

Securities code: **3295**



HULIC REIT, INC.

**Interim Financial Results Briefing for the Fiscal Period
Ending August 31, 2014 (1st Fiscal Period)**

June 13, 2014

<http://www.hulic-reit.co.jp/en/>



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I. Summary of IPO



1 Summary of IPO

Offering format	Global offering Domestic offering and international offering (Reg. S+144A)
Securities code	3295
Total offering	650,000 units
Value of total offering	¥70.2 billion
Date of listing	February 7, 2014
Issue price	¥108,000
Investor ratio	Domestic: 75% / International: 25%
Joint Global Coordinators	Mizuho Securities and Nomura Securities



2 Vender Article (Excerpt)

Hulic Reit Demonstrates the Track Record of its Sponsor

(Abridged)

Book building was carried out with the plan to allocate 85% to general investors and 15% to institutional investors in Japan, excluding the 79,500 units set aside for specific buyers, with the breakdown 80% domestic and 20% international per the initial resolution. According to persons involved in the deal, the multiple was **“5 times for the domestic general investor portion, 12 times for the domestic institutional investor, and 30 times for the international portion.”** Given that international demand outstripped expectations, 5% of the domestic retail portion was reallocated for international investors. In addition to steady demand from retail investors, demand from institutional investors was apparently robust both in Japan and overseas. Persons involved in the deal pointed out, “This IPO was a clear indication of the sponsor’s track record and recognition. There was also demand from Hulic’s investors during the roadshow.” “By selecting the 144A rule, **nearly every subscriber participated** with the exception of those without a track record that could not,” noted an official involved in the deal.

(Abridged)

(Miho Osawa DealWatch / Thomson Reuters)

DEALWATCH



Hulic Reit: Rouses Demand with Yield and Sense of Value

(Abridged)

There was strong demand internationally, with part of the domestic retail portion re-allocated, increasing the initial 20% international allocation by 5%. According to the bookrunner, “This was a deal that saw **all subscribers participate**, including notably real estate focused funds from North America and Asia as well as investors that are long. Major investors placed orders for between ¥5,000 million and ¥10,000 million yen.” This demonstrates that Hulic’s regular international investor roadshows had a positive effect in getting its name out to the market.

(Abridged)

(Nagisa Ikebe Capital Eye News)





THOMSON REUTERS



**Sponsored by Thomson Reuters Markets
FY2013 DealWatch Awards
Real Estate Investment Trust Category
“J-REIT of the Year”**

Reason

The J-REIT established by Hulic and its vast track record in real estate development ushered in the New Year in grand fashion. There was strong interest in its ideally located office properties focused on Tokyo as well as its development of new asset classes, such as acquisition of nursing homes and network centers

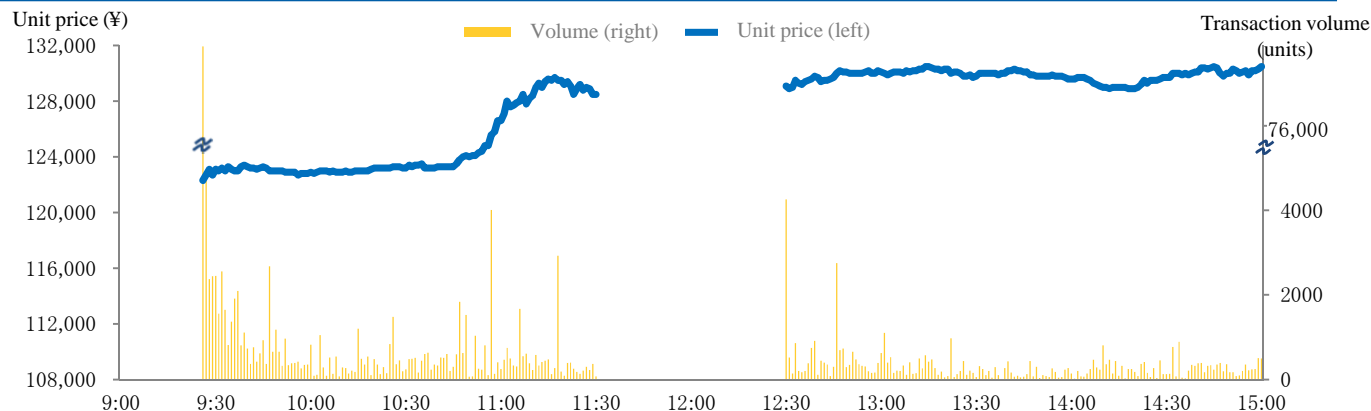
**Sponsored by Capital Eye
Capital Eye Awards
Real Estate Investment Trust Category
“BEST DEAL OF 2013”**

Reason

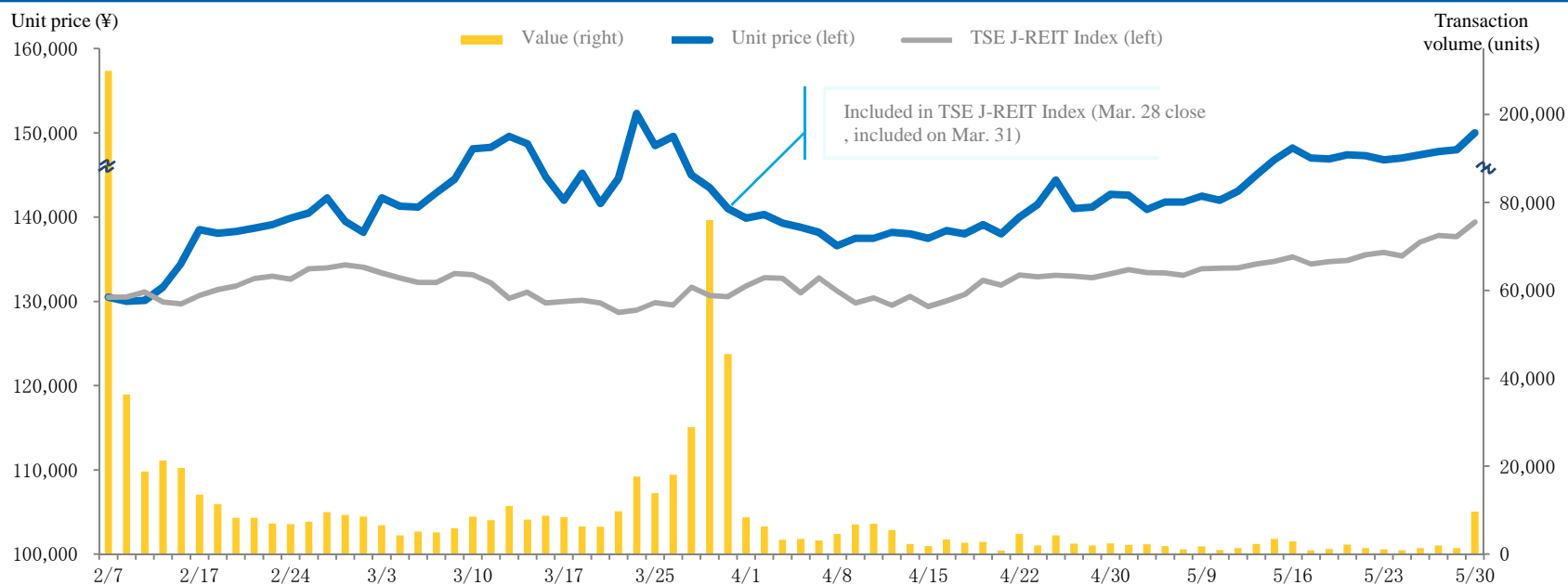
Launched its IPO with a portfolio of more than ¥100,000 million, which includes private nursing homes and other asset classes in addition to ideally situated office properties in Tokyo. This delivers a balance of stability and growth, and generated demand that saw nearly every subscriber participate. The market also looked favorably on the low leveraged listing that offers ample room for increases in cash distribution.

1 Unit price greatly exceeded the issue price on IPO date (February 7)

Issue price	¥108,000
Open	¥122,000
High	¥130,700
Low	¥122,000
Close	¥130,500



2 Price action since IPO



*1: Left: The closing price of the TSE J-REIT Index on Feb. 7, 2014 was used to create an index based on the closing price of HULIC Reit on its IPO date (¥130,500).

II. Performance



1 Portfolio Occupancy Rate

Portfolio (%)	Prospectus Disclosure (Sept. 30, 2013)	IPO	Feb. 28	Mar. 31	Apr. 30
Overall	98.9	99.9	100.0	99.6	98.8
Tokyo commercial properties	98.4	99.9	100.0	99.4	98.1
Office properties	97.6	100.0	100.0	99.1	97.2
Retail properties	100.0	99.6	100.0	100.0	100.0
Next generation assets	100.0	100.0	100.0	100.0	100.0
Private nursing homes	100.0	100.0	100.0	100.0	100.0
Network centers	100.0	100.0	100.0	100.0	100.0

- (1) Occupancy rate was 99.9% at IPO and 100% on February 28.
- (2) As of April 30, 2014, commercial properties and next generation assets saw stable occupancy rates and the entire portfolio maintained a high occupancy rate at 98.8%.

2 Occupancy Rate by Property (as of April 30, 2014)

		Name	Occupancy Rate as of April 30, 2014 (%)
Tokyo commercial properties	Office properties	Hulic Kamiyacho Building	96.4
		Hulic Kudan Building (Land)	100.0
		Toranomon First Garden	100.0
		Rapiros Roppongi	90.5
		Hulic Takadanobaba Building	100.0
		Hulic Kanda Building	100.0
		Hulic Kandabashi Building	100.0
		Hulic Kakigaracho Building	100.0
	Retail properties	Oimachi Redevelopment Building (#2)	100.0
		Oimachi Redevelopment Building (#1)	100.0
		Dining Square Akihabara Building	100.0
		Hulic Jingu-Mae Building	100.0

		Name	Occupancy Rate as of April 30, 2014 (%)
Next generation assets	Private nursing homes	Aria Matsubara	100.0
		Trust Garden Yoganomori	100.0
		Trust Garden Sakurashinmachi	100.0
		Trust Garden Sugunami Miyamae	100.0
	Network centers	Ikebukuro Network Center	100.0
		Tabata Network Center	100.0
		Hiroshima Network Center	100.0
		Atsuta Network Center	100.0
		Nagano Network Center	100.0

1 Lease Renewals of Tenants ^{*1}

(1) Renewals up to April 2014

Renewals	No.
Increased	1
Left unchanged	10
Reduced	2
Total	13

(2) Expected Renewals up to August 31, 2014 (under negotiation)

Negotiations	No.
Request increase	(4)
Leave unchanged	(5)
Reduce	(0)
Total	(9)

*1: Status of revisions to lease agreements requiring renewal by August 31, 2014 as of April 30, 2014.

2 Examples

(1) Filled Vacancy Immediately after Tenant Left



Hulic Jingu-Mae Building

- A lease was cancelled prior to the IPO, but the space was immediately filled and the property is at full capacity

- Rare property situated on Cat Street, which serves as the main street of Ura-Harajuku

(2) Lowered Maintenance Fee Considerably



Hulic Kakigaracho Building

- Lowered annual maintenance fee by more than ¥10 million

- Worked closely with the Hulic Group's property management company to thoroughly manage costs and significantly lower the maintenance fee

III. Summary of Interim Financial Results for the Fiscal Period Ending August 31, 2014 (1st Fiscal Period)



1 Balance Sheet (millions of yen)

Assets	Cash and deposits	3,477
	Real estate investments	102,796
	Other	1,005
	Total	107,278
Liabilities	Total borrowings	33,000
	Tenant leasehold and security deposits in trust	5,049
	Other	1,003
	Total	39,053
Net assets		68,224
LTV ^{*1}		30.8%

2 Statement of Income (millions of yen)

(Rounded to the nearest thousand)

Operating revenue	Rent revenues	1,452	Rent 1,195 Land rent and common service fees 257
	Other lease business revenues	43	Revenue from utilities charges 27 Other revenue 16
	Total	1,496	
Operating income		1,093	Management consignment expenses 160 Depreciation 140 Asset management fees and attorney fees 101
Ordinary income		282	Interest expenses and borrowing-related expenses 387 Investment unit issuance expenses 423
Net income		281	Income taxes 0.8

- (1) The fiscal period ending August 31, 2014 (1st fiscal period) is from November 7, 2013 to August 31, 2014. Since this first fiscal period is longer than nine months, an interim settlement of results was carried out on April 30, 2014.
- (2) The number of operating days for the interim settlement of results is 175 days. The actual number of operating days from the IPO date is 83 days.

