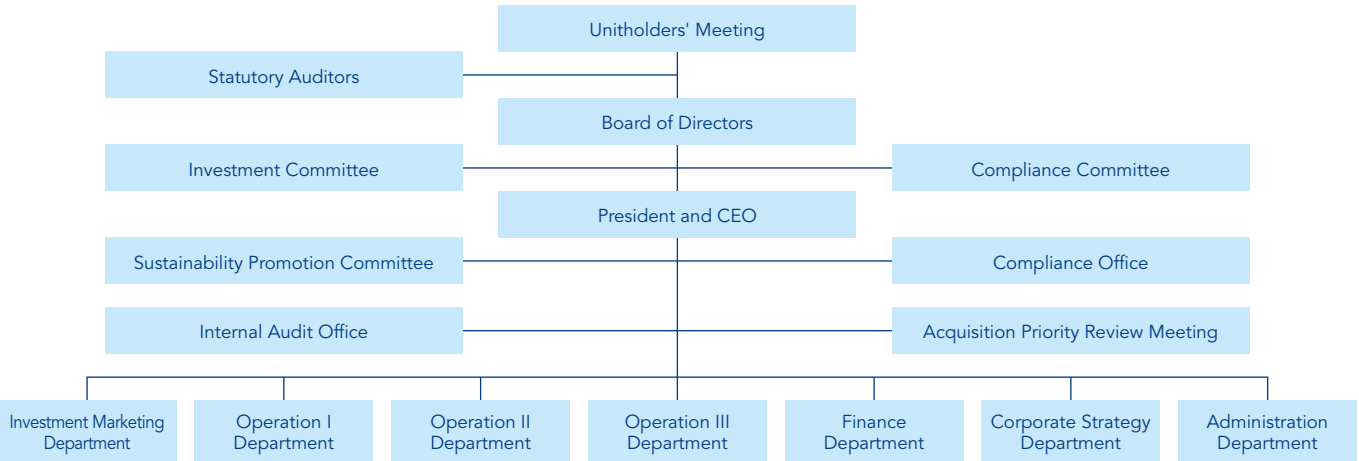
Structure of NUD (as of April 30, 2021)



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

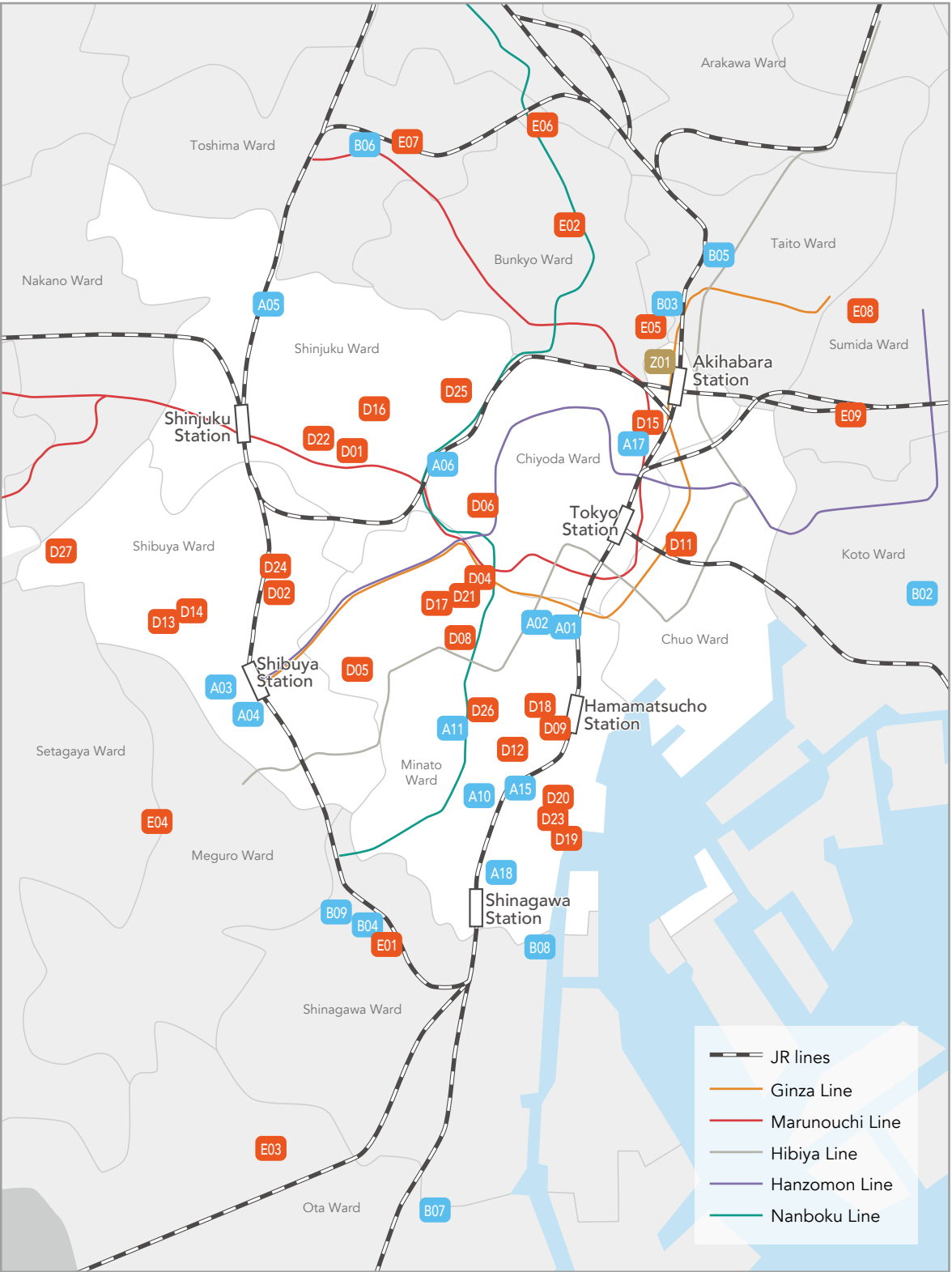
Overview of Asset Manager (as of April 30, 2021)

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



OVERVIEW OF PROPERTIES OWNED
(AS OF THE END OF THE 37TH FISCAL PERIOD)

Distribution of Portfolio Properties



5 Central Wards of Tokyo

- | | | |
|--|-------------------------------------|--|
| A01 Landic Shimbashi Building | D01 Park Axis Yotsuya Stage | D17 Walk Akasaka |
| A02 Landic Shimbashi 2 Building | D02 Park Axis Meiji-Jingumae | D18 Premier Stage Shibakoen |
| A03 Premier Dogenzaka Building | D04 Cabin Arena Akasaka | D19 MEW |
| A04 KN Shibuya No.3 | D05 Cabin Arena Minami-Aoyama | D20 Shibaura Island Air Tower |
| A05 Takadanobaba Center Building | D06 Bureau Kioicho | D21 Stora Akasaka |
| A06 Rokubancho Building | D08 Roppongi Green Terrace | D22 Renai Shinjuku-Gyoen Tower |
| A10 Urbannet Mita Building | D09 Premier Stage Shibakoen II | D23 Shibaura Island Bloom Tower |
| A11 Urbannet Azabu Building | D11 Langue Tower Kyobashi | D24 Questcourt Harajuku |
| A15 Granpark | D12 Premier Stage MitaKeidaimae | D25 Urbancourt Ichigaya |
| A17 Otemachi Financial City Grand Cube | D13 Premier Rosso | D26 Premier Stage Azabu-Juban |
| A18 Shinagawa Season Terrace | D14 Premier Blanc Yoyogikouen | D27 Premier Stage Sasazuka |
| | D15 Premier Stage Uchikanda | Z01 UDX Special Purpose Company Preferred Securities (Akihabara UDX) |
| | D16 Premier Stage Ichigayakawadacho | |

Other 18 Wards of Tokyo

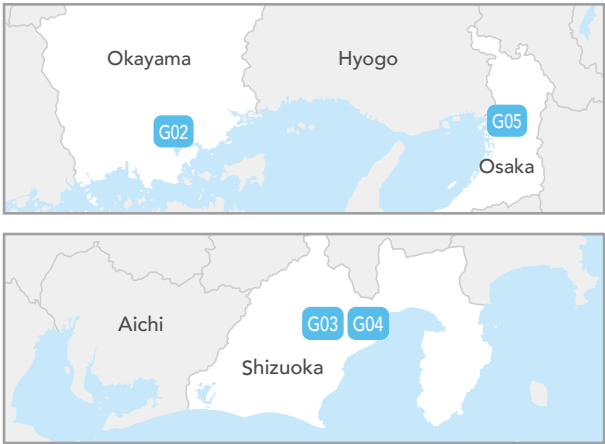
- | | | |
|---------------------------------|----------------------------------|------------------------------------|
| B02 Premier Toyochi Building | B08 Sphere Tower Tennozu | E05 Premier Stage Yushima |
| B03 Ueno TH Building | B09 Urbannet Gotanda NN Building | E06 Premier Stage Komagome |
| B04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

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



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



Landic Shimbashi Building
(Minato Ward, Tokyo)



Landic Shimbashi 2 Building
(Minato Ward, Tokyo)



Premier Dogenzaka Building
(Shibuya Ward, Tokyo)



KN Shibuya No.3
(Shibuya Ward, Tokyo)



Takadanobaba Center Building
(Shinjuku Ward, Tokyo)



Rokubancho Building
(Chiyoda Ward, Tokyo)



Urbannet Mita Building
(Minato Ward, Tokyo)



