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Hulic Reit, Inc.

Asset Management Report

Fiscal period ended August 31, 2021 (March 1, 2021 to August 31, 2021)

I. To Our Unitholders

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

As I was appointed as Executive Officer of Hulic Reit, Inc. (“Investment Corporation”) at its General Meeting of Unitholders held on May 25, 2021 and assumed office on June 1, 2021, I would like to take this opportunity to once again offer my greetings.

The Investment Corporation was listed on the Real Estate Investment Trust Securities Market (J-REIT Market) of the Tokyo Stock Exchange in February 2014, and we have steadily built a track record since then. We have now successfully completed our 15th fiscal period (fiscal period ended August 31, 2021). This was made possible entirely thanks 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 15th fiscal period (fiscal period ended August 31, 2021).

The Investment Corporation recorded operating revenues of ¥10.5 billion, operating profit of ¥5.7 billion and profit of ¥4.9 billion, and distributions per unit came to ¥3,550 for the reporting period. In April 2021, we carried out a capital increase through our seventh public offering since listing, and while conducting asset replacement through the acquisition of Hulic Ueno Building and Hulic Chofu and the transfer of Shinagawa Season Terrace and Orchid Square (the second transfer of quasi co-ownership interest of 50%), we have lowered our LTV (ratio of interest-bearing debt to total assets) from 46.1% as of the end of the 14th fiscal period (February 28, 2021) to 44.6%. As a result, the number of properties held by the Investment Corporation as of the end of the reporting period was 58 at an asset size (total acquisition price) of ¥350.0 billion (rounded to the nearest ¥100 million). In addition, based on our asset replacement centered on earnings stability in the portfolio and our stable management through steady control of the LTV ratio, both of which have been promoted during the novel coronavirus disease (COVID-19) pandemic, Japan Credit Rating Agency, Ltd. increased its long-term issuer rating for the Investment Corporation from AA- (rating outlook: Positive) to AA (rating outlook: Stable) in May 2021.

Now having entered our 16th fiscal period (fiscal period ending February 28, 2022), in October 2021, we carried out a capital increase through public offering for the second consecutive period, and while continuing to conduct asset replacement to ensure a stability oriented portfolio and looking ahead to the post-COVID-19 period, we have grown to an asset size of ¥376.8 billion (rounded to the nearest ¥100 million) consisting of 61 properties through external growth in response to changes in the external environment, including the acquisition of properties for which future growth can be expected.

For our initiatives related to ESG (Environment, Society, Governance), Hulic Reit Management Co., Ltd., which is entrusted with the management of the assets of the Investment Corporation, having recognized the importance of disclosing climate-related financial information, expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in July 2021 and has started discussions regarding initiatives for business risks and opportunities brought about by climate change.

We will 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.
Kazuaki Chokki, Executive Officer

(Reference)

Composition of Unitholders

(As of the end of the 15th fiscal period (fiscal period ended August 31, 2021))

Category	Individuals	Financial institutions	Securities firms	Other corporations	Foreign individuals	Total
Number of Unitholders by Type (persons)	8,055	153	21	228	244	8,701
Percentage (Note) (%)	92.6	1.8	0.2	2.6	2.8	100.0
Number of Investment Units by Unitholder Type (units)	56,188	849,891	52,194	166,858	227,869	1,353,000
Percentage (Note) (%)	4.2	62.8	3.9	12.3	16.8	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	11th fiscal period (From March 1, 2019 to August 31, 2019)	12th fiscal period (From September 1, 2019 to February 29, 2020)	13th fiscal period (From March 1, 2020 to August 31, 2020)	14th fiscal period (From September 1, 2020 to February 28, 2021)	15th fiscal period (From March 1, 2021 to August 31, 2021)
Operating revenues	Millions of yen	9,137	9,642	10,591	11,170	10,505
[Of the above, real estate leasing business revenues]	Millions of yen	[9,137]	[9,642]	[10,060]	[10,225]	[9,986]
Operating expenses	Millions of yen	4,153	4,373	4,809	4,938	4,741
[Of the above, expenses related to real estate leasing business]	Millions of yen	[3,099]	[3,278]	[3,515]	[3,421]	[3,434]
Operating profit	Millions of yen	4,983	5,268	5,782	6,232	5,763
Ordinary profit	Millions of yen	4,362	4,634	5,083	5,515	5,053
Profit	Millions of yen	4,361	4,633	5,082	5,437	4,972
Total assets	Millions of yen	330,710	349,732	370,487	368,400	369,358
[Change from the previous fiscal period]	%	[+2.5]	[+5.8]	[+5.9]	[(0.6)]	[+0.3]
Net assets	Millions of yen	167,165	178,412	178,860	179,212	185,529
[Change from the previous fiscal period]	%	[(0.0)]	[+6.7]	[+0.3]	[+0.2]	[+3.5]
Unitholders' capital	Millions of yen	162,803	173,778	173,778	173,778	180,440
Total number of investment units issued	Units	1,251,000	1,312,000	1,312,000	1,312,000	1,353,000
Net assets per unit	Yen	133,625	135,984	136,326	136,594	137,124
Total distributions	Millions of yen	4,362	4,633	5,085	5,316	4,803
Payout ratio (Note 2)	%	100.0	99.9	100.0	97.7	96.5
Basic earnings per unit (Note 3)	Yen	3,486	3,554	3,873	4,144	3,698
Distributions per unit	Yen	3,487	3,532	3,876	4,052	3,550
[Of the above, distributions of earnings per unit]	Yen	[3,487]	[3,531]	[3,874]	[4,052]	[3,550]
[Of the above, distributions in excess of earnings per unit]	Yen	[-]	[1]	[2]	[-]	[-]
Equity ratio [Change from the previous (Note 4) fiscal period]	%	50.5 [(1.3)]	51.0 [+0.5]	48.3 [(2.7)]	48.6 [+0.3]	50.2 [+1.6]
Return on equity [Annualized] (Note 5)	%	2.6 [5.2]	2.7 [5.4]	2.8 [5.6]	3.0 [6.1]	2.7 [5.4]
[Other reference information]						
Number of properties	Properties	51	55	58	58	58
Total leasable area	m ²	292,664.40	309,712.83	322,981.97	322,330.61	325,888.86
Occupancy rate at end of period	%	100.0	99.5	99.8	99.6	99.2

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

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

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

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

Average number of investment units is 1,251,000 units for the 11th fiscal period, 1,303,374 units for the 12th fiscal period, 1,312,000 units for the 13th fiscal period, 1,312,000 units for the 14th fiscal period, and 1,344,538 units for the 15th fiscal period.

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

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

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

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

The value in brackets of return on equity is the value calculated with number of business days (11th fiscal period: 184 days; 12th fiscal period: 182 days; 13th fiscal period: 184 days; 14th fiscal period: 181 days; 15th fiscal period: 184 days) converted into annual values.

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

The Investment Corporation was established on November 7, 2013, with Hulic Reit Management Co., Ltd. (hereinafter referred to as the “Asset Manager”), which is entrusted with the management of the assets of the Investment Corporation, as the organizer under the Act on Investment Trusts and Investment Corporations of Japan (hereinafter referred to as the “Investment Trust Act”). On November 25, 2013, the Investment Corporation was registered with the Director-General of the Kanto Local Finance Bureau (registration number: Director-General of the Kanto Local Finance Bureau No. 88). The Investment Corporation issued new investment units through a public offering with the payment date on February 6, 2014, which were listed on the Real Estate Investment Trust Securities (J-REIT) Market of Tokyo Stock Exchange, Inc. (Securities code: 3295) on February 7, 2014. New investment units were issued through a third-party allotment on March 7, 2014. The Investment Corporation recently carried out capital increases through its seventh public offering after its listing on April 7, 2021 and a third-party allotment on April 27, 2021. As a result, the number of investment units issued as of the end of the reporting period was 1,353,000.

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 has been picking up amid the ongoing difficult circumstances due to the adverse impact of COVID-19. However, the pace of recovery has decreased recently. In the rental office market, the vacancy rate has continued to rise due to the aforementioned impact of COVID-19. Conditions for retail properties and hotels remain difficult due to the impact of the redeclaration of a state of emergency.

Investment performance: During the reporting period, the Investment Corporation acquired two properties, Hulic Ueno Building and Hulic Chofu (total acquisition price: ¥7,440 million) in March 2021, and transferred two properties, Orchid Square (quasi co-ownership interest of 50%) and Shinagawa Season Terrace (total transfer price: ¥8,225 million) in the same month. As a result, the number of properties held by the Investment Corporation as of the end of the reporting period was 58, and the total acquisition price was ¥349,987 million (rounded to the nearest ¥1 million). The occupancy rate of the entire portfolio has remained at a high level of 99.2% at the end of the reporting period.

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 to reduce environmental impact, improve tenants’ satisfaction and contribute to local communities.

The Investment Corporation has participated in the Real Estate Assessment of Global Real Estate Sustainability Benchmark (GRESB) (Note 1) from the fiscal period ended August 31, 2016. In the GRESB Real Estate Assessment conducted in 2020, the Investment Corporation was awarded “5 Stars,” the highest GRESB Rating, for its initiatives in environmental awareness and sustainability, having received strong recognition in both the areas of “Management Component” and “Performance Component.” At the same time, the Investment Corporation also received a “Green Star” for the fourth consecutive year. In addition, the Investment Corporation has been working on obtaining external certification relating to energy conservation and environmental performance for properties under ownership, and as of August 31, 2021, external certifications for a total of 32 properties have been obtained. The Investment Corporation has acquired DBJ Green Building Certification (Note 2) for six properties, with Ochanomizu Sola City and Hulic

Asakusabashi Building obtaining the highest ranking. As for BELS (Note 3), which is a public rating system that assesses energy-conservation performance of non-residential buildings, the Investment Corporation acquired certification for 13 properties, with HULIC & New SHIBUYA obtaining the highest ranking. Concerning the real estate evaluation certification CASBEE (Note 4), the Investment Corporation has acquired certification for 12 properties, with HULIC Kamiyacho Building, Toranomon First Garden, HULIC Higashi Nihonbashi Building and HULIC Mejiro obtaining the highest ranking. In November 2019, the Investment Corporation acquired CASBEE-Wellness Office evaluation certification (Note 5) for HULIC Toranomon Building.

(Note 1) The “Global Real Estate Sustainability Benchmark (GRESB)” is an annual benchmark assessment used to evaluate ESG considerations in the global real estate sector. It was established in 2009 primarily by major European pension fund groups, which led the Principles for Responsible Investment.

(Note 2) The “DBJ Green Building Certification” is a certification system created by Development Bank of Japan Inc. in April 2011 to support real estate properties with environmental and social awareness (“Green Building”). The certification system is said to evaluate and certify real estate properties in terms of their desirability for society and the economy based on a comprehensive evaluation, which includes not only environmental performance, but also responsiveness to various stakeholder needs such as consideration for emergency preparedness and the community, and to support these efforts.

(Note 3) The “BELS” is a building energy-efficiency labeling system that was started with the aim of having third-party institutions implement accurate evaluation and labeling of energy-conservation performance in non-residential buildings in accordance with the guidelines set forth in October 2013 by the Ministry of Land, Infrastructure, Transport and Tourism in “Evaluation Guidelines for Energy-efficiency Labeling for Non-residential Buildings (2013).”

(Note 4) “CASBEE” (Comprehensive Assessment System for Built Environment Efficiency) is a method for evaluating and rating the environmental performance of buildings. CASBEE is a system that comprehensively evaluates the quality of buildings by giving consideration not only to the environment in regard to the use of materials that have good energy conservation and small environmental loads, but also to the comfort inside the buildings and to the landscapes. Institute for Building Environment and Energy Conservation (IBEC) promotes the adoption of the system and operates the assessment and certification. The real estate evaluation certification CASBEE evaluates the environmental performance of existing buildings with one or more years of use after completion.

(Note 5) The “CASBEE-Wellness Office evaluation certification” is a method for evaluating specifications, performance and approaches of buildings that support maintenance and enhancement of the health and comfort of building users. The system evaluates not only the direct impact on the health and comfort of workers who inhabit offices in the building but also other performance factors such as contribution to intellectual productivity improvement as well as security and safety. IBEC promotes the adoption of the system and operates the assessment and certification.

ii) Status of financing

During the reporting period, the Investment Corporation carried out capital increases through a public offering and a third-party allotment in April 2021, for the purpose of using the proceeds to supplement cash reserves decrease due to its allocation for a portion of the purchase price for specified assets and to finance the repayment of borrowings, and made an early repayment of ¥3,960 million in short-term borrowings in May 2021. Furthermore, it made a partial repayment of ¥1,200 million in long-term borrowings of ¥7,130 million that were due in August 2021, and the remainder was refinanced as ¥5,930 million in long-term borrowings.

As a result, as of the end of the reporting period, interest-bearing debt totaled ¥164,616 million (comprising ¥17,610 million in current portion of long-term borrowings, ¥132,006 million in long-term borrowings and ¥15,000 million in investment corporation bonds), resulting in a loan-to-value (LTV) ratio of 44.6%.

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 ¥10,505 million (down 6.0% compared with the previous fiscal period), operating profit was ¥5,763 million (down 7.5% compared with the previous fiscal period), ordinary profit after deducting interest expenses

for borrowings, etc. was ¥5,053 million (down 8.4% compared with the previous fiscal period), and profit was ¥4,972 million (down 8.6% 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 applied special measures for the taxation system for investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation) and decided to pay distributions for the reporting period of an amount of the initially forecasted distribution of ¥4,803,150,000 and keep the amount in excess of that amount in internal reserves for the stabilization of future distributions. Consequently, distributions per unit came to ¥3,550. The Investment Corporation plans to use internal reserves to ensure stability in distribution payments, by using it to mitigate the negative effects in cases of temporary or unexpected income decrease or cost increase.

(3) Status of capital increase, etc.

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

Date	Event	Total number of investment units issued (Units)		Total unitholders' capital (Millions of yen)		Remarks
		Change	Balance	Change	Balance	
November 7, 2013	Incorporation through private placement	2,000	2,000	200	200	(Note 1)
February 6, 2014	Capital increase through public offering	617,500	619,500	64,355	64,555	(Note 2)
March 7, 2014	Capital increase through third-party allotment	32,500	652,000	3,387	67,943	(Note 3)
November 6, 2014	Capital increase through public offering	122,860	774,860	17,785	85,728	(Note 4)
November 21, 2014	Capital increase through third-party allotment	6,140	781,000	888	86,617	(Note 5)
March 29, 2016	Capital increase through public offering	167,600	948,600	29,444	116,061	(Note 6)
April 13, 2016	Capital increase through third-party allotment	8,400	957,000	1,475	117,537	(Note 7)
October 3, 2016	Capital increase through public offering	83,800	1,040,800	13,821	131,358	(Note 8)
October 26, 2016	Capital increase through third-party allotment	4,200	1,045,000	692	132,051	(Note 9)
October 31, 2017	Capital increase through public offering	61,800	1,106,800	9,190	141,241	(Note 10)
November 20, 2017	Capital increase through third-party allotment	3,200	1,110,000	475	141,717	(Note 11)
October 31, 2018	Capital increase through public offering	134,200	1,244,200	20,068	161,786	(Note 12)
November 19, 2018	Capital increase through third-party allotment	6,800	1,251,000	1,016	162,803	(Note 13)
September 26, 2019	Capital increase through public offering	58,000	1,309,000	10,435	173,238	(Note 14)
October 11, 2019	Capital increase through third-party allotment	3,000	1,312,000	539	173,778	(Note 15)
April 7, 2021	Capital increase through public offering	39,000	1,351,000	6,336	180,115	(Note 16)
April 27, 2021	Capital increase through third-party allotment	2,000	1,353,000	324	180,440	(Note 17)

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

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

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

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

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

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

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

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

- (Note 9) New investment units were issued through a private placement allocated to Mizuho Securities Co., Ltd. with an issue value per unit of ¥164,937.
- (Note 10) New investment units were issued through public offering with an issue price per unit of ¥153,757 (issue value: ¥148,710) in order to raise funds for the acquisition of new properties, etc.
- (Note 11) New investment units were issued through a private placement allocated to Mizuho Securities Co., Ltd. with an issue value per unit of ¥148,710.
- (Note 12) New investment units were issued through public offering with an issue price per unit of ¥154,537 (issue value: ¥149,544) in order to raise funds for the acquisition of new properties, etc.
- (Note 13) New investment units were issued through a private placement allocated to Mizuho Securities Co., Ltd. with an issue value per unit of ¥149,544.
- (Note 14) New investment units were issued through public offering with an issue price per unit of ¥185,932 (issue value: ¥179,924) in order to raise funds for the acquisition of new properties, etc.
- (Note 15) New investment units were issued through a private placement allocated to Mizuho Securities Co., Ltd. with an issue value per unit of ¥179,924.
- (Note 16) New investment units were issued through public offering with an issue price per unit of ¥167,895 (issue value: ¥162,470) in order to supplement cash reserves by amount of decrease arising from its allocation for a portion of the purchase price for new properties, etc.
- (Note 17) New investment units were issued through a private placement allocated to Mizuho Securities Co., Ltd. with an issue value per unit of ¥162,470.
- (Note 18) Changes in total unitholders' capital in connection with the implementation of distributions in excess of earnings related to allowance for temporary difference adjustments have not been taken into consideration.

<Changes in market price of investment unit>

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

Highest and lowest unit prices by fiscal period (Closing price)	Fiscal period	11th fiscal period ended August 31, 2019	12th fiscal period ended February 29, 2020	13th fiscal period ended August 31, 2020	14th fiscal period ended February 28, 2021	15th fiscal period ended August 31, 2021
	Highest (Yen)	194,700	209,900	185,600	180,500	193,800
	Lowest (Yen)	176,500	182,100	85,000	133,200	164,700

(4) Distributions, etc.