^{*1}: Loan-to-value ratio (LTV) = Total liabilities / Total Assets

1 Summary of Appraisal Values and Comparison with Time of IPO

(Millions of yen)

	No. of Properties	Fiscal Period Ending August 31, 2014 (1st Fiscal Period) Interim Results				Appraisal at IPO*2			Comparison with IPO		
		Appraisal Value	Book Value	Unrealized Gains	Cap Rate*1 (%)	Acquisition Price	Appraisal Value	Cap Rate*1 (%)	Difference in Appraisal Value	Change in Appraisal Value (%)	Cap Rate Difference (%)
Office properties	8	60,070	58,146	1,924	4.3	57,373	58,770	4.4	1,300	2.2	-0.1
Retail properties	4	23,460	21,717	1,743	4.8	21,482	22,870	4.9	590	2.6	-0.1
Private nursing homes	4	15,620	14,494	1,126	5.4	14,244	14,310	5.9	1,310	9.2	-0.5
Network centers	5	8,742	8,439	303	5.3	8,325	8,526	5.4	216	2.5	-0.1
Total	21	107,892	102,796	5,096	---	101,424	104,476	---	3,416	3.3	---

*1: The cap rate is calculated using the weighted average of the cap rate from the direct capitalization method in the appraisal report.

*2: Based on the appraisal report as of September 30, 2013

2 Appraisal Value at Time of IPO and Changes in Cap Rate

		Properties
Changes in appraisal value	Higher	21
	Unchanged	0
	Lower	0
Changes in cap rate	Improved	19
	Unchanged	2
	Deteriorated	0

- (1) The appraisal value of the entire portfolio increased. There were unrealized gains of ¥5,096 million at the time of the interim results (approx. 5% of book value)
- (2) Office, retail properties and network centers saw their Cap Rate increase 10bp compared to IPO, while for private nursing homes it increased 50bp.

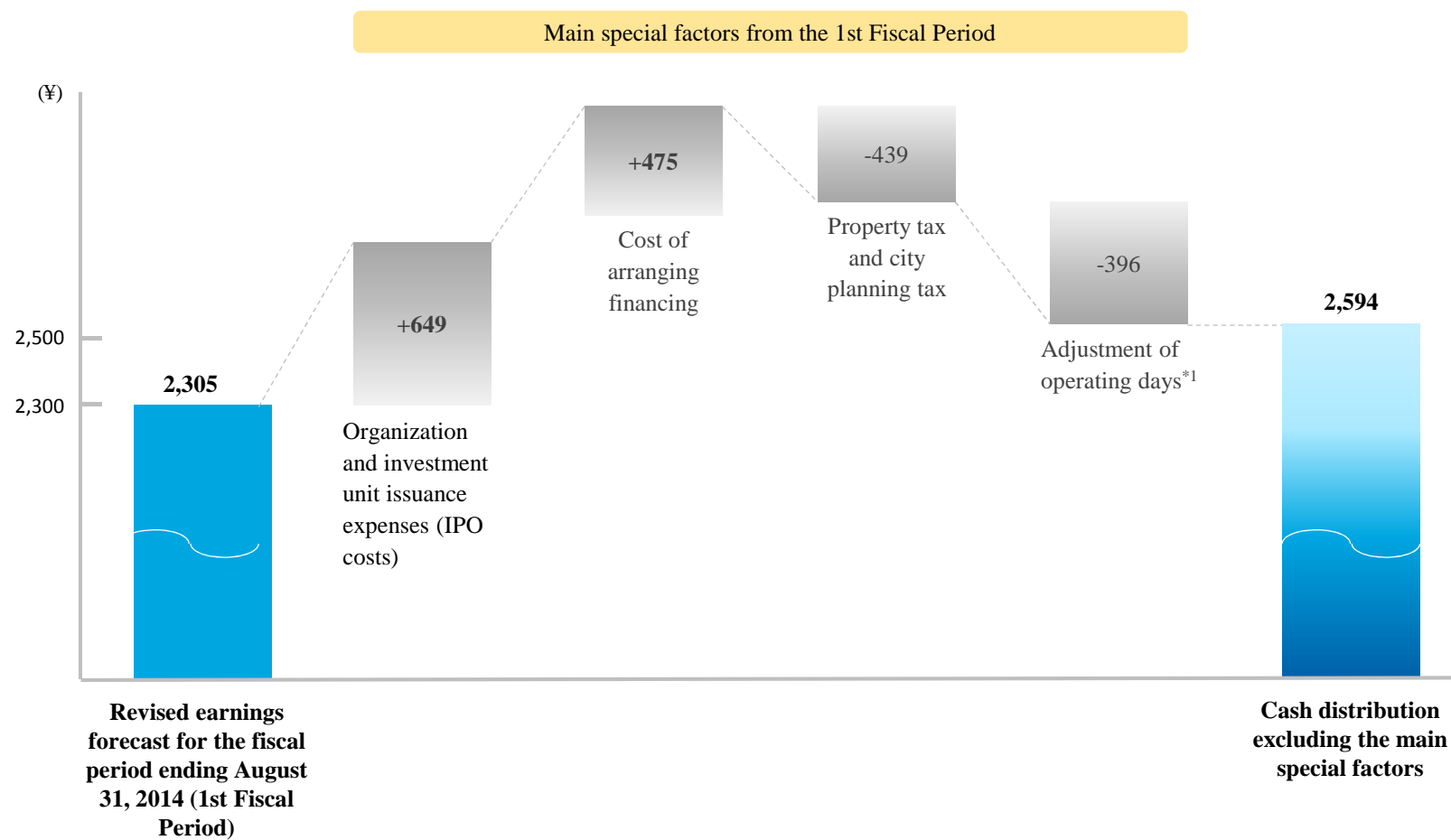
Revisions to the Earnings Forecast for the Fiscal Period Ending August 31, 2014 (1st Fiscal Period) 12

1 Summary of Revisions to Earnings Forecast

- Revisions were made to the earnings forecast for the fiscal period under review because of an uptick in rent revenue from occupancy rates that outperformed expectations, reduced maintenance fees from thorough cost management, and a decrease in interest expenses and IPO costs, etc.

	1st Fiscal Period Forecast	Revised 1st Fiscal Period Forecast	Change	Main Factors
Operating revenue (millions of yen)	3,605	3,662	57	<ul style="list-style-type: none"> • Rent revenue +52 • Revenue from utilities charges +5
Operating income (millions of yen)	2,421	2,436	15	<ul style="list-style-type: none"> Operating expenses +42 • Expenses related to rent business -15 • Real estate appraisal costs for interim results and asset management fee II linked to income +57
Ordinary income (millions of yen)	1,236	1,504	268	<ul style="list-style-type: none"> Non-operating expenses -253 • Organization and investment unit issuance expenses -142 • Interest paid and borrowing-related expenses -111
Net income (millions of yen)	1,236	1,503	267	Income taxes, etc. +0.8
Cash distribution per unit (yen)	1,895	2,305	410	

1 Cash Distribution Excluding Special Factors from the Fiscal Period Ending August 31, 2014



*1: There are 22 additional operating days in the 1st fiscal period

IV. Features of Hulic Reit



1 Investment Highlights

- Hulic Reit seeks to maximize medium- to long-term investor value by focusing on Tokyo commercial properties and aims to generate stable long-term revenue streams from investments in next generation assets.

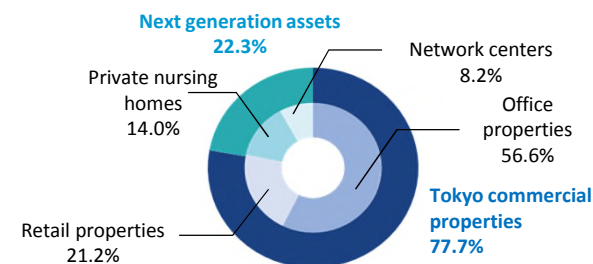
2 Portfolio Summary

No. of Properties	21												
Acquisition Price	¥101,424 million												
Average NOI yield ^{*1}	5.1%												
Portfolio	<table> <tr> <td>Tokyo commercial properties</td><td>Around 80% of total</td></tr> <tr> <td>Office properties</td><td>8 properties</td></tr> <tr> <td>Retail properties</td><td>4 properties</td></tr> <tr> <td>Next generation assets</td><td>Around 20% of total</td></tr> <tr> <td>Private nursing homes</td><td>4 properties</td></tr> <tr> <td>Network centers</td><td>5 properties</td></tr> </table>	Tokyo commercial properties	Around 80% of total	Office properties	8 properties	Retail properties	4 properties	Next generation assets	Around 20% of total	Private nursing homes	4 properties	Network centers	5 properties
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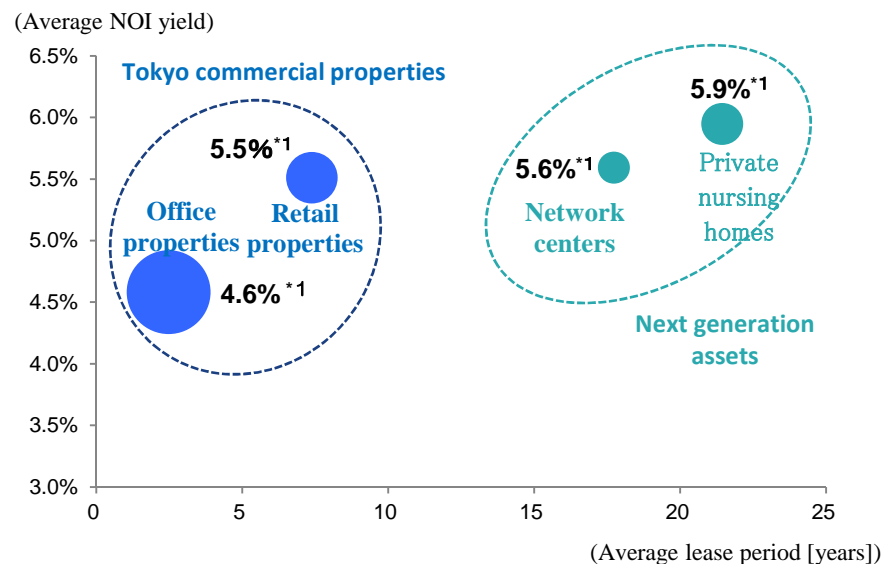
^{*1}: Calculated based on appraisal NOI of appraisal at time of IPO by using the weighted average for the acquisition price of the entire portfolio and by asset class

^{*2}: Based on acquisition price

3 Portfolio Breakdown ^{*2}



4 Average Lease Period and Average NOI Yield (by asset class)

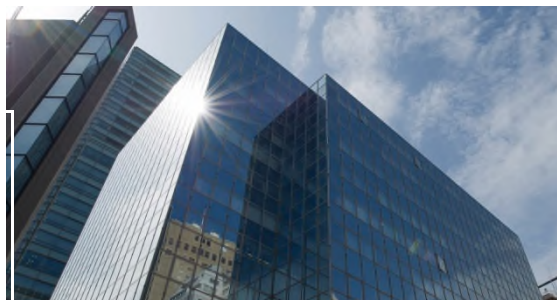


1 Investment Policy

- Hulic Reit focuses on Tokyo Commercial Properties for which its sponsor Hulic offers extensive expertise and experience. 80% of its portfolio consists of this asset class.



