

Hulic Reit, Inc.

Asset Management Report

Fiscal period ended August 31, 2014 (November 7, 2013 to August 31, 2014)

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.

Following our establishment on November 7, 2013, we were listed on the Real Estate Investment Trust Securities Market (J-REIT Market) of the Tokyo Stock Exchange on February 7, 2014. We have now successfully completed our 1st fiscal period (fiscal period ended August 31, 2014). 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 in the 1st period (fiscal period ended August 31, 2014).

At the time of our listing, we acquired 21 properties (8 office properties, 4 retail properties, 4 private nursing homes and 5 network centers) for ¥101,424 million. Having managed our investments appropriately, as demonstrated by our maintenance of high occupancy rates, we recorded operating revenues of ¥3,660 million, operating income of ¥2,480 million, ordinary income of ¥1,555 million and net income of ¥1,553 million. As a result, our distributions per unit were ¥2,383.

Moreover, in our 2nd fiscal period (fiscal period ending February 28, 2015), we announced in October 2014 our first acquisition of new properties and our first capital increase through public offering since our listing. Following the completion of such acquisitions, our portfolio will consist of 28 properties (10 office properties, 6 retail properties, 4 private nursing homes and 8 network centers) with an asset size of ¥148,168 million (on an anticipated acquisition price basis).

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 our sponsor, 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 August 31, 2014)

Category	Individuals/other	Financial institutions (including securities firms)	Other domestic corporations	Foreign corporations/ individuals	Total
Number of Unitholders by Type (persons)	5,898	78	184	112	6,272
Percentage (Note) (%)	94.03	1.24	2.93	1.78	100.00
Number of Investment Units by Unitholder Type (unit)	61,535	358,892	101,526	130,047	652,000
Percentage (Note) (%)	9.43	55.04	15.57	19.94	100.00

(Note) Percentages shown are rounded down to two decimal places.

I. Asset Investment Report

1. Summary of asset management

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

Fiscal period	Unit	1st fiscal period (From November 7, 2013 to August 31, 2014)
Operating revenues	Millions of yen	3,660
[Of the above, real estate lease business revenues]	Millions of yen	[3,660]
Operating expenses	Millions of yen	1,180
[Of the above, expenses related to real estate lease business]	Millions of yen	[763]
Operating income	Millions of yen	2,480
Ordinary income	Millions of yen	1,555
Net income	Millions of yen	1,553
Total assets	Millions of yen	108,794
[Change from the previous fiscal period]	%	[-]
Net assets	Millions of yen	69,496
[Change from the previous fiscal period]	%	[-]
Unitholders' capital	Millions of yen	67,943
Total number of investment units issued	Unit	652,000
Net assets per unit	Yen	106,590
Total distributions	Millions of yen	1,553
Payout ratio (Note 2)	%	99.9
Net income per unit (Note 3)	Yen	3,450
Distributions per unit	Yen	2,383
[Of the above, distributions of earnings per unit]	Yen	[2,383]
[Of the above, distributions in excess of earnings per unit]	Yen	[-]
Equity ratio (Note 4)	%	63.9
[Change from the previous fiscal period]	%	[-]
Return on equity (Note 5)	%	4.5
[Annualized]	%	[5.5]
[Other reference information]		
Number of investment properties	Properties	21
Total leasable area	m ²	119,413.41
Occupancy rate at end of period	%	99.1

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

(Note 2) The payout ratio is rounded down to one decimal place.

(Note 3) Net income per unit is calculated by dividing net income by the average number of investment units for the period.
Average number of investment units for the 1st fiscal period is 450,347 units.

(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 (net income to net assets ratio) = net income / [(net assets at beginning of period + net assets at end of period) / 2] × 100

The value in brackets of return on equity is the annualized value calculated based on the number of days from November 7, 2013 to August 31, 2014, the length of the fiscal period under review.

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

Hulic Reit, Inc. (hereinafter referred to as the “Investment Corporation”) was established on November 7, 2013, with unitholders’ capital of ¥200 million (2,000 units) and with Hulic Reit Management Co., Ltd. (hereinafter referred to as the “Asset Manager”) 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 (617,500 units) through a public offering with the payment date on February 6, 2014, which were listed on the Real Estate Investment Trust Securities Market (hereinafter referred to as the “J-REIT Market”) of Tokyo Stock Exchange, Inc. (hereinafter referred to as the “the Tokyo Stock Exchange”) (Securities code: 3295) on February 7, 2014. In addition, new investment units (32,500 units) were issued through a third-party allotment on March 7, 2014. As a result, the number of investment units issued at the end of the fiscal period under review was 652,000 units.

The Investment Corporation’s investment activities are focused on real estate-related assets, primarily investing in and managing office buildings and retail facilities.

i) Investment environment and investment performance

Investment environment: The Japanese economy during the fiscal period under review exhibited a volatility caused by the rush of demand before the consumption tax rise and the lull of demand afterward. However, the economy is expected to revert to a path of gradual recovery on the back of improved corporate earnings, firm employment environment, and the like.

In the rental office market, there was improvement in the supply and demand balance, particularly in the central area of Tokyo. The overall vacancy rate was seen to improve, with the large buildings providing traction for the medium and small buildings. Moreover, rent levels appeared to have hit bottom and cases of rent rises were even observed in some parts of the market.

Investment performance: On February 7, 2014, the Investment Corporation acquired 21 properties (with a total acquisition price of ¥101,424 million), which were listed as assets planned for acquisition in the Investment Corporation’s Securities Registration Statement (submitted on January 6, 2014, prepared in Japanese only) regarding the public offering of investment units for the initial public offering of the Investment Corporation on the Tokyo Stock Exchange. Management of the properties started on the same date. The closing date for the fiscal period under review is August 31, 2014. As such, the fiscal period under review (from November 7, 2013 to August 31, 2014) includes an actual operating period of 206 days from February 7, 2014 to August 31, 2014.

ii) Status of financing

As of the end of the fiscal period under review (August 31, 2014), the Investment Corporation had unitholders’ capital of ¥67,943 million after the initial public offering for its listing on the Tokyo Stock Exchange on February 7, 2014.

In addition, in procurement of interest-bearing debt, the Investment Corporation secured short-term loans payable of ¥7,360 million and long-term loans payable of ¥29,040 million on February 7, 2014 as additional funds for asset acquisitions. On March 7, 2014, the Investment Corporation made a partial early repayment of short-term loans payable of ¥3,400 million.

Long-term loans payable include ¥26,590 million in borrowings based on a variable interest rate. The Investment Corporation has used an interest rate swap to fix the interest rate for all such borrowings.

As a result, at the end of the fiscal period under review, interest-bearing debt totaled ¥33,000 million, comprising ¥3,960 million in short-term loans payable and ¥29,040 million in long-term loans payable, resulting in a loan-to-value (LTV) ratio of 30.3% at the end of the fiscal period.

iii) Overview of financial results and distributions

In the period of actual operations (206 days from February 7, 2014 to August 31, 2014), operating revenues were ¥3,660 million and operating income was ¥2,480 million. Ordinary income was ¥1,555 million and net income was ¥1,553 million for the fiscal period under review, reflecting recording of interest expenses for borrowings, borrowing related expenses and lump-sum combined costs of ¥423 million for investment unit issuance costs and organization expenses.

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 fiscal period under review 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 came to ¥2,383.

(3) Status of capital increase, etc.

The status of capital increase, etc. for the fiscal period under review is as follows:

Date	Event	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)

(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 investment 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.

