

The following is a summary English language translation of the original Asset Management Report available in Japanese on our website. No assurance or warranties are given with respect to the accuracy or completeness of this summary English language translation. The Japanese original shall prevail in the case of any discrepancies between this summary English language translation and the Japanese original.

Hulic Reit, Inc.

Asset Management Report

Fiscal period ended August 31, 2017 (March 1, 2017 to August 31, 2017)

To Our Unitholders

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

Hulic Reit, Inc. was listed on the Real Estate Investment Trust Securities Market (J-REIT Market) of the Tokyo Stock Exchange in February 2014, and we have steadily built a track record since then. We have now successfully completed our 7th fiscal period (fiscal period ended August 31, 2017). This is entirely due to the strong support of our unitholders, and for this I would like to express my heartfelt gratitude.

I am pleased to report here an overview of our asset management and our operating results for the 7th fiscal period.

In the 7th fiscal period, we acquired additional properties for the total acquisition price of ¥18,390 million through loans, including 3 office properties (Hulic Shibuya 1-chome Building, Hulic Higashi Nihonbashi Building and Hulic Jimbocho Building), 2 retail properties (Hulic Omori Building and HULIC &New SHIBUYA) and 1 private nursing home (SOMPO Care La vie Re Kita-Kamakura).

As a result, we expanded our portfolio at the end of the 7th fiscal period to 43 properties (17 office properties, 11 retail properties, 6 private nursing homes, 8 network centers and 1 hotel property) at ¥249,715 million. With respect to the management of the properties held, we strived to manage our investments stably, as demonstrated by our maintenance of high occupancy rates through the use of our sponsor's property operation and leasing capabilities. As a result, for our 7th fiscal period, we recorded operating revenues of ¥7,098 million (an increase of 6.2% compared to the previous fiscal period), operating profit of ¥4,021 million (an increase of 3.2% compared to the previous fiscal period), profit of ¥3,529 million (an increase of 2.2% compared to the previous fiscal period), and distributions per unit came to ¥3,378, an increase of ¥74 compared to the previous fiscal period.

Furthermore, in the 8th fiscal period (fiscal period ending February 28, 2018), we plan on conducting our fourth public offering, etc. since our listing and using the proceeds along with loans to acquire HULIC &New SHINBASHI, Sotetsu Fresa Inn Ginza 7 Chome (additional acquisition) and Sotetsu Fresa Inn Tokyo-Roppongi in November 2017. In addition, we plan on transferring Leaf Minatomirai (Land), one of our properties, in three stages from the 8th fiscal period until the 10th fiscal period.

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

We ask for the continued support of our unitholders.

Hulic Reit, Inc.

Eiji Tokita, Executive Officer

(Reference) Composition of Unitholders

(As of August 31, 2017)

Category	Individuals	Financial institutions	Securities firms	Other corporations	Foreign individuals	Total
Number of Unitholders by Type (persons)	6,737	109	18	201	173	7,238
Percentage (Note) (%)	93.1	1.5	0.2	2.8	2.4	100.00
Number of Investment Units by Unitholder Type (unit)	52,561	599,850	14,258	140,993	237,338	1,045,000
Percentage (Note) (%)	5.0	57.4	1.4	13.5	22.7	100.00

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

I.Asset Investment Report

1. Summary of asset management

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

Fiscal period	Unit	3rd fiscal period (From March 1, 2015 to August 31, 2015)	4th fiscal period (From September 1, 2015 to February 29, 2016)	5th fiscal period (From March 1, 2016 to August 31, 2016)	6th fiscal period (From September 1, 2016 to February 28, 2017)	7th fiscal period (From March 1, 2017 to August 31, 2017)
Operating revenues	Millions of yen	4,713	4,819	5,825	6,685	7,098
[Of the above, real estate lease business revenues]	Millions of yen	[4,713]	[4,819]	[5,825]	[6,685]	[7,098]
Operating expenses	Millions of yen	2,087	2,152	2,443	2,789	3,077
[Of the above, expenses related to real estate lease business]	Millions of yen	[1,551]	[1,615]	[1,802]	[2,024]	[2,243]
Operating profit	Millions of yen	2,626	2,667	3,382	3,896	4,021
Ordinary profit	Millions of yen	2,304	2,319	3,008	3,453	3,530
Profit	Millions of yen	2,303	2,318	3,007	3,452	3,529
Total assets	Millions of yen	166,256	178,813	213,084	244,942	264,657
[Change from the previous fiscal period]	%	[+5.4]	[+7.6]	[+19.2]	[+15.0]	[+8.0]
Net assets	Millions of yen	88,921	88,936	120,545	135,504	135,581
[Change from the previous fiscal period]	%	[+0.0]	[+0.0]	[+35.5]	[+12.4]	[+0.1]
Unitholders' capital	Millions of yen	86,617	86,617	117,537	132,051	132,051
Total number of investment units issued	Unit	781,000	781,000	957,000	1,045,000	1,045,000
Net assets per unit	Yen	113,855	113,874	125,961	129,669	129,743
Total distributions	Millions of yen	2,303	2,318	3,007	3,452	3,530
Payout ratio (Note 2)	%	99.9	100.0	99.9	100.0	100.0
Basic earnings per unit (Note 3)	Yen	2,950	2,968	3,235	3,355	3,377
Distributions per unit	Yen	2,950	2,969	3,143	3,304	3,378
[Of the above, distributions of earnings per unit]	Yen	[2,950]	[2,969]	[3,143]	[3,304]	[3,378]
[Of the above, distributions in excess of earnings per unit]	Yen	[-]	[-]	[-]	[-]	[-]
Equity ratio [Change from the previous fiscal period] (Note 4)	%	53.5 [(2.8)]	49.7 [(3.8)]	56.6 [+6.9]	55.3 [(1.3)]	51.2 [(4.1)]
Return on equity [Annualized] (Note 5)	%	2.6 [5.1]	2.6 [5.2]	2.9 [5.7]	2.7 [5.4]	2.6 [5.2]

Fiscal period	Unit	3rd fiscal period (From March 1, 2015 to August 31, 2015)	4th fiscal period (From September 1, 2015 to February 29, 2016)	5th fiscal period (From March 1, 2016 to August 31, 2016)	6th fiscal period (From September 1, 2016 to February 28, 2017)	7th fiscal period (From March 1, 2017 to August 31, 2017)
[Other reference information]						
Number of properties	Properties	31	32	34	37	43
Total leasable area	m ²	192,627.85	198,609.95	215,213.73	229,069.42	245,476.40
Occupancy rate at end of period	%	98.2	99.4	100.0	99.7	99.3

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

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

$$\text{Payout ratio} = \text{total distributions} / \text{profit} \times 100$$

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

Average number of investment units is 781,000 units for the 3rd fiscal period, 781,000 units for the 4th fiscal period, 929,533 units for the 5th fiscal period, 1,028,908 units for the 6th fiscal period and 1,045,000 units for the 7th fiscal period.

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

$$\text{Equity ratio} = \text{net assets at end of period} / \text{total assets at end of period} \times 100$$

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

$$\text{Return on equity (profit to net assets ratio)} = \text{profit} / [(\text{net assets at beginning of period} + \text{net assets at end of period}) / 2] \times 100$$

The value in brackets of return on equity is the value calculated with number of business days (3rd fiscal period: 184 days; 4th fiscal period: 182 days; 5th fiscal period: 184 days; 6th fiscal period: 181 days; 7th fiscal period: 184 days) converted into annual values.

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

The Investment Corporation was established on November 7, 2013, with Hulic Reit Management Co., Ltd. (hereinafter referred to as the “Asset Manager”), which is entrusted with the management of the assets of the Investment Corporation, as the organizer under the Act on Investment Trusts and Investment Corporations of Japan (hereinafter referred to as the “Investment Trust Act”). On November 25, 2013, the Investment Corporation was registered with the Director-General of the Kanto Local Finance Bureau (registration number: Director-General of the Kanto Local Finance Bureau No. 88). The Investment Corporation issued new investment units through a public offering with the payment date on February 6, 2014, which were listed on the Real Estate Investment Trust Securities (J-REIT) Market of Tokyo Stock Exchange, Inc. (Securities code: 3295) on February 7, 2014. New investment units were issued through a third-party allotment on March 7, 2014. The Investment Corporation recently carried out capital increases through its third public offering after its listing on October 3, 2016 and a third-party allotment on October 26, 2016. As a result, the number of investment units issued at the end of the reporting period was 1,045,000.

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

i) Investment environment and investment performance

Investment environment: During the reporting period, the Japanese economy continued along a gradual recovery track on the back of steady improvements in the employment and personal income environments, and firm consumer spending, among other factors. In the rental office market, the decline in vacancy rate and the rise in rent levels both continued gradually, mainly because of companies' increase in space and relocation for more space in line with expansion of their business.

Investment performance: During the reporting period, the Investment Corporation acquired six properties, Hulic Shibuya 1-chome Building, Hulic Higashi Nihonbashi Building and Hulic Omori Building on March 31, 2017, Hulic Jimbocho Building on April 28, 2017, HULIC & New SHIBUYA and SOMPO Care La vie Re Kita-Kamakura on June 30, 2017 (total acquisition price: ¥18,390 million). As a result, the number of properties held by the Investment Corporation at the end of the reporting period was 43, and the total acquisition price was ¥249,715 million. The occupancy rate of the entire portfolio has remained at a high level to end the reporting period at 99.3%.

ii) Status of financing

During the reporting period, the Investment Corporation secured short-term loans payable of ¥12,000 million on March 31, 2017, ¥1,460 million on April 28, 2017, and ¥4,930 million on June 30, 2017, as funds for asset acquisitions. The Investment Corporation covered for the early repayment of the short-term loans payable by refinancing ¥18,390 million as long-term loans payable on August 31, 2017.

As a result, at the end of the reporting period, interest-bearing debt totaled ¥115,850 million (comprising ¥3,960 million in short-term loans payable, ¥106,890 million in long-term loans payable and ¥5,000 million in investment corporation bonds), resulting in a loan-to-value (LTV) ratio of 43.8%.

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

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

iii) Overview of financial results and distributions

As a result of the above asset management, operating revenues for the reporting period were ¥7,098 million (up 6.2% compared with the previous fiscal period), operating profit was ¥4,021 million (up 3.2% compared with the previous fiscal period), ordinary profit after deducting interest expenses for borrowings, etc. was ¥3,530 million (up 2.2% compared with the previous fiscal period), and profit was ¥3,529 million (up 2.2% compared with the previous fiscal period).

Furthermore, in accordance with the distribution policy set forth in the Investment Corporation's Articles of Incorporation, the Investment Corporation has decided to pay distributions for the reporting period in an amount roughly equal to unappropriated retained earnings, with the aim of including distributions of profits in tax deductible expenses pursuant to special measures for the taxation system for investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation). Consequently, distributions per unit came to ¥3,378.

(3) Status of capital increase, etc.

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

Date	Event	Total number of investment units issued (Units)		Total unitholders' capital (Millions of yen)		Remarks
		Change	Balance	Change	Balance	
November 7, 2013	Incorporation through private placement	2,000	2,000	200	200	(Note 1)
February 6, 2014	Capital increase through public offering	617,500	619,500	64,355	64,555	(Note 2)
March 7, 2014	Capital increase through third-party allotment	32,500	652,000	3,387	67,943	(Note 3)
November 6, 2014	Capital increase through public offering	122,860	774,860	17,785	85,728	(Note 4)
November 21, 2014	Capital increase through third-party allotment	6,140	781,000	888	86,617	(Note 5)
March 29, 2016	Capital increase through public offering	167,600	948,600	29,444	116,061	(Note 6)
April 13, 2016	Capital increase through third-party allotment	8,400	957,000	1,475	117,537	(Note 7)
October 3, 2016	Capital increase through public offering	83,800	1,040,800	13,821	131,358	(Note 8)
October 26, 2016	Capital increase through third-party allotment	4,200	1,045,000	692	132,051	(Note 9)

- (Note 1) At the incorporation of the Investment Corporation, investment units were issued with an issue value per unit of ¥100,000.
- (Note 2) New investment units were issued through public offering with an issue price per unit of ¥108,000 (issue value: ¥104,220) in order to raise funds for the acquisition of new properties, etc.
- (Note 3) New investment units were issued through a private placement allocated to Mizuho Securities Co., Ltd. with an issue value per unit of ¥104,220.
- (Note 4) New investment units were issued through public offering with an issue price per unit of ¥150,150 (issue value: ¥144,760) in order to raise funds for the acquisition of new properties, etc.
- (Note 5) New investment units were issued through a private placement allocated to Mizuho Securities Co., Ltd. with an issue value per unit of ¥144,760.
- (Note 6) New investment units were issued through public offering with an issue price per unit of ¥181,837 (issue value: ¥175,682) in order to raise funds for the acquisition of new properties, etc.
- (Note 7) New investment units were issued through a private placement allocated to Mizuho Securities Co., Ltd. with an issue value per unit of ¥175,682.
- (Note 8) New investment units were issued through public offering with an issue price per unit of ¥170,625 (issue value: ¥164,937) in order to raise funds for the acquisition of new properties, etc.
- (Note 9) New investment units were issued through a private placement allocated to Mizuho Securities Co., Ltd. with an issue value per unit of ¥164,937.