- Tokyo's 23 wards
- Less than 5-minute walk from nearest station (in principle)

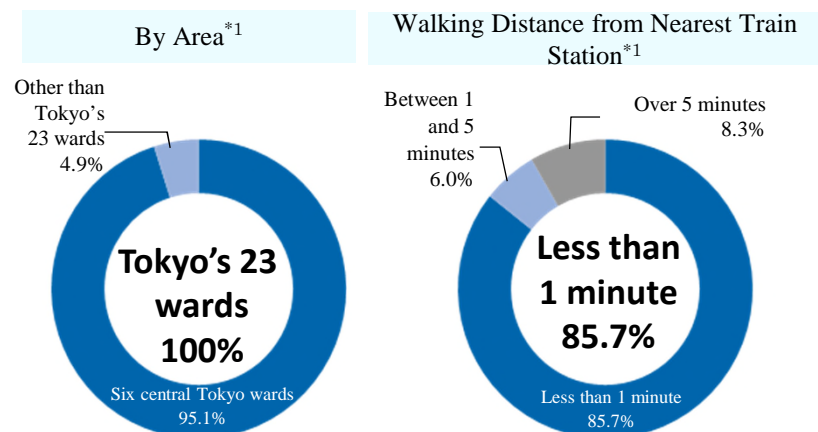


- Tokyo and suburbs
- Less than 5-minute walk from nearest station or located in area with high retail concentration



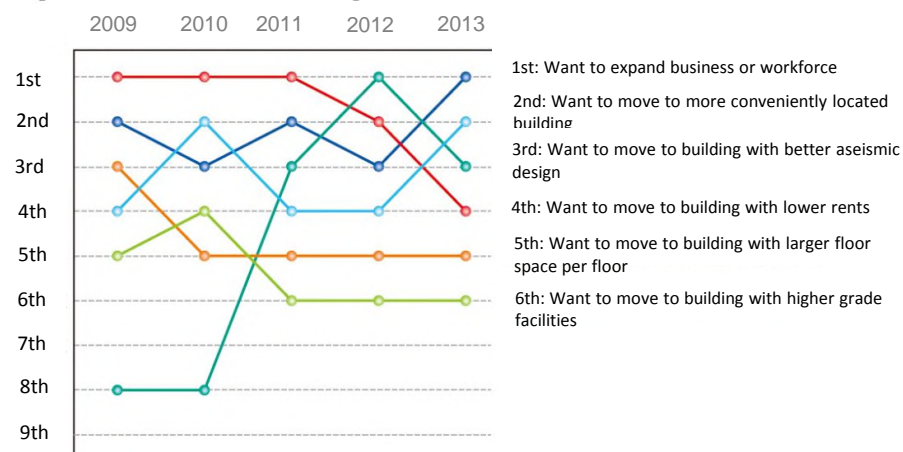
2 Rigorous Focus on Location – Superior Nature of Great Location

(1) Portfolio



(2) Tenant Leasing Needs

- Office tenants tend to prefer buildings that are conveniently located.



*1: Based on acquisition price

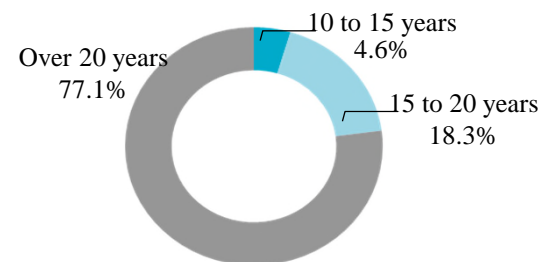
Source: CBRE "Basic Market Survey on Confirming Advantages of Tokyo Office Properties" (period: October 2013)

Source: Mori Building "2013 Survey on Office Needs in Tokyo's 23 Wards"

1 Investment Policy

- (1) Invest in assets for which strong future demand is expected given increasing needs in society
- (2) Only facilities with a single tenant on long-term lease agreement
- (3) Carefully evaluate operational capabilities of tenant, in addition to due diligence on the tenant's business and finances
- (4) Current asset classes are private nursing homes and network centers

By Term of Lease ^{*1}



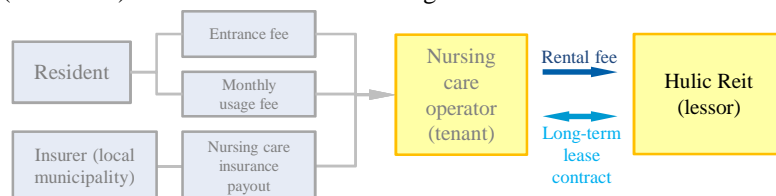
*1: Calculated based on Acquisition Price

2 Private Nursing Homes



- (1) Private nursing homes with lease usage rights that provide services to seniors in need of nursing care
- (2) Initial lease term of at least 20 years per the guidelines of the MHLW
- (3) Acquired assets with high entrance fee and monthly usage fees at the time of the IPO in order to avoid risk of changes in nursing care insurance payout

(Reference) Structure of Private Nursing Home Cash Flow

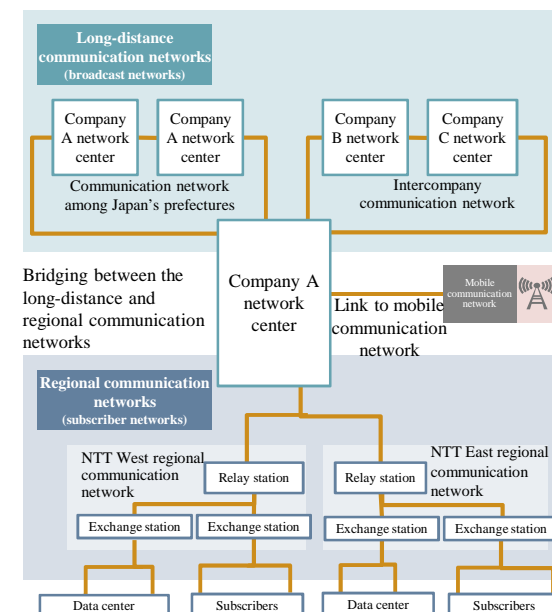


*2: Ministry of Health, Labour and Welfare "Guidelines on the Establishment and Operation of Private nursing Homes"

3 Network Centers

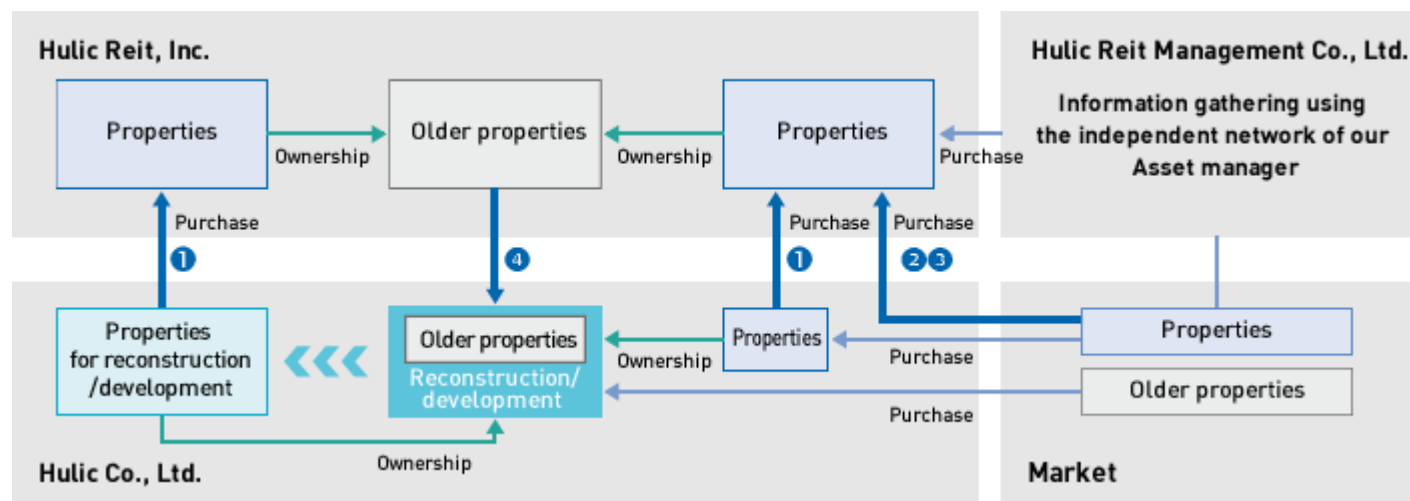


- (1) Relay station connected to telecom network of tenant
- (2) Connects network center of telecom provider
- (3) Leased by the SoftBank Group



1 Main Support Received from Sponsor (Asset Circulation Model)

(Example)



(1) Re-development Support (Example ④)

- The Asset Manager requests review/proposals for re-development plan of Sponsor before requesting to third parties. If the Sponsor accepts the redevelopment project, the Asset Manager has preferential negotiation rights for the redeveloped property.

(2) Provision of warehousing function (Example ③)

- The Asset Manager has the right to ask the Sponsor to take on temporary ownership (warehousing) of relevant real estate property or other assets with the understanding that the asset will subsequently be transferred to HULIC Reit.

(3) Preferential negotiation rights (Example ①)

- The sponsor provides information to the Asset Manager whenever properties are sold by the Sponsor's group and the Asset Manager has preferential negotiation rights over other third parties.

(4) Provision of sales information on properties owned by third parties (Example ②)

- The Sponsor can provide information immediately to the Asset Manager as long as prior approval is obtained from the owner and other stakeholders.

1 Liabilities

Total interest-bearing debt	¥33,000 million
Fixed interest debt ratio	88.0%
Long-term debt ratio	88.0%
Weighted-average interest rate ^{*1}	0.85%
Average remaining life of borrowings (As of April 30, 2014)	4.7 years
Commitment line	¥10,000 million (Mizuho, SMBC, BTMU)
LTV ^{*2}	30.8%

- (1) Long-term borrowings with floating rate (¥26,590 million) are changed to fixed rate through interest rate swaps
- (2) Two-thirds of borrowings from three Japan's megabanks, with Mizuho Bank as our core banking partner
- (3) Mizuho Financial Group (Mizuho Bank and Mizuho Trust & Banking) account for about 40% of all borrowings
- (4) LTV based on total appraisal value^{*3} = 29.4%

^{*1}: Calculated based on interest rate fixed through interest rate swaps and on the weighted average

^{*2}: Loan-to-value ratio (LTV) = Total interest-bearing debt/Total assets

^{*3}: LTV based on total appraisal value = Total interest-bearing debt/(Total assets at period end + Appraisal value at period end – Book value at period end)

^{*4}: Interest rate effectively changed to fixed rate through conclusion of interest rate swap agreement

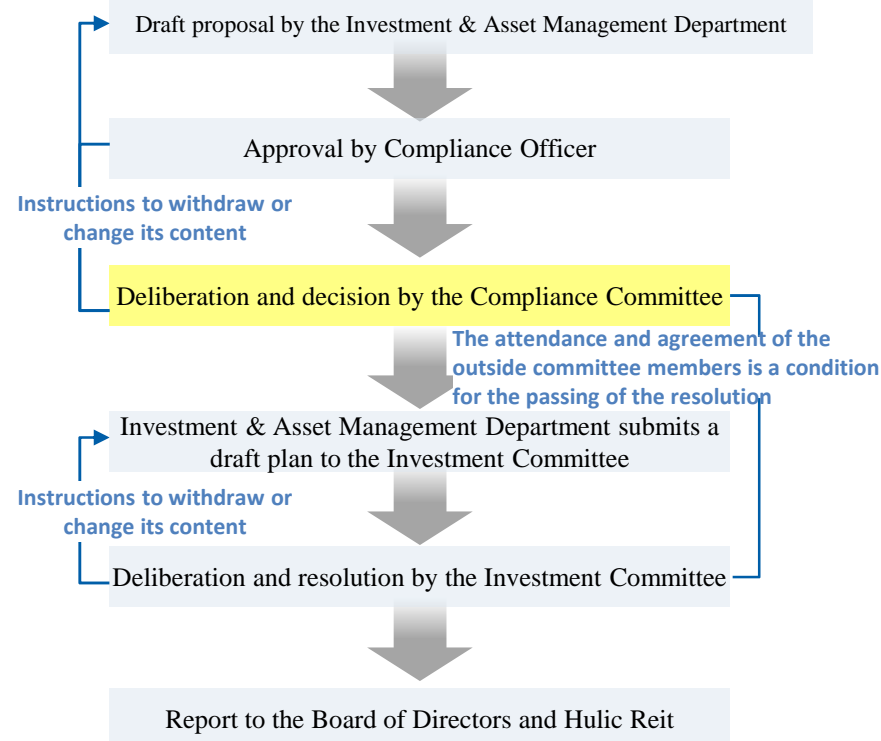
2 List of Borrowings

Lender	Borrowing amount (Millions of yen)	Interest rate	Repayment Date	Remarks
Syndicate of lenders arranged by Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and the Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,960	1M TIBOR + 0.20%	February 7, 2015	Bullet repayment / Unsecured and not guaranteed
	8,490	0.49229% ^{*4}	February 7, 2017	
	8,550	0.77382% ^{*4}	February 7, 2019	
	8,550	1.17125% ^{*4}	February 7, 2021	
	2,450	1.61%	August 7, 2022	
	1,000	1.81875% ^{*4}	February 7, 2024	
Total borrowings	33,000			