<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	1st fiscal period ended August 31, 2014
	Highest (Yen)	181,500
	Lowest (Yen)	130,000

(4) Distributions, etc.

Distributions for the fiscal period under review (the 1st fiscal period) are ¥2,383 per unit. 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.

Fiscal period	1st fiscal period (From November 7, 2013 to August 31, 2014)
Total unappropriated retained earnings	¥1,553,814 thousand
Accumulated earnings	¥98 thousand
Total amount of cash distributions (Distributions per unit)	¥1,553,716 thousand (¥2,383)
Of the above, total amount of distributions of earnings (Distributions of earnings per unit)	¥1,553,716 thousand (¥2,383)
Of the above, total amount of refunds of unitholders' capital (Refunds of unitholders' capital per unit)	— (—)

(5) Future investment policies and issues to address

In the outlook for the rental office market, demand for offices is expected to remain firm mainly on the back of improvements in the employment situation and business results, while rent levels are expected to improve, and, in the near term the market is expected to recover moderately. In addition, the real estate selling market is expected to improve further due to prospects of a full-fledged recovery in the rental market and favorable fund procurement conditions.

Against this backdrop, the Investment Corporation will focus on commercial properties in the greater Tokyo area, aiming to maximize unitholder value over the medium and long term, and invest in next-generation assets, aiming to support stable earnings over the long-term. As part of these efforts to maximize investor value over the medium and 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 and long term and increase the size and value of the asset portfolio.

In financing strategy, the Investment Corporation will 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.

(6) Significant events after the reporting period

Issuance of new investment units

The Investment Corporation passed resolutions at a meeting of its Board of Directors held on October 14, 2014, to issue new investment units to partly fund the acquisition of specified assets. The issue price per unit and other matters are scheduled to be determined at a meeting of the Investment Corporation's Board of Directors to be held on the pricing date (to be held on a date between October 29, 2014 and November 5, 2014).

(New investment unit issuance through public offering)

Number of new investment units to be issued: 122,860 units (including Japan and overseas)
 Payment date: A date between November 6 and November 12, 2014

(New investment unit issuance through third-party allotment)

Number of new investment units to be issued (maximum): 6,140 units
 Payment date: November 21, 2014
 Allottee: Mizuho Securities Co., Ltd.

If the entire number of investment units to be issued in the third-party allotment, or a portion thereof, is not subscribed to, this may result in the final number of investment units issued in the third-party allotment being reduced by such number of units or fewer due to forfeiture or the issuance itself not being carried out at all.

(Reference information)

i) Acquisitions of properties

The Investment Corporation concluded purchase and sale agreements for the acquisition of the following trust beneficiary rights (7 properties; total acquisition price: ¥46,744 million) on October 14, 2014.

The acquisition prices provided are amounts that do not include expenses incurred on the acquisitions of the said real estate, etc. (acquisition expenses, fixed asset tax, city planning tax, consumption taxes), and are equivalent to the acquisition prices stated on the trust beneficiary right sales agreements.

Property name	Location	Anticipated date of acquisition	Anticipated acquisition price (millions of yen)	Seller
Ochanomizu Sola City	Chiyoda-ku, Tokyo	November 7, 2014	22,854	Hulic Co., Ltd.
Higashi Ueno Building	Taito-ku, Tokyo	October 16, 2014	2,670	(Note)
Shinjuku Gates Building	Shinjuku-ku, Tokyo	October 16, 2014	5,550	SPC Sonic Investments 6
Yokohama Yamashitacho Building	Yokohama-shi, Kanagawa Prefecture	October 16, 2014	4,850	Hulic Co., Ltd.
Chiba Network Center	Inzai-shi, Chiba Prefecture	December 16, 2014	7,060	Godo Kaisha NC2 Funding
Sapporo Network Center	Sapporo-shi, Hokkaido	December 16, 2014	2,510	Godo Kaisha NC2 Funding
Keihanna Network Center	Kizugawa-shi, Kyoto Prefecture	October 16, 2014	1,250	Hulic Co., Ltd.
Total	—	—	46,744	—

(Note) Although the seller of Higashi Ueno Building is a general business company in Japan, the seller is not disclosed since the seller's consent regarding disclosure has not been obtained. The seller of the said property does not fall under the category of interested person, etc. for the Investment Corporation or the Asset Manager.

ii) Borrowing of funds

The Investment Corporation decided on October 14, 2014, to procure funds to partly fund the acquisition of assets planned for acquisition through the following bridge loans (hereinafter referred to as the "Bridge

Loans”) from a syndicate of lenders arranged by Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and The Bank of Tokyo-Mitsubishi UFJ, Ltd.

In addition, after the funds have been procured through the Bridge Loans, in order to repay and refinance the Bridge Loans, the Investment Corporation plans to procure funds through the following term loans (hereinafter referred to as the “Term Loans”) from a syndicate of lenders arranged by Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Term Loans are conditional on matters such as the completion of final approval in the loan application examination procedures by each of the lenders.

<Bridge Loans> (Note 1)

Lender	Borrowing amount (a) (billions of yen) (Note 2)	Interest rate (Note 3)	Loan execution date (planned)	Borrowing method	Repayment date	Repayment method (Note 4)	Use	Remarks
Syndicate of lenders arranged by Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥14.1	Base rate of interest + 0.15% (Note 5)	October 16, 2014	Borrowing in accordance with individual term loan agreements entered into on October 14, 2014 with the lenders shown left	March 16, 2015	Lump-sum repayment	Purchase of assets planned for acquisition and certain related costs	Unsecured and unguaranteed (Note 6)
	¥4.5	Base rate of interest + 0.15% (Note 5)	November 7, 2014					
	¥9.1	Base rate of interest + 0.15% (Note 5)	December 16, 2014					

<Term Loans>

Lender	Borrowing amount (planned) (Billions of yen) (Note 2)	Interest rate (Note 3)	Loan execution date (planned)	Repayment date	Repayment method (Note 4)	Use	Remarks
Syndicate of lenders arranged by Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥4.58	Base rate of interest + 0.20% (Note 5)	February 27, 2015	Date 4 years and 6 months after loan execution date	Lump-sum repayment	Refinancing of the Bridge Loans	Unsecured and unguaranteed (Note 6)
	¥5.74	Base rate of interest + 0.23% (Note 5)		Date 5 years after loan execution date			
	¥7.13	Base rate of interest + 0.33% (Note 5)		Date 6 years and 6 months after loan execution date			
	¥7.55	Base rate of interest + 0.40% (Note 5)		Date 7 years after loan execution date			
	¥1.9	Base rate of interest + 0.60% (Note 5)		Date 9 years and 6 months after loan execution date			
	¥0.5	Base rate of interest + 0.80% (Note 5)		Date 10 years after loan execution date			
	¥0.3	Base rate of interest + 0.95% (Note 5)		Date 12 years after loan execution date			

(Note 1) The relevant borrowings are subject to the execution of loan agreements containing lending terms that are reasonably satisfactory to the lenders as well as the fulfillment of all lending conditions (to be separately determined).

(Note 2) The total borrowing amount (planned) shown above may change subject to the proceeds from the Public Offering and the Third-Party Allotment, described in “Notice concerning the Issuance of New Investment Units and Secondary Public Offering,” issued on October 14, 2014.

(Note 3) The loan fees and other charges to be paid to the lenders shown above are not included.

(Note 4) In cases where certain requirements, such as prior written notice of Hulic Reit, are met during the term of the borrowing of funds shown above, Hulic Reit may repay the principal of this borrowing of funds in part or in its entirety prior to the repayment date.

