

# HULIC REIT, INC.

Translation Purpose Only

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To All Concerned Parties

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Notice concerning Revisions to the Forecasts of Financial Results, etc.  
for the Fiscal Period Ending February 28, 2019 and Announcement of Forecasts  
of Financial Results, etc. for the Fiscal Period Ending August 31, 2019

TOKYO, October 12, 2018 – Hulic Reit, Inc. (hereinafter referred to as “Hulic Reit”) announced today that it has revised its forecasts of financial results, etc. for the fiscal period ending February 28, 2019 (September 1, 2018 to February 28, 2019), initially released on April 12, 2018, as follows.

Hulic Reit also announced today the following forecasts of financial results, etc. for the fiscal period ending August 31, 2019 (March 1, 2019 to August 31, 2019):

## 1. Revisions to and disclosure of the forecasts of financial results, etc.

- (1) Details of revisions to the forecasts of financial results, etc. for the fiscal period ending February 28, 2019

	Operating revenues	Operating income	Ordinary income	Profit	Distributions per unit (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit
Previous forecasts (A)	¥7,729 million	¥4,293 million	¥3,775 million	¥3,774 million	¥3,400	–
Revised forecasts (B)	¥8,840 million	¥4,926 million	¥4,317 million	¥4,316 million	¥3,450	–
Difference (amount) (B-A)	¥1,111 million	¥633 million	¥541 million	¥541 million	¥50	–
Difference	14.4%	14.7%	14.3%	14.3%	1.5%	–

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## (2) Details of the forecasts of financial results, etc. for the fiscal period ending August 31, 2019

	Operating revenues	Operating income	Ordinary income	Profit	Distributions per unit (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit
Fiscal period ending August 31, 2019	¥8,872 million	¥4,800 million	¥4,192 million	¥4,191 million	¥3,350	–

(Reference)

Fiscal period ending February 28, 2019

Estimated number of investment units issued at the end of the period: 1,251,000 units; estimated basic earnings per unit: ¥3,584

Fiscal period ending August 31, 2019

Estimated number of investment units issued at the end of the period: 1,251,000 units; estimated basic earnings per unit: ¥3,350

Notes:

1. The forecasts of financial results in (1) and (2) above have been calculated based on the assumptions at the present time listed in the attachment “Assumptions for the Forecasts of Financial Results, etc. for the Fiscal Periods Ending February 28, 2019 and August 31, 2019.” Actual operating revenues, operating income, ordinary income, profit and distributions per unit (excluding distributions in excess of earnings) may vary due to factors in the future such as additional acquisitions or divestments of real estate properties, real estate market trends, the actual number and issue price of new investment units to be issued, and other changes in circumstances surrounding Hulic Reit. In addition, these forecasts do not guarantee the distribution amount.
2. The above estimated basic earnings per unit is calculated by dividing profit by the forecasted day-weighted average number of investment units for the period (fiscal period ending February 28, 2019: 1,204,287 units, fiscal period ending August 31, 2019: 1,251,000 units).
3. Forecasts may be revised when the difference between the forecasts and the actual results is expected to be over a certain threshold.
4. Amounts have been rounded down to the nearest million, while percentages have been rounded to the nearest indicated unit in this document. The same shall apply hereinafter.

## 2. Reasons for the revisions and disclosure

As a result of factors including a decision to acquire three new specific assets (as defined in Article 2, Paragraph 1 of the Act on Investment Trusts and Investment Corporations; the same shall apply hereinafter) including one additional acquisition property stated in “Notice concerning the Acquisition and Leasing of Property” released today and a resolution on the issuance of new investment units for the purpose of procuring funds to be partially allocated to funds for the acquisition of specific assets by the Board of Directors Meeting of Hulic Reit held today, the assumption for our forecasts for the fiscal period ending February 28, 2019 (announced April 12, 2018) have changed, resulting in a difference of at least 10% in the forecast for operating profit, and the forecasts for financial results, etc. have been revised accordingly.

Additionally, we are also applying such revised assumptions for our forecasts for the fiscal period ending August 31, 2019.

For details, please see the attachment, “Assumptions for the Forecasts of Financial Results, etc. for the Fiscal

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Periods Ending February 28, 2019 and August 31, 2019.”