1 Align Investors' Interests with Those of Hulic Group

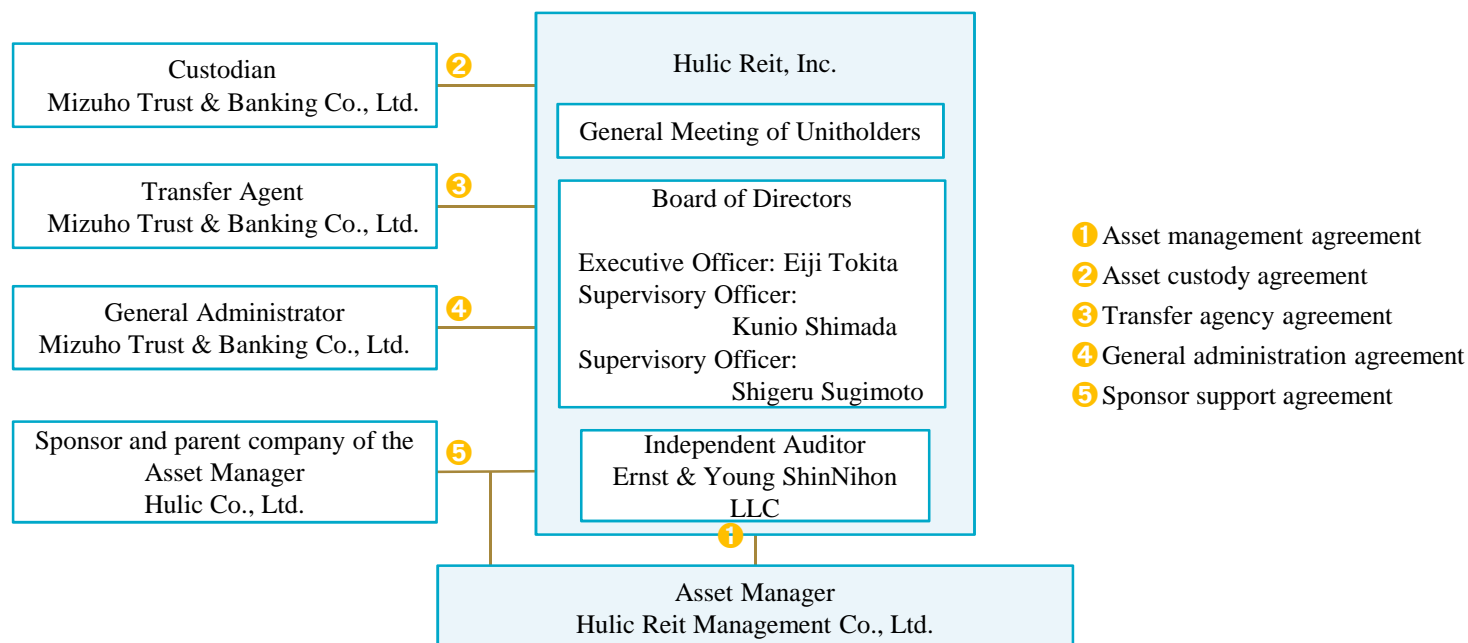
Same boat investment	<ol style="list-style-type: none"> Hulic holds approximately 12.% of Hulic Reit's issued units Under its sponsor support agreement, Hulic made the following representations to Hulic Management Co., Ltd. in respect of investment units issued by Hulic Reit. <ul style="list-style-type: none"> Hulic will consider in good faith acquiring part of any new investment units issued by Hulic Reit Continual holding of Hulic Reit's investment units
Co-ownership of certain properties with sponsor	<ol style="list-style-type: none"> It is Hulic Reit's policy to consider co-ownership with Hulic where necessary in view of the size and individual characteristics of the property. <Example> Hulic Kamiyacho Building (quasi-co-ownership interest of approx. 39.9%)
Management fee system of Asset Manager	<ol style="list-style-type: none"> Management fee I: The total value of assets at end of the immediately previous fiscal period x 0.50% (maximum %) Management fee II: Cash distribution per investment unit (DPU) prior to deduction of management fee II × operating income before deduction of management fee II × 0.004% (maximum %) Acquisition fee: Acquisition price × 1.0% (maximum %) Transfer fee: Transfer price × 1.0% (maximum %)
Remuneration system for employees and officers of the Asset Manager	<ol style="list-style-type: none"> In its remuneration system for employees and officers, Hulic Management Co., Ltd. has introduced a system of incentive bonuses partially linked to DPU.

2 Decision Making Procedures of Asset Manager for Related-Party Transactions



- The asset management committee appoints outside professionals as members of both the Investment Committee and Compliance Committee
- For resolutions on the acquisition of an asset, approval requires the consent of a majority of the members in attendance, including outside professionals, from the Investment Committee and Compliance Committee

1 Structure



2 Overview of Asset Manager

Name	Hulic Reit Management Co., Ltd.
Capital	¥200 million
Shareholder	Hulic Co., Ltd. (100%)
President and CEO	Eiji Tokita
Registrations, Licenses, etc.	Real Estate Brokerage Business: Governor of Tokyo (1) Registration No. 95294 Trading Agency Etc. License: Minister of Land, Infrastructure and Transport License No. 76 Financial Instruments Business Registration Director of the Kanto Local Finance Bureau, No. 2734

V. Strategy of Hulic Reit

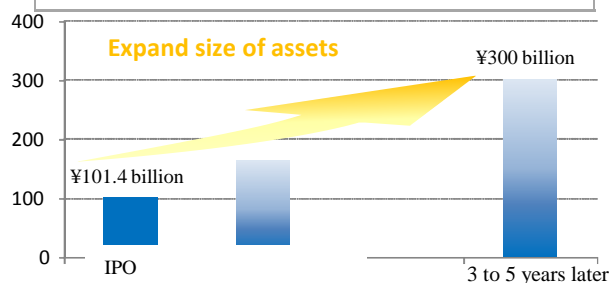


1 DPU-Focused Strategy

Aim to consistently increase DPU through internal growth and financial strategy, both underpinned by external growth strategy based on market conditions

(1) External Growth Strategy

- Achieve **asset size of ¥300 billion in 3 to 5 years**
- Aim to **increase asset size by ¥50 to ¥70 billion per year**
- Fully utilize sponsor pipeline



(2) Internal Growth Strategy

- Maintain high occupancy rate by leveraging ideal location of properties
- Negotiate changes in lease amount to proper level
- Management integrated with the Hulic Group



あの駅。この駅。
見上げれば、そこに。
駅と未来に近いビル。
不動産のセキュリッ



(3) Financial Strategy

- Maintain stable and sound financial management
- Properly control LTV based on increase in assets

Started from low LTV
Interim LTV for the fiscal period ending August
31, 2014 (1st Fiscal Period)
LTV ^{*1} 30.8%

^{*1}: Loan-to-value ratio (LTV) = Total liabilities / Total Assets

1 Market Recognition

- Following Japan's version of QE initiated by the BoJ in April 2013, "Japan's financial markets, real economy and inflation have turned favorable, as QE is currently having a positive impact (BoJ Governor Kuroda)"
- According to the Teikoku Databank's nationwide company bankruptcy statistics (May), there were 733 company bankruptcies, marking the 10th consecutive month of declines. Although most of the bankruptcies were attributed to the economy, the number of bankruptcies from failed CAPEX spending, which is an indicator of favorable economic conditions, increased for the second straight month, indicating the economic recovery has gained traction on a microeconomic level
- Steady improvements have been seen in the vacancy rate of Tokyo office properties and office rents appeared to have bottomed out, but it remains difficult to forecast when or the extent of a full-scale recovery. On the other hand real estate sales prices have risen sharply.

2 Growth Strategy

(1) External Growth Strategy	Fully utilize Sponsor's sourcing ability and pipeline to focus on investments in Tokyo Commercial Properties for which growth is expected to see growth
① Tokyo commercial properties	• Focus on location and sourcing activities targeting medium-sized buildings in Tokyo's 23 wards, where the sponsor excels
② Next generation assets	• For large buildings consider risk diversification through co-ownership with sponsor • Acquire assets possible of generating stable long-term income. However, take a prudent approach to acquiring individual properties where the real estate market is overheated.
③ Expand network of Asset Manager	• Develop long-term relationship with Hulic's 3K businesses (Koreisha = seniors, Kanko = tourism, and Kankyo = the environment)
④ Main investment results of sponsor (2014)	• Acquisitions using the Sponsor's warehousing function • Nakano Central Park South Building, Turumifuga 1, Hulic Ginza 2-Chome Building, Keihanna Network Center, development land in central Tokyo areas, Granbell Ginza, and Ginza Grandia Building II
(2) Internal Growth Strategy	Become integrated in the Sponsor's group and aim to improve lease levels of Tokyo Commercial Properties
① Maintain high occupancy rate	• Maintain high occupancy rate by utilizing Sponsor's sourcing ability
② Set proper rent level based on market conditions	• Set appropriate rent level for properties and tenants. Negotiate rent increases at time of renewal.
③ Maintain highly competitive portfolio profits	• Encourage strategic CAPEX and rigorous cost management that contributes to property competitiveness and value
(3) Financial Strategy	Stable and sound financial management
① LTV level	• Set at around 40 to 45% in order to ensure ability to acquire assets and continue with conservative approach (40 to 50% over the medium to long term)
② Stable financial management	• Maintain lender formation centered on Mizuho, and work to lower borrowing costs when initiating new borrowings and extend the term of borrowings as well as diversify repayment dates and change rates to fixed

Appendix



Interim Balance Sheet for the Fiscal Period Ending August 31, 2014 (1st Fiscal Period)



Interim Period (as of April 30, 2014)

Assets	
Current assets	
Cash and deposits	2,164,714
Cash and deposits in trust	1,312,467
Operating accounts receivable	11,878
Prepaid expenses	20,872
Deferred tax assets	19
Accrued consumption tax	735,966
Total current assets	4,245,918
Non-current assets	
Property, plant and equipment	
Buildings in trust	18,982,649
Accumulated depreciation	(135,094)
Buildings in trust, net	18,847,554
Structures in trust	180,592
Accumulated depreciation	(3,560)
Structures in trust, net	177,031
Machinery and equipment in trust	39,161
Accumulated depreciation	(1,512)
Machinery and equipment in trust, net	37,648
Land in trust	80,680,217
Total property, plant and equipment	99,742,453
Intangible assets	
Leasehold rights in trust	3,053,575
Other	5,654
Total intangible assets	3,059,229
Investments and other assets	
Lease and guarantee deposits	10,000
Long-term prepaid expenses	220,772
Total investments and other assets	230,772
Total non-current assets	103,032,454
Total assets	107,278,373


(Thousands of yen rounded off)

