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HULIC CO., LTD. Integrated Report 2023



Publication of Integrated Report 2023



Saburo
Nishiura

Chairman,
Representative Director

Takaya
Maeda

President,
Representative Director

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.

This report explains the Company's value creation process and how the strengths we have cultivated feed into increasing medium- to long-term corporate value as well as social value. It also outlines Medium-Term Management Plan (2023–2025) that got underway in 2023 and topics such as initiatives in the field of

sustainability (environment, social and governance) to support our growth.

This report references a range of materials to ensure that the editorial process and the content meet our standards. These reference materials include the International Integrated Reporting Framework recommended by the International Financial Reporting Standards (IFRS) Foundation and the Guidance for Collaborative Value Creation 2.0 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 2023 The Report explains our initiatives for the sustainable growth of the Hulic Group ("the Group") with financial and non-financial information.	
<ul style="list-style-type: none">Summary of Consolidated Financial Results, Investor PresentationsFACTBOOKIR Information https://www.hulic.co.jp/en/ir/	<ul style="list-style-type: none">Initiatives for Sustainability https://www.hulic.co.jp/en/sustainability/Sustainability BookNews 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 reviewed by the Board of Directors. This report also includes messages from executive officers that convey Hulic's management strategy. The Chairman and Representative Director provides a general overview of management strategy, the President and Representative Director explains fiscal year materials as well as the Medium-Term Management Plan, and the Executive Officer in Charge of Finance covers Hulic's financial strategy. Financial and sustainability related information which we were unable to present in the Report from space constraints are available on our website.

Reporting Boundary

Hulic Co., Ltd. and its Group companies

Reporting Period

Fiscal Year 2022 (from January 1, 2022 to December 31, 2022)

Information as of December 31, 2022 in principle unless otherwise noted.

Notwithstanding the foregoing, included some activities and information after January 1, 2023.

Time of Issuance

June 2023

Reference Guidelines

International Integrated Reporting Framework (IFRS Foundation)

Guidance for Collaborative Value Creation 2.0 (Ministry of Economy, Trade and Industry)

The Japanese Ministry of the Environment "The Environmental Reporting Guidelines (2018)"

GRI (Global Reporting Initiative) "The GRI Standards 2021"

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 35, Medium- and Long-Term Management Plan)

Non-financial Targets

(see details on page 32, 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

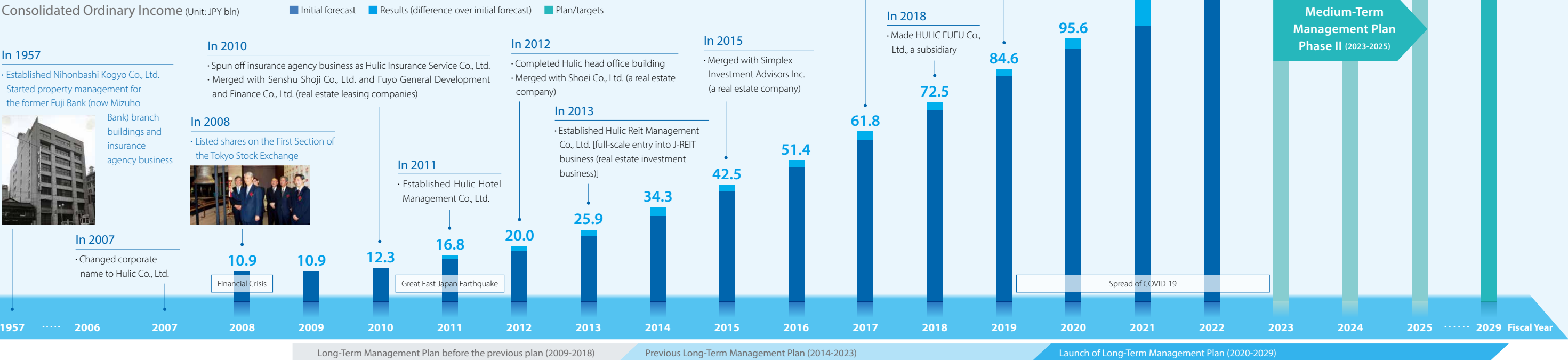
Management Infrastructure

- 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 (current Prime Section).
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"



Record of Business and Sustainability Initiatives

Building on the leasing business as a foundation, grew through M&As in addition to taking on property development/reconstruction and new businesses									
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	Established CSR Vision	Issued first CSR Report, and continued to publish reports until 2019				Issued first Integrated Report		
	Environment	Established a CSR Committee		Conducted three years of joint research with the Massachusetts Institute of Technology (MIT) on natural ventilation and natural lighting systems; patented Natural Lighting System in 2016			Established Sustainability Vision and a Sustainability Committee		
		Established the Hulic Guidelines for Longer Life Buildings as standard specifications for 100-year offices		Ranked first in the real estate/warehouse industry in the Environmental Management Survey conducted by Nikkei Inc. (ranked top every year until the survey ended in 2019)			Declared converting to 100% renewable energy sourced electricity for electricity consumption at all company-owned buildings by 2030		
	Society	Opened the Hulic Sugunami Office in the Ogikubo area of Sugunami ward, Tokyo, creating a conducive working environment for employees with disabilities		Established a Diversity Promotion Project Team (formerly the Women's Career Promotion Project Team)			Declared ensuring all company-owned buildings can withstand a seismic intensity of 7 level by 2029		
Corporate Governance	Organized a Risk Management Committee, a Fund ALM Committee, and a Compliance Committee		Appointed a female external director		Established Corporate Governance Guidelines, a Remuneration Committee and a Nominating Committee		Transitioned to a system where a non-executive director serves as chairperson of the Board of Directors		
					Introduced the Board Benefit Trust (BBT), a stock compensation system for directors, etc.		Started to take preventive measures against Mt. Fuji volcanic ash fallout		
							Appointed 2 additional external directors (Ratio of female among directors and auditors: 30%)		

Hulic’s Management Policy and Business Strategies

Management Policy

“Driving Innovation” and “Accelerating Progress”

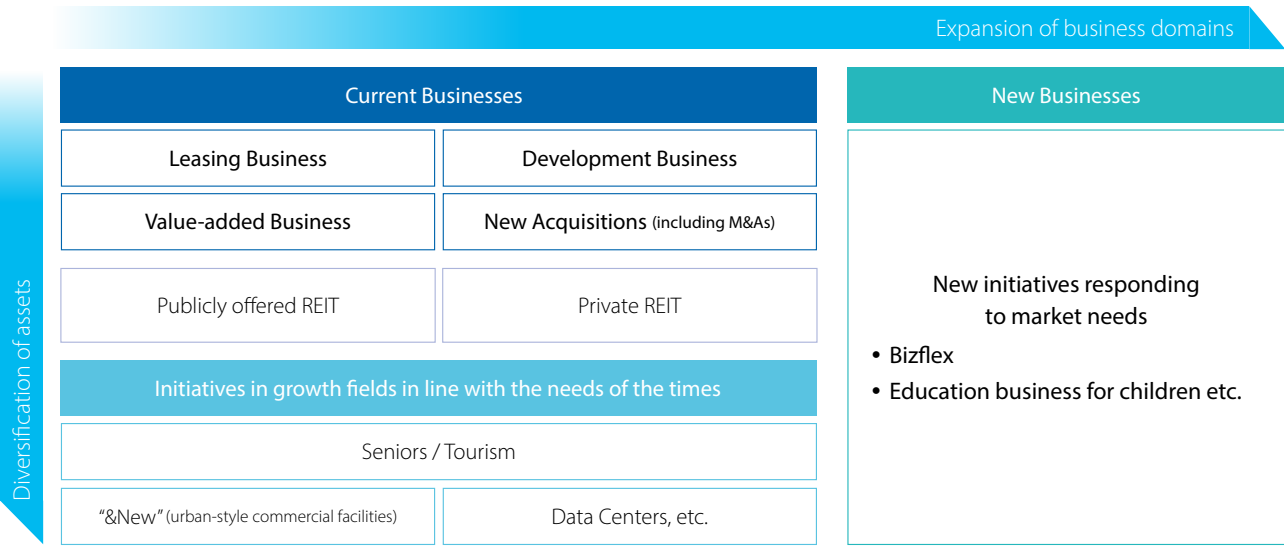
Balanced Management

Strike a balance between P/L Growth, B/S Soundness, Profitability, 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: 20.6%	B/S Soundness Credit rating: AA- (stable) Equity Ratio (December 31, 2022): 37.1%*
Profitability Maintained higher profitability than competitors Ordinary Income to Sales Ratio (FY2022): 23.5%	Productivity (Efficiency) Putting emphasis on income per employee and ROE ROE (FY2022): 11.9%

*50% (JPY175 Bln) of hybrid finance (JPY350 Bln) was calculated as nominal equity.

Business Strategies



Our Strengths

1

Stable revenue structure centered on leasing business

2

The majority of properties is in prime locations of central Tokyo and/or near stations

3

Selection and concentration strategy

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

Leasing Business

▶ P. 42-43

We are providing the real estate leasing business based on many rental properties we own, primarily in Tokyo 23 wards. We have approx. 260 properties (as of December 31, 2022) including disaster-resilient and highly safe offices, commercial facilities, hotels, nursing homes, and rental housing in convenient locations near stations. These form the core of our business model.



Development Business

▶ P. 44-46

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 promote development and redevelopment business drawing on the expertise built in the reconstruction of owned properties. Furthermore, we pursue opportunities in PPP business*1 and development of urban type data centers and logistics facilities.



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

Value-added Business

▶ P. 47

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 in the real estate market.



New and Other Businesses

▶ P. 48-51

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

- Senior citizen-related business**
As the aging of society proceeds, we anticipate that social demands for nursing and medical care will increase. Therefore, we are actively promoting the development of nursing homes, hospitals, and burial pavilions, as well as businesses to promote wellness and QOL of healthy and active seniors.
- Tourism-related business**
To capture demand for tourism, which is expected to increase over the medium- to long-term, Hulic operates own-brand hotels (THE GATE brand) and luxury 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.

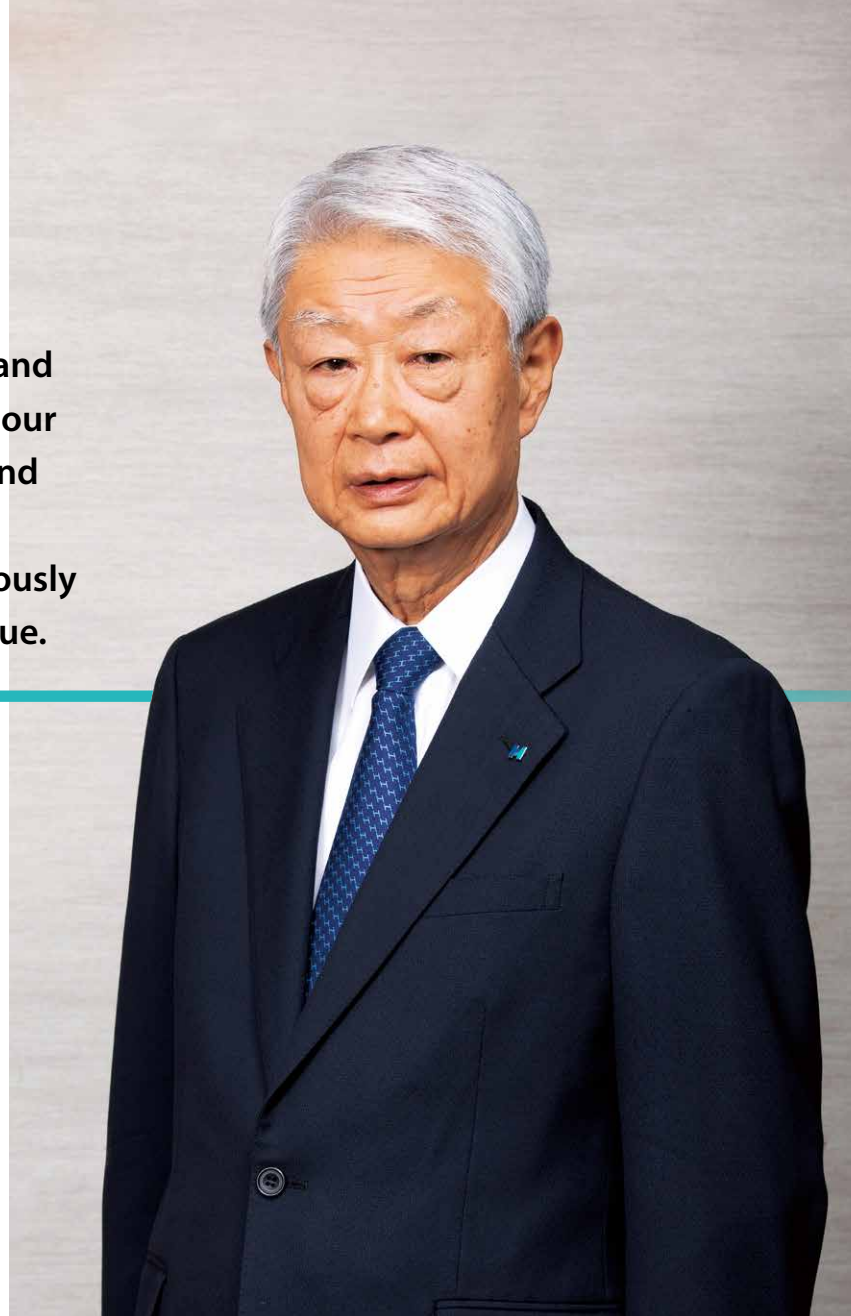


Message from the Chairman, Representative Director

With “driving innovation” and “accelerating progress” as our motto, we intend to respond flexibly to the changing environment and continuously improve our corporate value.

Saburo Nishiura

Chairman, Representative Director



Analysis of the Business Environment

In recent years, we have seen an exponential increase in risk factors, both in Japan and overseas. It feels as if many issues have surfaced at the same time, from Russia's invasion of Ukraine and the subsequent skyrocketing of energy prices, as well as food shortages and US–China tensions, friction between China and Taiwan, and North Korea's missile launches. The COVID-19 pandemic, material shortages and price hikes, and the inflation problem have only worsened the situation. Japan has also been exposed to several other risks, including the depreciation of the yen, concerns over a strong earthquake directly under Tokyo or in the Nankai Trough, the possibility of Mt. Fuji erupting, and the full-scale onset of population decline. There are also energy

supply concerns as many of the country's nuclear power reactors remain idle.

On the other hand, 2030 interim targets have been set for reducing greenhouse gas (GHG) emissions, a worldwide problem, and a consensus has been reached on the goal of achieving carbon neutrality by 2050. While it is essential for every company and individual to take action, I think the time has come for the government to take into account diverse opinions and make a decision on leveraging the nuclear power plants that meet the new safety standards.

Furthermore, it is more difficult to raise interest rates in Japan than in the United States and Europe, considering our fiscal and economic situation, and this could be

one cause of the yen's depreciation. Japan has issued many more government bonds to help fund COVID-19 countermeasures and deal with other unavoidable issues, such as an increase in social security costs due to an aging population and higher defense spending in response to actions being taken by China, North Korea, and Russia. Given these conditions, I believe it is important for the government to discuss a possible mix of policy solutions from the long-term perspective and to clarify the primary or optimum balance. As a private sector company, we must also do our best to respond to these issues.

The Year in Review

In the 17 years since I became president and the 15 years since our stock market listing, we have consistently achieved our goals of increasing profits and dividends—and FY2022 was no different. Consolidated revenue from operations increased by JPY76.3 billion year on year to JPY523.4 billion, operating income was up JPY11.6 billion to JPY126.1 billion, ordinary income was up JPY13.6 billion to JPY123.2 billion, and profit attributable to owners of parent rose by JPY9.5 billion to JPY79.1 billion. We achieved our key targets of JPY120 billion or more for ordinary income and a growth rate of over 10%, a level we have maintained since our listing.

Under the previous Medium-Term Management Plan that ran from 2020 to 2022, our tourism-related business segment posted a significant loss due to the impact of the COVID-19 pandemic. Although we intended to reduce fixed costs and boost our efficiency through structural changes, as well as reduce our headcount, sell certain properties, and by delaying the opening of the Asakusa View Hotel Annex Rokku, it was not possible to overcome the deficit caused by falling customer numbers. However, Japan removed the cap on the number of people entering the country, lifted the ban on short-term visa-free travel, and resumed entry for individual travelers since October 2022, bringing border travel regulations close to pre-pandemic levels. While I think it is unrealistic to expect the number of cases to reach zero, COVID-19 becomes to be treated in a similar way to influenza. For this reason, our goal is to return to profitability in this segment during 2023. According to a survey of travelers from overseas, Japan was voted the most desired post-COVID travel destination. Although the environment has been difficult, the number of inbound tourists is expected to increase from now on. With this in mind, we plan to open directly managed The Gate Hotels

in Yokohama, Fukuoka and Sapporo by 2025, and Osaka in 2026. Also, the Asakusa View Hotel Annex Rokku opened in 2023, following a delay. With the addition of Sapporo in the near future, our hotel network will be complete for major cities and tourist destinations from Asakusa, Ginza/Yurakucho, Ryogoku, and Maihama, to Kyoto, Osaka, and Fukuoka. Our FUFU *ryokans* (Japanese style luxury inns) maintained high occupancy rate, despite the pandemic. Two more FUFU *ryokans* will open in Karuizawa in 2023 followed by Jogashima and Ginza in 2025. This will bring the number of FUFU *ryokans* to 11 within 90 minutes' travel time of Tokyo and reach 13, including Kyoto and Nara. Although the past year has been tough, through ongoing development, I feel that we have laid a solid base for the tourism-related business segment to become one of Hulic's core operations.

Hulic is also working to ensure that all company-owned buildings can withstand an earthquake with a seismic intensity of 7 level on the Japanese scale by 2029. We plan to develop or renovate more than 100 properties during the period of the Medium- and Long-Term Management Plan (2020-2029). These measures are necessary to prepare for a potential major earthquake of this strength directly under the capital or in the Nankai Trough. Our general policy is to own Class A properties within a three minute walk of a train or subway station (500 tsubo* or less per floor). However, due to the risk of a major earthquake striking before 2029, we have invested in a special purpose company (SPC) that acquires real estate with excellent earthquake resistance, including the large-scale Otemachi PLACE and the Dentsu headquarters building. Our goal is to minimize the impact of a strong earthquake on our company. As a result, to date approximately 80% of company-owned properties are now capable of withstanding an earthquake with a seismic intensity of 7 level.

* One tsubo is approximately 3.3 m².

Response to Japan's Dwindling Population

Population decline in Japan has become an increasingly demanding issue, particularly as the number of working population is also dropping rapidly. When I assumed the presidency, more than 80% of our properties were offices, but over the past 17 years, this has decreased to around 50%. In addition, remote work has been on the rise due to COVID-19. Three years have passed since the outbreak of the pandemic, and while some are now saying that it is more productive to work in the office than at home, the

overall demand for office space is expected to decline over the medium to long term, with demand being concentrated in “good buildings.” A “good building” has a number of special features: close to a station for easy commuting; exceptional environmental performance with strong energy efficiency; a high degree of safety with the ability to safeguard lives during a major earthquake and still be usable post-disaster; and conformity with the UN's Sustainable Development Goals (SDGs), including the supply of renewable energy, for example. We plan to find ways to promote the appeal of these features in an easy-to-understand way for tenants. By doing this, I think that the significance of concepts such as carbon neutrality and earthquake resistance will become more widely understood in society. The additional costs required to create safe, secure buildings with top environmental performance like this must be offset by higher rents. Being close a train station usually means that the land value is higher. As well, incorporating features like reinforcing for earthquake-resistance and renewable energy systems can raise construction costs above those of a typical building. I believe that tenants will come to realize and accept higher rents when they consider the safety, security, and convenience for their employees.

Since becoming president, several risk-related events thought to occur only once a century have materialized, such as the Lehman Shock, the Great East Japan Earthquake, and COVID-19. Japan's working-age population will continue to decline, which is why Hulic

and all Group companies employ people aged 65 and older. Salaries are determined individually based on the position and the ability to carry out responsibilities, and many employees continue to work beyond age 60. To compensate for the decrease in the working population, it is important to also focus on boosting productivity. We look at ordinary income per employee as an indicator of productivity, and in FY2022, this figure was roughly JPY560 million on a non-consolidated basis, which I believe is one of the highest among Japanese companies. Hulic has around 200 employees, with close to an even split between those who joined as new graduates and those who joined mid-career. Our mid-career employees are experts in their respective fields, such as property development, buying and selling real estate, and leasing. Having professionals with qualifications like first-class architects, real estate appraisers, lawyers, and certified public accountants is a key factor behind our high productivity. Hulic's equity stands at JPY686.7 billion, which is less than major developers, so we have made minimal moves to overseas after considering the risks. Despite this, many of our employees have a TOEIC score of 900 or higher. Due to the high number of professionals on our staff, annual income per employee is around JPY19 million on a non-consolidated basis, an exceptionally high figure relative to other listed companies. Hulic hires professionals, regardless of age or gender. As a developer, we also strive to provide “good buildings” in prime locations to prevent a decline in tenant occupancy rates due to the decreasing population.

Management Approach

Since becoming president, my approach to management has focused on (1) ensuring our business survives and thrives, (2) placing importance on compliance and governance, (3) paying more taxes each year, (4) improving equity, (5) raising the level of sustainable management as much as possible for the benefit of society, customers, local communities, financial institutions, shareholders, and employees, and (6) maintaining a healthy balance sheet. Let me explain point (3) in more detail. As a manager, I believe that maintaining profits and paying more taxes every year is a primary way to contribute to society.

Without profits, we cannot provide customers with safety and peace of mind. To accurately be considered a good company, it is important to consider the many issues facing us at home and overseas, while working to increase profits, simultaneously address the SDGs, and make social contributions.

Balanced Management

To ensure sustainable profit growth, it is necessary to strike a balance between P/L growth, B/S soundness, profitability, and productivity (efficiency) at a high level.

(1) P/L Growth

It is thought that going forward only three or four companies can survive per industry. There are three major real estate developers in Japan, and over the past 15 years Hulic has been just below them when measured by ordinary income, market capitalization, and other factors. And without enough funds, it is difficult for developers to grow. That was one of the primary reasons we went public: to raise capital. Since our listing, we have conducted three public share offerings aimed at driving profit growth. As a result, net assets have risen from JPY48.3 billion when I took office to JPY687.1 billion, partly due to increased profit this fiscal year. I believe we have achieved our goal for going public.

(2) B/S Soundness

In 2022, our credit rating from JCR was upgraded to an AA rating of AA- (stable), on the back of our sound financial base and growth potential. Only four companies have received an AA rating in the industry—the top three comprehensive real estate developers and Hulic. Since going public, our credit rating has been upgraded every three years, from A- to A to A+. It took more than twice as long to reach AA, however. When I became president, we were only able to borrow funds by putting up collateral. We can now get unsecured loans. While credit ratings are one indicator of soundness, it is also important to maintain a healthy balance sheet, as I said earlier. Hulic does not have any bad assets. However, we must keep in mind that if this did happen, the situation should be handled without hesitation, despite the challenges.

I believe that safety refers to more than just financial base. Recently, the frequency of earthquakes with a seismic intensity of 3 to 5 has increased. Experts believe there is a 70 to 80% probability of a major earthquake striking Tokyo or in the Nankai Trough within 30 years. Therefore, we intend to make all company-owned properties resistant to an earthquake with a seismic intensity of 7 level on the Japanese scale by 2029. Under the earthquake resistance standards prescribed in the current Building Standards



Act, a building could be made unusable by an intensity 6 earthquake, even if it doesn't collapse and there is no loss of life. We thoroughly survey the ground and potential for liquefaction at all planned construction sites, and our buildings are designed with 1.25 to 1.5 times more seismic resistance than the level required in the act. If a building can endure an intensity 7 level earthquake, not only will lives be saved, but our customers can resume business as soon as the tremors stop. Mt. Fuji erupting is another disaster risk being talked about. Traditionally electrical equipment was installed underground, but now the majority of buildings have this equipment on the roof to mitigate the risk of a major flood. If Mt. Fuji did erupt, volcanic ash could enter the electrical system, and even if power is restored, the lighting, air conditioning, and heating systems might not be usable. Unlike earthquakes, scientists can predict the risk of a volcanic eruption, to some extent. If there are signs an eruption is imminent, specific actions, such as building closures, are taken in preparation for the worst-case scenario. Also, since some of our FUFU *ryokans* are located in Atami, Kawaguchiko, Hakone, and other places that are close to Mt. Fuji, we are minimizing the risk by taking out insurance and in other ways.

(3) Profitability

For low-margin businesses, even if they are currently

profitable, there is high risk of showing a loss if social conditions change or new competitors emerge. Maintaining an ordinary income ratio over 20% has been our goal and we have maintained this level.

Aside from rental condominiums—all of these are subleased—we do not deal with condominiums, detached housing, or other residential buildings. These types of projects require a large sales team and typically result in only relatively small transaction value per unit. The market is also very competitive and acquiring land for development can be challenging. In recent times, we have noted a significant rise in development projects near train stations in more rural areas due to surging land prices in Tokyo. Of course, this incurs additional costs for advertising and promotion. Against this backdrop, Hulic has a comparatively high profit margin, since we are the only developer, major or mid-sized, that does not have residential projects. I believe that making a decision about what not to do can be just as crucial as deciding what to do. Similarly, it is also true that we intentionally avoid projects with low profit margins. For instance, if we purchased a property for JPY10 billion and sold it for JPY10.1 billion, then the revenue would be JPY10.1 billion and the profit would be JPY100 million. Engaging in these types of transactions often results in lower profitability relative to

New Businesses

Let’s look at the fields we have been focusing on for the past seven years or so: senior citizen-related, tourism, the environment, as well as children’s education and other businesses that we started in the past two or three years.

Senior Citizen-related Business

The proportion of senior citizens is increasing, alongside Japan’s declining population and birthrate.

In cases where people are healthy and capable of taking care of themselves or receiving support from family members at home, a nursing home might not be required.

