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Hulic Reit, Inc.

Asset Management Report

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

To Our Unitholders

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

Hulic Reit, Inc. was listed on the Real Estate Investment Trust Securities Market (J-REIT Market) of the Tokyo Stock Exchange in February 2014, and we have steadily built a track record since then. We have now successfully completed our 8th fiscal period (fiscal period ended February 28, 2018). This is entirely due to the strong support of our unitholders, and for this I would like to express my heartfelt gratitude.

I am pleased to report here an overview of our asset management and our operating results for the 8th fiscal period.

We procured ¥9,666 million in October 2017 through our fourth public offering, etc. since our listing, and used the funds along with loans to acquire HULIC &New SHINBASHI, Sotetsu Fresa Inn Ginza 7 Chome (additional acquisition), and Sotetsu Fresa Inn Tokyo-Roppongi in November 2017. In addition, in December 2017, we completed the first transfer of Leaf Minatomirai (Land) and the transfer of Sasazuka South Building. As a result, we expanded our portfolio at the end of the 8th fiscal period to 44 properties (16 office properties, 12 retail properties, 6 private nursing homes, 8 network centers and 2 hotel properties) at ¥256,430 million. With respect to the properties held, we strived to manage our properties stably, as demonstrated by our maintenance of high occupancy rates through the use of our sponsor's property operation and leasing capabilities. As a result, for our 8th fiscal period, we recorded operating revenues of ¥8,183 million (an increase of 15.3% compared to the previous fiscal period), operating profit of ¥4,733 million (an increase of 17.7% compared to the previous fiscal period), profit of ¥4,214 million (an increase of 19.4% compared to the previous fiscal period), and distributions per unit came to ¥3,797, an increase of ¥419 compared to the previous fiscal period.

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

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

We ask for the continued support of our unitholders.

Hulic Reit, Inc.
Eiji Tokita, Executive Officer

(Reference) Composition of Unitholders

(As of February 28, 2018)

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

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

II. Asset Investment Report

1. Summary of asset management

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

Fiscal period	Unit	4th fiscal period (From September 1, 2015 to February 29, 2016)	5th fiscal period (From March 1, 2016 to August 31, 2016)	6th fiscal period (From September 1, 2016 to February 28, 2017)	7th fiscal period (From March 1, 2017 to August 31, 2017)	8th fiscal period (From September 1, 2017 to February 28, 2018)
Operating revenues	Millions of yen	4,819	5,825	6,685	7,098	8,183
[Of the above, real estate lease business revenues]	Millions of yen	[4,819]	[5,825]	[6,685]	[7,098]	[7,460]
Operating expenses	Millions of yen	2,152	2,443	2,789	3,077	3,449
[Of the above, expenses related to real estate lease business]	Millions of yen	[1,615]	[1,802]	[2,024]	[2,243]	[2,390]
Operating profit	Millions of yen	2,667	3,382	3,896	4,021	4,733
Ordinary profit	Millions of yen	2,319	3,008	3,453	3,530	4,215
Profit	Millions of yen	2,318	3,007	3,452	3,529	4,214
Total assets	Millions of yen	178,813	213,084	244,942	264,657	275,428
[Change from the previous fiscal period	%	[+7.6]	[+19.2]	[+15.0]	[+8.0]	[+4.1]
Net assets	Millions of yen	88,936	120,545	135,504	135,581	145,932
[Change from the previous fiscal period	%	[+0.0]	[+35.5]	[+12.4]	[+0.1]	[+7.6]
Unitholders' capital	Millions of yen	86,617	117,537	132,051	132,051	141,717
Total number of investment units issued	Units	781,000	957,000	1,045,000	1,045,000	1,110,000
Net assets per unit	Yen	113,874	125,961	129,669	129,743	131,470
Total distributions	Millions of yen	2,318	3,007	3,452	3,530	4,214
Payout ratio (Note 2)	%	100.0	99.9	100.0	100.0	99.9
Basic earnings per unit (Note 3)	Yen	2,968	3,235	3,355	3,377	3,873
Distributions per unit	Yen	2,969	3,143	3,304	3,378	3,797
[Of the above, distributions of earnings per unit]	Yen	[2,969]	[3,143]	[3,304]	[3,378]	[3,797]
[Of the above, distributions in excess of earnings per unit]	Yen	[-]	[-]	[-]	[-]	[-]
Equity ratio [Change from the previous fiscal period (Note 4)	%	49.7 [(3.8)]	56.6 [+6.9]	55.3 [(1.3)]	51.2 [(4.1)]	53.0 [+1.8]
Return on equity [Annualized] (Note 5)	%	2.6 [5.2]	2.9 [5.7]	2.7 [5.4]	2.6 [5.2]	3.0 [6.0]
[Other reference information]						
Number of properties	Properties	32	34	37	43	44
Total leasable area	m ²	198,609.95	215,213.73	229,069.42	245,476.40	249,606.06
Occupancy rate at end of period	%	99.4	100.0	99.7	99.3	99.7

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

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

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

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

Average number of investment units is 781,000 units for the 4th fiscal period, 929,533 units for the 5th fiscal period, 1,028,908 units for the 6th fiscal period, 1,045,000 units for the 7th fiscal period and 1,088,099 units for the 8th fiscal period.

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

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

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

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

The value in brackets of return on equity is the value calculated with number of business days (4th fiscal period: 182 days; 5th fiscal period: 184 days; 6th fiscal period: 181 days; 7th fiscal period: 184 days; 8th fiscal period: 181 days) converted into annual values.

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

The Investment Corporation was established on November 7, 2013, with Hulic Reit Management Co., Ltd. (hereinafter referred to as the “Asset Manager”), which is entrusted with the management of the assets of the Investment Corporation, as the organizer under the Act on Investment Trusts and Investment Corporations of Japan (hereinafter referred to as the “Investment Trust Act”). On November 25, 2013, the Investment Corporation was registered with the Director-General of the Kanto Local Finance Bureau (registration number: Director-General of the Kanto Local Finance Bureau No. 88). The Investment Corporation issued new investment units through a public offering with the payment date on February 6, 2014, which were listed on the Real Estate Investment Trust Securities (J-REIT) Market of Tokyo Stock Exchange, Inc. (Securities code: 3295) on February 7, 2014. New investment units were issued through a third-party allotment on March 7, 2014. The Investment Corporation recently carried out capital increases through its fourth public offering after its listing on October 31, 2017 and a third-party allotment on November 20, 2017. As a result, the number of investment units issued at the end of the reporting period was 1,110,000.

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

i) Investment environment and investment performance

Investment environment: During the reporting period, the Japanese economy continued along a gradual recovery track on the back of steady improvements in the employment and personal income environments, among other factors. In the rental office market, the vacancy rate continued at a low level mainly because of companies’ increase in space and relocation for more space in line with expansion of their business, while rent levels continued to moderately rise due to the resulting demand.

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

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

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

Toranomon First Garden, Oimachi Redevelopment Building (#1) and Oimachi Redevelopment Building (#2).

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

ii) Status of financing

During the reporting period, the Investment Corporation procured ¥9,190 million through public offering on October 31, 2017 and ¥5,000 million as short-term loans payable on November 1, 2017 to fund the acquisition of assets. The Investment Corporation used proceeds of the capital increase through third-party allotment carried out on November 20, 2017 and a part of transfer proceeds of properties to repay the short-term loans payable, and fully repaid them in December 2017.

As a result, at the end of the reporting period, interest-bearing debt totaled ¥115,850 million (comprising ¥3,960 million in short-term loans payable, ¥8,550 million in current portion of long-term loans payable, ¥98,340 million in long-term loans payable and ¥5,000 million in investment corporation bonds), resulting in a loan-to-value (LTV) ratio of 42.1%.

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

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

iii) Overview of financial results and distributions

As a result of the above asset management, operating revenues for the reporting period were ¥8,183 million (up 15.3% compared with the previous fiscal period), operating profit was ¥4,733 million (up 17.7% compared with the previous fiscal period), ordinary profit after deducting interest expenses for borrowings, etc. was ¥4,215 million (up 19.4% compared with the previous fiscal period), and profit was ¥4,214 million (up 19.4% compared with the previous fiscal period).

Furthermore, in accordance with the distribution policy set forth in the Investment Corporation’s Articles of Incorporation, the Investment Corporation has decided to pay distributions for the reporting period in an amount roughly equal to unappropriated retained earnings, with the aim of including distributions of profits in tax deductible expenses pursuant to special measures for the taxation system for investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation). Consequently, distributions per unit came to ¥3,797.

(3) Status of capital increase, etc.

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

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

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

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

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

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

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

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

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

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

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

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

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

<Changes in market price of investment unit>

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

Highest and lowest unit prices by fiscal period (Closing price)	Fiscal period	4th fiscal period ended February 29, 2016	5th fiscal period ended August 31, 2016	6th fiscal period ended February 28, 2017	7th fiscal period ended August 31, 2017	8th fiscal period ended February 28, 2018
	Highest (Yen)	185,300	194,800	196,100	186,000	173,000
	Lowest (Yen)	127,600	172,800	172,800	165,300	155,900

(4) Distributions, etc.

Distributions for the fiscal period under review (the 8th fiscal period) are ¥3,797 per unit. The Investment Corporation, with the aim of applying special measures for the taxation system for investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation) to deduct an amount equivalent to distributions of earnings from the taxable income of the Investment Corporation as a tax deductible expense, will pay distributions for the fiscal period under review in an amount roughly equal to unappropriated retained earnings.