<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	3rd fiscal period ended August 31, 2015	4th fiscal period ended February 29, 2016	5th fiscal period ended August 31, 2016	6th fiscal period ended February 28, 2017	7th fiscal period ended August 31, 2017
	Highest (Yen)	192,800	185,300	194,800	196,100	186,000
	Lowest (Yen)	134,400	127,600	172,800	172,800	165,300

(4) Distributions, etc.

Distributions for the fiscal period under review (the 7th fiscal period) are ¥3,378 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	3rd fiscal period (From March 1, 2015 to August 31, 2015)	4th fiscal period (From September 1, 2015 to February 29, 2016)	5th fiscal period (From March 1, 2016 to August 31, 2016)	6th fiscal period (From September 1, 2016 to February 28, 2017)	7th fiscal period (From March 1, 2017 to August 31, 2017)
Total unappropriated retained earnings	¥2,304,150 thousand	¥2,318,971 thousand	¥3,008,134 thousand	¥3,452,871 thousand	¥3,530,068 thousand
Accumulated earnings	¥200 thousand	¥182 thousand	¥283 thousand	¥191 thousand	¥58 thousand
Total amount of cash distributions (Distributions per unit)	¥2,303,950 thousand (¥2,950)	¥2,318,789 thousand (¥2,969)	¥3,007,851 thousand (¥3,143)	¥3,452,680 thousand (¥3,304)	¥3,530,010 thousand (¥3,378)
Of the above, total amount of distributions of earnings (Distributions of earnings per unit)	¥2,303,950 thousand (¥2,950)	¥2,318,789 thousand (¥2,969)	¥3,007,851 thousand (¥3,143)	¥3,452,680 thousand (¥3,304)	¥3,530,010 thousand (¥3,378)
Of the above, total amount of refunds of unitholders' capital (Refunds of unitholders' capital per unit)	— (—)	— (—)	— (—)	— (—)	— (—)
Of the total amount of refunds of unitholders' capital, total amount of distributions from allowance for temporary difference adjustment (Of the refunds of unitholders' capital per unit, distributions from allowance for temporary difference adjustment per unit)	— (—)	— (—)	— (—)	— (—)	— (—)
Of the total amount of refunds of unitholders' capital, the total amount of distributions from distribution on reduction of unitholders' capital for taxation purposes (Of the refunds of unitholders' capital per unit, distributions from distributions on reduction of unitholders' capital for taxation purposes)	— (—)	— (—)	— (—)	— (—)	— (—)

(5) Future investment policies and issues to address

In terms of the outlook for the rental office market, continuing favorable conditions are expected, resulting from needs such as increased floor space in corporate offices. In the real estate selling market, the transaction prices for property are projected to continue at high levels amid the continuing favorable fund procurement conditions, etc., resulting from low interest rates.

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

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

- (Note 1) "Tokyo Commercial Properties" are office properties and retail properties under a concept specific to the Investment Corporation that comprehensively includes properties consistent with the basic philosophy of the Investment Corporation. Specifically, office properties are those in Tokyo's 23 wards that are in principle located within a five-minute walking distance from the nearest train station, in areas where the office properties are sufficiently competitive. Retail properties are those located in the Tokyo metropolitan area and major cities in the surrounding area that are in principle located within a five-minute walking distance from the nearest train station or in areas with a high concentration of retail activities. Such retail properties are also highly visible in public and have the potential to generate demand from prospective tenants that offer products and services suitable for the characteristics of their respective retail areas.
- (Note 2) "Next-Generation Assets" are properties specified for investment by the Investment Corporation based on its basic philosophy. Specifically, they are lease properties for which the Investment Corporation estimates there will be continuing firm demand going forward based on society's growing needs and for which, in principle, a long-term lease agreement be concluded with a single business tenant. At present, the Investment Corporation classifies private nursing homes, network centers and hotels as Next-Generation Assets. The Investment Corporation may broaden or change the scope of its Next-Generation Assets if it judges that the societal needs will grow or that there will be firm demand in the future.

(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 13, 2017, to issue new investment units as follows for the purpose of using the proceeds to finance, among others, a portion of the purchase price for specified assets and repayment of borrowings. It plans to determine the issue price per unit and other matters at a future meeting of the Board of Directors.

(New investment unit issuance through public offering)

Number of new investment units to be issued: 61,800 units

Payment date: A date between October 31, 2017 and November 2, 2017

(New investment unit issuance through third-party allotment)

Number of new investment units to be issued: 3,200 units (maximum)

Payment date: November 20, 2017

Allottee: Mizuho Securities Co., Ltd.

If the entire number of new 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 new 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)

(A) Acquisitions of properties

On October 13, 2017, the Investment Corporation concluded a purchase and sale agreement regarding the acquisition of the beneficiary rights of real estate in trust shown in the table of <Assets planned for acquisition> below (3 properties including the additional acquisition of 1 property; anticipated acquisition price: ¥15,250 million. Hereinafter referred to as the “Assets Planned for Acquisition”). The anticipated acquisition prices provided do not include expenses incurred on the acquisitions of such real estate, etc. (including acquisition expenses, settlement portion of fixed asset tax and city planning tax and consumption taxes), and are equal to the acquisition prices stated on the trust beneficiary right sales agreements.

<Assets Planned for Acquisition>

Property name	Location	Scheduled date of acquisition	Anticipated acquisition price (Millions of yen)	Seller
Sotetsu Fresa Inn Ginza 7 Chome (Additional acquisition)	Chuo-ku, Tokyo	November 1, 2017	7,150	Hulic Co., Ltd.
HULIC & New SHINBASHI	Minato-ku, Tokyo	November 1, 2017	3,100	Hulic Co., Ltd.
Sotetsu Fresa Inn Tokyo-Roppongi	Minato-ku, Tokyo	November 1, 2017	5,000	Hulic Co., Ltd.
Total	—	—	15,250	—

(Note) The scheduled dates of acquisition for the Assets Planned for Acquisition may change as a result of a change in the payment date of the aforementioned issuance of new investment units through public offering.

(B) Transfer of a property

On October 13, 2017, the Investment Corporation concluded a purchase and sale agreement regarding the transfer of the beneficiary right of real estate in trust shown in the table of <Asset planned for transfer> below (1 property; anticipated transfer price: ¥13,100 million. Hereinafter referred to as the “Asset Planned for Transfer”). The anticipated transfer prices provided do not include expenses incurred on the transfers of such real estate, etc. (including transfer expenses, settlement portion of fixed asset tax and city planning tax and consumption taxes), and are equal to the acquisition prices stated on the trust beneficiary right sales agreement.

<Asset Planned for Transfer>

Property name	Location	Scheduled date of transfer	Quasi co-ownership interest planned for transfer	Anticipated transfer price (Millions of yen)	Transferee
Leaf Minatomirai (Land)	Yokohama-shi, Kanagawa	December 15, 2017	55%	7,205	Hulic Co., Ltd.
		April 27, 2018	30%	3,930	
		September 27, 2018	15%	1,965	
Total	—	—	100%	13,100	—

2. Overview of the Investment Corporation

(1) Status of unitholders' capital

	3rd fiscal period As of August 31, 2015	4th fiscal period As of February 29, 2016	5th fiscal period As of August 31, 2016	6th fiscal period As of February 28, 2017	7th fiscal period As of August 31, 2017
Total number of authorized investment units	20,000,000 units	20,000,000 units	20,000,000 units	20,000,000 units	20,000,000 units
Total number of investment units issued	781,000 units	781,000 units	957,000 units	1,045,000 units	1,045,000 units
Unitholders' capital	¥86,617 million	¥86,617 million	¥117,537 million	¥132,051 million	¥132,051 million
Number of unitholders	6,638	5,875	7,897	7,280	7,238

(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)	230,400	22.04
Hulic Co., Ltd.	120,120	11.49
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	116,863	11.18
The Master Trust Bank of Japan, Ltd. (Trust account)	103,845	9.93
NOMURA BANK (LUXEMBOURG) S.A.	63,006	6.02
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	37,515	3.58
STATE STREET BANK AND TRUST COMPANY 505012	19,585	1.87
STATE STREET BANK AND TRUST COMPANY	11,391	1.09
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	10,607	1.01
THE BANK OF NEW YORK MELLON SA/NV 10	10,126	0.96
Total	723,458	69.23

(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 Independent Auditor for the fiscal period under review are as follows:

Title and post	Name	Major concurrent post, etc.	Total amount of compensation for each position during the fiscal period under review
Executive Officer	Eiji Tokita	President and CEO of Hulic Reit Management Co., Ltd.	¥– thousand
Supervisory Officer (Note 1)	Kunio Shimada	Representative Partner of Shimada, Hamba and Osajima (law firm)	¥3,000 thousand
	Shigeru Sugimoto	Representative of Sakura Horwath Audit Corporation	¥3,000 thousand
Independent Auditor (Note 2)	Ernst & Young ShinNihon LLC	–	¥11,500 thousand

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

(Note 2) Compensation to the Independent Auditor includes compensation for auditing English financial statements.

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.

iii) Items relating to entities that have been ordered to halt operations within the past two years

On December 22, 2015, the Investment Corporation's Independent Auditor received an order from the Financial Services Agency to halt operations relating to the conclusion of new contracts for three months (From January 1, 2016 to March 31, 2016).

(4) Asset Manager, Asset Custodian and Administrative Agents

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

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

3. Status of portfolio of the Investment Corporation

(1) Composition of the assets of the Investment Corporation

Type of assets	Category	Region (Note 1)	6th fiscal period (As of February 28, 2017)		7th fiscal period (As of August 31, 2017)	
			Total amount held (Millions of yen) (Note 2)	Percentage to total assets (%) (Note 3)	Total amount held (Millions of yen) (Note 2)	Percentage to total assets (%) (Note 3)
Real estate in trust	Tokyo Commercial Properties	Six central wards of Tokyo	165,038	67.4	181,586	68.6
		Other wards of Tokyo	9,364	3.8	9,337	3.5
		Other	16,550	6.8	16,525	6.2
		Total	190,954	78.0	207,449	78.4
	Next- Generation Assets	Six central wards of Tokyo	7,505	3.1	7,487	2.8
		Other wards of Tokyo	20,235	8.3	20,155	7.6
		Other	13,302	5.4	15,119	5.7
		Total	41,043	16.8	42,761	16.2
	Total real estate in trust		231,997	94.7	250,211	94.5
	Deposits and other assets		12,944	5.3	14,446	5.5
Total assets		244,942	100.0	264,657	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), rounded down to the nearest million yen.

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

(2) Major assets held

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

Property name	Book value (Thousands of yen)	Leasable area (m 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
Ochanomizu Sola City (Note 6)	37,617,843	13,923.42	13,923.42	100.0	(Note 5)	Office property
Hulic Kamiyacho Building (Note 6)	36,985,410	22,740.96	21,610.85	95.0	13.1	Office property
Hulic Toranomom Building	18,244,536	8,574.65	8,574.65	100.0	6.6	Office property
Leaf Minatomirai (Land)	11,765,997	5,500.04	5,500.04	100.0	3.8	Retail property
Hulic Kudan Building (Land)	11,191,213	3,351.07	3,351.07	100.0	3.7	Office property
Oimachi Redevelopment Building (#2)	9,432,160	14,485.66	14,485.66	100.0	4.4	Retail property
Toranomon First Garden (Note 6)	8,407,525	5,689.97	5,689.97	100.0	4.2	Office property
Chiba Network Center	7,097,016	23,338.00	23,338.00	100.0	3.2	Network center
Rapiros Roppongi (Note 6)	6,701,912	6,730.52	6,730.52	100.0	4.1	Office property
Oimachi Redevelopment Building (#1) (Note 6)	6,290,049	10,612.67	10,612.67	100.0	3.1	Retail property
Total	153,733,666	114,946.96	113,816.85	99.0	—	

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

(Note 2) Leased area is equivalent to total floor area of leased space set out in the relevant lease agreements of each asset held. For the portion for which there is a Pass-through Master Lease Agreement, under which rents are directly

received from end-tenants in principle, the actual total area leased under each sublease agreement entered into with end-tenants corresponding to that portion is provided; and for the portion for which there is a Fixed-type Master Lease Agreement, under which a certain amount of rent is received regardless of fluctuations in rents for end-tenants, the total area corresponding to that portion is provided. For the property of which ownership is only for land, the area of the land is provided.

