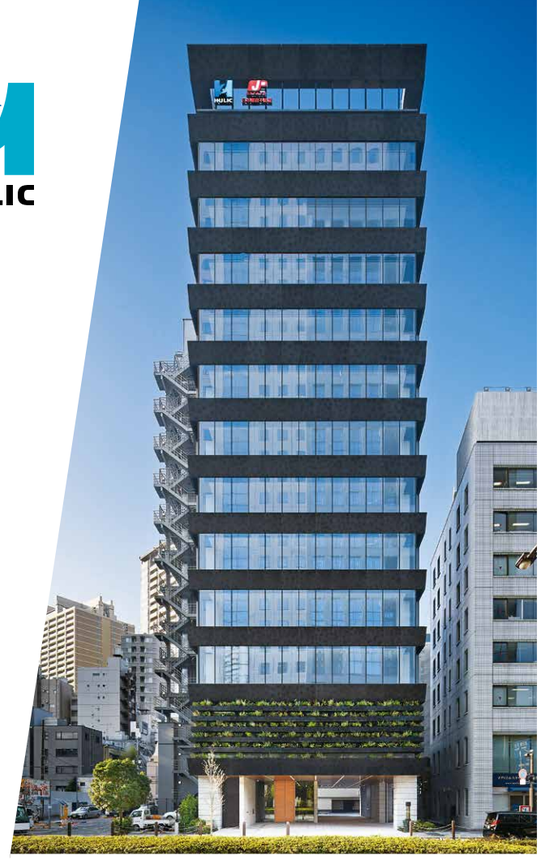
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Integrated Report 2021

HULIC CO., LTD.











Publication of Integrated Report 2021



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 "for the realization of a society full of safety, peace of mind and trust, and for the continuous improvement of corporate value," we have been pursuing growth of our company as well as realization of a sustainable society.

We created and presented the first edition of the Integrated Report ("the Report") last fiscal year. This year, for the second edition, we have further improved the content and have provided stakeholders with a clearer explanation of our medium- to long-term initiatives.

The Report explains the Company's value creation process and how the strengths we have cultivated feed into increasing medium- to long-term corporate as well as social value. It also outlines the Medium- and Long-Term Management Plan launched in 2020 and what we have achieved during its first year. In addition, it 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.

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About the Integrated Report

Financial Information	Non-financial Information

Integrated Report 2021

The Report explains our initiatives for the sustainable growth of the Hulic Group ("the Group") with financial and non-financial information.

- Summary of Consolidated Financial Results
- Investor Presentations
- FACTBOOK
- IR Information
  https://www.hulic.co.jp/en/ir/

- Initiatives for Sustainability
  https://www.hulic.co.jp/en/sustainability/
- Sustainability Book
- 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 2020 (from January 1, 2020 to December 31, 2020)
Information as of December 31, 2020 in principle unless otherwise noted. Notwithstanding the foregoing, included some activities and information after January 1, 2021.

Time of Issuance
June 2021

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"

Environment Social Governance
Guidance for Collaborative Value Creation

Corporate Philosophy and Basic Stance

Corporate Philosophy

For the realization of a society full of safety,
peace of mind and trust,
and for the continuous improvement of corporate value

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 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.

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 (FY2029)

"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 strengths

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

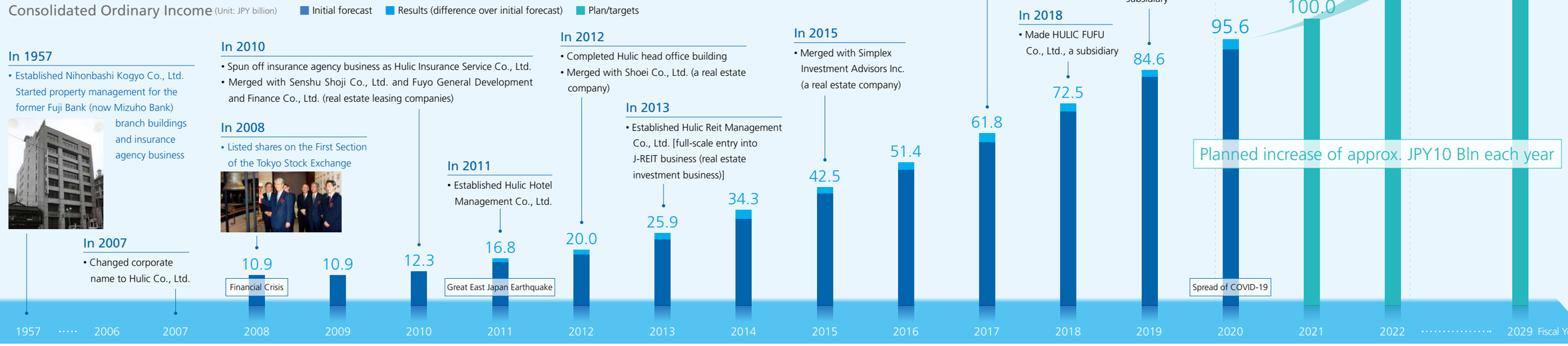
History of Hulic Group

A Real Estate Company with Over 60 Years of Growth and Achievements

In 1957, Hulic (then called Nihonbashi Kogyo) was established to manage the branch buildings and other properties of the former Fuji Bank (now Mizuho Bank).
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 reconstruction, investments, and M&As.

Toward further growth by "driving innovation and accelerating progress"

Consolidated Ordinary Income (Unit: JPY billion)



Long-term Management Plan before the previous plan (2009-2018) | Previous Long-term Management Plan (2014-2023) | Launch of Long-term Management Plan (2020-2029)

Achieved the plan's targets four years ahead of schedule

Achieved the plan's targets four years ahead of schedule

Record of Business and ESG Initiatives

| | | |

Hulic's Management Policy and Business Strategies

Management Policy

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

P/L Growth	B/S Soundness
Posted continued earnings growth since listing on TSE Average rate of growth of Consolidated Ordinary Income: 22.0%	Credit rating: A+ (positive) (as of May 12, 2021) Equity Ratio (December 31, 2020): 32.7%*
Profitability	**Productivity (Efficiency)**
Maintained higher profitability than competitors Ordinary Income to Sales ratio (FY2020): 28.1%	Putting emphasis on income per employee and ROE ROE (FY2020): 13.4%

*50% (JPY175 Bln) of all hybrid finance raised in 2018 and 2020 combined (JPY350 Bln) was calculated as nominal equity.

Business Strategies

Expansion of business domains

Diversification of assets

Current Businesses		New Businesses
Leasing Business	Development Business	New initiatives responding to market needs • Bizflex • Education business for children etc.
Value-added Business	New Acquisitions (including M&As)	
Publicly offered REIT	Private REIT	
Initiatives in growth fields in line with the needs of the times		
Seniors, Tourism and Environment		
"&New" (urban-style commercial facilities)	Data Centers, etc.	

Our Strengths

1. Stable revenue structure centered on leasing business
2. The majority of properties is in prime locations of central Tokyo and/or near stations
3. Selection and concentration strategy

Core Fields	Non-core Fields
• Tokyo and/or near stations	• Regional office buildings
• Medium-sized office buildings	• Large-scale office buildings
• Reconstructions, and small to medium-sized developments	• Large-scale developments
• Nursing homes, hotels, *ryokans* (Japanese style luxury inns)	• Condominiums for sale, overseas businesses

Leasing Business

▶ P. 36〜39



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

▶ P. 40〜43



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 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 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

▶ P. 44〜45



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

▶ P. 46〜51







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 growth prospects by employing various methods including business collaboration and alliance, as well as M&As.

- **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 demand for tourism, which is expected to increase over the medium- to long-term, Hulic operates own-brand hotels and *ryokans* (Japanese style luxury inns), and we are acquiring more 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.
- **Bizflex business**
  We will develop a series of medium-sized flexible offices called "Bizflex" and provide services that allow tenants to use the offices flexibly.
- **Children's education business**
  We will promote businesses that provide education-related services for children.
- **Other businesses**
  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. We are also working to utilize technologies such as AI and IoT in various businesses.



Saburo Nishiura
Chairman, Representative Director

We aim to be a corporate group that continually improves corporate value through flexible evolution in response to changes in the macro environment.

Looking Back on 2020

In the midst of COVID-19 pandemic, we achieved our earnings forecast for the twelfth consecutive year

I think of 2020 as the year that started and ended with COVID-19. Many of last year's "buzzwords of the year award" nominees were related to COVID-19. Even in mid-2021, when this integrated report is published, the uncertainty surrounding COVID-19 might not change, and we expect the impact to be long term. For the time being, I think we have little choice but to continue with our lives while taking extreme care. However, there are limits to every country's financial resources, and if the economy collapses, the effects of unemployment and bankruptcy will have to be considered, so I think difficult times for governments and companies will continue.

The first time I understood the difficulty of the COVID-19 problem was in early March 2020. The first thing we did was secure liquidity and use the Company's CP and OD backup lines to borrow slightly less than JPY200 billion. Although at that time we were able to borrow at low interest rates, we expected the COVID-19 problem to last and to affect our capital position, we raised JPY200 billion through a publicly offered hybrid bonds (subordinated corporate bonds) in early July and used the funds to pay down most of the CP and OD to help stabilize the Company's cash flow.

The next step was to deal with earnings. Since we were focused on tourism as one of our 3K businesses, Hulic's hotel and *ryokan* (Japanese-style luxury inn) operations suffered an operating loss of JPY7.4 billion due to the payment of fixed costs, such as wages, while the number of customers dwindled to almost none. Our hotel and *ryokan* operations include (1) the Gate Hotel series operated by our group in Kaminarimon, Yurakucho and other locations, and by PPP in Kyoto (opened in July 2020), and Ryogoku (opened in November 2020); (2) *ryokan* operated by the Kato Pleasure Group, which collaborates with us in the FUFU series in Hakone, Atami, Nikko, etc.; (3) Nippon View Hotel, which became a wholly owned subsidiary in 2019; and (4) outsourced operations at Tokyo Disneyland, Odaiba, etc. After Tokyo was added to the government's Go To Travel campaign in October 2020, we saw a recovery in the number of domestic guests, but Gate and Nippon View hotels in Asakusa and Narita, traditionally with high ratios of overseas guests, had occupancies only in the 40–50% range. In addition, many recreational facilities were closed or admission was restricted, and consequently the profitability of those operations fell sharply. In response, we accelerated restructuring of leasing assets in line with our Hulic 10 Years from Now, our Medium- and Long-Term Management Plan which started in 2020. The gains we recorded on sales of assets that did not meet our holding policy and increased leasing revenue from newly acquired properties were able to more than offset the Company's losses from hotel and *ryokan* operations.

Despite facing the unexpected challenges of COVID-19, we kept in mind our slogan, "driving innovation and accelerating progress," and made use of the lessons learned from the 2008 Lehman Shock and the 2011 Great East Japan Earthquake. By always looking a half-step ahead, we were able to achieve our consolidated earnings forecast for the twelfth consecutive year.

Let me explain why the Company is so particular about achieving the consolidated earnings forecast. (The Company accounts were closed in December and we announced the results in January 2020.) We were carefully planning the FY2020 consolidated earnings forecast in detail in December 2019. At that time COVID-19 was first reported in Wuhan, but we did not expect the new virus to become such a momentous problem. Other real estate developers who close accounts in March, three months later than Hulic, significantly reduced their FY2020 earnings forecasts from the previous year. The market forecast for our earnings was also lower than we originally announced. The idea of making a downward revision to our earnings forecast did cross our minds as it was clear that our hotel and *ryokan* operations would suffer losses. However, the Company has never lowered earnings forecasts in the 12 years since being listed on the Tokyo Stock Exchange (up to FY2019). I do not believe trust can be built in a day, so I place extreme importance on continuing to achieve earnings forecasts, as we have over the past 12 years. I think the value that we find in maintaining trust is one of the reasons Hulic's properties are rated favorably. We stuck to our principles, and the result was that FY2020 consolidated ordinary income exceeded our forecast of JPY92.0 billion to reach JPY95.6 billion, an increase of more than 12% YoY.

Let us look at ways of working during the pandemic. We made it possible for remote working for all employees during the state of emergency in 2020, and we introduced other measures to reduce the risks associated with commuting while holding down office attendance to 20–30% of the normal level. After the state of emergency was lifted, working in the office returned to 100%, except in special cases such as expectant mothers.

Although a remote work system is in place, some business-related issues give me pause for thought. For example, can we buy a property for JPY10 billion or more without seeing it, and can we decide on prices and other details just by talking on the telephone? Above all, my biggest concern is the education of young employees. Young employees cannot receive the necessary learning opportunities and support from colleagues by remote working. Their skills grow by seeing buildings and by experiencing price negotiations with veteran colleagues. Naturally, we also attach great importance to classroom learning, and we recommend that employees acquire two or more qualifications by the age of 30. Nevertheless, I believe the learning curve moves in the right direction when young employees visit many sites while being taught by more experienced people. For these reasons, we have not introduced complete remote working.

Medium- and Long-Term Management Plan (2020–2029)

Emphasis on the third management plan, Hulic 10 years from Now, which started in 2020

Two points are emphasized in the current plan, Hulic 10 years from Now. The first is our response to an earthquake directly under Tokyo or in the Nankai Trough area. These earthquakes have a 70% probability of occurring within 30 years. Three huge disruptions that no one expected have occurred in the past 12 years: the Global Financial Crisis in 2008, the Great East Japan Earthquake in 2011, and the COVID-19 outbreak in 2020. Compared with those events, the probability of an earthquake under Tokyo or in the Nankai Trough area can be described as quite high. Naturally we need to be prepared. Since I took office as president, the Company has renovated approx. 100 properties to improve earthquake resistance, and by the time Hulic 10 years from Now ends in 2029, we intend to develop and renovate another 100+ properties. During development and reconstruction, we conduct geological surveys and bring buildings up to our in-house earthquake-resistance standards where building performance can safeguard human life and enable continued use of the building with post-earthquake repair in the event of an earthquake with a seismic intensity of 7. This means our in-house standards are 1.25 to 1.50 times stronger than those in the Building Standards Act. For a new building to be completed by 2029, development must start by 2026 or 2027, at the latest. Currently, we have firm plans for 63 properties, but we intend to add about 40 more properties by 2026. Besides, plans for approx. 10 nursing homes and *ryokans* are being confirmed.

The second focus is our response to the predicted decline of 8 million in the working population over the next 10 years. (Realistically, the decline will be more like 6 million due to the extension of the retirement age.) This leads us to the conclusion that office demand will decline over time. The Tokyo Metropolitan Government has launched a financial center concept and is considering how to hire more people from overseas. I think the decline of Hong Kong as a financial center will create a tailwind for us, but there are obstacles in making Tokyo a financial center, such as the need to substantially reduce the corporate tax rate and the fund manager income tax, amid the weakening of government finances. I don't think this will be easy. Also, in the post-COVID era, working remotely could increase in some industries. In light of these considerations, I think we need to reduce the share of offices in our leasing portfolio. Offices now account for around 60% of Hulic's portfolio, but we plan to reduce this share to 50%. As an alternative to offices, we will increase data and logistics centers and nursing homes that meet the needs of the times; properties for children's educations, which has tapped into a market need; and value-added businesses similar to the multipurpose Ito-Yokado Tsurumi shopping mall.



Sustainable Management

By respecting the environment, society, and people, we offer value to society

I believe that Hulic exists to meet the various needs of stakeholders, to be trusted, and to be recognized as socially valuable, just as we exist to earn profits and pay taxes as a company. Therefore, our management not only tends to the economic aspects of the Company, but also to environmental concerns, such as care for the global environment, as well as social concerns, such as building good relationships with local communities and employees. Sustainable growth depends on maintaining a balance among these three aspects of our business.

We are particular about earnings. In the future, however, how we manage the social side of our operations, especially sustainability, will join profitability and growth potential as an important factor leading to our evaluation as a good company. It is natural for the Company's management to take the leadership in sustainability, but in 2020 we established the Corporate Sustainability Office to make certain that all employees, including those at Group companies, are aware of the importance of sustainability. I think the Corporate Sustainability Office will be effective, leading the way until all employees of the Hulic Group are fully aware of sustainability and can systematically implement sustainability at our company and our affiliates.

As a real estate developer, Hulic has consistently focused on addressing environmental issues. As a result, Hulic ranked No. 1 in the real estate/warehouse industry for nine consecutive years in the Environmental Management Survey conducted by Nikkei Inc. (ended in 2019). Nikkei launched the new SDGs Management Survey in 2019, and Hulic took the top spot among real estate developers in "environmental value" in 2020.

We are putting our biggest environmental effort into reducing CO_2 emissions as a real estate company based in the Tokyo metropolitan area. We are already developing and using solar power to generate electricity, and in 2019 we participated in RE100. The idea of RE100 initiative is to commit to target sourcing all electricity used by company's business activities from renewable energy sources and in our case, that includes our Group companies and directly managed hotels and *ryokans*, etc. We declared that we will achieve RE100 before 2025 despite the fact that many companies aim to achieve it by 2050 in Japan. Furthermore, we plan to generate new renewable energy by developing our own solar photovoltaic equipment unlike most other Japanese companies, who plan to achieve RE100 by buying renewable energy. We decided to do this because developing and using electricity from newly generated renewable sources will replace electricity generated from power plants that also produce CO_2, and can lessen environmental impact by reducing CO_2 emissions. Next, we have declared that renewable energy will be used to power all of our leasing properties by 2050. This plan factors in the increase in leased area owing to future property purchases and development. This investment in renewable energy is expected to total approximately JPY100 billion. This estimate is based on today's solar power generation technology, which will almost certainly improve over the next 30 years. In addition, with the end of the FIT tariff system, we could have opportunities to purchase rights and land from companies that give up on solar power generation. In the end, I think the aggregated investment will be smaller than JPY100 billion.

Mindful of the need for stable power generation, we decided to use small-scale run-of-river hydroelectric plants in tandem with solar power because it is not possible to maintain a stable energy supply with solar photovoltaic equipment alone. In September 2020, I went to the Company's first small hydroelectric plant in Kawabadani, Gunma Prefecture, surveyed the site, and made some decisions essential to the operations. For example, all operations should be designed to be controlled from Tokyo due to winter snowfall in the area and handle falling leaves that reduce power generation. We plan to develop 14 small hydroelectric plants by 2050.

Another initiative related to reducing CO_2 emissions is the development of fireproof buildings made of wood, which consume relatively little energy to manufacture and process. Currently, Hulic is building a commercial building with one basement floor and 12 floors above ground on a lot facing Ginza Dori in Ginza 8-chome. This hybrid structure has a fireproof wood and steel framework, and completion is scheduled for October 2021. Kengo Kuma, an acclaimed architect, is in charge of the design. From the perspective of "forest circulation," we have established a policy of planting

the same amount of trees that we use in construction, and we plan to plant trees equivalent to the wood used in this commercial building.

Other environmental initiatives include cutting back on plastic products used in the Company, reducing tap water use, and subsidizing Kyoto University's research into construction using wood. To reduce the use of plastic, we are replacing products, such as cups and utensils, used in the head office cafeteria with paper and wooden ones. Hulic was one of the first companies to promote these types of environmental initiatives, but to clearly show our commitment to decarbonization, we issued Japan's first sustainability-linked bonds in October 2020. This is one example of sustainable finance, as defined by the International Capital Market Association in June 2020. As mentioned above, we have already raised funds, due to the product characteristics of sustainability-linked bonds where coupon changes according to the achievement of sustainability goals, the Company was able to demonstrate a strong commitment to environmental issues. The Company has set the following goals:

(1) **Achieve RE100 by 2025**

(2) **Complete Japan's first fireproof wooden structure, a 12-story commercial building, by 2025**

The bonds, with a 10-year maturity and a 0.44% coupon, were willingly subscribed by the market.

From a social perspective, we consider our approach to major stakeholders and the value we create in society as follows.

1. Customers (Tenants)

We provide our customers with superior environmental performance, safety and security, as well as convenience. If all properties switch to renewable energy (in line with the environmental measures mentioned above), tenants who move into our properties will cut their CO_2 emissions from electricity to zero. More than 100 properties to be developed or reconstructed by 2029 will be able to withstand earthquakes with a magnitude of 7 or 8. Our properties are conveniently located for access to public transportation. Aside from residential properties, such as nursing homes, 63% are within a three-minute walk of a train station and 80% are within a five-minute walk.

2. Local Communities

Hulic does not have any branches or locations other than our head office in Nihonbashi Odenmacho. We therefore have a strong attachment to Nihonbashi Odenmacho as our "home." This neighborhood used to be a wholesale textile district, but with the passage of time, textile companies have moved away and many condominiums have sprung up to replace them. Many residents are relatively young, and there are also many double-income households and households with small children. Against this background, we have accepted local children into our employee nursery school when there is room, and we have donated portable shrines and floats to make neighborhood festivals even more lively. We also asked if a nearby elementary school needed books, and donated over 1,000 new books.

3. Financial Institutions

Real estate developers need considerable funds to grow their businesses. We currently borrow from many financial institutions, but we always keep soundness in mind. In 2020, we improved financial soundness by raising JPY200 billion through a publicly offered hybrid bonds (subordinated corporate bonds; half of the proceeds are considered to be equity capital). Another indicator of soundness is the Company's credit rating. When I took office, the credit rating was BBB-. We have raised our long-term issuer rating one notch every three years since that time until it has now reached A+. The Company's rating outlook turned positive in 2021, and now we are on the way in obtaining an AA rating, a benchmark of soundness, as soon as possible.

4. Shareholders

The Company strives to disclose accurate information with swift communication to our shareholders. We announce earnings within a month of the end of each quarter. In addition, we file our securities report to the Tokyo Stock Exchange with full consolidated financial results before the General Meeting of Shareholders. The Company has increased dividend payments in all 13 years since being listed. In FY2020, the dividend payout ratio was 37%, and we continue to lead the industry in this respect. For shareholder returns, we would like to maintain returns to our shareholders by increasing corporate value and by achieving consolidated ordinary income of JPY180 billion in 2029, in line with the Hulic 10 years from Now management plan. We intend to raise our stock price and generate dividends for shareholders. We are currently not considering share buybacks as a way to generate shareholder returns. We also believe that capital is necessary for continued growth.

5. Employees

Hulic is a small to medium-sized enterprise with about 200 employees. Employees are provided with a salary, fringe benefits, and a comfortable office environment (natural ventilation, natural lighting, manager-rank desks for everyone) suitable for a first-rate professional organization. Moreover the most important thing is that employees think of how to make their work more rewarding, and that we in management keep providing new ideas. Regarding work-life balance, as we have a company-funded nursery school in our





head office building and our other childcare support systems are substantial, no one feels compelled to resign because of marriage or childbirth. I hope we are making a small contribution to slowing Japan's population decline, although the number of people using these systems is relatively modest.

Looking at diversity, when I became president 15 years ago, there were no women in the Real Estate Business Division. Today, females account for approx. 30% of the division's employees, or around 60 people. Now that half of the new graduates we hire is women. This has been so for the past eight or nine years as we make no distinction between career-track and clerical employment. We are also pushing to hire more females in mid-career. We encourage employees to acquire qualifications. Our professional staff of first-class architects, lawyers, real estate appraisers, tax accountants, and certified secretaries (level 1) are an invaluable asset.

Hulic is the only large or medium-sized real estate developer where the average age of employees is in the 30s. My deepest desire is to nurture young people and create a workplace culture where they can take on challenges. In addition, I would like to raise the ratio of female managers to 30% as soon as possible. I believe the greatest responsibility of the management team, including myself, is to raise the competencies of our young people and female employees so they naturally grow into Hulic's leadership positions in the future.

Contributions to Society

Support of Keidanren's One Percent Club

We expressed our support of the Japan Business Federation's (Keidanren's) purpose in founding the One Percent Club, and we participate in this initiative. Our policy is to use 1% or more of consolidated ordinary income for sustainable management and social contributions. For this initiative, we will focus on fields that are compatible with our business, such as environmental protection, social welfare, culture/arts, health/medicine and sports, local communities, education/social education, academic/research, and others. We will maintain a balance among these fields. If a good company is evaluated favorably for profitability, growth potential, and sustainability, I believe the line between sustainability initiatives and social contributions will be blurred going forward.

Let me give a specific example of a social contribution other than those above. In sports, we are an Official Gold Partner of para-badminton. We provide some financial support every year, and we agreed to lend the Company gymnasium free of charge for 10 years. On the cultural front, we support *Shogi*, a traditional Japanese board game similar to chess. We are a special sponsor of Hulic Cup Kisei Championships where Sota Fujii (eighth dan or level) won his first title at the age of 17 in 2020. For women's matches, we hosted the Seirei Championships until 2020, and we are hosting the Hulic Cup Hakurei Championships and women's rank-deciding competition, which serve as the first league championships for women, from 2020. The winning prize of JPY15 million is the highest for any women's match.

Our support for *Shogi* was not intended to produce any benefit for advertising, however, interesting enough, since Sota Fujii won the title, the number of visits to our website has increased sharply. I think many people became curious about Hulic, but at the same time they were unfamiliar with us because the Company is not in the condominium business. In addition, Hulic's support for *Shogi* often came up in conversation when I meet other businesspeople and business owners. As an initiative to address social issues, we provide scholarships to students who aim to acquire nursing care qualifications. Addressing the shortage of nursing care workers is integral to our businesses related to senior citizens. Furthermore, COVID-19 has severely impacted the employment and incomes of single mothers. We donate to an NPO that provides food to single mothers, and we are canvassing other companies to support this NPO.

New Businesses

Business model diversification

Finally, I would like to outline some of our new businesses. I have pushed to diversify our business model over the past 15 years. The real estate business has evolved from reconstruction to PPP, warehousing, investment, establishing REITs (public offerings and private placements), the CRE business, and value-added development. We have also put special effort into developing our 3K businesses (seniors, tourism, and the environment), which we see as growth fields. While evolving our real estate business model, we target fields that address market needs and that have strong growth potential. Through various methods, such as collaboration and alliances with other companies, as well as M&As, we create and develop unique new business domains where we can produce new value. Since January 2020, I have been the head of the New Business Project Team and have been considering the following two ventures.