Fiscal period	4th fiscal period (From September 1, 2015 to February 29, 2016)	5th fiscal period (From March 1, 2016 to August 31, 2016)	6th fiscal period (From September 1, 2016 to February 28, 2017)	7th fiscal period (From March 1, 2017 to August 31, 2017)	8th fiscal period (From September 1, 2017 to February 28, 2018)
Total unappropriated retained earnings	¥2,318,971 thousand	¥3,008,134 thousand	¥3,452,871 thousand	¥3,530,068 thousand	¥4,214,994 thousand
Accumulated earnings	¥182 thousand	¥283 thousand	¥191 thousand	¥58 thousand	¥324 thousand
Total amount of cash distributions (Distributions per unit)	¥2,318,789 thousand (¥2,969)	¥3,007,851 thousand (¥3,143)	¥3,452,680 thousand (¥3,304)	¥3,530,010 thousand (¥3,378)	¥4,214,670 thousand (¥3,797)
Of the above, total amount of distributions of earnings (Distributions of earnings per unit)	¥2,318,789 thousand (¥2,969)	¥3,007,851 thousand (¥3,143)	¥3,452,680 thousand (¥3,304)	¥3,530,010 thousand (¥3,378)	¥4,214,670 thousand (¥3,797)
Of the above, total amount of refunds of unitholders' capital (Refunds of unitholders' capital per unit)	– (-)	– (-)	– (-)	– (-)	– (-)
Of the total amount of refunds of unitholders' capital, total amount of distributions from allowance for temporary difference adjustment (Of the refunds of unitholders' capital per unit, distributions from allowance for temporary difference adjustment per unit)	– (-)	– (-)	– (-)	– (-)	– (-)
Of the total amount of refunds of unitholders' capital, the total amount of distributions from distribution on reduction of unitholders' capital for taxation purposes (Of the refunds of unitholders' capital per unit, distributions from distributions on reduction of unitholders' capital for taxation purposes)	– (-)	– (-)	– (-)	– (-)	– (-)

(5) Future investment policies and issues to address

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

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

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

(Note 1) "Tokyo Commercial Properties" are office properties and retail properties under a concept specific to the Investment Corporation that comprehensively includes properties consistent with the basic philosophy of the Investment Corporation. Specifically, office properties are those in Tokyo's 23 wards that are in principle located within a five-minute walking distance from the nearest train station, in areas where the office properties are sufficiently competitive. Retail properties are those located in the Tokyo metropolitan area and major cities in the surrounding area that are in principle located within a five-minute walking distance from the nearest train station or in areas with a high concentration of retail activities. Such retail properties are also highly visible in public and have the potential to generate demand from prospective tenants that offer products and services suitable for the characteristics of their respective retail areas.

(Note 2) "Next-Generation Assets" are properties specified for investment by the Investment Corporation based on its basic philosophy. Specifically, they are lease properties for which the Investment Corporation estimates there will be continuing firm demand going forward based on society's growing needs and for which, in principle, a long-term lease agreement be concluded with a single business tenant. At present, the Investment Corporation classifies private nursing homes, network centers and hotels as Next-Generation Assets. The Investment Corporation may broaden or change the scope of its Next-Generation Assets if it judges that the societal needs will grow or that there will be firm demand in the future.

(6) Significant events after the reporting period

Not applicable.

(Reference information)

Acquisitions of properties

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

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

<Acquired Asset for the Ninth Fiscal Period>

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

2. Overview of the Investment Corporation

(1) Status of unitholders' capital

	4th fiscal period As of February 29, 2016	5th fiscal period As of August 31, 2016	6th fiscal period As of February 28, 2017	7th fiscal period As of August 31, 2017	8th fiscal period As of February 28, 2018
Total number of authorized investment units	20,000,000 units	20,000,000 units	20,000,000 units	20,000,000 units	20,000,000 units
Total number of investment units issued	781,000 units	957,000 units	1,045,000 units	1,045,000 units	1,110,000 units
Unitholders' capital	¥86,617 million	¥117,537 million	¥132,051 million	¥132,051 million	¥141,717 million
Number of unitholders	5,875	7,897	7,280	7,238	8,460

(2) Matters regarding investment units

The top 10 unitholders based on the percentage of investment units owned to total investment units issued as of the end of the fiscal period under review are as follows:

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

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

(3) Matters relating to officers, etc.

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

Title and post	Name	Major concurrent post, etc.	Total amount of compensation for each position during the fiscal period under review
Executive Officer	Eiji Tokita	President and CEO of Hulic Reit Management Co., Ltd.	¥– thousand
Supervisory Officer (Note 1)	Kunio Shimada	Representative Partner of Shimada, Hamba and Osajima (law firm)	¥3,000 thousand
	Shigeru Sugimoto	Representative of Sakura Horwath Audit Corporation	¥3,000 thousand
Independent Auditor (Note 2)	Ernst & Young ShinNihon LLC	–	¥14,500 thousand

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

(Note 2) Compensation to the Independent Auditor includes compensation for auditing English financial statements and compensation for work to prepare comfort letters regarding issuance of new investment units.

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

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

(4) Asset Manager, Asset Custodian and Administrative Agents

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

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

3. Status of portfolio of the Investment Corporation

(1) Composition of the assets of the Investment Corporation

Type of assets	Category	Region (Note 1)	7th fiscal period (As of August 31, 2017)		8th fiscal period (As of February 28, 2018)	
			Total amount held (Millions of yen) (Note 2)	Percentage to total assets (%) (Note 3)	Total amount held (Millions of yen) (Note 2)	Percentage to total assets (%) (Note 3)
Real estate in trust	Tokyo Commercial Properties	Six central wards of Tokyo	181,586	68.6	182,238	66.2
		Other wards of Tokyo	9,337	3.5	9,314	3.4
		Other	16,525	6.2	10,030	3.6
		Total	207,449	78.4	201,583	73.2
	Next- Generation Assets	Six central wards of Tokyo	7,487	2.8	19,649	7.1
		Other wards of Tokyo	20,155	7.6	20,112	7.3
		Other	15,119	5.7	15,039	5.5
		Total	42,761	16.2	54,801	19.9
	Total real estate in trust		250,211	94.5	256,385	93.1
	Deposits and other assets		14,446	5.5	19,042	6.9
Total assets		264,657	100.0	275,428	100.0	

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

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

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

(2) Major assets held

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

Property name	Book value (Thousands of yen)	Leasable area (m ²) (Note 1)	Leased area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Percentage to total real estate lease business revenues (%) (Note 4)	Primary asset class
Ochanomizu Sola City (Note 6)	37,457,374	13,923.42	13,822.09	99.3	(Note 5)	Office property
Hulic Kamiyacho Building (Note 6)	37,036,146	22,740.96	22,740.96	100.0	12.9	Office property
Hulic Toranomom Building	18,191,201	8,574.65	8,574.65	100.0	6.3	Office property
Sotetsu Fresa Inn Ginza 7 Chome	11,566,831	6,984.32	6,984.32	100.0	(Note 5)	Hotel
Hulic Kudan Building (Land)	11,191,213	3,351.07	3,351.07	100.0	3.6	Office property
Oimachi Redevelopment Building (#2)	9,407,658	14,485.66	14,485.66	100.0	4.2	Retail property
Toranomom First Garden (Note 6)	8,364,465	5,689.97	5,689.97	100.0	3.9	Office property
Chiba Network Center	7,068,345	23,338.00	23,338.00	100.0	3.0	Network center
Rapiros Roppongi (Note 6)	6,759,632	6,730.52	6,730.52	100.0	4.0	Office property
Oimachi Redevelopment Building (#1) (Note 6)	6,277,259	10,612.67	10,612.67	100.0	2.9	Retail property
Total	153,320,128	116,431.24	116,329.91	99.9	—	

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

(Note 2) Leased area is equivalent to total floor area of leased space set out in the relevant lease agreements of each asset held. For the portion for which there is a Pass-through Master Lease Agreement, under which rents are directly received from end-tenants in principle, the actual total area leased under each sublease agreement entered into with end-tenants corresponding to that portion is provided; and for the portion for which there is a Fixed-type Master Lease Agreement, under which a certain amount of rent is received regardless of fluctuations in rents for end-tenants, the total area corresponding to that portion is provided. For the property of which ownership is only for land, the area of the land is provided.

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

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

(Note 5) The Investment Corporation has not obtained permission from the end-tenant or other relevant party of these properties to disclose the relevant information.

(Note 6) The leasable area, leased area and occupancy rate of Ochanomizu Sola City show figures equivalent to the quasi co-ownership interest of property held by the Investment Corporation (21.7%). The leasable area, leased area and occupancy rate of Hulic Kamiyacho Building show figures equivalent to the quasi co-ownership interest of property held by the Investment Corporation (70.0%). For Toranomom First Garden, leasable area shows figures equivalent to the Investment Corporation's partial ownership in the building (including some of co-ownership portion). (For the co-ownership portion, the figures calculated on a pro-rata basis in accordance with the co-ownership interests owned by the Investment Corporation are listed.) On the other hand, a master lease is served on the whole building together with the exclusively owned portions owned by other unit owners, and as income and expenditure of the property is allocated according to the ratio of ownership interest of the partial ownership owned by each unit owner, the figure shown for occupancy rate is that of the entire building. Leased area shows amounts equivalent to the ratio of ownership interest of the partial ownership in the building held by the Investment Corporation (approximately 81.4%). For Rapiros Roppongi, leasable area, leased area and occupancy rate show figures equivalent to the Investment Corporation's partial ownership in the building (including some of co-ownership portion). (For the co-ownership portion, the figures calculated on a pro-rata basis in accordance with the co-ownership interests owned by the Investment Corporation are listed.) For Oimachi Redevelopment Building (#1), leasable area, leased area and occupancy rate show figures equivalent to the Investment Corporation's co-ownership interest (approximately 82.6%) in partial ownership in the building.