- (Note 3) Occupancy rate is calculated with the following formula, rounded to one decimal place: leased area ÷ leasable area × 100
- (Note 4) Percentage to total real estate 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) 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 Ochanomizu Sola City show figures equivalent to the quasi-co-ownership interest of property held by the Investment Corporation (21.7%). The leasable area, leased area and occupancy rate of Hulin Kamiyacho Building show figures equivalent to the quasi-co-ownership interest of property held by the Investment Corporation (70.0%). For Toranomon First Garden, leasable area shows figures equivalent to the Investment Corporation's partial ownership in the building (including some of co-ownership portion). (For the co-ownership portion, the figures calculated on a pro-rata basis in accordance with the co-ownership interests owned by the Investment Corporation are listed.) On the other hand, a master lease is served on the whole building together with the exclusively owned portions owned by other unit owners, and as income and expenditure of the property is allocated according to the ratio of ownership interest of the partial ownership owned by each unit owner, the figure shown for occupancy rate is that of the entire building. Total leased area, total contracted rent and leasehold/security deposits show amounts equivalent to the ratio of ownership interest of the partial ownership in the building held by the Investment Corporation (approximately 81.4%). For Rapiros Roppongi, leasable area, leased area and occupancy rate show figures equivalent to the Investment Corporation's partial ownership in the building (including some of co-ownership portion). (For the co-ownership portion, the figures calculated on a pro-rata basis in accordance with the co-ownership interests owned by the Investment Corporation are listed.) For Oimachi Redevelopment Building (#1), leasable area, leased area and occupancy rate show figures equivalent to the Investment Corporation's co-ownership interest (approximately 82.6%) in partial ownership in the building.

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

An overview 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 1)
Tokyo Commercial Properties	Office properties	Hulic Kamiyacho Building	4-3-13, Toranomom, Minato-ku, Tokyo	Beneficiary right of real estate in trust	36,985	42,400
		Hulic Kudan Building (Land)	1-13-5, Kudankita, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	11,191	12,500
		Toranomon First Garden	1-7-12, Toranomom, Minato-ku, Tokyo	Beneficiary right of real estate in trust	8,407	11,000
		Rapiros Roppongi	6-1-24, Roppongi, Minato-ku, Tokyo	Beneficiary right of real estate in trust	6,701	8,070
		Hulic Takadanobaba Building	3-19-10, Takada, Toshima-ku, Tokyo	Beneficiary right of real estate in trust	3,834	4,750
		Hulic Kanda Building	1-16-5, Kanda-Sudacho, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	3,668	4,010
		Hulic Kandabashi Building	1-21-1, Kanda-Nishikicho, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	2,523	2,890
		Hulic Kakigaracho Building	1-28-5, Nihonbashi-Kakigaracho, Chuo-ku, Tokyo	Beneficiary right of real estate in trust	2,195	2,850
		Ochanomizu Sola City	4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	37,617	42,315
		Hulic Higashi Ueno 1 Chome Building	1-7-15, Higashi-Ueno, Taito-ku, Tokyo	Beneficiary right of real estate in trust	2,667	2,940
		Sasazuka South Building	1-64-8, Sasazuka, Shibuya-ku, Tokyo	Beneficiary right of real estate in trust	2,159	2,170
		Tokyo Nishi Ikebukuro Building	1-7-7 Nishi-Ikebukuro, Toshima-ku, Tokyo	Beneficiary right of real estate in trust	1,625	1,890
		Gate City Ohsaki	1-11-1 Ohsaki, Shinagawa-ku, Tokyo and other lots	Beneficiary right of real estate in trust	4,515	4,490
		Hulic Toranomom Building	1-1-18, Toranomom, Minato-ku, Tokyo	Beneficiary right of real estate in trust	18,244	20,800
		Hulic Shibuya 1-chome Building	1-3-9 Shibuya, Shibuya-ku Tokyo	Beneficiary right of real estate in trust	5,126	5,310
		Hulic Higashi Nihonbashi Building	1-1-5 Higashi-Nihonbashi, Chuo-ku, Tokyo	Beneficiary right of real estate in trust	3,501	3,590
		Hulic Jimbocho Building	2-2-31 Kanda-Jimbocho, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	1,506	1,480
	Retail properties	Oimachi Redevelopment Building (#2)	5-20-1, Higashi-Oi, Shinagawa-ku, Tokyo	Beneficiary right of real estate in trust	9,432	12,200
		Oimachi Redevelopment Building (#1)	5-18-1, Higashi-Oi, Shinagawa-ku, Tokyo	Beneficiary right of real estate in trust	6,290	7,460
		Dining Square Akihabara Building	1-16-2, Kanda-Sakumacho, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	3,202	3,750
		Hulic Jingumae Building	5-17-9, Jingumae, Shibuya-ku, Tokyo	Beneficiary right of real estate in trust	2,654	3,500
		Hulic Shinjuku 3 Chome Building	3-17-2, Shinjuku, Shinjuku-ku, Tokyo	Beneficiary right of real estate in trust	5,561	6,180
		Yokohama Yamashitacho Building	36-1, Yamashitacho, Naka-ku, Yokohama-shi, Kanagawa	Beneficiary right of real estate in trust	4,759	5,560
		Leaf Minatomirai (Land)	4-6-5, Minatomirai, Nishi-ku, Yokohama-shi, Kanagawa	Beneficiary right of real estate in trust	11,765	13,100

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 1)
Tokyo Commercial Properties	Retail properties	Orchid Square	1-2-11, Yurakucho, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	3,507	3,920
		Hulic Todoroki Building	3-5-2, Todoroki, Setagaya-ku, Tokyo	Beneficiary right of real estate in trust	1,210	1,260
		Hulic Omori Building	6-28-12 Minami-Oi, Shinagawa-ku, Tokyo	Beneficiary right of real estate in trust	3,429	3,530
		HULIC & New SHIBUYA	31-1 Udagawacho, Shibuya-ku, Tokyo	Beneficiary right of real estate in trust	3,162	3,190
Next-Generation Assets	Private nursing homes	Aria Matsubara	5-34-6, Matsubara, Setagaya-ku, Tokyo	Beneficiary right of real estate in trust	3,207	4,280
		Trust Garden Youganomori	1-3-1, Yoga, Setagaya-ku, Tokyo	Beneficiary right of real estate in trust	5,365	6,790
		Trust Garden Sakurashinmachi	2-11-1, Tsurumaki, Setagaya-ku, Tokyo	Beneficiary right of real estate in trust	2,883	3,610
		Trust Garden Suginami Miyamae	2-11-10, Miyamae, Suginami-ku, Tokyo	Beneficiary right of real estate in trust	2,788	3,490
		Trust Garden Tokiwamatsu	4-4-10, Higashi, Shibuya-ku, Tokyo	Beneficiary right of real estate in trust	3,090	3,300
		SOMPO Care La vie Re Kita-Kamakura	2713-2 Aza Takano, Ofuna, Kamakura-shi, Kanagawa, and others (Note 2)	Beneficiary right of real estate in trust	1,872	1,800
	Network centers	Ikebukuro Network Center	4-30-17, Kamiikebukuro, Toshima-ku, Tokyo	Beneficiary right of real estate in trust	4,541	5,240
		Tabata Network Center	6-2-8, Tabata, Kita-ku, Tokyo	Beneficiary right of real estate in trust	1,368	1,560
		Hiroshima Network Center	2-6-6, Hikarimachi, Higashi-ku, Hiroshima-shi, Hiroshima	Beneficiary right of real estate in trust	1,059	1,220
		Atsuta Network Center	20-1, Hatanochō, Atsuta-ku, Nagoya-shi, Aichi	Beneficiary right of real estate in trust	1,000	1,100
		Nagano Network Center	1600-12, Oaza Tsurugamidōri, Nagano-shi, Nagano	Beneficiary right of real estate in trust	310	368
		Chiba Network Center	1-1-1, Muzaigakuendai, Inzai-shi, Chiba	Beneficiary right of real estate in trust	7,097	7,190
		Sapporo Network Center	2-4-1, Kita 9 Jo Nishi, Kita-ku, Sapporo-shi, Hokkaido	Beneficiary right of real estate in trust	2,559	2,600
		Keihanna Network Center	113-1, Kizukumomura, Kizukawa-shi, Kyoto	Beneficiary right of real estate in trust	1,220	1,320
	Hotels	Sotetsu Fresa Inn Ginza 7 Chome (Land)	7-11-12, Ginza, Chuo-ku, Tokyo	Beneficiary right of real estate in trust	4,397	4,590
Total					250,211	285,563

(Note 1) The figures for assessed value at end of period show the appraisal price stated on the real estate appraisal report created by the real estate appraisers of Daiwa Real Estate Appraisal Co., Ltd., Japan Real Estate Institute, CBRE K.K. and The Tanizawa Sōgō Appraisal Co., Ltd. based on the methods and standards for asset appraisal set forth in the Investment Corporation's Articles of Incorporation and the rules set forth by The Investment Trusts Association, Japan.

(Note 2) As the property does not yet have a street address, the lot number for the land has been provided as the location of SOMPO Care La vie Re Kita-Kamakura.

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	6th fiscal period (From September 1, 2016 to February 28, 2017)				7th fiscal period (From March 1, 2017 to August 31, 2017)			
			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)	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	97.2	974,488	14.6	1	95.0	930,617	13.1
		Hulic Kudan Building (Land)	1	100.0	265,002	4.0	1	100.0	265,002	3.7
		Toranomon First Garden	1	100.0	283,191	4.2	1	100.0	296,843	4.2
		Rapiros Roppongi	1	100.0	268,607	4.0	1	100.0	291,911	4.1
		Hulic Takadanobaba Building	1	100.0	173,940	2.6	1	100.0	176,859	2.5
		Hulic Kanda Building	1	100.0	135,685	2.0	1	100.0	135,125	1.9
		Hulic Kandabashi Building	1	100.0	88,408	1.3	1	100.0	88,168	1.2
		Hulic Kakigaracho Building	1	100.0	104,567	1.6	1	100.0	103,859	1.5
		Ochanomizu Sola City	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Hulic Higashi Ueno 1 Chome Building	1	100.0	99,297	1.5	1	100.0	97,752	1.4
		Sasazuka South Building	1	100.0	90,173	1.3	1	100.0	90,152	1.3
		Tokyo Nishi Ikebukuro Building	1	100.0	55,052	0.8	1	51.5	51,400	0.7
		Gate City Ohsaki	2	100.0	159,157	2.4	2	100.0	154,583	2.2
		Hulic Toranomon Building	1	100.0	469,261	7.0	1	100.0	468,091	6.6
		Hulic Shibuya 1-chome Building	—	—	—	—	1	100.0	65,810	0.9
		Hulic Higashi Nihonbashi Building	—	—	—	—	1	100.0	88,877	1.3
		Hulic Jimbocho Building	—	—	—	—	1	100.0	27,723	0.4
		Retail properties	Oimachi Redevelopment Building (#2)	1	100.0	312,000	4.7	1	100.0	312,000
	Oimachi Redevelopment Building (#1)		1	100.0	218,931	3.3	1	100.0	218,931	3.1
	Dining Square Akihabara Building		1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
	Hulic Jingumae Building		1	100.0	83,282	1.2	1	100.0	87,539	1.2
	Hulic Shinjuku 3 Chome Building		1	100.0	153,911	2.3	1	100.0	153,998	2.2
	Yokohama Yamashitacho Building		1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
	Leaf Minatomirai (Land)		1	100.0	267,000	4.0	1	100.0	267,000	3.8
	Orchid Square		1	91.1	91,328	1.4	1	100.0	83,082	1.2
	Hulic Todoroki Building		1	100.0	17,105	0.3	1	100.0	56,178	0.8
	Hulic Omori Building		—	—	—	—	1	100.0	88,193	1.2
	HULIC &New SHIBUYA		—	—	—	—	1	100.0	22,628	0.3
Next-Generation Assets	Private nursing homes		Aria Matsubara	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)
		Trust Garden Youganomori	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Trust Garden Sakurashinmachi	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Trust Garden Suginami Miyamae	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)

Category	Property name	6th fiscal period (From September 1, 2016 to February 28, 2017)				7th fiscal period (From March 1, 2017 to August 31, 2017)			
		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)	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)
Next-Generation Assets	Private nursing homes	Trust Garden Tokiwamatsu	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)
		SOMPO Care La vie Re Kita-Kamakura	—	—	—	—	1	100.0	(Note 4)
	Network centers	Ikebukuro Network Center	1	100.0	135,600	2.0	1	100.0	135,600
		Tabata Network Center	1	100.0	45,088	0.7	1	100.0	45,088
		Hiroshima Network Center	1	100.0	43,845	0.7	1	100.0	43,845
		Atsuta Network Center	1	100.0	36,743	0.5	1	100.0	36,743
		Nagano Network Center	1	100.0	17,587	0.3	1	100.0	17,587
		Chiba Network Center	1	100.0	223,633	3.3	1	100.0	223,645
		Sapporo Network Center	1	100.0	83,706	1.3	1	100.0	83,706
		Keihanna Network Center	1	100.0	47,047	0.7	1	100.0	47,047
	Hotels	Sotetsu Fresa Inn Ginza 7 Chome (Land)	1	100.0	83,600	1.3	1	100.0	91,200
		Total	38	99.7	6,685,656	100.0	44	99.3	7,098,975

(Note 1) Number of tenants is stated as 1 when a master lease agreement has been concluded with a master lease company. Moreover, the number of tenants is stated as 1 for Hulic Kudan Building (Land), Leaf Minatomirai (Land) and Sotetsu Fresa Inn Ginza 7 Chome (Land). The number of tenants for Gate City Ohsaki is stated as 2 because master lease agreements were concluded with the respective master lease companies of the office and commercial building and the residential building, respectively.