\* Hulic Reit’s website: <https://www.hulic-reit.co.jp/en/>

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## ATTACHMENT

### Assumptions for the Forecasts of Financial Results, etc. for the Fiscal Periods Ending February 28, 2019 and August 31, 2019

Item	Assumption
Accounting period	<ul style="list-style-type: none"> <li>• Fiscal period ending February 28, 2019 (the 10th fiscal period): 181 days from September 1, 2018 to February 28, 2019</li> <li>• Fiscal period ending August 31, 2019 (the 11th fiscal period): 184 days from March 1, 2019 to August 31, 2019</li> </ul>
Portfolio	<ul style="list-style-type: none"> <li>• A total of 49 properties (including one acquisition of an additional portion of an existing property and taking into consideration the transfer of quasi-co-ownership (15%) of Leaf Minatomirai (Land) on September 27, 2018) are assumed as the portfolio. Such 49 properties include the 46 properties (hereinafter referred to as, “Assets Held”) owned by Hulic Reit as of the end of the fiscal period ended August 31, 2018 (the 9th fiscal period), including Shinagawa Season Terrace acquired on September 10, 2018 and KSS Gotanda Building acquired on October 1, 2018 (collectively referred to below as “properties acquired during the 10th fiscal period”) and Hulic Kamiyacho Building (additional acquisition) scheduled to be acquired on October 16, 2018 and Hulic Nihonbashi Honcho 1 Chome Building and Bancho House scheduled to be acquired on November 1, 2018 (collectively referred to below as “properties scheduled to be acquired”). For details on properties scheduled to be acquired, please refer to “Notice concerning the Acquisition and Leasing of Property” released today.</li> <li>• In the forecasts of financial results, etc., it has been assumed that one property would be acquired on October 16, 2018 and two properties would be acquired on November 1, 2018 regarding the properties scheduled to be acquired, and that there would be no changes in portfolio (acquisitions of new properties, transfers of Assets Held) excluding the aforementioned until the end of the fiscal period ending August 31, 2019 (the 11th fiscal period).</li> <li>• There may be changes in the portfolio, however, caused by the buying or selling of properties.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>• Rental revenues from Assets Held and Hulic Kamiyacho Building (additional acquisition) are calculated based on lease agreements in effect as of today, and in consideration of factors such as expectations based on market trends. Rental revenues from properties acquired during the 10th fiscal period and properties scheduled to be acquired (excluding Hulic Kamiyacho Building (additional acquisition)) are calculated based on information provided from the transferor, etc. of each property and the lease agreements that are in effect or expected to be in effect on the acquisition date for properties acquired during the 10th fiscal period and the scheduled acquisition date for properties scheduled to be acquired (excluding Hulic Kamiyacho Building (additional acquisition)), and in consideration of factors such as expectations based on market trends.</li> <li>• The expected gain on transfer (excluding costs related to the transfer) related</li> </ul>

