

 **HULIC CO., LTD.**

7-3 Nihonbashi Odenmachi, Chuo-ku, Tokyo, Japan
Phone: +81-3-5623-8101
URL: <https://www.hulic.co.jp/en/>



Integrated Report 2020

Publication of Integrated Report 2020

For more than half a century, Hulic Co., Ltd., ("the Company") has been in a real estate leasing business focused on office buildings in central Tokyo. With the corporate philosophy of "total commitment to our customers and the community" through which we "create productive environments, create amenity, and promote peace of mind," we have pursued growth of our company as well as realization of a sustainable society.

We are pleased to present the first edition of our Integrated Report. In view of the increasing emphasis on communicating our strategies for medium- to long-term corporate value creation, including non-financial information in addition to financial information which we have been presenting together with an outline of business performances in our past Annual Reports, we have evolved our Annual Report to this Integrated Report 2020 ("the Report").

The Report explains the Company's value creation

process and how the strengths it has cultivated feed into increasing corporate value and the creation of social value. It additionally outlines the new Medium- and Long-term Management Plan launched in 2020 and presents topics such as initiatives in the field of Environment, Social and Governance (ESG) to support our growth.

The Report has been issued with reference to a range of materials to ensure that the editorial process and the content meet the appropriate standards. These reference materials included the International Integrated Reporting Framework recommended by the International Integrated Reporting Council (IIRC) and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation issued by Japan's Ministry of Economy, Trade and Industry.

We would like to use the Report as one of our communication tools with our shareholders, investors, and our stakeholders.

Note: Information other than financial information contained in the Integrated Report 2020 was, in principle, prepared as of March 31, 2020 unless otherwise noted and the impacts stemming from the novel coronavirus (COVID-19) pandemic were not factored in. We will continue to monitor the state of infection and related impacts on our business and intend to take appropriate actions accordingly.



Saburo Nishiura
Chairman,
Representative Director

Manabu Yoshidome
President,
Representative Director

CONTENTS

Corporate Philosophy, Sustainability Vision and Medium- and Long-term Management Plan	2	Business Strategies	
About Hulic		Formulation of Medium- and Long-term Management Plan	28
History of Hulic	4	Financial Strategy and Capital Management, Message from the executive officer in charge of finance	30
Profile of Hulic	6	Hulic Growth Strategies by Business Segment	34
Message from the Chairman, Representative Director	8	ESG Initiatives	
Message from the President, Representative Director	16	Environmental Initiatives	52
Financial and Non-financial Highlights	18	Social Initiatives	58
Value Creation Story		Corporate Governance Initiatives	66
Hulic's Value Creation Process	20	Financial and Corporate Information, etc.	
Materiality Assessment	22	Financial Information	76
KPIs for Non-financial Information	26	Stock Information	86
		Corporate Information	87
		Third-party Assurance / Selected as Indices on ESG Efforts	89

About the Integrated Report

Financial Information	Non-financial Information
Integrated Report 2020	
The Report explains our initiatives for the sustainable growth of the Hulic Group ("the Group") with reference to both financial and non-financial information.	
<ul style="list-style-type: none"> ● Summary of Consolidated Financial Results ● Investor Presentations ● FACTBOOK ● IR Information https://www.hulic.co.jp/en/ir/ 	<ul style="list-style-type: none"> ● Initiatives for Sustainability https://www.hulic.co.jp/en/csr/ ● CSR Report ● News Release

Editorial Policy

The aims of the Report are to facilitate a multi-facet understanding of the Group's sustainable growth among investors and other stakeholder groups as well as to create new opportunities for dialogues. In issuing the Report, it has been presented to and reviewed by the Board of Directors. Financial and sustainability related information which we were unable to present in the Report from space constraints are available on our website.

Reporting Boundary

Hulic Co., Ltd. and its Group companies

Reporting Period

Fiscal Year 2019 (from January 1, 2019 to December 31, 2019)
Financial information as of December 31, 2019, and other information as of March 31, 2020, in principle, unless otherwise noted.

Time of Issuance

June 2020

Reference Guidelines

International Integrated Reporting Council (IIRC) "International Integrated Reporting Framework"
The Japanese Ministry of Economy, Trade and Industry "The Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation"
The Japanese Ministry of the Environment "The Environmental Reporting Guidelines (2018)"
GRI (Global Reporting Initiative)
"The GRI Sustainability Reporting Standards"



Corporate Philosophy

Total commitment to our customers and the community, Creating productive environments, Creating amenity, Promoting peace of mind

Basic Stance

Ideal Company

We aim to be a company that grows each day by utilizing stable corporate infrastructures.

Corporate Culture

We always conduct business from a new viewpoint in an effort to increase our corporate value.

Stance to Customers

We are committed to providing optimal products and services to customers, placing customer satisfaction as our top priority.

Ideal Employees

Each of Hulic's employees strives to provide high quality value as a professional.

Sustainability Vision

We aim to pursue realization of a sustainable society and continued growth of Hulic by putting our Corporate Philosophy into practice.

We commit to take a faithful approach to all of stakeholders. To this end, we pursue specific initiatives based on a three-point Vision.

- We create shared value with our society by actively engaging with the environmental issues through our corporate activities.
- We lay the foundation for the future by providing peace of mind to our customers through offering our high value-added products and services.
- We take compliance seriously, respect human rights and strive to perform transparent corporate activities based on our high ethical standards.

We newly established Sustainability Vision in 2020, replacing CSR Vision which was the base for our CSR related activities. This new Vision embodies our simultaneous pursuit for the realization of a sustainable society and the achievement of continuous corporate growth.

Medium-and Long-term Management Plan (2020-2029)

Financial Targets

(see details on page 29, Medium-and Long-term Management Plan)

Non-financial Targets

(see details on page 26, KPIs/Targets and Results for Non-financial Information)

Target Profile in 10 years

“Driving innovation and accelerating progress” as our motto, we continue to steadily increase our corporate value through evolving ourselves flexibly in response to changes in macro environment

Basic Policy

Strike a balance between P/L Growth, Profitability, B/S Soundness, and Productivity (efficiency) at a high level and achieve further growth through dynamic transformation backed by overwhelming speedy decision-making

Basic Strategies

Business

1. Further evolve the business model and restructure the leasing portfolio
2. Strengthen development and value-added businesses
3. Create unique new business domains and improve Group strength

Management Infrastructure

4. Strengthen the management foundation and implement stringent risk management
5. Implement management that emphasizes sustainable co-creation and co-existence with society

Over 60 Years of Business History with Growth and Achievements

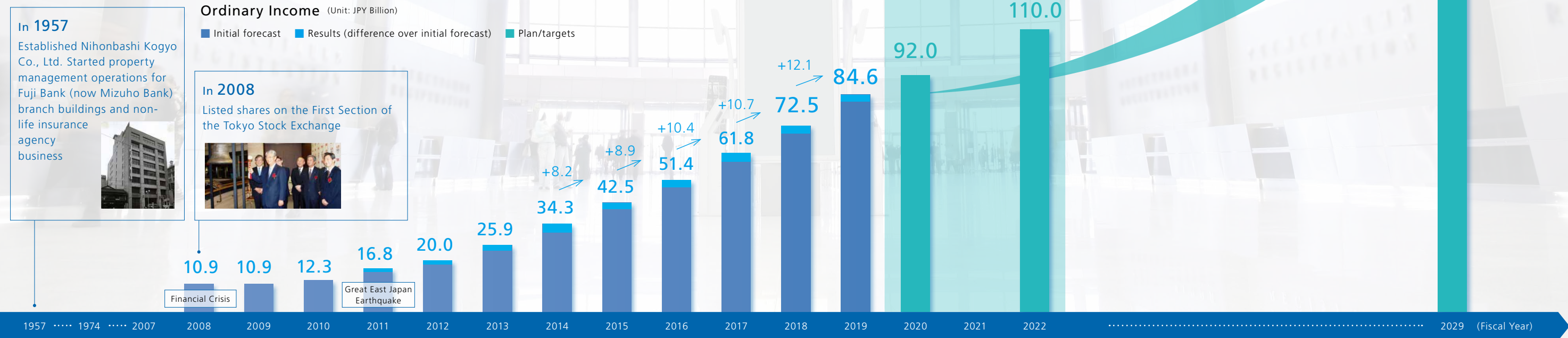
Nihonbashi Kogyo was established in 1957 as a company to manage Mizuho Bank's branch buildings and other properties.

In 2007, the company made a new start to mark the 50th anniversary of being established by changing the corporate name to Hulic Co., Ltd. ("the Company"). Then in 2008, we became a public company by listing our shares on the First Section of the Tokyo Stock Exchange.

We have steadily strengthened the business base with a unique growth strategy centered on real estate reconstructions, investments, and M&As.

Toward further growth by "driving innovation and accelerating progress"

JPY180.0Bln



In 1957
Established Nihonbashi Kogyo Co., Ltd. Started property management operations for Fuji Bank (now Mizuho Bank) branch buildings and non-life insurance agency business

In 2008
Listed shares on the First Section of the Tokyo Stock Exchange

1957 Established Nihonbashi Kogyo Co., Ltd., Common Stock JPY30 million

1974 Completion of Hulic Ginza Building

2007 Changed corporate name to Hulic Co., Ltd.

Meaning of the Corporate Logo
Our corporate logo depicts the letter "H" comprised of two hands firmly joined together, symbolizing our commitment to customers and society.

2008 Listed shares on the First Section of the Tokyo Stock Exchange
Common Stock JPY3,879 million

2010 Acquired two real estate leasing companies (Senshu Shoji Co., Ltd. and Fuyo General Development and Finance Co., Ltd.)
Spun off insurance agency business (Hulic Insurance Service Co., Ltd.)
Common Stock JPY12,326 million

2011 Completion of Hulic Ginza Sukiyabashi Building

2012 Merged with Shoei Co., Ltd.
Completion of and moved to Hulic head office building
Issued new shares, Common Stock stood at JPY21,951 million

Opened THE GATE HOTEL KAMINARIMON by HULIC

Achieved targets of previous Long-term Management Plan 4 years ahead of schedule

2013 Established Hulic Reit Management Co., Ltd.

2014 Completion of Hulic Shinjuku Building

2015 Acquired Simplex Investment Advisors Inc.
Issued new shares, Common Stock stood at JPY62,617 million

2016 Established Hulic Private Reit Management Co., Ltd.

2017 Completion of Hulic & New SHIBUYA

2017 Established Hulic Property Solutions Co., Ltd.

2018 Made HULIC FUFU Co., Ltd., a subsidiary
Completion of HULIC SQUARE TOKYO (THE GATE HOTEL TOKYO by HULIC located on floors 4-13)

2019 Made Nippon View Hotel CO., LTD., a subsidiary

Hulic's Management Policy and Business Strategies

Management Policy

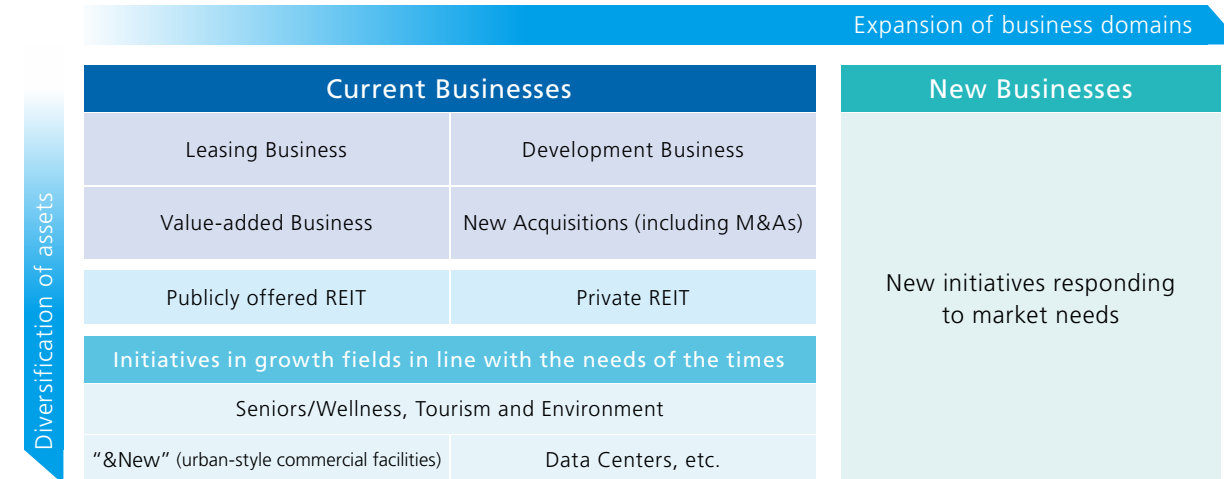
Driving Innovation and Accelerating Progress

Strike a balance between P/L Growth, Profitability, B/S Soundness, and Productivity (efficiency) at a high level

P/L Growth Posted continued earnings growth since listing on TSE Average rate of growth of Ordinary Income: 22.9%	Profitability Maintained higher profitability than competitors Ordinary Income to Sales ratio (FY2019): 23.6%
B/S Soundness Maintained A+ credit rating Equity Ratio (December 31, 2019): 30%*	Productivity (Efficiency) Putting emphasis on income per employee and ROE ROE (FY2019): 13.6%

*50% (JPY75 Bln) of hybrid finance raised in 2018 (JPY150 Bln) was calculated as nominal equity.

Business Strategies



Our Strengths

<ul style="list-style-type: none"> Stable revenue structure centered on leasing business 	<ul style="list-style-type: none"> The majority of properties is in prime locations of central Tokyo and/or near stations 	<ul style="list-style-type: none"> Selection and concentration strategy
Core Fields		Non-core Fields
<ul style="list-style-type: none"> Tokyo and/or near stations Medium-sized office buildings Reconstructions & small to medium-sized developments Nursing homes, hotels, <i>ryokans</i> (Japanese style luxury inns) 	<ul style="list-style-type: none"> Regional office buildings Large-scale office buildings Large-scale developments Condominiums for sale, overseas businesses 	

Leasing Business

We are providing the real estate leasing business based on rental properties we own and manage, primarily in Tokyo 23 wards. We have disaster-resilient and highly safe offices, commercial facilities, hotels, nursing homes, and rental housing, etc. with earthquake-resistant and seismic-damping structures in convenient locations near stations. These form the core of our business model.

To effectively use this asset portfolio and further improve profitability, we are aggressively investing in real estate acquisition and operation, as well as development and reconstruction of properties in prime locations. In this way, we strengthen our real estate leasing business.

Development Business

For Hulic-owned properties whose floor area could be increased in accordance with zoning laws, we systematically carry out reconstruction suitable for the location with optimal floor area ratio. This enables us to increase leasing revenue while making qualitative improvements to our portfolio.

In addition, we aim to create added value through the acquisition, development, and sale of new properties using the skills and know-how we have cultivated through the reconstruction of existing properties. We are pursuing highly value-added development business opportunities with excellent earthquake-resistant features and energy-saving performance in superior locations.

Furthermore, we strongly pursue opportunities in PPP business*¹ and development of medium-sized urban-style commercial facilities ("&New" series)*².

*¹ PPP business: We are participating in projects to support the efficient use and operation of public assets (national and local government-owned land) by providing the know-how cultivated through the development and reconstruction of office buildings and commercial & lodging facilities.

*² Commercial facilities ("&New"): We are providing the development of "commercial buildings with a strong presence" though expanding the "&New" series of medium-sized urban-style commercial facilities.

Value-added Business

We are engaged in the business of using various value adding methods including as renewal, renovation and conversion to increase the asset value of properties we own and those we have recently purchased or invested in for resale. We take profits by sales of these properties once we have maximized a property's value.

We also hold assets for short-term warehousing purposes with the aim of helping distribution of real estate in response to the diverse needs of the real estate market.

New and Other Businesses

We launched several new businesses in recent years on the back of our corporate culture which allows us to constantly challenge in progressive new business fields. We will continue to create new businesses in targeted fields that have unmet market needs and good prospects for growth by employing various methods including business collaboration and alliance, as well as M&As.

- 3K* businesses** (New business domains we have developed and are strengthening in response to changes in business environment)
 - (Senior citizen-related business)**
 As the aging of society proceeds, we anticipate that social demands for nursing and medical care will increase. Therefore, we are actively promoting the development of nursing homes, hospitals, and burial pavilions, as well as businesses to promote wellness and QOL of healthy and active seniors.
 - (Tourism-related business)**
 To capture growing demand from overseas tourists and the elderly, we manage our own brand of hotels and *ryokans* (Japanese style luxury inns), and we are stepping up the acquisition of hotel assets.
 - (Environment-related business)**
 In recent years, we have been developing the highest level of environmental technologies, installing them in our buildings, and commercializing this process in recognition of increasing environmental issues including climate change. In addition, we are actively working to achieve "RE100", supply of 100% renewable energy to the buildings that house the Group company offices, by 2025 by investing in renewable energy facilities.
- Other initiatives**
 Our Group companies are in various businesses including operation of REITs (both publicly offered and private), building management, insurance, and contracting for construction work among other opportunities.
 In addition, we are cultivating opportunities through adopting technologies such as AI and IoT related to the senior citizen-related business, and exploring brand new business in agriculture field.

*3K refers to the first letter of seniors, tourism and environment in Japanese (i.e., Koureisha, Kanko and Kankyo)

Message from the Chairman, Representative Director



Saburo Nishiura
Chairman, Representative Director

By “driving innovation and accelerating progress,” we will increase our corporate value and contribute in creating a society filled with peace of mind and amenity.

Looking back on my period as president thus far

Birth of Hulic

It has been 14 years since I assumed the position of President of Hulic in March 2006.

The Company was called by then Nihonbashi Kogyo and our Net Income was less than JPY100 million. I was Deputy President of Mizuho Bank, Ltd., (hereafter “the Bank”) at that time and took office as the President of Nihonbashi Kogyo in our 49th year, when the major lines of business were real estate management for the Fuji Bank (now Mizuho Bank) and insurance agency. The Company was burdened with excess debts and had other issues in areas including human resources. The task assigned to me by the Bank was to change the Company into what is generally termed a “quality company” within a short period of time. The Company had 150-160 employees, but most of them

were involved in the insurance agency business, with only 10 employees working in the real estate business. I wanted to send a clear message to people both inside and outside the Company that we were going to transform from “a company with its core business in bank-related real estate management and insurance agency business” to “a company with its core business in real estate development.” Thus, I began by changing the name to Hulic, created from three words: HUMAN, LIFE, and CREATE. Then I gave thoughts to how Hulic should be in our society, I expanded the existing Corporate Philosophy by adding four basic principles. By systematizing the corporate philosophy in this way, I made clear that “creating productive environments, creating amenity, and promoting peace of mind” was to be the underlining philosophy of all of Hulic’s business activities.

Making our business policies clear and becoming a public company

I first began by negotiating with the banks to change the borrowing terms to uncollateralized, as a real estate company needs funds to grow. I did that because, if deflation occurred and our asset value declined, the Company would have to sell collateral properties to repay borrowings, but that would only mean reducing the scale of our business. Next, I took steps to diversify our funding options. At that time, Hulic had purchased real estate (bank branches, staff dormitories, etc.) from the former Fuji Bank at market value as part of the bank’s measures to deal with deteriorated assets in the wake of the bursting of Japan’s bubble economy. This increased our borrowings substantially and eventually wiped out room for further loans. I decided that the only solution was to go public and raise funds from the market, and I urgently formed a stock market listing project team. We listed our shares directly on the First Section of the Tokyo Stock Exchange in November 2008. However, what was unexpected for us was the timing immediately after the Lehman Crisis which limited total market capitalization to JPY60 billion and the capital raised from the public offering amounted to only JPY4.4 billion. Another purpose of the listing was to strengthen talent acquisition. I think that a company is only as good as its people, but Hulic had a very low profile in public recognition and we had great difficulty in acquiring talented people.

Having become a publicly-traded company, I decided to prioritize the following six points as the main focus of management: (1) be a going concern; (2) fortify the foundations of corporate governance and compliance; (3) achieve an annual increase in corporate tax paid (increase profits); (4) increase capital base to expand risk tolerance; (5) maintain sound balance sheets; (6) contribute as much as possible to the global environment, customers, business partners, local communities, shareholders and investors, and employees. In addition, it was clear to me that if Hulic, as a new entrant to the real estate development business, simply followed the business models set by established competitors, we would lose out due to the difference in financial strength. So I identified a clear portfolio strategy of selection and concentration that distinguished clearly between “do’s and don’ts” from the very beginning of my

time as President. These consisted of the following five points: (1) We must distance ourselves from B to C business to the extent possible, which requires large numbers of employees, and focus our business on office leasing (B to B business) as the working population is expected to fall due to declining birthrates; (2) We must focus on investing in central Tokyo area and keep regional office properties a low priority as Tokyo’s population is growing but the working population is expected to shrink going forward. Above all, we should invest in buildings within a 3-minute walk of stations in Tokyo 5 central wards*1 because offices distant from the public transport stations may very likely prove increasingly unpopular by staff; (3) We must focus in investing on medium-sized buildings of 200–500 *tsubo**2 per floor because 98.5% of Japanese companies are small to medium-sized enterprises, large-sized buildings (1,000 *tsubo* or above per floor) should be a low priority; (4) We don’t go into the apartments/condominiums sale business as the progressive decline in Japan’s birthrate and the resulting population decrease means there will be fewer people buying residential properties, but instead we should focus on facilities for the elderly where rising demand is expected due to the growing elderly population; (5) We will invest in tourism-related business (hotels and *ryokans* (Japanese style luxury inns)) in response to growth in Japan’s tourism industry; however, we should stay away from overseas investment other than for experimental purposes until we build an adequate capital base as they may be exposed to foreign exchange and geopolitical risks.

These points have remained essentially unchanged over the past 14 years.

*1 Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, Shibuya-ku

*2 1 *tsubo* is approximately 3.3 m²

Selection and Concentration Strategy

Do’s (priority)	Don’ts* (low priority)
Office leasing (B to B business)	↔ B to C business
Tokyo properties near train stations	↔ Regional office properties
Medium-sized buildings	↔ Large-sized buildings
Nursing homes	↔ Apartments/condominiums for sale
Inbound (domestic tourism industry)	↔ Outbound (overseas investment)

*In principle

Hulic business model and strengths

First reconstruction, then development and into business expansion

Since assuming office, I have taken the initiative with “driving innovation and accelerating progress” as our

motto. As I mentioned earlier, I have developed our business model by taking a one-at-a-time approach, with a policy of minimal investment in B to C businesses which require a large-scale employment, in view of the decline

in the working population. When formulating our business model, I tried to avoid existing practices to the extent possible or to add value unique to HULIC if I referred to existing practices. On the financial front, I maintained a constant focus on fund procurement and strengthening the capital base. I have always been very attentive to these two points because I witnessed the realities of bankruptcy far too often when I worked at the Bank and particularly after the bursting of the economic bubble.

My first business initiative was the reconstruction business. This was because reconstruction had the advantage of involving only construction costs with no need for land acquisition. Additionally, most bank branches were in three-story buildings, allowing substantial expansion of the rental floor area within the building's permitted floor-area ratio.

At present, we invest several hundred billion yen per year, with some properties having an investment value of over JPY90 billion for a single project. But when I first became President, I hesitated considerably over an investment project of just JPY500 million as no rent was earned during the reconstruction period. Moreover, we even occasionally made purchases we would not otherwise have considered as we needed to constantly accumulate a purchase track record to gain access to property information. At the time, I jokingly suggested that we should name that building "the HULIC Memorial

Building"; and we still own this property to remind us of the difficult times we went through. We also made an effort to become involved in public-private partnership (PPP) projects because, as with reconstruction, required funding was relatively small.

Subsequently, to remain resilient to our competition, we worked to further strengthen our position by steadily expanding and diversifying our business lines. So, while retaining a focus on rental offices and reconstruction as the core of our business model, we have added operations in other areas, including the development business, the formation of REITs, the corporate real estate (CRE) business, which supports corporate organizations to find real estate solutions, and the value-added business, which seeks to maximize the value potential of client properties. The advantage of REITs is that they contribute to revenue through dividends, management fees, and other fees, as well as the fact that large-sized buildings and other properties that do not match HULIC's portfolio criteria can be sold to REIT investment corporations under sponsor agreements to generate sales revenue.

These and other advantages allow us to move forward with development business while maintaining the soundness of our balance sheets. For M&As, I do not think there are any enterprises with portfolios that are perfectly matched with ours, but I do consider M&As as an effective way to expand our property portfolio and business lines

where the emphasis is on speed. We have completed six M&As thus far including two companies listed on the First Section of the Tokyo Stock Exchange.

Identification of focus areas

Our investment area strategy identifies the following focus areas: (1) Ginza (2) Shinjuku East Side (3) Shibuya/Aoyama (4) Asakusa. (1) Ginza: an area with a concentration of world-class luxury brand shops and a large number of quality properties that have no difficulty in attracting tenants. We purchased 7 properties in this area in 2019, bringing our portfolio to around 30 properties. It is no exaggeration to say that the majority of offers in the Ginza area are brought to HULIC. (2) Shinjuku East Side: a high-density commercial district centered around Shinjuku Station, the world's busiest train station, and the Isetan department store. We plan to further increase investment in this area. (3) Shibuya/Aoyama: the urban landscape is undergoing rapid changes in this area, which is said to currently be the Tokyo district with the lowest vacancy rates. HULIC owns around 20 buildings in this area and has plans for additional reconstructions, redevelopments, and other projects. Lastly (4) Asakusa: an area that preserves the culture of an Edo era in attractions such as its famous temple with its renowned arcade of market stalls and tourism assets including the Tokyo Skytree observation tower and Sumida River, making it a must-see destination for overseas visitors to Tokyo. In making Nippon View Hotel Co., Ltd., a wholly owned subsidiary, HULIC added to its one existing hotel property in this area, bringing the total to three hotels, which are also among the largest in the district by floor area. In line with particular focus on these four areas, other strategies pursued as part of the HULIC model were the investment in medium-scale properties and properties conveniently located within a one to three-minute walk from public transportation. By putting these policies, we have reached a current portfolio size of more than 250 properties, excluding real estate for sale.

Diversification of portfolio mix from major focus on office buildings

Anticipating changes in our business environment, and especially impending changes in population composition, we also worked to diversify our real estate portfolio. When I was appointed HULIC president 14 years ago, 85% of the properties in our portfolio were bank branches and office buildings, I strongly felt the necessity to reduce the relative weight of office buildings in our portfolio to mitigate risk of declining demand of office buildings as the working population was expected to fall. To start with, we began by reconstruction and buying of nursing homes in

response to the aging demographics. At present we own more than 40 such facilities, and I believe we are one of the largest owners of senior residential units in Asia. We master-lease these facilities to private-sector business operators, hospitals and clinics, etc. Elsewhere in the senior citizen-related business, we established "HULIC Premium Club" in HULIC's birthplace of Nihonbashi, providing a club environment where healthy and active seniors can enjoy work, exercise, and hobbies.

Another example of portfolio diversification is our entry into the tourism business through investment in hotels and *ryokans* (Japanese style luxury inns) in response to the increasing overseas visitors to Japan. We are rolling out our hotel business in two ways: direct operation and invest & lease. Our directly operated hotels are managed under The Gate Hotel brand, specializing in accommodations and restaurant facilities. Ultimately, we aim to open around ten properties. Our plan for the hotels owned by Nippon View Hotel, which we acquired in 2019, is to target middle-class guests and groups with locations mainly in the Tokyo metropolitan area. As for invest & lease, we are currently master-leasing 12 hotel properties with considerations to add more going forward including potential joint opening of properties with the Japan Post Holdings Group. In addition, we own and operate *ryokans* (Japanese style luxury inns) jointly with other business partner. In the *ryokan* sector, we offer guests the *ryokan* hospitality that includes open-air hot spring baths and exceptionally good food.

Meanwhile, we plan to open three to four facilities each year in the HULIC &New chain of commercial facilities which plans to offer new added value in commercial facility space by providing dining and shopping experiences.

As a listed company, achieving steady growth each year has been essential to be positioned in the top bracket of middle-scale companies. We have been able to increase Ordinary Income by more than 20% each year over the nine years since our listing, and by more than JPY10 billion in the three most recent years. One of the factors that made it possible for us to achieve this growth was that we navigated our business based on the HULIC motto "driving innovation and accelerating progress," and constantly sought an approach that was different from our competitors and clearly identified Do's and Don'ts. Our strategy of investing in the focus areas of Ginza, Shinjuku East Side, Shibuya/Aoyama, and Asakusa, and in properties close to train stations, has allowed us to maintain our vacancy rates close to zero and generated stable leasing revenue. The past 14 years have seen a series of challenges including a global financial crisis and a number of natural disasters, but thanks to HULIC's policy of not investing in overseas projects or condominiums for sale, we have been able to increase profits and dividends in each of the 12 years since our listing.

We will achieve sustainable growth based on a clearly outlined business policies.



Valuing the environment, society and people

Hulic's mission

I believe that, in addition to earning profits and paying taxes, Hulic's mission as a company is to respond to various stakeholder needs, earn trust, and be recognized as creating shared value with society. Accordingly, I have been pursuing management that would allow sustainable developments by maintaining a three-way balance among economic aspects, environmental front such as respecting the global environment and social activities that include building good relationships with local communities and our employees.

On the economic front, as mentioned earlier, we have steadily built upon a solid foundation to increase profits and dividends. On the environmental front, we have devoted particular efforts to actions on climate change, formulating a plan for CO₂ emission reductions and strive to achieve its targets. In specific terms, our initiatives include achieving offsite net zero energy buildings (ZEBs) through investments in renewable energy facilities, the adoption of natural ventilation and natural lighting systems jointly developed with the Massachusetts Institute of Technology, and obtaining environmental technology-related patents.

In addition to these earlier efforts, we intend for the Group companies to achieve RE100* by 2025, after which we would like to extend supplying renewable energy to our properties. For effective utilization of resources, Hulic is implementing an initiative to create longer life buildings that will last for 100 years without the need for reconstruction. The initiative is based on adopting advanced earthquake resistance and high durability as standard specifications, which will also make buildings easier to renovate. We are also working on the development of what will be the first 12-story commercial building to use a fire-resistant wooden hybrid construction in Japan.

On the social front, as a real estate company, we have strongly pursued "offering safety and peace of mind through our buildings" that are extremely resistant to disasters. Regarding earthquake resistance, the introduction of the abovementioned longer life building design has realized resilience 1.25–1.5 times greater than legally required, ensuring that buildings can continue to be used after natural disasters. The Hulic Kobe Building was undamaged despite being hit by the Great Hanshin-Awaji Earthquake in 1995. We make sure that our buildings' earthquake resistance level is the same or higher than that building. To further prepare for emergency situations, we have formulated a business continuity plan (BCP). A BCP drill is held once a year to ensure that business operations

can continue in the event of a disaster.

We also make every effort to engage in social contribution activities. To support the promulgation of Japanese culture, we sponsor the Hulic Cup Seirei Championships for the Japanese boardgame *Shogi* and provide special sponsorship to the Hulic Cup Kisei Championships. We support people with disabilities by promoting their employment at Hulic and sponsoring para badminton. We also hold a summer festival at our head office building and organize local community clean-up activities. Through these and other initiatives, we are engaging with our stakeholders, enhancing communications and strengthening our relationship with society.

* RE100 is an international initiative under which enterprises commit to the target of sourcing 100% of the electric energy required for business activity from renewable energy sources.

Valuing employees

Employee effort makes Hulic a better company, so, we do all we can offer for our employees. Accordingly, we have been providing a high level of compensation, staff welfare and benefits, and pursuing diversity management. This has resulted in a virtuous circle of strong talent acquisition. We now can choose around eight candidates (four male and four female) from a few thousand new graduate applicants.

To elaborate on the subject of human resources, the decline in the working population is also an issue for Hulic, thus it is important that we must be a professional team of elites and need to avoid issues that typically affect large companies by working to create an environment where each individual has the opportunity to enhance their skill-sets and productivity. As a team of professionals, Hulic retains a large number of qualified staff, such as lawyers, certified public accountants, real estate appraisers, and certified architectural engineers, all of whom play an active role in our day-to-day operations. We provide support, including financial incentives, so that staff are able to acquire a multitude of qualifications. We also provide English conversation lessons at company expense so that we are fully prepared for expanding our business in overseas markets when we deem our capital base is ready for that.

One financial figure that I have monitored constantly as productivity indicator is Ordinary Income per employee, which amounted to JPY447 million (non-consolidated) in FY2019, placing us in the top tier of listed companies. With the addition of the Nippon View Hotel as a subsidiary, the number of consolidated employees has grown to over 1,000 people. Going forward, we intend to improve overall Group productivity.



Launch of new Medium- and Long-term Management Plan (2020–2029)

To further solidify our position in the industry

Reconstruction in the real estate business, which involves planning, design, clearing the site, demolition, and reconstruction, requires an average of five years to complete and may even require up to ten years in the case of large-sized buildings. As such, it is essential for management operations to have five to ten year visions. When monitoring business performance, Net Sales are of relatively low importance for a company like Hulic, which is not engaged in the condominium business. Instead, we place emphasis on Ordinary Income, which reflects the balance of borrowings in the real estate business, and on Net Income, which determines the amount of dividends. As a result, in FY2019 Ordinary Income reached JPY84.6 billion and Profit Attributable to Owners of Parent amounted to JPY58.8 billion, both of which were record highs.

Accordingly, most targets, including our ordinary income target of JPY85.0 billion set forth in our previous Long-term Management Plan, Hulic 10 Years (2014-2023), was achieved four years ahead of plan, as were other targets including indicators of financial safety and business activities. We have now completed two successive the long-term management plan, Hulic 10 Years. The plans have been effective in creating a sense of internal unity as we moved together in one direction focusing on the next 10 years. In both instances, planned targets were achieved in six years, well ahead of schedule. Given these results, we decided to launch our third new Medium- and Long-term Management Plan (2020-2029) starting in FY2020.

In terms of how we should seek our position in the next ten years, I believe Hulic needs to be closing the gap with Japan's top three real estate companies, considering that the companies, in the banking, insurance, automobile,

steel and all other industries, have repeatedly engaged in corporate restructuring and only the top 3–4 companies have captured most of the market share.

Hulic's Ordinary Income has expanded by more than JPY10 billion in each of the last three years. We therefore want to set a target going forward of a JPY10 billion increase each year to target an Ordinary Income of JPY180 billion 10 years from now in FY2029. That still does not make ourselves next in line with the top three real estate companies, however, I believe we can position them in visible distance. Needless to say, we will be striving to reach this goal as earlier as possible, as we did so in the previous years.

Planning of business strategies reflecting the external environment

In light of the external environment, we will move forward with our basic business strategies unchanged while further evolving our business model.

The first issue that we need to consider when looking at the business environment for the next ten years is the estimated 8 million worker decrease in the labor market and the inevitable decline in demand for offices is expected as a result. We will respond by progressively restructuring our portfolio mix that is heavily office dependent while at the same time exploring possibilities for new business. In line with this approach, we will continue to reduce the relative weight of office properties in the leasing portfolio while increasing the relative weight of alternatives to the office sector. These will include nursing homes, hotels, *ryokans* (Japanese style luxury inns), the HULIC &New chain of commercial facilities, and luxury brand stores in the Ginza district. Additionally, we will proceed with the purchase and establishment of data centers, a new area of

demand accompanying the increasing AI technology.

In terms of new business areas, our initiatives have included investment in an agricultural joint venture with a Vietnamese enterprise. From January 2020, I am also heading up a new business project team. Through this project team we intend to explore a broad range of options, including M&As and partnerships with businesses in other industries. I plan to pursue business models that are unique to Hulic, looking half a step ahead of the times.

The second issue we need to consider is the estimated 70% probability of an epicentral earthquake occurring in Tokyo metropolitan area within the next 30 years (source: Japanese Cabinet Office) and the need to provide sufficient safety and peace of mind with consideration for earthquake resistance. In our fixed asset portfolio of more than 250 properties, approximately 40% have been reconstructed within the last 10 years, and in terms of earthquake resistance, they satisfy a stringent standard 1.25–1.5 times higher than the legal requirement.

During execution of the new Medium- and Long-term Management Plan (2020-2029), we intend to reconstruct and develop more than 100 properties (excluding small-scale projects such as nursing homes and *ryokans* (Japanese style luxury inns)). The majority of these projects fall within the areas and asset types that Hulic is focusing on so that we can continue providing safety and peace of mind while further enhancing our portfolio mix.

Properties that are not fit for the Hulic portfolio, properties supplied under support agreements with REITs, exchanged properties, and other similar properties will be sold within 4–5 years as planned reconstructions and developments near completion. During the transition period of portfolio restructuring, the leasing revenue ratio will temporarily fall below 60%. However, restructuring is necessary from a long-term business management viewpoint. We plan restoring the ratio to 65–70% in 10 years to ensure adequate safety and stability of our operations.

Next, as part of our strategy of selection and concentration, we aim to increase the ratio of properties

located in our focus areas—Ginza, Shinjuku East Side, Shibuya/Aoyama, and Asakusa—from the current 38% to 50% (based on book value) in 10 years. As we completed seven property purchases in the Ginza area alone in 2019, I think there is strong potential to achieve this target.

ESG initiatives

We have consistently practiced ESG focused management to meet our corporate social responsibility under the banner of our CSR Vision. With our newly formulated Medium- and Long-term Management Plan, we decided to enact a new Sustainability Vision which will become the central axis of our ESG management by evolving our existing CSR Vision. By putting into practice the Hulic corporate philosophy of contributing to creating productive environments, creating amenity, and promoting peace of mind, the Sustainability Vision aims to fulfill the goals of realizing a sustainable society by resolving social issues and achieving continuous corporate growth. In our approach to social issues, we support the Sustainable Development Goals (SDGs), adopted by the United Nations as part of Agenda 2030, and formulate initiatives in consideration of what we as a real estate company can do toward the realization of the SDGs.

As we engage in sustainability activities going forward, we aim for co-creation and co-existence with society through the following initiatives: on the environmental (E) front, we will execute initiatives oriented toward a low-carbon society through our property management business; on the social (S) front, we will make earthquake resistance an important consideration in our business operations to help create a resilient society; and on the governance (G) front, we will closely monitor the Group's corporate governance as part of a well-balanced management approach. We are already promoting many of these initiatives, but in the future, we plan to further raise the level of our efforts. We also intend at the earliest possible time to increase social contribution activities to a level where they account for at least 1% of our Ordinary Income each year.

To Our Stakeholders

Practicing well-balanced management and creating shared value

Looking ahead to the next 10 years, the world faces a wide range of challenges and potential issues that will have a major impact on the Japanese economy. In response to these risks, I believe that we can minimize adverse impacts by attaining a steady balance among the elements we have traditionally emphasized in our management: P/L Growth,

B/S Soundness, Profitability, and Productivity (efficiency).

Since our public listing, Hulic has delivered 12 consecutive years of growth in profits and dividends. Under the new Medium- and Long-term Management Plan launched in FY2020, we remain committed to increasing profits and dividends by “driving innovation and accelerating progress” and achieving a steady balance among P/L Growth, B/S Soundness, Profitability, and

Productivity (efficiency).

