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## **Hulic Reit, Inc.**

### **Asset Management Report**

Fiscal period ended February 29, 2020 (September 1, 2019 to February 29, 2020)

#### **I. To Our Unitholders**

First of all, I would like to convey my sincere appreciation to you, our unitholders, for your continued support of Hulic Reit, Inc.

Hulic Reit, Inc. (“Investment Corporation”) was listed on the Real Estate Investment Trust Securities Market (J-REIT Market) of the Tokyo Stock Exchange in February 2014, and we have steadily built a track record since then. We have now successfully completed our 12th fiscal period (fiscal period ended February 29, 2020). This is entirely due to the strong support of our unitholders, and for this I would like to express my heartfelt gratitude.

I am pleased to report here an overview of our asset management and our operating results for the 12th fiscal period (fiscal period ended February 29, 2020).

During the 12th fiscal period (fiscal period ended February 29, 2020), we procured approximately ¥10.9 billion through the sixth public offering, etc. since our listing, and acquired Hulic Ginza 7 Chome Building (20% additional acquisition), Charm Suite Shinjukutoyama and Charm Suite Shakujiko-en in September 2019 with the proceeds of the offering and borrowings. In addition, we acquired Hulic Asakusabashi Building and Hulic Ebisu Building in December 2019, and Hulic Shinjuku 3 Chome Building (partial right of land) in February 2020 by borrowings. As a result, we expanded our portfolio at the end of the 12th fiscal period (as of February 29, 2020) to 55 properties (25 office properties, 12 retail properties, 8 private nursing homes, 8 network centers and 2 hotel properties) at an asset size (total acquisition price) of ¥332.1 billion.

With respect to the properties held, we strived to maintain high occupancy rates and upwardly revise rental fees through utilizing our sponsor’s property operation and leasing capabilities amid strong real estate leasing market. As a result, for our 12th fiscal period, we recorded operating revenues of ¥9.6 billion, operating profit of ¥5.2 billion, profit of ¥4.6 billion, and distributions per unit came to ¥3,532 (including distributions in excess of earnings).

We will continue to work to maximize unitholder value by maintaining and growing profits over the medium to long term and increasing the size and value of our portfolio through the support of the Hulic Group.

We ask for the continued support of our unitholders.

Hulic Reit, Inc.  
Eiji Tokita, Executive Officer

(Reference)

**Composition of Unitholders**

(As of the end of the 12th fiscal period (fiscal period ended February 29, 2020))

Category	Individuals	Financial institutions	Securities firms	Other corporations	Foreign individuals	Total
Number of Unitholders by Type (persons)	6,639	164	19	187	219	7,228
Percentage (Note) (%)	91.9	2.3	0.3	2.6	3.0	100.0
Number of Investment Units by Unitholder Type (units)	48,564	789,642	57,152	163,456	253,186	1,312,000
Percentage (Note) (%)	3.7	60.2	4.4	12.5	19.3	100.0

(Note) Percentages shown are rounded to one decimal place.

## II. Asset Investment Report

### 1. Summary of Asset Management

#### (1) Changes in investment performance, etc. of the Investment Corporation

Fiscal period	Unit	8th fiscal period (From September 1, 2017 to February 28, 2018)	9th fiscal period (From March 1, 2018 to August 31, 2018)	10th fiscal period (From September 1, 2018 to February 28, 2019)	11th fiscal period (From March 1, 2019 to August 31, 2019)	12th fiscal period (From September 1, 2019 to February 29, 2020)
Operating revenues	Millions of yen	8,183	8,101	8,944	9,137	9,642
[Of the above, real estate leasing business revenues]	Millions of yen	[7,460]	[7,712]	[8,750]	[9,137]	[9,642]
Operating expenses	Millions of yen	3,449	3,525	3,948	4,153	4,373
[Of the above, expenses related to real estate leasing business]	Millions of yen	[2,390]	[2,519]	[2,924]	[3,099]	[3,278]
Operating profit	Millions of yen	4,733	4,576	4,995	4,983	5,268
Ordinary profit	Millions of yen	4,215	4,044	4,399	4,362	4,634
Profit	Millions of yen	4,214	4,043	4,398	4,361	4,633
Total assets	Millions of yen	275,428	283,817	322,661	330,710	349,732
[Change from the previous fiscal period]	%	[+4.1]	[+3.0]	[+13.7]	[+2.5]	[+5.8]
Net assets	Millions of yen	145,932	145,761	167,202	167,165	178,412
[Change from the previous fiscal period]	%	[+7.6]	[(0.1)]	[+14.7]	[(0.0)]	[(+6.7)]
Unitholders' capital	Millions of yen	141,717	141,717	162,803	162,803	173,778
Total number of investment units issued	Units	1,110,000	1,110,000	1,251,000	1,251,000	1,312,000
Net assets per unit	Yen	131,470	131,316	133,655	133,625	135,984
Total distributions	Millions of yen	4,214	4,043	4,398	4,362	4,633
Payout ratio (Note 2)	%	99.9	99.9	99.9	100.0	99.9
Basic earnings per unit (Note 3)	Yen	3,873	3,643	3,654	3,486	3,554
Distributions per unit	Yen	3,797	3,643	3,516	3,487	3,532
[Of the above, distributions of earnings per unit]	Yen	[3,797]	[3,643]	[3,516]	[3,487]	[3,531]
[Of the above, distributions in excess of earnings per unit]	Yen	[-]	[-]	[-]	[-]	[1]
Equity ratio [Change from the previous (Note 4) fiscal period]	%	53.0 [+1.8]	51.4 [(1.6)]	51.8 [+0.4]	50.5 [(1.3)]	51.0 [+0.5]
Return on equity [Annualized] (Note 5)	%	3.0 [6.0]	2.8 [5.5]	2.8 [5.7]	2.6 [5.2]	2.7 [5.4]
[Other reference information]						
Number of properties	Properties	44	46	50	51	55
Total leasable area	m <sup>2</sup>	249,606.03	265,569.79	288,230.96	292,664.40	309,712.83
Occupancy rate at end of period	%	99.7	99.8	100.0	100.0	99.5

(Note 1) The amount does not include consumption tax and local consumption tax.

(Note 2) Payout ratio is calculated with the following formula and rounded down to one decimal place.

Payout ratio = total distributions (excluding distributions in excess of earnings) / profit × 100

(Note 3) Basic earnings per unit is calculated by dividing profit by the average number of investment units for the period.

Average number of investment units is 1,088,099 units for the 8th fiscal period, 1,110,000 units for the 9th fiscal period, 1,203,546 units for the 10th fiscal period, 1,251,000 units for the 11th fiscal period and 1,303,374 units for the 12th fiscal period.

(Note 4) Equity ratio is calculated with the following formula:

Equity ratio = net assets at end of period / total assets at end of period × 100

(Note 5) Return on equity is calculated with the following formula:

Return on equity (profit to net assets ratio) = profit / [(net assets at beginning of period + net assets at end of period) / 2] × 100

The value in brackets of return on equity is the value calculated with number of business days (8th fiscal period: 181 days; 9th fiscal period: 184 days; 10th fiscal period: 181 days; 11th fiscal period: 184 days; 12th fiscal period: 182 days) converted into annual values.

## **(2) Transition of the Investment Corporation for the fiscal period under review**

The Investment Corporation was established on November 7, 2013, with Hulic Reit Management Co., Ltd. (hereinafter referred to as the “Asset Manager”), which is entrusted with the management of the assets of the Investment Corporation, as the organizer under the Act on Investment Trusts and Investment Corporations of Japan (hereinafter referred to as the “Investment Trust Act”). On November 25, 2013, the Investment Corporation was registered with the Director-General of the Kanto Local Finance Bureau (registration number: Director-General of the Kanto Local Finance Bureau No. 88). The Investment Corporation issued new investment units through a public offering with the payment date on February 6, 2014, which were listed on the Real Estate Investment Trust Securities (J-REIT) Market of Tokyo Stock Exchange, Inc. (Securities code: 3295) on February 7, 2014. New investment units were issued through a third-party allotment on March 7, 2014. The Investment Corporation recently carried out capital increases through its sixth public offering after its listing on September 26, 2019 and a third-party allotment on October 11, 2019. As a result, the number of investment units issued at the end of the reporting period was 1,312,000.

The Investment Corporation primarily invests in and manages office buildings and retail facilities.

### **i) Investment environment and investment performance**

**Investment environment:** During the reporting period, the Japanese economy was on a continuous trend of gradual recovery based on improvements in the employment and personal income environments, in capital expenditures, and in other areas. However, the road ahead will be extremely difficult considering the significant downward pressures currently being experienced from the adverse impact of novel coronavirus disease (COVID-19). In the rental office market, the vacancy rate continued at a low level mainly because of companies' increase in space and relocation for more space in line with expansion of their business, while rent levels continued to moderately rise. However, the deterioration of the economic environment due to COVID-19 is a cause for great concern.

**Investment performance:** During the reporting period, the Investment Corporation acquired Charm Suite Shakujikocho, Charm Suite Shinjukutoyama and Hulic Ginza 7 Chome Building (additional acquisition) in September 2019, Hulic Asakusabashi Building and Hulic Ebisu Building in December 2019, and Hulic Shinjuku 3 Chome Building (partial right of land) in February 2020 (total acquisition price: ¥18,168 million). As a result, the number of properties held by the Investment Corporation at the end of the reporting period was 55, and the total acquisition price was ¥332,147 million (rounded to the nearest ¥1 million). The occupancy rate of the entire portfolio has remained at a high level to end the reporting period at 99.5%.

Based on the belief that consideration for the environment, society and governance leads to the maximization of medium- to long-term unitholder value, the Asset Manager formulated the “Sustainability Policy” in March 2016 and has implemented initiatives related to environmental consideration, improvement in tenants' satisfaction and contribution to local communities.

The Investment Corporation has participated in the Real Estate Assessment of Global Real Estate Sustainability Benchmark (GRESB) (Note 1) from the fiscal period ended August 31, 2016. In the GRESB Real Estate Assessment conducted in 2019, the Investment Corporation was awarded a “Green Star” for the third consecutive year for its initiatives in environmental awareness and sustainability, having received strong recognition in both the areas of “Management & Policy” and “Implementation & Measurement.” At the same time, the Investment Corporation also received “4 Stars,” the 2nd-highest GRESB Rating for the third year in a row. In addition, the Investment Corporation has been working on acquisition of external certification relating to energy conservation and environmental performance of its owned properties, and as of April 14, 2020, it has acquired external certification for a total of 17 properties, as follows. Concerning DBJ Green

Building Certification (Note 2), the Investment Corporation has acquired certification for 7 properties, with Ochanomizu Sola City, HULIC Toranomon Building, Shinagawa Season Terrace and HULIC Asakusabashi Building obtaining the highest ranking. As for BELS rating (Note 3), which is a public rating system that assesses the energy-conservation performance of non-residential buildings, the Investment Corporation acquired certification for 5 properties, with Shinagawa Season Terrace and HULIC & New SHIBUYA obtaining the highest ranking. In December 2019, Shinagawa Season Terrace became the first office building with a floor area of 100 thousand m<sup>2</sup> or more that acquired ZEB Ready certification (Note 4) under the said rating system (Note 5). Concerning the real estate evaluation certification CASBEE (Note 6), the Investment Corporation has acquired certification for 4 properties, with HULIC Kamiyacho Building obtaining the highest ranking. In November 2019, the Investment Corporation acquired CASBEE-Wellness Office certification (Note 7) for HULIC Toranomon Building.

- (Note 1) The “Global Real Estate Sustainability Benchmark (GRESB)” is an annual benchmark assessment used to evaluate ESG considerations in the global real estate sector. It was established in 2009 primarily by major European pension fund groups, which led the Principles for Responsible Investment.
- (Note 2) The “DBJ Green Building Certification” is a certification system created by Development Bank of Japan Inc. in April 2011 to support real estate properties with environmental and social awareness (“Green Building”). The certification system is said to evaluate and certify real estate properties in terms of their desirability for society and the economy based on a comprehensive evaluation, which includes not only environmental performance, but also responsiveness to various stakeholder needs such as consideration for emergency preparedness and the community, and to support these efforts.
- (Note 3) The “BELS rating” is a building energy-efficiency labeling system that was started with the aim of having third-party institutions implement accurate evaluation and labeling of energy-conservation performance in non-residential buildings in accordance with the guidelines set forth in October 2013 by the Ministry of Land, Infrastructure, Transport and Tourism in “Evaluation Guidelines for Energy-efficiency Labeling for Non-residential Buildings (2013).”
- (Note 4) “ZEB Ready” refers to a state-of-the-art building designed with ZEB (Net Zero Energy Building: building aiming at annual net zero primary energy balance) in mind. It is equipped with cladding of high thermal insulation and highly efficient energy saving facilities (to be ZEB Ready, the building must meet a reduction in consumption of primary energy by 50% or more from the standard primary energy consumption, excluding renewable energy (\*)).
- (\*) The scope of the amount of renewable energy is limited to renewable energy produced on-site, including both the part of it that is sold and the part that is consumed on-site.
- (Note 5) According to data published by Housing Performance Assessment/Labeling Association, as of December 2019, the only office building with a floor area of 100 thousand m<sup>2</sup> or more that acquired “ZEB Ready” certification was Shinagawa Season Terrace.
- (Note 6) “CASBEE” (Comprehensive Assessment System for Built Environment Efficiency) is a method for evaluating and rating the environmental performance of buildings. CASBEE is a system that comprehensively evaluates the quality of buildings by giving consideration not only to the environment in regard to the use of materials that have good energy conservation and small environmental loads, but also to the comfort inside the buildings and to the landscapes. Institute for Building Environment and Energy Conservation (IBEC) promotes the adoption of the system and operates the assessment and certification. The real estate evaluation certification CASBEE evaluates the environmental performance of existing buildings with one or more years of use after completion.
- (Note 7) The “CASBEE-Wellness Office certification” is an evaluation tool for specifications, performance and approaches of buildings that support maintenance and enhancement of the health and comfort of building users. The system evaluates not only the direct impact on the health and comfort of workers who inhabit offices in the building but also other performance factors such as contribution to intellectual productivity improvement as well as security and safety. IBEC promotes the adoption of the system and operates the assessment and certification.

## ii) Status of financing

During the reporting period, the Investment Corporation procured ¥10,225 million in total on September 12, 2019, December 20, 2019, and February 13, 2020 as short-term borrowings to fund the acquisition of assets, etc. Also, the Investment Corporation used ¥10,435 million procured by a capital increase through public offering carried out on September 26, 2019 to fund the acquisition of assets, etc., and using the remaining amount, together with ¥539 million procured by a capital increase through third-party allotment carried out on October 11, 2019 and cash reserves, the Investment Corporation repaid ¥3,200 million as an early repayment of short-term borrowings. Furthermore, the Investment Corporation repaid ¥10,075 million as an early repayment of long-term borrowings that was procured to fund the acquisition of assets, etc. on June 28, 2019, and a partial amount of short-term borrowings that

was procured to fund the acquisition of assets, etc. on December 20, 2019. It also refinanced ¥5,740 million in long-term borrowings that was due for repayment on February 28, 2020 and ¥1,000 million in short-term borrowings as long-term borrowings.

As a result, at the end of the reporting period, interest-bearing debt totaled ¥153,585 million (comprising ¥6,960 million in short-term borrowings, ¥12,109 million in current portion of long-term borrowings, ¥122,516 million in long-term borrowings and ¥12,000 million in investment corporation bonds), resulting in a loan-to-value (LTV) ratio of 43.9%.

Issuer credit ratings of the Investment Corporation as of the end of the reporting period are as follows:

Credit rating agency	Contents of credit rating
Japan Credit Rating Agency, Ltd.	Long-term issuer rating: AA-, Rating outlook: Positive

### iii) Overview of financial results and distributions

As a result of the above asset management, operating revenues for the reporting period were ¥9,642 million (up 5.5% compared with the previous fiscal period), operating profit was ¥5,268 million (up 5.7% compared with the previous fiscal period), ordinary profit after deducting interest expenses for borrowings, etc. was ¥4,634 million (up 6.2% compared with the previous fiscal period), and profit was ¥4,633 million (up 6.2% compared with the previous fiscal period).

Furthermore, in accordance with the distribution policy set forth in the Investment Corporation's Articles of Incorporation, the Investment Corporation has decided to pay distributions for the reporting period in an amount roughly equal to unappropriated retained earnings, with the aim of including distributions of profits in tax deductible expenses pursuant to special measures for the taxation system for investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation). Consequently, distributions per unit (excluding distributions in excess of earnings) came to ¥3,531.

In addition to this, pursuant to the policy for distribution of cash in an amount in excess of earnings prescribed in Article 35, Paragraph 2 of the Investment Corporation's Articles of Incorporation, the Investment Corporation has decided to distribute ¥1,312,000 as distribution of allowance for temporary difference adjustments with distributions in excess of earnings per investment unit being ¥1, in consideration of effects of discrepancies in tax and accounting treatment in the case of excess income in association with expenses related to asset retirement obligations (as prescribed in Article 2, Paragraph 2, Item 30 (a) of the Regulation on Accountings of Investment Corporations) on distributions.

Consequently, distributions per unit (including distributions in excess of earnings per investment unit of ¥1) for the reporting period came to ¥3,532.

### (3) Status of capital increase, etc.

Capital increase, etc. from the establishment of the Investment Corporation to the end of the reporting period are as follows.

Date	Event	Total number of investment units issued (Units)		Total unitholders' capital (Millions of yen)		Remarks
		Change	Balance	Change	Balance	
November 7, 2013	Incorporation through private placement	2,000	2,000	200	200	(Note 1)
February 6, 2014	Capital increase through public offering	617,500	619,500	64,355	64,555	(Note 2)
March 7, 2014	Capital increase through third-party allotment	32,500	652,000	3,387	67,943	(Note 3)
November 6, 2014	Capital increase through public offering	122,860	774,860	17,785	85,728	(Note 4)
November 21, 2014	Capital increase through third-party allotment	6,140	781,000	888	86,617	(Note 5)
March 29, 2016	Capital increase through public offering	167,600	948,600	29,444	116,061	(Note 6)
April 13, 2016	Capital increase through third-party allotment	8,400	957,000	1,475	117,537	(Note 7)
October 3, 2016	Capital increase through public offering	83,800	1,040,800	13,821	131,358	(Note 8)
October 26, 2016	Capital increase through third-party allotment	4,200	1,045,000	692	132,051	(Note 9)
October 31, 2017	Capital increase through public offering	61,800	1,106,800	9,190	141,241	(Note 10)
November 20, 2017	Capital increase through third-party allotment	3,200	1,110,000	475	141,717	(Note 11)
October 31, 2018	Capital increase through public offering	134,200	1,244,200	20,068	161,786	(Note 12)
November 19, 2018	Capital increase through third-party allotment	6,800	1,251,000	1,016	162,803	(Note 13)
September 26, 2019	Capital increase through public offering	58,000	1,309,000	10,435	173,238	(Note 14)
October 11, 2019	Capital increase through third-party allotment	3,000	1,312,000	539	173,778	(Note 15)

(Note 1) At the incorporation of the Investment Corporation, investment units were issued with an issue value per unit of ¥100,000.

(Note 2) New investment units were issued through public offering with an issue price per unit of ¥108,000 (issue value: ¥104,220) in order to raise funds for the acquisition of new properties, etc.

(Note 3) New investment units were issued through a private placement allocated to Mizuho Securities Co., Ltd. with an issue value per unit of ¥104,220.

(Note 4) New investment units were issued through public offering with an issue price per unit of ¥150,150 (issue value: ¥144,760) in order to raise funds for the acquisition of new properties, etc.

(Note 5) New investment units were issued through a private placement allocated to Mizuho Securities Co., Ltd. with an issue value per unit of ¥144,760.

(Note 6) New investment units were issued through public offering with an issue price per unit of ¥181,837 (issue value: ¥175,682) in order to raise funds for the acquisition of new properties, etc.

(Note 7) New investment units were issued through a private placement allocated to Mizuho Securities Co., Ltd. with an issue value per unit of ¥175,682.

