

Translation Purpose Only

April 14, 2015

To All Concerned Parties

Name of REIT Issuer
Hulic Reit, Inc.
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Eiji Tokita, Executive Officer
(TSE Code: 3295)
Contact:
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Notice concerning the Acquisition of Property

Hulic Reit Management Co., Ltd. (hereinafter referred to as “Hulic Reit Management”), which is entrusted with the management of the assets of Hulic Reit, Inc. (hereinafter referred to as “Hulic Reit”), hereby announces that it has today made the decision to acquire the following (stratified ownership interest, etc.) property (hereinafter referred to as the “Anticipated Property”).

The seller of the Anticipated Property is an Interested Person, etc. (as defined in Article 201 of the Act on Investment Trust and Investment Corporation (Act No. 198 of 1951, as amended; hereinafter referred to as the “Act”) and Article 123 of the Enforcement Ordinance on the Investment Trust and Investment Corporation Act (Cabinet Order No. 480 of 2000, as amended; hereinafter referred to as the “Enforcement Ordinance”)) of Hulic Reit Management, and is a related person according to Hulic Reit Management’s Regulations on Transactions with Interested Parties. Hulic Co., Ltd. has acquired Hulic Reit’s consent based on the approval at a meeting of Hulic Reit’s board of directors, which is required under the Act and Hulic Reit Management’s internal policies, and further, has carried out the decision-making procedures stipulated in the Regulations on Transactions with Interested Persons.

1. Overview of the acquisition

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| (1) Category | : Tokyo Commercial Property (office property) |
| (2) Property Name | : Gate City Ohsaki |
| (3) Location | : Shinagawa-ku, Tokyo |
| (4) Anticipated Acquisition Price | : 4,370 million yen ^(Note 1) |
| (5) Date of Purchase and Sale Agreement | : April 14, 2015 |
| (6) Anticipated Acquisition Date ^(Note 2) | : April 16, 2015 |
| (7) Seller | : Hulic Co., Ltd. ^(Note 3) |
| (8) Acquisition Funds | : Borrowings ^(Note 4) and cash on hand |
| (9) Settlement Method | : Full payment upon delivery |

Notes:

- (1) “Anticipated Acquisition Price” does not include consumption or local taxes or the costs and expenses related to the acquisition.
- (2) “Anticipated Acquisition Date” is the anticipated date of acquisition stated in the relevant purchase and sale agreement.
- (3) “Seller”: Hulic Co., Ltd. is an Interested Person, etc. (as defined in Article 201 of the Act on Investment Trust and Investment Corporation (Act No. 198 of 1951, as amended; hereinafter referred to as the “Act”) and Article 123 of the Enforcement Ordinance on the Investment Trust and Investment Corporation Act (Cabinet Order No. 480 of 2000, as amended; hereinafter referred to as the “Enforcement Ordinance”)) of Hulic Reit Management, and is a related person according to Hulic Reit Management’s Regulations on Transactions with Interested Parties.
- (4) For details, refer to “Notice concerning the Borrowing of Funds” announced today.

2. Reason for acquisition

In accordance with the basic policies of Hulic Reit, the purpose to acquire the Anticipated Property is to improve the portfolio. Hulic Reit Management assessed the Anticipated Property based on the following factors.

(1) Characteristics of the location

The Anticipated Property is directly connected to the Shin-Higashi Exit of Osaki station by a pedestrian deck. Its location is particularly convenient for transportation within the Osaki area, with access to the JR Yamanote, Saikyo, Shonan-Shinjuku lines and the Rinkai line.

The supply of office space in the Osaki area became fully developed from around the late 1990s, which is relatively late compared to other major business areas in Tokyo, but in recent years, the area surrounding Osaki station is becoming increasingly concentrated with large office buildings due to redevelopment projects. Moreover, the area surrounding Osaki station is in close proximity to Shinagawa station, a station that is expected to be further developed going forward. Thus, it is an area with growing potential as a business district.

(2) Characteristics of the property

The Anticipated Property is a large-scale complex built in 1999 as part of the Osaki Station No. 2 West District, Type 1 urban redevelopment project. It is a redeveloped facility replete with a variety of urban functions and centered around the business/commercial buildings with 24 stories above ground (2 office towers, namely the West Tower and the East Tower, and a low-rise portion with commercial facilities (“Gate City Plaza”) and cultural facilities) and a residential tower with 20 stories above ground (the “South Park Tower”).

