



Integrated Report 2022

HULIC CO., LTD.

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Publication of Integrated Report 2022



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.

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 progress of Medium-term Plan Phase I (2020-2022) and topics such as initiatives in the field of Sustainability (Environment, Social and

Governance) 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 2022 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	Reference Guidelines International Integrated Reporting Council (IIRC) "International Integrated Reporting Framework"
Reporting Period Fiscal Year 2021 (from January 1, 2021 to December 31, 2021) Information as of December 31, 2021 in principle unless otherwise noted. Notwithstanding the foregoing, included some activities and information after January 1, 2022.	The Japanese Ministry of Economy, Trade and Industry "The Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation"
Time of Issuance June 2022	The Japanese Ministry of the Environment "The Environmental Reporting Guidelines (2018)" GRI (Global Reporting Initiative) "The GRI Sustainability Reporting Standards"

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 (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, B/S Soundness, Profitability, 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

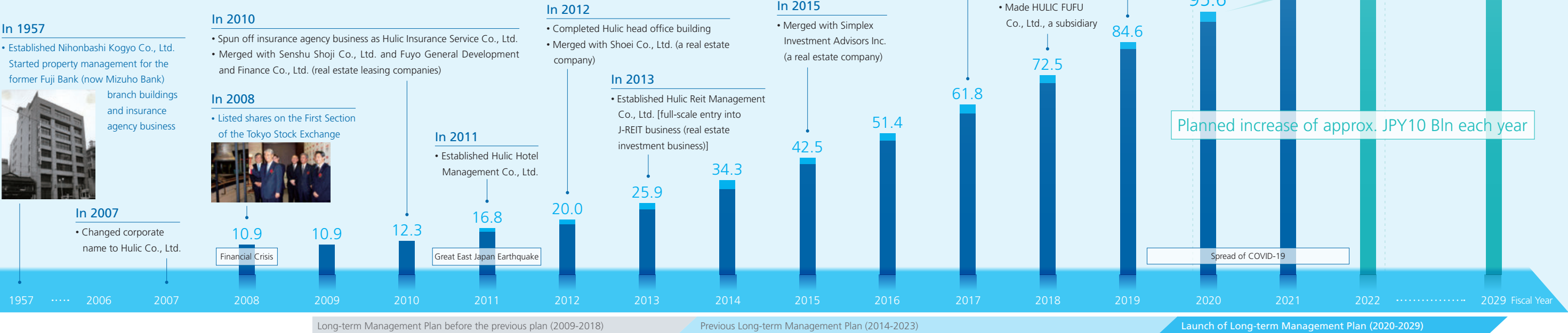
- 4 Strengthen the management foundation and implement stringent risk management
- 5 Implement management that emphasizes sustainable co-creation and co-existence with society

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 JPY180.0 Bln "driving innovation and accelerating progress"

Consolidated Ordinary Income (Unit: JPY billion) Initial forecast Results (difference over initial forecast) Plan/targets



Record of Business and Sustainability Initiatives

Building on the leasing business as a foundation, grew through M&As in addition to taking on new businesses such as property development and the 3K businesses (koureisha / kanko / kankyo i.e., seniors / tourism / environment)									
Business Initiatives	Advancement of development and reconstruction business								
	Started PPP business								
	Progress on initiatives for senior citizen-related businesses								
	Tourism-related businesses								
Sustainability Initiatives	Started new businesses (children's education and Bizflex)								
	General								
	Environment								
	Society								
	Corporate Governance								

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

Posted continued earnings growth since listing on TSE
Average rate of growth of Consolidated Ordinary Income: 21.3%

B/S Soundness

Credit rating: AA- (stable) (as of May 9, 2022)
Equity Ratio (December 31, 2021): 36.8%*

Profitability

Maintained higher profitability than competitors
Ordinary Income to Sales Ratio (FY2021): 24.5%

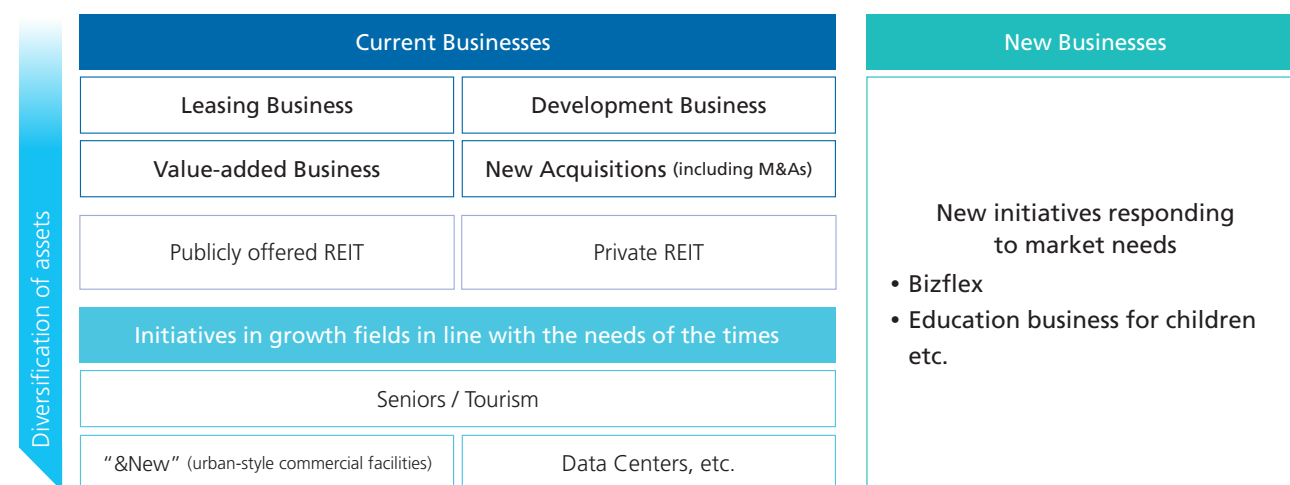
Productivity (Efficiency)

Putting emphasis on income per employee and ROE
ROE (FY2021): 12.3%

*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



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

- Tokyo and/or near stations
- Medium-sized office buildings
- Reconstructions, and small to medium-sized developments
- Nursing homes
- Hotels, *Ryokans* (Japanese style luxury inns)

Non-core Fields

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

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

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

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

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



Value-added Business

▶ 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. 46~49

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 (THE GATE brand) and *ryokans* (FUFU brand), and owns leasing hotels.

Bizflex business

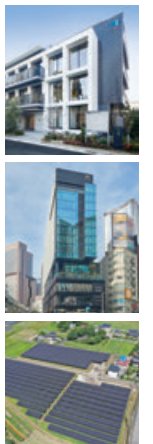
We will provide a series of medium-sized flexible offices called "Bizflex" to respond the diversified office needs.

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.



We aim to continuously enhance our corporate value by practicing sustainability-conscious management.

Saburo Nishiura
Chairman, Representative Director



Looking Back on 2021

Like the previous year, I remember 2021 as one dominated by the COVID-19 pandemic. Looking back through my diary, I see that my usually frequent business dinners with customers and other contacts were sharply reduced, and I ended up eating mostly at home, especially between January and September. From this, it is clear to me that people in the food and beverage industry have been through a really hard time. Before the pandemic, I spent a whole month touring America, Europe, Asia, and Australia for investor relations, but last year,

as in 2020, I took no overseas business trips at all. My domestic business trips were also very limited. They consisted mainly of attending the opening ceremonies of new *ryokan* (Japanese-style luxury inns) and traveling to Kanazawa, Kagoshima, Nara, and, as will be described later, other locations for matches in a women's *shogi* competition that we sponsor. As you can see from my schedule, the impact on the food and beverage, transportation, and hotel industries was significant.

With COVID-19, I think it is unrealistic to expect the

number of cases to reach absolute zero in the foreseeable future. However, I heard a doctor say that it is unusual to find a treatment as effective as the current vaccines. If an oral medicine can be developed, I think it will become like influenza, with once-a-year vaccination and a pill that people, if they do become ill, can take at the early stages of infection. Nevertheless, for tourism from overseas to recover to the previous level, the vaccine rollout will need to occur globally, so I think we will continue to face difficult times until the second half of 2023. As Hulic's tourism-related business has a high proportion of domestic customers, our initial aim is to reduce the extent of our losses in FY2022 and to return to profit from FY2023, when we can look forward once again to benefiting from tourists from overseas.

In our core leasing business, the vacancy rate has increased

by about 0.5 to 0.6% from the pre-COVID level to 0.6 to 0.8%, but most of the increase is due to vacancies in the food and beverage industry, as mentioned above. In general, food and service businesses have a weak capital structure, with most of their cash flow generated by sales. Under the impact of COVID restrictions and other factors, some have had to close their doors. On the other hand, the majority of these businesses are small with a floor area of 50 to 100 tsubo,* so the impact of closures has been limited. At the same time, tenant turnover remained very low for office, commercial and related properties that make up the majority of our portfolio. Reflecting these conditions, the average vacancy rate in central Tokyo stood at 6 to 7%, but we managed to limit ours to around one-tenth of that figure.

* 1 tsubo = 3.3 m²

Sustained profit growth is a prerequisite for taking actions of the Sustainable Development Goals (SDGs) and social contributions.

Against the ordinary income of JPY100 billion envisaged in our initial earnings forecast for FY2021, we achieved an actual figure of JPY109.5 billion. We were therefore able to reach our target while absorbing the loss from tourism-related operations. This was the fourteenth consecutive year of increases in both earnings and dividends. Operating income already exceeded JPY100 billion in FY2020, and we have achieved the JPY100 billion milestone in ordinary income as well.

In my opinion, sustained profit growth is also a prerequisite for taking actions of the SDGs and for making social contributions possible. I also consider it important for us to strike a high-level balance among P/L growth, B/S soundness, profitability, and productivity (efficiency) in our management. Taking P/L growth first, ordinary income grew at an annual rate of around 20% in the first nine years after our stock market listing. Since then, we have maintained growth of around JPY10 billion a year. For profitability, we have kept the ordinary income to sales ratio above 20% since listing. For productivity, ordinary income per employee (non-consolidated basis) is at a high level: above JPY0.5 billion. Coming finally to B/S soundness, Hulic's equity at the end of December 2020 was just under JPY500 billion, or below the level of the major real estate developers. This was the one area where we lagged behind, with a credit rating of A+ opposed to the AA rating of the big "three." This gap can be attributed to Hulic operating

for just 13 to 14 years since being listed in 2008, while the major developers have 50 to 70 years of capital accumulation. Therefore, from the viewpoint of continuing growth, we conducted our third public offering in October 2021, raising approximately JPY100 billion to improve the soundness of our balance sheet. Strengthening our financial base was recognized in May 2022 when our credit rating was raised to AA-, putting us on par with the big "three" in the real estate industry. In this way, we have now caught up with the big "three" for B/S soundness as well.

Tourism-related Businesses

Although FY2021 was a very challenging year for the hotel industry, the luxury *ryokan* FUFU series performed well by maintaining a high occupancy rate including two newly opened *ryokans*: FUFU Kyoto and FUFU Atami annex Konomo no Tsuki. This was achieved by capturing demand from customers unable to travel overseas. At FUFU series *ryokan*, every room has a private natural hot spring bath. We believe that this resonates with customers who demand the safety and security of being able to avoid crowding in communal baths. In January 2022, we opened a FUFU Hakone in Gora and we are now preparing to open two more in Karuizawa, one in Jogashima on the Miura Peninsula and Ginza, Tokyo. Our target is to have ten FUFU series *ryokan* within one-and-a-half-hour travel time

of Tokyo, not including those in Nara and Kyoto, which are among Japan’s leading tourist destinations. We have a rough idea of this now, with three *ryokans* in Atami, two in Hakone, two in Karuizawa, and one each in Kawaguchiko, Nikko, and Jogashima. We believe that the hotel business will also begin to recover in FY2022 due to progress with the vaccine rollout. We forecast that inbound (overseas) tourism figures will return to their previous levels in 2023 to 2024. In preparation for this upturn, we are currently building hotels under the directly

managed THE GATE HOTEL brand in Sapporo, Yokohama, Osaka (Shinsaibashi), and Fukuoka (Tenjin). Combined with Tokyo (Asakusa, Ginza, and Ryogoku) and Kyoto, which are already open, THE GATE HOTEL network covers all major cities in Japan. Taken together, our directly operated hotels, THE GATE HOTEL series and our Nippon View Hotels in Asakusa, Sapporo (Odori-Koen) and elsewhere will have equal figures to the FUFU series with ten each, establishing the tourism-related business as one of Hulic’s core operations.

We will grow by striking a high-level balance among PL growth, B/S soundness, profitability and productivity (efficiency).

For FY2022, we have declared an ordinary income target of JPY115 billion, a year-on-year increase of JPY5.4 billion. The target for profit attributable to owners of parent is JPY75 billion, also a JPY5.4 billion increase. Our aim is therefore to achieve 15 consecutive years of growth in both earnings and dividends. Up to now we have achieved a high-level balance among the four key elements of our management approach: P/L growth, B/S soundness, profitability, and productivity (efficiency). To move ahead even more in the future, I intend to concentrate on the key points set out below.

Countering risk: earthquakes

A focus on the present is of course important, but we also need to prepare for risks that could occur in the future. Since my appointment as president, we have several times faced risk events of the kind that are supposed to occur only once every 100 years, such as the financial crisis of 2008, the Great East Japan Earthquake, and the COVID-19 pandemic. These events had an enormous impact on people’s lives and the economy. In Japan, potential risks going forward include the possibility of an earthquake directly under the capital or in the Nankai Trough. Both events reportedly have a 70 to 80% probability of occurring in a 30-year period. An earthquake of this magnitude—a maximum seismic intensity of 7 on the Japanese scale—would have the same strength as the Great East Japan Earthquake, and the Great Hanshin-Awaji, the Hokkaido Eastern Iburi, and the Kumamoto Earthquakes. Our current portfolio includes approximately 260 real estate properties. With the goal of making all properties resistant to an earthquake with a seismic intensity of 7 by 2029, we plan to develop or reconstruct more than 100 properties during the Medium- and Long-Term Management Plan (2020–2029).

To date, there are 68 properties that have already been completed or have been confirmed or unofficially confirmed. However, considering the construction work, we need to decide on the remaining projects within the next three years or so. As a result, the eight years from now until 2029 are going to be a very challenging period for us. As a real estate development company, however, we need to consummate our plan to ensure the safety and security of our customers, the tenants. We believe moreover that taking on this responsibility now means that Hulic employees, who are also stakeholders, will be spared having to bear the financial fallout from earthquake damage to buildings. We will similarly avoid imposing potential inconveniences on financial institutions and investors.

While the development and reconstruction of more than 100 properties to guard against the risk of a major earthquake will continue until 2029, there is no knowing when a major earthquake could occur. Against this backdrop, we invested in an SPC that will acquire real estate, including the Dentsu headquarters building, which has excellent earthquake resistance, in 2021, with the aim of minimizing the impact of a major earthquake on our company. This transaction may appear to be a departure from our policy of owning Class A category properties close to stations (500 tsubo or below per floor), but it is a necessary response to the earthquake risk. Not only is delivering “safety and security” a signature motto of the Hulic Group, we also believe that delivering new buildings that provide comfortable environments is the primary sustainable development goal of a real estate developer.

Responding to major stakeholders

As with earthquake resistance, we believe that we must



respond to Hulic’s various stakeholders to the best of our ability.

Our response to the needs of **society** is explained in detail below (in the section on the environment). Our response essentially means becoming carbon neutral and consistently meeting our tax obligations by maintaining earnings growth.

In addition to protecting against earthquake damage (outlined above), to meet **customer** needs, we will continue to deliver the convenience of locations close to stations in central Tokyo combined with environmental performance and digital transformation (DX) to support improved productivity. To illustrate our emphasis on selected locations, apart from facilities such as *ryokans* and nursing homes, the majority of Hulic’s properties are conveniently located for office commuters, with approximately 80% within a five-minute walk from a station and 62% within a three-minute walk. For environmental performance, our customers can approach achieving the goals of the RE100 initiative by becoming tenants in our buildings, where electricity consumption is converted into renewable energy. For DX, ITOCHU Corporation, SECOM CO., LTD., ABEJA, Inc., and Hulic started work in 2021 on the development and rollout of a proprietary DX office system as part of an initiative to investigate how to make buildings more secure and user friendly.

For **local communities**, we used to hold a summer

festival at our head office building. Although this festival has been cancelled for two years due to the pandemic, it was an event especially enjoyed by local children. During the festival, a portable shrine donated to the community by Hulic is carried in a procession by our employees and neighbors. We also have a daycare center in our head office building that takes in children from the local community, if space is available. On the occasion of the 100th anniversary of a local elementary school, we donated popular books. As Hulic has only one office (head office building), with no branch offices, we feel very attached to the local neighborhood and are committed to good relations as a member of the local community.

Financial institutions are important stakeholders for Hulic, as the real estate industry cannot achieve growth without funding. As part of our initiative to win the trust of financial institutions, we work to (1) stay profitable, (2) keep the balance sheet free of nonperforming assets (although some assets cannot be written off for tax reasons), (3) maintain a strong credit rating, and (4) keep our promises to the outside world. As of the end of December 2021, the balance of borrowings from financial institutions was approximately JPY1 trillion (or around JPY800 billion net of cash and deposits of approximately JPY200 billion). We have also issued approximately JPY400 billion in corporate bonds. Almost 100% of these are long-term loans (approximately

93% have fixed interest rates), so even if interest rates go up, the impact will be limited to new loans, allowing us to mitigate significant interest rate risk.

For our [shareholders](#), our basic policy is to return profits by continuing to deliver a consistent dividend rather than through share buybacks, while maintaining undistributed earnings at an effective enough level to strengthen the business base for long-term stability. We have been increasing dividends each year since our listing and as a result, our payout ratio reached almost 40% which is top-notch in our industry. For information disclosure, we announce annual and quarterly financial results within one month of the end of each quarter and provide detailed coverage of Hulic-related news on our website.

For our [employees](#), we bear in mind (1) salaries, (2) fringe benefits, (3) a comfortable work environment, and (4) the challenge of new work. At a company like Hulic with 200 or fewer employees, the contribution of every individual is especially important. Our current staff includes—in roughly equal proportions—employees who joined Hulic as new graduate recruits and employees hired in midcareer. Despite the fact that our company has been in business for 65 years, our main business was real estate management and insurance agency for banks, so we did not hire new graduates until I became president in 2007. When we first started hiring new graduates, recruitment was very difficult as Hulic was a company with almost no name recognition. Now however, we receive a large number of applications, and on average we hire around eight talented students a year. As one example, the pass rate for first-class architects is about 10% in Japan as a whole, but in our company, six people took the exam in 2020 and five passed. As a company, we do all we can to support our employees. Starting with wages, our average salary is JPY18 million per employee, and our lifetime wage is at the top level for listed companies. For fringe benefits and a supportive work environment, we provide free breakfasts, lunches, and beverages at the head office cafeteria. The company dormitory offered is also free for unmarried employees up to age 30. We operate a daycare center at our head office, enabling female employees to continue working after having a child. We also provide employees with a celebratory gift of JPY1 million on the birth of every child from the third one on. To support health monitoring, employees can have a full-body CT scan at company expense. The Company pays the difference if the interest rate on an employee's mortgage exceeds 1%, although this is less advantageous in recent years due to the

current low interest rates. We do whatever we can to support our employees, but I think the most important thing is to provide a motivating work environment. Our businesses in real estate is well diversified to cover the areas from development, reconstruction, and value added to public-private partnerships (PPP), corporate real estate (CRE), real estate purchasing and sales, and creating real estate investment trusts (REIT). We also have tourism, senior-related, and environmental businesses. Our new business fields cover a wide range from leasing Bizflex medium-sized flexible offices to children's education to agriculture. So, although we cannot always accommodate individual preferences, I think we do offer a broad range of opportunities. Our administrative departments have a similarly wide range of work, from the production of the *Hulic Integrated Report* (in Japanese and English) and investor relations (domestic/overseas) to legal affairs (where all Hulic staff are lawyers), social contributions, finance, corporate communications, human resources, and business planning.

My constant approach is summed up in Hulic's motto: "Driving innovation and accelerating progress." The social environment is changing so quickly that it is important to always look a half step ahead in our work and not just continue in the same way. The key is to constantly look for a new approach, rather than continuing with the conventional way of doing things.

A company like Hulic with a relatively small workforce needs to maximize the output of every individual. Midcareer hires are already experienced professionals, but the youngest of our new graduate recruits will be the core staff driving our progress in 10 to 20 years from now. To fulfill that role, we need them to become equally skilled and professional. My view of how young employees learn is that 60% is done through on-the-job training (OJT), 30% through formal study, and 10% through other types of training. To ensure effective OJT, we limit the number of new recruits to match the number of staff available to give guidance. The reason why we recommend to employees that they acquire qualifications is that it gives them increased confidence. As a real estate company, we ask all staff to challenge themselves and become licensed real estate agents early on in their careers. We also recommend that employees acquire one additional qualification by age 30 through formal study, and we provide financial assistance for qualifications that are difficult to pass without going to a preparatory school, such as first-class architect. We have become a professional group of first-class architects, real estate appraisers, lawyers, etc., and we will continue to develop and enhance our human resources.

Environmental response

Hardly a day goes by when the newspaper does not have an article about the Sustainable Development Goals (SDGs), so strong is the current worldwide focus on SDGs. Today, there is a strong emphasis being placed on environmental issues. At the COP26 meeting held in November 2021, developed countries committed to providing financial assistance. However, the meeting was not attended by the head of state of some countries with high emission levels, such as China, Russia, and India, which raises concerns about whether the targets for 2030 and 2050 can really be met. However, it is important that we first take action to achieve net zero emissions. I believe we need to additionally generate natural energy sourced power rather than purchasing renewable energy from others in order to contribute to Japan achieving the goal of carbon neutrality by 2050.

Hulic's roadmap to achieving RE100 initially set 2025 as the target year, but in cooperations with our partner, Advance Corporation, we are now looking to achieve this target in 2024, one year ahead of schedule. Similarly, our initial target for achieving net zero CO₂ emissions from all company-owned buildings* was 2050. However, based on a recalculation that factors in Hulic's additional growth up to 2030 and includes future growth from our current portfolio of approximately 260 properties, we have brought the target year forward by 20 years to 2030. I think our goal setting at year 2030 is one of the earliest among the large and medium-sized real estate developers. When you consider that limiting the average global surface temperature increase to less than 1.5 degrees Celsius by 2050 is the worldwide target, I think that achieving carbon

neutral by 2030 is significantly meaningful. So, I have decided to commit to this target, even though the amount of our annual investment is not small. Hulic is primarily using solar power to meet this target, but we have subsidiaries that operate hotels and *ryokans*, where night-time electric power consumption is high. So, we are also introducing small hydroelectric plants operating on a feed-in tariff (FIT) that can provide stable power day and night. We completed installing the first of these plants in Kawabadani, Gunma Prefecture in 2021 and are preparing to install a second plant in Shiga Prefecture. Our plan is to have 13 to 14 of these plants by 2050. We formulated our reduction targets based on the Science-Based Targets (SBT) initiative, the de facto international standard for greenhouse gas emission reduction targets. We will also work toward being carbon neutral from the emissions in our value chain (Scope3). The question of how to commercialize our environment-related initiatives is one that we will address, once we have achieved the target of net zero CO₂ emissions from all company-owned buildings*. Climate change presents a major challenge with worldwide impact from, for instance, severe flooding and other problems for agriculture. In Japan, this was illustrated by last year's landslide in Atami as well as typhoon-related flooding. I believe that all countries, companies, and individuals must respond with strong awareness of the issues.

Another of our environmental initiatives is that we completed a high-rise (12-story) building with fireproof wooden construction in Ginza 8-chome, Tokyo in 2021. Kengo Kuma, an acclaimed architect, was in charge of the design.

* Excludes properties for which we do not have energy management authority including master lease properties, residential properties and non-managerial co-ownership properties, and real estate for sale.



We implemented this project following a proposal from Shuzo Sumi of Tokio Marine & Nichido Fire Insurance Co., Ltd., who works to promote the use of forest resources. Mr. Sumi suggested that Hulic create a wooden building in central Tokyo. The wooden material used in the construction of this building was sourced mainly from the Shirakawa district of Fukushima prefecture, and we planted trees in the region equivalent to the wood used for construction. Going forward, we will make efforts in using as much wooden materials as possible in the construction of nursing homes, which is a current focus sector. We are also continuing to study the practical application of biomass power generation using restaurant waste as fuel.

Developing advanced corporate governance

For sustainable growth, it is important to consistently develop more advanced systems for corporate governance and compliance. To begin with, all of our four external directors and three external auditors are independent directors. We have asked people with a variety of experience, including lawyers, certified public accountants, university professors, mass media contributors, and business executives, to provide objective and diverse perspectives. From April 2022, a non-executive director started to chair the Board of Directors which created more robust and transparent corporate governance.

To appoint female officers, Hulic supports the goal of Nippon Keidanren, the Japan Business Federation, for a 30% ratio of female officers (based on the definition in Japan’s Companies Act) by 2030. Currently, we have one female external officer, but going forward our management is committed to improving the ratio of female officers, for instance by recommending female candidates when vacancies occur and by finding inhouse role models. Similarly, we intend to meet, as soon as possible, the target of raising the ratio of female managers from the current 22.4% to 30%. At the time of my appointment as Hulic president in 2006, apart from the insurance division, the female employees were only one or two in the General Affairs Department. Since we started new graduate recruitment in 2007, we have taken in roughly equal numbers of male and female employees every year, and when these graduate recruits are eventually promoted to managers, I think we will be able to achieve the 30% target.