(Note 8) New investment units were issued through public offering with an issue price per unit of ¥170,625 (issue value: ¥164,937) in order to raise funds for the acquisition of new properties, etc.

(Note 9) New investment units were issued through a private placement allocated to Mizuho Securities Co., Ltd. with an issue value per unit of ¥164,937.

(Note 10) New investment units were issued through public offering with an issue price per unit of ¥153,757 (issue value: ¥148,710) in order to raise funds for the acquisition of new properties, etc.

(Note 11) New investment units were issued through a private placement allocated to Mizuho Securities Co., Ltd. with an issue value per unit of ¥148,710.

- (Note 12) New investment units were issued through public offering with an issue price per unit of ¥154,537 (issue value: ¥149,544) in order to raise funds for the acquisition of new properties, etc.
- (Note 13) New investment units were issued through a private placement allocated to Mizuho Securities Co., Ltd. with an issue value per unit of ¥149,544.
- (Note 14) New investment units were issued through public offering with an issue price per unit of ¥185,932 (issue value: ¥179,924) in order to raise funds for the acquisition of new properties, etc.
- (Note 15) New investment units were issued through a private placement allocated to Mizuho Securities Co., Ltd. with an issue value per unit of ¥179,924.
- (Note 16) Changes in total unitholders' capital in connection with the implementation of distributions in excess of earnings related to allowance for temporary difference adjustments have not been taken into consideration.

<Changes in market price of investment unit>

The highest and lowest unit prices (closing price) of the investment securities of the Investment Corporation by fiscal period on the J-REIT Market of the Tokyo Stock Exchange are as follows:

Highest and lowest unit prices by fiscal period (Closing price)	Fiscal period	8th fiscal period ended February 28, 2018	9th fiscal period ended August 31, 2018	10th fiscal period ended February 28, 2019	11th fiscal period ended August 31, 2019	12th fiscal period ended February 29, 2020
	Highest (Yen)	173,000	172,900	180,800	194,700	209,900
	Lowest (Yen)	155,900	156,500	158,500	176,500	182,100

#### (4) Distributions, etc.

Distributions for the fiscal period under review (the 12th fiscal period) are ¥3,531 per unit (excluding distributions in excess of earnings). The Investment Corporation, with the aim of applying special measures for the taxation system for investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation) to deduct an amount equivalent to distributions of earnings from the taxable income of the Investment Corporation as a tax deductible expense, will pay distributions for the fiscal period under review in an amount roughly equal to unappropriated retained earnings.

In addition to this, pursuant to the policy for distribution of cash in an amount in excess of earnings prescribed in Article 35, Paragraph 2 of the Investment Corporation's Articles of Incorporation, the Investment Corporation has decided to distribute ¥1,312,000 as distribution of allowance for temporary difference adjustments with distributions in excess of earnings per investment unit being ¥1, in consideration of effects of discrepancies in tax and accounting treatment in the case of excess income in association with expenses related to asset retirement obligations (as prescribed in Article 2, Paragraph 2, Item 30 (a) of the Regulation on Accountings of Investment Corporations) on distributions.

Consequently, distributions per unit (including distributions in excess of earnings per investment unit of ¥1) for the reporting period came to ¥3,532.

Fiscal period	8th fiscal period (From September 1, 2017 to February 28, 2018)	9th fiscal period (From March 1, 2018 to August 31, 2018)	10th fiscal period (From September 1, 2018 to February 28, 2019)	11th fiscal period (From March 1, 2019 to August 31, 2019)	12th fiscal period (From September 1, 2019 to February 29, 2020)
Total unappropriated retained earnings	¥4,214,994 thousand	¥4,044,077 thousand	¥4,399,204 thousand	¥4,362,498 thousand	¥4,633,369 thousand
Accumulated earnings	¥324 thousand	¥347 thousand	¥688 thousand	¥261 thousand	¥697 thousand
Total amount of cash distributions (Distributions per unit)	¥4,214,670 thousand (¥3,797)	¥4,043,730 thousand (¥3,643)	¥4,398,516 thousand (¥3,516)	¥4,362,237 thousand (¥3,487)	¥4,633,984 thousand (¥3,532)
Of the above, total amount of distributions of earnings (Distributions of earnings per unit)	¥4,214,670 thousand (¥3,797)	¥4,043,730 thousand (¥3,643)	¥4,398,516 thousand (¥3,516)	¥4,362,237 thousand (¥3,487)	¥4,632,672 thousand (¥3,531)
Of the above, total amount of refunds of unitholders' capital (Refunds of unitholders' capital per unit)	— (—)	— (—)	— (—)	— (—)	¥1,312 thousand (¥1)
Of the total amount of refunds of unitholders' capital, total amount of distributions from allowance for temporary difference adjustments (Of the refunds of unitholders' capital per unit, distributions from allowance for temporary difference adjustments per unit)	— (—)	— (—)	— (—)	— (—)	¥1,312 thousand (¥1)
Of the total amount of refunds of unitholders' capital, total amount of distributions from distribution on reduction of unitholders' capital for taxation purposes (Of the refunds of unitholders' capital per unit, distributions from distributions on reduction of unitholders' capital for taxation purposes)	— (—)	— (—)	— (—)	— (—)	— (—)

## **(5) Future investment policies and issues to address**

The rental office market is expected to remain steady for the time being. Also, in the real estate selling market, the transaction prices for property are expected to trend at high level amid the continuing low interest rate environment. On the other hand, while the spread of COVID-19 is generating concern that deterioration in the economic environment will lead to weakened income from retail properties and hotels, the assets with those purposes under the Investment Corporation's management are principally under medium-term or long-term lease agreements weighted toward fixed rent, so it is considered to be unlikely for revenue to be immediately adversely affected. Nevertheless, it is important to pay attention to the situation as it unfolds.

Against this backdrop, the Investment Corporation will focus on Tokyo Commercial Properties (Note 1), aiming to maximize unitholder value over the medium to long term, and invest in Next-Generation Assets Plus (Note 2), aiming to support stable earnings over the long term. As part of these efforts to maximize investor value over the medium to long term, the Investment Corporation will implement efforts combining the Asset Manager's own measures to drive external and internal growth while using the support of the Hulic Group. The Investment Corporation will maintain and grow profits over the medium to long term and increase the size and value of the asset portfolio.

In terms of financing strategy, the Investment Corporation will seek to maintain the LTV ratio at an appropriate level and shift to longer loan-terms with fixed interest rates and staggered repayment dates in order to maintain a stable and healthy financial position.

(Note 1) "Tokyo Commercial Properties" are office properties and retail properties under a concept specific to the Investment Corporation that comprehensively includes properties consistent with the basic philosophy of the Investment Corporation. Specifically, office properties are those in Tokyo and government-ordinance-designated cities in the surrounding areas that are in principle located within a five-minute walking distance from the nearest train station, in areas where the office properties are sufficiently competitive. Retail properties are those located in Tokyo and major cities in the surrounding areas that are in principle located within a five-minute walking distance from the nearest train station or in areas with a high concentration of retail activities. Such retail properties are also highly visible in public and have the potential to generate demand from prospective tenants that offer products and services suitable for the characteristics of their respective retail areas.

(Note 2) "Next-Generation Assets Plus" are properties specified for investment by the Investment Corporation based on its basic philosophy. Specifically, they are lease properties for which the Investment Corporation deems that firm demand can be anticipated even in the future and stable long-term earnings can be obtained, or that it will contribute to the maximization of unitholder value over the medium to long term, and in principle, the Investment Corporation stringently selects investment targets after carefully examining the individual properties' profitability, characteristics of the location and competitiveness of the location. The Investment Corporation classifies private nursing homes, network centers and hotels, as well as office properties and retail properties that do not fall under the category of Tokyo Commercial Properties, as Next-Generation Assets Plus.

## **(6) Significant events after the reporting period**

Not applicable.

(Reference information)

(A) Filing of shelf registration statement for the issuance of investment units

- (1) Filing date of shelf registration statement: March 24, 2020
- (2) Planned period of issuance: One year from the effective date of the shelf registration under the shelf registration statement (from April 1, 2020 to March 31, 2021)
- (3) Upper limit of the amount to be issued: ¥16.0 billion

(B) Acquisitions of properties

The Investment Corporation acquired the below-mentioned beneficial interests in real estate trust (4 properties; total acquisition price: ¥23,672 million). The acquisition price provided does not include expenses incurred on the acquisition of such real estate, etc. (including acquisition expenses, fixed asset tax and city planning tax and consumption taxes), and is equal to the acquisition price stated on the agreement for sales of beneficial interests in trust.

Property name	Location	Date of acquisition	Acquisition price (Millions of yen)	Seller
Hulic Ryogoku Building	Sumida-ku, Tokyo	March 26, 2020	5,610	Hulic Co., Ltd.
Hulic Asakusabashi Edo-dori	Taito-ku, Tokyo	March 26, 2020	5,420	Hulic Co., Ltd.
Hulic Mejiro	Toshima-ku, Tokyo	March 26, 2020	5,670	Hulic Co., Ltd.
Hulic Tsukiji 3 Chome Building	Chuo-ku, Tokyo	March 26, 2020	6,972	Hulic Co., Ltd.
Total	—	—	23,672	—

(C) Transfer of a property

The Investment Corporation transferred the below-mentioned beneficial interests in real estate trust (1 property; transfer price: ¥4,800 million). The transfer price provided does not include expenses incurred on the transfer of such real estate, etc. (including transfer expenses, settlement of fixed asset tax and city planning tax and consumption taxes), and is equal to the transfer price stated on the agreement for sales of beneficial interests in trust.

Property name	Location	Date of transfer	Transfer price (Millions of yen)	Transferee
Gate City Ohsaki	Shinagawa-ku, Tokyo	March 6, 2020	4,800	Undisclosed (Note)

(Note) Although the transferee is a business company in Japan, the transferee is not disclosed because the transferee's consent regarding disclosure has not been obtained.

(D) Borrowing of funds

In order to cover part of the acquisition price, etc. for (B) above, the Investment Corporation executed the following borrowings.

Lender	Borrowing amount (Millions of yen)	Interest rate	Drawdown date	Repayment date	Repayment method	Remarks
Mizuho Bank, Ltd.	19,200	Base rate of interest (JBA one-month Japanese Yen TIBOR) +0.300%	March 26, 2020	February 28, 2021	Lump-sum repayment	Unsecured and unguaranteed

## 2. Overview of the Investment Corporation

### (1) Status of unitholders' capital

	8th fiscal period As of February 28, 2018	9th fiscal period As of August 31, 2018	10th fiscal period As of February 28, 2019	11th fiscal period As of August 31, 2019	12th fiscal period As of February 29, 2020
Total number of authorized investment units	20,000,000 units	20,000,000 units	20,000,000 units	20,000,000 units	20,000,000 units
Total number of investment units issued	1,110,000 units	1,110,000 units	1,251,000 units	1,251,000 units	1,312,000 units
Unitholders' capital	¥141,717 million	¥141,717 million	¥162,803 million	¥162,803 million	¥173,778 million
Number of unitholders	8,460	7,893	8,174	7,416	7,228

### (2) Matters regarding investment units

The top 10 unitholders based on the percentage of investment units owned to total investment units issued as of the end of the fiscal period under review are as follows:

Name	Number of investment units owned (Units)	Percentage of investment units owned to total investment units issued (%)
Japan Trustee Services Bank, Ltd. (Trust account)	287,802	21.93
The Master Trust Bank of Japan, Ltd. (Trust account)	203,252	15.49
Hulic Co., Ltd.	143,770	10.95
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	57,868	4.41
NOMURA BANK (LUXEMBOURG) S.A.	38,895	2.96
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	32,475	2.47
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	24,460	1.86
STATE STREET BANK WEST CLIENT - TREATY 505234	16,804	1.28
Mizuho Securities Co., Ltd.	13,426	1.02
The Chukyo Bank, Limited	11,895	0.90
Total	830,647	63.31

(Note) Percentage of investment units owned to total investment units issued is rounded down to two decimal places. The same applies hereinafter.

### (3) Matters relating to officers, etc.

#### i) Executive Officers, Supervisory Officers and Independent Auditor for the fiscal period under review are as follows:

Title and post	Name	Major concurrent post, etc.	Total amount of compensation for each position during the fiscal period under review
Executive Officer	Eiji Tokita	President and CEO of Hulic Reit Management Co., Ltd.	¥— thousand
Supervisory Officer (Note 1)	Kunio Shimada	Representative Partner of Shimada, Hamba and Osajima (law firm)	¥3,000 thousand
	Shigeru Sugimoto	Representative of Sakura Horwath Audit Corporation	¥3,000 thousand
Independent Auditor	Ernst & Young ShinNihon LLC	—	¥18,450 thousand (Note 2)

(Note 1) Although the Supervisory Officers may be officers in corporations other than the ones indicated above, there is no conflict of interest between the Investment Corporation and such corporations, including those indicated above.

(Note 2) Compensation to the Independent Auditor includes compensation for auditing English financial statements and compensation for work to prepare comfort letters regarding issuance of new investment units and investment corporation bonds.

#### ii) Policy regarding the dismissal or non-reappointment of the Independent Auditor

Dismissal or non-reappointment of the Independent Auditor shall be examined at the Investment Corporation's Board of Directors, pursuant to the provisions of the Investment Trust Act in the case of dismissal, or in light of a comprehensive consideration of quality of auditing, amount of compensation for auditing and various other circumstances in the case of non-reappointment.

### (4) Asset Manager, Asset Custodian and Administrative Agents

The names of the Asset Manager, Asset Custodian, and Administrative Agents at the end of the fiscal period under review are as follows:

Consignment classification	Name
Asset Manager	Hulic Reit Management Co., Ltd.
Asset Custodian	Mizuho Trust & Banking Co., Ltd.
Administrative Agents (administration of the unitholders' registry, etc.)	Mizuho Trust & Banking Co., Ltd.
Administrative Agents (accounting work, etc.)	Mizuho Trust & Banking Co., Ltd.
Administrative Agents (administration related to institutional management)	Mizuho Trust & Banking Co., Ltd.
Administrative Agents (administration of investment corporation bonds)	Mizuho Bank, Ltd.

### 3. Status of Portfolio of the Investment Corporation

#### (1) Composition of the assets of the Investment Corporation

Type of assets	Category	Region (Note 1)	11th fiscal period (As of August 31, 2019)		12th fiscal period (As of February 29, 2020)	
			Total amount held (Millions of yen) (Note 2)	Percentage to total assets (%) (Note 3)	Total amount held (Millions of yen) (Note 2)	Percentage to total assets (%) (Note 3)
Real estate	Tokyo Commercial Properties	Six central wards of Tokyo	¥ 3,588	1.1	¥ 4,801	1.4
		Other wards of Tokyo	—	—	—	—
		Other	—	—	—	—
		Total	¥ 3,588	1.1	¥ 4,801	1.4
	Next- Generation Assets Plus	Six central wards of Tokyo	¥ —	—	¥ —	—
		Other wards of Tokyo	—	—	—	—
		Other	—	—	—	—
		Total	¥ —	—	¥ —	—
	Total real estate		¥ 3,588	1.1	¥ 4,801	1.4
Real estate in trust	Tokyo Commercial Properties	Six central wards of Tokyo	¥ 233,068	70.5	¥ 238,398	68.2
		Other wards of Tokyo	16,923	5.1	21,871	6.3
		Other	4,666	1.4	4,640	1.3
		Total	¥ 254,658	77.0	¥ 264,910	75.7
	Next- Generation Assets Plus	Six central wards of Tokyo	¥ 19,451	5.9	¥ 22,769	6.5
		Other wards of Tokyo	19,880	6.0	23,086	6.6
		Other	14,756	4.5	14,735	4.2
		Total	¥ 54,088	16.4	¥ 60,590	17.3
	Total real estate in trust		¥ 308,747	93.4	¥ 325,501	93.1
	Total real estate and real estate in trust		¥ 312,335	94.4	¥ 330,303	94.4
Deposits and other assets		¥ 18,375	5.6	¥ 19,428	5.6	
Total assets		¥ 330,710	100.0	¥ 349,732	100.0	

(Note 1) Six central wards of Tokyo refer to Chiyoda ward (Chiyoda-ku), Chuo ward (Chuo-ku), Minato ward (Minato-ku), Shinjuku ward (Shinjuku-ku), Shibuya ward (Shibuya-ku) and Shinagawa ward (Shinagawa-ku).

(Note 2) Total amount held represents the balance sheet carrying amount (for real estate and real estate in trust, book value less depreciation expenses), rounded down to the nearest million yen.

(Note 3) Percentage to total assets represents the ratio of each asset held to total assets, rounded to one decimal place.

## (2) Major assets held

An overview of the major assets held by the Investment Corporation as of the end of the fiscal period under review (top 10 properties by book value at the end of the fiscal period) is as follows:

Property name	Book value (Thousands of yen)	Leasable area (m <sup>2</sup> ) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 3)	Percentage to total real estate leasing business revenues (%) (Note 4)	Primary asset class
Hulic Kamiyacho Building	¥ 55,457,576	32,487.06	31,581.41	97.2	15.1	Office property
Ochanomizu Sola City (Note 5)	36,817,576	13,923.42	13,923.42	100.0	(Note 6)	Office property
Hulic Ginza 7 Chome Building (Note 5)	21,197,687	11,405.68	11,405.68	100.0	5.6	Office property
Hulic Toranomom Building	17,978,703	8,574.65	8,574.65	100.0	4.9	Office property
Sotetsu Fresa Inn Ginza 7 Chome	11,455,668	6,984.32	6,984.32	100.0	2.5	Hotel
Hulic Kudan Building (Land)	11,191,213	3,351.07	3,351.07	100.0	2.7	Office property
Oimachi Redevelopment Building (#2)	9,468,309	14,485.66	14,485.66	100.0	3.2	Retail property
Toranomon First Garden (Note 5)	8,192,224	5,689.97	5,689.97	100.0	3.2	Office property
Hulic Shimura-sakaue	7,526,573	11,528.34	11,528.34	100.0	2.7	Retail property
Chiba Network Center	6,959,478	23,338.00	23,338.00	100.0	2.3	Network center
Total	¥186,245,013	131,768.17	130,862.52	99.3	—	

(Note 1) Leasable area is equivalent to gross leasable space, based on the lease agreements or floor plans of buildings of each asset held. With respect to properties of which ownership is only for land, leasable area is the leasable area of the land as described in the applicable land lease agreements or land plans.

(Note 2) Leased area is equivalent to total floor area of leased space set out in the relevant lease agreements of each asset held. For the portion for which there is a Pass-through Master Lease Agreement, under which rents are directly received from end-tenants in principle, the actual total area leased under each sublease agreement entered into with end-tenants corresponding to that portion is provided; and for the portion for which there is a Fixed-type Master Lease Agreement, under which a certain amount of rent is received regardless of fluctuations in rents for end-tenants, the total area corresponding to that portion is provided. For the property of which ownership is only for land, the area of the land is provided.

(Note 3) Occupancy rate is calculated with the following formula, rounded to one decimal place: leased area ÷ leasable area × 100

(Note 4) Percentage to total real estate leasing business revenues shows the percentage obtained by dividing the real estate leasing business revenues of each property by the aggregate amount for all properties.

(Note 5) The leasable area, leased area and occupancy rate of Ochanomizu Sola City show figures equivalent to the quasi co-ownership interest of property held by the Investment Corporation (21.7%). For Hulic Ginza 7 Chome Building, leasable area, leased area and occupancy rate show figures equivalent to the quasi co-ownership interest of property held by the Investment Corporation (95.0%). For Toranomom First Garden, leasable area shows figures equivalent to the Investment Corporation's partial ownership in the building (including some of co-ownership portion). (For the co-ownership portion, the figures calculated on a pro-rata basis in accordance with the co-ownership interests owned by the Investment Corporation are listed.) On the other hand, a master lease is served on the whole building together with the exclusively owned portions owned by other unit owners, and as income and expenditure of the property is allocated according to the ratio of ownership interest of the partial ownership owned by each unit owner, the figure shown for occupancy rate is that of the entire building. Leased area shows amounts equivalent to the ratio of ownership interest of the partial ownership in the building held by the Investment Corporation (approximately 81.4%).