(Note 5) The base rate of interest will be the Japanese Yen TIBOR (Tokyo Interbank Offered Rate) published by the JBA (Japanese Bankers Association). For borrowings for which the repayment date is more than one year from the loan execution date, the Investment Corporation will consider fixing the interest rate in part or for the entirety of the borrowings using an interest rate swap, or similar means.

(Note 6) The Investment Corporation has entered into basic agreements regarding the borrowing of funds with the above-mentioned lenders as of October 14, 2014, and will conclude definitive loan agreements with the above-mentioned lenders based on such basic agreements.

Although these loan agreements do not assume the provision of security at the time of the borrowings, they do assume the establishment of financial covenants such as maintenance of figures in certain financial indicators based on assets, liabilities and others.

2. Overview of the Investment Corporation

(1) Status of unitholders' capital

	1st fiscal period As of August 31, 2014
Total number of authorized investment units	20,000,000 units
Total number of investment units issued	652,000 units
Unitholders' capital	¥67,943 million
Number of unitholders	6,272 persons

(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)	133,335	20.45
The Master Trust Bank of Japan, Ltd. (Trust account)	86,987	13.34
Hulic Co., Ltd.	81,500	12.50
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	60,730	9.31
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	29,565	4.53
NOMURA BANK(LUXEMBOURG)S.A.	16,593	2.54
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/HENDERSON HHF SICAV	13,998	2.14
STATE STREET BANK AND TRUST COMPANY	10,217	1.56
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	8,280	1.26
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	7,100	1.08
Total	448,305	68.75

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

(3) Matters relating to officers, etc.

i) Executive Officers, Supervisory Officers and Accounting 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)	Kunio Shimada	Representative Partner of Shimada, Hamba and Osajima (law firm)	¥4,900 thousand
	Shigeru Sugimoto	Representative of Sakura Horwath Audit Corporation	¥4,900 thousand
Accounting Auditor	Ernst & Young ShinNihon LLC	—	¥4,000 thousand

(Note) 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.

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.

3. Status of portfolio of the Investment Corporation

(1) Composition of the assets of the Investment Corporation

Type of assets	Category	Region (Note 1)	Reporting period (As of August 31, 2014)	
			Total amount held (Millions of yen) (Note 2)	Percentage to total assets (%) (Note 3)
Real estate in trust	Tokyo Commercial Properties	Six central wards of Tokyo	75,837	69.7
		Other wards of Tokyo	3,926	3.6
		Other	—	—
		Total	79,763	73.3
	Next Generation Assets	Six central wards of Tokyo	—	—
		Other wards of Tokyo	20,435	18.8
		Other	2,436	2.2
		Total	22,872	21.0
	Total real estate in trust		102,635	94.3
	Deposits and other assets		6,158	5.7
Total assets		108,794	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 in trust, book value less depreciation expenses).

(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

The outline 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 ²) (Note 1)	Leased area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Percentage to total real estate lease business revenues (%) (Note 4)	Primary asset class
Hulic Kamiyacho Building (Note 6)	20,183,579	12,991.85	12,519.56	96.4	16.3	Office property
Hulic Kudan Building (Land)	11,191,213	3,351.07	3,351.07	100.0	8.2	Office property
Oimachi Redevelopment Building (#2)	9,520,815	14,485.66	14,485.66	100.0	9.6	Retail property
Toranomon First Garden (Note 6)	8,665,886	5,689.97	5,689.97	100.0	8.6	Office property
Oimachi Redevelopment Building (#1) (Note 6)	6,264,018	10,612.67	10,612.67	100.0	6.8	Retail property
Rapiros Roppongi (Note 6)	5,571,841	5,875.17	5,291.65	90.1	6.5	Office property
Trust Garden Youganomori	5,461,661	5,977.75	5,977.75	100.0	– (Note 5)	Private nursing home
Ikebukuro Network Center	4,612,111	12,773.04	12,773.04	100.0	4.2	Network center
Hulic Takadanobaba Building	3,926,170	5,369.71	5,369.71	100.0	5.3	Office property
Hulic Kanda Building	3,781,410	3,728.36	3,728.36	100.0	4.5	Office property
Total	79,178,708	80,855.25	79,799.44	98.7	–	

(Note 1) Leasable area shows the floor area for which leasing of that building is considered possible based on the lease agreements and floor plans of the buildings relating to each asset (for multiple building asset, the sum total of the leasable floor areas of each building).

(Note 2) Leased area shows the actual area which is leased under each lease agreement entered into with the end-tenants and indicated in each lease agreement.

(Note 3) Occupancy rate is calculated with the formula: leased area ÷ leasable area × 100

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

(Note 5) Locations marked with a – (minus sign) in percentage to total real estate lease business revenues indicate that the Investment Corporation has not obtained permission from the end-tenant or other relevant party of these properties to disclose the relevant information.

(Note 6) The leasable area, leased area and occupancy rate of Hulic Kamiyacho Building show figures equivalent to the pro-rata portion of the Investment Corporation's ownership interest in the property (approximately 39.9%). The leasable area, leased area and occupancy rate of Toranomon First Garden show figures equivalent to the Investment Corporation's stratified ownership interest in the property (the Investment Corporation's ownership interest: stratified ownership of 5,493.69 m² and approximately 71.1% co-ownership interest in stratified ownership of 275.98 m²). The leasable area, leased area, and occupancy rate of Oimachi Redevelopment Building (#1) show figures for the pro-rata portion of the Investment Corporation's stratified ownership interest in the property (the Investment Corporation's ownership interest: approximately 82.6% co-ownership interest in stratified ownership of 12,843.24 m²). The leasable area, leased area, and occupancy rate of Rapiros Roppongi show figures equivalent to the pro-rata portion of the Investment Corporation's stratified ownership interest in the property (stratified ownership of 5,578.56 m² and approximately 50.5% co-ownership interest in stratified ownership of 586.37 m²).

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

The outline of real estate and beneficiary rights of real estate in trust invested in by the Investment Corporation as of the end of the fiscal period under review is as follows:

Category		Property name	Location	Asset type	Book value at end of period (Millions of yen)	Assessed value at end of period (Millions of yen) (Note)
Tokyo Commercial Properties	Office properties	Hulic Kamiyacho Building	4-3-13, Toranomon, Minato-ku, Tokyo	Beneficiary right of real estate in trust	20,183	21,400
		Hulic Kudan Building (Land)	1-13-5, Kudankita, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	11,191	11,600
		Toranomon First Garden	1-7-12, Toranomon, Minato-ku, Tokyo	Beneficiary right of real estate in trust	8,665	9,100
		Rapiros Roppongi	6-1-24, Roppongi, Minato-ku, Tokyo	Beneficiary right of real estate in trust	5,571	5,740
		Hulic Takadanobaba Building	3-19-10, Takada, Toshima-ku, Tokyo	Beneficiary right of real estate in trust	3,926	4,050
		Hulic Kanda Building	1-16-5, Kanda-Sudacho, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	3,781	4,040
		Hulic Kandabashi Building	1-21-1, Kanda-Nishikicho Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	2,516	2,550
		Hulic Kakigaracho Building	1-28-5, Nihonbashi-Kakigaracho, Chuo-ku, Tokyo	Beneficiary right of real estate in trust	2,234	2,540
	Retail properties	Oimachi Redevelopment Building (#2)	5-20-1, Higashi-Oi, Shinagawa-ku, Tokyo	Beneficiary right of real estate in trust	9,520	10,800
		Oimachi Redevelopment Building (#1)	5-18-1, Higashi-Oi, Shinagawa-ku, Tokyo	Beneficiary right of real estate in trust	6,264	6,720
		Dining Square Akihabara Building	1-16-2, Kanda-Sakumacho, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	3,227	3,370
		Hulic Jingumae Building	5-17-9, Jingumae, Shibuya-ku, Tokyo	Beneficiary right of real estate in trust	2,680	3,050
Next Generation Assets	Private Nursing homes	Aria Matsubara	5-34-6, Matsubara, Setagaya-ku, Tokyo	Beneficiary right of real estate in trust	3,290	3,690
		Trust Garden Youganomori	1-3-1, Yoga, Setagaya-ku, Tokyo	Beneficiary right of real estate in trust	5,461	5,870
		Trust Garden Sakurashinmachi	2-11-1, Tsurumaki, Setagaya-ku, Tokyo	Beneficiary right of real estate in trust	2,893	3,110
		Trust Garden Suginami Miyamae	2-11-10, Miyamae, Suginami-ku, Tokyo	Beneficiary right of real estate in trust	2,806	3,010
	Network centers	Ikebukuro Network Center	4-30-17, Kamiikebukuro, Toshima-ku, Tokyo	Beneficiary right of real estate in trust	4,612	4,950
		Tabata Network Center	6-2-8, Tabata, Kita-ku, Tokyo	Beneficiary right of real estate in trust	1,371	1,510
		Hiroshima Network Center	2-6-6, Hikarimachi, Higashi-ku, Hhiroshima-shi, Hiroshima	Beneficiary right of real estate in trust	1,094	1,190
		Atsuta Network Center	20-1, Hatanochi, Atsuta-ku, Nagoya-shi, Aichi	Beneficiary right of real estate in trust	1,028	1,090
		Nagano Network Center	1600-12, Oaza Tsurugamidori, Nagano-shi, Nagano	Beneficiary right of real estate in trust	313	363
	Total					102,635

(Note) The figures for assessed value at end of period show the appraisal value 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 lease business by real estate and beneficiary rights of real estate in trust invested in by the Investment Corporation are as follows:

Category		Property name	1st fiscal period (From November 7, 2013 to August 31, 2014)			
			Number of tenants at end of period (Tenants) (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate lease business revenues during the period (Thousands of yen) (Note 3) (Note 4)	Percentage to total real estate lease business revenues (%) (Note 4)
Tokyo Commercial Properties	Office properties	Hulic Kamiyacho Building	1	96.4	595,456	16.3
		Hulic Kudan Building (Land)	1	100.0	299,704	8.2
		Toranomon First Garden	1	100.0	314,390	8.6
		Rapiros Roppongi	1	90.1	238,264	6.5
		Hulic Takadanobaba Building	1	100.0	193,431	5.3
		Hulic Kanda Building	1	100.0	166,374	4.5
		Hulic Kandabashi Building	1	100.0	97,789	2.7
		Hulic Kakigaracho Building	1	100.0	116,128	3.2
	Retail properties	Oimachi Redevelopment Building (#2)	1	100.0	352,857	9.6
		Oimachi Redevelopment Building (#1)	1	100.0	247,609	6.8
		Dining Square Akihabara Building	1	100.0	—	—
		Hulic Jingumae Building	1	100.0	93,947	2.6
Next Generation Assets	Nursing home	Aria Matsubara	1	100.0	—	—
		Trust Garden Youganomori	1	100.0	—	—
		Trust Garden Sakurashinmachi	1	100.0	—	—
		Trust Garden Suginami Miyamae	1	100.0	—	—
	Network centers	Ikebukuro Network Center	1	100.0	153,369	4.2
		Tabata Network Center	1	100.0	51,015	1.4
		Hiroshima Network Center	1	100.0	49,589	1.4
		Atsuta Network Center	1	100.0	41,750	1.1
		Nagano Network Center	1	100.0	19,923	0.5
Total		21	99.1	3,660,646	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 the Hulic Kudan Building (Land).

(Note 2) Occupancy rate is calculated with the formula: leased area ÷ leasable area × 100

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

(Note 4) Locations marked with a – (minus sign) in real estate leasing business revenues during the period and percentage to total real estate lease business revenues indicate that the Investment Corporation has not obtained permission from the end-tenant or other relevant party of these properties to disclose the relevant information.

(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 August 31, 2014 is as follows:

Category	Type	Contracted amount (Millions of yen)		Fair value (Millions of yen) (Note 2)
		(Note 1)	Portion due after 1 year (Note 1)	
Off-market- transaction	Interest rate swap transaction Payment: fixed interest rate Receipt: floating interest rate	26,590	26,590	—
Total		26,590	26,590	—

(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

Trust beneficiary rights primarily in real estate is 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 properties held by the Investment Corporation or properties in trust for beneficiary right of real estate in trust, the main capital expenditures for renovation work, etc. currently scheduled are as follows. In some cases, estimated capital expenditure for work may have 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
Oimachi Redevelopment Building (#2)	Shinagawa-ku, Tokyo	Renewal work for lighting equipment	From October 2014 to November 2014	12	—	—
Hulic Kamiyacho Building	Minato-ku, Tokyo	Renewal work for emergency power generator	From April 2015 to August 2015	12	—	—
Hulic Kamiyacho Building	Minato-ku, Tokyo	Renewal work for elevator	From December 2014 to June 2015	20	—	—

(2) Capital expenditures during the period

In the fiscal period under review, capital expenditures in the entire portfolio amounted to ¥30,162 thousand, and repair expenses came to ¥23,944 thousand. In aggregate, construction work of ¥54,107 thousand was carried out during the fiscal period.

There are no single items of construction work carried out during the fiscal period under review for any of the properties held as of August 31, 2014, for which the capital expenditure was ¥10 million or more.

(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	1st fiscal period (From November 7, 2013 to August 31, 2014)
(a) Asset management fee	¥294,238 thousand
(b) Asset custody fee	¥8,370 thousand
(c) Administrative service fees	¥27,483 thousand
(d) Directors' compensations	¥9,800 thousand
(e) Other operating expenses	¥77,043 thousand
Total	¥416,935 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 1st fiscal period: ¥297,787 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 loans payable	Mizuho Bank, Ltd. (Note 4)	February 7, 2014	—	1,980	0.3464	February 7, 2015	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		—	1,386					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	594					
	Subtotal			—	3,960				
Long-term loans payable	Mizuho Bank, Ltd.	February 7, 2014	—	2,460	0.4923	February 7, 2017	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		—	1,930					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	1,080					
	Mizuho Trust & Banking Co., Ltd.		—	1,130					
	Sumitomo Mitsui Trust Bank, Limited		—	790					
	The Norinchukin Bank		—	790					
	Resona Bank, Limited		—	310					
	Mizuho Bank, Ltd.	February 7, 2014	—	2,570	0.7738	February 7, 2019			
	Sumitomo Mitsui Banking Corporation		—	1,950					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	1,100					
	Mizuho Trust & Banking Co., Ltd.		—	1,050					
	The Norinchukin Bank		—	1,660					
	Resona Bank, Limited		—	220					
	Mizuho Bank, Ltd.	February 7, 2014	—	2,560	1.1713	February 7, 2021			
	Sumitomo Mitsui Banking Corporation		—	1,950					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	1,060					
	Mizuho Trust & Banking Co., Ltd.		—	1,050					
	Sumitomo Mitsui Trust Bank, Limited		—	1,660					
	Resona Bank, Limited		—	270					
	Development Bank of Japan Inc.	February 7, 2014	—	2,450	1.6100	August 7, 2022			
	Mizuho Bank, Ltd.	February 7, 2014	—	400	1.8188	February 7, 2024			
	Sumitomo Mitsui Banking Corporation		—	300					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	300					
	Subtotal			—	29,040				
Total			—	33,000					

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

(Note 2) Long-term loans payable are borrowings that carry fixed interest. (Includes borrowings that have had the interest fixed by using interest rate swaps)

(Note 3) The borrowings were funds to purchase trust beneficiary rights of real estate in trust (including ancillary expenses).