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

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

Category	Property name	Location	Asset type	Book value at end of period (Millions of yen)	Assessed value at end of period (Millions of yen) (Note 1)	
Tokyo Commercial Properties	Office properties	Hulic Kamiyacho Building	4-3-13, Toranomon, Minato-ku, Tokyo	Beneficiary right of real estate in trust	37,036	42,400
		Hulic Kudan Building (Land)	1-13-5, Kudankita, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	11,191	12,500
		Toranomon First Garden	1-7-12, Toranomon, Minato-ku, Tokyo	Beneficiary right of real estate in trust	8,364	11,300
		Rapiros Roppongi	6-1-24, Roppongi, Minato-ku, Tokyo	Beneficiary right of real estate in trust	6,759	8,130
		Hulic Takadanobaba Building	3-19-10, Takada, Toshima-ku, Tokyo	Beneficiary right of real estate in trust	3,828	4,790
		Hulic Kanda Building	1-16-5, Kanda-Sudacho, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	3,649	3,990
		Hulic Kandabashi Building	1-21-1, Kanda-Nishikicho, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	2,509	2,960
		Hulic Kakigaracho Building	1-28-5, Nihonbashi-Kakigaracho, Chuo-ku, Tokyo	Beneficiary right of real estate in trust	2,189	2,840
		Ochanomizu Sola City	4-6, Kanda-Surugadai, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	37,457	42,315
		Hulic Higashi Ueno 1 Chome Building	1-7-15, Higashi-Ueno, Taito-ku, Tokyo	Beneficiary right of real estate in trust	2,659	2,950
		Tokyo Nishi Ikebukuro Building	1-7-7 Nishi-Ikebukuro, Toshima-ku, Tokyo	Beneficiary right of real estate in trust	1,620	1,900
		Gate City Ohsaki	1-11-1 Ohsaki, Shinagawa-ku, Tokyo and other lots	Beneficiary right of real estate in trust	4,500	4,490
		Hulic Toranomon Building	1-1-18, Toranomon, Minato-ku, Tokyo	Beneficiary right of real estate in trust	18,191	20,800
		Hulic Shibuya 1-chome Building	1-3-9 Shibuya, Shibuya-ku Tokyo	Beneficiary right of real estate in trust	5,118	5,420
		Hulic Higashi Nihonbashi Building	1-1-5 Higashi-Nihonbashi, Chuo-ku, Tokyo	Beneficiary right of real estate in trust	3,491	3,590
		Hulic Jimbocho Building	2-2-31 Kanda-Jimbocho, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	1,506	1,480
	Retail properties	Oimachi Redevelopment Building (#2)	5-20-1, Higashi-Oi, Shinagawa-ku, Tokyo	Beneficiary right of real estate in trust	9,407	12,300
		Oimachi Redevelopment Building (#1)	5-18-1, Higashi-Oi, Shinagawa-ku, Tokyo	Beneficiary right of real estate in trust	6,277	7,460
		Dining Square Akihabara Building	1-16-2, Kanda-Sakumacho, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	3,195	3,840
		Hulic Jingumae Building	5-17-9, Jingumae, Shibuya-ku, Tokyo	Beneficiary right of real estate in trust	2,649	3,500
		Hulic Shinjuku 3 Chome Building	3-17-2, Shinjuku, Shinjuku-ku, Tokyo	Beneficiary right of real estate in trust	5,559	7,370
		Yokohama Yamashitacho Building	36-1, Yamashitacho, Naka-ku, Yokohama-shi, Kanagawa (Note 2)	Beneficiary right of real estate in trust	4,735	5,660
		Leaf Minatomirai (Land)	4-6-5, Minatomirai, Nishi-ku, Yokohama-shi, Kanagawa	Beneficiary right of real estate in trust	5,294	5,830
		Orchid Square	1-2-11, Yurakucho, Chiyoda-ku, Tokyo	Beneficiary right of real estate in trust	3,502	3,920

Category		Property name	Location	Asset type	Book value at end of period (Millions of yen)	Assessed value at end of period (Millions of yen) (Note 1)	
Tokyo Commercial Properties	Retail properties	Hulic Todoroki Building	3-5-2, Todoroki, Setagaya-ku, Tokyo	Beneficiary right of real estate in trust	1,206	1,260	
		Hulic Omori Building	6-28-12 Minami-Oi, Shinagawa-ku, Tokyo	Beneficiary right of real estate in trust	3,418	3,590	
		HULIC &New SHIBUYA	31-1 Udagawacho, Shibuya-ku, Tokyo	Beneficiary right of real estate in trust	3,154	3,290	
		HULIC &New SHINBASHI	2-11-10, Shinbashi, Minato-ku, Tokyo	Beneficiary right of real estate in trust	3,108	3,190	
Next-Generation Assets	Private nursing homes	Aria Matsubara	5-34-6, Matsubara, Setagaya-ku, Tokyo	Beneficiary right of real estate in trust	3,197	4,270	
		Trust Garden Youganomori	1-3-1, Yoga, Setagaya-ku, Tokyo	Beneficiary right of real estate in trust	5,374	6,880	
		Trust Garden Sakurashinmachi	2-11-1, Tsurumaki, Setagaya-ku, Tokyo	Beneficiary right of real estate in trust	2,870	3,670	
		Trust Garden Suginami Miyamae	2-11-10, Miyamae, Suginami-ku, Tokyo	Beneficiary right of real estate in trust	2,774	3,550	
		Trust Garden Tokiwamatsu	4-4-10, Higashi, Shibuya-ku, Tokyo	Beneficiary right of real estate in trust	3,071	3,300	
		SOMPO Care La vie Re Kita-Kamakura	2713-2 Aza Takano, Ofuna, Kamakura-shi, Kanagawa, and others (Note 2)	Beneficiary right of real estate in trust	1,850	1,800	
	Network centers	Ikebukuro Network Center	4-30-17, Kamiikebukuro, Toshima-ku, Tokyo	Beneficiary right of real estate in trust	4,530	5,230	
		Tabata Network Center	6-2-8, Tabata, Kita-ku, Tokyo	Beneficiary right of real estate in trust	1,365	1,550	
		Hiroshima Network Center	2-6-6, Hikarimachi, Higashi-ku, Hiroshima-shi, Hiroshima	Beneficiary right of real estate in trust	1,053	1,210	
		Atsuta Network Center	20-1, Hatanochi, Atsuta-ku, Nagoya-shi, Aichi	Beneficiary right of real estate in trust	995	1,100	
		Nagano Network Center	1600-12, Oaza Tsurugamidoricho, Nagano-shi, Nagano (Note 2)	Beneficiary right of real estate in trust	308	342	
		Chiba Network Center	1-1-1, Muzaigakuendai, Inzai-shi, Chiba	Beneficiary right of real estate in trust	7,068	7,180	
		Sapporo Network Center	2-4-1, Kita 9 Jo Nishi, Kita-ku, Sapporo-shi, Hokkaido (Note 2)	Beneficiary right of real estate in trust	2,550	2,600	
		Keihanna Network Center	113-1, Kizukumomura, Kizukawa-shi, Kyoto	Beneficiary right of real estate in trust	1,213	1,320	
	Hotels	Sotetsu Fresa Inn Ginza 7 Chome	7-11-12, Ginza, Chuo-ku, Tokyo	Beneficiary right of real estate in trust	11,566	11,800	
		Sotetsu Fresa Inn Tokyo-Roppongi	3-10-1, Roppongi, Minato-ku, Tokyo	Beneficiary right of real estate in trust	5,011	5,100	
	Total					256,385	293,967

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

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

The trends of the lease business by real estate and beneficiary rights of real estate in trust invested in by the Investment Corporation are as follows:

Category	Property name	7th fiscal period (From March 1, 2017 to August 31, 2017)				8th fiscal period (From September 1, 2017 to February 28, 2018)				
		Number of tenants at end of period (Tenants) (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate lease business revenues during the period (Thousands of yen) (Note 3) (Note 4)	Percentage to total real estate lease business revenues (%) (Note 4)	Number of tenants at end of period (Tenants) (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate lease business revenues during the period (Thousands of yen) (Note 3) (Note 4)	Percentage to total real estate lease business revenues (%) (Note 4)	
Tokyo Commercial Properties	Office properties	Hulic Kamiyacho Building	1	95.0	930,617	13.1	1	100.0	959,500	12.9
		Hulic Kudan Building (Land)	1	100.0	265,002	3.7	1	100.0	265,002	3.6
		Toranomon First Garden	1	100.0	296,843	4.2	1	100.0	289,051	3.9
		Rapiros Roppongi	1	100.0	291,911	4.1	1	100.0	296,144	4.0
		Hulic Takadanobaba Building	1	100.0	176,859	2.5	1	100.0	174,699	2.3
		Hulic Kanda Building	1	100.0	135,125	1.9	1	100.0	135,215	1.8
		Hulic Kandabashi Building	1	100.0	88,168	1.2	1	100.0	79,961	1.1
		Hulic Kakigaracho Building	1	100.0	103,859	1.5	1	100.0	104,968	1.4
		Ochanomizu Sola City	1	100.0	(Note 4)	(Note 4)	1	99.3	(Note 4)	(Note 4)
		Hulic Higashi Ueno 1 Chome Building	1	100.0	97,752	1.4	1	100.0	98,176	1.3
		Sasazuka South Building	1	100.0	90,152	1.3	–	–	56,279	0.8
		Tokyo Nishi Ikebukuro Building	1	51.5	51,400	0.7	1	100.0	42,062	0.6
		Gate City Ohsaki	2	100.0	154,583	2.2	2	100.0	159,159	2.1
		Hulic Toranomon Building	1	100.0	468,091	6.6	1	100.0	470,688	6.3
		Hulic Shibuya 1-chome Building	1	100.0	65,810	0.9	1	80.8	118,069	1.6
		Hulic Higashi Nihonbashi Building	1	100.0	88,877	1.3	1	100.0	108,253	1.5
	Hulic Jimbocho Building	1	100.0	27,723	0.4	1	100.0	43,489	0.6	
	Retail properties	Oimachi Redevelopment Building (#2)	1	100.0	312,000	4.4	1	100.0	312,026	4.2
		Oimachi Redevelopment Building (#1)	1	100.0	218,931	3.1	1	100.0	218,931	2.9
		Dining Square Akihabara Building	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Hulic Jingumae Building	1	100.0	87,539	1.2	1	100.0	87,894	1.2
		Hulic Shinjuku 3 Chome Building	1	100.0	153,998	2.2	1	100.0	164,120	2.2
		Yokohama Yamashitacho Building	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Leaf Minatomirai (Land)	1	100.0	267,000	3.8	1	100.0	204,628	2.7
		Orchid Square	1	100.0	83,082	1.2	1	100.0	94,003	1.3
		Hulic Todoroki Building	1	100.0	56,178	0.8	1	100.0	49,919	0.7
Hulic Omori Building		1	100.0	88,193	1.2	1	100.0	109,088	1.5	
HULIC &New SHIBUYA	1	100.0	22,628	0.3	1	100.0	69,669	0.9		
HULIC &New SHINBASHI	–	–	–	–	1	100.0	55,706	0.7		
Next-Generation Assets	Private nursing homes	Aria Matsubara	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Trust Garden Youganomori	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Trust Garden Sakurashinmachi	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)

