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Hulic Reit, Inc.

Asset Management Report

Fiscal period ended February 28, 2018 (September 1, 2017 to February 28, 2018)

I. To Our Unitholders

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

Hulic Reit, Inc. 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 8th fiscal period (fiscal period ended February 28, 2018). 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 8th fiscal period.

We procured ¥9,666 million in October 2017 through our fourth public offering, etc. since our listing, and used the funds 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, in December 2017, we completed the first transfer of Leaf Minatomirai (Land) and the transfer of Sasazuka South Building. As a result, we expanded our portfolio at the end of the 8th fiscal period to 44 properties (16 office properties, 12 retail properties, 6 private nursing homes, 8 network centers and 2 hotel properties) at ¥256,430 million. With respect to the properties held, we strived to manage our properties 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 8th fiscal period, we recorded operating revenues of ¥8,183 million (an increase of 15.3% compared to the previous fiscal period), operating profit of ¥4,733 million (an increase of 17.7% compared to the previous fiscal period), profit of ¥4,214 million (an increase of 19.4% compared to the previous fiscal period), and distributions per unit came to ¥3,797, an increase of ¥419 compared to the previous fiscal period.

So far during the 9th fiscal period (ending August 31, 2018), we have acquired Hulic Ginza 7 Chome Building in March 2018 for ¥11,000 million. As a result, we have expanded our portfolio to 45 properties (17 office properties, 12 retail properties, 6 private nursing homes, 8 network centers and 2 hotel properties) at ¥267,430 million.

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 February 28, 2018)

Category	Individuals	Financial institutions	Securities firms	Other corporations	Foreign individuals	Total
Number of Unitholders by Type (persons)	7,919	126	19	221	175	8,460
Percentage (Note) (%)	93.6	1.5	0.2	2.6	2.1	100.0
Number of Investment Units by Unitholder Type (units)	61,929	652,868	14,639	151,947	228,617	1,110,000
Percentage (Note) (%)	5.6	58.8	1.3	13.7	20.6	100.0

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

II.Asset Investment Report

1. Summary of asset management

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

Fiscal period	Unit	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)	8th fiscal period (From September 1, 2017 to February 28, 2018)
Operating revenues	Millions of yen	4,819	5,825	6,685	7,098	8,183
[Of the above, real estate lease business revenues]	Millions of yen	[4,819]	[5,825]	[6,685]	[7,098]	[7,460]
Operating expenses	Millions of yen	2,152	2,443	2,789	3,077	3,449
[Of the above, expenses related to real estate lease business]	Millions of yen	[1,615]	[1,802]	[2,024]	[2,243]	[2,390]
Operating profit	Millions of yen	2,667	3,382	3,896	4,021	4,733
Ordinary profit	Millions of yen	2,319	3,008	3,453	3,530	4,215
Profit	Millions of yen	2,318	3,007	3,452	3,529	4,214
Total assets	Millions of yen	178,813	213,084	244,942	264,657	275,428
[Change from the previous fiscal period]	%	[+7.6]	[+19.2]	[+15.0]	[+8.0]	[+4.1]
Net assets	Millions of yen	88,936	120,545	135,504	135,581	145,932
[Change from the previous fiscal period]	%	[+0.0]	[+35.5]	[+12.4]	[+0.1]	[+7.6]
Unitholders' capital	Millions of yen	86,617	117,537	132,051	132,051	141,717
Total number of investment units issued	Units	781,000	957,000	1,045,000	1,045,000	1,110,000
Net assets per unit	Yen	113,874	125,961	129,669	129,743	131,470
Total distributions	Millions of yen	2,318	3,007	3,452	3,530	4,214
Payout ratio (Note 2)	%	100.0	99.9	100.0	100.0	99.9
Basic earnings per unit (Note 3)	Yen	2,968	3,235	3,355	3,377	3,873
Distributions per unit	Yen	2,969	3,143	3,304	3,378	3,797
[Of the above, distributions of earnings per unit]	Yen	[2,969]	[3,143]	[3,304]	[3,378]	[3,797]
[Of the above, distributions in excess of earnings per unit]	Yen	[-]	[-]	[-]	[-]	[-]
Equity ratio [Change from the previous fiscal period] (Note 4)	%	49.7 [(3.8)]	56.6 [+6.9]	55.3 [(1.3)]	51.2 [(4.1)]	53.0 [+1.8]
Return on equity [Annualized] (Note 5)	%	2.6 [5.2]	2.9 [5.7]	2.7 [5.4]	2.6 [5.2]	3.0 [6.0]

Fiscal period	Unit	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)	8th fiscal period (From September 1, 2017 to February 28, 2018)
[Other reference information]						
Number of properties	Properties	32	34	37	43	44
Total leasable area	m ²	198,609.95	215,213.73	229,069.42	245,476.40	249,606.06
Occupancy rate at end of period	%	99.4	100.0	99.7	99.3	99.7

(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 4th fiscal period, 929,533 units for the 5th fiscal period, 1,028,908 units for the 6th fiscal period, 1,045,000 units for the 7th fiscal period and 1,088,099 units for the 8th 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 (4th fiscal period: 182 days; 5th fiscal period: 184 days; 6th fiscal period: 181 days; 7th fiscal period: 184 days; 8th fiscal period: 181 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 fourth public offering after its listing on October 31, 2017 and a third-party allotment on November 20, 2017. As a result, the number of investment units issued at the end of the reporting period was 1,110,000.

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, among other factors. In the rental office market, the vacancy rate continued at a low level mainly because of companies’ increase in space and relocation for more space in line with expansion of their business, while rent levels continued to moderately rise due to the resulting demand.

Investment performance: During the reporting period, the Investment Corporation acquired three properties, Sotetsu Fresa Inn Ginza 7 Chome (additional acquisition), HULIC & New SHINBASHI and Sotetsu Fresa Inn Tokyo-Roppongi in November 2017 (total acquisition price: ¥15,250 million), and transferred a part of the quasi co-ownership interest of Leaf Minatomirai (Land) and Sasazuka South Building in December 2017. As a result, the number of properties held by the Investment Corporation at the end of the reporting period was 44, and the total acquisition price was ¥256,430 million. The occupancy rate of the entire portfolio has remained at a high level to end the reporting period at 99.7%.

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

The Investment Corporation has participated in the Real Estate Assessment of Global Real Estate Sustainability Benchmark (GRESB) from the fiscal period ended February 28, 2017. In the GRESB Real Estate Assessment conducted in 2017, the Investment Corporation was awarded a “Green Star” for its initiatives in environmental awareness and sustainability, having received strong recognition in both the areas of “Management & Policy” and “Implementation & Measurement.” At the same time, the Investment Corporation received “4 Stars,” the 2nd-highest GRESB Rating. Furthermore, the Investment Corporation has also continued to work on acquisition of the DBJ Green Building Certification^(Note) and received the certification for Ochanomizu Sola City, Huli Toranomon Building, Toranomon First Garden, Oimachi Redevelopment Building (#1) and Oimachi Redevelopment Building (#2).

(Note) The “DBJ Green Building Certification” is a certification system created by Development Bank of Japan Inc. in April 2011 to support real estate properties with environmental and social awareness (“Green Building”). The certification system is said to evaluate and certify real estate properties in terms of their desirability for society and the economy based on a comprehensive evaluation, which includes not only environmental performance, but also responsiveness to various stakeholder needs such as consideration for emergency preparedness and the community, and to support these efforts.

ii) Status of financing

During the reporting period, the Investment Corporation procured ¥9,190 million through public offering on October 31, 2017 and ¥5,000 million as short-term loans payable on November 1, 2017 to fund the acquisition of assets. The Investment Corporation used proceeds of the capital increase through third-party allotment carried out on November 20, 2017 and a part of transfer proceeds of properties to repay the short-term loans payable, and fully repaid them in December 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, ¥8,550 million in current portion of long-term loans payable, ¥98,340 million in long-term loans payable and ¥5,000 million in investment corporation bonds), resulting in a loan-to-value (LTV) ratio of 42.1%.

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 ¥8,183 million (up 15.3% compared with the previous fiscal period), operating profit was ¥4,733 million (up 17.7% compared with the previous fiscal period), ordinary profit after deducting interest expenses for borrowings, etc. was ¥4,215 million (up 19.4% compared with the previous fiscal period), and profit was ¥4,214 million (up 19.4% 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 ¥3,797.

(3) Status of capital increase, etc.

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

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

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

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

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

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

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

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

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

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

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

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

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

<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	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	8th fiscal period ended February 28, 2018
	Highest (Yen)	185,300	194,800	196,100	186,000	173,000
	Lowest (Yen)	127,600	172,800	172,800	165,300	155,900

(4) Distributions, etc.