Contributions to society

Hulic is committed to making social contributions. We are members of the Keidanren One Percent Club, and we now spend far more than this level on social contributions. Apart from the environmental actions outlined above, we also

support para-badminton. As an official sponsor of the Japan Para-Badminton Federation, Hulic modified the Company-owned gym before making it available to the federation for free for ten years. This offer has been warmly welcomed by the federation because they were having difficulty finding a practice venue due to the risk of floor damage from wheelchairs. At the 2021 Paralympics, Japanese athletes won three gold, one silver, and five bronze medals. Only three sports won three gold medals, track and field, swimming and para-badminton. I believe this was a great achievement relative to the number of events. Major newspapers reported that Hulic’s stable support over the long term was key to the team’s success.

On the cultural front, we provide support for *shogi*, a traditional Japanese board game that is similar to chess. I was a long-standing acquaintance of Yasumitsu Sato, the chairman of the Japan Shogi Association, and as I had been interested in the game at high school, where I rose to the rank of grade 2 amateur, Mr. Sato asked us to become a special sponsor of a championship. For four years now, we have supported the Hulic Cup Kisei Championships. Sota Fujii won his first title in the 2020 championship and successfully defended it in 2021, raising the profile of our company, which is primarily a B to B company.

We also sponsor a women’s *shogi* competition. Unlike in a regular tournament, players are divided into ranks, A to D, and then compete in a league championship format to determine who is the strongest player. This was the first women’s competition to be played as a seven-match series, and the prize money is the highest of the eight title tournaments for women. We intend to continue supporting *shogi* as a valued part of Japanese culture.

Since 2020, we have donated to the nonprofit organization Single Mothers Forum. As many single mothers are part-time employees, they were hit hard by a sharp rise in unemployment and temporary layoffs due to COVID-19. As a result, some mothers struggled to adequately feed themselves and their children, and the Single Mothers Forum provides food support to approximately 2,500 households every month. At first, this organization supported around 700 households, but with 60% of single mother households experiencing a fall in income, the number needing support rose sharply, creating a huge demand for funding. On learning about this, we decided to offer support.

Elsewhere, we sponsor a design competition for students aiming to become architects. Hulic intends to continue social contribution activities based on clearly defined objectives.

Summary

Hulic is committed to consistently practicing sustainable management inspired by our motto “Driving innovation and accelerating progress.”

There are many negative forces working against society and the economy, including outbreaks of COVID infections, the high probability of earthquakes in the Tokyo metropolitan area and the Nankai Trough, and a decrease in the working population of 7 to 8 million people over the next 10 years. Given this environment, management has to find ways to address these challenges as they work to ensure profitability. Meeting the SDGs and making social contributions are hot topics these days, but they require a profit base. One recent buzzword is *continuity*. To carry out initiatives for increasing corporate value, we need to continue to increase profits. We have grown continually in all 14 years since our listing. However, as we need to go on addressing costly challenges, such as the environment and the risk of earthquakes, we are committed to keep increasing our earnings through hard work and smart thinking.

As we work to generate profit, our management must look to the future as well as the present. This means monitoring P/L growth, B/S soundness, profitability, and productivity, while maintaining an awareness of sustainability

for the environment, for society, and for governance. Doing this will enable us to successfully respond to the needs of our stakeholders, including society, our customers, and local communities to financial institutions, shareholders, and employees. I believe that we must achieve a fine balance of all these factors. Another term I often hear, along with *continuity*, is *ability to execute*. In FY2022, we need to achieve the targets for the final fiscal year of our Medium-term Plan by addressing, one by one, the tasks raised in our Long-term Management Plan. Hulic is a small to medium-sized enterprise with about 200 employees. We believe that trust is especially important for small and medium-sized businesses. I am determined that we will achieve the goals that we have announced publicly.

Currently, DX and IoT are subjects getting wide public attention, and the time has come to gradually start putting them into practice. Hulic became the third largest shareholder in ABEJA, Inc., which I mentioned above. In partnership with the Kyoto University Faculty of Engineering, we also selected research themes and started work on practical results.

Although we may face many challenges going ahead, we are committed to sustainable management inspired by our motto: **Driving innovation and accelerating progress.**



Report from the President

On assuming the position of president, I would like to present our future management policy.

First of all, our primary policy will remain unchanged. Guided by our motto, “driving innovation and accelerating progress,” we will continue to strive to become a company that strikes a balance between P/L growth, B/S soundness, profitability, and productivity (efficiency) at a high level.

While I mentioned that our overall policy is set, this does not mean that change will be unnecessary. I believe that corporate growth can only be achieved by taking on new challenges.

The COVID-19 pandemic has brought changes to our way of life to a significant degree. In addition, the global economy and society are experiencing a period of tremendous innovation, with the progress of digital transformation (DX), an increase in largescale natural disasters, and issues affecting economic security. Against this backdrop, we would like to engage in drive further innovation, with a sense of speed.

Looking back on FY2021

Socioeconomic activity was severely constrained by COVID-19 during the previous year, as in the year before that.

Despite these circumstances, we were able to achieve consolidated ordinary income of JPY109.5 billion, which far exceeds our annual target of JPY100 billion. Since our consolidated ordinary income was JPY10.9 billion when we were listed in 2008, we have grown into a company that can generate nearly ten times more profit.

The following is a summary of the Company's performance for FY2021:

- (1) We made steady progress investing in fixed assets and properties being developed that we were simultaneously able to accumulate current profits as well as invest for future growth.
- (2) Progress was made in acquiring land for the development of new asset types, such as logistics centers and data centers so that now we have clear prospects for profitability during the next Medium-term Plan period (three-year plan from 2023 to 2025).
- (3) Looking at new business areas, we made steady progress in developing Bizflex (medium-sized flexible offices) and in children's education, as well as capital and business collaborations with ABEJA, Inc. and Riso Kyoiku Co., Ltd., and business collaborations with ITOCHU Corporation and SECOM CO., LTD.
- (4) We have also launched a corporate venture capital business. By investing in a wide range of venture companies that have synergy with our core business, we will explore the seeds of change.
- (5) On the other hand, our tourism-related businesses posted a loss. This segment was heavily impacted by

- COVID-19, despite our efforts to reduce costs through structural reforms at subsidiaries.
- (6) In addition, we were ahead of schedule rebalancing our portfolio. Here, we placed the emphasis on improving seismic resistance, in preparation for an earthquake directly under Tokyo and in the Nankai Trough area, which has a 70% probability of occurring within 30 years.
 - (7) For sustainability initiatives, we have moved up the achievement year for becoming RE100 compliant from 2025 to 2024, as well as the year we achieve net zero CO₂ emissions from all company-owned buildings* from 2050 to 2030, and have taken concrete measures to achieve this goal.
 - (8) One step we have taken for sustainability was putting into operation 16 non-FIT solar photovoltaic equipment at the end of FY2021, which far exceeds our plan. Further, for small hydroelectric plants, we put the first plant into operation in Kawabadani, Gunma Prefecture, and began construction of a second plant in Kamogawa, Shiga Prefecture.
 - (9) In October, we completed construction of HULIC &New GINZA 8, Japan's first 12-story fireproof wooden commercial building, which we have been working on in Ginza 8-chome, achieving one of the performance targets of the Sustainability-Linked Bonds.
 - (10) Through a public offering of approximately JPY100 billion in October, our equity ratio as of the end of December 2021 increased to 36.8% (factoring in the effect of hybrid financing), which is expected to be one of the highest among the major real estate companies.

As you can see from the above list, we have been able to speedily implement initiatives to balance P/L growth, B/S soundness, profitability, and productivity (efficiency) at a high level in 2021.

It appears that the COVID-19 pandemic has made the winners and losers in each industry more apparent. In the real estate industry, while most large and medium-sized companies achieved less than 10% growth in ordinary income in FY2021, compared with FY2019 or before the pandemic struck, we achieved growth of 29% compared with FY2019.

We have moved one step closer to placing ourselves right behind the big "three" Japanese real estate companies, although a large gap still remains between us and them.

Looking ahead to 2022

Due to economic measures and the distribution of vaccines, the global economy in 2021 has continued to recover. However, global economic growth in 2022 is expected to

slow down on the back of the situation in Ukraine and rising costs. In addition, uncertainty remains due to the the risk of COVID-19 mutant strains spreading.

The GDP growth rate of the Japanese economy in 2022 is also expected to slow down under the influence of geopolitical tension. In the Japanese real estate market, there has been a favorable trend backed by a strong appetite for investment from foreign investors, which is expected to continue into 2022.

FY2022 is the final year of the current Medium-term Plan. (The three-year Medium-term Plan from 2020 to 2022 is Phase I of the Long-term Management Plan that will end in 2029.) Although the ordinary income target was originally set at JPY110 billion, it has been revised upward to JPY115 billion, with the aim of achieving further growth.

To achieve this goal, we must first reduce losses in our tourism business segment. Even with the COVID-19 pandemic last year, demand for domestic tourism remained strong, as evidenced by the high occupancy rate maintained by the FUFU ryokans (Japanese-style luxury inns) and the rapid recovery of the directly managed hotel THE GATE HOTEL after the restrictions on some activities were eased. However, we will not simply wait for a recovery in the wake of the pandemic, but will steadily capture revenge consumption and implement more structural reforms to transform into a robust business.

The next important issue is to promote development and reconstruction projects. Our Long-term Management Plan calls for the completion of more than 100 properties by 2029, and we have plans for 68 properties clearly in sight. Of these 100 properties, 20 are scheduled to begin construction in FY2022. In addition to largescale properties, including those to be built in Shinsaibashi, Sendagaya, Fukuoka, and Toranomom, next-generation assets will enter the implementation phase, including four Bizflex properties (Roppongi, Kanda, Nihonbashi, and Hamamatsucho) and two logistics facilities (Noda and Kashiwa).

Also, three properties (GINZA 8, SHINJUKU, and UDAGAWA) in the HULIC &New series of medium-sized urban commercial buildings that we have been working on will be fully operational, and will contribute to earnings.

In addition to information disclosure based on the TCFD (Task Force on Climate-related Financial Disclosures) that began in 2021, our sustainability initiatives include a 70% reduction in greenhouse gas emissions under Scope1 and 2 and a 30% reduction under Scope3 compared with 2019. The target year is 2030, as is the goal for obtaining certifications using SBT (Science-Based Targets). We will need the cooperation of general contractors and all tenant companies to achieve these goals. Furthermore, we will also accelerate our plans to employ non-FIT solar photovoltaic equipment and invest JPY66 billion (average of JPY8 billion/year) by 2030. This investment is intended to generate

a certain yield from the sale of electricity to recover our investment.

In addition, Hulic Annex was completed in March 2022 and we were listed in the Prime Market on the Tokyo Stock Exchange in April 2022.

FY2022 is the final year of the current Medium-term Plan, while it is also the preparation period for the next Plan. The next Medium-term Plan is Phase II of Long-term Management Plan. In this period, we will aim for the development and reconstruction of more than 100 properties, while solidifying the foundation for achieving the targets of Long-term Management Plan. At the same time, developed and reconstructed properties will begin to fully contribute to earnings.

Taking a broad view of the business environment, although unstable factors such as COVID-19 and the situation in Ukraine remain, we will continue to respond flexibly to changes in the environment and drive innovations. Our overall goal is to continue to be a “good company” for all of our stakeholders including, tenants, shareholders, financial institutions, business partners, and employees.



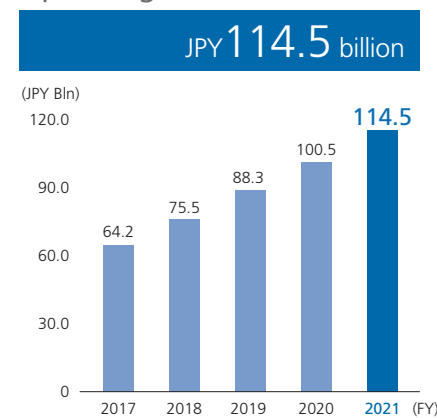
Takaya Maeda
President,
Representative
Director

Financial and Non-financial Highlights

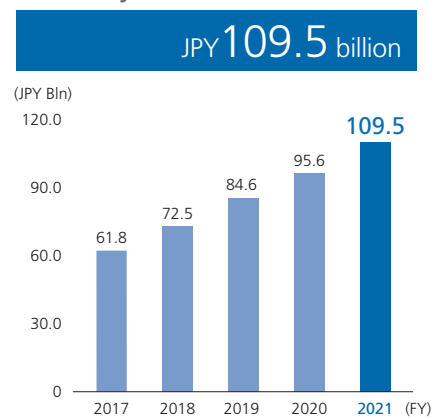
Hulic is implementing initiatives that its corporate growth will also produce solutions to social issues. In other words, the Company is pursuing to create shared value through ESG-conscious business operations.

Major Financial Information (consolidated basis unless otherwise indicated)

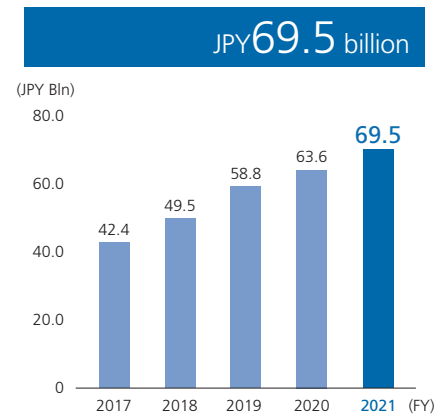
Operating Income



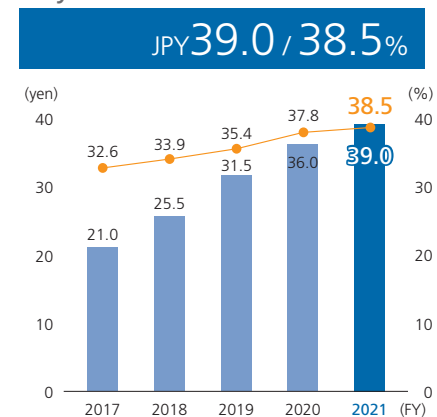
Ordinary Income



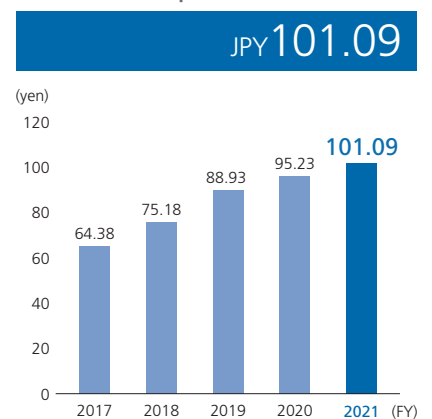
Profit Attributable to Owners of Parent



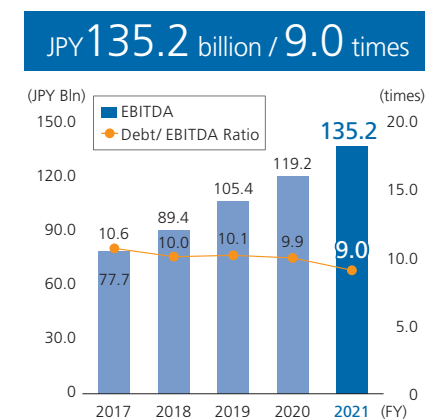
Dividends per Share, Dividend Payout Ratio



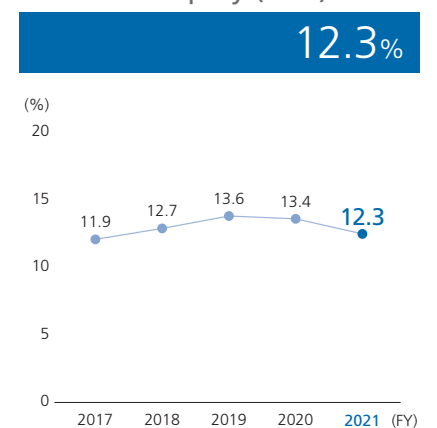
Net Income per Share



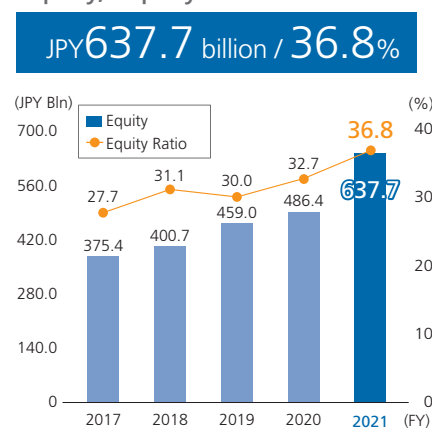
EBITDA*1, Debt/EBITDA Ratio*2*3



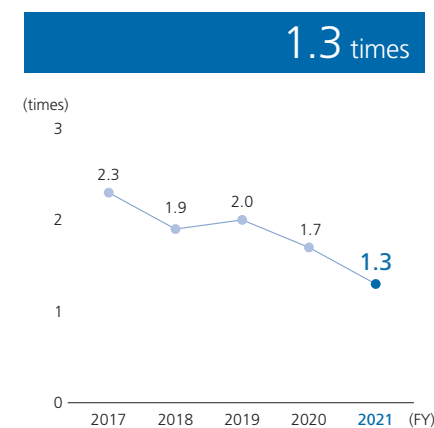
Return on Equity (ROE)*4



Equity, Equity Ratio*3*5



Net D/E Ratio*3*6



*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 and after FY2018. Similarly, 50% (JPY100 Bln) of hybrid financing raised in FY2020 (JPY200 Bln) was calculated as such in and after 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

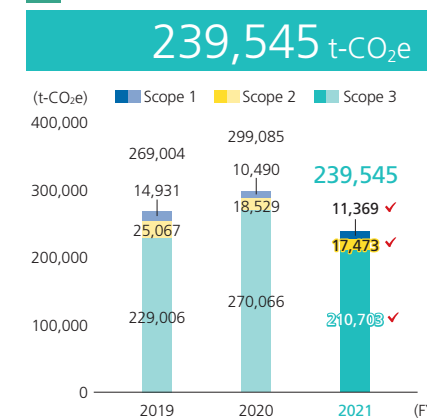
* Financial information; please see page 29 for targets and page 80-85 for analysis of results.

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

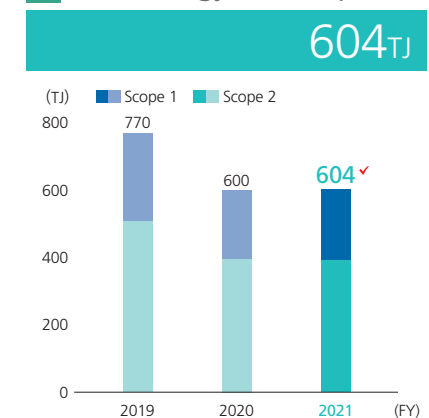
Major Non-Financial Information

E Environment **S** Social **G** Governance

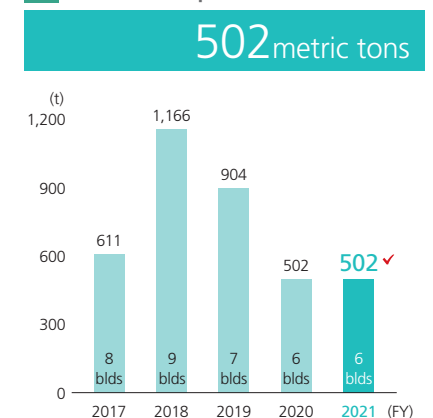
E Greenhouse Gas Emissions*1



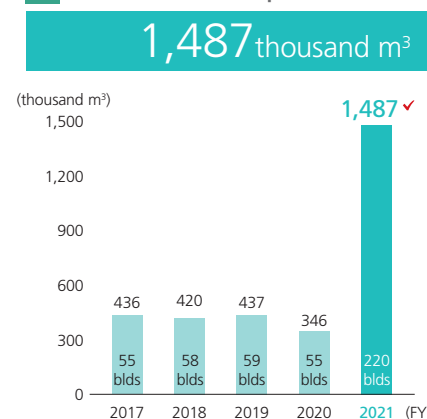
E Total Energy Consumption*1



E Waste Disposal*2



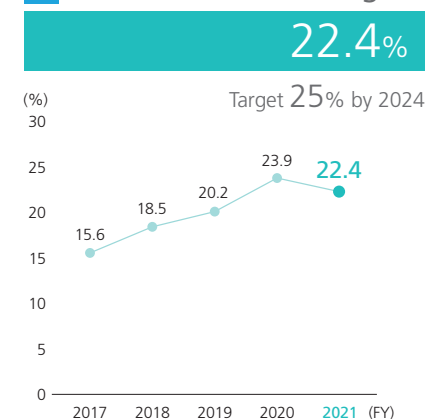
E Water Consumption*3



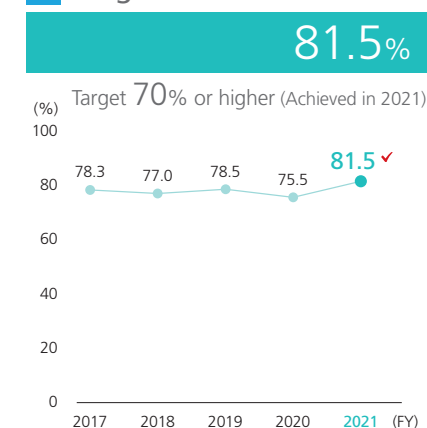
S % Properties Meeting Hulic's Earthquake-resistance Standards*4



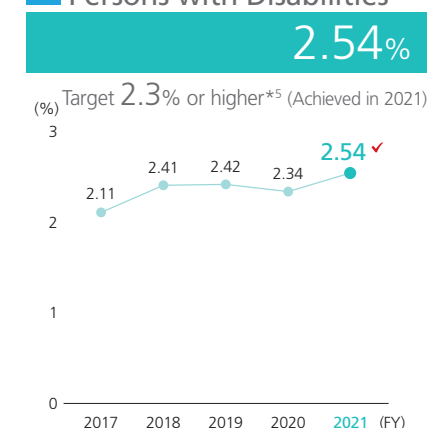
S Ratio of Female Managers



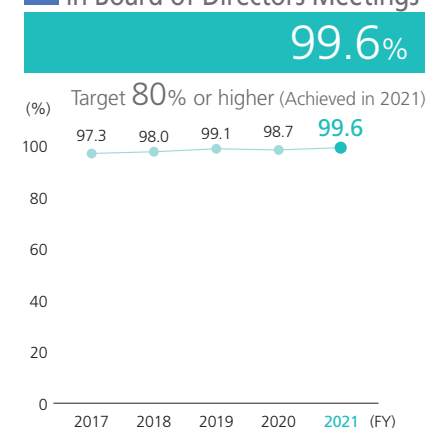
S Usage Rate of Paid Leave



S Employment Ratio of Persons with Disabilities



G Participation Rate of Directors in Board of Directors Meetings



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

*1 Beginning with Integrated Report 2022 (this report), we are calculating greenhouse gas emissions based on the GHG Protocol. The boundary for Scope1 and 2 is the properties where the Hulic Group has control of energy management (30 properties in FY2019, 36 properties in FY2020, and 41 properties in FY2021). The unit calorific values and the emission factors are based on values in the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures. Until FY2020, greenhouse gas emissions from one hotel operated by a subsidiary were calculated based on our ownership ratio in that property, but starting in FY2021, emissions are calculated based on operational control. As a result, energy consumption and greenhouse gas emissions increased by 55TJ and approximately 2,600 t-CO₂e, respectively, compared with calculations based on the ownership ratio. The boundary and calculation method for Scope3 are disclosed on our website: <https://www.hulic.co.jp/en/sustainability/ecology/>

*2 Beginning in FY2020, we are calculating total waste disposal at specific properties within the boundary by using weight conversion factors based on actual measurements.

*3 Beginning in FY2021, 220 of Hulic's fixed assets are covered, excluding properties under development and land for lease. Note that the amount of hot spring water used at hot spring inns is not included.

*4 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.

*5 Our target for the employment ratio of persons with disabilities is to be at the statutory employment ratio or higher: 2.0% or higher until 2017, 2.2% or higher from 2018 to 2020, and 2.3% or higher from 2021 onward.