In the meantime, we will steadily engage in things we can do as a real estate company as initiatives for realizing a sustainable society through the practice of our corporate philosophy of creating productive environments, creating amenity, and promoting peace of mind.

I believe that the role of senior management is threefold: (1) to provide an overall direction; (2) to make firm decisions when necessary, even when information is limited; and (3) to take responsibility when results are poor. We are committed to achieving ongoing sustainable

growth by continuing to adhere to these three points.

Hulic will continue to look ahead with honesty and an enthusiastic sense of ownership. With a constant focus on the Hulic motto driving innovation and accelerating progress, we will take on new challenges as professionals engaged in a vocation rather than simply implementing operations. We fulfill the tasks and responsibilities demanded of us through corporate activities in the real estate business, aspiring to further grow as we create value to share with society, customers, local communities, shareholders, employees and all other stakeholders.

		FY2013		FY2019
P/L Growth	Ordinary Income	JPY25.9 billion	→	JPY84.6 billion (an increase of JPY58.7 billion)
B/S Soundness	External rating	A	→	A+
Profitability	ROE	9.8%	→	13.6%
Productivity (efficiency)	Per employee Ordinary Income (non-consolidated)	JPY198 million	→	JPY447 million



While fulfilling our role as senior management, we will work to further increase Hulic's significance to our society.

Message from the President, Representative Director



Manabu Yoshidome

President,
Representative
Director

I would like to present Hulic's FY2019 business results and plans for FY2020, which is the first year of the new Medium- and Long-term Management Plan.

1. FY2019 Business Results

(1) Our business performance for FY2019, saw record-high income, with Operating Income of JPY88.3 billion, an increase of 16.9% from the previous fiscal year, Ordinary Income of JPY84.6 billion, an increase of 16.7% YoY, and Profit Attributable to Owners of Parent of JPY58.8 billion, an increase of 18.7% YoY. We were able to achieve most of our targets under the Long-term Management Plan "Hulic 10 Years from Now" four years ahead of schedule. ROE, an indicator of capital efficiency, considerably exceeded the target level of 10% to reach 13.6%, an increase from 12.7% the previous year, while the annual dividends, which has been increased in every fiscal year since our listing in 2008, was increased again this year by JPY6.0 to JPY31.5. The major factors driving increase in profits were the contributions of increased

leasing revenue from completed developments and newly acquired properties in our focus areas of Ginza, Shinjuku East Side, Shibuya/Aoyama and Asakusa, as well as an increase in sales gains resulting from the active property sales to public and private REITs and rebalancing of leasing assets.

Hulic's growth drivers comprise the following three businesses:

- Real estate leasing business: Hulic is creating a competitive asset portfolio adapted to contemporary business needs which is steadily growing leasing revenue.
- Development business: Hulic is actively completing development and reconstruction projects to add to our leasing portfolio, some of which are transferred to REITs to earn sales proceeds and development profits.
- Value-added business: Hulic is proposing solutions that will fully materialize the potential asset value of properties and maximize sales gains.

We are additionally accelerating growth by working on new business fields in response to the needs of times, such as the 3K businesses—*koureisha* and *kenko* (seniors and wellness), *kanko* (tourism), and *kankyo* (environment).

(2) In FY2019, to further advance businesses that drive future growth, we actively engaged in acquisition of our focused asset types, rebalancing of fixed asset portfolio, and the implementation of development, reconstruction and value-added businesses. I am feeling strong confidence about the results of these measures.

Additionally, our acceleration of business alliance activities, for instance the acquisition of Nippon View Hotel, proved to be beneficial preparation for proceeding at full speed with the next Medium- and Long-term Management Plan.

2. FY2020 Plans

In FY2020, the first year of the new Medium- and Long-term Management Plan, we are targeting Operating Income of JPY100 billion, Ordinary Income of JPY92.0 billion and Profit Attributable to Owners of Parent of JPY62.0 billion yen, respectively.

Real estate market conditions are characterized by an ongoing policy of extreme quantitative easing, which has created a favorable funding environment, along with active participation by overseas investors and expansion of the corporate real estate (CRE) business, which seeks to make effective use of real estate owned by corporations. Apart from the residential market, these conditions are expected to generally remain steady in FY2020. At the same time, expanding multinational trade frictions,

intensifying geopolitical risks, and the novel coronavirus are unpredictable risk factors affecting economic trends in Japan and overseas, which means that we need to take actions in all areas at an even more rapid pace than ever. Our major initiatives are as follows:

(1) In our core business of office leasing, we plan to invest approximately JPY320 billion in new property acquisitions, mainly on our focused asset types. In addition to new property acquisitions, operational assets acquired or completed in FY2019, such as the Jingumae Tower Building, Hulic Fuchu Tower, and Shibuya PARCO · Hulic Building, will make a full-year contribution to revenue. This will allow us to largely offset the decrease in leasing revenue due to property sales to REITs and other operators and start of reconstruction plans. As a result, we forecast a JPY2.2 billion YoY increase in Operating Income in this business. As a first step in restructuring our leasing portfolio, which is one of the basic strategies of the new Medium- and Long-term Management Plan, we are actively rebalancing our fixed assets with a view to building a portfolio consisting of quality properties that will give Hulic a competitive edge.

(2) In the development business, to support public and private REITs in growing their assets under management, we will continue to supply them with development properties, thereby increasing opportunities to earn development profits and fee income.

In the value-added business, we intend to invest JPY60.0 billion to proceed with the commercialization of Ito-Yokado Kawasaki, Hulic Kasai Rinkai Building and other large-scale projects. In the short-term turnover sector of the value-added business, where we have established a solid track record, we are working through various pipelines to secure a wide range of project contracts, including in the CRE business.

In the value-added business, we need to employ a wide range of approaches toward both the tangible and intangible aspects of properties and we must move forward with a sense of timeliness. This is a business field where Hulic has particular strengths and we expect that this will be a stable revenue source for us going forward on the back of substantial business growth in this area.

In FY2020, we are expecting to post a combined JPY11.0 billion YoY growth in sales gains from the development and the value-added businesses.

(3) The development business is one of the fields that we would like to enhance during the new Medium- and Long-term Management Plan and we have deployed more resources in FY2020 organizationally to accelerate our business.

As for the investment, we will make a JPY70 billion

investment to draw an overall blueprint of development schedule of pipeline properties in our portfolio and steadily move projects to completion during the period of the new Medium-term Plan covering the next three years. In addition, we plan to pursue 10 or more new opportunities in the CRE, PPP and other development projects.

(4) We will continue to grow our 3K businesses.

In the senior citizen-related business, we aim to invest approximately JPY10 billion in the acquisition of five facilities (with a total of around 300–400 residential units) and will roll out our first project in the smart senior housing project involving AI and IoT technology.

In the tourism business, the directly operated Gate Hotel has facilities nearing completion at Kyoto Rissei and Ryogoku, while the FUFU chain of *ryokans* (Japanese style luxury inns) similarly has projects close to completion in Nara, Nikko, and Kyoto Nanzenji. These facilities will sequentially commence operations in the coming years. Of these facilities, those at Kyoto Rissei, Ryogoku and Nara were PPP projects making use of publicly owned land.

In the environment-related business, we will launch wooden fire-resistant hybrid commercial building in Ginza 8-chome. Additionally, we will accelerate preparations for achieving a 100% renewable electricity by 2025 with a 100% inhouse non-feed-in tariff (FIT) solar power generation plants.

3. Message to Our Stakeholders

With major changes sweeping across society, industry structures, and individual lifestyles at present, although it may appear business opportunities are everywhere, there is also potential for hidden risks.

Since our public listing, Hulic has achieved marked growth under the motto "driving innovation and accelerating progress," delivering dividend increases in each successive year. At the same time, we have built our business portfolio based on a policy of selection and concentration which distinguished clearly between "do's and don'ts" and through rigorous risk management. We have communicated this management approach to all our stakeholders through various channels and are confident that we have gained your understanding. These efforts will remain unchanged in the future. We will only take risks that can be controlled and pursue sustainable growth through business strategies that look half a step ahead, as we aim to achieve Ordinary Income of JPY180 billion at the shortest possible time.

I encourage all our stakeholders to remain confident in the future performance of Hulic and sincerely request your continued support and business with us.

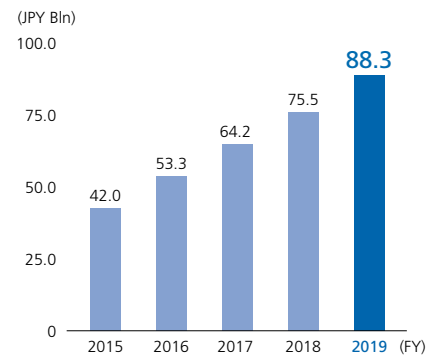
Financial and Non-financial Highlights

Hulic is implementing initiatives that its corporate growth will also produce solutions to social issues. In other words, the Company is pursuing to create shared value through ESG-conscious business operations.

Major Financial Information

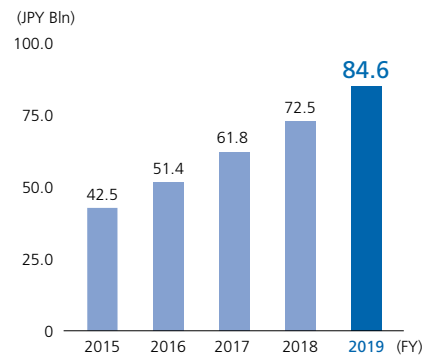
Operating Income

JPY 88.3 billion



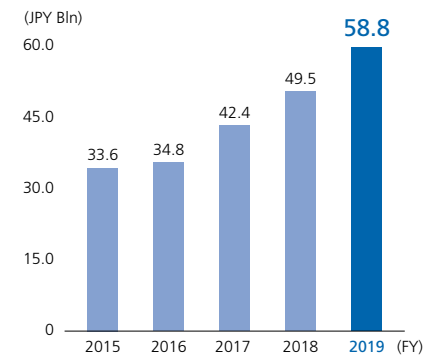
Ordinary Income

JPY 84.6 billion



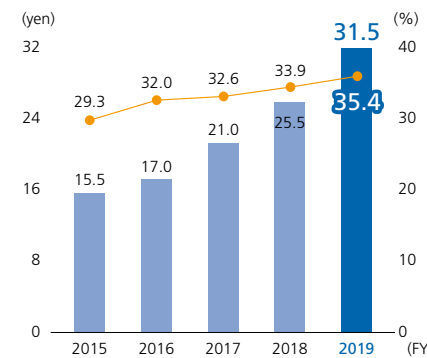
Profit Attributable to Owners of Parent

JPY 58.8 billion



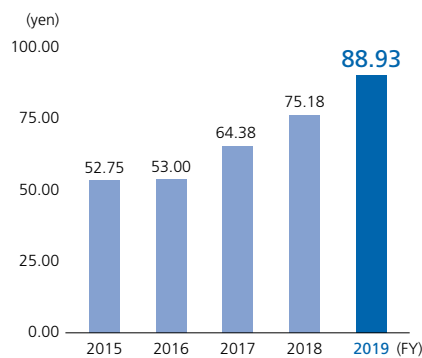
Dividends per Share, Dividends Payout Ratio

JPY 31.5 / 35.4%



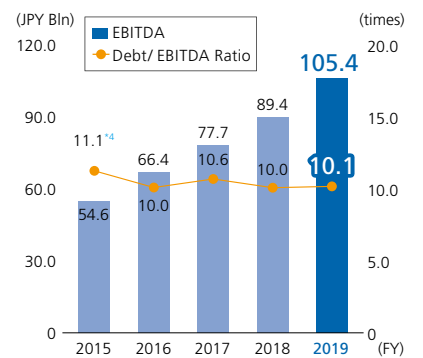
Net Income per Share

JPY 88.93



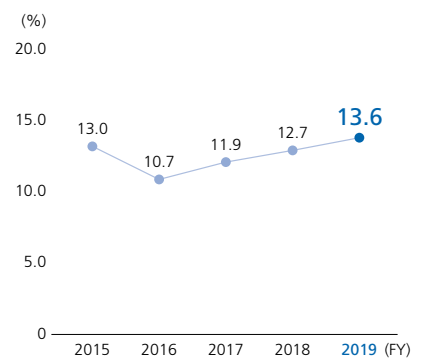
EBITDA*1, Debt/EBITDA Ratio*2*3

JPY 105.4 billion / 10.1 times



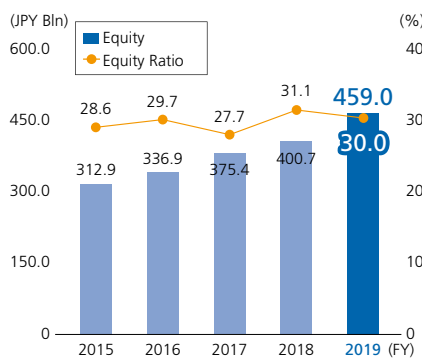
Return on Equity (ROE)*5

13.6%



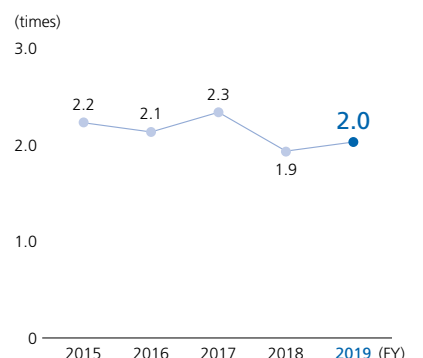
Equity, Equity Ratio*3*6

JPY 459.0 billion / 30.0%



Net D/E Ratio*3*7

2.0 times



*1 EBITDA = Ordinary Income - Equity in earnings/losses of unconsolidated subsidiaries and affiliates + Interest expenses + Depreciation and amortization
 *2 Debt to EBITDA Ratio = Interest-bearing debts/EBITDA *3 50% (JPY75 Bln) of hybrid finance raised in 2018 (JPY150 Bln) was calculated as nominal equity
 *4 Pro forma basis *5 Return on equity (ROE) = Profit attributable to owners of parent/Equity (average balance) *6 Equity Ratio = Equity/Total assets
 *7 Net debt to equity ratio = Net interest-bearing debts (Interest-bearing debts - Cash and deposits)/Shareholders' equity

* Financial information; please see page 29 for targets and page 76-81 for analysis of results.

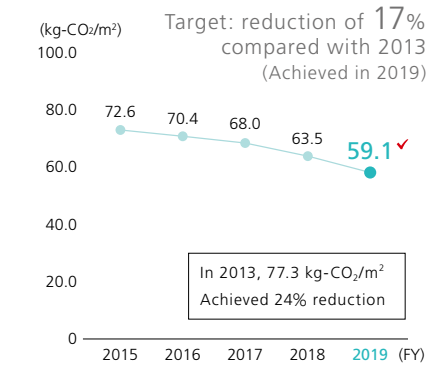
* Non-financial information; please see page 26-27 regarding targets, coverages and calculation methods, and pages 52-75 for other results and major initiatives.

Major Non-Financial Information

E Environment S Social G Governance

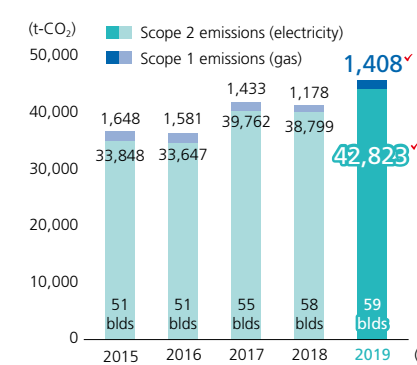
CO₂ Emissions Intensity*1

59.1 kg-CO₂/m²



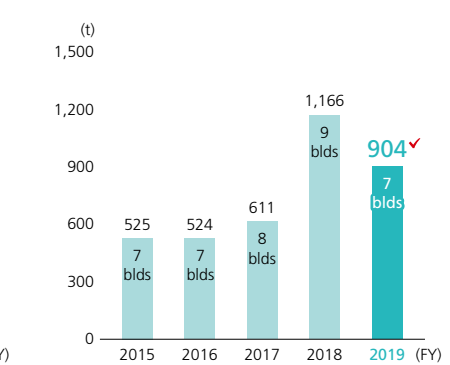
CO₂ Emissions*2

44,231 t-CO₂



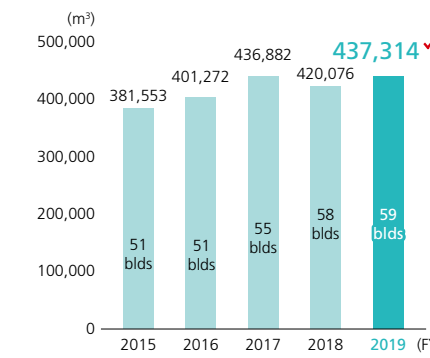
Waste Disposal

904 t



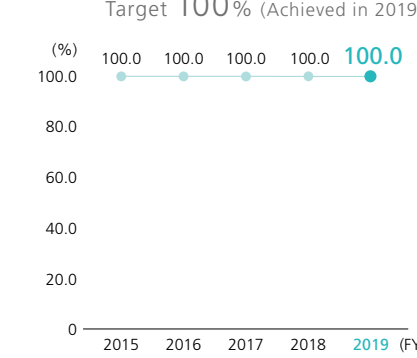
Water Consumption

437,314 m³



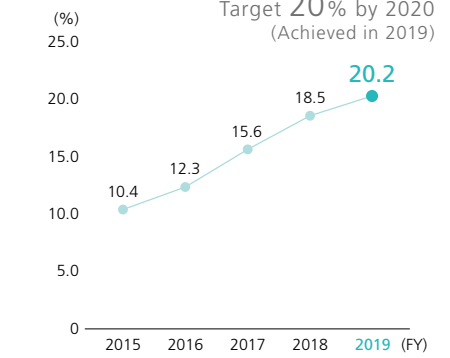
Percentage of New Buildings Meeting New Earthquake-resistance Standards

100.0%



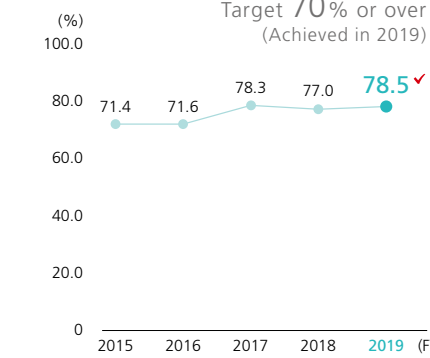
Ratio of Female Managers

20.2%



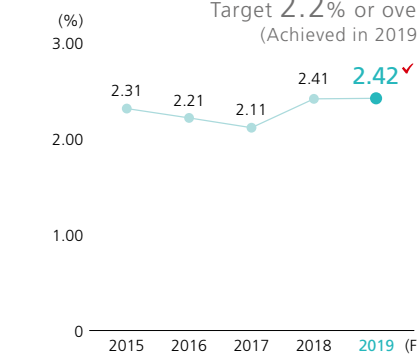
Usage Rate of Paid Leave

78.5%



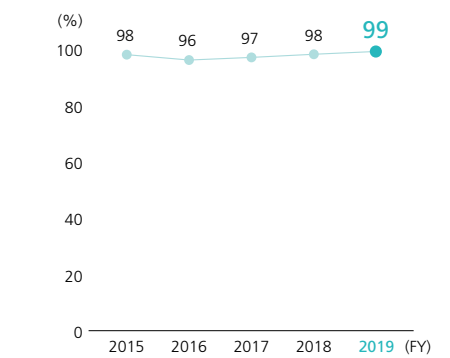
Employment Ratio of Persons with Disabilities

2.42%



Participation Rate of Directors in Board of Directors Meetings

99%



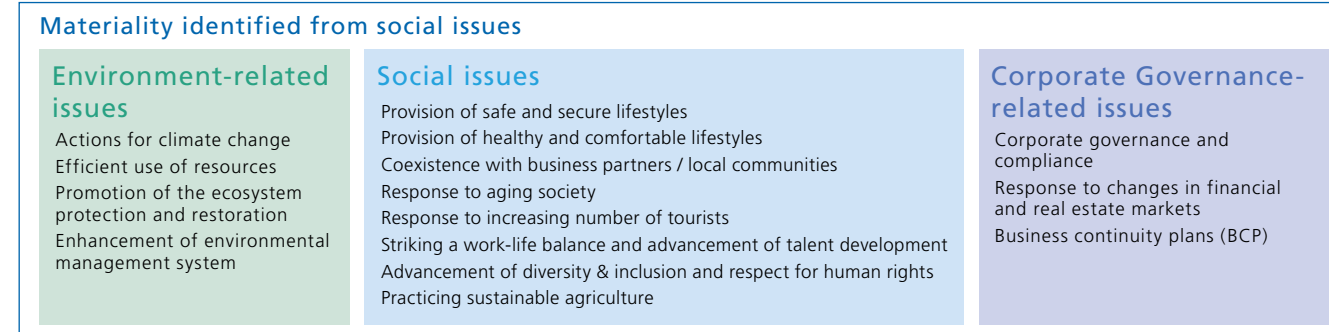
Note: Figures marked with "✓" have been assured by an independent assurance provider.

*1 CO₂ emissions intensity is calculated by dividing the sum of CO₂ emissions of electricity and gas consumption by the sum of total floor area of the buildings that are in the boundary. The boundary is the buildings Hulic has owned since December 31, 2013 to the end of each fiscal year.

*2 The unit calorific value and the CO₂ emission factor for city gas are based on values from "Law Concerning the Promotion of the Measures to Cope with Global Warming", while the CO₂ emission factors for electricity are based on the actual emission factors of electric utility companies used by the buildings in the boundary.

Hulic's Value Creation Process

Total commitment to our customers and the community, Creating productive environments, Creating amenity, Promoting peace of mind



Properties in prime locations
(Manufactured capital)

- Approximately 250 properties owned or under management
- Focus areas: Ginza, Shinjuku East Side, Shibuya / Aoyama, Asakusa
- Over 70% of Hulic's properties are in Tokyo 23 wards (excluding residential and related properties)
- Approximately 80% of properties are within a 5-minute walk of a station (excluding residential and related property)

A small group of elite professionals
(Human capital)

- Employees (consolidated basis): 1,878 (of which, 264 are in the real estate business)
- Ordinary Income per employee (parent company basis): JPY 447 million

Initiatives in advanced technology development
(Intellectual capital and natural capital)

- Formulate and implement the Hulic Guidelines for Longer Life Building
- Introducing natural ventilation and natural lighting systems that developed with MIT
- Operational improvement using AI and IoT technologies

Stable financial base
(Financial capital)

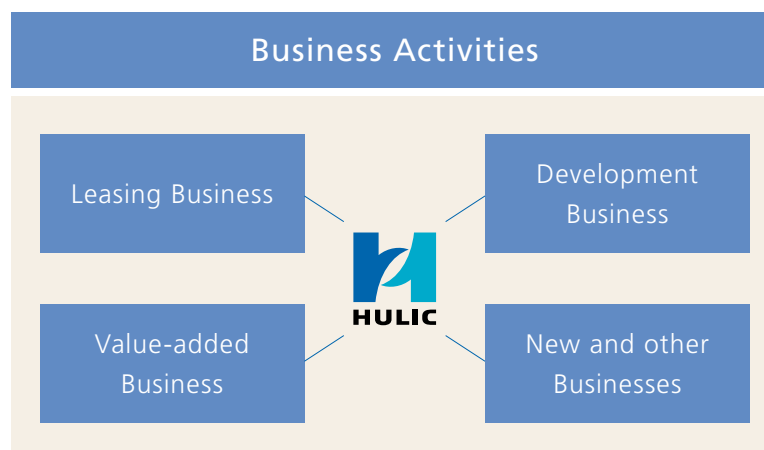
- Credit rating: A+
- Equity: JPY 459 billion
- Equity ratio: 30.0%*3

Strong relationships with local communities, business partners
(Social capital)

- Public-private coordination in PPP business
- Coordination and cooperation with management and construction companies
- Corporate culture that fosters robust social contribution activities

Driving Innovation and Accelerating Progress

Balanced Management
Strike a balance between P/L Growth, Profitability, B/S Soundness, and Productivity (efficiency) at a high level



Financial achievements*2

- Ordinary Income: **JPY84.6 billion**
Average rate of growth of Ordinary Income: 22.9%
- ROE: **13.6%**
- Dividends Payout Ratio: **35.4%**
- Dividends per share: **31.5yen**
- Net D/E Ratio: **2.0 times*3**
- Debt/EBITDA: **10.1 times*3**

Targets Medium- and Long-term Management Plan Page 29

Non-financial achievements

Targets were achieved for;

- CO₂ emissions intensity
- Number of investments in renewable energy facilities
- Number of buildings with longer life designs
- Number of greening buildings
- Percentage of new buildings meeting new earthquake-resistance standards
- Usage rate of paid leaves
- Ratio of female managers
- Employment ratio of persons with disabilities
- No. of BCP drills

Targets KPIs and targets Pages 26 to 27

Peace of mind and amenity for customers (Major related SDGs)

- High value-added real estate
- High energy-saving performance buildings
- Buildings prepared for customers' BCP with particular emphasis on earthquakes and water damage
- Active development of businesses in response to demographic change (aging) and social dynamics (increasing tourists)

Details Pages 34 to 51, 58 to 60

Peace of mind and amenity for employees

- Workplace rich in diversity and inclusion
- Workplace with work-life balance
- Providing career development support

Details Pages 61 to 63

Environmental considerations

- Extending the lifespan of buildings
- Developing environmentally conscious and energy-saving buildings
- Protecting the global environment by introduction of environmental technology
- Achieving RE100 and Offsite ZEB

Details Pages 52 to 57

Peace of mind and amenity for investors

- Achieving stable financial growth
- Increased dividends every fiscal year since TSE First Section listing
- Providing diverse forms of mutual communication

Details Pages 18 to 19, 28 to 33, 66 to 75

Peace of mind and amenity for local communities and business partners

- Contributing to positive long-term relationships
- Contributing to resolution of global issues
- Providing broader social contribution activities

Details Pages 60, 64 to 65

Bringing about a society filled with peace of mind and amenity
Continued increase in corporate value



*1 As of December 31, 2019

*2 FY2019 results
*3 50% (JPY75 Bln) of hybrid finance raised in 2018 (JPY150 Bln) was calculated as nominal equity.

Continue evolving for further progress

Materiality Assessment

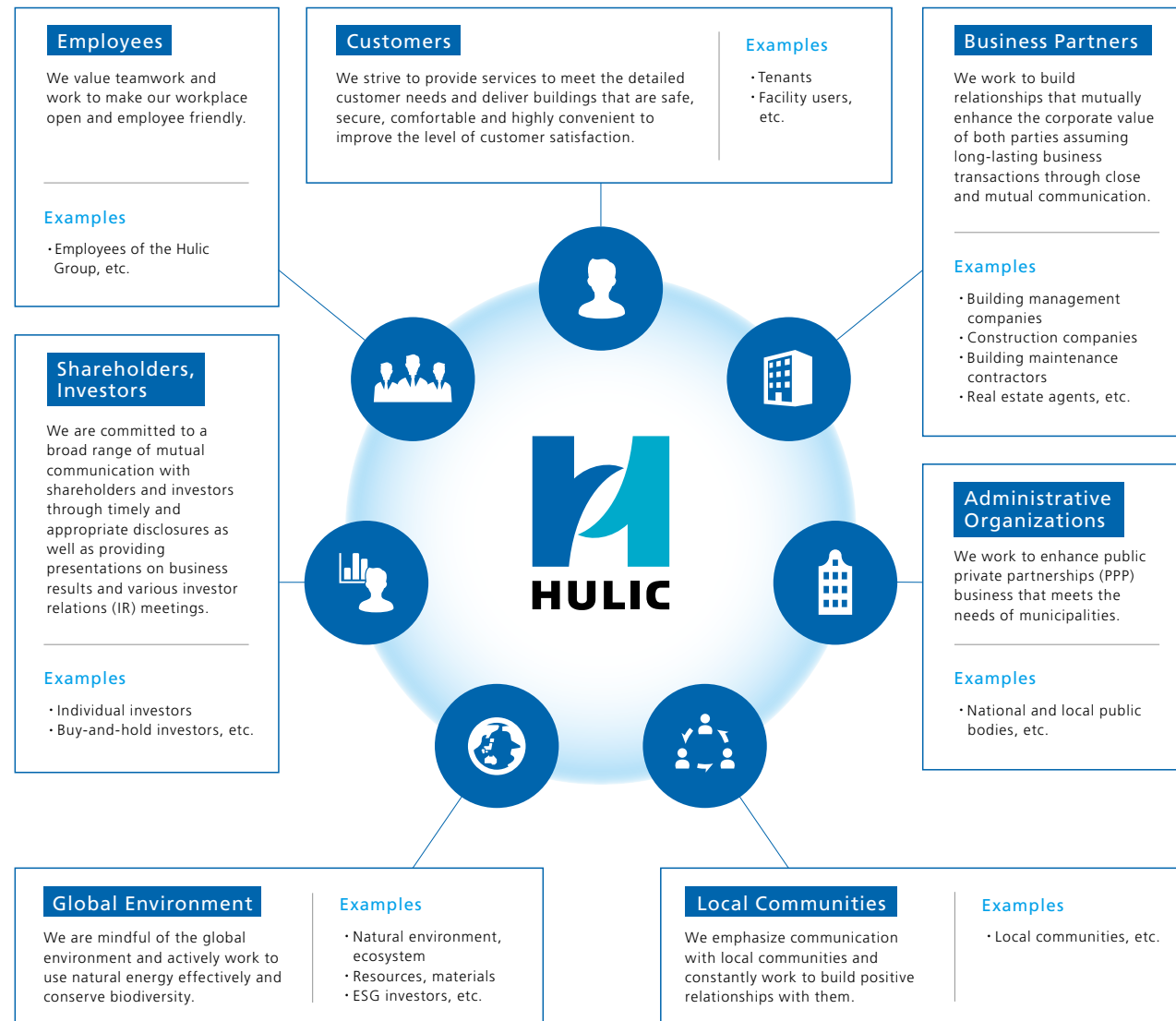
Hulic has been providing buildings that match the needs of the times and society for excellent safety, environmental features, and convenience.

As social issues and stakeholders' interests diversify, we will continue to address issues in society through assessing opportunities and risks in our businesses to achieve sustainable growth.

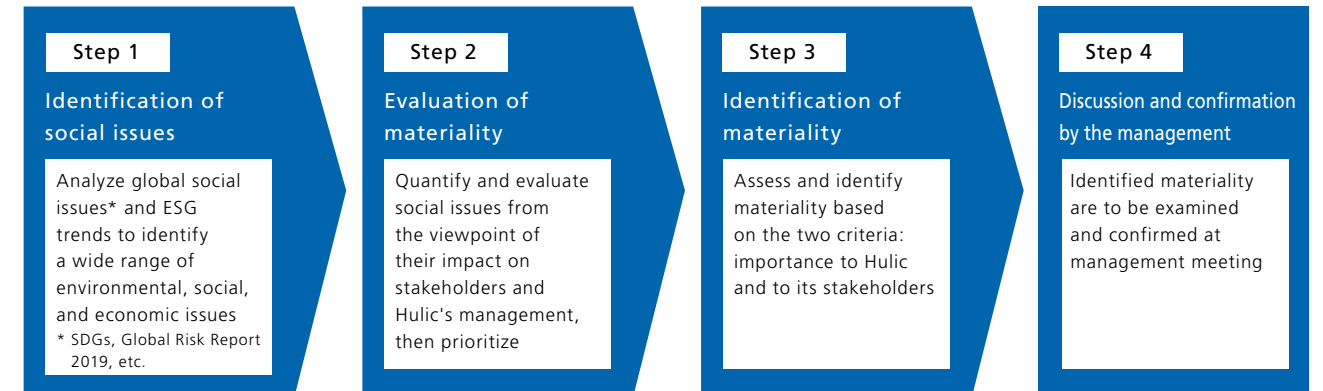
The Group's Major Stakeholders

The Group is committed to realizing a sustainable society by delivering environmental, social and economic value through interactive communication with all stakeholders. Above

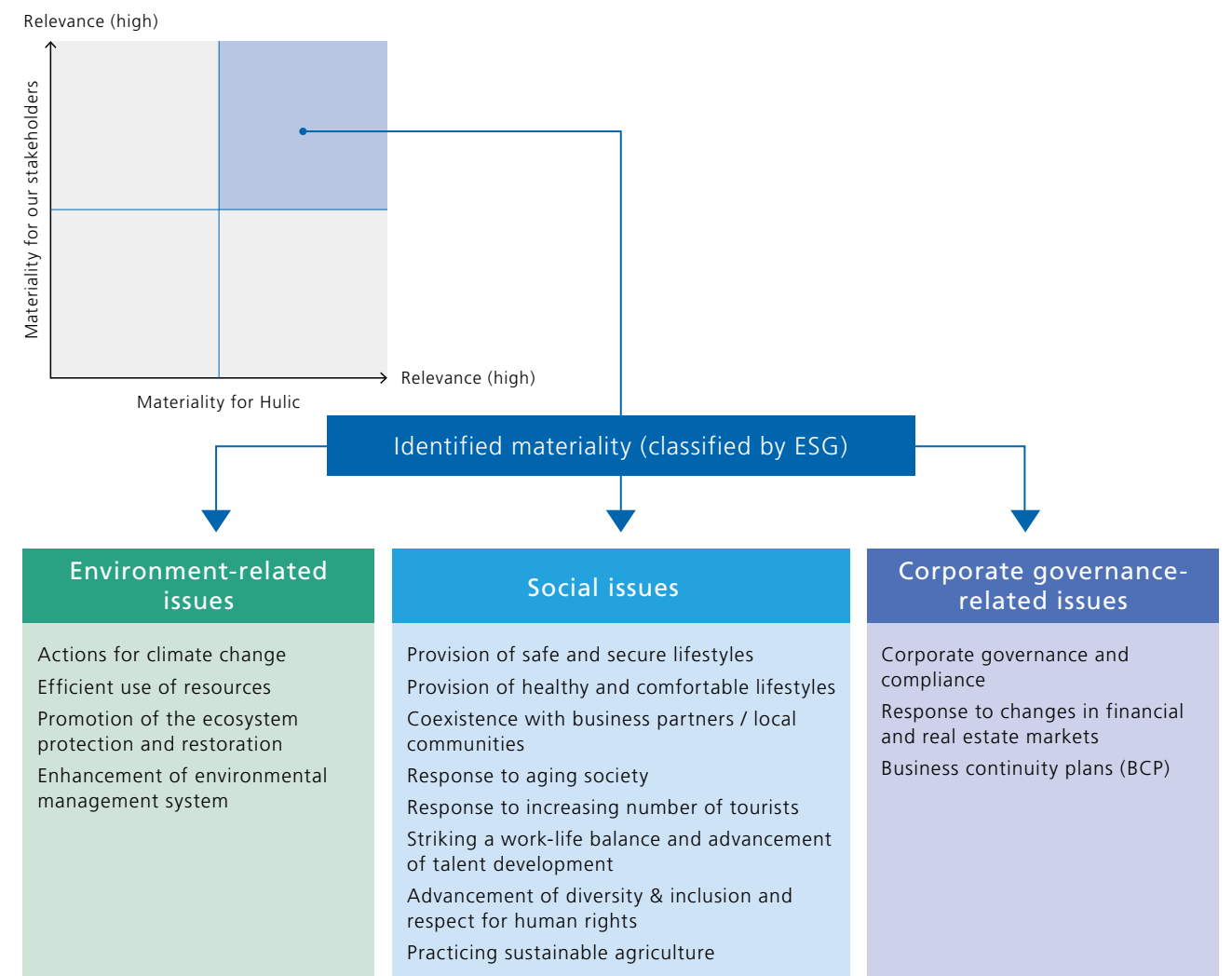
all, the major stakeholders that we actively engage in and collaborate with are identified below.