Distributions for the fiscal period under review (the 8th fiscal period) are ¥3,797 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	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)	8th fiscal period (From September 1, 2017 to February 28, 2018)
Total unappropriated retained earnings	¥2,318,971 thousand	¥3,008,134 thousand	¥3,452,871 thousand	¥3,530,068 thousand	¥4,214,994 thousand
Accumulated earnings	¥182 thousand	¥283 thousand	¥191 thousand	¥58 thousand	¥324 thousand
Total amount of cash distributions (Distributions per unit)	¥2,318,789 thousand (¥2,969)	¥3,007,851 thousand (¥3,143)	¥3,452,680 thousand (¥3,304)	¥3,530,010 thousand (¥3,378)	¥4,214,670 thousand (¥3,797)
Of the above, total amount of distributions of earnings (Distributions of earnings per unit)	¥2,318,789 thousand (¥2,969)	¥3,007,851 thousand (¥3,143)	¥3,452,680 thousand (¥3,304)	¥3,530,010 thousand (¥3,378)	¥4,214,670 thousand (¥3,797)
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

Not applicable.

(Reference information)

Acquisitions of properties

On March 29, 2018, the Investment Corporation acquired the beneficiary right of real estate in trust shown in the table of <Acquired Asset for the Ninth Fiscal Period> below.

The acquisition price provided does not include expenses incurred on the acquisition of such real estate, etc. (including acquisition expenses, settlement portion of fixed asset tax and city planning tax and consumption taxes), and is equal to the acquisition price stated on the trust beneficiary right sales agreement.

<Acquired Asset for the Ninth Fiscal Period>

Property name	Location	Date of acquisition	Acquisition price (Millions of yen)	Seller
Hulic Ginza 7 Chome Building	Chuo-ku, Tokyo	March 29, 2018	¥ 11,000	Hulic Co., Ltd.

2. Overview of the Investment Corporation

(1) Status of unitholders' capital

	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	8th fiscal period As of February 28, 2018
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	957,000 units	1,045,000 units	1,045,000 units	1,110,000 units
Unitholders' capital	¥86,617 million	¥117,537 million	¥132,051 million	¥132,051 million	¥141,717 million
Number of unitholders	5,875	7,897	7,280	7,238	8,460

(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)	267,332	24.08
The Master Trust Bank of Japan, Ltd. (Trust account)	147,567	13.29
Hulic Co., Ltd.	126,620	11.40
NOMURA BANK (LUXEMBOURG) S.A.	49,184	4.43
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	46,508	4.18
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	45,336	4.08
STATE STREET BANK AND TRUST COMPANY 505012	16,508	1.48
THE BANK OF NEW YORK MELLON SA/NV 10	14,445	1.30
STATE STREET BANK WEST CLIENT - TREATY 505234	12,483	1.12
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	11,472	1.03
Total	737,455	66.43

(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	–	¥14,500 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 and compensation for work to prepare comfort letters regarding issuance of new investment units.

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

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

(4) Asset Manager, Asset Custodian and Administrative Agents

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

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

3. Status of portfolio of the Investment Corporation

(1) Composition of the assets of the Investment Corporation

Type of assets	Category	Region (Note 1)	7th fiscal period (As of August 31, 2017)		8th fiscal period (As of February 28, 2018)	
			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	¥ 181,586	68.6	¥ 182,238	66.2
		Other wards of Tokyo	9,337	3.5	9,314	3.4
		Other	16,525	6.2	10,030	3.6
		Total	¥ 207,449	78.4	¥ 201,583	73.2
	Next- Generation Assets	Six central wards of Tokyo	¥ 7,487	2.8	¥ 19,649	7.1
		Other wards of Tokyo	20,155	7.6	20,112	7.3
		Other	15,119	5.7	15,039	5.5
		Total	¥ 42,761	16.2	¥ 54,801	19.9
	Total real estate in trust		¥ 250,211	94.5	¥ 256,385	93.1
	Deposits and other assets		¥ 14,446	5.5	¥ 19,042	6.9
Total assets		¥ 264,657	100.0	¥ 275,428	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)	¥ 37,457,374	13,923.42	13,822.09	99.3	(Note 5)	Office property
Hulic Kamiyacho Building (Note 6)	37,036,146	22,740.96	22,740.96	100.0	12.9	Office property
Hulic Toranomom Building	18,191,201	8,574.65	8,574.65	100.0	6.3	Office property
Sotetsu Fresa Inn Ginza 7 Chome	11,566,831	6,984.32	6,984.32	100.0	(Note 5)	Hotel
Hulic Kudan Building (Land)	11,191,213	3,351.07	3,351.07	100.0	3.6	Office property
Oimachi Redevelopment Building (#2)	9,407,658	14,485.66	14,485.66	100.0	4.2	Retail property
Toranomon First Garden (Note 6)	8,364,465	5,689.97	5,689.97	100.0	3.9	Office property
Chiba Network Center	7,068,345	23,338.00	23,338.00	100.0	3.0	Network center
Rapiros Roppongi (Note 6)	6,759,632	6,730.52	6,730.52	100.0	4.0	Office property
Oimachi Redevelopment Building (#1) (Note 6)	6,277,259	10,612.67	10,612.67	100.0	2.9	Retail property
Total	¥153,320,128	116,431.24	116,329.91	99.9	—	

(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 Hulic Kamiyacho Building show figures equivalent to the quasi co-ownership interest of property held by the Investment Corporation (70.0%). For Toranomom First Garden, leasable area shows figures equivalent to the Investment Corporation's partial ownership in the building (including some of co-ownership portion). (For the co-ownership portion, the figures calculated on a pro-rata basis in accordance with the co-ownership interests owned by the Investment Corporation are listed.) On the other hand, a master lease is served on the whole building together with the exclusively owned portions owned by other unit owners, and as income and expenditure of the property is allocated according to the ratio of ownership interest of the partial ownership owned by each unit owner, the figure shown for occupancy rate is that of the entire building. Leased area shows amounts equivalent to the ratio of ownership interest of the partial ownership in the building held by the Investment Corporation (approximately 81.4%). 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, Toranomon, Minato-ku, Tokyo	Beneficiary right of real estate in trust	¥ 37,036 ¥ 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, Toranomon, Minato-ku, Tokyo	Beneficiary right of real estate in trust	8,364 11,300
		Rapiros Roppongi	6-1-24, Roppongi, Minato-ku, Tokyo	Beneficiary right of real estate in trust	6,759 8,130
		Hulic Takadanobaba Building	3-19-10, Takada, Toshima-ku, Tokyo	Beneficiary right of real estate in trust	3,828 4,790
		Hulic Kanda Building	1-16-5, Kanda-Sudacho, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	3,649 3,990
		Hulic Kandabashi Building	1-21-1, Kanda-Nishikicho, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	2,509 2,960
		Hulic Kakigaracho Building	1-28-5, Nihonbashi-Kakigaracho, Chuo-ku, Tokyo	Beneficiary right of real estate in trust	2,189 2,840
		Ochanomizu Sola City	4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	37,457 42,315
		Hulic Higashi Ueno 1 Chome Building	1-7-15, Higashi-Ueno, Taito-ku, Tokyo	Beneficiary right of real estate in trust	2,659 2,950
		Tokyo Nishi Ikebukuro Building	1-7-7 Nishi-Ikebukuro, Toshima-ku, Tokyo	Beneficiary right of real estate in trust	1,620 1,900
		Gate City Ohsaki	1-11-1 Ohsaki, Shinagawa-ku, Tokyo and other lots	Beneficiary right of real estate in trust	4,500 4,490
		Hulic Toranomon Building	1-1-18, Toranomon, Minato-ku, Tokyo	Beneficiary right of real estate in trust	18,191 20,800
		Hulic Shibuya 1-chome Building	1-3-9 Shibuya, Shibuya-ku Tokyo	Beneficiary right of real estate in trust	5,118 5,420
		Hulic Higashi Nihonbashi Building	1-1-5 Higashi-Nihonbashi, Chuo-ku, Tokyo	Beneficiary right of real estate in trust	3,491 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	9,407 12,300
		Oimachi Redevelopment Building (#1)	5-18-1, Higashi-Oi, Shinagawa-ku, Tokyo	Beneficiary right of real estate in trust	6,277 7,460
		Dining Square Akihabara Building	1-16-2, Kanda-Sakumacho, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	3,195 3,840
		Hulic Jingumae Building	5-17-9, Jingumae, Shibuya-ku, Tokyo	Beneficiary right of real estate in trust	2,649 3,500
		Hulic Shinjuku 3 Chome Building	3-17-2, Shinjuku, Shinjuku-ku, Tokyo	Beneficiary right of real estate in trust	5,559 7,370
		Yokohama Yamashitacho Building	36-1, Yamashitacho, Naka-ku, Yokohama-shi, Kanagawa (Note 2)	Beneficiary right of real estate in trust	4,735 5,660
		Leaf Minatomirai (Land)	4-6-5, Minatomirai, Nishi-ku, Yokohama-shi, Kanagawa	Beneficiary right of real estate in trust	5,294 5,830
		Orchid Square	1-2-11, Yurakucho, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	3,502 3,920