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

(Note 3) Real estate lease 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) Real estate lease business revenues during the period and percentage to total real estate lease business revenues are not disclosed because the Investment Corporation has not obtained permission from the end-tenant or other relevant party of these properties to disclose the relevant information.

(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, 2017 is as follows:

Category	Type	Contracted amount (Millions of yen)		Fair value (Millions of yen)
		(Note 1)	Portion due after 1 year (Note 1)	
Off-market- transaction	Interest rate swap transaction Payment: fixed interest rate Receipt: floating interest rate	61,647	61,647	—
Total		61,647	61,647	—

(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 each asset held by the Investment Corporation as of August 31, 2017, the main capital expenditures for renovation work, etc. scheduled as of the end of the 7th fiscal period are as below. Estimated capital expenditure for work mentioned below includes parts that are charged to expenses.

Property name	Location	Purpose	Scheduled period	Estimated capital expenditure for work (Millions of yen)		
				Total amount	Payment during the period	Total amount paid
Rapiros Roppongi	Minato-ku, Tokyo	Renewal work for air-conditioning facility (phase 2)	From September 2017 to December 2017	78	—	—
Rapiros Roppongi	Minato-ku, Tokyo	Renewal work for air-conditioning facility (phase 3)	From March 2018 to June 2018	41	—	—
Oimachi Redevelopment Building (#2)	Shinagawa-ku, Tokyo	Renewal work for substation facility and emergency generator facility	From July 2017 to March 2018	202	3	3
Sasazuka South Building	Shibuya-ku, Tokyo	Renovation work for external wall	From March 2018 to September 2018	50	—	—
Hulic Jimbocho Building	Chiyoda-ku, Tokyo	Renovation work for external wall	From May 2018 to July 2018	25	—	—

(2) Capital expenditures during the period

An overview of the construction work corresponding to capital expenditures during the reporting period is as below. Capital expenditures during the reporting period were ¥297,053 thousand and repair expenses were ¥91,103 thousand. In total, construction work in the amount of ¥388,157 thousand was carried out during the period.

Property name	Location	Purpose	Period	Capital expenditure for work (Millions of yen)
Hulic Kamiyacho Building	Minato-ku, Tokyo	Renewal work for the 8th floor	From January 2017 to May 2017	82
Rapiros Roppongi	Minato-ku, Tokyo	Renewal work for air-conditioning facility (phase 1)	From March 2017 to June 2017	80
Other				134
Total				297

(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	6th fiscal period (From September 1, 2016 to February 28, 2017)	7th fiscal period (From March 1, 2017 to August 31, 2017)
(a) Asset management fee	¥609,750 thousand	¥670,062 thousand
(b) Asset custody fee	¥11,517 thousand	¥12,473 thousand
(c) Administrative service fees	¥37,228 thousand	¥39,659 thousand
(d) Directors' compensations	¥6,000 thousand	¥6,000 thousand
(e) Other operating expenses	¥100,369 thousand	¥105,899 thousand
Total	¥764,865 thousand	¥834,094 thousand

(Note) Other than the amount stated above, asset management fee includes the portion of compensation associated with a property acquisition factored into the book value of the individual properties (the 6th fiscal period: ¥114,525 thousand; the 7th fiscal period: ¥49,625 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.	August 8, 2016	1,980	—	0.2300%	August 8, 2017	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		1,386	—					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		594	—					
	Mizuho Bank, Ltd. (Note 4)	March 31, 2017	—	—	0.2600%	October 31, 2017			
	Sumitomo Mitsui Trust Bank, Limited (Note 5)	April 28, 2017	—	—	0.1800%	April 27, 2018			
	Mizuho Bank, Ltd. (Note 6)	June 30, 2017	—	—	0.1800%	October 31, 2017			
	Sumitomo Mitsui Banking Corporation (Note 6)		—	—					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 6)		—	—					
	Mizuho Bank, Ltd.	August 8, 2017	—	1,980	0.2300%	August 8, 2018			
	Sumitomo Mitsui Banking Corporation		—	1,386					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	594					
	Subtotal		3,960	3,960					
Long-term loans payable	Mizuho Bank, Ltd.	February 7, 2014	2,570	2,570	0.7738%	February 7, 2019	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		1,950	1,950					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,100	1,100					
	Mizuho Trust & Banking Co., Ltd.		1,050	1,050					
	The Norinchukin Bank		1,660	1,660					
	Resona Bank, Limited		220	220					

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term loans payable	Mizuho Bank, Ltd.	February 27, 2015	1,000	1,000	0.4350%	August 30, 2019	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		960	960					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		550	550					
	Mizuho Trust & Banking Co., Ltd.		300	300					
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	The Norinchukin Bank		500	500					
	Resona Bank, Limited		170	170					
	Shinkin Central Bank		200	200					
	Aozora Bank, Ltd.		200	200					
	Shinsei Bank, Limited		200	200					
	Mizuho Bank, Ltd.	February 27, 2015	1,650	1,650	0.4845%	February 28, 2020			
	Sumitomo Mitsui Banking Corporation		890	890					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		700	700					
	Mizuho Trust & Banking Co., Ltd.		660	660					
	The Norinchukin Bank		1,400	1,400					
	Resona Bank, Limited		140	140					
	Shinkin Central Bank		300	300					
	Sumitomo Mitsui Banking Corporation	March 9, 2015	2,000	2,000	0.4810%	August 31, 2020			
	Mizuho Bank, Ltd.	February 29, 2016	1,000	1,000	0.1700%	August 31, 2020			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		150	150					
	The Norinchukin Bank		409	409					
	Mizuho Bank, Ltd.	February 7, 2014	2,560	2,560	1.1713%	February 7, 2021			
	Sumitomo Mitsui Banking Corporation		1,950	1,950					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,060	1,060					
	Mizuho Trust & Banking Co., Ltd.		1,050	1,050					
	Sumitomo Mitsui Trust Bank, Limited		1,660	1,660					
	Resona Bank, Limited		270	270					
	Mizuho Bank, Ltd.	February 27, 2015	2,800	2,800	0.6750%	August 31, 2021			
	Sumitomo Mitsui Banking Corporation		2,110	2,110					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		830	830					
	Mizuho Trust & Banking Co., Ltd.		790	790					
	Aozora Bank, Ltd.		300	300					
	Shinsei Bank, Limited		300	300					
	Mizuho Bank, Ltd.	February 27, 2015	2,385	2,385	0.7730%	February 28, 2022			
	Sumitomo Mitsui Banking Corporation		1,710	1,710					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,055	1,055					
	Mizuho Trust & Banking Co., Ltd.		800	800					
	Sumitomo Mitsui Trust Bank, Limited		1,400	1,400					
	Resona Bank, Limited		200	200					

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term loans payable	Mizuho Bank, Ltd.	August 31, 2017	—	150	0.4173%	February 28, 2022	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		—	75					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	75					
	Mizuho Trust & Banking Co., Ltd.		—	72					
	Sumitomo Mitsui Trust Bank, Limited		—	128					
	The Norinchukin Bank		—	500					
	Development Bank of Japan Inc.	February 7, 2014	2,450	2,450	1.6100%	August 7, 2022			
	Mizuho Bank, Ltd.	August 31, 2015	1,144	1,144	0.7488%	August 31, 2022			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		710	710					
	Mizuho Trust & Banking Co., Ltd.		549	549					
	Sumitomo Mitsui Trust Bank, Limited		414	414					
	The Norinchukin Bank		414	414					
	Resona Bank, Limited		125	125					
	Development Bank of Japan Inc.	August 31, 2015	414	414	0.7550%	August 31, 2022			
	Mizuho Bank, Ltd.	February 7, 2017	650	650	0.5538%	August 31, 2022			
	Sumitomo Mitsui Banking Corporation		500	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		200	200					
	Mizuho Trust & Banking Co., Ltd.		450	450					
	Sumitomo Mitsui Trust Bank, Limited		445	445					
	The Norinchukin Bank		445	445					
	Resona Bank, Limited		150	150					
	Mizuho Bank, Ltd.	February 29, 2016	1,350	1,350	0.4099%	February 28, 2023			
	Sumitomo Mitsui Banking Corporation		800	800					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		550	550					
	Mizuho Trust & Banking Co., Ltd.		530	530					
	Sumitomo Mitsui Trust Bank, Limited		400	400					
	The Norinchukin Bank		400	400					
	Resona Bank, Limited		243	243					
	Shinkin Central Bank		141	141					
	Aozora Bank, Ltd.		141	141					
	Mizuho Bank, Ltd.	February 7, 2017	1,500	1,500	0.6031%	February 28, 2023			
	Sumitomo Mitsui Banking Corporation		1,200	1,200					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		300	300					
	Mizuho Trust & Banking Co., Ltd.		450	450					
	Sumitomo Mitsui Trust Bank, Limited		245	245					
	The Norinchukin Bank		245	245					
	Resona Bank, Limited		150	150					

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term loans payable	Mizuho Bank, Ltd.	February 29, 2016	1,377	1,377	0.4620%	August 31, 2023	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		839	839					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		565	565					
	Mizuho Trust & Banking Co., Ltd.		546	546					
	Sumitomo Mitsui Trust Bank, Limited		409	409					
	Shinsei Bank, Limited		141	141					
	Mizuho Bank, Ltd.	February 7, 2017	1,863	1,863	0.6564%	August 31, 2023			
	Sumitomo Mitsui Banking Corporation		1,411	1,411					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		600	600					
	Mizuho Trust & Banking Co., Ltd.		917	917					
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	The Norinchukin Bank		500	500					
	Resona Bank, Limited		302	302					
	Mizuho Bank, Ltd.	February 7, 2014	400	400	1.8188%	February 7, 2024			
	Sumitomo Mitsui Banking Corporation		300	300					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		300	300					
	Development Bank of Japan Inc.	February 29, 2016	809	809	0.5188%	February 29, 2024			
	Nippon Life Insurance Company		500	500					
	Mizuho Bank, Ltd.	February 7, 2017	1,000	1,000	0.6485%	February 29, 2024			
	Sumitomo Mitsui Banking Corporation		1,977	1,977					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,719	1,719					
	Mizuho Trust & Banking Co., Ltd.		600	600					
	Sumitomo Mitsui Trust Bank, Limited		569	569					
	The Norinchukin Bank		569	569					
	Development Bank of Japan Inc.	February 27, 2015	1,900	1,900	1.1738%	August 30, 2024			
	Meiji Yasuda Life Insurance Company	February 29, 2016	500	500	0.5932%	August 30, 2024			
	Mizuho Bank, Ltd.	February 7, 2017	1,754	1,754	0.7800%	August 30, 2024			
	Mizuho Bank, Ltd.	August 31, 2017	—	1,400	0.5913%	August 30, 2024			
	Sumitomo Mitsui Banking Corporation		—	1,048					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	705					
Mizuho Trust & Banking Co., Ltd.	—		622						
Sumitomo Mitsui Trust Bank, Limited	—		610						
The Norinchukin Bank	—		520						
Resona Bank, Limited	—		215						
Shinkin Central Bank	—		140						
Shinsei Bank, Limited	—		140						

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term loans payable	Mizuho Bank, Ltd.	February 27, 2015	250	250	1.4600%	February 28, 2025	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		125	125					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		125	125					
	Mizuho Bank, Ltd.	February 29, 2016	250	250	0.7275%	February 28, 2025			
	Sumitomo Mitsui Banking Corporation		125	125					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		125	125					
	Development Bank of Japan Inc.	February 7, 2017	969	969	0.8500%	February 28, 2025			
	Mizuho Bank, Ltd.	August 31, 2017	—	1,725	0.6574%	February 28, 2025			
	Sumitomo Mitsui Banking Corporation		—	1,203					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	753					
	Mizuho Trust & Banking Co., Ltd.		—	722					
	Development Bank of Japan Inc.		—	1,010					
	Sumitomo Mitsui Trust Bank, Limited		—	682					
	The Norinchukin Bank		—	400					
	Resona Bank, Limited		—	215					
	Shinkin Central Bank		—	140					
	Shinsei Bank, Limited		—	140					
	Mizuho Bank, Ltd.	August 31, 2017	—	1,531	0.7246%	August 29, 2025			
	Sumitomo Mitsui Banking Corporation		—	1,267					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	577					
	Mizuho Trust & Banking Co., Ltd.		—	475					
	Development Bank of Japan Inc.		—	410					
	Aozora Bank, Ltd.		—	280					
	Meiji Yasuda Life Insurance Company		—	230					
	Nippon Life Insurance Company		—	230					
	Mizuho Bank, Ltd.	February 27, 2015	150	150	1.7500%	February 26, 2027			
	Sumitomo Mitsui Banking Corporation		75	75					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	75		75						
	Subtotal		88,500	106,890					
	Total		92,460	110,850					

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

(Note 2) Long-term 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) and repay borrowings.