Pursuant to the distribution policy prescribed in Article 35, Paragraph 1 of the Investment Corporation's Articles of Incorporation, the Investment Corporation has applied special measures for the taxation system for investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation) and decided to pay distributions for the reporting period under review (15th fiscal period). Based on this policy, the Investment Corporation has decided to pay distributions for the reporting period of an amount of the initially forecasted distribution of ¥4,803,150,000 (distributions per unit: ¥3,550) and keep the amount in excess of that amount in internal reserves for the stabilization of future distributions. The Investment Corporation plans to use internal reserves to ensure stability in distribution payments, by using it to mitigate the negative effects in cases of temporary or unexpected income decrease or cost increase.

Fiscal period	11th fiscal period (From March 1, 2019 to August 31, 2019)	12th fiscal period (From September 1, 2019 to February 29, 2020)	13th fiscal period (From March 1, 2020 to August 31, 2020)	14th fiscal period (From September 1, 2020 to February 28, 2021)	15th fiscal period (From March 1, 2021 to August 31, 2021)
Total unappropriated retained earnings	¥4,362,498 thousand	¥4,633,369 thousand	¥5,082,828 thousand	¥5,437,782 thousand	¥5,093,890 thousand
Accumulated earnings	¥261 thousand	¥697 thousand	¥140 thousand	¥121,558 thousand	¥290,740 thousand
Total amount of cash distributions (Distributions per unit)	¥4,362,237 thousand (¥3,487)	¥4,633,984 thousand (¥3,532)	¥5,085,312 thousand (¥3,876)	¥5,316,224 thousand (¥4,052)	¥4,803,150 thousand (¥3,550)
Of the above, total amount of distributions of earnings (Distributions of earnings per unit)	¥4,362,237 thousand (¥3,487)	¥4,632,672 thousand (¥3,531)	¥5,082,688 thousand (¥3,874)	¥5,316,224 thousand (¥4,052)	¥4,803,150 thousand (¥3,550)
Of the above, total amount of refunds of unitholders' capital (Refunds of unitholders' capital per unit)	— (—)	¥1,312 thousand (¥1)	¥2,624 thousand (¥2)	— (—)	— (—)
Of the total amount of refunds of unitholders' capital, total amount of distributions from allowance for temporary difference adjustments (Of the refunds of unitholders' capital per unit, distributions from allowance for temporary difference adjustments per unit)	— (—)	¥1,312 thousand (¥1)	¥2,624 thousand (¥2)	— (—)	— (—)
Of the total amount of refunds of unitholders' capital, total amount of distributions from distribution on reduction of unitholders' capital for taxation purposes (Of the refunds of unitholders' capital per unit, distributions from distributions on reduction of unitholders' capital for taxation purposes)	— (—)	— (—)	— (—)	— (—)	— (—)

(5) Future investment policies and issues to address

The Japanese economy going forward is expected to pick up due to the effects of various measures and the improvement of overseas economies as vaccinations become more widespread together with measures to prevent the spread of the COVID-19. Regarding the rental office market, the Investment Corporation will pay close attention to changes in office needs as a result of downsizing the scale of offices due to factors such as the deterioration of corporate earnings, as well as the spread of teleworking and other developments. Furthermore, in retail properties and hotels, despite expectations for consumer sentiment to pick up due to the effects of various measures such as increased vaccinations, it is necessary to ascertain the business conditions of tenants and properly respond to them.

Against this backdrop, the Investment Corporation will focus on Tokyo Commercial Properties (Note 1), aiming to maximize unitholder value over the medium to long term, and invest in Next-Generation Assets Plus (Note 2), aiming to support stable earnings over the long term. As part of these efforts to maximize unitholder 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 loans with longer terms with fixed interest rates and staggered repayment dates in order to maintain a stable and healthy financial position.

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

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

(6) Significant events after the reporting period

Issuance of new investment units

The Investment Corporation passed resolutions at meetings of its Board of Directors held on October 14, 2021 and October 21, 2021, to issue new investment units as follows for the purpose of mainly using the proceeds for a portion of the purchase price for specified assets. The payments for these newly issued investment units were completed on October 27, 2021 and November 22, 2021, respectively.

As a result, the unitholders' capital of the Investment Corporation amounted to ¥194,754 million and the number of investment units issued totaled 1,440,000 units.

(New investment unit issuance through public offering)

Number of new investment units issued:	82,800 units
Issue price (offer price):	¥169,942 per unit
Total amount of issue price (offer price):	¥14,071,197,600
Amount paid in (issue value):	¥164,538 per unit
Total amount paid in (issue value):	¥13,623,746,400
Payment date:	October 27, 2021
Distribution calculation date:	September 1, 2021

(New investment unit issuance through third-party allotment)

Number of new investment units issued:	4,200 units
Amount paid in (issue value):	¥164,538 per unit
Total amount paid in (issue value):	¥691,059,600
Payment date:	November 22, 2021
Distribution calculation date:	September 1, 2021
Allottee:	Mizuho Securities Co., Ltd.

(Reference information)

(A) Acquisitions of properties

As shown in the following table, the Investment Corporation acquired the beneficial interests in real estate trust (four properties; the total of acquisition prices: ¥33,460 million). The acquisition price provided does not include expenses incurred on the acquisition of such assets (including acquisition expenses, settlement of fixed asset tax and city planning tax and consumption taxes), and is equal to the acquisition price stated on the purchase and sale agreement of beneficial interests in trust.

Property name	Location	Date of acquisition	Acquisition price (Millions of yen)	Seller
Hulic Kojimachi Building	Chiyoda-ku, Tokyo	November 1, 2021	12,600	Hulic Co., Ltd.
Kichijoji Fuji Building	Musashino-shi, Tokyo	November 1, 2021	5,150	Hulic Co., Ltd.
Aristage Kyodo	Setagaya-ku, Tokyo	November 1, 2021	9,000	Hulic Co., Ltd.
Hulic Kobe Building	Kobe-shi, Hyogo	November 1, 2021	6,710	Hulic Co., Ltd.
Total	—	—	33,460	—

(B) Transfer of properties

As shown in the following table, the Investment Corporation transferred or plans to transfer the real estate and beneficial interests in real estate trust (one property; the (anticipated) transfer price: ¥8,200 million). The (anticipated) transfer price provided does not include expenses incurred on the transfer of the transfer asset (including transfer expenses, settlement of fixed asset tax and city planning tax and consumption taxes), and is equal to the transfer price stated on the purchase and sale agreement for beneficial interests in trust and land.

Property name	Location	(Scheduled) Date of transfer	Trust beneficiary right quasi co-ownership interest and partial right of land co- ownership interest (scheduled to be) transferred	(Anticipated) Transfer price (Millions of yen)	Transferee
Hulic Shinjuku 3 Chome Building	Shinjuku-ku, Tokyo	November 1, 2021	50.0%	4,100	Hulic Co., Ltd.
		March 1, 2022	50.0%	4,100	
Total	—	—	—	8,200	—

(C) Borrowing of funds

On November 1, 2021, the Investment Corporation executed the following borrowings in order to cover part of the purchase price, etc. for the acquisition of assets above in (A).

Lender	Borrowing amount (Millions of yen)	Interest rate	Borrowing date	Repayment date	Repayment method	Remarks
Syndicate of lenders arranged by Mizuho Bank, Ltd. (Note 1)	2,000	Base rate of interest (JBA one-month Japanese Yen TIBOR) +0.30%	November 1, 2021	October 31, 2022	Lump-sum repayment	Unsecured and unguaranteed
Syndicate of lenders arranged by Mizuho Bank, Ltd. (Note 2)	2,000	Base rate of interest (JBA one-month Japanese Yen TIBOR) +0.30%	November 1, 2021	October 31, 2022	Lump-sum repayment	Unsecured and unguaranteed
Syndicate of lenders arranged by Mizuho Bank, Ltd. (Note 3)	1,500	Base rate of interest (JBA one-month Japanese Yen TIBOR) +0.30%	November 1, 2021	October 31, 2022	Lump-sum repayment	Unsecured and unguaranteed
Syndicate of lenders arranged by Mizuho Bank, Ltd. (Note 4)	1,500	0.51000%	November 1, 2021	August 31, 2028	Lump-sum repayment	Unsecured and unguaranteed
Syndicate of lenders arranged by Mizuho Bank, Ltd. (Note 5)	3,300	0.63000%	November 1, 2021	August 31, 2029	Lump-sum repayment	Unsecured and unguaranteed
Syndicate of lenders arranged by Mizuho Bank, Ltd. (Note 6)	1,500	0.69000%	November 1, 2021	February 28, 2030	Lump-sum repayment	Unsecured and unguaranteed
Mizuho Bank, Ltd.	692	Base rate of interest (JBA one-month Japanese Yen TIBOR) +0.30%	November 1, 2021	November 30, 2021	Lump-sum repayment	Unsecured and unguaranteed
Mizuho Bank, Ltd.	3,400	Base rate of interest (JBA one-month Japanese Yen TIBOR) +0.30%	November 1, 2021	March 1, 2022	Lump-sum repayment	Unsecured and unguaranteed
Total	15,892	—	—	—	—	—

(Note 1) The syndicate of lenders consists of Mizuho Bank, Ltd.

(Note 2) The syndicate of lenders consists of Sumitomo Mitsui Trust Bank, Limited.

(Note 3) The syndicate of lenders consists of The Norinchukin Bank, Resona Bank, Limited, Shinsei Bank, Limited and Aozora Bank, Ltd.

(Note 4) The syndicate of lenders consists of Mitsui Sumitomo Insurance Company, Limited and The Bank of Fukuoka, Ltd.

(Note 5) The syndicate of lenders consists of Resona Bank, Limited, Shinkin Central Bank, Shinsei Bank, Limited, The 77 Bank, Ltd. and The Higo Bank, Ltd.

(Note 6) The syndicate of lenders consists of Development Bank of Japan Inc. and Aozora Bank, Ltd.

2. Overview of the Investment Corporation

(1) Status of unitholders' capital

	11th fiscal period As of August 31, 2019	12th fiscal period As of February 29, 2020	13th fiscal period As of August 31, 2020	14th fiscal period As of February 28, 2021	15th fiscal period As of August 31, 2021
Total number of authorized investment units	20,000,000 units	20,000,000 units	20,000,000 units	20,000,000 units	20,000,000 units
Total number of investment units issued	1,251,000 units	1,312,000 units	1,312,000 units	1,312,000 units	1,353,000 units
Unitholders' capital	¥162,803 million	¥173,778 million	¥173,778 million	¥173,778 million	¥180,440 million
Number of unitholders	7,416	7,228	8,443	8,808	8,701

(2) Matters regarding investment units

The top ten 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 (%)
Custody Bank of Japan, Ltd. (Trust account)	329,015	24.31
The Master Trust Bank of Japan, Ltd. (Trust account)	227,774	16.83
Hulic Co., Ltd.	143,770	10.62
The Nomura Trust and Banking Co., Ltd. (Investment accounts)	53,511	3.95
Custody Bank of Japan, Ltd. (Securities investment trust account)	27,804	2.05
SSBTC CLIENT OMNIBUS ACCOUNT	20,569	1.52
STATE STREET BANK WEST CLIENT - TREATY 505234	20,068	1.48
Custody Bank of Japan, Ltd. (Trust account 7)	20,054	1.48
The Shinkumi Federation Bank	19,433	1.43
SMBC Nikko Securities Inc.	15,719	1.16
Total	877,717	64.87

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

(3) Matters relating to officers, etc.

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

Title and post	Name	Major concurrent post, etc.	Total amount of compensation for each position during the fiscal period under review
Executive Officer	Eiji Tokita (Note 1)	—	¥— thousand
	Kazuaki Chokki (Note 1)	President and CEO of Hulic Reit Management Co., Ltd. (Note 2)	¥— thousand
Supervisory Officer (Note 3)	Kunio Shimada	Representative Partner of Shimada, Hamba and Osajima (law firm)	¥3,000 thousand
	Shigeru Sugimoto (Note 4)	—	¥1,500 thousand
	Rika Nakamura (Note 4)	Director of Sakura & Co.	¥1,500 thousand
Independent Auditor	Ernst & Young ShinNihon LLC	—	¥15,950 thousand (Note 5)

(Note 1) Eiji Tokita retired from his position of Executive Officer of the Investment Corporation on May 31, 2021, and Kazuaki Chokki assumed position as Executive Officer of the Investment Corporation on June 1, 2021.

(Note 2) Kazuaki Chokki assumed position as President and CEO of Hulic Reit Management Co., Ltd. on February 24, 2021.

(Note 3) 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 4) Shigeru Sugimoto retired from his position of Supervisory Officer of the Investment Corporation on May 31, 2021, and Rika Nakamura assumed position as Supervisory Officer of the Investment Corporation on June 1, 2021.

(Note 5) 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) Matters regarding directors and officers liability insurance policy

The directors and officers liability insurance policy that the Investment Corporation entered into for the fiscal period under review is as follows.

Scope of insureds	Summary of the policy
All of Executive Officers and Supervisory Officers	<p><u>Summary of insurance incidents covered</u> The policy will cover losses, litigation expenses, etc. within a certain range incurred in cases where an insured receives a claim for damages arising from improper acts carried out by the insured as an officer of the Investment Corporation.</p> <p><u>Portion of insurance premiums borne</u> The insurance policy contains a clause related to unitholder derivative suits, and the insurance premiums for this clause (10% of the total insurance premiums) are borne by Executive Officers and Supervisory Officers and the remaining insurance premiums (90% of the total insurance premiums) are borne by the Investment Corporation.</p> <p><u>Measures to ensure that the proper execution of duties is not impaired</u> Losses, etc. incurred by an insured due to acts, such as criminal acts and acts committed by the insured while in full knowledge that they violate laws and regulations, are not covered by the policy.</p>

(5) 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)	14th fiscal period (As of February 28, 2021)		15th fiscal period (As of August 31, 2021)	
			Total amount held (Millions of yen) (Note 2)	Percentage to total assets (%) (Note 3)	Total amount held (Millions of yen) (Note 2)	Percentage to total assets (%) (Note 3)
Real estate	Tokyo Commercial Properties	Six central wards of Tokyo	¥ 4,837	1.3	¥ 4,840	1.3
		Other wards of Tokyo	—	—	—	—
		Other	—	—	—	—
		Total	¥ 4,837	1.3	¥ 4,840	1.3
	Next- Generation Assets Plus	Six central wards of Tokyo	¥ —	—	¥ —	—
		Other wards of Tokyo	—	—	—	—
		Other	—	—	—	—
		Total	¥ —	—	¥ —	—
	Total real estate		¥ 4,837	1.3	¥ 4,840	1.3
Real estate in trust	Tokyo Commercial Properties	Six central wards of Tokyo	¥ 224,158	60.8	¥ 216,205	58.5
		Other wards of Tokyo	41,537	11.3	45,425	12.3
		Other	4,604	1.2	4,581	1.2
		Total	¥ 270,301	73.4	¥ 266,213	72.1
	Next- Generation Assets Plus	Six central wards of Tokyo	¥ 29,569	8.0	¥ 29,460	8.0
		Other wards of Tokyo	22,953	6.2	22,851	6.2
		Other	19,482	5.3	22,812	6.2
		Total	¥ 72,005	19.5	¥ 75,124	20.3
	Total real estate in trust		¥ 342,306	92.9	¥ 341,337	92.4
	Total real estate and real estate in trust		¥ 347,144	94.2	¥ 346,177	93.7
Deposits and other assets		¥ 21,256	5.8	¥ 23,181	6.3	
Total assets		¥ 368,400	100.0	¥ 369,358	100.0	

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

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

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

(2) Major assets held

An overview of the major assets held by the Investment Corporation as of the end of the fiscal period under review (top ten 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 leasing business revenues (%) (Note 4)	Primary asset class
Hulic Kamiyacho Building	¥ 55,471,228	32,487.06	31,919.66	98.3	14.8	Office property
Ochanomizu Sola City (Note 5)	36,346,595	13,923.42	13,885.63	99.7	(Note 6)	Office property
Hulic Ginza 7 Chome Building (Note 5)	21,141,454	11,405.68	11,405.68	100.0	5.5	Office property
Hulic Toranomom Building	17,825,138	8,574.65	8,574.65	100.0	4.8	Office property
Sotetsu Fresa Inn Ginza 7 Chome	11,372,295	6,984.32	6,984.32	100.0	2.4	Hotel
Hulic Kudan Building (Land)	11,191,213	3,351.07	3,351.07	100.0	2.7	Office property
Oimachi Redevelopment Building (#2)	9,458,334	14,485.66	14,485.66	100.0	3.1	Retail property
Toranomon First Garden (Note 5)	8,066,062	5,689.97	4,469.15	78.5	2.3	Office property
Hulic Shimura-sakaue	7,371,153	11,528.34	11,528.34	100.0	2.5	Retail property
Hulic Tsukiji 3 Chome Building	6,930,471	4,740.31	4,740.31	100.0	(Note 6)	Hotel
Total	¥185,173,947	113,170.48	111,344.47	98.4	—	

