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To All Parties Concerned

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Notice regarding the Issuance of Sustainability-Linked Bonds

TOKYO, August 25, 2020 - Hulic Co., Ltd. (“Hulic” or the “Company”) hereby announces that it has decided to issue Japan’s first Sustainability-Linked Bonds^(*) (“the Bonds”).

For the issuance of the Bonds, 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 (the “Public Offering”) and the Bonds were highly evaluated for the modeling and pioneering features and selected as the first model case in the Public Offering. Additionally, the Bonds have been confirmed by the Ministry of the Environment and its commissioned independent verification agency for the alignment with the “Green Loan and Sustainability Linked Loan Guidelines” published by the Ministry of the Environment (“GL SLL Guidelines”) and the “Sustainability Linked Bond Principles” published by The International Capital Market Association (ICMA) (the “SLB Principles”). The Bonds will be the world’s first publicly offered Sustainability-Linked Bonds that align with the SLB Principles.

1. Purpose and Background of the Issuance of the Bonds

The Hulic group, which operates real estate leasing business as its core business, has formulated a new long-term management plan (2020 to 2029) pursuing strategies for further growth by focusing on “Reform” and “Speed” while ensuring an optimal balance of “PL Growth,” “Profitability,” “BS Soundness” and “Productivity (efficiency).” The group also launched a new medium-term management plan (2020 to 2022) as the first phase of such long-term plan.

In the new medium-and-long-term management plan, the Hulic group focuses on “Management Commitment to Environmental Sustainability” as one of initiatives under its Basic Strategy and promotes ESG-conscious business operations, value creation for solving social issues and measures linking social value creation with corporate growth. Furthermore, the group has formulated “Sustainability Vision” replacing the previous “CSR Vision,” placing it at the center of the Company’s ESG management.

Under these circumstances, Hulic has decided the issuance of Japan’s pioneering Sustainability-Linked Bonds, which demonstrate the Company’s commitment to Sustainability by linking the issue terms with the achievements of the Sustainability Performance Targets^(*) (“SPTs”), with an aim to more widely communicate the Company’s

sustainability policy.

The Company has set "Achievement of RE100 ^(*5) by 2025" and "Completion of Japan's first 12-story fire-resistant wooden commercial facility in the Ginza 8-chome Development Plan by 2025" as the SPTs linked to the issuance conditions of the Bonds.

While Sustainability-Linked Bonds are characterized in that use of proceeds is not restricted, the Company plans to use a part of the proceeds of the Bonds to finance the construction of solar power generation facilities which do not use the FIT scheme^(*6) (Non-FIT facilities) for RE100 and the development funds for the Ginza 8-chome project.

2. Overview of the Bonds

Maturity	To be determined
Issue amount	To be determined
Issue month	October 2020 (Plan)
Use of proceeds (plan)	The proceeds are planned to be allocated to: capital expenditures; working capital; redemptions of short-term corporate bonds and straight bonds; and repayment of loans
SPTs linked with the issue terms	① Achievement of RE100 by 2025 ② Completion of Japan's first 12-story fire-resistant wooden commercial facility in the Ginza 8-chome Development Plan by 2025 * A coupon step-up is triggered if any of the above SPTs has not been achieved within a predefined timeline. The Bonds set out additional SPTs (*7) that are not linked with the issue terms but subject to the monitoring from 2026.
Lead managers	Mizuho Securities Co., Ltd. (administrative lead manager), Nomura Securities Co., Ltd., Daiwa Securities Co, Ltd., SMBC Nikko Securities Inc.

(*1) Sustainability-Linked Bonds ("SLBs")

SLBs are bond instruments for which the terms change depending on whether the issuer achieves pre-determined sustainability/ESG objectives. Funds raised through SLBs need not be necessarily restricted to a particular use of proceeds. SLBs are assessed based on Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs) predefined by the issuer. SPTs are set per relevant KPI as numerical targets to be achieved. SLBs incentivize the issuer to achieve the SPTs by changing the terms depending on whether the predefined KPIs achieve their SPTs.

(*2) Public Offering for Model Cases in the Model Creation Projects on Sustainability Linked Loans 2020

Public offering for model cases launched by the Ministry of the Environment that aims to create model cases of new financing schemes having modeling and pioneering features from an environmental perspective, including Sustainability-Linked Loans and Sustainability-Linked Bonds that align with the GL SLL guidelines, and increase public recognition of such model cases by releasing relevant information.

(*3) Commissioned independent verification agencies

Independent verification agencies appointed by the Ministry of the Environment to

confirm alignments of loans/bonds with the GL SLL Guidelines and the SLB Principles. For this Public Offering, Japan Credit Rating Agency, Ltd. (JCR) and E&E Solutions Inc. (E&ES) provide issuers a third-party verification.