(Note 6) The Investment Corporation has not obtained permission from the end-tenant or other relevant party of these properties to disclose the relevant information.

### (3) Details of assets incorporated into the portfolio, such as real estate

An overview of real estate and beneficial interests in real estate trust invested in by the Investment Corporation as of the end of the fiscal period under review is as follows:

Category		Property name	Location (Note 1)	Asset type	Book value at end of period (Millions of yen)	Assessed value at end of period (Millions of yen) (Note 2)
Tokyo Commercial Properties	Office properties	Hulic Kamiyacho Building	4-3-13 Toranomom, Minato-ku, Tokyo	Beneficial interests in real estate trust	¥ 55,457	¥ 65,800
		Hulic Kudan Building (Land)	1-13-5 Kudankita, Chiyoda-ku, Tokyo	Beneficial interests in real estate trust	11,191	13,100
		Toranomon First Garden	1-7-12 Toranomom, Minato-ku, Tokyo	Beneficial interests in real estate trust	8,192	12,700
		Rapiros Roppongi	6-1-24 Roppongi, Minato-ku, Tokyo	Beneficial interests in real estate trust	6,734	10,300
		Hulic Takadanobaba Building	3-19-10 Takada, Toshima-ku, Tokyo	Beneficial interests in real estate trust	3,769	5,120
		Hulic Kanda Building	1-16-5 Kandasudacho, Chiyoda-ku, Tokyo	Beneficial interests in real estate trust	3,572	4,370
		Hulic Kandabashi Building	1-21-1 Kandinishikicho, Chiyoda-ku, Tokyo	Beneficial interests in real estate trust	2,467	3,060
		Hulic Kakigaracho Building	1-28-5 Nihonbashikakigaracho, Chuo-ku, Tokyo	Beneficial interests in real estate trust	2,166	2,950
		Ochanomizu Sola City	4-6-1 Kanda Surugadai, Chiyoda-ku, Tokyo	Beneficial interests in real estate trust	36,817	45,570
		Hulic Higashi Ueno 1 Chome Building	1-7-15 Higashi Ueno, Taito-ku, Tokyo	Beneficial interests in real estate trust	2,744	3,200
		Tokyo Nishi Ikebukuro Building	1-7-7 Nishi Ikebukuro, Toshima-ku, Tokyo	Beneficial interests in real estate trust	1,601	2,020
		Gate City Ohsaki	1-11-1 Ohsaki, Shinagawa-ku, Tokyo	Beneficial interests in real estate trust	4,446	4,780
		Hulic Toranomom Building	1-1-18 Toranomom, Minato-ku, Tokyo	Beneficial interests in real estate trust	17,978	22,000
		Hulic Shibuya 1 chome Building	1-3-9 Shibuya, Shibuya-ku, Tokyo	Beneficial interests in real estate trust	5,096	5,700
		Hulic Higashi Nihonbashi Building	1-1-5 Higashinihonbashi, Chuo-ku, Tokyo	Beneficial interests in real estate trust	3,462	3,750
		Hulic Jimbocho Building	2-2-31 Kanda Jimbocho, Chiyoda-ku, Tokyo	Beneficial interests in real estate trust	1,557	1,700
		Hulic Ginza 7 Chome Building	7-3-5 Ginza, Chuo-ku, Tokyo	Beneficial interests in real estate trust	21,197	21,470
		Shinagawa Season Terrace	1-2-70 Kounan, Minato-ku, Tokyo	Beneficial interests in real estate trust	6,007	6,225
		Hulic Gotanda Yamate-dori Building	1-21-8 Nishigotanda, Shinagawa-ku, Tokyo	Real estate	3,579	3,540
		Hulic Nihonbashi Honcho 1 Chome Building	1-9-4 Nihonbashihoncho, Chuo-ku, Tokyo	Beneficial interests in real estate trust	4,002	4,310
		Bancho House	29-1 Ichibancho, Chiyoda-ku, Tokyo	Beneficial interests in real estate trust	2,760	3,170
		Ebisu Minami Building	2-12-18 Ebisuminami, Shibuya-ku, Tokyo	Beneficial interests in real estate trust	2,427	2,550
		Hulic Iidabashi Building	2-6-6 Iidabashi, Chiyoda-ku, Tokyo	Beneficial interests in real estate trust	1,462	1,500

Category		Property name	Location (Note 1)	Asset type	Book value at end of period (Millions of yen)	Assessed value at end of period (Millions of yen) (Note 2)
Tokyo Commercial Properties	Office properties	Hulic Asakusabashi Building	1-22-16 Asakusabashi, Taito-ku, Tokyo	Beneficial interests in real estate trust	5,019	5,020
		Hulic Ebisu Building	3-15-7 Higashi, Shibuya-ku, Tokyo	Beneficial interests in real estate trust	1,285	1,350
	Retail properties	Oimachi Redevelopment Building (#2)	5-20-1 Higashi-Oi, Shinagawa-ku, Tokyo	Beneficial interests in real estate trust	9,468	11,900
		Oimachi Redevelopment Building (#1)	5-18-1 Higashi-Oi, Shinagawa-ku, Tokyo	Beneficial interests in real estate trust	6,243	7,230
		Dining Square Akihabara Building	1-16-2 Kandasakumacho, Chiyoda- ku, Tokyo	Beneficial interests in real estate trust	3,175	3,990
		Hulic Jingu-Mae Building	5-17-9 Jingumae, Shibuya-ku, Tokyo	Beneficial interests in real estate trust	2,642	3,600
		Hulic Shinjuku 3 Chome Building	3-17-2 Shinjuku, Shinjuku-ku, Tokyo	Beneficial interests in real estate trust and real estate	6,774	8,040
		Yokohama Yamashitacho Building	36-1, Yamashitacho, Naka-ku, Yokohama-shi, Kanagawa	Beneficial interests in real estate trust	4,640	5,550
		Orchid Square	1-2-11 Yurakucho, Chiyoda-ku, Tokyo	Beneficial interests in real estate trust	3,480	3,970
		Hulic Todoroki Building	3-5-2 Todoroki, Setagaya-ku, Tokyo	Beneficial interests in real estate trust	1,211	1,370
		Hulic Omori Building	6-28-12 Minamioi, Shinagawa-ku, Tokyo	Beneficial interests in real estate trust	3,372	3,740
		HULIC &New SHIBUYA	31-1 Udagawa-cho, Shibuya-ku, Tokyo	Beneficial interests in real estate trust	3,121	3,495
		HULIC &New SHINBASHI	2-11-10 Shinbashi, Minato-ku, Tokyo	Beneficial interests in real estate trust	3,056	3,390
		Hulic Shimura-sakaue	3-20-1 Maeno-cho, Itabashi-ku, Tokyo, etc.	Beneficial interests in real estate trust	7,526	7,770
Next-Generation Assets Plus	Private nursing homes	Aria Matsubara	5-34-6 Matsubara, Setagaya-ku, Tokyo	Beneficial interests in real estate trust	3,136	4,290
		Trust Garden Yoganomori	1-3-1 Yoga, Setagaya-ku, Tokyo	Beneficial interests in real estate trust	5,293	6,850
		Trust Garden Sakurashinmachi	2-11-1 Tsurumaki, Setagaya-ku, Tokyo	Beneficial interests in real estate trust	2,821	3,660
		Trust Garden Suginami Miyamae	2-11-10 Miyamae, Suginami-ku, Tokyo	Beneficial interests in real estate trust	2,722	3,550
		Trust Garden Tokiwamatsu	4-4-10 Higashi, Shibuya-ku, Tokyo	Beneficial interests in real estate trust	2,999	3,300
		SOMPO Care La vie Re Kita-Kamakura	2713-2 Aza Takano, Ofuna, Kamakura-shi, Kanagawa	Beneficial interests in real estate trust	1,765	1,770
		Charm Suite Shinjukutoyama	7-26-48 Shinjuku, Shinjuku-ku, Tokyo	Beneficial interests in real estate trust	3,383	3,520
		Charm Suite Shakujiikoen	5-13-7 Takanodai, Nerima-ku, Tokyo	Beneficial interests in real estate trust	3,272	3,280
	Network centers	Ikebukuro Network Center	4-30-17 Kami-Ikebukuro, Toshima-ku, Tokyo	Beneficial interests in real estate trust	4,486	5,220
		Tabata Network Center	6-2-8 Tabata, Kita-ku, Tokyo	Beneficial interests in real estate trust	1,353	1,520
		Hiroshima Network Center	2-6-6 Hikari-machi, Higashi-ku, Hiroshima-shi, Hiroshima	Beneficial interests in real estate trust	1,030	1,200
		Atsuta Network Center	20-1 Hatano-cho, Atsuta-ku, Nagoya-shi, Aichi	Beneficial interests in real estate trust	976	1,070

Category		Property name	Location (Note 1)	Asset type	Book value at end of period (Millions of yen)	Assessed value at end of period (Millions of yen) (Note 2)
Next-Generation Assets Plus	Network centers	Nagano Network Center	1600-12, Oaza Tsuruga Aza Naemahira, Nagano-shi, Nagano	Beneficial interests in real estate trust	298	363
		Chiba Network Center	1-1-1 Muzaigakuendai, Inzai-shi, Chiba	Beneficial interests in real estate trust	6,959	7,270
		Sapporo Network Center	2-4-1, Kita 9 Jonishi, Kita-ku, Sapporo-shi, Hokkaido	Beneficial interests in real estate trust	2,519	2,540
		Keihanna Network Center	113-1, Kumomura Kizu, Kizugawa-shi, Kyoto	Beneficial interests in real estate trust	1,185	1,300
	Hotels	Sotetsu Fresa Inn Ginza 7 Chome	7-11-12 Ginza, Chuo-ku, Tokyo	Beneficial interests in real estate trust	11,455	12,200
		Sotetsu Fresa Inn Tokyo-Roppongi	3-10-1 Roppongi, Minato-ku, Tokyo	Beneficial interests in real estate trust	4,930	5,150
Total					¥330,303	¥387,353

(Note 1) "Location" shows the property's street address in principle. However, in cases where the property does not yet have a street address, the building's location as registered in the property registry has been provided (in cases of multiple buildings, only one location has been provided).

(Note 2) The figures for assessed value at end of period show the appraisal price stated on the real estate appraisal report created by the real estate appraisers of Daiwa Real Estate Appraisal Co., Ltd., Japan Real Estate Institute, CBRE K.K. and The Tanizawa Sōgō Appraisal Co., Ltd. based on the methods and standards for asset appraisal set forth in the Investment Corporation's Articles of Incorporation and the rules set forth by The Investment Trusts Association, Japan.

The trends of the leasing business by real estate and beneficial interests in real estate trust invested in by the Investment Corporation are as follows:

Category		Property name	11th fiscal period (From March 1, 2019 to August 31, 2019)				12th fiscal period (From September 1, 2019 to February 29, 2020)			
			Number of tenants at end of period (Tenants) (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate leasing business revenues during the period (Thousands of yen) (Note 3) (Note 4)	Percentage to total real estate leasing business revenues (%) (Note 4)	Number of tenants at end of period (Tenants) (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate leasing business revenues during the period (Thousands of yen) (Note 3) (Note 4)	Percentage to total real estate leasing business revenues (%) (Note 4)
Tokyo Commercial Properties	Office properties	Hulic Kamiyacho Building	1	100.0	¥1,446,449	15.8	1	97.2	¥1,459,798	15.1
		Hulic Kudan Building (Land)	1	100.0	265,002	2.9	1	100.0	265,002	2.7
		Toranomon First Garden	1	100.0	303,286	3.3	1	100.0	308,840	3.2
		Rapiros Roppongi	1	100.0	317,974	3.5	1	100.0	310,840	3.2
		Hulic Takadanobaba Building	1	100.0	172,712	1.9	1	100.0	174,186	1.8
		Hulic Kanda Building	1	100.0	140,005	1.5	1	100.0	137,666	1.4
		Hulic Kandabashi Building	1	100.0	87,207	1.0	1	100.0	88,423	0.9
		Hulic Kakigaracho Building	1	100.0	105,759	1.2	1	100.0	107,425	1.1
		Ochanomizu Sola City	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Hulic Higashi Ueno 1 Chome Building	1	100.0	99,309	1.1	1	100.0	99,934	1.0
		Tokyo Nishi Ikebukuro Building	1	100.0	56,750	0.6	1	100.0	56,750	0.6
		Gate City Ohsaki	2	100.0	164,117	1.8	2	100.0	168,245	1.7
		Hulic Toranomom Building	1	100.0	473,599	5.2	1	100.0	476,920	4.9
		Hulic Shibuya 1 chome Building	1	100.0	130,621	1.4	1	100.0	133,365	1.4

Category		Property name	11th fiscal period (From March 1, 2019 to August 31, 2019)				12th fiscal period (From September 1, 2019 to February 29, 2020)			
			Number of tenants at end of period (Tenants) (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate leasing business revenues during the period (Thousands of yen) (Note 3) (Note 4)	Percentage to total real estate leasing business revenues (%) (Note 4)	Number of tenants at end of period (Tenants) (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate leasing business revenues during the period (Thousands of yen) (Note 3) (Note 4)	Percentage to total real estate leasing business revenues (%) (Note 4)
Tokyo Commercial Properties	Office properties	Hulic Higashi Nihonbashi Building	1	100.0	106,641	1.2	1	93.9	114,147	1.2
		Hulic Jimbocho Building	1	100.0	43,653	0.5	1	100.0	44,397	0.5
		Hulic Ginza 7 Chome Building	1	100.0	339,968	3.7	1	100.0	540,655	5.6
		Shinagawa Season Terrace	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Hulic Gotanda Yamate-dori Building	1	100.0	116,695	1.3	1	100.0	118,789	1.2
		Hulic Nihonbashi Honcho 1 Chome Building	1	100.0	105,594	1.2	1	100.0	108,184	1.1
		Bancho House	1	100.0	(Note 4)	(Note 4)	1	83.8	(Note 4)	(Note 4)
		Ebisu Minami Building	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Hulic Iidabashi Building	1	100.0	14,891	0.2	1	100.0	45,369	0.5
		Hulic Asakusabashi Building	—	—	—	—	1	100.0	104,833	1.1
		Hulic Ebisu Building	—	—	—	—	1	100.0	14,419	0.1
	Retail properties	Oimachi Redevelopment Building (#2)	1	100.0	312,000	3.4	1	100.0	312,000	3.2
		Oimachi Redevelopment Building (#1)	1	100.0	218,931	2.4	1	100.0	218,931	2.3
		Dining Square Akihabara Building	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Hulic Jingu-Mae Building	1	100.0	86,141	0.9	1	100.0	86,253	0.9
		Hulic Shinjuku 3 Chome Building	1	100.0	178,834	2.0	2	100.0	182,290 (Note 5)	1.9 (Note 5)
		Yokohama Yamashitacho Building	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Orchid Square	1	100.0	95,735	1.0	1	100.0	96,625	1.0
		Hulic Todoroki Building	1	100.0	52,387	0.6	1	100.0	53,419	0.6
		Hulic Omori Building	1	100.0	108,995	1.2	1	100.0	106,157	1.1
		HULIC &New SHIBUYA	1	100.0	70,941	0.8	1	100.0	71,808	0.7
		HULIC &New SHINBASHI	1	100.0	96,966	1.1	1	100.0	84,905	0.9
		Hulic Shimura-sakaue	1	100.0	257,302	2.8	1	100.0	260,707	2.7
Next-Generation Assets Plus	Private nursing homes	Aria Matsubara	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Trust Garden Yoganomori	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Trust Garden Sakurashinmachi	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Trust Garden Suginami Miyamae	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Trust Garden Tokiwamatsu	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		SOMPO Care La vie Re Kita-Kamakura	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Charm Suite Shinjukutoyama	—	—	—	—	1	100.0	(Note 4)	(Note 4)
		Charm Suite Shakujiko	—	—	—	—	1	100.0	(Note 4)	(Note 4)

Category		Property name	11th fiscal period (From March 1, 2019 to August 31, 2019)				12th fiscal period (From September 1, 2019 to February 29, 2020)			
			Number of tenants at end of period (Tenants) (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate leasing business revenues during the period (Thousands of yen) (Note 3) (Note 4)	Percentage to total real estate leasing business revenues (%) (Note 4)	Number of tenants at end of period (Tenants) (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate leasing business revenues during the period (Thousands of yen) (Note 3) (Note 4)	Percentage to total real estate leasing business revenues (%) (Note 4)
Next-Generation Assets Plus	Network centers	Ikebukuro Network Center	1	100.0	130,176	1.4	1	100.0	130,176	1.4
		Tabata Network Center	1	100.0	43,285	0.5	1	100.0	43,285	0.4
		Hiroshima Network Center	1	100.0	42,091	0.5	1	100.0	42,091	0.4
		Atsuta Network Center	1	100.0	35,273	0.4	1	100.0	35,273	0.4
		Nagano Network Center	1	100.0	16,708	0.2	1	100.0	16,708	0.2
		Chiba Network Center	1	100.0	214,687	2.3	1	100.0	221,293	2.3
		Sapporo Network Center	1	100.0	80,358	0.9	1	100.0	80,358	0.8
		Keihanna Network Center	1	100.0	45,166	0.5	1	100.0	45,166	0.5
	Hotels	Sotetsu Fresa Inn Ginza 7 Chome	1	100.0	277,668	3.0	1	100.0	240,000	2.5
		Sotetsu Fresa Inn Tokyo- Roppongi	1	100.0	108,000	1.2	1	100.0	108,000	1.1
Total			52	100.0	¥9,137,208	100.0	57	99.5	¥9,642,162	100.0

(Note 1) Number of tenants is stated as 1 when a master lease agreement has been concluded with a master lease company.

Moreover, the number of tenants is stated as 1 for Hulic Kudan Building (Land). The number of tenants for Gate City Ohsaki is stated as 2 because master lease agreements were concluded with the respective master lease companies of the business/commercial tower and the residential tower, respectively. For Shinagawa Season Terrace, the number of tenants is stated as 1, because NTT Urban Development Corporation receives rent from each end-tenant for the entire building. For Hulic Shinjuku 3 Chome Building, the number of tenants is stated as 2, because in addition to the master lease agreement concluded for the building, a part of the land is being leased to the building owner.

(Note 2) Occupancy rate is calculated with the following formula, rounded to one decimal place: leased area ÷ leasable area × 100

(Note 3) Real estate leasing business revenues during the period shows the sum total of the real estate leasing business revenues during the period for each real estate, etc.

(Note 4) Real estate leasing business revenues during the period and percentage to total real estate leasing business revenues are not disclosed because the Investment Corporation has not obtained permission from the end-tenant or other relevant party of these properties to disclose the relevant information.

(Note 5) The Investment Corporation has not obtained permission from the tenant, end-tenant or other relevant party of Hulic Shinjuku 3 Chome Building to disclose information on the partial right of land additionally acquired on February 13, 2020. Accordingly, the contracted rent relating to the partial right of land is excluded from the calculation of real estate leasing business revenues during the period and percentage to total real estate leasing business revenues.

#### (4) Status of outstanding contracted amount and fair value of specified transactions

The status of the contracted amount and fair value of specified transactions outstanding for the Investment Corporation as of February 29, 2020 is as follows:

Category	Type	Contracted amount (Millions of yen) (Note 1)		Fair value (Millions of yen) (Note 2)
			Portion due after 1 year (Note 1)	
Off-market-transaction	Interest rate swap transaction Payment: fixed interest rate Receipt: floating interest rate	¥ 82,642	¥ 70,533	¥ —
Total		¥ 82,642	¥ 70,533	¥ —

(Note 1) Contracted amount for interest rate swap transaction is shown based on the assumed principal.

(Note 2) Of these transactions, the statement of the fair value has been omitted for those transactions that satisfy requirements of special treatment based on accounting standards for financial instruments.

**(5) Status of other assets**

Beneficial interests in real estate trust, etc. owned by the Investment Corporation are stated together in “(3) Details of assets incorporated into the portfolio, such as real estate” above.

There are no major specified assets incorporated into the portfolio that are a major investment target by the Investment Corporation other than those listed in the aforementioned “(3),” as of the end of the fiscal period under review.