(Note 4) On March 7, 2014, the Investment Corporation made a partial early repayment of ¥3,400 million.

(3) Investment corporation bonds

Not applicable.

(4) Short-term investment corporation bonds

Not applicable.

6. Status of trading during the period

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

Type of assets	Property name	Acquisition		Transfer			
		Acquisition date	Acquisition price (Millions of yen) (Note)	Transfer date	Transfer price (Millions of yen)	Book value (Millions of yen)	Gain (loss) on transfer (Millions of yen)
Trust beneficiary rights	Hulic Kamiyacho Building	February 7, 2014	20,100	—	—	—	—
Trust beneficiary rights	Hulic Kudan Building (Land)	February 7, 2014	11,100	—	—	—	—
Trust beneficiary rights	Toranomon First Garden	February 7, 2014	8,623	—	—	—	—
Trust beneficiary rights	Rapiros Roppongi	February 7, 2014	5,160	—	—	—	—
Trust beneficiary rights	Hulic Takadanobaba Building	February 7, 2014	3,900	—	—	—	—
Trust beneficiary rights	Hulic Kanda Building	February 7, 2014	3,780	—	—	—	—
Trust beneficiary rights	Hulic Kandabashi Building	February 7, 2014	2,500	—	—	—	—
Trust beneficiary rights	Hulic Kakigaracho Building	February 7, 2014	2,210	—	—	—	—
Trust beneficiary rights	Oimachi Redevelopment Building (#2)	February 7, 2014	9,456	—	—	—	—
Trust beneficiary rights	Oimachi Redevelopment Building (#1)	February 7, 2014	6,166	—	—	—	—
Trust beneficiary rights	Dining Square Akihabara Building	February 7, 2014	3,200	—	—	—	—
Trust beneficiary rights	Hulic Jingumae Building	February 7, 2014	2,660	—	—	—	—
Trust beneficiary rights	Aria Matsubara	February 7, 2014	3,244	—	—	—	—
Trust beneficiary rights	Trust Garden Youganomori	February 7, 2014	5,390	—	—	—	—
Trust beneficiary rights	Trust Garden Sakurashinmachi	February 7, 2014	2,850	—	—	—	—
Trust beneficiary rights	Trust Garden Suginami Miyamae	February 7, 2014	2,760	—	—	—	—
Trust beneficiary rights	Ikebukuro Network Center	February 7, 2014	4,570	—	—	—	—
Trust beneficiary rights	Tabata Network Center	February 7, 2014	1,355	—	—	—	—
Trust beneficiary rights	Hiroshima Network Center	February 7, 2014	1,080	—	—	—	—
Trust beneficiary rights	Atsuta Network Center	February 7, 2014	1,015	—	—	—	—
Trust beneficiary rights	Nagano Network Center	February 7, 2014	305	—	—	—	—
Total		—	101,424	—	—	—	—

(Note) Acquisition price shows the amount that does not include expenses incurred on the acquisitions of the said real estate, etc., and is equivalent to the acquisition prices stated on the sales agreements.

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

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

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

Acquisition / Disposal	Type of assets	Property name	Transaction date	Acquisition price (Millions of yen) (Note 1)	Appraisal value (Millions of yen)	Appraisal agency	Valuation date
Acquisition	Beneficiary right of real estate in trust	Hulic Kamiyacho Building	February 7, 2014	20,100	21,000	Daiwa Real Estate Appraisal Co., Ltd.	September 30, 2013
		Hulic Kudan Building (Land)		11,100	11,100	Japan Real Estate Institute	
		Toranomon First Garden		8,623	8,970	CBRE K.K.	
		Rapiros Roppongi		5,160	5,280	Japan Real Estate Institute	
		Hulic Takadanobaba Building		3,900	3,900	Daiwa Real Estate Appraisal Co., Ltd.	
		Hulic Kanda Building		3,780	3,810	The Tanizawa Sōgō Appraisal Co., Ltd.	
		Hulic Kandabashi Building		2,500	2,500	Daiwa Real Estate Appraisal Co., Ltd.	
		Hulic Kakigaracho Building		2,210	2,210	The Tanizawa Sōgō Appraisal Co., Ltd.	
		Oimachi Redevelopment Building (#2)		9,456	10,400	The Tanizawa Sōgō Appraisal Co., Ltd.	
		Oimachi Redevelopment Building (#1)		6,166	6,430	The Tanizawa Sōgō Appraisal Co., Ltd.	
		Dining Square Akihabara Building		3,200	3,210	Japan Real Estate Institute	
		Hulic Jingumae Building		2,660	2,830	The Tanizawa Sōgō Appraisal Co., Ltd.	
		Aria Matsubara		3,244	3,310	Japan Real Estate Institute	
		Trust Garden Youganomori		5,390	5,390	Japan Real Estate Institute	
		Trust Garden Sakurashinmachi		2,850	2,850	Japan Real Estate Institute	
		Trust Garden Suginami Miyamae		2,760	2,760	Japan Real Estate Institute	
		Ikebukuro Network Center		4,570	4,620	Japan Real Estate Institute	
		Tabata Network Center		1,355	1,410	Japan Real Estate Institute	
		Hiroshima Network Center		1,080	1,120	Japan Real Estate Institute	
		Atsuta Network Center		1,015	1,020	Japan Real Estate Institute	
		Nagano Network Center		305	356	Japan Real Estate Institute	
Total				101,424	104,476	—	—

(Note 1) Acquisition price shows the amount that do not include expenses incurred on the acquisitions of the said real estate, etc., and are equivalent to the acquisition prices 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.

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

i) Status of transactions

Category	Transaction amount	
	Purchase price	Sale price
Total	¥101,424 million	¥— million
	Of the above, amount of purchases from interested person, etc.	Of the above, amount of sales from interested person, etc.
	¥83,733 million (82.6%)	¥— million (—%)
Breakdown of transactions with interested person, etc.		
Hulic Co., Ltd.	¥83,733 million (82.6%)	¥— million (—%)

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)	
Management consignment expenses	140,019	Hulic Building Management Co., Ltd.	57,991	41.4
		Tokyo Fudosan Kanri Co., Ltd.	10,920	7.8
Other expenses related to rent business	138,591	Hulic Building Management Co., Ltd.	408	0.3
		Tokyo Fudosan Kanri Co., Ltd.	539	0.4

(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 Building Management Co., Ltd.	¥298 thousand
Hulic Building Management Co., Ltd.	¥8,906 thousand
Tokyo Fudosan Kanri Co., Ltd.	¥1,311 thousand

(Note 3) Other than the above-mentioned service fees, etc. paid, organizer's compensation paid to interested person, etc. during the fiscal period under review is as follows:

Hulic Reit Management Co., Ltd.	¥50,000 thousand
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(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, or Real Estate Specified Joint Enterprise.

7. Financial information

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

Please refer to “Balance Sheet,” “Statement of Income and Retained Earnings,” “Statement of Changes in Net Assets,” “Notes” and “Statement of Cash Distributions” below.

(2) Changes in the calculation method of depreciation expenses

Not applicable.