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	<p>to the transfer of quasi-co-ownership (15%) of Leaf Minatomirai (Land) dated September 27, 2018 will be recorded in the fiscal period ending February 28, 2019 (the 10th fiscal period).</p> <ul style="list-style-type: none"> <li>• Operating revenues assume no delinquencies or non-payment of rent by tenants.</li> </ul>
<p>Operating expenses</p>	<ul style="list-style-type: none"> <li>• Among real estate leasing expenses that are major operating expenses, expenses other than depreciation expenses related to Assets Held (excluding Hulic Ginza 7-Chome Building and Hulic Shimura-sakaue, two properties that we acquired during the fiscal period ended August 31, 2018 (the 9th fiscal period) (collectively referred to below as “properties acquired during the 9th fiscal period”)) are calculated based on historical data, reflecting fluctuations in the expenses. Operating expenses for properties acquired during the 9th fiscal period, properties acquired during the 10th fiscal period and properties scheduled to be acquired (excluding Hulic Kamiyacho Building (additional acquisition)) are calculated based on information provided from the transferor, etc. of each property and historical data, reflecting fluctuations in the expenses.</li> <li>• We have calculated depreciation and amortization expenses using the straight-line method, including ancillary expenses, and assumed that we will incur depreciation and amortization expenses of ¥952 million for the fiscal period ending February 28, 2019 (the 10th fiscal period) and ¥964 million for the fiscal period ending August 31, 2019 (the 11th fiscal period).</li> <li>• Generally, the fixed property taxes, city planning taxes, etc. for assets acquired or transferred are calculated pro-rata based on the actual number of days and settled at the time of acquisition or transfer by the transferor or transferee, and because this settlement amount is included in the cost of acquisition, Hulic Reit does not record them as expenses at the time of acquisition. It is expected that fixed property taxes, city planning taxes, etc. totaling ¥96 million will be included in the cost of acquisition for properties acquired during the 9th fiscal period, properties acquired during the 10th fiscal period, and properties scheduled to be acquired. Note that fixed property taxes, city planning taxes, etc. on properties acquired during the 9th fiscal period, properties acquired during the 10th fiscal period and properties scheduled to be acquired will not be recorded as expenses in the fiscal period ending February 28, 2019 (the 10th fiscal period), but will be recorded as expenses from the fiscal period ending August 31, 2019 (the 11th fiscal period). Fixed property taxes, city planning taxes, etc. are expected to be ¥596 million in the fiscal period ending February 28, 2019 (the 10th fiscal period) and ¥721 million in the fiscal period ending August 31, 2019 (the 11th fiscal period).</li> <li>• Repair expenses for buildings are recognized for each fiscal period in amounts assumed as necessary based on the repair plan formulated by the Asset Manager (Hulic Reit Management Co., Ltd.) for each property. However, actual repair expenses for each fiscal period may differ substantially from our forecasts, mainly for the following reasons: (i) we</li> </ul>

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	<p>may incur expenses for urgent repairs to properties for reasons including damage to buildings resulting from factors that are difficult to foresee, (ii) generally, there is a substantial difference in such expenses incurred from one fiscal period to another, and (iii) such expenses are not incurred on a regular basis.</p>
Non-operating expenses	<ul style="list-style-type: none"> <li>• We expect to record interest expenses and other borrowing-related expenses of ¥570 million in the fiscal period ending February 28, 2019 (the 10th fiscal period) and ¥577 million in the fiscal period ending August 31, 2019 (the 11th fiscal period).</li> <li>• We expect to record amortization of investment corporation bond issuance costs (amortized by the straight-line method over period until redemption) and amortization of investment unit issuance costs (amortized by the straight-line method over a three-year period) relating to issuance of investment corporation bonds and new investment units, etc. of ¥38 million in the fiscal period ending February 28, 2019 (the 10th fiscal period) and ¥30 million in the fiscal period ending August 31, 2019 (the 11th fiscal period).</li> </ul>
Interest-bearing debt	<ul style="list-style-type: none"> <li>• The balance of interest-bearing debt of Hulic Reit as of today is ¥132,950 million (comprising ¥14,060 million in short-term loans payable, ¥13,130 million in the current portion of long-term loans payable, ¥93,760 million in long-term loans payable and ¥12,000 million in investment corporation bonds).</li> <li>• For the current portion of long-term loans payable with a repayment date by the end of the fiscal period ending February 28, 2019 (the 10th fiscal period) of ¥8,550 million, and short-term loans payable of ¥3,960 million (excluding existing bridge loans described below) and the current portion of long-term loans payable of ¥4,580 million with a repayment date by the end of the fiscal period ending August 31, 2019 (the 11th fiscal period), it is assumed that the entire amount will be refinanced by the repayment date.</li> <li>• For the unpaid balance of short-term loans payable of ¥10,100 million borrowed as funds for the acquisition of Hulic Shimura-sakaue acquired on June 29, 2018 and properties acquired during the 10th fiscal period (hereinafter referred to as, “existing bridge loan”), it is assumed that the entire amount will be refinanced by the repayment date.</li> <li>• Accompanying the acquisition of Hulic Kamiyacho Building (additional acquisition) from among the properties scheduled to be acquired, there are plans for new short-term loans payable of ¥18,500 million (hereinafter referred to as, “new bridge loan,” for details on the new bridge loan, please refer to “Notice concerning the Borrowing of Funds” released today).</li> <li>• The balance of proceeds from the issuance of new investment units through the offering resolved at the Board of Directors Meeting of Hulic Reit held today (hereinafter referred to as, the “Primary Offering”) after excluding the funds for the acquisition of Hulic Nihonbashi Honcho 1 Chome Building and Bancho House among the properties scheduled to be acquired and proceeds from the issuance of new investment units through the third-party</li> </ul>