The offices are of relatively high-spec with regard to functionality, namely, exclusively owned area on a standard floor of 859 to 1,236 *tsubo*, ceiling height of 2,650mm and OA floor area of 100mm, and the high quality and ample common use area, including the 495-seated “Gate City Hall” and a five-story tall atrium. The complex thus remains highly competitive, despite being over 15 years old. Among the areas surrounding Osaki Station where large office buildings are concentrated, Gate City Ohsaki is a landmark due to its scale and sense of grade.

3. Overview of the Anticipated Property (Note 1)

Specified assets category		Trust beneficiary interests
Anticipated Acquisition Price		4,370 million yen
Trustee		Sumitomo Mitsui Trust Bank, Limited
Date Trust Initiated		April 16, 2015
Expiration date of trust period		April 16, 2025
Nearest Station		Osaki Station on the JR Line (1-minute walk)
Address (domicile)		11-1 and other lots, Ohsaki 1-chome, Shinagawa-ku, Tokyo
Land	Lot number	500-1 and 500-2, Ohsaki 1-chome, Shinagawa-ku, Tokyo
	Building-to-land ratio	60%
	Floor-area ratio	660% (Note 2)
	Zoning	Quasi-industrial District
	Site area	42,509.31 m ² (Note 3)
Type of ownership		Co-ownership of land (Note 4)
Building	Completed	(Business/Commercial Tower) January 1999 (Residential Tower) December 1998
	Construction	(Business/Commercial Tower) Steel structure, reinforced concrete, steel reinforced concrete (Residential Tower) Steel reinforced concrete, reinforced concrete
	Number of floors	(Business/Commercial Tower) B4/24F (Residential Tower) B2/20F
	Use	Office, retail, residence
	Total floor space	(Business/Commercial Tower) 287,349.75m ² (Residential Tower) 18,141.79m ²
	Number of parking spaces	(Business/Commercial Tower) Horizontal 295; Mechanical 370 (Residential Tower) Horizontal 5; Mechanical 153
Type of ownership		Co-ownership of stratified ownership interest (Note 5)
Collateral		None
PM company		(Business/Commercial Tower) Mitsui Fudosan Co., Ltd. (Residential Tower) Mitsui Fudosan Housing Lease Co., Ltd.
Master lease company		(Business/Commercial Tower) Mitsui Fudosan Co., Ltd. (Residential Tower) Mitsui Fudosan Housing Lease Co., Ltd.
Appraisal value (as of)		4,500 million yen (Note 6) (March 1, 2015)
Appraisal company		Japan Real Estate Institute
PML value		1.97% (Note 7)
Lease summary		
Total leasable area		3,835.78m ² (Note 8)
Occupancy rate		100.0% (Note 9)
Main tenant		Undisclosed (Note 10)
Total number of tenants		Undisclosed (Note 10)
Total lease income (annualized)		Undisclosed (Note 10)
Lease and guarantee deposits		Undisclosed (Note 10)
Special remarks		None

- (1) The Anticipated Property consists of co-ownership of stratified ownership interest for the offices on the 8th floor of the West Tower and shops of the commercial low-rise portion (B1 to 3F) and stratified ownership interest for 6 units in the residential tower.
- (2) The designated floor area ratios for the land under normal conditions are: 400% for the portion within 30m or less, and 300% for the portion over 30m, from the Yamate-Dori street, but as the Anticipated Property falls under the Osaki Station No. 2 West District, Type 1 urban redevelopment project (District A), the floor area ratio is 660%.
- (3) The site area includes 33.30m² of Lot No. 500-2 (the site deemed as one housing estate together with Lot No. 500-1 under the Gate City Ohsaki Block Management Regulations).
- (4) The land ownership ratio is equivalent to the ratio of the right of site in the co-ownership of Lot No. 500-1 (42,476.01m²) (approx. 2.11%).
- (5) The building to be acquired is: approx. 83.0% co-ownership of stratified ownership interest for the offices on the 8th floor of the West Tower of the Anticipated Property and approx. 2.4% co-ownership of floors commonly used by shops (the total portion of offices and shops accounts for approx. 2.4% of the entire complex); and stratified ownership interest for the residential tower of the Anticipated Property (equivalent to approx. 0.1% of the entire complex). Thus, the ownership ratio for the business/commercial buildings together with the residential tower will be approx. 2.5% of the entire complex.
- (6) The appraisal value indicates the amount that is equivalent to the ownership interest in the Anticipated Property.