(3) Changes in the evaluation method of real estate, etc.

Not applicable.

8. Beneficiary certificates of investment trusts, etc. set up by the Corporation

Not applicable.

9. Other

(1) Announcements

i) General Meeting of Unitholders

The outline of matters approved at the General Meeting of Unitholders during the fiscal period under review is as follows:

Date of General Meeting of Unitholders	Proposals	Outline
December 11, 2013	Proposal No. 1 Partial Amendment of Articles of Incorporation	Amendments were made to the Articles of Incorporation concerning the addition of a new provision in accordance with the Diet's approval of a revision proposal for the Act on Investment Trusts and Investment Corporations and other necessary changes to expressions, etc.
	Proposal No. 2 Election of One (1) Substitute Executive Officer	Kazuaki Chokki was elected as Substitute Executive Officer.

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
November 7, 2013	Conclusion of the Asset Management Agreement	The asset management operations of the Investment Corporation were entrusted to Hulic Reit Management Co., Ltd.
	Conclusion of Asset Custody Agreement and General Administration (such as accounting) Agreement	The asset custody operations of the Investment Corporation and the general administration operations (such as accounting) were entrusted to Mizuho Trust & Banking Co., Ltd.
	Conclusion of the confirmation letter for the Transfer Agency Agreement	The Investment Corporation's organizer Hulic Reit Management Co., Ltd. entrusted the general administration such as management of the unitholder registry to Mizuho Trust & Banking Co., Ltd. on October 31, 2013, but the Investment Corporation succeeded the status based on the said agreement.
January 6, 2014	Conclusion of new investment units underwriting agreements, etc.	With 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., and Daiwa Securities Co., Ltd.
February 18, 2014	Conclusion of a memorandum for compensation for entrusted services under the Asset Management Agreement	A memorandum was concluded concerning the compensation rate prescribed for by the Asset Management Agreement.

(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.

10. 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

- We have a limited operating history.
- The Asset Manager has limited experience in operating a J-REIT.
- Any adverse conditions in the Japanese economy could adversely affect us.
- We may not be able to acquire properties to execute our growth and investment strategy in a manner that is accretive to earnings.
- 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.
- There are potential conflicts of interest between us and certain Hulic Group companies, including the Asset Manager.
- 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 expose us to risks that are not associated with other real estate classes.
- 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 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

- Insider trading regulations designed to protect unitholders of J-REITs have only recently come into force, and their interpretation and scope of enforcement remain uncertain.
- 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.
- Some of our properties are held in the form of stratified ownership (*kubun shoyū*) interests, 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 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 August 31, 2014, and the statement of income and retained earnings, changes in net assets and cash flows for the period from the inception of Hulic Reit, Inc. to August 31, 2014 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 August 31, 2014, and its financial performance and cash flows for the period from the inception of Hulic Reit, Inc. to August 31, 2014 in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shin Nihon LLC

November 27, 2014
Tokyo, Japan

II. Financial Statements

(1) Balance Sheet

(Unit: thousands of yen)

	Reporting period (As of August 31, 2014)
Assets	
Current assets	
Cash and deposits (Notes 4 and 12)	3,263,862
Cash and deposits in trust (Notes 4 and 12)	2,002,306
Operating accounts receivable	3,120
Prepaid expenses	18,324
Deferred tax assets (Note 6)	27
Consumption taxes receivable	645,501
Total current assets	5,933,142
Noncurrent assets	
Property, plant and equipment (Note 5)	
Buildings in trust	19,003,601
Accumulated depreciation	(315,412)
Buildings in trust, net	18,688,188
Structures in trust	181,832
Accumulated depreciation	(8,319)
Structures in trust, net	173,512
Machinery and equipment in trust	39,723
Accumulated depreciation	(3,533)
Machinery and equipment in trust, net	36,189
Tools, furniture and fixtures in trust	4,295
Accumulated depreciation	(116)
Tools, furniture and fixtures in trust, net	4,179
Land in trust	80,680,217
Total property, plant and equipment	99,582,288
Intangible assets	
Leasehold rights in trust	3,053,575
Other	9,207
Total intangible assets	3,062,783
Investments and other assets	
Lease and guarantee deposits	10,000
Long-term prepaid expenses	206,356
Total investments and other assets	216,356
Total noncurrent assets	102,861,427
Total assets	108,794,570

(Unit: thousands of yen)	
Reporting period	
(As of August 31, 2014)	
Liabilities	
Current liabilities	
Operating accounts payable	275,939
Short-term loans payable (Notes 7 and 12)	3,960,000
Accounts payable - other	372,135
Accrued expenses	49,394
Income taxes payable	1,403
Advances received	550,146
Deposits received	6,308
Total current liabilities	5,215,327
Noncurrent liabilities	
Long-term loans payable (Notes 7 and 12)	29,040,000
Tenant leasehold and security deposits in trust	5,042,427
Total noncurrent liabilities	34,082,427
Total liabilities	39,297,755
Net assets (Note 8)	
Unitholders' equity (Note 9)	
Unitholders' capital	67,943,000
Surplus	
Unappropriated retained earnings (Note 10)	1,553,814
Total surplus	1,553,814
Total unitholders' equity	69,496,814
Total net assets (Note 8)	69,496,814
Total liabilities and net assets	108,794,570

See accompanying notes to financial statements.

(2) Statement of Income and Retained Earnings

	(Unit: thousands of yen)
	Reporting period (From November 7, 2013 to August 31, 2014)
Operating revenues	
Rent revenue - real estate (Note 11)	3,523,129
Other lease business revenues (Note 11)	137,517
Total operating revenues	3,660,646
Operating expenses	
Expenses related to rent business (Note 11)	763,149
Asset management fee	294,238
Asset custody fee	8,370
Administrative service fees	27,483
Directors' compensations	9,800
Other operating expenses	77,043
Total operating expenses	1,180,085
Operating income	2,480,561
Non-operating income	
Interest income	409
Total non-operating income	409
Non-operating expenses	
Interest expenses	158,629
Borrowing related expenses	343,990
Organization expenses	82,286
Investment unit issuance costs	340,790
Total non-operating expenses	925,697
Ordinary income	1,555,274
Income before income taxes	1,555,274
Income taxes - current (Note 6)	1,486
Income taxes - deferred (Note 6)	(27)
Total income taxes	1,459
Net income (Note 17)	1,553,814
Unappropriated retained earnings	1,553,814

See accompanying notes to financial statements.

(3) Statement of Changes in Net Assets

Reporting period (From November 7, 2013 to August 31, 2014)

(Unit: thousands of yen)

(Unit: thousands of yen)

	Unitholders' equity (Note 9)				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at the beginning of current period	—	—	—	—	—
Changes of items during the period					
Issuance of new investment units	67,943,000	—	—	67,943,000	67,943,000
Net income	—	1,553,814	1,553,814	1,553,814	1,553,814
Total changes of items during the period	67,943,000	1,553,814	1,553,814	69,496,814	69,496,814
Balance at the end of current period	67,943,000	1,553,814	1,553,814	69,496,814	69,496,814

See accompanying notes to financial statements.