The first is Bizflex by HULIC or medium-sized flexible offices. We rent out offices of around 50 to 80 tsubo per floor in the city center. (One tsubo is approximately 3.3 m^2) These offices have some unconventional features including being furnished from the start; charging the tenant a two-month commission in lieu of the traditional "key money;" and tenants sharing common lounges and meeting rooms. In addition to those features, we employ the latest digital technology to support our tenants' productivity and digital transformation (DX). Further, we promote environmental performance in several ways. For example, we supply renewable energy sourced electricity generated by Hulic's non-FIT solar photovoltaic equipment through the Group's power producer and supplier (PPS), proactively use building materials with long lifecycles and recycled building materials, and we reduce the amount of construction work associated with tenants moving in and out to reduce waste. Through Bizflex by HULIC, we develop new offices suitable for short-term leases of less than three years. In return for reducing the burden on tenants (initial and operational costs), we believe that monthly rents can be set slightly higher. We expect these short-term offices to be used by startup companies whose floor area requirements tend to fluctuate, and by large companies for specific projects. The first Bizflex office is scheduled to open in Azabujuban, Tokyo, in August 2021, and we will supply similar properties at a rate of about five each year.

The second new business venture is children's education. We plan to enter the children's education business in two ways: (1) business tie-ups with tutoring schools and fitness management companies, and (2) business and capital tie-ups with children's education-related companies, such as tutoring schools and nursery school management companies. One background factor is that people are spending more money on their children's education. The number of double-income households is rapidly increasing (68% in 2019) and so is the use of nursery schools. Also, 16% of households consisting of a married couple in their 30s plus children have incomes over JPY10 million. The gift tax exemption for education funds is maximized at JPY15 million per person, and this system was used 190,000 times from 2013 to 2018 to transfer JPY1.4 trillion to the next generation. A combination of free childcare becoming common as well as increases in income and the value of assets has led to leaving more money to be spent on children's education. However, it is a strain for double-income couples to transport children between tutoring schools and sports classes. Therefore, we are considering a business alliance with Riso Kyoiku and Konami Sports. We will purchase land and construct buildings in an area where both companies wish to open facilities, and our partners would provide study, exercise, and other services for children in one location.

In addition to the two ventures mentioned above, we are acquiring more next-generation assets that fulfill social needs, including data centers and distribution warehouses. In one central Tokyo property, we are developing a small, urban data center that we see as having strong growth potential. We are collaborating with the TEPCO Group and Kandenko in this project. We have started acquiring land for a distribution warehouse, and we are drawing up plans for its future. On a different front, we opened a premium executive club providing high-quality services related to business, relaxation, leisure, and health for corporate executives in 2019 at the location where Hulic was founded. In May 2020, we added a first-class boardroom that provides high security, IT infrastructure, and secretarial services. Although executive clubs are not well known in Japan, both facilities have been well received and quickly moved into the black, even though they had no precedents when they opened.

Driving innovation and accelerating progress

Looking a half-step ahead

"Driving innovation and accelerating progress" is Hulic's motto. In 2020, everything was overshadowed by COVID-19, but Hulic 10 years from Now, our Medium- to Long-Term Management Plan, still got off to a good start. Under our motto of "driving innovation and accelerating progress," we promoted a high-level balance among P/L growth, B/S soundness, profitability, and productivity in our management. As a result, Hulic increased both earnings and dividends again in 2020, continuing an unbroken streak since the Company was listed 13 years earlier. For profitability, consolidated ordinary income grew more than 10%, exceeding our initial forecast despite losses from tourism-related operations. Hulic is a small to medium-sized enterprise with about 200 employees, but we ranked in the top 100 of Japan's 3,700 listed companies for consolidated operating income, ordinary income, and net income. For balance sheet (B/S) soundness, our credit rating and equity ratio (32.7%) are at record high levels (financial KPIs have factored in the effect of hybrid financing as nominal equity). Ordinary income per employee, which is our benchmark for productivity, remained at a high level.

It appears unlikely that COVID-19 will be brought completely under control in 2021, but we are determined to keep looking a half-step ahead as we move forward. When I arrived at Hulic 15 years ago, consolidated ordinary income was less than JPY10 billion. In 2021, I would like to achieve the milestone of JPY100 billion in consolidated ordinary income, which will bring Hulic within sight of the major Japanese real estate developers, as well as raise the Company's credit rating to AA. In this way, we will balance P/L growth, B/S soundness, profitability, and productivity at a high level. Based on "driving innovation and accelerating progress," we will continue to improve corporate value through flexible, environmentally sensitive evolution.



I would like to present Hulic's business results for FY2020, the first year of the Medium- and Long-Term Management Plan, as well as our plans for FY2021.

1. Looking Back on FY2020

1 In FY2020, the COVID-19 crisis hit just when we launched the Medium- and Long-Term Management Plan. As the business environment rapidly changed, we reaffirmed the following as our company-wide corporate policy:

- For COVID-19 countermeasures, take preventive actions depending on the situation, including work from home.
- Strive for business continuity with a commitment to achieving this fiscal year's plan.
- Push the basic strategies of the Medium- and Long-Term Management Plan ahead of schedule, as much as possible.

Under this policy of initiatives, our business performance for FY2020 saw record-high income at all levels, with consolidated operating income of JPY100.5 billion, higher by 13.8% over the previous fiscal year; consolidated ordinary income of JPY95.6 billion, a 12.9% rise YoY; and consolidated profit attributable to owners of parent of JPY63.6 billion, an increase of 8.1% YoY. In addition, the annual dividends was increased by JPY4.5 to JPY36.0, continuing the annual increases since our listing. The major factors driving the higher profits were the contributions of increased leasing revenue from properties including newly acquired office and commercial buildings; corporate real estate (CRE); and nursing homes near stations in Tokyo's five central wards; as well as a significant increase in sales gains from rebalancing our leasing portfolio.

Looking at the impact of COVID-19, directly operated hotels of a tourism-related subsidiary were forced to temporarily close and restrict operations, but the impact on other business categories was relatively minor.

2 Throughout the year, the top priority was put on restructuring our leasing portfolio. The aim was to establish a strong, competitive leasing portfolio from the perspectives of business viability and disaster prevention. This requires focusing on five specific asset types from the viewpoints of location, use, investment efficiency, and growth potential in asset value. We will also need to concentrate our acquisitions and development on those assets types, while selling off some properties, including those that are not among the focused asset types and others that do not meet or exceed our earthquake resistance standards which are stricter than regulation requirements. We started to implement this strategy ahead of schedule. Though it was originally positioned as an important basic strategy for the Medium- and Long-Term Management Plan, Phase I (2020–2022), it was judged to be more urgent during the COVID-19 pandemic, and we accelerated our actions. We achieved tangible results. The leased floor area of properties near stations in Tokyo's five central wards, core of our focused asset types, increased by 6% from the previous fiscal year, and the average rents in this area rose 2% YoY amid a downward trend in the market. In basic strategic areas other than portfolio restructuring, we also made strong progress on the Medium- and Long-Term Management Plan, including in development, value-added, and new properties, as well as sustainability.

Our company has an award system called Hulic Awards; we recognize employees for outstanding achievements for new approaches, development potential, innovation, and impact on management. The 2020 winners were mostly mid-career and young employees who contributed to the progress of the Medium- and Long-Term Management Plan. It was reassuring to see that these employees who will bear the future of Hulic are willing to be responsible and to contribute to the plan's progress, which created momentum toward achieving our goals for the fiscal year.

2. Looking Ahead to FY2021

1 Our quantitative plans for FY2021 are consolidated operating income of JPY110.0 billion, consolidated ordinary income of JPY100.0 billion, and consolidated profit attributable to owners of parent of JPY65.0 billion.

With real estate market conditions buoyed by a policy of extreme quantitative easing, we expect the prices of outstanding properties to remain steady, as there is a strong desire to invest in real estate that generates stable cash flow. On the other hand, depending on the location and use, the number of properties that were strongly impacted by COVID-19, such as those with rising vacancy rates and declining rents, is likely to increase. Therefore, sorting and polarization are also expected to advance further as a result. For the impact of COVID-19, we expect the situation to begin to normalize from the fourth quarter onward. However, since this is unpredictable, we will continue to work hard throughout the year to minimize risks with our directly operated hotels.

2 I would like to present initiatives in our major business areas that will drive our plan for FY2021.

- In our core leasing operations, we will continue to restructure our portfolio including rebalancing of properties to strengthen our leasing business foundation. We expect consolidated operating income to increase by JPY2.3 billion YoY after posting sales gains from rebalancing properties and selling properties to Hulic REITs. We plan to invest JPY260.0 billion in new properties and will focus on acquiring specific asset types, such as CRE, where we expect stable cash flows, as well as logistics centers, where we expect growth, in addition to properties in our focus areas (Ginza, Shinjuku East Side, Shibuya/Aoyama, and Asakusa). We plan to grow operating income from leasing by JPY4.5 billion YoY with the investment profit from newly acquired properties and the full-year contributions of operational properties acquired in FY2020.
- The challenge facing us for property development, which we anticipate to be a growth driver, is to accumulate a list of over 100 development projects as fast as possible. We have already secured 63 projects (including some that are unofficially confirmed) by the end of FY2020. Then we will be able to see all of these projects being completed by the end of the Medium- and Long-Term Management Plan period (2029). In addition to our focus area—Tokyo's five central wards—we will acquire sites for the development of assets that can be expected to increase in value going forward in relation to our new businesses including a building that houses one-stop services for children, medium-sized flexible offices Bizflex by HULIC and logistics centers, data centers and PPP projects.
- For our value-added properties, which we also expect to be a growth driver, construction is underway to add value to the Ito-Yokado Tsurumi Shopping Mall under the new concept of a commercial center that has deep roots in the local community. It will open this fall. In addition, at the Hulic Kasai Rinkai Building, construction is underway to expand the distribution center using untapped capacity. It will be completed as Hulic Logistics Kasai in May 2022. We expect both projects to bring significant increases in asset value and become models for our value-added business growth.

3 Although the business environment remains uncertain due to the unforeseeable impact of COVID-19, we will make every effort to achieve our plan for the fiscal year by further speeding up our initiatives for the basic strategies of the Medium- and Long-Term Management Plan.

3. Message to Our Stakeholders

We are in the midst of an era of remarkable change on all fronts. And the appearance of COVID-19 shed light on hidden social issues and brought new ones to the forefront. I think that the "waves of change" found in the economy, society, daily life, and nearly everywhere else will become more intense and sudden in the future. In an environment when it is certain that change will happen but uncertain how it will occur, Hulic's target profile set out in the Medium- and Long-Term Management Plan "to steadily increase our corporate value through evolving ourselves flexibly in response to changes in macro environment." We might evolve into something completely different from what we are today in response to changes in the environment. I think the changes that are occurring are so big that we will not survive unless we are prepared to adapt. Nevertheless, what should never change is that we remain a company that grows by seeing the social issues of the times as business opportunities and that helps to resolve them together with stakeholders.

We look forward to the future growth and evolution of Hulic, which has continued to change with the keywords "driving innovation and accelerating progress," and we sincerely ask for your continued support.



Manabu Yoshidome
President, Representative Director

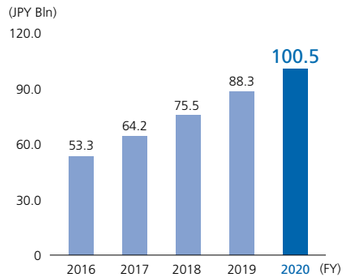
Financial and Non-financial Highlights

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 (consolidated basis unless otherwise indicated)

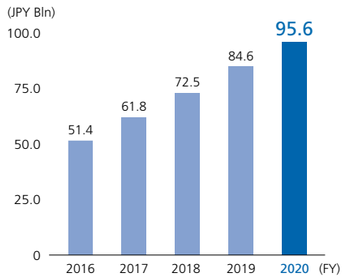
Operating Income

JPY100.5 billion



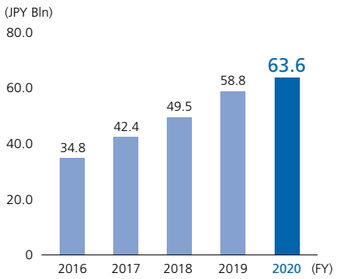
Ordinary Income

JPY95.6 billion



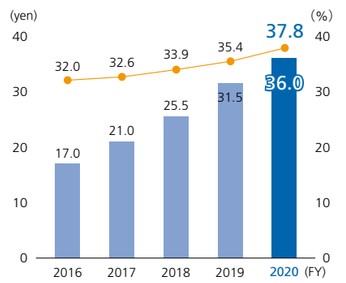
Profit Attributable to Owners of Parent

JPY63.6 billion



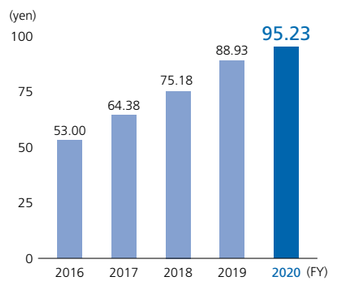
Dividends per Share, Dividend Payout Ratio

JPY36.0 / 37.8%



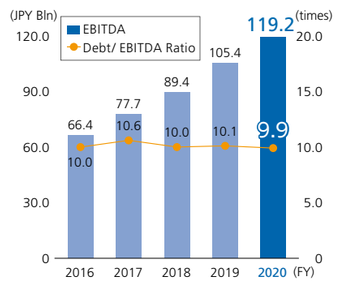
Net Income per Share

JPY95.23



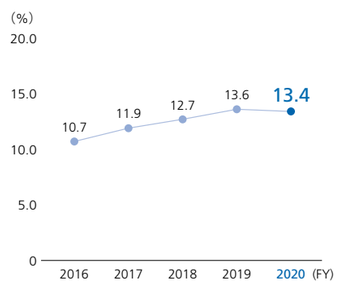
EBITDA*1, Debt/EBITDA Ratio*2*3

JPY119.2 billion / 9.9 times



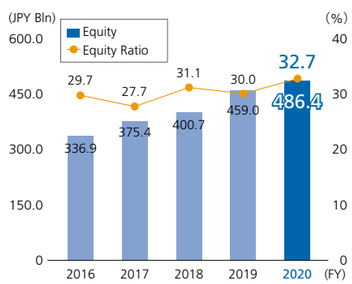
Return on Equity (ROE)*4

13.4%



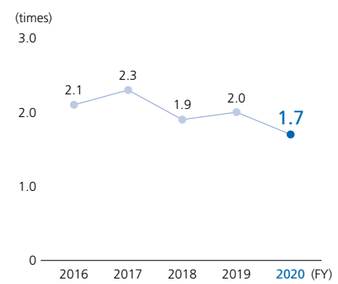
Equity, Equity Ratio*3*5

JPY486.4 billion / 32.7%



Net D/E Ratio*3*6

1.7 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 FY2018 (JPY150 Bln) was calculated as nominal equity in FY2018 to FY2020. Similarly, 50% (JPY100 Bln) of hybrid financing raised in FY2020 (JPY200 Bln) was calculated as such in FY2020.

*4 Return on equity (ROE) = Profit attributable to owners of parent/Equity (average balance)

*5 Equity Ratio = Equity/Total assets

*6 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 78-83 for analysis of results.

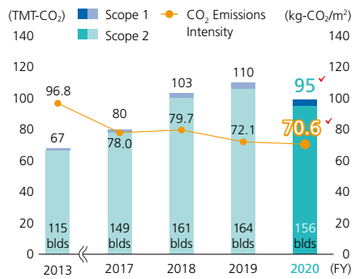
* Non-financial information; please see page 26-27 regarding targets, coverages and calculation methods, and pages 52-77 for other results and major initiatives.

Major Non-Financial Information

E Environment S Social G Governance

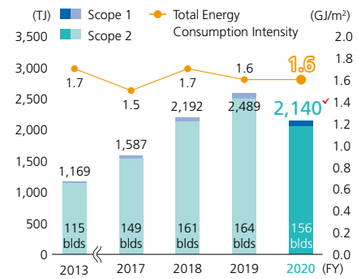
E CO_2 Emissions, CO_2 Emissions Intensity*1

95 TMT*-CO_2, 70.6 kg-CO_2/m²



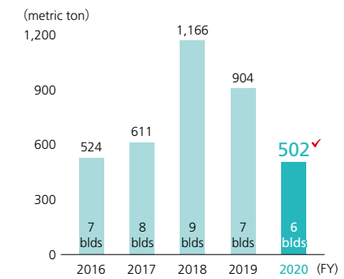
E Total Energy Consumption, Total Energy Consumption Intensity*1

2,140TJ, 1.6GJ/m²



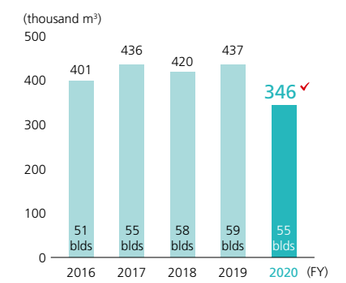
E Waste Disposal*2

502metric tons



E Water Consumption

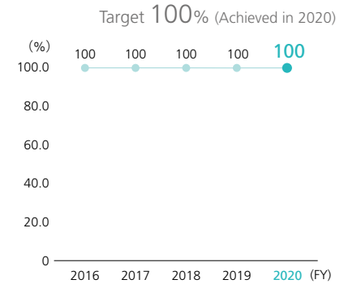
346thousand m³



S % Properties Meeting Hulic's Earthquake-resistance Standards*3

100.0%

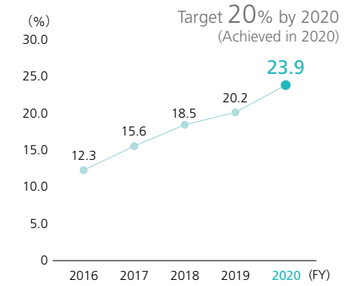
Target 100% (Achieved in 2020)



S Ratio of Female Managers

23.9%

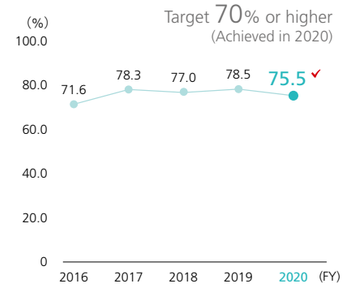
Target 20% by 2020 (Achieved in 2020)



S Usage Rate of Paid Leave

75.5%

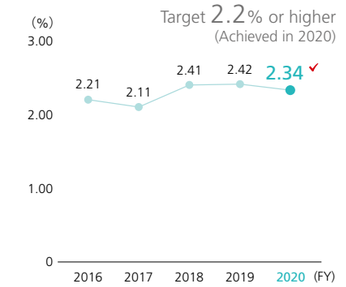
Target 70% or higher (Achieved in 2020)



S Employment Ratio of Persons with Disabilities

2.34%

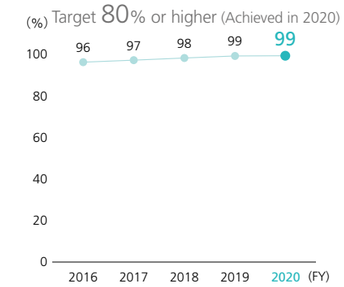
Target 2.2% or higher (Achieved in 2020)



G Participation Rate of Directors in Board of Directors Meetings

99%

Target 80% or higher (Achieved in 2020)



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

*1 Until Integrated Report 2020, the boundary was: "office buildings with a total floor area of 3,000m² or above (excluding buildings where bank branch is the sole tenant, as well as sectional and shared ownership properties and real estate for sale)." From this year, we expanded the boundary to : "buildings in which the Company's ownership ratio of the total floor area is 50% or more (excluding properties for residential use and real estate for sale)." This includes properties for which we do not have control of energy management. The values for 2019 and years preceding were recalculated as reference values based on the new boundary. The target data is energy-related CO_2 emissions. The unit calorific values and the CO_2 emission factors are based on values in the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures. CO_2 emissions intensity and energy consumption intensity are calculated by dividing by the sum of the total floor area of the properties in the boundary. CO_2 emissions and energy consumption of sectional and shared ownership properties are accounted according to Hulic's share of ownership of the total floor area.

*2 In FY2020, we calculated total waste disposal at certain properties in the boundary by using weight conversion factors based on actual measurements. As a result, we were able to improve the precision of the weight of the total waste disposal by 169 metric tons compared with the weight calculated by using the conventional weight conversion factors.

*3 Hulic's earthquake-resistance standards are where building performance can safeguard human life and enable continued use of the building with post-earthquake repair in the event of an earthquake with a seismic intensity of 7.

Hulic Group's Value Creation Process

For the realization of a society full of safety, peace of mind, and trust,
and for the continual improvement of corporate value

Materiality identified from social issues

E Environment-related issues
- Actions for climate change
- Efficient use of resources
- Promotion of the ecosystem protection and restoration
- Enhancement of environmental management system

S Social issues
- Provision of safe and secure lifestyles
- Provision of healthy and comfortable lifestyles
- Coexistence with business partners / local communities
- Response to aging society
- Response to increasing number of tourists
- Striking a work-life balance and advancement of talent development
- Advancement of diversity and inclusion and respect for human rights
- Practicing sustainable agriculture

G Corporate governance-related issues
- Corporate governance and compliance
- Response to changes in financial and real estate markets
- Business continuity plans (BCPs)



For the realization of a society full of safety, peace of mind and trust, and for the continuous improvement of corporate value

Strengths Created from Selection and Concentration*1

Properties in prime locations
(Manufactured capital)
- Approx. 250 properties owned or under management
- Focus areas: Ginza, Shinjuku East Side, Shibuya / Aoyama, Asakusa
- Approx. 75% of Hulic's properties are in Tokyo 23 wards (excluding residential and related properties)
- Approx. 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): 1,934 (of which, 287 are in the real estate business)
- Ordinary Income per employee (parent company basis): JPY580 million

Initiatives in advanced technology development
(Intellectual capital and natural capital)
- Formulation and implementation of the Hulic Guidelines for Longer Life Building
- Introduction of natural ventilation and natural lighting systems that were developed with MIT
- Operational improvement using AI and IoT technologies

Stable financial base
(Financial capital)
- Credit rating: A+ (positive) (as of May 12, 2021)
- Equity: JPY486.4 billion
- Equity ratio: 32.7%*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

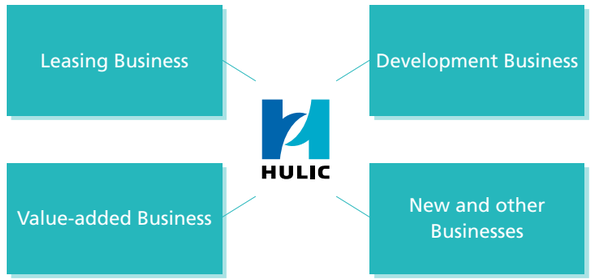
*1 As of December 31, 2020

Growth Strategies and Business 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

Business Activities



ESG Initiatives to support business

E	S	G
E (environmental) initiatives	S (social) initiatives	G (governance) initiatives

Achievements of Business Activities

Financial achievements*2
- Ordinary Income JPY95.6 billion
  Average rate of growth of Ordinary Income: 22.0%
- ROE 13.4%
- Dividend Payout Ratio 37.8%
- Dividends per share JPY36.0
- Net D/ E Ratio 1.7 times*3
- Debt /EBITDA 9.9 times*3

Targets Medium- and Long-Term Management Plan Page 29

Non-financial achivements
Targets were achieved for;
- CO_2 emissions intensity
- Technical measures applied to reduce construction waste
- Number of investments in renewable energy facilities
- Number of greening projects
- Number of times the Sustainability Committee engaged in climate change monitoring
- Percentage of properties meeting Hulic's earthquake-resistance standards
- Usage rate of paid leaves
- Ratio of female managers
- Employment ratio of persons with disabilities
- Number of BCP drills and inspections of stockpiled food and goods

Targets KPIs and targets Pages 26 to 27

Value Created for Society

Peace of mind and trust for society as a whole
- Achieving net zero CO_2 emissions at Hulic's properties, and achieving RE100*4
- Developing environmentally conscious and energy-saving buildings
- Protecting the global environment by introducing environmental technology

Details Pages 52 to 59

Peace of mind and trust for customers
- Buildings with particular emphasis on earthquakes and water damage
- High energy-saving performance buildings
- Extending the lifespan of buildings
- Active development of businesses in response to demographic change (aging) and social dynamics (increasing tourists)

Details Pages 36 to 51, 60 to 62

Peace of mind and trust for employees
- Workplace rich in diversity and inclusion
- Workplace with work-life balance
- Providing career development support

Details Pages 63 to 65

Peace of mind and trust for investors
- Achieving stable financial growth
- Increased dividends every fiscal year since TSE First Section listing
- Providing diverse forms of mutual communication

Details Pages 28 to 35, 68 to 77

Peace of mind and trust for local communities and business partners
- Contributing to positive long-term relationships
- Contributing to resolution of issues in local communities
- Providing broader social contribution activities

Details Pages 62, 66 to 67

SDGs contributed to



Continue evolving for further progress

*2 FY2020 results
*3 50% (JPY175 Bln) of all hybrid finance raised in 2018 and 2020 combined (JPY350 Bln) was calculated as nominal equity.
*4 Renewable electricity 100%, or sourcing 100% of electricity needed for business activities from renewable energy sources

Materiality Assessment

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

Materiality Assessment

Step 1
Identification of social issues
Analyze global social issues* and ESG trends to identify a wide range of environmental, social, and economic issues
* SDGs, Global Risk Report 2019, etc.

Step 2
Evaluation of materiality
Quantify and evaluate social issues from the viewpoint of their impact on stakeholders and Hulic's management, then prioritize

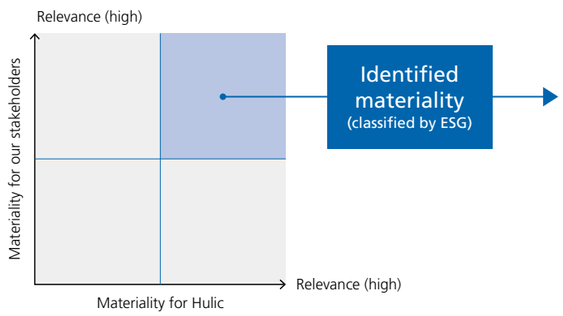
Step 3
Identification of materiality
Assess and identify materiality based on the two criteria: importance to Hulic and to its stakeholders

Step 4
Discussion and confirmation by the management
Identified materiality are examined and confirmed at management meeting

We will continue to review the identified materiality issues and implement effective initiatives and actions.