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

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

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

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

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

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

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

Category		Property name	Location (Note 1)	Asset type	Book value at end of period (Millions of yen)	Assessed value at end of period (Millions of yen) (Note 2)
Tokyo Commercial Properties	Office properties	Hulic Kamiyacho Building	4-3-13 Toranomon, Minato-ku, Tokyo	Beneficial interests in real estate trust	¥ 55,471	¥ 66,300
		Hulic Kudan Building (Land)	1-13-5 Kudankita, Chiyoda-ku, Tokyo	Beneficial interests in real estate trust	11,191	13,300
		Toranomon First Garden	1-7-12 Toranomon, Minato-ku, Tokyo	Beneficial interests in real estate trust	8,066	12,300
		Rapiros Roppongi	6-1-24 Roppongi, Minato-ku, Tokyo	Beneficial interests in real estate trust	6,690	10,400
		Hulic Takadanobaba Building	3-19-10 Takada, Toshima-ku, Tokyo	Beneficial interests in real estate trust	3,730	5,130
		Hulic Kanda Building	1-16-5 Kandasudacho, Chiyoda-ku, Tokyo	Beneficial interests in real estate trust	3,520	4,410
		Hulic Kandabashi Building	1-21-1 Kandanshikicho, Chiyoda-ku, Tokyo	Beneficial interests in real estate trust	2,457	3,070
		Hulic Kakigaracho Building	1-28-5 Nihonbashikakigaracho, Chuo-ku, Tokyo	Beneficial interests in real estate trust	2,155	3,030
		Ochanomizu Sola City	4-6-1 Kanda Surugadai, Chiyoda-ku, Tokyo	Beneficial interests in real estate trust	36,346	45,136
		Hulic Higashi Ueno 1 Chome Building	1-7-15 Higashi Ueno, Taito-ku, Tokyo	Beneficial interests in real estate trust	2,724	3,220
		Tokyo Nishi Ikebukuro Building	1-7-7 Nishi Ikebukuro, Toshima-ku, Tokyo	Beneficial interests in real estate trust	1,587	2,030
		Hulic Toranomon Building	1-1-18 Toranomon, Minato-ku, Tokyo	Beneficial interests in real estate trust	17,825	21,900
		Hulic Shibuya 1 chome Building	1-3-9 Shibuya, Shibuya-ku, Tokyo	Beneficial interests in real estate trust	5,075	5,620
		Hulic Higashi Nihonbashi Building	1-1-5 Higashinihonbashi, Chuo-ku, Tokyo	Beneficial interests in real estate trust	3,556	3,580
		Hulic Jimbocho Building	2-2-31 Kanda Jimbocho, Chiyoda-ku, Tokyo	Beneficial interests in real estate trust	1,543	1,750
		Hulic Ginza 7 Chome Building	7-3-5 Ginza, Chuo-ku, Tokyo	Beneficial interests in real estate trust	21,141	21,660
		Hulic Gotanda Yamate-dori Building	1-21-8 Nishigotanda, Shinagawa-ku, Tokyo	Real estate	3,580	3,520
		Bancho House	29-1 Ichibancho, Chiyoda-ku, Tokyo	Beneficial interests in real estate trust	2,750	3,370
		Ebisu Minami Building	2-12-18 Ebisuminami, Shibuya-ku, Tokyo	Beneficial interests in real estate trust	2,432	2,550
		Hulic Iidabashi Building	2-6-6 Iidabashi, Chiyoda-ku, Tokyo	Beneficial interests in real estate trust	1,455	1,490
		Hulic Asakusabashi Building	1-22-16 Asakusabashi, Taito-ku, Tokyo	Beneficial interests in real estate trust	4,757	4,920
		Hulic Ebisu Building	3-15-7 Higashi, Shibuya-ku, Tokyo	Beneficial interests in real estate trust	1,281	1,340
		Hulic Ryogoku Building	4-31-11 Ryogoku, Sumida-ku, Tokyo	Beneficial interests in real estate trust	5,552	5,796
		Hulic Asakusabashi Edo-dori	1-30-9 Asakusabashi, Taito-ku, Tokyo	Beneficial interests in real estate trust	5,448	5,697

Category		Property name	Location (Note 1)	Asset type	Book value at end of period (Millions of yen)	Assessed value at end of period (Millions of yen) (Note 2)
Tokyo Commercial Properties	Office properties	Hulic Nakano Building	4-44-18 Honcho, Nakano-ku, Tokyo	Beneficial interests in real estate trust	3,209	3,420
		Hulic Ueno Building	3-16-5 Ueno, Taito-ku, Tokyo, etc.	Beneficial interests in real estate trust	4,136	4,302
	Retail properties	Oimachi Redevelopment Building (#2)	5-20-1 Higashi-Oi, Shinagawa-ku, Tokyo	Beneficial interests in real estate trust	9,458	11,900
		Oimachi Redevelopment Building (#1)	5-18-1 Higashi-Oi, Shinagawa-ku, Tokyo	Beneficial interests in real estate trust	6,282	7,210
		Dining Square Akihabara Building	1-16-2 Kandasakumacho, Chiyoda- ku, Tokyo	Beneficial interests in real estate trust	3,201	3,990
		Hulic Jingu-Mae Building	5-17-9 Jingumae, Shibuya-ku, Tokyo	Beneficial interests in real estate trust	2,644	3,620
		Hulic Shinjuku 3 Chome Building	3-17-2 Shinjuku, Shinjuku-ku, Tokyo	Beneficial interests in real estate trust and real estate	6,804	8,130
		Yokohama Yamashitacho Building	36-1, Yamashitacho, Naka-ku, Yokohama-shi, Kanagawa	Beneficial interests in real estate trust	4,581	4,750
		Hulic Todoroki Building	3-5-2 Todoroki, Setagaya-ku, Tokyo	Beneficial interests in real estate trust	1,216	1,400
		HULIC &New SHIBUYA	31-1 Udagawa-cho, Shibuya-ku, Tokyo	Beneficial interests in real estate trust	3,095	3,395
		HULIC &New SHINBASHI	2-11-10 Shinbashi, Minato-ku, Tokyo	Beneficial interests in real estate trust	3,018	3,400
		Hulic Shimura-sakaue	3-20-1 Maeno-cho, Itabashi-ku, Tokyo, etc.	Beneficial interests in real estate trust	7,371	7,760
		Hulic Mejiro	3-4-11 Mejiro, Toshima-ku, Tokyo	Beneficial interests in real estate trust	5,691	5,900
Next-Generation Assets Plus	Private nursing homes	Aria Matsubara	5-34-6 Matsubara, Setagaya-ku, Tokyo	Beneficial interests in real estate trust	3,082	4,280
		Trust Garden Yoganomori	1-3-1 Yoga, Setagaya-ku, Tokyo	Beneficial interests in real estate trust	5,256	6,860
		Trust Garden Sakurashinmachi	2-11-1 Tsurumaki, Setagaya-ku, Tokyo	Beneficial interests in real estate trust	2,798	3,660
		Trust Garden Suginami Miyamae	2-11-10 Miyamae, Suginami-ku, Tokyo	Beneficial interests in real estate trust	2,697	3,550
		Trust Garden Tokiwamatsu	4-4-10 Higashi, Shibuya-ku, Tokyo	Beneficial interests in real estate trust	2,944	3,300
		SOMPO Care La vie Re Kita-Kamakura	2713-2 Aza Takano, Ofuna, Kamakura-shi, Kanagawa	Beneficial interests in real estate trust	1,703	1,770
		Charm Suite Shinjukutoyama	7-26-48 Shinjuku, Shinjuku-ku, Tokyo	Beneficial interests in real estate trust	3,343	3,530
		Charm Suite Shakujiikoen	5-13-7 Takanodai, Nerima-ku, Tokyo	Beneficial interests in real estate trust	3,217	3,280
		Hulic Chofu	1-14-3 Kojimacho, Chofu-shi, Tokyo	Beneficial interests in real estate trust	3,431	3,460
	Network centers	Ikebukuro Network Center	4-30-17 Kami-Ikebukuro, Toshima-ku, Tokyo	Beneficial interests in real estate trust	4,454	5,240
		Tabata Network Center	6-2-8 Tabata, Kita-ku, Tokyo	Beneficial interests in real estate trust	1,344	1,530
		Hiroshima Network Center	2-6-6 Hikari-machi, Higashi-ku, Hiroshima-shi, Hiroshima	Beneficial interests in real estate trust	1,014	1,210
		Atsuta Network Center	20-1 Hatano-cho, Atsuta-ku, Nagoya-shi, Aichi	Beneficial interests in real estate trust	962	1,070

Category		Property name	Location (Note 1)	Asset type	Book value at end of period (Millions of yen)	Assessed value at end of period (Millions of yen) (Note 2)
Next-Generation Assets Plus	Network centers	Nagano Network Center	1600-12, Oaza Tsuruga Aza Naemahira, Nagano-shi, Nagano	Beneficial interests in real estate trust	291	363
		Chiba Network Center	1-1-1 Muzaigakuendai, Inzai-shi, Chiba	Beneficial interests in real estate trust	6,864	7,250
		Sapporo Network Center	2-4-1, Kita 9 Jonishi, Kita-ku, Sapporo-shi, Hokkaido	Beneficial interests in real estate trust	2,493	2,550
		Keihanna Network Center	113-1, Kizu Kumomura, Kizugawa-shi, Kyoto	Beneficial interests in real estate trust	1,165	1,300
	Hotels	Sotetsu Fresa Inn Ginza 7 Chome	7-11-12 Ginza, Chuo-ku, Tokyo	Beneficial interests in real estate trust	11,372	12,300
		Sotetsu Fresa Inn Tokyo-Roppongi	3-10-1 Roppongi, Minato-ku, Tokyo	Beneficial interests in real estate trust	4,869	4,970
		Hulic Tsukiji 3 Chome Building	3-3-1 Tsukiji, Chuo-ku, Tokyo	Beneficial interests in real estate trust	6,930	7,290
	Other	Hulic Hachioji Building	15-3 Yokoyamacho, Hachioji-shi, Tokyo, etc.	Beneficial interests in real estate trust	4,884	5,229
Total					¥346,177	¥404,688

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

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

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

Category		Property name	14th fiscal period (From September 1, 2020 to February 28, 2021)				15th fiscal period (From March 1, 2021 to August 31, 2021)			
			Number of tenants at end of period (Tenants) (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate leasing business revenues during the period (Thousands of yen) (Note 3) (Note 4)	Percentage to total real estate leasing business revenues (%) (Note 4)	Number of tenants at end of period (Tenants) (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate leasing business revenues during the period (Thousands of yen) (Note 3) (Note 4)	Percentage to total real estate leasing business revenues (%) (Note 4)
Tokyo Commercial Properties	Office properties	Hulic Kamiyacho Building	1	100.0	¥1,465,341	14.3	1	98.3	¥1,477,280	14.8
		Hulic Kudan Building (Land)	1	100.0	265,002	2.6	1	100.0	265,002	2.7
		Toranomon First Garden	1	100.0	310,212	3.0	1	78.5	231,939	2.3
		Rapiros Roppongi	1	100.0	341,741	3.3	1	100.0	340,695	3.4
		Hulic Takadanobaba Building	1	100.0	174,107	1.7	1	100.0	172,747	1.7
		Hulic Kanda Building	1	100.0	147,461	1.4	1	100.0	142,249	1.4
		Hulic Kandabashi Building	1	100.0	88,166	0.9	1	100.0	88,071	0.9
		Hulic Kakigaracho Building	1	100.0	105,696	1.0	1	100.0	105,021	1.1
		Ochanomizu Sola City	1	99.7	(Note 4)	(Note 4)	1	99.7	(Note 4)	(Note 4)
		Hulic Higashi Ueno 1 Chome Building	1	100.0	97,850	1.0	1	100.0	101,348	1.0
		Tokyo Nishi Ikebukuro Building	1	100.0	56,888	0.6	1	100.0	56,750	0.6
		Hulic Toranomon Building	1	100.0	480,592	4.7	1	100.0	480,038	4.8
		Hulic Shibuya 1 chome Building	1	100.0	133,983	1.3	1	100.0	133,525	1.3
		Hulic Higashi Nihonbashi Building	1	93.9	98,708	1.0	1	100.0	98,862	1.0
		Hulic Jimbocho Building	1	100.0	47,228	0.5	1	100.0	46,791	0.5
		Hulic Ginza 7 Chome Building	1	100.0	553,945	5.4	1	100.0	552,026	5.5
		Shinagawa Season Terrace	1	97.5	(Note 4)	(Note 4)	—	—	(Note 4)	(Note 4)
		Hulic Gotanda Yamate-dori Building	1	85.4	113,592	1.1	1	85.6	95,680	1.0
		Hulic Nihonbashi Honcho 1 Chome Building	—	—	27,557	0.3	—	—	—	—
		Bancho House	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Ebisu Minami Building	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Hulic Iidabashi Building	1	88.5	41,705	0.4	1	100.0	39,721	0.4
		Hulic Asakusabashi Building	1	100.0	234,090	2.3	1	100.0	238,751	2.4
		Hulic Ebisu Building	1	100.0	38,072	0.4	1	85.0	33,818	0.3
		Hulic Ryogoku Building	1	100.0	154,796	1.5	1	100.0	155,058	1.6
		Hulic Asakusabashi Edo-dori	1	100.0	143,673	1.4	1	100.0	143,400	1.4
		Hulic Nakano Building	1	100.0	68,298	0.7	1	100.0	90,780	0.9
		Hulic Ueno Building	—	—	—	—	1	100.0	92,950	0.9
	Retail properties	Oimachi Redevelopment Building (#2)	1	100.0	312,000	3.1	1	100.0	312,000	3.1
		Oimachi Redevelopment Building (#1)	1	100.0	218,931	2.1	1	100.0	218,931	2.2
		Dining Square Akihabara Building	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Hulic Jingu-Mae Building	1	93.4	85,912	0.8	1	100.0	82,890	0.8

Category		Property name	14th fiscal period (From September 1, 2020 to February 28, 2021)				15th fiscal period (From March 1, 2021 to August 31, 2021)			
			Number of tenants at end of period (Tenants) (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate leasing business revenues during the period (Thousands of yen) (Note 3) (Note 4)	Percentage to total real estate leasing business revenues (%) (Note 4)	Number of tenants at end of period (Tenants) (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate leasing business revenues during the period (Thousands of yen) (Note 3) (Note 4)	Percentage to total real estate leasing business revenues (%) (Note 4)
Tokyo Commercial Properties	Retail properties	Hulic Shinjuku 3 Chome Building	2	100.0	179,625 (Note 5)	1.8 (Note 5)	2	100.0	181,728 (Note 5)	1.8 (Note 5)
		Yokohama Yamashitacho Building	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Orchid Square	1	65.1	40,653	0.4	—	—	—	—
		Hulic Todoroki Building	1	100.0	52,498	0.5	1	100.0	52,543	0.5
		Hulic Omori Building	—	—	29,223	0.3	—	—	—	—
		HULIC &New SHIBUYA	1	100.0	84,260	0.8	1	81.1	71,898	0.7
		HULIC &New SHINBASHI	1	100.0	84,715	0.8	1	100.0	84,280	0.8
		Hulic Shimura-sakaue	1	100.0	256,470	2.5	1	100.0	253,795	2.5
		Hulic Mejiro	1	100.0	148,168	1.4	1	100.0	148,034	1.5
Next-Generation Assets Plus	Private nursing homes	Aria Matsubara	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Trust Garden Yoganomori	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Trust Garden Sakurashinmachi	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Trust Garden Suginami Miyamae	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Trust Garden Tokiwamatsu	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		SOMPO Care La vie Re Kita-Kamakura	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Charm Suite Shinjukutoyama	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Charm Suite Shakujiikoen	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Hulic Chofu	—	—	—	—	1	100.0	76,443	0.8
	Network centers	Ikebukuro Network Center	1	100.0	130,176	1.3	1	100.0	130,176	1.3
		Tabata Network Center	1	100.0	43,285	0.4	1	100.0	43,285	0.4
		Hiroshima Network Center	1	100.0	42,091	0.4	1	100.0	42,091	0.4
		Atsuta Network Center	1	100.0	35,273	0.3	1	100.0	35,273	0.4
		Nagano Network Center	1	100.0	16,708	0.2	1	100.0	16,708	0.2
		Chiba Network Center	1	100.0	214,687	2.1	1	100.0	214,687	2.1
		Sapporo Network Center	1	100.0	80,358	0.8	1	100.0	80,358	0.8
		Keihanna Network Center	1	100.0	45,166	0.4	1	100.0	45,166	0.5
	Hotels	Sotetsu Fresa Inn Ginza 7 Chome	1	100.0	240,000	2.3	1	100.0	240,000	2.4
		Sotetsu Fresa Inn Tokyo-Roppongi	1	100.0	108,000	1.1	1	100.0	108,000	1.1
		Hulic Tsukiji 3 Chome Building	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
	Other	Hulic Hachioji Building	1	100.0	113,788	1.1	1	100.0	153,997	1.5
Total			59	99.6	¥10,225,259	100.0	59	99.2	¥9,986,123	100.0

(Note 1) Number of tenants is stated as 1 when a master lease agreement has been entered with a master lease company. Moreover, the number of tenants is stated as 1 for Hulic Kudan Building (Land). For Shinagawa Season Terrace, the number of tenants is stated as 1, because NTT Urban Development Corporation receives rent from each end-tenant for the entire building. For Hulic Shinjuku 3 Chome Building, the number of tenants is stated as 2, because in addition to the master lease agreement entered for the building, a part of the land is being leased to the building owner.

- (Note 2) Occupancy rate is calculated with the following formula, rounded to one decimal place: leased area ÷ leasable area × 100
- (Note 3) Real estate leasing business revenues during the period shows the sum total of the real estate leasing business revenues during the period for each real estate, etc.
- (Note 4) Real estate leasing business revenues during the period and percentage to total real estate leasing business revenues are not disclosed because the Investment Corporation has not obtained permission from the end-tenant or other relevant party of these properties to disclose the relevant information.
- (Note 5) The Investment Corporation has not obtained permission from the tenant, end-tenant or other relevant party of Hulic Shinjuku 3 Chome Building to disclose information on the partial right of land additionally acquired on February 13, 2020. Accordingly, the contracted rent relating to the partial right of land is excluded from the calculation of real estate leasing business revenues during the period and percentage to total real estate leasing business revenues.