(4) Statement of Cash Flows

	(Unit: thousands of yen)
	Reporting period (From November 7, 2013 to August 31, 2014)
Net cash provided by (used in) operating activities	
Income before income taxes	1,555,274
Depreciation and amortization	328,360
Investment unit issuance costs	340,790
Interest income	(409)
Interest expenses	158,629
Decrease (increase) in operating accounts receivable	(3,120)
Decrease (increase) in consumption taxes refund receivable	(645,501)
Decrease (increase) in prepaid expenses	(18,324)
Increase (decrease) in operating accounts payable	268,610
Increase (decrease) in accounts payable - other	372,135
Increase (decrease) in advances received	550,146
Increase (decrease) in deposits received	6,308
Decrease (increase) in long-term prepaid expenses	(206,356)
Other, net	2,505
Subtotal	2,709,049
Interest income received	409
Interest expenses paid	(111,823)
Net cash provided by (used in) operating activities	2,597,634
Net cash provided by (used in) investing activities	
Purchase of property, plant and equipment in trust	(99,902,341)
Purchase of intangible assets in trust	(3,053,575)
Purchase of intangible assets	(10,186)
Payments for lease and guarantee deposits	(10,000)
Repayments of tenant leasehold and security deposits in trust	(113,785)
Proceeds from tenant leasehold and security deposits in trust	5,156,212
Net cash provided by (used in) investing activities	(97,933,675)
Net cash provided by (used in) financing activities	
Increase in short-term loans payable	7,360,000
Decrease in short-term loans payable	(3,400,000)
Proceeds from long-term loans payable	29,040,000
Proceeds from issuance of investment units	67,602,209
Net cash provided by (used in) financing activities	100,602,209
Net increase (decrease) in cash and cash equivalents	5,266,168
Cash and cash equivalents at beginning of period	—
Cash and cash equivalents at end of period (Note 4)	5,266,168

See accompanying notes to financial statements.

(5) Notes to Financial Statements

For the period from November 7, 2013 to August 31, 2014

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). In addition, the Investment Corporation issued new investment units through an allocation to a third-party (32,500 units) on March 7, 2014. As of August 31, 2014, the total number of investment units outstanding was 652,000 units.

The Investment Corporation’s real estate portfolio as of August 31, 2014 was comprised of 21 properties under management with a total leasable floor area of 119,413.41 m². The Investment Corporation has already invested ¥101,424 million (based on acquisition price) into this portfolio. The occupancy rate as of August 31, 2014 was 99.1%.

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. 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 61 years
Structures	6 to 17 years
Machinery and equipment	3 to 10 years
Tools, furniture and fixtures	6 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) Organization expenses

Organization expenses are recognized as expenses when incurred.

(5) Investment unit issuance costs

Investment unit issuance costs are recognized as expenses when incurred.

(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 rent 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 amount equivalent to property taxes included in the cost of acquisition of real estate is ¥514,892 thousand for the period from November 7, 2013 to August 31, 2014.

(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 trust beneficial interests in real estate

For trust beneficial interests in real estate 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; and land in trust

- (c) Leasehold rights in trust
- (d) Lease and guarantee deposits 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.

4. Cash and Cash Equivalents

Cash and cash equivalents as of August 31, 2014 consist of the following balance sheet items:

	(Unit: thousands of yen)	
	Reporting period	
	(As of August 31, 2014)	
Cash and deposits	¥	3,263,862
Cash and deposits in trust		2,002,306
Total cash and cash equivalents	¥	5,266,168

5. Property, Plant and Equipment

The following table shows the summary of property, plant and equipment as of August 31, 2014.

	(Unit: thousands of yen)			
	Reporting period			
	(As of August 31, 2014)			
	Acquisition costs		Accumulated depreciation	
			Book value	
Buildings in trust	¥	19,003,601	¥	315,412
Structures in trust		181,832		8,319
Machinery and equipment in trust		39,723		3,533
Tools , furniture and fixtures in trust		4,295		116
Land in trust		80,680,217		-
Total	¥	99,909,670	¥	327,382
			¥	99,582,288

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 August 31, 2014)	
Enterprise tax payable	¥	27
Total deferred tax assets		27
Net deferred tax assets	¥	27

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

	Reporting period	
	(As of August 31, 2014)	
Statutory tax rate		36.59%
(Adjustments)		
Deductible cash distribution		(36.55)%
Others		0.05%
Effective tax rate		0.09%

7. Short-term Loans Payable and Long-term Loans Payable

Summary information regarding short-term loans payable and long-term loans payable is as follows:

Classification	Lender	Loan execution date	Balance at the beginning of period (millions of yen)	Balance at the end of period (millions of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Short-term loans payable	Mizuho Bank, Ltd. (Note 4)	February 7, 2014	¥ –	¥ 1,980	0.3464	February 7, 2015	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		–	1,386					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		–	594					
	Subtotal		¥ –	¥ 3,960					
Long-term loans payable	Mizuho Bank, Ltd.	February 7, 2014	¥ –	¥ 2,460	0.4923	February 7, 2017	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		–	1,930					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		–	1,080					
	Mizuho Trust & Banking Co., Ltd.		–	1,130					
	Sumitomo Mitsui Trust Bank, Limited		–	790					
	The Norinchukin Bank		–	790					
	Resona Bank, Limited		–	310					
	Mizuho Bank, Ltd.	February 7, 2014	–	2,570	0.7738	February 7, 2019			
	Sumitomo Mitsui Banking Corporation		–	1,950					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		–	1,100					
	Mizuho Trust & Banking Co., Ltd.		–	1,050					
	The Norinchukin Bank		–	1,660					
	Resona Bank, Limited		–	220					
	Mizuho Bank, Ltd.	February 7, 2014	–	2,560	1.1713	February 7, 2021			
	Sumitomo Mitsui Banking Corporation		–	1,950					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		–	1,060					
	Mizuho Trust & Banking Co., Ltd.		–	1,050					
	Sumitomo Mitsui Trust Bank, Limited		–	1,660					
	Resona Bank, Limited		–	270					
	Development Bank of Japan Inc.	February 7, 2014	–	2,450	1.6100	August 7, 2022			
	Mizuho Bank, Ltd.	February 7, 2014	–	400	1.8188	February 7, 2024			
	Sumitomo Mitsui Banking Corporation		–	300					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		–	300					
	Subtotal		¥ –	¥ 29,040					
Total			¥ –	¥ 33,000					

(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 loans payable are borrowings that carry fixed interest (including borrowings where the interest rate is fixed by using interest rate swaps).

(Note 3) The borrowings were funds to purchase trust beneficiary rights of real estate in trust (including ancillary expenses).

(Note 4) On March 7, 2014, the Investment Corporation made a partial early repayment of ¥3,400 million.

8. Net Assets

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

9. Unitholder's Equity

	Reporting period (From November 7, 2013 to August 31, 2014)
Total number of authorized investment units at end of reporting period	20,000,000 units
Number of investment units issued at end of reporting period	652,000 units

10. 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 ¥1,553,716,000, which is the largest integral multiple of the number of investment units issued and outstanding (652,000 units), and not in excess of unappropriated retained earnings.

In addition, the Investment Corporation shall not distribute cash in an amount in excess of earnings prescribed in Article 35, Paragraph 2 of the Investment Corporation's Articles of Incorporation.