Materiality Assessment



Materiality Matrix



Opportunities and risks related to materiality and our actions

	Materiality	Major Opportunities and Risks (○: opportunities, ●: risks)	Hulic's Major Initiatives and Actions	Major related SDGs
Environment	Take actions for climate change	<ul style="list-style-type: none"> ○ Heightened need for buildings and properties equipped with higher energy efficiency and renewable energy ● Need for additional measures to comply with environmental regulations. Increase of utility expenses due to a rise in energy consumption for air conditioning 	<ul style="list-style-type: none"> • Active adoption of environmentally friendly technologies (natural lighting systems and natural ventilation technologies developed jointly with MIT, etc.) • Investment in renewable energy facilities, promotion of offsite ZEB, support for RE100 initiative and achievement by 2025, support for TCFD initiative • Promotion of forest circulation through practicing wooden structure constructions 	
	Promote efficient use of resources	<ul style="list-style-type: none"> ○ Heightened need for facilities utilizing resources effectively and recycling technologies ● Risk that business activity may wane if resources were exhausted 	<ul style="list-style-type: none"> • Adoption of longer life building design • 3R (Reduce/Reuse/Recycle) initiative (adoption of PC construction method, reuse of construction materials, reduction of plastic waste) • Development and adoption of technologies to make effective use of resources (water-saving equipment, etc.) 	
	Promote the ecosystem protection and restoration	<ul style="list-style-type: none"> ○ Heightened need for real estate development that is mindful of conserving local ecosystems ● Residential environment may deteriorate if ecosystem in vicinity of property was damaged 	<ul style="list-style-type: none"> • Use of labelling systems including JHEP certification, etc. • Promotion of greening in development projects 	
	Enhance environmental management system	<ul style="list-style-type: none"> ○ Creation of new business opportunities through taking actions against environmental issues as our core business ● Risk of delayed action on environmental issues due to lack of environmental management system 	<ul style="list-style-type: none"> • Organizing the Environmental Advisory Council which is consisted with outside experts, establishment of reporting environmental issues to the Board of Directors meetings • Establishment of long-term environmental vision with targets for 2050 	
Social	Deliver safe and secure lifestyles	<ul style="list-style-type: none"> ○ Heightened need for properties that are safe and secure from natural disasters including earthquakes and flood damage ● Rise of vacancy rate and decline of real estate value due to delayed actions on earthquake resistance techniques and BCP preparedness 	<ul style="list-style-type: none"> • Active adoption of earthquake-absorbing and earthquake-damping structures (initiatives to improve earthquake-resistance of buildings) • Implementation of thorough natural disaster risk management in newly acquired properties 	
	Deliver healthy and comfortable lifestyles	<ul style="list-style-type: none"> ○ Heightened need for comfortable, healthy and productive indoor environments ● Reputational risk if health damage occurred in one of Hulic's buildings 	<ul style="list-style-type: none"> • (Initiatives in business) Delivering a healthy and comfortable indoor environment, confirming specifications of facilities and interior materials in existing properties and those under development (use of interior finishes and equipment containing no hazardous substances) • (Initiatives for employees) Promotion of health and productivity management (introduction of no-smoking hours, medical checkups on par with examinations that exceed legal requirements, etc.) 	
	Coexistence with business partners / local communities	<ul style="list-style-type: none"> ○ Better results are expected through synergies brought by aiming for mutual sustainable growth with our business partners and local communities ● Our reputation may suffer and relationships may deteriorate if we neglected local connections 	<ul style="list-style-type: none"> • Establishment of long-lasting good relationships through close and continuous mutual communications (Tenants) • Implementation of customer satisfaction surveys, delivering fine-tuned response to tenant needs (Business partners) • Establishment of close communications with management and construction companies (Local communities) • Organizing summer festivals, neighborhood cleanup activities, etc. 	
	Respond to aging society	<ul style="list-style-type: none"> ○ Heightened need for nursing homes and hospitals with the aging of society and increase in number of healthier senior citizens ● Hiring-related costs may rise and shortage of care workers may materialize as the population of young generation declines 	<ul style="list-style-type: none"> • (Initiatives in business) Promotion of senior citizen-related businesses (development of and investment in nursing homes) • (Initiatives for talent acquisition) Attraction of talent with a series of top-notch fringe benefit programs, securing of workforce through rehiring of elderly persons who wish to work, extension of the retirement age and offering more flexible work styles • (Social contribution) Establishment and operation of Hulic Scholarship Program for Training of Welfare Caretakers 	
	Respond to increasing number of tourists	<ul style="list-style-type: none"> ○ Rising need for accommodations due to increase in inbound tourists ● Risk of losing hotel guests if we failed to respond to diverse tourist needs 	<ul style="list-style-type: none"> • Promotion of tourism-related business (owned/leased, or managed by the Company) • Responses to the diverse needs of tourists by offering a wide range of lodging options (owned/leased: a wide range of business-oriented and luxury hotels in selected locations; Hulic-managed: primarily upscale hotels and luxury hot spring inns) 	
	Strike a work-life balance and advance talent development	<ul style="list-style-type: none"> ○ Improvement of employee motivation and brand value in talent acquisition by enhancing workplace wellness features and enriching talent development program ● Turnover rate may rise if support programs were insufficient for various work styles 	<ul style="list-style-type: none"> • Provision of supporting framework for employees during pregnancy, childcare and caring for the elderly, and raising awareness on related programs • Enhancement of measures to support nurturing the next generation (monetary gift on childbirth, establishment of onsite daycare nursery, childcare subsidy program, etc.) • Advancement of work style reform and thorough tracking of work hours as a corrective measure to change long working hour culture • Enhancement of support program for obtaining qualifications and in-house training program 	
	Advance diversity & inclusion and respect for human rights	<ul style="list-style-type: none"> ○ Improvement of operational quality and productivity can be achieved by respecting diversity & inclusion ● Reputational risk may rise if we failed to respond to the need for diversity & inclusion 	<ul style="list-style-type: none"> • Awareness raising on diversity management, provision of various programs and mechanisms • Initiatives to establish a talent management system that recognizes various work styles including work from home • Employment of diverse human resources • Active employment of persons with disabilities 	
	Practice sustainable agriculture	<ul style="list-style-type: none"> ○ Heightened need for low-cost, high-quality agricultural products at developing countries due to decline in Japan's farming population ● Increase of investment costs in response to climate change and changing market conditions 	<ul style="list-style-type: none"> • Promotion of agricultural business with a company in Vietnam • Strengthening of cooperation with and introduction of new technologies with domestic agricultural companies through investments • Information gathering on new crop varieties through joint ventures and implementation of trial cultivation of multiple varieties throughout the year 	
Corporate Governance	Further strengthen corporate governance and compliance	<ul style="list-style-type: none"> ○ Improvement of confidence on management is expected when internal controls and corporate governance function effectively ● Non-compliance issue and deterioration of public confidence may occur due to lack of appropriate compliance culture and system 	<ul style="list-style-type: none"> • Appointment of external directors / auditors with knowledge in a variety of specialized fields • Establishment of nomination committee and compensation committee • Provision of compliance trainings for all employees / establishment of compliance hotlines 	
	Respond to changes in financial and real estate markets	<ul style="list-style-type: none"> ○ The Company's prompt response to market changes differentiates itself from competitors ● Decline of real estate leasing revenue, rise of vacancy rate ● Higher funding costs 	<ul style="list-style-type: none"> (Real estate markets) • Maintenance and improvement of competitiveness through adding value to our properties by redevelopments, renovations, etc. • Stringent selection of investment projects / flexible rebalancing of portfolio mix (Financial markets) • Establishment of cooperative relationships with financial institutions, procurement policy (raise long-term funds at fixed rates) • Periodic analysis of market conditions, implementation of rigorous risk management through careful deliberation and reporting at in-house meetings 	
	Enhance business continuity plans (BCP)	<ul style="list-style-type: none"> ○ A sense of security for employees and their families may be delivered through taking stronger measures to ensure safety in case of a disaster ● Delayed resumption of business due to prolonged restoration of head office functions 	<ul style="list-style-type: none"> • Formulation of BCP, implementation of annual drills • Establishment of cooperative program with external parties to examine situations and implement response measures on Company properties in times of disaster 	

Key Performance Indicators (KPIs) /Targets and Results for Non-financial Information

We aim to increase our corporate value and solve social issues simultaneously. Therefore, with respect to key performance indicators (KPIs)/ targets, we are addressing to achieve both financial and non-financial aspects with the same amount of importance.

Non-financial information KPIs/targets and results, classified by ESG, were shown below.

For financial information KPIs, please refer to the pages elaborating Medium- and Long-term Management Plan (2020 to 2029).

Figures marked with "✓" have been assured by an independent assurance provider. For FY2019 results, we received assurance from an independent assurance provider concerning the following eight items: electricity and gas consumption, CO₂ emissions (Scope1, Scope2) and CO₂ emissions intensity, number of greening projects, waste disposal, water consumption, employment ratio of persons with disabilities, usage rate of paid leave, and percentage of employees who received medical checkups. We will continue to disclose information on the progress of our ESG activities to the stakeholders while strive to improve disclosure quality using PDCA cycle.

Classified by ESG	Initiatives in the Medium- and Long-Term Management Plan, by ESG	Hulic's Materiality	Initiatives	KPIs / Short-term targets, Medium- to Long-term Targets*1 (If no fiscal year is given for a target, the target remains effective every year)	Coverage	Results*14					Assessment (○): achieved, — no target or target lies in future)	Relevant page	
						FY2015	FY2016	FY2017	FY2018	FY2019			
Environment	Advance low-carbon society initiatives through the building business	Take actions for climate change	Take actions for global warming across the entire value chain of Hulic's properties	Electricity consumption(MWh)	59 major existing properties*2	65,973	66,326	80,525	80,800	91,392✓	—	52-57	
				Gas consumption(m ³)*3	59 major existing properties*2	762,552	731,360	662,719	544,919	651,707✓	—	52-57	
				CO ₂ emissions intensity (kg-CO ₂ /m ²)*4: Reduction in CO ₂ emissions intensity (kg-CO ₂ /m ²) by 17% during the period from 2017 through 2020, relative to 2013 (per unit floor area)	16 properties owned since the base year*5	72.6	70.4	68.0	63.5	59.1✓	○	19, 52-57	
			Use renewable energy and develop new technologies	Aim for achieving RE100 by 2025	Buildings occupied by Hulic and its Group companies	—	—	—	—	—	—	—	49,54
				Number of capital investments for renewable energy facilities: 3 investments or more each year	All Hulic's properties	6 cases	3 cases	4 cases	6 cases	4 cases	○	55	
			Promote efficient use of resources	Reduce waste at Hulic's properties	Reduction in the average amount of waste (ton) by 15% during the period from 2017 to 2019 compared with the average during period from 2005 through 2007. (per unit floor area)	7 buildings occupied by the head offices of Hulic and its Group companies*6	525	524	611	1,166	904✓	— *7	19,56
				Reduce waste in newly developed buildings	Technical measures (such as longer life design, etc.) to reduce construction waste: Number of cases: 1 or more each year	All Hulic's properties	8 cases	4 cases	6 cases	11 cases	5 cases	○	50,56
			Promote the ecosystem protection and restoration	Reduce water consumption at Hulic's properties	Reduction in average water consumption (m ³) by 26% during the period from 2017 through 2019 compared to the average during the period from 2005 through 2007. (per unit floor area)	59 major existing properties*2	381,553	401,272	436,882	420,076	437,314✓	— *7	19,56
				Promote greening	Number of greening projects*8: 1 or more each year	All Hulic's properties	9 cases	1 case	5 cases	9 cases	3 cases✓	○	57
			Enhance environmental management system	Implement environmentally friendly management	Aim to achieve Hulic's long-term vision for the environment (2050 target) and CO ₂ emission reduction plan (2030 target), and organize Environmental Advisory Council once or more each year*14	Hulic Group	—	—	—	—	1 time	○	52-53
Social	Advance business with particular emphasis on enhancing earthquake resistance to build a more resilient society	Deliver safe and secure lifestyles	Enhance earthquake countermeasures in Hulic's properties	Percentage of buildings meeting new earthquake-resistance standards: 100% each year	All newly completed buildings	100% (9 properties in boundary)	100% (2 properties in boundary)	100% (6 properties in boundary)	100% (11 properties in boundary)	100% (4 properties in boundary)	○	19, 58-59	
		Deliver healthy and comfortable lifestyles	Advance health and productivity management	Percentage of employees who received medical checkup: 100% each year	Hulic Co., Ltd.*9	100%	100%	100%	100%	100%✓	○	62	
		Coexistence with business partners / local communities	Improve customer satisfaction	Number of customer satisfaction surveys: 1 or more each year	Hulic Group	1 time	1 time	1 time	1 time	1 time	○	59	
		Respond to aging society	Promote senior citizen-related business	Nursing homes *10 (number of properties owned): No numerical target (follow-up item)	Hulic Group	22 buildings	28 buildings	33 buildings	37 buildings	44 buildings	—	46	
				Nursing homes *10*14 Number of units: 5,000 in near future	Hulic Group	—	—	—	—	3,400 rooms	—	46	
		Respond to increasing number of tourists	Promote tourism-related business	Accommodation facilities*10 (number of properties owned): No numerical target (follow-up item)	Hulic Group	8 buildings	11 buildings	12 buildings	16 buildings	39 buildings	—	47-48	
				Accommodation facilities Number of rooms*10*14: 10,000 in near future	Hulic Group	—	—	—	—	8,200 rooms	—	47-48	
		Strike a work-life balance and advance talent development	Enhance measures to support nurturing the next generation	Usage rate of childcare leaves/Number of people: 100% of eligible female employees / 1 male employee or more each year	Hulic Co., Ltd.	100%/2 people	100%/6 people	100%/0 people	100%/1 people	100%/6 people	○	62	
				Ratio of employees returning to work after childcare leaves: 100% per year	Hulic Co., Ltd.	100%	100%	100%	100%	100%	○	62	
			Encourage the planned use of paid leave	Usage rate of paid leaves*11: 70% or higher each year	Hulic Co., Ltd.	71.4%	71.6%	78.3%	77.0%	78.5%✓	○	19,62	
		Advance talent development	Number of additionally obtained qualifications by employees*12*14: No numerical target (follow-up item)	Hulic Co., Ltd.	—	10	31	21	23	—	—	61	
		Advance diversity & inclusion and respect for human rights	Further increase programs for advancing diversity & inclusion	Ratio of female managers: 2020; 20%, 2024; 25%, 2029; 30%	Hulic Co., Ltd.	10.4%	12.3%	15.6%	18.5%	20.2%	○	19,63	
				Number of seminars provided by the Diversity Promotion Project Team: Once each year	Hulic Co., Ltd.	1 time	1 time	1 time	1 time	1 time	○	63	
	Increase employment of persons with disabilities	Employment ratio of persons with disabilities: Maintaining the statutory employment ratio of 2.2% or more (The statutory employment ratio was 2.0% in and before 2017)	Hulic Group*13	2.31%	2.21%	2.11%	2.41%	2.42%✓	○	19,63			
Practice sustainable agriculture	Enhance agribusiness	Production area (ha)*14: 15ha by 2025	Hulic Group	—	—	—	—	11	—	51			
Corporate Governance	Implement balanced management with attention to group governance	Further strengthen corporate governance and compliance	Corporate governance	Participation rate in Board of Directors meetings: No numerical target (follow-up item)	Hulic Co., Ltd.	98%	96%	97%	98%	99%	—	19, 66-67	
				Number of internal audits conducted: No numerical target (follow-up item)	Hulic Co., Ltd.	8 times	9 times	11 times	9 times	10 times	—	68	
		Compliance	Number of compliance trainings received: No numerical target (follow-up item)	Hulic Co., Ltd.	5 times	5 times	5 times	5 times	5 times	—	70		
		Respond to changes in financial and real estate markets	Risk management	Number of Risk Management Committee and Fund and ALM Committee meetings*14: twice each year, respectively	Hulic Co., Ltd.	—	—	—	—	4times/13 times	○	69	
Enhance business continuity plans (BCP)	Risk management	Number of BCP drills and inspections of stockpiled food and goods: Once or more each year	Hulic Group	1 time	1 time	1 time	1 time	1 time	○	69			

*1 Targets for 2020 onward are being developed.

*2 The boundary is office buildings with floor area of 3,000m² or above and hotels managed by Hulic, and exclude buildings in which a bank branch is the sole tenant, real estate for sale, and shared ownership properties. The number of properties in the boundary were: 2015 and 2016; 51, 2017; 55, 2018; 58 and 2019; 59.

*3 Since 2016, we have aggregated city gas consumption that our group companies have direct contracts with city gas companies.

*4 CO₂ emissions intensity is calculated by dividing the sum of CO₂ emissions of electricity and gas consumption by the sum of total floor area of the buildings that are in the boundary.

*5 The boundary of CO₂ emission intensity has been changed to the properties we owned since 2013 in order to appropriately reflect our initiatives for CO₂ emission reduction. The CO₂ emission intensity figures from 2015 to 2018 were re-calculated accordingly.

*6 The boundary is the buildings occupied by the head offices of Hulic and its Group companies. The number of properties in the boundary were: 2015 and 2016; 7, 2017; 8, 2018; 9, and 2019; 7.

*7 We deemed inappropriate to assess achievement in comparison with the 2005-2007 average as we revised the boundary of properties in 2015.

*8 The number of completed properties in each year among those imposed with greening obligation (excludes real estate for sale).

*9 The executive officers, employees (including seconded staff) and full-time contract staff who were with the Company at the time of medical checkup and as of December 31, 2019 were counted (excluding personnel who were on leaves).

*10 Including properties sold/trusted to REIT

*11 The usage rate of paid leave is calculated by dividing the "number of days of paid leave used in the year" by the "number of days granted in the year excluding leave carried over".

*12 The counted qualifications were those which the Company recommends employees to obtain.

*13 The subsidiaries included are the companies that were certified as affiliated subsidiary companies under the Act on Employment Promotion etc. of Persons with Disabilities as of June 1, 2019.

*14 With regard to KPIs/targets, actual results before setting them as KPIs/targets were not listed.

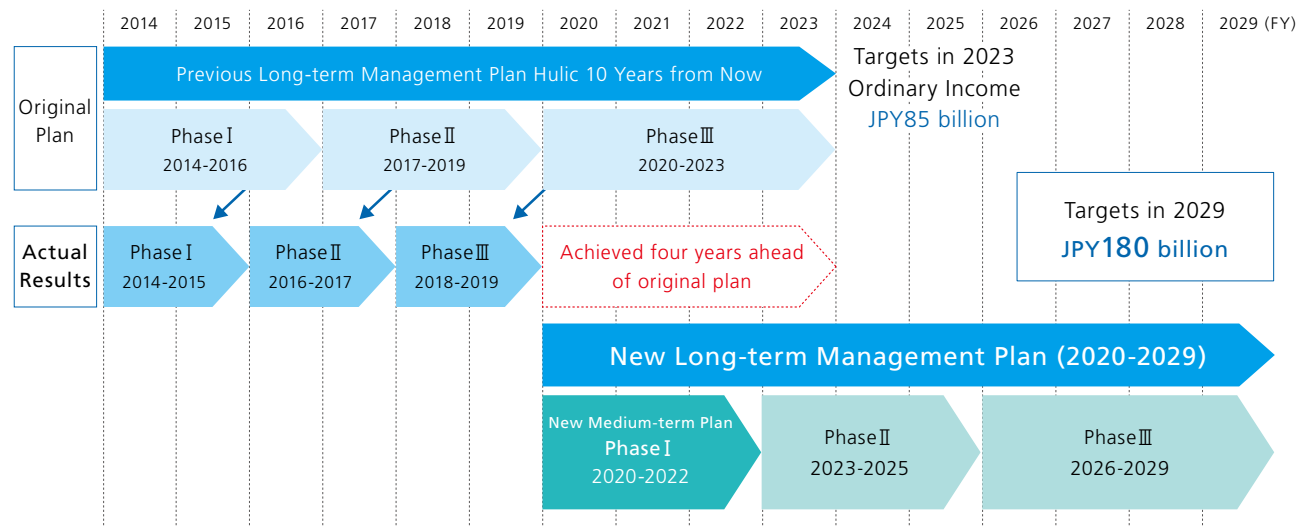
Formulation of Medium- and Long-term Management Plan (2020-2029)

The Group has formulated another Medium- and Long-term Management Plan (2020-2029) ("the Plan") upon achieving almost all goals in the previous Long-term Management Plan (2014-2023) four years ahead of the original target date of FY2023.

This Plan aims to develop and evolve our business model which is centered on the real estate leasing business and to pursue everlasting growth of corporate value.

Where the Plan stands

- The target of recording Ordinary Income JPY85.0 billion in FY2023 was achieved in FY2019 which was four years earlier than planned in the previous Long-term Management Plan (2014-2023).
- Following this, we have formulated another new Long-term Management Plan (2020-2029) which covers the next 10 years ending 2029. Simultaneously, we have launched the new Medium-term Plan (2020-2022) as Phase I towards achieving the Plan.



Analysis of business environment and our basic responses strategic in the new Medium- and Long-term Management Plan

Taking strategic action to respond to changes in the external environment

Analysis of Business Environment	Response	Basic Strategic Framework
Declining population (decline of working population), smaller families and aging demographics	Establish superiority in area/location of property portfolio	1. Restructure leasing portfolio
Natural disaster risk (possibility of epicentral earthquake striking Tokyo metropolitan area, other natural disasters)	Differentiate in buildings/equipment/services (pursue peace of mind, safety, wellness, comfort)	2. Strengthen development and value-added businesses
Technological innovation, changes in working patterns and lifestyles	Find new asset classes and provide new value creation	3. Create new business domains
World-scale uncertainties (US-China trade friction, etc.)	Implement thorough risk management	4. Strengthen management foundation and implement thorough risk management
Responses to global warming (transition to natural energies)	Further strengthen responses to environment (CO ₂ reduction, conversion, etc.)	5. Management with a priority on sustainability

Target Profile and Basic Policy

Target Profile in 10 years

With "driving innovation and accelerating progress" as our motto, we continue to steadily increase our corporate value through evolving ourselves flexibly in response to changes in macro environment

Basic Policy

Strike a balance between P/L Growth, Profitability, B/S Soundness, and Productivity (efficiency) at a high level and achieve further growth through dynamic transformation backed by overwhelming speedy decision-making

Quantitative Targets (FY2022・FY2029)

		FY2022 (The last year of Medium-term Plan, Phase 1)	FY2029 (10 Years After)
P/L Growth	Ordinary Income	JPY110 Bln	JPY180 Bln
B/S Soundness	Debt/EBITDA ratio	Within 12 times	Within 12 times
	Net D/E ratio	Within 3 times	Within 3 times
Efficiency	ROE	Over 10%	Over 10%
Shareholder's return	Dividends payout ratio	Approx. 40%	

* Financial KPIs have factored in the effect of hybrid financing as nominal equity

Basic Strategies

- 1. Further evolve the business model and restructure the leasing portfolio**
 - Evolve business model to achieve both stability and efficiency based on leasing business
 - Restructure leasing portfolio that has both balanced mix of asset types meeting market needs and competitiveness
 - Rebalance portfolio through partial capitalizing of unrealized gains under the low interest rate environment and raise leasing business ratio on a long-term basis
- 2. Strengthen development and value-added ("VA") businesses**
 - Strengthen leasing portfolio and increase development profits by promoting the development business based on improved medium- to long-term pipelines
 - Increase high-value assets by accelerating development and reconstruction with high earthquake resistance and high energy saving features
 - Create stable sales income source by strengthening large-scale VA projects with various value-adding methods and enhance organizational structure as one of growth drivers
- 3. Create unique new business domains and improve Group strength**
 - Cultivate and launch businesses that offer new ways to create value
 - Capture earning opportunities by leveraging Group collaboration and improve comprehensive Group strengths through pursuing Group synergies
 - Leverage M&As and alliances as a means of swiftly launching new businesses and improving Group strength
- 4. Strengthen the management foundation and implement stringent risk management**
 - Maintain a strong financial base and various financing channels
 - Maintain a flexible organizational structure that enables efficient management and improve productivity by using diverse human resources
 - Implement thorough risk management in response to business diversification and balance sheet control in times of market change
- 5. Implement management that emphasizes sustainable co-creation and co-existence with society**
 - Execute ESG-conscious business operations and value creation to solve social issues and pursue initiatives that synchronize social value creation with corporate growth

We will continue to build a stable and sound financial base for maintaining and increasing medium- to long-term profits.

Hajime Kobayashi

Director, Senior Executive Managing Officer,
and General Manager of Corporate Planning Department



1. Financial performance: recognition of the business environment

In FY2019, all profit indicators reached record-high levels. Consolidated Ordinary Income, which we consider to be an important profit target, amounted to JPY84.6 billion, bringing us close to JPY85.0 billion, which was the target of both the three-year Medium-term Management Plan launched in 2018, and the 10-year Long-term Management Plan launched in 2014.

In addition to profit targets, EBITDA, identified in the Medium-term Management Plan as an indicator of cash flow generating ability, reached JPY105.4 billion in FY2019, representing a 35.5% increase in two years combined and exceeding the target of JPY105.0 billion. ROE, an indicator of capital efficiency, reached 13.6%, an increase of 1.7% over two years and exceeded the target of 10%. Net Debt to Equity Ratio (Net D/E ratio), an indicator of financial soundness, decreased by 0.3 of a point to 2.0 times, attained by far the target of three fold or lower.*

The environment surrounding the real estate business was characterized by firm demand for office space amid changing work styles and a steady availability of working population. Commercial facilities and hotels also experienced solid demand from overseas visitors to Japan, leading to continued generally favorable conditions. Hulic was able to post strong profits and achieve growth by restructuring and expanding the leasing portfolio while maintaining financial soundness under the aforementioned environment.

In 2021, a major national event, the Olympics and

Paralympics, is scheduled to take place in Tokyo. Assuming that the impact of the novel coronavirus pandemic is limited, we expect real estate markets to be stable, provided that the low-interest environment holds.

With steady implementation of the new Medium- and Long-term Management Plan launched in FY2020, we aim to achieve stable growth while taking on an appropriate level of risk.

*Net D/E ratio after factoring in the hybrid financing equity effect

2. Capital efficiency: recognition of capital costs

The real estate business is generally seen as not having a particularly high ROE. We established an ROE target of 10% or higher in the new Medium-term Management Plan and aim to maintain high capital efficiency. We will aim to improve ROA to the end by leveraging sales gains from the real estate for sale in our value-added business pipeline, which has relatively shorter turnover, in addition to leasing revenue from our fixed assets portfolio which is the core source of revenue. For financial leverage, we aim for gradual improvement or a stable transition as indicated by changes in Net D/E Ratio.

Additionally, we think large changes in ROE, an important indicator of shareholder value, are not desirable. Therefore, we have excluded business opportunities from condominium sales despite its solid capital efficiency as this business may be highly sensitive to market conditions.

The levels of capital costs and the weighted average capital cost (WACC) have declined, reflecting the financial environment in recent years. At the same time, capitalization rates in the real estate market have also

been on a downward trend, indicating that both cost and return are in gradual decline. Given these conditions, our policy is to enhance corporate value by maintaining the Economic Value Added (EVA) spread while remaining mindful of capital costs.

3. Capital allocation strategy: business portfolio reviews

Hulic aims to be a company with high profitability per employee, in other words, a company with a high level of productivity, so that we are cautious in pursuing profits (volume) just from expanding our business portfolio. We also place importance on a stable revenue structure so that a “high growth but volatile revenue structure” is at odds with our policies.

The current business portfolio is structured around the leasing business, the core of our business portfolio, which also includes related business fields, such as the asset management and property management businesses and the hotel business.

To strengthen the leasing business, we have followed a policy of expansion through M&As to effectively acquire companies with high-quality real estate portfolios. Accordingly, we have incorporated into our own business portfolio businesses that are strongly compatible with our own, particularly in the core real estate leasing business.

In contrast, we exited from businesses that were incompatible with the leasing business and were deemed difficult to pursue synergies. In FY2019, we spun off the human resources agency business, which was sold to enable further development under a more specialized operating company.

4. Resource allocation strategy: growth investment policy

To strengthen and expand the leasing portfolio, which is our main source of revenue, investment to this end including purchase of new properties, development and reconstruction, etc. are essential. In structural terms, negative cash flows from investment activities are covered by positive cash flows from operating and financing activities, but the level of investment must be controlled to avoid excessive reliance on cash flows from financing activities.

(1) Net investments in long-term lease properties

2020–2022 three-year in aggregate (plan) approx. JPY **670 billion**

Investment standards are based on the approaching decline in population that is about to begin in earnest. By geographical area, our policy is to invest in properties near train stations in central Tokyo, mainly in our strategic focus

areas of Ginza, Shinjuku East Side, Shibuya/Aoyama, and Asakusa. We intend to make our real estate portfolio more competitive as we believe population declines will result in concentration in urban areas and may also intensify competition between areas.

Further, from the perspective of asset type, it is expected that there will be a solid demand for facilities for the elderly and hotels in the long run due to the advance of the aging population and increases in overseas visitors to Japan. With that in mind, we are placing importance on healthcare assets, mainly nursing homes for the elderly and hospitals, as well as tourism assets focused on hotels and *ryokans* (Japanese style luxury inns).

Looking ahead to the future business environment, we expect to see rapid advances in information technologies and changes in work styles and lifestyles, thus we are focusing on next-generation assets corresponding to social needs, such as the information-related facilities that meet these needs.

Nonetheless, our policy is to invest in a property when we can expect a significant increase in asset value from development, reconstruction, and other measures, despite the fact that may not perfectly satisfy the aforementioned investment standards.

We believe that investment in long-term holdings of these properties is likely to result in a strengthened leasing portfolio because we are expecting increases in asset values and rents from investment in focused areas or assets. 10 years from now (in 2029), we envisage a portfolio profile where focus area assets account for 50% of the total real estate portfolio, while non-office properties account for the 50% of asset types.

We set a hurdle rate for our investments. Assuming medium- to long-term value added to properties by post-investment development and reconstruction, we consider we will be able to enhance our corporate value as return on invested capital (ROIC) sufficiently exceeds WACC.

(2) Net investment in development business

2020–2022 three-year in aggregate (plan) approx. JPY **170 billion**

Development and reconstruction businesses enhance the fundamental value of real estate and increase earnings. Moreover, renovation of buildings and facilities enables us to provide tenants with a safer and more comfortable environment. Above all, it is the core of our medium- to long-term business strategies to differentiate ourselves through development of high-quality medium-sized buildings with strong earthquake resistance when there are predictions of a Tokyo epicentral earthquake and other natural disasters. During the ten years leading to 2029, we are planning more than 100 development

and reconstruction properties, and we aim to further materialize corporate growth with the resultant increases in rental and development revenue.

In response to global warming, we are continuing efforts to develop energy-efficient buildings, encouraging the use of renewable energy in all buildings, creating wooden fire-resistant hybrid commercial building and engaging in other initiatives to develop buildings with excellent environmentally friendly features. In this way, we are developing real estate properties that are selected by customers.

5. Funding policy: balance sheet targets

With real estate leasing as our core business and stable leasing income the main pillar of our revenue structure, solid growth in this portfolio is essential to sustaining growth. We believe it is necessary to position this portfolio as the major part in our fixed assets in order for us to maintain the soundness of the balance sheets.

To this end, we believe that it is important to first raise the profitability of fixed assets, which sit on the asset side. Increases in profitability lead to increases in asset value and act as a financial buffer contributing to financial soundness. Based on this approach, we formulated and are adhering to an investment policy on long-term holding of properties. Strengthening development and reconstruction is also linked to this approach. At the same time, properties that are not compatible with our core portfolio are sold and replaced. For instance, properties that do not match our investment policy and cannot be expected to increase in value through development and reconstruction can reinforce our portfolio if sold under

the current favorable real estate market conditions and are replaced with properties compatible with our investment policies. This approach also contributes by offsetting cash flows created by investment activities. Additionally, on the liability side, we monitor financial soundness using various indicators to maintain overall control of the balance sheets.

The Net D/E and Debt to EBITDA ratios are the ones we pay close attention to, among other indicators. Over the medium- to long-term, we target a Net D/E Ratio of three times or less and a Debt to EBITDA Ratio of 12 times or less. If leverage levels on the liability side become too high, this may raise credit issues including downgrading of external ratings and may lead to increased funding costs and to a higher WACC. At the same time, when leverage level falls below the balance point, the relative weight of WACC capital costs is increased, which ultimately lead to an increase in WACC and a decrease in ROE, even though credit costs are reduced. We consider our target leverage level to be close to optimum in the current financial environment and have made it the basis of our balance sheet control.

In specific terms, our control method includes a combination mainly of asset-side control through portfolio replacement and other measures and liability-side capital control through hybrid financing, among others. We set investment plan standards based on the target profile of balance sheets from the initial planning stage of the beginning of each fiscal year and adhere strictly to the level of our targeted financial standards.

6. Our approach to funding

We undertake liability-side fund procurement, bearing in

mind our target balance sheet profile, while for the capital account our policy is to supplement appropriately using hybrid financing and other methods depending on the business environment and level of profit accumulation each year. For debt financing, we raise funds by a combination of direct market procurement using straight corporate bond issuance and indirect market procurement through financial institutions, ensuring an appropriate balance while monitoring financial market trends.

When executing debt financing, we attach importance to stable funding over the long-term, bearing in mind that the leasing portfolio is Hulic's fundamental long-term income source. In other words, we seek to secure financing with longer durations based on our approach to asset and liability management, favoring fixed-interest procurement in light of the low-interest rate environment. These measures are designed to ensure a stable and low-risk funding structure that allows us to flexibly navigate abrupt changes in the business and financial environments.

7. Cash allocation: policy on shareholder returns

While aiming to achieve growth, Hulic places importance on providing appropriate profit distributions to the stakeholders who support our growth. With specific regard to returns to shareholders, we have increased our dividends in every year since our listing, and the dividends payout ratio reached approximately 35% in the most recent year, FY2019. Under the new Medium-term Management Plan, we have adopted a policy aiming for a dividends payout ratio of around 40% by FY2022.

Shareholder returns can also be made indirectly through share buybacks in the market or to set a

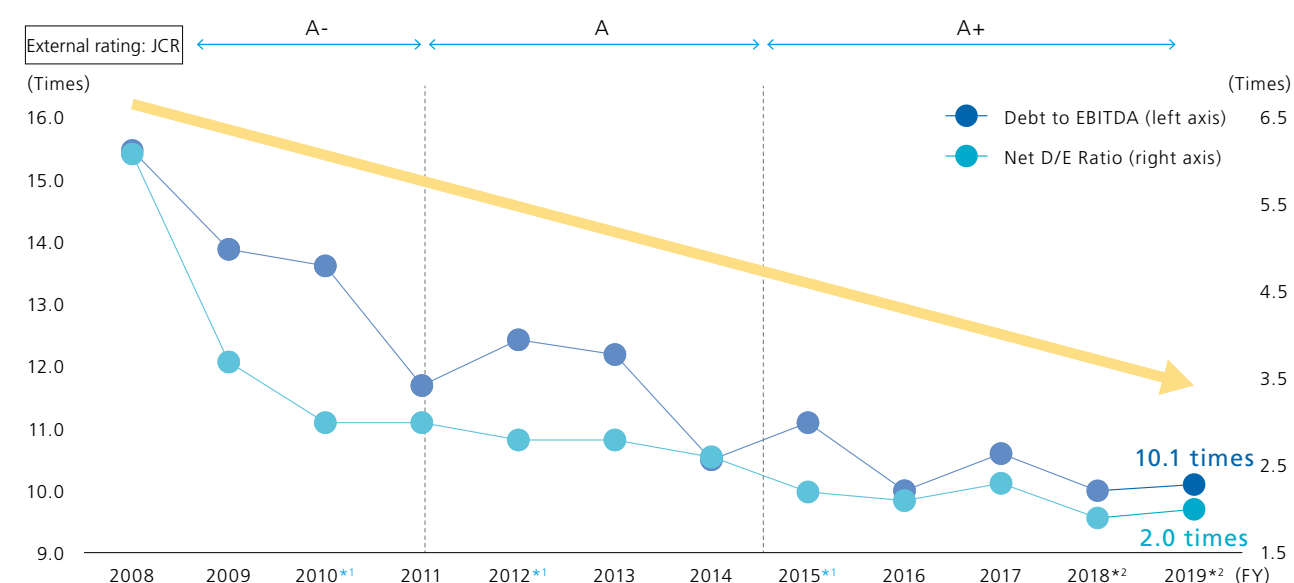
total return ratio may be another approach. However, considering Hulic's specific business feature that we earn stable revenue primarily from our leasing portfolio, unless there are unusual environmental changes, we believe it is more appropriate for us to deliver stable shareholder returns through paying dividends rather than flexible share buybacks. We also recognize the need to increase share value over the medium- to long-term, thus we aim for both higher Net Assets per share and Net Income per share. We have doubled our Net Assets per share and made Net Income per share approximately 2.3 times higher in the last five years leading up to FY2019.

8. Cash flow policy: approach for undistributed earnings

To expand leasing revenue while enhancing the leasing portfolio, it is necessary to maintain financial soundness and to pay attention to the level of undistributed earnings while controlling the balance sheets.

Regarding the optimal level of undistributed earnings, we envision a shareholders' equity profile from indicators such as Net D/E Ratio and Equity Ratio, aiming to maintain it at a sufficient level. The most important element in maintaining sufficient shareholders' equity is retained earnings, which comes from undistributed earnings, but this does not mean that simply increasing undistributed earnings is good. On the other hand, excessive shareholder returns may hinder corporate growth and reduce future cash flows. Therefore, we will determine the level of undistributed earnings by taking a balanced view on the speed of profit growth while providing shareholder returns and other distributions.

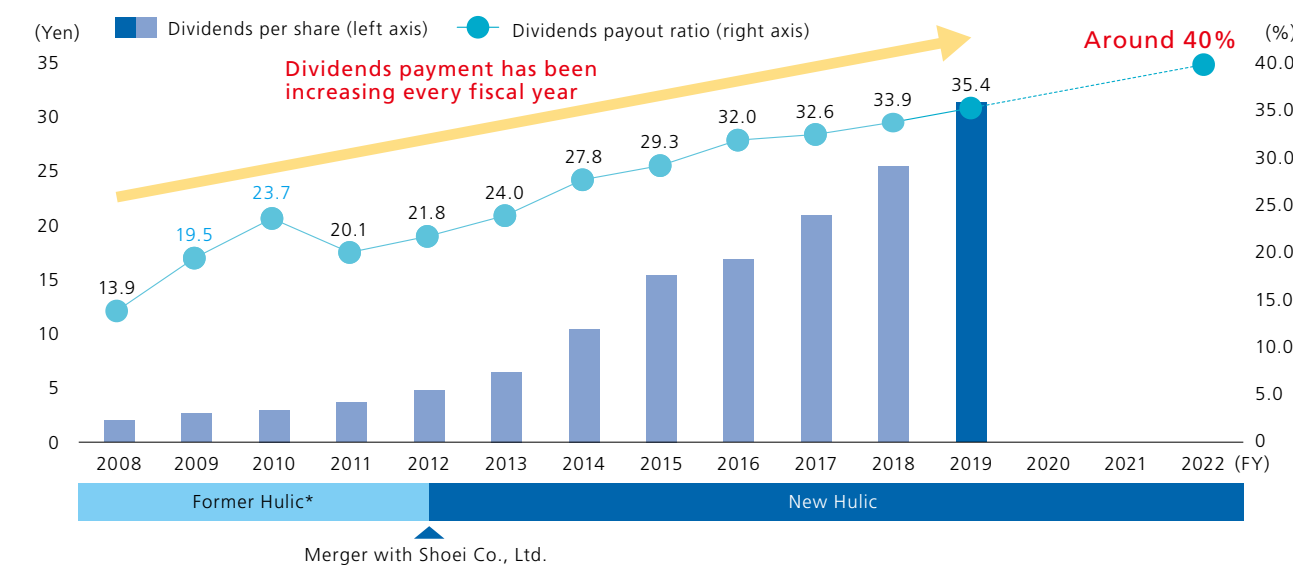
Maintaining and Improving Financial Soundness



* 1. Calculated on a pro forma basis.
* 2. 50% (JPY75Bln) of hybrid finance raised in 2018 (JPY150 Bln) was calculated as nominal equity.

Dividends

Since our stock market listing in 2008, we have increased dividends every fiscal year. Going forward, we intend that shareholder returns will primarily be made in the form of dividends payments. We plan to increase the consolidated dividends payout ratio gradually to around 40% by FY2022.



* In consideration of the 2012 merger with Shoei Co., Ltd. (share exchange ratio: former Shoei Co., Ltd.: former Hulic Co., Ltd. = 1:3), the dividends per share in 2008-2011 were calculated by dividing dividends of the former Hulic by three. The dividends payout ratio for 2009-2010 were calculated on the basis of initial Net Income forecasts, excluding special factors.

Leasing Business

Business Overview

We operate a real estate leasing business based on ownership and management of leased properties located with a focus on Tokyo 23 wards. The leasing business is the core of our business model and our portfolio extensively includes office buildings in prime locations or close to train stations with high-level safety standards with a particular emphasis on adoption of earthquake-resistant technologies, commercial facilities, hotels, nursing homes, and rental housings. We are working to strengthen the real estate leasing business by actively investing in the acquisition and management of real estate in prime locations and in development and reconstruction projects to further boost revenue generating capacity through effective use of this asset portfolio.