Category	Property name	7th fiscal period (From March 1, 2017 to August 31, 2017)				8th fiscal period (From September 1, 2017 to February 28, 2018)				
		Number of tenants at end of period (Tenants) (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate lease business revenues during the period (Thousands of yen) (Note 3) (Note 4)	Percentage to total real estate lease business revenues (%) (Note 4)	Number of tenants at end of period (Tenants) (Note 1)	Occupancy rate at end of period (%) (Note 2)	Real estate lease business revenues during the period (Thousands of yen) (Note 3) (Note 4)	Percentage to total real estate lease business revenues (%) (Note 4)	
Next-Generation Assets	Private nursing homes	Trust Garden Suginami Miyamae	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		Trust Garden Tokiwamatsu	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
		SOMPO Care La vie Re Kita-Kamakura	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
	Network centers	Ikebukuro Network Center	1	100.0	135,600	1.9	1	100.0	135,600	1.8
		Tabata Network Center	1	100.0	45,088	0.6	1	100.0	45,088	0.6
		Hiroshima Network Center	1	100.0	43,845	0.6	1	100.0	43,845	0.6
		Atsuta Network Center	1	100.0	36,743	0.5	1	100.0	36,743	0.5
		Nagano Network Center	1	100.0	17,587	0.2	1	100.0	17,026	0.2
		Chiba Network Center	1	100.0	223,645	3.2	1	100.0	223,633	3.0
		Sapporo Network Center	1	100.0	83,706	1.2	1	100.0	83,706	1.1
	Hotels	Keihanna Network Center	1	100.0	47,047	0.7	1	100.0	47,047	0.6
Sotetsu Fresa Inn Ginza 7 Chome		1	100.0	91,200	1.3	1	100.0	(Note 4)	(Note 4)	
	Sotetsu Fresa Inn Tokyo-Roppongi	–	–	–	–	1	100.0	(Note 4)	(Note 4)	
Total		44	99.3	7,098,975	100.0	45	99.7	7,460,605	100.0	

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

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

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

(Note 4) Real estate lease business revenues during the period and percentage to total real estate lease business revenues are not disclosed because the Investment Corporation has not obtained permission from the end-tenant or other relevant party of these properties to disclose the relevant information.

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

The status of the contracted amount and fair value of specified transactions outstanding for the Investment Corporation as of February 28, 2018 is as follows:

Category	Type	Contracted amount (Millions of yen)		Fair value (Millions of yen) (Note 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	61,647	53,097	–
Total		61,647	53,097	–

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

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

(5) Status of other assets

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

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

(6) Status of asset holding by country and region

Not applicable for countries and regions other than Japan.

4. Capital expenditures for properties held

(1) Schedule of capital expenditures

For each asset held by the Investment Corporation as of February 28, 2018, the main capital expenditures for renovation work, etc. scheduled as of the end of the 8th fiscal period are as below. Estimated capital expenditure for work mentioned below includes parts that are charged to expenses.

Property name	Location	Purpose	Scheduled period	Estimated capital expenditure for work (Millions of yen)		
				Total amount	Payment during the period	Total amount paid
Oimachi Redevelopment Building (#2)	Shinagawa-ku, Tokyo	Renewal work for substation facility and emergency generator facility	From March 2017 to March 2018	202	–	3
Rapiros Roppongi	Minato-ku, Tokyo	Renewal work for air-conditioning facility (phase 3)	From March 2018 to June 2018	39	–	–
Hulic Todoroki Building	Setagaya-ku, Tokyo	Work A for B2 floor to attract tenants	From August 2018 to October 2018	12	–	–
Hulic Higashi Ueno 1 Chome Building	Taito-ku, Tokyo	Renewal work for air-conditioning facility	From September 2018 to November 2018	100	–	–
Hulic Jimbocho Building	Chiyoda-ku, Tokyo	Renovation work for external wall	From October 2018 to December 2018	30	–	–

(2) Capital expenditures during the period

An overview of the construction work corresponding to capital expenditures during the reporting period is as below. Capital expenditures during the reporting period were ¥265,356 thousand and repair expenses were ¥125,066 thousand. In total, construction work in the amount of ¥390,422 thousand was carried out during the period.

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

(3) Money accumulated for long-term repair plan

Not applicable.

5. Status of expenses and liabilities

(1) Details of expenses relating to asset management, etc.

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

(Note) Other than the amount stated above, asset management fee includes the portion of compensations associated with a property acquisition factored into the book value of the individual properties (the 7th fiscal period: ¥49,625 thousand; the 8th fiscal period: ¥38,125 thousand) and the portion of compensations associated with a property transfer deducted from gain on sales of real estate properties of the individual properties (the 8th fiscal period: ¥29,162 thousand).

(2) Status of borrowings

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

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Short-term loans payable	Mizuho Bank, Ltd.	August 8, 2017	1,980	1,980	0.2427%	August 8, 2018	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		1,386	1,386					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		594	594					
	Mizuho Bank, Ltd. (Note 5)	November 1, 2017	–	–	0.1861%	December 15, 2017			
	Subtotal		3,960	3,960					
Long-term loans payable	Mizuho Bank, Ltd.	February 7, 2014	2,570	2,570	0.7738%	February 7, 2019	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		1,950	1,950					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		1,100	1,100					
	Mizuho Trust & Banking Co., Ltd.		1,050	1,050					
	The Norinchukin Bank		1,660	1,660					
	Resona Bank, Limited		220	220					
	Mizuho Bank, Ltd.	February 27, 2015	1,000	1,000	0.4350%	August 30, 2019	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		960	960					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		550	550					
	Mizuho Trust & Banking Co., Ltd.		300	300					
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	The Norinchukin Bank		500	500					
	Resona Bank, Limited		170	170					
	Shinkin Central Bank		200	200					
	Aozora Bank, Ltd.		200	200					
Shinsei Bank, Limited	200	200							

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term loans payable	Mizuho Bank, Ltd.	February 27, 2015	1,650	1,650	0.4845%	February 28, 2020	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		890	890					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		700	700					
	Mizuho Trust & Banking Co., Ltd.		660	660					
	The Norinchukin Bank		1,400	1,400					
	Resona Bank, Limited		140	140					
	Shinkin Central Bank		300	300					
	Sumitomo Mitsui Banking Corporation	March 9, 2015	2,000	2,000	0.4810%	August 31, 2020			
	Mizuho Bank, Ltd.	February 29, 2016	1,000	1,000	0.1700%	August 31, 2020			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		150	150					
	The Norinchukin Bank		409	409					
	Mizuho Bank, Ltd.	February 7, 2014	2,560	2,560	1.1713%	February 7, 2021			
	Sumitomo Mitsui Banking Corporation		1,950	1,950					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		1,060	1,060					
	Mizuho Trust & Banking Co., Ltd.		1,050	1,050					
	Sumitomo Mitsui Trust Bank, Limited		1,660	1,660					
	Resona Bank, Limited		270	270					
	Mizuho Bank, Ltd.	February 27, 2015	2,800	2,800	0.6750%	August 31, 2021			
	Sumitomo Mitsui Banking Corporation		2,110	2,110					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		830	830					
	Mizuho Trust & Banking Co., Ltd.		790	790					
	Aozora Bank, Ltd.		300	300					
	Shinsei Bank, Limited		300	300					
	Mizuho Bank, Ltd.		February 27, 2015	2,385					
	Sumitomo Mitsui Banking Corporation	1,710		1,710					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	1,055		1,055					
	Mizuho Trust & Banking Co., Ltd.	800		800					
	Sumitomo Mitsui Trust Bank, Limited	1,400		1,400					
	Resona Bank, Limited	200		200					
	Mizuho Bank, Ltd.	August 31, 2017		150	150	0.4173%			
Sumitomo Mitsui Banking Corporation	75		75						
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	75		75						
Mizuho Trust & Banking Co., Ltd.	72		72						
Sumitomo Mitsui Trust Bank, Limited	128		128						
The Norinchukin Bank	500		500						

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term loans payable	Development Bank of Japan Inc.	February 7, 2014	2,450	2,450	1.6100%	August 7, 2022	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	August 31, 2015	1,144	1,144	0.7488%	August 31, 2022			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		710	710					
	Mizuho Trust & Banking Co., Ltd.		549	549					
	Sumitomo Mitsui Trust Bank, Limited		414	414					
	The Norinchukin Bank		414	414					
	Resona Bank, Limited		125	125					
	Development Bank of Japan Inc.		August 31, 2015	414					
	Mizuho Bank, Ltd.	February 7, 2017	650	650	0.5538%	August 31, 2022			
	Sumitomo Mitsui Banking Corporation		500	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		200	200					
	Mizuho Trust & Banking Co., Ltd.		450	450					
	Sumitomo Mitsui Trust Bank, Limited		445	445					
	The Norinchukin Bank		445	445					
	Resona Bank, Limited		150	150					
	Mizuho Bank, Ltd.		February 29, 2016	1,350					
	Sumitomo Mitsui Banking Corporation	800		800					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	550		550					
	Mizuho Trust & Banking Co., Ltd.	530		530					
	Sumitomo Mitsui Trust Bank, Limited	400		400					
	The Norinchukin Bank	400		400					
	Resona Bank, Limited	243		243					
	Shinkin Central Bank	141		141					
	Aozora Bank, Ltd.	141		141					
	Mizuho Bank, Ltd.	February 7, 2017		1,500	1,500	0.6031%			
	Sumitomo Mitsui Banking Corporation		1,200	1,200					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		300	300					
	Mizuho Trust & Banking Co., Ltd.		450	450					
Sumitomo Mitsui Trust Bank, Limited	245		245						
The Norinchukin Bank	245		245						
Resona Bank, Limited	150		150						