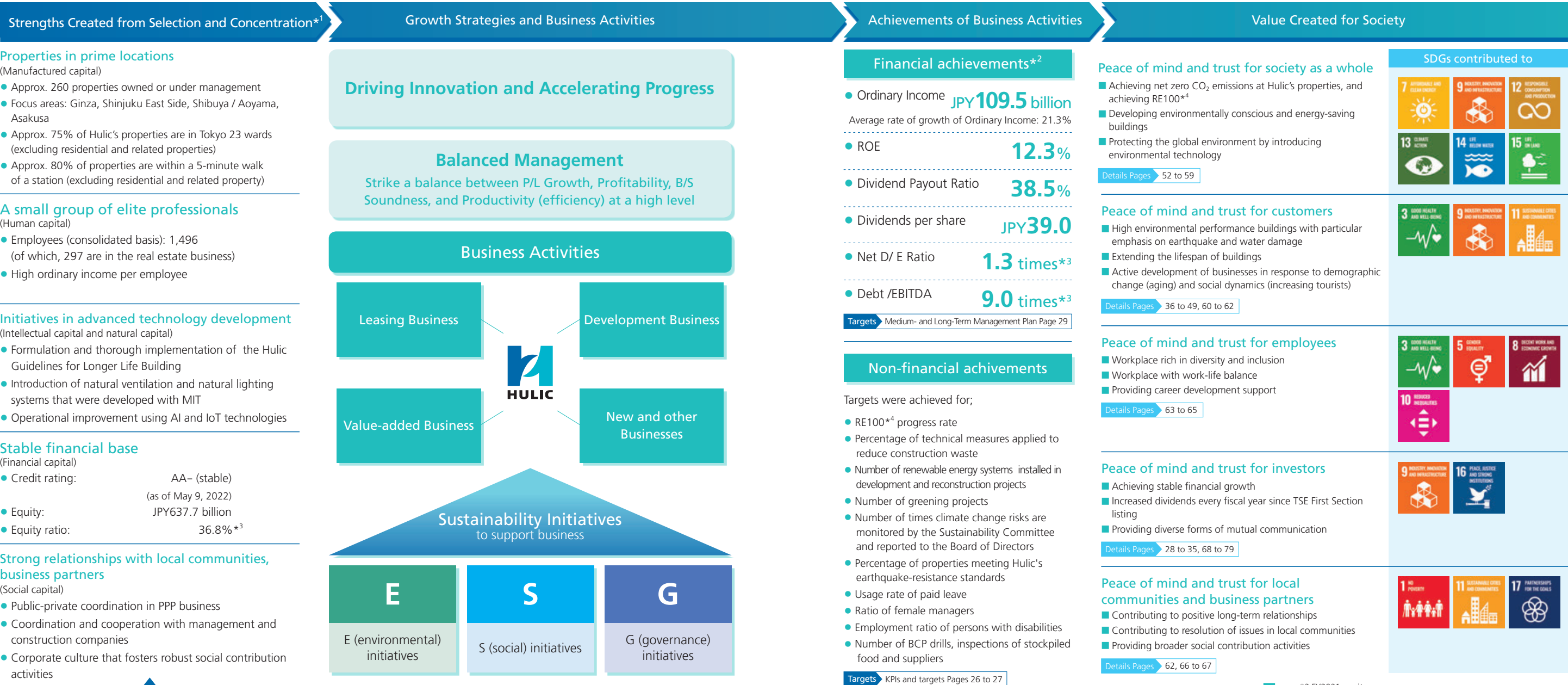
Hulic Group's Value Creation Process

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



*1 As of December 31, 2021

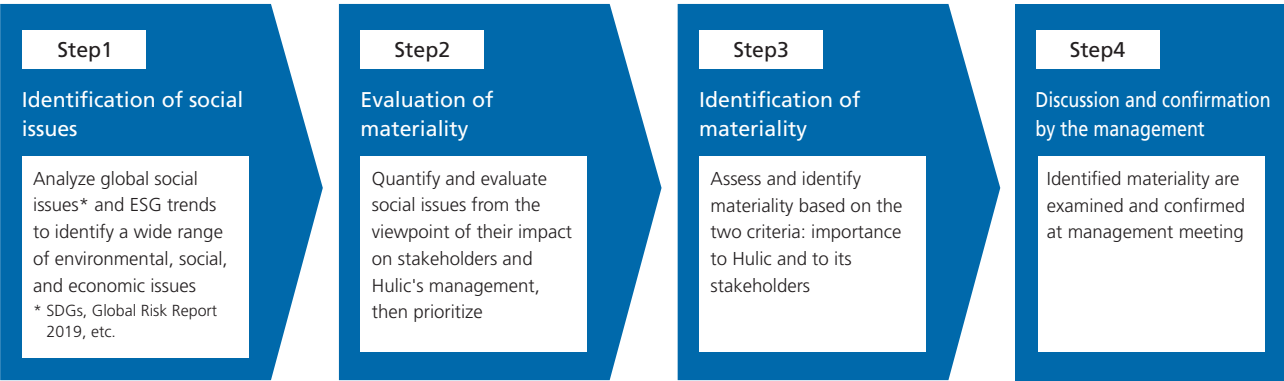
*2 FY2021 results
*3 50% (JPY175 Bln) of all hybrid finance raised in 2018 and 2020 combined (JPY350 Bln) was calculated as nominal equity.
*4 RE100: An abbreviation of "Renewable Electricity 100%", or sourcing 100% of electricity needed for business activities from renewable energy sources

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.

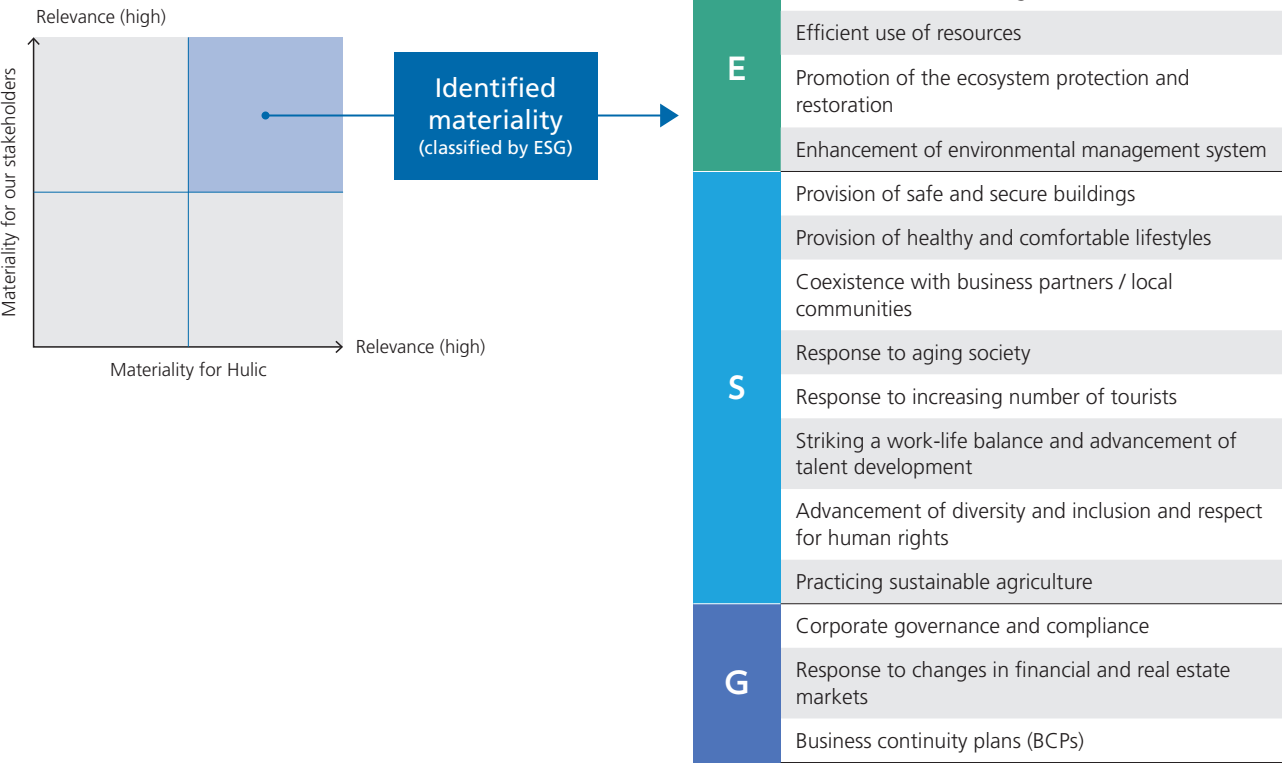
Materiality Assessment



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.



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 buildings - 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
 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 on our website (when appropriate) - Establishment of a contact point for inquiries (permanent) - Issuing a shareholder newsletter (twice a year)	Corporate governance and compliance

* We are actively working on environment-related issues and business continuity plans (BCPs), as they are materiality issues that affect society as a whole.

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 RE100 by 2024, net zero CO ₂ emissions from all company-owned buildings* by 2030 and investment in renewable energy • Information disclosure based on TCFD recommendations, Formulation greenhouse gas emission target ambition to reduce absolute Scope1 and 2 by 2030 to be in line with a 1.5 trajectory (Approved science-based target by the SBT initiative). • 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.)	  
	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	 
	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	 
	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	• Further enhancing a corporate governance mechanism with a focus on oversight of the Board of Directors and Sustainability Committee • Establishment and implementation of long-term vision for environment with targets for 2050	 
Social	Deliver safe and secure buildings	○ 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	• Declared ensuring all company-owned buildings can withstand a seismic intensity of 7 by 2029 (active adoption of earthquake-absorbing and earthquake-damping structures) • Comprehensive assessment of natural disaster risks at all company-owned buildings	 
	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.)	
	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.)	  
	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) Operation of Hulic Scholarship Program for Training of Welfare Caretakers	 
	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)	
	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 workstyles	• 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	  
	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 workstyles including work from home • Employment of diverse human resources	  
	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	
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 remuneration committee (all members are independent external directors) / Transition to a system where a non-executive director serves as chairperson of the Board of Directors • Provision of compliance trainings for all employees / establishment of compliance hotlines	
	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	
	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	

*All company-owned buildings:Excludes properties for which we do not have energy management authority including master lease properties, residential properties and non-managerial co-ownership properties, and real estate for sale.

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 FY2021 results, we received assurance from an independent assurance provider concerning the following items: total energy consumption; greenhouse gas emissions Scope1, greenhouse gas emissions Scope2, greenhouse gas emissions Scope3; waste disposal; water consumption; number of greening projects; percentage of employees who received medical checkups; usage rate of paid leave; and employment ratio of persons with disabilities. 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 in the years before KPIs were set are indicated with a — (dash).

Classified by ESG	Initiatives in the Medium- and Long-Term Management Plan, by ESG	Hulic's Materiality	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	Results					Unit	Assessment (○:achieved, ◐:progressed, △:not progressed, —:not subject to assessment)	Relevant Page
					FY2017	FY2018	FY2019	FY2020	FY2021			
Environment	Promote carbon-free society initiatives through building operations	Take actions for climate change	Greenhouse gas emission reduction targets*1: 2024 Scope1 +2 70%; 2030 Scope1+2 70%, and Scope3 30%; 2050 Scope1+2 and 3 substantially zero (base year: 2019)	Scope1 and 2 Properties where the Hulic Group has control of energy management*1 Scope3 Indirect emissions other than Scope1 and 2 related to Hulic Group's business activities*1	—	—	Scope1 14,931 Scope2 25,067 Scope3 229,006	Scope1 10,490 Scope2 18,529 Scope3 270,066	Scope1 11,369✓ Scope2 17,473✓ Scope3 210,703✓	t-CO2e	○	52~59
			RE100 progress rate*2: 10% in 2021, 30% in 2022, 65% in 2023, 100% in 2024	Electricity used in Hulic Group business activities	—	—	—	0.5%	13.5%	%	◎	54
			Number of renewable energy systems installed in development and reconstruction projects: at least three every year	All completed properties each year	4	6	4	3 (8 properties in boundary)	8 (8 properties in boundary)	property	◎	54~55
		Promote efficient use of resources	Waste disposal: No numerical target (follow-up item)*3	6 buildings occupied by the head offices of Hulic and its Group companies*4	611	1,166	904	502	502✓	metric ton	—	19,58
			Percentage of technical measures (such as longer life design, etc.) *5 applied to reduce construction waste: 100% each year	All completed fixed assets each year	—	—	—	100% (8 properties in boundary)	100% (8 properties in boundary)	%	◎	58
			Water consumption: No numerical target (follow-up item) *3	220 major properties*6	436	420	437	346	1,487✓	thousand m³	—	19,58
		Promote the ecosystem protection and restoration	Number of greening projects*7: 1 or more each year	All completed properties each year	5	9	3	5(8 properties in boundary)	6✓(8 properties in boundary)	property	◎	59
		Enhance environmental management system	Number of times climate change risks are monitored by the Sustainability Committee and reported to the Board of Directors: 1 or more each year	Hulic Co., Ltd.	—	—	—	1/—	1/2	time	◎	52,57
			Number of Environmental Advisory Council meetings held: 1 or more each year	Hulic Co., Ltd.	—	—	1	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 buildings	Percentage of properties meeting Hulic's earthquake-resistance standards*8. 100% each year	All completed properties each year	100% (6 properties in boundary)	100% (11 properties in boundary)	100% (4 properties in boundary)	100% (8 properties in boundary)	100% (8 properties in boundary)	%	◎	19,60~61
			Progress toward a 100% highly earthquake resistant buildings*9 in 2029	Hulic-owned fixed assets	—	—	—	—	81.1%	%	○	60~61
		Deliver healthy and comfortable lifestyles	Percentage of employees who received medical checkups*10: 100% each year	Hulic Co., Ltd.	100%	100%	100%	100%	100%✓	%	◎	64
		Coexistence with business partners / local communities	Number of customer satisfaction surveys: 1 or more each year	Hulic Group	1	1	1	1	1	time	◎	61
			Nursing homes Number of units: 5,000 in near future	Hulic Group (including properties sold/trusted to REIT)	—	—	3,400	3,600	3,700	room	○	46
		Respond to aging society	Accommodation facilities Number of rooms: 10,000 in near future		—	—	8,200	8,000	8,000	room	○	47
		Respond to increasing number of tourists	Usage rate of childcare leaves / Number of people: 100% of eligible female employees /1 male employee or more each year	Hulic Co., Ltd.	100% / 0 people	100% / 1 people	100% / 7 people	100% / 3 people	100% / 5 people	% / people	◎	64
			Ratio of employees returning to work after childcare leave: 100% per year	Hulic Co., Ltd.	100%	100%	100%	100%	100%	%	◎	64
			Usage rate of paid leave*11: 70% or higher each year	Hulic Co., Ltd.	78.3%	77.0%	78.5%	75.5%	81.5%✓	%	◎	64
			Percentage of career development interviews conducted: 100% in every year (conducted twice a year)	Hulic Co., Ltd.	—	—	—	—	100%	%	◎	63
		Advance diversity and inclusion and respect for human rights	Ratio of female managers: 2020; 20%, 2024; 25%, 2029; 30%	Hulic Co., Ltd.	15.6%	18.5%	20.2%	23.9%	22.4%	%	○	19,65
			Number of seminars provided by the Diversity Promotion Project Team: once each year	Hulic Co., Ltd.	1	1	1	1*12	1	time	◎	65
			Employment ratio of persons with disabilities: Maintaining the statutory employment ratio or higher (The statutory employment ratio was 2.0% or higher in and before 2017, and 2.2% or higher between 2018 to 2020, and is 2.3% or higher from 2021 onward.)	Hulic Group*13	2.11%	2.41%	2.42%	2.34%	2.54%✓	%	◎	19,65
		Practice sustainable agriculture	Production area: 15ha by 2025	Hulic Group	—	—	11	10	13	hectare	○	49
Corporate Governance	Implement balanced management with attention to group governance	Further strengthen corporate governance and compliance	Participation rate in Board of Directors meetings: 80% or higher each year	Hulic Co., Ltd.	97.3%	98.0%	99.1%	98.7%	99.6%	%	◎	19,70~71
			Number of effectiveness assessment of the Board of Directors: once each year	Hulic Co., Ltd.	—	—	—	1	1	time	◎	71
			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	◎	74
		Respond to changes in financial and real estate markets	Number of Risk Management Committee and Fund and ALM Committee meetings: 4 times each year, respectively	Hulic Co., Ltd.	—	—	4/13	4/22	4/16	time	◎	73
		Enhance business continuity plans (BCPs)	Number of BCP drills, inspections of stockpiled food and suppliers: 1 or more each year	Hulic Group	1	1	1	1	3/4/1*14	time	◎	73

*1 Beginning with Integrated Report 2022 (this report), we are calculating greenhouse gas emissions based on the GHG Protocol. See page 19 for the boundary for Scope1 and Scope2. The boundary and calculation method for Scope3 are disclosed on our website: <https://www.hulic.co.jp/en/sustainability/ecology/>

*2 The RE100 progress rate is calculated by dividing the total amount of power generated by Hulic-owned solar photovoltaic equipment in the year by the projected total amount of electricity used at the Hulic head office building and on the floors occupied by Group companies in 2024.

*3 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 and 2021 are the transition period for this change, we have not set any quantitative targets.

*4 The boundary is Hulic's head office building and buildings where the head offices of Group companies are located. Beginning in FY2020, we are calculating total waste disposal at specific properties within the boundary by using weight conversion factors based on actual measurements.

*5 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.

*6 Beginning in FY2021, 220 of Hulic's fixed assets are covered, excluding properties under development and land for lease. Note that the amount of hot spring water used at hot spring inns is not included.

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

*8 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.

*9 Highly earthquake resistant buildings are those that can safeguard human life and enable continued use of the building with post-earthquake repairs when an earthquake occurs 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, 2021 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 In FY2020, a video training session was held in lieu of an in-person seminar session to prevent the spread of COVID-19.

*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.

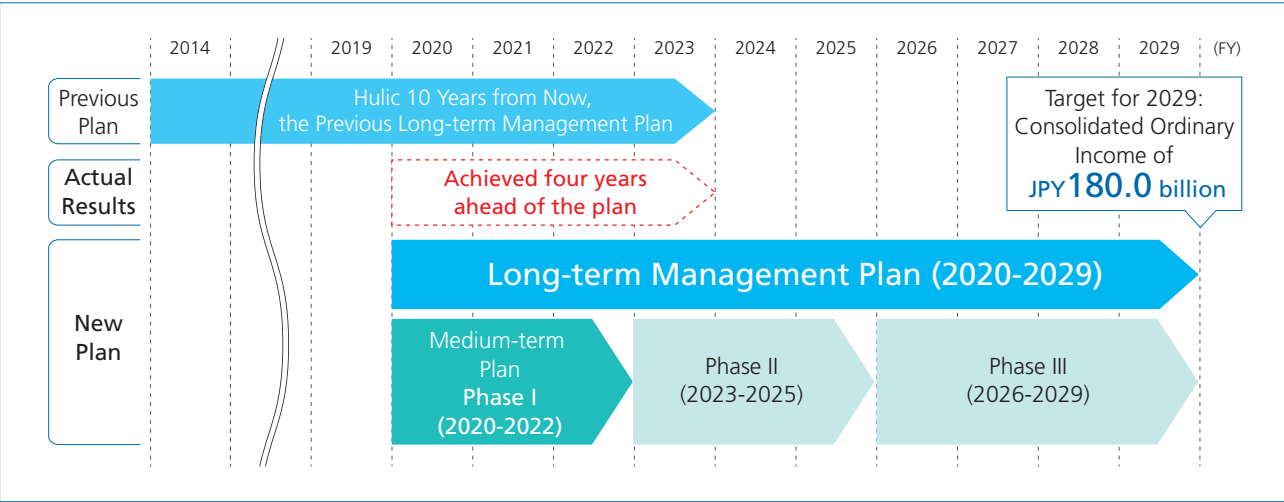
*14 Beginning in FY2021, the number of BCP drills, inspections of stockpiled food and suppliers are disclosed, respectively.

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

The Medium- and Long-Term Management Plan (2020-2029) 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.

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 the Medium-term Plan (2020-2022) as Phase I is in progress.



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 high uncertainties	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

► We responded appropriately to the various risks related to COVID-19 and are steadily moving ahead with our basic strategies.

Target Profile and Basic Policy

Target Profile (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 FY2021 results largely exceeded the plan despite the severe business environment during the COVID-19 pandemic and we set the FY2022 target which will exceed the target in our Medium- and Long-Term Management Plan.

		Medium- and Long-Term Management Plan		Progress		
		FY2022 Plan	FY2029 Plan	FY2021		FY2022
				Plan	Actual Results	Plan
P/L Growth	Consolidated Ordinary Income	JPY 110.0 Bln	JPY 180.0 Bln	JPY 100.0 Bln	JPY 109.5 Bln	JPY 115.0 Bln
B/S Soundness	Debt/ EBITDA ratio	12 times or lower	12 times or lower		9.0 times*	
	Net D/E ratio	3 times or lower	3 times or lower		1.3 times*	
Efficiency	ROE	10% or higher	10% or higher		12.3%	
Shareholder's return	Dividend payout ratio	Around 40%	—	39.0%	38.5%	40.6%

*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 FY2021 Initiatives against the Basic Strategies in the Medium- and Long-Term Management Plan

Based on our Medium- and Long-Term Management Plan (2020–2029), 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 FY2021, 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 appropriately to various risks in ways that leveraged our strengths. The results of our initiatives for the basic strategies in FY2021 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 our leasing portfolio that offers both competitiveness and a balanced mix of asset types that meet market, earthquake resistance, and environmental requirements
- 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 FY2021 Initiatives

- We advanced the restructuring of our leasing portfolio that offers both competitiveness and a balanced mix of asset types meeting market, earthquake resistance, and environmental needs by acquiring new properties and rebalancing.
- 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 promoted acquiring properties in focus areas*.

*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 FY2021 Initiatives

- We secured 68 properties as part of our plan to develop more than 100 properties by 2029.
- In 2021, we completed the construction of five properties: HULIC &New UDAGAWA, HULIC &New SHINJUKU, HULIC &New GINZA 8, LICOPA Tsurumi, and Bizflex Azabu-Juban by HULIC. In addition to these properties, we completed building five other properties, *ryokans* (Japanese-style luxury inns) and nursing homes, (FUFU Kyoto, FUFU Atami Annex Konoma no Tsuki, FUFU Hakone, Charnpremier Grand Minami-Azabu, and Hospitalment Yotsuya Daikyocho).
- Opened LICOPA Tsurumi, a large value-added project. We will establish the operating model for this property as a standard model and carry out a full-fledged rollout of the model in the future.
- Expanded a series of medium-sized urban commercial facilities under the &New brand.

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 FY2021 Initiatives

- We promoted initiatives to develop the Bizflex series, a private floor-based medium-sized flexible office leasing business. In addition to completing the first Bizflex property, Bizflex Azabu-Juban by HULIC, we also decided on the commercialization of four other properties.
- In conjunction with ITOCHU Corporation, SECOM CO., LTD., and ABEJA, Inc., we are working to develop the Office DX (digital transformation) Platform.
- We are currently developing the children’s education business through the following three tie-ups:
 - (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 infancy.
 - (2) We concluded a capital and business alliance agreement with Riso Kyoiku Co., Ltd. ► We acquired additional shares in October and November 2021 (capital contribution ratio: approximately 21%)
 - (3) We concluded a business alliance agreement with Kids Smile Holdings Inc., whose strength lies in the childcare business.
- To grow our children’s education business, we promoted the development of Kodomo Depart, a building that houses one-stop services for children.

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 FY2021 Initiatives

- We increased our capital through a public offering of approximately JPY100 billion (October 2021). Our long-term credit rating was upgraded to AA- (stable) by JCR (May 9, 2022).
- We maintained favorable levels for KPIs such as a Debt/EBITDA ratio of 9.0 times*, a net D/E ratio of 1.3 times*, and ROE of 12.3%.

* Financial KPIs have factored in the effect of hybrid financing.

- We selected to be listed in the Prime Market on the occasion of the reorganization of Tokyo Stock Exchange.

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 FY2021 Initiatives

- For one of our environment initiatives, we accelerated the development of equipment for renewable energy power generation, moving up the timeline of our net zero CO₂ emissions targets. (RE100*¹: 2025 ► 2024, Net zero CO₂ emissions from all company-owned buildings*²: 2050 ► 2030) In addition, we disclosed information in accordance with TCFD*³ recommendations and greenhouse gas emission reduction target in line with a 1.5 trajectory which has been approved Science-Based Target by the SBT initiative*⁴. We completed the construction of Japan’s first 12-story wooden fireproof commercial building and promoted the forest circulation cycle by planting trees. (We also promoted consideration of wooden construction for nursing homes.)
- We strengthened relationships with local communities and other stakeholders and implemented a wide range of social contribution activities. For our initiatives for society, we are also working to ensure that by 2029 all company-owned buildings are adequately earthquake resistant to withstand an earthquake with a seismic intensity of 7. Other ways of helping society include, among others, establishing and holding a new *shogi* championships for women (Hulic Hakurei Championships and women’s ranking competition), supporting para-badminton, aiding single-parent households, and hosting a student idea competition.
- For corporate governance, we further enhanced governance by, for example, appointing all four of our external directors to the Nominating Committee and the Remuneration Committee in line with our Corporate Governance Guidelines, which we created as a framework for implementing optimum corporate governance.

*1 RE100: 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 All company-owned buildings: Excludes properties for which we do not have energy management authority including master lease properties, residential properties and non-managerial co-ownership properties, and real estate for sale.

*3 TCFD: 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.

*4 The SBT initiative: An international initiative that promotes companies to develop greenhouse gas emission reduction targets in line with Paris Agreement goals (limiting the global temperature rise above pre-industrial levels to well below 2°C and limiting below 1.5°C).



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

Hajime Kobayashi
Director, Vice President

1. Financial performance: Analysis of business environment

In FY2021, consumption was slow due to repeated outbreaks of mutant strains of COVID-19, while supply constraints had a heavy impact on the economy, and this situation remained severe in a wide range of industries, especially food services and tourism. In the real estate industry, despite a decline in profits at some commercial buildings and hotels/inns, coupled with a rise in vacancy rates for offices, the real estate investment market remained stable due to the sustained strong interest of real estate investors on the back of low interest rate environment.

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 FY2021. Consolidated Ordinary Income, which we consider important as a profit target in the Medium- and Long-Term Management Plan, came to JPY109.5 billion, an increase of 14.5% over the previous year. In addition to profit targets, EBITDA, an indicator of the ability to generate cash flow, reached JPY135.2 billion in FY2021, a 13.4% increase over the previous year. ROE, an indicator of capital efficiency, was 12.3%, exceeding the target of 10% or higher. Net Debt to Equity Ratio* (Net D/E ratio), an indicator of financial soundness, decreased to 1.3 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.