Taking into account Japan’s rapidly aging population and dwindling birthrate, however, it is predicted that the demand for nursing home care will remain fairly constant

the risks.

(4) Productivity (Efficiency)

As the population in Japan decreases, so does the number of working age people. While we have been successful in attracting outstanding talent with over 100 applicants per job opening, with an eye on the future we have also been cautious about businesses that require a lot of manpower. Further, while we still have a long way to go, we are striving to improve the work environment by using the digital transformation (DX) to reduce manual labor and create more time for creative thinking. For all meetings aside from Board meetings, attendees review documents beforehand to avoid wasting time on explanations and to encourage discussions. According to the government, companies with fewer than 300 employees are classified as small and medium-sized enterprises, and Hulic falls into this category. We recognize the possibility of inadvertently succumbing to the “big company syndrome” and consider this important to avoid.

We are always conscious of striking a balance between the above-mentioned four factors in order to generate profit. While balancing may sound too generic, I believe it is vital to maintain balance during times of rapid change.

over the next 35 years. Hulic currently has around 4,000 senior citizen facilities units, making us one of the top companies for rooms owned, not only in Japan but also in Southeast Asia. Our goal is to increase this number to 5,000 during the period of the new Medium-Term Management Plan (2023–2025). We do not handle the operation of these facilities, but instead entrust this to a leading operator in the nursing care industry. The declining population is expected to lead to further shortages of nursing care staff. As a result, it is crucial to clearly define the areas of care that require human assistance versus those that can be supported by AI, sensors, and other IoT technologies. Failure to do this could bring added difficulties for the nursing home business. To address this

issue, our Senior Business Development Department, a specialized division, invests in companies that leverage IoT and other technologies to streamline the work of caretakers in addition to providing senior citizen facilities. As part of our social contribution, we established the Hulic Grant-type Scholarship Program for Training of Welfare Caretakers at three vocational schools to support students pursuing a career as caretakers for the elderly. The program provides two years of financial aid to students, including international students, who are recommended by their school. The aid has no repayment obligations. Despite the efforts of nursing care companies to increase wages, the physically demanding nature of the job and the requirement for early morning and night shifts highlight the need for innovative solutions and social support.

Tourism-related Business

Prior to the COVID-19 pandemic, inbound tourism was on a steady rise. However, in the three years since the outbreak, this figure has plummeted to almost zero, with hotels and tourist facilities having to temporarily close or operate at a significantly reduced level when emergency declarations were issued. Many hotels lowered their prices, but this didn’t have the desired effect of bringing in more guests. Occupancy rates have rebounded since October 2022 when the government relaxed entry restrictions for overseas travelers and started providing subsidies for domestic travel. In particular, it is expected that many tourists from overseas will find travel more affordable due to the weaker yen, so the number of these visitors is expected to increase. To take advantage of this upward trend, as mentioned earlier, we are developing directly managed hotels, The Gate Hotels, in four locations: Yokohama, Fukuoka, Sapporo, and Osaka. While The Gate Hotel brand is designed primarily for accommodation, we are looking at boosting the brand recognition by increasing the presence in locations near tourist attractions, such as Tokyo Disneyland in Maihama as well as in other areas: Asakusa in Tokyo and near Sapporo’s Odori Park. In addition, The Gate Hotel Ryogoku, directly opposite the Kokugikan sumo arena, has been designated as the official hotel of the Japan Sumo Association. We have started offering tours at The Gate Hotels in Asakusa and Ryogoku that include seeing the morning sumo practice at the Naruto stable of the former wrestler, Kotooshu, my acquaintance, and enjoying

chanko-nabe, a hot pot dish popular with sumo wrestlers. At Asakusa View Hotel Annex Rokku, which opened in March 2023, we have started holding events that guests can enjoy in the evening because many shops in the area are closed at early time. I believe it is essential for latecomer companies like us to have distinctive features and strategies for all aspects of business operations.

Although our FUFU series of luxury *ryokans* that we operate may seem expensive, with rates ranging from JPY100,000 to JPY300,000 per room, many are located within 90 minutes of Tokyo, so travel costs can be kept to a minimum. We also plan to open a FUFU *ryokan* in Ginza in the future. While overseas tourists have been a relatively small percentage of our guests up to now at FUFU *ryokans*, we hope to introduce the unique features of Japanese *ryokans* to international visitors in Ginza and expand our customer base to include these visitors in other popular tourist destinations, such as Atami, Kawaguchiko, Nikko, Hakone, and Karuizawa.

Environmental Response

Originally, we looked into the feasibility of starting a renewable energy business to take advantage of the shift to green power in the buildings occupied by our Group companies. However, we came to the conclusion that it would be inappropriate to have a business strategy that focused on selling renewable energy while not making all the buildings we own and use carbon neutral. Therefore, we have decided to prioritize substantially achieving RE100 in 2023, converting to 100% renewable electricity in the buildings used by Hulic and our Group companies and aiming to do the same at all company-owned buildings by 2030. We will consider the possibility of pursuing a revenue-generating business strategy after we have accomplished these goals. We have also opted to become an electricity supplier by developing and owning our own solar and small hydroelectric plants for procuring renewable energy, rather than buying this from power companies. While owning power generation facilities would result in depreciation expenses and higher costs for us in the short term, we recognize the importance of creating new sources of renewable energy to help Japan achieve the goal of becoming carbon neutral. We have decided to develop and own power generation facilities ourselves because we believe that relying on power companies to purchase renewable energy only allows profitable companies to

move closer to carbon neutrality and that adding new sources of renewable energy is crucial for achieving carbon neutrality on a national level. Also, against a backdrop of rising energy prices, being able to generate our own power can contribute positively to Hulic's profits. Our initiatives for green energy have been recognized by the government, and we have received support (subsidies) from the Ministry of Economy, Trade and Industry. Since we own hotels, *ryokans*, and commercial properties that consume a lot of electricity at night, we are considering installing storage battery in addition to our current solar power systems and small hydroelectric plants. We will collaborate on research for carbon neutrality with Waseda University who has also declared achieving carbon neutrality by 2032.

From 2021 to 2022, I participated as a committee member in a project conducted by the Japan Economic Research Institute questioning Japan's readiness for achieving carbon neutrality. The committee concluded that it would not be possible to achieve carbon neutrality in Japan without nuclear power generation. The government has also indicated the intention to restart and build new nuclear power plants. While opinions are divided, I feel that it is time to discuss realistic ways for the country to achieve carbon neutrality, with a full understanding of safety as a precondition.

Children's Education Business

We have been striving to create new businesses in fields with growth potential and where there are real needs, such as those related to seniors, tourism, and the environment. However, starting in 2020, we decided to expand into children's education. Under our current Medium and Long-Term Management Plan (2020–2029), we intend to reduce our share of office properties to 50%, and we established the Business Creation Department that I am directly involved with to explore alternatives. One area we considered at the time was children's education. In Japan, the birthrate has been on a long-term decline, while the number of dual income households has been increasing. In Tokyo, it is thought that close to 30% of these households with children up to elementary school age earn an annual income of more than JPY10 million. Also, grandparents can give tax-free gifts of up to JPY15 million to their grandchildren and some local governments provide assistance for children's education and medical expenses. Some also provide support for school lunch fees. While the number of children on waiting lists for daycare centers, which used to be a major issue, is on the decline, there is a shortage of after-school programs for elementary school students. As mentioned earlier, financially stable families are increasingly opting to enroll their children in additional study or other extracurricular activities. What's more, we

have received feedback showing that managing transportation for multiple extracurricular activities can be challenging for families where both parents are working. Given this context, we decided to launch a business focused on children's education, as we see it as promising area. The following are some of our current initiatives. 1. We have invested in Riso Kyoiku Co., Ltd., which we believe will become a core company for us, and we are the largest shareholder, with a 20.3% stake, as of December 31, 2022. 2. In the sports field, we have formed a business partnership with Konami Sports Co., Ltd. 3. We are also constructing Kodomo Depart, places where children can study and engage in sports activities at the same location. Six

projects for these facilities have been unofficially confirmed, including PPP project in Shibuya 1-chome, Nakano, and Tama-Plaza. We are also looking into other areas with the goal of opening around 10 Kodomo Depart centers during the period of the new Medium-Term Management Plan. 4. In addition, we have purchased buildings with tenants that include learning centers in Nerima, Kawagoe, and other areas. While these businesses are small individually, our overall plan is to create a new business model that sets us apart from our competitors.

In addition, starting in March 2023, Professor Emeritus Akita, a renowned expert in early childhood and children's education from the University of Tokyo and Gakushuin University, has joined our company as an external director.

Other New Businesses

(1) Logistics and data centers

Recently, we have been focusing on developing logistics centers to meet rapidly growing demand and as an alternative strategy for us, since we are reducing the percentage of office space in our portfolio. We have already completed one center and are constructing or planning centers (depots) in 10 locations, including Noda, Kashiwa, and Sagami-hara. In the last few years, there has been increasing demand for modern logistics facilities in convenient urban areas. Many warehouses built about 50 years ago no longer meet the functional requirements of today's businesses and need to be reconstructed, so companies need to relocate their logistics facilities, and e-commerce has driven the need for more efficient and quicker deliveries. Hulic has purchased land near National Route 16 with a view to responding to these needs.

We also plan to build data centers that are not large but have the advantage of being close to central Tokyo. We have already secured three locations for construction.

(2) Bizflex medium-sized flexible offices

In recent years, with the increase in venture companies in Japan, demand has grown for offices that require less effort to establish or relocate to. We have decided to expand our chain of easy-to-rent and leave offices that can be used flexibly according to the circumstances and come furnished (if requested), that can be used immediately upon signing. These offices have the added benefits of not requiring the tenant to restore them to their original condition when leaving and utilities are included in the

rent. Bizflex offices have already been established in Azabu Juban and Roppongi, and are being developed in Yaesu, Hamamatsucho, Kanda, and other areas. Our aim is to complete around three Bizflex offices each year.

(3) Agribusiness

Hulic produces tomatoes in Hokuto City, Yamanashi Prefecture. Our agribusiness in this region is already profitable. Five or six years ago we started cultivating flowers in Dalat, Vietnam. When the COVID-19 pandemic hit, however, this business posted a loss. We returned to profitability in FY2022 after selling at major home centers. In addition, we are considering a proposal from a leading Japanese supermarket to collaborate on vegetable production and sales. In Vietnam, we intend to list our business on the stock market there as soon as possible. Moreover, in 2022, we invested in Sorauki LLC, a producer and seller of strawberries in Kagawa Prefecture, as this company has expanded operations into Himeji City, Hyogo Prefecture. We have set our sights on exporting strawberries in the future.

(4) Corporate venture capital

Hulic launched a corporate venture capital (CVC) business with the support of our major shareholder, Mizuho Capital Co., Ltd. We have been investing in venture companies for some time; several could go public soon. While these companies operate in similar domains to Hulic, CVC target businesses could include unrelated companies that have strong growth potential. Although it would be ideal for more companies to achieve growth and list on the stock market, experts suggest that this is not so easy. Personally, I hope that by fostering new businesses, Japan as a country can become more vibrant in the face of declining national power.

(5) Investment fund business

Although the previous business (4, above) focuses on adding value, our investment fund business focuses on exit strategies or the sale of the property. It is possible to increase assets as equity grows, but continued property acquisitions can lead to a deterioration of the equity ratio. Even though Hulic has obtained a credit rating of AA-, as mentioned earlier, there is still a risk of a potential downgrade. This business differs from real estate investment trusts (REITs) and private companies because the aim is



to adjust the asset portfolio by attracting customers who are willing to invest in prime urban locations despite slightly lower operating yields and by selling properties in these desirable areas. Hulic does not intend to sell all ownership of every property but rather only a portion of the ownership rights while maintaining control over the whole building.

In addition, we are considering several concrete proposals for new businesses in fields closely related to real estate. As previously mentioned, with the rapid acceleration in Japan's population decline, we are contemplating whether it is wise to focus solely on real estate. Of course, we are a developer first. However, I believe that only a few companies will survive in each industry. Just to clarify this

point, I mean that only a handful of companies will be able to effectively execute their strategies and thrive, not that the rest will necessarily fail. We changed our name to Hulic 16 years ago and were listed 15 years ago. Despite being a latecomer to the industry, we have now grown to a position just behind the “big three.” I believe it is entirely possible for us to achieve our target of JPY180 billion in ordinary income by 2029, set as the goal in the third Medium- and Long-Term Management Plan (2020–2029) that clarifies where Hulic should be in 10 years. Given the population decline, however, I question whether we should continue doing business solely in the same fields. I would like to use the remaining time in this plan to determine how we see Hulic thriving into the future.

Medium-Term Management Plan

Previous Medium-Term Management Plan (Phase I 2020–2022)

The previous Medium-Term Management Plan ended in 2022. Although our tourism business incurred a loss of around JPY20 billion over the three-year period due to COVID-19, we were able to absorb this with ordinary income of JPY123.2 billion, which exceeded our target of JPY110 billion for FY2022 by JPY13.2 billion. During these past three years, we achieved growth of over JPY10 billion and a growth rate of over 10%, as in previous years. We also continued our trend of raising dividends since our listing, with an increase of JPY10.5 over the three years from JPY31.5 in FY2019 to JPY42.0 in FY2022. JCR upgraded our credit rating to an AA rating. We have also maintained an ordinary income ratio of at least 20%, with ordinary income per employee of JPY560 million on a non-consolidated basis. All four pillars considered crucial for management—P/L growth, B/S soundness, profitability, and productivity (efficiency)—are heading in the right direction.

As part of our ESG initiatives, we have invested approximately JPY8 billion annually in renewable energy power plants and equipment to address environmental concerns that are highly important to society. Initially, we only owned solar power equipment, but since operating

two small hydroelectric plants, we have been steadily expanding the development of renewable energy facilities to achieve our goal of converting to 100% renewable energy sourced electricity for electricity consumption at all company-owned buildings by 2030. We are also making progress in line with our plans, although we are taking one step at a time, in our new businesses: children's education, Bizflex, and logistics centers.

These initiatives demonstrate that we successfully executed the strategies of the previous medium-term management plan.

New Medium-Term Management Plan (Phase II 2023–2025)

In 2023, we set in motion Phase II of the Medium- and Long-Term Management Plan (our third plan, outlining where we want to be in 10 years). We are a small- to medium-sized company with just over 200 employees, but we aspire to become one of the leading companies in Japan. Although the definition of a leading company can vary, we have defined it based on the opinions of several experts from securities companies, financial institutions, and others.

Indicator			Hulic (as of December 31, 2022)
Profitability	Ordinary income of JPY100 Bln or more		JPY123.2 Bln
B/S Soundness	Credit rating AA		AA- (stable)
Market evaluation	Market cap. JPY1 Trn or more		JPY798.6 Bln
Capital efficiency	ROE 10% or more		11.9%
SDGs	Nikkei SDGs Management Survey	4 stars or more	4 stars

Only around 30 companies (excluding financial institutions) have cleared all the targets shown above. With a market capitalization of around JPY800 billion, we are still short of our goal for market valuation. We recognize the importance of increasing our stock value over the medium to long term and are committed to pursuing growth in net assets per share and net income per share. We aim to continue improving our performance and maximizing value for our shareholders. Since we remain dedicated to driving growth, we believe it is more appropriate to deliver stable shareholder returns through dividends than to buy back our own shares, which could cause fluctuations in our net assets.

We will continue striving to meet the following goals of our new medium-term management plan.

- (1) Consistently increase profits and dividends, as we have done since our listing
- (2) Achieve RE100 and expand our solar and small hydroelectric plants to transition to 100% renewable energy for all company-owned buildings by 2030.
- (3) Increase the number of female officers
 - As of April 1, 2023, Hulic's female officer positions included three directors, two auditors, two managing officers, and one other executive position. Our goal has been achieved to increase the percentage of female board members (directors and auditors) to 30%.
- (4) Ensure seismic resistance to withstand

an earthquake with a seismic intensity of 7 level at all company-owned buildings

- (5) Prepare a BCP (business continuity plan) for a potential eruption of Mt. Fuji
- (6) Expand new businesses
 - Develop logistics and data centers at the rate of one to three a year
 - Aim to develop 10 Kodomo Depart locations during the period of the new Medium-Term Management Plan
 - Add three Bizflex locations a year
- (7) Achieve 5,000 nursing home units as soon as possible
- (8) Expand Hulic brand hotels, including developing The Gate Hotels in Sapporo, Yokohama, Osaka, and Fukuoka
- (9) Develop new luxury FUFU ryokans (two in Karuizawa as well as in Jogashima and Ginza)
- (10) Develop more social contribution activities

In addition to forming new funds and REITs, we are considering establishing businesses that could become pillars of our operations aside from real estate, given Japan's declining population. As a small- to medium-sized company with under 300 employees, we are conscious of not falling victim to “big company syndrome” as we grow. Hulic will continue to conduct business with honesty and integrity, maintain an enthusiastic sense of ownership, and stay half a step ahead of the competition. As one of Hulic's executives, I remain committed to an approach that personifies our motto of “driving innovation” and “accelerating progress.”



Message from the President, Representative Director

Looking Back on 2022

I was appointed president at the end of March 2022.

Looking back over the last year, it has been a difficult period where it felt as if anything could happen at any time.

Prior to the start of 2022, while not expecting COVID-19 to completely disappear, many people were hoping for a gradual return to normal life.

The world changed dramatically, however, with Russia's invasion of Ukraine in February. Economic sanctions imposed on Russia cut grain and resources exported from that country and global prices soared. This drove up food and energy prices sharply, impacting many countries worldwide.

At the same time, we continued to face the lingering effects of the pandemic. China's zero-COVID policy saw strict curbs on movements that affected the production and distribution of many goods.

Looking at the results for the year, we achieved over 10% annual growth and set new record highs for each profit indicator. Operating income grew by JPY11.6 billion, or 10.1% year on year, to JPY126.1 billion, and ordinary income was up by JPY13.6 billion, or 12.4%, to JPY123.2 billion. This shows that we far exceeded our ordinary income target set in the previous Medium-Term Management Plan of JPY110 billion in 2022, the final year of the plan.

As for a breakdown of results, conditions remained challenging for our tourism-related business segment. Although I initially wanted to reduce the deficit to zero in this segment, the spread of the Omicron variant caused a major delay in the recovery, leading to an operating loss of approximately JPY5 billion. Nonetheless, performance has surged since mid-October when the government relaxed border controls and introduced domestic travel subsidies, with segment results almost reaching pre-pandemic levels in the fourth quarter.

It was a year of significant change in our mainstay real estate business as well.

Several high-profile projects took shape in the first half of 2022. We were selected to take part in the joint redevelopment of the Ginza Core Building, appointed to promote the scheduled urban redevelopment project in the Shibuya 1-chome area as part of a public-private partnership, and released a redevelopment plan of the Hulic Ginza Building with a luxury FUFU *ryokan*. Steady progress was also being made in the redevelopment of the area in front of Jiyugaoka Station as well as the Yaesu 2-chome Naka-chiku and Miyamasuzaka districts. We intend to develop or reconstruct more than 100 properties by 2029, with 84 of these now confirmed.

In addition, we have invested JPY570 billion in property acquisitions, including investments for developments. Despite the continued strong investment demand from overseas in Japan's real estate market—lured by the weak yen—we were able to acquire properties in our focus areas in the first half of 2022 through different initiatives to secure corporate real estate (CRE) as well as mutual sales and transactions. Our extensive network and speedy actions, I believe, enabled us to respond swiftly to changes in the environment. We steadily increased our property portfolio as a result, with total tangible non-current assets increasing by JPY116.9 billion to JPY1,644.4 billion.

Hulic also made progress in new businesses during the year. Development is underway for logistics centers in Noda and Kashiwa, while plans have been set for others in Hashimoto, Noda (second project), and Misato. Concrete plans have also been made for the development of data centers; one is in place in the Kobunacho Kinen-Kaikan Building and one in Shiohama 2-chome. In our children's education business segment, we strengthened ties with Riso Kyoiku Co., Ltd., and pushed ahead with plans for five projects as well as a public-private partnership (PPP) for Kodomo Depart in Shibuya 1-chome.

Hulic shifted from the First Section to the Prime Market of the Tokyo Stock Exchange (TSE), following the reorganization of the TSE in April 2022. At the same time, we bolstered governance by appointing a non-executive director as chairperson of the Board of Directors.

In May, our credit rating was raised from A+ (positive) to AA- (stable). The higher credit rating was a major advantage for raising funds, and in October, we were able to acquire JPY76 billion for hybrid bonds at a relatively good interest rate despite difficult issuing conditions, with a portion of the refinancing provided ahead of schedule. As a result, we maintained a good level of financial discipline as the debt-to-equity ratio was 1.3 times and the Debt/EBITDA ratio was 8.5 times.

Turning to the environment, we pushed ahead with the development of non-FIT (feed-in tariff) solar power equipment and as of the end of 2022 had 41 locations with this equipment, yielding 50 MW capacity. We also have had our near-term (by 2030) emissions reduction targets approved by the Science Based Target initiative (SBTi) and have begun initiatives for Scope3 upstream (design companies and general contractors) as well as downstream, for tenants.

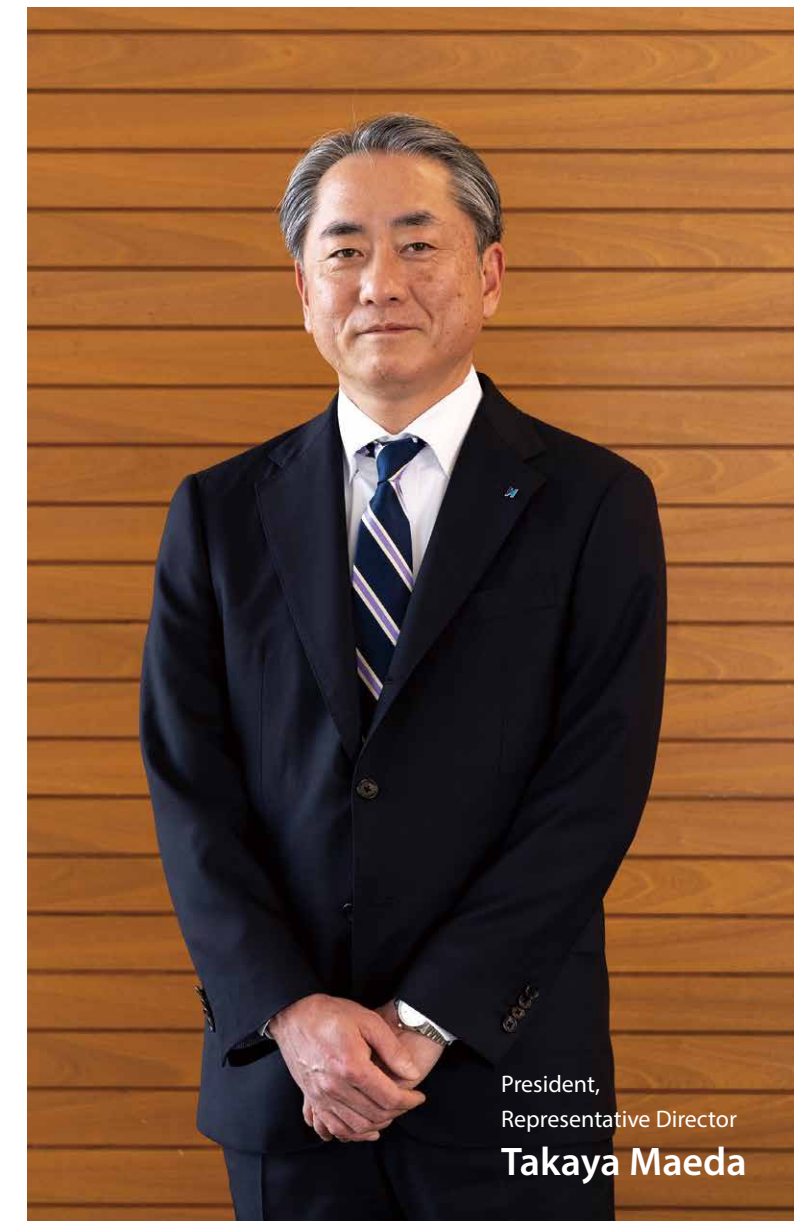
It has been an eventful year overall. We have tried to remain half a step ahead of time and to move quickly, which has enabled us to respond effectively to unforeseen circumstances and to take on new challenges.

New Medium-Term Management Plan

Hulic's new Medium-Term Management Plan refers to the second phase of our Long-Term Plan. This is an important phase for achieving the goals of our Long-Term Plan and for

creating the foundation for growth beyond 2030.

One of our quantitative targets is to reach JPY150 billion in ordinary income in 2025, the final year of the new Medium-Term Management Plan. We are looking to drive growth of JPY9 billion annually over the three-year period of the plan. Our long-term goal is to reach JPY180 billion for this indicator in 2029, although we could achieve this ahead of schedule if we meet our JPY150 billion target in 2025.



President,
Representative Director
Takaya Maeda

Basic Policy and Strategy

First, the basic policy of our Long-Term Plan (2020-2029) is to strike a balance between P/L growth, B/S soundness, profitability, and productivity (efficiency) at a high level as well as achieve more growth through a dynamic transformation backed by overwhelmingly speedy decision-making.

Based on the above, the basic policy of our new Medium-Term Management Plan is to create a high-quality leasing portfolio that addresses changing circumstances and continues to improve our sustainable management while maintaining a strong credit rating. Hulic believes that the importance of maintaining an AA rating is a key factor in procuring funds in an uncertain financial environment.



(1) Build a high-quality leasing portfolio and maintain / strengthen a flexible earnings structure

During the period of the new Medium-Term Management Plan, we will complete the restructuring of our portfolio, something that we began during the previous plan, by selling properties that did not meet our strict earthquake-resistance standards. We aim to make sure that all company-owned buildings, except those scheduled for reconstruction, can withstand an earthquake with a seismic intensity of 7 level by the end of 2025.

