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To All Parties Concerned

Company Name: Hulic Co., Ltd.
(TSE Prime Market, ticker securities code 3003)
Representative: Takaya Maeda
President, Representative Director
Contact: Shin Ito
Executive Managing Officer,
Head of Corporate Communications &
Investor Relations Dept.
Phone +81-3-5623-8102

Notice on the Formulation of New Medium-term Management Plan (2023-2025)

The Hulic Group is pleased to announce it has formulated New Medium-term Management Plan (2023-2025), which is outlined below.

The plan represents the second phase of the group's long-term (2020-2029) management plan. Taking over the first phase (2020-2022), Hulic will proceed with efforts to consistently increase its corporate value through responses to social challenges, based on continued profit growth.

1. Background of the New Medium-term Management Plan (2023–2025)

In 2020, the Hulic Group announced its Medium-and Long-term Management Plan (2020-2029), in which the first phase (2020-2022) targeted ¥110.0 billion in ordinary income for FY2022. Operation under this plan achieved ordinary income of ¥123.2 billion in 2022, beating the goal by ¥13.2 billion.

On the other hand, the business environment has significantly changed after the launch of the plan with the COVID-19 pandemic and other factors. Hulic formulated the second phase of the plan to respond to these changes, aiming at sustainable improvement in its corporate value so as to steadily achieve the goal of Medium-and Long-term Management and to create a foundation for growth in and after 2030.

2. Outline

◆ Basic Policy

"Paying attention to maintaining the credit rating level, create a high-quality leasing portfolio that addresses the changing circumstances, and continue to enhance the sustainable management."

◆ Quantitative Plan

		FY2022	New MT Plan (2025)	LT Plan (2029)
Growth	Ordinary income (billion yen)	123.2	150.0	180.0
Soundness	Debt/EBITDA ratio	8.5 times	12 times or less	12 times or less
	Net debt to equity ratio	1.3 times	3 times or less	3 times or less
Profitability	ROE	11.9%	10% or more	10% or more
Shareholder return	Dividend payout ratio	40.3%	40% or more	

※50% of hybrid finance in FY2018 and FY2020 (175bn=JPY350bn x 50%) was calculated as nominal equity.

◆ Priority Challenges

(1) Create a high-quality leasing portfolio and maintain / enhance 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 properties with excellent earthquake resistance 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.

(2) Expand pipelines for development / reconstruction and value-added (the "VA") projects, 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 VA 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.

(3) Promote new businesses to diversify revenue source

- Actively work on M&As and alliances to expand existing business domains including tourism, senior, environment and children's education, etc.
- Set aside around ¥50 billion for growth investments under the medium-to long-term strategy, and explore new business opportunities that respond to social and local community issues.

(4) Ensure financial soundness and manage risks to maintain credit ratings

- 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.

(5) Continue to promote the sustainable management to address environmental issues and human capital development, etc.

- Work on various environmental initiatives. Substantially achieve Hulic's RE100 commitment 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.