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

The status of the contracted amount and fair value of specified transactions outstanding for the Investment Corporation as of August 31, 2021 is as follows:

Category	Type	Contracted amount (Millions of yen)		Fair value (Millions of yen) (Note 2)
		(Note 1)	Portion due after 1 year (Note 1)	
Off-market- transaction	Interest rate swap transaction			
	Payment: fixed interest rate Receipt: floating interest rate	¥ 87,003	¥ 76,097	¥ —
Total		¥ 87,003	¥ 76,097	¥ —

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

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

(5) Status of other assets

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

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

(6) Status of asset holding by country and region

Not applicable for countries and regions other than Japan.

4. Capital Expenditures for Properties Held

(1) Schedule of capital expenditures

For each asset held by the Investment Corporation as of August 31, 2021, the main capital expenditures for renovation work, etc. scheduled as of August 31, 2021 (the end of the 15th fiscal period) are as below. Estimated capital expenditure for work shown below includes parts that are charged to expenses.

Property name	Location	Purpose	Scheduled period	Estimated capital expenditure for work (Millions of yen)		
				Total amount	Payment during the period	Total amount paid
Hulic Kamiyacho Building	Minato-ku, Tokyo	Renewal work for the rooms for rent (10th floor)	From August 2021 to February 2022	¥ 136	¥ –	¥ –
Hulic Takadanobaba Building	Toshima-ku, Tokyo	Renewal work for elevator	From December 2021 to February 2022	50	–	–
Oimachi Redevelopment Building (#1)	Shinagawa-ku, Tokyo	Renewal work for escalator control system	From April 2021 to August 2022	93	25	25
Hulic Higashi Ueno 1 Chome Building	Taito-ku, Tokyo	Renewal work for the rooms for rent	From April 2022 to July 2022	55	–	–
Hulic Toranomom Building	Minato-ku, Tokyo	Renewal work for the rooms for rent	From April 2022 to July 2022	50	–	–

(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 ¥319,298 thousand and repair expenses were ¥108,163 thousand. In aggregate, construction work in the amount of ¥427,462 thousand was carried out during the period.

Property name	Location	Purpose	Period	Capital expenditure for work (Millions of yen)
Hulic Higashi Nihonbashi Building	Chuo-ku, Tokyo	Renovation work for mechanical parking lot	From May 2021 to August 2021	¥ 120
Other				199
Total				¥ 319

(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	14th fiscal period (From September 1, 2020 to February 28, 2021)	15th fiscal period (From March 1, 2021 to August 31, 2021)
(a) Asset management fees	¥1,256,800 thousand	¥1,072,007 thousand
(b) Asset custody fees	¥15,549 thousand	¥15,499 thousand
(c) Administrative service fees	¥49,329 thousand	¥49,227 thousand
(d) Remuneration for directors (and other officers)	¥6,000 thousand	¥6,000 thousand
(e) Other operating expenses	¥189,303 thousand	¥165,019 thousand
Total	¥1,516,982 thousand	¥1,307,754 thousand

(Note) Other than the amount stated above, asset management fees includes the portion of compensations associated with a property acquisition factored into the book value of the individual properties (the 14th fiscal period: ¥20,250 thousand; the 15th fiscal period: ¥18,600 thousand) and the portion of compensations associated with a property transfer deducted from gain on sale of real estate properties of the individual properties (the 14th fiscal period: ¥36,375 thousand; the 15th fiscal period: ¥36,262 thousand).

(2) Status of borrowings

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

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Short-term borrowings	Mizuho Bank, Ltd. (Note 4)	August 7, 2020	¥ 1,980	¥ –	0.3774%	August 6, 2021	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation (Note 4)		1,386	–					
	MUFG Bank, Ltd. (Note 4)		594	–					
	Subtotal		¥ 3,960	¥ –					
Long-term borrowings	Mizuho Bank, Ltd.	February 27, 2015	¥ 2,800	¥ –	0.6750%	August 31, 2021	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		2,110	–					
	MUFG Bank, Ltd.		830	–					
	Mizuho Trust & Banking Co., Ltd.		790	–					
	Aozora Bank, Ltd.		300	–					
	Shinsei Bank, Limited		300	–					
	Mizuho Bank, Ltd.	February 27, 2015	2,385	2,385	0.7730%	February 28, 2022			
	Sumitomo Mitsui Banking Corporation		1,710	1,710					
	MUFG Bank, Ltd.		1,055	1,055					
	Mizuho Trust & Banking Co., Ltd.		800	800					
	Sumitomo Mitsui Trust Bank, Limited		1,400	1,400					
	Resona Bank, Limited		200	200					
	Mizuho Bank, Ltd.	August 31, 2017	150	150	0.4173%	February 28, 2022			
	Sumitomo Mitsui Banking Corporation		75	75					
	MUFG Bank, Ltd.		75	75					
	Mizuho Trust & Banking Co., Ltd.		72	72					
	Sumitomo Mitsui Trust Bank, Limited		128	128					
	The Norinchukin Bank		500	500					
	Development Bank of Japan Inc.	February 7, 2014	2,450	2,450	1.6100%	August 7, 2022			
	Mizuho Bank, Ltd.	August 31, 2015	1,144	1,144	0.7488%	August 31, 2022			
	MUFG Bank, Ltd.		710	710					
	Mizuho Trust & Banking Co., Ltd.		549	549					
	Sumitomo Mitsui Trust Bank, Limited		414	414					
	The Norinchukin Bank		414	414					
	Resona Bank, Limited		125	125					
	Development Bank of Japan Inc.	August 31, 2015	414	414	0.7550%	August 31, 2022			
	Mizuho Bank, Ltd.	February 7, 2017	650	650	0.5538%	August 31, 2022			
	Sumitomo Mitsui Banking Corporation		500	500					
	MUFG Bank, Ltd.		200	200					
	Mizuho Trust & Banking Co., Ltd.		450	450					
	Sumitomo Mitsui Trust Bank, Limited		445	445					
	The Norinchukin Bank		445	445					
	Resona Bank, Limited		150	150					
	Mizuho Bank, Ltd.	February 29, 2016	1,350	1,350	0.4099%	February 28, 2023			
	Sumitomo Mitsui Banking Corporation		800	800					

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term borrowings	MUFG Bank, Ltd.	February 29, 2016	550	550	0.4099%	February 28, 2023	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.		530	530					
	Sumitomo Mitsui Trust Bank, Limited		400	400					
	The Norinchukin Bank		400	400					
	Resona Bank, Limited		243	243					
	Shinkin Central Bank		141	141					
	Aozora Bank, Ltd.		141	141					
	Mizuho Bank, Ltd.	February 7, 2017	1,500	1,500	0.6031%	February 28, 2023			
	Sumitomo Mitsui Banking Corporation		1,200	1,200					
	MUFG Bank, Ltd.		300	300					
	Mizuho Trust & Banking Co., Ltd.		450	450					
	Sumitomo Mitsui Trust Bank, Limited		245	245					
	The Norinchukin Bank		245	245					
	Resona Bank, Limited		150	150					
	Sompo Japan Insurance Inc.	February 7, 2019	500	500	0.4100%	February 28, 2023			
	Mitsui Sumitomo Insurance Company, Limited		500	500					
	MUFG Bank, Ltd.	August 31, 2021	—	660	0.2123%	February 28, 2023			
	MUFG Bank, Ltd.	February 8, 2021	1,060	1,060	0.2225%	May 31, 2023			
	Mizuho Bank, Ltd.	February 29, 2016	1,377	1,377	0.4620%	August 31, 2023			
	Sumitomo Mitsui Banking Corporation		839	839					
	MUFG Bank, Ltd.		565	565					
	Mizuho Trust & Banking Co., Ltd.		546	546					
	Sumitomo Mitsui Trust Bank, Limited		409	409					
	Shinsei Bank, Limited		141	141					
	Mizuho Bank, Ltd.	February 7, 2017	1,863	1,863	0.6564%	August 31, 2023			
	Sumitomo Mitsui Banking Corporation		1,411	1,411					
	MUFG Bank, Ltd.		600	600					
	Mizuho Trust & Banking Co., Ltd.		917	917					
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	The Norinchukin Bank		500	500					
Resona Bank, Limited	302		302						
Mizuho Bank, Ltd.	August 31, 2020	200	200	0.2665%	August 31, 2023				
MUFG Bank, Ltd.		350	350						
Sumitomo Mitsui Trust Bank, Limited		300	300						
Mizuho Bank, Ltd.	February 7, 2014	400	400	1.8188%	February 7, 2024				
Sumitomo Mitsui Banking Corporation		300	300						
MUFG Bank, Ltd.		300	300						

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term borrowings	Development Bank of Japan Inc.	February 29, 2016	809	809	0.5188%	February 29, 2024	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Nippon Life Insurance Company		500	500					
	Mizuho Bank, Ltd.	February 7, 2017	1,000	1,000	0.6485%	February 29, 2024			
	Sumitomo Mitsui Banking Corporation		1,977	1,977					
	MUFG Bank, Ltd.		1,719	1,719					
	Mizuho Trust & Banking Co., Ltd.		600	600					
	Sumitomo Mitsui Trust Bank, Limited		569	569					
	The Norinchukin Bank		569	569					
	Nippon Life Insurance Company	February 7, 2019	500	500	0.4600%	February 29, 2024			
	Development Bank of Japan Inc.	February 27, 2015	1,900	1,900	1.1738%	August 30, 2024			
	Meiji Yasuda Life Insurance Company	February 29, 2016	500	500	0.5932%	August 30, 2024			
	Mizuho Bank, Ltd.	February 7, 2017	1,754	1,754	0.7800%	August 30, 2024			
	Mizuho Bank, Ltd.	August 31, 2017	1,400	1,400	0.5913%	August 30, 2024			
	Sumitomo Mitsui Banking Corporation		1,048	1,048					
	MUFG Bank, Ltd.		705	705					
	Mizuho Trust & Banking Co., Ltd.		622	622					
	Sumitomo Mitsui Trust Bank, Limited		610	610					
	The Norinchukin Bank		520	520					
	Resona Bank, Limited		215	215					
	Shinkin Central Bank		140	140					
	Shinsei Bank, Limited	140	140						
	Mizuho Bank, Ltd.	February 28, 2020	350	350	0.2445%	August 30, 2024			
	Sumitomo Mitsui Banking Corporation		220	220					
	MUFG Bank, Ltd.		110	110					
	Mizuho Trust & Banking Co., Ltd.		100	100					
	Mitsui Sumitomo Insurance Company, Limited		500	500					
	The 77 Bank, Ltd.		500	500					
	The Nishi-Nippon City Bank, Ltd.		500	500					
	Mizuho Bank, Ltd.		February 27, 2015	250					
	Sumitomo Mitsui Banking Corporation	125		125					
	MUFG Bank, Ltd.	125		125					
	Mizuho Bank, Ltd.	February 29, 2016	250	250	0.7275%	February 28, 2025			
	Sumitomo Mitsui Banking Corporation		125	125					
	MUFG Bank, Ltd.		125	125					
	Development Bank of Japan Inc.	February 7, 2017	969	969	0.8500%	February 28, 2025			
	Mizuho Bank, Ltd.	August 31, 2017	1,725	1,725	0.6574%	February 28, 2025			
	Sumitomo Mitsui Banking Corporation		1,203	1,203					
	MUFG Bank, Ltd.		753	753					
	Mizuho Trust & Banking Co., Ltd.		722	722					

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term borrowings	Development Bank of Japan Inc.	August 31, 2017	1,010	1,010	0.6574%	February 28, 2025	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		682	682					
	The Norinchukin Bank		400	400					
	Resona Bank, Limited		215	215					
	Shinkin Central Bank		140	140					
	Shinsei Bank, Limited		140	140					
	Mizuho Bank, Ltd.	February 7, 2019	200	200	0.4133%	February 28, 2025			
	Mizuho Trust & Banking Co., Ltd.		200	200					
	Sumitomo Mitsui Trust Bank, Limited		200	200					
	The Norinchukin Bank		450	450					
	Resona Bank, Limited		140	140					
	Shinsei Bank, Limited		150	150					
	Sumitomo Mitsui Banking Corporation	August 31, 2020	2,000	2,000	0.4145%	February 28, 2025			
	Mizuho Bank, Ltd.	August 31, 2017	1,531	1,531	0.7246%	August 29, 2025			
	Sumitomo Mitsui Banking Corporation		1,267	1,267					
	MUFG Bank, Ltd.		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.	February 7, 2019	500	500	0.5700%	August 29, 2025			
	Development Bank of Japan Inc.		1,200	1,200					
	Aozora Bank, Ltd.		600	600					
	Mizuho Bank, Ltd.	February 28, 2020	170	170	0.2845%	August 29, 2025			
	Sumitomo Mitsui Banking Corporation		150	150					
	MUFG Bank, Ltd.		100	100					
	Mizuho Trust & Banking Co., Ltd.		120	120					
	The Norinchukin Bank		780	780					
	Shinkin Central Bank		550	550					
	Shinsei Bank, Limited		390	390					
	Mitsui Sumitomo Insurance Company, Limited		210	210					
Mizuho Bank, Ltd.	February 7, 2019	2,910	2,910	0.4800%	February 27, 2026				
Sumitomo Mitsui Banking Corporation		1,700	1,700						
MUFG Bank, Ltd.		850	850						
Mizuho Trust & Banking Co., Ltd.		1,100	1,100						
Sumitomo Mitsui Trust Bank, Limited		700	700						
The Norinchukin Bank		1,410	1,410						
Resona Bank, Limited		880	880						
Shinsei Bank, Limited		450	450						
Mizuho Bank, Ltd.	February 7, 2019	3,420	3,420	0.5840%	August 31, 2026				
Sumitomo Mitsui Banking Corporation		2,700	2,700						

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term borrowings	MUFG Bank, Ltd.	February 7, 2019	1,600	1,600	0.5840%	August 31, 2026	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.		1,050	1,050					
	Sumitomo Mitsui Trust Bank, Limited		300	300					
	The Norinchukin Bank		1,000	1,000					
	Mizuho Bank, Ltd.	February 27, 2015	150	150	1.7500%	February 26, 2027			
	Sumitomo Mitsui Banking Corporation		75	75					
	MUFG Bank, Ltd.		75	75					
	Mizuho Bank, Ltd.	August 30, 2019	1,000	1,000	0.4225%	February 26, 2027			
	Sumitomo Mitsui Banking Corporation		960	960					
	The Norinchukin Bank		600	600					
	MUFG Bank, Ltd.		550	550					
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	Shinsei Bank, Limited		300	300					
	Mizuho Trust & Banking Co., Ltd.		300	300					
	Shinkin Central Bank		200	200					
	Resona Bank, Limited		170	170					
	Mizuho Bank, Ltd.	February 28, 2020	980	980	0.3920%	February 26, 2027			
	Sumitomo Mitsui Banking Corporation		400	400					
	MUFG Bank, Ltd.		340	340					
	Mizuho Trust & Banking Co., Ltd.		330	330					
	The Norinchukin Bank		1,280	1,280					
	Resona Bank, Limited		140	140					
	Shinkin Central Bank		930	930					
	Shinsei Bank, Limited		510	510					
	Mitsui Sumitomo Insurance Company, Limited		290	290					
	Mizuho Bank, Ltd.	February 28, 2020	1,795	1,795	0.4430%	August 31, 2027			
	Sumitomo Mitsui Banking Corporation		1,260	1,260					
	MUFG Bank, Ltd.		150	150					
	Mizuho Trust & Banking Co., Ltd.		610	610					
	The Norinchukin Bank		1,140	1,140					
	Shinkin Central Bank		820	820					
	Shinsei Bank, Limited		600	600					
MUFG Bank, Ltd.	February 28, 2020	490	490	0.4430%	August 31, 2027				
Sumitomo Mitsui Banking Corporation	August 31, 2020	1,000	1,000	0.4787%	August 31, 2027				
Sumitomo Mitsui Banking Corporation	February 8, 2021	1,950	1,950	0.4520%	January 31, 2028				
Mitsui Sumitomo Insurance Company, Limited		1,000	1,000						
Mizuho Bank, Ltd.	August 31, 2020	1,240	1,240	0.5325%	February 29, 2028				
Mizuho Trust & Banking Co., Ltd.		290	290						
Sumitomo Mitsui Trust Bank, Limited		700	700						
The Norinchukin Bank		400	400						
Resona Bank, Limited		500	500						
Development Bank of Japan Inc.	August 31, 2020	1,000	1,000	0.6346%	August 31, 2028				

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks	
Long-term borrowings	Aozora Bank, Ltd.	August 31, 2020	900	900	0.6346%	August 31, 2028	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed	
	Sumitomo Mitsui Banking Corporation	August 31, 2021	—	1,790	0.4220%	August 31, 2028				
	Mizuho Bank, Ltd.	August 31, 2020	1,600	1,600	0.6540%	February 28, 2029				
	Mizuho Trust & Banking Co., Ltd.		270	270						
	Mizuho Bank, Ltd.	February 8, 2021	500	500	0.5900%	February 28, 2029				
	Sumitomo Mitsui Trust Bank, Limited		1,660	1,660						
	Resona Bank, Limited		970	970						
	Shinkin Central Bank		1,000	1,000						
	Shinsei Bank, Limited		500	500						
	The 77 Bank, Ltd.		500	500						
	The Nishi-Nippon City Bank, Ltd.		500	500						
	The Gunma Bank, Ltd.		500	500						
	The Higo Bank, Ltd.		500	500						
	The Norinchukin Bank	February 8, 2021	1,000	1,000	0.6900%	August 31, 2029				
	Development Bank of Japan Inc.		600	600						
	Aozora Bank, Ltd.		1,200	1,200						
	Mizuho Bank, Ltd.	August 31, 2021	—	1,330	0.5421%	August 31, 2029				
	Mizuho Trust & Banking Co., Ltd.		—	630						
	Shinsei Bank, Limited		—	260						
	Aozora Bank, Ltd.		—	260						
	Mizuho Bank, Ltd.	February 8, 2021	3,060	3,060	0.7200%	February 28, 2030				
	Mizuho Trust & Banking Co., Ltd.		1,050	1,050						
	Mizuho Bank, Ltd.	August 31, 2021	—	1,000	0.6646%	August 30, 2030				
		Subtotal		¥ 150,816	¥ 149,616					
		Total		¥ 154,776	¥ 149,616					

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

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

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

(Note 4) The Investment Corporation made early repayment of the amount on May 7, 2021.