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	<p>allotment also resolved today (hereinafter referred to as, “Third party Allotment”) combined with cash reserves will be allotted to the repayment of the new bridge loan and existing bridge loan. If there is still a balance in the new bridge loan and existing bridge loan after this process, the balance will be refinanced into long-term loans payable around the end of the fiscal period ending February 28, 2019 (the 10th fiscal period). For details on the Primary Offering and the Third-party Allotment, please refer to “Notice concerning the Issuance of New Investment Units and Secondary Offering of Investment Units” released today.</p> <ul style="list-style-type: none"> <li>• As a result of the above, we assume that the balance of interest-bearing debt as of each of February 28, 2019 (at the end of the 10th fiscal period), and August 31, 2019 (at the end of the 11th fiscal period), will be ¥136,690 million. However, interest-bearing debt is subject to fluctuations depending on the final issue price of investment units and number of unit issues in the Primary Offering and the Third-party Allotment and the amount of cash in hand used.</li> <li>• We have assumed LTV ratio of approximately 43% as of February 28, 2019 (the 10th fiscal period).</li> <li>• The LTV (assumed) ratio was obtained by the following formula:  <math display="block">\text{LTV (assumed)} = \frac{\text{Interest-bearing debt at the end of a period (assumed)}}{\text{Total assets at the end of a period (projected amount)}} \times 100</math> <math display="block">\text{Total assets at end of period (projected amount)} =</math> <math display="block">\text{Amount of total assets on the balance sheet at the end of the fiscal period ended August 31, 2018 (the 9th fiscal period) (¥283,817 million) +}</math> <math display="block">\text{acquisition price of properties acquired during the 10th fiscal period (total of ¥9,550 million) and scheduled acquisition price of properties scheduled to be acquired (total of ¥25,230 million) - gain on transfer of}</math> <math display="block">\text{quasi-co-ownership (30\%) of Leaf Minatomirai (Land) in the 9th fiscal period + gain on transfer of quasi-co-ownership (15\%) of Leaf}</math> <math display="block">\text{Minatomirai (Land) in the 10th fiscal period, taking into consideration the amount of cash in hand used}</math> </li> </ul>
<p>Issuance of investment units</p>	<ul style="list-style-type: none"> <li>• We have assumed that in addition to the 1,110,000 total investment units issued as of the date of this report, the entire total of 141,000 units that are planned to be newly issued will be issued. This includes the Primary Offering (134,200 units) and the Third-party Allotment (maximum of 6,800 units).</li> <li>• Other than the above, we have assumed there will be no issuance of additional investment units until the end of the fiscal period ending August 31, 2019 (the 11th fiscal period).</li> </ul>
<p>Distributions per unit (excluding distributions in excess of earnings)</p>	<ul style="list-style-type: none"> <li>• We have calculated distributions per unit (excluding distributions in excess of earnings) in accordance with the cash distribution policy prescribed in the Investment Corporation’s Articles of Incorporation.</li> <li>• Actual distributions per unit (excluding distributions in excess of earnings) may fluctuate due to various factors including changes in the asset portfolio,</li> </ul>

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	fluctuations in rent revenues associated with changes in tenants, or unforeseen occurrence of repairs.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"><li>• We currently have no plans to pay cash distributions in excess of earnings (regarding distributions in excess of earnings per unit).</li></ul>
Others	<ul style="list-style-type: none"><li>• We have assumed that no revisions that impact these forecasts will be made to law and regulations, tax systems, accounting standards, securities listing regulations and the rules of The Investment Trusts Association, Japan, or others.</li><li>• We have assumed that no significant unforeseeable changes will occur in general economic trends or conditions in the real estate market.</li></ul>

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