In addition, we plan to bring the percentage of office assets in the total real estate portfolio down to 50% in response to Japan's declining population. For this reason, we are developing nursing homes, hotels and *ryokans* (Japanese style luxury inns), as well as logistics and data

centers. We also understand the necessity of continuing to rebalance our property portfolio to meet changes in the environment. That means we will replace a certain number of properties in order to build a competitive leasing portfolio without overstretching our balance sheet.

Hulic has managed to maintain a high level of growth throughout the COVID-19 pandemic. We were able to achieve profit growth even though our tourism-related business segment record a loss. This was made possible by our flexible earnings structure that allows us to make up for shortcomings in one segment with strong performances in other business segments.

Hulic's business primarily consists of revenue from leasing and capital gains from the sale of real estate. Over the three years of the new Medium-Term Management Plan, we intend to keep the ratio of these two indicators at 50:50 in principal, however, flexibly control the ratio when navigating the environment.

While steadily increasing revenue from leasing, we will record capital gains by realizing profits from developments. Using this strategy, we aim to effectively control our balance sheet and maintain high capital efficiency with a return on equity (ROE) of more than 10%.

(2) Enhance the pipeline for developments, reconstruction, and value-added (VA) properties —Diversify exit strategies to maintain profitability

Hulic aims to complete the development and reconstruction of over 100 properties by 2029. This requires confirming of 100 properties by the end of 2025.

In addition, 26 properties, excluding *ryokans* and nursing homes, are scheduled for completion during the three years of the new Medium-Term Management Plan. Since this number exceeds the 16 properties completed during the previous Medium-Term Management Plan, we can expect to see a contribution to earnings in the not-too-distant future. In particular, we plan to complete four properties in Ginza and three in Shibuya—two of our focus areas—and four Bizflex offices, as well as five logistics centers and one data center, as part of new business initiatives.

Under the new Medium-Term Management Plan, we will diversify our exit strategies as we accelerate the completion of development properties. Hulic will retain possession of a number of these properties to accumulate leasing revenue, while some will be sold to affiliated real estate investment trusts (REITs) in order to realize latent gains. Through these operations, we intend to control our balance sheets.

Hulic launched a public REIT in 2013 and a private

REIT in 2017. As of the end of 2022, total assets under management (AUM) of our REITs reached approximately JPY540 billion. We are planning to launch a new core fund and a logistics REIT (fund) to safeguard development profits in an uncertain market environment.

Properties completed in prime locations in central Tokyo, such as Ginza, will be placed in the new core fund solely for premium properties. By doing this, we believe we can receive funds from investors who not only look at the yield but also understand the value of the properties before investing.

We intend to launch a new logistics REIT (fund) because the asset value of our logistics centers is expected to reach around JPY40 billion by the end of 2024, based on a clear policy of having centers that are next to National Route 16.

Using this strategy, we intend to establish a structure for realizing development profits with minimal impact from the market while effectively controlling our balance sheet and growing our asset management business by increasing AUM across the Group.

(3) Diversify revenue sources by enhancing initiatives in new business areas

Hulic has been at the industry forefront for business development in tourism, seniors, and the environment. In our tourism-related business segment, some of our directly managed The Gate Hotels are scheduled to open in Fukuoka, Yokohama, and Sapporo during the period of the new Medium-Term Management Plan. We also plan to open luxury *ryokans* under the FUFU brand in Karuizawa (two locations), Jogashima, and Ginza.

In addition, we anticipate building more nursing home rooms during the new Medium-Term Management Plan to complement the 4,000 units we already have, for a total of 5,000 rooms.

Elsewhere, we are bolstering our Bizflex business of medium-sized flexible offices as well as our children's

education business segment. We have also allocated approximately JPY50 billion for strategic investments to drive growth under the new Medium-Term Management Plan. While seeking to grow our real estate and other existing businesses, we also aim to create a sustainable foundation for growth 10 to 20 years into the future by planting seeds in new business areas that address social issues, even if they are slightly apart from our mainstay property domain. As we venture into areas where our expertise or human resources could be lacking, we will look to cover gaps through mergers, acquisitions, and alliances.

(4) Ensure financial soundness and thorough risk management to maintain a strong credit rating

Hulic will continue to aim for high-level growth going forward and we need to conduct operations in a way that maintains our AA credit rating. To achieve this goal, we have set the quantitative targets of a Debt/EBITDA ratio of 12 times or less and a net debt-to-equity ratio of three times or less.

Europe and the United States have aggressively raised interest rates since 2022. Also, the Bank of Japan announced at the end of last year that it would widen the trading band in its yield curve control program. We understand the importance of maintaining our credit rating in order to ensure stable funding, amid forecast changes in the financial environment.

Net assets increased by approximately JPY200 billion over the three-year period of the previous management plan, coming to JPY687.1 billion. We also increased capital by close to JPY100 billion in 2021 and successfully improved our financial soundness by steadily boosting profits and building up equity.

Turning to risk management, experts have warned that the chances of a strong earthquake striking directly under Tokyo or in the Nankai Trough within the next 30 years could be as high as 70%. 100 years have passed since the Great Kanto Earthquake. Hulic is taking a proactive

approach by preparing for a similar disaster through renovations and in other ways, set to be completed in 2029. We will continue to strengthen our business continuity plan (BCP), which includes intangible elements, based on the premise that a strong earthquake could hit at any time.

(5) Raise the level of sustainability management, including the promotion of environmental initiatives and human capital development, etc

For environmental protection, Hulic is making steady progress with the development of non-FIT solar power equipment, and we expect to achieve RE100, which requires sourcing 100% of our electricity from renewable sources, in 2023, one year ahead of schedule. We are also advancing toward our 2030 goal of converting to 100% renewable energy sourced electricity for electricity consumption at all company-owned buildings. While these initiatives, including those for wooden buildings, are costly, we believe that they will translate into profits and become necessary in the long run, especially with rising energy prices. We also see them as a way to improve our portfolio's competitive advantages.

Hulic is also focusing on the development of human capital as part of our sustainable management. Currently, close to half of our employees are hired when they were new graduates. We have established a comfortable work environment that includes a support program for obtaining qualifications, an inhouse training program, a childcare and nursing care leave system, as well as introducing onsite daycare centers and providing company dormitories free of charge for unmarried employees. Our target is to create an environment where employees can constantly challenge themselves with new projects and to provide tasks that are motivating and fulfilling. As well, we strive to support the career development of every employee.

FY2023 Initiatives

2023 is the first year of our new Medium-Term

Management Plan. We will strive to achieve our ordinary income target of JPY132 billion and take on new challenges using a wide-ranging view of the business environment, although uncertainties such as COVID-19, the conflict in Ukraine, and an unstable financial environment remain.

During the year, we will see the completion of 11 properties currently under development—two in Ginza, two in Shibuya, three Bizflex projects, two logistic centers, and others—that will begin to make significant contributions to profits. Further, we will establish a new core fund during the year and work to realize development profits.

To increase our investment in new properties, we will diversify our investment methods, which will include equity investment and mezzanine investment in special purpose companies (SPCs). For new businesses, we intend to be profitable in the tourism-related segment, continue to promote Bizflex and the children's education segment, and establish the foundation for new business opportunities.

2023 is set to be a year with significant changes for governance and diversity. Two external directors were appointed at the General Meeting of Shareholders held in March, resulting in a board ratio of six internal to six external directors and five executive to seven non-executive directors. This has further strengthened our corporate governance.

Also, since the two new external director positions and two auditor positions have been filled by women, the percentage of females on the Board of Directors and Audit & Supervisory Board has now reached 30%.



A Message to Stakeholders

Hulic formulated a new Medium-Term Management Plan that runs from 2023 to 2025. We remain dedicated to driving a high level of growth and will devise strategies to achieve this, with the goal of increasing corporate value over the medium and long term. We will also take a sincere approach to tackling environmental issues and other social challenges.

In addition, we will continue to deliver shareholder returns through dividends as we aim to increase dividends by improving profits based on a policy of providing a consolidated dividend payout ratio of 40% or higher.

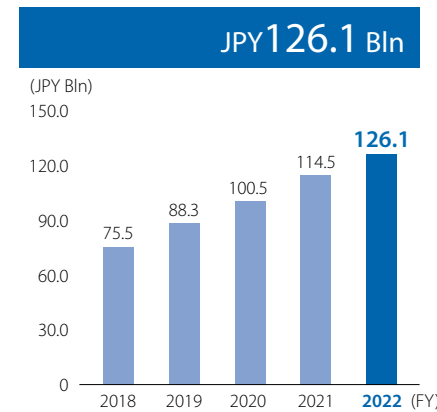
We are committed to responding flexibly to changes in the environment by “driving innovation” and “accelerating progress”. Our overall goal is to be a “good company” and an “exciting company” for all stakeholders.

Financial and Non-financial Highlights

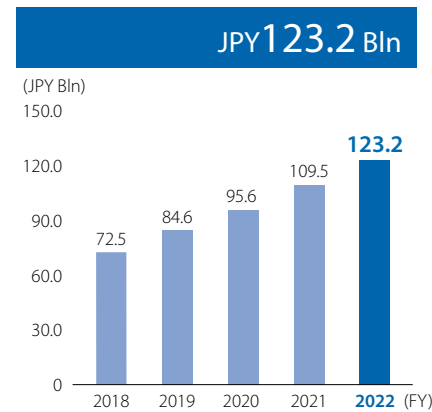
Hulic is implementing initiatives that its corporate growth will also produce solutions to social issues. In other words, the Company is pursuing to create shared value through ESG-conscious business operations.

Major Financial Information (consolidated basis unless otherwise indicated)

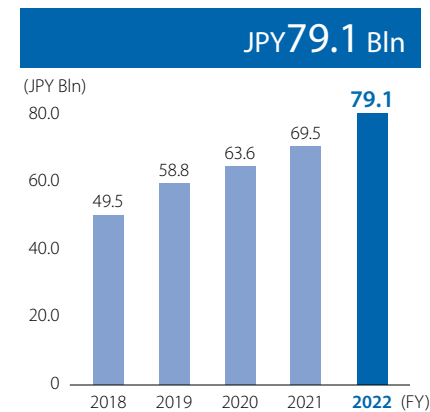
Operating Income



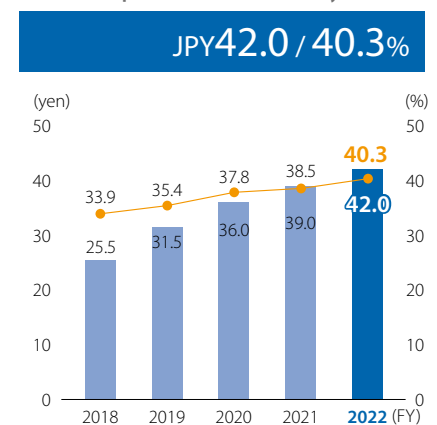
Ordinary Income



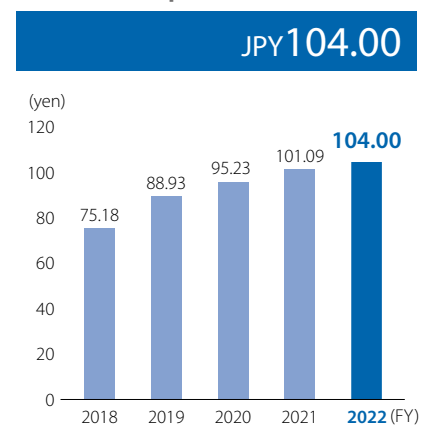
Profit Attributable to Owners of Parent



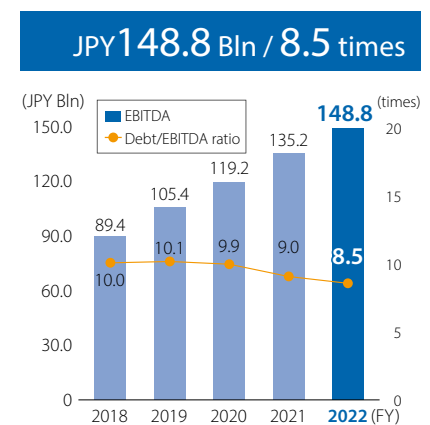
Dividends per Share, Dividend Payout Ratio



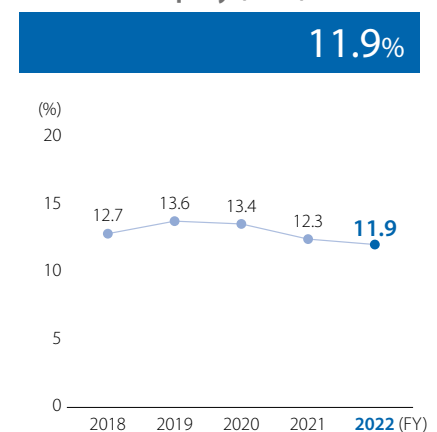
Net Income per Share



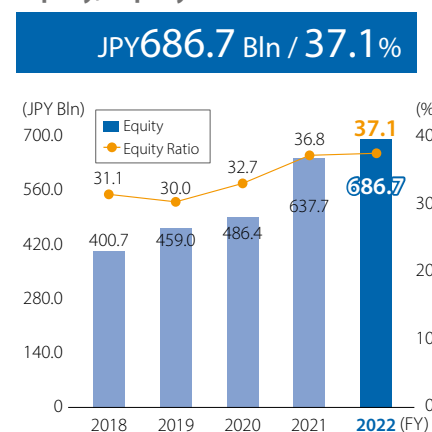
EBITDA*1, Debt/EBITDA Ratio*2*3



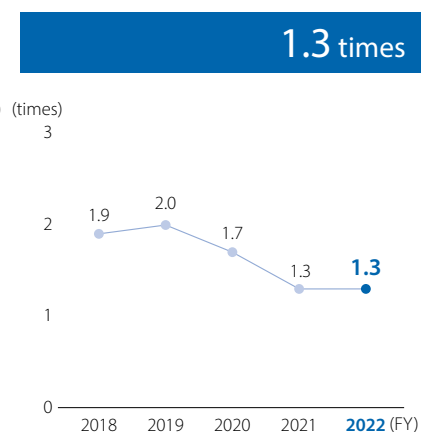
Return on Equity (ROE)*4



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/EBITDA Ratio = Interest-bearing debts/EBITDA

*3 In 2018 and 2019, 50% (JPY75 Bln) of hybrid finance (JPY150 Bln) was calculated as nominal equity. Similarly, 50% (JPY175 Bln) of hybrid finance (JPY350 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

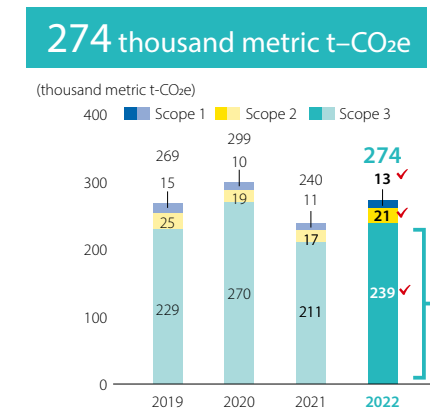
* Financial information; please see page 35 for targets and page 84-89 for analysis of results.

* Non-financial information; please see page 32-33 regarding targets, coverages and calculation methods, and pages 54-83 for other results and major initiatives.

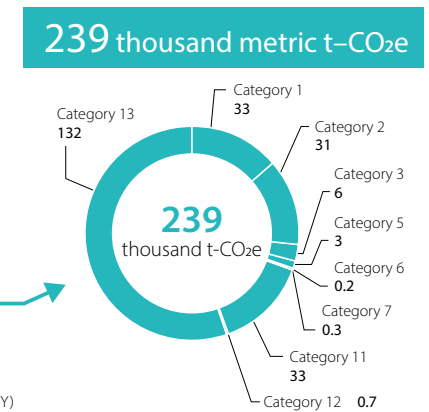
Major Non-Financial Information

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

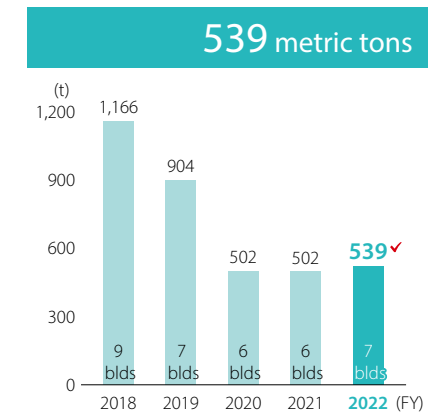
Greenhouse Gas Emissions*1



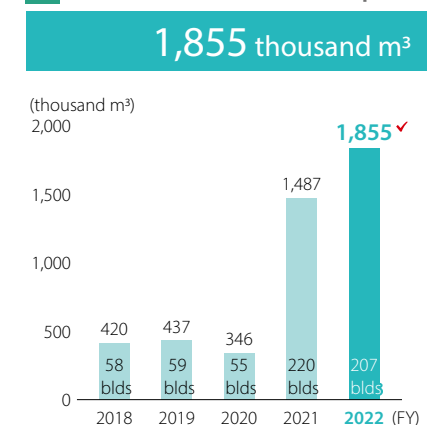
Greenhouse Gas Emissions Scope 3



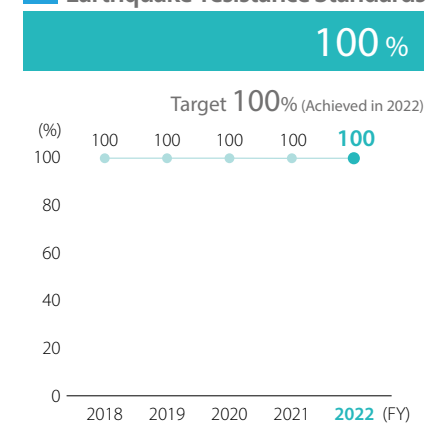
Waste Disposal*2



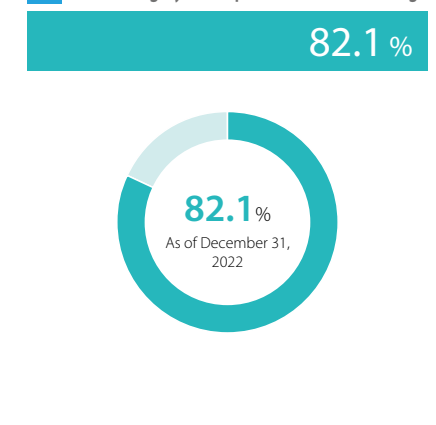
Water Intake (Water Consumption)*3



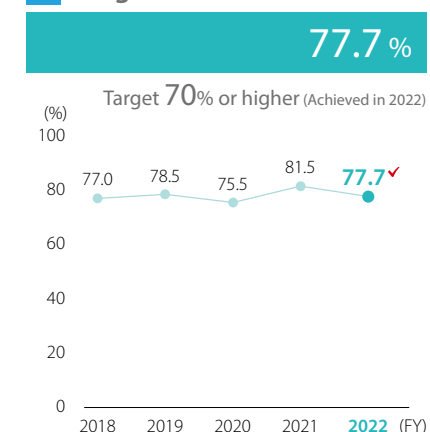
% Properties Meeting Hulic's Earthquake-resistance Standards*4



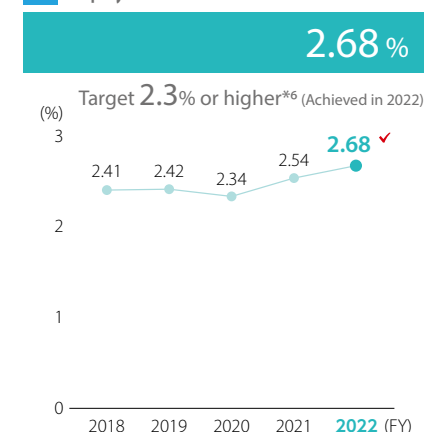
Ratio of Highly Earthquake-resistant Buildings*5



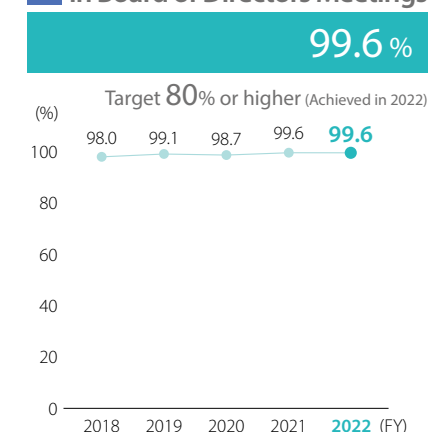
Usage Rate of Paid Leave



Employment Ratio of Persons with Disabilities



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, we are calculating greenhouse gas emissions based on the GHG Protocol. Calculations for Scope 1 and 2 are based on the properties where the Hulic Group has control of energy management (30 properties in FY2019, 36 properties in FY2020, 41 properties in FY2021, and 44 properties in FY2022). In addition, properties held at the end of term are subject to the calculation (Properties acquired during the reporting year for the period from the acquisition date to the end of the term are included). 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. The boundary and calculation method for Scope 3 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, Hulic's fixed assets are covered, excluding properties under development and land for lease (220 properties in FY2021, 207 properties in FY2022). 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 level.

*5 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 level.

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

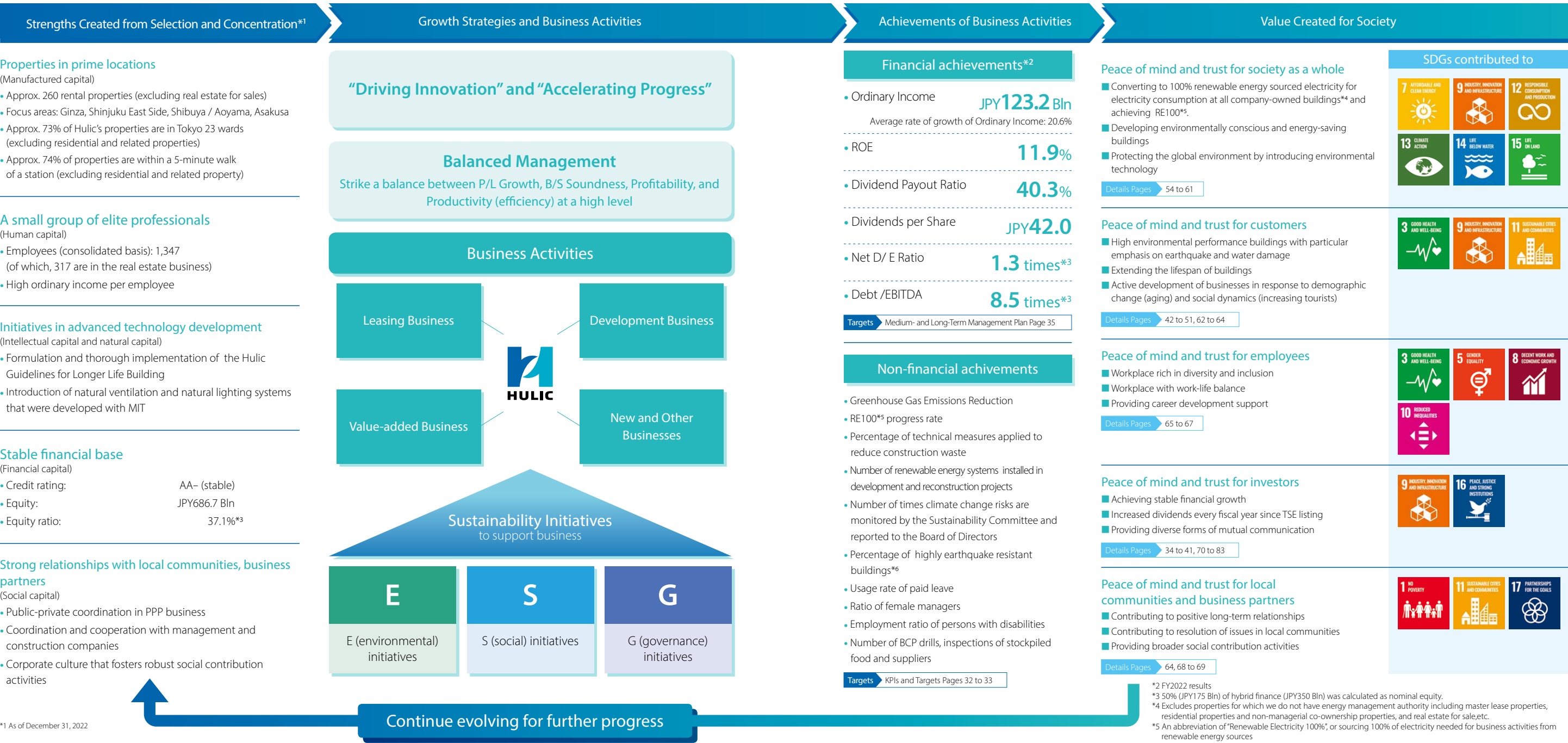


Hulic Group's Value Creation Process

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 <ul style="list-style-type: none">Actions for climate changeEfficient use of resourcesPromotion of the ecosystem protection and restorationEnhancement of environmental management system	S Social issues <ul style="list-style-type: none">Provision of safe and secure buildingsProvision of healthy and comfortable lifestylesCoexistence with business partners / local communitiesResponse to aging societyResponse to increasing number of touristsStriking a work-life balance and advancement of talent developmentAdvancement of diversity and inclusion and respect for human rightsPracticing sustainable agriculture	G Corporate governance-related issues <ul style="list-style-type: none">Corporate governance and complianceResponse to changes in financial and real estate marketsBusiness continuity plans (BCPs)
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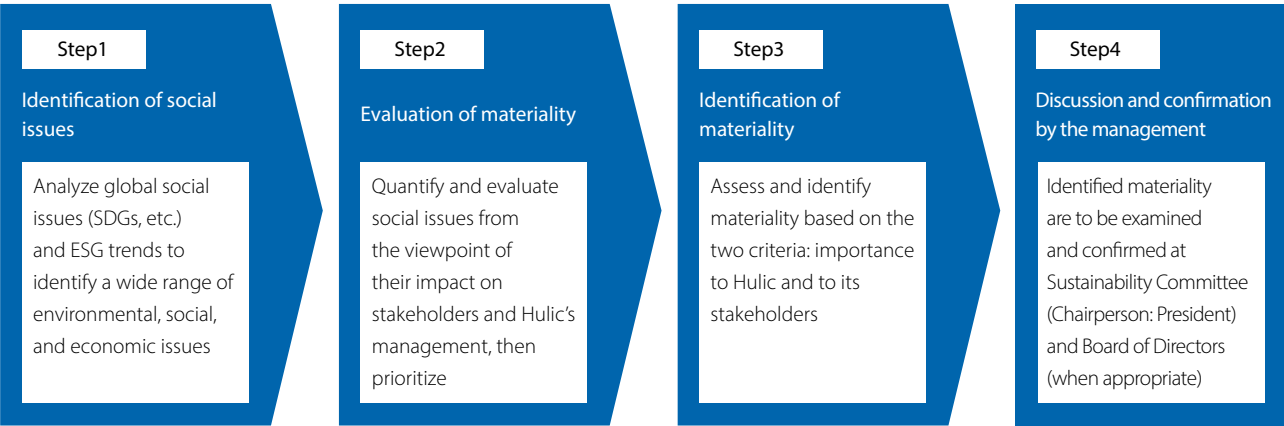


Materiality Assessment

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.