Urbannet Azabu Building
(Minato Ward, Tokyo)



Granpark
(Minato Ward, Tokyo)



Otemachi Financial City Grand Cube
(Chiyoda Ward, Tokyo)



Shinagawa Season Terrace
(Minato Ward, Tokyo)

5 Central Wards of Tokyo

Office Buildings

Other 18 Wards of Tokyo



Premier Toyokocho Building
(Koto Ward, Tokyo)



Ueno TH Building
(Bunkyo Ward, Tokyo)



Gotanda NT Building
(Shinagawa Ward, Tokyo)



Ueno Tosei Building
(Taito Ward, Tokyo)



Urbannet Ikebukuro Building
(Toshima Ward, Tokyo)



Urbannet Omori Building
(Ota Ward, Tokyo)



Sphere Tower Tennozu
(Shinagawa Ward, Tokyo)



Urbannet Gotanda NN Building
(Shinagawa Ward, Tokyo)

Other 18 Wards of Tokyo

Office Buildings

Urban Areas Surrounding Tokyo



Premier Yokohama Nishiguchi Building
(Yokohama City, Kanagawa)



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

Office Buildings

Major Regional Cities



NTT CRED Okayama Building
(Okayama City, Okayama)



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



Urbannet Shizuoka Building
(Shizuoka City, Shizuoka)



Urban Ace Higobashi Building
(Osaka City, Osaka)

Residential Properties

5 Central Wards of Tokyo



Park Axis Yotsuya Stage
(Shinjuku Ward, Tokyo)



Park Axis Meiji-Jingumae
(Shibuya Ward, Tokyo)



Cabin Arena Akasaka
(Minato Ward, Tokyo)



Cabin Arena Minami-Aoyama
(Minato Ward, Tokyo)

Residential Properties

5 Central Wards of Tokyo



Bureau Kioicho
(Chiyoda Ward, Tokyo)



Roppongi Green Terrace
(Minato Ward, Tokyo)



Premier Stage Shibakoen II
(Minato Ward, Tokyo)



Langue Tower Kyobashi
(Chuo Ward, Tokyo)

5 Central Wards of Tokyo



Premier Stage MitaKeidaimae
(Minato Ward, Tokyo)



Premier Rosso
(Shibuya Ward, Tokyo)



Premier Blanc Yoyogikouen
(Shibuya Ward, Tokyo)



Premier Stage Uchikanda
(Chiyoda Ward, Tokyo)

5 Central Wards of Tokyo



Premier Stage Ichigayakawadacho
(Shinjuku Ward, Tokyo)



Walk Akasaka
(Minato Ward, Tokyo)



Premier Stage Shibakoen
(Minato Ward, Tokyo)



MEW
(Minato Ward, Tokyo)

Residential Properties

5 Central Wards of Tokyo



Shibaura Island Air Tower
(Minato Ward, Tokyo)



Storia Akasaka
(Minato Ward, Tokyo)



Renai Shinjuku-Gyoen Tower
(Shinjuku Ward, Tokyo)



Shibaura Island Bloom Tower
(Minato Ward, Tokyo)



Questcourt Harajuku
(Shibuya Ward, Tokyo)



Urbancourt Ichigaya
(Shinjuku Ward, Tokyo)



Premier Stage Azabu-Juban
(Minato Ward, Tokyo)



Premier Stage Sasazuka
(Shibuya Ward, Tokyo)

Residential Properties

Other 18 Wards of Tokyo



B-Site Osaki
(Shinagawa Ward, Tokyo)



Premier Garden Hongo
(Bunkyo Ward, Tokyo)



Premier Grande Magome
(Ota Ward, Tokyo)



Premier Nozze Yutenji
(Setagaya Ward, Tokyo)

Other 18 Wards of Tokyo



Premier Stage Yushima
(Bunkyo Ward, Tokyo)



Premier Stage Komagome
(Toshima Ward, Tokyo)



Premier Stage Otsuka
(Toshima Ward, Tokyo)



Premier Stage Honjo-Azumabashi
(Sumida Ward, Tokyo)

Other 18 Wards of Tokyo



Premier Stage Ryogoku
(Sumida Ward, Tokyo)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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


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

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

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

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

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

田澤治郎 

Jiro Tazawa

Designated Engagement Partner

Certified Public Accountant

松本大明 

Hiroaki Matsumoto

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

July 28, 2021

BALANCE SHEETS

as of October 31, 2020 and April 30, 2021

	Thousands of yen	
	October 31, 2020	April 30, 2021
ASSETS		
CURRENT ASSETS		
Cash and deposits (Note-6) (Note-17)	¥ 3,776,202	¥ 3,696,120
Cash and deposits held in trust (Note-6) (Note-17)	13,969,799	14,136,558
Tenant receivables	128,405	552,164
Prepaid expenses	118,159	191,157
Income taxes refund receivables	99,232	105,238
Consumption taxes refund receivables	-	391,606
Other current assets	99	100
TOTAL CURRENT ASSETS	18,091,899	19,072,947
LONG-TERM ASSETS		
Property and equipment		
Buildings held in trust (Note-7)	91,700,196	97,866,759
Structures held in trust (Note-7)	2,068,108	2,139,158
Tools, furniture and fixtures held in trust (Note-7)	620,489	680,328
Less accumulated depreciation (Note-7)	(32,636,437)	(34,068,107)
Land held in trust (Note-7)	146,615,648	156,559,201
Construction in progress held in trust (Note-7)	3,635	-
Total property and equipment, net	208,371,641	223,177,339
Intangible fixed assets		
Leasehold held in trust (Note-7)	1,777,602	1,777,602
Other intangible fixed assets held in trust (Note-7)	331	308
Other intangible fixed assets (Note-7)	1,370	6,652
Total intangible fixed assets	1,779,304	1,784,563
Investments and other assets		
Investment securities (Note-17) (Note-18)	20,035,175	20,035,175
Deferred tax assets (Note-13)	1,741	3,595
Other deposits	10,000	10,000
Long-term prepaid expenses	293,134	417,562
Other deposits held in trust	630,697	810,337
Total investment and other assets	20,970,748	21,276,670
TOTAL LONG-TERM ASSETS	231,121,694	246,238,573
Deferred assets		
Corporate bond issuance costs	23,749	49,663
Total deferred assets	23,749	49,663
TOTAL ASSETS	¥ 249,237,343	¥ 265,361,183

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

	Thousands of yen	
	October 31, 2020	April 30, 2021
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	¥ 1,867,606	¥ 1,756,555
Short-term loans payable (Note-10) (Note-17)	5,200,000	3,200,000
Long-term loans payable due within one year (Note-10) (Note-17)	9,400,000	12,350,000
Corporate bonds payable due within one year (Note-9) (Note-17)	2,500,000	-
Accrued expenses	113,863	123,671
Distributions payable	14,770	16,798
Income taxes payable	605	1,357
Consumption taxes payable	75,437	-
Business office taxes payable	5,535	10,969
Rents received in advance	1,288,195	1,088,603
Deposits received	62,589	452,844
Total current liabilities	20,528,603	19,000,799
LONG-TERM LIABILITIES		
Long-term loans payable (Note-10) (Note-17)	89,700,000	99,750,000
Corporate bonds (Note-9) (Note-17)	6,000,000	11,200,000
Tenant security deposits held in trust	8,045,918	8,997,643
Total long-term liabilities	103,745,918	119,947,643
TOTAL LIABILITIES	124,274,521	138,948,443
NET ASSETS		
UNITHOLDERS' EQUITY (Note-8)		
Unitholders' capital	120,350,148	120,350,148
Units authorized – 10,000,000 units as of October 31, 2020 – 10,000,000 units as of April 30, 2021		
Units issued and outstanding – 1,316,995 units as of October 31, 2020 – 1,316,995 units as of April 30, 2021		
Surplus		
Reserve for reduction entry	762,316	762,316
Unappropriated retained earnings	3,850,356	5,300,276
Total unitholders' equity	124,962,821	126,412,740
TOTAL NET ASSETS	124,962,821	126,412,740
TOTAL LIABILITIES AND NET ASSETS	¥ 249,237,343	¥ 265,361,183

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

PROFIT AND LOSS STATEMENTS

For the six months ended October 31, 2020 and April 30, 2021

		Thousands of yen	
		October 31, 2020	April 30, 2021
OPERATING REVENUES AND EXPENSES			
Operating revenues			
Rental revenues	(Note-11)	¥ 7,853,877	¥ 8,118,160
Other rental revenues	(Note-11)	939,767	906,925
Gains from sale of properties	(Note-12)	191,075	1,921,560
Dividend income		485,897	522,193
Operating expenses			
Property operating expenses	(Note-11)	4,601,020	5,025,641
Asset management fees		384,271	439,480
Directors' compensation		4,200	4,200
Custodian fees		11,396	11,856
Administration fees		84,317	94,262
Audit fees		8,500	8,500
Other expenses		128,125	174,796
Operating income		4,248,786	5,710,101
NON-OPERATING REVENUES AND EXPENSES			
Non-operating revenues			
Interest income		80	90
Return of unclaimed distribution		763	798
Other non-operating revenues		258	95
Non-operating expenses			
Interest expenses		368,630	384,526
Interest expenses on corporate bonds		23,216	20,396
Amortization of corporate bond issuance costs		3,280	3,391
Other non-operating expenses		2,377	2,366
Ordinary income		3,852,383	410,680
Income before income taxes		3,852,383	5,300,405
Income taxes	(Note-13)		
Current		605	2,763
Deferred		1,630	(1,854)
Net income		3,850,147	5,299,495
Income carried forward		209	780
UNAPPROPRIATED RETAINED EARNINGS		¥ 3,850,356	¥ 5,300,276