Medium- to Long-Term Focus Strategies

Acquisition Strategy

- Restructure the leasing portfolio to give it a greater competitive edge in anticipation of intensified competition between different areas of central Tokyo
- Drive active acquisitions in five asset types focused on growth and market needs

Acquisitions in Five Asset Types Focused on Growth and Market Needs

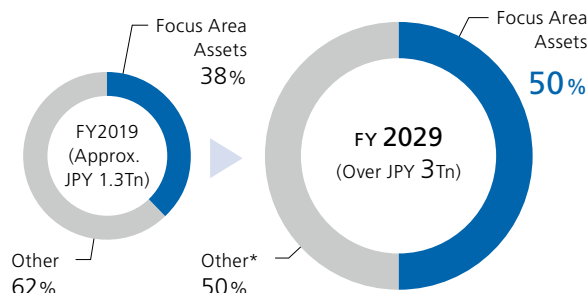
Rebalance the portfolio mix to increase properties focused on areas and assets where growth in value and rents can be expected

1 Focus Area Assets • Ginza • Shinjuku East side • Shibuya and Aoyama • Asakusa	2 Assets Closely Located to Major Central Tokyo Stations • Properties located mainly within a 3-minute walk of a station in central Tokyo	3 Tourism and Healthcare-related Assets • Hotels and <i>ryokans</i> (Japanese style luxury inns) • Nursing homes and hospitals • Other healthcare-related facilities
4 Next-Generation/CRE Assets • Stable assets based on expected long-term relationships • Data centers, research institutions and other assets in response to market needs	5 Potential Value Growth Assets • Assets expected to achieve future value growth through reconstruction • Assets expected to achieve future value growth through value-adding initiatives	

Target Portfolio Profile in 2029 (book value basis)

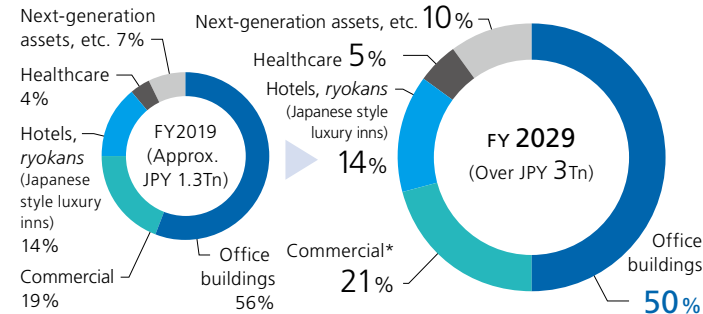
- Target to bring the ratio of properties located in the focus areas to 50%
- Establish a balanced portfolio composition with the ratio of office buildings at 50% at a maximum

Location (projection)



*Excl. Focus Areas:
 • Assets closely located to major central Tokyo stations
 • Tourism and healthcare assets
 • Next-generation/CRE assets, etc.

Asset Type (projection)



* We envisage growth in our portfolio of commercial facilities in prime locations through active development in commercial districts within our focus areas and development of facilities under the "&New" brand

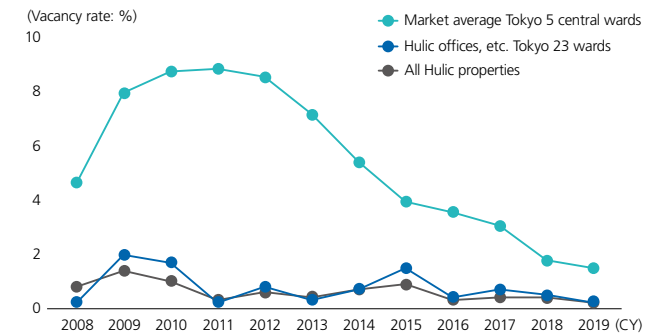
Initiatives and Track Record

The leasing business, the core of the Group's business, has achieved steady growth and has posted higher leasable floor areas. We have built a balanced portfolio of high-quality properties primarily located close to stations in central Tokyo. As a result, our vacancy rate has remained lower and our rent levels have trended higher than the market average.

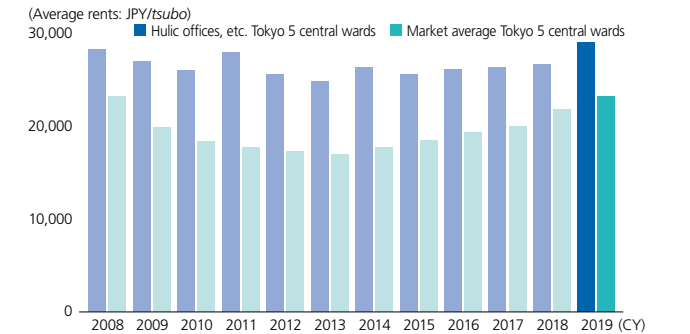
Vacancy rate performing under market average and average rents staying higher than market average

The Company owns many properties in prime locations in central Tokyo. In Tokyo 23 wards, the vacancy rate of our office and related properties has remained below the market average over the last few years at 1% or lower. Moreover, our average rents in Tokyo 5 central wards have trended above the market average, ensuring stable revenue. Going forward, we will continue to emphasize central Tokyo location and closeness to a station as key factors to mitigate the vacancy risk in rolling out operations.

Vacancy Rate



Average Rents

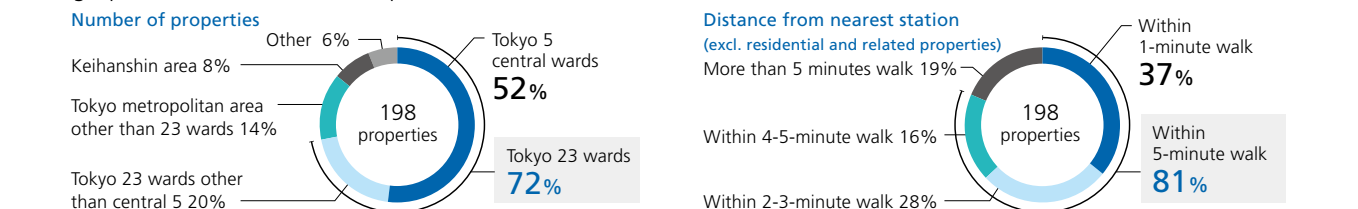


*1 Source: Market average; Miki Shoji Co., Ltd., Office Data by District (based on office buildings in Tokyo business districts with standard floor area of 100 tsubo or above).
 *2 Hulic vacancy rate: excludes floor area unleased pending tenant response or reconstruction.
 *3 Hulic average rents: calculated by dividing rental revenue for last month of fiscal year by leased floor area at the end of fiscal year. Excludes hotels, *ryokans*, and master lease properties.

Focusing investment on central Tokyo properties close to stations

Approximately 70% plus of our office buildings and related properties are concentrated in central Tokyo 23 wards where tenant demand is high. Additionally, approximately 80% of properties are close to a station, i.e. within a 5-minute walk. Located close to stations in central Tokyo, our properties have excellent transport links and are in demand from a wide range of tenants as general office space, bank branches, commercial and retail outlets, etc.

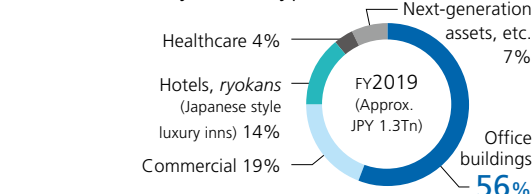
Geographical Distribution of Properties (excl. nursing homes and residential properties)(as of December 31, 2019)



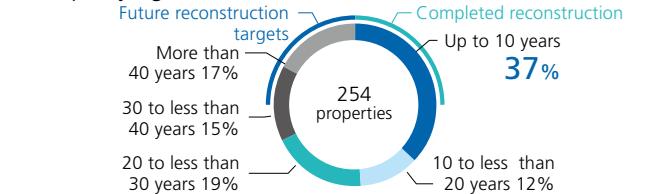
Balanced portfolio of high-quality properties

Apart from offices and commercial facilities, our properties include high-quality asset types where growing demand is expected in the future such as hotels and *ryokans* (Japanese style luxury inns), healthcare facilities, and next-generation assets (data centers, etc.). Looking ahead, in order to adapt to the expected decline in office demand resulting from the fall in Japan's working population, we will keep the share of office properties to around 50% of our portfolio, which we will restructure to achieve a balanced composition of property types reflecting market needs. Our portfolio has a good balance of new and older properties. Older properties in prime locations can be expected to yield future value growth through development or reconstruction.

Distribution by Asset Type (book value basis)



Property age (excl. residential and related properties) (as of December 31, 2019)



Leasing Business

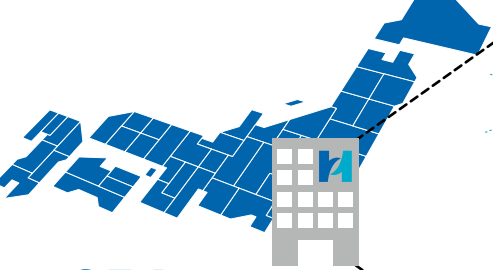
We have abundant properties in Tokyo 5 central wards*1 and Asakusa, a tourist area

(as of December 31, 2019)

Based on a management strategy of selection and concentration, we have focused our portfolio expansion on the Tokyo metropolitan area. Specifically, we own more than 100 properties*2 in prime locations close to stations in Tokyo 5 central wards*1, where continuous growth of value can be expected in the future.

*1 Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, Shibuya-ku
*2 Excl. residential and related properties

Geographic Distribution of Properties (excl. real estate for sale)



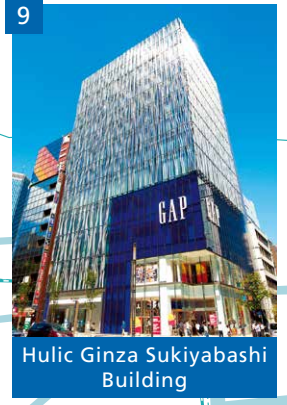
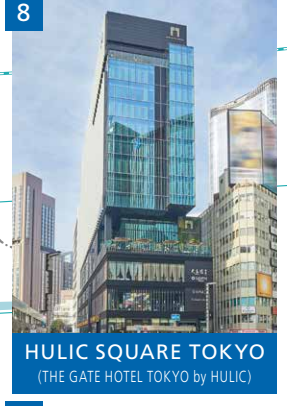
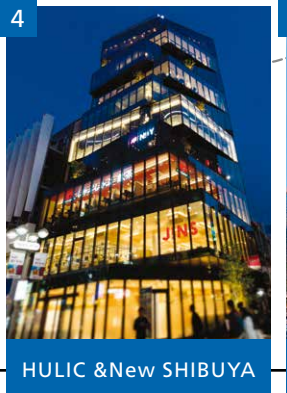
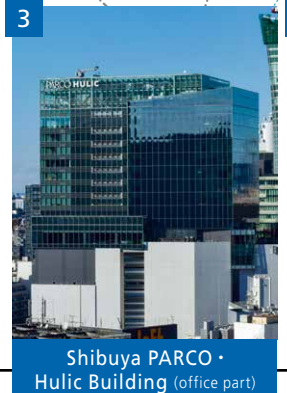
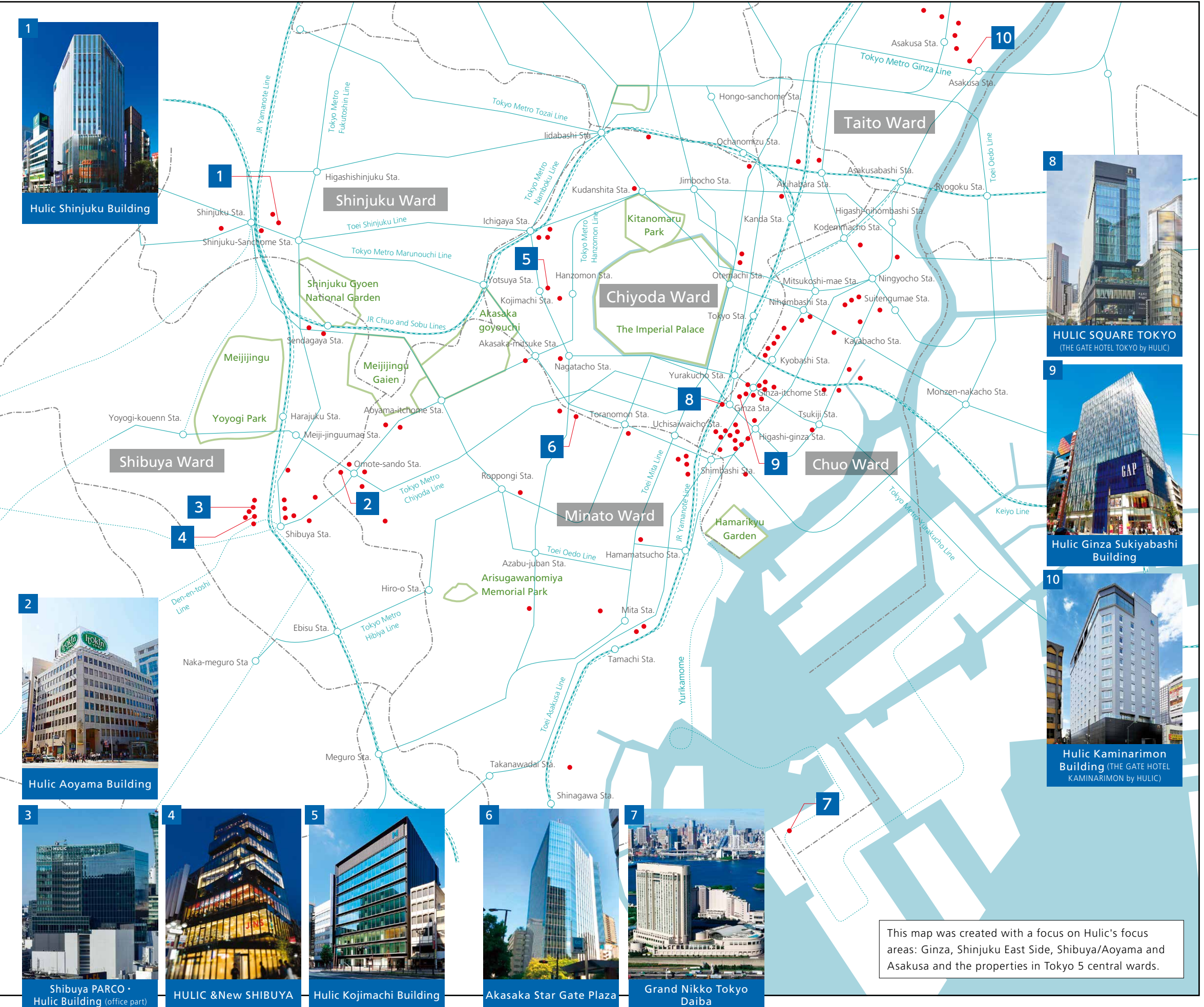
Total **254** properties

(of which, 198 are office and related properties)

Approx. over 70%* of properties in high-demand Tokyo 23 wards
For our office buildings and similar properties, approximately over 70% are concentrated in the high-demand Tokyo 23 wards.
*Excl. residential and related properties

Hulic's Property Portfolio (excl. real estate for sale)

	Number of properties	Leasable area (thousands of m ²)
Office and related (offices, commercial facilities, hotels, ryokans, other properties)	198	1,222
Residential and related (nursing homes, residential properties)	56	160
Total	254	1,382



This map was created with a focus on Hulic's focus areas: Ginza, Shinjuku East Side, Shibuya/Aoyama and Asakusa and the properties in Tokyo 5 central wards.

Leasing Business

Office Buildings

Hulic Ginza Sukiyabashi Building
(Mizuho Bank Ginza Branch)



11 floors above ground and 4 below
4-2-11, Ginza, Chuo-ku, Tokyo
Total floor area 11,569 m²
1 min walk from Ginza Station of Tokyo Metro Hibiya Line

Hulic Kojimachi Building
(Mizuho Bank Kojimachi Branch)



9 floors above ground and 1 below
3-2, Koujimachi, Chiyoda-ku, Tokyo
Total floor area 8,925 m²
1 min walk from Kojimachi Station of Tokyo Metro Yurakucho Line

Hulic Aoyama Building
(Mizuho Bank Aoyama Branch)



9 floors above ground and 1 below
3-6-12, Kitaoyama, Minato-ku, Tokyo
Total floor area 8,789 m²
1 min walk from Omotesando Station of Tokyo Metro Ginza Line

Hulic Minamiaoyama Building



9 floors above ground and 1 below
2-27-25, Minamiaoyama, Minato-ku, Tokyo
Total floor area 7,483 m²
2 mins walk from Gaienmae Station of Tokyo Metro Ginza Line

Hulic Asakusabashi Building
(PPP business)



12 floors above ground and 2 below
1-22-16, Asakusabashi, Taitou-ku, Tokyo
Total floor area 19,636 m²
1 min walk from Asakusabashi Station of JR Sobu Line

Akasaka Star Gate Plaza



16 floors above ground and 2 below
2-3-5, Akasaka, Minato-ku, Tokyo
Total floor area 17,947 m²
1 min walk from Tokyo Metro Ginza/Namboku line Tameikesannou Station

Jingumae Tower Building



23 Floors above ground and 3 below
1-5-8, Jingumae, Shibuya-ku, Tokyo
Total floor area 36,905 m²
4 mins walk from Tokyo Metro Chiyoda Line Meijijingumae Station

Shibuya PARCO · Hulic Building



18 Floors above ground and 3 below
15-1, Udagawa-cho, Shibuya-ku, Tokyo
Total floor area 63,856 m² (whole floor)
(Sectional ownership in office floor)
5 mins walk from JR, Tokyo Metro etc. Shibuya Station

Commercial Facilities

HULIC & New SHIBUYA



10 floors above ground and 2 below
31-1, Udagawa-cho, Shibuya-ku, Tokyo
Total floor area 2,121 m²
5 mins walk from Shibuya Station of JR Yamanote Line

HULIC & New KICHIJOJI



5 floors above ground and 1 below
1-7-7, Minamimachi, Kichijoji, Musashino-shi, Tokyo
Total floor area 2,143 m²
2 mins walk from JR Chuo/Sobu Line, Keiokashira Line Kichijoji Station

Hulic Minatomirai (land interest)
(Collette-Mare)



24 floors above ground and 1 below
1-1-7, Sakuragicho, Nakaku, Yokohamashi, Kanagawaken
Total floor area 102,319 m²
1 min walk from Sakuragicho Station of JR Negishi Line

Hulic Shibuya Koen-dori Building



9 floors above ground and 1 below
3-7, Udagawacho, Shibuya-ku, Tokyo
Total floor area 5,307 m²
6 mins walk from Shibuya Station of JR Yamanote Line

Nursing Homes

Charm Premier Yamatecho



3 Floors above ground and 1 below
245-1, Yamatemachi, Naka-ku, Yokohama-shi, Kanagawa
Total floor area 1,969 m²
11 min walk from Minatomirai Line Motomachi Chukagai Station
Leased to Charm Care Corporation

Hospitalment Bunkyo Yayoi



4 Floors above ground and 1 below
2-4-4, Yayoi, Bunkyo-ku, Tokyo
Total floor area 2,116 m²
7 mins walk from Tokyo Metro Chiyoda Line Nezu Station
Leased to Sakurajyuji Co., Ltd

Granda Inamuragasaki Kamakura Aoitai



3 floors above ground
3-6-11 Inamuragasaki, Kamakura-shi, Kanagawa
Total floor area 1,816 m²
4 mins walk from Inamuragasaki Station of Enoshima Electric Railway
Leased to Benesse Style Care Co.,Ltd.

Aristage Kyodo



7 floors above ground
3-20-22, Kyodo, Setagaya-ku, Tokyo
Total floor area 13,978 m²
11 min walk from Kyodo Station of Odakyu Odawara Line
Leased to Keio Wealthy Stage Co.,Ltd.

Hotels and Ryokans (Japanese style luxury inns)

THE GATE HOTEL TOKYO by HULIC
(HULIC SQUARE TOKYO)



(Occupies 4F-13F of Hulic Square Tokyo)
2-2-3, Yurakucho, Chiyoda-ku, Tokyo
Total floor area 15,782 m² (whole floor)
Directly linked to Ginza Station of Tokyo Metro Ginza, Marunouchi Line
1 min walk from Hibiya Station of Tokyo Metro Hibiya, Chiyoda Line
3 mins walk from Yurakucho Station of JR Yamanote, Tokyo Metro Yurakucho Line

THE GATE HOTEL KAMINARIMON by HULIC
(Hulic Kaminarimon Building)



14 floors above ground
2-16-11, Kaminarimon, Taitou-ku, Tokyo
Total floor area 7,779 m²
3 mins walk from Asakusa Station of Tokyo Metro Ginza Line

Grand Nikko Tokyo Daiba



29 floors above ground and 3 below
2-6-1, Daiba, Minato-ku, Tokyo
Total floor area 123,775 m²
Directly linked to Daiba Station of Yurikamome Line

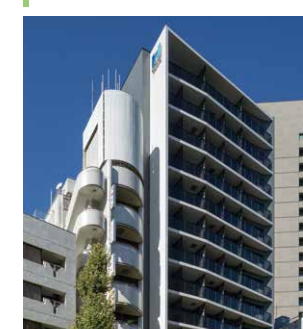
FUFU Kawaguchiko JAPAN



2211-1 Mizuguchi, Kawaguchi-Aza, Fuji-Kawaguchiko-Machi, Minamitsuru-gun, Yamanashi, Japan
Total floor area 4,669 m²
15 mins by car from Fuji Kyuko Line Kawaguchi-ko Station

Other Properties

HULIC Residence Shin-Ochanomizu



14 floors above ground
3-1-2, Kandasurugadai, Chiyoda-ku, Tokyo
Total floor area 3,696 m²
1 min walk from Shin-Ochanomizu Station of Tokyo Metro Chiyoda Line

Hulic Itabashi



11 floors above ground and 1 below
36-7, Honcho, Itabashi-ku, Tokyo
Total floor area 6,793 m²
1 min walk from Itabashi-Honcho Station of Toei Mita Line

Fuchu Data Center



7 floors above ground and 1 below
1-9, Nikkocho, Fuchu-shi, Tokyo, Japan (Lot number)
Total floor area 45,379 m²
14 mins walk from Keio Line Fuchu Station
10 mins walk from JR Musashino Line Kita Fuchu Station
9 mins walk from Keio Line Bubaikawara Station

Sumitomo Shoji Senri Building
(Data Center / Office Building)



(North Tower) B1-9F (South Tower) B4-12F
1-2-2, Shinsenri, Toyonaka-shi, Osaka, Japan
Total floor area 73,478 m²
3 mins walk from Kita-Osaka Kyuko Line Senri-Chuo Station
7 mins walk from Osaka Monorail Senri-Chuo Station

Development Business

Business Overview

Where properties in our portfolio have unrealized capacity, for instance in their permitted floor-area ratio, we undertake systematic reconstruction to maximize capacity in a way that suits the location. This not only results in increased rent revenue but also enhances the quality of the asset portfolio. Meanwhile, by drawing on the expertise built so far in reconstruction, we intend to realize an added-value creation cycle through acquiring new properties, then develop & reconstruct, and sell. For that purpose, we are undertaking high-quality development projects in prime locations with outstanding earthquake resistant and energy-saving features. In addition, we also participate in public-private partnership (PPP) projects and develop medium-sized urban commercial facilities under our proprietary the “&New” brand.

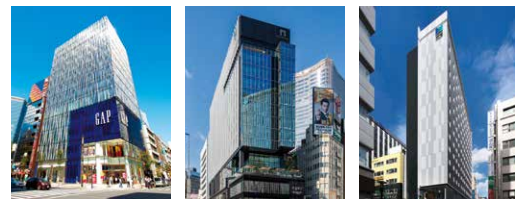
Medium- to Long-Term Focus Strategies

- Strengthen leasing portfolio and increase development revenue through promotion of development business backed by a successful medium- to long-term pipeline
- Increase high-quality assets by accelerating development and reconstruction projects with high standards of earthquake safety and energy-saving features

Hulic’s Major Development and Reconstruction Track Record

Focus area properties (major properties)

Ginza



Hulic Ginza Sukiwabashi Building
Hulic Square Tokyo
Hulic Ginza Hanatsubaki Street Building

Shinjuku East Side



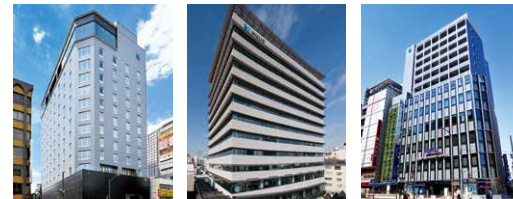
Hulic Shinjuku Building
Shinjuku 3-17 Development Project

Shibuya/Aoyama



Shibuya Parco-Hulic Building
Hulic Shibuya koen-dori Building
HULIC &New SHIBUYA

Asakusa



Hulic Kaminarimon Building
Hulic Asakusabashi Building
Hulic Asakusabashi Edo-dori

Properties close to stations in central Tokyo (major properties)



Hulic Kojimachi Building
Ochanomizu Sola City
Hulic Setagaya Building
Hulic Kamata Building
Hulic Toranomon Building
Hulic Roppongi 3 Chome Building

Other (major properties)



Hulic Fukasawa
Hospitalment Bunkyo Yayoi
Charm Premier Yamatecho
FUFU Kawaguchiko
Hulic Residence Nishi Oi

Properties in the Development Pipeline

• Develop or reconstruct **over 100 properties** by 2029 (50 projects are confirmed or unofficially confirmed.)



(Focus areas)



Udagawacho 32 Development Project (&New)
Ginza 8-chome Development Project (&New)
Ginza 6-chome Namiki-dori Development Project (&New)



Hulic Ginza Building
Hulic Aoyama Building
Hulic Shibuya Building

(Other areas)



Former Rissei Elementary School Site Development Project (PPP)
Ryogoku River Center Development Project (PPP)
Shinsaibashi Development Project
Sendagaya Center Building
Ikebukuro Fuji Building

Develop or reconstruct **over 100 properties** by 2029

We estimate that approximately 70% of our leasing portfolio will consist of properties that are 20 years old or younger by accumulation of newly developed properties (approx. 50%, as of Dec.31, 2019).

Development Business (PPP business)

Business Overview

Drawing on the expertise built in the development and reconstruction of office buildings, commercial facilities, housing, etc., we are working with the public bodies in the effective utilization and operation of public assets owned by central and local governments.

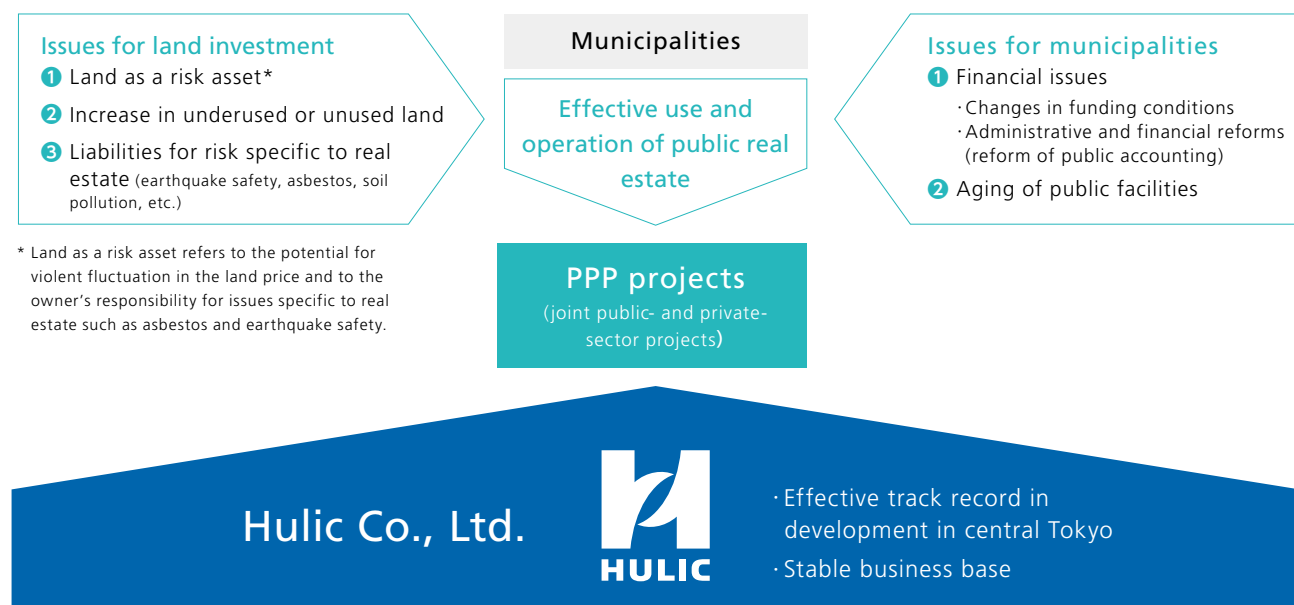
Medium- to Long-Term Focus Strategies

- Leveraging our rich expertise in the PPP business, we aim to capture more opportunities by promoting sales to central and local governments

What are PPPs?

Public-private partnership (PPP) project promotes effective use and operation of real estate owned by central or local governments (public real estate) through partnership and collaboration with the public and private sectors.

As a leading player in the PPP arena, Hulic draws on an effective track record in development in central Tokyo and a stable business base to support effective use and operation of public real estate.



Initiatives and Track Record

Due for completion in 2020			Due for completion in 2022
FUFU Nara	Former Rissei Elementary School Site Development Project	Ryogoku River Center Development Project	Ougimachi Iseikai Hospital Development Project

Development Business [Commercial Facilities (“&New”)]

Business Overview

By rolling out medium-sized urban commercial facilities under Hulic’s proprietary brand name the “&New,” we are implementing development of “commercial buildings with strong presence.”

Medium- to Long-Term Focus Strategies

- Concentrating on busy commercial districts of central Tokyo, roll out a series of medium-sized urban commercial facilities under the “&New” brand to establish a portfolio of “commercial buildings with strong presence”

Our thoughts behind the “&New” brand of medium-sized urban commercial facilities

Bringing “and” and “new” to every day life
Bringing new added value to daily living



- We value creative thinking that constantly adds (&) something “new”
- We hope to provide a place that offers new services and products
- We aim to provide a space for relaxation, comfort, trust and discernment jointly with tenants
- “&” also expresses our wish for building strong bonds between HULIC and tenants as well as customers and society

Initiatives and Track Record

Construction completed				
	Due for completion in 2021		Due for completion in 2022	
Under development/ in planning				
	Target of 30-40 properties by 2029			

Value-added Business

Business Overview

This business sells properties we own and those we have recently purchased or invested in after increasing the value of the asset to the maximum by applying initiatives including updating, renovation, or conversion.

To meet the diverse needs of the real estate market, we also carry out short-term warehousing, which promotes the distribution of real estate to the market.

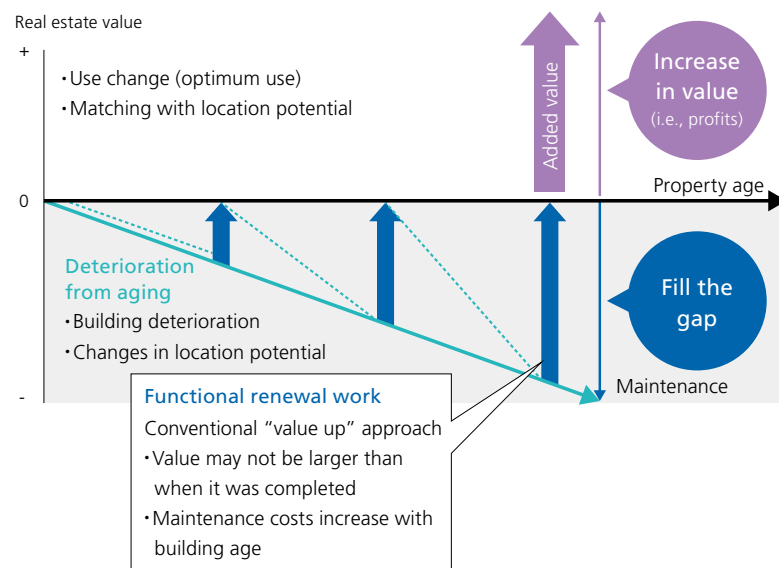
Medium- to Long-Term Focus Strategies

With our plentiful value-added lineups, we build standard model cases and aim to establish this business as a growth driver and stable income source.

What Is the Value-added Business?

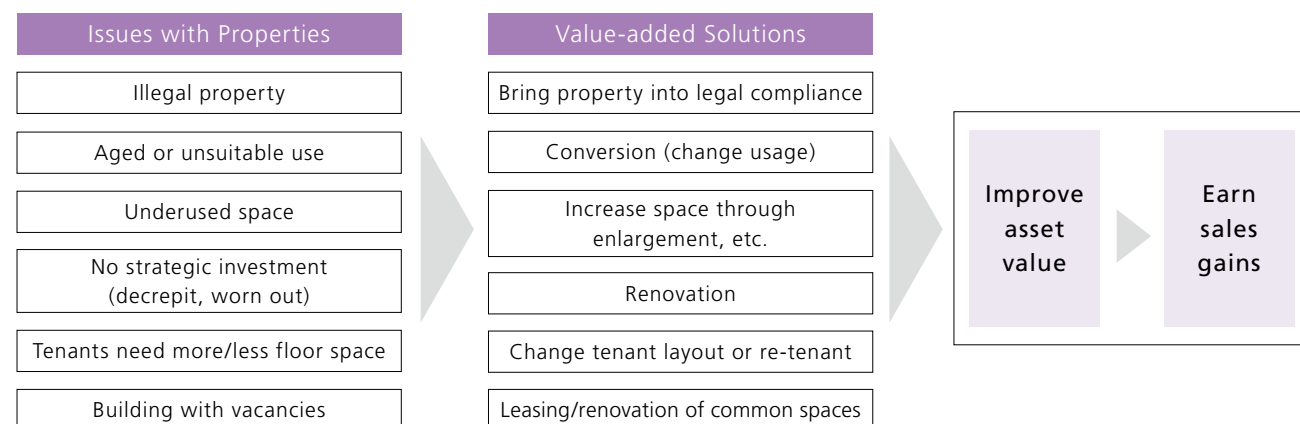
Value-added refers to bringing out a property's potential and maximizing the real estate value.

- As a property ages, the value deteriorates from the physical and social perspectives
- Value potential of location also changes with the times
- Maintaining the property value is often difficult



Methods in Hulic's Value-added Business

We aim to earn sales gains from maximizing the asset value by leveraging our extensive development track record in central Tokyo and our solution know-how to materialize the unique potential of every property based on its location and the overall real estate market conditions.



Track Record

① HULIC &New KICHIJOJI

- Converted** a 17-year-old hospital building into an "&New" series property.
- Value adding property development included maximization of floor space and the addition of a terrace, etc.
- Adding a customer elevator and a stairway to the outside made the building easier to visit and livelier.



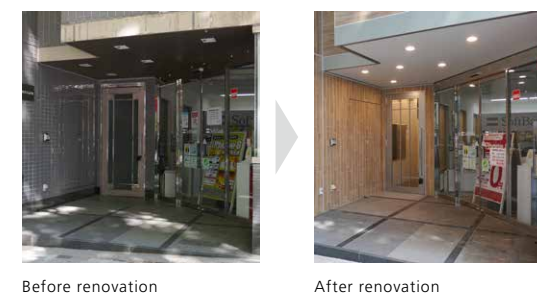
② Hulic Kasai Rinkai Building

- Updating and rebuilding the parking garage (**activated unused space**).
- While retaining the features of a dual office/distribution facility, we improved the exterior of the existing building and updated common spaces to lower the vacancy rate
- Expected increased revenue by expansion of the distribution building (reconstruction of the parking garage)



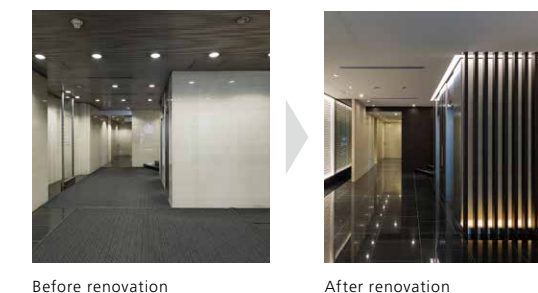
③ Former Miyamasuzaka Terrace (has already been sold)

- Renovated the building interior and exterior**, found IT venture companies to lease it, and then sold the building.



④ Hulic Ginza East Building (REIT)

- Renovation** of common spaces (entrance, elevator, etc.) made the floor use to 100% and sharply improved profitability.



⑤ Ito-Yokado Tsurumi

Teaming up with Ito-Yokado Co., Ltd., we added value to a commercial facility that has deep roots in the local community, and in the process created a new business model.

- In 2018, the Company acquired Ito-Yokado Tsurumi Store.
- We started discussing with Ito-Yokado how to attract more customers and invigorate the property, thus raising profitability.
- Agreement reached on basic policy for updating the facility.
- Details of store layout and other changes will be considered in due course.
- Renovate to a property that offer new value through **collaboration among tenants and the Company**.



Ito-Yokado Tsurumi

Senior Citizen-related Business (Three future growth businesses, or 3K Businesses)

Business Overview









As the aging of society continues, we anticipate that demands for nursing and medical care will increase. We are promoting the development of nursing homes, hospitals and columbariums, as well as businesses to promote wellbeing and enrich the lives of active seniors.

Medium- to Long-Term Focus Strategies

- Leveraging know-how gained through pioneering initiatives in senior citizen facilities (nursing homes), for which there is a strong need, we aim to quickly make 5,000 units available (3,400 as of December 31, 2019).
- We will also focus on creating and expanding new senior-oriented businesses in collaboration with healthcare-related companies.

Initiatives and Track Record

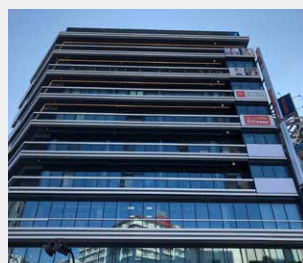
Given the rise in the elderly population and increasing demand for care facilities, we are investing in healthcare assets and other businesses related to the elderly in addition to developing nursing homes.

Investment in nursing homes	Investment in healthcare assets	Senior citizen-related business
<ul style="list-style-type: none"> • Acquisition and development of facilities that have good locations and are run by excellent operators • Wooden construction of nursing homes is under consideration 	<ul style="list-style-type: none"> • Investment in hospitals and healthcare-related facilities • In cooperation with selected medical corporations, we provide hospital and other reconstruction projects and off-balance sheet initiatives 	<ul style="list-style-type: none"> • New initiatives using existing asset holdings (verification of technologies, etc.) • Creation of businesses related to healthcare and active seniors, among others
 		
 		

TOPICS

Completion of Hulic Oji Building, which has a renowned fitness club and clinic complex

In February 2020, the reconstruction of an aging bank branch was completed, resulting in the Hulic Oji Building. This multipurpose property is convenient to transportation with high visibility due to its location (facing the bus loop at the north exit of Oji Station on the JR Keihin Tohokou Line). Tenants include Mizuho Bank (1st and 3rd floors), a clinic complex (4th and 5th floor), and a fitness club (6th to 9th floors).



Tourism-related Business (3K Business)

Business Overview

To capture steadily rising demand from overseas tourists and the elderly, Hulic operates its own brand of hotels and *ryokans* (Japanese style luxury inns), and is also actively acquiring hotel assets.

Medium- to Long-Term Focus Strategies

- We are stepping up our acquisition of hotels in locations that are expected to attract more customers, and we are actively engaged in hotel management in areas that attract a lot of sightseers. In this way, we are establishing a solid presence in the hospitality industry.

Initiatives and Track Record

To capture steadily rising demand from overseas tourists and the elderly, Hulic: 1) is acquiring and leasing out hotels; 2) directly manages hotels under our own brand name; 3) operates *ryokans* (Japanese style luxury inns); and 4) has acquired Nippon View Hotel Co., Ltd., which owns many hotels. We are developing our tourism-related business while mitigating risks by adding different grades of hotels that are owned/leased out and properties that are managed by us into our tourism portfolio. (Owned & leased properties: from business to luxury types in limited geographical areas. In-house managed: mainly upscale hotels and luxury hot spring *ryokans*.)