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- (7) The figure is based on the earthquake PML appraisal report by Sompo Japan Nipponkoa Risk Management Inc.
- (8) The total leasable area indicates the leasable area which is equivalent to the ownership interest in the Anticipated Property.
- (9) The tenants of the property are one master lease company for business/commercial buildings and residential tower, respectively. The master lease companies sublease the Property to sublessees. The overview of their operations is as follows:
 - (Business/Commercial Buildings)
The portion of the business/commercial buildings to be acquired by Hulic Reit is a part of the joint management portion, and Hulic Reit will receive an amount in proportion to its rights in rents and common area charges generated from the entire joint management portion.
 - (Residential Tower)
The portion of the residential tower to be acquired by Hulic Reit is subleased by the master lease company, and Hulic Reit will receive an amount equivalent to 90% of rents and common area charges collected from the end-tenants.
- (10) Information is not disclosed as we have not received consent for disclosure from the parties concerned, including the end tenants and the master lease company.
- (11) The land was previously used as a factory, etc., and the land survey was conducted prior to the commencement of the construction of the Building for the purpose of removal of surplus soil as a result of the construction work. Although some soils exceeded the applicable standards, such as “the standards for the processing of contaminated soil by heavy metals pertaining to acquisition of public lands (Tokyo Metropolitan Government Bureau of Environment),” such soils have been appropriately transported to an off-site disposal field. As the Land is covered by buildings, asphalt/tiling and planting soil, we have confirmed with Engineering and Risk Services Corporation that it is unlikely to cause any health hazard to people as long as the current operation/management and use continue.

4. Overview of the Seller

Trade Name	Hulic Co., Ltd.
Location	7-3, Nihonbashiodenmacho, Chuo-ku, Tokyo
Name and title of Representative	Saburo Nishiura, President and Chief Executive Officer
Primary Business Lines	Owning, lease, sale and brokerage of real properties
Paid-in Capital	22,290 million yen (as of December 31, 2014)
Date of Foundation	March 26, 1957
Net Assets	192,435 million yen (as of December 31, 2014)
Total Assets	744,605 million yen (as of December 31, 2014)
Relationship between Hulic Reit or Hulic Reit Management and the seller	
Capital Relationship	As of February 28, 2014, the seller holds 12% of the outstanding investment units of Hulic Reit. The seller is the parent company of Hulic Reit Management (100% contribution) and an interested person under the Act.
Personnel Relationship	As of today, certain employees of Hulic Reit Management are seconded from the seller.
Transactional Relationship	The seller has entered into master lease and property management agreements with Hulic Reit regarding the trustees with respect to the assets held by Hulic Reit. Hulic Reit and Hulic Reit Management have entered into a sponsor support agreement and trademark license agreement.
Whether or not the Seller is a related person.	The seller is a related person of Hulic Reit/Hulic Reit Management. As described above, the seller is also an interested person of Hulic Reit Management, as stipulated in the Act.

5. Status of the property acquirer

Property acquisition from a person that has special interests is as follows. In the table below, (i) the company name/name, (ii) the relationship with the person that has special interests, and (iii) the background/reason for the acquisition are indicated.

Property Name (Location)	Previous owner/Trust beneficiary	Second preceding owner/Trust beneficiary
	(i), (ii), (iii) Acquisition (assignment) Price Acquisition (assignment) Time	(i), (ii), (iii) Acquisition (assignment) Price Acquisition (assignment) Time
Gate City Ohsaki (11-1 and other lots, Ohsaki 1-chome, Shinagawa-ku, Tokyo)	(i)Hulic Co., Ltd. (ii)Parent company of Hulic Reit Management (iii)Acquisition for investment	Those other than a person that has special interests
	Omitted because the property has been owned more than one (1) year	—
	April 2002 September 2005	—

6. Overview of intermediary

N/A

7. Acquisition schedule

Acquisition Decision Date	Execution Date of Purchase and Sale Agreement	Anticipated Payment Date	Anticipated Acquisition Date
April 14, 2015	April 14, 2015	April 16, 2015	April 16, 2015

8. Future outlook

The impact of the acquisition of the Anticipated Property on the outlook for the financial results for the fiscal period ending August 31, 2015 (March 1, 2015 to August 31, 2015) and the fiscal period ending February 29, 2016 (September 1, 2015 to February 29, 2016) will be minor. Please see the Summary of Financial Report for the Fiscal Period Ending February 28, 2015, which is announced as of today for the forecasts of the financial results.