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

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY



For the six months ended October 31, 2020 and April 30, 2021

	Thousands of yen						
	Unitholders' Equity						Total Net Assets
	Unitholders' Capital (Note-1)	Surplus				Total Unitholders' Equity	
		Voluntary Retained Earnings		Unappropriated Retained Earnings	Total Surplus		
Reserve for Reduction Entry		Total Voluntary Retained Earnings					
BALANCE AT APRIL 30, 2020	¥ 120,350,148	¥ 762,316	¥ 762,316	¥ 3,782,618	¥ 4,544,934	¥ 124,895,083	¥ 124,895,083
Changes during the period							
Cash distributions paid				(3,782,409)	(3,782,409)	(3,782,409)	(3,782,409)
Net income				3,850,147	3,850,147	3,850,147	3,850,147
Total changes during the period	-	-	-	67,737	67,737	67,737	67,737
BALANCE AT OCTOBER 31, 2020	¥ 120,350,148	¥ 762,316	¥ 762,316	¥ 3,850,356	¥ 4,612,672	¥ 124,962,821	¥ 124,962,821
Changes during the period							
Cash distributions paid				(3,849,576)	(3,849,576)	(3,849,576)	(3,849,576)
Net income				5,299,495	5,299,495	5,299,495	5,299,495
Total changes during the period	-	-	-	1,449,919	1,449,919	1,449,919	1,449,919
BALANCE AT APRIL 30, 2021	¥ 120,350,148	¥ 762,316	¥ 762,316	¥ 5,300,276	¥ 6,062,592	¥ 126,412,740	¥ 126,412,740

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

CASH FLOW STATEMENTS

For the six months ended October 31, 2020 and April 30, 2021

	Thousands of yen	
	October 31, 2020	April 30, 2021
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	¥ 3,852,383	¥ 5,300,405
Depreciation	1,456,926	1,514,990
Amortization of corporate bond issuance costs	3,280	3,391
Interest income	(80)	(90)
Return of unclaimed distributions	(763)	(798)
Interest expenses	391,846	404,922
Decrease (increase) in tenant receivables	(20,330)	(423,758)
Increase (decrease) in accounts payable	207,599	197,676
Decrease (increase) in consumption taxes refund receivables	-	(391,606)
Increase (decrease) in consumption taxes payable	(45,760)	(75,437)
Increase (decrease) in rents received in advance	(72,763)	(199,592)
Increase (decrease) in deposits received	532	390,255
Decrease in carrying amounts of property and equipment held in trust due to sale	1,580,914	3,623,974
Other	46,077	(131,119)
SUBTOTAL	7,399,862	10,213,211
Interest received	80	90
Interest paid	(341,762)	(455,988)
Income taxes (paid) refund	4,703	(8,018)
Net cash provided by (used in) operating activities	7,062,883	9,749,294
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment held in trust	(5,759,745)	(20,255,227)
Payments for purchases of intangible fixed assets	-	(6,765)
Payments of other deposits in trust	-	(179,639)
Proceeds from tenant security deposits held in trust	458,567	1,433,777
Payments of tenant security deposits held in trust	(159,704)	(482,051)
Net cash provided by (used in) investing activities	(5,460,883)	(19,489,905)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term loans payable	5,200,000	3,200,000
Repayments of short-term loans payable	(2,000,000)	(5,200,000)
Proceeds from long-term loans payable	-	15,000,000
Repayments of long-term loans payable	-	(2,000,000)
Proceeds from issuance of corporate bonds	-	5,200,000
Redemption of corporate bonds	-	(2,500,000)
Payments of corporate bond issuance costs	-	(25,961)
Payments of distributions	(3,779,594)	(3,846,750)
Net cash provided by (used in) financing activities	(579,594)	9,827,288
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,022,405	86,677
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	16,723,596	17,746,001
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note-6)	¥ 17,746,001	¥ 17,832,679

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

NOTES TO FINANCIAL STATEMENTS



For the six months ended October 31, 2020 and April 30, 2021

Note-1. Organization and basis of presentation

- (a) **Organization** - NTT UD REIT Investment Corporation (renamed from Premier Investment Corporation as of April 1, 2021; 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 (please note that Premier REIT Advisors Co., Ltd. (hereinafter, “PRA”), which had been the asset manager of the investment corporation, merged with UDAM, a fully-owned subsidiary of NTT Urban Development Corporation and the asset manager of NTT Urban Development Private REIT, Inc., a private placement REIT, as of April 1, 2021, with UDAM as surviving company and PRA as absorbed company in the absorption-type merger). There was no change in the number of investment units outstanding or unitholders’ capital for the six months ended April 30, 2021. Furthermore, NUD made no equity financing in the past five years through the end of the 37th fiscal period (April 30, 2021). As of April 30, 2021, NUD had total unitholders’ capital of 120,350,148 thousand yen with 1,316,995 units outstanding. As of April 30, 2021, NUD owned a portfolio of 25 office buildings, 33 residential properties and preferred securities of an SPC (59 properties in total). Total acquisition costs of those properties were 261,864 million yen, with the investment ratio by asset type standing at 61.9% for office buildings, 30.5% for residential properties and 7.6% 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 – Private securities without fair market value are stated at cost being determined by the moving average method.
- (c) **Depreciation and amortization** -
Property and equipment – Property and equipment are carried at cost, less accumulated depreciation. Depreciation of property and equipment, except for land, is computed by using the straight-line method at rates based on estimated useful lives. The ranges of useful lives used in the computation of depreciation are generally as follows:
Buildings held in trust 3-68 years
Structures held in trust 3-56 years
Tools, furniture and fixtures held in trust 3-15 years
In accordance with the amended Japanese tax law, properties and equipment acquired on or after April 1, 2007 are depreciated with the residual value of 1 yen recognized at the end of the useful lives. Properties and equipment acquired before March 31, 2007 are depreciated with the residual value of 5% of acquisition costs over useful lives based on the tax law at that time. However, in accordance with the amended Japanese tax law, such properties and equipment are depreciated with the residual value of 1 yen over five years from the following fiscal years after they are depreciated to the residual value of 5% of acquisition costs.
Long-term prepaid expenses – Prepaid expenses are amortized using the straight-line method.
Corporate bond issuance costs – Corporate bond issuance costs are amortized using the straight-line method over the period through the redemption of the bonds.

- (d) **Income taxes** – Income taxes are accounted for financial reporting purposes. The tax effect of temporary differences for the carrying amount of assets and liabilities between accounting basis and tax basis is recognized as deferred taxes.
- (e) **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 15,732 thousand yen for the six months ended October 31, 2020 and 575 thousand yen for the six months ended April 30, 2021.
- (f) **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.
- (g) **Revenue recognition** – 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.
- (h) **Accounting treatment of beneficiary interest in trust accounts, including real estate** - For beneficiary interests in real estate trust, which are commonly utilized in the ownership of commercial properties in Japan and through which NUD holds all of its properties, all accounts of assets and liabilities held in trust, as well as all income generated and expenses incurred from assets in trust, are recognized in the relevant balance sheet and profit and loss statement.
- Furthermore, the following material accounts are separately stated on the balance sheet for assets in trust recognized in relevant accounts.
- (1) Cash and deposits held in trust
 - (2) Buildings held in trust, structures held in trust, tools, furniture and fixtures held in trust, land held in trust, and construction in progress held in trust
 - (3) Leasehold held in trust
 - (4) Other intangible fixed assets held in trust
 - (5) Other deposits held in trust
 - (6) Tenant security deposits held in trust
- (i) **Accounting for consumption taxes** - The national and local consumption taxes are excluded from business transaction amounts. However, non-deductible consumption taxes on property acquisitions are capitalized with the acquisition costs of the individual properties.

Note-3. Significant accounting estimates

Impairment of long-term assets

- (1) Amounts recorded on the financial statements for the six months ended April 30, 2021
- Property and equipment: 223,177,339 thousand yen
- Intangible fixed assets: 1,777,910 thousand yen
- (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. Accounting standards not yet applied

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 (revised 2020) issued on March 31, 2020)
 - Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30 (revised 2021) issued on March 26, 2021)
1. Overview
- In accordance with the Accounting Standard, which is a comprehensive accounting standard for revenue recognition, revenue is recognized by applying the following five steps.
- Step 1: Identify the contract with a customer.
 - Step 2: Identify the performance obligation in the contract.
 - Step 3: Determine the transaction price.
 - Step 4: Allocate the transaction price to the performance obligation in the contract.
 - Step 5: Recognize revenue when (or as) the entity satisfies the performance obligation.
2. Scheduled date of adoption
- NUD will adopt the Accounting Standard, etc. from the beginning of the six months ending October 2021.
3. Impact of the adoption of the Accounting Standard, etc.
- The amount of impact on the financial statements by the adoption of the Accounting Standard, etc. is being assessed at the time of the preparation of such statements.

Note-5. Changes in presentation methods

Changes due to adoption of Accounting Standard for Disclosure of Accounting Estimates

From the six months ended April 30, 2021, NUD has adopted the Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31 issued on March 31, 2020) and indicates a note on Significant accounting estimates in the Notes to Financial Statements. However, in accordance with the transitional treatment as stipulated in the proviso of Paragraph 11 of the Accounting Standard, there is no information to be disclosed for the six months ended October 31, 2020.