(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)
Third Series Unsecured Investment Corporation Bond	December 13, 2016	1,000	1,000	0.490	December 11, 2026	Lump-sum repayment	(Note 1)	Unsecured (Note 2)
Fourth Series Unsecured Investment Corporation Bond	August 30, 2018	7,000	7,000	0.770	August 30, 2028	Lump-sum repayment	(Note 1)	Unsecured (Note 2)
Fifth Series Unsecured Investment Corporation Bond	December 11, 2019	2,000	2,000	0.570	December 11, 2029	Lump-sum repayment	(Note 1)	Unsecured (Note 2)
Sixth Series Unsecured Investment Corporation Bond (Green Bond)	October 29, 2020	3,000	3,000	0.270	October 29, 2025	Lump-sum repayment	(Note 1)	Unsecured (Note 2)
Total		¥ 15,000	¥ 15,000					

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

(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)
Beneficial interests in real estate trust	Hulic Ueno Building	March 31, 2021	¥ 4,100	—	¥ —	¥ —	¥ —
Beneficial interests in real estate trust	Hulic Chofu	March 31, 2021	3,340	—	—	—	—
Beneficial interests in real estate trust	Orchid Square (Note 4)	—	—	March 1, 2021	1,945	1,735	203
Beneficial interests in real estate trust	Shinagawa Season Terrace	—	—	March 30, 2021	6,280	5,920	315
Total		—	¥ 7,440	—	¥ 8,225	¥ 7,655	¥ 519

(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., which is equivalent to the trading price stated on the sales agreements.

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

(Note 3) Gain (loss) on transfer shows 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 show the amounts equivalent to 50% 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	Beneficial interests in real estate trust	Hulic Ueno Building	March 31, 2021	¥ 4,100	¥ 4,284	Japan Real Estate Institute	February 1, 2021
Acquisition	Beneficial interests in real estate trust	Hulic Chofu	March 31, 2021	3,340	3,430	Japan Real Estate Institute	February 1, 2021
Transfer	Beneficial interests in real estate trust	Orchid Square	March 1, 2021	1,945	1,935 (Note 3)	Daiwa Real Estate Appraisal Co., Ltd.	August 31, 2020
Transfer	Beneficial interests in real estate trust	Shinagawa Season Terrace	March 30, 2021	6,280	6,225	Japan Real Estate Institute	August 31, 2020
Total				¥ 15,665	¥ 15,874	—	—

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

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

(Note 3) The value shows an amount calculated by multiplying the appraisal value of the overall property by the quasi co-ownership interest (50.0%) of the subject of transfer.

ii) Other

Not applicable.

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

i) Status of transactions

Category	Transaction amount (Note)	
	Purchase price	Sale price
Total	¥7,440 million	¥8,225 million
Breakdown of transactions with interested person, etc.		
Hulic Co., Ltd.	¥7,440 million (100.0%)	¥1,945 million (23.6%)
Total	¥7,440 million (100.0%)	¥1,945 million (23.6%)

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

ii) Amount of service fees, etc. paid

Category	Total amount of service fees paid (A) (Thousands of yen)	Transactions with interested person, etc.		Percentage to total amount B/A (%)
		Payee	Payment amount (B) (Thousands of yen)	
Property management fees	¥ 587,405	Hulic Building Management Co., Ltd.	¥ 146,231	24.9
		Tokyo Fudosan Kanri Co., Ltd.	¥ 78,405	13.3
		Heiwa Kanzai Co., Ltd.	¥ 13,252	2.3
Other expenses related to leasing business	¥ 359,186	Hulic Building Management Co., Ltd.	¥ 7,660	2.1
		Hulic Co., Ltd.	¥ 1,513	0.4
		Tokyo Fudosan Kanri Co., Ltd.	¥ 836	0.2
		Hulic Build Co., Ltd.	¥ 741	0.2

(Note 1) Interested person, etc. are the interested person, etc. of the asset management company that have entered into 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 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.	¥20,466 thousand
Tokyo Fudosan Kanri Co., Ltd.	¥5,201 thousand
Hulic Building Management Co., Ltd.	¥3,507 thousand

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

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

7. Financial Information

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

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

(2) Changes in the calculation method of depreciation expenses

Not applicable.

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

Not applicable.

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

Not applicable.

(5) Disclosure regarding corporation holding overseas real estate

Not applicable.

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

Not applicable.

8. Other

(1) Announcements

i) General Meeting of Unitholders

The fifth General Meeting of Unitholders of the Investment Corporation was held on May 25, 2021.
The outline of the matters approved at the General Meeting of Unitholders is as follows:

Proposals	Outline
Proposal 1: Partial Amendment of Articles of Incorporation	<p>The Articles of Incorporation were amended as follows as originally proposed.</p> <ul style="list-style-type: none">• A new paragraph was added stating that the provisions of the deemed approval shall not be applied to the resolutions of the proposals pertaining to Article 104, Paragraph 1 (Dismissal of Executive Officers, Supervisory Officers and Accounting Auditors), Article 140 (Revision to the Articles of Incorporation) (provided that this is only applicable to the creation, revision and abolition of the provisions related to the deemed approval), Article 143, Item 3 (Dissolution), Article 205, Paragraph 2 (Consent to the Cancellation of Asset Management Agreement) or Article 206, Paragraph 1 (Cancellation of Asset Management Agreement) in the Investment Trust Act.
Proposal 2: Appointment of One (1) Executive Officer	Kazuaki Chokki was appointed as Executive Officer as originally proposed.
Proposal 3: Appointment of One (1) Substitute Executive Officer	Hiroshi Machiba was appointed as substitute Executive Officer as originally proposed.
Proposal 4: Appointment of Two (2) Supervisory Officers	Kunio Shimada and Rika Nakamura were each appointed as Supervisory Officer as originally proposed.
Proposal 5: Appointment of One (1) Substitute Supervisory Officer	Takayuki Tomioka was appointed as substitute Supervisory Officer as originally proposed.

ii) Meeting of Board of Directors of the Investment Corporation

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

Date of Board of Directors meeting	Approved items	Outline
March 26, 2021	Conclusion of new investment units underwriting agreements	With respect to the issuance of new investment units and sale of investment units approved at the meeting of the Board of Directors held on the same day, the general administrative duties concerning the offering of new investment units were entrusted to Mizuho Securities Co., Ltd., Nomura Securities Co., Ltd., Daiwa Securities Co., Ltd., SMBC Nikko Securities Inc., etc.
June 4, 2021	Comprehensive resolution on issuance of investment corporation bonds and associated consignment of general administrative duties	The Board of Directors made a comprehensive resolution relating to the issuance of investment corporation bonds with a total issue amount to be within ¥15,000 million and an issuance period from June 30, 2021 to December 31, 2021. The Board of Directors approved candidate companies for consignment of administrative duties relating to offering the investment corporation bonds as well as administrative duties relating to receiving requests relating to exercise of rights of investment corporation bonds and other applications from investment corporation bondholders, and operations during the term of the investment corporation bonds (including duties of the fiscal agent, issuing agent and paying agent). The Board of Directors delegated selection of the consignee for general administrative duties relating to the investment corporation bonds and decision making on the scope and the specific consignment conditions of consignment of general administrative duties, and all the necessary matters related to the consignment of administrative operations to the Executive Officer.

(2) Others

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

9. Risk Factors

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

Property and Business Risks

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

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

Taxation Risks

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

Legal and Regulatory Risks

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

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

Independent Auditor's Report

The Board of Directors
Hulic Reit, Inc.

Opinion

We have audited the accompanying financial statements of Hulic Reit, Inc. (the Company), which comprise the balance sheet as at August 31, 2021, and the statements of income and retained earnings, changes in net assets and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2021, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Supervisory Director 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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Supervisory Director is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Executive Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Executive Director with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Building a better
working world

Ernst & Young ShinNihon LLC
Tokyo, Japan

November 24, 2021

江下 聖

Sei Eshita
Designated Engagement Partner
Certified Public Accountant

佐藤 賢治

Kenji Sato
Designated Engagement Partner
Certified Public Accountant

III. Financial Statements

(1) Balance Sheets

(Unit: thousands of yen)

	Reporting period (As of August 31, 2021)	Previous period (As of February 28, 2021)
Assets		
Current assets		
Cash and deposits (Notes 4 and 13)	13,731,679	11,543,492
Cash and deposits in trust (Notes 4 and 13)	7,884,776	7,955,014
Operating accounts receivable	33,720	134,166
Prepaid expenses	64,503	47,759
Other	490	–
Total current assets	21,715,170	19,680,432
Noncurrent assets		
Property, plant and equipment (Note 5)		
Buildings	693,561	684,766
Accumulated depreciation	(48,713)	(39,574)
Buildings, net	644,848	645,191
Land	1,849,447	1,849,447
Buildings in trust	73,044,514	74,080,029
Accumulated depreciation	(11,020,320)	(10,085,773)
Buildings in trust, net	62,024,194	63,994,255
Structures in trust	398,940	414,041
Accumulated depreciation	(164,788)	(154,034)
Structures in trust, net	234,151	260,007
Machinery and equipment in trust	518,673	376,019
Accumulated depreciation	(221,400)	(200,498)
Machinery and equipment in trust, net	297,272	175,520
Tools, furniture and fixtures in trust	96,918	90,095
Accumulated depreciation	(41,052)	(34,286)
Tools, furniture and fixtures in trust, net	55,865	55,808
Land in trust	273,732,093	269,041,070
Construction in progress in trust	26,678	–
Total property, plant and equipment	338,864,551	336,021,301
Intangible assets		
Leasehold interests in land	2,345,873	2,343,025
Land leasehold interests in trust	4,966,941	8,779,682
Other	8,005	8,985
Total intangible assets	7,320,821	11,131,693
Investments and other assets		
Leasehold and guarantee deposits	360,076	419,955
Long-term prepaid expenses	977,534	1,032,215
Deferred tax assets (Note 6)	8,107	–
Total investments and other assets	1,345,717	1,452,171
Total noncurrent assets	347,531,090	348,605,166
Deferred assets		
Investment unit issuance costs	31,793	27,470
Investment corporation bond issuance costs	80,497	87,658
Total deferred assets	112,290	115,128
Total assets	369,358,551	368,400,728

(Unit: thousands of yen)

	Reporting period (As of August 31, 2021)	Previous period (As of February 28, 2021)
Liabilities		
Current liabilities		
Operating accounts payable	810,266	610,323
Short-term borrowings (Notes 7 and 13)	–	3,960,000
Current portion of long-term borrowings (Notes 7 and 13)	17,610,000	15,680,000
Accounts payable - other	1,275,525	1,481,175
Accrued expenses	23,410	25,560
Income taxes payable	89,620	77,671
Accrued consumption taxes	373,811	446,953
Advances received	1,734,073	1,653,922
Deposits received	1,194	5,578
Total current liabilities	21,917,903	23,941,186
Noncurrent liabilities		
Investment corporation bonds (Notes 8 and 13)	15,000,000	15,000,000
Long-term borrowings (Notes 7 and 13)	132,006,000	135,136,000
Leasehold and guarantee deposits received	166,073	131,075
Leasehold and guarantee deposits received in trust	14,454,321	14,696,271
Asset retirement obligations (Notes 6 and 21)	284,282	283,601
Total noncurrent liabilities	161,910,677	165,246,948
Total liabilities	183,828,580	189,188,135
Net assets (Note 9)		
Unitholders' equity (Note 10)		
Unitholders' capital	180,440,016	173,778,746
Deduction from unitholders' capital		
Allowance for temporary difference adjustments (Note 22)	(3,936)	(3,936)
Total deduction from unitholders' capital	(3,936)	(3,936)
Unitholders' capital, net	180,436,080	173,774,810
Surplus		
Unappropriated retained earnings (Note 11)	5,093,890	5,437,782
Total surplus	5,093,890	5,437,782
Total unitholders' equity	185,529,970	179,212,592
Total net assets (Note 9)	185,529,970	179,212,592
Total liabilities and net assets	369,358,551	368,400,728

See accompanying notes to financial statements.

(2) Statements of Income and Retained Earnings

(Unit: thousands of yen)

	Reporting period (From March 1, 2021 to August 31, 2021)	Previous period (From September 1, 2020 to February 28, 2021)
Operating revenues		
Leasing business revenue (Note 12)	9,533,196	9,737,884
Other leasing business revenues (Note 12)	452,926	487,374
Gain on sale of real estate properties (Note 12)	519,046	945,510
Total operating revenues	10,505,170	11,170,769
Operating expenses		
Expenses related to leasing business (Note 12)	3,434,025	3,421,533
Asset management fees	1,072,007	1,256,800
Asset custody fees	15,499	15,549
Administrative service fees	49,227	49,329
Remuneration for directors (and other officers)	6,000	6,000
Other operating expenses	165,019	189,303
Total operating expenses	4,741,779	4,938,515
Operating profit	5,763,390	6,232,254
Non-operating income		
Interest income	97	91
Gain on forfeiture of unclaimed distributions	248	243
Total non-operating income	345	335
Non-operating expenses		
Interest expenses	463,651	479,149
Interest expenses on investment corporation bonds	48,742	47,252
Borrowing related expenses	172,079	168,386
Amortization of investment unit issuance costs	18,241	16,153
Amortization of investment corporation bond issuance costs	7,161	6,293
Total non-operating expenses	709,875	717,235
Ordinary profit	5,053,860	5,515,354
Profit before income taxes	5,053,860	5,515,354
Income taxes - current (Note 6)	89,635	77,685
Income taxes - deferred (Note 6)	(8,107)	26
Total income taxes	81,528	77,712
Profit (Note 18)	4,972,332	5,437,642
Retained earnings brought forward	121,558	140
Unappropriated retained earnings	5,093,890	5,437,782

See accompanying notes to financial statements.

(3) Statements of Changes in Net Assets

Reporting period (From March 1, 2021 to August 31, 2021)

(Unit: thousands of yen)

(Unit: thousands of yen)

	Unitholders' equity (Note 10)							Total net assets
	Unitholders' capital				Surplus		Total unitholders' equity	
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated retained earnings	Total surplus		
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital					
Balance at the beginning of the period	173,778,746	(3,936)	(3,936)	173,774,810	5,437,782	5,437,782	179,212,592	179,212,592
Changes during the period								
Issuance of new investment units	6,661,270	—	—	6,661,270	—	—	6,661,270	6,661,270
Dividends of surplus	—	—	—	—	(5,316,224)	(5,316,224)	(5,316,224)	(5,316,224)
Profit	—	—	—	—	4,972,332	4,972,332	4,972,332	4,972,332
Total changes during the period	6,661,270	—	—	6,661,270	(343,891)	(343,891)	6,317,378	6,317,378
Balance at the end of the period	180,440,016	(3,936)	(3,936)	180,436,080	5,093,890	5,093,890	185,529,970	185,529,970

Previous period (From September 1, 2020 to February 28, 2021)

(Unit: thousands of yen)

(\$mil. thousands of yen)

	Unitholders' equity (Note 10)							Total net assets
	Unitholders' capital				Surplus		Total unitholders' equity	
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated retained earnings	Total surplus		
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital					
Balance at the beginning of the period	173,778,746	(1,312)	(1,312)	173,777,434	5,082,828	5,082,828	178,860,262	178,860,262
Changes during the period								
Dividends of surplus	—	—	—	—	(5,082,688)	(5,082,688)	(5,082,688)	(5,082,688)
Distributions in excess of earnings from allowance for temporary difference adjustments	—	(2,624)	(2,624)	(2,624)	—	—	(2,624)	(2,624)
Profit	—	—	—	—	5,437,642	5,437,642	5,437,642	5,437,642
Total changes during the period	—	(2,624)	(2,624)	(2,624)	354,954	354,954	352,330	352,330
Balance at the end of the period	173,778,746	(3,936)	(3,936)	173,774,810	5,437,782	5,437,782	179,212,592	179,212,592

See accompanying notes to financial statements.