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9. Summary of Appraisal Report

Appraisal value	4,500 million yen
Appraiser	Japan Real Estate Institute
Date of valuation	March 1, 2015

(millions of yen)

Item	Breakdown	Remarks
Appraisal value based on income method	4,500	Estimated by combining the appraisal values under the direct capitalization method and the DCF method
Appraisal value based on direct capitalization method	4,520	
(1) Operating revenue	315	
Effective gross income	325	Estimated based on evaluation of expected stable mid- and long-term rent level
Losses from vacancy, etc.	10	Estimated based on evaluation of expected stable mid- and long-term occupancy rate level
(2) Operating expenses	124	
Maintenance and management fee/PM fee ⁽³⁾	66	Estimated based on evaluation by reference to the management expenses payable to the management association, cost level of similar real property, etc.
Utility expenses	19	Estimated based on evaluation of past results
Repair expenses	6	Estimated based on evaluation considering cost level, long-term repair plan, average annual cost of repair works in engineering reports and other factors of similar real property
Tenant recruitment/solicitation expenses, etc.	2	Estimated based on evaluation of assumed tenant turnover rate
Taxes and public dues	28	Estimated based on the standard taxable value for 2014, etc.
Insurance premium	1	Estimated based on reference to the premium rate of similar real property, etc.
Other expenses	1	Estimated with parking fees payable to the management association as other expenses
Net operating income (NOI: (1)-(2))	191	2
(4) Profit from security deposits	0	There is no refundable deposit under the lease agreement.
(5) Capital expenditures	14	Estimated by taking into consideration capital expenditure level, age, long-term repair plan and average annual cost of repair works in engineering reports of similar real property
Net cash flow ((3)+(4)-(5))	177	
Cap rate	3.9%	
Appraisal value based on DCF method	4,480	
Discount rate	3.5%	Estimated by comprehensively considering the individuality of the real property by reference to investment yields of similar real property transactions, etc.
Terminal cap rate	4.0%	Estimated by comprehensively considering future trends of investment yields, risks of the real property as investment target, general prediction of economic growth going forward and property price, trend of rents, etc.
Appraisal value based on cost method	4,440	
Ratio of land	77.1%	
Ratio of building	22.9%	

Other matters considered by appraiser in determination of appraisal value	None
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Notes:

- (1) Income and expenditure shown in the above table are based on the appraisal report, and not based on any projections by Hulic Reit or Hulic Reit Management.
- (2) Each amount is rounded to the nearest JPY 1 million.
- (3) The maintenance and management fee and PM fee stated above are combined, because individual disclosure of the maintenance and management fee and PM fee amount levels may affect the other transactions of each contractor with respect to building management and PM services, which could pose an obstacle to efficient performance of services by Hulic Reit and could harm unitholder interests.

10. Overview of Building Inspection Report

Inspection company	Inspection performed on	Cost of urgent/short-term repairs (millions of yen) (1)	Cost of long-term repairs (millions of yen) (2)
Engineering and Risk Services Corporation	March 31, 2015	0	21

Notes:

- (1) “Cost of urgent/short-term repairs” contains the cost of updating and repair works and urgent repairs generally required within one year as shown on the Building Inspection Report.
- (2) “Cost of long-term repairs” contains the average annual amount rounded to the nearest million yen for the costs appearing on the Building Inspection Report as updating and repair work forecast over the next 12-year period.