Materiality Identified

We identified and selected issues of especially high materiality in terms of their importance to Hulic and to our stakeholders.



	Identified materiality
E	Actions for climate change
	Efficient use of resources
	Promotion of the ecosystem protection and restoration
	Enhancement of environmental management system
S	Provision of safe and secure lifestyles
	Provision of healthy and comfortable lifestyles
	Coexistence with business partners / local communities
	Response to aging society
	Response to increasing number of tourists
	Striking a work-life balance and advancement of talent development
	Advancement of diversity and inclusion and respect for human rights
	Practicing sustainable agriculture
G	Corporate governance and compliance
	Response to changes in financial and real estate markets
	Business continuity plans (BCPs)

Our major stakeholders and related materiality

We are committed to realizing a sustainable society by delivering environmental, social and economic value through interactive communication with all stakeholders. Stakeholders who are particularly important for our sustainable growth and relevant materiality issues are indicated below.

Classification	Key stakeholders	Major engagements (frequency in parentheses)	Materiality of high relevance	
Customers	• Tenants • Facility users	• Customer satisfaction survey (annually) • Disclosure of information in our Integrated Report and on our website (when appropriate) • Establishment of a contact point for inquiries (permanent)	• Provision of safe and secure lifestyles • Provision of healthy and comfortable lifestyles • Coexistence with business partners / local communities • Response to aging society • Response to increasing number of tourists • Practicing sustainable agriculture	**Materiality relevant to all stakeholders** • Actions for climate change • Efficient use of resources • Promotion of the ecosystem protection and restoration • Enhancement of environmental management system * We are actively working on environment-related issues and business continuity plans (BCPs), as they are materiality issues that affect society as a whole.
Business Partners	• Building management companies • Construction companies • Building maintenance contractors • Real estate agents • Financial Institutions	• Regular meetings and business interaction (as required) • Disclosure of information in our Integrated Report and on our website (when appropriate)	• Coexistence with business partners / local communities • Response to changes in financial and real estate markets	
Employees	• Employees of the Hulic Group	• Disclosure of information through the company intranet (when appropriate) • President's message (monthly) • Career development interviews (twice a year or more) • President's survey (twice a year)	• Striking a work-life balance and advancement of talent development • Advancement of diversity and inclusion and respect for human rights	
Local Communities	• Local communities • NPOs and NGOs	• Social contribution activities and volunteer activities (when appropriate) • Participation in neighborhood associations (when appropriate) • Engagement with communities in the vicinity of our projects (when appropriate) • Engagement with NPOs and NGOs (when appropriate)	• Coexistence with business partners / local communities	
Administrative Organizations	• National and local public bodies	• Promoting PPP business (when appropriate) • Initiatives for various awards and evaluations (when appropriate) • Payment of appropriate taxes (when appropriate)	• Coexistence with business partners / local communities • Advancement of diversity and inclusion and respect for human rights	
Shareholders, Investors	• Individual investors • Buy-and-hold investors	• Briefings for individual investors and for analysts and institutional investors (including overseas) (when appropriate) • Timely disclosure of information through our website (when appropriate) • Establishment of a contact point for inquiries (permanent) • Issuing a shareholder newsletter (twice a year)	• Corporate governance and compliance	

Opportunities and risks related to materiality and our actions

	Materiality	Major Opportunities and Risks (○: opportunities, ●: risks)	Hulic's Major Initiatives and Actions	SDGs contributed to
Environment	Take actions for climate change	○ 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	・Initiatives to achieve net zero CO_2 emissions by 2050 ・Investment in renewable energy facilities, support for RE100 initiative and achievement by 2025, information disclosure based on TCFD recommendations ・Reducing CO_2 emissions and promoting forest circulation by developing fireproof wooden buildings ・Active adoption of environmentally friendly technologies (natural ventilation and natural lighting systems developed jointly with MIT, etc.)	7, 9, 13
	Promote efficient use of resources	○ Heightened need for facilities utilizing resources effectively and recycling technologies ● Risk that business activity may wane if resources were exhausted	・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.)	12, 15
	Promote the ecosystem protection and restoration	○ 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	・Use of labelling systems including JHEP certification, etc. ・Promotion of greening in development projects	14, 15
	Enhance environmental management system	○ 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	・Oversight of the Board of Directors and setting up a corporate governance mechanism centered on the Sustainability Committee ・Establishment and implementation of long-term vision for environment with targets for 2050	9, 13
Social	Deliver safe and secure lifestyles	○ 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	・Active adoption of earthquake-absorbing and earthquake-damping structures (initiatives to improve earthquake-resistance of buildings) ・Comprehensive assessment of natural disaster risks at properties of all asset types	9, 11
	Deliver healthy and comfortable lifestyles	○ Heightened need for comfortable, healthy and productive indoor environments ● Reputational risk if health damage occurred in one of Hulic's buildings	・(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.)	3
	Coexistence with business partners / local communities	○ 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	・Establishment of long-lasting good relationships through close and continuous mutual communications ((Tenants) Implementation of customer satisfaction surveys, delivering meticulous response to tenant needs (Business partners) Establishment of close communications with management and construction companies (Local communities) Donating books to an elementary school near the Hulic head office building, neighborhood cleanup activities, etc.)	1, 11, 17
	Respond to aging society	○ 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	・(Initiatives in business) Promotion of senior citizen-related businesses (development of and investment in nursing homes) ・(Initiatives for talent acquisition) To secure a stable workforce, improve fringe benefits and rehire seniors who want to work ・(Social contribution) Establishment and operation of Hulic Scholarship Program for Training of Welfare Caretakers	3, 8
	Respond to increasing number of tourists	○ Expected rise in need for accommodation over the medium- to long-term ● Risk of losing hotel guests if we failed to respond to diverse tourist needs	・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)	9
	Strike a work-life balance and advance talent development	○ 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	・Provision of supporting framework for employees during pregnancy, childcare and caring for the elderly, and raising awareness on related programs ・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	3, 5, 8
	Advance diversity and inclusion and respect for human rights	○ Improvement of operational quality and productivity can be achieved by respecting diversity and inclusion ● Reputational risk may rise if we failed to respond to the need for diversity and inclusion	・Raising awareness of diversity and inclusion, as well as developing various programs and systems ・Initiatives to establish a talent management system that recognizes various work styles including work from home ・Employment of diverse human resources	5, 8, 10
	Practice sustainable agriculture	○ 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	・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	2
Corporate Governance	Further strengthen corporate governance and compliance	○ The effectiveness of operations is ensured and confidence in management improves when internal controls and corporate governance work ● Non-compliance issue and deterioration of public confidence may occur due to lack of appropriate compliance culture and system	・Appointment of external directors / auditors with knowledge in a variety of specialized fields ・Establishment of a nomination committee and a compensation committee ・Provision of compliance trainings for all employees / establishment of compliance hotlines	16
	Respond to changes in financial and real estate markets	○ 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	(Real estate markets) ・Maintenance and improvement of competitiveness through adding value to our properties by redevelopments, renovations, etc. ・Careful 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	9
	Enhance business continuity plans (BCPs)	○ 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	・Formulation of BCP, implementation of drills once or more each year ・Establishment of cooperative program with external parties to examine situations and implement response measures on Company properties in times of disaster	11

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 FY2020 results, we received assurance from an independent assurance provider concerning the following eight items: total energy consumption, CO_2 emissions (aggregate of Scope 1 and Scope 2) and CO_2 emissions intensity, number of greening projects, water consumption, waste disposal, 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 sustainability initiatives to the stakeholders while strive to improve disclosure quality using PDCA cycle.

Results for KPIs are shown from the year they were set as KPIs and indicated as a "– (dash)" for earlier years.

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 (If no fiscal year is given for a target, the target remains effective every year)	Coverage	Base Year (FY2013)	Results FY2016	Results FY2017	Results FY2018	Results FY2019	Results FY2020	Unit	Assessment (◎:achieved, ○:progressed, △:not progressed, —:not subject to assessment)	Relevant Page
Environment	Promote carbon-free society initiatives through building operations	Take actions for climate change	Take actions for global warming across the entire value chain of Hulic's properties	CO_2 emission reduction target*1: Reduce CO_2 emissions (The base year: 2013) 40% by 2025, 45% by 2030, 100% by 2050	156 major properties*2	96.8	—	—	—	—	70.6✓/27%	kg-CO_2/m^2 ／%	○	52～59
			Use renewable energy and develop new technologies	RE100 achievement rate*3: 4% in 2021, 30% in 2022, 35% in 2023, 70% in 2024, 100% in 2025	Electricity used in Hulic Group business activities		—	—	—	—	0.5%	%	○	54～55
				Number of capital investments for renewable energy facilities: 3 or more each year	All completed properties each year		3	4	6	4	3 (8 properties in boundary)	property	◎	55
		Promote efficient use of resources	Reduce waste at Hulic Group	Waste disposal: No numerical target (follow-up item)*4	6 buildings occupied by the head offices of Hulic and its Group companies*5		524	611	1,166	904	502✓	metric ton	—	19、58
			Reduce waste in property development	Percentage of technical measures (such as longer life design, etc.) *6 applied to reduce construction waste: 100% each year	All completed fixed assets each year		—	—	—	—	100% (8 properties in boundary)	%	◎	58
			Reduce water consumption at Hulic's properties	Water consumption (thousand m^3): No numerical target (follow-up item) *4	55 major properties*7		401	436	420	437	346✓	thousand m^3	—	19、58
		Promote the ecosystem protection and restoration	Promote greening	Number of greening projects*8: 1 or more each year	All completed properties each year		1	5	9	3	5✓(8 properties in boundary)	property	◎	59
		Enhance environmental management system	Implement environmentally friendly management	Number of times the Sustainability Committee engaged in climate change monitoring: 1 or more each year	Hulic Co., Ltd.		—	—	—	—	1	time	◎	52
				Number of Environmental Advisory Council meetings held: 1 or more each year	Hulic Co., Ltd.		—	—	—	1	1	time	◎	52
Social	Promote business operations with particular emphasis on improving earthquake resistance to build a more resilient society	Deliver safe and secure lifestyles	Enhance earthquake countermeasures in Hulic's properties	Percentage of properties meeting Hulic's earthquake-resistance standards*9: 100% each year	All completed properties each year		100% (2 properties in boundary)	100% (6 properties in boundary)	100% (11 properties in boundary)	100% (4 properties in boundary)	100% (8 properties in boundary)	%	◎	19、60～61
		Deliver healthy and comfortable lifestyles	Advance health and productivity management	Percentage of employees who received medical checkup*10: 100% each year	Hulic Co., Ltd.		100%	100%	100%	100%	100%✓	%	◎	64
		Coexistence with business partners / local communities	Improve customer satisfaction	Number of customer satisfaction surveys: 1 or more each year	Hulic Group		1	1	1	1	1	time	◎	61
		Respond to aging society	Promote senior citizen-related business	Nursing homes Number of units: 5,000 in near future	Hulic Group (including properties sold/trusted to REIT)		—	—	—	3,400	3,600	room	○	46
		Respond to increasing number of tourists	Promote tourism-related business	Accommodation facilities Number of rooms: 10,000 in near future			—	—	—	8,200	8,000	room	○	47
		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%／6 people	100%／0 people	100%／1 people	100%／7 people	100%／3 people	%／people	◎	64
				Ratio of employees returning to work after childcare leaves: 100% per year	Hulic Co., Ltd.		100%	100%	100%	100%	100%	%	◎	64
			Encourage the planned use of paid leave	Usage rate of paid leaves*11: 70% or higher each year	Hulic Co., Ltd.		71.6%	78.3%	77.0%	78.5%	75.5%✓	%	◎	19、64
			Advance talent development	Number of additionally obtained qualifications by employees*12: No numerical target (follow-up item)	Hulic Co., Ltd.		10	31	21	23	29	people	—	63
		Promote diversity and inclusion and respect for human rights	Further increase programs for advancing diversity and inclusion	Ratio of female managers: 2020; 20%, 2024; 25%, 2029; 30%	Hulic Co., Ltd.		12.3%	15.6%	18.5%	20.2%	23.9%	%	◎	19、65
				Number of seminars provided by the Diversity Promotion Project Team: once each year	Hulic Co., Ltd.		1	1	1	1	1*14	time	◎	65
			Increase employment of persons with disabilities	Employment ratio of persons with disabilities: Maintaining the statutory employment ratio of 2.2% or higher (The statutory employment ratio was 2.0% or higher in and before 2017, and 2.2% or higher between 2018 to 2020.)	Hulic Group*13		2.21%	2.11%	2.41%	2.42%	2.34%✓	%	◎	19、65
		Practice sustainable agriculture	Enhance agribusiness	Production area (ha): 15ha by 2025	Hulic Group		—	—	—	11	10	hectare	○	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: 80% or higher each year	Hulic Co., Ltd.		96%	97%	98%	99%	99%	%	◎	19、69
				Number of effectiveness assessment of the Board of Directors: once each year	Hulic Co., Ltd.		—	—	—	—	1	time	◎	71
			Compliance	Number of compliance training conducted: Five times each year (4 times for employees and once for officers)	Hulic Co., Ltd.		5 (4 employees, 1 officer)	5 (4 employees, 1 officer)	5 (4 employees, 1 officer)	5 (4 employees, 1 officer)	5 (4 employees, 1 officer)	time	◎	76
		Respond to changes in financial and real estate markets	Risk management	Number of Risk Management Committee and Fund and ALM Committee meetings: 4 times each year, respectively	Hulic Co., Ltd.		—	—	—	4／13	4／22	time	◎	75
		Enhance business continuity plans (BCPs)	Risk management	Number of BCP drills and inspections of stockpiled food and goods: 1 or more each year	Hulic Group		1	1	1	1	1	time	◎	75

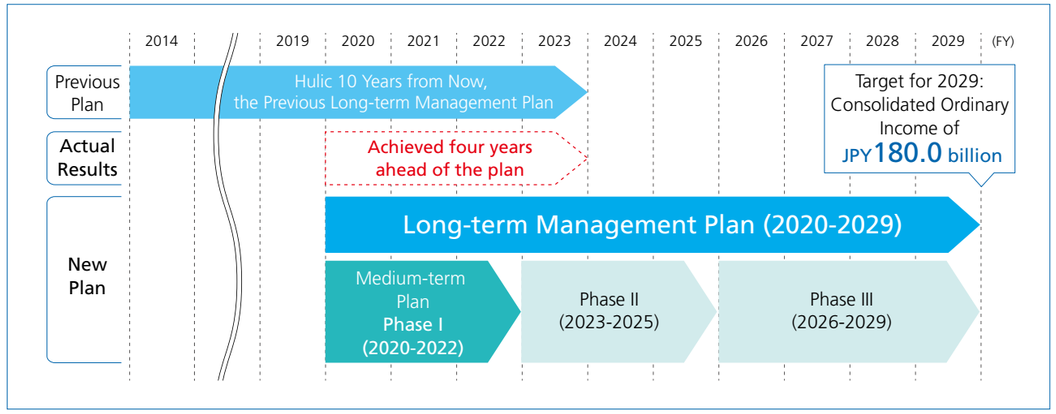
*1 Based on intensity (level) of CO_2 emissions.
*2 The boundary of properties is the buildings in which the Company's ownership ratio of the total floor area is 50% or more (excluding properties for residential use and real estate for sale). This includes properties for which we do not have control of energy management. Please refer to page 19 for the number of target properties.
*3 The RE100 achievement rate is calculated by dividing the amount of power generated by Hulic-owned solar photovoltaic equipment for one year by the total amount of electricity used at the Hulic head office building and on the floors occupied by Group companies in one year.
*4 To be comprehensive when making calculations for waste disposal and water consumption, we are preparing basic data to change the boundaries for aggregation of this data. As 2020 is the transition period for this change, we have not set any quantitative targets. In FY2020, we calculated total waste disposal at certain properties in the boundary by using weight conversion factors based on actual measurements. As a result, we were able to improve the precision of the weight of the total waste disposal by 169 metric tons compared with the weight calculated by using the conventional weight conversion factors.
*5 The boundary is Hulic's head office building and buildings where the head offices of Group companies are located. Please refer to page 19 for the number of target properties.
*6 The percentage of properties completed in the given year that used technologies and measures that contributed to a reduction in waste as well as raw materials and other resources based on the Hulic Guidelines for Longer Life.
*7 The boundary is properties with a total floor area of 3,000 m^2 or more, excluding buildings where bank branch is the sole tenant, as well as sectional and shared ownership properties and real estate for sale. Please refer to page 19 for the number of target properties.
*8 The number of completed properties in each year among those imposed with greening obligation (excludes real estate for sale).
*9 Earthquake-resistance standards as specified by Hulic are where building performance can safeguard human life and enable continued use of the building with post-earthquake repair in the event of an earthquake with a seismic intensity of 7.
*10 The executive officers, employees (including seconded staff) and full-time contract staff who were with the Company at the time of application of medical checkup and as of December 31, 2020 were counted (excluding personnel who were on leave).
*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 of paid leave granted in the year. The number of days carried over in the year are excluded.
*12 The counted qualifications were those which the Company recommends employees to obtain.
*13 Limited to Hulic Co., Ltd. and subsidiary companies that have been certified as special subsidiary companies under the Act on Employment Promotion etc. of Persons with Disabilities. The employment ratio for persons with disabilities is as of June 1st of each year.
*14 A video training session was held in lieu of in-person seminar session to prevent the spread of COVID-19.

Progress of Medium- and Long-Term Management Plan (2020-2029)

The Medium- and Long-Term Management Plan (2020-2029), which began in FY2020, is intended to develop and evolve our business model, which is centered on the real estate leasing business, and to pursue growth of our corporate value with "driving innovation and accelerating progress" as our motto.

Where the Plan Stands

Since we nearly achieved our target of "recording consolidated ordinary income of JPY85.0 billion in FY2023" under the previous Long-Term Management Plan (2014-2023) four years ahead of schedule (in FY2019), we have formulated a new Long-Term Management Plan (2020-2029) covering the next 10 years ending in FY2029, and we have launched the Medium-term Plan (2020-2022) as Phase I.



Analysis of the Business Environment and Our Response

In formulating the Medium- and Long-Term Management Plan, we analyzed the external environment, and established our response and basic strategies. We responded quickly to the various risks related to COVID-19 and are steadily moving ahead with our basic strategies.

Analysis of the Business Environment	Response	Basic Strategies
Declining population (decline of working population), smaller families and aging demographics	Establish superiority in area/location of property portfolio	1. Further evolve the business model and restructure the leasing portfolio
Natural disaster risk (possibility of a Tokyo epicentral earthquake, 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 unique new business domains and improve Group strengths
World-scale uncertainties (US-China trade friction, etc.)	Implement thorough risk management	4. Strengthen the management foundation and implement stringent risk management
Responses to global warming (transition to natural energies)	Further strengthen responses to environment (CO_2 reduction, conversion, etc.)	5. Implement management that emphasizes sustainable co-creation and co-existence with society

Target Profile and Basic Policy

Target Profile in 10 Years (FY2029)	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 and Progress

▶ The FY2020 results largely exceeded the plan despite the severe business environment during the COVID-19 pandemic and we are firmly on track for our Medium- and Long-Term Management Plan.

		Progress			Medium- and Long-Term Management Plan	
		FY2020		FY2021	FY2022 (The final year of Medium-term Plan, Phase I)	FY2029 (The final year of Long-term Management Plan)
		Plan	Actual Results	Plan		
P/L Growth	Consolidated Ordinary Income	JPY 92.0 Bln	JPY 95.6 Bln	JPY 100.0 Bln	JPY 110.0 Bln	JPY 180.0 Bln
B/S Soundness	Debt/EBITDA ratio		9.9 times*		12 times or lower	12 times or lower
	Net D/E ratio		1.7 times*		3 times or lower	3 times or lower
Efficiency ROE	ROE		13.4%		10% or higher	10% or higher
Shareholder's return	Dividend payout ratio	37.1%	37.8%	39.0%	Around 40%	—

Financial KPIs have factored in 50% (JPY175 Bln) of all hybrid finance raised in 2018 and 2020 combined (JPY350 Bln) as nominal equity.

Results of FY2020 Initiatives against the Basic Strategies in the Medium- and Long-Term Management Plan

Based on our Medium- and Long-Term Management Plan that began in FY2020, we are focusing on steadily increasing our corporate value by evolving flexibly in response to changes in the macro environment, with "driving innovation and accelerating progress" as our motto. In FY2020, the Medium- and Long-Term Management Plan progressed smoothly as we steadily implemented the plan's basic strategies and achieved results that significantly exceeded the plan by responding swiftly to various risks in ways that leveraged our strengths. The results of our initiatives for the basic strategies in FY2020 are as follows.

Basic Strategy 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

Results of FY2020 Initiatives

▶ Details on pages 36 to 39

- We advanced the restructuring and expansion of a leasing portfolio that has both a balanced mix of asset types meeting market needs and competitiveness by acquiring new properties and rebalancing.
- We strengthened our leasing portfolio.
  Real estate balance FY2019: approx. JPY1.3 trillion; FY2020: approx. JPY1.5 trillion (increased by approx. JPY200 billion)
- Looking at asset types, we increased our next-generation assets, such as data centers, and CRE assets while keeping the share of office properties under control as planned.
- For areas, we sold properties in the Tokyo metropolitan area (other than the 23 wards) and the Keihanshin area, and acquired properties in focus areas* and properties related to next-generation assets and CRE.
  *Focus areas are Ginza, Shinjuku East side, Shibuya and Aoyama, and Asakusa.

Basic Strategy 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 sources by strengthening large-scale VA projects with various value-adding methods and improving organizational structure as one of our growth drivers

Results of FY2020 Initiatives

▶ Details on pages 40 to 45

- We secured 63 properties as part of our plan to develop more than 100 properties by 2029.
- Seven properties were completed in 2020 (Hulic Oji Building, RISSEI GARDEN HULIC KYOTO, Hulic Narimasu, HULIC RYOGOKU RIVER CENTER, Hulic JP Akasaka Building, Hulic Ginza 6-chome Building, and Metro City Roppongi).
- Commercial facility development under the &New brand (Shinjuku 3-17 Development Project, Udagawacho 32 Development Project, Ginza 8-chome Development Project, and Ginza 6-chome Namiki-dori Development Project) is progressing smoothly.
- Work is progressing on large-scale VA projects with various value-adding methods (Ito-Yokado Tsurumi, Hulic Kasai Rinkai Building, etc.).
- In the PPP business, we were selected as an appointed business operator in Sumida Ward's new Open Recruitment Proposals for Loans on the Former Site of the Kinshi Civil Engineering Office.

Basic Strategy 3

Create unique new business domains and improve Group strengths

- Cultivate and launch businesses that offer new ways to create value
- Capture earning opportunities by leveraging Group collaboration and improve comprehensive Group strengths by pursuing Group synergies
- Leverage M&As and alliances as a means of swiftly launching new businesses and improving Group strengths

Results of FY2020 Initiatives

▶ Details on pages 46 to 51

- We started initiatives to develop the Bizflex series, a private floor-based medium-sized flexible office leasing business.
- Bizflex offers hybrid leased offices that combine the adaptability of a flexible office that can be used according to the circumstance, with the functionality and luxurious feeling of a high-quality leased office. We expect Bizflex to be used by venture companies that are growing rapidly, and companies that are seeking short-term use or to streamline costs. To date, we have decided to develop this business in three locations in central Tokyo.
- We decided to enter the children's eduation business which provides educational services primarily for children from infancy to the lower grades of elementary school, and implemented the following.
  (1) We concluded a three-way business alliance agreement with Riso Kyoiku Co., Ltd., whose strength lies in the children's education business (individual preparatory guidance cram schools and early childhood education) and Konami Sports Co., Ltd., whose strength lies in the sports business for a wide range of ages from infants.
  (2) We concluded a capital and business alliance agreement with Riso Kyoiku Co., Ltd. and acquired shares in the Company.
  (3) We concluded a business alliance agreement with Kids Smile Holdings Inc., whose strength lies in the childcare business.

Basic Strategy 4

Strengthen the management foundation and implement stringent risk management

- Maintain a strong financial base and varied 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

Results of FY2020 Initiatives

▶ Details on pages 32 to 35 and 75

- In July 2020, we issued JPY200 billion publicly offered hybrid bonds (subordinated corporate bonds) which are midway in nature between equity and debt, with the aim of maintaining a strong financial base and securing varied types of funding.
- We maintained favorable levels for KPIs such as a Debt/EBITDA ratio of 9.9 times*, a net D/E ratio of 1.7 times*, and ROE of 13.4%.
  * Financial KPIs have factored in the effect of hybrid financing as nominal equity.
- We responded promptly to various risks such as the effects of COVID-19 (securing liquidity, improving our internal operation system, implementing earnings measures, etc.).

Basic Strategy 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

Results of FY2020 Initiatives

▶ Details on pages 52 to 77

- For our environmental initiatives, we made efforts toward achieving RE100*[1] by 2025, in order to realize a "carbon-free society and recycling-based society," supported the TCFD*[2] recommendations, and set a long-term goal of "net zero CO_2 emissions" by 2050.
  In addition to promoting the reduction of waste disposal by applying longer-life designs as standard specifications to our developed and rebuilt properties, in October 2020, we issued Japan's first sustainability-linked bonds (10-year maturity, JPY10 billion).
- For our initiatives for society, in addition to continuing operation of a real estate business that emphasizes earthquake resistance, we strengthened relationships with local communities and other stakeholders and implemented a wide range of social contribution activities (launching new *Shogi* championships for women (Hulic Hakurei Championships and women's rank-deciding competition), supporting para-badminton, supporting single-parent households, hosting a student idea competition, etc.).
- For our corporate governance initiatives, we are working on sound corporate governance based on our Corporate Governance Guidelines, and in 2020, we further advanced initiatives pertaining to corporate governance by setting the attendance rate of directors at the Board of Directors meetings and the number of compliance training sessions as non-financial KPIs.

*1 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 energy required for their business activities.

*2 TCFD is the Task Force on Climate-related Financial Disclosures created by the Financial Stability Board (FSB) at the request of the G20.
TCFD makes recommendations on climate change-related disclosures to companies and other organizations.