Note-6. Cash and cash equivalents

Cash and cash equivalents as of October 31, 2020 and April 30, 2021 consisted of the following:

	Thousands of yen	
	October 31, 2020	April 30, 2021
Cash and deposits	¥ 3,776,202	¥ 3,696,120
Cash and deposits held in trust	13,969,799	14,136,558
CASH AND CASH EQUIVALENTS	¥ 17,746,001	¥ 17,832,679

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

Property and equipment and intangible fixed assets held in trust as of October 31, 2020 and April 30, 2021 consisted of the following:

	Thousands of yen					
	October 31, 2020			April 30, 2021		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment held in trust						
Buildings and structures						
Buildings	¥ 91,700,196	¥ 31,098,949	¥ 60,601,246	¥ 97,866,759	¥ 32,446,463	¥ 65,420,296
Structures	2,068,108	1,211,122	856,985	2,139,158	1,250,089	889,068
Tools, furniture and fixtures	620,489	326,365	294,124	680,328	371,555	308,773
Land	146,615,648	-	146,615,648	156,559,201	-	156,559,201
Construction in progress	3,635	-	3,635	-	-	-
SUBTOTAL	241,008,079	32,636,437	208,371,641	257,245,447	34,068,107	223,177,339
Intangible fixed assets held in trust						
Leasehold	1,777,602	-	1,777,602	1,777,602	-	1,777,602
Other intangible fixed assets	6,469	6,138	331	6,469	6,161	308
Other	34,839	33,468	1,370	41,604	34,952	6,652
SUBTOTAL	1,818,911	39,607	1,779,304	1,825,677	41,113	1,784,563
TOTAL	¥ 242,826,990	¥ 32,676,045	¥ 210,150,945	¥ 259,071,124	¥ 34,109,221	¥ 224,961,902

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

Note-8. Unitholders’ equity

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

Note-9. Corporate bonds

Corporate bonds for the six months ended October 31, 2020 and April 30, 2021 were as follows:

	Thousands of yen		Interest rate (%)
	October 31, 2020 (Amount)	April 30, 2021 (Amount)	
Unsecured bond No.6 (issued on March 6, 2014 and due on March 5, 2021)	¥ 2,500,000	¥ -	0.72
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	0.06
Unsecured bond No.10 (issued on April 27, 2021 and due on April 25, 2031) (green bond)	-	3,200,000	0.50
TOTAL	¥ 8,500,000	¥ 11,200,000	-

* The anticipated maturities of corporate bonds for the following five years (excluding the corporate bonds payable due within one year) beginning May 1, starting in 2021 are as follows:
(thousands of yen)

	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
¥	-	4,000,000	-	-

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

Short-term and long-term loans as of October 31, 2020 and April 30, 2021 consisted of the following:

Lender	Thousands of yen				Average interest rate *1 (%)	Repay-ment	Use of funds	Remarks
	October 31, 2020 (Amount)	Increase	Decrease	April 30, 2021 (Amount)				
SHORT-TERM LOANS								
Sumitomo Mitsui Trust Bank, Limited	2,200,000	-	2,200,000	-	0.21298	May 31, 2021	*2	Unsecured and non-guaranteed Floating rate
Mizuho Bank, Ltd.	500,000	-	500,000	-	0.25298	May 31, 2021		Unsecured and non-guaranteed Floating rate
Sumitomo Mitsui Banking Corporation	500,000	-	500,000	-				
Mizuho Bank, Ltd.	2,000,000	-	-	2,000,000	0.23298	Jul. 30, 2021		Unsecured and non-guaranteed Floating rate
Sumitomo Mitsui Trust Bank, Limited	-	2,000,000	2,000,000	-	0.21788	May 31, 2021		Unsecured and non-guaranteed Floating rate
Sumitomo Mitsui Trust Bank, Limited	-	700,000	-	700,000	0.23727	Mar. 31, 2022		Unsecured and non-guaranteed Floating rate
Mizuho Bank, Ltd.	-	500,000	-	500,000				
SUBTOTAL	5,200,000	3,200,000	5,200,000	3,200,000				
LONG-TERM LOANS*3 *4								
Mizuho Bank, Ltd.	2,400,000	-	-	2,400,000	0.91125	Sep. 30, 2021	*2	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	1,050,000	-	-	1,050,000	0.87000	Mar. 31, 2022		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	1,950,000	-	-	1,950,000	0.91375	Apr. 28, 2022		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	1,950,000	-	-	1,950,000				
Sumitomo Mitsui Trust Bank, Limited	3,500,000	-	-	3,500,000	0.86625	Jul. 29, 2022		Unsecured and non-guaranteed Fixed rate
MUFG Bank, Ltd.	1,800,000	-	-	1,800,000				
Sumitomo Mitsui Banking Corporation	1,200,000	-	-	1,200,000				
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 Finance Corporation	3,000,000	-	-	3,000,000	0.72875	Nov. 30, 2022	Unsecured and non-guaranteed Fixed rate	
Resona Bank, Limited	3,000,000	-	-	3,000,000				
Mitsui Sumitomo Insurance Co., Ltd.	1,000,000	-	-	1,000,000				
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000				
NTT Finance Corporation	2,000,000	-	2,000,000	-	0.41375	Jan. 29, 2021	Unsecured and non-guaranteed Fixed rate	

(continued on next page)

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Lender	Thousands of yen				Average interest rate ^{*1} (%)	Repay-ment	Use of funds	Remarks
	October 31, 2020 (Amount)	Increase	Decrease	April 30, 2021 (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				
Sumitomo Mitsui Banking Corporation	3,000,000	-	-	3,000,000	0.73500	Nov. 30, 2026		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	2,000,000	-	-	2,000,000				
Sumitomo Mitsui Banking Corporation	3,200,000	-	-	3,200,000	0.24000	May 31, 2021		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	1,800,000	-	-	1,800,000				
Mizuho Bank, Ltd.	2,700,000	-	-	2,700,000	0.42875	May 31, 2023		Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	4,000,000	-	-	4,000,000	0.53250	May 31, 2024		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	3,300,000	-	-	3,300,000	0.59880	May 30, 2025		Unsecured and non-guaranteed Fixed rate
The Bank of Fukuoka	2,000,000	-	-	2,000,000				
The 77 Bank, Ltd.	1,000,000	-	-	1,000,000				
The Nomura Trust and Banking Co., Ltd.	1,000,000	-	-	1,000,000	0.28875	Aug. 31, 2023	*2	Unsecured and non-guaranteed Fixed rate
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

(continued on next page)

(cont.)

Lender	Thousands of yen				Average interest rate ^{*1} (%)	Repay-ment	Use of funds	Remarks
	October 31, 2020 (Amount)	Increase	Decrease	April 30, 2021 (Amount)				
Mizuho Bank, Ltd.	750,000	-	-	750,000	0.65125	Mar. 30, 2029		Unsecured and non-guaranteed Fixed rate
Resona Bank, Limited	750,000	-	-	750,000				
Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000	0.19520	Mar. 29, 2024		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Banking Corporation	2,000,000	-	-	2,000,000	0.37880	Sep. 30, 2026		Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	1,200,000	-	-	1,200,000	0.45065	Mar. 31, 2028		Unsecured and non-guaranteed Fixed rate
Development Bank of Japan Inc.	2,000,000	-	-	2,000,000	0.45065	Mar. 31, 2028		Unsecured and non-guaranteed Fixed rate
MUFG Bank, Ltd.	2,000,000	-	-	2,000,000				
Sumitomo Mitsui Trust Bank, Limited	-	3,000,000	-	3,000,000	0.29755	Nov. 29, 2024	*2	Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	-	1,000,000	-	1,000,000	0.46500	Nov. 30, 2028		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	-	3,000,000	-	3,000,000	0.49755	Nov. 30, 2029		Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	-	2,000,000	-	2,000,000	0.51755	Nov. 30, 2029		Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	-	2,500,000	-	2,500,000	0.61304	Aug. 31, 2029		Unsecured and non-guaranteed Fixed rate
Sumitomo Mitsui Trust Bank, Limited	-	1,500,000	-	1,500,000	0.28380	Mar. 31, 2025		Unsecured and non-guaranteed Fixed rate
Mizuho Bank, Ltd.	-	1,300,000	-	1,300,000	0.55943	Sep. 28, 2029		Unsecured and non-guaranteed Fixed rate
NTT Finance Corporation	-	700,000	-	700,000	0.61005	Mar. 29, 2030		Unsecured and non-guaranteed Fixed rate
SUBTOTAL	99,100,000	15,000,000	2,000,000	112,100,000				
TOTAL	¥ 104,300,000	¥ 18,200,000	¥ 7,200,000	¥ 115,300,000				

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

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

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

*4 The anticipated maturities of long-term loans for the following five years (excluding long-term loans payable due within one year) beginning May 1, starting in 2021 are as follows:

(thousands of yen)				
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	
¥ 26,600,000	10,950,000	12,250,000	11,600,000	

Note-11. Rental revenues and expenses

Rental revenues and expenses for the six months ended October 31, 2020 and April 30, 2021 were as follows:

	Thousands of yen	
	October 31, 2020	April 30, 2021
REAL ESTATE RENTAL REVENUES		
Rental revenues		
Rents	¥ 6,705,401	¥ 6,969,558
Common area charges	1,148,475	1,148,601
Subtotal	7,853,877	8,118,160
Other rental revenues		
Parking fees	224,746	225,768
Facility fees	52,191	59,280
Incidental revenues	557,459	507,293
Miscellaneous income	105,369	114,582
Subtotal	939,767	906,925
TOTAL REAL ESTATE RENTAL REVENUES	8,793,645	9,025,085
REAL ESTATE RENTAL EXPENSES		
Property operating expenses		
Property management fees	1,039,578	1,087,155
Utilities	577,151	498,587
Real estate taxes	630,059	622,043
Insurance	10,914	15,343
Maintenance and repairs	705,090	869,818
Trust fees	28,763	29,036
Depreciation	1,455,555	1,513,507
Rent expenses	85,144	295,775
Miscellaneous expenses	68,760	94,374
TOTAL REAL ESTATE RENTAL EXPENSES	4,601,020	5,025,641
REAL ESTATE RENTAL INCOME	¥ 4,192,624	¥ 3,999,444

(Changes in the presentation)

With regard to Rent expenses, which was included in Miscellaneous expenses for the six months ended October 31, 2020, NUD has presented it separately for the six months ended April 30, 2021 because the materiality of the amount increased.