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* Address of the website of Hulic Reit: <http://www.hulic-reit.co.jp/>

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Attachments

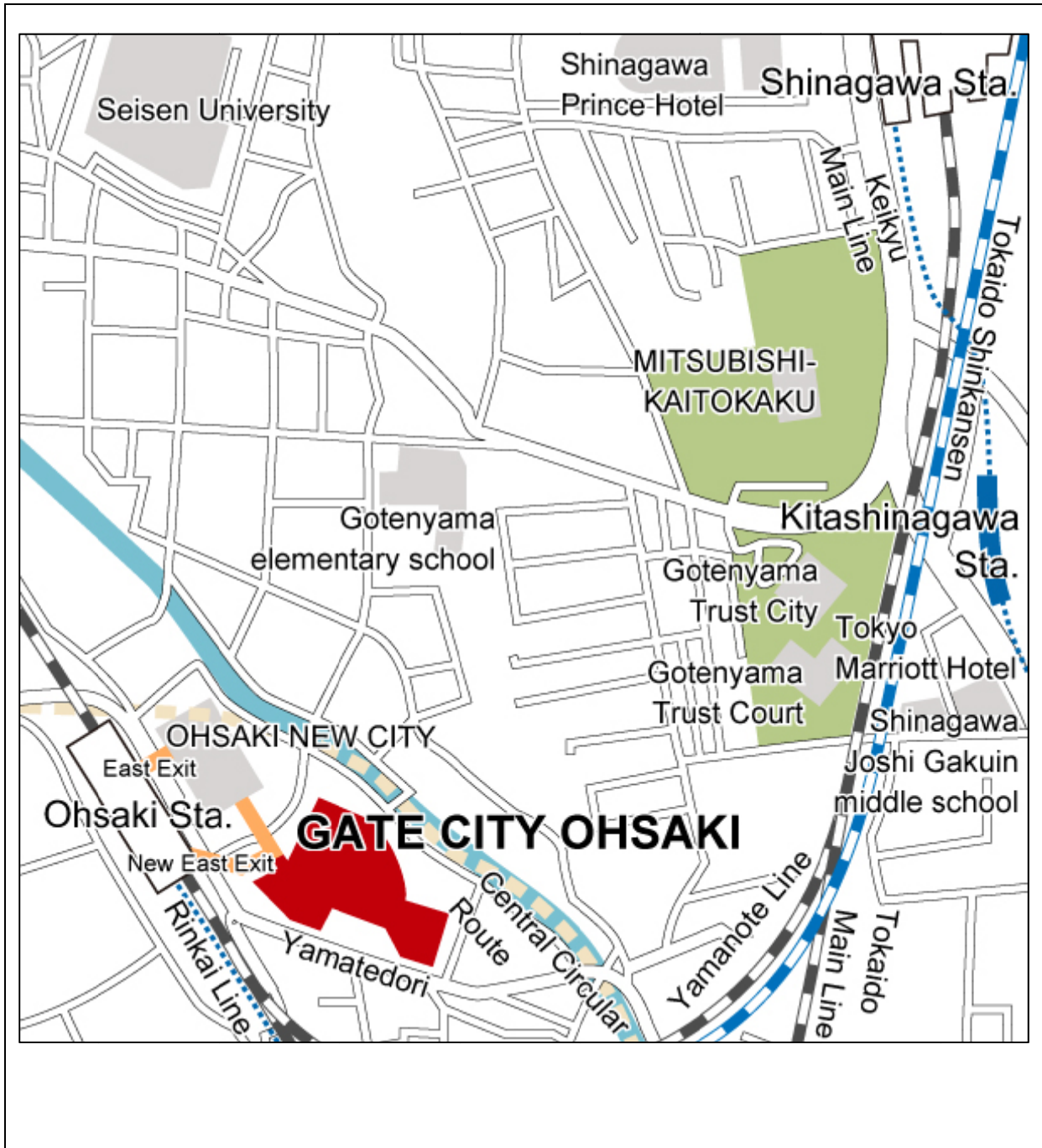
Reference Attachment 1 Map

Reference Attachment 2 Photo of the Anticipated Property