(4) Statements of Cash Flows

(Unit: thousands of yen)

	Reporting period (From March 1, 2021 to August 31, 2021)	Previous period (From September 1, 2020 to February 28, 2021)
Cash flows from operating activities		
Profit before income taxes	5,053,860	5,515,354
Depreciation and amortization	1,234,765	1,240,171
Amortization of investment unit issuance costs	18,241	16,153
Amortization of investment corporation bond issuance costs	7,161	6,293
Interest income	(97)	(91)
Interest expenses	512,393	526,401
Decrease (increase) in operating accounts receivable	100,446	36,847
Decrease (increase) in prepaid expenses	(16,744)	(4,054)
Increase (decrease) in operating accounts payable	200,538	(272,262)
Increase (decrease) in accounts payable - other	(206,990)	192,479
Increase (decrease) in accrued consumption taxes	(73,141)	218,573
Increase (decrease) in advances received	80,150	(59,086)
Increase (decrease) in deposits received	(4,383)	5,215
Decrease (increase) in long-term prepaid expenses	54,681	(168,040)
Decrease in property, plant and equipment in trust due to sales	3,824,952	9,097,779
Decrease in intangible assets in trust due to sales	3,830,214	—
Other, net	97,383	(1,703)
Subtotal	14,713,432	16,350,033
Interest received	97	91
Interest paid	(517,460)	(536,596)
Income taxes (paid) refund	(77,671)	(1,140)
Net cash provided by (used in) operating activities	14,118,397	15,812,388
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,724)	(32,270)
Purchase of property, plant and equipment in trust	(7,888,876)	(8,264,963)
Purchase of intangible assets	(91,565)	(9,797)
Purchase of intangible assets in trust	(28,783)	—
Payments of leasehold and guarantee deposits	—	(59,879)
Proceeds from refund of leasehold and guarantee deposits	59,879	226
Refund of leasehold and guarantee deposits received	(45,150)	(12,440)
Proceeds from leasehold and guarantee deposits received	80,148	12,440
Refund of leasehold and guarantee deposits received in trust	(655,262)	(174,856)
Proceeds from leasehold and guarantee deposits received in trust	413,311	388,366
Net cash provided by (used in) investing activities	(8,164,021)	(8,153,175)
Cash flows from financing activities		
Repayments of short-term borrowings	(3,960,000)	(15,000,000)
Proceeds from long-term borrowings	5,930,000	17,550,000
Repayments of long-term borrowings	(7,130,000)	(8,550,000)
Proceeds from issuance of investment corporation bonds	—	2,976,361
Proceeds from issuance of investment units	6,638,705	—
Distributions paid	(5,315,130)	(5,084,273)
Net cash provided by (used in) financing activities	(3,836,425)	(8,107,911)
Net increase (decrease) in cash and cash equivalents	2,117,949	(448,699)
Cash and cash equivalents at beginning of period	19,498,506	19,947,205
Cash and cash equivalents at end of period (Note 4)	21,616,456	19,498,506

See accompanying notes to financial statements.

(5) Notes to Financial Statements

For the periods from March 1, 2021 to August 31, 2021 and September 1, 2020 to February 28, 2021

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 in 2021 through the Investment Corporation’s seventh public offering (39,000 units) after its listing and through the allocation to a third-party (2,000 units), the total number of investment units outstanding was 1,353,000 units as of August 31, 2021.

The Investment Corporation’s real estate portfolio as of August 31, 2021 was comprised of 58 properties under management with a total leasable floor area of 325,888.86 m². The Investment Corporation has already invested ¥349,987 million (based on acquisition price) into this portfolio. The occupancy rate as of August 31, 2021 was 99.20%.

2. Basis of Presentation

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

3. Summary of Significant Accounting Policies

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

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

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

(2) Intangible assets

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

(3) Long-term prepaid expenses

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

(4) Investment corporation bond issuance costs

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

(5) Investment unit issuance costs

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

(6) Accounting for property taxes

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

Registered owners of properties in Japan as of January 1 are responsible for paying property taxes for the calendar year based on assessments by local governments. Therefore, registered owners who sold properties to the Investment Corporation were liable for property taxes for the calendar year, including the period from the date of the acquisition by the Investment Corporation until the end of the year. The Investment Corporation reimbursed sellers of properties for the equivalent amount of property taxes and included the amount in the acquisition cost of real estate. The amounts equivalent to property taxes included in the cost of acquisition of real estate are ¥26,162 thousand and ¥5,563 thousand for the periods from March 1, 2021 to August 31, 2021 and from September 1, 2020 to February 28, 2021, respectively.

(7) Hedge accounting method

(a) Hedge accounting method

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

(b) Hedging instruments and hedged items

Hedging instruments: Interest rate swap transactions

Hedged items: Interest payments on borrowings

(c) Hedging policy

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

(d) Method for assessing the effectiveness of hedging

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

(8) Cash and cash equivalents

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

(9) Accounting for beneficial interests in real estate trust

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

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

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

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

(10) Consumption taxes

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

(11) Accounting standards issued but not yet adopted

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, revised on March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, revised on March 26, 2021)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, revised on March 31, 2020)

(i) Overview

The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) have jointly developed a comprehensive accounting standard for revenue recognition and issued it as converged guidance on recognizing revenue in contracts with customers in May 2014 as IFRS 15 (IASB) and Topic 606 (FASB), respectively. To respond to both IFRS 15 and Topic 606 effective from the fiscal years beginning on or after January 1, 2018 and December 15, 2017, respectively, ASBJ has developed a comprehensive accounting standard for revenue recognition and issued it with the respective implementation guidance.

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

(ii) Effective date

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

(iii) Effects of application of the standards

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

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, issued on July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, issued on July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, revised on June 17, 2021)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, revised on March 31, 2020)

(i) Overview

IASB and FASB both stipulate detailed guidance on fair value measurement as IFRS 13 “Fair Value Measurement” (IFRS) and Topic 820 “Fair Value Measurement” (FASB), respectively. To enhance the comparability with these international accounting standards, ASBJ has issued the above Accounting Standard for Fair Value Measurement and Implementation Guidance on Accounting Standard for Fair Value Measurement after thorough deliberation on implementation guidance and disclosure requirements in the standard for fair value mainly of financial instruments.

ASBJ’s basic policy in developing the accounting standard for fair value measurement was to adopt entire IFRS 13 with the unified measurement methodology for a better comparability of the financial statements of domestic and foreign enterprises. ASBJ, on the other side, specified other alternative treatments in individual items considering the current practices under Japanese GAAP as far as such treatments would not significantly impair international comparability.

(ii) Effective date

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

(iii) Effects of application of the standards

The effects of the application of the above standards and guidances on the financial statements are currently being assessed.

4. Cash and Cash Equivalents

Cash and cash equivalents as of August 31, 2021 and February 28, 2021 consist of the following balance sheet items:

	(Unit: thousands of yen)			
	Reporting period (As of August 31, 2021)		Previous period (As of February 28, 2021)	
Cash and deposits	¥	13,731,679	¥	11,543,492
Cash and deposits in trust		7,884,776		7,955,014
Total cash and cash equivalents	¥	21,616,456	¥	19,498,506

5. Property, Plant and Equipment and Intangible Assets

The following table shows the summary of property, plant and equipment and intangible assets as of August 31, 2021:

(Unit: thousands of yen)

(Unit: thousands of yen)										
Type of asset			Balance at the beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at the end of the period	Accumulated depreciation /Accumulated amortization		Net balance at the end of the period	Remarks
								Depreciation and amortization		
Property, plant and equipment	Real estate	Buildings	¥ 684,766	¥ 8,795	¥ –	¥ 693,561	¥ 48,713	¥ 9,138	¥ 644,848	
		Land	1,849,447	–	–	1,849,447	–	–	1,849,447	
		Subtotal	¥ 2,534,213	¥ 8,795	¥ –	¥ 2,543,009	¥ 48,713	¥ 9,138	¥ 2,494,295	
	Beneficial interests in trust	Buildings in trust	¥ 74,080,029	¥ 1,446,016	¥ 2,481,531	¥ 73,044,514	¥11,020,320	¥ 1,177,139	¥ 62,024,194	Acquisition and transfer of properties
		Structures in trust	414,041	4,762	19,863	398,940	164,788	13,855	234,151	
		Machinery and equipment in trust	376,019	142,654	–	518,673	221,400	20,902	297,272	
		Tools, furniture and fixtures in trust	90,095	6,822	–	96,918	41,052	6,766	55,865	
		Land in trust	269,041,070	6,260,275	1,569,252	273,732,093	–	–	273,732,093	Acquisition and transfer of properties
		Construction in progress in trust	–	26,678	–	26,678	–	–	26,678	
		Subtotal	¥ 344,001,256	¥ 7,887,209	¥ 4,070,647	¥ 347,817,818	¥11,447,562	¥ 1,218,663	¥ 336,370,256	
		Total	¥ 346,535,470	¥ 7,896,005	¥ 4,070,647	¥ 350,360,827	¥11,496,276	¥ 1,227,802	¥ 338,864,551	
Intangible assets	Leasehold interests in land	¥ 2,343,025	¥ 91,565	¥ 88,717	¥ 2,345,873	¥ –	¥ –	¥ 2,345,873		
	Land leasehold interests in trust	8,792,939	28,783	3,836,220	4,985,501	18,559	5,302	4,966,941	Transfer of properties	
	Other	9,797	–	–	9,797	1,791	979	8,005		
	Total	¥ 11,145,762	¥ 120,348	¥ 3,924,937	¥ 7,341,172	¥ 20,351	¥ 6,282	¥ 7,320,821		

(Note) The amount of increase during the period is mainly due to the acquisition of two properties, Hulic Ueno Building and Hulic Chofu.

The amount of decrease during the period is mainly due to the transfer of Shinagawa Season Terrace and Orchid Square (quasi co-ownership interest of 50%).

6. Income Taxes

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

(Deferred tax assets)

	(Unit: thousands of yen)			
	Reporting period (As of August 31, 2021)		Previous period (As of February 28, 2021)	
Enterprise tax payable	¥	8,107	¥	7,014
Excess depreciation		747		533
Asset retirement obligations		88,687		88,687
Total deferred tax assets		97,542		96,235
Valuation allowance		(89,435)		(96,235)
Net deferred tax assets	¥	8,107	¥	—

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

	Reporting period (As of August 31, 2021)		Previous period (As of February 28, 2021)	
Statutory tax rate		34.59%		34.59%
(Adjustments)				
Deductible cash distribution		(32.87)%		(33.34)%
Others		(0.11)%		0.16%
Effective tax rate		1.61%		1.41%

7. Short-term Borrowings and Long-term Borrowings

Summary information regarding short-term borrowings and long-term borrowings as of August 31, 2021 is as follows:

Classifi- cation	Lender	Balance at the beginning of the period (thousands of yen)	Amount of increase during the period (thou- sands of yen)	Amount of decrease during the period (thou- sands of yen)	Balance at the end of the period (thousands of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Use	Remarks				
Short-term borrowings	Mizuho Bank, Ltd. (Note 4)	¥1,980,000	¥ —	¥1,980,000	¥ —	0.3774	August 6, 2021	(Note 3)	Unsecured and unguaranteed				
	Sumitomo Mitsui Banking Corporation (Note 4)	1,386,000	—	1,386,000	—								
	MUFG Bank, Ltd. (Note 4)	594,000	—	594,000	—								
	Subtotal	¥3,960,000	¥ —	¥3,960,000	¥ —								
Long-term borrowings	Mizuho Bank, Ltd.	¥2,800,000	¥ —	¥2,800,000	¥ —	0.6750	August 31, 2021	(Note 3)	Unsecured and unguaranteed				
	Sumitomo Mitsui Banking Corporation	2,110,000	—	2,110,000	—								
	MUFG Bank, Ltd.	830,000	—	830,000	—								
	Mizuho Trust & Banking Co., Ltd.	790,000	—	790,000	—								
	Aozora Bank, Ltd.	300,000	—	300,000	—								
	Shinsei Bank, Limited	300,000	—	300,000	—								
	Mizuho Bank, Ltd.	2,385,000	—	—	2,385,000	0.7730	February 28, 2022			(Note 3)	Unsecured and unguaranteed		
	Sumitomo Mitsui Banking Corporation	1,710,000	—	—	1,710,000								
	MUFG Bank, Ltd.	1,055,000	—	—	1,055,000								
	Mizuho Trust & Banking Co., Ltd.	800,000	—	—	800,000								
	Sumitomo Mitsui Trust Bank, Limited	1,400,000	—	—	1,400,000								
	Resona Bank, Limited	200,000	—	—	200,000								
	Mizuho Bank, Ltd.	150,000	—	—	150,000	0.4173	February 28, 2022					(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	75,000	—	—	75,000								
	MUFG Bank, Ltd.	75,000	—	—	75,000								
	Mizuho Trust & Banking Co., Ltd.	72,000	—	—	72,000								

Classification	Lender	Balance at the beginning of the period (thousands of yen)	Amount of increase during the period (thousands of yen)	Amount of decrease during the period (thousands of yen)	Balance at the end of the period (thousands of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Use	Remarks
Long-term borrowings	Sumitomo Mitsui Trust Bank, Limited	128,000	—	—	128,000	0.4173	February 28, 2022	(Note 3)	Unsecured and unguaranteed
	The Norinchukin Bank	500,000	—	—	500,000				
	Development Bank of Japan Inc.	2,450,000	—	—	2,450,000	1.6100	August 7, 2022		
	Mizuho Bank, Ltd.	1,144,000	—	—	1,144,000	0.7488	August 31, 2022		
	MUFG Bank, Ltd.	710,000	—	—	710,000				
	Mizuho Trust & Banking Co., Ltd.	549,000	—	—	549,000				
	Sumitomo Mitsui Trust Bank, Limited	414,000	—	—	414,000				
	The Norinchukin Bank	414,000	—	—	414,000				
	Resona Bank, Limited	125,000	—	—	125,000				
	Development Bank of Japan Inc.	414,000	—	—	414,000	0.7550	August 31, 2022		
	Mizuho Bank, Ltd.	650,000	—	—	650,000	0.5538	August 31, 2022		
	Sumitomo Mitsui Banking Corporation	500,000	—	—	500,000				
	MUFG Bank, Ltd.	200,000	—	—	200,000				
	Mizuho Trust & Banking Co., Ltd.	450,000	—	—	450,000				
	Sumitomo Mitsui Trust Bank, Limited	445,000	—	—	445,000				
	The Norinchukin Bank	445,000	—	—	445,000				
	Resona Bank, Limited	150,000	—	—	150,000	0.4099	February 28, 2023		
	Mizuho Bank, Ltd.	1,350,000	—	—	1,350,000				
	Sumitomo Mitsui Banking Corporation	800,000	—	—	800,000				
	MUFG Bank, Ltd.	550,000	—	—	550,000				
	Mizuho Trust & Banking Co., Ltd.	530,000	—	—	530,000				
	Sumitomo Mitsui Trust Bank, Limited	400,000	—	—	400,000				
	The Norinchukin Bank	400,000	—	—	400,000				
	Resona Bank, Limited	243,000	—	—	243,000				
	Shinkin Central Bank	141,000	—	—	141,000				
	Aozora Bank, Ltd.	141,000	—	—	141,000				
	Mizuho Bank, Ltd.	1,500,000	—	—	1,500,000	0.6031	February 28, 2023		
	Sumitomo Mitsui Banking Corporation	1,200,000	—	—	1,200,000				
	MUFG Bank, Ltd.	300,000	—	—	300,000				
	Mizuho Trust & Banking Co., Ltd.	450,000	—	—	450,000				
	Sumitomo Mitsui Trust Bank, Limited	245,000	—	—	245,000				
	The Norinchukin Bank	245,000	—	—	245,000				
	Resona Bank, Limited	150,000	—	—	150,000				
Sompo Japan Insurance Inc.	500,000	—	—	500,000	0.4100			February 28, 2023	
Mitsui Sumitomo Insurance Company, Limited	500,000	—	—	500,000					
MUFG Bank, Ltd.	—	660,000	—	660,000	0.2123	February 28, 2023			
MUFG Bank, Ltd.	1,060,000	—	—	1,060,000	0.2225	May 31, 2023			
Mizuho Bank, Ltd.	1,377,000	—	—	1,377,000	0.4620	August 31, 2023			
Sumitomo Mitsui Banking Corporation	839,000	—	—	839,000					
MUFG Bank, Ltd.	565,000	—	—	565,000					
Mizuho Trust & Banking Co., Ltd.	546,000	—	—	546,000					

Classification	Lender	Balance at the beginning of the period (thousands of yen)	Amount of increase during the period (thousands of yen)	Amount of decrease during the period (thousands of yen)	Balance at the end of the period (thousands of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Use	Remarks
Long-term borrowings	Sumitomo Mitsui Trust Bank, Limited	409,000	—	—	409,000	0.4620	August 31, 2023	(Note 3)	Unsecured and unguaranteed
	Shinsei Bank, Limited	141,000	—	—	141,000				
	Mizuho Bank, Ltd.	1,863,000	—	—	1,863,000	0.6564	August 31, 2023		
	Sumitomo Mitsui Banking Corporation	1,411,000	—	—	1,411,000				
	MUFG Bank, Ltd.	600,000	—	—	600,000				
	Mizuho Trust & Banking Co., Ltd.	917,000	—	—	917,000				
	Sumitomo Mitsui Trust Bank, Limited	500,000	—	—	500,000				
	The Norinchukin Bank	500,000	—	—	500,000				
	Resona Bank, Limited	302,000	—	—	302,000				
	Mizuho Bank, Ltd.	200,000	—	—	200,000	0.2665	August 31, 2023		
	MUFG Bank, Ltd.	350,000	—	—	350,000				
	Sumitomo Mitsui Trust Bank, Limited	300,000	—	—	300,000				
	Mizuho Bank, Ltd.	400,000	—	—	400,000	1.8188	February 7, 2024		
	Sumitomo Mitsui Banking Corporation	300,000	—	—	300,000				
	MUFG Bank, Ltd.	300,000	—	—	300,000				
	Development Bank of Japan Inc.	809,000	—	—	809,000	0.5188	February 29, 2024		
	Nippon Life Insurance Company	500,000	—	—	500,000				
	Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000	0.6485	February 29, 2024		
	Sumitomo Mitsui Banking Corporation	1,977,000	—	—	1,977,000				
	MUFG Bank, Ltd.	1,719,000	—	—	1,719,000				
	Mizuho Trust & Banking Co., Ltd.	600,000	—	—	600,000				
	Sumitomo Mitsui Trust Bank, Limited	569,000	—	—	569,000				
	The Norinchukin Bank	569,000	—	—	569,000				
	Nippon Life Insurance Company	500,000	—	—	500,000	0.4600	February 29, 2024		
	Development Bank of Japan Inc.	1,900,000	—	—	1,900,000	1.1738	August 30, 2024		
	Meiji Yasuda Life Insurance Company	500,000	—	—	500,000	0.5932	August 30, 2024		
	Mizuho Bank, Ltd.	1,754,000	—	—	1,754,000	0.7800	August 30, 2024		
	Mizuho Bank, Ltd.	1,400,000	—	—	1,400,000	0.5913	August 30, 2024		
	Sumitomo Mitsui Banking Corporation	1,048,000	—	—	1,048,000				
	MUFG Bank, Ltd.	705,000	—	—	705,000				
	Mizuho Trust & Banking Co., Ltd.	622,000	—	—	622,000				
	Sumitomo Mitsui Trust Bank, Limited	610,000	—	—	610,000				
The Norinchukin Bank	520,000	—	—	520,000					
Resona Bank, Limited	215,000	—	—	215,000					
Shinkin Central Bank	140,000	—	—	140,000					
Shinsei Bank, Limited	140,000	—	—	140,000					
Mizuho Bank, Ltd.	350,000	—	—	350,000					
Sumitomo Mitsui Banking Corporation	220,000	—	—	220,000	0.2445	August 30, 2024			
MUFG Bank, Ltd.	110,000	—	—	110,000					
Mizuho Trust & Banking Co., Ltd.	100,000	—	—	100,000					