Financial Strategy and Capital Management, Message from the Executive Officer in Charge of Finance



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: Awareness of business environment

In FY2020, economic activity and consumption were slow due to the spread of COVID-19, and this situation remained severe in a wide range of industries, especially for food services and tourism. In the real estate industry, despite a decline in profits at some commercial buildings and hotels/inns, coupled with a drop in vacancy rates for offices, the real estate investment market remained stable due to the sustained strong interest of real estate investors within the context of low interest rates.

Given this environment, and based on the Medium- and Long-Term Management Plan (2020-2029), which began in FY2020, the Group focused on steadily increasing corporate value by flexibly evolving in response to changes in the macro environment. We were guided in this by our motto: "driving innovation and accelerating progress." As a result, all profit indicators reached record-high levels in FY2020. Consolidated Ordinary Income, which we consider important as a profit target in the Medium- and Long-Term Management Plan, came to JPY95.6 billion, an increase of 12.9% over the previous year. In addition to profit targets, EBITDA, an indicator of the ability to generate cash flow, reached JPY119.2 billion in FY2020, a 13.0% increase over the previous year. ROE, an indicator of capital efficiency, was 13.4%, exceeding the target of 10% or higher. Net Debt to Equity Ratio (Net D/E ratio), an indicator of financial soundness, decreased to 1.7 times, exceeding by far our target of three times or lower.

* Net D/E ratio has factored in the effect of hybrid financing as nominal equity.

The tough conditions brought about by the spread of COVID-19 are continuing in a broad range of industries, and until vaccines and drug treatments are widely available, corporate and consumer activities are expected to remain relatively low, and the economic outlook will be continued to be uncertain.

In the real estate business environment, it is possible that changes in workstyles and lifestyles will alter the competitive environment, such as locations. However, given the low interest rates, it is expected that domestic and overseas real estate investors will continue to be active in the investment market for profitable properties.

With this environment, we will continue to steadily implement our Medium- and Long-Term Management Plan in FY2021, aiming for stable growth with balanced risk-taking.

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 Medium- and Long-Term Management Plan and aim to maintain high capital efficiency. We will aim to improve ROA to this 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 the solid capital efficiency as this business might 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.

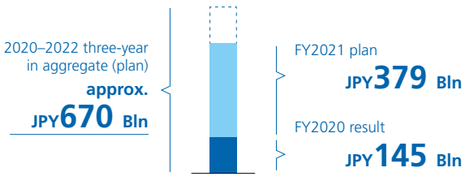
To strengthen the leasing business, we have followed a policy of expansion through M&As to effectively acquire companies with high-quality real estate portfolios. Accordingly, we have incorporated into our own business portfolio businesses that are strongly compatible with our own, particularly in the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

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 purchasing 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



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 concentrations in urban areas and could also intensify competition between areas.

From the perspective of asset type, it is expected that there will be a solid demand for facilities for the elderly in the long run due to the aging population. With that in mind, we are placing importance on healthcare assets, mainly nursing homes for the elderly and hospitals. In addition, when the effects of COVID-19 are mitigated by vaccines and drug treatments, the need for tourism is expected to return. In that case, we will also place importance on tourism assets, focusing on hotels and *ryokans* (Japanese-style luxury inns).

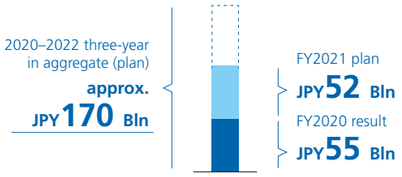
Looking ahead to the future business environment, we expect to see rapid advances in information technologies and changes in work styles and lifestyles, thus we are focusing on next-generation assets corresponding to social needs, such as the information-related facilities that meet these needs.

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 the investment does not perfectly satisfy our investment standards (mentioned earlier).

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. In the final year of our Long-term Management Plan (in 2029), we envisage a portfolio profile where focus area assets account for 50% of the total real estate portfolio, and from asset type perspective, we plan to bring the proportion of assets other than office to 50% of the total real estate portfolio.

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 when the return on invested capital (ROIC) sufficiently exceeds WACC. In 2021, we plan to further restructure our leasing portfolio and make additional investments.

(2) Net investment in development business



Development and reconstruction improve 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 up 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 climate change, we are continuing to

develop energy-efficient buildings. Also, by 2050 we will invest approximately JPY100 billion to develop solar photovoltaic equipment that does not use the FIT system and small hydroelectric plants, aiming to achieve net zero CO_2 emissions from all the leased buildings that we own (excluding residential properties and properties with tenants who have direct electricity supply agreements with the electric power companies). In addition, we will encourage the construction of fireproof wooden buildings, make effective use of unused energy, and take part in other initiatives to develop buildings with excellent environmentally friendly features. In these ways, we will develop real estate properties that are sought out by our clients.

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 for 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 financing 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 could raise credit issues including downgrading of external ratings and could 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 leads 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.

In July 2020, we issued a publicly offered hybrid bonds (subordinated corporate bonds) worth JPY200 billion, with the aim of maintaining a strong financial base and securing avenues for funding.

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 dividend payout ratio reached approximately 37.8% in FY2020. We are aiming for a dividend payout ratio of around 40% by FY2022 under the current Medium- to Long-Term Management Plan.

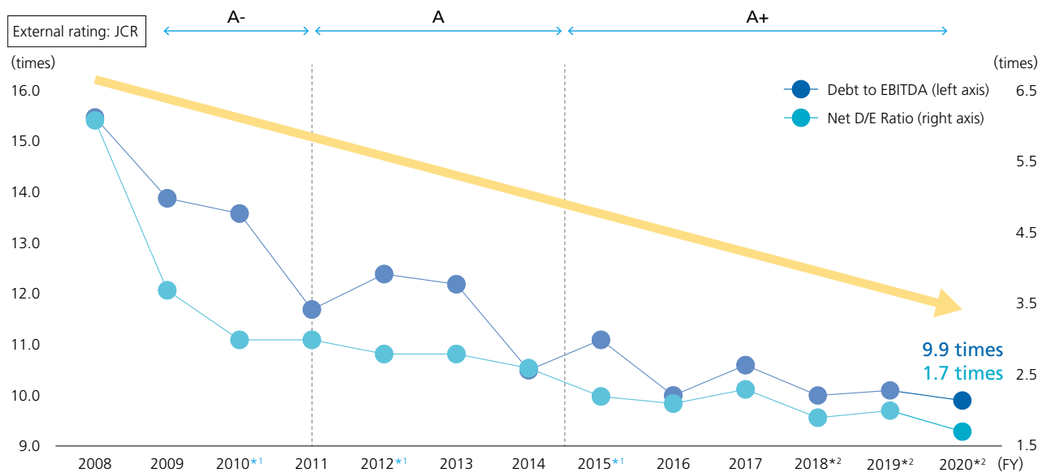
Shareholder returns can also be made indirectly through share buybacks in the market or by setting a total return ratio is another approach. However, considering Hulic's specific business feature that we earn stable revenue primarily from our leasing portfolio, unless there are unusual environmental 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. Our net assets per share and net income per share have become approximately 1.4 times and 1.7 times, respectively, in the last five years leading up to FY2020.

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 could 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.

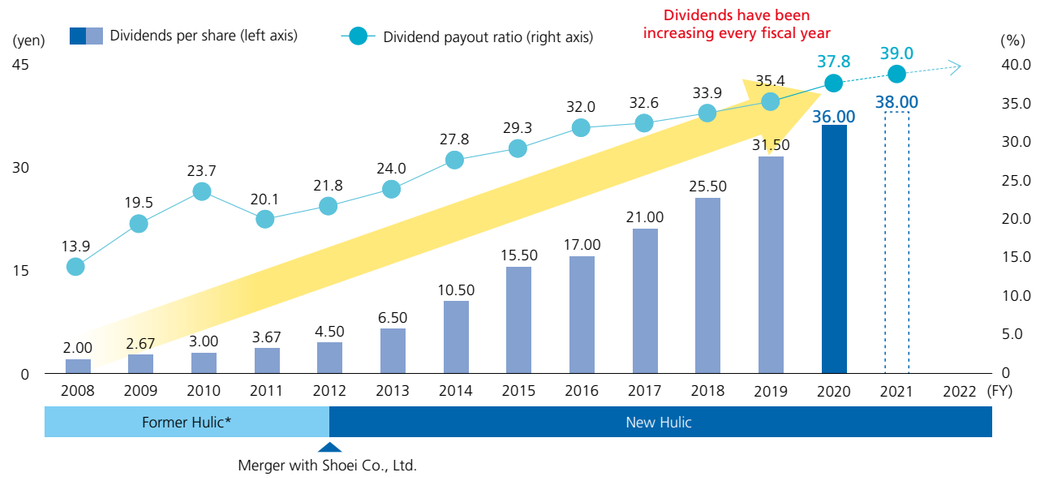
Maintaining and Improving Financial Soundness



*1. Calculated on a pro forma basis.
*2. 50% (JPY75 Bln) of hybrid finance raised in FY2018 (JPY150 Bln) was calculated as nominal equity in FY2018 to FY2020. Similarly, 50% (JPY100 Bln) of hybrid financing raised in FY2020 (JPY200 Bln) was calculated as such in FY2020.

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 dividend payments.
We plan to increase the consolidated dividend 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 dividend payout ratio for 2009 and 2010 were calculated based on the initial forecast of net income excluding special factors.

Leasing Business

Business Overview

We operate a real estate leasing business based on ownership and management of lease 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
- Shibuya and Aoyama
- Shinjuku East side
- 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 *ryokans* (Japanese style luxury inns)
- Nursing homes and hospitals
- Other healthcare-related facilities

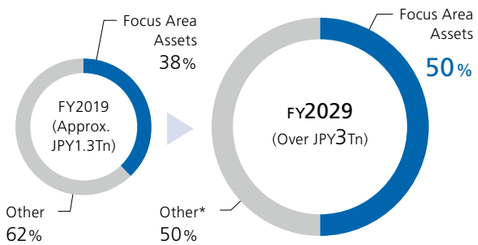
4 Next-Generation / CRE Assets
- Stable assets based on expected long-term relationships building
- Data centers, research institutions and other assets in response to market needs

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

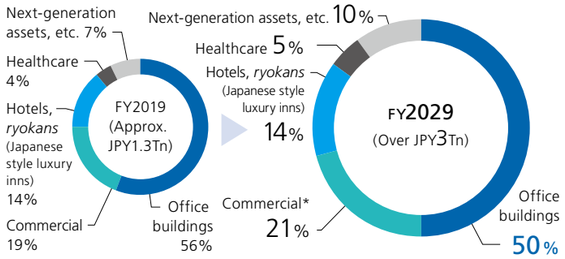
Target Portfolio Profile in 2029 (book value basis)

- 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)



Asset Type (projection)



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

* 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.

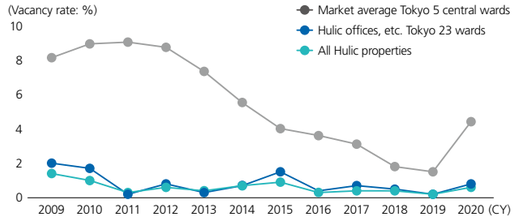
We have built a balanced portfolio of high-quality properties primarily located close to stations in central Tokyo. As a result, our vacancy rate has remained lower and our rent levels have trended higher than the market average.

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.

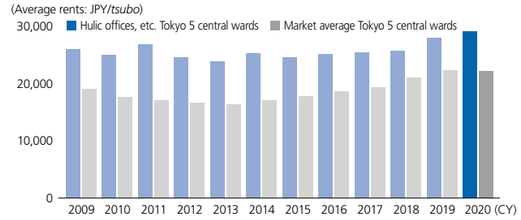
Going forward, we will continue to emphasize central Tokyo location and closeness to a station as key factors to mitigate the vacancy risk in rolling out operations.

Vacancy Rate



Average Rents

*Excl. real estate for sale



*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.

*4 One tsubo is approximately 3.3 m^2.

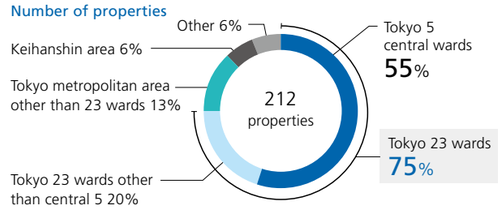
Focusing investment on central Tokyo properties close to stations

Approximately 75% 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.

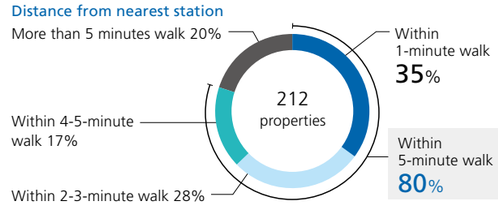
Located close to stations in central Tokyo, our properties have excellent transport links and are in demand from a wide range of tenants as general office space, bank branches, commercial and retail outlets, etc.

Geographical Distribution of Properties (excl. nursing homes and residential properties) (as of December 31, 2020)

Number of properties



Distance from nearest station



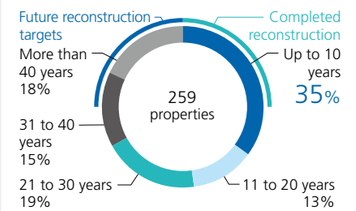
Balanced portfolio of high-quality properties

Apart from offices and commercial buildings, our portfolio includes high-quality asset properties where growing demand is expected in the future, such as nursing homes, hotels, and *ryokans* (Japanese-style luxury inns), as well as next-generation assets (data centers, etc.).

Looking ahead, to adapt to the expected decline in office demand resulting from the fall in Japan's working population as well as the possibility that remote working could increase for businesses post-COVID-19, we will keep the share of office properties to around 50% of our portfolio, as we restructure to achieve balanced composition of asset types that reflect 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 and reconstruction.

Property Age (incl. residential and related properties) (as of December 31, 2020)



Earthquake-resistant, environmentally friendly high-quality buildings

In preparation for a Tokyo epicentral earthquake, we are developing buildings based on Hulic's earthquake-resistance standards where building performance can safeguard human life and enable continued use of the building with post-earthquake repair in the event of an earthquake with a seismic intensity of 7. In addition, longer life building design (100 Year Buildings) is our standard specification, ensuring: (1) durability; (2) more efficient updating and renovation; and (3) high maintainability. Further, we will gradually increase buildings that use 100% renewable energy through initiatives to achieve net zero CO_2 emissions. In these ways, we will own environmentally friendly buildings with excellent earthquake resistance.

Leasing Business

We have many properties near stations in central Tokyo, centered on our focus areas*

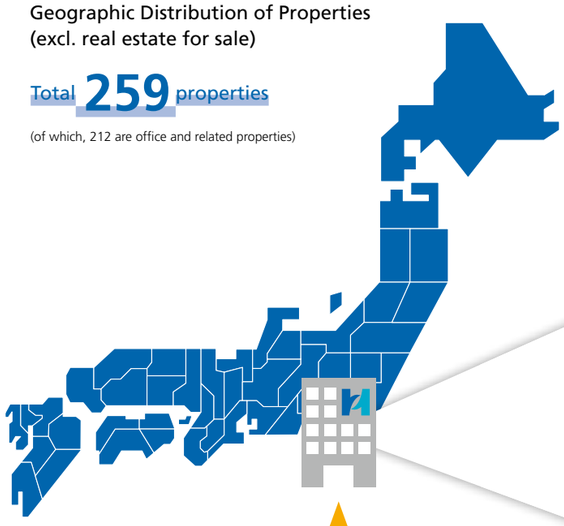
(as of December 31, 2020)

*Ginza, Shinjuku East side, Shibuya and Aoyama, Asakusa

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

Total **259** properties

(of which, 212 are office and related properties)



Approx. 75%* of properties in high-demand Tokyo 23 wards

For our office buildings and similar properties, approx. 75% 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 m²)
Office and related (offices, commercial facilities, hotels, *ryokans*, other properties)	212	1,232
Residential and related (nursing homes, residential properties)	47	119
Total	259	1,351



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.

Development Business

Business Overview

Where properties in our portfolio have unused 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 resistance and energy-saving features

Hulic's Major Development and Reconstruction Track Record

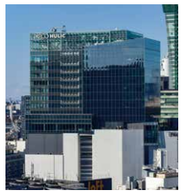
Focus area properties
(Ginza, Shinjuku East Side, Shibuya/ Aoyama, Asakusa)


Hulic Ginza Sukiyabashi Building


Hulic Square Tokyo


Hulic Ginza Hanatsubaki Street Building


Hulic Shinjuku Building


Shibuya PARCO•Hulic Building


HULIC &New SHIBUYA


Hulic Shibuya Koen-dori Building


Hulic Kaminarimon Building


Hulic Asakusabashi Building


Hulic Asakusabashi Edo-dori

Properties close to stations in central Tokyo
(major properties)

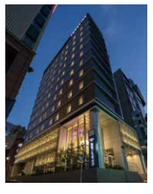

Hulic Kojimachi Building


Hulic Toranomon Building


Hulic Setagaya


Hulic Kamata Building


Ochanomizu Sola City


Hulic Roppongi 3 Chome Building

Other
(major properties)


Hulic Fukasawa


Hospitalment Bunkyo Yayoi


Charm Premier Yamatecho


FUFU Kawaguchiko


Hulic Residence Nishi Oi

Progress of the Medium- to Long- Term Management Plan

・Develop or reconstruct **more than 100 properties** by 2029 (of which, 63 projects are confirmed or unofficially confirmed)

	Phase I 2020 to 2022	Phases II and III 2023 to 2029
Completed or original plan	15～20properties	More than 85properties
Confirmed or unofficially confirmed	17properties (of these, 7 properties were completed in FY2020)	46properties

Confirmed or unofficially confirmed: 63 properties (excluding *ryokans* and nursing homes)

Completed in 2020
(major properties)


Hulic JP Akasaka Building


Hulic Narimasu


Hulic Oji Building

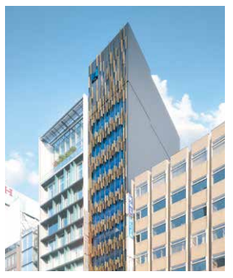

RISSEI GARDEN HULIC KYOTO (PPP)


HULIC RYOGOKU RIVER CENTER (PPP)

Developing / Planning

(Focus areas)


Udagawacho 32 Development Project (&New)


Ginza 8-chome Development Project (&New)
Photo credit to the Kengo Kuma and Associates


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


Shinjuku 3-17 Development Project (&New)

(Other areas)


Hulic Sapporo NORTH 33 Building Reconstruction Project


Kinshicho Development Project (PPP)


Ito-Yokado Tsurumi (VA)


Hulic Kasai Rinkai Building (VA)

Develop or reconstruct more than 100 properties by 2029
Increase the number of **earthquake-resistant, environmentally friendly** high-quality buildings through development and reconstruction

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, 2020).

Development Business (PPP business)

Business Overview

Drawing on the expertise built in the development and reconstruction of office buildings, commercial and lodging facilities, 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.

Issues for land investment
1. Land as a risk asset*
2. Increase in underused or unused land
3. Liabilities for risk specific to real estate (earthquake resistance, asbestos, soil pollution, etc.)

Municipalities

Effective use and operation of public real estate

Issues for municipalities
1. Financial issues
   - Changes in funding conditions
   - Administrative and financial reforms (reform of public accounting)
2. Aging of public facilities

* Land as a risk asset refers to the potential for violent fluctuation in the land price and to the owner's responsibility for issues specific to real estate such as asbestos and earthquake safety.

PPP projects (joint public- and private-sector projects)

Hulic Co., Ltd.
- Effective track record in development in central Tokyo
- Stable business base

Initiatives and Track Record

Completed in 2020



FUFU Nara



RISSEI GARDEN HULIC KYOTO



HULIC RYOGOKU RIVER CENTER

Due for completion in 2022



Kinshicho 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

HULIC &New

- 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

Completed



HULIC &New SHIBUYA



HULIC &New SHINBASHI



HULIC &New AKIHABARA



HULIC &New KICHIJOJI

Developing / Planning

Due for completion in 2021



Udagawacho 32 Development Project



Shinjuku 3-17 Development Project



Ginza 8-chome Development Project
Photo credit to the Kengo Kuma and Associates

Due for completion in 2022



Ginza 6-chome Namiki-dori Development Project

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.

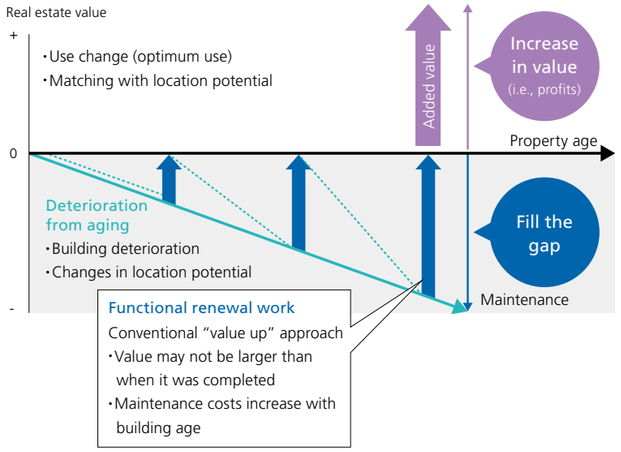
Medium- to Long-Term Focus Strategies

- **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.

Issues with Properties	Value-added Solutions
Illegal property	Bring property into legal compliance
Aged or unsuitable use	Conversion (change usage)
Underused space	Increase space through enlargement, etc.
No strategic investment (decrepit, worn out)	Renovation
Tenants need more/less floor space	Change tenant layout or re-tenant
Building with vacancies	Leasing/renovation of common spaces

→ Improve asset value → Earn sales gains

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.


At acquisition (hospital)


After conversion (commercial facility)

② Hulic Ginza East Building (REIT)

- Renovation of common spaces (entrance, elevator, etc.) raised the occupancy rate to 100% and sharply improved profitability.


Before renovation


After renovation

③ Ito-Yokado Tsurumi

- Hulic's first large-scale project to add value by teaming up with Ito-Yokado Co., Ltd. to renovate a property into a shopping center with deep roots in the local community, intended to attract more customers and invigorate the property. Using this property as a prototype model, we plan to grow this business going forward by strengthening collaboration with Ito-Yokado.
- The plan focuses on the ripple and synergistic effects of working with Ito-Yokado's supermarkets by increasing the frequency that residents within the business area visit the property. We will invite large specialty stores to be tenants who can attract customers and run stores that are expected to be visited daily or regularly and that provide a community space for local residents. The plan includes adding structural elements, such as reducing the number of rooftop parking spaces, which are used infrequently, to install a sports center. Construction is scheduled to be completed by the end of August 2021.


Before value has been added


After value is added (conceptual drawing)

④ Hulic Kasai Rinkai Building

- A large value-added project to increase profitability by improving occupancy and efficiency rate of an existing multi-tenant commercial building, and to expand the distribution center by using empty spaces within the site.
- For the first step in adding value, we renovated common areas in the existing building and built floorspace that will be leased out. This significantly improved the property value by increasing the occupancy rate (from low to 100%), attracting new tenants, and reducing expenses by streamlining building management.
- Currently, as the second step, we are going ahead with an expansion plan that will make full use of unused space. We will develop our first advanced logistics center on the site. The property is schedule to be completed in May 2022.



Before value has been added



After value is added (conceptual drawing)

Senior Citizen-related Business

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 (3,600 units as of December 31, 2020).
- 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 other businesses related to the elderly in addition to developing nursing homes.

Investment in nursing homes

- Acquisition and development of facilities that have good locations and are run by excellent operators
- All are long-term master leases
- Wooden construction of nursing homes is under consideration

Senior citizen-related business

- New initiatives using existing asset holdings (verification of technologies, etc.)
- Creation of businesses related to healthcare and active seniors, among others


Hospitalment Bunkyo Yayoi


Trustgarden Ogikubo


Charm Premier Yamatecho


Hulic Chofu

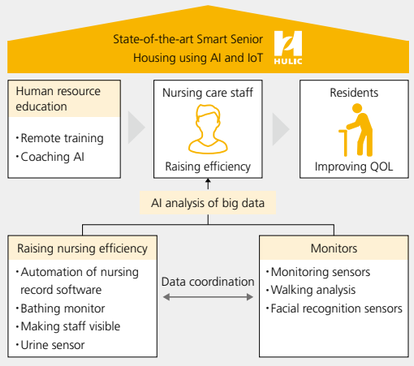

Hulic Premium Club Nihonbashi

TOPICS

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

The Smart Senior Housing Project aims to provide state-of-the-art nursing homes equipped with systems that use AI and IoT for monitoring sensors as well as recognition cameras and nursing care record integration, etc. The intention is to raise nursing efficiency and improve the productivity of the staff working in nursing homes as well as to offer the residents a better quality of life (QOL).

We had a business alliance with EcoNaviSta Co., Ltd. who has strength in monitoring sensors, sleep issues, and dementia problems. We further moved forward and formed a capital and business alliance, investing in this company in December 2020 to establish a stronger relationship. Going forward, we will continue to further improve on the Smart Senior Housing Project to ease the labor shortage for nursing care, and we intend to create a new healthcare business.



Tourism-related Business

Business Overview

To capture demand for tourism, which is expected to increase over the medium- to long-term, Hulic operates own-brand hotels and *ryokans* (Japanese style luxury inns), and we are acquiring more 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 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 strong needs for tourism, Hulic: 1) is acquiring and leasing 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 number of hotels under View Hotel brand. We are developing our tourism-related business while mitigating risks by adding different grades of hotels that are owned/leased and properties that are managed by us into our tourism portfolio. (Owned & leased properties: from business to luxury types in limited geographical areas. Directly managed: mainly upscale hotels and luxury hot spring *ryokans*.)

In FY2020, due to the spread of COVID-19, our hotel and *ryokans* operations (reporting segment) suffered an operating loss of JPY7.4 billion. On the other hand, we reorganized and consolidated the business management sections with a view to integrate running of our tourism businesses. With these moves, we will run our hotel and *ryokans* operations more efficiently.

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 three more with a total of 700 rooms in Ginza, and elsewhere.
- Management by operators with strong track record is essential.


Grand Nikko Tokyo Daiba

② Directly Managed Hotels

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, Sapporo and Yokohama, we will consider converting them into hotels, if that is the best fit.