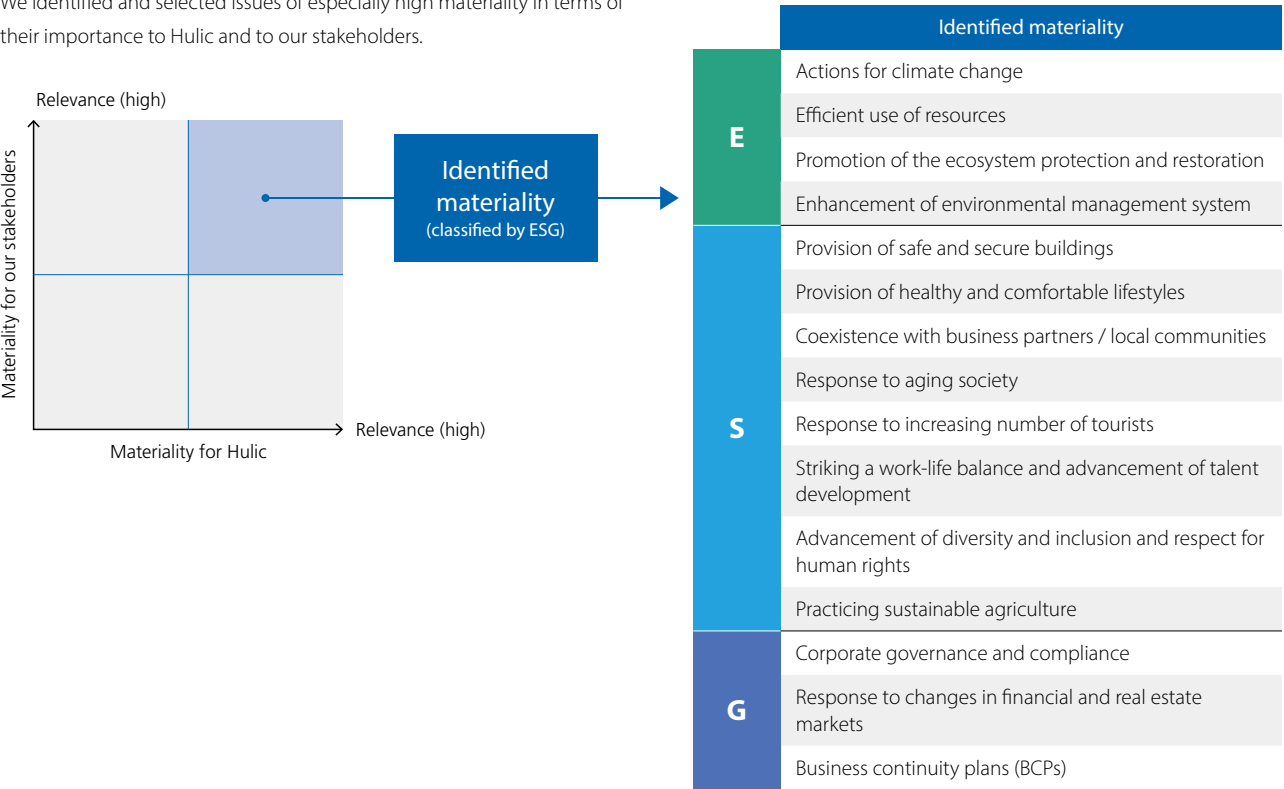
Materiality Assessment



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	<ul style="list-style-type: none">TenantsFacility users	<ul style="list-style-type: none">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)	<ul style="list-style-type: none">Provision of safe and secure buildingsProvision of healthy and comfortable lifestylesCoexistence with business partners / local communitiesResponse to aging societyResponse to increasing number of touristsPracticing sustainable agriculture
 Business Partners	<ul style="list-style-type: none">Building management companiesConstruction companiesBuilding maintenance contractorsReal estate agentsFinancial Institutions	<ul style="list-style-type: none">Regular meetings and business interaction (as required)Disclosure of information in our Integrated Report and on our website (when appropriate)	<ul style="list-style-type: none">Coexistence with business partners / local communitiesResponse to changes in financial and real estate markets
 Employees	<ul style="list-style-type: none">Employees of the Hulic Group	<ul style="list-style-type: none">President's message (monthly)Career development interviews (twice a year or more)Interviews by Human Resources DepartmentPresident's survey (twice a year)Disclosure of information through the Company intranet (when appropriate)	<ul style="list-style-type: none">Striking a work-life balance and advancement of talent developmentAdvancement of diversity and inclusion and respect for human rights
 Local Communities	<ul style="list-style-type: none">Local communitiesNPOs and NGOs	<ul style="list-style-type: none">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)	<ul style="list-style-type: none">Coexistence with business partners / local communities
 Administrative Organizations	<ul style="list-style-type: none">National and local public bodies	<ul style="list-style-type: none">Promoting PPP business (when appropriate)Initiatives for various awards and evaluations (when appropriate)Payment of appropriate taxes (when appropriate)	<ul style="list-style-type: none">Coexistence with business partners / local communitiesAdvancement of diversity and inclusion and respect for human rights
 Shareholders, Investors	<ul style="list-style-type: none">Individual investorsBuy-and-hold investors	<ul style="list-style-type: none">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)	<ul style="list-style-type: none">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	• Substantially achieving of RE100 in 2023 • Invest in renewable energy sources to convert to 100% renewable energy sourced electricity for electricity consumption at all company-owned buildings*1 by 2030. • Information disclosure in line with TCFD recommendations, Formulation greenhouse gas emission reduction target 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	• Reach a 100% ratio of highly earthquake-resistant buildings*2 by 2029 (excluding properties scheduled for reconstruction, which will be achieved by 2025) • 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	• Establish strong, long-lasting relationships through close and continual mutual communications ((Tenants) Implement customer satisfaction surveys, delivering careful responses to tenant needs (Business partners) Establish close communications with management and construction companies (Local communities) Hold summer festivals at the Hulic head office building, neighborhood cleanup drives, 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 • Initiatives to create a highly productive organization (promotion of a thorough understanding of suitable working hours and workstyle restructuring) • Assure effective human resource management, including support for career development (improve support program for obtaining qualifications and inhouse 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 • Assure that all business operations comply with the Hulic Human Rights Policy	  
Corporate Governance	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	
	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	• Greater diversity in the composition of the Board of Directors and Audit & Supervisory Board (a non-executive director serves as chairperson of the Board of Directors/two external directors were added, resulting in an equal number of internal and external directors/the ratio of executive to non-executive directors is five to seven/ the ratio of females on the Board of Directors and Audit & Supervisory Board: 30%.) • Established a nominating committee and a remuneration committee (all members are independent external 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	

*1 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, etc.
*2 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 level.

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 FY2022 results, we received assurance from an independent assurance provider concerning the following items: greenhouse gas emissions Scope1, greenhouse gas emissions Scope2, greenhouse gas emissions Scope3; waste disposal; water intake (water consumption); 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
					FY2018	FY2019	FY2020	FY2021	FY2022			
Environment	Promote carbon-free society initiatives through building operations	Take actions for climate change	Greenhouse gas emission reduction targets*: 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	Scope1 13,151✓ Scope2 20,966✓ Scope3 239,397✓	metric t-CO2e	○	54-61
			RE100 progress rate*: 10% in 2021, 30% in 2022, 65% in 2023, 100% in 2024	Electricity used in Hulic Group business activities	—	—	0.5%	13.5%	47.0%	%	◎	56
			Number of renewable energy systems installed in development and reconstruction projects: at least 3 every year	All completed properties each year	6	4	3 (8 properties in boundary)	8 (8 properties in boundary)	3 (4 properties in boundary)	property	◎	56-57
	Promote efficient use of resources	Promote efficient use of resources	Waste disposal: No numerical target (follow-up item)*3	7 buildings occupied by the head offices of Hulic and its Group companies*4	1,166	904	502	502	539✓	metric ton	—	25, 60
			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)	100% (4 properties in boundary)	%	◎	60
			Water intake (water consumption): No numerical target (follow-up item) *3	207 major properties*6	420	437	346	1,487	1,855✓	thousand m³	—	25, 60
	Promote the ecosystem protection and restoration	Promote the ecosystem protection and restoration	Number of greening projects*: 1 or more each year	All completed properties each year	9	3	5	6	3	property	◎	61
			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	1/3	time	◎	54, 59
	Enhance environmental management system	Enhance environmental management system	Number of Environmental Advisory Council meetings held: 1 or more each year	Hulic Co., Ltd.	—	1	1	1	1	time	◎	54
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*: 100% each year	All completed properties each year	100% (11 properties in boundary)	100% (4 properties in boundary)	100% (8 properties in boundary)	100% (8 properties in boundary)	100% (4 properties in boundary)	%	◎	25, 62-63
			Progress toward a 100% highly earthquake resistant buildings*9 in 2029	Hulic-owned fixed assets	—	—	—	81.1%	82.1%	%	○	25, 62-63
		Deliver healthy and comfortable lifestyles	Percentage of employees who received medical checkups*10: 100% each year	Hulic Co., Ltd.	100%	100%	100%	100%	100%✓	%	◎	66
			Coexistence with business partners / local communities	Hulic Group	1	1	1	1	1	time	◎	63-64
		Respond to aging society	Number of customer satisfaction surveys: 1 or more each year	Hulic Group	—	3,400	3,600	3,700	4,000	room	○	48
			Nursing homes Number of units: 5,000 by 2025	Hulic Group (including properties sold/trusted to REIT)	—	3,400	3,600	3,700	4,000	room	○	48
		Strike a work-life balance and advance talent development	Usage rate of childcare leaves / Number of people: 100% of eligible female employees / 1 male employee or more each year	Hulic Co., Ltd.	100%/ 1 people	100%/ 7 people	100%/ 3 people	100%/ 5 people	100%/ 11 people	%/people	◎	66
			Ratio of employees returning to work after childcare leave: 100% per year	Hulic Co., Ltd.	100%	100%	100%	100%	100%	%	◎	66
			Usage rate of paid leave*11: 70% or higher each year	Hulic Co., Ltd.	77.0%	78.5%	75.5%	81.5%	77.7%✓	%	◎	66
			Percentage of career development interviews conducted: 100% in every year (conducted twice a year)	Hulic Co., Ltd.	—	—	—	100%	100%	%	◎	65
		Advance diversity and inclusion and respect for human rights	Ratio of female managers: 2020: 20%, 2024: 25%, 2029: 30%	Hulic Co., Ltd.	18.5%	20.2%	23.9%	22.4%	21.5%	%	○	67
			Number of seminars provided by the Diversity Promotion Project Team: once each year	Hulic Co., Ltd.	1	1	1*12	1	1	time	◎	67
			Employment ratio of persons with disabilities: Maintaining the statutory employment ratio or higher (The statutory employment ratio was 2.2% or higher between 2018 to 2020, and is 2.3% or higher from 2021 onward.)	Hulic Group*13	2.41%	2.42%	2.34%	2.54%	2.68%✓	%	◎	25, 67
			Practice sustainable agriculture	Hulic Group	—	11	10	13	14	hectare	○	51
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.	98.0%	99.1%	98.7%	99.6%	99.6%	%	◎	25, 73
			Number of effectiveness assessment of the Board of Directors: once each year	Hulic Co., Ltd.	—	—	1	1	1	time	◎	74
			Number of compliance training conducted: 5 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	◎	78
		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	4/17	time	◎	76-77
			Enhance business continuity plans (BCPs)	Hulic Group	1	1	1	3/4/1*14	3/4/1	time	◎	77

*1 Beginning with Integrated Report 2022, we are calculating greenhouse gas emissions based on the GHG Protocol. See page 25 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 intake (water consumption), we are preparing basic data to change the boundaries for aggregation of this data. As 2020 to 2022 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,Hulic's fixed assets are covered, excluding properties under development and land for lease (220 properties in FY2021, 207 properties in FY2022). 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 level.

*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 level.

*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, 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) and New Medium-Term Management Plan (2023-2025)

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. We have formulated New Medium-Term Management Plan (2023-2025) as Phase II in progress.

Medium-and Long-Term Management Plan (2020-2029) Target Profile and Basic Policy

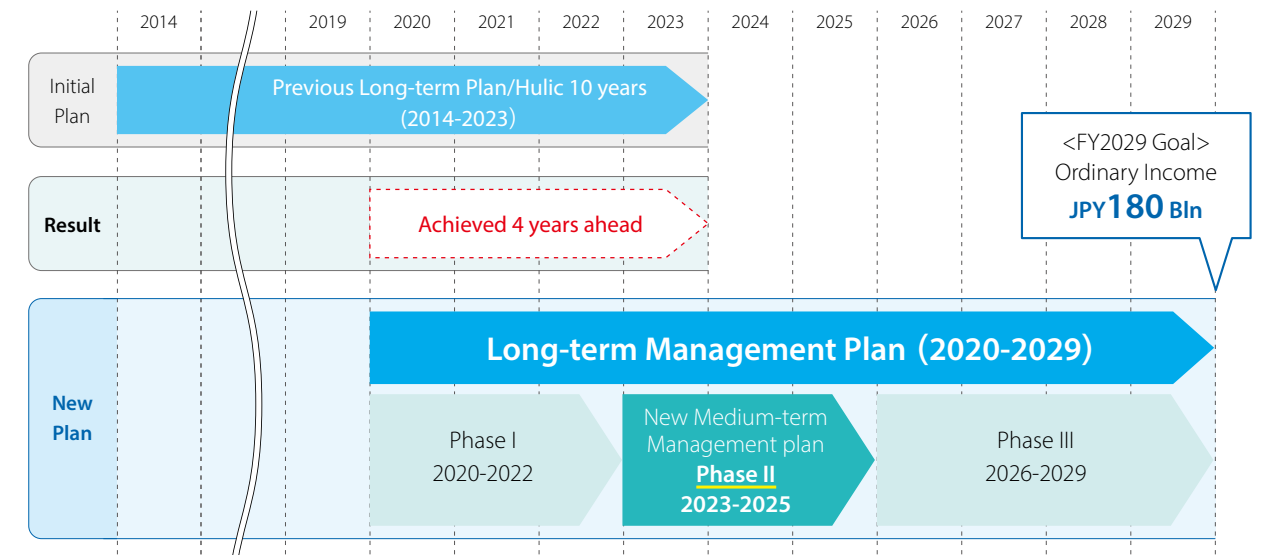
Target Profile (FY2029)	With “driving innovation” and “accelerating progress” as our motto, we continue to steadily increase our corporate value through evolving ourselves flexibly in response to changes in macro environment
Basic Policy	Strike a balance between P/L Growth, B/S Soundness, Profitability, and Productivity (efficiency) at a high level and achieve further growth through dynamic transformation backed by overwhelming speedy decision-making

Medium- and Long-Term Management Plan Phase I (2020-2022): Summary



Position of the Plan

New Medium-Term Management Plan as phase II of the Long-term Management Plan (2020-2029) is in progress. Create a foundation for growth beyond 2030.

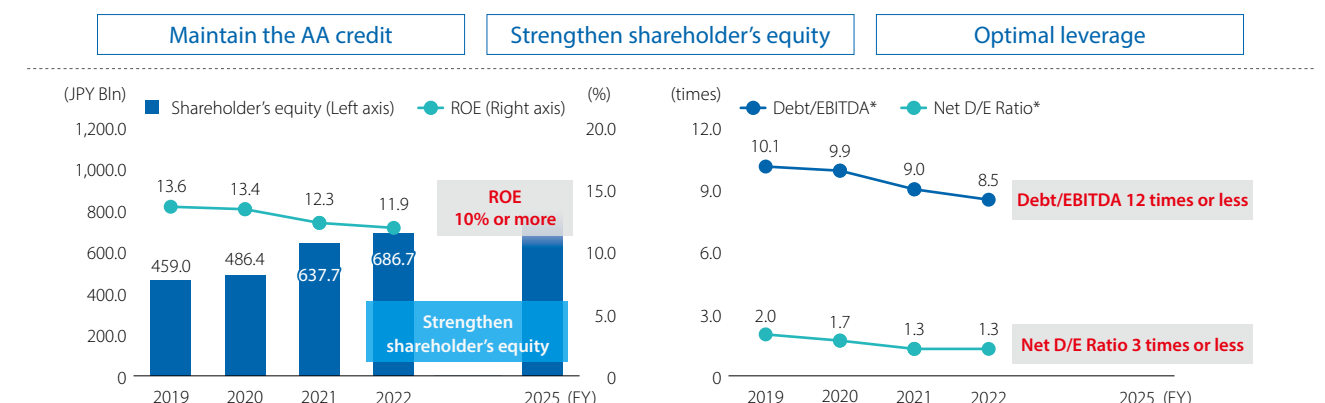


Phase I	Start building strong leasing portfolio, resume development and reconstruction projects
<u>Phase II</u>	Monetization of development and value-added businesses and strengthen the REIT and fund business
Phase III	Build up a solid and expanded portfolio for leasing business

Qualitative targets

Strengthen shareholder's equity through profits growth and simultaneously pursue the AA credit and high profitability through sound financial base.

Ordinary Income Target in FY2025	Debt/EBITDA	Net D/E Ratio	ROE	Payout Ratio
JPY 150.0 Bln	12 times or less*	3 times or less*	10 % or more	40 % or higher



* In 2019, 50% (JPY75 Bln) of hybrid finance (JPY150 Bln) was calculated as nominal equity. Similarly, 50% (JPY175 Bln) of hybrid finance (JPY350 Bln) was calculated as such in and after FY2020.

New Medium-Term Management Plan (2023-2025) Basic Strategy/Focus Areas



Focus Area 1

Build a high-quality leasing portfolio and maintain / strengthen the flexible earnings structure

- Enter the final disposal stage for properties that do not satisfy Hulic's strict investment criteria (seismic capacity and other factors). Seek to make the portfolio fully consisted of highly earthquake resistant buildings* by the end of 2025, excluding those scheduled to be reconstructed.
- Acquire properties in diverse investment schemes that leverage Hulic's ability for proposals, so as to increase rent revenue.
- Continue property reshuffles to construct a competitive leasing portfolio that addresses the changing circumstances such as falling population.
- Maintain / enhance the flexible earnings structure that responds to the market environment.

* 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 level.

Focus Area 2

Enhance the pipelines of development, reconstruction and value-added properties. Diversify exits to ensure profitability

- Accelerate completion of projects that we acquired for reconstruction in the first phase (2020-2022); 26 projects will be completed during 2023-2025.
- Sell some of these properties to Hulic Group REITs and funds so that the group's AUM is maintained / enhanced and balance sheet is well controlled.
- Complete listing of 100 properties to be developed / reconstructed by 2029 at the end of 2025. Increase distinctive development / reconstruction and value-added projects for each asset class.
- Consider launching new core funds in 2023 and logistics REITs (funds) in 2024. Realize capital gains for development / reconstruction and enhance the asset management business.

Focus Area 3

Diversify revenue sources by enhancing new business domains

- Actively work on M&As and alliances to expand existing business domains including senior, tourism, environment and children's education, etc.
- Set aside around JPY50 billion for growth investments under the medium-to long-term strategy, and explore new business opportunities that respond to social and local community issues.

Focus Area 4

Ensure financial soundness and thorough risk management to maintain a strong credit rating

- Maintain the AA credit rating so as to promote stable debt financing by appropriately and timely responding to changes in the financial market.
- Strengthen equity capital consistently based on accumulated profits.
- Build a structure resilient enough to cope with disasters such as big earthquakes and eruption of Mt. Fuji, and improve the risk management system.

Focus Area 5

Raise the level of sustainable management, including the promotion of environmental initiatives and human capital development, etc.

- Work on various environmental initiatives. Substantially achieve RE100 in 2023, one year ahead of schedule.
- Take various steps to develop human capital.
- Maintain / enhance the strong governance framework and upgrade the ESG-based management structure.
- Ensure transparent information disclosure to stakeholders and maintain the excellent ROE and dividend payout ratio.

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

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

Hajime Kobayashi

Director, Vice President



1. Financial performance: Analysis of business environment

In 2022, despite repeated outbreaks of variant strains of COVID-19, there were signs of recovery in the food services and tourism industries socio-economic conditions started to return to normal. Nonetheless, the economy is still grappling with difficult challenges, ranging from sharp depreciation of the yen to skyrocketing raw materials and energy prices due to supply constraints, factors not seen often in recent years. In the real estate industry, despite a softening of vacancy rates for offices due to an increase in people working from home, the real estate investment market remained stable owing to the sustained strong interest of real estate investors on the back of a policy of monetary easing.

Given this environment, and based on the Medium- and Long-Term Management Plan (2020-2029), which began in 2020, 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 FY2022. Consolidated Ordinary Income, which we consider important as a profit target in the Medium- and Long-Term Management Plan, came to JPY123.2 billion, an increase of 12.4% over the previous year. In addition to profit targets, EBITDA, an indicator of the ability to generate cash flow, reached JPY148.8 billion in FY2022, a 10.0% increase over the previous year. ROE, an indicator of capital efficiency, was 11.9%, 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 cap of 3 times or lower.

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

For the economic outlook, low growth is expected to

continue in Japan due to a forecasted slowdown in the global economy caused by sharp worldwide interest rate hikes intended to combat inflation.

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 relatively 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 FY2023, 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 ROE target of 10% or higher in the Medium- and Long-Term Management Plan and aim to maintain high capital efficiency. For this reason, we intend to improve ROA by realizing profits from the sale of completed properties that will ramp up going forward 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) are currently low, a reflection of the financial environment in recent years. At the same time, capitalization rates in the real estate market have remained

low for the last few years, resulting in generally stable costs and returns. Given these conditions, our policy is to improve our corporate value by maintaining a positive equity spread while closely watching 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 lessen, inbound tourism and the demand

for tourism are expected to revive. At that time, we will also emphasize the 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.

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 2023, we plan to continue strengthening our leasing portfolio and making 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 in rents and development profits.

In response to climate change, we are continuing to develop energy-efficient buildings. Also, we will invest approximately JPY66 billion to develop solar power equipment that does not take advantage of the FIT system, aiming to convert to 100% renewable energy sourced electricity for electricity consumption at all company-owned buildings by 2030.* 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.

* 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, etc.

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/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 3 times or less and a Debt/EBITDA Ratio of 12 times or less. If leverage levels on the liability side become too high, this could raise credit issues including credit 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 level for financial leverage is close to the optimum in the current environment. However, we are taking quick, effective action to control the balance sheet with a view to maintaining the AA credit rating we received last year.

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 40.3% in FY2022. We are aiming for a dividend payout ratio of 40% or higher under our new Medium-Term Management Plan.

Shareholder returns can also be made indirectly through

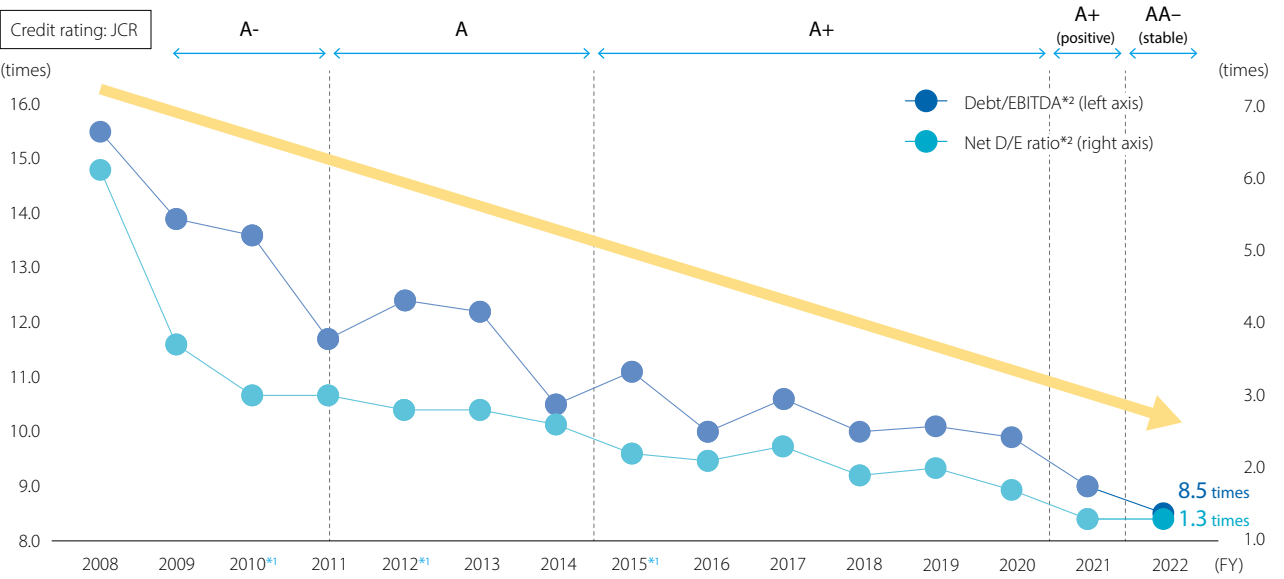
share buybacks in the market or by setting a total return ratio is another approach. However, considering Hulic’s specific business feature that we earn stable revenue primarily from our leasing portfolio, unless there are unusual environmental changes, we believe it is more appropriate for us to deliver 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 1.6 times, respectively, in the last five years leading up to FY2022.