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term loans payable	Mizuho Bank, Ltd.	February 29, 2016	1,377	1,377	0.4620%	August 31, 2023	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		839	839					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		565	565					
	Mizuho Trust & Banking Co., Ltd.		546	546					
	Sumitomo Mitsui Trust Bank, Limited		409	409					
	Shinsei Bank, Limited		141	141					
	Mizuho Bank, Ltd.	February 7, 2017	1,863	1,863	0.6564%	August 31, 2023			
	Sumitomo Mitsui Banking Corporation		1,411	1,411					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		600	600					
	Mizuho Trust & Banking Co., Ltd.		917	917					
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	The Norinchukin Bank		500	500					
	Resona Bank, Limited	302	302	1.8188%	February 7, 2024				
	Mizuho Bank, Ltd.	400	400						
	Sumitomo Mitsui Banking Corporation	300	300						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	February 7, 2014	300	300					
	Development Bank of Japan Inc.		809	809	0.5188%	February 29, 2024			
	Nippon Life Insurance Company	February 29, 2016	500	500					
	Mizuho Bank, Ltd.	February 7, 2017	1,000	1,000	0.6485%	February 29, 2024			
	Sumitomo Mitsui Banking Corporation		1,977	1,977					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		1,719	1,719					
	Mizuho Trust & Banking Co., Ltd.		600	600					
	Sumitomo Mitsui Trust Bank, Limited		569	569					
The Norinchukin Bank	569		569						
Development Bank of Japan Inc.	February 27, 2015	1,900	1,900	1.1738%	August 30, 2024				
Meiji Yasuda Life Insurance Company	February 29, 2016	500	500	0.5932%	August 30, 2024				
Mizuho Bank, Ltd.	February 7, 2017	1,754	1,754	0.7800%	August 30, 2024				

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term loans payable	Mizuho Bank, Ltd.	August 31, 2017	1,400	1,400	0.5913%	August 30, 2024	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		1,048	1,048					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		705	705					
	Mizuho Trust & Banking Co., Ltd.		622	622					
	Sumitomo Mitsui Trust Bank, Limited		610	610					
	The Norinchukin Bank		520	520					
	Resona Bank, Limited		215	215					
	Shinkin Central Bank		140	140					
	Shinsei Bank, Limited		140	140					
	Mizuho Bank, Ltd.		February 27, 2015	250					
	Sumitomo Mitsui Banking Corporation	125		125					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)	125		125					
	Mizuho Bank, Ltd.	February 29, 2016	250	250	0.7275%	February 28, 2025			
	Sumitomo Mitsui Banking Corporation		125	125					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		125	125					
	Development Bank of Japan Inc.	February 7, 2017	969	969	0.8500%	February 28, 2025			
	Mizuho Bank, Ltd.	August 31, 2017	1,725	1,725	0.6574%	February 28, 2025			
	Sumitomo Mitsui Banking Corporation		1,203	1,203					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		753	753					
	Mizuho Trust & Banking Co., Ltd.		722	722					
	Development Bank of Japan Inc.		1,010	1,010					
	Sumitomo Mitsui Trust Bank, Limited		682	682					
	The Norinchukin Bank		400	400					
	Resona Bank, Limited		215	215					
	Shinkin Central Bank		140	140					
	Shinsei Bank, Limited		140	140					
	Mizuho Bank, Ltd.	August 31, 2017	1,531	1,531	0.7246%	August 29, 2025			
	Sumitomo Mitsui Banking Corporation		1,267	1,267					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		577	577					
	Mizuho Trust & Banking Co., Ltd.		475	475					
Development Bank of Japan Inc.	410		410						
Aozora Bank, Ltd.	280		280						
Meiji Yasuda Life Insurance Company	230		230						
Nippon Life Insurance Company	230		230						

Category	Lender	Loan execution date	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (Note 1) (Note 2)	Repayment date	Repayment method	Use	Remarks
Long-term loans payable	Mizuho Bank, Ltd.	February 27, 2015	150	150	1.7500%	February 26, 2027	Lump-sum repayment	(Note 3)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation		75	75					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 4)		75	75					
	Subtotal		106,890	106,890					
Total			110,850	110,850					

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

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

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

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

(Note 5) The Investment Corporation made borrowings in the amount of ¥5,000 million on November 1, 2017, and it made repayment of the entire amount on December 15, 2017.

(3) Investment corporation bonds

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

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

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

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

(4) Short-term investment corporation bonds

Not applicable.

(5) Investment unit options

Not applicable.

6. Status of trading during the period

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

Type of assets	Property name	Acquisition		Transfer			
		Acquisition date	Acquisition value (Millions of yen) (Note 1)	Transfer date	Transfer value (Millions of yen) (Note 1)	Book value (Millions of yen) (Note 2)	Gain (loss) on transfer (Millions of yen) (Note 3)
Beneficiary right of real estate in trust	Sotetsu Fresa Inn Ginza 7 Chome (Additional acquisition)	November 1, 2017	7,150	–	–	–	–
Beneficiary right of real estate in trust	HULIC & New SHINBASHI	November 1, 2017	3,100	–	–	–	–
Beneficiary right of real estate in trust	Sotetsu Fresa Inn Tokyo-Roppongi	November 1, 2017	5,000	–	–	–	–
Beneficiary right of real estate in trust	Leaf Minatomirai (Land) (Note 4)	–	–	December 15, 2017	7,205	6,471	712
Beneficiary right of real estate in trust	Sasazuka South Building	–	–	December 22, 2017	2,230	2,154	10
Total		–	15,250	–	9,435	8,625	722

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

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

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

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

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

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

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

i) Real estate, etc.

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

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

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

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

ii) Other

Not applicable.

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

i) Status of transactions

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

ii) Amount of service fees, etc. paid

Category	Total amount of service fees paid (A) (Thousands of yen)	Transactions with interested person, etc.		Percentage to total amount B/A (%)
		Payee	Payment amount (B) (Thousands of yen)	
Property management fees	407,261	Hulic Building Management Co., Ltd.	95,543	23.5
		Tokyo Fudosan Kanri Co., Ltd.	91,099	22.4
Other expenses related to rent business	282,924	Hulic Building Management Co., Ltd.	5,764	2.0
		Tokyo Fudosan Kanri Co., Ltd.	1,398	0.5

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

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

Hulic Build Co., Ltd.	¥59,114 thousand
Tokyo Fudosan Kanri Co., Ltd.	¥8,869 thousand
Hulic Building Management Co., Ltd.	¥2,220 thousand

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

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

7. Financial information

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

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

(2) Changes in the calculation method of depreciation expenses

Not applicable.

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

Not applicable.

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

Not applicable.

(5) Disclosure regarding corporation holding overseas real estate

Not applicable.

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

Not applicable.

8. Other

(1) Announcements

i) General Meeting of Unitholders

Not applicable.

ii) Meeting of Board of Directors of the Investment Corporation

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

Date of Board of Directors meeting	Approved items	Outline
October 13, 2017	Conclusion of new investment units underwriting agreements	With the issuance of new investment units and sale of investment units approved at the meeting of the Board of Directors held on the same day, the general administrative duties concerning the offering of new investment units were entrusted to Mizuho Securities Co., Ltd., Nomura Securities Co., Ltd., Daiwa Securities Co., Ltd., etc.
December 13, 2017	Comprehensive resolution on issuance of investment corporation bonds and associated consignment of general administrative duties	The Board of Directors made a comprehensive resolution relating to the issuance of investment corporation bonds with a total issue amount to be within ¥15,000 million and an issuance period from January 1, 2018 to June 30, 2018. The Board of Directors approved candidate companies for consignment of administrative duties relating to offering the investment corporation bonds as well as administrative duties relating to receiving requests relating to exercise of rights of investment corporation bondholders, and operations during the term of the investment corporation bonds (including duties of the fiscal agent, issuing agent and paying agent). The Board of Directors delegated selection of the consignee for general administrative duties relating to the investment corporation bonds and decision making on the scope and the specific consignment conditions of consignment of general administrative duties, and all the necessary matters related to the consignment of administrative operations to the executive officer.

(2) Others

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

The following is a summary English language translation of the original Japanese audited financial statements. However, no assurance or warranties are given with respect to the accuracy or completeness of this English translation, and it should be noted that this translation has not been audited or reviewed by our auditor. The Japanese original shall prevail in the case of any discrepancies between this summary English language translation and the Japanese original.

III. Balance Sheet

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

(Unit: thousands of yen)

	Previous fiscal period (Reference) (As of August 31, 2017)	Reporting period (As of February 28, 2018)
Liabilities		
Current liabilities		
Operating accounts payable	519,583	233,871
Short-term loans payable	3,960,000	3,960,000
Current portion of long-term loans payable	–	8,550,000
Accounts payable - other	797,806	998,357
Accrued expenses	44,554	42,214
Income taxes payable	815	1,009
Accrued consumption taxes	19,560	109,560
Advances received	1,272,420	1,247,312
Deposits received	199	0
Total current liabilities	6,614,941	15,142,325
Noncurrent liabilities		
Investment corporation bond	5,000,000	5,000,000
Long-term loans payable	106,890,000	98,340,000
Tenant leasehold and security deposits in trust	10,571,234	11,013,169
Total noncurrent liabilities	122,461,234	114,353,169
Total liabilities	129,076,175	129,495,494
Net assets		
Unitholders' equity		
Unitholders' capital	132,051,528	141,717,678
Surplus		
Unappropriated retained earnings	3,530,068	4,214,994
Total surplus	3,530,068	4,214,994
Total unitholders' equity	135,581,596	145,932,672
Total net assets	*2 135,581,596	*2 145,932,672
Total liabilities and net assets	264,657,772	275,428,167

IV. Statement of Income and Retained Earnings

(Unit: thousands of yen)

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

V. Statement of Changes in Net Assets

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

(Unit: thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at the beginning of the period	132,051,528	3,452,871	3,452,871	135,504,399	135,504,399
Changes of items during the period					
Distribution of surplus	–	(3,452,680)	(3,452,680)	(3,452,680)	(3,452,680)
Profit	–	3,529,877	3,529,877	3,529,877	3,529,877
Total changes of items during the period	–	77,197	77,197	77,197	77,197
Balance at the end of the period	*1 132,051,528	3,530,068	3,530,068	135,581,596	135,581,596

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

(Unit: thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings	Total surplus		
Balance at the beginning of the period	132,051,528	3,530,068	3,530,068	135,581,596	135,581,596
Changes of items during the period					
Issuance of new investment units	9,666,150	–	–	9,666,150	9,666,150
Distribution of surplus	–	(3,530,010)	(3,530,010)	(3,530,010)	(3,530,010)
Profit	–	4,214,935	4,214,935	4,214,935	4,214,935
Total changes of items during the period	9,666,150	684,925	684,925	10,351,075	10,351,075
Balance at the end of the period	*1 141,717,678	4,214,994	4,214,994	145,932,672	145,932,672