THE GATE HOTEL TOKYO by HULIC

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 around 10 such properties. (2 properties completed in 2020, 6 properties owned as of December 31, 2020.)
- 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.


FUFU Nikko

④ Japan View Hotel

Our Policy

- We acquired Nippon View Hotel Co., Ltd. as a wholly owned subsidiary in 2019.
- We aim for steady profit growth by targeting middle class tour groups, families, and individuals.


Asakusa View Hotel

Other Initiatives

Business Overview

Our Group companies are in various businesses including operating REITs (both publicly offered and private), building management, insurance, and contracting for construction work, among other opportunities.
We are also working to utilize technologies such as AI and IoT in various businesses and to establish new business opportunities, including Bizflex, children's education, and agribusiness.

Medium- to Long-Term Focus Strategies

- **We are exploring business opportunity in new domains. When we find a field with market needs and growth potential, we will consider various approaches, including collaborations, alliances and M&As with other companies, to roll them out as new businesses.**

Initiating Mid-sized Flexible Offices: Bizflex by HULIC

Background

With the diversification of work styles and the spread of infectious diseases, the roles of offices are changing rapidly and needs are diversifying. Companies are reconsidering appropriateness of their office space, or dispersing and downsizing their strategic bases. We believe demand for offices with the flexibility to respond easily to changes in the environment and offices that can accommodate new ways of working accelerated by digitalization is expected to increase going forward.

Outline of Bizflex

Drawing on the knowledge we have cultivated over many years in the leased office business, we have launched a new series of medium-sized flexible offices, named Bizflex, based on the concept of a private-floor, easy-to-rent and return office. Bizflex offers hybrid leased offices that combine the adaptability of a flexible office that can be used according to the circumstances with the functionality and high-grade feeling of a high-quality leased office. We expect Bizflex to be used by venture companies that are growing rapidly, and companies that are seeking short-term use or to streamline costs.

- **Series name: Bizflex by HULIC**

Bizflex allows customers to flexibly rent and return business (Biz) space.
The name also reflects our wish to support productivity improvement by supplying advanced workplaces and digital technology for DX.

Bizflex
by HULIC

- **Biz**
  Business space with advanced workplaces
- **Flexibility**
  Flexibly adapts to circumstances and objectives
- **DX**
  Digital technology for improving productivity and digital transformation (DX)

- **Bizflex features**

Bizflex aims to capture new demand for offices by combining the benefits of general leased offices (security, independence, etc.) with the benefits of flexible offices (minimal investment, flexible leasing period, etc.).

General leased offices		×	Flexible offices	
Benefits			Benefits	
• Independent private space	Can be laid out freely, increases employee satisfaction, makes it easy to protect confidential information.		• Ease of use	Can be used for a short period, can move in with minimal investment as it comes decorated and furnished.
• Fostering corporate culture	Can reflect the corporate color(s), is effective for recruitment, etc.		• Plenty of shared space	Plenty of shared spaces, including shared facilities.

A hybrid office that combines both benefits

Bizflex



Bizflex leased room (conceptual drawing)



Bizflex shared space (conceptual drawing)

- **Concept**

(1) Subscription

Uses a flat-rate contract that includes various fees in the rent with a flexible contract period.
We create offices that are easy to lease with minimal changes in costs during occupancy.

(2) Workplace

Professionally designed "advanced workplaces" for immediate use.
More seating can be flexibly added during the period of occupancy. (Increasing seating is an optional service.)

(3) Digital office technology for DX

We develop digital platforms and provide services to help customers with productivity and their digital transformation (DX).
We plan to continually add and improve services as work styles changes.

- **Future business development**

Bizflex is a new leased office business which we plan to provide by developing new medium-sized buildings or renovate existing properties. Going forward, we aim to annually add about five buildings with a total floor area of roughly 1,500 m^2 to 3,000 m^2 in locations close to major stations in central Tokyo. We have already decided to commercialize three locations in Tokyo.

	Project name	Due for completion	Base floor area
Bldg. 1	(Tentative name) Azabu-juban Project	Aug. 2021	Approx. 72 tsubo*1
Bldg. 2	(Tentative name) Roppongi Project	Mar. 2023	Approx. 50 tsubo*1
Bldg. 3	(Tentative name) Hamamatsucho Project	Dec. 2023	Approx. 45 tsubo*1

*1 One tsubo is approximately 3.3 m^2
Notes The project details and property outlines are subject to change in the future.
The conceptual drawings on this page were drawn at the planning stage; they might not represent the actual designs and are subject to change in the future.

Other Initiatives

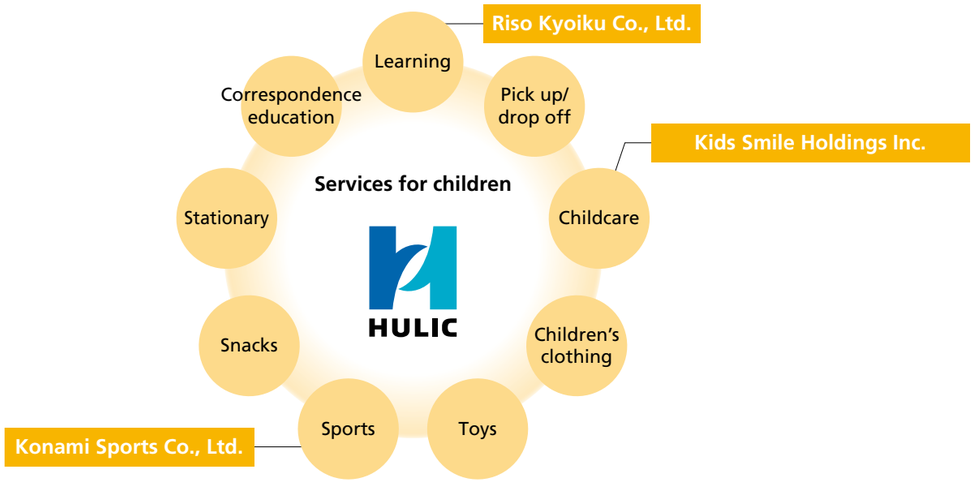
Entry into the Children's Education Business

Background

Given (1) the increase in the number of households with two working parents, (2) the shift to free early childhood education, and (3) the gift tax exemption system for educational funds, we see the children's education business as a promising future market in which business opportunities will increase. Accordingly, we have decided to enter the children's education business, which provides educational services primarily for children from infancy to the lower grades of elementary school.

Children's education business by Hulic (baseline)

We will promote the business of providing education-related services to children in cooperation with partner companies in different fields.



Three-way business alliance with Riso Kyoiku and Konami Sports, and capital and business alliance with Riso Kyoiku

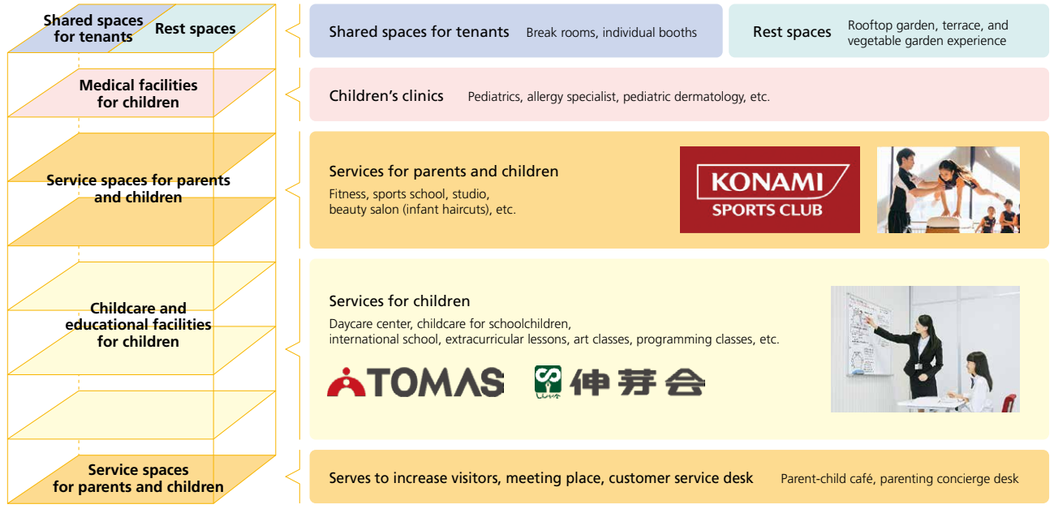
We concluded a three-way business alliance agreement with Riso Kyoiku Co., Ltd., whose strength lies in the children's education business (such as individual preparatory guidance cram schools and early childhood education), and Konami Sports Co., Ltd., whose strength lies in the sports business for a wide range of ages from infancy. This was based on our judgement that by combining our respective strengths, the three companies can develop new services and facilities in the children's education arena, and by establishing competitiveness in the field of children's education, it will be possible to create synergies with each other.

Based on the business alliance agreement concluded by the three companies, we will: (1) develop a one-stop services business for children and develop buildings to provide those services (including conversion of existing buildings); (2) provide services for children making use of each company's unused space; and (3) jointly consider new businesses in other services for children. The specific responsibilities of each company and other details will be decided following discussions between the three companies going forward.

In addition, we have concluded a capital and business alliance agreement with Riso Kyoiku Co., Ltd. Based on the agreement, we will advance our business alliance, including: (1) joint consideration of new businesses related to children's education; (2) support for new site openings by the Riso Kyoiku Group using real estate owned and developed by the Hulic Group; and (3) real estate strategy support for the Riso Kyoiku Group provided by the Hulic Group.

*The above details are subject to additions and changes in the future.

Conceptual drawing of a building that houses one-stop services for children



[Development Policy]

- Intended development areas: Primarily near major stations on lines such as the Yamanote and Chuo lines, major terminal stations in residential areas, and major stations in three prefectures around Tokyo
- Land area: Approx. 100 tsubo – 200 tsubo. One tsubo is approximately 3.3 m^2

Business alliance with Kids Smile Holdings

With the aim of expanding our business domain in the children's education business, we have concluded a business alliance agreement with Kids Smile Holdings Inc. ("Kids Smile"), whose strengths lie in the childcare business. The alliance includes: (1) joint consideration of new businesses related to children's education; and (2) support for opening nursery schools and preschools authorized by the Kids Smile Group. Going forward, we will work to develop the businesses of both companies and increase our corporate value by creating synergies between the two companies, mainly in the children's education business.

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, handing down agricultural 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 centers and introducing AI technology in anticipation of a decrease in the farming population.
- 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 adhering to environmental laws and regulations.

2 Environmental Management System

We contribute to the conservation of global environment by setting environmental targets and making continous 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 Recycling-oriented Society

We contribute to the creation of a recycling-oriented, 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

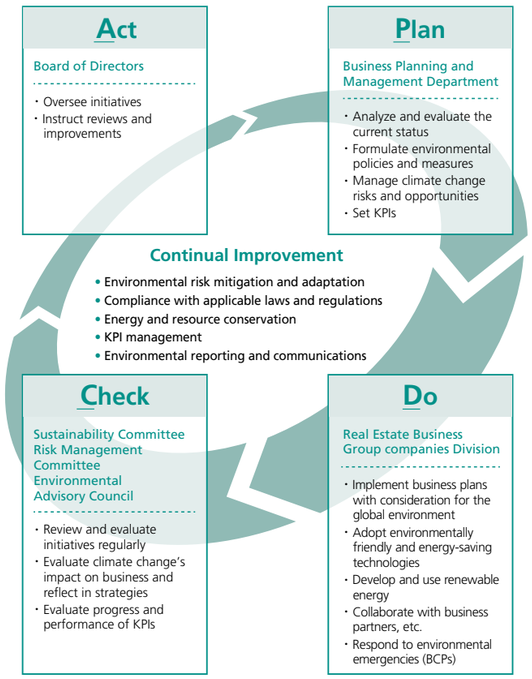
We extensively disclose information on environmental contribution activities, and communicate with stakeholders including local communities to expand the circle of global environmental conservation.

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 working to improve it through the PDCA cycle while actively implementing environmental conservation initiatives. In 2020, we announced our support for the TCFD recommendations and we have further enhanced our corporate governance mechanism centered on Board of Director oversight and the Sustainability Committee.

* 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

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

Roadmap of Initiatives for Achieving Vision

		2020	2021	2025	2030	2050 (FY)
General		• Announce support for the TCFD*1 recommendations and start disclosing information in line with them in 2021				Realization of a carbon-free and recycle-based society
		• Adoption of environmentally friendly technologies to properties owned →				
		• Harmonization of business activities and environmental initiatives →				
Decarbonization		• Join RE100 →		Achieve RE100*2		
		• Start to develop solar photovoltaic equipment that does not use the FIT system*3, and start to supply renewable energy sourced electricity to head office building and buildings housing group companies				
		• Declared goal of net zero CO_2 emissions by 2050 →				Achieve net zero CO_2 emissions by 2050
		• Start to develop small hydroelectric plants				
		• Promote energy conservation and utilize renewable and unused energy sources →				
Circular economy			• Complete fireproof wooden building • Tree planting			
		• Technical measures to reduce waste and resource inputs (develop longer life buildings) and initiatives to save water →				
KPIs	CO_2 emission reduction target (compared with 2013)	27% reduction		Reduce by 40%	Reduce by 45%	Reduce by 100%

*1 TCFD is an abbreviation for The Task Force on Climate-related Financial Disclosures, which was created by the Financial Stability Board (FSB) at the request of the G20, and makes recommendations on climate change-related disclosures to companies and other organizations.

*2 RE100 is an abbreviation of Renewable Electricity 100% and is an international initiative in which member companies aim to use 100% renewable sources for the energy required for their business activities.

*3 The FIT system refers to a feed-in tariff system for electricity that requires utility companies to purchase electricity generated using renewable sources for a certain period of time at a price specified by the national government.
FIT electricity is not considered 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 the 100% goal with FIT electricity is not considered RE100 by definition.)

TOPICS

Issuing Japan First Sustainability-Linked Bonds

Hulic issued Japan's first sustainability-linked bonds (SLBs) in October 2020. For the issuance of the SLBs, the Company applied for the Public Offering for Model Cases in the Model Creation Projects on Sustainability Linked Loans 2020 launched by the Ministry of the Environment ("Public Offering"). SLBs were highly evaluated for the modeling and pioneering features and selected as the first model case in the Public Offering. These SLBs were the world's first publicly offered sustainability-linked bonds that align with the Sustainability Linked Bond Principles published by the International Capital Market Association (as at the time of announcement of the SLBs issuance).

In February 2021, we received the silver prize as well as the Minister of the Environment award in the fundraiser division of the second ESG Finance Award Japan hosted by the Ministry of the Environment for the SLBs issuance. The following points were noted in the selection:
Clearly committing to act on building a carbon-free society by making our decarbonization initiatives as sustainability performance targets and envisioning net zero CO_2 emissions from owned properties in the long run.
Uniqueness that we opted for the SLBs as a tool to further develop engagement with investors.

Initiatives for Climate Change

Fundamental Approach

Targeting to realize a carbon-free society which is envisioned in Hulic's Long-term Vision for the Environment, we act to combat climate change by pursuing initiatives including net zero CO_2 emissions by 2050 and achieving RE100 by 2025.

Achieving Net zero CO_2 Emissions by 2050

In accordance with Hulic's long-term vision for the environment, we established medium- to long-term targets for climate change to reduce CO_2 emissions from all Company-owned lease properties*1 to net zero by 2050. Hulic believes that it is important to take actions to combat climate change by reducing CO_2 emissions in Scope 1 and 2 as well as throughout the value chain.

In addition to utilizing environmentally friendly technologies in our properties and reducing energy consumption by promoting energy conservation, we will invest a total of approximately JPY 100 billion in developing solar photovoltaic equipment that does not use the FIT system*2, and small hydroelectric plants. Hulic entered the photovoltaic business using the FIT system in 2012, and in 2020, we started developing solar photovoltaic equipment that does not use the FIT system (non-FIT), as well as developing small hydroelectric plants. Electricity derived from renewable energy generated by Hulic-owned power sources will be supplied to our properties by Hulic Property Solution, a Group company retail electricity supplier (Power Producer and Supplier or PPS). We plan to only use renewable energy sourced electricity generated by Hulic-owned power sources to supply approximately 370 GWh (an estimate in 2050) of all electricity used annually by our properties. When this target is achieved in 2050, electricity-derived CO_2 emissions will become net zero for tenants in our properties. We recognize, that going forward, the growing importance of taking actions against climate change through CO_2 emission reductions across the entire value chain, along with the reduction of electricity-derived CO_2 emissions from our Group through the achievement of RE100.

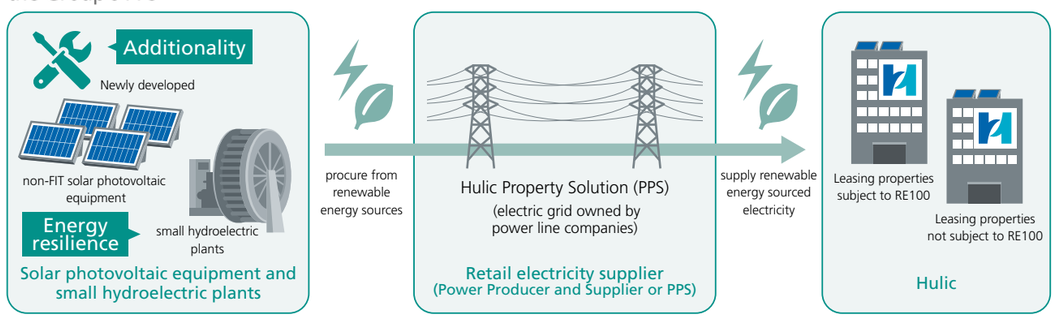
We have two basic policies when developing renewable energy sources: (1) to develop and use new renewable energy sources in-house (additionality*3); and (2) to start developing new small hydroelectric plants from the viewpoint of energy mix (developing resilience). An overview of initiatives is shown in the diagram below.

*1: Excludes residential properties and properties with tenants who have direct electricity supply agreements with the electric power companies.

*2: A feed-in tariff system for electricity generated from renewable energy. FIT electricity is not considered 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.

*3 Newly developing and using electricity from renewable energy sources will replace electricity generated from power plants that also produce CO_2, and is expected to lessen environmental impact by reducing CO_2 emissions.

Overview:
Newly develop renewable energy generating facilities and directly supply renewable energy generated from the Group's PPS



Achieving RE100

RE100 stands for Renewable Electricity 100%, a global initiative aimed at using only renewable energy as the source of electricity used in business activities. Hulic entered the photovoltaic business using the FIT system in 2012, then joined RE100 in 2019, and in 2020, started to develop solar photovoltaic equipment that does not use the FIT system (non-FIT). Electricity derived from non-FIT renewable energy generated by Hulic-owned power sources will be supplied by Group company retail electricity supplier (PPS), Hulic Property Solution, to buildings occupied by Group companies. We plan to provide all of the approximately 60 GWh of electricity used annually by Group companies from Hulic-owned renewable energy sources by 2025, and in order to achieve that goal we set progress targets for each fiscal year as milestones.

When RE100 is achieved in 2025, Hulic Group's electricity-derived CO_2 emissions (Scope 2) will become net zero.

Introduction of Environmentally Friendly Technologies and Obtaining of Patents for 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 newly developed buildings and the Hulic head office building. Elsewhere, we have jointly developed and obtained patents for photovoltaic panels and a thin-layered wall greening system with another companies. These environmentally friendly technologies are commercialized and offered to public from the manufacturers.

For the adoption of other energy-saving technologies, we individually consider and adopt technologies that are highly effective for their purpose and depending on the location of the building. First of all, in newly developed buildings, our basic policy is to reduce the load on equipment through improvements in the insulating performance of exterior walls as well as the thermal insulation and solar shielding performance of glass windows. In addition, we have introduced an energy-saving system that controls LED lighting without any waste using brightness and motion sensors, as well as a highly efficient air-conditioning system. Further, solar panels are installed on rooftops and walls as supplemental energy sources of buildings. Depending on a building's purpose and location, we install solar heat collection panels and promote the effective use of unused energy.



Natural lighting systems (window surface in the natural lighting system)



Natural ventilation (rooftop solar chimney)

Initiatives to Utilize Unused Energy

Unused energy is a generic term for energy that can be utilized effectively but has not been used, such as heat discarded from buildings and factories, and temperature differences between outside air and rivers, groundwater, and sewage. To help realize a carbon-free society, we are working on the advanced utilization of unused energy according to location conditions, asset type, and the characteristics of development projects.

In the HULIC RYOGOKU RIVER CENTER (a PPP project), which was completed in 2020, we focused on the Sumida River adjacent to the site of the property and installed an air-conditioning system that utilizes energy from the difference in temperature with the river water. Praised for its advanced nature, the project was selected by Cool Net Tokyo (Tokyo Metropolitan Center for Climate Change Actions) as a "project to expand the introduction of renewable energy on a local production for local consumption basis." The River Water Temperature Difference Energy Utilization Equipment uses a purpose-built heat pump to provide air conditioning in the facility by extracting heat from or releasing heat to the river water, within a range that does not affect the environment, as the temperature of the river water is cooler than the outside air in summer and warmer in winter. Compared with air-source heat pumps that transfer heat absorbed from the outside air to an indoor space, such as household air conditioners, this enables facilities to be air conditioned with less energy consumption. It is estimated that this project will reduce the annual energy consumption for air conditioning in the target area by approximately 12%.

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 rationalization of energy use to major building management companies as part of initiatives to promote and manage energy-saving activities.

Promoting Initiatives across the Value Chain

The Group promotes environmentally friendly operations 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 pay attention to our CSR Procurement Policy, which includes our Green Procurement Policy.

Information Disclosure based on TCFD Recommendations

Recognizing the importance of climate-related financial information disclosure, we announced our support for the TCFD* recommendations in 2020 and started disclosing information on how we plan to mitigate and adapt to climate change-related risks and opportunities in our businesses in line with these recommendations.

* TCFD is an abbreviation for The Task Force on Climate-related Financial Disclosures, which was established by the Financial Stability Board and has proposed a framework for disclosing climate-related information.

TCFD Disclosure Recommendations and Hulic Initiatives (Summary)

TCFD Disclosure Recommendations	Hulic Initiatives (Summary)
Corporate Governance	
a) Board of Directors oversight of climate-related risks and opportunities b) Management's role in assessing and managing climate-related risks and opportunities	● Establish Board of Directors oversight and monitoring structure ● Matters related to climate change are deliberated by the Sustainability Committee, which is chaired by the President and Representative Director, who is responsible for climate change
Strategy	
a) Short-, medium-, and long-term climate-related risks and opportunities identified by the organization b) The impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning c) Describe the resilience of the organization's strategy, taking into account different climate-related scenarios, including a 2°C or lower scenario	● Analyze and evaluate climate change mitigation and adaptation relating to climate change risks and opportunities, based on a 2℃ or lower scenario and business as usual scenario ● Examine validity of current strategies based on evaluation results
Risk Management	
a) Organizational process for identifying and assessing climate-related risks b) Organizational process for managing climate-related risks c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management	● The Sustainability Committee centrally deliberates climate change matters, including risk management, and reports to the Board of Directors ● The Risk Management Committee evaluates and deliberates climate change risks from a Group-wide risk management perspective and reports to the Board of Directors ● The Board of Directors receives reports from the Sustainability and Risk Management Committees and oversees climate change risks
Metrics and Targets	
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with our strategy and risk management process b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	● Set climate change KPIs (non-financial key performance indicators) and related metrics, disclose progress toward achieving targets on Hulic website, etc. ・Reductions in CO_2 emissions (compared with 2013 base year)* 40% reduction in 2025, 45% reduction in 2030, 100% reduction in 2050 ・Achieving RE100 by 2025 ・Number of times the Sustainability Committee engaged in climate change monitoring ・Number of Environmental Advisory Council meetings held

* Please refer to Non-financial Highlights and Key Performance Indicators (KPIs) /Targets and Results for Non-financial Information for details.

Corporate Governance

Recognizing Hulic's climate change response as an important management issue, we have established a corporate governance mechanism centered on Board of Director oversight and the Sustainability Committee. This governance mechanism is stipulated in the Basic Regulations on Climate Change.

Strategy

We analyzed the impact of risks and opportunities on our strategy using 2℃ or lower scenario and business as usual scenario and examined resilience of our current strategies, including the need to change management plans and basic strategies.

At Hulic, we have been taking actions including building up earthquake resistance, and disaster prevention measures of our properties as well as environmental initiatives and decarbonization. As a result, we have found no potential financial impacts that were considered large related to both transition and physical risks in the scenarios we examined, and have found that our business is sustainable and our strategy is suitably resilient.

Based on our motto of "driving innovation and accelerating progress," we are going ahead with a business model that is able to flexibly respond to changes in the environment. We concluded that, going forward, we will be able to continue improving our corporate value through risk mitigation by flexibly evolving our business model against social transformation targeting decarbonization. In addition, as valuations increase for environmental initiatives for owned properties, we will build a competitive advantage in the leasing and development businesses. Furthermore, for the environment-related business field, we will seize opportunities to provide new products and services.

Assessing Risks and Opportunities

2˚C or lower scenario transition risks and opportunities

Continue on the basic strategies of our current Medium- and Long-Term Management Plan (further develop and evolve our business model based on the real estate leasing business)

[Risks]
- Ability to promptly respond to a wide range of policies and regulations introduced as climate change countermeasures

[Opportunities]
- Environmental measures implemented at Hulic-owned properties become highly valued as social transformation occurs
- Create opportunities to enter new markets that help mitigate climate change

Conclusion

- We concluded that we will be able to continue improving our corporate value through risk mitigation by flexibly evolving our business model based on our current Medium- and Long-Term Management Plan against social transformation targeting decarbonization by leveraging our motto of "driving innovation and accelerating progress."
- In addition, as valuations increase for environmental initiatives for owned properties, we will build a competitive advantage in the leasing and development businesses. Furthermore, for the environment-related business field, we will seize opportunities to provide new products and services.