Looking ahead, the tough conditions brought about by the spread of COVID-19 are impacting 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 to remain 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 in Japan, 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 FY2022, 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 for this reason by leveraging sales gains from the real estate for sale in our value-added business pipeline, which has relatively short turnover, in addition to leasing revenue from our fixed assets portfolio, which is the core source of revenue. For financial leverage, we aim for steady 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 for the last few years, indicating that both costs and returns are gradually declining. 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.

Currently, the core of our business portfolio is leasing, which also includes related business fields, such as asset management and property management as well as 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 leasing and were considered to have few synergies.

4. Resource allocation strategy: growth investment policy

To strengthen and expand the leasing portfolio, which is our main source of revenue, investment 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 medium- to long-term concentrations of people in urban areas and this could 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 workstyles and lifestyles, thus we are focusing on next-generation assets corresponding to social needs, such as the information-related facilities and logistics centers 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 the 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 2022, 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. We are planning by 2029 more than 100 development and reconstruction properties, and we aim to further realize corporate growth with the resultant increases rents and development profits.

In response to climate change, we are continuing to develop energy-efficient buildings. Also, by 2030 we will invest approximately JPY66.0 billion to develop solar photovoltaic equipment that does not use the FIT system, aiming to achieve net zero CO₂ emissions from all company-owned buildings*.

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.

*All company-owned buildings: Excludes properties for which we do not have energy management authority including master lease properties, residential properties and non-managerial co-ownership properties, and real estate for sale.

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.

For this reason, 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 external ratings and could lead to increased funding costs and to a higher WACC. At the same time, when the 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 believe that our target leverage level is close to the optimum in the current financial environment. However, we are taking quick, effective action to control the balance sheet.

In specific terms, our control method includes a combination mainly of asset-side control through portfolio rebalancing and other measures as well as 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 October 2021, we increased our capital base through a public offering of approximately JPY100 billion, with the aim of maintaining a strong financial base and securing growth opportunities after COVID-19.

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 38.5% in FY2021. 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

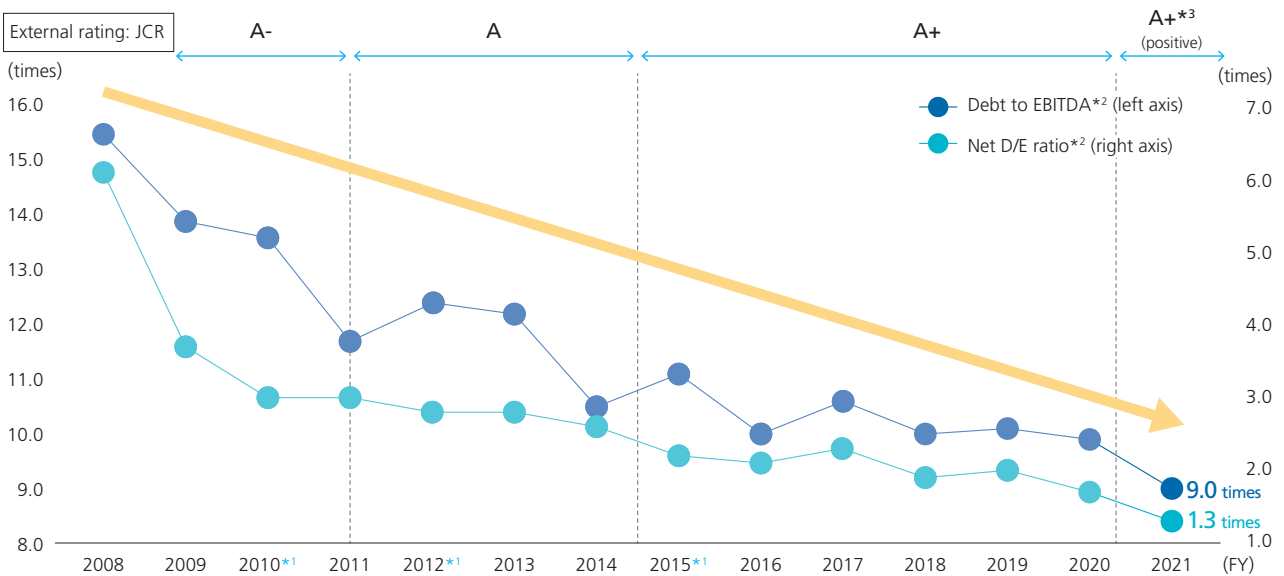
feature that we earn stable revenue primarily from our leasing portfolio, unless there are unusual environmental changes, we believe it is more appropriate for us to deliver stable shareholder returns through paying dividends rather than share buybacks. We also recognize the need to increase share value 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 1.6 times and 1.9 times, respectively, in the last five years leading up to FY2021.

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.

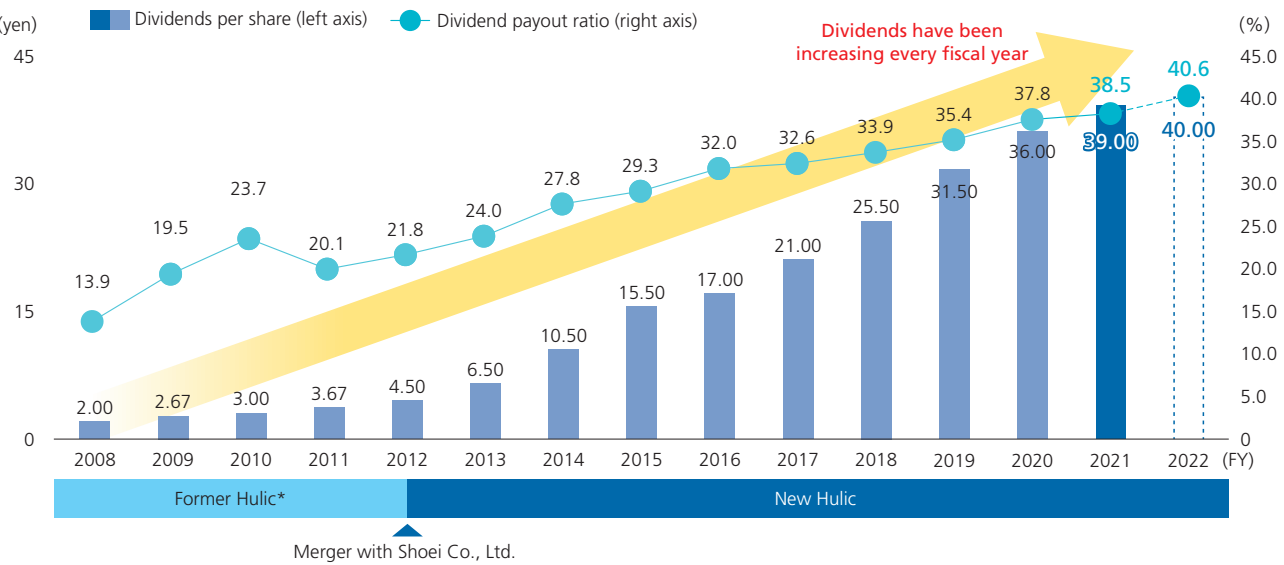
Maintaining and Improving Financial Soundness



*1. Calculated on a pro forma basis.
*2. 50% (JPY75 Bln) of hybrid finance raised in FY2018 (JPY150 Bln) was calculated as nominal equity. Similarly, 50% (JPY100 Bln) of hybrid financing raised in FY2020 (JPY200 Bln) was calculated as such in FY2020.
*3 Rating changed to AA- (stable) (as of May 9, 2022)

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)
- Other healthcare-related facilities
- Nursing homes and hospitals

4 Next-Generation / CRE Assets

- Distribution centers, data centers, research institutions and other assets in response to market needs
- Stable CRE assets based on expected long-term relationships building

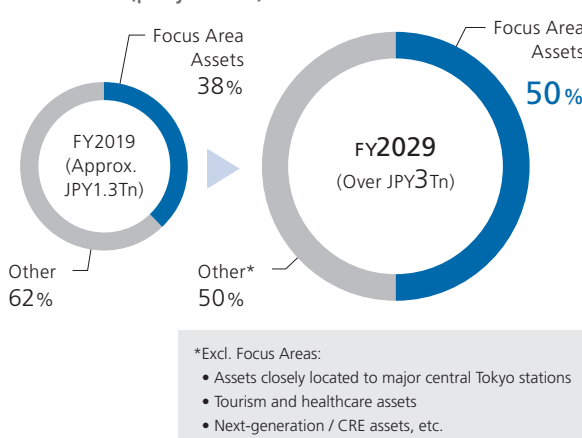
5 Potential Value Growth Assets

- Assets expected to achieve future value growth through reconstruction
- Assets expected to achieve future value growth through value-adding initiatives

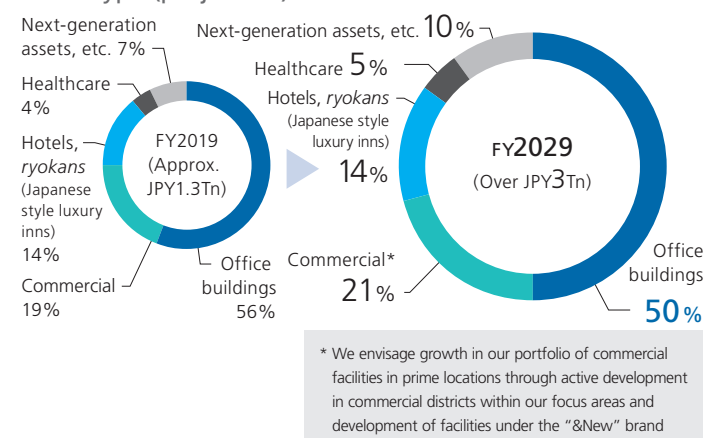
Target Portfolio Profile in 2029 (book value basis)

- Work on strengthening our leasing portfolio (real estate balance as of December 31, 2021: approx. JPY1.5 trillion)
- Target to bring the ratio of properties located in the focus areas to 50% (ratio of properties in the focus areas as of December 31, 2021: 44%)
- Establish a balanced portfolio composition with the ratio of office buildings at 50% at a maximum (ratio of office buildings as of December 31, 2021: 50%)

Location (projection)



Asset Type (projection)



Initiatives and Track Record

The leasing business, the core of the Group's business, has achieved steady growth and has posted higher leasable floor areas.

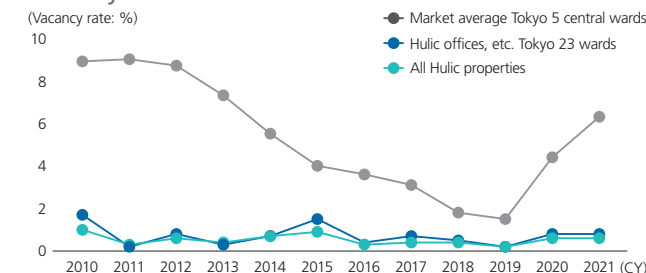
We have built a balanced portfolio of high-quality properties primarily located close to stations in central Tokyo. As a result, our vacancy rate has remained lower and our rent levels have trended higher than the market average.

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

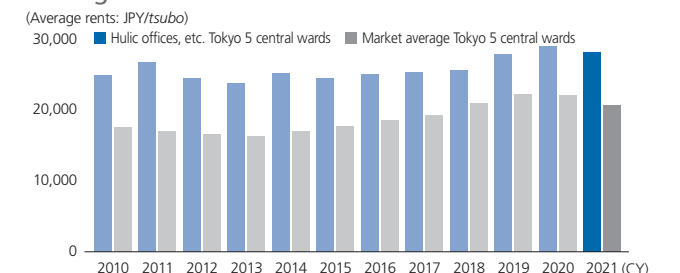
The Company owns many properties in prime locations in central Tokyo. In Tokyo 23 wards, the vacancy rate of our office and related properties has remained below the market average over the last few years at 1% or lower. Moreover, our average rents in Tokyo 5 central wards have trended above the market average, ensuring stable revenue.

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

Vacancy Rate



Average Rents



*1 Source: Market average; Miki Shoji Co., Ltd., Office Data by District (based on office buildings in Tokyo business districts with standard floor area of 100 tsubo or above).

*2 Hulic vacancy rate: excludes floor area unleased pending tenant response or reconstruction, and properties within 1 year from completion.

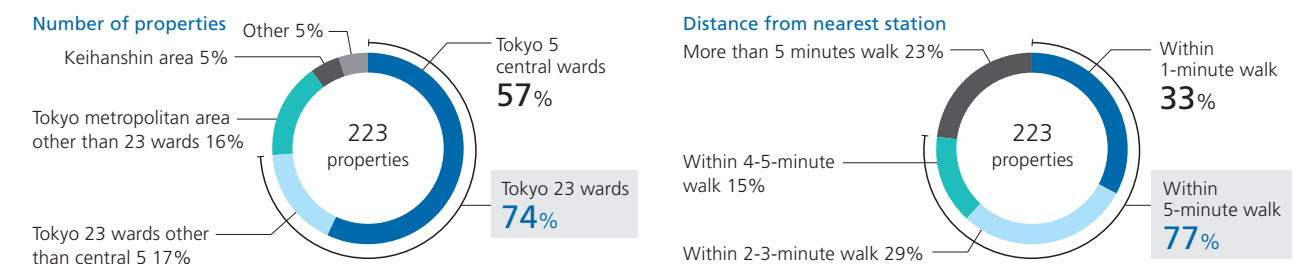
*3 Hulic average rents: calculated by dividing rental revenue for last month of fiscal year by leased floor area at the end of fiscal year. Excludes hotels, *ryokans*, and master lease properties.

*4 One tsubo is approximately 3.3 m².

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, 2021)



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.

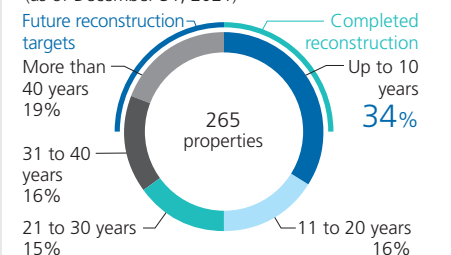
Our portfolio has a good balance of new and older properties. Older properties in prime locations can be expected to yield future value growth through development and reconstruction.

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. By 2029, we aim to build a leasing portfolio of 100% highly earthquake-resistant buildings. 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 CO₂ emissions. In these ways, we will own environmentally friendly buildings with excellent earthquake resistance.

Property Age

(incl. residential and related properties) (as of December 31, 2021)



Leasing Business

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

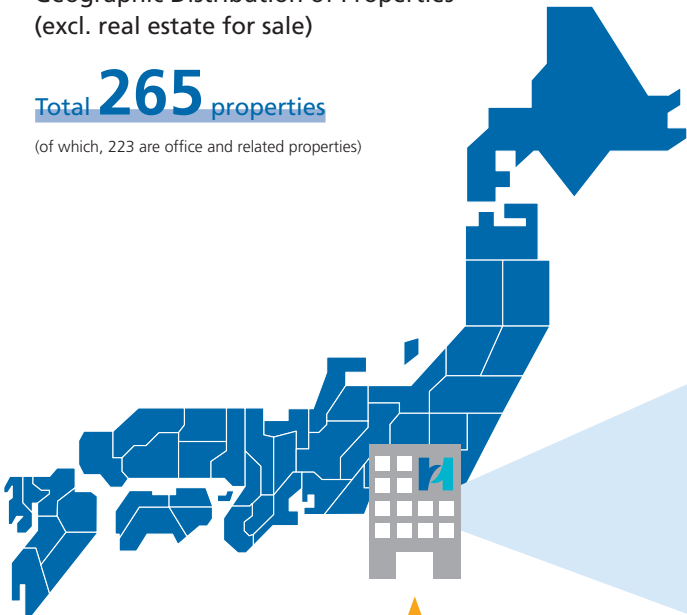
(as of December 31, 2021)

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

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

Total **265** properties

(of which, 223 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

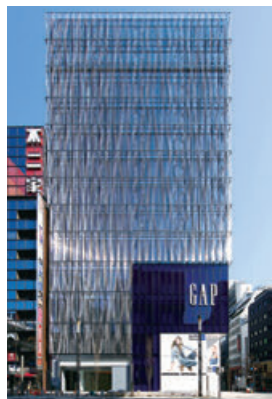
Hulic's Property Portfolio (excl. real estate for sale)

	Number of properties	Leasable area (thousands m ²)
Office and related (offices, commercial facilities, hotels, <i>ryokans</i> , other properties)	223	1,228
Residential and related (nursing homes, residential properties)	42	96
Total	265	1,324

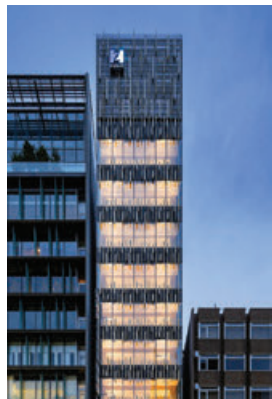
1 Ginza



HULIC SQUARE TOKYO



Hulic Ginza Sukiyabashi Building



HULIC & New GINZA 8

2 Shinjuku East Side



Hulic Shinjuku Building



HULIC & New SHINJUKU

3 Shibuya/Aoyama



Shibuya PARCO・Hulic Building



HULIC & New UDAGAWA



Hulic Shibuya Koen-dori Building

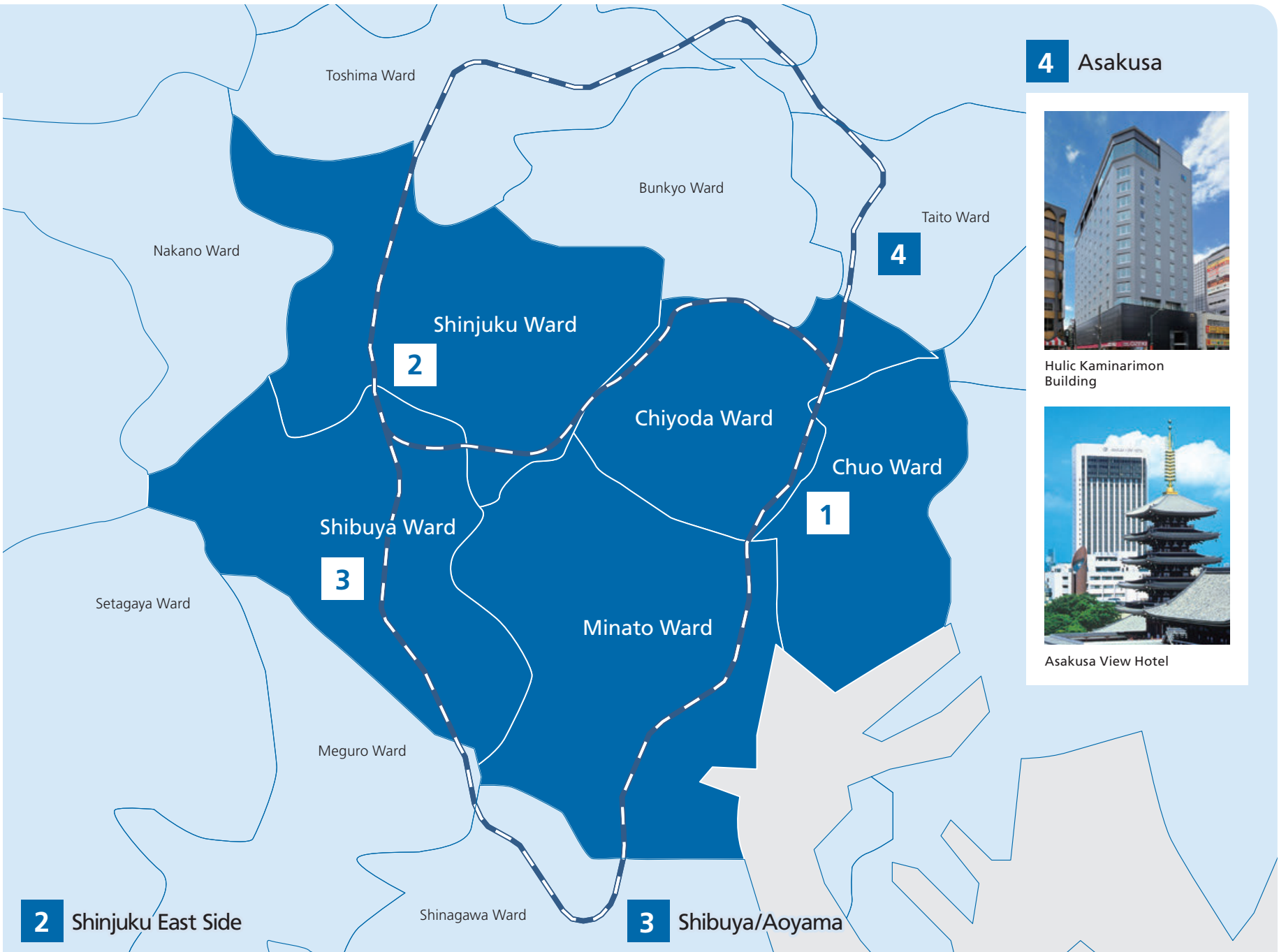
4 Asakusa



Hulic Kaminarimon Building



Asakusa View Hotel



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 Sukiyaabashi Building



HULIC SQUARE TOKYO



Hulic Ginza 6-chome 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 JP Akasaka Building



Hulic Kojimachi Building



Hulic Oji Building



Hulic Narimasu



Hulic Kamata Building

Other
(major properties)



Hulic Fukasawa



Hospitalment Hongou



Charm Premier Yamatecho



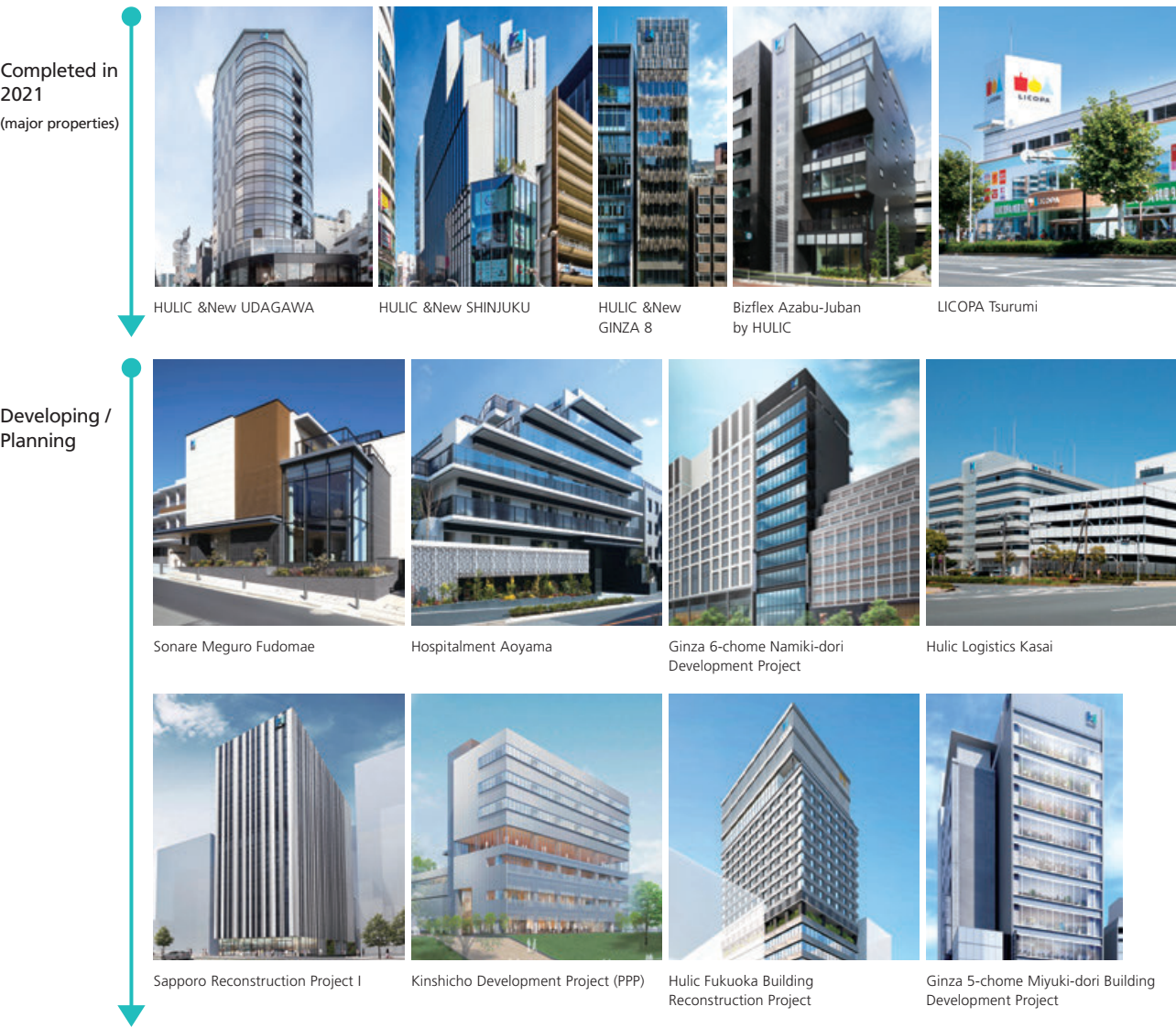
FUFU Hakone

Progress of the Medium- to Long- Term Management Plan

Develop or reconstruct **more than 100 properties** by 2029 (of which, **68 projects** are confirmed or unofficially confirmed)



Confirmed or unofficially confirmed: **68 properties** (excluding *ryokans* and nursing homes)



Develop or reconstruct **more than 100 properties** by 2029
Pursuing more competitive advantages of the leasing portfolio through development and reconstruction
(prime locations in central Tokyo/ earthquake-resistance・high-quality / environmental friendliness /well-balanced portfolio)

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, 2021).