Classification	Lender	Balance at the beginning of the period (thousands of yen)	Amount of increase during the period (thousands of yen)	Amount of decrease during the period (thousands of yen)	Balance at the end of the period (thousands of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Use	Remarks
Long-term borrowings	Mitsui Sumitomo Insurance Company, Limited	500,000	—	—	500,000	0.2445	August 30, 2024	(Note 3)	Unsecured and unguaranteed
	The 77 Bank, Ltd.	500,000	—	—	500,000				
	The Nishi-Nippon City Bank, Ltd.	500,000	—	—	500,000				
	Mizuho Bank, Ltd.	250,000	—	—	250,000	1.4600	February 28, 2025		
	Sumitomo Mitsui Banking Corporation	125,000	—	—	125,000				
	MUFG Bank, Ltd.	125,000	—	—	125,000				
	Mizuho Bank, Ltd.	250,000	—	—	250,000	0.7275	February 28, 2025		
	Sumitomo Mitsui Banking Corporation	125,000	—	—	125,000				
	MUFG Bank, Ltd.	125,000	—	—	125,000				
	Development Bank of Japan Inc.	969,000	—	—	969,000	0.8500	February 28, 2025		
	Mizuho Bank, Ltd.	1,725,000	—	—	1,725,000	0.6574	February 28, 2025		
	Sumitomo Mitsui Banking Corporation	1,203,000	—	—	1,203,000				
	MUFG Bank, Ltd.	753,000	—	—	753,000				
	Mizuho Trust & Banking Co., Ltd.	722,000	—	—	722,000				
	Development Bank of Japan Inc.	1,010,000	—	—	1,010,000				
	Sumitomo Mitsui Trust Bank, Limited	682,000	—	—	682,000				
	The Norinchukin Bank	400,000	—	—	400,000				
	Resona Bank, Limited	215,000	—	—	215,000				
	Shinkin Central Bank	140,000	—	—	140,000				
	Shinsei Bank, Limited	140,000	—	—	140,000				
	Mizuho Bank, Ltd.	200,000	—	—	200,000	0.4133	February 28, 2025		
	Mizuho Trust & Banking Co., Ltd.	200,000	—	—	200,000				
	Sumitomo Mitsui Trust Bank, Limited	200,000	—	—	200,000				
	The Norinchukin Bank	450,000	—	—	450,000				
	Resona Bank, Limited	140,000	—	—	140,000				
	Shinsei Bank, Limited	150,000	—	—	150,000				
	Sumitomo Mitsui Banking Corporation	2,000,000	—	—	2,000,000	0.4145	February 28, 2025		
	Mizuho Bank, Ltd.	1,531,000	—	—	1,531,000	0.7246	August 29, 2025		
	Sumitomo Mitsui Banking Corporation	1,267,000	—	—	1,267,000				
	MUFG Bank, Ltd.	577,000	—	—	577,000				
	Mizuho Trust & Banking Co., Ltd.	475,000	—	—	475,000				
	Development Bank of Japan Inc.	410,000	—	—	410,000				
	Aozora Bank, Ltd.	280,000	—	—	280,000				
Meiji Yasuda Life Insurance Company	230,000	—	—	230,000					
Nippon Life Insurance Company	230,000	—	—	230,000					
Mizuho Bank, Ltd.	500,000	—	—	500,000	0.5700	August 29, 2025			
Development Bank of Japan Inc.	1,200,000	—	—	1,200,000					
Aozora Bank, Ltd.	600,000	—	—	600,000					
Mizuho Bank, Ltd.	170,000	—	—	170,000	0.2845	August 29, 2025			
Sumitomo Mitsui Banking Corporation	150,000	—	—	150,000					
MUFG Bank, Ltd.	100,000	—	—	100,000					

Classification	Lender	Balance at the beginning of the period (thousands of yen)	Amount of increase during the period (thousands of yen)	Amount of decrease during the period (thousands of yen)	Balance at the end of the period (thousands of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Use	Remarks		
Long-term borrowings	Mizuho Trust & Banking Co., Ltd.	120,000	—	—	120,000	0.2845	August 29, 2025	(Note 3)	Unsecured and unguaranteed		
	The Norinchukin Bank	780,000	—	—	780,000						
	Shinkin Central Bank	550,000	—	—	550,000						
	Shinsei Bank, Limited	390,000	—	—	390,000						
	Mitsui Sumitomo Insurance Company, Limited	210,000	—	—	210,000						
	Mizuho Bank, Ltd.	2,910,000	—	—	2,910,000	0.4800	February 27, 2026				
	Sumitomo Mitsui Banking Corporation	1,700,000	—	—	1,700,000						
	MUFG Bank, Ltd.	850,000	—	—	850,000						
	Mizuho Trust & Banking Co., Ltd.	1,100,000	—	—	1,100,000						
	Sumitomo Mitsui Trust Bank, Limited	700,000	—	—	700,000						
	The Norinchukin Bank	1,410,000	—	—	1,410,000						
	Resona Bank, Limited	880,000	—	—	880,000						
	Shinsei Bank, Limited	450,000	—	—	450,000						
	Mizuho Bank, Ltd.	3,420,000	—	—	3,420,000					0.5840	August 31, 2026
	Sumitomo Mitsui Banking Corporation	2,700,000	—	—	2,700,000						
	MUFG Bank, Ltd.	1,600,000	—	—	1,600,000						
	Mizuho Trust & Banking Co., Ltd.	1,050,000	—	—	1,050,000						
	Sumitomo Mitsui Trust Bank, Limited	300,000	—	—	300,000						
	The Norinchukin Bank	1,000,000	—	—	1,000,000						
	Mizuho Bank, Ltd.	150,000	—	—	150,000						
	Sumitomo Mitsui Banking Corporation	75,000	—	—	75,000	1.7500	February 26, 2027				
	MUFG Bank, Ltd.	75,000	—	—	75,000						
	Mizuho Bank, Ltd.	1,000,000	—	—	1,000,000						
	Sumitomo Mitsui Banking Corporation	960,000	—	—	960,000	0.4225	February 26, 2027				
	The Norinchukin Bank	600,000	—	—	600,000						
	MUFG Bank, Ltd.	550,000	—	—	550,000						
	Sumitomo Mitsui Trust Bank, Limited	500,000	—	—	500,000						
	Shinsei Bank, Limited	300,000	—	—	300,000						
	Mizuho Trust & Banking Co., Ltd.	300,000	—	—	300,000						
	Shinkin Central Bank	200,000	—	—	200,000						
	Resona Bank, Limited	170,000	—	—	170,000						
	Mizuho Bank, Ltd.	980,000	—	—	980,000					0.3920	February 26, 2027
	Sumitomo Mitsui Banking Corporation	400,000	—	—	400,000						
	MUFG Bank, Ltd.	340,000	—	—	340,000						
	Mizuho Trust & Banking Co., Ltd.	330,000	—	—	330,000						
	The Norinchukin Bank	1,280,000	—	—	1,280,000						
Resona Bank, Limited	140,000	—	—	140,000							
Shinkin Central Bank	930,000	—	—	930,000							
Shinsei Bank, Limited	510,000	—	—	510,000							
Mitsui Sumitomo Insurance Company, Limited	290,000	—	—	290,000							
Mizuho Bank, Ltd.	1,795,000	—	—	1,795,000	0.4430	August 31, 2027					
Sumitomo Mitsui Banking Corporation	1,260,000	—	—	1,260,000							
MUFG Bank, Ltd.	150,000	—	—	150,000							

Classification	Lender	Balance at the beginning of the period (thousands of yen)	Amount of increase during the period (thousands of yen)	Amount of decrease during the period (thousands of yen)	Balance at the end of the period (thousands of yen)	Average interest rate (%) (Note 1) (Note 2)	Repayment date	Use	Remarks			
Long-term borrowings	Mizuho Trust & Banking Co., Ltd.	610,000	—	—	610,000	0.4430	August 31, 2027	(Note 3)	Unsecured and unguaranteed			
	The Norinchukin Bank	1,140,000	—	—	1,140,000							
	Shinkin Central Bank	820,000	—	—	820,000							
	Shinsei Bank, Limited	600,000	—	—	600,000							
	MUFG Bank, Ltd.	490,000	—	—	490,000	0.4430	August 31, 2027					
	Sumitomo Mitsui Banking Corporation	1,000,000	—	—	1,000,000	0.4787	August 31, 2027					
	Sumitomo Mitsui Banking Corporation	1,950,000	—	—	1,950,000	0.4520	January 31, 2028					
	Mitsui Sumitomo Insurance Company, Limited	1,000,000	—	—	1,000,000							
	Mizuho Bank, Ltd.	1,240,000	—	—	1,240,000	0.5325	February 29, 2028					
	Mizuho Trust & Banking Co., Ltd.	290,000	—	—	290,000							
	Sumitomo Mitsui Trust Bank, Limited	700,000	—	—	700,000							
	The Norinchukin Bank	400,000	—	—	400,000							
	Resona Bank, Limited	500,000	—	—	500,000							
	Development Bank of Japan Inc.	1,000,000	—	—	1,000,000	0.6346	August 31, 2028					
	Aozora Bank, Ltd.	900,000	—	—	900,000							
	Sumitomo Mitsui Banking Corporation	—	1,790,000	—	1,790,000	0.4220	August 31, 2028					
	Mizuho Bank, Ltd.	1,600,000	—	—	1,600,000	0.6540	February 28, 2029					
	Mizuho Trust & Banking Co., Ltd.	270,000	—	—	270,000							
	Mizuho Bank, Ltd.	500,000	—	—	500,000	0.5900	February 28, 2029					
	Sumitomo Mitsui Trust Bank, Limited	1,660,000	—	—	1,660,000							
	Resona Bank, Limited	970,000	—	—	970,000							
	Shinkin Central Bank	1,000,000	—	—	1,000,000							
	Shinsei Bank, Limited	500,000	—	—	500,000							
	The 77 Bank, Ltd.	500,000	—	—	500,000							
	The Nishi-Nippon City Bank, Ltd.	500,000	—	—	500,000							
	The Gunma Bank, Ltd.	500,000	—	—	500,000							
	The Higo Bank, Ltd.	500,000	—	—	500,000							
	The Norinchukin Bank	1,000,000	—	—	1,000,000	0.6900	August 31, 2029					
	Development Bank of Japan Inc.	600,000	—	—	600,000							
	Aozora Bank, Ltd.	1,200,000	—	—	1,200,000							
	Mizuho Bank, Ltd.	—	1,330,000	—	1,330,000	0.5421	August 31, 2029					
	Mizuho Trust & Banking Co., Ltd.	—	630,000	—	630,000							
	Shinsei Bank, Limited	—	260,000	—	260,000							
	Aozora Bank, Ltd.	—	260,000	—	260,000							
	Mizuho Bank, Ltd.	3,060,000	—	—	3,060,000	0.7200	February 28, 2030					
	Mizuho Trust & Banking Co., Ltd.	1,050,000	—	—	1,050,000							
	Mizuho Bank, Ltd.	—	1,000,000	—	1,000,000	0.6646	August 30, 2030					
		Subtotal	¥150,816,000	¥5,930,000	¥7,130,000	¥149,616,000						
		Total	¥154,776,000	¥5,930,000	¥11,090,000	¥149,616,000						

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

(Note 2) Long-term borrowings are borrowings that carry fixed interest (including borrowings where the interest rate is fixed by using interest rate swaps).

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

(Note 4) These loans were redeemed on May 7, 2021, prior to the maturity date.

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

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years
Long-term borrowings	¥ 17,610,000	¥ 22,185,000	¥ 21,077,000	¥ 22,069,000	¥ 20,070,000

8. Investment Corporation Bonds

Summary information regarding investment corporation bonds as of August 31, 2021 is as follows:

Issue	Issuance date	Balance at the beginning of the period (thousands of yen)	Decrease during the period (thousands of yen)	Balance at the end of the period (thousands of yen)	Interest rate (%)	Repayment date	Repayment method	Use	Collateral
1st Series Unsecured Investment Corporation Bond	August 31, 2015	¥ 2,000,000	¥ –	¥ 2,000,000	0.950	August 29, 2025	Lump-sum repayment	(Note 1)	None (Note 2)
3rd Series Unsecured Investment Corporation Bond	December 13, 2016	1,000,000	–	1,000,000	0.490	December 11, 2026	Lump-sum repayment	(Note 1)	None (Note 2)
4th Series Unsecured Investment Corporation Bond	August 30, 2018	7,000,000	–	7,000,000	0.770	August 30, 2028	Lump-sum repayment	(Note 1)	None (Note 2)
5th Series Unsecured Investment Corporation Bond	December 11, 2019	2,000,000	–	2,000,000	0.570	December 11, 2029	Lump-sum repayment	(Note 1)	None (Note 2)
6th Series Unsecured Investment Corporation Bond (Green Bond)	October 29, 2020	3,000,000	–	3,000,000	0.270	October 29, 2025	Lump-sum repayment	(Note 1)	None (Note 2)
Total	–	¥ 15,000,000	¥ –	¥ 15,000,000	–	–	–	–	–

(Note 1) The funds procured through issuance of investment corporation bonds were mainly used to repay borrowings.

(Note 2) With limited inter-bond pari passu clause.

(Note 3) 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	¥ 3,000,000

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 March 1, 2021 to August 31, 2021)	Previous period (From September 1, 2020 to February 28, 2021)
Total number of authorized investment units	20,000,000 units	20,000,000 units
Number of investment units issued	1,353,000 units	1,312,000 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 decided to pay distributions for the reporting period of an amount of the initially forecasted distribution of ¥4,803,150,000 and keep the amount in excess of that amount in internal reserves for the stabilization of future distributions.

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

	Reporting period (From March 1, 2021 to August 31, 2021)	Previous period (From September 1, 2020 to February 28, 2021)
I Unappropriated retained earnings	¥ 5,093,890,902	¥ 5,437,782,898
II Distribution amount	¥ 4,803,150,000	¥ 5,316,224,000
[Distributions per unit]	[¥ 3,550]	[¥ 4,052]
III Retained earnings brought forward	¥ 290,740,902	¥ 121,558,898

(Note) Additional information regarding the provision and reversal of allowance for temporary difference adjustments is as follows:

Reporting period (From March 1, 2021 to August 31, 2021)

Not applicable.

Previous period (From September 1, 2020 to February 28, 2021)

Not applicable.

12. Breakdown of Property-related Revenues and Expenses

(1) Breakdown of property operating profit

		(Unit: thousands of yen)	
		Reporting period (From March 1, 2021 to August 31, 2021)	Previous period (From September 1, 2020 to February 28, 2021)
A.	Property operating revenues		
	Leasing business revenue		
	Rent	¥ 8,547,167	¥ 8,674,457
	Land rent	265,032	265,026
	Common area revenue	720,997	9,533,196
	Other leasing business revenues		
	Utilities revenue	280,955	329,166
	Other revenue	171,971	452,926
	Total property operating revenues	¥ 9,986,123	¥ 10,225,259
B.	Property operating expenses		
	Expenses related to leasing business		
	Property management fees	¥ 587,405	¥ 598,690
	Utilities	299,219	307,590
	Property and other taxes	832,603	776,573
	Insurance premium	13,661	10,589
	Maintenance and repairs	108,163	126,776
	Depreciation	1,233,785	1,239,359
	Other expenses related to leasing business	359,186	3,434,025
	Total property operating expenses	¥ 3,434,025	¥ 3,421,533
C.	Property operating profit (A – B)	¥ 6,552,097	¥ 6,803,725

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

Reporting period (From March 1, 2021 to August 31, 2021)

Orchid Square (quasi co-ownership interest of 50%)	(Unit: thousands of yen)
Proceeds from sales of real estate properties	¥ 1,945,000
Cost of sales of real estate properties	1,735,046
Other expenses for the sales	5,965
Gain on sales of real estate properties	¥ 203,987

Shinagawa Season Terrace	(Unit: thousands of yen)
Proceeds from sales of real estate properties	¥ 6,280,000
Cost of sales of real estate properties	5,920,121
Other expenses for the sales	44,820
Gain on sales of real estate properties	¥ 315,058

Previous period (From September 1, 2020 to February 28, 2021)

Hulic Nihonbashi Honcho 1 Chome Building	(Unit: thousands of yen)
Proceeds from sales of real estate properties	¥ 4,450,000
Cost of sales of real estate properties	4,003,602
Other expenses for the sales	29,700
Gain on sales of real estate properties	¥ 416,696

Hulic Omori Building	(Unit: thousands of yen)
Proceeds from sales of real estate properties	¥ 3,705,000

Cost of sales of real estate properties		3,357,842
Other expenses for the sales		16,333
Gain on sales of real estate properties	¥	330,823

Orchid Square (quasi co-ownership interest of 50%) (Unit: thousands of yen)

Proceeds from sales of real estate properties	¥	1,945,000
Cost of sales of real estate properties		1,736,334
Other expenses for the sales		10,676
Gain on sales of real estate properties	¥	197,989

(3) Transactions with major unitholders

	(Unit: thousands of yen)			
	Reporting period (From March 1, 2021 to August 31, 2021)		Previous period (From September 1, 2020 to February 28, 2021)	
From operating transactions				
Leasing business revenue	¥	795,933	¥	807,819
Gain on sales of real estate properties		203,987		528,813

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 "14. Derivative Transactions" below do not represent the value of the market risk associated with the derivative transactions.