① Hotel (Asset) Acquisition

Our Policy

- Focus on areas that are expected to attract more sightseers.
- We currently own 12 hotel assets and plan to invest in five more with a total of 1,100 rooms in Ginza, Shinbashi, and elsewhere.
- Management by operators with strong track record is essential.



	Name	Operator	Number of rooms
Ginza	1 MERCURE HOTEL TOKYO GINZA	Accor Group Japan	208
	2 Sotetsu Fresa Inn Ginza-Nanachome*	Sotetsu Hotel Development	286
	3 Ginza Capital Hotel Moegi*	Hato Bus	136
Yokohama	4 Star Hotel Yokohama	Star Hotel Group	126
	5 New Otani Inn Yokohama Premium (land interest)	HRT New Otani	240
Roppongi	6 Hotel JAL CITY Kannai Yokohama	Okura Nikko Hotel Management	170
	7 Sotetsu Fresa Inn Tokyo Roppongi	Sotetsu Hotel Development	201
TDR	8 Tokyo Bay MAIHAMA Hotel Club Resort (joint ownership)	Tokyo Bay Hotels	703
	9 Tokyo Bay Maihama Hotel		428
Daiba	10 Grand Nikko Tokyo Daiba	Okura Nikko Hotel Management	882
Kyoto	11 MIMARU Kyoto Horikawa Rokkaku	Cosmos Initia	42
Kanazawa	12 Hotel Nikko Kanazawa	Okura Nikko Hotel Management	254

* REIT property

Tourism-related Business (3K Business)

② Directly Managed Hotels (Gate Hotel brand)

Our Policy

- Lodging-oriented boutique hotels with carefully selected locations and proven popularity, including in Asakusa, Ginza, and Kyoto.
- In the future, when reconstructing properties in cities including Osaka, Fukuoka and Sapporo, we will consider converting them into hotels, if that is the best fit.



THE GATE HOTEL KAMINARIMON

Open for business	August 2012	Guest rooms	136
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THE GATE HOTEL TOKYO

Open for business	December 2018	Guest rooms	164
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THE GATE HOTEL KYOTO TAKASEGAWA

Opening planned	July 2020	Guest rooms	184 (plan)
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THE GATE HOTEL RYOGOKU

Opening planned	October 2020	Guest rooms	126 (plan)
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③ Ryokans (Japanese style luxury inns) (Fufu brand)

Our Policy

- Hulic owns the properties and operation is entrusted mainly to Hulic Fufu Co., Ltd. (a joint venture with the Kato Pleasure Group). We aim to own and operate about 10 such properties.
- The affluent and elderly are the main targets of this business. We are selectively investing in *ryokans* (Japanese style luxury inns) near famous sightseeing spots within two hours of Tokyo.



In operation			In development		
Name	Number of rooms		Name	Number of rooms	
1 Hakone Suishoen	23		- Konomanotsuki (Atami Fufu extension)	6	
2 Atami Fufu	26		5 Fufu Nikko	24	
3 ATAMI Kaihourou	4		6 Fufu Nara	30	
4 Fufu Kawaguchiko	32		7 Fufu Kyoto	40	
			8 Fufu Goura	39	

④ Japan View Hotel

Our Policy

- We acquired Nippon View Hotel Co., Ltd. as a wholly owned subsidiary in 2019.
- Adding more hotels in Ginza-Shinbashi and other areas where we already or plan to acquire hotels is being considered.
- We aim for steady profit growth by targeting middle class tour groups, families, and individuals.



Name	Open	Number of rooms
1 Asakusa View Hotel	1985	326
2 Narita View Hotel	1974	490
3 Irako View Hotel	1968	147
4 Akita View Hotel	1984	187
5 Ryogoku View Hotel	2015	150
6 Osaka View Hotel Honmachi	2018	170
7 Sapporo View Hotel Odori Kouen	2017	347
8 Asakusa View Hotel Annex Rokku	2020 (plan)	199

Environment-related Business (3K Business)

Business Overview

Spurred on the increasing seriousness of environmental issues such as climate change in recent years, we are developing and adding to our buildings with advanced environmental technology and working on commercialization. By investing in renewable energy facilities and supplying renewable energy to the buildings housing our Group companies, we aim to achieve RE100 in 2025.

Medium- to Long-Term Focus Strategies

- Hulic aims to be the first company in Japan to achieve RE100, running on 100% renewable energy from our own equipment in 2025. We will supply electricity generated by our facilities to offices of our Group companies without stressing business profits.
- We aim to increase top-quality assets in our portfolio by accelerating the development and rebuilding of buildings with excellent earthquake resistance and energy efficiency.

Initiatives and Track Record

We approach the environment business from various angles, keeping in mind that environmental issues provide us with opportunities. In 2019, we joined the RE100 (Renewable Electricity 100%) initiative, an international movement that aims to have businesses use 100% renewable energy. We have announced that we will supply 100% renewable energy generated by our renewable energy equipment (non-FIT solar power generation equipment) to buildings for our Group offices by 2025. Hulic will be the first company in Japan to run on 100% renewable energy from owned equipment in 2025. (See details on P.54.)

In addition, we are actively working to increase the value of buildings by introducing environmental technologies and by commercializing and obtaining patents for these technologies.

Increased value by introducing environmental technologies

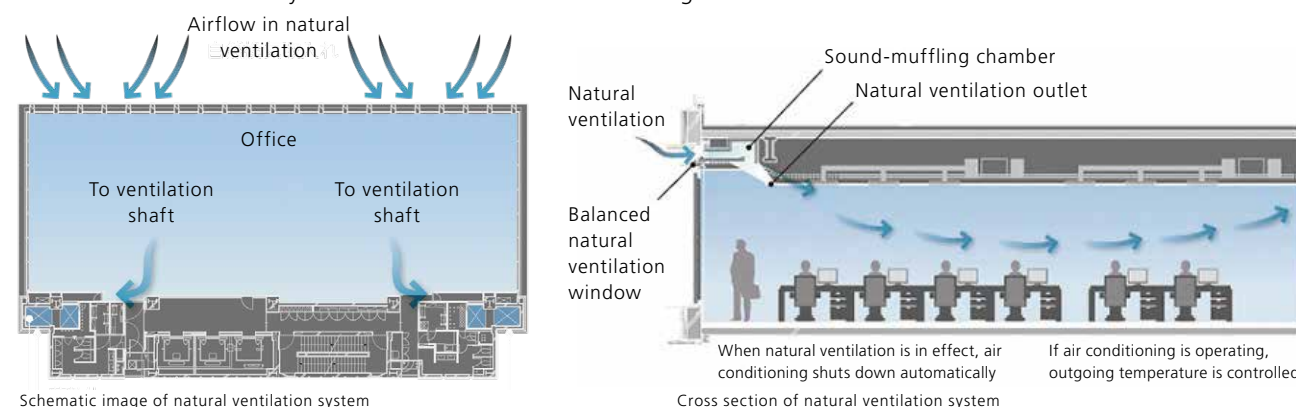
Adoption of natural ventilation and natural lighting systems developed jointly with MIT
We have developed natural ventilation and natural lighting systems through joint research with the Massachusetts Institute of Technology (MIT) and have adopted those systems in the Hulic head office building, Hulic Shinjuku Building, and Hulic Toranomon Building (see page 55 for details).

We have patented and commercialized a natural lighting louver jointly developed with MIT and have started selling a solar panel jointly developed with two other manufacturers. The solar panel is patented and features a lightweight, adaptable design and easy installation. In addition, we have commercialized a thin-layer wall greening system in collaboration with another company and have begun sales.



Rooftop solar chimney

The natural ventilation system in Hulic's head office building



Schematic image of natural ventilation system

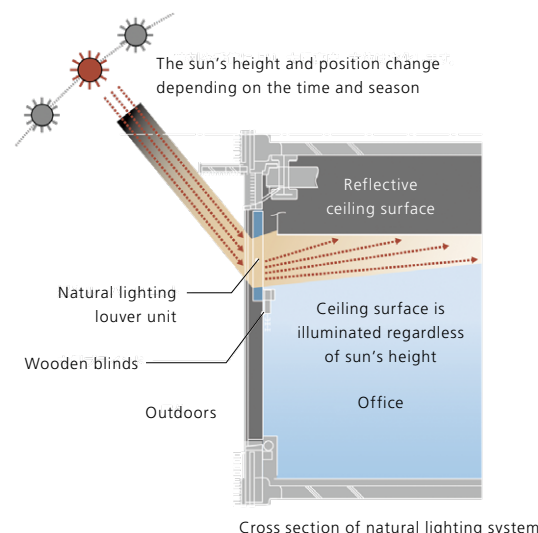
Cross section of natural ventilation system

Environment-related Business (3K Business)

The natural lighting system in Hulic's head office building



Window surface in the natural lighting system



Initiatives for fire-resistant wooden construction

We are developing fire-resistant wooden buildings to reduce CO₂ emissions as lumber requires less energy than other materials to manufacture and process.

Standardization of longer life (100-year office) designs

Longer life design gives buildings excellent durability and earthquake resistance, eliminating the need for frequent reconstruction. The reduction in waste and resource used lowers the environmental footprint during reconstruction. Longer life design also has economic benefits, such as reduced reconstruction costs and tenant compensation costs during the construction period and the reduction of time with no income for building owners.

We apply high seismic-resistance standards on new properties and adopt earthquake-absorbing and -damping structures to protect human life and keep facilities functional even in a large-scale earthquake. (see page 56 and 58 for details).

Introduction of solar power equipment using FIT system (Initiatives for achieving offsite ZEB)

We aim to reduce utility costs for the Group by sourcing electricity for our own properties from equipment we have invested in and own. We are considering investment in other means of power generation aside from solar including hydropower and biomass (see page 54 for details). We plan to strengthen the resilience of the Group by ownership of diverse power generation facilities.

Hulic-owned solar farms using FIT system



Fukushima, Hirono



Ibaraki, Oogoyama



Chiba, Yokoshibahikari

Other Initiatives

Business Overview

In addition to operating publicly offered REITs and private REITs, Group companies are engaged in other businesses such as building management, insurance and contracting for construction work.

We are also working to create new businesses where AI and IoT are applied related to the elderly and wellness, as well as agribusiness.

Medium- to Long-Term Focus Strategies

We are exploring business development in new domains. When we find a field with market needs and growth potential, we will consider various means including collaboration, alliance and M&As with other companies to roll out as a new business.

Smart Senior Housing Project (a new nursing care business using AI and IoT)

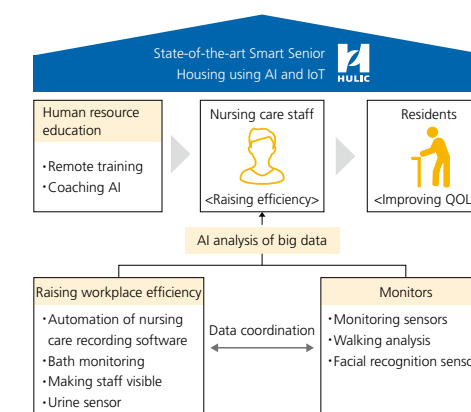
Background

The nursing care field faces a serious labor shortage, and raising workplace efficiency and lowering the employee turnover rate are urgent issues. In nursing homes, efforts are being made to improve the residents' quality of life (QOL) by managing data on sleep, breathing, pulse, etc. and preventing dementia, among other things.

Outline

In cooperation with nursing care businesses and venture companies, we provide advanced nursing homes (the Smart Senior Housing project) utilizing AI and IoT, and we aim to develop new businesses and build brands in the nursing care field.

Our first step is to phase in monitoring sensors developed by EcoNaviSta Co., Ltd. (CEO: Kimito Watanabe) to our nursing homes operated by Charm Care Corporation. Next, we will introduce a platform that combines multiple advanced products centered on monitoring sensors to a facility owned by the Company and operated by the same operator, which is scheduled for completion in April 2021. In this way, we aim to further advance the smart senior housing project. We also plan to collaborate with other nursing care providers.



Agribusiness

Background

Japan's farming population is aging and declining while Japan's uncultivated land area is increasing every year. Against this background, we are working to become a new entrepreneur in agriculture, transmitting technology and establishing a new agricultural model. We are working to address food shortage issues as they are expected to occur in various places with the world's increasing population.

We are also promoting Japan's quality agricultural products to ASEAN countries where the demand for safe and high-quality agricultural products is rising by passing on the advanced cultivation techniques of Japanese farmers to the region.

Outline

- In Japan, we are cultivating medium-sized tomatoes year-round in an environmentally controlled facility that uses ICT based on advanced agricultural methods from the Netherlands.
- In pursuit of agricultural advances, we are automating collection and shipping facilities and introducing AI technology in anticipation of a decrease in the farming population.
- Outside Japan, we have established a joint venture to develop agriculture with a company near the Da Lat Plateau in Vietnam. The main product is chrysanthemums for export to Japan.
- We plan to expand sales to Japan, Vietnam, and other ASEAN countries using "Made by Japan" high-quality agricultural production methods.



Environmental Initiatives

Hulic contributes to achieving a sustainable society by executing environmentally friendly management as well as by addressing global environmental issues.

Environmental Policy/Environmental Management System

Fundamental Approach

Hulic will implement environmentally friendly management based on the Hulic Environmental Policy and work to resolve issues associated with conservation of the global environment.

Hulic Environmental Policy

Hulic has formulated the Environmental Policy embodied in our Sustainability Vision and is executing environmentally friendly management to work towards solving various issues in the global environment. The following items are clearly stated in our Environmental Policy.

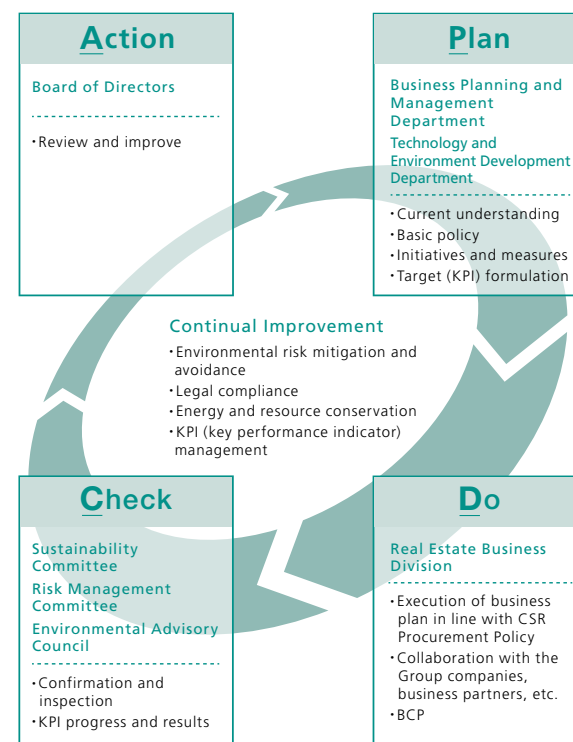
- 1 Environmental Compliance**
We strive to create a sustainable society while conforming to environmental laws and regulations.
- 2 Environmental Management System**
We contribute to the conservation of global environment by setting environmental targets and making continual efforts for improving them.
- 3 Environmental Performance**
We reduce as much of our environmental footprint as possible by introducing eco-friendly designs from the planning stage of development in order to increase environmental efficiency.
- 4 Material-Recycling Society**
We contribute to the creation of a material-recycling, zero waste society, by executing the 3Rs, reduce, reuse, recycle, throughout the life cycle of buildings.
- 5 Environmental Awareness and Education for Employees**
We provide environmental education and awareness raising activities to employees so that everyone can proactively work toward the improvement of environmental performance.
- 6 Environmental Communication**
We extensively disclose information on environmental contribution activities, and communicate with stakeholders including local communities to expand the circle of global environmental conservation.

Establishing an Environmental Management System (EMS)

The Group has established a unique environmental management system (EMS)* based on the Hulic Environmental Policy and is constantly improving it through a PDCA cycle. In particular, we have expressed our support for the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD) in 2020 regarding climate change, and have started discussions aimed at strengthening corporate governance by increasing involvement of the Board of Directors and committees.

* There is no office that has obtained certification for an environmental management system such as ISO 14001 or EMAS in the Group.

Hulic's Environmental Management System (EMS)



Long-term Vision for the Environment

In 2018, Hulic set out to achieve sustainable growth by alleviating and eliminating the impact of our business activities on climate change. We formulated our long-term vision for the environment with a target year of 2050, and we are working to achieve this through a number of initiatives.

Current Recognition of Climate Change

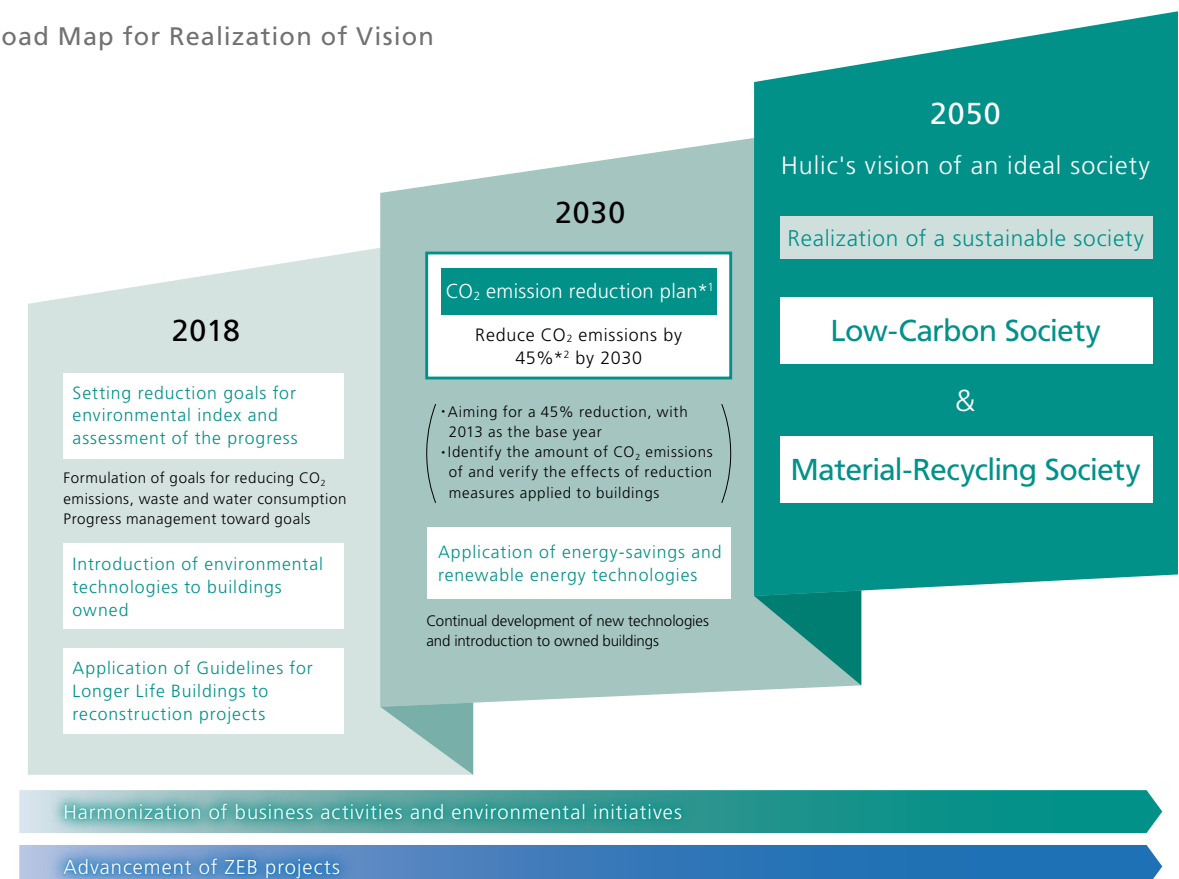
We consider that climate change, including global warming, will provide our business with the following risks and opportunities in the short and long term. We expressed our support for the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD) in 2020, and started discussions on identifying the key drivers of risk and opportunity for us.

	Short Term (until 2030)	Medium and Long Term (2030 onward)
Risks	<ul style="list-style-type: none"> • Risk of enforcement of CO₂ emissions trading system* *Emission rights purchase requirement on building owners if the amount of CO₂ emissions exceed the reduction target. 	<ul style="list-style-type: none"> • Damages to buildings due to natural disasters such as large-scale typhoons and tornadoes, sudden rainstorms, and heavy snow caused by climate change • Material procurement risk due to environmental changes • A low functionality of air conditioning relative to heat triggered by global warming and an increase in energy consumption
Opportunities	<ul style="list-style-type: none"> • An increase in demand for energy-saving products and services • An increase in demand for renewable energy • An increase in profits from the sale of electric power under the feed-in tariff (FIT) program 	<ul style="list-style-type: none"> • Development of new technologies for efficient use of natural energy • An increase in opportunities for cooperative projects with the central and local governments or private organizations, etc. to realize a low-carbon society

Long-term Vision for the Environment

Hulic executes environmentally friendly management to realize an ideal society of low-carbon and material-recycling society in 2050.

Road Map for Realization of Vision



*1 There is a growing social movement for CO₂ emission reduction in response to adoption of the Paris Agreement at COP21 (The 21st Session of the Conference of the Parties to the United Nations (UN) Framework Convention on Climate Change) held in December 2015. Corresponding to that requirement, the Company revisited the existing CO₂ emission reduction plan, and has set a new reduction target by 2030.

*2 This plan is based on the assumption that CO₂ emission factors for electricity are to be decreased. It is expected that the Company could achieve the reduction target earlier or more reduction than planned as we supply 100% renewable energy created at our 100% owned renewable facilities by 2025 to the buildings occupied by the Group companies. (The Company declared support for and participation in RE100 initiative in November 2019, see P54 for more details)

Initiatives for Climate Change

Fundamental Approach

Hulic undertakes climate change countermeasures to achieve our CO₂ emission reduction plan targeting 2030 and the long-term environmental vision targeting 2050.

Use of Renewable Energy

Commitment to Achieving RE100 Goal by 2025

Hulic joined the RE100 initiative in 2019 with the aim of shifting to 100% renewable energy through our 100% owned renewable energy facilities by 2025.



Background to Efforts

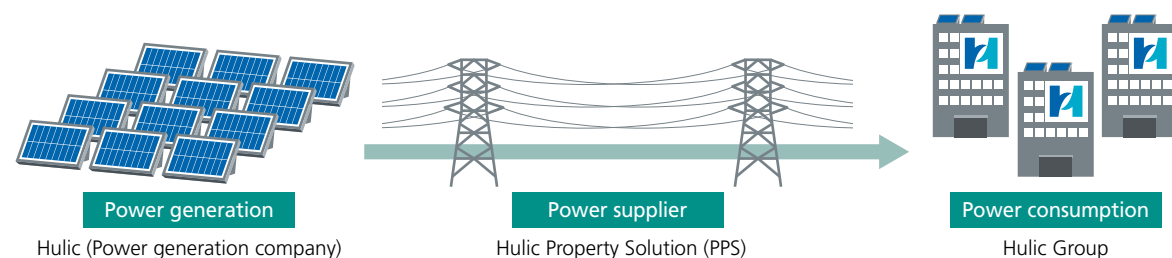
RE100 is an abbreviation of "Renewable Electricity 100%" and is an international initiative in which member companies aim to use 100% renewable energy of the electric energy required for their business activities. The initiative seeks to enhance the proliferation of renewable energy with the aim of reducing the greenhouse gases that cause climate change such as rising temperatures and flooding, now prevalent global environmental issues. Currently, more than 200 companies worldwide participate in RE100, including 33 from Japan as of March 2020.

Overview of Hulic's Plan

We first started the solar power generation business in 2012. From 2020, we started developing photovoltaic equipment that doesn't apply the feed-in tariff (FIT) system*. We are aiming to achieve 100% renewable energy (the goal of RE100) by 2025 by developing solar power generation to cover the power consumption of the Group, including all subsidiaries. The electricity generated by solar equipment will be supplied to every building through Hulic Property Solution Co., Ltd., a Group company, which will act as a power producer and supplier (PPS). This will make us Japan's first company to source 100% of our own power, with this self-supply initiative ensuring we achieve the goal set out for RE100 companies. Under this initiative, we expect to be able

to use renewable energy at a price equivalent to that of electricity generated by fossil fuels. Achieving the RE100 goal of 100% renewable energy through the development of non-FIT solar power generation, a new business domain, will contribute extensively to our CO₂ reduction plan as well as ensure that we are taking a step forward towards realizing a sustainable society (low-carbon and material-recycling society) in our long-term vision for the environment.

*The FIT system refers to a feed-in tariff system for electricity generated from renewable energy that went into effect in 2012. FIT electricity is not deemed renewable energy as a portion of the cost of the electricity purchased by a utility company is added to the consumer's bill so the tax payer must bear some of the costs. (Therefore achieving 100% goal with FIT electricity is not deemed RE100 by definition.)



Initiatives for Achieving Offsite ZEB through Mega Solar Power Plant

Hulic started developing several mega solar farms that do not apply FIT (feed-in tariff in renewable energy) in 2020.

The Company plans to realize offsite ZEB by 2025 with delivering renewable energy generated from the mega solar farms to head office building, offices of the Group companies and our hotels and *ryokans* under direct management by us through a retail power supplier (PPS)

that operated by Hulic Property Solution Co., Ltd. ZEB is an acronym for net zero energy building, which means that the most advanced building with low energy consumption due to solar power energy, realized by making improvements in energy reductions from using architectural solar shading, natural energy, heat insulation and high energy efficiency programs.

Installation of Solar Power Generation Systems in Buildings We Own

Hulic is working to use renewable energy by installing photovoltaic panels on the rooftops and walls of the buildings we own. In 2019, we applied those panels to Hospitalment Bunkyo Yayoi, Trust Garden Ogikubo, Charm

Premier Yamatecho and Shibuya PARCO · Hulic Building, making a total of 43 of our buildings being now equipped with photovoltaic systems as of the end of December 2019.

Initiatives for Fire-Resistant Wooden Buildings

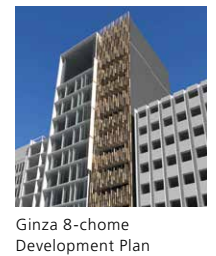
We have been developing fire-resistant wooden buildings using timber that requires less energy for manufacturing and processing since 2018 in response to the Forestry Agency's promotion of expanded use of wood in a series initiatives to reduce overall CO₂ emissions.

Trees absorb CO₂ in the air and provide a carbon dioxide fixing solution as they grow, so an abundance of trees in the nation's land can help cut down CO₂ levels. Furthermore, trees that are ready to be cut for timber have a reduced ability to absorb CO₂, so while we cut down trees as building materials, we also plant new trees to replace them. That means we continuously maintain a supply of young trees that absorb CO₂ well. This initiative for fire-resistant wooden buildings helps promote forest circulation, which in turn leads to a reduction in CO₂.

Case Study

Developing Japan's first 12-story wooden fire-resistant commercial building

Hulic is developing Japan's first 12-story wooden fire-resistant commercial building (hybrid construction combining wooden and steel structures) in Ginza, one of our focus areas, which is scheduled for completion in December 2021.



Introduction of Environmentally Friendly Technologies

Adoption of Natural Ventilation and Natural Lighting Systems, Patenting Environmentally Friendly Technologies

Hulic has developed unique natural ventilation and natural lighting systems (patented as lighting louver unit) in collaboration with the Massachusetts Institute of Technology, and is installing these systems in new buildings and the Hulic head office building. Elsewhere, we have obtained patents for and are commercializing photovoltaic panels, which were jointly developed with another company, and a thin-layered wall greening system.

Use of Energy-Saving Technologies, etc.

In addition to LED lighting and energy-saving light dimming systems, high-efficiency facility equipment, heat pump systems that use unused energy, co-generation systems, storage batteries and other ways are being introduced to new or owned buildings based on site conditions and property characteristics.

Moreover, the Company adopts improvement technologies in exterior material for buildings such as window specifications and heat insulators, and greening of rooftops and walls.

Promoting Energy-Saving in Cooperation with Tenants and Building Management Companies

We are taking well-thought-out steps to help our tenants save energy by providing an energy use visualization system that enables them to see how much energy they are consuming in our office buildings. In addition, we distribute

energy management standards, which provides guidance for affiliated building management companies on streamlining energy use as part of initiatives to promote and manage energy-saving activities.

Promoting Initiatives across the Value Chain

The Group promotes environmentally friendly processes across the entire value chain which covers development, reconstruction, and leasing to management and maintenance of properties. In addition, the Group calculates not only our own emissions (Scope 1 and Scope 2), but also indirect emissions related to our business activities (Scope 3) to

broadly understand and lower greenhouse gas emissions across the entire value chain. To work on the reduction of environmental footprint through our entire business, we ask our business partners such as suppliers and construction companies to conform with our CSR Procurement Policy, which includes our Green Procurement Policy.

Support for TCFD Recommendations

Hulic promotes initiatives to transform to a low-carbon society through our real estate business as part of our practice management with an emphasis on sustainability. Aware of the importance of disclosing climate-related financial information, we announced our support for an information disclosure framework recommended by the Task Force on Climate-related Financial Disclosures

(TCFD*) in 2020 and have begun discussions on business risks and opportunities caused by climate change. Going forward, we will work to enhance disclosures in line with recommendations by the TCFD.

*The TCFD was established by the Financial Stability Board (FSB) and recommended a disclosure framework primarily for the investors.



Other Initiatives

- Sustainability-related initiatives when developing or investing in real estate
- Thorough environmental compliance
- Provision of environmental education to the Group employees

For other initiatives for Environmentally Conscious Management, please visit our website for more details.



<https://www.hulic.co.jp/en/csr/ecology/management/>

Building a Material-Recycling Society

Fundamental Approach

We are working to reduce waste and water consumption in cooperation with tenants and building management companies toward realization of a material-recycling society. When reconstructing buildings, we reduce our environmental footprint by pursuing the 3R (reduce, reuse, and recycle) through the adoption of longer life building designs that enable us to reduce waste significantly and to use resources effectively.

Initiatives to Reduce Waste

Standardization of 100 Year Buildings

The Company formulated the Hulic Guidelines for Longer Life Building (the Guidelines) in 2011 to standardize specifications for reconstruction projects. The Guidelines are composed of three ideas, 1) high earthquake resistance and high durability; 2) smoother updating and renewal; and 3) high serviceability. We use only high-grade building frames that ensure the buildings are durable and used safely for over 100 years as well as make it possible to modify layout to fit with diversifying work styles in the future and reform building

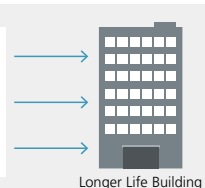
exteriors. Furthermore, longer life buildings reduce waste generation and resources used for reconstruction by 50% or more, and reduce life cycle CO₂ by 6% compared to the cases where buildings are conventionally reconstructed every 40 years (standard plans).

Based on this evaluation, we have introduced longer life designs as standard specifications in all rebuilds completed or under construction since formulating the Guidelines in 2011.

Reduction of Plastic Waste at Head Office Building

In consideration of the seriousness of marine pollution caused by disposable plastic waste, the in-house canteen at the Hulic head office building has stopped use of disposable plastic beverage containers, straws, spoons and shopping bags. We are also actively calling on employees to bring their own cups.

- 1 High earthquake resistance and high durability
- 2 Smoother updating and renovation
- 3 High serviceability



Initiatives to Reduce Water Consumption

Almost all water consumed in the Group are from the buildings owned or the buildings that we have offices, and the water flow starts from tap water and discharge it into sewers. To reduce the amount of water consumption

in buildings owned by the Company, we have taken the initiative of introducing water-saving devices on water taps installed in the plumbing of existing buildings (saves water by approximately 40% per tap) to preserve water resource.

In addition, we are gradually upgrading the toilets in the buildings we own to ensure better plumbing while also changing to water-saving flush toilets and hand washers. The Company is also working to ensure the effective use of water

resources by using rainwater to water the greenery and flush toilets for certain buildings. Note that Hulic does not operate business activities in high water stress area where demand for water is tight.

Prevention of Pollution

The Company believes that minimizing environmental pollution due to business activities is indispensable to realize a material-recycling society. When planning buildings, we

adopt construction methods to reduce pollutant emissions to the extent possible in cooperation with design and construction companies.

Initiatives for Biodiversity

Fundamental Approach

Hulic is carrying out initiatives that increase biodiversity in order to create urban spaces that are in harmony with nature.

Biodiversity Guidelines

Hulic recognizes the importance of biodiversity's impact on the living environment, and in order to contribute to biodiversity, we have created the Declaration of Biodiversity Conservation (Hulic's Biodiversity Guidelines) which has been

well communicated within our Group.



<https://www.hulic.co.jp/en/csr/ecology/communication/communication.html>

Use of JHEP Certification System

The Company is also working to ensure that we consider ways to conserve and restore local vegetation during reconstruction of properties from the standpoint of preserving biodiversity. We adopted the JHEP certification system issued by Ecosystem Conservation Society-Japan to

quantitatively evaluate and promote biodiversity conservation initiatives. In 2019, Hospitalment Bunkyo Yayoi, a newly completed building received "A" rank certification, with the number of properties certified totaling 14 as of December 31, 2019.

Promotion of Greening of Surrounds, Rooftops and Walls

Our greening projects aim to create lush green urban spaces as well as to harmonize with nature with much consideration to biodiversity. When greening surrounds, we primarily select plants that are easy to care and resistant to strong winds so as to improve the scenery and appropriate for location. Roof greening makes it possible to save energy in buildings by blocking

sunlight and preventing heat accumulation, thereby reducing air conditioning loads on the top floor. Covering the exterior walls of a building with plants serves as a countermeasure against the heat island effect as well as comforting for passersby. Hulic has jointly developed with other companies a thin-layered wall greening system that is easy to introduce to existing buildings.

Third-Party Evaluations

- Ranked 1st in the real estate/warehouse industry for nine consecutive years in the Environmental Management Survey conducted by Nikkei Inc.
- Four properties acquired 5 stars certification, the highest rank, and one acquired 4 stars certification in the DBJ Green Building Certification system.
- Won the Outstanding Performance Award at the Environmental Human Resources Development Corporate Awards
- Won the Excellence Award at the 23rd Environmental Communication Awards
- Acquired the highest Green Star rating in the Global Real Estate Sustainability Benchmark (GRESB) Survey conducted in 2019

Social Initiatives

Hulic places emphasis on dialogues with our stakeholders and aims to achieve a society where people live safely, securely, and comfortably.

Initiatives for Safety and Peace of Mind

Fundamental Approach

We are constantly working to generate new added value by offering properties that are superior in terms of safety, environmental performance and functionality. In addition, assuming various emergency and disaster scenarios, we have created structural as well as operational and managerial countermeasures and we are finetuning them.

Earthquake Countermeasures

Hulic considers the countermeasures for earthquake are one of the top priorities for a real estate business operator in Japan as it is one of the countries where earthquakes most frequently occur. We believe it is our responsibility to provide earthquake-resistant building safety in order for

the tenants to conduct social activities with peace of mind. the Company ensures a level of earthquake-resistance that enables continued use of the building with some repair and improvement works as well as safeguards human life in the event of an earthquake with seismic intensity of seven.

Adopting Earthquake-Absorbing and Earthquake-Damping Structures

To protect human life and facility functions from large scale earthquakes, we have applied high seismic capacity on newly constructed buildings. With the aim of protecting customers' lives and contributing to business continuity,

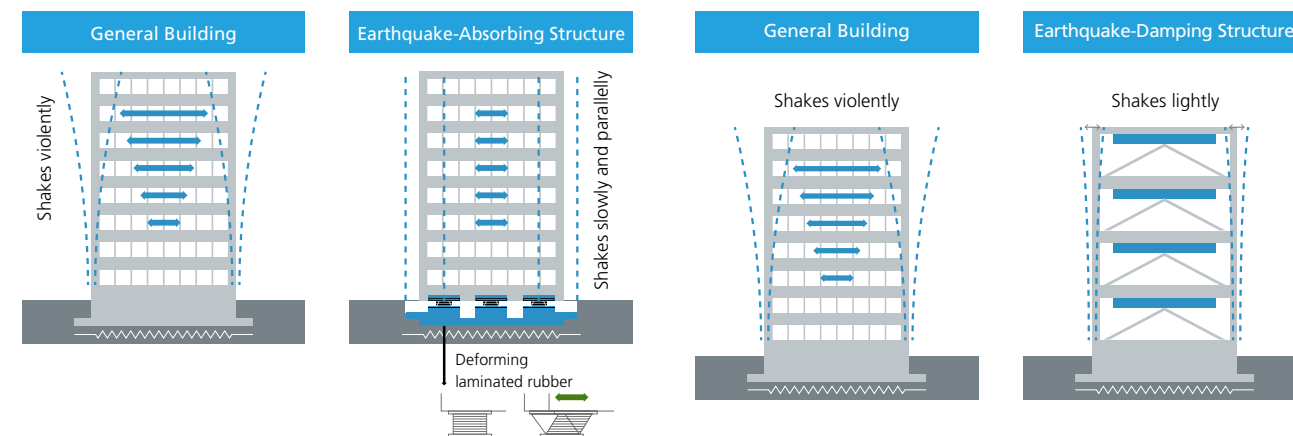
we have adopted an earthquake-absorbing or earthquake-damping structure which is effective at ensuring a high seismic resistance. In addition to other methods to improve the seismic resistance.

Earthquake-absorbing Structures

By isolating the building from the ground with a mechanism called an isolator, seismic energy is absorbed to reduce the intensity of shaking to 10%-50% compared to other general earthquake-resistant structures. Another feature is that when a building shakes during an earthquake, there is very little difference between the upper and lower floors. For instance, Sendai First Tower, a jointly developed 24-story building completed in Sendai where earthquakes strike frequently, is one of the few buildings with this earthquake-absorbing structure. We have received critical acclaim for our stance toward ensuring safety.

Earthquake-damping Structures

With earthquake-damping materials installed inside the building, internal seismic energy is absorbed to reduce the intensity of shaking from half to one thirds compared with other general earthquake-resistant structures. We apply priority to using these structures when the shape and size of the planned building site is not suitable for an earthquake-absorbing structures. The Company incorporates this method not only in offices but also in hotels and commercial facilities.



Earthquake-Resistance Diagnosis, Reinforcement Works, and Confirming Structural Calculations

We diagnosed the earthquake resistance of all Hulic's properties* that were built before the new earthquake resistance standards were established in the Building

Standards Act revised in 1981, and all buildings that did not meet the standards underwent seismic reinforcement.

*Excludes buildings with box frame type reinforced concrete construction and buildings that were to be demolished.

Liquefaction Countermeasures

After the Great East Japan Earthquake, extensive regions including coastal areas in Tokyo suffered from liquefaction, which caused damage such as buildings leaning over and sinking. According to the liquefaction map issued by the government, it was found that eight buildings owned by the

Company were located on ground with possible liquefaction. However we concluded that these buildings were not significantly affected by liquefaction due to the fact that the planning of appropriate building foundations befitting the sites.