(Note 4) The Investment Corporation made borrowings in the amount of ¥12,000 million on March 31, 2017, and it made early repayment of the entire amount on August 31, 2017.

(Note 5) The Investment Corporation made borrowings in the amount of ¥1,460 million on April 28, 2017, and it made early repayment of the entire amount on August 31, 2017.

(Note 6) The Investment Corporation made borrowings in the amount of ¥4,930 million on June 30, 2017, and it made early repayment of the entire amount on August 31, 2017.

(3) Investment corporation bonds

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

Bond name	Issuance date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Interest rate (%)	Repayment date	Repayment method	Use	Remarks
First Series Unsecured Investment Corporation Bond	August 31, 2015	2,000	2,000	0.950	August 29, 2025	Lump-sum repayment	(Note 1)	Unsecured (Note 2)
Second Series Unsecured Investment Corporation Bond	December 13, 2016	2,000	2,000	0.040	December 13, 2019	Lump-sum repayment	(Note 1)	Unsecured (Note 2)
Third Series Unsecured Investment Corporation Bond	December 13, 2016	1,000	1,000	0.490	December 11, 2026	Lump-sum repayment	(Note 1)	Unsecured (Note 2)
Total		5,000	5,000					

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

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

(4) Short-term investment corporation bonds

Not applicable.

(5) Investment unit options

Not applicable.

6. Status of trading during the period

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

Type of assets	Property name	Acquisition		Transfer			
		Acquisition date	Acquisition value (Millions of yen) (Note)	Transfer date	Transfer value (Millions of yen) (Note)	Book value (Millions of yen)	Gain (loss) on transfer (Millions of yen)
Beneficiary right of real estate in trust	Hulic Shibuya 1-chome Building	March 31, 2017	5,100	—	—	—	—
Beneficiary right of real estate in trust	Hulic Higashi Nihonbashi Building	March 31, 2017	3,480	—	—	—	—
Beneficiary right of real estate in trust	Hulic Omori Building	March 31, 2017	3,420	—	—	—	—
Beneficiary right of real estate in trust	Hulic Jimbocho Building	April 28, 2017	1,460	—	—	—	—
Beneficiary right of real estate in trust	HULIC & New SHIBUYA	June 30, 2017	3,150	—	—	—	—
Beneficiary right of real estate in trust	SOMPO Care La vie Re Kita-Kamakura	June 30, 2017	1,780	—	—	—	—
Total		—	18,390	—	—	—	—

(Note) Acquisition value or transfer value shows the amount that does not include expenses incurred on the acquisition or transfer of the said real estate, etc., 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., asset-backed securities, etc., infrastructure assets, etc., and infrastructure-related assets, are mostly bank deposits and bank deposits within assets in trust.

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

i) Real estate, etc.

Acquisition / Disposal	Type of assets	Property name	Transaction date	Acquisition value (Millions of yen) (Note 1)	Appraisal value (Millions of yen) (Note 2)	Appraisal agency	Valuation date
Acquisition	Beneficiary right of real estate in trust	Hulic Shibuya 1-chome Building	March 31, 2017	5,100	5,170	The Tanizawa Sōgō Appraisal Co., Ltd.	March 1, 2017
Acquisition	Beneficiary right of real estate in trust	Hulic Higashi Nihonbashi Building	March 31, 2017	3,480	3,510	The Tanizawa Sōgō Appraisal Co., Ltd.	March 1, 2017
Acquisition	Beneficiary right of real estate in trust	Hulic Omori Building	March 31, 2017	3,420	3,480	CBRE K.K.	March 1, 2017
Acquisition	Beneficiary right of real estate in trust	Hulic Jimbocho Building	April 28, 2017	1,460	1,480	Japan Real Estate Institute	March 1, 2017
Acquisition	Beneficiary right of real estate in trust	HULIC & New SHIBUYA	June 30, 2017	3,150	3,190	Japan Real Estate Institute	June 1, 2017
Acquisition	Beneficiary right of real estate in trust	SOMPO Care La vie Re Kita-Kamakura	June 30, 2017	1,780	1,800	Japan Real Estate Institute	June 1, 2017
Total				18,390	18,630	—	—

(Note 1) Acquisition value shows the amount that does not include expenses incurred on the acquisition of the said real estate, etc., and is 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.

ii) Other

Not applicable.

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

i) Status of transactions

Category	Transaction amount	
	Purchase price	Sale price
Total	¥18,390 million	¥— million
Breakdown of transactions with interested person, etc.		
Hulic Co., Ltd.	¥16,930 million (92.1%)	¥— million (—%)
Total	¥16,930 million (92.1%)	¥— 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)	
Property management fees	388,398	Hulic Building Management Co., Ltd.	89,507	23.0
		Tokyo Fudosan Kanri Co., Ltd.	87,790	22.6
Other expenses related to rent business	260,233	Hulic Building Management Co., Ltd.	6,866	2.6
		Tokyo Fudosan Kanri Co., Ltd.	1,364	0.5
		Hulic Co., Ltd.	1,262	0.5

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

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

Hulic Build Co., Ltd.	¥190,138 thousand
Tokyo Fudosan Kanri Co., Ltd.	¥5,054 thousand
Hulic Building Management Co., Ltd.	¥1,915 thousand

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

There are no applicable transactions because the Asset Manager of the Investment Corporation (Hulic Reit Management Co., Ltd.) does not engage in any other businesses, such as Type I Financial Instruments Business, Type II Financial Instruments Business, Real Estate Brokerage Business, or Real Estate Specified Joint Enterprise.

7. Financial information

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

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

(2) Changes in the calculation method of depreciation expenses

Not applicable.

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

Not applicable.

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

Not applicable.

(5) Disclosure regarding corporation holding overseas real estate

Not applicable.

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

Not applicable.

8. Other

(1) Announcements

i) General Meeting of Unitholders

The 3rd General Meeting of Unitholders of Hulic Reit, Inc. was held on May 25, 2017.

The outline of matters approved at the General Meeting of Unitholders is as follows:

Proposals	Outline
Proposal No. 1 Partial Amendment of Articles of Incorporation	The Articles of Incorporation were amended as follows in accordance with the original proposal. (1) Necessary changes were made to clarify that payment of remuneration to accounting auditors is made after receipt of audit reports for the relevant fiscal period and after invoicing by the accounting auditors. (2) A new provision was added to the Articles of Incorporation to the effect that in the case where the Investment Corporation merges with another investment corporation and the Asset Manager performs various services in relation to the merger such as investigating and evaluating the assets and so on held by the other investment corporation, merger fees shall be paid to the Asset Manager as consideration for those services and that in the case where such merger fees are paid, acquisition fees and disposal fees shall be excluded. (3) In addition to the foregoing, changes, etc. were made to other provisions to clarify the specifics of those provisions.
Proposal No. 2 Election of One (1) Executive Officer	Eiji Tokita was elected as Executive Officer as originally proposed.
Proposal No. 3 Election of One (1) Substitute Executive Officer	Kazuaki Chokki was elected as Substitute Executive Officer as originally proposed.
Proposal No. 4 Election of Two (2) Supervisory Officers	Kunio Shimada and Shigeru Sugimoto were elected as Supervisory Officer as originally proposed.

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
May 24, 2017	Conclusion of the second amendment memorandum regarding the Asset Management Agreement, etc.	At the Investment Corporation's General Meeting of Unitholders that had been scheduled to be held on May 25, 2017, with the prerequisite of the approval of the amendment to the Investment Corporation's Articles of Incorporation which included an amendment to the provision related to the standards regarding payment of asset management fees, the Board of Directors approved the conclusion, between the Investment Corporation and Hulic Reit Management Co., Ltd., of the second amendment memorandum regarding the Asset Management Agreement and a memorandum regarding compensation for entrusted services (merger fees).
June 8, 2017	Comprehensive resolution on issuance of investment corporation bonds and associated consignment of general administrative duties	The Board of Directors made a comprehensive resolution relating to the issuance of investment corporation bonds with a total issue amount to be within ¥15,000 million and an issuance period from June 30, 2017 to December 31, 2017. The Board of Directors approved candidate companies for consignment of administrative duties relating to offering the investment corporation bonds as well as administrative duties relating to receiving requests relating to exercise of rights of investment corporation bonds and other applications from investment corporation bondholders, and operations during the term of the investment corporation bonds (including duties of the fiscal agent, issuing agent and paying agent). The Board of Directors delegated selection of the consignee for general administrative duties relating to the investment corporation bonds and decision making on the scope and the specific consignment conditions of consignment of general administrative duties, and all the necessary matters related to the consignment of administrative operations to the executive officer.

(2) Others

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

9. Risk Factors

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

Property and Business Risks

- 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.
- We may not be able to close future acquisitions of properties after they are announced.
- Illiquidity in the real estate market may limit our ability to grow or adjust our portfolio.
- The past experience of Hulic Co., Ltd. in the Japanese real estate market is not an indicator or guarantee of our future results.
- Our reliance on Hulic Co., Ltd. and other Hulic Group companies could have a material adverse effect on our business.
- 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 (private nursing homes, network centers and hotels) expose us to risks that are not associated with other real estate classes.
- The recent addition of hotels as an investment target exposes us to new risks associated with the hotel industry, such as revenue volatility and potentially high capital expenditure and maintenance requirements.
- Any inability to obtain financing for future acquisitions could adversely affect the growth of our portfolio.
- Liquidity and other limitations on our activities under debt financing arrangements may adversely affect our business, financial condition and results of operations.
- A high LTV ratio may increase our exposure to changes in interest rates and have a material adverse effect on our results of operations.
- We may suffer impairment losses relating to our properties.
- Decreases in tenant leasehold deposits and/or security deposits may increase our funding costs.
- Our lack of control over operating costs may adversely affect our business.
- We may lose rental revenues in the event of lease terminations, decreased lease renewals, or the default of a tenant as a result of financial difficulty or insolvency, and are exposed to the risk of careless or imprudent management of properties by tenants.
- Master lease agreements expose us to the risk of becoming an unsecured creditor of Hulic Co., Ltd. as our master lessee in the event of its insolvency.

- Our cost of complying with regulations applicable to our properties could adversely affect the results of our operations.
- Any property defect 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 partial ownership (*kubun shoyū*), and our rights relating to such properties may be affected by the intentions of other owners.
- Some of our properties are held in the form of a property or trust co-ownership interest, and our rights relating to such properties may be affected by the intentions of other owners.
- We may hold interests in some properties through preferred shares of special purpose companies (*tokutei mokuteki kaisha*) in the future, and illiquidity in the market for such shares may limit our ability to sell our interest, and our rights relating to the properties held by such special purpose companies may be limited.
- Some of our properties are subject to preferential negotiation rights of others.
- We may hold interests in some properties through Japanese anonymous association (*tokumei kumiai*) agreements, and our rights relating to such properties may be limited.
- We own all of our properties through trust beneficiary interests and may suffer losses as a trust beneficiary.
- There are important differences regarding the rights of unitholders in a J-REIT compared to those of shareholders in a corporation.
- The AIFMD may negatively affect our ability to market our units in the EEA and increase our compliance costs associated with the marketing of our units in the EEA.
- Our units may be deemed to constitute “plan assets” for ERISA purposes, which may lead to the rescission of certain of our transactions, tax or fiduciary liability and our being held in violation of ERISA requirements.

Independent Auditor's Report

The Board of Directors
Hulic Reit, Inc.