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	Hulic Todoroki Building	3-5-2, Todoroki, Setagaya-ku, Tokyo	Beneficiary right of real estate in trust	1,206	1,260
		Hulic Omori Building	6-28-12 Minami-Oi, Shinagawa-ku, Tokyo	Beneficiary right of real estate in trust	3,418	3,590
		HULIC &New SHIBUYA	31-1 Udagawacho, Shibuya-ku, Tokyo	Beneficiary right of real estate in trust	3,154	3,290
		HULIC &New SHINBASHI	2-11-10, Shinbashi, Minato-ku, Tokyo	Beneficiary right of real estate in trust	3,108	3,190
Next-Generation Assets	Private nursing homes	Aria Matsubara	5-34-6, Matsubara, Setagaya-ku, Tokyo	Beneficiary right of real estate in trust	3,197	4,270
		Trust Garden Youganomori	1-3-1, Yoga, Setagaya-ku, Tokyo	Beneficiary right of real estate in trust	5,374	6,880
		Trust Garden Sakurashinmachi	2-11-1, Tsurumaki, Setagaya-ku, Tokyo	Beneficiary right of real estate in trust	2,870	3,670
		Trust Garden Suginami Miyamae	2-11-10, Miyamae, Suginami-ku, Tokyo	Beneficiary right of real estate in trust	2,774	3,550
		Trust Garden Tokiwamatsu	4-4-10, Higashi, Shibuya-ku, Tokyo	Beneficiary right of real estate in trust	3,071	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	1,850	1,800
	Network centers	Ikebukuro Network Center	4-30-17, Kamiikebukuro, Toshima-ku, Tokyo	Beneficiary right of real estate in trust	4,530	5,230
		Tabata Network Center	6-2-8, Tabata, Kita-ku, Tokyo	Beneficiary right of real estate in trust	1,365	1,550
		Hiroshima Network Center	2-6-6, Hikarimachi, Higashi-ku, Hiroshima-shi, Hiroshima	Beneficiary right of real estate in trust	1,053	1,210
		Atsuta Network Center	20-1, Hatanochi, Atsuta-ku, Nagoya-shi, Aichi	Beneficiary right of real estate in trust	995	1,100
		Nagano Network Center	1600-12, Oaza Tsurugamidori, Nagano-shi, Nagano (Note 2)	Beneficiary right of real estate in trust	308	342
		Chiba Network Center	1-1-1, Muzaigakuendai, Inzai-shi, Chiba	Beneficiary right of real estate in trust	7,068	7,180
		Sapporo Network Center	2-4-1, Kita 9 Jo Nishi, Kita-ku, Sapporo-shi, Hokkaido (Note 2)	Beneficiary right of real estate in trust	2,550	2,600
		Keihanna Network Center	113-1, Kizukumomura, Kizukawa-shi, Kyoto	Beneficiary right of real estate in trust	1,213	1,320
	Hotels	Sotetsu Fresa Inn Ginza 7 Chome	7-11-12, Ginza, Chuo-ku, Tokyo	Beneficiary right of real estate in trust	11,566	11,800
		Sotetsu Fresa Inn Tokyo-Roppongi	3-10-1, Roppongi, Minato-ku, Tokyo	Beneficiary right of real estate in trust	5,011	5,100
Total					¥ 256,385	¥ 293,967

(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 Yokohama Yamashitacho Building, SOMPO Care La vie Re Kita-Kamakura, Nagano Network Center and Sapporo Network Center.

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	7th fiscal period (From March 1, 2017 to August 31, 2017)				8th fiscal period (From September 1, 2017 to February 28, 2018)			
			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	95.0	¥ 930,617	13.1	1	100.0	¥ 959,500	12.9
		Hulic Kudan Building (Land)	1	100.0	265,002	3.7	1	100.0	265,002	3.6
		Toranomon First Garden	1	100.0	296,843	4.2	1	100.0	289,051	3.9
		Rapiros Roppongi	1	100.0	291,911	4.1	1	100.0	296,144	4.0
		Hulic Takadanobaba Building	1	100.0	176,859	2.5	1	100.0	174,699	2.3
		Hulic Kanda Building	1	100.0	135,125	1.9	1	100.0	135,215	1.8
		Hulic Kandabashi Building	1	100.0	88,168	1.2	1	100.0	79,961	1.1
		Hulic Kakigaracho Building	1	100.0	103,859	1.5	1	100.0	104,968	1.4
		Ochanomizu Sola City	1	100.0	(Note 4)	(Note 4)	1	99.3	(Note 4)	(Note 4)
		Hulic Higashi Ueno 1 Chome Building	1	100.0	97,752	1.4	1	100.0	98,176	1.3
		Sasazuka South Building	1	100.0	90,152	1.3	—	—	56,279	0.8
		Tokyo Nishi Ikebukuro Building	1	51.5	51,400	0.7	1	100.0	42,062	0.6
		Gate City Ohsaki	2	100.0	154,583	2.2	2	100.0	159,159	2.1
		Hulic Toranomon Building	1	100.0	468,091	6.6	1	100.0	470,688	6.3
		Hulic Shibuya 1-chome Building	1	100.0	65,810	0.9	1	80.8	118,069	1.6
		Hulic Higashi Nihonbashi Building	1	100.0	88,877	1.3	1	100.0	108,253	1.5
		Hulic Jimbocho Building	1	100.0	27,723	0.4	1	100.0	43,489	0.6
	Retail properties	Oimachi Redevelopment Building (#2)	1	100.0	312,000	4.4	1	100.0	312,026	4.2
		Oimachi Redevelopment Building (#1)	1	100.0	218,931	3.1	1	100.0	218,931	2.9
		Dining Square Akihabara Building	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Hulic Jingumae Building	1	100.0	87,539	1.2	1	100.0	87,894	1.2
		Hulic Shinjuku 3 Chome Building	1	100.0	153,998	2.2	1	100.0	164,120	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	3.8	1	100.0	204,628	2.7
		Orchid Square	1	100.0	83,082	1.2	1	100.0	94,003	1.3
		Hulic Todoroki Building	1	100.0	56,178	0.8	1	100.0	49,919	0.7
		Hulic Omori Building	1	100.0	88,193	1.2	1	100.0	109,088	1.5
		HULIC &New SHIBUYA	1	100.0	22,628	0.3	1	100.0	69,669	0.9
		HULIC &New SHINBASHI	—	—	—	—	1	100.0	55,706	0.7
Next-Generation Assets	Private nursing homes	Aria Matsubara	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(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)

Category		Property name	7th fiscal period (From March 1, 2017 to August 31, 2017)				8th fiscal period (From September 1, 2017 to February 28, 2018)			
			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 Suginami Miyamae	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Trust Garden Tokiwamatsu	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		SOMPO Care La vie Re Kita-Kamakura	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
	Network centers	Ikebukuro Network Center	1	100.0	135,600	1.9	1	100.0	135,600	1.8
		Tabata Network Center	1	100.0	45,088	0.6	1	100.0	45,088	0.6
		Hiroshima Network Center	1	100.0	43,845	0.6	1	100.0	43,845	0.6
		Atsuta Network Center	1	100.0	36,743	0.5	1	100.0	36,743	0.5
		Nagano Network Center	1	100.0	17,587	0.2	1	100.0	17,026	0.2
		Chiba Network Center	1	100.0	223,645	3.2	1	100.0	223,633	3.0
		Sapporo Network Center	1	100.0	83,706	1.2	1	100.0	83,706	1.1
		Keihanna Network Center	1	100.0	47,047	0.7	1	100.0	47,047	0.6
	Hotels	Sotetsu Fresa Inn Ginza 7 Chome	1	100.0	91,200	1.3	1	100.0	(Note 4)	(Note 4)
		Sotetsu Fresa Inn Tokyo-Roppongi	—	—	—	—	1	100.0	(Note 4)	(Note 4)
Total			44	99.3	¥7,098,975	100.0	45	99.7	¥7,460,605	100.0

(Note 1) Number of tenants is stated as 1 when a master lease agreement has been concluded with a master lease company. Moreover, the number of tenants is stated as 1 for Hulic Kudan Building (Land) and Leaf Minatomirai (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 February 28, 2018 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	¥ 53,097	¥ —
Total		¥ 61,647	¥ 53,097	¥ —

(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 are stated together in “(3) Details of assets incorporated into the portfolio, such as real estate” above.