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.

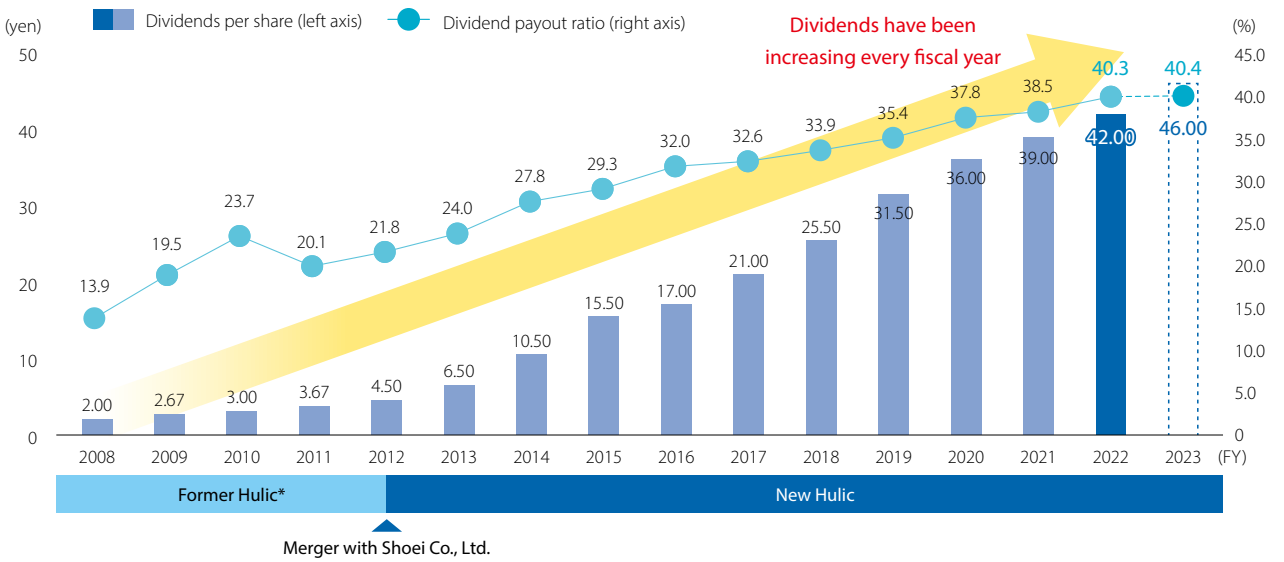
Maintaining and Improving Financial Soundness



*1. Calculated on a pro forma basis.
*2. In 2018 and 2019, 50% (JPY75 Bln) of hybrid finance (JPY150 Bln) was calculated as nominal equity. Similarly, 50% (JPY175 Bln) of hybrid finance (JPY350 Bln) was calculated as such in and after FY2020.

Dividends

Since our stock market listing in 2008, we have increased dividends every fiscal year. Going forward, shareholder returns will continue to be primarily dividend payments. We intend to ensure a consolidated dividend payout ratio of 40% or higher, one of the goals in our new Medium-Term Management Plan.



* 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

Leasing Portfolio Policy

Rebalancing of leasing portfolios to pursue more competitive advantages

KPI	Plan	Progress		
Highly earthquake resistant buildings 100%*1	Set new target to achieve 100% by 2025, excluding those subject to reconstruction	2022 end 82%	2025 Achieve 100% excluding those subject to reconstruction	2029 100%
Renewable energy buildings 100%*2	Converting to 100% renewable energy sourced electricity for electricity consumption at all company-owned buildings	Substantially achieve RE100 in 2023 one year ahead of initial plan (initial plan:2024)		
Office share 50%*3	In response to a decline in working population, establish a balanced asset class composition with keeping the ratio of office buildings around 50%.	2019 end 63%	2022 end 49%	2029 50%
Assets in Focus Areas 50%*3	Promote acquisition and development in strictly selected locations, specifically focus areas (Ginza, Shinjuku East Side, Shibuya/Aoyama, Asakusa)	2019 end 43%	2022 end 48%	2029 50%

*1 Property number basis, 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 level.

*2 Property number basis, 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,etc.

*3 Office share: Rent revenue basis, Assets in Focus Areas: Book value basis

Acquisition Strategy

Continue property reshuffles to construct a competitive leasing portfolio that addresses the changing circumstances such as falling population.

Acquisitions in Five Asset Types Focused on Growth and Market Needs				
① Focus Area Assets		② Assets Closely Located to Major Central Tokyo Stations		③ Tourism and Healthcare-related Assets
<ul style="list-style-type: none">• Ginza• Shibuya/Aoyama• Shinjuku East side• Asakusa		<ul style="list-style-type: none">• Properties located mainly within a 3-minute walk of a station in central Tokyo		<ul style="list-style-type: none">• Hotels and <i>ryokans</i> (Japanese style luxury inns)• Other healthcare-related facilities• Nursing homes and hospitals
④ Next-Generation / CRE Assets			⑤ Potential Value Growth Assets	
<ul style="list-style-type: none">• Logistics facilities, data centers, research institutions and other assets in response to market needs• Stable CRE assets based on expected long-term relationships building			<ul style="list-style-type: none">• Assets expected to achieve future value growth through reconstruction• Assets expected to achieve future value growth through value-adding initiatives	

Initiatives and Track Record

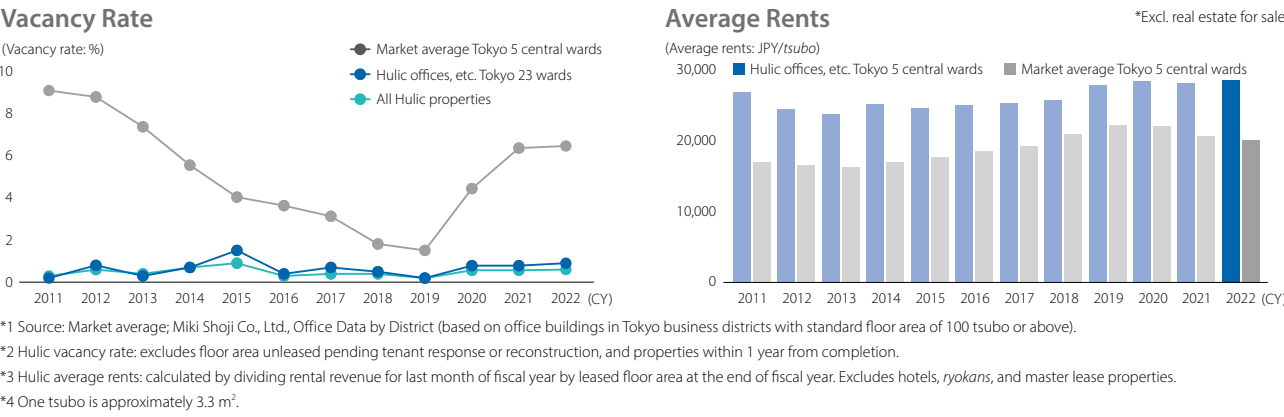
The leasing business, the core of the Group's business, has achieved steady growth and has posted higher leasable floor areas.

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.



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. In addition, we promote development and redevelopment business drawing on the expertise built in the reconstruction of owned properties. Furthermore, we pursue opportunities in PPP business and development of urban type data centers and logistics facilities.

Medium- to Long-Term Focus Strategies

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

Hulic's Major Development and Reconstruction Track Record

Focus area properties

(Ginza, Shinjuku East Side, Shibuya/Aoyama, Asakusa)



Hulic Ginza Sukiyabashi Building



HULIC SQUARE TOKYO



HULIC &New GINZA 8



HULIC &New SHINJUKU



Hulic Shinjuku Building



Shibuya PARCO-Hulic Building



HULIC &New SHIBUYA



HULIC &New UDAGAWA



Hulic Kaminarimon Building



Hulic Asakusabashi Building

Properties close to stations in central Tokyo

(major properties)



Hulic JP Akasaka Building



Bizflex Azabu-Juban by HULIC



Hulic Kojimachi Building



Hulic Oji Building



Hulic Kamata Building

Other

(major properties)



Hulic Fukasawa



Charm Premier Yamatecho



FUFU Nikko



FUFU Hakone

Progress of the Medium- to Long-Term Management Plan

Develop or reconstruct **more than 100 properties** by 2029 (of which, **84 projects** are confirmed or unofficially confirmed)



Completed in 2022 (major properties)



HULIC &New GINZA NAMIKI 6



HULIC SQUARE SAPPORO I



Hulic Logistics Kasai



Sonare Meguro Fudomae

Developing/ Planning (major properties)



Shibuya Udagawacho 17 Development Project (&New)



Hulic Fukuoka Building Reconstruction Project



Sendagaya Center Building Reconstruction Project



Ginza Building Reconstruction Project

In addition, we are promoting the development of **urban type data centers** and **logistics facilities** in areas close to population centers.



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)

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, 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.



Hulic Co., Ltd.

Effective track record in development in central Tokyo

Stable business base

Initiatives and Track Record



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.

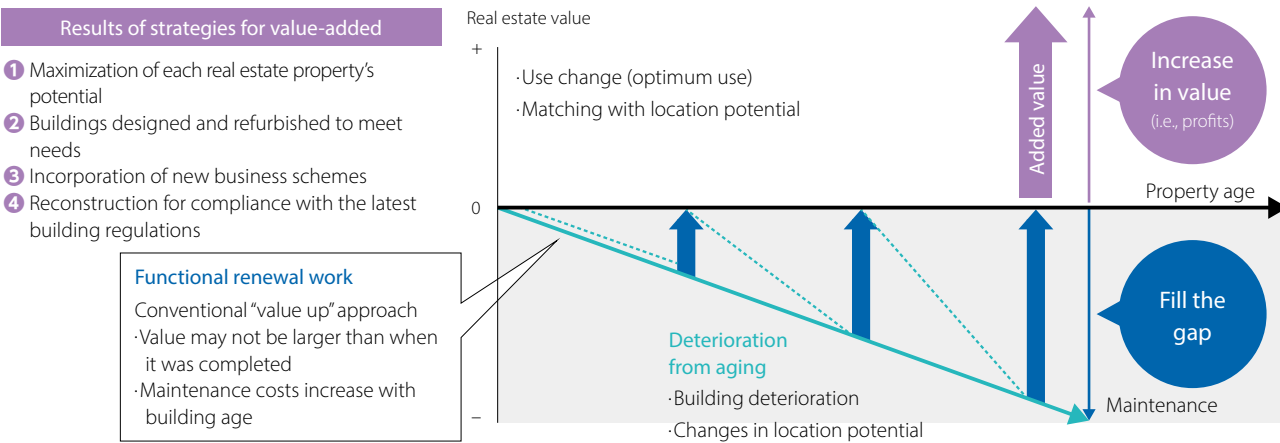
To meet the diverse needs of the real estate market, we also carry out short-term warehousing, which promotes the distribution of real estate to the market.

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.



Track Record

① 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.

Before value has been added

After value is added

② Hulic Logistics Kasai

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 logistics facility by using empty spaces within the site.

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), we aim to make an industry-leading level of 5,000 units by 2025 (4,000 units as of December 31, 2022).
- 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
- FY2022: 2 properties completed, 3 properties acquired



Hospitalment Aoyama Sonare Meguro Fudomae Trustgarden Ogikubo Charmpremier Grand Minami-Azabu

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



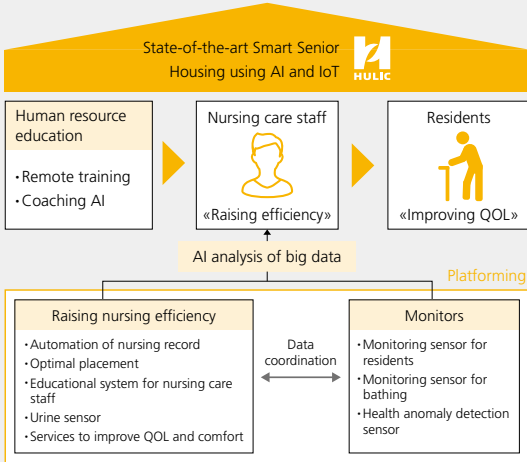
Hulic Premium Club Nihonbashi

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 aim for establishing a highly competitive advantage 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*).

① THE GATE HOTEL

Our Policy

- One of the brand concepts is “to offer authentic value to our guests”.
- Lodging-oriented boutique hotels with carefully selected locations and proven popularity, including in Asakusa, Ginza, Ryogoku and Kyoto.
- Development projects are underway in Fukuoka, Yokohama, Sapporo, and Osaka.




THE GATE HOTEL TOKYO by HULIC

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 are developing *ryokan* (Japanese style luxury inns) near famous sightseeing spots within two hours of Tokyo, primarily targeted at the affluent.
- Opened 9 and will open additional 4 by 2025.




FUFU Hakone (large public bath)

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

④ Hotel (Asset) Acquisition and Leasing

Our Policy

- Focus on areas that are expected to attract more sightseers.
- We currently own 11 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.

The Group is also working to diversify revenue sources by strengthening initiatives for new business, including in our Bizflex business, children's education, and the agribusiness.

Medium- to Long-Term Focus Strategies

- Actively collaborate and form alliances with other companies as well as M&As for business growth.
- Set an investment budget for our growth strategy of approximately JPY50 billion to explore a wide range of new business areas that address social and regional issues.

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

- We are rolling out Bizflex, a series of mid-sized offices based on the concept of flexible office floors that are easy to rent and easy to leave. 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.
- Two properties (in Azabu-Juban and Roppongi) have been completed. Plans are underway for developments in Yaesu, Hamamatsucho, and Kanda (as of April 1, 2023).



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 preschool education, and (3) gift tax exemptions for educational funds, we see children's education as a promising market where business opportunities will increase. For this reason, we will work with partner companies in each of these fields to promote businesses that provide educational services for children.

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 (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.

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.

Rollout of Kodomo (Children's) Depart Stores

In a business alliance with Riso Kyoiku Co., Ltd. and Konami Sports Co., Ltd., we have begun developing a series of buildings, known as Kodomo Depart (literally, children's department stores), for one-stop services for children. Among others, we are planning developments as part of a joint project in the Shibuya 1-chome district, scheduled to be completed in 2026.



Exterior of Kodomo Depart (concept)
Photo credit to MHS Planners, Architects & Engineers Ltd.



Shibuya 1-chome district joint development project (concept)

Other initiatives

- Concluded a business alliance agreement with Kids Smile Holdings Inc. As a result of this tie-up, Kids Smile Holdings opened a bilingual school (Kids Garden Global School Kinshicho) within the Hulic Kinshicho Collabo Tree Building.
- Investment in children's educational facilities in Nerima, Kawagoe, and other areas



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 Hokuto, a city in Yamanashi Prefecture, 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 2022, we invested in Sorauki, a company that produces and sells strawberries in Kagawa Prefecture. We are helping to expand production of Sorauki brand strawberries, looking toward the export market.
- In Vietnam, we grow and sell plants and flowers using the Made by Japan method of producing high-quality agricultural goods. We plan to further strengthen our export business to Japan.



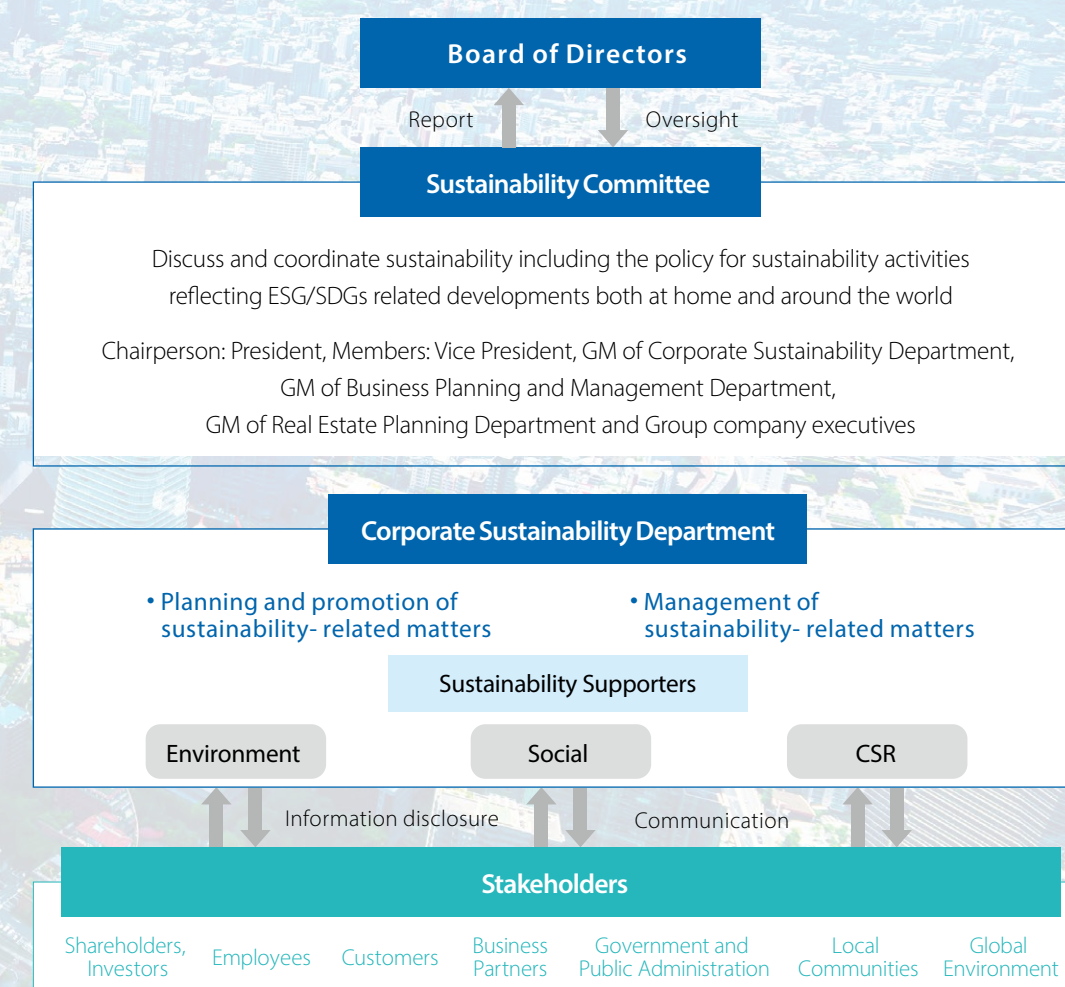
Sustainability

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, GM of Corporate Sustainability Department, GM of Business Planning and Management Department, GM 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.

Corporate Sustainability Department 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 Corporate Sustainability Department to help spread and establish our Sustainability Vision throughout the Group.



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

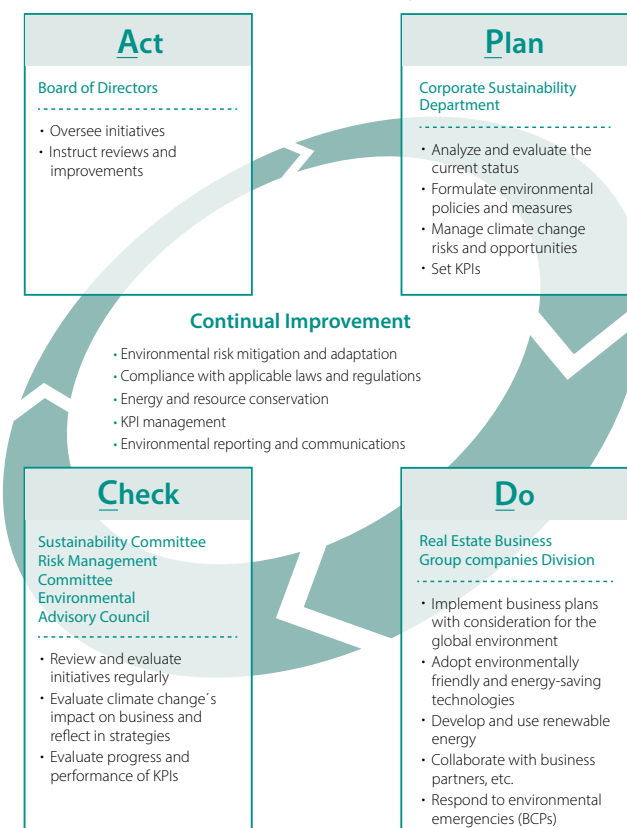
We extensively disclose information on environmental contribution activities, and communicate with stakeholders including local communities to expand the circle of global environmental conservation.

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

	2020-2022	2023	2024	2025	-2030	-2050
General	Adoption of environmentally friendly technologies to properties owned					
	Start disclosing information in line with TCFD recommendations Disclosed SBT-approved GHG emissions reduction targets (near-term targets)					
Decarbonization	Converting to 100% renewable energy sourced electricity for electricity consumption at all company-owned buildings					
	<div>RE100</div> <div>Substantially Achieve by 2023</div> <div>1 year ahead of ongoing plan</div> <div>Achieve by 2030</div>					
Circular economy	Development and operating solar power plants (non-FIT)					
	Development and operating small hydroelectric plants					
Circular economy	Technical measures to reduce waste and resource inputs (develop longer life buildings) etc.					
	Introducing wooden technology					
Greenhouse gas emission reduction targets*2	Scope1+2		● Reduce by 70%		● Reduce by 70%*3	
	Scope3				● Reduce by 30%*3	
					● Substantially zero emissions	
					● Substantially zero emissions	

*1 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, etc.

*2 Base year: 2019

*3 SBT-approved near-term targets. Combined Scope1 and Scope2 target is consistent with reductions required to keep the global warming to 1.5°C, the most ambitious goal of the Paris Agreement. Scope3 target meets the SBT's criteria for ambitious value chain goals, meaning they are in line with current best practice.

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.

Initiatives for Climate Change

Fundamental Approach

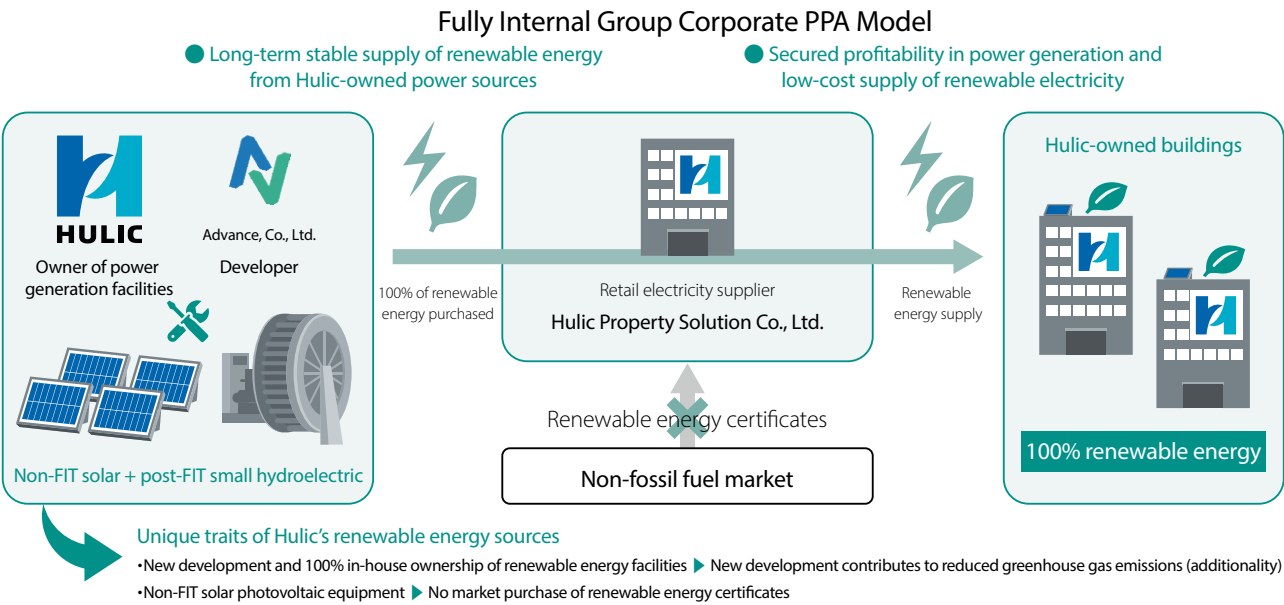
Targeting the realization of the carbon-free society envisioned in Hulic’s Long-Term Vision for the Environment, we are combatting climate change through environmental initiatives, including substantially achieving RE100 by 2023 and converting to 100% renewable energy sourced electricity for electricity consumption at all company-owned buildings by 2030.

Initiatives for substantially achieving RE100 by 2023 and Converting to 100% Renewable Energy Sourced Electricity for Electricity Consumption at All Company-Owned Buildings by 2030

In line with Hulic’s Long-Term Vision for the Environment, we have set goals to achieve RE100*1 substantially by 2023 and convert to 100% renewable energy sourced electricity for electricity consumption at all company-owned buildings*2 by 2030. as part of our initiatives to combat climate change. 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 An abbreviation of "Renewable Electricity 100%", or sourcing 100% of electricity needed for business activities from renewable energy sources
*2 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,etc.
*3 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 An agreement in which corporations, municipalities and other legal entities purchase renewable electricity from power providers on a long-term basis.



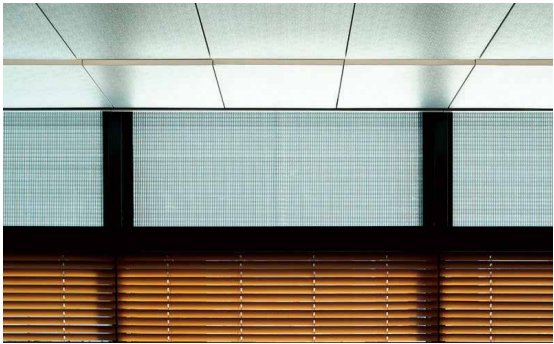
Introduction of Environmentally Friendly Technologies and Obtaining Patents for Environmentally Friendly Technologies

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 developed, with other companies, and

obtained patents for lightweight solar panels and a thin-layered wall greening system. 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%.