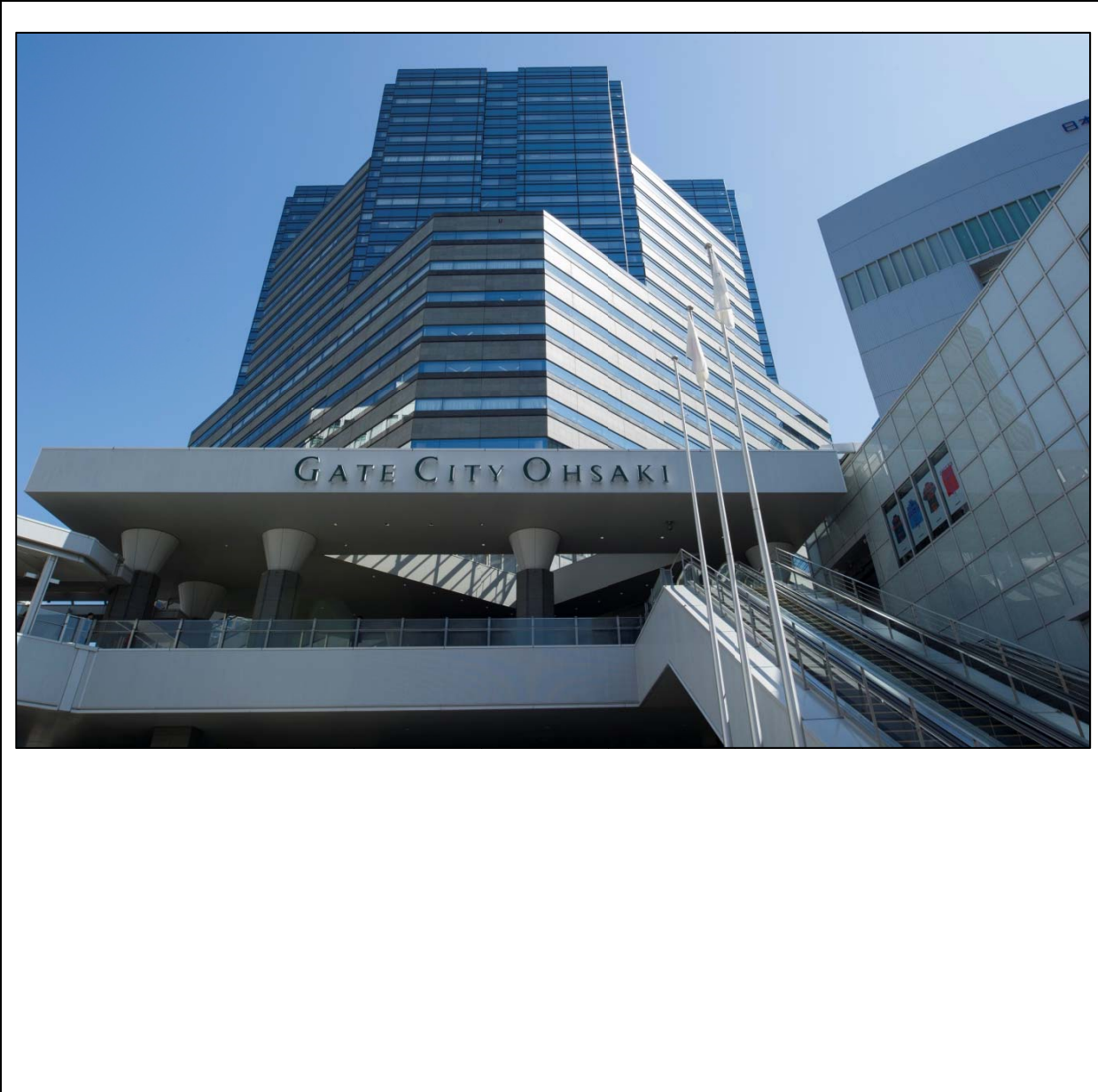
Reference Attachment 3 Portfolio List after Acquiring the Anticipated Property

Attachments

Reference Attachment 1 Map



Reference Attachment 2 Photo of the Anticipated Property



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Reference Attachment 3 Portfolio List after Acquiring the Anticipated Property