VI. Notes

[Notes on Significant Accounting Policies]

Item	Previous fiscal period (Reference) (From March 1, 2017 to August 31, 2017)	Reporting period (From September 1, 2017 to February 28, 2018)																
1. Method of depreciation and amortization of noncurrent assets	<p>(1) Property, plant and equipment (including assets in trust) The straight-line method is used. The estimated useful lives of property, plant and equipment are listed below.</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-right: 20px;">Buildings</td> <td>3 to 64 years</td> </tr> <tr> <td>Structures</td> <td>4 to 20 years</td> </tr> <tr> <td>Machinery and equipment</td> <td>3 to 10 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>3 to 15 years</td> </tr> </table> <p>(2) Intangible assets The straight-line method is used. Internal use software is amortized over the estimated useful life (5 years).</p> <p>(3) Long-term prepaid expenses The straight-line method is used.</p>	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	<p>(1) Property, plant and equipment (including assets in trust) The straight-line method is used. The estimated useful lives of property, plant and equipment are listed below.</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-right: 20px;">Buildings</td> <td>3 to 64 years</td> </tr> <tr> <td>Structures</td> <td>4 to 20 years</td> </tr> <tr> <td>Machinery and equipment</td> <td>3 to 10 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>3 to 15 years</td> </tr> </table> <p>(2) Intangible assets The straight-line method is used. Internal use software is amortized over the estimated useful life (5 years).</p> <p>(3) Long-term prepaid expenses The straight-line method is used.</p>	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
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																	
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. Accounting method for deferred assets	<p>(1) Investment corporation bond issuance costs Amortized by the straight-line method over period until redemption.</p> <p>(2) Investment unit issuance costs Amortized by the straight-line method over a three-year period.</p>	<p>(1) Investment corporation bond issuance costs Amortized by the straight-line method over period until redemption.</p> <p>(2) Investment unit issuance costs Amortized by the straight-line method over a three-year period.</p>																
3. Recognition of revenue and expenses	<p>Fixed asset tax and related taxes For fixed asset tax, city planning tax, depreciable asset tax, etc. for real properties held, the amount of tax levied corresponding to the relevant accounting period is recorded as expenses related to rent business. The amount equivalent to fixed asset tax and related taxes for the fiscal year that includes the date on which we paid settlement money to the transferor for acquisition of real estate, etc. is not recorded as expenses related to rent business but included in the acquisition costs for the related properties. The amount equivalent to fixed asset tax included in acquisition costs for properties for the reporting period was ¥40,847 thousand.</p>	<p>Fixed asset tax and related taxes For fixed asset tax, city planning tax, depreciable asset tax, etc. for real properties held, the amount of tax levied corresponding to the relevant accounting period is recorded as expenses related to rent business. The amount equivalent to fixed asset tax and related taxes for the fiscal year that includes the date on which we paid settlement money to the transferor for acquisition of real estate, etc. is not recorded as expenses related to rent business but included in the acquisition costs for the related properties. The amount equivalent to fixed asset tax included in acquisition costs for properties for the reporting period was ¥7,966 thousand.</p>																
4. Method of hedge accounting	<p>(1) Method of hedge accounting Deferred hedge accounting is used for interest rate swaps. For interest rate swaps that satisfy requirements for special treatments, however, special treatment is used.</p> <p>(2) Hedging instruments and hedged items Hedging instruments: Interest rate swaps Hedged items: Interest on borrowings</p> <p>(3) Hedging policy The Investment Corporation conducts derivative transactions for the purpose of hedging risks provided for in the Articles of Incorporation of the Investment Corporation pursuant to the basic policy of risk management.</p> <p>(4) Method of assessing hedge effectiveness The assessment of hedge effectiveness is omitted since the interest rate swaps satisfy the requirements for special treatment.</p>	<p>(1) Method of hedge accounting Deferred hedge accounting is used for interest rate swaps. For interest rate swaps that satisfy requirements for special treatments, however, special treatment is used.</p> <p>(2) Hedging instruments and hedged items Hedging instruments: Interest rate swaps Hedged items: Interest on borrowings</p> <p>(3) Hedging policy The Investment Corporation conducts derivative transactions for the purpose of hedging risks provided for in the Articles of Incorporation of the Investment Corporation pursuant to the basic policy of risk management.</p> <p>(4) Method of assessing hedge effectiveness The assessment of hedge effectiveness is omitted since the interest rate swaps satisfy the requirements for special treatment.</p>																

Item	Previous fiscal period (Reference) (From March 1, 2017 to August 31, 2017)	Reporting period (From September 1, 2017 to February 28, 2018)
5. Other significant information for preparation of financial statements	<p>(1) Accounting method for trust beneficiary rights in real estate</p> <p>With regard to trust beneficiary rights in real estate, all assets and liabilities within assets in trust as well as all revenue and expense items associated with assets in trust are accounted for under the respective account items of the balance sheet and statement of income and retained earnings.</p> <p>Of the assets in trust accounted for under the respective account items, the following significant items are separately indicated on the balance sheet:</p> <ul style="list-style-type: none"> i) Cash and deposits in trust ii) 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 iii) Leasehold rights in trust iv) Tenant leasehold and security deposits in trust <p>(2) Accounting method for consumption taxes</p> <p>Consumption tax and local consumption tax are accounted for by the tax-exclusion method. Consumption taxes unqualified for deduction for tax purposes for acquisition of assets are included in acquisition cost for each asset.</p>	<p>(1) Accounting method for trust beneficiary rights in real estate</p> <p>With regard to trust beneficiary rights in real estate, all assets and liabilities within assets in trust as well as all revenue and expense items associated with assets in trust are accounted for under the respective account items of the balance sheet and statement of income and retained earnings.</p> <p>Of the assets in trust accounted for under the respective account items, the following significant items are separately indicated on the balance sheet:</p> <ul style="list-style-type: none"> i) Cash and deposits in trust ii) 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 iii) Leasehold rights in trust iv) Tenant leasehold and security deposits in trust <p>(2) Accounting method for consumption taxes</p> <p>Consumption tax and local consumption tax are accounted for by the tax-exclusion method. Consumption taxes unqualified for deduction for tax purposes for acquisition of assets are included in acquisition cost for each asset.</p>

[Notes to Balance Sheet]

Previous fiscal period (Reference) (As of August 31, 2017)	Reporting period (As of February 28, 2018)
<p>1. Commitment line contracts</p> <p>The Investment Corporation has commitment line contracts with the banks with which it does business.</p> <p>Total amount of commitment line contracts ¥10,000,000 thousand</p> <p>Balance of borrowings outstanding –</p>	<p>1. Commitment line contracts</p> <p>The Investment Corporation has commitment line contracts with the banks with which it does business.</p> <p>Total amount of commitment line contracts ¥10,000,000 thousand</p> <p>Balance of borrowings outstanding –</p>
Difference ¥10,000,000 thousand	Difference ¥10,000,000 thousand
<p>*2. Minimum net assets as provided in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations</p> <p style="text-align: right;">¥50,000 thousand</p>	<p>*2. Minimum net assets as provided in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations</p> <p style="text-align: right;">¥50,000 thousand</p>

[Notes to Statement of Income and Retained Earnings]

Previous fiscal period (Reference) (From March 1, 2017 to August 31, 2017)	Reporting period (From September 1, 2017 to February 28, 2018)
<p>*1. Components of income (loss) from real estate lease business (Unit: thousands of yen)</p> <p>A. Real estate lease business revenues</p> <p>Lease business revenue</p> <p>Rent 5,543,317</p> <p>Land rent 623,202</p> <p>Common service fees 607,759</p> <p style="text-align: right;">Total 6,774,278</p> <p>Other lease business revenues</p> <p>Revenue from utilities charges 214,914</p> <p>Other revenue 109,782</p> <p style="text-align: right;">Total 324,697</p> <p>Total real estate lease business revenues 7,098,975</p> <p>B. Expenses related to real estate lease business</p> <p>Expenses related to rent business</p> <p>Property management fees 388,398</p> <p>Utilities expenses 231,973</p> <p>Taxes and public dues 531,630</p> <p>Insurance expenses 7,432</p> <p>Repair expenses 91,103</p> <p>Depreciation and amortization 732,286</p> <p>Other expenses related to rent business 260,233</p> <p>Total expenses related to real estate lease business 2,243,059</p> <p>C. Income (loss) from real estate lease business (A – B) 4,855,916</p>	<p>*1. Components of income (loss) from real estate lease business (Unit: thousands of yen)</p> <p>A. Real estate lease business revenues</p> <p>Lease business revenue</p> <p>Rent 6,016,216</p> <p>Land rent 500,030</p> <p>Common service fees 603,376</p> <p style="text-align: right;">Total 7,119,623</p> <p>Other lease business revenues</p> <p>Revenue from utilities charges 237,496</p> <p>Other revenue 103,485</p> <p style="text-align: right;">Total 340,982</p> <p>Total real estate lease business revenues 7,460,605</p> <p>B. Expenses related to real estate lease business</p> <p>Expenses related to rent business</p> <p>Property management fees 407,261</p> <p>Utilities expenses 241,149</p> <p>Taxes and public dues 531,193</p> <p>Insurance expenses 7,570</p> <p>Repair expenses 125,066</p> <p>Depreciation and amortization 794,860</p> <p>Other expenses related to rent business 282,924</p> <p>Total expenses related to real estate lease business 2,390,026</p> <p>C. Income (loss) from real estate lease business (A – B) 5,070,578</p>
<p>*2. Components of gain (loss) on sales of real estate properties (Unit: thousands of yen)</p> <p>Not applicable.</p>	<p>*2. Components of gain (loss) on sales of real estate properties (Unit: thousands of yen)</p> <p>Leaf Minatomirai (Land)</p> <p>Proceeds from sales of real estate properties 7,205,000</p> <p>Cost of sales of real estate properties 6,471,298</p> <p>Other expenses for the sales 21,443</p> <p>Gain on sales of real estate properties 712,257</p> <p>Sasazuka South Building</p> <p>Proceeds from sales of real estate properties 2,230,000</p> <p>Cost of sales of real estate properties 2,154,561</p> <p>Other expenses for the sales 65,195</p> <p>Gain on sales of real estate properties 10,243</p>
<p>*3. Transactions with major corporate unitholders (Unit: thousands of yen)</p> <p>From operating transactions</p> <p>Lease business revenue 1,279,261</p>	<p>*3. Transactions with major corporate unitholders (Unit: thousands of yen)</p> <p>From operating transactions</p> <p>Lease business revenue 1,163,841</p> <p>Gain on sales of real estate properties 712,257</p>