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

(6) Status of asset holding by country and region

Not applicable for countries and regions other than Japan.

4. Capital expenditures for properties held

(1) Schedule of capital expenditures

For each asset held by the Investment Corporation as of February 28, 2018, the main capital expenditures for renovation work, etc. scheduled as of the end of the 8th 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
Oimachi Redevelopment Building (#2)	Shinagawa-ku, Tokyo	Renewal work for substation facility and emergency generator facility	From March 2017 to March 2018	¥ 202	¥ –	¥ 3
Rapiros Roppongi	Minato-ku, Tokyo	Renewal work for air-conditioning facility (phase 3)	From March 2018 to June 2018	39	–	–
Hulic Todoroki Building	Setagaya-ku, Tokyo	Work A for B2 floor to attract tenants	From August 2018 to October 2018	12	–	–
Hulic Higashi Ueno 1 Chome Building	Taito-ku, Tokyo	Renewal work for air-conditioning facility	From September 2018 to November 2018	100	–	–
Hulic Jimbocho Building	Chiyoda-ku, Tokyo	Renovation work for external wall	From October 2018 to December 2018	30	–	–

(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 ¥265,356 thousand and repair expenses were ¥125,066 thousand. In total, construction work in the amount of ¥390,422 thousand was carried out during the period.

Property name	Location	Purpose	Period	Capital expenditure for work (Millions of yen)
Rapiros Roppongi	Minato-ku, Tokyo	Renewal work for air-conditioning facility (phase 2)	From September 2017 to February 2018	¥ 72
Other				192
Total				¥ 265

(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	7th fiscal period (From March 1, 2017 to August 31, 2017)	8th fiscal period (From September 1, 2017 to February 28, 2018)
(a) Asset management fee	¥670,062 thousand	¥850,996 thousand
(b) Asset custody fee	¥12,473 thousand	¥12,991 thousand
(c) Administrative service fees	¥39,659 thousand	¥41,167 thousand
(d) Directors' compensations	¥6,000 thousand	¥6,000 thousand
(e) Other operating expenses	¥105,899 thousand	¥148,381 thousand
Total	¥834,094 thousand	¥1,059,536 thousand

(Note) Other than the amount stated above, asset management fee includes the portion of compensations associated with a property acquisition factored into the book value of the individual properties (the 7th fiscal period: ¥49,625 thousand; the 8th fiscal period: ¥38,125 thousand) and the portion of compensations associated with a property transfer deducted from gain on sales of real estate properties of the individual properties (the 8th fiscal period: ¥29,162 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, 2017	¥ 1,980	¥ 1,980	0.2427%	August 8, 2018	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		1,386	1,386					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		594	594					
	Mizuho Bank, Ltd. (Note 5)	November 1, 2017	—	—	0.1861%	December 15, 2017			
	Subtotal		¥ 3,960	¥ 3,960					
Long-term loans payable	Mizuho Bank, Ltd.	February 7, 2014	¥ 2,570	¥ 2,570	0.7738%	February 7, 2019			
	Sumitomo Mitsui Banking Corporation		1,950	1,950					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		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	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		960	960					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		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					

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	1,650	1,650	0.4845%	February 28, 2020	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		890	890					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		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. (Note 4)		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. (Note 4)		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. (Note 4)		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. (Note 4)		1,055	1,055					
	Mizuho Trust & Banking Co., Ltd.		800	800					
	Sumitomo Mitsui Trust Bank, Limited		1,400	1,400					
	Resona Bank, Limited		200	200					
	Mizuho Bank, Ltd.	August 31, 2017	150	150	0.4173%	February 28, 2022			
Sumitomo Mitsui Banking Corporation	75		75						
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	75		75						
Mizuho Trust & Banking Co., Ltd.	72		72						
Sumitomo Mitsui Trust Bank, Limited	128		128						
The Norinchukin Bank	500		500						

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	Development Bank of Japan Inc.	February 7, 2014	2,450	2,450	1.6100%	August 7, 2022	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	August 31, 2015	1,144	1,144	0.7488%	August 31, 2022			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		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					
	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. (Note 4)		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					
	Sumitomo Mitsui Banking Corporation	800		800					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	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%			
	Sumitomo Mitsui Banking Corporation		1,200	1,200					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		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. (Note 4)		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. (Note 4)		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. (Note 4)		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. (Note 4)		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			

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	1,400	1,400	0.5913%	August 30, 2024	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		1,048	1,048					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		705	705					
	Mizuho Trust & Banking Co., Ltd.		622	622					
	Sumitomo Mitsui Trust Bank, Limited		610	610					
	The Norinchukin Bank		520	520					
	Resona Bank, Limited		215	215					
	Shinkin Central Bank		140	140					
	Shinsei Bank, Limited		140	140					
	Mizuho Bank, Ltd.		February 27, 2015	250					
	Sumitomo Mitsui Banking Corporation	125		125					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	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. (Note 4)		125	125					
	Development Bank of Japan Inc.	February 7, 2017	969	969	0.8500%	February 28, 2025			
	Mizuho Bank, Ltd.	August 31, 2017	1,725	1,725	0.6574%	February 28, 2025			
	Sumitomo Mitsui Banking Corporation		1,203	1,203					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		753	753					
	Mizuho Trust & Banking Co., Ltd.		722	722					
	Development Bank of Japan Inc.		1,010	1,010					
	Sumitomo Mitsui Trust Bank, Limited		682	682					
	The Norinchukin Bank		400	400					
	Resona Bank, Limited		215	215					
	Shinkin Central Bank		140	140					
	Shinsei Bank, Limited		140	140					
	Mizuho Bank, Ltd.	August 31, 2017	1,531	1,531	0.7246%	August 29, 2025			
	Sumitomo Mitsui Banking Corporation		1,267	1,267					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	577		577						
Mizuho Trust & Banking Co., Ltd.	475		475						
Development Bank of Japan Inc.	410		410						
Aozora Bank, Ltd.	280		280						
Meiji Yasuda Life Insurance Company	230		230						
Nippon Life Insurance Company	230		230						

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	150	150	1.7500%	February 26, 2027	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		75	75					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		75	75					
	Subtotal		¥ 106,890	¥ 106,890					
Total			¥ 110,850	¥ 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 beneficiary rights of real estate in trust (including ancillary expenses) and repay borrowings.

(Note 4) On April 1, 2018, The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd.

(Note 5) The Investment Corporation made borrowings in the amount of ¥5,000 million on November 1, 2017, and it made repayment of the entire amount on December 15, 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 1)	Transfer date	Transfer value (Millions of yen) (Note 1)	Book value (Millions of yen) (Note 2)	Gain (loss) on transfer (Millions of yen) (Note 3)
Beneficiary right of real estate in trust	Sotetsu Fresa Inn Ginza 7 Chome (Additional acquisition)	November 1, 2017	¥ 7,150	—	¥ —	¥ —	¥ —
Beneficiary right of real estate in trust	HULIC & New SHINBASHI	November 1, 2017	3,100	—	—	—	—
Beneficiary right of real estate in trust	Sotetsu Fresa Inn Tokyo-Roppongi	November 1, 2017	5,000	—	—	—	—
Beneficiary right of real estate in trust	Leaf Minatomirai (Land) (Note 4)	—	—	December 15, 2017	7,205	6,471	712
Beneficiary right of real estate in trust	Sasazuka South Building	—	—	December 22, 2017	2,230	2,154	10
Total		—	¥ 15,250	—	¥ 9,435	¥ 8,625	¥ 722

(Note 1) 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 trading value stated on the sales agreements.

(Note 2) Book value shows the amount at the time of the sale.

(Note 3) Gain (loss) on transfer represents the transfer value of the property less book value and any transfer-related expenses.

(Note 4) Transfer value, book value and gain (loss) on transfer for this property represent the amounts equivalent to 55% of the quasi co-ownership interest related to the transfer.

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

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

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

i) Real estate, etc.