TOPICS

Recognized as an A List Company in the CDP Climate Change Assessment

Hulic has been recognized as an A List Company in the Climate Change 2022 Questionnaire conducted by CDP, a not-for-profit organization that evaluates environmental disclosure. An A-list company actively and effectively works to mitigate the risks caused by climate change. In the climate change assessment, companies' voluntary responses to the CDP Climate Change Questionnaire are assessed and scored, with A representing the highest score, at four levels: disclosure, awareness, management, and leadership.



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	<ul style="list-style-type: none">Establish Board of Directors oversight and monitoring structureMatters 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	<ul style="list-style-type: none">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 scenarioExamine 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	<ul style="list-style-type: none">The Sustainability Committee centrally deliberates climate change matters, including risk management, and reports to the Board of DirectorsThe Risk Management Committee evaluates and deliberates climate change risks from a Group-wide risk management perspective and reports to the Board of DirectorsThe 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	<ul style="list-style-type: none">Set climate change KPIs (non-financial key performance indicators) and related metrics, disclose progress toward achieving targets on Hulic website, etc.<ul style="list-style-type: none">Greenhouse gas emission reduction targets (Absolute contraction targets, Base Year: 2019)<ul style="list-style-type: none">By 2024 Scope1+2 70%By 2030 Scope1+2 70%Scope3 30%By 2050 Scope1+2, Scope3 Substantially zeroSubstantially achieve RE100 in 2023Number of times the Sustainability Committee engaged in climate change monitoring, number of reported times to the Board of DirectorsNumber 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	<ul style="list-style-type: none">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	<p>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.</p> <ul style="list-style-type: none">Sea level rise: The assumption that average global sea levels will rise 0.45 to 0.82 m* after 2081 is out of scopeTemperature rise: The increase in air-conditioning-related costs (costs for improving air-conditioning equipment and utility costs due to rising temperatures) is minimalFlood damage (typhoons, torrential rain, floods, inland water, storm surges): Minimal due to measures already takenWind 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 Department	· Engages in planning, proposals and management related to climate change, including the process of identifying and assessing the impact of climate change, the mechanism for managing identified impacts and the mechanism for their integration into Group-wide risk management · Promotes Group-wide responses to climate change · Submits reports and recommendations to the Sustainability Committee and Risk Management Committee

Building a Recycling-oriented Society

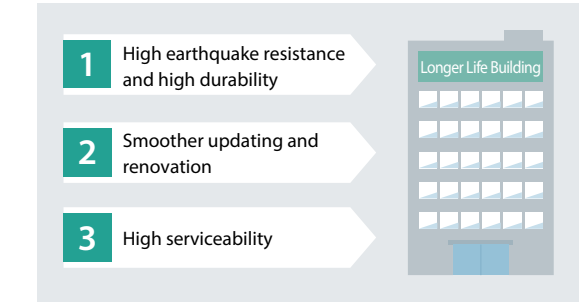
Fundamental Approach


We are working to reduce waste and water consumption in cooperation with tenants and building management companies toward realization of a recycling-oriented society. When developing and reconstructing buildings, we reduce our environmental footprint by pursuing the 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.



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

Reduction of Plastic Waste at the 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, from 2022 we began using LIMEX, a

paper substitute made primarily from limestone, for the production of this integrated report as well as shareholder newsletter and our business cards. When making LIMEX, which uses almost no forest or water resources, the amount of water used in manufacturing was reduced by approximately 530,000 liters, the equivalent of roughly 1.07 million 500ml bottles of water, compared with 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 (SO_x, NO_x, 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

We have been developing fireproof buildings using wood that consumes less energy (low CO₂ emissions) during manufacturing and processing. In 2021, construction was completed for HULIC &New GINZA 8, Japan's first 12-story wooden fireproof commercial building (hybrid construction combining wood and steel). The building has been acclaimed, receiving many awards as a sophisticated example of urban wooden construction.

We are also planting trees based on the idea of planting to replace what we use. 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 to maintaining the proportion of young trees that absorb CO₂ well at a certain level. We planted 12,000 cedar trees, equivalent to the approximately 310 m³ of the wood used in HULIC &New GINZA 8. Looking ahead, we will also consider wooden construction and

interiors 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

List of Awards for HULIC &New GINZA 8

- 2022 Contest for Outstanding Facilities for Timber Utilization*1: Minister of the Environment Award in the Outstanding Facility Category
- Japan Wood Design Award*2: Grand Prize (Minister of Land, Infrastructure, Transport and Tourism Award)
- 25th Wood Utilization Contest*3: Grand Prize (Minister of Land, Infrastructure, Transport and Tourism Award)

Notes:
1. Organized by the Japan Council for the Advancement of Timber Utilization
2. Organized by the Japan Wood Design Association
3. Organized by the Japan Association of Timber Youth Groups

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, 2022, a total 12 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

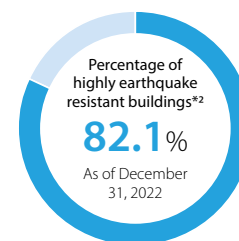
Fundamental Approach

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 level 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*1 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 are working to ensure that by 2029 all of our buildings (excluding buildings scheduled for reconstruction by the end of 2025) can withstand earthquakes with a seismic intensity of 7 level.



*1 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 level.

*2 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 level.

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

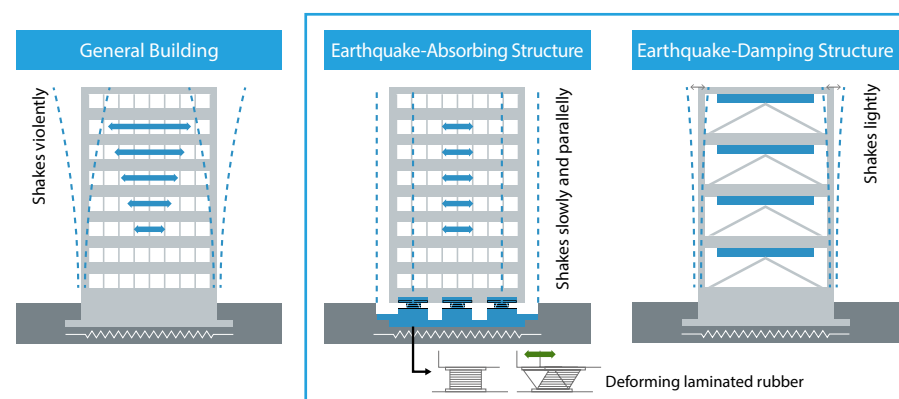
earthquake-absorbing or earthquake-damping structure which is effective at ensuring a high seismic resistance, in addition to other methods to improve the seismic resistance.

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.

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.



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

We diagnosed the earthquake resistance of all company-owned buildings* 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 reinforced concrete construction and buildings that will be demolished for reconstruction.

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, four buildings

owned by the Company were on ground with possible liquefaction. However, we concluded that these buildings will not be significantly affected by liquefaction because the foundations for these buildings were carefully planned and constructed.

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.

Measures Against Ashfall from Possible Mt. Fuji Eruption

If Mt. Fuji erupted, the transportation infrastructure could be shut down and electricity and other utilities could be disrupted. Consequently, we are taking tangible action by developing equipment that prevents volcanic ash from entering pipes in

storm drains and by installing this equipment in company-owned buildings. In a less tangible way, we have a policy to promote tenants to return home early and organize a system and install the necessary equipment for quick recovery work after an ashfall.

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 2022, we continued to receive high ratings with a satisfaction level of 94.6% (in

2021, 92.2%). We believe the results has mainly reflected 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 2022 94.6%

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)
- Greening of building surroundings, introduction of natural ventilation and lighting systems
- 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.

tenants to hear about the energy-saving measures. Going forward, we will continue to work with tenants to help save energy.

Energy-Saving Initiatives for Existing Buildings

As part of our initiatives to decarbonize the entire value chain, we created and distributed a leaflet calling on our customers (tenants) to help save energy in 2022. We also had individual meetings with some

Human Capital Initiatives: Talent Development and Human Resource Management

Fundamental Approach

Hulic aims to create a vibrant and highly productive organization by drawing up the right human resource strategies, such as securing and developing human resources and improving the organizational framework.

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. Ordinary income per employee is approximately JPY560 million (non-consolidated)—one of the most among listed companies in Japan—reflecting our high levels of 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 obtaining qualifications and further developing skill sets by sharing the common view on professional development.

In addition, we create highly motivating jobs by developing a work environment where employees can continually develop new business ideas and take on challenges. Our Initiatives in this area include introducing optional training programs that allow employees in their second or third years to take training programs of their choice as well as on-the-job training for new employees.

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.

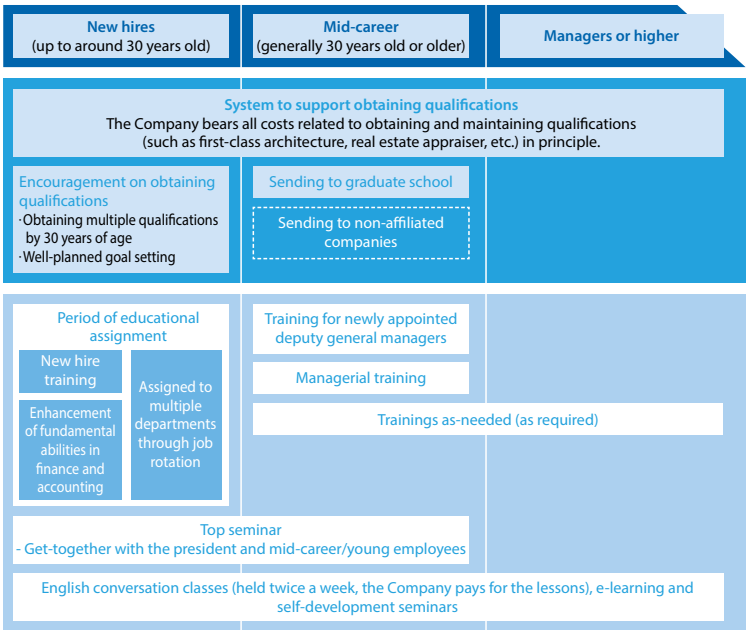
Promoting internal communication / sharing corporate philosophy

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:

- 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 twice a month for approx. 8 employees under the age of 45.
- 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.
- Interviews with the Human Resources Department: A member of the Human Resources Department conducts interviews so that both the employee and the Company can gain a deeper understanding of individual career paths, among others. From these interviews, a framework is developed that allows every employee to work independently on their own career development.
- Information is provided on the Company intranet, as needed.

Overview of Talent Development Programs



Human Capital Initiatives: Work-Life Balance

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 promote the development of an environment aimed at creating diverse workstyles, including working from home, staggered office hours, and online conferencing systems, so that every employee can make the most of their abilities. We are also implementing systems that

prevent long working hours by encouraging employees to take paid leave and to accurately manage working hours by logging the length of time they spend on computers.

Diverse Workstyles

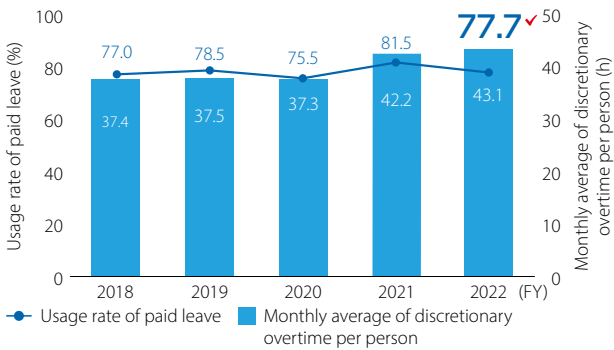
- Work from home*
- Staggered office hours
- Online conferencing

* System for employees who need time for childcare or nursing care

Workstyle Reforms

- Raising workplace efficiency
 - Accurate time management with computer logs, etc.
- Creation of a holiday calendar for each employee
 - Encouraging the adding of a day of paid leave to regular holidays
 - Encouraging the taking of 3 day holiday and one-week holidays

Usage Rate of Paid Leave and Overtime Work Hours



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

Initiatives for Striking a Work-Life Balance

Hulic is pouring effort into enhancing our next-generation nurturing support programs and a program ensuring a balance between work and nursing in the aim of supporting employees and their families. In January 2021, we introduced a new hourly childcare and nursing care leave system. As a result of these initiatives, over the past 10 years (2013 to 2022), the percentage of women returning to work following childcare leave has increased to 100%, while the turnover rate due to nursing care has been maintained at 0%.

Examples of Support Programs

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

Health and Productivity Management

We believe that the wellbeing of employees goes hand in hand with productivity improvement and growth of the Company. In 2022, we conducted in-house training (by video) to improve health literacy. Our other major measures are elaborated on the right.

2023 Certified Health & Productivity Management Outstanding Organization (Small and Medium-sized Enterprises Category)

Hulic was certified as a Health & Productivity Management Outstanding Organization in 2023 for the fifth consecutive year in recognition of our health and productivity management initiatives. The award has been promoted by the Ministry of Economy, Trade and Industry in conjunction with the Nippon Kenko Kaigi to advance health and productivity.

- Medical checkups on par with examinations that exceed legal requirements
- Mental health initiatives including implementation of stress checks
- Stop smoking programs, such as supporting all costs associated with smoking cessation outpatient services and introducing no-smoking hours at our offices
- Physical exercise programs include participation in sporting events, subsidies for sports club fees, and partial subsidies for Company-approved club activities
- Complimentary breakfast, lunch and beverages (health-oriented diet)
- Organizational approaches including Health Committee, Health and Productivity Management Follow-up Meetings
- Conducting risk assessment and issue solving regularly in the aim of ensuring occupational safety and health
- Disseminate health-related information through the Company intranet
- Introduce health-promoted application "QOLism" (proceeding in cooperation with Mizuho Health Insurance Society)

Human Capital Initiatives: 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 (Focus area)

- 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 2022, we held lectures and dialogues on striking the right work-life balance.

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 percentage of female managers in 2022 was 21.5%. Further, the percentage of female directors and Audit & Supervisory Board members was at a high level: 30% (as of April 1, 2023).

Employment of Persons with Disabilities

Hulic employs some people with severe disabilities and has established the Hulic Sugunami Office, a dedicated workplace, mainly for sending out direct mail, together with experienced supervisors. As of June 2022, the employment ratio of persons with disabilities

was 2.68%✓ on a Group basis (7.36% 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. We also set up a special short-term contract system in 2021 that extends the period of continuous employment until the age of 70 so that we have motivated and capable employees between the ages of 65 and 70.

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	Policy for Activities
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.	<ul style="list-style-type: none">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 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.

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.)

Beyond supporting the arts and culture, we are supporting professional female *Shogi* players from the perspective of empowering women.

In the second Hulic Cup Hakurei Championships, the title was contested in a seven-match series between Ms. Tomoka Nishiyama, who won the first Hakurei Championships, and Ms. Kana Satomi, who won the preliminary ranking tournament. Ms. Satomi was victorious, becoming the second Hakurei titleholder. The prize ceremony to award her with the Hakurei title took place at the Grand Nikko Tokyo Daiba in December 2022.



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 collaboration on the

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.

In the 93rd Hulic Cup Kisei Championships, Mr. Sota Fujii defended his title yet again to win his third consecutive title. The prize ceremony was held at the Grand Nikko Tokyo Daiba in October 2022. In honor of his three consecutive wins, we presented Fujii with a special prize of one million yen's worth of custom-made kimonos.



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. In 2022, we were the special sponsors for the BWF Para-Badminton World Championships, held in Japan for the first time.



Billboard advertising

Academic and Research Support

10th Hulic Students Idea Competition: Unknown Ginza

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 106 entries for the 10th Hulic Student Idea Competition in 2022.

In the second round of judging, held at Hulic's Head Office, 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 2022, we donated JPY10 million in food support to single-parent households left with little or no income due to the COVID-19 pandemic.

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.

Support for the Japan Service Dog Association

As part of our initiative to give more support to people with disabilities, we have been sponsoring the Japan Service Dog Association since 2022.

Especially among people with disabilities, being unaware of service dogs is a major issue. Service dogs, like guide dogs, are one type of assistance animal. We will continue to provide support so that more people can learn about service dogs.



Main Social Contribution Activities in 2022

- Special sponsorship of the Hulic Cup Kisei Championships
 - Established the Hulic Cup Hakurei Championships and women's rank-deciding competition
 - Special sponsorship of the Ministry of Education, Culture, Sports, Science and Technology Cup: Elementary and Junior High School *Shogi* Team Championships
 - Supported the Japan *Shogi* Association *Shogi* Festival (an event to support recovery from the Great East Japan Earthquake)
 - 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
 - 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
 - Donated to Japanese Red Cross Society
 - Supported Mainichi Shimbun's campaign to assist Fukushima
 - Supported New National Theatre, Tokyo
 - Opened onsite childcare nursery facility to local community members
- Held a summer festival for children at the Head Office
 - Supported employees' social contribution activities
 - Donated emergency food stockpiles
 - Supported Naruto Sumo Stable Supporters' Association
 - Supported the Japan Service Dog Association
 - Tree planting
 - Donated to the General Incorporated Association Yoyogi National Gymnasium Steering Committee for World Heritage Nomination
- <Employees' Social Contribution Activities>

 - Donated to Japanese Red Cross Society
 - Donated to Chance for Children
 - Monthly local cleanup drives, 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.

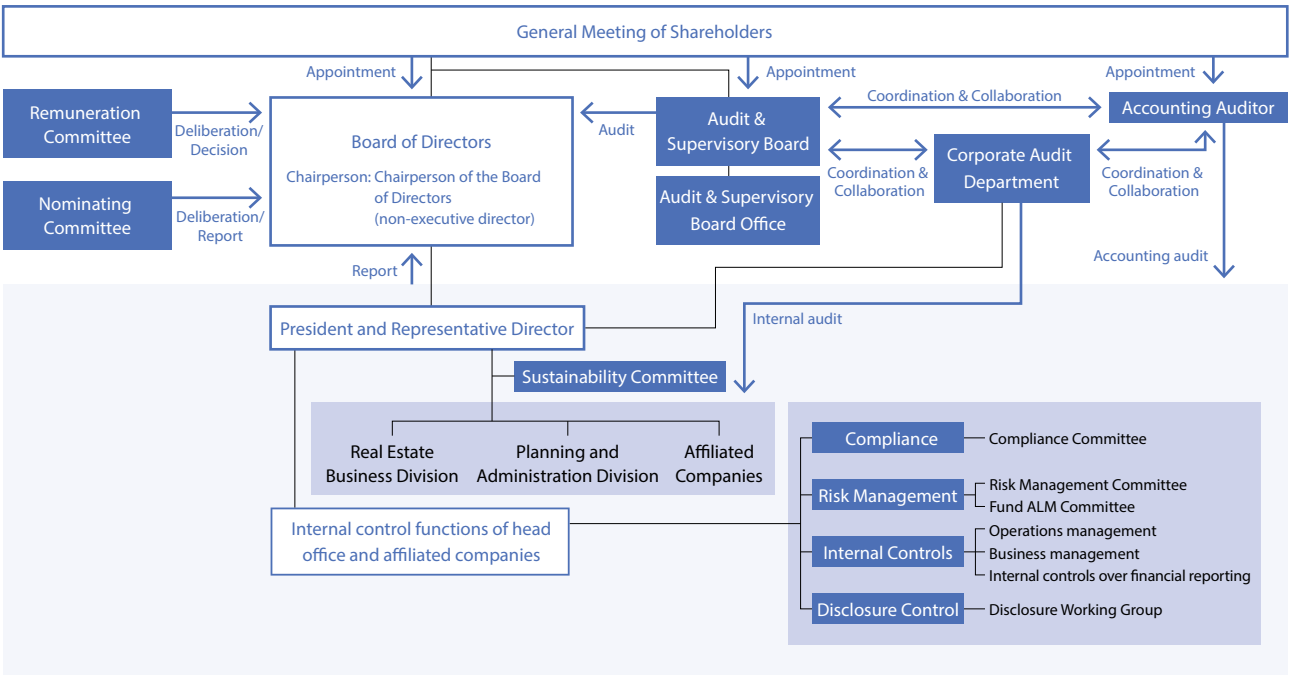
Corporate Governance Mechanism

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. In 2023, the number of external directors increased by two; the Board now has five executive directors and seven non-executive directors. In addition, a non-executive director serves as the chairperson of the Board of Directors (as of March 23, 2023).

Diagram of Hulic’s Corporate Governance (as of March 23, 2023)



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.

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 meets at least once a year following a request from the chairperson. In addition, other members of the committee can also call a meeting, if it is considered 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 meets twice a year following a request from the chairperson. In addition, other members of the committee can also call a meeting, if it is considered 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, 2023, the Board of Directors and Audit & Supervisory Board included 12 male and 5 female members.

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	○	—	○	○
External Director	Kiyomi Akita	○	—	—	—
External Director	Yuko Takahashi	○	—	—	—
Full-Time Audit & Supervisory Board Member	Masahiro Okamoto	—	◎	—	—
Full-Time Audit & Supervisory Board Member	Mie Tanaka	—	○	—	—
External Auditor	Nobuyuki Kobayashi	—	○	—	—
External Auditor	Kenichi Sekiguchi	—	○	—	—
External Auditor	Noriko Koike	—	○	—	—

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 Reference Documents for General Meeting of Shareholder.

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	◎				○		
Kiyomi Akita	External Director		○				◎	
Yuko Takahashi	External Director	○		◎				

*◎ in a director's skill matrix means the director in question has particularly outstanding skills in that particular area.
* 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*1

Name	Attendance at Board of Directors meetings in FY2022	Occupation/affiliation, etc.	Reason for appointment	Independent Director
Tsukasa Miyajima	16 of 16 (100%)	Professor Emeritus of Keio University, Lawyer, Professor of School of Law and Graduate, School of Law of Asahi University	Mr. Miyajima has extensive experience and insight as a person of academic standing and the Company believes that he leverages this expertise in the management of the Group.	○
Hideo Yamada	16 of 16 (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	16 of 16 (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.	○
Shinji Tsuji*2	12 of 12 (100%)	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.	○
Kiyomi Akita	—	Professor Emeritus of the University of Tokyo, Professor of Gakushuin University,	Ms. Akita provides her advice based on her experience in educational research for the benefit of the management of the Group.	○
Yuko Takahashi	—	Yuko Takahashi Certified Public Accountants Office	Ms. Takahashi has expertise in corporate accounting and a wealth of experience as a member of management at a major advertising agency, and the Company believes she leverages this expertise in the management of the Group.	○

External Auditor and Audit & Supervisory Board members*1

Name	Attendance at meetings in FY2022		Occupation/affiliation, etc.	Reason for appointment	Independent Director
	Board of Directors	Audit & Supervisory Board			
Nobuyuki Kobayashi	16 of 16 (100%)	14 of 14 (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	16 of 16 (100%)	14 of 14 (100%)	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 as an External Auditor and Audit & Supervisory Board member.	○
Noriko Koike	—		Koike Certified Public Accountants Office	Ms. Koike has extensive experience and specialized knowledge in accounting, so the Company expects that she will be able to audit management objectively and from a neutral position as an External Auditor and Audit & Supervisory Board member.	○

*1 Information about external directors and external auditors who retired in 2022 is not be included in this list.
*2 Appointed on March 23, 2022

Criteria for Assessing the Independence of Independent External Officers

1. The person himself/herself does not, or has not, at present or in the past three years, fall under the following categories:

- (1) Related parties of the Company
The Company regards persons that fulfill the following requirements to be related parties.
 - (a) An executor of business of a company in which the Company's executor of business*1 assumes an executive position
 - (b) A major shareholder or executor of its business that has 10% or more of the voting rights of the Company directly or indirectly
 - (c) A partner of the Company's financial auditor or its employee who performs audits of the Company
- (2) An executor of business of the Company's major lender*2
- (3) An executor of business of a major counterparty*3 of the Company
- (4) A person who receives remuneration in an amount exceeding 10 million yen annually besides officer's remuneration from the Hulic Group
- (5) A person who executes the business of an organization that receives a donation*4 exceeding a certain amount from the Company

2. Spouse, relatives within the second degree of kinship or persons living together with person himself/herself do not fall under the following categories at present (except for a person who is not significant)

- (1) An executor of a business of the Hulic Group
 - (2) Persons who fall under the categories listed above in 1. (1)-(5)
- Note that when a person is deemed to be independent, although the above-mentioned requirements are not fulfilled, the Company may acknowledge the person to be independent by disclosing the basis for such decision.

*1 Executor of business refers to a director with executive authority over operations and an important employee.
*2 Major lender refers to a lender from which the Company has borrowed funds in an amount exceeding 2% of its consolidated total assets.
*3 Major counterparty refers to a counterparty whose transactions with the Hulic Group exceed 2% of annual consolidated net sales of the said counterparty for the most recent fiscal year.
*4 Donation exceeding a certain amount refers to a donation to an organization in an amount exceeding the larger of 10 million yen per year or 2% of the most recent total revenue of the said organization.

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.

Assessment Details

The FY2022 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, 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.

Feedback from directors include, "My impression is that the explanations of the agenda, the key points, and meetings in

general are all very well balanced," and "The number of female directors and auditors has been further improved."

Auditing Mechanism and Status

Hulic is a company with an Audit & Supervisory Board, which comprises five Audit & Supervisory Board members (two are fulltime 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.

The compensation for directors (excluding non-executive directors) consists of basic fixed compensation, based on their position within the Hulic Group and the weight of their responsibilities, as well as performance-based compensation, which is linked to earnings performance of the Company and their contribution to those 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.