**(6) Status of asset holding by country and region**

Not applicable for countries and regions other than Japan.

## 4. Capital Expenditures for Properties Held

### (1) Schedule of capital expenditures

For each asset held by the Investment Corporation as of February 29, 2020, the main capital expenditures for renovation work, etc. scheduled as of February 29, 2020 (the end of the 12th fiscal period) are as below. Estimated capital expenditure for work mentioned below includes parts that are charged to expenses.

Property name	Location	Purpose	Scheduled period	Estimated capital expenditure for work (Millions of yen)		
				Total amount	Payment during the period	Total amount paid
Hulic Kamiyacho Building	Minato-ku, Tokyo	Renewal work for the rooms for rent	From December 2019 to May 2020	¥ 151	¥ –	¥ –
Hulic Kamiyacho Building	Minato-ku, Tokyo	Renewal work for heat pump chiller	From May 2020 to June 2020	67	–	–
Hulic Kakigaracho Building	Chuo-ku, Tokyo	Renewal work for air-conditioning units	From November 2020 to January 2021	23	–	–
Hulic Higashi Nihonbashi Building	Chuo-ku, Tokyo	Renovation work for mechanical parking lot	From July 2020 to February 2021	114	–	–
Hulic Jimbocho Building	Chiyoda-ku, Tokyo	Renewal work for elevator	From January 2021 to February 2021	20	–	–
Oimachi Redevelopment Building (#2)	Shinagawa-ku, Tokyo	Renewal work for cooling tower	From July 2020 to January 2021	52	–	–
Hulic Todoroki Building	Setagaya-ku, Tokyo	Renewal work for elevator	From June 2020 to June 2020	26	–	–

### (2) Capital expenditures during the period

An overview of the construction work corresponding to capital expenditures during the reporting period is as below. Capital expenditures during the reporting period were ¥263,700 thousand and repair expenses were ¥121,912 thousand. In aggregate, construction work in the amount of ¥385,613 thousand was carried out during the period.

Property name	Location	Purpose	Period	Capital expenditure for work (Millions of yen)
Hulic Jimbocho Building	Chiyoda-ku, Tokyo	Renovation work for mechanical parking lot	From December 2019 to December 2019	¥ 21
Chiba Network Center	Inzai-shi, Chiba	Work to renew receiver sensors	From September 2019 to February 2020	67
Other				174
Total				¥ 263

### (3) Money accumulated for long-term repair plan

Not applicable.

## 5. Status of Expenses and Liabilities

### (1) Details of expenses relating to asset management, etc.

Item	11th fiscal period (From March 1, 2019 to August 31, 2019)	12th fiscal period (From September 1, 2019 to February 29, 2020)
(a) Asset management fee	¥869,442 thousand	¥915,009 thousand
(b) Asset custody fee	¥14,413 thousand	¥14,604 thousand
(c) Administrative service fees	¥45,779 thousand	¥45,961 thousand
(d) Remuneration for directors (and other officers)	¥6,000 thousand	¥6,000 thousand
(e) Other operating expenses	¥119,106 thousand	¥113,430 thousand
Total	¥1,054,740 thousand	¥1,095,005 thousand

(Note) Other than the amount stated above, asset management fee includes the portion of compensations associated with a property acquisition factored into the book value of the individual properties (the 11th fiscal period: ¥17,625 thousand; the 12th fiscal period: ¥48,270 thousand).

### (2) Status of borrowings

Status of borrowings of the Investment Corporation as of the end of the fiscal period under review is as follows:

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Short-term borrowings	Mizuho Bank, Ltd.	August 8, 2019	¥ 1,980	¥ 1,980	0.3235%	August 7, 2020	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		1,386	1,386					
	MUFG Bank, Ltd.		594	594					
	Mizuho Bank, Ltd. (Note 4)	September 12, 2019	—	—	0.3273%	March 31, 2020			
	Mizuho Bank, Ltd. (Note 5)	December 20, 2019	—	1,500	0.3691%	December 18, 2020			
	Sumitomo Mitsui Banking Corporation (Note 5)		—	1,050					
	MUFG Bank, Ltd. (Note 5)		—	450					
	Mizuho Bank, Ltd. (Note 6)	February 13, 2020	—	—	0.3691%	February 28, 2020			
	Subtotal		¥ 3,960	¥ 6,960					
Long-term borrowings	Mizuho Bank, Ltd.	February 27, 2015	¥ 1,650	¥ —	0.4845%	February 28, 2020	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		890	—					
	MUFG Bank, Ltd.		700	—					
	Mizuho Trust & Banking Co., Ltd.		660	—					
	The Norinchukin Bank		1,400	—					
	Resona Bank, Limited		140	—					
	Shinkin Central Bank		300	—					
	Mizuho Bank, Ltd.	June 28, 2019	4,542	—	* 0.3225%	June 29, 2020			
	Sumitomo Mitsui Banking Corporation		1,450	—					
	MUFG Bank, Ltd.		1,057	—					
	Sumitomo Mitsui Banking Corporation	March 9, 2015	2,000	2,000	0.4810%	August 31, 2020			
	Mizuho Bank, Ltd.	February 29, 2016	1,000	1,000	0.1700%	August 31, 2020			
	MUFG Bank, Ltd.		150	150					
	The Norinchukin Bank		409	409					
	Mizuho Bank, Ltd.	February 7, 2014	2,560	2,560	1.1713%	February 7, 2021			
	Sumitomo Mitsui Banking Corporation		1,950	1,950					
	MUFG Bank, Ltd.		1,060	1,060					
	Mizuho Trust & Banking Co., Ltd.		1,050	1,050					

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks			
Long-term borrowings	Sumitomo Mitsui Trust Bank, Limited	February 7, 2014	1,660	1,660	1.1713%	February 7, 2021	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed			
	Resona Bank, Limited		270	270								
	Mizuho Bank, Ltd.	February 27, 2015	2,800	2,800	0.6750%	August 31, 2021						
	Sumitomo Mitsui Banking Corporation		2,110	2,110								
	MUFG Bank, Ltd.		830	830								
	Mizuho Trust & Banking Co., Ltd.		790	790								
	Aozora Bank, Ltd.		300	300								
	Shinsei Bank, Limited		300	300								
	Mizuho Bank, Ltd.	February 27, 2015	2,385	2,385	0.7730%	February 28, 2022						
	Sumitomo Mitsui Banking Corporation		1,710	1,710								
	MUFG Bank, Ltd.		1,055	1,055								
	Mizuho Trust & Banking Co., Ltd.		800	800								
	Sumitomo Mitsui Trust Bank, Limited		1,400	1,400								
	Resona Bank, Limited		200	200								
	Mizuho Bank, Ltd.	August 31, 2017	150	150	0.4173%	February 28, 2022						
	Sumitomo Mitsui Banking Corporation		75	75								
	MUFG Bank, Ltd.		75	75								
	Mizuho Trust & Banking Co., Ltd.		72	72								
	Sumitomo Mitsui Trust Bank, Limited		128	128								
	The Norinchukin Bank		500	500								
	Development Bank of Japan Inc.	February 7, 2014	2,450	2,450	1.6100%	August 7, 2022						
	Mizuho Bank, Ltd.	August 31, 2015	1,144	1,144	0.7488%	August 31, 2022						
	MUFG Bank, Ltd.		710	710								
	Mizuho Trust & Banking Co., Ltd.		549	549								
	Sumitomo Mitsui Trust Bank, Limited		414	414								
	The Norinchukin Bank		414	414								
	Resona Bank, Limited		125	125								
	Development Bank of Japan Inc.	August 31, 2015	414	414	0.7550%	August 31, 2022						
	Mizuho Bank, Ltd.	February 7, 2017	650	650	0.5538%	August 31, 2022						
	Sumitomo Mitsui Banking Corporation		500	500								
	MUFG Bank, Ltd.		200	200								
	Mizuho Trust & Banking Co., Ltd.		450	450								
Sumitomo Mitsui Trust Bank, Limited	445		445									
The Norinchukin Bank	445		445									
Resona Bank, Limited	150	150										
Mizuho Bank, Ltd.	February 29, 2016	1,350	1,350	0.4099%	February 28, 2023							
Sumitomo Mitsui Banking Corporation		800	800									
MUFG Bank, Ltd.		550	550									
Mizuho Trust & Banking Co., Ltd.		530	530									
Sumitomo Mitsui Trust Bank, Limited		400	400									
The Norinchukin Bank		400	400									

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term borrowings	Resona Bank, Limited	February 29, 2016	243	243	0.4099%	February 28, 2023	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Shinkin Central Bank		141	141					
	Aozora Bank, Ltd.		141	141					
	Mizuho Bank, Ltd.	February 7, 2017	1,500	1,500	0.6031%	February 28, 2023			
	Sumitomo Mitsui Banking Corporation		1,200	1,200					
	MUFG Bank, Ltd.		300	300					
	Mizuho Trust & Banking Co., Ltd.		450	450					
	Sumitomo Mitsui Trust Bank, Limited		245	245					
	The Norinchukin Bank		245	245					
	Resona Bank, Limited		150	150					
	Sompo Japan Nipponkoa Insurance Inc.	February 7, 2019	500	500	0.4100%	February 28, 2023			
	Mitsui Sumitomo Insurance Company, Limited		500	500					
	Mizuho Bank, Ltd.	February 29, 2016	1,377	1,377	0.4620%	August 31, 2023			
	Sumitomo Mitsui Banking Corporation		839	839					
	MUFG Bank, Ltd.		565	565					
	Mizuho Trust & Banking Co., Ltd.		546	546					
	Sumitomo Mitsui Trust Bank, Limited		409	409					
	Shinsei Bank, Limited		141	141					
	Mizuho Bank, Ltd.	February 7, 2017	1,863	1,863	0.6564%	August 31, 2023			
	Sumitomo Mitsui Banking Corporation		1,411	1,411					
	MUFG Bank, Ltd.		600	600					
	Mizuho Trust & Banking Co., Ltd.		917	917					
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	The Norinchukin Bank		500	500					
	Resona Bank, Limited		302	302					
	Mizuho Bank, Ltd.	February 7, 2014	400	400	1.8188%	February 7, 2024			
	Sumitomo Mitsui Banking Corporation		300	300					
	MUFG Bank, Ltd.		300	300					
	Development Bank of Japan Inc.	February 29, 2016	809	809	0.5188%	February 29, 2024			
	Nippon Life Insurance Company		500	500					
	Mizuho Bank, Ltd.	February 7, 2017	1,000	1,000	0.6485%	February 29, 2024			
	Sumitomo Mitsui Banking Corporation		1,977	1,977					
MUFG Bank, Ltd.	1,719		1,719						
Mizuho Trust & Banking Co., Ltd.	600		600						
Sumitomo Mitsui Trust Bank, Limited	569		569						
The Norinchukin Bank	569		569						
Nippon Life Insurance Company	February 7, 2019	500	500	0.4600%	February 29, 2024				
Development Bank of Japan Inc.	February 27, 2015	1,900	1,900	1.1738%	August 30, 2024				
Meiji Yasuda Life Insurance Company	February 29, 2016	500	500	0.5932%	August 30, 2024				
Mizuho Bank, Ltd.	February 7, 2017	1,754	1,754	0.7800%	August 30, 2024				

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term borrowings	Mizuho Bank, Ltd.	August 31, 2017	1,400	1,400	0.5913%	August 30, 2024	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		1,048	1,048					
	MUFG Bank, Ltd.		705	705					
	Mizuho Trust & Banking Co., Ltd.		622	622					
	Sumitomo Mitsui Trust Bank, Limited		610	610					
	The Norinchukin Bank		520	520					
	Resona Bank, Limited		215	215					
	Shinkin Central Bank		140	140					
	Shinsei Bank, Limited		140	140					
	Mizuho Bank, Ltd.	February 28, 2020	–	350	0.2445%	August 30, 2024			
	Sumitomo Mitsui Banking Corporation		–	220					
	MUFG Bank, Ltd.		–	110					
	Mizuho Trust & Banking Co., Ltd.		–	100					
	Mitsui Sumitomo Insurance Company, Limited		–	500					
	The 77 Bank, Ltd.		–	500					
	The Nishi-Nippon City Bank, Ltd.		–	500					
	Mizuho Bank, Ltd.	February 27, 2015	250	250	1.4600%	February 28, 2025			
	Sumitomo Mitsui Banking Corporation		125	125					
	MUFG Bank, Ltd.		125	125					
	Mizuho Bank, Ltd.	February 29, 2016	250	250	0.7275%	February 28, 2025			
	Sumitomo Mitsui Banking Corporation		125	125					
	MUFG Bank, Ltd.		125	125					
	Development Bank of Japan Inc.	February 7, 2017	969	969	0.8500%	February 28, 2025			
	Mizuho Bank, Ltd.	August 31, 2017	1,725	1,725	0.6574%	February 28, 2025			
	Sumitomo Mitsui Banking Corporation		1,203	1,203					
	MUFG Bank, Ltd.		753	753					
	Mizuho Trust & Banking Co., Ltd.		722	722					
	Development Bank of Japan Inc.		1,010	1,010					
	Sumitomo Mitsui Trust Bank, Limited		682	682					
	The Norinchukin Bank		400	400					
	Resona Bank, Limited		215	215					
	Shinkin Central Bank		140	140					
Shinsei Bank, Limited	140		140						
Mizuho Bank, Ltd.	February 7, 2019	200	200	0.4133%	February 28, 2025				
Mizuho Trust & Banking Co., Ltd.		200	200						
Sumitomo Mitsui Trust Bank, Limited		200	200						
The Norinchukin Bank		450	450						
Resona Bank, Limited		140	140						
Shinsei Bank, Limited		150	150						
Mizuho Bank, Ltd.		1,531	1,531						
Sumitomo Mitsui Banking Corporation	August 31, 2017	1,267	1,267	0.7246%	August 29, 2025				
MUFG Bank, Ltd.		577	577						

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term borrowings	Mizuho Trust & Banking Co., Ltd.	August 31, 2017	475	475	0.7246%	August 29, 2025	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Development Bank of Japan Inc.		410	410					
	Aozora Bank, Ltd.		280	280					
	Meiji Yasuda Life Insurance Company		230	230					
	Nippon Life Insurance Company		230	230					
	Mizuho Bank, Ltd.	February 7, 2019	500	500	0.5700%	August 29, 2025			
	Development Bank of Japan Inc.		1,200	1,200					
	Aozora Bank, Ltd.		600	600					
	Mizuho Bank, Ltd.	February 28, 2020	—	170	0.2845%	August 29, 2025			
	Sumitomo Mitsui Banking Corporation		—	150					
	MUFG Bank, Ltd.		—	100					
	Mizuho Trust & Banking Co., Ltd.		—	120					
	The Norinchukin Bank		—	780					
	Shinkin Central Bank		—	550					
	Shinsei Bank, Limited		—	390					
	Mitsui Sumitomo Insurance Company, Limited		—	210					
	Mizuho Bank, Ltd.	February 7, 2019	2,910	2,910	0.4800%	February 27, 2026			
	Sumitomo Mitsui Banking Corporation		1,700	1,700					
	MUFG Bank, Ltd.		850	850					
	Mizuho Trust & Banking Co., Ltd.		1,100	1,100					
	Sumitomo Mitsui Trust Bank, Limited		700	700					
	The Norinchukin Bank		1,410	1,410					
	Resona Bank, Limited		880	880					
	Shinsei Bank, Limited		450	450					
	Mizuho Bank, Ltd.	February 7, 2019	3,420	3,420	0.5840%	August 31, 2026			
	Sumitomo Mitsui Banking Corporation		2,700	2,700					
	MUFG Bank, Ltd.		1,600	1,600					
	Mizuho Trust & Banking Co., Ltd.		1,050	1,050					
	Sumitomo Mitsui Trust Bank, Limited		300	300					
	The Norinchukin Bank		1,000	1,000					
	Mizuho Bank, Ltd.	February 27, 2015	150	150	1.7500%	February 26, 2027			
	Sumitomo Mitsui Banking Corporation		75	75					
MUFG Bank, Ltd.	75		75						
Mizuho Bank, Ltd.	August 30, 2019	1,000	1,000	0.4225%	February 26, 2027				
Sumitomo Mitsui Banking Corporation		960	960						
The Norinchukin Bank		600	600						
MUFG Bank, Ltd.		550	550						
Sumitomo Mitsui Trust Bank, Limited		500	500						
Shinsei Bank, Limited		300	300						
Mizuho Trust & Banking Co., Ltd.		300	300						
Shinkin Central Bank		200	200						
Resona Bank, Limited		170	170						

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks		
Long-term borrowings	Mizuho Bank, Ltd.	February 28, 2020	—	980	0.3920%	February 26, 2027	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed		
	Sumitomo Mitsui Banking Corporation		—	400							
	MUFG Bank, Ltd.		—	340							
	Mizuho Trust & Banking Co., Ltd.		—	330							
	The Norinchukin Bank		—	1,280							
	Resona Bank, Limited		—	140							
	Shinkin Central Bank		—	930							
	Shinsei Bank, Limited		—	510							
	Mitsui Sumitomo Insurance Company, Limited		—	290							
	Mizuho Bank, Ltd.	February 28, 2020	—	1,795	0.4430%	August 31, 2027					
	Sumitomo Mitsui Banking Corporation		—	1,260							
	MUFG Bank, Ltd.		—	150							
	Mizuho Trust & Banking Co., Ltd.		—	610							
	The Norinchukin Bank		—	1,140							
	Shinkin Central Bank		—	820							
	Shinsei Bank, Limited		—	600							
	MUFG Bank, Ltd.	February 28, 2020	—	490	0.4430%	August 31, 2027					
	Subtotal		¥ 130,600	¥ 134,625							
	Total		¥ 134,560	¥ 141,585							

(Note 1) Average interest rate shows the weighted average rate during the period or for the lender, and the amount has been rounded to four decimal places. Moreover, for borrowings hedged using interest rate swaps to avoid interest rate fluctuation risks, an interest rate that considers the effect of the interest rate swap is shown.

(Note 2) Long-term borrowings are borrowings that carry fixed interest except those borrowings indicated by an asterisk (\*). (Includes borrowings that have had the interest fixed by using interest rate swaps.)

(Note 3) The borrowings were funds to purchase beneficial interests in real estate trust, etc. (including ancillary expenses) and repay borrowings.

(Note 4) The Investment Corporation borrowed ¥3,200 million on September 12, 2019, and it made early partial repayment on September 30, 2019 and early repayment of the remaining amount on October 31, 2019.

(Note 5) The Investment Corporation borrowed ¥6,025 million on December 20, 2019, and it made early partial repayment on February 28, 2020.

(Note 6) The Investment Corporation borrowed ¥1,000 million on February 13, 2020, and it made repayment on the due date.

### (3) Investment corporation bonds

Issuance of investment corporation bonds of the Investment Corporation as of the end of the fiscal period under review is as follows:

Bond name	Issuance date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Interest rate (%)	Repayment date	Repayment method	Use	Remarks
First Series Unsecured Investment Corporation Bond	August 31, 2015	¥ 2,000	¥ 2,000	0.950	August 29, 2025	Lump-sum repayment	(Note 1)	Unsecured (Note 2)
Second Series Unsecured Investment Corporation Bond	December 13, 2016	2,000	–	0.040	December 13, 2019	Lump-sum repayment	(Note 1)	Unsecured (Note 2)
Third Series Unsecured Investment Corporation Bond	December 13, 2016	1,000	1,000	0.490	December 11, 2026	Lump-sum repayment	(Note 1)	Unsecured (Note 2)
Fourth Series Unsecured Investment Corporation Bond	August 30, 2018	7,000	7,000	0.770	August 30, 2028	Lump-sum repayment	(Note 1)	Unsecured (Note 2)
Fifth Series Unsecured Investment Corporation Bond	December 11, 2019	–	2,000	0.570	December 11, 2029	Lump-sum repayment	(Note 1)	Unsecured (Note 2)
Total		¥ 12,000	¥ 12,000					

(Note 1) Specific use of the proceeds is to be allocated to repayment of borrowings.

(Note 2) Corporation bond with pari passu conditions among specified investment corporations.

### (4) Short-term investment corporation bonds

Not applicable.