Acquisition / Transfer	Type of assets	Property name	Transaction date	Acquisition value / transfer value (Millions of yen) (Note 1)	Appraisal value (Millions of yen) (Note 2)	Appraisal agency	Valuation date
Acquisition	Beneficiary right of real estate in trust	Sotetsu Fresa Inn Ginza 7 Chome (Additional acquisition)	November 1, 2017	¥ 7,150	¥ 7,160	Japan Real Estate Institute	September 1, 2017
Acquisition	Beneficiary right of real estate in trust	HULIC & New SHINBASHI	November 1, 2017	3,100	3,150	Japan Real Estate Institute	September 1, 2017
Acquisition	Beneficiary right of real estate in trust	Sotetsu Fresa Inn Tokyo-Roppongi	November 1, 2017	5,000	5,050	Japan Real Estate Institute	September 1, 2017
Transfer	Beneficiary right of real estate in trust	Leaf Minatomirai (Land)	December 15, 2017	7,205	7,205 (Note 3)	Daiwa Real Estate Appraisal Co., Ltd.	August 31, 2017
Transfer	Beneficiary right of real estate in trust	Sasazuka South Building	December 22, 2017	2,230	2,170	Japan Real Estate Institute	August 31, 2017
Total				¥ 24,685	¥ 24,735	—	—

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

(Note 3) The value shows an amount calculated by multiplying the appraisal value of the overall property by the quasi co-ownership interest (55%) of the subject of transfer.

ii) Other

Not applicable.

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

i) Status of transactions

Category	Transaction amount	
	Purchase price	Sale price
Total	¥15,250 million	¥9,435 million
Breakdown of transactions with interested person, etc.		
Hulic Co., Ltd.	¥15,250 million (100.0%)	¥7,205 million (76.4%)
Total	¥15,250 million (100.0%)	¥7,205 million (76.4%)

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	¥ 407,261	Hulic Building Management Co., Ltd.	¥ 95,543	23.5
		Tokyo Fudosan Kanri Co., Ltd.	¥ 91,099	22.4
Other expenses related to rent business	¥ 282,924	Hulic Building Management Co., Ltd.	¥ 5,764	2.0
		Tokyo Fudosan Kanri Co., Ltd.	¥ 1,398	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.	¥59,114 thousand
Tokyo Fudosan Kanri Co., Ltd.	¥8,869 thousand
Hulic Building Management Co., Ltd.	¥2,220 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

Not applicable.

ii) Meeting of Board of Directors of the Investment Corporation

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

Date of Board of Directors meeting	Approved items	Outline
October 13, 2017	Conclusion of new investment units underwriting agreements	With the issuance of new investment units and sale of investment units approved at the meeting of the Board of Directors held on the same day, the general administrative duties concerning the offering of new investment units were entrusted to Mizuho Securities Co., Ltd., Nomura Securities Co., Ltd., Daiwa Securities Co., Ltd., etc.
December 13, 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 January 1, 2018 to June 30, 2018. 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 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 February 28, 2018, and the statements of income and retained earnings, changes in net assets and cash flows for the fiscal period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hulic Reit, Inc. as at February 28, 2018, and its financial performance and cash flows for the fiscal period then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

May 24, 2018
Tokyo, Japan

III. Financial Statements

(1) Balance Sheets

	(Unit: thousands of yen)	
	Reporting period (As of February 28, 2018)	Previous period (As of August 31, 2017)
Assets		
Current assets		
Cash and deposits (Notes 4 and 13)	12,433,608	7,606,126
Cash and deposits in trust (Notes 4 and 13)	5,722,404	5,870,439
Operating accounts receivable	10,217	13,736
Prepaid expenses	26,872	33,992
Deferred tax assets (Note 6)	20	10
Other	–	2,611
Total current assets	18,193,122	13,526,916
Noncurrent assets		
Property, plant and equipment (Note 5)		
Buildings in trust	52,591,535	49,191,455
Accumulated depreciation	(4,326,634)	(3,602,748)
Buildings in trust, net	48,264,900	45,588,706
Structures in trust	319,545	311,516
Accumulated depreciation	(80,439)	(68,385)
Structures in trust, net	239,105	243,130
Machinery and equipment in trust	281,516	252,208
Accumulated depreciation	(89,479)	(72,612)
Machinery and equipment in trust, net	192,037	179,595
Tools, furniture and fixtures in trust	27,824	24,074
Accumulated depreciation	(8,676)	(6,649)
Tools, furniture and fixtures in trust, net	19,147	17,424
Land in trust	199,195,453	195,707,562
Construction in progress in trust	3,473	3,473
Total property, plant and equipment	247,914,118	241,739,893
Intangible assets		
Leasehold rights in trust	8,471,289	8,471,289
Other	2,077	3,096
Total intangible assets	8,473,366	8,474,385
Investments and other assets		
Lease and guarantee deposits	20,340	20,576
Long-term prepaid expenses	719,129	799,289
Total investments and other assets	739,469	819,865
Total noncurrent assets	257,126,954	251,034,144
Deferred assets		
Investment unit issuance costs	75,036	59,894
Investment corporation bond issuance costs	33,053	36,816
Total deferred assets	108,089	96,711
Total assets	275,428,167	264,657,772

	(Unit: thousands of yen)	
	Reporting period (As of February 28, 2018)	Previous period (As of August 31, 2017)
Liabilities		
Current liabilities		
Operating accounts payable	233,871	519,583
Short-term loans payable (Notes 7 and 13)	3,960,000	3,960,000
Current portion of long-term loans payable	8,550,000	—
Accounts payable - other	998,357	797,806
Accrued expenses	42,214	44,554
Income taxes payable	1,009	815
Accrued consumption taxes	109,560	19,560
Advances received	1,247,312	1,272,420
Deposits received	0	199
Total current liabilities	15,142,325	6,614,941
Noncurrent liabilities		
Investment corporation bond (Notes 8 and 13)	5,000,000	5,000,000
Long-term loans payable (Notes 7 and 13)	98,340,000	106,890,000
Tenant leasehold and security deposits in trust	11,013,169	10,571,234
Total noncurrent liabilities	114,353,169	122,461,234
Total liabilities	129,495,494	129,076,175
Net assets (Note 9)		
Unitholders' equity (Note 10)		
Unitholders' capital	141,717,678	132,051,528
Surplus		
Unappropriated retained earnings (Note 11)	4,214,994	3,530,068
Total surplus	4,214,994	3,530,068
Total unitholders' equity	145,932,672	135,581,596
Total net assets (Note 9)	145,932,672	135,581,596
Total liabilities and net assets	275,428,167	264,657,772

See accompanying notes to financial statements.

(2) Statements of Income and Retained Earnings

	(Unit: thousands of yen)	
	Reporting period (From September 1, 2017 to February 28, 2018)	Previous period (From March 1, 2017 to August 31, 2017)
Operating revenues		
Lease business revenue (Note 12)	7,119,623	6,774,278
Other lease business revenues (Note 12)	340,982	324,697
Gain on sales of real estate properties (Note 12)	722,500	—
Total operating revenues	8,183,105	7,098,975
Operating expenses		
Expenses related to rent business (Note 12)	2,390,026	2,243,059
Asset management fee	850,996	670,062
Asset custody fee	12,991	12,473
Administrative service fees	41,167	39,659
Directors' compensations	6,000	6,000
Other operating expenses	148,381	105,899
Total operating expenses	3,449,563	3,077,153
Operating profit	4,733,542	4,021,821
Non-operating income		
Interest income	62	49
Gain on forfeiture of unclaimed dividends	687	—
Interest on refund	—	675
Total non-operating income	749	725
Non-operating expenses		
Interest expenses	385,653	346,834
Interest expenses on investment corporation bonds	12,325	12,365
Borrowing related expenses	94,098	111,542
Amortization of investment unit issuance costs	22,505	17,276
Amortization of investment corporation bond issuance costs	3,763	3,825
Total non-operating expenses	518,346	491,845
Ordinary profit	4,215,944	3,530,701
Profit before income taxes	4,215,944	3,530,701
Income taxes - current (Note 6)	1,018	823
Income taxes - deferred (Note 6)	(9)	0
Total income taxes	1,009	824
Profit (Note 18)	4,214,935	3,529,877
Retained earnings brought forward	58	191
Unappropriated retained earnings	4,214,994	3,530,068

See accompanying notes to financial statements.

(3) Statements of Changes in Net Assets

Reporting period (From September 1, 2017 to February 28, 2018)

(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	3,530,068	3,530,068	135,581,596	135,581,596
Changes of items during the period					
Issuance of new investment units	9,666,150	—	—	9,666,150	9,666,150
Distribution of surplus	—	(3,530,010)	(3,530,010)	(3,530,010)	(3,530,010)
Profit	—	4,214,935	4,214,935	4,214,935	4,214,935
Total changes of items during the period	9,666,150	684,925	684,925	10,351,075	10,351,075
Balance at the end of the period	141,717,678	4,214,994	4,214,994	145,932,672	145,932,672

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

(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

See accompanying notes to financial statements.