Liabilities	
Current liabilities	
Operating accounts payable	299,869
Short-term loans payable	3,960,000
Accounts payable - other	87,460
Accrued expenses	64,739
Income taxes payable	898
Advances received	522,481
Deposits received	28,238
Total current liabilities	4,963,687
Non-current liabilities	
Long-term loans payable	29,040,000
Tenant leasehold and security deposits in trust	5,049,855
Total non-current liabilities	34,089,855
Total liabilities	39,053,542
Net assets	
Unitholders' equity	
Unitholders' capital	67,943,000
Surplus	
Unappropriated retained earnings (undisposed loss)	281,830
Total surplus	281,830
Total unitholders' equity	68,224,830
Total net assets	68,224,830
Total liabilities and net assets	107,278,373




Interim Period (Nov. 7, 2013 to April 30, 2014)	(Thousands of yen rounded off)
Operating revenue	
Rent revenue	1,452,852
Other rent revenue	43,208
Total operating revenue	1,496,061
Operating expenses	
Expenses related to rent business	300,829
Asset management fee	59,185
Asset custody fee	3,748
Administrative service fees	11,536
Directors' compensation	5,800
Other operating expenses	21,626
Total operating expenses	402,727
Operating income	1,093,333
Non-operating income	
Interest income	57
Total non-operating income	57
Non-operating expenses	
Interest expenses	64,459
Borrowing-related expenses	321,133
Organization expenses	82,286
Investment unit issuance expenses	340,790
Total non-operating expenses	810,670
Ordinary income	282,720
Income before income taxes	282,720
Income taxes – current	909
Income taxes – deferred	(19)
Income taxes	890
Net income	281,830
Unappropriated retained earnings (undisposed loss)	281,830

Name	Hulic Kamiyacho Building	Hulic Kudan Building (Land)	Toranomon First Garden	Rapiros Roppongi
				
Location	Toranomon, Minato Ward, Tokyo	Kudankita, Chiyoda Ward, Tokyo	Toranomon, Minato Ward, Tokyo	Roppongi, Minato Ward, Tokyo
Waling Distance from Nearest Station	One minute from Kamiyacho Station, Tokyo Metro Hibiya Line	One minute from Kudanshita Station, Tokyo Metro Tozai and Hanzomon Lines, and Toei Shinjuku Line	One minute from Toranomon Station, Tokyo Metro Ginza Line	Less than one minute from Roppongi Station, Tokyo Metro Hibiya Line
Acquisition Price	¥20,100 million	¥11,100 million	¥8,623 million	¥5,160 million
NOI Yield ^{*1}	4.5%	4.2%	4.5%	4.7%
Structure	S/SRC	—	SRC	RC/SRC
Floors	B2/11F	—	B2/12F	B2/10F
Total Floor Area	39,854.52 m ²	—	10,029.25 m ²	12,958.90 m ²
Property Characteristics	Located just a one-minute walk from Kamiyacho Station on the Tokyo Metro Hibiya Line, this property is considered to have strong appeal because it is near the station. The building's typical floor space of 2,970 m ² , sets itself apart from other buildings in the vicinity, giving it an edge with larger tenants. Floors can also be partitioned for smaller lease spaces, making it possible to accommodate small and medium-sized tenants. The rental area is regularly shaped, facilitating the efficient use of space.	The nearest station, Kudanshita, is served by a number of lines—Tokyo Metro's Tozai and Hanzomon Lines and the Toei Shinjuku Line—and is well connected by transport links to Otemachi, Shinjuku, Shibuya, and other centers in downtown Tokyo. Large office buildings situated along Mejiro-dori attract solid levels of demand.	Located just a one-minute walk from Toranomon Station on the Tokyo Metro Ginza Line, this property is situated along Sakurada-dori Street and its proximity to the station provides an attractive location for prospective tenants. The building was reconstructed by Hulic Co., Ltd. and has a total floor space of 10,137.6 m ² , with a typical floor space of 610.5 m ² . It also has high-grade specifications, and is highly competitive in the marketplace due to its location, facilities and functionality. The building received an award from the Minister of the Environment Award in the Wall/Specialty Greening Technology category of the Wall and Special Greening Technology Contest (2012).	This property has excellent value in terms of its location in the Roppongi/Azabu district, because it is directly connected to Roppongi Station on the Tokyo Metro Hibiya Line and Toei Oedo Subway Line. The property is also one of the larger buildings in the Roppongi/Azabu district and offers facilities and functionality that can accommodate tenants with high-specification requirements.





*1 NOI ÷ Acquisition price. NOI represents the NOI from the appraisal report obtained at the time of the IPO (September 30, 2013)

Name	Hulic Takadanobaba Building	Hulic Kanda Building	Hulic Kandabashi Building	Hulic Kakigaracho Building
				
Location	Takada, Toshima Ward Tokyo	Kandasudacho, Chiyoda Ward, Tokyo	Kandanishikicho, Chiyoda Ward, Tokyo	Kakigaracho, Chuo Ward, Tokyo
Waling Distance from Nearest Station	Six minutes from Takadanobaba Station, JR Yamanote Line and Tokyo Metro Tozai Line	One minute from Kanda Station, Tokyo Metro Ginza Line, four minutes from JR Kanda Station, and three minutes from Awajicho Station, Tokyo Metro Marunouchi Line	Three minutes from Otemachi Station, Tokyo Metro Chiyoda Line, six minutes from Ogawamachi Station, Toei Shinjuku Line, and eight minutes from Kanda Station, JR Yamanote Line	Two minutes from Suitengumae Station, Tokyo Metro Hanzomon Line, six minutes from Kayabacho Station, Tokyo Metro Tozai Line, six minutes from Ningyocho Station, Tokyo Metro Hibiya Line
Acquisition Price	¥3,900 million	¥3,780 million	¥2,500 million	¥2,210 million
NOI Yield ^{*1}	5.2%	4.9%	4.8%	5.4%
Structure	SRC	RC	SRC	SRC
Floors	B1/8F	9F	B1/10F	B1/9F
Total Floor Area	8,090.38 m ²	4,596.83 m ²	3,478.34 m ²	4,345.12 m ²
Property Characteristics	This property is situated along Shin-Mejiro Dori a six-minute walk from Takadanobaba Station on JR lines, the Tokyo Metro Tozai Line and the Seibu Shinjuku Line. The building has a sufficiently sized parking lot, which appeals to sales offices that use vehicles. Because the Takadanobaba district contains little in the way of new supply, this property's facilities and functions make it competitive.	This property is located one minute's walk from Kanda Station on the Tokyo Metro Ginza Line, around four minutes' walk from Kanda JR Station, and three minutes' walk from Awajicho Station on the Tokyo Metro Marunouchi Line. It has a strong appeal for tenants because it is located in the station's immediate vicinity. The building is likely to be attractive as a relatively new property because it is only six years old, which compares well with the much older surrounding buildings that dominate the Uchikanda and Kandasudacho district.	This property is located a three-minute walk from Otemachi Station on the Tokyo Metro lines, providing a location suitable for not only demand in the Kanda Jimbocho/Kanda Ogawamachi district but also sub-offices of larger companies in the Otemachi district. The property was developed by Shoei Co., Ltd. (currently Hulic Co., Ltd.).	This property is located about two minutes' walk from Suitengumae Station on the Tokyo Metro Hanzomon Line, six minutes' walk from Kayabacho Station on the Tokyo Metro Tozai Line, and about six minutes' walk from Ningyocho Station on the Tokyo Metro Hibiya Line. It is valued highly because of its easy access to multiple subway lines. The facility was rebuilt by Fujigin Building Co., Ltd. (currently Hulic Co., Ltd.).






^{*1} NOI ÷ Acquisition price. NOI represents the NOI from the appraisal report obtained at the time of the IPO (September 30, 2013)

Name	Oimachi Redevelopment Building (#1)	Oimachi Redevelopment Building (#2)	Dining Square Akihabara Building	Hulic Jingu-Mae Building
				
Location	Higashi-Oi, Shinagawa Ward, Tokyo		Kandasakumacho, Chiyoda Ward, Tokyo	Jingumae, Shibuya Ward, Tokyo
Waling Distance from Nearest Station	One minute from Oimachi Station, JR Keihin-Tohoku and Tokaido Main Lines		One minute from Akihabara Station, JR Yamanote, Keihin-Tohoku, and, Sobu Lines	Seven minutes from Meiji Jingumae Station, Tokyo Metro Chiyoda and Fukutoshin Lines
Acquisition Price	¥6,166 million	¥9,456 million	¥3,200 million	¥2,660 million
NOI Yield ^{*1}	5.8%	5.8%	4.9%	4.7%
Structure	SRC	SRC	RC	RC/S
Floors	B3/10F	B2/8F	B2/9F	B2/6F
Total Floor Area	40,945.05 m ²	15,444.28 m ²	2,354.88 m ²	1,931.78 m ²
Property Characteristics	This property is a major commercial property located southeast of Oimachi Station on the JR Keihin Tohoku Line, a hub station with large numbers of passengers who are boarding, alighting, and transferring, and it is directly accessible from the station via a raised walkway. The property comprises buildings No. 1 and 2, and the core tenant is one of Japan's largest electrical goods superstore chains. Other tenants include a supermarket, cafés, and fast-food outlets. This means that the building serves the daily needs of station users and local residents.		The property is located within one minute's walk of JR Akihabara Station, immediately south of the station's central gate. The property is leased in full to one of the Japan's largest firms in the karaoke industry. It has maintained its competitiveness due to the advantages of its location next to the station as well as the synergies gained from a combination of karaoke and catering. Because of its location, the building can easily be leased to alternative tenants such as those in the catering, entertainment, services and other industries.	The property is a multi-purpose facility located south of Omotesando on Cat Street, a thoroughfare whose many streetfront fashion stores are a powerful draw for customers. The first and second floors are devoted to retail stores, the third and fourth floors to housing, and the fifth to seventh floors to wedding-related facilities. The property enjoys a long frontage on Cat Street, which gives it an advantage in terms of location.

*1 NOI ÷ Acquisition price. NOI represents the NOI from the appraisal report obtained at the time of the IPO (September 30, 2013)

Name	Aria Matsubara	Trust Garden Yoganomori	Trust Garden Sakurashinmachi	Trust Garden Sugunami Miyamae
				
Location	Matsubara, Setagaya Ward, Tokyo	Yoga, Setagaya Ward, Tokyo	Tsurumaki, Setagaya Ward, Tokyo	Miyamae, Sugunami Ward, Tokyo
Waling Distance from Nearest Station	10 minutes from Meidaimae Station, Keio Line	14 minutes from Yoga Station, Tokyu Den-en-toshi Line	13 minutes from Komazawa University Station, Tokyu Den-en-toshi Line	12 minutes from Fujimigaoka Station, Keio Inokashira Line
Acquisition Price	¥3,244 million	¥5,390 million	¥2,850 million	¥2,760 million
NOI Yield ^{*1}	5.8%	6.0%	5.9%	5.9%
Structure	RC	RC	RC	RC
Floors	4F	3F	3F	3F
Total Floor Area	5,323.56 m ²	5,977.75 m ²	3,700.26 m ²	3,975.99 m ²
Property Characteristics	The property is located in a peaceful residential area of Setagaya Ward. The facility operator, Benesse Style Care Co., Ltd., is one of Japan's largest operators of private nursing homes, and Aria brand corresponds to the company's top price brand and represents the top-priced range of private nursing home facilities in the area. The building was reconstructed by Hulic Co., Ltd.	This property is located in a peaceful residential area of Setagaya Ward, using. Utilizing its relatively large facilities for catering to nursing care residents. Belonging in the top price band for private nursing home facilities in the region, the property achieves a feeling of open spaciousness while providing a high-quality environment.	This property is located a 13-minute walk from Komazawa Daigaku Station on the Tokyu Denentoshi Line, in an area with many mid-rise apartment blocks. Belonging in the top price band for private nursing home facilities in the region, this property is characterized by an atmosphere like that of a comfortable family residence.	This property is located in an ideal residential area about a 12-minute walk from Fujimigaoka Station on the Keio Inokashira Line. Belonging in the top price band for private nursing home facilities in the region, this property features living quarters as well as a relaxing central courtyard.