As a result, the 153,905 thousand yen of Miscellaneous expenses for the six months ended October 31, 2020 has been restated to 85,144 thousand yen as Rent expenses and 68,760 thousand yen as Miscellaneous expenses.

Note-12. Gains from sale of properties

Gains from sale of properties for the six months ended October 31, 2020 were as follows:

	Thousands of yen	
	October 31, 2020	Urbannet Ichigaya Building
Revenues from sale of properties	¥ 1,778,000	
Cost of properties	1,580,914	
Other expenses for sale	6,010	
GAINS FROM SALE OF PROPERTIES	¥ 191,075	

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

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

Note-13. Income taxes

Income taxes in Japan applicable to NUD consist of corporate income tax, enterprise tax, and inhabitant tax. The following is reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the six months ended October 31, 2020 and April 30, 2021:

	October 31, 2020	April 30, 2021
Statutory tax rate	31.46%	31.46%
Adjustments		
Deductible cash distributions	(31.42)	(31.46)
Other	0.02	0.01
EFFECTIVE TAX RATE	0.06%	0.02%

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 October 31, 2020 and April 30, 2021 were as follows:

	Thousands of yen	
	October 31, 2020	April 30, 2021
Deferred tax assets		
Enterprise taxes	¥ 1,741	¥ 3,595
Total of deferred tax assets	1,741	3,595
NET DEFERRED TAX ASSETS	¥ 1,741	¥ 3,595

Note-14. Per unit information

The following table summarizes the net assets per unit as of October 31, 2020 and April 30, 2021 and the net income per unit for the six months ended October 31, 2020 and April 30, 2021:

	October 31, 2020	April 30, 2021
Net assets per unit	¥ 94,884	¥ 95,985
Net income per unit	2,923	4,023

*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 October 31, 2020 and April 30, 2021.

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

	Thousands of yen	
	October 31, 2020	April 30, 2021
Net income	¥ 3,850,147	¥ 5,299,495
Amount not attributable to ordinary unitholders	-	-
Net income related to ordinary units	3,850,147	5,299,495
Average number of units during the period	1,316,995 units	1,316,995 units

Note-15. Leases

NUD leases some properties to tenants under non-cancellable operating leases. As of October 31, 2020 and April 30, 2021, the future lease expenses and revenues under the non-cancellable operating leases were as follows:

Operating leases (as lessee)

	Thousands of yen	
	October 31, 2020	April 30, 2021
Due within one year	¥ -	¥ 580,455
Due after one year	-	13,253,738
TOTAL	¥ -	¥ 13,834,194

Operating leases (as lessor)

	Thousands of yen	
	October 31, 2020	April 30, 2021
Due within one year	¥ 1,127,590	¥ 972,584
Due after one year	3,374,951	3,130,373
TOTAL	¥ 4,502,541	¥ 4,102,957

Note-16. Distribution information

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

[October 31, 2020]

In accordance with this policy, NUD declared a total distribution of 3,849,576,385 yen as distribution of income for the 36th fiscal period (payment to start on January 21, 2021), which was the maximum value arrived at when the number of units outstanding (1,316,995 units) was multiplied by an integer, within the limit of the unappropriated retained earnings for the 36th fiscal period.

[April 30, 2021]

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

Income carried forward after the distributions for the six months ended October 31, 2020 and April 30, 2021 were as follows:

	October 31, 2020	April 30, 2021
Unappropriated retained earnings	¥ 3,850,356,701	¥ 5,300,276,125
Cash distributions declared	3,849,576,385	5,299,587,880
(Cash distribution declared per unit)	(2,923)	(4,024)
INCOME CARRIED FORWARD	¥ 780,316	¥ 688,245

Note-17. Financial instruments

(a) Items concerning the current status of financial instruments

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

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

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

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

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

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

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

Supplemental explanation on items concerning fair value of financial instruments - The fair value of financial instruments includes market prices and, in the event market prices are not available, prices that are rationally calculated. Since such calculation uses certain assumptions and conditions, the calculated prices may differ if different assumptions and conditions are used. As for the contract amount and other conditions of derivative transactions indicated in “(b) Items concerning fair value of financial instruments” below, the contract amount is not an indicator of the market risks related to such derivative transactions.

(b) Items concerning fair value of financial instruments - The book values recorded on the balance sheet, fair values and their difference as of October 31, 2020 and April 30, 2021 were as follows:

	Thousands of yen					
	October 31, 2020			April 30, 2021		
	Book value	Fair value	Difference	Book value	Fair value	Difference
ASSETS						
(1) Cash and deposits	¥ 3,776,202	¥ 3,776,202	¥ -	¥ 3,696,120	¥ 3,696,120	¥ -
(2) Cash and deposits held in trust	13,969,799	13,969,799	-	14,136,558	14,136,558	-
TOTAL ASSETS	¥ 17,746,001	¥ 17,746,001	¥ -	¥ 17,832,679	¥ 17,832,679	¥ -
LIABILITIES						
(3) Short-term loans payable	¥ 5,200,000	¥ 5,200,000	-	¥ 3,200,000	¥ 3,200,000	-
(4) Long-term loans payable due within one year	9,400,000	9,429,822	29,822	12,350,000	12,398,058	48,058
(5) Corporate bonds payable due within one year	2,500,000	2,502,725	2,725	-	-	-
(6) Long-term loans payable	89,700,000	90,315,344	615,344	99,750,000	100,313,691	563,691
(7) Corporate bonds	6,000,000	5,930,380	(69,620)	11,200,000	11,163,220	(36,780)
TOTAL LIABILITIES	¥ 112,800,000	¥ 113,378,271	¥ 578,271	¥ 126,500,000	¥ 127,074,970	¥ 574,970
(8) Derivative Transactions	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -

*1 The following methods are used to estimate the fair value of financial instruments:
(1) **Cash and deposits** and (2) **cash and deposits held in trust** - Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.
(3) **Short-term loans payable** - Book values of these instruments are used to determine their fair values, as the fair values are considered to approximate the book values because these instruments are settled over the short term.
(4) **Long-term loans payable due within one year** and (6) **long-term loans payable** - For long-term loans payable with floating interest rates, book values are used to determine their fair values as the fair values are considered to approximate the book values because these instruments reflect market interest rates over the short term. However, fair values of certain long-term loans payable with floating interest rates that qualify for the special accounting of interest rate swaps (refer to Note-19. Derivative Transactions below) are based on the method of calculating by discounting the sum of their principal and interest payments net of any cash flows from the interest-rate swap by estimated rates assumed in the event that NUD borrows new loans corresponding to the remaining periods. Moreover, fair values of long-term loans payable with fixed interest rates are based on the method of calculating by discounting the sum of their principal and interest by the rates assumed in the event that NUD borrows new loans corresponding to the remaining periods.
(5) **Corporate bonds payable due within one year** and (7) **corporate bonds** - Fair values of these instruments are calculated based on their market prices.
(8) **Derivative Transactions** - Refer to Note-19. Derivative Transactions below.

*2 Financial instruments for which it is recognizably very difficult to estimate the fair value:
Investment securities - The preferred securities (recorded on the Balance Sheets at 20,035,175 thousand yen as of October 31, 2020 and April 30, 2021, respectively) do not have any market price and do not allow estimation of their future cash flows. Thus, it is recognized to be very difficult to estimate their fair value, and they are excluded from the disclosure of fair value of financial instruments.

*3 Planned redemption amount of monetary claims as of October 31, 2020 and April 30, 2021 are as follows:

	Thousands of yen					
	October 31, 2020					
	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
Cash and deposits	¥ 3,776,202	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits held in trust	13,969,799	-	-	-	-	-
TOTAL	¥ 17,746,001	¥ -	¥ -	¥ -	¥ -	¥ -

	Thousands of yen					
	April 30, 2021					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
Cash and deposits	¥ 3,696,120	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits held in trust	14,136,558	-	-	-	-	-
TOTAL	¥ 17,832,679	¥ -	¥ -	¥ -	¥ -	¥ -

*4 Planned repayment and redemption amounts of loans and corporate bonds as of October 31, 2020 and April 30, 2021 are as follows:

	Thousands of yen					
	October 31, 2020					
	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
Short-term loans payable	¥ 5,200,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	9,400,000	19,450,000	19,800,000	9,500,000	4,800,000	36,150,000
Corporate bonds	2,500,000	-	2,000,000	-	-	4,000,000
TOTAL	¥ 17,100,000	¥ 19,450,000	¥ 21,800,000	¥ 9,500,000	¥ 4,800,000	¥ 40,150,000

	Thousands of yen					
	April 30, 2021					
	Within one year	More than one year and two years or less	More than two years and three years or less	More than three years and four years or less	More than four years and five years or less	More than five years
Short-term loans payable	¥ 3,200,000	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term loans payable	12,350,000	26,600,000	10,950,000	12,250,000	11,600,000	38,350,000
Corporate bonds	-	-	4,000,000	-	-	7,200,000
TOTAL	¥ 15,550,000	¥ 26,600,000	¥ 14,950,000	¥ 12,250,000	¥ 11,600,000	¥ 45,550,000

Note-18. Investment securities

Investment securities represent the preferred securities issued by UDX Special Purpose Company, which are backed by cash flows from Real Estate Property managed by UDX Special Purpose Company. NUD owns 53,580 units (19.0% equity) of the preferred securities (282,000 units in total) as of October 31, 2020 and April 30, 2021, respectively.
These securities do not have a readily available market price. Additionally, due to lack of the transparency of cash flow information from the underlying properties, there is inherent difficulty in estimating fair value, and accordingly they are excluded from the disclosure of fair value.