(4) Statements of Cash Flows

	(Unit: thousands of yen)	
	Reporting period (From September 1, 2017 to February 28, 2018)	Previous period (From March 1, 2017 to August 31, 2017)
Cash flows from operating activities		
Profit before income taxes	4,215,944	3,530,701
Depreciation and amortization	795,879	733,305
Amortization of investment unit issuance costs	22,505	17,276
Amortization of investment corporation bond issuance costs	3,763	3,825
Interest income	(62)	(49)
Interest expenses	397,979	359,200
Decrease (increase) in operating accounts receivable	3,518	(2,131)
Decrease (increase) in consumption taxes refund receivable	—	228,750
Decrease (increase) in prepaid expenses	7,120	(6,520)
Increase (decrease) in operating accounts payable	(220,427)	247,216
Increase (decrease) in accounts payable - other	200,795	69,920
Increase (decrease) in accrued consumption taxes	90,000	(5,887)
Increase (decrease) in advances received	(25,107)	161,856
Increase (decrease) in deposits received	(199)	10
Decrease (increase) in long-term prepaid expenses	80,160	(137,316)
Decrease in property, plant and equipment in trust due to sales	8,625,859	—
Other, net	229	1,219
Subtotal	14,197,959	5,201,378
Interest income received	62	49
Interest expenses paid	(398,634)	(357,558)
Income taxes (paid) refund	(815)	(830)
Net cash provided by (used in) operating activities	13,798,571	4,843,039
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(15,660,230)	(18,833,357)
Payments for lease and guarantee deposits	(264)	(576)
Proceeds from collection of lease and guarantee deposits	500	—
Repayments of tenant leasehold and security deposits in trust	(525,713)	(151,248)
Proceeds from tenant leasehold and security deposits in trust	967,647	810,332
Net cash provided by (used in) investing activities	(15,218,060)	(18,174,849)
Cash flows from financing activities		
Proceeds from short-term loans payable	5,000,000	22,350,000
Repayments of short-term loans payable	(5,000,000)	(22,350,000)
Proceeds from long-term loans payable	—	18,390,000
Proceeds from issuance of investment units	9,628,503	—
Dividends paid	(3,529,567)	(3,452,648)
Net cash provided by (used in) financing activities	6,098,935	14,937,351
Net increase (decrease) in cash and cash equivalents	4,679,447	1,605,541
Cash and cash equivalents at beginning of period	13,476,566	11,871,024
Cash and cash equivalents at end of period (Note 4)	18,156,013	13,476,566

See accompanying notes to financial statements.

(5) Notes to Financial Statements

For the periods from September 1, 2017 to February 28, 2018 and from March 1, 2017 to August 31, 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 fourth public offering (61,800 units) after its listing and through the allocation to a third-party (3,200 units), the total number of investment units outstanding was 1,110,000 units as of February 28, 2018.

The Investment Corporation’s real estate portfolio as of February 28, 2018 was comprised of 44 properties under management with a total leasable floor area of 249,606.06 m². The Investment Corporation has already invested ¥256,430 million (based on acquisition price) into this portfolio. The occupancy rate as of February 28, 2018 was 99.7%.

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 ¥7,966 thousand and ¥40,847 thousand for the periods from September 1, 2017 to February 28, 2018 and from March 1, 2017 to August 31, 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 February 28, 2018 and August 31, 2017 consist of the following balance sheet items:

	(Unit: thousands of yen)			
	Reporting period (As of February 28, 2018)		Previous period (As of August 31, 2017)	
Cash and deposits	¥	12,433,608	¥	7,606,126
Cash and deposits in trust		5,722,404		5,870,439
Total cash and cash equivalents	¥	18,156,013	¥	13,476,566

5. Property, Plant and Equipment and Intangible Assets

The following table shows the summary of property, plant and equipment and intangible assets as of February 28, 2018:

(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	¥ 49,191,455	¥ 3,943,428	¥ 543,347	¥ 52,591,535	¥ 4,326,634	¥ 763,913	¥ 48,264,900	Acquisition of property
	Structures in trust	311,516	8,029	—	319,545	80,439	12,053	239,105	
	Machinery and equipment in trust	252,208	29,308	—	281,516	89,479	16,866	192,037	
	Tools, furniture and fixtures in trust	24,074	3,749	—	27,824	8,676	2,027	19,147	
	Land in trust	195,707,562	11,610,429	8,122,538	199,195,453	—	—	199,195,453	Acquisition and transfer of property
	Construction in progress in trust	3,473	—	—	3,473	—	—	3,473	
	Total	¥245,490,289	¥ 15,594,945	¥8,665,886	¥252,419,348	¥ 4,505,229	¥ 794,860	¥247,914,118	
Intangible assets	Leasehold rights in trust	¥ 8,471,289	¥ —	¥ —	¥ 8,471,289	¥ —	¥ —	¥ 8,471,289	
	Other	10,186	—	—	10,186	8,109	1,018	2,077	
	Total	¥ 8,481,476	¥ —	¥ —	¥ 8,481,476	¥ 8,109	¥ 1,018	¥ 8,473,366	

(Note 1) The amount of increase during the period is mainly due to the acquisition of three properties, HULIC & New SHINBASHI, Sotetsu Fresa Inn Ginza 7 Chome (additional acquisition), and Sotetsu Fresa Inn Tokyo-Roppongi.

(Note 2) The amount of decrease during the period is due to transfers of a part of the quasi co-ownership interest of Leaf Minatomirai (Land) and Sasazuka South Building.

6. Income Taxes

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

(Deferred tax assets)

(Unit: thousands of yen)

	Reporting period (As of February 28, 2018)	Previous period (As of August 31, 2017)
Enterprise tax payable	¥ 20	¥ 10
Total deferred tax assets	20	10
Net deferred tax assets	¥ 20	¥ 10

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

	Reporting period (As of February 28, 2018)	Previous period (As of August 31, 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 February 28, 2018 is as follows:

Classification	Lender	Balance at the beginning of the period (millions of yen)	Amount of increase during the period (millions of yen)	Amount of decrease during the period (millions of yen)	Balance at the end of the period (millions of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Use	Remarks
Short-term loans payable	Mizuho Bank, Ltd.	¥ 1,980	¥ –	¥ –	¥ 1,980	0.2427	August 8, 2018	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,386	–	–	1,386				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	594	–	–	594				
	Mizuho Bank, Ltd.	–	5,000	5,000	–	0.1861	December 15, 2017		
	Subtotal	¥ 3,960	¥ 5,000	¥ 5,000	¥ 3,960				
Long-term loans payable	Mizuho Bank, Ltd.	¥ 2,570	¥ –	¥ –	¥ 2,570	0.7738	February 7, 2019	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	1,950	–	–	1,950				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	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.	1,000	–	–	1,000	0.4350	August 30, 2019		
	Sumitomo Mitsui Banking Corporation	960	–	–	960				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	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.	1,650	–	–	1,650	0.4845	February 28, 2020		
	Sumitomo Mitsui Banking Corporation	890	–	–	890				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	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	2,000	–	–	2,000	0.4810	August 31, 2020		
	Mizuho Bank, Ltd.	1,000	–	–	1,000	0.1700	August 31, 2020		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	150	–	–	150				
	The Norinchukin Bank	409	–	–	409				
	Mizuho Bank, Ltd.	2,560	–	–	2,560	1.1713	February 7, 2021		
	Sumitomo Mitsui Banking Corporation	1,950	–	–	1,950				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	1,060	–	–	1,060				
	Mizuho Trust & Banking Co., Ltd.	1,050	–	–	1,050				
	Sumitomo Mitsui Trust Bank, Limited	1,660	–	–	1,660				