Category	Property	Location	(Anticipated) Acquisition Price (million yen) (Note 1)	Investment Ratio (%) (Note 2)	(Anticipated) Acquisition Date (Note 3)	
Tokyo Commercial Properties	Office properties	Hulic Kamiyacho Building	Minato Ward, Tokyo	20,100 (Note 4)	12.9%	February 7, 2014
		Hulic Kudan Building (Land)	Chiyoda Ward, Tokyo	11,100	7.1%	February 7, 2014
		Toranomon First Garden	Minato Ward, Tokyo	8,623 (Note 4)	5.5%	February 7, 2014
		Rapiros Roppongi	Minato Ward, Tokyo	5,160 (Note 4)	3.3%	February 7, 2014
		Hulic Takadanobaba Building	Toshima Ward, Tokyo	3,900	2.5%	February 7, 2014
		Hulic Kanda Building	Chiyoda Ward, Tokyo	3,780	2.4%	February 7, 2014
		Hulic Kandabashi Building	Chiyoda Ward, Tokyo	2,500	1.6%	February 7, 2014
		Hulic Kakigaracho Building	Chuo Ward, Tokyo	2,210	1.4%	February 7, 2014
		Ochanomizu Sola City	Chiyoda Ward, Tokyo	22,854 (Note 4)	14.8%	November 7, 2014
		Hulic Higashi Ueno 1-chome Building	Taito Ward, Tokyo	2,670	1.7%	October 16, 2014
		Sasazuka South Building	Shibuya Ward, Tokyo	2,100 (Note 4)	1.3%	March 9, 2015
		Tokyo Nishi Ikebukuro Building	Toshima Ward, Tokyo	1,580 (Note 4)	1.0%	March 31, 2015
		Gate City Ohsaki	Shinagawa Ward, Tokyo	4,370 (Note 4)	2.8%	April 16, 2015
		Subtotal	-	90,947	58.2%	-
	Retail properties	Oimachi Redevelopment Building (#2)	Shinagawa Ward, Tokyo	9,456	6.1%	February 7, 2014
		Oimachi Redevelopment Building (#1)	Shinagawa Ward, Tokyo	6,166 (Note 4)	3.9%	February 7, 2014
		Dining Square Akihabara Building	Chiyoda Ward, Tokyo	3,200	2.0%	February 7, 2014
		Hulic Jingumae Building	Shibuya Ward, Tokyo	2,660	1.7%	February 7, 2014
		Hulic Shinjuku 3-chome Building	Shinjuku Ward, Tokyo	5,550	3.6%	October 16, 2014
		Yokohama Yamashitacho Building	Yokohama City, Kanagawa	4,850	3.1%	October 16, 2014
Subtotal		-	31,882	20.4%	-	
Tokyo Commercial Properties Subtotal		-	122,829	78.6%	-	
Next Generation Assets	Private nursing homes	Aria Matsubara	Setagaya Ward, Tokyo	3,244	2.1%	February 7, 2014
		Trust Garden Yoganomori	Setagaya Ward, Tokyo	5,390	3.5%	February 7, 2014
		Trust Garden Sakurashimachi	Setagaya Ward, Tokyo	2,850	1.8%	February 7, 2014
		Trust Garden Suginami Miyamae	Suginami Ward, Tokyo	2,760	1.8%	February 7, 2014
		Subtotal	-	14,244	9.1%	-
	Core	Ikebukuro Network Center	Toshima Ward, Tokyo	4,570	2.9%	February 7, 2014

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	Tabata Network Center	Kita Ward, Tokyo	1,355	0.9%	February 7, 2014
	Hiroshima Network Center	Hiroshima City, Hiroshima Prefecture	1,080	0.7%	February 7, 2014
	Atsuta Network Center	Nagoya City, Aichi Prefecture	1,015	0.6%	February 7, 2014
	Nagano Network Center	Nagano City, Nagano Prefecture	305	0.2%	February 7, 2014
	Chiba Network Center	Inzai, Chiba	7,060	4.5%	December 16, 2014
	Sapporo Network Center	Sapporo, Hokkaido	2,510	1.6%	December 16, 2014
	Keihanna Network Center	Kizugawa, Kyoto	1,250	0.8%	October 16, 2014
	Subtotal	-	19,145	12.3%	-
	Next Generation Properties Subtotal	-	33,389	21.4%	-
	Total	-	156,218	100.0%	-

Notes:

- (1) “(Anticipated) Acquisition Price” lists the acquisition price listed in the relevant purchase and sale agreement for each of the properties, rounded to the nearest one million yen. The acquisition price does not include consumption or local taxes or the costs and expenses related to the acquisition.
- (2) “Investment Ratio” contains the percentage of the (anticipated) acquisition price of each acquired asset and each of the Anticipated Properties compared to the total (anticipated) acquisition price rounded to the second decimal place.
- (3) “(Anticipated) Acquisition Date” contains the acquisition date stated in the purchase and sale agreement.
- (4) Figure based on the ratio of stratified ownership interest or trust co-ownership interest owned by Hulic Reit in the relevant property.