Business as usual scenario physical risks and opportunities

Maintain current priority area, location policy and portfolio composition by use as described in our current Medium- and Long-Term Management Plan

[Risks]
- Physical risks, such as natural disasters due to climate change, will become apparent

[Opportunities]
- Opportunities up to 2030 have already been incorporated into the Medium- and Long-Term Management Plan
- No additional opportunities pertaining to climate change after 2030 and no financial impact

Conclusion

Physical risks become apparent as greenhouse gas emissions continue to climb and climate change remains unmitigated. However, the financial impact of climate change has been estimated as minimal on the back of a detailed examination of natural disaster risks conducted when properties are developed or acquired, as well as the mitigation of physical risks through design standards and disaster prevention measures in Hulic properties.

- Sea level rise: The assumption that average global sea levels will rise 0.45 to 0.82 m* after 2081 is out of scope
- Temperature rise: The increase in air-conditioning-related costs (costs for improving air-conditioning equipment and utility costs due to rising temperatures) is minimal
- Flood damage (typhoons, torrential rain, floods, inland water, storm surges): Minimal due to measures already taken
- Wind damage (typhoons): Considering past typhoon damage experiences, the impact was determined to be minimal

*Compared with the 1986-2005 average. Shown as highly likely in the IPCC RCP8.5 scenario

Risk Management

Matters related to climate change, including risk management, are centrally deliberated and coordinated by the Sustainability Committee, which is chaired by the President and Representative Director, under the oversight of the Board of Directors.

Mechanism for Managing Climate Change Risks

Board of Directors	・Receives reports on climate change risk management and responses from Sustainability and Risk Management Committees, and oversees these risk management and responses
Sustainability Committee	・Deliberates and evaluates the reported impacts and recommended responses to climate change ・Deliberates and coordinates in order to adapt to climate change, including the formulation of policies and strategies for minimizing the identified risks and reflecting them in planning, budgets and targets ・The status and response to risk management deliberated and coordinated by the Sustainability Committee are reported regularly and as needed to the Board of Directors
Risk Management Committee	・Determines appropriate measures from the perspective of Group-wide risk management and reports to the Board of Directors
Business Planning and Management Department	・Engages in planning, proposals and management related to climate change, including the process of identifying and assessing the impact of climate change, the mechanism for managing identified impacts and the mechanism for their integration into Group-wide risk management ・Promotes Group-wide responses to climate change ・Submits reports and recommendations to the Sustainability Committee and Risk Management Committee

Building a Recycling-oriented Society

Fundamental Approach

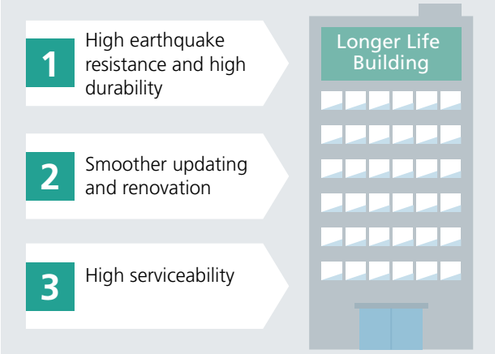
We are working to reduce waste and water consumption in cooperation with tenants and building management companies toward realization of a recycling-oriented society. When developing and reconstructing buildings, we reduce our environmental footprint by pursuing the 3R (reduce, reuse, and recycle) through 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 development and reconstruction projects. The Guidelines are composed of three ideas, 1) high earthquake resistance and high durability; 2) smoother updating and renovation; 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 CO_2 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 development and reconstruction completed or under construction since formulating the Guidelines in 2011.



WEB https://www.hulic.co.jp/en/sustainability/ecology/waste/initiatives/long_life.html

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 encouraging employees to bring their own cups.

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 recycling-oriented society. When planning buildings, we adopt construction methods to reduce pollutant emissions to the extent possible in cooperation with design and construction companies. In addition, we aggregate data on SOx, NOx, VOC, and hazardous waste generated in the development business to monitor the amounts generated, and we disclose the actual results on our website.

WEB https://www.hulic.co.jp/en/sustainability/ecology/waste/group.html

Initiatives for Fireproof Wooden Buildings

Aiming to help realize a sustainable society, we have been developing fireproof wooden buildings using timber that requires less energy (and has lower CO_2 emissions) for manufacturing and processing since 2018, in response to the Forestry Agency's promotion of expanded use of wood in a series of initiatives to reduce CO_2 emissions.

We also engage in activities to cut, plant, and remove undergrowth by the same amount as the standing timber used as the source of building materials for our fireproof wooden buildings. Trees absorb CO_2 in the air and provide a carbon dioxide fixing solution as they grow, so an abundance of trees in the nation's land and forest circulation can help cut down CO_2 levels. Furthermore, trees that are ready to be cut for timber have a reduced ability to absorb CO_2, so while we cut down trees as building materials, we also plant new trees to replace them. In this way, we are contributing in maintaining the proportion of young trees that absorb CO_2 well at a certain level. Through this initiative for fireproof wooden buildings, we are promoting forest circulation by using, planting, growing, and cutting down trees, which in turn reduces CO_2 emissions and leads to efforts to conserve biodiversity.

Case Study

Developing Japan's first 12-story wooden fireproof commercial building

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



Ginza 8-chome Development Plan
Photo credit to the Kengo Kuma and Associates

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.

Use of JHEP Certification System

The Company is also working to ensure that we consider ways to conserve and restore local vegetation during development and reconstruction of properties from the standpoint of preserving biodiversity. We are using the JHEP certification system issued by Ecosystem Conservation Society-Japan to quantitatively evaluate and promote biodiversity conservation initiatives. As of December 31, 2020, a total 12 properties have been certified.

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 locational conditions. 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.



Greening of Walls

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 developer 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 as well as safeguards human life in the event of an earthquake with seismic intensity of seven.

Adopting Earthquake-Absorbing and Earthquake-Damping Structures

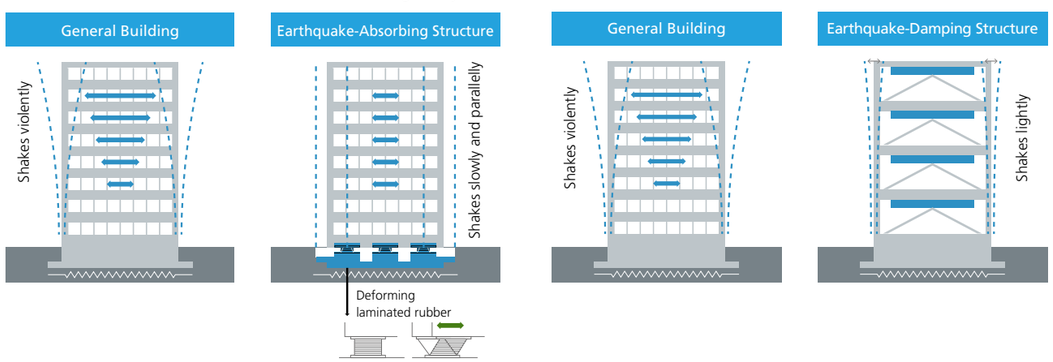
To protect human life and facility functions from large scale earthquakes, we have applied high seismic capacity on newly constructed buildings. With the aim of protecting customers' lives and contributing to business continuity, we have adopted an earthquake-absorbing or earthquake-damping structure 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 these earthquake-absorbing structures in the vicinity. 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 Structrual 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 that are 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 safety, peace of mind and trust. 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.

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 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 2020, we continued to receive high ratings with a satisfaction level of 96.4% (in 2019, 98.1%). 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 Rate 2020 96.4%

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)
- Measurement of indoor environment at and periodic measurement after completion
- 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 building surrounds
- Many of the properties owned are located near stations, providing easy access to transportation
- Introduction of an indoor air quality improvement system using composite ceramic functional materials

Relationships with Business Partners

Hulic stays in close communication with business partners such as building 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 building 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 introduced an Internet-based safety confirmation system for swift confirmation of the state and to share information with building management companies. We also concluded contingency agreements with the construction company of building concerning restoration and recovery, enabling collaboration and cooperation in the event of a disaster.

In addition, we have formulated a CSR purchasing policy for procurement and purchasing. We ask business partners to cooperate with this policy as we pursue sustainable procurement across the entire value chain.

External Evaluations

Shibuya PARCO·Hulic Building received Good Design Best 100 Award for fiscal 2020 (issued by Japan Institute of Design Promotion)



Shibuya PARCO·Hulic Building, a shared ownership building completed in October 2019, was redeveloped making use of the Special Zone for Urban Regeneration System. Hulic owns the office part of the building. The three-dimensional street that runs around the outside of the building has been highly praised for creating an experience akin to walking around the city, etc., even though it is only part of a building. This resulted in the building receiving a Good Design Best 100 award in fiscal 2020.

Hulic JP Akasaka Building received highest rank of "S" in CASBEE-Wellness Office* certification (issued by Institute for Building Environment and Energy Conservation)



Hulic JP Akasaka Building, jointly developed by Hulic and Japan Post Real Estate Co., Ltd., was completed in November 2020. Based on the concept of "a wellness space for working people," we focused on creating a better working environment for office workers. The building uses plentiful natural materials and has a facade of greenery walls, a rooftop garden as a space to rest and relax, and wooden benches and wooden shelves arranged in a spacious 3.8 meter-high entrance hall complete with a full wooden ceiling.

* Comprehensive Assessment System for Built Environment Efficiency (CASBEE) assesses the specifications, performance, and initiatives of buildings that support the health and comfort of building users, factors that contribute to intellectual productivity improvement, and the performance of safety and security.

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. Our Ordinary Income per employee is over JPY500 million. We believe that this figure reflected our status as top-notch among the listed companies in Japan boasting excellent productivity. To ensure we remain a group of professionals, we place particular emphasis on human resources development. We have been encouraging employees to obtain qualifications, and the list of our professional staff included first-class architects, real estate appraisers, lawyers, certified accountant and others.

In order to create a highly productive organization, we place priority to unbiased 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 talent 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 obtaining qualifications by sharing the common view on professional development.

In addition, we are creating motivating work environment to employees to boost motivation including posting new hires to on-the-job training and providing employees with opportunities so that they can constantly develop new business ideas and take on challenges. In 2020, we decided to introduce an "elective training" system that allows employees in their second to third years to select what training to take, and we started preparations for the system to be launched in FY2021.

Providing high level of fringe benefits

Since Hulic maintains a small workforce of elite professionals, we believe that it is important to give back to stakeholders, including employees, as the Company grows. This commitment to giving back to employees drives further growth for the Company in what we see as a positive cycle.

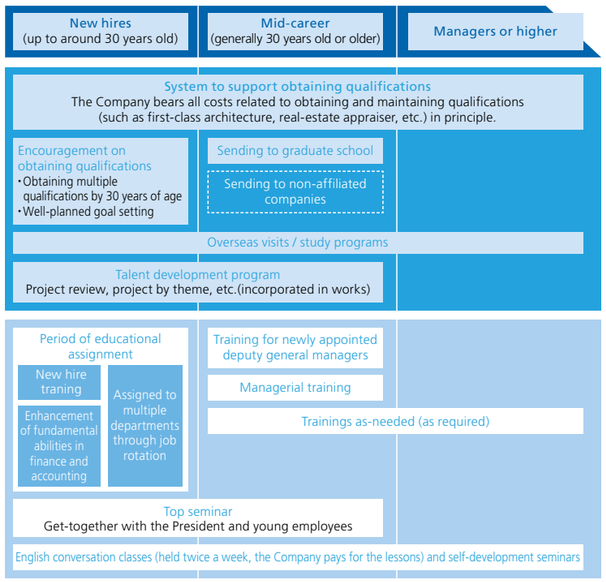
Promoting internal communication / sharing corporate philosophy

Hulic has a small workforce, which enables a distinctively close distance between each employee, as well as between top management and employees, making it easy to communicate within the Company.

Specific methods for communication include:

- President's Message: The president communicates company-wide developments in a message sent out to all employees every month. This allows us to understand company philosophy and developments throughout the Company.
- Top Seminar: Social gatherings with the president are held once a month for approx. 10 employees under the age of 40.
- President Survey: We conduct a survey twice a year that allows all employees to share their thoughts directly with the president.
- Career Development Interviews: Supervisors regularly conduct interviews with employees to confirm their goals and expected roles, and to evaluate performance.
- Information is provided on the Company intranet, as needed.

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.

Diverse Work Styles

We are promoting the development of environments and system designs aimed at realizing diverse work systems so that each employee can make the most of his or her abilities. We had already introduced a work from home system and staggered office hours system for employees providing childcare and nursing care prior to the pandemic, and in 2020, we expanded eligibility for these systems as part of our flexible response to the spread of COVID-19. We also launched a DX Project Team and started to consider specific measures. We will take measures such as taking surveys from employees as needed on issues that come to light.

Diverse Work Styles

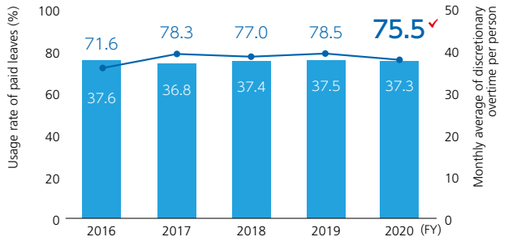
- Work from home*
- Staggered office hours*
- Online conferencing

* These were originally intended for employees providing childcare and nursing care, but we expanded eligibility in 2020.

Work Style Reform

- Raising workplace efficiency
- Weekly leave-early day
- Accurate time management using system logs, etc.
- Internal promotion of reforms
- Creation of a holiday calendar for each employee
- Encouraging the adding of a day of paid leave to regular holidays
- Encouraging the taking of long weekends and one-week holidays
- Encouraging to take a Friday off ("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. The number of days carried over in the year are excluded.

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. In January 2021, we introduced a new hourly childcare and nursing care leave system. As a result of these initiatives, over the past eight years (2013-2020), the ratio of women returning to work following childcare leave has increased to 100%. Elsewhere, the turnover rate due to nursing care has been maintained at 0% while the ratio of female managers has doubled.

Examples of Support Programs

Childbirth	Celebratory gift (first born: JPY100,000, second born: JPY200,000, third or more: 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.

Health and Productivity Management

We believe that the wellbeing of employees goes hand in hand with productivity improvement and growth of the Company. In 2020, we conducted in-house training (by video) to improve health literacy. Our other major measures are elaborated on the right.

2021 Certified Health & Productivity Management Outstanding Organization (Small and Medium-sized Enterprises Category)

Hulic was certified as a Health & Productivity Management Outstanding Organization in 2021 for the third 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.

- Medical checkups on par with examinations that exceed legal requirements
- Mental health initiatives including implementation of stress checks
- Stop smoking programs, such as supporting all costs associated with smoking cessation outpatient services and introducing no-smoking hours at our offices
- Physical exercise programs include participation in sporting events (2019) and a subsidy for sports club fees
- 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
- Disseminate health-related information through the Company intranet

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 training.

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

Promotion of the Diversity Promotion Project Team

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 and inclusion and enhance related frameworks. We established the diversity 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. In 2020, a video training session was held in lieu of in-person seminar session to help prevent the spread of COVID-19. We also discussed encouraging male employees to take childcare leave.

Empowering Female Employees

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 of our approach. In FY2020, the ratio of female managers was 23.9%, achieving the KPI target of 20% by 2020.

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 Suginami Office as a dedicated workplace in Hulic Ogikubo Building where nine employees with disabilities (ten on a Group basis, as of June 2020) and supervisors with experience in guidance and nurturing work mainly on sending direct mail, etc.

As of June 2020, the employment ratio of persons with disabilities was 2.34%✓ on a Group basis (6.71%✓ on a non-consolidated basis)*.

* 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 special 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 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. In addition, in order to get a head start on compliance with the Amended Act on Stabilization of Employment of Elderly Persons, which came into effect in April 2021, we established a new system in January 2021 that provides opportunities for motivated and capable employees between the ages of 65 and 70 to work at our company (a "specified commission" system that extends the continued employment period to 70 years old).

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 responding 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). The Club, as a suborganization 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. We are committing to spend at least one percent of consolidated ordinary income on social causes each year.

Support for Culture and the Arts

Organizing the Hulic Cup Seirei Championships

In 2018, Hulic established a new championship, the Hulic Cup Seirei Championships (co-sponsored by the Japan *Shogi* Association), to support female professional *Shogi* players from the viewpoint of empowering women. The final five-match series in the 2nd Hulic Cup Seirei Championships was held in July and August 2020. Ms. Kana Satomi, the Seirei title holder, successfully defended her title by winning three games in exciting matches.

Following our establishment of the Hulic Hakurei Championships and a new rank-deciding competition for female professional *Shogi* players, we have decided to hand off sponsorship of the Seirei Championships to Taisei Corporation from the third championships.



Special Sponsorship of the Hulic Cup Kisei Championships

Hulic has been a special sponsor of the Kisei Championships (sponsors: Japan *Shogi* Association, *Sankei Shimbun*) since 2018. The Kisei Championship, established in 1962, is an official championship with an extended history.

A ceremony honoring Mr. Sota Fujii with the Kisei title, his first title, which he won in the 91st Hulic Cup Kisei Championship, was held at the Grand Nikko Tokyo Daiba in September 2020. His first title win at the age of 17 years and 11 months was the first time in 30 years that the record for youngest title holder had been broken, and attendees congratulated him on his achievement.

We presented Mr. Fujii with a special prize of JPY1,711,000 and accommodation vouchers for FUFU, a luxury *ryokan* operated by the Hulic Group.



Establishment and Sponsorship of the Hulic Cup Hakurei Championships and Women's Rank-deciding *Shogi* Competition

In 2020, Hulic together with the Japan *Shogi* Association established a new rank-deciding *Shogi* competition for women, the Hulic Cup Hakurei Championships, with the aim of expanding opportunities for female professional *Shogi* players. As a result, there are now eight *Shogi* title tournaments for women, the same number as for professional male players. Beyond supporting the arts and culture, we decided to support professional female *Shogi* players from the perspective of empowering women. Rank-deciding matches in the 1st Hulic Cup Hakurei Championship started in November 2020, and the final seven-match series to determine the title winner is scheduled to be held from September to November 2021.

Health, Medicine and Sports

Support for Japan Para-Badminton Federation

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 (Hulic Nishikasai Gym) to the Federation as a practice gym for players since 2017. We have made improvements, including installation of slopes and plumbing so that the players can use the gym more comfortably.

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



Connection with the Local Communities

Donating Books to a Nearby Elementary School

We are active in contributing to the local community. While considering more ways to further deepen our connection with the local community, we learned that classroom libraries were worn out at Nihonbashi Elementary School, which is near our head office building, and in need of replacement. As such, we donated approximately 1,000 new books.

We asked the school to choose books that include content related to SDGs and environmental issues to encourage children to give attention and thoughts to building a sustainable society.



Academic and Research Support

8th Hulic Students' Idea Competition "Legacy@Sendagaya"

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 131 entries for the 8th Hulic Student Idea Competition in 2020. At the second public review (held online to prevent the spread of COVID-19), students enthusiastically presented their ideas and answered questions from the judges. Following consultation between the judges, one grand prize winner, three excellence award winners, and six honorable mention award winners were selected.

Social Welfare

Hulic Scholarship Program for Training of Welfare Caretakers

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

Support for Single-parent Households

We started to work with Single Mothers Forum (SMF), an approved specified nonprofit corporation, from 2020 to provide single-parent households a joyful time with mothers who could usually be too busy working and may have little time for their children in everyday life. However, with COVID-19 pandemic spreading globally, instead of providing enjoyable events to the single-parent households, we decided to support the activities of SMF in sending foods to families who have been suffering significant income reductions by donating JPY10 million to SMF.

List of Social Contribution Activities in 2020

In order to prevent the spread of COVID-19, we cancelled some of the events that were scheduled to be held in FY2020.

- Organized the Hulic Cup Seirei Championships
- Special sponsorship of the Hulic Cup Kisei Championships
- Established the Hulic Cup Hakurei Championships and women's rank-deciding competition
- Considered potential relocation of *Shogi* Hall
- Supported Japan Para-Badminton Federation
- 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
- Organized students' idea competition
- Supported Nezu Foundation
- Supported AgriFuture Japan
- Provided Hulic Scholarship Program for training of welfare caretakers
- Donated used postal stamps
- Supported single-parent households
- Contributed through employee match gift program
- Supported orphans of cancer and childhood cancer patients and their families
- Donated to Japanese Red Cross Society
- Donated to Fukushima prefecture in support of the Great East Japan Earthquake
- Supported New National Theatre, Tokyo
- Opened onsite childcare nursery facility to local community members
- Donated books to neighboring elementary school
- Supported employees' social contribution activities

<Employees' Social Contribution Activities>

- Donated to Japanese Red Cross Society
- Donated to Musubie, an NPO who supports providing meals to children
- Monthly local cleanup activities, among others

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

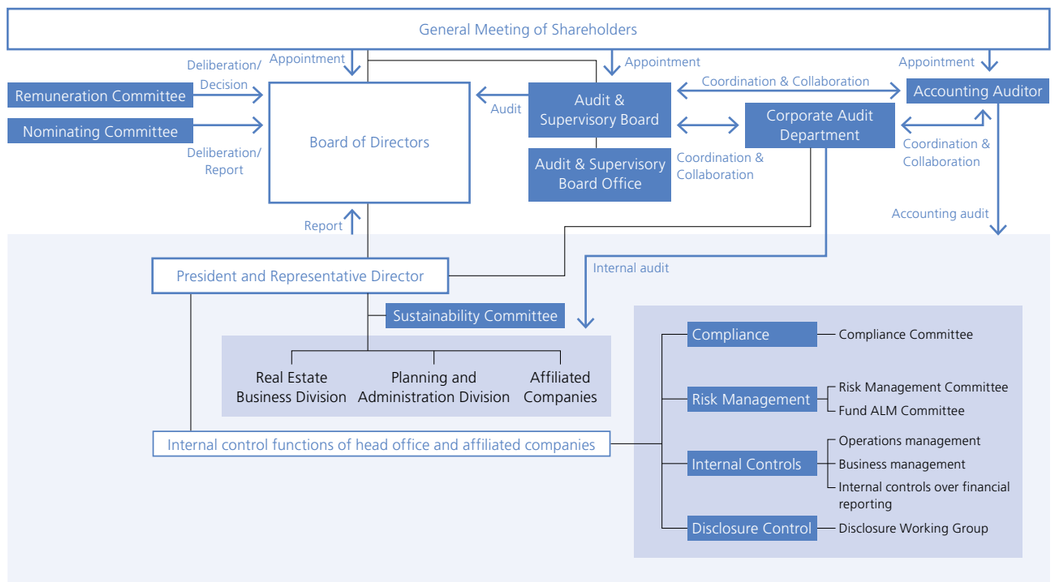
The Group considers that it is a critically important management matter to build a corporate governance system with fully functioning internal controls, risk management, compliance and disclosure control. We intend to faithfully execute business and fulfill accountability to our stakeholders.

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 is convened when necessary, 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 composed of 10 directors, four of whom are independent directors, based on the stipulations of the Tokyo Stock Exchange, with independent directors comprising over one-third of all directors (as of March 16, 2021). 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, we submit the corporate governance report, which describes the status of the Company's corporate governance system to the Tokyo Stock Exchange who then post it on their website.

Diagram of Hulic's Corporate Governance (as of March 16, 2021)



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 FY2020	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	13 of 15 (87%)	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, Sompo 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 FY2020		Occupation/affiliation, etc.	Reason for appointment	Independent Director
	Board of Directors	Audit & Supervisory Board			
Koichi Nezu	14 of 15 (93%)	14 of 15 (93%)	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 "discretionary committees" following the enactment of the Corporate Governance Code, effected on June 1, 2015. To further strengthen the governance functions, only independent external directors have been committee members from 2019.

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.

The Members of the Board of Directors, Audit & Supervisory Board and Committees

The Company's Board of Directors, Audit & Supervisory Board, Nominating Committee and Remuneration Committee include the following members: As of April 1, 2021, there were 14 males and one female members. (The percentage of female officers was 6.6%.)

Title	Name	Board of Directors	Audit & Supervisory Board	Nominating Committee	Remuneration Committee
Chairman, Representative Director	Saburo Nishiura	○	-	-	-
President, Representative Director	Manabu Yoshidome	◎	-	-	-
Vice President, Representative Director	Hidehiro Shiga	○	-	-	-
Vice President, Representative Director	Takaya Maeda	○	-	-	-
Director, Senior Executive Managing Officer	Hajime Kobayashi	○	-	-	-
Director, Senior Executive Managing Officer	Tadashi Nakajima	○	-	-	-
External Director	Tsukasa Miyajima	○	-	◎	○
External Director	Hideo Yamada	○	-	○	◎
External Director	Atsuko Fukushima	○	-	-	○
External Director	Kaoru Takahashi	○	-	○	-
Full-Time Audit & Supervisory Board Member	Shigeo Nakane	-	◎	-	-
Full-Time Audit & Supervisory Board Member	Masahiro Okamoto	-	○	-	-
External Auditor	Koichi Nezu	-	○	-	-
External Auditor	Nobuyuki Kobayashi	-	○	-	-
External Auditor	Kenichi Sekiguchi	-	○	-	-

The chairpersons are indicated with ◎.

Executive Officer Nominations

Policy on Nominating Board of Director and Audit & Supervisory Board Member Candidates

When nominating candidates for the Board of Directors or the Audit & Supervisory Board, in addition to having excellent character and insight and appropriately fulfilling the duty of care, candidates are selected based on their professional experience and expertise as well as the contribution they are expected to make improvements to the corporate value from an unbiased perspective. Efforts are made with regard to Audit & Supervisory Board candidates in particular, to appoint at least one candidate with extensive accounting knowledge.

Procedure for Nominating Board of Director and Audit & Supervisory Board Member Candidates

When nominating candidates for the Board of Directors or the Audit & Supervisory Board, reports are submitted to the Board of Directors after deliberation by the Nominating Committee, which is comprised entirely of independent external directors. The reasons for nominating each candidate are included in General Meeting of Shareholders convocation notices.

Matters Pertaining to Policies for Determining the Amount and Means of Calculating Executive Officer Compensation, etc.

Policy for Determining Executive Officer 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.
In accordance with a resolution at the 86th General Meeting of Shareholders, a portion of performance-based compensation is allocated to a share-based payment plan designed to give incentives for performing duties, in order to achieve the sustainable growth of the Company and to enhance corporate value from the shareholders' perspective.