*1 NOI ÷ Acquisition price. NOI represents the NOI from the appraisal report obtained at the time of the IPO (September 30, 2013)

Name	Ikebukuro Network Center	Tabata Network Center	Hiroshima Network Center	Atsuta Network Center	Nagano Network Center
					
Location	Kami-Ikebukuro, Toshima Ward, Tokyo	Tabata, Kita Ward, Tokyo	Hikari-machi, Higashi-ku, Hiroshima-shi, Hiroshima Prefecture	Atsuta-ku, Nagoya-shi, Aichi Prefecture	Tsurugamitori-cho, Nagano-shi, Nagano Prefecture
Waling Distance from Nearest Station	¥4,570 million	¥1,355 million	¥1,080 million	¥1,015 million	¥305 million
Acquisition Price	5.1%	5.7%	6.5%	5.8%	8.6%
NOI Yield ^{*1}	S/SRC	RC	S/SRC	RC	S/SRC
Structure	B1/6F	B1/4F	7F	B1/3F	B1/6F
Floors	12,773.04 m ²	3,832.73 m ²	5,208.54 m ²	4,943.10 m ²	2,211.24 m ²

*1 NOI ÷ Acquisition price. NOI represents the NOI from the appraisal report obtained at the time of the IPO (September 30, 2013)

		Name	Appraisal Value (Millions of yen)			Cap Rate (%)		
			At IPO *1	Interim settlement for the fiscal period ending Aug. 31, 2014 (1st fiscal period)	Comparison (interim settlement vs. IPO)	At IPO *1	Interim settlement for the fiscal period ending Aug. 31, 2014 (1st fiscal period)	Comparison (interim settlement vs. IPO)
Tokyo commercial properties	Office properties	Hulic Kamiyacho Building	21,000	21,200	200	4.2	4.1	-0.1
		Hulic Kudan Building (Land)	11,100	11,300	200	4.3	4.2	-0.1
		Toranomon First Garden	8,970	9,080	110	4.3	4.2	-0.1
		Rapiros Roppongi	5,280	5,480	200	4.3	4.2	-0.1
		Hulic Takadanobaba Building	3,900	4,000	100	4.9	4.8	-0.1
		Hulic Kanda Building	3,810	3,970	160	4.7	4.6	-0.1
		Hulic Kandabashi Building	2,500	2,550	50	4.5	4.4	-0.1
		Hulic Kakigaracho Building	2,210	2,490	280	5.0	4.9	-0.1
	Subtotal (8 properties)		58,770	60,070	1,300	-	-	
	Retail properties	Oimachi Redevelopment Building (#2)	10,400	10,600	200	4.9	4.8	-0.1
		Oimachi Redevelopment Building (#1)	6,430	6,580	150	5.1	5.0	-0.1
		Dining Square Akihabara Building	3,210	3,300	90	4.8	4.7	-0.1
Hulic Jingu-Mae Building		2,830	2,980	150	4.3	4.1	-0.2	
Subtotal (4 properties)		22,870	23,460	590	-	-		
Total (12 properties)		81,640	83,530	1,890	-	-		
Next generation assets	Private nursing homes	Aria Matsubara	3,310	3,630	320	5.7	5.2	-0.5
		Trust Garden Yoganomori	5,390	5,870	480	6.0	5.5	-0.5
		Trust Garden Sakurashinmachi	2,850	3,110	260	5.9	5.4	-0.5
		Trust Garden Suginami Miyamae	2,760	3,010	250	5.9	5.4	-0.5
		Subtotal (4 properties)		14,310	15,620	1,310	-	-
	Network centers	Ikebukuro Network Center	4,620	4,750	130	5.0	4.9	-0.1
		Tabata Network Center	1,410	1,450	40	5.4	5.3	-0.1
		Hiroshima Network Center	1,120	1,130	10	6.2	6.2	0
		Atsuta Network Center	1,020	1,050	30	5.8	5.7	-0.1
		Nagano Network Center	356	362	6	7.0	7.0	0
		Subtotal (5 properties)		8,526	8,742	216	-	-
Total (9 properties)		22,836	24,362	1,526	-	-		
Grand total (21 properties)		104,476	107,892	3,416	-	-		

*1: Appraisal value as of September 30, 2013

(Millions of yen)

		Name	Acquisition price	Appraisal firm	Appraisal value	Book value for interim settlement of 1st fiscal period	Unrealized gains/losses	Interim settlement for the fiscal period ending Aug. 31, 2014 (1st fiscal period)				
								Value by direct capitalization method	Cap rate (%)	Price by DCF	Discount rate (%)	Final cap rate (%)
Tokyo commercial properties	Office properties	Hulic Kamiyacho Building	20,100	DAWA REAL ESTATE APPRAISAL	21,200	20,193	1,007	21,800	4.1	21,000	3.9	4.3
		Hulic Kudan Building (Land)	11,100	Japan Real Estate Institute	11,300	11,191	109	11,300	4.2	11,300	3.8	4.3
		Toranomon First Garden	8,623	CBRE	9,080	8,695	385	8,990	4.2	9,080	3.8	4.3
		Rapiros Roppongi	5,160	Japan Real Estate Institute	5,480	5,579	-99	5,540	4.2	5,420	3.9	4.4
		Hulic Takadanobaba Building	3,900	DAWA REAL ESTATE APPRAISAL	4,000	3,930	70	3,910	4.8	4,040	4.6	5.0
		Hulic Kanda Building	3,780	The Tanizawa Sogo Appraisal	3,970	3,794	176	4,120	4.6	3,910	4.7	4.8
		Hulic Kandabashi Building	2,500	DAWA REAL ESTATE APPRAISAL	2,550	2,526	24	2,580	4.4	2,540	4.2	4.6
		Hulic Kakigaracho Building	2,210	The Tanizawa Sogo Appraisal	2,490	2,238	252	2,500	4.9	2,490	5.0	5.1
		Subtotal for Office Properties (8 properties)	57,373	—	60,070	58,146	1,924	60,740	—	59,780	—	—
	Retail properties	Oimachi Redevelopment Building (#2)	9,456	The Tanizawa Sogo Appraisal	10,600	9,535	1,065	10,800	4.8	10,500	4.9	5.0
		Oimachi Redevelopment Building (#1)	6,166	The Tanizawa Sogo Appraisal	6,580	6,267	313	6,610	5.0	6,560	5.1	5.2
		Dining Square Akihabara Building	3,200	Japan Real Estate Institute	3,300	3,232	68	3,340	4.7	3,250	4.5	4.9
		Hulic Jingu-Mae Building	2,660	The Tanizawa Sogo Appraisal	2,980	2,683	297	3,020	4.1	2,960	4.2	4.3
Subtotal for Retail Properties (4 properties)		21,482	—	23,460	21,717	1,743	23,770	—	23,270	—	—	
Total for Tokyo Commercial Properties (12 properties)		78,855	—	83,530	79,863	3,667	84,510	—	83,050	—	—	
Next generation assets	Private nursing homes	Aria Matsubara	3,244	Japan Real Estate Institute	3,630	3,303	327	3,640	5.2	3,620	4.8	5.4
		Trust Garden Yoganomori	5,390	Japan Real Estate Institute	5,870	5,476	394	5,890	5.5	5,850	5.1	5.7
		Trust Garden Sakurashinmachi	2,850	Japan Real Estate Institute	3,110	2,901	209	3,120	5.4	3,100	5.0	5.6
		Trust Garden Suginami Miyamae	2,760	Japan Real Estate Institute	3,010	2,815	195	3,020	5.4	3,000	5.0	5.6
		Subtotal for Private Nursing Homes (4 properties)	14,244	—	15,620	14,494	1,126	15,670	—	15,570	—	—
	Network centers	Ikebukuro Network Center	4,570	Japan Real Estate Institute	4,750	4,620	130	4,800	4.9	4,700	4.7	5.1
		Tabata Network Center	1,355	Japan Real Estate Institute	1,450	1,374	76	1,460	5.3	1,430	5.1	5.5
		Hiroshima Network Center	1,080	Japan Real Estate Institute	1,130	1,098	32	1,140	6.2	1,120	6.0	6.4
		Atsuta Network Center	1,015	Japan Real Estate Institute	1,050	1,032	18	1,050	5.7	1,040	5.5	5.9
		Nagano Network Center	305	Japan Real Estate Institute	362	315	47	362	7.0	362	6.8	7.2
		Subtotal for Network Centers (5 properties)	8,325	—	8,742	8,439	303	8,812	—	8,652	—	—
Total for Next Generation Assets (9 properties)		22,569	—	24,362	22,933	1,429	24,482	—	24,222	—	—	
21 properties total		101,424	—	107,892	102,796	5,096	108,992	—	107,272	—	—	

*1: Acquisition price and book value for interim settlement of the 1st fiscal period are rounded off to the nearest million

Interim Results Period (November 7, 2013 to April 30, 2014)

(Rounded to the nearest thousand)

	Hulic Kamiyacho Building	Hulic Kudan Building (Land)	Toranomon First Garden	Rapiros Roppongi	Hulic Takadanobaba Building	Hulic Kanda Building	Hulic Kandabashi Building	Hulic Kakigaracho Building
Lease business revenue	249,640	123,036	126,796	94,992	78,131	67,213	39,797	46,110
Rent revenue	237,723	123,036	122,704	88,428	71,999	63,622	37,358	42,881
Other revenue	11,916	-	4,092	6,564	6,132	3,590	2,439	3,229
Lease business expenses	44,137	899	42,048	38,516	23,341	27,163	13,187	13,063
Taxes and public dues	-	-	-	-	-	-	-	-
Utilities expenses	7,451	-	6,042	8,615	5,629	3,076	2,986	2,785
Insurance expenses	326	56	186	79	155	84	68	77
Repair expenses	1,278	-	-	1,043	205	-	-	120
Management expenses	19,768	615	2,217	1,141	7,452	3,578	2,562	5,781
Other expenses related to lease business	1,236	228	12,072	22,575	767	10,701	548	590
Depreciation	14,075	-	21,530	5,061	9,130	9,721	7,021	3,707
Income (loss) from lease business	205,503	122,137	84,748	56,476	54,790	40,050	26,609	33,047
NOI	219,579	122,137	106,278	61,537	63,920	49,771	33,630	36,755

	Oimachi Redevelopment Building (#2)	Oimachi Redevelopment Building (#1)	Dining Square Akihabara Building	Hulic Jingu-Mae Building
Lease business revenue	144,857	101,646	- *1	37,457
Rent revenue	144,857	101,646	- *1	36,182
Other revenue	-	-	- *1	1,275
Lease business expenses	14,533	12,915	- *1	7,151
Taxes and public dues	-	-	- *1	-
Utilities expenses	-	-	- *1	2,057
Insurance expenses	311	44	- *1	44
Repair expenses	110	-	- *1	-
Management expenses	2,897	2,032	- *1	1,451
Other expenses related to lease business	227	4,616	- *1	723
Depreciation	10,986	6,220	- *1	2,874
Income (loss) from lease business	130,323	88,730	- *1	30,306
NOI	141,310	94,951	38,309	33,181

*1: Not disclosed because approval not obtained from the end tenant

Interim Results Period (November 7, 2013 to April 30, 2014)

(Rounded to the nearest thousand)

	Aria Matsubara	Trust Garden Yoganomori	Trust Garden Sakurashinmachi	Trust Garden Suginami Miyamae
Lease business revenue	- *1	- *1	- *1	- *1
Rent revenue	- *1	- *1	- *1	- *1
Other revenue	- *1	- *1	- *1	- *1
Lease business expenses	- *1	- *1	- *1	- *1
Taxes and public dues	- *1	- *1	- *1	- *1
Utilities expenses	- *1	- *1	- *1	- *1
Insurance expenses	- *1	- *1	- *1	- *1
Repair expenses	- *1	- *1	- *1	- *1
Management expenses	- *1	- *1	- *1	- *1
Other expenses related to lease business	- *1	- *1	- *1	- *1
Depreciation	- *1	- *1	- *1	- *1
Income (loss) from lease business	- *1	- *1	- *1	- *1
NOI	47,626	78,743	41,228	40,465