Measures against Water Damage

When electric facilities are damaged by floodwater, the supply of power, which is essential for the use of a building, can stop for an extended period. We investigate the status of buildings with power receiving and transforming equipment and private power generators installed in floors expected

to be submerged in a flood, and examine application of flood control measures, in preparation for localized heavy rains caused by climate change and tsunamis caused by earthquakes.

Initiatives to Provide Healthy and Comfortable Spaces

Fundamental Approach

To provide a healthy and comfortable living environment for everyone, we implement initiatives not only of structural elements, such as building and equipment but also non-structural elements. In addition, we work closely with business partners to build relationships that can enhance one another's value over time.

Improving Customer Satisfaction

As office buildings, shops, and residences owned by the Company serve as the infrastructure for customer's social activities, we are constantly working to improve their quality under the philosophy of providing customers peace of mind and amenity. In order to satisfy all customers using buildings including tenants and visitors to the buildings, we thoroughly undertake meticulous quality control, careful maintenance, and security to protect assets.

daily basis. We carefully go over the customer responses, and then take steps to identify customer needs and make improvements accordingly. In the survey conducted in 2019, we continued to receive high ratings with a satisfaction level of 98.1% (in 2018, 93.7%). We believe the results has mainly reflects our planned facility reinforcement and quick response to the matters requested by customers. Furthermore, the persons in charge responded or replied to customers' requests and opinions after the survey.

Customer Satisfaction Survey

We conduct an annual customer satisfaction survey for tenants of Hulic's properties. Survey items include matters concerning building hardware and software, and things customers have noticed while using our buildings on a

Customer Satisfaction Rate 2019 **98.1%**

Initiatives for Providing Healthy and Comfortable Spaces

Hulic is undertaking the following initiatives to provide healthy and comfortable properties to our stakeholders.

- Verification of specifications of facilities introduced and interior materials, etc. for existing properties and properties being developed (Use of interior finishing materials and fittings that do not contain toxic substances)
- Periodic measurement of indoor environment at and after completion of construction

- Active upgrading to energy-saving equipment and other advanced equipment
- Conducting of preventive maintenance before issues arise in building or equipment
- Active Introduction of natural ventilation and greening of buildings and surrounds
- Many of the properties owned are located near stations, providing easy access to transportation
- Execution of health and productivity management (See P.62)

Relationships with Business Partners

Hulic stays in close communication with business partners such as real estate management companies, construction companies, building maintenance contractors, real estate agents and property management companies, and works to build solid long-term relationships to ensure favorable business operations.

In terms of our relationship with real estate management companies, we regularly hold management status report briefings and assess the quality of management companies

in order to maintain and improve the quality of the buildings we own.

In the event of a disaster, we have plan to collaborate and cooperate with real estate management companies and construction companies based on a safety confirmation system to share information and contingency agreements with business partners so as to verify damage to any buildings we own in a timely manner and facilitate swift recovery. (See P.69 "Risk Management")

CSR Procurement Policy

Hulic has formulated CSR Procurement Policy concerning procurement and purchasing. We ask business partners to cooperate with this policy as we pursue sustainable procurement across the entire value chain.

[Details of CSR Procurement Policy](https://www.hulic.co.jp/en/csr/dealings/cooperation.html) <https://www.hulic.co.jp/en/csr/dealings/cooperation.html>

Third-Party Evaluations

Hulic head office building received highest rank of "S" in CASBEE-Wellness Office certification (issued by Institute for Building Environment and Energy Conservation) which rated health and intellectual productivity improvement of employees



Factors attributing to high rating

Hulic head office building has been highly rated with multiple notable factors that led to the excellent rating: (1) exterior works designed to fit with townscape; (2) achievement of both comfortability and energy-saving with an environmentally friendly design that actively utilizes uniquely developed natural ventilation and natural lighting systems, enabling fine control of lighting and air conditioning adds to the satisfaction of employees;

(3) adoption of out-framed structure which provided a spacious working area; (4) installation of ancillary amenities including a rooftop garden, cafeteria that facilitate communication in addition to meeting spaces on each floor; (5) adoption of an earthquake-absorbing structure; (6) installation of supplies including sufficient electric power, food and beverages to continue business functions when lifelines are damaged by earthquakes.

HULIC SQUARE TOKYO received Good Design Award for fiscal 2019 (Issued by Japan Institute of Design Promotion)

HULIC SQUARE TOKYO was completed in 2018 as our flagship building in Ginza, one of our focus areas. Currently, the first floor underground to the third floor above ground are occupied by five tenants operating commercial facilities. Floors four to 13 are used by THE GATE HOTEL TOKYO by HULIC, our proprietary brand hotel. The building was recognized for its

exceptionally effective architectural design based on an understanding of the characteristics of the surrounding environment, which culminated in the Good Design Award for FY2019.



Talent Development and Human Capital Management

Fundamental Approach We aim to create robust and highly productive organization through talent development and management.

Initiatives to Create a Highly Productive Organization

Hulic is made up of a small group of elite professionals and this is one of our strengths. For that reason, we put particular emphasis on employee development. Our Ordinary Income per employee is over JPY400 million. We believe that this figure reflected our status as top-notch among the listed companies in Japan boasting excellent productivity. We encourage employees in their efforts to gain qualifications. Currently, many of them are licensed professionals such as

first-class registered architects and real estate appraisers as well as lawyers and certified public accountants.

In order to create a highly productive organization, we place priority to talent acquisition, enhance next-generation nurturing support systems and welfare programs, embrace diversity and work style reform, and advance health and productivity management in addition to talent development.

Initiatives to Create a Small Group of Elite Professionals

Improving development programs

Hulic considers talent development to be a top priority that should be approached with a long-term perspective in a planned manner. The managers and the Company strongly support employees in their efforts in further developing skill-sets and gaining qualifications by sharing the common view on professional development.

Employees are advised to obtain two or more qualifications by the time they reach the age of 30. The costs associated with obtaining qualifications are fully borne by the Company in principle. We also provide free English conversation classes twice a week. In addition, we post new hires to on-the-job training and facilitate an environment where they can constantly develop new business ideas and take on challenges, which serves to boost motivation.

Providing high level of fringe benefits

Since it became a public company, Hulic has increased earnings and dividends each year and has rewarded employees accordingly with highly competitive compensation package that include higher salary and fringe benefits such as welfare programs. This has resulted in better talent acquisition, which in turn drives further growth for the Company in what we see as a positive cycle.

Promoting internal communication / sharing corporate philosophy

Hulic has a small workforce, which enables a distinctively close distance between each employee, as well as between top management and employees. Hulic's Corporate

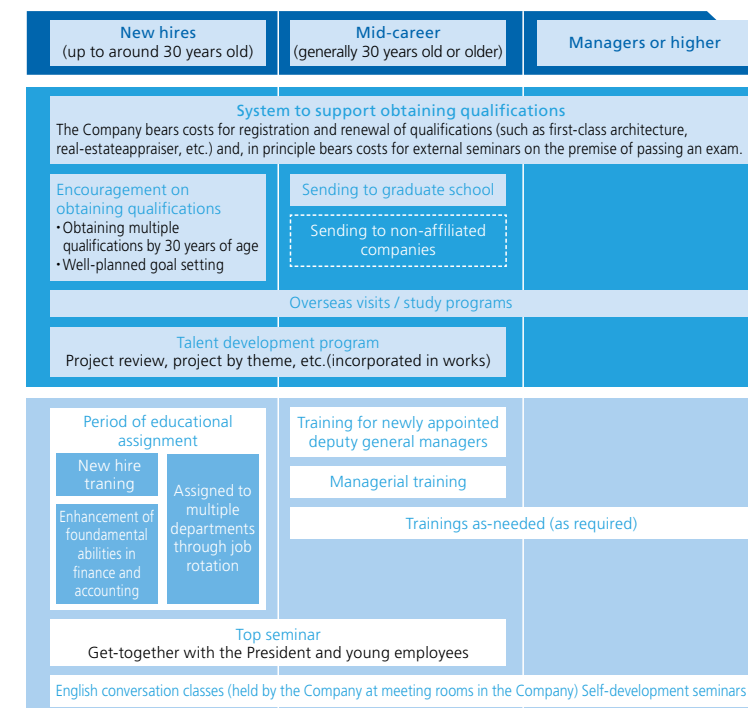
Philosophy and the Company-wide directions are communicated to all employees through a President's message sent out every month. This allows us to share our Corporate Philosophy throughout the organization and for everyone to clearly see the directions we are heading.

In addition, Top Seminar which is a social gathering organized for around 10 employees by the President is held once a month for employees under the age of 40.

Furthermore, the President Survey is conducted once in every six months. This provides an opportunity for all employees to share their thoughts directly with the President. Various opinions regarding work and internal systems have been received, and appropriate steps are being taken accordingly to address these thoughts in response.

We also regularly conduct interviews between employees and their managers to help building good relations. Through these interviews, the goals and expected roles of each employee are discussed and agreed and performance reviews are provided.

Overview of Talent Development Programs



Striking a Work-Life Balance-Creating a Motivating Work Environment-

Fundamental Approach

For employees to be healthy and be able to fully perform, we encourage them to strike a work-life balance. We take measures to facilitate environment where employees can easily take paid time-offs and to avoid long work hours.

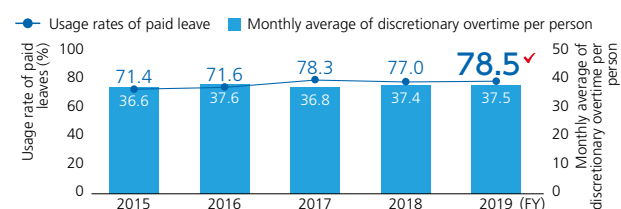
Work Style Reform

To create an environment in which each employee feels motivated and can work to the best of their ability, we encourage them to take time-offs, to reduce overtime and have introduced teleworking and staggered shifts in summer as part of efforts to embrace diverse work styles.

We are also undertaking measures to change long working hour culture including tracking working hours, internal promotion, having employees to leave early one day a week and increasing operational efficiency. In addition, in order to encourage taking time-offs, we have created a holiday calendar for each employee that includes long weekends, one-week holidays, adding a day of

paid leave on to regular holidays and encouraging the occasional use of Friday for personal pleasure ("My Friday" system).

Usage Rate of Paid Leave and Overtime Work Hours



* The figure marked with "✓" has been assured by an independent assurance provider.
 * The usage rate of paid leave is calculated by dividing the "number of days of paid leave used in the year" by the "number of days of paid leave granted in the year excluding leave carried over".

Initiatives for Striking a Work-Life Balance

Hulic is pouring effort into enhancing our next-generation nurturing support programs and a program ensuring a balance between work and nursing in the aim of supporting employees and their families. To encourage flexible work styles, we review our programs every year while making references to the best practices of other companies, and putting emphasis on creating a comfortable environment in which employees can both work as well as raise their children or provide care to the elderly members of their family. Over the past seven years (2013-2019), the ratio of

women returning to work following childcare leave has increased to 100%, while the ratio of female managers has doubled and the turnover rate due to nursing care has been maintained at 0%.

Examples of Support Programs

Childbirth	Celebratory gift (First born: JPY100,000, second born: JPY200,000, third born: JPY1,000,000), etc.
Childcare	Onsite daycare nursery, subsidy for daycare and children's clubs, etc., flexible work hour arrangements, etc.
Nursing care	Nursing leave and leave of absence, support for home care costs, etc.

Certified as "Platinum Kurumin"

Based on the Act on Advancement of Measures to Support Raising Next-Generation Children, Hulic has received a certification of "Platinum Kurumin" from the Minister of Health, Labour and Welfare as the Company supports employees in raising the next generation at a distinctive level. At the same time, we also received "Kurumin" certification for the third time (in 2010, 2017 and 2020).



Health and Productivity Management

We believe that the well-being of employees goes hand-in-hand with productivity improvement and growth of the Company. Therefore we strongly execute health and productivity management so that employees can continue working motivated. The medical checkup rate on employees has been kept at 100% which we believed reflected our initiative. Our major measures are elaborated on the right.

- Medical checkups on par with examinations that exceed legal requirements
- Mental health initiatives including implementation of stress checks
- Non-smoking measures such as supporting all costs associated with smoking cessation outpatient services and introduction of no-smoking hours at our offices
- Physical exercise programs including participation in sporting events and support of sporting club activities
- Complimentary breakfast, lunch and beverages (health-oriented diet)
- Organizational approaches including Health Committee, Health and Productivity Management Follow-up Meetings
- Conducting risk assessment and issue solving regularly in the aim of ensuring occupational safety and health

2020 Certified Health & Productivity Management Outstanding Organization (Small and Medium-sized Enterprises Category)

Hulic was certified as a Health & Productivity Management Outstanding Organization in 2020 for the second consecutive year in recognition of our health and productivity management initiatives. The award has been promoted by the Ministry of Economy, Trade and Industry in conjunction with the Nippon Kenko Kaigi to advance health and productivity.



Embracing Diversity and Respect for Human Rights

Fundamental Approach

We respect human rights and actively take advantage of our diversity in our business operations.
 We aim to create a workplace in which all employees can maximize their performances.

Respect for Human Rights

We believe it is essential for our diverse human assets to be able to perform at a maximum as the decline in work population is unavoidable going forward. We enacted the Hulic Human Rights Policy and has been raising awareness on respecting human rights to employees through such means as internal compliance trainings.

The Hulic Human Rights Policy

- 1 Prohibition of discrimination
- 2 Prohibition of harassment
- 3 Prohibition of child labor
- 4 Prohibition of forced labor
- 5 Respect for the right of freedom of association and right of collective bargaining
- 6 Reduction of excessive working hours
- 7 Securing of health and safety of employees
- 8 Payment of wages higher than minimum wage

Execution of Diversity Management

Hulic's basic approach is for the employees to be aligned with their skill-sets, aptitudes, and personalities that enables individuals to perform at a maximum level and as a result of that the Company to operate a high value-added business with smaller workforce. To achieve this, we believe that it is essential to raise awareness on diversity & inclusion and enhance related frameworks. In 2010, we established the diversity promotion project team (the former women's career promotion project team), which continues to

engage in regular activities based on such themes as improving work-life balance and career development. In addition, meetings are held once a year with the President, who is responsible for the team, providing an opportunity for employees to directly communicate their thoughts and opinions.

Topic of FY2019 Diversity Training :

"How to create an organization that can achieve exceptional results from the perspective of diversity and inclusion"

Target: All employees

Target Setting for Ratio of Female Managers

Hulic has set target ratios of female managers with the aim of becoming a company in which women take on active roles. We provide follow-up trainings to all employees to raise awareness on our approach. We achieved our target of Female Manager Ratio 20% by 2020 one year earlier in 2019 and such have set new targets.

Ratio of Female Managers: Result and Target Figures

	2019	2020	2021	2022	2023	2024
Roadmap	20.0%	20.5%	21.5%	21.5%	23.0%	25.0%
Results	20.2%	—	—	—	—	—

The scope of target is Hulic Co., Ltd.

Employment of Persons with Disabilities

The Company is active on employment of persons with severe disabilities who have limited employment opportunities. We established the Hulic Sugunami Office as a dedicated workplace in Hulic Ogibuko Building where eight employees with disabilities and supervisors with experience in guidance and nurturing currently work mainly on sending direct mail, etc. In recognition of our activities to play a leading role in employing persons with disabilities and actively engage in developing their skills, it has been registered as an "Excellent Corporation for Employing Persons with Disabilities in Tokyo" since September 2010, and

rewarded as an "Excellent Office for Employing Persons with Disabilities" in 2013 for active employment and frequent Sugunami Office visits by the President which served to accelerate creating sense of unity between the Headquarter and Sugunami Office.

The Employment Ratio of Persons with Disabilities and Target

	2016	2017	2018	2019	2020
Roadmap	—	—	—	—	2.40%
Results	2.21%	2.11%	2.41%	2.42%	—

* The figure marked with "✓" has been assured by an independent assurance provider.
 * The Data covers Hulic Co., Ltd. and subsidiary companies that have been certified as affiliated subsidiary companies under the Act on Employment Promotion etc. of Persons with Disabilities.

Senior Citizen Employment Program

We have introduced a reemployment program for seniors in accordance with the revised Act on Stabilization of Employment of Elderly Persons. Under this program, we rehire any employee that has reached the retirement age but who wishes to continue working until the age of 65. We offer staggered commuting and half-day leave for rehired

employees and have facilitated environment comparable to active employees with leave and absence systems.

We expect abundant knowledge and expertise that the senior rehires possess to be inherited through communication and interchange with younger employees.

Corporate Social Responsibility / Sharing Value with Local Communities

Fundamental Approach To fulfill our corporate social responsibilities, we work to solve social issues and to contribute to the sustainable development of society.

Policy for Social Contribution Activities

Basic Philosophy

Hulic actively and broadly engages in various social contribution activities including but not limited to our business fields as a good corporate citizen. Through these activities we wish to contribute to the sustainable development of the entire society.

Policy for Activities

- Actively engage in activities with particular emphasis on the three major fields of global environment protection, sharing value with local Communities, and responses to social needs.
- Strongly support social contribution activities of employees.
- Place an emphasis on securing transparency in implementing activities and facilitate communications and cooperation with the society.

Support of the Japan Business Federation's One Percent Club Initiative

Hulic supports the One Percent Club initiative, a move advocated by KEIDANREN (Japan Business Federation). We are committing to spend at least one percent of Ordinary Income to social causes each year. The Club, as a sub-organization of KEIDANREN's Committee on Responsible Business Conduct & SDGs Promotion, provides information on social contribution activities to companies and coordinates networking with NPOs and other organizations with the aim of enabling more effective social responsibility activities.

Support for Shogi Culture

Organizing the Hulic Cup Seirei Championships

Hulic established a new championship to support female professional Shogi players from a viewpoint of empowerment of women. The preliminaries for the first Hulic Cup Seirei Championships began in January 2019 prior to the five rounds of final game were held from August to September where the first champion won the title.



Support for Kishikai Shogi Festival (Supporting the Great East Japan Earthquake reconstruction)

We sponsor the Kishikai Shogi Festival as our support for reconstruction related to the Great East Japan Earthquake as well as Shogi culture. In 2019, we sponsored the Kishikai's Miyagi and Ibaraki Shogi Festivals.

Potential Relocation of Shogi Hall to Sendagaya Center Building that Hulic is to commence redevelopment

In 2019, Japan Shogi Association announced that it started examining the potential relocation of Shogi Hall where Shogi leagues and matches are held to new Hulic's Sendagaya Center Building which will be redeveloped by the Company. The Sendagaya area is known as the center of Shogi culture. We plan to look into rebuilding plans in cooperation with Shibuya Ward and Japan Shogi Association as a part of contribution to develop the Sendagaya area.

Special Sponsorship of the Hulic Cup Kisei Championships

Hulic has been a special sponsor of the Kisei Championships since April 2018. The Kisei Championship, established in 1962, is an official championship with an extended history. We continued our special sponsorship of the 90th Hulic Cup Kisei Championship in FY2019.



Special Sponsorship of Minister of Education, Culture, Sports, Science and Technology Cup Shogi Team Competition for Elementary and Junior High School

Hulic has been a special sponsor of the Minister of Education, Culture, Sports, Science and Technology Cup Shogi Team Competition for Elementary and Junior High School since 2017. This competition is for teams of three students belonging to the same elementary or junior high school, and the trophy and letter of commendation are presented to the winning team by the Minister of Education, Culture, Sports, Science and Technology give the competition significant prestige.

Support for Kishikai Christmas Festival

We sponsor the Kishikai Christmas Festival to spread the popularity of Shogi and make a contribution in Shogi culture. In 2019 it was held at our Asakusabashi Hulic Hall where more than 200 people participated.

Support of Para-Badminton

Support for Japan Para-Badminton Federation

As part of our social contribution activities, we concluded an Official Gold Partner Agreement with the Japan Para-Badminton Federation in 2016 and have provided support for para-badminton since. We have been offering our Nishi Kasai Center Building gym (so called "Hulic Nishikasai Gym") to the Federation as a practice gym for players since 2017. We have conducted enhancement works including installation of slopes and plumbing so that the players can use the gym more comfortably. We have also been sponsoring HULIC

DAIHATSU JAPAN Para-Badminton International since 2017 and did so in 2019 once again.

In addition, we have set up our billboard advertisements with para-badminton players mainly in Tokyo subway stations.



Academic and Research Support

7th Hulic Student Idea Competition "Ikebukuro Gateway"

As a real estate company, we started this competition with the aim of providing students with opportunities to present urban development and construction ideas. We received 196 entries for the 7th Hulic Student Idea Competition in 2019. At the second public review, students enthusiastically presented their ideas, followed by a question and answer session with judges. After consultations among judges, one winner of the grand prize, three winners of the excellence award, and six winners of the honorable mention award were selected.

Connection with the Local Community

Hosting Summer Festivals

The 7th Hulic Odenma Summer Festival was held at the Hulic head office building in 2019. The Odenma-cho Ninobu Neighborhood Association that we belong to cooperated with us on the day of the festival, and hundreds of locals came to enjoy the event with their families. We carried around the neighborhood a portable shrine which we donated to the Association in 2017. We hope that these activities serve to deepen bonds with the local community and further revitalize the vicinity.



List of Social Contribution Activities in 2019

- Organized the Hulic Cup Seirei Championships
- Special sponsorship of the Hulic Cup Kisei Championships
- Special sponsorship of Minister of Education, Culture, Sports, Science and Technology Cup Elementary and Junior High School Shogi Team Competition
- Supported Kishikai Shogi Festival (Great East Japan earthquake reconstruction support event)
- Supported Kishikai Christmas Festival
- Considered possible relocation of Shogi Hall
- Supported Japan Para-Badminton Federation
- Organized Wooden Architecture Symposium 2019
- Executed initiatives for global environment protection
- Donated to Keidanren Nature Conservation Fund
- Supported environmental studies at Kyoto University
- Donated to a scholarship program of Kyoto University
- Sponsorship of Kyoto Kensetsu Center
- Organized students' idea competition
- Supported Nezu Foundation
- Supported AgriFuture Japan
- Provided Hulic Scholarship Program for training of welfare caretakers
- Donated used postal stamps
- Contributed through employee match gift program
- Supported orphans of cancer and childhood cancer patients and their families
- Donated to Akai Hane
- Donated to Japanese Red Cross Society
- Donated to Ashinaga Scholarship
- Sponsorship of *Mainichi Shimbun* in Fukushima relief efforts
- Sponsorship of Kodomono Tame no Shiba-Kikin charity concert for children
- Supported New National Theatre Tokyo
- Supported agricultural engineers
- Opened onsite childcare nursery facilities to local community members
- Organized Hulic summer festivals
- Supported employees' social contribution activities
- <Employees' Social Contribution Activities>**
- Local conservation activities (make use of employee volunteer leave)
- Donated to Ashinaga Scholarship and Japanese Red Cross Society
- Donated to Japan Committee, Vaccines for the World's Children
- Monthly local cleanup activities
- Volunteering to support disaster-stricken areas

Responding to an Aging Demographics

Hulic Scholarship Program for Training of Welfare Caretakers

To support students aiming to be welfare caretakers, developing human resources engaging in nursing care for the elderly and contributing to resolution of social issues related to the advancing aging society, we established the Hulic Scholarship Program for Training of Welfare Caretakers in 2017. This is a non-repayable scholarship that aims for an improvement of labor shortage in nursing care. The number of students we offer this scholarship has been further increased from 2020.

Global Environment Protection

Organized Wooden Architecture Symposium 2019

Hulic makes wooden constructions as a business. In addition, we held the Wooden Architecture Symposium 2019 with the aim of raising awareness on the possibilities of wooden buildings and helping to reduce CO₂ emissions and protect forests as part of our social contribution activities.

Theme	Future of cities made of wooden structures Aiming to increase demands for timber in urban areas Challenge of timber for medium- and high-rise buildings
Keynote speech	Kengo Kuma (Architect · Professor at The University of Tokyo)
Panelists	Kengo Kuma (Architect · Professor at The University of Tokyo) Shuzo Sumi (Senior Executive Advisor, Tokio Marine & Nichido Fire Insurance Co., Ltd.) Tadao Kamei (President and CEO, Nikken Sekkei Ltd.) Masahiro Miyashita (Chairman of the Board, Takenaka Corporation)
Coordinator	Atsuko Fukushima (Journalist)

Corporate Governance Initiatives

Hulic works to strengthen corporate governance with the aim of improving the transparency and efficiency of management and continue to be trusted by society.

Corporate Governance

Fundamental Approach

The Group considers that it is a critically important management matter to build a corporate governance system with fully functioning risk management, compliance, internal controls and disclosure control. We intend to faithfully execute business and fulfill accountability to our stakeholders.

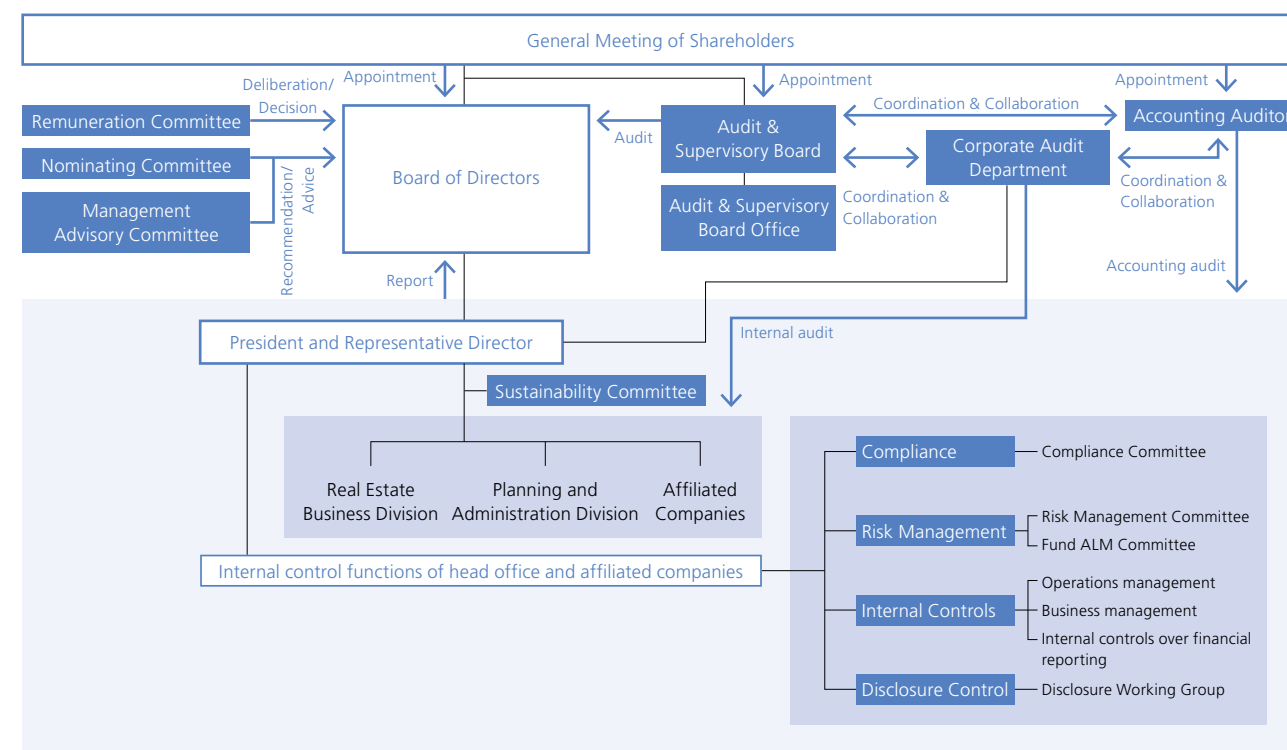
Corporate Governance Mechanism

Hulic understands its responsibilities towards all of its stakeholders including shareholders, and makes a point of carrying out corporate management in a transparent and sincere manner, while striving to enhance corporate governance through formulation of the Corporate Governance Guidelines.

The Board of Directors (the Board), which is comprised of directors elected at the General Meeting of Shareholders, holds regular meetings once a month in principle, and resolves matters specified in laws and the Articles of Incorporation and important matters related to business execution in accordance with the Board of Directors Rules. The Board also oversees the overall execution of duties by

managing officers who were appointed by the Board and are responsible for business execution. The Board is comprised of 10 directors, of which four are independent directors based on the stipulations of the Tokyo Stock Exchange (as of April 1, 2020). The Board resolves matters concerning the basic design and operation of the internal control system specified in the provisions of the Companies Act and the Ordinance for Enforcement of the Companies Act, as a system to ensure appropriate business operations of the Company. In addition, The Report related to Corporate Governance, which describes the status of the Company's corporate governance system, is submitted to the Tokyo Stock Exchange and posted on its website.

Diagram of Hulic's Corporate Governance (as of April 1, 2020)



External Directors and External Auditors

We appointed the independent external directors and independent external auditors, who have fulfilled Hulic's criteria for assessing the independence of independent external directors/auditors (disclosed in the Company's

Corporate Governance Guidelines) in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange. The expertise and reasons for appointment of the external directors and external auditors are as follows.

External Directors

Name	Attendance at Board of Directors meetings in FY2019	Occupation/affiliation, etc.	Reason for appointment	Independent Director
Tsukasa Miyajima	15 of 15 (100%)	Professor Emeritus of Keio University, Lawyer, Professor of School of Law and Graduate, School of Law of Asahi University	It is expected that Mr. Miyajima leverages his extensive track record and insight as a person of academic standing in the management of the Group, and the Company believes that he appropriately performs his duties as an External Director.	○
Hideo Yamada	15 of 15 (100%)	Lawyer of Yamada Ozaki Law Office	Mr. Yamada has been active as a lawyer for years and has high views as a legal expert as well as experience as an external director of other companies, and the Company believes that he leverages this expertise in the management of the Group.	○
Atsuko Fukushima	15 of 15 (100%)	Journalist, Councillor of Forestry Policy Council, Ministry of Agriculture, Forestry and Fisheries	Ms. Fukushima has been active in the media industry for years and has extensive experience, and as such, the Company believes she can reflect her wide range of perspectives in areas including socio-economics, environment, culture and diversity in the management of the Group.	○
Kaoru Takahashi	15 of 15 (100%)	Advisor, Sampo Holdings, Inc.	Mr. Takahashi has extensive experience and broad insight as the top management of a major insurance company, and the Company believes that he leverages this expertise in the management of the Group.	○

External Auditor and Audit & Supervisory Board members

Name	Attendance at meetings in FY2019		Occupation/affiliation, etc.	Reason for appointment	Independent Director
	Board of Directors	Audit & Supervisory Board			
Koichi Nezu	13 of 15 (86%)	13 of 15 (86%)	Chairman Emeritus of Tobu Department Store Co., Ltd., Board Chairman and Curator of Nezu Museum	Mr. Nezu has a wealth of business management experience and broad insight into management in general through his management of a major department store, and as such, the Company expects him to be able to audit its management objectively and from a neutral position as an External Auditor and Audit & Supervisory Board member.	○
Nobuyuki Kobayashi	15 of 15 (100%)	15 of 15 (100%)	Director of Kobayashi Certified Public Accountants Office	Mr. Kobayashi has specialized knowledge in accounting and taxation as a certified public accountant and tax accountant, and as such, the Company expects him to be able to audit its management objectively and from a neutral position as an External Auditor and Audit & Supervisory Board member.	○
Kenichi Sekiguchi	15 of 15 (100%)	15 of 15 (100%)	Special Advisor of Meiji Yasuda Life Insurance Company	Over the years, Mr. Sekiguchi has accumulated extensive business management experience and broad insight as chairman, and as such, the Company expects that he will be able to audit its management objectively and from a neutral position.	○

Nominating Committee and Remuneration Committee

We have established new "discretionary committees" following the enactment of the Corporate Governance Code, effected on June 1, 2015. All members of each committee are independent

external directors from 2019 in order to further strengthen the governance functions where previously a majority of the members at each committee were independent external directors.

Nominating Committee

The Nominating Committee serves the function of reporting to the Board on the nomination of executive officers, and deliberates on the following matters:

1. Selection of director and auditor candidates and changes to directors (promotion, etc.), dismissals of directors
2. Other items concerning succession plans and the abovementioned items, as deemed necessary by the Board

The committee consists of 3 members that are all independent external directors. In principle, the committee is held at a request of chairman of the committee in December, once a year. In addition, other committee members can request it if deemed necessary.

Remuneration Committee

The Remuneration Committee is appointed by the Board, and deliberates and makes decisions on the matters outlined below. The committee began making decisions in addition to deliberating on matters from 2019 in order to further strengthen the governance functions.

1. Remuneration standards and other matters pertaining to the remuneration of directors
2. Matters concerning the remuneration of directors, as deemed necessary by the Board

The committee consists of 3 members that are all independent external directors. In principle, the committee is held at a request of chairman of the committee in December and March, twice a year. In addition, other committee members can request it if deemed necessary.

Policy for Determining Director Compensation, etc.

Compensation of directors consists of basic fixed compensation, which is based on post and the weight of responsibilities, and performance-linked compensation, which is linked to earnings performance of the Company and contribution to earnings.

A portion of performance-based compensation is allocated to a share-based payment scheme designed to give incentives for performing duties, in order to achieve the sustainable growth of the Company and to enhance corporate value from shareholders' perspective.

Compensation is discussed and determined by the Remuneration Committee within the limit approved at the General Meeting of

Shareholders.

Compensation of Audit & Supervisory Board members is determined through discussions at the Audit & Supervisory Board within the limit approved at the General Meeting of Shareholders.

Compensation of external directors and external auditors solely consists of basic compensation (fixed amount) in the light of their roles and responsibilities. Details of director compensation are described in the "Corporate Governance Guidelines" posted on our website.



Corporate Governance Guidelines
<https://www.hulic.co.jp/en/csr/governance/governance.html>

Directors/Auditors' Compensation

(2019)

Post	Total amount of compensation (JPY million)	Total amount by type of compensation (JPY million)			Number of directors/auditors
		Fixed compensation	Performance-linked variable compensation (in stock)	Performance-linked variable compensation (bonus)	
Directors (excluding External Directors)	821	448	186	186	6
Auditors (excluding External Auditors)	72	72	—	—	2
External Directors/Auditors	126	126	—	—	7

(Note) The amount of stock compensation is provision to reserves for stock benefits posted as the portion for the current fiscal year, for performance-linked variable compensation system.

Assessment of the Effectiveness of the Board of Directors

The Board implements self-assessment once a year to regularly ensure its effectiveness. The result of FY2019 assessment was concluded that corporate governance was functioning effectively as the analysis and assessment showed that 1) External Directors with diverse expertise comprise 40% of the total, 2) The Board is fostering a culture in which directors can express their opinions, and 3) appropriate risk-taking and risk management in being carried out.

However, the following points were confirmed as ongoing issues for the Board to work on.

- Ensure that the meetings are proceeded more efficiently by requesting materials that articulate discussion points, and practice more extensive deliberation for important resolutions including medium- and long-term management policy.
- Indicate a wide range of risks involved in business and further enhance the appropriate level of risk evaluation.
- Deepen discussion on environment, social and governance (ESG) factors with a view to the Company's role in relation to achieving the SDGs.

Auditing Mechanism and Status

Hulic is a company with an Audit & Supervisory Board, which comprises five Audit & Supervisory Board members (two are full-time auditors and three are External Auditor pursuant to the Companies Act and Ordinance for Enforcement of the Companies Act).

In audit conducted by the Audit & Supervisory Board members, auditors monitor the operations of the internal control system and the status of its implementation through audit of the execution of duties by directors, managing officers and each division in accordance with the audit basic policy and the audit basic plan formulated by the Audit & Supervisory Board. These audits consist of attendance at the Board meetings as well as other meetings and committees when required, interviews on the execution of duties by directors and managing officers, and reviewing important documents, approval documents and accounting documents, etc. In addition, the Board responds promptly to any wrongdoing identified as well as deficiencies and issues pointed out by the Accounting Auditor after receiving a report from an Audit & Supervisory Board member. The Audit & Supervisory Board Office has been established to support the duties of Audit

& Supervisory Board members.

Ernst & Young ShinNihon LLC conducts audits of the financial statements and internal controls as an Independent Accounting Auditor.

The Corporate Audit Department, which reports directly to the President and works independently from other business activities, carries out internal audits of the Company and the Company's affiliates. Specifically, the Corporate Audit Department systematically conducts internal audits in accordance with the internal audit basic plan, which is resolved by the Board, and reports the findings to the President. The department also provides advice, guidance and recommendations for improvements to the audited departments to help resolve issues. The President, who oversees the Corporate Audit Department, reports important matters related to the internal audits regularly to the Board.

Audit & Supervisory Board members, the accounting auditor and the Corporate Audit Department coordinate and regularly exchange information to increase the effectiveness and efficiency of audits.



Corporate Governance
<https://www.hulic.co.jp/en/csr/governance/governance.html>

Risk Management

Fundamental Approach

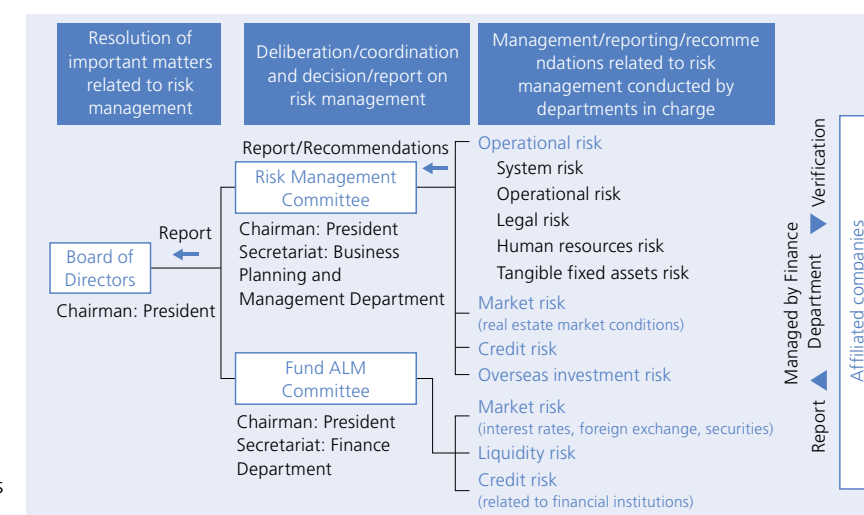
Pursuant to the Basic Rules of Risk Management, we manage various risks related to the Group's businesses including operational, market, liquidity, and credit risk, among others.

Risk Management Mechanism

Hulic recognizes that appropriately managing risks of the Company and its affiliates is one of its most important management challenges, and has set up a structure with the Board of Directors at the top while working to make improvements. The department responsible for a particular risk stripe formulates risk management method, then appropriately monitor and control risk. The status of risk management is reported to the Risk Management Committee and Fund ALM Committee regularly and as required by the department in charge with its recommendations. The Risk Management Committee and Fund ALM Committee, which convene regularly, examine the reports and recommendations provided by the departments in charge of risk management, assess overall risks and discuss appropriate responses before reporting to the Board of Directors. The Board of Directors resolves important matters related to risk management upon receiving reports from the Committees. We also verify that our affiliated companies

are implementing appropriate risk management by requiring them to submit accurate and pertinent reports on a regular basis. In addition, the Corporate Audit Department conducts internal audits of all departments and operations including affiliates to provide assurance on the appropriateness of risk management. As for risk stripes, we review them and make additions when necessary in order to manage evolving risks appropriately.