[Notes to Statement of Changes in Net Assets]

Item	Previous fiscal period (Reference) (From March 1, 2017 to August 31, 2017)	Reporting period (From September 1, 2017 to February 28, 2018)
*1. Total number of authorized investment units and total number of investment units issued	Total number of authorized investment units at end of period 20,000,000 units Total number of investment units issued at end of period 1,045,000 units	Total number of authorized investment units at end of period 20,000,000 units Total number of investment units issued at end of period 1,110,000 units

[Notes on Tax Effect Accounting]

Previous fiscal period (Reference) (As of August 31, 2017)	Reporting period (As of February 28, 2018)
1. Breakdown of significant components of deferred tax assets and deferred tax liabilities (Unit: thousands of yen)	1. Breakdown of significant components of deferred tax assets and deferred tax liabilities (Unit: thousands of yen)
(Deferred tax assets)	(Deferred tax assets)
Accrued enterprise tax excluded from expenses 10	Accrued enterprise tax excluded from expenses 20
Total deferred tax assets 10	Total deferred tax assets 20
Net deferred tax assets 10	Net deferred tax assets 20
2. Reconciliation of significant differences between the statutory tax rate and the effective tax rate	2. Reconciliation of significant differences between the statutory tax rate and the effective tax rate
Statutory tax rate 31.74%	Statutory tax rate 31.74%
(Adjustments)	(Adjustments)
Distributions paid included in expenses (31.73)%	Distributions paid included in expenses (31.73)%
Others 0.01%	Others 0.01%
Effective tax rate 0.02%	Effective tax rate 0.02%

[Notes on Noncurrent Assets Used Through Leases]

Previous fiscal period (Reference) (From March 1, 2017 to August 31, 2017)	Reporting period (From September 1, 2017 to February 28, 2018)
Not applicable.	Not applicable.

[Notes on Financial Instruments]

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

1. Matters regarding status of financial instruments

(1) Policy for handling financial instruments

The Investment Corporation procures funds for acquisition of assets, repairs and repayment of debt primarily through borrowings from financial institutions, issuance of investment corporation bonds and issuance of investment units. 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 conducts derivative transactions only for the purpose of hedging fluctuation risk of interest rates for borrowings and does not conduct any speculative transactions.

(2) Description of financial instruments and associated risks, and risk management structure

Deposits are used for investment of our surplus funds. These deposits 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 those with short-term deposit periods.

Borrowings and investment corporation bonds are mainly for the purpose of acquiring properties and refinancing of existing borrowings. Of these, borrowings 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 “4. Method of hedge accounting” in “Notes on Significant Accounting Policies” above.

(3) Supplemental explanation on matters regarding fair values, etc. of financial instruments

The fair values of financial instruments are based on market prices, if available. If there is no available market price for certain financial instruments, such fair value is based on the value rationally measured. Since variables are factored into measurements of fair value, the value may vary if different assumptions are used. The contract amounts related to derivatives mentioned in “Derivative transactions” below should not be considered indicative of the market risk associated with the derivative transactions.

2. Matters regarding fair value, etc. of financial instruments

Balance sheet carrying amount, fair value, and the difference between the two values as of August 31, 2017 are as follows:

(Unit: thousands of yen)

	Balance sheet carrying amount	Fair value	Difference
(1) Cash and deposits	7,606,126	7,606,126	–
(2) Cash and deposits in trust	5,870,439	5,870,439	–
Total assets	13,476,566	13,476,566	–
(1) Short-term loans payable	3,960,000	3,960,000	–
(2) Investment corporation bonds	5,000,000	5,063,200	63,200
(3) Long-term loans payable	106,890,000	105,231,688	(1,658,311)
Total liabilities	115,850,000	114,254,888	(1,595,111)
Derivative transactions	–	–	–

(Note 1) Measurement of fair values of financial instruments and matters regarding derivative transactions

Assets

(1) Cash and deposits, and (2) Cash and deposits in trust

The book value is used as the fair value of these assets, given that the fair value is almost equivalent to the amount of the book value, as they are settled in a short time.

Liabilities

(1) Short-term loans payable

The book value is used as the fair value of these liabilities, given that the fair value is almost equivalent to the amount of the book value, as they are settled in a short time and carry floating interest rates.

(2) Investment corporation bonds

Fair value has been calculated on the basis of reference quotations of sales-purchase transactions and other such data, as provided by financial institutions and other such entities.

(3) Long-term loans payable

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

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

Derivative transactions

(1) Derivative transactions not applying hedge accounting

Not applicable.

(2) Derivative transactions applying hedge accounting

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

(Unit: thousands of yen)

Hedge accounting method	Type of derivative transaction	Major hedged item	Contracted amount		Fair value	Measurement method for fair value
				Portion due after 1 year		
Special treatment of interest rate swaps	Interest rate swap transaction Payment: fixed interest rate Receipt: floating interest rate	Long-term loans payable	61,647,000	61,647,000	*	—

* Interest rate swap transactions to which special treatment is applied are accounted for as an integral part of long-term loans payable, a hedged item. Thus, their fair values are included in the fair value of long-term loans payable (please refer to the preceding “Notes on Financial Instruments, 2. Matters regarding fair value, etc. of financial instruments, (Note 1) Measurement of fair values of financial instruments and matters regarding derivative transactions, Liabilities (3) Long-term loans payable”).

(Note 2) Redemption of monetary claims scheduled to be due after the balance sheet date (as of August 31, 2017)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Cash and deposits	7,606,126	—	—	—	—	—
Cash and deposits in trust	5,870,439	—	—	—	—	—
Total	13,476,566	—	—	—	—	—

(Note 3) Redemption of investment corporation bonds, long-term loans payable and other interest-bearing debt scheduled to be due after the balance sheet date (as of August 31, 2017)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Short-term loans payable	3,960,000	—	—	—	—	—
Investment corporation bonds	—	—	2,000,000	—	—	3,000,000
Long-term loans payable	—	13,130,000	9,299,000	15,680,000	17,610,000	51,171,000
Total	3,960,000	13,130,000	11,299,000	15,680,000	17,610,000	54,171,000

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

1. Matters regarding status of financial instruments

(1) Policy for handling financial instruments

The Investment Corporation procures funds for acquisition of assets, repairs and repayment of debt primarily through borrowings from financial institutions, issuance of investment corporation bonds and issuance of investment units. 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 conducts derivative transactions only for the purpose of hedging fluctuation risk of interest rates for borrowings and does not conduct any speculative transactions.

(2) Description of financial instruments and associated risks, and risk management structure

Deposits are used for investment of our surplus funds. These deposits 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 those with short-term deposit periods.

Borrowings and investment corporation bonds are mainly for the purpose of acquiring properties and refinancing of existing borrowings. Of these, borrowings 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 “4. Method of hedge accounting” in “Notes on Significant Accounting Policies” above.

(3) Supplemental explanation on matters regarding fair values, etc. of financial instruments

The fair values of financial instruments are based on market prices, if available. If there is no available market price for certain financial instruments, such fair value is based on the value rationally measured. Since variables are factored into measurements of fair value, the value may vary if different assumptions are used. The contract amounts related to derivatives mentioned in “Derivative transactions” below should not be considered indicative of the market risk associated with the derivative transactions.

2. Matters regarding fair value, etc. of financial instruments

Balance sheet carrying amount, fair value, and the difference between the two values as of February 28, 2018 are as follows:

(Unit: thousands of yen)

	Balance sheet carrying amount	Fair value	Difference
(1) Cash and deposits	12,433,608	12,433,608	–
(2) Cash and deposits in trust	5,722,404	5,722,404	–
Total assets	18,156,013	18,156,013	–
(1) Short-term loans payable	3,960,000	3,960,000	–
(2) Current portion of long-term loans payable	8,550,000	8,600,957	50,957
(3) Investment corporation bonds	5,000,000	5,064,200	64,200
(4) Long-term loans payable	98,340,000	97,057,070	(1,282,929)
Total liabilities	115,850,000	114,682,227	(1,167,772)
Derivative transactions	–	–	–

(Note 1) Measurement of fair values of financial instruments and matters regarding derivative transactions

Assets

(1) Cash and deposits, and (2) Cash and deposits in trust

The book value is used as the fair value of these assets, given that the fair value is almost equivalent to the amount of the book value, as they are settled in a short time.

Liabilities

(1) Short-term loans payable

The book value is used as the fair value of these liabilities, given that the fair value is almost equivalent to the amount of the book value, as they are settled in a short time and carry floating interest rates.

(2) Current portion of long-term loans payable, and (4) Long-term loans payable

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

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

(3) Investment corporation bonds

Fair value has been calculated on the basis of reference quotations of sales-purchase transactions and other such data, as provided by financial institutions and other such entities.

Derivative transactions

(1) Derivative transactions not applying hedge accounting

Not applicable.

(2) Derivative transactions applying hedge accounting

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

(Unit: thousands of yen)

Hedge accounting method	Type of derivative transaction	Major hedged item	Contracted amount		Fair value	Measurement method for fair value
				Portion due after 1 year		
Special treatment of interest rate swaps	Interest rate swap transaction Payment: fixed interest rate Receipt: floating interest rate	Long-term loans payable	61,647,000	53,097,000	*	–

* Interest rate swap transactions to which special treatment is applied are accounted for as an integral part of long-term loans payable, a hedged item. Thus, their fair values are included in the fair value of long-term loans payable (please refer to the preceding “Notes on Financial Instruments, 2. Matters regarding fair value, etc. of financial instruments, (Note 1) Measurement of fair values of financial instruments and matters regarding derivative transactions, Liabilities (2) Current portion of long-term loans payable, and (4) Long-term loans payable”).