### (5) Investment unit options

Not applicable.

## 6. Status of Trading During the Period

### (1) Status of trading, etc. of real estate, etc., asset-backed securities, etc., infrastructure assets, etc., and infrastructure-related assets

Type of assets	Property name	Acquisition		Transfer			
		Acquisition date	Acquisition value (Millions of yen) (Note)	Transfer date	Transfer value (Millions of yen) (Note)	Book value (Millions of yen)	Gain (loss) on transfer (Millions of yen)
Beneficial interests in real estate trust	Charm Suite Shakujiko	September 12, 2019	¥ 3,200	—	¥ —	¥ —	¥ —
Beneficial interests in real estate trust	Hulic Ginza 7 Chome Building (Additional acquisition)	September 27, 2019	4,480	—	—	—	—
Beneficial interests in real estate trust	Charm Suite Shinjuku Toyama	September 27, 2019	3,323	—	—	—	—
Beneficial interests in real estate trust	Hulic Asakusabashi Building	December 20, 2019	4,750	—	—	—	—
Beneficial interests in real estate trust	Hulic Ebisu Building	December 20, 2019	1,275	—	—	—	—
Real estate	Hulic Shinjuku 3 Chome Building (Part of the land)	February 13, 2020	1,140	—	—	—	—
Total		—	¥ 18,168	—	¥ —	¥ —	¥ —

(Note) Acquisition value or transfer value shows the amount that does not include expenses incurred on the acquisition or transfer of the said real estate, etc., which is equivalent to the trading price stated on the sales agreements.

### (2) Status of trading, etc. of other assets

The main other assets outside the above-mentioned real estate, etc., asset-backed securities, etc., infrastructure assets, etc., and infrastructure-related assets, are mostly bank deposits and bank deposits within assets in trust.

### (3) Investigation of the prices, etc. of specified assets

#### i) Real estate, etc.

Acquisition / Transfer	Type of assets	Property name	Transaction date	Acquisition value / transfer value (Millions of yen) (Note 1)	Appraisal value (Millions of yen) (Note 2)	Appraisal agency	Valuation date
Acquisition	Beneficial interests in real estate trust	Charm Suite Shakujikoan	September 12, 2019	¥ 3,200	¥ 3,270	Japan Real Estate Institute	August 1, 2019
Acquisition	Beneficial interests in real estate trust	Hulic Ginza 7 Chome Building (Additional acquisition)	September 27, 2019	4,480	4,660	Japan Real Estate Institute	August 1, 2019
Acquisition	Beneficial interests in real estate trust	Charm Suite Shinjukutoyama	September 27, 2019	3,323	3,520	Japan Real Estate Institute	August 1, 2019
Acquisition	Beneficial interests in real estate trust	Hulic Asakusabashi Building	December 20, 2019	4,750	4,970	The Tanizawa Sōgō Appraisal Co., Ltd.	November 1, 2019
Acquisition	Beneficial interests in real estate trust	Hulic Ebisu Building	December 20, 2019	1,275	1,340	CBRE K.K.	November 1, 2019
Acquisition	Real estate	Hulic Shinjuku 3 Chome Building (Part of the land)	February 13, 2020	1,140	1,140	Japan Real Estate Institute	January 1, 2020
Total				¥ 18,168	¥ 18,900	—	—

(Note 1) “Acquisition value / transfer value” shows the amount that does not include expenses incurred on the acquisition or transfer of the said real estate, etc., which is equivalent to the trading price stated on the sales agreements.

(Note 2) The real estate appraisal is conducted by applying Real Property Appraisal Standards Practical Theory Chapter 3: Appraisal of the Prices of Securitized Properties.

#### ii) Other

Not applicable.

### (4) Status of transactions with interested person, etc.

#### i) Status of transactions

Category	Transaction amount (Note)	
	Purchase price	Sale price
Total	¥18,168 million	¥— million
Breakdown of transactions with interested person, etc.		
Hulic Co., Ltd.	¥17,028 million (93.7%)	¥— million (—%)
Total	¥17,028 million (93.7%)	¥— million (—%)

(Note) Transaction amount is rounded to the nearest million yen.

## ii) Amount of service fees, etc. paid

Category	Total amount of service fees paid (A) (Thousands of yen)	Transactions with interested person, etc.		Percentage to total amount B/A (%)
		Payee	Payment amount (B) (Thousands of yen)	
Property management fees	¥ 574,024	Hulic Building Management Co., Ltd.	¥ 131,252	22.9
		Tokyo Fudosan Kanri Co., Ltd.	¥ 120,858	21.1
Other expenses related to leasing business	¥ 436,630	Hulic Building Management Co., Ltd.	¥ 15,246	3.5
		Tokyo Fudosan Kanri Co., Ltd.	¥ 1,511	0.3
		Hulic Co., Ltd.	¥ 1,359	0.3

(Note 1) Interested person, etc. are the interested person, etc. of the asset management company that have concluded an asset management agreement with the Investment Corporation as prescribed under Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations of Japan and Article 26, Item 27 of the Regulations for Asset Investment Reports by Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan.

(Note 2) Other than the above-mentioned service fees, etc. paid, payment amounts concerning repairs, etc. ordered to interested person, etc. during the fiscal period under review are as follows:

Hulic Build Co., Ltd.	¥105,167 thousand
Tokyo Fudosan Kanri Co., Ltd.	¥14,497 thousand
Hulic Building Management Co., Ltd.	¥2,989 thousand

## (5) Transactions with Asset Manager pertaining to its business other than asset management

There are no applicable transactions because the Asset Manager of the Investment Corporation (Hulic Reit Management Co., Ltd.) does not engage in any other businesses, such as Type I Financial Instruments Business, Type II Financial Instruments Business, Real Estate Brokerage Business (excluding a real estate brokerage business directly related to the investment management business that was commissioned by the investment corporation), or Real Estate Specified Joint Enterprise.

## **7. Financial Information**

### **(1) Assets, liabilities, principal, and profit and loss**

Please refer to “Balance Sheets,” “Statements of Income and Retained Earnings,” “Statements of Changes in Net Assets” and “Notes to Financial Statements” below.

### **(2) Changes in the calculation method of depreciation expenses**

Not applicable.

### **(3) Changes in the evaluation method of real estate, etc., and infrastructure assets, etc.**

Not applicable.

### **(4) Beneficiary certificates of investment trusts, etc. set up by the Corporation**

Not applicable.

### **(5) Disclosure regarding corporation holding overseas real estate**

Not applicable.

### **(6) Disclosure regarding real estate owned by corporation holding overseas real estate**

Not applicable.

## 8. Other

### (1) Announcements

#### i) General Meeting of Unitholders

Not applicable.

#### ii) Meeting of Board of Directors of the Investment Corporation

The outline of conclusions or amendments to major agreements, etc. approved at meetings of the Board of Directors of the Investment Corporation during the fiscal period under review is as follows:

Date of Board of Directors meeting	Approved items	Outline
September 9, 2019	Conclusion of new investment units underwriting agreements	With respect to the issuance of new investment units and sale of investment units approved at the meeting of the Board of Directors held on the same day, the general administrative duties concerning the offering of new investment units were entrusted to Mizuho Securities Co., Ltd., Nomura Securities Co., Ltd., Daiwa Securities Co., Ltd., SMBC Nikko Securities Inc., etc.
December 18, 2019	Comprehensive resolution on issuance of investment corporation bonds and associated consignment of general administrative duties	The Board of Directors made a comprehensive resolution relating to the issuance of investment corporation bonds with a total issue amount to be within ¥15,000 million and an issuance period from January 1, 2020 to June 30, 2020. The Board of Directors approved candidate companies for consignment of administrative duties relating to offering the investment corporation bonds as well as administrative duties relating to receiving requests relating to exercise of rights of investment corporation bonds and other applications from investment corporation bondholders, and operations during the term of the investment corporation bonds (including duties of the fiscal agent, issuing agent and paying agent). The Board of Directors delegated selection of the consignee for general administrative duties relating to the investment corporation bonds and decision making on the scope and the specific consignment conditions of consignment of general administrative duties, and all the necessary matters related to the consignment of administrative operations to the executive officer.

### (2) Others

Unless otherwise stated, monetary amounts have been rounded down and percentage figures have been rounded off to the nearest indicated unit in this report.

## 9. Risk Factors

An investment in our units involves significant risks. The principal risks with respect to investment in Hulic Reit, Inc. are as follows.

### Property and Business Risks

- The spread of COVID-19 may adversely impact the performance of our properties, particularly our retail and hotel properties, and negatively affect our overall results of operations, business and financial condition.
- Any adverse conditions in the Japanese economy, including those resulting from the COVID-19 outbreak and the measures implemented to prevent the spread of the virus, could adversely affect our business.
- We may not be able to acquire properties to execute our growth and investment strategy in a manner that is accretive to earnings.
- We may not be able to close future acquisitions of properties after they are announced.
- Illiquidity in the real estate market may limit our ability to grow or adjust our portfolio.
- The past experience of Hulic Co., Ltd. in the Japanese real estate market is not an indicator or guarantee of our future results.
- Our reliance on Hulic Co., Ltd. and other Hulic Group companies could have a material adverse effect on our business.
- We may not be able to successfully acquire the properties for which Hulic Co., Ltd. has granted us preferential negotiation rights, particularly where other private REITs have preferential negotiation rights for the same properties that may be superior to the rights granted to us.
- There are potential conflicts of interest between us and certain Hulic Group companies, including the Asset Manager.
- We may decide to acquire our own units on the market but there can be no assurance that we will successfully acquire such units to the extent planned or at all or be able to cancel or dispose of any such units in a manner beneficial to us.
- We face significant competition in seeking tenants and it may be difficult to find replacement tenants.
- Increases in prevailing market interest rates may increase our interest expense and may result in a decline in the market price of our units.
- We may suffer large losses if any of our properties incurs damage from a natural or man-made disaster.
- Most of the properties in our portfolio are concentrated in Tokyo and the surrounding areas.
- Investments in next generation assets (private nursing homes, network centers and hotels) expose us to risks that are not associated with other real estate classes.
- The recent addition of hotels as an investment target exposes us to new risks associated with the hotel industry, such as revenue volatility and potentially high capital expenditure and maintenance requirements.
- Any inability to obtain financing for future acquisitions could adversely affect the growth of our portfolio.
- Liquidity and other limitations on our activities under debt financing arrangements may adversely affect our business, financial condition and results of operations.
- A high LTV ratio may increase our exposure to changes in interest rates and have a material adverse effect on our results of operations.
- We may suffer impairment losses relating to our properties.

- Decreases in tenant leasehold deposits and/or security deposits may increase our funding costs.
- Our lack of control over operating costs may adversely affect our business.
- We may lose rental revenues in the event of lease terminations, decreased lease renewals, or the default of a tenant as a result of financial difficulty or insolvency, and are exposed to the risk of careless or imprudent management of properties by tenants.
- Master lease agreements expose us to the risk of becoming an unsecured creditor of Hulic Co., Ltd. as our master lessee in the event of its insolvency.
- Our cost of complying with regulations applicable to our properties could adversely affect the results of our operations.
- Any property defect or failure of our properties to conform to contractual or other requirements may adversely affect our financial condition and results of operations.
- We rely on expert appraisals and engineering, environmental and seismic reports, which are subject to significant uncertainties.
- We rely on industry and market data that are subject to significant uncertainties.
- Our buildings may violate earthquake resistance or other building codes, and any such buildings may collapse in even minor earthquakes or may be required to be strengthened or demolished by us at significant expense.
- The environmental assessments of our properties made prior to our ownership may not uncover all environmental liabilities, and Japanese laws subject property owners to strict environmental liabilities.
- Entering into forward commitment contracts or contracts to purchase properties under development may expose us to contractual penalties and market risks.
- We may be exposed to regulatory and financial risks related to climate change.
- Our success depends on the performance of service providers to which we are required to assign various key functions.
- Our performance depends on the efforts of key personnel of the Asset Manager.
- J-REITs and their asset managers are subject to tight supervision by the regulatory authorities.

#### **Taxation Risks**

- Our failure to satisfy a complex series of requirements pursuant to Japanese tax regulations would disqualify us from certain taxation benefits and significantly reduce our cash distributions to our unitholders.
- If the Japanese tax authorities disagree with our interpretations of the Japanese tax laws and regulations for prior periods, we may be forced to pay additional taxes for those periods.
- We may not be able to benefit from reductions in certain real estate taxes enjoyed by qualified J-REITs.
- Changes in Japanese tax laws may significantly increase our tax burden.
- We expect to be treated as a “passive foreign investment company” for U.S. federal income tax purposes.
- Unitholders may be subject to U.S. Foreign Account Tax Compliance Act (FATCA) withholding tax after 2016.

#### **Legal and Regulatory Risks**

- Any failure by the officers and employees of the Asset Manager to comply with insider trading regulations may damage our reputation and harm the interest of our unitholders.

- Our ownership rights in some of our properties may be declared invalid or limited.
- We may lose our rights in a property if the purchase of the property is recharacterized as a secured financing.
- Our leasehold or subleasehold rights may be terminated or may not be asserted against a third party in some cases.
- Our properties for which third parties hold leasehold interests in the land but own the buildings thereupon may subject us to various risks.
- We lease certain properties from third parties and sublease such properties to one or more tenants, which subjects us to various risks relating to these lease arrangements.
- We co-lease parts of our properties with third parties to one or more tenants, which subjects us to various risks relating to these co-lease arrangements.
- Some of our properties are held in the form of partial ownership (*kubun shoyū*), and our rights relating to such properties may be affected by the intentions of other owners.
- Some of our properties are held in the form of a property or trust co-ownership interest, and our rights relating to such properties may be affected by the intentions of other owners.
- We may hold interests in some properties through preferred shares of special purpose companies (*tokutei mokuteki kaisha*) in the future, and illiquidity in the market for such shares may limit our ability to sell our interest, and our rights relating to the properties held by such special purpose companies may be limited.
- Some of our properties are subject to preferential negotiation rights of others.
- We may hold interests in some properties through Japanese anonymous association (*tokumei kumiai*) agreements, and our rights relating to such properties may be limited.
- We own all of our properties through trust beneficiary interests and may suffer losses as a trust beneficiary.
- There are important differences regarding the rights of unitholders in a J-REIT compared to those of shareholders in a corporation.
- Our distributions may decrease if we are required to apply our profit to the reversal of the allowance for temporary difference adjustments.
- The AIFMD may negatively affect our ability to market our units in the EEA and increase our compliance costs associated with the marketing of our units in the EEA.
- Our units may be deemed to constitute “plan assets” for ERISA purposes, which may lead to the rescission of certain of our transactions, tax or fiduciary liability and our being held in violation of ERISA requirements.

## Independent Auditor's Report

The Board of Directors  
Hulic Reit, Inc.

We have audited the accompanying financial statements of Hulic Reit, Inc., which comprise the balance sheet as at February 29, 2020, and the statements of income and retained earnings, changes in net assets and cash flows for the fiscal period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hulic Reit, Inc. as at February 29, 2020, and its financial performance and cash flows for the fiscal period then ended in conformity with accounting principles generally accepted in Japan.

*Ernst & Young ShinNihon LLC*

May 22, 2020  
Tokyo, Japan

### III. Financial Statements

#### (1) Balance Sheets

	(Unit: thousands of yen)	
	Reporting period (As of February 29, 2020)	Previous period (As of August 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits (Notes 4 and 13)	10,149,008	10,034,957
Cash and deposits in trust (Notes 4 and 13)	7,331,270	7,256,597
Operating accounts receivable	218,667	111,179
Prepaid expenses	39,115	50,636
Consumption taxes receivable	328,769	—
Other	1,417	616
Total current assets	18,068,249	17,453,986
Noncurrent assets		
Property, plant and equipment (Note 5)		
Buildings	670,500	670,500
Accumulated depreciation	(22,977)	(14,752)
Buildings, net	647,523	655,747
Land	1,811,416	589,293
Buildings in trust	67,380,509	60,756,528
Accumulated depreciation	(7,993,387)	(6,983,407)
Buildings in trust, net	59,387,122	53,773,121
Structures in trust	391,060	365,406
Accumulated depreciation	(132,983)	(119,227)
Structures in trust, net	258,077	246,179
Machinery and equipment in trust	322,763	283,547
Accumulated depreciation	(158,945)	(141,114)
Machinery and equipment in trust, net	163,817	142,433
Tools, furniture and fixtures in trust	78,908	48,242
Accumulated depreciation	(22,844)	(18,009)
Tools, furniture and fixtures in trust, net	56,063	30,232
Land in trust	256,846,528	242,253,730
Total property, plant and equipment	319,170,549	297,690,738
Intangible assets		
Leasehold interests in land	2,343,025	2,343,025
Land leasehold interests in trust	8,790,287	12,301,503
Total intangible assets	11,133,313	14,644,529
Investments and other assets		
Leasehold and guarantee deposits	360,302	20,302
Long-term prepaid expenses	859,966	784,016
Deferred tax assets (Note 6)	41	3
Total investments and other assets	1,220,311	804,322
Total noncurrent assets	331,524,173	313,139,590
Deferred assets		
Investment unit issuance costs	65,006	55,323
Investment corporation bond issuance costs	75,094	61,788
Total deferred assets	140,100	117,111
Total assets	349,732,524	330,710,688

(Unit: thousands of yen)

	Reporting period (As of February 29, 2020)	Previous period (As of August 31, 2019)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	518,769	632,499
Short-term borrowings (Notes 7 and 13)	6,960,000	3,960,000
Current portion of investment corporation bonds (Notes 8 and 13)	—	2,000,000
Current portion of long-term borrowings (Notes 7 and 13)	12,109,000	16,349,000
Accounts payable - other	1,095,726	1,034,476
Accrued expenses	36,351	36,660
Income taxes payable	1,391	658
Accrued consumption taxes	74,816	398,210
Advances received	1,641,023	1,552,500
Deposits received	—	9,004
Total current liabilities	22,437,078	25,973,009
Noncurrent liabilities		
Investment corporation bonds (Notes 8 and 13)	12,000,000	10,000,000
Long-term borrowings (Notes 7 and 13)	122,516,000	114,251,000
Leasehold and guarantee deposits received	131,075	131,075
Leasehold and guarantee deposits received in trust	13,954,009	13,189,723
Asset retirement obligations (Notes 6 and 21)	282,245	—
Total noncurrent liabilities	148,883,329	137,571,798
Total liabilities	171,320,408	163,544,808
Net assets (Note 9)		
Unitholders' equity (Note 10)		
Unitholders' capital	173,778,746	162,803,382
Surplus		
Unappropriated retained earnings (Note 11)	4,633,369	4,362,498
Total surplus	4,633,369	4,362,498
Total unitholders' equity	178,412,115	167,165,880
Total net assets (Note 9)	178,412,115	167,165,880
Total liabilities and net assets	349,732,524	330,710,688

*See accompanying notes to financial statements.*

## (2) Statements of Income and Retained Earnings

	(Unit: thousands of yen)	
	Reporting period (From September 1, 2019 to February 29, 2020)	Previous period (From March 1, 2019 to August 31, 2019)
Operating revenues		
Leasing business revenue (Note 12)	9,120,841	8,672,865
Other leasing business revenues (Note 12)	521,321	464,342
Total operating revenues	9,642,162	9,137,208
Operating expenses		
Expenses related to leasing business (Note 12)	3,278,634	3,099,208
Asset management fee	915,009	869,442
Asset custody fee	14,604	14,413
Administrative service fees	45,961	45,779
Remuneration for directors (and other officers)	6,000	6,000
Other operating expenses	113,430	119,106
Total operating expenses	4,373,640	4,153,949
Operating profit	5,268,522	4,983,258
Non-operating income		
Interest income	73	64
Gain on forfeiture of unclaimed dividends	680	234
Interest on tax refund	—	252
Total non-operating income	753	551
Non-operating expenses		
Interest expenses	437,278	428,584
Interest expenses on investment corporation bonds	41,623	39,324
Borrowing related expenses	127,893	124,403
Amortization of investment unit issuance costs	22,534	22,926
Amortization of investment corporation bond issuance costs	5,474	6,073
Total non-operating expenses	634,804	621,312
Ordinary profit	4,634,472	4,362,497
Profit before income taxes	4,634,472	4,362,497
Income taxes - current (Note 6)	1,402	668
Income taxes - deferred (Note 6)	(38)	18
Total income taxes	1,363	686
Profit (Note 18)	4,633,108	4,361,810
Retained earnings brought forward	261	688
Unappropriated retained earnings	4,633,369	4,362,498