Diagram of Risk Management Mechanism



Business Continuity Initiatives for Emergencies (BCP)

Our Basic Plan for Business Continuity (BCP) defines the framework and method for continuing important business functions while minimizing damage to business assets in the event of an emergency. We have also created a BCP Manual outlining specific execution plan and have thoroughly communicated the contents to executives and employees. In addition, a disaster response training drill is conducted once a year in principle. The drill tests processes of establishing an emergency response headquarters, verifies operation of the safety confirmation system, and provides training on communication and information gathering among other things. This serves to reaffirm the importance of business continuity for executives and employees as well as standards of behavior related

to disaster countermeasures. Furthermore, we analyze and evaluate the issues identified in the drill, and work to build a more practical BCP system by reflecting these issues in a revised BCP Manual.

The following measures are being taken at the Hulic head office building.

1. Adoption of earthquake-absorbing structures and earthquake-damping structures
2. Introduction of emergency generators that can operate continuously for up to six days
3. Storage of food and beverages to last at least seven days
4. Use of wireless equipment for communications, etc. to secure communication tools.

Collaboration and Cooperation with Business Partners in times of Disasters

Being a real estate company, Hulic needs to prepare measures against a disaster strike. In addition to measures from a structural perspective such as building structure (See P.58 and 59 "Initiatives for Safety and Peace of Mind"), we are taking various steps on operational and managerial fronts as well, which are reviewed when required. We have

introduced a safety confirmation system with real estate management companies through the internet for swift verification of the status of damage. We also concluded contingency agreements with the construction company of each building concerning restoration and recovery, enabling collaboration and cooperation in the event of a disaster.

Compliance

Fundamental Approach

We strive to fulfill Hulic's corporate social responsibilities and prove ourselves worthy of all of our stakeholders' trust including but not limited to our customers by each and every employee fully complies with applicable laws and in-house rules as well as engages in business activities based on a high ethical standards.

Compliance Promotion Mechanism

Hulic's basic policy positions compliance as one of the most important management matters, with absolute adherence to all applicable laws and rules, and to faithfully and fairly perform corporate activities that are in line with social norms. Compliance-related matters are set forth in the Compliance Manual, which is shared throughout the Group to ensure that daily operations are always performed with a high level of ethical standards. We have established a company-wide management mechanism for compliance

composed of the Board of Directors at the top. The Compliance Committee assesses and manages compliance-related risk by monitoring the status of compliance including information management, and the status of implementation of compliance program. The Committee reports regularly to the Board of Directors, which in turn resolves important matters related to compliance based on these reports. There were neither internal compliance breaches nor violations of laws, etc. / imposed fines in FY2019.

Compliance Manual

The Compliance Manual stipulates the following in accordance with Our Code of Conduct.

1. Respect human rights and prohibit discrimination and harassment
2. Comply with laws and rules
3. Conduct business in a faithful and fair manner
4. Manage information appropriately
5. Adhere to insider trading regulations
6. Avoid involvement with anti-social forces
7. Be considerate of environmental conservation
8. Maintain and encourage the best communication possible
9. Respect intellectual property rights
10. Prohibit bribery, and rules concerning gifts and entertainments
11. Ensure transparency and reasonableness of transactions
(as of May 1, 2020)

Compliance Trainings

We provide trainings on themes corresponded with Compliance Manual including prohibiting bribery and handling of gifts and entertainments, intellectual property right, insider trading, and severing all relations with anti-social forces on a regular basis to raise awareness of compliance among all employees. In addition to trainings on themes in the Compliance Manual, we also provide industry specific trainings of important themes and hold discussions as appropriate. We also provide compliance-related news and Q&As once a month through intranet to supplement the trainings. Other related trainings include training for new hires and mid-career employees as well as Group-wide external training for newly appointed executive officers.

Compliance Hotline

Our employees are encouraged to report directly to the internal or external Compliance Hotline when they consider it unlikely that appropriate corrective actions will be implemented after they consult with the compliance officers of their departments on matters involving compliance issues, or when they are uncomfortable consulting with compliance officers due to the nature of the issues involved.

Anyone can report to the Compliance Hotline, including executive officers and employees of the Company, retirees and employees of our business partners, when there is concern on human rights violation, corruption, bribery and harassments, etc. When a report is made, we investigate the facts and respond promptly while giving due consideration to the privacy of the reporter.

Information Security Management

In an attempt to prevent information leakage, one of the critical risks in relation to the performance of business, we have established an information security management mechanism, and enhanced operation management in accordance with information management rules. We review the right of access to the shared server, regulate the use of storage devices, and regulate information assets removals from the Company.

In our themed compliance trainings etc., we thoroughly communicate the significance of information management and information security measures in terms of systems in order to increase each employee's awareness. Additionally, we conduct internal audits to monitor compliance with Company rules on information management.



Compliance
<https://www.hulic.co.jp/en/csr/governance/compliance.html>

Initiatives for Our Shareholders and Investors

Fundamental Approach

We strive to ensure appropriate and timely disclosure of information, and actively conduct briefing sessions on financial results as well as investor meetings for individual investors. These represent our efforts to achieve diverse forms of mutual communication.

Information Disclosure Policy

In accordance with the Disclosure Policy, we are aiming at fair, timely and accurate information disclosure for shareholders and investors to make an investment decisions.

Not only to comply with relevant laws and regulations, we actively disclose management strategies and financial information, etc. so that investors are able to understand more of our business activities. We also promptly disclose information which we believe to be helpful for the investors to make investment decisions on the Company's website although they are not applicable to the timely disclosure rules and relevant laws, etc.

Enhancement of Various IR Tools

In addition to correspondences to shareholders issued semiannually, we post the latest topics through the Investor Relations site of our website in a timely manner. E-mails are also sent to allow investors to receive information in more timely manner. Every time news about the Company is released, we send registrants by E-mail. (Registration is available on our website.) In the financial results briefing session, we make efforts to provide easy-to-understand presentations by using PowerPoint visual materials. These briefing sessions (in Japanese and English) are also available either live or on recordings on our website.

Third-party Evaluations of IR Activities

Hulic's website discloses timely and detailed information on our various activities. In 2019, our website was selected as the "excellent website in overall ranking" in Nikko Investor Relations Co., Ltd.'s All Listed Company Website Ranking 2019. In addition, our website won the bronze prize in Gómez IR Site Ranking, and also won the Commendation Award in Internet IR Award 2019 by Daiwa Investor Relations Co., Ltd.



Dividend Policy

We consider appropriately returning profits to our shareholders as a management matter. Our basic policy is to provide stable dividends payment based on our business performance trend and to date, we have achieved continued increase in dividends paid every fiscal year since listing of our shares.

Shareholder Incentives

To show our appreciation to shareholders for their continued support, we annually present the gift of a gourmet catalog to shareholders with 300 shares or more from which they can choose an item equivalent to JPY3,000. For those with more than three years holding, we double the gift to two items worth JPY6,000 in total from a catalog.

Briefing Session for Individual Investors

We are actively providing IR activities to individual investors so as to make ourselves better understood. We participate in IR seminars and IR fairs, etc. for individual investors to create opportunities for more individual investors to learn about us. We continue to provide IR activities that give us with opportunities to communicate directly with individual investors.



2019 Results

Number of company information sessions for individual investors: **11**
(including sessions for sales personnel of securities companies, IR fairs and events)

Brief Sessions for Institutional Investors and Analysts

Briefing sessions on financial results are held semiannually (at the end of the 2nd quarter and fiscal year) by the Company's top management mainly for institutional investors. We also conduct many one-on-one meetings in Japan, through which we make calls on institutional investors to explain Hulic's business activities. Furthermore, we have actively rolled out IR activities overseas, visiting institutional investors in Europe, the U.S., and Asia, etc. Through these activities, we aim to facilitate better understanding of Hulic among institutional investors.



Initiatives for Our Shareholders and Investors
<https://www.hulic.co.jp/en/csr/investors/>

Directors, Auditors and Managing Officers (as of April 1, 2020)



Board of Directors

Representative Director, Chairman

1 Saburo Nishiura

April 1971 Joined The Fuji Bank, Limited
 August 2000 The Fuji Bank, Limited, Managing Executive Officer, Head of Corporate Group and General Manager of Corporate Development Division
 April 2002 Mizuho Bank Ltd., Managing Executive Officer
 April 2004 Mizuho Bank, Deputy President
 March 2006 Joined Hulic Co., Ltd., President, Representative Director and Chief Executive Officer
 March 2016 Hulic Co., Ltd., Chairman, Representative Director (to date)

Representative Director, President

2 Manabu Yoshidome

April 1977 Joined The Fuji Bank, Limited
 April 2005 Mizuho Bank Ltd., Executive Officer, General Manager of the Human Resources Division
 March 2006 Mizuho Bank, Managing Executive Officer
 April 2009 Mizuho Bank, Deputy President
 March 2012 Joined Hulic Co., Ltd., Full-Time Audit & Supervisory Board Member
 March 2015 Hulic Co., Ltd., Representative Director and Executive Vice President
 March 2016 Hulic Co., Ltd., President, Representative Director (to date)

Representative Director, Vice President

3 Hidehiro Shiga

April 1978 Joined The Fuji Bank, Limited
 January 2005 Mizuho Bank Ltd., General Manager of the Subsidiaries and Affiliates Management Division
 March 2006 Joined Hulic Co., Ltd., Senior Executive Managing Director, Representative Director,
 July 2006 Hulic Co., Ltd., Representative Director (Senior Executive Managing Officer)
 April 2020 Hulic Co., Ltd., Representative Director and Vice President (to date)

Director, Senior Executive Managing Officer, and General Manager of Corporate Planning Department

4 Hajime Kobayashi

April 1980 Joined The Fuji Bank, Limited
 May 2003 Mizuho Bank Ltd., General Manager of Hamamatsu Branch
 April 2004 Mizuho Bank Ltd., General Manager of Gotanda Station Branch
 August 2006 Joined Hulic Co., Ltd., Managing Officer, General Manager of Corporate Planning Department
 April 2010 Hulic Co., Ltd., Executive Managing Officer, General Manager of Corporate Planning Department
 February 2013 Hulic Co., Ltd., Senior Executive Managing Officer, General Manager of Corporate Planning Department
 March 2013 Hulic Co., Ltd., Director, Senior Executive Managing Officer, and General Manager of Corporate Planning Department (to date)

Director, Senior Executive Managing Officer

5 Takaya Maeda

April 1984 Joined Taisei Corporation
 October 2007 Joined Hulic Co., Ltd. Deputy General Manager of Real Estate Development Department 2
 June 2008 Hulic Co., Ltd., General Manager of Real Estate Development Department 2
 March 2009 Hulic Co., Ltd., Director (Managing Officer), General Manager of Real Estate Development Department 2
 October 2010 Hulic Co., Ltd., Director (Managing Officer), General Manager of Business Planning Department
 April 2013 Hulic Co., Ltd., Director (Managing Officer), General Manager of Real Estate Planning Department
 April 2014 Hulic Co., Ltd., Director (Executive Managing Officer), General Manager of Real Estate Planning Department
 January 2015 Hulic Co., Ltd., Director (Executive Managing Officer), General Manager of Real Estate Development Department 1
 April 2019 Hulic Co., Ltd., Director (Executive Managing Officer), Executive General Manager of Real Estate Development Department 1
 April 2020 Hulic Co., Ltd., Director, Senior Executive Managing Officer (to date)

Director, Executive Managing Officer

6 Tadashi Nakajima

April 1980 Joined Nomura Real Estate Development Co., Ltd.
 April 2012 Nomura Real Estate Development Co., Ltd., Director, Managing Executive Officer
 May 2012 Nomura Real Estate Holdings, Inc., Executive Officer
 June 2012 Nomura Real Estate Development Co., Ltd., Director, Managing Executive Officer, General Manager of Commercial Property Development & Management Division
 April 2013 Nomura Real Estate Development Co., Ltd., Director, Senior Managing Executive Officer, General Manager of Commercial Property Development & Management Division
 April 2014 Nomura Real Estate Development Co., Ltd., Representative Director, Senior Managing Executive Officer, General Manager of Commercial Property Development & Management Division
 April 2016 Nomura Real Estate Development Co., Ltd., Advisor
 August 2016 Joined Hulic Co., Ltd., Executive Managing Officer, General Manager of Real Estate Development Department 3
 April 2017 Hulic Co., Ltd., Executive Managing Officer, General Manager of Value-add Business Department, General Manager of Development Solution Department
 January 2019 Hulic Co., Ltd., Executive Managing Officer
 March 2020 Hulic Co., Ltd., Director, Executive Managing Officer (to date)

External Director

7 Tsukasa Miyajima

April 1990 Keio University Faculty of Law, Professor and Doctor of Law
 April 2003 Registered as a lawyer
 April 2004 General Insurance Rating Organization of Japan, Director
 June 2007 Meiji Yasuda Life Insurance Company, Councilor
 July 2008 Hulic Co., Ltd., Management Advisory Committee Member (to date)
 March 2009 Hulic Co., Ltd., External Director (to date)
 October 2010 Japan Association of Private Law, Director
 October 2013 Japan Railway Construction, Transport and Technology Agency, Asset Disposal Committee Chairman (to date)
 June 2014 Dai Nippon Printing Co., Ltd., External Director (to date)
 MIKUNI CORPORATION, External Auditor (to date)
 June 2015 Mitsui Sumitomo Insurance Company, Limited, External Director (to date)
 October 2015 Den-en Chofu Gakuen, Councilor (to date)
 April 2016 Keio University, Emeritus Professor (to date)
 Asahi University, Professor of School of Law / Graduate School of Law (to date)
 June 2018 Daifuku Co., Ltd., External Auditor (to date)

External Director

8 Hideo Yamada

April 1984 Registered as a lawyer
 May 1998 TAIYO CHEMICAL INDUSTRY CO., LTD., External Auditor (to date)
 March 2006 Lion Corporation, External Director
 June 2007 Ishii Food Co., Ltd., External Auditor
 MIKUNI CORPORATION, External Auditor
 July 2008 Hulic Co., Ltd., Management Advisory Committee Member (to date)
 March 2009 Hulic Co., Ltd., External Director (to date)
 March 2011 Seibu Lions, Inc., External Auditor
 April 2014 Daini Tokyo Bar Association, President
 Japan Federation of Bar Association, Vice President
 June 2015 SATO HOLDINGS CORPORATION External Director (to date)
 Akiko Tachibana Memorial Foundation, Chairman of the Board of Directors (to date)
 June 2016 MIKUNI CORPORATION, External Director (to date)

External Director

9 Atsuko Fukushima

April 1985 Joined CHUBU-NIPPON BROADCASTING CO., LTD.
 April 1988 NHK contract presenter
 October 1993 TBS contract presenter
 April 2005 TV Tokyo economics program regular presenter
 April 2006 Shimane University, Management Council Member (to date)
 December 2006 Panasonic Corporation, Management Advisor
 March 2012 Hulic Co., Ltd., External Director (to date)
 Hulic Co., Ltd., Management Advisory Committee Member (to date)
 June 2015 Nagoya Railroad Co., Ltd., External Director (to date)
 Calbee, Inc., External Director (to date)
 October 2017 The Resona Foundation for Future, Director (to date)
 March 2020 Councilor of Forestry Policy Council, Ministry of Agriculture, Forestry and Fisheries (to date)

External Director

10 Kaoru Takahashi

April 1979 Joined The Yasuda Fire & Marine Insurance Co., Ltd.
 April 2012 Sompo Japan Insurance Inc., Representative Director, Deputy President, and Senior Managing Executive Officer
 April 2013 NIPPONKOA Insurance Co., Limited, Deputy President and Senior Managing Executive Officer
 September 2014 Sompo Japan Nipponkoa Insurance Inc., Representative Director, Deputy President, and Senior Managing Executive Officer
 April 2015 Sompo Japan Nipponkoa Himawari Life Insurance, Inc. Representative Director, President and Chief Executive Officer
 June 2015 Sompo Holdings, Inc., Director
 March 2016 Hulic Co., Ltd., External Director (to date)
 April 2018 Sompo Japan Nipponkoa Himawari Life Insurance, Inc., Director, Chairman and Executive Officer
 April 2019 Sompo Holdings, Inc., Advisor (to date)

Audit & Supervisory Board Members

Senior Corporate Auditor, Full-Time Audit & Supervisory Board Member

11 Shigeo Nakane

April 1980 Joined The Fuji Bank, Limited
 August 2005 Mizuho Bank Ltd., General Manager of the Accounting Division
 July 2009 Senshu Shogi Co., Ltd., Auditor
 July 2010 Joined Hulic Co., Ltd., Executive Managing Officer, General Manager of the Accounting Department
 March 2015 Hulic Co., Ltd., Senior Corporate Auditor, Full-Time Audit & Supervisory Board Member (to date)

Senior Corporate Auditor, Full-Time Audit & Supervisory Board Member

12 Takuya Asai

April 1978 Joined The Fuji Bank, Limited
 July 2000 The Fuji Bank, Limited, General Manager of Esaka Branch
 March 2007 Joined Hulic Co., Ltd., General Manager of Compliance Department
 April 2013 Hulic Co., Ltd., Managing Officer, General Manager of Legal and Compliance Department
 March 2015 Hulic Co., Ltd., Senior Corporate Auditor, Full-Time Audit & Supervisory Board Member (to date)

External Auditor, Audit & Supervisory Board Member

13 Koichi Nezu

April 1975 Joined TOBU RAILWAY CO., LTD.
 November 1990 Tobu Department Store Co., Ltd., Representative Director and Senior Director
 January 1999 Tobu Department Store, Representative Director and President
 April 2002 Kabushiki Kaisha Seiyoken, Director (to date)
 May 2002 Nezu Museum, Chairman of the Board and Curator (to date)
 May 2003 Tobu Utsunomiya Department Store Co., Ltd., Chairman of the Board of Directors and President
 April 2006 Musashi Academy of the Nezu Foundation., Chairman of the Board of Directors (to date)
 October 2007 Hulic Co., Ltd., External Auditor, Audit & Supervisory Board Member (to date)
 July 2008 Hulic Co., Ltd., Management Advisory Committee Member (to date)
 April 2013 Tobu Department Store Co., Ltd., Chairman of the Board of Directors
 Tobu Utsunomiya Department Store Co., Ltd., Chairman of the Board of Directors
 May 2015 Tobu Department Store Co., Ltd., Chairman Emeritus (to date)

External Auditor, Audit & Supervisory Board Member

14 Nobuyuki Kobayashi

March 1991 Registered as a certified public accountant
 December 1995 Established the Kobayashi Certified Public Accountants Office
 March 2005 Registered as a tax accountant
 April 2007 National Institute for Environmental Studies, Japan, Auditor
 July 2008 Hulic Co., Ltd., Management Advisory Committee Member (to date)
 March 2009 Hulic Co., Ltd., External Auditor, Audit & Supervisory Board Member (to date)
 April 2010 Nagoya University of Commerce & Business (graduate school), Professor (to date)
 October 2011 Japan Arts Council, Auditor (to date)
 July 2017 The Japan Institute for Labour Policy and Training, Auditor (to date)
 October 2017 Tokyo District Court, Adviser (to date)
 June 2019 The Japanese Institute of Certified Public Accountants Tokyo Chapter, Deputy Chairman (to date)

External Auditor, Audit & Supervisory Board Member

15 Kenichi Sekiguchi

April 1972 Joined Yasuda Mutual Life Insurance Company
 April 2001 Yasuda Mutual Life Insurance Company, Executive Director, Deputy Senior Manager of Asset Management Division and General Manager of Operational Policy Division
 April 2002 Yasuda Life Direct General Insurance Company, Director and President
 January 2004 Meiji Yasuda Life Insurance Company, Managing Director, General Manager of New Market Sales Division
 December 2005 Meiji Yasuda Life Insurance Company, Chairman of the Board
 July 2006 Meiji Yasuda Life Insurance Company, Chairman of the Board and Executive Officer
 July 2013 Meiji Yasuda Life Insurance Company, Special Advisor (to date)
 March 2014 Hulic Co., Ltd., External Auditor, Audit & Supervisory Board Member (to date)
 October 2015 Kyushu Financial Group, Inc., External Auditor (to date)
 June 2018 Okuhiei Sankei Driveway Co., Ltd., Director (to date)
 Shinjuku Subnade Co., Ltd., Director (to date)

Managing Officers

Senior Executive Managing Officer

Yasuki Yakabi

Executive Managing Officer

Hiroshi Kitano
Noritaka Takahashi
Shin Ito

Managing Officer

Taichi Nakamura
Yoshito Nishikawa
Yoshikazu Nagatsuka

Senior Executive Managing Officer

Nobuyoshi Tanaka
Yasushi Umeda
Mikio Morikawa

Senior Executive Managing Officer

Kazuhiro Noguchi
Kazuteru Miyayama
Hiroshi Hara
Ken Ohta

Message from External Directors


Tsukasa Miyajima

Providing a high level of expertise as a university professor External Director since 2009.

I and my fellow Director Hideo Yamada, a lawyer, and our Auditor colleague Nobuyuki Kobayashi, a certified public accountant, were appointed External Director/Auditor at the same time. At that time, our Auditor colleague Koichi Nezu was already serving as an External Auditor. This was well before the strategic approach of strengthening the role of external officers was established through the Corporate Governance Code and other measures, indicating that Hulic already had a strong awareness on importance of corporate governance. Furthermore, even before the start of advocating for the appointment of female external officers in the interests of diversity, Hulic had already given a Director's position to the journalist Atsuko Fukushima. More recently, there has been emphasis on the need to appoint individuals with experience in business management to the Board, but Hulic had done this long before this recent trend by appointing Koichi Nezu (former chairman of Tobu Department Store) as an External Auditor. We also count among our current external officers the Director Kaoru Takahashi (former chairman of Sampo Nipponkoa Himawari Life Insurance Inc.) and Auditor Kenichi Sekiguchi (former chairman of Meiji Yasuda Life Insurance Company).

The Board of Directors and the Audit and Supervisory Board are thus composed of teams that are very well balanced in terms of the number of external officers and their diversity.

However, here as elsewhere, it is content that matters rather than form. I serve as external officers in a number of companies, and I find Hulic's corporate governance to be of a high standard in content as well as form. The longer a discussion lasts the more likely misunderstandings are to arise, but I find that the explanation of the agenda items and the question and answer sessions are both concise and accurate, demonstrating the strong capabilities of all of Internal Directors. The fact that I feel no stress whatsoever when I attend meetings of the Board of Directors is quite simply because there are no attempts to mislead or otherwise hamper the discussion, which takes place in a general atmosphere of commitment to facing issues directly and working sincerely for the benefit of the Company.

One final point I would like to touch on is that, after the retirement of the present management team, which has nurtured Hulic's impressive growth so far, I do have some slight concerns about how the management succession will be handled. It is only in the last few years that highly talented new graduates have begun to join the Company in order to become part of Hulic's remarkable growth. Of course, I do not doubt the practical abilities of the existing human resources who have worked together with the current management team to make Hulic what it is today. But these human resources, who have been carried along in the wake of the truly outstanding management team they work with, have some way to go in terms of awareness and preparedness if they are to reach the level of the current team. After the current management team retires, and until such time as the human resources who were recruited as new graduates have acquired the practical ability and charisma to lead the Company, the issue will be to see how far these human resources, who are at the intermediate stage of their career, will be able to carry on with further growth of the Company. At the same time, those of us who have been with Hulic since the start look forward to seeing how this works out.

In recent years, the role of the external director in the corporation has become much more important. The position of the external director in the past has been compared to that of a "decorative screen with a fist attached." In other words, the mere presence on the Board of Directors of individuals in a position of social authority who were not afraid to speak their minds if necessary acted as a kind of discipline, and this restraining role was the main emphasis. It was likely that the external directors' understanding of their own role also placed emphasis on the somewhat honorary aspect of the position.

Today, the situation is completely different. The call for corporate governance and compliance functions in response to corporate scandals has become stronger, and external officers are designated as the key individuals exercising this important role. It is no longer acceptable to come to the Board of Directors unprepared and to uncritically voice approval of the motions. In some cases, the external director may now be held legally responsible.

As someone who has spent many years in the legal profession with a deeply ingrained sensitivity to issues of compliance, I believe that my mission first and foremost is to make use of that experience and knowledge in the field of business management. In response to the increasing complexity of society, the scope of compliance is becoming correspondingly wide-ranging, and has expanded to include agreements and disputes between companies and various harassment and other internal issues within companies.

For quite some time now, I have assumed a number of positions as external director or legal advisor, which has generated a synergistic effect. I have accumulated valuable experience of guidelines, human resources, remuneration and other issues in the context of corporate management. When it comes to questions such as management succession, I think the advice of external directors will take on greater significance going forward.

In this way, the mission entrusted to external directors has become wide-ranging and highly responsible. Within that mission, I would like to ensure that the basic perspective from which I approach issues focuses on three angles: the viewpoint of the shareholder, the viewpoint of the legal profession, and the viewpoint of the general public.


Hideo Yamada

Providing a high level of expertise as a lawyer External Director since 2009.


Atsuko Fukushima

Providing a high level of expertise as a journalist External Director since 2012.

The most important role of an external director is to exercise supervision of business management from the objective viewpoint of an independent third party. Accordingly, my approach on the Board of Directors meetings has been to speak out when I have queries about something and to provide my opinions frankly without holding back. A proposal presented may appear to offer advantages in the short term, but may act as a negative factor in the medium to long term. Something that is completely uncontroversial to Hulic and the real estate business may not seem appropriate from general public view. When considering such proposals, I always try to take a step back and take a broader perspective. On the other hand, I think that, in our supervision of management activities, we can act as both accelerator and brake on the execution of business. When there is an initiative which I find contributing to growth or to improve brand value, I have come to be aware of our role in moving things forward by evaluating the proposal and giving encouragement to the execution side.

Another role of an external director I believe is to provide advice on business management from one's own background and experience, which is different to that of internal directors. In the field of journalism, I have in the past reported on business managers and companies in many and varied branches of industry. As a reporter, I have also dealt at first hand with the issues that face modern society, such as the environment, diversity, and demographic aging. More specifically at present, it is not only business performance but also non-financial initiatives such as ESG and the SDGs that have come to have a greater influence on enhancing corporate value. In that sense, I would like to make use of the experience and knowledge I myself have acquired so far to help ensure that a diverse range of perspectives is reflected in management decision-making, and to contribute to achieving sustainable growth by building good relationships with all stakeholders.

To continue creating new value in a mature consumer society, it is essential to put in place structures in which non-uniform, diverse human resources can achieve advancement, and female advancement is one step toward that. I have had frequent opportunities to exchange opinions with female employees, and it has been my impression that there are a large number of very talented women with strong capabilities who are highly motivated to contribute to society through providing the real estate business. I think expanding the scope of advancement for such women is also part of the role of a female executive officer, and I am convinced that that will also help to increase the corporate value of Hulic.

In terms of factors supporting Hulic's growth, I would point to the focused business strategies as well as the speedy management including timely decision making. This approach in particular is one that I feel has been comprehensively adopted not only among corporate officers, the Board of Directors, and the rest of management, but also in operations at all our workplace and in the attitude of all employees. I sense this quite strongly in all my communications with the Group companies, corporate departments, and individual employees. I think this is one indication that we have a practically effective corporate governance in place that embraces not only our systems and structures, but also our corporate culture and ethos.

However, with great changes occurring in the social environment and in society's values, the further growth of the Group requires that, instead of fearing changes, we make redoubled efforts to continue creating new value in a way unique to Hulic. My goal as an external director is to participate in discussions and decision-making on whether constant efforts are being channeled into our value creation strategy not only for shareholders and customers but also for employees and a wide range of other stakeholders, whether organization is able to deliver that strategy in terms of diversity and other aspects, and whether the strategy permeates the whole organization including frontline operations. At the same time, I would also like to provide more active supervision and monitoring as an external director who maintains a certain distance from the execution of business.

As well as utilizing the experience I have gained in the past on the frontlines of business management, albeit at a different organization, I will maintain a strong awareness of the need to represent the perspectives of our wide-ranging stakeholders as I devote my utmost efforts to increasing Hulic's corporate value.


Kaoru Takahashi

Providing a high level of expertise as a top corporate management External Director since 2016.

Financial Information

Financial Analysis

Business Results

(Revenue from operations)

Consolidated revenue from operations in FY2019 amounted to JPY357,272 million, an increase of JPY69,759 million from the previous period. This was due to an increase in rent income from properties completed and new properties acquired in FY2018 and FY2019, and a rise in sales of real estate for sale.

(Operating income)

Operating income for FY2019 amounted to JPY88,353 million, increased by JPY12,788 million from the previous period. This was due to an increase in rent income from properties completed and properties acquired, as well as higher gross operating income from real estate for sale.

(Ordinary income)

Ordinary income for FY2019 amounted to JPY84,645 million, increased by JPY12,114 million from the previous period. This was due to the above-mentioned increase in operating income which was partly offset by an increase of non-operating expense owing primarily to an increase of interest expense.

(Profit attributable to owners of parent)

During FY2019, profit attributable to owners of parent was JPY58,805 million which was an increase of JPY9,290 million from FY2018. This was due to the above-mentioned increase in ordinary income while at the same time reflected an increase of tax expenses.

The operating results for each segment were as follows.

(Revenue from operations for each segment included in the segment revenue from operations and the balance of book entry transfers.)

(Real estate business)

The Group's core business is a leasing operation that uses approximately 250 buildings and properties (excluding real estate for sale), amounting to about 1,380,000 square meters of floor space, located mainly in Tokyo 23 wards. From the

perspective of creating a robust and high-quality leasing portfolio, the Group is working to qualitatively enhance its portfolio by acquiring properties set in prime locations, making steady progress on reconstructions, continue adding new development properties and reinforcing asset management. The Group is also accelerating its efforts in establishing Value-added Business, which is centered on profiting from attaching new high-value to the development properties in prime locations as our new business model.

As for the progress of reconstruction in FY2019, Hulic Sapporo NORTH 33 Building (to be completed in February 2021), Hulic Sapporo Building (to be completed in October 2023) and Hulic Fukuoka Building (to be completed in December 2024) were proceeded as planned.

Regarding acquisitions (non-current assets) of new properties in FY2019 included Hulic Shibakouen Daimondori Building (Minato-ku, Tokyo), Technoport Kamata Center Building (Ota-ku, Tokyo), Hulic Ginza 7-chome Showa-dori Building (Chuo-ku, Tokyo) and Morinda Building (Shinjuku-ku, Tokyo), Jingumae Tower Building (Shibuya-ku, Tokyo), Ginza First Building (Chuo-ku, Tokyo), Grand Nikko Tokyo Daiba (Minato-ku, Tokyo), Marutaka Building part 2 (Chuo-ku, Tokyo), Hulic Fuchu Tower (Fuchu-shi, Tokyo) and Fuchu data center (Fuchu-shi, Tokyo), Aios Ginza (Chuo-ku, Tokyo), Kinkitatemonoginza Building (Chuo-ku, Tokyo) and Shibuya PARCO · Hulic Building (Shibuya-ku, Tokyo).

In the development business (non-current assets), Udagawacho 32 Development Project (tentative name, Shibuya-ku, Tokyo), Shinjuku 3-17 Development Project (tentative name, Shinjuku-ku, Tokyo), Ginza 6-chome Development Project (tentative name, Chuo-ku, Tokyo), Akasaka 2-chome Development Project (tentative name, Minato-ku, Tokyo), Ginza 8-chome Development Project (tentative name, Chuo-ku, Tokyo) and Ginza 6-chome

Namiki-dori Development Project (tentative name, Chuo-ku, Tokyo) were proceeded as planned.

In public-private partnership (PPP) business, Rissei elementary school development Project (tentative name, Nakagyo-ku, Kyoto), Ryogoku River center Project (tentative name, Sumida-ku, Tokyo) and Ougimachi Iseikai Hospital development Project (tentative name, Kita-ku, Osaka) etc. were proceeded as planned.

With regards to real estate for sale, the list of properties sold during the period under review included Honmoku Front (Naka-ku, Yokohama-shi), Hilton Tokyo Odaiba (Minato-ku, Tokyo), Hulic Ginza 7-chome Building (Chuo-ku, Tokyo) (partial portion), Riverside Shinagawa Konan Building (Shinagawa-ku, Tokyo), Hulic Toyosu Prime Square (Koto-ku, Tokyo), Hulic Nishikicho Building (Chiyoda-ku, Tokyo) and MG Higashi Ougijima Logistics center (Kawasaki-shi, Kawasaki-ku) which was also acquired during the period.

As described above, the segment operations progressed as planned, and the Group's operating results benefited from an increase in rent income from properties completed and newly acquired in FY2018 and in FY2019, as well as from a rise in sales from real estate for sale. As a result, revenue from operations in FY2019 totaled JPY335,127 million (increased by JPY78,057 million or 30.3% year-on-year), while operating income was JPY95,711 million (an increase of JPY14,646 million or 18.0% year-on-year).

(Insurance agency business)

Hulic Insurance Service Co., Ltd., one of the Company's consolidated subsidiaries, serves as an insurance agency for both Japanese and foreign insurance companies operating in Japan and sells various insurance products to both corporate and individual customers. Although a difficult

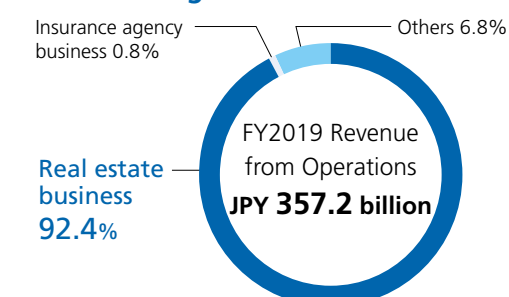
business environment continues to surround the insurance business industry, the Company is pursuing expansion of this business, concentrating on corporate transactions, with a strategy of acquiring the business rights of existing non-life insurance agents.

As a result, revenue from operations in this business segment was JPY2,989 million (a decrease of JPY1,067 million, or 26.3%, year-on-year), and the operating income was JPY619 million (declined by JPY977 million, or 61.2%, year-on-year).

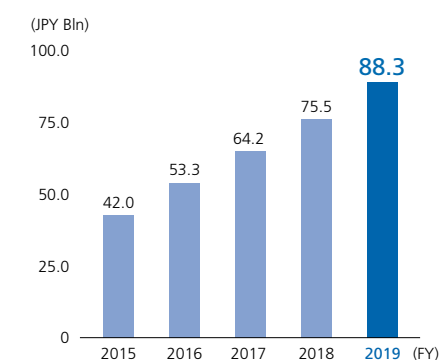
(Others)

Hulic Build Co., Ltd., one of the Company's consolidated subsidiaries, regularly takes orders of repair constructions from the Company's existing properties, constructions of refurbishment at the end of lease contracts and interior fit-outs at the beginning of lease contracts. In addition, Nippon View Hotel Co., Ltd., Hulic Hotel Management Co., Ltd., Hulic Fufu Co., Ltd., etc. manage hotels and *ryokans* (Japanese style luxury inns) and other hotels. As a result, revenue from operations was JPY24,725 million (an increase of JPY11,797 million or 91.2% year-on-year) and operating income was JPY596 million (increased by JPY240 million or 67.3% year-on-year).

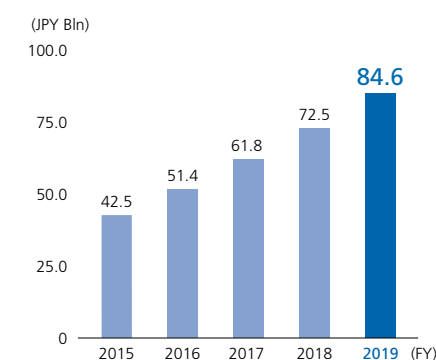
Breakdown of Revenue from Operations by Business Segment



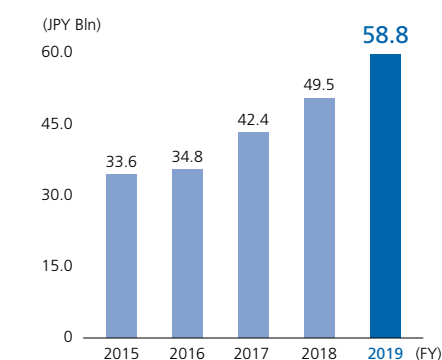
Operating Income



Ordinary Income



Profit Attributable to Owners of Parent



Financial Position

The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) and relevant Guidances effective from the beginning of 1Q FY2019 and the figures for the end of FY2018 presented for the purpose of comparing the financial position have been adjusted to reflect these changes.

(Assets)

Total assets at the end of FY2019 stood at JPY1,776,272 million, an increase of JPY250,292 million from the end of FY2018.

Changes in amount of major items were as shown on the right. From the perspective of creating a robust leasing portfolio, the Group is working to make steady progress on reconstructions of existing properties and to pursue CRE and other strategic sourcing initiatives.

In addition, the Company strives to provide support and backup as a sponsor to maintain and improve the medium- and long-term revenues of Hulic Reit Management Co., Ltd. & Hulic Private Reit Management Co., Ltd. and to realize steady growth of thier assets under management, and to firmly establish the Company's value-added business.

- **Cash and deposits** — increased by JPY16,339 million
- **Real estate for sale** — decreased by JPY26,933 million (Transfer from non-current assets and acquisition, completion and sale of properties)
- **Real estate for sale in process** — decreased by JPY4,701 million (Progress in development projects and completion of properties)
- **Buildings and structures** — increased by JPY17,698 million (Acquisition of properties, completion of reconstruction and transfer to real estate for sale)
- **Land** — increased by JPY148,085 million (Acquisition of properties and transfer to real estate for sale)
- **Construction in progress** — increased by JPY10,714 million (Progress of reconstruction and development projects and completion of properties)
- **Leasehold rights** — increased by JPY62,996 million (Acquisition of properties, etc.)
- **Investment securities** — increased by JPY8,315 million (Acquisition and sale of investment securities, increase in unrealized gains on marketable securities, etc.)

Liabilities

Total liabilities at the end of FY2019 was JPY1,314,415 million, an increase of JPY192,571 million from the end of FY2018. This was mainly attributable to financing carried out for capital investment and the like.

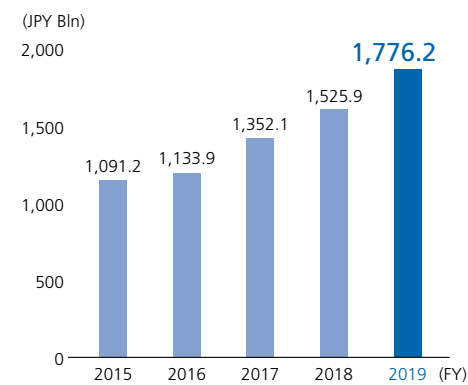
The balance of interest-bearing debts was JPY986,040 million, which included JPY23,435 million non-recourse borrowings owed by consolidated special purpose companies (SPC). Financing from financial institutions was operated stably at low cost owing to the credit strength backed by the Group's high level of earnings.