At the 92nd General Meeting of Shareholders it was resolved that the annual amount for Board of Director monetary compensation is up to JPY1,000 million. (Of this amount, up to JPY120 million can be paid to external directors.) 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.

At the 92nd General Meeting of Shareholders it was resolved to set a maximum of 300,000 points per fiscal year for the Stock Benefit Trust (BBT) (excluding non-executive 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 non-executive 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

FY2022

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)	1,045	521	262	262	262	6
Auditors (excluding External Auditors)	72	72	—	—	—	2
External Directors/Auditors	126	126	—	—	—	8

*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 JPY262 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

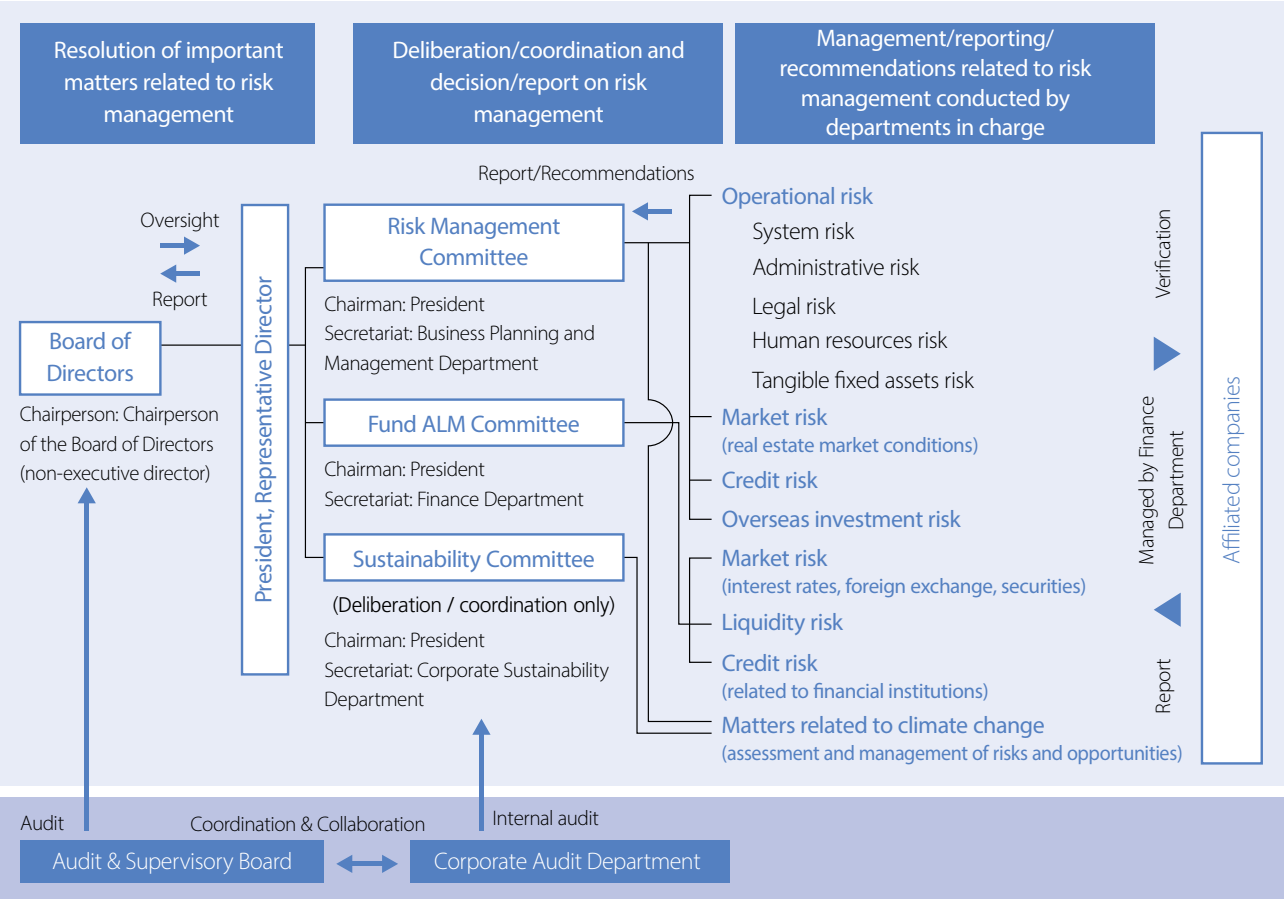
to risk management upon receiving reports from the Committees. We also verify that our affiliated companies are implementing appropriate risk management by requiring them to submit accurate and pertinent reports. In these ways, the Board of Directors has an oversight of risk management of our Group.

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 2022, the Fund ALM Committee held 5 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, 2023



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.62 and 63 “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.64 “Relationships with Business Partners”).

Compliance

Fundamental Approach

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

Compliance Promotion Mechanism

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

and manages compliance-related risk by monitoring the status of compliance including information management, and the status of implementation of compliance program. The Committee reports regularly to the Board of Directors, which in turn resolves important matters related to compliance based on these reports. There were neither internal compliance breaches nor violations of laws, etc. / imposed fines in FY2022.

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 including temporary 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 training for newly appointed executive officers.

Compliance Hotline

Our employees are encouraged to report directly to the internal or external Compliance Hotline when they consider it unlikely that appropriate corrective actions will be implemented after they consult with the compliance officers of their departments on matters involving compliance issues, or when they are uncomfortable consulting with compliance officers due to the nature of the issues involved. 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, considering the expansion of cloud use, comprehensive measures including connection control of devices and network, and monitoring of use logs are promoted at both inside and outside 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. (Only in Japanese) 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.



Shareholder newsletter

Shareholder Incentives

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. The dividend payout ratio in FY 2022 is 40.3%, we are targeting a dividend payout ratio 40% or higher during New Medium-Term Management Plan (2023-2025).

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 2022 we provided online IR meetings to our overseas investors instead of visiting them in person.

External Evaluations of IR Activities

Hulic’s website discloses timely and detailed information on our various activities. In 2022, our website was selected as the “excellent website in all markets ranking” in Nikko Investor Relations Co., Ltd.’s All Japanese Listed Company Website Ranking 2022. In addition, our website won the silver prize in Gómez IR Site Ranking, and also won the Commendation Award in Internet IR Award 2022 by Daiwa Investor Relations Co., Ltd.



Directors, Auditors and Managing Officers (as of April 1, 2023)

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., Representative Director, President
March	2016	Hulic Co., Ltd., Representative Director, Chairman (to date)
May	2022	Riso Kyoiku Co., Ltd., Director (Non-executive) (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., Representative Director, Senior Executive Managing Director
July	2006	Hulic Co., Ltd., Representative Director, Senior Executive Managing Officer
April	2020	Hulic Co., Ltd., Representative Director, Vice President (to date)



Director, Vice President
**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
January	2023	Hulic Co., Ltd., Director, Vice President (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)



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
**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 (currently Panasonic Holdings 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
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
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
June	2022	Sompo Holdings, Inc., Advisor(to date)



External Director
Kiyomi Akita

April	2004	The University of Tokyo Graduate School of Education, Professor
April	2005	The Open University of Japan, Visiting Professor
July	2015	The University of Tokyo Graduate School of Education, Founding President of The Center for Early Childhood Development, Education, and Policy Research
April	2018	The University of Tokyo, Dean of Graduate School of Education and Faculty of Education
April	2021	Gakushuin University, Professor of Department of Education in Faculty of Letters (to date)
June	2021	The University of Tokyo, Professor Emeritus (to date)
March	2023	Hulic Co., Ltd., External Director (to date)

Audit & Supervisory Board Members



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 Mizuho Bank, Ltd., General Manager of Legal Division
July	2016	Nippon View Hotel Co., Ltd., Full-time Statutory External 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
**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
October	2017	Tokyo District Court, Adviser (to date)
June	2019	The Japanese Institute of Certified Public Accountants Tokyo Chapter, Deputy Chairman (to date)
July	2022	The Japanese Institute of Certified Public Accountants, Director (to date)



External Auditor, Audit
& Supervisory Board
Member
Noriko Koike

October	1989	Joined Aoyama Audit Corporation (currently PricewaterhouseCoopers Aarata LLC)
April	1993	Registered as a certified public accountant
September	1994	Joined Yamada & Partners Accounting Office (currently Grant Thornton Yamada & Partners)
January	1997	Established Koike Certified Public Accountants Office
June	2015	The Higashi-Nippon Bank, Limited, External Auditor (to date)
June	2020	Matsumotokiyoishi Holdings Co., Ltd. (currently MatsukiyoCocokara & Co.), Outside Auditor (to date)
March	2023	Hulic Co., Ltd., External Auditor, Audit & Supervisory Board Member (to date)



External Director
Yuko Takahashi

October	1992	Joined Century Audit Corporation (currently KPMG AZSA LLC)
April	1996	Registered as a certified public accountant
February	2001	Joined Dentsu Inc.
April	2010	Dentsu Inc., General Manager of Business Administration Department of Global Business Management Division
August	2014	Dentsu Inc., General Manager of Global Finance Department of Corporate Strategy Division
January	2017	Dentsu Inc., Managing Director of Finance & Accounting Office Division
January	2020	Dentsu Group Inc., Executive Officer
July	2021	Established Yuko Takahashi Certified Public Accountants Office
January	2022	17LIVE Inc., External Auditor (to date)
March	2022	Dentsu Group Inc., Director (Non-executive)
March	2023	Hulic Co., Ltd., External Director (to date)



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

December	2010	Registered as a lawyer
January	2011	Joined Kamatsu & Yonezu Law Office
September	2011	Joined Tamuracho Sogo Law Office
December	2011	Registered as a tax accountant
December	2015	Joined Tairaka Law Offices
October	2016	Joined Hulic Co., Ltd.
October	2017	Hulic Co., Ltd., Assistant Manager of Corporate Planning Department
July	2018	Hulic Co., Ltd., Deputy General Manager of Corporate Planning Department
April	2020	Hulic Co., Ltd., Deputy General Manager of Legal & Compliance Department
November	2020	Hulic Co., Ltd., Deputy General Manager of Business Planning and Management Department
March	2023	Hulic Co., Ltd., Senior Corporate Auditor, Full-Time Audit & Supervisory Board Member (to date)



External Auditor, Audit
& Supervisory Board
Member
**Kenichi
Sekiguchi**

April	1972	Joined Yasuda Mutual Life Insurance Company
April	2001	Yasuda Mutual Life Insurance Company, Executive Director, Deputy Senior Manager of Asset Management Division and General Manager of Operational Policy Division
April	2002	Yasuda Life Direct General Insurance Company, Director and President
January	2004	Meiji Yasuda Life Insurance Company, Managing Director, General Manager of New Market Sales Division
December	2005	Meiji Yasuda Life Insurance Company, Chairman of the Board
July	2006	Meiji Yasuda Life Insurance Company, Chairman of the Board and Executive Officer
July	2013	Meiji Yasuda Life Insurance Company, Special Advisor
March	2014	Hulic Co., Ltd., External Auditor, Audit & Supervisory Board Member (to date)
October	2015	Kyushu Financial Group, Inc., External Auditor (to date)
June	2018	Okuhiei Sankel Driveway Co., Ltd., Director (to date) Shinjuku Subnade Co., Ltd., Director (to date)
April	2022	Meiji Yasuda Life Insurance Company, Honorary Advisor(to date)

Managing Officers

Vice President	Executive Managing Officer	
Yasuki Yakabi	Kazuhiro Noguchi Yasushi Umeda	Hiroshi Hara Mikio Morikawa
Managing Officer		
Yoshito Nishikawa Yuuji Mutagamihigashi Keiko Yoshinaga	Yoshikazu Nagatsuka Hiroyuki Iijima Miki Kurobe	Ken Ohta Mayumi Naruse

Message from the Chairperson of the Board of Directors



Manabu Yoshidome

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

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. Last year, with the aim of changing from a business having directors with a management board to a monitoring structure, we changed the system to have a non-executive director serve as chairperson of the Board of Directors. We also reviewed the Board's standards for agendas, widening the scope of authority that is delegated to executives. The Company's Board of Directors discusses a wide range of items related to medium- and long-term management issues, reinforcing the Board's integrity as a forum for in-depth discussions.

The main theme for FY2022 was to complete the Medium-Term Management Plan and to deepen discussions on devising the new Medium-Term Management Plan, starting in 2023 and finishing in 2025. Throughout the fiscal year, important management topics, such as sustainable management, human capital, and new businesses, were raised on the agenda with discussions and opinions being exchanged. At the interim stage, we moved away from individual topics and discussed on the vision and management policy of the Company under the theme of the framework for the next medium-term management plan. Through this process we were able to clarify the medium- to long-term challenges and risks, with all Board members sharing the same direction and all the items that need to be addressed. For this reason, we were able to deliberate on devising the new Medium-Term Management Plan by the end of the fiscal year. I believe that the new Medium-Term Management Plan has now been fully discussed and finalized. During deliberations on the new Medium-Term Management Plan, I was particularly impressed by the strong support from the external directors for pursuing business models not found at other companies. As the business environment undergoes major changes, the Board of Directors will work to achieve an assertive governance framework and to create an environment where everyone can actively take on new challenges.

Future Responsibilities of the Board of Directors

New Medium-Term Management Plan (2023–2025) is intended to steadily improve corporate value by addressing social issues based on sustainable profit growth. We will fulfill the responsibilities of the Board of Directors to meet the expectations of stakeholders and society through comprehensive risk management and effective risk-taking to be able to respond quickly and flexibly to changes in the business environment.

With the addition of two external directors to the Board of Directors in FY 2023, the ratio of external directors has increased to 50% and the ratio of non-executive directors to approximately 60%, helping to make further strides toward a monitoring board structure. Moreover, all four newly appointed directors and auditors are women, resulting in 30% of executives on the board being female. All of the new executive officers have a diverse background and expertise. I have no doubt that the Board of Directors, which has become increasingly more diverse, will have more and more active discussions from many different perspectives.

Messages from an External Director and an External Auditor



Shinji Tsuji

External Director

Extensive experience and broad insight as a corporate manager.
External Director since 2022

Two experiences in my life have taught me the importance of corporate governance. The first was when I was dispatched as a member of the bankruptcy resolution team to a non-life insurance company that went bankrupt after the 9/11 terrorist attacks in the United States in 2001. This company became insolvent because flaws were found in the reinsurance contracts and the company could not bear the huge insurance payouts associated with such an unprecedented situation. This company was subsequently placed under court control and all directors resigned. The other experience I had was with the nonpayment of insurance claims that happened in 2005. This was caused when the development of new insurance products in the industry intensified and practices in the field could

not keep up. Consequently, senior management resigned following severe administrative actions. As head of the Public Relations Department, I had no choice but to deal with the media during those tough times. It takes ten years to build a castle and one day for it to fall. Both of these incidents happened before 2015 when the Corporate Governance Code was introduced in Japan.

In the real estate market, a corporate alliance led by Hulic set new record highs for domestic real estate transactions for two consecutive years, in 2021 and 2022. Hulic's performance has successively earned record profits. At the same time, we are raising the level of corporate governance to keep pace with this direction. The Board of Directors in FY2023 has equal numbers of internal and external directors: six of each. This includes three female external directors, two more than last fiscal year. There are now more external members attending meetings of the Board of Directors, including two full-time auditors and three external auditors from the Audit & Supervisory Board. The next challenge, after changing the business structure and the number of people, is to increase the Board's effectiveness. In addition to achieving our goals for profit and capital efficiency, we will fulfill our responsibilities by becoming a company that is always trusted by stakeholders, while giving more than thought to popular themes, including the SDGs, purpose, and Generation Z.



Kenichi Sekiguchi

External Auditor, Audit &
Supervisory Board Member

Extensive experience and broad insight as a corporate manager.
External Auditor since 2014

considering whether or not the agenda has been submitted after being considered by the related departments. At the same time, we comprehensively check to see whether everything has been fully examined, attempting to ensure there are no errors due to omissions.

In addition, the Audit & Supervisory Board regularly receives reports from the head of the Internal Audit Department and checks for consistency between the contents of the reports and the Board of Directors' proposals. Audit reports from affiliated companies also ensure that everything is in order.

The key point of an audit is how the Company strives to improve the environment in order to develop a sustainable social and economic system. The challenge of self-improvement is to explore where the demands of stakeholders to address changes on a global scale meet with the way management should go about business.

Expectations for Hulic

Hulic's rapid growth to date has been achieved by first employing specialized talent in growth areas identified by senior management and second by constantly appointing the very best people available. I think that the various metrics and indicators related to Hulic's employees speak for themselves.

By continuing to place this basic management style of "business is people" at the core of the Company's growth strategy, I would like Hulic to build an asset portfolio that is in tune with changes in the population and industrial structure as well as changes in user needs, to become a Company that anticipates change. At the same time, real estate is culture itself. I believe that Hulic's unique character will stand out if we can also express the good qualities of things that have not changed.

Hulic's Corporate Governance System

Seventeen people attend Board of Directors meetings: 12 directors and five auditors. Of these 17, nine are external officers (six directors and three auditors). Since each of the external officers has different expertise, experience, career, and qualities in their fields, I feel that opinions are exchanged from a broad range of perspectives on the prospects of the Company and corporate issues.

Looking at the discussions that take place at Board meetings, since the agenda is shared and read by attendees before the meeting I think that any questions or issues that are raised quickly get to the heart of the problem. When making comments on items related to an uncertain future, the views of the person who raises the issue of the quality of the risks and where the risk are as well as their scale could differ from the views expressed during discussions. From a governance perspective, I think these differences are in themselves meaningful.

Role as an External Auditor

The role of an external auditor is to go over the materials while

Financial Information

Financial Analysis

Business Results

Revenue from Operations

Consolidated revenue from operations in FY2022 amounted to JPY523,424 million, increased JPY76,346 million from FY2021. This was due to a stable rent income from properties completed and new properties acquired in FY2021 and in FY2022, as well as higher sales from real estate for sale.

Operating Income

Operating income for FY2022 amounted to JPY126,147 million, rose JPY11,640 million from FY2021. This was due to a stable rent income from properties completed and properties acquired, as well as higher sales from real estate for sale.

Ordinary Income

Ordinary income for FY2022 amounted to JPY123,222 million, increased JPY13,640 million from FY2021. This was due to the above-mentioned increase in operating income, as well as increase of non-operating income because of the increase of income related to termination of lease contracts.

Profit attributable to owners of parent

During FY2022, profit attributable to owners of parent was JPY79,150 million, rose JPY9,586 million from FY2021. This was due to the above-mentioned increase in ordinary income, as well as increase of loss on reconstructions of buildings and tax expenses.

The business results for each segment were 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

approximately 260 buildings and properties (excluding real estate for sale), amounting to approximately 1,360,000 square meters of floor space, located mainly in Tokyo's 23 wards. From the perspective of improving the quality of its leasing portfolio with asset class balance meeting market needs and competitiveness, the Company works 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, the Company works to strengthen value-added business which brings profit by improving asset value with refurbishment or redevelopment.

New acquisitions (non-current assets) in FY2022 included Hulic Shibuya Udagawa-cho Building (Shibuya-ku, Tokyo) (additional acquisition), Hitachi Solutions Tower (Shinagawa-ku, Tokyo), Hulic Minatomirai (Naka-ku, Yokohama-shi), Suzuno Main Store Building (Taito-ku, Tokyo), One's mall (Chiba-shi, Chiba), LF Itabashi (land) (Itabashi-ku, Tokyo) and others.

In development and reconstruction business (non-current assets), HULIC &New GINZA NAMIKI 6 (Chuo-ku, Tokyo) was completed in May 2022.

In addition, the Company acquired Ginza Core (Chuo-ku, Tokyo) and determined to take part in the joint redevelopment project of Ginza Core and entered into the basic agreement with the right holders. The Company also acquired lands for (tentative name) Shinjuku 318 Development Project (Shinjuku-ku, Tokyo) and (tentative name) Misato Logistics Development Project (Misato-shi, Saitama). Besides these activities, (tentative name) Sendagaya Center Building Reconstruction Project (Shibuya-ku, Tokyo), (tentative name) Hulic Fukuoka Building Reconstruction Project (Chuo-ku, Fukuoka-shi), (tentative name) Sapporo Reconstruction Project II (Chuo-ku, Sapporo-shi), (tentative name) Ginza Building Reconstruction Project

(Chuo-ku, Tokyo) and (tentative name) Shinsaibashi Project (Chuo-ku, Osaka), etc. were proceeded as planned.

In PPP (Public Private Partnership) business, the Company concluded the basic agreement and promoted "Urban Renewal Step-Up Project (Shibuya Area) Shibuya 1-chome Area Joint Development Project" conducted by the Tokyo Metropolitan Government and the Shibuya City Government. In addition, (tentative name) Kinshicho Development Project (Sumida-ku, Tokyo) (completed in January 2023), etc. were proceeded as planned.

As for real estate for sale, FKD Shopping Mall Utsunomiya Inter Park (Utsunomiya-shi, Tochigi), etc. were acquired, and properties including Ikebukuro Tokyu Hands (Toshima-ku, Tokyo), Bleu Cinq Point (Minato-ku, Tokyo), Hulic Kobunacho Building (Chuo-ku, Tokyo) (partial), Leaf Minatomirai (Nishi-ku, Yokohama-shi) and FKD Shopping Mall Utsunomiya Inter Park (Utsunomiya-shi, Tochigi) (partial), etc. were sold.

As described above, the segment operations progressed as planned because rent income from real estate was firm and stable due to completion of properties as well as acquisition of properties in FY2021 and FY2022. In addition, sales of real estate progressed steadily during FY2022. As a result, revenue from operations in this business segment totaled JPY493,143 million (increased JPY66,431 million or 15.5% year on year) and operating income was JPY139,779 million (increased JPY8,534 million or 6.5% year on year).

Insurance Agency

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

insurance business industry, the Company pursued 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 JPY3,616million (increased JPY456million or 14.4% year on year) and the operating income was JPY1,040million (increased JPY247million or 31.2% 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 FY2022, ADR (Average Daily Rates) and occupancy rates were recovering, although the business was affected by temporal restrictions on going out due to increased number of COVID-19 positive cases during FY2022.

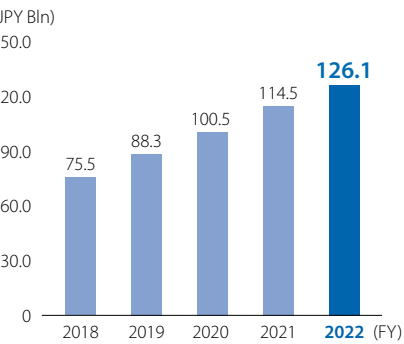
As a result, revenue from operations was JPY27,635 million (increased JPY10,970 million or 65.8 % year on year) and operating loss was JPY5,099 million (JPY7,995 million loss same period of FY2021).

Others

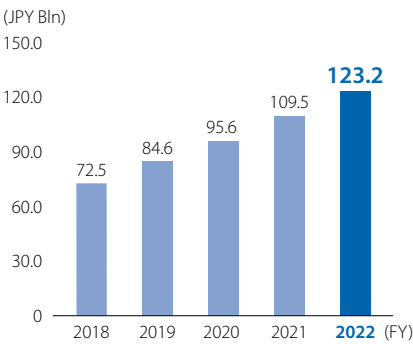
Hulic Build Co., Ltd., one of the Company's consolidated subsidiaries, regularly takes orders of repair constructions, constructions of refurbishment at the end of lease contracts and interior fit-outs at the beginning of lease contracts from the Company's existing properties.

As a result, revenue from operations was JPY7,627 million (decreased JPY868 million or 10.2 % year on year) and operating income was JPY607 million (decreased JPY202 million or 24.9% year on year).

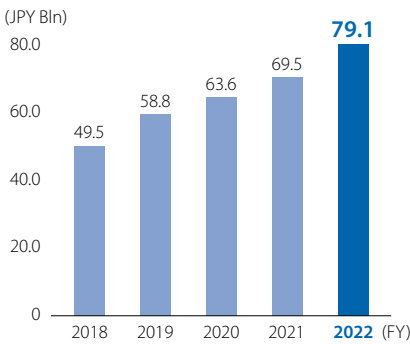
Operating Income



Ordinary Income



Profit Attributable to Owners of Parent



Financial Position

Assets

Total assets as of the balance sheet date was JPY2,320,337 million, increased JPY113,011 million from the end of FY 2021. From the perspective of strengthening of development and value-added business and improving the quality of the leasing portfolio, the Group is working to newly acquire, develop and reconstruct properties.

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

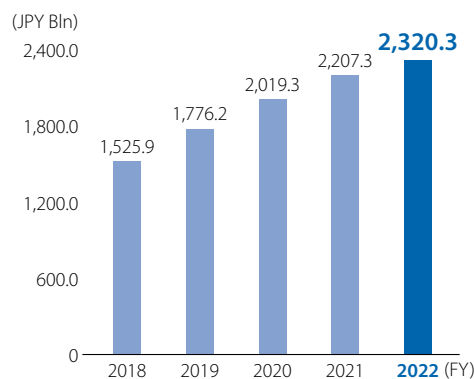
Changes in amount of major items were as follows

- Cash and deposits ————— Decreased JPY67,805 million
- Real estate for sale ————— Decreased JPY19,007 million
(Transfer from non-current assets, acquisition and sales of properties, etc.)
- Land ————— Increased JPY108,045 million
(Acquisition of properties, transfer to real estate for sale, etc.)
- Investment securities ————— Increased JPY59,158 million
(Acquisition and sales of investment securities, and an increase in unrealized gains of investment securities etc.)

Liabilities

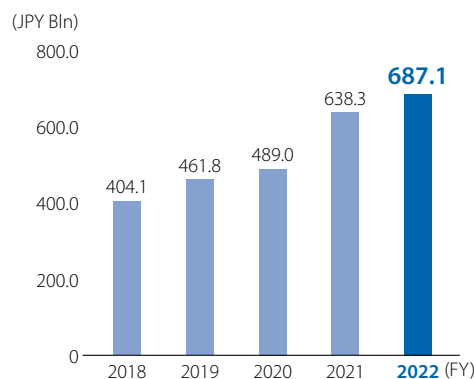
Total liabilities as at the end of FY2022 was JPY1,633,183 million, increased JPY64,190 million from the end of FY2021. This was mainly attributable to financing carried out for capital investment and the like.