(*4) Sustainability Performance Target

Targets based on the issuer's management strategy, used to decide the issue terms of Sustainability-Linked Bonds.

(*5) RE100

Led by the Climate Group in partnership with CDP, RE100 is a collaborative initiative of the world's most influential businesses committed to 100% renewable power. More than 170 companies have joined the campaign as of June 2019. The Climate Group is an international, not-for-profit organization that addresses climate change to accelerate the transition to a low-carbon economy, and CDP is an international NPO providing a system for companies and cities to disclose environmental information.

(*6) FIT System

The FIT system refers to a feed-in tariff system for electricity generated from renewable energy. It went into effect in 2012 in Japan. The FIT is funded through the electricity utility bills, which means that the costs are passed down to the consumers. Accordingly, electricity generated under this program is not deemed to have environmental value that renewable energy does as the payment for the value is already done by electricity users.

(*7) SPTs that are not linked with the issue terms but subject to the monitoring from 2026

SPTs achievement realized by 2025 will stay unchanged until redemption. Hulic will obtain an independent limited verification report about whether the achievement is maintained from Japan Credit Rating Agency in August each year to disclose to the public. If a circumstance unforeseeable at the time of issuance temporarily disables Hulic from committing to RE100, Hulic, in the verification report, will disclose to its investors details of the circumstance and what actions it will take.

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Supplemental remarks for SPTs

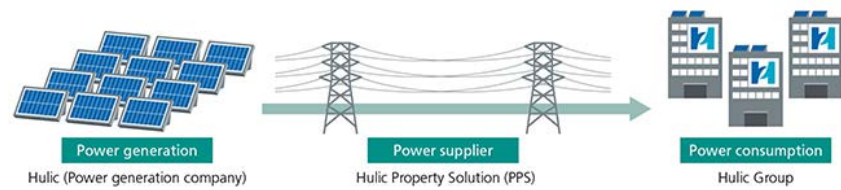
1. Achieving the RE100 Goal



THE CLIMATE GROUP  CDP

Having launched the solar power generation business in 2012, Hulic started developing photovoltaic equipment that does not apply the feed-in tariff (FIT) system in 2020. Hulic is aiming to achieve 100% renewable energy (the goal of RE100) by 2025 by developing solar power generation system that covers the power consumption of the Group, including its subsidiaries. The electricity generated by the solar equipment will be supplied to each building through Hulic Property Solution Co., Ltd., a Group company, which acts as a power producer and supplier. This will make Hulic Japan's first company to entirely cover its power usage by this self-supply initiative, ensuring it achieves the goal set out for RE100 companies. Under this initiative, Hulic expects to be able to use renewable energy at a price equivalent to that of electricity generated by fossil fuels. Success in achieving the RE100 goal through the development of the non-FIT solar power generation will contribute extensively to

Hulic’s CO2 reduction plan as well as ensure that Hulic is taking a step forward to realize a sustainable society (low-carbon and material-recycling society) under its long-term vision for the environment.



2. Completion of Japan's first 12-story fire-resistant wooden commercial facility in the Ginza 8-chome Development Plan

Hulic is developing Japan’s first 12-story, fire-resistant wooden commercial facility (hybrid construction combining wooden and steel structures) in Ginza, one of its focus areas. The facility is scheduled for completion in October 2021.



Asset type	: Commercial facility
Location	: Ginza 8-chome (four-minute walk from Shinbashi Station)
Structure	: Hybrid construction combining wooden and steel structure
No. of floors	: 12 floors above ground, 1 below
Site area	: 251.98 m ² (plan)
Total floor area	: 2,456.54 m ² (plan)
Design and construction	: Takenaka Corporation
Exterior design supervisor	: Kengo Kuma and Associates
Completion	: October 2021 (plan)

Since 2018, Hulic has been developing fire-resistant wooden buildings using timber that requires less energy for manufacturing and processing, in response to Japan Forestry Agency’s effort to expand use of wood under a series of initiatives to reduce overall CO2 emissions. Trees absorb CO2 in the air and provide a carbon dioxide fixing solution as they grow, so an abundance of trees in the nation’s land can help cut down CO2 levels. Considering trees are losing ability to absorb CO2 as they get older, it is possible to maintain a certain number of young, CO2 absorbing trees by planting new trees after cutting down old trees to use as building materials. This initiative for fire-resistant wooden buildings helps promote forest circulation, which in turn leads to reduction in CO2.

Hulic is developing Japan’s first 12-story, fire-resistant wooden commercial facility (hybrid construction combining mainly domestic wooden and steel structures) in Ginza, one of its focus areas. The facility is scheduled for completion in October 2021.