*See accompanying notes to financial statements.*

### (3) Statements of Changes in Net Assets

Reporting period (From September 1, 2019 to February 29, 2020)

(Unit: thousands of yen)

(Unit: thousands of yen)

	Unitholders' equity (Note 10)				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at the beginning of the period	162,803,382	4,362,498	4,362,498	167,165,880	167,165,880
Changes in items during the period					
Issuance of new investment units	10,975,364	—	—	10,975,364	10,975,364
Dividends of surplus	—	(4,362,237)	(4,362,237)	(4,362,237)	(4,362,237)
Profit	—	4,633,108	4,633,108	4,633,108	4,633,108
Total changes in items during the period	10,975,364	270,871	270,871	11,246,235	11,246,235
Balance at the end of the period	173,778,746	4,633,369	4,633,369	178,412,115	178,412,115

Previous period (From March 1, 2019 to August 31, 2019)

(Unit: thousands of yen)

(Unit: thousands of yen)

	Unitholders' equity (Note 10)				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at the beginning of the period	162,803,382	4,399,204	4,399,204	167,202,586	167,202,586
Changes in items during the period					
Dividends of surplus	—	(4,398,516)	(4,398,516)	(4,398,516)	(4,398,516)
Profit	—	4,361,810	4,361,810	4,361,810	4,361,810
Total changes in items during the period	—	(36,705)	(36,705)	(36,705)	(36,705)
Balance at the end of the period	162,803,382	4,362,498	4,362,498	167,165,880	167,165,880

*See accompanying notes to financial statements.*

#### (4) Statements of Cash Flows

	(Unit: thousands of yen)	
	Reporting period (From September 1, 2019 to February 29, 2020)	Previous period (From March 1, 2019 to August 31, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,634,472	4,362,497
Depreciation and amortization	1,057,617	965,906
Amortization of investment unit issuance costs	22,534	22,926
Amortization of investment corporation bond issuance costs	5,474	6,073
Interest income	(73)	(64)
Interest expenses	478,901	467,908
Decrease (increase) in operating accounts receivable	(107,488)	10,873
Decrease (increase) in consumption taxes refund receivable	(328,769)	87,107
Decrease (increase) in prepaid expenses	11,520	(4,624)
Increase (decrease) in operating accounts payable	(236,281)	324,615
Increase (decrease) in accounts payable - other	53,406	52,845
Increase (decrease) in accrued consumption taxes	(323,394)	365,622
Increase (decrease) in advances received	88,522	62,768
Increase (decrease) in deposits received	(9,004)	6,449
Decrease (increase) in long-term prepaid expenses	(75,950)	42,499
Other, net	(2,802)	927
Subtotal	5,268,685	6,774,334
Interest received	73	64
Interest paid	(477,900)	(464,799)
Income taxes (paid) refund	(658)	(1,038)
Net cash provided by (used in) operating activities	4,790,199	6,308,561
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,213,631)	(5,408)
Purchase of property, plant and equipment in trust	(16,921,157)	(7,204,634)
Purchase of intangible assets in trust	(478,135)	—
Payments for leasehold and guarantee deposits	(350,000)	—
Proceeds from collection of leasehold and guarantee deposits	10,000	—
Refund of leasehold and guarantee deposits received	—	(22,188)
Proceeds from leasehold and guarantee deposits received	—	12,440
Refund of leasehold and guarantee deposits received in trust	(194,373)	(28,052)
Proceeds from leasehold and guarantee deposits received in trust	958,659	273,511
Net cash provided by (used in) investing activities	(18,188,637)	(6,974,332)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	10,225,000	3,960,000
Repayments of short-term borrowings	(7,225,000)	(3,960,000)
Proceeds from long-term borrowings	16,815,000	11,630,000
Repayments of long-term borrowings	(12,790,000)	(4,580,000)
Proceeds from issuance of investment corporation bonds	1,981,218	—
Redemption of investment corporation bonds	(2,000,000)	—
Proceeds from issuance of investment units	10,943,146	—
Distributions paid	(4,362,204)	(4,398,544)
Net cash provided by (used in) financing activities	13,587,161	2,651,455
Net increase (decrease) in cash and cash equivalents	188,723	1,985,683
Cash and cash equivalents at beginning of period	17,291,555	15,305,871
Cash and cash equivalents at end of period (Note 4)	17,480,278	17,291,555

See accompanying notes to financial statements.

## (5) Notes to Financial Statements

For the periods from September 1, 2019 to February 29, 2020 and from March 1, 2019 to August 31, 2019

### 1. Organization

Hulic Reit, Inc. (“the Investment Corporation”) was incorporated by Hulic REIT Management Co., Ltd. (the Investment Corporation’s Asset Manager) on November 7, 2013 with ¥200 million in capital (2,000 units), and registration was approved based on Article 187 of the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”) on November 25, 2013 (Registration No. 88 filed with the Director-General of the Kanto Local Finance Bureau). Subsequently, the Investment Corporation issued new investment units through a public offering (617,500 units) on February 6, 2014. Those units were listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange on February 7, 2014 (Securities Code: 3295). On March 7, 2014, the Investment Corporation further issued new investment units through an allocation to a third-party. Following the issuances of new investment units during the current period through the Investment Corporation’s sixth public offering (58,000 units) after its listing and through the allocation to a third-party (3,000 units), the total number of investment units outstanding was 1,312,000 units as of February 29, 2020.

The Investment Corporation’s real estate portfolio as of February 29, 2020 was comprised of 55 properties under management with a total leasable floor area of 309,712.83 m<sup>2</sup>. The Investment Corporation has already invested ¥332,147 million (based on acquisition price) into this portfolio. The occupancy rate as of February 29, 2020 was 99.50%.

### 2. Basis of Presentation

The financial statements of the Investment Corporation have been prepared in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), including provisions set forth in the Financial Instruments and Exchange Act of Japan, the Investment Trust Act, the Companies Act of Japan and related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”). The accompanying financial statements are basically a translation of the financial statements of the Investment Corporation, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of the Investment Corporation filed with the Kanto Local Finance Bureau of the Ministry of Finance. In preparing the accompanying financial statements, certain reclassifications have been made to the financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. Amounts less than one thousand yen have been rounded down. As a result, the totals shown in the financial statements and notes thereto do not necessarily agree with the sum of the individual amounts. The Investment Corporation does not prepare consolidated financial statements, as the Investment Corporation has no subsidiaries.

### 3. Summary of Significant Accounting Policies

#### (1) Property, plant and equipment (including assets in trust) and depreciation

Property, plant and equipment are stated at cost, which includes the purchase price and related costs for acquisition, less accumulated depreciation. Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful lives of the assets ranging as stated below:

Buildings	3 to 64 years
Structures	4 to 20 years
Machinery and equipment	3 to 10 years
Tools, furniture and fixtures	3 to 15 years

#### (2) Intangible assets

Intangible assets are amortized on a straight-line basis over the estimated useful lives. Software for internal use is amortized over the estimated useful life of five years.

(3) Long-term prepaid expenses

Long-term prepaid expenses are amortized on a straight-line basis over the estimated useful lives.

(4) Investment corporation bond issuance costs

Investment corporation bond issuance costs are amortized on a straight-line basis over the redemption period.

(5) Investment unit issuance costs

Investment unit issuance costs are amortized on a straight-line basis over three years.

(6) Accounting for property taxes

For property tax, city planning tax and depreciable asset tax, the Investment Corporation charges the amount of property taxes assessed and determined applicable to the current period to expenses related to leasing business.

Registered owners of properties in Japan as of January 1 are responsible for paying property taxes for the calendar year based on assessments by local governments. Therefore, registered owners who sold properties to the Investment Corporation were liable for property taxes for the calendar year, including the period from the date of the acquisition by the Investment Corporation until the end of the year. The Investment Corporation reimbursed sellers of properties for the equivalent amount of property taxes and included the amount in the acquisition cost of real estate. The amounts equivalent to property taxes included in the cost of acquisition of real estate are ¥15,144 thousand and ¥23,315 thousand for the periods from September 1, 2019 to February 29, 2020 and from March 1, 2019 to August 31, 2019, respectively.

(7) Hedge accounting method

(a) Hedge accounting method

Deferred hedge accounting is adopted for interest rate swap transactions. However, special treatment is adopted for interest rate swaps when the requirements for special treatment are fulfilled.

(b) Hedging instruments and hedged items

Hedging instruments: Interest rate swap transactions

Hedged items: Interest payments on borrowings

(c) Hedging policy

The Investment Corporation conducts derivative transactions to hedge risks as stipulated in the Investment Corporation's Articles of Incorporation in accordance with the Investment Corporation's risk management policy.

(d) Method for assessing the effectiveness of hedging

An assessment of the effectiveness of hedging is omitted for interest rate swaps because they fulfill the requirements for special treatment.

(8) Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows consist of cash on hand and cash in trust; deposits and deposits in trust that can be withdrawn at any time; and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of price fluctuation.

(9) Accounting for beneficial interests in real estate trust

For beneficial interests in real estate trust owned by the Investment Corporation, all accounts of assets and

liabilities within the assets in trust as well as all accounts of revenues generated and expenses incurred from the assets in trust are recognized in the relevant accounts of the balance sheet and the statement of income and retained earnings.

The following material items of the assets in trust recognized in the relevant accounts are separately listed on the balance sheet.

- (a) Cash and deposits in trust
- (b) Buildings in trust; Structures in trust; Machinery and equipment in trust; Tools, furniture and fixtures in trust and Land in trust
- (c) Land leasehold interests in trust
- (d) Leasehold and guarantee deposits received in trust

(10) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Non-deductible consumption taxes related to the acquisition of assets are treated as the cost of applicable assets.

(11) Accounting standards issued but not yet adopted

- Accounting Standard for Revenue Recognition (Accounting Standards Board Japan (“ASBJ”) Statement No. 29, issued on March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued on March 30, 2018)

(i) Overview

The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) have jointly developed a comprehensive accounting standard for revenue recognition and issued it as converged guidance on recognizing revenue in contracts with customers in May 2014 as IFRS 15 (IASB) and Topic606 (FASB), respectively. To respond to both IFRS 15 and Topic606 effective from the fiscal years beginning on or after January 1, 2018 and December 15, 2017, respectively, ASBJ has developed a comprehensive accounting standard for revenue recognition and issued it with the respective implementation guidance.

In developing the accounting standard for revenue recognition, ASBJ basically integrated the core principle of IFRS 15 from a comparability point of view of the financial statements, which is one of the benefits of ensuring consistency with IFRS 15. ASBJ, on the other side, considered additional alternative treatments where current practices under Japanese GAAP are to be reflected as far as such treatments would not significantly impair international comparability.

(ii) Effective date

The above standards are scheduled to be applied from the beginning of the fiscal period ending February 28, 2022.

(iii) Effects of application of the standards

The effects of the application of the above standard and guidance on the financial statements are currently being assessed.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, issued on July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, issued on July 4, 2019)

(i) Overview

IASB and FASB both stipulate detailed guidance on fair value measurement as IFRS 13 “Fair Value Measurement” (IFRS) and Topic820 “Fair Value Measurement” (FASB), respectively. To enhance the comparability with these international accounting standards, ASBJ has issued the above Accounting Standard for Fair Value Measurement and Implementation Guidance on Accounting Standard for Fair

Value Measurement after thorough deliberation on implementation guidance and disclosure requirements in the standard for fair value mainly of financial instruments.

(ii) Effective date

The above standards are scheduled to be applied from the beginning of the fiscal period ending February 28, 2022.

(iii) Effects of application of the standards

The effects of the application of the above standard and guidance on the financial statements are currently being assessed.

#### 4. Cash and Cash Equivalents

Cash and cash equivalents as of February 29, 2020 and August 31, 2019 consist of the following balance sheet items:

	(Unit: thousands of yen)			
	Reporting period (As of February 29, 2020)		Previous period (As of August 31, 2019)	
Cash and deposits	¥	10,149,008	¥	10,034,957
Cash and deposits in trust		7,331,270		7,256,597
Total cash and cash equivalents	¥	17,480,278	¥	17,291,555

#### 5. Property, Plant and Equipment and Intangible Assets

The following table shows the summary of property, plant and equipment and intangible assets as of February 29, 2020:

(Unit: thousands of yen)

Type of asset			Balance at the beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at the end of the period	Accumulated depreciation /Accumulated amortization		Net balance at the end of the period	Remarks
								Depreciation and amortization		
Property, plant and equipment	Real estate	Buildings	¥ 670,500	¥ –	¥ –	¥ 670,500	¥ 22,977	¥ 8,224	¥ 647,523	
		Land	589,293	1,222,122	–	1,811,416	–	–	1,811,416	
		Subtotal	¥ 1,259,793	¥ 1,222,122	¥ –	¥ 2,481,916	¥ 22,977	¥ 8,224	¥ 2,458,939	
	Beneficial interests in trust	Buildings in trust	¥ 60,756,528	¥ 6,623,981	¥ –	¥ 67,380,509	¥ 7,993,387	¥ 1,009,980	¥59,387,122	Acquisition of property
		Structures in trust	365,406	25,654	–	391,060	132,983	13,756	258,077	
		Machinery and equipment in trust	283,547	39,216	–	322,763	158,945	17,831	163,817	
		Tools, furniture and fixtures in trust	48,242	30,665	–	78,908	22,844	4,834	56,063	
		Land in trust	242,253,730	14,592,798	–	256,846,528	–	–	256,846,528	Acquisition of property
		Subtotal	¥ 303,707,455	¥ 21,312,315	¥ –	¥ 325,019,771	¥ 8,308,161	¥ 1,046,403	¥ 316,711,609	
	Total		¥ 304,967,248	¥ 22,534,438	¥ –	¥ 327,501,687	¥ 8,331,138	¥ 1,054,627	¥ 319,170,549	
Intangible assets	Leasehold interests in land	¥ 2,343,025	¥ –	¥ –	¥ 2,343,025	¥ –	¥ –	¥ 2,343,025		
	Land leasehold interests in trust	12,301,503	478,135	3,986,700	8,792,939	2,651	2,651	8,790,287	Transfer	
	Total	¥ 14,654,716	¥ 478,135	¥ 3,986,700	¥ 11,135,965	¥ 2,651	¥ 2,651	¥ 11,133,313		

(Note) The amount of increase during the period is mainly due to the acquisition of six properties, Hulic Ginza 7 Chome Building (additional acquisition), Hulic Asakusabashi Building, Hulic Ebisu Building, Hulic Shinjuku 3 Chome Building (acquisition of partial right of land), Charm Suite Shinjukutoyama and Charm Suite Shakujiikoen, as well as due to the transfer of Hulic Shinjuku 3 Chome Building from “Land leasehold interests in trust” to “Land in trust” resulting from acquisition of partial right of land.

The amount of decrease during the period is due to the transfer of Hulic Shinjuku 3 Chome Building from “Land leasehold interests in trust” to “Land in trust” resulting from acquisition of partial right of land.

## 6. Income Taxes

### (1) Significant components of deferred tax assets and deferred tax liabilities

(Deferred tax assets)

	(Unit: thousands of yen)	
	Reporting period (As of February 29, 2020)	Previous period (As of August 31, 2019)
Enterprise tax payable	¥ 41	¥ 3
Excess depreciation	598	–
Asset retirement obligations	88,794	–
Total deferred tax assets	89,433	3
Valuation allowance	(89,392)	–
Net deferred tax assets	¥ 41	¥ 3

### (2) Reconciliation of significant differences between the statutory tax rate and the effective tax rate

	Reporting period (As of February 29, 2020)	Previous period (As of August 31, 2019)
Statutory tax rate	31.51%	31.51%
(Adjustments)		
Deductible cash distribution	(31.51)%	(31.51)%
Others	0.03%	0.02%
Effective tax rate	0.03%	0.02%

## 7. Short-term Borrowings and Long-term Borrowings

Summary information regarding short-term borrowings and long-term borrowings as of February 29, 2020 is as follows:

Classifi- cation	Lender	Balance at the beginning of the period (thousands of yen)	Amount of increase during the period (thous- ands of yen)	Amount of decrease during the period (thous- ands of yen)	Balance at the end of the period (thousands of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Use	Remarks
Short-term borrowings	Mizuho Bank, Ltd.	¥1,980,000	¥ —	¥ —	¥1,980,000	0.3235	August 7, 2020	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,386,000	—	—	1,386,000				
	MUFG Bank, Ltd.	594,000	—	—	594,000				
	Mizuho Bank, Ltd.	—	3,200,000	3,200,000	—	0.3273	March 31, 2020		
	Mizuho Bank, Ltd.	—	3,012,500	1,512,500	1,500,000	0.3691	December 18, 2020		
	Sumitomo Mitsui Banking Corporation	—	2,108,750	1,058,750	1,050,000				
	MUFG Bank, Ltd.	—	903,750	453,750	450,000				
	Mizuho Bank, Ltd.	—	1,000,000	1,000,000	—	0.3691	February 28, 2020		
	Subtotal	¥3,960,000	¥10,225,000	¥7,225,000	¥6,960,000				
Long-term borrowings	Mizuho Bank, Ltd.	¥1,650,000	¥ —	¥1,650,000	¥ —	0.4845	February 28, 2020	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	890,000	—	890,000	—				
	MUFG Bank, Ltd.	700,000	—	700,000	—				
	Mizuho Trust & Banking Co., Ltd.	660,000	—	660,000	—				
	The Norinchukin Bank	1,400,000	—	1,400,000	—				
	Resona Bank, Limited	140,000	—	140,000	—				
	Shinkin Central Bank	300,000	—	300,000	—				
	Mizuho Bank, Ltd.	4,542,500	—	4,542,500	—	* 0.3225	June 29, 2020		
	Sumitomo Mitsui Banking Corporation	1,450,000	—	1,450,000	—				
	MUFG Bank, Ltd.	1,057,500	—	1,057,500	—				
	Sumitomo Mitsui Banking Corporation	2,000,000	—	—	2,000,000	0.4810	August 31, 2020		

Classification	Lender	Balance at the beginning of the period (thousands of yen)	Amount of increase during the period (thousands of yen)	Amount of decrease during the period (thousands of yen)	Balance at the end of the period (thousands of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Use	Remarks
Long-term borrowings	Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000	0.1700	August 31, 2020	(Note 3)	Unsecured and unguaranteed
	MUFG Bank, Ltd.	150,000	—	—	150,000				
	The Norinchukin Bank	409,000	—	—	409,000				
	Mizuho Bank, Ltd.	2,560,000	—	—	2,560,000	1.1713	February 7, 2021		
	Sumitomo Mitsui Banking Corporation	1,950,000	—	—	1,950,000				
	MUFG Bank, Ltd.	1,060,000	—	—	1,060,000				
	Mizuho Trust & Banking Co., Ltd.	1,050,000	—	—	1,050,000				
	Sumitomo Mitsui Trust Bank, Limited	1,660,000	—	—	1,660,000				
	Resona Bank, Limited	270,000	—	—	270,000				
	Mizuho Bank, Ltd.	2,800,000	—	—	2,800,000				
	Sumitomo Mitsui Banking Corporation	2,110,000	—	—	2,110,000				
	MUFG Bank, Ltd.	830,000	—	—	830,000				
	Mizuho Trust & Banking Co., Ltd.	790,000	—	—	790,000				
	Aozora Bank, Ltd.	300,000	—	—	300,000				
	Shinsei Bank, Limited	300,000	—	—	300,000				
	Mizuho Bank, Ltd.	2,385,000	—	—	2,385,000	0.7730	February 28, 2022		
	Sumitomo Mitsui Banking Corporation	1,710,000	—	—	1,710,000				
	MUFG Bank, Ltd.	1,055,000	—	—	1,055,000				
	Mizuho Trust & Banking Co., Ltd.	800,000	—	—	800,000				
	Sumitomo Mitsui Trust Bank, Limited	1,400,000	—	—	1,400,000				
	Resona Bank, Limited	200,000	—	—	200,000				
	Mizuho Bank, Ltd.	150,000	—	—	150,000	0.4173	February 28, 2022		
	Sumitomo Mitsui Banking Corporation	75,000	—	—	75,000				
	MUFG Bank, Ltd.	75,000	—	—	75,000				
	Mizuho Trust & Banking Co., Ltd.	72,000	—	—	72,000				
	Sumitomo Mitsui Trust Bank, Limited	128,000	—	—	128,000				
	The Norinchukin Bank	500,000	—	—	500,000				
	Development Bank of Japan Inc.	2,450,000	—	—	2,450,000	1.6100	August 7, 2022		
	Mizuho Bank, Ltd.	1,144,000	—	—	1,144,000	0.7488	August 31, 2022		
	MUFG Bank, Ltd.	710,000	—	—	710,000				
	Mizuho Trust & Banking Co., Ltd.	549,000	—	—	549,000				
	Sumitomo Mitsui Trust Bank, Limited	414,000	—	—	414,000				
The Norinchukin Bank	414,000	—	—	414,000					
Resona Bank, Limited	125,000	—	—	125,000					
Development Bank of Japan Inc.	414,000	—	—	414,000	0.7550	August 31, 2022			
Mizuho Bank, Ltd.	650,000	—	—	650,000	0.5538	August 31, 2022			
Sumitomo Mitsui Banking Corporation	500,000	—	—	500,000					
MUFG Bank, Ltd.	200,000	—	—	200,000					
Mizuho Trust & Banking Co., Ltd.	450,000	—	—	450,000					
Sumitomo Mitsui Trust Bank, Limited	445,000	—	—	445,000					
The Norinchukin Bank	445,000	—	—	445,000					