Note-19. Derivative transactions

- (a) Derivatives to which hedge accounting is not applied - Not applicable for the six months ended October 31, 2020 and April 30, 2021.
- (b) Derivatives to which hedge accounting is applied - For the six months ended October 31, 2020 and April 30, 2021, the following table shows the contract amount or amount equivalent to the principal provided in the contract as of the closing date for each method of hedge accounting.

Type of hedge accounting	Type of derivative transactions, etc.	Major hedged item	Thousands of yen			
			October 31, 2020			
			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	¥ 73,180,000	¥ 73,180,000	*	-

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

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

Note-20. Rental property

NUD owns office buildings and residential properties for rental purposes mainly in the 23 wards of Tokyo. The book values of these rental properties recorded on the balance sheets as of October 31, 2020 and April 30, 2021, the changes during the fiscal period and their fair values are as follows:

	Thousands of yen							
	October 31, 2020				April 30, 2021			
	Book value at May 1, 2020 ^{*1}	Increase and Decrease during the period ^{*2}	Book value at October 31, 2020 ^{*1}	Fair value at October 31, 2020 ^{*3}	Book value at November 1, 2020 ^{*1}	Increase and Decrease during the period ^{*2}	Book value at April 30 2021 ^{*1}	Fair value at April 30 2021 ^{*3*4}
Office buildings	¥ 139,197,975	¥ 3,228,652	¥ 142,426,628	¥ 180,284,400	¥ 142,426,628	¥ 15,132,425	¥ 157,559,053	¥ 195,978,400
Residential properties	68,129,452	(406,505)	67,722,947	84,180,000	67,722,947	(326,750)	67,396,196	86,100,000
TOTAL	¥ 207,327,427	¥ 2,822,147	¥ 210,149,575	¥ 264,464,400	¥ 210,149,575	¥ 14,805,675	¥ 224,955,250	¥ 282,078,400

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

*2 Of the increases and decreases in rental properties during the period, major increases in the fiscal period ended October 31, 2020 are due to the acquisition of Otemachi Financial City Grand Cube (4,716,504 thousand yen) and the capital expenditures (1,157,961 thousand yen) for owned properties, and major decreases are due to the sale of Urbannet Ichigaya Building (1,580,914 thousand yen) and the depreciation (1,455,555 thousand yen). Major increases in the fiscal period ended April 30, 2021 are due to the acquisition of Shinagawa Season Terrace (18,824,893 thousand yen) and the capital expenditures (1,121,898 thousand yen) for owned properties, and major decreases are due to the sale of Urbannet Kojimachi Building (3,623,974 thousand yen) and the depreciation (1,513,507 thousand yen).

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

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

In addition, the operating revenues and expenses of the rental properties for the fiscal period ended October 31, 2020 and April 30, 2021 are as follows:

	Thousands of yen					
	October 31, 2020			April 30, 2021		
	Real estate rental revenues	Real estate rental expenses	Real estate rental income	Real estate rental revenues	Real estate rental expenses	Real estate rental income
Office buildings	¥ 6,181,948	¥ 3,185,734	¥ 2,996,214	¥ 6,449,279	¥ 3,527,878	¥ 2,921,401
Residential properties	2,611,696	1,415,286	1,196,409	2,575,806	1,497,763	1,078,042
TOTAL	¥ 8,793,645	¥ 4,601,020	¥ 4,192,624	¥ 9,025,085	¥ 5,025,641	¥ 3,999,444

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

Note-21. Segment information

- (a) Segment information - Description has been omitted because the real estate business constitutes NUD's sole business segment.
- (b) Related information -
- (i) Information by product/service category - Description has been omitted because operating revenues from external customers in a single product/service category account for over 90% of the operating revenues on the profit and loss statements.
 - (ii) Information on geographical area -
Operating revenues - Description has been omitted because operating revenues from external customers in Japan account for over 90% of the operating revenues on the profit and loss statements.
Property and equipment - Description has been omitted because the amount of property and equipment located in Japan accounts for over 90% of the amount of property and equipment on the balance sheets.
 - (iii) Information by major customer - Description has been omitted because the operating revenues from a single external customer accounts for less than 10% of the operating revenues on the profit and loss statements.

Note-22. Subsequent events

Sale of Property - Pursuant to the basic investment policy and other policies, NUD sold the following property:

	Bureau Kioicho	
OVERVIEW OF SALE OF PROPERTY		
Type of property	Beneficiary interest in a real estate trust	
Sale price*1	2,850 million yen	
Acquisition date	July 1, 2003	
Acquisition price*2	1,840 million yen	
Book value	1,592 million yen (as of April 30, 2021)	
Impact on income	NUD plans to record 1,163 million yen in gain on sale of properties as operating revenues for the six months ending October 31, 2021	
Appraisal value	1,520 million yen (as of March 1, 2021) [Appraiser] Japan Real Estate Institute	
Buyer	NTT Urban Development Corporation	
Contract Date	March 31, 2021	
Sale date	May 7, 2021	
OVERVIEW OF THE PROPERTY HELD IN TRUST		
Location (residential indication)	2-4-4 Hirakawacho, Chiyoda Ward, Tokyo	
Use of building*3	Apartment	
Land*3	306.73m²	
Area	Total floor space*3	2,008.55m²
	Total leasable space	1,728.98m²
Structure of building*3	Steel-framed reinforced concrete structure with a flat-topped roof; 11 stories	
Construction completion*3	November 2002	

*1 The sale price represents the transaction price before consumption taxes, not subtracting various expenses (such as real estate taxes) required for the transfer of the property.
*2 The acquisition price represents the transaction price before consumption taxes, not including various expenses (such as real estate taxes) required for the acquisition of the property.
*3 The descriptions for "Use of building," "Area" of the land, "Total floor space" of the building, "Structure of building" and "Construction completion" are based on the information indicated in the certificate of registered matters.

For the six months ended October 31, 2020 and April 30, 2021

CAPITAL EXPENDITURES

1. Capital Expenditures

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

Name	Address	Purpose	Scheduled Period	Planned Construction Expenditures (thousands of yen)		
				Total	Amount Paid during the 37th Fiscal Period	Amount Paid before the 37th Fiscal Period
Sphere Tower Tennozu	Shinagawa Ward, Tokyo	Renovation of hot water supply facilities	February 2019 – April 2023	883,239	-	130,838
Sphere Tower Tennozu	Shinagawa Ward, Tokyo	Renovation of piping facilities	May 2021 – October 2021	63,706	-	-
Urbannet Ikebukuro Building	Toshima Ward, Tokyo	Renovation of elevator equipment	January 2021 – October 2021	60,076	-	-
KN Shibuya No.3	Shibuya Ward, Tokyo	Renovation of power boards	August 2021 – October 2021	46,469	-	-
Premier Dogenzaka Building	Shibuya Ward, Tokyo	Renovation of elevator equipment	September 2021 – October 2021	22,253	-	-

2. Capital Expenditures during the 37th Fiscal Period

The following is an overview of major construction classified as capital expenditures during the 37th fiscal period (November 1, 2020 - April 30, 2021) for the portfolio owned by NUD. Capital expenditures during the period totaled 1,121,898 thousand yen. This amount, combined with maintenance and repair expenditures of 869,818 thousand yen, was classified as operating expenses for the period, aggregating a total of 1,991,717 thousand yen representing renovation expenditures.