We have audited the accompanying financial statements of Hulic Reit, Inc., which comprise the balance sheet as at August 31, 2017, and the statements of income and retained earnings, changes in net assets and cash flows for the fiscal period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hulic Reit, Inc. as at August 31, 2017, and its financial performance and cash flows for the fiscal period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shinnihon LLC

November 24, 2017
Tokyo, Japan

II. Financial Statements

(1) Balance Sheets

	(Unit: thousands of yen)	
	Reporting period (As of August 31, 2017)	Previous period (As of February 28, 2017)
Assets		
Current assets		
Cash and deposits (Notes 4 and 13)	7,606,126	6,514,047
Cash and deposits in trust (Notes 4 and 13)	5,870,439	5,356,977
Operating accounts receivable	13,736	11,604
Prepaid expenses	33,992	27,471
Deferred tax assets (Note 6)	10	11
Consumption taxes receivable	–	228,750
Other	2,611	2,153
Total current assets	13,526,916	12,141,016
Noncurrent assets		
Property, plant and equipment (Note 5)		
Buildings in trust	49,191,455	44,472,954
Accumulated depreciation	(3,602,748)	(2,899,608)
Buildings in trust, net	45,588,706	41,573,345
Structures in trust	311,516	291,095
Accumulated depreciation	(68,385)	(56,893)
Structures in trust, net	243,130	234,202
Machinery and equipment in trust	252,208	252,208
Accumulated depreciation	(72,612)	(56,840)
Machinery and equipment in trust, net	179,595	195,367
Tools, furniture and fixtures in trust	24,074	22,632
Accumulated depreciation	(6,649)	(4,765)
Tools, furniture and fixtures in trust, net	17,424	17,866
Land in trust	195,707,562	181,504,937
Construction in progress in trust	3,473	894
Total property, plant and equipment	241,739,893	223,526,613
Intangible assets		
Leasehold rights in trust	8,471,289	8,471,289
Other	3,096	4,114
Total intangible assets	8,474,385	8,475,404
Investments and other assets		
Lease and guarantee deposits	20,576	20,000
Long-term prepaid expenses	799,289	661,973
Total investments and other assets	819,865	681,973
Total noncurrent assets	251,034,144	232,683,991
Deferred assets		
Investment unit issuance costs	59,894	77,171
Investment corporation bond issuance costs	36,816	40,642
Total deferred assets	96,711	117,813
Total assets	264,657,772	244,942,821

	(Unit: thousands of yen)	
	Reporting period (As of August 31, 2017)	Previous period (As of February 28, 2017)
Liabilities		
Current liabilities		
Operating accounts payable	519,583	160,158
Short-term loans payable (Notes 7 and 13)	3,960,000	3,960,000
Accounts payable - other	797,806	727,854
Accrued expenses	44,554	41,228
Income taxes payable	815	830
Accrued consumption taxes	19,560	25,447
Advances received	1,272,420	1,110,564
Deposits received	199	188
Total current liabilities	6,614,941	6,026,272
Noncurrent liabilities		
Investment corporation bond (Notes 8 and 13)	5,000,000	5,000,000
Long-term loans payable (Notes 7 and 13)	106,890,000	88,500,000
Tenant leasehold and security deposits in trust	10,571,234	9,912,149
Total noncurrent liabilities	122,461,234	103,412,149
Total liabilities	129,076,175	109,438,422
Net assets (Note 9)		
Unitholders' equity (Note 10)		
Unitholders' capital	132,051,528	132,051,528
Surplus		
Unappropriated retained earnings (Note 11)	3,530,068	3,452,871
Total surplus	3,530,068	3,452,871
Total unitholders' equity	135,581,596	135,504,399
Total net assets (Note 9)	135,581,596	135,504,399
Total liabilities and net assets	264,657,772	244,942,821

See accompanying notes to financial statements.

(2) Statements of Income and Retained Earnings

(Unit: thousands of yen)

	Reporting period (From March 1, 2017 to August 31, 2017)	Previous period (From September 1, 2016 to February 28, 2017)
Operating revenues		
Lease business revenue (Note 12)	6,774,278	6,394,084
Other lease business revenues (Note 12)	324,697	291,571
Total operating revenues	7,098,975	6,685,656
Operating expenses		
Expenses related to rent business (Note 12)	2,243,059	2,024,619
Asset management fee	670,062	609,750
Asset custody fee	12,473	11,517
Administrative service fees	39,659	37,228
Directors' compensations	6,000	6,000
Other operating expenses	105,899	100,369
Total operating expenses	3,077,153	2,789,485
Operating profit	4,021,821	3,896,170
Non-operating income		
Interest income	49	48
Interest on refund	675	—
Total non-operating income	725	48
Non-operating expenses		
Interest expenses	346,834	292,765
Interest expenses on investment corporation bonds	12,365	10,714
Borrowing related expenses	111,542	121,000
Amortization of investment unit issuance costs	17,276	16,124
Amortization of investment corporation bond issuance costs	3,825	2,184
Total non-operating expenses	491,845	442,789
Ordinary profit	3,530,701	3,453,430
Profit before income taxes	3,530,701	3,453,430
Income taxes - current (Note 6)	823	837
Income taxes - deferred (Note 6)	0	4
Total income taxes	824	842
Profit (Note 18)	3,529,877	3,452,588
Retained earnings brought forward	191	283
Unappropriated retained earnings	3,530,068	3,452,871

See accompanying notes to financial statements.

(3) Statements of Changes in Net Assets

Reporting period (From March 1, 2017 to August 31, 2017)

(Unit: thousands of yen)

(Unit: thousands of yen)

	Unitholders' equity (Note 10)				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at the beginning of the period	132,051,528	3,452,871	3,452,871	135,504,399	135,504,399
Changes of items during the period					
Distribution of surplus	—	(3,452,680)	(3,452,680)	(3,452,680)	(3,452,680)
Profit	—	3,529,877	3,529,877	3,529,877	3,529,877
Total changes of items during the period	—	77,197	77,197	77,197	77,197
Balance at the end of the period	132,051,528	3,530,068	3,530,068	135,581,596	135,581,596

Previous period (From September 1, 2016 to February 28, 2017)

(Unit: thousands of yen)

(Unit: thousands of yen)

	Unitholders' equity (Note 10)				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at the beginning of the period	117,537,072	3,008,134	3,008,134	120,545,206	120,545,206
Changes of items during the period					
Issuance of new investment units	14,514,456	—	—	14,514,456	14,514,456
Distribution of surplus	—	(3,007,851)	(3,007,851)	(3,007,851)	(3,007,851)
Profit	—	3,452,588	3,452,588	3,452,588	3,452,588
Total changes of items during the period	14,514,456	444,737	444,737	14,959,193	14,959,193
Balance at the end of the period	132,051,528	3,452,871	3,452,871	135,504,399	135,504,399

See accompanying notes to financial statements.

(4) Statements of Cash Flows

(Unit: thousands of yen)

	Reporting period (From March 1, 2017 to August 31, 2017)	Previous period (From September 1, 2016 to February 28, 2017)
Cash flows from operating activities		
Profit before income taxes	3,530,701	3,453,430
Depreciation and amortization	733,305	666,402
Amortization of investment unit issuance costs	17,276	16,124
Amortization of investment corporation bond issuance costs	3,825	2,184
Interest income	(49)	(48)
Interest expenses	359,200	303,479
Decrease (increase) in operating accounts receivable	(2,131)	(298)
Decrease (increase) in consumption taxes refund receivable	228,750	(228,750)
Decrease (increase) in prepaid expenses	(6,520)	9,463
Increase (decrease) in operating accounts payable	247,216	(205,463)
Increase (decrease) in accounts payable - other	69,920	126,886
Increase (decrease) in accrued consumption taxes	(5,887)	(113,184)
Increase (decrease) in advances received	161,856	80,060
Increase (decrease) in deposits received	10	(824)
Decrease (increase) in long-term prepaid expenses	(137,316)	(166,479)
Other, net	1,219	(2,981)
Subtotal	5,201,378	3,940,001
Interest income received	49	48
Interest expenses paid	(357,558)	(310,394)
Income taxes (paid) refund	(830)	(937)
Net cash provided by (used in) operating activities	4,843,039	3,628,718
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(18,833,357)	(31,101,093)
Payments for lease and guarantee deposits	(576)	—
Repayments of tenant leasehold and security deposits in trust	(151,248)	(55,950)
Proceeds from tenant leasehold and security deposits in trust	810,332	1,139,988
Net cash provided by (used in) investing activities	(18,174,849)	(30,017,055)
Cash flows from financing activities		
Proceeds from short-term loans payable	22,350,000	16,690,000
Repayments of short-term loans payable	(22,350,000)	(17,390,000)
Proceeds from long-term loans payable	18,390,000	22,180,000
Repayments of long-term loans payable	—	(8,490,000)
Proceeds from issuance of investment corporation bonds	—	2,975,128
Proceeds from issuance of investment units	—	14,472,976
Dividends paid	(3,452,648)	(3,007,236)
Net cash provided by (used in) financing activities	14,937,351	27,430,868
Net increase (decrease) in cash and cash equivalents	1,605,541	1,042,531
Cash and cash equivalents at beginning of period	11,871,024	10,828,493
Cash and cash equivalents at end of period (Note 4)	13,476,566	11,871,024

See accompanying notes to financial statements.

(5) Notes to Financial Statements

For the periods from March 1, 2017 to August 31, 2017 and from September 1, 2016 to February 28, 2017

1. Organization

Hulic Reit, Inc. (“the Investment Corporation”) was incorporated by Hulic REIT Management Co., Ltd. (the Investment Corporation’s Asset Manager) on November 7, 2013 with ¥200 million in capital (2,000 units), and registration was approved based on Article 187 of the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”) on November 25, 2013 (Registration No. 88 filed with the Director-General of the Kanto Local Finance Bureau). Subsequently, the Investment Corporation issued new investment units through a public offering (617,500 units) on February 6, 2014. Those units were listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange on February 7, 2014 (Securities Code: 3295). On March 7, 2014, the Investment Corporation further issued new investment units through an allocation to a third-party. Following the recent issuances of new investment units during the previous period through the Investment Corporation’s third public offering (83,800 units) after its listing and through the allocation to a third-party (4,200 units), the total number of investment units outstanding was 1,045,000 units as of August 31, 2017.

The Investment Corporation’s real estate portfolio as of August 31, 2017 was comprised of 43 properties under management with a total leasable floor area of 245,476.40 m². The Investment Corporation has already invested ¥249,715 million (based on acquisition price) into this portfolio. The occupancy rate as of August 31, 2017 was 99.3%.

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

(2) Intangible assets

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

(3) Long-term prepaid expenses

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

(4) Investment corporation bond issuance costs

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

(5) Investment unit issuance costs

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

(6) Accounting for property taxes

For property tax, city planning tax and depreciable asset tax, the Investment Corporation charges the amount of property taxes assessed and determined applicable to the current period to expenses related to 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 amounts equivalent to property taxes included in the cost of acquisition of real estate are ¥40,847 thousand and ¥26,407 thousand for the periods from March 1, 2017 to August 31, 2017 and from September 1, 2016 to February 28, 2017, respectively.

(7) Hedge accounting method

(a) Hedge accounting method

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

(b) Hedging instruments and hedged items

Hedging instruments: Interest rate swap transactions

Hedged items: Interest payments on borrowings

(c) Hedging policy

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

(d) Method for assessing the effectiveness of hedging

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

(8) Cash and cash equivalents

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

(9) Accounting for 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; Tools, furniture and fixtures in trust; Land in trust and Construction in progress in trust
- (c) Leasehold rights in trust
- (d) Tenant leasehold and security 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, 2017 and February 28, 2017 consist of the following balance sheet items:

	(Unit: thousands of yen)			
	Reporting period (As of August 31, 2017)		Previous period (As of February 28, 2017)	
Cash and deposits	¥	7,606,126	¥	6,514,047
Cash and deposits in trust		5,870,439		5,356,977
Total cash and cash equivalents	¥	13,476,566	¥	11,871,024

5. Property, Plant and Equipment and Intangible Assets

The following table shows the summary of property, plant and equipment and intangible assets as of August 31, 2017:

(Unit: thousands of yen)

Type of asset		Balance at the beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at the end of the period	Accumulated depreciation / Accumulated amortization		Net balance at the end of the period	Remarks
							Depreciation and amortization		
Property, plant and equipment	Buildings in trust	¥ 44,472,954	¥ 4,718,501	—	¥ 49,191,455	¥3,602,748	¥ 703,139	¥ 45,588,706	acquisition of property
	Structures in trust	291,095	20,420	—	311,516	68,385	11,491	243,130	
	Machinery and equipment in trust	252,208	—	—	252,208	72,612	15,772	179,595	
	Tools, furniture and fixtures in trust	22,632	1,441	—	24,074	6,649	1,883	17,424	
	Land in trust	181,504,937	14,202,624	—	195,707,562	—	—	195,707,562	acquisition of property
	Construction in progress in trust	894	3,473	894	3,473	—	—	3,473	
	Total	¥226,544,723	¥18,946,460	894	¥245,490,289	¥3,750,395	¥ 732,286	¥241,739,893	
Intangible assets	Leasehold rights in trust	8,471,289	—	—	8,471,289	—	—	8,471,289	
	Other	10,186	—	—	10,186	7,090	1,018	3,096	
	Total	8,481,476	—	—	8,481,476	7,090	1,018	8,474,385	

(Note 1) The amount of increase during the period is mainly due to the acquisition of six properties, HULIC Shibuya 1-chome Building, HULIC Higashi Nihonbashi Building, HULIC Omori Building, HULIC Jimbocho Building, HULIC & New SHIBUYA and SOMPO Care La vie Re Kita-Kamakura.

(Note 2) The amount of decrease during the period is due to transfers to the appropriate accounts upon the completion of construction.