(Note 2) Redemption of monetary claims scheduled to be due after the balance sheet date (as of February 28, 2018)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Cash and deposits	12,433,608	–	–	–	–	–
Cash and deposits in trust	5,722,404	–	–	–	–	–
Total	18,156,013	–	–	–	–	–

(Note 3) Redemption of investment corporation bonds, long-term loans payable and other interest-bearing debt scheduled to be due after the balance sheet date (as of February 28, 2018)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Short-term loans payable	3,960,000	–	–	–	–	–
Investment corporation bonds	–	2,000,000	–	–	–	3,000,000
Long-term loans payable	8,550,000	10,320,000	12,109,000	15,680,000	17,705,000	42,526,000
Total	12,510,000	12,320,000	12,109,000	15,680,000	17,705,000	45,526,000

[Notes on Investment and Rental Properties]

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

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)

Balance sheet carrying amount			Fair value at end of period
Balance at beginning of period	Changes during period	Balance at end of period	
231,997,903	18,213,279	250,211,182	285,563,000

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

(Note 2) The main reason for the increase in the investment and rental properties during the period is the acquisition of beneficiary rights of real estate in trust of 6 properties (¥18,648,512 thousand). The decrease is mainly due to depreciation and amortization (¥732,286 thousand).

(Note 3) The fair value at end of period is the appraisal value provided by an independent real estate appraiser. The profit or loss for the period under review concerning investment and rental properties is indicated under "Notes to Statement of Income and Retained Earnings" above.

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

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)

Balance sheet carrying amount			Fair value at end of period
Balance at beginning of period	Changes during period	Balance at end of period	
250,211,182	6,174,224	256,385,407	294,032,000

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

(Note 2) The main reason for the increase in the investment and rental properties during the period is the acquisition of beneficiary rights of real estate in trust of 3 properties (¥15,329,589 thousand). The decrease is mainly due to transfer of beneficiary rights of real estate in trust of 2 properties (¥8,625,859 thousand) and depreciation and amortization (¥794,860 thousand).

(Note 3) The fair value at end of period is the appraisal value provided by an independent real estate appraiser. The fair value of Leaf Minatomirai (Land), which is planned to be transferred on April 27 and September 27, 2018, is based on the transfer prices stated on the trust beneficiary right sales agreement entered into on October 13, 2017. The profit or loss for the period under review concerning investment and rental properties is indicated under "Notes to Statement of Income and Retained Earnings" above.

[Notes on Restriction on Asset Investment]

Previous fiscal period (Reference) (From March 1, 2017 to August 31, 2017)	Reporting period (From September 1, 2017 to February 28, 2018)
Not applicable.	Not applicable.

[Notes on Related Party Transactions]

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

Type	Name	Description of business	Percentage of voting rights owning	Description of transaction (Note 1)	Amount of transaction (Thousands of yen) (Note 2)	Account item	Balance at end of period (Thousands of yen) (Note 2)
Major corporate unitholder	Hulic Co., Ltd.	Real estate business	11.49%	Purchase of beneficiary right of real estate in trust	16,930,000	–	–
				Keeping of leasehold and security deposits	810,223	Tenant leasehold and security deposits in trust	8,442,454
				Repayment of leasehold and security deposits	151,248		
				Earning of rent revenue, etc.	1,279,261	Advances received	223,353
Custodian	Mizuho Trust & Banking Co., Ltd.	Banking business	–	Borrowing of long-term loans payable	1,891,000	Long-term loans payable	10,583,000
				Interest expenses	22,129	Accrued expenses	2,142
				Borrowing related expenses	20,839	Long-term prepaid expenses	76,575

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

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

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

Type	Name	Description of business	Percentage of voting rights owning	Description of transaction (Note 1)	Amount of transaction (Thousands of yen) (Note 2)	Account item	Balance at end of period (Thousands of yen) (Note 2)
Major corporate unitholder	Hulic Co., Ltd.	Real estate business	11.40%	Purchase of beneficiary right of real estate in trust	15,250,000	–	–
				Transfer of beneficiary right of real estate in trust	7,205,000	–	–
				Keeping of leasehold and security deposits	967,647	Tenant leasehold and security deposits in trust	8,894,660
				Repayment of leasehold and security deposits	515,442		
				Earning of rent revenue, etc.	1,163,841	Advances received	168,411
Custodian	Mizuho Trust & Banking Co., Ltd.	Banking business	–	Borrowing of long-term loans payable	–	Current portion of long-term loans payable	1,050,000
						Long-term loans payable	9,533,000
				Interest expenses	28,141	Accrued expenses	2,147
				Borrowing related expenses	–	Long-term prepaid expenses	68,711

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

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

[Notes on Per Unit Information]

Previous fiscal period (Reference) (From March 1, 2017 to August 31, 2017)	Reporting period (From September 1, 2017 to February 28, 2018)
Net assets per unit ¥129,743	Net assets per unit ¥131,470
Basic earnings per unit ¥3,377	Basic earnings per unit ¥3,873
Basic earnings per unit is calculated by dividing profit by the day-weighted average number of investment units for the period. Fully diluted earnings per unit is not presented, as there is no potential investment unit.	Basic earnings per unit is calculated by dividing profit by the day-weighted average number of investment units for the period. Fully diluted earnings per unit is not presented, as there is no potential investment unit.

(Note) The basis for calculating basic earnings per unit is as follows:

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

[Notes on Significant Events After the Reporting Period]

Previous fiscal period (Reference) (From March 1, 2017 to August 31, 2017)	Reporting period (From September 1, 2017 to February 28, 2018)
<p>Issuance of new investment units</p> <p>The Investment Corporation passed resolutions at a meeting of its Board of Directors held on October 13, 2017, to issue new investment units as follows for the purpose of using the proceeds to finance, among others, a portion of the purchase price for specified assets and repayment of borrowings. It plans to determine the issue price per unit and other matters at a future meeting of the Board of Directors.</p> <p>(New investment unit issuance through public offering)</p> <p>Number of new investment units to be issued: 61,800 units</p> <p>Payment date: A date between October 31, 2017 and November 2, 2017</p> <p>(New investment unit issuance through third-party allotment)</p> <p>Number of new investment units to be issued: 3,200 units (maximum)</p> <p>Payment date: November 20, 2017</p> <p>Allottee: Mizuho Securities Co., Ltd.</p> <p>If the entire number of new investment units to be issued in the third-party allotment, or a portion thereof, is not subscribed to, this may result in the final number of new investment units issued in the third-party allotment being reduced by such number of units or fewer due to forfeiture or the issuance itself not being carried out at all.</p>	Not applicable.

VII. Statement of Cash Distributions

Item	Previous fiscal period (Reference) (From March 1, 2017 to August 31, 2017)	Reporting period (From September 1, 2017 to February 28, 2018)
I Unappropriated retained earnings	¥3,530,068,941	¥4,214,994,618
II Distribution amount (Distributions per unit)	¥3,530,010,000 (¥3,378)	¥4,214,670,000 (¥3,797)
III Retained earnings carried forward	¥58,941	¥324,618
Method of calculating distribution amount	Pursuant to the distribution policy prescribed in Article 35, Paragraph 1 of the Investment Corporation's Articles of Incorporation, the distribution amount shall be in excess of an amount equivalent to 90% of earnings available for distributions as defined in Article 67-15 of the Act on Special Measures Concerning Taxation, but not in excess of the amount of earnings. Based on this policy, the Investment Corporation has declared the total distributions to be ¥3,530,010,000, which is the largest integral multiple of the total number of investment units issued and outstanding (1,045,000 units), and not in excess of unappropriated retained earnings. In addition, the Investment Corporation shall not distribute cash in an amount in excess of earnings prescribed in Article 35, Paragraph 2 of the Investment Corporation's Articles of Incorporation.	Pursuant to the distribution policy prescribed in Article 35, Paragraph 1 of the Investment Corporation's Articles of Incorporation, the distribution amount shall be in excess of an amount equivalent to 90% of earnings available for distributions as defined in Article 67-15 of the Act on Special Measures Concerning Taxation, but not in excess of the amount of earnings. Based on this policy, the Investment Corporation has declared the total distributions to be ¥4,214,670,000, which is the largest integral multiple of the total number of investment units issued and outstanding (1,110,000 units), and not in excess of unappropriated retained earnings. In addition, the Investment Corporation shall not distribute cash in an amount in excess of earnings prescribed in Article 35, Paragraph 2 of the Investment Corporation's Articles of Incorporation.

VIII. Statement of Cash Flows (Reference information)

(Unit: thousands of yen)

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

(Note) This Statement of Cash Flows is not audited by the independent auditor as it is not subject to an audit of the independent auditor, pursuant to Article 130 of the Act on Investment Trusts and Investment Corporations.

[Notes on Significant Accounting Policies] (Reference information)

Item	Previous fiscal period (Reference) (From March 1, 2017 to August 31, 2017)	Reporting period (From September 1, 2017 to February 28, 2018)
Scope of cash and cash equivalents in the statement of cash flows	Cash and cash equivalents in the statement of cash flows are composed of cash on hand, cash in trust, demand deposits, deposits in trust, and short-term investments that are readily convertible, bear little risk in price fluctuations, and mature within 3 months of the date of acquisition.	Cash and cash equivalents in the statement of cash flows are composed of cash on hand, cash in trust, demand deposits, deposits in trust, and short-term investments that are readily convertible, bear little risk in price fluctuations, and mature within 3 months of the date of acquisition.

[Notes to Statement of Cash Flows] (Reference information)

Previous fiscal period (Reference) (From March 1, 2017 to August 31, 2017)		Reporting period (From September 1, 2017 to February 28, 2018)	
*1. Reconciliation between cash and cash equivalents at end of period and relevant amount on the balance sheet (As of August 31, 2017)		*1. Reconciliation between cash and cash equivalents at end of period and relevant amount on the balance sheet (As of February 28, 2018)	
Cash and deposits	¥7,606,126 thousand	Cash and deposits	¥12,433,608 thousand
Cash and deposits in trust	¥5,870,439 thousand	Cash and deposits in trust	¥5,722,404 thousand
Total cash and cash equivalent	¥13,476,566 thousand	Total cash and cash equivalent	¥18,156,013 thousand