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Urbannet Ikebukuro Building	Toshima Ward, Tokyo	Renovation of central monitoring devices	January 2021 - April 2021	98,896
Rokubancho Building	Chiyoda Ward, Tokyo	Renovation of elevator equipment	June 2020 - April 2021	87,185
The Kanagawa Science Park R&D Building	Takatsu Ward, Kawasaki City, Kanagawa	Renovation of air conditioning systems	March 2020 - February 2021	69,715
The Kanagawa Science Park R&D Building	Takatsu Ward, Kawasaki City, Kanagawa	Renovation of air conditioning systems	August 2020 - February 2021	63,657
The Kanagawa Science Park R&D Building	Takatsu Ward, Kawasaki City, Kanagawa	Renovation of sanitary facilities	March 2020 - February 2021	59,252
Urban Ace Higobashi Building	Nishi Ward, Osaka City, Osaka	Work on countermeasures for long-period ground motion	February 2019 - December 2020	54,357
The Kanagawa Science Park R&D Building	Takatsu Ward, Kawasaki City, Kanagawa	Renovation of elevator equipment	December 2020 - January 2021	36,445

(continued on next page)

Name	Address	Purpose	Period	Amount Paid (thousands of yen)
Urbannet Omori Building	Ota Ward, Tokyo	Renovation of automatic fire alarm systems	December 2020 - April 2021	32,080
Sphere Tower Tennozu	Shinagawa Ward, Tokyo	Renovation of air conditioning systems	January 2021 - April 2021	28,263
Questcourt Harajuku	Shibuya Ward, Tokyo	Renovation of air conditioning systems	December 2020 - March 2021	26,695
NTT CRED Okayama Building	Okayama City, Okayama	Renovation of air conditioning systems	September 2020 - November 2020	22,716
Urbannet Gotanda NN Building	Shinagawa Ward, Tokyo	Work on double flooring	November 2020 - March 2021	21,119
Other construction	-	-	-	521,513
TOTAL				1,121,898

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

Item \ Fiscal Period	Thousands of yen	
	36th Fiscal Period (May 1, 2020 – October 31, 2020)	37th Fiscal Period (November 1, 2020 – April 30, 2021)
Deposits at end of the preceding period	609,117	623,440
Deposits made during the period	14,323	14,323
Amounts used from deposits during the period	-	-
Deposits carried forward to the next period	623,440	637,763

OVERVIEW OF FUND PROCUREMENT

1. Borrowing of Funds, etc.

(1) NUD borrowed 9,000 million yen in total in long-term loans to partly fund the acquisition of the beneficiary interest in a real estate trust for Shinagawa Season Terrace, which NUD acquired as of December 21, 2020. The breakdown of lenders, etc. of the 9,000 million yen in these long-term loans is as follows:

Lenders	Sumitomo Mitsui Trust Bank, Limited		Mizuho Bank, Ltd.	NTT Finance Corporation
Amount of Debt Finance	3,000 million yen	1,000 million yen	3,000 million yen	2,000 million yen
Drawdown Date	December 21, 2020			
Principal Repayment Date	November 29, 2024	November 30, 2028	November 30, 2029	
Principal Repayment Method	Lump-sum repayment upon maturity			
Interest Rate	Fixed rate *: (0.29755%)	Fixed rate *: (0.46500%)	Fixed rate: (0.49755%)	Fixed rate *: (0.51755%)
Collateral/Guarantee	Unsecured and non-guaranteed			

* As NUD has conducted interest rate swap transactions for the balance of the loans in order to reduce the interest rate fluctuation risk, the fixed rate interests obtained by taking into account the effect of the interest rate swap transactions are indicated.

(cont.)

(2) NUD refinanced the 2,000 million yen in total in long-term loans borrowed on February 19, 2016 into a short-term loan on January 29, 2021. The following table shows the overview, including the lender, of the 2,000 million yen in the short-term loan:

Lenders	Sumitomo Mitsui Trust Bank, Limited
Amount of Debt Finance	2,000 million yen
Drawdown Date	January 29, 2021
Principal Repayment Date	May 31, 2021
Principal Repayment Method	Lump-sum repayment upon maturity
Interest Rate	Floating rate: (1-month TIBOR + 0.14%)
Collateral/Guarantee	Unsecured and non-guaranteed

(3) NUD borrowed a long-term loan on March 4, 2021 to fund the redemption of 2,500 million yen of corporate bonds which were due on March 5, 2021. The following table shows the overview, including the lender, of the 2,500 million yen in the long-term loan:

Lenders	NTT Finance Corporation
Amount of Debt Finance	2,500 million yen
Drawdown Date	March 4, 2021
Principal Repayment Date	August 31, 2029
Principal Repayment Method	Lump-sum repayment upon maturity
Interest Rate	Fixed rate *: (0.61304%)
Collateral/Guarantee	Unsecured and non-guaranteed

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

(4) NUD borrowed 4,700 million yen in total in short-term loans and long-term loans to partly fund the acquisition of the beneficiary interest in a real estate trust for Shinagawa Season Terrace (additional acquisition), which NUD acquired as of March 30, 2021. The following table shows the breakdown, including the lenders, of the 4,700 million yen in short-term loans and the long-term loans:

Lenders	Sumitomo Mitsui Trust Bank, Limited	Mizuho Bank, Ltd.	Sumitomo Mitsui Trust Bank, Limited	Mizuho Bank, Ltd.	NTT Finance Corporation
Amount of Debt Finance	700 million yen	500 million yen	1,500 million yen	1,300 million yen	700 million yen
Drawdown Date	March 30, 2021				
Principal Repayment Date	March 31, 2022		March 31, 2025	September 28, 2029	March 29, 2030
Principal Repayment Method	Lump-sum repayment upon maturity				
Interest Rate	Floating rate: (1-month TIBOR + 0.16%)		Fixed rate *: (0.28380%)	Fixed rate: (0.55943%)	Fixed rate *: (0.61005%)
Collateral/Guarantee	Unsecured and non-guaranteed				

* As NUD has conducted interest rate swap transactions for the balance of the loans in order to reduce the interest rate fluctuation risk, the fixed rate interests obtained by taking into account the effect of the interest rate swap transactions are indicated.

(5) NUD issued corporate bonds (total issue price: 5,200 million yen) on April 27, 2021 to partly fund early repayment of 5,200 million yen in short-term loans.

[Breakdown of Repayments]

- Early repayment of the 2,200 million yen in a short-term loan borrowed on June 12, 2020 (repayment date: April 30, 2021)
- Early repayment of the 1,000 million yen in a short-term loan borrowed on June 12, 2020 (repayment date: April 30, 2021)
- Early repayment of the 2,000 million yen in a short-term loan borrowed on January 29, 2021 (repayment date: April 30, 2021)

[Overview of Corporate Bonds (5,200 million yen in total)]

Name: (1) 9th Unsecured Corporate Bonds (with pari passu conditions among specified investment corporation bonds) (green bonds)
(2) 10th Unsecured Corporate Bonds (with pari passu conditions among specified investment corporation bonds) (green bonds)

Total issue price: (1) 2,000 million yen
(2) 3,200 million yen

Issue price: 100 yen per 100 yen of each corporate bond

Redemption price: 100 yen per 100 yen of each corporate bond

Method of offering: Public offering

Payment date (issue date): April 27, 2021

Redemption maturity: (1) April 26, 2024 (3-year bond)
(2) April 25, 2031 (10-year bond)

Interest rate: (1) 0.06% per annum
(2) 0.50% per annum

Interest payment dates: April 27 and October 27 of each year

Collateral/Guarantee: Unsecured and non-guaranteed

As a result of the above, NUD’s interest-bearing liabilities totaled 126,500 million yen as of April 30, 2021. The breakdown is as follows: 3,200 million yen in short-term loans, 112,100 million yen in long-term loans (including long-term loans due within one year) and 11,200 million yen in corporate bonds. Of the total interest-bearing liabilities, long-term interest-bearing liabilities accounted for 97.5%.

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

2. Credit Ratings

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

Rating Agency	Rating	
	Issuer rating (Rating outlook)	Bond rating
Japan Credit Rating Agency, Ltd. (JCR)	AA- (Stable)	AA- *1

*1 The bond rating has been granted to the 7th Unsecured Corporate Bonds and the 8th Unsecured Corporate Bonds, as well as 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) NUD issued as of April 27, 2021 (the 37th fiscal period).

*2 Pursuant to NUD’s request, Rating & Investment Information, Inc. (R&I) withdrew its issuer rating of NUD (A+ (Stable)) as of March 31, 2021.

STRATEGIC POLICIES

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 61](#)

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 61, NUD works to ensure diversification of property uses by investing primarily in both office buildings and residential properties while assigning a relatively high importance to office buildings, aiming to minimize the adverse effects of changes in economic and social conditions on NUD’s earnings and ensure creation of stable cash flow over the medium to long term.

C) Areas [▶ see table on page 62](#)

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

b. Specifically, by dividing the investment target areas into the categories of the 5 Central Wards of Tokyo, the Other 18 Wards of Tokyo, the Urban Areas Surrounding

Tokyo and the Major Regional Cities, and by considering the balance between those categories while concentrating on the 5 Central Wards, NUD seeks to achieve a portfolio diversified by asset type comprising office buildings and residential properties. The targeted ratio of office buildings to residential properties is stated above. Based on the abovementioned basic policy, NUD diversifies its investment targeting to achieve a geographical split as indicated in the table on page 62 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 62](#)

a. Office buildings

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

b. Residential properties

In principle, residential properties of the sizes indicated in the table on page 62 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 63](#)

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

Use	Key Investment Points <small>(Note 1)</small>
Office Buildings	<div><div>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.</div><div>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.</div><div>c. NUD will consider acquisition of large-scale office buildings with great care, after thoroughly investigating future supply and demand trends and location characteristics.</div></div>
Residential Properties	<div><div>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.</div><div>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.</div><div>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.</div><div>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.</div></div>
(Classification by type of residential properties)	<div><div>c. This type refers to residential properties specially planned and designed for expatriates (i.e., persons dispatched or set off from abroad to offices established in the Tokyo Economic Bloc by Western and multinational companies) under limited location conditions in accordance with their lifestyles.</div><div>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.</div></div>
Wide	<div><div>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.</div></div>
Family	<div><div>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.</div><div>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.</div></div>
DINKs	<div><div>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.")</div><div>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.</div></div>
Single	<div><div>a. This type refers to residential properties intended for persons living alone, and are designed to meet their lifestyles.</div><div>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.</div><div>c. Since the 5 Central Wards of Tokyo <small>(Note 2)</small>, 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.</div></div>

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

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

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

F) Standards for Tenant Selection [▶ see table below](#)

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

ants 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 fees, 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 invest- ment assets after investing in that single asset, and an investment decision shall be made after considering the overall portfo- lio structure and effects of investments for diversification.