Furthermore, compensation of external directors and external auditors solely consists of basic compensation (fixed amount) in light of their roles and responsibilities.

Moreover, a resolution pertaining to the method for determining executive officer compensation was passed at a Board of Directors meeting held on February 18, 2021.

General Meeting of Shareholders Resolution Details, Determination of Specific Compensation Related to Executive Officer Compensation, etc.

A resolution at the 90th General Meeting of Shareholders stipulates an annual amount of up to JPY900 million (up to JPY120 million for external directors) for Board of Director monetary compensation, with bonus payments paid within that range. Additionally, a resolution at the 85th General Meeting of Shareholders stipulates an annual amount of up to JPY150 million for Audit & Supervisory Board member monetary compensation.

A resolution at the 90th General Meeting of Shareholders stipulates a change in Board Benefit Trust (BBT) to a maximum of 250,000 points per fiscal year with regard to share-based payments for directors (excluding external directors).

When determining specific compensation, the Remuneration Committee, which consists entirely of independent external directors authorized by the Board of Directors, deliberates and makes decisions within the scope of compensation determined by the General Meeting of Shareholders. Further, Audit & Supervisory Board member compensation is determined as a separate system from director compensation within the scope of compensation determined by the General Meeting of Shareholders, in consultation with the Audit & Supervisory Board.

Performance-based Compensation

Director compensation (excluding external directors) includes performance-based compensation, which consists of bonus payments and stock compensation, and basic compensation, which is in addition to performance-linked compensation. Performance-linked compensation accounts for 40 to 50% and basic compensation accounts for 50 to 60% of total director remuneration. Hulic uses the percentage of change in preceding fiscal year consolidated ordinary income as an indicator for performance-based compensation.
Our business performance is concisely represented by consolidated ordinary income as it takes into account interest expenses and other nonoperating income, thus we decided to use the percentage of change in consolidated ordinary income as it is considered to represent a medium- to long-term sustainable increase in shareholder value.

Moreover, the total amount of performance-based compensation for directors will not change if the percentage change in the preceding fiscal year's consolidated ordinary income falls below a certain level. The ratio of performance-based compensation in the form of bonuses (monetary portion) to share-based compensation (BBT) is 1:1, and a clawback mechanism is in place that will revoke share-based compensation granted in the past if any misconduct occurs.

Directors/Auditors' Compensation

(FY2020)

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)	981	510	235	235	7
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 of Directors implements an annual self-assessment to continuously ensure its effectiveness, implementing pertinent revisions to Board management based on these evaluations. The FY2020 assessment 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 and discussion 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)-related topics referencing objective indicators 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 Auditors). 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 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.

Directors, Auditors and Managing Officers (as of April 1, 2021)



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, Ltd., 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, Ltd., Managing Executive Officer
April 2009 Mizuho Bank, Ltd., 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)

Representative Director, Vice President

4 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 2020 Hulic Co., Ltd., Director (Senior Executive Managing Officer)
April 2021 Hulic Co., Ltd., Representative Director, Vice President (to date)

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

5 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

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
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)
April 2021 Hulic Co., Ltd., Director (Senior 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
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
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 Associations, 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)
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)
June 2020 Sony Financial Holdings Inc., Outside Director (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 Shoji 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 Masahiro Okamoto

April 1985 Joined The Fuji Bank, Limited
April 2008 Mizuho Bank, Ltd., General Manager of Iwaki Branch
October 2013 Mizuho Financial Group, Inc., General Manager of Legal Division
Mizuho Bank, Ltd., General Manager of Legal Division
July 2016 Nippon View Hotel Co., Ltd., Full-time Statutory Outside Auditor
March 2021 Hulic Co., Ltd., Senior Corporate Auditor, Full-Time Audit & Supervisory Board Member (to date)
Nippon View Hotel Co., Ltd., Auditor (to date)
TOKYO SOIR CO., LTD., External Director and Audit and Supervisory Committee 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, External 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)
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
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
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)
April 2021 Shinshu University, Specially Appointed Professor of Faculty of Economics and Law (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
Kazuhiro Noguchi
Shin Ito
Hiroshi Hara

Managing Officer

Yoshito Nishikawa
Mikio Morikawa
Kazuteru Miyayama
Yoshikazu Nagatsuka
Ken Ohta
Yuuji Mutagamihigashi
Yasushi Umeda

Messages from an External Director and an External Auditor



External Director

Atsuko Fukushima

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

It is said that today is highly uncertain and the future is unpredictable. COVID-19, which has spread around the world in a flash, is creating a unprecedented crisis, one that put Hulic into a difficult business environment, including the impact on our hotel operations.

However, from an overhead view, the major direction we should aim for and the issues to be addressed have not changed much from before the COVID-19 pandemic began. Rather, I feel they have become clearer. For a long time, we have placed importance on ESG (environmental, social, and governance) and have set out a vision for realizing a sustainable society, while pursuing the continuous growth of our company. The COVID-19 pandemic has further heightened people's interest in climate change and environmental issues, and initiatives for a carbon-neutral and circular economy are gaining momentum. Arguably, this trend is a tailwind for Hulic, as we have been actively tackling environmental issues from early on, while accumulating knowledge, technology, and experience, and we have earned high praise from society. Also, while companies have made progress adopting remote working, even before COVID-19 we were creating new businesses to supplement our leased offices, in preparation for the decline in the working age population. Advancing digitization and responding to aging are also social issues that are growing. In the wake of COVID-19, I expect that accelerating and evolving our business initiatives will translate into solid growth for the Company.

Looking at corporate governance, I feel that the responsibilities of external directors have become even weightier because we have reached the stage where the effectiveness of corporate governance is in focus more than the formalities. Personally, I intend to keep learning and to fulfill my responsibilities, such as extensive oversight of management from a medium- to long-term perspective. I will do this without being short-sighted and with a firm eye on the changing times, and by offering advice based on a career different from those in Hulic, so that the Board of Directors can have higher quality discussions.

The expression build back better has become more common than before COVID-19. I see this crisis as an opportunity for the Company to accelerate change, and I am determined to do my best to help Hulic become better, not only for business performance, but as a company that is respected, trusted, and treasured by all stakeholders.



External Auditor, Audit & Supervisory Board Member

Kenichi Sekiguchi

Providing a high level of expertise as a businessperson
External Auditor since 2014

Hulic's Corporate Governance Structure

At Board of Directors meetings, the four external directors ask questions when the director in charge explains a proposal using materials distributed to the Board before the meeting. The seven external directors/auditors offer their opinions and ask questions about the management team's explanation. While there are projects where the discussions become intense and projects that do not have the same intensity, there are times when the management team provides explanations from a different perspective than my prior understanding, leading to a satisfying feeling that a project has been examined and now offers a different significance than before participation in the meeting.

I think these are the moments when the Board has worked as a venue where the participant's experience and knowledge were shared in materials for thinking about where to seek corporate value as a company and what the future should look like.

Role as an External Auditor

There is a low, but real possibility that the Company could go ahead go ahead with a project that should not be approved or projects that should not be taken on in combination with other projects. Based on this perception, auditors should always make hypotheses to confirm and verify each project and combination of projects that are relayed from the management team, and then present new hypotheses and put the effort into eliminating the possibility of these types of projects being approved. Moreover, I believe it is becoming important to understand what we are not doing and to study from a broad perspective how to promote change in order to increase corporate value.

Expectations for Hulic

Since being listed on the Tokyo Stock Exchange in 2008, Hulic's consolidated ordinary income has grown by 8 times in 12 years. I think that is the result of giving priority to acquiring outstanding talents than growing business. A group of sophisticated experts in the real estate industry has been formed within the Company. Talent acquisition has led to diversified business development and seeing from multiple perspectives, and these employees have supported the realization of our vision. I hope that this group of employees will become pivotal for agile business operations in preparation for complex fluctuations in next-generation industrial structure and real estate demand. I also hope that our flexible financial strategy will become a central axis point, and that when these two come together, it will bring further growth.

Risk Management

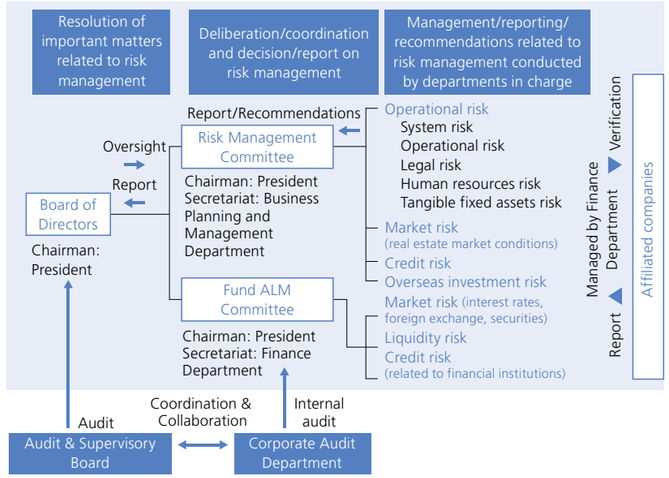
Fundamental Approach

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 these ways, the Board of Directors has an oversight of risk management of our Group. In 2020, as the spread of COVID-19 increased volatility in markets, the Fund ALM Committee held 10 special meetings in addition to regular monthly meetings in order to closely monitor interest rates, securities and other market risks, in an effort to flexibly respond to each risk scenario.

Diagram of Risk Management Mechanism



Business Continuity Initiatives for Emergencies (BCPs)

Our Basic Plan for Business Continuity (BCP) defines the framework and method for continuing important business functions while minimizing damage to Hulic executives, employees and their families and damage to Company facilities in the event of an emergency. We have also created a BCP manual outlining specific response procedures and have thoroughly communicated the contents to executives and employees. In addition, a disaster response training drill is conducted at least once a year. 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.

Being a real estate company that develops and owns numerous properties, Hulic needs to prepare measures against a disaster strike. In addition to measures from a structural perspective such as building structure (See P.60 and 61 "Initiatives for Safety and Peace of Mind"), we are taking various steps on operational and managerial fronts as well, which are reviewed when required (See P.62 "Relationships with Business Partners").

Hulic implemented a variety of responses against COVID-19, including working with industrial physicians to formulate response policies and encouraging employees to work from home (expanded eligibility of conventional work from home systems which was open only to employees providing childcare or nursing care). We also made efforts to reduce infection risk by staggering work hours and inviting employees to commute to work by bicycle, implemented thorough infection prevention measures for each employee and promoted the use of Web conferencing.

In collaboration with Hulic Building Management Co., Ltd., we confirmed the status of infections at building management companies and building tenants in buildings owned by Hulic, in an effort to avoid standstills in building management operations and prevent the spread of infection among tenants.

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 FY2020.

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

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.

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 antisocial forces on a regular basis to raise awareness of compliance among all employees. In addition to training on themes in the Compliance Manual, we also provide industry specific training 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 training. Other related training include training for new hires and mid-career employees as well as Group-wide external training for newly appointed executive officers.

Information Security Management

To maintain appropriate information security, Hulic built an information security management mechanism and implements sound operational and management enhancements based on information management rules. Specifically, in terms of measures preventing information leaks, we strictly enforce the setting of shared server access rights and tightly restrict the use of storage media and the removal of information assets from Company premises.

Further, Hulic compliance training is intended to deepen awareness among all employees by thoroughly inculcating the importance of information management and system information security measures. Targeted email attack response training is also conducted to strengthen awareness of the risks associated with suspicious emails. Additionally, we conduct internal audits to monitor compliance with Company rules on information management.

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 in order for them to make 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.

Moreover, we provided audio-only recordings of the financial results briefing sessions as we were unable to hold in-person briefing sessions in FY2020. When it becomes possible to resume in-person briefings in the future, we plan to return to video distribution.



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.

Shareholder Returns

We consider appropriately returning to our shareholders as a management matter. Our basic policy is to provide stable dividends payment based on our business performance trend. Under the Medium- and Long-Term Management Plan, we are targeting a dividend payout ratio of approximately 40% by FY2022. The dividend payout ratio in FY2020 was 37.8%.

Briefing Sessions for Investors

Hulic commits to ensure that we disclose information timely and communicate effectively so that all shareholders and investors develop a deep understanding of our activities.

Briefing sessions on financial results are held semiannually (at the 2nd quarter and fiscal year ends) by the Company's top management primarily for institutional investors. We also provide numerous one-on-one meetings in Japan, through which we make calls on institutional investors to communicate Hulic's business activities. Furthermore, we have actively rolled out IR activities for institutional investors in Europe, the U.S., and Asia, etc.

Considering COVID-19, in 2020 we provided online IR meetings to our overseas investors instead of visiting them in person. We also suspended briefing sessions for individual investors (including IR fairs and other events) in light of COVID-19.

External Evaluations of IR Activities

Hulic's website discloses timely and detailed information on our various activities. In 2020, our website was selected as the "excellent website in overall ranking" in Nikko Investor Relations Co., Ltd.'s All Listed Company Website Ranking 2020. In addition, our website won the bronze prize in Gómez IR Site Ranking, and also won the Commendation Award in Internet IR Award 2020 by Daiwa Investor Relations Co., Ltd.

企業ホームページ 最優秀サイト 2020 日興アイ・アール 総合ランキング

Gomez IR Site Ranking IRサイト総合ランキング 銀賞 2020年

Internet IR Commendation Award 2020 Daiwa Investor Relations

Financial Information

Unless otherwise indicated, figures are on a consolidated basis

Financial Analysis

Business Results

Revenue from Operations

Consolidated revenue from operations in FY2020 amounted to JPY339,645 million, down JPY17,626 million from FY2019. This was due to an increase in rent income from properties completed and new properties acquired in FY2019 and FY2020. On the other hand, there was a sale of a large-scale property in the previous fiscal year not in the current fiscal year.

Operating Income

Operating income for FY2020 amounted to JPY100,596 million, up JPY12,243 million from FY2019. This was due to an increase in rent income from properties completed and properties acquired, as well as higher sales from real estate for sale.

Ordinary Income

Ordinary income for FY2020 amounted to JPY95,627 million, up JPY10,982 million from FY2019. This was due to the above-mentioned increase in operating income, as well as an increase of non-operating expense because of the increase of interest expense.

Profit attributable to owners of parent

During FY2020 profit attributable to owners of parent was JPY63,619 million, up JPY4,813 million from FY2019.

This was due to the above-mentioned increase in ordinary income, as well as an increase of tax expenses.

The operating results for each reportable segment were as follows.

We changed the reportable segments from FY2020. Corresponding figures of FY2019 were reclassified to confirm with the current reportable segments for comparison purposes.

(Revenue from operations for each reportable segment includes inter-segment revenue from operations and the balance of book-entry transfers.)

Real Estate

The Group's core business is a leasing business for approx. 250 buildings and properties (excluding real estate for sale), amounting to approx. 1,350,000 square meters of floor space, located mainly in Tokyo's 23 wards. From the perspective of improving the quality of our leasing portfolio with asset type balance meeting market needs and competitiveness, we work to further improve the overall value of our buildings and properties not only by restructuring the portfolio but also by developing and reconstructing properties that are highly earthquake resistant and energy efficient. In addition, we work to build a business model that enables us to acquire capital by strengthening development and value-added businesses.

New acquisitions (non-current assets) in FY2020 included HP Japan Inc. Headquarter Building (Koto-ku, Tokyo), Ginza Tenkuni Building (Chuo-ku, Tokyo), Kiraboshi Bank Shinjuku Headquarters (Shinjuku-ku, Tokyo), Sotetsu Fresa inn Shimbashi Karasunomori guchi (Minato-ku, Tokyo), NEC Sagamihara Plant Office (land) (Chuo-ku, Sagamihara), Minami Aoyama M-SQUARE (Minato-ku, Tokyo) and Harumi Island Triton Square Office Tower Y (Chuo-ku, Tokyo).

In development and reconstruction businesses (non-current assets), Hulic JP Akasaka Building (Minato-ku, Tokyo) was completed in November 2020 and Hulic Ginza 6-chome Building (Chuo-ku, Tokyo) was completed in December 2020.

In addition, (tentative name) Udagawacho 32 Development Project (Shibuya-ku, Tokyo), (tentative name) Shinjuku 3-17 Development Project (Shinjuku-ku, Tokyo), (tentative name) Ginza 8-chome Development Project (Chuo-ku, Tokyo), (tentative name) Ginza 6-chome Namiki-dori Development Project (Chuo-ku, Tokyo), Hulic Sapporo North 33 Building Reconstruction Project (Chuo-ku, Sapporo), Hulic Fukuoka Building Reconstruction Project (Chuo-ku, Fukuoka) and Hulic Sapporo Building Reconstruction Project (Chuo-ku, Sapporo) are proceeded as planned.

In PPPs (public private partnerships), the RISSEI GARDEN HULIC KYOTO (Nakagyo-ku, Kyoto), was completed in June 2020 and HULIC RYOGOKU RIVER CENTER (Sumida-ku, Tokyo) was completed in August 2020. In addition, (tentative name) Kinshicho Development Project (Sumida-ku, Tokyo) is also progressing as planned.

In real estate for sale, the properties acquired included New City Tamacenter Building (Tama-shi, Tokyo) and Sotetsu Fresa inn Osaka Namba (Naniwa-ku, Osaka). Hulic Tsukiji 3-chome Building (Chuo-ku, Tokyo), WeWork Shimbashi (Minato-ku, Tokyo), Ikebukuro GIGO (Toshima-ku, Tokyo), Hulic Kabutocho building (Chuo-ku, Tokyo) and Hulic Shin Kawasaki Building (Saiwai-ku, Kawasaki-shi), Hulic Namba Building (Chuo-ku, Osaksa-shi) and New City Tamacenter Building (Tama-shi, Tokyo) were sold.

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 new properties acquired in FY2019 and FY2020, as well as from a rise in sales from real estate for sale. As a result, revenue from operations in FY2020 totaled JPY314,819 million (down JPY20,308 million or 6.0% year on year), while operating income was JPY115,374 million (up JPY19,662 million or 20.5 % year on year).

Insurance Agency

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 JPY2,966 million (down JPY23 million, or 0.7%, year on year), and operating income was JPY667 million (up JPY48 million, or 7.8%, year on year).

Hotels / *Ryokans*

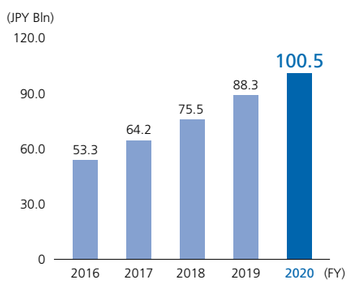
In Hotels / *Ryokans* Business, Hulic Hotel Management Co., Ltd., one of the Company's consolidated subsidiaries, manages THE GATE HOTEL brand hotel series, Hulic FUFU Co., Ltd., one of the Company's consolidated subsidiaries, manages FUFU *ryokan* series and NIPPON VIEW HOTEL Co., Ltd., one of the Company's consolidated subsidiaries, and manages the View Hotel series.

In FY2020, the segment suffered the impacts from temporary closures of business, drop in operating rates, and cancellations at restaurants and banquet halls on the back of COVID-19, in addition to an increase in operating expenses due to openings of new sites of THE GATE HOTEL and FUFU. As a result, revenue from operations was JPY17,672 million (up JPY1,233 million or 7.5 % year on year) and operating loss was JPY7,492 million (JPY0 million loss year-before period).

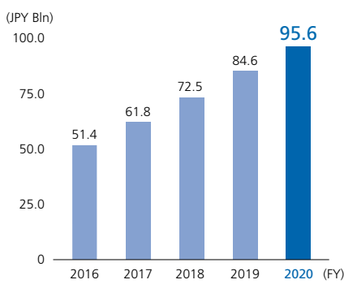
Others

Hulic Build Co., Ltd., one of the Company's consolidated subsidiaries, regularly takes orders for repairs and renovations from the Company's existing properties, repairs and renovations at the end of lease contracts and interior fit-outs at the beginning of lease contracts. As a result, revenue from operations was JPY10,214 million (up JPY1,928 million or 23.2 % year on year) and operating income was JPY1,157 million (up JPY559 million or 93.6 % year on year).

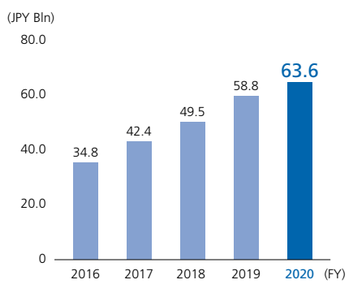
Operating Income



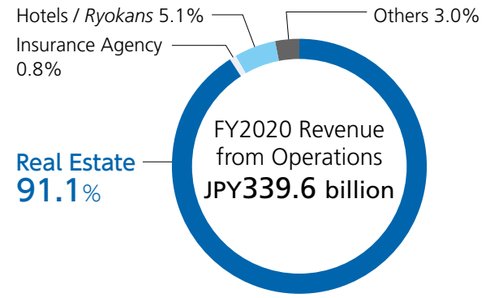
Ordinary Income



Profit Attributable to Owners of Parent



Breakdown of Revenue from Operations by Business Segment



* Composition ratio is the figure before adjustment for intersegment eliminations.

Financial Position

Assets

Total assets as of December 31, 2020 was JPY2,019,336 million, up JPY243,064 million from Dcember 31, 2019. The Group is promoting the replacement of portfolio properties, their redevelopment or their reconstruction, while enhancing the value-added businesses from the perspective of reconstructing the leasing portfolio and making the redevelopment and value-added businesses more robust.

In addition, to maintain and improve the long-term revenues of Hulic Reit, Inc. and Hulic Private Reit as well as realize steady growth of assets under management, the Group strives to provide support and backup as a sponsor.

- Cash and deposits — Up JPY46,323 million
  (Buildup of cash reserves in preparation for a new wave of COVID-19, etc.)
- Real estate for sale — Up JPY19,002 million
  (Transfer from non-current assets and acquisition and sale of properties)
- Buildings and structures — Up JPY10,914 million
  (Acquisition of properties, completion of development and transfer to current assets)
- Land — Up JPY160,318 million
  (Acquisition of properties and transfer to current assets)
- Leasehold rights — Down JPY6,031 million
  (Transfer to current assets)
- Investment securities — Up JPY5,033 million
  (Acquisition of investment securities, sales and decrease in unrealized gains on marketable securities, etc.)

Liabilities

Total liabilities as of December 31, 2020 were JPY1,530,293 million, up JPY215,878 million from December 31, 2019. This was mainly attributable to financing carried out for capital investment and the like.

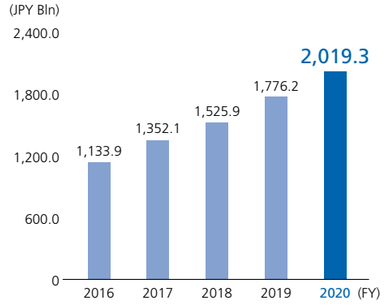
The balance of interest-bearing debts was JPY1,015,188 million, which included JPY23,145 million non-recourse borrowings owed by consolidated special purpose companies (SPCs). Financing from banking facilities is operated stably at low cost due to the credit strength of the Group's high earnings level.

Net Assets

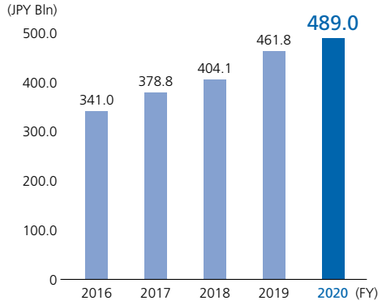
Total net assets as of December 31, 2020 were JPY489,043 million, up JPY27,186 million from December 31, 2019. Total shareholders' equity was JPY456,991 million, up JPY39,691 million from December 31, 2019. This was mainly attributable to the increase in retained earnings from net income and the decrease in retained earnings from the cash dividend payment.

Total accumulated other comprehensive income was JPY29,495 million, down JPY12,297 million from December 31, 2019. This was mainly due to a decrease in net unrealized holding gains on securities as a result of a decrease of JPY16,165 million in unrealized gain on marketable securities.

Total Assets



Net Assets



Cash Flows

In the fiscal year under review, cash and cash equivalents (cash) was increased by JPY202,304 million through operating activities, decreased by JPY343,137 million through investing activities, increased by JPY187,388 million through financing activities, and, as a result, amounted to JPY94,704 million as of December 31, 2020.

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

Cash flows from operating activities

Net cash provided by operating activities was JPY202,304 million, down JPY28,876 million year on year. This was mainly attributable to JPY91,280 million in profit before income taxes with the main factors of rent income from real estate and the sale of real estate for sale, JPY15,866 million in depreciation and amortization, and JPY116,937 million decrease in real estate for sale.

Cash flows from investing activities

Net cash used in investing activities was JPY343,137 million, decreasing by JPY15,197 million from that in FY2019. This was mainly attributable to ongoing reconstruction, development projects and acquisitions of new properties, both carried out from the perspective of creating a robust leasing portfolio and reinforcing value-added business.

Cash flows from financing activities

Net cash provided by financing activities was JPY187,388 million, up JPY45,865 million from that in FY2019. This was mainly attributable to financing for reconstruction development projects and the acquisition of new properties, although cash dividends were paid.

Rental Properties and Investment

Hulic and some of 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 are used by Hulic and some 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 includes portions used as investment and rental properties are shown below.

(JPY million)

	FY2019	FY2020
Rental properties and investment		
Amount on consolidated balance sheets		
Balance at beginning of year	1,071,472	1,278,697
Increase/decrease during year	207,225	95,038
Balance at the end of year	1,278,697	1,373,736
Fair value at the end of year	1,629,929	1,691,038
Real estate including portions used as rental properties and investment		
Amount on consolidated balance sheets		
Balance at beginning of year	88,015	89,072
Increase/decrease during year	1,057	44,900
Balance at the end of year	89,072	133,973
Fair value at the end of year	107,937	169,688

Notes: 1. The amount on the consolidated balance sheets represents the acquisition cost less the aggregate amounts of depreciation and impairment loss.
2. Of the increase/decrease during the year, 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). The key increase/decrease during FY2020 was the increase due to real estate acquisitions (JPY307,869 million) and the decrease due to transfer to real estate for sale (JPY153,216 million).
3. For main properties, the fair value at the end of the fiscal year is the amount calculated by the Company based on the Real Estate Appraisal Standards. For other main properties, the fair value at the end of the year is 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 is 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 is the amount determined after making an adjustment using said assessment value or indicators. For properties newly acquired during the fiscal year, the fair value is the amount on the consolidated balance sheets due to the fact that the change in the fair value is 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 is shown below.