Classification	Lender	Balance at the beginning of the period (millions of yen)	Amount of increase during the period (millions of yen)	Amount of decrease during the period (millions of yen)	Balance at the end of the period (millions of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Use	Remarks		
Long-term loans payable	Resona Bank, Limited	270	—	—	270	1.1713	February 7, 2021	(Note 3)	Unsecured and unguaranteed		
	Mizuho Bank, Ltd.	2,800	—	—	2,800	0.6750	August 31, 2021				
	Sumitomo Mitsui Banking Corporation	2,110	—	—	2,110						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	830	—	—	830						
	Mizuho Trust & Banking Co., Ltd.	790	—	—	790						
	Aozora Bank, Ltd.	300	—	—	300						
	Shinsei Bank, Limited	300	—	—	300	0.7730	February 28, 2022				
	Mizuho Bank, Ltd.	2,385	—	—	2,385						
	Sumitomo Mitsui Banking Corporation	1,710	—	—	1,710						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	1,055	—	—	1,055						
	Mizuho Trust & Banking Co., Ltd.	800	—	—	800						
	Sumitomo Mitsui Trust Bank, Limited	1,400	—	—	1,400	0.4173	February 28, 2022				
	Resona Bank, Limited	200	—	—	200						
	Mizuho Bank, Ltd.	150	—	—	150						
	Sumitomo Mitsui Banking Corporation	75	—	—	75						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	75	—	—	75						
	Mizuho Trust & Banking Co., Ltd.	72	—	—	72						
	Sumitomo Mitsui Trust Bank, Limited	128	—	—	128	0.7488	August 31, 2022				
	The Norinchukin Bank	500	—	—	500						
	Development Bank of Japan Inc.	2,450	—	—	2,450					1.6100	August 7, 2022
	Mizuho Bank, Ltd.	1,144	—	—	1,144					0.7550	August 31, 2022
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	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	0.5538	August 31, 2022				
	Development Bank of Japan Inc.	414	—	—	414						
	Mizuho Bank, Ltd.	650	—	—	650						
	Sumitomo Mitsui Banking Corporation	500	—	—	500						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	200	—	—	200						
Mizuho Trust & Banking Co., Ltd.	450	—	—	450	0.4099	February 28, 2023					
Sumitomo Mitsui Trust Bank, Limited	445	—	—	445							
The Norinchukin Bank	445	—	—	445							
Resona Bank, Limited	150	—	—	150							
Mizuho Bank, Ltd.	1,350	—	—	1,350							
Sumitomo Mitsui Banking Corporation	800	—	—	800	0.4099	February 28, 2023					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	550	—	—	550							

Classification	Lender	Balance at the beginning of the period (millions of yen)	Amount of increase during the period (millions of yen)	Amount of decrease during the period (millions of yen)	Balance at the end of the period (millions of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Use	Remarks
Long-term loans payable	Mizuho Trust & Banking Co., Ltd.	530	—	—	530	0.4099	February 28, 2023	(Note 3)	Unsecured and unguaranteed
	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. (Note 4)	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.	1,377	—	—	1,377				
	Sumitomo Mitsui Banking Corporation	839	—	—	839				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	565	—	—	565				
	Mizuho Trust & Banking Co., Ltd.	546	—	—	546				
	Sumitomo Mitsui Trust Bank, Limited	409	—	—	409				
	Shinsei Bank, Limited	141	—	—	141				
	Mizuho Bank, Ltd.	1,863	—	—	1,863	0.6564	August 31, 2023		
	Sumitomo Mitsui Banking Corporation	1,411	—	—	1,411				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	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.	400	—	—	400				
	Sumitomo Mitsui Banking Corporation	300	—	—	300	1.8188	February 7, 2024		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	300	—	—	300				
	Development Bank of Japan Inc.	809	—	—	809	0.5188	February 29, 2024		
	Nippon Life Insurance Company	500	—	—	500				
	Mizuho Bank, Ltd.	1,000	—	—	1,000	0.6485	February 29, 2024		
	Sumitomo Mitsui Banking Corporation	1,977	—	—	1,977				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	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.	1,900	—	—	1,900	1.1738	August 30, 2024		

Classification	Lender	Balance at the beginning of the period (millions of yen)	Amount of increase during the period (millions of yen)	Amount of decrease during the period (millions of yen)	Balance at the end of the period (millions of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Use	Remarks
Long-term loans payable	Meiji Yasuda Life Insurance Company	500	—	—	500	0.5932	August 30, 2024	(Note 3)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	1,754	—	—	1,754	0.7800	August 30, 2024		
	Mizuho Bank, Ltd.	1,400	—	—	1,400	0.5913	August 30, 2024		
	Sumitomo Mitsui Banking Corporation	1,048	—	—	1,048				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	705	—	—	705				
	Mizuho Trust & Banking Co., Ltd.	622	—	—	622				
	Sumitomo Mitsui Trust Bank, Limited	610	—	—	610				
	The Norinchukin Bank	520	—	—	520				
	Resona Bank, Limited	215	—	—	215				
	Shinkin Central Bank	140	—	—	140				
	Shinsei Bank, Limited	140	—	—	140				
	Mizuho Bank, Ltd.	250	—	—	250				
	Sumitomo Mitsui Banking Corporation	125	—	—	125				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	125	—	—	125				
	Mizuho Bank, Ltd.	250	—	—	250	0.7275	February 28, 2025		
	Sumitomo Mitsui Banking Corporation	125	—	—	125				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	125	—	—	125				
	Development Bank of Japan Inc.	969	—	—	969	0.8500	February 28, 2025		
	Mizuho Bank, Ltd.	1,725	—	—	1,725	0.6574	February 28, 2025		
	Sumitomo Mitsui Banking Corporation	1,203	—	—	1,203				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	753	—	—	753				
	Mizuho Trust & Banking Co., Ltd.	722	—	—	722				
	Development Bank of Japan Inc.	1,010	—	—	1,010				
	Sumitomo Mitsui Trust Bank, Limited	682	—	—	682				
	The Norinchukin Bank	400	—	—	400				
	Resona Bank, Limited	215	—	—	215				
	Shinkin Central Bank	140	—	—	140				
	Shinsei Bank, Limited	140	—	—	140				
	Mizuho Bank, Ltd.	1,531	—	—	1,531	0.7246	August 29, 2025		
	Sumitomo Mitsui Banking Corporation	1,267	—	—	1,267				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	577	—	—	577				
	Mizuho Trust & Banking Co., Ltd.	475	—	—	475				
Development Bank of Japan Inc.	410	—	—	410					
Aozora Bank, Ltd.	280	—	—	280					
Meiji Yasuda Life Insurance Company	230	—	—	230					
Nippon Life Insurance Company	230	—	—	230					
Mizuho Bank, Ltd.	150	—	—	150	1.7500	February 26, 2027			

Classification	Lender	Balance at the beginning of the period (millions of yen)	Amount of increase during the period (millions of yen)	Amount of decrease during the period (millions of yen)	Balance at the end of the period (millions of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Use	Remarks
Long-term loans payable	Sumitomo Mitsui Banking Corporation	75	—	—	75	1.7500	February 26, 2027	(Note 3)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	75	—	—	75				
	Subtotal	¥ 106,890	¥ —	¥ —	¥ 106,890				
Total		¥ 110,850	¥ 5,000	¥ 5,000	¥ 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 trade name was changed to “MUFG Bank, Ltd.” as of April 1, 2018.

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

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years
Long-term loans payable	¥ 8,550,000	¥ 10,320,000	¥ 12,109,000	¥ 15,680,000	¥ 17,705,000

8. Investment Corporation Bond

Summary information regarding investment corporation bonds as of February 28, 2018 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 1)
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 1)
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 1)
Total		¥ 5,000	¥ 5,000					

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

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

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years
Investment corporation bonds	¥ —	¥ 2,000,000	¥ —	¥ —	¥ —

9. Net Assets

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

10. Unitholders' Equity

	Reporting period (From September 1, 2017 to February 28, 2018)	Previous period (From March 1, 2017 to August 31, 2017)
Total number of authorized investment units	20,000,000 units	20,000,000 units
Number of investment units issued	1,110,000 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 ¥4,214,670,000, which is the largest integral multiple of the number of investment units issued and outstanding (1,110,000 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 September 1, 2017 to February 28, 2018)	Previous period (From March 1, 2017 to August 31, 2017)
I Unappropriated retained earnings	¥ 4,214,994,618	¥ 3,530,068,941
II Distribution amount	¥ 4,214,670,000	¥ 3,530,010,000
[Distributions per unit]	[¥ 3,797]	[¥ 3,378]
III Retained earnings brought forward	¥ 324,618	¥ 58,941

12. Breakdown of Property-related Revenues and Expenses

(1) Breakdown of property operating profit

(Unit: thousands of yen)				
		Reporting period (From September 1, 2017 to February 28, 2018)		Previous period (From March 1, 2017 to August 31, 2017)
A.	Property operating revenues			
	Lease business revenue			
	Rent	¥ 6,016,216		¥ 5,543,317
	Land rent	500,030		623,202
	Common area revenue	603,376	7,119,623	607,759
				6,774,278
	Other lease business revenues			
	Utilities revenue	237,496		214,914
	Other revenue	103,485	340,982	109,782
				324,697
	Total property operating revenues		¥ 7,460,605	¥ 7,098,975
B.	Property operating expenses			
	Expenses related to rent business			
	Property management fees	¥ 407,261		¥ 388,398
	Utilities	241,149		231,973
	Property and other taxes	531,193		531,630
	Insurance premium	7,570		7,432
	Maintenance and repairs	125,066		91,103
	Depreciation	794,860		732,286
	Other expenses related to rent business	282,924	2,390,026	260,233
				2,243,059
	Total property operating expenses		¥ 2,390,026	¥ 2,243,059
C.	Property operating profit (A – B)		¥ 5,070,578	¥ 4,855,916