Classification	Lender	Balance at the beginning of the period (thousands of yen)	Amount of increase during the period (thousands of yen)	Amount of decrease during the period (thousands of yen)	Balance at the end of the period (thousands of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Use	Remarks
Long-term borrowings	Resona Bank, Limited	150,000	—	—	150,000	0.5538	August 31, 2022	(Note 3)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,350,000	—	—	1,350,000	0.4099	February 28, 2023		
	Sumitomo Mitsui Banking Corporation	800,000	—	—	800,000				
	MUFG Bank, Ltd.	550,000	—	—	550,000				
	Mizuho Trust & Banking Co., Ltd.	530,000	—	—	530,000				
	Sumitomo Mitsui Trust Bank, Limited	400,000	—	—	400,000				
	The Norinchukin Bank	400,000	—	—	400,000				
	Resona Bank, Limited	243,000	—	—	243,000				
	Shinkin Central Bank	141,000	—	—	141,000				
	Aozora Bank, Ltd.	141,000	—	—	141,000				
	Mizuho Bank, Ltd.	1,500,000	—	—	1,500,000				
	Sumitomo Mitsui Banking Corporation	1,200,000	—	—	1,200,000				
	MUFG Bank, Ltd.	300,000	—	—	300,000				
	Mizuho Trust & Banking Co., Ltd.	450,000	—	—	450,000				
	Sumitomo Mitsui Trust Bank, Limited	245,000	—	—	245,000				
	The Norinchukin Bank	245,000	—	—	245,000				
	Resona Bank, Limited	150,000	—	—	150,000				
	Sompo Japan Nipponkoa Insurance Inc.	500,000	—	—	500,000	0.4100	February 28, 2023		
	Mitsui Sumitomo Insurance Company, Limited	500,000	—	—	500,000				
	Mizuho Bank, Ltd.	1,377,000	—	—	1,377,000	0.4620	August 31, 2023		
	Sumitomo Mitsui Banking Corporation	839,000	—	—	839,000				
	MUFG Bank, Ltd.	565,000	—	—	565,000				
	Mizuho Trust & Banking Co., Ltd.	546,000	—	—	546,000				
	Sumitomo Mitsui Trust Bank, Limited	409,000	—	—	409,000				
	Shinsei Bank, Limited	141,000	—	—	141,000				
	Mizuho Bank, Ltd.	1,863,000	—	—	1,863,000	0.6564	August 31, 2023		
	Sumitomo Mitsui Banking Corporation	1,411,000	—	—	1,411,000				
	MUFG Bank, Ltd.	600,000	—	—	600,000				
	Mizuho Trust & Banking Co., Ltd.	917,000	—	—	917,000				
	Sumitomo Mitsui Trust Bank, Limited	500,000	—	—	500,000				
	The Norinchukin Bank	500,000	—	—	500,000				
	Resona Bank, Limited	302,000	—	—	302,000	1.8188	February 7, 2024		
	Mizuho Bank, Ltd.	400,000	—	—	400,000				
Sumitomo Mitsui Banking Corporation	300,000	—	—	300,000					
MUFG Bank, Ltd.	300,000	—	—	300,000	0.5188	February 29, 2024			
Development Bank of Japan Inc.	809,000	—	—	809,000					
Nippon Life Insurance Company	500,000	—	—	500,000	0.6485	February 29, 2024			
Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000					
Sumitomo Mitsui Banking Corporation	1,977,000	—	—	1,977,000					
MUFG Bank, Ltd.	1,719,000	—	—	1,719,000					
Mizuho Trust & Banking Co., Ltd.	600,000	—	—	600,000					

Classification	Lender	Balance at the beginning of the period (thousands of yen)	Amount of increase during the period (thousands of yen)	Amount of decrease during the period (thousands of yen)	Balance at the end of the period (thousands of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Use	Remarks
Long-term borrowings	Sumitomo Mitsui Trust Bank, Limited	569,000	—	—	569,000	0.6485	February 29, 2024	(Note 3)	Unsecured and unguaranteed
	The Norinchukin Bank	569,000	—	—	569,000				
	Nippon Life Insurance Company	500,000	—	—	500,000	0.4600	February 29, 2024		
	Development Bank of Japan Inc.	1,900,000	—	—	1,900,000	1.1738	August 30, 2024		
	Meiji Yasuda Life Insurance Company	500,000	—	—	500,000	0.5932	August 30, 2024		
	Mizuho Bank, Ltd.	1,754,000	—	—	1,754,000	0.7800	August 30, 2024		
	Mizuho Bank, Ltd.	1,400,000	—	—	1,400,000	0.5913	August 30, 2024		
	Sumitomo Mitsui Banking Corporation	1,048,000	—	—	1,048,000				
	MUFG Bank, Ltd.	705,000	—	—	705,000				
	Mizuho Trust & Banking Co., Ltd.	622,000	—	—	622,000				
	Sumitomo Mitsui Trust Bank, Limited	610,000	—	—	610,000				
	The Norinchukin Bank	520,000	—	—	520,000				
	Resona Bank, Limited	215,000	—	—	215,000				
	Shinkin Central Bank	140,000	—	—	140,000				
	Shinsei Bank, Limited	140,000	—	—	140,000				
	Mizuho Bank, Ltd.	—	350,000	—	350,000	0.2445	August 30, 2024		
	Sumitomo Mitsui Banking Corporation	—	220,000	—	220,000				
	MUFG Bank, Ltd.	—	110,000	—	110,000				
	Mizuho Trust & Banking Co., Ltd.	—	100,000	—	100,000				
	Mitsui Sumitomo Insurance Company, Limited	—	500,000	—	500,000				
	The 77 Bank, Ltd.	—	500,000	—	500,000				
	The Nishi-Nippon City Bank, Ltd.	—	500,000	—	500,000				
	Mizuho Bank, Ltd.	250,000	—	—	250,000	1.4600	February 28, 2025		
	Sumitomo Mitsui Banking Corporation	125,000	—	—	125,000				
	MUFG Bank, Ltd.	125,000	—	—	125,000				
	Mizuho Bank, Ltd.	250,000	—	—	250,000	0.7275	February 28, 2025		
	Sumitomo Mitsui Banking Corporation	125,000	—	—	125,000				
	MUFG Bank, Ltd.	125,000	—	—	125,000				
	Development Bank of Japan Inc.	969,000	—	—	969,000	0.8500	February 28, 2025		
	Mizuho Bank, Ltd.	1,725,000	—	—	1,725,000	0.6574	February 28, 2025		
	Sumitomo Mitsui Banking Corporation	1,203,000	—	—	1,203,000				
	MUFG Bank, Ltd.	753,000	—	—	753,000				
Mizuho Trust & Banking Co., Ltd.	722,000	—	—	722,000					
Development Bank of Japan Inc.	1,010,000	—	—	1,010,000					
Sumitomo Mitsui Trust Bank, Limited	682,000	—	—	682,000					
The Norinchukin Bank	400,000	—	—	400,000					
Resona Bank, Limited	215,000	—	—	215,000					
Shinkin Central Bank	140,000	—	—	140,000					
Shinsei Bank, Limited	140,000	—	—	140,000					
Mizuho Bank, Ltd.	200,000	—	—	200,000	0.4133	February 28, 2025			
Mizuho Trust & Banking Co., Ltd.	200,000	—	—	200,000					

Classification	Lender	Balance at the beginning of the period (thousands of yen)	Amount of increase during the period (thousands of yen)	Amount of decrease during the period (thousands of yen)	Balance at the end of the period (thousands of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Use	Remarks
Long-term borrowings	Sumitomo Mitsui Trust Bank, Limited	200,000	—	—	200,000	0.4133	February 28, 2025	(Note 3)	Unsecured and unguaranteed
	The Norinchukin Bank	450,000	—	—	450,000				
	Resona Bank, Limited	140,000	—	—	140,000				
	Shinsei Bank, Limited	150,000	—	—	150,000				
	Mizuho Bank, Ltd.	1,531,000	—	—	1,531,000	0.7246	August 29, 2025		
	Sumitomo Mitsui Banking Corporation	1,267,000	—	—	1,267,000				
	MUFG Bank, Ltd.	577,000	—	—	577,000				
	Mizuho Trust & Banking Co., Ltd.	475,000	—	—	475,000				
	Development Bank of Japan Inc.	410,000	—	—	410,000				
	Aozora Bank, Ltd.	280,000	—	—	280,000				
	Meiji Yasuda Life Insurance Company	230,000	—	—	230,000				
	Nippon Life Insurance Company	230,000	—	—	230,000				
	Mizuho Bank, Ltd.	500,000	—	—	500,000	0.5700	August 29, 2025		
	Development Bank of Japan Inc.	1,200,000	—	—	1,200,000				
	Aozora Bank, Ltd.	600,000	—	—	600,000				
	Mizuho Bank, Ltd.	—	170,000	—	170,000	0.2845	August 29, 2025		
	Sumitomo Mitsui Banking Corporation	—	150,000	—	150,000				
	MUFG Bank, Ltd.	—	100,000	—	100,000				
	Mizuho Trust & Banking Co., Ltd.	—	120,000	—	120,000				
	The Norinchukin Bank	—	780,000	—	780,000				
	Shinkin Central Bank	—	550,000	—	550,000				
	Shinsei Bank, Limited	—	390,000	—	390,000				
	Mitsui Sumitomo Insurance Company, Limited	—	210,000	—	210,000				
	Mizuho Bank, Ltd.	2,910,000	—	—	2,910,000	0.4800	February 27, 2026		
	Sumitomo Mitsui Banking Corporation	1,700,000	—	—	1,700,000				
	MUFG Bank, Ltd.	850,000	—	—	850,000				
	Mizuho Trust & Banking Co., Ltd.	1,100,000	—	—	1,100,000				
	Sumitomo Mitsui Trust Bank, Limited	700,000	—	—	700,000				
	The Norinchukin Bank	1,410,000	—	—	1,410,000				
	Resona Bank, Limited	880,000	—	—	880,000				
	Shinsei Bank, Limited	450,000	—	—	450,000				
	Mizuho Bank, Ltd.	3,420,000	—	—	3,420,000	0.5840	August 31, 2026		
Sumitomo Mitsui Banking Corporation	2,700,000	—	—	2,700,000					
MUFG Bank, Ltd.	1,600,000	—	—	1,600,000					
Mizuho Trust & Banking Co., Ltd.	1,050,000	—	—	1,050,000					
Sumitomo Mitsui Trust Bank, Limited	300,000	—	—	300,000					
The Norinchukin Bank	1,000,000	—	—	1,000,000					
Mizuho Bank, Ltd.	150,000	—	—	150,000	1.7500	February 26, 2027			
Sumitomo Mitsui Banking Corporation	75,000	—	—	75,000					
MUFG Bank, Ltd.	75,000	—	—	75,000					
Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000					
Sumitomo Mitsui Banking Corporation	960,000	—	—	960,000	0.4225	February 26, 2027			

Classification	Lender	Balance at the beginning of the period (thousands of yen)	Amount of increase during the period (thousands of yen)	Amount of decrease during the period (thousands of yen)	Balance at the end of the period (thousands of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Use	Remarks		
Long-term borrowings	The Norinchukin Bank	600,000	—	—	600,000	0.4225	February 26, 2027	(Note 3)	Unsecured and unguaranteed		
	MUFG Bank, Ltd.	550,000	—	—	550,000						
	Sumitomo Mitsui Trust Bank, Limited	500,000	—	—	500,000						
	Shinsei Bank, Limited	300,000	—	—	300,000						
	Mizuho Trust & Banking Co., Ltd.	300,000	—	—	300,000						
	Shinkin Central Bank	200,000	—	—	200,000						
	Resona Bank, Limited	170,000	—	—	170,000						
	Mizuho Bank, Ltd.	—	980,000	—	980,000	0.3920	February 26, 2027				
	Sumitomo Mitsui Banking Corporation	—	400,000	—	400,000						
	MUFG Bank, Ltd.	—	340,000	—	340,000						
	Mizuho Trust & Banking Co., Ltd.	—	330,000	—	330,000						
	The Norinchukin Bank	—	1,280,000	—	1,280,000						
	Resona Bank, Limited	—	140,000	—	140,000						
	Shinkin Central Bank	—	930,000	—	930,000						
	Shinsei Bank, Limited	—	510,000	—	510,000						
	Mitsui Sumitomo Insurance Company, Limited	—	290,000	—	290,000	0.4430	August 31, 2027				
	Mizuho Bank, Ltd.	—	1,795,000	—	1,795,000						
	Sumitomo Mitsui Banking Corporation	—	1,260,000	—	1,260,000						
	MUFG Bank, Ltd.	—	150,000	—	150,000						
	Mizuho Trust & Banking Co., Ltd.	—	610,000	—	610,000						
	The Norinchukin Bank	—	1,140,000	—	1,140,000						
	Shinkin Central Bank	—	820,000	—	820,000						
	Shinsei Bank, Limited	—	600,000	—	600,000						
	MUFG Bank, Ltd.	—	490,000	—	490,000	0.4430	August 31, 2027				
	Subtotal	¥130,600,000	¥16,815,000	¥12,790,000	¥134,625,000						
	Total	¥134,560,000	¥27,040,000	¥20,015,000	¥141,585,000						

(Note 1) The average interest rate shows the weighted average rate rounded to four decimal places. Moreover, for borrowings hedged using interest rate swaps to avoid interest rate fluctuation risks, a weighted average that accounts for the effect of the interest rate swap is shown.

(Note 2) Long-term borrowings are borrowings that carry fixed interest (including borrowings where the interest rate is fixed by using interest rate swaps) except for the borrowings with the star mark (\*).

(Note 3) The borrowings were funds to purchase beneficial interests in real estate trust (including ancillary expenses) and to repay borrowings, etc.

(Note 4) Repayment of long-term borrowings scheduled for each year within 5 years after the date of the balance sheet is as follows:

(Unit: thousands of yen)					
	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years
Long-term borrowings	¥ 12,109,000	¥ 15,680,000	¥ 18,705,000	¥ 19,213,000	¥ 22,133,000

## 8. Investment Corporation Bond

Summary information regarding investment corporation bonds as of February 29, 2020 is as follows:

Issue	Issuance date	Balance at the beginning of the period (thousands of yen)	Decrease during the period (thousands of yen)	Balance at the end of the period (thousands of yen)	Interest rate (%)	Repayment date	Repayment method	Use	Collateral
1st Series Unsecured Investment Corporation Bond	August 31, 2015	¥ 2,000,000	¥ –	¥ 2,000,000	0.950	August 29, 2025	Lump-sum repayment	Repayment of borrowings	None (Note 1)
2nd Series Unsecured Investment Corporation Bond	December 13, 2016	2,000,000	2,000,000	–	0.040	December 13, 2019	Lump-sum repayment	Repayment of borrowings	None (Note 1)
3rd Series Unsecured Investment Corporation Bond	December 13, 2016	1,000,000	–	1,000,000	0.490	December 11, 2026	Lump-sum repayment	Repayment of borrowings	None (Note 1)
4th Series Unsecured Investment Corporation Bond	August 30, 2018	7,000,000	–	7,000,000	0.770	August 30, 2028	Lump-sum repayment	Repayment of borrowings	None (Note 1)
5th Series Unsecured Investment Corporation Bond	December 11, 2019	–	–	2,000,000	0.570	December 11, 2029	Lump-sum repayment	Repayment of borrowings	None (Note 1)
Total		¥ 12,000,000	¥ 2,000,000	¥ 12,000,000					

(Note 1) With limited inter-bond pari passu clause.

(Note 2) Repayment of investment corporation bonds scheduled for each year within 5 years after the date of the balance sheet is as follows:

(Unit: thousands of yen)					
	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years
Investment corporation bonds	¥ –	¥ –	¥ –	¥ –	¥ –

## 9. Net Assets

The Investment Corporation is required to maintain net assets of at least ¥50 million pursuant to the Investment Trust Act.

## 10. Unitholders' Equity

	Reporting period (From September 1, 2019 to February 29, 2020)	Previous period (From March 1, 2019 to August 31, 2019)
Total number of authorized investment units	20,000,000 units	20,000,000 units
Number of investment units issued	1,312,000 units	1,251,000 units

## 11. Distributions

Pursuant to the distribution policy prescribed in Article 35, Paragraph 1 of the Investment Corporation's Articles of Incorporation, the distribution amount shall be in excess of an amount equivalent to 90% of earnings available for distributions as defined in Article 67-15 of the Act on Special Measures Concerning Taxation, but not in excess of the amount of earnings. Based on this policy, the Investment Corporation has declared the total distributions to be ¥4,632,672,000, which is the largest integral multiple of the number of investment units issued and outstanding (1,312,000 units).

Furthermore, pursuant to the distribution policy for distributions of cash in an amount in excess of earnings prescribed in Article 35, Paragraph 2 of the Investment Corporation's Articles of Incorporation, the Investment Corporation has declared the distributions of allowance for temporary difference adjustments to be ¥1,312,000, in consideration of effects of discrepancies in tax and accounting treatment in the case of excess income in association with expenses related to asset retirement obligations (as prescribed in Article 2, Paragraph 2, Item 30 (a) of the Regulation on Accountings of Investment Corporations) on distributions.