(2) Fair value of financial instruments

The carrying amounts on the balance sheet, fair values, and the differences between the two values as of August 31, 2021 and February 28, 2021 are as follows:

		(Unit: thousands of yen)					
		Reporting period (As of August 31, 2021)			Previous period (As of February 28, 2021)		
		Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(i)	Cash and deposits	¥ 13,731,679	¥ 13,731,679	¥ –	¥ 11,543,492	¥ 11,543,492	¥ –
(ii)	Cash and deposits in trust	7,884,776	7,884,776	–	7,955,014	7,955,014	–
	Total	¥ 21,616,456	¥ 21,616,456	¥ –	¥ 19,498,506	¥ 19,498,506	¥ –
(i)	Short-term borrowings	¥ –	¥ –	¥ –	¥ 3,960,000	¥ 3,960,000	¥ –
(ii)	Current portion of long-term borrowings	17,610,000	17,692,757	82,757	15,680,000	15,738,813	58,813
(iii)	Investment corporation bonds	15,000,000	15,016,200	16,200	15,000,000	15,020,700	20,700
(iv)	Long-term borrowings	132,006,000	129,361,619	(2,644,380)	135,136,000	131,758,829	(3,377,170)
	Total	¥ 164,616,000	¥162,070,576	¥ (2,545,423)	¥ 169,776,000	¥166,478,342	¥ (3,297,657)
	Derivative transactions	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –

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

Assets

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

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

Liabilities

- (i) Short-term borrowings

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

- (ii) Current portion of long-term borrowings, and (iv) Long-term borrowings

Since long-term borrowings that carry floating interest rates are reviewed on a short-term interval to reflect market interest rates, and the Investment Corporation's credit standing did not change significantly after the execution of the loans, their fair value is considered approximate to the carrying amounts. Therefore, the carrying amounts are used as the fair value of these liabilities. (However, for long-term borrowings with floating interest rates to which special treatment for interest rate swaps is applied (Please refer to "14. Derivative Transactions" below.), the fair value is calculated by discounting the sum of principal and interest, which are treated in combination with the said interest rate swap, at a reasonable rate estimated for a similar new loan that is made corresponding to the remaining period.)

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

- (iii) Investment corporation bonds

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 August 31, 2021 and February 28, 2021

	(Unit: thousands of yen)					
As of August 31, 2021	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Cash and deposits	¥ 13,731,679	¥ –	¥ –	¥ –	¥ –	¥ –
Cash and deposits in trust	7,884,776	–	–	–	–	–
Total	¥ 21,616,456	¥ –	¥ –	¥ –	¥ –	¥ –

	(Unit: thousands of yen)					
As of February 28, 2021	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Cash and deposits	¥ 11,543,492	¥ –	¥ –	¥ –	¥ –	¥ –
Cash and deposits in trust	7,955,014	–	–	–	–	–
Total	¥ 19,498,506	¥ –	¥ –	¥ –	¥ –	¥ –

(Note 3) Redemption schedule for investment corporation bonds, long-term borrowings and other interest-bearing debt as of August 31, 2021 and February 28, 2021

	(Unit: thousands of yen)					
As of August 31, 2021	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Short-term borrowings	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
Investment corporation bonds	–	–	–	2,000,000	3,000,000	10,000,000
Long-term borrowings	17,610,000	22,185,000	21,077,000	22,069,000	20,070,000	46,605,000
Total	¥ 17,610,000	¥ 22,185,000	¥ 21,077,000	¥ 24,069,000	¥ 23,070,000	¥ 56,605,000

(Unit: thousands of yen)						
As of February 28, 2021	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Short-term borrowings	¥ 3,960,000	¥ –	¥ –	¥ –	¥ –	¥ –
Investment corporation bonds	–	–	–	–	5,000,000	10,000,000
Long-term borrowings	15,680,000	18,705,000	21,123,000	24,133,000	19,770,000	51,405,000
Total	¥ 19,640,000	¥ 18,705,000	¥ 21,123,000	¥ 24,133,000	¥ 24,770,000	¥ 61,405,000

14. Derivative Transactions

(1) Derivative transactions not applying hedge accounting

As of August 31, 2021 and February 28, 2021

Not applicable.

(2) Derivative transactions applying hedge accounting

The contracted amount or principal amount equivalent set forth in the contract as of August 31, 2021 and February 28, 2021 for each hedge accounting method is as follows:

(Unit: thousands of yen)						
As of August 31, 2021						
Hedge accounting method	Type of derivative transaction	Major hedged item	Contracted amount		Fair value	Measurement method for fair value
				Portion due after 1 year		
Special treatment of interest rate swaps	Interest rate swap transaction Payment: fixed interest rate Receipt: floating interest rate	Long-term borrowings	¥ 87,003,000	¥ 76,097,000	*	—

						(Unit: thousands of yen)
As of February 28, 2021						
Hedge accounting method	Type of derivative transaction	Major hedged item	Contracted amount		Fair value	Measurement method for fair value
				Portion due after 1 year		
Special treatment of interest rate swaps	Interest rate swap transaction Payment: fixed interest rate Receipt: floating interest rate	Long-term borrowings	¥ 94,133,000	¥ 79,453,000	*	—

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

15. Leases

Operating lease transactions (Lessor)

Future minimum lease payments under noncancelable operating lease transactions

	(Unit: thousands of yen)	
	Reporting period (As of August 31, 2021)	Previous period (As of February 28, 2021)
Due within 1 year	¥ 8,233,076	¥ 8,471,068
Due after 1 year	35,639,960	37,399,123
Total	¥ 43,873,037	¥ 45,870,192

16. Investment and Rental Properties

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

	(Unit: thousands of yen)			
	Reporting period (From March 1, 2021 to August 31, 2021)		Previous period (From September 1, 2020 to February 28, 2021)	
Carrying amount				
Balance at the beginning of the period	¥	347,144,009	¥	348,987,206
Changes during period		(966,642)		(1,843,196)
Balance at the end of the period	¥	346,177,367	¥	347,144,009
Fair value at the end of the period	¥	404,758,000	¥	405,065,000

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

(Note 2) The main reasons for increases in the investment and rental properties during the reporting period and the previous period are the acquisition of beneficial interests in real estate trust of two properties (¥7,592,489 thousand and ¥8,149,485 thousand, respectively). The decrease during the reporting period is mainly due to transfer of beneficial interests in real estate trust of two properties and depreciation (¥7,655,167 thousand and ¥1,233,105 thousand, respectively). The decrease during the previous period is mainly due to transfer of beneficial interests in real estate trust of three properties and depreciation (¥9,097,779 thousand and ¥1,238,680 thousand, respectively).

(Note 3) The fair value at the end of the period is the appraisal value provided by an independent real estate appraiser. Concerning the fair value at end of the reporting period, the fair value of Hulin Shinjuku 3 Chome Building therein is based on the transfer price stated on the trust beneficiary right and land sales agreement entered into on October 14, 2021. Concerning the fair value at the end of the previous period, the fair value of Orchid Square therein is based on the transfer price of the 50.0% quasi co-ownership interest of property transferred on March 1, 2021, stated on the trust beneficiary right sales agreement entered into on October 14, 2020, and the fair value of Shinagawa Season Terrace therein is based on the transfer price stated on the trust beneficiary right sales agreement entered into on March 26, 2021. The profit or loss for the period under review concerning investment and rental properties is indicated under “12. Breakdown of Property-related Revenues and Expenses.”

17. Related-Party Transactions

(1) Parent company, major corporate unitholders and other

Reporting period (From March 1, 2021 to August 31, 2021)

Type	Name	Location	Share capital or investments in capital (thousands of yen)	Business or occupation	Percentage of voting rights held	Relationship		Nature of transaction	Amount of transaction (thousands of yen)	Account item	Balance at the end of the period (thousands of yen)
						Inter-locking officers	Business relationship				
Major corporate unitholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	¥62,718,573	Real estate business	(directly) 10.62%	—	Rent and management of real estate	Purchase of beneficial interests in real estate trust	¥ 7,440,000	—	¥ —
								Transfer of beneficial interests in real estate trust	¥ 1,945,000	—	¥ —
								Keeping of leasehold and guarantee deposits in trust	¥ 419,412	Leasehold and guarantee deposits received in trust	¥12,320,448
								Repayment of leasehold and guarantee deposits in trust	¥ 246,241		
								Earning of rent revenue, etc.	¥ 795,933	Advances received	¥ 141,504

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

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

Previous period (From September 1, 2020 to February 28, 2021)

Type	Name	Location	Share capital or investments in capital (thousands of yen)	Business or occupation	Percentage of voting rights held	Relationship		Nature of transaction	Amount of transaction (thousands of yen)	Account item	Balance at the end of the period (thousands of yen)
						Inter-locking officers	Business relationship				
Major corporate unitholder	Hulic Co., Ltd.	Chuo-ku, Tokyo	¥62,718,573	Real estate business	(directly) 10.95%	—	Rent and management of real estate	Purchase of beneficial interests in real estate trust	¥ 8,100,000	—	¥ —
								Transfer of beneficial interests in real estate trust	¥ 5,650,000	—	¥ —
								Keeping of leasehold and guarantee deposits in trust	¥ 491,421	Leasehold and guarantee deposits received in trust	¥12,147,277
								Repayment of leasehold and guarantee deposits in trust	¥ 477,853		
								Earning of rent revenue, etc.	¥ 807,819	Advances received	¥ 141,504

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

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

(2) Affiliated companies and other

Reporting period (From March 1, 2021 to August 31, 2021) and previous period (From September 1, 2020 to February 28, 2021)

Not applicable.

(3) Fellow subsidiary companies and other

Reporting period (From March 1, 2021 to August 31, 2021)

Type	Name	Location	Share capital or investments in capital (thousands of yen)	Business or occupation	Percentage of voting rights held	Relationship		Nature of transaction	Amount of transaction (thousands of yen)	Account item	Balance at the end of the period (thousands of yen)
						Inter-locking officers	Business relationship				
Companies whose majority of voting rights are owned by major (corporate) unitholder	Hulic Reit Management Co., Ltd.	Chuo-ku, Tokyo	¥ 200,000	Asset management for investment corporations	—	1 (Note 1)	Consignment of asset management	Payment of asset management fees (Note 2)	¥ 1,126,870	Accounts payable - other	¥ 1,179,208

(Note 1) The asset management fees for the reporting period include management fees of ¥18,600 thousand relating to the acquisitions that are capitalized as part of the acquisition cost for the individual real property and ¥36,262 thousand relating to the transfer that is 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 September 1, 2020 to February 28, 2021)

Type	Name	Location	Share capital or investments in capital (thousands of yen)	Business or occupation	Percentage of voting rights held	Relationship		Nature of transaction	Amount of transaction (thousands of yen)	Account item	Balance at the end of the period (thousands of yen)
						Inter-locking officers	Business relationship				
Companies whose majority of voting rights are owned by major (corporate) unitholder	Hulic Reit Management Co., Ltd.	Chuo-ku, Tokyo	¥ 200,000	Asset management for investment corporations	—	1 (Note 1)	Consignment of asset management	Payment of asset management fees (Note 2)	¥ 1,313,425	Accounts payable - other	¥ 1,382,480

(Note 1) Eiji Tokita, Executive Officer of the Investment Corporation, retired from his position of President and CEO of Hulic Reit Management Co., Ltd. on February 24, 2021, and Kazuaki Chokki was appointed as President and CEO on the same day.

(Note 2) The asset management fees for the reporting period include management fees of ¥20,250 thousand relating to the acquisitions that are capitalized as part of the acquisition cost for the individual real property and ¥36,375 thousand relating to the transfer that is deducted from the gain on sales of the individual real properties.

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

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

(4) Directors, major individual unitholders and other

Reporting period (From March 1, 2021 to August 31, 2021)

Transactions carried out by Kazuaki Chokki, 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.”

Previous period (From September 1, 2020 to February 28, 2021)

Eiji Tokita, Executive Officer of the Investment Corporation, retired from his position of President and CEO of Hulic Reit Management Co., Ltd. on February 24, 2021, and Kazuaki Chokki was appointed as President and CEO on the same day. Accordingly, the related-party transaction amount herein is about transactions carried out by Eiji Tokita as the Representative of a third party (Hulic Reit Management Co., Ltd.) during the period from September 1, 2020 to February 28, 2021, which includes his term of office, and the details are as shown above in transactions with Hulic Reit Management Co., Ltd. in “(3) Fellow subsidiary companies and other.”

18. Per Unit Information

	(Unit: yen)	
	Reporting period (From March 1, 2021 to August 31, 2021)	Previous period (From September 1, 2020 to February 28, 2021)
Net assets per unit	¥ 137,124	¥ 136,594
Basic earnings per unit	¥ 3,698	¥ 4,144

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

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

		Reporting period (From March 1, 2021 to August 31, 2021)	Previous period (From September 1, 2020 to February 28, 2021)
Profit	(thousands of yen)	¥ 4,972,332	¥ 5,437,642
Amount not attributable to common unitholders	(thousands of yen)	¥ —	¥ —
Profit attributable to common investment units	(thousands of yen)	¥ 4,972,332	¥ 5,437,642
Average number of investment units during the period	(units)	1,344,538	1,312,000

19. Segment and Related Information

[Segment information]

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

[Related information]

Reporting period (From March 1, 2021 to August 31, 2021)

(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

(Unit: thousands of yen)

Name of tenant	Operating revenues	Related segment
Hulic Co., Ltd.	¥ 999,920	Real estate leasing business

Previous period (From September 1, 2020 to February 28, 2021)

(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

(Unit: thousands of yen)		
Name of tenant	Operating revenues	Related segment
Hulic Co., Ltd.	¥ 1,336,633	Real estate leasing business

20. Commitment Line Contracts

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

	(Unit: thousands of yen)	
	Reporting period (As of August 31, 2021)	Previous period (As of February 28, 2021)
Total amount of commitment line contracts	¥ 13,000,000	¥ 13,000,000
Borrowings outstanding	—	—
Remaining available amount	¥ 13,000,000	¥ 13,000,000

21. Asset Retirement Obligations

Asset retirement obligations reported on balance sheets

(1) Summary of the asset retirement obligations

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

(2) Method of calculating asset retirement obligations

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

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

	(Unit: thousands of yen)	
	Reporting period (As of August 31, 2021)	Previous period (As of February 28, 2021)
Balance at the beginning of the period	¥ 283,601	¥ 282,922
Addition due to acquisition of property, plant and equipment	—	—
Accretion adjustment	680	679
Balance at the end of the period	¥ 284,282	¥ 283,601

22. Allowance for Temporary Difference Adjustments

Reporting period (As of August 31, 2021)

(1) Reasons for addition and reversal, related assets, and amount of allowance

(Unit: thousands of yen)

Related assets	Reasons for allowance	Initial amount	Balance at the beginning of the period	Amount of additions during the period	Amount of reversals during the period	Balance at the end of the period	Reason for reversal
Buildings in trust	Discrepancies in tax and accounting treatment associated with excess depreciation due to asset retirement obligations	¥ 3,936	¥ 3,936	¥ –	¥ –	¥ 3,936	–

(2) Method of reversal

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

Previous period (As of February 28, 2021)

(1) Reasons for addition and reversal, related assets, and amount of allowance

(Unit: thousands of yen)

Related assets	Reasons for allowance	Initial amount	Balance at the beginning of the period	Amount of additions during the period	Amount of reversals during the period	Balance at the end of the period	Reason for reversal
Buildings in trust	Discrepancies in tax and accounting treatment associated with excess depreciation due to asset retirement obligations	¥ 3,936	¥ 1,312	¥ 2,624	¥ –	¥ 3,936	–

(2) Method of reversal

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

23. Subsequent Events

Issuance of new investment units

The Investment Corporation passed resolutions at meetings of its Board of Directors held on October 14, 2021 and October 21, 2021, to issue new investment units as follows for the purpose of mainly using the proceeds for a portion of the purchase price for specified assets. The payments for these newly issued investment units were completed on October 27, 2021 and November 22, 2021, respectively.

As a result, the unitholders' capital of the Investment Corporation amounted to ¥194,754 million and the number of investment units issued totaled 1,440,000 units.

(New investment unit issuance through public offering)

Number of new investment units issued:	82,800 units
Issue price (offer price):	¥169,942 per unit
Total amount of issue price (offer price):	¥14,071,197,600
Amount paid in (issue value):	¥164,538 per unit
Total amount paid in (issue value):	¥13,623,746,400
Payment date:	October 27, 2021
Distribution calculation date:	September 1, 2021

(New investment unit issuance through third-party allotment)

Number of new investment units issued:	4,200 units
Amount paid in (issue value):	¥164,538 per unit
Total amount paid in (issue value):	¥691,059,600
Payment date:	November 22, 2021
Distribution calculation date:	September 1, 2021
Allottee:	Mizuho Securities Co., Ltd.