	Ikebukuro Network Center	Tabata Network Center	Hiroshima Network Center	Atsuta Network Center	Nagano Network Center
Lease business revenue	62,957	20,933	20,359	17,254	8,165
Rent revenue	62,957	20,933	20,356	17,059	8,165
Other revenue	-	-	3	195	-
Lease business expenses	6,755	1,999	3,867	3,106	1,773
Taxes and public dues	-	-	-	-	-
Utilities expenses	-	-	-	-	-
Insurance expenses	115	36	49	41	25
Repair expenses	-	-	-	63	-
Management expenses	445	334	612	445	390
Other expenses related to lease business	227	227	228	228	227
Depreciation	5,966	1,400	2,976	2,327	1,131
Income (loss) from lease business	56,201	18,934	16,492	14,148	6,391
NOI	62,168	20,335	19,469	16,476	7,523

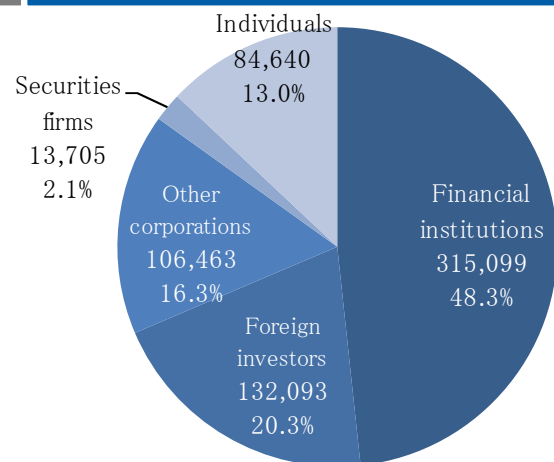
*1: Not disclosed because approval not obtained from the end tenant

	End-tenant	Property name	Total leased area ^{*1} (m ²)	Ratio of total leased area (%)	Lease expiration ^{*1}	Lease structure ^{*1}
1	Hulic Co., Ltd.	Hulic Kudan Building (Land) Oimachi Redevelopment Building (#2) Oimachi Redevelopment Building (#1)	30,679.97	25.4	February 6, 2063 February 6, 2019 September 27, 2017	Fixed term tenant lease agreement for business General building lease agreement General building lease agreement
2	SoftBank Telecom Corp.	Ikebukuro Network Center Tabata Network Center Hiroshima Network Center Atsuta Network Center Nagano Network Center	28,968.65	24.0	November 5, 2027 (Ikebukuro Network Center, Hiroshima Network Center) November 5, 2022 (Tabata Network Center, Atsuta Network Center) November 5, 2017 (Nagano Network Center)	Fixed term lease agreement
3	Trust Garden Co., Ltd.	Trust Garden Yoganomori Trust Garden Sakurashinmachi Trust Garden Suginami Miyamae	13,654.00	11.3	January 24, 2028	General building lease agreement
4	Benesse Style Care Co., Ltd.	Aria Matsubara	5,454.48	4.5	— ^{*2}	General building lease agreement
5	J Trust Co., Ltd.	Toranomon First Garden	3,052.05	2.5	November 30, 2014	General building lease agreement
6	Oki Electric Industry Co., Ltd.	Toranomon First Garden	2,441.64	2.0	February 28, 2015	General building lease agreement
7	— ^{*2}	Dining Square Akihabara Building	2,169.41	1.8	— ^{*2}	— ^{*2}
8	YAMAHA MUSIC MEDIA CORPORATION	Hulic Takadanobaba Building	1,870.66	1.6	January 31, 2016	General building lease agreement
9	WELFARE AND MEDICAL SERVICE AGENCY	Hulic Kamiyacho Building	1,543.15	1.3	March 31, 2016	General building lease agreement
10	ALIVEN Inc.	Rapiros Roppongi	1,455.47	1.2	December 31, 2016	Fixed term lease agreement

*1: Data as of April 30, 2014

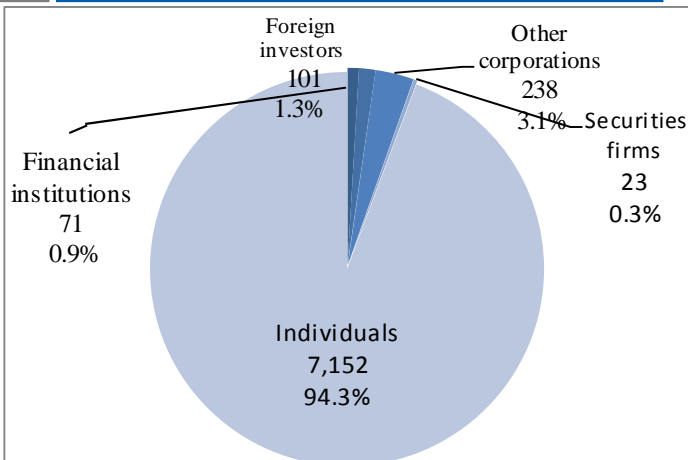
*2: Not disclosed because approval of the end-tenant was not obtained

1 Number of Investment Units by Unitholder Type



(Note) Rounded off to the nearest whole number

2 Number of Uniholders by Type



3 10 Largest Unitholders

	Name	Number of units held	Ratio of total units
1	Japan Trustee Services Bank, Ltd. (Trust account)	104,122	15.97%
2	The Master Trust Bank of Japan, Ltd. (Trust account)	86,400	13.25%
3	Hulic Co., Ltd.	81,500	12.50%
4	Trust & Custody Services Bank, Ltd. (securities investment trust account)	51,320	7.87%
5	The Nomura Trust and Banking Co., Ltd. (Investment accounts)	28,013	4.30%
6	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/HENDERSON HHF SICAV	17,601	2.70%
7	NOMURA BANK (LUXEMBOURG)S.A.	14,000	2.15%
8	THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	11,759	1.80%
9	STATE STREET BANK AND TRUST COMPANY	11,268	1.73%
10	Trust & Custody Services Bank, Ltd. (money trust tax account)	6,610	1.01%

*1: Data based on the unitholder registry as of April 30, 2014

1 Track Record in Rebuilds

Asset class	Completion	Property name
Office properties	Feb. 2009	Hulic Hachioji Building
	Jan. 2010	Hulic Ryogoku Building
	Aug. 2010	Hulic Ebara
	Aug. 2010	Toranomon First Garden
	Oct. 2010	Hulic Kojimachi Building
	Mar. 2011	Hulic Ginza Sukiyaabashi Building
	Nov. 2011	Hulic Ogikubo Building
	Jan. 2012	Hulic Komagome Building
	Sept. 2012	Hulic Head Office Building
Retail properties	June 2009	Sendai First Tower (commercial wing, atrium)
	Mar. 2010	Kisarazu Home Center
	Dec. 2012	Hulic Shibuya No.2 Building
Private nursing homes	Sept. 2005	Aria Matsubara
	Feb. 2011	Granda Omori Sannou
	May 2012	Aristage Kyodo
	May 2013	Sunny Life Funabashi
	May 2013	Granda Gakugeidaigaku
	June 2013	Aria Yoyogiuehara
	Aug. 2013	Hospitalment Musashino
Senior housing	Apr. 2010	Iris Garden Kita Urawa
Lease condominium	Sept. 2007	Hulic Residence Sangubashi
	Mar. 2010	Hulic Court Motoyoyogi
	Mar. 2011	Hulic Court Yukigaya
	Mar. 2013	Hulic Residence Gotokuji
	Mar. 2012	Hulic Residence Komagome
	Mar. 2014	Hulic Residence Chofu Shibasaki
	Mar. 2014	Hulic Residence Chiba Chuo
Company dormitory	Mar. 2009	Hulic Residence Motoyoyogi
	Feb. 2010	Hulic Residence Soka
	June 2010	Hulic Residence Nishinomiya Kitaguchi
	Dec. 2011	Hulic Residence Senriyama
	Mar. 2012	Hulic Residence Keisei Tsudanuma
	Sept. 2012	Hulic Garden Tsudanuma
	Dec. 2012	Hulic Residence Nagaokakyo
Hotel/retail stores	Feb. 2013	Hulic Residence Nishi Oi
	July 2012	Hulic Kaminarimon Building

2 Plans for Future Rebuilds

Asset class	Completion	Project name
Office properties	Oct. 2014	Shinjuku project
	Nov. 2014	Setagaya project
	July 2015	Asakusabashi Fuji project
	June 2018	Nihonbashi project
Retail properties	Mar. 2015	Chofu project
	Sept. 2015	Shimura project
Private nursing homes	July 2014	Shakujii project
	July 2014	Kashiwagi project
	Sept. 2015	Shin-Okubo project
	Jan. 2016	Shimura project
Lease condominium	May 2015	Shin-Okubo project



Toranomon First Garden



Hulic Ginzasukiyabashi Building



Shinjuku project



Aria Yoyogiuehara



Hulic Residence Chofu Shibasaki



Hulic Residence Chiba Chuo

*1: The conceptual image of the Shinjuku Project upon completion may show design specifications that differ from the actual completed building.

*2: There are no properties listed that Hulic Reit has finalized plans on acquiring as of the date of this document, excluding those properties already acquired.

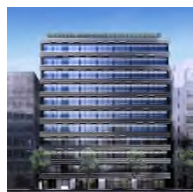
*3: The "Asset class" column may only contain the primary asset class of the property.

1 Development (excluding rebuilds)

Property name	Completion
Hulic Residence Myogadani (Nara Prefecture Operated Student Dormitory Development Project)	Oct. 2010
Hulic Asakusabashi Building (Development Project on the site of the Former Fukui Junior High School)	Feb. 2013
Ochanomizu Sola City	Mar. 2013
Nagatacho Hokkaido Square (Development Project using the site of Hokkaido Prefecture's Tokyo Office)	Sept. 2013
Shinagawa Season Terrace (Upper Development Project in conjunction with the Shibaura Water Treatment Center Redevelopment)	Feb. 2015 (planned)
Toranomon Development Project	2015 (planned)
Yurakucho 2-Chome Building Development Project (New Tokyo Building)	2017 (planned)



Ochanomizu Sola City



Toranomon
Development
Project



Yurakucho 2-Chome
Development Project

3 Warehousing

Property name	Acquisition	Sale	Purchaser
Yodobashi Camera Multimedia Kichijoji	July 2011	Dec. 2011	Godo Kaisha Kichijoji YCM Funding
IIF Zama IT Solution Center	July 2011	Mar. 2012	Industrial & Infrastructure Fund Investment Corporation
IIF Mitaka Card Center	Jan. 2012	Apr. 2012	Industrial & Infrastructure Fund Investment Corporation
Hotel Keihan Universal City	Jul. 2012	Sept. 2012	Japan Hotel REIT Investment Corporation
Hotel Sunroute Shinbashi	July 2012	Sept. 2012	Japan Hotel REIT Investment Corporation
Sagamihara Tana Logistics Center	Apr. 2013	July 2013	Nomura Real Estate Master Fund, Inc.
Iruma Logistics Center	Aug. 2013	Feb. 2014	Industrial & Infrastructure Fund Investment Corporation

2 New Investments (since 2012)

Asset class	Property name	Acquisition
Office properties	Hulic Ginza 7 Chome Building	Jan. 2012
	Hulic Yurakucho Building	Mar. 2012
	Rapiros Roppongi	Mar. 2013
	Hulic Kamiyacho Building	May 2013
	NAKANO CENTRAL PARK SOUTH	Mar. 2014
Retail properties	Shinjuku Gates Building	Jan. 2013
	Victoria Wardrobe Jimbocho	June 2013
	Hulic Jingu-Mae Building	June 2013
	Hulic Shibuya Udagawacho Building	Sept. 2013
	Tsurumi Fuga 1	Mar. 2014
Private nursing homes	Hulic Ginza 2 Chome Building	Mar. 2014
	Trust Garden Yoganomori, and other 3 properties	Oct. 2012
	Esperal Joto	July 2013
Network centers	Development site in central Tokyo	Mar. 2014
	Ikebukuro Network Center, and other five properties	Dec. 2012
	Chiba Network Center	Sept. 2013
Lease condominium	Sapporo Network Center	Sept. 2013
	GRANBELL GINZA	Feb. 2014
	Ginza Grandia 2 Building	Mar. 2014



Hulic Ginza 7 Chome
Building



Hulic
Kamiyahco
Building



Hulic Shibuya
Udagawacho
Building



Trust Garden
Yoganomori

*1: The conceptual image of the Toranomon Development Project and Yurakucho 2-Chome Development Project upon completion may show design specifications that differ from the actual completed building.