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.

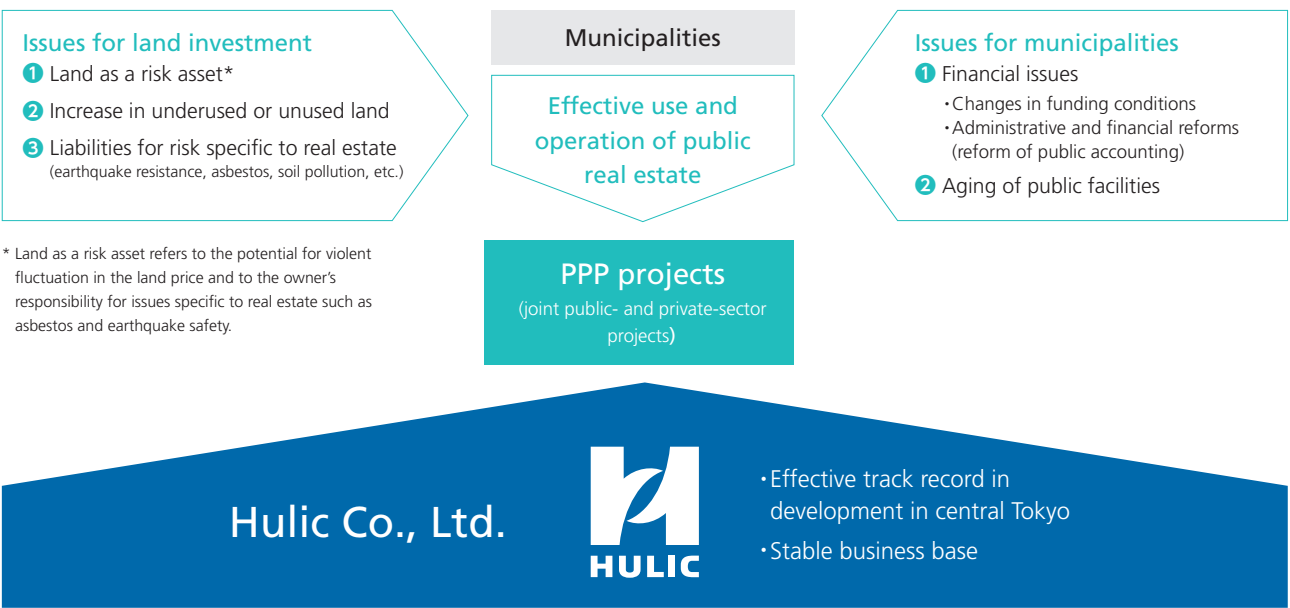
Medium- to Long-Term Focus Strategies

- 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.



Initiatives and Track Record



Development Business [Commercial Facilities “&New”]

Business Overview

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

Medium- to Long-Term Focus Strategies

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

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

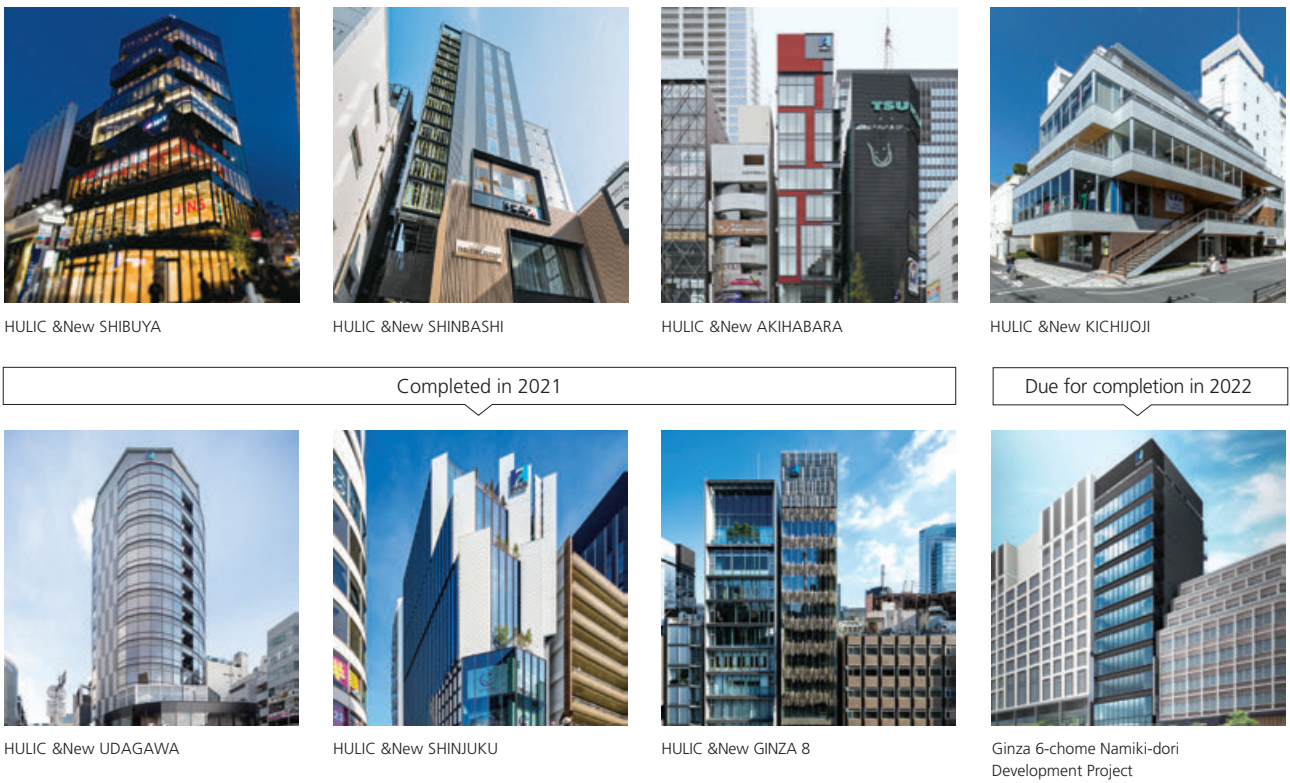
Bringing “and” and “new” to every day life

Bringing new added value to daily living



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

Initiatives and Track Record



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.

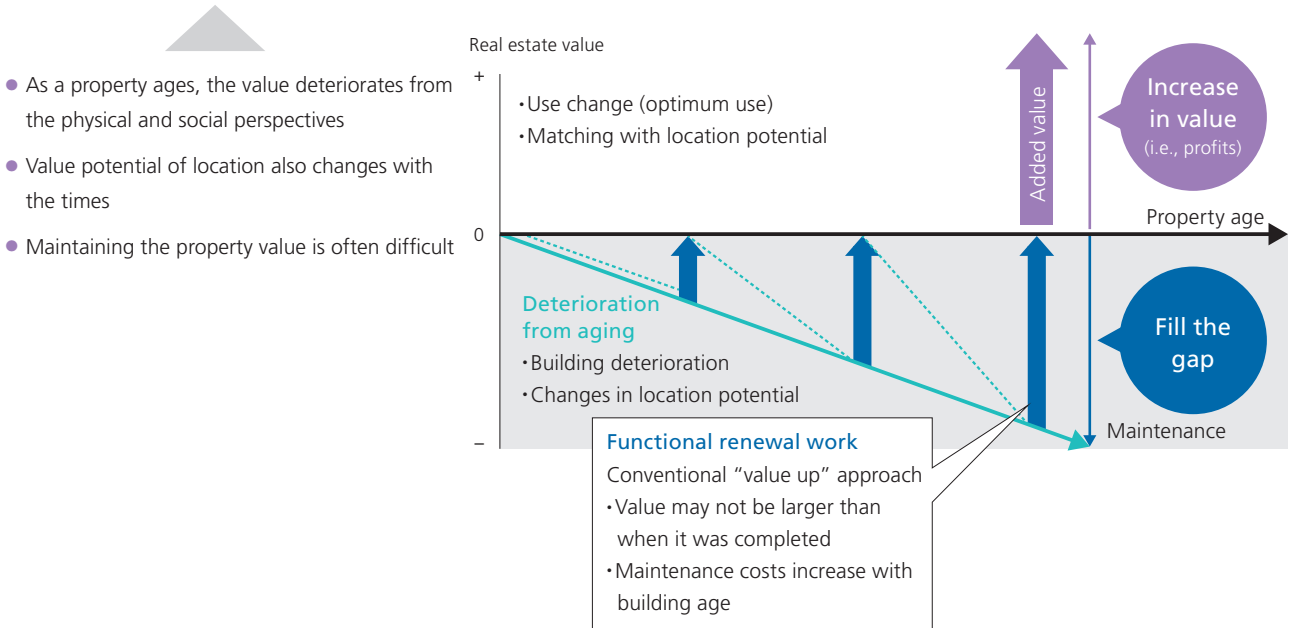
To meet the diverse needs of the real estate market, we also carry out short-term warehousing, which promotes the distribution of real estate to the market.

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.

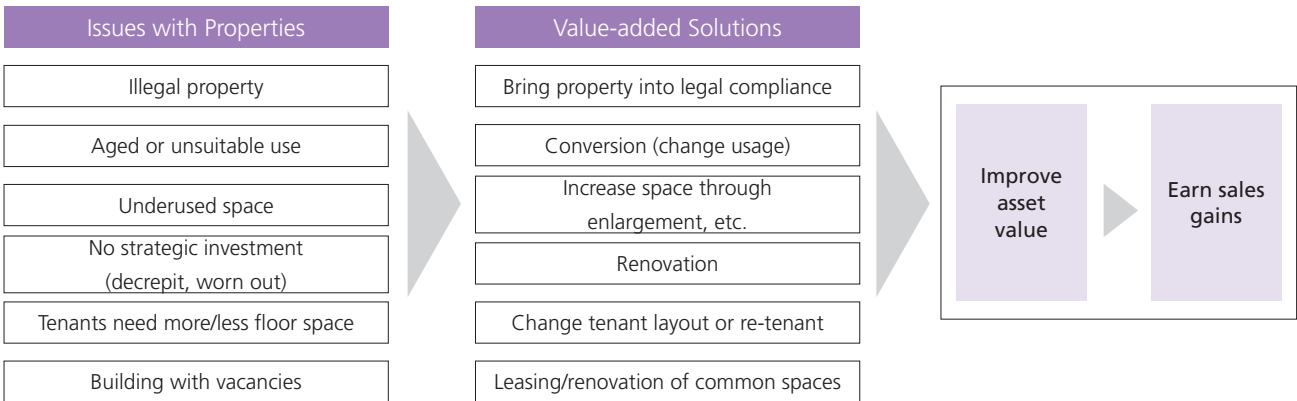
What Is the Value-added Business?

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



Methods in Hulic's Value-added Business

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



Track Record

① HULIC &New KICHIJOJI

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



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 LICOPA Tsurumi (Former Ito Yokado Tsurumi Store)

- 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 focused 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 invited 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 included adding structural elements, such as reducing the number of rooftop parking spaces, which are used infrequently, to install a sports center. Opened in September 2021.



Before value has been added



After value is added

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, attracting new tenants, and reducing expenses by streamlining building management.
- As the second step, we made full use of unused space and developed our first advanced logistics center (Hulic Logistics Kasai) on this site. By installing solar photovoltaic equipment on the rooftop, we plan to reduce electricity consumption for this building by approximately 20%. The property completed in May 2022.



Before value has been added



After value is added

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 (3,700 units as of December 31, 2021).
- 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 investing and developing nursing homes.

Investment • Development of nursing homes

- Acquisition and development of facilities that have good locations and are run by excellent operators
- All are long-term leases
- Wooden construction of nursing homes is under consideration
- FY2021 : 2 properties completed, 4 properties acquired

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 Yotsuya Daikyocho

Trustgarden Ogikubo

Charmpremier Grand Minami-Azabu

Charmpremier Meguro Kakinokizaka

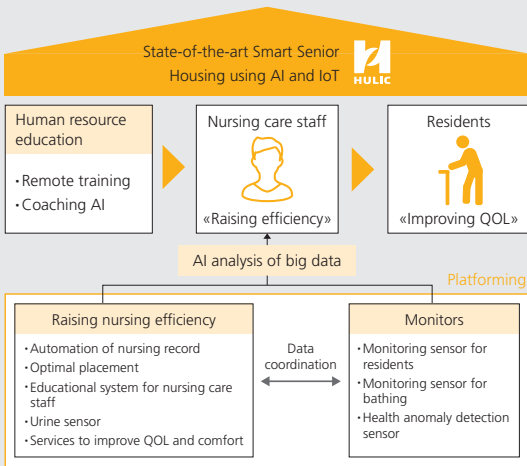
Hulic Premium Club Nihonbashi

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 strengths 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 directly manage hotels and invest in hotel properties in areas that attract many sightseers, in this way establishing a solid presence in the hospitality industry.

Initiatives and Track Record

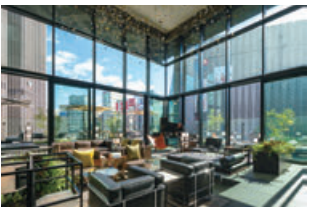
To capture needs for tourism, Hulic: 1) directly manages hotels under our own brand name; 2) operates *ryokans* (Japanese style luxury inns); 3) has acquired Nippon View Hotel Co., Ltd., which owns number of hotels under View Hotel brand; and 4) is acquiring and leasing hotels. We are developing our 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 and leased properties: from business to luxury types in limited geographical areas; directly managed: mainly upscale hotels and luxury *ryokans*).

And, 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 Directly Managed Hotels

Our Policy

- Lodging-oriented boutique hotels with carefully selected locations and proven popularity, including in Asakusa, Ginza, Ryogoku and Kyoto.
- Development projects are underway in Osaka, Sapporo, Fukuoka, and Yokohama.



THE GATE HOTEL TOKYO by HULIC

③ Japan View Hotel

Our Policy

- We acquired Nippon View Hotel Co., Ltd. as a wholly owned subsidiary in 2019, and we are promoting efficiency improvements by consolidating the business management sections.



Asakusa View Hotel

② 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 (3 properties completed in 2021, 9 properties owned as of December 31, 2021).
- We are developing *ryokan* (Japanese style luxury inns) near famous sightseeing spots within two hours of Tokyo, primarily targeted at the affluent.
- Development projects are underway in Karuizawa (two projects), Jogashima and Ginza.



FUFU Kyoto

④ Hotel (Asset) Acquisition and Leasing

Our Policy

- Focus on areas that are expected to attract more sightseers.
- We currently own 12 hotel assets.
- These assets are being leased to operators with strong track records.



Grand Nikko Tokyo Daiba

Other Initiatives

Business Overview

Our Group companies are in a range of 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 opportunities 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 workstyles and the spread of infectious diseases, the roles of offices are changing rapidly and needs are diversifying. Companies are reconsidering the 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

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 DX.



Bizflex Azabu-Juban by HULIC

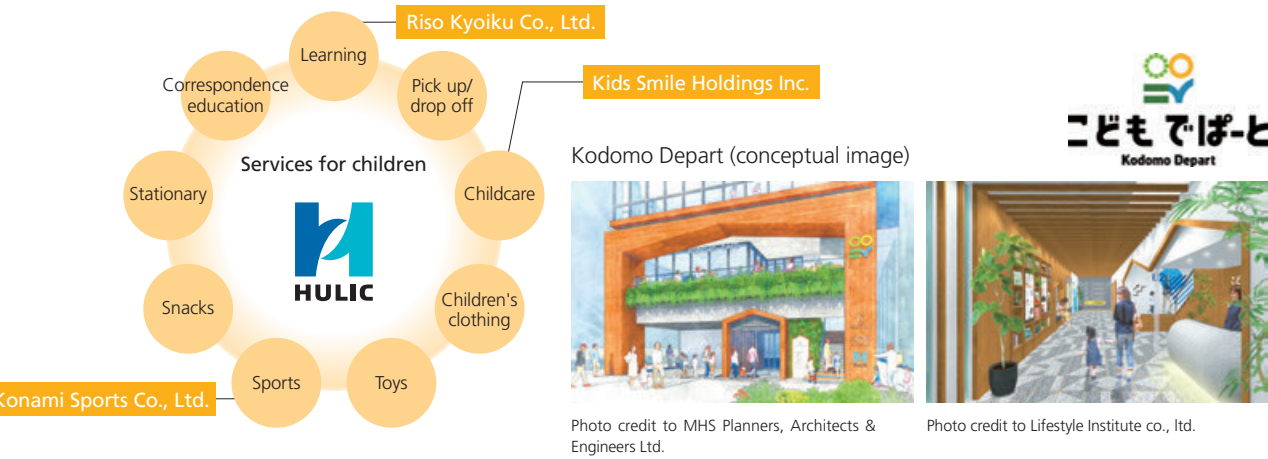
Entry into the Children’s Education Business

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.



Kodomo Depart (conceptual image)



Photo credit to MHS Planners, Architects & Engineers Ltd.



Photo credit to Lifestyle Institute co., Ltd.

Three-way business alliance with Riso Kyoiku and Konami Sports, and a 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 are developing a one-stop services business for children and developing buildings “Kodomo Depart” to provide those services (including conversion of existing buildings). In addition, to strengthen our relationship with Riso Kyoiku Co., Ltd., with whom we concluded a capital and business alliance agreement in September 2020, we acquired additional shares of the company in October and November 2021.

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

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.



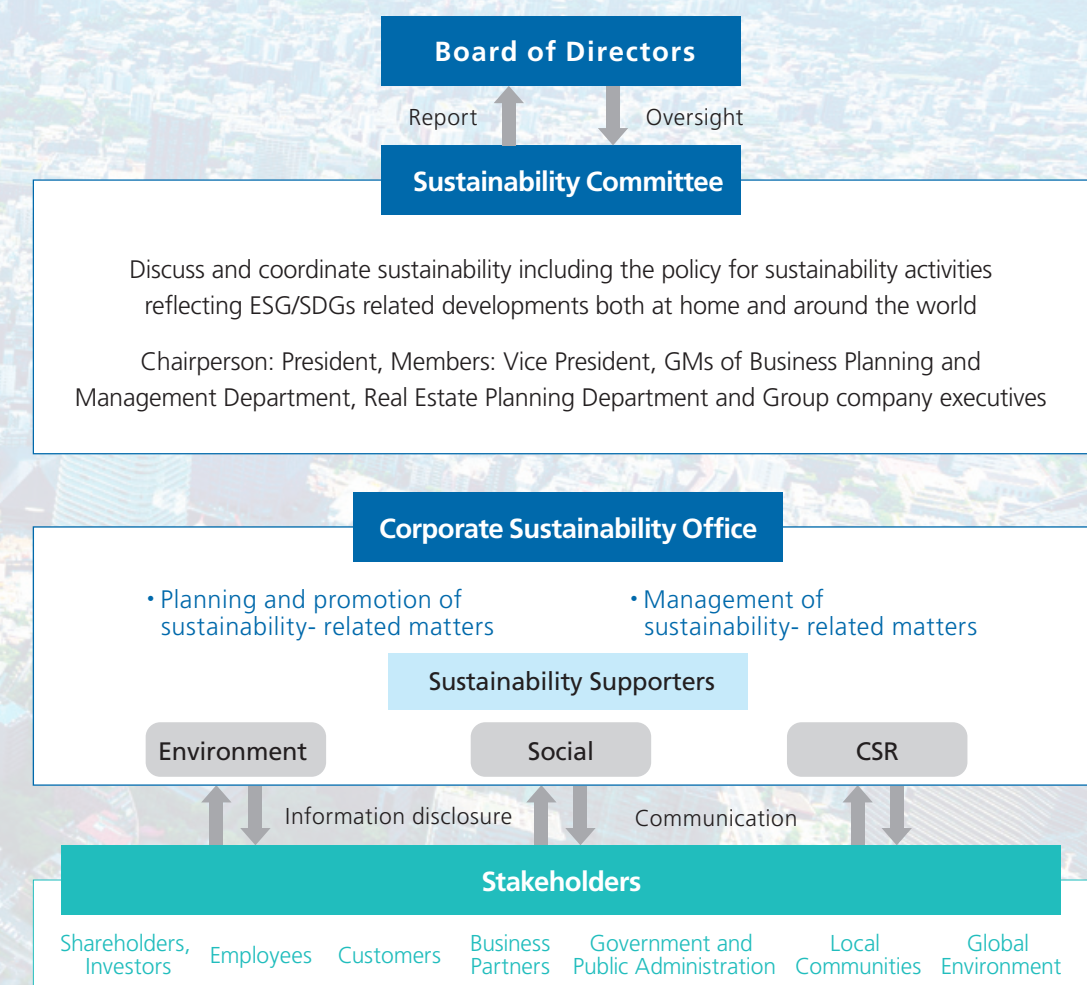
Sustainability

at the Hulic Group

Structure to promote sustainability

We established the Sustainability Committee to deliberate on and coordinate important management concerns related to improving long-term competitiveness and our response to risk, after considering the situation at home and overseas related to sustainability, including the ESG/SDGs. Since management involvement is essential for medium- to long-term initiatives, the Sustainability Committee is chaired by the president and includes vice presidents, the general manager of the Business Planning and Management Department, the general manager of the Real Estate Planning Department, and Group company officers. In addition, the Committee, supervised by the Board of Directors, reports to the board at least once a year on climate change deliberations.

The Corporate Sustainability Office takes the lead in planning, proposing solutions for and promoting sustainability initiatives. As well, “Sustainability Supporters” selected from Hulic and each Group company assist with initiatives led by the Corporate Sustainability Office to help spread and establish our Sustainability Vision throughout the Group.



ESG

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 continuous 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

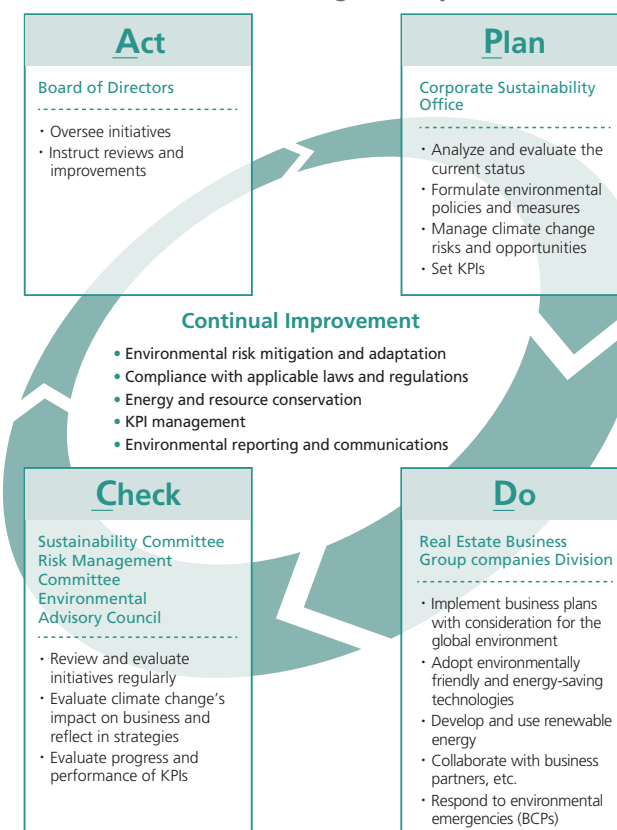
We extensively disclose information on environmental contribution activities, and communicate with stakeholders including local communities to expand the circle of global environmental conservation.

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 carbon-free and recycling-oriented society in 2050.

Roadmap of Initiatives for Achieving Vision

	2020	2021	2024	2025	2030	2050
General	Adoption of environmentally friendly technologies to properties owned / Harmonization of real estate business activities and environmental initiatives					
	•Announce support for the TCFD recommendations	•Start disclosing information in line with TCFD recommendations				
Decarbonization	Declared in 2020	Net zero CO ₂ emissions from all company-owned buildings*				Achieve by 2030
			RE100 (Joined in 2019)	Achieve by 2024	1 year ahead of initial plan	20 years ahead of initial plan
	•Start to develop solar photovoltaic equipment that does not use the FIT system •Start to develop small hydroelectric plants	•Kawabadani small hydroelectric plant began operating				
Circular economy	Technical measures to reduce waste and resource inputs (develop longer life buildings) etc.					
	Introducing wooden technology					
	•Held wooden symposium (2019)	•Completed fireproof hybrid wooden building (HULIC & New GINZA 8) •Afforestation to replace trees used in our building construction				

* All company-owned buildings: Excludes properties for which we do not have energy management authority including master lease properties, residential properties and non-managerial co-ownership properties, and real estate for sale.

TOPICS

Received New Energy Foundation Chairman's Award at the Fiscal year 2021 New Energy Awards

In recognition of our efforts to achieve RE100 by 2024 and net zero CO₂ emissions from all company-owned buildings by 2030, which we are promoting to realize a decarbonized society, we received the New Energy Foundation Chairman's Award at the 2021 New Energy Awards,* along with Hulic Property Solutions Co., Ltd. and ADVANCE CO., LTD.

In particular, we received high praise for adding new developments, solar photovoltaic equipment, and small hydroelectric plants, as well as the advanced nature for our buildings for ZEB (zero energy building) conversion.

* The New Energy Awards, organized by the New Energy Foundation and supported by Japan's Ministry of Economy, Trade and Industry, looks widely for the application of products related to new energy as well as activities to adopt and raise awareness of new energy. The goals are to further promote the adoption, spread, and awareness of new energy, along with the recognition for our outstanding achievement.