(JPY million)

	FY2019	FY2020
Rental properties and investment		
Rental revenue	72,331	70,623
Rental cost	29,528	30,082
Difference	42,803	40,541
Other profit (loss)	(1,219)	(1,134)
Real estate including portions used as rental properties and investment		
Rental revenue	4,575	4,966
Rental cost	3,946	5,130
Difference	629	(163)
Other profit (loss)	(0)	(565)

Notes: 1. Real estate including portions used as rental properties and investment includes the portions used by the Company and/or some consolidated subsidiaries as services provided and management. Therefore, rental revenue for these portions is not posted. In addition, such real estate related costs (depreciation and amortization, repair costs, insurance premiums, taxes and public dues, etc.) are included in the rental cost.
2. Other profit/loss for FY2019 mainly includes other revenue loss on reconstruction buildings and loss on disposal of non-current assets posted under extraordinary loss which are posted under extraordinary losses. For FY2020, other profit/loss includes 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		2010	2011	2012	2013	2014	2015	2016	2017	2018*1	2019	2020
Fiscal Year	Revenue from operations (JPY million)	33,616	74,738	94,319	108,444	212,791	169,956	215,780	289,618	287,513	357,272	339,645
	[Revenue from operations for each segment]*2											
	Real estate business (JPY million)	30,428	68,096	84,346	95,726	199,910	137,544	182,883	258,597	256,322	332,564	311,695
	Insurance agency business (JPY million)	2,186	2,388	2,417	2,631	2,886	3,260	3,191	3,479	4,056	2,989	2,966
	Hotels / *Ryokans* (JPY million)	—	—	—	—	—	—	—	—	—	16,402	17,653
	Staffing business (JPY million)	—	—	—	—	—	19,094	19,023	18,620	17,955	—	—
	Others (JPY million)	1,001	4,253	7,555	10,087	9,994	10,057	10,681	8,921	9,178	5,315	7,330
	Operating income (JPY million)	15,289	19,841	22,571	29,114	36,032	42,002	53,377	64,249	75,564	88,353	100,596
	[Operating income for each segment]											
	Real estate business (JPY million)	17,353	21,623	25,116	31,448	38,519	44,185	57,353	69,208	81,065	95,711	115,374
	Insurance agency business (JPY million)	448	490	449	631	747	987	898	1,077	1,596	619	667
	Hotels / *Ryokans* (JPY million)	—	—	—	—	—	—	—	—	—	(0)	(7,492)
	Staffing business (JPY million)	—	—	—	—	—	515	353	335	360	—	—
	Others (JPY million)	183	399	499	655	696	822	911	790	356	597	1,157
	Elimination or corporate (JPY million)	(2,696)	(2,671)	(3,494)	(3,620)	(3,929)	(4,507)	(6,140)	(7,162)	(7,814)	(8,574)	(9,110)
	Ordinary income (JPY million)	12,396	16,896	20,033	25,983	34,314	42,534	51,432	61,870	72,530	84,645	95,627
	Profit attributable to owners of parent (JPY million)	11,562	9,336	11,487	15,970	22,352	33,628	34,897	42,402	49,515	58,805	63,619
	Capital expenditure (JPY million)	23,584*3	20,887	141,380	66,802	92,396	288,720	107,140	198,260	256,037	381,623	327,144
	Depreciation and amortization (JPY million)	4,694	5,576	5,855	6,873	7,411	8,929	11,299	11,736	11,942	14,172	15,866
End of the Fiscal Year	Total assets (JPY million)	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	2,019,336
	Current assets (JPY million)	17,859	22,758	76,967	123,371	86,188	160,261	128,007	164,913	187,404	183,941	248,290
	Real estate for sale (JPY million)	5,590	7,193	52,691	90,116	37,124	86,587	63,510	111,458	143,901	116,967	135,970
	Non-current assets (JPY million)	437,993	453,443	560,898	596,931	687,182	930,507	1,005,707	1,187,157	1,338,114	1,591,697	1,768,862
	Interest-bearing debts (JPY million)*4	300,292	310,324	416,608	462,028	473,297	658,213	665,375	826,697	975,145	1,146,079	1,360,188
	Net assets (JPY million)	98,644	104,356	149,895	177,280	205,421	317,045	341,087	378,855	404,135	461,856	489,043
	Equity (JPY million)	97,361	103,085	148,622	176,007	202,337	312,937	336,903	375,405	400,738	459,093	486,487
Information per Share	Net income per share (EPS) (yen)	73.03	54.65	22.31	27.01	37.72	52.75	53.00	64.38	75.18	88.93	95.23
	Net assets per share (BPS) (yen)	569.98	603.49	251.74	297.24	341.40	474.90	511.68	570.02	608.49	687.01	728.31
	Dividends per share (yen)	9.00	11.00	—*5	6.50	10.50	15.50	17.00	21.00	25.50	31.50	36.00
Cash Flow Information	Cash flows from operating activities (JPY million)	5,537	20,459	8,472	11,114	84,123	36,272	108,407	45,724	130,973	231,180	202,304
	Cash flows from investing activities (JPY million)	(30,380)	(23,667)	(30,554)	(49,548)	(83,815)	(284,580)	(111,018)	(189,088)	(258,127)	(358,334)	(343,137)
	Cash flows from financing activities (JPY million)	19,707	7,511	20,854	42,841	4,192	257,934	(5,715)	148,483	131,010	141,523	187,388
Major Indicators	Equity ratio (%) *6	21.3	21.6	23.2	24.4	26.1	28.6	29.7	27.7	31.1*7	30.0*7	32.7*7
	Return on equity (ROE) (%) *8	13.9	9.3	9.1	9.8	11.8	13.0	10.7	11.9	12.7	13.6	13.4
	Return on assets (ROA) (%) *9	2.9	3.6	3.5	3.8	4.5	4.5	4.6	4.9	5.0	5.1	5.0
	EBITDA (JPY million) *10	20,771	26,493	30,092	37,809	44,870	54,678	66,403	77,785	89,462	105,454	119,250
	Debt to EBITDA ratio (times) *11	14.5	11.7	13.8	12.2	10.5	12.0	10.0	10.6	10.0*7	10.1*7	9.9*7
	Net debt to equity ratio (times) *12	3.0	3.0	2.8	2.8	2.6	2.2	2.1	2.3	1.9*7	2.0*7	1.7*7
	Dividend payout ratio (%)	12.3	20.1	—*5	24.0	27.8	29.3	32.0	32.6	33.9	35.4	37.8
	Number of issued shares (including treasury stock) (share)	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	673,907,735
	Employees (consolidated) (people)	298	375	429	461	753	784	836	862	936	1,878	1,934
	Employees (non-consolidated) (people)	114	106	129	125	116	128	149	156	166	181	184

Former Hulic | **New Hulic**

Merger with Shoei Co., Ltd.*5

(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 Excluded lease liabilities

*5 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 dividend 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.

*6 Equity ratio = Equity / Total assets

*7 50% (JPY75 Bln) of hybrid finance raised in 2018 (JPY150 Bln) was calculated as nominal equity in and after FY2018.
50% (JPY100 Bln) of hybrid finance raised in 2020 (JPY200 Bln) was calculated as nominal equity in FY2020.

*8 Return on equity (ROE) (%) = Profit attributable to owners of parent / Equity (average balance)

*9 Return on assets (ROA) (%) = Ordinary income / Total assets (average balance)

*10 EBITDA = Ordinary Income - Equity in earnings / losses of unconsolidated subsidiaries and affiliates + Interest expenses + Depreciation and amortization

*11 Debt to EBITDA ratio (DEBT/EBITDA) = Interest-bearing debts / EBITDA

*12 Net debt to equity ratio = Net interest-bearing debts (Interest-bearing debts - Cash and deposits)/Shareholders' equity

Consolidated Financial Statements

Consolidated Balance Sheets

(JPY million)

	FY2019	FY2020
Assets		
Current assets		
Cash and deposits	48,727	95,051
Notes and operating accounts receivable	3,747	4,645
Merchandise	42	19
Real estate for sale	116,967	135,970
Real estate for sale in process	0	-
Advance payments - construction in progress	266	393
Supplies	309	316
Operational investment securities	6,377	2,587
Other current assets	7,507	9,310
Allowance for doubtful accounts	(5)	(4)
Total current assets	183,941	248,290
Non-current assets		
Tangible non-current assets		
Buildings and structures	327,392	335,115
Depreciation	(89,310)	(86,119)
Buildings and structures (Net amount)	238,082	248,996
Machinery, equipment and materials handling equipment	4,654	5,069
Depreciation	(1,696)	(1,871)
Machinery, equipment and materials handling equipment (Net amount)	2,958	3,198
Land	1,082,445	1,242,764
Construction in progress	14,303	13,182
Other tangible non-current assets	8,359	14,702
Depreciation	(1,601)	(2,360)
Other tangible non-current assets (Net amount)	6,757	12,341
Total tangible non-current assets	1,344,547	1,520,482
Intangible non-current assets		
Goodwill	3,336	3,430
Leasehold rights	84,361	78,329
Other intangible non-current assets	794	1,063
Total intangible non-current assets	88,492	82,823
Investments and other assets		
Investment securities	133,009	138,043
Lease deposits	18,547	19,761
Deferred income taxes	941	890
Net defined benefit asset	119	128
Other investments and assets	6,040	6,747
Allowance for doubtful accounts	(0)	(15)
Total investments and other assets	158,657	165,555
Total non-current assets	1,591,697	1,768,862
Deferred assets		
Opening cost	19	39
Share issuance cost	2	1
Corporate bonds issuance cost	612	2,143
Total deferred assets	633	2,184
Total assets	**1,776,272**	**2,019,336**

(JPY million)

	FY2019	FY2020
Liabilities		
Current liabilities		
Short-term debt	440	1,040
Long-term debt payable within one year	30,830	43,796
Short-term bonds	19,999	-
Bonds expected to be redeemed within one year	5,038	-
Accounts payable	4,463	4,423
Income taxes payable	18,151	18,562
Cash in advance	7,184	7,959
Allowance for employees' bonus	667	343
Allowance for directors' and corporate auditors' bonus	269	325
Other current liabilities	9,906	11,023
Total current liabilities	96,952	87,474
Long-term liabilities		
Corporate bonds	135,000	345,000
Long-term debt	954,770	970,352
Deferred income taxes	37,656	27,972
Allowance for stock benefits	1,555	1,907
Net defined benefit liability	1,289	1,532
Deposits from tenants	79,826	82,612
Other long-term liabilities	7,364	13,442
Total long-term liabilities	1,217,463	1,442,819
Total liabilities	**1,314,415**	**1,530,293**
Net assets		
Shareholders' equity		
Common stock	62,718	62,718
Capital surplus	88,957	88,867
Retained earnings	267,934	308,012
Treasury stock	(2,310)	(2,607)
Total shareholders' equity	417,300	456,991
Accumulated other comprehensive income		
Unrealized holding gains on securities	41,819	29,630
Unrealized losses on hedging instruments	(22)	(14)
Retirement benefits liability adjustments	(2)	(119)
Total accumulated other comprehensive income	41,793	29,495
Non-controlling interests	**2,762**	**2,555**
Total net assets	**461,856**	**489,043**
Total liabilities and total net assets	**1,776,272**	**2,019,336**

Consolidated Statements of Income

(JPY million)

	FY2019	FY2020
Revenue from operations	**357,272**	**339,645**
Cost of revenue from operations	237,882	199,765
Gross operating profit	119,390	139,880
Selling, general and administrative expenses	31,037	39,283
Operating income	**88,353**	**100,596**
Non-operating income		
Interest income	9	17
Dividend income	2,308	2,443
Equity in income of affiliated companies	-	895
Other revenue - termination of lease contracts	703	647
Other	515	928
Total non-operating income	3,536	4,932
Non-operating expenses		
Interest expenses	6,615	8,652
Equity in loss of affiliated companies	22	-
Other	607	1,248
Total non-operating expenses	7,245	9,901
Ordinary income	**84,645**	**95,627**
Extraordinary gains		
Gain on sales of non-current assets	-	564
Gain on sales of investment securities	1,486	392
Gain on investments in silent partnership	21	58
Gain on negative goodwill	2,360	-
Forfeit revenue	-	245
Subsidies for employment adjustment, etc.	-	273
Other	26	473
Total extraordinary gains	3,894	2,007
Extraordinary losses		
Loss on sales of non-current assets	0	2
Loss on disposal of non-current assets	1,536	1,683
Loss on reconstructions of buildings	425	1,084
Loss on sales of investment securities	0	985
Loss on redemption of investment securities	790	-
Loss on step acquisition	1,482	-
Loss on COVID-19	-	1,556
Other	6	1,043
Total extraordinary losses	4,241	6,355
Income before income taxes and minority interests	**84,298**	**91,280**
Current income taxes	30,757	33,025
Deferred income taxes	(5,469)	(5,484)
Total current income taxes and deferred income taxes	25,288	27,540
Net income before minority interests	**59,010**	**63,739**
Profit attributable to non-controlling interests	204	120
Profit attributable to owners of parent	58,805	63,619

Consolidated Statements of Comprehensive Income

(JPY million)

	FY2019	FY2020
Net income before minority interests	**59,010**	**63,739**
Other comprehensive income		
Unrealized holding gains / losses on securities	9,353	(12,049)
Unrealized losses on hedging instruments	10	8
Remeasurements of defined benefit plans, net of tax	(53)	(117)
Share of other comprehensive income of associates accounted for using equity method	(219)	(139)
Total other comprehensive income	9,090	(12,297)
Comprehensive income	**68,100**	**51,442**
(Breakdown)		
Comprehensive income attributable to owners of the parent	67,896	51,321
Comprehensive income attributable to minority interests	204	120

Consolidated Statements of Changes in Net Assets

(JPY million)

FY2019

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
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				Non-controlling interests	Total net assets
	Unrealized holding gains on securities	Unrealized losses on hedging instruments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
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**

FY2020

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
The balance at beginning of fiscal year	**62,718**	**88,957**	**267,934**	**(2,310)**	**417,300**
The changes during the period					
Cash dividends			(23,543)		(23,543)
Profit attributable to owners of parent			63,619		63,619
Purchase of treasury stock				(425)	(425)
Disposal of treasury shares		0		129	129
Change in scope of consolidation			1		1
Change in ownership interest of parent due to transactions with non-controlling interests		(89)			(89)
Net changes in items other than shareholders' equity					
Total changes during the period	-	(89)	40,077	(296)	39,691
Balance at the end of fiscal year	**62,718**	**88,867**	**308,012**	**(2,607)**	**456,991**

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gains on securities	Unrealized losses on hedging instruments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
The balance at beginning of fiscal year	**41,819**	**(22)**	**(2)**	**41,793**	**2,762**	**461,856**
The changes during the period						
Cash dividends						(23,543)
Profit attributable to owners of parent						63,619
Purchase of treasury stock						(425)
Disposal of treasury shares						129
Change in scope of consolidation						1
Change in ownership interest of parent due to transactions with non-controlling interests						(89)
Net changes in items other than shareholders' equity	(12,188)	8	(117)	(12,297)	(207)	(12,505)
Total changes during the period	(12,188)	8	(117)	(12,297)	(207)	27,186
Balance at the end of fiscal year	**29,630**	**(14)**	**(119)**	**29,495**	**2,555**	**489,043**

Consolidated Statements of Cash Flows

(JPY million)

	FY2019	FY2020
Cash flows from operating activities		
Income before income taxes and minority interests	84,298	91,280
Depreciation and amortization	14,172	15,866
Gain on negative goodwill	(2,360)	-
Increase/decrease in allowance for doubtful accounts (decrease)	1	14
Increase/decrease in allowance for employees' bonus (decrease)	192	(324)
Increase/decrease in allowance for directors' and corporate auditors' bonus (decrease)	22	56
Increase/decrease in allowance for stock benefits (decrease)	420	480
Increase/decrease in net defined benefit asset and liability	118	110
Interest and dividend income	(2,317)	(2,460)
Interest expenses	6,615	8,652
Equity in gain/loss of affiliated companies (gain)	22	(895)
Loss on disposal of non-current assets	1,536	1,683
Gain/loss on sales of tangible non-current assets (gain)	0	(88)
Gain/loss on sales of intangible fixed assets (gain)	-	(473)
Gain/loss on sales of investment securities (gain)	(1,486)	592
Gain/loss on investments in silent partnership (gain)	(21)	(58)
Gain/loss on step acquisitions (gain)	1,482	-
Increase/decrease in receivables (increase)	(132)	(788)
Increase/decrease in inventories (increase)	152,290	116,937
Increase/decrease in operational investment securities (increase)	(2,595)	3,789
Increase/decrease in lease deposits (increase)	(1,755)	(1,214)
Increase/decrease in deposits from tenants (decrease)	9,295	2,786
Increase/decrease in other assets (increase)	1,536	2,044
Increase/decrease in other liabilities (decrease)	3,470	2,800
Subtotal	264,808	240,793
Cash receipts of interest and dividend income	2,403	2,577
Cash payments of interest expense	(6,581)	(8,632)
Income taxes paid	(29,491)	(32,547)
Income taxes refund	41	112
Net cash provided by operating activities	231,180	202,304

(Continuing to upper right)

(JPY million)

	FY2019	FY2020
Cash flows from investing activities		
Term deposit expenses	-	(120)
Term deposit revenue	193	120
Purchase of tangible non-current assets	(289,762)	(320,637)
Sales of tangible non-current assets	0	37
Purchase of intangible non-current assets	(64,505)	(856)
Purchase of investment securities	(7,776)	(23,663)
Sales of investment securities	124	1,927
Payments from sales of investments in subsidiaries resulting in change in scope of consolidation	-	(56)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	629	-
Payments of loans receivable	(1)	(7)
Collections of loans receivable	9	1
Other	2,753	114
Net cash provided by (used in) investing activities	(358,334)	(343,137)
Cash flows from financing activities		
Increase/decrease in short-term debt (decrease)	162	600
Increase/decrease in short-term corporate bonds (decrease)	9,999	(20,117)
Proceeds from long-term debt	140,000	70,000
Repayment of long-term debt	(35,311)	(41,379)
Proceeds from issuance of corporate bonds	54,726	208,182
Repayment of corporate bonds	(8,049)	(5,038)
Proceeds from exercise of stock option	0	0
Payment for acquisition of treasury stock	(1,182)	(425)
Cash dividend paid	(18,531)	(23,543)
Dividends paid to non-controlling interests	(169)	(177)
Other	(121)	(711)
Net cash provided by (used in) financing activities	141,523	187,388
Net increase/decrease in cash and cash equivalents (decrease)	14,369	46,555
Cash and cash equivalents at the beginning of year	31,847	48,380
Net increase/decrease in cash and cash equivalent with new consolidated subsidiaries	2,164	-
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(231)
Cash and cash equivalents at the end of year	**48,380**	**94,704**

Stock Information

Key Stock Information (as of December 31, 2020)

Number of Authorized Shares	1,800,000,000
Number of Shares Issued	673,907,735
Number of Shareholders	73,326

Major Shareholders (as of December 31, 2020)

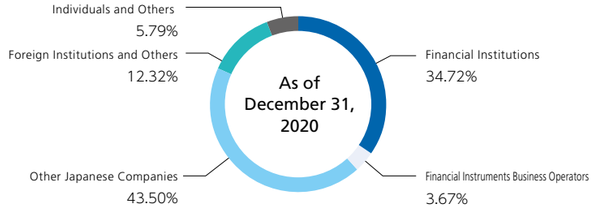
Name	Number of shares	Shareholding ratio (%) to the number of issued shares (excluding treasury shares)
Meiji Yasuda Life Insurance Company	47,617,077	7.07
Sompo Japan Insurance Inc.	42,248,800	6.28
Tokyo Tatemono Co., Ltd.	41,849,033	6.22
Fuyo General Lease Co., Ltd.	40,695,306	6.04
Yasuda Real Estate Co., Ltd.	30,789,331	4.57
Oki Electric Industry Co., Ltd.	28,631,000	4.25
Yasuda Logistics Corporation	28,431,800	4.22
The Master Trust Bank of Japan, Ltd. (Trustee account)	27,207,800	4.04
Mizuho Capital Co., Ltd.	25,533,900	3.79
Taisei Corporation	22,400,000	3.33

*1 Treasury shares excluded from the above issued shares do not include 2,317,100 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 Retrustee 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 Retrustee Trust & Custody Services Bank, Ltd.).

Composition of Shareholders



Stock Price (Tokyo Stock Exchange)

(yen)	December 2016	December 2017	December 2018	December 2019	December 2020
Stock price at the end of period	1,039	1,266	985	1,316	1,133
Stock price range in period (closing price basis)	861-1,147	1,006-1,307	936-1,404	844-1,339	905-1,372

Corporate Information

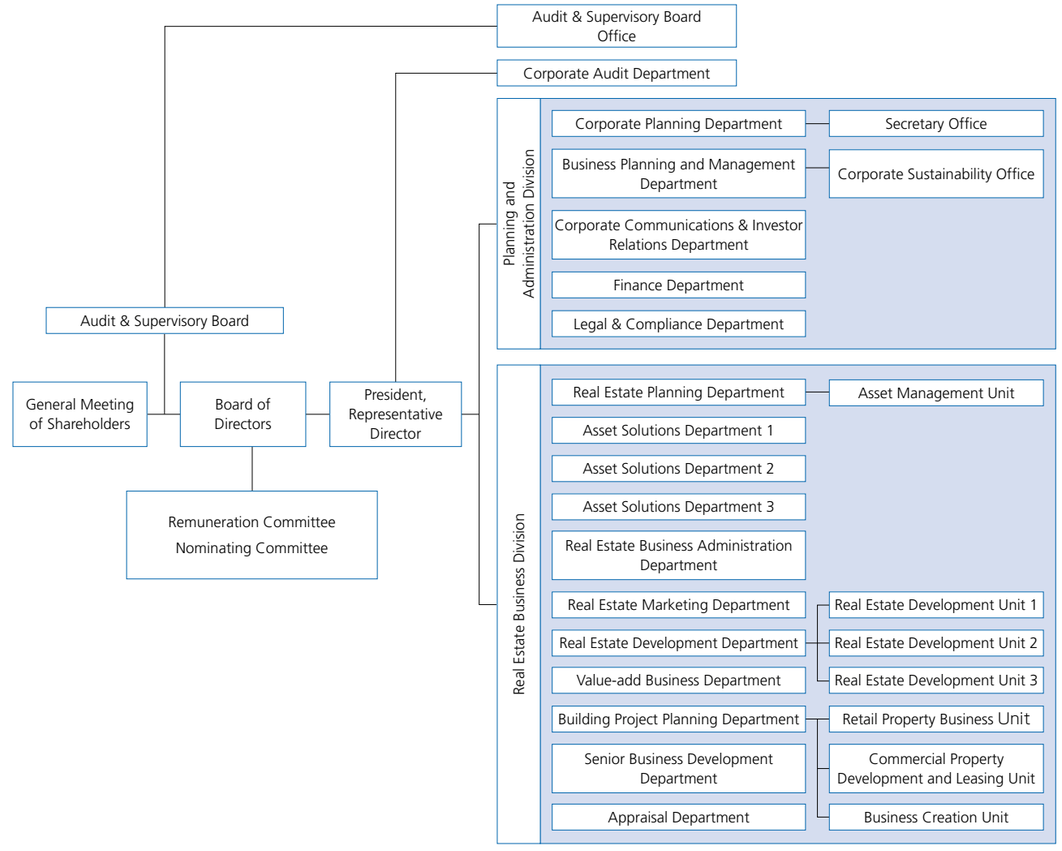
Corporate Overview (as of December 31, 2020)

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 Odenmacho, Chuo-ku, Tokyo, Japan
Number of Employees	184 (Non-consolidated) 1,934 (Consolidated)



Hulic Head Office Building

Organization Chart (as of January 1, 2021)



Major Hulic Group companies (as of December 31, 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	68.0
Hulic Insurance Service Co., Ltd.	Taito-ku, Tokyo	350	Insurance agency	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	100.0
MOS CO., LTD.	Kanazawa-shi, Ishikawa	1,960	Hotel management	98.5
HULIC FUFU Co., Ltd.	Chuo-ku, Tokyo	1,500	Management and operation of *ryokans* (Japanese style luxury inn), consulting of *ryokan* management	93.3
Hulic Build Co., Ltd.	Chiyoda-ku, Tokyo	90	Construction-related business, office business, real estate leasing business	100.0
HULIC Agri Co., Ltd.	Chuo-ku, Tokyo	100	Management and holding stock of an agricultural company in Vietnam	89.3
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	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 FY2020 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.

KPMG

Independent Assurance Report

To the President of Hulic Co., Ltd.

We were engaged by Hulic Co., Ltd. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with ✓ (the "Indicators") for the period from January 1, 2020 to December 31, 2020 included in its Integrated Report 2021 (the "Report") for the fiscal year ended December 31, 2020.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting the Company's Hulic Kudan Building and Hulic Fuchu Tower selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
June 2, 2021

External Evaluations

Praised for our sustainability initiatives, Hulic has been selected for inclusion in the following ESG indices and also received the following external evaluations and awards.

- FTSE4Good Index Series
- FTSE Blossom Japan Index
- MSCI Japan ESG Select Leaders Index
- MSCI Japan Empowering Women Index (WIN)
- S&P/JPX Carbon Efficient Index
- Received the Green Star rating in the Global Real Estate Sustainability Benchmark (GRESB) survey (2020)
- Received the highest rating, four stars, for the real estate industry in the Nikkei SDGs Management survey (2020)
- 2021 Certified Health & Productivity Management Outstanding Organization (Small and Medium-sized Enterprises Category)
- Received a silver prize in the 2nd ESG Finance Awards Japan (Minister of the Environment Award)
- Certified as Platinum Kurumin

FTSE Blossom Japan

S&P/JPX Carbon Efficient Index

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

GRESB 2020

NIKKEI SDGs 経営調査2020 ★★★★

* Disclaimer: The inclusion of Hulic Co., Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Hulic Co., Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.