(2) Breakdown of gains on sales of real estate properties

(Unit: thousands of yen)			
		Reporting period (From September 1, 2017 to February 28, 2018)	Previous period (From March 1, 2017 to August 31, 2017)
Leaf Minatomirai (Land)			
	Revenue from sales of real estate properties	¥ 7,205,000	¥ –
	Cost of real estate properties sold	6,471,298	–
	Other expenses related to sales of real estate properties	21,443	–
	Gain on sales of real estate properties	¥ 712,257	¥ –
Sasazuka South Building			
	Revenue from sales of real estate properties	¥ 2,230,000	¥ –
	Cost of real estate properties sold	2,154,561	–
	Other expenses related to sales of real estate properties	65,195	–
	Gain on sales of real estate properties	¥ 10,243	¥ –

(3) Transactions with major unitholders

(Unit: thousands of yen)			
		Reporting period (From September 1, 2017 to February 28, 2018)	Previous period (From March 1, 2017 to August 31, 2017)
From operating transactions			
	Lease business revenue	¥ 1,163,841	¥ 1,279,261
	Gain on sales of real estate properties	712,257	–

13. Financial Instruments

(1) Overview

(i) Policy for financial instruments

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

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

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

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

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

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

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

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

(2) Fair value of financial instruments

The carrying amounts on the balance sheet, fair values, and the differences between the two values as of February 28, 2018 and August 31, 2017 are as follows:

(Unit: thousands of yen)

	Reporting period (As of February 28, 2018)			Previous period (As of August 31, 2017)		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and deposits	¥ 12,433,608	¥ 12,433,608	¥ —	¥ 7,606,126	¥ 7,606,126	¥ —
Cash and deposits in trust	5,722,404	5,722,404	—	5,870,439	5,870,439	—
Total	¥ 18,156,013	¥ 18,156,013	¥ —	¥ 13,476,566	¥ 13,476,566	¥ —
Short-term loans payable	¥ 3,960,000	¥ 3,960,000	¥ —	¥ 3,960,000	¥ 3,960,000	¥ —
Current portion of long-term loans payable	8,550,000	8,600,957	50,957	—	—	—
Investment corporation bond	5,000,000	5,064,200	64,200	5,000,000	5,063,200	63,200
Long-term loans payable	98,340,000	97,057,070	(1,282,929)	106,890,000	105,231,688	(1,658,311)
Total	¥ 115,850,000	¥ 114,682,227	¥ (1,167,772)	¥ 115,850,000	¥ 114,254,888	¥ (1,595,111)
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) Current portion of long-term loans payable (iv) 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.

- (iii) Investment corporation bond

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

(Note 2) Redemption schedule for monetary claims as of February 28, 2018 and August 31, 2017

(Unit: thousands of yen)						
	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
As of February 28, 2018						
Cash and deposits	¥ 12,433,608	¥ –	¥ –	¥ –	¥ –	¥ –
Cash and deposits in trust	5,722,404	–	–	–	–	–
Total	¥ 18,156,013	¥ –	¥ –	¥ –	¥ –	¥ –

(Unit: thousands of yen)						
	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
As of August 31, 2017						
Cash and deposits	¥ 7,606,126	¥ –	¥ –	¥ –	¥ –	¥ –
Cash and deposits in trust	5,870,439	–	–	–	–	–
Total	¥ 13,476,566	¥ –	¥ –	¥ –	¥ –	¥ –

(Note 3) Redemption schedule for investment corporation bonds, long-term loans payable and other interest-bearing debt as of February 28, 2018 and August 31, 2017

(Unit: thousands of yen)						
	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
As of February 28, 2018						
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	15,680,000	17,705,000	42,526,000
Total	¥ 12,510,000	¥ 12,320,000	¥ 12,109,000	¥ 15,680,000	¥ 17,705,000	¥ 45,526,000

(Unit: thousands of yen)						
	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
As of August 31, 2017						
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

14. Derivative Transactions

(1) Derivative transactions not applying hedge accounting

As of February 28, 2018 and August 31, 2017

Not applicable.

(2) Derivative transactions applying hedge accounting

The contracted amount or principal amount equivalent set forth in the contract as of February 28, 2018 and August 31, 2017 for each hedge accounting method is as follows:

(Unit: thousands of yen)

As of February 28, 2018						
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	¥ 53,097,000	*	—

(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	*	—

* 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 (ii) Current portion of long-term loans payable and (iv) 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 February 28, 2018)	Previous period (As of August 31, 2017)
Due within 1 year	¥ 5,513,761	¥ 4,800,748
Due after 1 year	23,649,951	8,202,717
Total	¥ 29,163,712	¥ 13,003,466

16. Investment and Rental Properties

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

	(Unit: thousands of yen)			
	Reporting period (From September 1, 2017 to February 28, 2018)		Previous period (From March 1, 2017 to August 31, 2017)	
Carrying amount				
Balance at the beginning of the period	¥	250,211,182	¥	231,997,903
Changes during period		6,174,224		18,213,279
Balance at the end of the period	¥	256,385,407	¥	250,211,182
Fair value at the end of the period	¥	294,032,000	¥	285,563,000

(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 3 properties (¥15,329,589 thousand) and 6 properties (¥18,648,512 thousand), respectively. The decrease during the reporting period is mainly due to transfers of beneficiary rights of real estate in trust of 2 properties and depreciation (¥8,625,859 thousand and ¥794,860 thousand, respectively). The decrease during the previous period is mainly due to depreciation (¥732,286 thousand).

(Note 3) The fair value at the end of the period is the appraisal value provided by an independent real estate appraiser. Leaf Minatomirai (Land) planned to be transferred on April 27, 2018 and September 27, 2018 is stated at the transfer price stipulated on the trust beneficiary right sales agreement concluded on October 13, 2017.
The profit or loss for the period under review concerning investment and rental properties is indicated under “12. Breakdown of Property-related Revenues and Expenses.”

17. Related-Party Transactions

(1) Parent company, major corporate unitholders and other

Reporting period (From September 1, 2017 to February 28, 2018)

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) 11.40%	—	Rent and management of real estate	Purchase of beneficiary right of real estate in trust	¥ 15,250,000	—	¥ —
								Transfer of beneficiary right of real estate in trust	¥ 7,205,000	—	¥ —
								Keeping of leasehold and security deposits	¥ 967,647	Tenant leasehold and security deposits in trust	¥ 8,894,660
								Repayment of leasehold and security deposits	¥ 515,442		
								Earning of rent revenue, etc.	¥ 1,163,841	Advances received	¥ 168,411

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

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

Previous period (From March 1, 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.

(2) Affiliated companies and other

Reporting period (From September 1, 2017 to February 28, 2018) and previous period (From March 1, 2017 to August 31, 2017)

Not applicable.

(3) Fellow subsidiary companies and other

Reporting period (From September 1, 2017 to February 28, 2018)

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	¥ 918,284	Operating accounts payable	¥ 919,076

(Note 1) The asset management fees for the reporting period include management fees of ¥38,125 thousand relating to the acquisitions that are capitalized as part of the acquisition cost for the individual real property and ¥29,162 thousand relating to the transfer that are deducted from the gain on sales of the individual real properties.

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

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

Previous period (From March 1, 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.

(4) Directors, major individual unitholders and other

Reporting period (From September 1, 2017 to February 28, 2018) and previous period (From March 1, 2017 to August 31, 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 September 1, 2017 to February 28, 2018)	Previous period (From March 1, 2017 to August 31, 2017)
Net assets per unit	¥ 131,470	¥ 129,743
Basic earnings per unit	¥ 3,873	¥ 3,377

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

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

		Reporting period (From September 1, 2017 to February 28, 2018)	Previous period (From March 1, 2017 to August 31, 2017)
Profit	(thousands of yen)	¥ 4,214,935	¥ 3,529,877
Amount not attributable to common unitholders	(thousands of yen)	¥ —	¥ —
Profit attributable to common investment units	(thousands of yen)	¥ 4,214,935	¥ 3,529,877
Average number of investment units during the period	(units)	1,088,099	1,045,000

19. Segment and Related Information

[Segment information]

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

[Related information]

Reporting period (from September 1, 2017 to February 28, 2018)

(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.	¥ 1,876,098	Real estate lease business

Previous 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

20. Commitment Line Contracts

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

	(Unit: thousands of yen)	
	Reporting period (As of February 28, 2018)	Previous period (As of August 31, 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 February 28, 2018) and previous period (As of August 31, 2017)

Not applicable.

22. Subsequent Events

Not applicable.