Fiscal year 2021
New Energy Award



(Distributed New Energy Advanced Model Category)
Organizer: New Energy Foundation

Initiatives for Climate Change

Fundamental Approach

Targeting the realization of the carbon-free society envisioned in Hulic's Long-term Vision for the Environment, we are combatting climate change by pursuing environmental initiatives, including achieving RE100 by 2024 and net zero CO₂ emissions from all company-owned buildings by 2030.

Achieving Net Zero CO₂ Emissions From All Company-owned Buildings by 2030

In accordance with Hulic's Long-term Vision for the Environment, we established the climate change goals of achieving RE100*¹ by 2024 and reducing CO₂ emissions from all company-owned buildings*² to net zero by 2030 (goal moved forward from 2050). What makes Hulic's approach unique is that we aim to achieve our renewable energy procurement targets by developing and retaining our own renewable energy facilities that do not use the FIT system*³ (non-FIT), rather than by entering into renewable energy contracts with electric power companies.

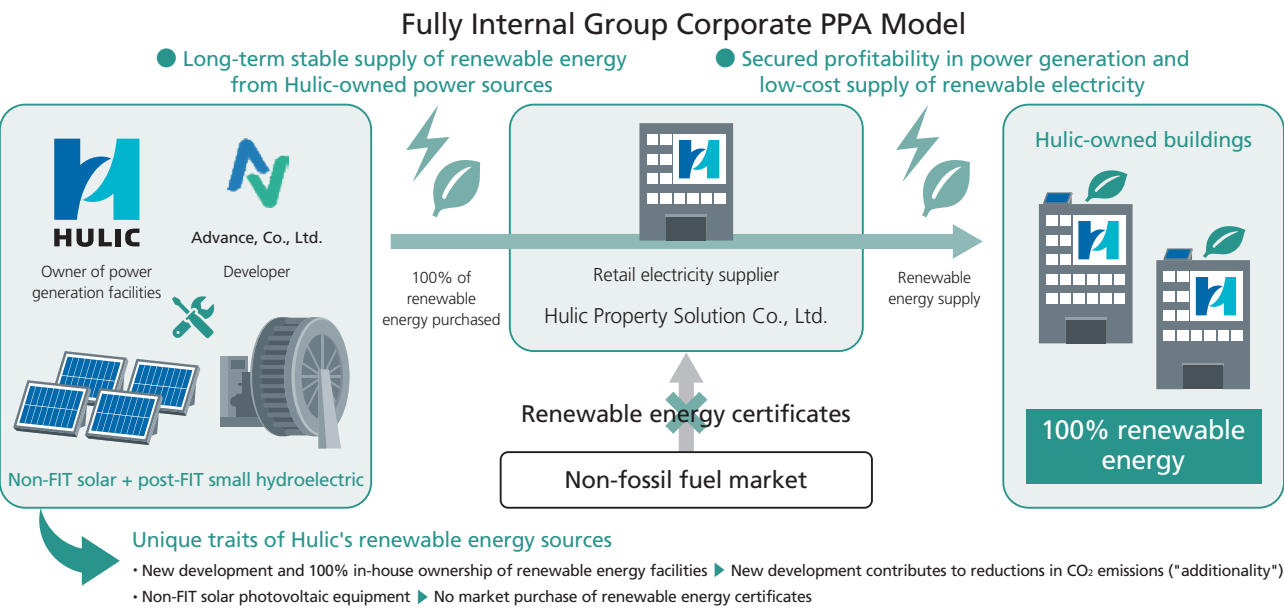
In addition, we have established a corporate PPA*⁴ mechanism whereby Hulic Property Solutions, a Group company, acts as a retail electricity supplier (power producer and supplier, or PPS), purchasing electricity derived from Hulic-owned renewable energy sources and selling it to Hulic-owned properties. This will ensure stable securing of renewable energy-derived electricity over the long term.

*1 RE100: 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.

*2 All company-owned buildings: Excludes properties for which we do not have energy management authority including master lease properties, residential properties and non-managerial co-ownership properties, and real estate for sale.

*3 Feed-in tariff (FIT): A 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.

*4 Corporate power purchase agreement (PPA): An agreement in which corporations, municipalities and other legal entities purchase renewable electricity from power providers on a long-term basis.



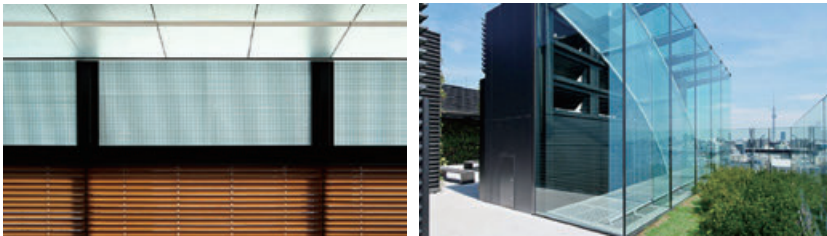
Introduction of Environmentally Friendly Technologies and Obtaining Patents for Environmentally Friendly Technologies

Hulic has developed unique natural ventilation and natural lighting systems (patented as lighting louver units) 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 other companies. These environmentally friendly technologies are commercialized and offered to the 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 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%.

Greenhouse Gas Emission Reduction Targets under the SBT Initiative

Hulic is moving towards realizing decarbonization of our operations. Hulic's greenhouse gas emission target ambition to reduce absolute Scope1 and 2 by 2030 has been determined to be in line with a 1.5 trajectory and has been approved science-based target by the SBT initiative*¹. We aim to achieve the target through developing renewable energy facilities in-house and advancing initiatives in the supply chain.

Greenhouse gas emission reduction targets (Absolute contraction targets, Base year: 2019)			
	2024	2030	2050
Total of Scope1 and 2* ²	Reduce by 70%	Reduce by 70%	Substantially zero emissions
Scope3* ³	-	Reduce by 30%	Substantially zero emissions

We have begun the following initiatives for Scope3 (the supply chain):

- For upstream activities of the supply chain, studying how to reduce emissions of greenhouse gases related to construction (use of renewable energy electricity at construction sites, use of recycled building materials, promotion of use of wood in building construction and materials, etc.) in collaboration with design firms and construction companies.

- For downstream activities of the supply chain, promoting energy conservation in buildings (tangible aspects, including the introduction of environmentally friendly technologies, renovations for energy conservation, harnessing unused energy and energy efficiency improvements through reconstruction), and studying how to reduce energy use (intangible aspects) in cooperation with tenants.

*1 The SBT initiative: An international initiative that promotes companies to develop greenhouse gas emission reduction targets in line with Paris Agreement goals (limiting the global temperature rise above pre-industrial levels to well below 2°C and limiting below 1.5°C).

*2 Total of Scope1 and 2: Greenhouse gas emissions from directly owned or controlled sources plus indirect purchased energy for business activities.
Scope1: Direct emissions (e.g., emissions from natural gas and other fuel combustion)
Scope2: Indirect emissions (e.g., emissions from the use of purchased electricity, heat and steam)

*3 Scope3: Greenhouse gas emissions from external companies affiliated with internal business activities (in the supply chain). Targets were set for Categories 11 and 13, which cover approximately 80% of Scope3.

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°C 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 Scope1, Scope2, and, if appropriate, Scope3 greenhouse gas 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. - Greenhouse gas emission reduction targets (Absolute contraction targets, Base Year: 2019) By 2024 Scope1+2 70% By 2030 Scope1+2 70% Scope3 30% - By 2050 Scope1+2, Scope3 Substantially zero - Achieving RE100 by 2024 - Number of times the Sustainability Committee engaged in climate change monitoring, number of reported times to the Board of Directors - Number of Environmental Advisory Council meetings held

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°C 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
Corporate Sustainability Office	• 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 3Rs (reduce, reuse, and recycle) through the adoption of longer life building designs that enable us to reduce waste significantly and to use resources more effectively.

Initiatives to Reduce Waste

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. At the same time we make it possible to modify layouts to fit with diversifying workstyles in the future and reform building exteriors, while continuing the operation of the building, if the conditions are met. Furthermore, longer life buildings reduce waste generation and resources used for reconstruction by 50% or more, and reduce life cycle CO₂ by 6% compared with 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.

1 High earthquake resistance and high durability

2 Smoother updating and renovation

3 High serviceability

Longer Life Building



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 is from the buildings owned or the buildings where we have offices, and the water flow starts from tap water and is discharged into sewers. To reduce water consumption in the buildings we own, we are sequentially renovating the restrooms in our existing buildings to provide a comfortable water supply with new water-saving toilets and hand basins. The Company is working to ensure the effective use of water resources by using rainwater to water the greenery and flush toilets

for certain buildings. In addition, in 2022, we began using LIMEX, a paper substitute made primarily from limestone, for the production of this integrated report and business cards. Since virtually no forest or water resources are used to make LIMEX, we expect that water consumption during the manufacturing processes could be reduced by more than 90%, compared with using the same amount of ordinary paper. 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 air pollutants (SOx, NOx, VOC) generated in the development business to monitor the amounts generated, and we disclose the results on our website.



<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 CO₂ 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 CO₂ emissions. In October 2021, construction was completed for HULIC &New GINZA 8, Japan's first 12-story wooden fireproof commercial building (hybrid construction combining wood and steel).

Based on the concept of planting replacements for what we use, we also cut, plant, and remove undergrowth in the same amount as the standing timber we use as the source of building materials for our fireproof wooden buildings. 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 and forest circulation can help cut down CO₂ levels. Furthermore, trees that are ready to be cut for timber have a reduced ability to absorb CO₂, so while we cut down trees as building materials,

we also plant new trees to replace them. In this way, we are contributing in maintaining the proportion of young trees that absorb CO₂ well at a certain level. We planted 12,000 cedar trees, equivalent to the approximately 300 m³ of the wood used in HULIC &New GINZA 8. Looking ahead, we will also consider wooden construction for nursing homes.

Through our efforts to develop fireproof wooden buildings, we are promoting the forest cycle and, as a result, we are reducing CO₂ and conserving biodiversity.



HULIC &New GINZA 8

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 throughout 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, 2021, a total 13 properties (Hulic Group) 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 for and are 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 comfort 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: Ensuring All Company-owned Buildings Can Withstand a Seismic Intensity of 7 by 2029

Hulic considers earthquake countermeasures as 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. We have therefore established our own earthquake

resistance standards* that are stricter than the Building Standards Act, and we apply these standards to all the buildings that we develop or reconstruct, and we conduct a seismic assessment at the time of acquisition. We will promote strengthening seismic resistance to ensure that all company-owned buildings can withstand an earthquake of seismic intensity 7 by 2029.

* 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.

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

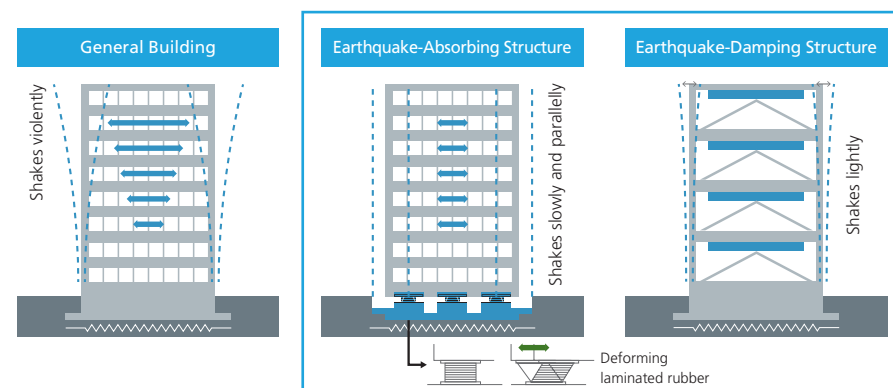
earthquake-absorbing or earthquake-damping structure which is effective at ensuring a high seismic resistance, in addition to other methods to improve the seismic resistance.

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 with 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.

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.



Actively adopted by Hulic

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

We diagnosed the earthquake resistance of all company-owned 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

six 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 suited 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 2021, we continued to receive high ratings with a satisfaction level of 92.2% (in 2020, 96.4%). 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 2021 **92.2%**

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)
- Active Introduction of natural ventilation and greening of building surrounds
- Introduction of an indoor air quality improvement system using composite ceramic functional materials
- Acquisition of CASBEE Wellness Office certification for developed office buildings as verifications for buildings that support the maintenance and improvement of the health and comfort of the people in the buildings
- 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
- Many of the properties owned are located near stations, providing easy access to transportation

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 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

Hulic Rygoku River Center received a Good Design Award 2021 (issued by the Japan Institute of Design Promotion)

Hulic Rygoku River Center is a building complex that includes a hotel under our own brand name, THE GATE HOTEL Ryogoku by HULIC, a waiting area for boaters (Tokyo), the Ryogoku Child-Rearing Plaza (Sumida Ward), and a café. This center, facing the Sumida River, is in an area with many historical and cultural tourism sites, including the Ryogoku Kokugikan (sumo stadium), the Japanese Sword Museum, and the Edo-Tokyo Museum. The center works with nearby tourist sites to promote the area's attractions. The center has a thoroughway, the Sumida River Gate, a highly regarded connection between the previously separated waterfront and the town that helped the center win a Good Design Award 2021.



Exterior



Terrace on the 9th floor of the hotel

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 includes first-class architects, real estate appraisers, lawyers, certified accountant and others.

In order to create a highly productive organization, we place priority on unbiased talent acquisition, enhance next-generation nurturing support systems and welfare programs, embrace diversity and workstyle 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 for 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 2021, we introduced an “elective training” system that allows employees in their second to third years to select what training to take.

Providing high level of fringe benefits

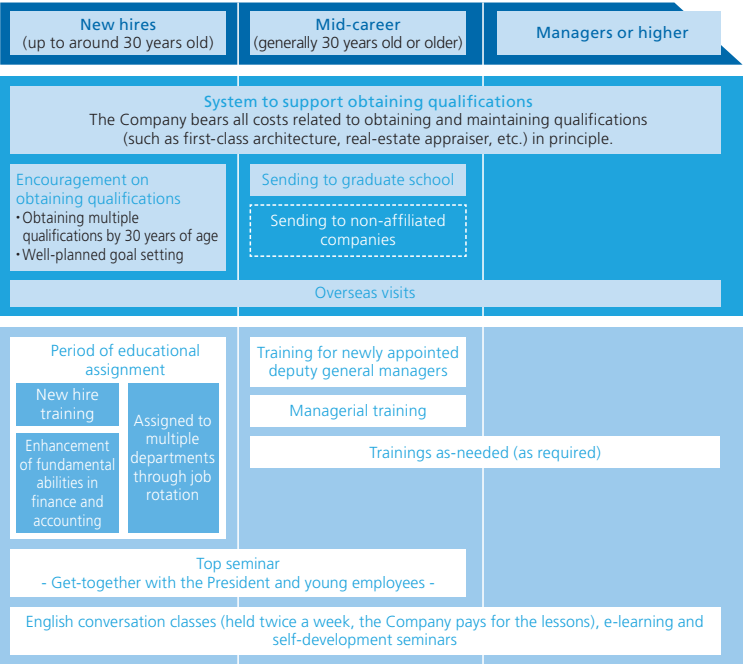
Since Hulic maintains a small workforce of elite professionals, we believe that it is important to give back appropriately to stakeholders, including employees, as the Company grows. This commitment to giving back to employees through salary and fringe benefits drives further growth for the Company in what we see as a positive (virtuous) 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:

Overview of Talent Development Programs



- 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.

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 leave and to avoid long work hours.

Diverse Workstyles

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 from 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 Workstyles

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

* This was originally intended for employees providing childcare and nursing care, but we expanded eligibility from 2020.

Workstyle Reforms

- Raising workplace efficiency
- 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

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 nine years (2013-2021), 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.

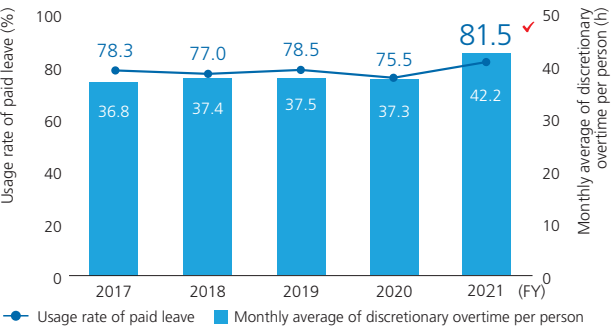
Health and Productivity Management

We believe that the wellbeing of employees goes hand in hand with productivity improvement and growth of the Company. In 2021, we conducted in-house training (by video) to improve health literacy. Our other major measures are elaborated on the right.

2022 Certified Health & Productivity Management Outstanding Organization (Small and Medium-sized Enterprises Category)

Hulic was certified as a Health & Productivity Management Outstanding Organization in 2022 for the fourth 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.

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.

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, babysitter and children's clubs etc., flexible work hour arrangements, etc.
Nursing care	Nursing leave and leave of absence, support for home care costs, etc.

- 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
- Introduce health-promoted application "QOLism" (proceeding in cooperation with Mizuho Health Insurance Society)

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 to provide support as a company so that our diverse human assets can perform at the maximum level, as the decline in the working population becomes unavoidable going forward. We enacted the Hulic Human Rights Policy and have been raising awareness on respecting human rights of 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

Establishment of the Diversity Promotion Project Team

Hulic's basic approach is for employees to be aligned with their skill sets, aptitudes, and personalities that enable 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 2021, we held a meeting with a lecture and discussions on unconscious bias and other topics.

Empowering Female Employees

Hulic has set target ratios for female managers with the aim of becoming a company in which women take on active roles. We provide follow-up training to employees to raise awareness of

our approach. The ratio of female managers in 2021 was 22.4%, and we will continue to work toward our targets of 25% female managers by 2024 and 30% by 2029.

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 where nine employees with disabilities (eleven on a Group basis, as of June 2021) and supervisors with experience in guidance and

nurturing work mainly on sending direct mail, etc. As of June 2021, the employment ratio of persons with disabilities was 2.54%✓ on a Group basis (7.38% 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 who 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 create a work environment comparable to active employees with leave and absence systems.

We expect the 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. Mindful of this goal, we are committing to spend at least one percent of consolidated ordinary income on social causes every year.

Support for Culture and the Arts

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. (The competition is co-sponsored by Hulic and the Japan Shogi Association.)

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 are supporting professional female Shogi players from the perspective of empowering women.

In the first Hulic Cup Hakurei Championships, 64 women played matches to establish their rank, and the top two players competed for the title in a seven-match series. Ms. Tomoka Nishiyama became the first Hakurei title holder after winning four consecutive victories in the seven-match series. The ceremony honoring her with the Hakurei title was held at Meiji Kinenkan in December 2021.



Basic Agreement Signed with the Japan Shogi Association for the Relocation of the Tokyo Shogi Hall

On August 23, 2021, we concluded a basic agreement with the Japan Shogi Association to relocate the Tokyo Shogi Hall to the first floor of Hulic's Sendagaya Center Building, as part of the reconstruction project. Taking advantage of this agreement, Hulic and the Japan Shogi Association will further deepen their

Special Sponsorship of the Hulic Cup Kisei Championships
Hulic has been a special sponsor of the Kisei Championships (sponsors: Japan Shogi Association, and 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, which he defended for the first time in the 92nd Hulic Cup Kisei Championship, was held at the Grand Nikko Tokyo Daiba in October 2021. In honor of the youngest title defense and Mr. Fujii's promotion to 9th dan (level), an achievement that will be remembered in the history of shogi, he was presented with a special prize of one million yen's worth of custom-made kimonos.

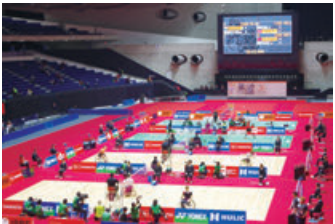


collaboration on the relocation of the Tokyo Shogi Hall and promote the relocation and reconstruction plan. In this way, we are contributing to the development of the Sendagaya District in Shibuya Ward, in cooperation with Shibuya Ward, which aims to become known as "Shogi Town Shibuya Ward."

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. 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.



Academic and Research Support

9th Hulic Students Idea Competition: "Architecture for a New International City of Culture"

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 132 entries for the 9th Hulic Student Idea Competition in 2021.

To avoid the spread of COVID-19, the second round of judging was held remotely. The students enthusiastically presented their ideas and answered questions from the judges. Following discussions among the judges, one grand prize winner, three excellence award winners, and six honorable mention award winners were selected.

Social Welfare

Support for Single-parent Households

To support single-parent households, we have been making donations since 2020 to the Single Mothers Forum, an approved specified nonprofit organization. In 2021, we donated JPY10 million for food for single-parent households with no or little income due to the spread of COVID-19 as well as 600 kg of rice received from the Nishi-Shirakawa District Forestry Association in Fukushima Prefecture as a "thank you" gift for helping with tree planting.

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 contribute to resolving social issues related to the aging of 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.

Donation of Emergency Food Stockpiles

In the course of inspecting and replacing the emergency food stockpile at our head office building, we donated food approaching the expiration date, previously disposed of as waste, to Second Harvest Japan, an approved specified nonprofit organization. We will continue to donate our emergency food stockpiles in the future.



List of Social Contribution Activities in 2021

In order to prevent the spread of COVID-19, we cancelled some of the events that were scheduled to be held in FY2021.

- | | | |
|--|---|---|
| <ul style="list-style-type: none">• Special sponsorship of the Hulic Cup Kisei Championships• Established the Hulic Cup Hakurei Championships and women's rank-deciding competition• Collaboration on the relocation of Tokyo Shogi Hall• Supported Japan Para-Badminton Federation• 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 | <ul style="list-style-type: none">• 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 | <ul style="list-style-type: none">• Donated books to neighboring elementary school• Supported employees' social contribution activities• Donated emergency food stockpiles• Supported Naruto Sumo Stable Supporters' Association• Tree planting <p><Employees' Social Contribution Activities></p> <ul style="list-style-type: none">• Donated to Japanese Red Cross Society• Donated to Kiko Network, an approved NPO• 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.

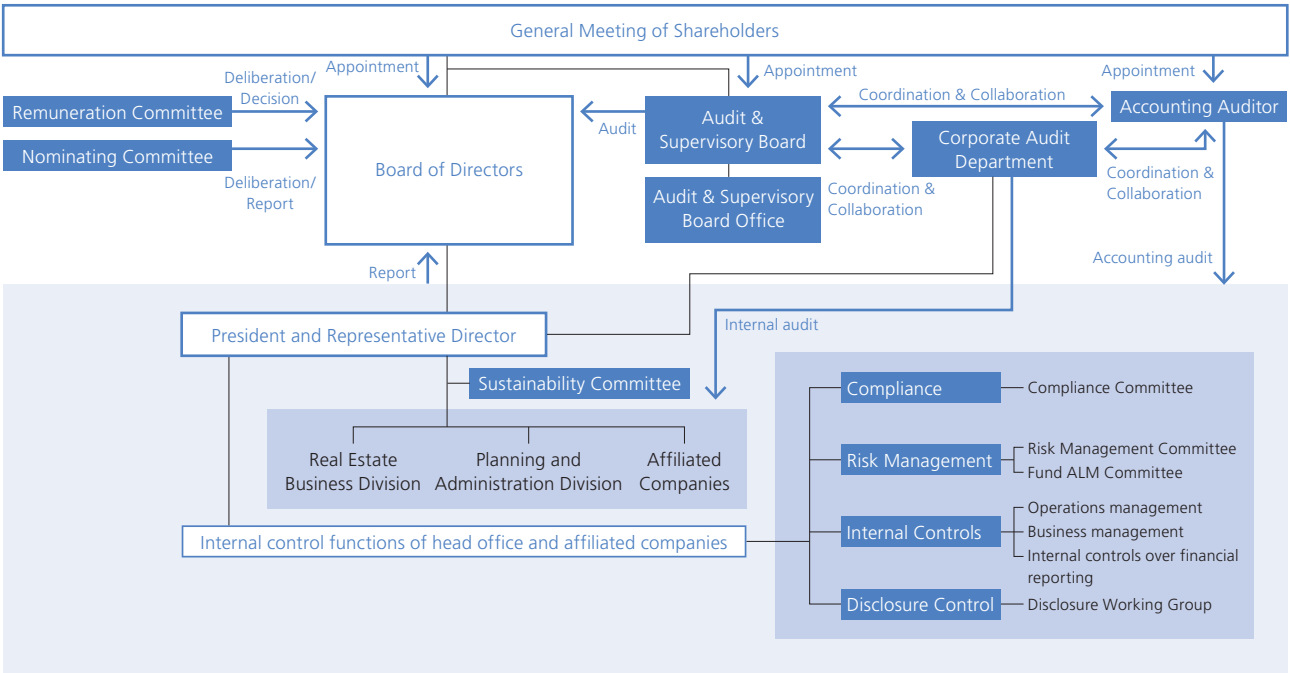
Corporate Governance Mechanism

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. In addition, we have transitioned to a system where a non-executive director serves as chairperson of the Board of Directors. This system is designed to enhance the supervisory function of the Board. As a result, the Board of Directors now consists of an equal number of five executive directors and five non-executive directors (as of March 23, 2022).

Diagram of Hulic's Corporate Governance (as of March 23, 2022)



Nominating Committee and Remuneration Committee

We have established "discretionary committees" following the enactment of the Corporate Governance Code, effected on June 1, 2015. These committees consist entirely of members that are independent external directors. In 2021, all four external directors

of the Company were members of these committees. Maintaining consistency in membership composition between both committees enables more substantial discussions and has helped us strengthen the committees' functions.