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, 2017)	Previous period (As of February 28, 2017)
Enterprise tax payable	¥	10	¥ 11
Total deferred tax assets		10	11
Net deferred tax assets	¥	10	¥ 11

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

		Reporting period (As of August 31, 2017)	Previous period (As of February 28, 2017)
Statutory tax rate		31.74%	31.74%
(Adjustments)			
Deductible cash distribution		(31.73)%	(31.73)%
Others		0.01%	0.01%
Effective tax rate		0.02%	0.02%

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

Summary information regarding short-term loans payable and long-term loans payable as of August 31, 2017 is as follows:

Classification	Lender	Loan execution date	Balance at the beginning of the period (millions of yen)	Balance at the end of the period (millions of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Short-term loans payable	Mizuho Bank, Ltd.	August 8, 2016	¥ 1,980	¥ –	0.2300	August 8, 2017	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		1,386	–					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		594	–					
	Mizuho Bank, Ltd. (Note 4)	March 31, 2017	–	–	0.2600	October 31, 2017			
	Sumitomo Mitsui Trust Bank, Limited (Note 5)	April 28, 2017	–	–	0.1800	April 27, 2018			
	Mizuho Bank, Ltd. (Note 6)	June 30, 2017	–	–	0.1800	October 31, 2017			
	Sumitomo Mitsui Banking Corporation (Note 6)		–	–					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 6)		–	–					
	Mizuho Bank, Ltd.	August 8, 2017	–	1,980	0.2300	August 8, 2018			
	Sumitomo Mitsui Banking Corporation		–	1,386					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		–	594					
	Subtotal		¥ 3,960	¥ 3,960					
Long-term loans payable	Mizuho Bank, Ltd.	February 7, 2014	¥ 2,570	¥ 2,570	0.7738	February 7, 2019	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		1,950	1,950					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,100	1,100					
	Mizuho Trust & Banking Co., Ltd.		1,050	1,050					
	The Norinchukin Bank		1,660	1,660					
	Resona Bank, Limited		220	220					
	Mizuho Bank, Ltd.	February 27, 2015	1,000	1,000	0.4350	August 30, 2019			
	Sumitomo Mitsui Banking Corporation		960	960					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		550	550					
	Mizuho Trust & Banking Co., Ltd.		300	300					
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	The Norinchukin Bank		500	500					
	Resona Bank, Limited		170	170					
	Shinkin Central Bank		200	200					
	Aozora Bank, Ltd.		200	200					
	Shinsei Bank, Limited		200	200					
	Mizuho Bank, Ltd.	February 27, 2015	1,650	1,650	0.4845	February 28, 2020			
	Sumitomo Mitsui Banking Corporation		890	890					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		700	700					
	Mizuho Trust & Banking Co., Ltd.		660	660					
	The Norinchukin Bank		1,400	1,400					
	Resona Bank, Limited		140	140					
	Shinkin Central Bank		300	300					
	Sumitomo Mitsui Banking Corporation	March 9, 2015	2,000	2,000	0.4810	August 31, 2020			

Classification	Lender	Loan execution date	Balance at the beginning of the period (millions of yen)	Balance at the end of the period (millions of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term loans payable	Mizuho Bank, Ltd.	February 29, 2016	1,000	1,000	0.1700	August 31, 2020	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		150	150					
	The Norinchukin Bank		409	409					
	Mizuho Bank, Ltd.	February 7, 2014	2,560	2,560	1.1713	February 7, 2021			
	Sumitomo Mitsui Banking Corporation		1,950	1,950					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,060	1,060					
	Mizuho Trust & Banking Co., Ltd.		1,050	1,050					
	Sumitomo Mitsui Trust Bank, Limited		1,660	1,660					
	Resona Bank, Limited		270	270					
	Mizuho Bank, Ltd.	February 27, 2015	2,800	2,800	0.6750	August 31, 2021			
	Sumitomo Mitsui Banking Corporation		2,110	2,110					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		830	830					
	Mizuho Trust & Banking Co., Ltd.		790	790					
	Aozora Bank, Ltd.		300	300					
	Shinsei Bank, Limited		300	300					
	Mizuho Bank, Ltd.	February 27, 2015	2,385	2,385	0.7730	February 28, 2022			
	Sumitomo Mitsui Banking Corporation		1,710	1,710					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,055	1,055					
	Mizuho Trust & Banking Co., Ltd.		800	800					
	Sumitomo Mitsui Trust Bank, Limited		1,400	1,400					
	Resona Bank, Limited		200	200					
	Mizuho Bank, Ltd.	August 31, 2017	—	150	0.4173	February 28, 2022			
	Sumitomo Mitsui Banking Corporation		—	75					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	75					
	Mizuho Trust & Banking Co., Ltd.		—	72					
	Sumitomo Mitsui Trust Bank, Limited		—	128					
	The Norinchukin Bank		—	500					
	Development Bank of Japan Inc.	February 7, 2014	2,450	2,450	1.6100	August 7, 2022			
	Mizuho Bank, Ltd.	August 31, 2015	1,144	1,144	0.7488	August 31, 2022			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		710	710					
	Mizuho Trust & Banking Co., Ltd.		549	549					
	Sumitomo Mitsui Trust Bank, Limited		414	414					
	The Norinchukin Bank		414	414					
	Resona Bank, Limited		125	125					
	Development Bank of Japan Inc.	August 31, 2015	414	414	0.7550	August 31, 2022			
	Mizuho Bank, Ltd.	February 7, 2017	650	650	0.5538	August 31, 2022			
	Sumitomo Mitsui Banking Corporation		500	500					

Classifi- cation	Lender	Loan execution date	Balance at the beginning of the period (millions of yen)	Balance at the end of the period (millions of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks		
Long-term loans payable	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 7, 2017	200	200	0.5538	August 31, 2022	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed		
	Mizuho Trust & Banking Co., Ltd.		450	450							
	Sumitomo Mitsui Trust Bank, Limited		445	445							
	The Norinchukin Bank		445	445							
	Resona Bank, Limited		150	150							
	Mizuho Bank, Ltd.	February 29, 2016	1,350	1,350	0.4099	February 28, 2023					
	Sumitomo Mitsui Banking Corporation		800	800							
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		550	550							
	Mizuho Trust & Banking Co., Ltd.		530	530							
	Sumitomo Mitsui Trust Bank, Limited		400	400							
	The Norinchukin Bank		400	400							
	Resona Bank, Limited		243	243							
	Shinkin Central Bank		141	141							
	Aozora Bank, Ltd.		141	141							
	Mizuho Bank, Ltd.		1,500	1,500						0.6031	February 28, 2023
	Sumitomo Mitsui Banking Corporation		1,200	1,200							
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		300	300							
	Mizuho Trust & Banking Co., Ltd.	450	450								
	Sumitomo Mitsui Trust Bank, Limited	245	245								
	The Norinchukin Bank	245	245								
	Resona Bank, Limited	150	150								
	Mizuho Bank, Ltd.	February 29, 2016	1,377	1,377	0.4620	August 31, 2023					
	Sumitomo Mitsui Banking Corporation		839	839							
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		565	565							
	Mizuho Trust & Banking Co., Ltd.		546	546							
	Sumitomo Mitsui Trust Bank, Limited		409	409							
	Shinsei Bank, Limited		141	141							
	Mizuho Bank, Ltd.		February 7, 2017	1,863						1,863	0.6564
	Sumitomo Mitsui Banking Corporation	1,411		1,411							
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	600		600							
	Mizuho Trust & Banking Co., Ltd.	917		917							
	Sumitomo Mitsui Trust Bank, Limited	500		500							
	The Norinchukin Bank	500		500							
	Resona Bank, Limited	302		302							
	Mizuho Bank, Ltd.	February 7, 2014	400	400	1.8188	February 7, 2024					
	Sumitomo Mitsui Banking Corporation		300	300							
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		300	300							
	Development Bank of Japan Inc.	February 29, 2016	809	809	0.5188	February 29, 2024					

Classification	Lender	Loan execution date	Balance at the beginning of the period (millions of yen)	Balance at the end of the period (millions of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term loans payable	Nippon Life Insurance Company	February 29, 2016	500	500	0.5188	February 29, 2024	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	February 7, 2017	1,000	1,000	0.6485	February 29, 2024			
	Sumitomo Mitsui Banking Corporation		1,977	1,977					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,719	1,719					
	Mizuho Trust & Banking Co., Ltd.		600	600					
	Sumitomo Mitsui Trust Bank, Limited		569	569					
	The Norinchukin Bank		569	569					
	Development Bank of Japan Inc.		February 27, 2015	1,900					
	Meiji Yasuda Life Insurance Company	February 29, 2016	500	500	0.5932	August 30, 2024			
	Mizuho Bank, Ltd.	February 7, 2017	1,754	1,754	0.7800	August 30, 2024			
	Mizuho Bank, Ltd.	August 31, 2017	—	1,400	0.5913	August 30, 2024			
	Sumitomo Mitsui Banking Corporation		—	1,048					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	705					
	Mizuho Trust & Banking Co., Ltd.		—	622					
	Sumitomo Mitsui Trust Bank, Limited		—	610					
	The Norinchukin Bank		—	520					
	Resona Bank, Limited		—	215					
	Shinkin Central Bank		—	140					
	Shinsei Bank, Limited	—	140						
	Mizuho Bank, Ltd.	February 27, 2015	250	250	1.4600	February 28, 2025			
	Sumitomo Mitsui Banking Corporation		125	125					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		125	125					
	Mizuho Bank, Ltd.	February 29, 2016	250	250	0.7275	February 28, 2025			
	Sumitomo Mitsui Banking Corporation		125	125					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		125	125					
	Development Bank of Japan Inc.	February 7, 2017	969	969	0.8500	February 28, 2025			
	Mizuho Bank, Ltd.	August 31, 2017	—	1,725	0.6574	February 28, 2025			
	Sumitomo Mitsui Banking Corporation		—	1,203					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	753					
	Mizuho Trust & Banking Co., Ltd.		—	722					
	Development Bank of Japan Inc.		—	1,010					
	Sumitomo Mitsui Trust Bank, Limited		—	682					
The Norinchukin Bank	—		400						
Resona Bank, Limited	—		215						
Shinkin Central Bank	—		140						
Shinsei Bank, Limited	—		140						
Mizuho Bank, Ltd.	August 31, 2017		—	1,531			0.7246	August 29, 2025	

Classification	Lender	Loan execution date	Balance at the beginning of the period (millions of yen)	Balance at the end of the period (millions of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term loans payable	Sumitomo Mitsui Banking Corporation	August 31, 2017	–	1,267	0.7246	August 29, 2025	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		–	577					
	Mizuho Trust & Banking Co., Ltd.		–	475					
	Development Bank of Japan Inc.		–	410					
	Aozora Bank, Ltd.		–	280					
	Meiji Yasuda Life Insurance Company		–	230					
	Nippon Life Insurance Company		–	230					
	Mizuho Bank, Ltd.	February 27, 2015	150	150	1.7500	February 26, 2027			
	Sumitomo Mitsui Banking Corporation		75	75					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		75	75					
	Subtotal		¥88,500	¥106,890					
	Total		¥92,460	¥110,850					

(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) and to repay borrowings.

(Note 4) The Investment Corporation borrowed ¥12,000 million on March 31, 2017 and made early repayments of the total amount on August 31, 2017.

(Note 5) The Investment Corporation borrowed ¥1,460 million on April 28, 2017 and made early repayments of the total amount on August 31, 2017.

(Note 6) The Investment Corporation borrowed ¥4,930 million on June 30, 2017 and made early repayments of the total amount on August 31, 2017.