Net assets

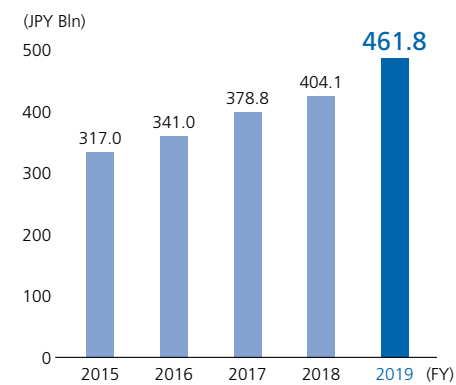
Total net assets at the end of FY2019 were JPY461,856 million, increased by JPY57,721 million from the end of FY2018. Total shareholders' equity was JPY417,300 million, an increase of JPY49,265 million from the end of FY2018. This was mainly attributable to an increase of capital surplus caused by share exchanges as well as an increase in retained earnings from profit attributable to owners of parent offset partly by a decrease in retained earnings from the cash dividends payment.

Total accumulated other comprehensive income was JPY 41,793 million, increased by JPY9,090 million from the end of FY2018. This was mainly due to an increase in unrealized holding gains on securities as a result of an increase of JPY13,445 million in unrealized gains on marketable securities.

Total Assets



Net Assets



Cash Flows

In FY2019, cash and cash equivalents (hereinafter "cash") was increased by JPY231,180 million through operating activities, decreased by JPY358,334 million through investing activities, increased by JPY141,523 million through financing activities, and, as a result, amounted to JPY48,380 million at the end of FY2019.

Cash flows in each activity and the major contributing factors in the fiscal year under review were presented as follows.

Cash flows from operating activities

Net cash provided by operating activities was JPY231,180 million, increased by JPY100,207 million year-on-year. This was mainly attributable to JPY84,298 million in profit before income taxes and minority interests with the main factors of increase being an increase of rent income from real estate and the sale of real estate for sale, JPY14,172 million

in depreciation and amortization, and JPY152,290 million decrease in real estate for sale.

Cash flows from investing activities

Net cash used in investing activities was JPY358,334 million, a decrease of JPY100,207 million from the end of FY2018. This was primarily due to ongoing reconstruction and development projects and the acquisition of new properties, which were both carried out from the perspective of creating a robust leasing portfolio and quality improvement.

Cash flows from financing activities

Net cash provided by financing activities was JPY141,523 million, an increase of JPY10,512 million from the end of FY2018. This was mainly attributable to financing for reconstruction and development projects and acquisition of new properties, partly offset by cash dividends paid.

Rental Properties and Investment

Hulic and some of its consolidated subsidiaries own office buildings, rental condominiums and retail commercial facilities in Tokyo and other major cities in Japan with the aim of obtaining rental revenue. A portion of these leased office buildings was used by Hulic and some of its consolidated subsidiaries and therefore have been classified as real estate

that includes portions used as investment and rental properties.

The amount on the consolidated balance sheets, the increase/decrease during year, and the fair value of such investment and rental properties and real estate that included portions used as investment and rental properties are shown below.

(JPY million)

	FY2018	FY2019
Rental properties and investment		
Amount on consolidated balance sheets		
Balance at beginning of year	940,425	1,071,472
Increase/decrease during year	131,046	207,225
Balance at the end of year	1,071,472	1,278,697
Fair value at the end of year	1,379,329	1,629,929
Real estate including portions used as rental properties and investment		
Amount on consolidated balance sheets		
Balance at beginning of year	72,130	88,015
Increase/decrease during year	15,885	1,057
Balance at the end of year	88,015	89,072
Fair value at the end of year	103,379	107,937

Notes: 1. The amount on the consolidated balance sheets represented the acquisition cost less the aggregate amounts of depreciation and impairment loss.
 2. Of the increase/decrease during year, the key increase/decrease during FY2018 was the increase due to real estate acquisitions (JPY250,860 million) and the decrease due to transfer to real estate for sale (JPY84,446 million). The key increase/decrease during FY2019 was the increase due to real estate acquisitions (JPY343,544 million) and the decrease due to transfer to real estate for sale (JPY120,807 million).
 3. For major properties, the fair value at the end of the fiscal year was the amount calculated by Hulic based on the "Real Estate Appraisal Standards." For other major properties, the fair value at the end of the year was the amount calculated by the Company using indicators and others believed to appropriately reflect market prices, while for certain properties, the fair value at the end of the fiscal year was the amount determined by an outside real estate appraiser based on a real estate appraisal report. If there have been no critical changes to certain assessment values or indicators believed to appropriately reflect market prices since the time that a property was acquired from a third party or since the most recent assessment, the fair value at the end of the fiscal year was the amount determined after making an adjustment using said assessment value or indicators. For properties newly acquired during the fiscal year, the fair value was the amount on the consolidated balance sheets due to the fact that the change in the fair value was believed to be negligible.

The profit/loss for rental properties and investment as well as real estate including portions used as rental properties and investment are shown below.

(JPY million)

	FY2018	FY2019
Rental properties and investment		
Rental revenue	61,245	72,331
Rental cost	24,396	29,528
Difference	36,849	42,803
Other profit (loss)	(446)	(1,219)
Real estate including portions used as rental properties and investment		
Rental revenue	4,719	4,575
Rental cost	3,014	3,946
Difference	1,704	629
Other profit (loss)	7	(0)

Notes: 1. Real estate including portions used as rental properties and investment included the portions used by the Company and/or some of its consolidated subsidiaries for providing services and administrative management. Therefore, rental revenue from these portions was not posted. In addition, such real estate related costs (depreciation and amortization, repair costs, insurance premiums, taxes and public dues, etc.) were included in the rental cost.
 2. Other profit/loss for FY2018 mainly included loss on reconstructions of buildings and loss on disposal of non-current assets posted under extraordinary losses. For FY2019, other profit/loss included loss on reconstructions of buildings and loss on disposal of non-current assets posted under extraordinary losses.

Major Financial Information for the Last 11 Years

Fiscal Year ended December 31	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018* ¹	2019
Revenue from operations (JPY million)	31,229	33,616	74,738	94,319	108,444	212,791	169,956	215,780	289,618	287,513	357,272
[Revenue from operations for each segment]** ²											
Real estate business (JPY million)	28,320	30,428	68,096	84,346	95,726	199,910	137,544	182,883	258,597	256,322	332,564
Insurance agency business (JPY million)	2,088	2,186	2,388	2,417	2,631	2,886	3,260	3,191	3,479	4,056	2,989
Staffing business (JPY million)	—	—	—	—	—	—	19,094	19,023	18,620	17,955	—
Others (JPY million)	820	1,001	4,253	7,555	10,087	9,994	10,057	10,681	8,921	9,178	21,718
Operating income (JPY million)	14,390	15,289	19,841	22,571	29,114	36,032	42,002	53,377	64,249	75,564	88,353
[Operating income for each segment]											
Fiscal Year											
Real estate business (JPY million)	16,176	17,353	21,623	25,116	31,448	38,519	44,185	57,353	69,208	81,065	95,711
Insurance agency business (JPY million)	564	448	490	449	631	747	987	898	1,077	1,596	619
Staffing business (JPY million)	—	—	—	—	—	—	515	353	335	360	—
Others (JPY million)	98	183	399	499	655	696	822	911	790	356	596
Elimination or corporate (JPY million)	(2,448)	(2,696)	(2,671)	(3,494)	(3,620)	(3,929)	(4,507)	(6,140)	(7,162)	(7,814)	(8,574)
Ordinary income (JPY million)	10,939	12,396	16,896	20,033	25,983	34,314	42,534	51,432	61,870	72,530	84,645
Profit attributable to owners of parent (JPY million)	22,042	11,562	9,336	11,487	15,970	22,352	33,628	34,897	42,402	49,515	58,805
Capital expenditure (JPY million)	32,824	23,584* ³	20,887	141,380	66,802	92,396	288,720	107,140	198,260	256,037	381,623
Depreciation and amortization (JPY million)	3,764	4,694	5,576	5,855	6,873	7,411	8,929	11,299	11,736	11,942	14,172
End of the Fiscal Year											
Total assets (JPY million)	379,294	455,903	476,244	637,919	720,344	773,401	1,091,266	1,133,994	1,352,137	1,525,979	1,776,272
Current assets (JPY million)	13,837	17,859	22,758	76,967	123,371	86,188	160,261	128,007	164,913	187,404	183,941
Real estate for sale (JPY million)	4,584	5,590	7,193	52,691	90,116	37,124	86,587	63,510	111,458	143,901	116,967
Non-current assets (JPY million)	365,304	437,993	453,443	560,898	596,931	687,182	930,507	1,005,707	1,187,157	1,338,114	1,591,697
Interest-bearing debts (JPY million)* ¹²	260,895	300,292	310,324	416,608	462,028	473,297	658,213	665,375	826,697	975,145	1,146,079
Net assets (JPY million)	69,739	98,644	104,356	149,895	177,280	205,421	317,045	341,087	378,855	404,135	461,856
Equity (JPY million)	68,142	97,361	103,085	148,622	176,007	202,337	312,937	336,903	375,405	400,738	459,093
Information per Share											
Net income per share (EPS) (yen)	151.39	73.03	54.65	22.31	27.01	37.72	52.75	53.00	64.38	75.18	88.93
Net assets per share (BPS) (yen)	468.01	569.98	603.49	251.74	297.24	341.40	474.90	511.68	570.02	608.49	687.01
Dividends per share (yen)	8.00	9.00	11.00	—* ⁴	6.50	10.50	15.50	17.00	21.00	25.50	31.50
Cash Flow Information											
Cash flows from operating activities (JPY million)	9,989	5,537	20,459	8,472	11,114	84,123	36,272	108,407	45,724	130,973	231,180
Cash flows from investing activities (JPY million)	9,416	(30,380)	(23,667)	(30,554)	(49,548)	(83,815)	(284,580)	(111,018)	(189,088)	(258,127)	(358,334)
Cash flows from financing activities (JPY million)	(30,633)	19,707	7,511	20,854	42,841	4,192	257,934	(5,715)	148,483	131,010	141,523
Major Indicators											
Equity ratio (%) * ⁵	17.9	21.3	21.6	23.2	24.4	26.1	28.6	29.7	27.7	31.1* ⁶	30.0* ⁶
Return on equity (ROE) (%) * ⁷	39.1	13.9	9.3	9.1	9.8	11.8	13.0	10.7	11.9	12.7	13.6
Return on assets (ROA) (%) * ⁸	2.9	2.9	3.6	3.5	3.8	4.5	4.5	4.6	4.9	5.0	5.1
EBITDA (JPY million) * ⁹	18,715	20,771	26,493	30,092	37,809	44,870	54,678	66,403	77,785	89,462	105,454
Debt to EBITDA ratio (times) * ¹⁰	13.9	14.5	11.7	13.8	12.2	10.5	12.0	10.0	10.6	10.0* ⁶	10.1* ⁶
Net debt to equity ratio (times) * ¹¹	3.7	3.0	3.0	2.8	2.8	2.6	2.2	2.1	2.3	1.9* ⁶	2.0* ⁶
Dividends payout ratio (%)	5.2	12.3	20.1	—* ⁴	24.0	27.8	29.3	32.0	32.6	33.9	35.4
Number of issued shares (including treasury stock) (share)	146,428,700	171,645,800	171,645,800	594,095,271	595,731,471	596,279,271	662,561,871	662,914,071	663,062,271	663,062,271	673,907,735
Employees (consolidated) (people)	327	298	375	429	461	753	784	836	862	936	1,878
Employees (non-consolidated) (people)	248	114	106	129	125	116	128	149	156	166	181

Former Hulic

New Hulic

Merger with Shoei Co., Ltd.*⁴

(Note) Unless otherwise noted, all the data are calculated on a consolidated basis.

*¹ The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, dated February 16, 2018) from FY2019. The figures for FY2018 were adjusted retrospectively to reflect the aforementioned changes.*² Revenue from operations of each segment omitted inter-segment revenue from operations and the balance of book-entry transfers.*³ Excluded increase caused by mergers and acquisitions.*⁴ The merger that occurred on July 1, 2012 was a "reverse acquisition" under the accounting treatment for business combination, which means the former Shoei Co., Ltd. being the acquiring company and the former Hulic Co., Ltd. being the acquired company. Due to that effect, dividends per share and dividends payout ratio for FY2012 were not noted. The share exchange ratio for the former Shoei Co., Ltd. and the former Hulic Co., Ltd. was 1 to 3.*⁵ Equity ratio = Equity/Total assets*⁶ 50% (JPY75 Bln) of hybrid finance raised in 2018 (JPY150 Bln) was calculated as nominal equity.*⁷ Return on equity (ROE) (%) = Profit attributable to owners of parent/Equity (average balance)*⁸ Return on assets (ROA) (%) = Ordinary income/Total assets (average balance)*⁹ EBITDA = Ordinary Income - Equity in earnings/losses of unconsolidated subsidiaries and affiliates + Interest expenses + Depreciation and amortization*¹⁰ Debt to EBITDA ratio (DEBT/EBITDA) = Interest-bearing debts/EBITDA*¹¹ Net debt to equity ratio = Net interest-bearing debts (Interest-bearing debts - Cash and deposits)/Shareholders' equity*¹² Excluded lease liabilities

Consolidated Financial Statements

Consolidated Balance Sheets

	(JPY million)	
	FY2018	FY2019
Assets		
Current assets		
Cash and deposits	32,387	48,727
Notes and operating accounts receivable	4,390	3,747
Merchandise	7	42
Real estate for sale	143,901	116,967
Real estate for sale in process	4,701	0
Advance payments - construction in progress	72	266
Supplies	163	309
Operational investment securities	0	6,377
Other current assets	1,782	7,507
Allowance for doubtful accounts	(2)	(5)
Total current assets	187,404	183,941
Non-current assets		
Tangible non-current assets		
Buildings and structures	305,060	327,392
Depreciation	(84,676)	(89,310)
Buildings and structures (Net amount)	220,384	238,082
Machinery, equipment and materials handling equipment	4,538	4,654
Depreciation	(1,555)	(1,696)
Machinery, equipment and materials handling equipment (Net amount)	2,983	2,958
Land	934,360	1,082,445
Construction in progress	3,588	14,303
Other tangible non-current assets	3,217	8,359
Depreciation	(1,187)	(1,601)
Other tangible non-current assets (Net amount)	2,030	6,757
Total tangible non-current assets	1,163,346	1,344,547
Intangible non-current assets		
Goodwill	4,026	3,336
Leasehold rights	21,364	84,361
Other intangible non-current assets	568	794
Total intangible non-current assets	25,959	88,492
Investments and other assets		
Investment securities	124,694	133,009
Lease deposits	15,923	18,547
Deferred income taxes	1,121	941
Net defined benefit asset	119	119
Other investments and assets	6,951	6,040
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	148,808	158,657
Total non-current assets	1,338,114	1,591,697
Deferred assets		
Opening cost	–	19
Share issuance cost	–	2
Corporate bonds issuance cost	460	612
Total deferred assets	460	633
Total assets	1,525,979	1,776,272

	(JPY million)	
	FY2018	FY2019
Liabilities		
Current liabilities		
Short-term debt	277	440
Long-term debt payable within one year	34,796	30,830
Short-term bonds	9,999	19,999
Bonds expected to be redeemed within one year	8,000	5,038
Accounts payable	4,681	4,463
Income taxes payable	16,726	18,151
Cash in advance	5,715	7,184
Allowance for employees' bonus	482	667
Allowance for directors' and corporate auditors' bonus	247	269
Other current liabilities	6,712	9,906
Total current liabilities	87,640	96,952
Long-term liabilities		
Corporate bonds	85,000	135,000
Long-term debt	837,071	954,770
Deferred income taxes	36,592	37,656
Allowance for directors' and corporate auditors' retirement benefits	101	–
Allowance for stock benefits	1,135	1,555
Net defined benefit liability	1,351	1,289
Deposits from tenants	70,403	79,826
Other long-term liabilities	2,548	7,364
Total long-term liabilities	1,034,203	1,217,463
Total liabilities	1,121,844	1,314,415
Net assets		
Shareholders' equity		
Common stock	62,718	62,718
Capital surplus	78,783	88,957
Retained earnings	227,660	267,934
Treasury stock	(1,127)	(2,310)
Total shareholders' equity	368,034	417,300
Accumulated other comprehensive income		
Unrealized holding gains on securities	32,671	41,819
Unrealized losses on hedging instruments	(33)	(22)
Retirement benefits liability adjustments	65	(2)
Total accumulated other comprehensive income	32,703	41,793
Non-controlling interests	3,397	2,762
Total net assets	404,135	461,856
Total liabilities and total net assets	1,525,979	1,776,272

Consolidated Statements of Income

	(JPY million)	
	FY2018	FY2019
Revenue from operations	287,513	357,272
Cost of revenue from operations	189,118	237,882
Gross operating profit	98,395	119,390
Selling, general and administrative expenses	22,830	31,037
Operating income	75,564	88,353
Non-operating income		
Interest income	8	9
Dividend income	1,986	2,308
Equity in income of affiliated companies	639	–
Other revenue - termination of lease contracts	354	703
Other	269	515
Total non-operating income	3,258	3,536
Non-operating expenses		
Interest expenses	5,629	6,615
Equity in loss of affiliated companies	–	22
Other	663	607
Total non-operating expenses	6,292	7,245
Ordinary income	72,530	84,645
Extraordinary gains		
Gain on sales of non-current assets	20	–
Gain on sales of investment securities	42	1,486
Gain on investments in silent partnership	126	21
Gain on negative goodwill	62	2,360
Forfeit revenue	91	–
Other	8	26
Total extraordinary gains	352	3,894
Extraordinary losses		
Loss on sales of non-current assets	1	0
Loss on disposal of non-current assets	436	1,536
Loss on reconstructions of buildings	393	425
Loss on redemption of investment securities	–	790
Loss on step acquisition	13	1,482
Other	20	6
Total extraordinary losses	865	4,241
Income before income taxes and minority interests	72,018	84,298
Current income taxes	26,355	30,757
Deferred income taxes	(4,132)	(5,469)
Total current income taxes and deferred income taxes	22,222	25,288
Net income before minority interests	49,795	59,010
Profit attributable to non-controlling interests	279	204
Profit attributable to owners of parent	49,515	58,805

Consolidated Statements of Comprehensive Income

	(JPY million)	
	FY2018	FY2019
Net income before minority interests	49,795	59,010
Other comprehensive income		
Unrealized holding gains / losses on securities	(9,182)	9,353
Unrealized losses on hedging instruments	7	10
Remeasurements of defined benefit plans, net of tax	47	(53)
Share of other comprehensive income of associates accounted for using equity method	497	(219)
Total other comprehensive income	(8,629)	9,090
Comprehensive income	41,165	68,100
(Breakdown)		
Comprehensive income attributable to owners of the parent	40,886	67,896
Comprehensive income attributable to minority interests	279	204

Consolidated Statements of Changes in Net Assets

(JPY million)

FY2018	Shareholders' equity					Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock		
The balance at beginning of fiscal year	62,718	78,783	193,697	(1,126)		334,072
The changes during the period						
Cash dividends			(15,552)			(15,552)
Profit attributable to owners of parent			49,515			49,515
Purchase of treasury stock				(0)		(0)
Change in ownership interest of parent due to transactions with non-controlling interests		0				0
Net changes in items other than shareholders' equity						
Total changes during the period	—	0	33,962	(0)		33,962
Balance at the end of fiscal year	62,718	78,783	227,660	(1,127)		368,034
	Accumulated other comprehensive income					Total net assets
	Unrealized holding gains on securities	Unrealized losses on hedging instruments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	
The balance at beginning of fiscal year	41,382	(40)	(9)	41,332	3,450	378,855
The changes during the period						
Cash dividends						(15,552)
Profit attributable to owners of parent						49,515
Purchase of treasury stock						(0)
Change in ownership interest of parent due to transactions with non-controlling interests						0
Net changes in items other than shareholders' equity	(8,710)	6	74	(8,629)	(52)	(8,682)
Total changes during the period	(8,710)	6	74	(8,629)	(52)	25,279
Balance at the end of fiscal year	32,671	(33)	65	32,703	3,397	404,135

(JPY million)

FY2019	Shareholders' equity					Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock		
The balance at beginning of fiscal year	62,718	78,783	227,660	(1,127)		368,034
The changes during the period						
Increase by exercise of share exchanges		10,173				10,173
Cash dividends			(18,531)			(18,531)
Profit attributable to owners of parent			58,805			58,805
Purchase of treasury stock				(1,182)		(1,182)
Disposal of treasury shares		0		0		0
Net changes in items other than shareholders' equity						
Total changes during the period	—	10,173	40,274	(1,182)		49,265
Balance at the end of fiscal year	62,718	88,957	267,934	(2,310)		417,300
	Accumulated other comprehensive income					Total net assets
	Unrealized holding gains on securities	Unrealized losses on hedging instruments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	
The balance at beginning of fiscal year	32,671	(33)	65	32,703	3,397	404,135
The changes during the period						
Increase by exercise of share exchanges						10,173
Cash dividends						(18,531)
Profit attributable to owners of parent						58,805
Purchase of treasury stock						(1,182)
Disposal of treasury shares						0
Net changes in items other than shareholders' equity	9,147	11	(67)	9,090	(634)	8,455
Total changes during the period	9,147	11	(67)	9,090	(634)	57,721
Balance at the end of fiscal year	41,819	(22)	(2)	41,793	2,762	461,856

Consolidated Statements of Cash Flows (JPY million)

	FY2018	FY2019		FY2018	FY2019
Cash flows from operating activities			Cash flows from investing activities		
Income before income taxes and minority interests	72,018	84,298	Term deposit expenses	(153)	—
Depreciation and amortization	11,942	14,172	Term deposit revenue	60	193
Gain on negative goodwill	(62)	(2,360)	Purchase of tangible non-current assets	(247,082)	(289,762)
Increase/decrease in allowance for doubtful accounts (decrease)	0	1	Sales of tangible non-current assets	24	0
Increase/decrease in allowance for employees' bonus (decrease)	75	192	Purchase of intangible non-current assets	(7,068)	(64,505)
Increase/decrease in allowance for directors' and corporate auditors' bonus (decrease)	50	22	Purchase of investment securities	(3,549)	(7,776)
Increase/decrease in allowance for directors' and corporate auditors' retirement benefits (decrease)	9	—	Sales of investment securities	47	124
Increase/decrease in allowance for stock benefits (decrease)	393	420	Expense of purchase of new consolidated subsidiaries	(971)	—
Increase/decrease in net defined benefit asset and liability	87	118	Revenue of purchase of new consolidated subsidiaries	514	—
Interest and dividend income	(1,994)	(2,317)	Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	629
Interest expenses	5,629	6,615	Payments of loans receivable	—	(1)
Equity in gain/loss of affiliated companies (gain)	(639)	22	Collections of loans receivable	0	9
Loss on disposal of non-current assets	436	1,536	Other	52	2,753
Gain/loss on sales of tangible non-current assets (gain)	(19)	0	Net cash provided by (used in) investing activities	(258,127)	(358,334)
Gain/loss on sales of investment securities (gain)	(42)	(1,486)	Cash flows from financing activities		
Gain/loss on investments in silent partnership (gain)	(126)	(21)	Increase/decrease in short-term debt (decrease)	(30,066)	162
Gain/loss on step acquisitions (gain)	13	1,482	Increase/decrease in short-term corporate bonds (decrease)	(2,000)	9,999
Increase/decrease in receivables (increase)	1,264	(132)	Proceeds from long-term debt	195,000	140,000
Increase/decrease in inventories (increase)	62,399	152,290	Repayment of long-term debt	(70,000)	(35,311)
Increase/decrease in operational investment securities (increase)	442	(2,595)	Proceeds from issuance of corporate bonds	69,457	54,726
Increase/decrease in lease deposits (increase)	(2,630)	(1,755)	Repayment of corporate bonds	(15,000)	(8,049)
Increase/decrease in deposits from tenants (decrease)	6,167	9,295	Proceeds from exercise of stock option	—	0
Increase/decrease in other assets (increase)	2,578	1,536	Payment for acquisition of treasury stock	(0)	(1,182)
Increase/decrease in other liabilities (decrease)	(1,150)	3,470	Cash dividend paid	(15,552)	(18,531)
Subtotal	156,842	264,808	Proceeds from share issuance to non-controlling shareholders	20	—
Cash receipts of interest and dividend income	4,895	2,403	Dividends paid to non-controlling interests	(834)	(169)
Cash payments of interest expense	(5,395)	(6,581)	Other	(11)	(121)
Income taxes paid	(25,368)	(29,491)	Net cash provided by (used in) financing activities	131,010	141,523
Income taxes refund	—	41	Net increase/decrease in cash and cash equivalents (decrease)	3,856	14,369
Net cash provided by operating activities	130,973	231,180	Cash and cash equivalents at the beginning of year	27,991	31,847
			Net increase/decrease in cash and cash equivalent with new consolidated subsidiaries	—	2,164
			Cash and cash equivalents at the end of year	31,847	48,380

(Continuing to upper right)

Stock Information

Key Stock Information (as of December 31, 2019)

Number of Authorized Shares	1,800,000,000
Number of Shares Issued	673,907,735
Number of Shareholders	57,960

Major Shareholders (as of December 31, 2019)

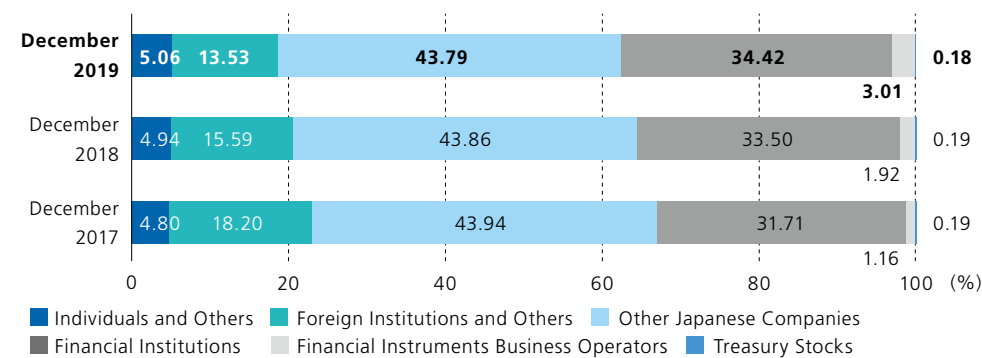
Name	Number of shares	Shareholding ratio (%) to the number of issued shares (excluding treasury shares)
Meiji Yasuda Life Insurance Company	47,617,077	7.07
Sompo Japan Nipponkoa Insurance Inc.	44,248,800	6.57
Tokyo Tatemono Co., Ltd.	41,849,033	6.22
Fuyo General Lease Co., Ltd.	40,695,306	6.04
Yasuda Real Estate Co., Ltd.	30,789,331	4.57
Oki Electric Industry Co., Ltd.	29,631,000	4.40
Yasuda Logistics Corporation	28,431,800	4.22
Mizuho Capital Co., Ltd.	25,533,900	3.79
Taisei Corporation	22,400,000	3.33
Tokio Marine & Nichido Fire Insurance Co., Ltd.	22,321,759	3.31

*1 Treasury shares excluded from the above issued shares do not include 2,041,600 shares held by Trust & Custody Services Bank, Ltd. (Trust E Unit) as trust assets of the Board Benefit Trust (BBT).

*2 The shares held by Fuyo General Lease Co., Ltd. include 420,000 shares contributed as trust assets of a retirement benefit trust of Fuyo General Lease Co., Ltd. (The name on the shareholder registry is Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Fuyo General Lease Account Trustee Trust & Custody Services Bank, Ltd.).

*3 The shares held by Oki Electric Industry Co., Ltd. include 12,631,000 shares contributed as trust assets of a retirement benefit trust of Oki Electric Industry Co., Ltd. (The name on the shareholder registry is Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Oki Electric Industry Account Trustee Trust & Custody Services Bank, Ltd.).

Composition of Shareholders



Stock Price (Tokyo Stock Exchange)

(yen)	December 2015	December 2016	December 2017	December 2018	December 2019
Stock price at the end of period	1,069	1,039	1,266	985	1,316
Stock price range in period (closing price basis)	962-1,425	861-1,147	1,006-1,307	936-1,404	844-1,339

Corporate Information

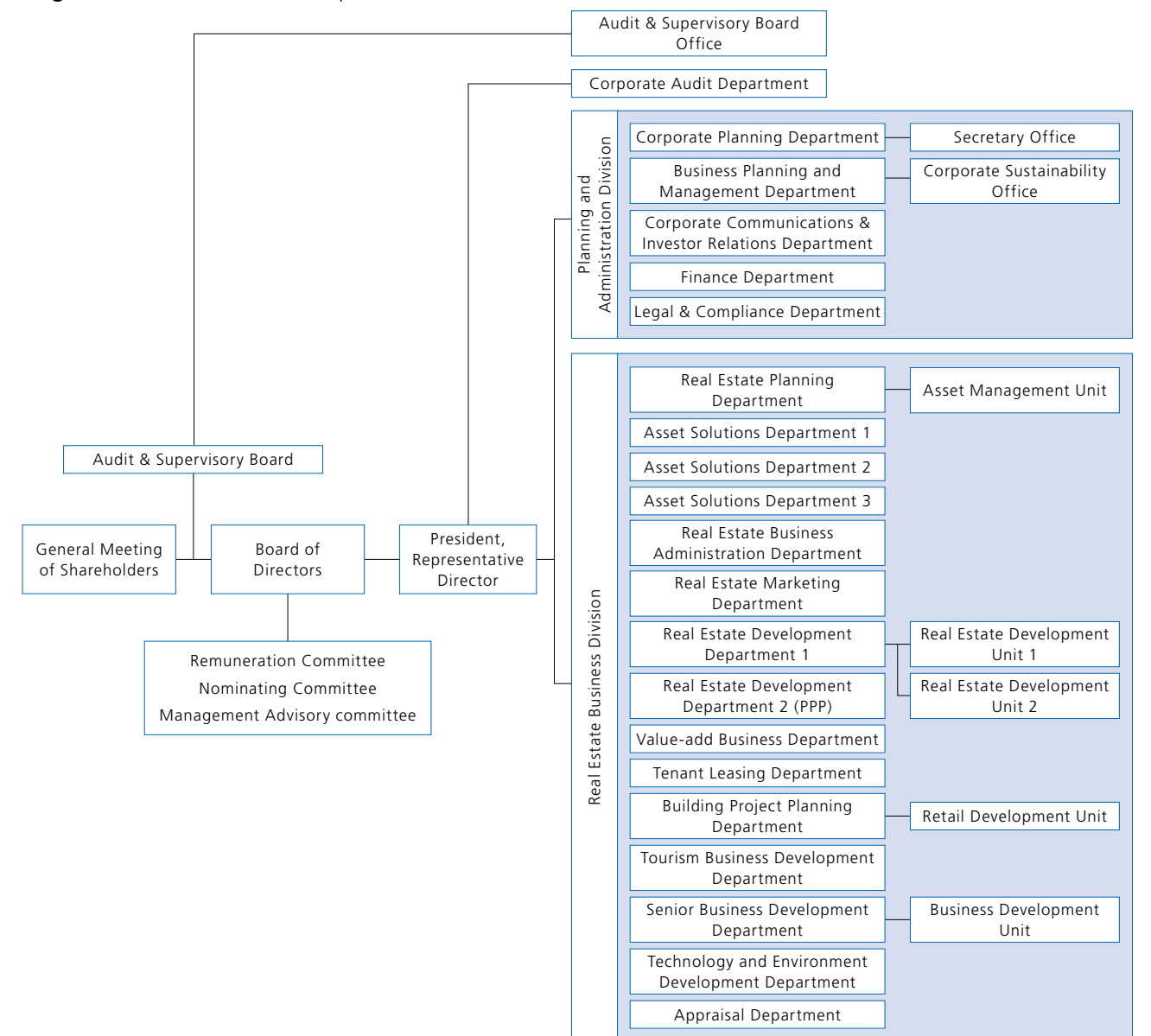
Corporate Overview (as of December 31, 2019)

Corporate Name	Hulic Co., Ltd
Representative	Manabu Yoshidome, President, Representative Director
Established	March 1957
Business Outline	Real estate holding, leasing, sales and brokerage
Common Stock	JPY62,718 million
Business Year	From January 1 to December 31
Listing	Tokyo Stock Exchange (First Section)
Securities Code	3003
Headquarters	7-3 Nihonbashi Odenmachi, Chuo-ku, Tokyo, Japan
Number of Employees	181 (Non-consolidated) 1,878 (Consolidated)



Hulic Head Office Building

Organization Chart (as of April 1, 2020)



Major Hulic Group companies (as of April 1st, 2020)

Name	Address	Paid-in Capital (JPY million)	Major Business	Voting Rights Ratio (%)
Hulic Building Management Co., Ltd.	Chuo-ku, Tokyo	10	Property management, consulting of lease property management operations and management and operation of lease properties	100.0
Hulic Reit Management Co., Ltd.	Chuo-ku, Tokyo	200	Asset management operations through Hulic Reit, Inc.	100.0
Hulic Private Reit Management Co., Ltd.	Chuo-ku, Tokyo	100	Asset management operations through Hulic Private Reit, Inc.	100.0
Hulic Property Solution Co., Ltd.	Chuo-ku, Tokyo	50	Planning, designing, assessment, order, supervision and consulting of construction works	100.0
Porte Kanazawa Co., Ltd.	Kanazawa-shi, Ishikawa	200	Property management of Porte Kanazawa	57.0
Smart Life Management Co., Ltd.	Chuo-ku, Tokyo	50	Subleasing properties in health care business planning and operations	51.0
Hulic Insurance Service Co., Ltd.	Taito-ku, Tokyo	350	Insurance agency	100.0
Hulic Build Co., Ltd.	Chiyoda-ku, Tokyo	90	Construction-related business, office business, real estate leasing business	100.0
Hulic Hotel Management Co., Ltd.	Chuo-ku, Tokyo	1,500	Hotel management and operations	100.0
NIPPON VIEW HOTEL CO., LTD.	Taito-ku, Tokyo	2,796	Hotel management, facility management, amusement park business	100.0
HULIC Agri Co., Ltd.	Chuo-ku, Tokyo	100	Management and holding stock of an agricultural company in Vietnam	89.3
MOS CO., LTD.	Kanazawa-shi, Ishikawa	1,960	Hotel management	96.5
HULIC FUFU Co., Ltd.	Chuo-ku, Tokyo	750	Management and operation of <i>ryokans</i> (Japanese style luxury inn), consulting of <i>ryokan</i> management	86.6
Hulic Proserve Co., Ltd.	Chuo-ku, Tokyo	50	Business for individual customers including Hulic Dream Association and interior products, food services, membership club management, contracting works to provide shared services for the Group including accounting & general affairs	100.0

Disclaimer Regarding Forward-Looking Statements

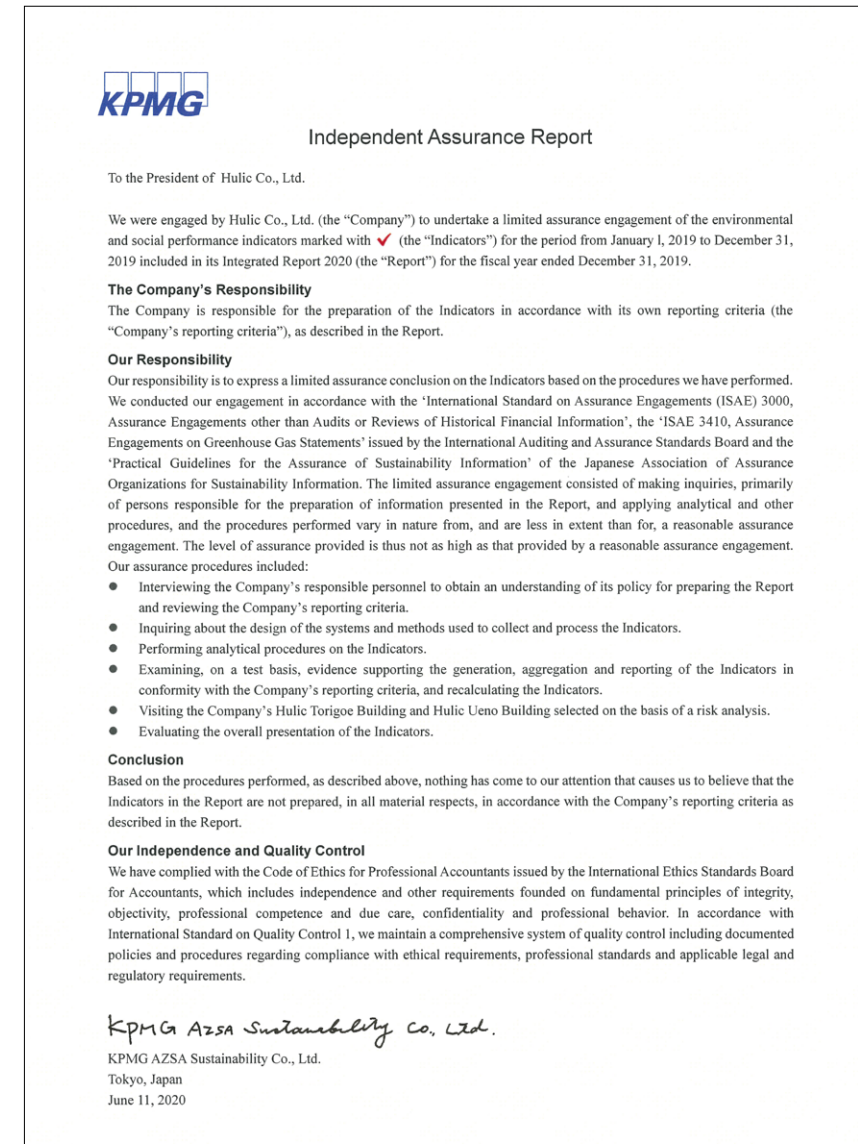
The forward-looking statements, including forecasts of performance of Hulic and its Group companies, contained in the Report are based on information currently available to the Hulic management and on certain assumptions deemed reasonable. Such forward-looking statements do not represent any guarantee by the management of its future performance and are subject to risks, uncertainties and assumptions. Actual future performances and results may vary substantially due to various factors.

Inquiry

Hulic Co., Ltd.
Business Planning and Management Department
Phone: +81-3-5623-8101

Third-party Assurance

With the aim of enhancing the credibility of our Integrated Report, a set of selected environmental and social performance indicators for FY2019 that are disclosed in this Report have been assured by the third-party assurance provider, KPMG AZSA Sustainability Co., Ltd. (Indicators that have been assured are marked with "✓".) We will continue our efforts in providing quality information on both financial and non-financial areas.



Selected as Indices on ESG Efforts

Hulic has continuously been selected in three indices in FY2019 as a company who took excellent initiatives on environment, social and governance (ESG). The Government Pension Investment Fund (GPIF) uses these three indices as benchmarks of ESG investments.