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 matters concerning succession plans and items from 1. above, as deemed necessary by the Board

The committee consists of 4 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 4 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, 2022, there were 14

male officers and one female officer. (The percentage of female officers was 6.7%.)

Title	Name	Board of Directors	Audit & Supervisory Board	Nominating Committee	Remuneration Committee
Chairman, Representative Director	Saburo Nishiura	○	—	—	—
President, Representative Director	Takaya Maeda	○	—	—	—
Vice President, Representative Director	Hidehiro Shiga	○	—	—	—
Vice President, Director	Hajime Kobayashi	○	—	—	—
Director, Senior Executive Managing Officer	Tadashi Nakajima	○	—	—	—
Chairperson of the Board of Directors, Director (non-executive)	Manabu Yoshidome	◎	—	—	—
External Director	Tsukasa Miyajima	○	—	◎	○
External Director	Hideo Yamada	○	—	○	◎
External Director	Atsuko Fukushima	○	—	○	○
External Director	Shinji Tsuji	○	—	○	○
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.

Director Skill Matrix

To achieve our Medium- and Long-Term Management Plan, we have defined the skills we consider necessary for directors as those related to (1) corporate management, (2) sustainability and ESG, (3) finance and accounting, (4) legal affairs and compliance, (5) risk

management, (6) personnel and labor affairs and human resources development, and (7) the real estate business.
We appoint directors with the right skills for these requirements, and their skills are shown in the table below.

Name	Title	Corporate management	Sustainability and ESG	Finance and accounting	Legal affairs and compliance	Risk management	Personnel and labor affairs and human resources development	Real estate business
Saburo Nishiura	Chairman, Representative Director	◎	○	○		○	○	○
Takaya Maeda	President, Representative Director	◎	○			○	○	◎
Hidehiro Shiga	Vice President, Representative Director	○		○	○		○	◎
Hajime Kobayashi	Vice President, Director	○	○	◎			○	
Tadashi Nakajima	Director, Senior Executive Managing Officer	○	○			○	○	◎
Manabu Yoshidome	Chairperson of the Board of Directors, Director (non-executive)	○	○	○	○	○	◎	○
Tsukasa Miyajima	External Director		○		◎			
Hideo Yamada	External Director				◎		○	
Atsuko Fukushima	External Director		◎				○	
Shinji Tsuji	External Director	◎				○		

Notes: 1. ◎ in a director's skill matrix means the director in question has particularly outstanding skills in that particular area.
2. The above list is not intended to be an exhaustive list of the knowledge and experience possessed by each director.

External Directors and External Auditors

We appointed 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 FY2021	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%)	President of Yamada Ozaki Law Office	Mr. Yamada has been active as a lawyer for years and has refined views as a legal expert as well as experience as an external director of other companies, and the Company believes that he leverages this expertise in the management of the Group.	○
Atsuko Fukushima	15 of 15 (100%)	Journalist, Councillor of Forestry Policy Council, Ministry of Agriculture, Forestry and Fisheries	Ms. Fukushima has been active in the media industry for years and has extensive experience, so 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* ¹	15 of 15 (100%)	Advisor, Sampo Holdings, Inc.* ²	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.	○
Shinji Tsuji* ³	—	Director, Sampo Holdings, Inc.	Mr. Tsuji has extensive experience and broad insight as the top management of a major non-life insurance company, and the Company believes that he leverages this expertise in the management of the Group.	○

*1 Retired on March 23, 2022 *2 Retired on March 31, 2022 *3 Appointed on March 23, 2022

External Auditor and Audit & Supervisory Board members

Name	Attendance at meetings in FY2021		Occupation/affiliation, etc.	Reason for appointment	Independent Director
	Board of Directors	Audit & Supervisory Board			
Koichi Nezu	15 of 15 (100%)	15 of 15 (100%)	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, so the Company expects him to be able to audit 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, so the Company expects him to be able to audit management objectively and from a neutral position as an External Auditor and Audit & Supervisory Board member.	○
Kenichi Sekiguchi	14 of 15 (93%)	13 of 15 (87%)	Honorary Advisor of Meiji Yasuda Life Insurance Company	Over the years, Mr. Sekiguchi has accumulated extensive business management experience and broad insight as chairman, so the Company expects that he will be able to audit management objectively and from a neutral position.	○

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 FY2021 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 achieving the SDGs.
- Consider the composition of the Board of Directors from the perspective of diversity on an ongoing basis.

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 audits conducted by the Audit & Supervisory Board members, the members investigate the status of 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 attending meetings of the Board of Directors as well as other meetings and internal committees when required, interviewing directors and managing officers on the execution of duties, 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.

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-based 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 for non-executive directors and Audit & Supervisory Board members consists solely of basic compensation 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 92nd General Meeting of Shareholders stipulates an annual amount of up to JPY1,000 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 92nd General Meeting of Shareholders stipulates a change in Board Benefit Trust (BBT) to a maximum of 300,000 points per fiscal year with regard to share-based payments

for directors (excluding external directors).

When determining the 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, in addition to performance-based compensation. Performance-based 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 the 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 FY2021

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)	Of these amounts, non-monetary compensation	
Directors (excluding External Directors)	1,072	545	263	263	263	6
Auditors (excluding External Auditors)	72	72	—	—	—	3
External Directors/Auditors	126	126	—	—	—	7

*1 The amount of stock compensation is provision to reserves for stock benefits posted as the portion for the current fiscal year, for performance-based variable compensation system.
*2 The total non-monetary compensation to directors (excluding external directors) consists of JPY263 million in performance-based variable compensation (in stock).

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

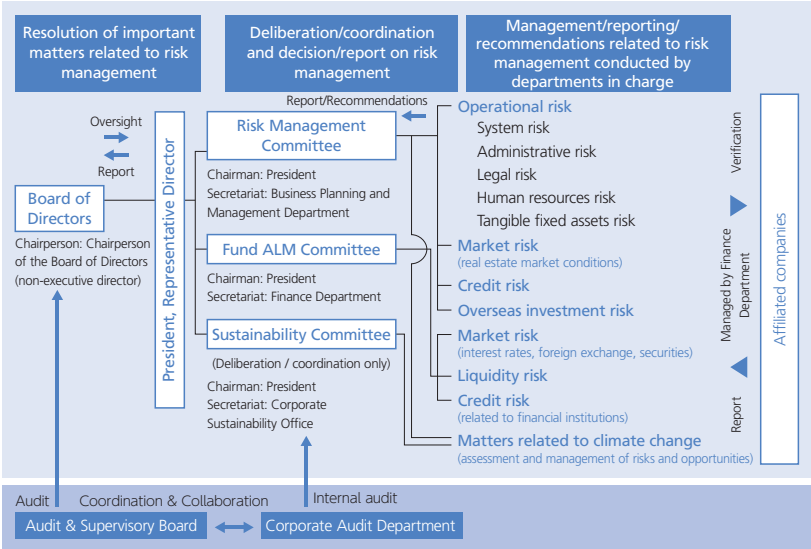
Hulic recognizes that appropriately managing risks of the Company and its affiliates is one of its most important management challenges, and has set up a structure with the Board of Directors at the top while working to make improvements. The department responsible for a particular risk stripe formulates 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.

Furthermore, the Corporate Audit Department conducts internal audits of all departments and operations to confirm that we are implementing appropriate risk

management internally. Risk stripes will be reviewed and added as necessary.

In 2021, as the spread of COVID-19 increased volatility in markets, the Fund ALM Committee held 4 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 As of March 23, 2022



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.

Hulic implemented a variety of responses to COVID-19, including working with industrial physicians to formulate response policies and encouraging employees to work from home (we

expanded eligibility for conventional work-from-home systems which were previously open only to employees providing childcare or nursing care). We also made efforts to reduce the risk of infection during commuting by staggering work hours and promoting web conferencing, implemented thorough infection prevention measures for each employee and implemented a workplace vaccination program.

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").

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.

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 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.

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 FY2021.

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. Our employees can report to the Compliance Hotline about the matters which executive officers, employees of the Company, retirees and employees of our business partners are involved, 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 protection of the reporter.

Information Security Management

For effective information security, Hulic has established a management system based on information management rules, and we are implementing sound operations. Specifically, for measures to prevent information leaks, we have multiple system safeguards in place to block intrusions and attacks from outside as well as information taken out of the Company.

In addition, we are strengthening every employee's awareness of the importance of information management and information security on our systems through compliance training and other programs. As well, on top of conducting internal audits to monitor compliance with Company rules on information management, we also have security specialists conduct technical audits, as necessary, to maintain an effective management system.

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 shareholder newsletter 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 FY2021. When it becomes possible to resume in-person briefings in the future, we plan to return to video distribution.



shareholder newsletter

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 FY2021 was 38.5%.

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 2021 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 2021, our website was selected as the "excellent website in overall ranking" in Nikko Investor Relations Co., Ltd.'s All Listed Company Website Ranking 2021. In addition, our website won the silver prize in Gómez IR Site Ranking, and also won the Commendation Award in Internet IR Award 2021 by Daiwa Investor Relations Co., Ltd.



Directors, Auditors and Managing Officers (as of April 1, 2022)

Board of Directors

Representative Director, Chairman
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
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
March	2022	Hulic Co., Ltd., Representative Director, President (to date)

Representative Director, Vice President
Hidehiro Shiga



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

Director, Vice President, General Manager of Human Resources Department
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
April	2022	Hulic Co., Ltd., Director (Vice President), General Manager of Human Resources Department (to date)

Director, Senior Executive Managing Officer
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)

Director (Non-executive), Chairperson of the Board of Directors
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
March	2022	Hulic Co., Ltd., Director (Non-executive), Chairperson of the Board of Directors (to date)

External Director
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
October	2015	Den-en Chofu Gakuen, Councilor
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)
July	2021	Japan Cooperative Insurance Association Incorporated, Committee Member of Examination Committee (to date)

External Director
Hideo Yamada



April	1984	Registered as a lawyer
May	1998	TAIYO CHEMICAL INDUSTRY CO., LTD., External Auditor (to date)
June	2004	SATO CORPORATION, External Director
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
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)
February	2022	Kewpie Corporation, External Director (to date)

External Director
Shinji Tsuji



April	1979	Joined The Yasuda Fire & Marine Insurance Co., Ltd.
April	2008	Sompo Japan Insurance Inc., Executive Officer, General Manager of Customer Service Department
April	2009	Sompo Japan Insurance Inc., Managing Executive Officer
June	2011	NKSJ Holdings, Inc., Director, Managing Executive Officer
April	2012	NKSJ Holdings, Inc., Director, Senior Managing Executive Officer
April	2014	NKSJ Holdings, Inc., Representative Director, Deputy President and Senior Managing Executive Officer
April	2016	Sompo Japan Nipponkoa Himawari Life Insurance, Inc. (currently Sompo Himawari Life Insurance Inc.), Director
April	2017	Sompo Holdings, Inc., Group CFO, Representative Director, Deputy President and Senior Executive Officer
January	2019	Sompo Holdings, Inc., Group COO, Representative Director, Deputy President and Senior Executive Officer
June	2019	Sompo Holdings, Inc., Group COO, Director, Deputy President and Representative Executive Officer
June	2021	Sompo Care Inc., Director
March	2022	Hulic Co., Ltd., External Director (to date)
April	2022	Sompo Holdings, Inc., Director (to date)

Audit & Supervisory Board Members

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

Managing Officers

Vice President Executive Managing Officer

Yasuki Yakabi	Hiroshi Kitano	Shin Ito
	Kazuhiro Noguchi	Hiroshi Hara
	Yasushi Umeda	Mikio Morikawa

Managing Officer

Yoshito Nishikawa	Yoshikazu Nagatsuka	Ken Ohta
Kazuteru Miyayama	Yuuji Mutagami Higashi	Hiroyuki Iijima

Message from the Chairperson of the Board of Directors



Director (Non-executive),
Chairperson of the Board of Directors

Manabu Yoshidome

Initiatives to Improve Corporate Governance

Hulic's Corporate Governance Code lays out the main roles and responsibilities of the Board of Directors: indicating the major direction in corporate strategy; creating an environment that supports appropriate risk-taking by senior management; and conducting highly effective oversight over the management team. Hulic's Board of Directors has been working continually to improve corporate governance to be more effective at a high level. In recent years, we have reviewed the Board of Directors agenda standards, expanded the scope of authority delegated to executives, and considerably reduced the number of agenda items. These moves are intended to narrow down the agenda of the Board of Directors to further deepen

deliberations and speed up the execution of business operations. In addition, the composition of the Nomination and the Remuneration Committees were changed from having two independent external directors and one internal director to four independent external directors. The intention is to conduct performance evaluations of senior management from an independent and objective standpoint, strengthening the system for reflecting evaluations in personnel decisions. Further, with the aim of shifting from a board of directors with a management board structure to a monitoring structure, we have changed the position of the chairperson of the Board of Directors, which was previously held by the President and Representative Director, to a system in which a non-executive director is responsible.

The Board of Directors devotes time to discussions on medium- to long-term management policies, entry into new businesses, important investment projects, and other matters that need to be discussed from a medium- to long-term perspective, as well as agenda items that require deliberation from the viewpoint of appropriate risk-taking. In addition, opportunities for free discussions among board members on specific themes are set up as required, and recently we held a discussion on the theme of Hulic's sustainable management. This was a productive discussion, with external directors giving advice and making recommendations from various perspectives.

I believe that these actions to improve our corporate governance have made the Board of Directors more effective.

Future Roles and Responsibilities of the Board of Directors

We are currently implementing our Medium-and Long-term Management Plan, Hulic 10 Years from Now (2020-2029), aiming to quickly and flexibly evolve our unique business model in response to changes in the business environment with the goal of achieving sustainable profit growth while increasing corporate value over the medium to long term. In order to do this, effective risk-taking and risk management are essential, and the Board of Directors believes that it is necessary to operate with a thorough awareness of assertive, not just defensive, governance. As the chairperson of the Board of Directors, I will strive to enable the Board of Directors to function at the maximum level by setting an effective agenda and by creating an environment where constructive and candid exchanges of opinions can be made.

At the same time, it is very important to share with our stakeholders and improve corporate value over the medium to long term, and we will pay close attention to monitoring sustainable management, including addressing such issues as climate change, as well as practicing highly transparent disclosure.

Messages from an External Director and an External Auditor



External Director
Tsukasa Miyajima

Providing a wide range of achievements and insights as someone with academic experience
External Director since 2009

Hulic's current Board of Directors includes six internal directors and four external directors, and the Audit & Supervisory Board includes two full-time internal auditors and three external auditors. In addition, as a new trial, one of the internal directors was transferred way from their duties and appointed as a part-time non-executive chairperson of the Board of Directors to provide more monitoring to the Board. While this is consistent with the direction of corporate governance, it is a significant change for us. We had previously taken a traditional approach to the function and role of the Board of Directors, and we are looking forward to seeing how the Board of Directors will change in the future.

By the way, four of the internal directors come from banking and two from real estate companies. Considering the origin of Nihonbashi Kogyo, Hulic's predecessor, and the fact that it has been just over 10 years since the Company's stock listing, we will use this kind of structure for now. It has been more than a decade since new

graduates began to join the company—when we went public in 2008—and it will take more than a decade for these graduates to mature and join the management team as well as hybridize with mid-career hires who have expertise in their fields. Looking at corporate governance, the strength of Hulic's future management team is that it will be highly diverse. In addition to the hybrid structure described above, about half of our new graduate hires every year are women, so we anticipate that this diversity will create synergies.

Our external directors/auditors include three people with management experience, a lawyer, a certified public accountant, a media representative, and a university official. From the perspective of a skills matrix, this is a fairly well-balanced lineup, including those with management experience, which is a requirement of corporate governance. However, it is sometimes pointed out that the term of office of our external directors/auditors is long. A long term of office could be considered inappropriate since it can lead to collusion with the management team and a lack of independence. Generally speaking, however, the longer someone is in office, the better they can understand the company's true situation. If someone feels like a parent watching over a child's growth (especially for Hulic's external directors/auditors who have seen our growth since being listed), they can be more acute to management mistakes. It must be said that the claim that a long term of office leads to a lack of independence from management shows a lack of understanding of the true character of those who have served as external directors/auditors for a long time.



External Auditor, Audit & Supervisory Board Member

Nobuyuki Kobayashi

Providing specialized knowledge of accounting and taxation as a certified public accountant and licensed tax accountant
External Auditor since 2009

There is no such thing in real estate as two properties that are exactly the same. Even if two buildings have the same appearance, if the locations are not the same, they will have different value. So, a major feature of the real estate business is to create added value by leveraging the strengths of individual properties, each with their own unique characteristics. What I believe requires a cautionary approach is the fact that if society does not accept the added value created there as meaningful, the root cause of a company's existence could be called into question.

In an era of rapid change and high uncertainty, we must continue to create unique added value, while accurately responding to the needs of society. On the other hand, in the real estate business, it is also important to look at properties from a long-term perspective. To balance the conflicting demands of having a long-term perspective and responding to fast-paced change, it is important to have a vision of how the company will develop and contribute to society.

As an Audit & Supervisory Board member, it is a matter of course that I pay close attention to setting up corporate governance procedures and compliance initiatives, and I try not to neglect gathering information for that purpose. But what I am even more conscious of is to pay close attention to Hulic's vision of how to create and provide the added value that society demands.

I think the role of an auditor should not be to avoid risks, but rather to support the growth of the company. We want to commit ourselves so that the added value we propose will be accepted by society as part of the social infrastructure and that Hulic will grow with the development of society.

Financial Information

Unless otherwise indicated, figures are on a consolidated basis

Financial Analysis

Business Results

Revenue from Operations

Consolidated revenue from operations in FY2021 amounted to JPY447,077 million, up JPY107,431 million from FY2020. This was due to an increase in rent income from properties completed and new properties acquired in FY2020 and in FY2021, as well as higher sales from real estate for sale.

Operating Income

Operating income for FY2021 amounted to JPY114,507 million, up JPY13,910 million from FY2020. 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 FY2021 amounted to JPY109,581 million, up JPY13,953 million from FY2020. This was due to the above-mentioned increase in operating income, as well as increase of non-operating expense because of the increase of interest expense.

Profit attributable to owners of parent

During FY2021, profit attributable to owners of parent was JPY69,564 million, up JPY5,944 million from FY2020. This was due to the above-mentioned increase in ordinary income, as well as increase of tax expenses.

The operating results for each segment are as follows.

(Revenue from operations for each 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 that utilizes about 260 buildings and properties (excluding real estate for sale), amounting to about 1,320,000 square meters of floor space, located mainly in Tokyo 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 its buildings and properties not only by reshuffling portfolio but also by developing and reconstructing properties that are highly earthquake resistant and energy efficient. In addition,

we work to strengthen value-added business which brings profit by improving asset value with refurbishment or redevelopment.

New acquisitions (non-current assets) in FY2021 included Recruit Ginza 8-chome Building (Chuo-ku, Tokyo), Prime Tower Tsukiji (Chuo-ku, Tokyo), Shonan Mall Fill (Land) (Fujisawa-shi, Kanagawa), Ito Yokado Yotsukaido Store (Yotsukaido-shi, Chiba), Hulic Ochanomizu Building (Chiyoda-ku, Tokyo), Onward Bay Park Building (Land) (Minato-ku, Tokyo), Hulic Ginza 5-chome Namiki-dori (Chuo-ku, Tokyo) (additional acquisition), Pasco Meguro Sakura Building (Meguro-ku, Tokyo), G Building Shinjuku 01 (Shinjuku-ku, Tokyo), etc.

In development and reconstruction business (non-current assets), projects including FUFU Kyoto (Sakyo-ku, Kyoto-shi, completed in January 2021), HULIC &New UDAGAWA (Shibuya-ku, Tokyo, completed in March 2021), HULIC &New SHINJUKU (Shinjuku-ku, Tokyo, completed in May 2021) , HULIC &New GINZA 8 (Chuo-ku, Tokyo, completed in October 2021), FUFU Hakone (Ashigara-shimogun, Kanagawa, completed in November 2021) were completed.

In addition, land for (tentative name) Kashiwa-shi Shintoyofuta Logistics Development Project (Kashiwa-shi, Chiba) was acquired, and also (tentative name) Ginza 6-chome Namiki-dori Development Project (Chuo-ku, Tokyo), (tentative name) Sapporo Reconstruction Project I (Chuo-ku, Sapporo-shi), (tentative name) Ginza 5-chome Miyuki-dori Building Development Project (Chuo-ku, Tokyo), (tentative name) Hulic Ginza 1-chome Development Project (Chuo-ku, Tokyo), (tentative name) Noda-shi Nakane Logistics Development Project (Noda-shi, Chiba), (tentative name) Toranomon Development Project (Minato-ku, Tokyo), (tentative name) Hulic Fukuoka Building Reconstruction Project (Chuo-ku, Fukuoka), (tentative name) Sendagaya Center Building Reconstruction Project (Shibuya-ku, Tokyo) and (tentative name) Sapporo Reconstruction Project II (Chuo-ku, Sapporo-shi), etc. are proceeded as planned.

In PPP (Public Private Partnership) business, (tentative name) Kinshicho Development Project (Sumida-ku, Tokyo), etc. are

proceeded as planned.

In real estate for sale, properties including D project Shin-Misato (Misato-shi, Saitama), Meguro Techno Building (Shinagawa-ku, Tokyo), etc. were acquired. Sotetsu Fresa Inn Osaka Namba (Naniwa-ku, Osaka), Hulic Shibuya Miyashita Park Building (Shibuya-ku, Tokyo), Hulic Kyobashi East Building (Chuo-ku, Tokyo), D project Shin-Misato (Misato-shi, Saitama), Hewlett Packard Japan, G.K. Headquarter Building (Koto-ku, Tokyo), DSB Group Shiomi Building (Koto-ku, Tokyo), Sendai First Tower (Aoba-ku, Sendai-shi) (Land, equity share) and Meguro Techno Building (Shinagawa-ku, Tokyo), Hulic Kojimachi Building (Chiyoda-ku, Tokyo) (partial interest), Aristage Kyodo (Setagaya-ku, Tokyo) (partial interest), Hulic Kobe Building (Kobe-shi, Chuo-ku) (partial interest), Kojimachi 1-chome Building (Chiyoda-ku, Tokyo), Akasaka Star Gate Plaza (Minato-ku, Tokyo), Hulic Jinbocho Ekimae Building (Chiyoda-ku, Tokyo) etc. were sold.

As described above, the segment operations progressed as planned because rent income from real estate increased due to the completion of properties and acquisition of properties in FY2020 and FY2021. In addition, sales of real estate increased compared with FY2020. As a result, revenue from operations FY2021 totaled JPY426,711 million (up JPY111,892 million or 35.5% year on year), while operating income was JPY131,245 million (up JPY15,870 million or 13.7% year on year).

Insurance Agency

Hulic Insurance Service Co., Ltd., one of the Company's consolidated subsidiaries, serves as an insurance agency for the majority of 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 JPY3,159 million (up JPY193 million or 6.5% year on year) and operating income was JPY792 million (up JPY125 million, or 18.7% year on year).

Hotels / Ryokans

In Hotels / Ryokans Business, Hulic Hotel Management Co., Ltd.,

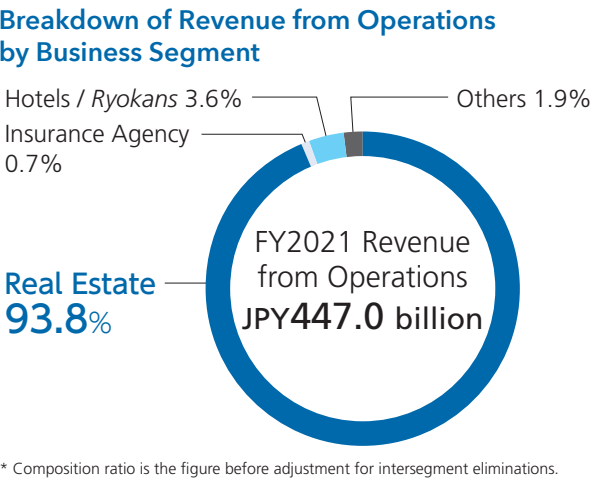
one of the Company's consolidated subsidiaries, manages "THE GATE HOTEL" brand hotel series, Hulic Fufu Co., Ltd., one of the Company's consolidated subsidiaries, manages "FUFU" ryokan series and NIPPON VIEW HOTEL Co., Ltd., one of the Company's consolidated subsidiaries, manages "View Hotel" brand hotel series. In FY2021, revenue of Hotels / Ryokans segment went down as a result of the temporary closures of some facilities in response to the spread of infection of COVID-19, dropped operating rates and restaurant and banquet hall cancellations, despite the measures taken for cost reduction, such as restructuring of the segment operation, etc.

As a result, revenue from operations was JPY16,665 million (down JPY1,007 million or 5.7 % year on year) and operating loss was JPY7,995 million (JPY7,492 million previous period).

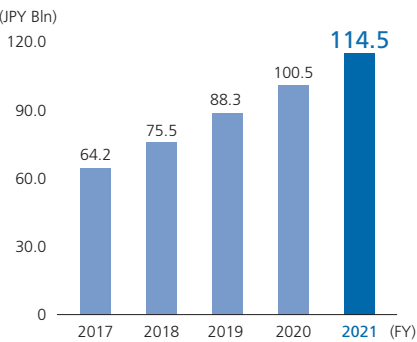
Others

Hulic Build Co., Ltd., one of the Company's consolidated subsidiaries, regularly takes orders of repair constructions from the Company's existing properties, constructions of refurbishment at the end of lease contracts and interior fit-outs at the beginning of lease contracts.