	Reporting period (From November 7, 2013 to August 31, 2014)
I Unappropriated retained earnings	¥ 1,553,814,966
II Distribution amount	¥ 1,553,716,000
[Distributions per unit]	[¥ 2,383]
III Retained earnings carried forward	¥ 98,966

11. Breakdown of Property-related Revenues and Expenses

(1) Breakdown of property operating income

	(Unit: thousands of yen)
	Reporting period (From November 7, 2013 to August 31, 2014)
A. Property operating revenues	
Rent revenue - real estate	
Rent	¥ 2,897,420
Land rent	299,704
Common area revenue	326,003
Other lease business revenues	
Utilities revenue	93,601
Other revenue	43,916
Total property operating revenues	¥ 3,660,646
B. Property operating expenses	
Expenses related to rent business	
Property management fees	¥ 140,019
Utilities	128,037
Insurance premium	5,173
Maintenance and repairs	23,944
Depreciation	327,382
Other expenses related to rent business	138,591
Total property operating expenses	¥ 763,149
C. Property operating income (A - B)	¥ 2,897,497

(2) Transactions with major unitholders

	(Unit: thousands of yen)	
	Reporting period	
	(From November 7, 2013 to August 31, 2014)	
From operating transactions		
Rent revenue - real estate	¥	900,162

12. 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 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 are conducted mainly for the purpose of acquiring properties. 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 August 31, 2014 are as follows:

	(Unit: thousands of yen)			
	Carrying amount		Fair value	
				Difference
Cash and deposits	¥	3,263,862	¥	3,263,862
Cash and deposits in trust		2,002,306		2,002,306
Total	¥	5,266,168	¥	5,266,168
Short-term loans payable	¥	3,960,000	¥	3,960,000
Long-term loans payable		29,040,000		28,191,628
Total	¥	33,000,000	¥	32,151,628
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 loans payable

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) Long-term loans payable

Since long-term loans payable 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 loans payable 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 loans payable 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 August 31, 2014

	(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
Cash and deposits	¥ 3,263,862	¥ –	¥ –	¥ –	¥ –	¥ –
Cash and deposits in trust	2,002,306	–	–	–	–	–
Total	¥ 5,266,168	¥ –	¥ –	¥ –	¥ –	¥ –

(Note 3) Redemption schedule for long-term loans payable and other interest-bearing debt as of August 31, 2014

	(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
Short-term loans payable	¥ 3,960,000	¥ –	¥ –	¥ –	¥ –	¥ –
Long-term loans payable	–	–	8,490,000	–	8,550,000	12,000,000
Total	¥ 3,960,000	¥ –	¥ 8,490,000	¥ –	¥ 8,550,000	¥ 12,000,000

13. Derivative Transactions

- (1) Derivative transactions not applying hedge accounting

As of August 31, 2014

Not applicable.

- (2) Derivative transactions applying hedge accounting

As of August 31, 2014

The contracted amount or principal amount equivalent set forth in the contract as of the balance sheet date for each hedge accounting method is as follows:

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 loans payable	¥26,590,000	¥26,590,000	*	—

* Interest rate swap transactions to which special treatment is applied are accounted for as an integral part of long-term loans payable, the hedged item. Thus, their fair values are included in the fair value of long-term loans payable. (Please refer to the preceding “12. 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 (ii) Long-term loans payable.”)

14. Leases

Operating lease transactions (Lessor)

Future minimum lease payments under noncancelable operating lease transactions

	(Unit: thousands of yen)	
	Reporting period (As of August 31, 2014)	
Due within 1 year	¥	2,022,219
Due after 1 year		6,522,279
Total	¥	8,544,499

15. 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 November 7, 2013 to August 31, 2014)	
Carrying amount		
Balance at beginning of the period	¥	—
Changes during period		102,635,863
Balance at end of the period	¥	102,635,863
Fair value at end of the period	¥	109,743,000

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

(Note 2) The main reason for the increase in the investment and rental properties during the period is the acquisition of beneficiary rights of real estate in trust of 21 properties (¥102,933,082 thousand). The decrease is mainly due to depreciation (¥327,382 thousand).

(Note 3) The fair value at end of 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 “11. Breakdown of Property-related Revenues and Expenses.”

16. Related-Party Transactions

Reporting period (From November 7, 2013 to August 31, 2014)

(1) Parent company, major corporate unitholders and other

Reporting period (From November 7, 2013 to August 31, 2014)

Type	Name	Location	Capital stock 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 end of period (thousands of yen)
						Inter-locking officers	Business relationship				
Major corporate unitholder	Hulic Co., Ltd.	Chuo -ku, Tokyo	¥22,281,180	Real estate business	(directly) 12.50%	-	Rent and management of real estate	Receipt of investment in capital	¥ 200,000	-	¥ -
								Purchase of beneficiary right of real estate in trust	¥ 83,733,000	-	¥ -
								Keeping of leasehold and security deposits	¥ 4,877,347	Tenant leasehold and security deposits in trust	¥ 4,763,562
								Repayment of leasehold and security deposits	¥ 113,785		
								Earning of rent revenue, etc.	¥ 900,162	Advances received	¥ 139,734

(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 end of period.

(2) Affiliated companies and other

Not applicable.

(3) Fellow subsidiary companies and other

Type	Name	Location	Capital stock 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 end of 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 organizer compensations	¥ 50,000	-	¥ -
								Payment of asset management fees	¥ 592,026	Operating accounts payable	¥ 316,894

(Note 1) Organizer compensations are paid in accordance with the terms set forth in the Articles of Incorporation of the Investment Corporation.

(Note 2) The asset management fees for the reporting period include management fees of ¥297,787 thousand relating to the acquisitions that are capitalized as part of the acquisition cost for the individual real property.

(Note 3) Transaction terms are determined based on current market prices.

(Note 4) Consumption taxes are not included in amount of transaction but are included in balance at end of period.

(4) Directors, major individual unitholders and other

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.”

17. Per Unit Information

	(Unit: yen)	
	Reporting period (From November 7, 2013 to August 31, 2014)	
Net assets per unit	¥	106,590
Net income per unit	¥	3,450

(Note 1) Net income per unit is calculated by dividing net income by the daily weighted average number of investment units during the period. Diluted net income per unit has not been stated as there are no potentially dilutive investment units.

(Note 2) The following is the basis for calculating net income per unit:

		Reporting period (From November 7, 2013 to August 31, 2014)	
Net income	(thousands of yen)	¥	1,553,814
Amount not attributable to common unitholders	(thousands of yen)	¥	—
Net income attributable to common investment units	(thousands of yen)	¥	1,553,814
Average number of investment units during the period	(units)		450,347

18. 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 lease business.

[Related information]

Reporting period (from November 7, 2013 to August 31, 2014)

(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.	¥ 900,162	Real estate lease business
Trust Garden Co., Ltd.	(Note) —	Real estate lease business

(Note) This information is not shown because permission has not been obtained from the tenant to disclose information such as the rent.

19. Commitment Line Contracts

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

	(Unit: thousands of yen)	
	Reporting period	
	(As of August 31, 2014)	
Total amount of commitment line contracts	¥	10,000,000
Borrowings outstanding		—
Remaining available amount	¥	10,000,000

20. Asset Retirement Obligations

Not applicable.

21. Subsequent Events

Issuance of new investment units

The Investment Corporation resolved at the Board of Directors' meetings held on October 14, 2014 and October 29, 2014 to issue new investment units as described below for the purpose of partly funding the acquisition of specified assets. The respective payments were completed on November 6, 2014 and November 21, 2014 procuring ¥18,674,040,000 in total.

(Issuance of new investment units through public offering)

Number of investment units newly issued:	122,860 units (domestic: 64,470 units, overseas: 58,390 units)
Total amount of issue price (offer price):	¥18,447,429,000 (¥150,150 per unit)
Total amount of issue value (paid-in value):	¥17,785,213,600 (¥144,760 per unit)
Payment date:	November 6, 2014

(Issuance of new investment units through third-party allotment)

Number of investment units newly issued:	6,140 units
Total amount of issue value (paid-in value):	¥888,826,400 (¥144,760 per unit)
Payment date:	November 21, 2014
Allottee:	Mizuho Securities Co., Ltd.