The balance of interest-bearing borrowings was JPY1,019,986 million, which included JPY11,745 million non-recourse borrowings owed by a consolidated SPC. Financing from financial institutions is operated stably at low cost thanks to the credit strength on the back of the Group's high earnings level.

Total Assets**Net Assets**

Total net assets at the end of FY2022 was JPY687,153 million, increased JPY48,820 million from the end of FY2021. Total shareholders' equity was JPY646,469 million, increased JPY47,213 million from the end of FY2021, due mainly to the increase of retained earnings in profit attributable to owners of parent and the decrease of retained earnings in the cash dividend payment.

Total accumulated other comprehensive income was JPY40,258 million, increased JPY1,715 million from the end of FY2021. This was mainly due to an increase in net unrealized holding gains on securities as a result of an increase of JPY3,693 million in unrealized gains on marketable securities.

Net Assets**Cash Flows**

In FY2022, cash and cash equivalents (hereinafter "cash") increased by JPY266,108 million through operating activities, decreased by JPY345,335 million through investing activities and increased by JPY11,441 million through financing activities and, as a result, amounted to JPY138,300 million as of the balance sheet date.

Cash flows in each activities and the major contributing factors in FY2022 were presented as follows.

Cash flows from operating activities

Net cash of operating activities was JPY266,108 million (decreased JPY25,627 million year on year). This was mainly attributable to JPY117,478 million in profit before income taxes with the main factors of rent income from real estate and sales of real estate for sale as well as JPY16,253 million of depreciation expense and decrease of JPY166,066 million in real estate for sale.

Cash flows from investing activities

Net cash of investing activities was negative JPY345,335 million (increased JPY58,392 million year on year). This was mainly attributable to ongoing development and reconstruction projects and acquisitions of new properties, both carried out from the perspective of creating a robust leasing portfolio.

Cash flows from financing activities

Net cash of financing activities was JPY11,441 million (decreased JPY95,147 million year on year). This was mainly attributable to financing for above-mentioned development and reconstruction projects and acquisitions of new properties, as well as 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.

	FY2021	FY2022
Rental properties and investment		
Amount on consolidated balance sheets		
Balance at beginning of year	1,373,736	1,376,282
Increase/decrease during year	2,545	71,863
Balance at the end of year	1,376,282	1,448,145
Fair value at the end of year	1,699,390	1,753,289
Real estate including portions used as rental properties and investment		
Amount on consolidated balance sheets		
Balance at beginning of year	133,973	131,821
Increase/decrease during year	(2,151)	2,749
Balance at the end of year	131,821	134,571
Fair value at the end of year	173,323	205,259

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 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). The key increase/decrease during FY2022 was the increase due to real estate acquisitions (JPY275,842 million) and the decrease due to transfer to real estate for sale (JPY151,075 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.

	FY2021	FY2022
Rental properties and investment		
Rental revenue	68,483	67,710
Rental cost	27,811	29,772
Difference	40,672	37,937
Other profit (loss)	(113)	(3,285)
Real estate including portions used as rental properties and investment		
Rental revenue	5,437	4,065
Rental cost	5,680	5,015
Difference	(242)	(950)
Other profit (loss)	(332)	(1,286)

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 FY2021 mainly includes loss on reconstruction buildings and loss on disposal of non-current assets posted under extraordinary loss. For FY2022, 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		2012	2013	2014	2015	2016	2017	2018*1	2019	2020	2021	2022*2
Fiscal Year	Revenue from operations (JPY million)	94,319	108,444	212,791	169,956	215,780	289,618	287,513	357,272	339,645	447,077	523,424
	[Revenue from operations for each segment]*3											
	Real estate business (JPY million)	84,346	95,726	199,910	137,544	182,883	258,597	256,322	332,564	311,695	422,340	487,627
	Insurance agency business (JPY million)	2,417	2,631	2,886	3,260	3,191	3,479	4,056	2,989	2,966	3,159	3,616
	Hotels / Ryokans (JPY million)	—	—	—	—	—	—	—	16,402	17,653	16,349	27,332
	Staffing business (JPY million)	—	—	—	19,094	19,023	18,620	17,955	—	—	—	—
	Others (JPY million)	7,555	10,087	9,994	10,057	10,681	8,921	9,178	5,315	7,330	5,229	4,847
	Operating income (JPY million)	22,571	29,114	36,032	42,002	53,377	64,249	75,564	88,353	100,596	114,507	126,147
	[Operating income for each segment]											
	Real estate business (JPY million)	25,116	31,448	38,519	44,185	57,353	69,208	81,065	95,711	115,374	131,245	139,779
	Insurance agency business (JPY million)	449	631	747	987	898	1,077	1,596	619	667	792	1,040
	Hotels / Ryokans (JPY million)	—	—	—	—	—	—	—	(0)	(7,492)	(7,995)	(5,099)
	Staffing business (JPY million)	—	—	—	515	353	335	360	—	—	—	—
	Others (JPY million)	499	655	696	822	911	790	356	597	1,157	809	607
	Elimination or corporate (JPY million)	(3,494)	(3,620)	(3,929)	(4,507)	(6,140)	(7,162)	(7,814)	(8,574)	(9,110)	(10,344)	(10,180)
	Ordinary income (JPY million)	20,033	25,983	34,314	42,534	51,432	61,870	72,530	84,645	95,627	109,581	123,222
	Profit attributable to owners of parent (JPY million)	11,487	15,970	22,352	33,628	34,897	42,402	49,515	58,805	63,619	69,564	79,150
	Capital expenditure (JPY million)	141,380	66,802	92,396	288,720	107,140	198,260	256,037	381,623	327,144	212,917	293,644
	Depreciation and amortization (JPY million)	5,855	6,873	7,411	8,929	11,299	11,736	11,942	14,172	15,866	15,939	16,253
End of the Fiscal Year	Total assets (JPY million)	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	2,320,337
	Current assets (JPY million)	76,967	123,371	86,188	160,261	128,007	164,913	187,404	183,941	248,290	328,931	250,901
	Real estate for sale (JPY million)	52,691	90,116	37,124	86,587	63,510	111,458	143,901	116,967	135,970	109,777	90,770
	Non-current assets (JPY million)	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	2,067,114
	Interest-bearing debts (JPY million)*4	416,608	462,028	473,297	658,213	665,375	826,697	975,145	1,146,079	1,360,188	1,394,487	1,440,986
	Net assets (JPY million)	149,895	177,280	205,421	317,045	341,087	378,855	404,135	461,856	489,043	638,332	687,153
	Equity (JPY million)	148,622	176,007	202,337	312,937	336,903	375,405	400,738	459,093	486,487	637,799	686,728
Information per Share	Net income per share (EPS) (yen)	22.31	27.01	37.72	52.75	53.00	64.38	75.18	88.93	95.23	101.09	104.00
	Net assets per share (BPS) (yen)	251.74	297.24	341.40	474.90	511.68	570.02	608.49	687.01	728.31	836.89	902.70
	Dividends per share (yen)	—*5	6.50	10.50	15.50	17.00	21.00	25.50	31.50	36.00	39.00	42.00
Cash Flow Information	Cash flows from operating activities (JPY million)	8,472	11,114	84,123	36,272	108,407	45,724	130,973	231,180	202,304	291,736	266,108
	Cash flows from investing activities (JPY million)	(30,554)	(49,548)	(83,815)	(284,580)	(111,018)	(189,088)	(258,127)	(358,334)	(343,137)	(286,943)	(345,335)
	Cash flows from financing activities (JPY million)	20,854	42,841	4,192	257,934	(5,715)	148,483	131,010	141,523	187,388	106,588	11,441
Major Indicators	Equity ratio (%) *6	23.2	24.4	26.1	28.6	29.7	27.7	31.1*7	30.0*7	32.7*7	36.8*7	37.1*7
	Return on equity (ROE) (%) *8	9.1	9.8	11.8	13.0	10.7	11.9	12.7	13.6	13.4	12.3	11.9
	Return on assets (ROA) (%) *9	3.5	3.8	4.5	4.5	4.6	4.9	5.0	5.1	5.0	5.1	5.4
	EBITDA (JPY million) *10	30,092	37,809	44,870	54,678	66,403	77,785	89,462	105,454	119,250	135,270	148,858
	Debt/EBITDA ratio (times) *11	13.8	12.2	10.5	12.0	10.0	10.6	10.0*7	10.1*7	9.9*7	9.0*7	8.5*7
	Net debt to equity ratio (times) *12	2.8	2.8	2.6	2.2	2.1	2.3	1.9*7	2.0*7	1.7*7	1.3*7	1.3*7
	Dividend payout ratio (%)	—*5	24.0	27.8	29.3	32.0	32.6	33.9	35.4	37.8	38.5	40.3
	Number of issued shares (including treasury stock) (share)	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	767,907,735
	Employees (consolidated) (people)	429	461	753	784	836	862	936	1,878	1,934	1,496	1,347
	Employees (non-consolidated) (people)	129	125	116	128	149	156	166	181	184	189	202

Former Hulic

New Hulic

Merger with Shoei Co., Ltd.*5

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

*1 The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, dated February 16, 2018) from FY2019. The figures for FY2018 were adjusted retrospectively to reflect the aforementioned changes.

*2 The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, dated March 31, 2020), etc. since the beginning of FY2022. The figures for FY2022 have been calculated using this standard.

*3 Revenue from operations of each segment omitted inter-segment revenue from operations and the balance of book-entry transfers.

*4 Excluded lease liabilities

*5 The merger that occurred on July 1, 2012 was a "reverse acquisition" under the accounting treatment for business combination, which means the former Shoei Co., Ltd. being the acquiring company and the former Hulic Co., Ltd. being the acquired company. Due to that effect, dividends per share and dividend payout ratio for FY2012 were not noted. The share exchange ratio for the former Shoei Co., Ltd. and the former Hulic Co., Ltd. was 1 to 3.

*6 Equity ratio = Equity / Total assets

*7 In 2018 and 2019, 50% (JPY75 Bln) of hybrid finance (JPY150 Bln) was calculated as nominal equity. Similarly, 50% (JPY175 Bln) of hybrid finance (JPY350 Bln) was calculated as such in and after FY2020.

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

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

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

*11 Debt/EBITDA ratio = Interest-bearing debts / EBITDA

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

Consolidated Financial Statements

Consolidated Balance Sheets

	(JPY million)	
	FY2021	FY2022
Assets		
Current assets		
Cash and deposits	206,206	138,400
Notes and accounts receivable	4,876	—
Notes and accounts receivable, and contract assets	—	7,097
Merchandise	20	21
Real estate for sale	109,777	90,770
Real estate for sale in process	—	4,355
Advance payments - construction in progress	581	21
Supplies	321	371
Other current assets	7,381	9,870
Allowance for doubtful accounts	(232)	(7)
Total current assets	328,931	250,901
Non-current assets		
Tangible non-current assets		
Buildings and structures	304,136	303,251
Depreciation	(70,460)	(69,776)
Buildings and structures (Net amount)	233,675	233,474
Machinery, equipment and vehicles	7,668	11,373
Depreciation	(2,043)	(2,483)
Machinery, equipment and vehicles (Net amount)	5,624	8,890
Land	1,266,859	1,374,904
Construction in progress	9,630	16,207
Other tangible non-current assets	15,200	15,669
Depreciation	(3,524)	(4,696)
Other tangible non-current assets (Net amount)	11,676	10,972
Total tangible non-current assets	1,527,466	1,644,449
Intangible non-current assets		
Goodwill	3,711	4,795
Leasehold rights	79,420	81,233
Other intangible non-current assets	1,559	2,199
Total intangible non-current assets	84,691	88,228
Investments and other assets		
Investment securities	225,547	284,706
Lease deposits	28,894	37,545
Deferred tax assets	951	856
Net defined benefit assets	326	493
Other investments and assets	8,168	10,865
Allowance for doubtful accounts	(14)	(31)
Total investments and other assets	263,873	334,436
Total non-current assets	1,876,031	2,067,114
Deferred assets		
Opening cost	30	22
Share issuance cost	626	404
Bond issuance cost	1,705	1,895
Total deferred assets	2,362	2,321
Total assets	2,207,325	2,320,337

	(JPY million)	
	FY2021	FY2022
Liabilities		
Current liabilities		
Short-term borrowings	660	660
Long-term borrowings payable within one year	71,500	161,577
Bonds payable within one year	—	50,000
Accounts payable	3,704	3,843
Income taxes payable	10,773	11,531
Cash in advance	6,720	6,543
Allowance for employees' bonus	352	377
Allowance for directors' and corporate auditors' bonus	351	340
Other current liabilities	12,988	10,883
Total current liabilities	107,052	245,757
Non-current liabilities		
Corporate bonds	345,000	371,000
Long-term borrowings	977,326	857,748
Deferred income taxes	40,499	53,532
Allowance for stock benefits	2,232	2,846
Net defined benefit liability	1,457	1,634
Deposits from tenants	82,573	88,287
Other non-current liabilities	12,852	12,376
Total non-current liabilities	1,461,940	1,387,426
Total liabilities	1,568,993	1,633,183
Net assets		
Shareholders' equity		
Common stock	111,609	111,609
Capital surplus	137,759	137,741
Retained earnings	352,351	401,090
Treasury stock	(2,464)	(3,971)
Total shareholders' equity	599,256	646,469
Accumulated other comprehensive income		
Net unrealized gains on securities	38,401	40,267
Deferred gains (losses) on hedges	(54)	(261)
Foreign currency translation adjustment	—	0
Accumulated remeasurements of defined benefit plans	195	252
Total accumulated other comprehensive income	38,542	40,258
Non-controlling interests	533	424
Total net assets	638,332	687,153
Total liabilities and total net assets	2,207,325	2,320,337

Consolidated Statements of Income

	(JPY million)	
	FY2021	FY2022
Revenue from operations	447,077	523,424
Cost of revenue from operations	291,668	350,854
Gross operating profit	155,409	172,569
Selling, general and administrative expenses	40,902	46,422
Operating income	114,507	126,147
Non-operating income		
Interest income	9	10
Dividend income	2,559	3,131
Equity in income of affiliates	458	1,033
Termination of lease contracts	1,552	4,303
Subsidies for employment adjustment, etc.	1,171	352
Other	787	470
Total non-operating income	6,539	9,301
Non-operating expenses		
Interest expenses	10,208	10,415
Other	1,256	1,810
Total non-operating expenses	11,464	12,225
Ordinary income	109,581	123,222
Extraordinary gains		
Gain on sales of investment securities	278	2,380
Gain on investments in silent partnership	154	132
Subsidies for employment adjustment, etc.	237	14
Proceeds from contribution for construction	84	6
Other	—	18
Total extraordinary gains	755	2,552
Extraordinary losses		
Loss on disposal of non-current assets	1,260	3,387
Loss on reconstructions of buildings	767	4,080
Loss on sales of investment securities	23	12
Loss on COVID-19	2,082	—
Other	541	816
Total extraordinary losses	4,675	8,296
Income before income taxes and non-controlling interests	105,662	117,478
Current income taxes	26,437	26,666
Deferred income taxes	8,766	11,661
Total current income taxes and deferred income taxes	35,204	38,328
Net income before non-controlling interests	70,457	79,150
Profit attributable to non-controlling interests	893	0
Profit attributable to owners of parent	69,564	79,150

Consolidated Statements of Comprehensive Income

	(JPY million)	
	FY2021	FY2022
Net income before non-controlling interests	70,457	79,150
Other comprehensive income		
Net unrealized gains (losses) on securities	8,361	2,963
Deferred gains (losses) on hedges	(40)	(206)
Remeasurements of defined benefit plans, net of tax	310	64
Share of other comprehensive income of affiliates accounted for using equity method	415	(1,105)
Total other comprehensive income	9,046	1,715
Comprehensive income	79,504	80,866
(Breakdown)		
Comprehensive income attributable to owners of the parent	78,610	80,866
Comprehensive income attributable to non-controlling interests	893	0

Consolidated Statements of Changes in Net Assets

(JPY million)

FY2021

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
The balance at beginning of fiscal year	62,718	88,867	308,012	(2,607)	456,991
Cumulative effects of changes in accounting policies					—
Balance at January 1, 2021 reflecting changes in accounting policies	62,718	88,867	308,012	(2,607)	456,991
The changes during the period					
Issuance of new shares	48,891	48,891			97,782
Cash dividends			(25,224)		(25,224)
Profit attributable to owners of parent			69,564		69,564
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock		0		168	168
Change in scope of equity method				(23)	(23)
Net changes in items other than shareholders' equity					
Total changes during the period	48,891	48,891	44,339	142	142,264
Balance at the end of fiscal year	111,609	137,759	352,351	(2,464)	599,256

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
The balance at beginning of fiscal year	29,630	(14)	(119)	29,495	2,555	489,043
Cumulative effects of changes in accounting policies						—
Balance at January 1, 2021 reflecting changes in accounting policies	29,630	(14)	(119)	29,495	2,555	489,043
The changes during the period						
Issuance of new shares						97,782
Cash dividends						(25,224)
Profit attributable to owners of parent						69,564
Purchase of treasury stock						(2)
Disposal of treasury stock						168
Change in scope of equity method						(23)
Net changes in items other than shareholders' equity	8,771	(40)	315	9,046	(2,022)	7,024
Total changes during the period	8,771	(40)	315	9,046	(2,022)	149,289
Balance at the end of fiscal year	38,401	(54)	195	38,542	533	638,332

(JPY million)

FY2022

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
The balance at beginning of fiscal year	111,609	137,759	352,351	(2,464)	599,256
Cumulative effects of changes in accounting policies			254		254
Balance at January 1, 2022 reflecting changes in accounting policies	111,609	137,759	352,606	(2,464)	599,511
The changes during the period					
Cash dividends			(30,666)		(30,666)
Profit attributable to owners of parent			79,150		79,150
Purchase of treasury stock				(1,530)	(1,530)
Disposal of treasury stock		0		23	23
Change in treasury stock arising from change in equity in affiliates accounted for using equity method				0	0
Change in ownership interest of parent due to transactions with non-controlling interests		(18)			(18)
Net changes in items other than shareholders' equity					
Total changes during the period	—	(18)	48,484	(1,507)	46,958
Balance at the end of fiscal year	111,609	137,741	401,090	(3,971)	646,469

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
The balance at beginning of fiscal year	38,401	(54)	—	195	38,542	533	638,332
Cumulative effects of changes in accounting policies							254
Balance at January 1, 2022 reflecting changes in accounting policies	38,401	(54)	—	195	38,542	533	638,587
The changes during the period							
Cash dividends							(30,666)
Profit attributable to owners of parent							79,150
Purchase of treasury stock							(1,530)
Disposal of treasury stock							23
Change in treasury stock arising from change in equity in affiliates accounted for using equity method							0
Change in ownership interest of parent due to transactions with non-controlling interests							(18)
Net changes in items other than shareholders' equity	1,866	(206)	0	56	1,715	(108)	1,607
Total changes during the period	1,866	(206)	0	56	1,715	(108)	48,566
Balance at the end of fiscal year	40,267	(261)	0	252	40,258	424	687,153

Consolidated Statements of Cash Flows

(JPY million)

	FY2021	FY2022
Cash flows from operating activities		
Profit before income taxes	105,662	117,478
Depreciation and amortization	15,939	16,253
Increase/decrease in allowance for doubtful accounts (decrease)	227	214
Increase/decrease in allowance for employees' bonus (decrease)	9	25
Increase/decrease in allowance for directors' and corporate auditors' bonus (decrease)	25	(10)
Increase/decrease in allowance for stock benefits (decrease)	493	637
Increase/decrease in net defined benefit assets and liabilities	70	114
Interest and dividend income	(2,569)	(3,141)
Interest expenses	10,208	10,415
Equity in gain/loss of affiliated companies (gain)	(458)	(1,033)
Loss on disposal of non-current assets	1,260	3,387
Loss (gain) on sales of non-current assets	—	(2)
Gain/loss on sales of investment securities (gain)	(255)	(2,368)
Gain/loss on investments in silent partnership (gain)	(107)	(132)
Increase/decrease in receivables (increase)	(366)	(1,203)
Increase/decrease in real estate for sale (increase)	206,353	166,066
Increase/decrease in operational investment securities (increase)	2,712	—
Increase/decrease in lease deposits (increase)	(9,134)	(8,651)
Increase/decrease in deposits from tenants (decrease)	(18)	5,714
Increase/decrease in other assets (increase)	3,479	(804)
Increase/decrease in other liabilities (decrease)	200	(4,780)
Subtotal	333,732	298,178
Cash receipts of interest and dividend income	2,613	4,053
Cash payments of interest expense	(10,217)	(10,195)
Income taxes paid	(34,393)	(26,020)
Income taxes refund	1	92
Net cash provided by operating activities	291,736	266,108

(Continuing to upper right)

(JPY million)

	FY2021	FY2022
Cash flows from investing activities		
Transfer to time deposits	(120)	(100)
Proceeds from withdrawal of time deposits	346	120
Purchase of tangible non-current assets	(211,688)	(291,108)
Proceeds from sales of non-current assets	—	16
Purchase of intangible non-current assets	(1,991)	(2,125)
Purchase of investment securities	(75,927)	(71,594)
Proceeds from sales of investment securities	1,894	5,943
Proceeds from redemption of investment securities	383	13,289
Payments from sales of investments in subsidiaries resulting in change in scope of consolidation	—	574
Payments of loans receivable	(5)	(3)
Collections of loans receivable	8	4
Other	157	(350)
Net cash provided by (used in) investing activities	(286,943)	(345,335)
Cash flows from financing activities		
Increase/decrease in short-term borrowings (decrease)	(380)	—
Increase/decrease in short-term bonds (decrease)	4	7
Proceeds from long-term borrowings	94,000	42,000
Repayment of long-term borrowings	(55,956)	(73,076)
Proceeds from issuance of bonds	—	75,346
Proceeds from issuance of stock	97,120	—
Proceeds from sales of treasury stock	0	0
Payment for acquisition of treasury stock	(2)	(1,530)
Cash dividend paid	(25,224)	(30,666)
Proceeds from stock issuance to non-controlling shareholders	100	—
Dividends paid to non-controlling interests	(855)	(4)
Other	(2,216)	(635)
Net cash provided by (used in) financing activities	106,588	11,441
Net increase/decrease in cash and cash equivalents (decrease)	111,381	(67,785)
Cash and cash equivalents at the beginning of year	94,704	206,086
Cash and cash equivalents at the end of year	206,086	138,300

Key Stock Information (as of December 31, 2022)

Number of Authorized Shares	1,800,000,000
Number of Shares Issued	767,907,735
Number of Shareholders	171,652

Major Shareholders (as of December 31, 2022)

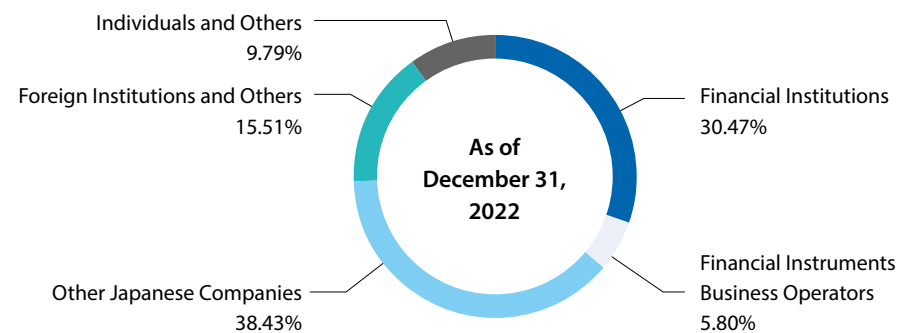
Name	Number of shares	Shareholding ratio (%) to the number of issued shares (excluding treasury shares)
The Master Trust Bank of Japan, Ltd. (Trustee account)	61,514,500	8.02
Meiji Yasuda Life Insurance Company	47,617,077	6.21
Sompo Japan Insurance Inc.	42,248,800	5.51
Tokyo Tatemono Co., Ltd.	40,749,033	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 3,515,400 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 Retrustee Trust & Custody Services Bank, Ltd.).

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

Composition of Shareholders



Stock Price (Tokyo Stock Exchange)

(yen)	December 2018	December 2019	December 2020	December 2021	December 2022
Stock price at the end of period	985	1,316	1,133	1,092	1,040
Stock price range in period (closing price basis)	936-1,404	844-1,339	905-1,372	1,071-1,403	986 -1,172

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, 2022)
Business Year	From January 1 to December 31
Listing	Tokyo Stock Exchange, Prime Section
Securities Code	3003
Headquarters	7-3 Nihonbashi Odenmacho, Chuo-ku, Tokyo, Japan
Number of Employees	202 (Non-consolidated) / 1,347 (Consolidated) (as of December 31, 2022)



Hulic Head Office Building

Major Hulic Group companies (as of December 31, 2022)

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, Electricity retail Business
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
Tokyo Bay Maihama Hotel Corporation	Urayasu-shi, Chiba	50	Hotel 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	100	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

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
"A List company" in CDP climate change 2022 survey
Received four stars in the Nikkei SDGs Management survey (2022)
2023 Certified Health & Productivity Management Outstanding Organization (Small and Medium-sized Enterprises Category)
Certified as Platinum Kurumin



2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

*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 FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

*2 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.

*3 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 Department
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 FY2022 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, Representative Director 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, 2022 to December 31, 2022 included in its Integrated Report 2023 (the "Report") for the fiscal year ended December 31, 2022.

- Greenhouse gas emissions Scope 1
- Greenhouse gas emissions Scope 2
- Greenhouse gas emissions Scope 3
- Waste disposal

- Water Intake
- Usage rate of paid leave
- Employment ratio of persons with disabilities
- 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.

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

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

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

Our Independence and Quality Management
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 Management 1, we design, implement and operate a system of quality management including policies or 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 12, 2023