*2: There are no properties that Hulic Reit has finalized plans on acquisition as of the date of this document but not listed, except for those properties already acquired.

*3: The "Asset class" column may only contain the primary asset class of the property.

DEALWATCH



THOMSON REUTERS

J-REIT Deal of the Day: Hulic Reit Demonstrates the Track Record of its Sponsor

Hulic Reit Investment Corporation (HLC) will conclude its subscription period on the 4th for the issuance of new investment units in conjunction with its IPO. Details of its IPO are as follows.

Market/Securities Code: TSE/3295

Offering: 617,500 units (¥66,690 million)

Over allotment: 32,500 units (¥3,500 million)

Issue price: ¥108,000

Joint Global Coordinators: Mizuho Securities and Nomura Securities

Provisional conditions: ¥103,000 to ¥108,000

Total units issued and outstanding: 619,500 units (2,000 units prior to offering)

Market cap at time of resolution: ¥66,960 million

Hulic Reit Investment Corporation (HLC), set up by real estate lease firm and TSE First Section-listed Hulic Co., Ltd., will be the first J-REIT of 2014 to test the IPO market. In April 2013, HLC set up asset manager Hulic Reit Management Co., Ltd. and “has been moving forward with full-scale preparations for about a year. We decided to be the first J-REIT IPO of 2014 because of uncertainty in the markets emerging for April and beyond given the consumption tax hike and other factors,” says HLC. It received approval to list its investment units on the TSE on January 6, 2014, the same day of its announcement.

During its roadshow, HLC was able to meet with around 130 firms in Japan and overseas and held large meetings on four occasions. Book building was carried out with the plan to allocate 85% to general investors and 15% to institutional investors in Japan, excluding the 79,500 units set aside for specific buyers, with the breakdown 80% domestic and 20% international per the initial resolution. According to persons involved in the deal, the multiple was “5 times for the domestic general investor portion, 12 times for the domestic institutional investor, and 30 times for the international portion. Given that international demand outstripped expectations, 5% of the domestic retail portion was reallocated for international investors. In addition to steady demand from retail investors, demand from institutional investors was apparently robust both in Japan and overseas. Persons involved in the deal pointed out, “This IPO was a clear indication of the sponsor’s track record and visibility. There was also demand from Hulic’s investors during the roadshow.” “By selecting the 144A rule, nearly every subscriber participated with the exception of those without a track record that could not,” noted an official involved in the deal. The open price was eight percent higher than the anticipated issue price of ¥100,000.

Some 80% of HLC’s portfolio consists of highly competitive office properties in Tokyo’s 23 wards located less than a five-minute walk from the nearest station and so-called Tokyo Commercial Properties where it invests in commercial properties either within a five-minute walk from the nearest station or located in a downtown area. The remaining 20% of HLC’s portfolio includes Next-Generation Assets, which it uses to describe private nursing homes and network centers. The breakdown of its 21-property portfolio at the time of the IPO was 56.6% office, 21.2% commercial, 14.0% private nursing homes, and 8.2% network centers (planned acquisition price: ¥101,424 million; appraisal value: ¥104,476 million; NOI yield based on appraisal value: 5.1%). Its flagship property, the Hulic Kamiyacho Building (¥20,100 million; ¥21,000 million; 4.5%), accounts for 20% of its portfolio. HLC’s current sponsor, Hulic, owns 100% of the building, but HLC plans on acquiring a 39.9% quasi-co-ownership interest.

According to a Japanese fund, “(HLC) has a portfolio of office buildings in ideal locations centered on Tokyo. It has a 100% occupancy rate, but even if a vacancy occurred it can quickly fill the space.” Private nursing home properties are operated by Trust Garden Co., Ltd., a wholly owned subsidiary of Resort Trust, which “lowers operator risk that is often a problem with healthcare properties and the quality of tenants is sound because the properties are in the higher end segment of the market,” says an investment trust investment advisor, while an analyst points out, “Acquiring properties with a 6% cap rate is very convincing.” HLC’s inclusion of network centers is a first among J-REIT and although investor familiarity is lacking, “Investors were aware that these facilities are required for telecommunications,” said an investment trust investment advisor. “Regardless of the asset class, master lease agreements makes for stability. Although internal growth is likely limited, external growth offers the robust pipeline of its sponsor,” said a foreign fund. This demonstrates that Hulic’s commitment to the J-REIT provided a sense of ease and confidence to the market.

HLC’s dividend yield ranges from 4.6% to 4.7%. Its LTV at the time of the IPO was 35% and it plans on lifting to between 40% or 50% going forward. One investor pointed out, “Even if the LTV was 40% the dividend yield would still be 5.2% and at 50% it would rise to 6%. The current yield is sufficiently appealing and there is further upside.” HLC plans on increasing its assets to ¥300,000 million within three to five years. This means that it will acquire properties worth ¥70,000 million each year. Of these, 60% to 70% will be sourced from its sponsor, while the remaining 30% to 40% will be from external sources.

(Miho Osawa DealWatch / Thomson Reuters)



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Hulic Reit Investment Corporation: Rouses Demand with Yield and Sense of Value

Hulic Reit Investment Corporation will launch its IPO on the TSE on the 7th. The following is a review of the IPO.

Code: 3295

Offering price: ¥108,000

Investment units issued: 617,500 units

Domestic offering: 455,000 units

International offering: 162,500 units

Total public offering: ¥66,690 million

Over allotment: 32,500 units

Number of units issued and outstanding: 619,500 units (at time of IPO)

Market cap at time of IPO: ¥66,960 million

Resolution date: January

Conditions set: January 29

IPO date: February 7

Joint Global Coordinators: Mizuho/Nomura

HLC is a J-REIT established on November 25, 2013 that is a diversified J-REIT with Hulic (3003) as its sponsor. Hulic Reit Management Co., Ltd., a wholly owned subsidiary of Hulic, will serve as HLC's asset management company. HLC's portfolio at the time of its IPO was 21 properties worth ¥101,424 million. It plans on lifting this number to about ¥300,000 million in three to five years.

HLC's portfolio allocation includes 80% Tokyo Commercial Properties, which focus on investments in office buildings close to stations in Tokyo's 23 wards, and 20% Next-Generation Assets, which include private nursing homes and public private partnership (PPP) arrangements that operate government services. HLC plans on maintaining this ratio going forward. The previous will drive growth, while the later will support this with a stable yield.

The breakdown of the 21 properties that HLC will acquire includes 8 office buildings, 4 commercial facilities, 4 private nursing homes, and 5 network centers. The NOI yield will be 5.1% and the occupancy rate has reached 98.9%. Although there are more than 3 categories, "Investment targets have been narrowed and we recognize that rather than being diversified our portfolio has sheer volume," said HLC management. Approximately ¥67,700 million of the total acquisition price will be sourced from the public offering, while ¥41,200 million will be borrowed from lending syndicate with the three Japanese megabanks as arrangers.

Initially, people cited concern that Hulic and its portfolio did not have a credit rating or much in the way of a reputation regionally in Japan and that it was hard to understand the unique qualities of its office and commercial properties. As it turned out, however, the book building process boomed. The breakdown was 75% domestic and 25% international with 85% allocated to general investors and 15% to institutional investors in Japan. According to persons involved in the deal, the multiple was "5 times for the domestic retail portion, 12 times for the domestic institutional investor portion, and 30 times for the international portion, with an overall average of 10%. Investor roadshows were held between January 8 and 19 with three teams split between Japan and Asia, Europe and the United States making between 70 and 80 visits with investors.

There was strong demand internationally, with part of the domestic retail portion re-allocated, increasing the initial 20% international allocation by 5%. According to the bookrunner, "This was a deal that saw all subscribers participate, including notably real estate focused funds from North America and Asia as well as investors that are long. Major investors placed orders for between ¥5,000 million and ¥10,000 million yen." This demonstrates that Hulic's regular international investor roadshows had a positive effect in getting its name out to the market.

Although inclusion in foreign funds will likely not be possible at the time of IPO because its market cap is less than ¥100,000 million, HLC's management selected a global offering because "REIT carry a represent a large weight of the portfolios of international investors and in order to proactively capture overseas money to fund future growth we wanted to share information and broaden understanding from the IPO phase."

The TSE J-REIT Index is hovering around 1500 and conditions are positive. Given this, a number of investors focus turned to HLC's high yield and its sense of value offered by the IPO price. The cash distribution yield calculated for the offering price of ¥108,000 yen turns out to be higher than 4.6%, which largely exceeds the 3% average of other J-REIT. Meanwhile, HLC's NAV multiple is 1.03 times, which is lower than most other J-REIT, which are in the middle 1 times range.

HLC's LTV at the time of the IPO was between 31% and 32%. Under the ceiling of 60%, HLC plans on lifting this figure to between 40% and 50%. Even at 50%, HLC would have over ¥40,000 million in available buying power. The underwriters noted, "Investors recognized HLC's many positives, including low leverage, high cash distribution yield, and a high NOI yield. Some had a downtrodden view of healthcare property valuations, but local banks can easily fund such purchases, so this stirred up interest.

HLC's prospectus price of ¥100,000 was calculated based on the yield of office and retail property focused J-REITs such as Activia Properties Investment Corporation (3279) and Japan Prime Realty Investment Corporation (8955), among others. The yield based on the prospectus price was around 4.8%, but the JGC "Found institutional investor appetite for the lower 4% range," so the provisional price was lifted to between ¥103,000 and ¥108,000, with the latter being the ceiling.

HLC plans on essentially acquiring properties from Hulic. All J-REIT are faced with increased competition and a challenging buying environment, but Hulic has positioned its REIT business as part of its aim to diversify its profit streams. "The sponsor is strongly committed," says HLC's management. It will be no easy task to maintain the same NOI yield as the time of its IPO, but HLC's management notes, "We will respond in a flexible manner to ensure that the speed of growth does not slow down for the sake of yield." Hulic will be allocated 79,500 units as part of the sponsor support agreement, which will bring Hulic's stake in HLC to 12.5% after the IPO.

Hulic is a real estate company affiliated with the Mizuho Financial Group that had its IPO on the First Section of the TSE in November 2008. It was delisted in July 2012 after its merger with Shoei Co., Ltd., and the Hulic name was approved at the post-merger trade name of the company. Following the merger, the company has expanded its domains and has grown to become Japan's fourth largest company in the real estate sector by market cap. According to the JGC, "There were some investors who took part in the HLC offering because they could not get additional exposure to Hulic." As part of its medium-term management plan released on January 31, HLC announced that it appeared ready achieve its goal for ordinary profit of ¥30,000 million four years earlier than the 10-year plan targeted. In December 2013, HLC announced its earnings forecast for the fiscal period ending December 2014 based on the assumption that properties would be assigned to the REIT. Later it announced upward revisions to its earnings forecast and dividend payout for the fiscal period ended December 2013. Market participants noted, "The HLC Group did a great job in conveying its commitment and confidence."

(Nagisa Ikebe Capital Eye News)

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This presentation contains forward-looking statements about the forecasts, outlook, targets and plans of Hulic Investment Corporation (hereinafter referred to as “HLC”). These statements are based on information available at the time this presentation was prepared and contain certain subjective assumptions about uncertain factors that may influence future performance. These statements do not guarantee future performance and actual results may vary largely.

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