	Reporting period (From September 1, 2019 to February 29, 2020)		Previous period (From March 1, 2019 to August 31, 2019)	
I Unappropriated retained earnings	¥	4,633,369,968	¥	4,362,498,880
II Distributions in excess of earnings	¥	1,312,000	¥	—
Of which, allowance for temporary difference adjustments	¥	1,312,000	¥	—
III Distribution amount	¥	4,633,984,000	¥	4,362,237,000
[Distributions per unit]	[¥	3,532]	[¥	3,487]
Of which, distributions of earnings	¥	4,632,672,000	¥	4,362,237,000
[Of which, distributions of earnings per unit]	[¥	3,531]	[¥	3,487]
Of which, allowance for temporary difference adjustments	¥	1,312,000	¥	—
[Of which, distributions in excess of earnings per unit (allowance for temporary difference adjustments)]	[¥	1]	[¥	—]
IV Retained earnings brought forward	¥	697,968	¥	261,880

## 12. Breakdown of Property-related Revenues and Expenses

### (1) Breakdown of property operating profit

		(Unit: thousands of yen)	
		Reporting period (From September 1, 2019 to February 29, 2020)	Previous period (From March 1, 2019 to August 31, 2019)
A.	Property operating revenues		
	Leasing business revenue		
	Rent	¥ 8,081,682	¥ 7,658,577
	Land rent	265,026	265,039
	Common area revenue	774,132	749,248
		9,120,841	8,672,865
	Other leasing business revenues		
	Utilities revenue	356,306	320,518
	Other revenue	165,014	143,824
		521,321	464,342
	Total property operating revenues	¥ 9,642,162	¥ 9,137,208
B.	Property operating expenses		
	Expenses related to leasing business		
	Property management fees	¥ 574,024	¥ 528,296
	Utilities	351,978	363,445
	Property and other taxes	726,677	725,491
	Insurance premium	9,793	8,487
	Maintenance and repairs	121,912	95,546
	Depreciation	1,057,617	965,765
	Other expenses related to leasing business	436,630	412,174
		3,278,634	3,099,208
	Total property operating expenses	¥ 3,278,634	¥ 3,099,208
C.	Property operating profit (A – B)	¥ 6,363,528	¥ 6,037,999

### (2) Transactions with major unitholders

		(Unit: thousands of yen)	
		Reporting period (From September 1, 2019 to February 29, 2020)	Previous period (From March 1, 2019 to August 31, 2019)
From operating transactions			
Leasing business revenue	¥	843,996	¥ 843,996

### 13. Financial Instruments

#### (1) Overview

##### (i) Policy for financial instruments

The Investment Corporation procures essential funds for acquiring properties, repairs and repayment of debt mainly through loans from financial institutions, issuance of investment corporation bonds and issuance of investment units and other means. In procuring interest-bearing debt, the Investment Corporation takes into account a balance between flexibility in procurement of funds and financial stability.

Furthermore, the Investment Corporation uses derivatives only for the purpose of hedging fluctuation risk of interest rates for borrowings and others and does not enter into derivative transactions for any speculative purposes.

##### (ii) Types of financial instruments, related risks, and risk management

Deposits are used for investment of the Investment Corporation's surplus funds. As they are exposed to credit risk such as bankruptcy of the depository financial institutions, deposits are carried out with safety and redeemability taken into consideration and are limited to short-term deposits.

Borrowings and investment corporation bonds are conducted mainly for the purpose of acquiring properties and refinancing of existing borrowings. Of these borrowings, those with floating interest rates are exposed to interest rate fluctuation risk. To avoid this fluctuation risk, the Investment Corporation uses derivative transactions (interest rate swaps) as hedging instruments, which, in effect, converts fluctuating interest rates into fixed interest rates.

For the method of hedge accounting, hedging instruments and hedged items, hedging policy and the method of assessing hedge effectiveness, please refer to "(7) Hedge accounting method" in "3. Summary of Significant Accounting Policies" above.

##### (iii) Supplemental explanation of the fair value of financial instruments

The fair values of financial instruments are based on their market prices, if available. If there is no available market price for certain financial instruments, such fair value is based on the value reasonably estimated. Since variable factors are reflected in estimating the fair value, different assumptions could result in a different fair value. The contract amounts related to derivatives mentioned in "Derivative transactions" below do not represent the value of the market risk associated with the derivative transactions.

#### (2) Fair value of financial instruments

The carrying amounts on the balance sheet, fair values, and the differences between the two values as of February 29, 2020 and August 31, 2019 are as follows:

	(Unit: thousands of yen)						
	Reporting period (As of February 29, 2020)			Previous period (As of August 31, 2019)			
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	
(i) Cash and deposits	¥ 10,149,008	¥ 10,149,008	¥ –	¥ 10,034,957	¥ 10,034,957	¥ –	
(ii) Cash and deposits in trust	7,331,270	7,331,270	–	7,256,597	7,256,597	–	
Total	¥ 17,480,278	¥ 17,480,278	¥ –	¥ 17,291,555	¥ 17,291,555	¥ –	
(i) Short-term borrowings	¥ 6,960,000	¥ 6,960,000	¥ –	¥ 3,960,000	¥ 3,960,000	¥ –	
(ii) Current portion of investment corporation bond	–	–	–	2,000,000	1,999,200	(800)	
(iii) Current portion of long-term borrowings	12,109,000	12,196,483	87,483	16,349,000	16,369,835	20,835	
(iv) Investment corporation bond	12,000,000	12,109,700	109,700	10,000,000	10,190,700	190,700	
(v) Long-term borrowings	122,516,000	121,251,107	(1,264,892)	114,251,000	113,921,061	(329,938)	
Total	¥ 153,585,000	¥ 152,517,291	¥ (1,067,708)	¥ 146,560,000	¥ 146,440,797	¥ (119,202)	
Derivative transactions	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	

(Note 1) Methods to determine the fair values of financial instruments and matters regarding derivative transactions

Assets

- (i) Cash and deposits, and (ii) Cash and deposits in trust

As these are settled within a short period of time, the fair value is approximately the same as the carrying amount and is thus stated at that carrying amount.

Liabilities

- (i) Short-term borrowings

As these are settled within a short period of time with variable interest rates, the fair value is approximately the same as the carrying amount and is thus stated at that carrying amount.

- (ii) Current portion of investment corporation bond, and (iv) Investment corporation bond

The fair value is calculated based on reference indicative prices of sale/purchase transactions provided by financial institutions, etc.

- (iii) Current portion of long-term borrowings, and (v) Long-term borrowings

Since long-term borrowings that carry floating interest rates are reviewed on a short-term interval to reflect market interest rates, and the Investment Corporation's credit standing did not change significantly after the execution of the loans, their fair value is considered approximate to the carrying amounts. Therefore, the carrying amounts are used as the fair value of these liabilities. (However, for long-term borrowings with floating interest rates to which special treatment for interest rate swaps is applied (Please refer to "Derivative transactions" below.), the fair value is calculated by discounting the sum of principal and interest, which are treated in combination with the said interest rate swap, at a reasonable rate estimated for a similar new loan that is made corresponding to the remaining period.)

The fair value of long-term borrowings carrying fixed interest rates is calculated by discounting the sum of principal and interest at a reasonable rate estimated for a similar new loan that is made corresponding to the remaining period.

(Note 2) Redemption schedule for monetary claims as of February 29, 2020 and August 31, 2019

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
As of February 29, 2020						
Cash and deposits	¥ 10,149,008	¥ –	¥ –	¥ –	¥ –	¥ –
Cash and deposits in trust	7,331,270	–	–	–	–	–
Total	¥ 17,480,278	¥ –	¥ –	¥ –	¥ –	¥ –

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
As of August 31, 2019						
Cash and deposits	¥ 10,034,957	¥ –	¥ –	¥ –	¥ –	¥ –
Cash and deposits in trust	7,256,597	–	–	–	–	–
Total	¥ 17,291,555	¥ –	¥ –	¥ –	¥ –	¥ –

(Note 3) Redemption schedule for investment corporation bonds, long-term borrowings and other interest-bearing debt as of February 29, 2020 and August 31, 2019

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
As of February 29, 2020						
Short-term borrowings	¥ 6,960,000	¥ –	¥ –	¥ –	¥ –	¥ –
Investment corporation bond	–	–	–	–	–	12,000,000
Long-term borrowings	12,109,000	15,680,000	18,705,000	19,213,000	22,133,000	46,785,000
Total	¥ 19,069,000	¥ 15,680,000	¥ 18,705,000	¥ 19,213,000	¥ 22,133,000	¥ 58,785,000

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
As of August 31, 2019						
Short-term borrowings	¥ 3,960,000	¥ –	¥ –	¥ –	¥ –	¥ –
Investment corporation bond	2,000,000	–	–	–	–	10,000,000
Long-term borrowings	16,349,000	15,680,000	17,610,000	19,615,000	18,797,000	42,549,000
Total	¥ 22,309,000	¥ 15,680,000	¥ 17,610,000	¥ 19,615,000	¥ 18,797,000	¥ 52,549,000

## 14. Derivative Transactions

### (1) Derivative transactions not applying hedge accounting

As of February 29, 2020 and August 31, 2019

Not applicable.

### (2) Derivative transactions applying hedge accounting

The contracted amount or principal amount equivalent set forth in the contract as of February 29, 2020 and August 31, 2019 for each hedge accounting method is as follows:

(Unit: thousands of yen)

As of February 29, 2020						
Hedge accounting method	Type of derivative transaction	Major hedged item	Contracted amount		Fair value	Measurement method for fair value
				Portion due after 1 year		
Special treatment of interest rate swaps	Interest rate swap transaction Payment: fixed interest rate Receipt: floating interest rate	Long-term borrowings	¥ 82,642,000	¥ 70,533,000	*	—

(Unit: thousands of yen)

As of August 31, 2019						
Hedge accounting method	Type of derivative transaction	Major hedged item	Contracted amount		Fair value	Measurement method for fair value
				Portion due after 1 year		
Special treatment of interest rate swaps	Interest rate swap transaction Payment: fixed interest rate Receipt: floating interest rate	Long-term borrowings	¥ 72,057,000	¥ 62,758,000	*	—

\* Interest rate swap transactions to which special treatment is applied are accounted for as an integral part of long-term borrowings, the hedged item. Thus, their fair values are included in the fair value of long-term borrowings. (Please refer to the preceding “13. Financial Instruments, (2) Fair value of financial instruments, (Note 1) Methods to determine the fair values of financial instruments and matters regarding derivative transactions, Liabilities (iii) Current portion of long-term borrowings, and (v) Long-term borrowings.”)

## 15. Leases

Operating lease transactions (Lessor)

Future minimum lease payments under noncancelable operating lease transactions

(Unit: thousands of yen)

	Reporting period (As of February 29, 2020)	Previous period (As of August 31, 2019)
Due within 1 year	¥ 8,589,037	¥ 7,773,689
Due after 1 year	37,329,775	39,091,062
Total	¥ 45,918,812	¥ 46,864,752

## 16. Investment and Rental Properties

The Investment Corporation owns rental office buildings and other properties in Tokyo and other regions for rent revenue. The balance sheet carrying amounts, changes during the fiscal period under review, and fair values of these rental properties are as follows:

	(Unit: thousands of yen)			
	Reporting period (From September 1, 2019 to February 29, 2020)		Previous period (From March 1, 2019 to August 31, 2019)	
Carrying amount				
Balance at the beginning of the period	¥	312,335,267	¥	306,106,963
Changes during period		17,968,594		6,228,304
Balance at the end of the period	¥	330,303,862	¥	312,335,267
Fair value at the end of the period	¥	387,353,000	¥	365,527,000

(Note 1) The balance sheet carrying amount is the acquisition cost less accumulated depreciation.

(Note 2) The main reasons for increases in the investment and rental properties during the reporting period and the previous period are the acquisition of real estate and beneficial interests in real estate trust of six properties (¥18,762,173 thousand) in the reporting period and beneficial interests in real estate trust of two properties (¥7,107,111 thousand) in the previous period. The decrease during the reporting period and the previous period is mainly due to depreciation (¥1,057,278 thousand and ¥965,765 thousand, respectively).

(Note 3) The fair value at the end of the period is the appraisal value provided by an independent real estate appraiser. The profit or loss for the period under review concerning investment and rental properties is indicated under “12. Breakdown of Property-related Revenues and Expenses.”

## 17. Related-Party Transactions

(1) Parent company, major corporate unitholders and other

Reporting period (From September 1, 2019 to February 29, 2020)

Type	Name	Location	Share capital or investments in capital (thousands of yen)	Business or occupation	Percentage of voting rights held	Relationship		Nature of transaction	Amount of transaction (thousands of yen)	Account item	Balance at the end of the period (thousands of yen)
						Inter-locking officers	Business relationship				
Major corporate unitholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	¥62,718,573	Real estate business	(directly) 10.95%	—	Rent and management of real estate	Purchase of beneficial interests in real estate trust	¥17,028,000	—	¥ —
								Keeping of leasehold and guarantee deposits	¥ 955,006	Leasehold and guarantee deposits received in trust	¥11,602,004
								Repayment of leasehold and guarantee deposits	¥ 192,181		
								Earning of rent revenue, etc.	¥ 843,996	Advances received	¥ 150,316

(Note 1) Transaction terms are determined based on current market prices.

(Note 2) Consumption taxes are not included in amount of transaction but are included in balance at the end of the period.

Previous period (From March 1, 2019 to August 31, 2019)

Type	Name	Location	Share capital or investments in capital (thousands of yen)	Business or occupation	Percentage of voting rights held	Relationship		Nature of transaction	Amount of transaction (thousands of yen)	Account item	Balance at the end of the period (thousands of yen)
						Inter-locking officers	Business relationship				
Major corporate unitholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	¥62,718,573	Real estate business	(directly) 11.24%	—	Rent and management of real estate	Purchase of beneficial interests in real estate trust	¥ 7,050,000	—	¥ —
								Keeping of leasehold and guarantee deposits	¥ 270,890	Leasehold and guarantee deposits received in trust	¥10,839,179
								Repayment of leasehold and guarantee deposits	¥ 27,730		
								Earning of rent revenue, etc.	¥ 843,996	Advances received	¥ 148,386

(Note 1) Transaction terms are determined based on current market prices.

(Note 2) Consumption taxes are not included in amount of transaction but are included in balance at the end of the period.

(2) Affiliated companies and other

Reporting period (From September 1, 2019 to February 29, 2020) and previous period (From March 1, 2019 to August 31, 2019)

Not applicable.

(3) Fellow subsidiary companies and other

Reporting period (From September 1, 2019 to February 29, 2020)

Type	Name	Location	Share capital or investments in capital (thousands of yen)	Business or occupation	Percentage of voting rights held	Relationship		Nature of transaction	Amount of transaction (thousands of yen)	Account item	Balance at the end of the period (thousands of yen)
						Inter-locking officers	Business relationship				
Companies whose majority of voting rights are owned by major (corporate) unitholder	Hulic Reit Management Co., Ltd.	Chuo-ku, Tokyo	¥ 200,000	Asset management for investment corporations	—	1	Consignment of asset management	Payment of asset management fees	¥ 963,279	Accounts payable - other	¥ 1,011,693

(Note 1) The asset management fees for the reporting period include management fees of ¥48,270 thousand relating to the acquisitions that are capitalized as part of the acquisition cost for the individual real property.

(Note 2) Transaction terms are determined based on current market prices.

(Note 3) Consumption taxes are not included in amount of transaction but are included in balance at the end of the period.

Previous period (From March 1, 2019 to August 31, 2019)

Type	Name	Location	Share capital or investments in capital (thousands of yen)	Business or occupation	Percentage of voting rights held	Relationship		Nature of transaction	Amount of transaction (thousands of yen)	Account item	Balance at the end of the period (thousands of yen)
						Inter-locking officers	Business relationship				
Companies whose majority of voting rights are owned by major (corporate) unitholder	Hulic Reit Management Co., Ltd.	Chuo-ku, Tokyo	¥ 200,000	Asset management for investment corporations	—	1	Consignment of asset management	Payment of asset management fees	¥ 887,067	Accounts payable - other	¥ 938,998

(Note 1) The asset management fees for the reporting period include management fees of ¥17,625 thousand relating to the acquisitions that are capitalized as part of the acquisition cost for the individual real property.

(Note 2) Transaction terms are determined based on current market prices.

(Note 3) Consumption taxes are not included in amount of transaction but are included in balance at the end of the period.

(4) Directors, major individual unitholders and other

Reporting period (From September 1, 2019 to February 29, 2020) and previous period (From March 1, 2019 to August 31, 2019)

Transactions carried out by Eiji Tokita, Executive Officer of the Investment Corporation, as the Representative of a third party (Hulic Reit Management Co., Ltd.) are as shown above in transactions with Hulic Reit Management Co., Ltd. in “(3) Fellow subsidiary companies and other.”

## 18. Per Unit Information

	(Unit: yen)	
	Reporting period (From September 1, 2019 to February 29, 2020)	Previous period (From March 1, 2019 to August 31, 2019)
Net assets per unit	¥ 135,984	¥ 133,625
Basic earnings per unit	¥ 3,554	¥ 3,486

(Note 1) Basic earnings per unit is calculated by dividing profit by the daily weighted average number of investment units during the period. Fully diluted earnings per unit has not been stated as there are no potentially dilutive investment units.

(Note 2) The following is the basis for calculating basic earnings per unit:

		Reporting period (From September 1, 2019 to February 29, 2020)	Previous period (From March 1, 2019 to August 31, 2019)
Profit	(thousands of yen)	¥ 4,633,108	¥ 4,361,810
Amount not attributable to common unitholders	(thousands of yen)	¥ —	¥ —
Profit attributable to common investment units	(thousands of yen)	¥ 4,633,108	¥ 4,361,810
Average number of investment units during the period	(units)	1,303,374	1,251,000

## 19. Segment and Related Information

[Segment information]

Disclosure is omitted as the Investment Corporation is comprised of a single reportable segment engaged in the real estate leasing business.

[Related information]

Reporting period (From September 1, 2019 to February 29, 2020)

(1) Information about each product and service

Disclosure is omitted as operating revenues from external customers within a single product/service category accounts for over 90% of operating revenues on the statement of income and retained earnings.

(2) Information about each geographical area

(i) Operating revenues

Disclosure is omitted as operating revenues from external customers in Japan exceeded 90% of operating revenues on the statement of income and retained earnings.

(ii) Property, plant and equipment

Disclosure is omitted as the amount of property, plant and equipment located in Japan exceeded 90% of property, plant and equipment on the balance sheet.

(3) Information about major customers

Disclosure is omitted from the reporting period as operating revenues from a single external customer did not exceed 10% of operating revenues on the statement of income and retained earnings.

Previous period (From March 1, 2019 to August 31, 2019)

(1) Information about each product and service

Disclosure is omitted as operating revenues from external customers within a single product/service category accounts for over 90% of operating revenues on the statement of income and retained earnings.

(2) Information about each geographical area

(i) Operating revenues

Disclosure is omitted as operating revenues from external customers in Japan exceeded 90% of operating revenues on the statement of income and retained earnings.

(ii) Property, plant and equipment

Disclosure is omitted as the amount of property, plant and equipment located in Japan exceeded 90% of property, plant and equipment on the balance sheet.

(3) Information about major customers

Name of tenant	Operating revenues	(Unit: thousands of yen)
		Related segment
Hulic Co., Ltd.	¥ 843,996	Real estate leasing business

## 20. Commitment Line Contracts

The Investment Corporation has commitment line contracts with banks and other financial institutions.

	(Unit: thousands of yen)	
	Reporting period (As of February 29, 2020)	Previous period (As of August 31, 2019)
Total amount of commitment line contracts	¥ 12,000,000	¥ 10,000,000
Borrowings outstanding	—	—
Remaining available amount	¥ 12,000,000	¥ 10,000,000

## 21. Asset Retirement Obligations

Asset retirement obligations reported on balance sheets

### (1) Summary of the asset retirement obligations

The Investment Corporation recognizes the original state restoration obligations assumed under the fixed-term business-purpose land sub-leasehold agreement as the asset retirement obligations in connection with Hulec Asakusabashi Building acquired on December 20, 2019.

### (2) Method of calculating asset retirement obligations

Asset retirement obligations are calculated based on a discount rate of 0.48% after the useful life has been estimated to be 45 years and 1 month based on the time period from the date of acquisition to the expiration of the agreement.

### (3) Changes in the amount of respective asset retirement obligations consisted of the following:

	(Unit: thousands of yen)			
	Reporting period (As of February 29, 2020)		Previous period (As of August 31, 2019)	
Balance at the beginning of the period	¥	—	¥	—
Addition due to acquisition of property, plant and equipment		281,906		—
Accretion adjustment		338		—
Balance at the end of the period	¥	282,245	¥	—

## 22. Allowance for Temporary Difference Adjustments

Reporting period (From September 1, 2019 to February 29, 2020)

### (1) Reasons, related assets and amount of allowance

Related assets		Reasons for allowance		(Unit: thousands of yen)	
				Amount of allowance	
Buildings in trust	Excess depreciation due to asset retirement obligations			¥	1,312

### (2) Method of reversal

The corresponding amount is scheduled to be reversed upon retirement of the related assets.

Previous period (From March 1, 2019 to August 31, 2019)

Not applicable.

## 23. Subsequent Events

Not applicable.