3. Sales Standards

- A) The basic policy is to hold the investment assets acquired by NUD over the medium to long term. In principle, NUD does not plan to sell the acquired investment assets over the short term.
- B) Considered in the medium to long term, however, NUD may investigate sales of its 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

Areas

Area	5 Central Wards of Tokyo	Other 18 Wards of Tokyo	Urban Areas Surrounding Tokyo <small>(Note 1)</small>	Major Regional Cities <small>(Note 2)</small>
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	<div><div>1. Business types, business history, financial details (i.e., financial soundness), etc.</div><div>2. Purpose of lease (e.g., purpose of use, period)</div><div>3. Existence or non-existence of joint and several guarantors and attributes of such guarantors</div></div>
Individuals	<div><div>1. Office and details of employment, service years, etc.</div><div>2. Annual income (and the proportion of the total amount of rent to annual income, etc.)</div><div>3. Purpose of lease (e.g., purpose of use, period and number of residents)</div><div>4. Existence or non-existence of joint and several guarantors and attributes of such guarantors (e.g., relationship with such individuals)</div><div>5. Age, gender, family structure, etc.</div></div>

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 1. Location and accessibility of convenience facilities, commercial facilities, public offices, and recreational facilities, status of usage of neighboring and nearby land, and future indicators (all of which are specific to residential properties) 3. Status of sunlight, vistas, views, noise, etc. (all of which are specific to residential properties) 4. Area's name value, reputation, scale, etc.
	Construction, facilities and specifications	1. For both office buildings and residential properties: Design, primary structure, building age, construction companies, etc. 2. Conditions of interior and exterior components Office buildings: Configuration of rental floors, free-access floors (e.g., OA floors), subdivision measures, ceiling heights, electrical capacity, air-conditioning system, floor load, illuminance, security measures, water supply and drainage facilities, elevator facilities, parking, other common facilities, etc. Residential properties: Configuration of rental rooms, floor plans, ceiling heights, security measures, broadcast reception equipment, water supply and drainage facilities, elevator facilities, parking for cars and bicycles, assembly rooms, other common facilities, etc.
	Earthquake resistance	1. Achievement of abilities in line with new earthquake-resistant construction standards (the earthquake-resistant construction standards based on the Building Standards Act revised in 1981) or equivalent or higher standards 2. In principle, the probable maximum loss (PML) value caused by an earthquake should be less than 20%. Reinforcement work for earthquake resistance or other similar measures must be taken for a property with a PML of 20% or more for acquiring the property.
	Property management	1. Compliance with applicable laws and regulations (specifically, the Fire Service Act, City Planning Act and other building-related laws and regulations), etc. 2. Estimates of future maintenance and repair expenses (for the next ten years or so) based on building condition reports 3. Quality of property management, existence or non-existence of and terms of management bylaws, and the quality and financial credibility of a property management company
	Environment, ground characteristics, etc.	1. Status of use and management of hazardous materials such as asbestos, chlorofluorocarbons, and PCBs 2. Soil quality, land use history, status of soil contamination, etc.
		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).
Legal Inspection	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

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

a. Strategic classifications

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

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

b. Specific cases where sale will be considered

- 1) When a strategic sale would contribute to earnings of NUD:
[Example] When the property value increases through improved profitability resulting from measures such as lower vacancy rates, higher rent income, or reduced expenses.
- 2) When an investor offers an attractive purchase price:
[Example] When the prospective purchaser indicates a strong intent to purchase, for instance, by making an attractive bid that exceeds appraisal value by 10% or more or otherwise exceeds the estimated value in the surrounding area due to such prospective purchaser's special circumstances.
- 3) When the property has lost strategic importance:
[Example 1] When the age of the property reduces its profitability, and it is de-

termined that the targeted earnings will not be achieved even with additional allocation of capital.

[Example 2] When another investment asset with higher profitability has been acquired in the same area, or the fact that the marketability in the surrounding area has remarkably declined or other circumstances are judged to have led the asset to lose importance in the portfolio structure.

- 4) When the property is sold from a financial viewpoint:
[Example 2] When a reduction in the interest-bearing liabilities ratio is intended.

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

4. Policy for Investment in Development Projects

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

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

When NUD invests in the Real Estate Backed Securities, etc., the investment decision shall

be made after additionally investigating the following items.

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

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

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

6. Insurance Policy

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

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

7. Investment Policy for Healthcare Facilities

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

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

- a. Due diligence in consideration of the business characteristics
When acquiring relevant healthcare facilities, business due diligence (including investigations on the operational ability of the operators for the facilities and the stability of their business management, tours to the facilities conducted as needed, and hearing from the facility heads) shall be implemented to analyze the durability and stability of their business in consideration of the business characteristics of healthcare facilities, either by receiving advice from the outside experts or consign the relevant operations to the outside experts.
- b. Publicity of the healthcare REIT scheme
NUD shall encourage the operators to let the facility users fully understand the scheme of the investment corporation system and performance results and initiatives by investment corporations, etc. When necessary, UDAM shall also work to make the users familiar with these matters.

- c. Confirmation of appropriate operations of healthcare facilities
In order to ensure that facility users feel secure, confirmation shall be made as to legal compliance and responses to notifications, etc. from local governments regarding such matters as the conditions and use fees of the facilities and contract details. For fee-based homes for the elderly (excluding those registered as serviced apartments for the elderly), in particular, it shall be noted that local governments have prepared guidelines for guiding principles that suit the local situations, in reference to

the Standard Guidelines for the Establishment and Operation of Fee-Based Homes for the Elderly (Rouhatsu 0718003, Notice by the Director of Health and Welfare Bureau for the Elderly dated July 18, 2002), and conduct administrative guidance based on the principles.

- d. Securing appropriate operations of healthcare facilities
In order to ensure that facility users feel secure, NUD shall request the operators to express in the lease contracts or alternative agreements and memorandums between NUD and the operators that, with regard to the use fees and contract details, they will comply with relevant laws and regulations that are applicable to the healthcare facilities that may be managed by NUD and that they will operate such facilities in response to the administrative guidance.
- e. Other
With regard to a through d above, regulations on real estate investment trusts and real estate investment corporations designated by The Investment Trusts Association, Japan (“Investment Trusts Association”), etc. shall be abided by so that the users do not feel uneasy.

8. Financial Policy

- A) Loans and Corporate Bonds
a. In order to achieve the steady growth of management assets and efficient and stable operation of investments, NUD may borrow funds or issue corporate bonds to raise funds to acquire or repair assets, pay distributions, fund NUD’s operation, or repay debts (including repayment of deposit money, loans and obligations of its corporate bonds (including short-term corporate bonds; hereinafter referred to as “Corporate Bonds”). However, the respective maximum limit of the loans and bond issuances shall be one trillion yen (¥1,000,000,000,000) and the combined amount shall not exceed one trillion yen (¥1,000,000,000,000) (Articles 14-1 and 14-3 of the Articles of Incorporation).
- b. In the case of borrowing funds in accordance with above a., NUD shall select effective means of funding from the per-

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

- c. When borrowing funds in accordance with above a., the said funds shall only be borrowed from qualified institutional investors designated by the Financial Instruments and Exchange Act (hereinafter referred to as “FIEA”) (on the condition, however, that they are the institutional investors designated in the “Special Tax Measures for an Investment Corporation” under the Act on Special Measures Concerning Taxation).
- d. NUD may offer its investment assets as collateral for borrowed funds or the issuance of corporate bonds.
- e. NUD shall aim to maintain the ratio of the balance of loans and issued corporate bonds to total assets (Note) at 60% or less. However, in connection with the acquisition of new investment assets and other circumstances, this ratio may tentatively exceed 60% for a short period of time.

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

- B) Issuance of Investment Units for Subscription
a. To raise funds, NUD may, upon approval of the Board of Directors, issue investment units for subscription.
- b. Issuance of investment units for subscription shall be determined by considering NUD’s financial situation, including the loan-to-value ratio, and the dilution of the investment units.

3. Property Management Policy

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

B) UDAM shall select an appropriate party to contract with for the provision of property management services for each acquired investment property by considering the details of the items listed below. If such a party falls under the category of interested parties as stipulated in the Regulations on Transactions with Interested Parties, UDAM shall consign the property management

services to the party only when the standards and procedures stipulated in the said Regulations are satisfied, on top of the following requirements.
In renewing the property management agreement, NUD shall consider the details of the following items, in addition to (1) through (7) listed below, to make comprehensive judgment. Furthermore, UDAM will periodically check the quality of the services provided by the consigned property management companies, not limited to the time of renewing the contract.

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

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

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

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

Standards for Selection of Property Manager

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

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

4. Disclosure Policy

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

II. CASH DISTRIBUTION POLICY

1. Distribution of Profits

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

2. Distributions in Excess of Earnings

When it is possible to reduce imposition of corporate tax and other taxes for NUD or is otherwise determined by the Board of Di-

rectors as appropriate, NUD shall be able to make cash distributions in excess of earnings based on the Statements of Cash Distributions approved by the Board of Directors, pursuant to the provisions of the Investment Trusts Act, on the condition that, however, the distribution amount shall not exceed the amount designated by the rules of The Investment Trusts Association, Japan, etc.

3. Distribution Method

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

4. Limitation on Cash Distributions

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

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GAAP), which may differ materially, in certain respects, from generally accepted accounting principles in other jurisdictions.

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