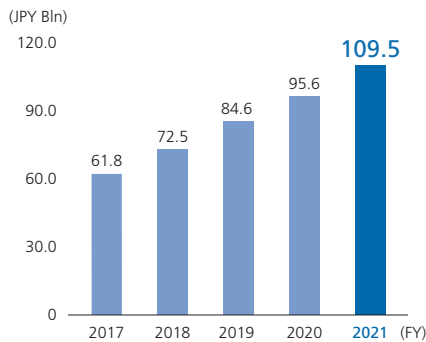
As a result, revenue from operations was JPY8,496 million (down JPY1,718 million or 16.8 % year on year) and operating income was JPY809 million (down JPY347 million or 30.0 % year on year).



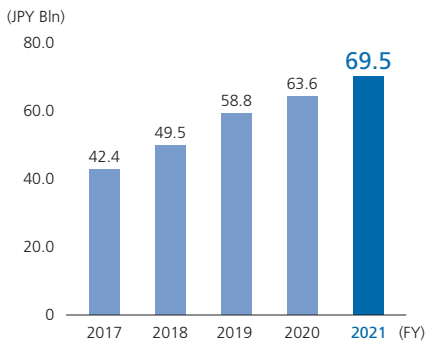
Operating Income



Ordinary Income



Profit Attributable to Owners of Parent



Financial Position

Assets

Total assets as of December 31, 2021 was JPY2,207,325 million, up JPY187,988 million from December 31, 2020. 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 business and value-added business more robust. In addition, to maintain and improve the long-term revenues of Hulic Reit, Inc. & Hulic Private Reit and realize steady growth of its assets under management, the Group strives to provide support and backup as a sponsor.

- Cash and deposits — Up JPY111,154 million (Financing by the way of public offering, etc.)
- Real estate for sale — Down JPY26,192 million (Transfer from non-current assets, Acquisition and sales of properties)
- Buildings and structures — Down JPY15,320 million (Acquisition of properties, Completion of reconstructing building, Transfer to current assets.)
- Land — Up JPY24,094 million (Acquisition of properties and Transfer to current assets)
- Leasehold rights — Up JPY87,504 million (Acquisition of investment securities, sales and increase in unrealized gains on marketable securities, etc.)

Liabilities

Total liabilities as of December 31, 2021 was JPY1,568,993 million, up JPY38,699 million from December 31, 2020. This was mainly attributable to financing carried out for capital investment and the like.

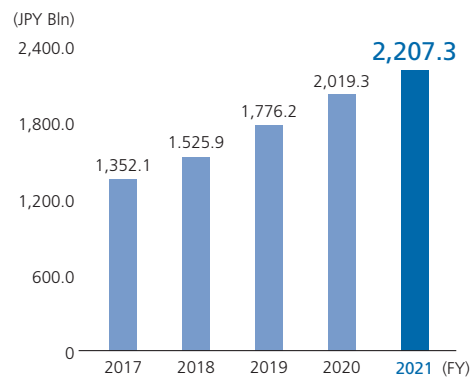
The balance of borrowings was JPY1,049,487 million, which included JPY11,805 million non-recourse borrowings owed by consolidated special purpose companies (SPC). Financing from banking facilities is operated stably at low cost thanks to the credit strength of the Group's high earnings level.

Net Assets

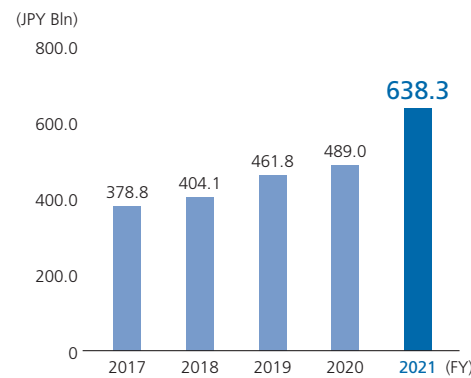
Total net assets as of December 31, 2021 were JPY638,332 million, up JPY149,289 million from December 31, 2020. Total shareholders' equity was JPY599,256 million, up JPY142,264 million from the end of FY2020. This was mainly attributable to increases in capital stock (common stock) and additional paid-in capital as a result of the capital increase by way of public offering and the capital increase by way of third-party allotment, and 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 JPY38,542 million, up JPY9,046 million from December 31, 2020. This was mainly due to an increase in net unrealized holding gains on securities as a result of an increase of JPY11,789 million in unrealized gain on marketable securities.

Total Assets



Net Assets



Cash Flows

In FY2021, cash and cash equivalents (hereinafter "cash") was increased by JPY291,736 million through operating activities, decreased by JPY286,943 million through investing activities, increased by JPY106,588 million through financing activities, and, as a result, amounted to JPY206,086 million at the end of FY2021.

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 JPY291,736 million (JPY89,431 million year on year). This was mainly attributable to JPY105,662 million in profit before income taxes with the main factors of rent income from real estate and the sale of real estate for sale, JPY15,939 million in depreciation and amortization, and JPY206,353 million decrease in real estate for sale.

Cash flows from investing activities

Net cash used in investing activities was JPY286,943 million (JPY56,194 million year on year). 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 development and value-added business.

Cash flows from financing activities

Net cash provided by financing activities was JPY106,588 million (decreased JPY80,799 million year on year). This was mainly attributable to financing for reconstruction development projects and the acquisition of new properties, although the cash dividend 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)	
	FY2020	FY2021
Rental properties and investment		
Amount on consolidated balance sheets		
Balance at beginning of year	1,278,697	1,373,736
Increase/decrease during year	95,038	2,545
Balance at the end of year	1,373,736	1,376,282
Fair value at the end of year	1,691,038	1,699,390
Real estate including portions used as rental properties and investment		
Amount on consolidated balance sheets		
Balance at beginning of year	89,072	133,973
Increase/decrease during year	44,900	(2,151)
Balance at the end of year	133,973	131,821
Fair value at the end of year	169,688	173,323

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 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). The key increase/decrease during FY2021 was the increase due to real estate acquisitions (JPY199,392 million) and the decrease due to transfer to real estate for sale (JPY184,165 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)	
	FY2020	FY2021
Rental properties and investment		
Rental revenue	70,623	68,483
Rental cost	30,082	27,811
Difference	40,541	40,672
Other profit (loss)	(1,134)	(113)
Real estate including portions used as rental properties and investment		
Rental revenue	4,966	5,437
Rental cost	5,130	5,680
Difference	(163)	(242)
Other profit (loss)	(565)	(332)

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 FY2020 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 FY2021, 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		2011	2012	2013	2014	2015	2016	2017	2018* ¹	2019	2020	2021
Fiscal Year	Revenue from operations (JPY million)	74,738	94,319	108,444	212,791	169,956	215,780	289,618	287,513	357,272	339,645	447,077
	[Revenue from operations for each segment]** ²											
	Real estate business (JPY million)	68,096	84,346	95,726	199,910	137,544	182,883	258,597	256,322	332,564	311,695	422,340
	Insurance agency business (JPY million)	2,388	2,417	2,631	2,886	3,260	3,191	3,479	4,056	2,989	2,966	3,159
	Hotels / Ryokans (JPY million)	—	—	—	—	—	—	—	—	16,402	17,653	16,349
	Staffing business (JPY million)	—	—	—	—	19,094	19,023	18,620	17,955	—	—	—
	Others (JPY million)	4,253	7,555	10,087	9,994	10,057	10,681	8,921	9,178	5,315	7,330	5,229
	Operating income (JPY million)	19,841	22,571	29,114	36,032	42,002	53,377	64,249	75,564	88,353	100,596	114,507
	[Operating income for each segment]											
	Real estate business (JPY million)	21,623	25,116	31,448	38,519	44,185	57,353	69,208	81,065	95,711	115,374	131,245
	Insurance agency business (JPY million)	490	449	631	747	987	898	1,077	1,596	619	667	792
	Hotels / Ryokans (JPY million)	—	—	—	—	—	—	—	—	(0)	(7,492)	(7,995)
	Staffing business (JPY million)	—	—	—	—	515	353	335	360	—	—	—
	Others (JPY million)	399	499	655	696	822	911	790	356	597	1,157	809
	Elimination or corporate (JPY million)	(2,671)	(3,494)	(3,620)	(3,929)	(4,507)	(6,140)	(7,162)	(7,814)	(8,574)	(9,110)	(10,344)
	Ordinary income (JPY million)	16,896	20,033	25,983	34,314	42,534	51,432	61,870	72,530	84,645	95,627	109,581
	Profit attributable to owners of parent (JPY million)	9,336	11,487	15,970	22,352	33,628	34,897	42,402	49,515	58,805	63,619	69,564
	Capital expenditure (JPY million)	20,887	141,380	66,802	92,396	288,720	107,140	198,260	256,037	381,623	327,144	212,917
	Depreciation and amortization (JPY million)	5,576	5,855	6,873	7,411	8,929	11,299	11,736	11,942	14,172	15,866	15,939
End of the Fiscal Year	Total assets (JPY million)	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	2,207,325
	Current assets (JPY million)	22,758	76,967	123,371	86,188	160,261	128,007	164,913	187,404	183,941	248,290	328,931
	Real estate for sale (JPY million)	7,193	52,691	90,116	37,124	86,587	63,510	111,458	143,901	116,967	135,970	109,777
	Non-current assets (JPY million)	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	1,876,031
	Interest-bearing debts (JPY million)* ³	310,324	416,608	462,028	473,297	658,213	665,375	826,697	975,145	1,146,079	1,360,188	1,394,487
	Net assets (JPY million)	104,356	149,895	177,280	205,421	317,045	341,087	378,855	404,135	461,856	489,043	638,332
	Equity (JPY million)	103,085	148,622	176,007	202,337	312,937	336,903	375,405	400,738	459,093	486,487	637,799
Information per Share	Net income per share (EPS) (yen)	54.65	22.31	27.01	37.72	52.75	53.00	64.38	75.18	88.93	95.23	101.09
	Net assets per share (BPS) (yen)	603.49	251.74	297.24	341.40	474.90	511.68	570.02	608.49	687.01	728.31	836.89
	Dividends per share (yen)	11.00	—* ⁴	6.50	10.50	15.50	17.00	21.00	25.50	31.50	36.00	39.00
Cash Flow Information	Cash flows from operating activities (JPY million)	20,459	8,472	11,114	84,123	36,272	108,407	45,724	130,973	231,180	202,304	291,736
	Cash flows from investing activities (JPY million)	(23,667)	(30,554)	(49,548)	(83,815)	(284,580)	(111,018)	(189,088)	(258,127)	(358,334)	(343,137)	(286,943)
	Cash flows from financing activities (JPY million)	7,511	20,854	42,841	4,192	257,934	(5,715)	148,483	131,010	141,523	187,388	106,588
Major Indicators	Equity ratio (%) * ⁵	21.6	23.2	24.4	26.1	28.6	29.7	27.7	31.1* ⁶	30.0* ⁶	32.7* ⁶	36.8* ⁶
	Return on equity (ROE) (%) * ⁷	9.3	9.1	9.8	11.8	13.0	10.7	11.9	12.7	13.6	13.4	12.3
	Return on assets (ROA) (%) * ⁸	3.6	3.5	3.8	4.5	4.5	4.6	4.9	5.0	5.1	5.0	5.1
	EBITDA (JPY million) * ⁹	26,493	30,092	37,809	44,870	54,678	66,403	77,785	89,462	105,454	119,250	135,270
	Debt to EBITDA ratio (times) * ¹⁰	11.7	13.8	12.2	10.5	12.0	10.0	10.6	10.0* ⁶	10.1* ⁶	9.9* ⁶	9.0* ⁶
	Net debt to equity ratio (times) * ¹¹	3.0	2.8	2.8	2.6	2.2	2.1	2.3	1.9* ⁶	2.0* ⁶	1.7* ⁶	1.3* ⁶
	Dividend payout ratio (%)	20.1	—* ⁴	24.0	27.8	29.3	32.0	32.6	33.9	35.4	37.8	38.5
	Number of issued shares (including treasury stock) (share)	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	767,907,735
	Employees (consolidated) (people)	375	429	461	753	784	836	862	936	1,878	1,934	1,496
	Employees (non-consolidated) (people)	106	129	125	116	128	149	156	166	181	184	189

Former Hulic

New Hulic


 Merger with Shoei Co., Ltd.*⁴

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

*¹ The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, dated February 16, 2018) from FY2019. The figures for FY2018 were adjusted retrospectively to reflect the aforementioned changes.*² Revenue from operations of each segment omitted inter-segment revenue from operations and the balance of book-entry transfers.*³ Excluded lease liabilities*⁴ The merger that occurred on July 1, 2012 was a "reverse acquisition" under the accounting treatment for business combination, which means the former Shoei Co., Ltd. being the acquiring company and the former Hulic Co., Ltd. being the acquired company. Due to that effect, dividends per share and 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.*⁵ Equity ratio = Equity / Total assets*⁶ 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 and after FY2020.

*⁷ Return on equity (ROE) (%) = Profit attributable to owners of parent / Equity (average balance)*⁸ Return on assets (ROA) (%) = Ordinary income / Total assets (average balance)*⁹ EBITDA = Ordinary Income - Equity in earnings / losses of unconsolidated subsidiaries and affiliates + Interest expenses + Depreciation and amortization*¹⁰ Debt to EBITDA ratio (DEBT/EBITDA) = Interest-bearing debts / EBITDA*¹¹ Net debt to equity ratio = Net interest-bearing debts (Interest-bearing debts - Cash and deposits)/Shareholders' equity

Consolidated Financial Statements

Consolidated Balance Sheets

	(JPY million)	
	FY2020	FY2021
Assets		
Current assets		
Cash and deposits	95,051	206,206
Notes and operating accounts receivable	4,645	4,876
Merchandise	19	20
Real estate for sale	135,970	109,777
Advance payments - construction in progress	393	581
Supplies	316	321
Operational investment securities	2,587	-
Other current assets	9,310	7,381
Allowance for doubtful accounts	(4)	(232)
Total current assets	248,290	328,931
Non-current assets		
Tangible non-current assets		
Buildings and structures	335,115	304,136
Depreciation	(86,119)	(70,460)
Buildings and structures (Net amount)	248,996	233,675
Machinery, equipment and materials handling equipment	5,069	7,668
Depreciation	(1,871)	(2,043)
Machinery, equipment and materials handling equipment (Net amount)	3,198	5,624
Land	1,242,764	1,266,859
Construction in progress	13,182	9,630
Other tangible non-current assets	14,702	15,200
Depreciation	(2,360)	(3,524)
Other tangible non-current assets (Net amount)	12,341	11,676
Total tangible non-current assets	1,520,482	1,527,466
Intangible non-current assets		
Goodwill	3,430	3,711
Leasehold rights	78,329	79,420
Other intangible non-current assets	1,063	1,559
Total intangible non-current assets	82,823	84,691
Investments and other assets		
Investment securities	138,043	225,547
Lease deposits	19,761	28,894
Deferred income taxes	890	951
Net defined benefit asset	128	326
Other investments and assets	6,747	8,168
Allowance for doubtful accounts	(15)	(14)
Total investments and other assets	165,555	263,873
Total non-current assets	1,768,862	1,876,031
Deferred assets		
Opening cost	39	30
Share issuance cost	1	626
Corporate bonds issuance cost	2,143	1,705
Total deferred assets	2,184	2,362
Total assets	2,019,336	2,207,325

	(JPY million)	
	FY2020	FY2021
Liabilities		
Current liabilities		
Short-term debt	1,040	660
Long-term debt payable within one year	43,796	71,500
Accounts payable	4,423	3,704
Income taxes payable	18,562	10,773
Cash in advance	7,959	6,720
Allowance for employees' bonus	343	352
Allowance for directors' and corporate auditors' bonus	325	351
Other current liabilities	11,023	12,988
Total current liabilities	87,474	107,052
Long-term liabilities		
Corporate bonds	345,000	345,000
Long-term debt	970,352	977,326
Deferred income taxes	27,972	40,499
Allowance for stock benefits	1,907	2,232
Net defined benefit liability	1,532	1,457
Deposits from tenants	82,612	82,573
Other long-term liabilities	13,442	12,852
Total long-term liabilities	1,442,819	1,461,940
Total liabilities	1,530,293	1,568,993
Net assets		
Shareholders' equity		
Common stock	62,718	111,609
Capital surplus	88,867	137,759
Retained earnings	308,012	352,351
Treasury stock	(2,607)	(2,464)
Total shareholders' equity	456,991	599,256
Accumulated other comprehensive income		
Unrealized holding gains on securities	29,630	38,401
Unrealized losses on hedging instruments	(14)	(54)
Retirement benefits liability adjustments	(119)	(195)
Total accumulated other comprehensive income	29,495	38,542
Non-controlling interests	2,555	533
Total net assets	489,043	638,332
Total liabilities and total net assets	2,019,336	2,207,325

Consolidated Statements of Income

	(JPY million)	
	FY2020	FY2021
Revenue from operations	339,645	447,077
Cost of revenue from operations	199,765	291,668
Gross operating profit	139,880	155,409
Selling, general and administrative expenses	39,283	40,902
Operating income	100,596	114,507
Non-operating income		
Interest income	17	9
Dividend income	2,443	2,559
Equity in income of affiliated companies	895	458
Other revenue - termination of lease contracts	647	1,552
Subsidies for employment adjustment, etc.	429	1,171
Other	498	787
Total non-operating income	4,932	6,539
Non-operating expenses		
Interest expenses	8,652	10,208
Other	1,248	1,256
Total non-operating expenses	9,901	11,464
Ordinary income	95,627	109,581
Extraordinary gains		
Gain on sales of non-current assets	564	-
Gain on sales of investment securities	392	278
Gain on investments in silent partnership	58	154
Forfeit revenue	245	-
Subsidies for employment adjustment, etc.	273	237
Proceeds from contribution for construction	199	84
Other	273	-
Total extraordinary gains	2,007	755
Extraordinary losses		
Loss on sales of non-current assets	2	-
Loss on disposal of non-current assets	1,683	1,260
Loss on reconstructions of buildings	1,084	767
Loss on sales of investment securities	985	23
Loss on COVID-19	1,556	2,082
Other	1,043	541
Total extraordinary losses	6,355	4,675
Income before income taxes and minority interests	91,280	105,662
Current income taxes	33,025	26,437
Deferred income taxes	(5,484)	8,766
Total current income taxes and deferred income taxes	27,540	35,204
Net income before minority interests	63,739	70,457
Profit attributable to non-controlling interests	120	893
Profit attributable to owners of parent	63,619	69,564

Consolidated Statements of Comprehensive Income

	(JPY million)	
	FY2020	FY2021
Net income before minority interests	63,739	70,457
Other comprehensive income		
Unrealized holding gains / losses on securities	(12,049)	8,361
Unrealized gains / losses on hedging instruments	8	(40)
Remeasurements of defined benefit plans, net of tax	(117)	310
Share of other comprehensive income of associates accounted for using equity method	(139)	415
Total other comprehensive income	(12,297)	9,046
Comprehensive income	51,442	79,504
(Breakdown)		
Comprehensive income attributable to owners of the parent	51,321	78,610
Comprehensive income attributable to minority interests	120	893

(JPY million)

(JPY million)

shareholders'

456,991

(JPY million)

FY2021

(Continuing to upper right)

Key Stock Information (as of December 31, 2021)

Number of Authorized Shares	1,800,000,000
Number of Shares Issued	767,907,735
Number of Shareholders	113,189

Major Shareholders (as of December 31, 2021)

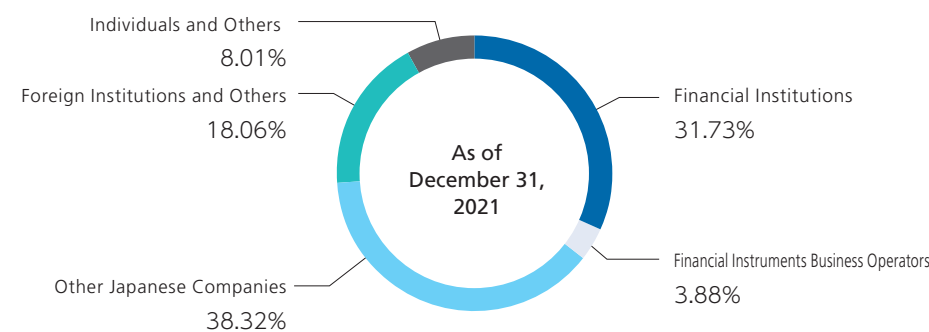
Name	Number of shares	Shareholding ratio (%) to the number of issued shares (excluding treasury shares)
The Master Trust Bank of Japan, Ltd. (Trustee account)	62,496,400	8.15
Meiji Yasuda Life Insurance Company	47,617,077	6.21
Sompo Japan Insurance Inc.	42,248,800	5.51
Tokyo Tatemono Co., Ltd.	40,749,033	5.31
Fuyo General Lease Co., Ltd.	40,695,306	5.30
Yasuda Real Estate Co., Ltd.	30,789,331	4.01
Oki Electric Industry Co., Ltd.	28,631,000	3.73
Yasuda Logistics Corporation	28,431,800	3.70
Mizuho Capital Co., Ltd.	25,533,900	3.33
Taisei Corporation	22,400,000	2.92

*1 Treasury shares excluded from the above issued shares do not include 2,154,400 shares held by Trust & Custody Services Bank, Ltd. (Trust E Unit) as trust assets of the Board Benefit Trust (BBT).

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

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

Composition of Shareholders



Stock Price (Tokyo Stock Exchange)

(yen)	December 2017	December 2018	December 2019	December 2020	December 2021
Stock price at the end of period	1,266	985	1,316	1,133	1,092
Stock price range in period (closing price basis)	1,006-1,307	936-1,404	844-1,339	905-1,372	1,071-1,403

Corporate Overview

Corporate Name	Hulic Co., Ltd.
Established	March 1957
Business Outline	Real estate holding, leasing, sales and brokerage
Common Stock	JPY111,609 million (as of December 31, 2021)
Business Year	From January 1 to December 31
Listing	Tokyo Stock Exchange, Prime Section (From April, 2022)
Securities Code	3003
Headquarters	7-3 Nihonbashi Odenmacho, Chuo-ku, Tokyo, Japan
Number of Employees	189 (Non-consolidated) / 1,496 (Consolidated) (as of December 31, 2021)



Hulic Head Office Building

Major Hulic Group companies (as of December 31, 2021)

Name	Address	Paid-in Capital (JPY million)	Major Business
Hulic Building Management Co., Ltd.	Chuo-ku, Tokyo	10	Property management, consulting of lease property management operations and management and operation of lease properties
Hulic Reit Management Co., Ltd.	Chuo-ku, Tokyo	200	Asset management operations through Hulic Reit, Inc.
Hulic Private Reit Management Co., Ltd.	Chuo-ku, Tokyo	100	Asset management operations through Hulic Private Reit, Inc. etc.
Hulic Property Solution Co., Ltd.	Chuo-ku, Tokyo	50	Planning, designing, assessment, order, supervision and consulting of construction works
Porte Kanazawa Co., Ltd.	Kanazawa-shi, Ishikawa	200	Property management of Porte Kanazawa
Hulic Insurance Service Co., Ltd.	Taito-ku, Tokyo	350	Insurance agency
Hulic Hotel Management Co., Ltd.	Chuo-ku, Tokyo	1,500	Hotel management and operations
NIPPON VIEW HOTEL CO., LTD.	Taito-ku, Tokyo	2,796	Hotel management, facility management
MOS CO., LTD.	Kanazawa-shi, Ishikawa	1,960	Hotel management
HULIC FUFU Co., Ltd.	Chuo-ku, Tokyo	1,500	Management and operation of <i>ryokans</i> (Japanese style luxury inn), consulting of <i>ryokan</i> management
Hulic Build Co., Ltd.	Chuo-ku, Tokyo*	90	Construction-related business, office business, real estate leasing business
HULIC Agri Co., Ltd.	Chuo-ku, Tokyo	100	Management and holding stock of an agricultural company in Vietnam
Hulic Advance Energy Co., Ltd.	Chuo-ku, Tokyo	200	Maintenance and management of power plants
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

*Address after relocation in April 2022

External Evaluations

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

FTSE4Good Index Series
FTSE Blossom Japan Index
FTSE Blossom Japan Sector Relative 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 (2021)
Received four stars in the Nikkei SDGs Management survey (2021)
2022 Certified Health & Productivity Management Outstanding Organization (Small and Medium-sized Enterprises Category)
New Energy Foundation Chairman's Award at the Fiscal Year 2021 New Energy Awards
Certified as Platinum Kurumin



**2021 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX** *2

**2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)** *2

*1 Disclaimer: FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Hulic Co., Ltd. has been independently assessed according to the FTSE Blossom Japan Index, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of Japanese companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

*2 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.

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.

Corporate Sustainability Office
Phone: +81-3-5623-8102

Third-party Assurance

With the aim of enhancing the credibility of our Integrated Report, a set of selected environmental and social performance indicators for FY2021 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.

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, 2021 to December 31, 2021 included in its Integrated Report 2022 (the “Report”) for the fiscal year ended December 31, 2021.

● Total energy consumption	● Water consumption
● Greenhouse gas emissions Scope 1	● Usage rate of paid leave
● Greenhouse gas emissions Scope 2	● Employment ratio of persons with disabilities
● Greenhouse gas emissions Scope 3	● Number of greening projects
● Waste disposal	● Percentage of employees who received medical checkups

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 and the Company's website.

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 headquarters 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 and the Company's website.

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.

Kazuhiko Saito, Partner, Representative Director
KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
June 10, 2022