8. Investment Corporation Bond

Summary information regarding investment corporation bond as of August 31, 2017 is as follows:

Issue	Issuance date	Balance at the beginning of the period (millions of yen)	Balance at the end of the period (millions of yen)	Interest rate (%)	Repayment date	Repayment method	Use	Collateral
1st Series Unsecured Investment Corporation Bond	August 31, 2015	¥ 2,000	¥ 2,000	0.950	August 29, 2025	Lump-sum repayment	Repayment of borrowings	None (Note)
2nd Series Unsecured Investment Corporation Bond	December 13, 2016	2,000	2,000	0.040	December 13, 2019	Lump-sum repayment	Repayment of borrowings	None (Note)
3rd Series Unsecured Investment Corporation Bond	December 13, 2016	1,000	1,000	0.490	December 11, 2026	Lump-sum repayment	Repayment of borrowings	None (Note)
Total		¥ 5,000	¥ 5,000					

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

9. Net Assets

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

10. Unitholders' Equity

	Reporting period (From March 1, 2017 to August 31, 2017)	Previous period (From September 1, 2016 to February 28, 2017)
Total number of authorized investment units	20,000,000 units	20,000,000 units
Number of investment units issued	1,045,000 units	1,045,000 units

11. Distributions

Pursuant to the distribution policy prescribed in Article 35, Paragraph 1 of the Investment Corporation's Articles of Incorporation, the distribution amount shall be in excess of an amount equivalent to 90% of earnings available for distributions as defined in Article 67-15 of the Act on Special Measures Concerning Taxation, but not in excess of the amount of earnings. Based on this policy, the Investment Corporation has declared the total distributions to be ¥3,530,010,000, which is the largest integral multiple of the number of investment units issued and outstanding (1,045,000 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 March 1, 2017 to August 31, 2017)	Previous period (From September 1, 2016 to February 28, 2017)
I Unappropriated retained earnings	¥ 3,530,068,941	¥ 3,452,871,334
II Distribution amount	¥ 3,530,010,000	¥ 3,452,680,000
[Distributions per unit]	[¥ 3,378]	[¥ 3,304]
III Retained earnings brought forward	¥ 58,941	¥ 191,334

12. Breakdown of Property-related Revenues and Expenses

(1) Breakdown of property operating profit

(Unit: thousands of yen)				
		Reporting period (From March 1, 2017 to August 31, 2017)		Previous period (From September 1, 2016 to February 28, 2017)
A.	Property operating revenues			
	Lease business revenue			
	Rent	¥ 5,543,317		¥ 5,200,052
	Land rent	623,202		615,602
	Common area revenue	607,759	6,774,278	578,430
				6,394,084
	Other lease business revenues			
	Utilities revenue	214,914		197,378
	Other revenue	109,782	324,697	94,192
				291,571
	Total property operating revenues		¥ 7,098,975	¥ 6,685,656
B.	Property operating expenses			
	Expenses related to rent business			
	Property management fees	¥ 388,398		¥ 363,467
	Utilities	231,973		200,393
	Property and other taxes	531,630		443,319
	Insurance premium	7,432		7,495
	Maintenance and repairs	91,103		111,348
	Depreciation	732,286		665,383
	Other expenses related to rent business	260,233	2,243,059	233,210
				2,024,619
	Total property operating expenses		¥ 2,243,059	¥ 2,024,619
C.	Property operating profit (A – B)		¥ 4,855,916	¥ 4,661,036

(2) Transactions with major unitholders

(Unit: thousands of yen)			
		Reporting period (From March 1, 2017 to August 31, 2017)	Previous period (From September 1, 2016 to February 28, 2017)
From operating transactions			
Lease business revenue	¥	1,279,261	¥ 1,146,533

13. Financial Instruments

(1) Overview

(i) Policy for financial instruments

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

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

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

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

Borrowings and investment corporation bonds are conducted mainly for the purpose of acquiring properties and refinancing of existing borrowings. Of these borrowings, those with floating interest rates are exposed to interest rate fluctuation risk. To avoid this fluctuation risk, the Investment Corporation uses derivative

transactions (interest rate swaps) as hedging instruments, which, in effect, converts fluctuating interest rates into fixed interest rates.

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

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

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

(2) Fair value of financial instruments

The carrying amounts on the balance sheet, fair values, and the differences between the two values as of August 31, 2017 and February 28, 2017 are as follows:

(Unit: thousands of yen)

	Reporting period (As of August 31, 2017)			Previous period (As of February 28, 2017)		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and deposits	¥ 7,606,126	¥ 7,606,126	¥ –	¥ 6,514,047	¥ 6,514,047	¥ –
Cash and deposits in trust	5,870,439	5,870,439	–	5,356,977	5,356,977	–
Total	¥ 13,476,566	¥ 13,476,566	¥ –	¥ 11,871,024	¥ 11,871,024	¥ –
Short-term loans payable	¥ 3,960,000	¥ 3,960,000	¥ –	¥ 3,960,000	¥ 3,960,000	¥ –
Investment corporation bond	5,000,000	5,063,200	63,200	5,000,000	5,053,900	53,900
Long-term loans payable	106,890,000	105,231,688	(1,658,311)	88,500,000	87,312,289	(1,187,710)
Total	¥ 115,850,000	¥ 114,254,888	¥ (1,595,111)	¥ 97,460,000	¥ 96,326,189	¥ (1,133,810)
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) Investment corporation bond

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

(iii) 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, 2017 and February 28, 2017

(Unit: thousands of yen)						
As of August 31, 2017	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	¥ 7,606,126	¥ –	¥ –	¥ –	¥ –	¥ –
Cash and deposits in trust	5,870,439	–	–	–	–	–
Total	¥ 13,476,566	¥ –	¥ –	¥ –	¥ –	¥ –

(Unit: thousands of yen)						
As of February 28, 2017	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	¥ 6,514,047	¥ –	¥ –	¥ –	¥ –	¥ –
Cash and deposits in trust	5,356,977	–	–	–	–	–
Total	¥ 11,871,024	¥ –	¥ –	¥ –	¥ –	¥ –

(Note 3) Redemption schedule for investment corporation bonds, long-term loans payable and other interest-bearing debt as of August 31, 2017 and February 28, 2017

(Unit: thousands of yen)						
As of August 31, 2017	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	¥ –	¥ –	¥ –	¥ –	¥ –
Investment corporation bond	–	–	2,000,000	–	–	3,000,000
Long-term loans payable	–	13,130,000	9,299,000	15,680,000	17,610,000	51,171,000
Total	¥ 3,960,000	¥ 13,130,000	¥ 11,299,000	¥ 15,680,000	¥ 17,610,000	¥ 54,171,000

(Unit: thousands of yen)						
As of February 28, 2017	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	¥ –	¥ –	¥ –	¥ –	¥ –
Investment corporation bond	–	–	2,000,000	–	–	3,000,000
Long-term loans payable	–	8,550,000	10,320,000	12,109,000	14,680,000	42,841,000
Total	¥ 3,960,000	¥ 8,550,000	¥ 12,320,000	¥ 12,109,000	¥ 14,680,000	¥ 45,841,000

14. Derivative Transactions

(1) Derivative transactions not applying hedge accounting

As of August 31, 2017 and February 28, 2017

Not applicable.

(2) Derivative transactions applying hedge accounting

The contracted amount or principal amount equivalent set forth in the contract as of August 31, 2017 and February 28, 2017 for each hedge accounting method is as follows:

(Unit: thousands of yen)

As of August 31, 2017						
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	¥ 61,647,000	¥ 61,647,000	*	—

(Unit: thousands of yen)

As of February 28, 2017						
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	¥ 61,647,000	¥ 61,647,000	*	—

* 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 “13. Financial Instruments, (2) Fair value of financial instruments, (Note 1) Methods to determine the fair values of financial instruments and matters regarding derivative transactions, Liabilities (iii) Long-term loans payable.”)

15. Leases

Operating lease transactions (Lessor)

Future minimum lease payments under noncancelable operating lease transactions

(Unit: thousands of yen)

	Reporting period (As of August 31, 2017)	Previous period (As of February 28, 2017)
Due within 1 year	¥ 4,800,748	¥ 5,079,151
Due after 1 year	8,202,717	6,707,701
Total	¥ 13,003,466	¥ 11,786,852

16. Investment and Rental Properties

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

				(Unit: thousands of yen)	
Reporting period (From March 1, 2017 to August 31, 2017)				Previous period (From September 1, 2016 to February 28, 2017)	
Carrying amount					
Balance at the beginning of the period		¥	231,997,903	¥	201,616,890
Changes during period			18,213,279		30,381,012
Balance at the end of the period		¥	250,211,182	¥	231,997,903
Fair value at the end of the period		¥	285,563,000	¥	263,893,000

(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 reporting period and the previous period is the acquisition of beneficiary rights of real estate in trust of 6 properties (¥18,648,512 thousand) and 6 properties (¥30,839,724 thousand), respectively. The decrease during the reporting period and the previous period is mainly due to depreciation (¥732,286 thousand and ¥665,383 thousand, respectively).

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

17. Related-Party Transactions

(1) Parent company, major corporate unitholders and other

Reporting period (From March 1, 2017 to August 31, 2017)

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 the end of the period (thousands of yen)
						Inter-locking officers	Business relationship				
Major corporate unitholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	¥62,718,573	Real estate business	(directly) 11.49%	—	Rent and management of real estate	Purchase of beneficiary right of real estate in trust	¥ 16,930,000	—	¥ —
								Keeping of leasehold and security deposits	¥ 810,223	Tenant leasehold and security deposits in trust	¥ 8,442,454
								Repayment of leasehold and security deposits	¥ 151,248		
								Earning of rent revenue, etc.	¥ 1,279,261	Advances received	¥ 223,353

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

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

Previous period (From September 1, 2016 to February 28, 2017)

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 the end of the period (thousands of yen)
						Inter-locking officers	Business relationship				
Major corporate unitholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	¥62,708,701	Real estate business	(directly) 11.49%	—	Rent and management of real estate	Purchase of beneficiary right of real estate in trust	¥ 15,220,000	—	¥ —
								Keeping of leasehold and security deposits	¥ 587,703	Tenant leasehold and security deposits in trust	¥ 7,783,479
								Repayment of leasehold and security deposits	¥ 103,331		
								Earning of rent revenue, etc.	¥ 1,146,533	Advances received	¥ 214,701

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

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

(2) Affiliated companies and other

Reporting period (From March 1, 2017 to August 31, 2017) and previous period (From September 1, 2016 to February 28, 2017)

Not applicable.

(3) Fellow subsidiary companies and other

Reporting period (From March 1, 2017 to August 31, 2017)

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 the end of the period (thousands of yen)
						Inter-locking officers	Business relationship				
Companies whose majority of voting rights are owned by major (corporate) unitholder	Hulic Reit Management Co., Ltd.	Chuo-ku, Tokyo	¥ 200,000	Asset management for investment corporations	—	1	Consignment of asset management	Payment of asset management fees	¥ 719,687	Operating accounts payable	¥ 723,667

(Note 1) The asset management fees for the reporting period include management fees of ¥49,625 thousand relating to the acquisitions that are capitalized as part of the acquisition cost for the individual real property.

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

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

Previous period (From September 1, 2016 to February 28, 2017)

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 the end of the period (thousands of yen)
						Inter-locking officers	Business relationship				
Companies whose majority of voting rights are owned by major (corporate) unitholder	Hulic Reit Management Co., Ltd.	Chuo-ku, Tokyo	¥ 200,000	Asset management for investment corporations	—	1	Consignment of asset management	Payment of asset management fees	¥ 724,275	Operating accounts payable	¥ 658,530

(Note 1) The asset management fees for the reporting period include management fees of ¥114,525 thousand relating to the acquisitions that are capitalized as part of the acquisition cost for the individual real property.

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

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

(4) Directors, major individual unitholders and other

Reporting period (From March 1, 2017 to August 31, 2017) and previous period (From September 1, 2016 to February 28, 2017)

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

18. Per Unit Information

	(Unit: yen)	
	Reporting period (From March 1, 2017 to August 31, 2017)	Previous period (From September 1, 2016 to February 28, 2017)
Net assets per unit	¥ 129,743	¥ 129,669
Basic earnings per unit	¥ 3,377	¥ 3,355

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

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

		Reporting period (From March 1, 2017 to August 31, 2017)	Previous period (From September 1, 2016 to February 28, 2017)
Profit	(thousands of yen)	¥ 3,529,877	¥ 3,452,588
Amount not attributable to common unitholders	(thousands of yen)	¥ —	¥ —
Profit attributable to common investment units	(thousands of yen)	¥ 3,529,877	¥ 3,452,588
Average number of investment units during the period	(units)	1,045,000	1,028,908

19. Segment and Related Information

[Segment information]

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

[Related information]

Reporting period (from March 1, 2017 to August 31, 2017)

(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.	¥ 1,279,261	Real estate lease business

Previous period (from September 1, 2016 to February 28, 2017)

(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.	¥ 1,146,533	Real estate lease business

20. Commitment Line Contracts

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

	(Unit: thousands of yen)	
	Reporting period (As of August 31, 2017)	Previous period (As of February 28, 2017)
Total amount of commitment line contracts	¥10,000,000	¥10,000,000
Borrowings outstanding	—	—
Remaining available amount	¥10,000,000	¥10,000,000

21. Asset Retirement Obligations

Reporting period (As of August 31, 2017) and previous period (As of February 28, 2017)

Not applicable.

22. Subsequent Events

Issuance of new investment units

The Investment Corporation resolved at the Board of Directors' meetings held on October 13, 2017 and October 24, 2017 to issue new investment units as described below for the purposes of funding a portion of the purchase price for specified assets and repaying borrowings, etc. The respective payments were completed on October 31, 2017 and November 20, 2017. As a result, unitholders' capital and the total number of investment units issued amounted to ¥141,717,678 thousand and 1,110,000 units, respectively.

(Issuance of new investment units through public offering)

Number of investment units newly issued:	61,800 units
Total amount of issue price (offer price):	¥9,502,182,600 (¥153,757 per unit)
Total amount of issue value (paid-in value):	¥9,190,278,000 (¥148,710 per unit)
Payment date:	October 31, 2017
Distribution calculation date:	September 1, 2017

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

Number of investment units newly issued:	3,200 units
Total amount of issue value (paid-in value):	¥475,872,000 (¥148,710 per unit)
Payment date:	November 20, 2017
Distribution calculation date:	September 1, 2017
Allottee:	Mizuho Securities Co., Ltd.